

CHUGAI RO (TYO: 1964)

For the second quarter of FY3/2026, order intake increased, and both net sales and profit grew, raising the probability of achieving the full-year forecast.

◇ **Highlights of second-quarter results for FY3/2026: increase in order intake, growth in both net sales and profit.** The second-quarter (first half) results for FY3/2026, which CHUGAI RO (hereinafter, the Company) announced on October 31, 2025, were solid again following the first quarter.

Order intake was 18.79 billion yen (up 9.9% YoY), order backlog was 41.78 billion yen (up 12.9% YoY), net sales were 14.76 billion yen (up 0.3% YoY), and operating profit was 160 million yen (up 109.3% YoY). Ordinary profit was 260 million yen (up 12.3% YoY). Profit attributable to owners of parent was 1.05 billion yen (up 103.8% YoY).

The key points of these results are the following three items.

First, the qualitative enrichment of order intake and profit/loss. Order intake has generally been performing well and is exceeding the plan. In the Heat Treatment Business, the Company won contracts for vacuum carburizing furnaces for automobiles in Japan, ovens for housing equipment components, and functional-material heat-treatment furnaces for semiconductor-related applications. In contrast, in the Plant Business, it won contracts for reheating furnaces for nonferrous metals in Japan, modification work on reheating furnaces for the steel industry overseas, process line cleaning equipment, and other orders. Among these, order intake for electric furnace dust recycling equipment for steel, which was also mentioned in the first quarter, can be expected to expand in the medium term.

On the profit and loss front, although net sales increased only slightly, the gross profit margin improved by 1.3 percentage points due to order intake at appropriate prices, and operating profit grew significantly as the Company absorbed the increase in selling, general, and administrative expenses.

Second, the probability of achieving the full-year company forecast has increased.

Given that both order intake and order backlog grew solidly and that the quality of profits has also improved, progress toward the full-year company forecast is inferred to be steady. The Company's results exhibit strong seasonality, with profits typically accumulating in the second half. The outlook is that in the second half, work on process lines for the steel industry in Japan and overseas, and on heat treatment furnaces for machine parts and functional materials, will proceed smoothly, thereby increasing the probability of achieving the full-year plan. The impact of the Trump tariffs is a point to watch, but for the time being, no new negative factors are evident.

Third, progress in the sale of cross-shareholdings. The Company recorded extraordinary income of 1.28 billion yen in the first quarter and will record an additional 1.31 billion yen on November 4.

2Q update report

Construction industry

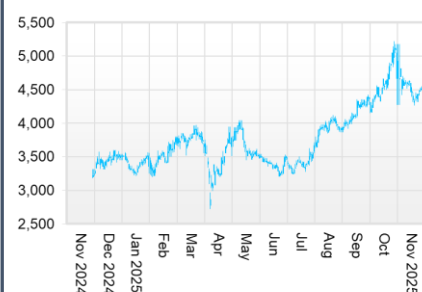
As of December 17, 2025

Share price (12/16)

4,375 Yen

52weeks high/low	¥5,220/2,723
Avg Vol (3 month)	40.1 thou shrs
Market Cap	¥34.12 Bn
Enterprise Value	¥31.67 bn
PER (3/26 CE)	8.6 X
PBR (3/25 act)	1.1 X
Dividend Yield (3/26 CE)	3.4 %
ROE (3/25)	10.7 %
Operating margin (3/25)	7.5 %
Beta (5Y Monthly)	0.23
Shares Outstanding	7.800 mn shrs
Listed market	TSE Prime section

Share price performance



%	1M%	3M%	12M%
Share price	-9.23	18.31	43.48
TSE TOPIX	2.82	9.34	25.72

Points of interest

As Japan's leading company in industrial furnaces and a "department store of industrial furnaces," the Company is promoting a Medium-Term Management Plan that treats as a business opportunity the achievement of carbon neutrality for 5,000–7,000 industrial furnaces in which it has been involved, which is indispensable for Japan to achieve its national decarbonization targets. It is also actively working to enhance corporate value. Its recent business performance is strong. We would like to focus on the probability of achieving the targets of the Medium-Term Management Plan, which ends in FY3/2027, and on the direction of the new Medium-Term Management Plan thereafter.

This report (financial update) has been prepared at the request of CHUGAI RO. For details, please refer to the Disclaimer on the last page.



◇ Earnings forecast for FY3/2026

The Company has revised its full-year earnings forecast, reflecting the expectation of extraordinary income from the partial sale of investment securities. Specifically, order intake of 37.80 billion yen (down 2.5% YoY), net sales of 37.50 billion yen (up 3.5% YoY), operating profit of 3.00 billion yen (up 9.7% YoY), and ordinary profit of 3.15 billion yen (up 4.9% YoY) remain unchanged from the initial forecasts. Profit attributable to owners of parent has been revised upward to 3.70 billion yen (up 23.4% YoY). Net income per share is 510.18 yen. There is no change in the annual dividend per share of 150 yen.

◇ Stock price trends and points of focus going forward

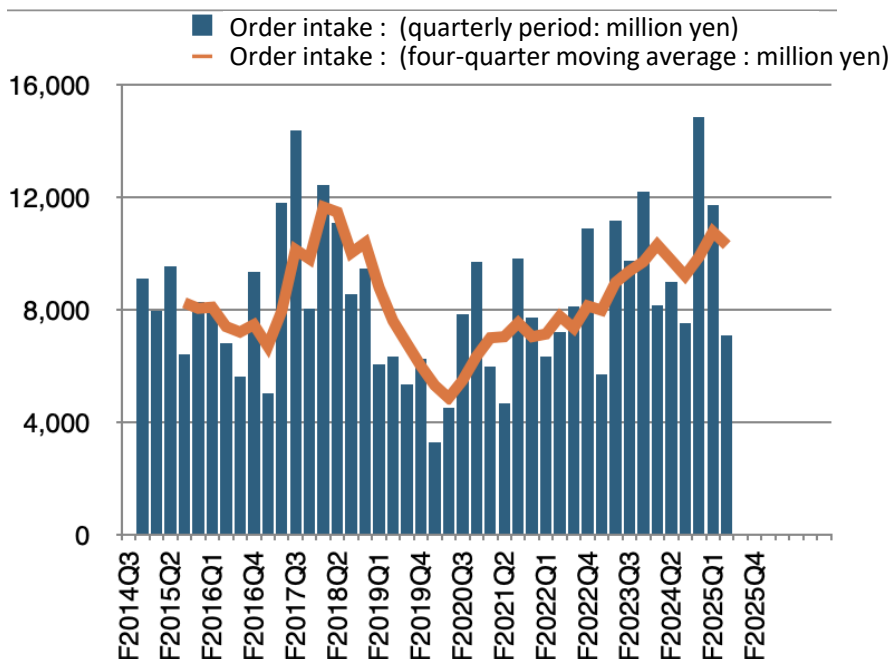
The Company's stock price rose steadily after the announcement of the first-quarter results, reaching 5,220 yen on October 29, but then entered a period of adjustment to the 4,200-yen range. However, at present it is holding firm in the 4,500-yen range. Currently, PBR is above 1.0 times, while the forward PER remains at 8.8 times, and there is little sense of overheating in the stock price.

For the stock price to rise further going forward, the Company needs to continue to deliver strong results in the third quarter, thereby increasing the probability of achieving the full-year earnings forecast; to further increase the likelihood of achieving the targets for the final fiscal year of the current Medium-Term Management Plan (net sales of 41.5 billion yen, operating profit of 3.62 billion yen, and ROE of 10%); and to implement the acquisition of treasury stock to realize a total payout ratio of 50% in the current fiscal year.

Through interviews with the Company, we have confirmed its recognition that, as of now, there has been no significant change in the order environment. Accordingly, we expect the Company to create new markets focused on carbon neutrality and to expand sales and improve profitability by enhancing existing products. Please refer to the recent case studies of results shown on the next page.

However, attention will be needed to automobile manufacturers' willingness to invest in internal combustion-related areas and to blast furnace manufacturers' stance toward efforts for carbon neutrality.

Order intake trend



Source: Omega Investment from company materials

Case studies of results from strategic initiatives

2-（１）カーボンニュートラルを中心に新市場の創出

Chugai Ro

【指標】社会ニーズに適合する2030年、100億円市場の創出（2026年度売上高目標：40億円）

■電気炉ダストリサイクル設備を東京製鐵株式会社殿より受注

製鉄会社において従来は産業廃棄物として外部委託処理していた電気炉ダストを、自社工場内での焙焼処理により含有亜鉛を分離して粗酸化亜鉛として回収することを可能としました。国内に電炉メーカーは約40社あり、今後も業界で進められているゼロエミッション達成にお応えべく本設備を積極的に展開してまいります。



電気炉ダストリサイクル設備イメージ



納入したパイロット機

■戦略的技術提携先へパイロット機を納入

マイクロ波化学(株)殿との戦略的技術提携のもと、当社はリチウム鉱石を連続で煅焼(かしょう)処理するマイクロ波昇温装置のパイロット機を納入いたしました。

これは三井物産(株)殿とマイクロ波化学(株)殿において進められている低炭素リチウム鉱石製錬技術の共同開発に向けたもので、二次電池用などで今後も需要が旺盛なりチウムの精錬工程においてCO₂排出量削減、省エネ化を実現する画期的な技術として大きな期待が寄せられています。

CHUGAI RO CO., LTD.

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2-（２）既存商品のニーズ適合ブラッシュアップで拡販と利益向上

Chugai Ro

【指標】2026年度 売上高の積上げ：112億円 営業利益の積上げ：20.6億円

■トヨタ自動車北海道株式会社殿より「技術開発賞」を受賞

4月18日、当社納入製品「コンパクトファルコン」（小型真空浸炭炉）にて受賞いたしました。当社は長年にわたりトヨタ自動車北海道株式会社殿へ熱処理炉および関連サービスを提供しており、毎年実施されております仕入先表彰においてこれらの取り組みがあらためてご評価いただける運びとなりました。



付帯設備の一種、
酸素バーナ搭載取銅予熱装置

■電炉シフトに伴う付帯設備の受注が好調 大型プラント案件を相次ぎ受注

カーボンニュートラル実現に向けて各製鉄会社では高炉から電炉へのシフトが世界規模で進められており、当社はバーナ関連で省エネ技術や排ガス燃焼技術を提案し多くの受注を得ております。

大型プラントに関しては東京製鐵株式会社殿より「溶融亜鉛めっきライン改造」を、また台湾の燁聯鋼鐵股份有限公司（Yieh United Steel Corporation）殿より「洗淨・レベリング統合ライン」をコンソーシアムの一員として受注いたしました。



授与された表彰盾

CHUGAI RO CO., LTD.

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Source: company materials

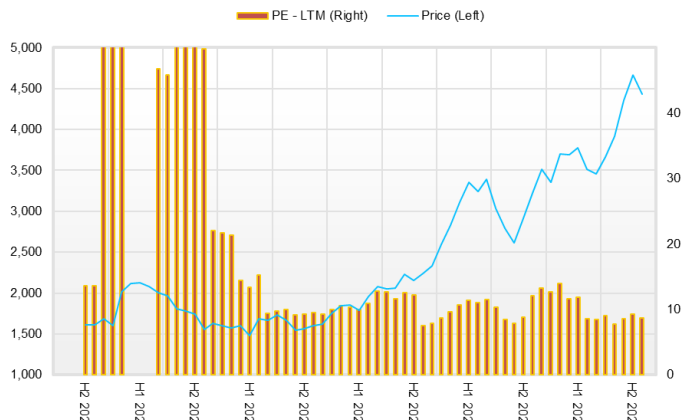
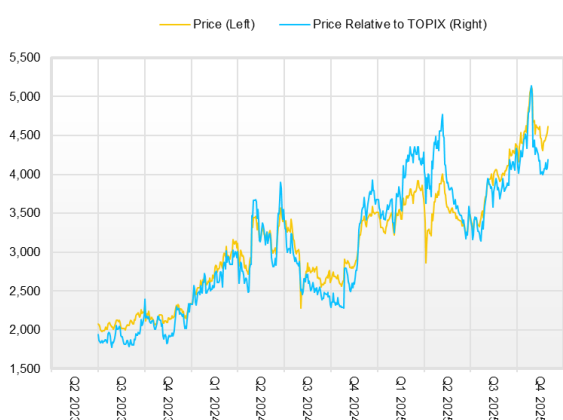
Company profile

CHUGAI RO CO., LTD. is Japan's leading manufacturer of industrial furnaces and industrial burners, whose management philosophy is: "Chugai Ro creates new value through its core of thermal technology, thus contributing to society while realizing the prosperity of the company and the happiness of its employees." With a track record of developing over 100 types of industrial furnaces, the Company is known as a "department store of industrial furnaces." Under the slogan "Pioneering the future with thermal technology," and based on its foundational technologies in thermal technology, engineering capabilities, and advanced technology accumulated since its founding in 1945, the Company provides industrial furnaces and related equipment to the steel, automotive, and information and communications industries. Currently, based on its Management Vision 2026, "Renovate ourselves to develop our future with the technology for carbon neutrality!", the Company aims to contribute to society and expand corporate value through carbon-neutral technology under its Medium-Term Management Plan (FY2022–FY2026). Attention from the stock market is increasing.

Key financial data

Unit: million yen	2021	2022	2023	2024	2025	2026 CE
Sales	24,717	26,317	27,976	29,283	36,247	37,500
EBIT (Operating Income)	389	1,264	1,310	1,479	2,737	3,000
Pretax Income	527	1,594	1,699	3,129	4,222	
Net Profit Attributable to Owner of Parent	329	1,360	1,231	2,197	2,998	3,700
Cash & Short-Term Investments	7,121	11,130	7,884	10,061	4,392	
Total assets	38,577	38,141	41,178	48,863	48,736	
Total Debt	5,988	3,988	3,988	7,288	5,507	
Net Debt	-1,133	-7,142	-3,896	-2,773	1,115	
Total liabilities	16,784	14,928	17,134	21,092	20,125	
Total Shareholders' Equity	21,681	23,068	23,860	27,570	28,329	
Net Operating Cash Flow	3,300	6,090	-2,500	-891	-3,696	
Capital Expenditure	442	317	240	1,335	798	
Net Investing Cash Flow	-551	510	-63	550	654	
Net Financing Cash Flow	-4,481	-2,508	-727	2,451	-2,701	
Free Cash Flow	3,036	5,963	-2,688	-2,161	-4,419	
ROA (%)	0.77	3.55	3.10	4.88	6.14	
ROE (%)	1.56	6.08	5.25	8.54	10.73	
EPS (Yen)	42.9	177.2	162.0	293.8	407.6	
BPS (Yen)	2,824.1	3,005.3	3,146.7	3,709.0	3,859.0	
Dividend per Share (Yen)	60.00	70.00	70.00	80.00	150.00	
Shares Outstanding (Million shares)	7.80	7.80	7.80	7.80	7.80	

Share price



Financial data (quarterly basis)

Unit: million yen	2024/3			2025/3				2026/3	
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
(Income Statement)									
Sales	7,868	5,837	10,837	5,280	9,441	7,498	14,028	6,347	8,422
Year-on-year	33.5%	-15.3%	-5.7%	11.4%	20.0%	28.5%	29.4%	20.2%	-10.8%
Cost of Goods Sold (COGS)	6,287	4,905	7,681	4,759	7,521	6,138	10,238	5,464	6,658
Gross Income	1,581	932	3,156	521	1,920	1,360	3,790	883	1,764
Gross Income Margin	20.1%	16.0%	29.1%	9.9%	20.3%	18.1%	27.0%	13.9%	20.9%
SG&A Expense	1,205	1,121	1,238	1,203	1,160	1,163	1,328	1,254	1,229
EBIT (Operating Income)	376	-189	1,918	-682	760	197	2,462	-371	535
Year-on-year	817.1%	-253.7%	2.1%	8.9%	102.1%	-204.2%	28.4%	-45.6%	-29.6%
Operating Income Margin	4.8%	-3.2%	17.7%	-12.9%	8.0%	2.6%	17.6%	-5.8%	6.4%
EBITDA	474	-58	2,068	-551	902	334	2,604	-253	661
Pretax Income	1,477	189	1,903	50	775	704	2,693	1,032	514
Consolidated Net Income	1,015	101	1,391	-9	544	504	2,033	673	333
Minority Interest	-14	-5	46	2	15	16	41	-31	-17
Net Income ATOP	1,030	106	1,344	-12	530	487	1,993	704	351
Year-on-year	751.2%	-30.3%	-0.5%	-95.8%	-48.5%	359.4%	48.3%	-5966.7%	-33.8%
Net Income Margin	13.1%	1.8%	12.4%	-0.2%	5.6%	6.5%	14.2%	11.1%	4.2%
(Balance Sheet)									
Cash & Short-Term Investments	9,688	8,640	10,061	6,097	5,567	3,855	4,392	6,071	5,853
Total assets	47,895	46,439	48,863	43,463	45,170	43,667	48,736	46,023	47,656
Total Debt	10,280	8,402	7,288	6,209	7,180	6,687	5,507	6,397	5,240
Net Debt	592	-238	-2,773	112	1,613	2,832	1,115	326	-613
Total liabilities	23,133	21,744	21,092	17,079	18,797	17,115	20,125	18,878	19,322
Total Sharehholders' Equity	24,591	24,544	27,570	26,178	26,143	26,321	28,329	26,908	28,117
(Profitability %)									
ROA	5.40	5.29	4.88	5.61	4.23	5.22	6.14	8.30	7.61
ROE	9.68	9.40	8.54	9.82	7.76	9.24	10.73	13.99	13.03
(Per-share) Unit: JPY									
EPS	137.7	14.3	180.8	-1.6	71.9	66.3	271.5	96.6	48.6
BPS	3,307.9	3,301.7	3,709.0	3,565.6	3,561.1	3,585.4	3,859.0	3,717.8	3,884.9
Dividend per Share	0.00	0.00	80.00	0.00	0.00	0.00	150.00	0.00	0.00
Shares Outstanding (million shares)	7.80	7.80	7.80	7.80	7.80	7.80	7.80	7.80	7.80



Financial data (full-year basis)

Unit: million yen	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
(Income Statement)										
Sales	32,795	31,146	30,829	37,089	38,089	24,717	26,317	27,976	29,283	36,247
Year-on-year	33.6%	-5.0%	-1.0%	20.3%	2.7%	-35.1%	6.5%	6.3%	4.7%	23.8%
Cost of Goods Sold	28,449	26,575	25,795	32,140	32,023	20,282	21,007	22,494	23,448	28,656
Gross Income	4,346	4,571	5,034	4,949	6,066	4,435	5,310	5,482	5,835	7,591
Gross Income Margin	13.3%	14.7%	16.3%	13.3%	15.9%	17.9%	20.2%	19.6%	19.9%	20.9%
SG&A Expense	3,669	3,797	3,853	3,962	4,354	4,046	4,046	4,172	4,356	4,854
EBIT (Operating Income)	677	774	1,181	987	1,712	389	1,264	1,310	1,479	2,737
Year-on-year	180.9%	14.3%	52.6%	-16.4%	73.5%	-77.3%	224.9%	3.6%	12.9%	85.1%
Operating Income Margin	2.1%	2.5%	3.8%	2.7%	4.5%	1.6%	4.8%	4.7%	5.1%	7.6%
EBITDA	1,037	1,112	1,527	1,378	2,080	749	1,676	1,710	1,953	3,289
Pretax Income	715	967	1,294	1,177	1,701	527	1,594	1,699	3,129	4,222
Consolidated Net Income	572	1,000	905	781	1,158	364	1,429	1,295	2,216	3,072
Minority Interest	27	21	40	26	37	35	69	64	19	74
Net Income ATOP	545	978	864	754	1,120	329	1,360	1,231	2,197	2,998
Year-on-year	79.9%	79.4%	-11.7%	-12.7%	48.5%	-70.6%	313.4%	-9.5%	78.5%	36.5%
Net Income Margin	1.7%	3.1%	2.8%	2.0%	2.9%	1.3%	5.2%	4.4%	7.5%	8.3%
(Balance Sheet)										
Cash & Short-Term Investments	6,923	7,833	6,858	5,169	8,658	7,121	11,130	7,884	10,061	4,392
Total assets	39,665	38,502	41,368	42,731	46,696	38,577	38,141	41,178	48,863	48,736
Total Debt	3,988	3,988	4,010	4,995	9,988	5,988	3,988	3,988	7,288	5,507
Net Debt	-2,935	-3,845	-2,848	-174	1,330	-1,133	-7,142	-3,896	-2,773	1,115
Total liabilities	20,300	18,131	20,131	21,774	26,006	16,784	14,928	17,134	21,092	20,125
Total Shareholders' Equity	19,292	20,295	21,138	20,875	20,589	21,681	23,068	23,860	27,570	28,329
(Cash Flow)										
Net Operating Cash Flow	1,260	1,033	377	-1,348	-580	3,300	6,090	-2,500	-891	-3,696
Capital Expenditure	290	113	420	456	244	442	317	240	1,335	798
Net Investing Cash Flow	-499	402	-837	-478	-442	-551	510	-63	550	654
Net Financing Cash Flow	-405	-484	-468	279	4,510	-4,481	-2,508	-727	2,451	-2,701
Free Cash Flow	1,016	933	2	-1,725	-775	3,036	5,963	-2,688	-2,161	-4,419
(Profitability)										
ROA (%)	1.45	2.50	2.17	1.80	2.51	0.77	3.55	3.10	4.88	6.14
ROE (%)	2.78	4.95	4.18	3.59	5.41	1.56	6.08	5.25	8.54	10.73
Net Margin (%)	1.66	3.14	2.81	2.04	2.94	1.33	5.17	4.40	7.50	8.27
Asset Turn	0.87	0.80	0.77	0.88	0.85	0.58	0.69	0.71	0.65	0.74
Assets/Equity	1.92	1.97	1.93	2.00	2.16	2.02	1.71	1.69	1.75	1.75
(Per-share) Unit: JPY										
EPS	70.0	125.7	111.0	97.2	145.9	42.9	177.2	162.0	293.8	407.6
BPS	2,478.6	2,607.8	2,716.9	2,718.6	2,681.5	2,824.1	3,005.3	3,146.7	3,709.0	3,859.0
Dividend per Share	60.00	60.00	60.00	60.00	60.00	60.00	70.00	70.00	80.00	150.00
Shares Outstanding (million shares)	7.80	7.80	7.80	7.80	7.80	7.80	7.80	7.80	7.80	7.80



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