

# CHUGAI RO (TYO: 1964)

**In the third quarter of FY3/2026, results remained solid. With higher-order intake, higher sales, and higher profits, the probability of achieving the full-year forecast is rising.**

◇ **Highlights of third-quarter results for FY3/2026: higher order intake, higher sales, and higher profits.**

The third-quarter results for FY3/2026 announced by CHUGAI RO (hereinafter, the Company) on January 30, 2026, remained favorable.

Order intake was 28.11 billion yen (up 14.2% YoY), order backlog was 42.12 billion yen (up 14.5% YoY), net sales were 23.78 billion yen (up 7.0% YoY), and operating profit was 620 million yen (up 125.8% YoY). Ordinary profit was 820 million yen (up 65.7% YoY). Profit attributable to owners of parent was 2.33 billion yen (up 132.1% YoY).

The key points of these results are **the steady progress and qualitative enrichment of order intake and profit and loss**. Order intake has been progressing steadily. Proposals based on “contributing to carbon neutrality” have borne fruit, and the Company has won contracts for modification work on continuous annealing lines for steel in Japan, ladle preheating equipment for electric furnaces, heat-treatment equipment related to next-generation batteries, electric-heating-type heat-treatment facilities for mechanical parts, and continuous annealing furnaces for wire rod coils.

Profit and loss have also been progressing steadily. Net sales increased as projects such as production equipment for next-generation solar cells, heat-treatment equipment for solid electrolytes, energy-saving modification work on reheating furnaces for the steel industry in Japan, deodorizing furnaces, stainless steel manufacturing facilities for overseas customers, and a project under the Green Innovation Fund Project “Decarbonization of thermal processes in the manufacturing sector” of the New Energy and Industrial Technology Development Organization (NEDO), a National Research and Development Agency, progressed smoothly. On the profit side, the gross profit margin improved by 1.6 percentage points through appropriate pricing, and, while absorbing the increase in selling, general, and administrative expenses, this led to a substantial increase in operating profit. Furthermore, the sale of cross-shareholdings (extraordinary income) is also progressing steadily.

◇ **Earnings forecast for FY3/2026: unchanged. The probability of achievement is increasing.**

The Company left its full-year earnings forecast unchanged this time. Net sales are projected at 37.50 billion yen (up 3.5% YoY), operating profit at 3.00 billion yen (up 9.7% YoY), ordinary profit at 3.15 billion yen (up 4.9% YoY), and profit attributable to owners of parent at 3.70 billion yen (up 23.4% YoY). Net income per share is projected at 510.18 yen, and the annual dividend per share at 150 yen.

This forecast is achievable if the Company generates revenue in the fourth quarter at the same level as in the same quarter of the previous fiscal year. In light of the recent growth in order intake and backlog, **the probability of achieving it has increased further.**

◇ **Change in representative director and change of president**

At the Board of Directors meeting held on January 30, 2026, it was resolved that the president will change effective April 1, 2026. Representative Director, President and Executive Officer Akira Ozaki is scheduled to become Representative Director and Chairman, and Director, Senior Managing Executive Officer Mamoru Sakata is scheduled to become Representative Director, President and Executive Officer. The new president will be responsible for formulating and implementing the next Medium-Term Management Plan for FY2027 and beyond.

## 3Q update report

### Construction industry

As of February 27, 2026

<b>Share price (2/26)</b>	<b>4,975 Yen</b>
52weeks high/low	¥5,220/2,723
Avg Vol (3 month)	26.8 <sup>thou</sup> shrs
Market Cap	¥38.81 Bn
Enterprise Value	¥31.26 bn
PER (3/26 CE)	9.8 X
PBR (3/25 act)	1.3 X
Dividend Yield (3/26 CE)	3.0 %
ROE (3/25)	10.7 %
Operating margin (3/25)	7.5 %
Beta (5Y Monthly)	0.30
Shares Outstanding	7.800 mn shrs
Listed market	TSE Prime section

### Share price performance



### 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.

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## ◇ Stock price trends and points of focus going forward

Following the announcement of the first-quarter results, the Company's stock price rose steadily and reached a fiscal-year high of 5,220 yen on October 29, but after the announcement of the second-quarter results, it entered a phase of consolidating a base in the 4,200–4,600 yen range. Thereafter, as the third-quarter results were strong and the probability of achieving the full-year earnings forecast increased, the stock price rose to a level where it is poised to renew its high. PBR is 1.2x, and forward PER remains at 9.4x, and there is little sense that the stock price is overheated.

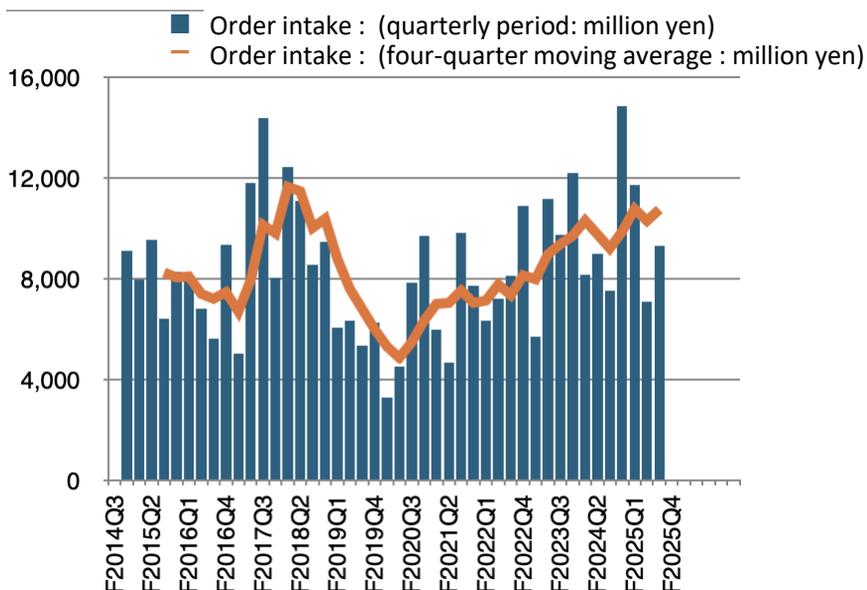
The future trend in the stock price will hinge on the final results for FY3/2026 and whether there is additional shareholder returns, the earnings trend in FY3/2027, and the direction of the next Medium-Term Management Plan, which will cover FY3/2028 and beyond.

First, a key focus is whether the results for FY3/2026 will align with the Company's forecast and whether additional shareholder returns (an increase in dividends or additional treasury share acquisitions) will be implemented to achieve a total shareholder return ratio of 50%.

Next, attention will be focused on whether the Company's earnings forecast for FY3/2027 will be in line with the target values 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%). In light of the accumulation of order intake and order backlog to date, it appears that things are progressing smoothly.

Finally, the direction of the next Medium-Term Management Plan, which will be formulated during FY3/2027 under the new president, will be important. If its key customers, the steel and automotive industries, continue to actively pursue carbon-neutrality initiatives, and if carbon-neutral initiatives also advance in electronics-related industries and other sectors, the Company's opportunities to play an active role are likely to increase further. Attention should also be paid to the new president's capabilities and vision.

### Order intake trend



(Source: Omega Investment from company materials)

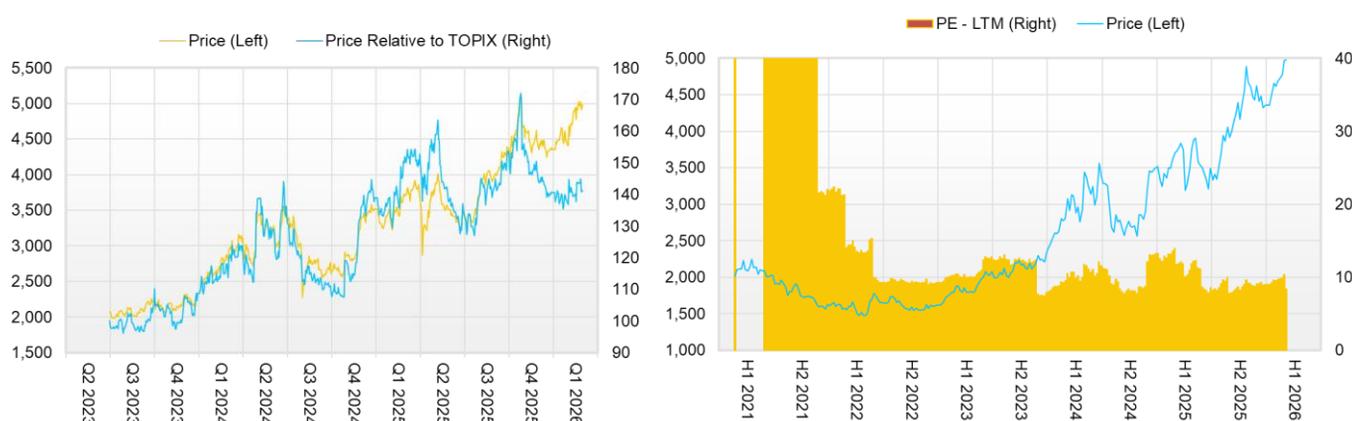
## Company profile

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	510.18
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	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		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
<b>(Income Statement)</b>									
Sales	5,837	10,837	5,280	9,441	7,498	14,028	6,347	8,422	9,015
Year-on-year	-15.3%	-5.7%	11.4%	20.0%	28.5%	29.4%	20.2%	-10.8%	20.2%
Cost of Goods Sold (COGS)	4,905	7,681	4,759	7,521	6,138	10,238	5,464	6,658	7,203
Gross Income	932	3,156	521	1,920	1,360	3,790	883	1,764	1,812
Gross Income Margin	16.0%	29.1%	9.9%	20.3%	18.1%	27.0%	13.9%	20.9%	20.1%
SG&A Expense	1,121	1,238	1,203	1,160	1,163	1,328	1,254	1,229	1,356
EBIT (Operating Income)	-189	1,918	-682	760	197	2,462	-371	535	456
Year-on-year	-253.7%	2.1%	8.9%	102.1%	-204.2%	28.4%	-45.6%	-29.6%	131.5%
Operating Income Margin	-3.2%	17.7%	-12.9%	8.0%	2.6%	17.6%	-5.8%	6.4%	5.1%
EBITDA	-58	2,068	-551	902	334	2,604	-253	661	605
Pretax Income	189	1,903	50	775	704	2,693	1,032	514	1,915
Consolidated Net Income	101	1,391	-9	544	504	2,033	673	333	1,319
Minority Interest	-5	46	2	15	16	41	-31	-17	40
Net Income ATOP	106	1,344	-12	530	487	1,993	704	351	1,278
Year-on-year	-30.3%	-0.5%	-95.8%	-48.5%	359.4%	48.3%	-5966.7%	-33.8%	162.4%
Net Income Margin	1.8%	12.4%	-0.2%	5.6%	6.5%	14.2%	11.1%	4.2%	14.2%
<b>(Balance Sheet)</b>									
Cash & Short-Term Investments	8,640	10,061	6,097	5,567	3,855	4,392	6,071	5,853	6,726
Total assets	46,439	48,863	43,463	45,170	43,667	48,736	46,023	47,656	46,788
Total Debt	8,402	7,288	6,209	7,180	6,687	5,507	6,397	5,240	5,074
Net Debt	-238	-2,773	112	1,613	2,832	1,115	326	-613	-1,652
Total liabilities	21,744	21,092	17,079	18,797	17,115	20,125	18,878	19,322	17,645
Total Shareholders' Equity	24,544	27,570	26,178	26,143	26,321	28,329	26,908	28,117	28,875
<b>(Profitability %)</b>									
ROA	5.29	4.88	5.61	4.23	5.22	6.14	8.30	7.61	9.56
ROE	9.40	8.54	9.82	7.76	9.24	10.73	13.99	13.03	15.67
<b>(Per-share) Unit: JPY</b>									
EPS	14.3	180.8	-1.6	71.9	66.3	271.5	96.6	48.5	176.6
BPS	3,301.7	3,709.0	3,565.6	3,561.1	3,585.4	3,859.0	3,717.8	3,884.9	3,989.7
Dividend per Share	0.00	80.00	0.00	0.00	0.00	150.00	0.00	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
<b>(Income Statement)</b>										
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%
<b>(Balance Sheet)</b>										
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
<b>(Cash Flow)</b>										
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
<b>(Profitability )</b>										
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
<b>(Per-share) Unit: JPY</b>										
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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