TSE Prime-listed company

Stock code ：1964

Financial Results Presentation Materials

FY2024 (April 1, 2024 – March 31, 2025)

April 28, 2025

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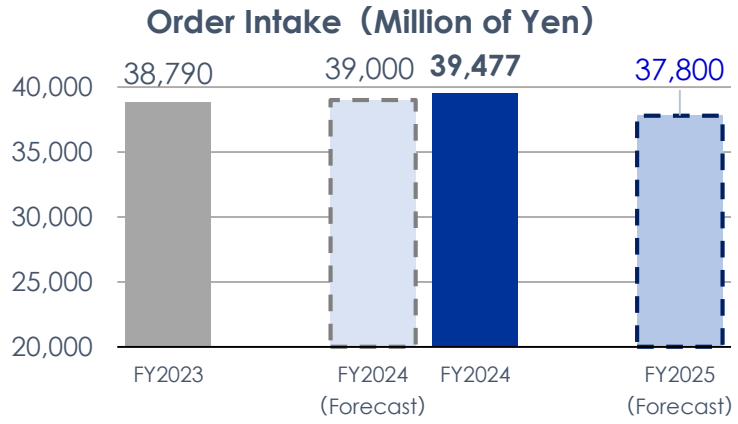
（Appendix）Corporate Overview P.23

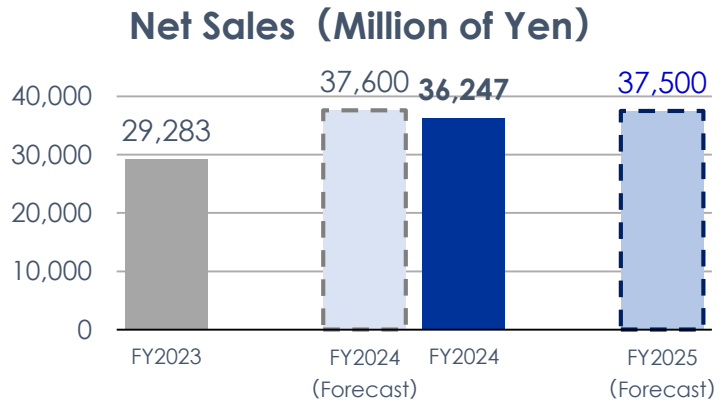
1. Consolidated Financial Results for FY2024 and Earnings Forecast for FY2025

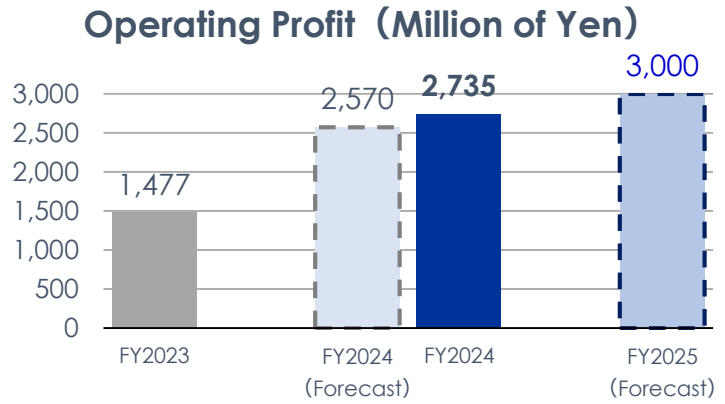
The order backlog has continued its upward trend, in line with the previous fiscal year, driven by proactive expansion into high-growth sectors. While net sales fell slightly short of the initial forecast, both revenue and profit achieved substantial year-on-year growth. We remain firmly committed to achieving our targets for fiscal year 2025

Unit: Millions of Yen (JPY)

Item Name	FY2023	FY2024 (Forecast)	**FY2024**	Compared to Forecast	YoY	FY2025 (Forecast)
Order Intake	38,790	39,000	**39,477**	101%	102%	37,800
Net Sales	29,283	37,600	**36,247**	96%	124%	37,500
Operating Profit	1,477	2,570	**2,735**	106%	185%	3,000
Ordinary Profit	1,714	2,670	**3,003**	112%	175%	3,150
Profit Attributable to Owners of the Parent	2,197	2,300	**2,998**	130%	136%	2,800
Year-End Dividend per Share	80JPY	100JPY	**150JPY**	150%	188%	150JPY

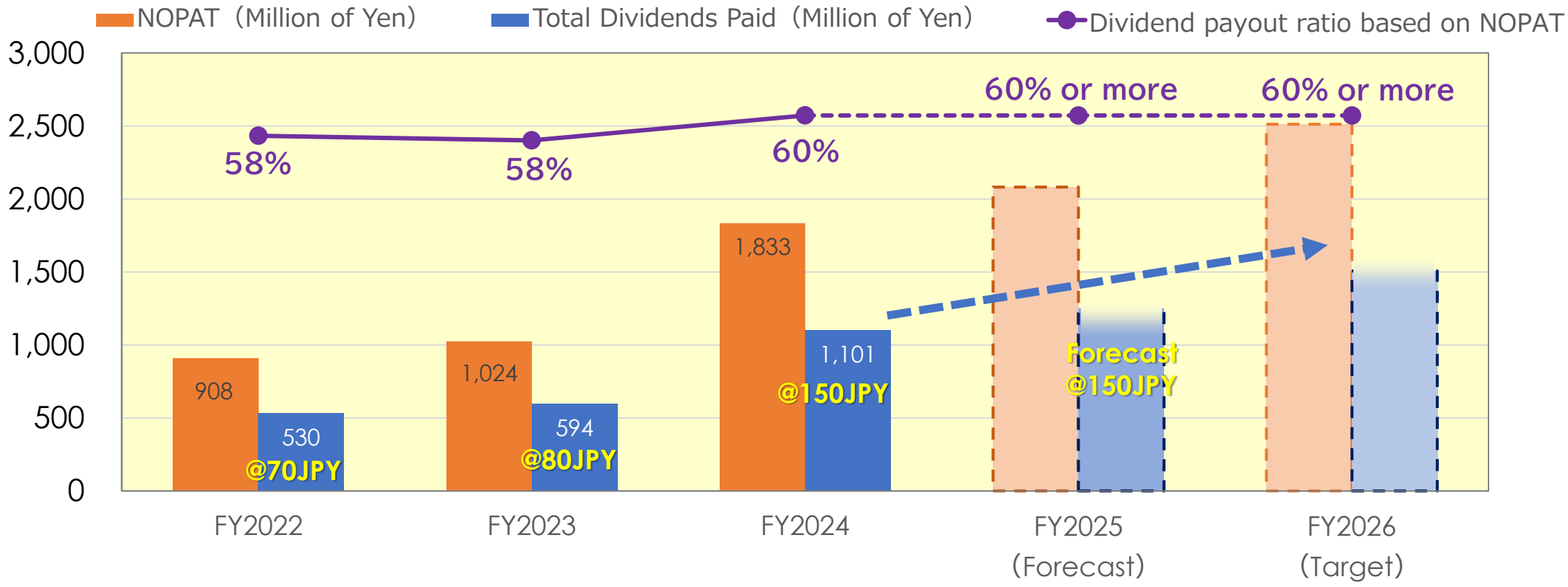






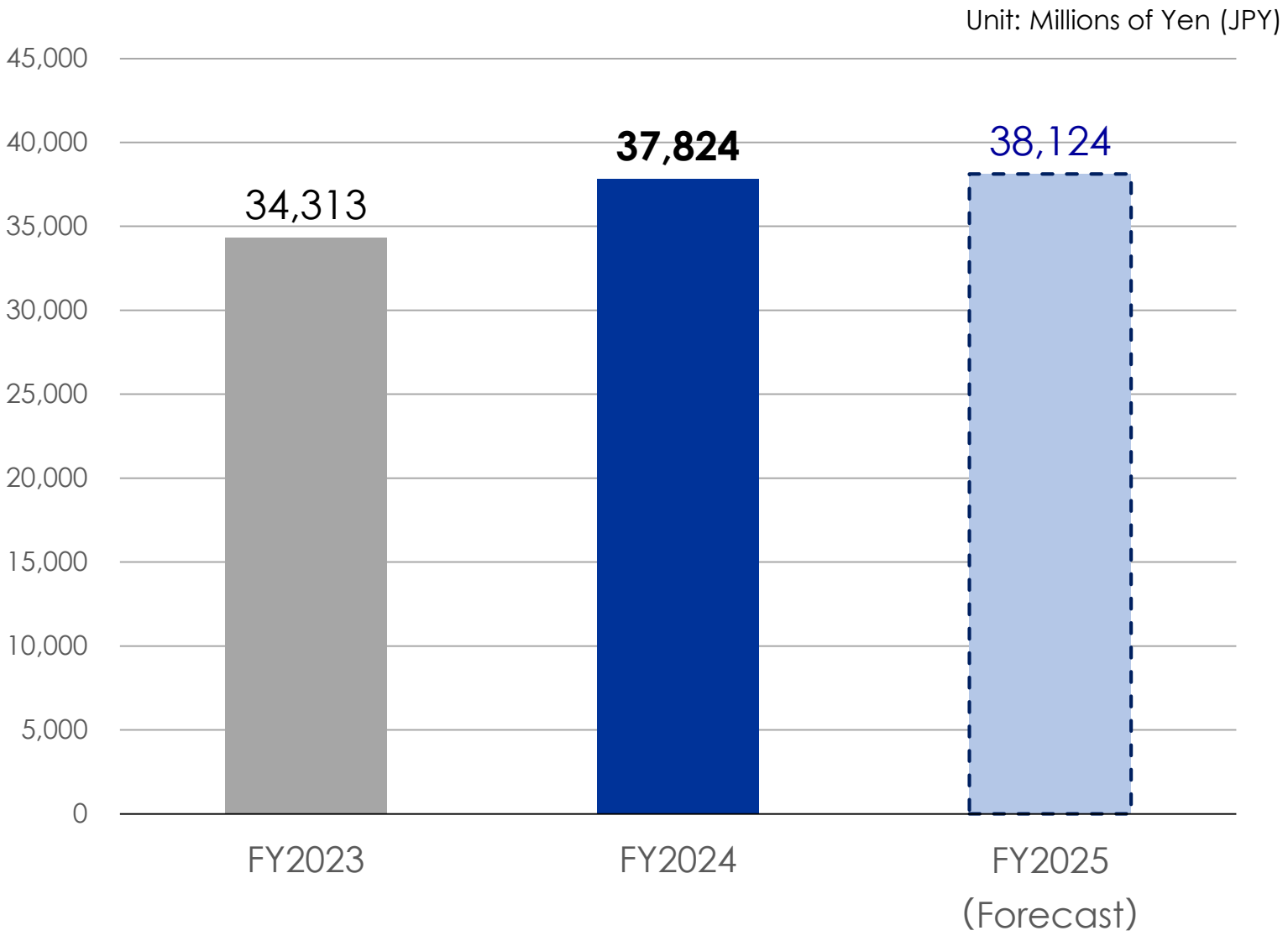
● Dividend Status Based on the Shareholder Return Policy

As for our shareholder return policy, beginning in FY2024, we have set a target of maintaining a dividend payout ratio of 60% or more, based on NOPAT (Net Operating Profit After Tax). We will continue to maintain a high level of dividends going forward. With respect to total shareholder return, we will strive to maintain a ratio of 50% or more by conducting share buybacks as appropriate.



※The dividend payout ratio used as our key indicator is calculated based on NOPAT, excluding operating profit attributable to non-controlling interests.

2. Trends in Backlog under Consolidated Financial Results



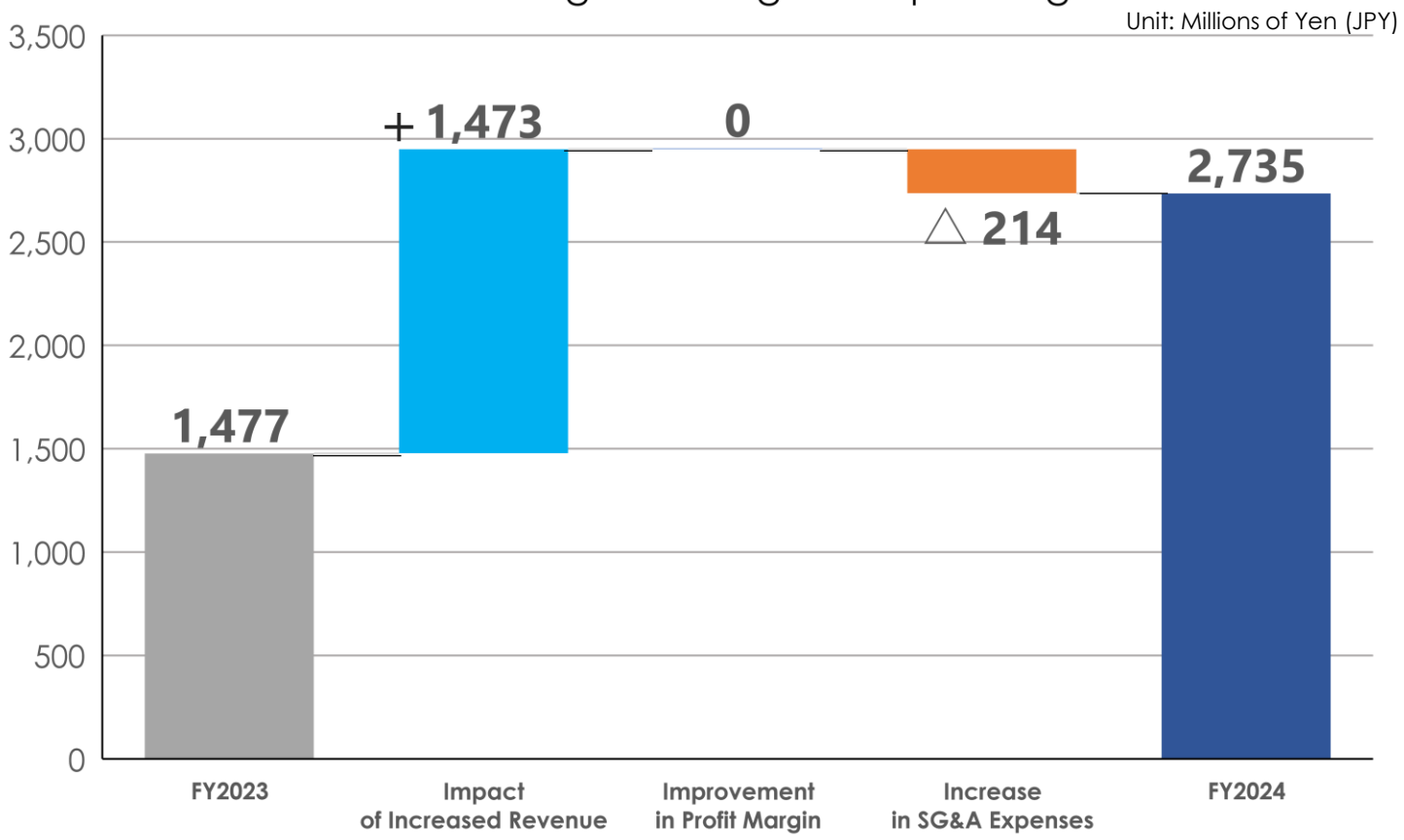
FY2024 Results and FY2025 Forecast

- As of the end of March 2024, the order backlog stood at ¥37.8billion,representing an increase of ¥3.5 billion compared to the previous fiscal year.
- We received orders from the domestic steel industry for various types of equipment, including energy-saving systems, facilities for galvanizing production lines, exhaust gas treatment systems, ultra-high-temperature processing equipment, manufacturing systems related to next-generation batteries, and production equipment for the aerospace sector.
- For FY2025, we expect to secure orders totaling ¥38.1 billion, primarily driven by demand for heating furnaces, solar cell manufacturing equipment, and secondary battery-related facilities.

3. Factors Affecting Changes in Operating Profit in FY2024 Consolidated Financial Results

In FY2024, consolidated net sales increased by 23.8% year over year. Despite rising costs, the gross profit margin remained at the same level as the previous year, supported by an increase in orders for high-margin projects and improvements in cost control. Selling, general and administrative (SG&A) expenses increased by ¥200 million in absolute terms due to higher sales; however, the SG&A ratio improved by 2.4 percentage points. Operating profit margin also improved by 2.5 percentage points, primarily due to the increase in sales, resulting in a significant rise of ¥1.2 billion in operating profit.

Factors Contributing to Changes in Operating Profit



Unit: Millions of Yen (JPY)

Item Name	FY2023	**FY2024**	Increase and Decrease
Net Sales	29,283	**36,247**	+23.8%
Gross Profit (Gross Profit Margin)	6,117 (20.9%)	**7,590** (20.9%)	+1,473 (0.0pt)
Impact Attributable to Revenue Growth	—	—	+1,473
Impact Attributable to Margin Improvement	—	—	0
SG&A Expenses (SG&A Ratio)	4,639 (15.8%)	**4,854 (13.4%)**	+214 (△2.4pt)
Operating Profit (Operating Profit Margin)	1,477 (5.0%)	**2,735 (7.5%)**	+1,258 (+2.5pt)

4. Status of Assets, Liabilities, and Equity in the Consolidated Financial Statements

Description of Assets

Unit: Millions of Yen (JPY)

Item Name	FY2023	**FY2024**	Increase and Decrease
Total Assets	**48,863**	**48,736**	**△127**
Current Assets	34,252	35,982	+1,729
Non-Current Assets	14,611	12,754	△1,856
PP&E	4,845	5,053	+208
Intangible Assets	256	208	△47
Investments and Other Assets	9,509	7,492	△2,017

Description of Liabilities and Net Assets

Unit: Millions of Yen (JPY)

Item Name	FY2023	**FY2024**	Increase and Decrease
Total Liabilities	**21,094**	**20,127**	**△967**
Current Liabilities	17,517	15,233	△2,284
Non-Current Liabilities	3,577	4,893	+1,316

Item Name	FY2023	**FY2024**	Increase and Decrease
Total Net Assets	**27,768**	**28,609**	**+840**
Shareholders' Equity	22,451	24,542	+2,090
AOCI	5,119	3,785	△1,333
Non-Controlling Interests	198	280	+82

Description of Equity Ratio and Dependence on Borrowings

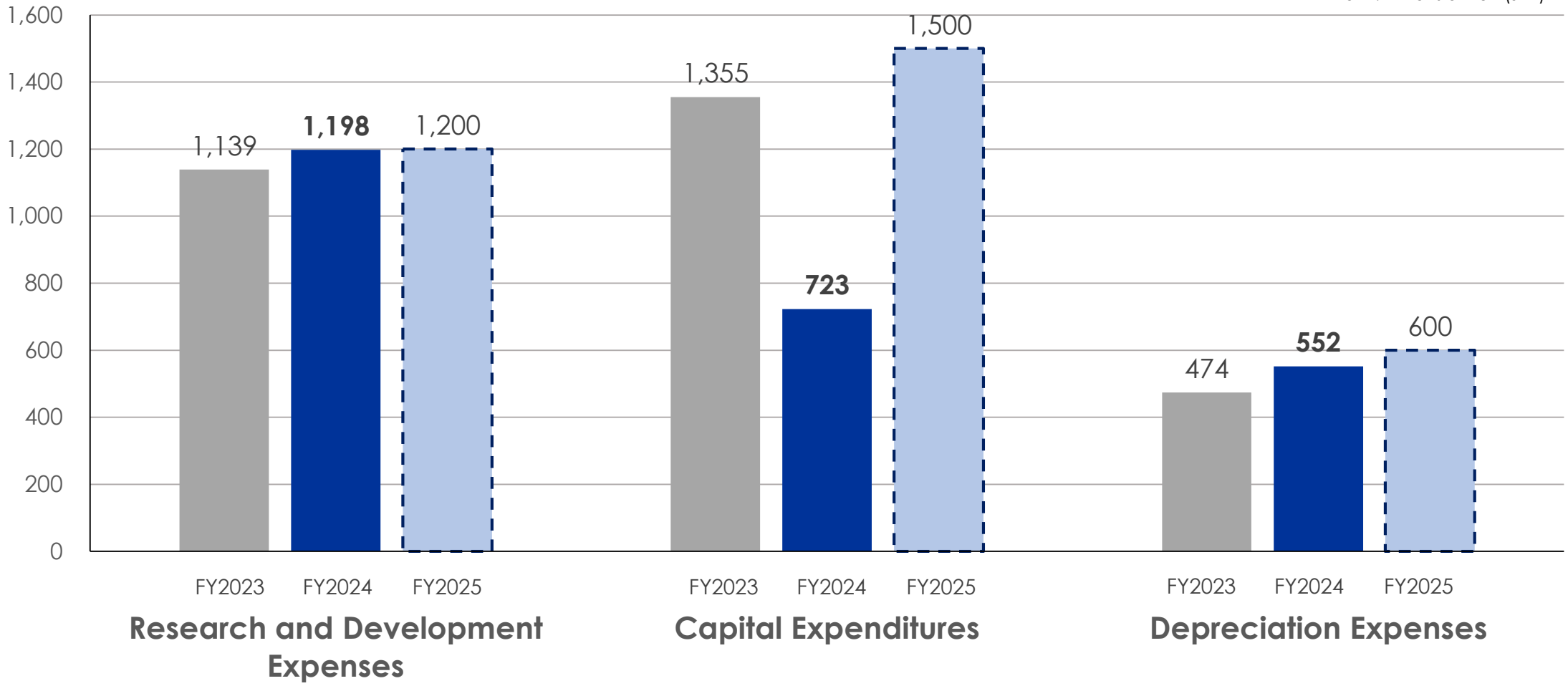
Item Name	FY2023	**FY2024**	Increase and Decrease
Equity Ratio (%)	56.4	**58.1**	+1.7pt
Dependence on Borrowings (%)	14.9	**11.3**	△3.6pt

As a result of increased sales, total assets reached ¥48.7 billion, while net assets rose to ¥28.6 billion due to higher profitability and other factors. Financial indicators continue to reflect a sound and stable financial position.

5. Explanation of R&D Expenses, Capital Expenditures, and Depreciation in the Consolidated Financial Results

In FY2023, capital expenditures increased significantly due to the establishment of the new research facility, the Thermal Technology Innovation Center. From FY2024 onward, we have continued to make proactive investments in research and development, including decarbonization initiatives, as well as in operational systems.

Unit: Millions of Yen (JPY)



6. Cash Flow Status in the Consolidated Financial Statements

Unit: Millions of Yen (JPY)

Item Name	FY2023	**FY2024**	Increase And Decrease
Operating cash flow	△891	**△3,696**	△2,805
Investing cash flow	550	**654**	+104
Financing cash flow	2,451	**△2,701**	△5,152
Cash and cash equivalents	10,019	**4,348**	△5,671

Operating cash flow decreased by ¥3.6 billion, primarily due to an increase in trade receivables and contract assets.

Investing cash flow increased by ¥600 million as a result of proceeds from the sale of investment securities.

Financing cash flow decreased by ¥2.7 billion due to a reduction in short-term borrowings.

As a result, cash and cash equivalents at the end of the fiscal year declined by ¥5.6 billion to ¥4.3 billion.

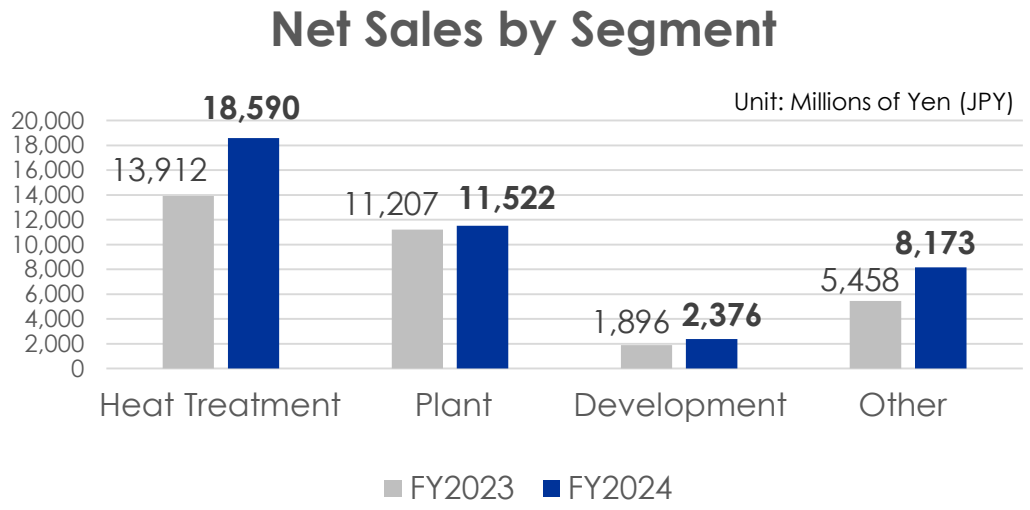
Net Sales by Segment

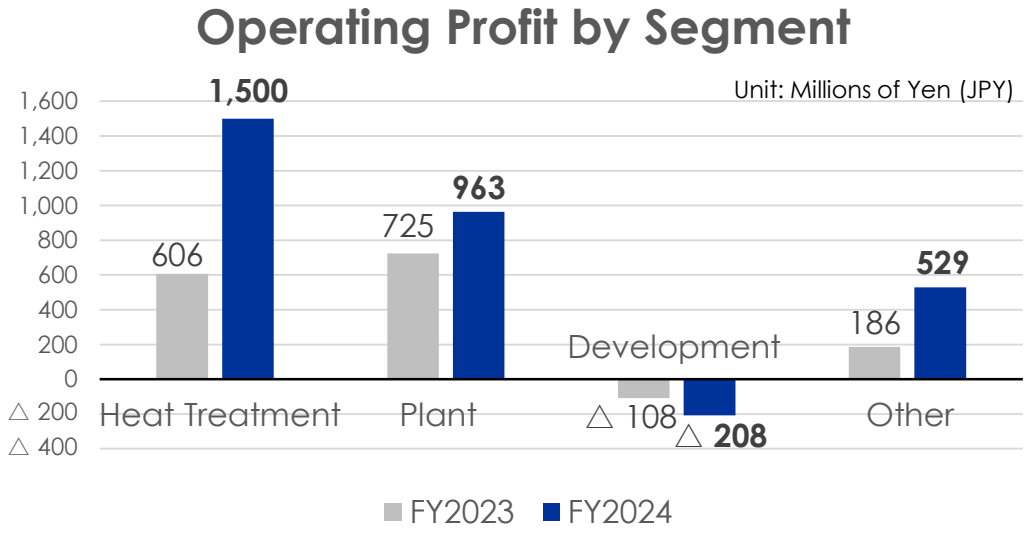
Unit: Millions of Yen (JPY)

Item Name	FY2023	**FY2024**	YoY
Heat Treatment Business	13,912	**18,590**	134%
Plant Engineering Business	11,207	**11,522**	103%
Development Business	1,896	**2,376**	125%
Other Businesses	5,458	**8,173**	150%
Adjusted Amount	△3,191	**△4,415**	-
Total	29,283	**36,247**	124%

Operating Profit by Segment

Item Name	FY2023	**FY2024**	YoY
Heat Treatment Business	606	**1,500**	+893
Plant Engineering Business	725	**963**	+238
Development Business	△108	**△208**	△99
Other Businesses	186	**529**	+342
Adjusted Amount	68	**△49**	-
Total	1,477	**2,735**	+1,258





8. Progress of Priority Strategies Outlined in the Medium-Term Management Plan FY2022-2026



【Corporate Philosophy】

CHUGAI RO CO. LTD.

is committed to creating new value through its core heat technology, contributing to society, and achieving both corporate prosperity and employee well-being.

「Create New Value」

【Three Key Strategies】

（1）Creation of New Markets Centered on Carbon Neutrality

（2）Through refinement of existing products to better meet customer demands, we seek to expand sales and enhance profitability

（3）Creating a Fulfilling and Motivating Workplace

【 Management Vision 2026 】

Transforming Ourselves to Pioneer the Future Through Carbon-Neutral Technologies

Unit: Millions of Yen (JPY)

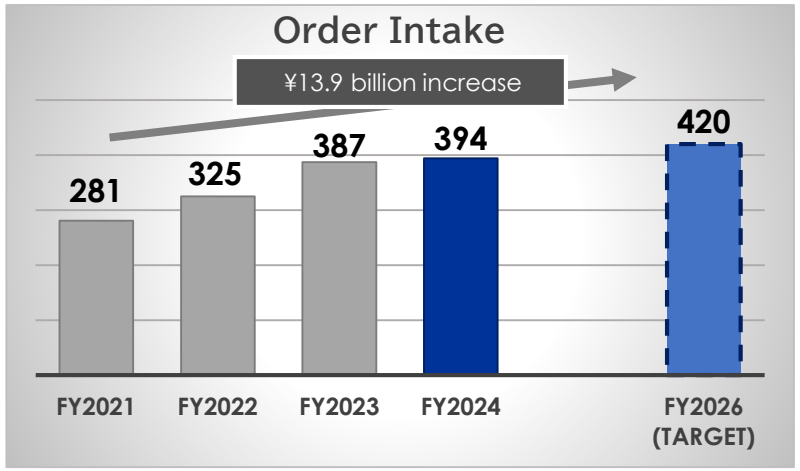
【FY2026 Target】

Net Sales : ¥41.5 billion

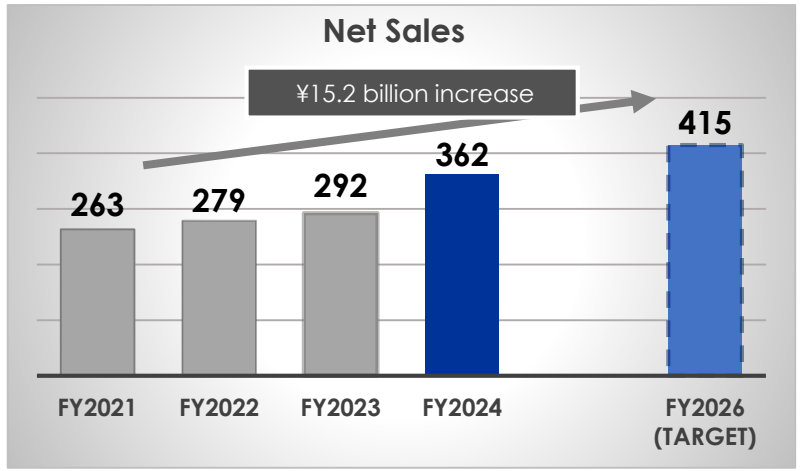
Operating Profit : ¥3.62 billion
(Operating Profit Margin 8.7%)

ROE : 10.0%

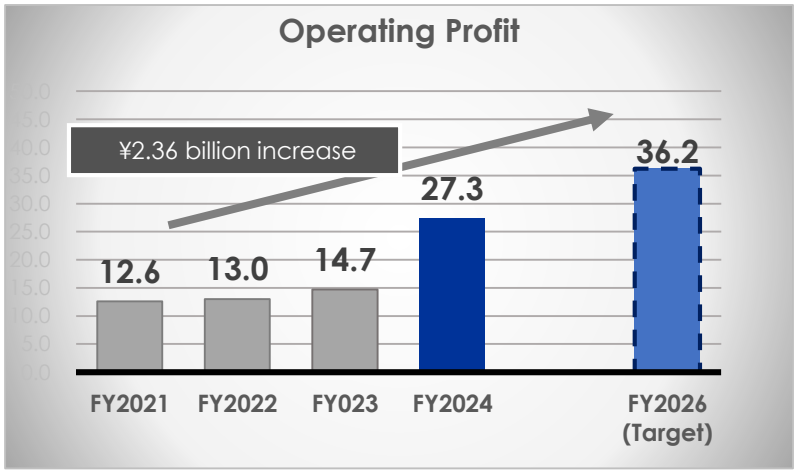
Item Name	FY2021	FY2022	FY2023	**FY2024**	FY2025 (Forecast)	**FY2026 (Target)**
Order Intake	28,137	32,522	38,790	**39,477**	37,800	42,000
Net Sales	26,317	27,977	29,283	**36,247**	37,500	41,500
Operating Profit	1,263	1,309	1,477	**2,735**	3,000	3,620
Ordinary Profit	1,493	1,575	1,714	**3,003**	3,150	3,720
Profit Attributable to Owners of the Parent	1,360	1,231	2,197	**2,998**	2,800	2,450
ROE	6.1%	5.2%	8.5%	**10.7%**	9.7%	10.0%



Unit: Billions of Yen (JPY)



Unit: Billions of Yen (JPY)



Unit: Billions of Yen (JPY)

（1）Creation of New Markets Centered on Carbon Neutrality

【Indicator for New Market Creation through New Products】

By 2030, we aim to respond to social demands more effectively than ever and create a ¥10 billion market.

▼

FY2026 Sales Target: ¥4.0 billion

【Measures to Achieve the Target】

- To promote research and development, approximately ¥1.0 billion has been invested in the establishment of a new research facility.
- An additional 30 personnel have been assigned to the R&D division.
- In FY2026, we aim to achieve ¥4.0 billion in net sales from new products.

Regarding Carbon Neutrality

Accelerating the Development of Technologies to Reduce CO_2 Emissions from Combustion-Type Industrial Furnaces and Burners

- By FY2050, we aim to reduce CO_2 emissions from delivered equipment by more than **100% compared** to FY2013 levels.

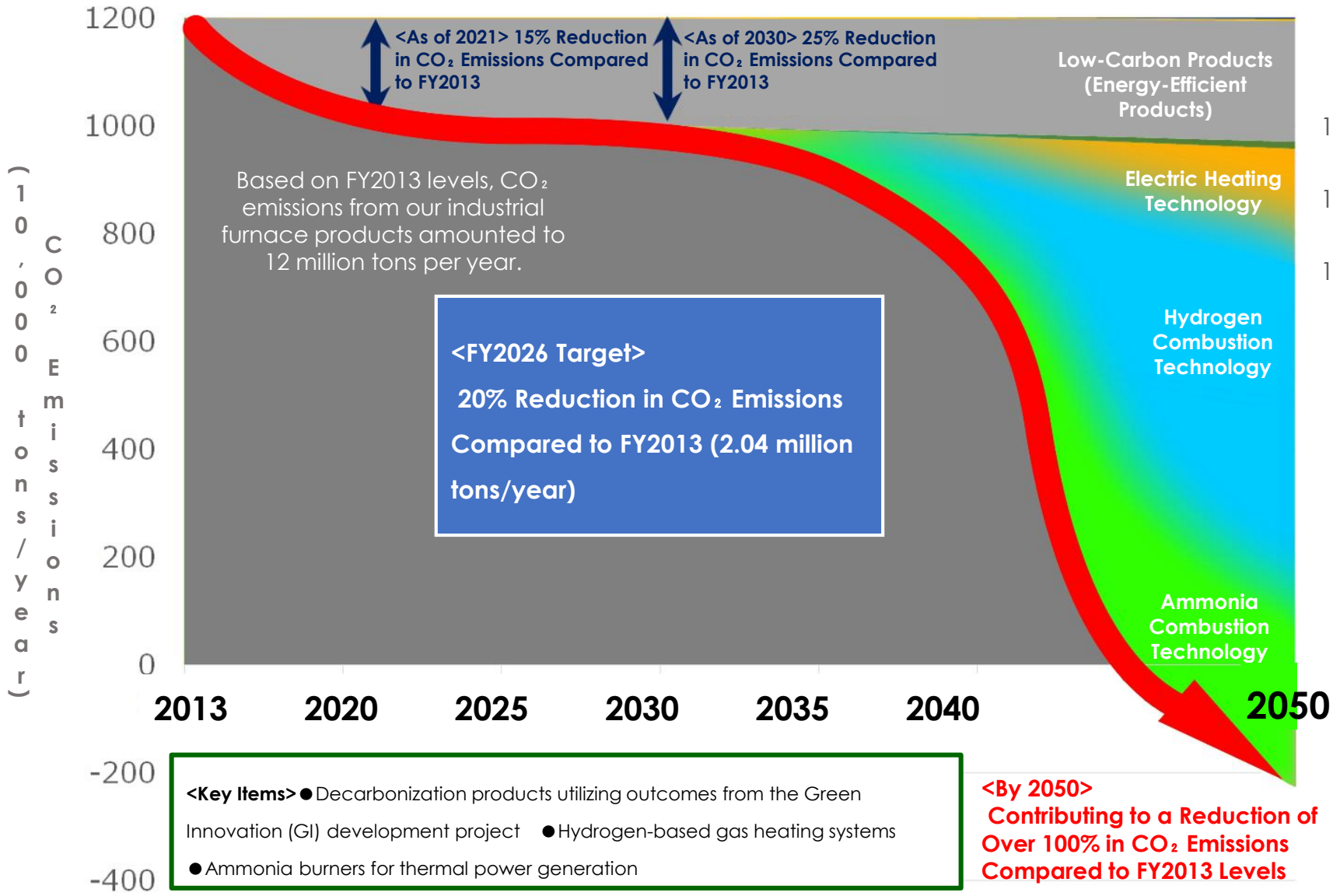
Regarding Zero Emissions

- Establish resource recycling processes for electric furnace waste, discarded lithium-ion batteries, and waste plastics.
- Focusing on expanding sales of environmental remediation process equipment, including soil improvement and water purification systems.

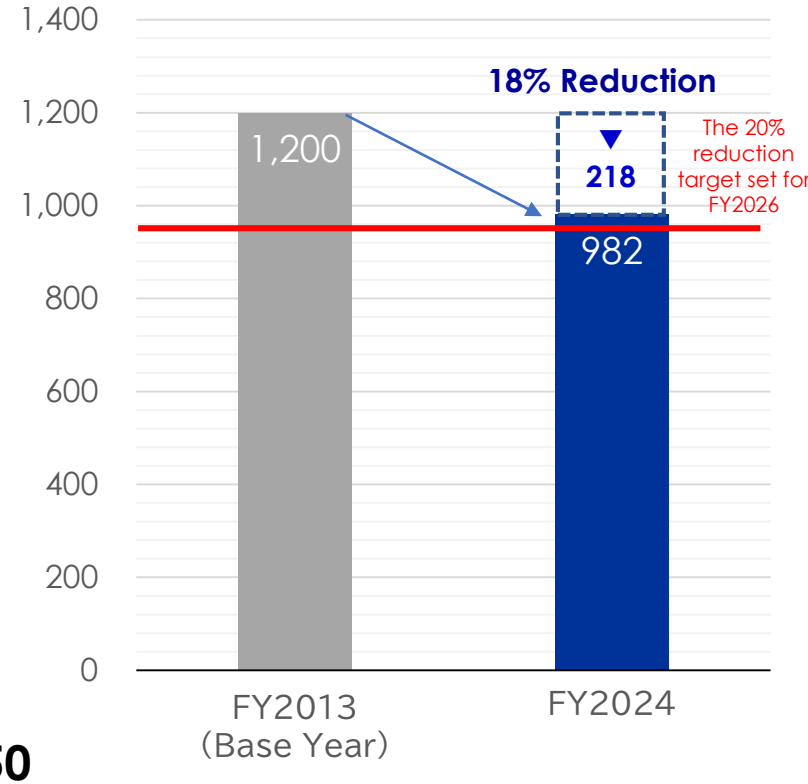
Thermal Technologies for Advanced Materials

- Utilize the high-temperature furnaces and processing equipment installed at the Thermal Technology Innovation Center.
- Conduct product specification tests efficiently to enable optimal equipment proposals tailored to customer needs.

(1) Creation of New Markets Centered on Carbon Neutrality



CO₂ Emissions from Our Products in Operation (10,000 tons/year)



In FY2024, CO_2 emissions reductions achieved by our delivered equipment amounted to 2.18 million tons, progressing steadily in line with the plan. The reduction rate reached 18%.

※Our decarbonization targets will be reviewed periodically in response to changes in external conditions, such as the development of infrastructure and supply chains.

【Indicator for New Market Creation through New Products】

By 2030, we aim to respond to social demands more effectively than ever and create a ¥10 billion market.

▼

FY2026 Sales Target: ¥4.0 billion

【FY2024 Results】

- **Net Sales Related to New Market Creation: ¥1.0 billion**
- **Major Products and Projects**
  - **– Green Innovation Fund Project by NEDO – Decarbonization of thermal processes in manufacturing**
  - **– Development of hydrogen-reduction heating technologies**
  - **– Development of electric arc furnace dust processing technologies**

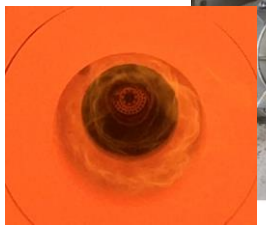
■ Received the Highest Award for Technological Development from Toyota Motor Corporation.





The Product Recognized with the Award

■ Ammonia burners were delivered for use in a commercial-scale demonstration project.





We delivered Japan's first industrial ammonia burner for commercial use to UBE Mitsubishi Cement Corporation. (Image on the left is for illustrative purposes only.)

■ Advancing Development with the Aim of Achieving Further Growth

We are accelerating the development of next-generation technologies by installing large-scale equipment at our research center capable of supporting decarbonization testing, aiming to reliably capture the growing demand for low-carbon and decarbonization solutions.

（2） Enhancing Existing Products to Expand Sales and Improve Profitability

【Indicators for Sales Expansion and Profitability Improvement】

FY2026

Cumulative Net Sales: ¥11.2 billion

▼

Cumulative Operating Profit: ¥2.06 billion

【Measures to Achieve the Target】

- **Approximately ¥1.0 billion will be invested in research and development over five years to enhance existing products.**
- **Improvements will be steadily implemented based on the "Human Resource and Investment Plan" and the plans of each department.**

Enhancement	Purpose	Applicable Existing Products
Functional Improvements and Service Enhancements	Market Share Expansion and Profit Margin Improvement	**【Heat Treatment Division】** Furnace for Battery Materials, High-Temperature Furnace for Functional Materials Atmosphere Heat Treatment Furnace, Vacuum Furnace, CRism®, Rotary Kiln RTO（Regenerative Thermal Oxidizer） **【Plant Division】** Heating Furnace , Stainless Steel Bright Annealing ,Copper Bright Annealing Line Electrical Steel Sheet Processing Line , Energy-Saving Low-NOx Burner In-Flame Heat Treatment System **【Convertech Division】** RS Coater™ (Next-Generation Coating System)
Application of Functions	Market Development	

（2）Indicators for Sales Expansion and Profitability Improvement

【Indicators for Sales Expansion and Profitability Improvement】

FY2026

Cumulative Net Sales: ¥11.2 billion

▼

Cumulative Operating Profit: ¥2.06 billion

【FY2024 Results】

■ Cumulative Net Sales: ¥9.8 billion ■ R&D Expenses (including capital investment): ¥290 million

■ Key Products:– Thermal processing equipment for secondary battery materials– Manufacturing equipment related to next-generation batteries– Exhaust gas treatment systems for electric arc furnaces– Energy-efficient continuous annealing furnaces for the steel industry– Continuous galvanizing lines

■ Orders remained strong for thermal processing furnaces for secondary battery materials, equipment for next-generation batteries, and exhaust gas treatment systems for electric arc furnaces.



Thermal Processing Equipment for Secondary Battery Manufacturing



Exhaust Gas Treatment System for Electric Arc Furnaces (Image for Illustrative Purposes)



Continuous Galvanizing Line

（3） Creating a Fulfilling Workplace

We define a “fulfilling workplace” as one in which individual efforts directly lead to tangible results. In our case, those results are measured by operating profit, and maximizing this outcome is a central objective. At the same time, improving work-life balance has become a key management issue under our work style reform initiatives. Enhancing productivity is essential in order to reduce total actual working hours. Through the implementation of measures outlined in our current medium-term management plan, we aim to significantly improve overall productivity, thereby achieving both increased operating profit and reduced total working hours. In doing so, we will realize a truly fulfilling workplace.

$$\text{Productivity} = \frac{\text{Results Obtained}}{\text{Allocated Resources}} = \frac{\text{Output}}{\text{Input}}$$



【Productivity Improvement Indicators】

- Operating Profit per Employee in FY2026 (Non-consolidated): ¥5,668 thousand
- Total Annual Working Hours per Employee in FY2026 (Non-consolidated): 1,800 hours

【Measures to Achieve the Target】

- Approximately ¥1.5 billion will be invested over five years in system improvements and other initiatives that contribute to operational efficiency.
- A “Business Process Reform Office” has been established to lead productivity enhancement efforts.

【Productivity Improvement Indicators】

- Operating Profit per Employee in FY2026 (Non-consolidated): ¥5,668 thousand
- Total Annual Working Hours per Employee in FY2026 (Non-consolidated): 1,800 hours

【FY2024 Results】

- Operating Profit per Employee ：¥5,000 thousand
- Total Actual Working Hours per Employee ： 2,109 hours
- System Investment: ¥140 million

※ Non-consolidated

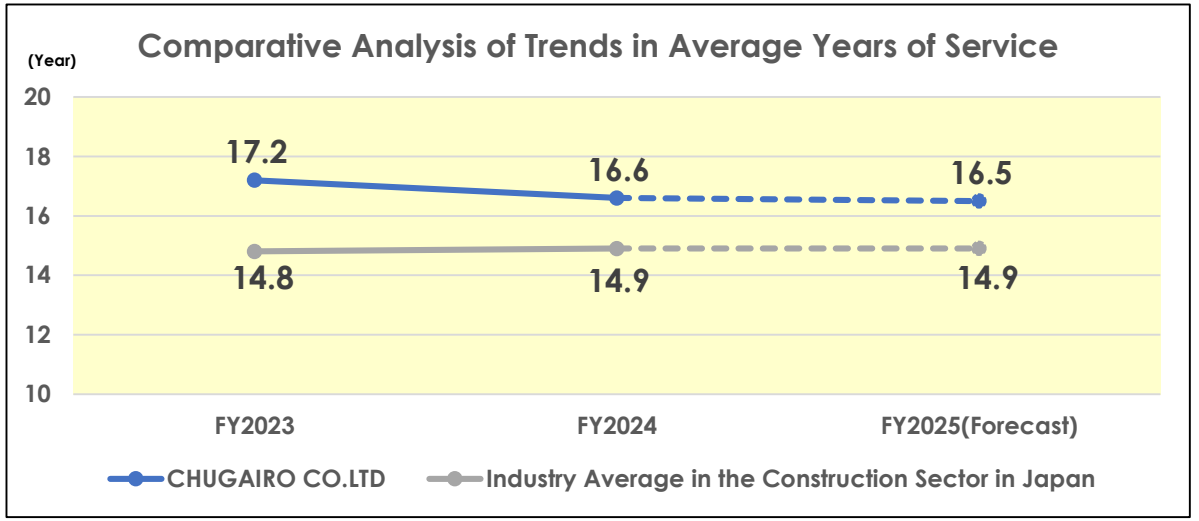
■ Development and Implementation Schedule for the New Product Design Support System

Step	Item Name	Content	FY2022	FY2023	FY2024	FY2025	FY2026
1	New Product Design Support System	・Utilization of PDM and BOM ・Centralized Management of Design Concepts and Product Structure	Requirements Definition and Development		Testing and Operation		
2	Procurement Support System	・Optimization of Component Procurement Operations ・Data Integration					

・Estimated Reduction in Workload from This Initiative (Converted to Total Working Hours): 150 hours/year

・An increase in investment in IT infrastructure is also planned, in preparation for full-scale system operation (¥350 million).

■ Trend in Average Years of Service



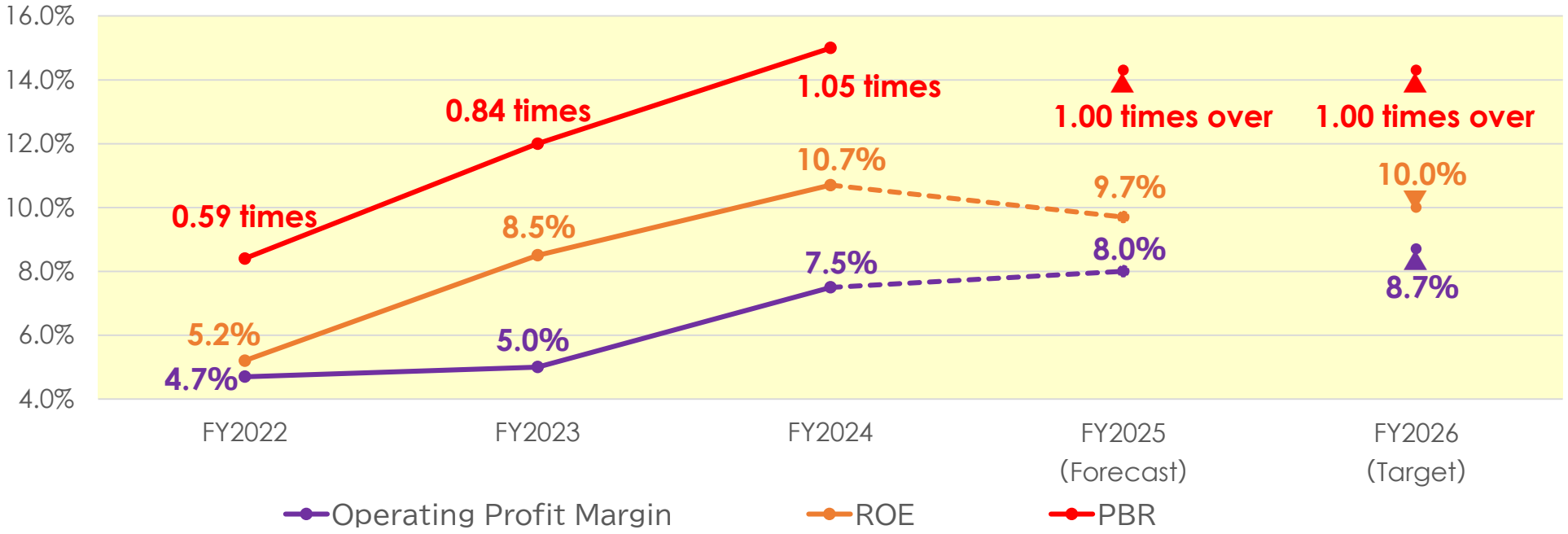
※According to our survey

9. Progress on Corporate Value Enhancement and Newly Added Strategic Actions

With regard to our initiatives, we have expanded the original six items to seven by adding one new element, and we will continue striving to enhance

	Item Name	Target	Target Achievement Timeline
1	**Achievement of Performance Targets**	ROE：10.0%	Achieved / Ongoing as of March 2025
2	**Review of the Shareholder Return Policy**	Dividend Payout Ratio Based on NOPAT (Net Operating Profit After Tax): 60% or Higher	Achieved / Ongoing as of March 2025
UPDATE 3	**Revision of the Policy on Strategic Shareholdings**	Achieved Reduction of Strategic Shareholdings to Below 20%, One Year Ahead of Schedule	As of March 2026
NEW/UPDATE 4	**Reduction of Assets Including Interest-Bearing Debt**	・Equity Ratio: Maintained at 50% or Higher ・Debt Dependency Ratio: 15% or Lower (Previous Target: 10%)	Achieved / Ongoing as of March 2025
5	**Reform of the Board Structure to Strengthen Governance**	The number of outside directors shall be equal to or greater than that of internal directors, and the term of office for directors shall be shortened to one year.	As of June 2025
6	**Promotion of Management with a Focus on Sustainability**	Ratio of Female Managers (Consolidated Group Basis): 5% or Higher	As of March 2026
NEW/UPDATE 7	**Raising of Decarbonization Targets**	Revised from 17.0% to 20.0% (Reduction Effect: 2.4 Million Tons per Year)	As of March 2027

The trends of the metrics designated by our company for evaluation are as follows. Owing to our efforts in expanding into new business areas and implementing management improvements, all indicators have shown steady progress.



We will continue striving to achieve our target figures through the ongoing implementation of the medium-term management plan and initiatives to enhance corporate value.

※ ROE (Return on Equity) = Net Income ÷ Shareholders' Equity

※ PBR (Price-to-Book Ratio) = Share Price ÷ Net Assets per Share

Company	Chugai Ro Co., Ltd.
Stock Code	1964　　URL　https://chugai.co.jp
Representative	President and Chief Executive Officer　Ozaki Akira
Head Office	3-6-1 Hiranomachi, Chuo-ku, Osaka-shi, Osaka 541-0046, Japan　TEL 06-6221-1251
Date of Establishment	April 1945
Capital	JPY 6,176,720,000
Employees	451 employees (723 on a consolidated basis)　*As of March 31, 2025*
Offices	Sakai Plant , Sakai Center , Tokyo Branch Office , Nagoya Sales Office , Kokura Factory
Overseas Subsidiaries	Kaohsiung Taiwan , Shanghai China , Bangkok Thailand , Jakarta Indonesia Aguascalientes Mexico

The forward-looking statements contained in this document, including earnings forecasts, are based on information available as of the date of this announcement. Actual results may differ materially from these forecasts due to various factors.

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April 28, 2025

【 Investor Relations Contact 】

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