TSE Prime-listed company

Stock code: 1964

Financial Results Overview

1H FY2026 (April 1, 2026–September 30, 2026)

October 30, 2026

CHUGAI RO CO., LTD.

Agenda

1. Financial Results Overview

(1) Overview of Financial Results for 1H FY2026 and Full-Year Forecast for FY2026 P.03

(2) Trends in Backlog, Net Sales, and Operating Profit P.04

(3) Factors Affecting Changes in Operating Profit for 1H FY2026 P.05

(4) Status of Assets, Liabilities, and Net Assets P.06

(5) Overview of Operating Segments P.07

2. Progress of Priority Strategies Outlined in the Medium-Term Management Plan

(1) Creation of New Markets Centered on Carbon Neutrality P.09

(2) Indicators for Sales Expansion and Profitability Improvement P.11

(3) Creating a Fulfilling Workplace P.12

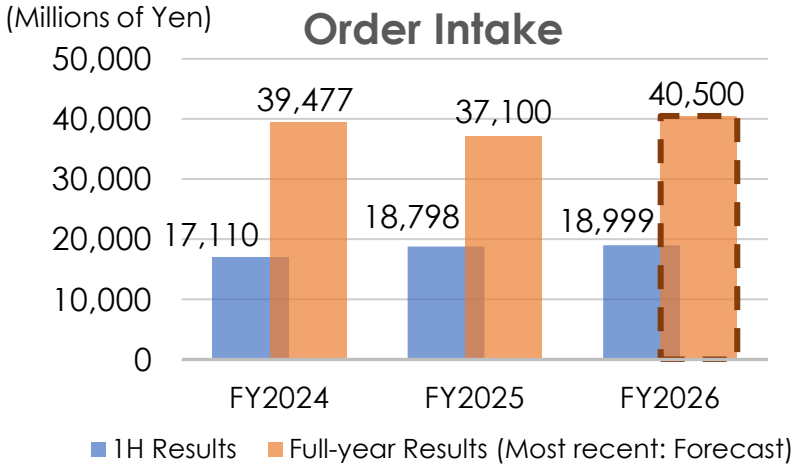
3. Progress of Corporate Value Enhancement P.13

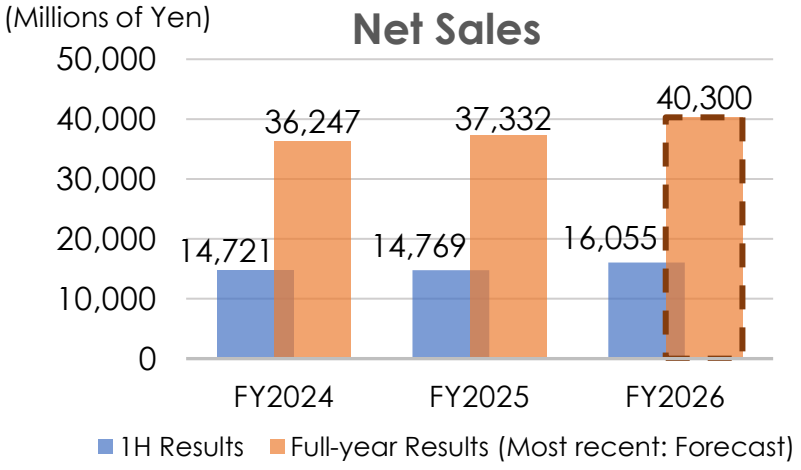
1-(1) Overview of Financial Results for 1H FY2026 and Full-Year Forecast for FY2026

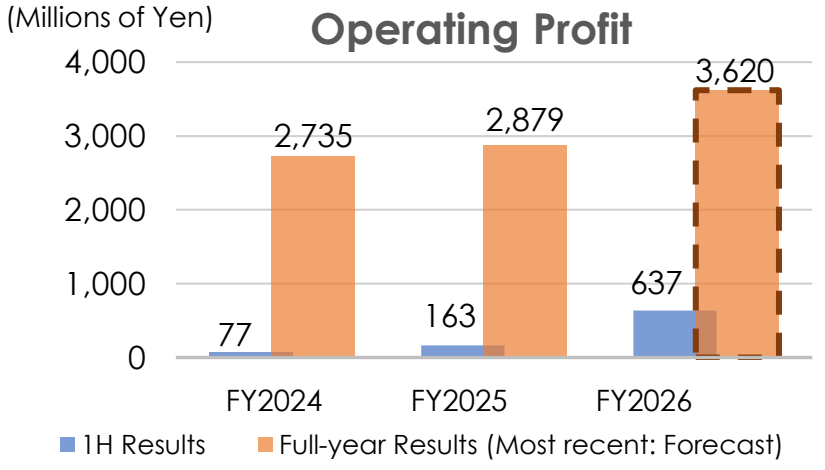
Operating profit and ordinary profit increased significantly year over year due to improved profitability. Net profit decreased year over year due to no sales of strategic shareholdings and the recognition of a provision for a business structure improvement related to Chinese subsidiaries; however, full-year net profit is expected to exceed the initial forecast.

Unit: Millions of Yen (JPY)

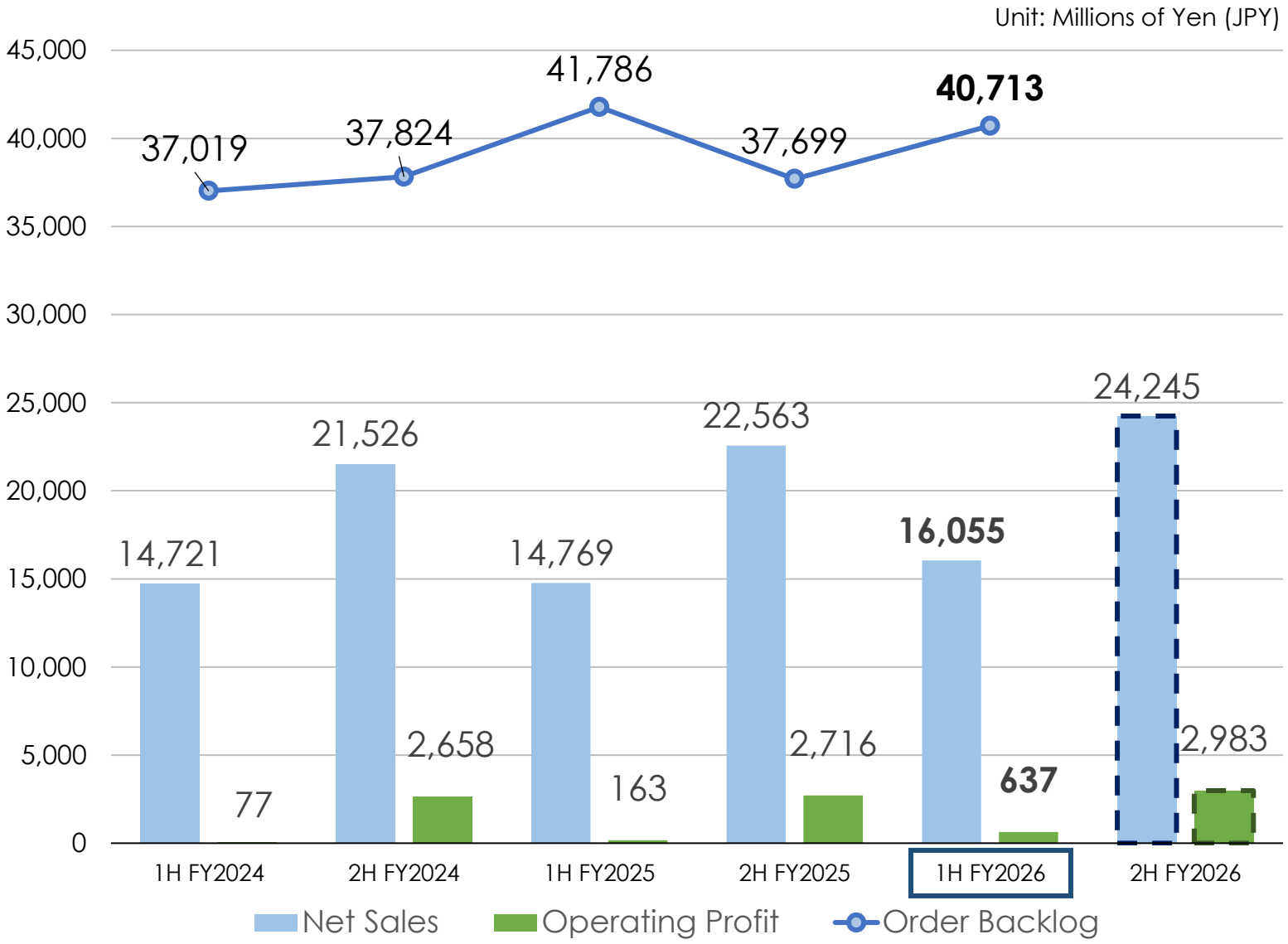
Item Name	1H FY2024	1H FY2025	**1H FY2026**	YoY Change	YoY	FY2026 Initial Forecast	FY2026 Revised Forecast
Order Intake	17,110	18,798	**18,999**	+201	101%	38,700	40,500
Net Sales	14,721	14,769	**16,055**	+1,286	109%	40,300	40,300
Operating Profit	77	163	**637**	+474	391%	3,620	3,620
Ordinary Profit	232	261	**751**	+490	288%	3,720	3,720
Profit Attributable to Owners of the Parent	518	1,055	**285**	(769)	27%	2,516	2,787







1-(2) Trends in Backlog, Net Sales, and Operating Profit



Earnings Forecast for 2H FY2026

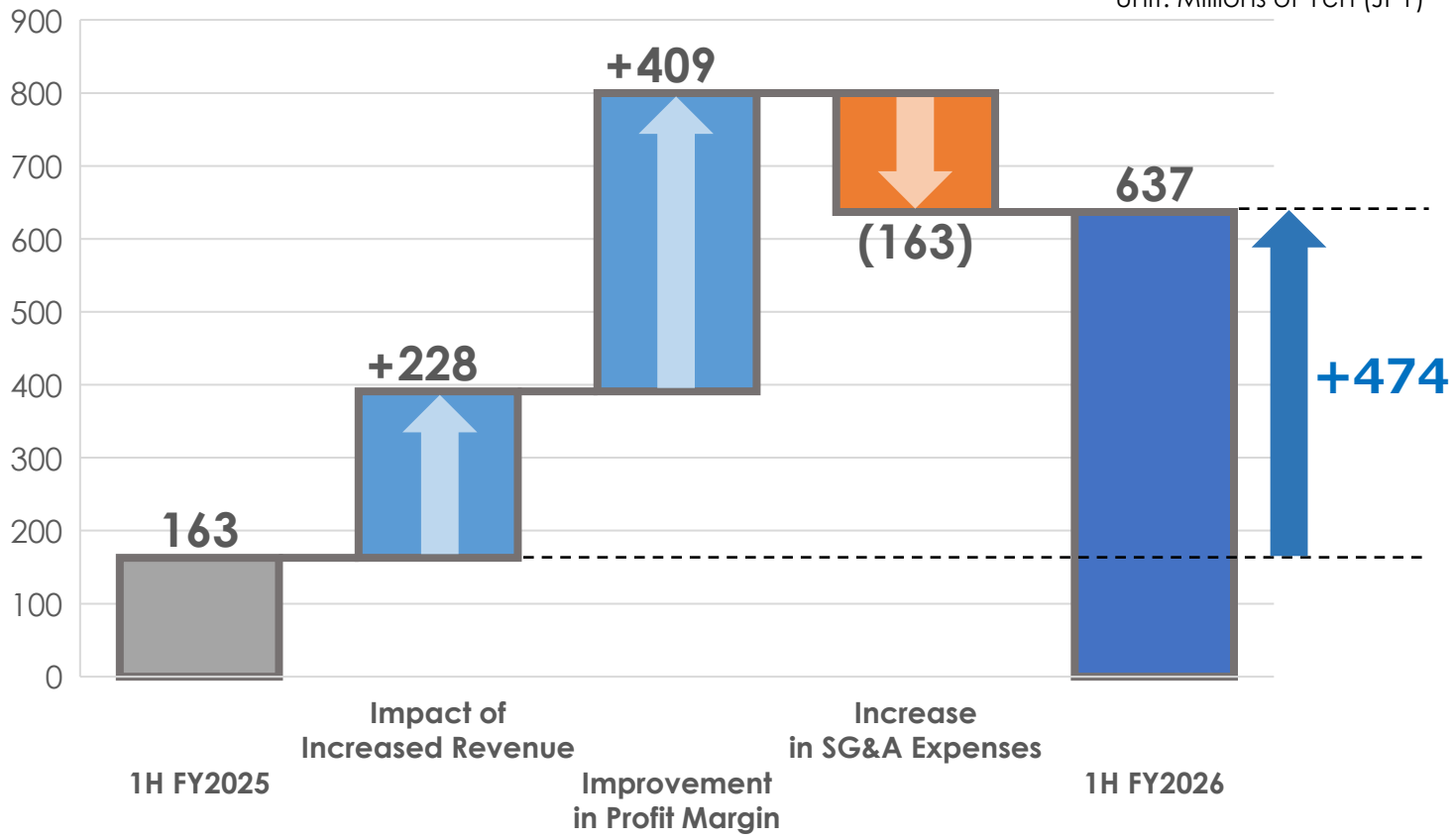
- As of the end of September 2026, the order backlog stood at ¥40.7 billion, an increase of ¥3.0 billion from the end of the previous fiscal year. Orders for semiconductor-related projects were strong, driven by growing demand for AI and data centers.
- The order backlog as of the end of March 2027 is expected to remain at a high level.
- In the second half of the fiscal year, we expect to secure net sales of approximately ¥24.2 billion as construction progresses on projects in the order backlog, including process lines for the domestic and international steel industries, as well as heat treatment furnaces for machine parts and functional materials.
- We expect to secure ¥2.9 billion in operating profit for the second half of the fiscal year and anticipate meeting our full-year earnings forecast.

1-(3) Factors Affecting Changes in Operating Profit for 1H FY2026

- Impact of Increased Revenue: The increase in revenue, which was proportional to the rise in sales, contributed ¥220 million to profit growth.
- Improvement in Profit Margin: The 2.6-percentage-point improvement in the gross profit margin contributed ¥400 million to profit growth.
- Increase in SG&A Expenses: The SG&A ratio remained largely flat, increasing only in proportion to the rise in sales, which pushed down profits.
- Due to the factors above, operating profit increased by ¥470 million year over year.

Factors Contributing to Changes in Operating Profit

Unit: Millions of Yen (JPY)



Unit: Millions of Yen (JPY)

Item Name	1H FY2025	1H FY2026	YoY Change
Net Sales	**14,769**	**16,055**	+1,286
Gross Profit (Gross Profit Margin)	**2,646** (17.9%)	**3,285** (20.5%)	+638 (+2.6pt)
Impact Attributable to Revenue Growth	—	—	+228
Impact Attributable to Margin Improvement	—	—	+409
SG&A Expenses (SG&A Ratio)	**2,483** (16.8%)	**2,647** (16.5%)	+163 ((0.3)pt)
Operating Profit (Operating Profit Margin)	**163** (1.1%)	**637** (4.0%)	+474 (+2.9pt)

1-(4) Status of Assets, Liabilities, and Net Assets

Description of Assets

Unit: Millions of Yen (JPY)

Item Name	End of FY2025	End of 1H FY2026	YoY Change
Total Assets	**51,282**	**47,416**	**(3,866)**
Current Assets	38,569	33,540	(5,029)
Non-Current Assets	12,712	13,875	+1,162
PP&E	5,815	5,913	+97
Intangible Assets	224	198	(25)
Investments and Other Assets	6,672	7,763	+1,090

Description of Liabilities and Net Assets

Unit: Millions of Yen (JPY)

Item Name	End of FY2025	End of 1H FY2026	YoY Change
Total Liabilities	**19,800**	**17,387**	**(2,413)**
Current Liabilities	15,442	12,519	(2,923)
Non-Current Liabilities	4,358	4,867	+509

Item Name	End of FY2025	End of 1H FY2026	YoY Change
Total Net Assets	**31,481**	**30,028**	**(1,452)**
Shareholders' Equity	27,707	25,651	(2,056)
AOCI	3,493	4,149	+655
Non-Controlling Interests	280	228	(52)

Description of Equity Ratio and Dependence on Borrowings

	End of FY2025	End of 1H FY2026	YoY Change
Equity Ratio (%)	60.8	**62.8**	+2.0pt
Dependence on Borrowings (%)	8.7	**9.4**	+0.7pt

Total assets decreased by ¥3.8 billion due to a reduction in borrowings and the repurchase of treasury shares.
Financial indicators continue to reflect a sound and stable financial position.

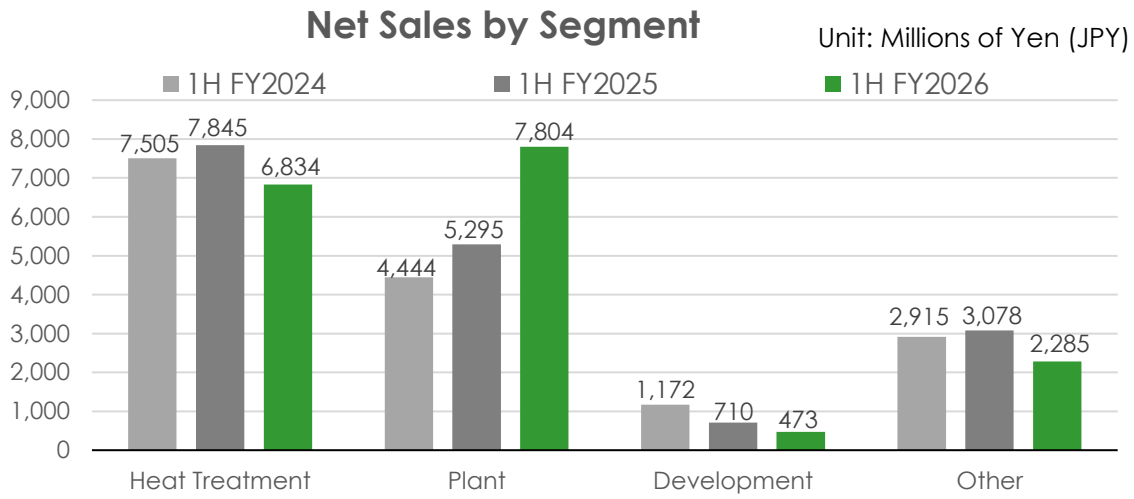
1-(5) Overview of Operating Segments

As in the same period of the previous fiscal year, increased revenue and improved profit margins in the Plant Engineering Business contributed significantly to the Group's continued profitability for the six months ended September 30, 2026.

Net Sales by Segment

Unit: Millions of Yen (JPY)

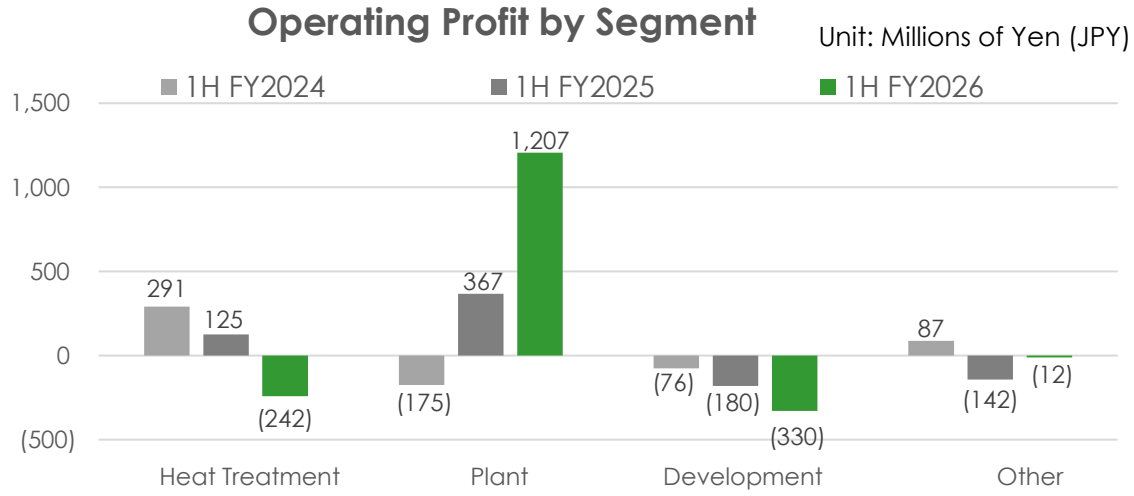
	1H FY2024	1H FY2025	1H FY2026	YoY Change
Heat Treatment Business	7,505	7,845	**6,834**	87%
Plant Engineering Business	4,444	5,295	**7,804**	147%
Development Business	1,172	710	**473**	67%
Other Businesses	2,915	3,078	**2,285**	74%
Adjusted Amount	(1,315)	(2,160)	**(1,342)**	-
Total	14,721	14,769	**16,055**	109%



Operating Profit by Segment

Unit: Millions of Yen (JPY)

	1H FY2024	1H FY2025	1H FY2026	YoY Change
Heat Treatment Business	291	125	**(242)**	(368)
Plant Engineering Business	(175)	367	**1,207**	+839
Development Business	(76)	(180)	**(330)**	(150)
Other Businesses	87	(142)	**(12)**	+130
Adjusted Amount	(48)	(7)	**16**	-
Total	77	163	**637**	+474



* Effective from this interim consolidated accounting period, as the GX project has transitioned from a commissioned project to a subsidized project, the related costs—previously recorded under Development Business—are now allocated across the respective reporting segments.

[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

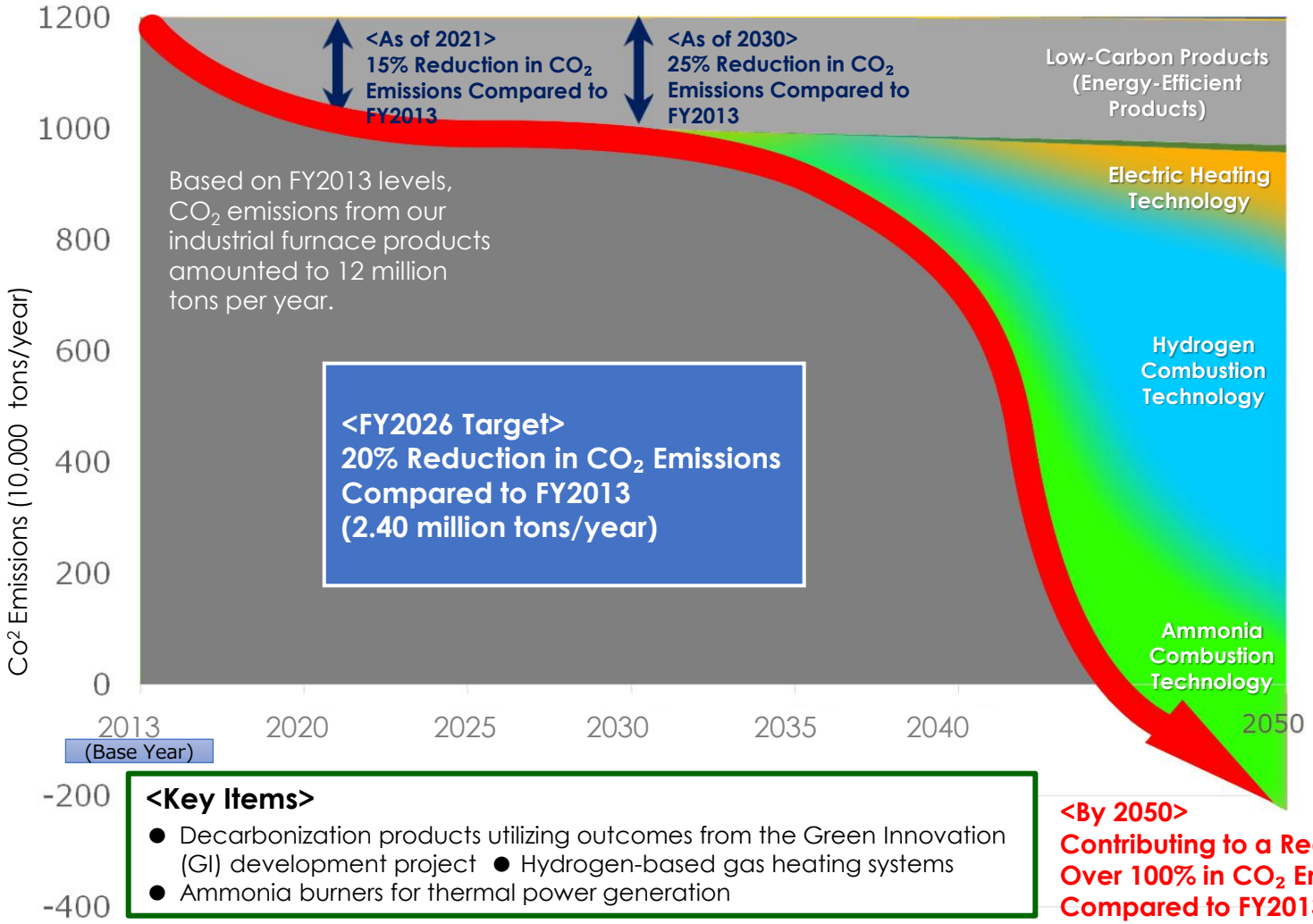
(3) Creating a Fulfilling and Motivating Workplace

[Management Vision 2026]

Transforming Ourselves to Pioneer the Future Through Carbon Neutral Technologies

2-(1) Creation of New Markets Centered on Carbon Neutrality

[Indicator] Reduce CO_2 emissions from delivered equipment by more than 100% or more by 2050 compared to FY2013 levels

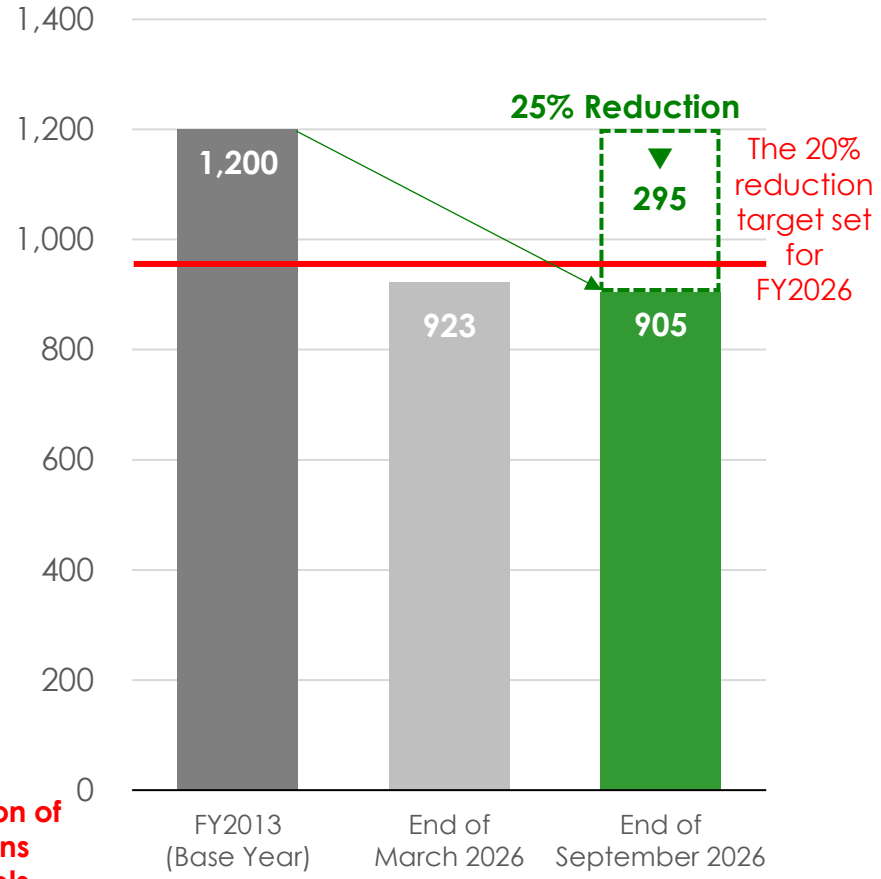


<Key Items>

- Decarbonization products utilizing outcomes from the Green Innovation (GI) development project
- Hydrogen-based gas heating systems
- Ammonia burners for thermal power generation

<By 2050>
Contributing to a Reduction of Over 100% in CO_2 Emissions Compared to FY2013 Levels

CO_2 Emissions from Our Products in Operation (10,000 tons/year)



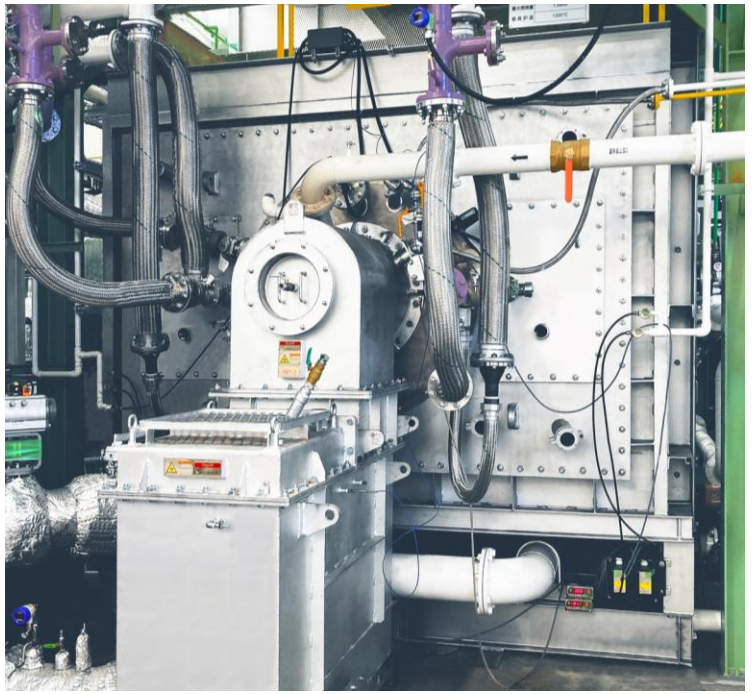
* Our decarbonization targets will be reviewed periodically in response to changes in external conditions, such as the development of infrastructure and supply chains.

[Indicator] 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)

■ Passed Stage-Gate Review for NEDO's Green Innovation Fund Project/Decarbonization of Thermal Processes in Manufacturing

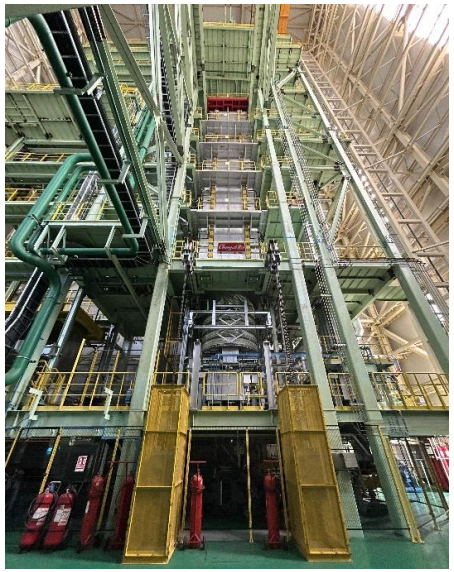
The project, in which we are participating, passed NEDO's stage-gate review in January 2026 and the "medium-scale demonstration development" began on April 1, 2026. In the manufacturing sector, which accounts for approximately 30 percent of Japan's CO_2 emissions, the decarbonization of industrial furnaces is an urgent issue; the conversion from combustion furnaces to electric furnaces and the development of decarbonized combustion furnaces are essential.

As a member of the Decarbonized Industrial Thermo-System Center (DITS), a consortium commissioned for the project, Chugai Ro will promote the development of steelmaking process furnaces utilizing induction heating technology and combustion furnaces that use CO_2-free heat sources such as ammonia and hydrogen, contributing to the achievement of carbon neutrality by 2050.



An ammonia burner currently under development as part of the project

[Indicator] FY2026 Cumulative Net Sales: ¥11.2 billion, Cumulative Operating Profit: ¥2.06 billion



Electrical Heating type Continuous Bright Annealing Line to OTELINOX

■ Delivery of an Electric Heating type Continuous Bright Annealing Line (BA3) to OTELINOX in Europe

We delivered an Electric Heating type Continuous Bright Annealing Line (BA3) to OTELINOX, a Romanian stainless steel manufacturer, and acceptance testing was completed in August 2026. This equipment uses an electrical heating method, eliminating CO_2 emissions and contributing to the promotion of decarbonization. The high-quality stainless steel materials manufactured are expected to be used in demand-growing applications such as EV batteries and heat exchangers for data centers.

■ Strong Order Intake for Semiconductor-Related Manufacturing Equipment

Global demand for semiconductors is rising amid the widespread adoption of generative AI and the expansion of investment in data centers. We are also seeing an increase in inquiries and orders for a wide range of related products, including coating systems, heat treatment equipments, and in-flame heat treatment systems.



In-flame heat treatment system, well-received in the manufacture of materials such as silica for semiconductors

■ Our Products Selected as Advanced Facilities/Systems under the “Energy Conservation and Non-Fossil Fuel Conversion Subsidy (Factory/Business Establishment Type)” Program

In the FY2025 call for applications for the subsidy program administered by Sustainable open Innovation Initiative (SII), our High-Efficiency Regenerative Burner-type Reheating Furnace with Variable Flame Length and Burner Combustion System with the EBC^3 (Cube) Automatic Air Ratio Control Device were newly selected as equipment and systems capable of contributing to significant energy savings and decarbonization.

[Indicator] Improve productivity to achieve FY2026 operating profit of ¥5,668 thousand per employee (non-consolidated) and total actual working hours of 1,800 hours per employee (non-consolidated)

■ System Development to Improve Productivity Is Progressing into the Operational Phase for Both Systems

To significantly improve productivity, we aim to simultaneously increase operating profit per employee and reduce working hours. To this end, the Business Reform Promotion Department is developing Support Systems for Product Design and Procurement operations. Currently, the Procurement Support System has already begun operation, and the Product Design Support System is also gradually transitioning from the testing phase to the operational phase in each department.
We will continue to pursue the full implementation of these initiatives, which are designed to drive growth under the new medium-term management plan starting next term.

Development and Implementation Schedule for the New Product Design/Procurement Support Systems

Step	Item Name	Content	FY2022	FY2023	FY2024	FY2025	FY2026
Step1	Product Design Support System	• Utilization of PDM and BOM • Centralized Management of Design Concepts and Product Structure	Requirements Definition and Development		Testing and Operation		
Step2	Procurement Support System	• Optimization of Component Procurement Operations • Data Integration			Requirements Definition and Development	Testing and Operation	

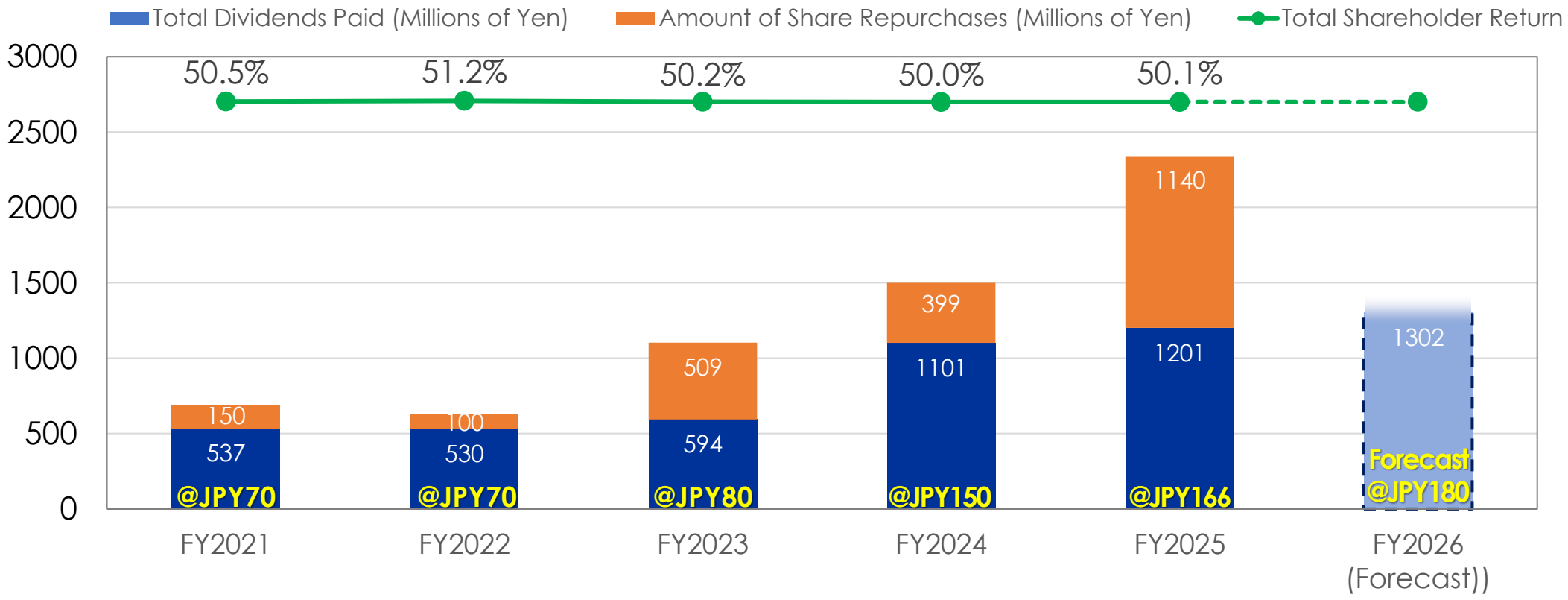
3. Progress of Corporate Value Enhancement

All of the following ongoing initiatives have progressed almost steadily, and we will continue working to improve them.

	Item Name	Target	Target Achievement Timeline	Outlook
1	**Achievement of Performance Targets**	ROE: 10.0%	Achieved as of March 2025 / Ongoing	Largely on track to achieve the target
2	**Shareholder Return Policy**	Dividend Payout Ratio Based on NOPAT (Net Operating Profit After Tax): 60% or Higher	Achieved as of March 2025 / Ongoing	Expected to sustain achievement
3	**Policy on Reducing Strategic Shareholdings**	Achieved Reduction of Strategic Shareholdings to Below 20% or less, One Year Ahead of Schedule	Achieved as of March 2026 / Ongoing	Expected to sustain achievement
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 as of March 2025 / Ongoing	Expected to sustain achievement
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.	June 2025	—
6	**Promotion of Management with a Focus on Sustainability**	Ratio of Female Managers (Consolidated Group Basis): 5% or Higher	Not yet achieved as of March 2026	Continuing to promote the appointment to achieve the target
7	**Raising of Decarbonization Targets**	Revised from 17.0% to 20.0% (Reduction Effect: 2.4 Million Tons per Year)	Achieved as of March 2026	Expected to sustain achievement

3. Progress of Corporate Value Enhancement (Dividend Status)

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. In addition, regarding the total shareholder return, we remain committed 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.

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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October 30, 2026

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