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Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 <under Japanese GAAP>



April 30, 2024

Company name : CHUGAI RO CO., LTD.
 Listing: Tokyo Stock Exchange
 Securities code: 1964
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 Scheduled date of annual general meeting of shareholders: June 19, 2024
 Scheduled date to commence dividend payments: June 20, 2024
 Scheduled date to file annual securities report: June 20, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results presentation meeting: Yes

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated financial results for the fiscal year Ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2024	29,283	4.7	1,477	12.8	1,714	8.9	2,197	78.5
March 31, 2023	27,977	6.3	1,309	3.7	1,575	5.5	1,231	(9.5)

(Note) Comprehensive income:

For the fiscal year ended March 31, 2024: 4,575 million yen [193.7%]

For the fiscal year ended March 31, 2023: 1,558 million yen [(19.0%)]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2024	293.78	—	8.5	3.8	5.0
March 31, 2023	162.04	—	5.2	4.0	4.7

(Reference) Share of profit (loss) of entities accounted for using equity method:

For the fiscal year ended March 31, 2024: — million yen

For the fiscal year ended March 31, 2023: — million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2024	48,863	27,768	56.4	3,709.15
March 31, 2023	41,178	24,041	57.9	3,146.80

(Reference) Equity:

As of March 31, 2024: 27,570 million yen

As of March 31, 2023: 23,860 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2024	(891)	550	2,451	10,019
March 31, 2023	(2,500)	(63)	(727)	7,845

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2023	—	—	—	70.00	70.00	530	43.2	2.3
March 31, 2024	—	—	—	80.00	80.00	594	27.2	2.3
Fiscal year ending March 31, 2025 (Forecast)				100.00	100.00		32.3	

2. Consolidated earnings forecasts for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	37,600	28.4	2,570	74.0	2,670	55.7	2,300	4.7	309.42

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies, changes in accounting estimates, and restatement
 (i) Changes in accounting policies due to revisions to accounting standards and other regulations : None
 (ii) Changes in accounting policies due to other reasons : None
 (iii) Changes in accounting estimates : None
 (iv) Restatement : None

(3) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)
 (ii) Number of treasury shares at the end of the period
 (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

As of March 31, 2024	7,800,000 shares	As of March 31, 2023	7,800,000 shares
As of March 31, 2024	366,803 shares	As of March 31, 2023	217,533 shares
For the fiscal year ended March 31, 2024	7,478,824 shares	For the fiscal year ended March 31, 2023	7,597,314 shares

[Reference] Overview of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended March 31, 2024

(From April 1, 2023 to March 31, 2024)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2024	27,016	15.2	1,222	68.8	1,538	32.9	1,927	96.1
March 31, 2023	23,455	11.7	724	16.2	1,157	8.6	982	(13.8)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2024	257.78	—
March 31, 2023	129.37	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2024	44,363	25,368	57.2	3,412.83
March 31, 2023	37,331	22,231	59.6	2,931.96

(Reference) Equity:

As of March 31, 2024: 25,368 million yen
 As of March 31, 2023: 22,231 million yen

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual business and other results may differ substantially due to various factors. Please refer to “(4) Future outlook” in “1. Overview of operating results, etc.” on page 3 of the attached material for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

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1. Overview of operating results, etc.

(1) Overview of operating results for the fiscal year under review

During the consolidated fiscal year under review, the outlook for the Japanese economy remained uncertain due to such factors as globally rising interest rates, inflation, and the slowdown of the Chinese economy, as well as geopolitical risks, such as the situation in the Middle East, which show no signs of being resolved.

Meanwhile, there was further progress in the normalization of economic activities due to the easing of measures against COVID-19, and capital investment by companies continued to increase in response to the government's growth strategy toward achieving carbon neutrality in 2050.

Under these business circumstances, the Group made full use of its abundant engineering know-how to make technology proposals, such as the application of hydrogen and ammonia fuels to heat treatment processes and the electrification of heat treatment processes, in order to contribute to carbon neutrality. In addition, we focused on sales activities based on our proprietary technologies related to heat treatment facilities for the manufacturing processes of key parts such as batteries and motors for EVs, and semiconductor-related functional material heat treatment facilities.

Furthermore, in order to respond to the needs of industry for carbon neutrality and digital transformation (DX), we opened the Thermal Technology Creation Center in November 2023. By strengthening our R&D capabilities with state-of-the-art facilities and activating development and co-creation with internal and external partners, we have established a system to respond promptly to diversifying customer needs and changes in product life cycles.

As a result, orders received increased from the previous year to 38,790 million yen (119.3% of the previous year) with the conclusion of contracts for large low-carbon bright annealing equipment, functional material in-flame treatment equipment, and green energy-generating rotary kilns for overseas, and continuous gas carburizing furnaces for the domestic market, among others.

In terms of sales, due to the steady progress in the construction of energy-saving-type reheating furnaces, annealing furnaces, and hydrogen gas reheating devices for steel producers in Japan, net sales increased to 29,283 million yen (104.7% of the previous year).

On the profitability side, as a result of the efforts to reduce procurement costs, etc., both operating profit and ordinary profit increased to 1,477 million yen (112.8% of the previous year) and 1,714 million yen (108.9% of the previous year), respectively. Profit attributable to owners of parent increased to 2,197 million yen (178.5% of the previous year). This is due to a gain on the sale of a portion of the company's stock holdings based on the cross-stockholding policy that stipulates that the number of shares should be reduced if the benefit of holding them is diluted from the viewpoint of capital efficiency.

An overview of performance by segment is as follows.

Starting from the first quarter, in order to better clarify the direction and the level of achievement of the management strategy, we have revised the classification method of our business segments and changed the reporting segments from "Energy," "Information and Communications," "Environmental Preservation," and "Other" to "Heat Treatment Business," "Plant Business," "Development Business," and "Other." For year-on-year comparisons, figures based on the revised classification method are used.

(Heat Treatment Business)

Orders received increased to 18,922 million yen (105.3% of the previous year) as a result of the conclusion of contracts for functional material heat treatment furnaces and high-temperature furnaces related to semiconductors, continuous gas carburizing furnaces, and batch-type heat treatment furnaces for the domestic market, among others. In terms of sales, due to progress in the construction of functional material heat treatment furnaces related to semiconductors, as well as non-oxidizing equipment and carburizing furnaces for automobiles in Japan, among others, net sales amounted to 13,912 million yen (99.9% of the previous year).

(Plant Business)

Orders received increased to 13,949 million yen (131.7% of the previous year) with the conclusion of contracts for large low-carbon bright annealing equipment and functional material in-flame treatment equipment for overseas and modification of reheating furnaces for steel producers in Japan, among others.

In terms of sales, due to progress in the construction of reheating furnaces, annealing furnaces, and hydrogen gas reheating devices for steel producers in Japan, net sales increased to 11,207 million yen (101.8% of the previous year).

(Development Business)

Orders received increased significantly to 3,527 million yen (216.0% of the previous year) with the conclusion of contracts for the New Energy and Industrial Technology Development Organization (NEDO)'s Green Innovation Fund Project for the Decarbonization of Thermal Processes in Manufacturing, as well as green energy-generating rotary kilns and precision coater systems for next-generation batteries, among others.

In terms of sales, due to the progress in the construction of hydrogen gas reheating devices and the delivery of carbonizing furnaces for carbon fiber production, net sales increased to 1,896 million yen (186.3% of the previous year).

(Others)

Orders received increased to 5,857 million yen (115.6% of the previous year), with contracts concluded by overseas subsidiaries for motor core annealing furnaces and regenerative thermal oxidizers for China and large hot presses related to semiconductors, among others.

In terms of sales, due to the delivery of annealing and normalizing furnaces and vacuum heat treating furnaces for China, net sales increased to 5,458 million yen (113.7% of the previous year)..

(2) Overview of financial position for the fiscal year under review

Total assets increased by 7,685 million yen from the end of the previous fiscal year to 48,863 million yen mainly due to increases in cash and deposits, notes receivable-trade, accounts receivable-trade, contract assets, and investment securities..

Total liabilities increased by 3,958 million yen from the end of the previous fiscal year to 21,094 million yen mainly due to an increase in short-term loans payable.

Net assets totaled 27,768 million yen, a 3,726 million yen increase from the end of the previous fiscal year, mainly due to increases in retained earnings and the valuation difference on available-for-sale securities. The equity-to-asset ratio was 56.4%.

(3) Overview of cash flows for the fiscal year under review

Cash flows from operating activities resulted in a decrease of 891 million yen in net cash due to increases in trade receivables and contract assets and a decrease in notes and accounts payable.

Cash flows from investing activities resulted in an increase of 550 million yen in net cash due to sales of investment securities despite the purchase of property, plant and equipment.

Cash flows from financing activities resulted in an increase of 2,451 million in net cash due to an increase in short-term loans payable.

As a result, cash and cash equivalents at the end of the period totaled 10,019 million yen, a increase of 2,174 million yen.

(4) Future outlook

The economy is expected to be on a further recovery path due to the easing of measures against COVID-19. Our Group sees a significant increase in orders received compared to the previous fiscal year, which is mostly in line with the initial forecast. In terms of net sales, on the other hand, outstanding orders significantly increased due to lower-than-expected construction progress caused by longer delivery times for parts and materials, and other factors. We also anticipate a certain level of demand mainly from industries related to steel, automobiles, and semiconductors. Meanwhile, uncertainties remain in the business environment, such as rising geopolitical risks, such as the situation in the Middle East, in addition to the slowdown of the Chinese economy, as well as risks in the international economy that put pressure on corporate profits, affected by global inflation and fluctuations in policy interest rates.

Under these circumstances, we will work to evolve thermal technology, which is vital to manufacturing, in response to the needs of society, and engage in technology development using hydrogen and ammonia combustion and offer active proposals with the aim of contributing to carbon neutrality. At the same time, we will enhance maintenance systems according to the lifecycle of delivered equipment.

Furthermore, also from medium- to long-term viewpoints, the social and economic environment surrounding the Group is expected to change rapidly and drastically. Amid such a management environment, to promote the management vision 2026 “Renovate ourselves to develop our future with the technology for carbon neutrality!” under the medium-term management plan announced in May 2022 (“Chugai Ro Break Through (CBT) 2022-2026”), we will implement the plan based on three key strategies: (1) The creation of a new market centering on carbon neutrality; (2) Sales expansion and higher profitability through the development of new applications for existing products; and (3) Building a workplace worth working for.

As a specific action, by making full use of the Thermal Technology Creation Center completed inside the Sakai Works in November 2023, the Group will make investments in equipment and human resources for the research and development sector, with the aim of establishing a foundation that enables the creation of new markets. As an investment in systems that contribute to improving work efficiency, we have introduced a design assist system equipped with various networks, with the aim of reducing working hours and building a workplace more worth working for. As an industrial furnace manufacturer that handles heat technology, we will endeavor to become an advanced company that contributes to carbon neutrality 2050 as its social mission.

Furthermore, based on the principles of the corporate governance code, we will strive to improve the transparency and efficiency of our corporate governance system and management. In an effort to achieve higher corporate value and strengthen the consolidated management foundation, our focus will also be placed on increasing shareholder return.

(5) Basic policy on profit distribution and dividends for the current and next fiscal years

While our basic dividend policy is continuous, stable dividend policy, we will respond to expectations of our shareholders, taking into comprehensive consideration the consolidated results, as well as our capital needs and financial condition. As an indicator disclosed in the medium-term management plan, we aim to maintain 50% or higher for the total return ratio, including share buybacks. Internal reserves are basically used for capital investment and research & development for continuous improvement of corporate value through the promotion of carbon neutrality and other key strategies, as well as for business expansion.

Regarding dividend payment for the fiscal year under review, based on the above policy, we plan to repurchase our own shares and submit a proposal of setting 80 yen per share at the ordinary general meeting of shareholders in

June 2024.

For the fiscal year ending March 2025, we plan to pay dividends of 100 yen per share.

2. Basic policy regarding selection of accounting standards

The Company employs Japanese GAAP.

As for the application of IFRS, appropriate action will be taken in consideration of the condition of the application of systems, etc. in Japan.

3. Consolidated financial statements and significant notes thereto**(1) Consolidated balance sheet**

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	7,884	10,061
Notes and accounts receivable–trade, and contract assets	20,693	21,960
Costs on construction contracts in progress	1,560	2,105
Other	81	125
Allowance for doubtful accounts	(4)	(0)
Total current assets	30,214	34,252
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,761	6,053
Accumulated depreciation	(4,363)	(4,227)
Buildings and structures, net	1,398	1,826
Machinery, equipment and vehicles	2,142	2,466
Accumulated depreciation	(1,856)	(1,841)
Machinery, equipment and vehicles, net	286	625
Land	2,081	1,912
Construction in progress	67	106
Other	1,330	1,474
Accumulated depreciation	(1,039)	(1,100)
Other, net	290	374
Total property, plant and equipment	4,124	4,845
Intangible assets		
Software	290	255
Others	0	0
Total intangible assets	291	256
Investments and other assets		
Investment securities	6,121	8,648
Retirement benefit asset	186	593
Deferred tax assets	1	21
Other	254	262
Allowance for doubtful accounts	(16)	(17)
Total investments and other assets	6,547	9,509
Total non-current assets	10,963	14,611
Total assets	41,178	48,863

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Electronically recorded obligations-operating	1,495	1,433
Accounts payable-trade	7,860	6,791
Short-term loans borrowings	2,800	6,100
Income taxes payable	295	810
Contract liabilities	730	1,255
Provision for bonuses	77	116
Provision for loss on construction contracts	0	0
Other	1,279	999
Total current liabilities	14,538	17,517
Non-current liabilities		
Long-term borrowings	1,188	1,188
Deferred tax liabilities	1,142	2,126
Retirement benefit liability	127	154
Other	139	107
Total non-current liabilities	2,598	3,577
Total liabilities	17,136	21,094
Net assets		
Shareholders' equity		
Share capital	6,176	6,176
Capital surplus	1,544	1,544
Retained earnings	13,775	15,441
Treasury shares	(408)	(711)
Total shareholders' equity	21,087	22,451
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,664	4,676
Deferred gains or losses on hedges	1	31
Foreign currency translation adjustment	125	181
Remeasurements of defined benefit plans	(18)	228
Total accumulated other comprehensive income	2,772	5,119
Non-controlling interests	181	198
Total net assets	24,041	27,768
Total liabilities and net assets	41,178	48,863

(2) Consolidated statement of income and consolidated statement of comprehensive income
Consolidated statement of income

(Millions of yen)

	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Net sales	27,977	29,283
Cost of sales	22,285	23,166
Gross profit	5,691	6,117
Selling, general and administrative expenses	4,382	4,639
Operating profit	1,309	1,477
Non-operating income		
Interest income	1	2
Dividend income	195	228
Rental income	65	61
Miscellaneous income	59	29
Total non-operating income	320	321
Non-operating expenses		
Interest expenses	38	56
Foreign exchange losses	9	14
Miscellaneous loss	7	12
Total non-operating expenses	55	84
Ordinary profit	1,575	1,714
Extraordinary income		
Gain on sale of investment securities	58	1,162
Gain on sale of non-current assets	75	199
Gain on transfer of business	—	60
Total extraordinary income	133	1,421
Extraordinary losses		
Loss on retirement of non-current assets	8	6
Total extraordinary losses	8	6
Profit before income taxes	1,699	3,129
Income taxes - current	369	918
Income taxes - deferred	34	(5)
Total income taxes	403	912
Profit	1,295	2,216
Profit attributable to non-controlling interests	64	19
Profit attributable to owners of parent	1,231	2,197

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Profit	1,295	2,216
Other comprehensive income		
Valuation difference on available-for-sale securities	279	2,012
Deferred gains or losses on hedges	(6)	30
Foreign currency translation adjustment	58	69
Remeasurements of defined benefit plans, net of tax	(68)	247
Total other comprehensive income	262	2,359
Comprehensive income	1,558	4,575
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,481	4,543
Comprehensive income attributable to non-controlling interests	77	32

(3) Consolidated statement of changes in equity**Fiscal year ended March 31, 2023(From April 1, 2022 to March 31, 2023)**

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,176	1,544	13,081	(256)	20,545
Changes during period					
Dividends of surplus			(537)		(537)
Profit attributable to owners of parent			1,231		1,231
Purchase of treasury shares				(151)	(151)
Net changes in items other than shareholders' equity					
Total changes during period	—	—	693	(151)	541
Balance at end of period	6,176	1,544	13,775	(408)	21,087

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,384	8	79	50	2,522	143	23,211
Changes during period							
Dividends of surplus							(537)
Profit attributable to owners of parent							1,231
Purchase of treasury shares							(151)
Net changes in items other than shareholders' equity	279	(6)	45	(68)	250	38	288
Total changes during period	279	(6)	45	(68)	250	38	830
Balance at end of period	2,664	1	125	(18)	2,772	181	24,041

Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,176	1,544	13,775	(408)	21,087
Changes during period					
Dividends of surplus			(530)		(530)
Profit attributable to owners of parent			2,197		2,197
Purchase of treasury shares				(302)	(302)
Net changes in items other than shareholders' equity					
Total changes during period	—	—	1,666	(302)	1,363
Balance at end of period	6,176	1,544	15,441	(711)	22,451

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,664	1	125	(18)	2,772	181	24,041
Changes during period							
Dividends of surplus							(530)
Profit attributable to owners of parent							2,197
Purchase of treasury shares							(302)
Net changes in items other than shareholders' equity	2,012	30	56	247	2,346	16	2,363
Total changes during period	2,012	30	56	247	2,346	16	3,726
Balance at end of period	4,676	31	181	228	5,119	198	27,768

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Cash flows from operating activities		
Profit before income taxes	1,699	3,129
Depreciation	400	474
Increase (decrease) in allowance for doubtful accounts	1	(3)
Increase (decrease) in retirement benefit liability and asset	29	(16)
Increase (decrease) in provision for loss on construction contracts	(2)	0
Interest and dividend income	(196)	(231)
Interest expenses	38	56
Loss (gain) on valuation of investment securities	(58)	(1,162)
Loss (gain) on sales of property, plant and equipment	(75)	(199)
Decrease (increase) in trade receivables and contract assets	(5,775)	(1,193)
Decrease (increase) in costs on construction contracts in progress	(317)	(491)
Increase (decrease) in trade payables	2,033	(1,220)
Increase (decrease) in contract liabilities	(228)	510
Other, net	171	(290)
Subtotal	(2,280)	(637)
Interest and dividend income received	196	231
Interest paid	(34)	(52)
Income taxes paid	(383)	(431)
Net cash provided by (used in) operating activities	(2,500)	(891)
Cash flows from investing activities		
Proceeds from sales of property, plant and equipment	130	389
Purchase of property, plant and equipment	(188)	(1,270)
Purchase of intangible assets	(52)	(65)
Proceeds from sale of investment securities	70	1,500
Purchase of investment securities	(5)	(5)
Other, net	(17)	2
Net cash provided by (used in) investing activities	(63)	550
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	—	3,300
Proceeds from long-term borrowings	400	400
Repayments of long-term borrowings	(400)	(400)
Dividends paid	(537)	(530)
Dividends paid to non-controlling interests	(38)	(15)
Purchase of treasury shares	(151)	(302)
Net cash provided by (used in) financing activities	(727)	2,451
Effect of exchange rate change on cash and cash equivalents	44	63
Net increase (decrease) in cash and cash equivalents	(3,247)	2,174
Cash and cash equivalents at beginning of period	11,092	7,845
Cash and cash equivalents at end of period	7,845	10,019

(5) Notes to consolidated financial statements**Notes on premise of going concern**

No items to report

Segment information, etc.

[Segment information]

1. Overview of reportable segments

The reportable segments of the CHUGAI RO Group are those units for which separate financial information can be obtained among the constituent units of the Group and for which the Board of Directors of the Company regularly carries out examinations to determine the allocation of management resources and assess the business performance.

Chugai Ro Co., Ltd. has established business divisions and conducts business activities in the three segments of Heat Treatment Business (mainly related to automobiles and battery production), Plant Business (mainly related to steel and non-ferrous metals), and Development Business (mainly related to decarbonization, precision coating and drying equipment, air pollution control, waste treatment and recycling).

Starting from the first quarter, in order to better clarify the direction and the level of achievement of the management strategy, we have revised the classification method of our business segments and changed the reporting segments from “Energy,” “Information and Communications,” “Environmental Preservation,” and “Other” to “Heat Treatment Business,” “Plant Business,” “Development Business,” and “Other.” For year-on-year comparisons, figures based on the revised classification method are used.

2. Information on net sales and profit (loss) by reportable segment

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable Segment				Others	Total	Adjustment	Reported in consolidated financial statements
	Heat Treatment Business	Plant Business	Development Business	Total				
Net sales								
Sales to external customers	13,137	10,894	991	25,023	2,953	27,977	—	27,977
Intersegment sales or transfers	793	111	26	931	1,847	2,778	(2,778)	—
Total	13,930	11,006	1,018	25,955	4,801	30,756	(2,778)	27,977
Segment profit (loss)	541	949	(491)	998	298	1,297	12	1,309

Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reportable Segment				Others	Total	Adjustment	Reported in consolidated financial statements
	Heat Treatment Business	Plant Business	Development Business	Total				
Net sales								
Sales to external customers	13,158	11,094	1,884	26,138	3,145	29,283	—	29,283
Intersegment sales or transfers	753	112	12	877	2,313	3,191	(3,191)	—
Total	13,912	11,207	1,896	27,016	5,458	32,475	(3,191)	29,283
Segment profit (loss)	606	725	(108)	1,222	186	1,409	68	1,477

Per share information

	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Net assets per share	3,146.80 yen	3,709.15 yen
Basic earnings per share	162.04 yen	293.78 yen

(Notes) 1. Diluted earnings per share is not presented since no potential shares exist.

2. The basis for calculation of basic earnings per share

Item	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Profit attributable to owners of parent (millions of yen)	1,231	2,197
Amount not attributable to common shareholders (millions of yen)	—	—
Profit attributable to owners of parent related to common shares (millions of yen)	1,231	2,197
Average number of common shares outstanding during the period (thousands of shares)	7,597	7,478

Significant subsequent events

Chugai Ro Co., Ltd. (hereinafter, the “Company”) hereby announces that at a meeting of its Board of Directors held on April 30, 2024, the Company resolved to acquire treasury shares pursuant to Article 156 of the Companies Act, as applied by replacing the terms pursuant to the provisions of Article 165, Paragraph 3 of the Act.

1. Reasoning Behind the Acquisition of Treasury Shares

The Company will repurchase its own shares in order to facilitate the implementation of flexible capital policies in response to changes in the business environment.

2. Details of the Matters Pertaining to the Acquisition

(1) Type of shares to be acquired	Common shares of the Company
(2) Total number of shares to be repurchased	130,000 shares (maximum)
(3) Total value of shares repurchased	310 million yen (maximum)
(4) Period of acquisition	May 1, 2024 to July 29, 2024
(5) Method of acquisition	Market purchase using trust method

4. Others**(1) Status of orders received and sales**

(i) Net sales

(Millions of yen)

Segment	Fiscal year ended March 31, 2023 April 1 2022 to March 31, 2023		Fiscal year ending March 31, 2024 April 1 2023 to March 31, 2024		Increase (decrease)
	Amount	%	Amount	%	Amount
Heat Treatment Business	13,930	49.8	13,912	47.5	(18)
Plant Business	11,006	39.3	11,207	38.3	201
Development Business	1,018	3.6	1,896	6.5	878
Others	4,801	17.2	5,458	18.6	657
Intersegment elimination	(2,778)	(9.9)	(3,191)	(10.9)	(413)
Total	27,977	100.0	29,283	100.0	1,306
[Overseas]	[6,840]	[24.5]	[4,899]	[16.7]	[(1,941)]

(ii) Orders received

(Millions of yen)

Segment	Fiscal year ended March 31, 2023 April 1 2022 to March 31, 2023		Fiscal year ending March 31, 2024 April 1 2023 to March 31, 2024		Increase (decrease)
	Amount	%	Amount	%	Amount
Heat Treatment Business	17,978	55.3	18,922	48.8	944
Plant Business	10,594	32.6	13,949	36.0	3,355
Development Business	1,633	5.0	3,527	9.1	1,894
Others	5,066	15.6	5,857	15.1	791
Intersegment elimination	(2,749)	(8.5)	(3,466)	(9.0)	(717)
Total	32,522	100.0	38,790	100.0	6,268
[Overseas]	[8,255]	[25.4]	[13,777]	[35.5]	[5,522]

(iii) Backorder

(Millions of yen)

Segment	Fiscal year ended March 31, 2023 April 1 2022 to March 31, 2023		Fiscal year ending March 31, 2024 April 1 2023 to March 31, 2024		Increase (decrease)
	Amount	%	Amount	%	Amount
Heat Treatment Business	11,084	45.0	14,707	42.9	3,623
Plant Business	10,007	40.6	12,624	36.8	2,617
Development Business	1,638	6.7	3,239	9.4	1,601
Others	2,623	10.6	4,740	13.8	2,117
Intersegment elimination	(703)	(2.9)	(998)	(2.9)	(295)
Total	24,649	100.0	34,313	100.0	9,664
[Overseas]	[5,208]	[21.1]	[14,242]	[41.5]	[9,034]