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## Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 <under Japanese GAAP>



May 12, 2023

Company name : CHUGAI RO CO., LTD.  
 Listing: Tokyo Stock Exchange  
 Securities code: 1964  
 URL: <https://chugai.co.jp/en>  
 Representative: Akira Ozaki, President  
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 TEL: +81-6-6221-1251  
 Scheduled date of ordinary general meeting of shareholders: June 28, 2023  
 Scheduled date to commence dividend payments: June 29, 2023  
 Scheduled date to file annual securities report: June 29, 2023  
 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, 2023 (from April 1, 2022 to March 31, 2023)

(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, 2023    | 27,977          | 6.3 | 1,309            | 3.7   | 1,575           | 5.5   | 1,231                                   | (9.5) |
| March 31, 2022    | 26,317          | 6.5 | 1,263            | 223.7 | 1,493           | 164.1 | 1,360                                   | 313.1 |

(Note) Comprehensive income: Fiscal year ended March 31, 2023 1,558 million yen [(19.0%)]  
 Fiscal year ended March 31, 2022 1,923 million yen [21.3%]

|                   | Basic earnings per share | Diluted earnings per share | Return on equity | Ratio of ordinary profit to total assets | Operating profit ratio |
|-------------------|--------------------------|----------------------------|------------------|--|------------------------|
| Fiscal year ended | Yen                      | Yen                        | %                | %  | %                      |
| March 31, 2023    | 162.04                   | —                          | 5.2              | 4.0                                      | 4.7                    |
| March 31, 2022    | 177.18                   | —                          | 6.1              | 3.9                                      | 4.8                    |

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

Fiscal year ended March 31, 2023 — million yen

Fiscal year ended March 31, 2022 — 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, 2023 | 41,178          | 24,041          | 57.9                  | 3,146.80             |
| March 31, 2022 | 38,141          | 23,211          | 60.5                  | 3,005.31             |

(Reference) Equity: As of March 31, 2023 23,860 million yen

As of March 31, 2022 23,068 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, 2023    | (2,500)                              | (63)                                 | (727)                                | 7,845                                      |
| March 31, 2022    | 6,090                                | 510                                  | (2,508)                              | 11,092                                     |

## 2. Cash dividends

|  | Annual dividends per share |                    |                   |                 |       | Total cash dividends (annual) | Payout ratio (consolidated) | Ratio of dividends to net assets (consolidated) |
|--|----------------------------|--------------------|-------------------|-----------------|-------|-------------------------------|-----------------------------|---|
|  | First quarter-end          | Second quarter-end | Third quarter-end | Fiscal year-end | Total |                               |                             |   |
|  | Yen                        | Yen                | Yen               | Yen             | Yen   | Millions of yen               | %                           | %   |
| Fiscal year ended March 31, 2022             | —                          | —                  | —                 | 70.00           | 70.00 | 537                           | 39.5                        | 2.4   |
| Fiscal year ended March 31, 2023             | —                          | —                  | —                 | 70.00           | 70.00 | 530                           | 43.2                        | 2.3   |
| Fiscal year ending March 31, 2024 (Forecast) | —                          | —                  | —                 | 80.00           | 80.00 |                               | 43.3                        |   |

## 3. Consolidated earnings forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes)

|                                   | Net sales       |      | Operating profit |      | Ordinary profit |      | Profit          |      | Basic earnings per share |
|-----------------------------------|-----------------|------|------------------|------|-----------------|------|-----------------|------|--------------------------|
|                                   | Millions of yen | %    | Millions of yen  | %    | Millions of yen | %    | Millions of yen | %    | Yen                      |
| Fiscal year ending March 31, 2024 | 34,000          | 21.5 | 1,900            | 45.1 | 2,000           | 27.0 | 1,400           | 13.7 | 184.64                   |

\* **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

|  |                  |  |                  |
|--|------------------|--|------------------|
| As of March 31, 2023                     | 7,800,000 shares | As of March 31, 2022                     | 7,800,000 shares |
| As of March 31, 2023                     | 217,533 shares   | As of March 31, 2022                     | 124,116 shares   |
| For the fiscal year ended March 31, 2023 | 7,597,314 shares | For the fiscal year ended March 31, 2022 | 7,676,425 shares |

**[Reference] Overview of non-consolidated financial results**

**Non-consolidated financial results for the fiscal year ended March 31, 2023  
(from April 1, 2022 to March 31, 2023)**

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

| Fiscal year ended | Net sales       |      | Operating profit |      | Ordinary profit |       | Profit          |        |
|-------------------|-----------------|------|------------------|------|-----------------|-------|-----------------|--------|
|                   | Millions of yen | %    | Millions of yen  | %    | Millions of yen | %     | Millions of yen | %      |
| March 31, 2023    | 23,455          | 11.7 | 724              | 16.2 | 1,157           | 8.6   | 982             | (13.8) |
| March 31, 2022    | 21,002          | 4.5  | 623              | —    | 1,065           | 505.3 | 1,139           | 942.4  |

| Fiscal year ended | Basic earnings per share |  | Diluted earnings per share |  |
|-------------------|--------------------------|--|----------------------------|--|
|                   | Yen                      |  | Yen                        |  |
| March 31, 2023    | 129.37                   |  | —                          |  |
| March 31, 2022    | 148.49                   |  | —                          |  |

(2) Non-consolidated financial position

| As of          | Total assets    |  | Net assets      |  | Equity-to-asset ratio |  | Net assets per share |  |
|----------------|-----------------|--|-----------------|--|-----------------------|--|----------------------|--|
|                | Millions of yen |  | Millions of yen |  | %                     |  | Yen                  |  |
| March 31, 2023 | 37,331          |  | 22,231          |  | 59.6                  |  | 2,931.96             |  |
| March 31, 2022 | 34,611          |  | 21,664          |  | 62.6                  |  | 2,822.43             |  |

(Reference) Equity: As of March 31, 2023 22,231 million yen  
As of March 31, 2022 21,664 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 Japanese economy gradually recovered partly due to the effect of various political measures for life with COVID. However, the decline in the international economy associated with global inflation, including soaring raw material and energy prices, and the rising policy interest rates serves as a downward risk for the Japanese economy. While automobile production has been returning to normal from the prolonged shortages of semiconductors and parts, economic prospects remain uncertain due to rising prices and fluctuations in financial and capital markets.

Meanwhile, in response to the government's growth strategy toward achieving carbon neutrality in 2050, signs of recovery were seen in capital investments by companies.

Under these business circumstances, aiming to contribute to carbon neutrality, the Group has proactively offered technology proposals using hydrogen or ammonia and promoted activities to receive orders.

As a result, orders received reached 32,522 million yen (115.6% of the figure in the previous year) with the conclusion of contracts for electric continuous annealing lines for overseas, functional material heat treating furnaces related to semiconductors for inside Japan, and heat treatment furnaces for machine parts for Indonesia, among others.

In terms of sales, due to the progress in the construction of energy-saving-type reheating furnaces and hydrogen gas reheating devices for steel producers in Japan and heat treatment furnaces for machine components for Indonesia, net sales increased to 27,977 million yen (106.3% of the previous year).

On the profitability side, though affected by the soaring raw material prices and transportation costs, the Group recorded operating profit of 1,309 million yen (103.7% of the previous year), ordinary profit of 1,575 million yen (105.5% of the previous year), and profit attributable to owners of parent of 1,231 million yen (90.5% of the previous year) as a result of the efforts of foreign exchange hedges and procurement cost reduction.

An overview of performance by segment is as follows.

(Energy)

In terms of order intake, orders received increased to 27,072 million yen (119.0% of the previous year) as a result of the conclusion of contracts for electric continuous annealing lines for overseas, functional material heat treating furnaces related to semiconductors for inside Japan, and heat treatment furnaces for machine parts for Indonesia, among others.

In terms of sales, due to the progress in the construction of energy-saving-type reheating furnaces and continuous annealing lines for steel producers in Japan, heat treatment furnaces for machine components for Indonesia, and heat treatment furnaces for machine components for the Japanese market, net sales increased to 23,190 million yen (125.3% of the previous year).

(Information and Communications)

Orders received totaled 633 million yen (80.5% of the previous year), with contracts concluded for next-generation batteries and semiconductor-related RS coaters for the Japanese market and modified or spare parts for precision coater systems for overseas.

In terms of sales, despite the progress in the construction of semiconductor package-related precision coater systems for China and RS coaters related to next-generation batteries for the Japanese market, net sales remained at 264 million yen (10.5% of the previous year) partly due to the low level of outstanding orders at the beginning of the year.

(Environmental Preservation)

Orders received totaled 2,500 million yen (96.3% of the previous year), with contracts concluded for regenerative thermal oxidizers (RTO) for Japan, China, and Thailand that comply with tightened environmental regulations.

In terms of sales, due to the delivery of heat treatment furnaces for activated coke and regenerative thermal oxidizers (RTO) for Japan, China and Taiwan, net sales increased to 2,500 million yen (113.0% of the previous year).

(Others)

Orders received increased to 5,066 million yen (118.4% of the previous year), with contracts concluded by overseas subsidiaries for motor core annealing furnaces, regenerative thermal oxidizers, etc. for China.

In terms of sales, as a result of the delivery of devices for stainless steel production equipment and annealing furnaces for wire rod coils for China, etc., net sales were 4,801 million yen (87.6% of the previous year).

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

Total assets increased by 3,036 million yen from the end of the previous fiscal year to 41,178 million yen mainly due to increases in notes and accounts receivable-trade and contract assets, whereas cash and deposits decreased. Total liabilities increased by 2,206 million yen from the end of the previous fiscal year to 17,136 million yen mainly due to an increase in accounts payable-trade.

Net assets totaled 24,041 million yen, an 830 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 57.9%.

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

Cash flows from operating activities resulted in a decrease of 2,500 million yen in net cash due to increases in trade receivables and contract assets.

Cash flows from investing activities resulted in a decrease of 63 million yen in net cash due to the purchase of property, plant and equipment, and intangible assets despite the sale of property, plant and equipment.

Cash flows from financing activities resulted in a decrease of 727 million yen in net cash due to spending for payment of dividends and purchase of treasury shares.

As a result, cash and cash equivalents at the end of the period totaled 7,845 million yen, a decrease of 3,247 million yen.

### **(4) Future outlook**

The economy is expected to get on a gradual recovery path after the downgrading of COVID-19 to Class 5 under the Infectious Disease Act. While the Group anticipates a certain level of demand mainly from industries related to steel, automobiles, and semiconductors, it recognizes that the business environment contains uncertainties, such as risks that put pressure on its corporate profits, including changes in energy and raw material prices, and the international economy, 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, the Group is advancing the construction of the Thermal Technology Creative Center inside the Sakai Works to be completed in November 2023. By making investments in equipment and human resources for the research and development sector, we aim to establish a foundation that enables 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 return of earnings, 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 70 yen per share at the ordinary general meeting of shareholders in June 2023.

For the fiscal year ending March 2024, we plan to pay dividends of 80 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, 2022 | As of March 31, 2023 |
|--|----------------------|----------------------|
| <b>Assets</b>  |                      |                      |
| Current assets   |                      |                      |
| Cash and deposits  | 11,130               | 7,884                |
| Notes and accounts receivable–trade, and contract assets | 14,852               | 20,693               |
| Costs on construction contracts in progress              | 1,208                | 1,560                |
| Other  | 83                   | 81                   |
| Allowance for doubtful accounts                          | (3)                  | (4)                  |
| Total current assets                                     | 27,271               | 30,214               |
| Non-current assets                                       |                      |                      |
| Property, plant and equipment                            |                      |                      |
| 6, Buildings and structures                              | 6,122                | 5,761                |
| Accumulated depreciation                                 | (4,591)              | (4,363)              |
| Buildings and structures, net                            | 1,531                | 1,398                |
| Machinery, equipment and vehicles                        | 2,171                | 2,142                |
| Accumulated depreciation                                 | (1,841)              | (1,856)              |
| Machinery, equipment and vehicles, net                   | 329                  | 286                  |
| Land   | 2,090                | 2,081                |
| Construction in progress                                 | 38                   | 67                   |
| Other  | 1,160                | 1,330                |
| Accumulated depreciation                                 | (967)                | (1,039)              |
| Other, net   | 193                  | 290                  |
| Total property, plant and equipment                      | 4,182                | 4,124                |
| Intangible assets  |                      |                      |
| Software   | 362                  | 290                  |
| Others   | 1                    | 0                    |
| Total intangible assets                                  | 363                  | 291                  |
| Investments and other assets                             |                      |                      |
| Investment securities                                    | 5,764                | 6,121                |
| Retirement benefit asset                                 | 316                  | 186                  |
| Deferred tax assets                                      | 2                    | 1                    |
| Other  | 256                  | 254                  |
| Allowance for doubtful accounts                          | (16)                 | (16)                 |
| Total investments and other assets                       | 6,323                | 6,547                |
| Total non-current assets                                 | 10,870               | 10,963               |
| Total assets   | 38,141               | 41,178               |

(Millions of yen)

|   | As of March 31, 2022 | As of March 31, 2023 |
|---|----------------------|----------------------|
| <b>Liabilities</b>                                    |                      |                      |
| Current liabilities                                   |                      |                      |
| Electronically recorded obligations-operating         | 1,350                | 1,495                |
| Accounts payable-trade                                | 5,903                | 7,860                |
| Short-term loans borrowings                           | 2,800                | 2,800                |
| Income taxes payable                                  | 310                  | 295                  |
| Contract liabilities                                  | 940                  | 730                  |
| Provision for bonuses                                 | 193                  | 77                   |
| Provision for loss on construction contracts          | 2                    | 0                    |
| Other   | 949                  | 1,279                |
| <b>Total current liabilities</b>                      | <b>12,449</b>        | <b>14,538</b>        |
| Non-current liabilities                               |                      |                      |
| Long-term borrowings                                  | 1,188                | 1,188                |
| Deferred tax liabilities                              | 1,057                | 1,142                |
| Retirement benefit liability                          | 122                  | 127                  |
| Other   | 112                  | 139                  |
| <b>Total non-current liabilities</b>                  | <b>2,480</b>         | <b>2,598</b>         |
| <b>Total liabilities</b>                              | <b>14,929</b>        | <b>17,136</b>        |
| <b>Net assets</b>                                     |                      |                      |
| Shareholders' equity                                  |                      |                      |
| Share capital   | 6,176                | 6,176                |
| Capital surplus                                       | 1,544                | 1,544                |
| Retained earnings                                     | 13,081               | 13,775               |
| Treasury shares                                       | (256)                | (408)                |
| <b>Total shareholders' equity</b>                     | <b>20,545</b>        | <b>21,087</b>        |
| Accumulated other comprehensive income                |                      |                      |
| Valuation difference on available-for-sale securities | 2,384                | 2,664                |
| Deferred gains or losses on hedges                    | 8                    | 1                    |
| Foreign currency translation adjustment               | 79                   | 125                  |
| Remeasurements of defined benefit plans               | 50                   | (18)                 |
| <b>Total accumulated other comprehensive income</b>   | <b>2,522</b>         | <b>2,772</b>         |
| Non-controlling interests                             | 143                  | 181                  |
| <b>Total net assets</b>                               | <b>23,211</b>        | <b>24,041</b>        |
| <b>Total liabilities and net assets</b>               | <b>38,141</b>        | <b>41,178</b>        |



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

(Millions of yen)

|  | Fiscal year ended<br>March 31, 2022<br>(From April 1, 2021 to<br>March 31, 2022) | Fiscal year ended<br>March 31, 2023<br>(From April 1, 2022 to<br>March 31, 2023) |
|--|--|--|
| Net sales  | 26,317   | 27,977   |
| Cost of sales                                    | 20,759   | 22,285   |
| Gross profit                                     | 5,558  | 5,691  |
| Selling, general and administrative expenses     | 4,294  | 4,382  |
| Operating profit                                 | 1,263  | 1,309  |
| Non-operating income                             |  |  |
| Interest income                                  | 2  | 1  |
| Dividend income                                  | 169  | 195  |
| Foreign exchange gains                           | 6  | —  |
| Rental income                                    | 62   | 65   |
| Miscellaneous income                             | 35   | 59   |
| Total non-operating income                       | 276  | 320  |
| Non-operating expenses                           |  |  |
| Interest expenses                                | 42   | 38   |
| Foreign exchange losses                          | —  | 9  |
| Miscellaneous loss                               | 4  | 7  |
| Total non-operating expenses                     | 46   | 55   |
| Ordinary profit                                  | 1,493  | 1,575  |
| Extraordinary income                             |  |  |
| Gain on sale of investment securities            | 115  | 58   |
| Gain on sale of non-current assets               | —  | 75   |
| Total extraordinary income                       | 115  | 133  |
| Extraordinary losses                             |  |  |
| Loss on valuation of investment securities       | 15   | —  |
| Loss on retirement of non-current assets         | —  | 8  |
| Total extraordinary losses                       | 15   | 8  |
| Profit before income taxes                       | 1,594  | 1,699  |
| Income taxes - current                           | 323  | 369  |
| Income taxes - deferred                          | (159)  | 34   |
| Total income taxes                               | 164  | 403  |
| Profit   | 1,429  | 1,295  |
| Profit attributable to non-controlling interests | 69   | 64   |
| Profit attributable to owners of parent          | 1,360  | 1,231  |

**Consolidated Statement of Comprehensive Income**

(Millions of yen)

|  | Fiscal year ended<br>March 31, 2022<br>(From April 1, 2021 to<br>March 31, 2022) | Fiscal year ended<br>March 31, 2023<br>(From April 1, 2022 to<br>March 31, 2023) |
|--|--|--|
| Profit   | 1,429  | 1,295  |
| Other comprehensive income                                     |  |  |
| Valuation difference on available-for-sale securities          | 406  | 279  |
| Deferred gains or losses on hedges                             | (0)  | (6)  |
| Foreign currency translation adjustment                        | 65   | 58   |
| Remeasurements of defined benefit plans, net of tax            | 22   | (68)   |
| Total other comprehensive income                               | 494  | 262  |
| Comprehensive income   | 1,923  | 1,558  |
| Comprehensive income attributable to                           |  |  |
| Comprehensive income attributable to owners of parent          | 1,846  | 1,481  |
| Comprehensive income attributable to non-controlling interests | 76   | 77   |

**(3) Consolidated statement of changes in equity****Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)**

(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           | 12,178            | (254)           | 19,644                     |
| Cumulative effects of changes in accounting policies Restated balance |                      |                 | 4                 |                 | 4                          |
| Cumulative effects of changes in accounting policies Restated balance | 6,176                | 1,544           | 12,182            | (254)           | 19,648                     |
| Changes during period   |                      |                 |                   |                 |                            |
| Dividends of surplus  |                      |                 | (460)             |                 | (460)                      |
| Profit attributable to owners of parent                               |                      |                 | 1,360             |                 | 1,360                      |
| Purchase of treasury shares   |                      |                 |                   | (2)             | (2)                        |
| Net changes in items other than shareholders' equity                  |                      |                 |                   |                 |                            |
| Total changes during period   | —                    | —               | 899               | (2)             | 897                        |
| Balance at end of period  | 6,176                | 1,544           | 13,081            | (256)           | 20,545                     |

|   | 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  | 1,977   | 8                                  | 20                                      | 28                                      | 2,035  | 111                       | 21,792           |
| Cumulative effects of changes in accounting policies Restated balance |   |                                    |   |   |  |                           | 4                |
| Cumulative effects of changes in accounting policies Restated balance | 1,977   | 8                                  | 20                                      | 28                                      | 2,035  | 111                       | 21,796           |
| Changes during period   |   |                                    |   |   |  |                           |                  |
| Dividends of surplus  |   |                                    |   |   |  |                           | (460)            |
| Profit attributable to owners of parent                               |   |                                    |   |   |  |                           | 1,360            |
| Purchase of treasury shares   |   |                                    |   |   |  |                           | (2)              |
| Net changes in items other than shareholders' equity                  | 406   | (0)                                | 58                                      | 22                                      | 486  | 31                        | 518              |
| Total changes during period   | 406   | (0)                                | 58                                      | 22                                      | 486  | 31                        | 1,415            |
| Balance at end of period  | 2,384   | 8                                  | 79                                      | 50                                      | 2,522  | 143                       | 23,211           |

**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                     |
| Cumulative effects of changes in accounting policies Restated balance |                      |                 |                   |                 |                            |
| Cumulative effects of changes in accounting policies Restated balance | 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           |
| Cumulative effects of changes in accounting policies Restated balance |   |                                    |   |   |  |                           | —                |
| Cumulative effects of changes in accounting policies Restated balance | 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           |

**(4) Consolidated statement of cash flows**

(Millions of yen)

|   | Fiscal year ended<br>March 31, 2022<br>(From April 1, 2021 to<br>March 31, 2022) | Fiscal year ended<br>March 31, 2023<br>(From April 1, 2022 to<br>March 31, 2023) |
|---|--|--|
| <b>Cash flows from operating activities</b>                         |  |  |
| Profit before income taxes  | 1,594  | 1,699  |
| Depreciation  | 412  | 400  |
| Increase (decrease) in allowance for doubtful accounts              | (12)   | 1  |
| Increase (decrease) in retirement benefit liability and asset       | (16)   | 29   |
| Increase (decrease) in provision for loss on construction contracts | 0  | (2)  |
| Interest and dividend income  | (172)  | (196)  |
| Interest expenses   | 42   | 38   |
| Loss (gain) on valuation of investment securities                   | (100)  | (58)   |
| Loss (gain) on sales of property, plant and equipment               | —  | (75)   |
| Decrease (increase) in trade receivables and contract assets        | 4,265  | (5,775)  |
| Decrease (increase) in costs on construction contracts in progress  | 290  | (317)  |
| Increase (decrease) in trade payables                               | (9)  | 2,033  |
| Increase (decrease) in contract liabilities                         | (36)   | (228)  |
| Other, net  | (84)   | 171  |
| Subtotal  | 6,172  | (2,280)  |
| Interest and dividend income received                               | 172  | 196  |
| Interest paid   | (41)   | (34)   |
| Income taxes paid   | (213)  | (383)  |
| Net cash provided by (used in) operating activities                 | 6,090  | (2,500)  |
| <b>Cash flows from investing activities</b>                         |  |  |
| Proceeds from redemption of securities                              | 200  | —  |
| Proceeds from sales of property, plant and equipment                | —  | 130  |
| Purchase of property, plant and equipment                           | (127)  | (188)  |
| Purchase of intangible assets                                       | (190)  | (52)   |
| Proceeds from sale of investment securities                         | 486  | 70   |
| Purchase of investment securities                                   | (4)  | (5)  |
| Other, net  | 146  | (17)   |
| Net cash provided by (used in) investing activities                 | 510  | (63)   |
| <b>Cash flows from financing activities</b>                         |  |  |
| Net increase (decrease) in short-term borrowings                    | (2,000)  | —  |
| Proceeds from long-term borrowings                                  | 400  | 400  |
| Repayments of long-term borrowings                                  | (400)  | (400)  |
| Dividends paid  | (460)  | (537)  |
| Dividends paid to non-controlling interests                         | (45)   | (38)   |
| Purchase of treasury shares   | (2)  | (151)  |
| Net cash provided by (used in) financing activities                 | (2,508)  | (727)  |
| Effect of exchange rate change on cash and cash equivalents         | 110  | 44   |
| Net increase (decrease) in cash and cash equivalents                | 4,203  | (3,247)  |
| Cash and cash equivalents at beginning of period                    | 6,889  | 11,092   |
| Cash and cash equivalents at end of period                          | 11,092   | 7,845  |

**(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. and its subsidiary CHUGAI ENGINEERING CO., LTD. have business divisions in the three segments of Energy (mainly related to steel, automobiles, non-ferrous metal and battery production), Information and Communications (mainly related to precision coating and drying equipment), and Environmental Preservation (mainly related to air pollution control, waste treatment and recycling) and conduct business activities. Therefore, these three fields are our reportable segments. Businesses of other subsidiaries are included in "Others."

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

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(Millions of yen)

|                                 | Reportable Segment |                                |                            |        | Others | Total  | Adjustment | Reported in consolidated financial statements |
|---------------------------------|--------------------|--------------------------------|----------------------------|--------|--------|--------|------------|---|
|                                 | Energy             | Information and Communications | Environmental Preservation | Total  |        |        |            |   |
| Net sales                       |                    |                                |                            |        |        |        |            |   |
| Sales to external customers     | 18,116             | 2,533                          | 1,867                      | 22,517 | 3,835  | 26,352 | (35)       | 26,317  |
| Intersegment sales or transfers | 387                | —                              | 345                        | 733    | 1,644  | 2,378  | (2,378)    | —   |
| Total                           | 18,503             | 2,533                          | 2,213                      | 23,250 | 5,480  | 28,731 | (2,413)    | 26,317  |
| Segment profit (loss)           | 631                | (1)                            | 175                        | 805    | 419    | 1,225  | 38         | 1,263   |

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 |
|---------------------------------|--------------------|--------------------------------|----------------------------|--------|--------|--------|------------|---|
|                                 | Energy             | Information and Communications | Environmental Preservation | Total  |        |        |            |   |
| Net sales                       |                    |                                |                            |        |        |        |            |   |
| Sales to external customers     | 22,636             | 264                            | 2,122                      | 25,023 | 2,953  | 27,977 | —          | 27,977  |
| Intersegment sales or transfers | 553                | —                              | 377                        | 931    | 1,847  | 2,778  | (2,778)    | —   |
| Total                           | 23,190             | 264                            | 2,500                      | 25,955 | 4,801  | 30,756 | (2,778)    | 27,977  |
| Segment profit (loss)           | 1,028              | (304)                          | 274                        | 998    | 298    | 1,297  | 12         | 1,309   |

**Per share information**

|                          | Fiscal year ended March 31, 2022<br>(From April 1, 2021 to<br>March 31, 2022) | Fiscal year ended March 31, 2023<br>(From April 1, 2022 to<br>March 31, 2023) |
|--------------------------|---|---|
| Net assets per share     | 3,005.31 yen  | 3,146.80 yen  |
| Basic earnings per share | 177.18 yen  | 162.04 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, 2022<br>(From April 1, 2021 to<br>March 31, 2022) | Fiscal year ended March 31, 2023<br>(From April 1, 2022 to<br>March 31, 2023) |
|---|---|---|
| Profit attributable to owners of parent (millions of yen)                           | 1,360   | 1,231   |
| Amount not attributable to common shareholders (millions of yen)                    | —   | —   |
| Profit attributable to owners of parent related to common shares (millions of yen)  | 1,360   | 1,231   |
| Average number of common shares outstanding during the period (thousands of shares) | 7,676   | 7,597   |

**Significant subsequent events**

No items to report

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

## (i) Net sales

(Millions of yen)

| Segment                        | Fiscal year ended March 31, 2022<br>April 2021 to March 2022 |        | Fiscal year ended March 31, 2023<br>April 2022 to March 2023 |        | Increase<br>(decrease) |
|--------------------------------|--|--------|--|--------|------------------------|
|                                | Amount   | %      | Amount   | %      | Amount                 |
| Energy                         | 18,503   | 70.3   | 23,190   | 82.9   | 4,687                  |
| Information and Communications | 2,533  | 9.6    | 264  | 0.9    | (2,269)                |
| Environmental Preservation     | 2,213  | 8.4    | 2,500  | 8.9    | 287                    |
| Others                         | 5,480  | 20.8   | 4,801  | 17.2   | (679)                  |
| Intersegment elimination       | (2,413)  | (9.1)  | (2,778)  | (9.9)  | (365)                  |
| Total                          | 26,317   | 100.0  | 27,977   | 100.0  | 1,660                  |
| [Overseas]                     | [9,738]  | [37.0] | [6,840]  | [24.5] | [(2,898)]              |

## (ii) Orders received

(Millions of yen)

| Segment                        | Fiscal year ended March 31, 2022<br>April 2021 to March 2022 |        | Fiscal year ended March 31, 2023<br>April 2022 to March 2023 |        | Increase<br>(decrease) |
|--------------------------------|--|--------|--|--------|------------------------|
|                                | Amount   | %      | Amount   | %      | Amount                 |
| Energy                         | 22,754   | 80.9   | 27,072   | 83.2   | 4,318                  |
| Information and Communications | 787  | 2.8    | 633  | 2.0    | (154)                  |
| Environmental Preservation     | 2,596  | 9.2    | 2,500  | 7.7    | (96)                   |
| Others                         | 4,279  | 15.2   | 5,066  | 15.6   | 787                    |
| Intersegment elimination       | (2,279)  | (8.1)  | (2,749)  | (8.5)  | (470)                  |
| Total                          | 28,137   | 100.0  | 32,522   | 100.0  | 4,385                  |
| [Overseas]                     | [5,816]  | [20.7] | [8,255]  | [25.4] | [2,439]                |

## (iii) Backorder

(Millions of yen)

| Segment                        | Fiscal year ended March 31, 2022<br>April 2021 to March 2022 |        | Fiscal year ended March 31, 2023<br>April 2022 to March 2023 |        | Increase<br>(decrease) |
|--------------------------------|--|--------|--|--------|------------------------|
|                                | Amount   | %      | Amount   | %      | Amount                 |
| Energy                         | 16,736   | 83.7   | 20,675   | 83.9   | 3,939                  |
| Information and Communications | 199  | 1.0    | 511  | 2.1    | 312                    |
| Environmental Preservation     | 1,542  | 7.7    | 1,543  | 6.3    | 1                      |
| Others                         | 2,214  | 11.1   | 2,623  | 10.6   | 409                    |
| Intersegment elimination       | (710)  | (3.5)  | (703)  | (2.9)  | 7                      |
| Total                          | 19,983   | 100.0  | 24,649   | 100.0  | 4,666                  |
| [Overseas]                     | [3,609]  | [18.1] | [5,208]  | [21.1] | [1,599]                |



**(2) Changes in executives**

As of June 28, 2023

• **Candidates for new Auditors**

Outside Auditor (part-time) Tsuyoshi Takeuchi [Currently, Representative Director and Certified Public Accountant, PM Business Solutions Inc.]

Outside Auditor (part-time) Masanori Hirata [Currently, Partner, Midosuji LPC]

• **Candidate for substitute Auditor**

Outside Auditor (part-time) Koji Okano [Currently, Partner, Midosuji LPC]

• **Outgoing Auditors**

Auditor (full-time) Kenichiro Nanba Scheduled to become Advisor

Outside Auditor (part-time) Syozo Seki Outside Auditor (part-time)

Outside Auditor (part-time) Paul Ch'en