

FY2023 Financial Results
(The Fiscal Year Ended March 31, 2024)
(Under Japanese GAAP)

Chino Corporation

(6850 : Prime Market of Tokyo Stock Exchange)

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1. FY2023 Financial Results

(1) Financial Highlights

Consolidated Financial Results for the Fiscal Year Ended March 31, 2024

Orders received >> 27,458 million yen ▲1.3% yoy 


Net sales >> 27,425 million yen 15.3% yoy 


Orders received were down year-on-year for the full year due to the impact of the decline in the first quarter, despite continued demand for decarbonization-related products (fuel cell testing systems and water electrolysis testing systems).


※From 2nd half onwards, the company secured positive year-on-year growth.

Net sales increased due to steady capital investment by our customers and the elimination of parts supply shortages, with some exceptions.

<Profitability>

Operating profit >> 2,173 million yen 7.7% yoy 

Ordinary profit >> 2,413 million yen 5.2% yoy 

Profit attributable to owners of parent >> 1,756 million yen 14.3% yoy 

Profit increased in each item due to the effect of higher sales, revision of selling prices, and sale of strategic stockholdings, despite the impact of soaring material prices and the cost ratio of newly developed projects.

(2) Performance Summary (1)

◇ Consolidated Results

(Millions of yen)

	FY2022	FY2023	change	
Orders received	27,829	27,458	▲ 371	▲ 1.3%

	FY2022	FY2023	change	
Net sales	23,793	27,425	3,631	15.3%
Gross profit	7,869	8,390	521	6.6%
<% of Net sales>	<33.1>	<30.6>	<▲ 2.5p>	
Operating profit	2,018	2,173	155	7.7%
<% of Net sales>	<8.5>	<7.9>	<▲ 0.6p>	
Ordinary profit	2,294	2,413	118	5.2%
<% of Net sales>	<9.6>	<8.8>	<▲ 0.8p>	
Profit attributable to owners of parent	1,536	1,756	219	14.3%
<% of Net sales>	<6.5>	<6.4>	<▲ 0.1p>	

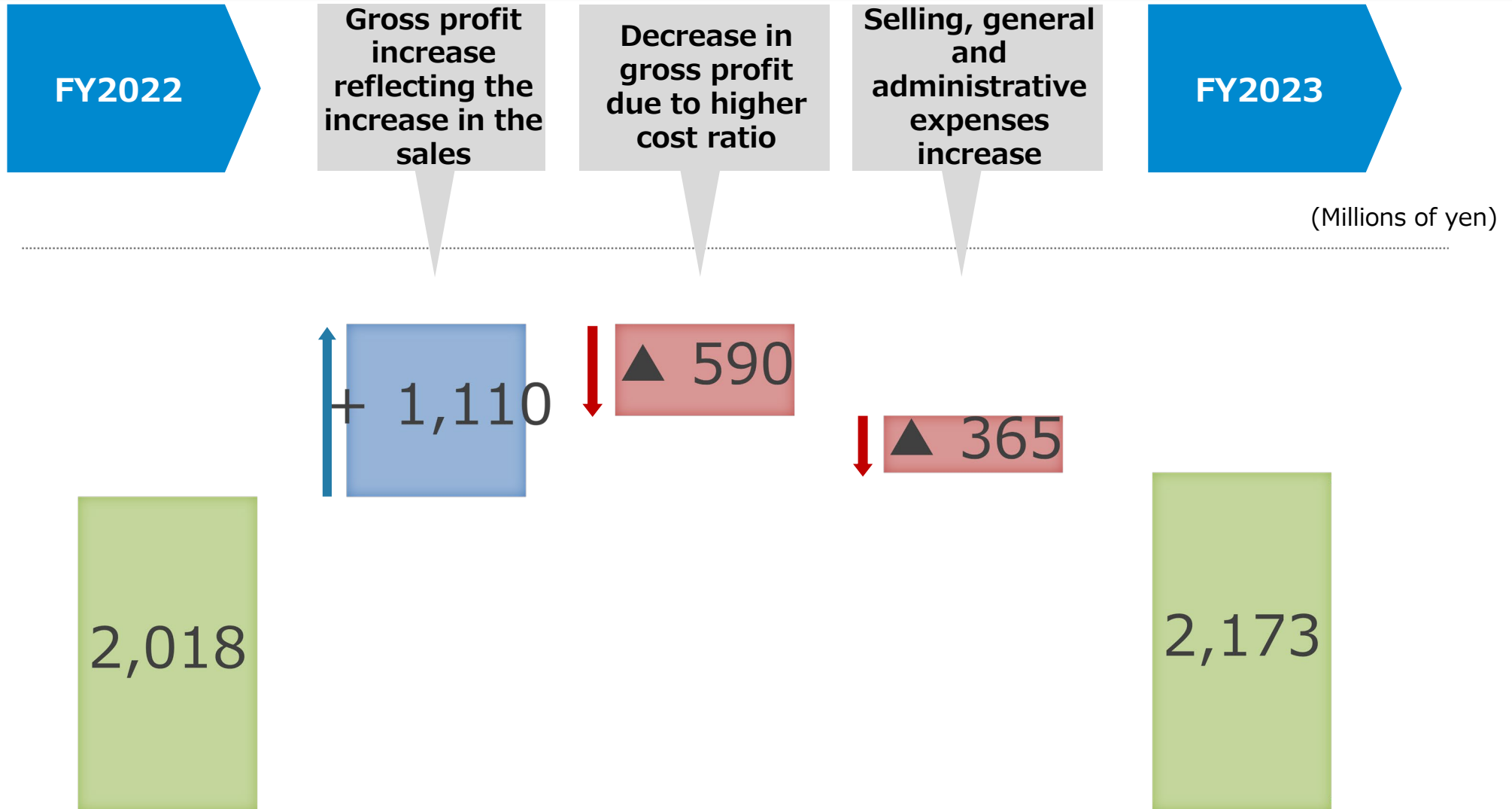
(2) Performance Summary (2)

◇ Business Results by Segment

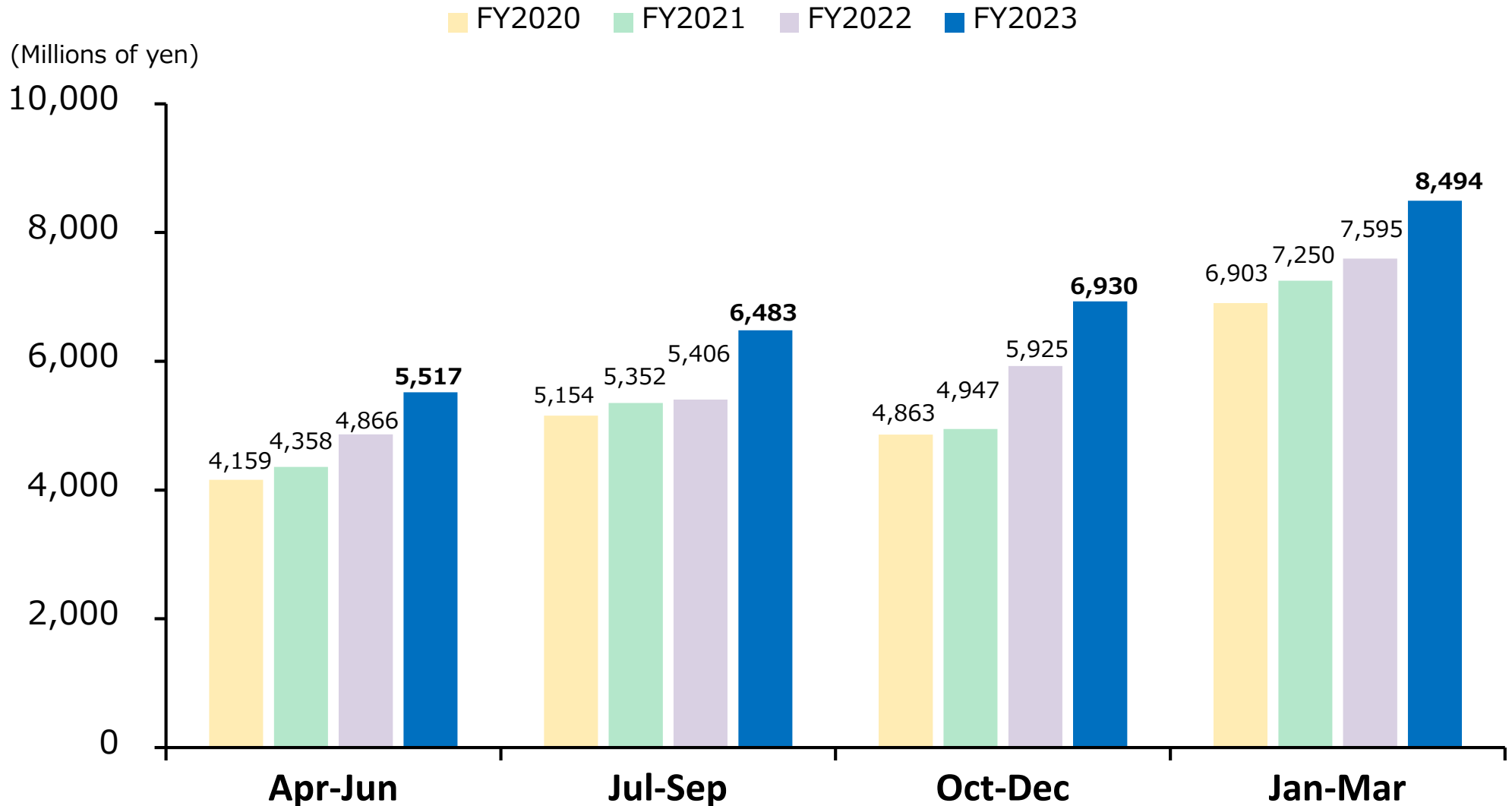
(Millions of yen)

	Orders received				Net sales				Segment profit(Operating profit)			
	FY2022	FY2023	Change		FY2022	FY2023	Change		FY2022	FY2023	Change	
Measurement & Control Instruments	8,497	8,307	▲ 189	▲2.2%	8,617	9,169	551	6.4%	1,226	1,173	▲ 52	▲4.3%
Instrumentation Systems	11,126	10,656	▲ 469	▲4.2%	7,131	9,699	2,568	36.0%	1,015	1,268	252	24.9%
Sensor	7,481	7,672	190	2.6%	7,124	7,549	424	6.0%	1,304	1,398	94	7.2%
Other	724	821	96	13.4%	919	1,006	86	9.4%	232	302	69	30.0%
Corporate expenses									▲ 1,760	▲ 1,968	▲ 207	—
Total	27,829	27,458	▲ 371	▲1.3%	23,793	27,425	3,631	15.3%	2,018	2,173	155	7.7%

(3) Analysis of Increase/Decrease in Operating Profit



(4) Net sales



(5) Performance Trends by Segment

<Measurement & Control Instruments>

Profit and Loss

Net sales

9169 million yen 6.4% yoy



Segment Profit

1,173 million yen ▲4.3% yoy

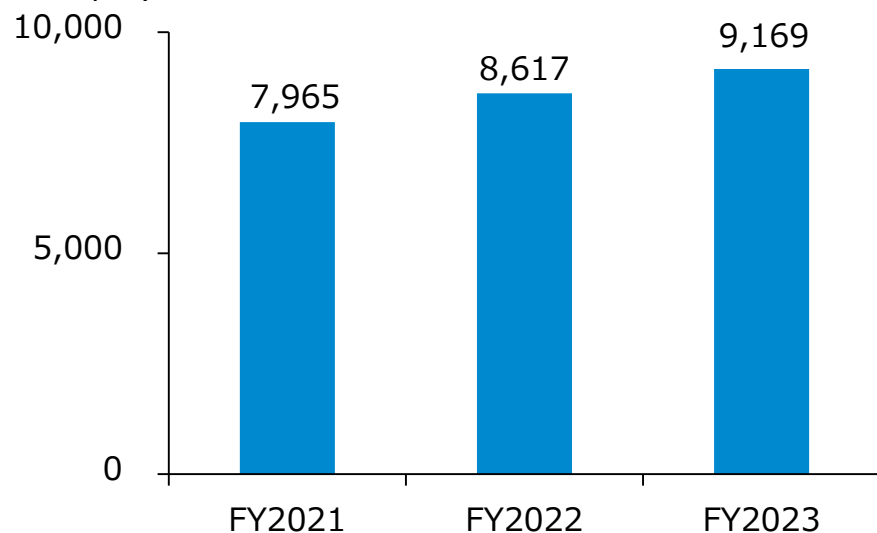


Status by Product

- Demand remained at high levels, mainly for semiconductor/electronic component-related manufacturing systems and heat processing equipment.
- New orders in overseas markets have been stagnant since the second half of the fiscal year.
- Profit decreased from the previous year due to soaring material prices, etc.

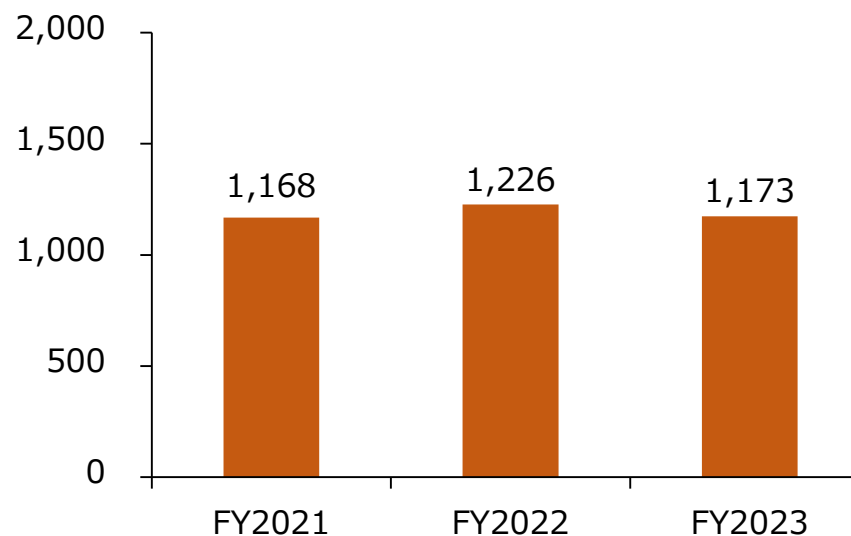
<Net sales>

(Millions of yen)



<Segment profit>

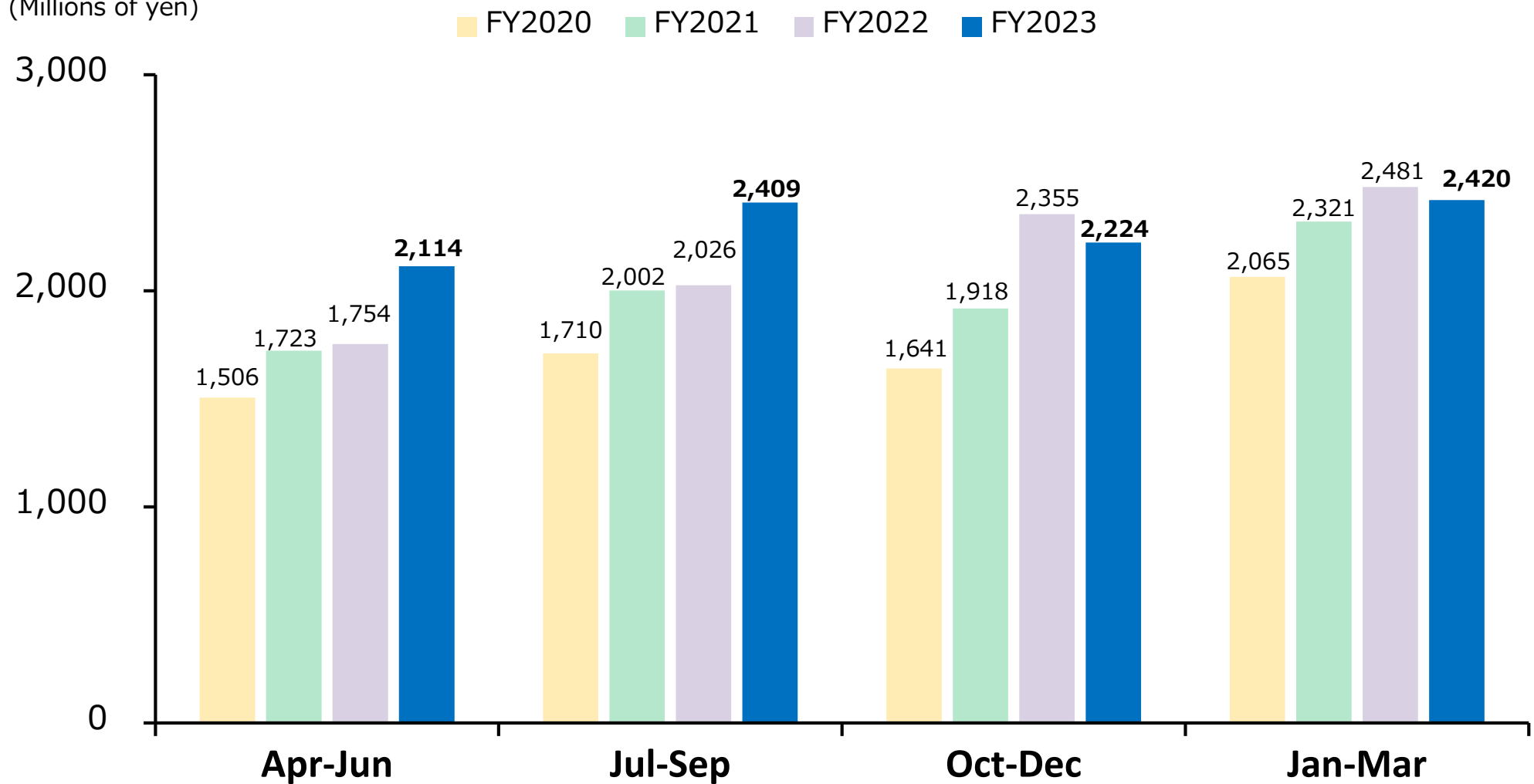
(Millions of yen)



(5) Sales Trends

<Measurement & Control Instruments>

(Millions of yen)



(5) Performance Trends by Segment

<Instrumentation Systems>

Profit and Loss

Net sales

9,699 million yen

36.0% yoy



Status by Product

Segment Profit

1,268 million yen

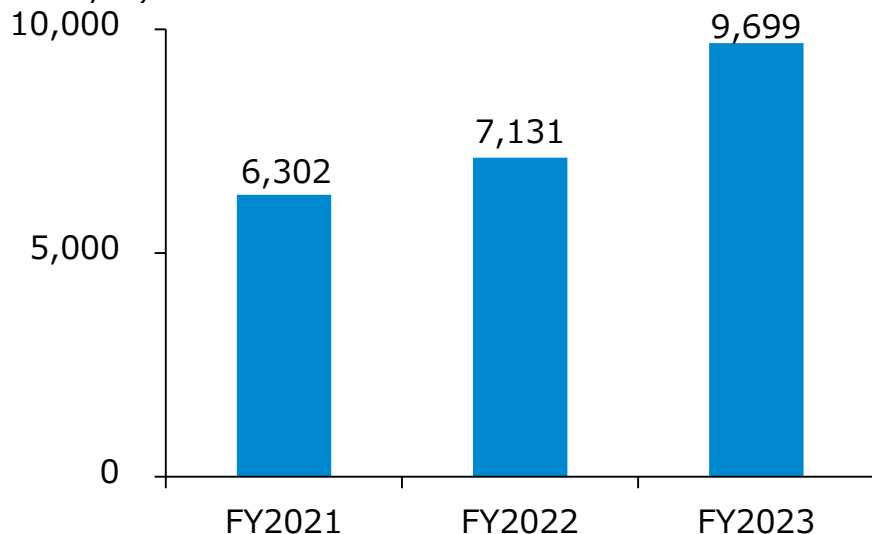
24.9% yoy



- Looking at decarbonization, demand continued for fuel cell testing systems and water electrolysis testing systems for the research and development of technology for the utilization of hydrogen energy.
- Demand for air-conditioning compressor performance testing systems increased for equipment compatible with natural refrigerants.
- Profit increased from the previous fiscal year mainly due to the effect of increased sales, despite the negative impact of a downward revision of the cost ratio for new development projects.

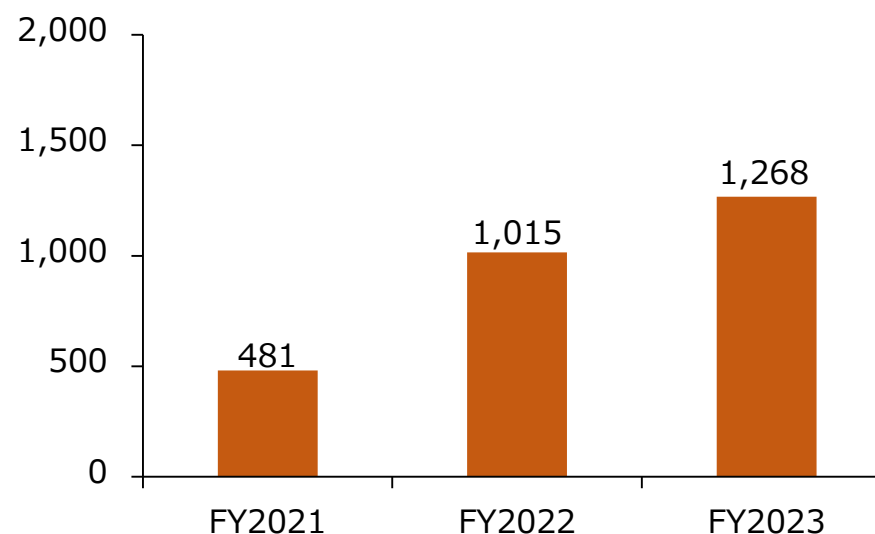
<Net sales>

(Millions of yen)



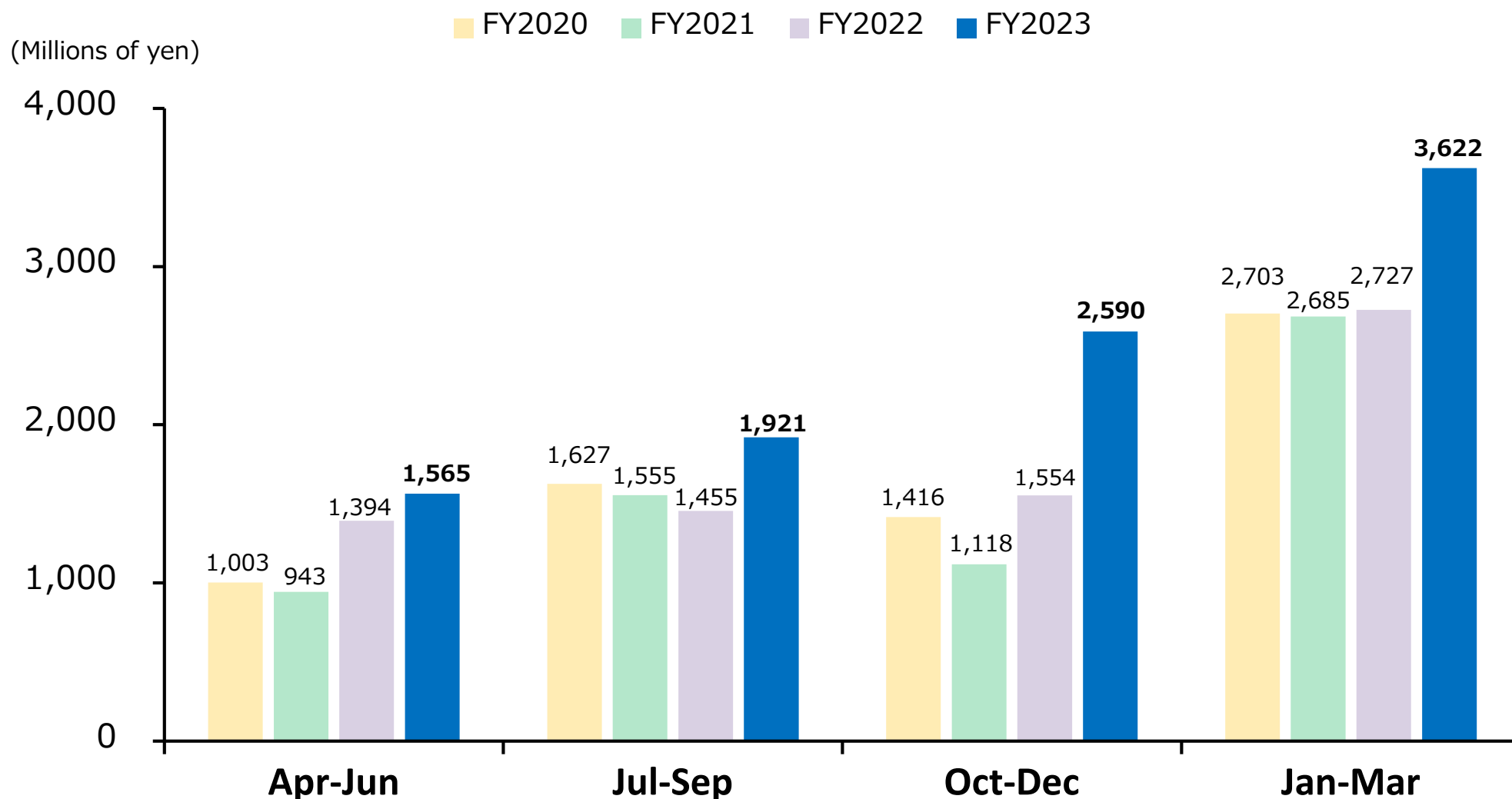
<Segment profit>

(Millions of yen)



(5) Sales Trends

<Instrumentation Systems>



(5) Performance Trends by Segment

<Sensor>

Profit and Loss

Net sales



7,549 million yen

6.0% yoy



Segment Profit



1,398 million yen

7.2% yoy

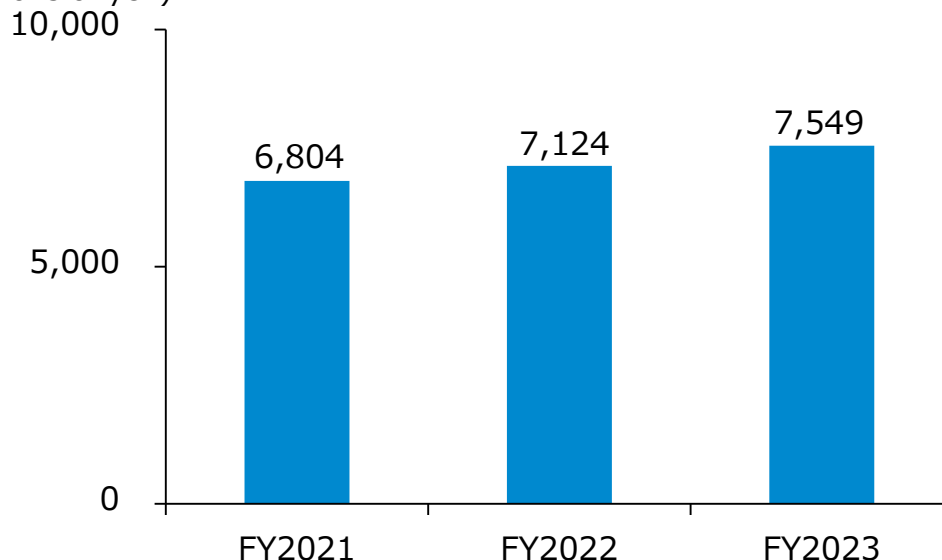


Status by Product

- There is strong demand for both infrared radiation thermometers and temperature sensors for use in semiconductor-related manufacturing systems.
- Demand for temperature sensors that meet AMS also remained robust.
*AMS: specifications for special process in the aerospace industry
- Profit increased from the previous year due to the effect of increased revenue, etc.

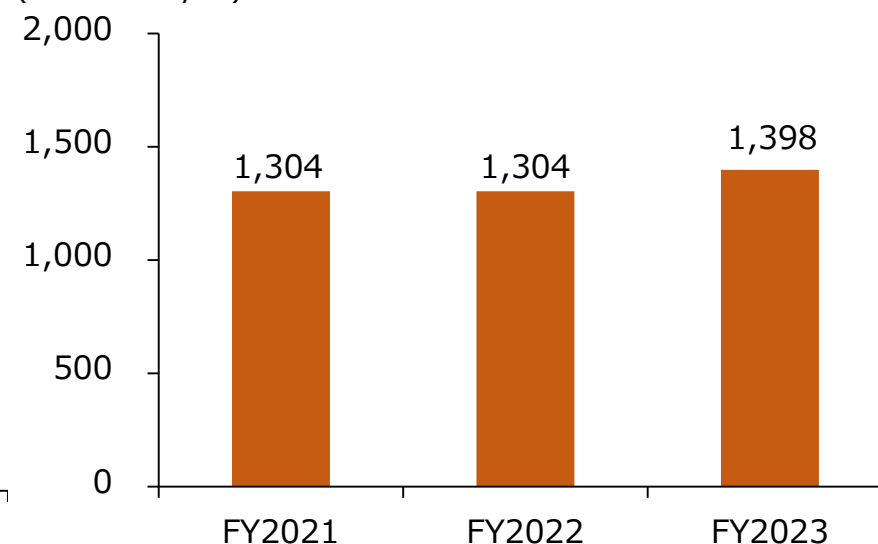
<Net sales>

(Millions of yen)



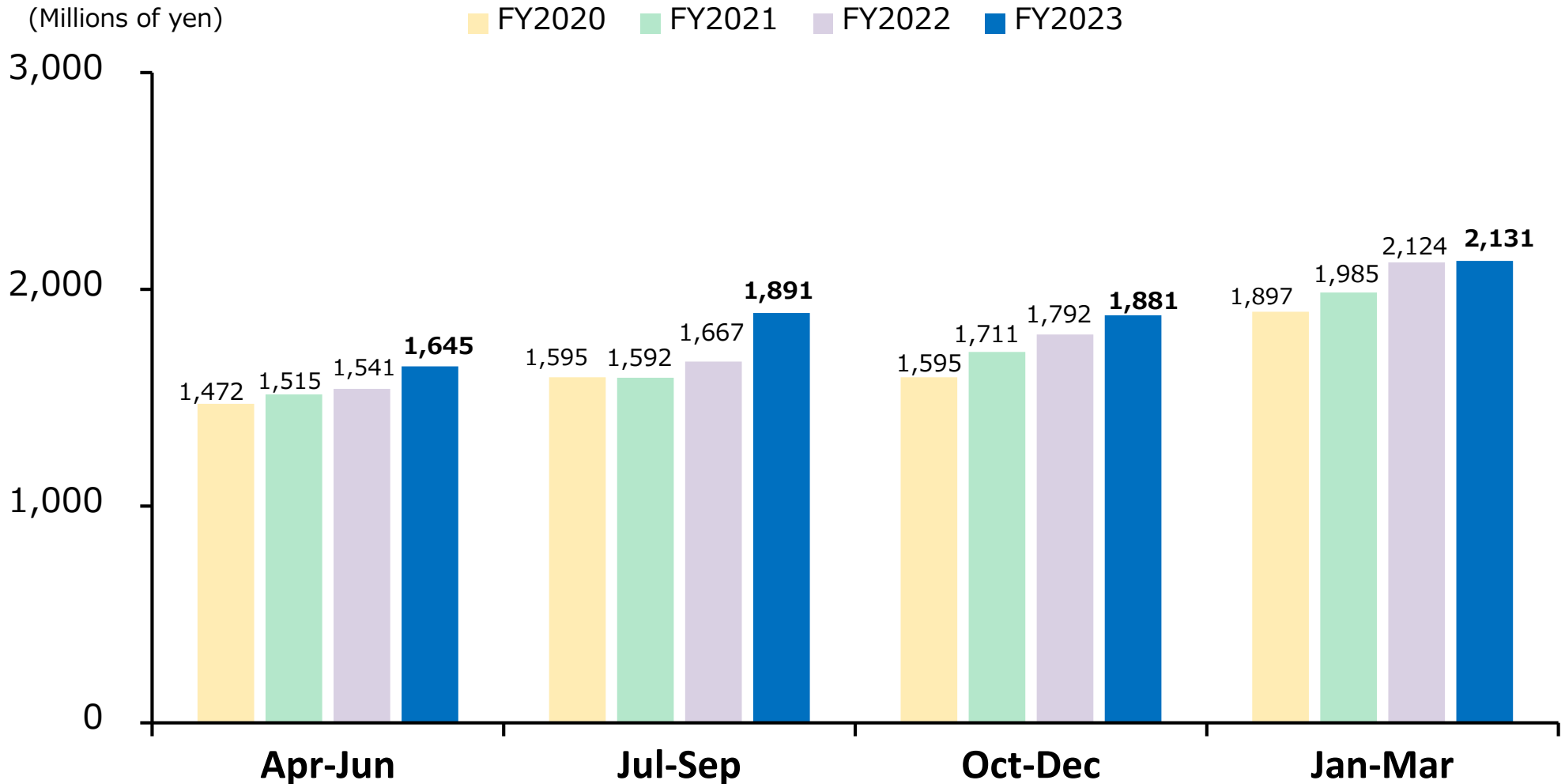
<Segment profit>

(Millions of yen)



(5) Sales Trends

<Sensor>



(6) Consolidated Balance Sheet

- **Assets:** Assets increased 240 million yen from the end of the previous period due to an increase in inventories, property, plant and equipment, etc., despite a decrease in cash and deposits.
- **Liabilities:** Current liabilities decreased 1,172 million yen due to a decrease in trade payables, and non-current liabilities decreased 204 million yen due to a decrease in long-term borrowings, resulting in total liabilities of 1,376 million yen less than at the end of the previous period.
- **Net assets:** Net assets increased 1,617 million yen from the end of the previous period, mainly due to the recording of profit.

(Millions of yen)

Item	End of Mar.2023	End of Mar.2024	Change
Current assets	26,322	26,050	▲ 272
Cash and deposits	9,176	7,305	▲ 1,871
Accounts receivable	8,281	8,738	457
Inventories	8,576	9,707	1,130
Other	287	298	10
Non-current assets	9,967	10,480	513
Property, plant and equipment	5,578	6,159	580
Intangible assets	436	297	▲ 139
Investments and other assets	3,952	4,023	71
Total assets	36,289	36,530	240

Item	End of Mar.2023	End of Mar.2024	Change
Current liabilities	10,489	9,317	▲ 1,172
Accounts payable	5,317	4,618	▲ 699
Short-term borrowings	1,724	1,581	▲ 143
Other	3,446	3,116	▲ 330
Non-current liabilities	4,225	4,021	▲ 204
Long-term borrowings	1,660	1,443	▲ 216
Other	2,565	2,578	12
Total net assets	21,574	23,191	1,617
Total shareholders' equity	18,471	19,654	1,182
Total accumulated other comprehensive income	312	606	294
Non-controlling interests	2,790	2,931	140
Total liabilities and net assets	36,289	36,530	240

※Equity ratio increased 3.7 percentage points from 51.8% at the end of March 2023 to 55.5% at the end of March 2024.

(7) Consolidated Cash Flow

- Operating CF : Operating CF increased by 0.1 billion yen (▲1.52 billion yen YOY) despite increase in inventories (materials, etc.).
- Investing CF : Investing CF increased 0.08 billion yen (+0.65 billion yen YoY) due to acquisition of non-current assets (▲1.45 billion yen), time deposits (+1.03 billion yen), and gain on sale of investment securities (+0.64 billion yen). As a result of the above, free CF was 0.18 billion yen (▲0.87 billion yen yoy)
- Financing CF : Financial CF was ▲1.1 billion yen (▲1.76 billion yen vs. FY07) due to dividend payments of ▲0.61 billion yen, borrowings of ▲0.36 billion yen, etc.

(Millions of yen)

Item	FY2022	FY2023	Change
I . Net cash provided by (used in) operating activities	1,619	101	▲1,518
II . Net cash provided by (used in) investing activities	▲564	81	646
Free cash flow (I + II)	1,054	183	▲871
III . Net cash provided by (used in) financing activities	655	▲1,104	▲1,760
IV . Effect of exchange rate change on cash and cash equivalents	71	60	▲10
Net increase (decrease) in cash and cash equivalents	1,781	▲860	▲2,642

(8) Net Sales by Region

- Domestic sales increased 2,717 million yen yoy.
Overseas sales increased 913 million yen yoy.
(Of which, 813 million yen increase in Asia (mainly China and South Korea))

North America

1.1% **312** million yen
(212 million yen)

Europe

0.6% **155** million yen
(128 million yen)

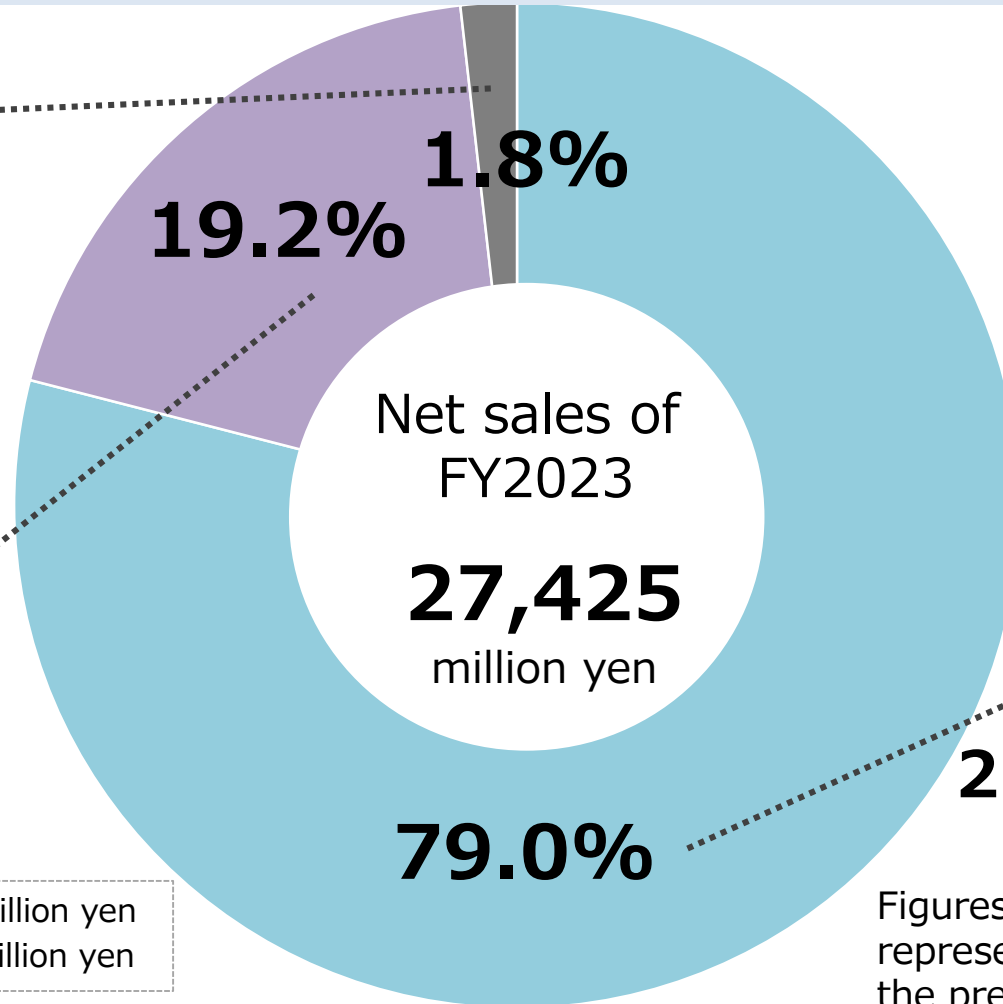
Other

0.1% **41** million yen
(68 million yen)

Asia

5,255 million yen
(4,441 million yen)

Of which, China **9.3%** **2,561** million yen
South Korea **5.1%** **1,391** million yen



Japan

21,659 million yen
(18,941 million yen)

Figures in parentheses represent the same period of the previous year.

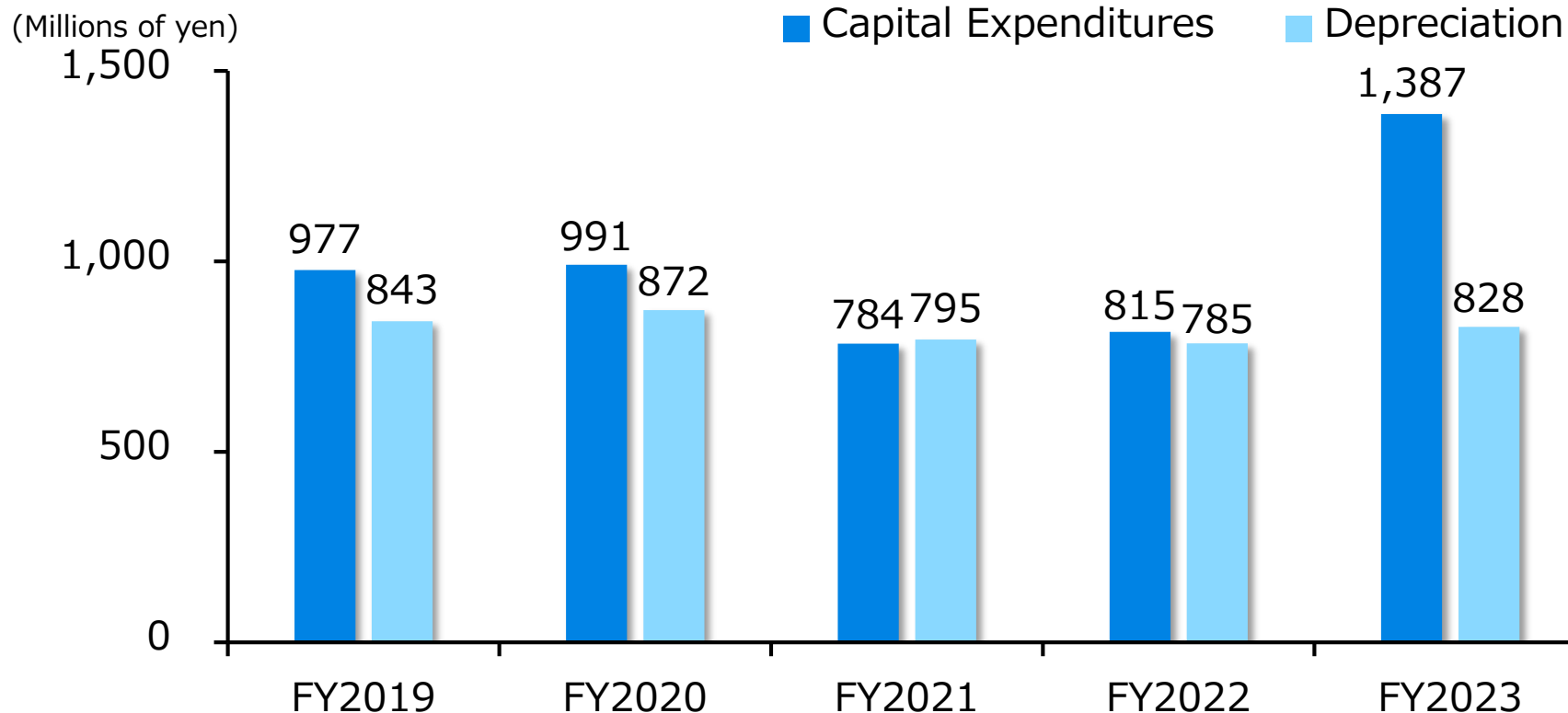
2. Capital Expenditures and Depreciation

Capital Expenditures and Depreciation

- Capital Expenditures for the period under review amounted to 1,387 million yen. (+572 million yen yoy)

<Major Capital Expenditures>

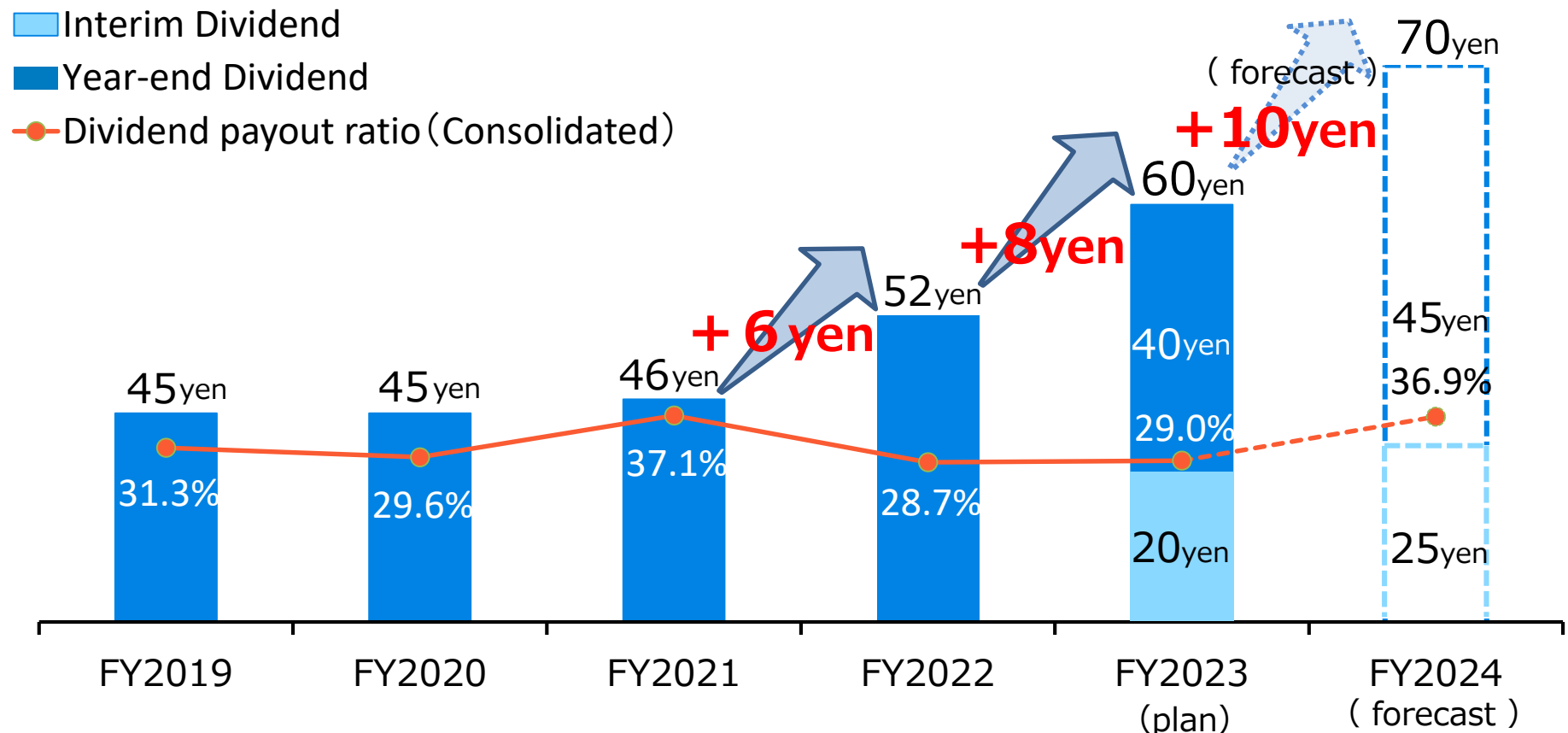
- Building equipment renewal 577 million yen
(MEIYO ELECTRIC Co., Ltd. <Third factory> 376 million yen)
- Production Efficiency 339 million yen



3. Shareholder Returns

Shareholder returns

- FY2023 interim dividend : 20yen
 - FY2023 year-end dividend : 40yen
- } 60yen
(+8yen from FY2022)



※ Share buyback: 120 million yen (100,000 shares) from December 2016 to May 2017
 Retirement of treasury stock: 300,000 shares in July 2017

4. Topics

Issued "Chino Report 2023"

In October 2023, we issued the Chino Report 2023, which integrates financial and non-financial information, and made it available on our website. (The English version was published in December 2023.)

This annual report is intended to provide shareholders and investors with a better understanding of the Group's business activities and medium to long term management initiatives.

Using this report as one of our communication tools, we will further promote dialogue with our stakeholders and continue our efforts to enhance our corporate value over the medium to long term.

<URL> https://www.chino.co.jp/english/wp/wp-content/uploads/CHINO_Report_2023_EN.pdf

◆◆ Top Message



Mikio Toyoda
President and CEO

We will create value with "Strengths" by advancing "Co-Creation" and, while building "Reliability" with our stakeholders, will contribute to the realization of tomorrow's society.

Solidly managing risks and seizing opportunities

In the second half of FY2022, the situation of global logistics and high resource prices stemming from the COVID-19 pandemic, and the situation in Ukraine began to settle somewhat. However, we should recognize that costs and exchange rates will remain at high levels. While the severity of energy in the business environment has been eased, the outlook remains cautious. Among such changes in the external environment, those with continuous large impacts on our business included pressure to make adjustments in production, delivery dates, and inventory under high resource costs and logistics disruptions, the further advance of digital technology in the CV area as seen in the emergence of autonomous AI, and the acceleration of movements toward the realization of a decarbonized society.

In the area of logistics issues, an increasing number of customers want to place orders as early as possible so as to hedge against logistics disruptions, even a year or two ahead of delivery. This has led to an increase in order volume but also to a lack of clearly defined ordering, thereby generating both positive and negative sides. Regarding the other related issues, we believe that the market has

recovered greatly due to companies in numerous industries increasing CV and CV-related activities aimed at lowering risks in the business environment. While the impact of semiconductor shortages has lessened and the outlook of AI is on the rise, in the area of CV, we expect that AI technology development further accelerates. Capital expenditures will further ramp up in industries including semiconductor and electronic components. Our company must also consider how we will incorporate digital technologies into our work and must explore how we will incorporate the technologies into the systems and equipment that we provide to customers. Amid such changes in the business environment, we believe that solidly understanding when, where, and what kind of changes are occurring, and thoughtfully addressing those changes, will be essential for our growth.

Our performance in FY2022 and progress toward our Medium-Term Management Plan

Medium-Term Management Plan (Medium-Term Management Plan) and accompanying work improvement activities from that in FY2020, resulting in record-high order volume, net sales, and operating profit on a consolidated basis. Operating profit, ordinary profit, and net profit all increased between 20% to 40% year on year, greatly exceeding our assumptions under the Medium-Term Management Plan.

In our analysis, the main factors behind the strong performance are a strong growth in total capital expenditures in industries with which our company deals, and heightened demand for hydrogen energy and renewable energy-related technologies and products aimed at realizing a decarbonized society in addition to our heat-treating related core business, sales of hydrogen energy-related products including fuel cell evaluation and testing equipment and water electrolysis evaluation equipment were robust in FY2022, leading to an increase in sales. Looking at the renewable energy-related business, in February 2023, Japan's Cabinet resolved to amend the Basic Policy for the Realization of CV, and in May 2023 the Act on Promotion of a Strong Transition to a Decarbonized Growth-Oriented Economic Structure (CV Promotion Act) was passed. With the words of such great policy-making across Japan's business community, we believe that the market will continue to expand.

FY2022 exceeded the Phase 1 "Steadily Sustainable Growth" goal set out in our six-year Medium-Term Management Plan, its comprehensive objectives based on "Co-Creation," "Strength" and "Reliability" as set out in the Vision of the Plan, and the results of building up our business are gradually appearing. Among these, the three aspects of the Vision, I catch particular attention to be the theme "Co-Creation."

To advance co-creation within the company, such as collaboration between the Development Department and Sales Department or among production facilities, we have launched a number of project teams and placed "The team" key persons within them to create a bottom-up culture of collaboration. The R&D cycle, with the utilization of the system and subsequent activities, co-creation within the company is steadily bearing fruit. We intend to expand the scope of co-creation from inside the company to outside as well, and to provide highly new value to customers through collaboration in which we and our partner companies complement each other in technologies and know-how not held by the other party. Our policy is to actively undertake related collaboration between companies as well as in daily academic collaboration with universities and other academic institutions as partners. To lead co-creation outside the company to success, we believe that it is important to dig deeply into our own strengths, solidly hedge against our weaknesses and risks, and have our partners recognize our value.

Balancing long-term growth strategy with enhancement of current profitability

Our company is conducting a two-year Medium-Term Management Plan with its first year in FY2020, the 50th anniversary of our founding. The plan contemplates long-term growth and enhancement of our

CHINO Report 2023



CHINO Report 2023

CHINO CORPORATION

5. Achievement of FY2023 forecast

Achievement of FY2022 forecast

- Net sales : Net sales exceeded the previous forecast due to the elimination of the supply shortage of materials, including semiconductors, with some exceptions, and increased demand from major customers (e.g., in the automotive and electronic components fields) and in hydrogen-related fields for the decarbonization of the industry.
- Profits fell short of the previous forecast due to soaring material prices and the impact on the cost ratio of new development projects for which sales were recorded in the second half of the fiscal year.

(Millions of yen)

	FY2023 Results	FY2023 Forecast <small>(Announced on November 10,2023)</small>	Change	
Net sales	27,425	26,400	1,025	3.9%
Operating profit	2,173	2,420	▲247	▲10.2%
Ordinary profit	2,413	2,620	▲207	▲7.9%
Profit attributable to owners of parent	1,756	1,710	46	2.7%

6. Forecast for FY2024

Forecast for FY2024

● Our forecast for FY2024 is for year-on-year increases in both sales and profit (operating profit and ordinary profit). The reason for this is that despite increasing uncertainty about the future due to rising geopolitical risks, concerns about the slowdown of the Chinese economy, and unstable exchange rates, demand is expected to expand from major customers (in the automotive and electronic components fields, etc.) and in the hydrogen-related field for a decarbonized society.

(Millions of yen)

	FY2024 Forecast (Announced on May 13, 2024)	FY2023 Results	Change	
Net sales	28,500	27,425	1,075	3.9%
Operating profit	2,450	2,173	277	12.7%
Ordinary profit	2,650	2,413	237	9.8%
Profit attributable to owners of parent	1,610	1,756	▲ 146	▲ 8.3%

The forward-looking statements contained in this document are not guarantees of future performance. Based on information currently available to the Company and its group companies. This includes potential risk and uncertainties.

Accordingly, actual results may differ from these forecasts due to the economic environment surrounding our business, demand trends, and other factors.

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