

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.



November 10, 2023

Consolidated Financial Results for the Six Months Ended September 30, 2023 (Under Japanese GAAP)

Name of the Listed Company: CHINO CORPORATION Listed Stock Exchanges: Tokyo Stock Exchange
 Securities Code: 6850 URL: <https://www.chino.co.jp/>
 Representative: Mikio Toyoda, President and CEO
 Contact: Kazumasa Ohmori, Executive Officer, Executive Manager, Business Management Headquarters
 TEL: +81-3-3956-2115

Scheduled date to file quarterly securities report: November 13, 2023
 Scheduled date to commence dividend payments: December 8, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

(Millions of yen with fractional amounts rounded down)

1. Consolidated financial results for the six months ended September 30, 2023 (from April 1, 2023 to September 30, 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	%
Six months ended September 30, 2023	12,000	16.8	914	69.7	1,064	38.2	618	38.4
September 30, 2022	10,273	5.8	538	38.9	770	47.3	446	78.9

Note: Comprehensive income For the six Months Ended September 30, 2023: 1,055 million yen (68.9%)
 For the six Months Ended September 30, 2022: 624 million yen (14.5%)

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	72.85	-
September 30, 2022	52.72	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2023	36,007	22,066	53.5	2,268.22
March 31, 2023	36,289	21,574	51.8	2,214.16

Reference: Equity As of September 30, 2023: 19,265 million yen
 As of March 31, 2023: 18,784 million yen

2. Cash dividends

	Dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual
Fiscal year ended March 31, 2023	Yen	Yen	Yen	Yen	Yen
Fiscal year ending March 31, 2024	-	0.00	-	52.00	52.00
Fiscal year ending March 31, 2024 (Forecast)			-	40.00	60.00

Note: Revisions to the most recently announced forecast of the dividend: Yes

3. Consolidated financial 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 attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2024	26,400	11.0	2,420	19.9	2,620	14.2	1,710	11.3	201.42

Note: Revisions to the forecast of cash dividends most recently announced: Yes

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
Newly included: None
Excluded: None

(2) Application of special accounting methods for preparing quarterly consolidated financial statements : Yes
Please refer to “Application of special accounting methods for preparing quarterly consolidated financial Statements” on page 12.

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
(ii) Changes in accounting policies other than (i): None
(iii) Changes in accounting estimates: None
(iv) Restatement: None

(4) Number of shares issued (common shares)

(i) Total number of shares issued at the end of the period (including treasury shares)			
As of September 30, 2023	9,260,116 shares	As of March 31, 2023	9,260,116 shares
(ii) Number of treasury shares at the end of the period			
As of September 30, 2023	776,582 shares	As of March 31, 2023	776,534 shares
(iii) Average number of shares during the period			
As of September 30, 2023	8,486,168 shares	As of September 30, 2022	8,473,168 shares

*Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Note regarding forward-looking statements)

The forward-looking statements such as the forecasts of financial results stated in this document are based on the information currently available to the Company and certain assumptions that the Company judges as rational. These statements are not guarantees of future performance. Actual results may differ substantially from the forecasts due to various factors. Please refer to “(4) Details of outlook including consolidated financial forecasts in the future” under “1. Qualitative Information on the Financial Results for the First Half of the Fiscal Year under Review” on page 6 of the attached materials for the assumptions used in the forecasts and notes regarding the use of the forecasts.

(How to access supplementary materials on financial results)

The Company plans to post the supplementary materials on financial results on the company website shortly.

○Supplementary Materials – Contents

1. Qualitative Information on the Financial Results for the First Half of the Fiscal Year under Review	4
(1) Details of operating results	4
(2) Details of financial position.....	6
(3) Details of cash flows.....	6
(4) Details of outlook including consolidated financial forecasts in the future	6
2. Consolidated Financial Statements and Significant Notes Thereto	7
(1) Consolidated balance sheet.....	7
(2) Consolidated statement of income and comprehensive income.....	9
Consolidated statement of income	9
Consolidated statement of comprehensive income	10
(3) Consolidated statement of cash flows.....	11
(4) Notes to consolidated financial statements.....	12
(Notes on going concern assumptions).....	12
(Notes regarding significant change in shareholders' equity)	12
(Application of special accounting methods for preparing quarterly consolidated financial statements)	12
(Segment information).....	12

1. Qualitative Information on the Financial Results for the First Half of the Fiscal Year under Review

Any forward-looking statements in the following information are based on judgments as of the end of the first half of the consolidated fiscal year under review.

(1) Details of operating results

During the first half of the fiscal year under review, the COVID-19 severity category under the Infectious Diseases Control Law was lowered to category 5 in Japan, and economic activity progressed toward normalization. However, the situation remained uncertain, chiefly due to the prolonged conflict in Ukraine, surging energy prices, concerns about an economic slowdown triggered by global monetary tightening, and unstable foreign exchange rates.

In the manufacturing industry, which affects the Chino Group's business in general, capital spending was solid overall due to the normalization of economic activity. Moreover, against the backdrop of the continued global trend toward decarbonization, companies continued to increase R&D and capital investments leveraging the support of their governments.

In this environment, the Group seeks to provide not only high-precision temperature measuring, control and monitoring products and systems that are essential at manufacturing and development sites but also solutions to issues in electronic components, new materials and other growth areas.

The Japanese government revised its basic hydrogen strategy on June 6, 2023, and set a new target of increasing the annual hydrogen supply to around 12 million tons by 2040. Under this strategy, the government announced that it aims to attract a total of 15 trillion yen in investments from the private and public sectors over the next 15 years. The Group is working aggressively to win orders in the field of hydrogen supply chain creation, including temperature control, where demand is expanding rapidly.

Supply shortages of components, especially semiconductors, were resolved except for certain components, and sales increased primarily in Asia, particularly in Japan and China. Orders decreased from a year ago partly due to a 21.1% year-on-year increase in orders in the year-ago period. The Group has concluded that the main reasons for the decrease were large orders won in the Instrumentation Systems segment during the same period of the previous fiscal year, as well as a year-on-year drop in front-loaded orders this fiscal year, particularly in the Measurement & Control Instruments segment, as the production lead time of the Company's products was shortened while the supply shortages of components were being alleviated.

In terms of profitability, despite the impact of the surging costs of components and energy, the Company continued its cost-reduction efforts. Additionally, the selling price revisions implemented in the previous fiscal year contributed to profits from the beginning of this fiscal year.

As a result, orders received in the first half of the consolidated fiscal year under review amounted to 13,009 million yen (down 8.3% year on year), and net sales were 12,000 million yen (up 16.8% year on year). Profits increased from a year ago with operating profit at 914 million yen (up 69.7% year on year), ordinary profit at 1,064 million yen (up 38.2%), and profit attributable to owners of parent at 618 million yen (up 38.4%), reflecting ongoing cost reduction efforts and the review of sales prices, coupled with higher sales.

As the Group's net sales and profits tend to concentrate at fiscal year end, there are considerable disparities between net sales and profits of individual quarters and those of full-year results.

Results by segment are as follows.

1) Measurement & Control Instruments

Net sales were 4,524 million yen (up 19.7% year on year), and segment profit totaled 598 million yen (up 40.6% year on year). Demand hovered at a high level, mainly demand for semiconductor/electronic component-related manufacturing systems and heat processing equipment, so sales of graphic recorders, controllers, thyristor regulators and other products increased. Demand remained strong in Asia, particularly in China and South Korea.

During the same period of the previous fiscal year, the production and shipments of certain products were adversely affected by disruptions to supply chains caused by lockdowns in China. This is also a factor in the increase in sales this fiscal year.

2) Instrumentation Systems

Net sales reached 3,486 million yen (up 22.3% year on year), and segment profit totaled 532 million yen (up 46.7% year on year). Looking at the decarbonization field, orders increased for automotive fuel cell testing systems and water electrolysis testing systems for the research and development of technology for the utilization of hydrogen energy.

Orders for compressor performance testing systems increased, reflecting rising demand for natural refrigerant-compatible equipment with a low greenhouse effect

3) Sensor

Net sales reached 3,537 million yen (up 10.2% year on year), and segment profit totaled 622 million yen (up 29.4% year on year). Demand for infrared radiation thermometers, particularly for semiconductor-related manufacturing systems, was strong. Demand for temperature sensors especially for those meeting AMS (specifications for special process in the aerospace industry) also remained robust.

4) Other

Net sales were 452 million yen (up 4.3% year on year), and segment profit totaled 97 million yen (up 2.6% year on year).

(Reference) Orders received, net sales and segment profit (operating profit) by segment

Orders received (by segment)

(Millions of yen)

Name of segment	Six months ended September 30, 2022	Six months ended September 30, 2023	Change	% change
Measurement & Control Instruments	4,307	4,166	-141	-3.3
Instrumentation Systems	5,926	4,774	-1,152	-19.4
Sensor	3,570	3,656	85	2.4
Other	377	412	34	9.2
Total	14,182	13,009	-1,173	-8.3

Net sales (by segment)

(Millions of yen)

Name of segment	Six months ended September 30, 2022	Six months ended September 30, 2023	Change	% change
Measurement & Control Instruments	3,781	4,524	743	19.7
Instrumentation Systems	2,849	3,486	636	22.3
Sensor	3,208	3,537	328	10.2
Other	433	452	18	4.3
Total	10,273	12,000	1,727	16.8

Net sales (by geographical segment)

(Millions of yen)

Name of segment	Six months ended September 30, 2022	Six months ended September 30, 2023	Change	% change
Japan	8,290	9,207	916	11.1
Asia	1,801	2,501	700	38.9
North America	105	170	64	61.5
Europe	50	95	45	91.6
Other	25	24	-0	-3.9
Total	10,273	12,000	1,727	16.8

Segment profit (Operating profit)

(Millions of yen)

Name of segment	Six months ended September 30, 2022	Six months ended September 30, 2023	Change	% change
Measurement & Control Instruments	425	598	172	40.6
Instrumentation Systems	363	532	169	46.7
Sensor	481	622	141	29.4
Other	95	97	2	2.6
Corporate expenses (Note)	-825	-936	-110	—
Total	538	914	375	69.7

Note: Corporate expenses are primarily general and administrative expenses that cannot be allocated to specific segments.

(2) Details of financial position

(Assets)

Total assets at the end of the first half of the consolidated fiscal year under review were 36,007 million yen, decreasing 282 million yen year on year.

Current assets dropped at 25,563 million yen, decreasing 759 million yen year on year. The main factors were decrease of 1,885 million yen in cash and deposits and 1,012 million yen in trade receivables, and a increases of 2,134 million yen in inventories.

Non-current assets stood at 10,443 million yen, increasing 476 million yen year on year. The main factor was a 255 million yen increases in investments and other assets and a 253 million yen increases in property, plant and equipment.

(Liabilities)

Total liabilities at the end of the first half of the consolidated fiscal year under review were 13,941 million yen, decreasing 774 million yen year on year.

Current liabilities dropped at 9,917 million yen, decreasing 572 million yen year on year. The main factors were decrease of 144 million yen in trade payables, 120 million yen in provision for bonuses and 95 million yen in income taxes payable.

Non-current liabilities dropped at 4,023 million yen, decreasing 202 million yen year on year. The main factor was decrease of 179 million yen in long-term borrowings.

(Net assets)

Total net assets at the end of the first half of the consolidated fiscal year under review were 22,066 million yen, increasing 492 million yen year on year.

(3) Details of cash flows

1) Cash flows from operating activities

Net cash used in operating activities amounted to 398 million yen (down 1,337 million yen year-on-year) in the first half of the current fiscal year, as a decrease in inventories, including a 2,063 million yen increase in inventories and a 457 million yen payment of income taxes, exceeded increases in cash, including 1,075 million yen in profit before income taxes and a 1,065 million yen decrease in trade receivables.

2) Cash flows from investing activities

Net cash provided by investing activities during the period under review amounted to 271 million yen (net cash provided of 387 million yen in the same period of the previous year), as net cash provided by proceeds from withdrawal of time deposits of 1,470 million yen exceeded net cash used in the purchase of property, plant and equipment and intangible assets of 712 million yen and payments into time deposits of 440 million yen.

3) Cash flows from financing activities

Net cash used in financing activities during the first half of the consolidated fiscal year under review was 805 million yen (down 150 million yen year on year) due to cash outflow including dividends paid of 441 million yen, repayments of long-term borrowings of 237 million yen.

As a result, cash and cash equivalents at the end of the first half of the consolidated fiscal year under review decreased by 873 million yen from 7,603 million yen at the end of the previous fiscal year, to 6,730 million yen.

(4) Details of outlook including consolidated financial forecasts in the future

The Company has revised its consolidated earnings forecast for the full fiscal year announced on September 11, 2023, in light of its performance in the first half of the current fiscal year. For details, please refer to the "Notice of Difference between Earnings Forecast (2nd Quarter) and Actual Results, Revision of Earnings Forecast (Full Year), and Revision of Dividends from Surplus (Interim Dividend) and Year-end Dividend Forecast" released today (November 10, 2023).

2. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	9,176	7,291
Notes and accounts receivable - trade, and contract assets	5,682	4,992
Electronically recorded monetary claims - operating	2,599	2,276
Merchandise and finished goods	706	864
Work in process	3,658	5,035
Raw materials and supplies	4,212	4,810
Other	374	348
Allowance for doubtful accounts	-87	-56
Total current assets	26,322	25,563
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,027	3,050
Other	2,551	2,782
Total property, plant and equipment	5,578	5,832
Intangible assets		
Other	436	403
Total intangible assets	436	403
Investments and other assets		
Other	4,008	4,264
Allowance for doubtful accounts	-56	-56
Total investments and other assets	3,952	4,207
Total non-current assets	9,967	10,443
Total assets	36,289	36,007

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,697	2,659
Electronically recorded obligations - operating	2,619	2,513
Short-term borrowings	1,265	1,271
Current portion of long-term borrowings	459	402
Income taxes payable	470	374
Provision for bonuses	821	701
Provision for shareholder benefit program	47	26
Electronically recorded obligations - facilities	137	55
Other	1,970	1,912
Total current liabilities	10,489	9,917
Non-current liabilities		
Long-term borrowings	1,660	1,480
Long-term accounts payable - other	188	187
Retirement benefit liability	1,887	1,892
Provision for retirement benefits for directors (and other officers)	135	119
Other	355	344
Total non-current liabilities	4,225	4,023
Total liabilities	14,715	13,941
Net assets		
Shareholders' equity		
Share capital	4,292	4,292
Capital surplus	4,267	4,278
Retained earnings	11,050	11,217
Treasury shares	-1,138	-1,125
Total shareholders' equity	18,471	18,662
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	341	550
Foreign currency translation adjustment	158	220
Remeasurements of defined benefit plans	-187	-168
Total accumulated other comprehensive income	312	602
Non-controlling interests	2,790	2,801
Total net assets	21,574	22,066
Total liabilities and net assets	36,289	36,007

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

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	10,273	12,000
Cost of sales	6,934	8,186
Gross profit	3,338	3,813
Selling, general and administrative expenses		
Salaries, allowances and bonuses	1,041	1,034
Provision for bonuses	235	226
Retirement benefit expenses	60	58
Provision for retirement benefits for directors (and other officers)	15	5
Research and development expenses	405	477
Provision for shareholder benefit program	15	26
Other	1,027	1,070
Total selling, general and administrative expenses	2,800	2,899
Operating profit	538	914
Non-operating income		
Interest income	5	13
Dividend income	28	32
Electricity sale income	22	22
Foreign exchange gains	133	78
Surrender value of insurance policies	44	9
Other	22	15
Total non-operating income	256	171
Non-operating expenses		
Interest expenses	3	5
Finance related expenses	2	2
Electricity sale expenses	7	7
Other	11	6
Total non-operating expenses	24	21
Ordinary profit	770	1,064
Extraordinary income		
Gain on sale of non-current assets	3	—
Gain on sale of investment securities	12	15
Total extraordinary income	16	15
Extraordinary losses		
Loss on disposal of non-current assets	1	4
Total extraordinary losses	1	4
Profit before income taxes	785	1,075
Income taxes	255	361
Profit	529	714
Profit attributable to non-controlling interests	82	96
Profit attributable to owners of parent	446	618

(Consolidated statement of comprehensive income)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	529	714
Other comprehensive income		
Valuation difference on available-for-sale securities	-139	213
Foreign currency translation adjustment	224	108
Remeasurements of defined benefit plans, net of tax	10	19
Total other comprehensive income	95	341
Comprehensive income	624	1,055
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	448	908
Comprehensive income attributable to non-controlling interests	175	146

(3) Consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	785	1,075
Depreciation	364	377
Amortization of long-term prepaid expenses	17	14
Increase (decrease) in allowance for doubtful accounts	-5	-30
Interest and dividend income	-33	-46
Interest expenses	3	5
Decrease (increase) in trade receivables	1,149	1,065
Increase (decrease) in advances received	777	33
Decrease (increase) in inventories	-1,280	-2,063
Increase (decrease) in trade payables	-329	-179
Other, net	-262	-232
Subtotal	1,186	18
Interest and dividends received	33	46
Interest paid	-3	-5
Subsidies received	4	0
Income taxes paid	-280	-457
Net cash provided by (used in) operating activities	939	-398
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	630	1,470
Payments into time deposits	-630	-440
Purchase of property, plant and equipment	-135	-683
Purchase of intangible assets	-70	-28
Purchase of investment securities	—	-20
Proceeds from sale of investment securities	33	32
Purchase of insurance funds	-34	-37
Proceeds from maturity of insurance funds	110	24
Other, net	-20	-46
Net cash provided by (used in) investing activities	-115	271
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	—	6
Repayments of long-term borrowings	-188	-237
Purchase of treasury shares	-0	-5
Dividends paid	-388	-441
Dividends paid to non-controlling interests	-78	-128
Net cash provided by (used in) financing activities	-655	-805
Effect of exchange rate change on cash and cash equivalents	116	59
Net increase (decrease) in cash and cash equivalents	285	-873
Cash and cash equivalents at beginning of period	5,821	7,603
Cash and cash equivalents at end of period	6,106	6,730

(4) Notes to consolidated financial statements

(Notes on going concern assumptions)

There is no items to report.

(Notes regarding significant change in shareholders' equity)

There is no items to report.

(Application of special accounting methods for preparing quarterly consolidated financial statements)

Income tax expense for quarterly financial statement purposes is measured using the estimated tax rate to be applicable at year end and by applying such rate to the actual year-to-date pre-tax income.

If the estimated tax rate is not appropriate, we use the statutory tax rate.

(Segment information)

Segment information

I. Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

1. Information concerning net sales, profit/loss by reportable segment

(Millions of yen)

	Reportable segments				Other(Note)	Total
	Measurement & Control Instruments	Instrumentation Systems	Sensor	Total		
Net sales						
External	3,781	2,849	3,208	9,839	433	10,273
Inter-segment sales and transfers	–	–	–	–	–	–
Total	3,781	2,849	3,208	9,839	433	10,273
Segment profit	425	363	481	1,269	95	1,364

Note: The “Other” segment is a business segment not included in the reportable segments and it covers business such as repair and maintenance services.

2. Reconciliations of the totals of segment profit to consolidated statement of income and breakdown by major item

(Millions of yen)

Profit	Amount
Reportable segment total	1,269
Profit of Others segment	95
Corporate expenses(Note)	-825
operating profit	538

Note: Corporate expenses are primarily general and administrative expenses that cannot be allocated to specific segments.

3. Information concerning impairment loss of fixed assets and amortization of goodwill by reportable segment

There is no items to report.

II. Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

1. Information concerning net sales, profit/loss by reportable segment

(Millions of yen)

	Reportable segments				Other(Note)	Total
	Measurement & Control Instruments	Instrumentation Systems	Sensor	Total		
Net sales						
External	4,524	3,486	3,537	11,548	452	12,000
Inter-segment sales and transfers	–	–	–	–	–	–
Total	4,524	3,486	3,537	11,548	452	12,000
Segment profit	598	532	622	1,753	97	1,850

Note: The “Other” segment is a business segment not included in the reportable segments and it covers business such as repair and maintenance services.

2. Reconciliations of the totals of segment profit to consolidated statement of income and breakdown by major item
(Millions of yen)

Profit	Amount
Reportable segment total	1,753
Profit of Others segment	97
Corporate expenses(Note)	-936
operating profit	914

Note: Corporate expenses are primarily general and administrative expenses that cannot be allocated to specific segments.

3. Information concerning impairment loss of fixed assets and amortization of goodwill by reportable segment
There is no items to report.