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November 10, 2022

Consolidated Financial Results for the Six Months Ended September 30, 2022 (Under Japanese GAAP)

Name of the Listed Company: CHINO CORPORATION Listed Stock Exchanges: Tokyo Stock Exchange
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Scheduled date to file quarterly securities report: November 11, 2022
 Scheduled date to commence dividend payments: -
 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, 2022 (from April 1, 2022 to September 30, 2022)

(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, 2022	10,273	5.8	538	38.9	770	47.3	446	78.9
September 30, 2021	9,711	4.3	387	290.3	522	224.9	249	-53.4

Note: Comprehensive income For the six Months Ended September 30, 2022: 624 million yen(14.5%)
 For the six Months Ended September 30, 2021: 545 million yen(-19.4%)

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2022	52.72	-
September 30, 2021	29.48	-

(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, 2022	31,950	20,319	55.2	2,079.29
March 31, 2022	31,545	20,150	55.7	2,073.94

Reference: Equity As of September 30, 2022: 17,640 million yen
 As of March 31, 2022: 17,564 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, 2022	Yen	Yen	Yen	Yen	Yen
Fiscal year ending March 31, 2023	-	0.00	-	46.00	46.00
Fiscal year ending March 31, 2023 (Forecast)			-	47.00	47.00

Note: Revisions to the most recently announced forecast of the dividend: None

3. Consolidated financial forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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, 2023	23,300	6.3	1,550	3.4	1,800	3.2	1,100	4.7	129.89

Note : Revisions to the forecast of cash dividends most recently announced: None

* 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:	Yes
(ii) Changes in accounting policies other than (i):	None
(iii) Changes in accounting estimates:	None
(iv) Restatement:	None

Please refer to “Changes in accounting policies” on page 12.

(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, 2022	9,260,116 shares	As of March 31, 2022	9,260,116 shares
(ii) Number of treasury shares at the end of the period			
As of September 30, 2022	776,258 shares	As of March 31, 2022	791,138 shares
(iii) Average number of shares during the period			
As of September 30, 2022	8,473,168 shares	As of September 30, 2021	8,469,923 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
(Changes in accounting policies)	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

The first half of the consolidated fiscal year saw significant impact on global economic activities from factors such as shortage of semiconductors and other components, surges in energy prices caused by the prolonged Russia-Ukraine crisis, the rapid depreciation of the yen in the foreign exchange market, and disrupted supply chains due to China's zero-COVID policy. Moreover, the rate of the global economic growth is expected to slow in the short term, bringing heightened uncertainty about the future.

In the manufacturing industry, which affects the Chino Group's business in general, capital spending was solid overall, and corporate R&D and investments are expected to continue to expand with government support and accelerating global trends toward decarbonization.

In this environment, the Group sought to provide not only sophisticated 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.

Moreover, measures for reducing greenhouse gas (GHG) emission toward achieving carbon neutrality in 2050 have been promoted at the initiative of governments, encouraging a rapid expansion in demand for alternative energy development and the establishment of hydrogen supply chains. Amidst these circumstances, the Group worked aggressively on winning orders in relevant areas.

Regarding China's lockdowns based on its zero-COVID policy, a group company (fiscal year end: December) in China suspended operations temporarily in April and May, followed by a recovery to normal operations in June and thereafter, and the impact of the downtime on results was resolved.

On the profit front, despite the impact of surges in component prices and energy costs, the Company promoted ongoing efforts to lower input costs and review its selling price through the understanding of customers with respect to that part of costs that are difficult to absorb by corporate efforts alone.

As a result, orders received in the first half of the consolidated fiscal year under review amounted to 14,182 million yen (up 21.1% year on year), and net sales were 10,273 million yen (up 5.8% year on year). Profits increased from a year ago with operating profit at 538 million yen (up 38.9% year on year), ordinary profit at 770 million yen (up 47.3%), and profit attributable to owners of parent at 446 million yen (up 78.9%), reflecting ongoing initiatives for cost cutting and a review of selling prices as well as an increase in revenues in the Instrumentation Systems segment.

As the Group's net sales and profits tend to concentrate at fiscal yearend, 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 3,781 million yen (up 1.5% year on year), and segment profit came to 425 million yen (up 3.4%). Demand remained at high levels, mainly for semiconductor/electronic component-related manufacturing systems and heat processing equipment. Demand for the Company's products was strong also in overseas markets, particularly China, South Korea and India. On the other hand, the supply shortages of semiconductors and other components persisted, resulting in a slight increase in net sales over a year ago.

The supply chain disruption due the impact of China's lockdowns has been eliminated and has ceased to affect the Company's net sales.

2) Instrumentation Systems

Net sales reached 2,849 million yen (up 14.0% year on year), and segment profit totaled 363 million yen (up 142.7% year on year). Looking at decarbonization, demand increased for fuel cell testing systems and water electrolysis testing systems for the research and development of technology for the utilization of hydrogen energy. This contributed to increases in orders received and net sales in this segment. Demand for systems for electronic component-related manufacturing systems also remained strong.

Net sales in compressor performance testing systems, which recorded a decrease in revenues in the previous fiscal year due to sluggish capital investment at our major customers, showed a recovery trend, and the Company promoted order-receiving activities to capture demand for natural refrigerants with a low greenhouse effect.

3) Sensor

Net sales totaled 3,208 million yen (up 3.2% year on year), and segment profit amounted to 481 million yen (down 16.0% year on year). 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 (specifications for special process in the aerospace industry) also remained robust.

Segment profits decreased, reflecting the impact of surging component prices, and the Company is working to improve margins by taking measures such as reviewing selling prices.

4) Other

Net sales were 433 million yen (up 14.8% year on year), and segment profit totaled 95 million yen (up 52.6% 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, 2021	Six months ended September 30, 2022	Change	% change
Measurement & Control Instruments	3,814	4,307	493	12.9
Instrumentation Systems	4,273	5,926	1,653	38.7
Sensor	3,312	3,570	258	7.8
Other	312	377	65	21.1
Total	11,712	14,182	2,470	21.1

Net sales (by segment)

(Millions of yen)

Name of segment	Six months ended September 30, 2021	Six months ended September 30, 2022	Change	% change
Measurement & Control Instruments	3,725	3,781	55	1.5
Instrumentation Systems	2,499	2,849	350	14.0
Sensor	3,107	3,208	100	3.2
Other	377	433	55	14.8
Total	9,711	10,273	562	5.8

Net sales (by geographical segment)

(Millions of yen)

Name of segment	Six months ended September 30, 2021	Six months ended September 30, 2022	Change	% change
Japan	7,923	8,290	367	4.6
Asia	1,595	1,801	205	12.9
North America	97	105	8	8.3
Europe	77	50	-27	-35.3
Other	16	25	9	56.6
Total	9,711	10,273	562	5.8

Segment profit (Operating profit)

(Millions of yen)

Name of segment	Six months ended September 30, 2021	Six months ended September 30, 2022	Change	% change
Measurement & Control Instruments	411	425	13	3.4
Instrumentation Systems	149	363	213	142.7
Sensor	572	481	-91	-16.0
Other	62	95	32	52.6
Corporate expenses (Note)	-808	-825	-17	-
Total	387	538	150	38.9

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 31,950 million yen, increasing 405 million yen year on year.

Current assets stood at 22,379 million yen, increasing 698 million yen year on year. The main factors were increases of 316 million yen in cash and deposits and 1,405 million yen in inventories, and a decrease of 1,051 million yen in trade receivables.

Non-current assets dropped 292 million yen year on year, to 9,571 million yen. The main factor was a 75 million yen decrease in buildings and structures, net.

(Liabilities)

Total liabilities at the end of the first half of the consolidated fiscal year under review increases 236 million yen year on year, to 11,631 million yen.

Current liabilities increases 397 million yen year on year, reaching 8,614 million yen.

Non-current liabilities decreased 161 million yen year on year to 3,016 million yen. The main factor was a 187 million yen decrease in long-term borrowings.

(Net assets)

Total assets at the end of the first half of the consolidated fiscal year under review were 20,319 million yen, increasing 168 million yen year on year.

(3) Details of cash flows

1) Cash flows from operating activities

Net cash provided by operating activities was 939 million yen during the first half of the consolidated fiscal year under review (down 279 million yen year on year) as cash inflow based on profit before income taxes of 785 million yen, a decrease in trade receivables of 1,927 million yen and other factors surpassed cash outflow which included increased inventories of 1,280 million yen.

2) Cash flows from investing activities

The amount of cash outflow items including purchases of property, plant and equipment and intangible assets of 205 million yen exceeded the amount of cash inflow items including proceeds from maturity of insurance funds of 110 million yen. Net cash used in investing activities during the first half of the consolidated fiscal year under review was 115 million yen (up 2 million yen year on year).

3) Cash flows from financing activities

Net cash used in financing activities during the first half of the consolidated fiscal year under review was 655 million yen (down 44 million yen year on year) due to cash outflow including dividend payment of 388 million yen, repayments of long-term borrowings of 188 million yen.

As a result, cash and cash equivalents at the end of the first half of the consolidated fiscal year under review increased by 285 million yen from 5,821 million yen at the end of the previous fiscal year, to 6,106 million yen.

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

In the manufacturing industry, which affects the Chino Group's business in general, capital spending was solid overall, and corporate R&D and investments are expected to continue to expand toward decarbonization.

However, considering the highly uncertain business environment surrounding the Group, which reflects the sustained supply shortage of semiconductors and other components, surges in energy prices, and the yen's rapid depreciation, the Company has not revised its consolidated financial forecasts for the fiscal year ending March 31, 2023 (April 1, 2022 – March 31, 2023), which was announced on May 13, 2022.

If the business forecast requires any revision in light of changes in circumstances, it will be publicly announced as soon as possible.

2. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	7,331	7,648
Notes and accounts receivable - trade, and contract assets	5,652	4,356
Electronically recorded monetary claims - operating	1,943	2,187
Merchandise and finished goods	631	757
Work in process	2,860	3,550
Raw materials and supplies	3,086	3,675
Other	274	297
Allowance for doubtful accounts	-99	-94
Total current assets	21,681	22,379
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,025	2,949
Other	2,541	2,493
Total property, plant and equipment	5,566	5,443
Intangible assets		
Other	408	414
Total intangible assets	408	414
Investments and other assets		
Other	3,945	3,770
Allowance for doubtful accounts	-56	-56
Total investments and other assets	3,889	3,713
Total non-current assets	9,864	9,571
Total assets	31,545	31,950

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,397	1,978
Electronically recorded obligations - operating	2,113	2,276
Short-term borrowings	1,265	1,265
Current portion of long-term borrowings	375	374
Income taxes payable	317	306
Provision for bonuses	625	655
Provision for shareholder benefit program	43	15
Electronically recorded obligations-operating-facilities	35	54
Other	1,043	1,687
Total current liabilities	8,216	8,614
Non-current liabilities		
Long-term borrowings	620	432
Long-term accounts payable - other	—	188
Retirement benefit liability	1,867	1,897
Provision for retirement benefits for directors (and other officers)	343	150
Other	346	347
Total non-current liabilities	3,177	3,016
Total liabilities	11,394	11,631
Net assets		
Shareholders' equity		
Share capital	4,292	4,292
Capital surplus	4,264	4,267
Retained earnings	9,911	9,960
Treasury shares	-1,159	-1,137
Total shareholders' equity	17,308	17,382
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	289	149
Foreign currency translation adjustment	67	199
Remeasurements of defined benefit plans	-101	-91
Total accumulated other comprehensive income	255	257
Non-controlling interests	2,586	2,679
Total net assets	20,150	20,319
Total liabilities and net assets	31,545	31,950

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

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	9,711	10,273
Cost of sales	6,653	6,934
Gross profit	3,057	3,338
Selling, general and administrative expenses		
Salaries, allowances and bonuses	1,025	1,041
Provision for bonuses	217	235
Retirement benefit expenses	57	60
Provision for retirement benefits for directors (and other officers)	36	15
Research and development expenses	374	405
Provision for shareholder benefit program	—	15
Other	957	1,027
Total selling, general and administrative expenses	2,669	2,800
Operating profit	387	538
Non-operating income		
Interest income	3	5
Dividend income	24	28
Electricity sale income	23	22
Foreign exchange gains	27	133
Surrender value of insurance policies	57	44
Other	23	22
Total non-operating income	159	256
Non-operating expenses		
Interest expenses	4	3
Finance related expenses	2	2
Electricity sale expenses	7	7
Other	9	11
Total non-operating expenses	25	24
Ordinary profit	522	770
Extraordinary income		
Gain on sale of non-current assets	0	3
Gain on sale of investment securities	1	12
Total extraordinary income	1	16
Extraordinary losses		
Loss on disposal of non-current assets	0	1
Loss on valuation of investment securities	24	—
Total extraordinary losses	24	1
Profit before income taxes	499	785
Income taxes	164	255
Profit	335	529
Profit attributable to non-controlling interests	86	82
Profit attributable to owners of parent	249	446

(Consolidated statement of comprehensive income)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	335	529
Other comprehensive income		
Valuation difference on available-for-sale securities	97	-139
Foreign currency translation adjustment	107	224
Remeasurements of defined benefit plans, net of tax	4	10
Total other comprehensive income	209	95
Comprehensive income	545	624
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	420	448
Comprehensive income attributable to non-controlling interests	124	175

(3) Consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	499	785
Depreciation	377	364
Increase (decrease) in allowance for doubtful accounts	1	-5
Interest and dividend income	-28	-33
Interest expenses	4	3
Decrease (increase) in trade receivables	1,492	1,927
Decrease (increase) in inventories	-520	-1,280
Increase (decrease) in trade payables	53	-329
Other, net	-418	-245
Subtotal	1,461	1,186
Interest and dividends received	28	33
Interest paid	-4	-3
Subsidies received	9	4
Income taxes paid	-274	-280
Net cash provided by (used in) operating activities	1,219	939
Cash flows from investing activities		
Purchase of property, plant and equipment	-378	-135
Purchase of intangible assets	-78	-70
Proceeds from sale and redemption of short-term and long-term investment securities	94	33
Purchase of insurance funds	-35	-34
Proceeds from maturity of insurance funds	277	110
Other, net	2	-20
Net cash provided by (used in) investing activities	-118	-115
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-34	—
Repayments of long-term borrowings	-152	-188
Purchase of treasury shares	-0	-0
Dividends paid	-380	-388
Dividends paid to non-controlling interests	-42	-78
Net cash provided by (used in) financing activities	-611	-655
Effect of exchange rate change on cash and cash equivalents	42	116
Net increase (decrease) in cash and cash equivalents	531	285
Cash and cash equivalents at beginning of period	5,430	5,821
Cash and cash equivalents at end of period	5,962	6,106

(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.

(Changes in accounting policies)

(Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Implementation Guidance on Accounting Standard for Fair Value Measurement (Guidance No. 31 of the Accounting Standards Board of Japan [ASBJ], issued on June 17, 2021) has applied to the Company's consolidated financial results since the beginning of the first quarter of FY2022. The Company will continue to carry out a new accounting policy that is provided for by the Implementation Guidance on Accounting Standard for Fair Value Measurement, following the transitional provision set out in Section 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. This change in the accounting policy will have no impact on the Company's quarterly consolidated financial statements.

(Segment information)

Segment information

I. Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

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	3,725	2,499	3,107	9,333	377	9,711
Inter-segment sales and transfers	–	–	–	–	–	–
Total	3,725	2,499	3,107	9,333	377	9,711
Segment profit	411	149	572	1,133	62	1,196

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	1,133
Profit of Others segment	62
Corporate expenses(Note)	-808
operating profit	387

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, 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.