

CHINO Report 2024



CHINO CORPORATION

Corporate Philosophy

The CHINO Group pushes the limits of measurement, control, and monitoring technologies and contributes to the advance of industry and the realization of tomorrow's society

The Corporate Philosophy of the CHINO Group describes the Group's intention of realizing a sustainable society through its characteristic products and services. Moreover, the CHINO Group considers that its mission is to grow continuously and enhance corporate value through solving various social issues.



Editorial Policy

This report has been prepared for the purpose of aiding customers, shareholders, investors, business partners, local communities, employees, and other stakeholders of the CHINO Group in better understanding our business activities and initiatives.

We launched the CHINO Report in 2022, enhancing the content we had released in our Environmental Report since 2006 and in our CSR Report since 2017. From 2023, this new report covers our sustainability overall while adding the business outline and financial data highlights to offer more integrated information.

We plan to continue enhancing the content of this report as we expand our business activities, with the aim of making this an even more effective tool for communication with our many stakeholders.

Reporting period:	This report primarily covers our activities during FY2023 (April 1, 2023 to March 31, 2024).
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Inquiry:	Sustainability Planning Office, Business Management Headquarters, CHINO CORPORATION

A Management Vision for our 90th anniversary (2026)



Co-Creation

While capturing changes in the environment, we will create new value together with our stakeholders.

Strengths

Through loop solutions based on outstanding technologies, we will deliver excitement to our customers.

Reliability

We will strengthen our bonds of trust and continue growing toward the future through passion and teamwork.



CONTENTS

■ Value Creation Story

History of CHINO CORPORATION	3
TOP MESSAGE	5
Our value creation process	9
Overview of Our Business and Products	11
Priority issues in sustainability (materialities)	17
Sustainability	19
FY2023 Performance Highlights	21

■ A Foundation for Building a Future

Progress toward Medium-Term Management Plan 2026	23
Message from senior executive in charge of development.....	27
Message from senior executive in charge of sales.....	29
Customer relations	
—Stable product supply and appropriate information provision—	31
CHINO DIALOGUE	
—Round-table discussion meeting.....	33

■ Sustainability and ESG

Initiatives toward active roles by human capital ..	39
Climate change initiatives.....	43
Environmental initiatives	45
Corporate Governance	49
Compliance	56
Risk Management	57
CHINO Biotope Forest	59
Social contribution activities	61

■ Corporate Data

Financial Information	63
Corporate Information	69

History of CHINO CORPORATION

Since our founding in 1936, CHINO CORPORATION has expanded its business in the field of measurement, control, and monitoring, contributing to the development of numerous areas of industry. Heading toward our 90th anniversary in 2026, we will aim to further enhance our corporate value to contribute to the realization of tomorrow's society.

1963

Completion of the Fujioka Factory



1986

Launch of Advanced Recorder AR

1986

50th anniversary; change of company name to CHINO CORPORATION



1992

Establishment of Yamagata Chino Co., Ltd. (present Yamagata Factory)



1913

Founding of Chino Seisakusho Co., Ltd. in Shimotani, Tokyo (present Okachimachi, Taito-ku)



1990

Completion of the new head office and laboratory buildings



1978

Completion of Kuki Sensor Factory (present Kuki Factory)



1955

Launch of Optical Pyrometer 770



1962

Launch of Oscillating Automatic Control Thermometer E500

1936

Establishment of Chino Seisakusho Co., Ltd. (present CHINO CORPORATION)

1989

Establishment of Korea CHINO Corporation in South Korea

1985

Start of FC instrumentation business

1983

Establishment of CHINO Works America Inc. in the United States

1980

Start of calorie instrumentation business

1979

Relisting of shares on the First Section of the Tokyo Stock Exchange

1977

Establishment of Senko Denki Co., Ltd. (present CHINO Softex Corporation)

1962

Listing of shares on the Second Section of the Tokyo Stock Exchange

1957

Completion of No. 1 Factory on the site of the former head office

1945

Head office and factory burned in air raid

1923

Construction of new factory in Nakamaru, Itabashi-ku (present Kumano-cho)

2011

Expansion of instrumentation plant,
Fujioka Factory
Completion of Biotope

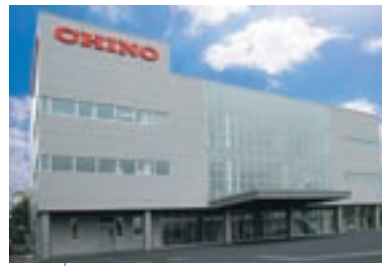


2007

Launch of Digital Instruction
Controller DB1000/2000

2014

Completion of Fujioka Equipment Products
Development Center, Fujioka Factory
Conversion of ADVANCE RIKO, Inc. to a subsidiary



2015

Launch of Infrared Radiation
Thermometer IR-CZQ

2020

Conversion of MEIYO ELECTRIC Co., Ltd. to a subsidiary



2022

Launch of Real-Time Wireless
Logger MZ Series



2026
Toward the
90th
anniversary of
our founding

2023

Yamagata Factory Customer
Satisfaction Department
JCSS registration and accreditation
for thermometer and hygrometer
calibration

2022

- Transition to Tokyo Stock Exchange Prime Market
- Completion of conversion of purchased electric power at the head office and domestic production sites to 100% renewable energy

2021

**Start of Medium-Term
Management Plan 2026**

Staged conversion of purchased electric power
at the head office and domestic production sites
to renewable energy

2013

Completion of installation of
photovoltaic power generation
system at the Yamagata Factory

2012

- Merger of Yamagata Chino Co., Ltd.
- Establishment of CHINO Corporation (Thailand) Limited in Thailand

2010

Conversion of AR'S CO., Ltd. to a subsidiary

2006

Conversion of Tokyo Seiko Co., Ltd. and Asakawa Lens Works Co., Ltd. to subsidiaries

2005

JCSS registration and accreditation for hygrometer calibration,
Calibration Engineering Department, Kuki Factory

2003

Establishment of CHINO Instrumentation (Kunshan) Co., Ltd. in China

2002

ISO14001 environmental management system certification

1999

ISO9001 quality management system certification

1998

Conversion of SANKI KEISO CO., LTD. to a subsidiary

1996

- Establishment of CHINO LAXSONS (India) Private Limited (present CHINO Corporation India Private Limited) in India
- Launch of loop instrumentation business

1994

JCSS national accreditation as a thermometer calibration business operator in accordance with the establishment of the Measurement Law traceability system, Calibration Engineering Department, Kuki Factory

1993

Establishment of Shanghai Dahua-CHINO Instrument Co., Ltd. in China

TOP MESSAGE

In order to contribute to the realization of better society into the future, we will further advance sustainability management and enhance the human capital that enables sustainability management.

Mikio Toyoda
President and CEO

Establishing the basis of human capital management to respond to an ever-changing external business environment

The recent high costs of energy and materials have been a big problem for the business activities of the Company in FY2023. Furthermore, during the past two or three years, we suffered a prolonged situation in which we could not promise delivery dates that customers require because we were unable to obtain the necessary materials due to the COVID-19 pandemic, which caused worldwide logistics disruption and suspension of production at many suppliers. In FY2023, we worked to improve these situations and to establish a robust business base that can respond to any risks. On the other hand, we became aware of the social issue of labor shortages during this year. To put it more accurately, it is the problem of the shortage of skilled personnel. I felt strongly during this year that we have to consolidate the system of human capital management for the continuous growth of the Company into the future.

The Company provides support for every aspect of customers' business such as quality, reliability, productivity, safety, and security, and provides solutions for various problems. In recent years, many customers consider efforts for sustainability important, and activities

for DX and GX are also accelerating at the same time. Among others, innovations in hydrogen energy are active among customers who are seeking a path toward decarbonization and carbon neutrality. This trend is drawing attention to the Company's related products such as fuel cell evaluation and testing instruments. Hydrogen energy has been previously considered merely as power generated by fuel cells. However, the Hydrogen Basic Strategy revised in June 2023 by the Ministry of Economy, Trade and Industry sets forth strategies not only in the usage of hydrogen but also in the creation and transportation of hydrogen, with the goal of yearly hydrogen usage of 12 million t in 2040. The scope of innovations of our customers is also extending to the stages of creating and transporting hydrogen, which enhances the situations in which we, "CHINO of Temperature," can help in such things as the use of water electrolysis instruments and temperature control during the transportation of liquid hydrogen at a temperature as low as -253°C.

With these changes in society the required technologies and qualities are also becoming more specialized and are advancing every year. I realize that the most important thing for the Company to elevate its corporate value in the long run is to advance the human capital management that secures and fosters people who empathize with our corporate philosophy and makes them exert their full potential.



FY2023 saw record-high sales and profit

The FY2023 financial result marked year-on-year increases of sales by 15.3%, operating profit by 7.7%, and ordinary profit by 5.2%, all of which marked record highs. Numbers are exceeding the fiscal-year target levels of medium-term business plan. According to our analysis, major reasons of the relatively low growth of profit compared with the growth of sales were soaring costs of energy and materials as I just mentioned earlier. In particular, consolidated sales were 27.4 billion yen, which is higher than previous fiscal year and we expect it to increase further to 28.5 billion yen in FY2024. With this steady growth of sales, we will take solid measures to increase profit.

Also, at the end of March 2023, the Tokyo Stock Exchange requested the disclosure and execution of improvement measures to corporations with PBR less than 1.0, which urged corporations to give more consideration in the capital cost and stock values. Fortunately, the PBR of the Company is above 1.0, at 1.08 as of July 2024, but other financial indicators that represent the relationship between capital and profit such as ROE and ROIC are attracting attention. I personally consider operating profit as the indicator that shows steady activities of the corporation. I think, if a company can continue

to earn “sound profit,” the company can also improve other indicators including ROE, ROIC, share prices, and PBR. In Phase 2 of the medium-term business plan, we intend to raise the operating profit with the aim of a share price of at least 3,000 yen and also strengthen and improve financial indicators such as ROE and ROIC.

Medium-term management plan shifting from Phase 1 — consolidation of foundation, to Phase 2 — acceleration of growth

We considered the first three years (Phase 1: FY2021 to FY2023) of the six-year medium-term business plan as the period for the consolidation of the foundation. In this period, we implemented various reforms in systems and human resource development in consideration of three values—Co-Creation, Strengths, and Reliability—to enable the Company to respond to changes in the business environment. Also, we launched many project teams to materialize our corporate philosophy and policies into tangible results so that they will not end up as mere slogans. We see that target outputs of individual projects have gradually been embodied in FY2023, the third year of the

TOP MESSAGE

consolidation of the foundation. However, we understood that not all plans progressed as expected, and there are many areas that have not shown sufficient results.

The latter three years (Phase 2: FY2024 to FY2026) started in FY2024, in which we will aim for the acceleration of growth based on the results of the consolidation of the foundation. In order to facilitate activities for achieving Phase 2 goals, we formulated the Phase 2 Promotion Project Preparation Committee, which first reviewed issues that were not yet solved. In Phase 2, we believe that we have to formulate detailed descriptions of the phrases of visions and policies of the medium-term business plan to associate them with operations and business strategies of each division. We were not sure if phrases of policies and visions such as consolidation and co-creation have reached the heart of each employee because these phrases tend to be short and abstract. If not all employees understand policies and philosophy of the medium-term business plan, their efforts go in different directions and the growth of the Company will not be achieved. Therefore, I think that we must break down key phrases into descriptions of everyday tasks such as "In your job, "Co-creation" means accomplishing such and such at this level." Also, instead of saying "promote" and "endeavor," we should describe what must be accomplished, up to which milestone, and what must be improved, so as to share more concrete goals with all employees.

Another thing that we intend to strengthen in Phase 2 is group synergy. For example, we will engage in co-creation with domestic subsidiaries such as MEIYO ELECTRIC Co., Ltd., which is strong in marine sensors, ADVANCE RIKO, Inc., which excels in research of new materials, and AR'S CO., Ltd., which has prominent know-how in wireless communication technologies and is competent in software development and cloud businesses. We will also drive our activities in overseas markets through collaboration with local subsidiaries to develop the global market.

Advancing DX aiming for transition from specific optimization to total optimization

Aiming for transformation from local optimization to total optimization, the Company started company-wide consolidation of information systems including those of infrastructure in FY2021, which were different by division and business location, and built a core system with the company-wide unified specification. Although we are continuing with DX for total optimization, the Company, as a corporation having multiple divisions, has intrinsic risks of local and specific optimization remaining in some departments. In order to avoid moving backwards, I want to drive DX toward total optimization with orchestrated efforts under a leader.

Today, we are able to consolidate and share information that was possessed by individuals and collected by individual departments. However, we will be lost in the ocean of data if we only collect information. We must accelerate the formulation of a strategy for utilizing data for policy setting and decision making. I am apprehensive that the old ways of doing jobs will remain unchanged if we only increase digital devices and tools. We think that there is a lot of room for consideration about how we should utilize a large volume of diverse information that has been collected. To accelerate DX, we engage in activities to realize data/information-driven management that maximizes corporate value by thorough utilization of data. I expect that these activities enable us to adequately analyze diverse data related to our operations, and will definitely lead to the creation of new values if we can add our experiences and know-how to those data. On the contrary, we must also keep it in mind that there will be cases in which our experiences do not apply. We consider that, among values we can provide to customers through business activities are in cloud systems and subscription services. In this context, I think we must leverage the ICT infrastructure that we have built for the Company to create DX businesses that will be well-received by our customers.

Decarbonization of the Company is within reach Sustainability management that evolves

Under the corporate philosophy of "contributing to the advance of industry and the realization of tomorrow's society," the strength of the Company in business has been the company-wide shared notion of contributing to customers and society through Field Activities. So, it is not an overstatement to say that the very strength of the Company is sustainability management liaising with customers and society. To elevate this sustainability management to the level of a corporate culture that we can boast about, we launched the Sustainability Planning Office in April 2023 as the leader for the acceleration of related activities. In August 2024, we also launched the Sustainability Promo-



tion Working Team under the Sustainability Promotion Council. This working team breaks down the measures and policies formulated by the promotion council and the planning office into concrete actions.

One of the accomplishments in FY2023 is contribution toward decarbonized society. The Company expressed its agreement to TCFD recommendations in May 2022, and made a strong effort in using renewable energy for the Head Office and factories with the goal of zero emissions of Scope 1 and Scope 2 GHG (Green House Effect Gas) by 2040. As a result, GHG emissions in FY2023 was reduced by 89% from the reference year of FY2020, which brought us close to the current goal of reducing GHG emissions by 90% from the reference year in 2026. The Company will also contribute to the decarbonization of the entire society with the leadership of the Decarbonization Project Team, providing support for various aspects in our customers' utilization of hydrogen energy.

In addition to the strengthening of sustainability management, we are also building the foundation of human capital management for fostering skilled employees as a key measure for reducing financial risks. My idea of the ideal employees that CHINO seeks are those who understand their roles and always train themselves as professionals and who are highly trusted by colleagues and customers as professionals who cannot be replaced by others. I think that the management base of the Company is elevated and strengthened if such people interact and collaborate each other. Toward this goal, we must communicate not only the corporate philosophy and policies but also our idea of ideal personnel in more concrete terms. It goes without saying that the Company provides employees with self-development opportunities. The Company is building an environment where employees can develop themselves anywhere and anytime, including training sessions for different levels and types of positions and more than 200 courses in e-learning and correspondence education. Furthermore, the Company has been formulating a full Succession Plan in recent years and now invests more in fostering next-generation executive officers.

The diversity of human capital has long been a challenge for the Company because of the high rate of employees who work in manufacturing sites, which is characteristic of manufacturing companies. However, there are more female employees in recent years who engage actively in technical and development positions. Also, we are considering improving the treatment of senior employees because of many scenes in which their skills and knowledge play an active role in recent times of a human resources shortage. We think that a good understanding of employees' mindsets is essential for the strengthening of the foundation of human capital management. Thus, the Company conducts engagement survey for all employees twice a year. The results of surveys revealed that issues and problems that employees have are different depending on their departments, so we are improving work environments of different departments, such as sales and production, individually.

As a result of these efforts of accelerating the formulation of the



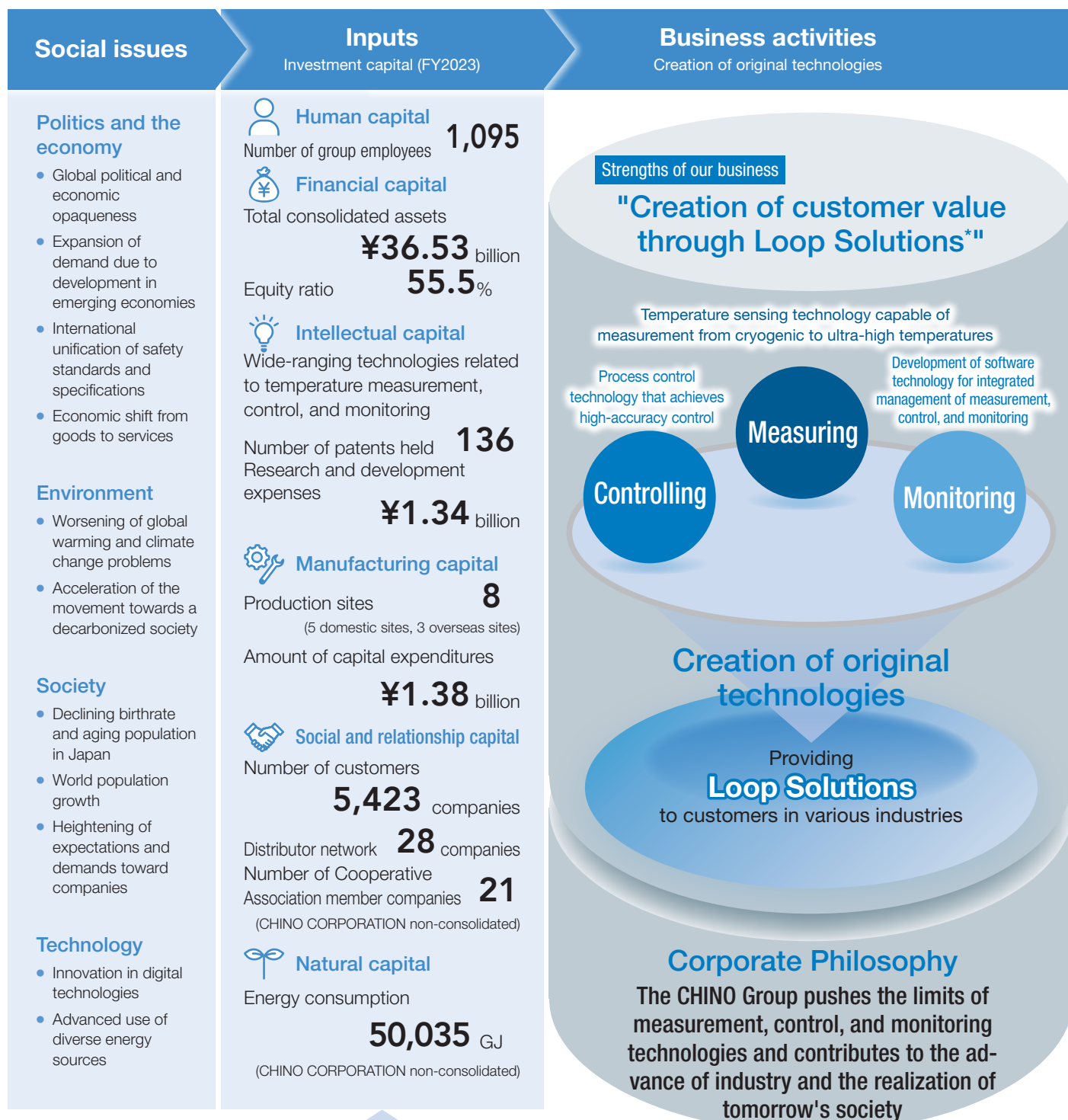
sustainability management organization and the implementation of policies, we were able to accomplish 19 goals out of 24 materiality KPIs by FY2023. Will are determined to accomplish the remaining five items during FY2024.

To our stakeholders

In recent years of drastic changes in many aspects such as society, economy, global environment, and with years to come in which VUCA is expected to advance further, the CHINO Group must continue to provide new values responding to changes in customers and society in order for the Group to grow continuously. To do so, we have to synchronize and accelerate the growth of each and every employee with clear recognition of their roles and the growth of the CHINO Group toward the future. I personally consider that the corporate visions—Co-creation, Reliability, and Strengths—are the most important for long-standing improvement of corporate value. Moving forward, the Group will grow and advance continuously, while contributing to the realization of a sustainable society. We would greatly appreciate if shareholders and other stakeholders will continue to support the CHINO Group.

Our value creation process

Making maximum use of our capital and creating new value to contribute to the realization of a sustainable society through the provision of original solutions, the CHINO Group will achieve sustained growth.



* "Loop Solutions" is a registered trademark of CHINO CORPORATION

Outputs

Results of business activities

Measurement and control instruments



Recorder



Thyristor regulator
(electric power regulator)



Wireless logger with
monitoring function

Instrumentation systems



Fuel cell evaluation and
testing equipment



Evaluation and testing
equipment for compres-
sor performance



Collection and monitoring
system package software

Sensors



Sheathed thermo-
couple for high
temperatures



Radiation
thermometers



Thermal image
measurement
equipment



Infrared-ray multi-content meter
(moisture, film thickness,
coating thickness)

Calibration/Service



Contribution for sustainable society /
Effort for environment conservation

Outcomes

New value to be created



Human capital

- Development of employees who have advanced expertise
- Utilization of diverse human resources and enhancement of job satisfaction



Financial capital

- Robust financial base
- Continuation of active growth investments



Intellectual capital

- Improvement of measurement, control, and monitoring technologies that contribute to the realization of a safe, secure, decarbonized society



Manufacturing capital

- Provision of products that contribute to the reduction of environmental load
- Provision of products and services that contribute to technological innovation and enhancement of added value for customers



Social and relationship capital

- Construction of a sound and competitive supply chain
- Partnerships with distributors and business partners
- Strengthening of relationships of trust with customers based on a long record of achievement



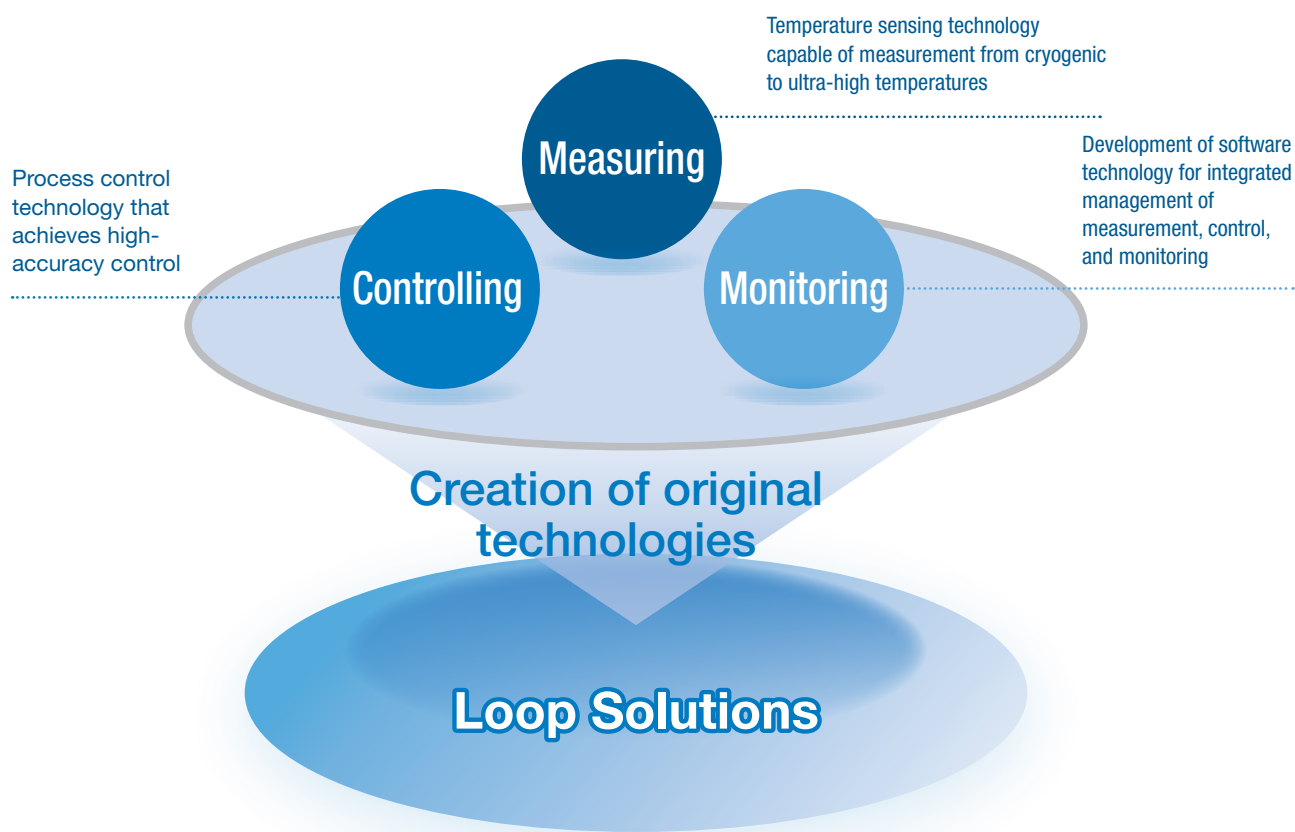
Natural capital

- Reduction of environmental load
- CO₂ reduction **100%**

(Scope 1, 2 FY2040 targets)

Overview of Our Business and Products

Strengths of our business "Creation of customer value through Loop Solutions"



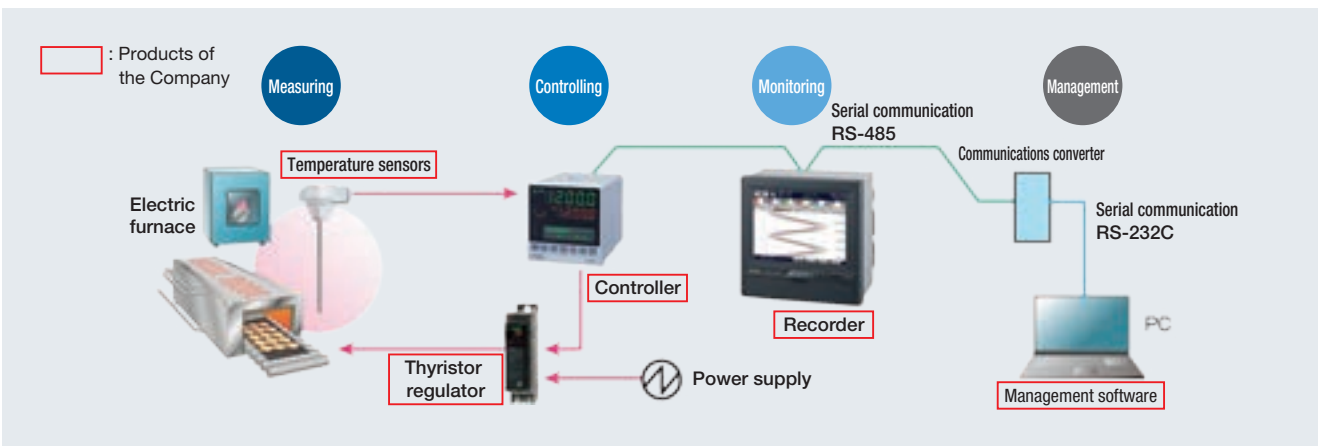
Throughout manufacturing, correctly measuring, controlling, and monitoring temperature is a vital factor in improving quality, performance, and safety.

Loop Solutions

At our company, we call this series of measurement, control, and monitoring steps the "temperature loop."

We systemize this loop by incorporating it into products in accordance with varied aims, and provide it as "Loop Solutions" that lead customers to solving problems.

■ Temperature loop solution (temperature control of electric furnace)



The strengths of CHINO CORPORATION

Temperature loop solution

One-stop offering of temperature loop solutions (total management of measuring, controlling, and monitoring) optimized to individual customers

Employed as standard temperature sensors in 29 countries

JCSS-registered company authorized to issue certificates that are equally effective as those issued by the government

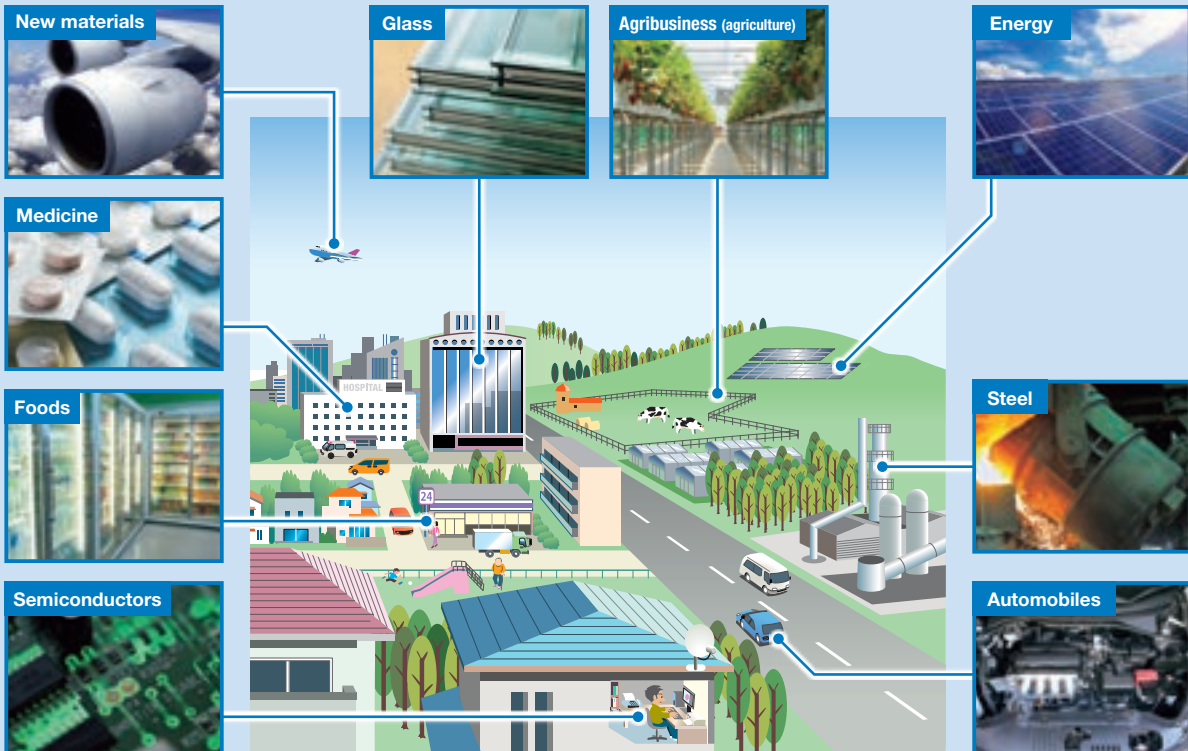
Measurement of cryogenic to ultra-high temperatures

Leading manufacturer of radiation thermometers for -269°C to $3,500^{\circ}\text{C}$

Contribution to the realization of a decarbonized society

Contributing to social sustainability by providing testing instruments for the research and development of fuel cells (for using hydrogen) and water electrolysis (for creating hydrogen)

High-level technical capabilities in
measurement, control, and monitoring
×
Customer-focused engineering



Through the provision of solutions centered on temperature, we support a variety of industries and contribute to the advancement of society.

Overview of Our Business and Products

Measurement and control instruments

The Company provides recorders, controllers, and thyristor regulators necessary for recording and controlling the infrastructure of plants, factories, and other manufacturing facilities, as well as wireless loggers, which monitor temperature and humidity in wide areas without wiring.

Main products>>>

Recorder

Controlling Monitoring

This equipment records measures data on recording paper and as digital data. Analog, graphic, or hybrid recording can be selected according to purpose.



High-Performance Graphic Recorder KR3-H Series

In addition to conventional numerical data recording, this paperless recorder is able to save trends (waveforms) in PDF format.



Data logger FE Series

FE Series are data loggers consisting of modules for analog input, digital input, digital output, communication, and power. A single unit can measure a maximum of 100 points simultaneously, and monitored data can be viewed by a computer, tablet, or smartphone on a real-time basis.

Controller

Controlling

This equipment controls process amounts, such as temperature, pressure, and flow rate based on measured data, and matches measured values to target values.



Digital Instruction Controller DB Series

This digital instruction controller features a multi-programming function and universal input function as standard equipment, with an accuracy rating of $\pm 0.1\%$ and a control period of approximately 0.1 seconds.

Instrumentation systems

Leveraging our measurement, control, and monitoring technologies, we provide instrumentation systems that coordinate measuring, controlling, and monitoring devices as well as application software that are tailored to customers' needs.

Main products>>>

Evaluation, testing, and performance/endurance testing equipment

Measuring Controlling Monitoring

This testing equipment evaluates the performance and durability of measurement subjects. It is indispensable technology for the realization of a hydrogen-based society using fuel cells and water electrolysis.



Fuel cell evaluation and testing equipment

This is necessary testing equipment in the field of fuel cell performance evaluation and testing, from elemental research, materials research, single cell/module research, and other basic research into fuel cell development to practical application testing. We perform end-to-end design and manufacture of component element gas supply, humidification control, temperature control, data measurement, fully automated operation, and other systems, as well as on-site construction, adjustment, and handover.



Water electrolysis equipment

This equipment supplies electrolytes to electrolytic cells and applies direct current to performs water electrolysis, then measures the properties of the generated hydrogen and oxygen.



Evaluation and testing equipment for compressor performance and durability

This equipment performs evaluation of the durability of compressors for air conditioners, refrigerators, and other home appliances. It features high operating functionality following deployment, with operational management handled by a general-purpose package system and the ability for batch setting of operating conditions and data collection.

Sensors

We provide contact-type temperature sensors such as thermocouples and resistance thermometers, infrared-ray-based radiation thermometers, thermal image measurement equipment (thermography), temperature sensors, and moisture/thickness gauges.

Main products>>>

Temperature sensors

Measuring

These are thermometers that make direct contact with the measurement subject to measure temperature through heat conduction from the subject.



Intrinsically Safe Explosion-proof Platinum Cobalt Sheath Resistance Thermometer NR800-6, NR800-7

They are capable of measurement from 4K to 375K, with a precision of $\pm 0.5K$. In combination with an insulation barrier, the equipment passes the essential safety explosion-proof equipment certification of the Technology Institution of Industrial Safety.



Hand-held Temperature/Humidity Meter HN-EH

This temperature/humidity meter features quick response time and easy operation. The sensor part and the display part are available in two configurations: an integrated type and separated type.

Radiation thermometers

Measuring

These thermometers measure temperature by capturing thermal (infrared) radiation, without making contact with the measurement subject.



Radiation Thermometer IR-CZ Series

This all-in-one stationary radiation thermometer features a measurement range of $0^{\circ}C$ to $3500^{\circ}C$, a digital temperature display on the unit body, and process value external output.



Waterproof Handy Infrared Radiation Thermometer IR-TE2

This waterproof radiation thermometer can be washed in water. It enables the issuance of HACCP, ISO, and other traceability certificates (sold separately) in a measurement range of $-40^{\circ}C$ to $300^{\circ}C$.

Wireless logger

Measuring Monitoring

Through a receiver, this equipment collects and monitors measurement data wirelessly sent by a transmitter.



Real-Time Wireless Logger MZ Series

Distributed wireless loggers send measured data of temperature, humidity, voltage, and pulses to the receiver wirelessly, and the receiver is connected to a computer by LTE communication (optional), wireless LAN, or wired LAN. The MZ series can be operated from a special application installed in a computer or a Web browser of a tablet. This series can be used for life science, logistics, and large-scale temperature monitoring of franchised stores.

Thyristor regulator (electric power regulator)

Controlling

This is an electrical switch that turns an AC power supply on and off. Receiving signals from a controller or other equipment, it controls electric power to control the temperature in an electric furnace.



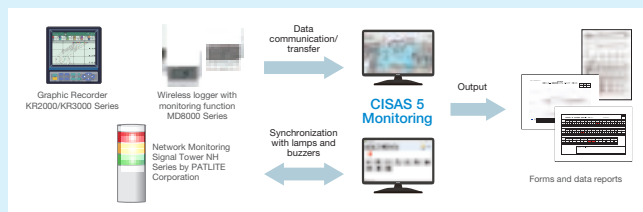
Single-phase Thyristor Regulator JM Series

This single-phase thyristor regulator receives signals from regulators, PLCs, and manually set equipment to adjust the power supplied to heaters in electric furnaces.

Collection and monitoring system package software

Measuring Monitoring

This package system uses our measurement and control instruments as system components to compile data and monitor devices and facilities via PC.



Data Acquisition and Monitoring Package System CISAS 5

CISAS 5 is a system software product for collecting and monitoring data of various devices and facilities. It provides good viewability and operability, as well as flexible configurability. The strength of this system is that it enables centralized large-scale monitoring through connected measuring instruments. CISAS 5 is equipped with a rich set of functions including the collection of a maximum of 5,000 data blocks, alarm monitoring, maintenance, and a security function conforming to FDA 21 CFR Part11.

Thermal image measurement equipment

Measuring

This measurement equipment visually displays temperature distribution as an image. It captures movement of the measurement subject and measures temperature for a set period (process).



Compact Thermal Image Measurement Equipment CPA-L4 Series

This fixed-mount thermal image measurement equipment meets diverse needs including mass detection determination and abnormality monitoring through temperature distribution measurement, for subjects ranging from room temperature to high temperatures.

Infrared moisture and thickness gauge

Measuring

This equipment uses the infrared absorption of the measurement subject for non-contact measurement of multi-components.



Infrared Moisture and Thickness Gauge IM Series

This moisture and thickness gauge is able to measure moisture, organic content, film thickness, coating thickness, and more.

Calibration business and standard temperature sensors (employed in 29 countries)

Temperature sensors used in research, production, inspection, distribution, and other scenarios in industry require traceability for quality control, ISO, HACCP, safety, and maintenance of accuracy.

To support customers in establishing traceability systems, we provide calibration devices including temperature sensors, radiation thermometers, and glass thermometers, along with measuring instruments and standard sensors, to industry, testing and research organizations, universities, and so on.



Standard temperature sensors

We offer five types of standard platinum resistance thermometers spanning cryogenic to high temperatures.



Standard Radiation Thermometer IR-RST

This high-precision standard thermometer is used for comparative calibration of radiation thermometers.

Comparative calibration: Calibration performed by comparing a standard thermometer against the thermometer to be calibrated. Unlike fixed-point calibration, arbitrary temperatures can be set.

The Company engages in the calibration business for finding temperature errors of sensors owned by customers and sensors that the Company manufactured. As a corporation registered in government-designated JCSS (Japan Calibration Service System), the Company can issue attestations that certify internal traceability.

The Company provides standard temperature sensors to national metrology institutions of 29 countries.



The Calibration Engineering Department of CHINO CORPORATION uses ISO/IEC17025 as the accreditation standard, and it is certified by JCSS (Japan Calibration Service System), which is operated according to accreditation scheme ISO/IEC17011.

IAJapan, the accreditation body of JCSS, has signed mutual recognition agreements with the Asia Pacific Accreditation Cooperation (APAC) and the International Laboratory Accreditation Conference (ILAC).

Our Calibration Engineering Department has the registration number 0024.

Field engineering

Our service engineers or outsourced service staff visit users' sites to perform inspection and calibration services, primarily for temperature and humidity measuring instruments, controllers, and recorders.

On-site calibration service flow

On-site surveys

Repair, parts replacement

Operational checks

Maintenance



Overview of Our Business and Products

Toward the realization of a sustainable society

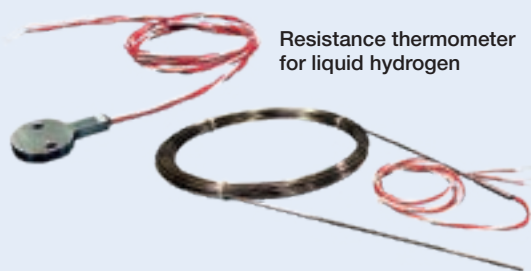
With a safe and secure future society as our aim, we engage in thorough information gathering and market analysis related to decarbonization and other technologies required by industry, and develop products and systems that meet market needs.

Hydrogen utilization technologies

To ensure the stable, long-term, and large-volume supply of the hydrogen that is the key to a decarbonized society, it is important to simultaneously advance the utilization of low-cost hydrogen produced overseas and the establishment of a production base for hydrogen using domestic resources.



Our equipment can be installed even in challenging locations in direct contact with liquid hydrogen at -253°C , providing accurate temperature measurement and control through long hours on rolling seas.



Resistance thermometer for liquid hydrogen

Semiconductors and electronic components

The semiconductors inside PCs, smartphones, and tablets, now indispensable to our lives, require precision that involves long production cycles of a year or more. Temperature control in manufacturing processes is important to the advancement of next-generation technology development and the development of the digital industry through the stable shipment of semiconductors.



the proper temperature.

The etching process that removes unnecessary oxide film after deposition requires accurate measurement of solution concentration to control etching depth.

To prevent clogging of pipes in manufacturing equipment for the vital pre-process of deposition (CVD, ALD, etc.), the pipes must be controlled to

Temperature Controller for Piping LH Series



Radiation thermometer IR-CZ Series, equipped with digital video scope

Next-generation batteries

Measuring water soluble residue and film thickness in the film manufacturing process on separator film production lines is important in improving the performance of secondary batteries.

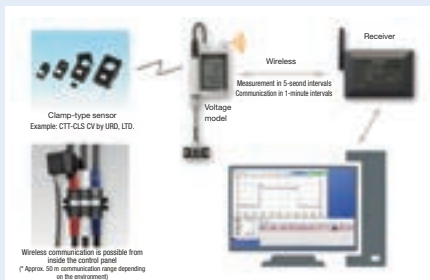


Infrared Moisture and Thickness Gauge IM Series



Monitoring System

Monitoring the temperature, humidity, and power consumption of a facility is the first step toward carbon neutrality, leading to the reduction of CO₂ emissions as well as the cost of maintaining and improving the environment. The Company provides package systems that enable wireless monitoring for the visualization of facilities. These packages can be used as heatstroke measures through the monitoring of Wet-Bulb Globe Temperature (WBGT).



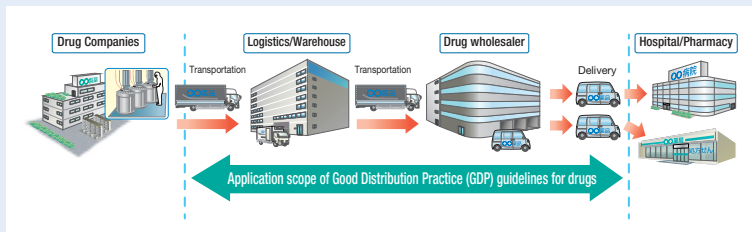
Real-Time Wireless Logger MZ Series

Data Acquisition and Monitoring Package System CISAS



Medication and drug management

In the medical and pharmaceutical fields, highly accurate temperature control is always required in manufacturing processes as well as in storage and transportation. We also perform services including temperature mapping, validation, and calibration conforming to Good Distribution Practice (GDP) guidelines for pharmaceuticals, and support temperature control overall in pharmaceutical distribution.



Real-Time Wireless Logger MZ Series

Logistics

In the aerospace and automotive industries that employ strict standards for control of quality and strength, we support conformance with international standards through our temperature sensors, recorders, and calibration technologies.

Nadcap/AMS2750G

- An international accreditation system that sets operating standards for special processes (welding, heat treating, etc.) in the aerospace industry
- Conformance with mandatory requirement for use of digital equipment from June 2022

IATF16949/CQI-9

- International standard for quality management systems, specialized for the automotive industry
- Conformance with mandatory requirement for use of digital equipment from June 2023

The following rules are set in both standards

- ① Calibration accuracy, ② Digital recording, ③ Read-only

High-Performance Graphic Recorder KR2-H Series

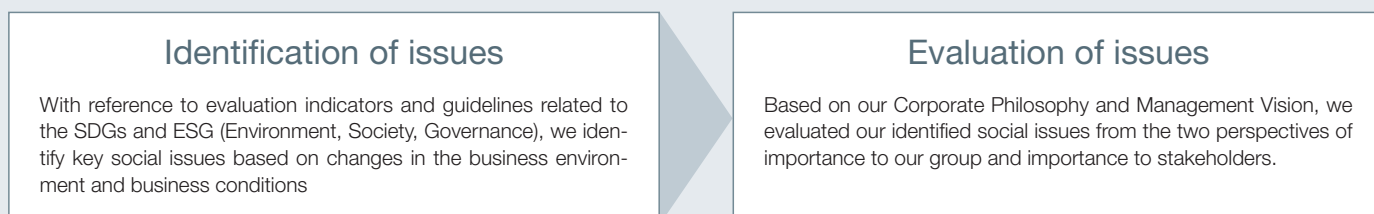
This graphic recorder features a 10-minute-interval digital printing function. It meets required functions for tamper-proofing, electronic signatures, and access restriction.



Priority issues in sustainability (materialities)

To promote sustainability management, our group has identified issues to which our group should give priority (i.e., materialities), leveraging our group strengths. We will update these as appropriate in response to changes in social conditions and the business environment.

Process of identifying priority issues in sustainability (materialities)



Priority issues in sustainability (materialities) and related SDGs

Priority issues in sustainability (materialities)			KPIs, outcomes
E Environment	1 Contribution to the realization of a decarbonized society	Provision of products and solutions that solve environmental problems	<ul style="list-style-type: none"> Increase in the sales ratio of decarbonization-related products and systems Reduction of GHG emissions (Scope 1, 2) Reduction of wastes
		Reduction of greenhouse gases/CO ₂ emissions	
S Society	2 Systematic initiatives aimed at respect for human rights		<ul style="list-style-type: none"> Ongoing implementation of human rights/compliance training Ratio of female executives (chief officers/group leader class, managerial positions) Ratio of mid-career hires in management positions Rate of employment of persons with disabilities Rate of utilization of childcare leave by men Enhancement of employee training - Average training attendance hours Rate of utilization of annual paid leave Rate of periodic health checkups and re-examinations Number of cases of work improvement utilizing IT Continuation of engagement surveys
	3 Development of appealing workplace environments	Diversity and inclusion/Human resources development	
		Work style reform/Health and productivity management	
	4 Strengthening of supply chain management		<ul style="list-style-type: none"> Rate of management response to chemical substances contained in products Rate of requests for green procurement guidelines from major business partners
G Governance	5 Advancement of governance	<ul style="list-style-type: none"> Strengthening of corporate governance structure Enforcement of risk management and compliance 	<ul style="list-style-type: none"> Maintenance and enhancement of effectiveness evaluations of the Board of Directors Accommodation of the Corporate Governance Code Number of serious compliance violations
	6 Enhancement of stakeholder engagement		<ul style="list-style-type: none"> Number of individual IR meetings
B Business	7 Creation of products and solutions that enhance UX (user experience)	Deep cultivation of original technology with strengths	<ul style="list-style-type: none"> Number of applications for patents and know-how patents Number of new products and systems brought to market Customer satisfaction Rate of audit implementation at targeted partner companies Ongoing expansion of website content
		Securing of quality/safety; stable supply	
		Appropriate provision of information on products and services	



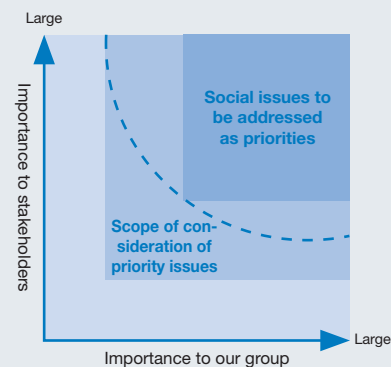
Our group is advancing initiatives aimed at achieving the Sustainable Development Goals (SDGs) through our business.

Prioritization of issues

From the perspective of the opportunities and risks presented to our group, we prioritized issues to be addressed and considered themes for activity

Determination of priority issues

We presented issues and activity themes in the Sustainability Promotion Council, discussed their validity, and made determined priority issues



	Results		Targets			Related SDGs
	FY2022	FY2023	FY2024	FY2026	Other specific targets	
	34.3%	36.0%	36%	Maintain at 36% or higher		
	83% reduction (Result 461 t-CO ₂)	89% reduction (Result 291 t-CO ₂)	89% reduction (compared to FY2020)	90% reduction (compared to FY2020)	100% reduction in FY2040 (compared to FY2020)	
	Company-wide final disposal rate 1.5%	Company-wide final disposal rate 1.8%	Company-wide final disposal rate Less than 1.3%	Company-wide final disposal rate Less than 1.2%	Less than 1% in FY2030 (Zero emissions)	
	Once a year	Once a year	Once a year or more	Once a year or more		
	Ratio of women in management positions 4.4%	Ratio of women in management positions 3.7%	Ratio of women in management positions 5%	Ratio of women in management positions 7%		
	Ratio of female executives 26.4%	Ratio of female executives 27.3%	Ratio of female executives 28%	Ratio of female executives 30%		
	22.8%	26.6%	Active promotion of mid-career hiring			
	2.1%	2.0%	2.5%	2.7%		
	70.6%	100%	65%	70%		
	8.5 hours per year	11.5 hours per year	12 hours per year	13 hours per year	Enhancement of programs	
	62.6%	69.9%	73%	75%		
	37%	42%	50%	100%		
	Cases of improvement 28	New: 22, Updated: 28	Continuation			
	Introduction of surveys	Continuation	Continuation	Enhancement of employee engagement		
	—	Rate of registration in product chemical substances management database, new products 100%	Rate of registration in product chemical substances management database, new products 100%	Rate of registration in product chemical substances management database, new products 100%		
	—	100%	100%	100%		
	Continuation	Continuation	Continuation			
	Compliance with all principles	Compliance with all principles	Maintenance and advancement of initiatives			
	0	0	0			
	18	28	Enhancement of quantity and quality of interviews			
	20	22	20 or more	20 or more		
	14	14	16 or more	16 or more per year		
	1H 64.8 2H 72.8	77.8	78	80		
	100% (implementing companies: 23)	130% (FY2023 result: 39)	100% (target implementing companies: 30/year)	100%		
	Expansion of new services websites	Products / Services / Member registration Site renewal completed	Renewal completed for the product/service site and the sales agency web site	Establishment of approach structure for all website visitors	Establishment of 100% follow-up structure (FY2024)	

» Human Resources and Organizational Development Committee [▶ P.39](#)

» Decarbonization Project Team

To engage in marketing aimed at the decarbonization market and provide new products and services aimed at solving related issues, we established the Decarbonization Project Team in February 2021.

By contributing to the realization of a sustainable society through our group's technologies, we will carry out our social responsibilities and achieve sustainable growth.

Involvement with stakeholders

To achieve sustainable growth, a company must fulfill its corporate social responsibilities toward varied stakeholders. Through our business activities, our group will strive for coexistence with society by actively meeting the expectations and demands of stakeholders.

■ Stakeholder Relational Diagram

Stakeholders	Sustainability activity policy	Opportunities for communication
Customers	Recognizing the challenges that our customers face, we provide safe, valuable products and services.	<ul style="list-style-type: none"> Opportunities for routine transactions Exhibitions Customer Product Consultation Office
Shareholders and investors	We practice fair and equitable management, stably and continuously return profits, and actively disclose accurate information on the company.	<ul style="list-style-type: none"> Annual general meeting of shareholders Shareholder networking events Business reports
Employees	We ensure safe work environments and actively provide opportunities for all employees to enhance their capabilities.	<ul style="list-style-type: none"> Hierarchy- and function-specific training Occupational Health and Safety Committee
Local communities	As a member of society, we actively respond to the expectations of the communities in which we engage in business.	<ul style="list-style-type: none"> Opening of Biotope Hands-on classrooms Workplace experience learning
Business partners	We maintain positive relationships with business partners and engage in fair and impartial dealings aimed at sustainable procurement.	<ul style="list-style-type: none"> Opportunities for routine transactions enabling shared prosperity Meetings with materials business partners
Local government and industry associations	We engage in sustainability activities through collaboration with local government and partnerships with industry associations.	<ul style="list-style-type: none"> Participation in campaigns for exclusion of antisocial forces Participation in outside organizations

Internally instilling sustainability

In the promotion of sustainability management, it is important that all employees engage in business activities with an understanding and constant awareness of policies and the thinking behind them. Inside the group, we engage in activities including briefings, regular informational publications, and real-time information communication on our internal portal site.

» Sustainability training

We conduct internal training to deepen understanding of sustainability and to accelerate related initiatives in all departments and positions.

FY2023 result

- Sustainability training for new employees (1 session)
- Company-wide sustainability explanatory meeting (1 session)
- Information exchange meeting with branches and offices (8 sessions)



Scene from new employee training in FY2023 Information exchange meeting with branches

» Internal questionnaire and awareness survey about sustainability

The Company conducts a yearly internal questionnaire about sustainability to widely solicit opinions on related activities and grasp the level of understanding and awareness. The FY2023 result of the questionnaire indicated a positive effect of enlightenment activities with improved comprehension rates of words, in which "sustainability" improved by 15% and "GHG (Greenhouse Gas) emissions" improved by 23% from the previous year.

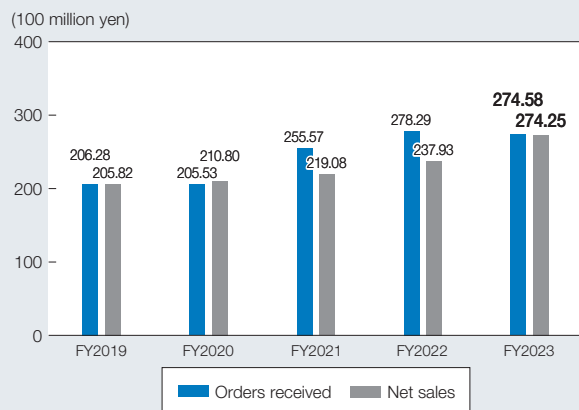
» Sustainability Journal (Monthly journal started in January 2021)



FY2023 Performance Highlights

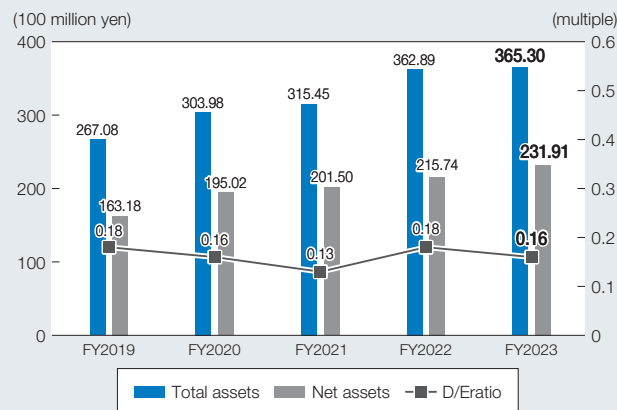
Financial Information

Orders received and net sales



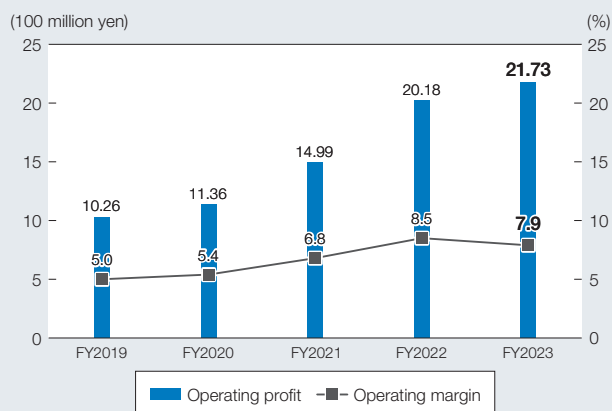
Orders received decreased due to a large order received in the previous year despite continued receipt of orders related to decarbonization. Net sales increased due to strong capital investment of our customers and the resolution, with some exceptions, of material supply shortages. The net sales marked a record high.

Total assets / Net assets / D/E ratio



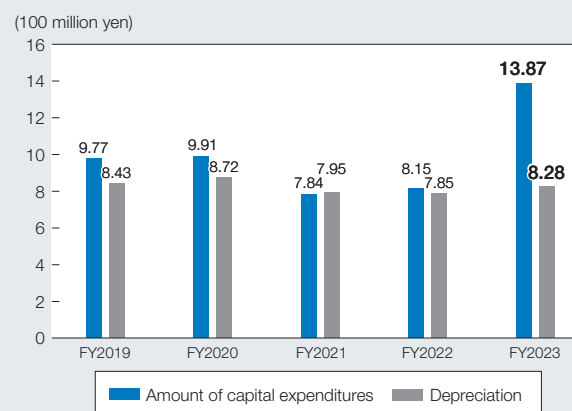
Total assets increased by 240 million yen year on year due to the increase of inventories and tangible fixed assets despite a decrease in cash.

Operating profit and operating margin



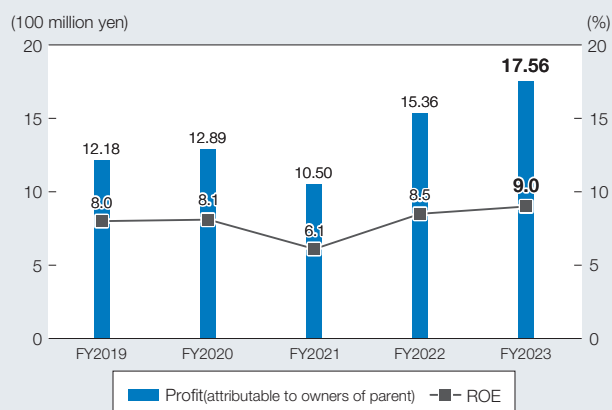
The operating profit increased due to the increased revenue and the revised sales prices despite soaring prices of materials and a new development project impacting the sales cost ratio. The operating profit marked a record high.

Amount of capital expenditures / Depreciation



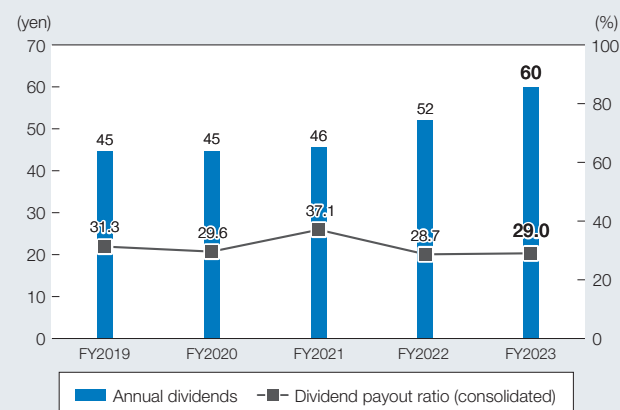
Capital investment increased by 570 million yen year on year. (Major capital investments were 570 million yen in the update of buildings and 330 million yen in productivity improvement.)

Net profit (attributable to owners of parent) / ROE (return on equity)



The net profit (attributable to owners of parent) increased due to the recording of an extraordinary profit (gain on sale of investment securities) of 320 million yen and the selling of a part of cross-shareholdings. The operating profit marked a record high.

Dividends per share / Dividend payout ratio (consolidated)

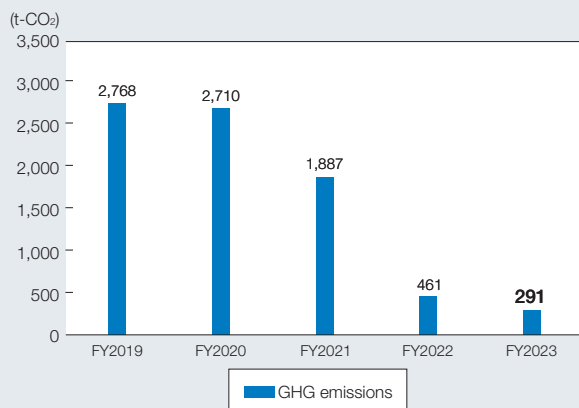


Policy: Continue steady dividend payout with a payout ratio (consolidated) of around 30%.
Dividend of this period: 60 yen (interim: 20 yen, year-end: 40 yen)

*Net profit (attributable to owners of parent) for FY2019 and FY2020 includes ¥574 million and ¥557 million, respectively, of negative goodwill associated with the conversion of MEIYO ELECTRIC Co., Ltd. to a subsidiary.

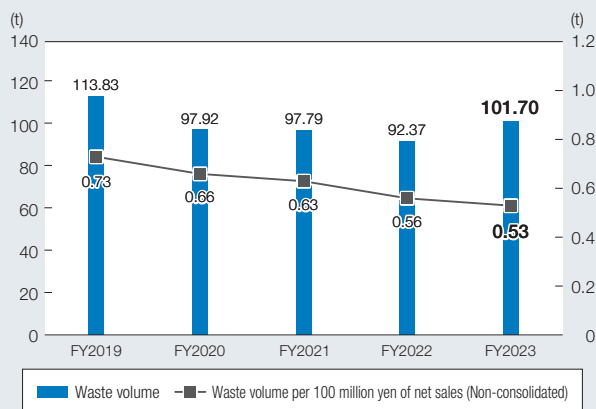
Non-financial Information

GHG (greenhouse gas) emissions (Scope 1, 2)



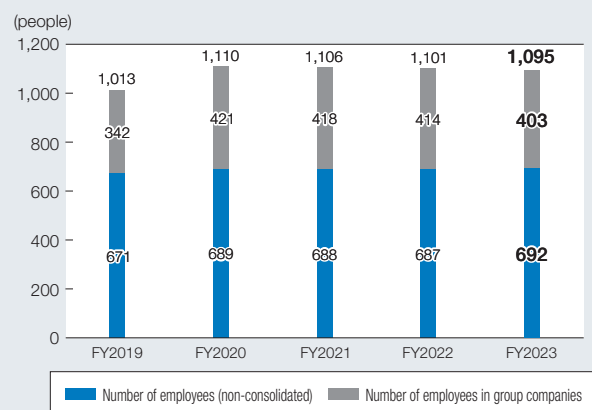
Scope 2 emissions decreased significantly due to the switching of purchased energy to renewable energy in the Head Office and domestic manufacturing sites by FY2022.

Waste volume and intensity

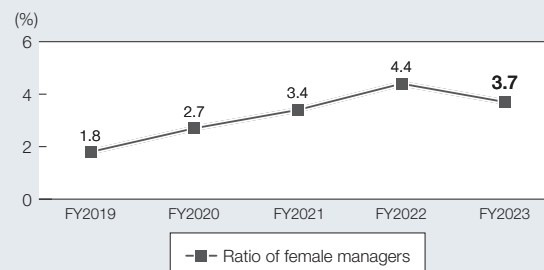


The waste volume per net sales is decreasing continuously.

Number of employees of the Company and Group Companies



Ratio of female managers



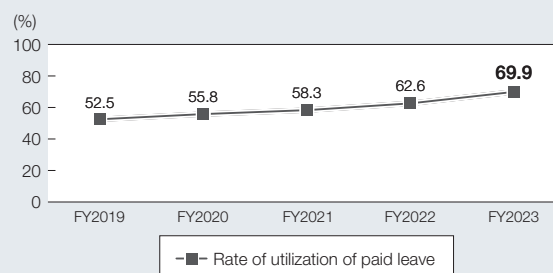
Result as of the end of March 2023. The ratio is 5.1% as of April 1, 2024.

Employment rate of persons with disabilities



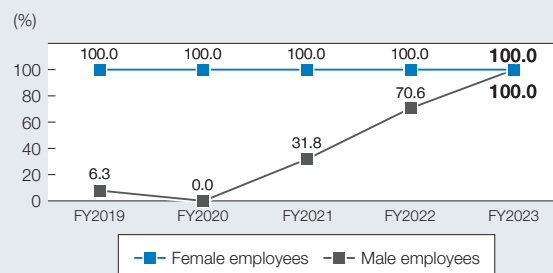
Result as of the end of March 2023. The rate is 2.5% as of April 1, 2024.

Rate of utilization of paid leave



The rate of the utilization of paid leave is improving continuously.

Rate of utilization of childcare leave

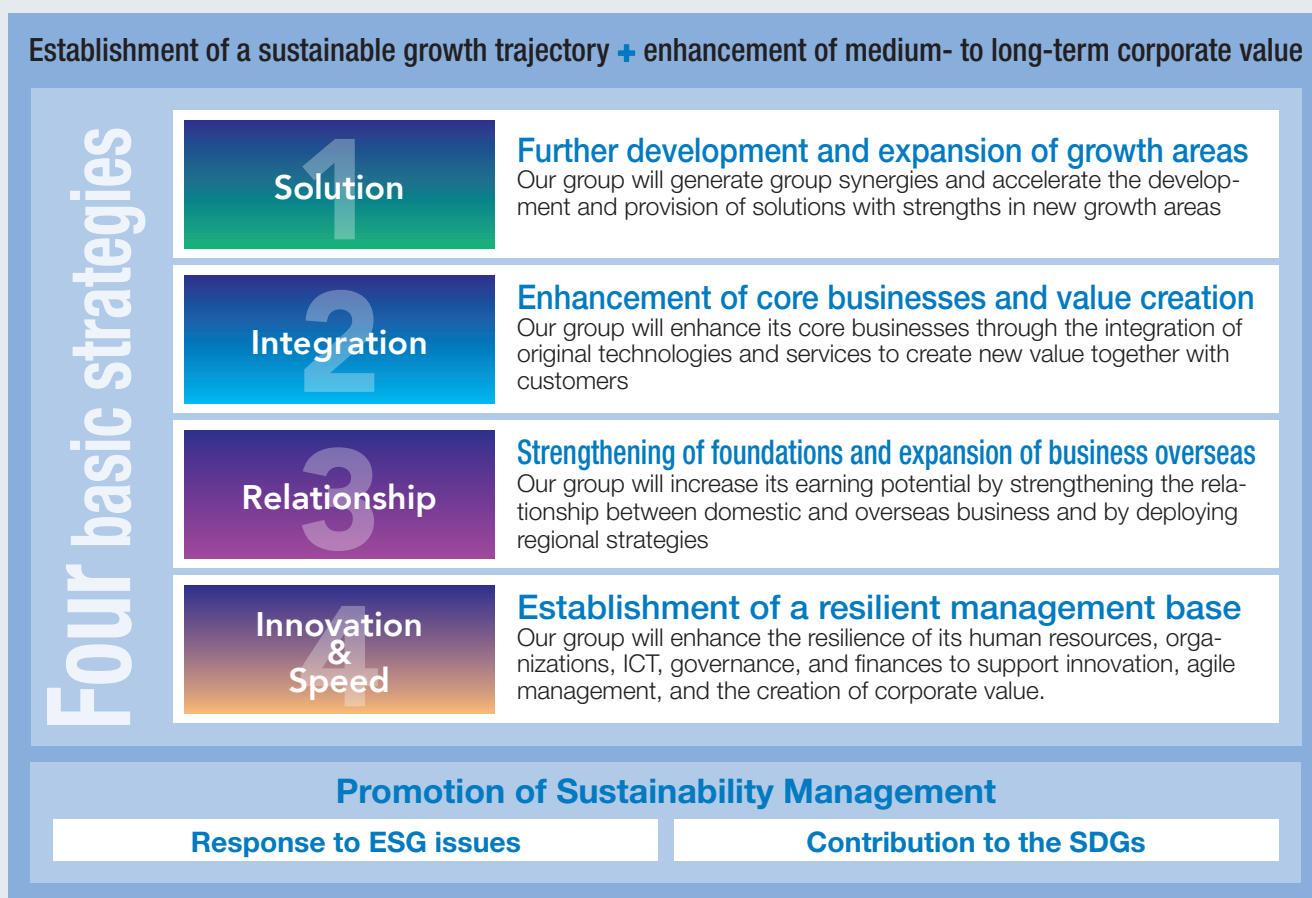


The rate is 0% in FY2020 because no male employees were relevant to this system.

Progress toward Medium-Term Management Plan 2026

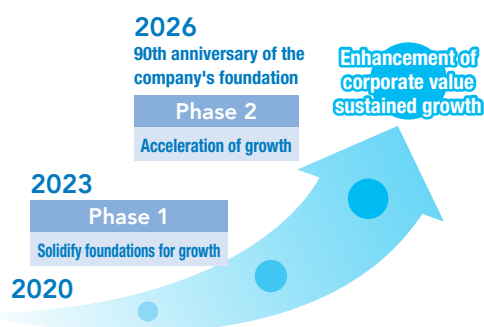
The CHINO Group has formulated a Medium-Term Management Plan (2021-2026) aimed at achieving our vision for ourself in our 90th year (2026). Our group is working as one to build a sustainable growth trajectory and enhance our medium- to long-term corporate value.

Overall view of our strategy



Progress toward the Medium-Term Management Plan during the fiscal year

	FY2021 result	FY2022 result	FY2023 result	FY2026 KGI
Net sales (100 million yen)	219.08	237.93	274.25	300.00
Operating profit (100 million yen)	14.99	20.18	21.73	27.00
Operating margin (%)	6.8	8.5	7.9	9.0
Overseas net sales (100 million yen)	40.77	48.52	57.65	70.00
ROE (%)	6.1	8.5	9.0	10.0
ROA (numerator of ROA is operating profit) (%)	4.8	6.0	6.0	8.0



Against the backdrop of expanding demand in hydrogen-related fields that are working toward decarbonization and demand by major customers in fields including automobiles and electronic components, our activities to secure orders and our cost reduction initiatives have met with success. We are steadily delivering results in the KGIs under our Medium-Term Management Plan.

Four basic strategies and their status in FY2023

1 Solution

Further development and expansion of growth areas

Realizing a sustainable society

Toward a carbon-free society

Hydrogen utilization technologies	Semiconductors and electronic components	Next-generation batteries	New materials	Medical drugs and food management	Logistics
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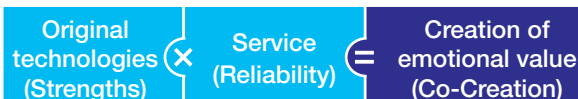
Towards a safe and secure society

- There has been strong demand on our products in growing fields. These include temperature sensors and radiation thermometers for manufacturing equipment of semiconductors and electronic components, and graphic recorders and thyristor regulators for heat treating equipment for automobile and aircraft parts.
- We received an order for a temperature control system used in the transportation of medicine as soon as we marketed it, and we are now promoting it for more orders.
- With regard to decarbonization, orders are increasing for an evaluation and testing instrument for compressors for fuel cells, water electrolysis, and air conditioners, and we are improving its design and productivity.

2 Integration

Enhancement of core businesses and value creation

Taking “measurement, control, and monitoring” to the next stage through Co-Creation, Strengths, and Reliability



- We established the Standard Technology Committee aiming for the sophistication of the calibration business and the enhancement of applicable areas of this business. The committee worked to obtain the JCSS calibration certification for the Fujioka Factory and respond to the increase of calibration demands and the diversification of requirement specifications caused by tightening of various regulations.
- For the improvement of the visiting calibration service, we engaged in human resources development, the strengthening of the organization, and the sharing of customer information through DX.
- As part of our new effort of leveraging data, we marketed the cloud system of the Company (CHINO Cloud), which enables remote monitoring and management of measurement data.

3 Relationship

Strengthening of foundations and expansion of business overseas

Promotion of global niche development through collaboration among domestic and overseas sites and among production, sales, and development

- We organized domestic and overseas sales personnel and service engineers to provide global services, and several domestic group companies received orders from overseas subsidiaries.
- We also reorganized our Overseas Marketing Strategy Office under a structure that centralizes and consolidates domestic and overseas sales data to engage in product planning of global niches, and we started the development of products that respond to demands from a market that encompasses multiple countries.
- In order to increase the group revenue, we organized overseas group companies to facilitate transactions among themselves for the promotion of local production for local consumption.

4 Innovation & Speed

Establishment of a resilient management base

Agile and flexible adaptation to changes in the super-VUCA era, and bold execution of management strategy based on creation of shared value (CSV)

- For the strengthening of our human capital, we enhanced training and learning programs, and engaged in a company-wide initiative of solving issues based on an organization improvement survey. We also conducted a review of personnel affairs systems and full-fledged efforts of investing and preparing for a talent management system.
- We implemented several measures for building a foundation for the acceleration of growth in the latter half of the medium-term business plan period. These measures include preparation of a data-driven information sharing platform through active investment in ICT, the implementation of capital policies for the improvement of corporate value, selling of cross-holding shares, and analysis of TCFD scenarios.

Progress toward Medium-Term Management Plan 2026

Priority measures and performance trends, by segment

Measurement and control instruments

Priority measures

- Promotion of product development that speedily adapts to changes in the business environment
- Expansion of service work through activities for the proposal of periodic calibration and inspection
- Optimization of our production structure through global expansion

Status by product

- Demand is robust, particularly for semiconductor and electronic component manufacturing equipment and heat treating equipment
- Orders from overseas markets were stagnant from the latter half of the fiscal year.
- The profit decreased from the previous period due to soaring prices of materials and other reasons.

Instrumentation systems

Priority measures

- Development of growth markets through the advancement of control construction technology, IoT technology, and software
- Creation of new added value and provision of enhanced services through the consolidation of system construction technology
- Promotion of overseas production and service system construction for instrumentation systems
- Strengthening of our organizational capabilities for instrumentation through changes to work structures

Status by product

- As for products related to decarbonization, there has been continuing demand for the fuel cell evaluation and testing equipment for automobiles and the water electrolysis evaluation equipment for the research and development for the use of hydrogen energy.
- As for evaluation and testing instruments for compressors for air conditioners, demand increased for natural-refrigerant-enabled instruments.
- The profit increased from the previous period due mainly to the increase of revenue despite the lower sales cost ratios in projects of newly developed products.

Sensors

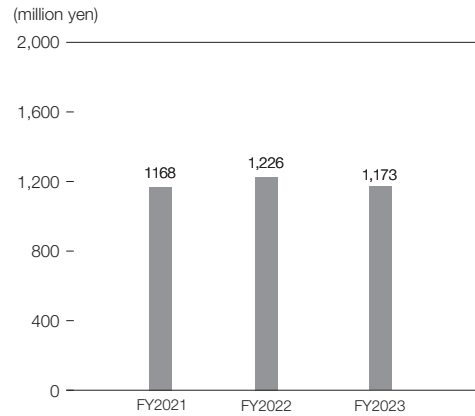
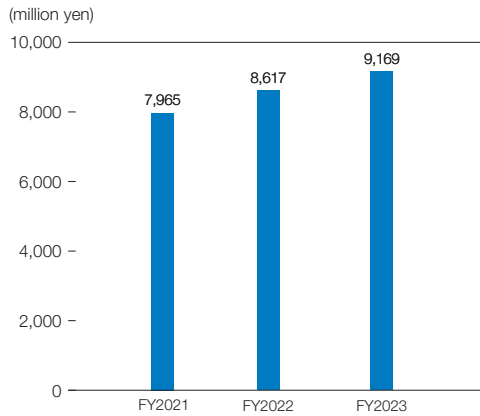
Priority measures

- Expansion of our market share in contactless sensing through the creation of new measurement technologies, and evolution into a global brand
- Creation of new demand through high value-added temperature sensors and pursuit of maximized synergies with the group and partner companies
- Advancement of calibration services (standard technologies) and calibration equipment — Creation of new services and expansion of revenue—
- Development of products matched to market needs, aimed at growth markets and the realization of a decarbonized society

Status by product

- Demand is robust for both radiation thermometers and temperature sensors, particularly for use in semiconductor-related manufacturing equipment
- Demand is strong for AMS standards-conformant temperature sensors
*AMS standards: Standards for special processes in the aerospace industry
- The profit increased from the previous period due to the increase of revenue and other reasons.

Profit and loss



Net sales
9,169 million yen

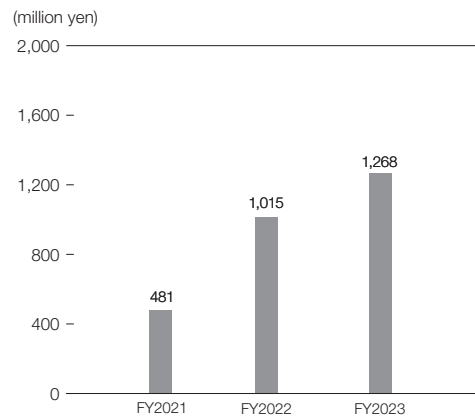
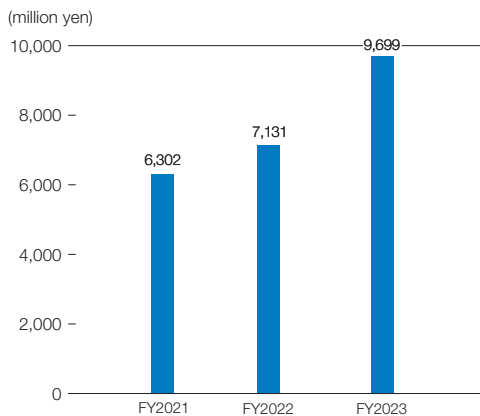
year on year
6.4% ↑

Segment profit
1,173 million yen

year on year
-4.3% ↓

Net sales
Segment profit

Profit and loss



Net sales
9,699 million yen

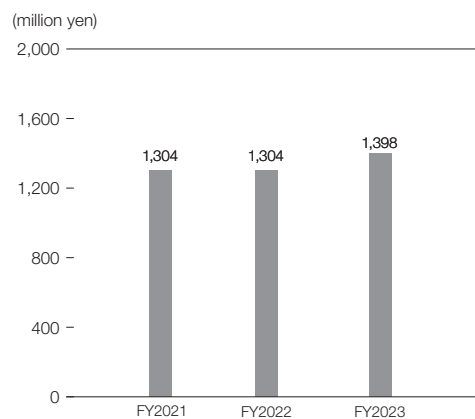
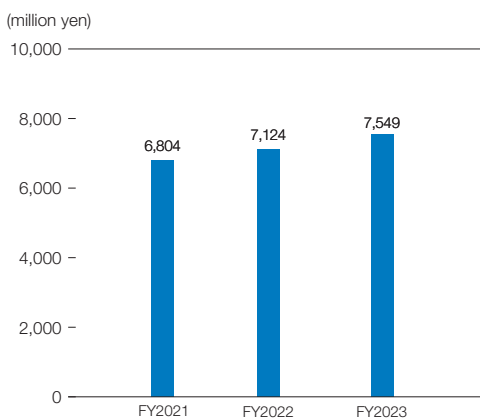
year on year
36.0% ↑

Segment profit
1,268 million yen

year on year
24.9% ↑

Net sales
Segment profit

Profit and loss



Net sales
7,549 million yen

year on year
6.0% ↑

Segment profit
1,398 million yen

year on year
7.2% ↑

Net sales
Segment profit

Message from senior executive in charge of development



Creating values by sophistication and innovation of technologies

Takao Shimizu

Director and Senior Executive Officer
In charge of Group Technical Management, Director, Innovation Center

Pushing forward with company-wide technology coordination with the leadership of the Innovation Center

When I joined the Company, I was assigned to the Technology Development Center, and started my career in development related to temperature and light. I am proud that the products that I developed still remain as the origin of the current lineup of products, and I view my experiences at that time as the valuable foundation that formed who I am today.

In 2009, I assumed the position of Director and Chief of the Measurement Technology Development Center, in which I was responsible for overseeing technology development concerning various technological elements and business locations from a company-wide viewpoint. After the center was renamed to Innovation Center (CIC) in 2021, I went on to assume the position of the Chief of CIC as well as President of two group companies, and I now oversee the research and development of the CHINO Group as Director in charge of Group Technical Management.

With CIC taking the leading role, we are driving technological coordination among 3 domestic business locations and 12 group companies in Japan and overseas. CIC, the core organization for research and element technology development, is responsible for both the short-term development of businesses and products and long-sight-

ed technology development for the creation of future revenue. Marketing of individual products is carried out under the responsibility of different business establishments, while information sharing and the development of element technologies are carried out by CIC and three business locations coordinated by the Technology Strategy Office, which governs technological activities across the Company.

Delivering emotional value and contributing to the realization of sustainable society

The strength of CHINO's research and development is that it has continuously been engaging in development concerning temperature and light for over 80 years. CHINO is a pioneer in the field of temperature measuring, and it has accumulated a tremendous amount of data, which constitutes a competitive advantage in various situations. In particular, the Company is pushing ahead with joint development with the National Institute of Advanced Industrial Science and Technology in the measurement of temperatures from -269°C , which is close to absolute zero temperature, to a ultra-high temperature of $3,500^{\circ}\text{C}$. This activity is a major strength of the Company.

The Company excels at Field Activities in which we liaise with customers in manufacturing sites, and in such activities, we encounter

customers' issues in their effort of contribution toward a decarbonized society more often in recent years. The type of renewable energy in which the Company is particularly knowledgeable is hydrogen energy, and is responding to the current rising interest in hydrogen energy through activities such as the development of hydrogen sensors. Also, because hydrogen is a flammable gas, a pressure- and explosion-proof sensor is required at locations in which hydrogen is placed, and the Company is now developing these types of sensors. Furthermore, hydrogen must be liquefied for transportation because the volume of gas hydrogen is too large. The transportation of liquid hydrogen requires precise temperature control at -253°C , and the temperature measuring technology of the Company is used for this purpose. The CHINO Group also engages in temperature data management that uses wireless communication technology. AR'S Co., Ltd., a group company, is studying wireless communication for exchanging temperature data between many points of various types, leveraging its high technology and the wireless logger of the Company. These wireless communication solutions can also be used for power monitoring in factories and other facilities. Customers who introduced these solutions value them highly because they do not need wiring, the cost of introduction is less expensive than wired communication, and stable exchange of information is possible between remote points. I think a strength of CHINO is its ability to combine control and monitoring of products with reliable wireless communication technology for businesses related to hydrogen and energy conservation as described above.

Being in the position responsible for governing research and element technology development of the Group, I also give importance to the creation of Emotional Value for customers and ourselves, not to mention contribution to sustainability.

"Emotional" in "Emotional Value" carries the meaning of responding to customer expectations and the Company being appreciated. To create such value, reliable technical competence is necessary. I think such Emotional Value for customers is created through reliable technology combined with added value that makes customers think CHINO will accomplish the project or CHINO will send an engineer whenever there is a problem. I think, ultimately, Emotional Value for customers is created when we pursue Field Activities. For employees engaged in development, an emotional moment is when customers are pleased and appreciative. The more difficulties and efforts to accomplish a project, the stronger the impression that remains in project members after a win-win ending. I think such experiences invoke motivation for seeking the same sensation, leading to a group-wide elevation of technological competence. Being at the top of development divisions, I consider my role is communicating the message especially to young employees that those who make effort will always experience an emotional moment in their careers.

Taking on challenges actively in new fields, while sharpening our strengths

The CHINO Group will celebrate its 90th anniversary in two years, with the important moment of its 100th anniversary lying further ahead. Taking this opportunity, I want to pursue more deeply the measuring technology centering around our core business field of—temperature, in order to share the growth as a corporation together with employees. The field of temperature technology is profound, and there is still a lot of demand among customers and markets on composite sensing including temperature. We will also improve product designs and user interfaces. Design is becoming increasingly important even in measurement instruments in B-to-B markets. I expect that this viewpoint elevates the motivation and confidence of young engineers, leading to the creation of new values. Under the corporate vision of Co-creation, we will proceed with collaboration with external research institutions, particularly the National Institute of Advanced Industrial Science and Technology, as well as with customers to strengthen our technical competence and to expand the fields in which we take on new challenges.



Message from senior executive in charge of sales

Further expansion of growth areas through sales activities

Akihiko Nishiguchi

Director and Senior Executive Officer,
Executive Manager, Sales Headquarters,
Branch Manager, Eastern Japan Branch

Sales strategy leveraging the origin of my career

Since I joined the Company in 1982, I have had a long experience of working at local offices, where I engaged in the sales of devices used in overseas facilities such as thermal power generation plants. After that, I assumed the positions of the Office Manager of the Osaka Sales Office in 2008 and the Branch Manager of the Osaka Branch in 2011, where I experienced intense business in the large city with many competitors. In 2014, I assumed the presidency of a subsidiary in China, which placed me in the arena of global business with players from all over the world. My diverse experiences in these fields are the very origin of me as a corporate manager, and they are very meaningful in my current position.

The first thing that I embarked on when I became responsible for the sales of the CHINO Group as Director and Senior Executive Officer was to integrate domestic sales departments and overseas sales departments into one organization. I consolidated information and know-how by putting all departments that interact with customers such as domestic sales departments, Overseas Sales Promotion Department, Sales Strategy Office, and Service Engineering Department under the umbrella of Sales Headquarters. For further expansion of growth areas into the future, I would like to urge sales departments to make propositions of products that create new values.

Elevating market presence that leveraging the strength of the Company to the maximum

As the Company calls itself as "CHINO of Temperature," its strength is the ability to provide sensors and devices that can measure temperatures ranging from -269°C to $3,500^{\circ}\text{C}$. There are not many manufacturers who can measure such a wide range of temperatures. In addition to this high level of technical competence, many customers have been appreciating our Field Activities for sales personnel, in which we actively engage with customers' manufacturing facilities to solve problems through solutions based on the technologies and knowledge that we have cultivated. Nowadays, there are fewer cases of us going to customers for sales and more cases of customers asking us for consultations.

In domestic markets in particular, the Company is unrivaled in businesses of creating solutions one by one liaising with customers' manufacturing site. I think that our strength is the ability of providing everything related to temperature measurement by combining and tailoring sensing devices that measures temperature, receiving instruments that receive measurement data, and actuators that control them, according to the needs of the manufacturing site.

Leveraging this strength to the maximum, Phase 2 of the medium-term business plan sets forth the strategy of expanding our business in the markets of hydrogen energy, semiconductors (power devices), and temperature control in the transportation of drugs

and foods, which we consider as growth areas. We take different approaches in this expansion strategy for domestic markets and overseas markets. For domestic markets, we continue with our most significant strength, Field Activities, to develop new customer segments. In overseas markets, in which business cultures and customs are different from Japan, we will first work to increase the sales of standalone products that do not require customization and communication. After enhancing the visibility of the Company through this strategy, we will polish up skills of the sales personnel in local subsidiaries to gradually develop CHINO's business style of liaising with customers, and eventually gain trust from local customers as we do in Japan.

Moving forward, we think the common growth strategy for domestic and overseas markets will be building trusting relationships by enhancing customer satisfaction through Loop Solutions, which provide total resolution of field problems through the combination of measuring instruments, control devices, and actuators.

Contributing to the realization of a sustainable society for the growth of the Company

Hydrogen energy, semiconductors, and logistics of drugs and foods, which we deem as growth areas, are essential for the realization of a sustainable society. Among them, hydrogen energy constitutes a market that the Company has been providing with fuel cell evaluation equipment for over 40 years. Today, with increased use of hydrogen, many products of the Company are used for creating and transporting hydrogen, including water electrolysis evaluation and testing equipment and thermometers for liquid hydrogen at cryogenic temperatures. I think areas that the Company can contribute to will expand further if hydrogen energy innovation advances throughout society.

For semiconductors essential for the advancement of AI and DX, which are expected to compensate for the social issue of labor shortages, I believe that the technology of the Company will be useful for measurement in vacuum environments and long-period stable measurement. Also, the monitoring of temperature is becoming very important for the production, transportation, and storage of drugs and foods under the recent years' warming trend caused by climate changes. I would like to contribute to the realization of a sustainable society by delivering new solutions to these business segments, which have to do with social problems and also are growing markets for the Company.

Pushing ahead with internal co-creation for the creation of new values

We launched a council consisting of leaders of sales departments and development departments, considering that our management vision "Co-creation" will be the key to the continuous growth the Company into the future. For example, if the same key word is raised from the sales side and development side, the council put it in the agenda to discuss trends and areas of future needs. In such discussions, the responsibilities of the two Executive Officers at the top of the sales side and development side, I think, are to develop products of values that respond to ever-changing demands of markets and customers and to decide on the timely marketing of these products. In order to generate group synergy by converting the current situation of manufacturing different products by different business establishments individually, the sales side will make propositions for the creation of values that cannot be realized without co-creation among multiple business establishments and group companies inside and outside Japan.



Customer relations —Stable product supply and appropriate information provision—

Fundamental approach

The Company places importance on the following principles in providing products and information to customers:

First, the Company provides products of high added value under strict quality control, with top priority on quality. Next, the Company builds efficient supply chains to realize quick and stable supply of products. The Company pursues transparency and clarity in providing information so that customers will accurately understand the features and usage of products. Also, the Company respects and positively receives feedback from customers so as to provide products and services that respond to customers' expectations.

Furthermore, the Company puts emphasis on the development and manufacture of environment-friendly products to contribute to the realization of a sustainable society.



Assurance of product quality and safety, and stable supply

To stably provide customers with products of high quality and safety, the Company's manufacturing activities are conducted based on the following policies.

CHINO's quality policies

1. Creation of products that impress customers with quality

The Company works to provide products and services that are trusted by customers and that deliver "sensation," which is something more than "satisfaction," through engineering activities conducted closely with customers.

2. Enhancement of corporate value and continuous growth

The Company works to improve the corporate value and grow continuously by contributing to society through active development of products and solutions for growth areas.

3. Continuous improvement

The Company will establish a management system aiming for the improvement of corporate value and continuous growth, and will continue to improve the effectiveness of the system.

» Audits of cooperating companies

In our production activities, we always prioritize the stable provision of products that satisfy customers. To do so, the components and materials that make up our products must be stable in terms of their quality and delivery time. Amid our numerous transaction activities, we conduct audits of materials business partners to maintain and improve quality. We draft audit plans every year and will continue quality activities aimed at 100% fulfillment of the plans.

Communication with customers

As an initiative to strengthen customer communication, we actively stream webinars, provide visiting seminars, and take part in exhibitions. Through attentive interview sessions with customers, enrichment of web content, and wide-ranging product knowledge cultivated over many years, we offer proposals that closely align with the needs of individual customers. We will continue working to build trust through two-way communication and will create products and services that add high value for our customers.

» Continuous expansion of website content

To promote relationship-building with our customers and stakeholders online, we conduct real-time communication of information on our website and in webinars. Enhancements to our website include:

- Expansion of information on product propositions and use cases
- Renewal of functions of My Page (for members)
- Confirmation of the intention of email magazines
- Improvement of the web page design and page navigation

To enhance convenience and strengthen our provision of useful information, we will make ongoing updates to the website and continuously enhance its content.

» Delivering technical information — Webinar and on-site seminar

The Company holds technical seminars for stakeholders. These seminars are programed from the perspective of customers who use our products, and they include CHINO Product Digest, Basics of Sensors, Basics of Calibration, Basics of PID Control, Basics of Thyristors, and Application of Wireless Communication. Please attend these seminars if you want to know how to use our products and basic ideas in using our products in more detail.

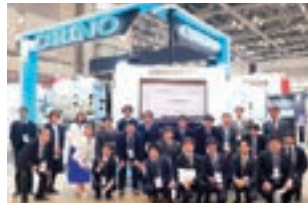
» Participation in exhibitions INTERPHEX Japan

INTERPHEX Japan is the Japan's largest technological exhibition specialized in the research and manufacturing of drugs and cosmetics. To support the pharmaceutical industry, we exhibited as solutions targeted to visitors a temperature mapping system and a Part11-compliant monitoring system. We also conducted consultation on validation.



IIFES2024

IIFES2024 is a comprehensive exhibition of leading technologies for automation and measuring. The Company exhibited new products related to its strengths—measuring, controlling, monitoring, instrumentation, and calibration, as well as products and solutions of group companies.



H2&FC EXPO 2024

H2&FC EXPO 2024 is a technological exhibition for creating, transporting, storing, and using hydrogen for the social implementation of hydrogen. The Company exhibited the water electrolysis evaluation and testing equipment for creating hydrogen, the fuel cell evaluation and testing equipment for using hydrogen, and the cryogenic temperature sensor for measuring liquid hydrogen.



Full-fledged follow-up service structure

We have developed a variety of services and a full-fledged follow-up structure for quickly addressing on-site problems, including inquiries about product malfunction and repairs, to enhance customers' confidence of following product delivery.

» Customer satisfaction surveys

We take part in interview sessions with customers to discuss functions, performance, quality, information, and support, and conduct company-wide, production site-specific, and product-specific customer satisfaction surveys. We express customer satisfaction survey findings in terms of degrees that we tackle as numerical targets for the

company as a whole, and hold internal quality conferences to provide feedback on the evaluated survey content and comments received at call centers. Based on them, we constantly revise requirements on new products, product improvements, catalogs, manuals, and other documents, and thereby manufacturing departments, sales departments, and administration departments work together to ensure safety and stable supply of products.

» Customer Product Consultation Office (Call Center)

Our Call Center always strives to assist customers by responding to phone- and web-site-based inquiries under a motto of "quick, compact, and simple." The inquiries we receive from customers are diverse, spanning product selection, confirmation of specifications, price inquiries, and requests for consultation concerning trouble. We forward the information received to the relevant departments (sales, manufacturing, quality, etc.) and work to respond in accordance with customers' requests. In addition to solving customer issues, we will enhance information sharing within the Company to speed up response to customers and expand points of contact for customers. With these efforts, we will enhance customer satisfaction.



» Calibration service

Measurement is critical in manufacturing. In recent years, measurement related to safety and peace of mind has been further growing in importance. To ensure the reliability of measurements, it is necessary to calibrate measuring instruments and demonstrate traceability to national standards. Taking advantage of measurement know-how built up over years as a measuring instrument manufacturer, we offer the following on-site inspection and calibration services to ensure that customers' sensors and measuring instruments are always managed for accuracy and can be operated in proper condition.

- Inspection and calibration of receiving instruments (recorder, controller, and instructing instruments)
- Loop calibration of temperature sensors, humidity sensors, and receiving instruments
- Calibration of radiation thermometers (a blackbody furnace carried in)
- Measurement of the temperature distribution of freezers and thermostatic baths
- JCSS-certified calibration (only receiving instruments)

Looking ahead, we will provide confidence of and safety to customers through even more enhanced calibration services, and will contribute to the sustainability of society overall by enabling longer use of our products.

Enhancement of corporate value by DX



Mariko Ishii
Supervisor
Product Technology Section
Development Department,
Kuki Factory

Takuya Yoshida
Supervisor
Global Marketing Section
Sales Department,
Sales Strategy Office

Shoya Tsuchida
Calibration Technology
Group, Calibration Section
Yamagata Factory
Customer Satisfaction
Department

Misako Tachibana
Nagoya Branch,
Sales Headquarters
Toyama Sales Office

Akihiro Higuchi
Supervisor
Sales Engineering Section,
Life Science Department,
Fujioka Factory

Takashi Yamashita
General Manager / Officer
Information Systems Department
Business Management
Headquarters

The temperature measuring technology and hydrogen-related technology that the CHINO Group has been cultivating as a manufacturer specializing in measuring technology are important elements for tackling social challenges such as decarbonization. By advancing these technologies, we can contribute to the realization of sustainable society and also realize the continuous growth of the Company and the enhancement of corporate value. For this purpose, it is essential that we quickly collect the opinions of customers and society using digital technology, grasp important points for responding to their demands, and reflect them in products and services.

For this issue of CHINO Report, we held a round-table discussion meeting of six members mainly from the team that made a proposition in the DX Idea Contest held in the Company to discuss use cases of DX for enhancing corporate value and exchange opinions on future prospects.

Yamashita: The Company finished building an information sharing environment and an online business operation environment that provide a system for enabling people in their workplaces to concentrate on their main jobs using digital tools. Digitization and digitalization have just begun in CHINO, and their driver will be each and every employee. Today, I would like to hear ideas on DX from young employees who would play active roles into the future.

First, please introduce yourselves.

Higuchi: I am Higuchi from the Sales Engineering Section, Life Sci-

ence Department of Fujioka Factory. The department I belong to specializes in the medical care and medication market, and its main customers are drug companies and hospitals. These customers are a little different from other customers of CHINO, and they require various specialized knowledge such as regulations, which I study every day. As for DX project activities, I have participated in the cloud project from the beginning.

Yoshida: I am Yoshida from the Sales Strategy Office of Sales Headquarters. I am in charge of updating the Company web site and

the jobs related to the email magazine. Previously, I engaged in the support for the introduction of a sales support system and the development of applications in an overseas sales department. I also participated in a company-wide project, in which I was a member of a working group for preparing an overseas ICT platform. Now, I am the leader of the Sales DX Promotion Working Group, and this year is the third year since I assumed the position. I also belong to the AI Technology Survey and Implementation Project Team, in which I survey the latest generative AI technology and collect related information

Ishii: I am Ishii from the Product Technology Section of Development Department at the Kuki Factory. Currently, I mainly engage in the development of thermal image cameras and also in the development of radiation thermometers a little. I belong to the Cloud Project as Higuchi-san does, and from this year, also participate in the AI Working Group, which Yoshida also participates in.

Tsuchida: I am Tsuchida from the Calibration Section of the Yamagata Factory Customer Satisfaction Department. I engage in the technological evaluation of thermometers and hygrometers, especially in tasks related to JCSS calibration. Recently, we are actively streamlining our operations including the automation of calibration facilities.

Tachibana: I am Tachibana from Toyama Sales Office. My main responsibilities are overall clerical tasks of the sales office including sales assistance such as procuring products and issuing estimates and accounting tasks such as issuing invoices and managing the cash flow. I leverage DX for the improvement and streamlining of everyday tasks.

Efforts for DX, and issues that they feel

Yamashita: Please tell me about the DX efforts that you engage in and your impression of DX. DX, including your understanding of DX and areas to which DX can be made.



Tachibana: I started DX when I wanted to make tedious jobs easier. There are many paper-based analog processes in the office, and I wondered if there is a way to do them more efficiently. I participated in the DX study workshop in the Company and received lectures on programming languages. Then, I improved my operations little by little using the knowledge that I gained through these activities. Although it is difficult to ask for an improvement of a company-wide system, I was delighted that I can improve my work significantly with my own ideas, and I got absorbed in creating tools.

At first, I was making tools only for my own work. But then, I came to think that, if they are useful for me, they might also benefit someone in another office in the same way. With this approach in mind, I share information about my tools. From the standpoint of a sales supporter, I think there are a lot of tasks that are left to individuals of different offices. I feel the urgent need to standardize these tasks to establish a system in which staff in different locations can follow up on each other's work.



Ishii: I feel strong empathy with the opinion of Tachibana to resolve dependency on individuals from the standpoint of the development department. Many products of the Company are manufactured individually in response to customer needs, and these products are often not shared. I got interested in DX when I thought that, if we shared assets developed individually in the department, we could accomplish more interesting things through collaboration.

Another thing I feel is that there are ambitions and risks about incorporating digital technology into products. The technology of measuring, controlling, and monitoring that the Company engages in should fit very well with IoT. With accelerated DX in society, the Company will fall behind enterprises that are good at DX unless we accelerate the incorporation of DX ideas into our products. While I have the hope of enhancing our business by leveraging the Company's strength of measuring, I also fear about the danger of falling behind if we do not take action quickly.

Yoshida: From the standpoint of marketing, we must analyze various data provided by customers, and convert them to information that can be used for sales activities. However, I think the quality of the raw data is problematic now. We currently use daily sales reports and other data in the sales support system for data analysis, but the amount of good quality data is still insufficient.

I also feel that the use of digital tools has not spread wide enough in the Company. I think the most important challenge that we should tackle first for the DX of sales is to create a culture in which everyone uses digital tools as a normal practice. And then, the final goal of DX in sales activities is to enhance sales, and I am pushing forward with DX with my mission of steadily building a system for that goal.



Higuchi: I think the DX of operations in the Company has advanced significantly thanks to the Information Systems Department. However, I have a strong impression that DX has not advanced much for our customers. Because CHINO is a manufacturer, we will be able to

make various propositions to customers about DX if our products are digitalized, as mentioned earlier. So, I want to make progress in that regard. I felt the words of Ishi to be strong and encouraging.



Tsuchida: When we talk about DX, we often use the word "big data," and "big data" traces back to measurement. As Yoshida mentioned, DX requires a large amount of raw data, and in manufacturing sites, raw data is collected by measuring instruments. Measurement instruments play the role of the interface for introducing various physical phenomena into the digital space. So, if there is a problem in there, it has an impact on the data analysis that follows and ultimately on the final decision. Our mission is to ensure the quality of measurement to prevent such a problem, and in order to continuously fulfill this responsibility, I think we must enhance our capabilities and raise awareness for the use of digital technologies.



DX Idea Contest

Yamashita: I am impressed that you are all conscious of problems in your daily tasks and trying to improve them. We held a DX Idea Contest in the Company the other day to solicit ideas of using digital tools for the improvement of a problem that is found while reviewing the current system, rule, or method of operations. There were a total of 56 applications in the contest, and among them, Higuchi and Tsuchida won the award of excellence. So, I would like to hear their stories. Please tell me how you conceived of your theme.

Higuchi: My idea that I submitted to this contest is a system (controlled by a server) of automatic calculation of the standard value used for on-site calibration. Actually, my section is not in charge of calibration, but when I happen to have the opportunity to check calibration results due to a worker shortage, I found that there were a lot of redundant and inconsistent tasks, which gave me inspiration for the idea. I saw inefficient manual tasks repeated tens of times every year and thought that must be improved.

Calibration is necessary in the medical care and medication industry to maintain the quality of drugs. The quality of this calibration task sometimes fluctuates because it is carried out by people both inside and outside the Company. Also, some business locations and departments of the Company use different formulas for calibration, which also causes fluctuation. I have long been worrying that these fluctuations might cause a big impact on the quality of calibration tasks. Although my department has been studying this problem since several years ago, we could not solve it easily because this problem involves multiple departments. My experience in the DX study workshop and the call for entries for the idea contest prompted me to participate in the contest.

Tsuchida: Our team entered the contest with the theme of "DX for measured data (of temperature, humidity, gas, etc.) of the Company." Although the Company is divided into departments by processes such as production, inspection, and calibration, it is necessary to perform measurements in all processes. These data stay within each department and are not shared with other departments. However, I thought it is a waste to keep data within each department, and then the idea of the theme occurred to me.

Specifically, we will collect the data of measurement instruments and equipment in factories in a system, and eventually import them into a BI tool. I think, if we can analyze the data in this way, we can use the data for improving quality and creating new services. To date, opinions have been raised in each department from time to time, but they did not materialize into concrete actions in most cases. If we have data analyzed by a BI tool, it will add objective rationale to opinions. In this way, I think we can initiate organizational improvement activities and the creation of added value. The essence of this theme is the democratization of data, with which employees spontaneously analyze data and make proposals from the bottom up.

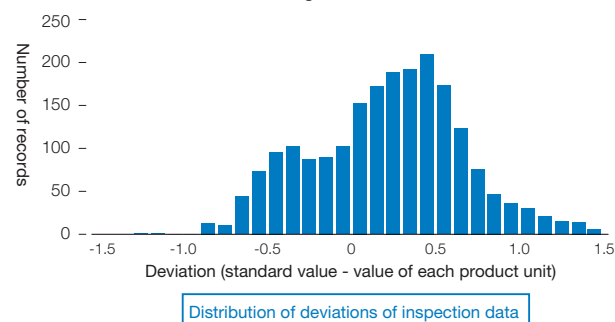
I brought a demonstration document here. This is a data sheet showing the result of the BI tool that processed and analyzed an open-source dataset simulating product inspection data.

These are simple graphs that I made, and they show something interesting. The graph at the top shows the distribution of deviations of the inspection results. The graph is similar to that of a normal distribution but there are two peaks, which makes us assume that there is something causing this bias. Next, the graph at the bottom shows average deviations of individual months from January to December lined up on the horizontal axis, and there are low points in the middle. The low points are in summer, which tell us that summer is a season in which deviations are small. Of course, we can apply this analysis for products of the Company. If we find something, the finding will enable us to make a deeper analysis. It is a handy analysis, so I think a non-specialist can also derive a concrete action easily from the analysis.

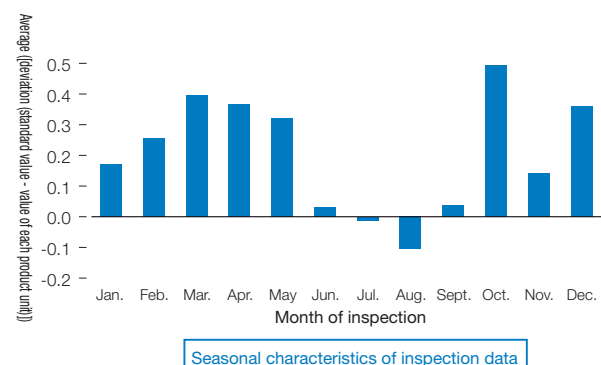
■ Demonstration of the analysis of inspection data using a BI tool and simulated data set

The inspection data has a distribution close to the normal distribution, but there are two peaks at 0.5 and -0.5.

This indicates that there is something that causes this bias.



Deviations of inspection data tend to be small in the summer (June to September). This indicates that there are seasonal characteristics.



Yamashita: Higuchi found fluctuations, and the data of Tsuchida also shows fluctuations in products and measurement results. Measuring is the core of the Company's business, but we tend to rely on experience and intuition. So, I understand that Tsuchida's initiative aims to explicitly democratize this point.



Purpose of DX promotion, and there growth aimed at thereby

Yamashita: Please tell me what you want to aim at and accomplish in years to come.

Ishii: I want to push forward with company-wide improvement that are not limited to the word "DX". For that purpose, I want to cultivate awareness and culture with which people can come together to think about improvement. At first, I want to start it in the department that I belong to. I consider myself to be a person who is a little bit ahead of others who are looking in the same direction rather than as a leader, and I want to be a person that people rely on when they are stumped about how to improve things. I will try to be such a person not only in the department but also in the division and throughout the entire company.

I develop products in the Development Department but many people outside the Development Department handle our products. Actually, people who interact with customers are those in sales, production, and inspection departments. I will be happy if people can work together to drive improvement by exchanging ideas even if it is a small thing. I was excited about Tsuchida's story about the DX of internal measurement data, thinking that it can be used for development departments. I think the advancement of data democratization will solve the problem of dependency on individuals and lead to various improvements.



Yoshida: We are currently renewing the web site, which is a customer contact point, and we will finish it in the second half of this fiscal year. Systems for the web site, email magazine, social media, and customer relationship management (CRM) are also close to completion. These will help to improve the efficiency of sales activities if we can take advantage of them. Furthermore, we are trying to strengthen the global system by introducing a new tool for the global web site.



However, there are also a lot of problems. For example, we currently send inquiries received in the web site directly to sales departments, but we need a system in which the site management team first grasps the details of each query, and then handles it appropriately according to what the customer needs or is interested in. We intend to organize ourselves in such a manner so that we can adequately meet customer expectations.

I want to be a marketer who can lead this transformation. I want to pursue far-sighted marketing activities in this era of a declining population, using data that will be accumulated and also leveraging digital technology into the future. I want to contribute to the strengthening of CHINO's marketing so that it will eventually grow to a corporation that can deliver a variety of information.

Tachibana: I created an RPA tool some time ago that automatically creates a list of delivery dates of customer orders. This tool automated manual tasks to provide an environment in which anyone can create the same list, which relieved dependency on individuals. I will continue the effort of mitigating the trouble of such tasks that are tedious but necessary. If this tool is useful for other departments, I would like to expand the scope of user departments to make it a standard tool, and widely share the convenience and effects of DX. Moving forward, I would like to proceed with the creation of a platform on which related departments can work together to enable smooth collaboration between the Sales Headquarters, branches, and offices. Then, I hope that my proposals will prompt other people to propose new ideas and work with me, forming a growing circle of collaboration.

We, sales supporters face customers directly. If the trouble of simple tasks is reduced through streamlining and automation, I think we will have more time and mental capacity, make less errors, and be able to face customers with speed and in detail. I tackle my everyday work believing that this will ultimately improve customer satisfaction.

Higuchi: I feel that people are polarized into those who are positive about DX and those who feel negatively about it. I want to work on DX in a position that is one step ahead of others, but from such a standpoint, I feel it very difficult to have all people move in the same direction. In such a situation, I think that the simplest way to change the mindset of negative people is to establish a successful case. I think, if you see a successful case of DX in a job closely related to you, you and those around you will be impressed and start to feel positive toward DX. There are many young people in my section, and I think my role is have them understand the advantage of DX and move forward with using it. So, I am working to create a successful case as the first step.

Also, I actively participate in activities related to DX and take it as an additional task, even if it does not seem to be directly related to my job. Although these activities sometimes delay my own work. I hope



that my junior colleagues will look at me and do the same.

Tsuchida: I think calibration, which I engage in, is a core technology of the Company, and I recently feel strongly that service businesses, including calibration, will potentially earn the core revenue of the Company into the future. I think we can create new businesses by linking different pieces of data through data analysis and managing customer data and measurement data together, which is something that I would like to attempt. I may experience some failure, but such an endeavor would elevate my competence. Because luck plays a role in success, I want to keep trying various things.



After the round-table discussion meeting

I found that the young people who will probably take more active roles into the future are conscious of problems in everyday work, making deep analysis of their tasks, improving their digital literacy, and tackling the transformation of their main jobs.

I understood that we can accelerate the realization of sustainable society by unique technologies of the Company through the use of digital tools. I also understood that we can progress step by step in the path of contributing to society by providing customers with engineering services that impress them, providing employees with a work environment in which they can grow and feel satisfaction, and providing shareholders with value for their investments.

On the other hand, the Company is not yet excellent in the effort of DX according to a self-diagnosis of the DX promotion index of the Information-technology Promotion Agency (IPA), which we used as an objective index that shows the level of effort toward DX. We need to accelerate the activities of recognizing and strengthening our weak points such as response to changes, speed, taking challenges, divisional effort in DX, and fostering of employees with excellent skills for their jobs. I want the members who joined this session to not only act for themselves but also to influence people around them in a positive way. Although we are in the era of a declining birthrate and aging population and recruiting will certainly become difficult, I think we can contribute to the development of the industry and the realization of better society tomorrow through the CHINO way of DX including the implementation of paperless operations, operation automation by RPA and other tools, direct response to customer needs through the introduction of cloud services, utilization of AI, and the continuous strengthening of human capital development.

I am expectant of the future performance of young people. I would like to thank the members who joined today's session for interesting opinions for the future.



Initiatives toward active roles by human capital

Fundamental approach

Industrial structures and the socioeconomy are undergoing remarkable change under the rapid advance of globalization, digitalization, and decarbonization. Our group regards such changes in social issues as opportunities for growth and expansion. Positioning markets including hydrogen utilization technologies, semiconductors and electronic components, next-generation batteries, new materials, medical drugs and food management, and logistics as key markets, we seek to enhance our corporate value by addressing the realization of a safe, secure, and sustainable society.

To achieve our business plans and to hone the organizational resilience and the human resource development that are the source of power for further growth, our Medium-Term Management Plan for 2026 sets out the following three items as our human resources strategy connected to the group's Management Vision of "Co-Creation, Strengths, and Reliability."

- Securing and training of professional human resources able to put our Management Vision into practice
- Creation of motivating workplace environments that enhance organizational vitality
- Restructuring of human resource-related systems for enhancement of impartiality and productivity

» Human Resources and Organizational Development Committee

To engage in human capital management closely linked to our management, human resources, and organizational strategies, we established the "Human Resources and Organization Development Committee" in October 2022 with the President as chair and executive officers as members. Taking a top-down view of our human resource-related systems, the committee reviews and determines visions for future personnel programs, measures to enhance human resource development and engagement, and other policies concerning key personnel measures, while checking progress on measures and advancing personnel strategy that enhances corporate value.

» Restructuring of human resource-related systems

Considering FY2023 as the first year for restructuring the grading, evaluation, and compensation systems, which are the foundation of personnel affairs system, the Human Resources and Organizational Development Committee discussed how the personnel system should be to foster executives who realize the management strategy and to reward them fairly and adequately for their performances and contributions. The committee also discussed the roadmap for restructuring the personnel system.

From FY2024, we will clarify required performances for different occupational roles as the guideline for human resource development, define multiple career paths to provide various opportunities for di-

verse employees to exert their competence, and build and introduce a flexible system based on fair and adequate evaluation of performance and contribution.

» Human resource development policy

Our group believes that people are the greatest asset of a company, and that the enhancement of human resources' motivation and capabilities for playing roles are the wellspring of sustainable growth in a company. We undertake human resource development under basic policies of "respecting every person's individuality and making use of personal strengths," "supporting employees who demonstrate hard work and efforts toward personal growth," and "properly rewarding achievements."



Promotion of diversity

Our group has put forth the CHINO Group Diversity & Inclusion Declaration by which we mutually respect the diversity of others in gender, age, nationality, values, disabilities, and other attributes, and work to connect these to innovation and the creation of new value as strengths of the organization.

CHINO Group Diversity & Inclusion Declaration

The social environment around us is undergoing massive change at a speed that continues to accelerate. In order for a company to adapt aptly and flexibly to diversifying customer needs and social issues under such circumstances, it must establish an organizational culture that is able to maximize the potential of employees exhibiting diverse individualities.

Based on the three core values of our Management Vision – "Co-Creation, Strength, and Reliability" – the CHINO Group engages in varied initiatives involving diversity and inclusion, to promote respect for diversity in gender, age, nationality, values, disabilities, and other attributes, and to connect these to innovation and the creation of new value as strengths of the organization.

Mikio Toyoda, President and CEO

» Promotion of active roles by women

Recognizing that active roles by women are essential to the further enhancement of our corporate value, we have created an action plan

and are undertaking measures to ensure that female employees are able to continue playing such roles under the Act on Promotion of Women's Participation and Advancement in the Workplace.

As of the end of March 2023, our ratio of female employees is 22.6% of all employees, and our ratio of female executives (chief officers and managerial positions) is 27.3%. We will actively recruit, train, and appoint women with the aim of increasing the ratio of female executives to 30% or higher by the end of 2026.

■ Ratio of female executives

FY2021 result	FY2022 result	FY2023 result	FY2026 target
26.8%	26.4%	27.3%	30%

» Ratio of mid-career hires in management positions

We aim to build an organization in which career human resources who possess outstanding expertise and skills along with abundant experience play active roles in varied departments. Toward this end, we engage in active hiring of career human resources and promotions to Professional Manager positions. We will continue hiring mid-career human resources to aid in revitalizing our organization and will continue to raise the proportion of mid-career hires in management positions.

Ratio of mid-career hires in management positions as of the end of March 2023:

26.6%

» Employment of persons with disabilities

We actively undertake the hiring of persons with disabilities with the aim of enhancing organizational and team capabilities for complementing other members' individuality and capabilities, regardless of their physical abilities. We conduct in-house awareness-raising activities, in-house training, workplace environment improvements, and other activities to allow all individuals to maximize their capabilities, while fostering a mindset of mutual respect for diversity.

Employment rate of persons with disabilities in FY2023:

2.02%

» Enhancement of the rate of utilization of childcare leave by men

Our company promotes utilization of childcare leave by men through training sessions and awareness-raising activities. We seek to achieve "Ikuboss" managers, or superiors who think about the work-life balance of subordinates and staff in the workplace and offer support for their careers and private lives, and who are able to raise the performance of the organization while enjoying their own work and personal lives. We seek to create workplace environments that facilitate taking childcare leave, and are working to achieve work-life balance and work style reform in the true sense.

Rate of utilization of childcare leave by men in FY2023:

100%

Work style reform and health and productivity management

» Environment development policy

The CHINO Group believes that the ability for diverse individuals to demonstrate their capabilities to the fullest with confidence is the driving force for new value creation. While protecting the safety and the mental and physical health of every individual in the workplace, we respect diverse values and lifestyles and build an environment that achieves productivity enhancement through flexible work styles suitable to the circumstances and characteristics of work.



» Health and productivity management

We issued our Health and Productivity Management Declaration as a message from top management that expresses our aim to be a company in which all employees enjoy mental and physical health, demonstrate their capabilities with vitality, and realize personal happiness, development of the company, and contribution to society. Through the promotion of three priority measures, we work to maintain and improve the health of employees. Our targets include 100% rates for health checkups and re-examinations.

Health and productivity management priority measures

1. Advancement of "health literacy" for all employees
2. Enhancement of health management and health promotion activities, including for employees' families
3. Development of an environment for the practice of work-life management and work style reform

FY2023 result	
Rate of periodic health checkups and re-examinations	42%

Initiatives toward active roles by human capital

» Development of motivating work environments

To push forward with fitness initiatives such as health management and the promotion of awareness-raising activities based on the health and productivity management declaration, we introduced an occupational health nurse from FY2023 to enhance health instructions that are provided in accordance with different work environments. Also, the Company has consecutively received the “Gold Certification” since the previous fiscal year from Tokyo Promotion Council of Corporate Health Declaration for the Company's effort in the improvement of the health checkup consultation rate, the improvement of work environments, and awareness-raising activities for healthy daily behaviors concerning food, exercise, etc.



For the improvement of the organizational environment, we conducted an engagement survey for the purpose of creating organizations where diverse human resources take active roles. In accordance with the statues of organizations that have been visualized, we are taking appropriate measures to promote the creation of vibrant organizations.

Also, we held educational sessions and one-on-one interviews for all age groups to help each employee in their autonomous career development. We also established a permanent career consultation room. We are improving work-life management through the promotion of telecommuting, work styles that are conscious of work intervals, and so forth. We have introduced an employees-on-leave support system for the communication with employees on nursing leave or childcare leave. With these efforts, we are building a foundation on which employees can work vibrantly.

» Engagement surveys

To ensure that every employee works with energy and enhances organizational vitality, and to enhance our corporate value through both employees and the company growing and developing together, we introduced engagement surveys for the visualization of work motivation two years ago.

Engagement is improving through the efforts of repeated discussions based on the survey result, sharing action plans for the improvement of the organization, and driving the PDCA cycle. We will continue this initiative to create well-being work environments.

» Enhancement of work intervals

We incorporated work intervals in FY2022 as a part of creating an environment conducive to the enhancement of work-life balance and of realizing diverse, flexible, and efficient work styles and health promotion for all employees. The Company view the enhancement of work intervals as an initiative for the conscious practice of daily rest periods by all employees, and took the step of making it a guideline instead of mandating it in regulations.

In FY2023, we conducted the initiative with nine hours as the interval time. Even during the year-end busy period, we achieved interval time usage in excess of 99%. Based on this result, we set an interval time of 10 hours from October 1, 2024.

» Introduction of hourly paid leave

To enable flexible leave matched to employees' diverse circumstances, we introduced an hourly annual paid leave system. This allows employees to take paid leave efficiently without waste, achieving balance between work and private life.

■ Major initiatives

Item	Results
Activities of occupational health nurse	Analysis of health checkup Personal interview (conducted for applicants, those who did not have health checkup in the previous fiscal year, long hour workers, and managers)
Engagement surveys	Conducted twice a year Response rate 99%
Support for autonomous career development	Target groups: new employees, and employees in the first year from employment, in the third year from employment, in their early thirties, in their early forties, and in their mid-fifties
Work intervals	Interval period of 9 hours Achievement rate: 99%

Human resources development

» Development of next-generation human resources

To enhance business continuity and our corporate value, we are proceeding with a training program for next-generation executive candidates selected from management positions. In FY2023, we conducted the following three levels of training programs.

1 Training of next-generation executive candidates

Cultivation of managerial mind, and acquisition of business strategy skills and skills of developing relationships inside and outside the Company

2 Training of high-level managers

Acquisition of management knowledge and thinking skills and skills of developing relationships inside and outside the Company

3 Training of candidates for high-level managers

Acquisition of viewpoints, knowledge, and skills necessary for business leaders and skills of developing relationships

Also, the Company introduced an e-learning system to provide employees with learning opportunities available at any time so that each employee can develop themselves according to their needs. The Company also undertakes the DX Idea Contest to provide services that leverage the IoT and AI and to develop human resources who will lead internal work reform toward realization.

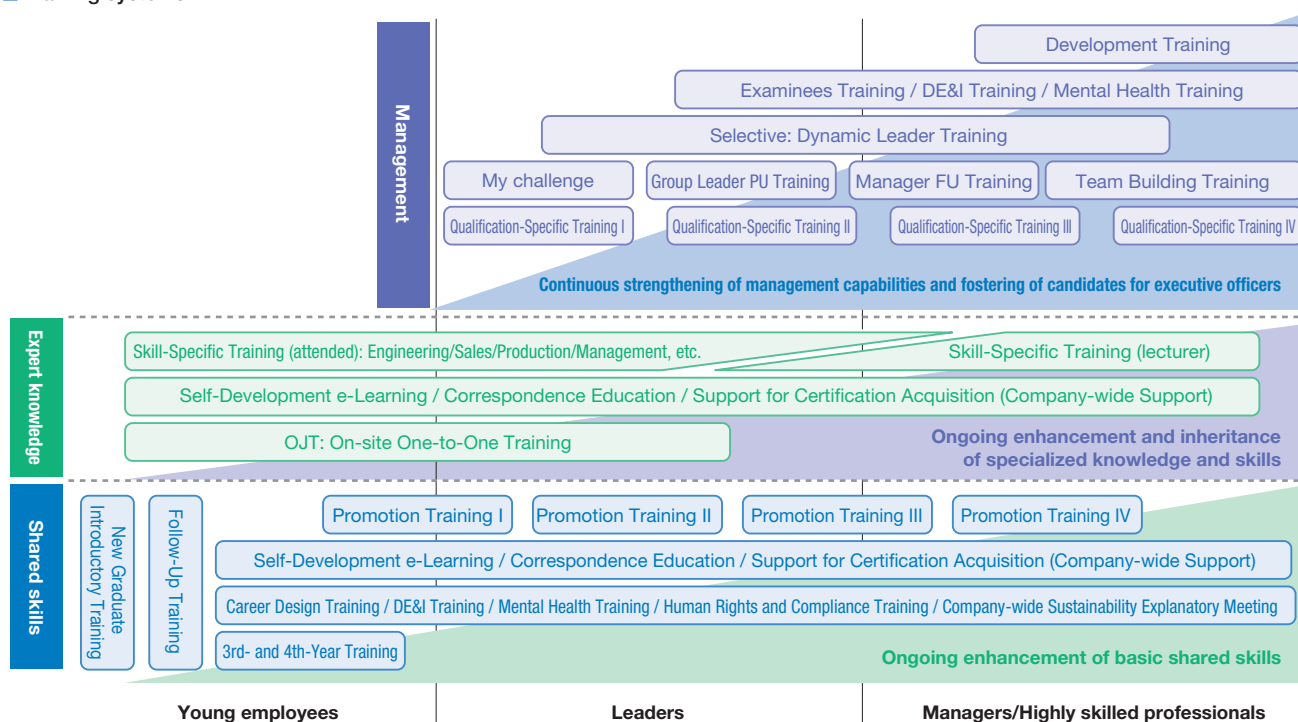
■ Status of human resources development

Item	Initiatives	Results
Mid-career recruitment	Recruitment of high-level specialists	Ratio of mid-career hires in management positions: 26.6%
Training of candidates for high-level management positions	Training of next-generation executive candidates	2 (Training hours: 36 hours/person)
	Training of candidates for high-level management positions	4 (Training hours: 36 hours/person)
	Training of next-generation candidates for high-level management positions	16 (Training hours: 84 hours/person)
Preparation of learning platform	Support for self-development by e-learning	234 (34% of all employees)
Promotion of DX	DX Idea Contest	Award for excellence: 6, Award for proposition: 36

■ Enhancement of employee training and average training attendance hours

	FY2023 result	FY2024 target
Training (capability development) hours per person	11.5H	12H

■ Training systems



Climate change initiatives

Basic approach to addressing the climate change problem

The group recognizes climate change as a highest-priority issue in sustainability management. Through collaboration with a wide range of stakeholders, we are working to appropriately respond to the risks posed by climate change and to capture growth opportunities so that we can contribute to the decarbonized society envisioned in the long-term goals of the SDGs and the Paris Agreement.

In May 2022, the Company announced its agreement to the TCFD recommendations with the recognition of the importance of information disclosure related to climate change. In the scenario analysis conducted in the same year, the Company identified important risks and opportunities related to climate change and made qualitative analysis based on the 2°C-or-less scenario, and considered measures against them and set goals.

From next year, the Company will regularly conduct analysis of and actions against risks and opportunities for the business of the Company caused by climate change and will enhance and update information disclosed according to the TCFD recommendations.

» Governance

The CHINO Group established the Sustainability Promotion Council in December 2021. Chaired by the President, this organization examines and deliberates on the basic policy and key measures concerning group-wide sustainability management including response to climate change.

The Sustainability Promotion Council meets regularly once a year. The council formulates policies on sustainability issues including climate change, identifies materiality items and discusses the direction of actions for them, and sets KPIs including the target reduction volume of GHG (Greenhouse Gas) emissions and monitors the status of activities for them. The council reports decisions made through deliberation to the Board of Directors as necessary, and shares them with managers, the Head Office, individual divisions, and group companies through the Decarbonization Project, the Sustainability Promotion Working Team, and Sustainability Planning Office.

In addition, to engage in human capital management closely linked to our management, human resources, and organizational strategies, we established the Human Resources and Organization Development Committee in October 2022 with the President as chair and executive officers as members. Taking a top-down view of our human resources management system, the committee reviews, and determines policies for, and considers measures for human resources development and the improvement of engagement, while checking progress on measures. With these efforts, the committee works to implement a personnel strategy that enhances corporate value.

The Board of Directors receives reports on matters discussed in the Sustainability Promotion Council and the Human Resources and Organization Development Committee, and deliberates on and supervises its basic policies and key measures.

Information disclosure based on TCFD recommendations

Recognizing the risks and opportunities associated with climate change as one of the most important elements in our business strategy, the Group conducted a qualitative analysis in 2022 based on the TCFD recommendations. In 2023, the Group conducted a scenario analysis to further strengthen the analysis and measures concerning the risks and opportunities brought by climate change as well as the level of their financial impact.

■ Scope and period

Scope: CHINO (non-consolidated), Period: November 2023

Temperature range scenario	World scenario	Major scenarios referenced	Time axis
2°C-or-less scenarios (decarbonization scenario)	Ambitious measures against climate change (regulations, etc.) is expected to be taken toward decarbonization	(1.5°C scenario) IEA Net Zero Emissions by 2050 Scenario (2°C scenario) IEA Sustainable Development Scenario, IPCC RCP2.6	2030 and 2050 * These are the target year and intermediate target year of the carbon neutrality declaration of the Japanese government.
4°C scenario (global warming scenario)	Physical damage such as severer abnormal weather is expected due to failure to take anti-climate-change measures that are stronger than those at present.	(4°C scenario) IEA Stated Policies Scenario, IPCC RCP8.5	

■ Steps of analysis

Evaluation of risk significance	Definition of scenarios	Evaluation of business impact	Definitions of countermeasures
Identification Identify the risks and opportunities related to climate change, and qualitatively investigate their impact.	Evaluation Select a scenario, and collect information about the future and create a more concrete projection of the impacts	Calculation Calculate financial impacts based on the estimation of different factors.	Measures Consider measures and policies to respond to the projected risks and opportunities.

» List of projected risks and opportunities

Through scenario analysis, we evaluated the financial impact of the climate change risks and opportunities on the business of the Group into three levels of Major, Middle, and Small. Then, we listed matters we deemed important based on the Group's basic policies and strategies of sustainability management.

For 2°C-or-less scenarios (decarbonization scenario), we identified, as important transition risks, rises in manufacturing costs due to the introduction of carbon pricing (carbon tax) and rises in material prices, the introduction of air conditioners with high energy efficiency, and rises in operating costs due to the update of manufacturing facilities. For the 4°C scenario (global warming scenario), we identified, as the physical risk that will have the largest impact on business activities, the suspension and stagnation of supply chains involving the business establishments of the Company due to severer climate abnormalities.

At the same time, we view movements toward a decarbonized society as opportunities to leverage our group's technologies to solve problems and increase sales. Particularly, we find opportunities in advances in hydrogen utilization, shift to electric mobility, and rising demand for renewable energy and advancement of decarbonization technologies, which in turn stimulates demand for the shift to EVs and the monitoring of energy usage conditions including electric power. Also, in the scenario of higher average temperature, we consider that increasing demand on high-accuracy temperature control for climate change prediction and environment change measures will be an important business opportunity for the Group, which engages in temperature measurement as its core business.

■ List of identified risks

Category	Item	Time axis	Financial impact		
			2°C-or-less scenarios	4°C scenario	Calculation
Risk	Transition	Introduction of carbon pricing	Mid-to-long term	Medium	—
		Regulations on energy usage	Short-to-long term	Large	—
		Changes in energy cost	Mid-to-long term	Medium	—
		Changes in material cost	Mid-to-long term	Large	—
		Impact of reputation change	Short-to-long term	Medium	—
	Physical	Severer climate abnormality	Short-to-long term	Large	Large
		Droughts	Mid-to-long term	Medium	Medium

■ List of identified opportunities

Category	Item	Time axis	Financial impact		
			2°C-or-less scenarios	4°C scenario	Calculation
Opportunities	Transition	Regulations on energy usage	Short-to-long term	Large	—
		Spread of renewable energy and energy conservation technologies	Mid-to-long term	Large	Large
		Advancement of decarbonization technologies	Mid-to-long term	Large	—
		Changes in customer behaviors	Short-to-long term	Large	—
		Impact of reputation change	Short-to-long term	Medium	—
	Physical	Rise of average temperature	Mid-to-long term	Small	Small

➤ Preliminary calculation of financial impact of risk and opportunity items

We made a preliminary calculation of financial impacts of risk and opportunity items that can be calculated at present for the 2°C-or-less and 4°C scenarios at the time of 2030 and 2050 based on external parameters and the Company's performance values.

■ Result of preliminary calculation of financial impact of risk and opportunity items

Assumption	Calculation item	Calculation result (unit: million yen/year)
For 2030 in the 1.5°C scenario, we presumed an increase in operating costs due to the introduction of carbon pricing for the Company's GHG emissions from the use of energy.	Increase in energy costs * Amount of carbon tax (Scope 1 + Scope 2) x carbon tax * Reference: IEA WEO 2023 2030, 1.5°C: 140 USD/t-CO ₂ 2050, 1.5°C: 250 USD/t-CO ₂ * Scope1 + 2 target: 190t-CO ₂ in 2030, 0t-CO ₂ in 2050 * USD/JPY 147.53 (2024/3/13TTM)	2030:3.92 2050:0.00
In the 1.5°C scenario, prices of renewable energy will have risen in 2030 and 2040 due to the advancement of decarbonization. Increase in operating costs commensurate to electricity power procurement is presumed.	Increase in cost of electric power procurement * Reference: IEA WEO 2019 (No report in WEO2020-2022) 2030, 1.5°C: +15USD/MWh 2040, 1.5°C: +16USD/MWh * Electricity power consumption: 5320.2 MWh/year * USD/JPY 147.53 (2024/3/13TTM)	2030:11.77 2040:12.56

➤ Response to identified risks and opportunities

We sorted the measures for the above risks and opportunities into four categories. We will deliberate on the direction of our actions concerning these measures and make company-wide efforts in that direction.

To reduce GHG emissions, we switched to the use of renewable energy sources for all purchased electricity at major domestic sites. We are working on energy conservation as well at offices and production facilities. In addition to these efforts, we are also pushing forward with initiatives toward carbon neutrality and effective use of resources such as the reduction of the use of non-electric energy and the reduction of the final amount of waste.

Also, for the realization of the goal of Hydrogen Basic Strategies set forth by the Ministry of Economy, Trade and Industry, the Company positions "the promotion of environmental innovation" as one of the environmental policies, and thereby the Company will continue to contribute to the realization of a decarbonized society by leveraging technologies that it has fostered for more than 30 years in the field of the use of renewable energy including hydrogen.

Furthermore, in order to maintain physical resilience, the Company is upgrading the business continuity plan (BCP) for disasters, conducting periodical drills, and building a global procurement network to minimize the impact of damage and enable quick recovery.

■ Countermeasures by category

Category	Countermeasures
GHG emissions reduction	<ul style="list-style-type: none"> Further introduction of renewable energy Reduction of the use of petroleum by shifting company cars to HVs and EVs Air conditioners of high energy efficiency, update of manufacturing facilities Energy saving through the improvement of manufacturing processes
Effective use of resources	<ul style="list-style-type: none"> Reduction of waste and promotion of recycling (zero emissions in 2026) Increase of recycled contents through product design Promotion of green procurement Consideration of alternative materials
Promotion of environmental innovation	<ul style="list-style-type: none"> Research and development in the field of decarbonization and hydrogen, delivery of solutions, and setting goals for the increase of sales of related products Enhancement of environmentally-friendly products having long life and high energy efficiency Grasping customer needs through strengthened communication and development and selling of specialized products and systems Integrated report and enrichment of web content
Physical resilience	<ul style="list-style-type: none"> Sophistication of BCP against disasters and implementation of regular drills Construction of global procurement network and securing of suppliers Thorough implementation of measures against infectious diseases Improvement of working systems with telecommuting and staggered working hours

Environmental initiatives

Fundamental approach

Our company complies with ISO14001:2015 requirements incorporated into our Integrated Management System (IMS). Moreover, based on six environment policies, we will engage in activities under the awareness of all employees about how our corporate activities can directly and indirectly contribute to the international community's shared goals for the global environment (the SDGs).

Environmental policy

1 Prevention of global warming

We will work to reduce greenhouse gases through energy conservation and through promotion of the use of renewable energy

2 Promotion of environmental innovation

We will work to promote environmentally sound industries through the provision of temperature solutions

3 Effective utilization of resources

We will work to enhance resource productivity through green procurement and through 3R (Reduce, Reuse, Recycle) initiatives

4 Coexistence with nature

We will strive for conservation of biodiversity through protection of water, soil, and atmosphere and through restoration of ecosystems

5 Harmony with communities

We will strive for contribution to the sustainable development of society through community and social contribution activities

6 Compliance and improvement

We will strive to lessen our global environmental impacts through compliance with environmental laws and regulations and through continuous improvement of our environmental management system

Priority issues and countermeasures

» Reduction of waste (zero emissions)

Under a definition of zero emissions as "final disposal rate (final disposal volume / total amount of generated waste, etc.) of 1% or lower," our company engages in recycling and activities to reduce the final disposal volume of waste. To achieve our target, we are working toward efficient use of resources, conservation of resources in manufacturing and shipping packaging processes, and control of waste generation at sites through means such as the reuse of transport packaging boxes with business partners and the collection and recycling of uniforms. Our final disposal rate in FY2023 was 1.8%.

» Management response to chemical substances contained in products

Our company strives to collect information about chemical substances to meet domestic and foreign environmental laws and regulations. To ensure safe and confident use of products by customers, we determine substances to be managed, register and manage product-related chemical substance information in specialized databases in design review meetings at the design and development stage, and provide information matched to customer needs.

» Requests for Green Procurement Guidelines from major business partners

We work to make our Green Procurement Guidelines understood by major business partners, and will conduct material procurement activities under a strengthened structure for cooperation with business partners.

Environmental initiatives and achievements

» Installation of solar power generation system

We installed solar power generation systems at the Yamagata Factory and the Fujioka Factory. These contribute to the reduction of about 350 tons of greenhouse gas (GHG) emissions per year.

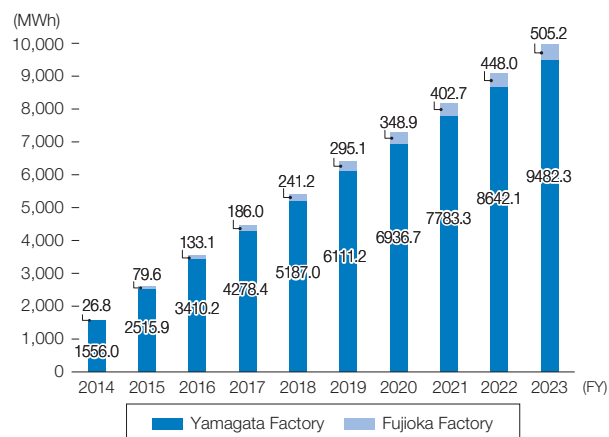


System installed at Yamagata Factory in 2013 (capacity: 732kW)



System installed at Fujioka Factory in 2014 (capacity: 40kW)

■ Output of our solar power generation systems (cumulative)



» Compliance and improvement

We monitor everyday business activities and the PDCA cycle based on the environmental policies.

① Compliance with environmental laws and regulations

Proper compliance with no violations

② RoHS compliance for products

RoHS2 compliance for all target products

③ Green procurement

Confirmation of non-use of prohibited chemicals in the CHINO Green Procurement Standards

■ Business activities toward hydrogen-enabled society

The Company makes effort through business activities toward the realization of hydrogen-enabled society (carbon neutrality in 2050).

hydrogen	Create	Transport	Store	Use
Keywords	Green/Blue/Grey hydrogen, artificial photosynthesis, liquid hydrogen, MCH, ammonia synthesis, methanation, CCUS, rechargeable battery, hydrogen/ammonia energy, electrification			
	Electricity, temperature Flow rate, gas concentration	Temperature, pressure Gas concentration	Electricity, temperature Gas concentration	Automobiles, airplanes Ships, power stations
Support for technology development	Cryogenic temperature sensor Gas content measuring Catalyst property test Plant control and monitoring	Use of cloud services Sensors for ships Wireless monitoring devices Diagnosis of thermal image devices	Cryogenic temperature sensor Gas content measuring Plant control and monitoring Diagnosis of thermal image devices	Performance test of rechargeable batteries FC performance test Test of hydrogen engines Gas sensors for processes
Sensing technologies	Creation of new measuring technologies through the combination of existing products and sensing technologies			
Product development	Development of products based on project activities and needs from the market and customers			

Environmental initiatives

Prevention of global warming

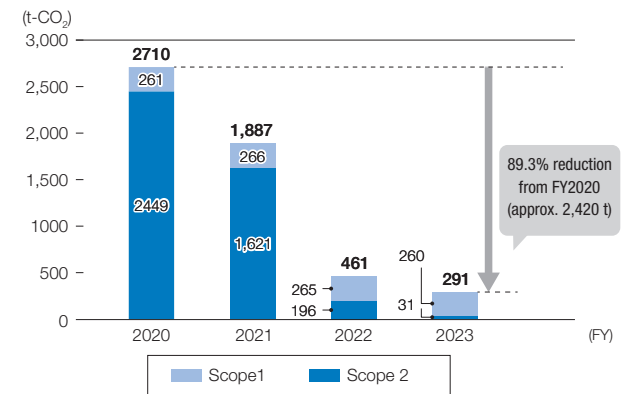
» Reduction of greenhouse gas (GHG) emissions

To contribute to the sustainability of the global environment, we monitor and work to reduce emissions of GHGs that cause global warming.

As a result of initiatives through FY2023, we have switched electric power at our major domestic production sites (Fujioka Factory, Kuki Factory, and Yamagata Factory) and the head office to renewable energy sources, reducing emissions by 89.3% (about 2,420 tons) compared to 2020.

We will continue to reduce GHG emissions through the reduction of gasoline consumption of company cars and the enhancement of the use of renewable energy in sales offices.

■ GHG emissions (Scope 1+2)



■ Scope 1 (direct emissions of GHGs associated with the use of fuel)

Results in FY2023			Head office	Branches and offices	Fujioka	Kuki	Yamagata
Fuel usage	Gasoline (kl)	97.21	0.00	74.76	20.22	1.21	1.02
	LPG (t)	10.48	0.00	0.00	1.00	0.08	9.40
	Kerosene (kl)	1.31	0.00	0.00	0.00	0.43	0.88
	Diesel oil (kl)	0.02	0.00	0.00	0.00	0.00	0.02
GHG emissions (t-CO ₂)		259.80	0.00	173.58	49.93	3.51	32.78

■ Scope 2 (indirect emissions of GHGs associated with the use of electricity)

Results in FY2023			Head office	Branches and offices	Fujioka	Kuki	Yamagata
Electric power usage (MWh)		5,348.90	606.84	129.83	1641.19	1265.13	1705.91
	included renewable energy	5,271.10	606.84	52.03	1641.19	1265.13	1705.91
	included non-renewable energy	77.80	0.00	77.80	0.00	0.00	0.00
Renewable energy rate (%)		98.5	100.0	40.1	100.0	100.0	100.0
GHG emissions (t-CO ₂)		30.78	0.00	30.78	0.00	0.00	0.00

■ Scope 1+2

Results in FY2023			Head office	Branches and offices	Fujioka	Kuki	Yamagata
GHG emissions (t-CO ₂)		290.58	0.00	204.36	49.93	3.51	32.78

■ Scope 3 (indirect emissions other than Scope 2)

We are working to build a data collection system for Scope 3 emissions.

For combined Scope 1 and 2 emissions, we will make active efforts for the reduction of GHG emissions throughout the supply chain.

» Prevention of fluorocarbon leaks

We continue the proper use and monitoring of equipment using fluorocarbons.

Results in FY2023			Head office	Branches and offices	Fujioka	Kuki	Yamagata
Calculated leak amount (t-CO ₂)		0.0	0.0	0.0	0.0	0.0	0.0

Material Balance Data



Waste reduction

Control and monitoring of waste emissions, and final disposal volume; monitoring of recycling rate						
Results in FY2023		Head office	Branches and offices	Fujioka	Kuki	Yamagata
Emissions (kg)	101,697	11,232	3,517	27,688	21,149	38,111
Final disposal amount (kg)	1,804	648	191	0	90	875
Recycling amount (kg)	99,893	10,584	3,326	27,688	21,059	37,236
Amount of valuables (kg)	40,828	0	0	40,690	138	0
Industrial waste recycling rate (%)	98.2	100.0	100.0	100.0	99.6	100.0
General waste recycling rate (%)	93.3	88.2	94.6	100.0	—*	89.7
Final disposition rate (%)	1.77					

* General waste at the Kuki Factory is included in aggregated industrial waste based on the rules of the local government.

Monitoring of water resource usage

Results in FY2023		Head office	Branches and offices	Fujioka	Kuki	Yamagata
Water usage (m ³)	23,840	1,479	—*	17,203	2,131	3,027
Clean water (m ³)	9,389	1,479	—	3,621	2,131	2,158
Ground water (m ³)	14,451	0	—	13,582	0	869

* Branches and offices are excluded from measurement due to trace amounts.

Corporate Governance

List of Senior Executives (as of June 29, 2024)

	Mikio Toyoda President and CEO	Apr. 1981 Joined the Company Jun. 2012 Director, General Manager, Fujioka Factory, the Company Oct. 2014 Director, General Manager, Fujioka Factory, Equipment Products Development Center Jun. 2015 Director and Executive Officer, General Manager, Fujioka Factory, Equipment Products Development Center Jun. 2016 Director and Executive Officer, Executive Manager, Corporate Strategy Headquarters, Equipment Products Development Center Jun. 2017 President and CEO, Equipment Products Development Center Jul. 2019 President and CEO (To the present)
	Takao Shimizu Director and Senior Executive Officer In charge of Group Technical Management, Director, Innovation Center	Apr. 1976 Joined the Company Jun. 2009 Director, Measurement Technology Development Center Jun. 2013 Director and Executive Officer, R&D Center, General Manager, SST Division Sep. 2014 President of AR'S Corporation Limited (To the present) Jun. 2015 Director and Executive Officer, R&D Center Jun. 2017 Director and Executive Officer, R&D Center, General Manager, Kuki Factory Feb. 2018 Director and Executive Officer, General Manager, Kuki Factory May 2018 President of Asakawa Lens Works Co., Ltd. (To the present) Jun. 2021 Director and Executive Officer, General Manager, Kuki Factory, In charge of Group Technical Management Oct. 2021 Director and Executive Officer, In charge of Group Technical Management, Director, Innovation Center Jun. 2023 Director and Senior Executive Officer (To the present)
	Akihiko Nishiguchi Director and Senior Executive Officer Executive Manager, Sales Headquarters and Branch Manager, Eastern Japan Branch	Apr. 1982 Joined the Company Jun. 2011 Director, Branch Manager, Osaka Branch Jun. 2013 Director, Branch Manager, Osaka Branch, Chinese Business Division Feb. 2014 Director, Managing Director, Shanghai Dahua-CHINO Instrument Co., Ltd. (seconded) Jun. 2015 Corporate Officer, Managing Director, Shanghai Dahua-CHINO Instrument Co., Ltd. (seconded) Jun. 2019 Director and Executive Officer, Chinese Business Division, Managing Director, Shanghai Dahua-CHINO Instrument Co., Ltd. (seconded) Jun. 2021 Director and Executive Officer, Executive Manager, Overseas Business Headquarters, Executive Manager, Sales Headquarters Apr. 2022 Director and Executive Officer, Executive Manager, Sales Headquarters, Branch Manager, Eastern Japan Branch Jun. 2023 Director and Senior Executive Officer (To the present)
	Manabu Matsuoka Director and Managing Executive Officer Executive Manager, Quality Headquarters	Apr. 1981 Joined the Company Jun. 2014 Director, General Manager, Instrument System Management Division at Fujioka Factory Jun. 2015 Officer, General Manager, Instrument System Management Division at Fujioka Factory Jun. 2016 Executive Officer, General Manager, Fujioka Factory, General Manager, Instrument System Management Division Feb. 2018 Executive Officer, Executive Manager, Innovation Center Jul. 2019 Executive Officer, Executive Manager, Innovation Center, Executive Manager, Production Innovation Headquarters Feb. 2021 Executive Officer, Executive Manager, Production Innovation Headquarters, Executive Manager, Quality Assurance Headquarters Apr. 2022 Executive Officer, Executive Manager, Quality Headquarters (To the present) Dec. 2022 President of SANKI KEISO CO., LTD. (To the present) Jun. 2023 Director and Managing Executive Officer, Quality Headquarters (To the present)
	Tatsuyoshi Yoshiike Director (Outside)	Mar. 1975 Joined HIOKI E.E. CORPORATION Mar. 2005 President, HIOKI E.E. CORPORATION Jan. 2013 Chairman, HIOKI E.E. CORPORATION Feb. 2015 Resigned, HIOKI E.E. CORPORATION Jun. 2015 Outside Director, the Company (To the present) Jun. 2016 Outside Director, Shinko Shoji Co., Ltd. (To the present)
	Yukinobu Miki Director (Outside)	Apr. 2010 Director, Research Institute of Metrology, National Institute of Advanced Industrial Science and Technology Apr. 2012 Director, National Institute of Advanced Industrial Science and Technology Apr. 2017 Vice President, National Institute of Advanced Industrial Science and Technology Jun. 2022 Outside Director, the Company (To the present) Jun. 2024 President of Japan Accreditation Board (To the present)
	Chie Tomari Director (Outside)	Apr. 1984 Joined TOKYU HANS INC.(now Hands Inc.) Aug. 1999 Joined Senshukai Co., Ltd. Jan. 2014 Executive Officer, Division Director of General Affairs Division of Senshukai Co., Ltd. Jan. 2016 Executive Officer, Deputy Division Director of Product Development Division of Senshukai Co., Ltd. Apr. 2017 Seconded to Planet Work, Co., Ltd. Director, General Manager of Administration Dept. and Director of Dears Brain Co., Ltd. May. 2019 Joined Asahi Light Metal Industry Co., Ltd. General Manager of Business Planning Office of Asahi Light Metal Industry Co., Ltd. Apr. 2023 Outside Director, TOHO Co., Ltd. (To the present) Jun. 2023 Outside Director, TEIKOKU ELECTRIC MFG. CO., LTD. (To the present) Jun. 2024 Outside Director, the Company (To the present)

**Noriyuki Saito****Full-time Auditor**

Apr. 1969 Joined the Company
 Jun. 2001 Director
 Jun. 2007 Managing Director
 Jun. 2010 Senior Managing Director
 Jun. 2014 Executive Adviser
 Jun. 2017 Full-time Auditor (To the present)

**Kazuhiko Yamashita****Auditor (Outside)**

Apr. 1979 Joined The Saitama Bank, Ltd.
 Jun. 2005 Executive Officer, Resona Bank, Ltd.
 Jun. 2007 Senior Managing Director, Resona Kessai Service Co., Ltd.
 Apr. 2008 Executive Vice President, Resona Card Co., Ltd.
 Jun. 2011 Executive Vice President, NTT DATA SOFIA CORPORATION
 Jun. 2016 Outside Auditor, RHYTHM WATCH CO., LTD. (now RHYTHM CO., LTD.)
 Jun. 2017 Outside Auditor, the Company (To the present)
 Feb. 2018 Director, Audit & Supervisory Committee Member, OPTOELECTRONICS CO., LTD. (To the present)
 Jun. 2018 Director, Audit & Supervisory Committee Member, RHYTHM WATCH CO., LTD. (now RHYTHM CO., LTD.) (To the present)

**Yoshihiko Kasuya****Auditor (Outside)**

Apr. 1979 Joined The Mitsubishi Bank, Ltd. (now MUFG Bank, Ltd.)
 May 2006 Executive Officer, Kyoto Branch President, The Bank of Tokyo-Mitsubishi UFJ Ltd. (now MUFG Bank, Ltd.)
 Jun. 2008 President, Chitose Kosan Co., Ltd.
 Jun. 2010 Director and Executive Officer, Prince Hotels, Inc.
 Apr. 2015 Executive Vice President, SEIBU CONSTRUCTION CO., LTD.) (To the present)
 Jun. 2023 Outside Auditor, the Company (To the present)

Managing Executive Officers**Kazumasa Omori**

Executive Manager, Business
 Management Headquarters

Executive Officer**Teiji Suzuki**

Osaka Branch
 Manager

**Hisashi Henmi**

General Manager of
 Fujioka Factory

**Kazuhisa
Murakami**

Nagoya Branch
 Manager

**Yusuke Murai**

General Manager of
 Yamagata Factory

**Hajime Chino**

General Manager of
 Kuki Factory

**Kazumi
Masuda**

General Manager of
 Overseas Sales Pro-
 motion Department

Corporate Governance

Message from an Outside Director



Tatsuyoshi Yoshiike
Outside Director

Enhancement of compliance promotion activities

We feel that corporate scandals have been increasing recently and are becoming even more problematic in nature. Scandals include improper selling, unjust billing, unjust receiving of subsidies, impersonation, and more. A corporate scandal not only damages social trust but also has a serious impact on the performance and life of the corporation.

The Company recognizes that the enhancement of the compliance promotion system, which is the basis of CSR management, is essential to earn trust from different stakeholders. We will continue initiatives aimed at awareness-raising and at everyday practice of compliance by all executives and employees. In order to drive these initiatives through thorough observance of the CHINO CORPORATION Business Code of Conduct, the Company holds regular enlightenment sessions for compliance and corporate ethics. With these efforts, we believe that scandals will not happen.

The difference between compliance and governance is that, while compliance refers to the observance of social rules, governance refers to self-integration (control and management) of a corporation. With its mission of becoming a “corporate group that contributes to the future of people and society,” the Company works toward the medium-to-long term elevation of corporate value and continuous growth through the improvement of the health, transparency, efficiency, and speed of management. We recognize that the corporate governance of the Company is strengthened and enhanced every year toward the building of good relationships with different stakeholders.

The most important role shouldered by outside directors is that of supervising management. We lead evaluation of whether management is appropriate from the standpoints of embodying the corporate philosophy and engaging in sustainability management, and, in the medium to long term, support management aimed at sustainable growth from broad and diverse perspectives. As a provider of supervisory functions in the Board of Directors, I hope to fulfill my duties from an objective standpoint that speaks for the shared interests of all shareholders.



Yukinobu Miki
Outside Director

Efforts toward phase 2 of CHINO's medium-term business plan

In FY2023 which is the last fiscal year of the first half of the six-year medium-term business plan starting from FY2021, the Company marked year-on-year increase of sales and profit to grow smoothly according to the medium-term business plan. FY2024 is the first year of the three-year Phase 2, which is the second half of the medium-term business plan, and I would like to make some remarks about the effort and current status of the Company in this period.

First, with regard to the Board of Directors, which is the most important body for corporate governance, the selection of agenda items and navigation of discussions are improving every year, and we are now able to have deeper and more efficient discussions. Continued improvement efforts are anticipated.

As for product development, development departments are becoming able to develop products that respond to user requirements more quickly through communication with sales departments. I hope for further cooperation between development and sales departments moving forward. Temperature measuring technologies that the Company has cultivated are the Company's core technologies. If we can collaborate with research and development resources of different fields, we will be more efficient in the development of new products that suit such needs. In addition to these efforts, the Company is pushing forward with DX, and its results are gradually contributing to the development of products and the streamlining of business activities. Initiatives are underway in workplaces to promote DX efforts of employees, so I expect that IT literacy and DX initiatives will advance further.

I expect accelerated growth will be achieved in Phase 2 through Group-wide activities, including those mentioned above, based on the four strategies of the medium-term business plan.

Finally, I intend to provide continued supervision on management from the standpoint of shareholders and provide advice and propositions from an objective standpoint as an outside Director.

Message from an outside auditor



Kazuhiko Yamashita
Outside Auditor

Hoping for first penguins in action

The word "sustainability" is widely used recently. However, it is not a recently born idea. It has long been a basic idea in every field.

The most important factor of sustainability is human capital. The reason is that, when you try to hand over the baton for sustainable growth, you cannot hand it over if there is no employee to receive it. This long-standing series of conduct forms layers of corporate culture and becomes an asset over time.

I have been engaging in the duties of an auditor since June 2017. As a member of the Audit & Supervisory Board that operates independently of the Board of Directors, I collaborate with internal audits, relevant departments, and accounting auditors to monitor the status of execution by top management. I also sometimes visit subsidiaries and business establishments to inspect their operations.

I believe that the company has given rise to virtuous cycles in a number of aspects, including management of work execution, cultivation of employees' organizational understanding and sense of unity, and even a broad-minded atmosphere in which people can speak freely. With regard to the effectiveness of the Board of Directors as well, I believe that the exchange of opinions from varied angles has been suitably secured, but driving the PDCA cycle will be essential to achieve further heights. As we are now in the first year of Phase 2 of the medium-term business plan, I think it is an important time for all employees to work together to earn profit.

Using an analogy of a huddle of penguins on a drift ice, I have expectations for the first rambunctious penguin who jumps into the sea believing there to be new markets and opportunities, despite the recognition of risks of being attacked by a predator.

I think employees can enjoy themselves if they have a challenging and aggressive corporate culture in which many of such penguins appear in different departments and development themes like mushrooms after a rain.



Yoshihiko Kasuya
Outside Auditor

Offense and defense of the global niche top

The Company is a so-called "global niche top," which has a world-class technical competence in a particular area. For its such growth, we need to conduct ambitious management with balanced offense and defense. The Company is tackling different challenges toward its 90th anniversary in 2026, with the visions of "Co-Creation, Strength, and Reliability." In this process, the focus has always been on people. I think this basic framework is orthodox and essential, and is the suitable direction for a technology-oriented company. On the other hand, considering changes of the management environment in years to come such as capital investment trends in the industry and the heightened awareness of environment conservation, it is the time for the Company to take an active role, so I think that the Company must grow further. The Company must not fall behind competitors in many aspects such as the strengthening of technical competence, the development of new customers, and the improvement of earning power. The Company must grow in quantity and quality in the manner that suits the Company. An organization that continues to grow is one that has an enthusiasm and a definite and strong sense of mission for growth throughout the organization. I think that the Company also needs to make ceaseless efforts for continuous growth. Next, as for defense, the Company is making gradual progress through various efforts in workplaces, such as including the formation and strengthening of corporate governance. However, defense also requires tenacious effort in accordance with changes in the management environment so that there are no missing parts throughout the Group. Finally, as an outside auditor, I will broadly consider the legality and adequacy of the Company and provide opinions from an external and objective standpoint, while keeping in mind my independence and specialty. The Company has history and potential. I am confident that the Company will maintain constant growth toward the future with maximum use of human capital and through continued effort.

Corporate Governance

Fundamental approach

As temperature experts, CHINO CORPORATION's mission is to provide products and services that aid industry and society through technologies with strengths in measurement, control, and monitoring, while becoming a "corporate group that contributes to the future of people and society."

For this reason, the company is working to enhance the soundness, transparency, efficiency, and speed of its management, and to strengthen and enrich its corporate governance, with the goal of enhancing its medium- to long-term corporate value and sustainable growth while building positive relationships with all stakeholders.

Corporate governance structure

(as of the end of June 2024)

The company has selected the form of a company with a corporate auditor and has built a corporate governance structure based on a Management Conference and a Board of Directors and Audit & Supervisory Board originating in general meetings of shareholders. It has also adopted an executive officer system to clarify the division between top management decision-making/supervisory functions and business execution functions and to strengthen and speed up these functions.

To ensure objectivity and transparency in procedures related to the selection and dismissal of directors and executive officers and in procedures for the examination and determination of matters including compensation, the Nomination and Compensation Advisory Committee is set as a voluntary advisory body to the Board of Directors, with independent outside directors as the majority of its members.

» Board of Directors (Number of members: 7)

The Board of Directors is chaired by the President and meets at least once a month in principle. In addition to matters stipulated in laws, regulations, and the Articles of Incorporation, it makes decisions on management-related important matters based on the Rules of the Board of Directors, and supervises the execution of duties by all directors. In FY2023, the Board of Directors met 14 times to examine matters including medium- to long-term business strategy, human resource development policy, and fundraising.

» Audit & Supervisory Board (Number of members: 3)

The Audit & Supervisory Board consists of one Full-time Auditor from within the company and two Outside Auditors. Its members formulate audit plans, attend Board of Directors meetings and other key meetings, investigate the business and financial status of the head office, major factories, and important subsidiaries, and monitor the regular activities of top management, including directors. The Audit & Supervisory Board also holds regular liaison meetings with accounting auditors and the auditors of group companies to engage in cooperation, and works to strengthen information collection and the monitoring structure.

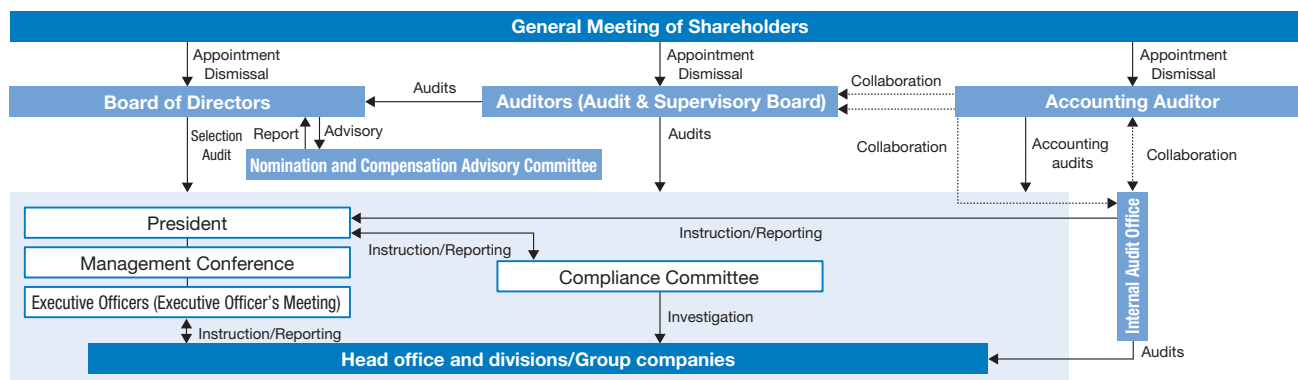
» Nomination and Compensation Advisory Committee (Number of members: 3)

The Nomination and Compensation Advisory Committee bears the functions of both a nomination committee and a compensation committee. Its three members are the President, who serves as the committee chair, and two Independent Outside Directors. The Committee met four times in FY2023 to deliberate on matters including the executive officer system, performance-linked compensation, and successor planning, and reported to the Board of Directors.

» Management Conference (Number of members: 11)

The Management Conference consists of directors and executive officers appointed by the President. It meets every week in principle. As a decision-making body addressing the allocation of management resources and other fundamental and important matters related to business execution, it strives for meaningful deliberations from the perspective of management overall and works to promote fast and efficient business operations.

■ Corporate Governance Structural Diagram



» Executive Officer's Meeting (Number of members: 12)

With executive officers and full-time auditors as its members, the Executive Officer's Meeting is convened once a month in principle. In meetings, the President and executive officers in charge of departments communicate policy and report on the status of business execution, share information on issues requiring coordination, and hold discussions aimed at achieving priority measures proposed on a semi-annual basis.

» Internal Audit Office

The Internal Audit Office is set as an independent auditing department under the direct control of the President. Based on the annual internal audit plan, it conducts audits of the reasonableness and efficiency of departments' business operations. It also works to enhance the effectiveness of internal audits through exchanges of opinions with departments under audit and through counsel and suggestions aimed at the correction and mitigation of issues. It further reports its findings to the President, the Audit & Supervisory Board, and the Board of Directors, and confirms necessary measures and the status of improvements.

» Evaluation of the effectiveness of the Board of Directors

The company conducts questionnaire surveys of directors and auditors regarding the effectiveness of the Board of Directors, outsources analysis and evaluation of the responses to outside parties, and reports the findings to the Board of Directors. As a result of evaluation, we recognized some issues in agenda items and the process of discussions, despite the Board of Directors being adequately managed overall. Moving forward, we will improve operation of the Board of Directors, including the enrichment of agenda items and the activation of discussions between internal and outside Directors.

■ Skills expected of directors

Name	Job title	Corporate management	Global business	Sales and marketing	Research, development, and manufacturing	IT and digital	Legal affairs and risk management	Finance and accounting
Mikio Toyoda	Representative Director President and CEO	●	●		●	●	●	
Takao Shimizu	Director Senior Executive Officer	●	●		●	●		
Akihiko Nishiguchi	Director Senior Executive Officer	●	●	●				●
Manabu Matsuoka	Director Managing Executive Officers	●		●	●			●
Tatsuyoshi Yoshiike	Outside Director	●		●			●	●
Yukinobu Miki	Outside Director	●	●		●		●	
Chie Tomari	Outside Director	●		●			●	●

* A maximum of four skills expected of each director (excluding the representative director) are marked by "●".

» Senior executive compensation

The basic policy of the company regarding executive compensation is to create a structure that will grow its business in the medium to long term and continuously enhance its corporate value.

Limits on total amounts of compensation for all directors and for all auditors are determined through resolutions at general meetings of shareholders.

Levels and composition of senior executive compensation are reviewed as appropriate in light of basic policy, taking into account changes in the business environment and social trends. To enhance the objectivity and transparency of the process for determination of senior executive compensation, the company decides on matters related to directors' and executives' compensation in Board of Directors meetings, following deliberation and reporting by the Nomination and Compensation Advisory Committee.

Compensation for directors (excluding outside directors) and executive officers consists of three components: basic compensation, performance-linked compensation as a short-term incentive, and stock-based compensation as a medium- to long-term incentive. The composition ratios of these are set with basic policy taken into account. Outside directors receive basic compensation only, with no performance-linked compensation or stock-based compensation.

Basic compensation

Fixed monthly compensation, set in accordance with the roles and positions of individual directors and executive officers.

Performance-linked compensation

Performance-linked compensation varies with respect to basic amounts set by role and position, in accordance with company performance and evaluations of individual senior executives' performance (degree of achievement of individual goals, development of successors, enhancement of corporate value, etc.) in the previous fiscal year. Its purpose is the improvement of morale in order to achieve single-year performance targets.

The group uses consolidated operating profit, which shows earnings in main businesses, as an important numerical target indicator in the Medium-Term Management Plan. Accordingly, consolidated operating profit is set as an indicator for company performance in performance-linked compensation.

Stock-based compensation

Stock-based compensation was introduced in July 2022 with the aims of enhancing the motivation of senior executives to contribute to enhancement of medium- to long-term corporate value and of further advancing value sharing with shareholders. A number of common shares of the company, set according to role and position, is issued at a certain time every year in the form of pre-issued, transfer-restricted shares. The restriction on transfer is lifted upon the retirement of the senior executive.

Auditors receive basic compensation only in light of their duties, with no performance-linked compensation or stock-based compensation. The amount of basic compensation for an individual auditor is determined through deliberation with the auditor, comprehensively taking into account the content, volume, difficulty, etc. of the auditor's duties.

Corporate Governance

Basic policy on information disclosure

» Fundamental approach

To build long-term relationships of trust with shareholders, investors, and other stakeholders, we strive for prompt, accurate, and impartial disclosure of important information about the company.

» Standards for information disclosure

We conduct prompt disclosure of information on the basis of transparency, impartiality, and continuity, in accordance with laws and regulations such as the Financial Instruments and Exchange Act and with the Rules on Timely Disclosure of Corporate Information by Issuers of Listed Securities within the securities listing regulations set forth by the Tokyo Stock Exchange (hereinafter "timely disclosure rules").

In cases in which information does not fall under laws, regulations, or the timely disclosure rules, to the extent possible we actively and impartially disclose information deemed to be important or beneficial to shareholders and investors.

» Methods of information disclosure

Disclosure of information falling under the timely disclosure rules is performed in accordance with said rules through the Timely Disclosure network (TDnet) system provided by the Tokyo Stock Exchange. The released information is also promptly posted on our company website. Information that does not fall under the timely disclosure rules or other rules but is considered to have an impact on investment decisions is widely disclosed through posting on our website or other means, in line with the purposes of timely disclosure.

» Disclosure of information to third parties and performance forecasts by third parties

We perform disclosure in accordance with fair disclosure rules based on the revised Financial Instruments and Exchange Act of 2017. We make no endorsement of comments, evaluations, performance forecasts, etc. by third parties regarding the company.

» Outlook for the future

Other than information concerning past or current facts, disclosed information represents forward-looking prospects grounded in information held by the company at the time of disclosure and in judgments based on certain assumptions deemed reasonable. Accordingly, actual performance, etc. may vary due to elements of uncertainty including economic conditions and market trends, and results may differ from disclosed forecasts of performance, etc.

» Silent period

To prevent leaks of financial information and ensure impartiality, the company observes a silent period from the day following the closing date of financial results until the release date of said results. During this period, the company refrains from responding to or commenting on questions concerning financial results. However, if it becomes clear that the performance forecast could change significantly during the silent period, we will appropriately disclose information in accordance with rules for disclosure.

Dividend policy

The company views the return of profits to shareholders as a key management policy. With the aim of enhancing its corporate value and a consolidated dividend payout ratio of 40% in FY2026, the Company will increase dividends through continuous growth in profit, under a basic policy of balanced distribution of earned profits toward strategic business investments and shareholder returns and based on the maintenance of medium- to long-term financial soundness.

Communication with shareholders and investors

In addition to financial results briefings for institutional investors and analysts held twice a year (with 60 participants in FY2023), the company holds individual IR meetings as required throughout the year (28 meetings in FY2023). At the financial results briefing held on June 19, 2024, the company offered a financial results summary for FY2023 and discussed the state of its progress during the third year of the Medium-Term Management Plan (FY2021 to FY2026) and its future management strategies. We will work to enhance our corporate value through constructive dialogue with investors to aid investors' understanding of our initiatives and technological capabilities.



Briefing for institutional investors held in June 19, 2024

Compliance

Fundamental approach

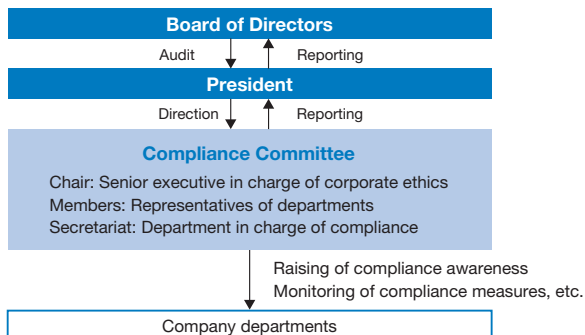
Our company recognizes that the establishment of compliance forms the basis of sustainability management and is crucial to enhancing the trust of all of our stakeholders. We will continue initiatives aimed at awareness-raising and at everyday practice of compliance by all executives and employees.

Compliance promotion structure

Our company has established a Compliance Committee, chaired by the senior executive in charge of corporate ethics appointed by the President. Composed of members representing departments across the company, the Compliance Committee engages in deliberation, monitoring, and instruction concerning compliance activity policy and execution plans for the group overall, in regular and extraordinary meetings.

With the Sustainability Planning Office as its supervising department, the committee is charged with development of a compliance stance and promotion of initiatives, including communication of information to executives and employees and making consultation and whistleblowing desks widely known.

■ Corporate Governance Structural Diagram



Compliance promotion activities

We have created the CHINO CORPORATION Business Code of Conduct as a guideline for basic conduct by executives and employees. Its content is summarized in the compact Compliance Handbook booklet, which is distributed to all executives and employees and is used in everyday work and in-house training.

To ensure compliance with the Code of Conduct, we regularly conduct compliance training for all executives and employees. We also engage in repeated efforts to raise awareness of corporate ethics through opportunities such as new employee training and hierarchy-specific training.

Responding to anti-social forces

In light of government guidelines and local government ordinances, the CHINO Business Code of Conduct clearly states that we take a resolute stance in blocking any relationship with antisocial forces.

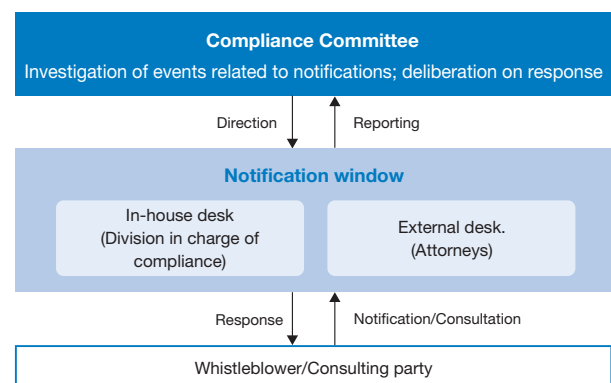
We regularly make efforts to collect information from police-related agencies and other parties, and have constructed a structure for appropriately dealing with any incidents in close cooperation with police and general counsel.

Internal reporting system

To prevent, detect, and resolve violations at an early stage, we believe in the importance of preparing and appropriately operating mechanisms that allow executives and employees to candidly and unhesitatingly raise questions and concerns involving corporate ethics and legal compliance. Accordingly, we have established an internal reporting system that lets executives and employees safely provide information and seek relief through routes outside the job position structure.

Specifically, along with internal desks for reporting for and consultation, we have set up external desks for contacting attorneys and are making efforts toward prompt resolution of issues while ensuring the protection of persons who report and request consultation, based on our Internal Reporting Regulations. The contents of reports are reported to the Compliance Committee, which investigates cases in accordance with the regulations. We strictly ensure the anonymity of persons who make reports and seek consultation, and ensure that they face no disadvantage for doing so. When a compliance violation has been recognized, we take necessary corrective measures such as improvement of the work environment and disciplinary actions based on our employment rules. We incorporate the measures in the selection of themes for compliance education and connect this to initiatives to prevent problems.

■ Follow-up on internal reports



Risk Management

Fundamental approach

We view the proper recognition of risks surrounding the group and appropriate risk response as among the most important items in management. To comprehensively understand risks that impede normal business operations, prevent the emergence of risks, and minimize losses should risks manifest, we strive to practice company-wide effective risk management based on our Risk Management Basic Policy.

Risk management structure and initiatives

To centrally manage overall risk and engage in organized response, we have established a Risk Management Committee overseen by the President and based on our Risk Management Regulations. We formulate operating policy, plans, and measures for company-wide risk management and identify and evaluate various risks in our business activities. We identify those risks with a high degree of impact on management and high probability of occurrence, designating those as priority management risks. The Risk Management Committee, which meets regularly, receives reports from staff in charge of departments, assesses the status of risk control, and carries out PDCA for risk management by studying and giving instructions on necessary measures and by monitoring progress and effectiveness. The Internal Audit Office verifies the proper performance of risk management by checking departments' risk management status through regular audits.

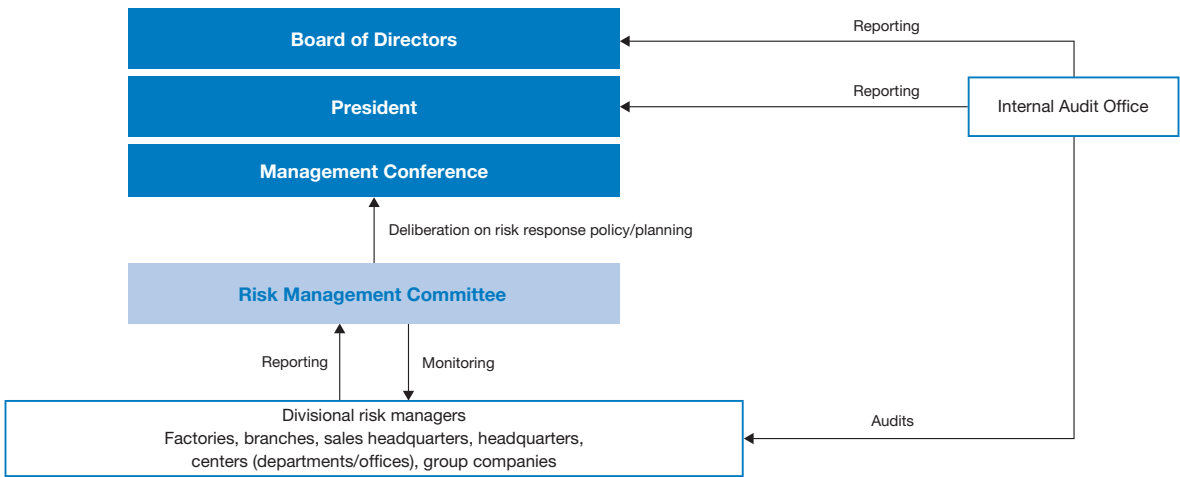
Addressing disaster risk (BCP)

To respond to emergency situations, we have formulated a business continuity plan (BCP) and have built a structure for fulfilling our responsibilities to our customers and society through the quick restoration of our business, with human lives as our highest priority. During normal conditions, we engage in actions including clarification of standards of conduct and division of roles in the event of disaster, construction of safety confirmation systems, backup of data, seismic reinforcement and inspection of buildings and equipment, regular drills, replenishment of food, drinking water, and other disaster supplies, and confirmation of flood hazard maps and volcanic ash maps at all sites.

Initiatives for information security

To prevent incidents such as leaks of personal information, information on customers and business partners, and all information handled in our business processes, we have established the Information Security Basic Policy and engage in company-wide information security measures and risk management. Also, while making efforts toward education for all employees to ensure information security, we will update the environment for the detection and defense functions as necessary against threats of the latest cyberattacks, while incorporating opinions of a specialist.

■ Risk Management Structural Diagram



Business and other risks

We identify risks that could affect the group's financial condition, business results, and cash flow status as follows, and work to reduce risks through countermeasures.

Risk item	Overview of risk	Countermeasures
① Deterioration of business conditions	The risk that significant decline in capital investment occurs in the domestic manufacturing industry due to deterioration of business conditions.	In addition to working to develop and expand growth areas, we will make efforts including strengthening overseas businesses to lessen dependence on domestic revenue.
② Exchange rate fluctuations	The risk that decline in competitiveness occurs due to significant exchange rate fluctuations (appreciation of the yen), or that the group's business results are impacted by yen conversion when preparing consolidated financial statements.	In foreign currency-denominated transactions, we will reduce the risk of rate fluctuations through exchange forward contracts while keeping a close watch on economic trends.
③ Geopolitical risks	The risk that business activities are constrained and costs are incurred in response to terrorism, conflicts, deterioration of the political and economic situation, etc. in countries and regions where we conduct business.	We will continually cooperate with overseas group companies and engage in appropriate monitoring.
④ Rivalry and competition with other companies	The risk that competition on quality, performance, price, etc. with other companies will squeeze profit.	We will undertake active budgetary measures for research and development, mainly in growth areas, and will strive to maintain and enhance our competitiveness by means including securing intellectual property rights centered on our core technologies.
⑤ Procurement of materials, parts, etc.	The risk that tightness and delays in the supply of semiconductors and other materials and components occurs, and that purchase prices rise.	We will strive for stable raw material procurement through means including the securing of multiple suppliers, consideration of alternative components and materials, and global procurement.
⑥ Product liability	The risk that costs, compensation to customers, etc. are incurred in the event of a serious event related to product quality.	In the manufacture of products, we will conduct product evaluation testing, design reviews (DRs), pre-shipment inspections, acceptance inspections, and other actions for the maintenance and enhancement of product quality.
⑦ Securing, hiring, and training human resources	The risk that our business activities are impeded if necessary human resources are not sufficiently secured and developed due to changes in the business environment, etc.	We will actively engage in recruiting visits to universities in Japan, employment seminars, internship programs, and other measures, and will work to expand specialized human resources through mid-career hiring.
⑧ Information security	The risk that social trust in our company declines due to unexpected failures in information systems supporting our business activities, unusual unauthorized access, infection by computer viruses, etc.	In our business activities, we will protect confidential and personal information, develop systems for the proper management of said information, implement security measures, and conduct regular training for employees to protect against incidents.
⑨ Deterioration of business partners' financial situation	The risk that significant deterioration in the financial situation of business partners, delay in the collection of accounts receivable, and impact on the group's business results and cash flow occur.	We will thoroughly monitor the business status and credit status of business partners and will engage in flexible credit management based on the situation.
⑩ Pandemic	The risk of stagnation in domestic and overseas production and sales activities due to the spread of infectious diseases greater than expected	While enforcing measures to prevent infection during normal conditions, we will develop work systems such as work from home and staggered working hours, as well as response manuals in the event of pandemic.
⑪ Natural disasters	The risk that damage to production equipment, and impediment of factory operations and supply to customers, occur due to natural disasters such as major earthquakes and typhoons.	We will strive to minimize impacts and effect recovery as quickly as possible through means including the formulation of BCP, enhancement of seismic resistance in buildings and equipment, regular training, and stockpiling of food and drinking water.
⑫ Addressing the climate change problem	▶ P.43	

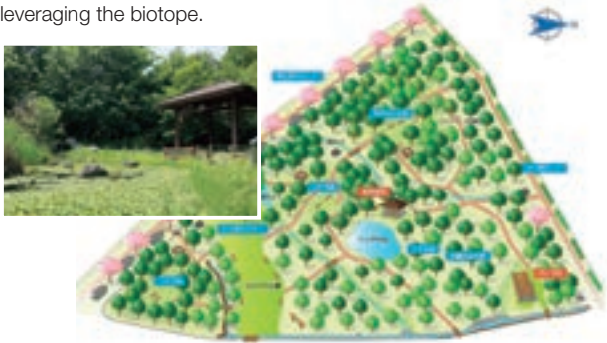
CHINO Biotope Forest

A symbol of nature, coexistence with living things, and communication with local communities

Overview of Biotope Forest

It has been 13 years since the Company created a biotope aiming for an environmentally-friendly business. The word "biodiversity," which represents our concept for creating the biotope, is used in various situations today, but it was not a word that we often heard when we created the biotope.

The Company is working to fulfill its corporate responsibilities by leveraging the biotope.



Established in: 2011

Area: Approx. 11,000 m²

Location: Mori 1, Fujioka City, Gunma Prefecture
(in the grounds of Fujioka Factory, CHINO)

Utilization of the Biotope Forest

» A place for children to learn about the environment

Fourth-grade students (about 100 students) of a local elementary school visit the biotope four times a year in spring, summer, autumn, and winter to learn about the environment, and they observe changes of the natural environment during the four seasons. With Nature Game, an event that the Company conducted as part of joint research with the Takasaki City University of Economics, we found children being absorbed in the game while deepening their understanding of the biotope and having fun at the same time.



A scene from nature games

First, second, and third graders also visited the biotope to participate in environmental learning activities appropriate for their ages such as collecting acorns, drawing a biotope map, observing insects, and playing a nature bingo game. These activities in the biotope are providing opportunities for nurturing an interest in nature.

As a new initiative that combines the biotope and temperature measurement, the Company planned a learning event, "Let's Measure Temperatures," using IR-TE2, an infrared radiation thermometer of the

Company. At this event, students measure the temperatures of various things in the biotope to learn which environments living things like or dislike from the perspective of temperature. The event worked as an opportunity to let them know about the business of CHINO as well as the biotope.



Let's Measure Temperatures

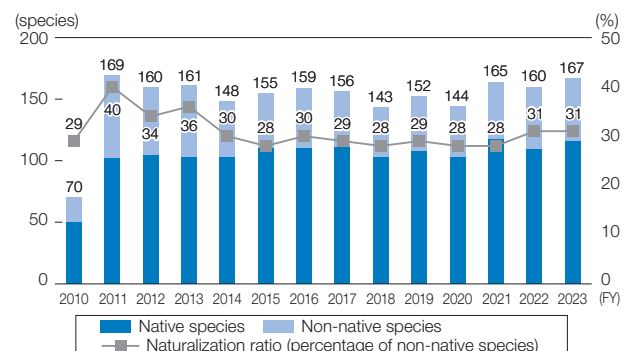
» Survey of environment indicators

We conduct continued monitoring and survey of the flora of the biotope in collaboration the Gunma University.

In the investigation of FY2023, we confirmed 167 species, including 116 native and 51 non-native species. The rate of naturalized plants, which is the indicator of the rate of non-native species among all species, is declining every year and is now at 31%.

We also regularly conduct tree surveys, litter trap investigations, and insect investigations, and we use the results of these investigations as indicators for managing the growth of the biotope.

■ Native and non-native species



» As an area for conserving endangered species

The biotope is used as an area for conserving rare and endangered species in Gunma Prefecture.

The conservation of tanakia lanceolata, which are a designated natural treasure of Fujioka City, is one of environmental activities that the Company has been engaging in since it entered into a memorandum with Fujioka City in 2013.



Releasing tanakia lanceolata

This year, we received tanakia lanceolata from the Cultural Property Protection Section of Fujioka City with the aid of the Gunma Fisheries Experiment Station. Under the supervision of local people involved in the conservation of tanakia lanceolata, local elementary school students (about 70 students) released tanakia lanceolata into the pond of the biotope while yelling, "Grow big."

» A place for communication among employees

The biotope is also used as a place of company events, and these events are deepening along with the growth of the biotope.

About 60 parents and children participated in an insect observation event held on a summer evening. They listened to explanations from an insect specialist and curiously observed insects that gathered in a light trap.

In winter, we made about 50 bed logs from forest thinning of the biotope, for the cultivation of shiitake mushrooms. Employees and their families participated in the task of hammering in spawn-embedded wood pieces of shiitake mushrooms on bed logs, and pleasant rhythm of wood hammers echoed in the biotope.

Other activities include volunteer employees expelling paratya cornpressa, which is a non-native species, and pull out typha latifolia, which is an emergent plant that has grown proliferated too much in the pond.

Also, the Company conducts a biotope workshop for new employees assigned to the Fujioka Factory. This workshop fosters people who can explain the biotope with a high awareness of environmental problems and the understanding of the meaning of the biotope and related initiatives. A proposition was raised based on a new and flexible viewpoint of combining the biotope with health and productivity management. It proposes to create walking routes in the biotope for different purposes. Such an idea reminds us that the possibilities of the biotope can be enhanced by involving various people.



Planting shiitake mushrooms on bed logs Biotope workshop for new employees

» Communication with local communities

The Cherry Blossom Festival, which had been held every year in the blooming season, had been suspended due to the COVID-19 pandemic. However, we reopened it in 2024 with a new name, "CHINO SPRINGFESTA." We updated the content of the festival under the new theme of "Enjoy together," and invited not only employees and their families but also people of local communities, making the festival a spectacular event with about 550 participants.

The biotope served as a place of personal exchange for local people with a market of special local products, a chorus of elementary school students, and the Nature Game conducted under the theme of the nature of the biotope.

The biotope is used not only for CHINO. With these activities, it also serves as a place to demonstrate the charm of the area, thereby contributing to the development of the local communities.



CHINO SPRINGFESTA

» History of awards

November 2022	Ecological Life and Culture Organization Receipt of Commendation for Sustainable Societal Development Activities (Biodiversity Conservation Activity Award)
October 2019	Minister of Economy, Trade and Industry Receipt of METI Minister's Award, Factory Greening Award Program
September 2018	Gunma Prefecture Certified as "venue for experiential opportunities in environmental education, etc."
October 2016	Director, Kanto Bureau of Economy, Trade and Industry Receipt of Kanto Bureau of Economy, Trade and Industry Award for Outstanding Greening Factory, etc.
August 2014	Kanto Regional Management Service Association/ Ecosystem Conservation Society-Japan Selection among Kanto Water and Green Network 100 Selected Sites
November 2013	Chairman, Japan Greenery Research and Development Center Receipt of Japan Greenery Research and Development Center Chairman's Award for Outstanding Greening Factory, etc.

» Future initiatives

From the viewpoint of health and productivity management, we would like to use the biotope as a place to improve mental and physical health through light exercise and recreation.

Moving forward, we will actively deliver information on the appeal of the biotope by enhancing the Company website with articles related to the biotope, using social media, and creating original videos and characters.

Furthermore, we are aiming for the recognition and registration of the biotope as a Site Coexisting with Nature, which the Ministry of the Environment promotes toward the international biodiversity goal 30by30 (guideline for conserving 30% or more area of the land and sea as healthy ecosystems by 2030).

We will continue to promote initiatives related to the biotope as the symbol of environment conservation activities of the Company and as the site of communication with local communities.



* Official biotope character: Dongrin (C acorn)

This character was born from CHINO's wish of "continuing to be a corporation that supports society and industry," like acorns, which are inconspicuous but necessary.

Social contribution activities

Contribution to local communities

We actively engage in social contribution activities, embodying our corporate philosophy of "The CHINO Group pushes the limits of measurement, control, and monitoring technologies and contributes to the advance of industry and the realization of tomorrow's society." Through the activities, we will deepen our relationships of trust with stakeholders and will contribute to solving social issues, achieving the SDGs, and building a sustainable society.

For the future of children and the advancement of scientific technologies

The worldwide advancement of industries is essential for the realization of a sustainable society. Also, the current generation of children, who are the human resources of the next generation, will support and advance future industries. The Company actively creates opportunities for children to experience and learn about science, hoping that they experience science and become interested in the charms of science, thereby leading to the cultivation of future engineers.

» Youth Science Festival

The Youth Science Festival in Yamagata aims to offer opportunities for children and young people to enjoy scientific technologies. We continuously take part in this event through experiment and crafting classes mainly for elementary school students. In July 2024, the Company held a crafting class under the theme of "Move Fish by the Force of Your Hands," in which water pressure is used.



» Science Experiment Class at Itabashi-ku Takashimadaira Library

The Itabashi-ku Takashimadaira Library hosts a science experiment class for elementary school students in the region. In July 2024, the Company held a simple class for crafting and performing experiments with thermometers using everyday materials for children in the lower grades of elementary school, under the theme of "Let's Make a Water Thermometer Using a Plastic Bottle!"



» Company Introduction Exhibit in Itabashi-ku Takashimadaira Library

In order to publicize the Company's business activities and sustainability efforts to people in Itabashi-ku, Tokyo, where the Head Office of the Company is based, we set up a company introduction display in the exhibition space of the library for one month when we hosted our experiment class.



» Permanent exhibition in Yamagata Museum of Science and Industry

We introduce our technologies at our permanent exhibition at Yamagata Museum of Science and Industry, which provides opportunities to experience scientific principles and introduces the prominent technologies of industries and corporations in Yamagata Prefecture. Part of the exhibition was updated in 2024.



» Hosting of junior high school student workplace experience learning

We hold a workplace hands-on learning course every year for local junior high-school students. In the hands-on learning course, students experience satisfaction and difficulty in doing work through activities such as the creation of an employee identification card and a business card, tasks in an office and production line, and a class of managers as a member of society.



» Environment education in CHINO Biotope Forest

The biotope is recognized by Gunma Prefecture as a place that provides hands-on opportunities for environmental education, and local elementary schools schedule the environment learning class in the biotope as an annual event. This class is constantly held as a handy opportunity to learn about the natural environment. We also hold regular activities in the biotope and send employees to elementary schools to give lectures. Through these activities, we are working to motivate children to get interested in environmental learning.

(See page 59 for details.)



Together with local communities

» Opening the outdoor facilities of Fujioka Factory for local communities

The Fujioka Factory makes its baseball field and tennis courts available to a youth baseball team and tennis club. As of FY2017, the baseball field is registered as a medical helicopter pad, thereby contributing to the improvement of emergency medical care in the region around the factory.

» Cooperation for local events

The Head Office supports local events by, for example, making a company space available as a rest station for the children's float and handing out beverages and cookies. Also, a team of volunteering employees participates in carrying the adult float.



Senko-kai activities

Since 1973, our company has worked to contribute to local communities through the activities of Senko-kai, a social gathering, with the basic philosophy of employee solidarity and service to society.

Senko-kai has also arranged for the dispatch of blood donation vehicles to the Fujioka, Kuki, and Yamagata Factories and to the Head Office in cooperation with the Japanese Red Cross Society, to secure participation in blood drives from employees as well as neighboring residents.



Also, the Company conducts activities such as cleaning and landscaping the area around the Head Office and encouraging employees to buy works of "Association of Artists Who Draw Pictures with Mouth and Foot," an association that supports disabled artists.

Support for sports

As an official sponsor of the J2 soccer league club Montedio Yamagata, we engage in club support activities and initiatives to energize the region.

Montedio
YAMAGATA



©MONTEDIO YAMAGATA

Financial Information

Consolidated financial summary

	FY2014	FY2015	FY2016
Profit and loss			
Net sales	19,677	19,496	18,569
Gross profit	5,701	5,708	5,739
Selling, general and administrative expenses	5,108	5,083	5,173
Operating profit	592	624	566
Operating margin (ROS) (%)	3.0	3.2	3.0
Ordinary profit	896	665	637
Net profit (attributable to owners of parent)	395	303	373
Financial position			
Total assets	25,530	23,946	24,229
Interest-bearing debt	3,340	2,666	3,001
Net assets	14,767	14,424	14,456
Cash flow status			
Cash flows from operating activities	1,363	1,956	840
Cash flows from investing activities	-2,650	-693	-244
Free cash flow	-1,287	1,262	596
Cash flows from financing activities	979	-1,043	-141
Per-share information			
Profit (EPS) (yen)	46.20	35.39	43.62
Net assets (BPS) (yen)	1609.14	1577.72	1596.00
Dividends (yen)	35	40	35
Other financial data			
Capital expenditures	2,117	557	479
Depreciation	850	927	868
Overseas sales ratio (%)	19.4	19.5	19.7
Return on equity (ROE) (%)	2.9	2.2	2.8
Return on assets (ROA) (%)	2.5	2.5	2.4
D/E ratio (multiple)	0.25	0.20	0.22
Equity ratio (%)	54.1	56.5	56.0
Dividend payout ratio (consolidated) (%)	75.8	113.0	80.2

(Unit: million yen)

FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
20,745	21,999	20,582	21,080	21,908	23,793	27,425
6,578	7,179	6,354	6,363	7,076	7,869	8,390
5,275	5,460	5,328	5,227	5,576	5,851	6,216
1,303	1,718	1,026	1,136	1,499	2,018	2,173
6.3	7.8	5.0	5.4	6.8	8.5	7.9
1,368	1,750	1,683	1,283	1,744	2,294	2,413
832	1,113	1,218	1,289	1,050	1,536	1,756
26,396	27,402	26,708	30,398	31,545	36,289	36,530
2,295	2,615	2,834	2,590	2,266	3,399	3,048
15,360	15,948	16,318	19,502	20,150	21,574	23,191
2,814	1,659	1,149	2,341	1,880	1,619	101
-729	-955	-1,523	-748	-578	-564	81
2,085	704	-373	1,592	1,301	1,054	183
-1,080	-81	-245	-968	-978	655	-1,104
98.25	131.48	143.78	152.24	124.07	181.22	206.87
1703.64	1768.61	1815.33	1964.43	2073.94	2214.16	2385.55
40	45	45	45	46	52	60
452	825	977	991	784	815	1,387
810	815	843	872	795	785	828
19.9	22.5	22.2	16.7	18.6	20.4	21.0
5.9	7.6	8.0	8.1	6.1	8.5	9.0
5.1	6.4	3.8	4.0	4.8	6.0	6.0
0.17	0.18	0.18	0.16	0.13	0.18	0.16
54.7	54.7	57.6	54.7	55.7	51.8	55.5
40.7	34.2	31.3	29.6	37.1	28.7	29.0

Financial Information

Consolidated balance sheet

(Unit: million yen)

Assets	Previous consolidated fiscal year (March 31, 2023)	Consolidated fiscal year under review (March 31, 2024)
Current assets		
Cash and deposits	9,176	7305
Notes receivable - trade	479	375
Electronically recorded monetary claims operating	2,599	2,799
Accounts receivable - trade	5,202	5,563
Merchandise and finished goods	706	830
Work in process	3,658	3,700
Raw materials and supplies	4,212	5,176
Other	374	347
Allowance for doubtful accounts	-87	-49
Total current assets	26,322	26,050
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,704	9,275
Accumulated depreciation	-5,677	-5,828
Buildings and structures, net	3,027	3,447
Machinery, equipment and vehicles	4,289	4,426
Accumulated depreciation	-3,525	-3,554
Machinery, equipment and vehicles, net	763	871
Land	1,415	1,424
Construction in progress	33	10
Other	3,819	3,920
Accumulated depreciation	-3,480	-3,513
Other, net	338	406
Total property, plant and equipment	5,578	6,159
Intangible assets		
Software	420	281
Other	15	15
Total intangible assets	436	297
Investments and other assets		
Investment securities	1,817	1,716
Deferred tax assets	881	815
Retirement benefit asset	543	725
Other	766	823
Allowance for doubtful accounts	-56	-56
Total investments and other assets	3,952	4,023
Total non-current assets	9,967	10,480
Total assets	36,289	36,530

(Unit: million yen)

Liabilities

	Previous consolidated fiscal year (March 31, 2023)	Consolidated fiscal year under review (March 31, 2024)
Current liabilities		
Notes and accounts payable - trade	2,697	2,322
Electronically recorded obligations - operating	2,619	2,296
Short-term borrowings	1,265	1,165
Current portion of long-term borrowings	459	416
Income taxes payable	470	508
Advances received	980	438
Provision for bonuses	821	797
Provision for bonuses for directors (and other officers)	46	64
Provision for shareholder benefit program	47	61
Electronically recorded obligations - facilities	137	145
Other	943	1,100
Total current liabilities	10,489	9,317
Non-current liabilities		
Long-term borrowings	1,660	1,443
Long-term accounts payable - other	188	186
Deferred tax liabilities	91	99
Provision for retirement benefits for directors (and other officers)	135	132
Retirement benefit liability	1,887	1,891
Other	263	268
Total non-current liabilities	4,225	4,021
Total liabilities	14,715	13,338

Net assets

Shareholders' equity		
Share capital	4,292	4,292
Capital surplus	4,267	4,278
Retained earnings	11,050	12,209
Treasury shares	-1,138	-1,126
Total shareholders' equity	18,471	19,654
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	341	459
Foreign currency translation adjustment	158	222
Remeasurements of defined benefit plans	-187	-75
Total accumulated other comprehensive income	312	606
Non-controlling interests	2,790	2,931
Total net assets	21,574	23,191
Total liabilities and net assets	36,289	36,530

Financial Information

Consolidated statement of income and consolidated statement of comprehensive income

(Unit: million yen)

Consolidated statements of income	Previous consolidated fiscal year (from April 1, 2022 to March 31, 2023)	Consolidated fiscal year under review (from April 1, 2023 to March 31, 2024)
Net sales	23,793	27,425
Cost of sales	15,924	19,034
Gross profit	7,869	8,390
Selling, general and administrative expenses		
Salaries, allowances and bonuses	2,294	2,271
Provision for bonuses	311	277
Provision for bonuses for directors (and other officers)	44	64
Retirement benefit expenses	126	123
Provision for retirement benefits for directors (and other officers)	22	17
Depreciation	179	201
Research and development expenses	886	1,143
Provision for shareholder benefit program	47	61
Provision of allowance for doubtful accounts	-16	-38
Other	1,954	2,094
Total selling, general and administrative expenses	5,851	6,216
Operating profit	2,018	2,173
Non-operating income		
Interest income	13	26
Dividend income	58	69
Electricity sale income	35	35
Foreign exchange gains	81	108
Subsidy income	5	7
Surrender value of insurance policies	92	6
Other	36	33
Total non-operating income	323	287
Non-operating expenses		
Interest expenses	7	9
Finance related expenses	4	6
Electricity sale expenses	14	15
Other	19	16
Total non-operating expenses	46	48
Ordinary profit	2,294	2,413
Extraordinary income		
Gain on sale of investment securities	13	323
Gain on sale of non-current assets	3	1
Total extraordinary income	16	325
Extraordinary losses		
Loss on disposal of non-current assets	6	5
Total extraordinary losses	6	5
Profit before income taxes	2,305	2,733
Income taxes - current	670	808
Income taxes - deferred	-116	-30
Total income taxes	553	777
Profit	1,752	1,956
Profit attributable to non-controlling interests	215	199
Profit attributable to owners of parent	1,536	1,756

(Unit: million yen)

Consolidated statement of comprehensive income	Previous consolidated fiscal year (from April 1, 2022 to March 31, 2023)	Consolidated fiscal year under review (from April 1, 2023 to March 31, 2024)
Profit	1,752	1,956
Other comprehensive income		
Valuation difference on available-for-sale securities	53	129
Foreign currency translation adjustment	160	114
Remeasurements of defined benefits plans, net of tax	-85	111
Total other comprehensive income	128	355
Comprehensive income	1,880	2,312
(breakdown)		
Comprehensive income attributable to owners of parent	1,593	2,050
Comprehensive income attributable to non-controlling interests	287	261

Consolidated statement of cash flows

(Unit: million yen)

	Previous consolidated fiscal year (from April 1, 2022 to March 31, 2023)	Consolidated fiscal year under review (from April 1, 2023 to March 31, 2024)
Cash flows from operating activities		
Profit before income taxes	2,305	2,733
Depreciation	785	828
Amortization of long-term prepaid expenses	33	28
Increase (decrease) in allowance for doubtful accounts	-12	-37
Increase (decrease) in provision for bonuses	195	-23
Increase (decrease) in retirement benefit liability	35	-29
Decrease (increase) in retirement benefit asset	-19	12
Increase (decrease) in provision for shareholder benefit program	4	14
Interest and dividend income	-71	-95
Interest expenses	7	9
Subsidy income	-5	-7
Loss (gain) on sale of investment securities	-13	-323
Decrease (increase) in trade receivables	-626	-401
Decrease (increase) in inventories	-1,937	-1,059
Increase (decrease) in trade payables	744	-745
Increase (decrease) in advances received	796	-547
Other	-148	427
Subtotal	2,073	782
Interest and dividends received	71	95
Interest paid	-7	-9
Subsidies received	5	7
Income taxes refund (paid)	-524	-775
Net cash provided by (used in) operating activities	1,619	101
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	1,543	1,532
Payments into time deposits	-1,573	-502
Purchase of property, plant and equipment	-416	-1,353
Proceeds from sale of property, plant and equipment	3	0
Purchase of intangible assets	-155	-93
Proceeds from sale of investment securities	34	635
Purchase of investment securities	—	-20
Loan advances	-5	-27
Proceeds from collection of loans receivable	4	7
Purchase of insurance funds	-71	-73
Proceeds from maturity of insurance funds	122	44
Other	-50	-66
Net cash provided by (used in) investing activities	-564	81
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	—	-100
Repayments of long-term borrowings	-375	-459
Proceeds from long-term borrowings	1,500	200
Purchase of treasury shares	-0	-6
Dividends paid	-389	-609
Dividends paid to non-controlling interests	-78	-128
Net cash provided by (used in) financing activities	655	-1,104
Effect of exchange rate change on cash and cash equivalents	71	60
Net increase (decrease) in cash and cash equivalents	1,781	-860
Cash and cash equivalents at beginning of period	5,821	7,603
Cash and cash equivalents at end of period	7,603	6,742

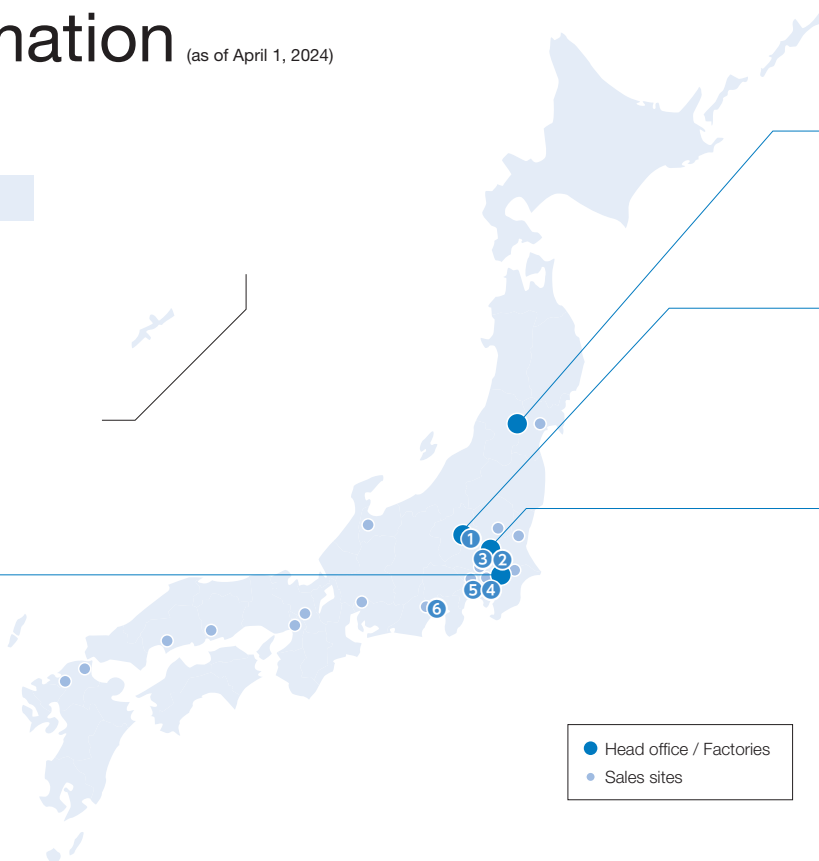
Corporate Information (as of April 1, 2024)

Head office / Factories



Head office / Innovation Center

32-8 Kumano-cho, Itabashi-ku, Tokyo 173-8632
TEL 03-3956-2111



● Head office / Factories
● Sales sites

List of sales sites

Tokyo Sales Office, Eastern Japan Branch

173-8632
32-8 Kumano-cho, Itabashi-ku, Tokyo
TEL 03-3956-2205

Sendai Sales Office

980-0014
Kashima Kogyo Bldg., 2-2-3 Honcho,
Aoba-ku, Sendai-shi, Miyagi Prefecture
TEL 022-227-0581

Takasaki Sales Office

375-8505
1 Mori, Fujioka-shi, Gunma Prefecture
TEL 0274-42-6611

Mito Sales Office

310-0011
Mito Keisei Bldg., 1-4-73 Sannomaru,
Mito-shi, Ibaraki Prefecture
TEL 029-224-9151

Omiya Sales Office (Utsunomiya)

321-0953
KD Bldg., 4-2-20 Higashi-Shukugo,
Utsunomiya-shi, Tochigi Prefecture
TEL 028-612-8963

Omiya Sales Office

330-0843
1-31-1 Kishiki-cho, Omiya-ku, Saitama-shi,
Saitama Prefecture (Meiji Yasuda Life Omiya
Kishiki Bldg.)
TEL 048-643-4641

Chiba Sales Office

260-0016
Nihon Kigyo Kaikan, 42-11 Sakae-cho, Chuo-ku,
Chiba-shi, Chiba Prefecture
TEL 043-224-8371

Tachikawa Sales Office

190-0023
Chiyoda Bldg., 3-11-4 Shibasaki-cho, Tachikawa-shi,
Tokyo
TEL 042-521-3081

Kanagawa Sales Office

243-0018
Flos Atsugi, 3-11-18 Naka-cho, Atsugi-shi, Kanagawa
Prefecture
TEL 046-295-9100

Nagoya Sales Office, Nagoya Branch

450-0001
Nagoya Kokusai Center Bldg., 1-47-1 Nagono,
Nakamura-ku, Nagoya-shi, Aichi Prefecture
TEL 052-581-7595

Shizuoka Sales Office

420-0853
Shizuoka Ando Hazama Bldg., 2-12 Ote-machi,
Aoi-ku, Shizuoka-shi, Shizuoka Prefecture
TEL 054-255-6136

Toyama Sales Office

930-0004
Toyama Daiichi Seimei Bldg., 2-25 Sakurabashi-dori,
Toyama-shi, Toyama Prefecture
TEL 076-441-2096

Osaka Sales Office, Osaka Branch

564-0063
Daido Seimei Esaka Bldg., 1-23-101 Esaka-cho,
Suita-shi, Osaka Prefecture
TEL 06-6385-7031

Otsu Sales Office

520-0043
Otsu Daiichi Seimei Bldg., 3-1-8 Chuo, Otsu-shi,
Shiga Prefecture
TEL 077-526-2781

Okayama Sales Office

711-0921
Naikai Daiichi Bldg. 6F, 1-100 Kojima-ekimae,
Kurashiki-shi, Okayama Prefecture
TEL 086-473-7400

Hiroshima Sales Office

732-0827
Hiroshima Inari-machi NK Bldg., 4-1 Inari-machi,
Minami-ku, Hiroshima-shi, Hiroshima Prefecture
TEL 082-261-4231

Fukuoka Sales Office

812-0011
NMF Hakata Ekimae Bldg., 1-15-20 Hakata-ekimae,
Hakata-ku, Fukuoka-shi, Fukuoka Prefecture
TEL 092-481-1951

Kitakyushu Sub office

802-0081
Mainichi Seibu Kaikan Bldg., 13-1 Konya-machi,
Kokurakita-ku, Kitakyushu-shi, Fukuoka Prefecture
TEL 093-531-2081



Kuki Factory

346-0028
18 Kawarai-cho, Kuki-shi, Saitama Prefecture
(4-2 Kuki Ayame Kogyo Danchi)
TEL 0480-23-2511



Fujioka Factory

1 Mori, Fujioka-shi, Gunma Prefecture 375-8505
TEL 0274-42-2111



Yamagata Factory

1515 Midaregawa, Tendo-shi,
Yamagata Prefecture 994-0002
TEL 023-607-2100

Group companies (domestic)



① CHINO Softex Corporation

375-8505
1 Mori, Fujioka-shi, Gunma Prefecture
TEL 0274-42-6601

CHINO Softex Corporation designs measurement equipment and software related to process automation (PA).



④ AR'S CO., Ltd.

163-0711
2-7-1 Nishi-shinjuku, Shinjuku-ku, Tokyo
(Shinjuku Dai-ich Life Bldg.)
TEL 03-6258-1136

Possessing circuit design and package technology for high-density wireless modules, AR'S CO., Ltd. has considerable field know-how in compact wireless modules and wireless technologies.



② SANKI KEISO CO., LTD.

345-0043
248-2 Shimotakano, Sugito-machi,
Kitakatsushika-gun, Saitama Prefecture
TEL 0480-53-7606

SANKI KEISO CO., LTD. designs, constructs, and sells control equipment for facility landscaping and clean air systems.



⑤ ADVANCE RIKO, Inc.

224-0053
4388 Ikonobe-cho, Tsuzuki-ku,
Yokohama-shi, Kanagawa Prefecture
TEL 045-931-2221

ADVANCE RIKO, Inc. manufactures and distributes products related to its thermal technologies, including analysis/thermophysical measurement systems and infrared heating systems.



③ Asakawa Lens Works Co., Ltd.

346-0028
18 Kawarai-cho, Kuki-shi, Saitama
Prefecture (4-2 Kuki Ayame Kogyo
Danchi)
TEL 0480-26-1800

Asakawa Lens Works Co., Ltd. designs and manufactures optical instruments.



⑥ MEIYO ELECTRIC Co., Ltd.

424-0066
485 Nanatsu-shinya, Shimizu-ku,
Shizuoka-shi, Shizuoka Prefecture
TEL 054-345-2211

MEIYO ELECTRIC Co., Ltd. designs, manufactures, and distributes marine instrumentation and sensors for marine engines.

Corporate Information



Group companies (overseas)



① Shanghai Dahua-CHINO Instrument Co., Ltd.

Shanghai Free Trading Trial District of People's Republic of China, 6th fl.
A-side, Bldg. T12B-1, 615 Ning Qiao Lu
TEL +86-21-50325111

Shanghai Dahua-CHINO Instrument Co., Ltd. distributes recorders, controllers, radiation thermometers, and instrumentation systems in China.



④ CHINO Works America Inc.

22301 S. Western Ave. Suite 105 Torrance, CA 90501 U.S.A.
TEL +1-310-787-8899

From its base in the United States, CHINO Works America Inc. distributes all CHINO products in North America and Latin America.



② CHINO Instrumentation (Kunshan) Co., Ltd.

449-10 Xiangshi Road, Shipai, Bacheng Town, Kunshan City, Jiangsu, 215312 China
TEL +86-512-57881000

CHINO Instrumentation (Kunshan) Co., Ltd. manufactures and distributes measurement and control instruments and instrumentation systems in China.



⑤ CHINO Corporation India Private Limited

Plot No. PAP-A-235-240, South Central Road, TTC Industrial Area, MIDC Mahape, Navi Mumbai 400 710 India
TEL +91-22-4129-3000

CHINO India manufactures and distributes measurement and control instruments such as recorders and controllers.



③ Korea CHINO Corporation

9, Donghan-daero, 17-gil, Hwaseong-si, Gyeonggi-do, 18481 Korea
TEL +82-31-379-3700

Korea CHINO manufactures and distributes recorders, controllers, radiation thermometers, and instrumentation systems in Korea.



⑥ CHINO Corporation (Thailand) Limited

No.65, 42 Tower, 10th Floor, Soi Sukhumvit 42 (Kluaynamthai), Sukhumvit Road, Prakanong, Klongtoey, Bangkok 10110 Thailand
TEL +66-2712-2630

From its base in Thailand, CHINO Corporation (Thailand) Limited distributes all CHINO products and engages in engineering, maintenance, inspection, and repair services in ASEAN countries.

Company profile (as of March 31, 2024)

Corporate name	CHINO CORPORATION
Head office	32-8 Kumano-cho, Itabashi-ku, Tokyo 173-8632 TEL 03-3956-2111
Representative	Mikio Toyoda, President and CEO
Business description	Manufacture and sales of measurement and control instruments, instrumentation engineering work
Established	August 1, 1936
Share capital	4,292 million yen
Number of employees (consolidated)	1,095

Status of stock (as of March 31, 2024)

Total authorized shares	23,820,000
Total number of shares outstanding	9,260,116
Number of shareholders	5,979

Major shareholders (top 10)	Number of shares held (thousands)	Stock holding ratio (%)
CHINO Business Partner Shareholders' Association	788	9.28
The Master Trust Bank of Japan, Ltd. (trust account)	706	8.31
CHINO Employee Shareholders' Association	321	3.79
Custody Bank of Japan, Ltd. (trust account)	211	2.49
Nikkato Corporation	209	2.47
Kyowa Electronic Instruments Co., Ltd.	207	2.44
Kitahama Seisakusho, K.K.	182	2.15
Nippon Life Insurance Company	152	1.79
DKK-TOA Corporation	101	1.19
J.P. Morgan International Finance Limited	100	1.18

* Stock holding rate is calculated by subtracting treasury shares.

