

CHINO Report 2023



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



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. This new report covers our sustainability-related activities overall while adding 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 FY2022 (April 1, 2022 to March 31, 2023).

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Inquiry: Sustainability Planning Office, Business Management Headquarters, CHINO CORPORATION



A Management Vision for Our 90th Anniversary (2026)



Co-Creation

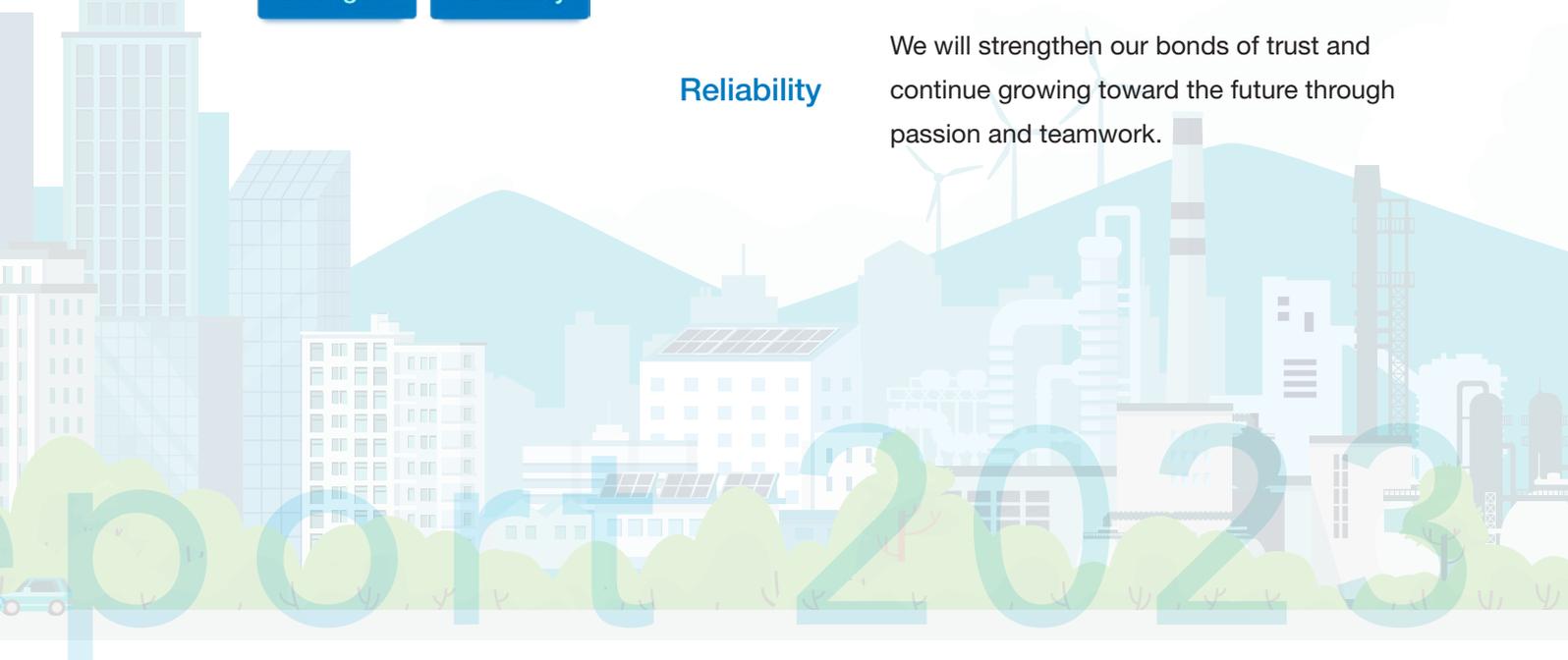
While capturing changes in the environment, we will create new value together with our stakeholders.

Strengths

We will inspire our customers through loop solutions based on our superior technology.

Reliability

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



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Mikio Toyoda
President and CEO

Solidly managing risks and seizing opportunities

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

In the area of logistics issues, an increasing number of customers want to place orders as early as possible as a risk hedge against logistics disruptions, even a year or two ahead of delivery. This has led to an increase in order volume but has also been a factor inflating order backlog, thereby presenting both positive and negative sides.

Regarding the other noted issues, we believe that the market has

expanded greatly due to companies in numerous industries increasing DX- and GX*-related activities aimed at lessening risks in the business environment. While the impact of semiconductor shortages has lessened and has leveled off to an extent, in the area of DX, we expect that if AI technology development further accelerates, capital expenditures will further ramp up in industries including semiconductors and electronic components. Our company must also consider how we will incorporate digital technologies into our work and must urgently tackle how we will incorporate the technologies into the systems and equipment that we provide to customers. Amid such changes in the business environment, we believe that solidly understanding when, where, and what kind of changes are occurring, and thoroughly addressing those changes, will be essential for our growth.

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

Measures formulated in our Medium-Term Management Plan and our accompanying work improvement activities bore fruit in FY2022, resulting in record high order volume, net sales, and operating profit on

* GX (Green Transformation)

Initiatives to transform social systems overall through a switch from fossil fuels that release greenhouse gases to an economy centered on renewable and clean sources of energy such as solar and wind power

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

a consolidated basis. Operating profit, ordinary profit, and net profit all increased between 30% to 40% year on year, greatly exceeding our assumptions under the Medium-Term Management Plan.

In our analysis, the main factors behind this strong performance are a strong propensity toward capital expenditures in industries with which our company deals, and heightened demand for hydrogen energy- and renewable energy-related technologies and products aimed at realizing a decarbonized society. In addition to our heat treating-related core business, sales of hydrogen energy-related products including fuel cell evaluation and testing equipment and water electrolysis evaluation equipment were robust in FY2022, leading to increased net sales. Looking at the renewable energy-related business, in February 2023 Japan’s Cabinet resolved to enact the Basic Policy for the Realization of GX, and in May 2023 the Act on Promotion of a Smooth Transition to a Decarbonized Growth-Oriented Economic Structure (GX Promotion Act) was passed. With the winds of such shared goals blowing across Japan’s business community overall, we believe that the market will continue to expand.

FY2022 marked the Phase 1 “Solidify foundations of growth” period of our six-year Medium-Term Management Plan. We are undertaking initiatives based on “Co-Creation”, “Strengths” and “Reliability” as set out in the Vision of the Plan, and the results of solidifying our foundations are gradually appearing. Among these the three aspects of the Vision, I attach particular importance to the theme “Co-Creation.”

To advance co-creation within the company, such as collaboration between the Development Department and Sales Department or among production factories, we have launched a number of project teams and placed “flag bearer” key persons within them to create a system capable of solidly advancing the PDCA cycle. With the creation of this system and subsequent activities, co-creation within the company is steadily bearing fruit. We intend to expand the scope of co-creation from inside the company to outside as well, and to provide wholly new value to customers through collaboration in which we and our partner companies complement each other in technologies and know-how not held by the other party. Our policy is to actively undertake industrial collaboration between companies as well as industry-academia collaboration with universities and other academic institutions as partners. To lead co-creation outside the company to success, we believe that it is important to dig deeply into our own strengths, solidly hedge against our weaknesses and risks, and have our partners recognize our value.

Balancing long-term growth strategy with enhancement of current profitability

Our company is undertaking a six-year Medium-Term Management Plan with its final year in FY2026, the 90th anniversary of our founding. The plan combines long-term growth and enhancement of cur-

■■■ Top Message

rent profitability by setting a vision for our 90th anniversary year and backcasting from a medium- to long-term perspective, with the aim of achieving our goals for every fiscal year while placing milestones for short spans. However, given the current era of rapid changes in the business environment, we must bear in mind that assumptions will keep on changing. We intend to steadily operate the PDCA cycle every year and move forward to achieve our targets for the final fiscal year while discussing what parts should be changed to adapt to circumstances.

I am convinced that what is most important for companies in seeking long-term growth is people. In Japan in particular, labor shortages caused by a declining birthrate and aging population have come under focus as a potential near-future social issue. The use of DX and AI is under discussion as a means of addressing this. With the times as they are, however, human resources capable of supporting the company during difficult periods are necessary, and we need to foster people to serve as next-generation leaders. I believe that empowering human resources who will lead CHINO CORPORATION from the present to the future, imbuing those people with the ability to consider things naturally and seamlessly and to take action, will be the most sustainable form of management. Stated otherwise, my most important role as the head of management is to hand over CHINO CORPORATION to the next generation while growing the company.

As a specific action, we have given all departments the task of drafting succession plans. While considering how we can nurture people who can shoulder roles, we are carrying out diverse forms of education and training that include exchanges with other industries. Leaders must be convincing in their communications and must have

a magnetism that resonates with others. Flexibility and diversity that are not bound by old values are also indispensable in times of rapid change. If a leader is not someone able to listen to the opinions of different people and build relationships of trust with others, the company itself risks heading in an unexpected direction.

At the same time, I believe that people are also the key to boosting our current profitability. The “Co-Creation,” “Strengths,” and “Reliability” named in our Medium-Term Management Plan can be achieved without the power of people. Based on the three aspects of our Vision, we will actively promote investment in human resources to achieve the targets of Phase 1, “Solidify foundations for growth.” Nurturing individuals has no meaning, though, if the organization is not one in which those people can play active roles. I believe that sound company strategy is also essential for an organization to grow. Sharing our company strategy while piloting CHINO CORPORATION toward a presence as an organization in which all employees consider their own roles in the organization and take action of their own accord—that is the responsibility placed upon me.

Evolving sustainability management befitting CHINO CORPORATION

Our Corporate Philosophy states that we will “contribute to the advance of industry and the realization of tomorrow’s society.” In that way, I believe that our business will support the sustainability of society overall. Our Management Vision, meanwhile, expresses in words the ideal that we hold for ourselves in order to put our Corporate Philosophy into practice. In the belief that practicing the three aspects of our Vision—Co-Creation, Strengths, and Reliability—will lead to “realization of tomorrow’s society,” we are incorporating these into concrete initiatives. “Gather under our Philosophy, take action under our Vision.” That is the essence of CHINO’s sustainable management.

Under such thinking, we established the Sustainability Promotion Council in December 2021 as a body to formulate company-wide policy and deliberate directions for evolving sustainable management befitting CHINO CORPORATION. In October 2022, we launched the Human Resources and Organizational Development Committee as a “flag bearer” to lead specific initiatives based on policies determined by the Promotion Council. In April 2023, we launched the Sustainability Planning Office. To further make the outcomes of specific initiatives visible, in April 2023 we set KPIs for all materialities. Setting these KPIs facilitates the “Check” step of the PDCA cycle in our sustainability activities, allowing the cycle to run more efficiently.



Contributing to the realization of a decarbonized society through our business

Among our many sustainability activities, reducing our environmental load, particularly greenhouse gas emissions, and ultimately aiming for carbon neutrality are important initiatives for our company as a manufacturer. In achieving carbon neutrality, effecting an early transition from fossil fuels to renewable energy sources is essential. Renewable energy sources include hydrogen and biomass, which are capable of generating stable power. In the field of hydrogen energy, we are focused on providing evaluation and testing equipment for fuel cells that generate electricity using hydrogen, and water electrolysis evaluation equipment necessary for producing hydrogen. Many issues remain, such as the provision of measurement and management equipment for improving combustion efficiency in biomass power generation, and sensing technology for managing signs of heat generation at biomass yards. Through our business, we are contributing to the realization of a decarbonized society.

As I've noted, our business supports the sustainability of society overall. In fact, increased sales of products and services related to hydrogen energy was a key factor boosting our performance in FY2022. In relation to renewable energy-related businesses, policies to encourage groundbreaking innovation by industry are gradually being developed, as seen in the creation of the GX Promotion Act in May and the revision of the Basic Hydrogen Strategy by the Agency for Natural Resources and Energy in June. Opportunities for our company to play an active role are expanding.

In May 2022, we declared our endorsement of the TCFD recommendations and set a goal for the group of achieving zero Scope 1 and 2 GHG emissions by 2040. By July 2022, we had completed the switch to renewable energy sources for all electricity used at our head office and at our Yamagata, Kuki, and Fujiooka Factories. We will continue these activities with the aim of switching to renewable energy sources for all electrical power procured by the group in Japan by 2030.

Promoting the management of human capital and accelerating investment in human resources

We undertake human capital management as an indispensable element for sustainability as well as for solidification of our foundations for growth, one of our Medium-Term Management Plan goals. We are also accelerating our investments in human resources. In 2023, wage increases came under attention as a social issue across Japan. We



implemented a regular wage increase averaging 3.52%. In contrast to lump-sum payments distributed for past hard work, we implement wage increases from a desire to provide young employees with fair treatment that incorporates our expectations for future hard work, taking overall balance into account for the past few years in particular.

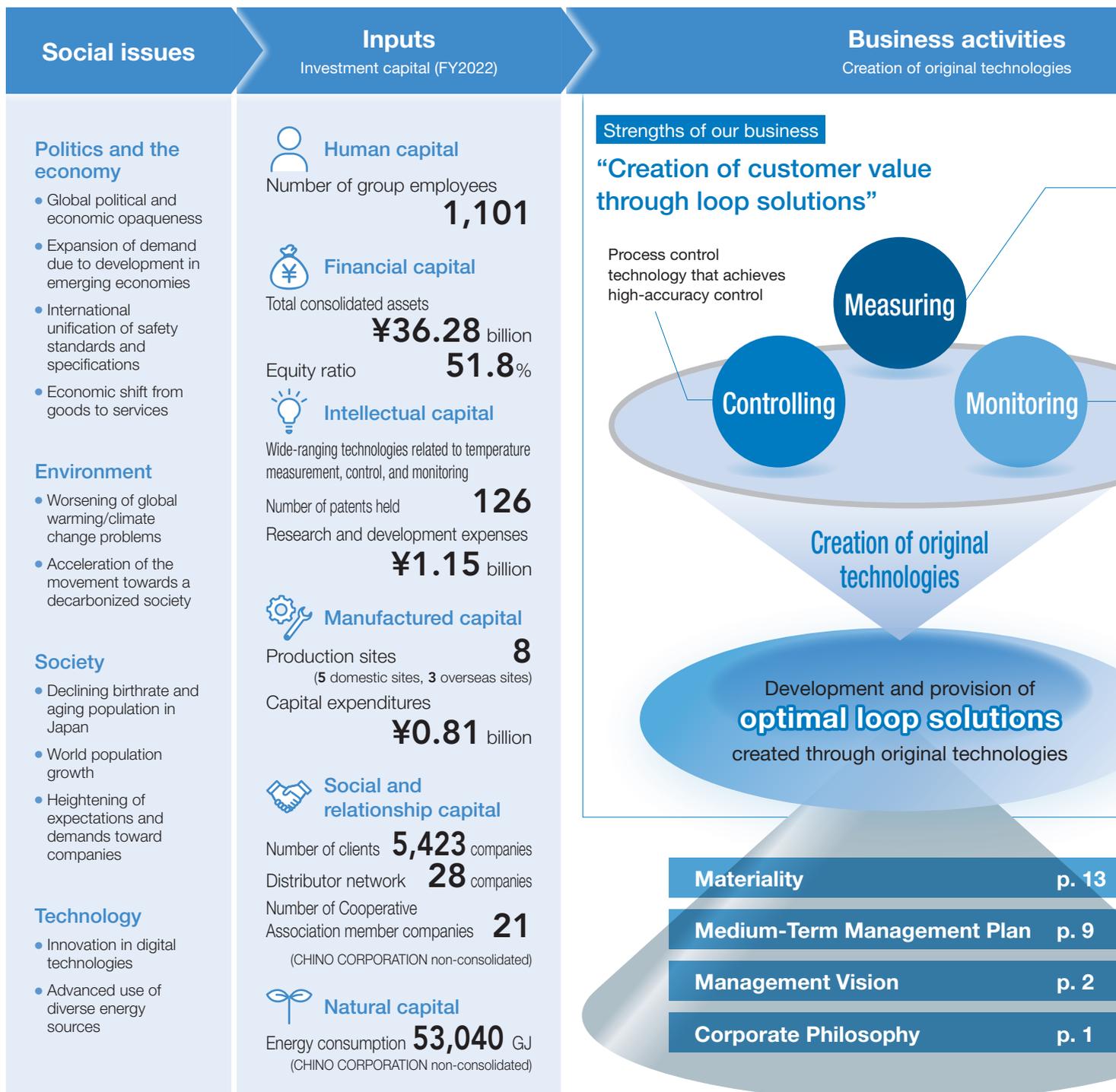
We make investments in human resources not only in terms of wage increases but also in wide-ranging areas that include education, training, respect for diversity, and health and productivity management. These active investments included a 146% year-on-year increase in training by the HR & General Affairs Department, a department that tracks specific figures. We expect investment related to group-wide education and training to further increase to about three times the amount of the previous year. In addition, since the development in FY2022 of a legal framework related to childcare leave by male employees, our efforts to develop programs to accommodate this and foster corporate culture has led to the rate of male employees taking childcare leave increasing to 70.6%. While promoting multi-skill development in employees to facilitate the use of childcare leave by research and manufacturing site employees, we are also investing in digitalization and systematization to provide backup for work during leave periods.

To our stakeholders

I recognize that our company's business environment is undergoing drastic changes. To overcome these circumstances and to realize the vision for ourselves that we have set for our 90th year in 2026, as well as to achieve the final fiscal year targets of our Medium-Term Management Plan, we want to continue advancing cooperation and co-creation with stakeholders, build relationships of trust with customers while creating value with original strengths, and become a company that will realize tomorrow's society. I ask our stakeholders for their continued support.

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.



Outputs

Results of business activities

Outcomes

New value to be created

Products and services with temperature measurement at their core**Measurement and control instruments****Instrumentation systems****Sensors****FY2022 achievements (consolidated)**

- Order volume **¥27.82** billion
- Net sales **¥23.79** billion
- Operating profit **¥2.01** billion
(Operating margin **8.5%**)
- Dividend per share **¥52**
- ROE **8.5%**
- ROA (return on assets) **6.0%**

Load on the environment

- CO₂ emissions **461.38** t-CO₂
(Scope 1, 2)

**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

**Manufactured 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)

Temperature sensing technology capable of measurement of measurement from extremely low to ultra-high temperatures

Development of software technology for integrated management of measurement, control, and monitoring

Progress Toward Medium-Term Management Plan 2026

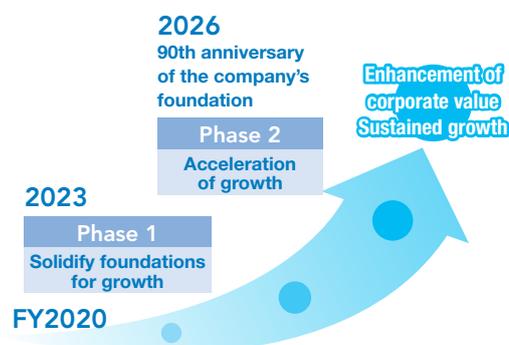
The CHINO Group has formulated a Medium-Term Management Plan (2021-2026) aimed at achieving our vision for ourselves in our 90th year (2026). Our group is working as one to establish a sustainable growth trajectory and enhance our medium- to long-term corporate value.

Overall view of our strategy



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

	FY2021 results	FY2022 results	FY2026 KGI
Net sales (consolidated)	¥21.9 billion	¥23.79 billion	¥30.0 billion
Operating profit	¥1.49 billion	¥2.01 billion	¥2.7 billion
Operating margin	6.8%	8.5%	9.0%
Overseas net sales	¥4.07 billion	¥4.85 billion	¥7.0 billion
ROE	6.1%	8.5%	10.0%
ROA <small>(numerator of ROA is operating profit)</small>	4.8%	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 FY2022

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
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Medical drugs and food management

Logistics

Toward a safe and secure society

In growth areas, we expanded sales of temperature sensors and radiation thermometers for semiconductor manufacturing equipment. In the area of electronic components, we developed heat-resistant thermal imaging equipment for performance/quality evaluation and testing, and proposed new data measurement/analysis techniques. In hydrogen utilization technology for realizing a decarbonized society, we are working to improve our design/manufacturing efficiency and strengthen our production system to meet rapidly growing demand for fuel cell/water electrolysis evaluation equipment. We are also taking on product and market development and the creation of latent demand for sensors that are indispensable in decarbonization, including those related to CCUS and next-generation energy areas.

2

Integration

Enhancement of core businesses and value creation

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

Original technologies (Strengths)

×

Service (Reliability)

=

Creation of emotional value (Co-Creation)

To strengthen our capabilities for the JCSS calibration at the core of our calibration business, the Yamagata Factory received accreditation as a JCSS calibration body. Together with the Kuki Factory, it will meet calibration demand associated with regulatory strengthening. To meet changing customer needs, we are working to develop a maintenance/site visit service structure, share information using DX, and make improvements to work. We are also undertaking the development of cryogenic high-accuracy temperature measuring equipment and tackling value creation and the enhancement of technologies that will allow us to contribute to society as “CHINO, the temperature experts.”

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

With our domestic and overseas sales and service departments working as one to provide services globally, we have established a structure able to satisfy customers who are expanding overseas. We also reorganized our Overseas Marketing Strategy Office under a structure that centralizes and takes in domestic and overseas sales data to engage in product planning that aligns with demand in global niches. In FY2023, we will evolve our overseas group companies from “independence” to “autonomy.” We will work to further boost earnings by expanding “local production for local consumption” through transactions among overseas group companies.

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)

To enhance our human capital, we have deployed new measures including organizational improvement surveys and an e-learning system, based on human resources development and workplace environment development policies established through discussions by the Human Resources and Organization Development Committee. In our ICT platform, we are advancing the digital transformation of business processes in all areas and have constructed a systematic DX human resource development program. While continuing work to strengthen our governance and finances, we undertook actions including TCFD information disclosure, renewal of our annual reports, and enhancement of IR activities to enhance recognition of our company.

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
- Demand in overseas markets (particularly China, South Korea, and India) is growing
- Profit increased from the previous year, mainly due to increased revenue

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

- In decarbonization-related areas, demand is growing for fuel cell evaluation and testing equipment for automobiles and water electrolysis evaluation equipment for research and development into the use of hydrogen energy
- Sales of compressor performance test equipment have recovered due to the demand for natural refrigerant-compatible equipment
- Profit increased significantly from the previous year due to increased revenue, improvement of cost margin, etc.

Sensors

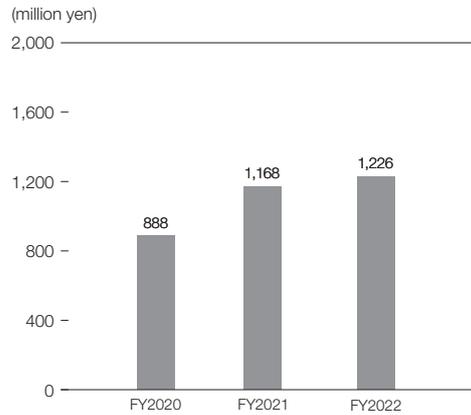
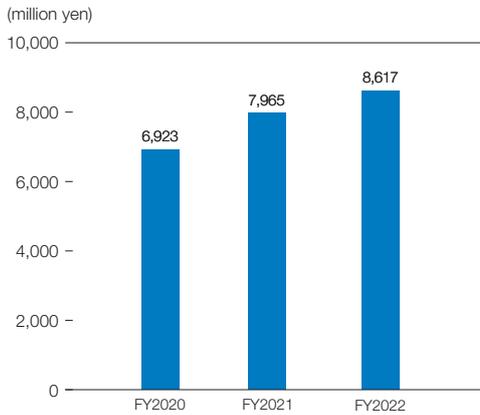
Priority measures

- 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 efforts to create 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
- Impacts of rising cost of materials were absorbed by increased revenue, cost reductions, review of sales prices, etc., with profit remaining at nearly the same level as in the previous fiscal year

Profit and loss



Net sales
8,617 million yen

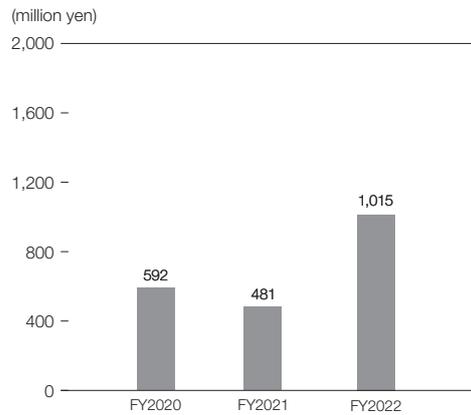
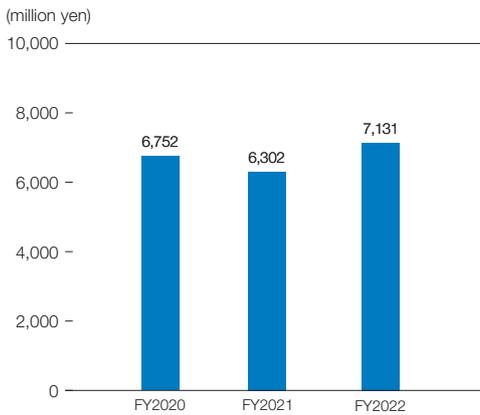
year on year
8.2% ↗

Segment profit
1,226 million yen

year on year
5.0% ↗



Profit and loss



Net sales
7,131 million yen

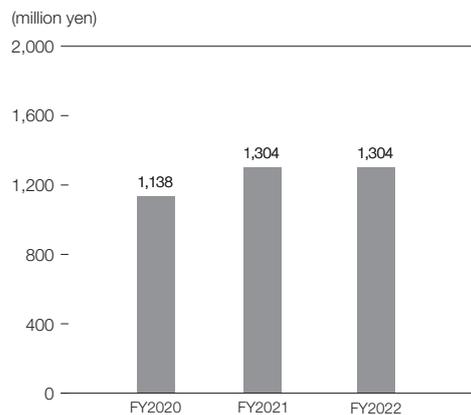
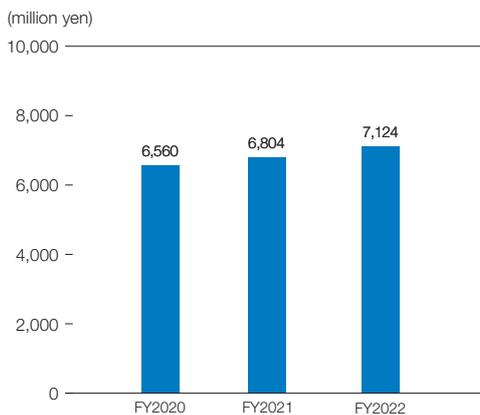
year on year
13.2% ↗

Segment profit
1,015 million yen

year on year
110.9% ↗



Profit and loss



Net sales
7,124 million yen

year on year
4.7% ↗

Segment profit
1,304 million yen

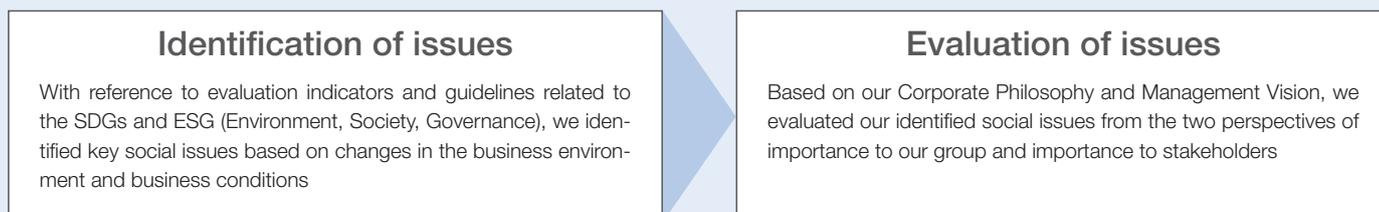
year on year
-0.1% ↘



Key Issues (Materiality) in Sustainability

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



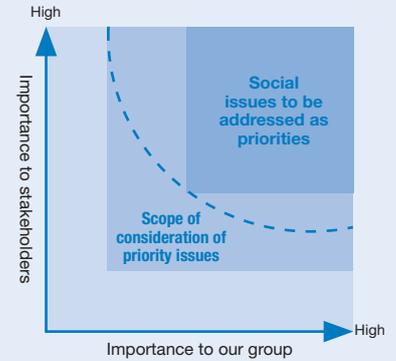
Our group is advancing initiatives aimed at achieving the Sustainable Development Goals (SDGs) through our business.

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
FY2021	FY2022	FY2023	FY2026	Other specific targets	
32.7%	34.3%	36%	Maintain at 36% or higher		 
Result 2,129 t-CO ₂	Result 461 t-CO ₂	75% reduction (compared to FY2020)	90% reduction (compared to FY2020)	100% reduction in FY2040 (compared to FY2020)	 
1.3%	1.5%	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 3.5% Ratio of female executives 26.8%	Ratio of women in management positions 4.4% Ratio of female executives 26.4%	Ratio of women in management positions 5% Ratio of female executives 28%	Ratio of women in management positions 7% Ratio of female executives 30%		
24.3%	22.8%	Active promotion of mid-career hiring			
1.95%	2.13%	2.30%	2.70%		 
31.8%	70.6%	60%	70%	Enhancement of programs	 
6.96 hours per year	8.5 hours per year	9.5 hours per year	10 hours per year		
58.3%	62.6%	65%	75%		
36%	37%	50%	100%		
Cases of improvement 57 (cumulative total, FY2020-2021)	Cases of improvement 28	Continuation			
—	Introduction of surveys	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%		
—	—	100%	100%		
Start of operation	Continuation	Continuation			
Explanation 2 items	Compliance with all principles	Maintenance and advancement of initiatives			 
0	0	0	0		
20	18	Enhancement of quantity and quality of interviews			
20	20	20 or more	20 or more		
Company-wide 8	Company-wide 14	Company-wide 16 or more per year	Company-wide 16 or more per year		 
1H 64.7 2H 68.6	1H 64.8 2H 72.8	75	80		
100% (implementing companies: 6)	100% (implementing companies: 23)	100%	100%		
Consideration of new services websites	Expansion of new services websites	Provision of information on new services websites	Establishment of approach structure for all website visitors	Establishment of 100% follow-up structure (FY2024)	

The 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)



1978

Completion of Kuki Sensor Factory



1990

Completion of the new head office and laboratory buildings



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 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

2013

Installation of photovoltaic
power generation system at the
Yamagata Factory Completion

2012

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

2010

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

1996

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

1994

JCSS national accreditation as a hygrometer 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

2023

Yamagata Factory Customer Satis-
faction Department
JCSS registration and accreditation
for hygrometer calibration

2020

- 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

CHINO DIALOGUE

—Employee Roundtable—

Product Development and Marketing Aimed at the Realization of a Decarbonized Society

The CHINO Group announced its endorsement of the TCFD recommendations in May 2022. In our Medium-Term Management Plan, we established a basic strategy of aiming for carbon neutrality in our group and contributing to the decarbonization of society overall through hydrogen energy-related businesses. This issue of CHINO Report gathered seven employees who deal with decarbonization in their everyday work, centered on members of the Decarbonization Project*¹. The participants discussed the role that CHINO CORPORATION should play in realizing a decarbonized society, addressing the topic from the two approaches of product development and marketing.

*¹ Decarbonization Project: A project to study how CHINO CORPORATION's technologies and products can contribute to the realization of a decarbonized society



Participants

① Takuya Suzuki

Group Leader,
Demand Development
Section, New Business
Development Department,
Yamagata Factory

② Hideo Narita

Group Leader, Sales Technology
Section, Loop Instrumentation
Section 1, Second Instrument System
Department, Instrument System
Management Division, Fujioka
Factory

③ Atsuhiko Hoshino

Group Leader, Sales Technology
Section, First Instrument System
Department, Instrument System
Management Division, Fujioka
Factory

④ Yusuke Kakiichi

Group Leader, Nagoya Sales
Office, Nagoya Branch

⑤ Sakiko Iwagaki

Group 2, Section 1,
Development Department,
Kuki Factory

⑥ Daiki Ojima

Chief Officer, Strategic Planning
Section, Business Strategy Office,
Head Office

Facilitator

⑦ Toshiyuki Oki

Manager, Technology Management Office,
Innovation Center

Conducted at the CHINO CORPORATION head office, July 21, 2023 * Participants' affiliations and titles are as of the time of the Roundtable

Contributing to a decarbonized society through both hydrogen energy utilization and electric power monitoring

Oki: With global warming no longer avoidable, “decarbonization” has become a goal shared worldwide. Today, under the theme of “product development and marketing for the realization of a decarbonized society,” I hope to exchange information on your thoughts and experiences through your work, and to talk about the future of CHINO CORPORATION.

Regarding the use of the renewable energy that is indispensable for decarbonization, and hydrogen energy in particular, the company has a 30-year track record of manufacturing fuel cell evaluation equipment. In that sense, the company can be seen as having contributed to decarbonization for decades. Tell us your thoughts on what further roles CHINO CORPORATION should play in the realization of a decarbonized society.

Hoshino: I’ve been involved in fuel cell evaluation equipment since joining the company over 20 years ago. At the time, even the existence of fuel cells wasn’t well known, and a hydrogen society still sounded like talk of a distant future.

Kakiichi: If you think about it, the situation has completely changed now. Last month (June 2023), the Ministry of Economy, Trade and Industry set its Basic Hydrogen Strategy, broadly calling for the steering of policy toward acceleration of the realization of a hydrogen society. A flow for decarbonization and hydrogen utilization has been created for society overall, and business discussions are suddenly coming up with companies that we haven’t had relationships with but that now want to deploy fuel cells. There are definite movements toward new entry by companies that hadn’t earlier had an interest in hydrogen.



Oshima: There are a number of approaches to hydrogen utilization aimed at decarbonization, going beyond fuel cells and into uses such

as power generation after combination with nitrogen to create ammonia, or transport after catalysis with toluene to reduce volume to 1/500. Effectively combining all of these will likely be necessary to realize a decarbonized society. I think the speed of social implementation will differ by approach, so there’s a question of how we as CHINO CORPORATION can judge the approaches.



Hoshino: Recently, it’s water electrolysis. Interest is shifting from the stage of using hydrogen to that of creating the hydrogen needed in various approaches. The other day, I took part in an exhibition related to green factories to explain fuel cell evaluation equipment. Visitors seemed as interested in the water electrolysis equipment that creates hydrogen as in the fuel cells that use hydrogen.

Iwagaki: The radiation thermometers I work with are often involved in products used by the steel industry, which emits a lot of CO₂ in the production process. The development of hydrogen-reduction steelmaking technology that makes use of hydrogen in manufacturing processes is accelerating, which I think shows a lot of interest in decarbonization and hydrogen utilization. I think it’s important to pay attention to what things interest specific industries.

Kakiichi: Right. The area around Nagoya, which I’m in charge of, is home to a lot of automobile manufacturers and ceramics businesses. There’s considerable need for fuel cells and water electrolysis. Inquiries about water electrolysis to create hydrogen have been increasing recently, so we’re engaging in sales activities while exploring further needs.

Hoshino: In terms of producing hydrogen to contribute to decarbonization, stable generation of “green hydrogen” that emits no CO₂ in the manufacturing process is needed, with hydrogen concentration an example of a key point. It’s the same for temperature, too. I’ve heard that temperature control is vital in the process of hydrogen production. I think that CHINO CORPORATION’s wide range of sensors and advanced sensing technologies can be of use in concentration measurement and temperature management.

Oshima: Without question, the more that decarbonization and hydrogen utilization advance, the more that parameters that need to be managed increase. How to quickly catch up with, that is the question. I feel that CHINO's role in realizing a decarbonized society lies there.

Hoshino: I agree. I think that as we're a sensor manufacturer, we'll face demands for devices capable of compound measurement of temperature as well as of humidity, concentration, the component ratio of CO₂ and other greenhouse gases, and more.

Kakiichi: Hydrogen is hydrogen, but there's methanation technology that synthesizes methane from CO₂ and hydrogen, transportation technology specific to hydrogen, and other modes of involvement way that differ completely by industry. What CHINO can offer to address those differences is vital. I think that's where constituent meters and moisture meters, rather than evaluation equipment, can contribute a lot.



Suzuki: The Yamagata Factory where I'm based manufactures the sensing components of sensors such as hygrometers, gas meters, and thermopiles, and has already begun such initiatives. Recently, we've been investigating the degree of need for CO₂ meters, oxygen meters, hygrometers, and other equipment for companies tackling decarbonization.

Oki: CHINO has various measurement technologies, which I think will no doubt be of use in connection to decarbonization. Ultimately, I feel that the point is how quickly we can catch up with latent needs that aren't yet visible. At the same time, as seen in the many companies that point to 2050 as the deadline for achieving carbon neutrality, it's not yet possible to replace all energy needed at present with hydrogen, solar, or other energy that doesn't emit CO₂. This means that, for the time being, there's a need to reduce CO₂ emissions as much as possible. In other words, we have to tackle "low carbon" as a step on the way to "decarbonization." What do you think CHINO can contribute there?

Kakiichi: Even with customers wanting to tackle decarbonization, rather than jumping right into talk of fuel cells and water electrolysis, there's often talk about a first step of energy conservation, that is, "low carbon." Energy conservation offers the quickest start, so I feel that it's often the starting point toward moving on to fuel cells and water electrolysis as the next step.

Iwagaki: Even inside CHINO, I sometimes feel that energy conservation is insufficient for reasons such as the operation of blackbody furnaces that consume a lot of electricity. I feel it's extremely important to first review power usage in commonly used equipment.

Narita: Talking to staff at customer companies, it seems they're often asked by management and by end users whether they monitor electric power usage. During Sales Technology Group activities, I myself receive a lot of questions about whether electric power usage can be monitored. In response, we launched a new Electric Power Monitoring Project Team. We're first starting a demonstration experiment inside CHINO involving the company's monitoring technologies and its IoT-based energy conservation support. Ultimately, we plan to commercialize it as an electric power monitoring package that we can offer customers. When we started actual monitoring, we found that a small amount of "standby power" was being used even when the equipment was not running. We've started tackling this under the thinking that we need to find and carefully reduce this unnecessary power usage.

Iwagaki: I think that there is going to be a movement in various manufacturing industries to adopt new technologies and equipment for decarbonization, but a lot of the equipment in use at manufacturing sites is still analog. When migrating to new equipment in the future, I think that technology for the ready implementation of functions that contribute to energy conservation will be indispensable, such as high-speed response and building the IoT into equipment.





Narita: Right. The demonstration experiments I'm carrying out is for power meters and other equipment integrated into an in-house IoT system and provided as an electric power monitoring package. We want to satisfy customers by making it easy to install and easy to use.

Suzuki: Using products like MD8000*2, which is manufactured in Yamagata, makes it possible to map too-cold areas and too-hot areas in factories. Making temperature distribution in the factory visual also enables the reduction of wasted energy. However, customers won't know that using CHINO products enables these things if we don't communicate that fact. So, looking ahead, I think we should strengthen our capabilities for communicating information.

*2 MD8000: "Wireless Watcher" wireless logger with monitoring function. This logger enables wireless collection and monitoring of data and centralized management of data on a PC with a single system software.

Narita: How we can make use of existing products and technologies to create the packages and systems needed by customers is important. Also, as there are a great many opportunities to not only deliver products but also to hear inquiries from customers about subsequent engineering, I've also been feeling the importance of communicating information about what CHINO can do.

Oki: Right. I think that solving issues by combining CHINO's technologies and products is a great idea, and I agree that communicating information is important.

Enhancing the quality of communication to grasp true needs

Oki: Our other theme today is marketing. Society as a whole is expected to dynamically change under the keyword of "decarbonization." I want to discuss how we can read the movements of the times and respond to changes in customers' needs.

Kakiichi: I think what's important is enhancing the quality of our communication with customers. As an example, this means discerning through conversations about how customers want to make use of fuel cells and water electrolysis equipment within the process of decarbonization and what their true needs are, to determine what CHINO can specifically propose.

Hoshino: I agree. I think that through communication, we have to draw out the development schedules for decarbonization-related products of customer companies that have an interest in decarbonization, along with their aims in entering markets, the roadmap toward a decarbonized society, and other matters, in order to discern where we should make future investments. I think hearing customers' dreams in terms of how they want to contribute to society even beyond decarbonization, and proposing what sort of cooperation CHINO can offer, is the real appeal of our work.

Oshima: I think that boosting the quality level of our information is a challenge for the future. Marketing is meaningless if not carried out continuously, so we have to update it to match the times and changes in customers' needs.





Narita: CHINO engages in an extremely wide range of businesses. If we can aggregate the knowledge held by individual departments, the number of things that we can achieve will also increase. Given the wide-ranging knowledge held by the group overall, I feel that if we can bring together and leverage our knowledge we can deliver further synergistic effects.

Kakiichi: In that sense, I think the launch of the Decarbonization Project is extremely significant, and I strongly feel that diverse information is actually being collected from departments. I think that this project is already yielding some synergistic effects, as in teams within the project announcing details of their activities based on that information.

Oshima: Recently, there was a change in an aspect of our Management Vision from “Solidarity” to “Co-Creation.” I feel that taking action based on this vision of “Co-Creation” will bring in a lot of information. The Decarbonization Project is a good example of co-creation. However, as we advance co-creation with parties outside the company in the future, I think we’re not going to be selected as co-creation partners if we don’t have knowledge of customers’ issues and a broader product lineup.

Suzuki: That’s a concern that I have, too. I’m on the sensor utilization team within the Decarbonization Project Team, where dew point thermometers have been a big topic recently. This is a measurement instrument used for environmental management in moisture-averse

areas, like secondary battery and semiconductor factories. Lately there has been increased need for sensors capable of measuring lower dew points. As our sensors lack that sensitivity, there have been opinions that we need to develop a new sensor for low dew points if we’re to be chosen by customers.

Kakiichi: As water electrolysis technology advances, we’re also going to need high dew point sensors. Moisture measurement is of particular importance in water electrolysis, so we have to be able to meet needs for both low and high dew points.

Hoshino: In the area of hydrogen energy usage, high pressure will be a particular issue. At the stages of storing and carrying hydrogen generated through electrolysis, “high-pressure hydrogen” is a keyword. The stages up to producing hydrogen may be carbon neutral, but that becomes meaningless when CO₂ is emitted in storage and transport. So, reducing volume even a bit through high pressure is seen as important.

Oki: I think discussions pinpointing places where technologies and products can be used are easy to arrive at when the producer side and user side successfully share information. So, I thought it would be good if there’s a shared understanding across the company, not only among today’s Roundtable participants, on the huge importance in marketing of information sharing both inside and outside the company.





The value creation that CHINO should seek in the future

Ok: Moving toward the end, I'd like to change the perspective a bit and talk about the future. Feeling free to go beyond decarbonization, are there things you want to tackle in your work from here on out?

Narita: In line with our self-description as "CHINO, the temperature experts," we provide society with a variety of products centered on measuring temperature. But I'm aware of the fact that this act of measuring temperature itself consumes energy. I think that if we can develop products able to perform measurement without using any energy, we'll exert greater strength as "the temperature experts."

What's more, decarbonization encompasses the perspective of absorbing CO₂ as well as not emitting CO₂. So, I've long been thinking about whether CHINO can contribute in terms of CO₂ absorption. Reduction of CO₂ is being carried out everywhere. Is there some way to instead absorb it and turn it into energy? Taking on such a new challenge would be good, I think.

Ok: It would be ideal if we could come up with products that have that sort of impact and run on zero energy. I think that would require a considerably high level of innovation, though...

Kakiichi: What's currently close to that is methanation technology that synthesizes methane from CO₂ and hydrogen. However, this has the problems of manufacturing capacity that's low for the size of the equipment and too high a cost.

I also have a high interest in performing measurement using as little energy as possible. For example, in the water electrolysis that produces hydrogen, there's not a great need for diverse operation modes in evaluation equipment. I think this can be simplified from what it is now, with attendant reduction in amount of electric power required for operation. In our company's case, development will inevitably originate in customers' needs. But if we become able to propose refinements by CHINO that contribute to decarbonization, we should be able to take better approaches to a hydrogen society.

Hoshino: Things are certainly moving too quickly in decarbonization, and in many cases customers' marketing has yet to catch up. So, if we can instead propose the directions they should aim for, I think we can expect further advances in the decarbonization market.

Suzuki: In terms of strengthening our proposal capabilities, my thoughts are the same. I want to tackle sensing technology that moves a step ahead of our customers and develop measurement products not yet found in our lineup.

Oshima: There was some talk about methanation earlier. What interests me is ammonia. Ammonia is produced by synthesizing hydrogen and nitrogen. While it's attracting attention for contributing to decarbonization as a next-generation, CO₂-free source of energy,

most chemical fertilizers used in agriculture have ammonia as a raw material. Since the emergence of the situation in Ukraine, food issues has worsened at the global level. I feel that how the world views ammonia and the hydrogen at its source has completely changed since the Ukrainian situation. I'd only viewed hydrogen from a perspective of energy usage in Japan, but from here on out I want to consider CHINO's contribution through hydrogen utilization from more global and diverse perspectives.



Iwagaki: Taking part in this discussion today, I was able to learn about the importance of developing products with value that we can propose to customers with confidence, and of always staying on the lookout for new things. I still lack knowledge of decarbonization and an experienced recognition of how the products I've developed are used, but I want to tackle product development that makes use of what I've learned here, such as the importance of sharing information.

Ok: CHINO has truly diverse technologies cultivated over the years. I think today let me realize anew that new solutions born when these technologies are brought together, not scattered, hold incredible power. For decarbonization in particular, having been involved in fuel cells as a pioneer in hydrogen energy utilization is extremely valuable. I realized that CHINO can definitely make great contributions to the decarbonized society of the future. Thank you all for your valuable comments.

FY2022 Performance Highlights

Financial

Orders received and net sales



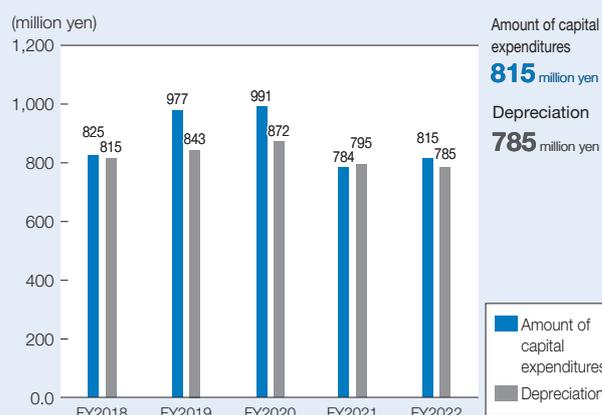
Total assets / Net assets / D/E ratio



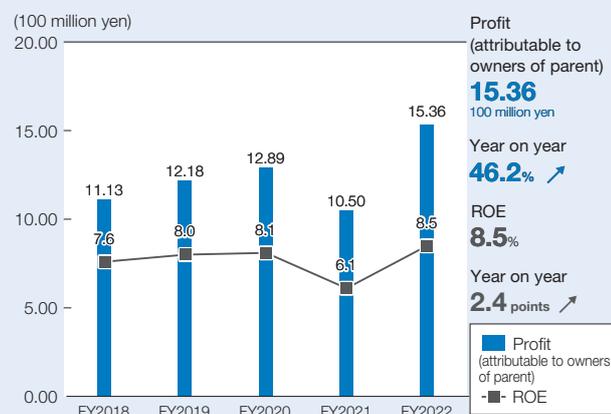
Operating profit and operating margin



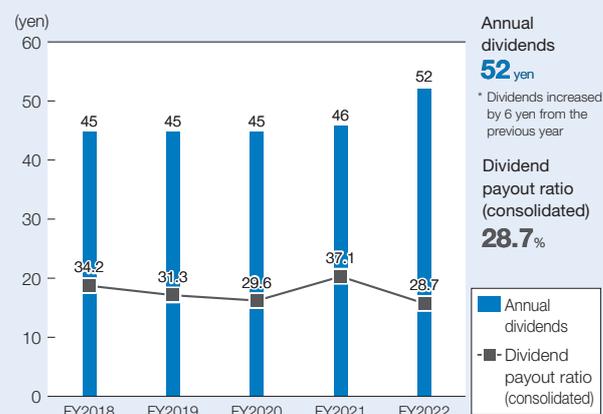
Amount of capital expenditures / Depreciation



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



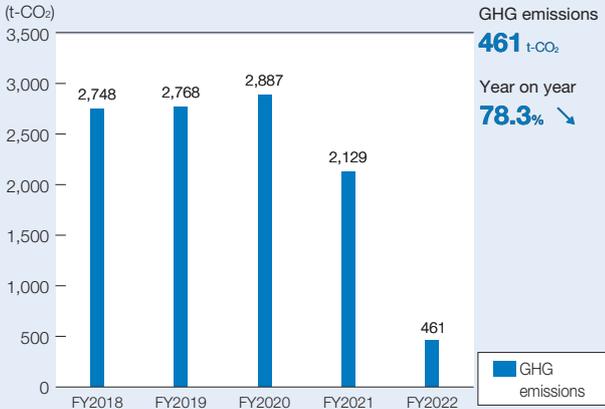
Dividends per share / Dividend payout ratio (consolidated)



* 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

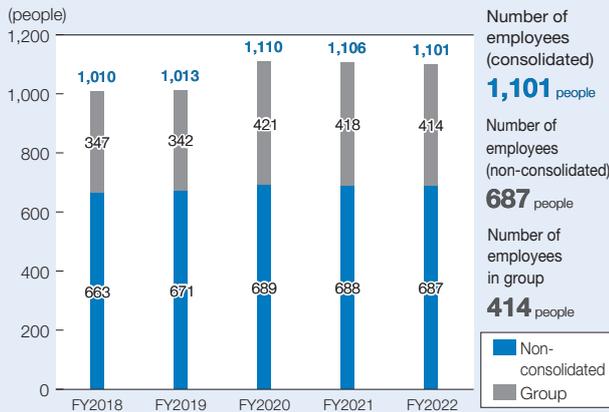
GHG (greenhouse gas) emissions (Scope 1, 2)



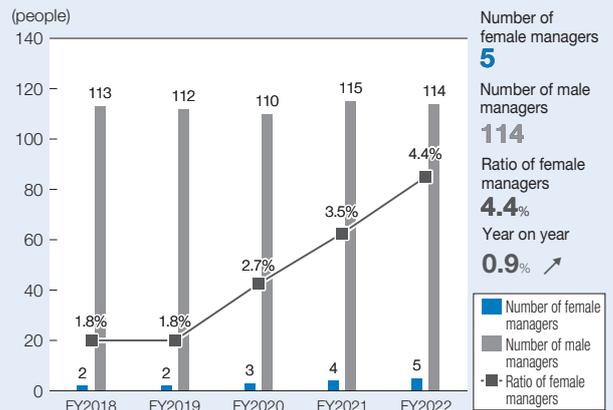
Waste volume and intensity



Number of group consolidated and non-consolidated employees



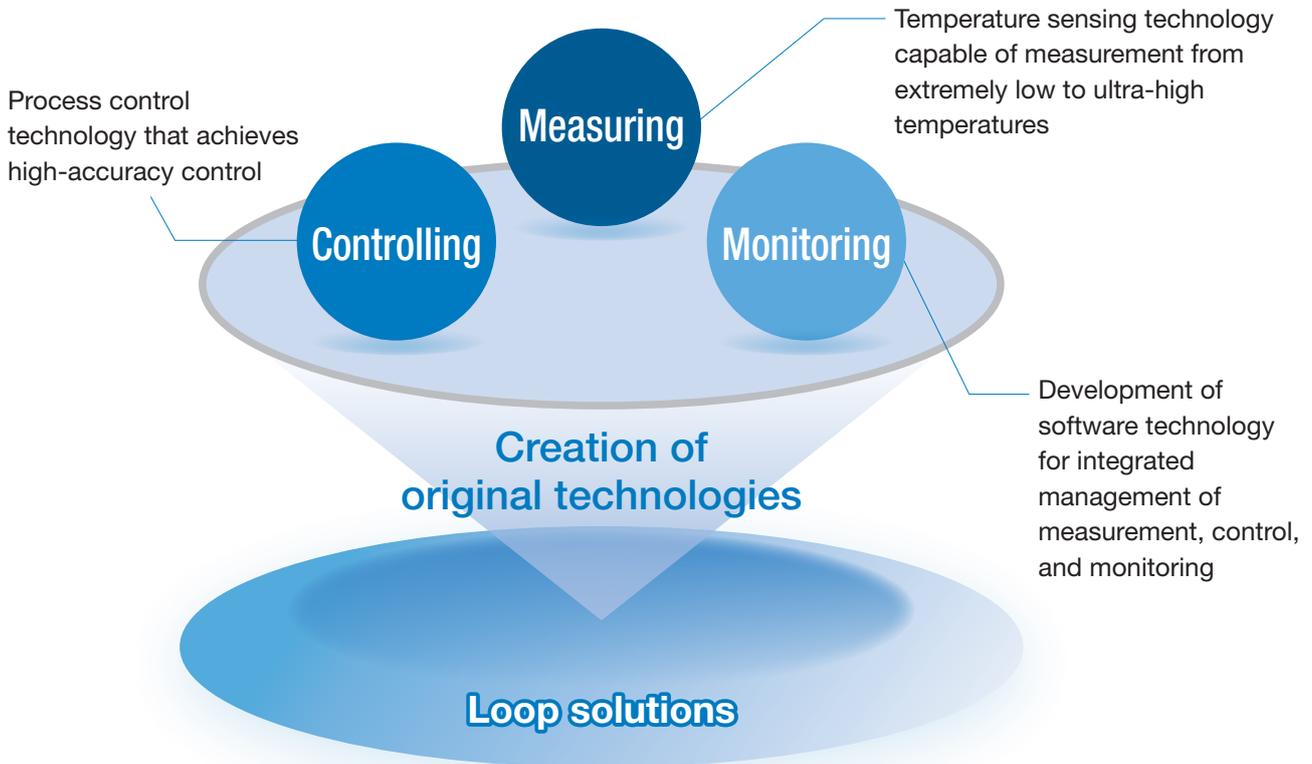
Ratio of female managers



Introduction to Our Businesses and Products

Strengths of our business

“Creation of customer value through loop solutions”

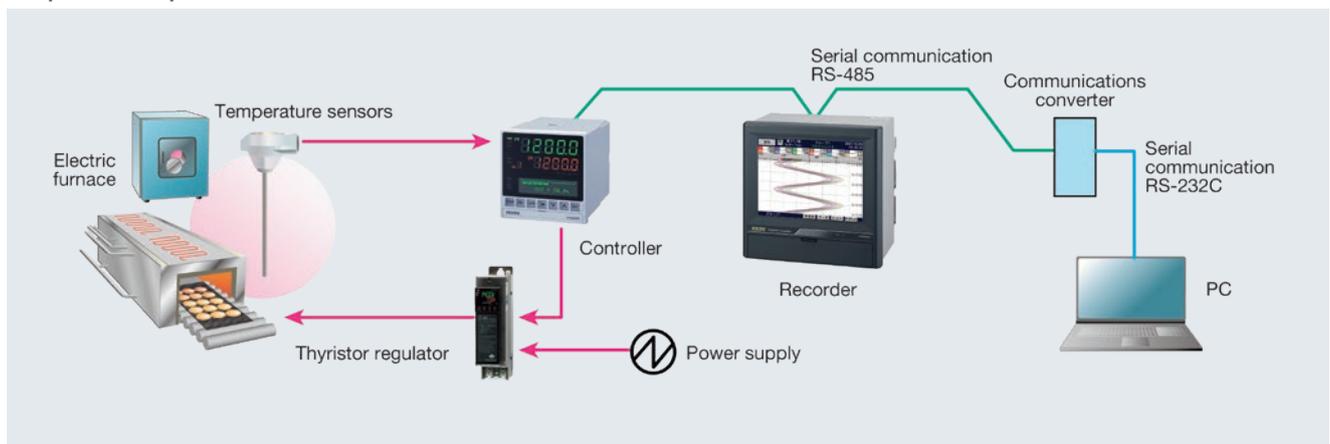


Loop solutions

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

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 flow



Technologies in which we have strengths

Measuring

Temperature sensing technology capable of measurement from extremely low to ultra-high temperatures

Our temperature sensing technology is capable of measurement from extremely low -269°C to ultra-high 3500°C temperatures.

We further pursue greater accuracy in temperature measurement and uphold the measurement accuracy of national standards as an accredited and registered business operator for temperature and humidity under the Japan Calibration Service System of the Measurement Act.

Controlling

Process control technology that achieves high-accuracy control

Our control technology enables quick, accurate control of temperature, humidity, pressure, flow rate, dew point, and other parameters under varied conditions. Our original control algorithms also contribute to greater efficiency and energy conservation at manufacturing sites, including in temperature control of furnaces that consume large amounts of energy.

Monitoring

Development of software technology for integrated management of measurement, control, and monitoring technologies

We are developing dedicated software technology for integrated management of measurement, control, and monitoring of temperature and other subjects. Our monitoring technology enables the building of systems matched to customers' purposes. We combine these technologies to support manufacturing, transport, and evaluation and testing of all kinds.

The strengths of CHINO CORPORATION

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

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



Overview of Our Business and Products

Main products

Measurement and control instruments

Accurate recording and control of measured data enables enhancement of quality in manufacturing and the assurance of safety and security.

Recorder

Controlling

Monitoring

This equipment records measured data on chart 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.



Hybrid Memory Recorder AL4000 Series

This recorder simultaneously records data on chart paper and SD card. Saved data can be played and analyzed on a PC using the included package software.

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

Based on measurement, control, and monitoring technology, we design instrumentation systems, including application software, matched to customers' purposes. We offer varied evaluation and testing equipment and package software.

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.

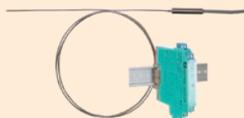
Sensors

Accurate measurement is vital in manufacturing. In addition to sensors that accurately measure temperature, we provide sensors that measure humidity, gas concentration, moisture, film thickness, and more.

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

These 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 measuring range of 0°C to 3500°C, a digital temperature display on the unit body, and measurement 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 measuring range of -40°C to 300°C.



Wireless logger

Measuring Monitoring

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



Wireless Logger with Monitoring Function MD8000 Series

Through a single receiver, this equipment is able to collect measured data sent wirelessly by up to 60 distributed transmitters, compiling the data and performing alarm monitoring on a PC.

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 controller 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

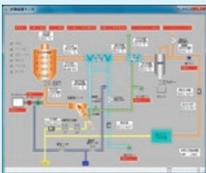
This package system uses our measurement and control instruments as system components to compile data and monitor devices and facilities via PC.



Data Acquisition and Monitoring Package System CISAS/V4

This system enables flexible, clean, and highly visible management of data with up to 5,000 tags through easily operated screen configuration. It is equipped with full functionality for data compilation, alarm monitoring, and security.

Monitoring via network client (optional software) can be performed on multiple PCs.



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

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 extremely low 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.

Adopted by the national standards organizations of 22 countries

We engage in the business of **calibration and correction** of temperature misalignment and errors in customers' sensors and our own sensors. In addition, as a nationally-recognized registered business operator under the Japan Calibration Service System of the Measurement Act, we are able to issue certificates having validity **equivalent to those issued by the national government**.

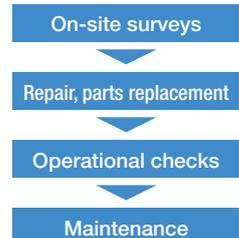


The Calibration Engineering Department of CHINO CORPORATION is accredited under the Japan Calibration Service System (JCSS), which operates in accordance with the ISO/IEC17011 accreditation scheme using ISO/IEC17025 as its accreditation standard. IAJapan, the accreditation body of JCSS, has signed mutual 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



Overview of Our Business and Products

Toward the realization of a sustainable society

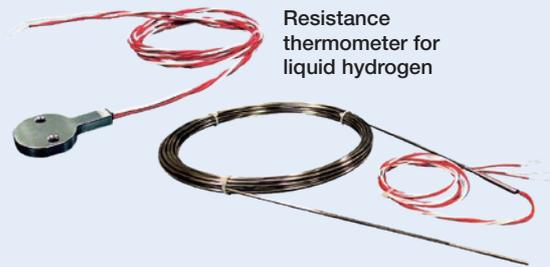
With a safe and secure future society as our aim, we engage in thorough information gathering and market analysis related to decarbonization and other technologies required by industry, and develop products and systems that meet market needs.

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.



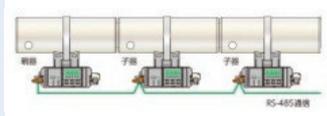
Our equipment can be installed in challenging locations in direct contact with liquid hydrogen at -253°C , providing accurate temperature measurement and control even through long hours on rolling seas.



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.



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

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

Temperature Controller for Piping LH



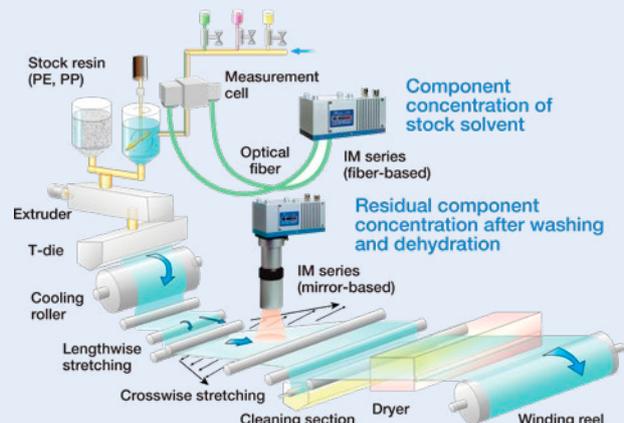
Infrared Moisture and Thickness Gauge IM Series

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



DX-related

We offer systems for centralized monitoring of equipment in factories to support digitalization at manufacturing sites.

- We build and provide systems using CISAS/V4.
- Heatstroke index monitoring can be built into systems at manufacturing sites to enhance factory utilization rate as well as the safety and security of employees.
- For the medical and pharmaceutical fields, we provide systems that conform to Part 11 rules concerning electronic records and electronic signatures.

Example of system configuration:
centralized monitoring system, CHINO CORPORATION Fujioka Factory



Medical drugs and food management

In the medical and pharmaceutical fields that relate directly to our lives, highly accurate temperature control is always required in manufacturing processes as well as in storage and transport.

(1) In drug warehouses



Wireless Logger with Monitoring Function MD8000 Series

(2) In medical refrigerators



Graphic Recorder with Measured Data Protection KR2000 Series, etc.

(3) In transport trucks



Real-Time Wireless Logger MZ Series

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.



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.



Corporate Governance

List of Senior Executives (as of June 29, 2023)

	<p>Mikio Toyoda President and CEO</p>	<p>Apr. 1981 Joined the Company Jun. 2012 Director, General Manager, Fujioka Factory Oct. 2014 Director, General Manager, Fujioka Factory, Equipment Products Development Center Jun. 2015 Director and Managing Executive Officer, General Manager, Fujioka Factory, Equipment Products Development Center Jun. 2016 Director and Managing 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)</p>
	<p>Takao Shimizu Director and Senior Executive Officer</p> <p>In charge of Group Technical Management, Director, Innovation Center</p>	<p>Apr. 1976 Joined the Company Jun. 2009 Director, Measurement Technology Development Center Jun. 2013 Director and Managing Executive Officer, R&D Center, General Manager, SST Division Sep. 2014 President of AR'S Corporation Limited (To the present) Jun. 2015 Director and Managing Executive Officer, R&D Center Jun. 2017 Director and Managing Executive Officer, R&D Center, General Manager, Kuki Factory Feb. 2018 Director and Managing Executive Officer, General Manager, Kuki Factory May 2018 President of Asakawa Lens Works Co., Ltd. (To the present) Jun. 2021 Director and Managing Executive Officer, General Manager, Kuki Factory, In charge of Group Technical Management Oct. 2021 Director and Managing Executive Officer, In charge of Group Technical Management, Director, Innovation Center Jun. 2023 Director and Senior Executive Officer (To the present)</p>
	<p>Akihiko Nishiguchi Director and Senior Executive Officer</p> <p>Executive Manager, Sales Headquarters and Branch Manager, Eastern Japan Branch</p>	<p>Apr. 1982 Joined the Company Jun. 2011 Director, Branch Manager, Osaka Branch Jun. 2013 Director, Branch Manager, Osaka Branch, Chinese Business Unit Feb. 2014 Director, Managing Director, Shanghai Dahua-CHINO Instrument Co., Ltd. (seconded) Jun. 2015 Executive Officer, Managing Director, Shanghai Dahua-CHINO Instrument Co., Ltd. (seconded) Jun. 2019 Director and Managing Executive Officer, Chinese Business Division, Managing Director, Shanghai Dahua-CHINO Instrument Co., Ltd. (seconded) Jun. 2021 Director and Managing Executive Officer, Executive Manager, Overseas Business Headquarters, Deputy Executive Manager, Sales Headquarters Apr. 2022 Director and Managing Executive Officer, Executive Manager, Sales Headquarters, Branch Manager, Eastern Japan Branch Jun. 2023 Director and Senior Executive Officer (To the present)</p>
	<p>Manabu Matsuoka Director and Managing Executive Officer</p> <p>Executive Manager, Quality Headquarters</p>	<p>Apr. 1981 Joined the Company Jun. 2014 Director, General Manager, Instrument System Management Division at Fujioka Factory Jun. 2015 Executive Officer, General Manager, Instrument System Management Division at Fujioka Factory Jun. 2016 Managing Executive Officer, General Manager, Fujioka Factory, General Manager, Instrument System Management Division Feb. 2018 Managing Executive Officer, Executive Manager, Innovation Center Jul. 2019 Managing Executive Officer, Executive Manager, Innovation Center, Executive Manager, Production Innovation Headquarters Feb. 2021 Managing Executive Officer, Executive Manager, Production Innovation Headquarters, Executive Manager, Quality Assurance Headquarters Apr. 2022 Managing Executive Officer, Executive Manager, Quality Headquarters (To the present) Dec. 2022 President of SANKI KEISO CO., LTD. (To the present) Jun. 2023 Director and Senior Executive Officer, Quality Headquarters (To the present)</p>
	<p>Tatsuyoshi Yoshiike Director (Outside)</p>	<p>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)</p>
	<p>Kazuo Ikuta Director (Outside)</p>	<p>Jul. 1991 Secretary General, Japan Measuring Instruments Federation May 1998 Executive Director and Secretary General, Japan Measuring Instruments Federation May 2008 Senior Executive Director, Japan Measuring Instruments Federation May 2014 Special Adviser, Japan Measuring Instruments Federation Jun. 2016 Outside Director, the Company (To the present)</p>
	<p>Yukinobu Miki Director (Outside)</p>	<p>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</p>



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 Managing Executive Officer, Prince Hotels, Inc.
Apr. 2015 Executive Vice President, SEIBU CONSTRUCTION CO., LTD. (To the present)
Jun. 2023 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 Promotion
Department

Corporate Governance

Message from Outside Directors



Tatsuyoshi Yoshiike
Outside Director



Kazuo Ikuta
Outside Director

Enhancing corporate value through “Co-Creation” with stakeholders

Since its founding, CHINO CORPORATION has contributed to the advance of industry and the resolution of social issues through the businesses of measurement, control, and monitoring. Under its corporate philosophy, the company will continue to challenge the boundaries of these businesses, offer optimal solutions for varied fields of industry, and contribute to the realization of a better society. In recent years, the company has also faced demands to solidly address corporate social responsibility (CSR) and environmental, social, and governance (ESG) issues. In March 2021, it announced a new Medium-Term Management Plan and clarified its vision for itself in its 90th anniversary year of 2026. It also set “Co-Creation,” “Strengths,” and “Reliability” as its three Core Values and Management Vision. “Co-Creation”, a newly added message, symbolizes the company’s stance of aligning closely with society. Through co-creation with individual stakeholders, the company will aim to create more evolved value. The company is supported by customers, shareholders, business partners, employees, related industries, local communities, and other varied stakeholders, and cannot exist solely on its own. Moreover, individual stakeholders and the company’s value creation do not exist independently in relation to each other, but rather in deeply interconnected relationships. Enhancement of employees’ capabilities enhances business value and leads to high-satisfaction customer value. The resulting enhancement of performance also improves shareholder value and value for business partners, and further enables positive contribution to local communities. If the company is able to make the chain of co-creation a reality at a high level, I think results will naturally come out.

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.

About the company’s corporate governance

The corporate governance of the company makes its fundamental concept the construction and maintenance of a management system that is highly sound, transparent, objective, and efficient in order to realize medium- to long-term enhancement of corporate value and sustainable growth. The foundation for its structure consists of a Management Conference and a Board of Directors and Audit & Supervisory Board originating in general meetings of shareholders, plus the introduction of an executive officer system and a Nomination and Compensation Advisory Committee that has independent outside directors as the majority of its members. The executive officer system serves to clarify the division between top management decision-making/supervisory functions and business execution functions, and to carry out quick and agile management. The Nomination and Compensation Advisory Committee is set as an advisory body to the Board of Directors to ensure objectivity and transparency in procedures for the selection and dismissal of directors and executive officers and in procedures for examination and determination of matters including compensation. I also participated as a member in discussions by the Nomination and Compensation Advisory Committee. We revised the executive compensation system to abolish retirement benefits to boost the weight of performance-linked compensation, and create a structure that adds stock compensation as a medium- to long-term incentive.

To build relationships of trust with all stakeholders, we strive for prompt, accurate, and impartial disclosure of important information concerning the company.

As such, the corporate governance of the company fully complies with the current corporate governance code and functions soundly.

Accelerating the promotion of women in companies is considered a pressing issue for the future growth of Japan’s economy as well. Companies listed on the Prime Market must address a requirement to appoint at least one female senior executive by 2025 and 30% or more by 2030.

Monitoring to ensure that corporate governance is functioning soundly is another duty of outside directors. I will continue making efforts to fulfill the roles of an outside director.



Message from an Outside Auditor



Yukinobu Miki
Outside Director

CHINO CORPORATION's initiatives toward sustainable development

I was appointed an outside director following approval at the general meeting of shareholders held in June of last year. Since then, I have striven to objectively monitor CHINO CORPORATION's business with the standpoint of shareholders in mind. I would like to take up some topics concerning several of the company's initiatives for the future that I considered important through a year of activities.

The first is initiatives related to corporate governance. CHINO CORPORATION conducts regular self-assessments of the effectiveness of its Board of Directors, and works toward transparent, rational management of the company through a variety of improvements to themes for discussion, ways to move forward, and so on. These continuous initiatives are expected to enable more apt judgment.

Next is initiatives for technology development. Based on fundamental technologies for temperature measurement, monitoring, and control that are the company's current strengths, CHINO CORPORATION is making efforts toward development in new fields, particularly measurement and monitoring technologies related to hydrogen energy. As technologies that will support the foundations of the coming hydrogen-based society, I think that progress in these activities is highly significant in terms of meeting demands of society.

Third, I want to comment on digital transformation (DX). Based on latest technologies, CHINO CORPORATION and the group are advancing plans to provide customers with network-enabled measurement and monitoring systems, and internally are advancing centralized aggregation, sharing, and utilization of information, along with its active use in the production of products. Such continuous efforts can be expected to yield streamlining and enhancement of work, as well as the provision of new services.

As I've noted, CHINO CORPORATION engages in forward-looking initiatives for sustainable development. As a director expected to have skills in research, development, and manufacturing, I also want to be appropriately involved in new technology development.



Kazuhiko Yamashita
Outside Auditor

Taking the present as an opportunity and making adaptability to change a cornerstone

Our present era has been called an era of VUCA for some time now. The business environment around us is constantly changing, and we do not know where it will rest. Darwin's statement that those who best adapt to change are those who survive goes without saying. Ongoing self-transformation can be seen as the minimum-fare ticket to sustainability.

The current Medium-Term Management Plan adopts a challenging construction focused on new themes and areas, while reorganizing the Management Visions and basic strategies in line with the demands of the era. Along with ESG management and strengthening of CSR, social issues that should be addressed can also be seen as opportunities.

As an auditor since June 2017 and 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 have also visited subsidiaries and business sites at times.

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, too, I believe that exchange of opinions from varied angles has been suitably secured, but PDCA must be employed to achieve further heights. The Board of Directors tends to place a focus on "supervision of management," which carries a strong image of protectiveness. In the future, "aggressive governance" will also increase in importance. The reason for this is that amid drastically changing conditions at ever greater speed, scenarios for taking risks and steering the company's management will increase.

In today's age of the genome, the earlier mentioned theory of evolution is apparently interpreted to state that creatures that were born with mutations and eventually adapted to their environments were the creatures that survived. However, it was still the environment that provided the direction. I believe that building a resilient corporate culture that overcomes the rough seas of change is an urgent matter facing the company.

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 2023)

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 elected at 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 FY2022, 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 FY2022 to deliberate on matters including the executive officer system, performance-linked compensation, and successor planning, and reported to the Board of Directors.

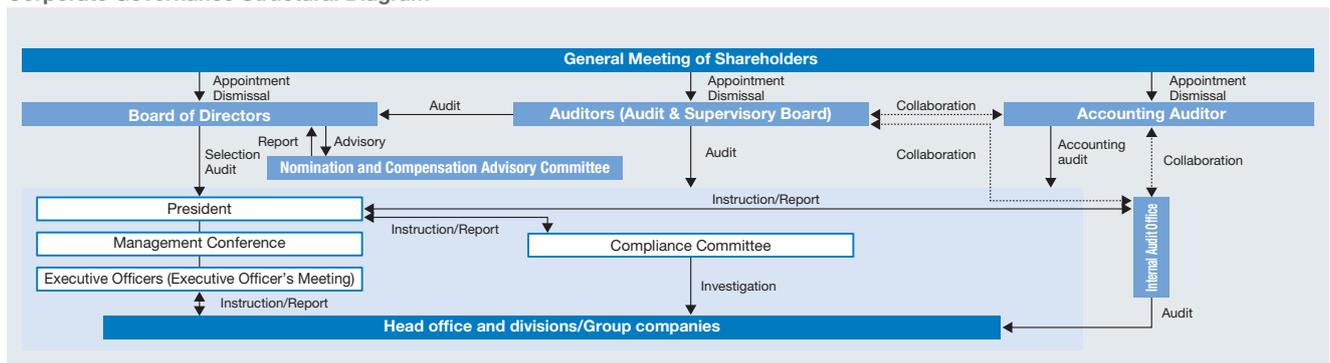
Management Conference Number of members: 9

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.

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.

Corporate Governance Structural Diagram



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. While operation of the Board of Directors has been evaluated to be generally appropriate overall, the company recognizes the need to deepen discussions concerning medium- to long-term management strategies and the diversity of the Board of Directors. It will focus on initiatives toward improvements and will continue to study measures aimed at enhancing the effectiveness of the Board of 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	●		●			●	●
Kazuo Ikuta	Outside Director	●	●				●	●
Yukinobu Miki	Outside Director	●	●		●		●	

* The top four skills expected of each director (excluding the representative director)

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 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 is fixed monthly compensation, set in accordance with the roles and positions of individual directors and executive officers.
- Performance-linked compensation varies with respect to basic amounts set by role and position, in accordance with company performance and evaluations of individual 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 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 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 results 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, the company stably and continuously pays dividends with a consolidated dividend payout ratio of 30% as a guideline, 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.

We also flexibly consider and implement the acquisition and cancellation of treasury stock from the standpoint of enhancing capital efficiency.

Communication with shareholders and investors

In addition to financial results briefings for institutional investors and analysts held twice a year (with 63 participants in FY2022), the company holds individual IR meetings as required throughout the year (19 meetings in FY2022). At the financial results briefing held on June 20, 2023, the company offered a financial results summary for FY2022 and discussed the state of its progress during the second 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.



Financial results briefing for institutional investors held in June 2023

Compliance

Fundamental approach

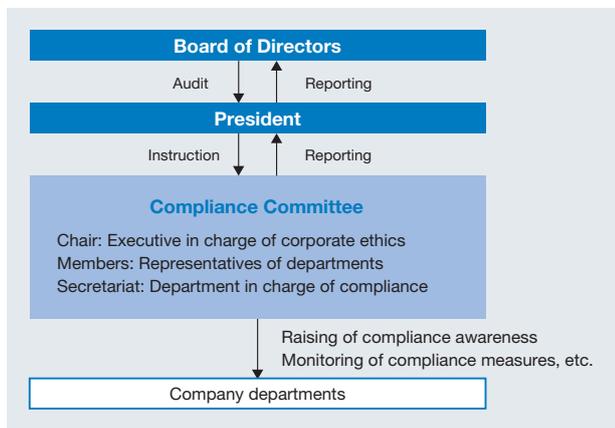
Our company recognizes that the establishment of compliance forms the basis of CSR management and is crucial to enhancing the trust of all of our stakeholders. We will continue initiatives aimed at awareness-raising and at everyday practice of compliance by all executives and employees.

Compliance promotion structure

Our company has established a Compliance Committee, chaired by the 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.

The Sustainability Planning Office 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.

Compliance promotion structure



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 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 designate those risks with a high degree of impact on management and high probability of occurrence 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.

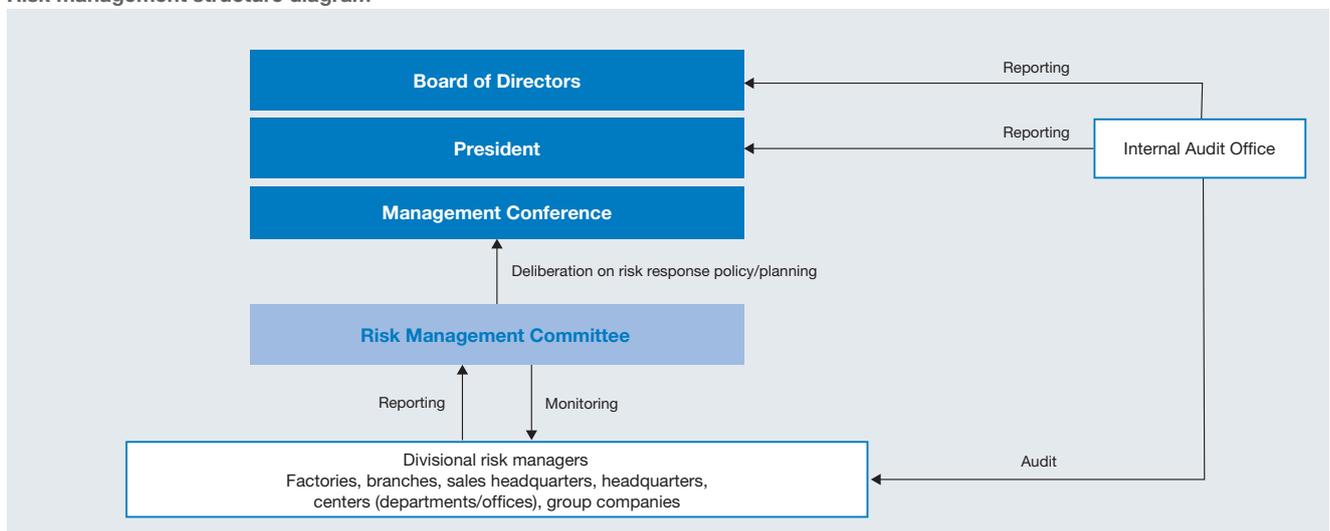
Addressing disaster risk (BCP)

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. While making efforts toward education to ensure information security for all employees, we are performing necessary environmental enhancements to further strengthen our functions for detection and defense against cyber attacks.

Risk management structure 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 become constrained and costs become 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 share information with overseas group companies and engage in appropriate monitoring.
(4) 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.	We will protect confidential and personal information, develop systems for the proper management of said information in business activities, 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 that stagnation in domestic and overseas production and sales activities occurs due to the repeat spread of COVID-19 or the spread of other infectious diseases.	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.

Risk Management

Information disclosure based on TCFD recommendations

Basic approach to addressing the climate change problem

The CHINO 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 recognition of the importance of climate change-related information disclosure, in May 2022 our group endorsed the TCFD recommendations. We will take this as an opportunity to further strengthen our analyses of the risks and opportunities that climate change poses to our business, and will enrich our information disclosure in line with the TCFD recommendations.

Information disclosure in line with the TCFD recommendations

1. Governance

We established the Sustainability Promotion Council in January 2022. Chaired by the President, this organization examines and deliberates on basic policy and key measures concerning sustainability management. The council communicates to all members of top management the message that addressing climate change is a highest-priority issue (materiality) in sustainability management, and formulates related action plans and reviews their progress. As an organization that engages in “middle-up” study and recommendations concerning the issue, we also established the Decarbonization Project charged with marketing and solution proposals for the decarbonization market, as

well as the CSR Promotion Project charged with deepening business activities involving materiality, with a focus on addressing climate change.

The Board of Directors receives reports on matters discussed in the Sustainability Promotion Council and supervises its basic policies and key measures.

(See p. 43 for details of our sustainability promotion system)

2. Strategy

Our group recognizes the risks and opportunities associated with climate change as among the most important elements in our business strategy. We are identifying risks and opportunities under the “2°C or lower” scenario, and are studying and formulating appropriate countermeasures.

As a result of our studies, as risks that will have particularly major impacts on our business activities, we assume increased manufacturing costs due to the introduction of carbon pricing (carbon tax) and rising prices as transition risks, and assume shutdown or slowdown of supply chains, including our own sites, due to intensification of abnormal weather as physical risks.

At the same time, we view movements toward a decarbonized society, particularly advances in hydrogen utilization, the shift to electric mobility, the expansion of demand for renewable energy, and other occurrences as opportunities to leverage our group’s technologies to solve problems and expand sales.

As quantitative evaluation of financial impacts on our business is difficult at present, we qualitatively assess impacts at three levels: large, medium, and small. Looking ahead, by strengthening our ability to respond to risks and opportunities associated with climate change and by enhancing precision in financial impact assessment through ongoing scenario analyses, we will work to enhance the level of our group’s sustainability management.

Major risks and opportunities, and our company’s response policy

Major risks and opportunities		Degree of impact on business and finance	Our company’s response policy	Time axis
Risks	Increased manufacturing costs due to price increases and introduction of carbon taxes, etc.	Large	Monitoring of carbon pricing policy trends	Long term
			Introduction and expansion of renewable energy	Medium term
	Reinforcement of policies for GHG emissions reduction		Upgrading to energy-saving, efficient manufacturing equipment	Long term
	Shutdown of operations due to intensification of abnormal weather and interruption of raw material supply networks	Large	Enhancement of BCP measures in preparation for disasters	Medium term
			Strengthening of procurement and logistics measures	Short term
	Increased procurement costs due to switch to environmentally considerate raw materials	Medium	Shift to energy conservation and lower costs through environmentally considerate design and improvement of production processes	Medium term
Loss of trust from stakeholders due to delayed initiatives to reduce emissions	Small	Promotion of carbon neutrality in line with Roadmap	Long term	
Opportunities	Advances in customer companies’ technologies and product development aimed at realizing a hydrogen-based society	Large	Development of technologies and solutions that contribute to advancement of hydrogen utilization technologies (manufacturing, storage, transportation, utilization), and development of new markets	Long term
	Progress toward electrification in mobility-related industries	Large	Development of specialized products and systems that capture customer needs	Medium term
	Progress toward making renewable energy a main strength	Medium	Development of related technologies and solutions, and new market development	Long term
	Increase in energy conservation needs			Medium term

3. Risk management

Our group has established a Risk Management Committee as a body overseeing risk management. Chaired by the President, the Risk Management Committee continuously identifies and evaluates environmental issues and company-wide business risks and formulates risk response policies. It determines measures to address prioritized key risks and monitors the measures' progress.

Key risks that involve climate change are discussed in greater detail in the Sustainability Promotion Council based on particulars of the time axis and scale, and are incorporated into action plans. Related progress is shared with the Risk Management Committee and is reported to the Board of Directors.

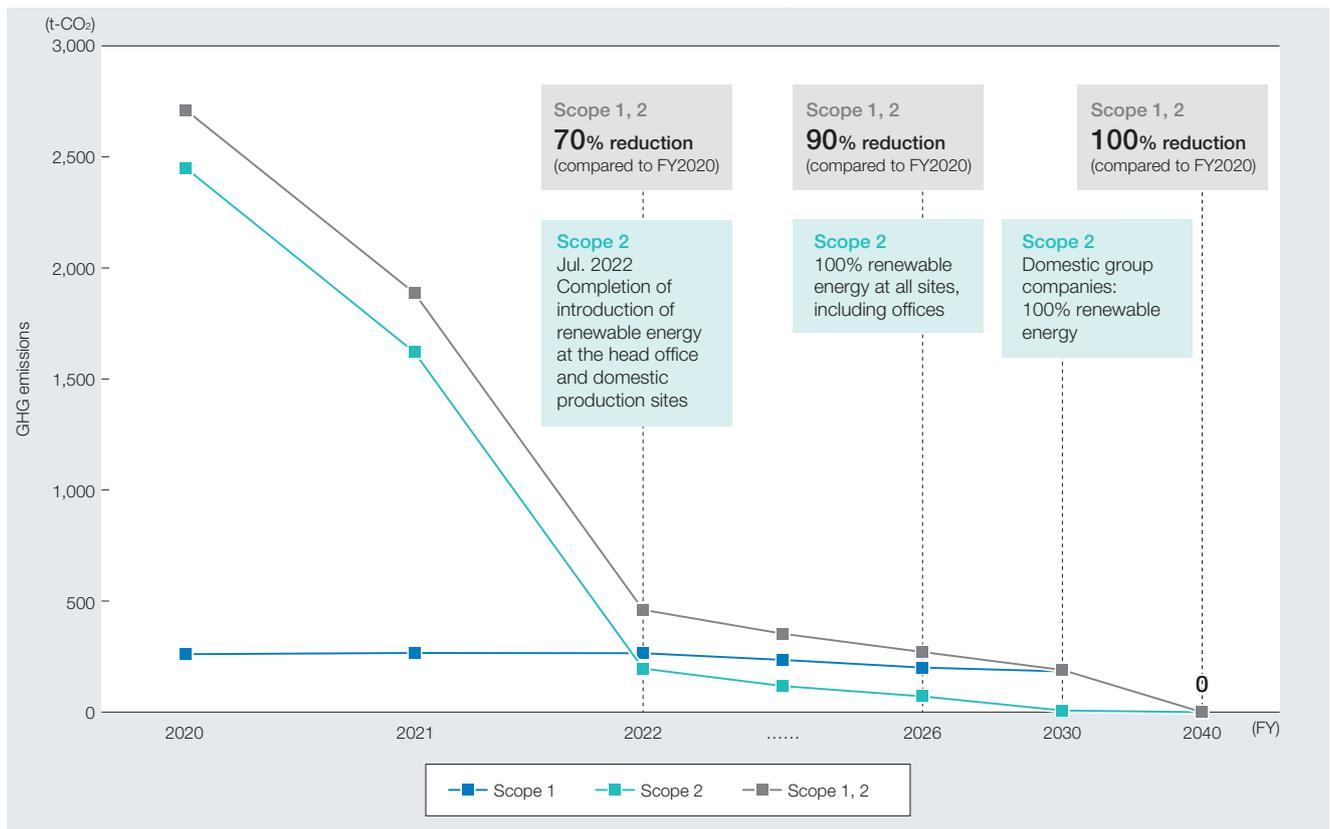
4. Indicators and targets

For Scope 1 and 2 emissions, we have set medium- to long-term targets including "effectively zero GHG emissions in FY2026" and "fully zero GHG emissions in FY2040," and are advancing initiatives toward achieving those targets.

In specific initiatives, by July 2022 we had converted electric power purchased by the head office and major domestic production sites to 100% renewable energy sources. We expect this action to reduce greenhouse gas emissions by 70% and about 2,300 tons per year compared to FY2020.

Looking ahead, we will actively work toward the formulation of indicators and targets and toward data collection and reduction measures for Scope 3 emissions (GHG emissions encompassing the entire supply chain related to our business activities) for our entire group, including consolidated subsidiaries.

Roadmap for carbon neutrality in our business activities (actual values and target values for GHG emissions)



Sustainability Management

Basic Sustainability Policy

Based on our corporate philosophy of pushing the limits of measurement, control, and monitoring technologies and contributing to the advance of industry and the realization of tomorrow's society, the CHINO Group strives to engage with our varied stakeholders, while contributing to the realization of a sustainable society through our business activities and realizing sustainable growth and enhancement of corporate value for ourselves.

Priority issue areas

Contribution to solving global environmental and energy problems

In all processes of our business activities, we will contribute to the realization of a decarbonized society by reducing CO₂ emissions, promoting the reduction and reuse of wastes, and protecting biodiversity, as well as by providing products and solutions that solve environmental problems.

Coexistence and shared prosperity with all stakeholders

While striving for accurate and clear disclosure of information, we will strengthen bonds of mutual trust under respect for dialogue with customers, business partners, employees, shareholders, investors, local communities, and all stakeholders, and will cooperate in solving social issues.

Practice of sincere and fair corporate activities

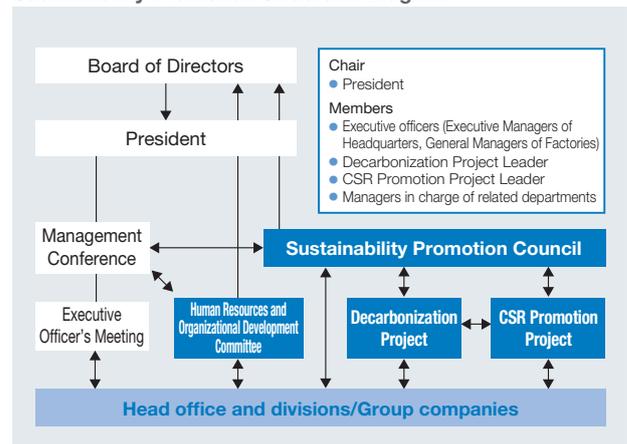
By engaging in sincere and fair corporate activities through the enhancement of corporate governance, strict compliance with all laws, ordinances, and regulations, and the strengthening of risk management, we will realize management that earns strong trust from society.

Providing peace of mind and excitement through distinctive technology

We will accurately capture change and supply safe, high-quality products and services that offer strengths and meet the needs of the market. Together with this, we will strive to appropriately provide information about our products to ensure greater satisfaction and excitement for customers.

Sustainability promotion structure

Sustainability Promotion Structural Diagram



Sustainability Promotion Council

In December 2021, we established a Sustainability Promotion Council chaired by the President.

This council formulates policies concerning the sustainability activities of the group as a whole, deliberates on directions, and monitors the status of initiatives.

Sustainability Planning Office

We established the Sustainability Planning Office within the Business Management Headquarters on April 1, 2023 to advance sustainability management and promote further company-wide initiatives.

Human Resources and Organizational Development Committee (p. 53)

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.

CSR Promotion Project Team

To raise awareness of sustainability among all employees and accelerate activities, we established the CSR Promotion Project Team in May 2021. This company-wide organization consists of about 20 members gathered from different departments to engage in CSR activities and awareness-raising activities at individual sites and departments. It also deliberates on draft proposals for the updating of priority sustainability issues (materialities) and the setting of specific indicators.

Involvement with stakeholders

To achieve sustainable growth, a company must fulfill its corporate social responsibilities toward varied stakeholders, along with protection of nature and the environment. 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	CSR 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 share holders Share holder 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 CSR 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.

CSR training and briefings

We conduct internal training to deepen understanding of sustainability at all levels and to accelerate related initiatives.



Scene from new employee training in FY2023

Publication of “CSR Communication” (once a month)



Operation of internal portal site



Environmental Initiatives

Fundamental approach

Our company complies with ISO14001:2015 requirements incorporated into our Integrated Management System (IMS). Moreover, in response to the six Environmental Policies set by top management and to the current fiscal year's management measure of "promoting CSR management on the basis of specific targets for management issues such as fulfillment of social responsibilities and social contribution in order to further enhance corporate value," we will engage in activities under an awareness by all employees of 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

Environmental activity policy

To make all employees aware of the environmental policy set out by top management, our management measure for the current fiscal year, and the environmental indicators set on the basis of those, we post said information on our internal document management system and in workplaces as "policy rollout," and engage in monitoring of routine business activities and of the PDCA cycle.

Priority issues and countermeasures

■ Reduction of GHG emissions (Scope 1 and 2) and electric power conservation

To reduce GHG emissions generated by our business activities, we are advancing initiatives aimed at our target of fully zero Scope 1 and 2 emissions in 2040.

As an initiative completed by 2022, we switched to the use of renewable energy sources for all purchased electricity at major domestic sites (see p. 42).

We are also promoting energy conservation at factories and production facilities and will begin reducing non-electric power as well to accelerate our initiatives toward carbon neutrality.

■ 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.

As a result of these activities, our final disposal rate in FY2022 was 1.45%.

■ Rate of 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.

■ Rate of 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 in 2013 (capacity: 732 kWh) and the Fujioka Factory in 2014 (capacity: 40 kWh). These contribute to the reduction of about 260 tons of greenhouse gas emissions per year.

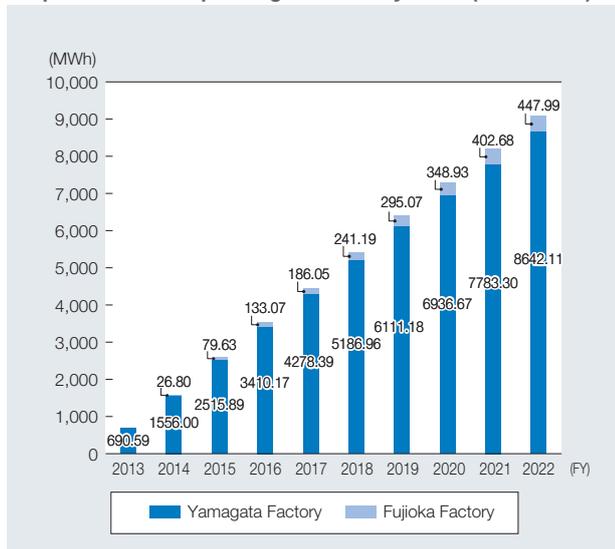


System installed at Yamagata Factory in 2013 (capacity: 732 kWh)



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

Output of our solar power generation systems (cumulative)



Co-existence with nature: Conservation of biodiversity

Promotion of regeneration of community forest-side landscapes and conservation of biodiversity through the CHINO Biotope Forest (p. 49-50)

- Collaborative biotope monitoring survey with the Laboratory of Environmental Chemistry, Gunma University
- Planting of native species and protection of the slender bitterling, a natural monument of Fujioka

Harmony with communities: Community and social contribution

Promotion of regional contribution and cooperation with local government bodies, etc.

Fujioka Factory

- Provision of opportunities for environmental education using the CHINO Biotope Forest as a “venue for experiential opportunities in environmental education, etc. (Prefectural Certification No. 1)” in Gunma Prefecture
- Support for local youth baseball team and junior tennis club by opening our baseball field and tennis courts

Yamagata Factory

- Participation in the Yamagata Sun and Forest Association using the national J-Credit Scheme, and purchase of 250 t-CO₂ environmental value in FY2022
- Permanent exhibit at the Yamagata Museum of Science and Industry

Compliance and improvement

(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

Environmental Initiatives

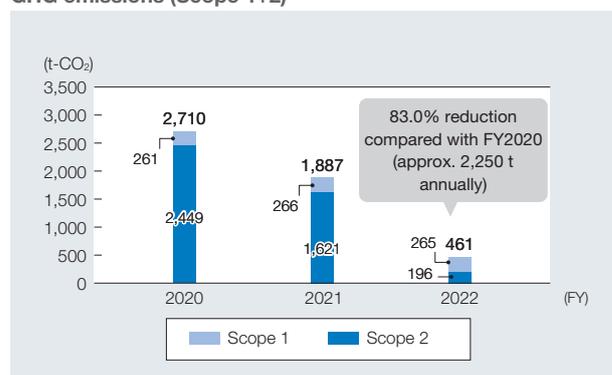
Prevention of global warming

Reduction of greenhouse gas (GHG) emissions

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

As a result of initiatives through FY2022, we have converted 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 83.0% (about 2,250 tons per year) compared to 2020.

GHG emissions (Scope 1+2)



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

Results in FY2022		Head office	Branches and offices	Fujioka	Kuki	Yamagata	
Fuel usage	Gasoline (kl)	94.31	0.13	79.44	12.39	1.10	1.25
	LPG (t)	12.93	0.00	0.00	0.39	0.04	12.50
	Kerosene (kl)	2.35	0.00	0.00	0.00	0.43	1.92
	Diesel oil (kl)	0.10	0.00	0.00	0.00	0.00	0.10
GHG emissions (t-CO ₂)		265.08	0.31	184.38	31.29	3.69	45.41

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

Results in FY2022		Head office	Branches and offices	Fujioka	Kuki	Yamagata	
Electric power usage (MWh)		620.22	143.12	1,554.59	1,344.45	1,657.90	
	included renewable energy	4,882.57	620.22	24.16	1,235.94	1,344.45	1,657.90
	included non-renewable energy	437.61	0.00	118.96	318.65	0.00	0.00
Renewable energy rate		91.8%	100.0%	16.9%	79.5%	100.0%	100.0%
GHG emissions (t-CO ₂)		196.30	0.00	55.77	140.53	0.00	0.00

Scope 1+2

Results in FY2022		Head office	Branches and offices	Fujioka	Kuki	Yamagata	
GHG emissions (t-CO ₂)		461.38	0.31	240.15	171.82	3.69	45.41

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 FY2022		Head office	Branches and offices	Fujioka	Kuki	Yamagata
Calculated leak amount (t-CO ₂)		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 FY2022		Head office	Branches and offices	Fujioka	Kuki	Yamagata
Emissions (kg)	92,368	9,606	3,976	23,159	21,531	34,097
Final disposal amount (kg)	1,344	259	242	0	30	813
Recycling amount (kg)	91,025	9,347	3,734	23,159	21,501	33,284
Amount of valuables (kg)	46,390	945	0	45,300	145	0
Industrial waste recycling rate	99.8%	100.0%	100.0%	100.0%	99.2%	100.0%
General waste recycling rate	93.3%	91.1%	93.9%	100.0%	—*	88.3%
Final disposition rate	1.45%					

* General waste at the Kuki Factory is included in aggregated industrial waste.

Monitoring of water resource usage

Results in FY2022		Head office	Branches and offices	Fujioka	Kuki	Yamagata
Water usage (m ³)	39,919	1,728	—*	32,288	2,460	3,443
Clean water (m ³)	8,641	1,728	—	2,795	2,460	2,136
Ground water (m ³)	30,800	0	—	29,493	0	1,307

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

CHINO Biotope Forest

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

Overview of CHINO Biotope Forest

As a symbol of our initiatives toward biodiversity and protection of the natural environment, we developed a biotope within the Fujioka Factory to serve as a base for communication with the local community.

We prepared forest containing sawtooth oak, jolcham oak, bamboo-leaf oak, and other mixed woods on a site of about 11,000 m², creating water areas including ponds and streams and forming hills and valleys. Now, 12 years after opening, the site is inhabited by diverse living things.

We regularly open the site to the public during the seasons for cherry blossoms, peak hydrangea viewing, and fall foliage. The forest is enjoyed by nearby residents throughout the four seasons.

With the cooperation of Gunma University and conservation organizations, we are also working to protect living things in the biotope including the slender bitterling, fringed water lily, and sasabamo (*Potamogeton malaianus*), which have nearly disappeared from the area. Through this action, the biotope plays a vital role as a place for the conservation of living things in the region.

Through the biotope, we will continue such efforts that value connection with the local community and will contribute to the sustainability of society as a whole.



Utilization of the Biotope Forest

A place for connecting with the community and for children to learn about the environment

About 100 children from a local elementary school visit the biotope four times a year to learn about seasonal changes in the natural environment. We teach them through activities such as authentic commentary on insects by outside experts and guided tours, exploration quizzes, and other nature games that make learning fun.

Since 2019, these activities have been incorporated into the annual event schedule of the school and are annual events for 4th grade students.



A scene from nature games

Last year, 1st and 2nd grade students also visited the biotope, gathering acorns and making a biotope map. The forest serves as a stage for learning tailored to students' ages.

We also take part in Community School, an initiative that support children's learning in the local community. Employees from our company conduct classes at elementary schools, offering opportunities for students to take an interest in environmental learning at the biotope and furthering cooperation with schools.

A place for communication among employees

In principle, we do not bring living things from outside into the biotope, and leave changes in living things to the transitions of nature. However, removal of prolific non-native species must be carried out at the right time, a task that we perform on the basis of continuous monitoring surveys.

Recently, we removed non-native freshwater shrimp that posed a risk of proliferating and preying on killifish eggs. About 30 employees and their families took part in the work, which provided an opportunity to think about environmental issues.

The Fujioka Factory conducts biotope training for new employees, walking as a group through the forest for a day to equip employees with the ability to speak about the biotope.

New employees then leverage the knowledge gained in training to serve as environmental learning guides for elementary school students. This deepens understanding of the biotope and offers an opportunity for thinking about environmental problems and social contribution as personally relevant matters.



Biotope training for new employees

Continuation of environmental indicator surveys and environmental measurement using our products

From the biotope creation stage onward, we have conducted flora monitoring surveys in collaboration with Gunma University.

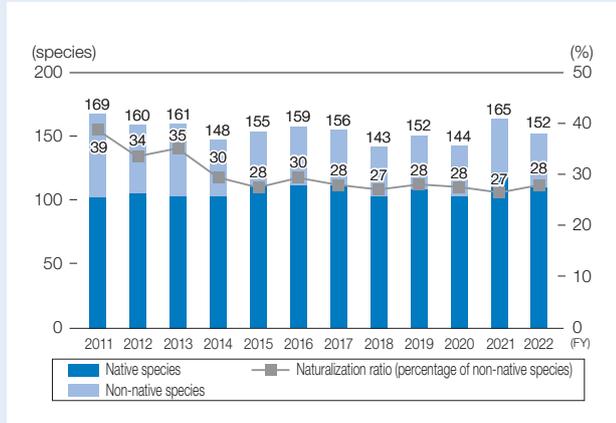
In the FY2022 survey, we confirmed 152 species growing in the biotope forest, including 110 native and 42 non-native species. The naturalization rate, which indicates the percentage of exotic species within the total number, is about 27.6%.

From 2021 to 2022, we also conducted a survey of 597 trees with a height of 3 meters or more, measuring height and trunk circumference. The survey found a maximum height of 21.4 m and maximum trunk circumference of 44.0 cm, numbers 1.7 times and 1.5 times larger, respectively, than in the survey conducted five years ago.

We will continue to regularly conduct the surveys and will further utilize them as indicators for developing and managing the biotope.



Native and non-native species



We use our own products and software to measure temperature and humidity on the factory grounds, as well as temperature, ground temperature, water temperature, humidity, solar radiation, and other values inside the biotope. The measured information is used as basic data for growth analyses of the biotope in collaborative research with Gunma University.



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.



In November 2022, the CHINO Biotope Forest was awarded the Biodiversity Conservation Activity Award in the Sustainable Society Creation Activity Awards sponsored by the Ministry of the Environment-backed Ecological Life and Culture Organization. This award recognized our outstanding activities to conserve biodiversity and our natural environment learning activities using the biotope, including joint research with local universities and environmental learning with local elementary schools. We will continue to undertake activities for the protection and conservation of a rich natural environment and will contribute to the creation of a sustainable society in which the environment, economy, and society are integrated.

Future initiatives (the aims of the biotope)

The biotope is situated adjacent to a JR line, a national road, and a residential area, making expansion difficult. However, we view the location positively and are examining activities that involve the surrounding area.

Specifically, we are working on cultivating fragrant eupatorium, a plant favored by the chestnut tiger butterfly that migrates long distances in winter.

Fragrant eupatorium has long been known as one of the "seven autumn herbs," but is currently designated a near-threatened species. Working with Gunma University, we identified a growing area and received seeds, from which we are working to grow seedlings.

By distributing the cultivated seedlings to neighboring residents to form a corridor centered on the biotope, we hope to create a wide-area activity that will attract many chestnut tigers to the area as a migration point.



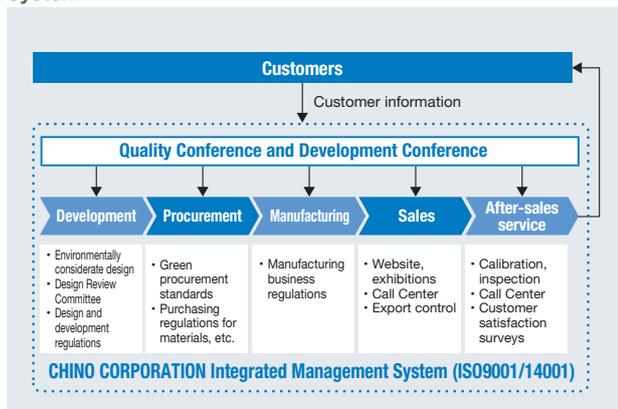
Customer Service

— Stable product supply and appropriate information provision —

Strengthening of supply chain management

We engage in trusted transactions with the aim of mutual development, based on fair transactions with materials suppliers in compliance with laws and regulations. As a component of this, we exchange information and create opportunities for two-way communication, such as meetings with materials business partners. As an initiative to minimize impacts on the environment, we request active cooperation with green procurement, which has come under increasing attention in recent years, and request participation in environmentally considerate corporate activities. Looking ahead, we will view green procurement, CSR procurement, and other aspects of supply chain management as important activities for building environmental awareness, and will work to further strengthen management through the stepwise construction of systems.

Supply chain: Diagram of the CHINO Integrated Management System



Assurance of product quality and safety, and stable supply

To stably provide customers with products that offer assured high quality and safety, we are focusing on the following activities.

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 this and operating under the PDCA

cycle, we continually make revisions involving product requirements, product improvements, catalogs, manuals, documentation, and so on, thereby ensuring safety and stable supply.

Audits of cooperating companies

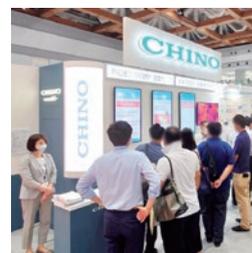
In our production activities, we always prioritize the stable provision of products that satisfy customers. To do so, the components and materials that make up our products must be stable in terms of their quality and delivery time from suppliers. Amid our numerous transaction activities, we conduct 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 and take part in exhibitions. Through attentive interview sessions with customers and wide-ranging product knowledge, we offer proposals that closely align to 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.

Participation in exhibitions Thermotec 2022

We exhibited equipment including radiation thermometers, thermal imaging cameras, instrumentation modules, and graphic recorders, and introduced products and technologies that support conservation of energy and labor at industrial furnaces.



INTERPHEX Japan

We introduced products and technologies related to temperature control in pharmaceuticals distribution and to temperature mapping during storage.



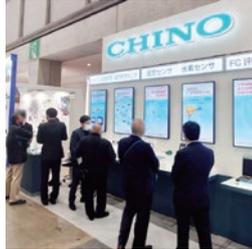
INTERMEASURE 2022

We exhibited sensors and equipment including recorders, controllers, wireless sensors, and radiation thermometers in our booth, and exhibited water electrolysis evaluation equipment, hydrogen sensors, and other products aimed at realizing a hydrogen-based society in the BLUEGE exhibit section that featured four companies.



2nd GREEN FACTORY Expo

We exhibited water electrolysis evaluation equipment, FC evaluation holders, hydrogen gas sensors, paperless recorders, and wireless power monitors, and introduced products and technologies aimed at reducing environmental impacts and conserving energy.



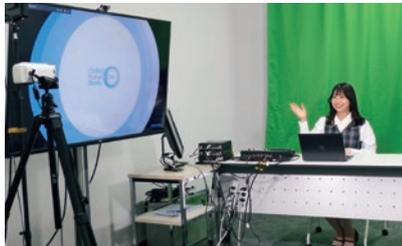
FC EXPO 2023

We exhibited water electrolysis evaluation equipment, reversible PEM evaluation equipment, FC evaluation holders, hydrogen gas sensors, and wireless power monitors, and introduced products and technologies aimed at the production, transport, and storage of hydrogen and the development and manufacture of fuel cells.



Webinar streaming from the head office and Kumano-cho Studio

In the spring of 2023, we streamed a webinar on the topic of "PID worth knowing" to product customers, registered e-mail magazine recipients, and website users.



We will continue streaming in response to customers' needs.

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' peace of mind following product delivery.

Customer Product Consultation Office (Call Center)

Our Call Center always strives to assist customers by responding to phone- and website-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 engage in DX such as strengthening system integration with SFA and internal data. By speeding up response and further expanding customer points of contact, we are working to enhance customer satisfaction.



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 products and services
- Regular disclosure of IR and sustainability activities
- Enhancement of visibility through the introduction of e-books and other digital tools

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

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 inspection and calibration services that ensure that customers' sensors and measuring instruments are always managed for accuracy and can be operated in proper condition.

Looking ahead, we will provide peace of mind 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.

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 resources management system, 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.

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.

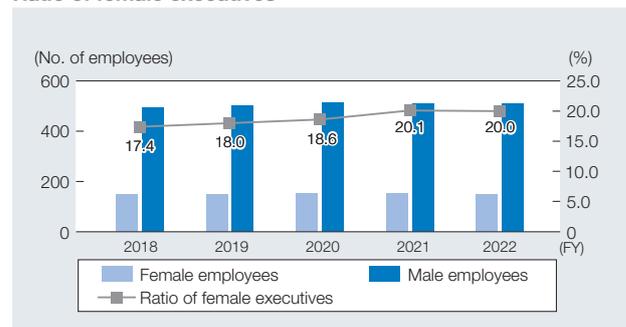
Based on the three core values of our Management Vision – "Co-Creation, Strength, and Reliability" – the CHINO Group engages in varied initiatives involving diversity and inclusion, to promote respect for diversity in gender, age, nationality, values, disabilities, and other attributes, and to connect 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 20.0%. 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 FY2026.

Ratio of female executives



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 recruit career human resources to aid in revitalizing our organization and will continue initiatives 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: 22.8%

Employment of persons with disabilities

Our company views disabilities as aspects of individuality. 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 the presence or absence of disabilities. 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 FY2022: 2.13%

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 FY2022: 70.6%

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 energy and 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 promote environmental aspects that achieve productivity enhancement through flexible work styles matched 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 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 target	FY2022 result
Rate of re-examinations in periodic health checkups	50%	37%

Development of motivating work environments

As a result of health management and health promotion awareness-building activities based on our Health and Productivity Management Declaration, we received Gold Certification from the Healthy Company Declaration Tokyo Promotion Council. We are also enhancing work-life management through means such as training and interview opportunities to support employees' career autonomy, engagement surveys for the visualization of motivation, and the



Initiatives Toward Active Roles by Human Capital

introduction of work intervals and telework, as we create a foundation for employees to engage in work with energy.

Introduction of work intervals

We have incorporated work intervals 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.

We view this 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 FY2022, we began the initiative with nine hours as the time interval. Even during the year-end busy period, we achieved interval time in excess of 99% of 9 hours on average.

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.

Human resources development

Development of next-generation human resources

To enhance business continuity and our corporate value, we are conducting a selective next-generation executive candidate training pro-

gram for management positions, designed to cultivate a management mindset, business strategy skills, and relationship-building skills. We are also undertaking DX human resource training to provide services that leverage the IoT and AI and to develop human resources who will lead internal work reform. We have also established opportunities for age-specific career design training and individual interviews, while also developing company-wide e-learning as a mechanism for employees to learn whenever they wish, providing every employee with support for career autonomy and motivation to grow.

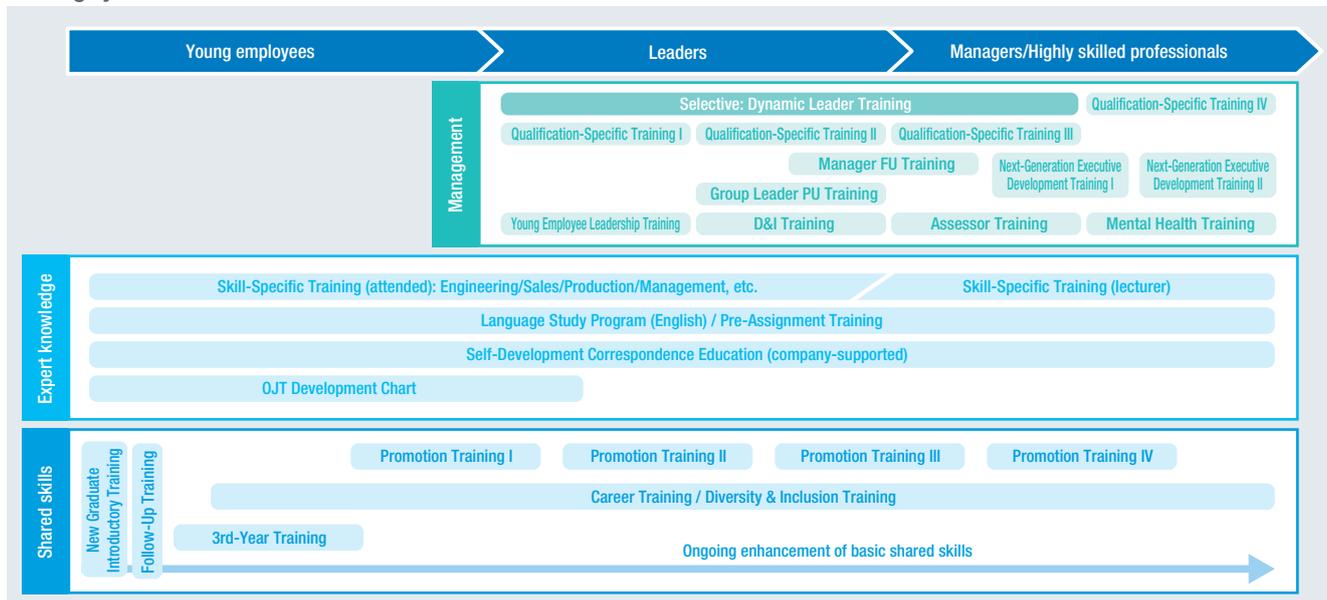
Enhancement of employee training and average training attendance hours

	FY2023 target	FY2022 result
Training (capability development) hours per person	9.5 H	8.5 H

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 have introduced engagement surveys to make work motivation visual. Based on survey findings, we conduct dialogue within organizations, determine actions for improvement, and work through the PDCA cycle to develop work environments for well-being.

Training systems



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.



Youth Science Festival

The Youth Science Festival in Yamagata aims to create opportunities for children to experience and learn about the appeal of science. We take part in this event through crafting classes mainly for elementary school students.



Itabashi-ku Takashimadaira Library Science Experiment Class and Company Introduction Exhibit

To communicate information about our business activities and our sustainability initiatives to people in Itabashi-ku, Tokyo, we hold a company introduction exhibit and science experiment class for elementary school students during summer events at the library.



Hosting of junior high school student workplace experience learning

Every year, we cooperate in workplace experience learning aimed at junior high school students. The students gain experience with our business and work through activities such as creating employee ID cards and business cards and performing tasks on a production line, while also learning about social etiquette as a working person and discovering the joys and difficulty of work.

Other initiatives

The Fujioka Factory utilizes its facilities to make a baseball field and tennis courts available to a youth baseball team and tennis club. The site has also been registered as a medical helicopter landing site since FY2017, contributing to the improvement of emergency medical care for nearby residents.

Senko-kai activities

Since 1973, our company has worked to contribute to local communities through the activities of Senko-kai an employees’ social gathering that makes employee solidarity and service to society its basic philosophy. In addition to undertaking cleaning and beautification activities around the head office through employee volunteers, every year Senko-kai arranges for artworks from the group Mouth & Foot Painting Artists as an activity to assist with living support such for painters with disabilities, including subsidizing of living expenses, scholarships, and introduction of welfare equipment such as assistive equipment.

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



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



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Financial Information

Consolidated financial summary

	FY2013	FY2014	FY2015	FY2016
Profit/loss (fiscal accounting year)				
Net sales	16,784	19,677	19,496	18,569
Gross profit	5,258	5,701	5,708	5,739
Selling, general and administrative expenses	4,865	5,108	5,083	5,173
Operating profit	392	592	624	566
Operating margin (ROS) (%)	2.3	3.0	3.2	3.0
Ordinary profit	568	896	665	637
Net profit (attributable to owners of parent)	334	395	303	373
Financial position (end of fiscal year)				
Total assets	22,346	25,530	23,946	24,229
Interest-bearing debt	1,763	3,340	2,666	3,001
Net assets	13,945	14,767	14,424	14,456
Cash flow status (fiscal year)				
Cash flows from operating activities	431	1,363	1,956	840
Net cash provided by (used in) operating activities	-1,452	-2,650	-693	-244
Free cash flow	-1,020	-1,287	1,262	596
Cash flows from financing activities	558	979	-1,043	-141
Per-share information				
Profit (EPS) (yen)	* 39.30	46.20	35.39	43.62
Net assets (BPS) (yen)	* 1,538.20	1,609.14	1,577.72	1,596.00
Dividends (yen)	* 35	35	40	35
Other financial data				
Capital expenditures	1,177	2,117	557	479
Depreciation	743	850	927	868
Overseas sales ratio (%)	18.2	19.4	19.5	19.7
Return on equity (ROE) (%)	2.5	2.9	2.2	2.8
Return on assets (ROA) (%)	1.8	2.5	2.5	2.4
D/E ratio (multiple)	0.13	0.25	0.20	0.22
Equity ratio (%)	58.7	54.1	56.5	56.0
Dividend payout ratio (consolidated) (%)	89.1	75.8	113.0	80.2

* Share merger at a ratio of one share per five shares of common stock, effective August 1, 2014. Calculated on the assumption that the share consolidation was conducted at the beginning of FY2013.

					Unit (million yen)
FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
20,745	21,999	20,582	21,080	21,908	23,793
6,578	7,179	6,354	6,363	7,076	7,869
5,275	5,460	5,328	5,227	5,576	5,851
1,303	1,718	1,026	1,136	1,499	2,018
6.3	7.8	5.0	5.4	6.8	8.5
1,368	1,750	1,683	1,283	1,744	2,294
832	1,113	1,218	1,289	1,050	1,536
26,396	27,402	26,708	30,398	31,545	36,289
2,295	2,615	2,834	2,590	2,260	3,385
15,360	15,948	16,318	19,502	20,150	21,574
2,814	1,659	1,149	2,341	1,880	1,619
-729	-955	-1,523	-748	-578	-564
2,085	704	-373	1,592	1,301	1,054
-1,080	-81	-245	-968	-978	655
98.25	131.48	143.78	152.24	124.07	181.22
1,703.64	1,768.61	1,815.33	1,964.43	2,073.94	2,214.16
40	45	45	45	46	52
452	825	977	991	784	815
810	815	843	872	795	785
19.9	22.5	22.2	16.7	18.6	20.4
5.9	7.6	8.0	8.1	6.1	8.5
5.1	6.4	3.8	4.0	4.8	6.0
0.17	0.18	0.18	0.16	0.13	0.18
54.7	54.7	57.6	54.7	55.7	51.8
40.7	34.2	31.3	29.6	37.1	28.7

Financial Information

Consolidated balance sheet

(millions of yen)

Assets	Previous consolidated fiscal year (March 31, 2022)	Consolidated fiscal year under review (March 31, 2023)
Current assets		
Cash and deposits	7,331	9,176
Notes receivable - trade	441	479
Electronically recorded monetary claims operating	1,943	2,599
Accounts receivable - trade	5,210	5,202
Merchandise and finished goods	631	706
Work in process	2,860	3,658
Raw materials and supplies	3,086	4,212
Other	274	374
Allowance for doubtful accounts	-99	-87
Total current assets	21,681	26,322
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,601	8,704
Accumulated depreciation	-5,576	-5,677
Buildings and structures, net	3,025	3,027
Machinery, equipment and vehicles	4,182	4,289
Accumulated depreciation	-3,345	-3,525
Machinery, equipment and vehicles, net	837	763
Land	1,406	1,415
Construction in progress	2	33
Other	3,806	3,819
Accumulated depreciation	-3,511	-3,480
Other, net	294	338
Total property, plant and equipment	5,566	5,578
Intangible assets		
Software	392	420
Other	16	15
Total intangible assets	408	436
Investments and other assets		
Investment securities	1,761	1,817
Deferred tax assets	740	881
Retirement benefit asset	663	543
Other	780	766
Allowance for doubtful accounts	-56	-56
Total investments and other assets	3,889	3,952
Total non-current assets	9,864	9,967
Total assets	31,545	36,289

(millions of yen)

Liabilities	Previous consolidated fiscal year (March 31, 2022)	Consolidated fiscal year under review (March 31, 2023)
Current liabilities		
Notes and accounts payable - trade	2,397	2,697
Electronically recorded obligations - operating	2,113	2,619
Short-term borrowings	1,265	1,265
Current portion of long-term borrowings	375	459
Income taxes payable	317	470
Advances received	176	980
Provision for bonuses	625	821
Provision for bonuses for directors (and other officers)	34	46
Provision for shareholder benefit program	43	47
Electronically recorded obligations - facilities	35	137
Other	832	943
Total current liabilities	8,216	10,489
Non-current liabilities		
Long-term borrowings	620	1,660
Long-term accounts payable - other	—	188
Deferred tax liabilities	83	91
Provision for retirement benefits for directors (and other officers)	343	135
Retirement benefit liability	1,867	1,887
Other	263	263
Total non-current liabilities	3,177	4,225
Total liabilities	11,394	14,715
Net assets		
Shareholders' equity		
Share capital	4,292	4,292
Capital surplus	4,264	4,267
Retained earnings	9,911	11,050
Treasury shares	-1,159	-1,138
Total shareholders' equity	17,308	18,471
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	289	341
Foreign currency translation adjustment	67	158
Remeasurements of defined benefit plans	-101	-187
Total accumulated other comprehensive income	255	312
Non-controlling interests	2,586	2,790
Total net assets	20,150	21,574
Total liabilities and net assets	31,545	36,289

Financial Information

Consolidated statement of income and consolidated statement of comprehensive income

(millions of yen)

Consolidated statements of income	Previous consolidated fiscal year (from April 1, 2021 to March 31, 2022)	Consolidated fiscal year under review (from April 1, 2022 to March 31, 2023)
Net sales	21,908	23,793
Cost of sales	14,832	15,924
Gross profit	7,076	7,869
Selling, general and administrative expenses		
Salaries, allowances and bonuses	2,242	2,294
Provision for bonuses	213	311
Provision for bonuses for directors (and other officers)	34	44
Retirement benefit expenses	117	126
Provision for retirement benefits for directors (and other officers)	64	22
Depreciation	149	179
Research and development expenses	798	886
Provision for shareholder benefit program	43	47
Provision of allowance for doubtful accounts	91	-16
Other	1,822	1,954
Total selling, general and administrative expenses	5,576	5,851
Operating profit	1,499	2,018
Non-operating income		
Interest income	7	13
Dividend income	50	58
Electricity sale income	35	35
Foreign exchange gains	94	81
Subsidy income	20	5
Surrender value of insurance policies	66	92
Other	26	36
Total non-operating income	301	323
Non-operating expenses		
Interest expenses	8	7
Finance related expenses	4	4
Electricity sale expenses	15	14
Contract business related costs	11	—
Other	16	19
Total non-operating expenses	55	46
Ordinary profit	1,744	2,294
Extraordinary income		
Gain on sale of investment securities	1	13
Gain on sale of non-current assets	0	3
Total extraordinary income	1	16
Extraordinary losses		
Loss on disposal of non-current assets	3	6
Loss on valuation of investment securities	23	—
Total extraordinary losses	27	6
Profit before income taxes	1,719	2,305
Income taxes - current	504	670
Income taxes - deferred	-19	-116
Total income taxes	484	553
Profit	1,234	1,752
Profit attributable to non-controlling interests	183	215
Profit attributable to owners of parent	1,050	1,536

(millions of yen)

Consolidated statement of comprehensive income	Previous consolidated fiscal year (from April 1, 2021 to March 31, 2022)	Consolidated fiscal year under review (from April 1, 2022 to March 31, 2023)
Profit	1,234	1,752
Other comprehensive income		
Valuation difference on available-for-sale securities	-17	53
Foreign currency translation adjustment	145	160
Remeasurements of defined benefits plans, net of tax	-60	-85
Total other comprehensive income	67	128
Comprehensive income	1,302	1,880
(breakdown)		
Comprehensive income attributable to owners of parent	1,065	1,593
Comprehensive income attributable to non-controlling interests	236	287

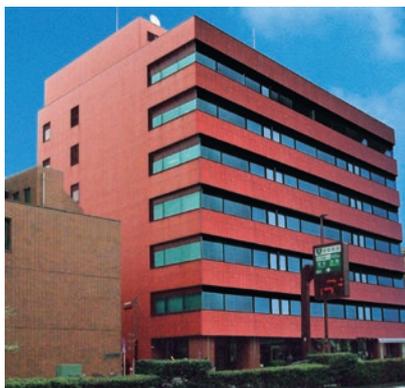
Consolidated statement of cash flows

(millions of yen)

	Previous consolidated fiscal year (from April 1, 2021 to March 31, 2022)	Consolidated fiscal year under review (from April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	1,719	2,305
Depreciation	795	785
Increase (decrease) in allowance for doubtful accounts	88	-12
Increase (decrease) in provision for bonuses	49	195
Increase (decrease) in retirement benefit liability	-38	35
Decrease (increase) in retirement benefit asset	-39	-19
Increase (decrease) in provision for shareholder benefit program	43	4
Interest and dividend income	-58	-71
Interest expenses	8	7
Subsidy income	-20	-5
Loss (gain) on sale of investment securities	-1	-13
Loss (gain) on valuation of investment securities	23	—
Decrease (increase) in trade receivables	50	-626
Decrease (increase) in inventories	-987	-1,937
Increase (decrease) in trade payables	821	744
Increase (decrease) in advances received	106	796
Other	-259	-115
Subtotal	2,301	2,073
Interest and dividends received	58	71
Interest paid	-8	-7
Subsidies received	20	5
Income taxes refund (paid)	-491	-524
Cash flows from operating activities	1,880	1,619
Net cash provided by (used in) operating activities		
Proceeds from withdrawal of time deposits	1,449	1,543
Payments into time deposits	-1,390	-1,573
Purchase of property, plant and equipment	-774	-416
Proceeds from sale of property, plant and equipment	0	3
Purchase of intangible assets	-136	-155
Proceeds from sale of investment securities	94	34
Loan advances	-8	-5
Proceeds from collection of loans receivable	4	4
Purchase of insurance funds	-73	-71
Proceeds from maturity of insurance funds	302	122
Other	-47	-50
Net cash provided by (used in) operating activities	-578	-564
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-58	—
Repayments of long-term borrowings	-272	-375
Proceeds from long-term borrowings	—	1,500
Purchase of treasury shares	-1	-0
Dividends paid	-381	-389
Dividends paid to non-controlling interests	-42	-78
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-222	—
Cash flows from financing activities	-978	655
Effect of exchange rate change on cash and cash equivalents	67	71
Net increase (decrease) in cash and cash equivalents	390	1,781
Cash and cash equivalents at beginning of period	5,430	5,821
Cash and cash equivalents at end of period	5,821	7,603

Corporate Information

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, Fujio-cho, 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

330-0802
Ichigo Omiya Bldg., 2-81 Miya-cho, Omiya-ku,
Saitama-shi, Saitama Prefecture
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

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

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

Company Information (as of April 1, 2023)



Kuki Factory

18 Kawarai-cho, Kuki-shi, Saitama Prefecture
346-0028 (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).



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.



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.



④ AR'S CO., Ltd.

221-0052
Yokohama Creation Square, 5-1 Sakae-cho,
Kanagawa-ku, Yokohama-shi, Kanagawa Prefecture
TEL 045-440-1123

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.



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.



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.
T12B-1 6F, Building 1 A SIDE No.615 Ningqiao Road, Free Trade Experiment Zone, Shanghai, 201206 China
TEL +86-21-50325111

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



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.



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.



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.



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.



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, 2023)

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)	1,101

Status of stock (as of March 31, 2023)

Total authorized shares	23,820,000
Total number of shares outstanding	9,260,116
Number of shareholders	5,732

Major shareholders (top 10)	Number of shares held (thousands)	Ratio of the number of shares owned to total number of issued shares (excluding treasury shares) (%)
CHINO Business Partner Shareholders' Association	807	9.52
The Master Trust Bank of Japan, Ltd. (trust account)	664	7.83
CHINO Employee Shareholders' Association	355	4.19
Nikkato Corporation	209	2.47
Kyowa Electronic Instruments Co., Ltd.	207	2.44
Kitahama Seisakusho, K.K.	182	2.14
Nippon Life Insurance Company	152	1.79
NORTHERN TRUST CO. (AVFC) RE NORTHERN TRUST (GUERNSEY) LIMITED RE GGDP RE: AIF CLIENTS 15.315 PERCENT NON TREATY ACCOUNT	150	1.76
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	145	1.71
Custody Bank of Japan, Ltd. (trust account)	127	1.50

