

Securities ID code:6859

**Results Briefing
for the Six Months Ended September 30, 2021**

**ESPEC CORP.
November 25, 2021**

Financial Result for the Six Months Ended September 30, 2021

Orders–received increased substantially as the global economy continued to follow a recovery path, while net sales increased only slightly due to a shortage of electronic components.

Operating profit declined because of an increase in selling, general and administrative expenses.

	Year on Year	Against Forecast (Announced in May, 2021)
■ Orders–Received	○ Increased substantially in the Equipment Business (mainly environmental test chambers)	○ Increased substantially in the Equipment Business (mainly environmental test chambers)
■ Net Sales	○ Increased in the Equipment Business (mainly environmental test chambers) and Service Business	× Below forecast in the Equipment Business and Other Business
■ Operating Profit	× Decreased due to an increase in selling, general and administrative expenses	× Below forecast due to a shortfall in net sales, an increase in procurement costs, and an increase in selling, general and administrative expenses
■ Ordinary Profit, Profit Attributable to Owners of Parent	× Decreased due to the decrease in operating profit	× Below forecast due to the decrease in operating profit

Summary of Profits and Losses

(Millions of yen)

	FY 2020 2Q Results	FY 2021 2Q Forecasts (Published on May)	FY 2021 2Q Results	Year on Year	Forecast Ratio
Orders-Received	16,957	20,000	26,569	56.7%	32.8%
Net Sales	17,294	18,500	17,568	1.6%	-5.0%
Cost of Net Sales (Cost of Sales Ratio)	11,502 (66.5%)	12,000 (64.9%)	11,686 (66.5%)	1.6% (Unchanged)	-2.6% (1.6pt deterioration)
Gross Profit	5,792	6,500	5,881	1.5%	-9.5%
SG&A	5,058	5,301	5,485	8.4%	3.5%
Operating Profit	734	1,200	396	-46.0%	-67.0%
Ordinary Profit	834	1,250	474	-43.1%	-62.1%
Profit Attributable to Owners of Parent	494	750	230	-53.4%	-69.3%

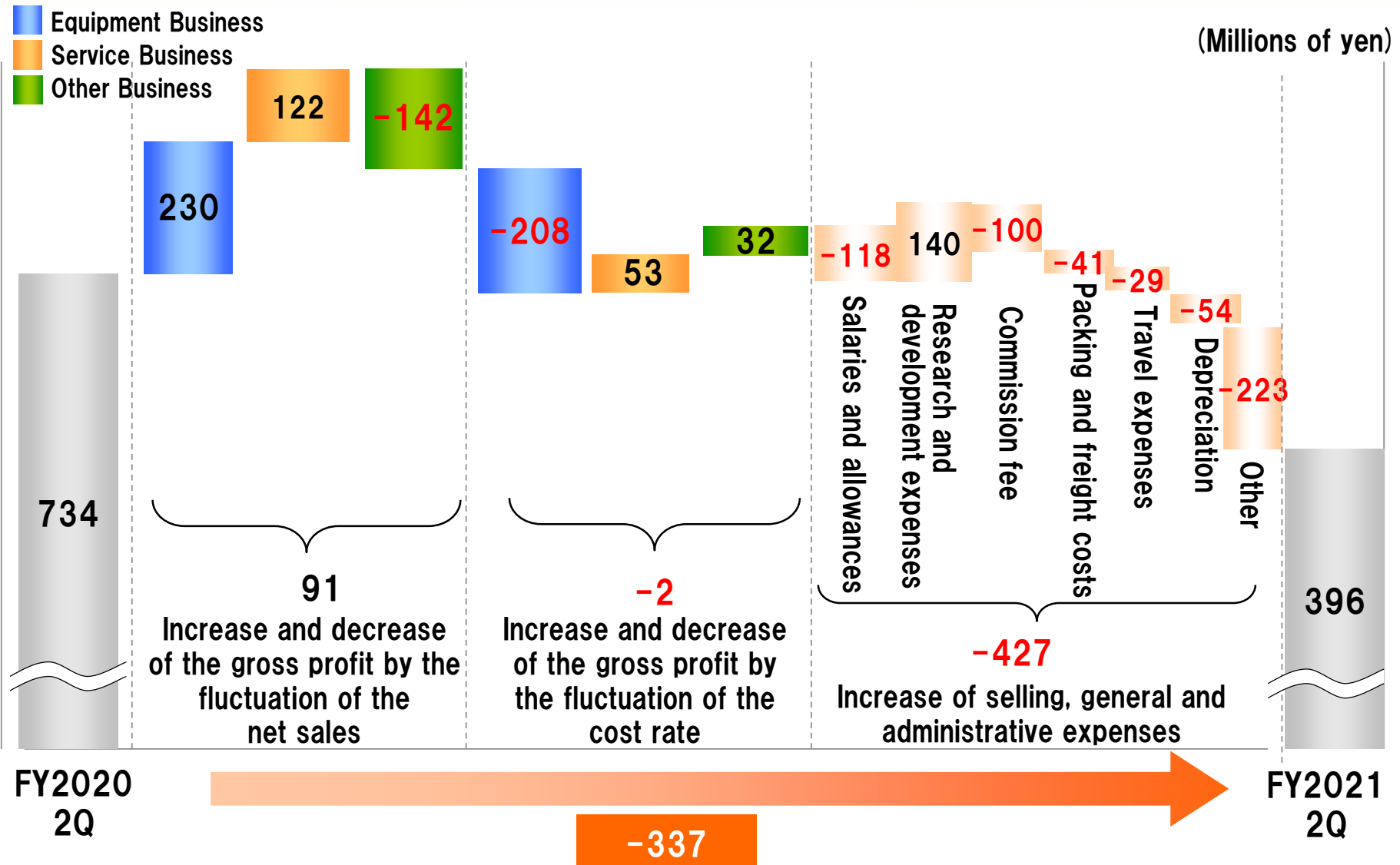
From July 2021, ESPEC THERMAL TECH SYSTEM CORP. has been included in the scope of consolidation.

Performance by Segment

(Millions of yen)

Segment		FY 2020 2Q Results	FY 2021 2Q Forecasts (Published on May)	FY 2021 2Q Results	Year on Year	Forecast Ratio
Equipment Business	Orders-Received	13,699	16,500	22,763	66.2%	38.0%
	Net Sales	13,745	15,150	14,421	4.9%	-4.8%
	Operating Profit	658	1,100	322	-50.9%	-70.7%
Service Business	Orders-Received	2,879	3,100	3,334	15.8%	7.5%
	Net Sales	2,592	2,950	2,948	13.7%	-0.1%
	Operating Profit	58	150	171	195.1%	14.0%
Other Business	Orders-Received	502	550	610	21.4%	10.9%
	Net Sales	1,073	550	316	-70.5%	-42.5%
	Operating profit	16	-50	-99	—	—
Elimination	Orders-Received	-124	-150	-138	—	—
	Net Sales	-116	-150	-119	—	—
	Operating Profit	1	0	1	—	—
Total	Orders-Received	16,957	20,000	26,569	56.7%	32.8%
	Net Sales	17,294	18,500	17,568	1.6%	-5.0%
	Operating Profit	734	1,200	396	-46.0%	-67.0%

Analysis of Operating Profit Increase and Decrease Factor



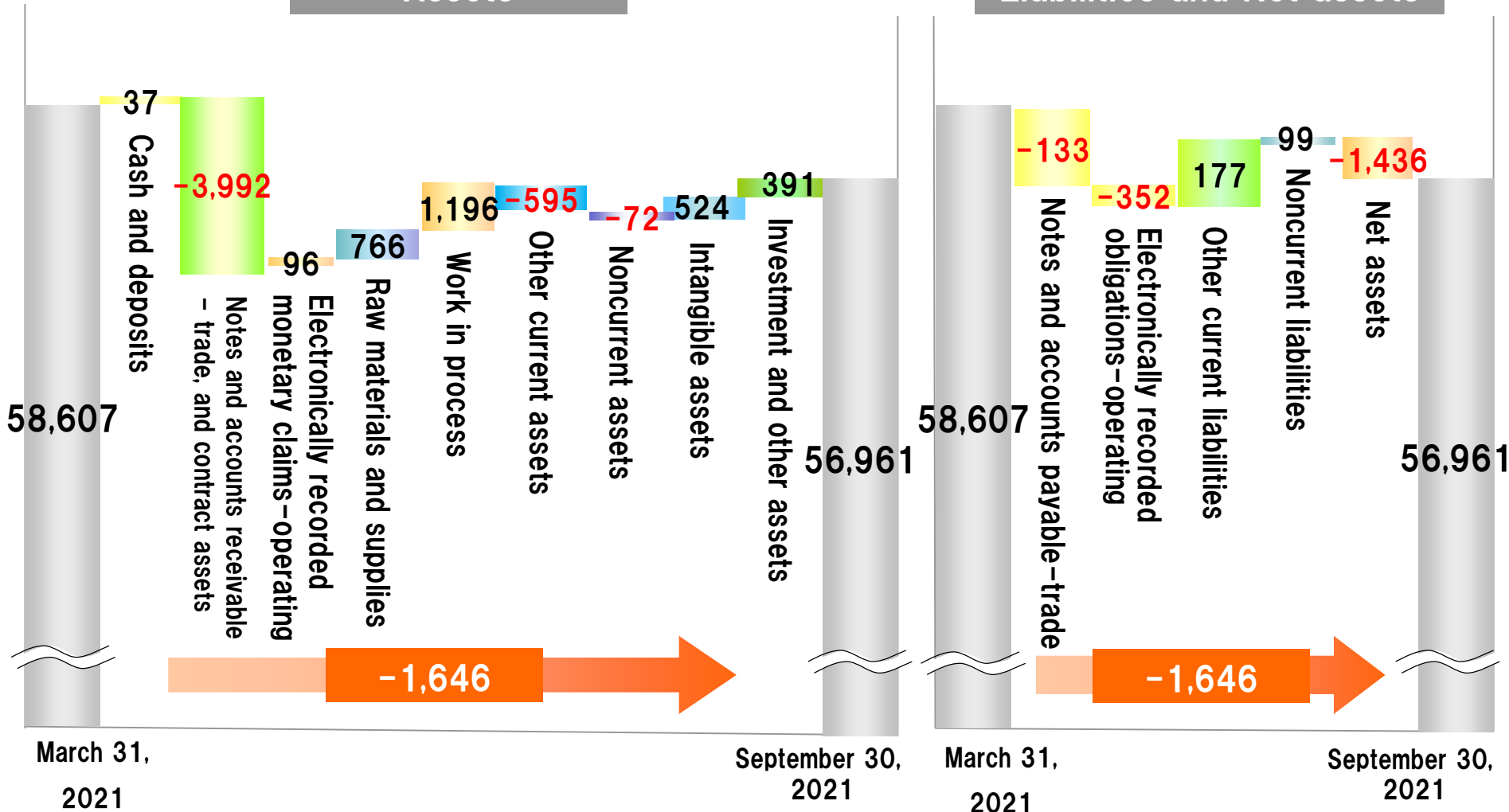
* Totals have been calculated using the gross profit per net sales ratio.

Statement of Assets and Liabilities

(Millions of yen)

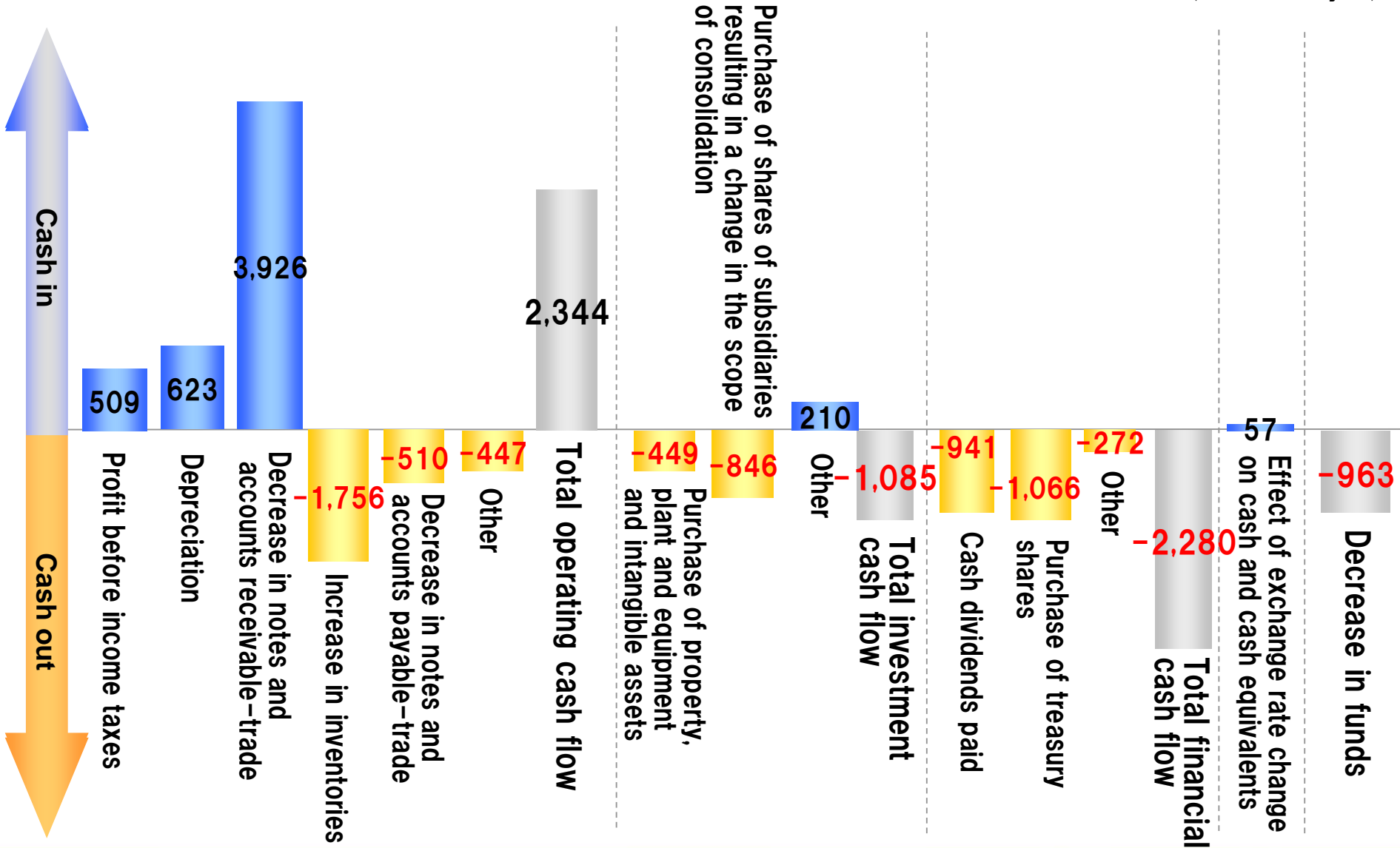
Assets

Liabilities and Net assets



Statements of Cash Flows

(Millions of yen)



Equipment Business

(Millions of yen)

	FY 2020 2Q Results	FY 2021 2Q Forecasts (Published on May)	FY 2021 2Q Results	Year on Year	Forecast Ratio
Orders-Received	13,699	16,500	22,763	66.2%	38.0%
Net Sales	13,745	15,150	14,421	4.9%	-4.8%
Operating Profit [Profit Ratio (%)]	658 [4.8%]	1,100 [7.3%]	322 [2.2%]	-50.9%	-70.7%

Environmental Test Chambers

- In Japan, orders-received increased year on year both for highly versatile standardized products and customized products, but net sales decreased.
- Overseas, net sales increased year on year in China, North America, Europe, and South Korea, but decreased in Southeast Asia and Taiwan.

Energy Device Equipment

- Orders-received and net sales both increased year on year and orders were acquired for evaluation systems for secondary batteries due to recovery in automotive-related investment.

Semiconductor Equipment

- Orders-received increased year on year, but net sales decreased while investment related to memory and automobiles continued.

Service Business

(Millions of yen)

	FY 2020 2Q Results	FY 2021 2Q Forecasts (Published on May)	FY 2021 2Q Results	Year on Year	Forecast Ratio
Orders-Received	2,879	3,100	3,334	15.8%	7.5%
Net Sales	2,592	2,950	2,948	13.7%	-0.1%
Operating Profit [Profit Ratio (%)]	58 [2.2%]	150 [5.1%]	171 [5.8%]	195.1%	14.0%

After-Sales Service and Engineering

- Both orders-received and net sales increased year on year due to a strong performance in preventative maintenance services, such as maintenance agreements.

Laboratory Testing Services and Facility Rentals

- Orders-received and net sales both increased year on year, as laboratory testing services recovered in Japan, along with performing firmly in China.

Other Business

(Millions of yen)

	FY 2020 2Q Results	FY 2021 2Q Forecasts (Published on May)	FY 2021 2Q Results	Year on Year	Forecast Ratio
Orders-Received	502	550	610	21.4%	10.9%
Net Sales	1,073	550	316	-70.5%	-42.5%
Operating Profit [Profit Ratio (%)]	16 [1.5%]	-50 [-9.1%]	-99 [-31.5%]	—	—

Environmental Preservation, Plant Production Systems

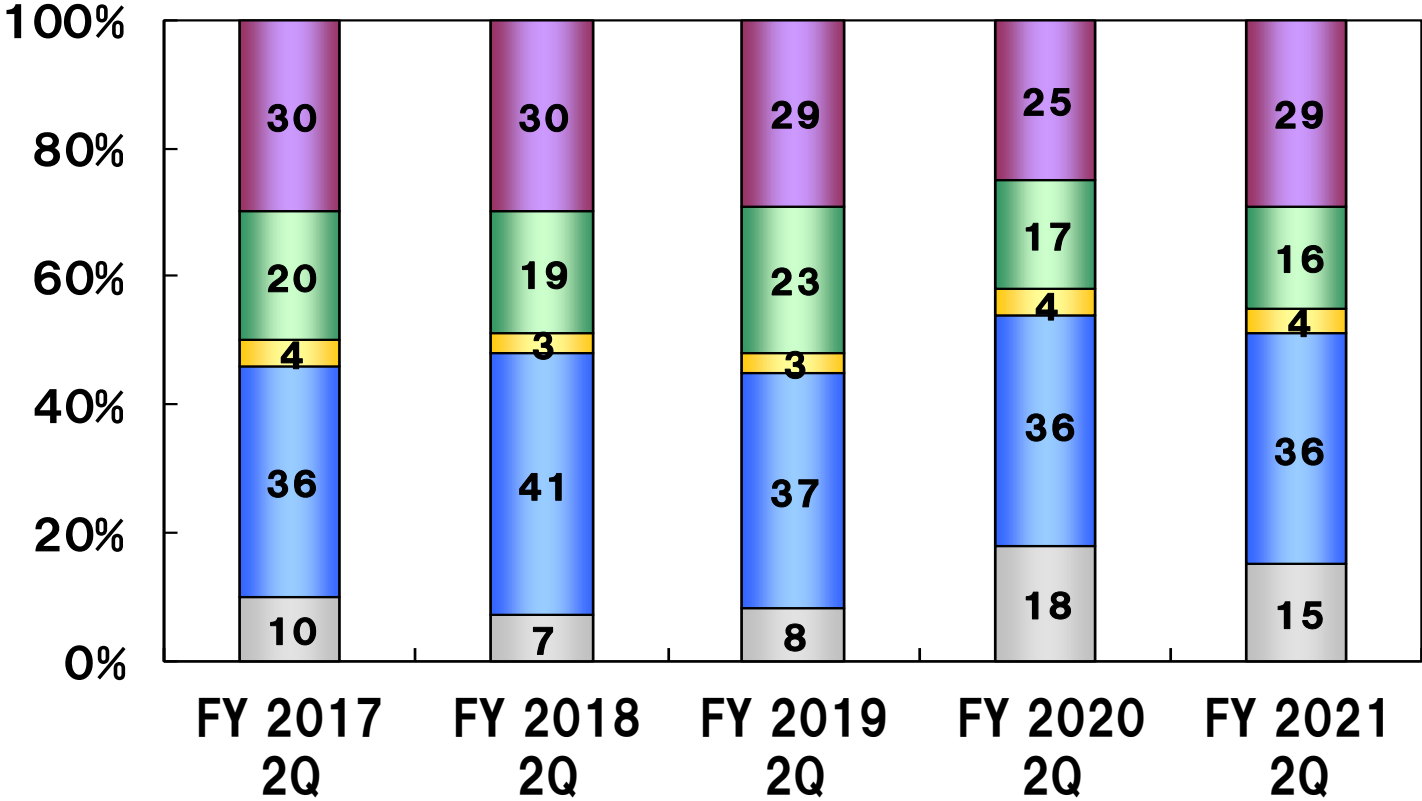
- Orders-received increased year on year as orders were captured for plant factories, in addition to a solid performance in the reforestation (tree planting) and waterside project businesses.

Net sales decreased because there was a large plant factory project in the same period of the previous fiscal year.

Breakdown of Sales by Market

Non-consolidated (Equipment business)

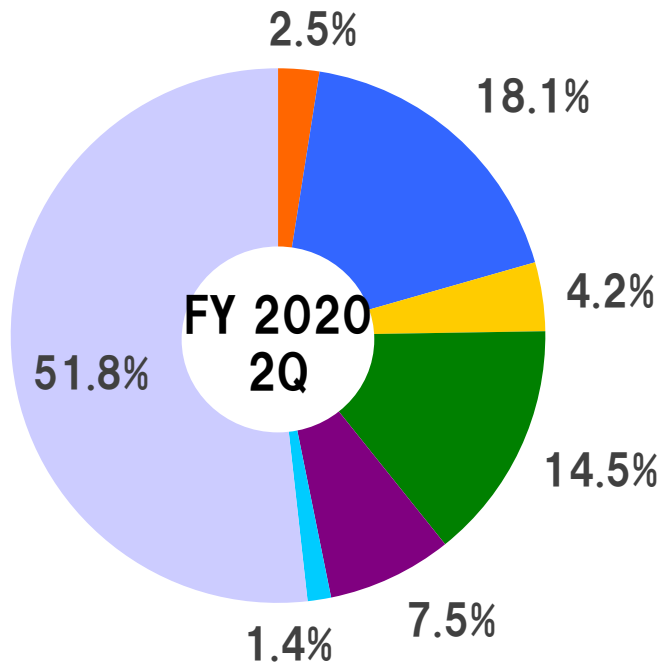
- Other markets
- Automobile market
- Flat panel display market
- Electronic device and equipment market
- Semiconductor market



Sales by Region

FY 2020 2Q

Overseas sales ratio: 48.2%

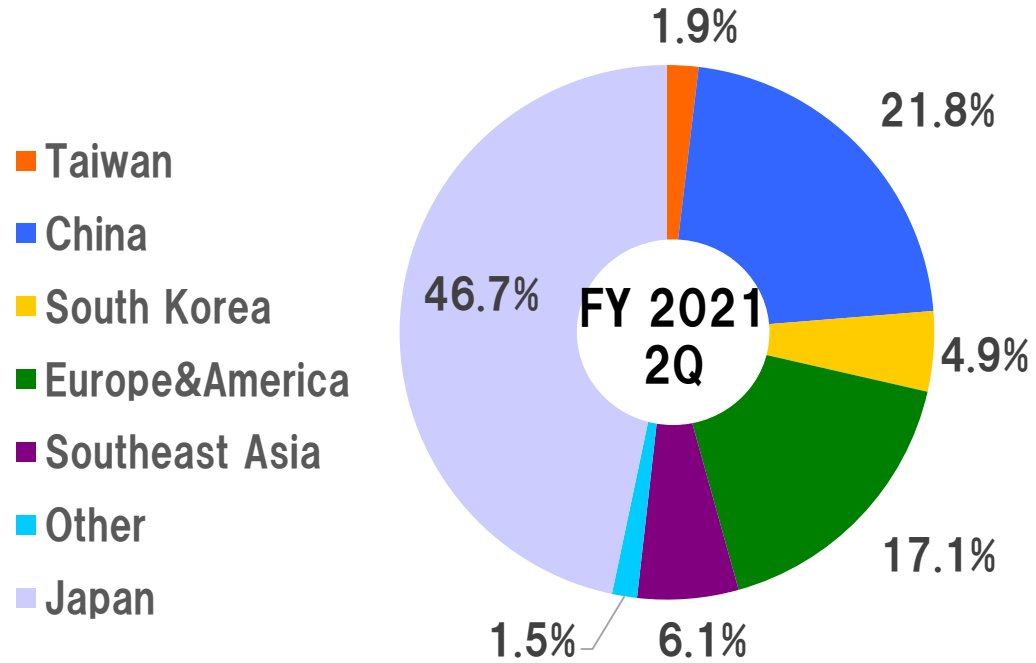


Total: 17,294 million yen

(Overseas sales: 8,343 million yen)

FY 2021 2Q

Overseas sales ratio: 53.3%



Total: 17,568 million yen

(Overseas sales: 9,365 million yen)

Full-Year Forecasts for Fiscal 2021

	FY 2020	FY 2021				(Millions of yen)
	Full Year Results	First half Results	Forecast (Only orders-received were revised)			
			Second Half	Full Year	Year on Year	
Orders-Received	37,580	26,569	24,231	50,800	35.2%	
Net Sales	38,668	17,568	24,632	42,200	9.1%	
Gross Profit [Profit Ratio (%)]	13,412 [34.7%]	5,881 [33.5%]	8,639 [35.1%]	14,520 [34.4%]	8.3%	
SG&A [SG&A Ratio (%)]	10,839 [28.0%]	5,485 [31.2%]	5,735 [23.3%]	11,220 [26.6%]	3.5%	
Operating Profit [Profit Ratio (%)]	2,572 [6.7%]	396 [2.3%]	2,904 [11.8%]	3,300 [7.8%]	28.3%	
Ordinary Profit [Profit Ratio (%)]	2,840 [7.3%]	474 [2.7%]	2,926 [11.9%]	3,400 [8.1%]	19.7%	
Profit Attributable to Owners of Parent [Profit Ratio (%)]	1,961 [5.1%]	230 [1.3%]	2,170 [8.8%]	2,400 [5.7%]	22.4%	
Capital expenditures	1,179	474	576	1,050	-10.9%	
Depreciation expenses	1,041	612	468	1,080	3.7%	
R&D expenditures	1,302	471	419	890	-31.6%	
Basic earnings per share (yen)	85.79	10.23	96.66	106.89	24.6%	

Recognition of the Operating Environment

- The economic environment is expected to remain favorable. The Company aims to achieve global growth mainly in advanced technologies such as 5G and IoT, electrification of automobiles, and automated driving.
- The slowdown in the Chinese economy, prolonged difficulties with procuring components, and new waves of COVID-19 infections are causes for concern.

Equipment Business	Environmental Test Chambers	<p>Japan: 5G and IoT markets remain brisk Products for electrification of automobiles, and automated driving are recovering in the automotive sector</p> <p>China: 5G and IoT markets and the market for products for electrification of automobiles remain brisk</p> <p>ASEAN: Expect gradual recovery mainly in semiconductors</p> <p>North America: Expect growth in investment related to automobiles, semiconductors and 5G and IoT</p> <p>Europe: Expect growth in investment, mainly in the automotive sector</p>
	Energy Device Equipment	<p>Expect an even fiercer competitive environment for products for rechargeable batteries</p> <p>Expect customer inquiries about products for fuel cells toward next fiscal year</p>
	Semiconductor Equipment	Firm investment mainly in the 5G and IoT markets
Business Service	After-sales Service and Engineering, Laboratory Testing Services and Facility Rentals	<p>After-sales Service and Engineering: Expect similar level of demand as in the previous fiscal year</p> <p>Laboratory Testing Services: Recovery trend to continue in Japan and China, primarily in 5G and IoT and batteries</p>
Other Business	Environmental Preservation, Plant Production Systems	Expect a gradual recovery in environmental preservation and plant factory businesses

Main Initiatives in the Second Half and Onward

Equipment Business

- Conduct global marketing targeting the 5G and IoT markets
- Strengthen customization and enhance environmental factor technologies

Area Strategy

Japan: Expand sales to the 5G and IoT, and automotive markets

China: Expand sales to the 5G and IoT, semiconductor, and NEV
(new energy vehicle) markets

North America: Expand sales to the 5G and IoT, semiconductor, and automotive markets

Europe: Expand sales to the automotive and battery markets

Service Business

After-sales: Introduce a new service menu that harnesses IT

Laboratory Testing Services: Expand sales to the automotive, battery and
5G and IoT markets, and make use of an all-weather
simulation chamber

Segment Financial Forecasts

		FY 2020	FY 2021 (Millions of yen)			
		Full year Results	First half Results	Forecast (Only orders-received were revised)		
				Second half	Full year	Year on Year
Equipment Business	Orders-Received	30,755	22,763	20,037	42,800	39.2%
	Net Sales	30,669	14,421	20,179	34,600	12.8%
	Operating Profit	2,062	322	2,498	2,820	36.7%
Service Business	Orders-Received	6,153	3,334	3,166	6,500	5.6%
	Net Sales	6,063	2,948	3,352	6,300	3.9%
	Operating Profit	446	171	279	450	0.9%
Other Business	Orders-Received	976	610	1,190	1,800	84.4%
	Net Sales	2,241	316	1,284	1,600	-28.6%
	Operating Profit	60	-99	129	30	-50.0%
Elimination	Orders-Received	-304	-138	-162	-300	—
	Net Sales	-305	-119	-181	-300	—
	Operating Profit	3	1	-1	0	—
Total	Orders-Received	37,580	26,569	24,231	50,800	35.2%
	Net Sales	38,668	17,568	24,632	42,200	9.1%
	Operating Profit	2,572	396	2,904	3,300	28.3%

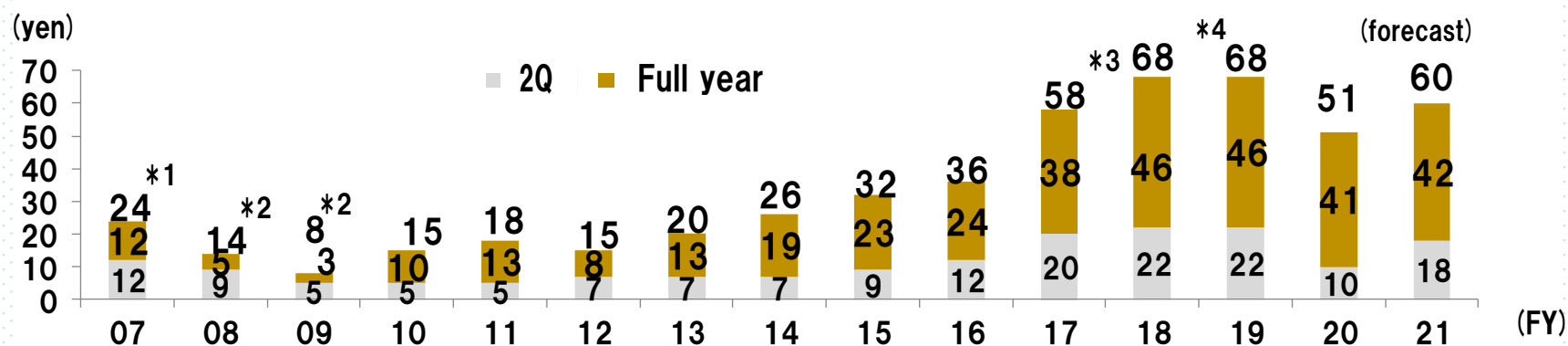
FY 2021 Dividend Forecast

Basic policy on profit distribution

We recognize that passing on profits to our shareholders is a key priority and that raising corporate value on a lasting basis is fundamental to raising shareholder value.

Dividends are decided taking into account sustainability and the dividend payout ratio.

Dividend per share and dividend payout ratio



Payout ratio

47% — — 21% 22% 29% 30% 29% 31% 37% 40% 36%*4 55% 59% 57%

*1.The dividend per share for FY2007 included a commemorative dividend of ¥2 per share to mark the Company's 60th founding anniversary.

*2.Dividends were implemented in FY2008 and FY2009, despite posting a loss attributable to owners of parent.

*3.The dividend per share for FY2017 includes a commemorative dividend of ¥2 per share to mark the Company's 70th founding anniversary (an interim dividend of ¥1 per share and a year-end dividend of ¥1 per share).

*4.FY2018 was an irregular 15-month fiscal period for overseas consolidated subsidiaries. The dividend payout ratio for a 12-month period is 39% (reference)

Main Initiatives for ESG

■ E (Environment)

- Replaced approximately 70% of all electric power consumed by the ESPEC Group with renewable energy
Replaced 100% of electric power used in the laboratory testing services with renewable energy
(January, 2020–April, 2021)
- Score of B on initial participation in the CDP Climate Change 2020 Questionnaire (December, 2020)
- Currently formulating the 8th environmental medium–term management plan

■ S (Society)

- Began sales and free rental of freezers for vaccine storage (April–June, 2021)
- Established employee participation–type donation program ESPEC Smile Club (December, 2020)
- Opened ESPEC Smile Farm, a plantation staffed by workers with disabilities (November, 2021)

■ G (Governance)

- Increased members on the voluntary nomination and remuneration advisory committee (March, 2021)

(June, 2021)

Support the early commercialization of next-generation batteries through the SoftBank Next-generation Battery Lab

- In June 2021, the Battery Lab opened in the ESPEC Battery Safety Testing Center in Utsunomiya City.
- ESPEC's constant-temperature chambers for charging and discharging rechargeable batteries is installed here
- As part of laboratory testing services, ESPEC will provide support in areas such as test planning, equipment inspection and management and response measures when malfunctions occur.



SoftBank Next-generation Battery Lab
Inside the ESPEC Battery Safety Testing Center



Tour of the ESPEC Battery Safety Testing Center
A site tour of the SoftBank Next-generation Battery
Lab organized by SoftBank (November 2021)

External Recognition

November, 2021

- Rated 3 stars in Nikkei's 5th Smart Work Management Survey
- Rated 3.5 stars in the Nikkei SDGs Management Survey 2021



October, 2021

- Ranked 169th in the Nikkan Kogyo Shimbun's Corporate Power Ranking (sponsored by the Ministry of Economy, Trade and Industry)



February, 2021

- Our Sustainability Report received the Excellence Award in the Environmental Communication Awards (Organized by the Ministry of the Environment and the general incorporated foundation Global Environment Forum)

December, 2020

- Voluntarily responded to CDP Climate Change Questionnaire this year for the first time and received a "B" score
- Selected as an excellent website in the All Japanese Listed Companies' Website Ranking 2020 by Nikko Investor Relations Co., Ltd.
- Awarded a Bronze Prize in the Gomez IR Website Ranking 2020 by Morningstar Japan K.K. (ranked 28th according to industry)



June, 2020

- Ministry of Economy, Trade and Industry (METI) Global Niche Top Companies Selection 100 for Fiscal 2020. ESPEC was selected as a winner for the second time.

These materials contain forward-looking statements, including the Company's present plans and forecasts of performance, that reflect the Company's plans and forecasts based on the information presently available. These forward-looking statements are not guarantees of future performance, and plans, forecasts, and performance are subject to change depending on future conditions and various other factors.

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Quality is more than a word

ESPEC