

Securities ID code:6859

Results Briefing
for the Nine Months Ended December 31, 2021

ESPEC CORP.
February 18, 2022

Financial Result for the Nine Months Ended December 31, 2021

Orders Received increased substantially due to recovery of the global economy, while production decreased due to a shortage of electronic components.

Although sales increased year on year, operating profit declined because of an increase in selling, general and administrative expenses.

	Year on Year	Comparison with Forecasts (Announced in November, 2021)
■ Orders Received	○ Increased substantially in the Equipment Business (mainly environmental test chambers)	○ Continued strong performance in the Equipment Business (mainly environmental test chambers)
■ Net Sales	○ Declined in Other Business, but increased in the Equipment Business (mainly environmental test chambers) and Service Business	× Below forecast with no progress made toward the normalization of component procurement
■ Operating Profit	× Decreased due to an increase in selling, general and administrative expenses	× Below forecast due to a shortfall in net sales 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

■ On February 10, the Company announced downward revisions to its full-year profit forecast based on 3rd quarter results. No revision made to initial forecast for year-end dividends (¥18 interim dividend, ¥42 year-end dividend, and ¥60 annual dividend).

Summary of Profits and Losses

(Millions of yen)

	FY 2020 3Q Results	FY 2021 3Q Results	Year on Year
Orders Received	27,448	38,752	41.2%
Net Sales	26,526	28,131	6.1%
Cost of Net Sales	17,401	18,337	5.4%
Cost Rate	65.6%	65.2%	0.4pt amelioration
Gross Profit	9,125	9,794	7.3%
SG&A	7,794	8,621	10.6%
Operating Profit	1,330	1,172	-11.9%
Ordinary Profit	1,491	1,386	-7.0%
Profit Attributable to Owners of Parent	943	834	-11.6%

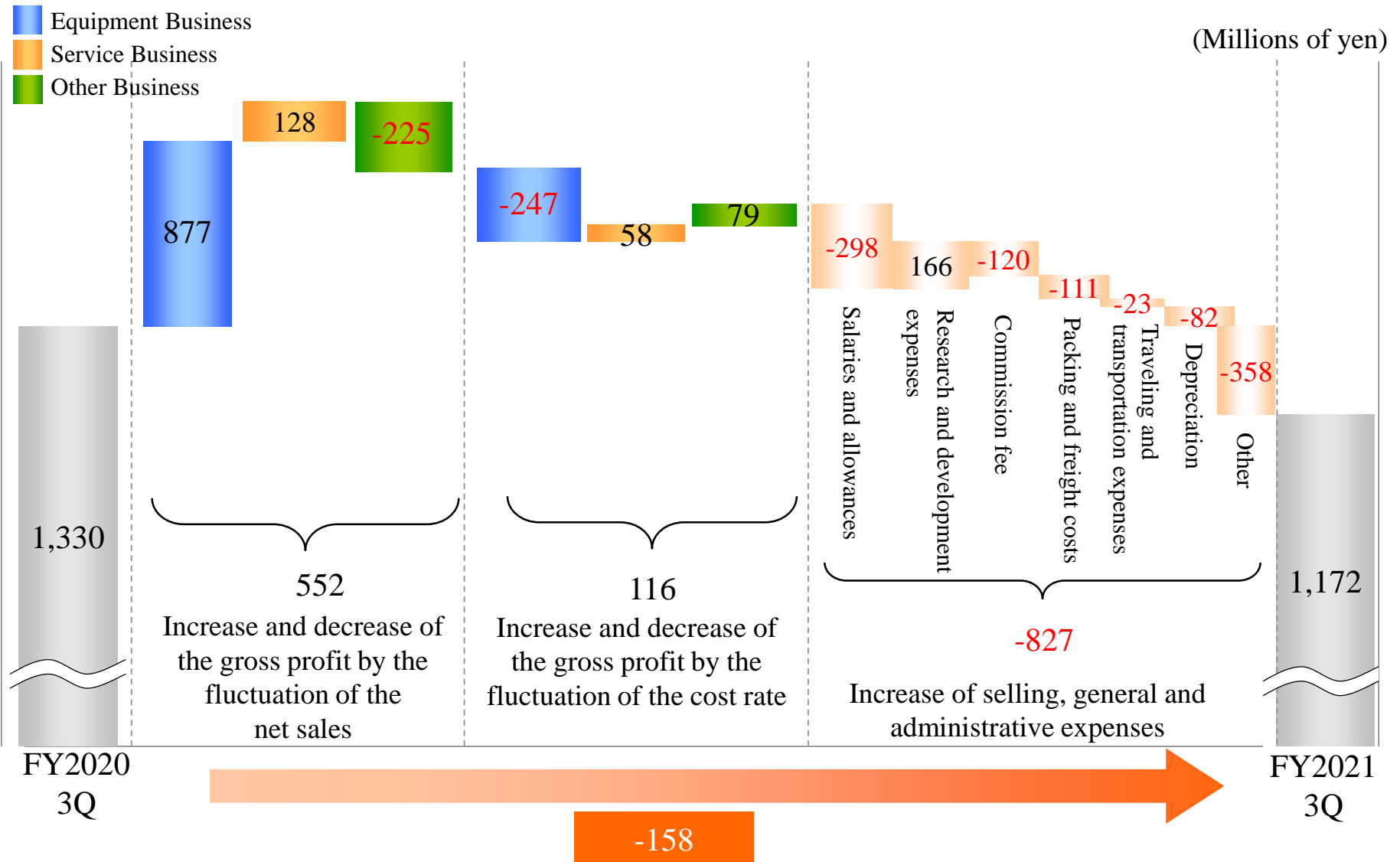
From July 2021, ESPEC THERMAL TECH SYSTEM CORP. has been included in the scope of consolidation.

Performance by Segment

(Millions of yen)

Segment		FY 2020 3Q Results	FY 2021 3Q Results	Year on Year
Equipment Business	Orders Received	22,340	33,007	47.8%
	Net Sales	20,745	23,237	12.0%
	Operating Profit	1,073	951	-11.4%
Service Business	Orders Received	4,567	4,993	9.3%
	Net Sales	4,114	4,472	8.7%
	Operating Profit	191	311	63.1%
Other Business	Orders Received	778	956	22.9%
	Net Sales	1,848	612	-66.9%
	Operating profit	64	-89	-
Elimination	Orders Received	-237	-205	-
	Net Sales	-182	-190	-
	Operating Profit	1	-0	-
Total	Orders Received	27,448	38,752	41.2%
	Net Sales	26,526	28,131	6.1%
	Operating Profit	1,330	1,172	-11.9%

Analysis of Operating Profit Increase and Decrease Factor



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

Equipment Business

(Millions of yen)

	FY 2020 3Q Results	FY 2021 3Q Results	Year on Year
Orders Received	22,340	33,007	47.8%
Net Sales	20,745	23,237	12.0%
Operating Profit	1,073	951	-11.4%
Profit Margin(%)	5.2%	4.1%	

Environmental Test Chambers

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

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 were largely unchanged year on year due to investment related to memory and automobiles continued, but net sales decreased.

Service Business

(Millions of yen)

	FY 2020 3Q Results	FY 2021 3Q Results	Year on Year
Orders Received	4,567	4,993	9.3%
Net Sales	4,114	4,472	8.7%
Operating Profit Profit Margin(%)	191 4.6%	311 7.0%	63.1%

After-Sales Service and Engineering

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

Laboratory Testing Services and Facility Rentals

- Both orders received and net sales increased year on year as laboratory testing services, centered on automotive-related matters, recovered in Japan, and performed steadily in China.

Other Business

(Millions of yen)

	FY 2020 3Q Results	FY 2021 3Q Results	Year on Year
Orders Received	778	956	22.9%
Net Sales	1,848	612	-66.9%
Operating Profit Profit Margin(%)	64 3.5%	-89 -14.7%	-

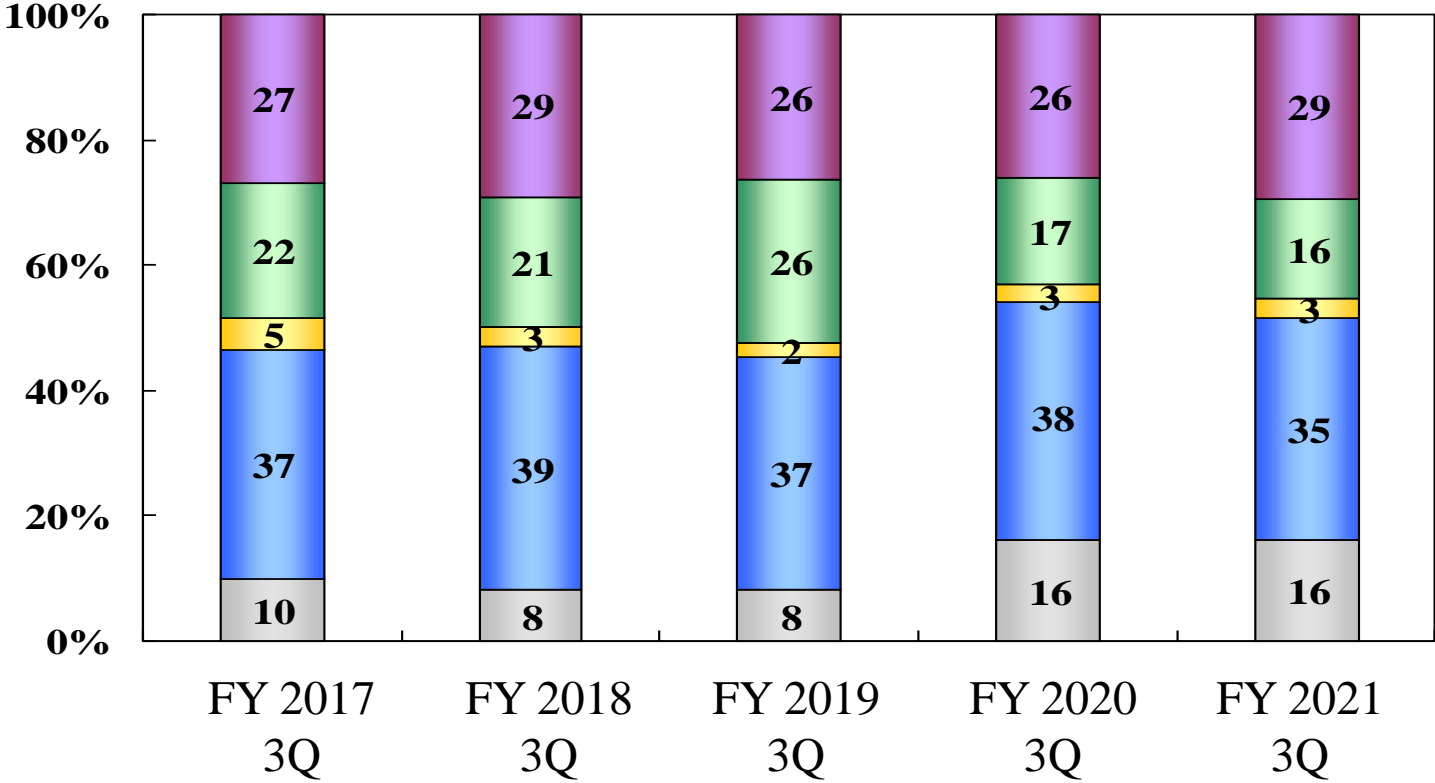
Environmental Preservation, Plant Production Systems

- Orders received increased year on year as orders were captured for plant factories, in addition to an increase 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)

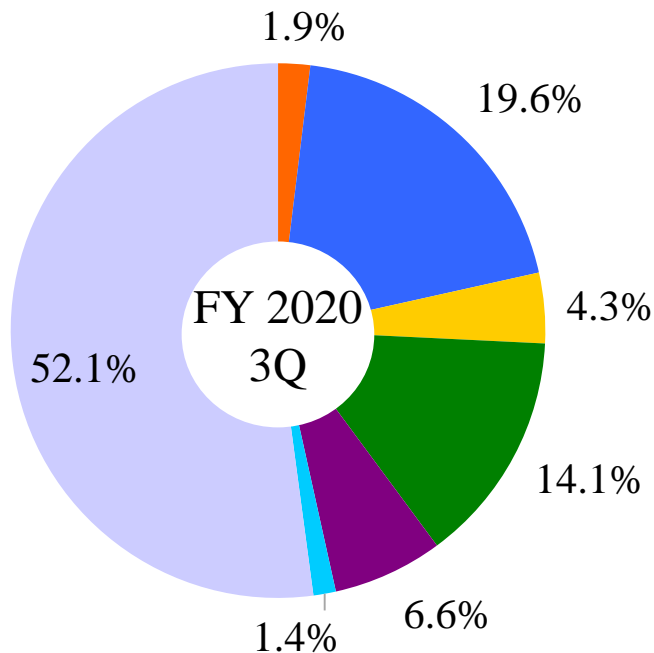
- Other markets
- Automobile market
- Flat panel display market
- Electronic device and equipment market
- Semiconductor market



Sales by Region

FY 2020 3Q

Overseas sales ratio: 47.9%

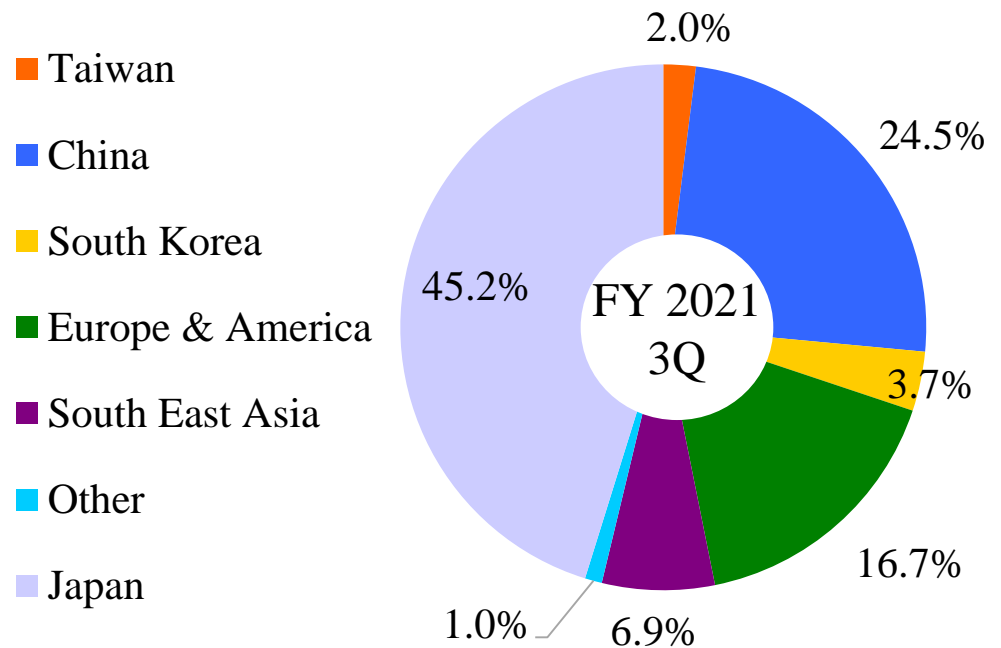


Total: 26,526 million yen

(Overseas sales: 12,703 million yen)

FY 2021 3Q

Overseas sales ratio: 54.8%



Total: 28,131 million yen

(Overseas sales: 15,420 million yen)

Full-Year Forecasts for Fiscal 2021

(Millions of yen)

	FY 2020	FY 2021			
	Full Year Results	3Q Results	Forecast (Revised on February 10)		
			4Q	Full Year	Year on Year
Orders Received	37,580	38,752	12,048	50,800	35.2%
Net Sales	38,668	28,131	14,069	42,200	9.1%
Gross Profit Profit Margin (%)	13,412 34.7%	9,794 34.8%	4,506 32.0%	14,300 33.9%	6.6%
SG&A SG&A Ratio (%)	10,839 28.0%	8,621 30.6%	3,279 23.3%	11,900 28.2%	9.8%
Operating Profit Profit Margin(%)	2,572 6.7%	1,172 4.2%	1,228 8.7%	2,400 5.7%	-6.7%
Ordinary Profit Profit Margin(%)	2,840 7.3%	1,386 4.9%	1,214 8.6%	2,600 6.2%	-8.5%
Profit Attributable to Owners of Parent Profit Margin (%)	1,961 5.1%	834 3.0%	1,066 7.6%	1,900 4.5%	-3.1%

Segment Financial Forecasts

(Millions of yen)

		FY 2020	FY 2021			
		Full year Results	3Q Results	Forecast (Revised on February 10)		
				4Q	Full year	Year on Year
Equipment Business	Orders Received	30,755	33,007	10,443	43,450	41.3%
	Net Sales	30,669	23,237	11,763	35,000	14.1%
	Operating Profit	2,062	951	969	1,920	-6.9%
Service Business	Orders Received	6,153	4,993	1,457	6,450	4.8%
	Net Sales	6,063	4,472	1,928	6,400	5.6%
	Operating Profit	446	311	239	550	23.3%
Other Business	Orders Received	976	956	244	1,200	23.0%
	Net Sales	2,241	612	488	1,100	-50.9%
	Operating Profit	60	-89	19	-70	-
Elimination	Orders Received	-304	-205	-95	-300	-
	Net Sales	-305	-190	-110	-300	-
	Operating Profit	3	-0	0	0	-
Total	Orders Received	37,580	38,752	12,048	50,800	35.2%
	Net Sales	38,668	28,131	14,069	42,200	9.1%
	Operating Profit	2,572	1,172	1,228	2,400	-6.7%

FY 2021 Dividend Forecast

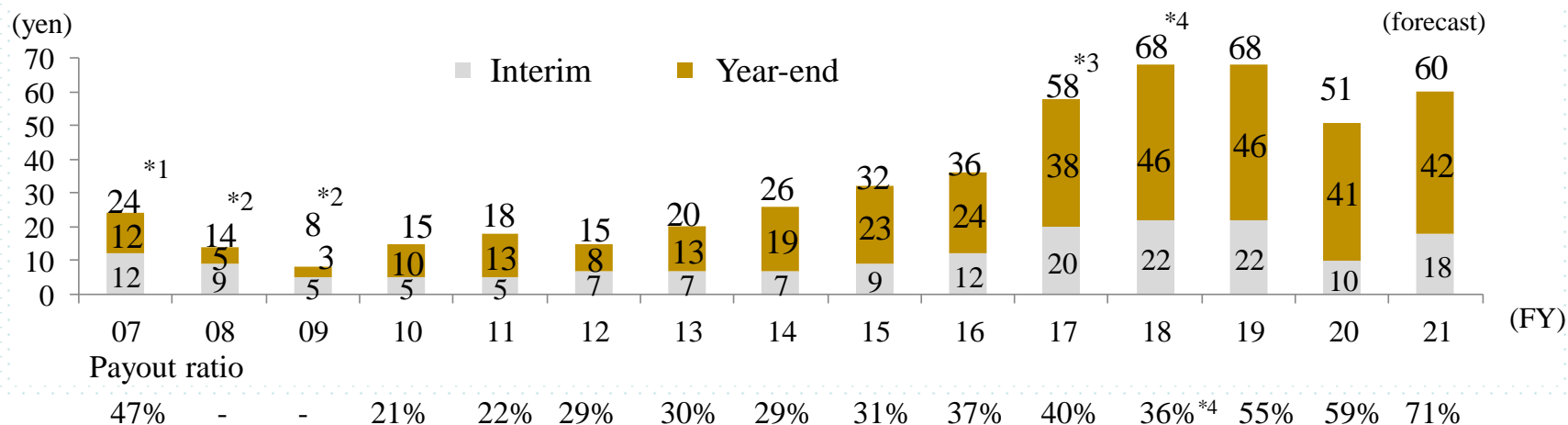
No revision made to dividend forecast, despite revisions to the full-year forecast on February 10th. In FY2021, ¥18 interim dividend, ¥42 year-end dividend, and ¥60 annual dividend are planned.

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



*1. The dividend per share for FY2007 included a commemorative dividend of ¥2 per share to mark the Company's 60th founding anniversary. (an interim dividend of ¥1 per share and a year-end dividend of ¥1 per share).

*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)
- Certified with a score of B for the second consecutive year in the CDP Climate Change 2021 Questionnaire
- Agreed with the proposals of the Task Force on Climate-related Financial Disclosures (TCFD) and participated in the TCFD Consortium
- Currently formulating the 8th environmental medium-term management plan

■ S (Society)

- Resumed free rental of freezers for vaccine storage in anticipation of third round of vaccinations
(from December, 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)

- Decided on the transition to a Company with Audit & Supervisory Committee in December 2021
(scheduled for June 2022)

(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

December, 2021

- A score of B for the second consecutive year in the CDP Climate Change 2021 Questionnaire
- Selected as a "GRADE AAA" company website (overall ranking) in the All Japanese Listed Companies' Website Ranking 2021 by Nikko Investor Relations Co., Ltd.
- Awarded a Bronze Prize in the Gomez IR Website Ranking 2021 by BroadBand Security, Inc. (ranked 27th according to industry)



November, 2021

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



October, 2021

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



March-June, 2021

- Ranked 429th in Toyo Keizai Inc.'s 2021 SDGs Corporate Ranking
- Ranked 357th in Toyo Keizai Inc.'s 2021 CSR Corporate Ranking



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)

June, 2020

- Consecutively selected Ministry of Economy, Trade and Industry (METI) Global Niche Top Companies Selection 100.

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.

INQUIRIES:

ESPEC CORP.

3-5-6, Tenjinbashi, Kita-ku, Osaka 530-8550, Japan

E-mail: ir-div@espec.jp

Junko Nishitani (General Manager),

Yasutoshi Nakagawa and Natsuko Okawa

Corporate Communication Department

Quality is more than a word

ESPEC