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Securities ID code:6859

ESPEC CORP.

Results Briefing  
for the Fiscal Year Ended March 31, 2023

May 24, 2023

Satoshi Arata

Representative Director and President

# Financial Result for the Fiscal Year Ended March 31, 2023

Although parts procurement difficulties and surging component prices continued, the electronics and automobile markets remained favorable.

Orders received and net sales reached record highs, while profits also increased substantially.

	Year on Year	Comparison with Forecasts (Revised in Oct. 2022)
■ Orders Received	○ Increased in all segments, particularly increasing substantially in the Equipment Business (mainly environmental test chambers)	○ Above forecast in the Equipment Business (mainly environmental test chambers) and the Service Business
■ Net Sales	○ Increased in all segments, particularly increasing substantially in the Equipment Business (environmental test chambers)	○ Above forecast in the Equipment Business (environmental test chambers) and the Service Business
■ Operating Profit	○ Increased substantially due to revenue growth, despite the impact of surging component prices and an increase in SG&A	○ Above forecast due to higher-than-expected net sales and a decrease in SG&A
■ Ordinary Profit Profit Attributable to Owners of Parent	○ Increased substantially due to the increase in operating profit	○ Above forecast due to the increase in operating profit

■ No revisions made to dividends from initial forecast (Interim: ¥24, Year-end: ¥45, Annual: ¥69)

\*Including a 75th anniversary commemorative dividend (Interim: ¥2, Year-end: ¥2, Annual: ¥4)

# Summary of Profits and Losses

(Millions of yen)

	FY 2021 Results	FY2022 Revised Forecasts (Oct. 2022)	FY2022 Results	Year on Year	Comparison with Forecasts
Orders Received	51,303	59,000	59,521	+16.0%	+0.9%
Net Sales	41,852	52,000	52,892	+26.4%	+1.7%
Cost of Net Sales	27,849	34,200	34,935	+25.4%	+2.2%
Cost of Sales Ratio	66.5%	65.8%	66.0%	0.5pt melioration	0.2pt deterioration
Gross Profit	14,003	17,800	17,957	+28.2%	+0.9%
SG&A	12,034	13,800	13,590	+12.9%	-1.5%
Operating Profit	1,968	4,000	4,366	+121.8%	+9.2%
Ordinary Profit	2,322	4,350	4,664	+100.9%	+7.2%
Profit Attributable to Owners of Parent	1,905	2,900	3,330	+74.8%	+14.9%
Return on Equity (ROE)	4.2%	Initial Forecasts 8.0%	7.2%	+3.0pt	-0.8pt

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

# Performance by Segment

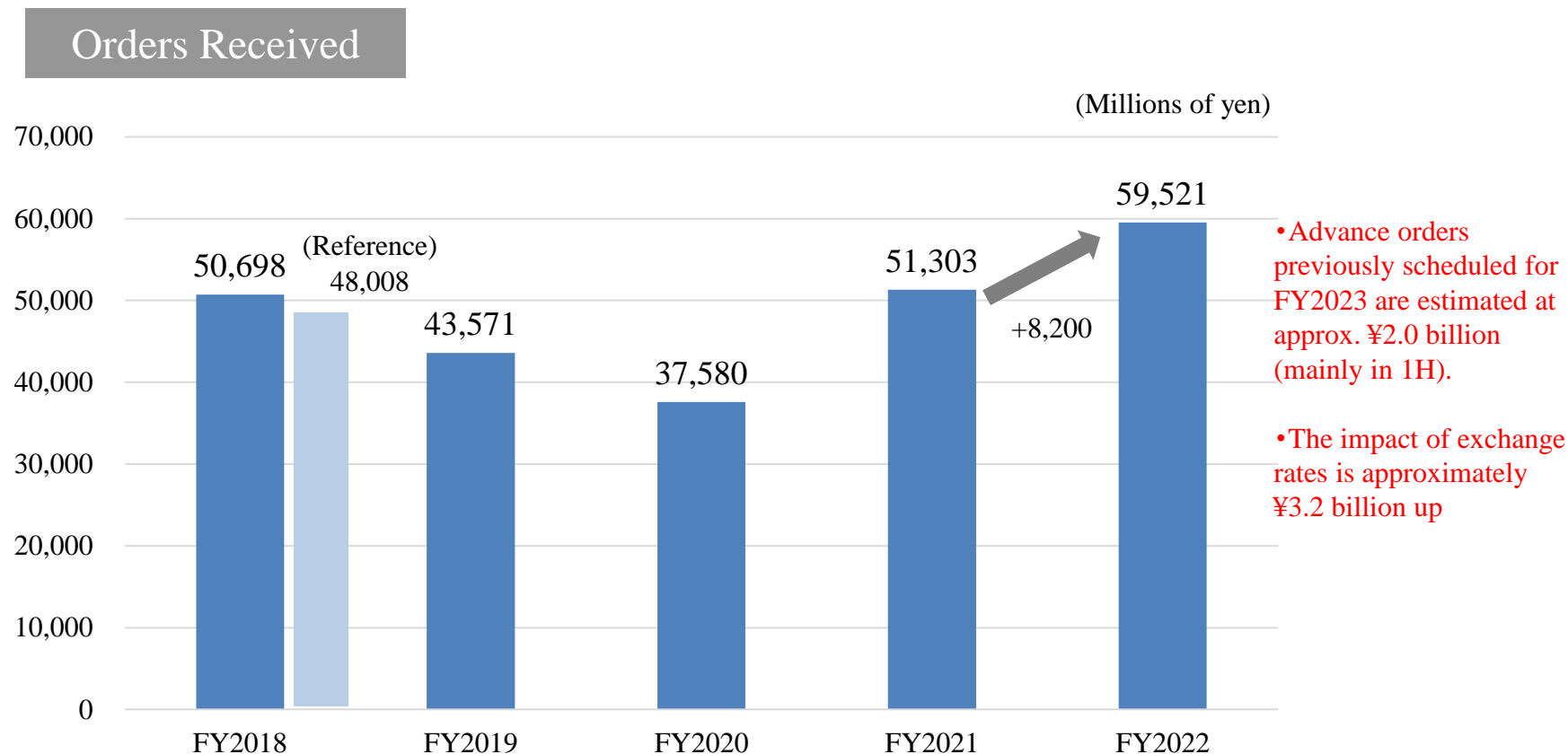
(Millions of yen)

		FY 2021 Results	FY2022 Revised Forecasts (Oct. 2022)	FY2022 Results	Year on Year	Comparison with Forecasts
Equipment Business	Orders Received	43,535	51,000	51,446	+18.2%	+0.9%
	Net Sales	34,518	44,400	45,031	+30.5%	+1.4%
	Operating Profit	1,370	3,760	3,919	+186.0%	+4.3%
Service Business	Orders Received	6,771	6,720	6,963	+2.8%	+3.6%
	Net Sales	6,407	6,470	6,788	+5.9%	+4.9%
	Operating Profit	618	230	428	-30.8%	+86.1%
Other Business	Orders Received	1,265	1,580	1,469	+16.1%	-7.0%
	Net Sales	1,188	1,430	1,404	+18.2%	-1.8%
	Operating Profit	-23	10	16	-	+65.4%
Elimination	Orders Received	-269	-300	-359	-	-
	Net Sales	-261	-300	-330	-	-
	Operating Profit	2	0	1	-	-
Total	Orders Received	51,303	59,000	59,521	+16.0%	+0.9%
	Net Sales	41,852	52,000	52,892	+26.4%	+1.7%
	Operating Profit	1,968	4,000	4,366	+121.8%	+9.2%

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

# Orders Received in FY2022

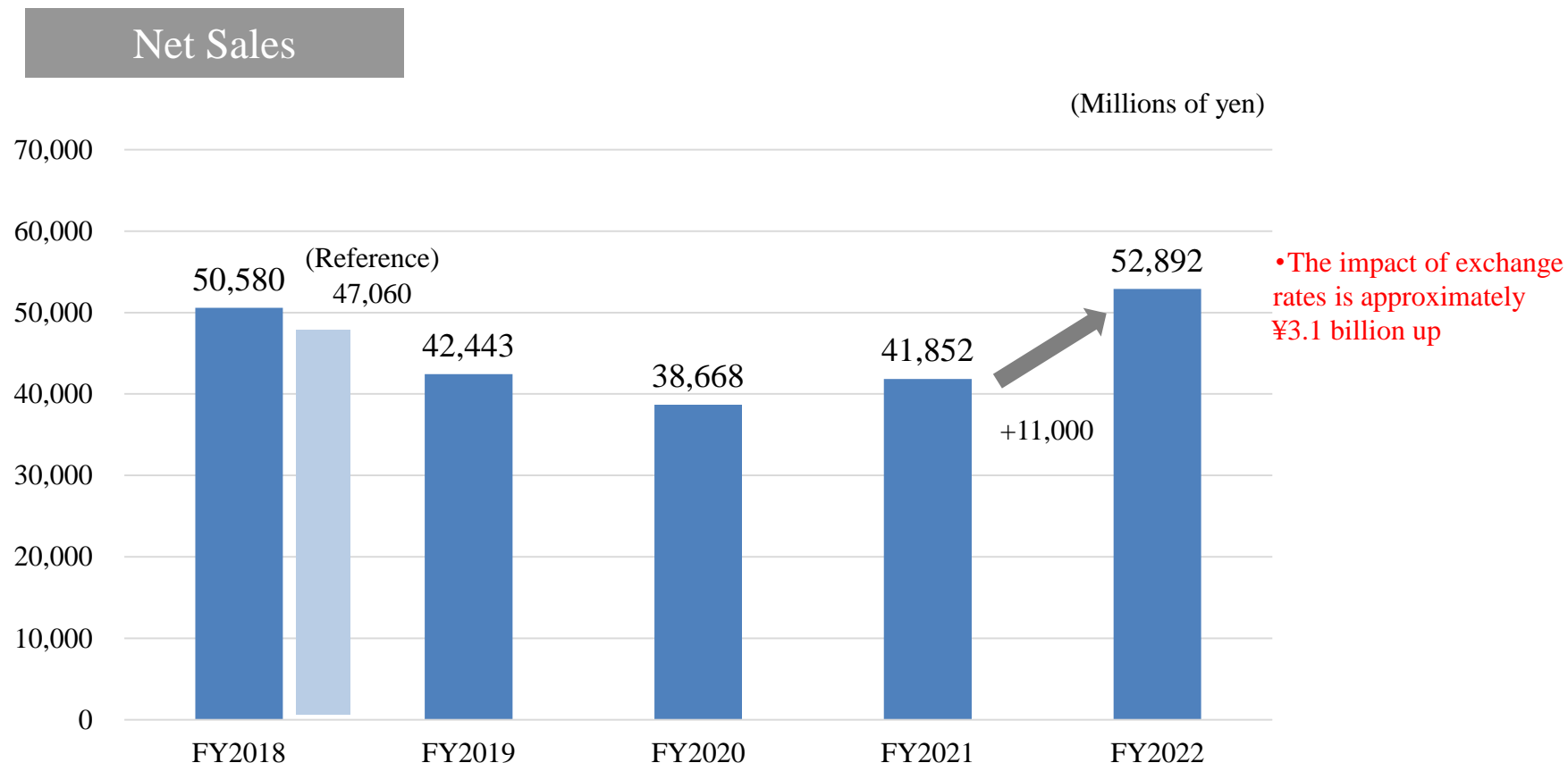
- Orders-received were strong, as the electronics and automobile markets performed better than anticipated
- Reached record highs for two consecutive fiscal years



\*FY2018 was an irregular 15-month fiscal period for overseas consolidated subsidiaries.  
“(Reference)” figures showing a 12-month period have also been included.

# Net Sales in FY2022

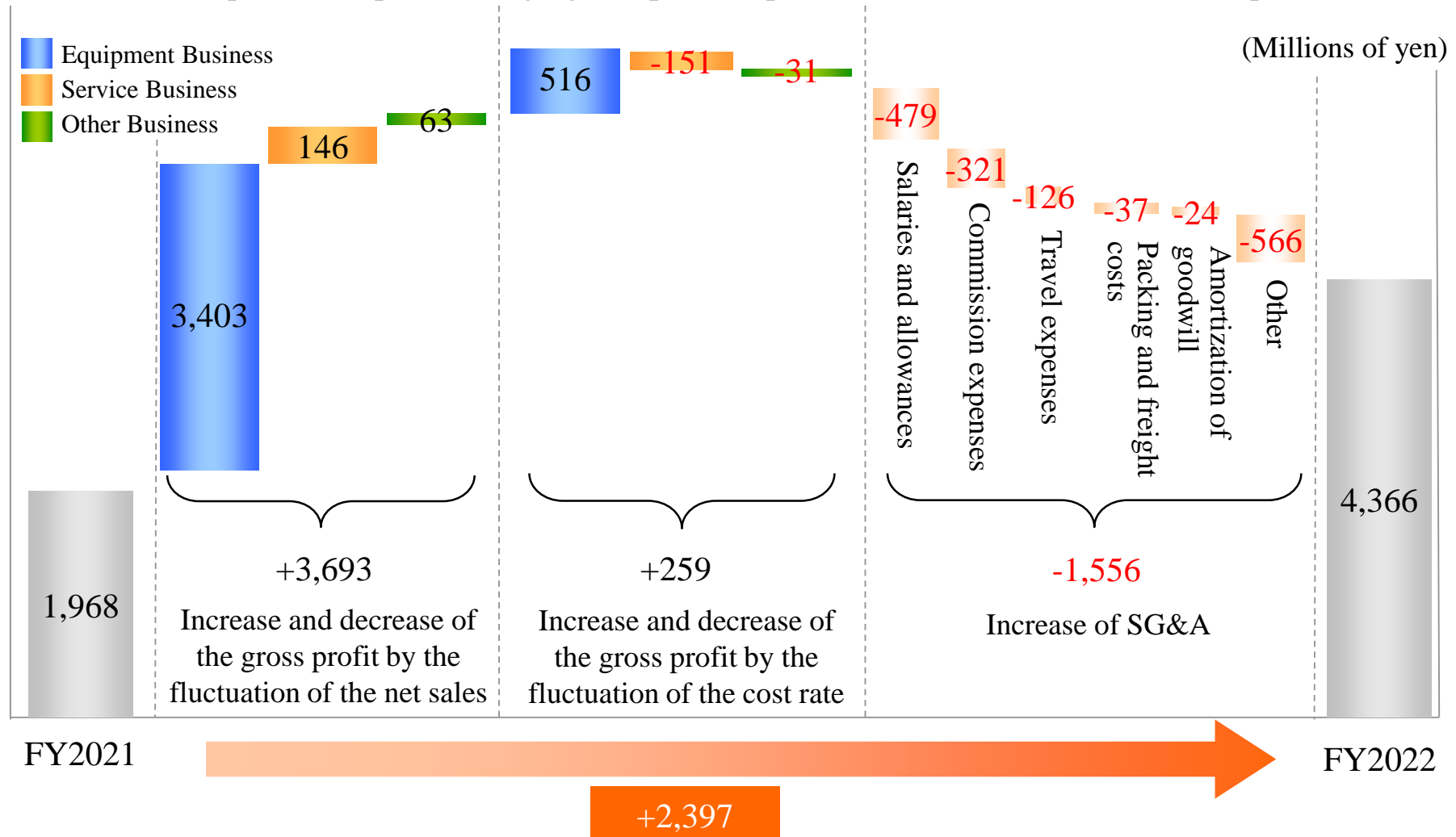
- Net sales rose substantially, reaching a record high, as all types of measures were implemented to secure production volume, despite the impact of parts procurement difficulties and the lockdowns in Shanghai in 1Q.



\*FY2018 was an irregular 15-month fiscal period for overseas consolidated subsidiaries.  
“(Reference)” figures showing a 12-month period have also been included.

# Analysis of Operating Profit Increase and Decrease Factors (YoY)

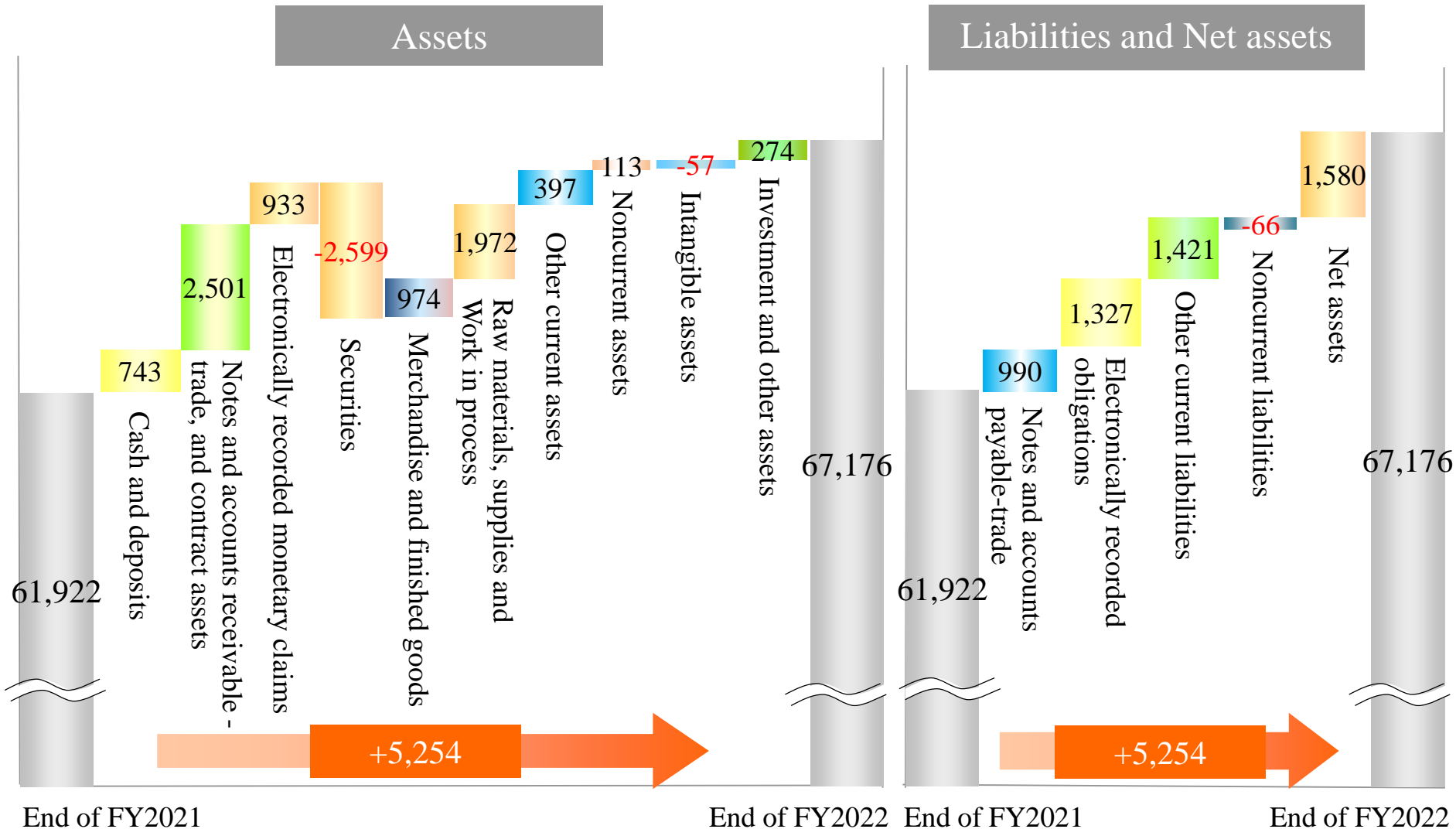
■ Operating profit increased substantially, mainly due to an increase in net sales in the Equipment Business, despite the impact of surging components prices and an increase in SG&A expenses.



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

# Statement of Assets and Liabilities

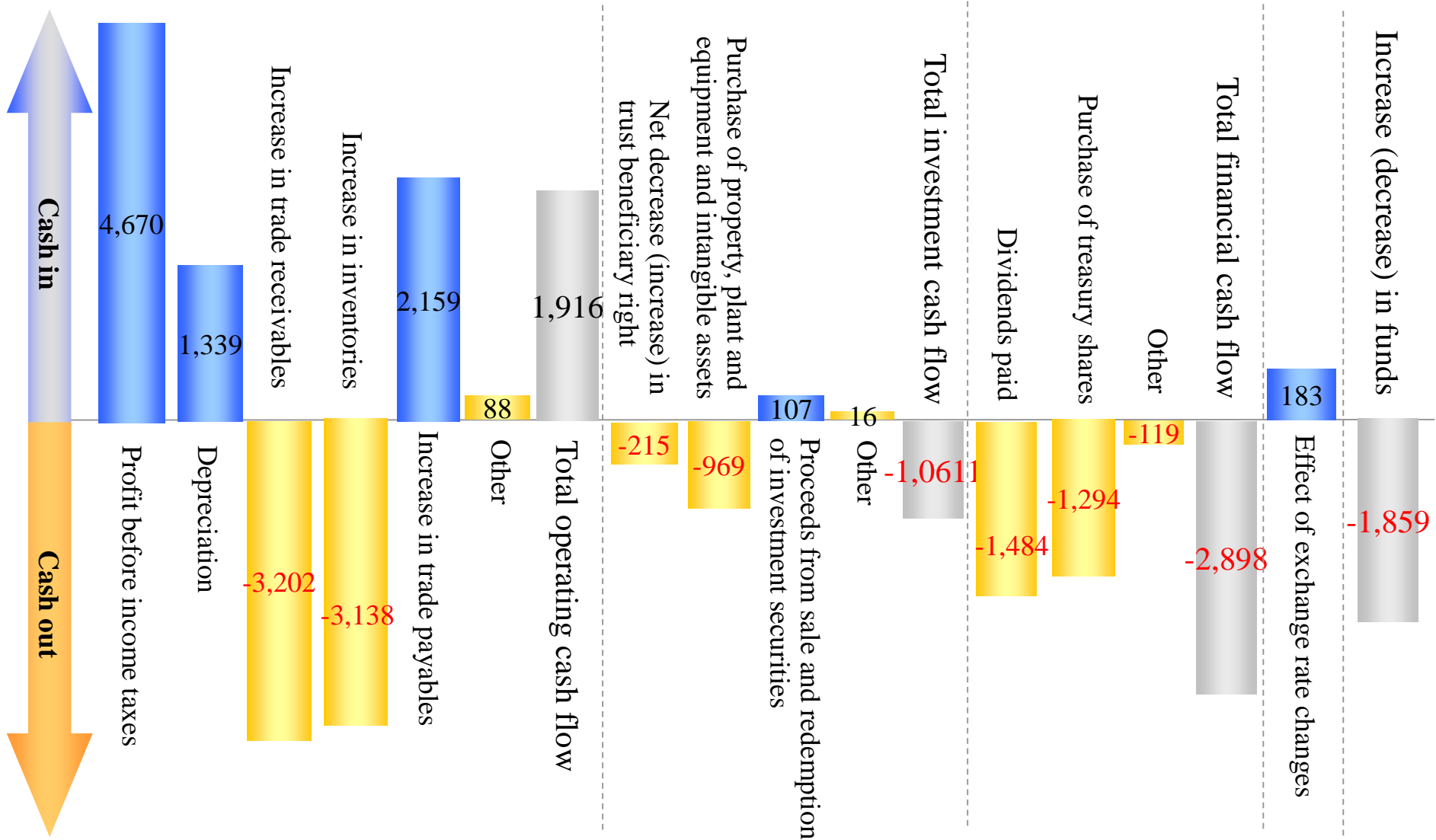
(Millions of yen)





# Statements of Cash Flows

(Millions of yen)



# Equipment Business

(Millions of yen)

	FY 2021 Results	FY2022 Revised Forecasts (Oct. 2022)	FY2022 Results	Year on Year	Comparison with Forecasts
Orders Received	43,535	51,000	51,446	+18.2%	+0.9%
Net Sales	34,518	44,400	45,031	+30.5%	+1.4%
Operating Profit Profit Ratio(%)	1,370 4.0%	3,760 8.5%	3,919 8.7%	+186.0%	+4.3%

## Environmental Test Chambers

- In Japan, orders received and net sales both increased year on year for both highly versatile standardized and customized products, despite the impact of parts procurement difficulties.
- Overseas, orders received were also strong. Net sales increased year on year in China, North America, Europe, Southeast Asia and Korea.

## Energy Device Equipment

- Orders received substantially increased year on year due to strong sales of chambers for charge-discharge testing mainly in the Japanese market due to the expansion of investment for electrification of automobiles.
- Net sales remained level year on year due to the impact of parts procurement difficulties.

## Semiconductor Equipment

- Orders received and net sales were both on a par with the previous fiscal year, although they were impacted by factors such as delays in customer plans for mainstay burn-in chambers.

# Service Business

(Millions of yen)

	FY 2021 Results	FY2022 Revised Forecasts (Oct. 2022)	FY2022 Results	Year on Year	Comparison with Forecasts
Orders Received	6,771	6,720	6,963	+2.8%	+3.6%
Net Sales	6,407	6,470	6,788	+5.9%	+4.9%
Operating Profit	618	230	428	-30.8%	+86.1%
Profit Ratio(%)	9.7%	3.6%	6.3%		

## After-Sales Service and Engineering

- Both orders received and net sales increased year on year as a result of a strong performance in preventative maintenance services such as maintenance agreements, along with progress on obtaining previously difficult-to-procure parts for repair services.

## Laboratory Testing Services and Facility Rentals

- Orders received and net sales were both on a par with the previous fiscal year, due to a strong performance in laboratory testing services, centered on automotive rechargeable batteries.

# Other Business

(Millions of yen)

	FY 2021 Results	FY2022 Revised Forecasts (Oct. 2022)	FY2022 Results	Year on Year	Comparison with Forecasts
Orders Received	1,265	1,580	1,469	+16.1	-7.0%
Net Sales	1,188	1,430	1,404	+18.2	-1.8%
Operating Profit Profit Ratio(%)	-23 -2.0%	10 0.7%	16 1.2%	-	+65.4%

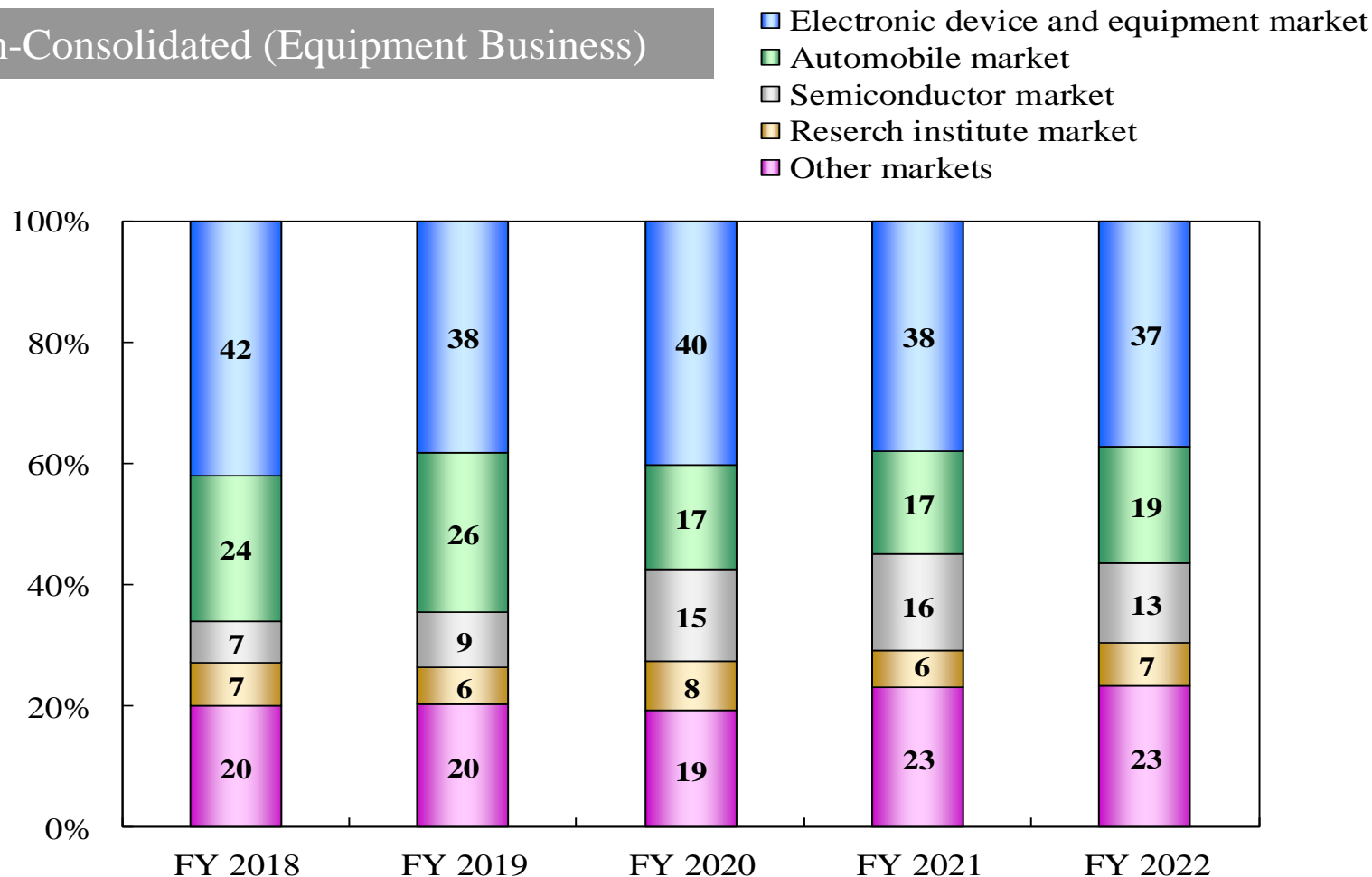
## Environmental Preservation, Plant Production Systems

- Both orders received and net sales increased year on year.  
Forest creation and waterfront biotope restoration performed sluggishly, but plant research devices and plant factories increased year on year.

# Sales by Market

- Growth was led by the IoT-related market (communication terminals, base stations, servers) and the next-generation automobile-related market (electrification, automation), both of which are cutting-edge technology fields.

## Non-Consolidated (Equipment Business)

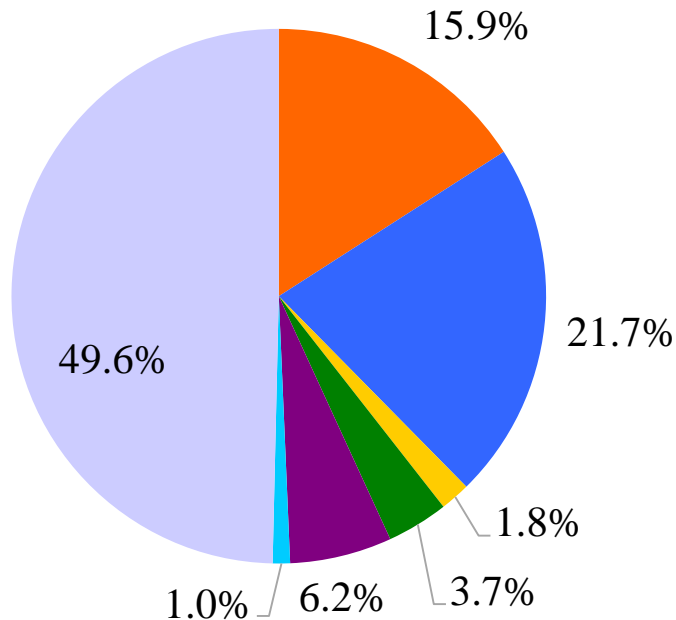


# Sales by Region

■ The overseas sales ratio surpassed 50% for the second consecutive fiscal year. By area, the ratios went up in China and Europe & North America.

FY 2021

Overseas sales ratio: 50.4%

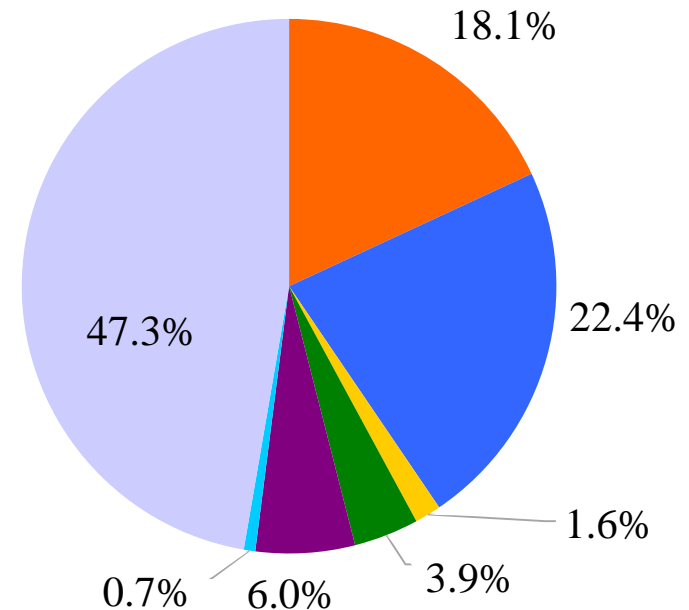


Total: 41,582 million yen

Overseas sales: 21,080 million yen

FY2022

Overseas sales ratio: 52.7%



Total: 52,892 million yen

Overseas sales: 27,884 million yen

# FY2023 Plan

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- Although the business environment will remain uncertain, we expect to maintain a high level of orders received primarily in cutting-edge technology fields.
- Meanwhile, parts procurement still remains unstable and is projected to normalize from FY2023 2H onward.
- Against the backdrop of surging component prices, product prices will be revised further, and every effort will be made to normalize product delivery schedules and boost earnings power.

# Forecasts for FY2023

(Millions of yen)

	FY2022	FY2023 Forecasts			
	Full Year Results	1H	2H	Full Year	Year on Year
Orders Received	59,521	26,500	27,500	54,000	-9.3%
Net Sales	52,892	26,000	30,000	56,000	+5.9%
Gross Profit	17,957	8,750	10,250	19,000	+5.8%
Profit Ratio (%)	34.0%	33.7%	34.2%	33.9%	-0.1pt
SG&A	13,590	6,900	7,100	14,000	+3.0%
SG&A Ratio (%)	25.7%	26.5%	23.7%	25.0%	-0.7pt
Operating Profit	4,366	1,850	3,150	5,000	+14.5%
Profit Ratio(%)	8.3%	7.1%	10.5%	8.9%	+0.6pt
Ordinary Profit	4,664	1,950	3,150	5,100	+9.3%
Profit Ratio(%)	8.8%	7.5%	10.5%	9.1%	+0.3pt
Profit Attributable to Owners of Parent	3,330	1,300	2,350	3,650	+9.6%
Profit Ratio (%)	6.3%	5.0%	7.8%	6.5%	+0.2pt
Capital Expenditures	1,311	1,310	1,790	3,100	+136.3%
Depreciation Expenses	1,328	710	770	1,480	+11.4%
R&D Expenditures	1,041	820	670	1,490	+43.0%
Basic Earnings per Share (yen)	150.34	59.54	107.64	167.18	+11.2%

\*Return on equity (ROE): FY2023 target 7.5% (up 0.3-point year on year)



# Assumed exchange rate for FY2023

## ■ Assumed exchange rate

	FY2021	FY2022		FY2023
	Full Year Results	1H Results	Full Year Results	Full Year Assumption
U.S. dollars (yen)	112.40	134.04	135.51	130

\*Reference: Exchange rate sensitivity for FY2023

(¥1 depreciation against US\$1)

Net sales: Increase of ¥185 million

Operating profit: Increase of ¥35 million

# Recognition of the Operating Environment

Although the business environment is uncertain, demand is forecast to continue, mainly in cutting-edge technology fields such as IoT and next-generation automobiles.

Equipment Business	Environmental Test Chambers	<p><b>Japan:</b> Investments related to EVs and automated driving will remain strong, while investment related to IoT will hold firm, while settling down.</p> <p><b>China:</b> Investments will continue, particularly in EV- and IoT-related areas.</p> <p><b>ASEAN:</b> Semiconductor-related investment is uncertain and is forecast to decrease year on year.</p> <p><b>North America:</b> EV- and IoT-related investment will continue, despite concerns about an economic slowdown.</p> <p><b>Europe:</b> EV- and IoT-related investments will continue.</p>
	Energy Device Equipment	Investment in rechargeable batteries is forecast to grow worldwide.
	Semiconductor Equipment	Investment is forecast to recover from FY2023 2H onward.
Service Business	After-sales Service and Engineering, Laboratory Testing Services and Facility Rentals	<p><b>After-sales Service and Engineering:</b> Expect similar level of demand as in the previous fiscal year.</p> <p><b>Laboratory Testing Services:</b> Favorable demand in cutting-edge technology fields, mainly for secondary batteries.</p>
Other Business	Environmental Preservation, Plant Production Systems	Forecasts recovery mainly in the environmental preservation (forest creation and waterfront biotope restoration).

# Main Initiatives in FY2023

## Equipment Business

- Boost earnings power, normalize delivery schedules, and rapidly clear the order backlog
- Strengthen response to the globally expanding battery market

## Service Business

**After-sales Service:** Expand preventative maintenance services through “super support service plan,” a new service

**Laboratory Testing Services:** Enhance testing services for cutting-edge technology fields, primarily automobiles.

## Area Strategy

**Japan:** Increase sales and stimulate replacement demand through the launch of products that meet the needs of the EV, automated driving, and IoT fields.

**North America:** Address demand growth in the automobile market driven by the Inflation Reduction Act (IRA).

**China:** Increase sales to the EV and IoT markets through Group collaboration

**Europe:** Cultivate the automobile and IoT markets by enhancing the product lineup

**Korea:** Increase sales to major global companies

# Segment Financial Forecasts

(Millions of yen)

		FY2022	FY2023 Forecasts			
		Full Year Results	1H	2H	Full Year	Year on Year
Equipment Business	Orders Received	51,446	22,550	22,950	45,500	-11.6%
	Net Sales	45,031	22,450	25,250	47,700	+5.9%
	Operating Profit	3,919	1,870	2,800	4,670	+19.1%
Service Business	Orders Received	6,963	3,350	3,650	7,000	+0.5%
	Net Sales	6,788	3,150	3,750	6,900	+1.6%
	Operating Profit	428	30	270	300	-29.9%
Other Business	Orders Received	1,469	750	1,050	1,800	+22.5%
	Net Sales	1,404	550	1,150	1,700	+21.0%
	Operating Profit	16	-50	80	30	+81.3%
Elimination	Orders Received	-359	-150	-150	-300	-
	Net Sales	-330	-150	-150	-300	-
	Operating Profit	1	0	0	0	-
Total	Orders Received	59,521	26,500	27,500	54,000	-9.3%
	Net Sales	52,892	26,000	30,000	56,000	+5.9%
	Operating Profit	4,366	1,850	3,150	5,000	+14.5%

# Main Initiatives for ESG in FY2023

## ■E (Environment)

- Promote the 8th Medium-term Plan on the Environment (FY2022-2025)
- Global warming countermeasure: Change to low-GWP refrigerant  
Reduce CO2 emissions in business activities such as manufacturing
- Biodiversity conservation activities: Contributions through ESPEC MIC Corp.'s business  
Promote conservation activities through the management of  
“ESPEC’s 50-Year Forest”

## ■S (Society)

- Strengthen human capital: Bolster the management skills of managers, enhance the personnel evaluation system and training system, implement “One-on-One meetings,” and train the next generation of executives
- Promote diversity: Train female managers, facilitate the success of senior and non-Japanese employees

## ■G (Governance)

- Strengthen Group governance, and develop and enhance the internal control system

# Investment Plans in FY2023

Strategic investment	1.6 billion yen
Ordinary investment	1.5 billion yen
Capital investment Total	3.1 billion yen

R&D expenditures	1.49 billion yen
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## Main investments

- Expansion of laboratory testing facilities
- Update production facilities etc.

## Main R&D Activities

- Develop products for cutting-edge technology fields
- Develop large-scale products for overseas markets  
etc.

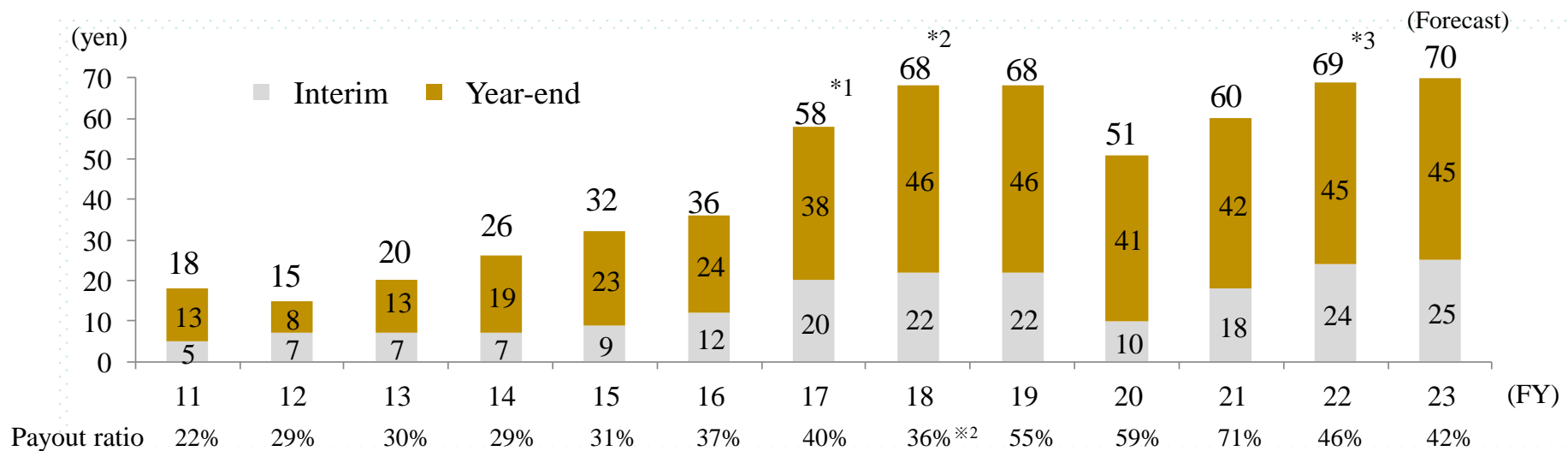
# FY2023 Dividend Forecast

## Basic policy on profit distribution

Our basic policy is to determine dividends taking into account sustainability and the dividend payout ratio

- In addition to a dividend payout ratio of 30%, we will add dividends with 1/3 of the excess amount of scheduled necessary funds as a baseline.
- We will maintain stable dividends of ¥20 per year regardless of profit levels, but will conduct a reevaluation in the event that we record a loss for two consecutive periods.
- While taking into account a necessary level of internal reserves, we flexibly implement acquisition of treasury shares.

## Dividend per share and dividend payout ratio



\*1. Includes a dividend of ¥2 (interim dividend of ¥1 and year-end dividend of ¥1) to commemorate the 70th anniversary of our foundation in FY2017.

\*2. FY2018 was an irregular 15-month fiscal period for overseas consolidated subsidiaries. The dividend payout ratio for a 12-month period is 39% (reference).

\*3. Includes a dividend of ¥4 (interim dividend of ¥2 and year-end dividend of ¥2) to commemorate the 75th anniversary of our foundation in FY2022.

# TOPICS 1

## [For the first time in Japan] Defect Analysis Service for Battery Packs and Modules Installed in Automobiles

- In November 2022, ESPEC launched a service for analyzing defects of automotive rechargeable battery packs and modules installed in automobiles.
- After the packs and modules are dismantled, they are diagnosed electrically and visually to identify the defective area.
- ESPEC provides analysis services as an impartial third-party organization, and helps to ensure the performance and safety of automotive rechargeable batteries.



Glovebox for dismantling cells

## Expanded Lineup of RF Anechoic Box Type Thermostatic Chambers Support Temperature Characteristics Testing of 5G Communication Devices

- ESPEC developed four new types of RF anechoic box type thermostatic chamber to check communication performance and safety of 5G-compatible wireless transmitter/receiver modules, communication terminals and base stations.
- Wireless testing in temperatures from  $-40^{\circ}\text{C}$  to  $+100^{\circ}\text{C}$  were made possible due to being equipped with a shield function (shields from radio waves) and the anechoic chamber function (that prevents reflection of radio waves within the chamber).



RF Anechoic Box Type Low Temperature Chamber



# TOPICS 2

## Signed an agreement for promoting SDGs with the University of Hyogo

- In August 2022, ESPEC signed an agreement with the University of Hyogo aimed at promoting SDGs.
- Both parties will collaborate by harnessing their knowledge and technology in areas such as biodiversity conservation, education and human resource development, and environment and energy.



The signing ceremony

University of Hyogo's President Isao Ota (right)

ESPEC Representative Director and Chairperson Masaaki Ishida (left)

## Biodiversity conservation activities “ESPEC’s 50-Year Forest” tree-planting festival

- Launched forest creation for “ESPEC’s 50-Year Forest” using the “corporate forests” system under the Ministry of Agriculture, Forestry and Fisheries in Sanda City, Hyogo Prefecture
- The first tree-planting festival was held in November 2022. Seeds were selected based on carbon fixation and biodiversity functions. Approximately 200 people including employees participated and planted roughly 4,000 trees.



The first tree-planting festival

12,000 trees are scheduled to be planted over two years in a 3.6 ha plot of land

# External Recognition

## ■2023

Mar. • Selected for the First Time as a Supplier Engagement Leader, the Top Rank in the CDP Supplier Engagement Ratings

Feb. • Ranked 372th in Toyo Keizai Inc.'s 2023 CSR Corporate Ranking

## ■2022

Dec. • A score of B for the third consecutive year in the CDP Climate Change 2022 Questionnaire

• Selected as a "GRADE AAA" company website (overall ranking) for the third consecutive year in the All Japanese Listed Companies' Website Ranking 2022 by Nikko Investor Relations Co., Ltd.

• Awarded a Bronze Prize in the Gomez IR Website Ranking 2022 by BroadBand Security, Inc.

Nov. • Rated 4 stars in the Nikkei's 4th SDGs Management Survey

• Rated 3.5 stars in Nikkei's 6th Smart Work Management Survey

Oct. • Ranked 155th in the Nikkan Kogyo Shimbun's 18th Corporate Power Ranking (sponsored by the Ministry of Economy, Trade and Industry)

Aug. • First Awarded as an excellent company in the Gomez ESG Website Ranking 2022 by BroadBand Security, Inc.

July • Ranked 334th in Toyo Keizai Inc.'s 2022 SDGs Corporate Ranking

Apr. • First Selection as Part of FTSE Blossom Japan Sector Relative Index



**FTSE Blossom  
Japan Sector  
Relative Index**

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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Yasutoshi Nakagawa (General Manager),

IR & Public Relations Group

Natsuko Okawa and Hana Kaigawa

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Quality is more than a word

ESPEC