

Securities ID code:6859

Results Briefing
for the Three Months Ended June 30, 2022

ESPEC CORP.
August 23, 2022

Financial Result for the Three Months Ended June 30, 2022

Electronics and automobile-related products performed strongly and orders-received increased significantly. Net sales failed to grow due to an electronic component shortage and lockdown in Shanghai, and with an increase in selling, general and administrative expenses, there was an operating loss.

	Year on Year	Comparison with Forecasts
■ 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	○ Increased mainly in the Equipment Business (environmental test chambers) and Service Business (laboratory testing services)	× All businesses below forecast
■ Operating Profit	× Operating loss mainly due to an increase in selling, general and administrative expenses from the increase in orders-received	× Below forecast due to decrease in net sales despite keeping selling, general and administrative expenses within expectations
■ Ordinary Profit	○ Increase due to foreign exchange gains	× Below forecast due to the decrease in operating profit
■ Profit Attributable to Owners of Parent	× Net loss due to taxes paid	× Below forecast due to the decrease in operating profit

Summary of Profits and Losses

(Millions of yen)

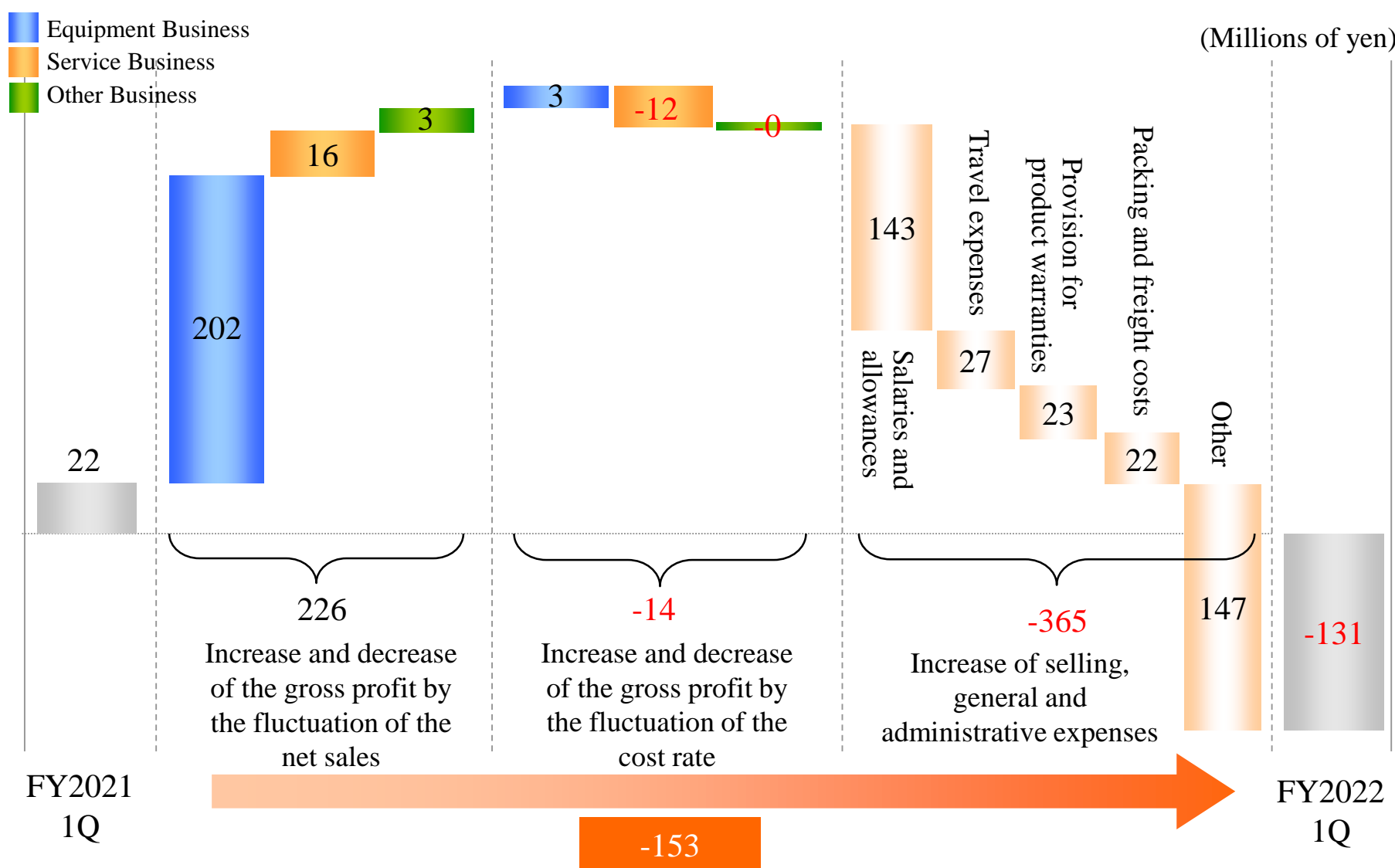
	FY2021 1Q Results	FY 2022 1Q Results	Year on Year
Orders Received	12,695	16,493	+29.9%
Net Sales	8,050	8,725	+8.4%
Cost of Net Sales	5,356	5,820	+8.7%
Cost Ratio	66.5%	66.7%	0.2pt deterioration
Gross Profit	2,693	2,905	+7.9%
SG&A	2,671	3,037	+13.7%
Operating Profit	22	-131	-
Ordinary Profit	87	111	+26.7%
Profit Attributable to Owners of Parent	-24	-62	-

Performance by Segment

(Millions of yen)

Segment		FY 2021 1Q Results	FY 2022 1Q Results	Year on Year
Equipment Business	Orders Received	10,737	14,406	+34.2%
	Net Sales	6,612	7,221	+9.2%
	Operating Profit	90	-45	-
Service Business	Orders Received	1,744	1,820	+4.3%
	Net Sales	1,370	1,421	+3.7%
	Operating Profit	-6	-27	-
Other Business	Orders Received	274	334	+21.6%
	Net Sales	122	135	+10.4%
	Operating profit	-61	-56	-
Elimination	Orders Received	-62	-67	-
	Net Sales	-56	-52	-
	Operating Profit	0	-0	-
Total	Orders Received	12,695	16,493	+29.9%
	Net Sales	8,050	8,725	+8.4%
	Operating Profit	22	-131	-

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 2021 1Q Results	FY 2022 1Q Results	Year on Year
Orders Received	10,737	14,406	+34.2%
Net Sales	6,612	7,221	+9.2%
Operating Profit	90	-45	-
Profit Ratio(%)	1.4%	-0.6%	-

Environmental Test Chambers

- In Japan, orders were brisk and orders received increased year on year, mainly for highly versatile standardized products, while net sales increased for both standardized and customized products.
- Overseas, orders were brisk and net sales increased year on year.
Increases in China, North America, Europe, Southeast Asia and Taiwan.

Energy Device Equipment

- Orders were acquired for evaluation systems for secondary batteries due to recovery in automotive-related investment. Orders received increased year on year, but net sales decreased due to the lengthening of delivery times caused by the shortage of electronic components.

Semiconductor Equipment

- Both orders received and net sales decreased due to a strong performance in the previous year.

Service Business

(Millions of yen)

	FY 2021 1Q Results	FY 2022 1Q Results	Year on Year
Orders Received	1,744	1,820	+4.3%
Net Sales	1,370	1,421	+3.7%
Operating Profit	-6	-27	-
Profit Ratio(%)	-0.5%	-2.0%	-

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 performed well.

Other Business

(Millions of yen)

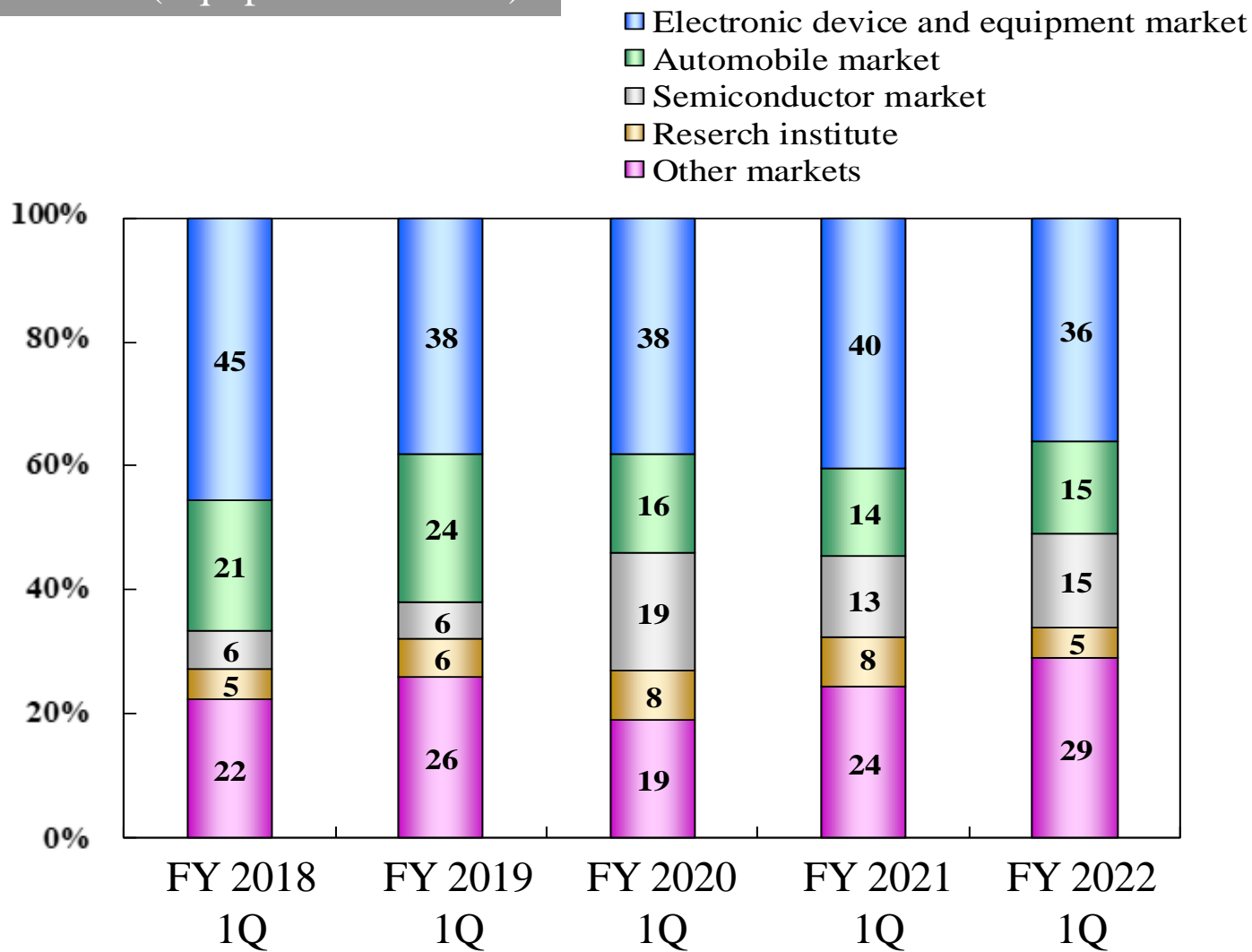
	FY 2021 1Q Results	FY 2022 1Q Results	Year on Year
Orders Received	274	334	+21.6%
Net Sales	122	135	+10.4%
Operating Profit	-61	-56	-
Profit Ratio(%)	-50.4%	-41.8%	-

Environmental Preservation, Plant Production Systems

- Both orders received and net sales increased year on year as forest creation was firm and orders were captured for plant factories.

Sales by Market

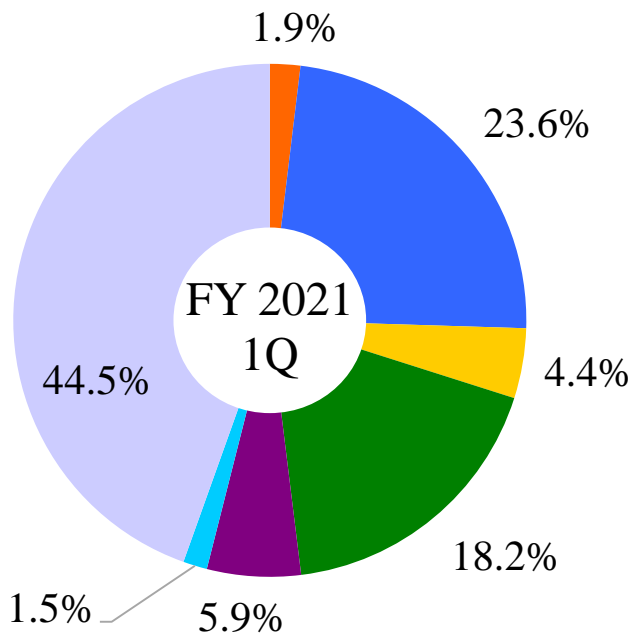
Non-consolidated (Equipment business)



Sales by Region

FY 2021 1Q

Overseas sales ratio: 55.5%

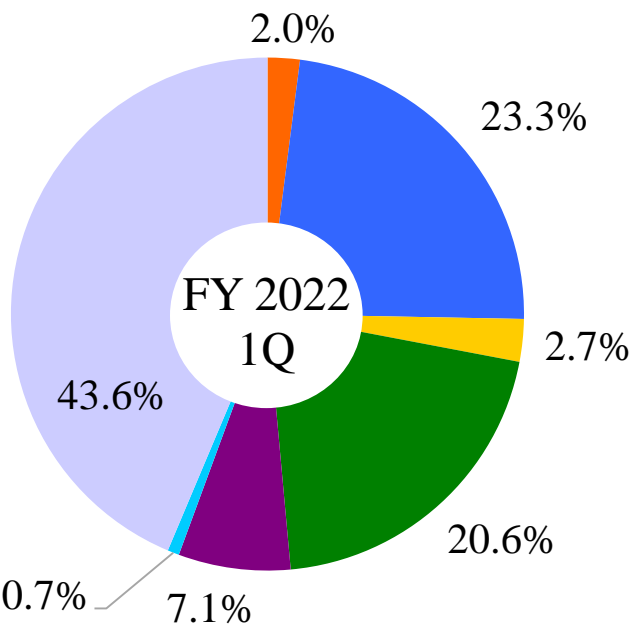


Total: 8,050 million yen

Overseas sales: 4,466 million yen

FY 2022 1Q

Overseas sales ratio: 56.4%



Total: 8,725 million yen

Overseas sales: 4,918 million yen

Forecasts for Fiscal 2022

(Millions of yen)

	FY 2021	FY 2022				
	Full Year Results	1Q Results	Forecasts			
			First half	Second half	Full year	Year on Year
Orders-received	51,303	16,493	24,000	26,000	50,000	-2.5%
Net sales	41,852	8,725	23,500	26,500	50,000	+19.5%
Gross profit Profit ratio (%)	14,003 33.5%	2,905 33.3%	8,350 35.5%	9,650 36.4%	18,000 36.0%	+28.5%
SG&A SG&A ratio (%)	12,034 28.8%	3,037 34.8%	6,400 27.2%	6,600 24.9%	13,000 26.0%	+8.0%
Operating profit Profit ratio(%)	1,968 4.7%	-131 -1.5%	1,950 8.3%	3,050 11.5%	5,000 10.0%	+153.9%
Ordinary profit Profit ratio(%)	2,322 5.5%	111 1.3%	2,000 8.5%	3,100 11.7%	5,100 10.2%	+119.6%
Profit attributable to owners of parent Profit ratio (%)	1,905 4.6%	-62 -0.7%	1,300 5.5%	2,300 8.7%	3,600 7.2%	+88.9%

Segment Financial Forecasts

(Millions of yen)

		FY 2021	FY 2022				
		Full Year Results	1Q Results	Forecasts			
				First half	Second half	Full year	Year on Year
Equipment Business	Orders-Received	43,535	14,406	20,200	21,700	41,900	-3.8%
	Net sales	34,518	7,221	20,000	22,100	42,100	+22.0%
	Operating profit	1,370	-45	1,850	2,770	4,620	+237.0%
Service Business	Orders-Received	6,771	1,820	3,200	3,400	6,600	-2.5%
	Net sales	6,407	1,421	3,100	3,400	6,500	+1.4%
	Operating profit	618	-27	150	200	350	-43.4%
Other Business	Orders-Received	1,265	334	750	1,050	1,800	+42.2%
	Net sales	1,188	135	550	1,150	1,700	+43.1%
	Operating profit	-23	-56	-50	80	30	-
Elimination	Orders-Received	-269	-67	-150	-150	-300	-
	Net sales	-261	-52	-150	-150	-300	-
	Operating profit	2	-0	0	0	0	-
Total	Orders-Received	51,303	16,493	24,000	26,000	50,000	-2.5%
	Net sales	41,852	8,725	23,500	26,500	50,000	+19.5%
	Operating profit	1,968	-131	1,950	3,050	5,000	+153.9%

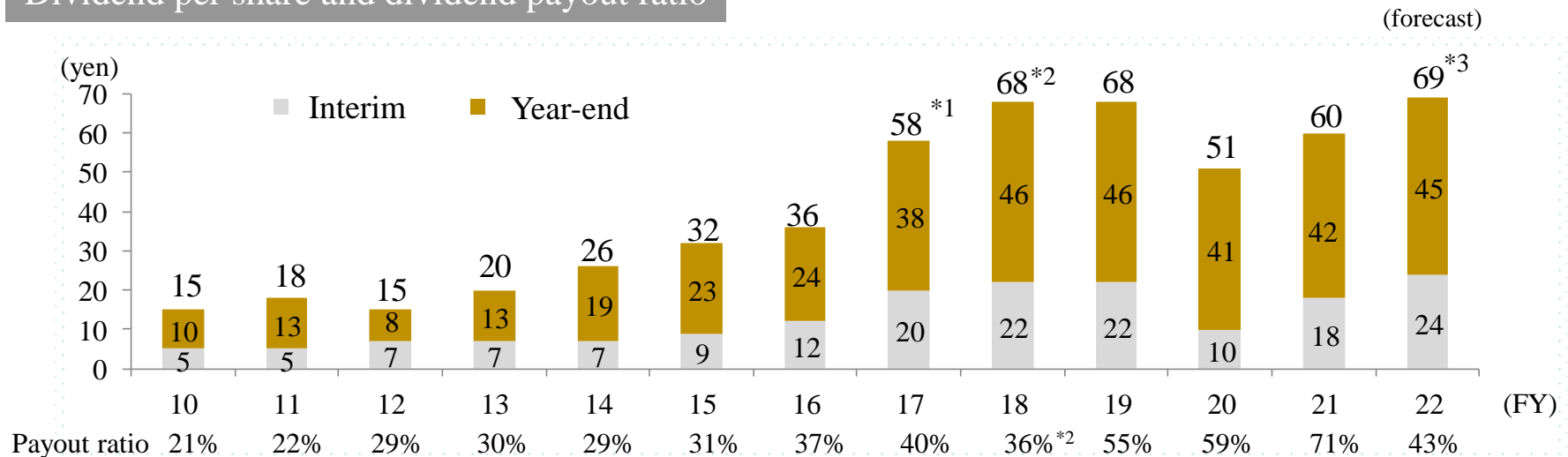
FY 2022 Dividend Forecast

Basic policy on profit distribution

Our basic policy is to determine dividends taking into account sustainability and the dividend payout ratio, and we revised our basic dividend policy as below at the Board of Directors meeting on May 13, 2022.

- 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.

Main Initiatives in FY2022

Equipment Business

- Enhance product lineup to address testing demand in cutting-edge technology fields
- Globally develop customized products through overseas market launch of large-scale products
- Launch products for the European market
- Strengthen sales with a focus on global customers

Service Business

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

Laboratory Testing Services: Enhance testing services for cutting-edge technology fields

New Business

Strengthen initiatives toward market permeation in the pharmaceutical cold chain business or food machinery business

Main Initiatives for ESG in FY2022

■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 company-managed forests

■S (Society)

- Expand opportunities for employees (managers and general employees) to re-learn
- Promote active roles for diverse human resources including training female managers

■G (Governance)

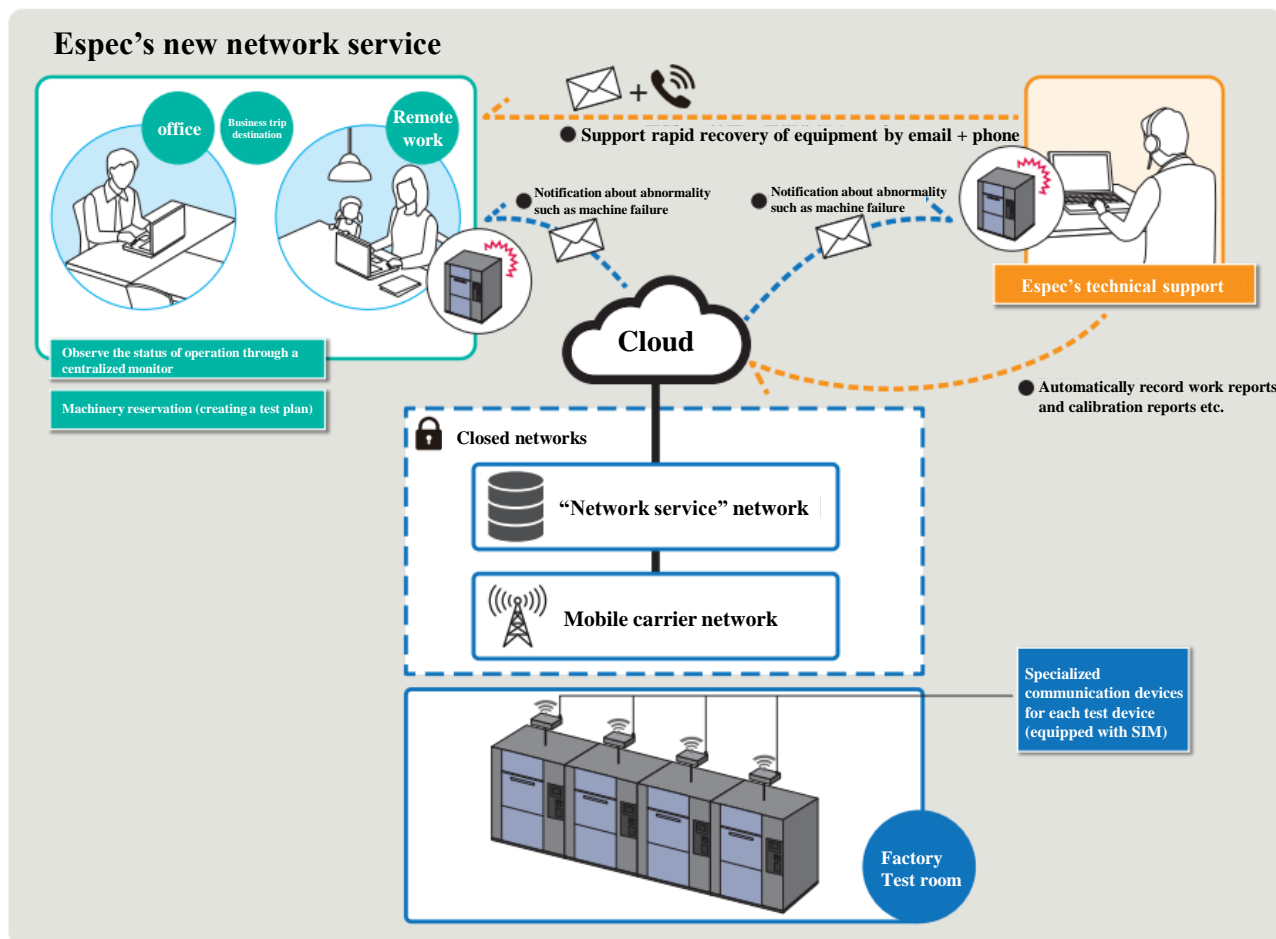
- April 1, 2022: Launched a new system to replace company presidents
- June 23, 2022: Resolved to transition to a Company with Audit & Supervisory Committee at the General Meeting of Shareholders

Further enhance deliberation by the Board of Directors
and enhance the company's audit functions

Secured diversity on the Board of Directors (two female directors)

(Started in Apr. 2022)

“Network service” utilizing mobile communications and cloud computing.
Eases the burden on customers' tests and machinery management, and reduces equipment downtime.



TOPICS

Disclosed information based on the Task Force on Climate-related Financial Disclosures (TCFD)

- In December 2021, expressed support for the TCFD recommendations.
Joined the TCFD Consortium.
- In June 2022, disclosed information in the Securities Report and on websites in accordance with the TCFD.
- Will strive to proactively disclose appropriate information related to climate change.



ESPEC Smile Club: a donation system featuring employee participation

- Established a matching gift system in which the company matches donations made by employees as part of activities to promote SDGs (Dec. 2020).
- Donated to an organization that conducts CSR activities related to children and medical care.
- In March 2022, donated a total of ¥758,800 to non-profit organization Save the Children Japan's emergency fund to support children during the Ukraine crisis.



External Recognition

July, 2022

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



**FTSE Blossom
Japan Sector
Relative Index**

April, 2022

- First Selection as Part of FTSE Blossom Japan Sector Relative Index

February, 2022

- Ranked 334th in Toyo Keizai Inc.'s 2022 CSR Corporate Ranking

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)



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.

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IR & Public Relations Group

Natsuko Okawa and Chou Kyou

Quality is more than a word

ESPEC