
Securities ID code:6859

Results Briefing
for the Six Months Ended September 30, 2022

ESPEC CORP.
November 24, 2022

Financial Result for the Six Months Ended September 30, 2022

Electronics and automobile-related investment was strong, leading orders received and net sales to reach record highs.

Operating profit increased significantly year on year, but fell short of forecasts due to part procurement difficulties and soaring prices of parts and materials.

	Year on Year	Comparison with Initial Forecasts
■ Orders Received	○ Substantially increased in the Equipment Business (mainly environmental test chambers)	○ Substantially exceeded expectations in the Equipment Business (mainly environmental test chambers)
■ Net Sales	○ Substantially increased in the Equipment Business (mainly environmental test chambers)	△ Slightly decreased mainly in the Equipment Business due to the continuation of part procurement difficulties
■ Operating Profit	○ Substantially increased as a result of increased sales despite an increase in selling, general and administrative expenses	× Decreased below forecast due to unachieved net sales, delays in production efficiency improvements, and soaring prices of parts and materials (selling, general and administrative expenses were within forecast)
■ Ordinary Profit Profit Attributable to Owners of Parent	○ Increased due to the increase in operating profit	× Below forecast due to the decrease in operating profit

■ 2Q forecasts and full-year forecasts revised on October 28.

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

Summary of Profits and Losses

(Millions of yen)

	FY 2021 2Q Results	FY 2022 2Q Initial Forecasts	FY 2022 2Q Results	Year on Year	Comparison with Initial Forecasts
Orders Received	26,569	24,000	33,266	+25.2%	+38.6%
Net Sales	17,568	23,500	22,945	+30.6%	-2.4%
Cost of Net Sales Cost Ratio	11,686 66.5%	15,150 64.5%	15,150 66.0%	+29.6% 0.5pt melioration	+0.0% 1.5pt deterioration
Gross Profit	5,881	8,350	7,794	+32.5%	-6.6%
SG&A	5,485	6,400	6,399	+16.7%	-0.0%
Operating Profit	396	1,950	1,395	+252.3%	-28.4%
Ordinary Profit	474	2,000	1,731	+264.6%	-13.4%
Profit Attributable to Owners of Parent	230	1,300	984	+326.8%	-24.3%

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

Performance by Segment

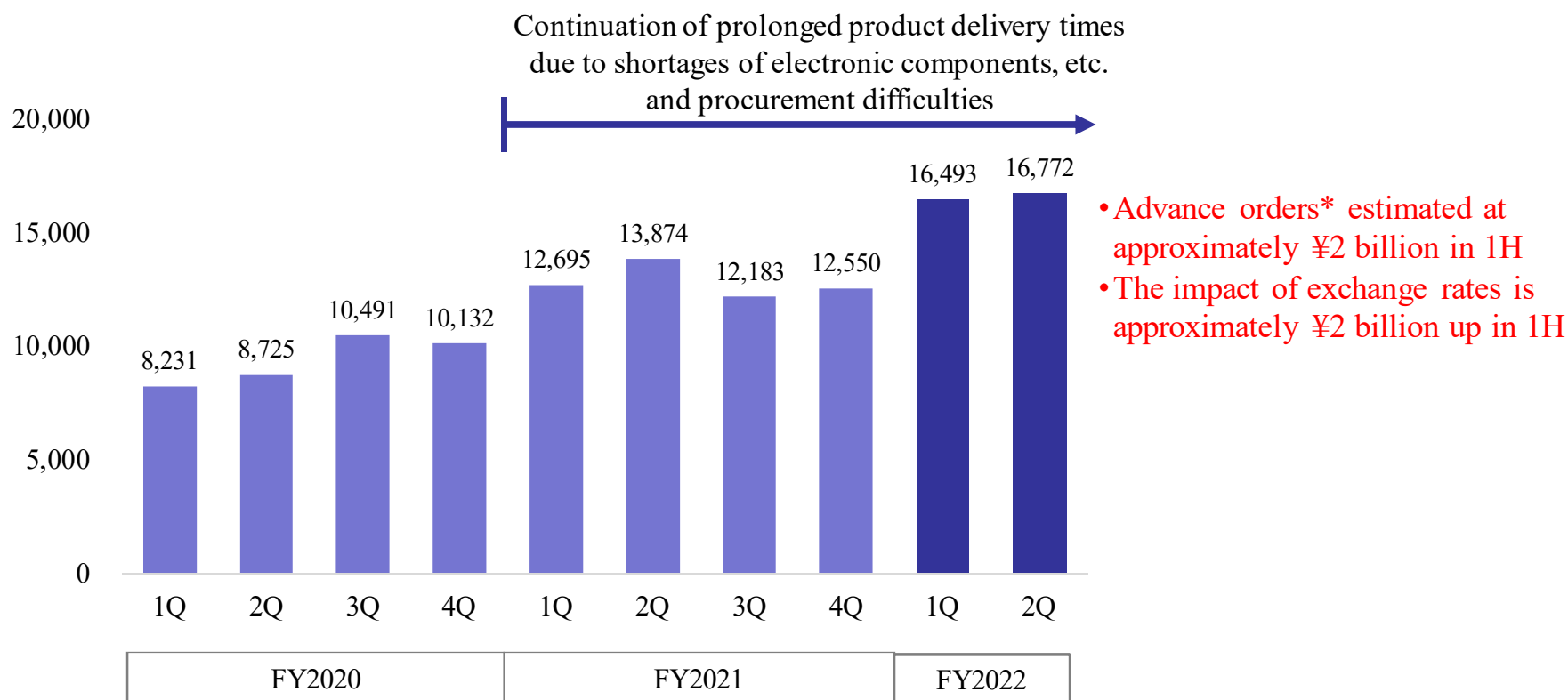
(Millions of yen)

Segment		FY 2021 2Q Results	FY 2022 2Q Initial Forecasts	FY 2022 2Q Results	Year on Year	Comparison with Initial Forecasts
Equipment Business	Orders Received	22,763	20,200	29,209	+28.3%	+44.6%
	Net Sales	14,421	20,000	19,650	+36.3%	-1.7%
	Operating Profit	322	1,850	1,403	+334.9%	-24.1%
Service Business	Orders Received	3,334	3,200	3,470	+4.1%	+8.5%
	Net Sales	2,948	3,100	3,020	+2.4%	-2.6%
	Operating Profit	171	150	72	-57.9%	-51.8%
Other Business	Orders Received	610	750	747	+22.5%	-0.3%
	Net Sales	316	550	405	+28.0%	-26.3%
	Operating Profit	-99	-50	-80	-	-
Elimination	Orders Received	-138	-150	-161	-	-
	Net Sales	-119	-150	-130	-	-
	Operating Profit	1	0	-0	-	-
Total	Orders Received	26,569	24,000	33,266	+25.2%	+38.6%
	Net Sales	17,568	23,500	22,945	+30.6%	-2.4%
	Operating Profit	396	1,950	1,395	+252.3%	-28.4%

Orders Received in FY2022 2Q

- Orders-received were strong, as the electronics and automobile markets performed better than anticipated

Trends in orders received per quarter (consolidated)

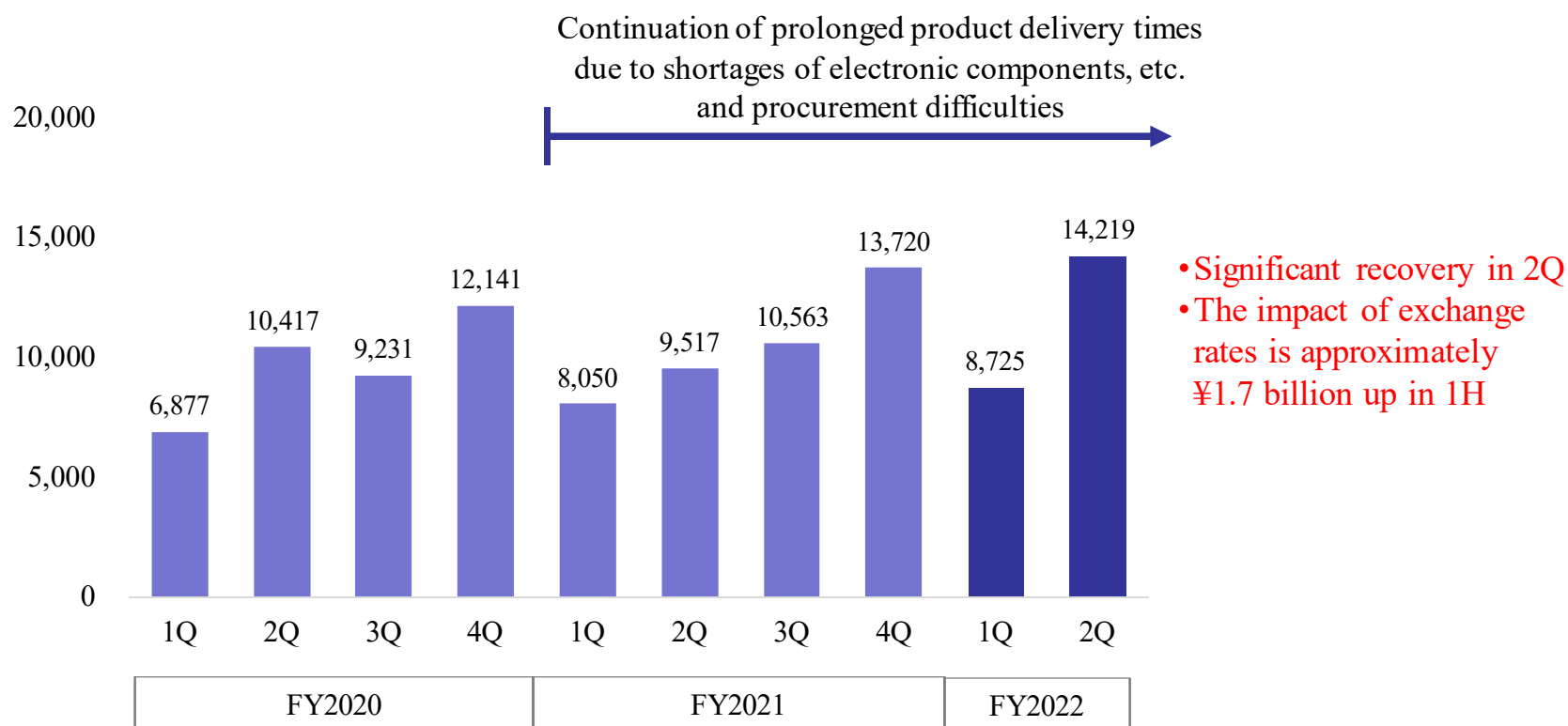


*Amount of advance orders scheduled for FY2023

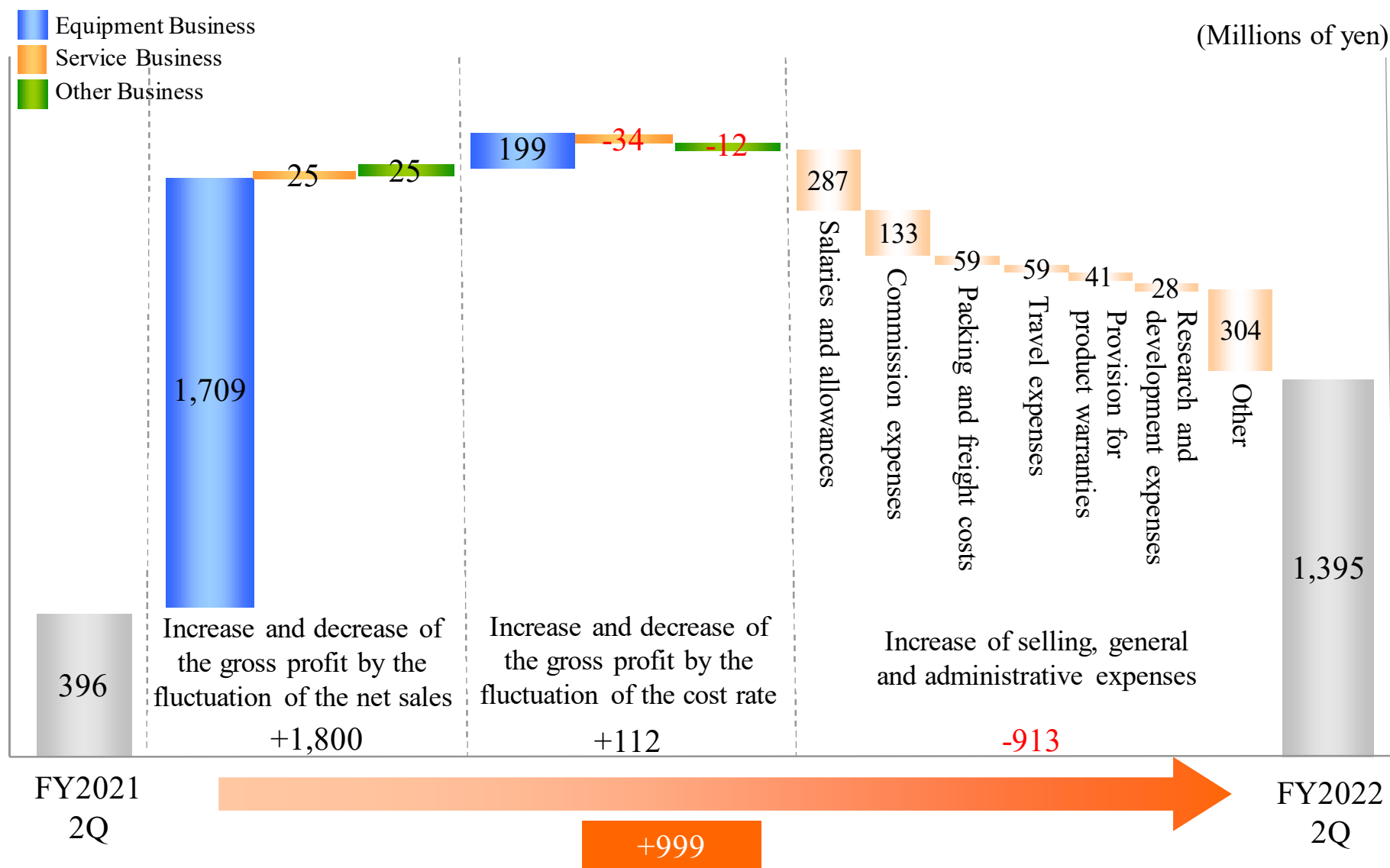
Net Sales in FY2022 2Q

- Although net sales were impacted in 1Q by the continuation of procurement difficulties in addition to lockdowns in Shanghai, there was significant recovery in 2Q as product delivery times partially improved and a system to increase production was established in response to the procurement outlook.

Trends in net sales per quarter (consolidated)



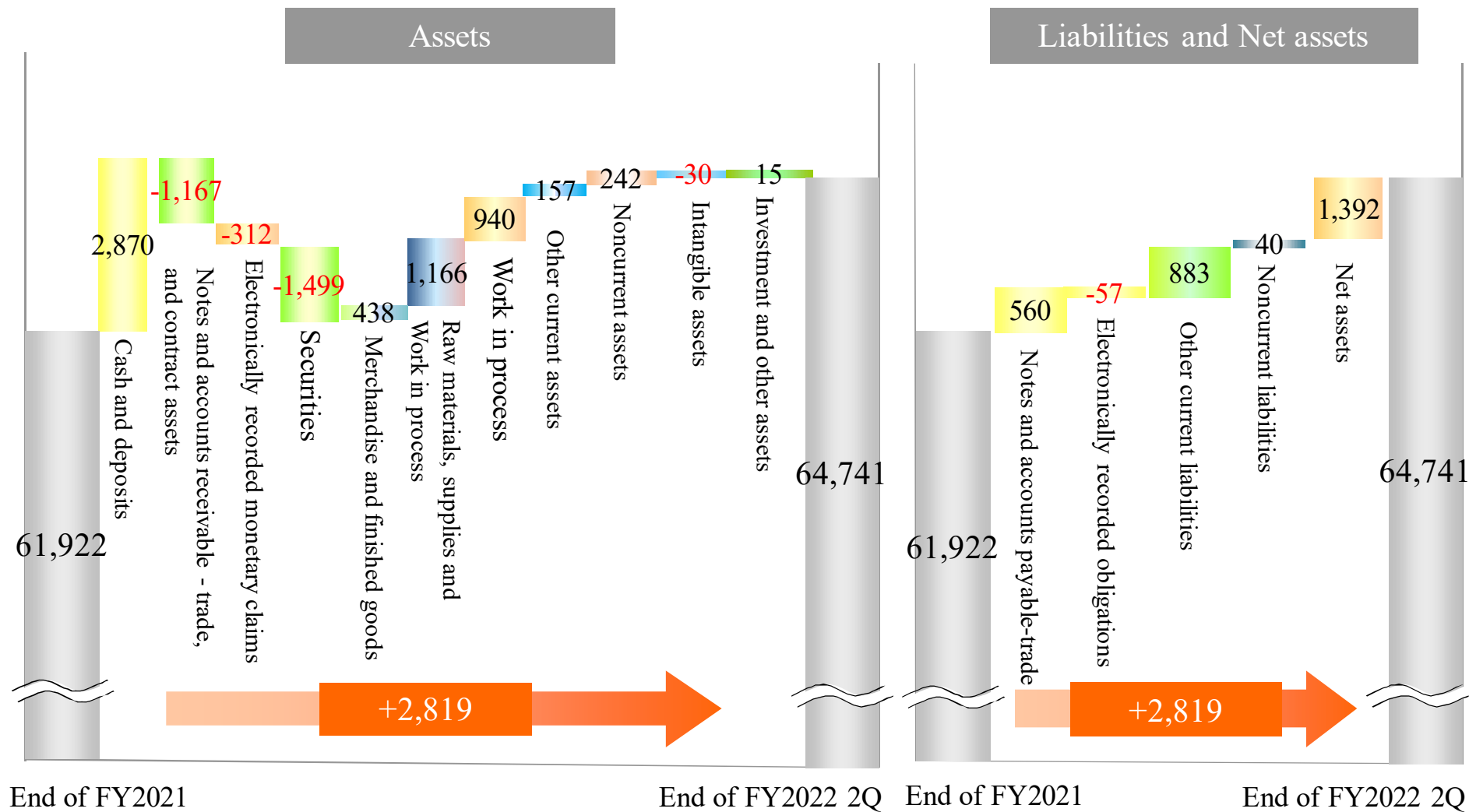
Analysis of Operating Profit Increase and Decrease Factors (YoY)



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

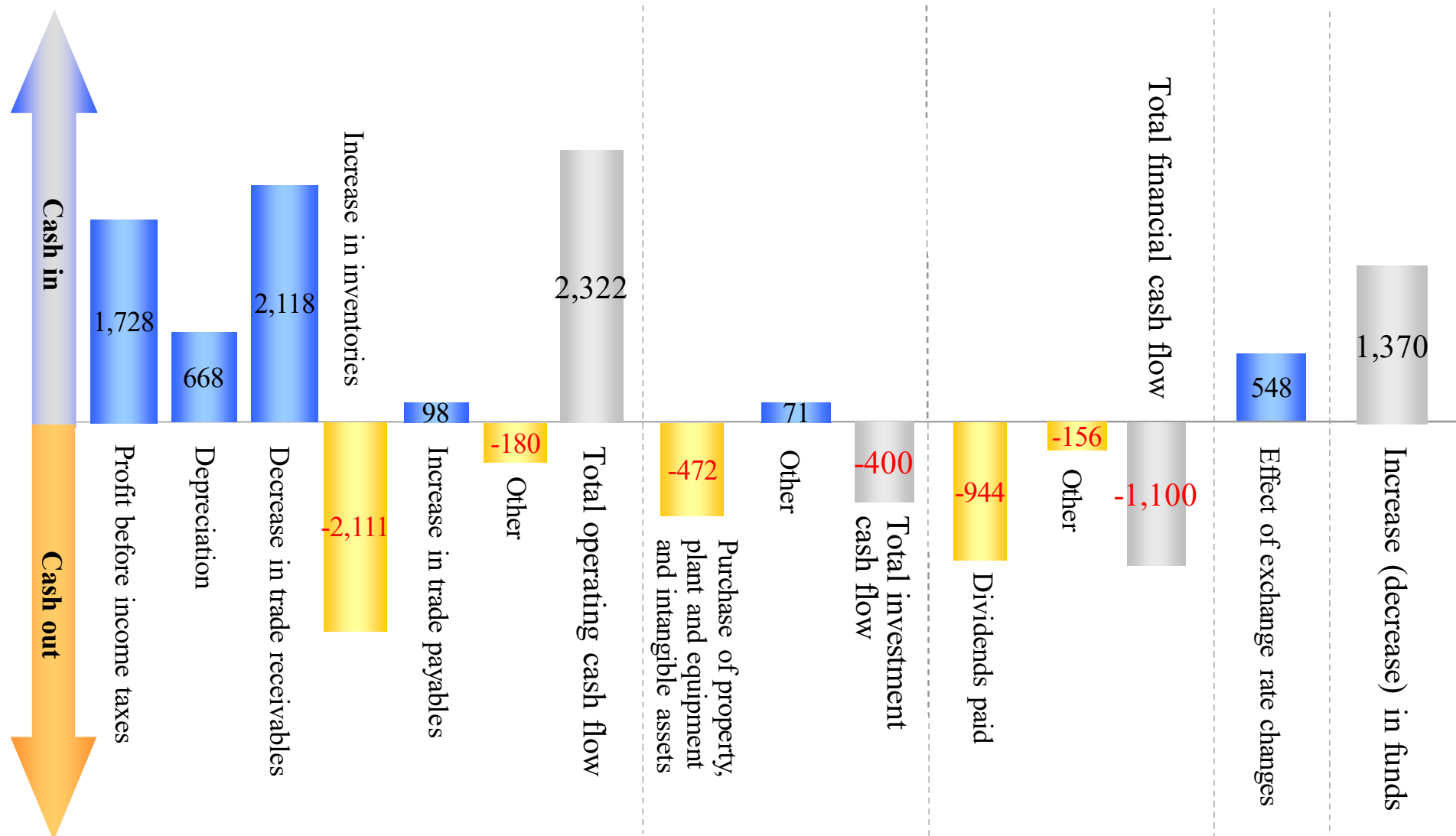
Statement of Assets and Liabilities

(Millions of yen)



Statements of Cash Flows

(Millions of yen)



Equipment Business

	FY 2021 2Q Results	FY 2022 2Q Initial Forecasts	FY 2022 2Q Results	Year on Year	(Millions of yen) Comparison with Initial Forecasts
Orders Received	22,763	20,200	29,209	+28.3%	+44.6%
Net Sales	14,421	20,000	19,650	+36.3%	-1.7%
Operating Profit Profit Ratio(%)	322 2.2%	1,850 9.3%	1,403 7.1%	+334.9%	-24.1%

Environmental Test Chambers

- In Japan, orders received increased year on year for both highly versatile standardized and customized products. Net sales increased, primarily centered on standardized products for which improvements were made to product delivery times.
- Overseas, orders were brisk and net sales increased year on year. Increases in China, North America, Southeast Asia, Europe, South Korea 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

- Automobile-related investments performed firmly, orders received were largely unchanged year on year, and net sales increased.

Service Business

(Millions of yen)

	FY 2021 2Q Results	FY 2022 2Q Initial Forecasts	FY 2022 2Q Results	Year on Year	Comparison with Initial Forecasts
Orders Received	3,334	3,200	3,470	+4.1%	+8.5%
Net Sales	2,948	3,100	3,020	+2.4%	-2.6%
Operating Profit Profit Ratio(%)	171 5.8%	150 4.8%	72 2.4%	-57.9%	-51.8%

After-Sales Service and Engineering

- Year on year, orders received increased and net sales were largely unchanged as a result of strong performance in preventative maintenance services, such as maintenance agreements.

Laboratory Testing Services and Facility Rentals

- Laboratory testing services performed firmly, orders received were largely unchanged year on year, and net sales increased.

Other Business

(Millions of yen)

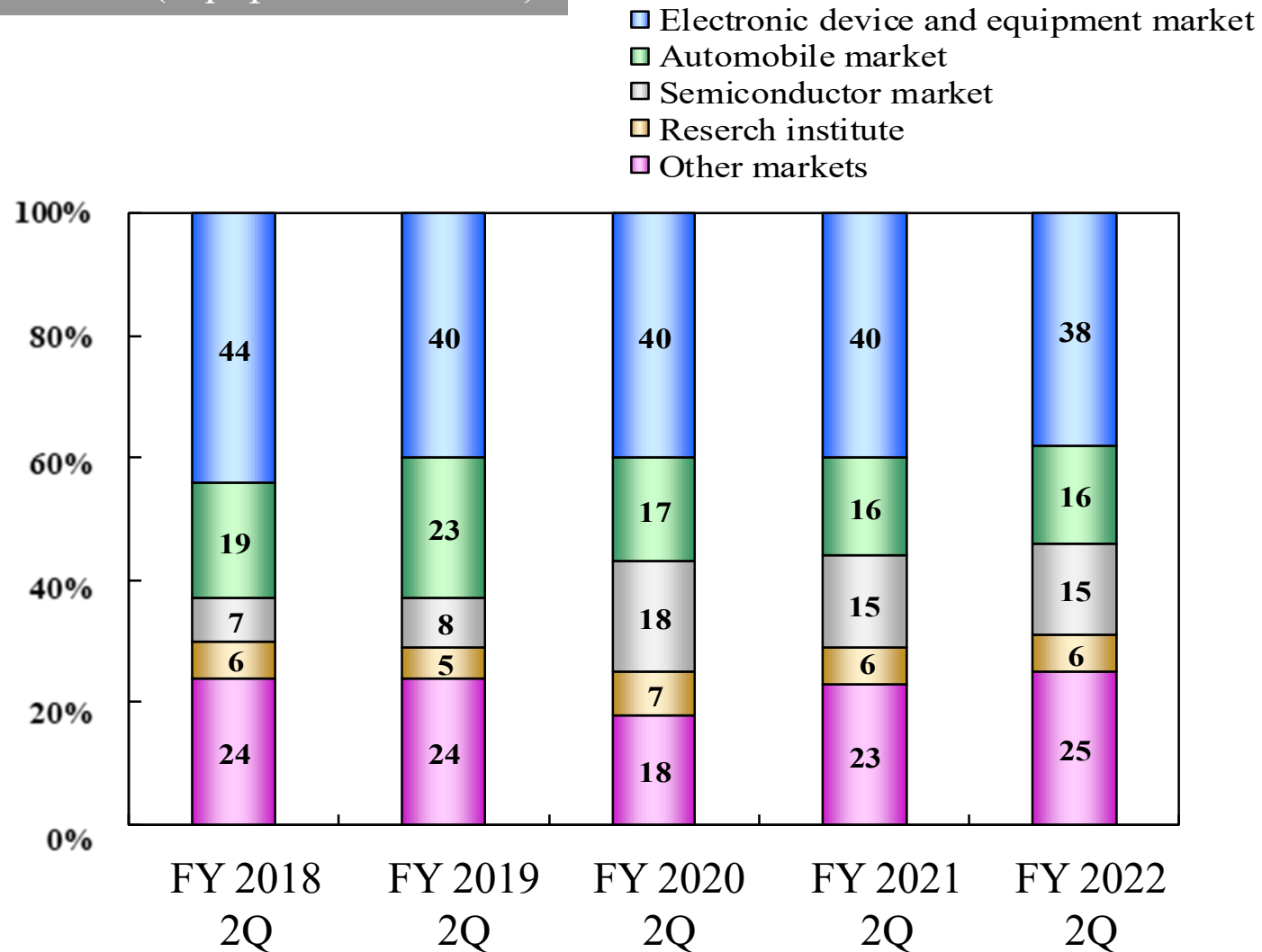
	FY 2021 2Q Results	FY 2022 2Q Initial Forecasts	FY 2022 2Q Results	Year on Year	Comparison with Initial Forecasts
Orders Received	610	750	747	+22.5%	-0.3%
Net Sales	316	550	405	+28.0%	-26.3%
Operating Profit	-99	-50	-80		
Profit Ratio(%)	-31.5%	-9.1%	-19.8%	-	-

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 production systems such as plant factories.

Sales by Market

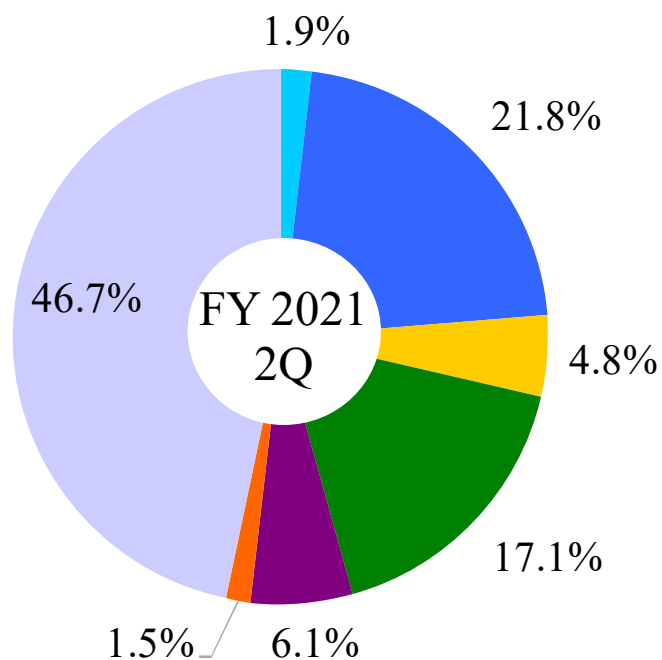
Non-Consolidated (Equipment Business)



Sales by Region

FY 2021 2Q

Overseas sales ratio: 53.3%

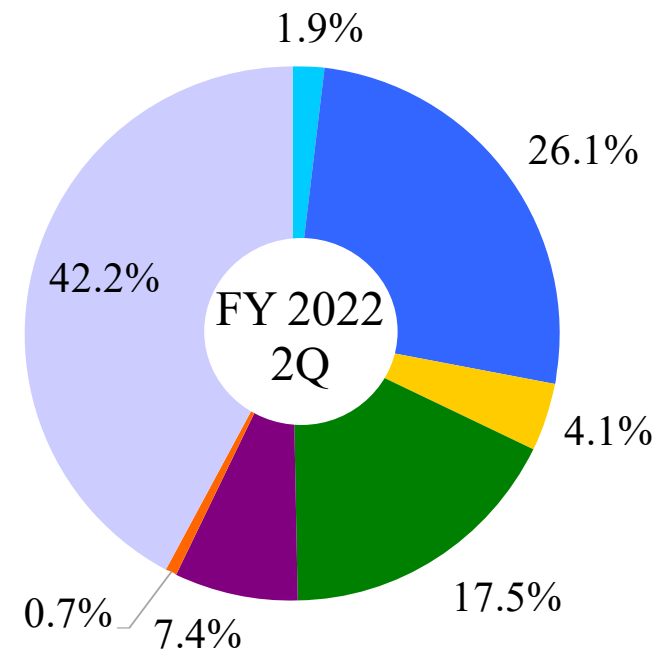


Total: 17,568 million yen

Overseas sales: 9,365 million yen

FY 2022 2Q

Overseas sales ratio: 57.8%



Total: 22,945 million yen

Overseas sales: 13,268 million yen

Forecasts for Fiscal 2022

	FY 2021	FY 2022	FY 2022 (Millions of yen)			
	Full Year Results	Full Year Initial Forecasts	1H Results	Forecasts (Revised on Oct 28)		
				2H	Full year	Year on Year
Orders-received	51,303	50,000	33,266	25,733	59,000	+15.0%
Net sales	41,852	50,000	22,945	29,055	52,000	+24.2%
Gross profit	14,003	18,000	7,794	10,005	17,800	+27.1%
Profit ratio (%)	33.5%	36.0%	34.0%	34.4%	34.2%	
SG&A	12,034	13,000	6,399	7,401	13,800	+14.7%
SG&A ratio (%)	28.8%	26.0%	27.9%	25.5%	26.5%	
Operating profit	1,968	5,000	1,395	2,604	4,000	+103.2%
Profit ratio(%)	4.7%	10.0%	6.1%	9.0%	7.7%	
Ordinary profit	2,322	5,100	1,731	2,619	4,350	+87.3%
Profit ratio(%)	5.5%	10.2%	7.5%	9.0%	8.4%	
Profit attributable to owners of parent	1,905	3,600	984	1,916	2,900	+52.2%
Profit ratio (%)	4.6%	7.2%	4.3%	6.6%	5.6%	
Capital expenditures	910	1,840	489	1,351	1,840*	+102.2%
Depreciation expenses	1,253	1,380	664	716	1,380*	+10.1%
R&D expenditures	1,035	1,330	499	831	1,330*	+28.5%
Basic earnings per share(yen)	84.89	160.92	43.96	85.54	129.50	+52.6%

Revised assumed full-year exchange rate from 120 yen to 140 yen

*No change from the initial forecast

Recognition of the Operating Environment

- Although the momentum of orders-received in 1H will calm down, sales are forecast to be strong primarily in cutting-edge technology fields such as IoT and next-generation automobiles.
- There are concerns about the deceleration of the global economy caused by issues between the U.S. and China, fluctuations in exchange rates, and rising energy prices.

Equipment Business	Environmental Test Chambers	<p>Japan: Active investments related to electronic components and devices, EV, and automated driving.</p> <p>China: Active investments mainly related to electronic components, EV, and semiconductors Concerns about the impact of zero-COVID policies.</p> <p>ASEAN: Steady investment centered on semiconductor-related products.</p> <p>North America: Active investment mainly related to EV, electronic components and devices, and semiconductors.</p> <p>Europe: Active investment mainly related to EV, automated driving and semiconductors.</p>
	Energy Device Equipment	Steady investment mainly for rechargeable batteries.
	Semiconductor Equipment	Investment will continue, mainly for automotive sector.
Service Business	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: Continued testing demand in cutting-edge technology fields, mainly for secondary batteries.</p>
Other Business	Environmental Preservation, Plant Production Systems	Despite steady performance in forest creation, plant production systems are sluggish.

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 and food machinery business

Segment Financial Forecasts

(Millions of yen)

		FY 2021	FY 2022	FY 2022			
		Full Year Results	Full Year Initial Forecasts	1H Results	Forecasts (Revised on Oct. 28)		
					2H	Full Year	Year on Year
Equipment Business	Orders-Received	43,535	41,900	29,209	21,790	51,000	+17.1%
	Net sales	34,518	42,100	19,650	24,749	44,400	+28.6%
	Operating profit	1,370	4,620	1,403	2,356	3,760	+174.3%
Service Business	Orders-Received	6,771	6,600	3,470	3,249	6,720	-0.8%
	Net sales	6,407	6,500	3,020	3,450	6,470	+1.0%
	Operating profit	618	350	72	158	230	-62.8%
Other Business	Orders-Received	1,265	1,800	747	832	1,580	+24.8%
	Net sales	1,188	1,700	405	1,025	1,430	+20.4%
	Operating profit	-23	30	-80	90	10	-
Elimination	Orders-Received	-269	-300	-161	-139	-300	-
	Net sales	-261	-300	-130	-169	-300	-
	Operating profit	2	0	-0	0	0	-
Total	Orders-Received	51,303	50,000	33,266	25,733	59,000	+15.0%
	Net sales	41,852	50,000	22,945	29,055	52,000	+24.2%
	Operating profit	1,968	5,000	1,395	2,604	4,000	+103.2%

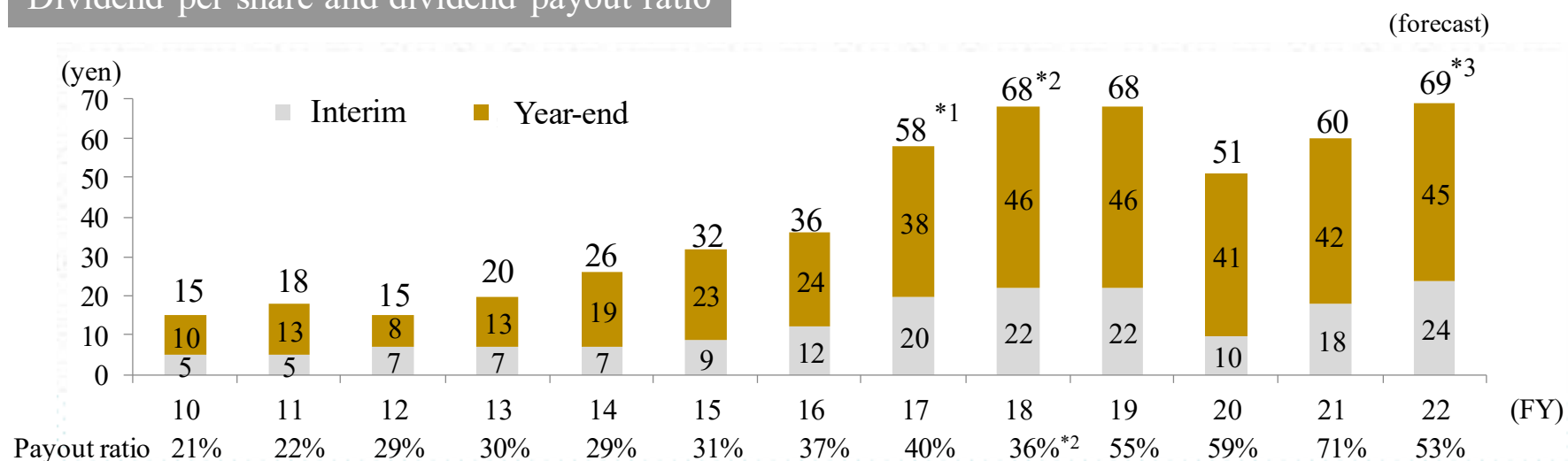
FY 2022 Dividend Forecast

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 in May 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 for ESG

■E (Environment)

- Establish targets to reduce greenhouse gas emissions by FY2030
- Formulate the 8th Medium-term Plan on the Environment (FY2022-2025)

Intensify global warming countermeasures and biodiversity conservation activities

<Greenhouse gas emission reduction targets>

FY2030: SCOPE 1+2 60% reduction, SCOPE 3 30% reduction (compared to FY2019)

FY2025: SCOPE 1+2 55% reduction, SCOPE 3 10 % reduction (compared to FY2019)

- In June 2022, disclosed information in the securities report based on the TCFD

■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)

- In June 2022, transitioned to a Company with Audit & Supervisory committee

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)

TOPICS 1

[For the first time in Japan] Launched a service for analyzing defects of 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 at the ESPEC Battery Safety Testing Center at the Utsunomiya Technocomplex.
- 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.



Pack battery low-temperature dismantling chamber



Glovebox for dismantling cells

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

November, 2022

- Rated 4 stars in the Nikkei's 4th SDGs Management Survey
- Rated 3.5 stars in Nikkei's 6th Smart Work Management Survey



October, 2022

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



August, 2022

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



July, 2022

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

April, 2022

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



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)

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