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Securities ID code:6859

Results Briefing  
for the Nine Months Ended December 31, 2022

ESPEC CORP.  
February 17, 2023

# Financial Result for the Nine Months Ended December 31, 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 decreased below forecasts revised in October due to unachieved net sales.

	Year on Year	Comparison with Forecasts (revised in October)
■ Orders Received	○ Substantially increased in the Equipment Business (mainly environmental test chambers)	○ Fell slightly short in the Equipment Business, but was in line with forecast
■ Net Sales	○ Substantially increased in the Equipment Business (mainly environmental test chambers)	△ Fell slightly short in Equipment Business and Other Business
■ Operating Profit	○ Substantially increased as a result of increased sales despite an increase in selling, general and administrative expenses	× Short mainly due to Equipment Business net sales failing to achieve forecast (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

# Summary of Profits and Losses

(Millions of yen)

	FY 2021 3Q Results	FY 2022 3Q Results	Year on Year
Orders Received	38,752	47,153	+21.7%
Net Sales	28,131	35,972	+27.9%
Cost of Net Sales	18,337	23,627	+28.8%
Cost Ratio	65.2%	65.7%	0.5pt deterioration
Gross Profit	9,794	12,345	+26.1%
SG&A	8,621	9,929	+15.2%
Operating Profit	1,172	2,416	+106.1%
Ordinary Profit	1,386	2,695	+94.4%
Profit Attributable to Owners of Parent	834	1,708	+104.8%

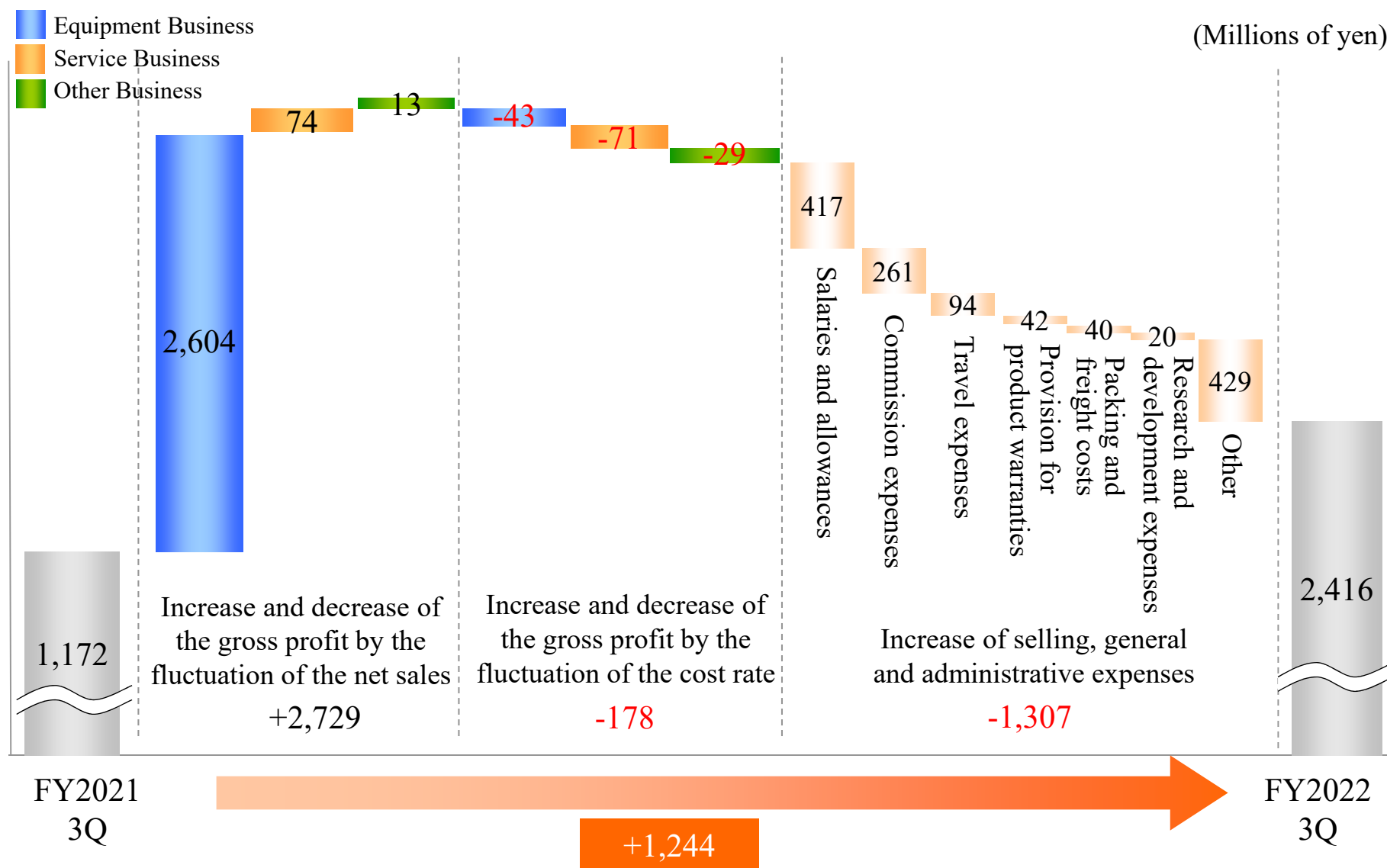
From July 2021, ESPEC THERMAL TECH SYSTEM CORP. has been included in the scope of consolidation.

# Performance by Segment

(Millions of yen)

Segment		FY 2021 3Q Results	FY 2022 3Q Results	Year on Year
Equipment Business	Orders Received	33,007	41,031	+24.3%
	Net Sales	23,237	30,866	+32.8%
	Operating Profit	951	2,329	+144.9%
Service Business	Orders Received	4,993	5,216	+4.5%
	Net Sales	4,472	4,672	+4.5%
	Operating Profit	311	185	-40.6%
Other Business	Orders Received	956	1,148	+20.1%
	Net Sales	612	656	+7.3%
	Operating Profit	-89	-96	-
Elimination	Orders Received	-205	-243	-
	Net Sales	-190	-222	-
	Operating Profit	-0	-0	-
Total	Orders Received	38,752	47,153	+21.7%
	Net Sales	28,131	35,972	+27.9%
	Operating Profit	1,172	2,416	+106.1%

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



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

# Equipment Business

(Millions of yen)

	FY 2021 3Q Results	FY 2022 3Q Results	Year on Year
Orders Received	33,007	41,031	+24.3%
Net Sales	23,237	30,866	+32.8%
Operating Profit Profit Ratio(%)	951 4.1%	2,329 7.5%	+144.9%

## Environmental Test Chambers

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

## Energy Device Equipment

- Strong sales of chambers for charge-discharge testing mainly in the Japanese market were achieved due to the expansion of investment for electrification of automobiles.  
Orders received and net sales both increased year on year.

## Semiconductor Equipment

- Orders received was on a par year on year, but net sales decreased due to a delay in customers' plans.

# Service Business

(Millions of yen)

	FY 2021 3Q Results	FY 2022 3Q Results	Year on Year
Orders Received	4,993	5,216	+4.5%
Net Sales	4,472	4,672	+4.5%
Operating Profit Profit Ratio(%)	311 7.0%	185 4.0%	-40.6%

## After-Sales Service and Engineering

- Orders received and net sales both increased year on year as a result of strong performance in preventative maintenance services, such as maintenance agreements.

## Laboratory Testing Services and Facility Rentals

- Orders received were about the same year on year as a result of strong performance in laboratory testing services, centered on automotive rechargeable batteries. Net sales increased year on year.

# Other Business

(Millions of yen)

	FY 2021 3Q Results	FY 2022 3Q Results	Year on Year
Orders Received	956	1,148	+20.1%
Net Sales	612	656	+7.3%
Operating Profit	-89	-96	-
Profit Ratio(%)	-14.7%	-14.7%	-

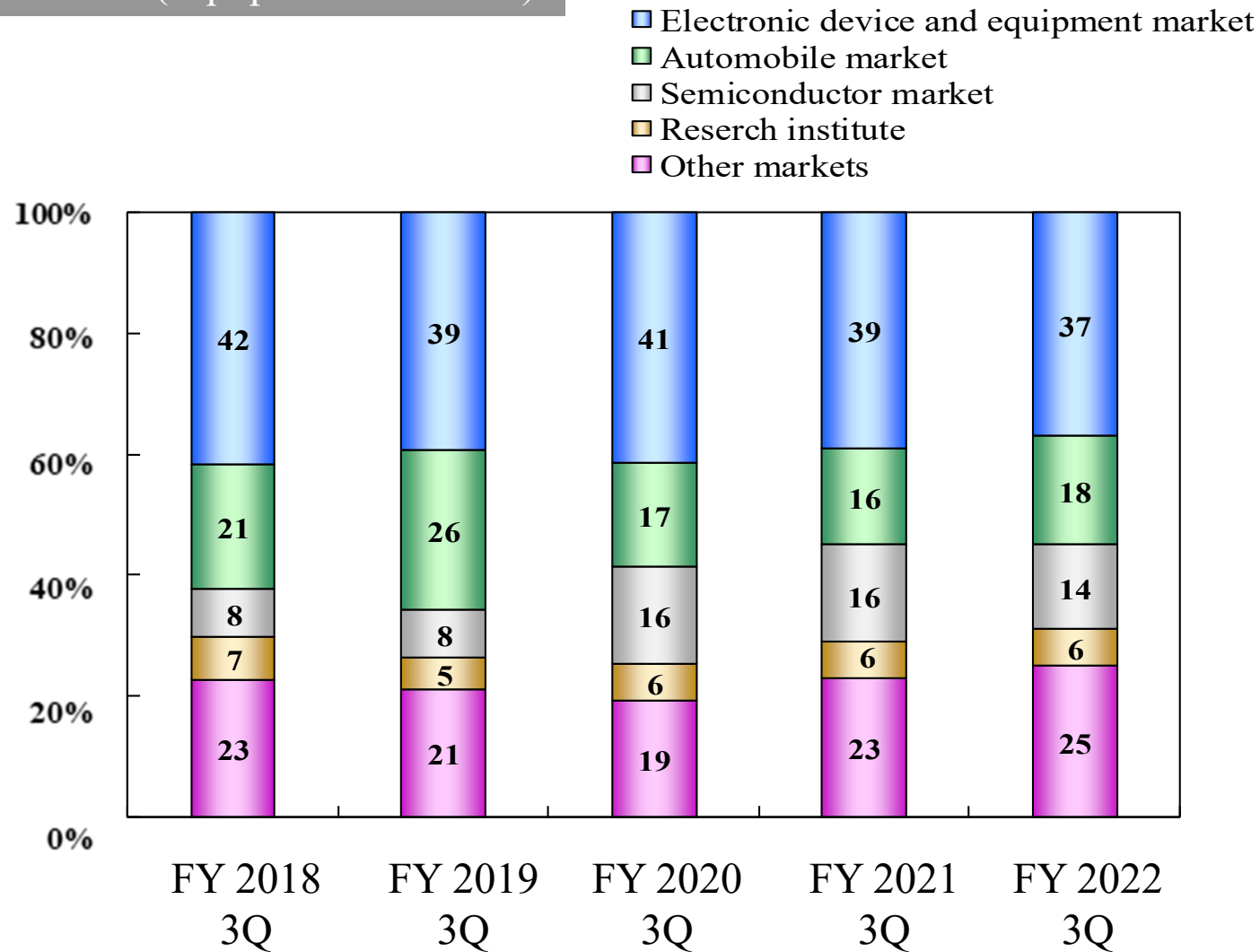
## Environmental Preservation, Plant Production Systems

- Orders received and net sales both increased year on year due to orders for plant research devices and plant factories despite sluggish performance by forest creation and waterfront biotope restoration.



# Sales by Market

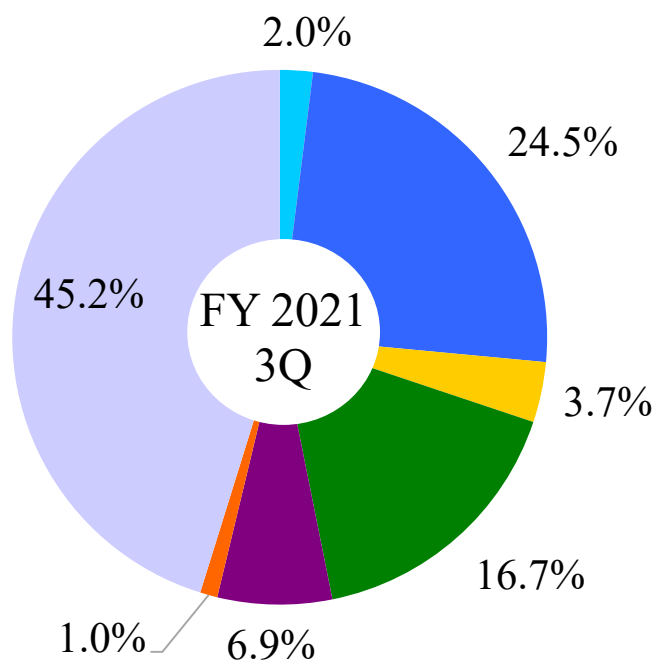
## Non-Consolidated (Equipment Business)



# Sales by Region

FY 2021 3Q

Overseas sales ratio: 54.8%

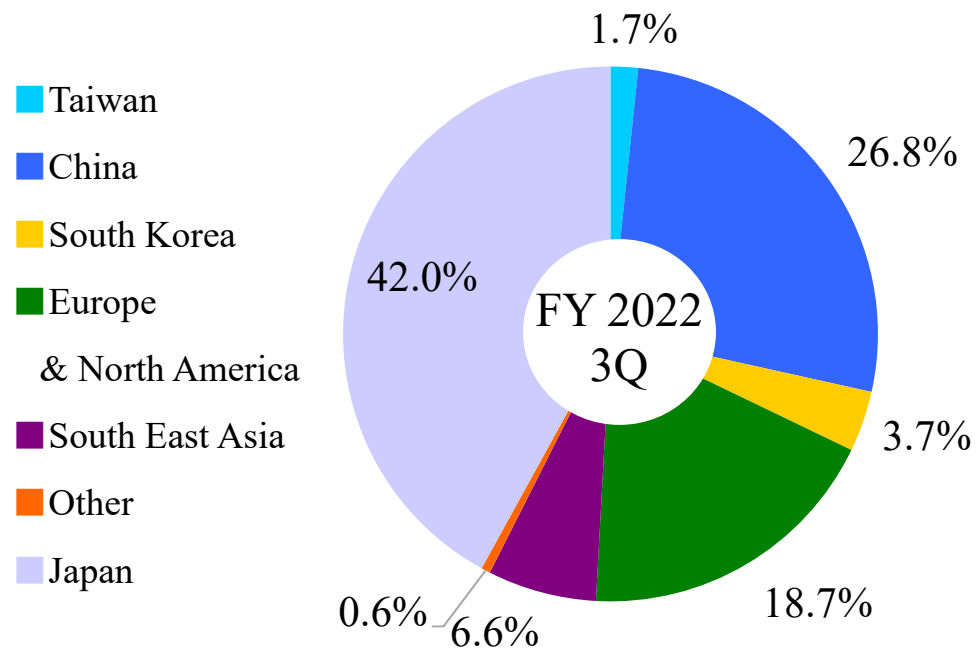


Total: 28,131 million yen

Overseas sales: 15,420 million yen

FY 2022 3Q

Overseas sales ratio: 58.0%



Total: 35,972 million yen

Overseas sales: 20,868 million yen

# Financial Forecasts for Fiscal 2022

(Millions of yen)

	FY 2021	FY 2022			
	Full Year Results	3Q Results	Forecasts (revised in October 2022)		
			4Q	Full Year	Year on Year
Orders Received	51,303	47,153	11,847	59,000	+15.0%
Net Sales	41,852	35,972	16,028	52,000	+24.2%
Gross Profit	14,003	12,345	5,455	17,800	+27.1%
Profit Ratio (%)	33.5%	34.3%	34.0%	34.2%	
SG&A	12,034	9,929	3,871	13,800	+14.7%
SG&A Ratio (%)	28.8%	27.6%	24.2%	26.5%	
Operating Profit	1,968	2,416	1,584	4,000	+103.2%
Profit Ratio(%)	4.7%	6.7%	9.9%	7.7%	
Ordinary Profit	2,322	2,695	1,655	4,350	+87.3%
Profit Ratio(%)	5.5%	7.5%	10.3%	8.4%	
Profit Attributable to Owners of Parent	1,905	1,708	1,192	2,900	+52.2%
Profit Ratio (%)	4.6%	4.7%	7.4%	5.6%	

The assumed full-year exchange rate has revised from 120 yen to 140 yen in the forecast revision of consolidated operating results announced on October 28, 2022

# Financial Forecasts by Segment

(Millions of yen)

		FY 2021	FY 2022			
		Full Year Results	3Q Results	Forecasts (revised in October 2022)		
				4Q	Full Year	Year on Year
Equipment Business	Orders Received	43,535	41,031	9,969	51,000	+17.1%
	Net Sales	34,518	30,866	13,534	44,400	+28.6%
	Operating Profit	1,370	2,329	1,431	3,760	+174.3%
Service Business	Orders Received	6,771	5,216	1,504	6,720	-0.8%
	Net Sales	6,407	4,672	1,798	6,470	+1.0%
	Operating Profit	618	185	45	230	-62.8%
Other Business	Orders Received	1,265	1,148	432	1,580	+24.8%
	Net Sales	1,188	656	774	1,430	+20.4%
	Operating Profit	-23	-96	106	10	-
Elimination	Orders Received	-269	-243	-57	-300	-
	Net Sales	-261	-222	-78	-300	-
	Operating Profit	2	-0	0	0	-
Total	Orders Received	51,303	47,153	11,847	59,000	+15.0%
	Net Sales	41,852	35,972	16,028	52,000	+24.2%
	Operating Profit	1,968	2,416	1,584	4,000	+103.2%

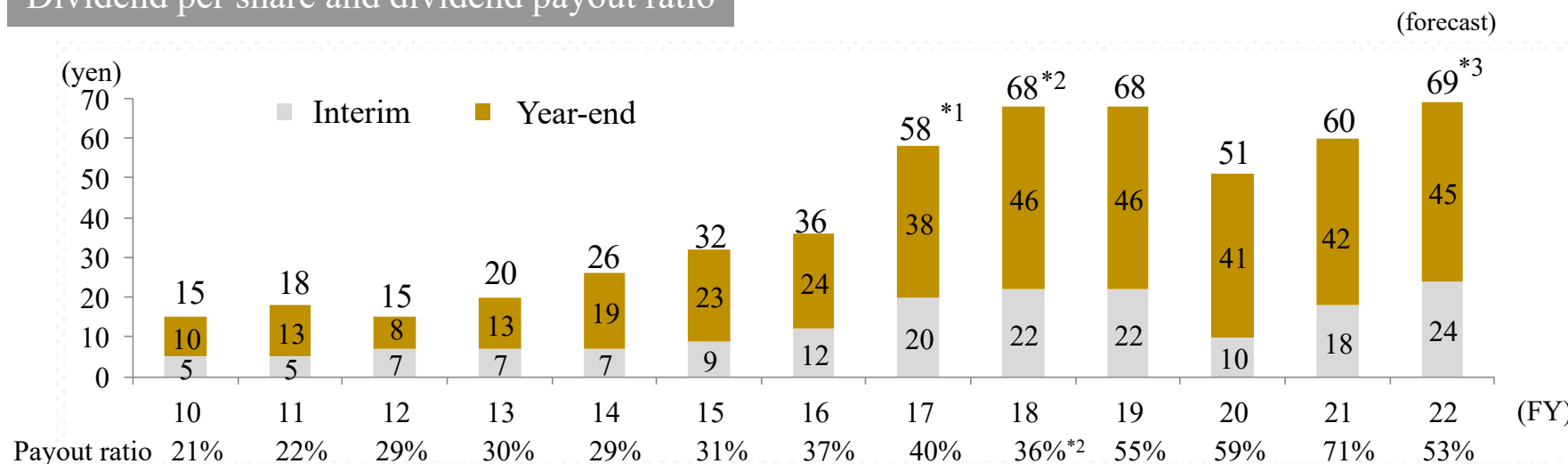
# FY 2022 Dividend Forecast

## 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

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## ■ 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 (compared to FY2019) >

FY2030: SCOPE 1+2 60% reduction, SCOPE 3 30% reduction

FY2025: SCOPE 1+2 55% reduction, SCOPE 3 10 % reduction

- 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] 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° C to 100° 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

February, 2023

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

December, 2022

- 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.



November, 2022

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



October, 2022

- Ranked 155th in the Nikkan Kogyo Shimbun's 18<sup>th</sup> 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 (ranked 27th according to industry)



FTSE Blossom  
Japan Sector  
Relative Index

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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),

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Quality is more than a word

ESPEC