

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

ESPEC CORP.

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)		

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The following is a summary of our financial results for the fiscal year ended March 31, 2023. Although parts procurement difficulties and surging component prices continued, investment in the electronics and automobile markets remained favorable. As a result, orders received and net sales reached record highs, while profits also increased substantially.

Orders received increased in all segments. Notably, orders received for environmental test chambers increased substantially in the Equipment Business. In terms of area, Japan, North America, and Europe were the driving force behind our performance, with increases also in South Korea and Taiwan.

On the manufacturing front, although parts procurement difficulties continued, we secured production volume by implementing all types of measures, including strategically accumulating inventories, procuring alternatives, and changing designs. These efforts enabled us to achieve a substantial increase in net sales.

Profits increased substantially, mainly due to revenue growth, despite the impact of surging component prices and electricity fees as well as an increase in selling, general and administrative expenses (SG&A).

In comparison with the revised financial results forecast announced in October, net sales were above forecast, and we were able to hold SG&A below our projections. Consequently, we were able to exceed our profit forecasts.

With regard to dividends, as initially planned, the year-end dividend is forecast at ¥45 per share, and the annual dividend is forecast at ¥69 per share. This dividend includes a commemorative dividend of ¥4 per share to mark the 75th anniversary of the Company's founding.

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.

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Here is the summary of profits and losses

In year-on-year comparisons, orders received up 16%, and net sales up 26%.

The cost of sales ratio improved by a mere 0.5 points, but SG&A increased by ¥1.5 billion.

Profits increased substantially, with operating profit increasing by 121% and profit attributable to owners of parent increasing by 74%.

In comparison to forecasts, orders received and net sales both were slightly above forecasts.

Although the cost-of-sales ratio deteriorated by 0.2 point compared to forecast, SG&A expenses were approximately ¥0.2 billion below forecast, resulting in operating profit exceeding forecast by ¥0.36 billion.

Additionally, in response to rising component prices, we revised product prices for ESPEC on a standalone basis. However, these revised product prices had only a negligible effect on the Company's operating results for FY2022 as the order backlog had already been accumulated.

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.

Performance by segment can be seen here.

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.

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I will explain a little more about the business environment in FY2022.

Orders received reached a record high for two consecutive years, supported by stronger-than-expected electronics and automobile markets.

Orders received increased by ¥8.2 billion year on year. This orders-received result also includes special factors.

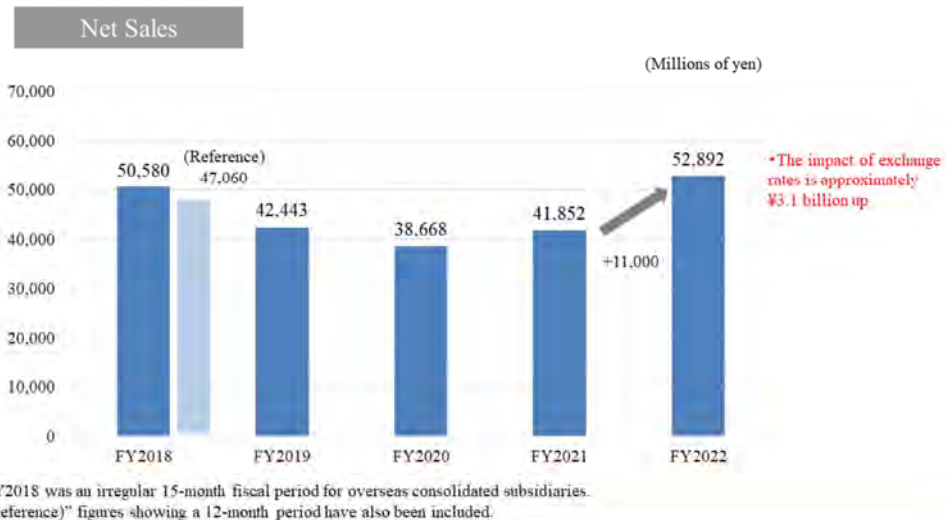
The first special factor was advance orders scheduled for FY2023, which arose as a result of extended product delivery schedules. We believe that these advance orders arose mainly in FY2022 1H and totaled approximately ¥2.0 billion.

The second special factor was the effect of exchange rate movements, which had a positive impact of approximately ¥3.2 billion.

However, even when these special factors are excluded, orders received reached ¥54.3 billion, a record high.

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.



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Next is net sales.

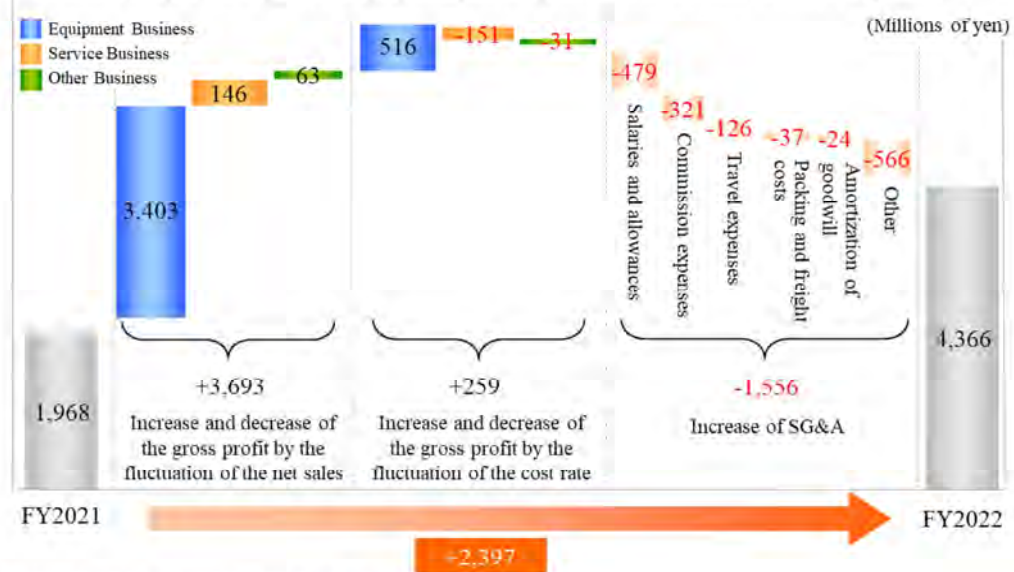
Although net sales were impacted by a continuation of parts procurement difficulties and the lockdowns in Shanghai in the first quarter, we worked hard to secure production volume, and we were able to increase net sales substantially.

Net sales also reached a record high.

Furthermore, the impact of exchange rate fluctuations was an additional ¥3.1 billion in the fiscal year.

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.



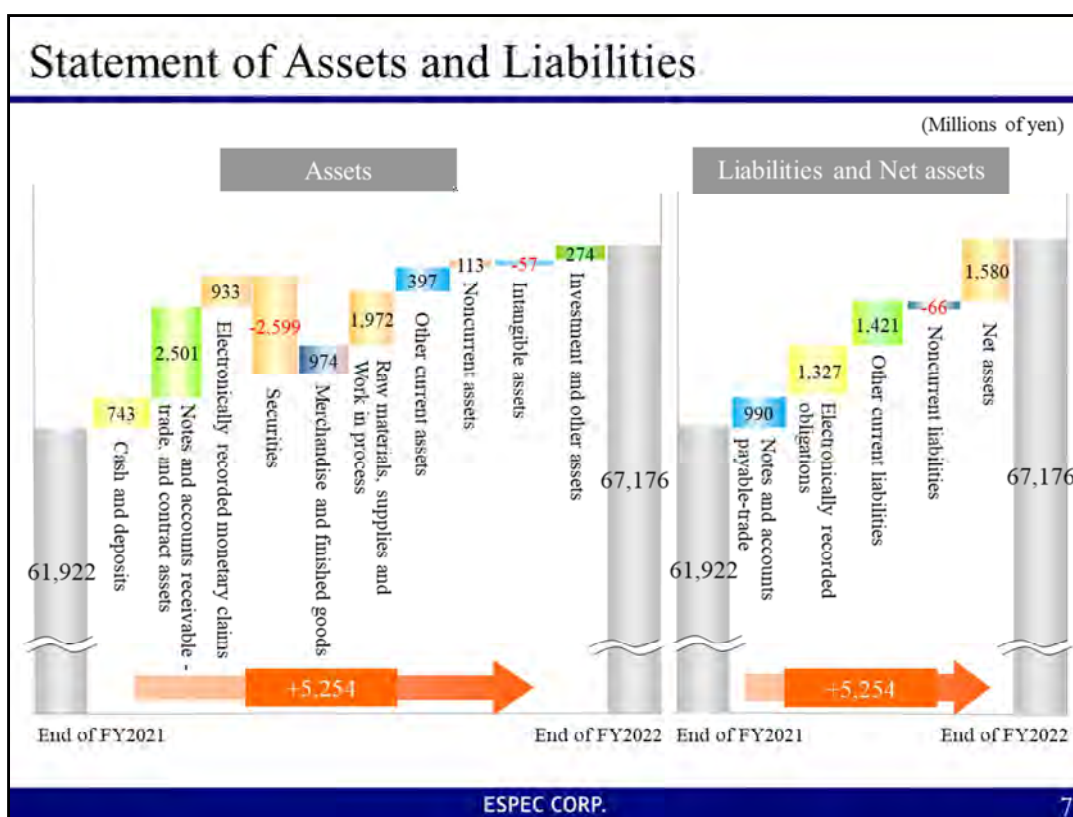
*Totals have been calculated using the gross profit per net sales rate.

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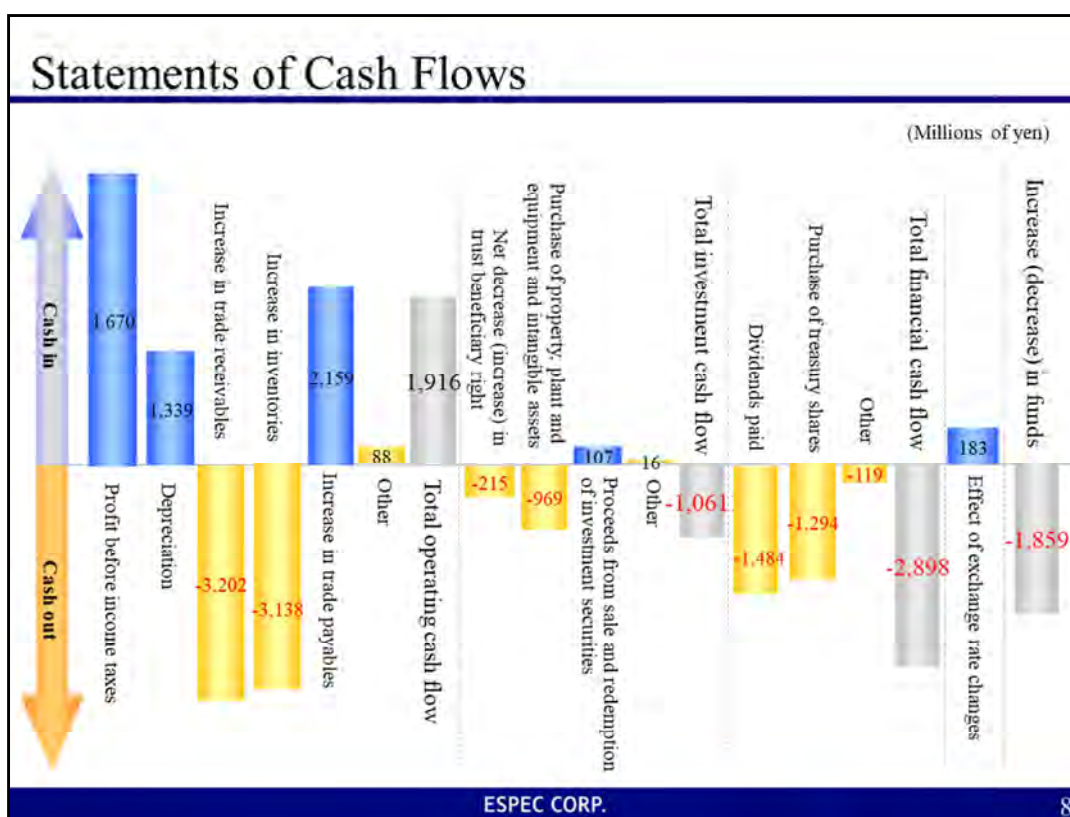
Here is an analysis of operating profit increase and decrease factors.

Operating profit increased substantially, mainly due to an increase in net sales in the Equipment Business, despite the impact of surging component prices and electricity fees, as well as an increase in SG&A.



Next, I will talk about the status of assets and liabilities.

Assets increased by approximately ¥5.2 billion. This increase was mainly due to an increase in trade receivables, such as account receivables – trade in line with growth in orders received, alongside an increase in inventories as a result of factors such as an increase in work in process due to component shortages and an increase in raw materials due to the acquisition of components.



Next is the status of cash flows.

Cash decreased by approximately ¥1.8 billion, mainly due to an increase in inventories associated with an increase in order backlog and the purchase of treasury shares.

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.

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Next, I will talk about the analysis by segment.

In the Equipment Business segment, product delivery times continue to be prolonged, but both orders received and net sales increased year on year, and operating profit increased significantly as well.

As can be seen here, in comparison with forecasts, our results were above what we had expected.

Looking at the status of each product group, in environmental test chambers, orders received and net sales both increased.

In energy device equipment, orders received substantially increased due to strong sales of chambers for charge-discharge testing mainly in the Japanese market. However, net sales remained level year on year.

In semiconductor equipment, orders received and net sales were both on a par with the previous fiscal year.

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 Profit Ratio(%)	618 9.7%	230 3.6%	428 6.3%	-30.8%	+86.1%

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.

Next is Service Business.

In year-on-year comparisons, both orders received and net sales increased.

Operating profit decreased due to the impact of surging electricity fees in laboratory testing services and an increase SG&A due mainly to an increase in personnel and operating expenses for new after-sales services.

In comparison to forecasts, net sales in after-sales service and engineering, and laboratory testing services and facility rentals outperformed forecasts, SG&A were lower than expected. As a result, operating profit increased relative to forecast.

The status of each service group is as seen here.

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

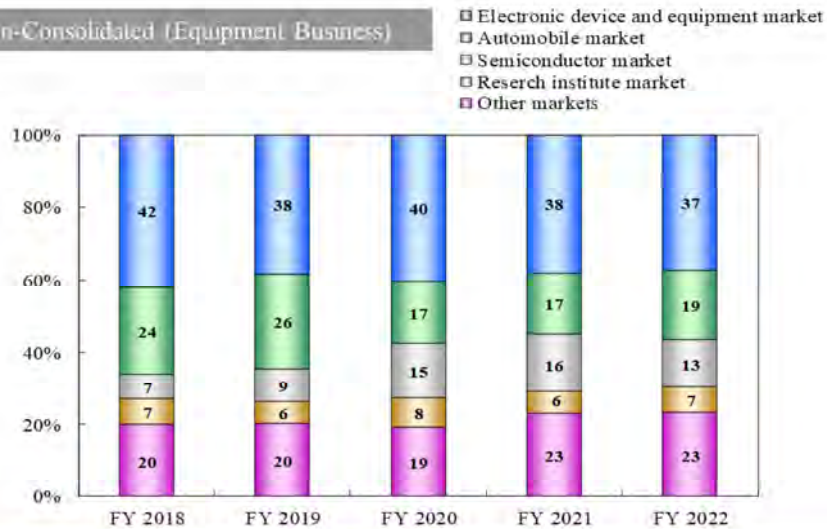
- Both orders received and net sales increased year on year.
Forest creation and waterfront biotope restoration performed sluggishly, but plant research devices and plant factories increased year on year.

In Other Business, which involves environmental preservation and plant production system business, orders received and net sales both increased year on year, the business was profitable from operations.

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)



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Here is the breakdown of sales by market for ESPEC alone.

In the electronic device and equipment market, which is our business' central market, and is displayed in blue, performance was strong, mainly in cutting-edge technology fields such as 5G and IoT. Net sales increased, while the percentage of this market among sales declined by 1 point.

In the automobile market, displayed in green, growth was supported mainly by automated driving and electrification of automobiles. The percentage of this market among sales increased by 2 points.

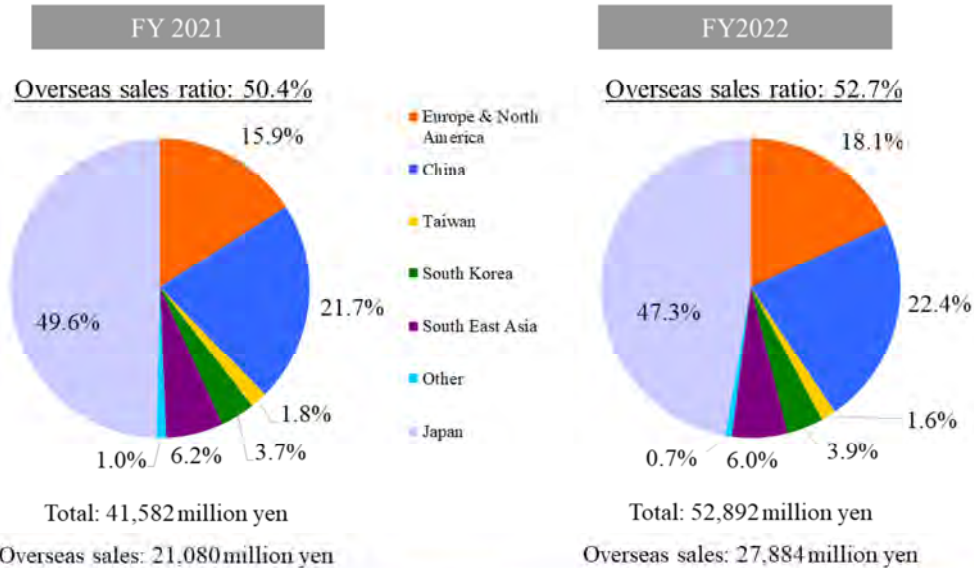
In the semiconductor market, displayed in grey, sales were level year on year, while the percentage of this market among sales decreased by 3 points.

Research institute, displayed in orange, refer to private or national and public research facilities. This market makes up 6-8% of sales in an average year.

“Other markets” at the very bottom includes various kinds of industries such as chemistry, construction materials, food products, and cosmetics. Sales increased, while the percentage of this market among sales remained unchanged from the previous fiscal year.

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.



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Next, I will explain net sales by region.

Due in part to the impact of exchange rates, the overseas sales ratio was 52.7%, surpassing 50% for the second consecutive year.

By region, the ratio for Europe & North America, which is displayed in orange, increased.

North America was strong in automobiles and electronic components and devices, while Europe was strong in automobiles.

In addition, the ratio for China, which is displayed in blue, increased due to brisk performance centered on automobiles and electronic components and devices.

In Japan, although both orders received and net sales increased, the percentage among sales decreased.

FY2023 Plan

- 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.

Next, I will explain the plan for FY2022.

In terms of our policy for FY2023, although the business environment will remain uncertain, we expect to maintain a high level of orders received primarily in cutting-edge technology fields.

In FY2022, capital investment and research and development plans were delayed because we gave priority to securing profits.

In FY2023, we will steadily implement investments and strategies to achieve growth as we work to capture strong demand.

Parts procurement remains unstable. We expect it to normalize from the second half of FY2023 onward.

Every effort will be made to normalize product delivery schedules and rapidly clear our order backlog. Concurrently, against the backdrop of surging component prices, we will strive to boost earnings power by revising product prices further.

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)

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In terms of our full-year results forecast for FY2023, we forecast orders received of ¥54.0 billion.

The advance orders received as a result of extended product delivery schedules and foreign exchange effects recorded in the previous fiscal year will strip away. However, we expect to maintain a high level of orders received.

We forecast major increases in sales and profit, with net sales of ¥56.0 billion, operating profit of ¥5.0 billion, and profit attributable to owners of parent of ¥3.65 billion.

The order backlog stands at approximately ¥27.0 billion. We believe that it will take some time for procurement and production to normalize. We also expect component prices and electricity fees to rise even further.

In addition, we plan to increase R&D expenditures. Selling, general and administrative (SG&A) expenses are forecast to increase year on year to ¥14.0 billion.

Our plans for capital expenditures and R&D expenditures are shown on this slide.

I will explain the main details later in this presentation.

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

The assumed exchange rate for FY2023 is ¥130 against the US dollar.

In terms of exchange rate sensitivity, we anticipate a positive impact of ¥185 million on net sales and ¥35 million on operating profit for every ¥1 depreciation against the US dollar.

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	Japan: Investments related to EVs and automated driving will remain strong, while investment related to IoT will hold firm, while settling down. China: Investments will continue, particularly in EV- and IoT-related areas. ASEAN: Semiconductor-related investment is uncertain and is forecast to decrease year on year. North America: EV- and IoT-related investment will continue, despite concerns about an economic slowdown. Europe: EV- and IoT-related investments will continue.
	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	After-sales Service and Engineering: Expect similar level of demand as in the previous fiscal year. Laboratory Testing Services: Favorable demand in cutting-edge technology fields, mainly for secondary batteries.
Other Business	Environmental Preservation, Plant Production Systems	Forecasts recovery mainly in the environmental preservation (forest creation and waterfront biotope restoration).
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Here is our recognition of the operating environment.

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

In environmental test chambers, we believe that investments related to EVs and automated driving will remain strong.

In addition, we anticipate that investment related to IoT will hold firm, while settling down.

In China, we project that investments will continue, particularly in EV- and IoT-related areas.

In ASEAN, semiconductor-related investment is uncertain and is forecast to decrease year on year. In North America, we project that EV- and IoT-related investment will continue, despite concerns about an economic slowdown. In Europe, we also anticipate a continuation of EV- and IoT-related investments.

For energy device equipment, we expect investment in rechargeable batteries to grow worldwide.

For semiconductor-related equipment, we anticipate that investment will recover from the second half of FY2023 onward.

As for laboratory testing services, it is our view that there will be strong demand in cutting-edge technology fields, mainly for rechargeable batteries.

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

Looking at our main initiatives in FY2023, in the Equipment business, we will advance the normalization of product delivery schedules and enhance production efficiency by rapidly converting the order backlog to net sales by securing components and bringing production forward. Moreover, we will secure profits by conducting an additional increase in product prices in order to address issues such as surging component prices, electricity fees, and personnel expenses.

Furthermore, we will strengthen our response to the globally expanding battery market. Specifically, we will seek to increase sales by enhancing our lineup of evaluation tests and inspection equipment for batteries in Japan, China, Europe, and North America.

In after-sales services in the Service Business, we will work to expand preventative maintenance services through “super support service plan,” a new service.

In laboratory testing, we will enhance testing services for cutting-edge technology fields, primarily automobiles.

Turning to our area strategy, in Japan we will concentrate on increasing sales and stimulating replacement demand through the launch of products that meet the needs of the EV, automated driving, and IoT fields.

In North America, we will address growing demand in the automobile market driven by the Inflation Reduction Act (IRA). In China, we will work to increase sales to the EV and IoT markets through Group collaboration. In Europe, we will take steps to enhance the product lineup.

In South Korea, we will strengthen sales activities targeting 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%

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Here are the segment financial forecasts.

In the Equipment Business, although we foresee a decline in orders received as special items such as advance orders strip away, we are forecasting increases in net sales and operating profit.

In the Service Business, it is our view that orders received and net sales will increase year on year. Meanwhile, operating profit is forecast to decrease mainly due to an increase in personnel to drive growth in net sales, as well as surging electricity fees and component prices.

However, in the Service Business, we view “boosting earnings power” as a key priority.

We have already begun implementing measures to improve profits in order to outperform this plan, and we will take actions such as revising service prices.

In Other Business, we expect recovery in orders received and net sales.

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

As an initiative toward ESG, we will promote the 8th Mid-term Plan on the Environment, which corresponds to the E in ESG

For society, which corresponds to the S, we will continue to implement measures such as bolstering the management skills of managers, and enhancing the personnel evaluation system and training system, as part of efforts to strengthen human capital.

For governance, which corresponds to the G, we will work to strengthen Group governance and develop and enhance the internal control system.

Investment Plans in FY2023

Strategic investment	1.6 billion yen	R&D expenditures	1.49 billion yen
Ordinary investment	1.5 billion yen		
Capital investment Total	3.1 billion yen		

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.

In terms of our investment plan, we are planning capital investment of ¥3.1 billion.

Looking at the plan's main elements, we plan to expand laboratory testing facilities, and to enhance and streamline our production capacity by updating production facilities and automating certain processes.

We are planning R&D expenditures of ¥1.49 billion. We will enhance our product lineup to meet demand in cutting-edge technology fields, along with working to develop large-scale products for overseas markets.

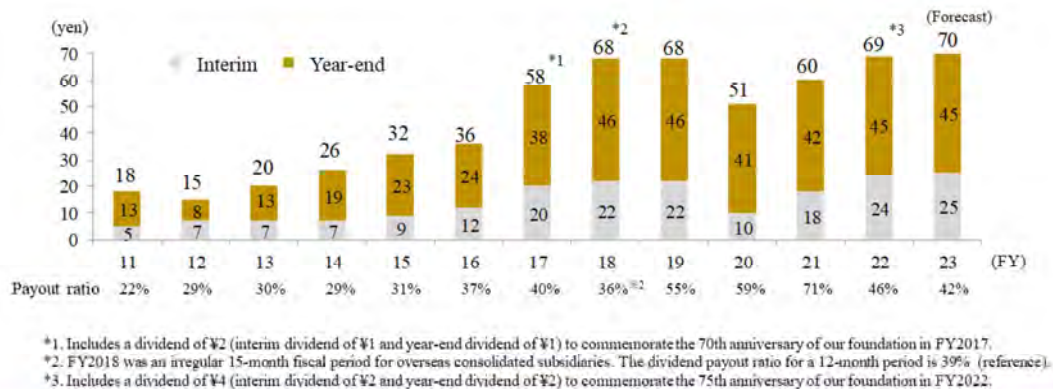
FY2023 Dividend Forecast

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



Here is our dividend forecast for FY2023.

In the previous fiscal year, we set the dividend at ¥69 per share, including a commemorative dividend of ¥4 per share to mark the 75th anniversary of the Company's founding.

In FY2023, we plan to pay an interim dividend of ¥25 per share and a year-end dividend of ¥45 per share, bringing the annual dividend to ¥70 per share.

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

For topics, in November 2022, ESPEC launched a service for analyzing defects of automotive battery packs and modules at the ESPEC Battery Safety Testing Center within the Utsunomiya Technocomplex.

In addition, we expanded the lineup of RF Anechoic Box Type Thermostatic Chambers that support temperature characteristics testing of 5G communication devices.

We have added a shield function and anechoic chamber function to a thermostatic chamber for the first time in the industry, enabling customers to conduct radio wave characteristics evaluations to confirm communication performance and safety under a wide range of temperature conditions.

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

In August 2022, we signed an agreement with the University of Hyogo aimed at promoting SDGs. We will collaborate and cooperate in areas such as biodiversity conservation, education and human resource development, and environment and energy.

We also launched a project called "ESPEC's 50-Year Forest" using the "corporate forests" system under the Ministry of Agriculture, Forestry and Fisheries in Sanda City, Hyogo Prefecture.

This is a project to commemorate the 75th anniversary of our founding. The first tree-planting festival was held in November, 2022. Approximately 200 people including employees participated and planted roughly 4,000 trees. We selected saplings based on carbon fixation and biodiversity functions.

By raising these saplings into a forest, we hope to make contributions to the environment such as CO₂ fixation, flood prevention, and water purification.

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

ESPEC CORP.

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The last topic is about external recognition.

We received a higher ranking than last year in both the Nikkei SDGs Management Survey and the Smart Work Management Survey.

We will continue to advance initiatives that help to solve social issues.

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