

Securities ID code: 6859

ESPEC CORP.

Results Briefing

for the Fiscal Year Ended March 31, 2024

May 23, 2024

Satoshi Arata

Representative Director and President

Financial Result for the Fiscal Year Ended March 31, 2024

- New record high financial results were driven by the EV and battery fields in the domestic market.
- Sales increased across all areas, and profitability improved, partly due to price increases.

	Year on Year	Comparison with Forecasts (Revised in Oct. 2023)
■ Orders Received	○ Increased in the Equipment Business (environmental test chambers and energy device equipment) and in the Service Business (laboratory testing services)	○ Above forecast in all segments
■ Net Sales	○ Increased in all segments, particularly increasing in the Equipment Business (environmental test chambers)	○ Above forecast in all segments, particularly the Equipment Business (environmental test chambers)
■ Operating Profit	○ Increased substantially due to sales growth and cost of sales ratio improvement, despite increase in SG&A	○ Above forecast due to upturn in net sales and improvement of cost of sales ratio in the Equipment Business and Service Business
■ Ordinary Profit Profit Attributable to Owners of Parent	○ Increased substantially due to increase in operating profit	○ Above forecast due to increase in operating profit

■ Dividend per share increased by ¥5 from initial forecast (announced on May 15, 2024)

Dividend forecast for the year: interim ¥25, year-end ¥50, annual ¥75

Summary of Profits and Losses

	(Millions of yen)				
	FY 2022 Results	FY2023 Revised Forecasts (Oct. 2023)	FY2023 Results	Year on Year	Comparison with Forecasts
Orders Received	59,521	61,000	62,290	+4.7%	+2.1%
Net Sales	52,892	58,500	62,126	+17.5%	+6.2%
Cost of Net Sales	34,935	38,000	40,132	+14.9%	+5.6%
Cost of Sales Ratio	66.0%	65.0%	64.6%	1.4pt melioration	0.4pt melioration
Gross Profit	17,957	20,500	21,994	+22.5%	+7.3%
SG&A	13,590	15,000	15,408	+13.4%	+2.7%
Operating Profit	4,366	5,500	6,585	+50.8%	+19.7%
Ordinary Profit	4,664	5,750	6,919	+48.3%	+20.3%
Profit Attributable to Owners of Parent	3,330	4,000	4,969	+49.2%	+24.2%
ROE	7.2%	8.1%	10.0%	+2.8pt	+1.9pt

From August 2023, COSMOPIA HIGHTECH CORP. has been included in the scope of consolidation.

Performance by Segment

(Millions of yen)

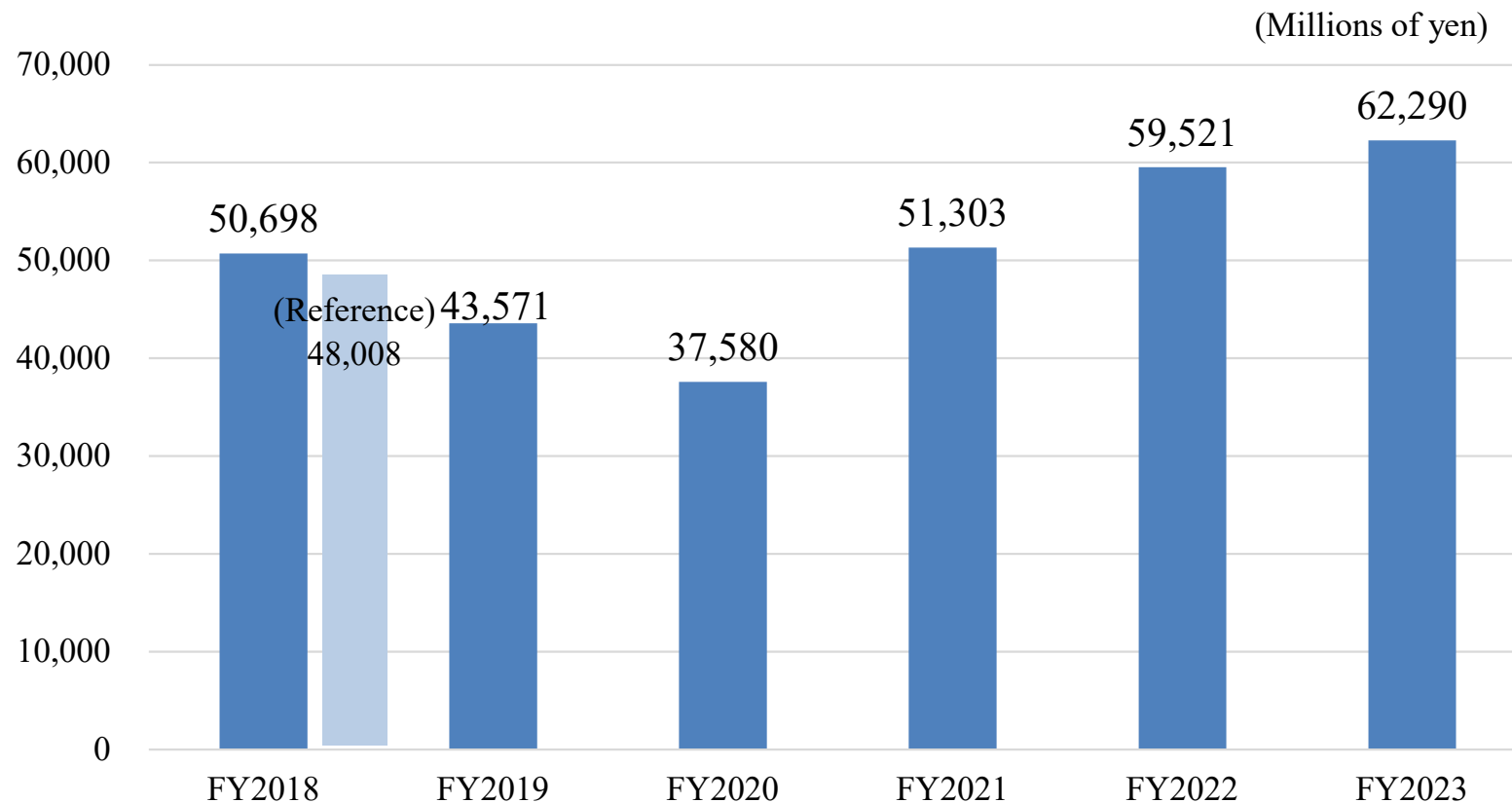
		FY 2022 Results	FY2023 Revised Forecasts (Oct. 2023)	FY2023 Results	Year on Year	Comparison with Forecasts
Equipment Business	Orders Received	51,446	52,760	53,565	+4.1%	+1.5%
	Net Sales	45,031	50,350	53,518	+18.8%	+6.3%
	Operating Profit	3,919	4,980	5,848	+49.2%	+17.4%
Service Business	Orders Received	6,963	7,340	7,634	+9.6%	+4.0%
	Net Sales	6,788	7,250	7,536	+11.0%	+4.0%
	Operating Profit	428	550	681	+59.3%	+24.0%
Other Business	Orders Received	1,469	1,300	1,453	-1.1%	+11.8%
	Net Sales	1,404	1,300	1,455	+3.7%	+12.0%
	Operating Profit	16	-30	51	+211.0%	-
Elimination	Orders Received	-359	-400	-363	-	-
	Net Sales	-330	-400	-383	-	-
	Operating Profit	1	-0	3	-	-
Total	Orders Received	59,521	61,000	62,290	+4.7%	+2.1%
	Net Sales	52,892	58,500	62,126	+17.5%	+6.2%
	Operating Profit	4,366	5,500	6,585	+50.8%	+19.7%

From August 2023, COSMOPIA HIGHTECH CORP. has been included in the scope of consolidation.

Orders Received in FY2023

- Orders received marked a new record high for the third consecutive fiscal year.
- Orders increased particularly in Japan, as well as Southeast Asia, South Korea, and Taiwan; remained flat in North America, and decreased in China and Europe.

Orders Received

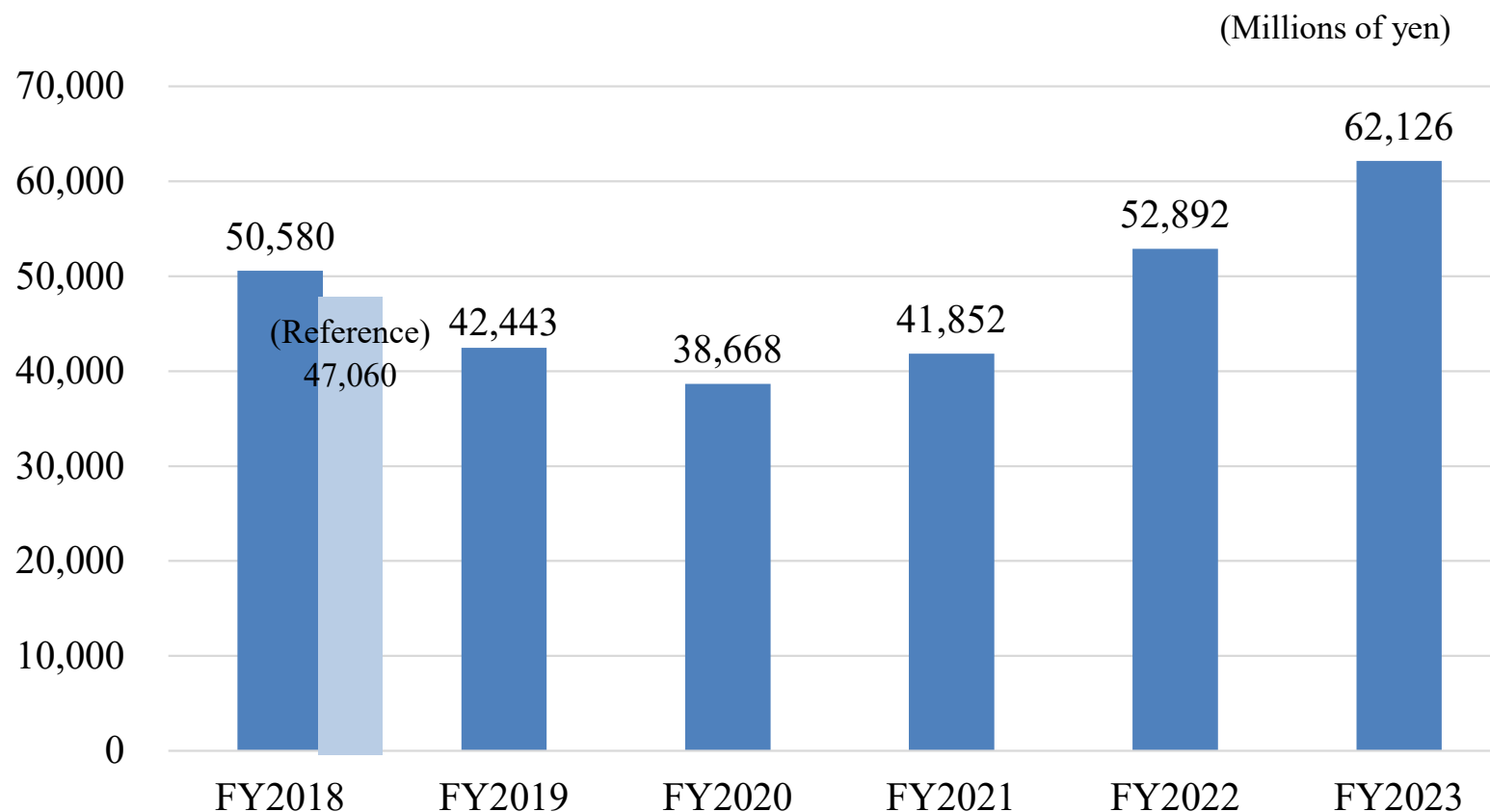


*FY2018 was an irregular 15-month fiscal period for overseas consolidated subsidiaries.
“(Reference)” figures showing a 12-month period have also been included.

Net Sales in FY2023

- Net sales renewed record highs for the second consecutive fiscal year.
- Increased in all areas, with a substantial increase in Japan due to strengthening response to domestic production.

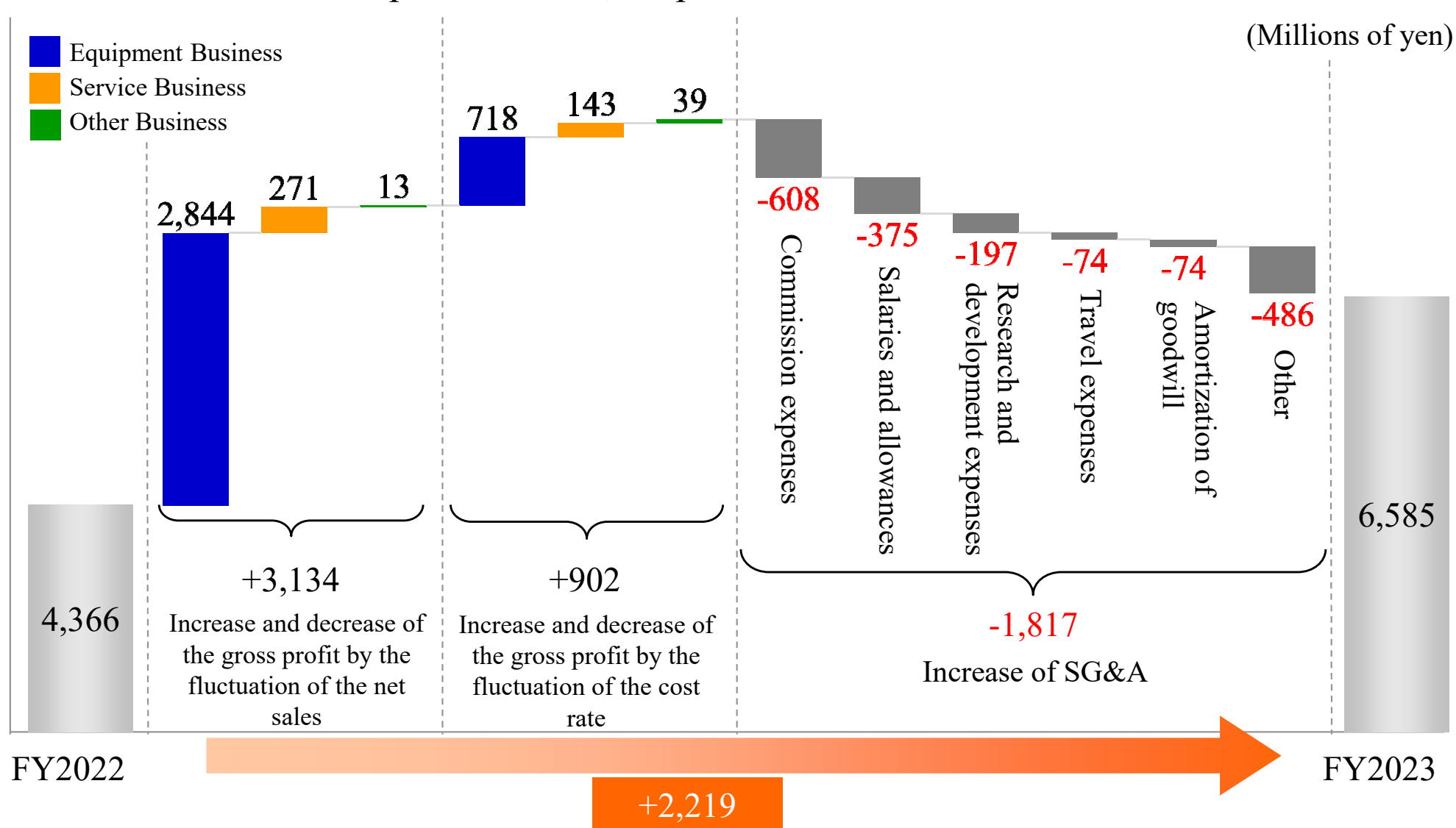
Net Sales



*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

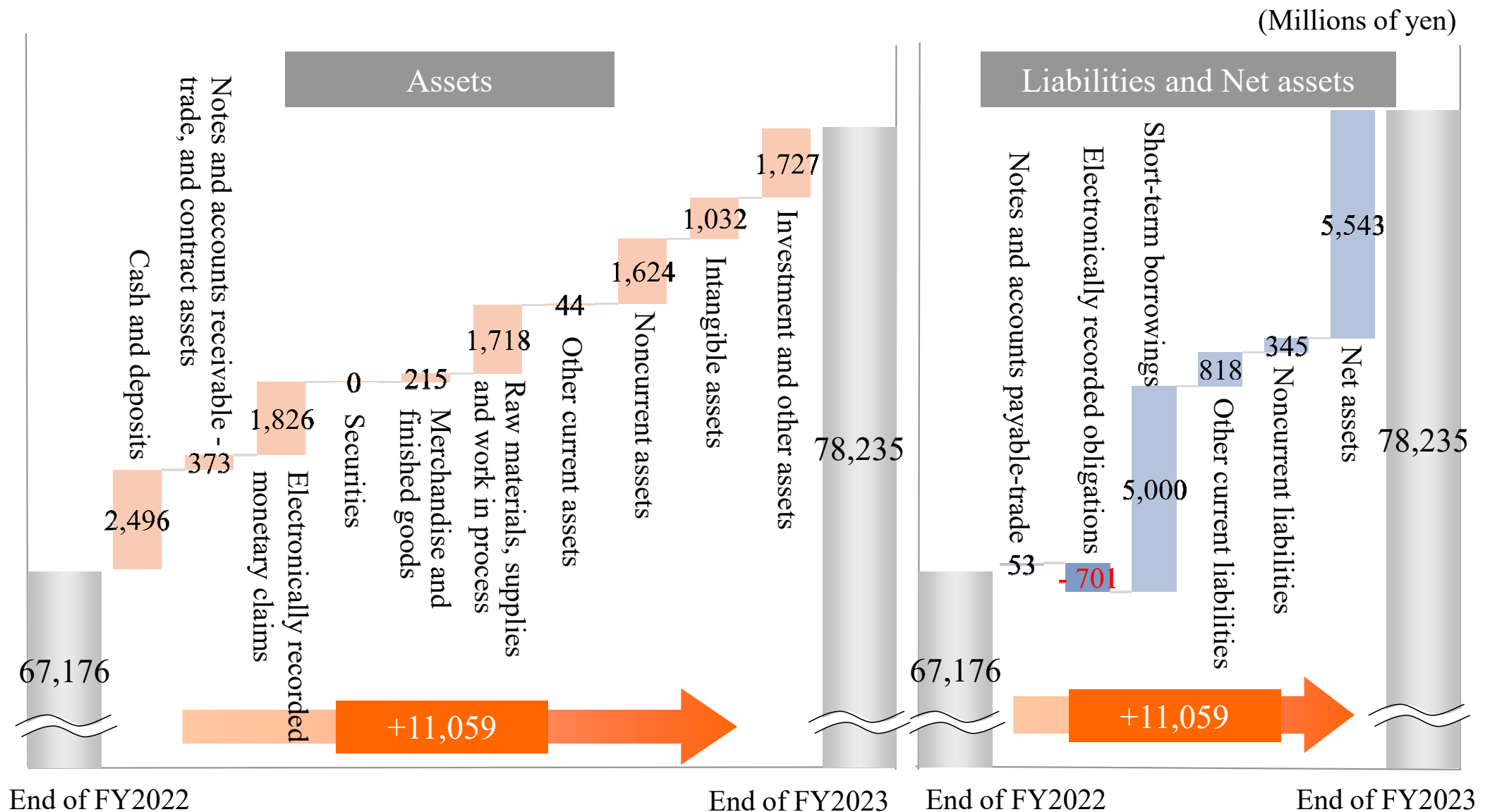
- Profit increased substantially due to sales increase in the Equipment Business and improved cost of sales ratio due to price increase, despite increase in SG&A.



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

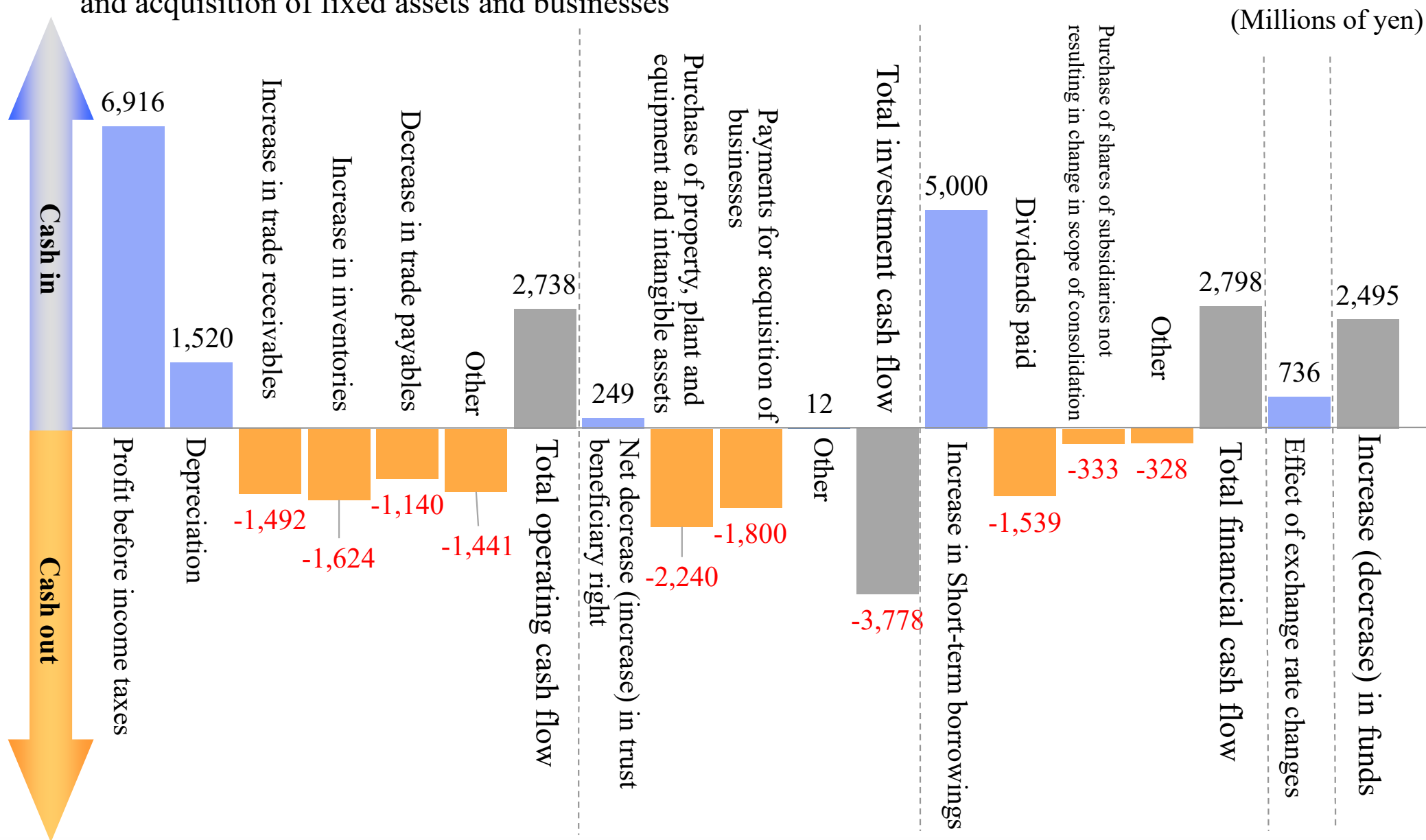
Statement of Assets and Liabilities

- Assets increased by approximately ¥11.0 billion due to increases in trade receivables and inventories, associated with sales expansion, and an increase in property, plant and equipment and intangible assets.



Statements of Cash Flows

- Cash increased by approximately ¥2.5 billion, mainly due to conducting borrowings of ¥5.0 billion and acquisition of fixed assets and businesses



Equipment Business

(Millions of yen)

	FY 2022 Results	FY2023 Revised Forecasts (Oct. 2023)	FY2023 Results	Year on Year	Comparison with Forecasts
Orders Received	51,446	52,760	53,565	+4.1%	+1.5%
Net Sales	45,031	50,350	53,518	+18.8%	+6.3%
Operating Profit	3,919	4,980	5,848	+49.2%	+17.4%
Profit Ratio(%)	8.7%	9.9%	10.9%		

Environmental Test Chambers

- In Japan, orders received remained on a par with the previous fiscal year for highly versatile standardized products, but increased for customized products, mainly in the electric vehicle (EV) and battery areas. Net sales increased for both standardized products and customized products, as production measures were strengthened, including shifting key personnel to customized products.
- In overseas, orders received were down year on year, due to decreases in China and Europe. Net sales rose year on year, mainly due to increases in North America, Europe, South Korea, Taiwan, and Southeast Asia.

Energy Device Equipment

- Orders received substantially increased year on year due to strong orders for chambers for charge-discharge testing mainly in the Japanese market due to the expansion of investment for electric vehicles (EV) and batteries. Net sales rose significantly as the production system was improved.

Semiconductor Equipment

- Both orders received and net sales decreased year on year, mainly due to the impact of memory-related investment restraint.

Service Business

(Millions of yen)

	FY 2022 Results	FY2023 Revised Forecasts (Oct. 2023)	FY2023 Results	Year on Year	Comparison with Forecasts
Orders Received	6,963	7,340	7,634	+9.6%	+4.0%
Net Sales	6,788	7,250	7,536	+11.0%	+4.0%
Operating Profit	428	550	681	+59.3%	+24.0%
Profit Ratio(%)	6.3%	7.6%	9.0%		

After-Sales Service and Engineering

- Orders received and net sales both increased year on year as preventative maintenance services and repair services were solid.

Laboratory Testing Services and Facility Rentals

- Orders received and net sales both rose year on year, due to a brisk performance in laboratory testing services, centered on automotive rechargeable batteries.

Other Business

(Millions of yen)

	FY 2022 Results	FY2023 Revised Forecasts (Oct. 2023)	FY2023 Results	Year on Year	Comparison with Forecasts
Orders Received	1,469	1,300	1,453	-1.1%	+11.8%
Net Sales	1,404	1,300	1,455	+3.7%	+12.0%
Operating Profit	16	-30	51	+211.0%	-
Profit Ratio(%)	1.2%	-2.3%	3.5%		

Environmental Conservation, Plant Production Systems

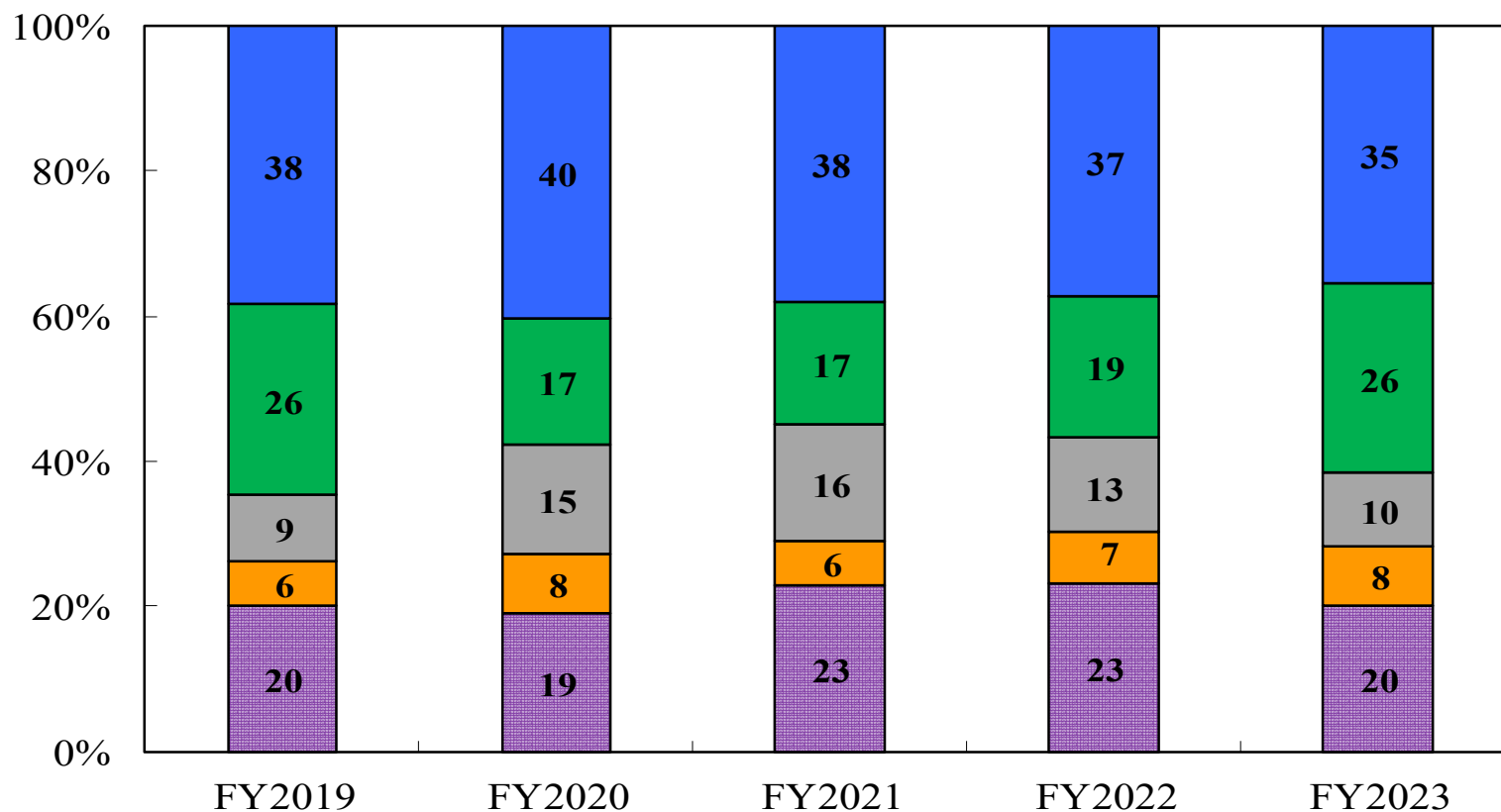
- Orders received was on a par with the previous fiscal year. This result mainly reflected the capture of orders received for aquaponics, a new field the Company is involved in that combines hydroponics and land-based aquaculture, which was offset primarily by decreases in orders received for reforestation (tree planting) and plant research devices.
Net sales was increased year on year, owing to firm sales of waterfront biotope restoration and vegetables.

Sales by Market

- Net Sales increased 1.2x in the electronic device and equipment market, 1.5x in the automobile market due to a significant increase centered on EVs and batteries and decreased in the semiconductor market.

Non-Consolidated (Equipment Business)

- Electronic device and equipment market
- Automobile market
- Semiconductor market
- Reserch institute market
- Other markets

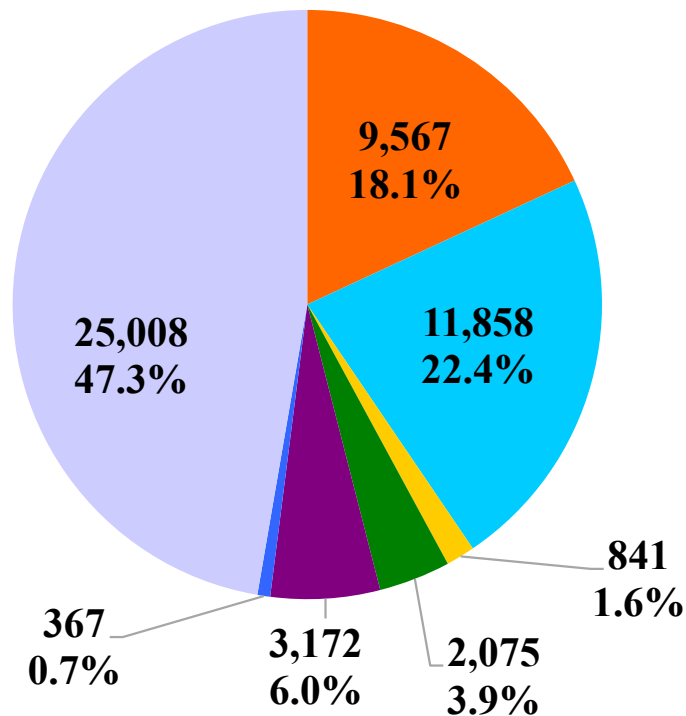


Sales by Region

- The overseas sales ratio surpassed 50% for the third consecutive fiscal year. By area, the ratio went up in Europe and North America.

FY2022

Overseas sales ratio: 52.7 %

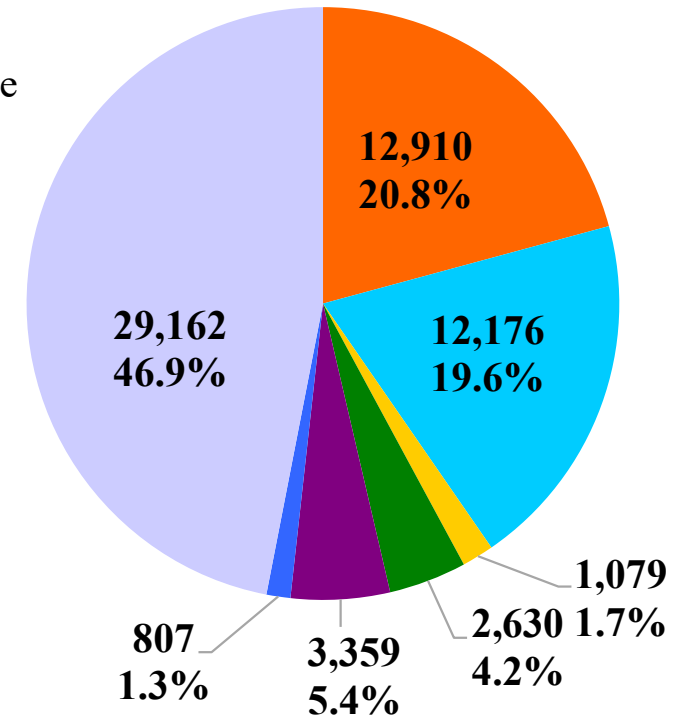


Total: 52,892 million yen

Overseas sales: 27,884 million yen

FY2023

Overseas sales ratio: 53.1%



Total: 62,126 million yen

Overseas sales: 32,964 million yen

Forecasts for FY 2024

Forecast points

- Order received are expected to remain at a high level amid ongoing investment in the EV and battery field, mainly in Japan
- Production of highly customized products is expected to increase, and we will increase production capacity in Japan

Assumed exchange rate

	FY2022	FY2023		FY2024
	Full Year Results	1H Results	Full Year Results	Full Year Assumption
U.S. dollars (yen)	135.51	141.06	144.59	145

*Reference: Exchange rate sensitivity for FY2024
(¥1 depreciation against US\$1)

Net sales: Increase of ¥190 million

Operating profit: Increase of ¥41 million

Forecasts for FY2024

(Millions of yen)

	FY2023	FY2024 Forecasts			
	Full Year Results	1H	2H	Full Year	Year on Year
Orders Received	62,290	31,000	32,000	63,000	+1.1%
Net Sales	62,126	30,500	34,500	65,000	+4.6%
Gross Profit	21,994	10,400	12,200	22,600	+2.8%
Profit Ratio (%)	35.4%	34.1%	35.4%	34.8%	-0.6pt
SG&A	15,408	7,500	8,100	15,600	+1.2%
SG&A Ratio (%)	24.8%	24.6%	23.5%	24.0%	-0.8pt
Operating Profit	6,585	2,900	4,100	7,000	+6.3%
Profit Ratio(%)	10.6%	9.5%	11.9%	10.8%	+0.2pt
Ordinary Profit	6,919	3,050	4,150	7,200	+4.0%
Profit Ratio(%)	11.1%	10.0%	12.0%	11.1%	+0.0pt
Profit Attributable to Owners of Parent	4,969	2,200	3,000	5,200	+4.6%
Profit Ratio (%)	8.0%	7.2%	8.7%	8.0%	+0.0pt
Basic Earnings per Share (yen)	227.61	100.77	137.41	238.18	+4.6%
ROE	10.0%	-	-	9.6%	-0.4pt

Investment Plans in FY2024

(Millions of yen)

	FY2023	FY2024 Forecasts			
	Full Year Results	1H	2H	Full Year	Year on Year
Capital expenditures	2,695	820	2,370	3,190	+18.3%
Depreciation expenses	1,492	790	880	1,670	+11.9%
R&D expenditures	1,239	660	670	1,330	+7.3%

Main investments

- Open new laboratory testing facility, enhance testing equipment
- Increase production capacity

Main R&D activities

- Expand product lineup in advanced technology fields
- Expand environmentally friendly products such as low-GWP refrigerant

Recognition of the Operating Environment

- Despite concerns of a slowdown in the Chinese and North American economies, continued investment is expected in the EV and battery field centered on Japan

Equipment Business	Environmental Test Chambers	<p>Japan: Investments related to EVs and batteries forecast to remain strong, while investment related to IoT will hold firm.</p> <p>China: Investments forecast to continue, particularly relation to EVs and IoT, but there are concerns of a further economic slowdown.</p> <p>ASEAN and India: Investments related to EVs and semiconductors forecast to remain strong.</p> <p>North America: Strong investments in EVs, batteries, and aerospace.</p> <p>Europe: Investments is forecast to remain at the same level year on year.</p>
	Energy Device Equipment	Continued strong investment forecast for charge-discharge testing chambers and systems in Japan.
	Semiconductor Equipment	Investments are forecast to recover gradually.
Service Business	After-sales Service and Engineering, Laboratory Testing Services and Facility Rentals	<p>After-sales Service and Engineering: Expected to remain at the same level as the previous fiscal year.</p> <p>Laboratory Testing Services: Brisk for automotive rechargeable battery charge-discharge testing and safety testing.</p>
Other Business	Environmental Conservation, Plant Production Systems	Plant factories and aquaponics are expected to remain strong.

Main Initiatives in FY2024

Equipment Business

- Increase production capacity in Japan (increase personnel, expand production space, utilize outsourcing).
- Expand lineup of high-value-added products.

Service Business

After-sales Service:

Expand preventative maintenance services through “super support service plan,”

Laboratory Testing Services:

Expand automotive rechargeable battery services.

Enhance testing equipment, establish “Next-Generation Mobility Testing Laboratory (tentative name).”

Area Strategy

Japan: Strengthen sales activities in the EV and battery field and the semiconductor field.

North America: Strengthen response to growth in demand in the EV and battery field through Group collaboration.

China: Secure stable earnings 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)

		FY2023	FY2024 Forecasts			
		Full Year Results	1H	2H	Full Year	Year on Year
Equipment Business	Orders Received	53,565	26,900	26,800	53,700	+0.3%
	Net Sales	53,518	26,600	29,400	56,000	+4.6%
	Operating Profit	5,848	2,680	3,500	6,180	+5.7%
Service Business	Orders Received	7,634	3,700	4,300	8,000	+4.8%
	Net Sales	7,536	3,500	4,400	7,900	+4.8%
	Operating Profit	681	250	550	800	+17.3%
Other Business	Orders Received	1,453	600	1,100	1,700	+16.9%
	Net Sales	1,455	600	900	1,500	+3.0%
	Operating Profit	51	-30	50	20	-61.1%
Elimination	Orders Received	-363	-200	-200	-400	-
	Net Sales	-383	-200	-200	-400	-
	Operating Profit	3	0	0	0	-
Total	Orders Received	62,290	31,000	32,000	63,000	+1.1%
	Net Sales	62,126	30,500	34,500	65,000	+4.6%
	Operating Profit	6,585	2,900	4,100	7,000	+6.3%

Main Initiatives for ESG in FY2024

■ E (Environment)

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

■ S (Society)

- Strengthen human capital
Bolster management skills of executive officers and managers
Enhance personnel evaluation and training systems
Promote active communication.
- Promote diversity
Train female managers, Facilitate the success of senior and non-Japanese employees

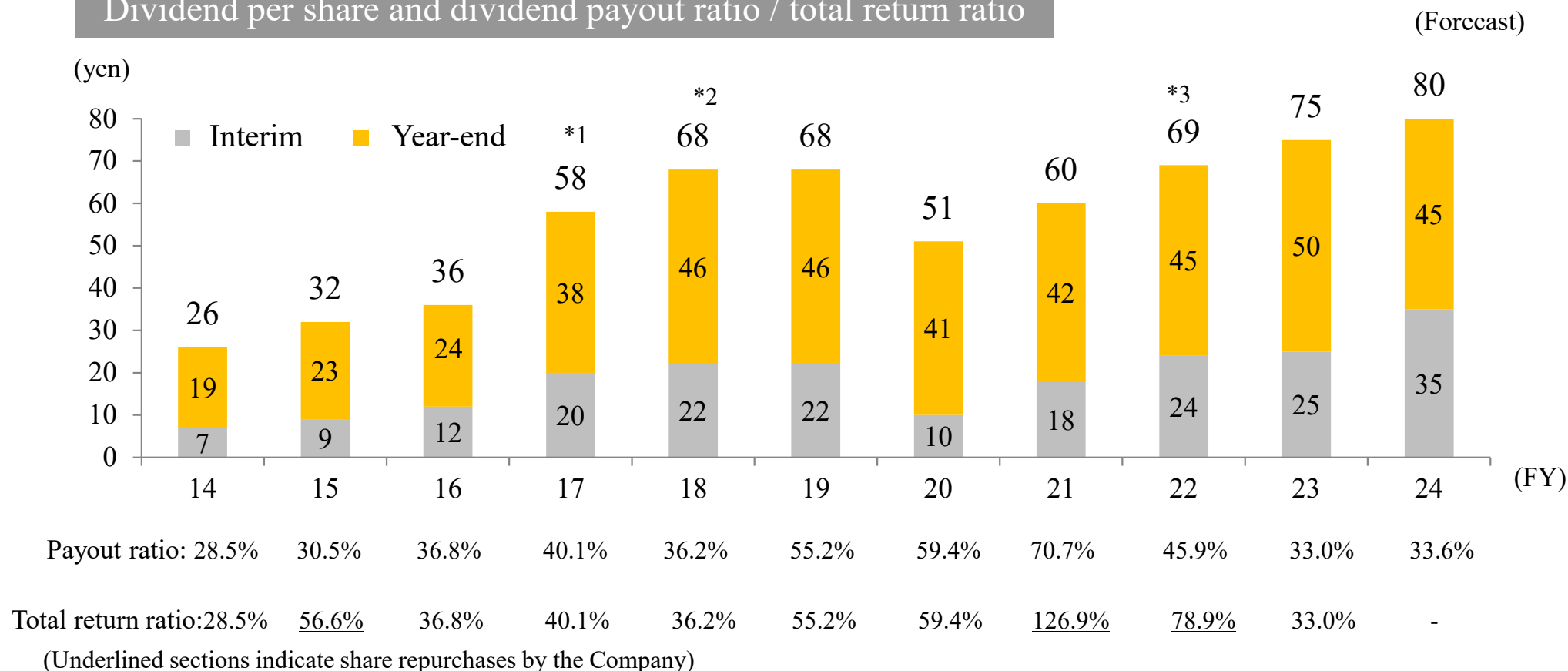
■ G (Governance)

- Strengthen Group governance
Strengthen governance of subsidiaries and enhance internal control system.

FY2024 Dividend Forecast

- For FY2024, we are forecasting an annual dividend of ¥80 and a dividend payout ratio of 33.6%.

Dividend per share and dividend payout ratio / total return 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).

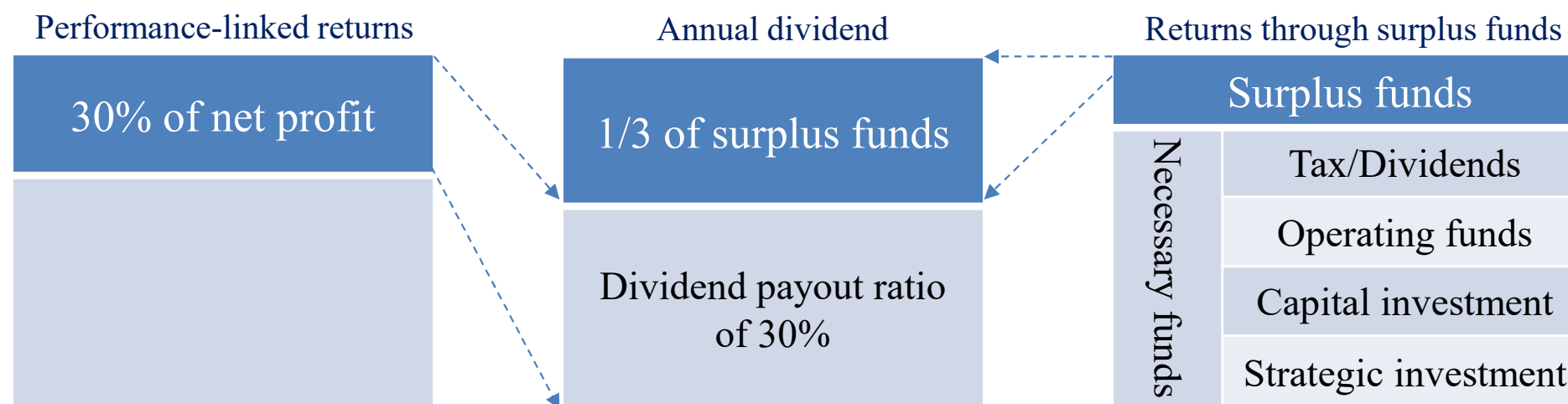
*3. Includes a dividend of ¥4 (interim dividend of ¥2 and year-end dividend of ¥2) to commemorate the 75th anniversary of our foundation in FY2022.

Basic Policy on Profit Distribution

Our basic policy is to determine dividends reflecting 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.

While reflecting a necessary level of internal reserves, we flexibly implement acquisition of treasury shares.



*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.

Upward Revision of Medium-Term Management Plan Targets

Disclosed on May 15, 2024

- Through expansion of investment for EVs and batteries and the yen's depreciation, net sales and operating profit are expected to surpass initial targets. Therefore, the management targets have been revised.
- Operating margin is expected to be lower than the original forecast, despite an increase in prices of products and services in response to increases in costs such as parts and materials prices.

■ Medium-term management plan “Progressive Plan 2025” management targets

*The basic policy and management strategy framework are unchanged.

	FY2025 Initial targets	FY2025 revised targets	(Reference) FY2023 results
Net Sales	55 billions of yen	65 billions of yen	62.1 billions of yen
Operating Profit	7 billions of yen	7.5 billions of yen	6.58 billions of yen
Profit Ratio	12.7%	11.5%	10.6%
ROE	10%	10% or more	10.0%

Assumed exchange rate (U.S. dollars) FY2025 forecast: Changed from 115yen to 145yen

Disclosed on May 15, 2024

■ Understanding of Current Status

- Under the medium-term management plan “Progress Plan 2025” (FY2022-FY2025), the Company is targeting ROE of 10%, and with the recovery and expansion of earnings, ROE has reached 10.0% in FY2023.
- In terms of assets, inventories have increased in connection with the expansion of orders from fiscal 2022 onward.
- The Company is of the understanding that the cost of capital is about 8%, and is conscious of the importance of ensuring ROE is stably at 10% or more.
- Regarding PBR, it was 1.26 times at the end of fiscal 2023, but the Company believes it must continue striving to maintain and improve the share price.

Actions to Achieve Management Conscious of Cost of Capital and Share Price

■Policies

- Aim to achieve (net sales of ¥65.0 billion, operating sales of ¥7.5 billion, an operating sales ratio of 11.5% and ROE of 10% or more) under the medium-term management plan Progressive Plan 2025
- Conduct growth investment for sustainable growth
- Strive to enhance corporate value by controlling the increase of total assets and raising the efficiency of invested capital to generate cash to be used for growth investment and shareholder returns

■Main Initiatives

- Implement a growth strategy targeting the EV and IoT fields, strengthen profitability
- Proactively invest in growth (business, facilities, research, human resources) and clarify investment effects
- Generate cash by reducing inventories and finance growth investment and shareholder returns
- Enhance dialogue with shareholders and investors to raise stock market assessments and strengthen management

TOPICS 1

“Next-Generation Mobility Testing Laboratory (Tentative Name)” Construction Began on a New Testing Center in Aichi Prefecture

- In August 2023, purchased land (7,500 m²) in Tokoname, Aichi Prefecture and began construction of a new testing center.
- Provides safety tests for cutting-edge automotive batteries, which are increasing in size and capacity.
- Supports various testing standards such as the UN ECE-R100 regulation.
- Scheduled to open in February 2025.



Rendering of the “Next-Generation Mobility Testing Laboratory (Tentative Name)”

Battery Safety Testing Center Upgraded and expanded laboratory testing equipment

- Upgraded and expanded testing equipment in Battery Safety Testing Center in Utsunomiya, Tochigi Prefecture to address demand for automotive battery safety testing.
- Installed 20 units of charge-discharge and nail penetration test equipment in FY 2023.



Battery Safety Testing Center
(within the Utsunomiya Technocomplex)

TOPICS 2

Started Sales and Measurement Services for Thermal Dependent Warpage Measurement System

- In January 2024, started sales and measurement services for a heat deformation measurement system that visualizes the warpage deformation of semiconductor packages and mounting substrates in a thermal environment.
- The system contributes to solving bonding defect issues in mounting substrates caused by increased power consumption or heat generation.



Thermal Dependent Warpage Measurement System

Expanding Lineup of Semiconductor Inspection Equipment Burn-In Chamber Support for High Heat Generation Load

- In March 2023, expanded the Burn-In Chamber which has permissible heat generation load by four times (compared to the Company's existing devices) under temperatures from -20°C to 150°C .
- Enables precise temperature control even when semiconductors are in a state of high heat.
- Inspection volumes increased significantly, contributes to shorter inspection times.



Burn-In Chamber Support for High Heat Generation Load

TOPICS 3

ESPEC MIC CORP. Started Joint Research at Kawasui Kawasaki Aquarium Using Aquaponics

In June 2023, ESPEC MIC CORP. started joint research with Kawasui Kawasaki Aquarium and the Laboratory of Tropical Crop Science, College of Bioresource Sciences, Nihon University on a demonstration experiment on a material circulation system using aquaponics.

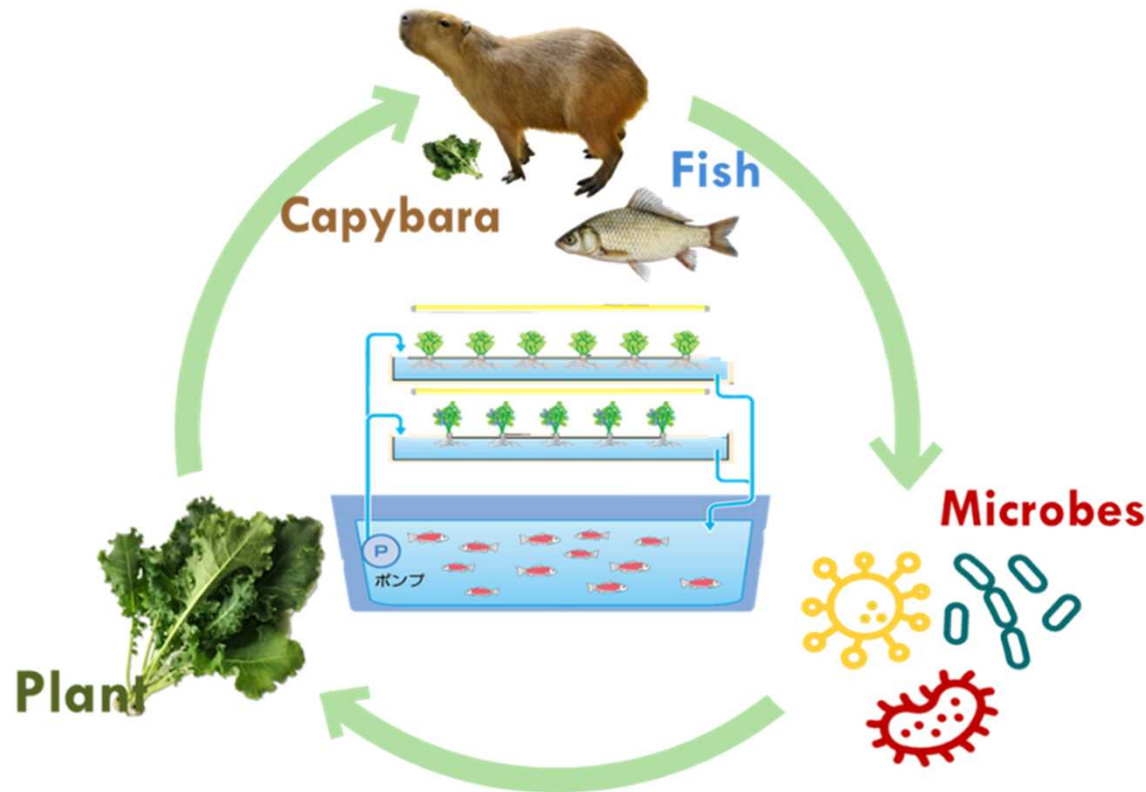


Diagram of a material circulation system using aquaponics

*What is aquaponics?

A system that combines hydroponics and land-based cultivation. Bodily waste from fish is decomposed by microorganisms and used as a source of nutrients needed to grow plants. This enables vegetables to be grown either without using chemical fertilizers or reducing the amount of their use. Has attracted attention in recent years as a farming method considerate of the environment.

External Recognition

■ 2024

- Mar. • Selected as Supplier Engagement Leader for two consecutive years, the Top Rank in the CDP Supplier Engagement Ratings
- Feb. • Rated “B” score for the fourth consecutive year in the CDP Climate Change 2023, “C-” score for Water Security
 - Ranked 375th in Toyo Keizai Inc.’s 2024 CSR Corporate Ranking



■ 2023

- Dec. • Awarded a Bronze Prize in the Gomez IR Website Ranking 2023
 - Selected a Commendation Award of the 2023 Internet IR Award of Daiwa IR
 - Selected as a "GRADE AAA" company website in the All-Japanese Listed Companies' Website Ranking 2023
- Nov. • Rated 3.5 stars in the Nikkei's 5th SDGs Management Survey
 - Rated 3 stars in Nikkei's 7th Smart Work Management Survey
- Oct. • Ranked 157th in the Nikkan Kogyo Shimbun's 19th Corporate Power Ranking
- Aug. • First Awarded as an excellent company in the Gomez ESG Website Ranking 2023
- June • Selected for the First Time as an Asia-Pacific Climate Leader by the Financial Times in the UK and German data provider Statista.



■ Inclusion in ESG indexes

FTSE Blossom Japan Sector Relative Index (First Selection in April 2022)



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 Hana Kaigawa

Quality is more than a word

ESPEC