
Securities ID code: 6859

ESPEC CORP.

Results Briefing

for the Six Months Ended September 30, 2023

November 22, 2023

Satoshi Arata

Representative Director and President

Financial Result for the Six Months Ended September 30, 2023

Orders received were driven particularly by orders related to EVs and batteries.

Sales and profits increased significantly, reaching record highs, due to securing parts and strengthening production response.

2Q and full-year forecasts were upwardly revised.

	Year on Year	Comparison with Initial Forecasts
■ Orders Received	○ Remained at a high level in the Equipment Business and increased in the Service Business (mainly laboratory testing services)	○ Above forecasts in the Equipment Business (environmental test chambers and Energy Device Equipment) and the Service Business
■ Net Sales	○ Increased in all segments, particularly increasing substantially in the Equipment Business	○ Above forecasts in the Equipment Business and the Service Business
■ Operating Profit	○ Increased substantially due to revenue growth, despite an increase in SG&A	○ Above forecasts due to better-than-expected net sales and an improved cost of sales ratio in environmental test chambers and laboratory testing services
■ Ordinary Profit Profit Attributable to Owners of Parent	○ Increased substantially due to the increase in operating profit	○ Above forecasts due to the increase in operating profit

■ No revisions made to dividends from initial forecast (Interim: ¥25, Year-end: ¥45, Annual ¥70)

Summary of Profits and Losses

(Millions of yen)

	FY 2022 2Q Results	FY 2023 2Q Initial Forecasts	FY 2023 2Q Results	Year on Year	Comparison with Initial Forecasts
Orders Received	33,266	26,500	33,440	+0.5%	+26.2%
Net Sales	22,945	26,000	27,257	+18.8%	+4.8%
Cost of Net Sales Cost Ratio	15,150 66.0%	17,250 66.3%	17,771 65.2%	+17.3% 0.8pt melioration	+3.0% 1.1pt melioration
Gross Profit	7,794	8,750	9,485	+21.7%	+8.4%
SG&A	6,399	6,900	7,151	+11.8%	+3.6%
Operating Profit	1,395	1,850	2,333	+67.2%	+26.2%
Ordinary Profit	1,731	1,950	2,526	+45.9%	+29.6%
Profit Attributable to Owners of Parent	984	1,300	1,653	+68.1%	+27.2%

Performance by Segment

(Millions of yen)

Segment		FY 2022 2Q Results	FY 2023 2Q Initial Forecasts	FY 2023 2Q Results	Year on Year	Comparison with Initial Forecasts
Equipment Business	Orders Received	29,209	22,550	29,198	-0.0%	+29.5%
	Net Sales	19,650	22,450	23,533	+19.8%	+4.8%
	Operating Profit	1,403	1,870	2,175	+55.0%	+16.3%
Service Business	Orders Received	3,470	3,350	3,785	+9.1%	+13.0%
	Net Sales	3,020	3,150	3,445	+14.1%	+9.4%
	Operating Profit	72	30	249	+244.7%	+730.4%
Other Business	Orders Received	747	750	655	-12.3%	-12.5%
	Net Sales	405	550	475	+17.5%	-13.5%
	Operating Profit	-80	-50	-88	-	-
Elimination	Orders Received	-161	-150	-199	-	-
	Net Sales	-130	-150	-197	-	-
	Operating Profit	-0	0	-2	-	-
Total	Orders Received	33,266	26,500	33,440	+0.5%	+26.2%
	Net Sales	22,945	26,000	27,257	+18.8%	+4.8%
	Operating Profit	1,395	1,850	2,333	+67.2%	+26.2%

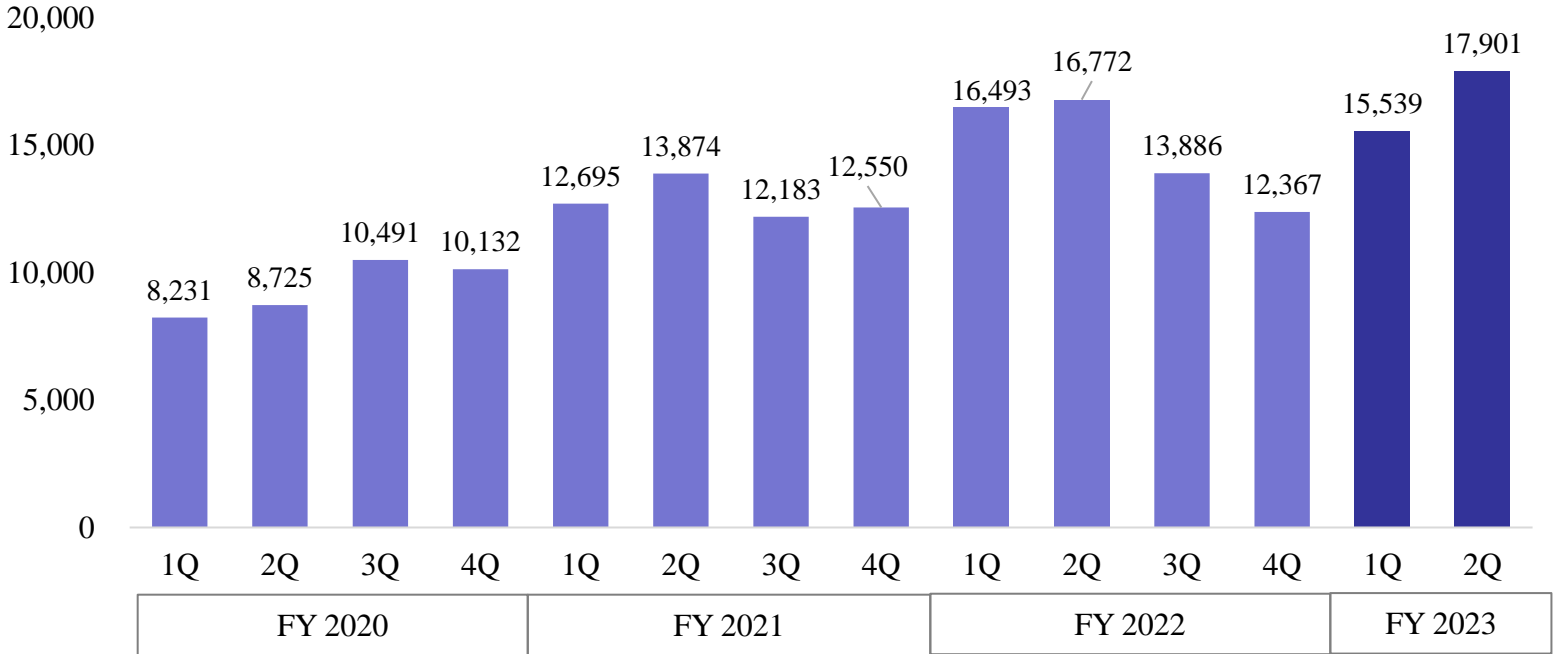
Orders Received in FY2023 2Q

■ Although orders received were forecast to decrease year on year, orders were driven by domestic investment in EVs and batteries (environmental test chambers, energy device equipment, laboratory testing services).

Orders received in FY2023 1H reached record highs for the third consecutive period.

Trends in orders received per quarter

(Millions of yen)

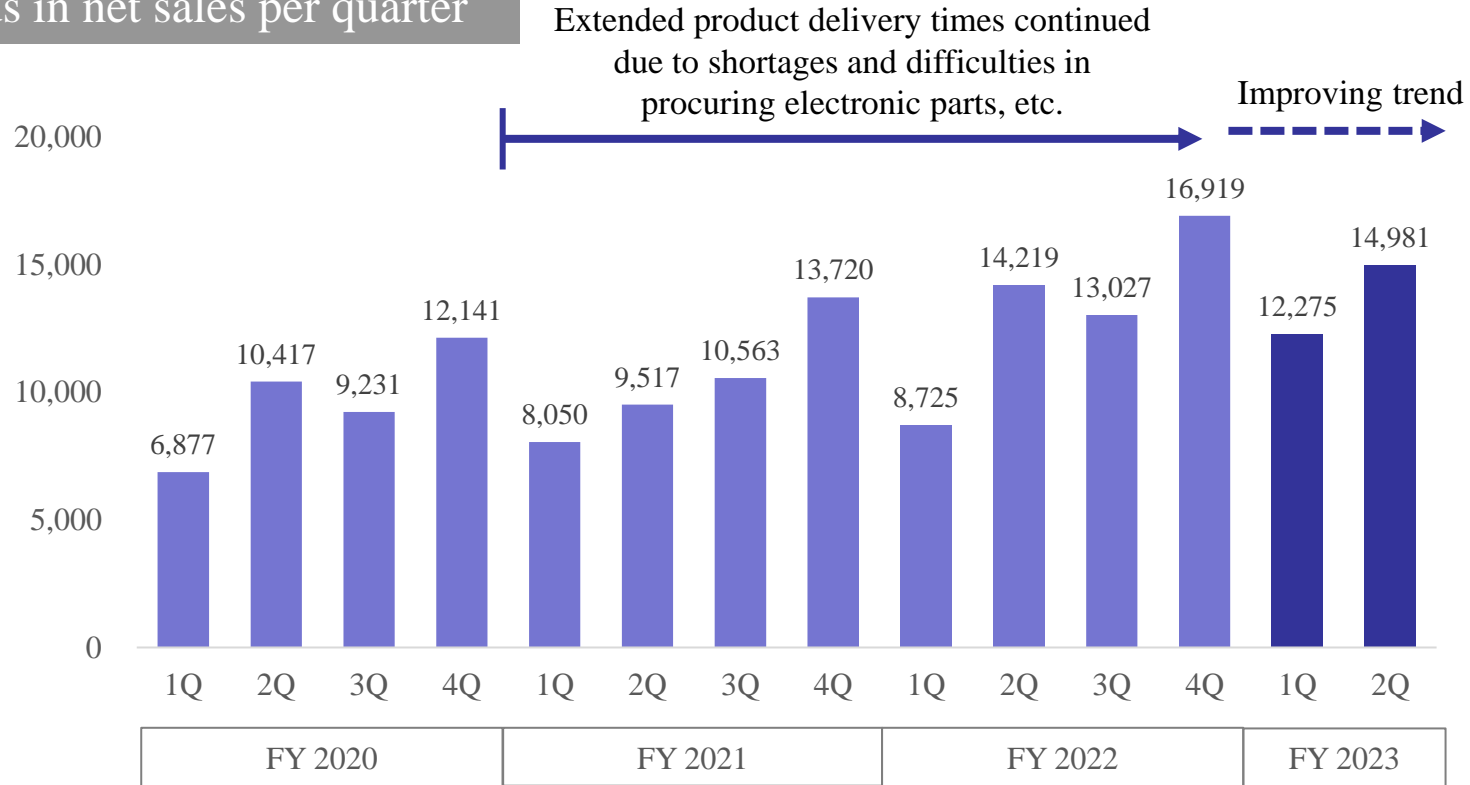


Net Sales in FY2023 2Q

■ Although extended delivery times continued for parts, progress was made on clearing the order backlog as of the end of March 2023 and improving product lead times due to securing parts and strengthening production response.

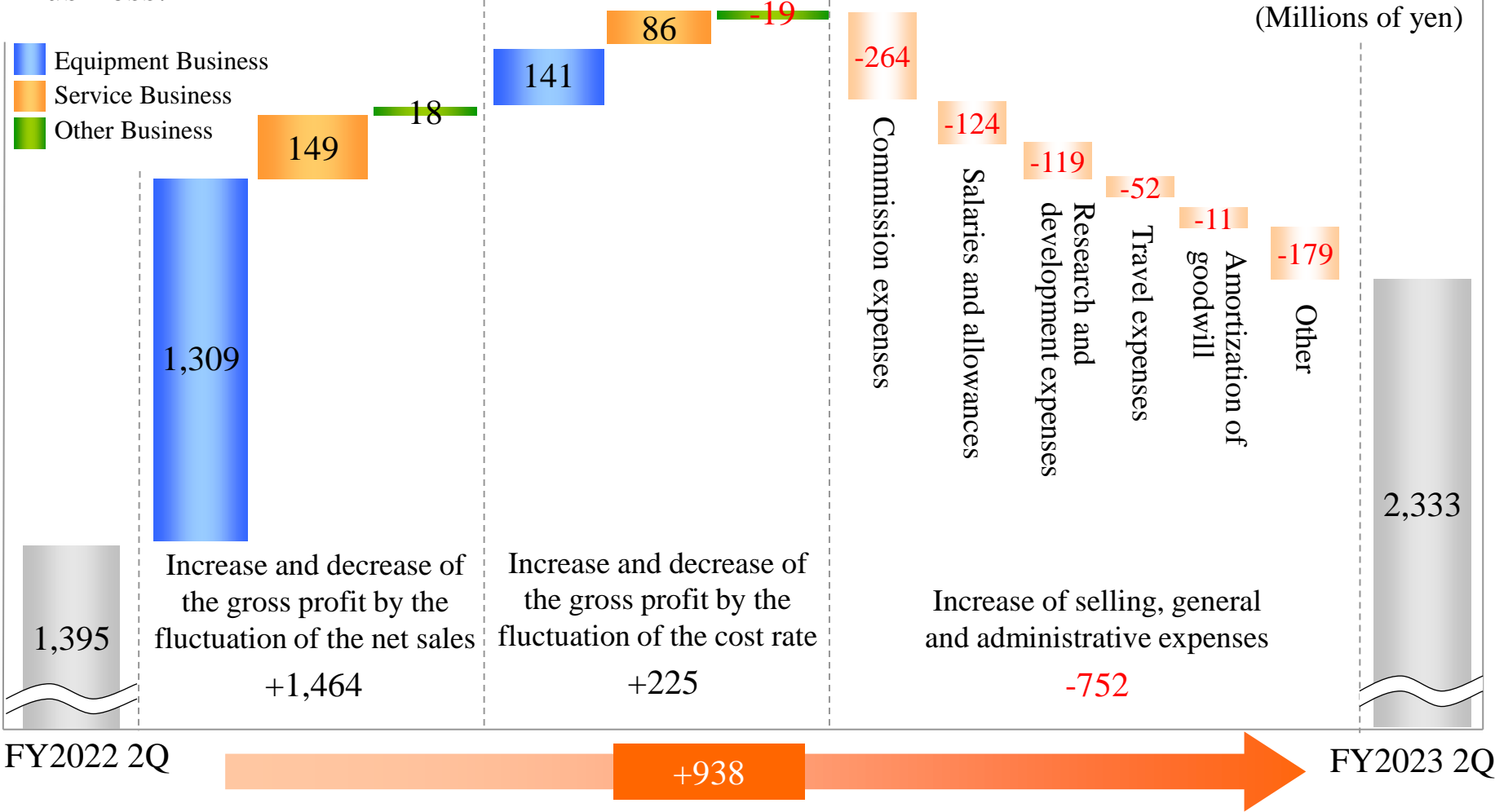
1H net sales reached a record high for the second consecutive period.

Trends in net sales per quarter



Analysis of Operating Profit Increase and Decrease Factors

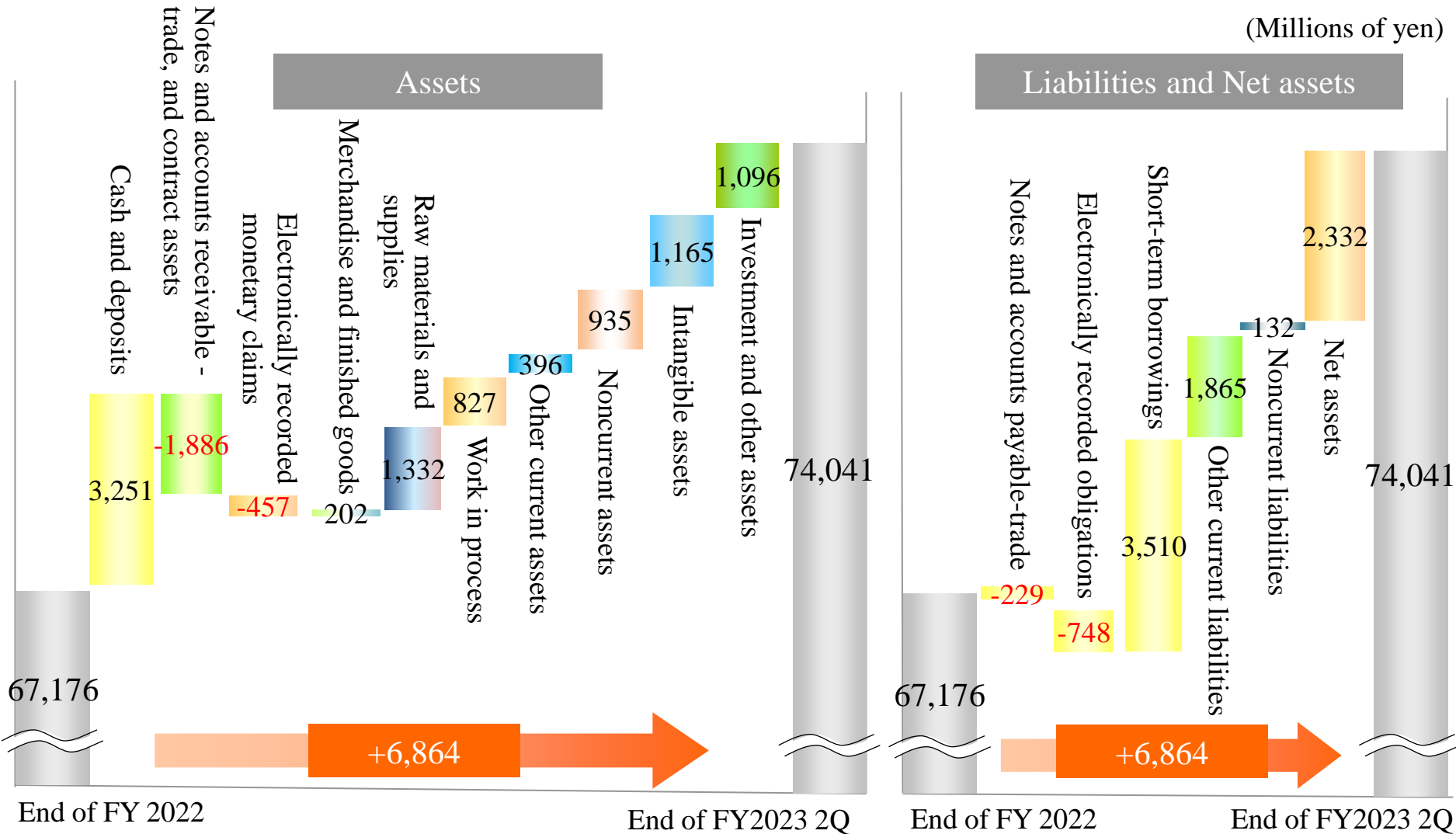
Despite an increase in selling, general and administrative expenses, profit increased by approximately ¥0.9 billion due mainly to a boost from increased sales in the Equipment Business.



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

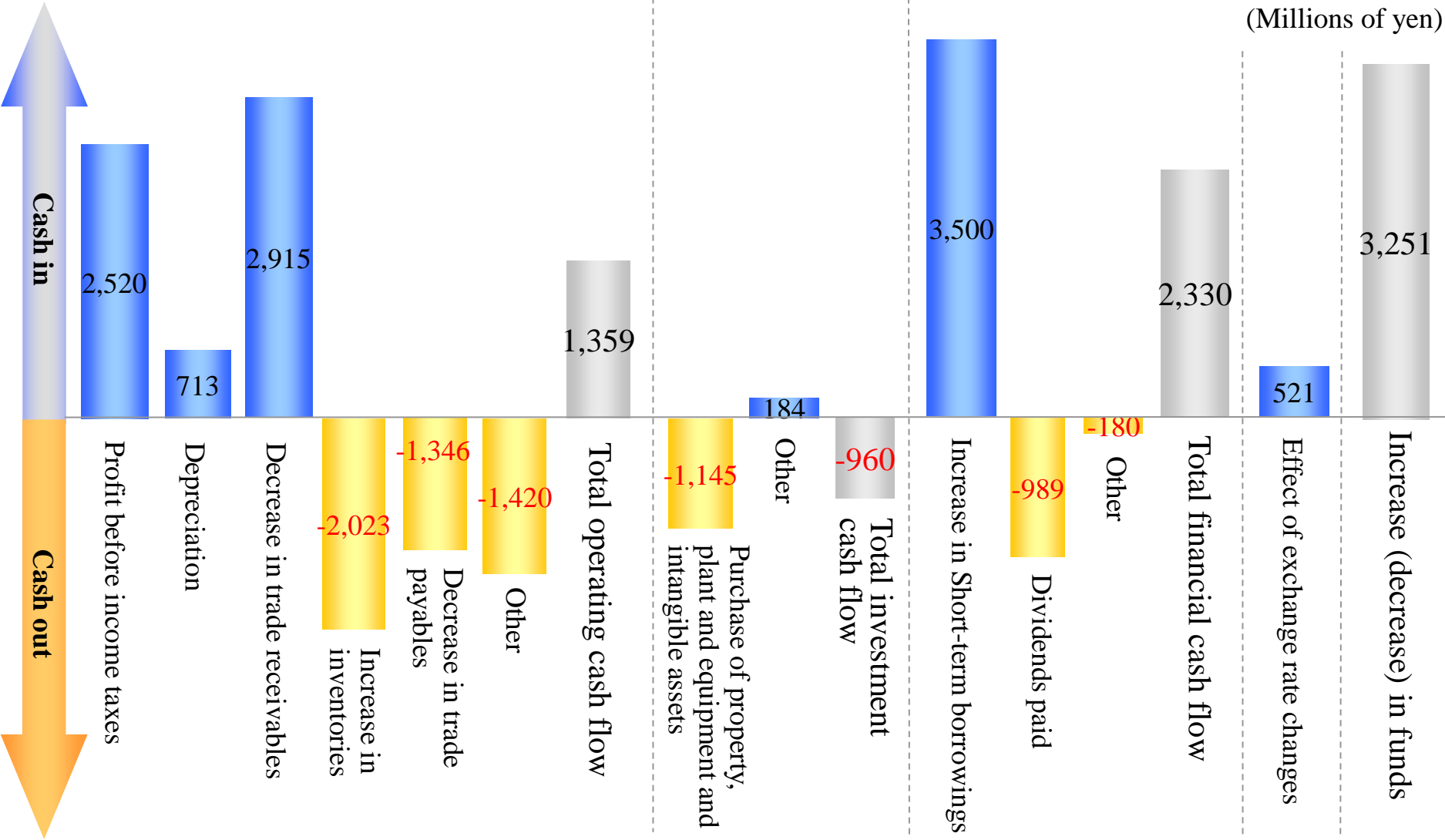
Statement of Assets and Liabilities

■ Assets increased by approximately ¥6.8 billion, due mainly to an increase in cash and deposits reflecting short-term borrowings and increases in noncurrent and intangible assets.



Statements of Cash Flows

■ Cash increased by approximately ¥3.2 billion, mainly due to short-term borrowings.



Equipment Business

(Millions of yen)

	FY 2022 2Q Results	FY 2023 2Q Initial Forecasts	FY 2023 2Q Results	Year on Year	Comparison with Initial Forecasts
Orders Received	29,209	22,550	29,198	-0.0%	+29.5%
Net Sales	19,650	22,450	23,533	+19.8%	+4.8%
Operating Profit	1,403	1,870	2,175	+55.0%	+16.3%
Profit Ratio(%)	7.1%	8.3%	9.2%		

Environmental Test Chambers

- In Japan, orders received decreased year on year in highly versatile standardized products but increased in customized products, mainly in the automotive-related area, and net sales increased for both standardized and customized products.
- In overseas markets, orders received were down year on year, but net sales increased. There were year-on-year increases particularly in North America and Europe, as well as in South Korea and Taiwan. China was mostly unchanged year on year.

Energy Device Equipment

- Both orders received and net sales substantially increased year on year. Sales of chambers for charge-discharge testing were strong mainly in the Japanese market, due to the expansion of investment in electric vehicles (EVs) and secondary batteries.

Semiconductor Equipment

- Orders received decreased year on year, due mainly to the impact of curbs on memory-related investment. Net sales were mostly unchanged year on year.

Service Business

(Millions of yen)

	FY 2022 2Q Results	FY 2023 2Q Initial Forecasts	FY 2023 2Q Results	Year on Year	Comparison with Initial Forecasts
Orders Received	3,470	3,350	3,785	+9.1%	+13.0%
Net Sales	3,020	3,150	3,445	+14.1%	+9.4%
Operating Profit Profit Ratio(%)	72 2.4%	30 1.0%	249 7.2%	+244.7%	+730.4%

After-Sales Service and Engineering

- Orders received were on a par year on year as preventative maintenance services and repair services were solid, and net sales increased year on year

Laboratory Testing Services and Facility Rentals

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

Other Business

(Millions of yen)

	FY 2022 2Q Results	FY 2023 2Q Initial Forecasts	FY 2023 2Q Results	Year on Year	Comparison with Initial Forecasts
Orders Received	747	750	655	-12.3%	-12.5%
Net Sales	405	550	475	+17.5%	-13.5%
Operating Profit	-80	-50	-88	-	-
Profit Ratio(%)	-19.8%	-9.1%	-18.6%	-	-

Environmental Preservation, Plant Production Systems

■ Orders received decreased year on year, reflecting sluggish orders received for reforestation (tree planting) and plant research devices.

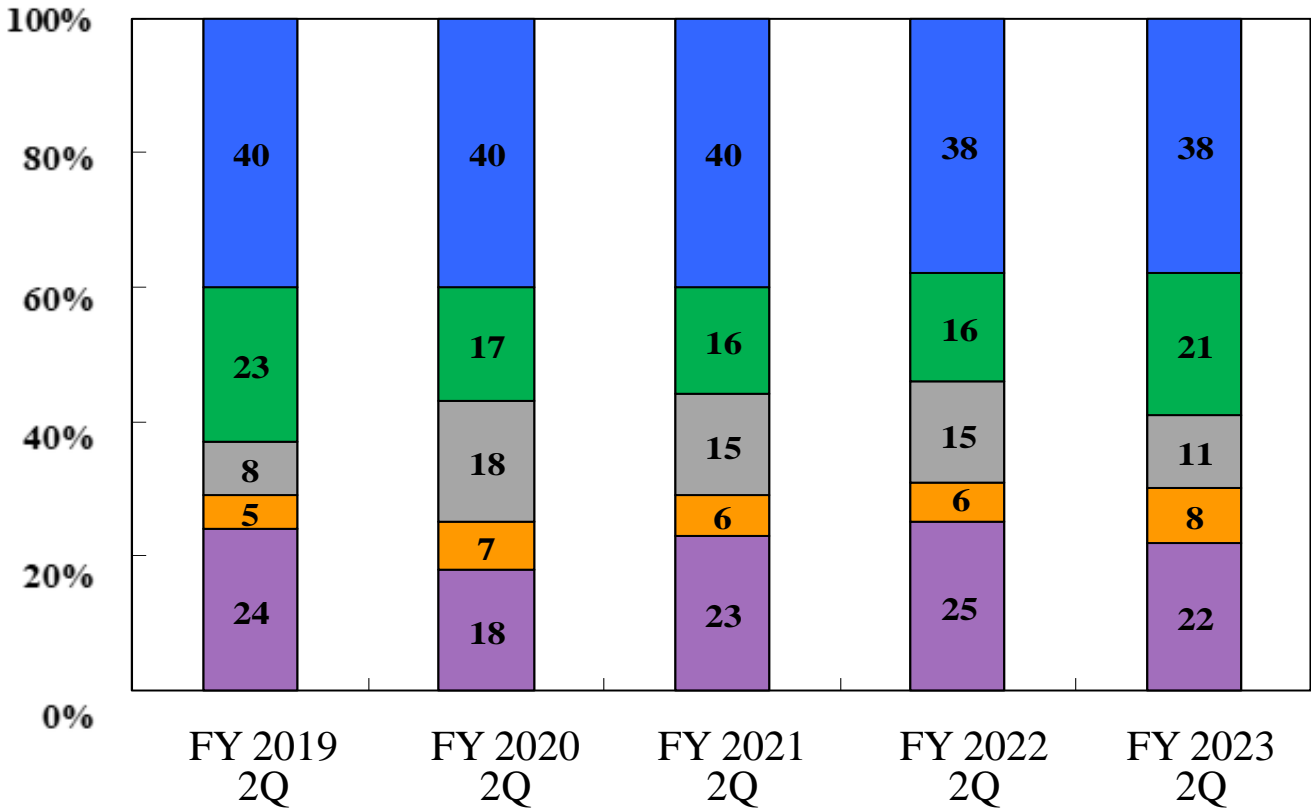
Net sales increased year on year due to factors such as the delivery of aquaponics, a new field the Company is involved in that combines hydroponics and land-based cultivation.

Sales by Market

■ Net Sales increased 1.2x in the electronic device and equipment market, 1.6x 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
- Other markets

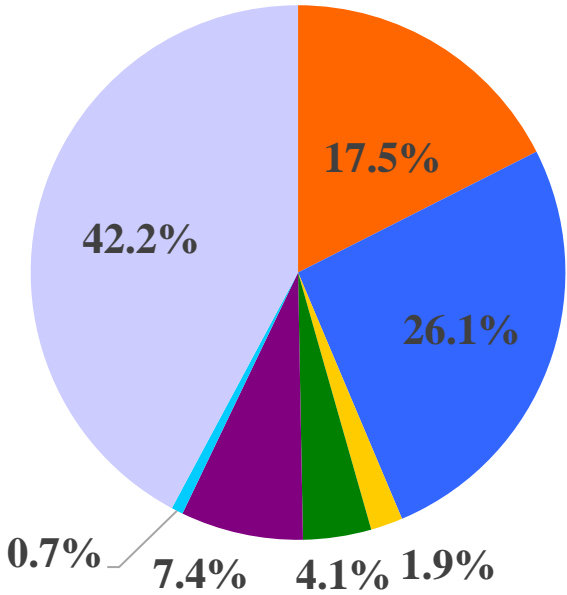


Sales by Region

■ Net sales increased primarily in Japan, North America, and Europe.
 Net sales in China were mostly unchanged year on year.

FY 2022 2Q

Overseas sales ratio: 57.8%



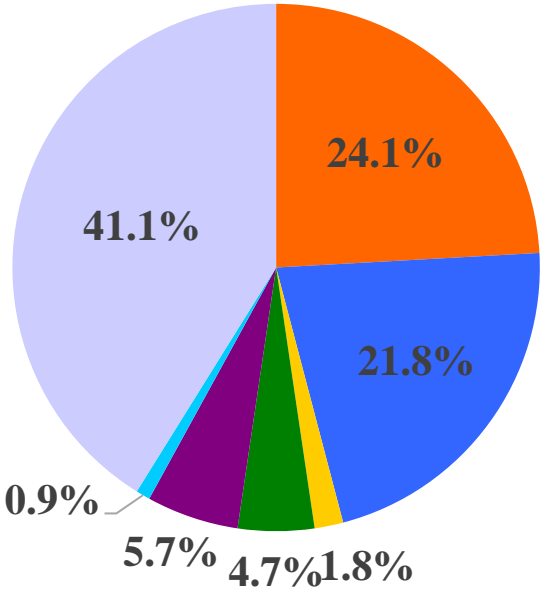
Total: 22,945 million yen

Overseas sales: 13,268 million yen

FY 2023 2Q

Overseas sales ratio: 58.9%

- North America & Europe
- China
- Taiwan
- South Korea
- Southeast Asia
- Other
- Japan



Total: 27,257 million yen

Overseas sales: 16,045 million yen

Forecasts for Fiscal 2023

■ Main points of full-year forecasts

- Although the momentum of orders received in 1H is expected to calm down, orders received should remain at a high level.
- Production of customized products is expected to be concentrated in the second half.
- Aim for record-high net sales and operating profit by making every effort to secure parts and resources.

■ Changes in assumed exchange rate

	FY 2021	FY 2022		FY 2023		
	Full Year Results	1H Results	Full Year Results	1H Results	Full Year Initial Assumption	Full Year Revised Assumption
U.S. dollars (yen)	112.40	134.04	135.51	141.06	130	145

Exchange rate sensitivity for FY2023 (¥1 depreciation against US\$1)

Net sales: Increase of ¥185 million, Operating profit: Increase of ¥35 million

■ Business transfer

Manufacturing and sales of the environmental testing equipment of Johnson Controls-Hitachi Air Conditioning Inc. were transferred to consolidated subsidiary COSMOPIA HIGHTECH CORP.

Transfer price: ¥1,800 million

Transfer date: September 30, 2023

Forecasts for Fiscal 2023

(Millions of yen)

	FY 2022	FY 2023	FY 2023			
	Full Year Results	Full Year Initial Forecasts	1H Results	Forecasts (Revised on Oct 27)		
				2H	Full year	Year on Year
Orders-received	59,521	54,000	33,440	27,559	61,000	+2.5%
Net sales	52,892	56,000	27,257	31,243	58,500	+10.6%
Gross profit	17,957	19,000	9,485	11,015	20,500	+14.2%
Profit ratio (%)	34.0%	33.9%	34.8%	35.3%	35.0%	+1.0pt
SG&A	13,590	14,000	7,151	7,848	15,000	+10.4%
SG&A ratio (%)	25.7%	25.0%	26.2%	25.1%	25.6%	-0.1pt
Operating profit	4,366	5,000	2,333	3,166	5,500	+26.0%
Profit ratio(%)	8.3%	8.9%	8.6%	10.1%	9.4%	+1.1pt
Ordinary profit	4,664	5,100	2,526	3,224	5,750	+23.3%
Profit ratio(%)	8.8%	9.1%	9.3%	10.3%	9.8%	+1.0pt
Profit attributable to owners of parent	3,330	3,650	1,653	2,346	4,000	+20.1%
Profit ratio (%)	6.3%	6.5%	6.1%	7.5%	6.8%	+0.5pt
Basic earnings per share(yen)	150.34	167.18	75.76	107.45	183.21	+21.9%

*ROE Revised FY2023 target from 7.5% to 8.1% (up 0.9-point year on year)

Investment Plans in FY2023

(Millions of yen)

	FY 2022	FY 2023	FY 2023			
	Full Year Results	Full Year Initial Forecasts	1H Results	Forecasts (no change from the initial forecasts)		
				2H	Full year	Year on Year
Capital expenditures	1,311	3,100	1,300	1,800	3,100	+136.5%
Depreciation expenses	1,328	1,480	715	765	1,480	+11.4%
R&D expenditures	1,041	1,490	619	871	1,490	+43.1%

Recognition of the Operating Environment

■ Orders will see the momentum of 1H settle down, but demand for EVs, batteries and other advanced technology fields will continue, particularly in Japan.

Equipment Business	Environmental Test Chambers	<p>Japan: Investments in EVs and batteries will remain favorable, while investment related to IoT will hold firm, despite settling down.</p> <p>China: Investments in EV and batteries will be firm, but semiconductor-related investment will decrease. Orders received in 2H are forecast to be mostly the same as in 1H.</p> <p>ASEAN: Investments related to EVs, batteries, and semiconductors will be firm.</p> <p>North America: Although investments related to airplanes and automobiles will be firm, concerns about an economic slowdown.</p> <p>Europe: Continuing trend of restrained investment due to economic slowdown.</p>
	Energy Device Equipment	Sales of chambers for charge-discharge testing will be strong, mainly in Japan.
	Semiconductor Equipment	Demand is expected to decrease year on year mainly due to curbs on memory-related investment.
Service Business	After-sales Service and Engineering, Laboratory Testing Services and Facility Rentals	<p>After-sales Service and Engineering: Expect a similar level of demand as in the previous fiscal year.</p> <p>Laboratory Testing Services: Demand will grow for testing automotive rechargeable batteries.</p>
Other Business	Environmental Preservation, Plant Production Systems	Demand will fall below the previous fiscal year due to few large projects.

Segment Financial Forecasts

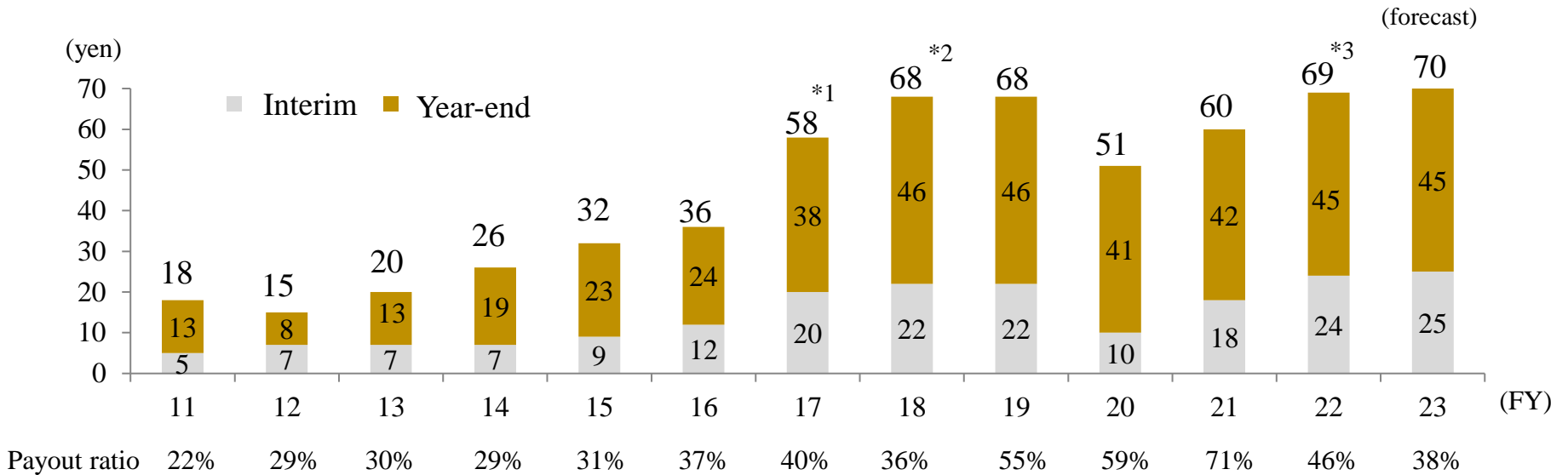
(Millions of yen)

		FY 2022	FY 2023	FY 2023			
		Full Year Results	Full Year Initial Forecasts	1H Results	Forecasts (Revised on Oct. 27)		
					2H	Full Year	Year on Year
Equipment Business	Orders-Received	51,446	45,500	29,198	23,561	52,760	+2.6%
	Net sales	45,031	47,700	23,533	26,817	50,350	+11.8%
	Operating profit	3,919	4,670	2,175	2,804	4,980	+27.0%
Service Business	Orders-Received	6,963	7,000	3,785	3,554	7,340	+5.4%
	Net sales	6,788	6,900	3,445	3,805	7,250	+6.8%
	Operating profit	428	300	249	301	550	+28.5%
Other Business	Orders-Received	1,469	1,800	655	644	1,300	-11.6%
	Net sales	1,404	1,700	475	824	1,300	-7.4%
	Operating profit	16	30	-88	58	-30	-
Elimination	Orders-Received	-359	-300	-199	-200	-400	-
	Net sales	-330	-300	-197	-202	-400	-
	Operating profit	1	0	-2	2	-0	-
Total	Orders-Received	59,521	54,000	33,440	27,559	61,000	+2.5%
	Net sales	52,892	56,000	27,257	31,243	58,500	+10.6%
	Operating profit	4,366	5,000	2,333	3,166	5,500	+26.0%

FY 2023 Dividend Forecast

■ No revision to the dividend forecast for FY2023, with the dividend payout ratio projected at 38.2%.

Dividend per share and dividend payout ratio



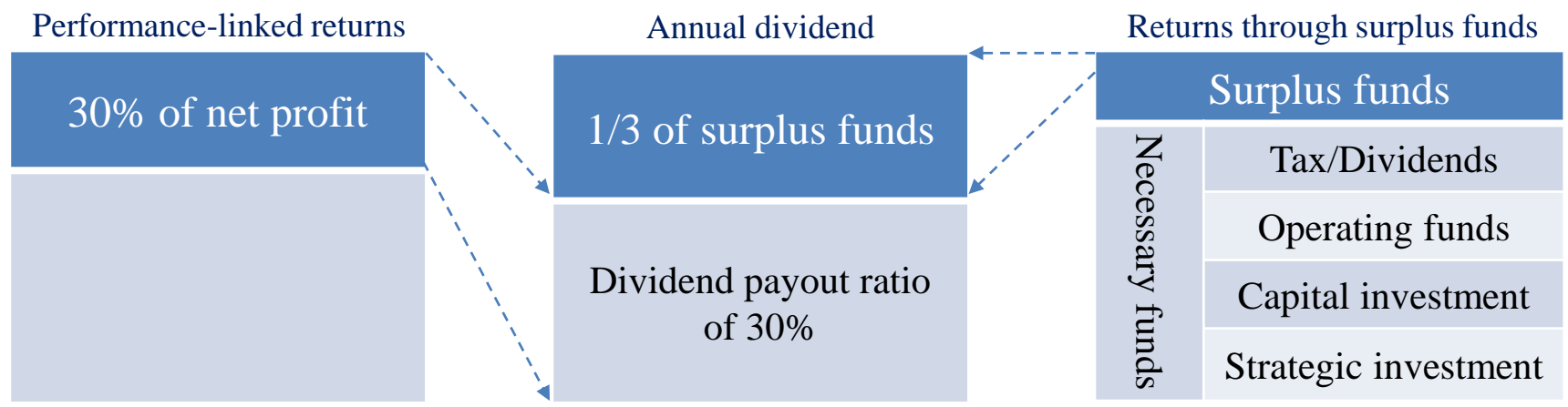
*1. Includes a dividend of ¥2 (interim dividend of ¥1 and year-end dividend of ¥1) to commemorate the 70th anniversary of our foundation in FY2017.
 *2. FY2018 was an irregular 15-month fiscal period for overseas consolidated subsidiaries. The dividend payout ratio for a 12-month period is 39% (reference).
 *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.

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.

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

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”
- **In July 2023, received Science Based Targets (SBT) certification for FY2030 greenhouse gas reduction targets**

■ 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**

TOPICS 1

Battery Safety Testing Center Upgraded and expanded laboratory testing equipment

- In October 2023, upgraded and expanded charge-discharge testing equipment to address demand for battery charge-discharge testing.
- Plans call for installing additional equipment in 2024, with the aim of strengthening laboratory testing services for EVs.



Battery Safety Testing Center
(within the Utsunomiya Technocomplex)

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 2

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.

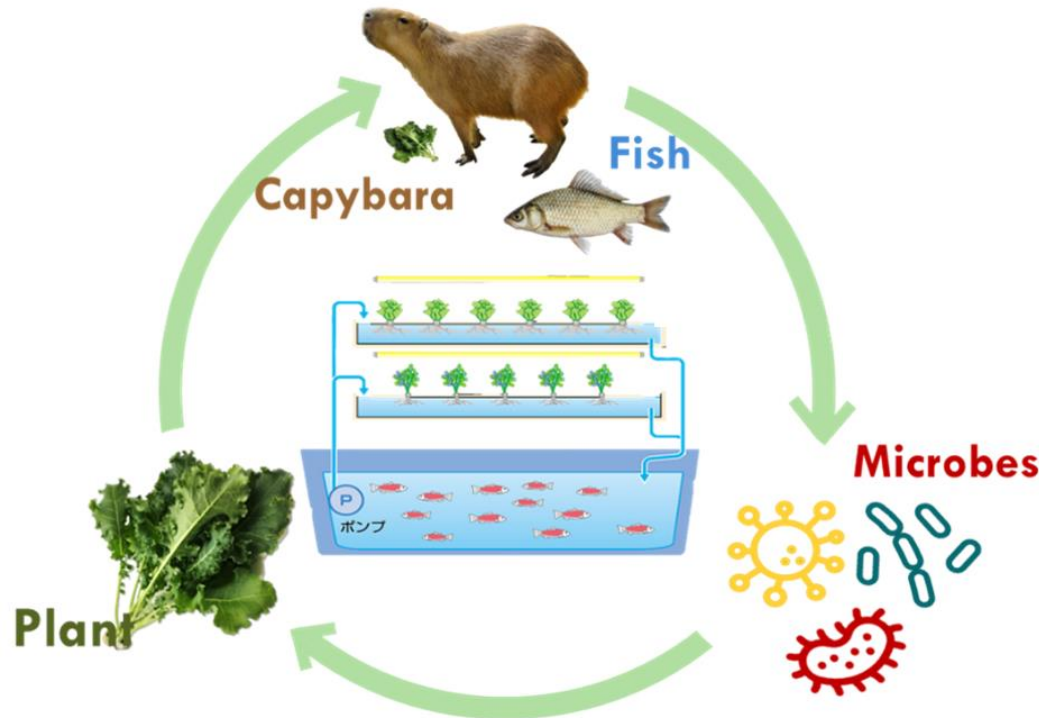


Diagram of a material circulation system using aquaponics

*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

2023

- Nov. • Rated 3.5 stars in the Nikkei's 5th SDGs Management Survey
- Nov. • Rated 3 stars in Nikkei's 7th Smart Work Management Survey
- Oct. • Ranked 157th in the Nikkan Kogyo Shimbun's 19th Corporate Power Ranking (sponsored by the Ministry of Economy, Trade and Industry)
- Aug. • First Awarded as an excellent company for the second consecutive year in the Gomez ESG Website Ranking 2023 by Broad Band Security, Inc.
- June • Selected for the First Time as an Asia-Pacific Climate Leader by the Financial Times in the UK and German data provider Statista.
- Mar. • Selected for the First Time as a Supplier Engagement Leader, the Top Rank in the CDP Supplier Engagement Ratings
- Feb. • Ranked 372nd 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
- Dec. • Selected as a "GRADE AAA" company website (overall ranking) for the second consecutive year in the All-Japanese Listed Companies' Website Ranking 2022 by Nikko Investor Relations Co., Ltd.
- Dec. • Awarded a Bronze Prize in the Gomez IR Website Ranking 2022 by Broad Band Security, Inc.
- Dec. • First Selection as Part of FTSE Blossom Japan Sector Relative Index



**FTSE Blossom
Japan Sector
Relative Index**

■ 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.

INQUIRIES:

ESPEC CORP.

3-5-6, Tenjinbashi, Kita-ku, Osaka 530-8550, Japan

E-mail: ir-div@espec.jp

Sustainability Management Department

Yasutoshi Nakagawa (General Manager),

IR & Public Relations Group

Natsuko Okawa and Hana Kaigawa

Quality is more than a word

ESPEC