
Securities ID code: 6859

ESPEC CORP.

Results Briefing
for the Nine Months Ended December 31, 2023

February 20, 2024
ESPEC CORP.

Financial Result for the Nine Months Ended December 31, 2023

Orders received were driven particularly by orders from the EV and battery fields in the domestic market.

Sales and profits increased significantly, reaching record highs, due to improved parts procurement primarily for standardized products.

	Year on Year	Comparison with Forecasts (revised in October)
■ Orders Received	○ Increased in all segments, particularly increasing in the Service Business (mainly laboratory testing services)	○ In line with forecasts, with the Equipment Business and Other Business above forecasts
■ Net Sales	○ Increased in all segments	○ In line with forecasts, with the Equipment Business and Service Business above forecasts
■ 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 Services Business
■ 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

Summary of Profits and Losses

(Millions of yen)

	FY2022 3Q Results	FY2023 3Q Results	Year on Year
Orders Received	47,153	48,190	+2.2%
Net Sales	35,972	42,189	+17.3%
Cost of Net Sales	23,627	27,026	+14.4%
Cost Ratio	65.7%	64.1%	1.6pt melioration
Gross Profit	12,345	15,163	+22.8%
SG&A	9,929	10,951	+10.3%
Operating Profit	2,416	4,211	+74.3%
Ordinary Profit	2,695	4,447	+65.0%
Profit Attributable to Owners of Parent	1,708	3,085	+80.6%

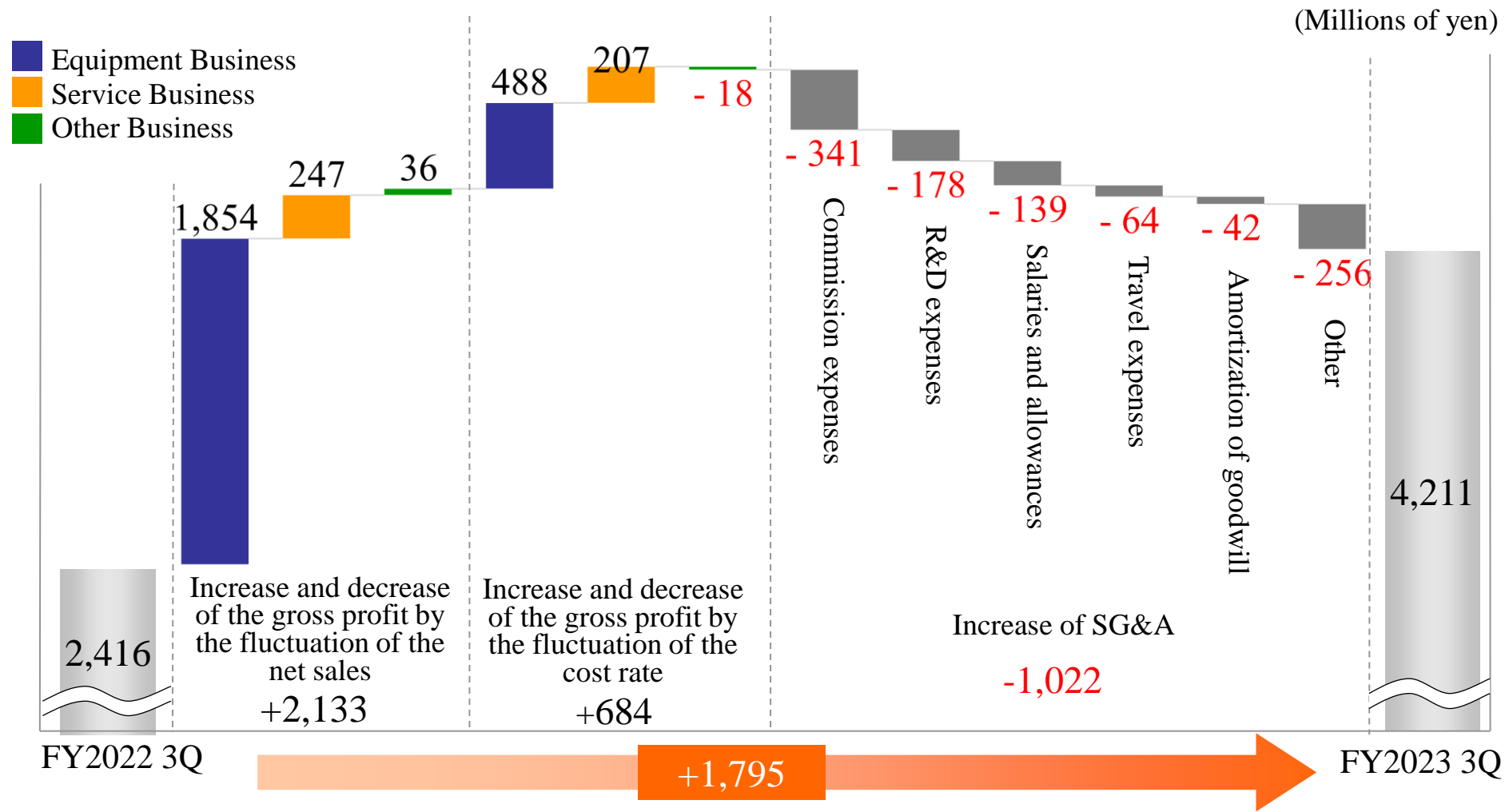
Performance by Segment

(Millions of yen)

Segment		FY2022 3Q Results	FY2023 3Q Results	Year on Year
Equipment Business	Orders Received	41,031	41,586	+1.4%
	Net Sales	30,866	36,322	+17.7%
	Operating Profit	2,329	3,761	+61.5%
Service Business	Orders Received	5,216	5,720	+9.6%
	Net Sales	4,672	5,364	+14.8%
	Operating Profit	185	542	+193.0%
Other Business	Orders Received	1,148	1,162	+1.3%
	Net Sales	656	793	+20.8%
	Operating Profit	-96	-89	-
Elimination	Orders Received	-243	-279	-
	Net Sales	-222	-290	-
	Operating Profit	-0	-2	-
Total	Orders Received	47,153	48,190	+2.2%
	Net Sales	35,972	42,189	+17.3%
	Operating Profit	2,416	4,211	+74.3%

Analysis of Operating Profit Increase and Decrease Factors

■ Despite an increase in SG&A, profit increased by approximately ¥1.8 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.

Equipment Business

(Millions of yen)

	FY2022 3Q Results	FY2023 3Q Results	Year on Year
Orders Received	41,031	41,586	+1.4%
Net Sales	30,866	36,322	+17.7%
Operating Profit	2,329	3,761	+61.5%
Profit Ratio(%)	7.5%	10.4%	

Environmental Test Chambers

- Orders received decreased year on year in highly versatile standardized products but increased in customized products, mainly in automotive-related area. Net sales increased for both standardized products and customized products.
- In overseas, orders received were down year on year due to decreases in China and Europe. Net sales rose year on year, due to increases in North America, Europe, South Korea, and Taiwan.

Energy Device Equipment

- Both orders received and net sales 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 EVs and batteries.

Semiconductor Equipment

- Orders received decreased year on year, mainly due to the impact of memory-related investment restraint, while net sales increased due to the clearing of the order backlog.

Service Business

(Millions of yen)

	FY2022 3Q Results	FY2023 3Q Results	Year on Year
Orders Received	5,216	5,720	+9.6%
Net Sales	4,672	5,364	+14.8%
Operating Profit	185	542	+193.0%
Profit Ratio(%)	4.0%	10.1%	

After-Sales Service and Engineering

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

Laboratory Testing Services and Facility Rentals

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

Other Business

(Millions of yen)

	FY2022 3Q Results	FY2023 3Q Results	Year on Year
Orders Received	1,148	1,162	+1.3%
Net Sales	656	793	+20.8%
Operating Profit	-96	-89	-
Profit Ratio(%)	-14.7%	-11.3%	-

Environmental Preservation, Plant Production Systems

- Orders received was on a par with the same period of 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 cultivation, which was offset primarily by a decrease in orders received for reforestation (tree planting).

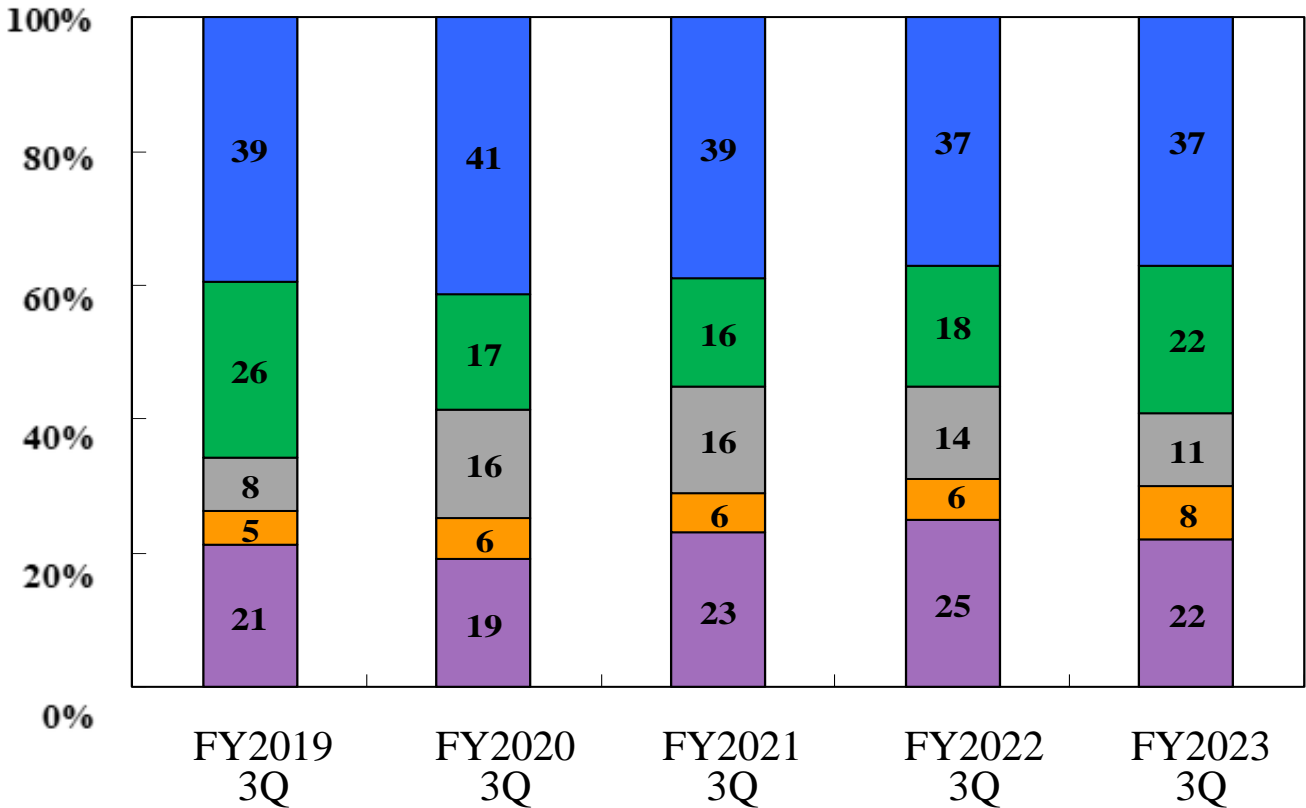
Net sales increased owing to firm sales of plant research devices and vegetables.

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
- Other markets

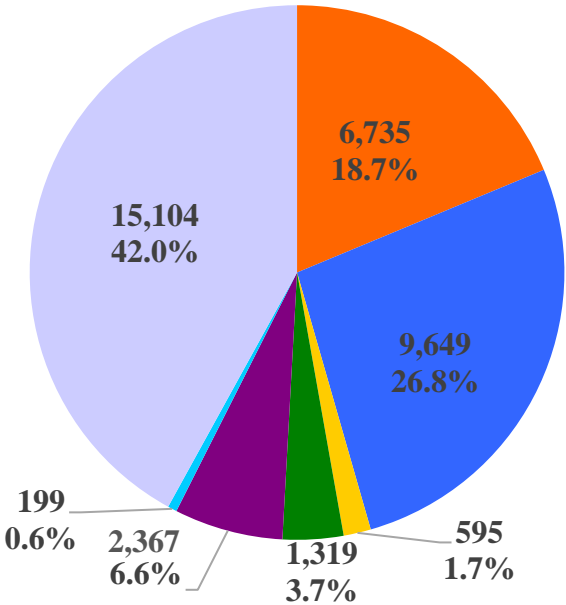


Sales by Region

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

FY2022 3Q

Overseas sales ratio: 58.0%



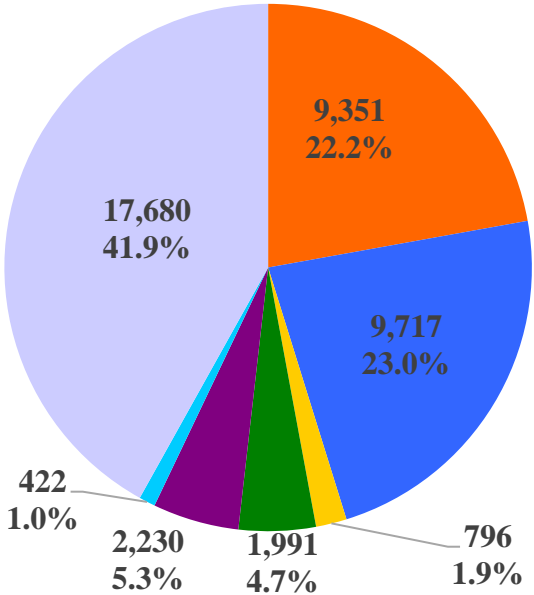
Total: 35,972 million yen

Overseas sales: 20,868 million yen

FY2023 3Q

Overseas sales ratio: 58.1%

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



Total: 42,189 million yen

Overseas sales: 24,509 million yen

Forecasts for Fiscal 2023

■ Full-year forecasts for FY2023 remain unchanged from the forecasts revised on October 27.

(Millions of yen)

	FY2022	FY2023			
	Full Year Results	3Q Results	Forecasts (revised on Oct. 27)		
			4Q	Full year	Year on Year
Orders-received	59,521	48,190	12,810	61,000	+2.5%
Net sales	52,892	42,189	16,311	58,500	+10.6%
Gross profit	17,957	15,163	5,337	20,500	+14.2%
Profit ratio (%)	34.0%	35.9%	32.7%	35.0%	+1.0pt
SG&A	13,590	10,951	4,049	15,000	+10.4%
SG&A ratio (%)	25.7%	26.0%	24.8%	25.6%	-0.1pt
Operating profit	4,366	4,211	1,289	5,500	+26.0%
Profit ratio(%)	8.3%	10.0%	7.9%	9.4%	+1.1pt
Ordinary profit	4,664	4,447	1,303	5,750	+23.3%
Profit ratio(%)	8.8%	10.5%	8.0%	9.8%	+1.0pt
Profit attributable to owners of parent	3,330	3,085	915	4,000	+20.1%
Profit ratio (%)	6.3%	7.3%	5.6%	6.8%	+0.5pt
Basic earnings per share(yen)	150.34	141.32	41.89	183.21	+21.9%

*ROE FY2023 target 8.1% (up 0.9-point year on year)

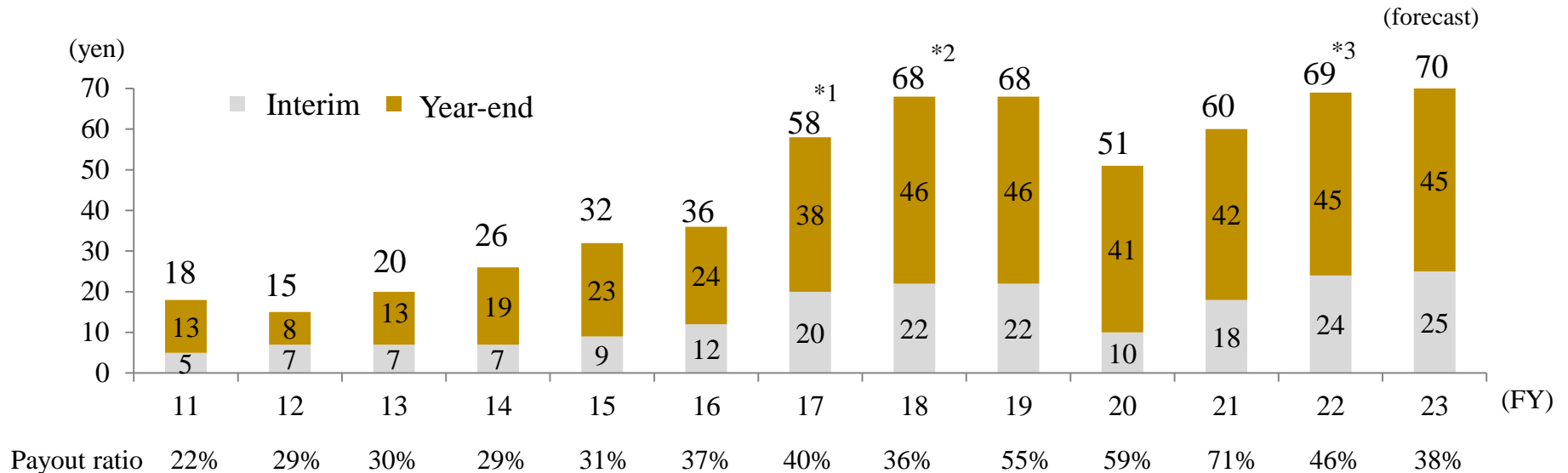
Segment Financial Forecasts

(Millions of yen)

		FY2022	FY2023			
		Full Year Results	3Q Results	Forecasts (revised on Oct. 27)		
				4Q	Full Year	Year on Year
Equipment Business	Orders-Received	51,446	41,586	11,174	52,760	+2.6%
	Net sales	45,031	36,322	14,028	50,350	+11.8%
	Operating profit	3,919	3,761	1,219	4,980	+27.0%
Service Business	Orders-Received	6,963	5,720	1,620	7,340	+5.4%
	Net sales	6,788	5,364	1,886	7,250	+6.8%
	Operating profit	428	542	8	550	+28.5%
Other Business	Orders-Received	1,469	1,162	138	1,300	-11.6%
	Net sales	1,404	793	507	1,300	-7.4%
	Operating profit	16	-89	59	-30	-
Elimination	Orders-Received	-359	-279	-121	-400	-
	Net sales	-330	-290	-110	-400	-
	Operating profit	1	-2	2	-0	-
Total	Orders-Received	59,521	48,190	12,810	61,000	+2.5%
	Net sales	52,892	42,189	16,311	58,500	+10.6%
	Operating profit	4,366	4,211	1,289	5,500	+26.0%

FY 2023 Dividend Forecast

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).

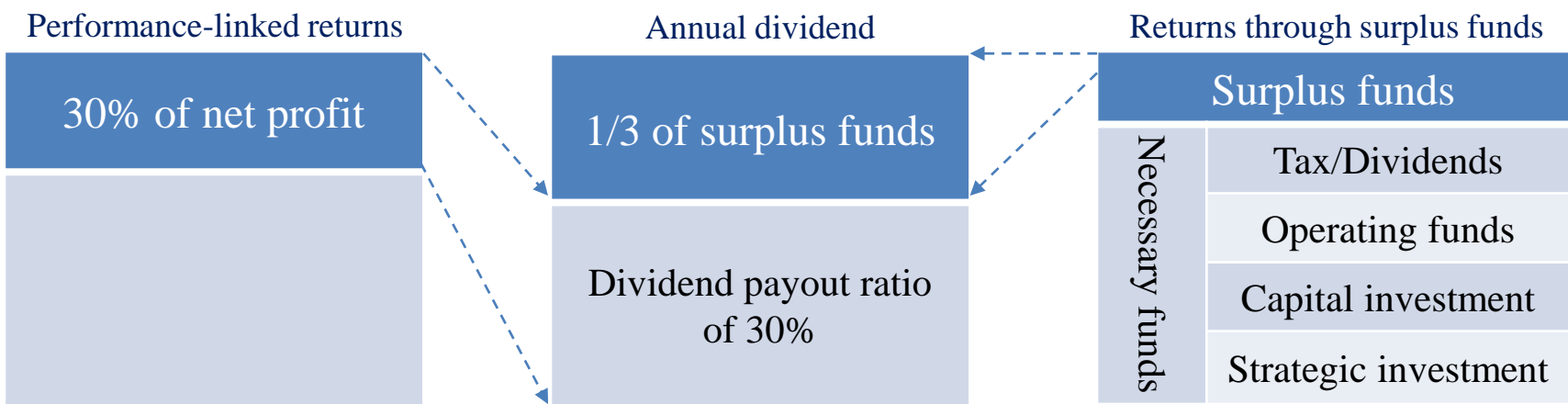
*3. Includes a dividend of ¥4 (interim dividend of ¥2 and year-end dividend of ¥2) to commemorate the 75th anniversary of our foundation in FY2022.

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

“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.

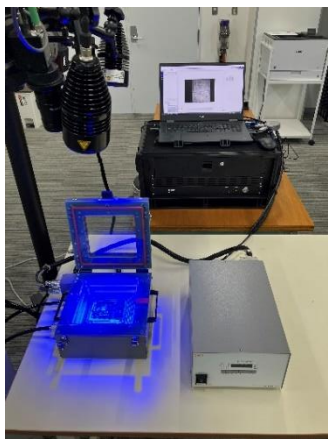


Battery Safety Testing Center
(within the Utsunomiya Technocomplex)

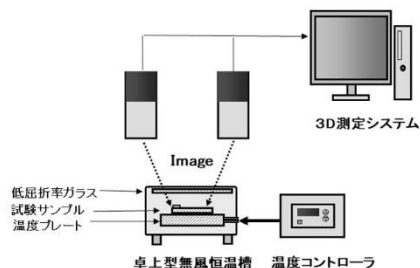
TOPICS 2

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



Schematic Diagram of the 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.

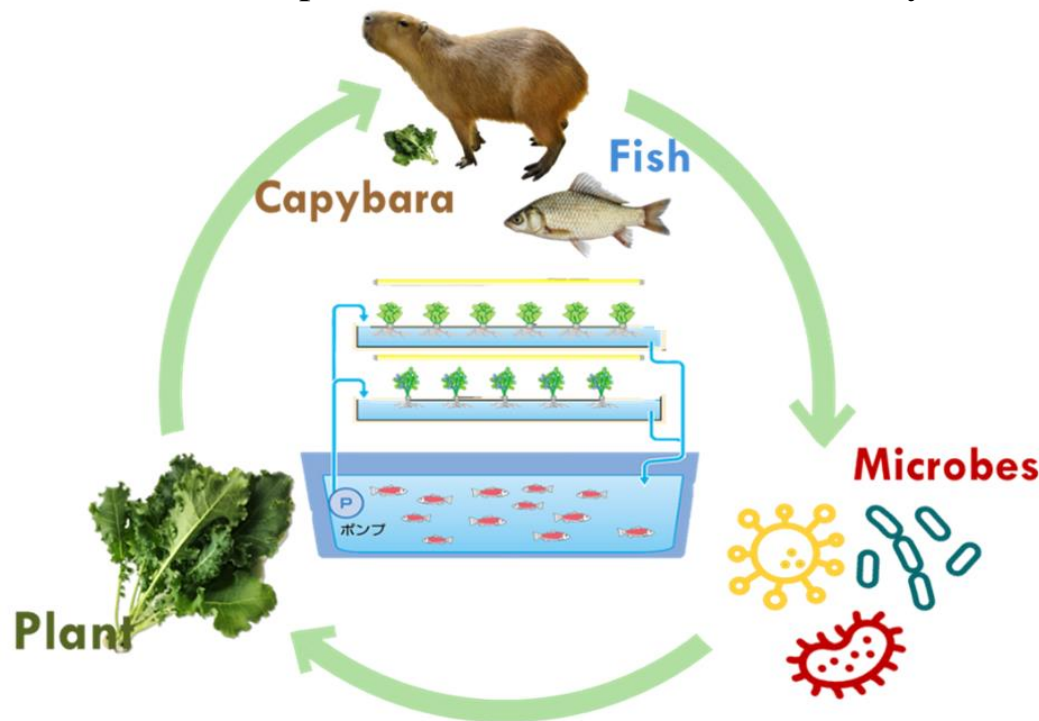


Burn-In Chamber Support for High Heat Generation Load

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.



*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.

Diagram of a material circulation system using aquaponics

External Recognition

■ 2024

- 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.
- Mar. • Selected for the First Time as a Supplier Engagement Leader, the Top Rank in the CDP Supplier Engagement Ratings

■ Inclusion in ESG indexes

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



FTSE Blossom
Japan Sector
Relative Index



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