Securities ID code: 6859

ESPEC CORP. Results Briefing

FY2024 (Fiscal Year Ended March 31, 2025)

May 26, 2025

Representative Director and President
Satoshi Arata

Medium-Term Management Plan

PROGRESSIVE PLUS 2027

Implementation period: FY2025–2027

Impact of and Response to U.S. Reciprocal Tariff Policies

- The Company has a subsidiary in the U.S., with over 80% of production conducted locally. Exports from Japan account for only a few percent of consolidated net sales, and there is little trade between the U.S. and China. Therefore, the direct impact is minimal.

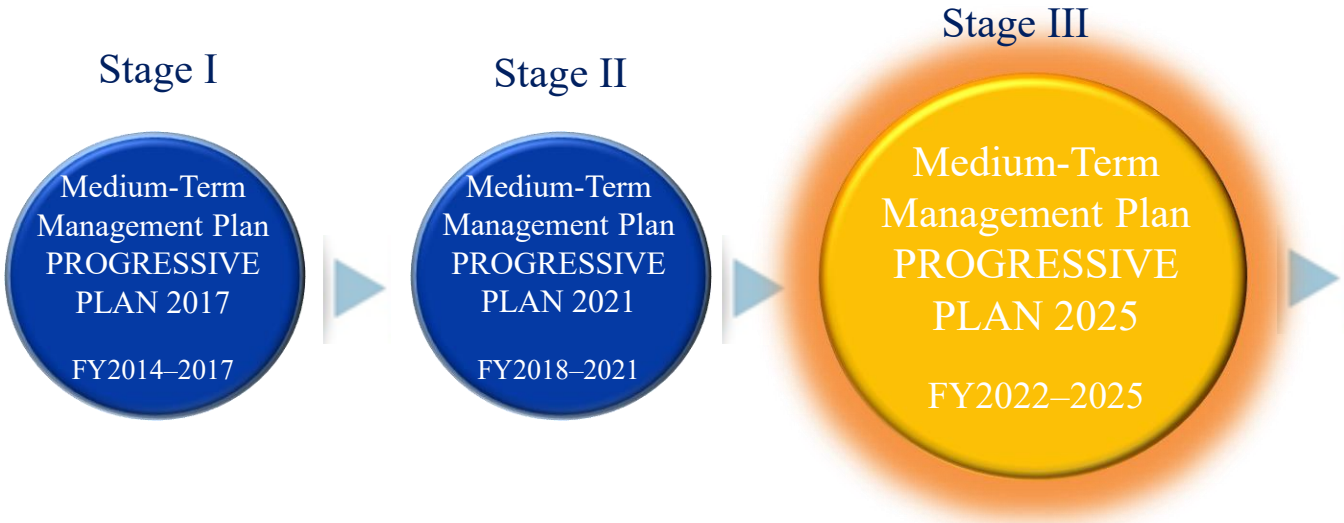
- As an indirect impact, investment may be restrained due to a global economic slowdown, but investment in advanced technology development is expected to continue.

- The Company will continue to closely monitor the business impact and respond appropriately by leveraging the global capabilities of the ESPEC Group, including production bases in the U.S., China, and Japan, and service functions in Southeast Asia.

PROGRESSIVE PLAN 2025 Early Achievement

Implemented a Medium-Term Management Plan divided into four-year stages (Stage I to III) in working toward the realization of ESPEC Vision 2025.

The Stage III plan, “PROGRESSIVE PLAN 2025,” achieved its targets in FY2024, one year ahead of schedule.



ESPEC Vision 2025

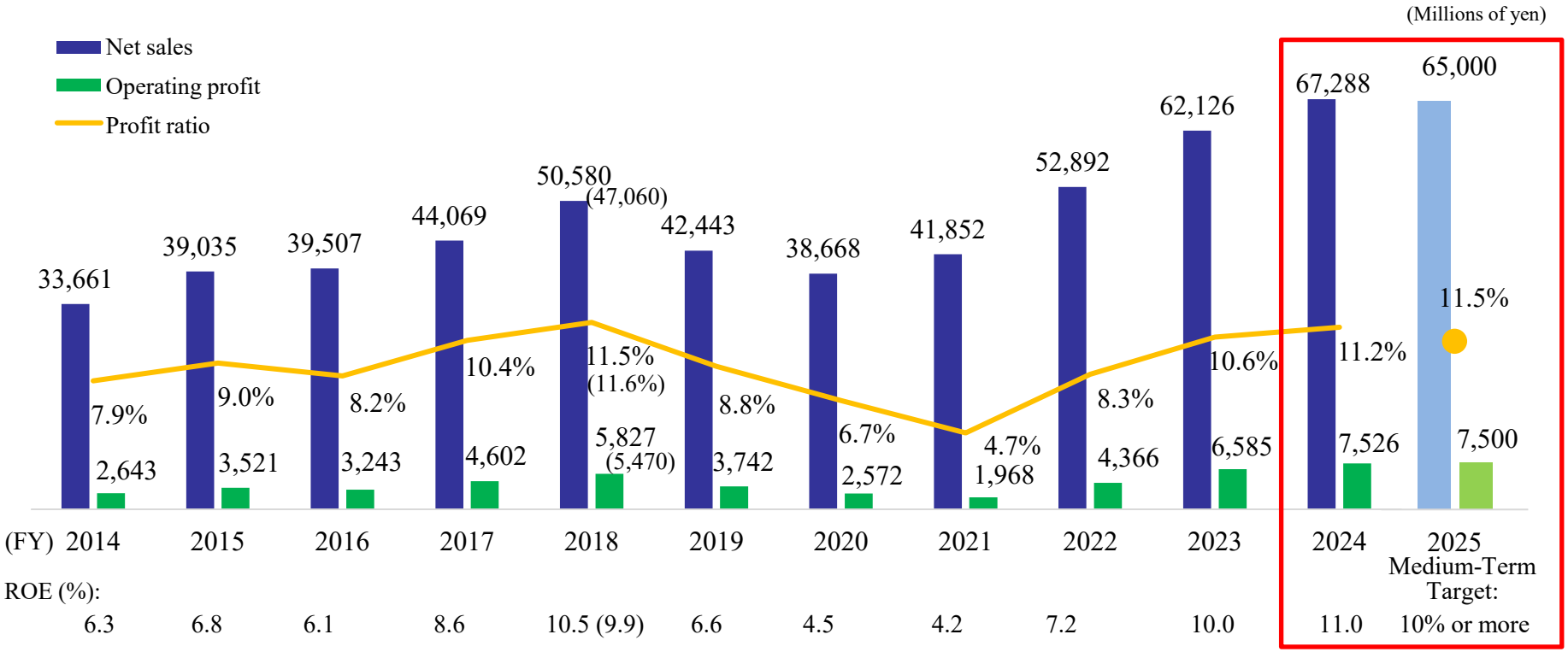
Corporate Vision

- ESPEC, a company integrating "environment" on a global scale
- A company that contributes to safety / peace of mind in cutting-edge technology
- A growing company full of creativity and vitality

	FY2025 Medium-Term Targets	FY2024 Results
Net sales	¥65.0 billion	¥67.2 billion
Operating profit	¥7.5 billion	¥7.5 billion
Operating profit Ratio	11.5%	11.2%
ROE	10.0% or more	11.0%

PROGRESSIVE PLAN 2025 Targets and Results

Stage I PROGRESSIVE PLAN 2017	Stage II PROGRESSIVE PLAN 2021	**Stage III PROGRESSIVE PLAN 2025**



* FY2018 was an irregular 15-month fiscal period for overseas consolidated subsidiaries. “( )” figures showing values based on a 12-month accounting period.

PROGRESSIVE PLAN 2025 Results and Challenges

Strategy	Result	Summary/Management Challenges
Equipment Business	• Orders received for development and production applications in the EV and battery sectors • Improved domestic competitiveness of customized products • Expand new products for advanced technology fields • Acquisition of refrigeration control technology through M&A	• Targets achieved by capturing testing demand in the EV and battery sectors, responding to procurement difficulties, implementing price increases, and enhancing production capacity • On the other hand, challenges remain in improving quality for sustainable growth, such as enhancing added value, increasing manufacturing efficiency, and strengthening human capital
Service Business	• Expanded preventative maintenance services • Growing demand for EV battery safety testing (opening of Aichi Next-Generation Mobility Test Lab and expansion of testing facilities in Tochigi)	
Global	• China: Secured profits by strengthening activities in the EV and IoT sectors • South Korea: Expanded orders from global companies and laboratory testing institutions • North America: Expanded orders in the automotive and satellite communications sectors	
New Business	• Expanded contract measurement services for semiconductors and launched new food machinery products	
Manufacturing Innovation and DX	• Increased domestic production capacity	
Organizational Development Human Resource Development	• Expanded educational programs and developed next-generation executive talent • Improved engagement	
Management Foundation Strengthening	• Strengthened Group governance • Execution of the Medium-Term Environmental Plan	

Recognition of the Operating Environment Toward 2027 (SWOT Analysis)

	Plus Factors	Minus Factors
Internal Environment	[Strengths] • Top shares (Global: 30%, Japan: 60% or more) • Brand strength in the environmental testing industry • Track record of long-term, continuous deliveries to global companies and strong trust • Extensive product lineup and customization capabilities • Global production, sales, and service structure (Japan*, U.S.*, China*, South Korea*, Germany, Thailand, and Vietnam) * Presence of production functions	[Weaknesses] • Decline in operational efficiency due to rapid order expansion • Product development aligned with advanced technology development • Delays in passing on technical skills due to labor shortages • Lag in DX
External Environment	[Opportunities] • Growing global demand for testing due to ongoing development in advanced technologies such as AI semiconductors, autonomous driving, and satellite communications • Increase in outsourcing of testing operations and equipment management due to labor shortages and increasing complexity of testing	[Threats] • Global economic slowdown caused by U.S.-China tensions • Intensifying price competition with Chinese and Taiwanese companies • Slowdown in investments in EVs and batteries • Tightening of environmental regulations • Soaring material costs due to inflation

Establishing a lean, sustainable, and highly profitable earnings model

Aiming to continuously increase our value as a corporate group by becoming a “lean enterprise,” which we will achieve through quality improvements and profit growth.

■ Target markets: AI semiconductors, autonomous driving, satellite communications

■ Medium-term target for FY2027: Net sales ¥70 billion

Operating profit ¥10.5 billion

Operating profit ratio 15.0%

Profit ¥7.6 billion

ROE 12.0% or more

* Expected rate (U.S. dollars) ¥145

PROGRESSIVE PLUS 2027 Three Strategies

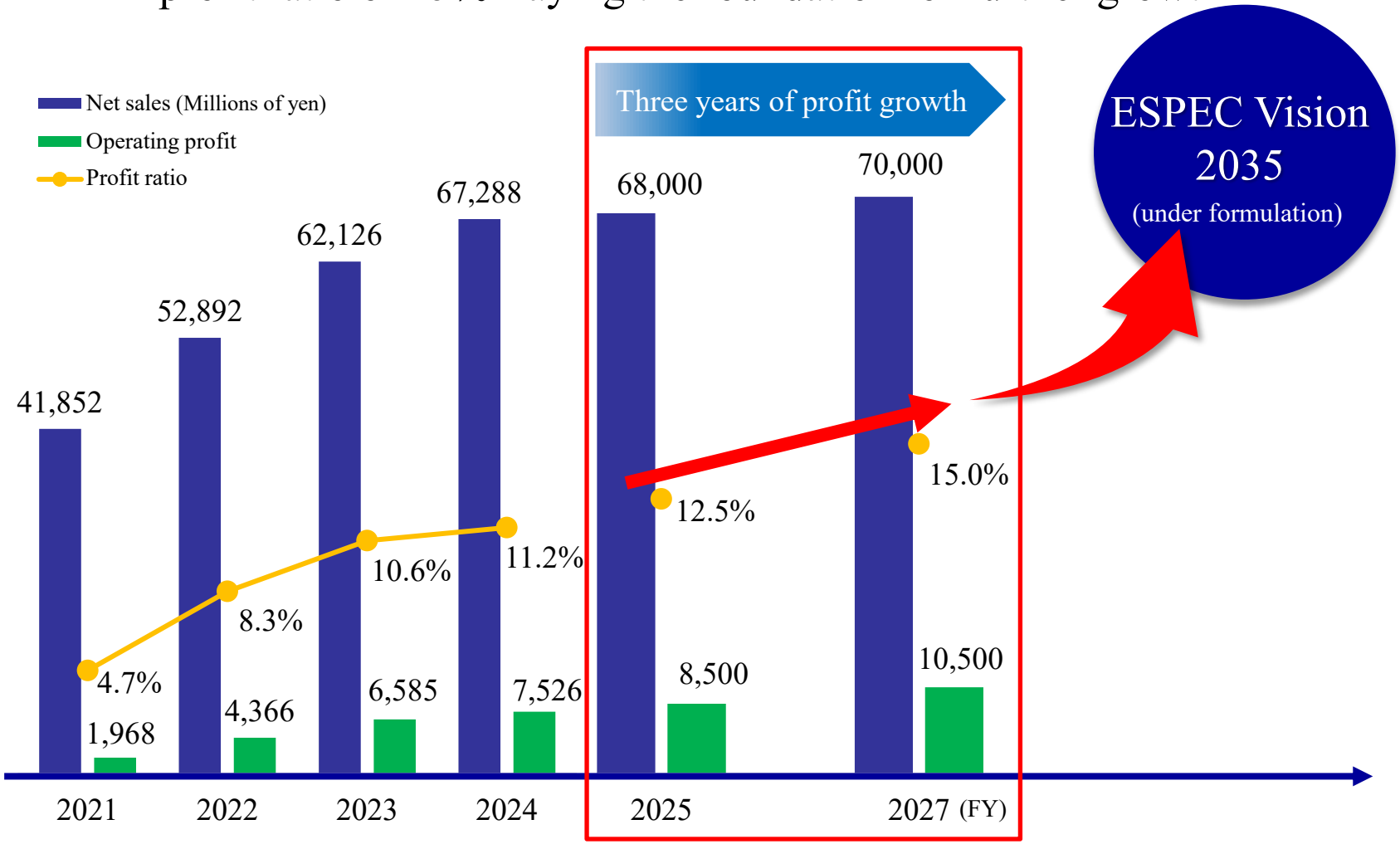
To enhance corporate value, the Company will execute business strategies, financial capital strategies, and non-financial strategies, along with proactive growth investments and shareholder returns.

Increase Corporate Value

1. Business Strategies	2. Financial Capital Strategies	3. Non-financial Strategies
•Equipment Business strategy •Global strategy •Monozukuri (manufacturing) strategy •Service Business strategy •New business strategy	•Financial capital strategy •IR strategy	•Human capital •Environment •Group governance

PROGRESSIVE PLUS 2027 Positioning

A three-year period looking ahead to the next decade, aiming for an operating profit ratio of 15% Laying the foundation for further growth



Target Markets

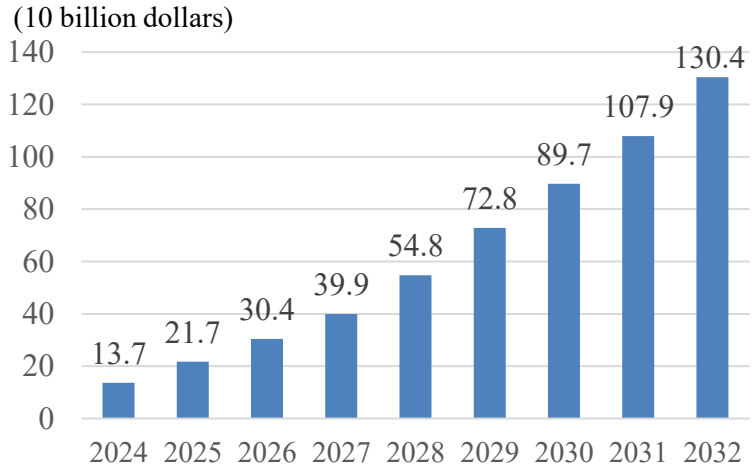
- Expected slowdown in investments in EVs and batteries
- AI semiconductors, autonomous driving, and satellite communications, where testing demand is expected to increase with the practical application of advanced technologies, will be the target markets

■ Targeted advanced technology fields and the value provided by ESPEC
"Ensuring quality such as high reliability and durability for the practical application of advanced technologies"

AI Semiconductors	Contributing to solving technical challenges associated with higher integration of semiconductors and performance improvements in sensors used in autonomous driving
Autonomous Driving	
Satellite Communications	Supporting the development of commercial satellite communications in the U.S. Supporting the development of small satellite communications by private companies in Japan

Testing Demand in the AI Semiconductor and Server Market

As generative AI spreads across society, development is accelerating in advanced technology fields such as semiconductors, data centers, storage, electronic components, and electronic materials.
With growing data transmission volumes and faster speeds, AI semiconductors are becoming more high-performance and densely integrated. As a result, a high level of reliability as digital infrastructure is required, and demand for various testing services is expected to increase.



<Trends in the Global AI Market Size>

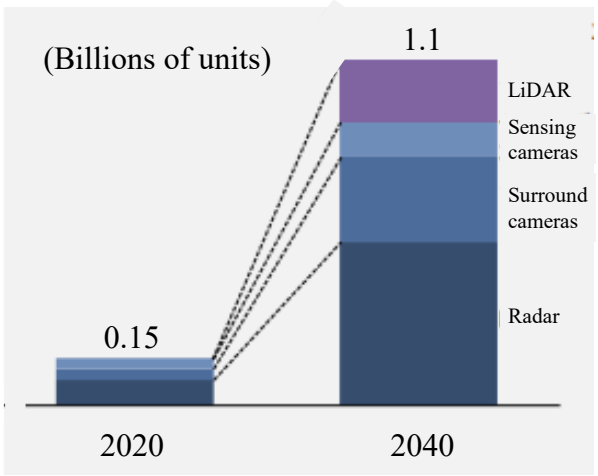
Source: Ministry of Internal Affairs and Communications, 2024 White Paper on Information and Communications

<Market Challenges and Testing Demand>

	Servers	Semiconductors (GPU, Memory, Logic)	Electronic Components (Condensers, Connectors)	Electronic Materials (Substrate Materials, Insulators)
Market Challenges	High heat generation (heat dissipation measures), fine wiring, 3D packaging, package reliability (thermal shock)			
Testing Demand	Durability (environmental resistance) evaluation Reliability evaluation	Screening (inspection) Reliability evaluation Package bondability evaluation	Quality evaluation Reliability evaluation Electrical characteristic evaluation	Reliability evaluation Material characteristic evaluation Thermal processing (insulating film formation)

Testing Demand in Autonomous Driving Market

Active development by automotive manufacturers aiming for vehicle electrification and intelligence, including software-defined vehicles (SDVs*).
In sensors used in autonomous driving, such as integrated ECUs, onboard camera modules, and LiDAR, which are critical electronic devices tied to human safety, demand for testing aimed at ensuring higher reliability and durability is expected to increase.



<Sensor Units Installed in Autonomous Vehicles>

Source: Ministry of Economy, Trade and Industry – Manufacturing Industries Bureau, Market Size Projections

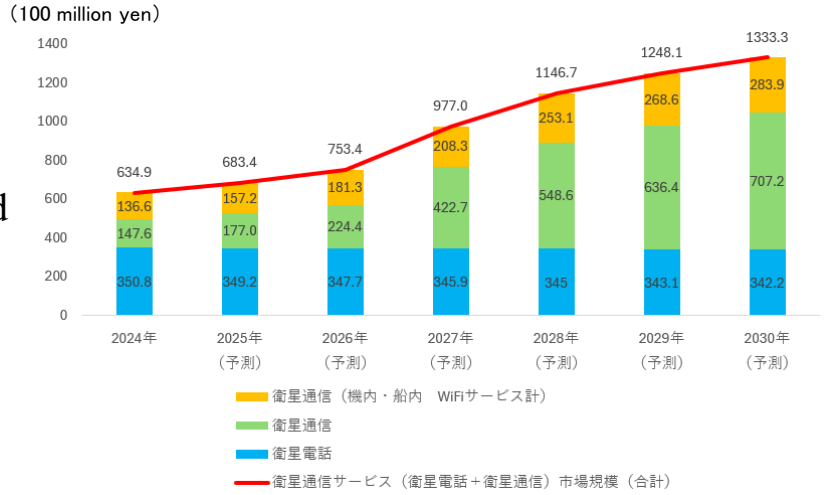
* SDV: Software Defined Vehicle

<Market Challenges and Testing Demand>

	Integrated ECUs	Modules for Autonomous Driving (E.g., Onboard Camera Modules)	Sensing Devices (E.g., Image Sensors, LiDAR)
Market Challenges	Adaptation to diverse weather conditions such as climate change, improved recognition and processing capabilities in autonomous driving systems, improved precision and reliability of sensors		
Testing Demand	Durability (environmental resistance) evaluation Reliability evaluation Thermal management evaluation	Certification testing (standards compliance testing) Durability (environmental resistance) evaluation Reliability evaluation	Screening (inspection) Reliability evaluation

Testing Demand in the Satellite Communications Market

Targeting the commercial satellite communications technologies under development by private companies in the U.S. and Japan.
Use and adaptation of consumer-grade components is expected to increase since satellite communications play a vital role in bridging the digital divide and serving as emergency communications infrastructure during disasters. As satellite communication technologies move toward practical implementation, testing demand is expected to grow to ensure durability and reliability under extreme conditions.



<Domestic Satellite Communications Services Market Size Trends>

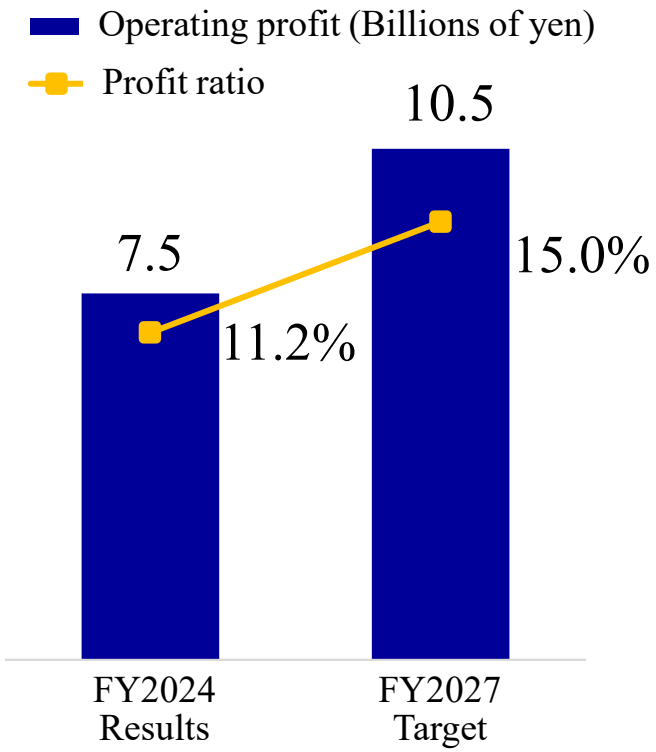
Source: Yano Research Institute Ltd. Research Material

<Market Challenges and Testing Demand>

	Satellites Low Earth Orbit (LEO) Satellites	Satellite-Mounted Equipment (Power Supply, Communications, Attitude Control)	Satellite-Mounted Components (Semiconductors, Solar Panels, Batteries)
Market Challenges	Ensure reliability capable of long-term use (approximately 15 years) under harsh space environments (temperature, vibration, pressure, shock), and to achieve lower satellite manufacturing costs		
Testing Demand	Durability (environmental resistance) evaluation Reliability evaluation	Durability (environmental resistance) evaluation Reliability evaluation Long-life testing	Screening (inspection) Reliability evaluation Electrical and material characteristic evaluation

Image of Achieving the FY2027 Operating Profit Target

- Offset the slowdown in investment for EVs and batteries by capturing demand in the fields of AI semiconductors, autonomous driving, and satellite communications
- Improve gross profit margin through enhanced product value and more efficient manufacturing, especially environmental test chambers, in the Equipment Business
- Expand operating profit in the Services Business, mainly through increased sales from laboratory testing services



FY2024: ¥7.5 billion
→ FY2027: ¥10.5 billion +¥3.0 billion

■ Increase Factors
(1) Increase of the gross profit by the increase of the net sales: approx. ¥1.0 billion
(2) Increase of the gross profit by the improvement of cost of sales ratio: approx. ¥3.0 billion

■ Decrease Factors
Increase of SG&A: approx. -¥1.0 billion

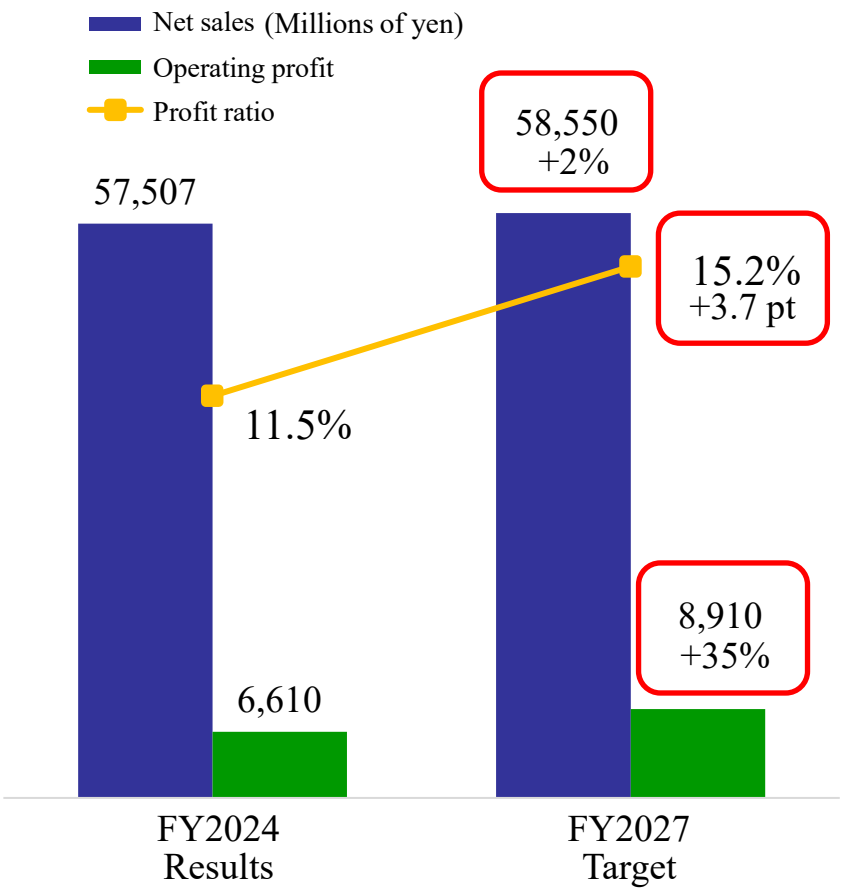
Medium-Term Management Targets by Business Segment

(Millions of yen)

	Business Segment	FY2024 Results	FY2027 Targets	Growth Rate
Net sales	Equipment Business	57,507	58,550	+1.8%
	Service Business	8,425	10,200	+21.1%
	Other Business	1,758	1,800	+2.4%
	Elimination	-403	-550	-
	Total	67,288	70,000	+4.0%
Operating profit Profit Ratio	Equipment Business	6,610 11.5%	8,910 15.2%	+34.8% +3.7 pt
	Service Business	793 9.4%	1,500 14.7%	+88.9% +5.3 pt
	Other Business	126 7.2%	90 5.0%	-29.0% -2.2 pt
	Elimination	-4	0	-
	Total	7,526 11.2%	10,500 15.0%	+39.5%

1-1. Equipment Business Strategy

Medium-Term Management Targets

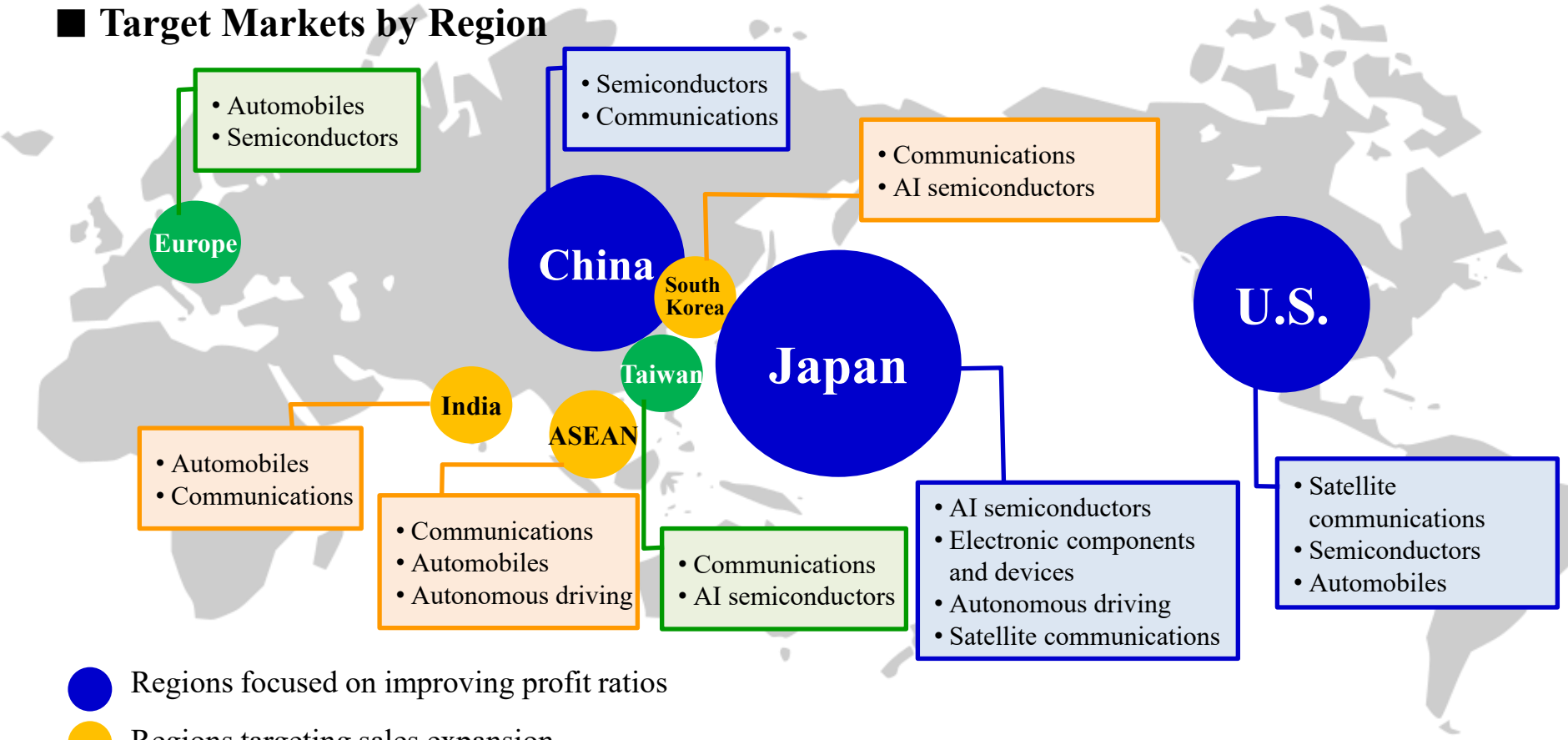


- In environmental test chambers, compensate for the slowdown in investment related to EVs and batteries by capturing testing demand in target markets through a wide-ranging product lineup, strong customization capabilities, and new product development, thereby maintaining high sales levels
- Expand R&D investment to capture new testing needs and focus on expanding the product lineup
- Aim for a 35% increase in operating profit and a profit ratio of 15% or higher by improving gross profit margin through enhancing product value and manufacturing efficiency

1-2. Global Strategy

Leverage the Group's overall strengths to establish competitive advantages in each region

■ Target Markets by Region



- Regions focused on improving profit ratios
- Regions targeting sales expansion
- Regions aiming to capture demand in advanced technology fields

1-3. Monozukuri (manufacturing) Strategy

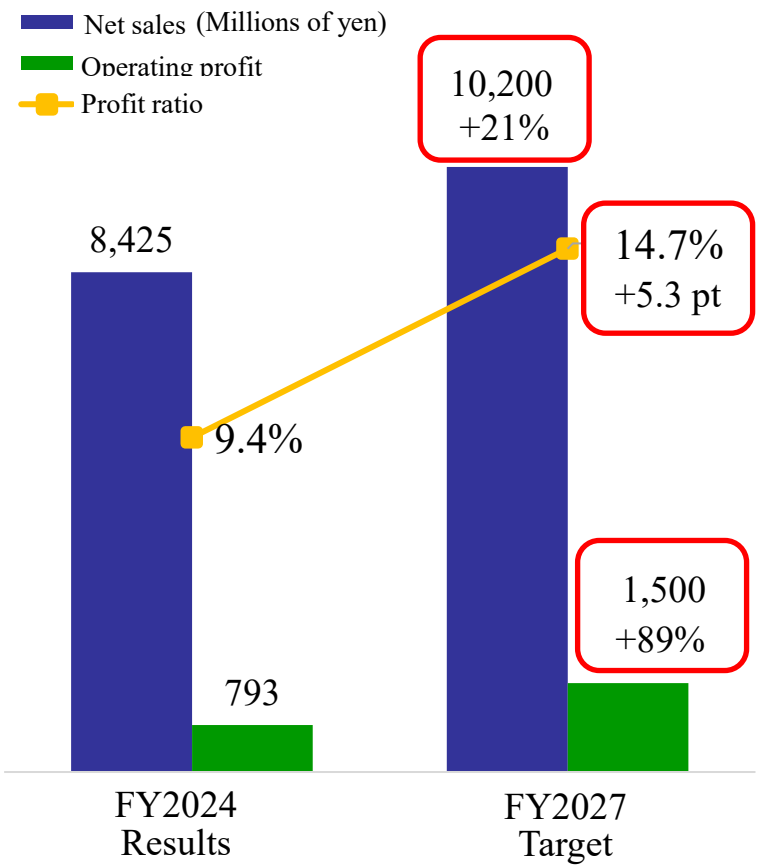
Proactively driving labor-saving and automation at the Fukuchiyama Plant (Kyoto Pref.) by leveraging AI and IoT to enhance manufacturing efficiency

- Optimization of the value chain by connecting all processes through digital technologies
- Shortening product lead times by expanding in-house production
- Renovation into a factory that maximizes human potential through DX

■ Value Chain Optimization Through Process Reform

1-4. Service Business Strategy

Medium-Term Management Targets



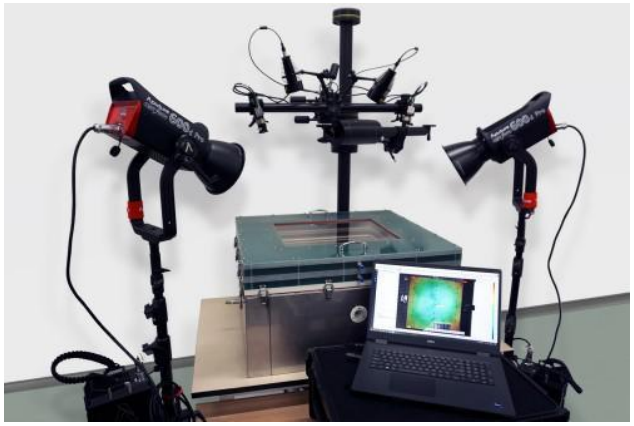
- In laboratory testing services, expand sales centering on the “Aichi Next-Generation Mobility Test Lab,” opened in February 2025
- In after-sales service, enhance services such as remote monitoring of equipment using IT and digital technologies to improve profitability
- In overall Service Business, aim to increase operating profit by growing sales by 21% and achieving a profit ratio of 14.7%

1-5. New Business Strategy

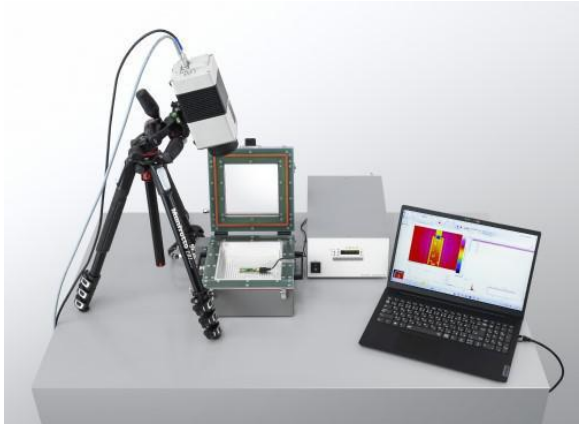
Creation of new businesses to serve as future revenue pillars

■ Expansion of thermal solution services (commissioned thermal measurement and CAE analysis services)

Contribute to shortening customers' development timelines
Support improved accuracy in thermal design and thermal analysis CAE* for semiconductor packages, mounted substrates, etc., in advanced technology fields such as AI semiconductors and autonomous driving



Thermal Dependent Warpage Measurement System



Thermal Image Analysis System

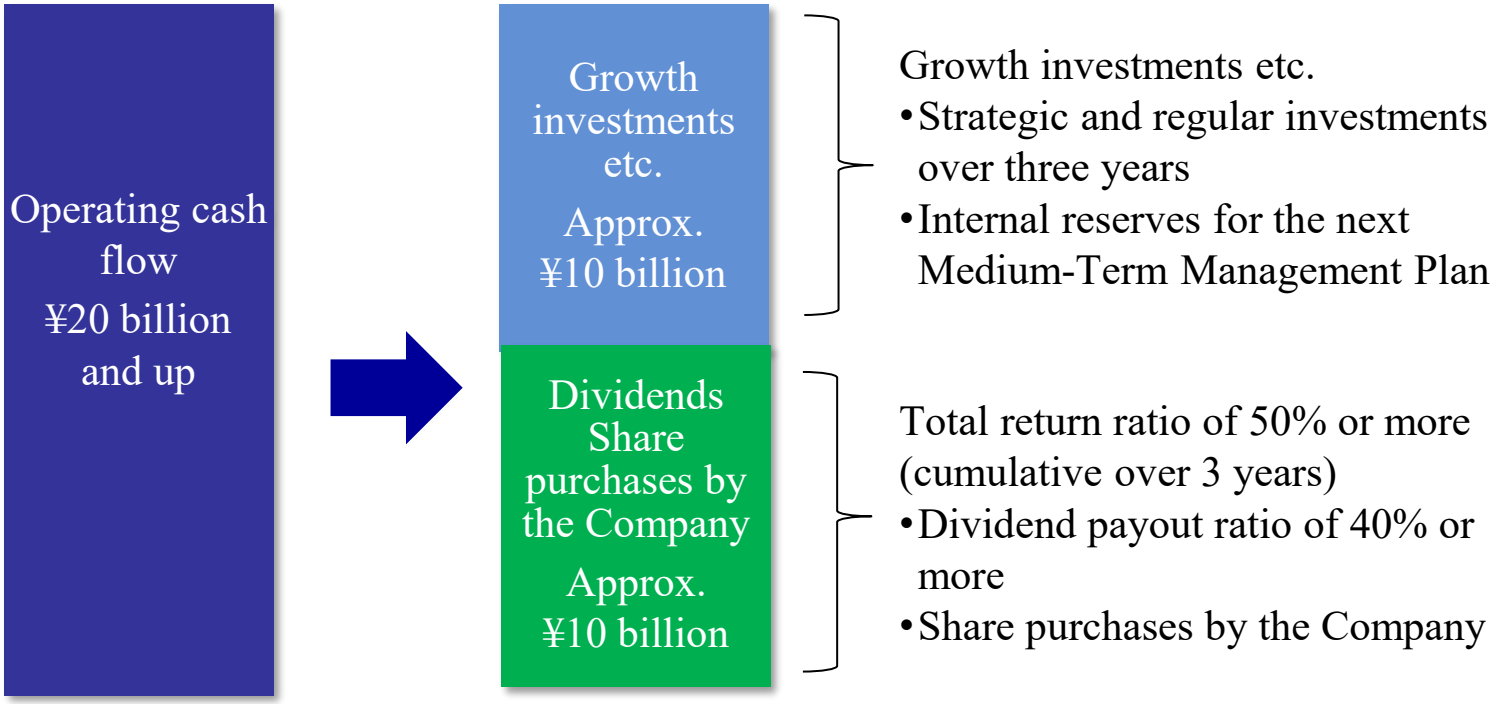
* CAE (Computer Aided Engineering) refers to technologies that support product design and development using computers

2-1. Financial Capital Strategy

Cash Allocation Policy

Proactively allocate cash generated over three years to growth investments and shareholder returns

■ Implement shareholder returns with a total return ratio of 50% (cumulative over 3 years) or more through dividends and share purchases by the Company



[Cash Allocation Image]

2-2. Investment Plans

	FY2022–2024 (3 years) Results	FY2025–2027 (3 years) Plans	Growth Rate Over 3 Years
Regular Investment	¥3.5 billion	¥2.5 billion	-29%
Strategic Investment	¥6.0 billion	¥7.0 billion	+17%
Total Growth Investment	¥9.5 billion	¥9.5 billion	-
R&D Expenses	¥3.6 billion	¥4.8 billion	+33%
Education Investment	¥360 million	¥430 million	+19%

2-3. Shareholder Return Policy

Disclosed on May 15, 2025

With the formulation of the Medium-Term Management Plan PROGRESSIVE PLUS 2027, the basic policy on dividends was revised and the name of the policy was changed to clarify the policy of strengthening shareholder returns, not only through dividends but also including acquisition of treasury shares.

Shareholder Return Policy

- The Company recognizes that the return of profits to shareholders is an important management priority, and that constantly raising enterprise value is the key element in ensuring improved shareholder returns. Accordingly, the Company's basic policy is to determine return of profits to shareholders in consideration of continuity and the consolidated dividend payout ratio.

- Specifically, we have decided on a consolidated dividend payout ratio of 40% or more and will be purchasing treasury shares in a flexible manner.

- During the period of the Medium-Term Management Plan PROGRESSIVE PLUS 2027 (FY2025–2027), we will ensure a total return ratio of 50% or more, cumulative over three years, and will not reduce dividends.

2-4. Management Conscious of Cost of Capital and Share Price

Disclosed on May 15, 2025

Under the Medium-Term Management Plan PROGRESSIVE PLUS 2027
ROE target is raised from 10% to 12% or higher, and initiatives are strengthened

Policies

- Aim to achieve (net sales of ¥70.0 billion, operating profit of ¥10.5 billion, an operating profit ratio of 15.0%, profit of ¥7.6 billion and ROE of 12.0% or more) under the Medium-Term Management Plan 2027
- Generate cash through improvement of the profit ratio and optimization of total assets
- Carry out growth investment and shareholder returns proactively based on the three-year cash allocation

Main Initiatives

(1) Increase profitability	Implement a growth strategy targeting the AI semiconductors, autonomous driving, and satellite communications fields, strengthen profitability
(2) Financial strategies Shareholder returns	Optimize inventories and reduce trade receivable, and return profits based on the Shareholder Return Policy
(3) Enhance IR activities	Enhance dialogue with shareholders and investors to raise stock market assessments and strengthen management

3. Non-financial Strategies (ESG)

	Main Initiatives	Medium-Term Management Plan Targets
Environment	• Promote global warming prevention and biodiversity conservation under the 8th Medium-term Plan on the Environment (FY2022–2025) • Formulate the 8th Medium-term Plan on the Environment Plus II (FY2026–2027)	• Greenhouse gas emissions (compared to FY2019) Scope 1+2: 55% reduction in FY2025, 60% reduction in FY2030 Scope 3: 10% reduction in FY2025, 30% reduction in FY2030
Society	Strengthening human capital • Talent acquisition and development • Promote open communication • Create employee job satisfaction and improve engagement • Diversity & inclusion	• Ratio of female managers: 20% or more • Engagement survey: B score • Promote employee health and assurance of safety • Introduction of stock compensation system
Governance	• Strengthen Group governance and risk management • Prevent harassment • Stable procurement and sustainability-oriented procurement	• Reconstruction of BCP and enhancement of information security • Penetration of the Group's corporate philosophy, code of conduct, and code of ethics • Formulate human rights policy

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