

Securities ID code:6859

ESPEC CORP.

Results Briefing

for the Three Months Ended June 30, 2024

August 22, 2024
ESPEC CORP.

Financial Result for the Three Months Ended June 30, 2024

- Electronics- and automobile-related products performed steadily, and orders received remained at a high level.
- Sales and profits increased, due partly to the impact of the weaker yen.

Year on Year

Comparison with Forecasts

	Year on Year	Comparison with Forecasts
■ Orders Received	○ Increased in all segments, particularly increasing in the Equipment Business (environmental test chambers)	○ Exceeded forecast in the Service Business and Other Business, but slightly below forecast in the Equipment Business
■ Net Sales	○ Increased in all segments, particularly increasing in the Equipment Business (environmental test chambers and energy device equipment)	△ Fell slightly short in the Equipment Business, due to a delay in timing
■ Operating Profit	○ Increased mainly due to sales growth, despite increase in SG&A	△ Below forecast due to a delay in the timing of net sales in the Equipment Business and an increase in SG&A
■ Ordinary Profit Profit Attributable to Owners of Parent	○ Due to increase in operating profit	△ Due to the shortfall in operating profit

Summary of Profits and Losses

(Millions of yen)

	FY2023 1Q Results	FY2024 1Q Results	Year on Year
Orders Received	15,539	16,988	+9.3%
Net Sales	12,275	13,691	+11.5%
Cost of Net Sales	8,042	8,890	+10.5%
Cost of Sales Ratio	65.5%	64.9%	0.6pt melioration
Gross Profit	4,232	4,800	+13.4%
SG&A	3,443	3,878	+12.6%
Operating Profit	789	922	+16.8%
Ordinary Profit	947	1,114	+17.6%
Profit Attributable to Owners of Parent	565	756	+33.8%

*From second quarter of FY2023, COSMOPIA HIGHTECH CORP. has been included in the scope of consolidation.

Performance by Segment

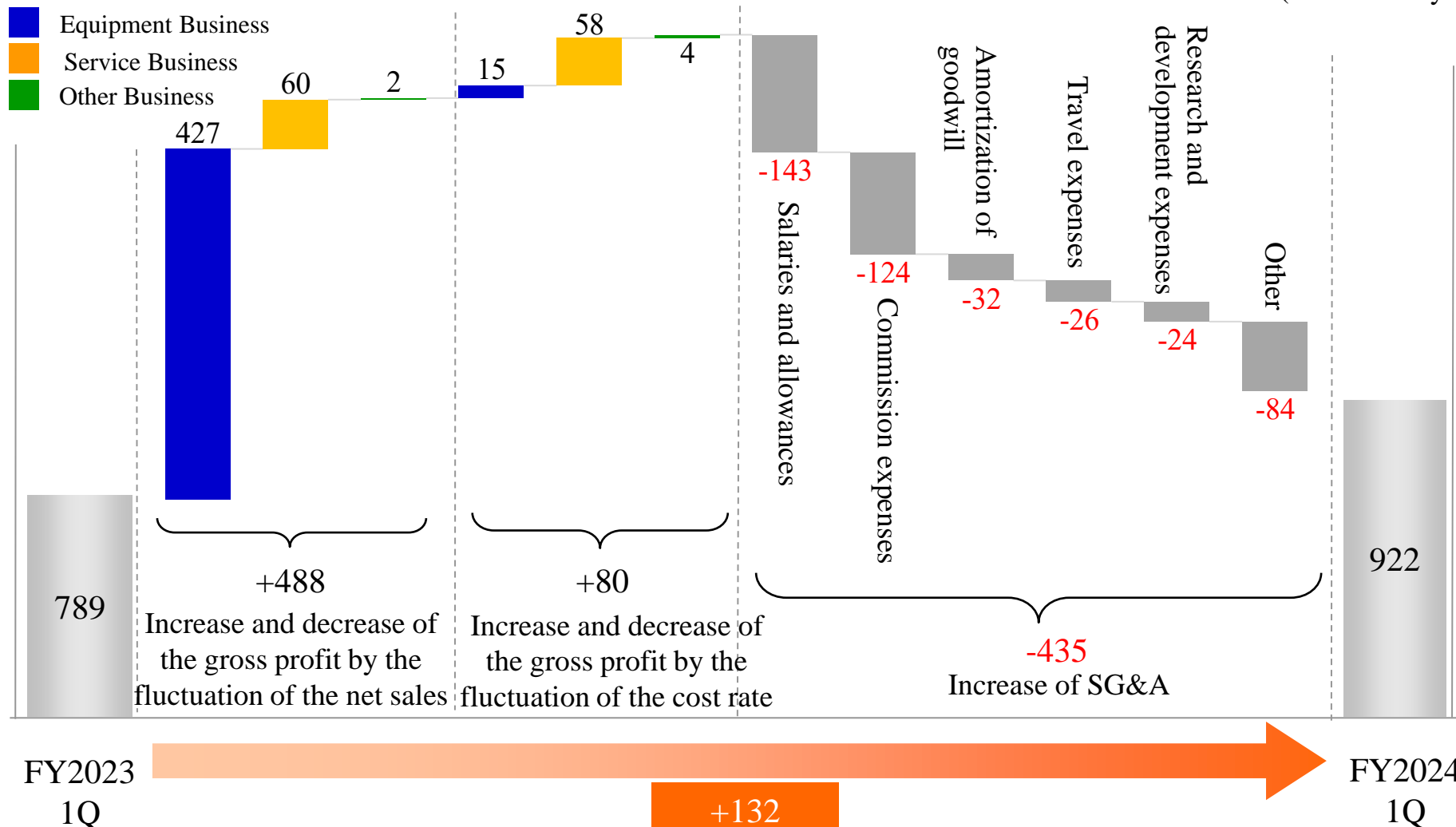
(Millions of yen)

		FY2023 1Q Results	FY2024 1Q Results	Year on Year
Equipment Business	Orders Received	13,325	14,510	+8.9%
	Net Sales	10,580	11,827	+11.8%
	Operating Profit	803	810	+1.0%
Service Business	Orders Received	1,914	2,186	+14.2%
	Net Sales	1,592	1,767	+11.0%
	Operating Profit	38	147	+284.6%
Other Business	Orders Received	411	421	+2.6%
	Net Sales	199	207	+4.2%
	Operating Profit	-48	-34	-
Elimination	Orders Received	-112	-130	-
	Net Sales	-96	-112	-
	Operating Profit	-3	-1	-
Total	Orders Received	15,539	16,988	+9.3%
	Net Sales	12,275	13,691	+11.5%
	Operating Profit	789	922	+16.8%

Analysis of Operating Profit Increase and Decrease Factors

Despite an increase in SG&A, profit increased due to sales growth and improvement in the cost of sales ratio in laboratory testing services.

(Millions of yen)



FY2023
1Q

FY2024
1Q

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

Equipment Business

(Millions of yen)

	FY2023 1Q Results	FY2024 1Q Results	Year on Year
Orders Received	13,325	14,510	+8.9%
Net Sales	10,580	11,827	+11.8%
Operating Profit Profit Ratio(%)	803 7.6%	810 6.9%	+1.0%

Environmental Test Chambers

- In Japan, highly versatile standardized products saw both increased orders received and net sales year on year. For customized products, orders received decreased, while net sales increased substantially.
- Overseas, orders received increased primarily in Europe and North America. Net sales were mostly unchanged year on year, as increases in North America, Taiwan, and Southeast Asia were offset by decreases in China and Europe.

Energy Device Equipment

- Orders received decreased mainly in comparison to the same period of the previous year, when there was a large project in Japan, while net sales increased substantially due to the effect of the establishment of the production system in the previous fiscal year.

Semiconductor Equipment

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

Service Business

(Millions of yen)

	FY2023 1Q Results	FY2024 1Q Results	Year on Year
Orders Received	1,914	2,186	+14.2%
Net Sales	1,592	1,767	+11.0%
Operating Profit	38	147	+284.6%
Profit Ratio(%)	2.4%	8.3%	

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 were both increased year on year, due to a strong performance in laboratory testing services, centered on automotive rechargeable batteries.

Other Business

(Millions of yen)

	FY2023 1Q Results	FY2024 1Q Results	Year on Year
Orders Received	411	421	+2.6%
Net Sales	199	207	+4.2%
Operating Profit Profit Ratio(%)	-48 -24.5%	-34 -16.7%	-

Environmental Conservation, Plant Production Systems

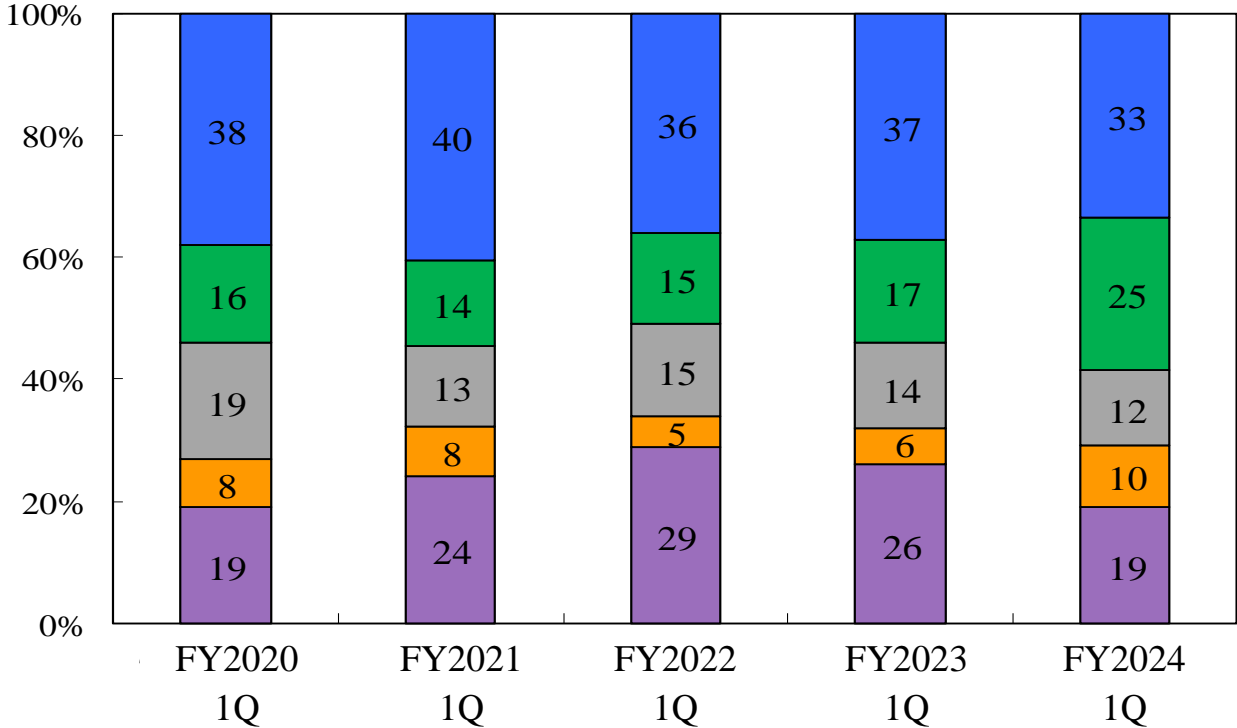
- Orders received and net sales both increased year on year, as the environmental conservation business performed strongly, particularly in waterfront biotope restoration.

Sales by Market

■ The automobile market’s sales ratio increased substantially as progress was made on recording sales of products for EVs and batteries.

Non-Consolidated (Equipment Business)

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



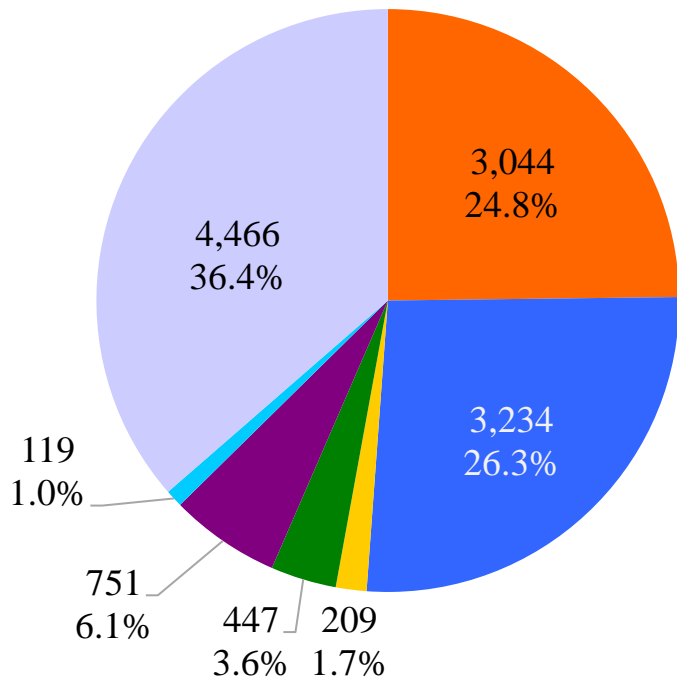
Sales by Region

Net sales increased particularly in Japan and North America, as well as Taiwan.

Net sales in China decreased.

FY2023 1Q

Overseas sales ratio: 63.6%

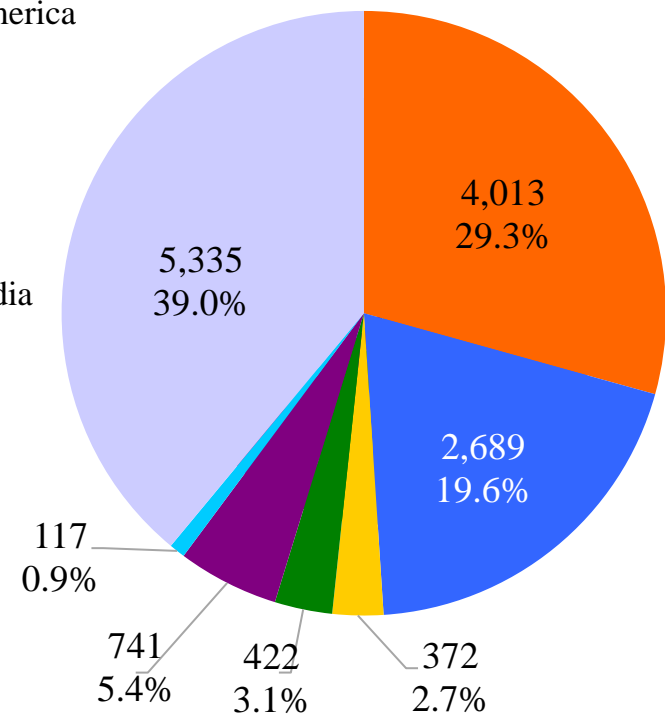


Total: ¥ 12,275 million

Overseas sales: ¥ 7,808 million

FY2024 1Q

Overseas sales ratio: 61.0%



Total: ¥13,691 million

Overseas sales: ¥8,356 million

Forecasts for FY2024

(Millions of yen)

	FY2023	FY2024				
	Full Year Results	1Q Results	Forecasts			
			1H	2H	Full Year	Year on Year
Orders Received	62,290	16,988	31,000	32,000	63,000	+1.1%
Net Sales	62,126	13,691	30,500	34,500	65,000	+4.6%
Gross Profit	21,994	4,800	10,400	12,200	22,600	+2.8%
Profit Ratio (%)	35.4%	35.1%	34.1%	35.4%	34.8%	-0.6pt
SG&A	15,408	3,878	7,500	8,100	15,600	+1.2%
SG&A Ratio (%)	24.8%	28.3%	24.6%	23.5%	24.0%	-0.8pt
Operating Profit	6,585	922	2,900	4,100	7,000	+6.3%
Profit Ratio(%)	10.6%	6.7%	9.5%	11.9%	10.8%	+0.2pt
Ordinary Profit	6,919	1,114	3,050	4,150	7,200	+4.0%
Profit Ratio(%)	11.1%	8.1%	10.0%	12.0%	11.1%	-0.0pt
Profit Attributable to Owners of Parent	4,969	756	2,200	3,000	5,200	+4.6%
Profit Ratio (%)	8.0%	5.5%	7.2%	8.7%	8.0%	+0.0pt
Basic Earnings per Share (yen)	227.61	34.65	100.77	137.41	238.18	+4.6%
ROE	10.0%	-	-	-	9.6%	-0.4pt

Segment Financial Forecasts

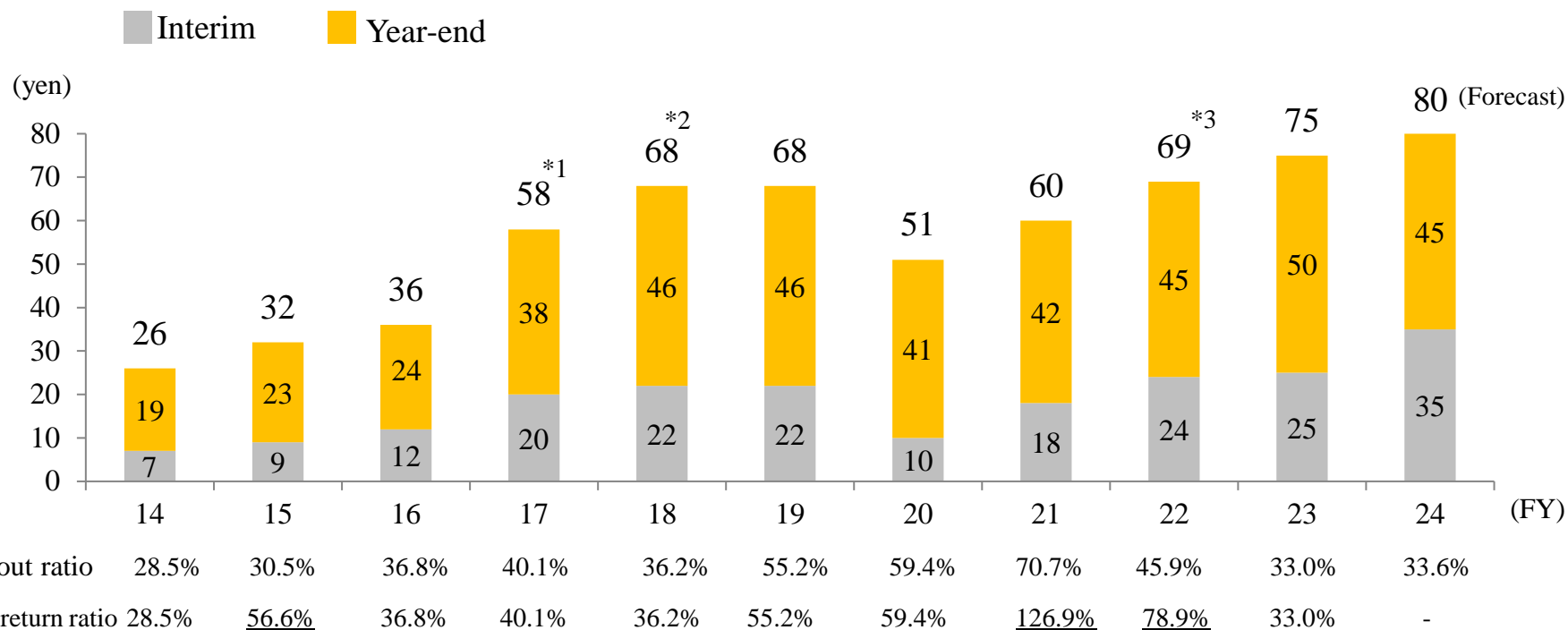
(Millions of yen)

		FY2023	FY2024				
		Full Year Results	1Q Results	Forecasts			
				1H	2H	Full Year	Year on Year
Equipment Business	Orders Received	53,565	14,510	26,900	26,800	53,700	+0.3%
	Net Sales	53,518	11,827	26,600	29,400	56,000	+4.6%
	Operating Profit	5,848	810	2,680	3,500	6,180	+5.7%
Service Business	Orders Received	7,634	2,186	3,700	4,300	8,000	+4.8%
	Net Sales	7,536	1,767	3,500	4,400	7,900	+4.8%
	Operating Profit	681	147	250	550	800	+17.3%
Other Business	Orders Received	1,453	421	600	1,100	1,700	+16.9%
	Net Sales	1,455	207	600	900	1,500	+3.0%
	Operating Profit	51	-34	-30	50	20	-61.1%
Elimination	Orders Received	-363	-130	-200	-200	-400	-
	Net Sales	-383	-112	-200	-200	-400	-
	Operating Profit	3	-1	0	0	0	-
Total	Orders Received	62,290	16,988	31,000	32,000	63,000	+1.1%
	Net Sales	62,126	13,691	30,500	34,500	65,000	+4.6%
	Operating Profit	6,585	922	2,900	4,100	7,000	+6.3%

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



(Underlined sections indicate share repurchases by the Company)

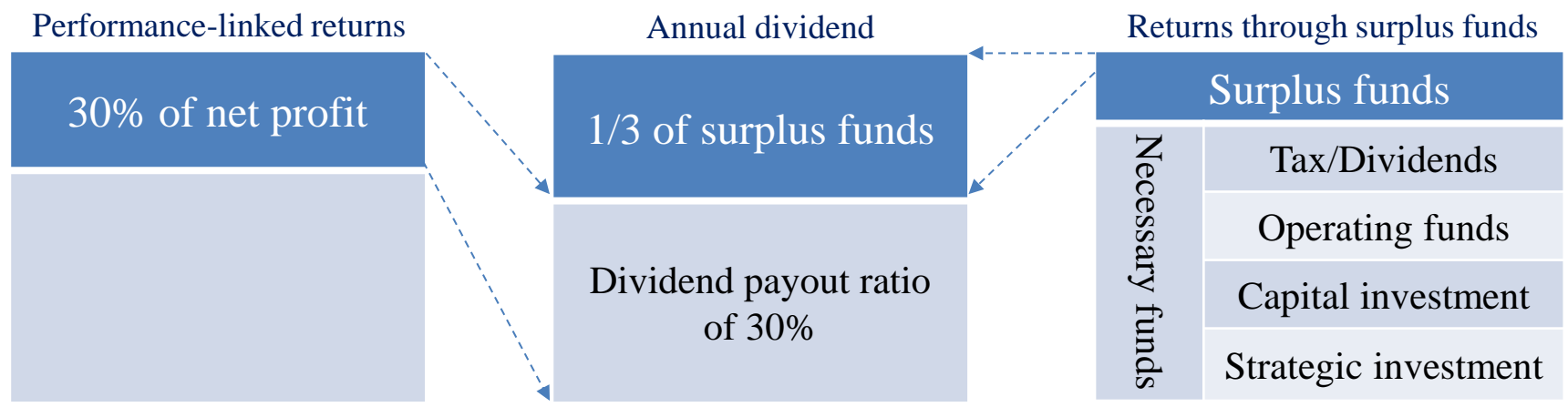
*1. Includes a dividend of ¥2 (interim dividend of ¥1 and year-end dividend of ¥1) to commemorate the 70th anniversary of our foundation in FY2017.

*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 surplus 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 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

Main Initiatives for ESG in FY2024

■ 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 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

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

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.

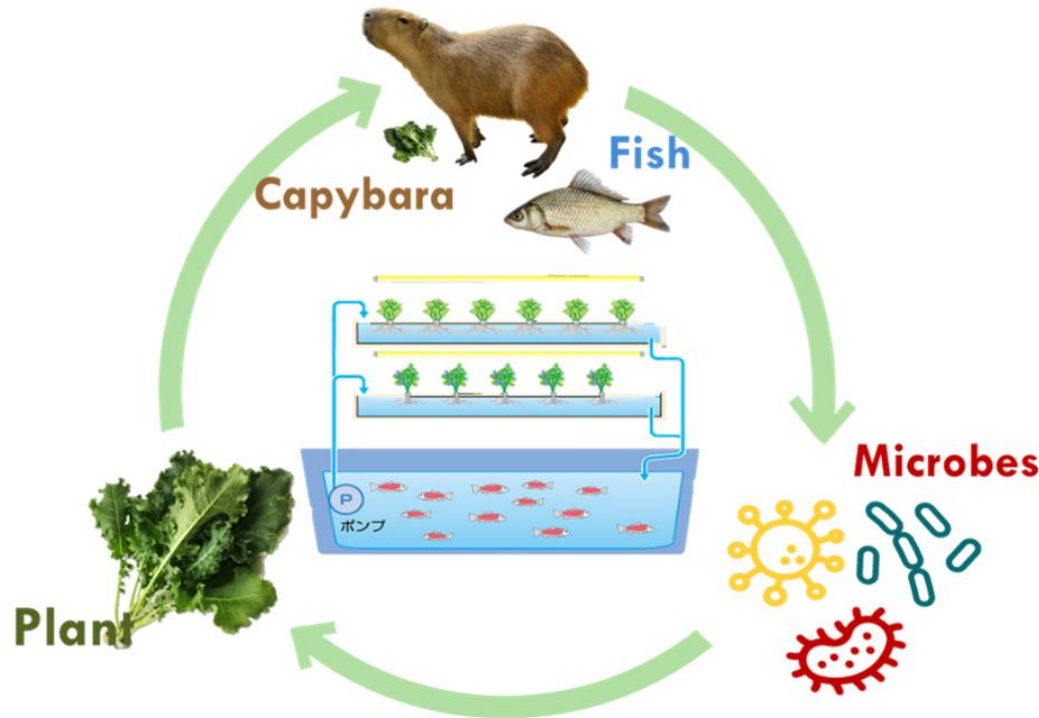


Diagram of a material circulation system using aquaponics

*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

- Jul. • Financial Times in the UK and German data provider Statista
Selected as an Asia-Pacific Climate Leader for the Second Year in a Row
- 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



■ 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