

**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

I am Satoshi Arata, Representative Director and President.

Now, I would like to explain our new medium-term management plan  
PROGRESSIVE PLUS 2027, which began this fiscal year.

## 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.

First of all, I will explain about the impact of and response to U.S. reciprocal tariff policies.

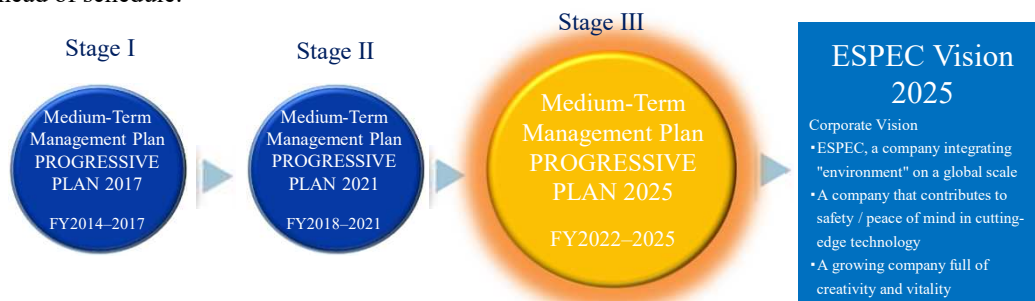
The Company has a subsidiary in the U.S., with a high local production ratio, and there is little trade between the U.S. and China, so we believe the direct impact is minimal.

As an indirect impact, investment may be restrained due to a global economic slowdown, but investment in advanced technology development is expected to continue. We will continue to closely monitor any business impact and respond appropriately by leveraging our global comprehensive capabilities.

## 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.

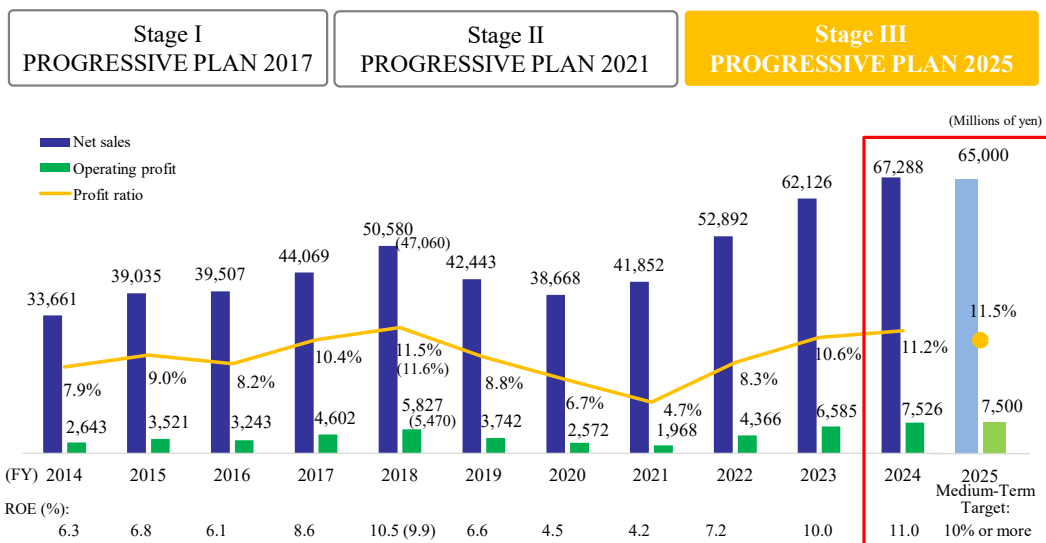
The Stage III plan, “PROGRESSIVE PLAN 2025,” achieved its targets in FY2024, one year ahead of schedule.



	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%

Let me now review the previous medium-term management plan. Our Company achieved the goals of the PROGRESSIVE PLAN 2025 one year ahead of schedule, in FY2024.

## PROGRESSIVE PLAN 2025      Targets and Results



The transition from Stage I to Stage III of our past medium-term management plans is as shown here.

## PROGRESSIVE PLAN 2025 Results and Challenges

Strategy	Result	Summary/Management Challenges
Equipment Business	<ul style="list-style-type: none"> <li>• Orders received for development and production applications in the EV and battery sectors</li> <li>• Improved domestic competitiveness of customized products</li> <li>• Expand new products for advanced technology fields</li> <li>• Acquisition of refrigeration control technology through M&amp;A</li> </ul>	<ul style="list-style-type: none"> <li>• Targets achieved by capturing testing demand in the EV and battery sectors, responding to procurement difficulties, implementing price increases, and enhancing production capacity</li> <li>• On the other hand, challenges remain in improving quality for sustainable growth, such as enhancing added value, increasing manufacturing efficiency, and strengthening human capital</li> </ul>
Service Business	<ul style="list-style-type: none"> <li>• Expanded preventative maintenance services</li> <li>• Growing demand for EV battery safety testing (opening of Aichi Next-Generation Mobility Test Lab and expansion of testing facilities in Tochigi)</li> </ul>	
Global	<ul style="list-style-type: none"> <li>• China: Secured profits by strengthening activities in the EV and IoT sectors</li> <li>• South Korea: Expanded orders from global companies and laboratory testing institutions</li> <li>• North America: Expanded orders in the automotive and satellite communications sectors</li> </ul>	
New Business	<ul style="list-style-type: none"> <li>• Expanded contract measurement services for semiconductors and launched new food machinery products</li> </ul>	
Manufacturing Innovation and DX	<ul style="list-style-type: none"> <li>• Increased domestic production capacity</li> </ul>	
Organizational Development Human Resource Development	<ul style="list-style-type: none"> <li>• Expanded educational programs and developed next-generation executive talent</li> <li>• Improved engagement</li> </ul>	
Management Foundation Strengthening	<ul style="list-style-type: none"> <li>• Strengthened Group governance</li> <li>• Execution of the Medium-Term Environmental Plan</li> </ul>	

These are the results and challenges from the previous plan.

During the prior medium-term management plan, we captured testing demand in the EV and battery sectors and responded to changes in the business environment, such as procurement difficulties, price increases, and production capacity expansion, enabling us to achieve our goals.

On the other hand, we recognize that challenges remain in improving quality for sustainable growth, such as enhancing products' added value, increasing manufacturing efficiency, and strengthening human capital.

## Recognition of the Operating Environment Toward 2027 (SWOT Analysis)

	Plus Factors	Minus Factors
Internal Environment	<p>[Strengths]</p> <ul style="list-style-type: none"> <li>• Top shares (Global: 30%, Japan: 60% or more)</li> <li>• Brand strength in the environmental testing industry</li> <li>• Track record of long-term, continuous deliveries to global companies and strong trust</li> <li>• Extensive product lineup and customization capabilities</li> <li>• Global production, sales, and service structure (Japan*, U.S.*, China*, South Korea*, Germany, Thailand, and Vietnam) * Presence of production functions</li> </ul>	<p>[Weaknesses]</p> <ul style="list-style-type: none"> <li>• Decline in operational efficiency due to rapid order expansion</li> <li>• Product development aligned with advanced technology development</li> <li>• Delays in passing on technical skills due to labor shortages</li> <li>• Lag in DX</li> </ul>
External Environment	<p>[Opportunities]</p> <ul style="list-style-type: none"> <li>• Growing global demand for testing due to ongoing development in advanced technologies such as AI semiconductors, autonomous driving, and satellite communications</li> <li>• Increase in outsourcing of testing operations and equipment management due to labor shortages and increasing complexity of testing</li> </ul>	<p>[Threats]</p> <ul style="list-style-type: none"> <li>• Global economic slowdown caused by U.S.-China tensions</li> <li>• Intensifying price competition with Chinese and Taiwanese companies</li> <li>• Slowdown in investments in EVs and batteries</li> <li>• Tightening of environmental regulations</li> <li>• Soaring material costs due to inflation</li> </ul>

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Here is our view of the environment as we look toward FY2027.

Internally, we see our strengths as our brand power and top market share in the environmental test chambers industry, track record of long term and trust with global companies, extensive product lineup, and global structure.

On the other hand, we recognize weaknesses such as declined operational efficiency due to the need to respond to a rapid order expansion, as well as delays in product development and the transfer of technology and skills.

Externally, we see opportunities in the continued global development of advanced technologies such as AI semiconductors and autonomous driving, as well as the growing trend of outsourcing testing due to labor shortages.

Threats include concerns about a global economic downturn resulting from U.S.-China tensions, competition from Chinese and Taiwanese companies, and the potential deceleration of investment in EV batteries.

## PROGRESSIVE PLUS 2027 Basic Policy and Targets

### 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

Based on this understanding, we formulated a new medium-term management plan, PROGRESSIVE PLUS 2027, as a three-year period with a long-term outlook toward the next ten years.

Establishing a lean, sustainable, and highly profitable earnings model is our basic policy.

Over the next three years, we will shift toward improving quality and transform into a leaner and stronger organization.

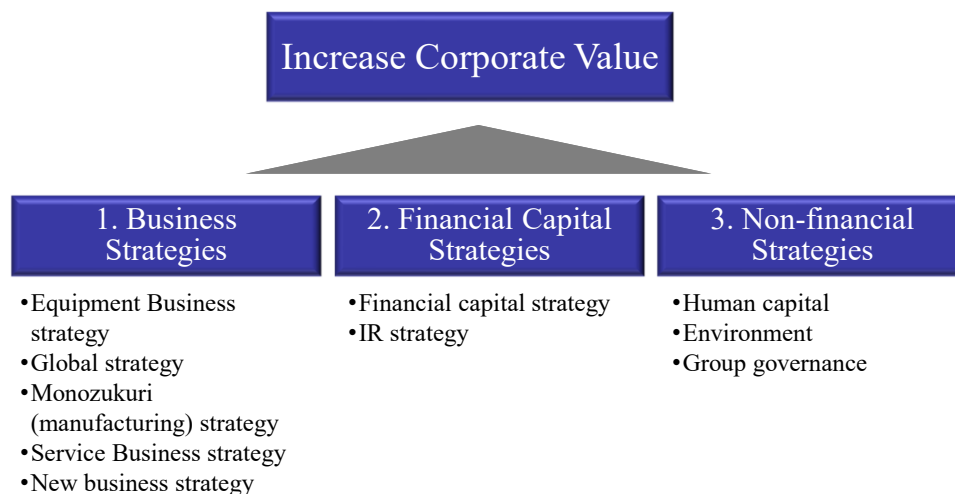
By improving quality, we mean improving all internal capabilities, including ESPEC’s management capabilities, product strength, technical capabilities, manufacturing capabilities, customer proposal capabilities, and human resource capabilities.

Our specific medium-term targets are as shown, with particular focus on achieving an “operating profit ratio of 15%” and “ROE of 12% or more”.



## PROGRESSIVE PLUS 2027 Three Strategies

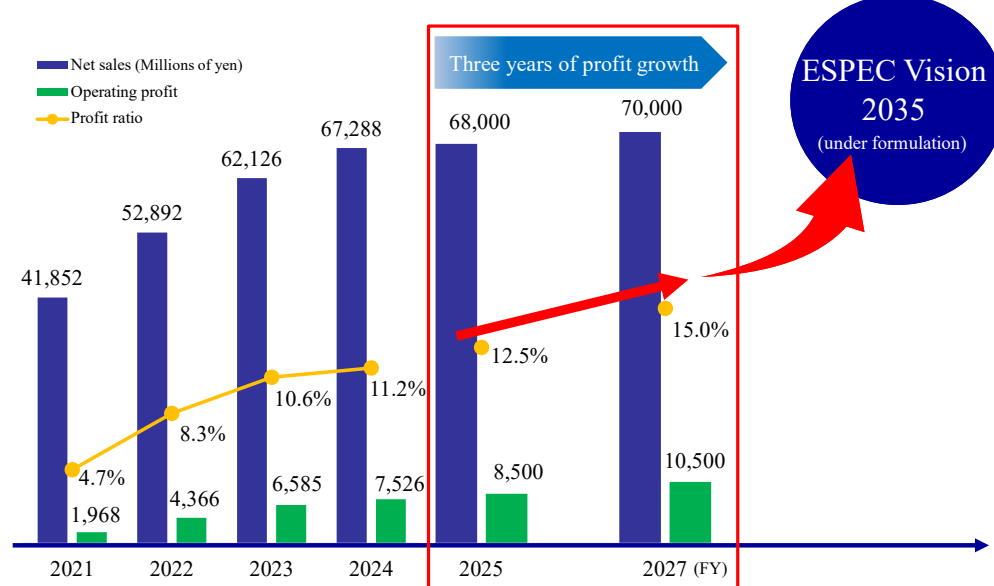
To enhance corporate value, the Company will execute business strategies, financial capital strategies, and non-financial strategies, along with proactive growth investments and shareholder returns.



To enhance corporate value, we will execute growth investments and shareholder returns by advancing the three strategies shown here: business strategy, financial capital strategy, and non-financial strategy.

## 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



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PROGRESSIVE PLUS 2027 is positioned as a bridge to our long-term vision currently under development for 2035.

This is a three-year period of profit growth in which we aim to meet the challenging target of a 15% operating profit ratio.

## 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

Next, I will talk about target markets.

The EV and battery-related investments that have driven our business until now are expected to level off and decelerate. To offset this, we will target the AI semiconductors, autonomous driving, and satellite communications markets.

These markets are expected to see growing demand for testing as advanced technologies move toward practical application. Moreover, these electronics markets, where we already have a strong delivery record, represent a significant market for us, on par with the automotive sector.

In these advanced technology fields, the value ESPEC offers lies in “ensuring quality such as high reliability and durability for the practical application of advanced technologies.”

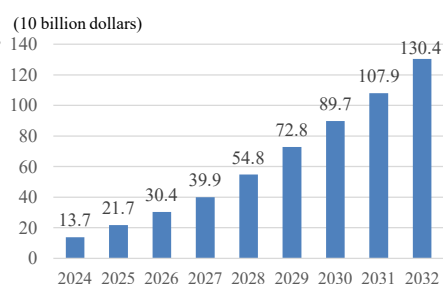
In the AI semiconductors and autonomous driving fields, we will contribute to solving technical challenges associated with higher integration of semiconductors and performance improvements in sensors used in autonomous driving.

In the satellite communications field, we will support development efforts for commercial satellite communications in the U.S. and 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)

In the AI semiconductors and server markets, as generative AI spreads across society, we expect development to accelerate even further in advanced technology fields such as semiconductors, data centers, storage, electronic components, and electronic materials.

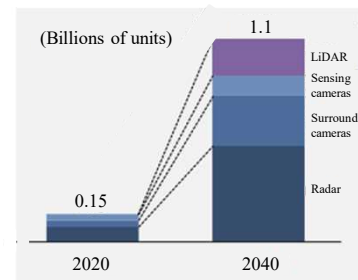
Additionally, with growing data transmission volumes and faster speeds, AI semiconductors are becoming more high-performance and densely integrated. As a result, a high level of reliability as digital infrastructure is required, and we expect demand for various tests to increase.

## 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.

\* SDV: Software Defined Vehicle



<Sensor Units Installed in Autonomous Vehicles>

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

### <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

In the autonomous driving market, we expect 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, testing aimed at ensuring higher reliability and durability will be necessary.

## 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

In the satellite communications market, the commercial satellite communications technologies under development by private companies in the U.S. and Japan will be our target.

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.

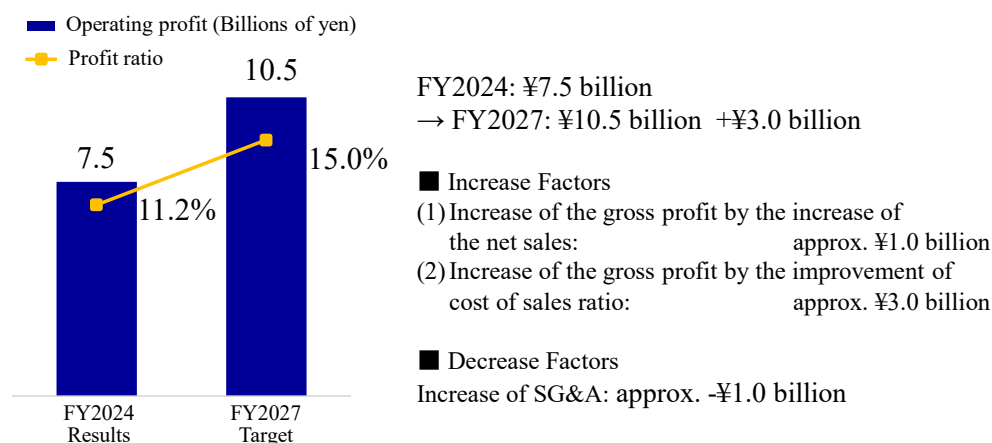
As satellite communication technologies move toward practical implementation, testing demand is expected to grow to ensure durability and reliability under extreme conditions.

As described above, since AI semiconductors and satellite communications relate to “social infrastructure,” and the autonomous driving market concerns “human safety,” there is a growing need for various types of testing. We believe this will further expand our business opportunities.

We aim to contribute to society’s “safety and security” and the “assurance of reliability” through our environmental testing business.

## 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



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This is our image of achieving the FY2027 operating profit target of ¥10.5 billion.

We will offset the slowdown in investment for EVs and batteries by capturing demand in the fields of AI semiconductors, autonomous driving, and satellite communications.

We will also improve gross profit margin through enhanced product value and more efficient manufacturing, especially environmental test chambers, in the Equipment Business.

As for the Service Business, we will expand operating profit, mainly through increased sales from laboratory testing services.

We plan to increase operating profit by ¥3.0 billion from ¥7.5 billion in FY2024 to ¥10.5 billion in FY2027.

While we expect SG&A to rise by about ¥1.0 billion, we aim to boost profit by roughly ¥4.0 billion through sales growth and improved gross profit margins, resulting in a net increase in operating profit of ¥3.0 billion.

## Medium-Term Management Targets by Business Segment

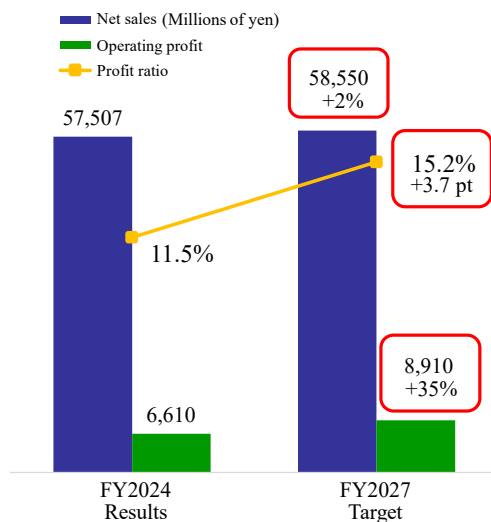
(Millions of yen)				
	Business Segment	FY2024 Results	FY2027 Targets	Growth Rate
Net sales	Equipment Business	57,507	58,550	+1.8%
	Service Business	8,425	10,200	+21.1%
	Other Business	1,758	1,800	+2.4%
	Elimination	-403	-550	-
	Total	67,288	70,000	+4.0%
Operating profit Profit Ratio	Equipment Business	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%

Targets by business segment can be seen here.



## 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

As for the Equipment Business strategy, especially in environmental test chambers, we will 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.

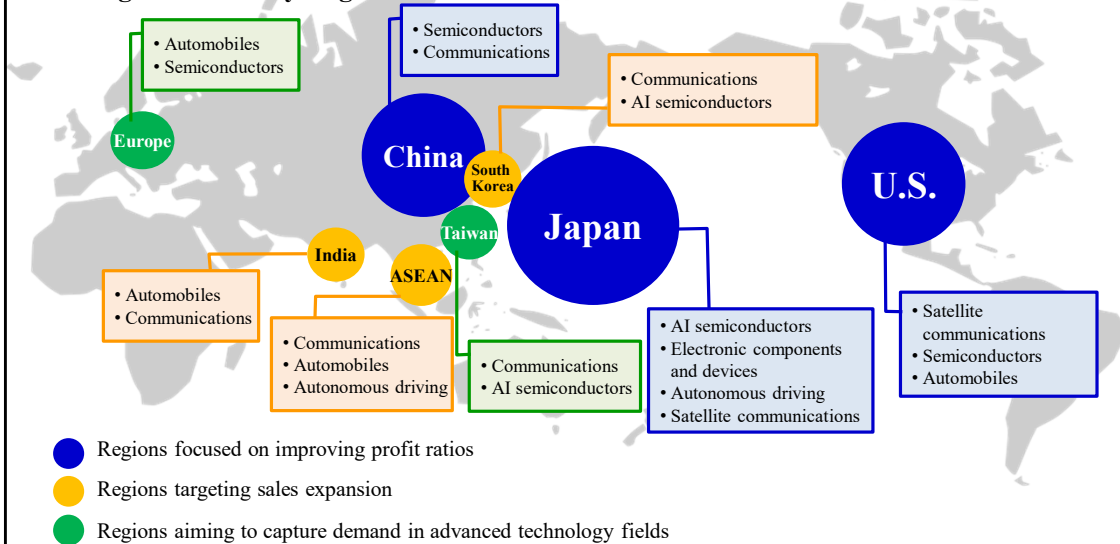
We will also expand R&D investment to capture new testing needs and focus on expanding the product lineup.

We will 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



As for the global strategy, we will position Japan, the U.S., and China as regions focused on improving profitability; India, South Korea, and ASEAN as regions aimed at expanding sales; and Europe and Taiwan as regions targeting demand in advanced technology fields. We will pursue initiatives leveraging the comprehensive strengths of the Group.

### 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



As for the manufacturing strategy, we will proactively drive labor-saving and automation at Kyoto Prefecture's Fukuchiyama Plant by leveraging AI and IoT to enhance manufacturing efficiency.

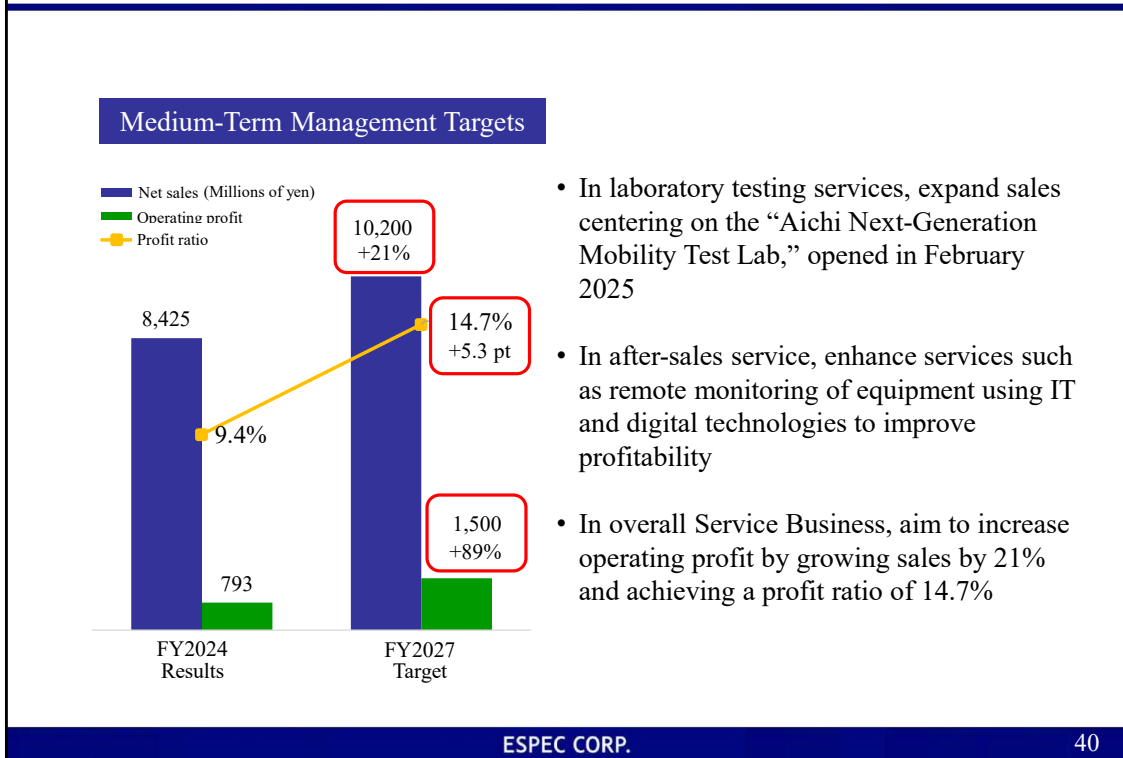
Specifically, we will optimize the value chain by connecting all processes through digital technologies.

We will also work to shorten product lead times by expanding in-house production.

Furthermore, we will renovate into a factory that maximizes human potential through DX.

By doing so, we will enhance production efficiency and increase our gross profit margin.

## 1-4. Service Business Strategy



As for the Service Business strategy, in the laboratory testing services, we expect continued development investment in the EV and battery fields within Japan. We aim to grow revenues centered on the Aichi Next-Generation Mobility Test Lab, which opened in February 2025.

In the after-sales service, the trend toward outsourcing equipment maintenance is expected to strengthen due to the declining labor population. At the same time, there is a shift from repair services to preventive maintenance services such as inspections, calibrations, and maintenance contracts.

By utilizing IT and digital technologies, we will expand services such as remote monitoring of equipment and improve profitability through high-quality services that address customer challenges.

We will aim to increase operating profit by growing sales by 21% and achieving an operating profit ratio of 14.7%.

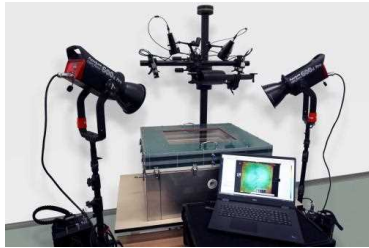
## 1-5. New Business Strategy

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

Furthermore, we will create new businesses to serve as future revenue pillars.

Specifically, we will work to expand thermal solution services related to CAE.

CAE refers to technologies that support product design and development using computers.

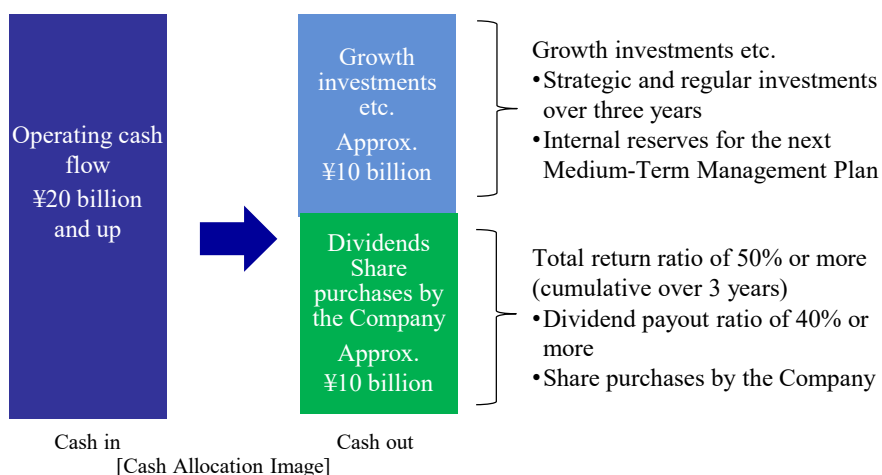
Through the provision of thermal dependent warpage measurement systems, thermal image analysis systems, and commissioned measurement services, we will contribute to improving CAE accuracy and shortening our customers' development timelines.

## 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



Next, as for the financial capital strategy, during the period of this medium-term management plan, our cash allocation policy is to generate cash through improved profit ratio and more efficient use of total assets, and proactively allocate cash generated over three years to growth investments and shareholder returns.

For shareholder returns, we plan to return more than 50% of total return ratio cumulatively over the three years.

## 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%

We plan to invest ¥9.5 billion for growth, the same level as the previous medium-term management plan.

As the main investment to improve production efficiency, we will reform production facilities at the Fukuchiyama Plant and carry out renovations.

We will also enhance our global bases and renew our core systems.

We plan to significantly increase our R&D expenses.

We also plan to increase investment in employee education by 1.2 times.

## 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.

With the formulation of the medium-term management plan, the Company revised the basic policy on dividends to clarify the policy of strengthening shareholder returns.

Specifically, we have raised our dividend payout ratio from the conventional 30% to 40% and will flexibly conduct acquisitions of treasury shares.

In the period of this medium-term management plan, we clearly state that we will maintain a total return ratio of 50% or more cumulative over the 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<br>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                                   |

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On May 15, we announced an update to our initiatives to achieve management conscious of cost of capital and share price.

We raised our ROE target to 12% or higher, and will strengthen initiatives.

### 3. Non-financial Strategies (ESG)

	Main Initiatives	Medium-Term Management Plan Targets
Environment	<ul style="list-style-type: none"> <li>Promote global warming prevention and biodiversity conservation under the 8th Medium-term Plan on the Environment (FY2022–2025)</li> <li>Formulate the 8th Medium-term Plan on the Environment Plus II (FY2026–2027)</li> </ul>	<ul style="list-style-type: none"> <li>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</li> </ul>
Society	<ul style="list-style-type: none"> <li>Strengthening human capital</li> <li>Talent acquisition and development</li> <li>Promote open communication</li> <li>Create employee job satisfaction and improve engagement</li> <li>Diversity &amp; inclusion</li> </ul>	<ul style="list-style-type: none"> <li>Ratio of female managers: 20% or more</li> <li>Engagement survey: B score</li> <li>Promote employee health and assurance of safety</li> <li>Introduction of stock compensation system</li> </ul>
Governance	<ul style="list-style-type: none"> <li>Strengthen Group governance and risk management</li> <li>Prevent harassment</li> <li>Stable procurement and sustainability-oriented procurement</li> </ul>	<ul style="list-style-type: none"> <li>Reconstruction of BCP and enhancement of information security</li> <li>Penetration of the Group's corporate philosophy, code of conduct, and code of ethics</li> <li>Formulate human rights policy</li> </ul>

In terms of our non-financial strategy, we plan to formulate the 8th Medium-Term Plan on the Environment Plus II, covering FY2026 to FY2027, as part of our environmental initiatives.

For human capital, we will enhance the capabilities of people and organizations, which form the foundation of our management.

We will work on both talent acquisition and development while promoting open communication to create employee job satisfaction and improve engagement.

We are also promoting diversity and inclusion. As of the latest update, the percentage of female managers has reached 9.8%, nearly achieving the 10% target set in the previous medium-term management plan.

In the new medium-term management plan, we have set a new target of 20% and will continue our efforts.

In terms of governance, we will strengthen group governance and risk management. We will also implement initiatives such as formulating a human rights policy and preventing harassment.

We will continue to pursue stable procurement, sustainability-oriented procurement, and ongoing improvements in product quality.

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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This concludes my explanation.

Thank you.

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