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August 6, 2021

Consolidated Financial Results for the Three Months Ended June 30, 2021 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchanges, First Section
 Securities code: 6859
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 Scheduled date to file quarterly securities report: August 10, 2021
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2021	8,050	17.0	22	-	87	-	(24)	-
June 30, 2020	6,877	(14.4)	(159)	-	(87)	-	(173)	-

Note: Comprehensive income For the three months ended June 30, 2021 ¥ 125 million [236.1 %]
 For the three months ended June 30, 2020 ¥ 37 million [- %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2021	(1.06)	-
June 30, 2020	(7.59)	-

Note: The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) from the beginning of the first quarter of fiscal 2021 ending March 31, 2022, and the figures for the first three months ended June 30, 2021 are shown after the application of this accounting standard.

(2) Consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
June 30, 2021	55,852	43,082	77.1	1,926.27
March 31, 2021	58,607	44,984	76.8	1,967.34

Reference: Equity

As of June 30, 2021 ¥43,082 million
 As of March 31, 2021 ¥44,984 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	-	10.00	-	41.00	51.00
Fiscal year ending March 31, 2022	-				
Fiscal year ending March 31, 2022 (Forecast)		18.00	-	42.00	60.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Forecast of consolidated operating results for the fiscal year ending March 31, 2022 (From April 1, 2021 to March 31, 2022)

(Percentages indicate year-on-year changes.)

Fiscal year ending	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
September 30, 2021	18,500	7.0	1,200	63.5	1,250	49.8	750	51.7	33.28
March 31, 2022	42,200	9.1	3,300	28.3	3,400	19.7	2,400	22.3	106.89

Note: Has there been a correction in the results forecast this quarter: Yes

The Company made ESPEC THERMAL TECH SYSTEM CORP. a consolidated subsidiary on July 20, 2021 (deemed acquisition date: July 1, 2021). Therefore, revisions have been made only to the full-term consolidated forecast for net sales.

*Notes

(1) Changes in significant subsidiaries during the period

(changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: (Company name:)

Excluded: (Company name:)

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

Note: For details, see "Application of special accounting methods in the creation of quarterly consolidated financial statements" on p.9.

(3) Changes in accounting policies, changes in accounting estimates, and restatement

1) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: None

4) Restatement: None

Note: For details, see "Changes in accounting policies" on p.9.

(4) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2021	23,781,394 shares
As of March 31, 2021	23,781,394 shares

2) Number of treasury shares at the end of the period

As of June 30, 2021	1,415,593 shares
As of March 31, 2021	915,593 shares

3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2021	22,699,134 shares
Three months ended June 30, 2020	22,866,072 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

Statements concerning the future such as the results forecasts, etc., included in this document are based on currently available information and certain assumptions judged reasonable and actual results, etc., may differ due to various factors. Please refer to "Description of consolidated operating forecasts and other forward-looking information" on p.4 for forecast assumptions and notes of caution for usage.

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1. Qualitative Information concerning consolidated financial results

Forward-looking statements contained herein are based on the Group's judgment as of June 30, 2021. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) from the beginning of the first quarter of fiscal 2021, the year ending March 31, 2022, and the figures for the first three months ended June 30, 2021 are shown after the application of this accounting standard.

(1) Description of operating results

During the first three months of fiscal 2021, the year ending March 31, 2022, the Japanese economy continued to pick up, mainly in the manufacturing industry along with economic recovery in the U.S. and China, amid concerns about the resumed spread of COVID-19, semiconductor shortages, and U.S.-China friction.

Among the Company's main customers, investments recovered in relation to automobiles and were strong with regard to electronics, underpinned by shifts towards carbon neutrality and digitization in society, amid improvement in corporate earnings. The Company's initiatives included strengthening activities centered on markets related to 5G and IoT where investment is likely to expand and markets related to automated driving and electrification.

As a result, in the consolidated results for the first quarter of the fiscal year, the amount of orders-received increased 54.2% year on year to ¥12,695 million and net sales increased 17.0% year on year to ¥8,050 million. On the earnings front, operating profit improved ¥182 million year on year to a profit of ¥22 million, driven by sales growth. Loss attributable to owners of parent narrowed ¥149 million year on year to ¥24 million.

	Previous consolidated 1 st quarter (fiscal 2020) (Millions of yen)	This consolidated 1 st quarter (fiscal 2021) (Millions of yen)	Change (%)
Orders-received	8,231	12,695	54.2
Net sales	6,877	8,050	17.0
Operating profit (loss)	(159)	22	-
Ordinary profit (loss)	(87)	87	-
Loss attributable to owners of parent	(173)	(24)	-

Performance by segment

This consolidated 1st quarter (Fiscal 2021)

	Orders-received	Net sales	Operating profit (loss)
	Millions of yen	Millions of yen	Millions of yen
Equipment business	10,737	6,612	90
Service business	1,744	1,370	(6)
Other business	274	122	(61)
Elimination	(62)	(56)	0
Total	12,695	8,050	22

[Equipment business]

In the environmental test chambers field, in Japan, orders-received and net sales both increased year on year for versatile standardized products and customized products. In addition, trends were strong in overseas markets, and net sales increased year on year in China, the U.S., Europe, Southeast Asia, and South Korea.

In the energy devices equipment field, orders-received and net sales both increased year on year and orders were acquired for evaluation systems for secondary batteries due to recovery in automotive-related investment.

In the semiconductor equipment field, orders-received increased year on year, but net sales decreased while investment related to memory and automobiles continued.

As a result, the equipment business on the whole saw orders-received increase 64.3% to ¥10,737 million and net sales increase 21.4% year on year to ¥6,612 million. Operating profit increased ¥112 million year on year to ¥ 90 million due to increased net sales.

	Previous consolidated 1 st quarter (fiscal 2020) (Millions of yen)	This consolidated 1 st quarter (fiscal 2021) (Millions of yen)	Change (%)
Orders-received	6,534	10,737	64.3
Net sales	5,449	6,612	21.4
Operating profit (loss)	(22)	90	-

[Service business]

In the after-sales service and engineering field, both orders-received and net sales increased year on year due to strong performance in business such as preventative maintenance service.

In laboratory testing services and facility rentals, orders-received and net sales both increased year on year due mainly to the recovery in orders of laboratory testing services.

As a result, the service business on the whole saw orders-received increase 18.7% year on year to ¥1,744 million and net sales increase 29.0% to ¥1,370 million. On the earnings front, the segment posted an operating loss of ¥6 million, which is an improvement of ¥118 million year on year.

	Previous consolidated 1 st quarter (fiscal 2020) (Millions of yen)	This consolidated 1 st quarter (fiscal 2021) (Millions of yen)	Change (%)
Orders-received	1,470	1,744	18.7
Net sales	1,062	1,370	29.0
Operating loss	(125)	(6)	-

[Other business]

In the other business, which is centered on the environmental preservation and plant factory businesses, orders-received rose year on year for forest and waterside creation but plant factory results were sluggish. As a result, orders-received declined 2.4% year on year to ¥274 million and net sales decreased 70.9% to ¥122 million. On the earnings front, the segment posted an operating loss of ¥61 million, which is a decrease of ¥49 million year on year due to decreased net sales.

	Previous consolidated 1 st quarter (fiscal 2020) (Millions of yen)	This consolidated 1 st quarter (fiscal 2021) (Millions of yen)	Change (%)
Orders-received	281	274	(2.4)
Net sales	422	122	(70.9)
Operating loss	(12)	(61)	-

* There are marked seasonal fluctuations in the Group's performance based on quarterly sales because of a strong trend towards contractual deliveries occurring in the 2nd and 4th consolidated quarters as a result of customers' budget implementation.

(2) Description of financial position

Total assets at the end of the first quarter consolidated accounting period were ¥55,852 million, a decrease of ¥2,755 million over the end of the previous consolidated fiscal year. Major factors included a decrease of ¥3,304 million resulting from recovery of trade receivables (notes and accounts receivable-trade, and contract assets, and electronically recorded monetary claims-operating) recorded at the end of the previous fiscal year, a decrease of ¥1,000 million in securities due to a decrease in money trusts, and an increase of ¥1,157 million in inventories such as work in process. Liabilities were ¥12,769 million, a decrease of ¥853 million from the end of the previous consolidated fiscal year. Major factors include decreases of ¥387 million resulting from payment of trade payables (notes and accounts payable - trade and electronically recorded obligations - operating) and ¥289 million from other current liabilities due to a reduction in activities costs. Net assets were ¥43,082 million, a decrease of ¥1,902 million from the end of the previous consolidated fiscal year. Major factors included decreases of ¥984 million in retained earnings resulting from dividends paid and ¥1,066 million due to the acquisition of treasury shares.

(3) Description of consolidated operating forecasts and other forward-looking information

Regarding forecasts of consolidated operating results for fiscal 2021, the year ending March 31, 2022, revisions have only been made to net sales from the forecast figures announced on May 14, 2021 because the Company made ESPEC THERMAL TECH SYSTEM CORP. a consolidated subsidiary on July 20, 2021 (deemed acquisition date: July 1, 2021).

2. Quarterly consolidated financial statements and significant notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	13,398	13,586
Notes and accounts receivable - trade	13,708	—
Notes and accounts receivable - trade, and contract assets	—	10,062
Electronically recorded monetary claims - operating	2,217	2,559
Securities	3,902	2,902
Merchandise and finished goods	1,563	1,629
Work in process	1,745	2,483
Raw materials and supplies	2,053	2,407
Other	1,640	1,835
Allowance for doubtful accounts	(47)	(47)
Total current assets	40,182	37,418
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,869	4,845
Land	4,601	4,600
Other, net	2,897	2,843
Total property, plant and equipment	12,368	12,289
Intangible assets		
Goodwill	324	307
Other	463	418
Total intangible assets	787	726
Investments and other assets	5,269	5,417
Total non-current assets	18,424	18,433
Total assets	58,607	55,852
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,745	2,563
Electronically recorded obligations - operating	3,484	3,278
Short-term borrowings	221	74
Income taxes payable	356	139
Provision for bonuses	408	639
Provision for bonuses for directors (and other officers)	18	—
Provision for share awards for directors (and other officers)	15	—
Provision for product warranties	181	148
Provision for loss on order received	4	5
Other	3,333	3,044
Total current liabilities	10,769	9,895
Non-current liabilities		
Long-term borrowings	318	299
Retirement benefit liability	67	69
Provision for share awards for directors (and other officers)	152	166
Provision for retirement benefits for directors (and other officers)	4	4
Asset retirement obligations	22	22
Other	2,288	2,312
Total non-current liabilities	2,853	2,874
Total liabilities	13,623	12,769

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Net assets		
Shareholders' equity		
Share capital	6,895	6,895
Capital surplus	7,120	7,120
Retained earnings	31,297	30,312
Treasury shares	(1,181)	(2,247)
Total shareholders' equity	44,132	42,080
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,501	1,585
Revaluation reserve for land	(663)	(663)
Foreign currency translation adjustment	15	80
Remeasurements of defined benefit plans	(0)	(0)
Total accumulated other comprehensive income	852	1,001
Total net assets	44,984	43,082
Total liabilities and net assets	58,607	55,852

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income

Quarterly consolidated statements of income

(Three months ended June 30, 2021)

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net sales	6,877	8,050
Cost of sales	4,589	5,356
Gross profit	2,288	2,693
Selling, general and administrative expenses		
Salaries and allowances	771	812
Provision for bonuses	73	82
Provision for share awards for directors (and other officers)	5	9
Provision for product warranties	33	23
Amortization of goodwill	15	16
Other	1,548	1,727
Total selling, general and administrative expenses	2,448	2,671
Operating profit (loss)	(159)	22
Non-operating income		
Interest income	3	3
Dividend income	41	40
Reversal of allowance for doubtful accounts	3	1
Foreign exchange gains	14	17
Other	19	17
Total non-operating income	82	80
Non-operating expenses		
Interest expenses	5	11
Commission expenses	2	2
Other	3	2
Total non-operating expenses	10	15
Ordinary profit (loss)	(87)	87
Extraordinary income		
Gain on sale of non-current assets	—	1
Gain on sale of investment securities	9	6
Total extraordinary income	9	8
Extraordinary losses		
Loss on retirement of non-current assets	9	1
Total extraordinary losses	9	1
Profit (loss) before income taxes	(87)	94
Income taxes - current	86	118
Loss	(173)	(24)
Loss attributable to owners of parent	(173)	(24)

Quarterly consolidated statements of comprehensive income

(Three months ended June 30, 2021)

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Loss	(173)	(24)
Other comprehensive income		
Valuation difference on available-for-sale securities	240	83
Foreign currency translation adjustment	(38)	65
Remeasurements of defined benefit plans, net of tax	8	0
Total other comprehensive income	210	149
Comprehensive income	37	125
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	37	125

(3) Notes to the quarterly consolidated financial statements

(Notes on the assumption of a going concern)

No applicable

(Note on significant changes in shareholders' equity)

Not applicable

(Application of special accounting methods in the creation of quarterly consolidated financial statements)

For tax expenses, the Company has adopted the method of reasonably estimating the effective tax rate after applying tax effect accounting to net income before taxes for the current consolidated fiscal year, and then multiplying quarterly net income before taxes by the relevant estimated effective tax rate. However, when the tax expenses calculated using the relevant estimated effective tax rate are notably irrational, tax expenses shall be calculated using the statutory effective tax rate.

(Changes in accounting policies)

1. Application of Accounting Standard for Revenue Recognition, etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) (hereinafter referred to as "Revenue Recognition Accounting Standards"), etc. from the beginning of the first quarter of fiscal 2021, the year ending March 31, 2022, and recognizes revenue as the amount expected to be received in exchange for the promised goods or services when the control of the goods or services is transferred to the customer.

In applying the Revenue Recognition Accounting Standards, etc., the Company follows the transitional treatment set forth in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standards. The cumulative effect of retroactively applying the new accounting policy to periods prior to the beginning of the first quarter of fiscal 2021, the year ending March 31, 2022 has been added to or subtracted from retained earnings at the beginning of the first quarter of fiscal 2021, and the new accounting policy has been applied from the beginning balance of that period. However, the Company has applied the method stipulated in Paragraph 86 of the Revenue Recognition Standards, and has accordingly not retroactively applied the new accounting policy to contracts for which the nearly the entire amount of revenue had been recognized prior to the beginning of the first quarter of fiscal 2021. In addition, the Company has applied the method stipulated in proviso (1) to Paragraph 86 of the Revenue Recognition Standards, wherein accounting procedures are conducted based on contract conditions after reflecting any changes in contracts made prior to the beginning of the first quarter of fiscal 2021, and then the cumulative effect is added to or subtracted from retained earnings at the beginning of the first quarter of fiscal 2021. The resulting impact on the quarterly consolidated financial statements for the first three months ended June 30, 2021 is inconsequential.

As a result of applying the Revenue Recognition Accounting Standards, etc., "notes and accounts receivable-trade", which was presented under "current assets" in the consolidated balance sheets of the previous fiscal year, has been included in "notes and accounts receivable-trade, and contract assets" from the current consolidated fiscal year. The Company has not reclassified the previous fiscal year using the new presentation method in accordance with the transitional treatment prescribed in Paragraph 89-2 of the Revenue Recognition Accounting Standards. In addition, information showing a breakdown of revenue generated from contracts with customers is not presented for the first three months ended June 30, 2021 in accordance with the transitional treatment prescribed in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020).

2. Application of Accounting Standard for Fair Value Measurement, etc.

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) (hereinafter, "Fair Value Measurement Accounting Standards") from the first quarter of fiscal 2021, the year ending March 31, 2022. In accordance with the transitional treatment prescribed in Paragraph 19 of the Fair Value Measurement Accounting Standards and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Company will apply the new accounting policies set forth in the Fair Value Measurement Accounting Standards, etc. at a future date. This has no impact on the quarterly consolidated financial statements for the first three months ended June 30, 2021.

(Additional information)

(Impacts of the COVID-19 pandemic)

As a result of the impacts of the COVID-19 pandemic, requests for self-restraint regarding movement and travel restrictions continue to impose unavoidable limitations on the ESPEC Group's operating activities.

Consequently, accounting decisions are being made with the assumption that circumstances will gradually normalize from the consolidated fiscal year under review.

As the impact of COVID-19 on economic activities remains highly uncertain, a change to the abovementioned assumptions may affect the Company's financial condition and business results in the future.

(Segment information)

I Previous consolidated 1st quarter (from April 1, 2020 to June 30, 2020)

1. Information concerning the net sales and income or loss of each reportable segment (Millions of yen)

	Reportable segment			Total	Adjustment *1	Carried amount on quarterly consolidated statements of income *2
	Equipment business	Service business	Other business			
Net sales						
(1) Sales to external customers	5,411	1,014	421	6,877	-	6,877
(2) Internal sales or transfers between segments	8	47	1	56	(56)	-
Total	5,449	1,062	422	6,934	(56)	6,877
Segment loss	(22)	(125)	(12)	(160)	0	(159)

*Notes:

1. "Adjustment" for segment loss mainly represents eliminations of inter-segment transactions.
2. Segment loss was reconciled with the operating profit presented in the quarterly consolidated statement of income.

2. Information related to impairment loss on fixed assets, and goodwill, etc. for each reportable segment.
No applicable

II This consolidated 1st quarter (from April 1, 2021 to June 30, 2021)

1. Information concerning the net sales and income or loss of each reportable segment (Millions of yen)

	Reportable segment			Total	Adjustment *1	Carried amount on quarterly consolidated statements of income *2
	Equipment business	Service business	Other business			
Net sales						
(1) Sales to external customers	6,612	1,315	121	8,050	-	8,050
(2) Internal sales or transfers between segments	0	55	1	56	(56)	-
Total	6,612	1,370	122	8,106	(56)	8,050
Segment income (loss)	90	(6)	(61)	21	0	22

*Notes:

1. "Adjustment" for segment income (loss) mainly represents eliminations of inter-segment transactions.
2. Segment income (loss) was reconciled with the operating profit presented in the quarterly consolidated statement of income.

2. Information related to impairment loss on fixed assets, and goodwill, etc. for each reportable segment.
No applicable

3. Information on changes in reportable segments

As described in changes in accounting policies, the Company has applied the Revenue Recognition Accounting Standards, etc. from the beginning of the first quarter of fiscal 2021, the year ending March 31, 2022, and made changes in accounting treatment methods pertaining to revenue recognition. Therefore, the Company has similarly changed the method for calculating income and losses for business segments.

The resulting impact on "Sales to external customers" and "Segment income (loss)" for reportable segments for the first three months ended June 30, 2021 is inconsequential.

(Material Subsequent Events)

The Company resolved at a board of directors meeting held on March 9, 2021 to acquire 80% of the outstanding shares of a company to be newly established (hereafter, ESPEC THERMAL TECH SYSTEM CORP.) through a company split in order for AMEFREC Co., Ltd. to succeed the manufacturing headquarters business, and to make the newly established company a consolidated subsidiary. On April 12, 2021, the Company concluded a share transfer agreement with AMEFREC Co., Ltd. On July 20, 2021, the Company acquired the said shares and made ESPEC THERMAL TECH SYSTEM CORP. a consolidated subsidiary.

(1) Outline of the corporate merger

1) Name and business description of the acquisition company

Name of the acquisition company: ESPEC THERMAL TECH SYSTEM CORP.

Business description: Manufacture and sales of precision chillers and air conditioners, environmental testing equipment, and customized products (chillers and air conditioners)

2) Main reason for the corporate merger

By having ESPEC THERMAL TECH SYSTEM CORP., which possesses precision liquid temperature-control technologies and advanced customization technologies, join the Group, the aims are to expand business areas and further increase the added value provided by existing business areas.

3) Date of corporate merger: July 20, 2021 (deemed acquisition date: July 1, 2021)

4) Legal form of corporate merger: Acquisition of shares

5) Company name after the corporate merger: No change.

6) Percentage of voting rights to be acquired: 80%

7) Main grounds for determining the acquisition company

The Company will acquire the shares in consideration of cash.

(2) Breakdown of the acquisition costs and types of compensation

<u>Compensation for the acquisition</u>	Cash	¥1,280 million
Acquisition cost		¥1,280 million

(3) Descriptions and amounts of the main acquisition-related costs

Not confirmed at the current time.

(4) Amount of goodwill generated, causes of generation, and amortization method and period

Not confirmed at the current time.

(5) Amounts of assets received and liabilities assumed on the day of the corporate merger and descriptions of the main items

Not confirmed at the current time.