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November 11, 2021

## Consolidated Financial Results for the Six Months Ended September 30, 2021 (Under Japanese GAAP)

Company name: ESPEC CORP.  
 Listing: Tokyo Stock Exchanges, First Section  
 Securities code: 6859  
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 Scheduled date to file quarterly securities report: November 12, 2021  
 Scheduled date to commence dividend payments: December 10, 2021  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results briefing: Yes (An on-demand video of the presentation meeting is scheduled to be posted on the Company's website.)

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

1. Consolidated financial results for the six months ended September 30, 2021 (from April 1, 2021 to September 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                         | %      |
| Six months ended   |                 |       |                  |        |                 |        |   |        |
| September 30, 2021 | 17,568          | 1.6   | 396              | (46.0) | 474             | (43.1) | 230                                     | (53.4) |
| September 30, 2020 | 17,294          | (7.9) | 734              | (47.1) | 834             | (44.2) | 494                                     | (52.8) |

Note: Comprehensive income For the six months ended September 30, 2021 ¥ 370 million [ (55.5) %]  
 For the six months ended September 30, 2020 ¥ 831 million [ 28.7 %]

|                    | Basic earnings per share |     | Diluted earnings per share |     |
|--------------------|--------------------------|-----|----------------------------|-----|
|                    | Yen                      | Yen | Yen                        | Yen |
| Six months ended   |                          |     |                            |     |
| September 30, 2021 | 10.23                    | -   | -                          | -   |
| September 30, 2020 | 21.63                    | -   | -                          | -   |

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 six months ended September 30, 2021 are shown after the application of this accounting standard.

(2) Consolidated financial position

|                    | Total assets    | Net assets      | Equity-to-asset ratio | Net assets per share |
|--------------------|-----------------|-----------------|-----------------------|----------------------|
|                    | Millions of yen | Millions of yen | %                     | Yen                  |
| As of              |                 |                 |                       |                      |
| September 30, 2021 | 56,961          | 43,548          | 76.1                  | 1,937.29             |
| March 31, 2021     | 58,607          | 44,984          | 76.8                  | 1,967.34             |

Reference: Equity  
 As of September 30, 2021 ¥43,339 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            | -                          | 18.00              | -                 | -               | -     |
| Fiscal year ending March 31, 2022 (Forecast) | -                          | -                  | -                 | 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<br>March 31, 2022 | Net sales       |     | Operating profit |      | Ordinary profit |      | Profit attributable to<br>owners of parent |      | Basic earnings<br>per share |
|--------------------------------------|-----------------|-----|------------------|------|-----------------|------|--|------|-----------------------------|
|                                      | Millions of yen | %   | Millions of yen  | %    | Millions of yen | %    | Millions of yen                            | %    | Yen                         |
|                                      | 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: None

\*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 September 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 September 30, 2021 | 1,410,246 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)

|                                     |                   |
|-------------------------------------|-------------------|
| Six months ended September 30, 2021 | 22,535,149 shares |
| Six months ended September 30, 2020 | 22,866,039 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 September 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 six months ended September 30, 2021 are shown after the application of this accounting standard.

### (1) Description of operating results

During the six months of fiscal 2021, the year ending March 31, 2022, the Japanese economy saw economic activity increasingly return to normal, supported by expanding COVID-19 vaccinations, in addition to a recovery trend in the Chinese and U.S. economies. However, concerns emerged about the economic impact of surging prices for raw materials and supplies and shortages in semiconductor and electronic components.

Among the Company's main customers, investments were strong in relation to electronics, and automobile-related investments were also firm, underpinned by digitization and decarbonization in society. 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 of automobiles. Orders-received have been brisk. On the manufacturing front, there have been delays in the procurement of electronic components and other items. In response, the Company has implemented countermeasures such as procuring alternatives and making design changes.

As a result, in the consolidated results for the six months of the fiscal year, the amount of orders-received increased 56.7% year on year to ¥26,569 million. However, net sales were held to an increase of only 1.6% to ¥17,568 million. This result mainly reflected impacts such as longer product delivery times due to component shortages. On the earnings front, operating profit decreased 46.0% year on year to a profit of ¥396 million, driven by increase of sales, general, and administrative expenses. Profit attributable to owners of parent decreased 53.4% year on year to ¥230 million.

|  | Previous consolidated<br>2 <sup>nd</sup> quarter (fiscal 2020)<br>(Millions of yen) | This consolidated<br>2 <sup>nd</sup> quarter (fiscal 2021)<br>(Millions of yen) | Change (%) |
|--|---|---|------------|
| Orders-received                            | 16,957  | 26,569  | 56.7       |
| Net sales                                  | 17,294  | 17,568  | 1.6        |
| Operating profit                           | 734   | 396   | (46.0)     |
| Ordinary profit                            | 834   | 474   | (43.1)     |
| Profit attributable to<br>owners of parent | 494   | 230   | (53.4)     |

### Performance by segment

This consolidated 2<sup>nd</sup> quarter (Fiscal 2021)

|                    | Orders-received | Net sales       | Operating profit (loss) |
|--------------------|-----------------|-----------------|-------------------------|
|                    | Millions of yen | Millions of yen | Millions of yen         |
| Equipment business | 22,763          | 14,421          | 322                     |
| Service business   | 3,334           | 2,948           | 171                     |
| Other business     | 610             | 316             | (99)                    |
| Elimination        | (138)           | (119)           | 1                       |
| Total              | 26,569          | 17,568          | 396                     |

[Equipment business]

In the environmental test chambers field, particularly the Japanese market, orders-received increased year on year both for versatile standardized products and customized products, but net sales decreased. In overseas markets, net sales in China, North America, Europe, and South Korea increased year on year, while net sales in Southeast Asia and Taiwan decreased. 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 66.2% to ¥22,763 million and net sales increase 4.9% year on year to ¥14,421 million. On the profit front, operating profit decreased 50.9% year on year to ¥322 million due to an increase in selling, general and administrative expenses and deterioration in the cost of sales ratio.

|                  | Previous consolidated<br>2 <sup>nd</sup> quarter (fiscal 2020)<br>(Millions of yen) | This consolidated<br>2 <sup>nd</sup> quarter (fiscal 2021)<br>(Millions of yen) | Change (%) |
|------------------|---|---|------------|
| Orders-received  | 13,699  | 22,763  | 66.2       |
| Net sales        | 13,745  | 14,421  | 4.9        |
| Operating profit | 658   | 322   | (50.9)     |

[Service business]

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

In laboratory testing services and facility rentals, orders-received and net sales both increased year on year as laboratory testing services recovered in Japan, along with performing firmly in China.

As a result, the service business on the whole saw orders-received increase 15.8% year on year to ¥3,334 million and net sales increase 13.7% to ¥2,948 million. On the profit front, operating profit was ¥171 million, an increase of 195.1% year on year due to an increase in net sales.

|                  | Previous consolidated<br>2 <sup>nd</sup> quarter (fiscal 2020)<br>(Millions of yen) | This consolidated<br>2 <sup>nd</sup> quarter (fiscal 2021)<br>(Millions of yen) | Change (%) |
|------------------|---|---|------------|
| Orders-received  | 2,879   | 3,334   | 15.8       |
| Net sales        | 2,592   | 2,948   | 13.7       |
| Operating profit | 58  | 171   | 195.1      |

[Other business]

In the other business, which is centered on the environmental preservation and plant factory businesses, orders-received rose 21.4% year on year to ¥610 million, as orders were captured for plant factories, in addition to a solid performance in forest and waterside creation. Net sales decreased 70.5% year on year to ¥316 million because of a large plant factory project in the same period of the previous fiscal year. The segment posted an operating loss of ¥99 million, which marked a deterioration of ¥116 million year on year.

|                         | Previous consolidated<br>2 <sup>nd</sup> quarter (fiscal 2020)<br>(Millions of yen) | This consolidated<br>2 <sup>nd</sup> quarter (fiscal 2021)<br>(Millions of yen) | Change (%) |
|-------------------------|---|---|------------|
| Orders-received         | 502   | 610   | 21.4       |
| Net sales               | 1,073   | 316   | (70.5)     |
| Operating profit (loss) | 16  | (99)  | -          |

\* 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 2<sup>nd</sup> and 4<sup>th</sup> consolidated quarters as a result of customers' budget implementation.

(2) Description of financial position

Total assets at the end of the second quarter consolidated accounting period were ¥56,961 million, a decrease of ¥1,646 million over the end of the previous consolidated fiscal year. Major factors included a decrease of ¥3,895 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, and an increase of ¥2,062 million in inventories such as work in process. Liabilities were ¥13,413 million, a decrease of ¥209 million from the end of the previous consolidated fiscal year. Major factors included a decrease of ¥486 million resulting from payment of trade payables (notes and accounts payable - trade and electronically recorded obligations - operating), an increase of ¥510 million in other current liabilities, and a decrease of ¥180 million in borrowings (short-term borrowings and long-term borrowings). Net assets were ¥43,548 million, a decrease of ¥1,436 million from the end of the previous fiscal year. Major factors included decreases of ¥1,055 million due to the acquisition of treasury shares and ¥730 million in retained earnings in connection with dividends paid and other factors.

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

The Company has revised its forecasts of consolidated operating results for the six months of fiscal 2021, the year ending March 31, 2022, from the forecasts announced on May 14, 2021. For details, please refer to the "Notice Concerning Revisions to Consolidated Financial Results Forecasts for the Six Months Ended September 30, 2021" announced on October 29, 2021.

2. Quarterly consolidated financial statements and significant notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

|   | As of March 31, 2021 | As of September 30, 2021 |
|---|----------------------|--------------------------|
| <b>Assets</b>   |                      |                          |
| Current assets  |                      |                          |
| Cash and deposits   | 13,398               | 13,436                   |
| Notes and accounts receivable - trade                                   | 13,708               | —                        |
| Notes and accounts receivable - trade, and contract assets              | —                    | 9,716                    |
| Electronically recorded monetary claims - operating                     | 2,217                | 2,314                    |
| Securities  | 3,902                | 2,902                    |
| Merchandise and finished goods  | 1,563                | 1,662                    |
| Work in process   | 1,745                | 2,941                    |
| Raw materials and supplies  | 2,053                | 2,820                    |
| Other   | 1,640                | 1,947                    |
| Allowance for doubtful accounts   | (47)                 | (48)                     |
| <b>Total current assets</b>   | <b>40,182</b>        | <b>37,692</b>            |
| Non-current assets  |                      |                          |
| Property, plant and equipment   |                      |                          |
| Buildings and structures, net   | 4,869                | 4,876                    |
| Land  | 4,601                | 4,604                    |
| Other, net  | 2,897                | 2,814                    |
| <b>Total property, plant and equipment</b>                              | <b>12,368</b>        | <b>12,295</b>            |
| Intangible assets   |                      |                          |
| Goodwill  | 324                  | 728                      |
| Other   | 463                  | 583                      |
| <b>Total intangible assets</b>  | <b>787</b>           | <b>1,312</b>             |
| Investments and other assets  | 5,269                | 5,660                    |
| <b>Total non-current assets</b>   | <b>18,424</b>        | <b>19,268</b>            |
| <b>Total assets</b>   | <b>58,607</b>        | <b>56,961</b>            |
| <b>Liabilities</b>  |                      |                          |
| Current liabilities   |                      |                          |
| Notes and accounts payable - trade                                      | 2,745                | 2,611                    |
| Electronically recorded obligations - operating                         | 3,484                | 3,131                    |
| Short-term borrowings   | 221                  | 75                       |
| Income taxes payable  | 356                  | 234                      |
| Provision for bonuses   | 408                  | 408                      |
| Provision for bonuses for directors<br>(and other officers)             | 18                   | —                        |
| Provision for share awards for directors<br>(and other officers)        | 15                   | —                        |
| Provision for product warranties  | 181                  | 149                      |
| Provision for loss on order received                                    | 4                    | 4                        |
| Other   | 3,333                | 3,844                    |
| <b>Total current liabilities</b>  | <b>10,769</b>        | <b>10,460</b>            |
| Non-current liabilities   |                      |                          |
| Long-term borrowings  | 318                  | 284                      |
| Retirement benefit liability  | 67                   | 233                      |
| Provision for share awards for directors<br>(and other officers)        | 152                  | 164                      |
| Provision for retirement benefits for directors<br>(and other officers) | 4                    | 4                        |
| Asset retirement obligations  | 22                   | 21                       |
| Other   | 2,288                | 2,244                    |
| <b>Total non-current liabilities</b>                                    | <b>2,853</b>         | <b>2,952</b>             |
| <b>Total liabilities</b>  | <b>13,623</b>        | <b>13,413</b>            |

(Millions of yen)

|   | As of March 31, 2021 | As of September 30, 2021 |
|---|----------------------|--------------------------|
| <b>Net assets</b>                                     |                      |                          |
| Shareholders' equity                                  |                      |                          |
| Share capital   | 6,895                | 6,895                    |
| Capital surplus                                       | 7,120                | 7,120                    |
| Retained earnings                                     | 31,297               | 30,567                   |
| Treasury shares                                       | (1,181)              | (2,236)                  |
| Total shareholders' equity                            | 44,132               | 42,346                   |
| Accumulated other comprehensive income                |                      |                          |
| Valuation difference on available-for-sale securities | 1,501                | 1,503                    |
| Revaluation reserve for land                          | (663)                | (663)                    |
| Foreign currency translation adjustment               | 15                   | 152                      |
| Remeasurements of defined benefit plans               | (0)                  | (0)                      |
| Total accumulated other comprehensive income          | 852                  | 992                      |
| Non-controlling interests                             | —                    | 208                      |
| <b>Total net assets</b>                               | <b>44,984</b>        | <b>43,548</b>            |
| <b>Total liabilities and net assets</b>               | <b>58,607</b>        | <b>56,961</b>            |



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

## Quarterly consolidated statements of income

(Six months ended September 30, 2021)

(Millions of yen)

|   | Six months ended<br>September 30, 2020 | Six months ended<br>September 30, 2021 |
|---|--|--|
| Net sales   | 17,294                                 | 17,568                                 |
| Cost of sales   | 11,502                                 | 11,686                                 |
| Gross profit  | 5,792                                  | 5,881                                  |
| Selling, general and administrative expenses                  |  |  |
| Salaries and allowances                                       | 1,579                                  | 1,697                                  |
| Provision for bonuses   | 117                                    | 128                                    |
| Provision for share awards for directors (and other officers) | 19                                     | 6                                      |
| Provision for product warranties                              | 65                                     | 57                                     |
| Amortization of goodwill                                      | 31                                     | 43                                     |
| Other   | 3,244                                  | 3,551                                  |
| Total selling, general and administrative expenses            | 5,058                                  | 5,485                                  |
| Operating profit  | 734                                    | 396                                    |
| Non-operating income  |  |  |
| Interest income   | 9                                      | 9                                      |
| Dividend income   | 41                                     | 40                                     |
| Reversal of allowance for doubtful accounts                   | 4                                      | 1                                      |
| Foreign exchange gains  | 28                                     | 22                                     |
| Other   | 33                                     | 44                                     |
| Total non-operating income                                    | 117                                    | 117                                    |
| Non-operating expenses  |  |  |
| Interest expenses   | 9                                      | 20                                     |
| Commission expenses   | 4                                      | 4                                      |
| Other   | 3                                      | 13                                     |
| Total non-operating expenses                                  | 17                                     | 38                                     |
| Ordinary profit   | 834                                    | 474                                    |
| Extraordinary income  |  |  |
| Gain on sale of non-current assets                            | 1                                      | 1                                      |
| Gain on sale of investment securities                         | 9                                      | 35                                     |
| Total extraordinary income                                    | 11                                     | 37                                     |
| Extraordinary losses  |  |  |
| Loss on sale of non-current assets                            | 0                                      | 0                                      |
| Loss on retirement of non-current assets                      | 11                                     | 2                                      |
| Total extraordinary losses                                    | 11                                     | 2                                      |
| Profit before income taxes                                    | 834                                    | 509                                    |
| Income taxes - current  | 339                                    | 279                                    |
| Profit  | 494                                    | 230                                    |
| Loss attributable to non-controlling interests                | —                                      | (0)                                    |
| Profit attributable to owners of parent                       | 494                                    | 230                                    |

Quarterly consolidated statements of comprehensive income

(Six months ended September 30, 2021)

(Millions of yen)

|  | Six months ended<br>September 30, 2020 | Six months ended<br>September 30, 2021 |
|--|--|--|
| Profit   | 494                                    | 230                                    |
| Other comprehensive income                                     |  |  |
| Valuation difference on available-for-sale securities          | 366                                    | 2                                      |
| Foreign currency translation adjustment                        | (45)                                   | 137                                    |
| Remeasurements of defined benefit plans, net of tax            | 16                                     | 0                                      |
| Total other comprehensive income                               | 337                                    | 139                                    |
| Comprehensive income   | 831                                    | 370                                    |
| Comprehensive income attributable to                           |  |  |
| Comprehensive income attributable to owners of parent          | 831                                    | 370                                    |
| Comprehensive income attributable to non-controlling interests | —                                      | (0)                                    |

(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 six months ended September 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 six months ended September 30, 2020 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 beginning of 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 six months ended September 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 2<sup>nd</sup> quarter (from April 1, 2020 to September 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                  | 13,731             | 2,490            | 1,072          | 17,294 | -             | 17,294   |
| (2) Internal sales or transfers between segments | 13                 | 102              | 1              | 116    | (116)         | -  |
| Total  | 13,745             | 2,592            | 1,073          | 17,411 | (116)         | 17,294   |
| Segment profit                                   | 658                | 58               | 16             | 732    | 1             | 734  |

\*Notes:

1. "Adjustment" for segment profit mainly represents eliminations of inter-segment transactions.
2. Segment profit 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.

There was no significant change in the amount of goodwill during the first half of the previous fiscal year.

II This consolidated 2<sup>nd</sup> quarter (from April 1, 2021 to September 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                  | 14,414             | 2,840            | 313            | 17,568 | -             | 17,568   |
| (2) Internal sales or transfers between segments | 7                  | 108              | 2              | 119    | (119)         | -  |
| Total  | 14,421             | 2,948            | 316            | 17,687 | (119)         | 17,568   |
| Segment profit (loss)                            | 322                | 171              | (99)           | 394    | 1             | 396  |

\*Notes:

1. "Adjustment" for segment profit (loss) mainly represents eliminations of inter-segment transactions.
2. Segment profit (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.

(Significant changes in the amount of goodwill)

In the Equipment business segment, the Company acquired 80% of the outstanding shares of ESPEC THERMAL TECH SYSTEM CORP. and included this company in the scope of consolidation.

The increase in the amount of goodwill from this transaction was ¥444 million in the six months of fiscal 2021.

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 profit (loss)" for reportable segments for the six months ended September 30, 2021 is inconsequential.

(Business Combinations)

Business combination through acquisition

(1) Outline of the corporate merger

1) Name and business description of the acquired company

Name of the acquired 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 acquired company:

The Company will acquire the shares in consideration of cash.

(2) Period of performance of the acquired company included in the consolidated financial statements:

From July 1, 2021 to September 30, 2021

(3) Breakdown of the acquisition costs and types of consideration:

|  |      |                       |
|--|------|-----------------------|
| <u>Consideration for the acquisition</u> | Cash | <u>¥1,280 million</u> |
| Acquisition cost                         |      | ¥1,280 million        |

(4) Descriptions and amounts of the main acquisition-related costs: Attorney fees, etc. ¥5 million

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

1) Amount of goodwill that occurred: ¥444 million

2) Cause for the occurrence:

Since the acquisition cost exceeded the net amount of the assets received and the liabilities assumed, the surplus amount was recorded as goodwill.

3) Amortization method and period: Straight-line amortization over 10 years

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

|                         |                       |
|-------------------------|-----------------------|
| Current assets          | ¥728 million          |
| Non-current assets      | <u>¥395 million</u>   |
| Total assets            | <u>¥1,124 million</u> |
| Current liabilities     | ¥19 million           |
| Non-current liabilities | <u>¥156 million</u>   |
| Total liabilities       | <u>¥175 million</u>   |

Note: The amounts of assets and liabilities are not included in the amount of goodwill shown in (5). above.

(7) Amounts allocated to intangible assets other than goodwill, their breakdown by major category and amortization periods by major category:

| Breakdown by major category | Amount       | Amortization period |
|-----------------------------|--------------|---------------------|
| Customer-related assets     | ¥146 million | 10 years            |