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August 8, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchanges
 Securities code: 6859
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 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, 2024 (from April 1, 2024 to June 30, 2024)

(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, 2024	13,691	11.5	922	16.8	1,114	17.6	756	33.8
June 30, 2023	12,275	40.7	789	—	947	749.7	565	—

Note: Comprehensive income For the three months ended June 30, 2024 ¥1,915million [7.1%]
 For the three months ended June 30, 2023 ¥1,789 million [103.5%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2024	34.65	-
June 30, 2023	25.89	-

(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 June 30, 2024	72,850	53,521	73.5	2,451.49
March 31, 2024	78,235	52,715	67.4	2,414.58

Reference: Equity

As of June 30, 2024 ¥ 53,521 million
 As of March 31, 2024 ¥ 52,715 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, 2024	-	25.00	—	50.00	75.00
Fiscal year ending March 31, 2025	-				
Fiscal year ending March 31, 2025 (Forecast)		35.00	—	45.00	80.00

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, 2025 (From April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	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
Six months ending September 30, 2024	30,500	11.9	2,900	24.3	3,050	20.7	2,200	33.0	100.77
Fiscal year ending March 31, 2025	65,000	4.6	7,000	6.3	7,200	4.0	5,200	4.6	238.18

Note: Revisions to the forecast of consolidated operating results most recently announced: None

*Notes

(1) Significant changes in the scope of consolidation during the period: None

Newly included: — companies (Company name)

Excluded: — companies (Company name)

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

For details, see “Notes to accounting methods specific to the preparation of the quarterly consolidated financial statements” on p.8.

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

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

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

For details, see “Notes to changes in accounting policies” on p.8.

(4) Number of issued shares (common shares)

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

As of June 30, 2024	23,781,394 shares
As of March 31, 2024	23,781,394 shares

(ii) Number of treasury shares at the end of the period

As of June 30, 2024	1,949,085 shares
As of March 31, 2024	1,949,085 shares

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

Three months ended June 30, 2024	21,832,309 shares
Three months ended June 30, 2023	21,832,414 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* 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.3 for forecast assumptions and notes of caution for usage.

1. Qualitative information concerning consolidated financial results -----	2
(1) Description of operating results -----	2
(2) Description of financial position -----	3
(3) Description of consolidated operating forecasts and other forward-looking information -----	3
2. Quarterly consolidated financial statements and significant notes -----	4
(1) Quarterly consolidated balance sheets -----	4
(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income -----	6
Quarterly consolidated statements of income	
(Three months ended June 30, 2024) -----	6
Quarterly consolidated statements of comprehensive income	
(Three months ended June 30, 2024) -----	7
(3) Notes to the quarterly consolidated financial statements -----	8
Notes to changes in accounting policies-----	8
Notes to accounting methods specific to the preparation of the quarterly consolidated financial statements-----	8
Notes on segment information, etc.-----	8
Notes on significant changes in shareholders' equity -----	9
Notes on the assumption of a going concern-----	9
Notes to the quarterly consolidated statements of cash flows-----	9

1. Qualitative information concerning consolidated financial results

Forward-looking statements contained herein are based on the Group's judgment as of June 30, 2024.

(1) Description of operating results

During the first three months of fiscal 2024, the year ending March 31, 2025, the ESPEC Group's business environment saw firm electronics- and automotive-related investments against a backdrop of the continued digitalization and decarbonization of society. From the production aspect, the Group worked to increase its production capacity in Japan by increasing personnel, expanding production space, and utilizing outsourcing, with a view to clearing the order backlog and leveling the production load.

Looking at the Company's operating results for the first three months of the fiscal year, orders received increased 9.3% year on year to ¥16,988 million, and net sales rose 11.5% to ¥13,691 million. On the profit front, operating profit was ¥922 million, a year-on-year increase of 16.8%. This increase was mainly due to higher sales, which offset an increase in selling, general and administrative expenses. Profit attributable to owners of parent increased by 33.8% year on year to ¥756 million.

	Previous consolidated 1 st quarter (fiscal 2023) (Millions of yen)	This consolidated 1 st quarter (fiscal 2024) (Millions of yen)	Change (%)
Orders received	15,539	16,988	9.3
Net sales	12,275	13,691	11.5
Operating profit	789	922	16.8
Ordinary profit	947	1,114	17.6
Profit attributable to owners of parent	565	756	33.8

Performance by segment

This consolidated 1st quarter (Fiscal 2024)

	Orders received (Millions of yen)	Net sales (Millions of yen)	Operating profit (loss) (Millions of yen)
Equipment business	14,510	11,827	810
Service business	2,186	1,767	147
Other business	421	207	(34)
Elimination	(130)	(112)	(1)
Total	16,988	13,691	922

Equipment business

In the environmental test chambers field, in the Japanese market orders received and net sales both increased year on year for highly versatile standardized products. For customized products, orders received decreased, but net sales increased substantially. In overseas markets, orders received increased primarily in Europe and North America. Net sales were mostly unchanged year on year, as increases in North America, Taiwan, and Southeast Asia were offset by decreases in China and Europe.

In the energy devices equipment field, orders received decreased in comparison to the same period of the previous year, when there was a large project mainly in Japan. However, net sales increased substantially due to the effect of the improvement of the production system in the previous fiscal year.

In the semiconductor equipment field, both orders received and net sales decreased substantially year on year, mainly due to the impact of memory-related investment restraint.

As a result, the equipment business on the whole saw orders received increase 8.9% to ¥14,510 million and net sales increase 11.8% year on year to ¥11,827 million. On the profit front, the Company recorded operating profit of ¥810 million, which was mostly unchanged from the same period of the previous fiscal year due to an increase in selling, general and administrative expenses.

	Previous consolidated 1 st quarter (fiscal 2023) (Millions of yen)	This consolidated 1 st quarter (fiscal 2024) (Millions of yen)	Change (%)
Orders received	13,325	14,510	8.9
Net sales	10,580	11,827	11.8
Operating profit	803	810	1.0

Service business

In the after-sales service and engineering field, orders received and net sales both increased year on year as preventative maintenance services and repair services were solid.

In laboratory testing services and facility rentals, orders received and net sales were both increased year on year, due to a brisk performance in laboratory testing services, centered on automotive rechargeable batteries.

As a result, the service business on the whole saw orders received increase 14.2% year on year to ¥2,186 million and net sales increase 11.0% to ¥1,767 million. On the profit front, the Company recorded operating profit of ¥147 million, an increase of 284.6% year on year, owing mostly to an increase in net sales and an improvement in the cost of sales ratio in laboratory testing services.

	Previous consolidated 1 st quarter (fiscal 2023) (Millions of yen)	This consolidated 1 st quarter (fiscal 2024) (Millions of yen)	Change (%)
Orders received	1,914	2,186	14.2
Net sales	1,592	1,767	11.0
Operating profit	38	147	284.6

Other business

In the other business field, which is centered on the environmental conservation and plant production systems business, the environmental conservation business performed strongly, particularly in waterfront biotope restoration. As a result, orders received increased 2.6% year on year to ¥421 million and net sales increased 4.2% to ¥207 million, but on the profit front, there was an operating loss of ¥34 million.

	Previous consolidated 1 st quarter (fiscal 2023) (Millions of yen)	This consolidated 1 st quarter (fiscal 2024) (Millions of yen)	Change (%)
Orders received	411	421	2.6
Net sales	199	207	4.2
Operating loss	(48)	(34)	—

* There are marked seasonal fluctuations in the Group's performance based on quarterly sales because of a strong trend toward 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 ¥72,850 million, a decrease of ¥5,385 million over the end of the previous consolidated fiscal year. The major factors included a decrease of ¥3,750 million due to the collection of trade receivables (notes and accounts receivable-trade, contract assets, and electronically recorded monetary claims-operating) recorded at the end of the previous fiscal year, a decrease in cash and deposits of ¥2,593 million in connection with factors such as the repayment of short-term borrowings, and an increase of ¥1,038 million in inventories such as work in process due to an increase in the order backlog. Liabilities were ¥19,328 million, a decrease of ¥6,191 million from the end of the previous fiscal year. Major factors included a decrease of ¥3,993 million in short-term borrowings, a decrease of ¥1,900 million in trade payables (notes and accounts payable-trade and electronically recorded obligations-operating), a decrease of ¥544 million in income taxes payable, and an increase of ¥194 million in provision for bonuses. Net assets were ¥53,521 million, an increase of ¥805 million against the end of the previous fiscal year. Major factors included an increase of ¥1,089 million in foreign currency translation adjustment and a decrease of ¥353 million in retained earnings due to recording ¥756 million in profit attributable to owners of parent in the first three months of fiscal year while there was appropriation of ¥1,103 million in profits as dividends.

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

Regarding the consolidated financial results for the first half and the full year of the fiscal 2024, the year ending March 31, 2025, the Company has not revised its initial forecasts because there are no circumstances that require us to revise our earnings plan.

2. Quarterly consolidated financial statements and significant notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	16,494	13,900
Notes and accounts receivable - trade, and contract assets	16,471	12,847
Electronically recorded monetary claims - operating	5,367	5,240
Securities	302	302
Merchandise and finished goods	3,226	3,183
Work in process	4,284	5,168
Raw materials and supplies	5,881	6,078
Other	2,711	2,385
Allowance for doubtful accounts	(63)	(44)
Total current assets	54,674	49,062
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,222	5,288
Land	5,226	5,252
Other, net	3,678	3,744
Total property, plant and equipment	14,126	14,285
Intangible assets		
Goodwill	1,621	1,568
Other	637	646
Total intangible assets	2,259	2,214
Investments and other assets	7,174	7,288
Total non-current assets	23,560	23,788
Total assets	78,235	72,850
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,523	4,125
Electronically recorded obligations - operating	4,443	2,941
Short-term borrowings	5,102	1,109
Income taxes payable	1,053	509
Provision for bonuses	621	815
Provision for bonuses for directors (and other officers)	14	—
Provision for product warranties	270	247
Provision for loss on orders received	5	4
Other	6,412	6,344
Total current liabilities	22,447	16,097
Non-current liabilities		
Long-term borrowings	128	109
Retirement benefit liability	264	267
Provision for share awards for directors (and other officers)	218	237
Provision for retirement benefits for directors (and other officers)	2	2
Asset retirement obligations	24	24
Other	2,433	2,589
Total non-current liabilities	3,072	3,230
Total liabilities	25,519	19,328

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Net assets		
Shareholders' equity		
Share capital	6,895	6,895
Capital surplus	7,053	7,053
Retained earnings	37,091	36,738
Treasury shares	(3,318)	(3,318)
Total shareholders' equity	47,722	47,369
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,110	2,186
Revaluation reserve for land	(663)	(663)
Foreign currency translation adjustment	3,434	4,523
Remeasurements of defined benefit plans	111	105
Total accumulated other comprehensive income	4,993	6,152
Total net assets	52,715	53,521
Total liabilities and net assets	78,235	72,850

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

Quarterly consolidated statements of income

(Three months ended June 30, 2024)

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	12,275	13,691
Cost of sales	8,042	8,890
Gross profit	4,232	4,800
Selling, general and administrative expenses		
Salaries and allowances	1,048	1,192
Provision for bonuses	85	90
Provision for share awards for directors (and other officers)	20	16
Provision for product warranties	34	11
Provision of allowance for doubtful accounts	1	—
Amortization of goodwill	31	63
Other	2,221	2,503
Total selling, general and administrative expenses	3,443	3,878
Operating profit	789	922
Non-operating income		
Interest income	6	13
Dividend income	49	87
Foreign exchange gains	87	72
Other	23	30
Total non-operating income	168	204
Non-operating expenses		
Interest expenses	6	7
Commission expenses	1	2
Other	1	3
Total non-operating expenses	10	12
Ordinary profit	947	1,114
Extraordinary income		
Gain on sale of non-current assets	—	0
Gain on sale of investment securities	—	106
Total extraordinary income	—	107
Extraordinary losses		
Loss on sale of non-current assets	0	—
Loss on retirement of non-current assets	4	1
Total extraordinary losses	4	1
Profit before income taxes	942	1,221
Income taxes - current	385	464
Profit	557	756
Loss attributable to non-controlling interests	(8)	—
Profit attributable to owners of parent	565	756

Quarterly consolidated statements of comprehensive income
(Three months ended June 30, 2024)

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	557	756
Other comprehensive income		
Valuation difference on available-for-sale securities	418	75
Foreign currency translation adjustment	813	1,089
Remeasurements of defined benefit plans, net of tax	0	(5)
Total other comprehensive income	1,232	1,159
Comprehensive income	1,789	1,915
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,797	1,915
Comprehensive income attributable to non-controlling interests	(8)	—

(3) Notes to the quarterly consolidated financial statements

Notes to changes in accounting policies

Application of the accounting standard for current income taxes and other related standards

Accounting standard for current income taxes and other related standards.

Effective from the beginning of the first three months of fiscal 2024, the year ending March 31, 2025, the Company has applied the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; hereinafter, the “2022 Revised Accounting Standard”) and other related standards. This change in accounting policy has had no effect on the Company.

Notes to accounting methods specific to the preparation of the 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 profit before income taxes for the current consolidated fiscal year, and then multiplying quarterly profit before income 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.

Notes on segment information, etc.

Segment information

I Previous consolidated 1st quarter (from April 1, 2023 to June 30, 2023)

1. Information concerning the net sales and profit 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	10,556	1,522	196	12,275	—	12,275
(2) Internal sales or transfers between segments	23	70	3	96	(96)	—
Total	10,580	1,592	199	12,372	(96)	12,275
Segment profit (loss)	803	38	(48)	792	(3)	789

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.

There were no significant changes in the amount of goodwill during the three months ended June 30, 2023.

II This consolidated 1st quarter (from April 1, 2024 to June 30, 2024)

1. Information concerning the net sales and profit 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	11,801	1,691	198	13,691	—	13,691
(2) Internal sales or transfers between segments	26	76	9	112	(112)	—
Total	11,827	1,767	207	13,803	(112)	13,691
Segment profit (loss)	810	147	(34)	923	(1)	922

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.

There were no significant changes in the amount of goodwill during the three months ended June 30, 2024.

Notes on significant changes in shareholders' equity
Not applicable

Notes on the assumption of a going concern
Not applicable

Notes to the quarterly consolidated statements of cash flows

The Company has not prepared a quarterly consolidated statement of cash flows for the first three months of fiscal 2024, the year ending March 31, 2025. Depreciation (including amortization related to intangible assets other than goodwill) and amortization of goodwill for the first three months of fiscal 2024 are as follows.

(Millions of yen)

	Previous consolidated 1st quarter (from April 1, 2023 to June 30, 2023)	This consolidated 1st quarter (from April 1, 2024 to June 30, 2024)
Depreciation	362	440
Amortization of goodwill	31	63