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November 12, 2024

Consolidated Financial Results for the Six Months Ended September 30, 2024 (Under Japanese GAAP)

Company name: ESPEC CORP.
 Listing: Tokyo Stock Exchanges
 Securities code: 6859
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 Scheduled date to file interim securities report: November 13, 2024
 Scheduled date to commence dividend payments: December 10, 2024
 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, 2024 (from April 1, 2024 to September 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	%
Six months ended September 30, 2024	30,464	11.8	3,296	41.2	3,398	34.5	2,452	48.3
September 30, 2023	27,257	18.8	2,333	67.2	2,526	45.9	1,653	68.1

Note: Comprehensive income For the Six months ended September 30, 2024 ¥ 1,461 million [-56.1 %]
 For the Six months ended September 30, 2023 ¥ 3,331 million [46.3 %]

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
Six months ended September 30, 2024	112.34	-	-	-
September 30, 2023	75.76	-	-	-

(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, 2024	70,600	53,068	75.2	2,430.72
March 31, 2024	78,235	52,715	67.4	2,414.58

Reference: Equity As of September 30, 2024 ¥ 53,068 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	-	35.00			
Fiscal year ending March 31, 2025 (Forecast)			-	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
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 interim consolidated financial statements: Yes

For details, see “Notes to accounting methods specific to the preparation of the interim 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 September 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 September 30, 2024	1,949,105 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)

Six months ended September 30, 2024	21,832,306 shares
Six months ended September 30, 2023	21,832,414 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.3 for forecast assumptions and notes of caution for usage.

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1. Qualitative information concerning interim consolidated financial results

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

(1) Description of operating results

During the first six 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 six months ended September 30, 2024, orders received increased 9.5% year on year to ¥36,621 million, mainly due to strong order trends in Japan and overseas. Net sales rose 11.8% year on year to ¥30,464 million, due to factors such as the effects of increasing domestic production capacity. On the profit front, operating profit was ¥3,296 million, a year-on-year increase of 41.2%. This increase was mainly due to higher sales and improvement in the cost-of-sales ratio, which offset an increase in selling, general and administrative expenses. Profit attributable to owners of parent increased by 48.3% year on year to ¥2,452 million. Record highs were achieved across all levels of orders received, net sales, and profits.

	Previous consolidated 2 nd quarter (fiscal 2023) (Millions of yen)	This consolidated 2 nd quarter (fiscal 2024) (Millions of yen)	Change (%)
Orders received	33,440	36,621	9.5
Net sales	27,257	30,464	11.8
Operating profit	2,333	3,296	41.2
Ordinary profit	2,526	3,398	34.5
Profit attributable to owners of parent	1,653	2,452	48.3

Performance by segment

This consolidated 2nd quarter (Fiscal 2024)

	Orders received (Millions of yen)	Net sales (Millions of yen)	Operating profit (loss) (Millions of yen)
Equipment business	31,868	26,469	3,013
Service business	4,176	3,701	324
Other business	808	521	(31)
Elimination	(232)	(227)	(10)
Total	36,621	30,464	3,296

Equipment business

In the environmental test chambers field, in the Japanese market orders received for highly versatile standardized products were mostly unchanged year on year, while net sales of these products increased. For customized products, orders received and net sales both increased, reflecting strong performance trends mainly in the automotive-related area. In overseas markets, orders received increased primarily in China, Korea and Europe. Net sales were mostly unchanged year on year, as increases in North America, Southeast Asia and Taiwan were offset by decreases in 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 recording of equipment sales for Japan and North America.

In the semiconductor equipment field, orders received increased substantially year on year due to an order for a large server-related project. However, net sales decreased substantially due to the impact of memory-related investment restraint.

As a result, the equipment business on the whole saw orders received increase 9.1% to ¥31,868 million and net sales increase 12.5% year on year to ¥26,469 million. On the profit front, operating profit increased 38.5% year on year to ¥3,013 million due to higher sales and an improvement in the cost-of-sales ratio, while there was an increase in selling, general and administrative expenses.

	Previous consolidated 2 nd quarter (fiscal 2023) (Millions of yen)	This consolidated 2 nd quarter (fiscal 2024) (Millions of yen)	Change (%)
Orders received	29,198	31,868	9.1
Net sales	23,533	26,469	12.5
Operating profit	2,175	3,013	38.5

Service business

In the after-sales service and engineering field, orders received and net sales both increased year on year as both 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 10.3% year on year to ¥4,176 million and net sales increase 7.4% to ¥3,701 million. On the profit front, the Company recorded operating profit of ¥324 million, an increase of 30.3% year on year, owing to an increase in net sales and an improvement in the cost of sales ratio in laboratory testing services.

	Previous consolidated 2 nd quarter (fiscal 2023) (Millions of yen)	This consolidated 2 nd quarter (fiscal 2024) (Millions of yen)	Change (%)
Orders received	3,785	4,176	10.3
Net sales	3,445	3,701	7.4
Operating profit	249	324	30.3

Other business

In the other business field, which is centered on the environmental conservation and plant production systems business, performance was strong in areas such as waterfront biotope restoration and rooftop greening. As a result, orders received increased 23.2% year on year to ¥808 million and net sales increased 9.6% to ¥521 million. However, on the profit front, there was an operating loss of ¥31 million, despite some improvement from the same period of the previous year.

	Previous consolidated 2 nd quarter (fiscal 2023) (Millions of yen)	This consolidated 2 nd quarter (fiscal 2024) (Millions of yen)	Change (%)
Orders received	655	808	23.2
Net sales	475	521	9.6
Operating loss	(88)	(31)	—

* 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 quarters as a result of customers' budget implementation.

(2) Description of financial position

Total assets at the end of the interim consolidated accounting period were ¥70,600 million, a decrease of ¥7,635 million over the end of the previous consolidated fiscal year. The major factors included a decrease of ¥3,665 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 ¥2,724 million in connection with factors such as the repayment of short-term borrowings, and a decrease of ¥502 million in investments and other assets due to factors such as a decrease in investment securities through a decline in the market value of shareholdings.

Liabilities were ¥17,531 million, a decrease of ¥7,987 million from the end of the previous fiscal year. Major factors included a decrease of ¥4,005 million in short-term borrowings, a decrease of ¥3,190 million in trade payables (notes and accounts payable-trade and electronically recorded obligations-operating), a decrease of ¥250 million in income taxes payable.

Net assets were ¥53,068 million, an increase of ¥352 million against the end of the previous fiscal year. The major factors included an increase of ¥1,343 million in retained earnings due to recording ¥2,452 million in profit attributable to owners of parent in the six months ended September 30, 2024, while there was appropriation of ¥1,103 million in profits as dividends, along with a decrease of ¥621 million in foreign currency translation adjustment and a decrease of ¥358 million in valuation difference on available-for-sale securities.

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

Regarding the consolidated financial results for the full fiscal 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. Interim consolidated financial statements and significant notes

(1) Interim consolidated balance sheets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	16,494	13,769
Notes and accounts receivable - trade, and contract assets	16,471	13,759
Electronically recorded monetary claims - operating	5,367	4,413
Securities	302	302
Merchandise and finished goods	3,226	3,315
Work in process	4,284	4,510
Raw materials and supplies	5,881	5,554
Other	2,711	2,043
Allowance for doubtful accounts	-63	-42
Total current assets	54,674	47,624
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,222	5,051
Land	5,226	5,202
Other, net	3,678	3,893
Total property, plant and equipment	14,126	14,148
Intangible assets		
Goodwill	1,621	1,487
Other	637	667
Total intangible assets	2,259	2,155
Investments and other assets	7,174	6,671
Total non-current assets	23,560	22,975
Total assets	78,235	70,600
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,523	3,792
Electronically recorded obligations - operating	4,443	1,984
Short-term borrowings	5,102	1,096
Income taxes payable	1,053	802
Provision for bonuses	621	524
Provision for bonuses for directors (and other officers)	14	—
Provision for product warranties	270	253
Provision for loss on orders received	5	2
Other	6,412	6,088
Total current liabilities	22,447	14,546
Non-current liabilities		
Long-term borrowings	128	48
Retirement benefit liability	264	276
Provision for share awards for directors (and other officers)	218	251
Provision for retirement benefits for directors (and other officers)	2	2
Asset retirement obligations	24	25
Other	2,433	2,381
Total non-current liabilities	3,072	2,985
Total liabilities	25,519	17,531

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Net assets		
Shareholders' equity		
Share capital	6,895	6,895
Capital surplus	7,053	7,053
Retained earnings	37,091	38,434
Treasury shares	-3,318	-3,318
Total shareholders' equity	47,722	49,065
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,110	1,752
Revaluation reserve for land	-663	-663
Foreign currency translation adjustment	3,434	2,813
Remeasurements of defined benefit plans	111	99
Total accumulated other comprehensive income	4,993	4,002
Total net assets	52,715	53,068
Total liabilities and net assets	78,235	70,600

(2) Interim consolidated statements of income and interim consolidated statements of comprehensive income

Interim consolidated statements of income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	27,257	30,464
Cost of sales	17,771	19,326
Gross profit	9,485	11,137
Selling, general and administrative expenses		
Salaries and allowances	2,109	2,347
Provision for bonuses	142	172
Provision for share awards for directors (and other officers)	33	29
Provision for product warranties	90	54
Provision of allowance for doubtful accounts	3	—
Amortization of goodwill	73	126
Other	4,698	5,109
Total selling, general and administrative expenses	7,151	7,841
Operating profit	2,333	3,296
Non-operating income		
Interest income	20	30
Dividend income	102	144
Foreign exchange gains	61	—
Other	40	110
Total non-operating income	225	285
Non-operating expenses		
Interest expenses	15	13
Commission expenses	4	4
Foreign exchange losses	—	159
Other	13	4
Total non-operating expenses	32	182
Ordinary profit	2,526	3,398
Extraordinary income		
Gain on sale of non-current assets	0	1
Gain on sale of investment securities	—	106
Total extraordinary income	0	107
Extraordinary losses		
Loss on sale of non-current assets	0	—
Loss on retirement of non-current assets	5	1
Total extraordinary losses	5	1
Profit before income taxes	2,520	3,504
Income taxes - current	860	1,052
Profit	1,660	2,452
Profit attributable to non-controlling interests	6	—
Profit attributable to owners of parent	1,653	2,452

Interim consolidated statements of comprehensive income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	1,660	2,452
Other comprehensive income		
Valuation difference on available-for-sale securities	386	-358
Foreign currency translation adjustment	1,284	-621
Remeasurements of defined benefit plans, net of tax	0	-11
Total other comprehensive income	1,671	-990
Comprehensive income	3,331	1,461
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,325	1,461
Comprehensive income attributable to non-controlling interests	6	—

(3) Notes to the interim consolidated financial statements

Notes to changes in accounting policies

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

Effective from the beginning of the current consolidated fiscal year, the year ending March 31, 2025, the Company has applied the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022) 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 interim 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 interim 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 2nd quarter (from April 1, 2023 to September 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 interim consolidated statements of income ²
	Equipment business	Service business	Other business			
Net sales						
(1) Sales to external customers	23,506	3,279	470	27,257	—	27,257
(2) Internal sales or transfers between segments	26	165	5	197	(197)	—
Total	23,533	3,445	475	27,454	(197)	27,257
Segment profit (loss)	2,175	249	(88)	2,336	(2)	2,333

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 interim 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 amount of goodwill increased by ¥1,191 million as COSMOPIA HIGHTECH CORP. accepted the transfer of business from Johnson Controls-Hitachi Air Conditioning Inc.

II This consolidated 2nd quarter (from April 1, 2024 to September 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 interim consolidated statements of income ²
	Equipment business	Service business	Other business			
Net sales						
(1) Sales to external customers	26,420	3,535	508	30,464	—	30,464
(2) Internal sales or transfers between segments	48	165	13	227	(227)	—
Total	26,469	3,701	521	30,692	(227)	30,464
Segment profit (loss)	3,013	324	(31)	3,307	(10)	3,296

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 interim 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 six months ended September 30, 2024.

Notes on the assumption of a going concern
Not applicable

Notes on significant changes in shareholders' equity
Not applicable