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\*Extracts from the fiscal results briefing for FY2021

# Medium-term management plan “Progressive Plan 2025”

Plan Implementation Period FY2022-FY2025

May 25, 2022

# Looking Back on “Progressive Plan 2021”

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## Basic Policy

Stable sustainable growth through strategic investment  
and steady "improvement of quality"

- Promotion of globalization targeting growth areas and improvement of customization capabilities
  - Lessening of fluctuations in business performance and development of businesses in new fields to achieve next-generation growth
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- In FY2018, achieved record-high results and reached our operating profit target
  - In FY2019 and FY2020, the operating environment worsened because of frictions between the U.S. and China and COVID-19.
  - From the latter half of FY2020, orders received recovered, and reached record highs in FY2021, but did not result in earnings due to component procurement difficulties.

# Management Targets and Actual Results in “Progressive Plan 2021”

(Millions of yen)

	Medium-term management plan 2017	Medium-term management plan 2021				
	FY 2017 Results	FY 2018 Results	FY 2019 Results	FY 2020 Results	FY 2021 Results	FY 2021 Initial Target
Net sales	44,069	50,580 47,060*	42,443	38,668	41,852	52,000
Operating profit	4,602	5,827 5,470*	3,742	2,572	1,968	5,200
Operating profit ratio	10.4%	11.5% 11.6%*	8.8%	6.7%	4.7%	10.0%
ROE	8.6%	10.5% 9.9%*	6.6%	4.5%	4.2%	8.5%
Overseas sales ratio	44.2%	51.0% 47.5%*	43.9%	46.1%	50.4%	50%
Reference: Exchange rate (U.S. dollars)	112 yen	110 yen	108 yen	106 yen	112 yen	110 yen (assumption)

\*FY2018 was an irregular 15-month fiscal period for overseas consolidated subsidiaries. Reference figures showing a 12-month period have also been included.

# Results and Management Issues in “Progressive Plan 2021”

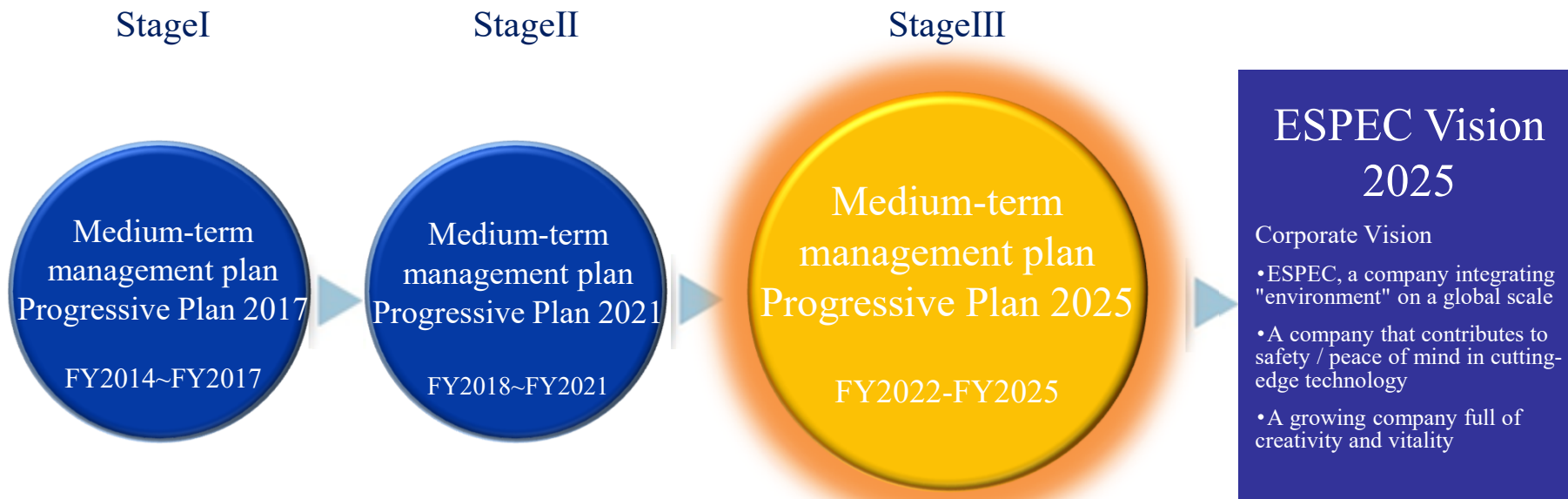
In the target market of cutting-edge technology fields, we increased orders received and net sales, and were able to build a business foundation on which to grow toward digitalization and a decarbonized society. One issue was strengthening our responsiveness amid rapid changes in the business environment.

Key Strategies	Results	Management Issues
Equipment Business <ul style="list-style-type: none"> <li>•Expand revenues in automobile and IoT fields</li> <li>•Expand environmental factor technology</li> <li>•Develop businesses in new fields</li> </ul>	<ul style="list-style-type: none"> <li>•Increased orders received in IoT field</li> <li>•Improved earnings of customized products</li> <li>•Promoted open innovation</li> <li>•Acquired fluid control technology through M&amp;A</li> <li>•Launched products for vaccine cold chain</li> </ul>	<ul style="list-style-type: none"> <li>•Taking initiative to seize demand in cutting-edge technology fields, and commercialization</li> <li>•Further promotion of globalization</li> <li>•Increasing sales of energy device equipment and semiconductor equipment</li> <li>•Making new businesses profitable</li> <li>•Stable procurement</li> </ul>
Service Business <ul style="list-style-type: none"> <li>•Develop a service menu</li> <li>•Expand the laboratory testing services business</li> </ul>	<ul style="list-style-type: none"> <li>•Enhanced new services harnessing IT</li> <li>•Strengthened laboratory testing equipment, enhanced services</li> </ul>	
Global <ul style="list-style-type: none"> <li>•Marketing Enhancement</li> <li>•Build an optimal worldwide manufacturing system</li> </ul>	<ul style="list-style-type: none"> <li>•Expanded the Chinese business</li> <li>•Developed the European market</li> <li>•Strengthened systems for technological support in Southeast Asia</li> <li>•Increased production capacity (Japan, U.S.)</li> </ul>	
Management Base Strengthening•ESG <ul style="list-style-type: none"> <li>•Promoting medium-term plan on the environment, contribution to the SDGs</li> <li>•Human Resource Development, diversity</li> <li>•Enhancement of corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>•Formulated a sustainability policy and identified important issues</li> <li>•Strengthened climate change countermeasures, and obtained a B score from the CDP</li> <li>•Strengthened educational systems, and promoted active roles for senior employees</li> <li>•Compatibility with the Corporate Governance Code</li> </ul>	<ul style="list-style-type: none"> <li>•Promotion of sustainable management</li> <li>•Organizational activity and human resource training</li> <li>•Strengthening the Group’s governance</li> </ul>

# Positioning of “Progressive Plan 2025”

In order to achieve “ESPEC Vision 2025,” we have formulated and implemented medium-term management plans in cycles of four years for Stage I-III

The new medium-term management plan that begins in FY2022 is the final stage. We will steadily implement strategies and aim to achieve our vision.



# Overall Structure of “Progressive Plan 2025”

## Basic Policy

Breaking through the inertia and the habits of individuals and workplaces and contributing to the practical application of advanced technologies.

- Aggressive investment in growth fields to provide products and services that contribute to the IoT and next-generation automobile markets.
- Improve the ability to respond to changes for business opportunities and unforeseen circumstances.

## Management Strategy

1. Environmental Testing Business Strategy
2. Global Strategy
3. New Business Strategy
4. Monozukuri (Manufacturing) Reform and DX Strategy
5. Organizational Development and Human Resources Development Strategy
6. Management Base Strengthening Strategy (Environment/Society/Governance)

# Management Targets in “Progressive Plan 2025”

	FY 2021 Results	FY 2025 Targets	Rate of Increase
Net sales	41.8 billion yen	55 billion yen	+30%
Operating Profit	1.9 billion yen	7 billion yen	+260%
Operating Profit Ratio	4.7%	12.7%	+8pt
ROE	4.2%	10%	+5.8pt

## Reference

Exchange rate (USD) Actual FY2021 rate: ¥112, Assumed FY2025 rate: ¥115

# Management Targets by Business Segment

(Millions of yen)

Item	Business Segment	FY2021 Results	FY 2025 Targets	Rate of Increase
Net Sales	Equipment Business	34,518	45,900	+30%
	Service Business	6,407	7,700	+20%
	Other Business	1,188	1,800	+50%
	Elimination	-261	-400	-
	Total	41,852	55,000	+30%
Operating Profit Profit Ratio(%)	Equipment Business	1,370 4.0%	5,950 13.0%	+330%
	Service Business	618 9.7%	1,000 13.0%	+60%
	Other Business	-23 -2.0%	50 2.8%	-
	Elimination	2	0	-
	Total	1,968 4.7%	7,000 12.7%	+260%



# Key Markets (Cutting-Edge Technology Fields)



## IoT field

**High-speed data transmission**  
Handheld devices, base stations

**Cutting-edge semiconductors**  
High-speed graphic devices etc.

**Data storage**  
Memory devices, servers

## Next-generation automobile fields

**Electrification**  
Batteries, power semiconductors, motors

**Automation**  
Cameras, millimeter-wave radar, LIDAR

**Connectivity**  
In-vehicle network devices, displays

For complete coordination of environmental tests!  
Capture demand for tests that are becoming more sophisticated through equipment, services and technology

## Expanded advanced tests

High heat generation  
Rapid temperate changes  
Developing large sizes



# 1. Environmental Testing Business Strategy

## Equipment Business Segment

### Equipment Business

An essential presence for global cutting-edge technologies!

- 1 Expand product lineup in core cutting-edge technology fields (IoT, next-generation automobiles)
- 2 Strengthen competitiveness in customized products globally and develop new markets
- 3 Expand new environmental factor technologies through the promotion of open innovation

### Medium-Term Management Targets

(Millions of yen)

	FY2021 Results	FY2025 Targets	Rate of Increase
Net Sales	34,518	45,900	+30%
Operating Profit	1,370	5,950	+330%
Profit Ratio(%)	4.0%	13.0%	

# 1. Environmental Testing Business Strategy

## Service Business Segment

### Service Business

Helping to relieve customers' troubles!

- 1 Transition to a full technical support business that solves customers' concerns
- 2 Expansion of tests for cutting-edge technology fields and sophistication of test technology

### Medium-Term Management Targets

(Millions of yen)

	FY2021 Results	FY2025 Targets	Rate of Increase
Net Sales	6,407	7,700	+20%
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## 2. Global Strategy

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### Global Business

Contribute to the development of the world's cutting-edge technology fields!

- 1 Enhance marketing in China, South Korea, and Europe

	FY2021 Results	FY2025 Rate of Increase Targets
China	9 billion yen	+50%
South Korea	1.5 billion yen	+100%
Europe	1.8 billion yen	+50%

### 3. New Business Strategy

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#### New Business

Establish new business pillars!

- 1 Establish a foundation for new business and venture into new fields

**Pharmaceutical cold  
chain business**

**Food machinery  
business**

**Thermal solutions  
business**

**Biodiversity business**

## 4. Monozukuri (Manufacturing) Reform and DX Strategy

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### Monozukuri (Manufacturing) Reform

Manufacturing that will capture new demand before competitors!

- 1 Cutting-edge, customized manufacturing through digital technology

### DX Strategy

Transformation of business models!

- 1 Strengthening customer connection points and accumulating and sharing internal information by utilizing data
- 2 Renewing business styles through digital technology

## 5. Organizational Development and Human Resources Development Strategy

### 6. Management Base Strengthening Strategy

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#### Organizational Development and Human Resources Development

Becoming a growth company overflowing with creativity and vitality!

- 1 Promote the corporate philosophy internally and create an organization that develops autonomous employees
- 2 Promote leadership reforms and re-learning
- 3 DX, develop global human resources and promote activity of diverse employees

#### Management Base Strengthening

Creating a foundation to support sustainable growth!

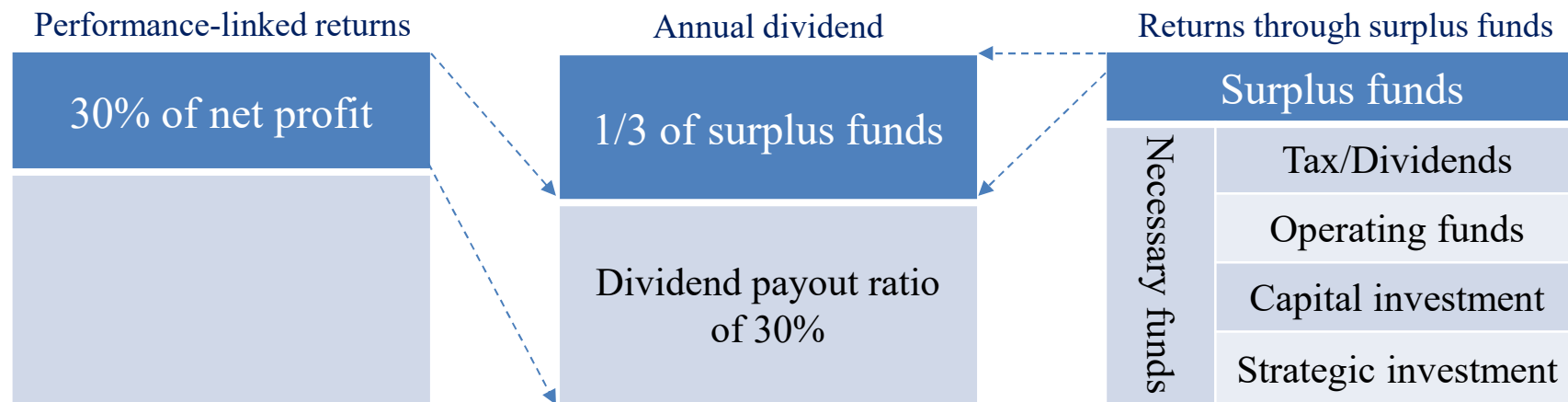
- 1 Increase the level of and quality systems and stable procurement
- 2 Corporate governance to support sustainable, sound growth
- 3 Achieve the goals of the 8th Medium-Term Plan on the Environment

# Financial Strategy and Shareholder Returns

- We will strive to improve profitability and efficiency, and actively conduct growth investments (including M&A) aimed at sustainable growth
- Aim to improve the stability of the financial base and capital efficiency  
Target: ROE of 10%
- While taking into account a necessary level of internal reserves, we flexibly implement acquisition of treasury shares

## Basic Dividend Policy:

In addition to a dividend payout ratio of 30%, we will add dividends with 1/3 of the excess amount of scheduled necessary funds as a baseline.



\*We will maintain stable dividends of ¥20 per year regardless of profit levels, but will conduct a reevaluation in the event that we record a loss for two consecutive periods.



# The 8th Mid-Term Plan on the Environment (FY2022-FY2025)

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## Basic Policy

Make contributions through business to customers who are developing green technology

Strengthen initiatives mainly through global warming countermeasures and biodiversity conservation activities

FY2025 Targets:

- SCOPE3 Reduce CO<sub>2</sub> emissions by 10% compared to FY2019
- SCOPE1+2 Reduce CO<sub>2</sub> emissions by 55% compared to FY2019
- ESPEC MIC Corp. will contribute 95t (total) of carbon fixation through 50,000 trees planted
- Biodiversity conservation activities through a Corporate Forest in Sanda City, Hyogo Prefecture

# Investment Plan

	FY2018-2021 Results	FY2022-2025 Targets	Rate of increase
Strategic investment	4.35 billion yen	6.0-6.5 billion yen	+40-50%
Ordinary investment	1.8 billion yen	3.0-3.5 billion yen	+70-90%
Total	6.15 billion yen	9-10 billion yen	+50-60%
R&D expenditures	4.8 billion yen	6 billion yen	+25%
Investment in human resources	280 million yen	480 million yen	+70%

## Main investment content

Increasing production capacity and further efficiency,  
expanding laboratory testing equipment, expanding new services, M&A, etc.

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These materials contain forward-looking statements, including the Company's present plans and forecasts of performance, that reflect the Company's plans and forecasts based on the information presently available. These forward-looking statements are not guarantees of future performance, and plans, forecasts, and performance are subject to change depending on future conditions and various other factors.

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