

Securities ID code:6859

ESPEC CORP.

Results Briefing

for the Three Months Ended June 30, 2023

August 23, 2023
ESPEC CORP.

Financial Result for the Three Months Ended June 30, 2023

- Orders received remained at a high level due to strong performances in the IoT field and for EV
- Sales and profits increased significantly, reaching record highs, due to securing parts and strengthening production response

	Year on Year	Comparison with Forecasts
■ Orders Received	<p>Decreased compared to the same quarter of the previous fiscal year when there were advance orders resulting from extended product delivery schedules in connection with parts procurement difficulties, but remained at a high level</p> <p>△</p>	<p>All business segments exceeded. Environmental test chambers and energy device equipment in the Equipment Business, in particular, exceeded.</p> <p>○</p>
■ Net Sales	<p>Increased in all segments, particularly increasing substantially in the Equipment Business (environmental test chambers)</p> <p>○</p>	<p>All business segments slightly exceeded and in line with expectations</p> <p>○</p>
■ Operating Profit	<p>Substantially increased as a result of increased sales despite an increase in selling, general and administrative expenses</p> <p>○</p>	<p>Selling, general and administrative expenses exceeded expectations, but better-than-expected net sales kept forecasts in line</p> <p>○</p>
■ Ordinary Profit Profit Attributable to Owners of Parent	<p>Substantially increased due to the increase in operating profit</p> <p>○</p>	<p>Above forecast due to the increase in operating profit</p> <p>○</p>

Summary of Profits and Losses

(Millions of yen)

	FY2022 1Q Results	FY2023 1Q Results	Year on Year
Orders Received	16,493	15,539	-5.8%
Net Sales	8,725	12,275	+40.7%
Cost of Net Sales Cost of Sales Ratio	5,820 66.7%	8,042 65.5%	+38.2% 1.2pt melioration
Gross Profit	2,905	4,232	+45.7%
SG&A	3,037	3,443	+13.4%
Operating Profit	-131	789	-
Ordinary Profit	111	947	+749.7%
Profit Attributable to Owners of Parent	-62	565	-

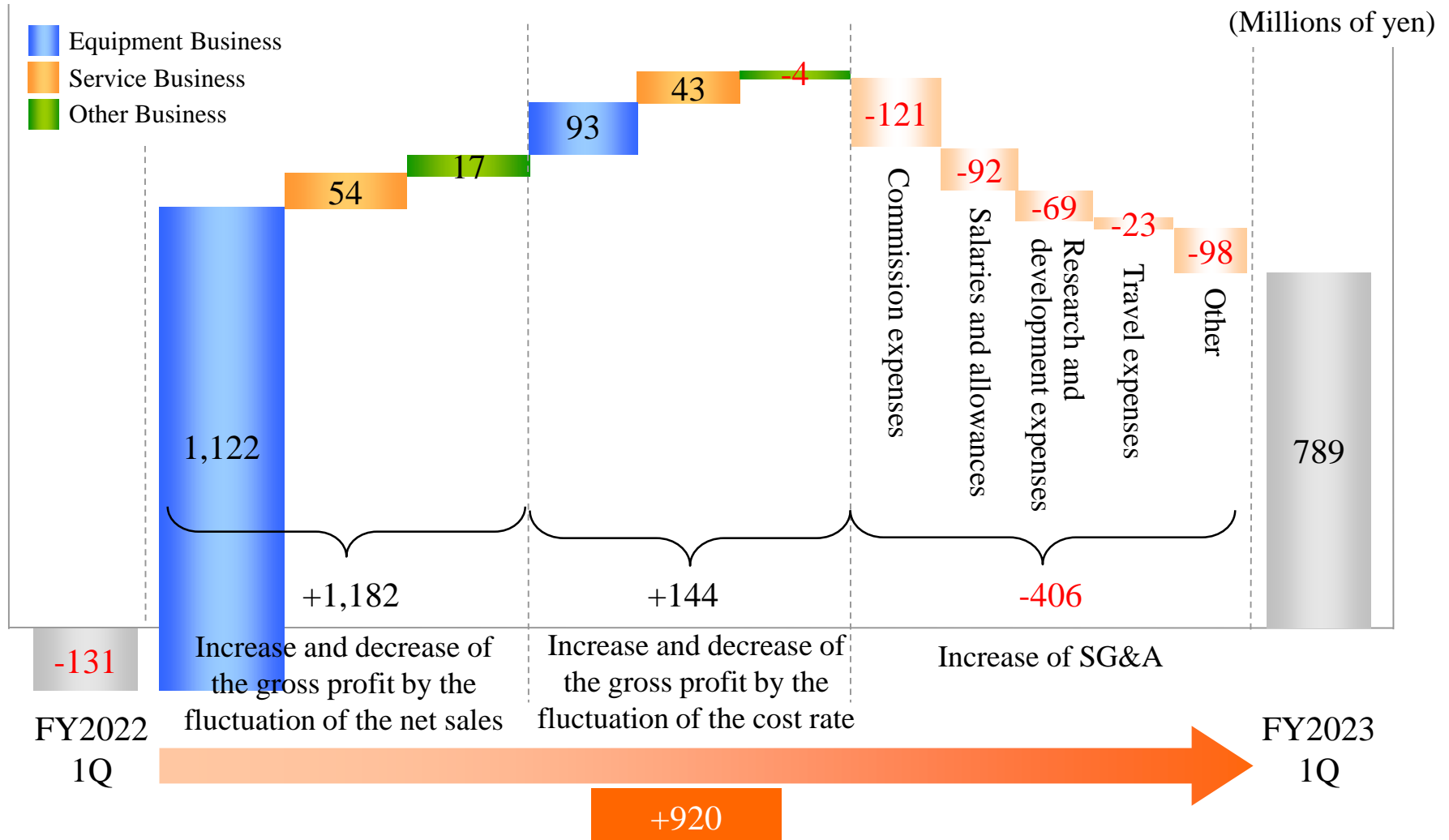
Performance by Segment

(Millions of yen)

		FY2022 1Q Results	FY2023 1Q Results	Year on Year
Equipment Business	Orders Received	14,406	13,325	-7.5%
	Net Sales	7,221	10,580	+46.5%
	Operating Profit	-45	803	-
Service Business	Orders Received	1,820	1,914	+5.2%
	Net Sales	1,421	1,592	+12.0%
	Operating Profit	-27	38	-
Other Business	Orders Received	334	411	+22.9%
	Net Sales	135	199	+46.8%
	Operating Profit	-56	-48	-
Elimination	Orders Received	-67	-112	-
	Net Sales	-52	-96	-
	Operating Profit	-0	-3	-
Total	Orders Received	16,493	15,539	-5.8%
	Net Sales	8,725	12,275	+40.7%
	Operating Profit	-131	789	-

Analysis of Operating Profit Increase and Decrease Factors

Despite an increase in selling, general and administrative expenses, profit increased substantially due mainly to increased sales in the Equipment Business



Note: Totals have been calculated using the gross profit per net sales rate.

Equipment Business

(Millions of yen)

	FY2022 1Q Results	FY2023 1Q Results	Year on Year
Orders Received	14,406	13,325	-7.5%
Net Sales	7,221	10,580	+46.5%
Operating Profit	-45	803	-
Profit Ratio(%)	-0.6%	7.6%	-

Environmental Test Chambers

- In Japan, orders received decreased year on year in highly versatile standardized products but increased in customized products, mainly in automotive-related area, and net sales increased significantly.
- In overseas markets, orders received were down year on year, but net sales rose in all areas, particularly with year on year increases in China, North America and Europe.

Energy Device Equipment

- Both orders received and net sales substantially increased year on year due to strong sales of chambers for charge-discharge testing mainly in the Japanese market due to the expansion of investment for electric vehicles (EV) and secondary batteries.

Semiconductor Equipment

- Orders received and net sales both increased year on year against a backdrop of demand for inspections on semiconductors installed in automobiles, despite mainstay burn-in chambers being impacted by factors delays in customer plans.

Service Business

(Millions of yen)

	FY2022 1Q Results	FY2023 1Q Results	Year on Year
Orders Received	1,820	1,914	+5.2%
Net Sales	1,421	1,592	+12.0%
Operating Profit	-27	38	-
Profit Ratio(%)	-2.0%	2.4%	-

After-Sales Service and Engineering

- Orders received was on a par year on year but net sales increased year on year as preventative maintenance services and repair services were solid.

Laboratory Testing Services and Facility Rentals

- Orders received and net sales were both increased year on year, due to a strong performance in laboratory testing services, centered on automotive rechargeable batteries.

Other Business

(Millions of yen)

	FY2022 1Q Results	FY2023 1Q Results	Year on Year
Orders Received	334	411	+22.9%
Net Sales	135	199	+46.8%
Operating Profit Profit Ratio(%)	-56 -41.8%	-48 -24.5%	-

Environmental Preservation, Plant Production Systems

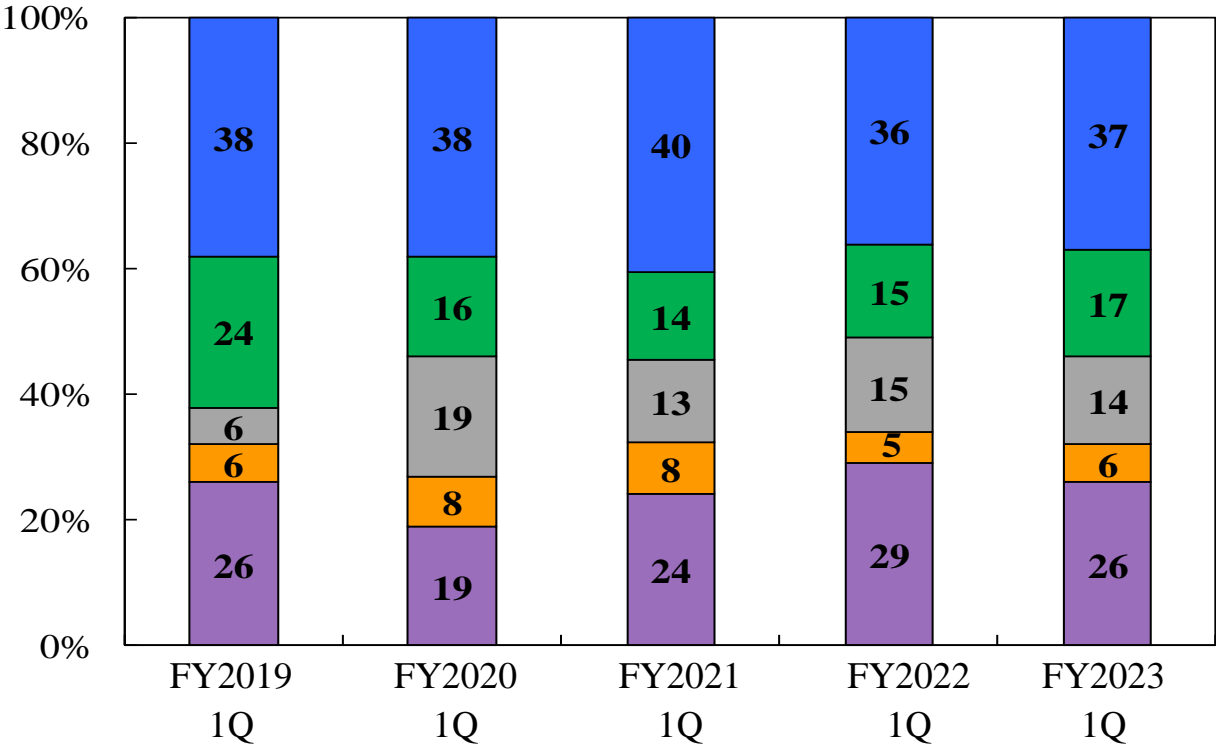
- Orders received for plant research devices increased year on year and orders received were captured for aquaponics, which combines hydroponics and land-based cultivation.

Sales by Market

Stronger procurement activities assured production volume and net sales increased in all markets.
In particular, expanded mainly in IoT and EV-related markets, which are in the cutting-edge technology field.

Non-Consolidated (Equipment Business)

- Electronic device and equipment market
- Automobile market
- Semiconductor market
- Research institute market
- Other markets

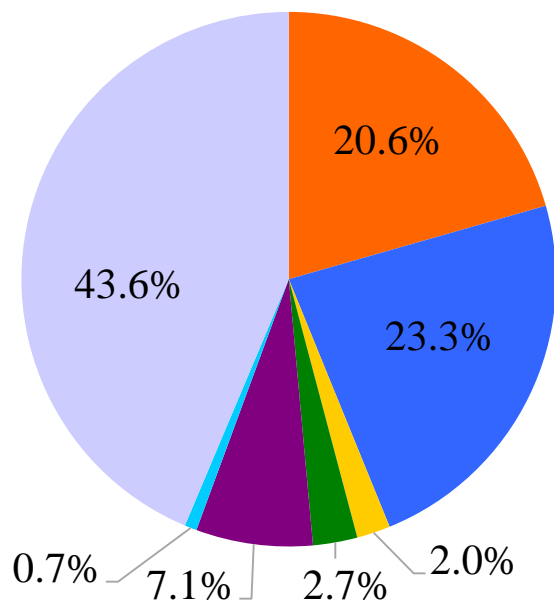


Sales by Region

Net sales increased in all regions. The overseas sales ratio rose as net sales increased particularly from China, North America and Europe.

FY2022 1Q

Overseas sales ratio: 56.4%



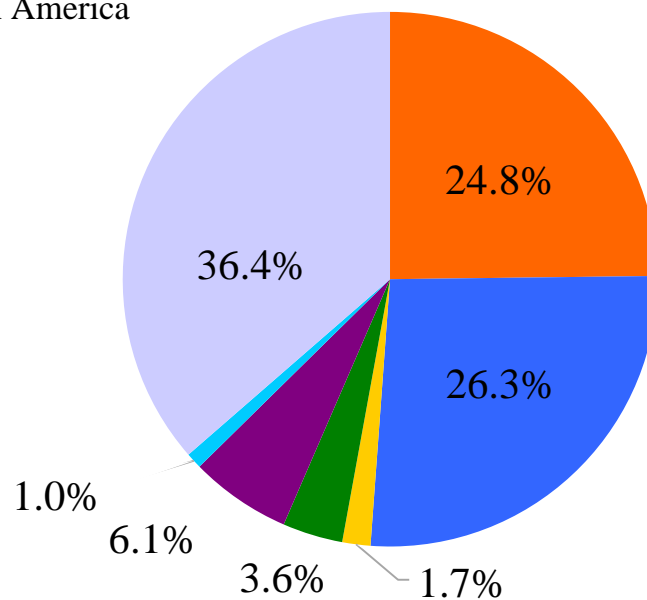
Total: ¥8,725 million

Overseas sales: ¥4,918 million

FY2023 1Q

Overseas sales ratio: 63.6%

- Europe & North America
- China
- Taiwan
- South Korea
- South East Asia
- Other
- Japan



Total: ¥12,275 million

Overseas sales: ¥7,808 million

Forecasts for FY2023

(Millions of yen)

	FY2022	FY2023				
	Full Year Results	1Q Results	Forecasts			
			1H	2H	Full Year	Year on Year
Orders Received	59,521	15,539	26,500	27,500	54,000	-9.3%
Net Sales	52,892	12,275	26,000	30,000	56,000	+5.9%
Gross Profit	17,957	4,232	8,750	10,250	19,000	+5.8%
Profit Ratio (%)	34.0%	34.5%	33.7%	34.2%	33.9%	-0.1pt
SG&A	13,590	3,443	6,900	7,100	14,000	+3.0%
SG&A Ratio (%)	25.7%	28.1%	26.5%	23.7%	25.0%	-0.7pt
Operating Profit	4,366	789	1,850	3,150	5,000	+14.5%
Profit Ratio(%)	8.3%	6.4%	7.1%	10.5%	8.9%	+0.6pt
Ordinary Profit	4,664	947	1,950	3,150	5,100	+9.3%
Profit Ratio(%)	8.8%	7.7%	7.5%	10.5%	9.1%	+0.3pt
Profit Attributable to Owners of Parent	3,330	565	1,300	2,350	3,650	+9.6%
Profit Ratio (%)	6.3%	4.6%	5.0%	7.8%	6.5%	+0.2pt

Return on equity (ROE): FY2023 target 7.5% (up 0.3-point year on year)

*Disclosed on August 9, 2023, in “Notice Concerning the Partial Acquisition of Business and Establishment of New Company”.

The impact on the financial performance of the Company is currently being examined.

Segment Financial Forecasts

(Millions of yen)

		FY2022	FY2023				
		Full Year Results	1Q Results	Forecasts			
				1H	2H	Full Year	Year on Year
Equipment Business	Orders Received	51,446	13,325	22,550	22,950	45,500	-11.6%
	Net Sales	45,031	10,580	22,450	25,250	47,700	+5.9%
	Operating Profit	3,919	803	1,870	2,800	4,670	+19.1%
Service Business	Orders Received	6,963	1,914	3,350	3,650	7,000	+0.5%
	Net Sales	6,788	1,592	3,150	3,750	6,900	+1.6%
	Operating Profit	428	38	30	270	300	-29.9%
Other Business	Orders Received	1,469	411	750	1,050	1,800	+22.5%
	Net Sales	1,404	199	550	1,150	1,700	+21.0%
	Operating Profit	16	-48	-50	80	30	+81.3%
Elimination	Orders Received	-359	-112	-150	-150	-300	-
	Net Sales	-330	-96	-150	-150	-300	-
	Operating Profit	1	-3	0	0	0	-
Total	Orders Received	59,521	15,539	26,500	27,500	54,000	-9.3%
	Net Sales	52,892	12,275	26,000	30,000	56,000	+5.9%
	Operating Profit	4,366	789	1,850	3,150	5,000	+14.5%

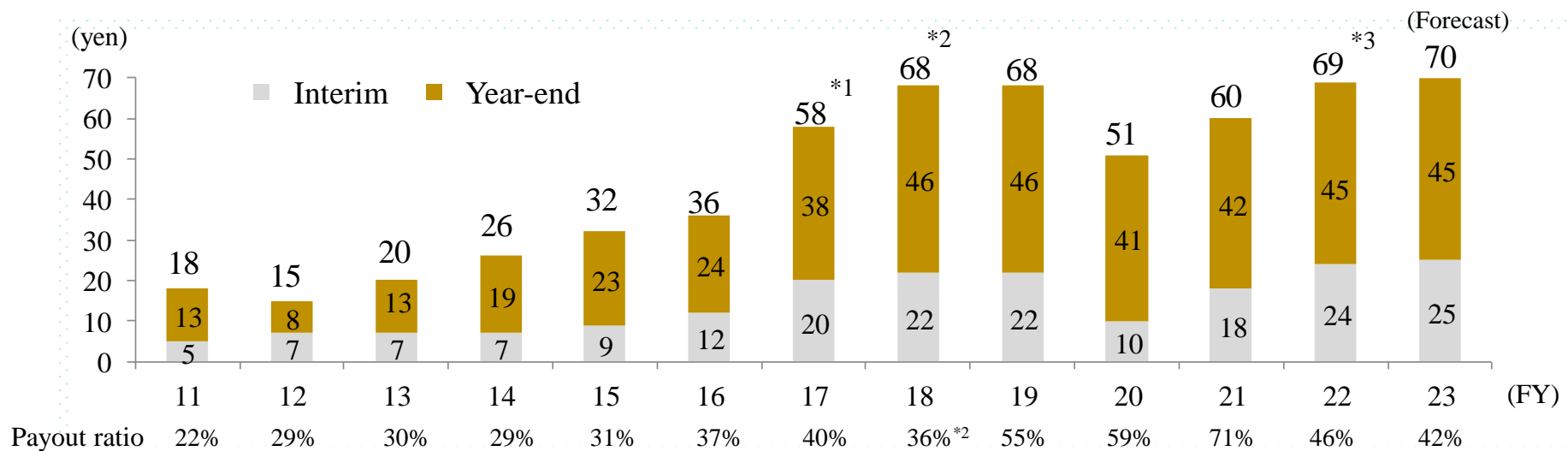
FY2023 Dividend Forecast

Basic policy on profit distribution

Our basic policy is to determine dividends taking into account sustainability and the dividend payout ratio

- 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.
- While taking into account a necessary level of internal reserves, we flexibly implement acquisition of treasury shares.

Dividend per share and dividend payout ratio



*1. Includes a dividend of ¥2 (interim dividend of ¥1 and year-end dividend of ¥1) to commemorate the 70th anniversary of our foundation in FY2017.

*2. FY2018 was an irregular 15-month fiscal period for overseas consolidated subsidiaries. The dividend payout ratio for a 12-month period is 39% (reference).

*3. Includes a dividend of ¥4 (interim dividend of ¥2 and year-end dividend of ¥2) to commemorate the 75th anniversary of our foundation in FY2022.

Main Initiatives in FY2023

Equipment Business

- Boost earnings power, normalize delivery schedules, and rapidly clear the order backlog
- Strengthen response to the globally expanding battery market

Service Business

After-sales Service:

Expand preventative maintenance services through “super support service plan,” a new service.

Laboratory Testing Services:

Enhance testing services for cutting-edge technology fields, primarily automobiles.

Area Strategy

Japan:

Increase sales and stimulate replacement demand through the launch of products that meet the needs of the EV, automated driving, and IoT fields.

North America:

Address demand growth in the automobile market driven by the Inflation Reduction Act (IRA).

China : Increase sales to the EV and IoT markets through Group collaboration

Europe: Cultivate the automobile and IoT markets by enhancing the product lineup

Korea : Increase sales to major global companies

Main Initiatives for ESG in FY2023

■E (Environment)

- **Promote the 8th Medium-term Plan on the Environment (FY2022-2025)**
- **Global warming countermeasure:**
Change to low-GWP refrigerant, Reduce CO2 emissions in business activities such as manufacturing
- **Biodiversity conservation activities:**
Contributions through ESPEC MIC Corp.'s business,
Promote conservation activities through the management of “ESPEC’s 50-Year Forest”
- **In July 2023, received Science Based Targets (SBT) certification for FY2030 greenhouse gas reduction targets**

■S (Society)

- **Strengthen human capital:**
Bolster the management skills of managers, enhance the personnel evaluation system and training system, implement “One-on-One meetings,” and train the next generation of executives
- **Promote diversity:** Train female managers, facilitate the success of senior and non-Japanese employees

■G (Governance)

- **Strengthen Group governance, and develop and enhance the internal control system**

TOPICS 1

Expanding Lineup of Semiconductor Inspection Equipment Burn-In Chamber Support for High Heat Generation Load

- In March 2023, expanded the Burn-In Chamber permissible heat generation load by four times (compared to the Company's existing devices) at temperatures from -20° C to 150° C.
- Enables precise temperature control even when semiconductors are in a state of high heat.
- Inspection volumes increased significantly, contributes to shorter inspection times.



Burn-In Chamber Support for High Heat Generation Load

Expanded Lineup of RF Anechoic Box Type Thermostatic Chambers Support Temperature Characteristics Testing of 5G Communication Devices

- In February 2023, developed four new types of RF anechoic box type thermostatic chamber to check communication performance and safety of 5G-compatible wireless transmitter/receiver modules, communication terminals and base stations.
- Wireless testing in temperatures from -40° C to +100° C were made possible due to being equipped with a shield function (shields from radio waves) and the anechoic chamber function (that prevents reflection of radio waves within the chamber).

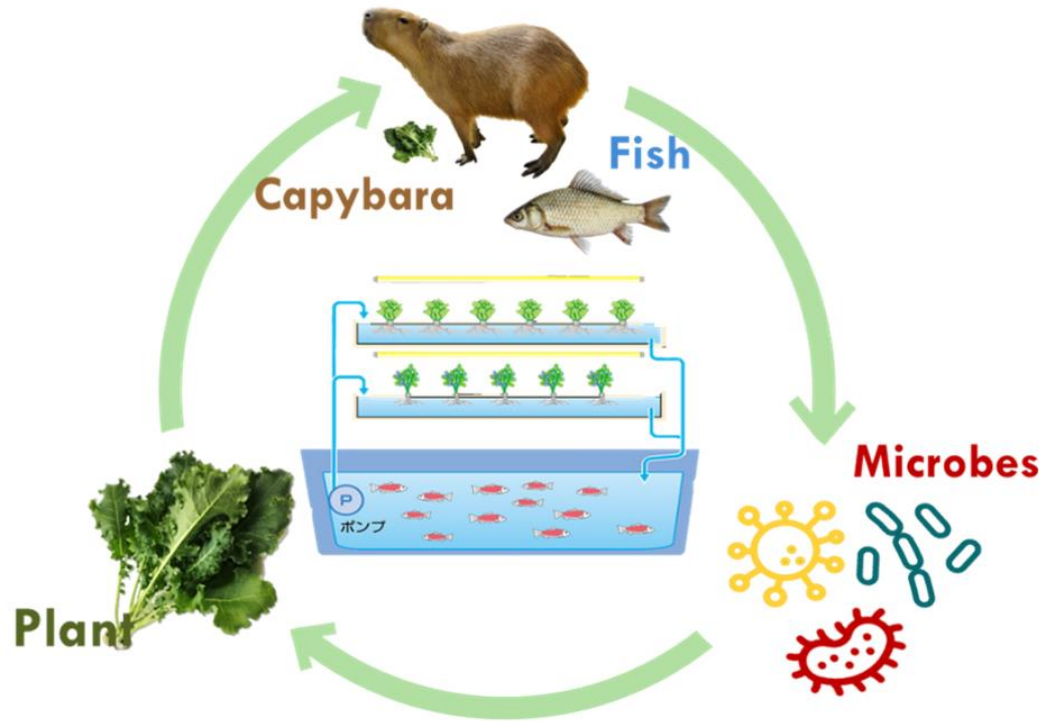


RF Anechoic Box Type Low Temperature Chamber

TOPICS 2

ESPEC MIC CORP. Started Joint Research at Kawasui Kawasaki Aquarium Using Aquaponics

In June 2023, ESPEC MIC CORP. started joint research with Kawasui Kawasaki Aquarium and the Laboratory of Tropical Crop Science, College of Bioresource Sciences, Nihon University on a demonstration experiment on a material circulation system using aquaponics.



*What is aquaponics?

A system that combines hydroponics and land-based cultivation. Bodily waste from fish is decomposed by microorganisms and used as a source of nutrients needed to grow plants. This enables vegetables to be grown either without using chemical fertilizers or reducing the amount of their use. Has attracted attention in recent years as a farming method considerate of the environment.

Diagram of a material circulation system using aquaponics

TOPICS 3

Signed an agreement for promoting SDGs with the University of Hyogo

- In August 2022, ESPEC signed an agreement with the University of Hyogo aimed at promoting SDGs.
- Both parties will collaborate by harnessing their knowledge and technology in areas such as biodiversity conservation, education and human resource development, and environment and energy.



The signing ceremony
University of Hyogo's President Isao Ota (right)
ESPEC Representative Director and Chairperson Masaaki Ishida (left)

Biodiversity conservation activities “ESPEC’s 50-Year Forest” tree-planting festival

- Launched forest creation for “ESPEC’s 50-Year Forest” using the “corporate forests” system under the Ministry of Agriculture, Forestry and Fisheries in Sanda City, Hyogo Prefecture
- The first tree-planting festival was held in November 2022. Seeds were selected based on carbon fixation and biodiversity functions. Approximately 200 people including employees participated and planted roughly 4,000 trees.



The first tree-planting festival
12,000 trees are scheduled to be planted over two years in a 3.6 ha plot of land

External Recognition

■2023

- Apr. • Selected for the First Time as an Asia-Pacific Climate Leader by the Financial Times in the UK and German data provider Statista.
- Mar. • Selected for the First Time as a Supplier Engagement Leader, the Top Rank in the CDP Supplier Engagement Ratings
- Feb. • Ranked 372th in Toyo Keizai Inc.'s 2023 CSR Corporate Ranking

■2022

- Dec. • A score of B for the third consecutive year in the CDP Climate Change 2022 Questionnaire
- Selected as a "GRADE AAA" company website (overall ranking) for the third consecutive year in the All Japanese Listed Companies' Website Ranking 2022 by Nikko Investor Relations Co., Ltd.
- Awarded a Bronze Prize in the Gomez IR Website Ranking 2022 by BroadBand Security, Inc.
- Nov. • Rated 4 stars in the Nikkei's 4th SDGs Management Survey
- Rated 3.5 stars in Nikkei's 6th Smart Work Management Survey
- Oct. • Ranked 155th in the Nikkan Kogyo Shimbun's 18th Corporate Power Ranking (sponsored by the Ministry of Economy, Trade and Industry)
- Aug. • First Awarded as an excellent company in the Gomez ESG Website Ranking 2022 by BroadBand Security, Inc.
- July • Ranked 334th in Toyo Keizai Inc.'s 2022 SDGs Corporate Ranking
- Apr. • First Selection as Part of FTSE Blossom Japan Sector Relative Index



**FTSE Blossom
Japan Sector
Relative Index**

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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