

Securities ID code: 6859

ESPEC CORP.

**Results Briefing
for the Six Months Ended September 30, 2023**

November 22, 2023

Satoshi Arata

Representative Director and President

ESPEC CORP.

I am Satoshi Arata, Representative Director and President of ESPEC.
Thank you for watching today.

Financial Result for the Six Months Ended September 30, 2023

Orders received were driven particularly by orders related to EVs and batteries.
Sales and profits increased significantly, reaching record highs, due to securing parts and strengthening production response.
2Q and full-year forecasts were upwardly revised.

	Year on Year	Comparison with Initial Forecasts
■ Orders Received	○ Remained at a high level in the Equipment Business and increased in the Service Business (mainly laboratory testing services)	○ Above forecasts in the Equipment Business (environmental test chambers and Energy Device Equipment) and the Service Business
■ Net Sales	○ Increased in all segments, particularly increasing substantially in the Equipment Business	○ Above forecasts in the Equipment Business and the Service Business
■ Operating Profit	○ Increased substantially due to revenue growth, despite an increase in SG&A	○ Above forecasts due to better-than-expected net sales and an improved cost of sales ratio in environmental test chambers and laboratory testing services
■ Ordinary Profit Profit Attributable to Owners of Parent	○ Increased substantially due to the increase in operating profit	○ Above forecasts due to the increase in operating profit

■ No revisions made to dividends from initial forecast (Interim: ¥25, Year-end: ¥45, Annual ¥70)

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In summary of the financial results for the first half of the fiscal year ending March 31, 2024, orders received reached record highs, driven particularly by investment in EVs and batteries.

In addition, sales and profits increased significantly, reaching record highs, due to securing parts and strengthening production response.

On October 27, our 2Q and full-year forecasts were upwardly revised.

In year-on-year comparisons, orders received in the Equipment Business were mostly unchanged, remaining at a high level, while orders received increased mainly for laboratory testing services in the Service Business. Net sales increased in all businesses, with a notable increase in sales of environmental test chambers in the Equipment Business.

As for areas, increases were seen mainly in Japan, North America, and Europe. Although selling, general and administrative expenses increased, operating profit rose substantially due to the increased net sales.

In comparison to initial forecasts, orders received, particularly for environmental test chambers and energy devices equipment, were far above forecasts, and net sales also exceeded forecast.

Although selling, general and administrative expenses were above forecast, operating profit also surpassed forecast due to better-than-expected net sales and an improved cost of sales ratio in environmental test chambers and laboratory testing services.

As for dividends, no revisions were made from the initial forecast, with plans for an interim dividend of ¥25 and a year-end dividend of ¥45, bringing the annual dividend to ¥70.

Summary of Profits and Losses

(Millions of yen)

	FY 2022 2Q Results	FY 2023 2Q Initial Forecasts	FY 2023 2Q Results	Year on Year	Comparison with Initial Forecasts
Orders Received	33,266	26,500	33,440	+0.5%	+26.2%
Net Sales	22,945	26,000	27,257	+18.8%	+4.8%
Cost of Net Sales Cost Ratio	15,150 66.0%	17,250 66.3%	17,771 65.2%	+17.3% 0.8pt melioration	+3.0% 1.1pt melioration
Gross Profit	7,794	8,750	9,485	+21.7%	+8.4%
SG&A	6,399	6,900	7,151	+11.8%	+3.6%
Operating Profit	1,395	1,850	2,333	+67.2%	+26.2%
Ordinary Profit	1,731	1,950	2,526	+45.9%	+29.6%
Profit Attributable to Owners of Parent	984	1,300	1,653	+68.1%	+27.2%

Here is the summary of profits and losses.

In year-on-year comparisons, orders received were slightly higher year on year, and net sales increased by 18.8%.

The cost of sales ratio improved by 0.8 of a point, while operating profit rose 67.2%, primarily as a result of increased net sales.

In comparison to initial forecasts, orders received were far higher than forecast, and net sales also exceeded the forecast.

The cost of sales ratio was an improvement of 1.1 point on the forecast. Although selling, general and administrative expenses were above forecast, operating profit exceeded the forecast by 26.2%, allowing us to achieve our initial forecast.

Performance by Segment

(Millions of yen)						
Segment		FY 2022 2Q Results	FY 2023 2Q Initial Forecasts	FY 2023 2Q Results	Year on Year	Comparison with Initial Forecasts
Equipment Business	Orders Received	29,209	22,550	29,198	-0.0%	+29.5%
	Net Sales	19,650	22,450	23,533	+19.8%	+4.8%
	Operating Profit	1,403	1,870	2,175	+55.0%	+16.3%
Service Business	Orders Received	3,470	3,350	3,785	+9.1%	+13.0%
	Net Sales	3,020	3,150	3,445	+14.1%	+9.4%
	Operating Profit	72	30	249	+244.7%	+730.4%
Other Business	Orders Received	747	750	655	-12.3%	-12.5%
	Net Sales	405	550	475	+17.5%	-13.5%
	Operating Profit	-80	-50	-88	-	-
Elimination	Orders Received	-161	-150	-199	-	-
	Net Sales	-130	-150	-197	-	-
	Operating Profit	-0	0	-2	-	-
Total	Orders Received	33,266	26,500	33,440	+0.5%	+26.2%
	Net Sales	22,945	26,000	27,257	+18.8%	+4.8%
	Operating Profit	1,395	1,850	2,333	+67.2%	+26.2%

Performance by segment can be seen here.

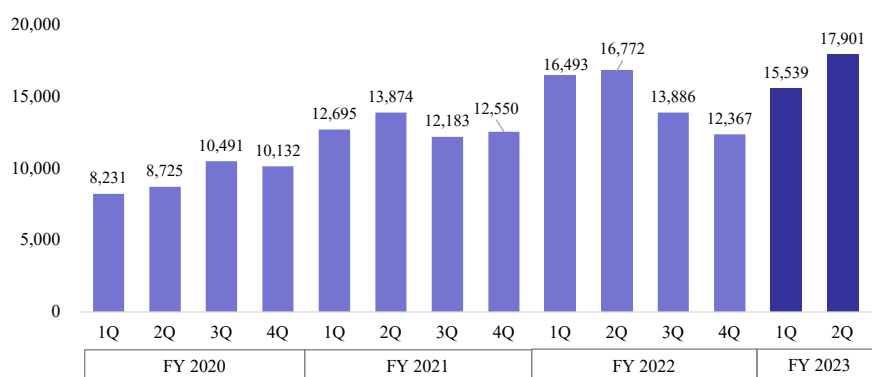
Orders Received in FY2023 2Q

- Although orders received were forecast to decrease year on year, orders were driven by domestic investment in EVs and batteries (environmental test chambers, energy device equipment, laboratory testing services).

Orders received in FY2023 1H reached record highs for the third consecutive period.

Trends in orders received per quarter

(Millions of yen)



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I will explain a little more about the results for the first half of 2023 in detail.

In our initial forecast, we had expected orders received to decrease year on year based on advance orders received in the previous fiscal year and as the impact of exchange rates was expected to fade away. However, orders received significantly exceeded the forecast, reaching a record high for three consecutive periods.

This result was mainly due to a better-than-expected increase in orders for environmental test chambers, energy devices equipment, and laboratory testing services, driven by domestic investment in EVs and batteries.

Meanwhile, in terms of special factors, we revised prices of ESPEC products in September for the second time. There were last-minute orders received of approximately ¥1.5 billion immediately before the price revisions.

Additionally, the positive impact of exchange rate fluctuations was approximately ¥0.4 billion.

In other areas, the Company's subsidiary COSMOPIA HIGHTECH CORP. accepted the transfer of the environmental testing business of Johnson Controls-Hitachi Air Conditioning Inc. on September 30, and this also had an impact.

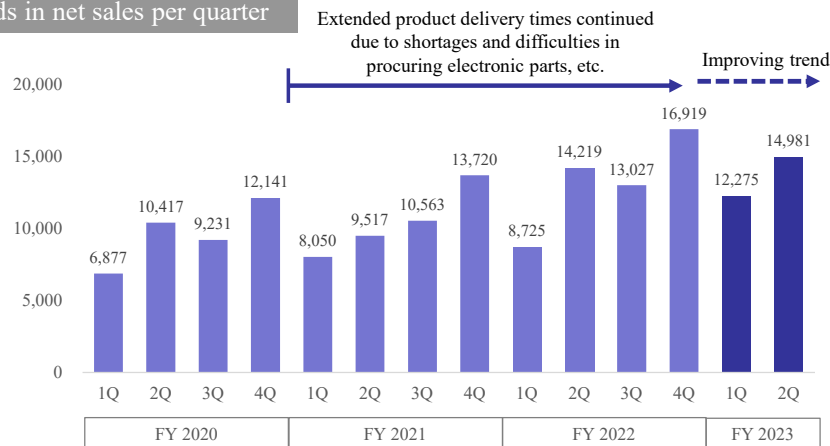
While there were special factors such as those described above, orders received reached a high level of over ¥15.0 billion on a quarterly basis.

Net Sales in FY2023 2Q

■ Although extended delivery times continued for parts, progress was made on clearing the order backlog as of the end of March 2023 and improving product lead times due to securing parts and strengthening production response.

1H net sales reached a record high for the second consecutive period.

Trends in net sales per quarter



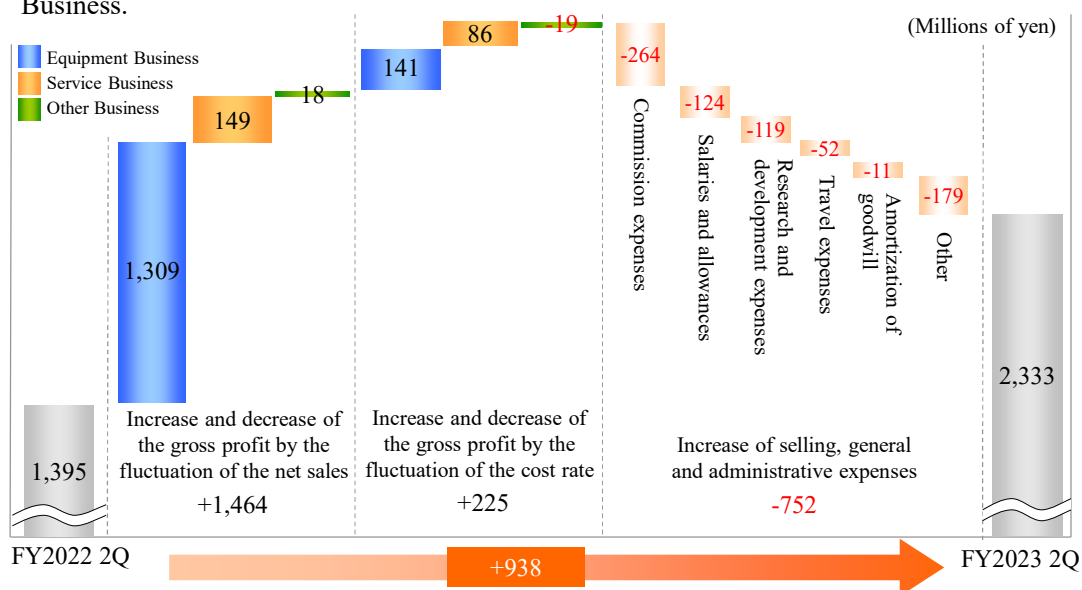
Next is net sales.

Although extended delivery times have continued for parts, we have been making progress on clearing the order backlog as of the end of March 2023 by securing parts and strengthening production response.

As for product lead times, we have been making improvements particularly with standardized products, and first-half net sales reached a record high for the second consecutive period.

Analysis of Operating Profit Increase and Decrease Factors

■ Despite an increase in selling, general and administrative expenses, profit increased by approximately ¥0.9 billion due mainly to a boost from increased sales in the Equipment Business.



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

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Here is an analysis of operating profit increase and decrease factors.

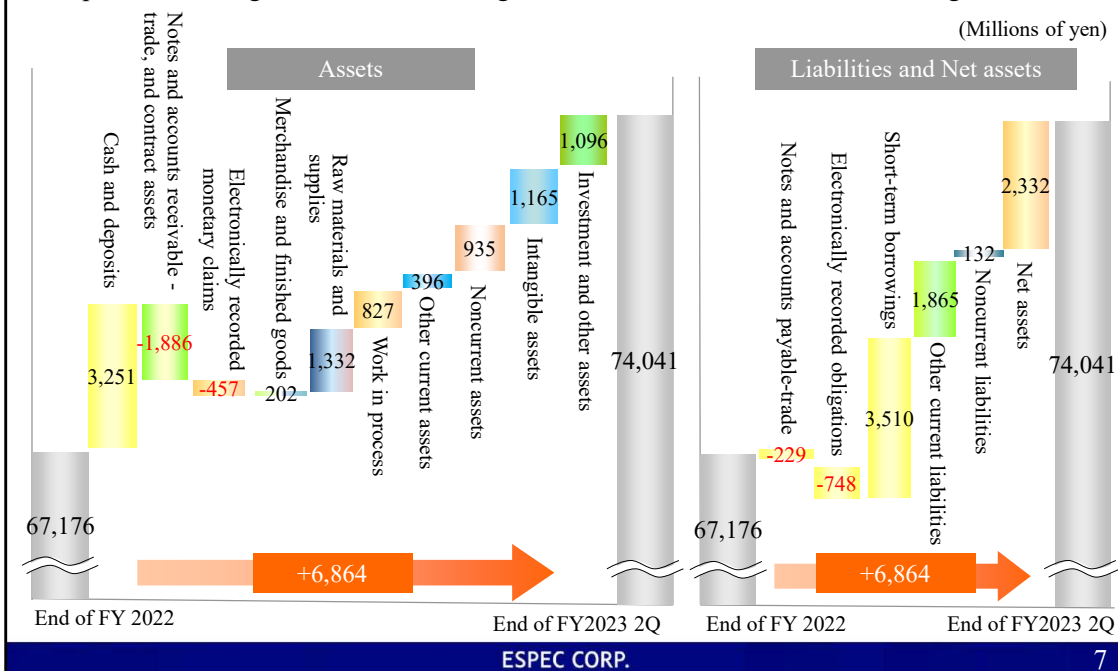
As you can see, despite an increase in selling, general and administrative expenses, operating profit increased ¥0.9 billion due mainly to a boost from increased sales in the Equipment Business.

The improvement in the cost of sales ratio was mainly due to a North American subsidiary in the Equipment Business, and a decrease in electricity fees and revisions to service prices for laboratory testing services in the Service Business.

Looking at the effect of the price hikes introduced for ESPEC products in October 2022, these price hikes had made only a negligible contribution to profit as of the first half of the fiscal year.

Statement of Assets and Liabilities

■ Assets increased by approximately ¥6.8 billion, due mainly to an increase in cash and deposits reflecting short-term borrowings and increases in noncurrent and intangible assets.

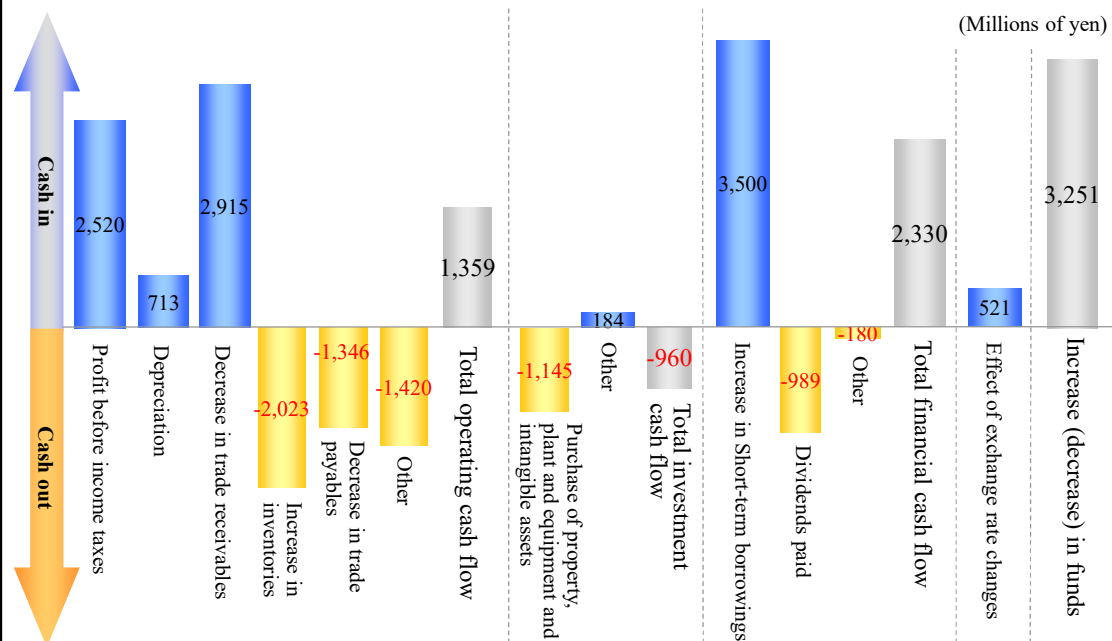


Next, I will talk about the status of assets and liabilities.

Assets increased by approximately ¥6.8 billion. The main factors were an increase in cash and deposits due to the recording of short-term borrowings of ¥3.5 billion and increases in noncurrent and intangible assets mainly due to the upgrade and expansion of laboratory testing facilities and the recording of goodwill accompanying a business transfer.

Statements of Cash Flows

■ Cash increased by approximately ¥3.2 billion, mainly due to short-term borrowings.



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Looking at the status of cash flows, cash increased by approximately ¥3.2 billion, mainly due to the short-term borrowings mentioned earlier.

Equipment Business

	FY 2022 2Q Results	FY 2023 2Q Initial Forecasts	FY 2023 2Q Results	Year on Year	(Millions of yen) Comparison with Initial Forecasts
Orders Received	29,209	22,550	29,198	-0.0%	+29.5%
Net Sales	19,650	22,450	23,533	+19.8%	+4.8%
Operating Profit Profit Ratio(%)	1,403 7.1%	1,870 8.3%	2,175 9.2%	+55.0%	+16.3%

Environmental Test Chambers

- In Japan, orders received decreased year on year in highly versatile standardized products but increased in customized products, mainly in the automotive-related area, and net sales increased for both standardized and customized products.
- In overseas markets, orders received were down year on year, but net sales increased. There were year-on-year increases particularly in North America and Europe, as well as in South Korea and Taiwan. China was mostly unchanged year on year.

Energy Device Equipment

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

Semiconductor Equipment

- Orders received decreased year on year, due mainly to the impact of curbs on memory-related investment. Net sales were mostly unchanged year on year.

Next, I will talk about the analysis by segment

In the Equipment Business segment, orders received, net sales, and operating profit all surpassed initial forecasts, mainly due to a strong performance by environmental test chambers and energy devices equipment for Japan.

In terms of net sales by area, although China was mostly unchanged year on year, there were year-on-year increases particularly in Japan, North America and Europe, and operating profit rose substantially as a result of increased sales.

The status of each product group is as seen here.

Service Business

(Millions of yen)

	FY 2022 2Q Results	FY 2023 2Q Initial Forecasts	FY 2023 2Q Results	Year on Year	Comparison with Initial Forecasts
Orders Received	3,470	3,350	3,785	+9.1%	+13.0%
Net Sales	3,020	3,150	3,445	+14.1%	+9.4%
Operating Profit Profit Ratio(%)	72 2.4%	30 1.0%	249 7.2%	+244.7%	+730.4%

After-Sales Service and Engineering

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

Laboratory Testing Services and Facility Rentals

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

Next is the Service Business. In year-on-year comparisons, orders received increased due to a strong performance in laboratory testing services, centered on automotive rechargeable batteries.

Net sales increased year on year due to progress on securing parts in after-sales service, in addition to laboratory testing services.

In terms of operating profit, we were able to achieve a substantial year-on-year increase mainly due to an improved cost of sales ratio in laboratory testing services.

Comparisons with initial forecasts and the status of each service group is as seen here.

Other Business

(Millions of yen)

	FY 2022 2Q Results	FY 2023 2Q Initial Forecasts	FY 2023 2Q Results	Year on Year	Comparison with Initial Forecasts
Orders Received	747	750	655	-12.3%	-12.5%
Net Sales	405	550	475	+17.5%	-13.5%
Operating Profit Profit Ratio(%)	-80 -19.8%	-50 -9.1%	-88 -18.6%	-	-

Environmental Preservation, Plant Production Systems

- Orders received decreased year on year, reflecting sluggish orders received for reforestation (tree planting) and plant research devices.
- Net sales increased year on year due to factors such as the delivery of aquaponics, a new field the Company is involved in that combines hydroponics and land-based cultivation.

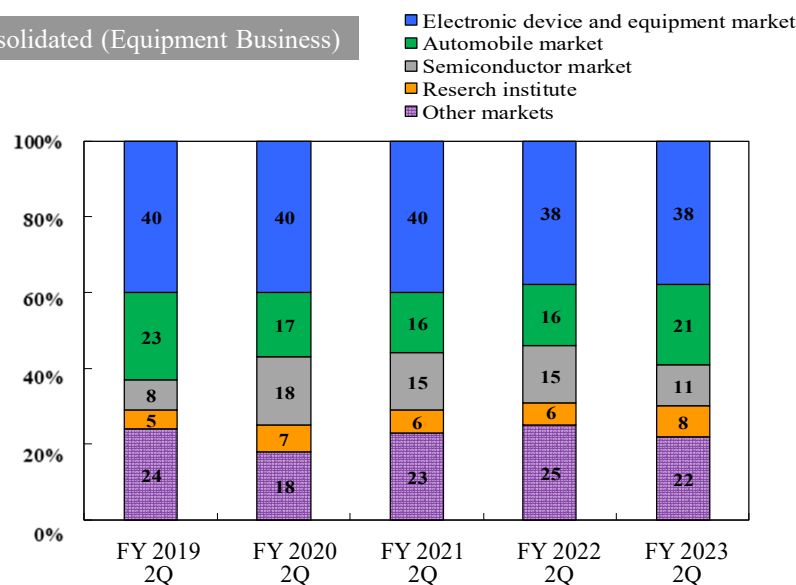
This slide shows the Other Business, which involves the environmental preservation and plant production system business.

Although new demand sources, such as aquaponics, which combines hydroponics and land-based cultivation, are emerging, the Other Business as a whole has few large projects and faces a difficult earnings situation.

Sales by Market

■ Net Sales increased 1.2x in the electronic device and equipment market, 1.6x in the automobile market due to a significant increase centered on EVs and batteries and decreased in the semiconductor market.

Non-Consolidated (Equipment Business)



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Here is the breakdown of sales by market for ESPEC alone.

First, in the blue-colored electronic device and equipment market, which is the core market of ESPEC's business, orders received decreased slightly as cutting-edge technology fields such as 5G and IoT somewhat settled down, while net sales increased roughly 1.2 times. The percentage of this business among sales was 38%.

In the green-colored automobile market, orders received increased, led by EVs and batteries, and net sales rose approximately 1.6 times. The percentage of this business among sales increased by 5 points to 21%.

In the grey-colored semiconductor market, orders received and net sales both decreased due to the impact of curbs on memory-related investment. The percentage of this business among sales declined by 4 points to 11%.

The orange-colored "Research institute" refers to private or national and public research facilities. This market makes up between 6-8% of sales in an average year.

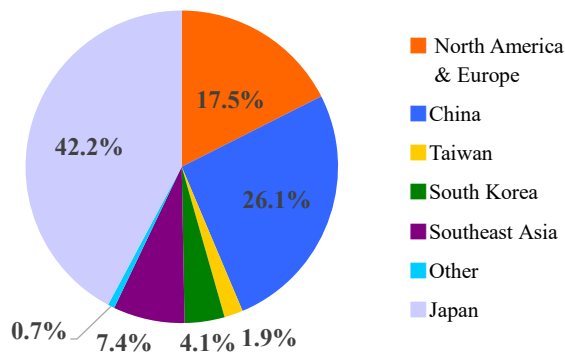
"Other markets" at the very bottom includes various kinds of industries such as chemistry, construction materials, food products, and cosmetics, and makes up 20-25% of sales in an average year.

Sales by Region

- Net sales increased primarily in Japan, North America, and Europe.
Net sales in China were mostly unchanged year on year.

FY 2022 2Q

Overseas sales ratio: 57.8%

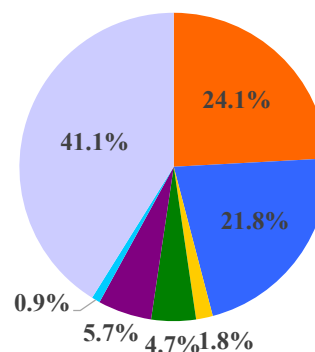


Total: 22,945 million yen

Overseas sales: 13,268 million yen

FY 2023 2Q

Overseas sales ratio: 58.9%



Total: 27,257 million yen

Overseas sales: 16,045 million yen

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Next, I will explain net sales by region. The overseas sales ratio increased further to 58.9%.

By region, in North America, orders received were mostly unchanged, supported by firm aircraft-related orders received, and net sales increased owing to bulk projects related to automobiles and smartphones. North America's percentage among sales also rose.

In Europe, although orders received decreased, net sales increased as progress was made on recognizing sales in the order backlog from the previous fiscal year, centered on automobile-related orders. Europe's percentage among sales also rose.

In China, while there was a decline in orders received centered on semiconductors, net sales were mostly unchanged as progress was made on recognizing sales centered on automobile- and battery-related areas. China's percentage among sales decreased.

In Southeast Asia, orders received increased due to firm orders related to semiconductors and EVs and batteries. However, net sales decreased, and the percentage among sales declined.

In Japan, although both orders received and net sales increased, the percentage among sales decreased.

Forecasts for Fiscal 2023

■ Main points of full-year forecasts

- Although the momentum of orders received in 1H is expected to calm down, orders received should remain at a high level.
- Production of customized products is expected to be concentrated in the second half.
- Aim for record-high net sales and operating profit by making every effort to secure parts and resources.

■ Changes in assumed exchange rate

	FY 2021	FY 2022		FY 2023		
	Full Year Results	1H Results	Full Year Results	1H Results	Full Year Initial Assumption	Full Year Revised Assumption
U.S. dollars (yen)	112.40	134.04	135.51	141.06	130	145

Exchange rate sensitivity for FY2023 (¥1 depreciation against US\$1)

Net sales: Increase of ¥185 million, Operating profit: Increase of ¥35 million

■ Business transfer

Manufacturing and sales of the environmental testing equipment of Johnson Controls-Hitachi Air Conditioning Inc. were transferred to consolidated subsidiary COSMOPIA HIGHTECH CORP.

Transfer price: ¥1,800 million

Transfer date: September 30, 2023

Next, I will explain our forecast for FY2023.

Although the momentum of orders received in the first half of the fiscal year is expected to calm down, we believe that orders received should remain at a high level.

Meanwhile, we expect production of customized products to be concentrated in the second half of the fiscal year. By making every effort to secure parts and resources, we aim to achieve record-high net sales and operating profit.

Furthermore, the assumed exchange rate was revised to ¥145 to \$1.

The forecast for FY2023 includes the impact of the business transfer from Johnson Controls-Hitachi Air Conditioning Inc. Because this business will take time to get up and running, the impact on consolidated business results will not be large.

Forecasts for Fiscal 2023

(Millions of yen)						
	FY 2022	FY 2023	FY 2023			
	Full Year Results	Full Year Initial Forecasts	1H Results	Forecasts (Revised on Oct 27)		
				2H	Full year	Year on Year
Orders-received	59,521	54,000	33,440	27,559	61,000	+2.5%
Net sales	52,892	56,000	27,257	31,243	58,500	+10.6%
Gross profit	17,957	19,000	9,485	11,015	20,500	+14.2%
Profit ratio (%)	34.0%	33.9%	34.8%	35.3%	35.0%	+1.0pt
SG&A	13,590	14,000	7,151	7,848	15,000	+10.4%
SG&A ratio (%)	25.7%	25.0%	26.2%	25.1%	25.6%	-0.1pt
Operating profit	4,366	5,000	2,333	3,166	5,500	+26.0%
Profit ratio(%)	8.3%	8.9%	8.6%	10.1%	9.4%	+1.1pt
Ordinary profit	4,664	5,100	2,526	3,224	5,750	+23.3%
Profit ratio(%)	8.8%	9.1%	9.3%	10.3%	9.8%	+1.0pt
Profit attributable to owners of parent	3,330	3,650	1,653	2,346	4,000	+20.1%
Profit ratio (%)	6.3%	6.5%	6.1%	7.5%	6.8%	+0.5pt
Basic earnings per share(yen)	150.34	167.18	75.76	107.45	183.21	+21.9%

*ROE Revised FY2023 target from 7.5% to 8.1% (up 0.9-point year on year)

This slide shows our forecasts for FY2023.

Orders received will decrease from the first half of the fiscal year but they are expected to remain at a high level of ¥27.5 billion in the second half. For the full fiscal year, orders received are forecast to be ¥61.0 billion.

We are forecasting net sales of ¥58.5 billion, operating profit of ¥5.5 billion, ordinary profit of ¥5.75 billion, and profit attributable to owners of parent of ¥4.0 billion.

Looking at operating profit, while selling, general and administrative expenses will increase year on year, we will strive to increase operating profit and improve profitability through increased sales and an improved cost of sales ratio in the Equipment Business and laboratory testing services.

ROE is forecast to surpass 8%.

The order backlog reached ¥33.5 billion as of the end of the first half of the fiscal year.

Investment Plans in FY2023

(Millions of yen)

	FY 2022	FY 2023	FY 2023			
	Full Year Results	Full Year Initial Forecasts	1H Results	Forecasts (no change from the initial forecasts)		
				2H	Full year	Year on Year
Capital expenditures	1,311	3,100	1,300	1,800	3,100	+136.5%
Depreciation expenses	1,328	1,480	715	765	1,480	+11.4%
R&D expenditures	1,041	1,490	619	871	1,490	+43.1%

Our forecasts of capital investment, depreciation, and R&D expenses are shown here.

Recognition of the Operating Environment

- Orders will see the momentum of 1H settle down, but demand for EVs, batteries and other advanced technology fields will continue, particularly in Japan.

Equipment Business	Environmental Test Chambers	Japan: Investments in EVs and batteries will remain favorable, while investment related to IoT will hold firm, despite settling down. China: Investments in EV and batteries will be firm, but semiconductor-related investment will decrease. Orders received in 2H are forecast to be mostly the same as in 1H. ASEAN: Investments related to EVs, batteries, and semiconductors will be firm. North America: Although investments related to airplanes and automobiles will be firm, concerns about an economic slowdown. Europe: Continuing trend of restrained investment due to economic slowdown.
	Energy Device Equipment	Sales of chambers for charge-discharge testing will be strong, mainly in Japan.
	Semiconductor Equipment	Demand is expected to decrease year on year mainly due to curbs on memory-related investment.
Service Business	After-sales Service and Engineering, Laboratory Testing Services and Facility Rentals	After-sales Service and Engineering: Expect a similar level of demand as in the previous fiscal year. Laboratory Testing Services: Demand will grow for testing automotive rechargeable batteries.
Other Business	Environmental Preservation, Plant Production Systems	Demand will fall below the previous fiscal year due to few large projects.

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Here is our recognition of the operating environment.

In orders received, we believe that demand will continue in cutting-edge technology fields such as EVs and batteries, centered on Japan.

Regarding environment test chambers, in Japan we expect investments in EVs and batteries to remain favorable, while investment related to IoT will hold firm, despite settling down.

In China, investments in EVs and batteries will be firm, but semiconductor-related investment will decrease. In the second half of the fiscal year, orders received are forecast to be mostly the same as in the first half.

In ASEAN, investments related to EVs, batteries, and semiconductors are expected to be firm.

In North America, investments related to airplanes and automobiles will be firm, despite concerns about an economic slowdown from the second half onward.

In Europe, we believe that there will be a continuing trend of restrained investment.

In energy devices equipment, we believe that sales of chambers for charge-discharge testing will be strong, mainly in Japan.

In semiconductor equipment, demand is expected to decrease year on year, mainly due to curbs on memory-related investment.

In the Service Business, we expect demand to continue to grow for laboratory testing services for automotive rechargeable batteries.

Segment Financial Forecasts

		(Millions of yen)					
		FY 2022	FY 2023	1H Results	FY 2023		
		Full Year Results	Full Year Initial Forecasts		Forecasts (Revised on Oct. 27)		
					2H	Full Year	Year on Year
Equipment Business	Orders-Received	51,446	45,500	29,198	23,561	52,760	+2.6%
	Net sales	45,031	47,700	23,533	26,817	50,350	+11.8%
	Operating profit	3,919	4,670	2,175	2,804	4,980	+27.0%
Service Business	Orders-Received	6,963	7,000	3,785	3,554	7,340	+5.4%
	Net sales	6,788	6,900	3,445	3,805	7,250	+6.8%
	Operating profit	428	300	249	301	550	+28.5%
Other Business	Orders-Received	1,469	1,800	655	644	1,300	-11.6%
	Net sales	1,404	1,700	475	824	1,300	-7.4%
	Operating profit	16	30	-88	58	-30	-
Elimination	Orders-Received	-359	-300	-199	-200	-400	-
	Net sales	-330	-300	-197	-202	-400	-
	Operating profit	1	0	-2	2	-0	-
Total	Orders-Received	59,521	54,000	33,440	27,559	61,000	+2.5%
	Net sales	52,892	56,000	27,257	31,243	58,500	+10.6%
	Operating profit	4,366	5,000	2,333	3,166	5,500	+26.0%

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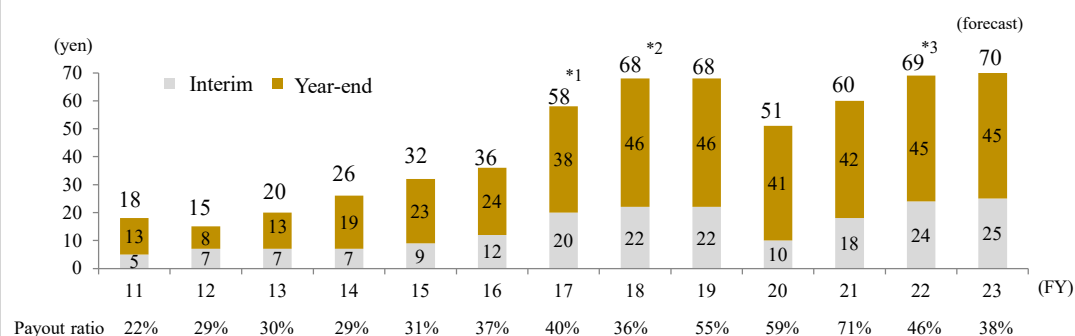
Here are the segment financial forecasts.

In comparison with initial forecasts, full-year forecasts for the Other Business have been downwardly revised. However, we have upwardly revised our full-year forecasts for orders received, net sales, and operating profit in the Equipment Business and Service Business, as seen here.

FY 2023 Dividend Forecast

■ No revision to the dividend forecast for FY2023, with the dividend payout ratio projected at 38.2%.

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.

Turning to dividends, although we have upwardly revised our forecast for profit attributable to owners of parent, we have not revised our dividend forecast because of planned investments.

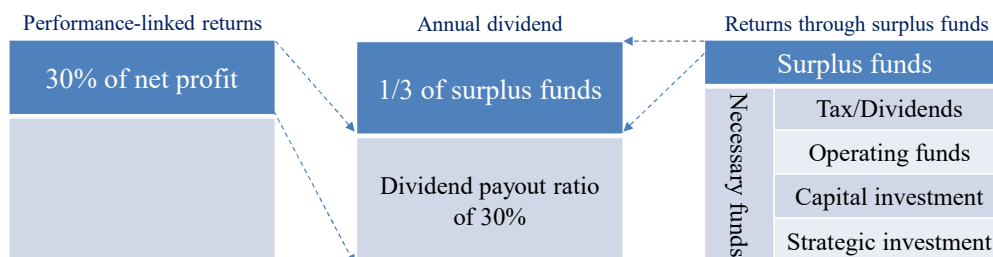
As a result, we project a dividend payout ratio of 38%.

Basic policy on profit distribution

Our basic policy is to determine dividends reflecting 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.

While reflecting a necessary level of internal reserves, we flexibly implement acquisition of treasury shares.



*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.

Our dividend policy is as seen here.

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

Our main initiatives in FY2023 are as follows. In the Equipment Business, we revised the prices of ESPEC products and services in the current fiscal year. The contribution of these revised prices to business results for the current fiscal year will be limited. By working on price revisions alongside efforts to normalize delivery times and clear the order backlog, we will strive to improve our earnings capacity.

In addition, we are working to establish a production line for chambers for charge-discharge testing, in order to address growing orders received for energy devices equipment.

Through these efforts, we will strive to upgrade and expand our production capacity and improve our product lead times.

In the Service Business, as part of efforts to enhance laboratory testing services for batteries, we have upgraded and expanded testing equipment at our Battery Safety Testing Center in Utsunomiya.

In terms of our Area Strategy, we will implement the measures described on this slide.

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

Our initiatives for ESG can be seen here.

In Environment, or the "E" of ESG, the ESPEC Group's FY2030 greenhouse gas reduction targets received Science Based Targets (SBT) certification in July 2023.

Furthermore, in the development of the ESPEC 50 Year Forest, which uses the Corporate Forest System of the Forestry Agency, we conducted the program's second tree planting festival on November 18.

In Society, or the "S" of ESG, we have been implementing measures to stimulate internal communication, such as creating opportunities for direct dialogue between employees and executives and resuming training camp-style seminars.

TOPICS 1

Battery Safety Testing Center Upgraded and expanded laboratory testing equipment

- In October 2023, upgraded and expanded charge-discharge testing equipment to address demand for battery charge-discharge testing.
- Plans call for installing additional equipment in 2024, with the aim of strengthening laboratory testing services for EVs.



Battery Safety Testing Center
(within the Utsunomiya Technocomplex)

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

- In March 2023, expanded the Burn-In Chamber which has permissible heat generation load by four times (compared to the Company's existing devices) under 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

For topics, in October 2023, we upgraded and expanded the Battery Safety Testing Center's testing equipment to address demand for battery charge-discharge testing.

In March 2023, we enhanced the features of our semiconductor inspection equipment Burn-In Chamber, which enables precise temperature control even when semiconductors are in a state of high heat.

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.

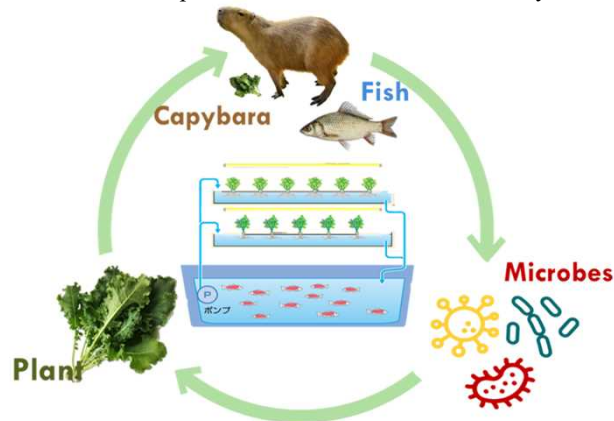


Diagram of a material circulation system using aquaponics

*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.

In topics related to the Other Business, in June 2023, we started joint research with Kawasaki Aquarium and Nihon University on a circulation system using aquaponics.

External Recognition

■2023

- Nov. • Rated 3.5 stars in the Nikkei's 5th SDGs Management Survey
- Rated 3 stars in Nikkei's 7th Smart Work Management Survey
- Oct. • Ranked 157th in the Nikkan Kogyo Shimbun's 19th Corporate Power Ranking (sponsored by the Ministry of Economy, Trade and Industry)
- Aug. • First Awarded as an excellent company for the second consecutive year in the Gomez ESG Website Ranking 2023 by Broad Band Security, Inc.
- June • 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 372nd 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 second 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 Broad Band Security, Inc.
- First Selection as Part of FTSE Blossom Japan Sector Relative Index



FTSE Blossom
Japan Sector
Relative Index

■Inclusion in ESG indexes FTSE Blossom Japan Sector Relative Index (First Selection in April 2022)

This is the last slide, and as you can see, we have received evaluations from outside the company.

We will use these evaluations for internal improvements and innovations.

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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This concludes my explanation.

Thank you.

Quality is more than a word

ESPEC