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May 15, 2025

Consolidated Financial Results for the Fiscal Year Ended March 31, 2025 (Under Japanese GAAP)

Company name: ESPEC CORP.
 Listing: Tokyo Stock Exchange
 Securities code: 6859
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 Scheduled date of annual general meeting of shareholders: June 20, 2025
 Scheduled date to commence dividend payments: June 23, 2025
 Scheduled date to file annual securities report: June 17, 2025
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2025	67,288	8.3	7,526	14.3	7,793	12.6	6,003	20.8
March 31, 2024	62,126	17.5	6,585	50.8	6,919	48.3	4,969	49.2

Note: Comprehensive income For the fiscal year ended March 31, 2025 ¥5,860 million [(21.1)%]
 For the fiscal year ended March 31, 2024 ¥7,427 million [80.3%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2025	274.97	—	11.0	10.1	11.2
March 31, 2024	227.61	—	10.0	9.5	10.6

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended March 31, 2025 ¥— million
 For the fiscal year ended March 31, 2024 ¥— million

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2025	75,847	56,693	74.7	2,596.78
March 31, 2024	78,235	52,715	67.4	2,414.58

Reference: Equity As of March 31, 2025 ¥56,693 million
 As of March 31, 2024 ¥52,715 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2025	4,445	(1,154)	(7,245)	12,765
March 31, 2024	2,738	(3,778)	2,798	16,793

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2024	—	25.00	—	50.00	75.00	1,655	33.0	3.3
Fiscal year ended March 31, 2025	—	35.00	—	60.00	95.00	2,096	34.5	3.8
Fiscal year ending March 31, 2026 (Forecast)	—	45.00	—	70.00	115.00		40.6	

3. Forecast of consolidated operating results for the fiscal year ending March 31, 2026 (From April 1, 2025 to March 31, 2026)

(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, 2025	31,000	1.8	3,350	1.6	3,450	1.5	2,500	1.9	114.51
Fiscal year ending March 31, 2026	68,000	1.1	8,500	12.9	8,650	11.0	6,190	3.1	283.53

*Notes

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

Newly included: — companies (Company name)

Excluded: — companies (Company name)

(2) 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” in “(5) Notes to the consolidated financial statements” in “3. Consolidated financial statements and significant notes” on page 14.

(3) Number of issued shares (common shares)

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

As of March 31, 2025	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 March 31, 2025	1,949,204 shares
As of March 31, 2024	1,949,085 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2025	21,832,284 shares
Fiscal year ended March 31, 2024	21,832,388 shares

Reference: Overview of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2025	38,069	5.7	4,006	14.1	5,208	13.8	4,414	19.7
March 31, 2024	35,999	15.1	3,510	84.2	4,576	92.2	3,687	95.9

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2025	202.19	—
March 31, 2024	168.88	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2025	53,035	42,951	81.0	1,967.34
March 31, 2024	57,187	40,444	70.7	1,852.50

Reference: Equity As of March 31, 2025 ¥42,951 million
As of March 31, 2024 ¥40,444 million

- * Financial results reports are exempt from audit 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 “Outlook for Fiscal 2025” on page 4 for forecast assumptions and notes of caution for usage.

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1. Summary of Business Results

Forward-looking statements contained herein are based on the Group's judgment as of March 31, 2025.

(1) Overview of fiscal 2024 operating results

(i) Operating results for fiscal 2024

During fiscal 2024, the year ended March 31, 2025, the ESPEC Group's business environment saw an increase in EV- and battery-related testing demand against a backdrop of the continued digitalization and decarbonization of society, as well as firm electronics-related investments. From the production aspect, the Group increased 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 fiscal 2024, orders received increased 8.4% year on year to ¥67,514 million, mainly due to strong order trends in Japan. Net sales rose 8.3% year on year to ¥67,288 million, due to factors such as the effects of increasing domestic production capacity. On the profit front, operating profit was ¥7,526 million, a year-on-year increase of 14.3% and profit attributable to owners of parent increased by 20.8% year on year to ¥6,003 million. This increase was mainly due to higher sales, which offset an increase in selling, general and administrative expenses. Orders received, net sales, operating profit, and profit attributable to owners of parent all reached record highs, just as they did in the previous fiscal year. In addition, return on equity (ROE) stood at 11.0%.

	Year Ended March 31, 2024 (Millions of yen)	Year Ended March 31, 2025 (Millions of yen)	Change (%)
Orders received	62,290	67,514	8.4
Net sales	62,126	67,288	8.3
Operating profit	6,585	7,526	14.3
Ordinary profit	6,919	7,793	12.6
Profit attributable to owners of parent	4,969	6,003	20.8

(ii) Performance by segment

Consolidated results by operating segment for fiscal 2024

	Orders received (Millions of yen)	Net sales (Millions of yen)	Operating profit (Millions of yen)
Equipment business	57,283	57,507	6,610
Service business	8,532	8,425	793
Other business	2,170	1,758	126
Elimination	(472)	(403)	(4)
Total	67,514	67,288	7,526

Equipment business

In the environmental test chambers field, in the Japanese market, both orders received and net sales for highly versatile standardized products and customized products increased year on year. In overseas markets, orders received were largely unchanged year on year, increasing mainly in North America and China but decreasing in Southeast Asia. Net sales were also largely unchanged year on year, decreasing in Europe but increasing in Southeast Asia, North America, and South Korea. And in China, net sales were at the same level as in the previous fiscal year.

In the energy devices equipment field, investment in bulk projects for EV batteries seems to have slowed, and both orders received and net sales decreased year on year, particularly in Japan.

In the semiconductor equipment field, orders received increased year on year due to an order acquired 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 increased 6.9% to ¥57,283 million and net sales increased 7.5% year on year to ¥57,507 million. On the profit front, operating profit increased 13.0% year on year to ¥6,610 million mainly due to higher sales, while there was an increase in selling, general and administrative expenses.

	Year Ended March 31, 2024 (Millions of yen)	Year Ended March 31, 2025 (Millions of yen)	Change (%)
Orders received	53,565	57,283	6.9
Net sales	53,518	57,507	7.5
Operating profit	5,848	6,610	13.0

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 both increased year on year, thanks in part to the effect of an expansion in testing equipment capacity for EV batteries.

As a result, the service business on the whole saw orders received increased 11.8% year on year to ¥8,532 million and net sales increased 11.8% to ¥8,425 million. On the profit front, the Company recorded operating profit of ¥793 million, an increase of 16.4% year on year, owing to an increase in net sales, while there was an increase in selling, general and administrative expenses due mainly to increased personnel.

	Year Ended March 31, 2024 (Millions of yen)	Year Ended March 31, 2025 (Millions of yen)	Change (%)
Orders received	7,634	8,532	11.8
Net sales	7,536	8,425	11.8
Operating profit	681	793	16.4

Other business

In the other business field, which is centered on the environmental conservation and plant production systems businesses, performance was firm in areas such as waterfront biotope restoration and reforestation. There were also large projects in the areas of plant research devices and plant factories. We also delivered an aquaponics system (a circular system that combines hydroponics and land-based aquaculture) for exhibition at the EXPO 2025 Osaka, Kansai, Japan, as well as plant seedlings and materials for greening the venue. As a result, orders received increased by 49.3% year on year to ¥2,170 million and net sales increased by 20.8% to ¥1,758 million. On the profit front, the Company recorded operating profit of ¥126 million, an increase of 146.3% year on year, owing to an increase in net sales.

	Year Ended March 31, 2024 (Millions of yen)	Year Ended March 31, 2025 (Millions of yen)	Change (%)
Orders received	1,453	2,170	49.3
Net sales	1,455	1,758	20.8
Operating profit	51	126	146.3

(2) Overview of Fiscal 2024 Consolidated Financial Situation

Total assets at the end of the fiscal year consolidated accounting period were ¥75,847 million, a decrease of ¥2,388 million over the end of the previous consolidated fiscal year. Major factors included a decrease of ¥3,726 million in cash and deposits due to the repayment of short-term borrowings, etc., an increase of ¥2,015 million yen in trade receivables (notes and accounts receivable - trade, contract assets, and electronically recorded monetary claims - operating) due to the increase in net sales, an increase of ¥1,799 million in property, plant and equipment due to capital investment, a decrease of ¥1,172 million in inventories such as work-in-process, raw materials, and supplies due to efforts to optimize inventory, and a decrease of ¥903 million in other current assets such as accounts receivable - other. Liabilities were ¥19,153 million, a decrease of ¥6,365 million from the end of the previous consolidated fiscal year. Major factors included a decrease of ¥5,000 million in short-term borrowings, a decrease of ¥2,804 million in trade payables (notes and accounts payable - trade and electronically recorded obligations - operating), and an increase of ¥810 million in other non-current liabilities such as lease liabilities.

Net assets were ¥56,693 million, an increase of ¥3,977 million against the end of the previous fiscal year. Major factors included an increase of ¥4,121 million in retained earnings due to recording ¥6,003 million in profit attributable to owners of parent in fiscal 2024 while there was appropriation of ¥1,876 million in profits as dividends.

As a result, the equity-to-asset ratio stood at 74.7%, an increase of 7.4 points from the end of the previous fiscal year.

(3) Overview of Fiscal 2024 Cash Flows

Cash and cash equivalents (hereinafter, "cash") at the end of the fiscal year under review were ¥12,765 million, a decrease of ¥4,027 million from the beginning of the fiscal year. This was mainly the result of net cash provided by operating activities of ¥4,445 million, net cash used in investing activities of ¥1,154 million, and net cash used in financing activities of ¥7,245 million, and a decrease in effect of exchange rate change on cash and cash equivalents of ¥74 million.

The status of each category of cash flow and the underlying factors for fiscal 2024 are as follows.

Net cash provided by operating activities was ¥4,445 million, compared with net cash provided of ¥2,738 million in the previous fiscal year. The main cash flow items were an increase in cash from the recording of profit before income taxes of ¥8,126 million, a decrease in cash of ¥2,779 million due to a decrease in trade payables, a decrease in cash of ¥2,111 million due to an increase in trade receivables associated with the increase in net sales, a decrease in cash of ¥2,026 million due to income taxes paid, the recording of depreciation of ¥1,723 million and an increase in cash of ¥473 million due to a decrease in inventories associated with efforts to optimize inventories.

Net cash used in investing activities was ¥1,154 million, compared with net cash used of ¥3,778 million in the previous fiscal year.

The main cash flow items were a decrease in cash of ¥2,182 million due to the purchase of property, plant and equipment and intangible assets, an increase in cash of ¥504 million due to a net decrease in trust beneficiary right, and an increase in cash of ¥516 million due to proceeds from sale of investment securities.

Net cash used in financing activities was ¥7,245 million, compared with net cash provided of ¥2,798 million in the previous fiscal year.

This was mainly due to ¥5,000 million in repayment of short-term borrowings and ¥1,870 million in dividends paid.

(4) Outlook for Fiscal 2025

Since we have already achieved, ahead of schedule in fiscal 2024, the targets for fiscal 2025 (the year ending March 31, 2026) of our medium-term management plan “Progressive Plan 2025,” namely, net sales of ¥65.0 billion, operating profit of ¥7.5 billion, an operating profit ratio of 11.5%, and ROE of 10.0% or more, we have formulated a new medium-term management plan: “Progressive Plus 2027.” With a basic policy of “establishing a lean, sustainable, and highly profitable earnings model,” the aim of the plan is to continuously increase our value as a corporate group by becoming a “lean enterprise,” which we will achieve through quality improvements and profit growth. The performance targets under the plan are net sales of ¥70.0 billion, operating profit of ¥10.5 billion, an operating profit ratio of 15.0%, profit of ¥7.6 billion, and ROE of 12.0% or more in fiscal 2027 (the year ending March 31, 2028).

For fiscal 2025 (the year ending March 31, 2026), the targets are net sales of ¥68.0 billion, operating profit of ¥8.5 billion, an operating profit ratio of 12.5%, profit of ¥6.19 billion, and ROE of 11.0%. We are assuming an exchange rate (USD) of ¥145 for the period of the medium-term management plan and for fiscal 2025 (the year ending March 31, 2026).

Regarding the direct impact of U.S. tariff policy, we consider it minor. Firstly, we have subsidiaries in the U.S., and a large proportion of the products we sell there are manufactured there. And secondly, there is hardly any trade between U.S. and China. However, there is a growing sense of uncertainty about the future of the world economy, and as we operate globally, we will continue to monitor the impact on our business and make use of the Group’s overall strength to respond appropriately.

Forecast of consolidated operating results for fiscal 2025, ending March 31, 2026

(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, 2025	31,000	1.8	3,350	1.6	3,450	1.5	2,500	1.9	114.51
Fiscal year ending March 31, 2026	68,000	1.1	8,500	12.9	8,650	11.0	6,190	3.1	283.53

Forecast of consolidated operating results by segment for fiscal 2025 (Full-term)

	Orders received (Millions of yen)	Net sales (Millions of yen)	Operating profit (Millions of yen)
Equipment business	55,500	57,600	7,340
Service business	9,200	9,200	1,080
Other business	1,800	1,700	80
Elimination	(500)	(500)	0
Total	66,000	68,000	8,500

* There are marked seasonal fluctuations in the Company’s performance based on quarterly sales because of a strong trend towards contractual deliveries occurring in the consolidated 2nd and 4th quarters as a result of customers’ budget implementation.

(5) Basic Policy on Profit Distributions and Dividends for Fiscal 2024 and Fiscal 2025

The Company recognizes that the return of profits to shareholders is an important management priority, and that constantly raising enterprise value is the key element in ensuring improved shareholder returns. Accordingly, the Company’s basic policy on profit distributions is to determine dividends in consideration of continuity and the consolidated dividend payout ratio. Specifically, while maintaining dividend payments with a target consolidated dividend payout ratio of around 30%, in cases where the balance of cash and cash equivalents exceeds the planned necessary funds for uses such as dividends, corporate taxes, operating capital, capital investment, and strategic investment, the Company will also add around one-third of the excess to the dividend. Moreover, the Company will maintain a dividend of ¥20 as a stable dividend, regardless of the level of profit, but may review this in cases where the Company records consolidated net losses for two consecutive fiscal years. In addition, the Company will flexibly examine treasury share acquisitions, bearing in mind the necessary level of internal reserves and considering factors such as changes in the business environment and its financial position.

Regarding dividends for fiscal 2024, we announced on March 7, 2025 that we would be increasing the year-end dividend by ¥15 to ¥60 per share. The Company has paid an interim dividend of ¥35 per share. Therefore, the annual dividend will be ¥95 per share.

As for our basic policy on profit distribution for fiscal year 2025, today we have updated our basic policy on dividends to more clearly emphasize our commitment to increasing returns to shareholders not only through dividends but also through the purchase of treasury shares. Specifically, we have decided on a consolidated dividend payout ratio of 40% or more and will be purchasing treasury shares in a flexible manner. During the period of the medium-term management plan “Progressive Plus 2027” (fiscal 2025-2027), we will ensure a total return ratio of 50% or more, cumulative over three years, and will not reduce dividends.

For fiscal 2025, based on our new shareholder return policy, we are planning an annual dividend of ¥115 per share. The interim dividend will be ¥45 per share.

For more details, please refer to today’s press release, “Notice Concerning Revision of Basic Policy on Dividends.”

2. Basic Stance on the Selection of Accounting Standards

The Company’s policy is to create consolidated financial statements in accordance with Japanese standards, in consideration of enabling comparisons of fiscal periods for the consolidated financial statements and enabling comparisons with other companies, and also on taking into account that many of its stakeholders are shareholders and creditors within Japan. The Company intends to consider the adoption of international accounting standards in light of factors such as trends in the adoption of international accounting standards by peer companies in the same industry in Japan, and changes in the composition of foreign shareholders in those companies.

3. Consolidated financial statements and significant notes

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Assets		
Current assets		
Cash and deposits	16,494	12,768
Notes and accounts receivable - trade, and contract assets	16,471	18,011
Electronically recorded monetary claims - operating	5,367	5,842
Securities	302	—
Merchandise and finished goods	3,226	2,741
Work in process	4,284	3,763
Raw materials and supplies	5,881	5,714
Other	2,711	1,807
Allowance for doubtful accounts	(63)	(60)
Total current assets	54,674	50,589
Non-current assets		
Property, plant and equipment		
Buildings and structures	13,516	14,659
Accumulated depreciation	(8,293)	(8,579)
Buildings and structures, net	5,222	6,080
Machinery, equipment and vehicles	3,690	3,936
Accumulated depreciation	(2,411)	(2,540)
Machinery, equipment and vehicles, net	1,279	1,396
Tools, furniture and fixtures	6,458	7,185
Accumulated depreciation	(4,685)	(4,916)
Tools, furniture and fixtures, net	1,772	2,269
Land	5,226	5,221
Leased assets	974	1,037
Accumulated depreciation	(734)	(118)
Leased assets, net	240	918
Construction in progress	385	39
Total property, plant and equipment	14,126	15,925
Intangible assets		
Goodwill	1,621	1,368
Other	637	731
Total intangible assets	2,259	2,100
Investments and other assets		
Investment securities	4,119	4,006
Retirement benefit asset	699	980
Deferred tax assets	1,059	969
Other	1,300	1,277
Allowance for doubtful accounts	(4)	(2)
Total investments and other assets	7,174	7,232
Total non-current assets	23,560	25,257
Total assets	78,235	75,847

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,523	3,928
Electronically recorded obligations - operating	4,443	2,234
Contract liabilities	2,880	3,145
Short-term borrowings	5,000	–
Current portion of long-term borrowings	102	101
Income taxes payable	1,053	1,072
Provision for bonuses	621	653
Provision for bonuses for directors (and other officers)	14	17
Provision for share awards for directors (and other officers)	–	144
Provision for product warranties	270	242
Provision for loss on orders received	5	3
Other	3,532	3,878
Total current liabilities	22,447	15,421
Non-current liabilities		
Long-term borrowings	128	25
Deferred tax liabilities	1,159	1,340
Retirement benefit liability	264	90
Provision for share awards for directors (and other officers)	218	148
Provision for retirement benefits for directors (and other officers)	2	2
Asset retirement obligations	24	25
Deferred tax liabilities for land revaluation	534	549
Other	739	1,550
Total non-current liabilities	3,072	3,732
Total liabilities	25,519	19,153
Net assets		
Shareholders' equity		
Share capital	6,895	6,895
Capital surplus	7,053	7,053
Retained earnings	37,091	41,212
Treasury shares	(3,318)	(3,318)
Total shareholders' equity	47,722	51,843
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,110	2,095
Revaluation reserve for land	(663)	(678)
Foreign currency translation adjustment	3,434	3,190
Remeasurements of defined benefit plans	111	243
Total accumulated other comprehensive income	4,993	4,850
Total net assets	52,715	56,693
Total liabilities and net assets	78,235	75,847

(2) Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Net sales	62,126	67,288
Cost of sales	40,132	43,300
Gross profit	21,994	23,987
Selling, general and administrative expenses		
Salaries and allowances	4,747	5,172
Research and development expenses	1,239	1,343
Provision for bonuses	225	244
Provision for product warranties	186	67
Provision for share awards for directors (and other officers)	82	116
Commission expenses	2,443	2,551
Provision for bonuses for directors (and other officers)	14	17
Amortization of goodwill	198	253
Other	6,269	6,695
Total selling, general and administrative expenses	15,408	16,460
Operating profit	6,585	7,526
Non-operating income		
Interest income	46	56
Dividend income	158	206
Subsidy income	51	50
Foreign exchange gains	56	—
Other	71	96
Total non-operating income	383	410
Non-operating expenses		
Interest expenses	25	24
Commission expenses	8	9
Foreign exchange losses	—	104
Other	14	5
Total non-operating expenses	49	144
Ordinary profit	6,919	7,793
Extraordinary income		
Gain on sale of non-current assets	6	2
Gain on sale of investment securities	—	361
Total extraordinary income	6	364
Extraordinary losses		
Loss on retirement of non-current assets	8	3
Loss on sale of non-current assets	0	—
Loss on termination of retirement benefit plan	—	28
Total extraordinary losses	9	31
Profit before income taxes	6,916	8,126
Income taxes - current	1,942	2,014
Income taxes - deferred	(4)	108
Total income taxes	1,937	2,123
Profit	4,978	6,003
Profit attributable to non-controlling interests	9	—
Profit attributable to owners of parent	4,969	6,003

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Profit	4,978	6,003
Other comprehensive income		
Valuation difference on available-for-sale securities	750	(15)
Revaluation reserve for land	—	(15)
Foreign currency translation adjustment	1,580	(244)
Remeasurements of defined benefit plans, net of tax	117	132
Total other comprehensive income	2,448	(143)
Comprehensive income	7,427	5,860
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,417	5,860
Comprehensive income attributable to non-controlling interests	9	—

(3) Consolidated statements of changes in net assets

Previous fiscal year (from April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,895	7,158	33,673	(3,318)	44,408
Changes during period					
Dividends of surplus			(1,545)		(1,545)
Profit attributable to owners of parent			4,969		4,969
Purchase of treasury shares				(0)	(0)
Purchase of shares of consolidated subsidiaries		(104)			(104)
Other			(5)		(5)
Net changes in items other than shareholders' equity					
Total changes during period	—	(104)	3,418	(0)	3,313
Balance at end of period	6,895	7,053	37,091	(3,318)	47,722

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,359	(663)	1,854	(6)	2,544	218	47,172
Changes during period							
Dividends of surplus							(1,545)
Profit attributable to owners of parent							4,969
Purchase of treasury shares							(0)
Purchase of shares of consolidated subsidiaries							(104)
Other							(5)
Net changes in items other than shareholders' equity	750	—	1,580	117	2,448	(218)	2,229
Total changes during period	750	—	1,580	117	2,448	(218)	5,543
Balance at end of period	2,110	(663)	3,434	111	4,993	—	52,715

Fiscal year under review (from April 1, 2024 to March 31, 2025)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,895	7,053	37,091	(3,318)	47,722
Changes during period					
Dividends of surplus			(1,876)		(1,876)
Profit attributable to owners of parent			6,003		6,003
Purchase of treasury shares				(0)	(0)
Purchase of shares of consolidated subsidiaries					–
Other			(5)		(5)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	4,121	(0)	4,120
Balance at end of period	6,895	7,053	41,212	(3,318)	51,843

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,110	(663)	3,434	111	4,993	–	52,715
Changes during period							
Dividends of surplus							(1,876)
Profit attributable to owners of parent							6,003
Purchase of treasury shares							(0)
Purchase of shares of consolidated subsidiaries							–
Other							(5)
Net changes in items other than shareholders' equity	(15)	(15)	(244)	132	(143)	–	(143)
Total changes during period	(15)	(15)	(244)	132	(143)	–	3,977
Balance at end of period	2,095	(678)	3,190	243	4,850	–	56,693

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Cash flows from operating activities		
Profit before income taxes	6,916	8,126
Depreciation	1,520	1,723
Amortization of goodwill	198	253
Increase (decrease) in allowance for doubtful accounts	21	8
Increase (decrease) in provision for bonuses for directors (and other officers)	0	2
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(1)	—
Increase (decrease) in provision for share awards for directors (and other officers)	89	73
Increase (decrease) in retirement benefit liability	20	(173)
Interest and dividend income	(205)	(263)
Interest expenses	25	24
Decrease (increase) in trade receivables	(1,492)	(2,111)
Decrease (increase) in inventories	(1,624)	473
Increase (decrease) in trade payables	(1,140)	(2,779)
Other, net	(458)	881
Subtotal	3,872	6,240
Interest and dividends received	292	256
Interest paid	(26)	(25)
Income taxes refund (paid)	(1,400)	(2,026)
Net cash provided by (used in) operating activities	2,738	4,445
Cash flows from investing activities		
Net decrease (increase) in trust beneficiary right	249	504
Purchase of property, plant and equipment and intangible assets	(2,240)	(2,182)
Proceeds from sale of property, plant and equipment and intangible assets	12	7
Proceeds from sale and redemption of investment securities	—	516
Payments for acquisition of businesses	(1,800)	—
Other, net	(0)	—
Net cash provided by (used in) investing activities	(3,778)	(1,154)
Cash flows from financing activities		
Dividends paid	(1,539)	(1,870)
Net increase (decrease) in short-term borrowings	5,000	(5,000)
Repayments of long-term borrowings	(97)	(103)
Purchase of treasury shares	(0)	(0)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(333)	—
Other, net	(230)	(271)
Net cash provided by (used in) financing activities	2,798	(7,245)
Effect of exchange rate change on cash and cash equivalents	736	(74)
Net increase (decrease) in cash and cash equivalents	2,495	(4,027)
Cash and cash equivalents at beginning of period	14,298	16,793
Cash and cash equivalents at end of period	16,793	12,765

(5) Notes to the consolidated financial statements

Notes on the assumption of a going concern

Not applicable

Important matters concerning the basis for preparing consolidated financial statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 13

Names of main consolidated subsidiaries

ESPEC NORTH AMERICA, INC.

ESPEC ENVIRONMENTAL EQUIPMENT (SHANGHAI) CO., LTD.

Note: ESPEC TEST SYSTEM CORP. was dissolved due to an absorption-type merger with ESPEC THERMALTECH SYSTEM CORP. as the surviving company on October 1, 2024, and is therefore excluded from the scope of consolidation.

(2) Name of main non-consolidated subsidiary

ESPEC ENGINEERING VIETNAM CO., LTD.

Reason for exclusion from scope of consolidation:

The non-consolidated subsidiaries have been excluded from the scope of consolidation because of their small size and because their total assets, net sales, net income (corresponding to equity), and retained earnings (corresponding to equity) have a negligible effect on the consolidated financial statements.

2. Application of the equity method

(1) Number of non-consolidated subsidiaries accounted for using the equity method None

(2) Number of affiliates accounted for using the equity method None

(3) Some non-consolidated subsidiaries (ESPEC ENGINEERING VIETNAM CO., LTD. and others) not accounted for using the equity method have been excluded from the scope of companies accounted for by the equity method as they have a negligible effect on consolidated net income and retained earnings and are immaterial overall.

3. Fiscal year of consolidated subsidiaries

The fiscal year-ends of consolidated subsidiaries SHANGHAI ESPEC ENVIRONMENTAL EQUIPMENT CORP., ESPEC ENVIRONMENTAL EQUIPMENT (SHANGHAI) CO., LTD., ESPEC TEST TECHNOLOGY (SHANGHAI) CO., LTD., ESPEC TEST EQUIPMENT (GUANGDONG) CO., LTD., and ESPEC (CHINA) LIMITED are December 31. These subsidiaries are included in the scope of consolidation based on a provisional financial closing of accounts on March 31, the consolidated closing date.

4. Summary of significant accounting policies

(1) Valuation standards and accounting treatment for important assets

A Securities

Among available-for-sale securities, with those other than non-listed stocks, etc., the value is determined by the market price, with unrealized gains and losses and net of applicable taxes reported in a separate component of net assets, and the cost of stocks sold is determined by the moving-average method. With non-listed stocks, etc., the cost is determined by the moving-average method.

B Derivatives

Market value

C Inventories

Work in process is mainly stated by the specific identification method; other inventories are mainly stated using the acquisition cost method, with cost determined by the weighted-average method (the book value in the balance sheet is reduced when the profitability has declined).

(2) Methods for depreciating and amortizing important assets

A Property, plant and equipment (excluding leased assets)

The Company uses the straight-line method.

Estimated useful lives are as follows:

Buildings 15-50 years

B Intangible assets (excluding leased assets)

The Company uses the straight-line method. Estimated useful lives are as follows:

Software used by the Company 5 years

C Leased assets

Depreciation equivalents are accounted for by the straight-line method, assuming the lease period to be the useful lives and the residual value to be zero.

(3) Accounting for important allowances

A Allowance for doubtful accounts

The allowance for doubtful accounts provides for possible losses arising from default on accounts receivable. It comprises a general reserve for accounts receivable based on historical default rates, and an estimated credit loss for accounts receivable based on an individual assessment of each account.

B Provision for bonuses

The provision for employees' bonuses is based on the estimated requirements for the fiscal year.

C Provision for bonuses for directors (and other officers)

The provision for bonuses for directors and other officers is based on the estimated requirements for the fiscal year.

D Provision for product warranties

The provision for product warranties is provided to cover the after-service expenses, which are free during the warranty period, and are calculated based on historical claim rates for warranty expenses proportional to net sales.

E Provision for loss on orders received

The provision for loss on orders received provides for possible losses in the future arising from the orders the Company has received. The amount of potential loss on orders received as of the end of the fiscal year under review that can be rationally estimated is recorded as a provision for loss on orders received in subsequent fiscal years.

F Provision for retirement benefits for directors (and other officers)

For the Company's domestic consolidated subsidiaries, the Board of Directors has decided to terminate retirement benefits for directors and other officers. The Company books a provision for the monetary amount for the period served by current directors and other officers up to the date of termination of retirement benefits.

G Provision for share awards for directors (and other officers)

The Company posted a provision for share awards based on the estimated amount of the share-benefit obligation at the end of the fiscal year under review in preparation for providing Company shares to the directors and other officers.

Additional information:

Performance-linked share-based remuneration system

Since August 2018, the Company has introduced a performance-linked share-based remuneration system (hereinafter referred to as "the System"), for the Company's Directors (excluding Outside Directors) and Executive Officers (hereinafter, Directors other than Outside Directors and Executive Officers who do not concurrently serve as Directors are collectively referred to as "Directors, etc.")). Furthermore, in connection with the transition to a Company with an Audit & Supervisory Committee, the Company resolved at the 69th Ordinary General Meeting of Shareholders held on June 23, 2022 to abolish the compensation limits of the System that had been previously determined by resolution of the 65th Ordinary General Meeting of Shareholders, and resolved once again to determine compensation limits related to the System for Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee members).

The System is a performance-linked, share-based remuneration system under which the Company's shares are acquired through a trust using funds contributed by the Company (hereinafter referred to as the "Trust"), and the Directors, etc. are provided with the Company's shares and the money equivalent to the market value of the Company's shares (hereinafter referred to as the "Company's shares, etc.") through the Trust in accordance with the Regulations for Delivery of Shares to Officers stipulated by the Company. Regarding the accounting procedure for the System, the Company applies the gross method whereby the Trust's assets, liabilities, and profit and loss are included in the Company's consolidated financial statements. Moreover, the Company posted a provision for share awards for directors and other officers based on the estimated amount of the share-benefit obligation at the end of the fiscal year under review in preparation for providing Company shares to the Directors, etc. in accordance with the Regulations for Delivery of Shares to Officers. The following shows the book value and the number of treasury shares held.

	Previous fiscal year March 31, 2024	Fiscal year under review March 31, 2025
Book value of treasury shares	¥3,318 million	¥3,318 million
Book value of treasury shares held by the Company	¥2,810 million	¥2,810 million
Book value of treasury shares held by the Trust	¥507 million	¥507 million
Number of treasury shares	1,949,085 shares	1,949,204 shares
Number of treasury shares held by the Company	1,708,685 shares	1,708,804 shares
Number of treasury shares held by the Trust	240,400 shares	240,400 shares

(4) Accounting method of retirement benefits

A Attribution method for projected retirement benefits

As regards calculating retirement benefit obligations, the method for attributing projected retirement benefits to accounting periods at the end of the fiscal year under review is the benefit formula method.

B Amortization method for actuarial gains or losses

Actuarial gains or losses are amortized from the fiscal year following the fiscal year in which they arise, using the straight-line method over a fixed number of years (10 years), but no more than the average remaining years of service of employees.

(5) Standard for recording significant revenues and expenses

A Details of the main obligations based on contracts with customers in the main businesses

The Group's main businesses comprise the Equipment business and the Service business. Their performance obligations include manufacturing and sale of environmental testing chambers, etc., installation of the products, onsite calibration operations, relocation, maintenance, repair, and laboratory testing services. With the exception of advances received, consideration for transactions is mainly received within one year from the satisfaction of the performance obligations and does not include a significant financial component.

B Ordinary timing for recognition of revenue from main performance obligations

- (i) For provision of products and services that does not involve installation and onsite calibration operations, the performance obligation is satisfied at the time when the product is delivered or the service provided, so revenue is recognized at the time of product delivery or service provision.
- (ii) For provision of products and services that involves installation and onsite calibration operations, the performance obligation is satisfied at the time when the product installation and onsite calibration operations are completed, so revenue is recognized at the time of completion of product installation and onsite calibration.
- (iii) For sales of certain products and relocation of products, etc., the customer controls the product as the asset is generated or the value of the asset increases, so progress towards the satisfaction of the performance obligation is estimated and revenue is recognized over time based on the degree of progress. The method for estimating progress towards satisfaction of the performance obligation is the input method based on cost. The measurement of the degree of progress is based on the ratio of the costs incurred by the end of the period to the total estimated cost for each contract.
- (iv) For product maintenance contracts and so forth, the performance obligations are satisfied over a certain period, and revenue is recognized according to the degree of progress on satisfaction of the performance obligations over the contract period.

C Information regarding performance obligations in the case where warranties and related obligations are included in contracts
Sales contracts for environmental testing chambers and so forth include product warranty obligations to provide free repair or exchange for faults due to product defects arising within around one to five years after delivery. These warranty obligations are recognized as a provision for product warranties since they provide customers with a warranty that the product will function as intended in accordance with the specifications stipulated in the contract with the customer.

(6) Standards for translation of material foreign currency-denominated assets and liabilities into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the balance sheet date, with the foreign currency exchange gains and losses from translation recognized in the statement of income. The assets and liabilities of foreign subsidiaries, etc. are translated into Japanese yen at the current exchange rates at the balance sheet date. Revenue and expenses of foreign subsidiaries, etc. are translated into Japanese yen at the average rate for the year. Differences arising from such translation are shown as "Foreign currency translation adjustment," and are separate components of net assets.

(7) Method and period of amortization of goodwill

Goodwill is amortized by the straight-line method, equally allocating the cost over a period of no longer than 20 years.

(8) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents include cash in hand and deposits as well as short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value, all of which mature or become due within three months of the date of acquisition.

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 fiscal year ended 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 on segment information, etc.

Segment information

1. Overview of reportable segments

The Company's reportable segments refer to those components of the Company for which separate financial information is available and such information is reviewed regularly by the Board of Directors in determining the allocation of resources and in evaluating performance.

The Company classifies its business activities into segments according to the business format. There are three reportable segments: Equipment business, Service business, and Other business.

The Equipment business provides environmental test chambers, energy-device equipment and semiconductor equipment. The Service business is engaged in after-sales service and engineering and laboratory testing services and facility rentals. The Other business is involved with environmental conservation and plant production systems.

2. Method of calculating the monetary values of net sales, profit or loss, assets, and other components of each reportable segment

Accounting methods for reportable segments are the same as the methods shown in the "Important Matters Concerning the Basis for Preparing Consolidated Financial Statements." Inter-segment sales and transfers are based on market prices and certain other factors.

3. Information concerning the monetary values of net sales, income or loss, assets, and other items of each reportable segment

Previous fiscal year (from April 1, 2023 to March 31, 2024)

	Reportable segment			Total	Adjustment ¹	(Millions of yen) Carried amount on consolidated financial statements ²
	Equipment business	Service business	Other business			
Net sales						
Sales to external customers	53,480	7,213	1,432	62,126	—	62,126
Internal sales or transfers between segments	37	322	23	383	(383)	—
Total	53,518	7,536	1,455	62,510	(383)	62,126
Segment profit	5,848	681	51	6,582	3	6,585
Segment assets	57,913	7,414	1,137	66,466	11,769	78,235
Other						
Depreciation	1,120	367	3	1,492	—	1,492
Amortization of goodwill	198	—	—	198	—	198
Increases in property, plant and equipment and intangible assets	1,110	1,567	17	2,695	—	2,695

*1. Adjustments are as follows:

- (1) Adjustment for net sales mainly represents eliminations of inter-segment transactions.
- (2) Adjustment for segment profit mainly represents eliminations of inter-segment transactions.
- (3) Adjustment for segment assets mainly represents eliminations of inter-segment transactions and company-wide assets. Company-wide assets of ¥13,198 million primarily consist of surplus working capital at the parent company (cash and deposits, short-term investment securities, etc.), long-term investment funds (investment securities), and assets related to administrative divisions.
- (4) Adjustment for depreciation mainly represents eliminations of inter-segment transactions.
- (5) Adjustment for increases in property, plant and equipment and intangible assets mainly represents eliminations of inter-segment transactions and company-wide assets.

2. Segment profit was reconciled with the operating profit presented in the consolidated statement of income.

Fiscal year under review (from April 1, 2024 to March 31, 2025)

(Millions of yen)

	Reportable segment			Total	Adjustment ¹	Carried amount on consolidated financial statements ²
	Equipment business	Service business	Other business			
Net sales						
Sales to external customers	57,444	8,107	1,736	67,288	—	67,288
Internal sales or transfers between segments	62	318	21	403	(403)	—
Total	57,507	8,425	1,758	67,691	(403)	67,288
Segment profit	6,610	793	126	7,530	(4)	7,526
Segment assets	58,101	10,108	1,318	69,529	6,317	75,847
Other						
Depreciation	1,271	438	7	1,716	—	1,716
Amortization of goodwill	253	—	—	253	—	253
Increases in property, plant and equipment and intangible assets	1,791	1,891	6	3,690	—	3,690

*1. Adjustments are as follows:

- (1) Adjustment for net sales mainly represents eliminations of inter-segment transactions.
- (2) Adjustment for segment profit mainly represents eliminations of inter-segment transactions.
- (3) Adjustment for segment assets mainly represents eliminations of inter-segment transactions and company-wide assets. Company-wide assets of ¥6,613 million primarily consist of surplus working capital at the parent company (cash and deposits, short-term investment securities, etc.), long-term investment funds (investment securities), and assets related to administrative divisions.
- (4) Adjustment for depreciation mainly represents eliminations of inter-segment transactions.
- (5) Adjustment for increases in property, plant and equipment and intangible assets mainly represents eliminations of inter-segment transactions and company-wide assets.

2. Segment profit was reconciled with the operating profit presented in the consolidated statement of income.

Related information

Previous fiscal year (from April 1, 2023 to March 31, 2024)

1. Information by product and service

(Millions of yen)

	Equipment business	Service business	Other business	Total
Sales to external customers	53,480	7,213	1,432	62,126

2. Information by region

(1) Net sales

(Millions of yen)

Japan	U.S.	China	Other in Asia	Other	Total
29,162	8,619	12,176	7,069	5,098	62,126

(2) Property, plant and equipment

(Millions of yen)

Japan	U.S.	China	Other in Asia	Other	Total
10,396	2,066	1,415	235	13	14,126

Fiscal year under review (from April 1, 2024 to March 31, 2025)

1. Information by product and service

(Millions of yen)

	Equipment business	Service business	Other business	Total
Sales to external customers	57,444	8,107	1,736	67,288

2. Information by region

(1) Net sales

(Millions of yen)

Japan	U.S.	China	Other in Asia	Other	Total
32,334	10,243	11,699	8,072	4,938	67,288

(2) Property, plant and equipment

(Millions of yen)

Japan	U.S.	China	Other in Asia	Other	Total
11,615	2,010	2,035	244	19	15,925

Information related to impairment loss on non-current assets for each reportable segment

Previous fiscal year (from April 1, 2023 to March 31, 2024)

Not applicable

Fiscal year under review (from April 1, 2024 to March 31, 2025)

Not applicable

Information related to amortization of goodwill and unamortized balance by reportable segment

Previous fiscal year (from April 1, 2023 to March 31, 2024)

(Millions of yen)

	Equipment business	Service business	Other business	Company-wide and elimination	Total
Amortization	198	—	—	—	198
Unamortized balance	1,621	—	—	—	1,621

Fiscal year under review (from April 1, 2024 to March 31, 2025)

(Millions of yen)

	Equipment business	Service business	Other business	Company-wide and elimination	Total
Amortization	253	—	—	—	253
Unamortized balance	1,368	—	—	—	1,368

Information related to gain on bargain purchase for each reportable segment

Previous fiscal year (from April 1, 2023 to March 31, 2024)

Not applicable

Fiscal year under review (from April 1, 2024 to March 31, 2025)

Not applicable

Notes on per-share information

(Yen)

Previous fiscal year (from April 1, 2023 to March 31, 2024)	Fiscal year under review (from April 1, 2024 to March 31, 2025)
Net assets per share 2,414.58	Net assets per share 2,596.78
Basic earnings per share 227.61	Basic earnings per share 274.97
Diluted earnings per share are not shown as there are no dilutive securities.	Diluted earnings per share are not shown as there are no dilutive securities.

* The Company's shares set up by the Board Benefit Trust (BBT) are recognized as treasury shares in the Company's consolidated financial statements. Accordingly, the number of common shares used to calculate net assets per share for the previous fiscal year and the fiscal year under review was calculated after deducting the relevant number of those shares. For the purpose of calculating net assets per share, the number of treasury shares at term-end that was deducted was 240,400 in the previous fiscal year and 240,400 in the fiscal year under review.

Note: The basis of calculation for basic earnings per share is as follows:

	Previous fiscal year (from April 1, 2023 to March 31, 2024)	Fiscal year under review (from April 1, 2024 to March 31, 2025)
Basic earnings per share		
Profit attributable to owners of parent (millions of yen)	4,969	6,003
Net income available to minority interests (millions of yen)	—	—
Profit attributable to owners of parent available to common shares (millions of yen)	4,969	6,003
Average number of shares outstanding during the period (thousands of shares)	21,832	21,832
Dilutive shares omitted from the calculation of diluted basic earnings per share, due to absence of a dilution effect	—	—

* The Company's shares set up by the Board Benefit Trust (BBT) are recognized as treasury shares in the Company's consolidated financial statements. Accordingly, the average number of shares outstanding during the period for the previous fiscal year and the fiscal year under review was calculated after deducting the relevant number of those shares. For the purpose of calculating basic earnings per share, the average number of treasury shares during the term that was deducted was 240,400 in the previous fiscal year and 240,400 in the fiscal year under review.

Material subsequent events

Not applicable