Financial Accounting Standards Foundation Member

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May 13, 2022

Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (Under Japanese GAAP)

Company name: ESPEC CORP.
Listing: Tokyo Stock Exchanges, Prime Market
Securities code: 6859
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Representative: Satoshi Arata, Representative Director and President
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Scheduled date of annual general meeting of shareholders: June 23, 2022
Scheduled date to commence dividend payments: June 24, 2022
Scheduled date to file annual securities report: June 24, 2022
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (An on-demand video of the presentation meeting is scheduled to be posted on the Company's website.)

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

1. Consolidated financial results for the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(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, 2022	41,852	8.2	1,968	(23.5)	2,322	(18.2)	1,905	(2.8)
March 31, 2021	38,668	(8.9)	2,572	(31.3)	2,840	(27.8)	1,961	(30.4)

Note: Comprehensive income For the fiscal year ended March 31, 2022 ¥ 2,820 million (13.8) %
For the fiscal year ended March 31, 2021 ¥ 3,271 million 48.8 %

	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, 2022	84.89	–	4.2	3.9	4.7
March 31, 2021	85.79	–	4.5	4.9	6.7

Reference: Share of profit (loss) of entities accounted for using equity method
For the fiscal year ended March 31, 2022 ¥ - million
For the fiscal year ended March 31, 2021 ¥ - million

Note: The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) from the beginning of the fiscal year ended March 31, 2022, and the figures for the fiscal year ended March 31, 2022 are shown after the application of this accounting standard.

(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, 2022	61,922	45,592	73.3	2,028.44
March 31, 2021	58,607	44,984	76.8	1,967.34

Reference: Equity As of March 31, 2022 ¥45,378 million
As of March 31, 2021 ¥44,984 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, 2022	2,018	(932)	(2,830)	16,157
March 31, 2021	3,041	(2,034)	(1,503)	17,301

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, 2021	—	10.00	—	41.00	51.00	1,175	59.4	2.7
Fiscal year ended March 31, 2022	—	18.00	—	42.00	60.00	1,352	70.7	3.0
Fiscal year ending March 31, 2023 (Forecast)	—	24.00	—	45.00	69.00		42.9	

Note: Components of the interim dividend for the fiscal year ending March 31, 2023 (forecast)
Ordinary dividend ¥22 Commemorative dividend ¥2
Components of the year-end dividend for the fiscal year ending March 31, 2023 (forecast)
Ordinary dividend ¥43 Commemorative dividend ¥2

3. Forecasts of consolidated operating results for fiscal 2022, ending March 31, 2023 (From April 1, 2022 to March 31, 2023)

(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, 2022	23,500	33.8	1,950	392.2	2,000	321.2	1,300	463.7	58.11
Fiscal year ending March 31, 2023	50,000	19.5	5,000	153.9	5,100	119.6	3,600	88.9	160.92

* Notes

(1) Changes in significant subsidiaries during the period
(changes in specified subsidiaries resulting in the change in scope of consolidation): None
Newly included: (Company name:)
Excluded: (Company name:)

(2) Changes in accounting policies, changes in accounting estimates, and restatement
1) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
2) Changes in accounting policies due to other reasons: None
3) Changes in accounting estimates: None
4) Restatement: None

(3) Number of issued shares (common shares)
1) Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2022	23,781,394 shares
As of March 31, 2021	23,781,394 shares

2) Number of treasury shares at the end of the period

As of March 31, 2022	1,410,246 shares
As of March 31, 2021	915,593 shares

3) Average number of shares outstanding during the period

Fiscal year ended March 31, 2022	22,453,148 shares
Fiscal year ended March 31, 2021	22,865,944 shares

Reference: Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(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, 2022	26,307	1.6	1,027	(30.3)	1,590	(12.1)	1,563	16.3
March 31, 2021	25,887	(13.2)	1,473	(42.9)	1,808	(38.8)	1,345	(38.0)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2022	69.65	—
March 31, 2021	58.82	—

(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, 2022	47,035	37,952	80.7	1,696.48
March 31, 2021	47,643	39,200	82.3	1,714.37

Reference: Equity As of March 31, 2022 ¥37,952 million
As of March 31, 2021 ¥39,200 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.

Note: For details, see "Outlook for Fiscal 2022" on p. 4.

Index of Attached Material

1. Summary of Business Results

Forward-looking statements contained herein are based on the Group's judgment as of March 31, 2022. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) from the beginning of the fiscal year ended March 31, 2022, and the figures for the fiscal year ended March 31, 2022 are shown after the application of this accounting standard.

(1) Overview of Fiscal 2021 Operating Results

1) Operating Results for Fiscal 2021

During fiscal 2021, the year ended March 31, 2022, the ESPEC Group's business environment remained on a recovery track due to the normalization of the global economy and the spread of COVID-19 vaccinations. With the advance of digitalization and decarbonization in society, electronics-related investment was favorable, and automotive-related investment was also firm. However, concerns have emerged about the global economic impacts of surging high raw material prices and logistics costs and ongoing shortages of semiconductors and electronics components, as well as a deterioration in the situation in Ukraine and lockdowns in China in the fourth quarter.
In this environment, the ESPEC Group saw an increase in activity centered on markets related to 5G and IoT, as well as automated driving and electrification of automobiles, resulting in a 36.5% increase in orders received, with reached a new record high of ¥51,303 million. However, on the manufacturing front, the shortage of electronics components was not resolved, and although the Group took countermeasures such as procuring alternatives and making design changes, product delivery times continued to lengthen. As a result, net sales were held to an increase of only 8.2% year on year to ¥41,852 million. On the profit front, operating profit decreased 23.5% year on year to ¥1,968 million due to a deterioration in the cost-of-sales ratio driven by increased procurement costs and increased personal expenses and activity expenses associated with the expansion in orders. Profit attributable to owners of parent decreased only 2.8% year on year to ¥1,905 million, mainly due to a gain on sale of investment securities.

	Year Ended March 31, 2021 (Millions of yen)	Year Ended March 31, 2022 (Millions of yen)	Change (%)
Orders received	37,580	51,303	36.5
Net sales	38,668	41,852	8.2
Operating profit	2,572	1,968	(23.5)
Ordinary profit	2,840	2,322	(18.2)
Profit attributable to owners of parent	1,961	1,905	(2.8)

2) Performance by Segment

Consolidated results by operating segment for fiscal 2021

	Orders received (Millions of yen)	Net sales (Millions of yen)	Operating profit (loss) (Millions of yen)
Equipment Business	43,535	34,518	1,370
Service Business	6,771	6,407	618
Other Business	1,265	1,188	(23)
Elimination	(269)	(261)	2
Total	51,303	41,852	1,968

Equipment Business

In the environmental test chambers field, particularly the Japanese market, orders-received increased year on year both for versatile standardized products and customized products, while net sales were level year on year. In overseas markets, orders received were brisk, and net sales increased in China, North America, Europe, South Korea, and Southeast Asia.
In the energy devices equipment field, both orders received and net sales increased year on year and orders were acquired for evaluation systems for secondary batteries due to recovery in automotive-related investment.
In the semiconductor equipment field, orders-received increased year on year while investment related to memory and automobiles continued, but net sales decreased.
As a result, the Equipment Business on the whole saw orders received increase 41.6% to ¥43,535 million and net sales increase 12.6% to ¥34,518 million, compared to the last year. On the profit front, operating profit decreased 33.5% year on year to ¥1,370 million, due to a deterioration in the cost-of-sales ratio and an increase in selling, general and administrative expenses.

	Year Ended March 31, 2021 (Millions of yen)	Year Ended March 31, 2022 (Millions of yen)	Change (%)
Orders received	30,755	43,535	41.6
Net sales	30,669	34,518	12.6
Operating profit	2,062	1,370	(33.5)

Service Business

In the after-sales service and engineering field, both orders received and net sales increased year on year, due to a strong performance in preventive maintenance services such as maintenance agreements.
In laboratory testing services and facility rentals, both orders received and net sales increased year on year, due to a strong performance in laboratory testing services.
As a result, the Service Business on the whole saw orders received increase 10.0% year on year to ¥6,771 million and net sales increase 5.7% to ¥6,407 million. On the profit front, operating profit was ¥618 million, an increase of 38.5% year on year due to an increase in net sales.

	Year Ended March 31, 2021 (Millions of yen)	Year Ended March 31, 2022 (Millions of yen)	Change (%)
Orders received	6,153	6,771	10.0
Net sales	6,063	6,407	5.7
Operating profit	446	618	38.5

Other Business

In the other business, which is centered on the environmental preservation and plant factory businesses, orders received increased 29.6% year on year to ¥1,265 million, due to an increase in orders received for forest and waterside creation, and capturing orders for plant factories. Net sales decreased 47.0% year on year to ¥1,188 million because of a large plant factory project in the previous fiscal year. On the profit front, operating profit deteriorated by ¥83 million to an operating loss of ¥23 million due to the decrease in net sales.

	Year Ended March 31, 2021 (Millions of yen)	Year Ended March 31, 2022 (Millions of yen)	Change (%)
Orders received	976	1,265	29.6
Net sales	2,241	1,188	(47.0)
Operating profit (loss)	60	(23)	—

(2) Overview of Fiscal 2021 Consolidated Financial Situation

Total assets at the end of the fiscal year consolidated accounting period were ¥61,922 million, an increase of ¥3,314 million over the end of the previous fiscal year. Major factors included an increase of ¥275 million in trade receivable (notes and accounts receivable-trade, contract assets, and electronically recorded monetary claims-operating) a decrease of ¥999 million in securities due to a decrease in monetary trusts, an increase of ¥3,149 million in inventory assets such as raw materials and supplies associated with the increase in order backlog, an increase of ¥595 million in other current assets, an increase of ¥373 million in goodwill, a decrease of ¥785 million in investment securities associated with reducing cross-shareholdings, and an increase of ¥427 million in deferred tax assets.
Liabilities were ¥16,330 million, an increase of ¥2,706 million against the end of the previous fiscal year. Major factors included an increase of ¥1,067 million in accounts payable (notes and accounts payable – trade and electronically recorded obligations – operating) due to an increase in production and sales activities from increased sales, and an increase of ¥1,619 million in other current liabilities, mainly contract liabilities associated with the increase in orders received.
Net assets were ¥45,592 million, an increase of ¥607 million against the end of the previous fiscal year. Major factors included the recording of ¥1,905 million in profit attributable to owners of parent in fiscal 2021, an increase of ¥539 million in retained earnings resulting from ¥1,350 million in dividends of surplus, a decrease of ¥1,055 million due to the acquisition of treasury shares in accordance with a flexible capital policy in response to changes in the business environment, and an increase of ¥1,278 million in foreign currency translation adjustment.
As a result, the equity-to-asset ratio stood at 73.3%, a decrease of 3.5 points from the end of the previous fiscal year.

(3) Overview of Fiscal 2021 Cash Flows

Cash and cash equivalents (hereinafter, “cash”) at the end of the fiscal year under review were ¥16,157 million, a decrease of ¥1,144 million from the beginning of the fiscal year. This was mainly the result of net cash provided by operating activities of ¥2,018 million, net cash used in investing activities of ¥932 million, net cash used in financing activities of ¥2,830 million, and an increase in effect of exchange rate change on cash and cash equivalents of ¥600 million.
The status of each cash flow and the factors behind that for the fiscal 2021 are as follows.
Net cash provided by operating activities was ¥2,018 million, compared with net cash provided of ¥3,041 million in the previous fiscal year. The main sources of cash were profit before income taxes of ¥2,711 million, recording depreciation of ¥1,298 million, and outflow of cash of ¥2,388 million for an increase in inventories associated with the increase in order backlog, and an increase in cash of ¥545 million due to increase in trade payables.
Net cash used in investing activities was ¥932 million, compared with net cash used of ¥2,034 million in the previous fiscal year. This was primarily due to a payment of ¥846 million for the acquisition of shares of a subsidiary resulting in a change in the scope of consolidation.
Net cash used in financing activities was ¥2,830 million, compared with net cash used of ¥1,503 million in the previous fiscal year. This was mainly due to cash dividends paid of ¥1,346 million and purchase of treasury shares of ¥1,066 million.

(4) Outlook for Fiscal 2022

Towards realizing the Company’s long-term vision, ESPEC Vision 2025, it has been executing medium-term management plans every four years (Stage I through Stage III), and has now started the final stage, medium-term management plan “Progressive Plan 2025.” Under the new medium-term management plan, the Company will steadily execute investment and strategies for growth under the basic policy, “Breaking through the inertia and the habits of individuals and workplaces and contributing to the practical application of advanced technologies,” as it aims to realize the long-term vision.
The business environment in the fiscal year ending March 31, 2023 will be characterized by continued uncertainty, with surging raw materials prices and logistics costs, a shortage of electronics components, as well as a worsening international situation and the spread of infection. However, against the backdrop of digitalization and decarbonization in society, the Company expect demand for environmental testing to remain brisk, mainly in cutting-edge technology fields such as IoT and next-generation automobiles. Based on this business environment, the Company’s forecast for fiscal 2022 (the year ending March 31, 2023) is for net sales of ¥50.0 billion, operating profit of ¥5.0 billion, and profit attributable to owners of parent of ¥3.6 billion. The Company will continue striving to normalize product delivery times and improve earnings, while aiming to increase sales by strengthening its global marketing and expanding the product lineup.

Forecasts of consolidated operating results for fiscal 2022, ending March 31, 2023

(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, 2022	23,500	33.8	1,950	392.2	2,000	321.2	1,300	463.7	58.11
Fiscal year ending March 31, 2023	50,000	19.5	5,000	153.9	5,100	119.6	3,600	88.9	160.92

Forecasts of consolidated operating results by segment for fiscal 2022 (Full-term)

	Orders received (Millions of yen)	Net sales (Millions of yen)	Operating profit (Millions of yen)
Equipment Business	41,900	42,100	4,620
Service Business	6,600	6,500	350
Other Business	1,800	1,700	30
Elimination	(300)	(300)	0
Total	50,000	50,000	5,000

* There are marked seasonal fluctuations in the Group’s performance based on quarterly sales because of a strong trend towards contractual deliveries occurring in the second and fourth quarters as a result of customers’ budget implementation.

(5) Basic Policy on Profit Distributions and Dividends for Fiscal 2021 and Fiscal 2022

The Company recognizes the return of profits to shareholders as an important management priority, and believes that constantly raising enterprise value is the key element in ensuring improved shareholder returns. Regarding the dividend for the fiscal year under review, the Company decides dividends in consideration of continuity and the consolidated dividend payout ratio, and plans to pay an increased year-end dividend of ¥42 per share. Together with the payment of an interim dividend of ¥18 per share, the Company will pay an annual dividend of ¥60 per share for fiscal 2021.
The Company plans to pay an annual dividend of ¥69 per share in total, comprising a dividend of ¥65 per share and a commemorative dividend of ¥4 per share for the Company’s 75th founding anniversary. The interim dividend will be ¥24 per share (including a commemorative dividend of ¥2). For details of the 75th founding anniversary commemorative dividend, please refer to “Notice Concerning Commemorative Dividend to Mark the Company’s 75th Anniversary” published today (May 13, 2022).

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

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	13,398	13,254
Notes and accounts receivable - trade	13,708	—
Notes and accounts receivable - trade, and contract assets	—	13,595
Electronically recorded monetary claims - operating	2,217	2,607
Securities	3,902	2,902
Merchandise and finished goods	1,563	2,036
Work in process	1,745	2,805
Raw materials and supplies	2,053	3,670
Other	1,640	2,236
Allowance for doubtful accounts	(47)	(30)
Total current assets	40,182	43,076
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,276	12,673
Accumulated depreciation	(7,406)	(7,758)
Buildings and structures, net	4,869	4,915
Machinery, equipment and vehicles	2,777	3,096
Accumulated depreciation	(1,882)	(2,088)
Machinery, equipment and vehicles, net	895	1,007
Tools, furniture and fixtures	5,131	5,309
Accumulated depreciation	(3,818)	(4,063)
Tools, furniture and fixtures, net	1,312	1,245
Land	4,601	4,632
Leased assets	826	899
Accumulated depreciation	(157)	(326)
Leased assets, net	669	573
Construction in progress	20	13
Total property, plant and equipment	12,368	12,388
Intangible assets		
Goodwill	324	698
Other	463	586
Total intangible assets	787	1,284
Investments and other assets		
Investment securities	3,697	2,912
Retirement benefit asset	406	502
Deferred tax assets	117	544
Other	1,081	1,215
Allowance for doubtful accounts	(33)	(2)
Total investments and other assets	5,269	5,172
Total non-current assets	18,424	18,845
Total assets	58,607	61,922

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,745	3,478
Electronically recorded obligations - operating	3,484	3,817
Short-term borrowings	146	—
Current portion of long-term borrowings	74	82
Income taxes payable	356	428
Provision for bonuses	408	487
Provision for bonuses for directors (and other officers)	18	10
Provision for share awards for directors (and other officers)	15	82
Provision for product warranties	181	178
Provision for loss on orders received	4	16
Other	3,333	4,953
Total current liabilities	10,769	13,537
Non-current liabilities		
Long-term borrowings	318	269
Deferred tax liabilities	588	560
Retirement benefit liability	67	245
Provision for share awards for directors (and other officers)	152	93
Provision for retirement benefits for directors (and other officers)	4	4
Asset retirement obligations	22	22
Deferred tax liabilities for land revaluation	534	534
Other	1,164	1,063
Total non-current liabilities	2,853	2,792
Total liabilities	13,623	16,330
Net assets		
Shareholders' equity		
Share capital	6,895	6,895
Capital surplus	7,120	7,120
Retained earnings	31,297	31,836
Treasury shares	(1,181)	(2,236)
Total shareholders' equity	44,132	43,616
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,501	1,109
Revaluation reserve for land	(663)	(663)
Foreign currency translation adjustment	15	1,294
Remeasurements of defined benefit plans	(0)	21
Total accumulated other comprehensive income	852	1,762
Non-controlling interests	—	213
Total net assets	44,984	45,592
Total liabilities and net assets	58,607	61,922

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	38,668	41,852
Cost of sales	25,255	27,849
Gross profit	13,412	14,003
Selling, general and administrative expenses		
Salaries and allowances	3,440	3,891
Research and development expenses	1,302	1,035
Provision for bonuses	129	153
Provision for product warranties	128	119
Provision for share awards for directors (and other officers)	75	17
Commission expenses	1,255	1,513
Provision for bonuses for directors (and other officers)	18	10
Amortization of goodwill	62	99
Other	4,427	5,193
Total selling, general and administrative expenses	10,839	12,034
Operating profit	2,572	1,968
Non-operating income		
Interest income	17	53
Dividend income	81	95
Subsidy income	25	4
Foreign exchange gains	120	184
Other	71	82
Total non-operating income	316	419
Non-operating expenses		
Interest expenses	26	40
Loss on investments in investment partnerships	7	—
Commission expenses	8	8
Other	5	16
Total non-operating expenses	48	66
Ordinary profit	2,840	2,322
Extraordinary income		
Gain on sale of non-current assets	7	2
Gain on sale of investment securities	9	396
Total extraordinary income	17	399
Extraordinary losses		
Loss on retirement of non-current assets	15	10
Loss on sale of non-current assets	0	0
Loss on sale of investment securities	0	—
Impairment losses	1	—
Total extraordinary losses	17	10
Profit before income taxes	2,840	2,711
Income taxes - current	896	946
Income taxes - deferred	(17)	(145)
Total income taxes	878	800
Profit	1,961	1,910
Profit attributable to non-controlling interests	—	4
Profit attributable to owners of parent	1,961	1,905

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	1,961	1,910
Other comprehensive income		
Valuation difference on available-for-sale securities	570	(391)
Foreign currency translation adjustment	578	1,278
Remeasurements of defined benefit plans, net of tax	160	22
Total other comprehensive income	1,309	909
Comprehensive income	3,271	2,820
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,271	2,815
Comprehensive income attributable to non-controlling interests	—	4

(3) Consolidated Statements of Changes in Net Assets

Year Ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,895	7,120	30,325	(1,180)	43,160
Cumulative effects of changes in accounting policies					—
Restated balance	6,895	7,120	30,325	(1,180)	43,160
Changes of items during period					
Dividends of surplus			(1,290)		(1,290)
Profit attributable to owners of parent			1,961		1,961
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares					—
Change in scope of consolidation			300		300
Other			0		0
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	972	(0)	971
Balance at end of current period	6,895	7,120	31,297	(1,181)	44,132

	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	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income		
Balance at beginning of current period	930	(662)	(535)	(161)	(428)	—	42,731
Cumulative effects of changes in accounting policies							
Restated balance	930	(662)	(535)	(161)	(428)	—	42,731
Changes of items during period							
Dividends of surplus							(1,290)
Profit attributable to owners of parent							1,961
Purchase of treasury shares							(0)
Disposal of treasury shares							—
Change in scope of consolidation							300
Other							0
Net changes of items other than shareholders' equity	570	(0)	550	160	1,281	—	1,281
Total changes of items during period	570	(0)	550	160	1,281	—	2,253
Balance at end of current period	1,501	(663)	15	(0)	852	—	44,984

Year Ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,895	7,120	31,297	(1,181)	44,132
Cumulative effects of changes in accounting policies			(12)		(12)
Restated balance	6,895	7,120	31,285	(1,181)	44,120
Changes of items during period					
Dividends of surplus			(1,350)		(1,350)
Profit attributable to owners of parent			1,905		1,905
Purchase of treasury shares				(1,066)	(1,066)
Disposal of treasury shares				11	11
Change in scope of consolidation					―
Other			(3)		(3)
Net changes of items other than shareholders' equity					
Total changes of items during period	―	―	551	(1,055)	(503)
Balance at end of current period	6,895	7,120	31,836	(2,236)	43,616

	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	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income		
Balance at beginning of current period	1,501	(663)	15	(0)	852	―	44,984
Cumulative effects of changes in accounting policies							(12)
Restated balance	1,501	(663)	15	(0)	852	―	44,972
Changes of items during Period							
Dividends of surplus							(1,350)
Profit attributable to owners of parent							1,905
Purchase of treasury shares							(1,066)
Disposal of treasury shares							11
Change in scope of consolidation							―
Other							(3)
Net changes of items other than shareholders' equity	(391)	―	1,278	22	909	213	1,123
Total changes of items during period	(391)	―	1,278	22	909	213	619
Balance at end of current period	1,109	(663)	1,294	21	1,762	213	45,592

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	2,840	2,711
Depreciation	1,061	1,298
Impairment losses	1	—
Amortization of goodwill	62	99
Increase (decrease) in allowance for doubtful accounts	7	(52)
Increase (decrease) in provision for bonuses for directors (and other officers)	0	(7)
Increase (decrease) in provision for share awards for directors (and other officers)	89	18
Increase (decrease) in retirement benefit liability	9	20
Interest and dividend income	(99)	(148)
Interest expenses	26	40
Decrease (increase) in trade receivables	2,661	389
Decrease (increase) in inventories	(299)	(2,388)
Increase (decrease) in trade payables	(2,000)	545
Other, net	(554)	97
Subtotal	3,806	2,624
Interest and dividends received	98	197
Interest paid	(26)	(41)
Income taxes refund (paid)	(836)	(761)
Net cash provided by (used in) operating activities	3,041	2,018
Cash flows from investing activities		
Net decrease (increase) in trust beneficiary right	315	(65)
Purchase of property, plant and equipment and intangible assets	(1,711)	(680)
Proceeds from sale of property, plant and equipment and intangible assets	10	5
Purchase of investment securities	(70)	—
Proceeds from sale and redemption of investment securities	14	643
Payments for investments in capital	(593)	—
Proceeds from collection of loans receivable	0	0
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(846)
Other, net	—	10
Net cash provided by (used in) investing activities	(2,034)	(932)
Cash flows from financing activities		
Dividends paid	(1,288)	(1,346)
Net increase (decrease) in short-term borrowings	(99)	(152)
Repayments of long-term borrowings	(53)	(76)
Purchase of treasury shares	(0)	(1,066)
Other, net	(60)	(188)
Net cash provided by (used in) financing activities	(1,503)	(2,830)
Effect of exchange rate change on cash and cash equivalents	277	600
Net increase (decrease) in cash and cash equivalents	(218)	(1,144)
Cash and cash equivalents at beginning of period	16,779	17,301
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	740	—
Cash and cash equivalents at end of period	17,301	16,157

(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

Name of main consolidated subsidiary: ESPEC NORTH AMERICA, INC.

Note: From fiscal 2021, ESPEC THERMAL TECH SYSTEM CORP. has been included in the scope of consolidation because the Company has acquired 80% of its shares.

(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 of the ESPEC Group.

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 the consolidated net income and retained earnings of the ESPEC Group, 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

1) Marketable 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, net of applicable taxes, reported in a separate component of net assets, and the cost of stocks sold determined by the moving average method. With non-listed stocks, etc. the cost is determined by the moving average method.

2) Derivatives: Market value

3) Inventories:

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

(2) Method for depreciating and amortizing important assets

1) Property, plant and equipment (excluding lease assets):

The Company uses the straight-line method.
Estimated useful lives are as follows: Buildings 15-50 years

2) Intangible assets (excluding lease assets):

The Company uses the straight-line method.
Estimated useful lives are as follows: Software used by the Company 5 years

3) Lease 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

1) 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.

2) Allowance for bonuses:

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

3) Allowance for directors' bonuses:

The allowance for directors' bonuses is based on the estimated requirements for the fiscal year.

4) Reserve for product warranties:

The reserve 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.

5) Allowance for loss on orders received:

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

6) Allowance for directors' retirement benefits:

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

7) Executive share benefit reserve:

The Company posted provision for delivery of shares 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.

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.”).
The System is a performance-linked, share-based remuneration system under which the Company shares are acquired through a trust (hereinafter, referred to as "the Trust") using funds contributed by the Company, and the Directors, etc. are provided with the Company shares and money equivalent to the market value of the Company shares (hereinafter referred to as “the Company 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 provision for delivery of shares to officers based on the estimated amount of the share-benefit obligation at the end of fiscal 2021 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 stocks held.

	Previous consolidated fiscal year March 31, 2021	This consolidated fiscal year March 31, 2022
Book value of treasury stocks	1,181 Millions of yen	2,236 Millions of yen
Book value of treasury stocks held by the Company	787 Millions of yen	1,854 Millions of yen
Book value of treasury stocks held by the Trust	393 Millions of yen	382 Millions of yen
Number of treasury stocks	915,593 shares	1,410,246 shares
Number of treasury stocks held by the Company	731,793 shares	1,231,846 shares
Number of treasury stocks held by the Trust	183,800 shares	178,400 shares

(4) Change in accounting method of retirement benefits

1) Attribution method for projected retirement benefits

As regards calculating retirement benefit obligations, at the end of the consolidated fiscal year under review the Company changed its method for attributing projected retirement benefits to accounting periods from the straight-line method to the benefit formula method.

2) Amortization method of actuarial gains or losses

Actuarial gains or losses are amortized from the consolidated fiscal year following the consolidated 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

1) 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 sales of environmental testing chambers, etc., installation of the products, onsite calibration operations, relocation, maintenance, repair, and laboratory testing services. With the exception of deposits, the consideration for transactions is mainly received within one year from the satisfaction of the performance obligations and does not include a significant financial component.

2) Ordinary timing for recognition of revenue from main performance obligations

a. 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, and so revenue is recognized at the time of product delivery or service provision.

b. 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, and so revenue is recognized at the time of completion of product installation and onsite calibration.

c. 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, and revenue is therefore recognized by estimating the progress of the satisfaction of the performance obligation is estimated and recognizing revenue by set periods based on the degree of progress. The method for estimating the progress of 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 period end to the total estimated cost for each contract.

d. 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.

3) 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 contain product warranty obligations to provide free repair or exchange for faults due to product defects arising within around one year to five years after delivery. These warranty obligations are recognized as reserve 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 adjustments" as separate components of net assets.

(7) Method and Period of Goodwill Amortization

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 on 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.

(9) Other Significant Notes on Preparation of Consolidated Financial Statements

Treatment of Consumption Tax:

Figures are presented exclusive of consumption taxes and local consumption taxes for accounting purposes.

Changes in accounting policies

1. Application of Accounting Standard for Revenue Recognition, etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as "Revenue Recognition Accounting Standards"), etc. from the beginning of the first quarter of the fiscal year ended March 31, 2022, and recognizes revenue as the amount expected to be received in exchange for the promised goods or services when the control of the goods or services is transferred to the customer.

In applying the Revenue Recognition Accounting Standards, etc., the Company follows the transitional treatment set forth in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standards. The cumulative effect of retroactively applying the new accounting policy to periods prior to the beginning of the first quarter of the fiscal year ended March 31, 2022 has been added to or subtracted from retained earnings at the beginning of the first quarter of fiscal 2021, and the new accounting policy has been applied from the beginning balance of that period. However, the Company has applied the method stipulated in Paragraph 86 of the Revenue Recognition Standards, and has accordingly not retroactively applied the new accounting policy to contracts for which the nearly the entire amount of revenue had been recognized prior to the beginning of the first quarter of fiscal 2021. In addition, the Company has applied the method stipulated in proviso (1) to Paragraph 86 of the Revenue Recognition Standards, wherein accounting procedures are conducted based on contract conditions after reflecting any changes in contracts made prior to the beginning of the first quarter of fiscal 2021, and then the cumulative effect is added to or subtracted from retained earnings at the beginning of the first quarter of fiscal 2021.

The resulting impact on the consolidated financial statements for the fiscal year ended March 31, 2022 is inconsequential.

As a result of applying the Revenue Recognition Accounting Standards, etc., "notes and accounts receivable-trade", which was presented under "current assets" in the consolidated balance sheets of the previous fiscal year, has been included in "notes and accounts receivable-trade, and contract assets" from the current consolidated fiscal year. The Company has not reclassified the previous fiscal year using the new presentation method in accordance with the transitional treatment prescribed in Paragraph 89-2 of the Revenue Recognition Accounting Standards. In addition, information showing a breakdown of revenue generated from contracts with customers is not presented for the fiscal year ended March 31, 2021 in accordance with the transitional treatment prescribed in Paragraph 89-3 of the Revenue Recognition Accounting Standards

2. Application of Accounting Standard for Fair Value Measurement, etc.

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter, "Fair Value Measurement Accounting Standards") from the beginning of the first quarter of the fiscal year ended March 31, 2022. In accordance with the transitional treatment prescribed in Paragraph 19 of the Fair Value Measurement Accounting Standards and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Company will apply the new accounting policies set forth in the Fair Value Measurement Accounting Standards, etc. at a future date. This has no impact on the quarterly consolidated financial statements for the fiscal year ended March 31, 2022.

Additional information

Impacts of the COVID-19 pandemic

As a result of the impacts of the COVID-19 pandemic, requests for self-restraint regarding movement and travel restrictions continue to impose unavoidable limitations on the Group's operating activities.

Consequently, accounting decisions are being made with the assumption that circumstances will gradually normalize from the consolidated fiscal year under review.

As the impact of COVID-19 on economic activities remains highly uncertain, a change to the abovementioned assumptions may affect the Company's financial condition and business results in the future.

Segment Information and Others

Segment Information

1. Overview of reportable segments

ESPEC'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 preservation and plant production systems.

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

Accounting treatment 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 consolidated fiscal year (from April 1, 2020 to March 31, 2021)

(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	30,649	5,778	2,239	38,668	—	38,668
Internal sales or transfers between segments	19	284	1	305	(305)	—
Total	30,669	6,063	2,241	38,973	(305)	38,668
Segment profit	2,062	446	60	2,569	3	2,572
Segment assets	34,772	5,797	1,034	41,604	17,003	58,607
Other						
Depreciation expenses	758	263	19	1,041	—	1,041
Amortization of goodwill	62	—	—	62	—	62
Increases in property, plant and equipment and intangible assets	796	274	7	1,078	101	1,179

*1. Adjustments are as follows.

1) "Adjustment" for segment 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 ¥17,186 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 expenses mainly represents eliminations of inter-segment transactions.
5) "Adjustment" for increases in property, plant and equipment and intangible assets mainly represents eliminations of intersegment transactions and company-wide assets.

*2. Segment profit is adjusted to be consistent with the operating profit stated in the consolidated statements of profit.

This consolidated fiscal year (from April 1, 2021 to March 31, 2022)

(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	34,499	6,167	1,184	41,852	—	41,852
Internal sales or transfers between segments	18	239	3	261	(261)	—
Total	34,518	6,407	1,188	42,114	(261)	41,852
Segment profit (loss)	1,370	618	(23)	1,966	2	1,968
Segment assets	42,346	5,772	1,251	49,370	12,551	61,992
Other						
Depreciation expenses	961	271	19	1,253	—	1,253
Amortization of goodwill	99	—	—	99	—	99
Increases in property, plant and equipment and intangible assets	640	207	6	855	54	910

*1. Adjustments are as follows.

1) "Adjustment" for segment sales mainly represents eliminations of inter-segment transactions.
2) "Adjustment" for segment profit (loss) 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 ¥12,996 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 expenses 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 is adjusted to be consistent with the operating profit stated in the consolidated statements of profit.

Related Information

Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)

1. Information by product and service

(Millions of yen)

	Equipment Business	Service Business	Other Business	Total
Sales to external customers	30,649	5,778	2,239	38,668

2. Information by region

(1) Net sales

(Millions of yen)

Japan	U.S.	China	Others in Asia	Others	Total
20,823	3,452	7,320	4,831	2,240	38,668

(2) Property, plant and equipment

(Millions of yen)

Japan	U.S.	China	Others in Asia	Others	Total
9,184	1,641	1,337	202	2	12,368

This consolidated fiscal year (from April 1, 2021 to March 31, 2022)

1. Information by product and service

(Millions of yen)

	Equipment Business	Service Business	Other Business	Total
Sales to external customers	34,499	6,167	1,184	41,852

2. Information by region

(1) Net sales

(Millions of yen)

Japan	U.S.	China	Others in Asia	Others	Total
20,771	4,466	9,083	4,897	2,633	41,852

(2) Property, plant and equipment

(Millions of yen)

Japan	U.S.	China	Others in Asia	Others	Total
9,040	1,743	1,384	215	4	12,388

Information on non-current assets and impairment loss by reportable segment

Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Equipment Business	Service Business	Other Business	Corporate and elimination	Total
Impairment losses	—	—	—	1	1

This consolidated fiscal year (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Equipment Business	Service Business	Other Business	Corporate and elimination	Total
Impairment losses	—	—	—	—	—

Information on amortization of goodwill and unamortized balance by reportable segment

Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Equipment Business	Service Business	Other Business	Corporate and elimination	Total
Amortization	62	—	—	—	62
Unamortized balance	324	—	—	—	324

This consolidated fiscal year (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Equipment Business	Service Business	Other Business	Corporate and elimination	Total
Amortization	99	—	—	—	99
Unamortized balance	698	—	—	—	698

Information on gain on negative goodwill by reportable segment

Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)
No items to report

This consolidated fiscal year (from April 1, 2021 to March 31, 2022)
No items to report

Per-Share Information

FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Yen Net assets per share 1,967.34 Basic earnings per share 85.79 Diluted basic earnings per share is not shown as there are no dilutive securities.	Yen Net assets per share 2,028.44 Basic earnings per share 84.89 Diluted basic earnings per share is not shown as there are no dilutive securities.

*The Company's shares set up by the Board Benefit Trust (BBT) are recognized as treasury stock in the Company's consolidated financial statements. Accordingly, the number of common shares used to calculate the amount of net assets per share for the previous and current consolidated fiscal year 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 183,800 in the previous fiscal year and 178,400 in the fiscal year under review.

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

	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	1,961	1,905
Net income available to minority interests (Millions of yen)	—	—
Profit attributable to owners of parent available to common shares (Millions of yen)	1,961	1,905
Average number of shares outstanding during the period (Thousand Shares)	22,865	22,453
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 stock in the Company's consolidated financial statements. Accordingly, Average number of shares outstanding during the period for the previous and current consolidated fiscal year 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 183,800 in the previous fiscal year and 179,750 in the fiscal year under review.

Business Combinations

Business combination through acquisition

1. Outline of the corporate merger

(1) Name and business description of the acquired company:

Name of the acquired company: ESPEC THERMAL TECH SYSTEM CORP.
Business description : Manufacture and sales of precision chillers and air conditioners, environmental testing equipment, and customized products (chillers and air conditioners)

(2) Main reason for the corporate merger:

By having ESPEC THERMAL TECH SYSTEM CORP., which possesses precision liquid temperature-control technologies and advanced customization technologies, join the Group, the aims are to expand business areas and further increase the added value provided by existing business areas.

(3) Date of corporate merger: July 20, 2021 (deemed acquisition date: July 1, 2021)

(4) Legal form of corporate merger: Acquisition of shares

(5) Company name after the corporate merger: No change

(6) Percentage of voting rights to be acquired: 80%

(7) Main grounds for determining the acquired company: The Company will acquire the shares in consideration of cash.

2. Period of performance of the acquired company included in the consolidated financial statements:

From July 1, 2021 to March 31, 2022

3. Breakdown of the acquisition costs and types of consideration:

Consideration for the acquisition	Cash	¥1,280 million
Acquisition cost		¥1,280 million

4. Descriptions and amounts of the main acquisition-related costs: Attorney fees, etc. ¥5 million

5. Amount of goodwill occurred, causes of occurrence, and amortization method and period

(1) Amount of goodwill that occurred: ¥444 million

(2) Cause for the occurrence:

Since the acquisition cost exceeded the net amount of the assets received and the liabilities assumed, the surplus amount was recorded as goodwill.

(3) Amortization method and period: Straight-line amortization over 10 years

6. Amounts of assets received and liabilities assumed on the day of the corporate merger and descriptions of the main items:

Current assets	¥728 million
Non-current assets	¥395 million
Total assets	¥1,124 million
Current liabilities	¥19 million
Non-current liabilities	¥156 million
Total liabilities	¥175 million

Note: The amounts of assets and liabilities are not included in the amount of goodwill shown in 5. above.

7. Amounts allocated to intangible assets other than goodwill, their breakdown by major category and amortization periods by major category:

Breakdown by major category	Amount	Amortization period
Customer-related assets	¥146 million	10 years

8. Amount of impact on the consolidated statements of income for the fiscal year under review, assuming that business combinations were completed at the start of the fiscal year:

The impact amount has been omitted as it was negligible.

Material Subsequent Events

No applicable