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August 9, 2022

Consolidated Financial Results
for the Three Months Ended June 30, 2022
(Under Japanese GAAP)

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 Listing: Tokyo Stock Exchanges, Prime Market
 Securities code: 6859
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 Scheduled date to file quarterly securities report: August 10, 2022
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

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

1. Consolidated financial results for the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2022	8,725	8.4	(131)	-	111	26.7	(62)	-
June 30, 2021	8,050	17.0	22	-	87	-	(24)	-

Note: Comprehensive income For the three months ended June 30, 2022 ¥ 879 million 602.9 %
 For the three months ended June 30, 2021 ¥ 125 million 236.1 %

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
June 30, 2022	(2.79)	-
June 30, 2021	(1.06)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
June 30, 2022	62,252	45,524	72.8	2,025.21
March 31, 2022	61,922	45,592	73.3	2,028.44

Reference: Equity

As of June 30, 2022 ¥45,306 million
 As of March 31, 2022 ¥45,378 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	First quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	18.00	-	42.00	60.00
Fiscal year ending March 31, 2023	-				
Fiscal year ending March 31, 2023 (Forecast)		24.00	-	45.00	69.00

Note: Revisions to the forecast of cash dividends most recently announced: None

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. Forecast of consolidated operating results for the fiscal year 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

Note: Revisions to the forecast of consolidated operating results most recently announced: None

*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) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

For details, see “Application of special accounting methods in the creation of quarterly consolidated financial statements” on p.8.

(3) Changes in accounting policies, changes in accounting estimates, and restatement

1) Changes in accounting policies due to revisions to accounting standards and other regulations: None

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: None

4) Restatement: None

(4) Number of issued shares (common shares)

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

As of June 30, 2022	23,781,394 shares
As of March 31, 2022	23,781,394 shares

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

As of June 30, 2022	1,410,246 shares
As of March 31, 2022	1,410,246 shares

3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2022	22,371,148 shares
Three months ended June 30, 2021	22,699,134 shares

* Quarterly financial results reports are exempt from quarterly review 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 “Description of consolidated operating forecasts and other forward-looking information” on p.3 for forecast assumptions and notes of caution for usage.

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1. Qualitative Information concerning consolidated financial results

Forward-looking statements contained herein are based on the Group's judgment as of June 30, 2022.

(1) Description of operating results

During the first three months of fiscal 2022, the year ending March 31, 2023, the ESPEC Group's business environment saw favorable investments in the electronics and automotive fields against a backdrop of digitalization and decarbonization in society. Amid this, the Group saw an increase in activity centered on markets related to 5G and IoT, as well as automated driving and electrification of automobiles. However, conditions remained adverse, with electronic component shortages, high raw material prices and logistic expenses, and a halt in production and distribution at the Company's Chinese subsidiary due to a lockdown in Shanghai. Looking at the Company's consolidated operating results for the first quarter, orders received performed strongly, increasing 29.9% year on year to ¥16,493 million. Net sales increased 8.4% to ¥8,725 million, with the increase limited by the impacts of continued lengthening of product delivery times due to the shortage of electronic components and the lockdown in Shanghai. On the profit front, the Company recorded an operating loss of ¥131 million, a deterioration of ¥153 million from the same period of the previous fiscal year, mainly due to increased personnel expenses and activity expenses associated with the increase in orders received. Loss attributable to owners of parent widened by ¥38 million year on year to ¥62 million.

	Previous consolidated 1 st quarter (fiscal 2021) (Millions of yen)	This consolidated 1 st quarter (fiscal 2022) (Millions of yen)	Change (%)
Orders received	12,695	16,493	29.9
Net sales	8,050	8,725	8.4
Operating profit (loss)	22	(131)	-
Ordinary profit	87	111	26.7
Loss attributable to owners of parent	(24)	(62)	-

Performance by segment

This consolidated 1st quarter (Fiscal 2022)

	Orders received (Millions of yen)	Net sales (Millions of yen)	Operating loss (Millions of yen)
Equipment business	14,406	7,221	(45)
Service business	1,820	1,421	(27)
Other business	334	135	(56)
Elimination	(67)	(52)	(0)
Total	16,493	8,725	(131)

Equipment business

In the environmental test chambers field, in the Japanese market orders received increased year on year, mainly for highly versatile standardized products, while net sales increased for both standardized and customized products. In overseas markets, orders received were also strong. Net sales increased year on year in China, North America, Europe, Southeast Asia and Taiwan.

In the energy devices equipment field, orders received increased year on year as the Company capture orders for evaluation systems for secondary batteries due to recovery in automotive-related investment. However, net sales were lower as product delivery times lengthened due to the shortage of electronic components.

In the semiconductor equipment field, orders received and net sales both decreased compared with a strong performance in the same period of the previous fiscal year.

As a result, the equipment business on the whole saw orders received increase 34.2% to ¥14,406 million and net sales increase 9.2% year on year to ¥7,221 million. On the profit front, the Company recorded an operating loss of ¥45 million, a deterioration of ¥136 million from the same period of the previous fiscal year, mainly due to an increase in sales, general, and administrative expenses.

	Previous consolidated 1 st quarter (fiscal 2021) (Millions of yen)	This consolidated 1 st quarter (fiscal 2022) (Millions of yen)	Change (%)
Orders received	10,737	14,406	34.2
Net sales	6,612	7,221	9.2
Operating profit (loss)	90	(45)	-

Service business

In the after-sales service and engineering field, both orders received and net sales were on a par with the same period of the previous fiscal 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 as laboratory testing services performed strongly.

As a result, the service business on the whole saw orders received increase 4.3% year on year to ¥1,820 million and net sales increase 3.7% to ¥1,421 million.

On the profit front, the Company recorded an operating loss of ¥27 million, a deterioration of ¥21 million from the same period of the previous fiscal year, mainly due to an increase in sales, general, and administrative expenses.

	Previous consolidated 1 st quarter (fiscal 2021) (Millions of yen)	This consolidated 1 st quarter (fiscal 2022) (Millions of yen)	Change (%)
Orders received	1,744	1,820	4.3
Net sales	1,370	1,421	3.7
Operating loss	(6)	(27)	-

Other business

In the other business field, which is centered on the environmental preservation and plant factory businesses, forest creation performed strongly and the Company also captured orders for plant factories. As a result, orders received increased 21.6% year on year to ¥334 million, and net sales increased 10.4% to ¥135 million. On the profit front, operating loss improved by ¥5 million, mainly due to the increase in net sales, to an operating loss of ¥56 million.

	Previous consolidated 1 st quarter (fiscal 2021) (Millions of yen)	This consolidated 1 st quarter (fiscal 2022) (Millions of yen)	Change (%)
Orders received	274	334	21.6
Net sales	122	135	10.4
Operating loss	(61)	(56)	-

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

(2) Description of financial position

Total assets at the end of the first quarter consolidated accounting period were ¥62,252 million, an increase of ¥330 million over the end of the previous consolidated fiscal year. Major factors included an increase of ¥2,569 million in inventory assets such as work in process associated with an increase in orders received as well as a decrease of ¥2,216 million due to recovery in trade receivables (notes and accounts receivable trade, contract assets, and electronically recorded monetary claims-operating) recorded at the end of the previous fiscal year. Liabilities were ¥16,727 million, an increase of ¥397 million from the end of the previous consolidated fiscal year. Major factors included an increase of ¥707 million in other current liabilities such as contract liabilities associated with the increase in orders received, and a decrease of ¥272 million due to payment of accounts payable (notes and accounts payable – trade and electronically recorded obligations – operating). Net assets were ¥45,524 million, a decrease of ¥67 million against the end of the previous fiscal year. Major factors included a decrease of ¥1,009 million in retained earnings, mainly reflecting the payment of dividends, an increase of ¥993 million in foreign currency translation adjustment, and a decrease of ¥55 million in valuation difference on available-for-sale securities.

(3) Description of consolidated operating forecasts and other forward-looking information

With regard to the consolidated financial results for the first half and the full year of the fiscal 2022, the year ending March 31, 2023, the Company has not revised its initial forecasts because there are no circumstances that require us to revise our earnings plan.

2. Quarterly consolidated financial statements and significant notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	13,254	13,646
Notes and accounts receivable - trade, and contract assets	13,595	10,502
Electronically recorded monetary claims - operating	2,607	3,483
Securities	2,902	2,402
Merchandise and finished goods	2,036	2,857
Work in process	2,805	4,048
Raw materials and supplies	3,670	4,175
Other	2,236	2,241
Allowance for doubtful accounts	(30)	(34)
Total current assets	43,076	43,323
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,915	5,072
Land	4,632	4,671
Other, net	2,840	2,799
Total property, plant and equipment	12,388	12,543
Intangible assets		
Goodwill	698	700
Other	586	567
Total intangible assets	1,284	1,268
Investments and other assets	5,172	5,117
Total non-current assets	18,845	18,929
Total assets	61,922	62,252
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,478	3,488
Electronically recorded obligations - operating	3,817	3,536
Short-term borrowings	82	92
Income taxes payable	428	281
Provision for bonuses	487	715
Provision for bonuses for directors (and other officers)	10	—
Provision for share awards for directors (and other officers)	82	—
Provision for product warranties	178	180
Provision for loss on orders received	16	11
Other	4,953	5,661
Total current liabilities	13,537	13,965
Non-current liabilities		
Long-term borrowings	269	277
Retirement benefit liability	245	245
Provision for share awards for directors (and other officers)	93	100
Provision for retirement benefits for directors (and other officers)	4	4
Asset retirement obligations	22	23
Other	2,157	2,111
Total non-current liabilities	2,792	2,761
Total liabilities	16,330	16,727

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Net assets		
Shareholders' equity		
Share capital	6,895	6,895
Capital surplus	7,120	7,120
Retained earnings	31,836	30,827
Treasury shares	(2,236)	(2,236)
Total shareholders' equity	43,616	42,606
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,109	1,054
Revaluation reserve for land	(663)	(663)
Foreign currency translation adjustment	1,294	2,287
Remeasurements of defined benefit plans	21	20
Total accumulated other comprehensive income	1,762	2,699
Non-controlling interests	213	218
Total net assets	45,592	45,524
Total liabilities and net assets	61,922	62,252

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income

Quarterly consolidated statements of income

(Three months ended June 30, 2022)

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	8,050	8,725
Cost of sales	5,356	5,820
Gross profit	2,693	2,905
Selling, general and administrative expenses		
Salaries and allowances	812	956
Provision for bonuses	82	84
Provision for share awards for directors (and other officers)	9	8
Provision for product warranties	23	28
Provision of allowance for doubtful accounts	—	2
Amortization of goodwill	16	30
Other	1,727	1,926
Total selling, general and administrative expenses	2,671	3,037
Operating profit (loss)	22	(131)
Non-operating income		
Interest income	3	6
Dividend income	40	38
Reversal of allowance for doubtful accounts	1	—
Foreign exchange gains	17	173
Other	17	37
Total non-operating income	80	256
Non-operating expenses		
Interest expenses	11	8
Commission expenses	2	2
Other	2	2
Total non-operating expenses	15	13
Ordinary profit	87	111
Extraordinary income		
Gain on sale of non-current assets	1	0
Gain on sale of investment securities	6	—
Total extraordinary income	8	0
Extraordinary losses		
Loss on retirement of non-current assets	1	0
Total extraordinary losses	1	0
Profit before income taxes	94	110
Income taxes - current	118	168
Loss	(24)	(57)
Profit attributable to non-controlling interests	—	4
Loss attributable to owners of parent	(24)	(62)

Quarterly consolidated statements of comprehensive income
(Three months ended June 30, 2022)

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Loss	(24)	(57)
Other comprehensive income		
Valuation difference on available-for-sale securities	83	(55)
Foreign currency translation adjustment	65	993
Remeasurements of defined benefit plans, net of tax	0	(1)
Total other comprehensive income	149	937
Comprehensive income	125	879
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	125	874
Comprehensive income attributable to non-controlling interests	—	4

(3) Notes to the quarterly consolidated financial statements

Notes on the assumption of a going concern

No applicable

Notes on significant changes in shareholders' equity

Not applicable

Application of special accounting methods in the creation of quarterly consolidated financial statements

For tax expenses, the Company has adopted the method of reasonably estimating the effective tax rate after applying tax effect accounting to profit before income taxes for the current consolidated fiscal year, and then multiplying quarterly profit before income taxes by the relevant estimated effective tax rate. However, when the tax expenses calculated using the relevant estimated effective tax rate are notably irrational, tax expenses shall be calculated using the statutory effective tax rate.

Segment information

I Previous consolidated 1st quarter (from April 1, 2021 to June 30, 2021)

1. Information concerning the net sales and profit or loss of each reportable segment (Millions of yen)

	Reportable segment			Total	Adjustment ¹	Carried amount on quarterly consolidated statements of income ²
	Equipment business	Service business	Other business			
Net sales						
(1) Sales to external customers	6,612	1,315	121	8,050	-	8,050
(2) Internal sales or transfers between segments	0	55	1	56	(56)	-
Total	6,612	1,370	122	8,106	(56)	8,050
Segment profit (loss)	90	(6)	(61)	21	0	22

1. Adjustment for segment profit (loss) mainly represents eliminations of inter-segment transactions.

2. Segment profit (loss) was reconciled with the operating profit presented in the quarterly consolidated statement of income.

2. Information related to impairment loss on fixed assets, and goodwill, etc. for each reportable segment.

There were no significant changes in the amount of goodwill during the three months ended June 30, 2021.

II This consolidated 1st quarter (from April 1, 2022 to June 30, 2022)

1. Information concerning the net sales and profit or loss of each reportable segment (Millions of yen)

	Reportable segment			Total	Adjustment ¹	Carried amount on quarterly consolidated statements of income ²
	Equipment business	Service business	Other business			
Net sales						
(1) Sales to external customers	7,221	1,369	134	8,725	-	8,725
(2) Internal sales or transfers between segments	-	51	0	52	(52)	-
Total	7,221	1,421	135	8,778	(52)	8,725
Segment loss	(45)	(27)	(56)	(130)	(0)	(131)

1. Adjustment for segment loss mainly represents eliminations of inter-segment transactions.

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

2. Information related to impairment loss on fixed assets, and goodwill, etc. for each reportable segment.

There were no significant changes in the amount of goodwill during the three months ended June 30, 2022.

Material Subsequent Events

No applicable