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November 11, 2022

Consolidated Financial Results
for the Six months Ended September 30, 2022
(Under Japanese GAAP)

Company name: ESPEC CORP.
 Listing: Tokyo Stock Exchanges, Prime Market
 Securities code: 6859
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 Scheduled date to file quarterly securities report: November 14, 2022
 Scheduled date to commence dividend payments: December 12, 2022
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly 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 six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

Six months ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2022	22,945	30.6	1,395	252.3	1,731	264.6	984	326.8
September 30, 2021	17,568	1.6	396	(46.0)	474	(43.1)	230	(53.4)

Note: Comprehensive income For the six months ended September 30, 2022 ¥ 2,277 million 514.7 %
 For the six months ended September 30, 2021 ¥ 370 million (55.5 %)

Six months ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
September 30, 2022	43.96	-
September 30, 2021	10.23	-

(2) Consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2022	64,741	46,984	72.2	2,087.74
March 31, 2022	61,922	45,592	73.3	2,028.44

Reference: Equity

As of September 30, 2022 ¥46,765 million
 As of March 31, 2022 ¥45,378 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third 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	-	24.00			
Fiscal year ending March 31, 2023 (Forecast)			-	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

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
Fiscal year ending March 31, 2023	52,000	24.2	4,000	103.2	4,350	87.3	2,900	52.2	129.50

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 September 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 September 30, 2022	1,381,173 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)

Six months ended September 30, 2022	22,385,724 shares
Six months ended September 30, 2021	22,535,149 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 September 30, 2022.

(1) Description of operating results

During the first six 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, mainly with increased demand related to 5G and IoT, as well as automated driving and electrification of automobiles. Amid this, the Group felt the impact of such shortages as electric and electronic components and rising prices for component materials and logistic expenses, but augmented production activities to respond to a high level of orders-received.

Looking at the Company's consolidated operating results for the first half of the fiscal year, orders received increased 25.2% year on year to ¥33,266 million, a record high. Net sales increased 30.6% year on year to ¥22,945 million due to making progress on gradual improvements in product deliveries through initiatives such as procuring alternatives and making design changes. On the profit front, the Company recorded operating profit of ¥1,395 million, a 252.3% increase compared to the same period in the previous fiscal year due to the increase in net sales and despite the impact of rising component prices and an increase in sales, general and administrative expenses accompanying the expansion of orders received. Profit attributable to owners of parent increased 326.8% year on year to ¥984 million.

	Previous consolidated 2 nd quarter (fiscal 2021) (Millions of yen)	This consolidated 2 nd quarter (fiscal 2022) (Millions of yen)	Change (%)
Orders received	26,569	33,266	25.2
Net sales	17,568	22,945	30.6
Operating profit	396	1,395	252.3
Ordinary profit	474	1,731	264.6
Profit attributable to owners of parent	230	984	326.8

Performance by segment

This consolidated 2nd quarter (Fiscal 2022)

	Orders received (Millions of yen)	Net sales (Millions of yen)	Operating profit (loss) (Millions of yen)
Equipment business	29,209	19,650	1,403
Service business	3,470	3,020	72
Other business	747	405	(80)
Elimination	(161)	(130)	(0)
Total	33,266	22,945	1,395

Equipment business

In the environmental test chambers field, in the Japanese market orders received increased year on year for both highly versatile standardized and customized products, while net sales increased, mainly for standardized products due to moving forward on improvements in delivery times. In overseas markets, orders received were also strong. Net sales increased year on year in China, North America, Europe, Southeast Asia, Korea 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 was on a par with the same period of the previous fiscal year and net sales increased due mainly to a strong performance in the automotive-related field.

As a result, the equipment business on the whole saw orders received increase 28.3% to ¥29,209 million and net sales increase 36.3% year on year to ¥19,650 million. On the profit front, the Company recorded operating profit of ¥1,403 million, an increase of 334.9% compared to the same period of the previous fiscal year, mainly due to an increase in net sales.

	Previous consolidated 2 nd quarter (fiscal 2021) (Millions of yen)	This consolidated 2 nd quarter (fiscal 2022) (Millions of yen)	Change (%)
Orders received	22,763	29,209	28.3
Net sales	14,421	19,650	36.3
Operating profit	322	1,403	334.9

Service business

In the after-sales service and engineering field, orders received increased and net sales were about equal year on year, due to a strong performance in preventative maintenance services such as maintenance agreements.

In laboratory testing services and facility rentals, orders received were on a par with the same period of the previous fiscal year and net sales increased as laboratory testing services performed strongly.

As a result, the service business on the whole saw orders received increase 4.1% year on year to ¥3,470 million and net sales increase 2.4% to ¥3,020 million. On the profit front, the Company recorded operating profit of ¥72 million, a decrease of 57.9% compared to the same period of the previous fiscal year, from an increase in sales, general, and administrative expenses due mainly to operating expenses for new after-sales services.

	Previous consolidated 2 nd quarter (fiscal 2021) (Millions of yen)	This consolidated 2 nd quarter (fiscal 2022) (Millions of yen)	Change (%)
Orders received	3,334	3,470	4.1
Net sales	2,948	3,020	2.4
Operating profit	171	72	(57.9)

Other business

In the other business field, which is centered on the environmental preservation and plant production systems businesses, forest creation performed strongly and the Company also captured orders for plant production systems. As a result, orders received increased 22.5% year on year to ¥747 million, and net sales increased 28.0% to ¥405 million. On the profit front, Operating income improved by ¥19 million compared to the same period of the previous fiscal year to result in operating loss of ¥80 million.

	Previous consolidated 2 nd quarter (fiscal 2021) (Millions of yen)	This consolidated 2 nd quarter (fiscal 2022) (Millions of yen)	Change (%)
Orders received	610	747	22.5
Net sales	316	405	28.0
Operating loss	(99)	(80)	-

* 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 second quarter consolidated accounting period were ¥64,741 million, an increase of ¥2,819 million over the end of the previous consolidated fiscal year. Major factors included an increase in cash and deposits of ¥2,870 accompanying a decrease in trade receivables and conversion of securities into cash, an increase of ¥2,545 million in inventory assets such as work in process associated with an increase in orders received, a decrease of ¥1,499 million accompanying the conversion of securities into cash and a decrease of ¥1,479 million due to recovery in trade receivables (notes and accounts receivable trade, contract assets, and electronically recorded monetary claims-operating). Liabilities were ¥17,756 million, an increase of ¥1,426 million from the end of the previous consolidated fiscal year. Major factors included an increase of ¥502 million in accounts payable (notes and accounts payable – trade and electronically recorded obligations – operating) associated with the increase in purchases accompanying an increase in orders received and an increase of ¥782 million from the rise in other current liabilities such as contract liabilities associated with the increase in orders received. Net assets were ¥46,984 million, an increase of ¥1,392 million against the end of the previous fiscal year. The main reason was an increase of ¥1,323 million in foreign currency translation adjustment accompanying the sudden weakening of the yen.

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

The Company has revised the consolidated financial results forecasts for the full fiscal year ending March 31, 2023, taking into account the consolidated results for the six months ended September 30, 2022 and current conditions. For details, please refer to the "Notice of Revisions of Financial Forecasts" released on October 28, 2022. Furthermore, for the fiscal year ending March 31, 2023, the Company forecasts orders received of ¥59,000 million (an increase of 15.0% year on year).

2. Quarterly consolidated financial statements and significant notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	13,254	16,125
Notes and accounts receivable - trade, and contract assets	13,595	12,427
Electronically recorded monetary claims - operating	2,607	2,294
Securities	2,902	1,402
Merchandise and finished goods	2,036	2,474
Work in process	2,805	3,745
Raw materials and supplies	3,670	4,837
Other	2,236	2,400
Allowance for doubtful accounts	(30)	(37)
Total current assets	43,076	45,670
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,915	5,137
Land	4,632	4,693
Other, net	2,840	2,799
Total property, plant and equipment	12,388	12,630
Intangible assets		
Goodwill	698	686
Other	586	567
Total intangible assets	1,284	1,253
Investments and other assets	5,172	5,187
Total non-current assets	18,845	19,071
Total assets	61,922	64,741
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,478	4,038
Electronically recorded obligations - operating	3,817	3,760
Short-term borrowings	82	98
Income taxes payable	428	648
Provision for bonuses	487	427
Provision for bonuses for directors (and other officers)	10	—
Provision for share awards for directors (and other officers)	82	—
Provision for product warranties	178	201
Provision for loss on orders received	16	13
Other	4,953	5,735
Total current liabilities	13,537	14,923
Non-current liabilities		
Long-term borrowings	269	269
Retirement benefit liability	245	253
Provision for share awards for directors (and other officers)	93	110
Provision for retirement benefits for directors (and other officers)	4	4
Asset retirement obligations	22	23
Other	2,157	2,172
Total non-current liabilities	2,792	2,833
Total liabilities	16,330	17,756

	As of March 31, 2022	As of September 30, 2022
Net assets		
Shareholders' equity		
Share capital	6,895	6,895
Capital surplus	7,120	7,120
Retained earnings	31,836	31,873
Treasury shares	(2,236)	(2,174)
Total shareholders' equity	43,616	43,715
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,109	1,076
Revaluation reserve for land	(663)	(663)
Foreign currency translation adjustment	1,294	2,617
Remeasurements of defined benefit plans	21	19
Total accumulated other comprehensive income	1,762	3,050
Non-controlling interests	213	219
Total net assets	45,592	46,984
Total liabilities and net assets	61,922	64,741

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

Quarterly consolidated statements of income

(Six months ended September 30, 2022)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	17,568	22,945
Cost of sales	11,686	15,150
Gross profit	5,881	7,794
Selling, general and administrative expenses		
Salaries and allowances	1,697	1,985
Provision for bonuses	128	133
Provision for share awards for directors (and other officers)	6	17
Provision for product warranties	57	55
Provision of allowance for doubtful accounts	—	5
Amortization of goodwill	43	61
Other	3,551	4,140
Total selling, general and administrative expenses	5,485	6,399
Operating profit (loss)	396	1,395
Non-operating income		
Interest income	9	11
Dividend income	40	83
Reversal of allowance for doubtful accounts	1	—
Foreign exchange gains	22	202
Other	44	64
Total non-operating income	117	361
Non-operating expenses		
Interest expenses	20	18
Commission expenses	4	4
Other	13	3
Total non-operating expenses	38	25
Ordinary profit	474	1,731
Extraordinary income		
Gain on sale of non-current assets	1	0
Gain on sale of investment securities	35	—
Total extraordinary income	37	0
Extraordinary losses		
Loss on sale of non-current assets	0	0
Loss on retirement of non-current assets	2	2
Total extraordinary losses	2	3
Profit before income taxes	509	1,728
Income taxes - current	279	739
Profit	230	989
Profit (loss) attributable to non-controlling interests	(0)	5
Profit attributable to owners of parent	230	984

Quarterly consolidated statements of comprehensive income
(Six months ended September 30, 2022)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	230	989
Other comprehensive income		
Valuation difference on available-for-sale securities	2	(33)
Foreign currency translation adjustment	137	1,323
Remeasurements of defined benefit plans, net of tax	0	(2)
Total other comprehensive income	139	1,287
Comprehensive income	370	2,277
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	370	2,271
Comprehensive income attributable to non-controlling interests	(0)	5

(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 2nd quarter (from April 1, 2021 to September 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	14,414	2,840	313	17,568	-	17,568
(2) Internal sales or transfers between segments	7	108	2	119	(119)	-
Total	14,421	2,948	316	17,687	(119)	17,568
Segment profit (loss)	322	171	(99)	394	1	396

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.

Significant changes in the amount of goodwill

In the Equipment business segment, the Company acquired 80% of the outstanding shares of ESPEC THERMALTECH SYSTEM CORP. and included this company in the scope of consolidation.

The increase in the amount of goodwill from this transaction was ¥444 million in the first six months of fiscal 2021.

II This consolidated 2nd quarter (from April 1, 2022 to September 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	19,645	2,895	404	22,945	-	22,945
(2) Internal sales or transfers between segments	5	124	1	130	(130)	-
Total	19,650	3,020	405	23,075	(130)	22,945
Segment profit (loss)	1,403	72	(80)	1,396	(0)	1,395

1. Adjustment for segment profit (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 six months ended September 30, 2022.

Material Subsequent Events

Acquisition of treasury stock

At a meeting of the Board of Directors held on November 11, 2022, the Company resolved matters pertaining to the acquisition of its own shares pursuant to the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, paragraph (3) of the same Act. For details, please refer to “Notice Concerning Acquisition of Own Shares and Repurchase of Own Shares Through Off-Auction Own Share Repurchase Trading System (ToSTNeT-3)” released November 11, 2022.