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February 13, 2024

Consolidated Financial Results
for the Nine months Ended December 31, 2023
(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: February 14, 2024
 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 nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

(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	%
Nine months ended								
December 31, 2023	42,189	17.3	4,211	74.3	4,447	65.0	3,085	80.6
December 31, 2022	35,972	27.9	2,416	106.1	2,695	94.4	1,708	104.8

Note: Comprehensive income For the nine months ended December 31, 2023 ¥ 4,206 million 97.6%
 For the nine months ended December 31, 2022 ¥ 2,128 million 48.5%

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
Nine months ended				
December 31, 2023	141.32	—	—	—
December 31, 2022	76.73	—	—	—

(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				
December 31, 2023	71,638	49,494	69.1	2,267.03
March 31, 2023	67,176	47,172	69.9	2,150.64

Reference: Equity As of December 31, 2023 ¥ 49,494 million
 As of March 31, 2023 ¥ 46,953 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, 2023	-	24.00	-	45.00	69.00
Fiscal year ending March 31, 2024	-	25.00	-		
Fiscal year ending March 31, 2024 (Forecast)			-	45.00	70.00

Note: Revisions to the forecast of cash dividends most recently announced: None
 Components of the interim dividend for the fiscal year ended March 31, 2023
 Ordinary dividend ¥22 Commemorative dividend ¥2
 Components of the year-end dividend for the fiscal year ended March 31, 2023
 Ordinary dividend ¥43 Commemorative dividend ¥2

3. Forecast of consolidated operating results for the fiscal year ending March 31, 2024 (From April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

Fiscal year ending March 31, 2024	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
	58,500	10.6	5,500	26.0	5,750	23.3	4,000	20.1	183.21

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): Yes

Newly included: 1 company (Company name: COSMOPIA HIGHTECH CORP.)

Excluded: - (Company name: -)

For details, see “Changes in significant subsidiaries during the period” on p.8.

(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 December 31, 2023	23,781,394 shares
As of March 31, 2023	23,781,394 shares

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

As of December 31, 2023	1,949,040 shares
As of March 31, 2023	1,948,980 shares

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

Nine months ended December 31, 2023	21,832,404 shares
Nine months ended December 31, 2022	22,264,390 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.

1. Qualitative information concerning consolidated financial results -----	2
(1) Description of operating results -----	2
(2) Description of financial position -----	3
(3) Description of consolidated operating forecasts and other forward-looking information -----	3
2. Quarterly consolidated financial statements and significant notes -----	4
(1) Quarterly consolidated balance sheets -----	4
(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income -----	6
Quarterly consolidated statements of income	
(Nine months ended December 31, 2023) -----	6
Quarterly consolidated statements of comprehensive income	
(Nine months ended December 31, 2023) -----	7
(3) Notes to the quarterly consolidated financial statements -----	8
Notes on the assumption of a going concern -----	8
Notes on significant changes in shareholders' equity -----	8
Changes in significant subsidiaries during the period -----	8
Application of special accounting methods in the creation of quarterly consolidated financial statements -----	8
Segment information -----	9
Material Subsequent Events -----	9

1. Qualitative information concerning consolidated financial results

Forward-looking statements contained herein are based on the Group's judgment as of December 31, 2023.

(1) Description of operating results

During the first nine months of fiscal 2023, the year ending March 31, 2024, the ESPEC Group's business environment saw firm electronics- and automotive-related investments against a backdrop of digitalization and decarbonization in society. Demand continued to be strong mainly in the global shift toward electric vehicles (EV). From the production aspect, the parts procurement situation improved primarily for highly versatile standardized products, leading to progress on normalizing product lead times and clearing the order backlog. However, parts procurement for customized products continued to face an unstable situation.

Looking at the Company's operating results for the first nine months of the fiscal year, orders received reached an all-time high of ¥48,190 million, with the electric vehicle (EV) and battery fields being the driving force in the domestic market. Net sales increased 17.3% year on year to ¥42,189 million, a record high. On the profit front, operating profit was ¥4,211 million, a year-on-year increase of 74.3%. This increase was mainly due to higher sales, which offset the impact of an increase in selling, general and administrative expenses. Profit attributable to owners of parent increased by 80.6% year on year to ¥3,085 million. Both operating profit and profit attributable to owners of parent reached record highs.

	Previous consolidated 3rd quarter (fiscal 2022) (Millions of yen)	This consolidated 3rd quarter (fiscal 2023) (Millions of yen)	Change (%)
Orders received	47,153	48,190	2.2
Net sales	35,972	42,189	17.3
Operating profit	2,416	4,211	74.3
Ordinary profit	2,695	4,447	65.0
Profit attributable to owners of parent	1,708	3,085	80.6

Performance by segment

This consolidated 3rd quarter (Fiscal 2023)

	Orders received (Millions of yen)	Net sales (Millions of yen)	Operating profit (loss) (Millions of yen)
Equipment business	41,586	36,322	3,761
Service business	5,720	5,364	542
Other business	1,162	793	(89)
Elimination	(279)	(290)	(2)
Total	48,190	42,189	4,211

Equipment business

In the environmental test chambers field, in the Japanese market orders received decreased year on year in highly versatile standardized products but increased in customized products, mainly in automotive-related area. Net sales increased for both standardized products and customized products. In overseas markets, orders received were down year on year due to decreases in China and Europe. Net sales rose year on year, mainly due to increases in North America, Europe, South Korea, and Taiwan.

In the energy devices equipment field, both orders received and net sales substantially increased year on year due to strong sales of chambers for charge-discharge testing mainly in the Japanese market due to the expansion of investment for electric vehicles (EV) and batteries.

In the semiconductor equipment field, orders received decreased year on year, mainly due to the impact of memory-related investment restraint, while net sales increased due to the clearing of the order backlog.

As a result, the equipment business on the whole saw orders received remain on a parallel year on year at ¥41,586 million and net sales increased 17.7% year on year to ¥36,322 million. On the profit front, the Company recorded operating profit of ¥3,761 million, an increase of 61.5% compared to the same period of the previous fiscal year, mainly due to an increase in net sales and despite an increase in selling, general and administrative expenses.

	Previous consolidated 3rd quarter (fiscal 2022) (Millions of yen)	This consolidated 3rd quarter (fiscal 2023) (Millions of yen)	Change (%)
Orders received	41,031	41,586	1.4
Net sales	30,866	36,322	17.7
Operating profit	2,329	3,761	61.5

Service business

In the after-sales service and engineering field, orders received was on a par year on year and net sales increased year on year as preventative maintenance services and repair services were solid.

In laboratory testing services and facility rentals, orders received and net sales were both increased year on year, due to a brisk performance in laboratory testing services, centered on automotive rechargeable batteries.

As a result, the service business on the whole saw orders received increase 9.6% year on year to ¥5,720 million and net sales increase 14.8% to ¥5,364 million. On the profit front, the Company recorded operating profit of ¥542 million, an increase of 193.0% compared to the same period of the previous fiscal year, mainly due to an increase in net sales and improved cost of sales ratio in the laboratory testing business.

	Previous consolidated 3rd quarter (fiscal 2022) (Millions of yen)	This consolidated 3rd quarter (fiscal 2023) (Millions of yen)	Change (%)
Orders received	5,216	5,720	9.6
Net sales	4,672	5,364	14.8
Operating profit	185	542	193.0

Other business

In the other business field, which is centered on the environmental preservation and plant production systems business, orders received were ¥1,162 million, which was on a par with the same period of the previous fiscal year. This result mainly reflected the capture of orders received for aquaponics, a new field the Company is involved in that combines hydroponics and land-based cultivation, which was offset primarily by a decrease in orders received for reforestation (tree planting). Net sales increased 20.8% year on year to ¥793 million owing to firm sales of plant research devices and vegetables. However, on the profit front, there was an operating loss of ¥89 million.

	Previous consolidated 3rd quarter (fiscal 2022) (Millions of yen)	This consolidated 3rd quarter (fiscal 2023) (Millions of yen)	Change (%)
Orders received	1,148	1,162	1.3
Net sales	656	793	20.8
Operating loss	(96)	(89)	—

* 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 third quarter consolidated accounting period were ¥71,638 million, an increase of ¥4,462 million over the end of the previous consolidated fiscal year. Major factors included an increase of ¥3,893 million in inventories such as work in process in conjunction with an increase in order backlog, a decrease of ¥2,250 million resulting from collection of trade receivables (notes and accounts receivable-trade, contract assets, and electronically recorded monetary claims-operating), and an increase of ¥1,152 million in investments and other assets due to increases in investment securities through a rise in market value of stock holdings and in deferred tax assets, etc. Other major factors included an increase of ¥1,070 million from recording goodwill accompanying the business transfer of a consolidated subsidiary, etc. and an increase of ¥537 million due to an acquisition of land and other factors. Liabilities were ¥22,144 million, an increase of ¥2,140 million from the end of the previous consolidated fiscal year. Major factors included an increase of ¥2,505 million in short-term borrowings and a decrease of ¥499 million in trade payables (notes and accounts payable - trade and electronically recorded obligations - operating). Net assets were ¥49,494 million, an increase of ¥2,322 million against the end of the previous fiscal year. Major factors included an increase of ¥1,534 million in retained earnings due to recording ¥3,085 million in profit attributable to owners of parent in the first nine months of fiscal year while there was appropriation of ¥1,545 million in profits as dividends, and an increase of ¥685 million in foreign currency translation adjustment accompanying the continued depreciation of the yen.

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

With regard to the consolidated financial results for the full year of the fiscal 2023, the year ending March 31, 2024, the Company has not revised forecasts announced on October 27, 2023 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, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	13,998	13,516
Notes and accounts receivable - trade, and contract assets	16,097	12,834
Electronically recorded monetary claims - operating	3,540	4,552
Securities	302	302
Merchandise and finished goods	3,010	3,148
Work in process	3,562	6,346
Raw materials and supplies	4,885	5,857
Other	2,641	2,563
Allowance for doubtful accounts	(37)	(36)
Total current assets	48,000	49,084
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,013	5,131
Land	4,662	5,200
Other, net	2,825	3,308
Total property, plant and equipment	12,501	13,640
Intangible assets		
Goodwill	601	1,672
Other	625	641
Total intangible assets	1,227	2,313
Investments and other assets	5,447	6,600
Total non-current assets	19,176	22,553
Total assets	67,176	71,638
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,469	4,628
Electronically recorded obligations - operating	5,145	4,536
Short-term borrowings	90	2,596
Income taxes payable	603	528
Provision for bonuses	519	202
Provision for bonuses for directors (and other officers)	14	-
Provision for product warranties	189	195
Provision for loss on orders received	10	1
Other	6,234	6,539
Total current liabilities	17,277	19,228
Non-current liabilities		
Long-term borrowings	203	144
Retirement benefit liability	243	265
Provision for share awards for directors (and other officers)	128	191
Provision for retirement benefits for directors (and other officers)	4	2
Asset retirement obligations	23	24
Other	2,123	2,287
Total non-current liabilities	2,726	2,915
Total liabilities	20,003	22,144

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Net assets		
Shareholders' equity		
Share capital	6,895	6,895
Capital surplus	7,158	7,053
Retained earnings	33,673	35,208
Treasury shares	(3,318)	(3,318)
Total shareholders' equity	44,408	45,838
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,359	1,783
Revaluation reserve for land	(663)	(663)
Foreign currency translation adjustment	1,854	2,540
Remeasurements of defined benefit plans	(6)	(5)
Total accumulated other comprehensive income	2,544	3,655
Non-controlling interests	218	-
Total net assets	47,172	49,494
Total liabilities and net assets	67,176	71,638

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

Quarterly consolidated statements of income

(Nine months ended December 31, 2023)

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	35,972	42,189
Cost of sales	23,627	27,026
Gross profit	12,345	15,163
Selling, general and administrative expenses		
Salaries and allowances	3,217	3,357
Provision for bonuses	51	66
Provision for share awards for directors (and other officers)	27	57
Provision for product warranties	101	106
Provision of allowance for doubtful accounts	8	-
Amortization of goodwill	93	136
Other	6,428	7,228
Total selling, general and administrative expenses	9,929	10,951
Operating profit	2,416	4,211
Non-operating income		
Interest income	12	34
Dividend income	128	158
Subsidy income	68	43
Reversal of allowance for doubtful accounts	-	0
Foreign exchange gains	45	-
Other	61	54
Total non-operating income	316	291
Non-operating expenses		
Interest expenses	26	20
Commission expenses	6	6
Foreign exchange losses	-	15
Other	4	13
Total non-operating expenses	37	56
Ordinary profit	2,695	4,447
Extraordinary income		
Gain on sale of non-current assets	1	1
Total extraordinary income	1	1
Extraordinary losses		
Loss on sale of non-current assets	6	0
Loss on retirement of non-current assets	4	6
Total extraordinary losses	10	6
Profit before income taxes	2,686	4,442
Income taxes - current	979	1,347
Profit	1,706	3,095
Profit (loss) attributable to non-controlling interests	(1)	9
Profit attributable to owners of parent	1,708	3,085

Quarterly consolidated statements of comprehensive income
(Nine months ended December 31, 2023)

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	1,706	3,095
Other comprehensive income		
Valuation difference on available-for-sale securities	49	424
Foreign currency translation adjustment	375	685
Remeasurements of defined benefit plans, net of tax	(3)	0
Total other comprehensive income	421	1,111
Comprehensive income	2,128	4,206
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,129	4,196
Comprehensive income attributable to non-controlling interests	(1)	9

(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

Changes in significant subsidiaries during the period

The Company included COSMOPIA HIGHTECH CORP. in the scope of consolidation from the three months ended September 30, 2023, following its establishment on August 22, 2023. Furthermore, COSMOPIA HIGHTECH CORP. falls under the category of being the Company's specified subsidiary.

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 3rd quarter (from April 1, 2022 to December 31, 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	30,849	4,472	650	35,972	—	35,972
(2) Internal sales or transfers between segments	17	199	6	222	(222)	—
Total	30,866	4,672	656	36,195	(222)	35,972
Segment profit (loss)	2,329	185	(96)	2,417	(0)	2,416

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 nine months ended December 31, 2022.

II This consolidated 3rd quarter (from April 1, 2023 to December 31, 2023)

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	36,284	5,129	775	42,189	—	42,189
(2) Internal sales or transfers between segments	37	235	18	290	(290)	—
Total	36,322	5,364	793	42,480	(290)	42,189
Segment profit (loss)	3,761	542	(89)	4,214	(2)	4,211

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.

Significant changes in the amount of goodwill

In the equipment business segment, COSMOPIA HIGHTECH CORP. accepted the transfer of business from Johnson Controls-Hitachi Air Conditioning Inc. This transaction increased the amount of goodwill by ¥1,191 million in the nine months ended December 31, 2023.

This goodwill was calculated as a provisional amount for the end of the third quarter consolidated accounting period, as the distribution of the acquisition cost has yet to be finalized.

Material Subsequent Events

No applicable