



Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

May 15, 2024

Consolidated Financial Results
for the fiscal year ended March 31, 2024
(Under Japanese GAAP)

Company name: ESPEC CORP.
 Listing: Tokyo Stock Exchanges, Prime Market
 Securities code: 6859
 URL: <https://www.espec.co.jp>
 Representative: Satoshi Arata, Representative Director and President
 Inquiries: Keiji Oshima, Director
 Telephone: +81-6-6358-4741
 Scheduled date of annual general meeting of shareholders: June 21, 2024
 Scheduled date to commence dividend payments: June 24, 2024
 Scheduled date to file annual securities report: June 24, 2024
 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 on May 23, 2024.)

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

1. Consolidated financial results for the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(1) Consolidated operating results

(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 | % |
| Fiscal year ended | | | | | | | | |
| March 31, 2024 | 62,126 | 17.5 | 6,585 | 50.8 | 6,919 | 48.3 | 4,969 | 49.2 |
| March 31, 2023 | 52,892 | 26.4 | 4,366 | 121.8 | 4,664 | 100.9 | 3,330 | 74.8 |

Note: Comprehensive income For the fiscal year ended March 31, 2024 ¥7,427 million 80.3 %
 For the fiscal year ended March 31, 2023 ¥4,118 million 46.0 %

| | 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 |
|-------------------|--------------------------|----------------------------|------------------|--|--|
| | Yen | Yen | % | % | % |
| Fiscal year ended | | | | | |
| March 31, 2024 | 227.61 | — | 10.0 | 9.5 | 10.6 |
| March 31, 2023 | 150.34 | — | 7.2 | 7.2 | 8.3 |

Reference: Share of profit (loss) of entities accounted for using equity method

For the fiscal year ended March 31, 2024 ¥ - million
 For the fiscal year ended March 31, 2023 ¥ - million

(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 | | | | |
| March 31, 2024 | 78,235 | 52,715 | 67.4 | 2,414.58 |
| March 31, 2023 | 67,176 | 47,172 | 69.9 | 2,150.64 |

Reference: Equity As of March 31, 2024 ¥52,715 million
 As of March 31, 2023 ¥46,953 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 |
|-------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Fiscal year ended | | | | |
| March 31, 2024 | 2,738 | (3,778) | 2,798 | 16,793 |
| March 31, 2023 | 1,916 | (1,061) | (2,898) | 14,298 |

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, 2023 | — | 24.00 | — | 45.00 | 69.00 | 1,520 | 45.9 | 3.3 |
| Fiscal year ended March 31, 2024 | — | 25.00 | — | 50.00 | 75.00 | 1,655 | 33.0 | 3.3 |
| Fiscal year ending March 31, 2025 (Forecast) | — | 35.00 | — | 45.00 | 80.00 | | 33.6 | |

Note: 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. Forecasts of consolidated operating results for fiscal 2024, ending March 31, 2025 (From April 1, 2024 to March 31, 2025)

(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, 2024 | 30,500 | 11.9 | 2,900 | 24.3 | 3,050 | 20.7 | 2,200 | 33.0 | 100.77 |
| Fiscal year ending March 31, 2025 | 65,000 | 4.6 | 7,000 | 6.3 | 7,200 | 4.0 | 5,200 | 4.6 | 238.18 |

* 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: None

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, 2024 | 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 March 31, 2024 | 1,949,085 shares |
| As of March 31, 2023 | 1,948,980 shares |

3) Average number of shares outstanding during the period

| | |
|----------------------------------|-------------------|
| fiscal year ended March 31, 2024 | 21,832,388 shares |
| fiscal year ended March 31, 2023 | 22,156,396 shares |

Reference: Overview of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

| Fiscal year ended | Net sales | | Operating profit | | Ordinary profit | | Profit | |
|-------------------|-----------------|------|------------------|------|-----------------|------|-----------------|------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| March 31, 2024 | 35,999 | 15.1 | 3,510 | 84.2 | 4,576 | 92.2 | 3,687 | 95.9 |
| March 31, 2023 | 31,277 | 18.9 | 1,905 | 85.5 | 2,381 | 49.8 | 1,881 | 20.3 |

| Fiscal year ended | Basic earnings per share | Diluted earnings per share |
|-------------------|--------------------------|----------------------------|
| | Yen | Yen |
| March 31, 2024 | 168.88 | — |
| March 31, 2023 | 84.93 | — |

(2) Non-consolidated financial position

| As of | Total assets | Net assets | Equity-to-asset ratio | Net assets per share |
|----------------|-----------------|-----------------|-----------------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| March 31, 2024 | 57,187 | 40,444 | 70.7 | 1,852.50 |
| March 31, 2023 | 48,970 | 37,551 | 76.7 | 1,720.00 |

Reference: Equity As of March 31, 2024 ¥40,444 million
As of March 31, 2023 ¥37,551 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 2024" on p. 4.

Index of Attached Material

| | |
|---|----|
| 1. Summary of Business Results ----- | 2 |
| (1) Overview of Fiscal 2023 Operating Results ----- | 2 |
| (2) Overview of Fiscal 2023 Consolidated Financial Situation ----- | 3 |
| (3) Overview of Fiscal 2023 Cash Flows ----- | 3 |
| (4) Outlook for Fiscal 2024 ----- | 4 |
| (5) Basic Policy on Profit Distributions and Dividends for Fiscal 2023 and Fiscal 2024 ----- | 4 |
| 2. Basic Stance on the Selection of Accounting Standards ----- | 4 |
| 3. Consolidated Financial Statements ----- | 5 |
| (1) Consolidated Balance Sheets ----- | 5 |
| (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income ----- | 7 |
| Consolidated Statements of Income ----- | 7 |
| Consolidated Statements of Comprehensive Income ----- | 8 |
| (3) Consolidated Statements of Changes in Net Assets ----- | 9 |
| (4) Consolidated Statements of Cash Flows ----- | 11 |
| (5) Notes to the Consolidated Financial Statements ----- | 12 |
| Notes on the Assumption of a Going Concern ----- | 12 |
| Important Matters Concerning the Basis for Preparing Consolidated Financial Statements ----- | 12 |
| Segment Information and Others ----- | 15 |
| Per-Share Information ----- | 18 |
| Business Combination----- | 18 |
| Material Subsequent Events ----- | 19 |

1. Summary of Business Results

Forward-looking statements contained herein are based on the Group's judgment as of March 31, 2024.

(1) Overview of Fiscal 2023 Operating Results

1) Operating Results for Fiscal 2023

During fiscal 2023, the year ended 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 shift toward electric vehicles (EV). From the production aspect, although procuring certain parts continued to require lengthy delivery times, the Group increased its production output through measures such as strategically accumulating inventories. Looking at the Company's operating results for fiscal 2023, orders received increased 4.7% year on year to ¥62,290 million, reaching an all-time high for 3 consecutive years. This increase was supported by strong orders in the electric vehicle (EV) and battery fields, particularly in the domestic market. Net sales increased 17.5% year on year to ¥62,126 million, a record high for the second straight year. On the profit front, operating profit was ¥6,585 million, a year-on-year increase of 50.8%. This increase was mainly due to higher sales and the effect of raising product and service prices, which offset the impact of an increase in selling, general and administrative expenses. Profit attributable to owners of parent increased by 49.2% year on year to ¥4,969 million. Both operating profit and profit attributable to owners of parent reached record highs. In addition, return on equity (ROE) stood at 10.0%.

| | Year Ended March 31, 2023 (Millions of yen) | Year Ended March 31, 2024 (Millions of yen) | Change (%) |
|---|--|--|------------|
| Orders received | 59,521 | 62,290 | 4.7 |
| Net sales | 52,892 | 62,126 | 17.5 |
| Operating profit | 4,366 | 6,585 | 50.8 |
| Ordinary profit | 4,664 | 6,919 | 48.3 |
| Profit attributable to owners of parent | 3,330 | 4,969 | 49.2 |

2) Performance by Segment

Consolidated results by operating segment for fiscal 2023

| | Orders received (Millions of yen) | Net sales (Millions of yen) | Operating profit (Millions of yen) |
|--------------------|--------------------------------------|--------------------------------|---------------------------------------|
| Equipment Business | 53,565 | 53,518 | 5,848 |
| Service Business | 7,634 | 7,536 | 681 |
| Other Business | 1,453 | 1,455 | 51 |
| Elimination | (363) | (383) | 3 |
| Total | 62,290 | 62,126 | 6,585 |

Equipment Business

In the environmental test chambers field, in the Japanese market orders received remained on a par with the previous fiscal year for highly versatile standardized products, but increased for customized products, mainly in the electric vehicle (EV) and battery areas. Net sales increased for both standardized products and customized products, as production measures were strengthened, including shifting key personnel to 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, Taiwan, and Southeast Asia.

In the energy devices equipment field, orders received substantially increased year on year due to strong orders for chambers for charge-discharge testing mainly in the Japanese market due to the expansion of investment for electric vehicles (EV) and batteries. Net sales rose significantly as the production system was improved.

In the semiconductor equipment field, both orders received and net sales decreased year on year, mainly due to the impact of memory-related investment restraint.

As a result, the equipment business on the whole saw orders received increase 4.1% to ¥53,565 million and net sales increase 18.8% to ¥53,518 million. On the profit front, the Company recorded operating profit of ¥5,848 million, an increase of 49.2% year on year, mainly due to an increase in net sales and the effect of raising product prices, which offset the impact of an increase in selling, general and administrative expenses.

| | Year Ended March 31, 2023 (Millions of yen) | Year Ended March 31, 2024 (Millions of yen) | Change (%) |
|------------------|--|--|------------|
| Orders received | 51,446 | 53,565 | 4.1 |
| Net sales | 45,031 | 53,518 | 18.8 |
| Operating profit | 3,919 | 5,848 | 49.2 |

Service Business

In the after-sales service and engineering field, orders received and net sales both 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 both rose 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 ¥7,634 million, and net sales increase 11.0% to ¥7,536 million. On the profit front, the Company recorded operating profit of ¥681 million, an increase of 59.3% year on year, mainly due to an increase in net sales and the effect of raising service prices.

| | Year Ended March 31, 2023 (Millions of yen) | Year Ended March 31, 2024 (Millions of yen) | Change (%) |
|------------------|--|--|------------|
| Orders received | 6,963 | 7,634 | 9.6 |
| Net sales | 6,788 | 7,536 | 11.0 |
| Operating profit | 428 | 681 | 59.3 |

Other Business

In the other business field, which is centered on the environmental conservation and plant production systems business, orders received were ¥1,453 million, which was on a par with 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 aquaculture, which was offset primarily by decreases in orders received for reforestation (tree planting) and plant research devices. Net sales increased 3.7% year on year to ¥1,455 million, owing to firm sales of waterfront biotope restoration and vegetables. The Company recorded operating profit of ¥51 million, an increase of 211.0% year on year.

| | Year Ended March 31, 2023 (Millions of yen) | Year Ended March 31, 2024 (Millions of yen) | Change (%) |
|------------------|--|--|------------|
| Orders received | 1,469 | 1,453 | (1.1) |
| Net sales | 1,404 | 1,455 | 3.7 |
| Operating profit | 16 | 51 | 211.0 |

(2) Overview of Fiscal 2023 Consolidated Financial Situation

Total assets at the end of the fiscal year consolidated accounting period were ¥78,235 million, an increase of ¥11,059 million over the end of the previous consolidated fiscal year. The major factors included an increase of ¥2,496 million in cash and deposits, an increase of ¥2,200 million in trade receivables (notes and accounts receivable-trade, contract assets, and electronically recorded monetary claims - operating), an increase of ¥1,933 million in inventories such as work in process, raw materials, and supplies, in conjunction with an increase in net sales, and an increase of ¥1,727 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 ¥1,020 million from recording goodwill accompanying the business transfer of a consolidated subsidiary, etc. and an increase of ¥563 million due to an acquisition of land and other factors.

Liabilities were ¥25,519 million, an increase of ¥5,515 million from the end of the previous consolidated fiscal year. Major factors included an increase of ¥5,000 million in short-term borrowings, a decrease of ¥647 million in trade payables (notes and accounts payable - trade and electronically recorded obligations - operating), and an increase of ¥450 million in income taxes payable.

Net assets were ¥52,715 million, an increase of ¥5,543 million against the end of the previous fiscal year. Major factors included an increase of ¥3,418 million in retained earnings due to recording ¥4,969 million in profit attributable to owners of parent in fiscal 2023 while there was appropriation of ¥1,545 million in profits as dividends, and an increase of ¥1,580 million in foreign currency translation adjustment accompanying the continued depreciation of the yen and an increase of ¥750 million in valuation difference on available-for-sale securities.

As a result, the equity-to-asset ratio stood at 67.4%, a decrease of 2.5 points from the end of the previous fiscal year.

(3) Overview of Fiscal 2023 Cash Flows

Cash and cash equivalents (hereinafter, "cash") at the end of the fiscal year under review were ¥16,793 million, an increase of ¥2,495 million from the beginning of the fiscal year. This was mainly the result of net cash provided by operating activities of ¥2,738 million, net cash used in investing activities of ¥3,778 million, and net cash used in financing activities of ¥2,798 million, and an increase in effect of exchange rate change on cash and cash equivalents of ¥736 million.

The status of each category of cash flow and the underlying factors for fiscal 2023 are as follows.

Net cash provided by operating activities was ¥2,738 million, compared with net cash provided of ¥1,916 million in the previous fiscal year. The main cash flow items were an increase in cash from the recording of profit before income taxes of ¥6,916 million, a decrease in cash of ¥1,624 million due to an increase in inventories associated with the increase in net sales, the recording of depreciation of ¥1,520 million, a decrease in cash of ¥1,492 million due to an increase in trade receivables associated with the increase in net sales, a decrease in cash of ¥1,400 million due to income taxes paid, and a decrease in cash of ¥1,140 million due to a decrease in trade payables.

Net cash used in investing activities was ¥3,778 million, compared with net cash used of ¥1,061 million in the previous fiscal year. This was primarily due to payment of ¥2,240 million for the purchase of property, plant and equipment and intangible assets, and payment of ¥1,800 million for a business transfer of a subsidiary.

Net cash used in financing activities was ¥2,798 million, compared with net cash used of ¥2,898 million in the previous fiscal year. This was mainly due to ¥5,000 million in proceeds from short-term borrowings, which was partly offset by ¥1,539 million in dividends paid and ¥333 million for purchase of shares of subsidiaries not resulting in change in scope of consolidation.

(4) Outlook for Fiscal 2024

To realize its long-term vision, ESPEC Vision 2025, the Company has been implementing a medium-term management plan every four years (Stage I through Stage III). Since fiscal 2022 (the year ended March 31, 2023), the Company has been advancing the medium-term management plan “Progressive Plan 2025,” which is the final stage. Under this medium-term management plan, the Company had previously set its consolidated financial targets for fiscal 2025 (the year ending March 31, 2026) as net sales of ¥55.0 billion, operating profit of ¥7.0 billion, an operating profit ratio of 12.7%, and return on equity (ROE) of 10%. However, given the generally strong investment in electric vehicles (EV) and batteries to achieve a decarbonized society, the Company has decided to revise these targets. It now aims for net sales of ¥65.0 billion, operating profit of ¥7.5 billion, an operating profit ratio of 11.5%, and ROE of 10% or higher.

In addition, the Company’s target for fiscal 2024 (the year ending March 31, 2025) is for net sales of ¥65.0 billion, operating profit of ¥7.0 billion, profit attributable to owners of parent of ¥5.2 billion, and ROE of 9.6%. The Company will push ahead with increasing production capacity in Japan, where order backlogs are accumulating, along with upgrading and expanding product lineups and opening the “Next-Generation Mobility Testing Laboratory (Tentative Name),” which will serve as a new testing center in Tokoname, Aichi Prefecture.

Company has been steadily executing 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,” with the aim of realizing the long-term vision.

Forecasts of consolidated operating results for fiscal 2024, ending March 31, 2025

(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, 2024 | 30,500 | 11.9 | 2,900 | 24.3 | 3,050 | 20.7 | 2,200 | 33.0 | 100.77 |
| Fiscal year ending March 31, 2025 | 65,000 | 4.6 | 7,000 | 6.3 | 7,200 | 4.0 | 5,200 | 4.6 | 238.18 |

Forecasts of consolidated operating results by segment for fiscal 2024 (Full-term)

| | Orders received (Millions of yen) | Net sales (Millions of yen) | Operating profit (Millions of yen) |
|--------------------|-----------------------------------|-----------------------------|------------------------------------|
| Equipment Business | 53,700 | 56,000 | 6,180 |
| Service Business | 8,000 | 7,900 | 800 |
| Other Business | 1,700 | 1,500 | 20 |
| Elimination | (400) | (400) | 0 |
| Total | 63,000 | 65,000 | 7,000 |

* 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 2023 and Fiscal 2024

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

In addition, the Company will flexibly examine treasury share acquisitions, bearing in mind the necessary level of internal reserves and considering factors such as changes in the business environment and its financial position.

Regarding dividends for the fiscal year under review, the Company plans to pay a year-end dividend of ¥50 per share. The Company has paid an interim dividend of ¥25 per share. Therefore, the annual dividend will be ¥75 per share.

In addition, the Company plans to pay an annual dividend of ¥80 per share for fiscal 2024. The interim dividend will be ¥35 per share.

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, 2023 | As of March 31, 2024 |
|---|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 13,998 | 16,494 |
| Notes and accounts receivable - trade, and contract assets | 16,097 | 16,471 |
| Electronically recorded monetary claims - operating | 3,540 | 5,367 |
| Securities | 302 | 302 |
| Merchandise and finished goods | 3,010 | 3,226 |
| Work in process | 3,562 | 4,284 |
| Raw materials and supplies | 4,885 | 5,881 |
| Other | 2,641 | 2,711 |
| Allowance for doubtful accounts | (37) | (63) |
| Total current assets | 48,000 | 54,674 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 12,982 | 13,516 |
| Accumulated depreciation | (7,969) | (8,293) |
| Buildings and structures, net | 5,013 | 5,222 |
| Machinery, equipment and vehicles | 3,156 | 3,690 |
| Accumulated depreciation | (2,166) | (2,411) |
| Machinery, equipment and vehicles, net | 989 | 1,279 |
| Tools, furniture and fixtures | 5,788 | 6,458 |
| Accumulated depreciation | (4,367) | (4,685) |
| Tools, furniture and fixtures, net | 1,420 | 1,772 |
| Land | 4,662 | 5,226 |
| Leased assets | 869 | 974 |
| Accumulated depreciation | (481) | (734) |
| Leased assets, net | 388 | 240 |
| Construction in progress | 26 | 385 |
| Total property, plant and equipment | 12,501 | 14,126 |
| Intangible assets | | |
| Goodwill | 601 | 1,621 |
| Other | 625 | 637 |
| Total intangible assets | 1,227 | 2,259 |
| Investments and other assets | | |
| Investment securities | 3,136 | 4,119 |
| Retirement benefit asset | 497 | 699 |
| Deferred tax assets | 575 | 1,059 |
| Other | 1,240 | 1,300 |
| Allowance for doubtful accounts | (2) | (4) |
| Total investments and other assets | 5,447 | 7,174 |
| Total non-current assets | 19,176 | 23,560 |
| Total assets | 67,176 | 78,235 |

| | As of March 31, 2023 | As of March 31, 2024 |
|--|----------------------|----------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 4,469 | 4,523 |
| Electronically recorded obligations - operating | 5,145 | 4,443 |
| Contract liabilities | 3,500 | 2,880 |
| Short-term borrowings | — | 5,000 |
| Current portion of long-term borrowings | 90 | 102 |
| Income taxes payable | 603 | 1,053 |
| Provision for bonuses | 519 | 621 |
| Provision for bonuses for directors (and other officers) | 14 | 14 |
| Provision for product warranties | 189 | 270 |
| Provision for loss on orders received | 10 | 5 |
| Other | 2,734 | 3,532 |
| Total current liabilities | 17,277 | 22,447 |
| Non-current liabilities | | |
| Long-term borrowings | 203 | 128 |
| Deferred tax liabilities | 729 | 1,159 |
| Retirement benefit liability | 243 | 264 |
| Provision for share awards for directors (and other officers) | 128 | 218 |
| Provision for retirement benefits for directors (and other officers) | 4 | 2 |
| Asset retirement obligations | 23 | 24 |
| Deferred tax liabilities for land revaluation | 534 | 534 |
| Other | 859 | 739 |
| Total non-current liabilities | 2,726 | 3,072 |
| Total liabilities | 20,003 | 25,519 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 6,895 | 6,895 |
| Capital surplus | 7,158 | 7,053 |
| Retained earnings | 33,673 | 37,091 |
| Treasury shares | (3,318) | (3,318) |
| Total shareholders' equity | 44,408 | 47,722 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,359 | 2,110 |
| Revaluation reserve for land | (663) | (663) |
| Foreign currency translation adjustment | 1,854 | 3,434 |
| Remeasurements of defined benefit plans | (6) | 111 |
| Total accumulated other comprehensive income | 2,544 | 4,993 |
| Non-controlling interests | 218 | — |
| Total net assets | 47,172 | 52,715 |
| Total liabilities and net assets | 67,176 | 78,235 |

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

Consolidated Statements of Income

(Millions of yen)

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|--|-------------------------------------|-------------------------------------|
| Net sales | 52,892 | 62,126 |
| Cost of sales | 34,935 | 40,132 |
| Gross profit | 17,957 | 21,994 |
| Selling, general and administrative expenses | | |
| Salaries and allowances | 4,371 | 4,747 |
| Research and development expenses | 1,041 | 1,239 |
| Provision for bonuses | 174 | 225 |
| Provision for product warranties | 131 | 186 |
| Provision for share awards for directors (and other officers) | 34 | 82 |
| Commission expenses | 1,835 | 2,443 |
| Provision for bonuses for directors (and other officers) | 14 | 14 |
| Amortization of goodwill | 123 | 198 |
| Other | 5,863 | 6,269 |
| Total selling, general and administrative expenses | 13,590 | 15,408 |
| Operating profit | 4,366 | 6,585 |
| Non-operating income | | |
| Interest income | 21 | 46 |
| Dividend income | 128 | 158 |
| Subsidy income | 67 | 51 |
| Foreign exchange gains | 44 | 56 |
| Other | 83 | 71 |
| Total non-operating income | 346 | 383 |
| Non-operating expenses | | |
| Interest expenses | 34 | 25 |
| Commission expenses | 8 | 8 |
| Other | 4 | 14 |
| Total non-operating expenses | 48 | 49 |
| Ordinary profit | 4,664 | 6,919 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 7 | 6 |
| Gain on sale of investment securities | 12 | — |
| Total extraordinary income | 20 | 6 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 8 | 8 |
| Loss on sale of non-current assets | 5 | 0 |
| Total extraordinary losses | 14 | 9 |
| Profit before income taxes | 4,670 | 6,916 |
| Income taxes - current | 1,381 | 1,942 |
| Income taxes - deferred | (46) | (4) |
| Total income taxes | 1,334 | 1,937 |
| Profit | 3,336 | 4,978 |
| Profit attributable to non-controlling interests | 5 | 9 |
| Profit attributable to owners of parent | 3,330 | 4,969 |

Consolidated Statements of Comprehensive Income

(Millions of yen)

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|--|-------------------------------------|-------------------------------------|
| Profit | 3,336 | 4,978 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 249 | 750 |
| Foreign currency translation adjustment | 560 | 1,580 |
| Remeasurements of defined benefit plans, net of tax | (27) | 117 |
| Total other comprehensive income | 782 | 2,448 |
| Comprehensive income | 4,118 | 7,427 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 4,113 | 7,417 |
| Comprehensive income attributable to non-controlling interests | 5 | 9 |

(3) Consolidated Statements of Changes in Net Assets

Previous consolidated fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 6,895 | 7,120 | 31,836 | (2,236) | 43,616 |
| Changes during period | | | | | |
| Dividends of surplus | | | (1,488) | | (1,488) |
| Profit attributable to owners of parent | | | 3,330 | | 3,330 |
| Purchase of treasury shares | | | | (1,294) | (1,294) |
| Disposal of treasury shares | | 38 | | 212 | 251 |
| Changes in ownership interest due to purchase of shares of consolidated subsidiaries | | | | | — |
| Other | | | (6) | | (6) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | — | 38 | 1,836 | (1,081) | 792 |
| Balance at end of period | 6,895 | 7,158 | 33,673 | (3,318) | 44,408 |

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total net assets |
|--|---|------------------------------|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Revaluation reserve for land | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 1,109 | (663) | 1,294 | 21 | 1,762 | 213 | 45,592 |
| Changes during period | | | | | | | |
| Dividends of surplus | | | | | | | (1,488) |
| Profit attributable to owners of parent | | | | | | | 3,330 |
| Purchase of treasury shares | | | | | | | (1,294) |
| Disposal of treasury shares | | | | | | | 251 |
| Changes in ownership interest due to purchase of shares of consolidated subsidiaries | | | | | | | — |
| Other | | | | | | | (6) |
| Net changes in items other than shareholders' equity | 249 | — | 560 | (27) | 782 | 5 | 787 |
| Total changes during period | 249 | — | 560 | (27) | 782 | 5 | 1,580 |
| Balance at end of period | 1,359 | (663) | 1,854 | (6) | 2,544 | 218 | 47,172 |

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

(Millions of yen)

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

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

(4) Consolidated Statements of Cash Flows

(Millions of yen)

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|--|-------------------------------------|-------------------------------------|
| Cash flows from operating activities | | |
| Profit before income taxes | 4,670 | 6,916 |
| Depreciation | 1,339 | 1,520 |
| Amortization of goodwill | 123 | 198 |
| Increase (decrease) in allowance for doubtful accounts | 13 | 21 |
| Increase (decrease) in provision for bonuses for directors (and other officers) | 3 | 0 |
| Increase (decrease) in provision for retirement benefits for directors (and other officers) | — | (1) |
| Increase (decrease) in provision for share awards for directors (and other officers) | 15 | 89 |
| Increase (decrease) in retirement benefit liability | (2) | 20 |
| Interest and dividend income | (150) | (205) |
| Interest expenses | 34 | 25 |
| Decrease (increase) in trade receivables | (3,202) | (1,492) |
| Decrease (increase) in inventories | (3,138) | (1,624) |
| Increase (decrease) in trade payables | 2,159 | (1,140) |
| Other, net | 993 | (458) |
| Subtotal | 2,861 | 3,872 |
| Interest and dividends received | 201 | 292 |
| Interest paid | (34) | (26) |
| Income taxes refund (paid) | (1,112) | (1,400) |
| Net cash provided by (used in) operating activities | 1,916 | 2,738 |
| Cash flows from investing activities | | |
| Net decrease (increase) in trust beneficiary right | (215) | 249 |
| Purchase of property, plant and equipment and intangible assets | (969) | (2,240) |
| Proceeds from sale of property, plant and equipment and intangible assets | 16 | 12 |
| Proceeds from sale and redemption of investment securities | 107 | — |
| Payments for acquisition of businesses | — | (1,800) |
| Other, net | — | (0) |
| Net cash provided by (used in) investing activities | (1,061) | (3,778) |
| Cash flows from financing activities | | |
| Dividends paid | (1,484) | (1,539) |
| Net increase (decrease) in short-term borrowings | — | 5,000 |
| Repayments of long-term borrowings | (91) | (97) |
| Purchase of treasury shares | (1,294) | (0) |
| Proceeds from disposal of treasury shares | 188 | — |
| Purchase of shares of subsidiaries not resulting in change in scope of consolidation | — | (333) |
| Other, net | (215) | (230) |
| Net cash provided by (used in) financing activities | (2,898) | 2,798 |
| Effect of exchange rate change on cash and cash equivalents | 183 | 736 |
| Net increase (decrease) in cash and cash equivalents | (1,859) | 2,495 |
| Cash and cash equivalents at beginning of period | 16,157 | 14,298 |
| Cash and cash equivalents at end of period | 14,298 | 16,793 |

(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: 14

Name of main consolidated subsidiary: ESPEC NORTH AMERICA, INC.
ESPEC ENVIRONMENTAL EQUIPMENT (SHANGHAI) CO., LTD.

Note: COSMOPIA HIGHTECH CORP. was included in the scope of consolidation from the fiscal year ended March 31, 2024, because it was newly established in the fiscal year under review.

(2) Name of main non-consolidated subsidiary: ESPEC ENGINEERING VIETNAM CO., LTD.

Reason for exclusion from scope of consolidation:

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

2. Application of the Equity Method

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

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

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

3. Fiscal Year of Consolidated Subsidiaries

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

4. Summary of Significant Accounting Policies

(1) Valuation standards and accounting treatment for important assets

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.>"). Furthermore, in connection with the transition to a Company with Audit & Supervisory Committee, the Company resolved at the 69th Ordinary General Meeting of Shareholders held on June 23, 2022 to abolish the compensation limits of the System that had been previously determined by resolution of the 65th Ordinary General Meeting of Shareholders, and resolved once again to determine compensation limits related to the System for directors (excluding outside directors and directors who are Audit & Supervisory Committee members).

The System is a performance-linked, share-based remuneration system under which the Company 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 2023 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, 2023 | This consolidated fiscal year March 31, 2024 |
|---|---|---|
| Book value of treasury stocks | 3,318 Millions of yen | 3,318 Millions of yen |
| Book value of treasury stocks held by the Company | 2,810 Millions of yen | 2,810 Millions of yen |
| Book value of treasury stocks held by the Trust | 507 Millions of yen | 507 Millions of yen |
| Number of treasury stocks | 1,948,980 shares | 1,949,085 shares |
| Number of treasury stocks held by the Company | 1,708,580 shares | 1,708,685 shares |
| Number of treasury stocks held by the Trust | 240,400 shares | 240,400 shares |

(4) Accounting method of retirement benefits

1) Attribution method for projected retirement benefits

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

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 conservation 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, 2022 to March 31, 2023)

(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 | 45,005 | 6,507 | 1,380 | 52,892 | — | 52,892 |
| Internal sales or transfers between segments | 25 | 280 | 24 | 330 | (330) | — |
| Total | 45,031 | 6,788 | 1,404 | 53,223 | (330) | 52,892 |
| Segment profit | 3,919 | 428 | 16 | 4,364 | 1 | 4,366 |
| Segment assets | 48,466 | 6,005 | 1,325 | 55,797 | 11,378 | 67,176 |
| Other | | | | | | |
| Depreciation expenses | 1,029 | 287 | 12 | 1,328 | — | 1,328 |
| Amortization of goodwill | 123 | — | — | 123 | — | 123 |
| Increases in property, plant and equipment and intangible assets | 646 | 531 | 6 | 1,184 | 127 | 1,131 |

*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 ¥11,723 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, 2023 to March 31, 2024)

(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 | 53,480 | 7,213 | 1,432 | 62,126 | — | 62,126 |
| Internal sales or transfers between segments | 37 | 322 | 23 | 383 | (383) | — |
| Total | 53,518 | 7,536 | 1,455 | 62,510 | (383) | 62,126 |
| Segment profit | 5,848 | 681 | 51 | 6,582 | 3 | 6,585 |
| Segment assets | 57,913 | 7,414 | 1,137 | 66,466 | 11,769 | 78,235 |
| Other | | | | | | |
| Depreciation expenses | 1,120 | 367 | 3 | 1,492 | — | 1,492 |
| Amortization of goodwill | 198 | — | — | 198 | — | 198 |
| Increases in property, plant and equipment and intangible assets | 1,110 | 1,567 | 17 | 2,695 | — | 2,695 |

*1. Adjustments are as follows.

- 1) “Adjustment” for 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 ¥13,198 million primarily consist of surplus working capital at the parent company (cash and deposits, short-term investment securities, etc.), long-term investment funds (investment securities) and assets related to administrative divisions.
- 4) “Adjustment” for depreciation 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, 2022 to March 31, 2023)

1. Information by product and service

(Millions of yen)

| | Equipment Business | Service Business | Other Business | Total |
|-----------------------------|--------------------|------------------|----------------|--------|
| Sales to external customers | 45,005 | 6,507 | 1,380 | 52,892 |

2. Information by region

(1) Net sales

(Millions of yen)

| Japan | U.S. | China | Others in Asia | Others | Total |
|--------|-------|--------|----------------|--------|--------|
| 25,008 | 6,627 | 11,858 | 6,089 | 3,307 | 52,892 |

(2) Property, plant and equipment

(Millions of yen)

| Japan | U.S. | China | Others in Asia | Others | Total |
|-------|-------|-------|----------------|--------|--------|
| 9,146 | 1,801 | 1,340 | 208 | 4 | 12,501 |

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

1. Information by product and service

(Millions of yen)

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

2. Information by region

(1) Net sales

(Millions of yen)

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

(2) Property, plant and equipment

(Millions of yen)

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

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

Previous consolidated fiscal year (from April 1, 2022 to March 31, 2023)

No items to report

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

No items to report

Information on amortization of goodwill and unamortized balance by reportable segment

Previous consolidated fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen)

| | Equipment Business | Service Business | Other Business | Corporate and elimination | Total |
|---------------------|--------------------|------------------|----------------|---------------------------|-------|
| Amortization | 123 | — | — | — | 123 |
| Unamortized balance | 601 | — | — | — | 601 |

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

(Millions of yen)

| | Equipment Business | Service Business | Other Business | Corporate and elimination | Total |
|---------------------|--------------------|------------------|----------------|---------------------------|-------|
| Amortization | 198 | — | — | — | 198 |
| Unamortized balance | 1,621 | — | — | — | 1,621 |

Information on gain on negative goodwill by reportable segment

Previous consolidated fiscal year (from April 1, 2022 to March 31, 2023)

No items to report

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

No items to report

Per-Share Information

| FY2022 (from April 1, 2022 to March 31, 2023) | | FY2023 (from April 1, 2023 to March 31, 2024) | |
|--|----------|--|----------|
| | Yen | | Yen |
| Net assets per share | 2,150.64 | Net assets per share | 2,414.58 |
| Basic earnings per share | 150.34 | Basic earnings per share | 227.61 |
| Diluted basic earnings per share is not shown as there are no dilutive securities. | | 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 240,400 in the previous fiscal year and 240,400 in the fiscal year under review.

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

| | FY2022 (from April 1, 2022 to March 31, 2023) | FY2023 (from April 1, 2023 to March 31, 2024) |
|---|--|--|
| Basic earnings per share | | |
| Profit attributable to owners of parent (Millions of yen) | 3,330 | 4,969 |
| Net income available to minority interests (Millions of yen) | — | — |
| Profit attributable to owners of parent available to common shares (Millions of yen) | 3,330 | 4,969 |
| Average number of shares outstanding during the period (Thousand Shares) | 22,156 | 21,832 |
| Dilutive shares omitted from the calculation of diluted basic earnings per share, due to absence of a dilution effect | ————— | ————— |

*The Company's shares set up by the Board Benefit Trust (BBT) are recognized as treasury 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 164,033 in the previous fiscal year and 240,400 in the fiscal year under review.

Business Combinations

Business Transfer to Consolidated Subsidiary

The Company resolved at the Board of Directors meeting held on August 9, 2023, to newly establish a wholly owned subsidiary (COSMOPIA HIGHTECH CORP.), and for COSMOPIA HIGHTECH CORP. to run the transferred environmental testing business of Johnson Controls-Hitachi Air Conditioning Inc. (“Johnson Controls-Hitachi Air Conditioning”), and accepted the transfer of Johnson Controls-Hitachi Air Conditioning’s environmental testing business dated September 30, 2023. As the amount of capital of the subsidiary is equal to or more than 10/100 of the amount of capital of the Company, it falls under the category of a specified subsidiary.

1. Objective of Establishing Subsidiary and Business Transfer

The Company has stated that one of the Basic Policies of the medium-term management plan “Progressive Plan 2025” is the “aggressive investment in growth fields to provide products and services that contribute to the IoT and next-generation automobile markets.” Amid growing demand for environmental testing in advanced technology fields related to IoT and automobiles, the Company determined that through the transfer of Johnson Controls-Hitachi Air Conditioning’s environmental testing business it could expect to create synergies by integrating Johnson Controls-Hitachi Air Conditioning’s development technologies and expertise with the Company’s existing technologies, so the newly established consolidated subsidiary, COSMOPIA HIGHTECH CORP., accepted the transfer.

2. Overview of the Established Subsidiary

- (1) Name: COSMOPIA HIGHTECH CORP.
- (2) Location: 5-1, Sakae-cho, Aoi-ku, Shizuoka
- (3) Details of business: Manufacture and sales, etc. of environmental test chambers
- (4) Share capital: ¥100 million
- (5) Date of establishment: August 22, 2023
- (6) Investment ratio: ESPEC CORP., 100%
- (7) Fiscal year-end: March

3. Overview of the Business Transfer

(1) Company name of the transaction counterparty and details of business

Company name of the transaction counterparty: Johnson Controls-Hitachi Air Conditioning Inc.

Details of business: Manufacture and sales of environmental test chambers

(2) Main reason for the business transfer

As stated in 1., above.

(3) Date of business transfer: September 30, 2023

(4) Legal form of business transfer: Transfer of business for cash consideration

(5) Company name after the business transfer: No change

(6) Main grounds for determining the acquired company

COSMOPIA HIGHTECH CORP., the consolidated subsidiary the Company established, shall use cash as consideration to accept the transfer of business.

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

From September 30, 2023 to March 31, 2024

5. Breakdown of the acquisition costs and types of consideration

| | | |
|--|------|-----------------------|
| <u>Consideration for the acquisition</u> | Cash | <u>¥1,800 million</u> |
| Acquisition cost | | ¥1,800 million |

6. Descriptions and amounts of the main acquisition-related costs: Fees and commissions for advisory services, etc. ¥129 million

7. Amount of goodwill generated, causes of generation, and amortization method and period

(1) Amount of goodwill that occurred: ¥1,191 million

This goodwill was previously calculated as a provisional amount as of the close of the six months ended September 30, 2023 and the nine months ended December 31, 2023 because the allocation of the acquisition cost had not yet been finalized. However, the acquisition cost was finalized as of the close of the year ended March 31, 2024. There has been no change in the amount of goodwill as a result of the finalization of the provisional amount.

(2) Cause for the occurrence

As the net asset value of the transferred business was less than the acquisition cost, the difference was recognized as goodwill.

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

8. Amount of assets received and liabilities assumed on the business transfer date and breakdown of main components

| | |
|--------------------|--------------|
| Current assets | ¥29 million |
| Non-current assets | ¥579 million |
| Total assets | ¥608 million |

9. Amount of impact on the consolidated statements of income for the fiscal year under review, assuming that the business transfer was completed at the start of the fiscal year

The amount of impact has been omitted as it was negligible.

Material Subsequent Events

No applicable