
Securities ID code:6859

Results Briefing
for the Nine Months Ended December 31, 2022

ESPEC CORP.
February 17, 2023

Financial Result for the Nine Months Ended December 31, 2022

Electronics and automobile-related investment was strong, leading orders received and net sales to reach record highs.

Operating profit increased significantly year on year, but decreased below forecasts revised in October due to unachieved net sales.

	Year on Year	Comparison with Forecasts (revised in October)
■ Orders Received	○ Substantially increased in the Equipment Business (mainly environmental test chambers)	○ Fell slightly short in the Equipment Business, but was in line with forecast
■ Net Sales	○ Substantially increased in the Equipment Business (mainly environmental test chambers)	△ Fell slightly short in Equipment Business and Other Business
■ Operating Profit	○ Substantially increased as a result of increased sales despite an increase in selling, general and administrative expenses	× Short mainly due to Equipment Business net sales failing to achieve forecast (selling, general and administrative expenses were within forecast)
■ Ordinary Profit Profit Attributable to Owners of Parent	○ Increased due to the increase in operating profit	× Below forecast due to the decrease in operating profit

Summary of Profits and Losses

(Millions of yen)

	FY 2021 3Q Results	FY 2022 3Q Results	Year on Year
Orders Received	38,752	47,153	+21.7%
Net Sales	28,131	35,972	+27.9%
Cost of Net Sales	18,337	23,627	+28.8%
Cost Ratio	65.2%	65.7%	0.5pt deterioration
Gross Profit	9,794	12,345	+26.1%
SG&A	8,621	9,929	+15.2%
Operating Profit	1,172	2,416	+106.1%
Ordinary Profit	1,386	2,695	+94.4%
Profit Attributable to Owners of Parent	834	1,708	+104.8%

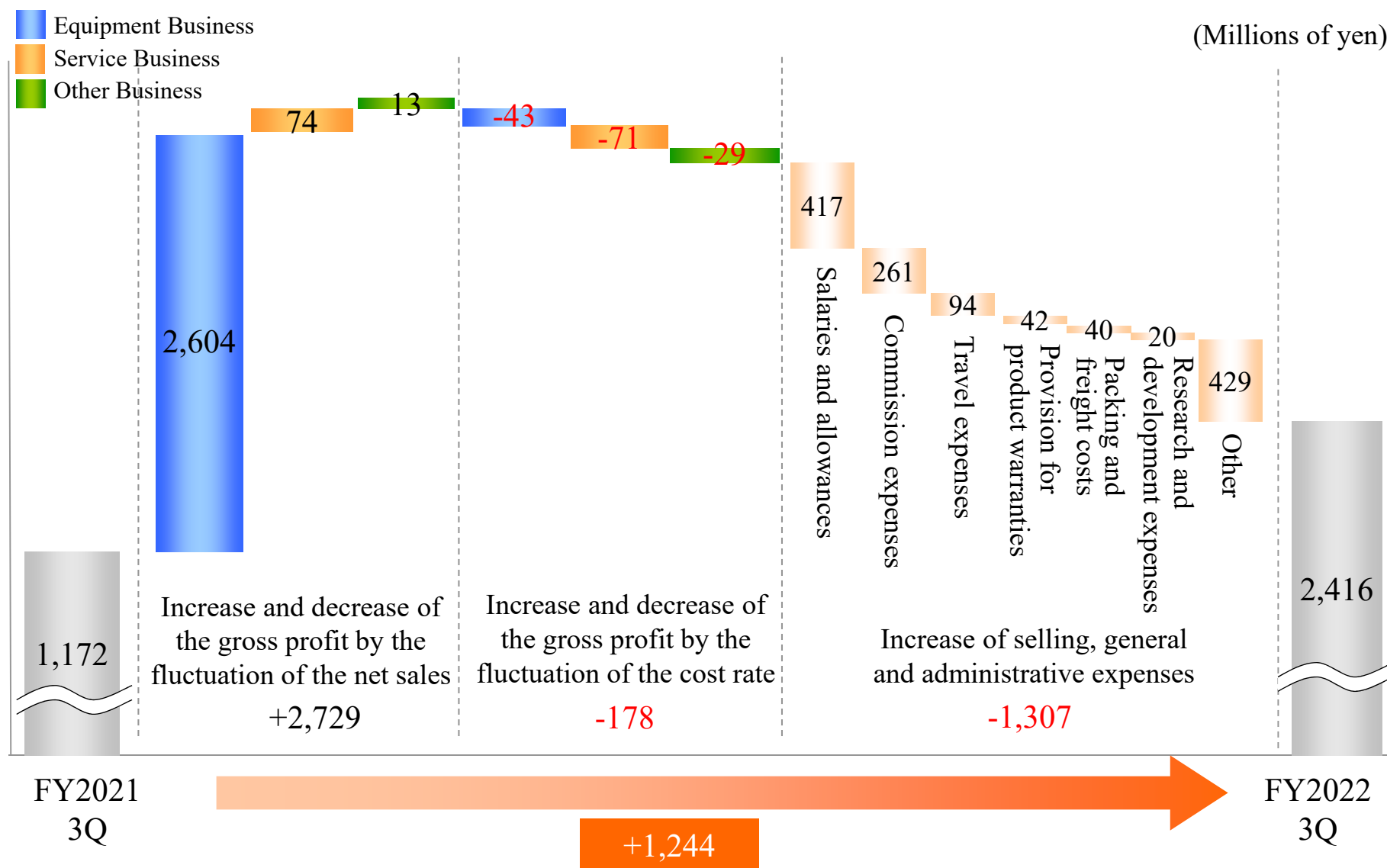
From July 2021, ESPEC THERMAL TECH SYSTEM CORP. has been included in the scope of consolidation.

Performance by Segment

(Millions of yen)

Segment		FY 2021 3Q Results	FY 2022 3Q Results	Year on Year
Equipment Business	Orders Received	33,007	41,031	+24.3%
	Net Sales	23,237	30,866	+32.8%
	Operating Profit	951	2,329	+144.9%
Service Business	Orders Received	4,993	5,216	+4.5%
	Net Sales	4,472	4,672	+4.5%
	Operating Profit	311	185	-40.6%
Other Business	Orders Received	956	1,148	+20.1%
	Net Sales	612	656	+7.3%
	Operating Profit	-89	-96	-
Elimination	Orders Received	-205	-243	-
	Net Sales	-190	-222	-
	Operating Profit	-0	-0	-
Total	Orders Received	38,752	47,153	+21.7%
	Net Sales	28,131	35,972	+27.9%
	Operating Profit	1,172	2,416	+106.1%

Analysis of Operating Profit Increase and Decrease Factors (YoY)



*Totals have been calculated using the gross profit per net sales rate.

Equipment Business

(Millions of yen)

	FY 2021 3Q Results	FY 2022 3Q Results	Year on Year
Orders Received	33,007	41,031	+24.3%
Net Sales	23,237	30,866	+32.8%
Operating Profit	951	2,329	+144.9%
Profit Ratio(%)	4.1%	7.5%	

Environmental Test Chambers

- In Japan, orders received and net sales increased year on year for both highly versatile standardized and customized products.
- Overseas, orders were brisk and net sales increased year on year.
Increased in China, North America, Europe, Southeast Asia and South Korea.

Energy Device Equipment

- Strong sales of chambers for charge-discharge testing mainly in the Japanese market were achieved due to the expansion of investment for electrification of automobiles.
Orders received and net sales both increased year on year.

Semiconductor Equipment

- Orders received was on a par year on year, but net sales decreased due to a delay in customers' plans.

Service Business

(Millions of yen)

	FY 2021 3Q Results	FY 2022 3Q Results	Year on Year
Orders Received	4,993	5,216	+4.5%
Net Sales	4,472	4,672	+4.5%
Operating Profit Profit Ratio(%)	311 7.0%	185 4.0%	-40.6%

After-Sales Service and Engineering

- Orders received and net sales both increased year on year as a result of strong performance in preventative maintenance services, such as maintenance agreements.

Laboratory Testing Services and Facility Rentals

- Orders received were about the same year on year as a result of strong performance in laboratory testing services, centered on automotive rechargeable batteries. Net sales increased year on year.

Other Business

(Millions of yen)

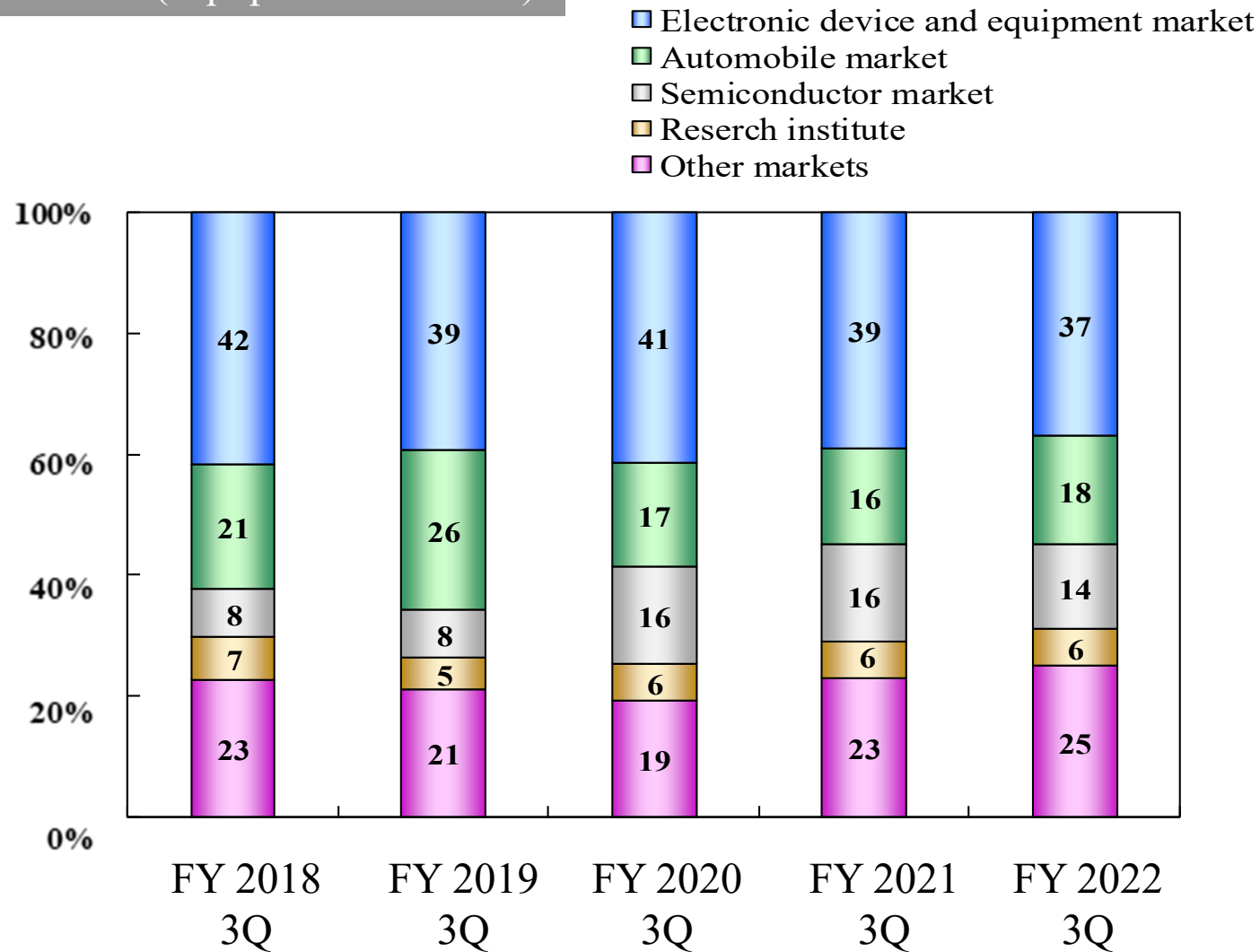
	FY 2021 3Q Results	FY 2022 3Q Results	Year on Year
Orders Received	956	1,148	+20.1%
Net Sales	612	656	+7.3%
Operating Profit	-89	-96	-
Profit Ratio(%)	-14.7%	-14.7%	-

Environmental Preservation, Plant Production Systems

- Orders received and net sales both increased year on year due to orders for plant research devices and plant factories despite sluggish performance by forest creation and waterfront biotope restoration.

Sales by Market

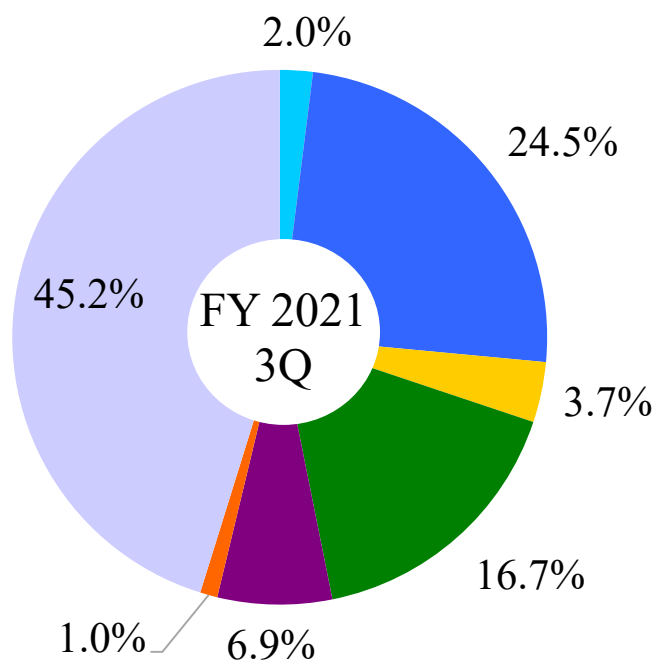
Non-Consolidated (Equipment Business)



Sales by Region

FY 2021 3Q

Overseas sales ratio: 54.8%

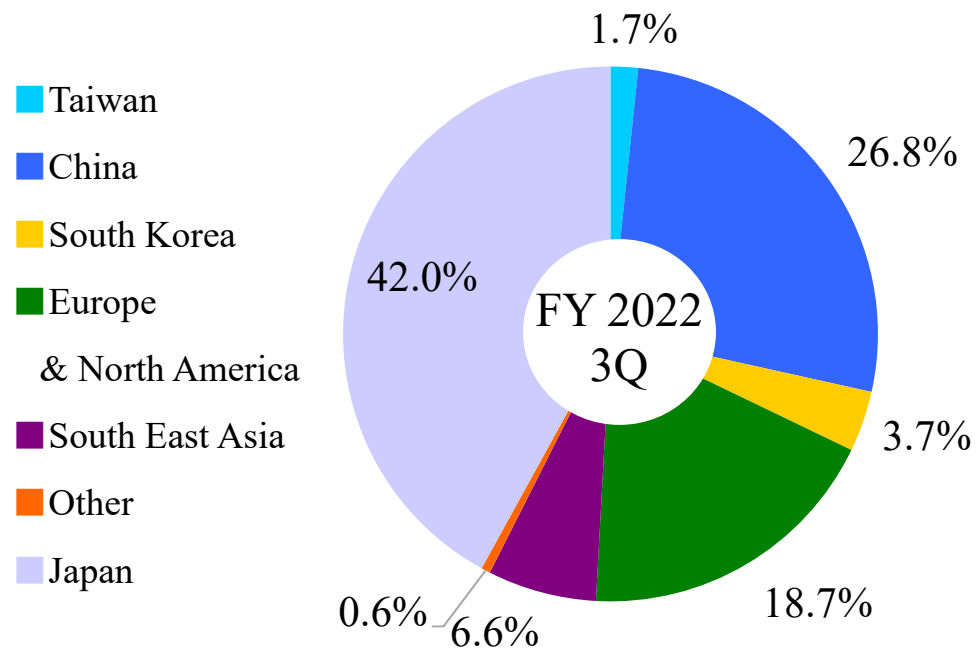


Total: 28,131 million yen

Overseas sales: 15,420 million yen

FY 2022 3Q

Overseas sales ratio: 58.0%



Total: 35,972 million yen

Overseas sales: 20,868 million yen

Financial Forecasts for Fiscal 2022

(Millions of yen)

	FY 2021	FY 2022			
	Full Year Results	3Q Results	Forecasts (revised in October 2022)		
			4Q	Full Year	Year on Year
Orders Received	51,303	47,153	11,847	59,000	+15.0%
Net Sales	41,852	35,972	16,028	52,000	+24.2%
Gross Profit	14,003	12,345	5,455	17,800	+27.1%
Profit Ratio (%)	33.5%	34.3%	34.0%	34.2%	
SG&A	12,034	9,929	3,871	13,800	+14.7%
SG&A Ratio (%)	28.8%	27.6%	24.2%	26.5%	
Operating Profit	1,968	2,416	1,584	4,000	+103.2%
Profit Ratio(%)	4.7%	6.7%	9.9%	7.7%	
Ordinary Profit	2,322	2,695	1,655	4,350	+87.3%
Profit Ratio(%)	5.5%	7.5%	10.3%	8.4%	
Profit Attributable to Owners of Parent	1,905	1,708	1,192	2,900	+52.2%
Profit Ratio (%)	4.6%	4.7%	7.4%	5.6%	

The assumed full-year exchange rate has revised from 120 yen to 140 yen in the forecast revision of consolidated operating results announced on October 28, 2022

Financial Forecasts by Segment

(Millions of yen)

		FY 2021	FY 2022			
		Full Year Results	3Q Results	Forecasts (revised in October 2022)		
				4Q	Full Year	Year on Year
Equipment Business	Orders Received	43,535	41,031	9,969	51,000	+17.1%
	Net Sales	34,518	30,866	13,534	44,400	+28.6%
	Operating Profit	1,370	2,329	1,431	3,760	+174.3%
Service Business	Orders Received	6,771	5,216	1,504	6,720	-0.8%
	Net Sales	6,407	4,672	1,798	6,470	+1.0%
	Operating Profit	618	185	45	230	-62.8%
Other Business	Orders Received	1,265	1,148	432	1,580	+24.8%
	Net Sales	1,188	656	774	1,430	+20.4%
	Operating Profit	-23	-96	106	10	-
Elimination	Orders Received	-269	-243	-57	-300	-
	Net Sales	-261	-222	-78	-300	-
	Operating Profit	2	-0	0	0	-
Total	Orders Received	51,303	47,153	11,847	59,000	+15.0%
	Net Sales	41,852	35,972	16,028	52,000	+24.2%
	Operating Profit	1,968	2,416	1,584	4,000	+103.2%

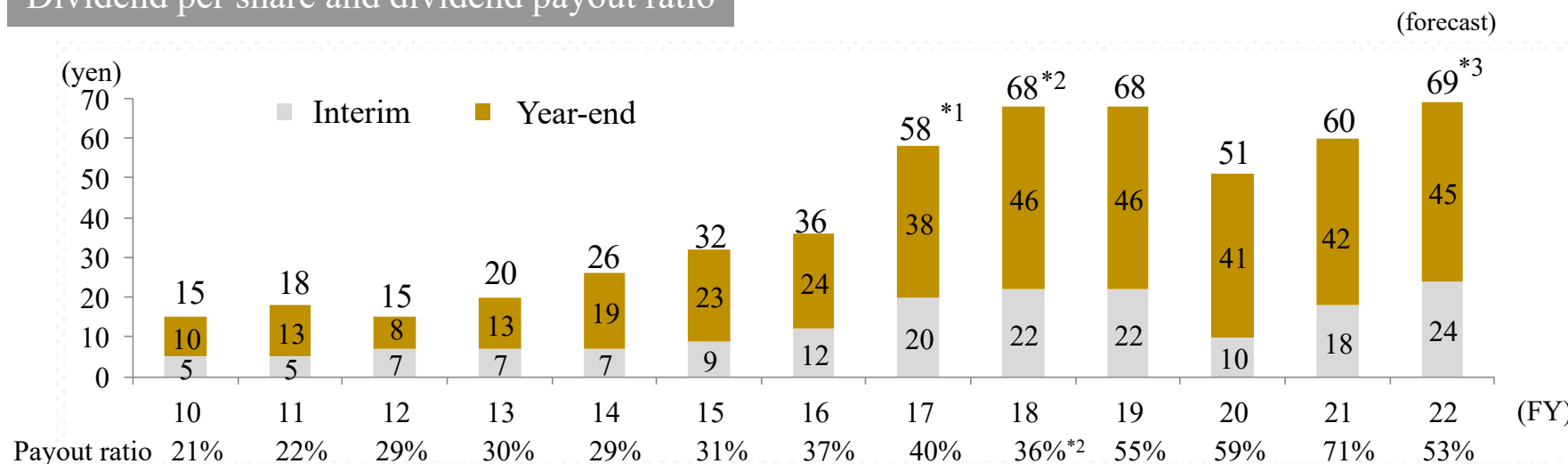
FY 2022 Dividend Forecast

Basic policy on profit distribution

Our basic policy is to determine dividends taking into account sustainability and the dividend payout ratio, and we revised our basic dividend policy as below at the Board of Directors meeting in May 2022.

- In addition to a dividend payout ratio of 30%, we will add dividends with 1/3 of the excess amount of scheduled necessary funds as a baseline.
- We will maintain stable dividends of ¥20 per year regardless of profit levels, but will conduct a reevaluation in the event that we record a loss for two consecutive periods.
- While taking into account a necessary level of internal reserves, we flexibly implement acquisition of treasury shares.

Dividend per share and dividend payout ratio



*1. Includes a dividend of ¥2 (interim dividend of ¥1 and year-end dividend of ¥1) to commemorate the 70th anniversary of our foundation in FY2017.

*2. FY2018 was an irregular 15-month fiscal period for overseas consolidated subsidiaries. The dividend payout ratio for a 12-month period is 39% (reference).

*3. Includes a dividend of ¥4 (interim dividend of ¥2 and year-end dividend of ¥2) to commemorate the 75th anniversary of our foundation in FY2022.

Main Initiatives for ESG

■ E (Environment)

- Establish targets to reduce greenhouse gas emissions by FY2030
- Formulate the 8th Medium-term Plan on the Environment (FY2022-2025)

Intensify global warming countermeasures and biodiversity conservation activities

<Greenhouse gas emission reduction targets (compared to FY2019) >

FY2030: SCOPE 1+2 60% reduction, SCOPE 3 30% reduction

FY2025: SCOPE 1+2 55% reduction, SCOPE 3 10 % reduction

- In June 2022, disclosed information in the securities report based on the TCFD

■ S (Society)

- Expand opportunities for employees (managers and general employees) to re-learn
- Promote active roles for diverse human resources including training female managers

■ G (Governance)

- In June 2022, transitioned to a Company with Audit & Supervisory committee

Further enhance deliberation by the board of directors and enhance the company's audit functions

Secured diversity on the board of directors (two female directors)

TOPICS 1

[For the first time in Japan] Defect Analysis Service for Battery Packs and Modules Installed in Automobiles

- In November 2022, ESPEC launched a service for analyzing defects of automotive rechargeable battery packs and modules installed in automobiles.
- After the packs and modules are dismantled, they are diagnosed electrically and visually to identify the defective area.
- ESPEC provides analysis services as an impartial third-party organization, and helps to ensure the performance and safety of automotive rechargeable batteries.



Glovebox for dismantling cells

Expanded Lineup of RF Anechoic Box Type Thermostatic Chambers Support Temperature Characteristics Testing of 5G Communication Devices

- ESPEC developed four new types of RF anechoic box type thermostatic chamber to check communication performance and safety of 5G-compatible wireless transmitter/receiver modules, communication terminals and base stations.
- Wireless testing in temperatures from -40°C to 100°C were made possible due to being equipped with a shield function (shields from radio waves) and the anechoic chamber function (that prevents reflection of radio waves within the chamber).



RF Anechoic Box Type Low Temperature Chamber

TOPICS 2

Signed an agreement for promoting SDGs with the University of Hyogo

- In August 2022, ESPEC signed an agreement with the University of Hyogo aimed at promoting SDGs.
- Both parties will collaborate by harnessing their knowledge and technology in areas such as biodiversity conservation, education and human resource development, and environment and energy.



The signing ceremony
University of Hyogo's President Isao Ota (right)
ESPEC Representative Director and Chairperson Masaaki Ishida (left)

Biodiversity conservation activities “ESPEC’s 50-Year Forest” tree-planting festival

- Launched forest creation for “ESPEC’s 50-Year Forest” using the “corporate forests” system under the Ministry of Agriculture, Forestry and Fisheries in Sanda City, Hyogo Prefecture
- The first tree-planting festival was held in November 2022. Seeds were selected based on carbon fixation and biodiversity functions. Approximately 200 people including employees participated and planted roughly 4,000 trees.



The first tree-planting festival
12,000 trees are scheduled to be planted over two years in a 3.6 ha plot of land

External Recognition

February, 2023

- Ranked 372th in Toyo Keizai Inc.'s 2023 CSR Corporate Ranking



December, 2022

- A score of B for the third consecutive year in the CDP Climate Change 2022 Questionnaire
- Selected as a "GRADE AAA" company website (overall ranking) for the third consecutive year in the All Japanese Listed Companies' Website Ranking 2022 by Nikko Investor Relations Co., Ltd.
- Awarded a Bronze Prize in the Gomez IR Website Ranking 2022 by BroadBand Security, Inc.



November, 2022

- Rated 4 stars in the Nikkei's 4th SDGs Management Survey
- Rated 3.5 stars in Nikkei's 6th Smart Work Management Survey



October, 2022

- Ranked 155th in the Nikkan Kogyo Shimbun's 18th Corporate Power Ranking (sponsored by the Ministry of Economy, Trade and Industry)



August, 2022

- First Awarded as an excellent company in the Gomez ESG Website Ranking 2022 by BroadBand Security, Inc.



July, 2022

- Ranked 334th in Toyo Keizai Inc.'s 2022 SDGs Corporate Ranking

April, 2022

- First Selection as Part of FTSE Blossom Japan Sector Relative Index (ranked 27th according to industry)



FTSE Blossom
Japan Sector
Relative Index

These materials contain forward-looking statements, including the Company's present plans and forecasts of performance, that reflect the Company's plans and forecasts based on the information presently available. These forward-looking statements are not guarantees of future performance, and plans, forecasts, and performance are subject to change depending on future conditions and various other factors.

INQUIRIES:

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E-mail: ir-div@espec.jp

Sustainability Management Department

Yasutoshi Nakagawa (General Manager),

IR & Public Relations Group

Natsuko Okawa and Hana Kaigawa

Quality is more than a word

ESPEC

Reference

- | Company Presentation and Business Overview
- | Sustainability Initiatives

February 17, 2023

Company Profile

Industry-leading manufacturer of environmental test chambers

Name	ESPEC CORP.
Head Office	3-5-6, Tenjinbashi, Kita-ku, Osaka
Representative	Satoshi Arata
Established	July 25, 1947
Incorporated	January 13, 1954
Paid-up Capital	¥6,895 Million
Issued shares	23,781,394 Shares
Employees	1,628 (consolidated)
Main Business	Manufacture and Sales of Environmental Test Chambers, Energy Device Equipment, Semiconductor Equipment and Plant Factory. After-sales Service, Laboratory Testing Services and others.



Head Office

Share of Environmental
Test Chambers

Over 30% worldwide, Over 60% domestic

* Market shares are ESPEC estimates

(As of April 1, 2022)

Global Network

Consolidated Subsidiaries

13 companies

(Global 9 companies,
Domestic 4 companies)

Global Network

50 locations

45 companies

Business Facilities in Japan: 16
Domestic Agencies in Japan: 46

EUROPE

● ESPEC EUROPE GmbH
- ESPEC IKLIM KABINLERI
SATIS VE MUHENDISLIK
LIMITED SIRKETI

JAPAN

ESPEC CORP. *
● ESPEC TEST SYSTEM CORP.
● ESPEC ASSIST CORP.
● ESPEC MIC CORP.
● ESPEC THERMAL TECH
SYSTEM CORP.

ASIA

● SHANGHAI ESPEC ENVIRONMENTAL
EQUIPMENT CORP. *
● ESPEC ENVIRONMENTAL EQUIPMENT
(SHANGHAI) CO., LTD.
● ESPEC TEST EQUIPMENT (GUANGDONG) CO., LTD. *
● ESPEC TEST TECHNOLOGY (SHANGHAI) CO., LTD.
● ESPEC (CHINA) LIMITED
● ESPEC KOREA CORP. *
● ESPEC ENGINEERING (THAILAND) CO., LTD
- ESPEC ENGINEERING VIETNAM CO., LTD.

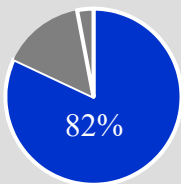
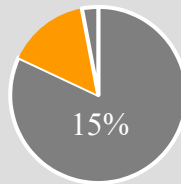
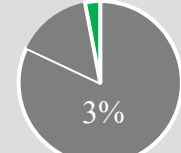
U.S.A.

● ESPEC NORTH AMERICA, INC *

● : Consolidated Subsidiaries
- : Non-consolidated Subsidiaries

*Denotes company with production functions.

Summary of ESPEC Business (Per Market / Use)

		Main Products	Market	Use	Sales Composition (FY2021)
Equipment Business	Environmental Test Chambers	<ul style="list-style-type: none">•Temperature & humidity chamber•Thermal shock chamber•Bench-top type temperature & humidity chamber•HAST chamber•Walk-in type temperature & humidity chamber•Combined temperature & humidity chamber•HALT & HASS test chamber•FPD equipment	<ul style="list-style-type: none">•Electronic component and equipment market•Automobile market•Semiconductor market•Pharmaceuticals, Cosmetics, Foods market•LCD and Organic Electro-Luminescence market	<ul style="list-style-type: none">•For R & D•For credibility and evaluation•For production and inspection	
	Energy Device Equipment	<ul style="list-style-type: none">•LIB charge-discharge cycle evaluation equipment•LIB safety evaluation system•Fuel cells evaluation system	<ul style="list-style-type: none">•Next generation automobile market•Secondary batteries market•Fuel cells market	<ul style="list-style-type: none">•For R & D•For credibility and evaluation•For safety evaluation•For production	
	Semiconductor Equipment	<ul style="list-style-type: none">•Burn-in system•Semiconductor evaluation system	<ul style="list-style-type: none">•Semiconductor market•Automobile market	<ul style="list-style-type: none">•For production and inspection•For development and evaluation	
Service Business	After-sales Service and Engineering	<ul style="list-style-type: none">•After-sales service•Construction around equipment	<ul style="list-style-type: none">•Electronic component and equipment market•Automobile market•Semiconductor market	—	
	Laboratory Testing Services and Facility Rentals	<ul style="list-style-type: none">•Laboratory testing services•Equipment rental <ul style="list-style-type: none">•Resale•Calibration		<ul style="list-style-type: none">•For R & D•For credibility and evaluation	
Other Business	Environmental Preservation	Reforestation (Tree planting), Waterfront biotope restoration, Urban greening			
	Plant Production Systems	Plant factory, Equipment for growing plants			

History of Environmental Test

What is Environmental Test

Test to analyze and evaluate effects of environmental factors such as temperature, humidity, pressure, and vibration on various industrial products like electronic components in order to ensure product quality.

1950s

The environmental test was JIS-standardized in Japan for consumer products.



1970s–1990s

“Reliability” and “quality control” became important issues in product development. Demand increased dramatically due to a rapid shift toward computerization and the use of electronic components.



Present

Demand is expanding in the development fields of IoT and next-generation automobiles against the backdrop of digitalization and decarbonization.



1961 Japan's First Environmental Test Chamber



Low Temperature & Humidity Chamber
"Lucifer"

Worldwide Market Share No.1



Over 60%
domestic

Over 30%
worldwide

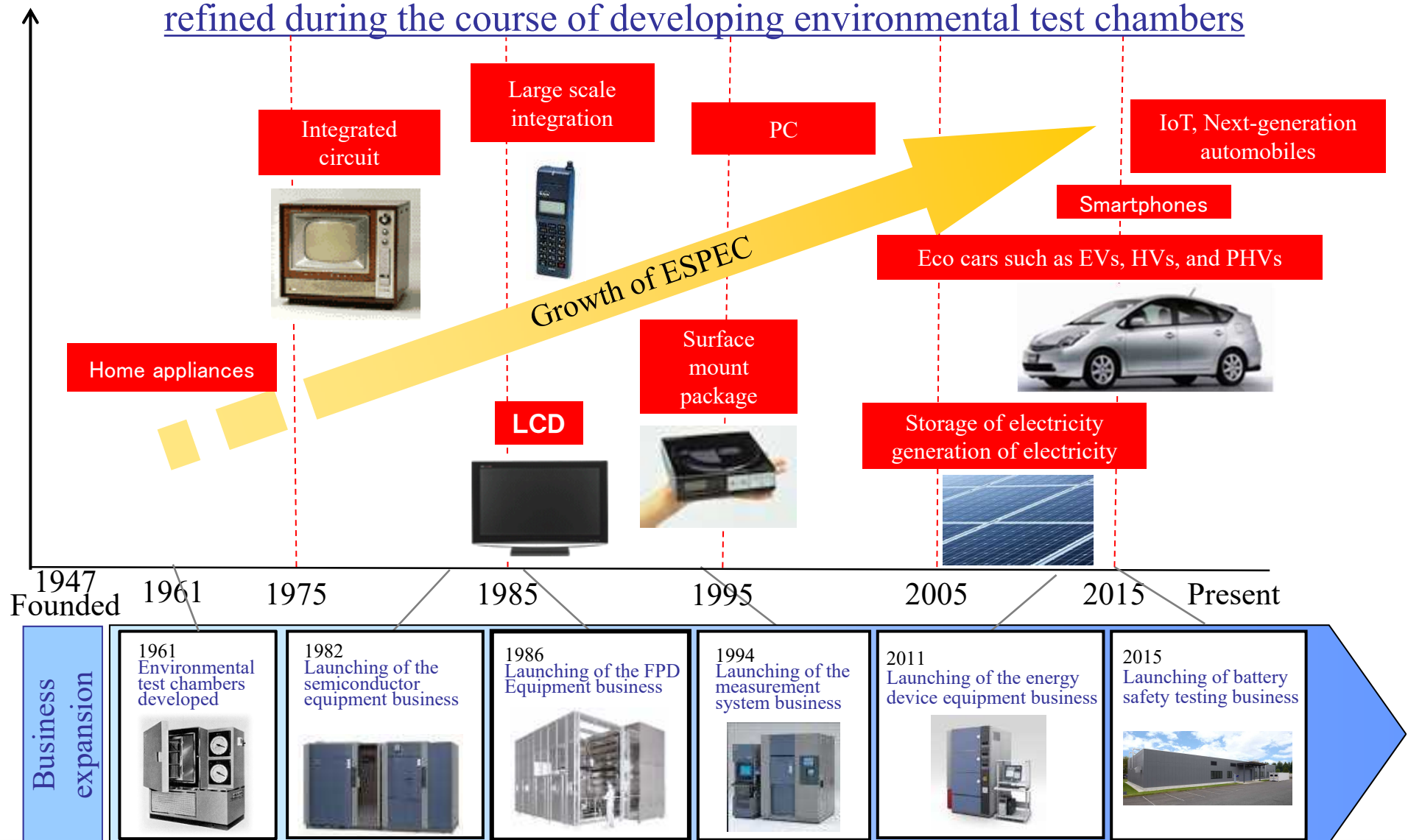


Temperature & Humidity Chamber
"Platinous J series"

Consecutively selected as a winner of
Ministry of Economy, Trade and Industry (METI)
“Global Niche Top Companies Selection 100”
(FY 2013, FY 2020)

Transition in Business

Expanding business based on the “environmental creation technology” refined during the course of developing environmental test chambers



ESPEC's Strengths

Top Market Share

Share of Environmental Test Chambers:

Over 30% worldwide, Over 60% domestic (ESPEC estimates)

First in Japan to develop environmental test chambers, rapidly established a brand in Japan and overseas and have held the top market share for many years

Technological Capabilities Product and Service Capabilities

- Developed a variety of products with high quality and meeting customer requirements

- Production technology capabilities that enable high-mix, low-volume production

- Total solutions for environmental tests, including products, laboratory testing services and technical support, and after-sales service capabilities

Global Structure

Provide products globally that comply with the needs of respective countries through an extensive global network

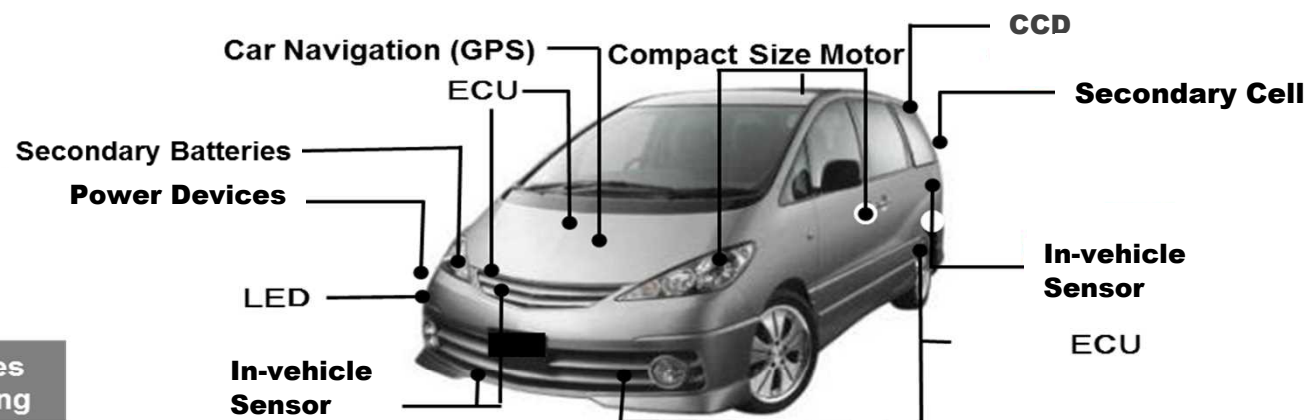
Consolidated subsidiaries: 13 (9 overseas, 4 domestic)

Overseas production bases: North America 1 company,
China 2 companies, South Korea 1 company




Overseas network: 50 locations (countries or territories),
45 companies

Equipment Business Usage Case with Environmental Test Chambers

Ensure reliability of new technologies and new products
by repeatedly testing each component, module and finished product



Representative Examples
for Environmental Testing

Device	Process/Test Condition		Our Products
【Power Device】 	Inspection	■ Thermal shock test: $-40^{\circ}\text{C} \rightleftharpoons +125^{\circ}\text{C}$	Thermal shock chamber
		■ High temperature exposure: $+175^{\circ}\text{C}$, $+85^{\circ}\text{C}$	(Compact size) Oven
		■ Burn-in test	Burn-in chamber
【In-vehicle Sensor】 	Inspection	■ Temperature cycle test of printed circuit board: $-40^{\circ}\text{C} \rightleftharpoons +110^{\circ}\text{C}$	Temperature & humidity chamber (Platinous) / Oven
		■ Temperature characteristic test after soldering: Linear change between -30°C and $+85^{\circ}\text{C}$	Burn-in chamber, Rapid-rate thermal cycle chamber
	Evaluation	■ Thermal shock test : $-30^{\circ}\text{C} \rightleftharpoons \text{RT} \rightleftharpoons +80^{\circ}\text{C}$, $-55^{\circ}\text{C} \rightleftharpoons +155^{\circ}\text{C}$	Thermal shock chamber
【CCD/CMOS】 	Production	■ Diffusion Test: $+150^{\circ}\text{C}$	Compact size Oven
		■ Drying after cleaning: $+85^{\circ}\text{C}$	Clean Oven
	Evaluation	■ Screening: $+85^{\circ}\text{C}$	Temperature chamber (Platinous) / Burn-in chamber
	Inspection	■ Temperature and humidity test: $+85^{\circ}\text{C} / +85\%\text{rh}$, $+60^{\circ}\text{C} / 90\%\text{rh}$	Temperature & humidity chamber (Platinous)
		■ Acceleration test: $+120^{\circ}\text{C} / 100\%\text{rh}$	HAST chamber
		■ Thermal shock test : $-40^{\circ}\text{C} \rightleftharpoons +125^{\circ}\text{C}$, $-20^{\circ}\text{C} \rightleftharpoons +85^{\circ}\text{C}$	Thermal shock chamber

Equipment Business Main New Products

Release Date	Name of product	Features
Feb. 2023	Expanded Anechoic Box Thermostatic Chamber Lineup	<ul style="list-style-type: none"> • Supports temperature characteristics testing of 5G communications devices • Expanded four types with larger internal volume to support larger test products
Apr. 2022	Environmental Stress Chamber AR Series Featuring R-473A Low-GWP Refrigerant	<ul style="list-style-type: none"> • Greatly reduces GWP values (an 88% reduction), and also enables energy conservation during operation <p>*GWP: Global Warming Potential</p>
Jun. 2021	Ultra-Low-Temperature Freezers	<ul style="list-style-type: none"> • Used for small lot storage to -75°C for items such as COVID-19 vaccines
Apr. 2021	Freezer for Temperature Controlled Transport	<ul style="list-style-type: none"> • Optimal for small-lot transport and storage of items such as COVID-19 vaccines • Vibration resistant, energy efficient and portable
Feb. 2021	Vacuum Low-Temperature Heating Cooker – Model Change	<ul style="list-style-type: none"> • Enables precise control of not only temperature but also the degree of vacuum
Aug. 2020	Expanded Environmental Stress Chamber AR Series Lineup	<ul style="list-style-type: none"> • Expanded the series with launch of four new models as rapid-rate temperature cycle type products, bringing the total lineup to 32 models across the series
Mar. 2020	Transportation Evaluation System	<ul style="list-style-type: none"> • Recreates transport environments for pharmaceuticals and medical devices • Applications in biopharmaceutical R&D and medical equipment quality control
Feb. 2020	Walk-In Type Temperature (& Humidity) Chamber for Drive-In Series	<ul style="list-style-type: none"> • Recreates various weather environments in a large space accommodating two vehicles
Feb. 2020	Walk-In Type Temperature (& Humidity) Chamber for High-Power Series	<ul style="list-style-type: none"> • Compatible with international IEC standards and LV124 German Automotive Manufacturer Testing Standards

Equipment Business New Product Introduction (1)

(Released in Feb. 2020)

■ Walk-In Type Temperature (& Humidity) Chamber for High-Power Series

Feature:

- Compliant with IEC International Standards and German Automotive industry standard LV124 (Can perform rapid temperature change testing at 3K/minute with the specimens inside.)
- Low GWP coolant (R-449A) as standard equipment



Walk-In Type Temperature (& Humidity) Chamber
for High-Power Series

■ Walk-In Type Temperature (& Humidity) Chamber for Drive-In Series

Features:

- Closely recreates various weather environments in a large space of approximately 500 m³ accommodating two vehicles to perform actual vehicle testing
- Multiple environmental factors can be recreated simultaneously, including temperature and humidity, sunlight, rain, snow, fog, and wind

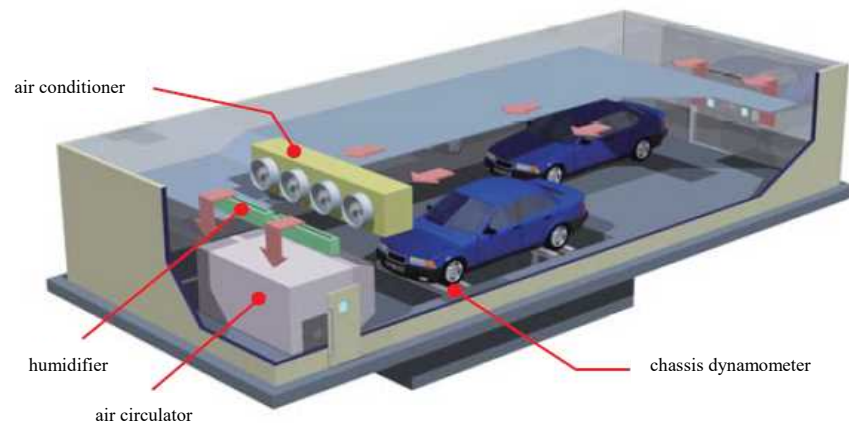


Image of vehicle test

Walk-In Type Temperature (& Humidity) Chamber
for Drive-In Series

Equipment Business New Product Introduction (2)

For the medical field

(Released in Apr./Jun. 2021)

■ Freezer for Temperature Controlled Transport Ultra-Low-Temperature Freezer

Features:

- Freezer for Temperature Controlled Transport:
Supports small-lot transport and storage of items such as vaccines; vibration resistant, energy efficient and portable.
- Ultra-Low-Temperature Freezer:
Capable of small-lot storage to -75°C ; Two types of freezers, floor and table.



Freezer for Temperature
Controlled Transport



Ultra-Low-Temperature
Freezer

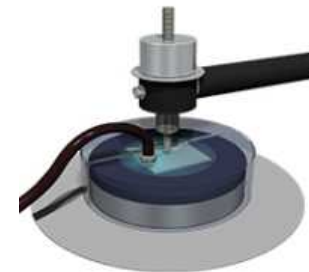
For material field

(Released in Dec. 2019)

■ Thermal Air Test System

Features:

- Can be combined with various materials testing instruments to perform materials testing in actual usage environment with given temperature
- Uses ESPEC's proprietary new method for cooling and heating test pieces efficiently



Example of set up with friction and wear testing machines and
hardness meter (Left)
Thermal Air Test System (Right)

Equipment Business Examples of Products Delivered (1)

(Delivered in Jul. 2018)

■ Walk-in Type Temperature (& Humidity) Chamber, for building materials

Uses:

Reproduce the environment inside apartments (temperature and humidity) and outdoors (weather such as rain, snow, and sunlight), conduct performance evaluations and durability tests of building materials for sash, balcony, etc.



Walk-in Type Temperature (& Humidity) Chambers,
for use for building materials



Temperature (& Humidity)
Chambers are movable so
that building materials for
testing can be easily changed



Furnished with irradiation
equipment and watering (rain)
equipment, to reproduce an
outdoor weather environment

Equipment Business Examples of Products Delivered (2)

(Delivered in Mar. 2016)

■ Smart System Research Facility,
Fukushima Renewable Energy Institute, AIST
(Koriyama city, Fukushima)

Product delivered:

Large Walk-in Type Temperature & Humidity Chamber

Uses:

Performance and safety evaluation for large power conditioners for solar power generation
Supports heat generation loads of 100 kw and large weights (21 tons)



Large Walk-in Type Temperature & Humidity Chamber

■ National Laboratory for advanced energy storage technologies (NLAB), National Institute of Technology and Evaluation (Nanko, Osaka City)

Product delivered:

1. Walk-in Type Temperature & Humidity Chamber for charge-discharge testing
2. External short-circuit testing equipment (energy devices equipment)

Uses:

1. Evaluate the performance of storage batteries by repeatedly charging and discharging them
2. Evaluate safety by confirming that storage batteries will not catch fire or rupture if they short circuit



Walk-in Type Temperature & Humidity Chamber for charge-discharge testing

Equipment Business Usage Case with Energy Device Equipment

Charge-discharge Cycle Evaluation Equipment

Equipment for ensuring the reliability and safety of lithium-ion secondary batteries for next-generation vehicles (e.g., hybrid and electric vehicles)

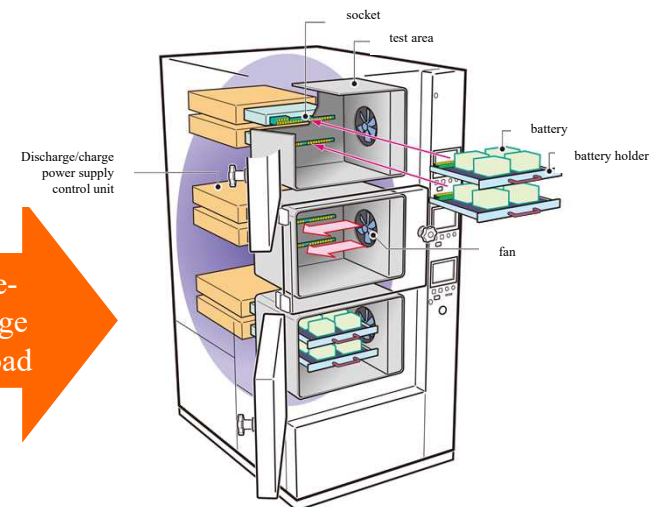


Charge-discharge Cycle
Evaluation Equipment

Secondary
Batteries



Charge-
discharge
cycle load



Checking the charge-discharge
characteristics of secondary batteries

Evaluating the performance and life of secondary batteries

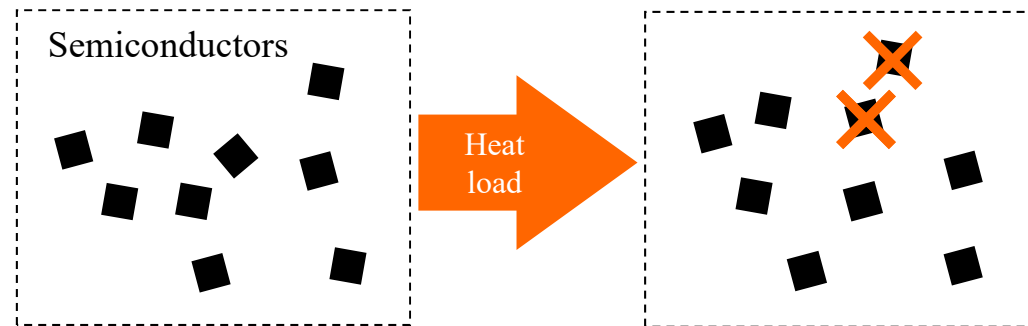
Equipment Business Usage Case with Semiconductor Equipment

Screening

Eliminate defective products to maintain initial-period quality at the final inspection stage of semiconductor device manufacturing



Burn-In Chamber



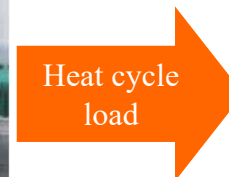
Elimination of latent early failures

Reliability Evaluation

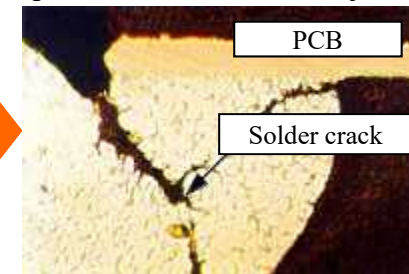
Used to evaluate basic failure patterns to ensure reliability in the development of new technologies



Conductor Resistance Evaluation System



Example of defect in soldered joint



Electrical evaluation of reliability of joints in electronic parts

Service Business

After-Sales Service and Engineering

Preventive maintenance of products, maintenance service, and the upgrading/improvement and installation/relocation of products

- Speedy response via one of the most extensive networks in Japan
- Launching new services by utilizing the network function mounted in the equipment

Laboratory Testing Services and Facility Rentals

Laboratory testing, analysis, and evaluation; consulting; equipment rental; sales of used products; calibration of test equipment, etc.

- The company has four laboratory testing centers in Japan, one in Thailand, two in China.

(Japan: Utsunomiya, Toyota, Kariya and Kobe, Thailand, China: Shanghai, Suzhou)

- The centers are also recognized as official calibration facilities under the Japan Calibration Service System (JCSS).

- **First in world** Opened Battery Safety Testing Center.(in Sep. 2015)

- Providing a one-stop service for testing and certification application services compliant with United Nations regulations on the safety of automotive secondary batteries.
- Entered into business alliance with TÜV SÜD Japan Ltd., a third-party certification agency (in Oct. 2014).

- **First in Japan** Acquire ISO/IEC 17025* test facility certification simultaneously in the three fields of automobiles, trains and airplanes.

- **First in Japan** The Toyota Test Center addressing all test items set forth by the LV124 German Automotive Manufacturer Testing Standards.

* ISO/IEC 17025: An international standard in which an authoritative third-party organization certifies whether a test facility or calibration organization is capable of producing accurate measurements or calibration results.

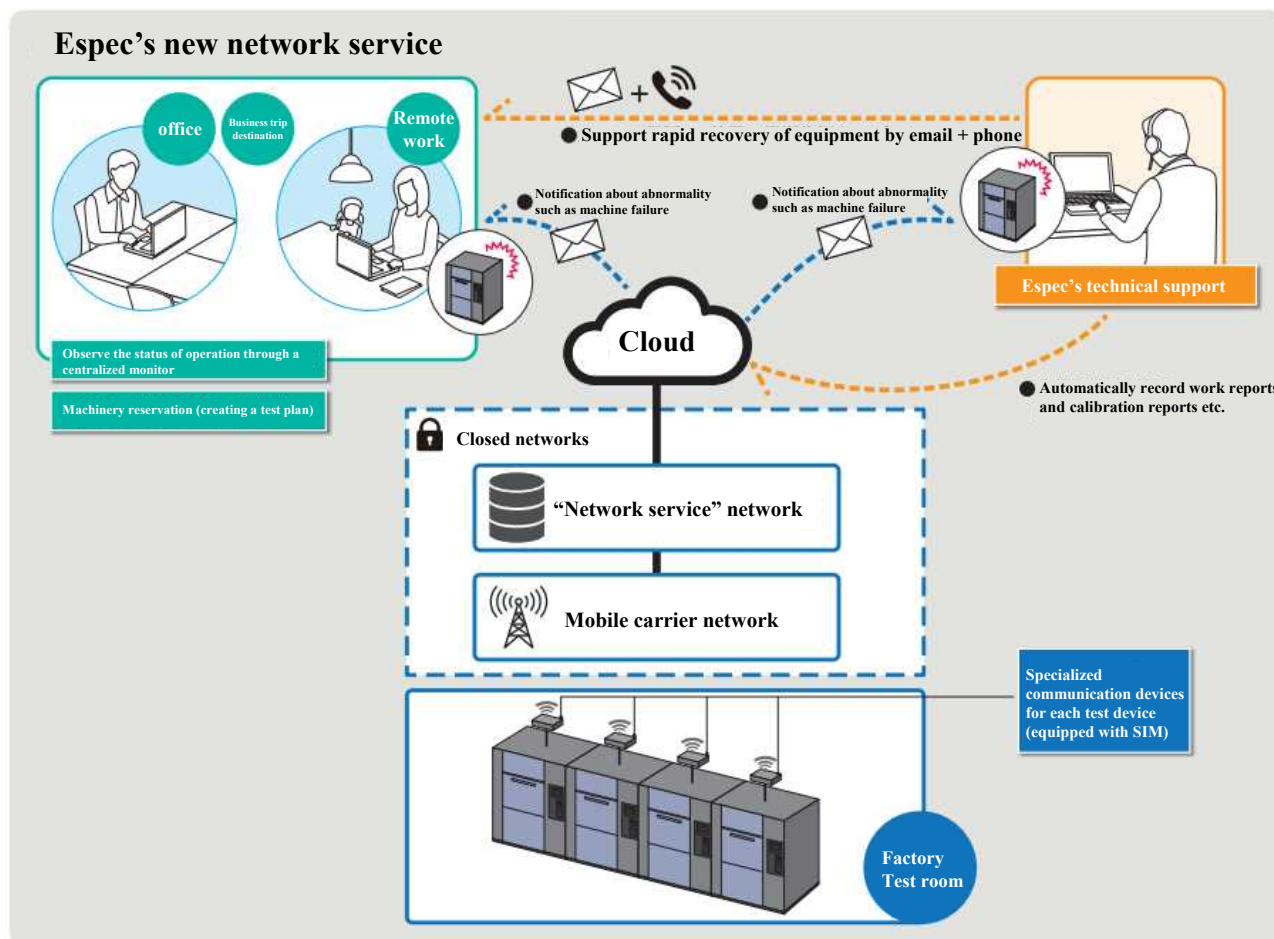


Battery Safety Testing Center

Service Business After-Sales Service

(Started in Apr. 2022)

“Network service” utilizing mobile communications and cloud computing.
Eases the burden on customers' tests and machinery management, and reduces equipment downtime.



Service Business After-Sales Service

“Home-based online service”
to support continuity of customers’ development operations

When using ESPEC products

Operate equipment and monitor samples from home

- Centralized management
(monitoring and data analysis)
- Receive operating status by email
- Monitor samples using in-chamber monitoring camera (launched in March 2020)

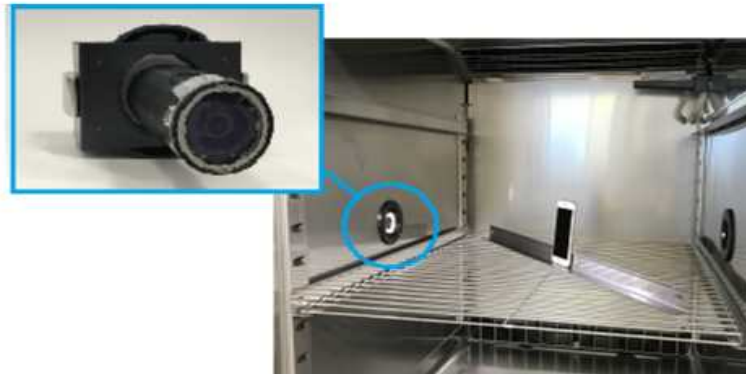
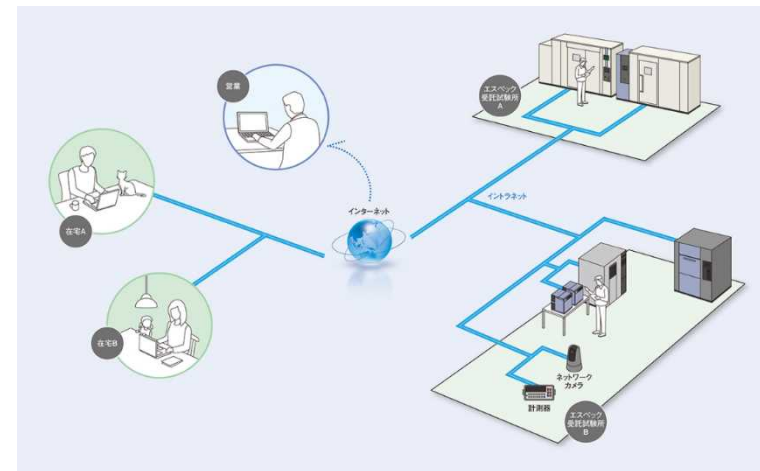


Image of in-chamber monitoring camera

When using laboratory testing center

All testing operations performed on behalf of customer, from start to finish, including transportation

- Remote consultation
- No need to attend in person
- Remote instruction



Service Business Laboratory Testing Services

(Apr. 2021)

First in Japan to realize 100% green electricity for laboratory testing services
Contributing to the reduction of CO₂ emissions in customers' supply chains

Laboratory testing centers in Japan:



Kobe Test Center



Toyota Test Center



Kariya Test Center



Utsunomiya Test Center



Battery Safety Testing Center



Service Business Laboratory Testing Services

(Sep. 2015)

World's first
Battery Safety Testing Center compliant
with United Nations regulations

Providing a one-stop service to support the implementation of 9 safety tests and applications for certification by certification agencies, as stipulated by UN ECE R100-2. Part II, a United Nations regulation.



Crush Testing Equipment
(No. 1 Safety Test Room)



No. 2 Safety
Test Room

<Utsunomiya Test Center>

(Sep. 2019)

First testing facility in Japan to address
German Automotive Manufacturer Testing
Standards Renovated the Toyota Test
Center

Supporting Japanese automotive equipment
manufacturers seeking to develop global operations
by addressing all test items set forth by the LV124
German Automotive Manufacturer Testing Standards



Toyota Test Center

Other Business

Environmental Preservation

■ Reforestation (Tree planting)

Recovery of local forest by selecting species and planting out seedlings using potential natural vegetation data.



■ Waterfront biotope restoration

Reconstruction of natural environment, development of vegetative revetments, and water quality improvement using aquatic plants.

■ Urban greening

Provision of roof and wall greening systems that use moss to effectively alleviate heat island effect.



Plant Production Systems

Provision of various cultivation environments employing advanced environmental control technologies to control light, temperature, humidity, carbon dioxide, etc.



Plant factory



Phyto-toron

Other Business Plant Production Systems

Joint Development with NARO Cultivation Environment Emulator

- Obtained* a patent jointly with the National Agriculture and Food Research Organization (NARO) and others in October 2022.
- Precisely reproduces seasonal carbon dioxide concentration, temperature, humidity, etc.
- Contributes to development of crop production technologies adapted to climate change.



Cultivation Environment Emulator

* ESPEC MIC Corp. jointly obtained the patent with the National Agriculture and Food Research Organization (NARO), Riken and the Agri Open Innovation Institute.

Produced a high value-added vegetables using deep sea water

- Production and sales of vegetables high in minerals with the use of deep sea water at a plant factory near Haneda Airport.



Interior of the plant factory and factory-produced vegetables “mineraleaf”

Other Business Examples of Products Delivered

■ Arid Land Research Center, Tottori University

(Delivered in Mar. 2016)

Products delivered:

Experimental System for Analyzing Responses of Dryland plants to Climate Changes (2 units)
(Simulates the climates of arid lands, including high temperature, low humidity, strong sunlight, and high winds)

Uses:

Plant cultivation experiments and experiments to develop efficient water-usage technologies in arid lands, research to solve issues facing arid lands



Experimental System for Analyzing Responses of
Dryland plants to Climate Changes



Experiment in progress
(Testing wheat for drought stress)

Strengthen Technology Development Capability

(Introduction to technology development building)

Objective: Strengthen technology development capabilities
by encouraging open innovation and promote
preservation of biodiversity

Concepts : “Open innovation,”

“Open communication,”

“Coexistence with the natural environment”

Location: Kanokodai, Kita-ku, Kobe, Hyogo (in Kobe R&D Center)

Start of operation: May 2020

(Construction started in June 2019)

Building area: 1,580m²

Gross floor area: 4,557m² (Three story building)



Rooftop green space using only native species



Technology development building

Introduction to ESPEC's All Weather Simulation Chamber (in the Kobe R&D Center)

(Mar. 2021)

Opened the world's first All Weather Simulation Chamber
Encouraging open innovation and strengthening environmental creation technology

Replicates dynamic climate environments with high-precision control and variation of seven environmental factors (temperature, humidity, snow, fog, rain, sunlight and wind)

■ All Weather Simulation Chamber



Test chamber: Width 6 m x Depth 9 m x Height 3 m

A black coating is applied to suppress
the diffuse reflection of light.

■ Examples of tests in dynamic environments



(1) Tests to replicate the change from sleet to snow

Snow with different amounts of water content can be replicated, including snowfall at temperatures around 0°C, which is close to snowfall in a natural environment. By controlling the snow quality and temperature, the laboratory replicates the change from sleet to snow. The laboratory can confirm the performance of automated driving sensors for which snow accretion has become a problem.



(2) Experiment to replicate the change from rain to fog

The laboratory controls the thickness, temperature and humidity of fog and replicates the change from rain to fog. The laboratory can confirm the performance of automated driving sensors in response to the effects of fog.

About ESPEC's SDGs and ESG Initiatives

■ About ESPEC's Sustainability

Guided by our corporate philosophy,
“THE ESPEC MIND,” ESPEC will help to solve social and
environmental issues through businesses centered on
environmental creation technology, with the aim of achieving
sustainable growth.

Corporate Philosophy

Our important values that have been passed on since our inception

“THE ESPEC MIND” (Excerpt)

The Origin

Aim for better value exchange as a public institution

Mission

Provide more certain Seikankyo (living environment) via environmental creation technology

Style

Progressive, Reliable, Open, Fair

Declaration

What ESPEC promises society

“compliance,” “culture,” “human rights,” “the environment,”
“education/enlightenment.”

Sustainability Policy and Materiality

Looking toward sustainable growth, we formulated a sustainability policy, and identified materiality (important issues) that must be addressed in order to produce social and economic value.

Sustainability Policy

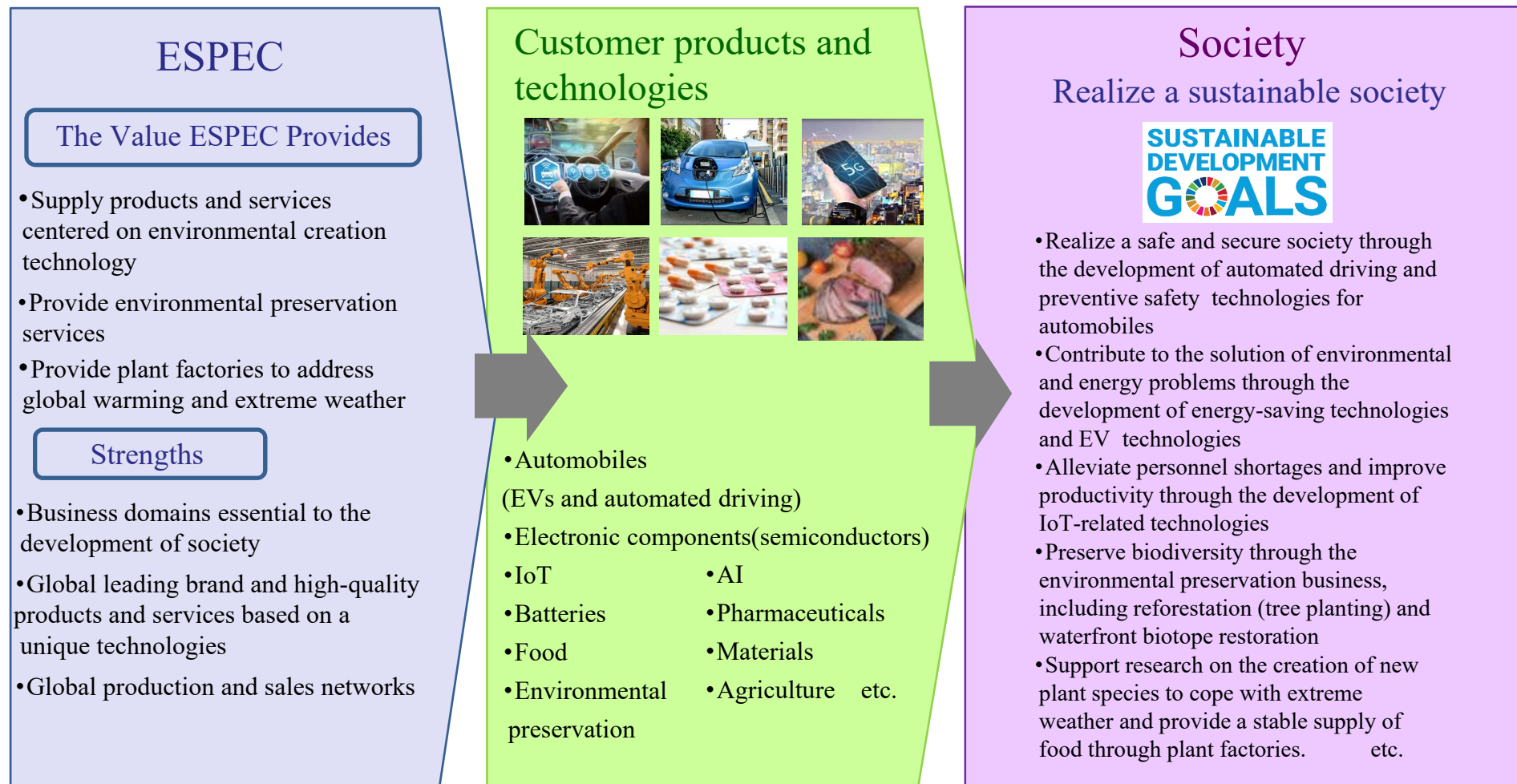
- By putting our corporate philosophy (THE ESPEC MIND) into practice, we are working to create and improve both social value and economic value.
- By maintaining a good exchange of value with our stakeholders, we are aiming for continuing growth.
- Based on ESPEC Vision 2025, we will contribute to solutions for the global environment and social issues through our business activities, centering on Environmental Creation Technology.
- We will engage in active disclosure of information related to sustainability.

Materiality

- | | |
|---|--|
| •Innovations in business structures | •Strengthening functions |
| •Preservation of the global environment | •Strengthening governance |
| •Developing human resources and vitalizing workplaces | •Promoting diversity and respecting human rights |

ESPEC's Contribution to the SDGs

ESPEC will contribute to the realization of a sustainable society by supplying products and services centered on environmental creation technology in a wide range of fields, including advanced technologies.



ESPEC's Businesses and the SDGs

Equipment Business



Contribute to the development of advanced technologies through the supply of products and services leveraging environmental creation technology

- Supply products and services that contribute to the development of advanced technologies to solve social and environmental issues

● Environmental Test Chamber

Supply environmental test chambers that artificially replicate environmental factors such as temperature and humidity, thereby ensuring the reliability of products

● Energy Device Equipment

Supply evaluation systems for secondary batteries and fuel cells installed in eco cars

● Semiconductor Equipment

Supply products such as burn-in chambers and systems for semiconductor inspection and measurement and evaluation systems

● Pharmaceutical Equipment

Supply products such as freezers for COVID-19 vaccines and stability test chambers used for quality control of items such as pharmaceuticals and food



Temperature & Humidity Chamber
"Platinous J series"



Drive-In Chamber for Vehicle Testing



Burn-In chamber
for semiconductor inspection



Advanced Battery Tester
for secondary batteries

ESPEC's Business and the SDGs

Service Business



Contribute to the development of advanced technologies through the supply of products and services leveraging environmental creation technology

- Supply products and services that contribute to the development of advanced technologies to solve social and environmental issues

● After-sales Service and Engineering

Conduct product maintenance and preventive maintenance so that customers can use systems with peace of mind.

● Laboratory Testing Services

Provide laboratory testing services based on technologies and testing expertise developed through environmental tests.



Technical support using IT



Capable of performing various safety tests for secondary batteries compliant with United Nations regulations and other standards

Battery Safety Testing Center

ESPEC's Business and the SDGs

Environmental Preservation Business



Contribute to biodiversity preservation

A business to restore natural environments through projects such as reforestation (tree planting) with local native plant species and waterfront biotope restoration to rehabilitate natural river ecosystems
Contribute to the prevention of global warming and biodiversity preservation



A forest restored along the approach to Rinno-ji Temple in Sendai



Waterfront biotope restoration on the Sumida River Terrace in Tokyo

Plant Production Systems Business



Contribute to a stable food supply to address global warming and extreme weather

Supply plant factories that artificially replicate plant growing environments and enable vegetables to be grown systematically even under extreme weather conditions

Contribute to a stable food supply by supplying systems that can be used in research into drought-tolerant plants



Plant factory using deep sea water
Produce and sell vegetables high in minerals



Experimental System for Analyzing Responses of Dryland Plants to Climate Change
(Arid Land Research Center, Tottori University)

Contribute to SDGs in the Supply Chain

Procurement

- Conduct supplier evaluations, including factors such as the environment and compliance
- Address unforeseen conditions through business continuity management
- Curtail increases in effluents at the time of procurement



Development and design

- Develop and design environmentally friendly products with features such as energy efficiency, low GWP, reduced emissions of chemical substances, and reduced environmental impact during disposal



Production and logistics

- Reduction of CO₂ emissions
- Appropriate management of chemical substances and emissions mitigation
- Reduction of water intake amount and appropriate management of wastewater
- Effluent reduction and recycling
- Environmentally friendly logistics



Sale of products and services

- Supply products and services that contribute to the development of advanced technologies to solve social and environmental issues
- Supply environmentally friendly products and services
- Promote the environmental preservation business such as reforestation (tree planting) and waterfront biotope restoration
- Promote the plant production systems business



Disposal

- Product collection
- Chlorofluorocarbon gas collection
- Recycling and resale



Foundation supporting the supply chain

- Improve customer satisfaction and ensure product quality and safety
- Respect for human rights • Promote the success of diverse human resources
- Provide appropriate information disclosure and communication
- Fair management with transparency



Products and Services that Contribute to Resolving Environmental and Energy Issues

- Product lineup to evaluate the performance and durability of secondary batteries, fuel cells, solar batteries and power devices



Secondary Battery Charge-Discharge Evaluation System



Fuel Cells Evaluation System



Temperature Cycle Test System for Solar Battery Modules



Power Cycle Test System for Power Device

- World's first Battery Safety Testing Center

Supports the implementation of testing and certification application services compliant with United Nations regulations on the safety of automotive rechargeable batteries.



Battery Safety Testing Center

- Laboratory testing services using 100% renewable energies (domestic)

Biodiversity Preservation Initiatives

Kobe R&D Center, a hub for biodiversity preservation activities
Developed rooftop green space using only plant species native to the
northern Rokko region

The site has a forest of approximately 30,000 trees comprising native plant species, planted and grown by employees; rooftop green space using plant species native to the northern Rokko region on the roof of the technology development building; and a biotope made up of two ponds and a stream. ESPEC MIC CORP., which manages the environmental preservation business, conducted the tree planting and construction.



Received 2022 the Kansai Director-General's Award of a Regional Bureau of Economy, Trade and Industry (FY 2022), at the National Award for Greenery Factory sponsored by METI



Acquired the FY 2022 ABINC Certification of the Association for Business Innovation in harmony with Nature and Community (ABINC)* .

Contributing to COVID-19 Vaccination

Contributing to the cold chain of COVID-19 vaccines

- Launched sales of freezer for temperature controlled transport in April 2021, and launched sales of ultra-low temperature freezers in June 2021, and also expanded services.
- Free rental of constant temperature transportation freezers, etc. to local governments.
Total of 41 units in the first round (April to June 2021)
Total of 34 units in the second round (December 2021 to March 2022)



Freezer for Temperature Controlled Transport

Supports transport and storage of temperature range from 2 °C to 8°C and -20°C
Vibration resistant, energy efficient and portable



Ultra-Low-Temperature Freezers

Two types of freezers, floor and table, and capable of storage to -75°C

Promotion of Diversity

Initiatives to promote women's success



From the Ministry of Health, Labor and Welfare:
The Company received the "Kurumin" certification, which is granted to companies that support child-rearing. And the highest ranking of the certification mark "Eruboshi" based on the Act on Promotion of Women's Participation and Advancement in the Workplace.



The female leadership development program

Opened ESPEC Smile Farm, a plantation staffed by workers with disabilities

- Opened a farm staffed by workers with disabilities within a rented farm operated by a company to support the hiring of people with disabilities in November 2021.
- 4 individuals were hired to work at ESPEC Smile Farm, specifically 3 staff members with disabilities and 1 farm foreman.
- The cultivated vegetables were donated to local children's cafeterias and distributed to employees.



Employees picked vegetables as a team

Employee Education/Donation System

Employee Education System Enhancement

- Implement training sessions to share the corporate philosophy
- Implement a Global Trainee Program aimed at developing human resources who are capable of working in international settings
- Enhance the education program to support management executive education and self-development



On-site training in the Global Trainee Program (U.S.)

ESPEC Smile Club: a donation system featuring employee participation

- Established a matching gift system in which the company matches donations made by employees as part of activities to promote SDGs (Dec. 2020).
- Donated to an organization that conducts CSR activities related to children and medical care.
- In March 2022, donated a total of ¥758,800 to non-profit organization Save the Children Japan's emergency fund to support children during the Ukraine crisis.



Contributions to Society

ESPEC Foundation for Earth Environment Research and Technologies

- Provides funding support every year for research, technology development on global environmental conservation
- Grants totaling ¥138.4 million have been provided to a total of 273 groups over the past 25 years since the Foundation was established.
- Held a ceremony to commemorate the 25th anniversary of founding in September 2022



FY2022 award ceremony
and 25th anniversary commemorative ceremony

Tree Planting Ceremony at “Millenium Hope Hills” in Iwanuma, Miyagi Prefecture

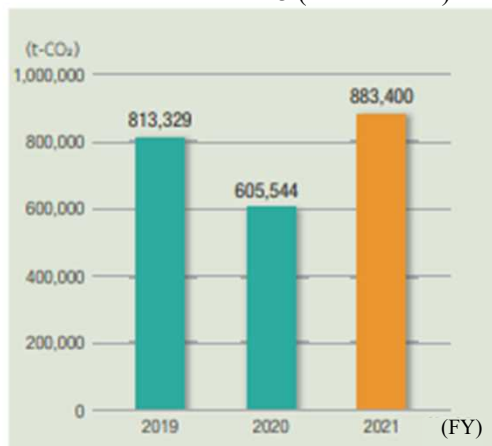
- A disaster recovery project started in 2013
- The project has cumulatively planted about 350,000 trees that will form a forested coastal tide embankment across a roughly 10km stretch of coastline in the city of Iwanuma.
- Group company ESPEC MIC CORP. supported the project.
- The final tree planting ceremony was held in June 2021 (first part) and May 2022 (second part).



Tree Planting Ceremony

Non-Financial Data 1

Greenhouse gas emissions
Total of SCOPE 1 + 2 + 3 (consolidated)



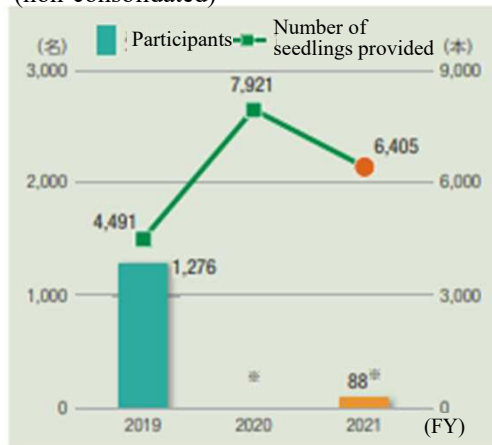
Greenhouse gas emissions
Total of SCOPE 1 + 2 (in-house emissions)
(consolidated)



Total amount of effluents
(non-consolidated)

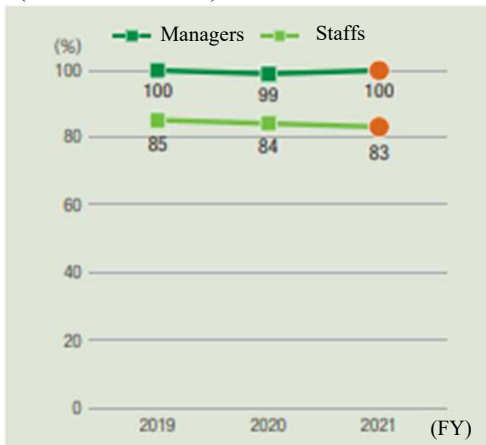


Number of participants in ESPEC
Midori-no-gakko schools (ESPEC Green School)
Number of seedlings provided for green curtains
(non-consolidated)

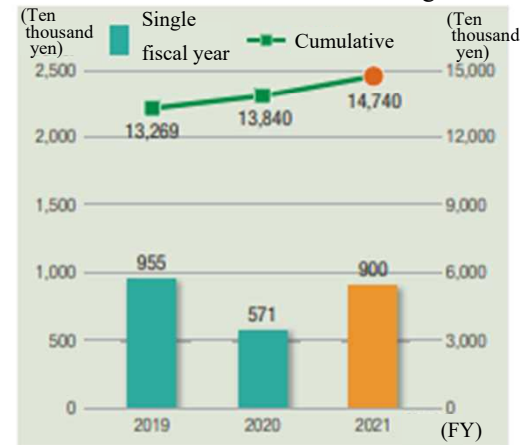


*Events cancelled or frequency reduced due to spread of COVID-19.

Certification acquisition rate for the
Certification Test for Environmental
Specialists (Eco Test)
(non-consolidated)



Grants from the ESPEC Foundation for Earth
Environment Research and Technologies



Non-Financial Data 2

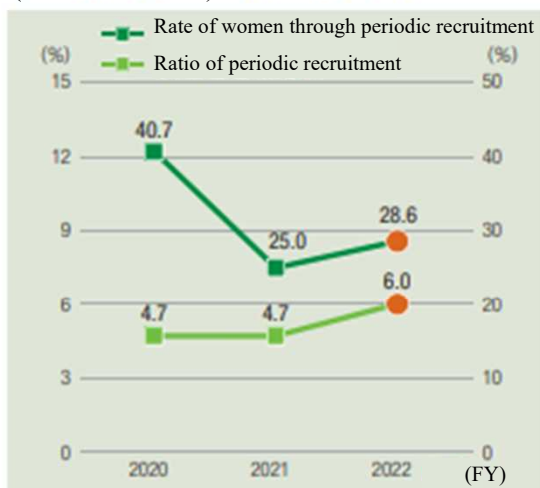
Grants from the ESPEC Foundation for Earth Environment Research and Technologies



*Actual results for ESPEC MIC CORP.

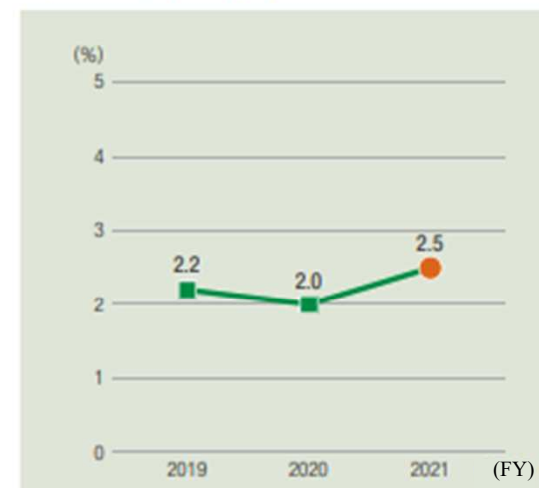
Ratio of female managers

Rate of women through periodic recruitment (non-consolidated)



*As of April 1, 2022

Employment rate of persons with disabilities (non-consolidated)



*As of March 31, 2022

(FY)		2019	2020	2021
Number of registered members of the "Test Navi" information website for engineers		19,570	20,931	22,154
Number of employees		1,512 (consolidated) 786 (non-consolidated)	1,526 (consolidated) 780 (non-consolidated)	1,628 (consolidated) 770 (non-consolidated)
Ratio of employees taking childcare leave	Women	Not applicable	100%	100%
	Men	7.0%	12.5%	30.8%
Rate of annual paid leave acquisition (non-consolidated)		73.4%	65.8%	69.1%
Frequency of workplace accidents* (non-consolidated)		0.62	0	1.34
Rate of health check examination (non-consolidated)		100%	100%	100%

*Number of lost time incident victims/Total amount of work hours x 1 million hours

External Recognition

February, 2023

- Ranked 372th in Toyo Keizai Inc.'s 2023 CSR Corporate Ranking



December, 2022

- A score of B for the third consecutive year in the CDP Climate Change 2022 Questionnaire
- Selected as a "GRADE AAA" company website (overall ranking) for the third consecutive year in the All Japanese Listed Companies' Website Ranking 2022 by Nikko Investor Relations Co., Ltd.
- Awarded a Bronze Prize in the Gomez IR Website Ranking 2022 by BroadBand Security, Inc.



November, 2022

- Rated 4 stars in the Nikkei's 4th SDGs Management Survey
- Rated 3.5 stars in Nikkei's 6th Smart Work Management Survey



October, 2022

- Ranked 155th in the Nikkan Kogyo Shimbun's 18th Corporate Power Ranking (sponsored by the Ministry of Economy, Trade and Industry)



August, 2022

- First Awarded as an excellent company in the Gomez ESG Website Ranking 2022 by BroadBand Security, Inc.



July, 2022

- Ranked 334th in Toyo Keizai Inc.'s 2022 SDGs Corporate Ranking

April, 2022

- First Selection as Part of FTSE Blossom Japan Sector Relative Index (ranked 27th according to industry)



FTSE Blossom
Japan Sector
Relative Index

Quality is more than a word

ESPEC