

Securities ID code:6859



ESPEC CORP.

Results Briefing for The Second Quarter of Fiscal Ending March 2013

November 20, 2012

www.espec.co.jp

Table of Contents

Summary of ESPEC Business

**Financial Results of the Second Quarter
of Fiscal Ending March 2013**

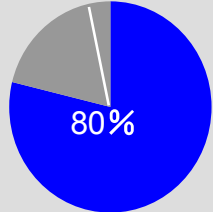
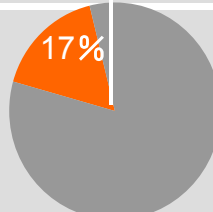
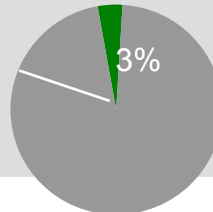
**Analysis per Segment of the Second Quarter
of Fiscal Ending March 2013**

**Business Plan for the Full-year Periods
of the Fiscal Year Ending March 2013**

**Business Plan for the Second-half Periods
of the Fiscal Year Ending March 2013**

Reference

Individual Business Market / Use

	Main Products	Market	Use	Sales composition (2013/3 2Q)
Equipment Business	Environmental Test Chambers <ul style="list-style-type: none"> •Temperature & humidity chamber •Walk-in type temperature & humidity chamber •Thermal shock chamber •Vibration combined environmental test system •Bench-top type temperature & humidity chamber •HAST chamber 	<ul style="list-style-type: none"> •Electronic component and equipment •Automobile •Semiconductor • Medicine, cosmetics, foods and others 	<ul style="list-style-type: none"> • R & D •Credibility and evaluation ※Partially used for production and inspection 	
	Energy Device Equipment <ul style="list-style-type: none"> •Secondary battery charge-discharge cycle evaluation equipment •Secondary battery electrode dryer equipment •Solar battery evaluation equipment 	<ul style="list-style-type: none"> •Secondary battery •Solar battery •Next generation automobile 	<ul style="list-style-type: none"> •Production • R & D •Credibility and evaluation 	
	Semiconductor Equipment <ul style="list-style-type: none"> •Burn-in system •Semiconductor evaluation system •Instrumentation system 	<ul style="list-style-type: none"> •Semiconductor •Automobile 	<ul style="list-style-type: none"> •Production (inspection) ※Instrumentation system is for development and evaluation 	
	FPD Equipment <ul style="list-style-type: none"> •Single processing system vertical clean oven •Low oxygen clean oven (Temperature property: Maximum 500°C) 	<ul style="list-style-type: none"> •LCD •Organic electro-luminescence 	<ul style="list-style-type: none"> • Production (Annealing, baking, drying) 	
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"> •Semiconductor •FPD •Automobile •Communication 	—	
	Commissioned Tests and Facility Rentals <ul style="list-style-type: none"> •Commissioned test •Equipment rental •Resale •Calibration 		<ul style="list-style-type: none"> • R & D •Credibility and evaluation 	
Other Business	Environmental Engineering Business	Growth of forest, creation of waterfront, urban greening		
	New Business	Plant factory, developing and creating new businesses as a major source of profit		



*Financial Results of the Second Quarter of
Fiscal Ending March 2013*



Financial Highlights

Profit increased significantly despite a slight decrease in both the amount of orders received and sales from the same period of the previous year.

Profit (Loss)

- Capital spending by manufacturers in markets related to smartphones/secondary batteries remained strong, despite some sluggishness in the growth trend. Ongoing active investments were made by automobile-related manufacturers. Due to persistently cautious policies taken by home electric appliance manufacturers, both the amount of orders received and sales decreased slightly.
- Profit increased significantly due to the impact of new products and sales expansion by subsidiaries in China, among others.

Balance Sheet and Cash Flow

- Total assets decreased by approx. 760 million yen due to the decrease in notes and accounts receivable-trade.
- Cash and cash equivalents rose by approx. 1.63 billion yen due to the increase in operating cash flow.

Dividends

- As initially planned, the company's interim dividend was 7 yen per share.

* The company's subsidiaries in China did not suffer damage from anti-Japanese demonstrations.

Summary of Profits and Losses

(million yen)

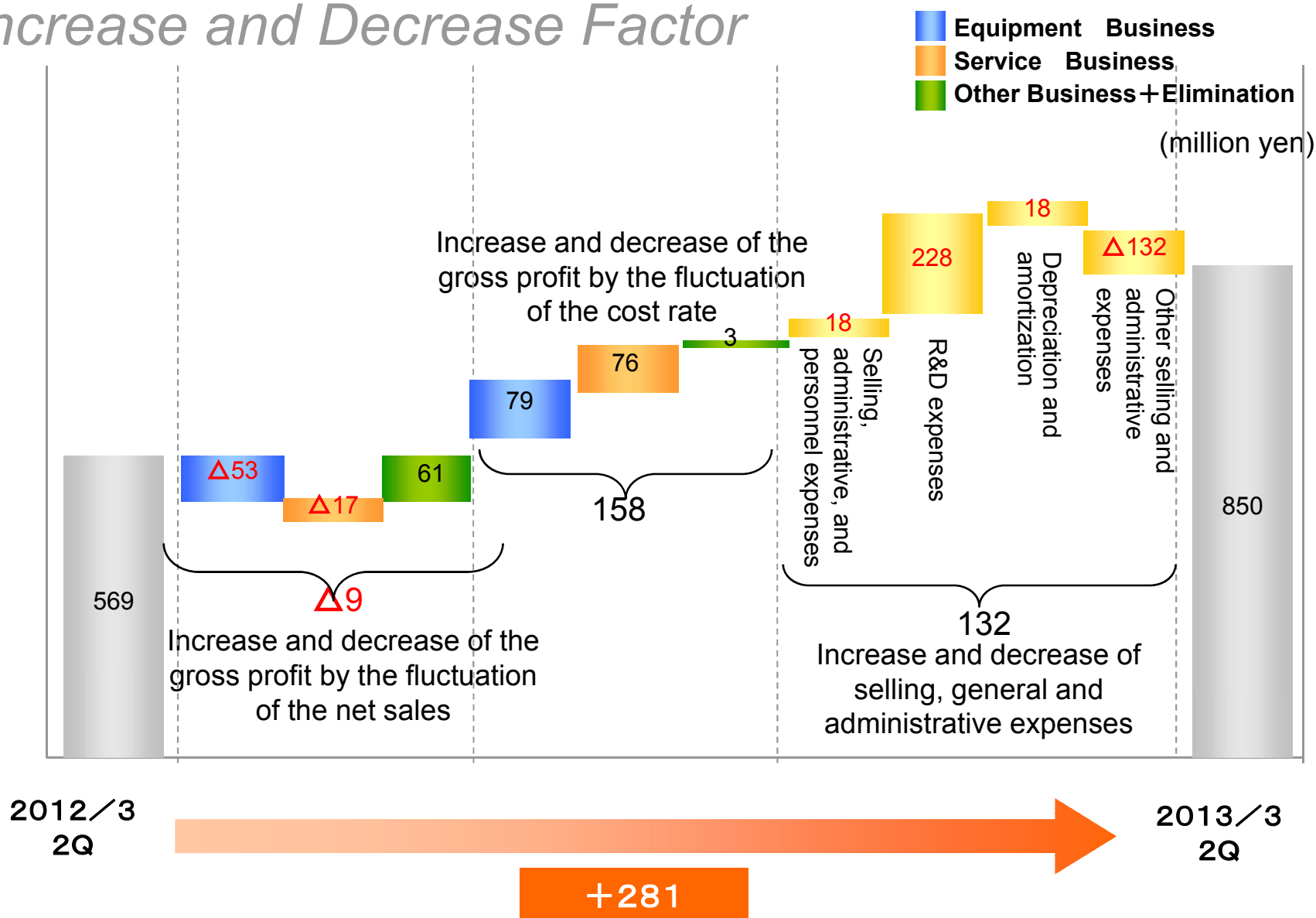
	2012/3	2Q	2013/3	2Q	Rate of Change
Orders-Received	16,303		16,137		Δ1.0%
Net sales	14,306		14,290		Δ0.1%
Cost of Net Sales	9,529 (66.6%)		9,364 (65.5%)		Δ1.7% (Δ1.1pt)
Gross profit	4,776		4,925		3.1%
SG & A	4,207		4,075		Δ3.1%
Operating income	569		850		49.4%
Ordinary income	636		876		37.7%
Quarterly net income	521		618		18.6%

■ Sales decreased slightly due to shrinkage in the equipment business and service business segments.

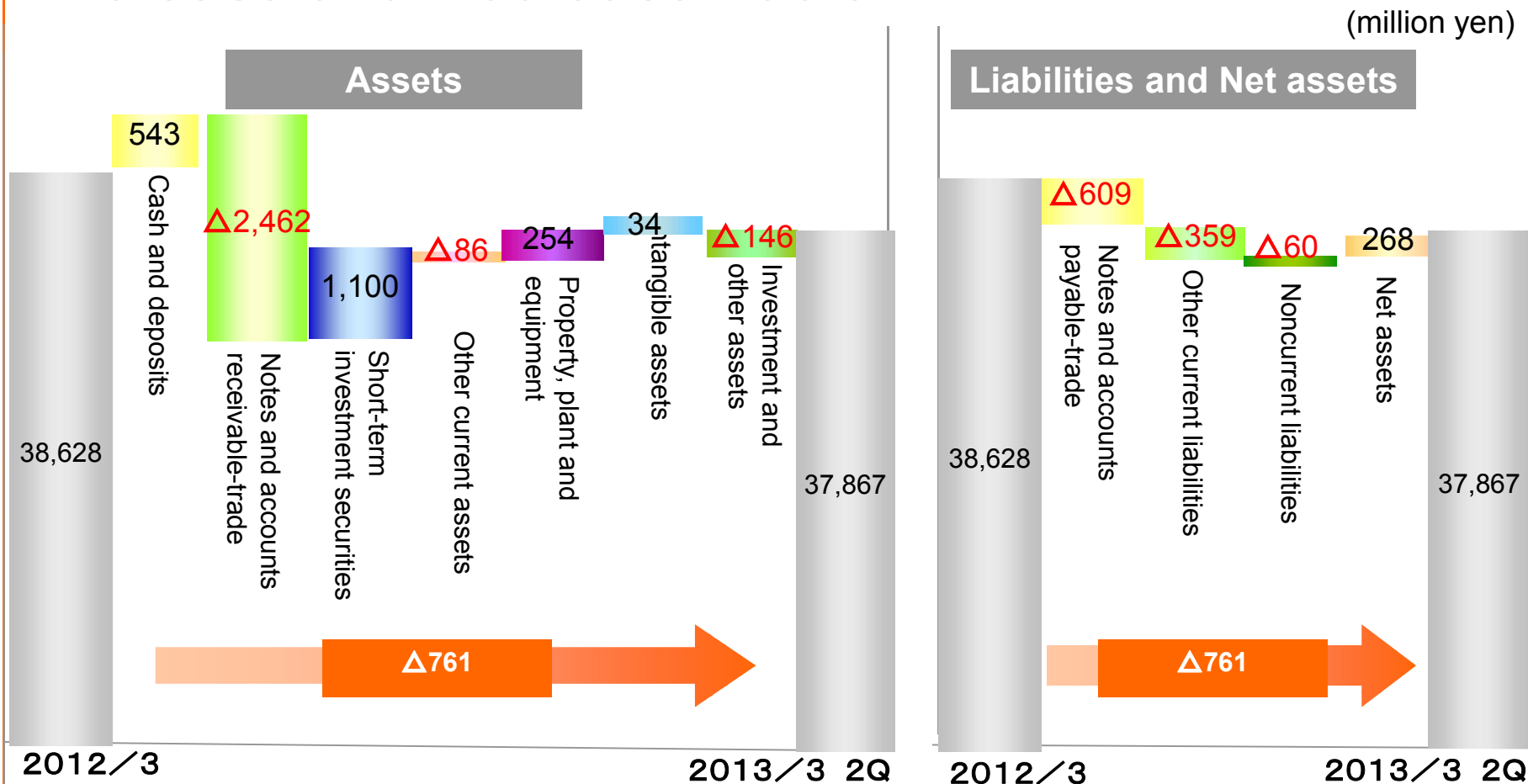
■ The cost-to-sales ratio improved by 1.1 percentage points due to the sales expansion of high-profit-ratio products and reductions in variable costs, etc., through in-house production, among others.

■ In addition, operating income increased significantly due to the profit increase by subsidiaries in China and due to a decrease in selling, general and administrative expenses, among others.

Analysis of Operating Income Increase and Decrease Factor



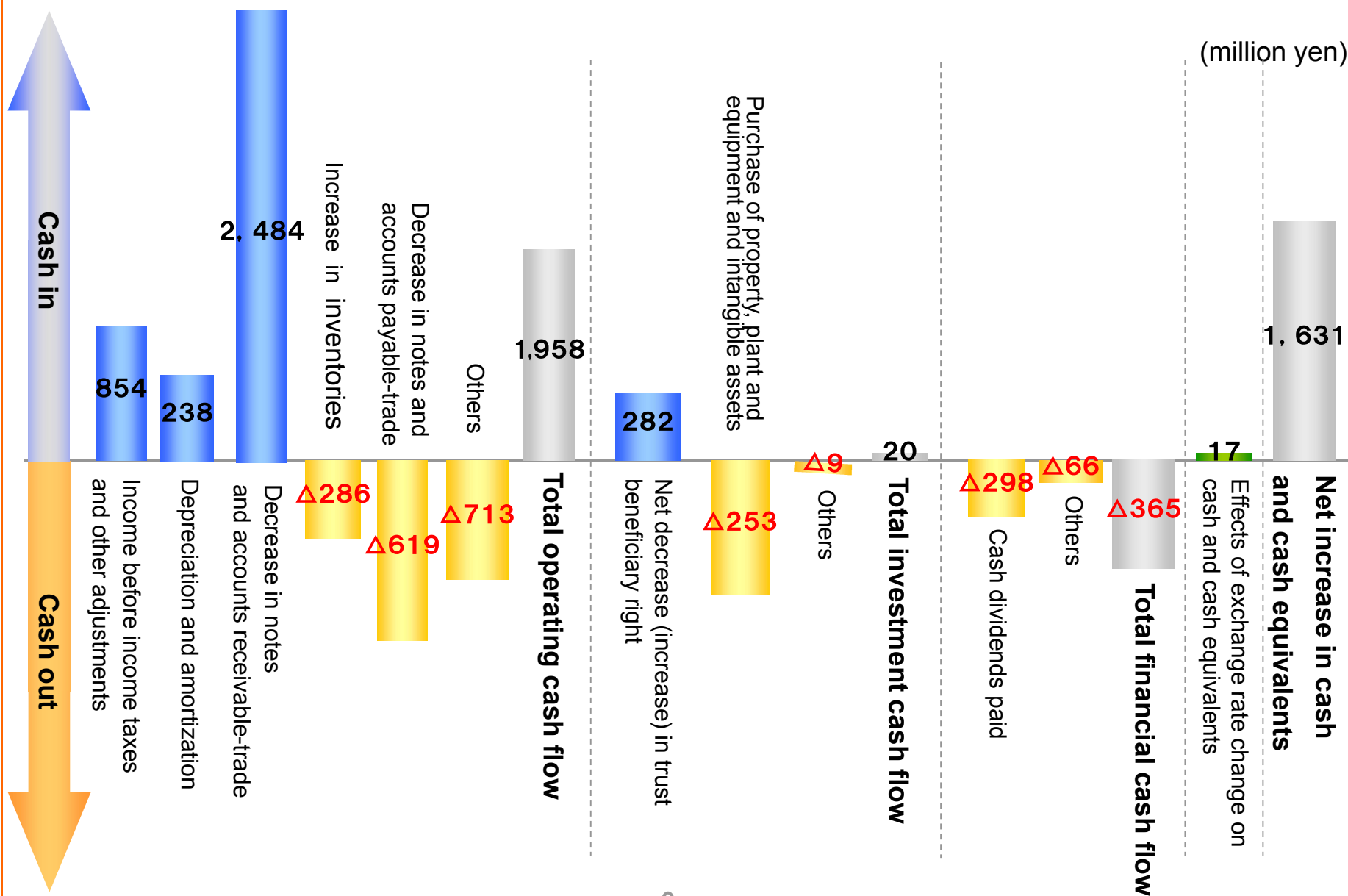
Analysis of Assets and Liabilities Increase and Decrease Factor



■ **Total assets decreased by approx. 760 million yen** due to the decrease in notes and accounts receivable-trade.

Statement of Cash Flow

(million yen)



ESPEC

*Analysis per Segment of the Second Quarter
of Fiscal Ending March 2013*



Equipment Business

Environmental Test Chambers

- In the Japanese market, sales of new products remained brisk, while sales of customized products and walk-in type temperature (& humidity) chambers decreased from the same period of the previous year.
- In overseas markets, exports remained strong, and the business of subsidiaries in China remained solid.
- Overall, both the amount of orders received and sales increased from the same period of the previous year.

Energy Device Equipment

- ESPEC endeavored to garner orders and increase public recognition by enhancing the product lineup and conducting demonstration tests. Sales of evaluation systems and production systems, etc., for secondary batteries and power semiconductors increased from the same period of the previous year.
- Sales of ESPEC TECHNO CORP. (one of the subsidiaries) decreased from the same period of the previous year.
- Overall, the amount of orders received increased, while sales decreased, from the same period of the previous year.

Semiconductor Equipment

- Sales of instrumentation systems remained strong. Overall, the amount of orders received and sales decreased from the same period of the previous year, when they were solid.

FPD Equipment

- The amount of orders received decreased from the same period of the previous year. Sales increased from the same period of the previous year due partly to the delivery of orders that were received in the previous period.

Equipment Business

(million yen)

	2012/3 2Q	2013/3 2Q		Initially projected figures
			Year on year	
Orders-Received	13,392	12,975	Δ3.1%	13,700
Net Sales	11,585	11,419	Δ1.4%	12,600
Operating Income [Profit ratio (%)]	513 [4.4%]	642 [5.6%]	25.2%	700 [5.6%]

Service Business

(million yen)

	2012/3 2Q	2013/3 2Q		Initially projected figures
			Year on year	
Orders-Received	2,699	2,625	Δ2.7%	2,800
Net Sales	2,486	2,445	Δ1.6%	2,500
Operating Income [Profit ratio (%)]	198 [8.0%]	282 [11.5%]	42.2%	300 [12.0%]

After-sales Service and Engineering

■ The amount of orders received and sales decreased from the same period of the previous year due to cost improvement measures on the part of customers, etc.

Commissioned Tests and Facility Rentals

■ Consultations regarding testing (one of the main businesses) grew for the automobile market. Equipment rental and resale remained solid.

■ Overall, the amount of orders received and sales increased from the same period of the previous year.

Other Business

(million yen)

	2012/3 2Q	2013/3 2Q		Initially projected figures
			Year on year	
Orders-Received	273	611	123.2%	850
Net Sales	290	491	69.5%	450
Operating Income [Profit ratio (%)]	Δ143 [-%]	Δ75 [-%]	—	Δ100 [-%]

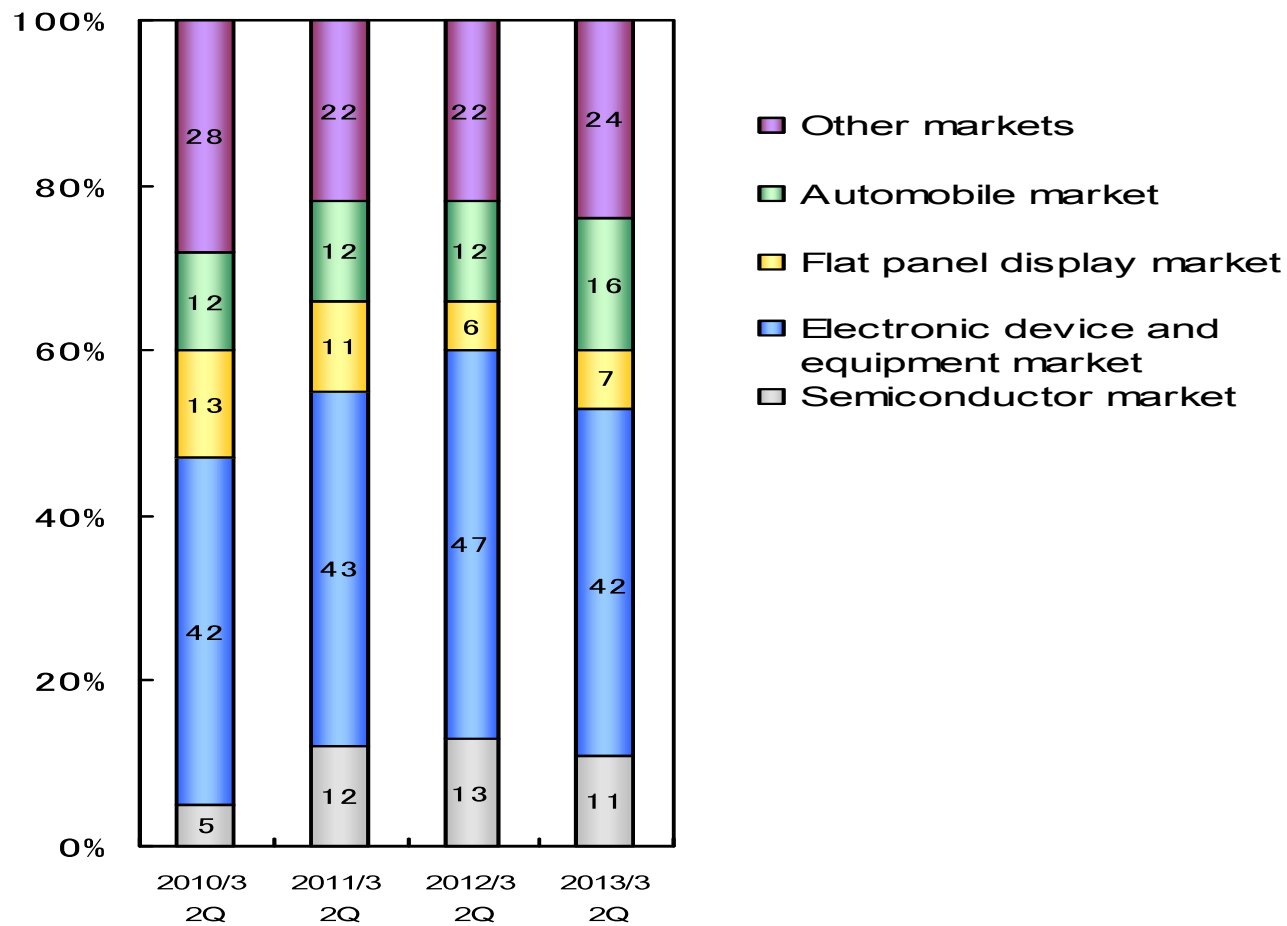
Environmental Engineering and Plant Factory

■ The environmental engineering business segment (including forest recovery) remained solid. Orders were received for large-scale project in the plant factory business segment.

■ Overall, both the amount of orders received and sales increased significantly from the same period of the previous year, when they were sluggish due to the consequences of the earthquake.

Breakdown of Sales by Market

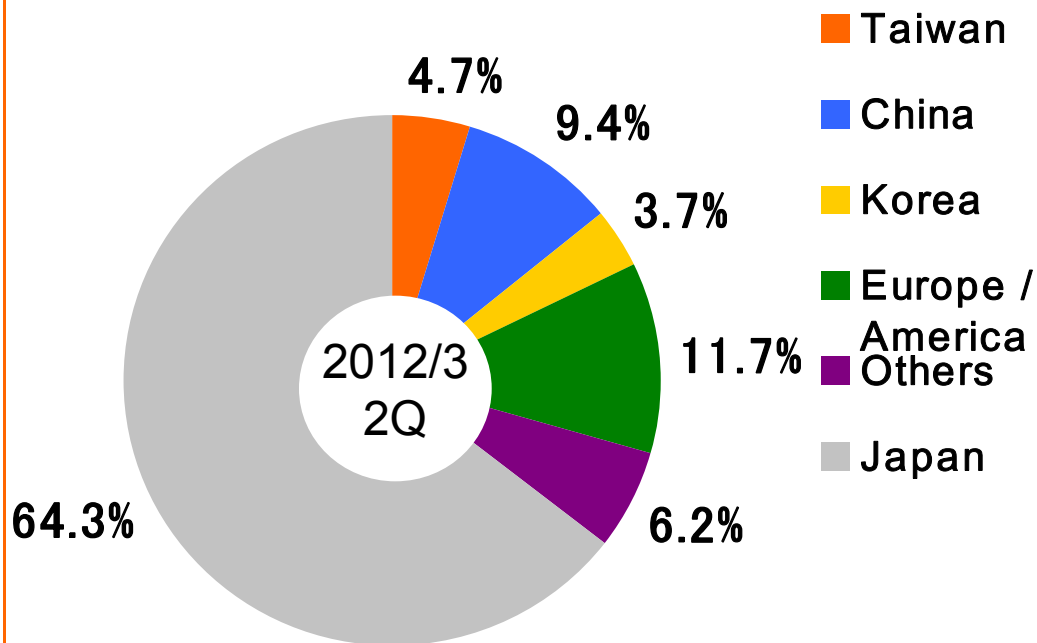
Non-consolidated (Equipment business)



Sales by Region

2012/3 2Q

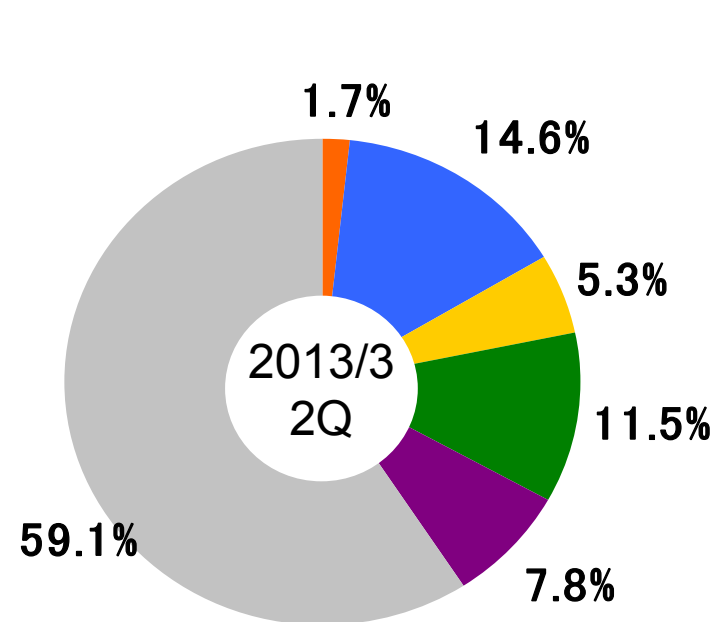
Overseas sales ratio: 35.7%



Total: 14,306 million yen
(Overseas sales: 5,103 million yen)

2013/3 2Q


Overseas sales ratio: 40.9%



Total: 14,290 million yen
(Overseas sales: 5,841 million yen)

ESPEC

*Business Plan for the Full-year Periods
of the Fiscal Year Ending March 2013*



Targets for Consolidated Revenues and Earnings

The targets for consolidated revenues and earnings have been revised against the backdrop of uncertainty in the business environment.

Business Climate Surrounding ESPEC

- Prolonged appreciation of the yen (depreciation of the dollar and euro)
- Although investments are expected to be made in the automobile market, many of the major customers have been curbing and postponing capital spending due to concern over deterioration in business performance.
- While investments have shifted to emerging countries in Southeast Asia, there is concern over the prolonged deterioration of the Japan-China relationship.

	2012/3 Result	2013/3 Revision targets	2013/3 Initially targets
Net Sales	319 billion yen	Over 320 billion yen	Over 350 billion yen
Operating Income	18 billion yen	Over 19 billion yen	Over 25 billion yen
Operating Income Ratio	5.7%	Over 6%	Over 7%

Full Fiscal Year Plan March 2013

	2012/3	2013/3				Initially projected figures
	Full year (Result)	First half (Result)	Second half (Revision Plan)	Revision plan	Year on year	
(million yen)						
Orders-received	31,692	16,138	16,862	33,000	4.1%	35,500
Net sales	31,906	14,290	17,710	32,000	0.3%	35,000
Gross profit [Profit ratio (%)]	10,538 [33.0%]	4,925 [34.5%]	5,675 [32.0%]	10,600 [33.1%]	0.6%	11,550 [33.0%]
Operating income [Profit ratio (%)]	1,828 [5.7%]	850 [5.9%]	1,050 [5.9%]	1,900 [5.9%]	3.9%	2,500 [7.1%]
Ordinary income [Profit ratio (%)]	2,076 [6.5%]	876 [6.1%]	1,224 [6.9%]	2,100 [6.6%]	1.2%	2,700 [7.7%]
Net income [Profit ratio (%)]	1,929 [6.0%]	618 [4.3%]	682 [3.9%]	1,300 [4.1%]	Δ32.6%	2,000 [5.7%]
Capital Investment	654	520	580	1,100	68.2%	1,000
Depreciation	731	238	292	530	Δ27.5%	550
R&D Expense	1,358	485	715	1,200	Δ11.6%	1,300
Dividend (yen)	82.31	26.57	29.32	55.89	Δ32.1%	85.98

Equipment Business

(million yen)

	2012/3	2013/3				
	Full year (Result)	First half (Result)	Second half (Revision Plan)	Full year (Plan)		
				Revision Plan	Year on year	Initially projected figures
Orders- Received	25, 551	12, 975	13, 725	26, 700	4. 5%	28, 000
Net Sales	25, 889	11, 419	14, 281	25, 700	Δ0. 7%	28, 000
Operating Income [Profit ratio (%)]	1, 559 [6. 0%]	642 [5. 6%]	808 [5. 7%]	1, 450 [5. 6%]	Δ0. 7%	1, 900 [6. 8%]

Service Business

(million yen)

	2012/3	2013/3				
	Full year (Result)	First half (Result)	Second half (Revision Plan)	Full year (Plan)		
				Revision Plan	Year on year	Initially projected figures
Orders- Received	5,320	2,625	2,675	5,300	Δ0.4%	5,800
Net Sales	5,301	2,445	2,855	5,300	Δ0.0%	5,600
Operating Income [Profit ratio (%)]	486 [9.2%]	282 [11.5%]	318 [11.1%]	600 [11.3%]	23.5%	700 [12.5%]

Other Business

(million yen)

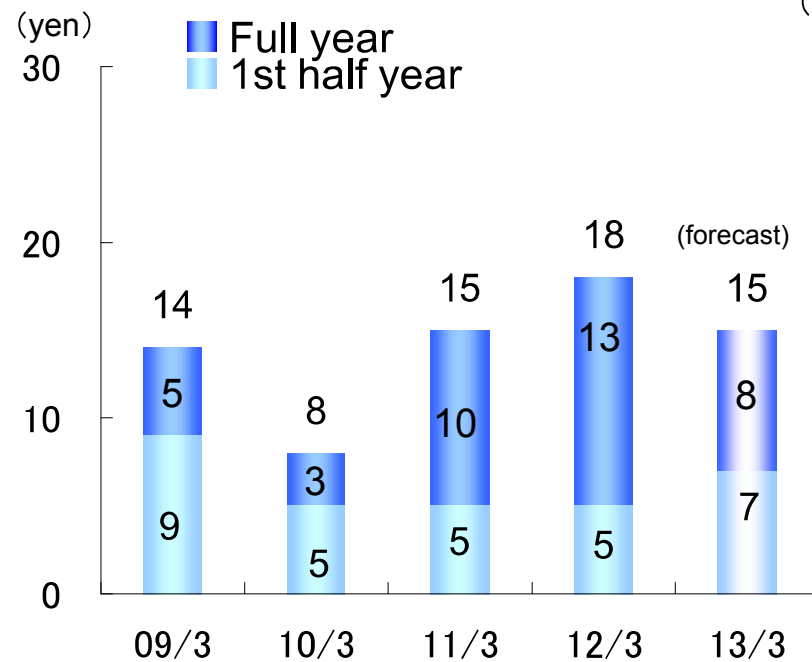
	2012/3	2013/3				
	Full year (Result)	First half (Result)	Second half (Revision Plan)	Full year (Plan)		
				Revision Plan	Year on year	Initially projected figures
Orders- Received	952	611	589	1,200	26.1%	1,800
Net Sales	845	491	708	1,200	42.0%	1,500
Operating Income [Profit ratio (%)]	Δ218 [-%]	Δ75 [-%]	Δ75 [-%]	Δ150 [-%]	—%	Δ100 [-%]

Dividends

Dividend policy

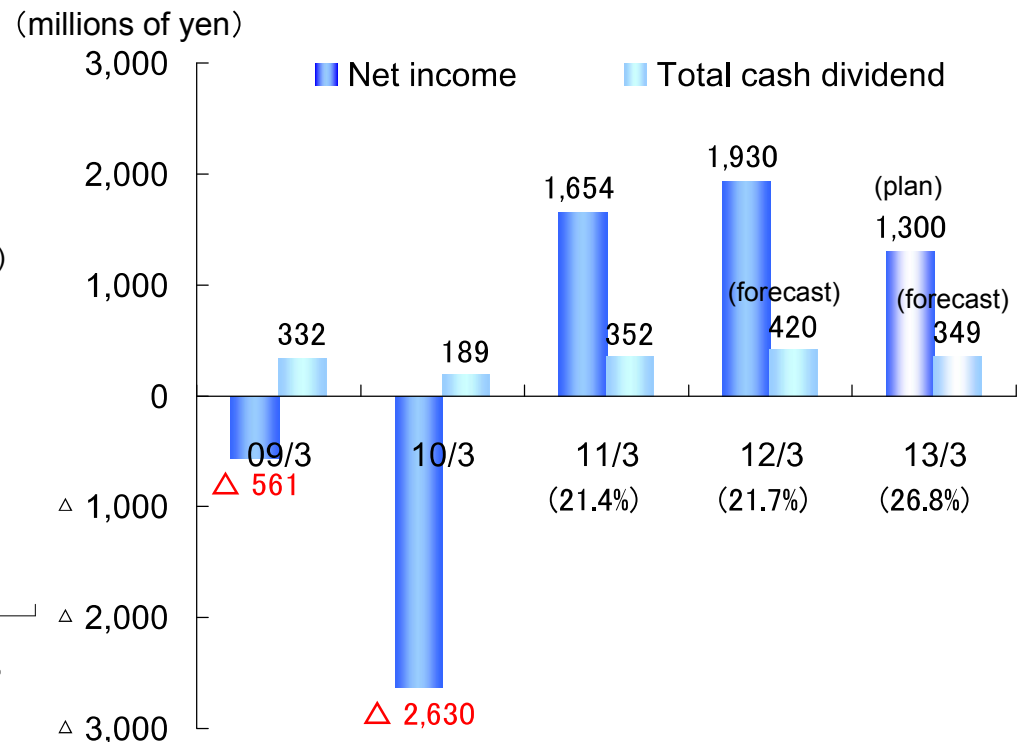
Recognizing that passing on profits to our shareholders is a key priority and that raising corporate value on a lasting basis is fundamental to raising shareholder value, dividends are decided taking into account sustainability and the dividend payout ratio.

Dividend per share



Net income and total cash dividend

*Consolidated dividend payout ratio in parentheses.



ESPEC

*Business Plan for the Second-half Periods
of the Fiscal Year Ending March 2013*

Management Policy for the Fiscal 2012

Basic policy

Creation of “Powerful Products” and “Powerful Factories”



Policy 4 Speed up management and business activities with function and process reforms

Policy 5 Nurture professional talent and empower employees with a sense of purpose and achievement by conducting management in step with the times and carrying out systemic reforms

Policy 1. Accelerate Growth in the Green Technology Market

Revision plan for the fiscal 2013

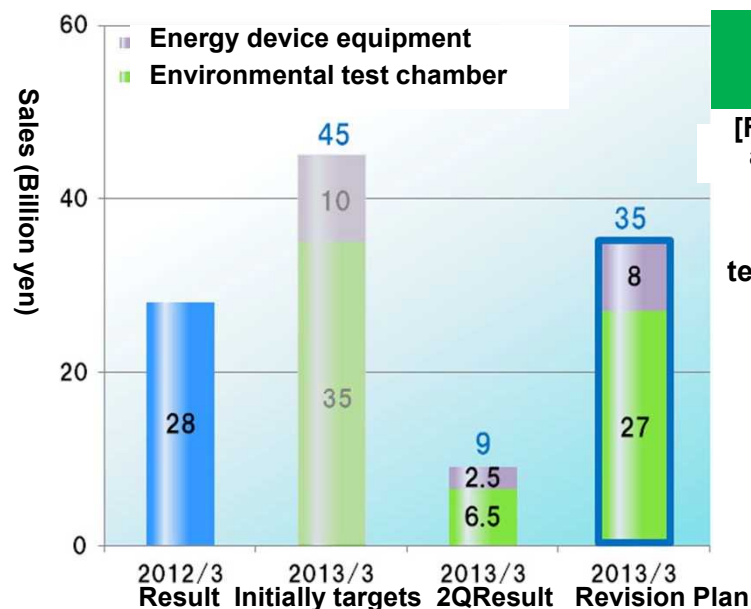
[Non-consolidated] Sales in Green Technology Market ¥ 3,500 million

Increase ¥700 million (Year on year)

Measures of second-half period

- The company will deliver “less expensive” products “more quickly” by enhancing the company’s customization capability, in order to increase the company’s competitiveness.
- The company will upgrade the product lineup of charge-discharge cycle evaluation equipment for secondary batteries.

[Non-consolidates]
Sales in the green technology market



Products for the green technology market

Environmental Test Chambers

[For development and evaluation]
Secondary battery charge-discharge testing temperature & humidity chamber



[For development and evaluation]
Large volume thermal shock chamber



Energy Device Equipment

[For development and evaluation]
Secondary battery charge-discharge cycle evaluation equipment

(Advanced Battery Tester)



Policy 2. Expand Overseas Business Operations Primarily in China and Asia

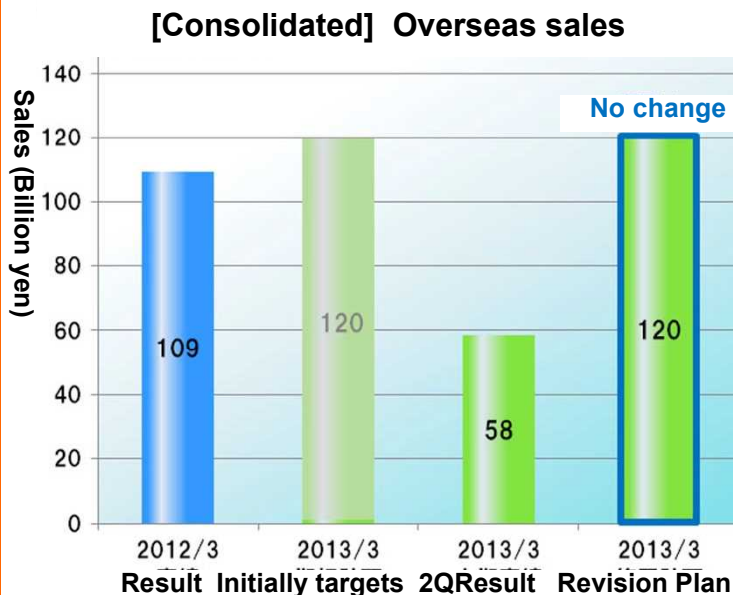
Revision plan for the fiscal 2012

[Consolidated] Overseas sales ¥ 12,000 million

Increase ¥1,100 million (Year on year)

Measures of second-half period

- The company will expand distribution channels in inland China and thereby expand its share.
- The company will continue to offer free-of-charge inspection services and thereby promote customer acquisition.
- ESPEC KOREA CORP. will start the mass production of environmental stress chambers to expand sales.
- SHANGHAI ESPEC ENVIRONMENTAL EQUIPMENT CORP. will make arrangements for the mass production of thermal shock chambers.



ESPEC KOREA

Starting the mass production of environmental test chambers in the second half of fiscal year ending March 2013, in order to work on sales expansion



Environmental Stress Chamber

SHANGHAI ESPEC

Making arrangements for the commencement of the mass production of thermal shock chambers



Thermal Shock Chamber

Policy 3. Cultivate Japanese markets in more depth to enhance profitability

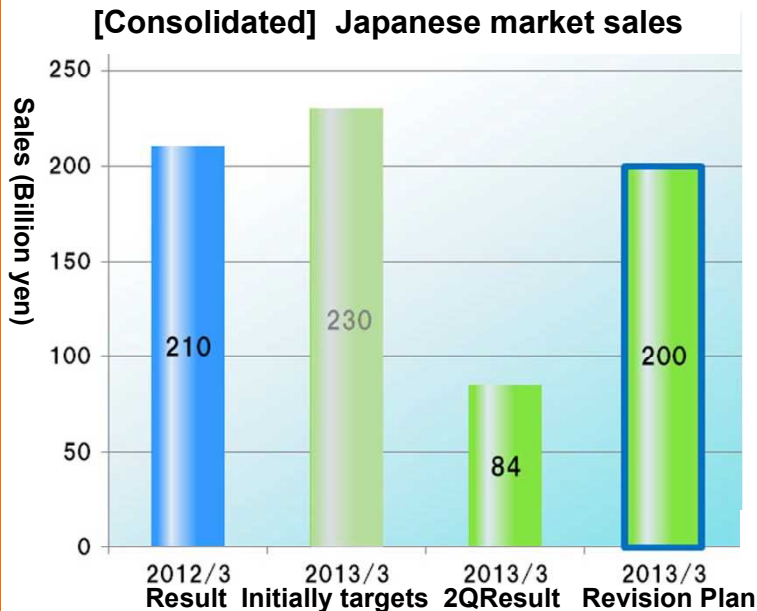
Revision plan for the fiscal 2012

[Consolidated] Japanese market sales **¥ 20,000 million**

Decrease ¥1,000 million (Year on year)

Measures of second-half period

- The company will advance the Platinous J series temperature (& humidity) chambers to further increase competitiveness.
- The company will expand sales of walk-in type temperature (& humidity) chambers and customized products.
- The company will increase in-house production to enhance profitability.



Increasing the attractiveness of the Platinous J series

Energy-saving features



Temperature (& Humidity) Chamber Platinous J series

Facilitate replacement

Quality is more than a word

ESPEC



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:

ESPEC CORP.

3-5-6, Tenjinbashi, Kita-ku, Osaka 530-8550, Japan

TEL: 81-6-6358-4744 FAX: 81-6-6358-4795

E-mail: ir-div@espec.jp

Kenji Fuchita

Chief Officer

Corporate Planning Headquarters

Natsuko Kobayashi

Corporate Strategy Department

Corporate Planning Headquarters

ESPEC

Reference



ESPEC

Company and Business Profile



Company Profile

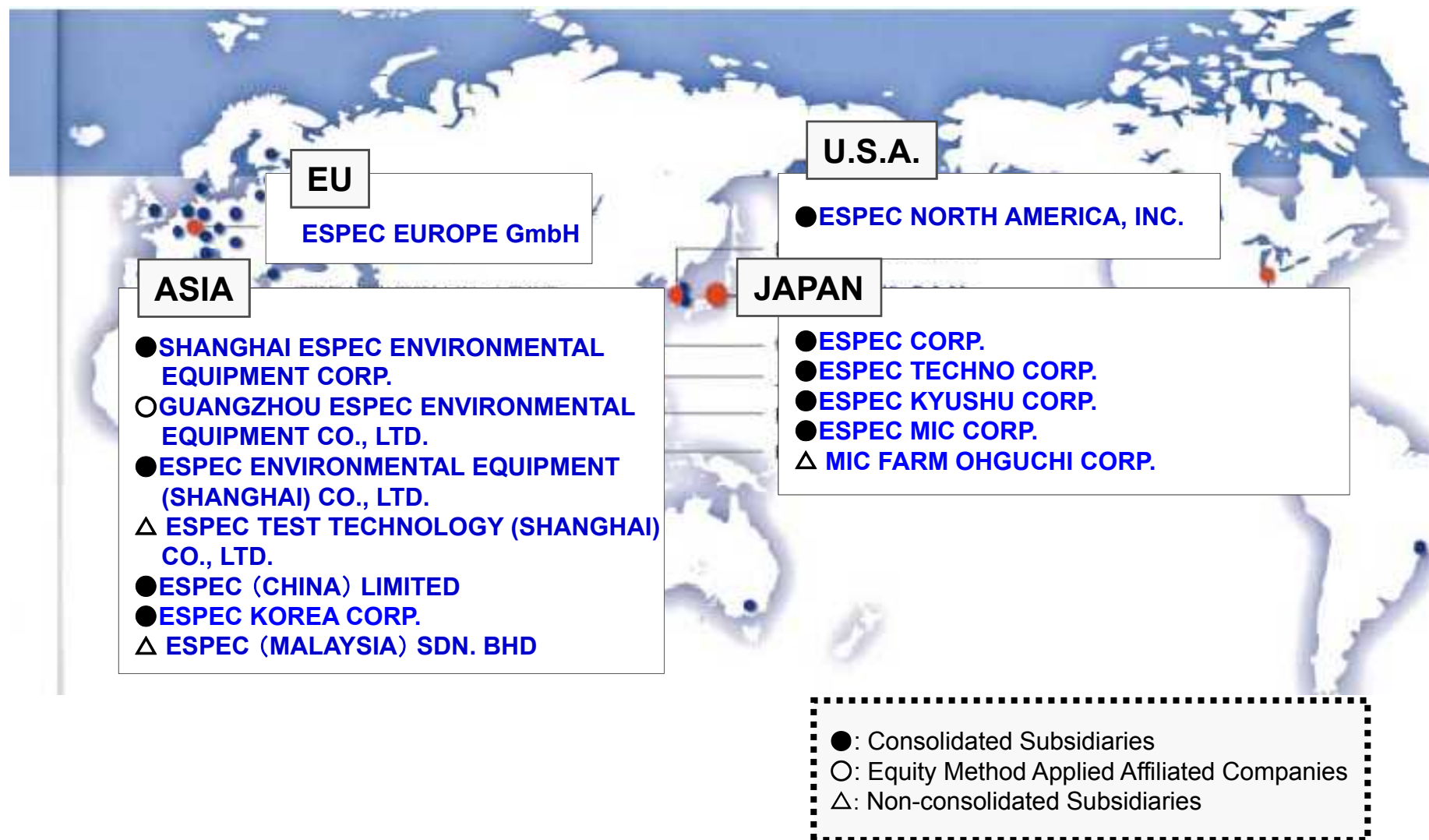
Name	ESPEC CORP.
Head Office	3-5-6, Tenjinbashi, Kita-ku, Osaka
Represented By	Masaaki Ishida
Established	July 25,1947
Incorporated	January 13,1954
Paid-up Capital	¥6,895Million
Shares Issued	23,781,394 Shares
Employees	1,352 (consolidated)
Main Business	Manufacture and Sales of Environmental Test Chambers, Energy Device Equipment, Semiconductor Equipment, FPD Equipment and Plant Factory. After-sales Service, Commissioned Tests and others.



Head Office

(As of September 30, 2012)

Global Network



(As of September 30, 2012)

History of Environmental Test

What is Environmental Test

Test to analyze and evaluate effects of environmental factors such as temperature, humidity, pressure, and light 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.



<Today>

Demand has been growing in new energy sectors such as secondary batteries and solar batteries.

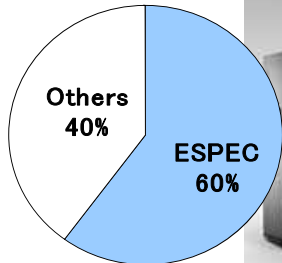


Japan's First Environmental Test Chamber



Low temperature & humidity chamber "Lucifer" (1961)

To Domestic Market Share No.1



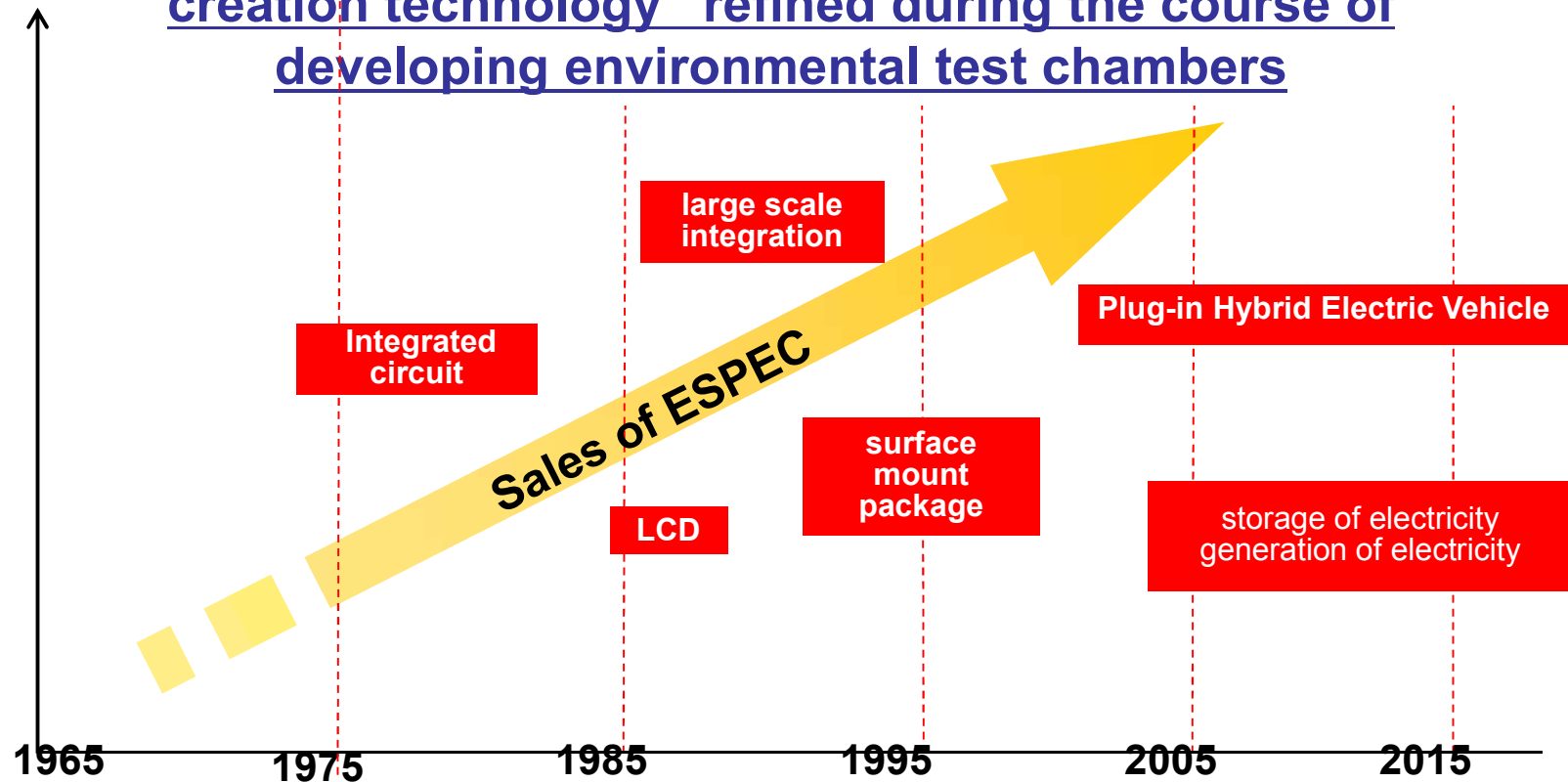
※Our presumption (2010)



[NEW] Temperature & humidity chamber "Platinous J series" (2011)

Transition in Business

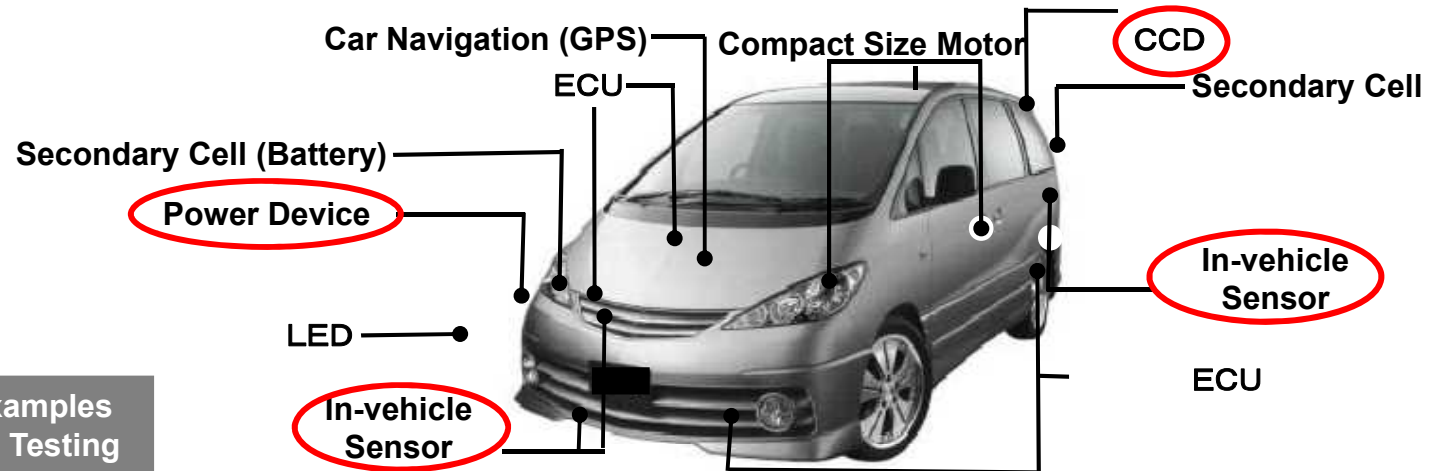
Expanding business based on the “environmental creation technology” refined during the course of developing environmental test chambers






Business expansion	<p>1982 Launching the semiconductor equipment business</p> 	<p>1986 Launching the FPD Equipment business</p> 	<p>1994 Launching the evaluation system business</p> 	<p>2011 Launching the energy device equipment business</p> 
--------------------	---	--	---	---

[Equipment Business]

Usage Case with Environmental Test Chambers



Representative Examples for Environmental Testing

Device	Process/Test Condition		Our Products
【Power Device】 	Inspection	■ Thermal shock test: $-40^{\circ}\text{C} \Leftrightarrow +125^{\circ}\text{C}$	Thermal shock chamber
		■ left under high temperature: $+175^{\circ}\text{C}$ 、 $+85^{\circ}\text{C}$	(Compact size) Oven
		■ Burn-in test	Burn-in chamber
【In-vehicle Sensor】 	Inspection	■ Temperature cycle test of board: $-40^{\circ}\text{C} \Leftrightarrow +110^{\circ}\text{C}$	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: $-30^{\circ}\text{C} \Leftrightarrow \text{RT} \Leftrightarrow +80^{\circ}\text{C}$ 、 $-55^{\circ}\text{C} \Leftrightarrow +155^{\circ}\text{C}$	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: $-40^{\circ}\text{C} \Leftrightarrow +125^{\circ}\text{C}$ 、 $-20^{\circ}\text{C} \Leftrightarrow +85^{\circ}\text{C}$	Thermal shock chamber	

[Equipment Business] Introduction of New Products

Release Date	Name of product	Features
2012/5	Vacuum Oven	<ul style="list-style-type: none"> • Saving energy up to 40% • Ease of customization
2012/5	Stability test chamber	<ul style="list-style-type: none"> • (First in the industry) $\pm 2^{\circ} \text{C} \pm 5\%$ guarantee for the temperature/humidity settings
2012/3	Temperature (& Humidity) Chamber Platinous J Series Addition of 6 type	<ul style="list-style-type: none"> • Full lineup
2011/11	Thermal Shock Chamber TSA Series EH Type	<ul style="list-style-type: none"> • Saving energy up to 50% • Increasing the reliability of refrigeration circuits
2011/10	Temperature (& Humidity) Chamber Platinous J Series	<ul style="list-style-type: none"> • Saving energy up to 70% • Ease of customization • Compatibility of functions (e.g., telecommunications networks)
2010/11	Walk in Type Temperature (& Humidity) Chamber E Series	<ul style="list-style-type: none"> • Saving energy up to 60%
2010/9	Thermal Shock Chamber TSA Series E Type	<ul style="list-style-type: none"> • Saving energy up to 37%

**Main 3
Products**

[Equipment Business] TOPICS

The Platinous J series temperature (& humidity) chambers won the Good Design Award 2012!

The Platinous J series products were highly evaluated for their sophisticated design, which focused on excellent usability, in addition to their unique features of “high reliability and performance,” “significant energy conservation,” “ease of customization,” and “compatibility of functions.”

This is ESPEC's 26th product to win the award. In FY2011, the TSA series thermal shock chambers won the award.

* Good Design Award

A comprehensive program for the evaluation and encouragement of design, originally started in 1957 and currently organized by the Japan Institute of Design Promotion



Temperature (& Humidity) Chamber
Platinous J Series

[Equipment Business]

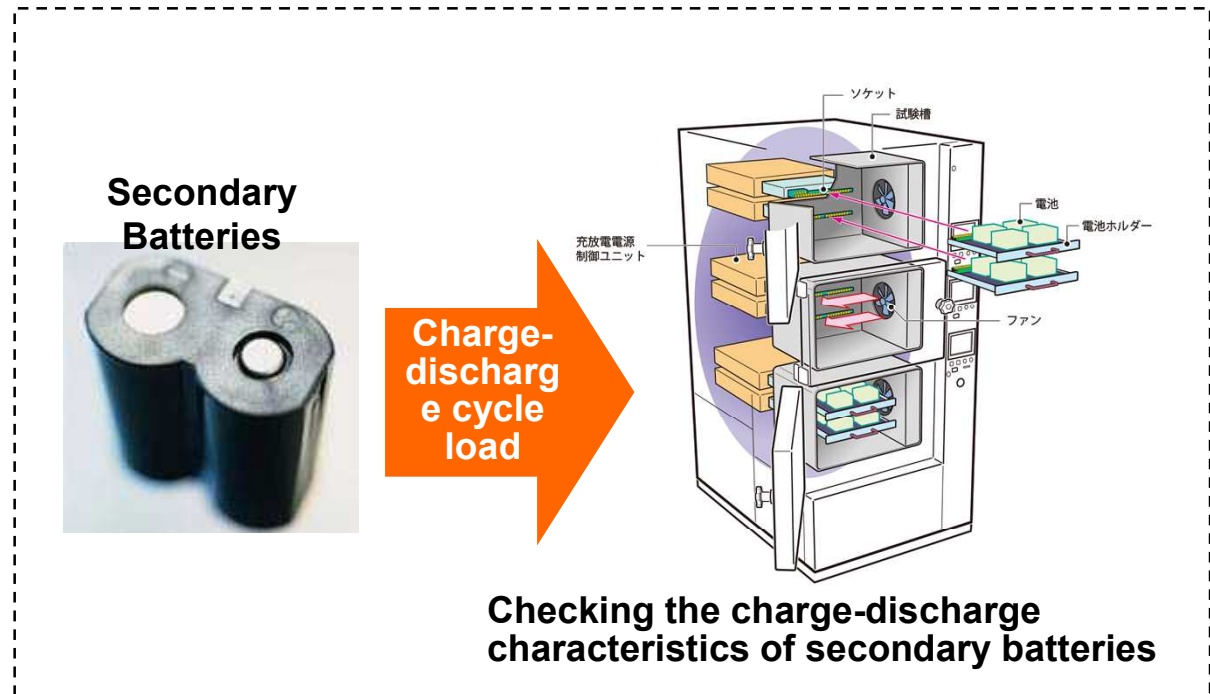
Usage Case with Energy Device Equipment

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



Evaluating the performance and life of secondary batteries

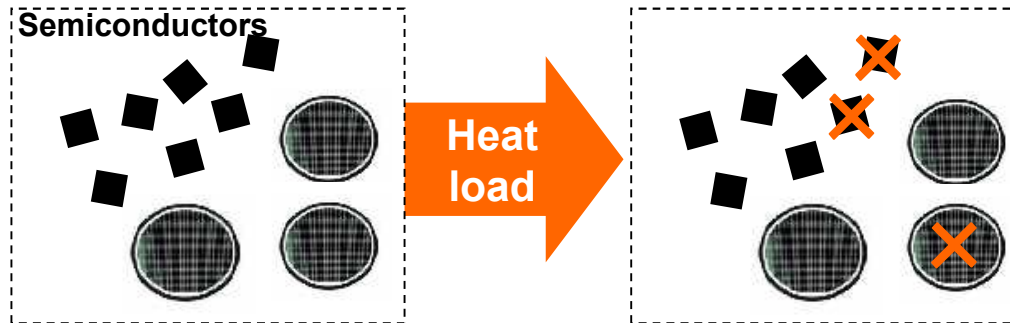
[Equipment Business] Usage Case with Semiconductor Equipment

Screening

Used for inspection in the manufacture of semiconductor devices to ensure product reliability suitable for mass production



Burn-in chamber



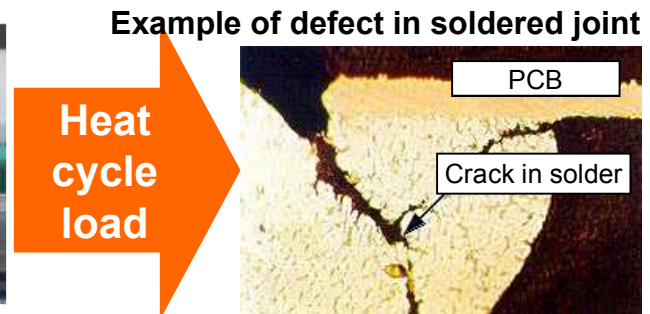
Elimination of latent early failures

Reliability Evaluation

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

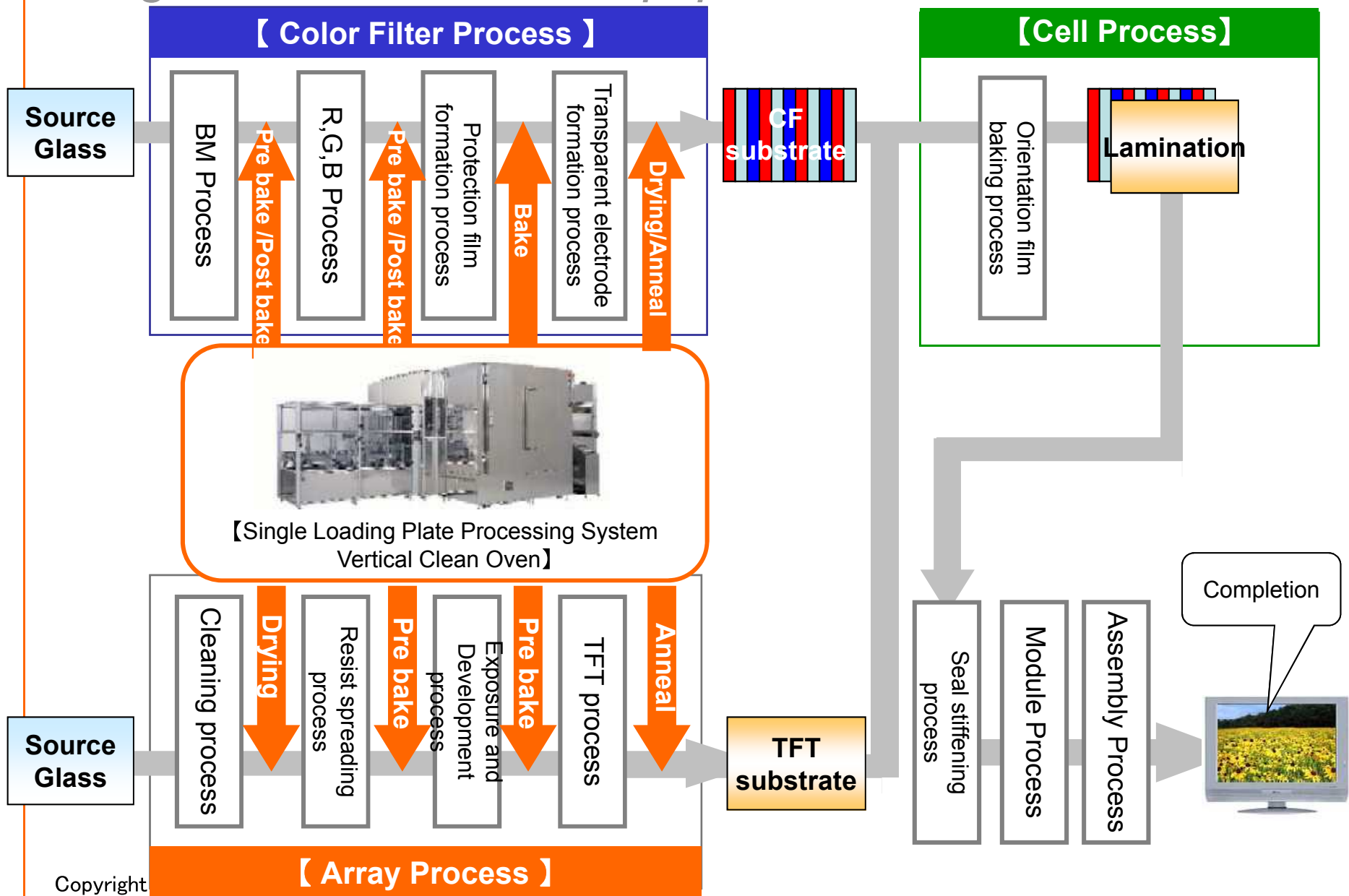


Conductor resistance evaluation system



Electrical evaluation of reliability of joints in electronic parts

Equipment Business Usage Case with FPD Equipment



[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
- Extending support through a full-fledged global framework, with distributors located in many countries

Commissioned Tests and Facility Rentals

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

- Meeting new test needs whenever they arise
 - Introducing equipment to meet emerging needs such as charge-discharge tests for secondary batteries
 - Introducing new products (e.g., energy-saving models) on an ongoing basis
- The company has four commissioned test centers in Japan (Utsunomiya, Toyota, Kariya and Kobe).
 - These centers are IECQ-approved independent testing laboratories that meet ISO/IEC17025 standards.
 - The centers are also recognized as official calibration facilities under the Japan Calibration Service System (JCSS).



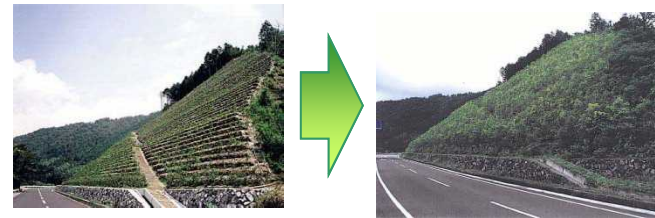
【 Test conducted by a staff member】

[Other Business] Environmental Engineering Business

Environmental Engineering Business

■ Forest recovery

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



■ Waterfront recovery

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



■ Unit greening

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



[Other Business] Plant Factory

Plant Factory

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

■ Plantcellar

This compact vegetable growing system is offered in different sizes for customers to choose from according to the availability of, for example, the space in a restaurant, etc.



■ Container plant factory

This is a container-type plant factory equipped with an artificial light source and air conditioning system as a unit, and it can be easily transported and installed.



■ Phyto-toron

This system employs agri-glass, the company's proprietary greenhouse glass, and controls environmental factors using natural light.

