

Securities ID code:6859

ESPEC CORP.

**Results Briefing for The Second Quarter
of Fiscal Ending March 2016**

November 16, 2015

www.espec.co.jp

Table of Contents

Company Profile

Financial Result for the Second Quarter of Fiscal Ending March 31, 2016

Analysis per Segment for the Second Quarter of Fiscal Ending March 31, 2016

Business Plan for the Fiscal Ending March 31, 2016

Main Initiatives in the Second Quarter of Fiscal 2015 Ending March 31, 2016

Reference

Company Profile

**Industry-leading manufacturer of environmental test chambers:
68th year since company was founded in Osaka**

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	¥6,895 Million
Shares Issued	23,781,394 Shares
Employees	1,381 (consolidated)
Main Business	Manufacture and Sales of Environmental Test Chambers, Energy Device Equipment, Semiconductor Equipment, Equipment and Plant Factory. After-sales Service, Commissioned Tests and others.



Head office

(As of September 30, 2015)

Global Network

Consolidated Subsidiaries
11 companies

Global Network
43 countries
33 companies

Business facilities in Japan:26
Domestic agencies in Japan:48

EU

△ESPEC EUROPE GmbH

- ESPEC CORP.
- ESPEC TEST SYSTEM CORP.
- ESPEC KYUSHU CORP.
- ESPEC MIC CORP.
- △ MIC FARM OHGUCHI CORP.

JAPAN

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 SOUTH EAST ASIA SDN. BHD
- △ ESPEC ENGINEERING(THAILAND)CO.,LTD✳

● ESPEC NORTH AMERICA, INC.

U.S.A.

- : Consolidated Subsidiaries
- △: Non-consolidated Subsidiaries

(As of September 30, 2015)

Opened the world's first “Battery Safety Certification Center”

ESPEC will contribute to the advancement of Japan's automotive industry by supporting the compatibility of batteries for automobiles with global standards.

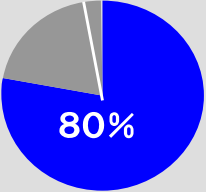
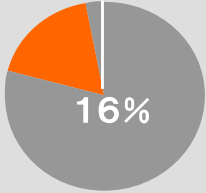
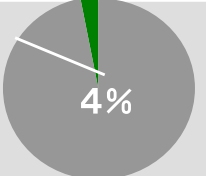


Battery Safety Certification Center
(in Utsunomiya Technocomplex)



Opening Ceremony
(September 17, 2015)

Summary of ESPEC Business (Per Market / Use)

		Main Products	Market	Use	Sales composition (FY2014)
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 market •Automobile market •Semiconductor market •Medicine, Cosmetics, Foods and others 	<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"> •Advanced battery tester •LIB safety evaluation system •Power semiconductors chamber •Fuel cells chamber 	<ul style="list-style-type: none"> •Next generation automobile •Secondary batteries •Power semiconductors •Fuel cells •Solar battery 	<ul style="list-style-type: none"> •For R & D •For credibility and evaluation •Safety evaluation •For production 	
	Semiconductor Equipment	<ul style="list-style-type: none"> •Burn-in system •Semiconductor evaluation system •Instrumentation 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 	—	
	Commissioned Tests and Facility Rentals	<ul style="list-style-type: none"> •Commissioned test •Equipment rental •Resale •Calibration 		<ul style="list-style-type: none"> •For R & D •For credibility and evaluation 	
Other Business	Environmental Engineering Business	Reforestation (Tree planting), Waterfront biotope restoration, urban greening			
	New Business	Plant factory, developing and creating new businesses as a major source of profit			

Financial Result for the Second Quarter of Fiscal Ending March 31, 2016

Financial Highlights

■ Orders received increased year on year in all business segments.

■ Net sales increased year on year in both domestic and overseas markets.

• In Japan, highly versatile standard products sold strongly.

Customized products increased year on year.

• Overseas, exports to China and other parts of Asia were strong, while the Chinese subsidiaries saw sales increase year on year.

■ Operating income rose 35.4% year on year as a result of sales increasing

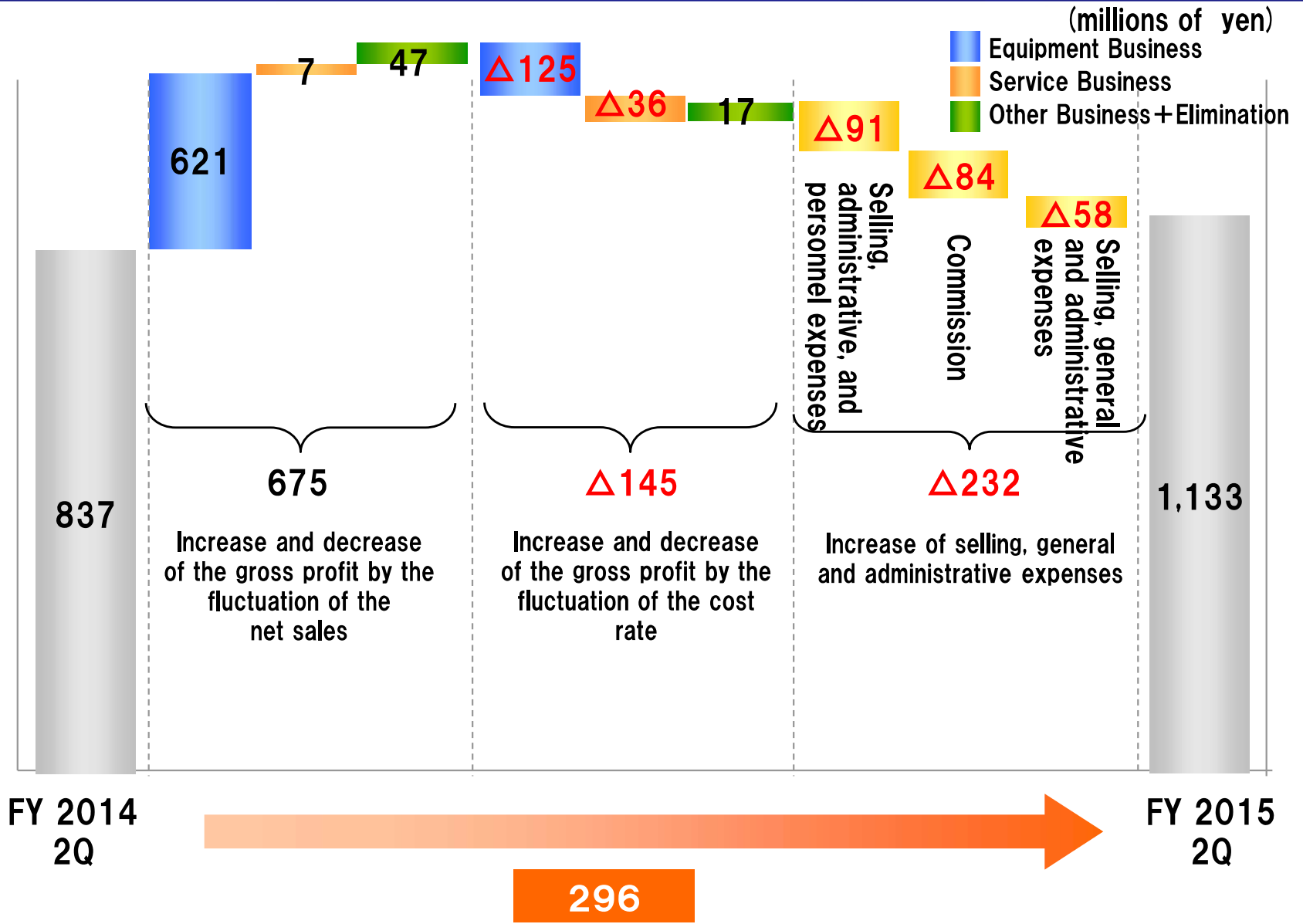
■ As initially planned, the Company's interim dividend was 9 yen per share

Summary of Profits and Losses

(millions of yen)

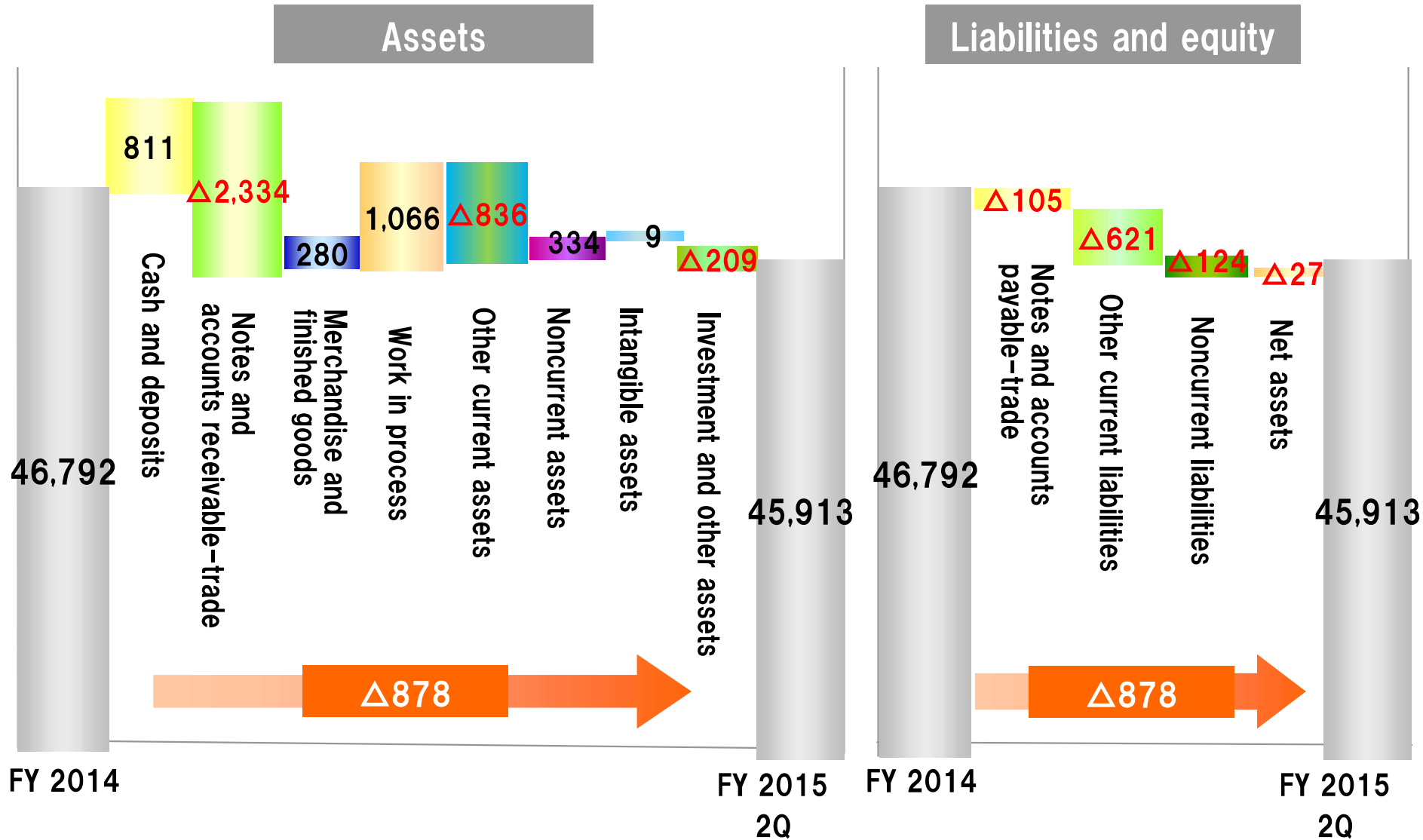
	FY 2014 2Q	FY 2015 2Q	Rate of Change	Plan (Beginning of the period)
Orders-Received	17,418	20,764	19.2%	18,000
Net sales	14,196	16,136	13.7%	16,000
Cost of Net Sales	8,981 (63.3%)	10,392 (64.4%)	15.7% (-1.1pt)	10,260 (64.1%)
Gross profit	5,215	5,743	10.1%	5,740
SG & A	4,377	4,609	5.3%	4,740
Operating income	837	1,133	35.4%	1,000
Ordinary income	953	1,274	33.7%	1,100
Profit attributable to owners of parent	590	802	35.9%	750

Analysis of Operating Income Increase and Decrease Factor



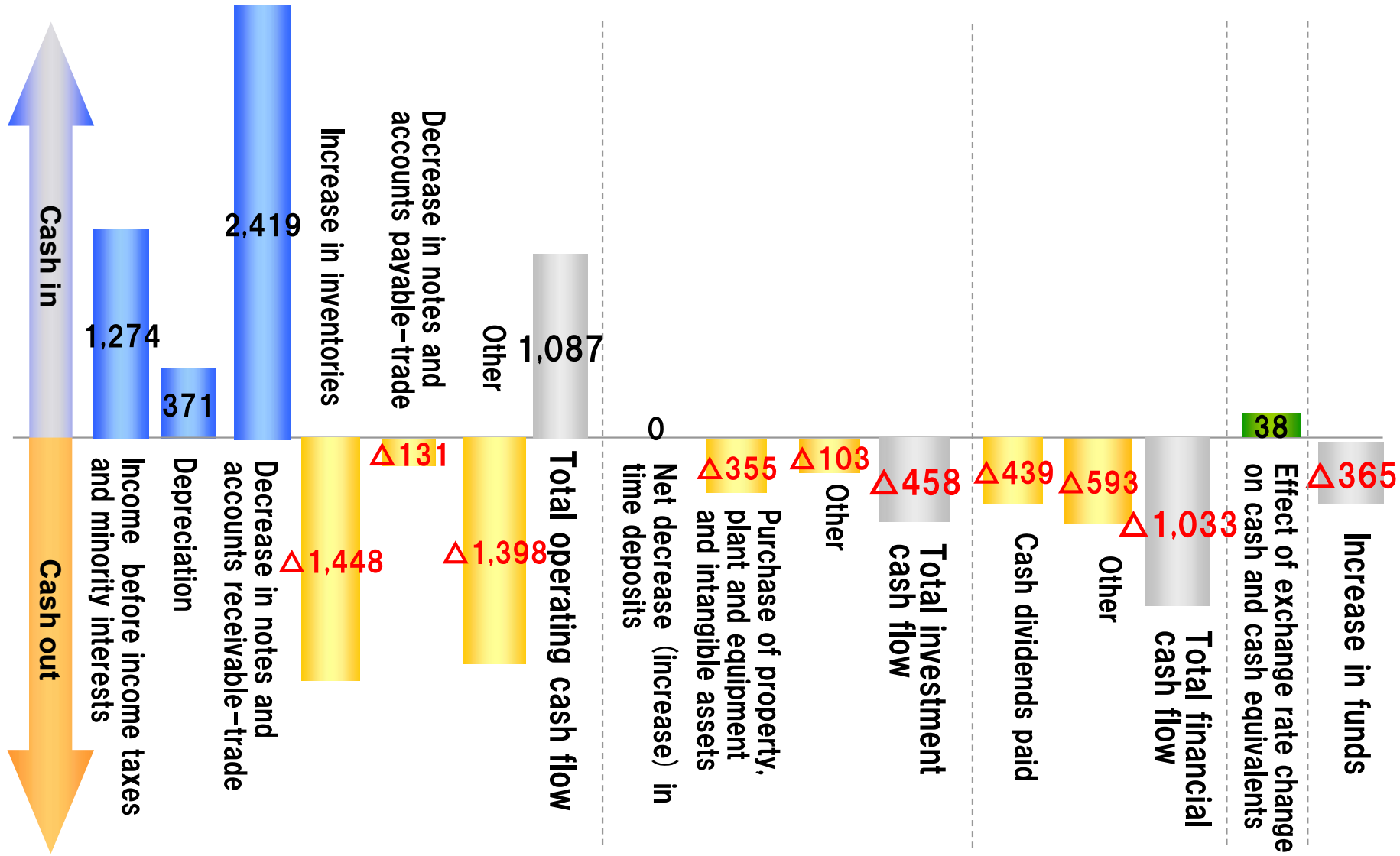
Analysis of Assets and Liabilities Increase and Decrease Factor

(millions of yen)



Statement of Cash Flow

(millions of yen)



Analysis per Segment for the Second Quarter of Fiscal Ending March 31, 2016

Performance by Segment

		(millions of yen)			
Segment		FY 2014 2Q	FY 2015 2Q	Rate of Change	Plan (Beginning of the period)
Equipment Business	Orders-Received	14,004	17,156	22.5%	14,600
	Net Sales	11,166	12,909	15.6%	12,900
	Operating Income	698	887	27.1%	850
Service Business	Orders-Received	2,860	2,944	2.9%	2,900
	Net Sales	2,594	2,615	0.8%	2,700
	Operating Income	186	215	15.5%	200
Other Business	Orders-Received	678	808	19.3%	600
	Net Sales	553	733	32.6%	500
	Operating Income	△47	32	—	△40
Elimination	Orders-Received	△124	△145	—	△100
	Net Sales	△118	△122	—	△100
	Operating Income	0	△2	—	△10
Total	Orders-Received	17,418	20,764	19.2%	18,000
	Net Sales	14,196	16,136	13.7%	16,000
	Operating Income	837	1,133	35.4%	1,000

Equipment Business

Environmental Test Chambers

- In the Japanese market, net sales increased
 - With highly versatile standard products, orders–received and net sales both increased from the previous fiscal year
 - Customized products saw brisk orders and sales exceeding the same period of the previous fiscal year
- In the overseas market, net sales increased
 - Exports to China were strong, and Chinese subsidiaries saw sales increase year on year

Energy Device Equipment

- There was an upward trend in orders–received for Charge–discharge Evaluation System for secondary batteries for automobiles, and for fuel cell evaluation systems
- Orders–received increased year on year, while the sales level fell short of the same period in the previous fiscal year

Semiconductor Equipment

- Orders–received exceeded the same period of the previous fiscal year
- The sales level fell short of the same period in the previous fiscal year

Equipment Business

(millions of yen)

	FY 2014 2Q	FY 2015 2Q		Plan (Beginning of the period)
			Rate of Change	
Orders- Received	14, 004	17, 156	22. 5%	14, 600
Net Sales	11, 166	12, 909	15. 6%	12, 900
Operating Income [Profit ratio (%)]	698 [6. 3%]	887 [6. 9%]	27. 1%	850 [6. 6%]

Service Business

(millions of yen)

	FY 2014 2Q	FY 2015 2Q		Plan (Beginning of the period)
			Rate of Change	
Orders- Received	2,860	2,944	2.9%	2,900
Net Sales	2,594	2,615	0.8%	2,700
Operating Income [Profit ratio (%)]	186 [7.2%]	215 [8.2%]	15.5%	200 [7.4%]

After-sales Service and Engineering

- Both orders-received and net sales were mostly unchanged

Commissioned Tests and Facility Rentals

- Conditions were strong in the mainstay test consulting business with orders-received and sales matching the buoyant levels seen in the same period of the previous fiscal year

Other Business

(millions of yen)

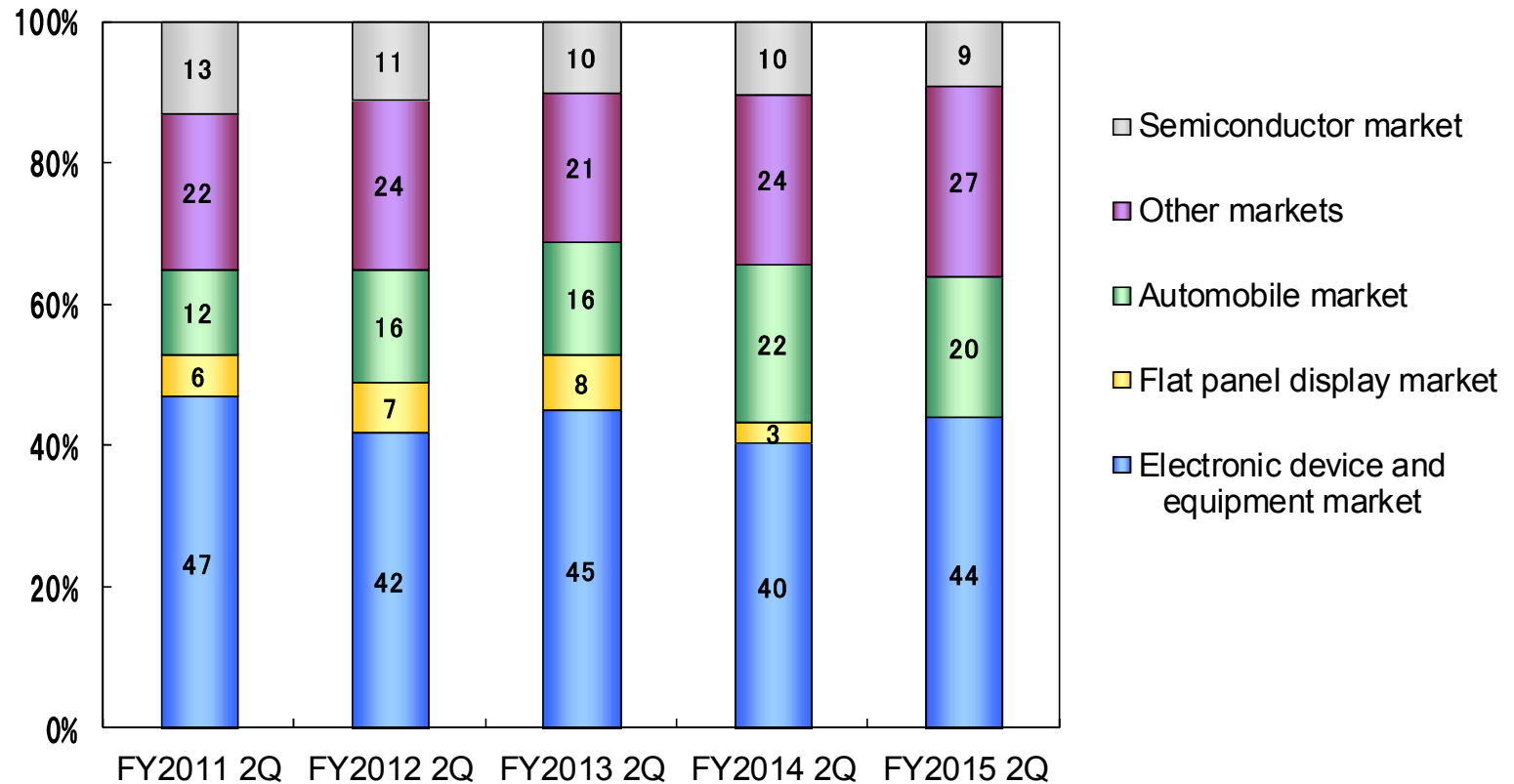
	FY 2014 2Q	FY 2015 2Q		Plan (Beginning of the period)
			Rate of Change	
Orders- Received	678	808	19.3%	600
Net Sales	553	733	32.6%	500
Operating Income [Profit ratio (%)]	Δ47 [Δ8.6%]	32 [4.4%]	—	Δ40 [Δ8.0%]

Environmental Engineering and Plant Factory

- Environmental engineering in reforestation (tree planting) and the plant factory business performed strongly
- Both orders-received and net sales increased

Breakdown of Sales by Market

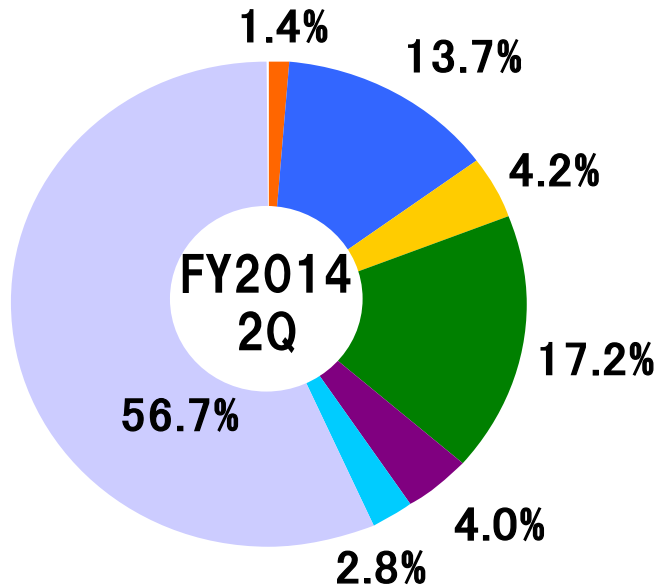
Non-consolidated (Equipment business)



Sales by Region

FY 2014 2Q

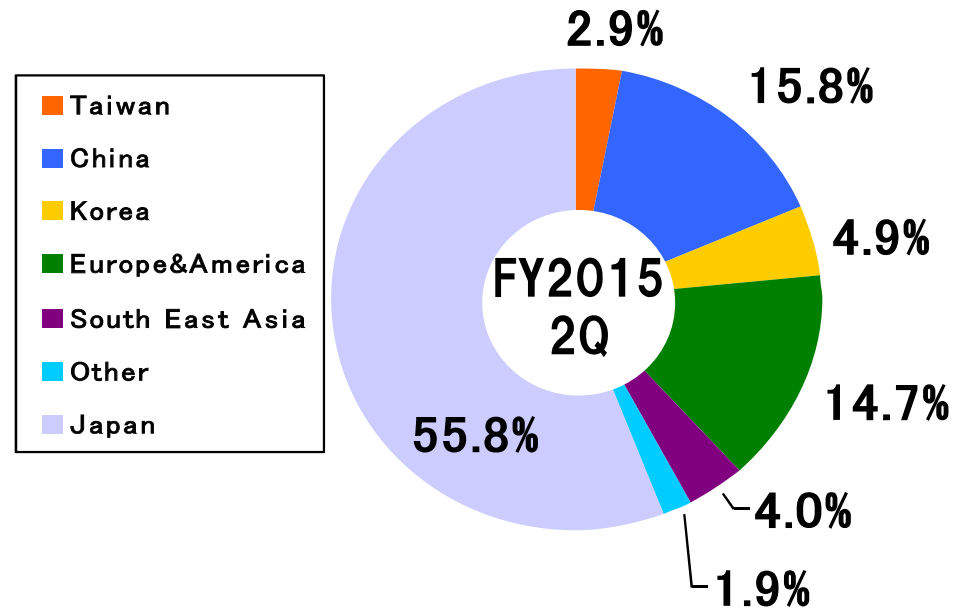
Overseas sales ratio: 43.3%



Total: 14,196 million yen
(Overseas sales: 6,142 million yen)

FY 2015 2Q

Overseas sales ratio: 44.2%



Total: 16,136 million yen
(Overseas sales: 7,125 million yen)

Business Plan for the Fiscal Ending March 31, 2016

Business Plan for the Fiscal Ending March 31, 2016

(millions of yen)

	FY 2014	FY 2015 (Revised Plan)				
	Fiscal (Results)	2Q (Results)	Second half (Plan)	Fiscal (Plan)	Year on Year (%)	Fiscal (Beginning of the period)
Orders-received	36,287	20,764	17,236	38,000	4.7%	36,500
Net sales	33,661	16,136	18,864	35,000	4.0%	35,000
Gross profit [Profit ratio (%)]	12,094 (35.9%)	5,743 [35.6%]	6,656 [35.3%]	12,400 [35.4%]	2.5%	12,400 [35.4%]
Operating income (loss) [Profit ratio (%)]	2,643 (7.9%)	1,133 [7.0%]	1,667 [8.8%]	2,800 [8.0%]	5.9%	2,800 [8.0%]
Ordinary income (loss) [Profit ratio (%)]	3,044 (9.0%)	1,274 [7.9%]	1,726 [9.1%]	3,000 [8.6%]	Δ1.5%	3,000 [8.6%]
Profit attributable to owners of parent [Profit ratio (%)]	2,118 (6.3%)	802 [5.0%]	1,298 [6.9%]	2,100 [6.0%]	Δ0.9%	2,100 [6.0%]
Capital expenditures	954	620	740	1,360	42.6%	1,360
Depreciation expenses	637	368	446	814	27.8%	814
R&D expenditures	1,013	413	637	1,050	3.7%	1,050
Profit Per Share (yen)	91,19	34,70	56,21	90,91	Δ0.3%	90,91

Equipment Business

(millions of yen)

	FY 2014	FY 2015 (Revised Plan)				
	Fiscal (Results)	2Q (Results)	Second half (Plan)	Fiscal (Plan)	Year on Year (%)	Fiscal (Beginning of the period)
Orders-received	29,399	17,156	13,845	31,000	5.4%	29,500
Net sales	26,992	12,909	15,291	28,200	4.5%	28,200
Operating income [Profit ratio (%)]	2,178 [8.1%]	887 [6.9%]	1,413 [9.2%]	2,300 [8.2%]	5.6%	2,300 [8.2%]

Service Business

(millions of yen)

	FY 2014	FY 2015 (Unrevised)			
	Fiscal (Results)	2Q	Second half	Fiscal	
				Year on Year (%)	
Orders-received	5,589	2,944	3,056	6,000	7.4%
Net sales	5,541	2,615	3,185	5,800	4.7%
Operating income [Profit ratio (%)]	430 [7.8%]	215 [8.2%]	285 [8.9%]	500 [8.6%]	16.3%

Other Business

(millions of yen)

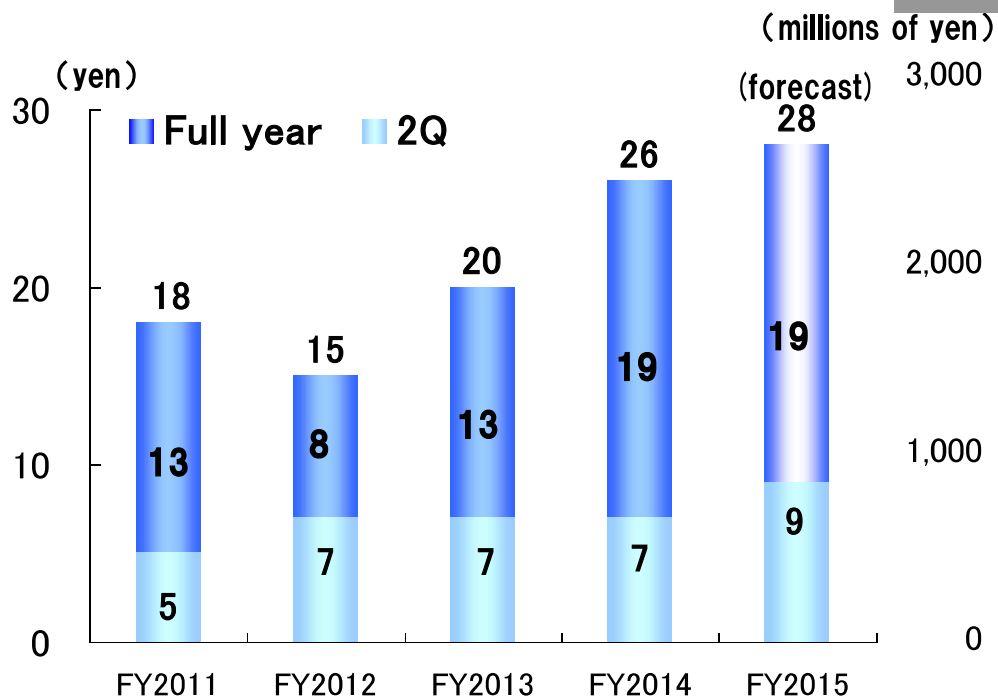
	FY 2014	FY 2015 (Unrevised)			
	Fiscal (Results)	2Q	Second half	Fiscal	
					Year on Year (%)
Orders-received	1,527	808	392	1,200	Δ21.4%
Net sales	1,350	733	467	1,200	Δ11.1%
Operating income [Profit ratio (%)]	34 [2.5%]	32 [4.4%]	Δ22	10 [0.8%]	Δ70.6

Dividends

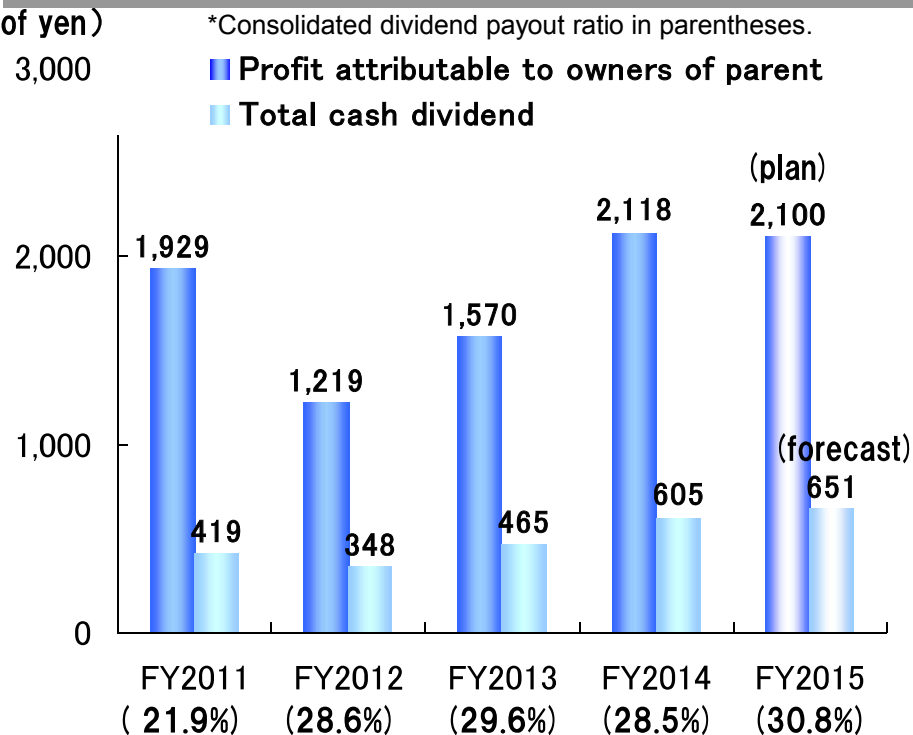
Dividend policy

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



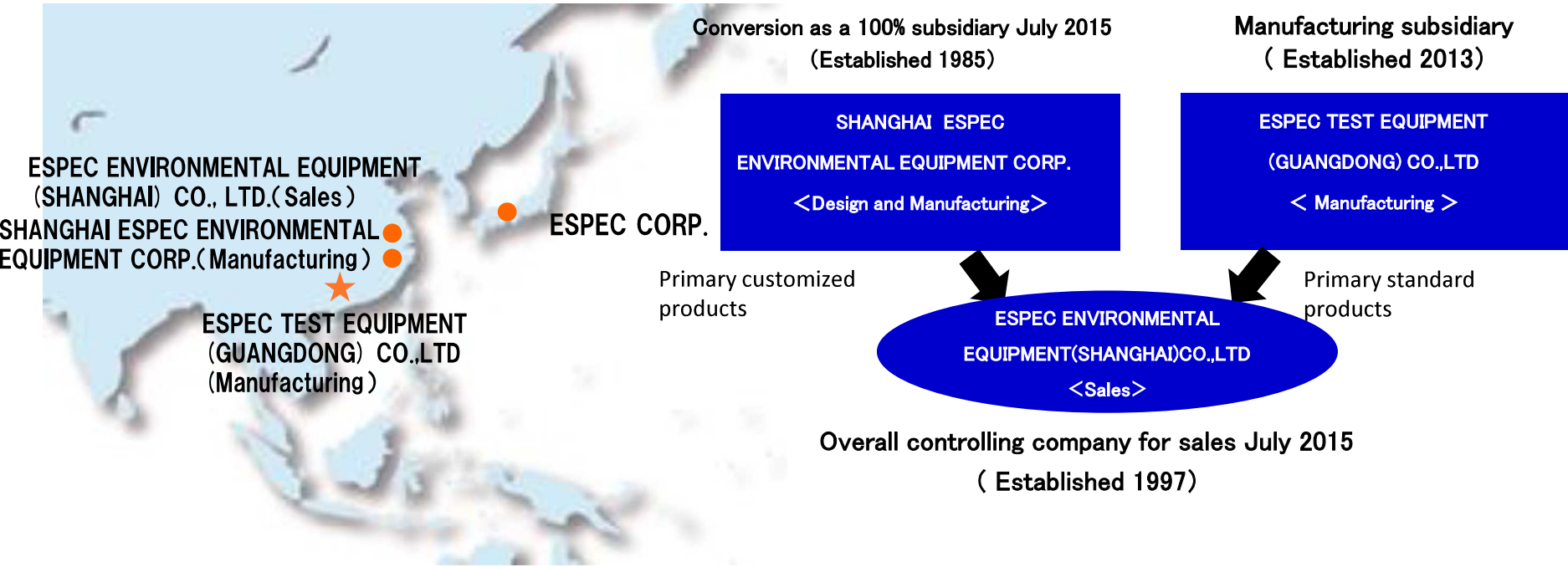
Profit attributable to owners of parent and total cash dividend



Main Initiatives in the Second Quarter of Fiscal 2015 Ending March 31, 2016

Main Initiatives in the Second Quarter of Fiscal 2015 Ending March 31, 2016

Reconstructed the sales and production system in China



Main Initiatives in the Second Quarter of Fiscal 2015 Ending March 31, 2016

**Establishment of ESPEC ENGINEERING (THAILAND) CO., LTD.
Opening of ASEAN Technical Support Center**



ESPEC ENGINEERING (THAILAND) CO., LTD.



Main Initiatives in the Second Quarter of Fiscal 2015 Ending March 31, 2016

Expanded and enhanced global support desks throughout the world

Europe Support Desk

India Support Desk

Mexico Support Desk

ASEAN Support Desk

ASEAN Technical Support Center



ESPEC ENGINEERING (THAILAND) CO., LTD.

Thailand , Amata Nakorn Industrial Estate

Main Initiatives in the Second Quarter of Fiscal 2015 Ending March 31, 2016

The industry-first
"5-year Product Guarantee"

5年保証

Expanded and enhanced
the product lineup for
the automotive market



Temperature & Humidity Chamber
Platinous J Series



Thermal Shock Chamber
TSA Series



Bench-Top Type
Temperature (& Humidity) Chamber



Fuel Cells Evaluation Equipment

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

E-mail: ir-div@espec.jp

Jyunko Nishitani

General Manager

Corporate Communication Department

Yui Ikeshima

Corporate Communication Department

Reference

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.



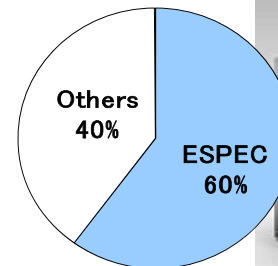
1961 Japan's First Environmental Test Chamber



【 Low temperature & humidity chamber "Lucifer" 】



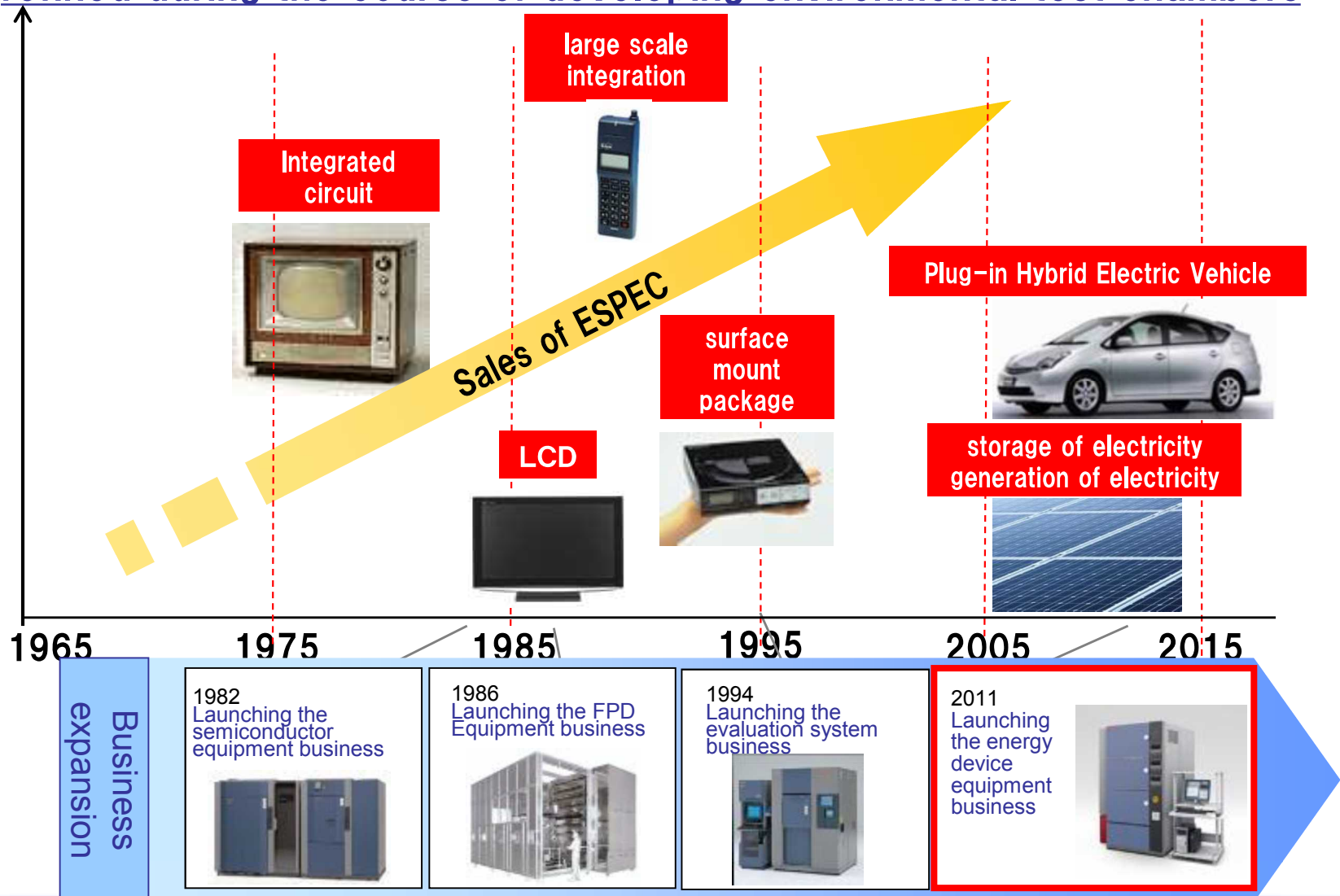
To Domestic Market Share No.1



【 Temperature & humidity chamber "Platinous J series" 】

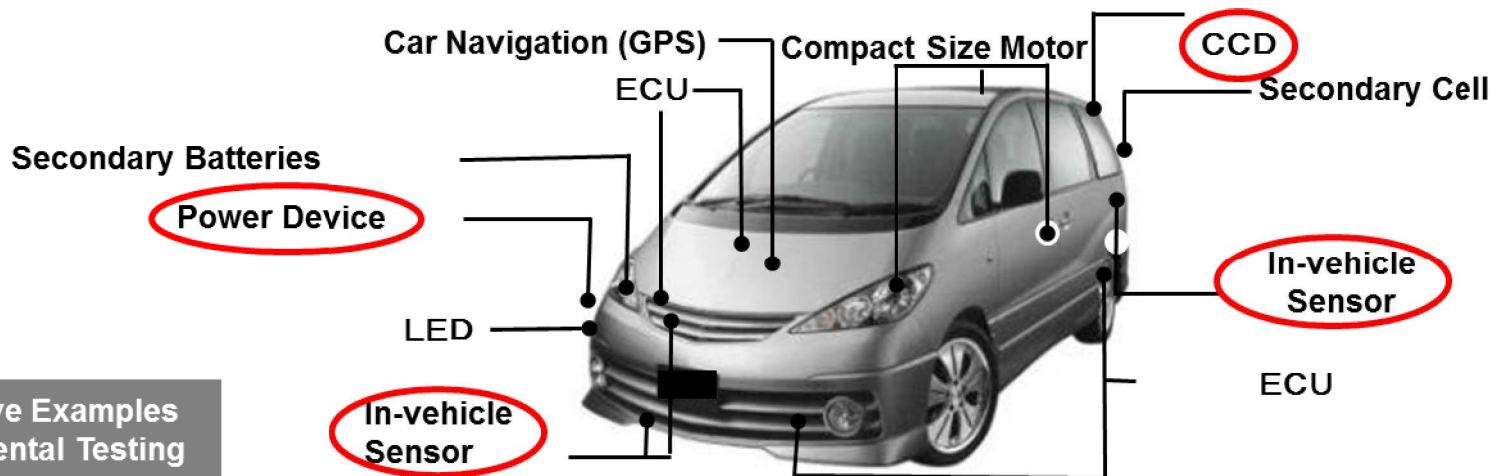
Transition in Business

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






[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
		■ 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: $-40^{\circ}\text{C} \Leftrightarrow +110^{\circ}\text{C}$	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
2015/2	Low Temperature (&Humidity) Chamber	Preservation testing of foods Long-term refrigerated storage testing of pharmaceuticals and cosmetics
2014/11	Thermal Shock Chamber TSA series	Build in state-of-the-art controllers to improve operability
2014/11	Advanced Safety Tester	Conduct three types of safety testing of rechargeable batteries on one platform
2014/11	Advanced Battery Chamber Next	Constant-temperature bath that can control the temperature of the charge-discharge testing of rechargeable batteries with even higher precision
2014/7	Constant Climate Cabinet	<ul style="list-style-type: none"> • 100 V/15 A usable
2014/7	Compact Ultra Low Temperature Chamber	<ul style="list-style-type: none"> • Precise control from -85°C to 180°C
2014/5	Stability Test Chamber / Walk-in Stability Test Chamber	<ul style="list-style-type: none"> • Total lineup of 9 models • Complies with international standards
2013/11	Bench-Top Type Temperature (& Humidity) Chamber	<ul style="list-style-type: none"> • Ease of system configuration • Enhanced network-based functions
2012/12	Advanced Battery Tester Enhance the product lineup	<ul style="list-style-type: none"> • Charge-discharge evaluation systems for Secondary batteries • Increasing test processing volume and test current

[Equipment Business] TOPICS

Bench-top Type Temperature (and Humidity) Chamber wins 2014 Good Design Award

The Bench-top Type Temperature (and Humidity) Chamber has followed on from the Platinous J series of temperature and humidity chambers and won a Good Design Award.

Design features rated highly were incorporating the features in a compact body, thereby making the environmental testing chamber accessible to the researchers or engineers who use it, and the sense unified design between the main device and numerous optional extras.



**GOOD DESIGN
AWARD 2014**



[Service Business] TOPICS

Start the industry-first "5-year Product Guarantee"

In January 2015, ESPEC started a free 5-year product guarantee service based on the two key concepts of "making connections" and "reliability" to build even stronger relationships of trust with our customers

● Applicable products



Temperature & Humidity Chamber
Platinous J Series



Bench-Top Type
Temperature (& Humidity) Chamber



Thermal Shock Chamber
TSA Series

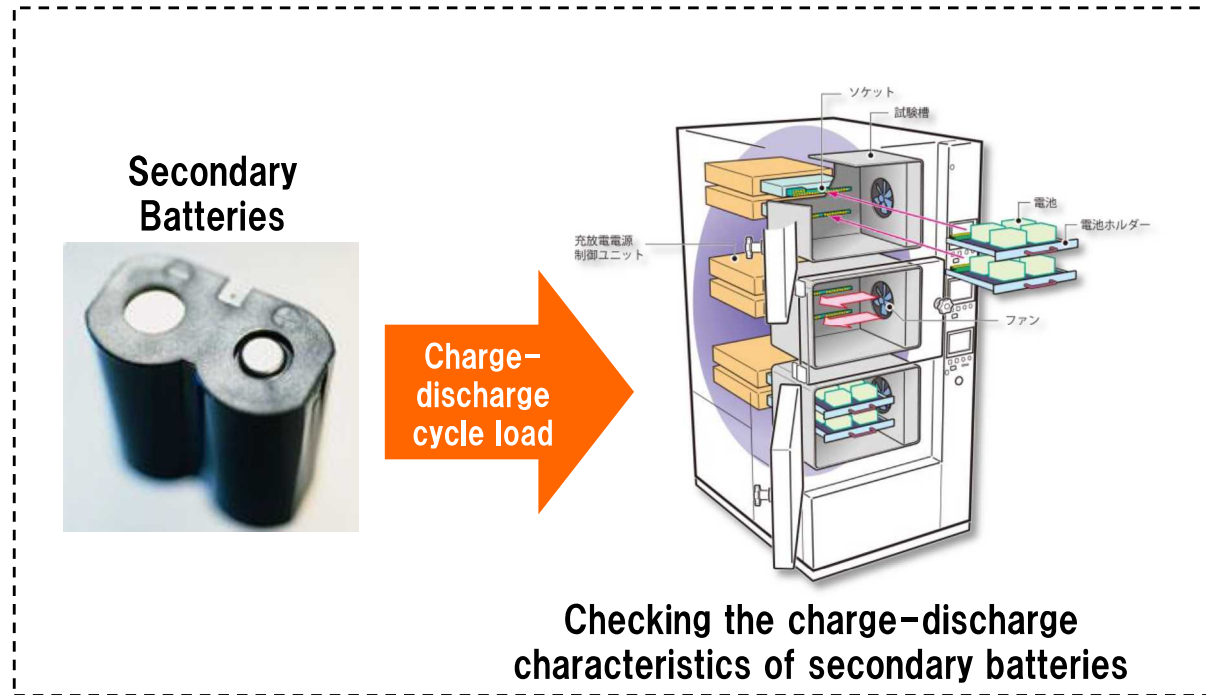
[Equipment Business] Usage Case with Energy Device Equipment

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

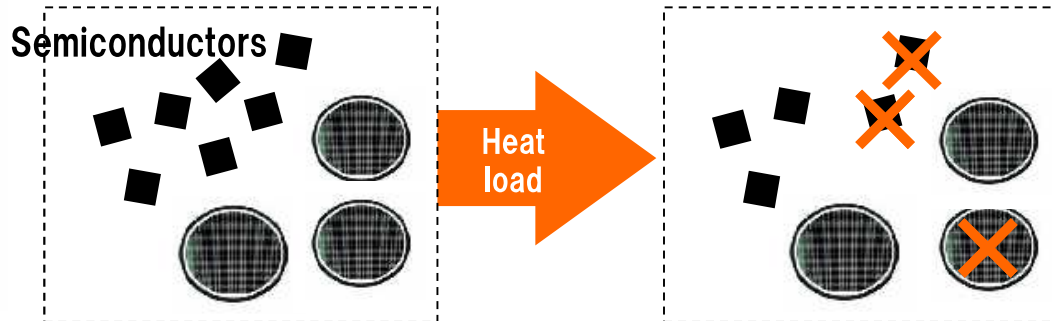
Usage Case with Semiconductor Equipment

Screening

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



Burn-in chamber



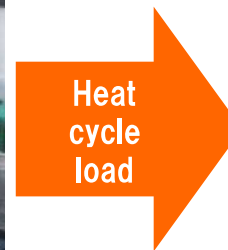
Elimination of latent early failures

Reliability Evaluation

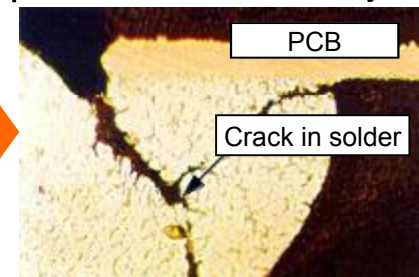
Used to evaluate basic failure patterns to ensure reliability in the development of new technologies



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
- In overseas, established “Global Support Desk”, 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.

- The company has five commissioned test centers in Japan, two commissioned test centers in China. (In Japan, 2 points of Utsunomiya, Toyota, Kariya and Kobe. In China, Shanghai, Suzhou)
- 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).
- About for secondary batteries for automobiles of safety testing and verification services business alliance with TÜV SÜD Japan
- September 2015, Opened the world's first Battery Safety Certification Center.
One-stop provision of 9 safety tests and verification services compliant with UN-agreed regulations



Battery Safety Certification Center
(in Utsunomiya Technocomplex)

[Service Business] TOPICS

Opened the world's first Battery Safety Certification Center

The facility was opened within the Utsunomiya Technocomplex in September 2015. Application for testing and certification compatible with the United Nations Economic Commission for Europe (UN ECE)'s R110-2. Part II global standard for rechargeable battery systems in electric vehicles.

One-stop service providing support.



Battery Safety Certification Center
(in Utsunomiya Technocomplex)



Crush Testing Equipment
(No. 1 Safety Test Room)



No. 2 Safety Test Room

[Other Business]

Environmental Engineering Business

Environmental Engineering Business

■ 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 factory

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



Container plant factory



Phyto-toron

[Service Business] TOPICS

Contribute to the development of technologies protecting agricultural crops from high-temperature damage.

Delivered Phyto-toron systems to the Research Institute of Environment, Agriculture and Fisheries.

Delivered Phyto-toron systems to the Research Institute of Environment, Agriculture and Fisheries



Phyto-toron

(Artificial climate horticulture system)