Financial Accounting Standards Foundation Member

Summary of Financial Results (Consolidated)
for the Fiscal 2011 Ended March 31, 2012
[under Japanese GAAP]

May 15, 2012

Listed Company Name:	ESPEC CORP.
Listed Stock Exchange:	Tokyo, Osaka Stock Exchanges, First Section
Securities Code:	6859
Homepage:	http://www.espec.co.jp
Representative:	Masaaki Ishida, President
Contact:	Nobuyoshi Hiro, Managing Director
Tel:	+81-6-6358-4741
Annual General Shareholders' Meeting (Scheduled):	June 26, 2012
Dividends payment beginning day(Scheduled):	June 27, 2012
Filing of Securities Report *[Yuka shoken hokokusho]*(Scheduled):	June 27, 2012
Preparing Supplementary Material on Financial Results:	Yes
Holding Financial Results Presentation Meeting:	Yes (For Institutional Investors)
U.S. GAAP Accounting standard:	Not Adopted

*The original disclosure in Japanese was released on May 15, 2012 at 14:00. (GMT+9)

(Rounded off to nearest million yen)

1. Consolidated financial results for the fiscal 2011 ended March 31, 2012 (April 1, 2011 ~ March 31, 2012)

(1) Consolidated operating results

(% figures are rates of change in comparison to previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Year Ended March 31, 2012	31,906	7.8	1,828	31.4	2,076	23.3	1,929	16.7
Year Ended March 31, 2011	29,589	24.5	1,391	-	1,683	-	1,654	-

(Note) Statements of comprehensive income Year Ended March 31, 2012 ¥2,042million (56.8%)
Year Ended March 31, 2011 ¥1,302million (-%)

	Net Income Per Share	Diluted Net Income Per Share	Net Income to Shareholders' Equity	Ordinary Income to Total Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
Year Ended March 31, 2012	82.31	-	6.9	5.4	5.7
Year Ended March 31, 2011	70.03	-	6.1	4.6	4.7

(Reference) Equity in earnings of affiliates Year Ended March 31, 2012 ¥153million
Year Ended March 31, 2011 ¥161million

(2) Consolidated financial standing

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity Per Share of Common Stock
	¥ millions	¥ millions	%	Yen
As of March 31, 2012	38,628	29,050	74.8	1,242.02
As of March 31, 2011	37,905	27,580	72.4	1,169.00

(Reference) Shareholders' equity As of March 31, 2012 ¥28,889million
As of March 31, 2011 ¥27,425million

(3) Consolidated status on cash flows

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents at End of Year
	¥ millions	¥ millions	¥ millions	¥ millions
Year Ended March 31, 2012	987	(229)	(912)	9,630
Year Ended March 31, 2011	1,133	(230)	(327)	9,819

2. Dividends

	Dividend Per Share					Total Cash Dividend (Total)	Dividend Payout Ratio (Consolidated)	Ratio of Dividends to Net Assets (Consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Term-end	Total			
	Yen	Yen	Yen	Yen	Yen	¥ millions	%	%
Year Ended March 31, 2011	-	5.00	-	10.00	15.00	353	21.4	1.3
Year Ended March 31, 2012	-	5.00	-	13.00	18.00	419	21.9	1.5
Year Ending March 31, 2013 (Forecast)	-	7.00	-	13.00	20.00		23.3	

3. Forecast of Consolidated Operating Results for the Fiscal 2012 Ending March 31, 2013(April 1, 2012 ~ March 31, 2013)

(% figures for the full-term are rates of change in comparison to previous year and % figures for the six months ended are rates of change in comparison to the same quarter previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	Yen
Six Months Ending September 30, 2012	15,500	8.3	900	58.1	1,000	57.2	700	34.3	30.09
Full-term	35,000	9.7	2,500	36.7	2,700	30.0	2,000	3.6	85.98

4. Others

(1) Transfers of important subsidiaries during the term (transfers of specified subsidiaries entailing changes in the scope of consolidation): No
New (Company name:) Excluded (Company name:)

(2) Changes in accounting policies; changes in accounting estimates; restatements of financial statements
1) Changes in accounting policies due to amendment of accounting standards: No
2) Changes in accounting policies other than above: No
3) Changes in accounting estimates: No
4) Restatements of financial statements: No

(3) Number of outstanding shares (Ordinary shares)

1) Number of outstanding shares at end of term (Including treasury stock):	As of March 31, 2012	23,781,394 shares	As of March 31, 2011	23,781,394 shares
2) Number of treasury stock at end of term:	As of March 31, 2012	521,022 shares	As of March 31, 2011	320,872 shares
3) Average number of shares during the term (Consolidated quarter):	Year Ended March 31, 2012	23,443,868 shares	Year Ended March 31, 2011	23,618,434 shares

* Disclosure Regarding Enactment of Audit Procedures

This earnings report is not subject to the audit procedures stipulated by Japan’s Financial Instruments and Exchange Act. As of the date of release of this report, the Company’s financial statements were undergoing audit procedures stipulated by the Financial Instruments and Exchange Act.

* Explanation of appropriate use of results forecasts and other matters of note

Statements concerning the future such as the results forecasts, etc., included in this document are based on currently available information and certain assumptions judged reasonable and actual results, etc., may differ due to various factors.

Index of Attached Material

1. Operating Results

（1） Analysis of concerning the Operating Results

① Operating Results for Fiscal 2011

During fiscal 2011, the fiscal year ended March 31, 2012, Japan saw its economic activity continue to face a challenging situation. The domestic economy had been recovering from the damage inflicted by the Great East Japan Earthquake and since the beginning of the year had shown bright signs of corrections in the yen's appreciation and recovery in stock prices. However, Japan's economy has been hit by the prolonged deflation, the yen's protracted appreciation, the worsening economic conditions in Europe and North America, and the flooding in Thailand.

The global economy was moving toward a gradual recovery, supported by sustained growth in emerging countries. However, the turmoil of fiscal instability in Europe, the slowing of economic growth in China and the rising prices of crude oil have strengthened concerns about a potential standstill in the recovery of economic conditions.

As regards the Company's main customers, the earthquake, its aftermath and deteriorating business performances have caused some of them to revise or postpone their investment plans. There was also a business failure of a semiconductor maker. However, favorable market conditions saw smartphone- and rechargeable battery-related makers continue to pursue assertive capital investments. In addition, R&D investments were firm for electronic component and electronic equipment makers, and within the automotive industry.

Under these circumstances, the Company focused on expanding sales in favorable markets, including the green technology market primarily for batteries, and launched in the market a full model change of the mainstay Platinous series of temperature and humidity chambers together with an energy saving type of cold impact equipment, with a policy of encouraging existing customers to buy a new model in exchange for their old one. The Company also strengthened its sales activities centered on China and other emerging Asian countries, where the environmental testing market is expanding.

As a result, on a consolidated basis, the amount of orders-received in fiscal 2011 rose 2.5% year on year to ¥31,692 million, and net sales increased 7.8% to ¥31,906 million. On the earnings front, the Company incurred higher fixed costs but there was an increase in net sales and an improvement in the cost rate. Consequently, operating income increased 31.4% year on year to ¥1,828 million, and net income rose 16.7% year on year to ¥1,929 million.

	Year Ended March 31, 2011 (¥ millions)	Year Ended March 31, 2012 (¥ millions)	Change (%)
Orders-Received	30,924	31,692	2.5
Net Sales	29,589	31,906	7.8
Operating Income	1,391	1,828	31.4
Ordinary Income	1,683	2,076	23.3
Net income	1,654	1,929	16.7

② Performance by Segment

Consolidated results by operating segment for fiscal 2011

	Orders-Received	Net Sales	Operating Income
	¥ millions	¥ millions	¥ millions
Equipment Business	25,551	25,889	1,559
Service Business	5,320	5,301	486
Other Business	952	845	(218)
Elimination	(132)	(130)	0
Total	31,692	31,906	1,828

<Equipment Business>

In environmental test chambers, in Japan the Company won more orders for temperature and humidity chambers for R&D applications centered on battery- and smartphone-related and other favorable markets. Turning to overseas markets, the Company continued to obtain favorable orders at affiliates in China and there were business orders for replacing equipment in relation to the flooding in Thailand. The result was a substantial increase in orders-received and net sales, compared with fiscal 2010.

In semiconductor equipment, orders-received were firm for burn-in systems for semiconductor makers due mainly to increased semiconductor production for smartphones, and for evaluation systems. As a result, net sales increased compared with fiscal 2010.

In FPD equipment, the Company received orders for clean ovens for small LCD panels from Taiwanese and Japanese manufacturers. The result was a substantial increase in orders-received compared with fiscal 2010. However, sales in FPD equipment declined on the same period last year because the Company plans to book the sales of some orders-received projects in the next fiscal year.

In energy devices equipment, the Company's subsidiary ESPEC TECHNO CORP. saw firm business primarily with inspection equipment for rechargeable batteries in the fiscal year under review. However, although the parent company ESPEC CORP. received an increase in business inquiries from the third quarter for its manufacturing equipment for rechargeable batteries that contributed to orders-received and sales, both orders-received and net sales fell short of initial targets.

As a result, the Equipment Business as a whole saw orders-received rise 4.0% to ¥25,551 million, and net sales increase by 10.0% to ¥25,889 million, compared with fiscal 2010. Operating income also increased, 29.7% from last year to ¥1,559 million, due to the increase in net sales and the improvement in the cost rate that outweighed higher fixed costs.

	Year Ended March 31, 2011 (¥ millions)	Year Ended March 31, 2012 (¥ millions)	Change (%)
Orders-Received	24,557	25,551	4.0
Net Sales	23,529	25,889	10.0
Operating Income	1,202	1,559	29.7

< Service Business >

In after-sales service and engineering, orders-received were maintained at about the same level as fiscal 2010, despite the impact of the earthquake and its aftermath. Net sales increased due to growth in the after-sales service business.

In commissioned tests and facility rentals, the Company received firm orders from automobile-related manufacturers, its major customers in this sector. Consequently, both orders-received and net sales increased from fiscal 2010.

As a result, the Service Business as a whole recorded the same monetary amount of ¥5,320 orders-received as the previous year, while net sales increased 5.4% to ¥5,301 million. Buoyed by higher sales, operating income rose 84.6% to ¥486 million from last year.

	Year Ended March 31, 2011 (¥ millions)	Year Ended March 31, 2012 (¥ millions)	Change (%)
Orders-Received	5,320	5,320	0.0
Net Sales	5,027	5,301	5.4
Operating Income	263	486	84.6

<Other Business>

In the Other Business, operations in the environmental engineering business and in the plant factory business stagnated due mainly to the fact that government, public offices and customers froze their budgets in the aftermath of the earthquake. Overall therefore, in the Other Business, orders-received fell 18.6% from fiscal 2010 to ¥952 million and net sales declined 27.0% to ¥845 million. As regards earnings, the segment posted an operating loss of ¥218 million. Nevertheless, as initiatives to take effect in the next fiscal year, the Company focused on offering support for “the green coastal levee to protect life” in the Tohoku region, and on developing plant factories in Russia.

	Year Ended March 31, 2011 (¥ millions)	Year Ended March 31, 2012 (¥ millions)	Rate of change (%)
Orders-Received	1,170	952	(18.6)
Net Sales	1,158	845	(27.0)
Operating Income (Loss)	(77)	(218)	-

③ Outlook for Fiscal 2012

As regards the business climate surrounding the ESPEC Group, the global economy remains fraught with uncertainties but the Company expects that business conditions will gradually improve and investment in green innovation will continue to grow. ESPEC’s major customers are expected to increase their R&D investment and capital investment as their business performance recovers. At the same time, the need to save energy will become even greater due mainly to concerns about electricity supply.

In these circumstances, in Japan the Company will endeavor to expand sales by stimulating replacement demand through new energy saving products that have been launched on the market. Overseas, the Company will strive to increase overseas sales by expanding production at overseas subsidiaries and strengthening sales in China and newly emerging

Asian countries.

As a result, the Company's business plan for fiscal 2012 projects that net sales will rise 9.7% to ¥35,000, operating income will increase 36.7% to ¥2,500, and net income will rise 3.6% to ¥2,000.

Forecast of Consolidated Operating Results for Fiscal 2012

(% figures for the full-term are rates of change in comparison to previous year)
(% figures for the six months ended are rates of change in comparison to the same quarter previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	Yen
Six Months Ended September 30, 2012	15,500	8.3	900	58.1	1,000	57.2	700	34.3	30.09
Full-term	35,000	9.7	2,500	36.7	2,700	30.0	2,000	3.6	85.98

Forecast of Consolidated Operating Results by Segment for Fiscal 2012 (Full-term)

	Orders-Received (¥ millions)	Net Sales (¥ millions)	Operating Income (¥ millions)
Equipment Business	28,000	28,000	1,900
Service Business	5,800	5,600	700
Other Business	1,800	1,500	(100)
Elimination	(100)	(100)	0
Total	35,500	35,000	2,500

* There are marked seasonal fluctuations in the Group's performance based on quarterly sales because of a strong trend towards contractual deliveries occurring in the 2nd and 4th consolidated quarters as a result of customers' budget implementation.

(2)Qualitative information concerning the consolidated financial situation

Total assets at the end of the fiscal year consolidated accounting period were ¥38,628 million, an increase of ¥722 million over the end of the previous consolidated fiscal year. Major factors included a decrease in cash and deposits of ¥1,153 million, an increase of ¥1,124 million in notes and accounts receivable-trade, an increase of ¥1,000 million in short-term investment securities, and a decrease of ¥348 million in work in process.

Liabilities were ¥9,578 million, a decrease of ¥746 million against the end of the previous consolidated fiscal year. Major factors included a decrease in notes and accounts payable-trade of ¥816 million, decreases in short- and long-term loans payable of ¥378 million, and an increase in other current liabilities of ¥372 million.

Net assets were ¥29,050 million, an increase of ¥1,469 million against the end of the previous fiscal year. Major factors included an increase of ¥1,575 million in retained earnings and decrease of ¥157 million due to acquisition of treasury stock. As a result, the shareholders' equity ratio stood at 74.8%, an increase of 2.4 points from the end of the previous fiscal year.

Net cash provided by operating activities was ¥987 million. The main factors were ¥2,057 million in income before income taxes and minority interests and a ¥1,177 million increase in notes and accounts receivable-trade.

Net cash used in investing activities was ¥229 million. The main factors were ¥2,258 million for the purchase of trust beneficiary rights, ¥2,337 million as the proceeds from redemption of trust beneficiary rights, and ¥330 million for the purchase of property, plant and equipment and intangible assets.

Net cash used in financing activities was ¥912 million. The main factors were ¥424 million for the repayment of short-term loans payable and long-term loans payable, ¥349 million in cash dividends paid, and ¥157 million for the purchase of treasury stock.

As a result of the foregoing, the balance of cash and cash equivalents decreased ¥189 million from a year earlier to ¥9,630 million at the end of the fiscal year under review.

	As of March 31, 2008	As of March 31, 2009	As of March 31, 2010	As of March 31, 2011	As of March 31, 2012
Shareholders' Equity Ratio (%)	70.6	75.0	76.0	72.4	74.8
Shareholders' Equity Ratio on a Fair Value Basis (%)	54.5	27.6	54.3	42.9	46.7
Average Debt Repayment Period (years)	0.3	0.4	0.1	0.3	0.0
Interest Coverage Ratio (times)	100.7	39.6	95.9	83.9	73.1

(Note) Shareholders' equity ratio = Shareholders' equity / Total assets

Shareholders' equity ratio on a fair value basis = Market capitalization / Total assets

Average debt repayment period = Interest-bearing debt / Net cash provided by operating activities

Interest coverage ratio = Net cash provided by operating activities / Interest expense payments

1. Each index is calculated using figures from the consolidated financial statements.
2. Market capitalization is calculated by multiplying the closing share price at the fiscal year-end by the number of shares issued and outstanding at the fiscal year-end (excluding treasury stock).
3. The cash flow from operating activities is calculated from the net cash provided by operating activities as stated on the consolidated cash flow statements. The interest-bearing debt refers to liabilities booked on the

consolidated balance sheet for which interest is paid, except for leasing liabilities. Interest expense payments are calculated from the interest expenses paid as stated on the consolidated statements of cash flows.

(3)Basic Policy on Profit Distributions and Dividends for Fiscal 2011 and Fiscal 2012

The Company recognizes the return of profits to shareholders as an important management priority, and believes that constantly raising enterprise value is the key element in ensuring improved shareholder returns. Regarding the dividend for fiscal 2010, based on ESPEC's commitment to consistent dividend payments and its consolidated payout ratio, the Company plans to raise its year-end dividend to ¥13 per share. Together with the payment of an interim dividend of ¥5 per share, the Company will pay an annual dividend of ¥18 per share for fiscal 2010.

For fiscal 2012, current projections are for an annual dividend of ¥20 per share, including an interim dividend of ¥7 per share.

(4) Business Risks

①Risk of Fluctuation in Business Performance

The ESPEC Group's main customers are manufacturers in the electronic components, electronic devices, and automotive sectors. Consequently, the Group's business performance is strongly affected by trends in business and capital investment in these industries. ESPEC works to swiftly develop products that meet its customers' diverse needs. At the same time, the Company strives to minimize fluctuations in its own business performance by responding to requests for customization and developing customers in sectors outside of electronics. These efforts notwithstanding, lower levels of capital investment among the Group's main customers due to protracted economic weakness and other factors may adversely impact the business performance of the ESPEC Group.

Furthermore, although the ESPEC Group commands a high market share in Japan, the Japanese market is also a maturing one. As such, the Group is reliant on overseas markets for growth in this business. Emerging markets, particularly the fast-growing markets of Asia, are witnessing entry by a host of companies from around the world, a situation that is fueling intense price competition. The ESPEC Group was among the first in the industry to establish multiple bases in China and Southeast Asia, and has a business framework in place for coping with rapid market expansion. Nevertheless, the Group's business performance may be adversely impacted by competition with U.S. and European environmental test chamber makers, who enjoy a large share of the market in their home countries, as well as by Chinese and Taiwanese manufacturers, who are aiming to enter the market by flooding it with low-priced products.

②Risk Associated with Increasing Overseas Sales Ratio

The ratio of sales from outside Japan for the ESPEC Group accounted for a high 34.1% of Group total sales on a consolidated basis in the fiscal year ended March 31, 2012. Moreover, this percentage is expected to rise further in the future. In terms of business development overseas, the Group's efforts may be hindered by any number of factors that could result in difficult to foresee social turmoil in the countries and regions where it operates. These factors include, but are not limited to, terrorism, political instability, natural disasters, and outbreaks of new strains of influenza or other pandemic diseases. Such problems, should they arise, could adversely impact the Group's financial position and business performance.

With regard to foreign exchange risk, the ESPEC Group believes that its exposure is relatively limited due to hedging operations carried out within certain limits under its risk management policy, as well as the fact that a large proportion of the Group’s export revenues is denominated in Japanese yen.

③Risk Associated with Export Regulations

The Company’s products and technologies are subject to laws and regulations governing exports, such as the Foreign Exchange and Foreign Trade Control Law and its directives (export trade management directive, foreign exchange directive), as well as a related ministerial directive. Based on this, the Group makes every effort to gain a clear picture of export destinations, buyers, uses, and transaction channels as stipulated in the latest legislation. Nevertheless, there is a possibility of resale by the buyer or other parties to countries and users who might use the products or technologies for manufacturing weapons of mass destruction or conventional armaments. The use of the Group’s products and technologies by unanticipated parties in applications for which they were not intended could ultimately have an adverse effect on the ESPEC Group’s business performance.

④Risks Associated with Dependency on Suppliers

The ESPEC Group procures a variety of parts and materials from suppliers. Similarly, the Group engages third-party processing companies as a means of coping with varying manufacturing volumes and efficiently acquiring knowledge of various manufacturing technologies. The Group implements strict transaction controls aimed at these entities, grades them on their quality assurance programs and production and environmental management systems, and provides guidance where necessary, in an effort to cultivate mutual relationships of trust. However, the Group’s own production efforts could become compromised if procurement from these suppliers and third-party processing services is halted due to bankruptcy, an exit from business, or similar factors. In addition, suppliers could provide defective components, leading to serious production delays. In the worst case, this situation could require expensive countermeasures, such as a recall of products already sold.

⑤Risk in Cases of Significant Damage to Key Facilities from Earthquakes or Other Natural Disasters

The ESPEC Group’s key manufacturing and R&D facilities are located in Japan. If these key facilities were to suffer major damage from an earthquake or other natural disaster, it would not only interfere with the Group’s ability to operate, but could potentially require huge sums for repairs or rebuilding. Even in cases in which the Company itself is not directly damaged, business activities could be severely undermined by secondary damage, such as limitations on the supply of electric power and other infrastructure, and the inability to procure necessary components and materials from suppliers.

⑥Risk of Steep Rise in Raw Material Procurement Costs

The raw materials for the products manufactured by the ESPEC Group consist primarily of stainless steel, steel, copper and aluminum. Procurement prices of these materials fluctuate in line with movements on international commodity markets. In the event of a sudden steep rise in raw materials prices, there is a possibility that the Group’s business performance will be adversely affected.

2. Management Policy

(1) Basic Policy for Management of the Company

The Group's mission statement is "To provide a more reliable living environment through services built on environmental creation technology". We believe firmly that growth of the Group in itself serves to achieve this mission, and that this also improves value exchangeability between the Group's various stakeholders, including its shareholders. As a full member of society, one of the Group's key management policies is "respect for social norms and respect for laws", and we regard improvements to value exchangeability as one of our management strategies. We aim to become a company which possesses "outstanding service as a result of its broad-ranging technology and a concentration of knowledge that creates a new level of expectation in our customers", as well as to become "a highly social company that quickly adapts to social change and people's wishes through sensitivity and dynamic preparation". We intend to implement ongoing improvements to corporate value.

(2) Management Index Target

The Group uses the ratio of operating income to sales as an important management index from the perspective of improving business growth and profitability.

(3) The Company's Medium to Long-term Management Strategy and Challenges Facing the Company

ESPEC has formulated its "Progressive Plan 2013," a medium-term management plan covering the three years from fiscal 2011 ended March 31, 2012 through fiscal 2013 ending March 31, 2014. The following gives an overview of its policies and progress made.

1. Basic Policy for the Medium Term

Green Innovation is a Prime Business Opportunity

for Reorienting Our Executive Management to Play Offense!

The basic policy ESPEC will adopt under Progressive Plan 2013 views acceleration of the so-called "green innovation" movement as a prime business opportunity for reorienting executive management to play offence and pursue progressive tactics in business development. The plan will come into effect during fiscal 2011.

2. Targets for Consolidated Revenues and Earnings

	Fiscal 2011	Fiscal 2012	Fiscal 2013
Net Sales	¥millions Over 31,500	¥millions Over 35,000	¥millions Over 40,000
Operating Income	Over 1,300	Over 2,500	Over 3,200
Operating Income Ratio	Over 4%	Over 7%	Over 8%

(Reference) Consolidated financial results for fiscal 2011:

Net sales ¥31,900million Operating income ¥1,800million (Operating income ratio 5.7%)

4. Main Policies

Policy 1: Accelerate growth in the green technology market

The first growth strategy under the plan is to expand business in the green technology market.

For ESPEC, the green technology market is comprised of the technology markets relating to rechargeable batteries, solar batteries and power semiconductors. This green technology market is at the growth and development stage, with solutions gradually being found for technological bottlenecks. This process will generate various needs and expanding business opportunities for ESPEC. Specific measures include the following.

1) ESPEC will bring together its core technologies effectively for the commercialization of highly original and unique industrial equipment and systems.

2) ESPEC will introduce evaluation equipment addressing advanced needs in the development and evaluation of green technology. The Company will also propose products that preempt customer needs in the manufacturing process and inspection field.

3) In these ways, ESPEC will raise its name recognition, invest in R&D and expand its business in the green technology market.

Policy 2: Expand overseas business operations primarily in China and Asia

The second growth strategy under the plan is to expand overseas business operations, with China and Asia as the key markets. ESPEC will also take initiatives to strengthen manufacturing overseas as a measure for countering the yen's abrupt appreciation. Specific initiatives include the following.

1) ESPEC will implement a new round of technology transfers to its overseas Group companies with manufacturing bases in China, the U.S. and South Korea. At the same time, the Company will integrate strategies and strengthen its R&D and manufacturing capabilities as a group.

2) Products addressing the needs of customers overseas will basically be developed in Japan for deployment at overseas Group companies.

3) ESPEC will establish a multidimensional product line combining cost-competitive products from overseas Group companies with high-quality products from Japan that address new needs for reliability, precision performance and environmental specifications[*1]. In parallel, the Company will also strengthen its sales capability and capture demand for the various industrial and testing needs that exist in the Asian market.

4) ESPEC will enhance the collaboration in sales and service among its Group companies in support of the global development of its customers.

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

Although the market for environmental testing in Japan has matured, it can nevertheless be capitalized as the bedrock to the Company's earnings base in supporting growth strategies over the next 10 years. Specific actions in this area include the following.

1) ESPEC will apply "high performance with high environmental specifications"[*2] as a shared concept in promoting model changes for its major products. In this way, the Company will strengthen its product competitiveness and stimulate replacement demand among customers.

2) ESPEC will apply the concept of "external customization and internal standardization" to enhance its capabilities for customizing products. In this way, the Company will capture new needs in fields such as green technology.

The Group will build a product design and manufacturing structure that will enable it to meet customers' custom specification needs by combining standardized modules. In this way, the Company will respond more quickly to the needs of its customers and at a lower cost.

3) ESPEC will develop a new menu for commissioned testing and after-sales services to enhance its capability as a solutions provider. The Company will combine this with its product hardware to raise its value to customers. Furthermore, the Group will build a lineup of network-capable instruments and equipment to promote the systemization of its products.

4) ESPEC will take advantage of the benefit of having merged three Group companies into one in substantially improving its sales and service efficiencies. At the same time, the Group will strengthen its customer contacts with the aim of bolstering its capabilities for gathering information on customer needs. These competencies will be fed back to substantially raise sales productivity and enhance flexibility for responding to customers to stimulate replacement demand.

4. Progress of Main Policies

Policy 1: Accelerate growth in the green technology market

In the rechargeable battery market, against the backdrop of the issuance of the international ISO standard for lithium ion rechargeable batteries installed in cars, orders-received and sales have been strong for charge-discharge test chambers for the performance evaluation, and environmental test equipment for the environmental stress evaluation, of rechargeable batteries. Furthermore, ESPEC established the Battery Solutions System Division in October 2011, and has been attracting business inquiries about the advanced battery tester (charge-discharge cycle evaluation equipment) for the development evaluation field and electrode drying equipment for new capital investment in the production field.

In the solar battery market, ESPEC has continued to achieve favorable orders-received for commissioned testing. Moreover, ESPEC participated in the initiatives of the "International Workshop for Reliability in Solar Battery Modules" organized by the U.S. National Renewable Energy Laboratory to make an international standard for solar battery modules.

In the power semiconductor market, ESPEC made proposals and won orders for specialized equipment for the development evaluation of power semiconductors built into inverters for electric vehicles (EVs) and hybrid electric vehicles (HEVs).

Policy 2: Expand overseas business operations primarily in China and Asia

ESPEC's overseas affiliates that underpin growth in the Chinese and other Asian markets achieved strong orders-received and sales. Moreover, the Company actively developed new customers in the green technology market in China and other Asian countries, and focused on initiatives towards favorable markets such as rechargeable batteries built into smartphones and tablet-type terminals.

Furthermore, ESPEC endeavored to expand overseas production on the assumption of a protracted yen appreciation, and pushed forward with preparations to extend plants and augment equipment at bases in South Korea, China, and North America.

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

ESPEC launched in the market its Platinous J series of temperature and humidity chambers with excellent energy saving performance, together with the TSA series of thermal shock chamber and the E series of walk-in type temperature and humidity chamber, with a policy of encouraging existing customers to buy a new model in exchange for their old one. The Company also proceeded to win new business inquiries targeting advanced companies involved with the development of new materials.

In the plant factory business, ESPEC focused on attracting business inquiries from Russia and other countries overseas, and worked to establish standard modules with the aim of raising quality and cutting costs.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2011	As of March 31, 2012
Assets		
Current assets		
Cash and deposits	8,511	7,357
Notes and accounts receivable-trade	12,090	13,215
Short-term investment securities	1,300	2,300
Merchandise and finished goods	225	368
Work in process	1,527	1,179
Raw materials and supplies	1,039	1,038
Deferred tax assets	524	722
Other	1,457	1,323
Allowance for doubtful accounts	(11)	(11)
Total current assets	26,666	27,494
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	8,829	8,733
Accumulated depreciation	(5,662)	(5,711)
Buildings and structures, net	3,166	3,021
Machinery, equipment and vehicles	1,172	1,189
Accumulated depreciation	(947)	(992)
Machinery, equipment and vehicles, net	224	197
Tools, furniture and fixtures	3,079	3,216
Accumulated depreciation	(2,699)	(2,802)
Tools, furniture and fixtures, net	380	413
Land	4,413	4,407
Lease assets	47	90
Accumulated depreciation	(9)	(21)
Lease assets, net	38	68
Construction in progress	7	15
Total property, plant and equipment	8,230	8,124
Intangible assets		
Other	285	253
Total Intangible assets	285	253
Investments and other assets		
Investment securities	1,637	1,651
Deferred tax assets	17	11
Other	1,157	1,125
Allowance for doubtful accounts	(89)	(33)
Total investments and other assets	2,723	2,755
Total noncurrent assets	11,239	11,134
Total assets	37,905	38,628

(Millions of yen)

	As of March 31, 2011	As of March 31, 2012
Liabilities		
Current liabilities		
Notes and accounts payable-trade	5,654	4,837
Short-term loans payable	200	-
Current portion of long-term loans payable	10	-
Income taxes payable	62	128
Provision for bonuses	366	385
Provision for directors' bonuses	7	2
Provision for product warranties	188	273
Other	2,046	2,418
Total current liabilities	8,535	8,046
Noncurrent liabilities		
Long-term loans payable	168	-
Deferred tax liabilities	103	119
Provision for retirement benefits	42	23
Provision for directors' retirement benefits	44	44
Asset retirement obligations	49	51
Deferred tax liabilities for land revaluation	716	627
Other	665	666
Total noncurrent liabilities	1,789	1,531
Total liabilities	10,325	9,578
Net assets		
Shareholders' equity		
Capital stock	6,895	6,895
Capital surplus	7,172	7,172
Retained earnings	15,294	16,869
Treasury stock	(202)	(360)
Total shareholders' equity	29,160	30,577
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	166	227
Deferred gains or losses on hedges	(5)	-
Revaluation reserve for land	(828)	(741)
Foreign currency translation adjustment	(1,067)	(1,174)
Total accumulated other comprehensive income	(1,734)	(1,687)
Minority interests	155	160
Total net assets	27,580	29,050
Total liabilities and net assets	37,905	38,628

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

Consolidated Statements of Income

(Millions of yen)

	Year Ended March 31, 2011	Year Ended March 31, 2012
Net sales	29,589	31,906
Cost of sales	20,370	21,367
Gross profit	9,219	10,538
Selling, general and administrative expenses		
Salaries and allowances	2,376	2,526
Development and research expenses	1,092	1,358
Provision for bonuses	107	113
Provision for product warranties	155	248
Commission fee	831	944
Provision for directors' bonuses	7	2
Other	3,257	3,517
Total selling, general and administrative expenses	7,827	8,710
Operating income	1,391	1,828
Non-operating income		
Interest income	25	21
Dividends income	57	59
Amortization of negative goodwill	26	-
Equity in earnings of affiliates	161	153
Other	85	83
Total non-operating income	357	318
Non-operating expenses		
Interest expenses	12	16
Loss on sales of securities	2	5
Foreign exchange losses	20	25
Commission fee	15	13
Other	13	7
Total non-operating expenses	64	69
Ordinary income	1,683	2,076
Extraordinary income		
Gain on sales of noncurrent assets	0	0
Reversal of allowance for doubtful accounts	9	-
Gain on sales of investment securities	54	20
Total extraordinary income	63	21
Extraordinary loss		
Loss on retirement of noncurrent assets	5	12
Loss on valuation of investment securities	35	21
Impairment loss	2	6
Loss on adjustment for changes of accounting standard for asset retirement Obligations	36	-
Other	5	0
Total extraordinary loss	85	40
Income before income taxes	1,661	2,057
Income taxes-current	215	256
Income taxes-deferred	(227)	(193)
Total income taxes	(12)	62
Income before minority interests	1,674	1,995
Minority interests in income	19	65
Net Income	1,654	1,929

Consolidated Statements of Comprehensive Income

	Year Ended March 31, 2011	Year Ended March 31, 2012
Income before minority interests	1,674	1,995
Other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	(31)	61
Deferred gains or losses on hedges, net of tax	(3)	5
Revaluation reserve for land, net of tax	-	88
Foreign currency translation adjustment, net of tax	(282)	(105)
Share of other comprehensive income of associates accounted for using equity method	(54)	(2)
Total other comprehensive income	(371)	47
Comprehensive income	1,302	2,042
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	1,297	1,987
Comprehensive income attributable to minority interests	4	64

(3) Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Year Ended March 31, 2011	Year Ended March 31, 2012
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	6,895	6,895
Balance at the end of current period	6,895	6,895
Capital surplus		
Balance at the beginning of current period	7,172	7,172
Balance at the end of current period	7,172	7,172
Retained earnings		
Balance at the beginning of current period	13,829	15,294
Changes of items during the period		
Dividends from surplus	(189)	(351)
Net Income	1,654	1,929
Other	0	(2)
Total changes of items during the period	1,464	1,575
Balance at the end of current period	15,294	16,869
Treasury stock		
Balance at the beginning of current period	(53)	(202)
Changes of items during the period		
Purchase of treasury stock	(149)	(157)
Total changes of items during the period	(149)	(157)
Balance at the end of current period	(202)	(360)
Total shareholders' equity		
Balance at the beginning of current period	27,844	29,160
Changes of items during the period		
Dividends from surplus	(189)	(351)
Net Income	1,654	1,929
Purchase of treasury stock	(149)	(157)
Other	0	(2)
Total changes of items during the period	1,315	1,417
Balance at the end of current period	29,160	30,577

(Millions of yen)

	Year Ended March 31, 2011	Year Ended March 31, 2012
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	197	166
Changes of items during the period		
Net changes of items other than shareholders' equity	(31)	61
Total changes of items during the period	(31)	61
Balance at the end of current period	166	227
Deferred gains or losses on hedges		
Balance at the beginning of current period	(2)	(5)
Changes of items during the period		
Net changes of items other than shareholders' equity	(3)	5
Total changes of items during the period	(3)	5
Balance at the end of current period	(5)	-
Revaluation reserve for land		
Balance at the beginning of current period	(826)	(828)
Changes of items during the period		
Net changes of items other than shareholders' equity	(1)	86
Total changes of items during the period	(1)	86
Balance at the end of current period	(828)	(741)
Foreign currency translation adjustment		
Balance at the beginning of current period	(745)	(1,067)
Changes of items during the period		
Net changes of items other than shareholders' equity	(321)	(106)
Total changes of items during the period	(321)	(106)
Balance at the end of current period	(1,067)	(1,174)
Total valuation and translation adjustments		
Balance at the beginning of current period	(1,376)	(1,734)
Changes of items during the period		
Net changes of items other than shareholders' equity	(358)	46
Total changes of items during the period	(358)	46
Balance at the end of current period	(1,734)	(1,687)
Minority interests		
Balance at the beginning of current period	169	155
Changes of items during the period		
Net changes of items other than shareholders' equity	(13)	5
Total changes of items during the period	(13)	5
Balance at the end of current period	155	160
Net assets		
Balance at the beginning of current period	26,637	27,580
Changes of items during the period		
Dividends from surplus	(189)	(351)
Net Income	1,654	1,929
Purchase of treasury stock	(149)	(157)
Other	0	(2)
Net changes of items other than shareholders' equity	(372)	52
Total changes of items during the period	943	1,469
Balance at the end of current period	27,580	29,050

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Year Ended March 31, 2011	Year Ended March 31, 2012
Net cash provided by (used in) operating activities		
Income before income taxes	1,661	2,057
Depreciation and amortization	712	740
Impairment loss	2	6
Increase (decrease) in allowance for doubtful accounts	(14)	(16)
Increase (decrease) in provision for retirement benefits	(31)	(18)
Increase (decrease) in provision for directors' bonuses	1	(5)
Loss (gain) on valuation of investment securities	35	21
Interest and dividends income	(82)	(80)
Interest expenses	12	16
Loss (gain) on sales of securities	2	3
Equity in (earnings) losses of affiliates	(161)	(153)
Decrease (increase) in notes and accounts receivable-trade	(2,353)	(1,177)
Decrease (increase) in inventories	(842)	(67)
Increase (decrease) in notes and accounts payable-trade	1,823	(790)
Other, net	571	357
Subtotal	1,335	891
Interest and dividends income received	135	225
Interest expenses paid	(13)	(16)
Income taxes paid (refund)	(325)	(112)
Net cash provided by (used in) operating activities	1,133	987
Net cash provided by (used in) investing activities		
Purchase of trust beneficiary right	(2,219)	(2,258)
Proceeds from redemption of trust beneficiary right	1,957	2,337
Purchase of property, plant and equipment and intangible assets	(157)	(330)
Proceeds from sales of property, plant and equipment and intangible assets	1	1
Purchase of investment securities	(2)	(1)
Proceeds from sales and redemption of investment securities	188	45
Payments of loans receivable	(0)	(1)
Collection of loans receivable	2	1
Other, net	-	(22)
Net cash provided by (used in) investing activities	(230)	(229)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	630	50
Decrease in short-term loans payable	(600)	(250)
Repayment of long-term loans payable	(10)	(174)
Cash dividends paid	(188)	(349)
Cash dividends paid to minority shareholders	(1)	(17)
Purchase of treasury stock	(149)	(157)
Other, net	(7)	(14)
Net cash provided by (used in) financing activities	(327)	(912)
Effect of exchange rate change on cash and cash equivalents	(130)	(34)
Net increase(decrease) in cash and cash equivalents	444	(189)
Cash and cash equivalents at the beginning of current period	9,374	9,819
Cash and cash equivalents at the end of current period	9,819	9,630

(5) Notes to the Consolidated Financial Statements

Segment Information

1. Overview of reportable segments

ESPEC's reportable segments refer to those components of the Company for which separate financial information is available and such information is reviewed regularly by the Board of Directors in determining the allocation of resources and in evaluating performance.

The Company classifies its business activities into segments according to the business format. There are three reportable segments: Equipment Business, Service Business, and Other Business.

The Equipment Business provides environmental test chambers, energy device equipment, semiconductor equipment, and FPD equipment. The Service Business is engaged in after service engineering, commissioned testing, and rentals. The Other Business is involved with environmental engineering and new businesses.

2. Method of calculating the monetary values of net sales, income or loss, assets, and other items of each reportable segment

Accounting treatment methods for reportable segments are the same as the methods shown in the "Important Matters Concerning the Basis for Preparing Consolidated Financial Statements." Inter-segment sales and transfers are based on market prices and certain other factors.

3. Information concerning the monetary values of net sales, income or loss, assets and other items of each reportable segment

Previous consolidated fiscal year (April 1, 2010 ~ March 31, 2011)

	Reportable segment			Total (¥ millions)	Adjustment *1 (¥ millions)	Carried Amount on Consolidated Financial Statements *2 (¥ millions)
	Equipment Business (¥ millions)	Service Business (¥ millions)	Other Business (¥ millions)			
Net Sales						
(1) Sales to External Customers	23,529	4,904	1,155	29,589	-	29,589
(2) Internal Sales or Transfers between Segments	0	123	2	125	(125)	-
Total	23,529	5,027	1,158	29,715	(125)	29,589
Segment Income (Loss)	1,202	263	(77)	1,389	1	1,391
Segment Assets	20,108	5,084	878	26,071	11,864	37,905
Other						
Depreciation Expenses	470	222	10	703	(0)	703
Increases in Property, Plant and Equipment and Intangible Assets	164	212	29	406	14	421

(Note) 1. Adjustments are as follows.

1) "Adjustment" for segment sales mainly represents eliminations of inter-segment transactions.

2) "Adjustment" for segment income or segment loss mainly represents eliminations of inter-segment transactions.

3)"Adjustment" for segment assets mainly represents eliminations of inter-segment transactions and company-wide assets. Company-wide assets of ¥11,950 million primarily consist of surplus working capital at the parent company (cash and deposits, short-term investment securities, etc.), long-term investment funds (investment securities) and assets related to administrative divisions.

4) "Adjustment" for depreciation expenses mainly represents eliminations of inter-segment transactions.

5) "Adjustment" for increases in property, plant and equipment and intangible assets mainly represents eliminations of inter-segment transactions and company-wide assets.

2. Segment income or segment loss is adjusted to be consistent with the operating income stated in the consolidated statements of income.

This consolidated fiscal year (April 1, 2011 ~ March 31, 2012)

	Reportable segment			Total (¥ millions)	Adjustment *1 (¥ millions)	Carried Amount on Consolidated Financial Statements *2 (¥ millions)
	Equipment Business (¥ millions)	Service Business (¥ millions)	Other Business (¥ millions)			
Net Sales						
(1) Sales to External Customers	25,888	5,174	843	31,906	-	31,906
(2) Internal Sales or Transfers between Segments	1	126	2	130	(130)	-
Total	25,889	5,301	845	32,036	(130)	31,906
Segment Income (Loss)	1,559	486	(218)	1,827	0	1,828
Segment Assets	21,779	4,717	743	27,240	11,388	38,628
Other						
Depreciation Expenses	490	232	8	731	(0)	731
Increases in Property, Plant and Equipment and Intangible Assets	362	257	1	622	32	654

(Note) 1. Adjustments are as follows.

1) "Adjustment" for segment sales mainly represents eliminations of inter-segment transactions.

2) "Adjustment" for segment income or segment loss mainly represents eliminations of inter-segment transactions.

3)"Adjustment" for segment assets mainly represents eliminations of inter-segment transactions and company-wide assets. Company-wide assets of ¥11,950 million primarily consist of surplus working capital at the parent company (cash and deposits, short-term investment securities, etc.), long-term investment funds (investment securities) and assets related to administrative divisions.

4) "Adjustment" for depreciation expenses mainly represents eliminations of inter-segment transactions.

5) "Adjustment" for increases in property, plant and equipment and intangible assets mainly represents eliminations of inter-segment transactions and company-wide assets.

2. Segment income or segment loss is adjusted to be consistent with the operating income stated in the consolidated statements of income.