



Summary of Financial Results (Consolidated)
for the Second Quarter of Fiscal 2014 Ending March 31, 2015
[under Japanese GAAP]

October 31, 2014

Listed Company Name: ESPEC CORP.
Listed Stock Exchange: Tokyo Stock Exchanges, First Section
Securities Code: 6859
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Dividends Payment Beginning Day: December 3, 2014
Preparing Supplementary Material on Quarterly Financial Results: Yes
Holding Quarterly Financial Results Presentation Meeting: Yes (For Institutional Investors)
*The original disclosure in Japanese was released on October 31, 2014 at 14:20. (GMT+9)

(Rounded off to nearest million yen)

1. Consolidated financial results for the 2nd quarter of fiscal 2014 ending March 31, 2015 (April 1, 2014 ~ September 30, 2014)

(1) Consolidated operating results (cumulative)

(% figures are rates of change in comparison to the same period last year)

	Net Sales		Operating Income		Ordinary Income		Quarterly Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
First six months ended September 30, 2014	14,196	1.1	837	23.1	953	17.5	590	17.2
First six months ended September 30, 2013	14,039	(1.8)	680	(20.0)	811	(7.4)	503	(18.5)

(Note) Statements of comprehensive income First six months ended September 30, 2014 ¥506million [(56.9%)]
First six months ended September 30, 2013 ¥1,176million [106.2%]

	Net Income Per Share	Net income Per Share, Diluted
	Yen	Yen
First six months ended September 30, 2014	25.38	-
First six months ended September 30, 2013	21.65	-

(2) Consolidated financial standing

	Total Assets	Net assets	Shareholders' Equity Ratio	Shareholders' Equity Per Share
	Million Yen	Million Yen	%	Yen
As of September 30, 2014	42,113	33,078	77.9	1,411.09
As of March 31, 2014	43,031	32,811	75.6	1,399.52

(Reference) Shareholders' equity As of September 30, 2014 ¥32,821million
As of March 31, 2014 ¥32,552 million

2. Dividends

	Annual dividends				
	End of 1 st quarter	End of 2 nd quarter	End of 3 rd quarter	Term-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2014	-	7.00	-	13.00	20.00
Fiscal year ended March 31, 2015	-	7.00			
Fiscal year ending March 31, 2015 (forecast)			-	13.00	20.00

(Note) Has there been a correction in the dividend forecast this quarter: No

3. Forecast of consolidated operating results for fiscal 2014 ending March 31, 2015 (April 1, 2014 ~ March 31, 2015)

(% figures for the whole term are rates of change in comparison to last year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
Fiscal year ending March 31, 2015	33,000	2.8	2,300	10.7	2,400	1.3	1,600	1.9	68.79

(Note) Has there been a correction in the results forecast this quarter: No

4. Others

(1) Transfers of important subsidiaries during this quarter (transfers of specified subsidiaries entailing changes in the scope of consolidation):

No

New (Company name:) Excluded (Company name:)

(2) Application of special accounting methods in the creation of quarterly consolidated financial statements: Yes

(Note) For details, see "2. (2)" under "Application of special accounting methods in the creation of quarterly consolidated financial statements" on p.5.

(3) Changes in accounting policies; changes in accounting estimates; restatements of financial statements

1) Changes in accounting policies due to amendment of accounting standards: Yes

2) Changes in accounting policies other than above: No

3) Changes in accounting estimates: No

4) Restatements of financial statements: No

(Note) For details, see "2. (3)" under "Changes in Accounting Policies, Estimates and Restatement of Revisions" on p.5.

(4) Number of outstanding shares (Ordinary shares)

1) Number of outstanding shares at end of term

(Including treasury stock):

2) Quantity of treasury stock at end of term:

3) Average number of shares during the term

(First two quarters

Consolidated quarter):

As of September 30, 2014	23,781,394 shares	As of March 31, 2014	23,781,394 shares
As of September 30, 2014	521,815 shares	As of March 31, 2014	521,715 shares
First six months ended September 30, 2014	23,259,614 shares	First six months ended September 30, 2013	23,259,860 shares

* Indication regarding execution of quarterly procedures

This quarterly financial results report is not subject to the quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial results report, the quarterly review procedures were used in accordance with 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. Please refer to "Description of consolidated operating forecasts and other forward-looking information" on page 4 for forecast assumptions and notes of caution for usage.

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1. Qualitative Information concerning Consolidated Financial Results

(1) Description of operating results

During the first six months of fiscal 2014 (the “first half”), the Japanese economy gradually recovered from a fallback after a surge in demand ahead of a consumption tax rate increase, and continued on an overall recovery trend underpinned by expansion in the U.S economy and increased competitiveness among Japanese companies due to the yen’s depreciation. However, the situation was clouded by concerns over the global economic impact of the slowdown in Europe and geopolitical risks in the Middle East.

Of the Company’s main customers, automotive manufacturers continued to invest aggressively, while investment activity improved in other manufacturing sectors.

In this environment, the Company strengthened marketing activities in the U.S., China and Southeast Asia, and focused on winning more orders in the green technology market, primarily eco-cars.

As a result, in the consolidated results for the first half of fiscal 2014, the amount of orders-received increased 12.0% year on year to ¥17,418 million and net sales increased 1.1% to ¥14,196 million. On the earnings front, operating income increased 23.1% year on year to ¥837 million and net income rose 17.2% year on year to ¥590 million.

	Previous consolidated 2 nd quarter (Fiscal 2013) (Million Yen)	This consolidated 2 nd quarter (Fiscal 2014) (Million Yen)	Change (%)
Orders-Received	15,551	17,418	12.0
Net Sales	14,039	14,196	1.1
Operating Income	680	837	23.1
Ordinary Income	811	953	17.5
Quarterly net Income	503	590	17.2

Performance by Segment

This consolidated 2nd quarter (Fiscal 2014)

	Orders-Received	Net Sales	Operating Income (Loss)
	Million Yen	Million Yen	Million Yen
Equipment Business	14,004	11,166	698
Service Business	2,860	2,594	186
Other Business	678	553	(47)
Elimination	(124)	(118)	0
Total	17,418	14,196	837

[Equipment Business]

In environmental test chambers, with investment demand improving in Japan, the Company saw strong business for highly versatile standardized products. Overseas, exports to China and Europe and sales by the Company's U.S. subsidiaries increased from the same period a year earlier. As a result, both orders-received and net sales of environmental test chambers on the whole increased year on year during the first half of the fiscal year under review.

In energy devices equipment, both orders-received and net sales increased from the same period the year before, atop orders the Company won for the Charge-discharge Evaluation System for secondary batteries, and firm sales of power device evaluation systems.

In semiconductor equipment, orders received from certain semiconductor and automotive-related manufacturers supported a year-on-year increase in orders-received. However, net sales fell in comparison to strong performance in the first half of the previous fiscal year.

In FPD equipment, the Company has been working to selectively win orders on the basis of profitability; however there were few large business deals in the six months under review. Both orders-received and net sales declined in comparison to the same period a year ago.

As a result, the Equipment Business as a whole saw orders-received increase 10.4% to ¥14,004 million and net sales decrease 1.4% to ¥11,166 million compared to the first half of the previous fiscal year. In terms of profit, net income was ¥698 million, up 21.5% year on year due to changes in sales composition and other factors.

	Previous consolidated 2 nd quarter (Fiscal 2013) (Million Yen)	This consolidated 2 nd quarter (Fiscal 2014) (Million Yen)	Change (%)
Orders-Received	12,682	14,004	10.4
Net Sales	11,320	11,166	(1.4)
Operating Income	575	698	21.5

[Service Business]

In after-sales service and engineering, both orders-received and net sales increased year on year as a result of customers relaxing their grip on expense reduction.

In commissioned tests and facility rentals, the core test consulting operation saw growth in the automobile market.

Consequently, both orders-received and net sales increased year on year.

As a result, the Company's Service Business on the whole recorded increases in orders-received and net sales of 14.7% to ¥2,860 million, and 12.5% to ¥2,594 million, respectively, compared to the first half of the previous fiscal year. As a result operating income increased 5.0% year on year to ¥186 million.

	Previous consolidated 2 nd quarter (Fiscal 2013) (Million Yen)	This consolidated 2 nd quarter (Fiscal 2014) (Million Yen)	Change (%)
Orders-Received	2,493	2,860	14.7
Net Sales	2,306	2,594	12.5
Operating Income	177	186	5.0

[Other Business]

In the Other Business, strong performance in environmental engineering in reforestation (tree planting) and the plant factory business drove orders-received to increase 46.0% year on year to ¥678 million for the first half of the fiscal year under review. Net sales increased 11.3% year on year to ¥553 million. As for earnings, the segment posted an operating loss of ¥47 million, however this was an improvement from the first half of the previous fiscal year.

	Previous consolidated 2 nd quarter (Fiscal 2013) (Million Yen)	This consolidated 2 nd quarter (Fiscal 2014) (Million Yen)	Change (%)
Orders-Received	464	678	46.0
Net Sales	496	553	11.3
Operating loss	(72)	(47)	-

* 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) Description of financial position

Total assets at the end of the second quarter consolidated accounting period were ¥42,113 million, a decrease of ¥917 million from the end of the previous consolidated fiscal year. Major factors included an increase of ¥220 million in cash and deposits, a decrease of ¥2,443 million in notes and accounts receivable-trade, an increase of ¥653 million in inventories and work in process, and an increase of ¥517 million in noncurrent assets. Liabilities were ¥9,035 million, a decrease of ¥1,184 million against the end of the previous consolidated fiscal year. Major factors included a decrease of ¥868 million in notes and accounts payable-trade, a decrease of ¥215 million in income taxes payable. Net assets were ¥33,078 million, an increase of ¥266 million from the end of the previous fiscal year. Major factors included an increase of ¥350 million due to retained earnings foreign currency translation adjustment, and an increase of ¥199 million in valuation difference on available-for-sale securities, and a decrease of ¥291 million in foreign currency translation adjustment.

(3) Description of consolidated operating forecasts and other forward-looking information

The Company has revised its consolidated financial forecasts for the first half of fiscal 2014, which were previously announced on May 14, 2014. For details, please see the "Notice of Revisions of Financial Forecasts" issued today (October 31, 2014).

No revisions were made to the Company's dividend and full-term consolidated business forecasts for the fiscal year ending March 31, 2015

Moreover, as for important risks that may impact on actual performance, although there is no change to the Business Risks section on page 6 of the Summary of Financial Results (Consolidated) for Fiscal 2013 Ended March 31, 2014, the factors that impact on performance are not limited to these.

2. Summary Information (Other)

(1) Transfers of important subsidiaries during this quarter

No applicable

(2) Application of special accounting methods in the creation of quarterly consolidated financial statements

For tax expenses, the Company has adopted the method of reasonably estimating the effective tax rate after applying tax effect accounting to net income before taxes for the current consolidated fiscal year, and then multiplying quarterly net income before taxes by the relevant estimated effective tax rate. However, when the tax expenses calculated using the relevant estimated effective tax rate are notably irrational, tax expenses shall be calculated using the statutory effective tax rate.

(3) Changes in Accounting Policies, Estimates and Restatement of Revisions

Change in accounting policy

(Accounting standard applied to retirement benefits)

With regard to Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012, hereinafter the "Retirement Benefits Accounting Standard") and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012, hereinafter the "Retirement Benefits Guidance") the Company has adopted the provisions of Article 35 of the Retirement Benefits Accounting Standard and Article 67 of the Retirement Benefits Guidance from the first quarter ended June 30, 2014. As a result, the Company revised its calculation method of retirement benefit obligations and service costs, and changed its method for attributing estimated retirement benefits to accounting periods from the straight-line method to the benefit formula method. At the same time, the method for determining the discount rate was changed to apply a single weighted-average discount rate reflecting the estimated period of benefit payments and amounts to be paid in each period. Formerly, this discount rate was based on a close approximation of the number of years the Company's employees had on average until retirement.

With regard to the adoption of the retirement benefit accounting standards, the Company has followed the transitional treatment in Article 37 of the Retirement Benefits Accounting Standard. Accordingly, the amounts that correspond to the effect of the change in retirement benefit accounting standards were added to, or deducted from, the starting balance of retained earnings for the first quarter ended June 30, 2014.

The effect of this change on the consolidated financial statements for the first half quarter was negligible.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million Yen)

	As of March 31, 2013	As of September 30, 2014
Assets		
Current assets		
Cash and deposits	8,954	9,174
Notes and accounts receivable - trade	12,868	10,424
Securities	4,401	4,401
Merchandise and finished goods	340	582
Work in process	952	1,326
Raw materials and supplies	1,226	1,263
Other	1,767	1,899
Allowance for doubtful accounts	(7)	(5)
Total current assets	30,503	29,067
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,186	3,250
Land	4,424	4,420
Other, net	1,646	1,688
Total property, plant and equipment	9,257	9,359
Intangible assets	246	288
Investments and other assets	3,022	3,397
Total non-current assets	12,527	13,045
Total assets	43,031	42,113
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,104	4,236
Income taxes payable	545	330
Provision for bonuses	360	357
Provision for directors' bonuses	6	-
Provision for product warranties	216	191
Other	2,264	2,144
Total current liabilities	8,497	7,260
Non-current liabilities		
Provision for directors' retirement benefits	19	12
Net defined benefit liability	96	40
Asset retirement obligations	51	52
Other	1,554	1,668
Total non-current liabilities	1,721	1,774
Total liabilities	10,219	9,035

(Million Yen)

	As of March 31, 2013	As of September 30, 2014
Net assets		
Shareholders' equity		
Capital stock	6,895	6,895
Capital surplus	7,172	7,172
Retained earnings	18,838	19,189
Treasury shares	(360)	(360)
Total shareholders' equity	32,546	32,897
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	813	1,012
Revaluation reserve for land	(743)	(743)
Foreign currency translation adjustment	33	(258)
Remeasurements of defined benefit plans	(97)	(87)
Total accumulated other comprehensive income	5	(76)
Minority interests	258	256
Total net assets	32,811	33,078
Total liabilities and net assets	43,031	42,113

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

Quarterly Consolidated Statements of Income
(First six months ended September 30, 2014)

(Million Yen)

	First six months ended September 30, 2013	First six months ended September 30, 2014
Net sales	14,039	14,196
Cost of sales	9,250	8,981
Gross profit	4,788	5,215
Selling, general and administrative expenses		
Salaries and allowances	1,212	1,239
Provision for bonuses	107	106
Provision for product warranties	81	79
Provision of allowance for doubtful accounts	0	-
Provision for directors' bonuses	1	-
Other	2,703	2,951
Total selling, general and administrative expenses	4,108	4,377
Operating income	680	837
Non-operating income		
Interest income	15	20
Dividend income	34	34
Foreign exchange gains	51	35
Other	37	33
Total non-operating income	138	122
Non-operating expenses		
Interest expenses	0	0
Commission fee	4	4
Other	2	1
Total non-operating expenses	8	7
Ordinary income	811	953
Extraordinary income		
Gain on sales of non-current assets	0	1
Gain on sales of investment securities	1	-
Total extraordinary income	2	1
Extraordinary losses		
Loss on retirement of non-current assets	2	0
Other	-	0
Total extraordinary losses	2	0
Income before income taxes and minority interests	811	954
Income taxes - current	282	350
Income before minority interests	528	604
Minority interests in income	25	13
Net income	503	590

Quarterly Consolidated Statements of Comprehensive Income
(First six months ended September 30, 2014)

(Million Yen)

	First six months ended September 30, 2013	First six months ended September 30, 2014
Income before minority interests	528	604
Other comprehensive income		
Valuation difference on available-for-sale securities	193	199
Foreign currency translation adjustment	454	(307)
Remeasurements of defined benefit plans, net of tax	—	10
Total other comprehensive income	647	(97)
Comprehensive income	1,176	506
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,120	508
Comprehensive income attributable to minority interests	56	(2)

(3) Notes to the quarterly consolidated financial statements

(Notes on the assumption of a going concern)

No applicable

(Notes on significant changes in shareholder s' equity)

No applicable

(Segment information)

I Previous consolidated 2nd quarter (From April 1, 2013 to September 30, 2013)

1. Information concerning the net sales and income or loss of each reportable segment

(Million Yen)

	Reportable segment			Total	Adjustment *1	Carried amount on quarterly consolidated statements of income *2
	Equipment Business	Service Business	Other Business			
Net Sales						
(1) Sales to external customers	11,320	2,230	488	14,039	-	14,039
(2) Internal sales or transfers between segments	-	75	8	84	(84)	-
Total	11,320	2,306	496	14,123	(84)	14,039
Segment income (loss)	575	177	(72)	680	0	680

*Notes:

1. "Adjustment" for segment income mainly represents eliminations of inter-segment transactions.
2. Segment income was reconciled with the operating income presented in the Quarterly Consolidated Statement of Income.

2. Information related to impairment loss on fixed assets, and goodwill, etc. for each reporting segment.

No applicable

II This consolidated 2nd quarter (From April 1, 2014 to September 30, 2014)

1. Information concerning the net sales and income or loss of each reportable segment

(Million Yen)

	Reportable segment			Total	Adjustment *1	Carried amount on quarterly consolidated statements of income *2
	Equipment Business	Service Business	Other Business			
Net Sales						
(1) Sales to external customers	11,158	2,485	552	14,196	-	14,196
(2) Internal sales or transfers between segments	8	108	0	118	(118)	-
Total	11,166	2,594	553	14,314	(118)	14,196
Segment income (loss)	698	186	(47)	837	0	837

*Notes:

1. "Adjustment" for segment income mainly represents eliminations of inter-segment transactions.
2. Segment income was reconciled with the operating income presented in the Quarterly Consolidated Statement of Income.

2. Information related to impairment loss on fixed assets, and goodwill, etc. for each reporting segment.

No applicable