



Summary of Financial Results (Consolidated)
for the First Quarter of Fiscal 2016 Ending March 31, 2017
[under Japanese GAAP]

July 29, 2016

Listed Company Name: ESPEC CORP.
Listed Stock Exchange: Tokyo Stock Exchanges, First Section
Securities Code: 6859
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Planned Date of Filing of Quarterly Report: August 5, 2016
Dividends Payment Beginning Day: -
Preparing Supplementary Material on Quarterly Financial Results: No
Holding Quarterly Financial Results Presentation Meeting: No
U.S. GAAP Accounting standard: Not Adopted
*The original disclosure in Japanese was released on July 29, 2016 at 14:00. (GMT+9)

(Rounded off to nearest million yen)

1. Consolidated financial results for the 1st quarter of fiscal 2016 ending March 31, 2017 (April 1, 2016 ~ June 30, 2016)

(1) Consolidated operating results (cumulative)

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

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
First three months ended June 30, 2016	7,419	17.3	(55)	-	(161)	-	(182)	-
First three months ended June 30, 2015	6,325	13.5	(111)	-	(10)	-	(55)	-

(Note) Statements of comprehensive income First three months ended June 30, 2016 ¥(735) million [- %]
First three months ended June 30, 2015 ¥ 162 million [- %]

	Net Income Per Share	Net income Per Share, Diluted
	Yen	Yen
First three months ended June 30, 2016	(8.03)	-
First three months ended June 30, 2015	(2.42)	-

(2) Consolidated financial standing

	Total Assets	Net assets	Shareholders' Equity Ratio	Shareholders' Equity Per Share
	Million Yen	Million Yen	%	Yen
As of June 30, 2016	44,794	34,387	76.8	1,508.98
As of March 31, 2016	48,045	35,633	74.2	1,564.55

(Reference) Shareholders' equity As of June 30, 2016 ¥34,387 million
As of March 31, 2016 ¥35,633million

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, 2016	-	9.00	-	23.00	32.00
Fiscal year ended March 31, 2017	-				
Fiscal year ending March 31, 2017 (forecast)		12.00	-	24.00	36.00

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

3. Forecast of consolidated operating results for fiscal 2016 ending March 31, 2017 (April 1, 2016 ~ March 31, 2017)

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

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent		Net Income Per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
Six Months Ending September 30, 2016	18,000	11.6	1,400	23.6	1,450	13.8	1,000	24.7	43.89
Full-term	39,000	(0.1)	3,600	2.2	3,700	3.6	2,600	7.9	114.10

(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.4.

(3) 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

(4) Number of outstanding shares (Ordinary shares)

1) Number of outstanding shares at end of term (Including treasury stock):

As of June 30, 2016	23,781,394 shares	As of March 31, 2016	23,781,394 shares
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2) Quantity of treasury stock at end of term:

As of June 30, 2016	993,014 shares	As of March 31, 2016	1,005,514 shares
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3) Average number of shares during the term (Consolidated quarter):

First three months ended June 30, 2016	22,783,847 shares	First three months ended June 30, 2015	23,109,081 shares
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* 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 three months of fiscal 2016, the year ending March 31, 2017, the outlook of the Japanese economy remained uncertain due to the slowdown in the Chinese economy and the yen's appreciation. Furthermore, the situation was clouded by concerns over the global economic impact of the UK's decision to leave the EU as a result of a national referendum, financial turmoil stemming from the yen's ongoing appreciation and the significant stock declines, together with other factors. Of the Company's main customers, automotive manufacturers invested aggressively, while electronics-related manufacturers continued to invest.

In this environment, the Company strived to increase sales in overseas markets by further strengthening Group collaboration. At the same time, it worked on expanding its business domain in the automotive market centered on the development of eco-cars and the life-science market centered on pharmaceuticals.

As a result, in the consolidated results for the first quarter of the fiscal year, the amount of orders-received increased 10.1% year on year to ¥9,615 million and net sales increased 17.3% to ¥7,419 million. On the earnings front, the Company posted a ¥55 million operating loss and a ¥182 net loss attributable to owners of the parent, reflecting the impact of exchange losses.

	Previous consolidated 1 st quarter (Fiscal 2015) (Million Yen)	This consolidated 1 st quarter (Fiscal 2016) (Million Yen)	Change (%)
Orders-Received	8,734	9,615	10.1
Net Sales	6,325	7,419	17.3
Operating Loss	(111)	(55)	-
Ordinary Loss	(10)	(161)	-
Loss attributable to owners of parent	(55)	(182)	-

Performance by Segment

This consolidated 1st quarter (Fiscal 2016)

	Orders-Received	Net Sales	Operating Income (Loss)
	Million Yen	Million Yen	Million Yen
Equipment Business	7,775	6,063	(35)
Service Business	1,494	1,193	11
Other Business	397	215	(31)
Elimination	(51)	(52)	0
Total	9,615	7,419	(55)

[Equipment Business]

In the environment test chambers field, in Japan the Company saw strong business for highly versatile standardized products, as well as for walk-in type temperature & humidity chambers and customized products centered on the automotive market. Overseas, exports grew steadily, mainly to China, and sales by the Company's U.S. subsidiary increased year on year. As a result, both orders-received and net sales of environmental test chambers on the whole increased year on year during the three months under review.

In the energy devices equipment field, both overall orders-received and net sales increased year on year due to strong sales of fuel cell evaluation systems.

In the semiconductor equipment field, an uptrend in orders from smartphone-related manufacturers and automotive manufacturers drove a year on year increase in both orders-received and net sales.

As a result, the Equipment Business as a whole saw orders-received increase 10.3% to ¥7,775 million and net sales increase 20.5% to ¥6,063 million compared to the first quarter of the previous fiscal year. As for profits, the Company incurred a ¥35 million operating loss in the Equipment Business.

	Previous consolidated 1 st quarter (Fiscal 2015) (Million Yen)	This consolidated 1 st quarter (Fiscal 2016) (Million Yen)	Change (%)
Orders-Received	7,047	7,775	10.3
Net Sales	5,032	6,063	20.5
Operating Loss	(135)	(35)	-

[Service Business]

In after-sales service and engineering, orders-received increased year on year and net sales were about the same as the first quarter of the previous fiscal year.

In the commissioned tests and facility rentals field, the core test consulting operation saw steady growth in the automobile market. Orders-received were about the same as the first quarter of the previous fiscal year, and 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 5.7% to ¥1,494 million, and 2.1% to ¥1,193 million, respectively, compared to the first quarter of the previous fiscal year. Operating income decreased 70.8% year on year to ¥11 million as a result of the cost ratio deteriorating.

	Previous consolidated 1 st quarter (Fiscal 2015) (Million Yen)	This consolidated 1 st quarter (Fiscal 2016) (Million Yen)	Change (%)
Orders-Received	1,414	1,494	5.7
Net Sales	1,168	1,193	2.1
Operating Income	37	11	(70.8)

[Other Business]

The plant factory business performed well with orders-received increasing 10.3% to ¥397 million and net sales increasing 28.3 % to ¥215 million, compared to the first quarter of the previous fiscal year. As for earnings, the segment posted an operating loss of ¥31 million as a result of the cost ratio deteriorating.

	Previous consolidated 1 st quarter (Fiscal 2015) (Million Yen)	This consolidated 1 st quarter (Fiscal 2016) (Million Yen)	Change (%)
Orders-Received	360	397	10.3
Net Sales	167	215	28.3
Operating Loss	(14)	(31)	-

* 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 first quarter consolidated accounting period were ¥44,794 million, a decrease of ¥3,251 million over the end of the previous consolidated fiscal year. Major factors included a ¥649 million decrease in cash and deposits and a ¥3,100 million decrease in notes and accounts receivable-trade and a ¥583 million increase in electronically recorded monetary claims-operating. Liabilities were ¥10,406 million, a decrease of ¥2,004 million from the end of the previous consolidated fiscal year. Major factors included a ¥1,143 million decrease in notes and accounts payable-trade and a ¥537 million decrease in income taxes payable. Net assets were ¥34,387 million, a decrease of ¥1,246 million against the end of the previous consolidated fiscal year. Major factors included a ¥708 million decrease in retained earnings and a ¥404 million decrease in foreign currency translation adjustment.

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

With regard to the consolidated performance forecasts for the first six months of fiscal 2016 and for full-year fiscal 2016, the Company is not revising the original forecasts because there are currently no conditions requiring us to revise these business performance forecasts.

Moreover, as regards 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 2015 Ended March 31, 2016, 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. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

(Million Yen)

	As of March 31, 2016	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	8,299	7,649
Notes and accounts receivable - trade	15,968	12,868
Electronically recorded monetary claims - operating	989	1,573
Securities	1,901	1,901
Merchandise and finished goods	896	1,157
Work in process	1,792	1,941
Raw materials and supplies	1,656	1,754
Other	2,184	2,144
Allowance for doubtful accounts	(49)	(42)
Total current assets	33,640	30,949
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,689	3,600
Land	4,462	4,452
Other, net	1,929	1,795
Total property, plant and equipment	10,081	9,848
Intangible assets		
Goodwill	706	643
Other	419	386
Total intangible assets	1,126	1,029
Investments and other assets	3,197	2,966
Total non-current assets	14,405	13,844
Total assets	48,045	44,794
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,540	2,397
Electronically recorded obligations - operating	3,208	3,159
Income taxes payable	581	44
Provision for bonuses	417	635
Provision for directors' bonuses	9	—
Provision for product warranties	309	292
Provision for loss on order received	41	33
Other	2,674	2,289
Total current liabilities	10,783	8,851
Non-current liabilities		
Long-term loans payable	86	86
Net defined benefit liability	55	56
Provision for directors' retirement benefits	12	12
Asset retirement obligations	52	52
Other	1,420	1,346
Total non-current liabilities	1,628	1,555
Total liabilities	12,411	10,406

(Million Yen)

	As of March 31, 2016	As of June 30, 2016
Net assets		
Shareholders' equity		
Capital stock	6,895	6,895
Capital surplus	6,914	6,914
Retained earnings	22,441	21,732
Treasury shares	(1,090)	(1,075)
Total shareholders' equity	35,161	34,467
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	823	664
Revaluation reserve for land	(659)	(659)
Foreign currency translation adjustment	532	128
Remeasurements of defined benefit plans	(224)	(212)
Total accumulated other comprehensive income	472	(80)
Total net assets	35,633	34,387
Total liabilities and net assets	48,045	44,794

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
Quarterly Consolidated Statements of Income
(First three months ended June 30, 2016)

	(Million Yen)	
	Three months ended June 30, 2015	Three months ended June 30, 2016
Net sales	6,325	7,419
Cost of sales	4,275	5,073
Gross profit	2,050	2,346
Selling, general and administrative expenses		
Salaries and allowances	643	676
Provision for bonuses	60	61
Provision for product warranties	35	45
Amortization of goodwill	—	16
Other	1,421	1,601
Total selling, general and administrative expenses	2,161	2,401
Operating loss	(111)	(55)
Non-operating income		
Interest income	7	4
Dividend income	44	27
Foreign exchange gains	24	—
Other	28	23
Total non-operating income	105	54
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	—	155
Commission fee	2	2
Other	1	3
Total non-operating expenses	4	161
Ordinary loss	(10)	(161)
Extraordinary income		
Gain on sales of non-current assets	—	0
Gain on sales of investment securities	0	—
Total extraordinary income	0	0
Extraordinary losses		
Loss on sales of non-current assets	—	0
Loss on retirement of non-current assets	0	0
Loss on valuation of investment securities	—	8
Total extraordinary losses	0	8
Loss before income taxes	(10)	(169)
Income taxes - current	43	13
Loss	(54)	(182)
Profit attributable to non-controlling interests	1	—
Loss attributable to owners of parent	(55)	(182)

Quarterly Consolidated Statements of Comprehensive Income
(First three months ended June 30, 2016)

(Million Yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Loss	(54)	(182)
Other comprehensive income		
Valuation difference on available-for-sale securities	212	(159)
Foreign currency translation adjustment	3	(404)
Remeasurements of defined benefit plans, net of tax	0	11
Total other comprehensive income	216	(552)
Comprehensive income	162	(735)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	160	(735)
Comprehensive income attributable to non-controlling interests	1	—

(3) Notes to the quarterly consolidated financial statements

(Notes on the assumption of a going concern)

No applicable

(Note on significant changes in shareholders' equity)

Not applicable

(Segment information)

I Previous consolidated 1st quarter (From April 1, 2015 to June 30, 2015)

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

	Reportable segment			Total (Million Yen)	Adjustment *1 (Million Yen)	Carried amount on quarterly consolidated statements of income *2 (Million Yen)
	Equipment Business (Million Yen)	Service Business (Million Yen)	Other Business (Million Yen)			
Net Sales						
(1) Sales to external customers	5,032	1,125	167	6,325	-	6,325
(2) Internal sales or transfers between segments	0	43	0	43	(43)	-
Total	5,032	1,168	167	6,368	(43)	6,325
Segment income (loss)	(135)	37	(14)	(111)	0	(111)

*Notes:

1. "Adjustment" for segment income (loss) mainly represents eliminations of inter-segment transactions.
2. Segment income (loss) 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 1st quarter (From April 1, 2016 to June 30, 2016)

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

	Reportable segment			Total (Million Yen)	Adjustment *1 (Million Yen)	Carried amount on quarterly consolidated statements of income *2 (Million Yen)
	Equipment Business (Million Yen)	Service Business (Million Yen)	Other Business (Million Yen)			
Net Sales						
(1) Sales to external customers	6,061	1,143	214	7,419	-	7,419
(2) Internal sales or transfers between segments	1	49	0	52	(52)	-
Total	6,063	1,193	215	7,471	(52)	7,419
Segment income (loss)	(35)	11	(31)	(55)	0	(55)

*Notes:

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