



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

October 31, 2016

Listed Company Name:	ESPEC CORP.
Listed Stock Exchange:	Tokyo Stock Exchanges, First Section
Securities Code:	6859
Homepage:	http://www.espec.co.jp
Representative:	Masaaki Ishida, President
Contact:	Keiji Oshima, Director
Tel:	+81-6-6358-4741
Planned Date of Filing of Quarterly Report:	November 11, 2016
Dividends Payment Beginning Day:	December 5, 2016
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, 2016 at 14:00. (GMT+9)

(Rounded off to nearest million yen)

1. Consolidated financial results for the 2nd quarter of fiscal 2016 ending March 31, 2017 (April 1, 2016 ~ September 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 six months ended September 30, 2016	17,250	6.9	1,009	(11.0)	833	(34.6)	512	(36.1)
First six months ended September 30, 2015	16,136	13.7	1,133	35.4	1,274	33.7	802	35.9

(Note) Statements of comprehensive income First six months ended September 30, 2016 ¥(689)million [- %]
First six months ended September 30, 2015 ¥813million [60.6%]

	Net Income Per Share	Net income Per Share, Diluted
	Yen	Yen
First six months ended September 30, 2016	22.47	-
First six months ended September 30, 2015	34.70	-

(2) Consolidated financial standing

	Total Assets	Net assets	Shareholders' Equity Ratio	Shareholders' Equity Per Share
	Million Yen	Million Yen	%	Yen
As of September 30, 2016	43,953	34,469	78.4	1,510.60
As of March 31, 2016	48,045	35,633	74.2	1,564.55

(Reference) Shareholders' equity As of September 30, 2016 ¥34,469million
As of March 31, 2016 ¥35,633 million

2. Dividends

	Annual dividends				
	End of 1 st quarter	End of 2 nd quarter	End of 3 rd quarter	Term-end	Annual
Fiscal year ended March 31, 2016	- Yen	9.00 Yen	- Yen	23.00 Yen	32.00 Yen
Fiscal year ended March 31, 2017	-	12.00			
Fiscal year ending March 31, 2017 (forecast)			-	20.00	32.00

(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
Fiscal year ending March 31, 2017	38,000	(2.7)	3,000	(14.8)	2,850	(20.2)	2,000	(17.0)	87.72

(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 page 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):

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, 2016	23,781,394 shares	As of March 31, 2016	23,781,394 shares
As of September 30, 2016	962,694 shares	As of March 31, 2016	1,005,514 shares
First six months ended September 30, 2016	22,799,153 shares	First six months ended September 30, 2015	23,122,902 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.

Index of Attached Material

1. Qualitative Information concerning Consolidated Financial Results -----	2
(1) Description of operating results -----	2
(2) Description of financial position -----	4
(3) Description of consolidated operating forecasts and other forward-looking information -----	4
2. Summary Information (Others) -----	4
(1) Transfers of important subsidiaries during this quarter -----	4
(2) Application of special accounting methods in the creation of quarterly consolidated financial statements -----	4
3. Quarterly Consolidated Financial Statements -----	5
(1) Quarterly Consolidated Balance Sheets -----	5
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	
Quarterly Consolidated Statements of Income	
(First Six months ended September 30, 2016) -----	7
Quarterly Consolidated Statements of Comprehensive Income	
(First Six months ended September 30, 2016) -----	8
(3) Notes to the quarterly consolidated financial statements -----	9
(Notes on the assumption of a going concern) -----	9
(Note on significant changes in shareholders' equity) -----	9
(Segment information)-----	9

1. Qualitative Information concerning Consolidated Financial Results

(1) Description of operating results

During the first half of fiscal 2016, the year ending March 31, 2017, the Japanese economy saw a continued gradual recovery associated with an improvement in the employment and income environment. However, the outlook of the Japanese economy remained uncertain due to concerns, including the yen's appreciation, the slowdown in the Chinese economy, and problems associated with the UK's decision to leave the EU.

Of the Company's main customers, automotive manufacturers continued to invest aggressively.

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 in which the development of eco-cars such as electric vehicles and automated driving technology is accelerating, and the "food and drug markets" centered on pharmaceuticals.

As a result, in the consolidated results for the first half of fiscal 2016, the amount of orders-received decreased 4.1% year on year to ¥19,914 million and net sales increased 6.9% to ¥17,250 million. On the earnings front however, the Company posted a ¥1,009 million operating income, down 11.0% year on year, mainly due to the cost ratio deteriorating, and a ¥512 million net profit attributable to owners of the parent, down 36.1% year on year, reflecting the impact of exchange losses.

	Previous consolidated 2 nd quarter (Fiscal 2015) (Million Yen)	This consolidated 2 nd quarter (Fiscal 2016) (Million Yen)	Change (%)
Orders-Received	20,764	19,914	(4.1)
Net Sales	16,136	17,250	6.9
Operating Income	1,133	1,009	(11.0)
Ordinary Income	1,274	833	(34.6)
Profit attributable to owners of parent	802	512	(36.1)

Performance by Segment

This consolidated 2nd quarter (Fiscal 2016)

	Orders-Received	Net Sales	Operating Income
	Million Yen	Million Yen	Million Yen
Equipment Business	16,508	14,188	901
Service Business	2,908	2,666	152
Other Business	621	502	(45)
Elimination	(124)	(108)	1
Total	19,914	17,250	1,009

[Equipment Business]

In the environmental test chambers field, in Japan the Company saw strong business for customized products. Overseas, exports grew steadily to China and Taiwan and also sales by the Company's local subsidiaries performed favorably, despite a drop in orders-received for exports to Southeast Asia and Europe. As a result, Environmental test chambers on the whole saw overall orders-received decreased and overall net sales increased compared to the first half of the previous fiscal year when business was better.

In the energy devices equipment field, orders-received increased year on year due to strong sales of fuel cell chamber. However, net sales in this field declined on the same period last year because most the orders-received projects' sales will be recorded in the second half of the fiscal year.

In the semiconductor equipment field, firm orders centered on automotive manufacturers resulted in overall orders-received that were unchanged from the strong first half of the previous fiscal year, and an increase in net sales.

As a result, the Equipment Business as a whole saw orders-received decrease 3.8% to ¥16,508 million and net sales increase 9.9% to ¥14,188 million compared to the first half of the previous fiscal year. In terms of profit, operating income increased 1.5% year on year to ¥901 million.

	Previous consolidated 2 nd quarter (Fiscal 2015) (Million Yen)	This consolidated 2 nd quarter (Fiscal 2016) (Million Yen)	Change (%)
Orders-Received	17,156	16,508	(3.8)
Net Sales	12,909	14,188	9.9
Operating Income	887	901	1.5

[Service Business]

In the after-sales service and engineering field, orders-received and net sales were on par with the first six months 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 despite a decline in rentals. Orders-received and net sales were mostly unchanged from the first half of the previous fiscal year.

As a result, the Company's Service Business on the whole recorded saw orders-received decrease 1.2% to ¥2,908 million and net sales increase 1.9% to ¥2,666 million compared to the first half of the previous fiscal year. As a result, operating income decreased 29.3% year on year to ¥152 million as a result of the cost ratio deteriorating.

	Previous consolidated 2 nd quarter (Fiscal 2015) (Million Yen)	This consolidated 2 nd quarter (Fiscal 2016) (Million Yen)	Change (%)
Orders-Received	2,944	2,908	(1.2)
Net Sales	2,615	2,666	1.9
Operating Income	215	152	(29.3)

[Other Business]

The waterfront biotope restoration was firm, but the plant factory business and the reforestation (tree planting) business both declined. As a result, the Other Business on the whole saw orders-received decrease 23.2% year on year to ¥621 million, and net sales decrease 31.5 % to ¥502 million, compared to the first half of the previous fiscal year. As for earnings, the segment posted an operating loss of ¥45 million, mainly due to increased selling, general and administrative expenses.

	Previous consolidated 2 nd quarter (Fiscal 2015) (Million Yen)	This consolidated 2 nd quarter (Fiscal 2016) (Million Yen)	Change (%)
Orders-Received	808	621	(23.2)
Net Sales	733	502	(31.5)
Operating loss	32	(45)	-

* 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 ¥ 43,953 million, a decrease of ¥4,092 million from the end of the previous consolidated fiscal year. Major factors included an increase of ¥1,091 million in cash and deposits, a decrease of ¥4,785 million in notes and accounts receivable - trade. Liabilities were ¥9,483 million, a decrease of ¥2,928 million against the end of the previous consolidated fiscal year. Major factors included a decrease of ¥1,655 million in notes and accounts payable-trade, a decrease of ¥193 million in income taxes payable, and a decrease in other current liabilities of ¥708 million. Net assets were ¥34,469 million, a decrease of ¥1,163 million from the end of the previous fiscal year. Major factors included a decrease of ¥89 million in valuation difference on available-for-sale securities, a decrease of ¥1,135 million 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 has revised the original forecasts announced on May 13, 2016. Furthermore, consolidated business results for the full-year fiscal 2016 are now expected to fall short of previous forecasts. Therefore, the Company has revised its year-end dividend forecast. For details, please see the "Notice of Revisions of Financial and Dividend Forecasts" issued on October 28, 2016.

2. Summary Information (Others)

(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 September 30, 2016
Assets		
Current assets		
Cash and deposits	8,299	9,390
Notes and accounts receivable - trade	15,968	11,183
Electronically recorded monetary claims - operating	989	1,563
Securities	1,901	1,901
Merchandise and finished goods	896	752
Work in process	1,792	1,858
Raw materials and supplies	1,656	1,676
Other	2,184	2,059
Allowance for doubtful accounts	(49)	(27)
Total current assets	33,640	30,359
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,689	3,467
Land	4,462	4,439
Other, net	1,929	1,729
Total property, plant and equipment	10,081	9,636
Intangible assets		
Goodwill	706	573
Other	419	351
Total intangible assets	1,126	924
Investments and other assets	3,197	3,032
Total non-current assets	14,405	13,594
Total assets	48,045	43,953
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,540	1,885
Electronically recorded obligations - operating	3,208	3,020
Income taxes payable	581	388
Provision for bonuses	417	372
Provision for directors' bonuses	9	—
Provision for product warranties	309	323
Provision for loss on order received	41	2
Other	2,674	1,965
Total current liabilities	10,783	7,958
Non-current liabilities		
Long-term loans payable	86	28
Net defined benefit liability	55	54
Provision for directors' retirement benefits	12	12
Asset retirement obligations	52	52
Other	1,420	1,377
Total non-current liabilities	1,628	1,525
Total liabilities	12,411	9,483

(Million Yen)

	As of March 31, 2016	As of September 30, 2016
Net assets		
Shareholders' equity		
Capital stock	6,895	6,895
Capital surplus	6,914	6,914
Retained earnings	22,441	22,428
Treasury shares	(1,090)	(1,039)
Total shareholders' equity	35,161	35,199
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	823	734
Revaluation reserve for land	(659)	(659)
Foreign currency translation adjustment	532	(602)
Remeasurements of defined benefit plans	(224)	(201)
Total accumulated other comprehensive income	472	(729)
Total net assets	35,633	34,469
Total liabilities and net assets	48,045	43,953

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

Quarterly Consolidated Statements of Income
(First six months ended September 30, 2016)

(Million Yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales	16,136	17,250
Cost of sales	10,392	11,360
Gross profit	5,743	5,889
Selling, general and administrative expenses		
Salaries and allowances	1,331	1,388
Provision for bonuses	111	111
Provision for product warranties	100	106
Provision of allowance for doubtful accounts	6	—
Amortization of goodwill	—	32
Other	3,059	3,240
Total selling, general and administrative expenses	4,609	4,880
Operating income	1,133	1,009
Non-operating income		
Interest income	15	7
Dividend income	95	35
Other	47	47
Total non-operating income	158	91
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	8	240
Commission fee	5	8
Other	2	18
Total non-operating expenses	17	267
Ordinary income	1,274	833
Extraordinary income		
Gain on sales of non-current assets	0	3
Gain on sales of investment securities	0	—
Total extraordinary income	0	3
Extraordinary losses		
Loss on sales of non-current assets	—	0
Loss on retirement of non-current assets	0	0
Loss on sales of investment securities	—	6
Total extraordinary losses	0	7
Profit before income taxes	1,274	829
Income taxes - current	453	317
Profit	821	512
Profit attributable to non-controlling interests	18	—
Profit attributable to owners of parent	802	512

Quarterly Consolidated Statements of Comprehensive Income
(First six months ended September 30, 2016)

(Million Yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Profit	821	512
Other comprehensive income		
Valuation difference on available-for-sale securities	(166)	(89)
Foreign currency translation adjustment	157	(1,135)
Remeasurements of defined benefit plans, net of tax	0	23
Total other comprehensive income	(8)	(1,201)
Comprehensive income	813	(689)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	787	(689)
Comprehensive income attributable to non-controlling interests	25	—

(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, 2015 to September 30, 2015)

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	12,908	2,495	732	16,136	-	16,136
(2) Internal sales or transfers between segments	0	120	0	122	(122)	-
Total	12,909	2,615	733	16,258	(122)	16,136
Segment income	887	215	32	1,136	(2)	1,133

*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, 2016 to September 30, 2016)

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	14,186	2,561	502	17,250	-	17,250
(2) Internal sales or transfers between segments	1	105	0	108	(108)	-
Total	14,188	2,666	502	17,358	(108)	17,250
Segment income (loss)	901	152	(45)	1,007	1	1,009

*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