



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

January 31, 2017

Listed Company Name: ESPEC CORP.
Listed Stock Exchange: Tokyo Stock Exchanges, First Section
Securities Code: 6859
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Dividends Payment Beginning Day: -
Preparing Supplementary Material on Quarterly Financial Results: No
Holding Quarterly Financial Results Presentation Meeting: No
*The original disclosure in Japanese was released on January 31, 2017 at 14:00. (GMT+9)

(Rounded off to nearest million yen)

1. Consolidated financial results for the 3rd quarter of fiscal 2016 ending March 31, 2017 (April 1, 2016 ~ December 31, 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 nine months ended December 31, 2016	25,662	1.7	1,573	(20.5)	1,475	(30.7)	964	(30.3)
First nine months ended December 31, 2015	25,224	17.4	1,980	44.1	2,130	26.4	1,383	10.7

(Note) Statements of comprehensive income First nine months ended December 31, 2016 (127) Million Yen [- %]
First nine months ended December 31, 2015 1,271 Million Yen [(22.8) %]

	Net Income Per Share	Net income Per Share, Diluted
First nine months ended December 31, 2016	Yen 42.28	- Yen
First nine months ended December 31, 2015	59.91	-

(2) Consolidated financial standing

	Total Assets	Net assets	Shareholders' Equity Ratio	Shareholders' Equity Per Share
	Million Yen	Million Yen	%	Yen
As of December 31, 2016	45,106	34,787	77.1	1,522.82
As of March 31, 2016	48,045	35,633	74.2	1,564.55

(Reference) Shareholders' equity As of December 31, 2016 34,787 Million Yen
As of March 31, 2016 35,633 Million Yen

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 -	Yen 9.00	Yen -	Yen 23.00	Yen 32.00
Fiscal year ending 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) Application of special accounting methods in the creation of quarterly consolidated financial statements" under "2. Summary Information (Others)" 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):

As of December 31, 2016	23,781,394 shares	As of March 31, 2016	23,781,394 shares
As of December 31, 2016	937,414 shares	As of March 31, 2016	1,005,514 shares
First nine months ended December 31, 2016	22,809,907 shares	First nine months ended December 31, 2015	23,088,700shares

2) Quantity of treasury stock at end of term:

3) Average number of shares during the term (Consolidated quarter):

* 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 Nine months ended December 31, 2016) -----	7
Quarterly Consolidated Statements of Comprehensive Income	
(First Nine months ended December 31, 2016)-----	8
(3) Notes to the quarterly consolidated financial statements -----	9
(Notes on the assumption of a going concern) -----	9
(Notes on significant changes in shareholder s' equity)-----	9
(Segment information)-----	9

1. Qualitative Information concerning Consolidated Financial Results

(1) Description of operating results

During the first nine months 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. After the election of the president in the US, the yen weakened and there were some signs of improvement in business sentiment.

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 nine months of fiscal 2016, orders-received decreased 0.9% year on year to ¥30,744 million and net sales increased 1.7% to ¥25,662 million. On the earnings front however, the Company posted a ¥1,573 million operating income, down 20.5% year on year, mainly due to deterioration in the cost of sales ratio, and a ¥964 million net profit attributable to owners of the parent, down 30.3% year on year, reflecting the impact of exchange losses.

	Previous consolidated 3 rd quarter (Fiscal 2015) (Million Yen)	This consolidated 3 rd quarter (Fiscal 2016) (Million Yen)	Change (%)
Orders-Received	31,017	30,744	(0.9)
Net Sales	25,224	25,662	1.7
Operating Income	1,980	1,573	(20.5)
Ordinary Income	2,130	1,475	(30.7)
Profit Attributable to Owners of Parent	1,383	964	(30.3)

Performance by Segment

This consolidated 3rd quarter (Fiscal 2016)

	Orders-Received (Million Yen)	Net Sales (Million Yen)	Operating Income (Loss) (Million Yen)
Equipment Business	25,516	21,076	1,396
Service Business	4,478	4,070	243
Other Business	960	717	(69)
Elimination	(211)	(202)	2
Total	30,744	25,662	1,573

[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 orders-received decrease slightly and net sales increase compared to the first nine months of the previous fiscal year when business was better.

In the energy devices equipment field, both orders-received and net sales increased year on year due to strong sales of fuel cells chambers.

In the semiconductor equipment field, both orders-received and net sales increased year on year due to strong sales centered on automotive manufacturers.

As a result, the Equipment Business as a whole saw orders-received decreased 0.9% to ¥25,516 million and net sales increased 3.5% to ¥21,076 million compared to the first nine months of the previous fiscal year. In terms of profit, operating income decreased 13.2% year on year to ¥1,396 million, mainly due to the deterioration in the cost of sales ratio associated with product mix changes.

	Previous consolidated 3 rd quarter (Fiscal 2015) (Million Yen)	This consolidated 3 rd quarter (Fiscal 2016) (Million Yen)	Change (%)
Orders-Received	25,738	25,516	(0.9)
Net Sales	20,367	21,076	3.5
Operating Income	1,608	1,396	(13.2)

[Service Business]

In the after-sales service and engineering field, orders-received and net sales were little changed year on year during the first nine months of the previous fiscal year.

In commissioned tests and facility rentals, the core test consulting operation saw steady growth in the automobile market. Consequently, both orders-received and net sales were about the same compared to the first nine months of the previous fiscal year.

As a result, the Company's Service Business on the whole recorded increase in orders-received and net sales of 1.7% to ¥4,478million, and 1.2% to ¥4,070 million, respectively, compared to the first nine months of the previous fiscal year. As a result, operating income decreased 34.4% year on year to ¥243 million, mainly due to deterioration in the cost ratio.

	Previous consolidated 3 rd quarter (Fiscal 2015) (Million Yen)	This consolidated 3 rd quarter (Fiscal 2016) (Million Yen)	Change (%)
Orders-Received	4,405	4,478	1.7
Net Sales	4,023	4,070	1.2
Operating Income	371	243	(34.4)

[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 10.3% year on year to ¥960 million, and net sales decrease 29.9 % to ¥717 million, compared to the first nine months of the previous fiscal year. As for earnings, the segment posted an operating loss of ¥69 million, mainly due to increased selling, general and administrative expenses.

	Previous consolidated 3 rd quarter (Fiscal 2015) (Million Yen)	This consolidated 3 rd quarter (Fiscal 2016) (Million Yen)	Change (%)
Orders-Received	1,071	960	(10.3)
Net Sales	1,022	717	(29.9)
Operating income (loss)	0	(69)	-

* 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 third quarter consolidated accounting period were ¥45,106 million, a decrease of ¥2,938 million from the end of the previous consolidated fiscal year. Major factors included an increase of ¥911 million in cash and deposits, a decrease of ¥4,969 million in notes and accounts receivable – trade, and an increase of ¥790 million in work in process. Liabilities were ¥10,319 million, a decrease of ¥2,092 million from the end of the previous consolidated fiscal year. Major factors included a decrease of ¥1,429 million in notes and accounts payable-trade, a decrease of ¥471 million in income taxes payable, and a decrease of ¥267 million in provision for bonuses. Net assets were ¥34,787 million, a decrease of ¥846 million from the end of the previous consolidated fiscal year. Major factors included an increase of ¥164 million in retained earnings, an increase of ¥212 million in valuation difference on available-for-sale securities, and a decrease of ¥1,339 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 all of fiscal 2016, the Company is not revising the original forecasts made on October 28, 2016, 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 (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

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	8,299	9,211
Notes and accounts receivable - trade	15,968	10,999
Electronically recorded monetary claims - operating	989	1,381
Securities	1,901	1,901
Merchandise and finished goods	896	1,067
Work in process	1,792	2,582
Raw materials and supplies	1,656	1,820
Other	2,184	2,316
Allowance for doubtful accounts	(49)	(27)
Total current assets	33,640	31,253
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,689	3,423
Land	4,462	4,437
Other, net	1,929	1,656
Total property, plant and equipment	10,081	9,517
Intangible assets		
Goodwill	706	548
Other	419	340
Total intangible assets	1,126	888
Investments and other assets	3,197	3,448
Total non-current assets	14,405	13,853
Total assets	48,045	45,106
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,540	2,111
Electronically recorded obligations - operating	3,208	3,468
Income taxes payable	581	109
Provision for bonuses	417	150
Provision for directors' bonuses	9	—
Provision for product warranties	309	317
Provision for loss on order received	41	1
Other	2,674	2,522
Total current liabilities	10,783	8,680
Non-current liabilities		
Long-term loans payable	86	28
Net defined benefit liability	55	48
Provision for directors' retirement benefits	12	12
Asset retirement obligations	52	52
Other	1,420	1,496
Total non-current liabilities	1,628	1,639
Total liabilities	12,411	10,319

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
Net assets		
Shareholders' equity		
Capital stock	6,895	6,895
Capital surplus	6,914	6,914
Retained earnings	22,441	22,605
Treasury shares	(1,090)	(1,008)
Total shareholders' equity	35,161	35,407
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	823	1,036
Revaluation reserve for land	(659)	(659)
Foreign currency translation adjustment	532	(806)
Remeasurements of defined benefit plans	(224)	(189)
Total accumulated other comprehensive income	472	(620)
Total net assets	35,633	34,787
Total liabilities and net assets	48,045	45,106

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
Quarterly Consolidated Statements of Income
(First nine months ended December 31, 2016)

(Millions of yen)

	First nine months ended December 31, 2015	First nine months ended December 31, 2016
Net sales	25,224	25,662
Cost of sales	16,193	16,812
Gross profit	9,031	8,850
Selling, general and administrative expenses		
Salaries and allowances	2,134	2,186
Provision for bonuses	44	43
Provision for product warranties	155	155
Provision of allowance for doubtful accounts	5	—
Amortization of goodwill	—	47
Other	4,709	4,844
Total selling, general and administrative expenses	7,050	7,276
Operating income	1,980	1,573
Non-operating income		
Interest income	21	12
Dividend income	124	79
Other	71	60
Total non-operating income	217	152
Non-operating expenses		
Interest expenses	1	0
Foreign exchange losses	49	220
Commission fee	9	7
Other	7	21
Total non-operating expenses	67	250
Ordinary income	2,130	1,475
Extraordinary income		
Gain on sales of non-current assets	0	3
Gain on sales of investment securities	26	—
Total extraordinary income	26	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	2,156	1,472
Income taxes - current	754	508
Profit	1,402	964
Profit attributable to non-controlling interests	18	—
Profit attributable to owners of parent	1,383	964

Quarterly Consolidated Statements of Comprehensive Income
(First nine months ended December 31, 2016)

(Millions of yen)

	First nine months ended December 31, 2015	First nine months ended December 31, 2016
Profit	1,402	964
Other comprehensive income		
Valuation difference on available-for-sale securities	(56)	212
Foreign currency translation adjustment	(74)	(1,339)
Remeasurements of defined benefit plans, net of tax	0	34
Total other comprehensive income	(130)	(1,092)
Comprehensive income	1,271	(127)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,246	(127)
Comprehensive income attributable to non-controlling interests	25	—

(3) Notes to the quarterly consolidated financial statements

(Notes on the assumption of a going concern)

Not applicable

(Notes on significant changes in shareholder s' equity)

Not applicable

(Segment information)

I Previous consolidated 3rd quarter (From April 1, 2015 to December 31, 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	20,363	3,838	1,021	25,224	-	25,224
(2) Internal sales or transfers between segments	3	184	1	189	(189)	-
Total	20,367	4,023	1,022	25,413	(189)	25,224
Segment income	1,608	371	0	1,981	(1)	1,980

*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.

(Material change in the amount of goodwill)

The Equipment Business acquired all shares of QUALMARK CORPORATION. As a result, QUALMARK CORPORATION and its subsidiary Real Chambers Corporation were included in the Company's scope of consolidation.

The resulting increase in goodwill for the Equipment Business was ¥729 million as of December 31, 2016. This goodwill was calculated as a provisional amount as the distribution of acquisition cost has yet to be finalized.

II This consolidated 3rd quarter (From April 1, 2016 to December 31, 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	21,060	3,885	716	25,662	-	25,662
(2) Internal sales or transfers between segments	15	185	1	202	(202)	-
Total	21,076	4,070	717	25,864	(202)	25,662
Segment income (loss)	1,396	243	(69)	1,571	2	1,573

*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, goodwill, etc. for each reporting segment

Not applicable