



Summary of Financial Results (Consolidated)
for the Third Quarter of Fiscal 2017 Ending March 31, 2018
[under Japanese GAAP]

January 31, 2018

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: February 9, 2018
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 January 31, 2018 at 14:00. (GMT+9)

(Rounded off to nearest million yen)

1. Consolidated financial results for the 3rd quarter of fiscal 2017 ending March 31, 2018 (April 1, 2017 ~ December 31, 2017)

(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, 2017	28,912	12.7	2,976	89.2	3,129	112.0	2,183	126.4
First nine months ended December 31, 2016	25,662	1.7	1,573	(20.5)	1,475	(30.7)	964	(30.3)

(Note) Statements of comprehensive income First nine months ended December 31, 2017 ¥2,781 million [- %]
First nine months ended December 31, 2016 ¥(127) million [- %]

	Net Income Per Share	Net income Per Share, Diluted
	Yen	Yen
First nine months ended December 31, 2017	95.54	-
First nine months ended December 31, 2016	42.28	-

(2) Consolidated financial standing

	Total Assets	Net assets	Shareholders' Equity Ratio	Shareholders' Equity Per Share
	Million Yen	Million Yen	%	Yen
As of December 31, 2017	51,637	38,828	75.2	1,698.64
As of March 31, 2017	49,044	37,049	75.5	1,621.00

(Reference) Shareholders' equity As of December 31, 2017 ¥38,828 million
As of March 31, 2017 ¥37,049 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, 2017	-	12.00	-	24.00	36.00
Fiscal year ended March 31, 2018	-	20.00	-		
Fiscal year ending March 31, 2018 (forecast)			-	38.00	58.00

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

Forecast for the interim dividend for the year ending March 31, 2018:
An ordinary dividend of ¥19.00; a commemorative dividend of ¥1.00

Forecast for the year-end dividend for the year ending March 31, 2018:
An increased ordinary dividend of ¥37.00; a commemorative dividend of ¥1.00

3. Forecast of consolidated operating results for fiscal 2017 ending March 31, 2018 (April 1, 2017 ~ March 31, 2018)

(% 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, 2018	44,000	11.4	4,400	35.7	4,500	41.9	3,200	43.3	139.99

(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. (3)" under "Application of special accounting methods in the creation of quarterly consolidated financial statements" on page 9.

(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, 2017	23,781,394 shares	As of March 31, 2017	23,781,394 shares
2) Quantity of treasury stock at end of term:	As of December 31, 2017	923,084 shares	As of March 31, 2017	925,324 shares
3) Average number of shares during the term (Consolidated quarter):	First nine months ended December 31, 2017	22,858,523 shares	First nine months ended December 31, 2016	22,809,907 shares

* This quarterly financial results report is not subject to the quarterly review procedures.

* 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 nine months of fiscal 2017, the year ending March 31, 2018, the global economy was on a recovery trend, although the economic outlook remained uncertain, mainly due to U.S. trade policies and uncertain global conditions. Accordingly, the Japanese economy saw exports perform firmly, and capital investment tracked an expansionary path supported by improving corporate earnings and measures to address personnel shortfalls.

Of the Company's main customers, automobile manufacturers continued to invest aggressively, while investment by electronics-related manufacturers was also strong.

In this environment, the Company strove to expand sales in overseas markets by applying the synergies of the ESPEC Group. At the same time, it worked to expand its business domains by targeting growth and strategic markets, such as the automotive field in which the development of eco cars and automated driving technology is accelerating, and the life science field centered on pharmaceuticals.

As a result, in the consolidated results for the third quarter of the fiscal year, the amount of orders-received increased 11.4% year on year to ¥34,262 million and net sales increased 12.7% to ¥28,912 million. Operating income increased 89.2% year on year to ¥2,976 million, owing to the higher net sales and improvement in the cost of sales ratio, and profit attributable to owners of parent increased 126.4% year on year to ¥2,183 million due to decreasing of exchange losses.

	Previous consolidated 3 rd quarter (Fiscal 2016) (Million Yen)	This consolidated 3 rd quarter (Fiscal 2017) (Million Yen)	Change (%)
Orders-Received	30,744	34,262	11.4
Net Sales	25,662	28,912	12.7
Operating Income	1,573	2,976	89.2
Ordinary Income	1,475	3,129	112.0
Profit attributable to owners of parent	964	2,183	126.4

Performance by Segment

This consolidated 3rd quarter (Fiscal 2017)

	Orders-Received	Net Sales	Operating Income (Loss)
	Million Yen	Million Yen	Million Yen
Equipment Business	28,672	24,229	2,848
Service Business	4,801	4,177	243
Other Business	953	657	(115)
Elimination	(165)	(152)	0
Total	34,262	28,912	2,976

[Equipment Business]

In the environmental test chambers field, in Japan the Company saw firm business for highly versatile standardized products and customized products. Overseas, exports and local subsidiaries performed favorably, especially in China, the U.S., and Korea, and increase year on year. As a result, both orders-received and net sales of environmental test chambers on the whole increased year on year.

In the energy devices equipment field, orders-received decreased year on year, reflecting orders received for large projects in the same period last year. However, net sales increased because of the recording of sales for certain orders outstanding as of the previous fiscal year-end.

In the semiconductor equipment field, the Company saw strong orders received from smartphone and automobile manufacturers. However, orders received decreased compared to the high level achieved in the same quarter of the previous fiscal year, while net sales remained about the same.

As a result, the Company's Equipment Business on the whole saw orders-received increase 12.4% to ¥28,672 million and net sales increase 15.0% to ¥24,229 million compared to the first nine months of the previous fiscal year. Operating income increased 104.0% to ¥2,848 million, owing to the higher net sales and improvement in the cost of sales ratio.

	Previous consolidated 3 rd quarter (Fiscal 2016) (Million Yen)	This consolidated 3 rd quarter (Fiscal 2017) (Million Yen)	Change (%)
Orders-Received	25,516	28,672	12.4
Net Sales	21,076	24,229	15.0
Operating Income	1,396	2,848	104.0

[Service Business]

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

In the requested tests and facility rentals, test consulting and facility rentals performed firmly, with orders-received and net sales both increasing year on year.

As a result, the Company's Service Business on the whole saw increases orders-received and net sales of 7.2% to ¥4,801 million, and 2.6% to ¥4,177 million, respectively, compared to first nine months of the previous fiscal year. The company posted operating income of ¥243 million, which is on par with the first nine months of the previous fiscal year.

	Previous consolidated 3 rd quarter (Fiscal 2016) (Million Yen)	This consolidated 3 rd quarter (Fiscal 2017) (Million Yen)	Change (%)
Orders-Received	4,478	4,801	7.2
Net Sales	4,070	4,177	2.6
Operating Income	243	243	(0)

[Other Business]

The plant factory business and the reforestation (tree planting) business was firm, but the waterfront biotope restoration declined. As a result, orders-received decreased 0.7% to ¥953 million, but net sales decreased 8.3 % to ¥657 million, compared to first nine months of the previous fiscal year. On the earnings front, the segment posted operating loss of ¥115 million.

	Previous consolidated 3 rd quarter (Fiscal 2016) (Million Yen)	This consolidated 3 rd quarter (Fiscal 2017) (Million Yen)	Change (%)
Orders-Received	960	953	(0.7)
Net Sales	717	657	(8.3)
Operating loss	(69)	(115)	-

* 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 ¥51,637 million, an increase of ¥2,593 million over the end of the previous consolidated fiscal year. Major factors included an increase of ¥1,721 million in current assets due to a decrease in accounts receivable and an increase in inventories, and an increase of ¥1,053 million in investments and other assets. Liabilities were ¥12,809 million, an increase of ¥815 million from the end of the previous consolidated fiscal year. Major factors included a decrease of ¥261 million in notes and accounts payable-trade, an increase of 496 million in electronically recorded obligations - operating, and an increase of ¥411 million in other non-current liabilities. Net assets were ¥38,828 million, an increase of ¥1,778 million from the end of the previous consolidated fiscal year. Major factors included an increase of ¥1,178 million in retained earnings, an increase of ¥708 million in valuation difference on available-for-sale securities, and a decrease of 138 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 2017, the Company is not revising the original forecasts made on October 30, 2017, because there are currently no conditions requiring us to revise these business performance forecasts.

2. Quarterly Consolidated Financial Statements and Significant Notes
(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	9,654	10,256
Notes and accounts receivable - trade	15,123	12,511
Electronically recorded monetary claims - operating	1,564	2,459
Securities	1,901	2,401
Merchandise and finished goods	623	1,458
Work in process	1,826	2,755
Raw materials and supplies	1,862	2,069
Other	2,160	2,523
Allowance for doubtful accounts	(21)	(19)
Total current assets	34,694	36,416
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,584	3,527
Land	4,455	4,450
Other, net	1,787	1,783
Total property, plant and equipment	9,827	9,761
Intangible assets		
Goodwill	614	545
Other	346	300
Total intangible assets	961	845
Investments and other assets	3,560	4,614
Total non-current assets	14,349	15,221
Total assets	49,044	51,637
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,591	2,330
Electronically recorded obligations - operating	3,694	4,190
Income taxes payable	382	574
Provision for bonuses	383	150
Provision for directors' bonuses	13	—
Provision for product warranties	255	227
Provision for loss on order received	1	2
Asset retirement obligations	123	123
Other	2,817	3,061
Total current liabilities	10,263	10,661
Non-current liabilities		
Net defined benefit liability	53	57
Provision for directors' retirement benefits	12	12
Asset retirement obligations	13	14
Other	1,651	2,063
Total non-current liabilities	1,731	2,148
Total liabilities	11,994	12,809

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Net assets		
Shareholders' equity		
Capital stock	6,895	6,895
Capital surplus	6,914	6,914
Retained earnings	23,873	25,052
Treasury shares	(994)	(992)
Total shareholders' equity	36,689	37,870
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,079	1,788
Revaluation reserve for land	(661)	(661)
Foreign currency translation adjustment	120	(18)
Remeasurements of defined benefit plans	(179)	(151)
Total accumulated other comprehensive income	359	957
Total net assets	37,049	38,828
Total liabilities and net assets	49,044	51,637

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

Quarterly Consolidated Statements of Income
(First nine months ended December 31, 2017)

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net sales	25,662	28,912
Cost of sales	16,812	18,326
Gross profit	8,850	10,585
Selling, general and administrative expenses		
Salaries and allowances	2,186	2,312
Provision for bonuses	43	42
Provision for product warranties	155	137
Amortization of goodwill	47	49
Other	4,844	5,065
Total selling, general and administrative expenses	7,276	7,608
Operating profit	1,573	2,976
Non-operating income		
Interest income	12	14
Dividend income	79	90
Foreign exchange gains	—	14
Other	60	53
Total non-operating income	152	173
Non-operating expenses		
Interest expenses	0	0
Provision of allowance for doubtful accounts	—	6
Foreign exchange losses	220	—
Commission fee	7	7
Other	21	6
Total non-operating expenses	250	20
Ordinary profit	1,475	3,129
Extraordinary income		
Gain on sales of non-current assets	3	7
Gain on sales of investment securities	—	0
Total extraordinary income	3	7
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	0	2
Loss on sales of investment securities	6	—
Total extraordinary losses	7	2
Profit before income taxes	1,472	3,133
Income taxes - current	508	949
Profit	964	2,183
Profit attributable to owners of parent	964	2,183

Quarterly Consolidated Statements of Comprehensive Income
 (First nine months ended December 31, 2017)

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Profit	964	2,183
Other comprehensive income		
Valuation difference on available-for-sale securities	212	708
Foreign currency translation adjustment	(1,339)	(138)
Remeasurements of defined benefit plans, net of tax	34	27
Total other comprehensive income	(1,092)	597
Comprehensive income	(127)	2,781
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(127)	2,781

(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

(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.

(Segment information)

I Previous 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, and goodwill, etc. for each reporting segment.

During the first nine months of fiscal 2016, the year ending March 31, 2017, there was no material change in the amount of goodwill

II This consolidated 3rd quarter (From April 1, 2017 to December 31, 2017)

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	24,212	4,042	656	28,912	-	28,912
(2) Internal sales or transfers between segments	16	134	0	152	(152)	-
Total	24,229	4,177	657	29,064	(152)	28,912
Segment income (loss)	2,848	243	(115)	2,976	0	2,976

*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.
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2. Information related to impairment loss on fixed assets, and goodwill, etc. for each reporting segment.
During the first nine months of fiscal 2017, the year ending March 31, 2018, there was no material change in the amount of goodwill