



Summary of Financial Results (Consolidated)
for the First Quarter of Fiscal 2020 Ending March 31, 2021
[under Japanese GAAP]

August 7, 2020

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 12, 2020
Preparing Supplementary Material on Quarterly Financial Results:	No
Holding Financial Results Presentation Meeting:	No
U.S. GAAP Accounting standard:	Not Adopted

*The original disclosure in Japanese was released on August 7, 2020 at 15:00. (GMT+9)

(Rounded off to nearest million yen)

1. Consolidated financial results for the 1st quarter of fiscal 2020 ending March 31, 2021 (From April 1, 2020 to June 30, 2020)

(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, 2020	6,877	(14.4)	(159)	-	(87)	-	(173)	-
First three months ended June 30, 2019	8,031	6.3	278	-	397	-	240	411.4

(Note) Statements of comprehensive income First three months ended June 30, 2020 ¥ 37 million [- %]
First three months ended June 30, 2019 ¥ (161) million [- %]

	Net Income Per Share	Net income Per Share, Diluted
	Yen	Yen
First three months ended June 30, 2020	(7.59)	-
First three months ended June 30, 2019	10.51	-

(2) Consolidated financial standing

	Total Assets	Net assets	Shareholders' Equity Ratio	Shareholders' Equity Per Share
	Million Yen	Million Yen	%	Yen
As of June 30, 2020	55,110	41,981	76.2	1,835.97
As of March 31, 2020	57,461	42,731	74.4	1,868.77

(Reference) Shareholders' equity As of June 30, 2020 ¥41,981 million
As of March 31, 2020 ¥42,731 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, 2020	-	22.00	-	46.00	68.00
Fiscal year ended March 31, 2021	-				
Fiscal year ending March 31, 2021 (forecast)		10.00	-	30.00	40.00

(Note) Has there been a correction in the dividend forecast this quarter: Yes

For the dividend forecast, please see "Notice of Consolidated Financial Forecast and Dividend Forecast for Fiscal 2020" issued today (August 7, 2020).

3. Forecast of consolidated operating results for fiscal 2020 ending March 31, 2021 (From April 1, 2020 to March 31, 2021)
 (% figures for the six months ending are rates of change in comparison to the same quarter previous 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, 2020	17,500	(6.8)	400	(71.2)	450	(69.9)	250	(76.1)	10.93
Full-term	37,000	(12.8)	1,400	(62.6)	1,500	(61.9)	1,000	(64.5)	43.73

(Note) Has there been a correction in the results forecast this quarter: Yes

For the consolidated financial forecast, please see "Notice of Consolidated Financial Forecast and Dividend Forecast for Fiscal 2020" issued today (August 7, 2020).

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 "Application of special accounting methods in the creation of quarterly consolidated financial statements" on p.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 June 30, 2020	23,781,394 shares	As of March 31, 2020	23,781,394 shares
2) Quantity of treasury stock at end of term:	As of June 30, 2020	915,322 shares	As of March 31, 2020	915,230 shares
3) Average number of shares during the term (Consolidated quarter):	First three months ended June 30, 2020	22,866,072 shares	First three months ended June 30, 2019	22,857,982 shares

* This earnings report is not subject to audit by a certified public accountant or accounting firm.

* 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 2020, the year ending March 31, 2021, the Japanese economy saw economic activities at a standstill due to the global spread of coronavirus disease 2019 (COVID-19) as exports decreased significantly and domestic demand declined rapidly. Although economic activities have returned to normal in some areas, such as China, it remains uncertain when the situation regarding COVID-19 will settle and there is increasing uncertainty about the global economic outlook.

Of the Company's main customers, curtailment of investments domestically and overseas tended to strengthen overall in the automotive and electronics industries. With restrictions such as limitations on movement in place, the Company's initiatives included advancing online sales and strengthening activities centered on markets related to 5G and IoT and automated driving and electrification.

As a result, in the consolidated results for the first quarter of the fiscal year, the amount of orders-received decreased 20.8% year on year to ¥8,231 million and net sales decreased 14.4% year on year to ¥6,877 million. On the earnings front, the Company posted a ¥159 million operating loss and ¥173 million loss attributable to owners parent, mainly owing to the decline in net sales.

	Previous consolidated 1 st quarter (Fiscal 2019) (Million Yen)	This consolidated 1 st quarter (Fiscal 2020) (Million Yen)	Change (%)
Orders-Received	10,393	8,231	(20.8)
Net Sales	8,031	6,877	(14.4)
Operating Income (Loss)	278	(159)	-
Ordinary Profit (Loss)	397	(87)	-
Profit (Loss) attributable to owners of parent	240	(173)	-

Performance by Segment

This consolidated 1st quarter (Fiscal 2020)

	Orders-Received	Net Sales	Operating Income (Loss)
	Million Yen	Million Yen	Million Yen
Equipment Business	6,534	5,449	(22)
Service Business	1,470	1,062	(125)
Other Business	281	422	(12)
Elimination	(54)	(56)	0
Total	8,231	6,877	(159)

[Equipment Business]

In the environmental test chambers field, in Japan, orders-received and net sales both decreased year on year for versatile standardized products and customized products. Overseas, net sales in China were on a par with the previous fiscal year, but there were decreases in other areas.

In the energy devices equipment field, orders-received and net sales both decreased year on year for evaluation systems for secondary batteries and fuel cells as the market was sluggish.

In the semiconductor equipment field, orders-received decreased year on year, but net sales increased as sales of burn-in system and chambers from the previous fiscal year were recorded.

As a result, the Equipment Business on the whole saw orders-received decrease 24.0% year on year to ¥6,534 million and net sales decrease 16.7% to ¥5,449 million, compared to the same period last year. On the earnings front, the segment posted operating loss of ¥22 million owing to the decline in net sales.

	Previous consolidated 1 st quarter (Fiscal 2019) (Million Yen)	This consolidated 1 st quarter (Fiscal 2020) (Million Yen)	Change (%)
Orders-Received	8,599	6,534	(24.0)
Net Sales	6,543	5,449	(16.7)
Operating Income (Loss)	286	(22)	-

[Service Business]

In the after-sales service and engineering field, orders-received remained level year on year but net sales decreased.

In commissioned tests and facility rentals, orders-received and net sales both decreased year on year mainly due to sluggish requested tests.

As a result, the Service Business on the whole saw orders-received decrease 7.6% year on year to ¥1,470 million and net sales decrease 23.4% to ¥1,062 million. On the earnings front, the segment posted operating loss of ¥125 million due to a decrease in net sales and deteriorating cost ratio.

	Previous consolidated 1 st quarter (Fiscal 2019) (Million Yen)	This consolidated 1 st quarter (Fiscal 2020) (Million Yen)	Change (%)
Orders-Received	1,591	1,470	(7.6)
Net Sales	1,387	1,062	(23.4)
Operating Income (Loss)	46	(125)	-

[Other Business]

In the Other Business, which is centered on environmental preservation and plant factory businesses, recorded orders-received of ¥281 million, increased 8.1% and net sales were ¥422 million, increased 178.7% year on year owing to the plant factory business performing firmly. On the earnings front, the Company posted an operating loss of ¥12 million.

	Previous consolidated 1 st quarter (Fiscal 2019) (Million Yen)	This consolidated 1 st quarter (Fiscal 2020) (Million Yen)	Change (%)
Orders-Received	260	281	8.1
Net Sales	151	422	178.7
Operating Loss	(55)	(12)	-

* 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 ¥55,110 million, a decrease of ¥2,350 million over the end of the previous consolidated fiscal year. Major factors included a decrease of ¥5,278 million resulting from a collection of trade receivables (notes and accounts receivable - trade and electronically recorded monetary claims - operating) recorded at the end of the previous fiscal year and increases of ¥1,757 million in cash and deposits and ¥1,391 million in inventories such as work in process. Liabilities were ¥13,129 million, a decrease of ¥1,600 million from the end of the previous consolidated fiscal year. Major factors include decreases of ¥777 million resulting from payment of trade payables (notes and accounts payable - trade and electronically recorded obligations - operating) and ¥1,017 million from other current liabilities due to a reduction in activities costs. Net assets were ¥41,981 million, a decrease of ¥750 million from the end of the previous consolidated fiscal year. Major factors included a decrease of ¥933 million in retained earnings resulting from dividends paid and an increase of ¥240 million in valuation difference on available-for-sale securities.

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

The consolidated results forecast for the first half and full year for fiscal 2020, the year ending March 31, 2021, and the dividend forecast were undecided as of the May 15 announcement of "Summary of Financial Results (Consolidated) for Fiscal 2019 Ended March 31, 2020" as the Company struggled to rationally determine the impact of the COVID-19 pandemic on results. However, based on an examination of operating results from April to July 2020 and the latest available information, it has become possible to calculate a forecast of operating results. For details, please refer to "Notice of Consolidated Financial Forecast and Dividend Forecast for Fiscal 2020" announced today (August 7, 2020).

2. Quarterly Consolidated Financial Statements and Significant Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	13,378	15,136
Notes and accounts receivable - trade	14,808	9,816
Electronically recorded monetary claims - operating	2,595	2,308
Securities	3,402	2,902
Merchandise and finished goods	1,172	1,876
Work in process	1,768	2,324
Raw materials and supplies	2,140	2,271
Other	2,197	2,190
Allowance for doubtful accounts	(35)	(32)
Total current assets	41,428	38,795
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,509	4,955
Land	4,443	4,594
Other, net	3,677	2,183
Total property, plant and equipment	11,631	11,733
Intangible assets		
Goodwill	382	363
Other	314	304
Total intangible assets	696	667
Investments and other assets	3,704	3,914
Total non-current assets	16,032	16,315
Total assets	57,461	55,110
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,651	2,495
Electronically recorded obligations - operating	4,120	3,499
Short-term borrowings	304	353
Income taxes payable	311	115
Provision for bonuses	400	628
Provision for bonuses for directors (and other officers)	17	—
Provision for product warranties	212	192
Provision for loss on order received	2	2
Other	4,755	3,737
Total current liabilities	12,775	11,023
Non-current liabilities		
Long-term borrowings	368	364
Retirement benefit liability	56	64
Provision for share-based remuneration for directors (and other officers)	79	84
Provision for retirement benefits for directors (and other officers)	4	4
Asset retirement obligations	14	21
Other	1,430	1,565
Total non-current liabilities	1,953	2,105
Total liabilities	14,729	13,129

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Net assets		
Shareholders' equity		
Share capital	6,895	6,895
Capital surplus	7,120	7,120
Retained earnings	30,325	29,392
Treasury shares	(1,180)	(1,180)
Total shareholders' equity	43,160	42,227
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	930	1,171
Revaluation reserve for land	(662)	(662)
Foreign currency translation adjustment	(535)	(601)
Remeasurements of defined benefit plans	(161)	(153)
Total accumulated other comprehensive income	(428)	(245)
Total net assets	42,731	41,981
Total liabilities and net assets	57,461	55,110

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

Quarterly Consolidated Statements of Income

(First three months ended June 30, 2020)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net sales	8,031	6,877
Cost of sales	5,170	4,589
Gross profit	2,860	2,288
Selling, general and administrative expenses		
Salaries and allowances	788	771
Provision for bonuses	75	73
Provision for share-based remuneration for directors (and other officers)	15	5
Provision for product warranties	30	33
Amortization of goodwill	16	15
Other	1,656	1,548
Total selling, general and administrative expenses	2,582	2,448
Operating profit (loss)	278	(159)
Non-operating income		
Interest income	6	3
Dividend income	110	41
Reversal of allowance for doubtful accounts	46	3
Foreign exchange gains	—	14
Other	13	19
Total non-operating income	176	82
Non-operating expenses		
Interest expenses	0	5
Foreign exchange losses	52	—
Commission expenses	2	2
Other	2	3
Total non-operating expenses	57	10
Ordinary profit (loss)	397	(87)
Extraordinary income		
Gain on sales of investment securities	—	9
Total extraordinary income	—	9
Extraordinary losses		
Loss on sales of non-current assets	2	—
Loss on retirement of non-current assets	2	9
Total extraordinary losses	4	9
Profit (loss) before income taxes	392	(87)
Income taxes - current	152	86
Profit (loss)	240	(173)
Profit (loss) attributable to owners of parent	240	(173)

Quarterly Consolidated Statements of Comprehensive Income

(First three months ended June 30, 2020)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Profit (loss)	240	(173)
Other comprehensive income		
Valuation difference on available-for-sale securities	5	240
Foreign currency translation adjustment	(413)	(38)
Remeasurements of defined benefit plans, net of tax	5	8
Total other comprehensive income	(401)	210
Comprehensive income	(161)	37
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(161)	37

(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.

(Additional Information)

(Accounting Estimates)

The ESPEC Group's sales activities have been limited due to the requests to exercise self-restraint on movement and to restrict travel.

The Company has made accounting judgements based on the assumption that these conditions will continue during the current fiscal year and into the following fiscal year before gradually normalizing.

As the impact of the COVID-19 pandemic on economic activities remains highly uncertain, any changes to the abovementioned assumptions may have an impact on future financial conditions and management results.

(Segment information)

I Previous consolidated 1st quarter (From April 1, 2019 to June 30, 2019)

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	6,532	1,347	151	8,031	-	8,031
(2) Internal sales or transfers between segments	11	39	0	51	(51)	-
Total	6,543	1,387	151	8,083	(51)	8,031
Segment Income (Loss)	286	46	(55)	277	0	278

*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, 2020 to June 30, 2020)

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	5,441	1,014	421	6,877	-	6,877
(2) Internal sales or transfers between segments	8	47	1	56	(56)	-
Total	5,449	1,062	422	6,934	(56)	6,877
Segment Loss	(22)	(125)	(12)	(160)	0	(159)

*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