



Summary of Financial Results (Consolidated)
for the First Quarter of Fiscal 2014 Ending March 31, 2015
[under Japanese GAAP]

July 31, 2014

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: August 8, 2014
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 31, 2014 at 14:00. (GMT+9)

(Rounded off to nearest million yen)

1. Consolidated financial results for the 1st quarter of fiscal 2014 ending March 31, 2015 (April 1, 2014 ~ June 30, 2014)

(1) Consolidated operating results (cumulative)

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

	Net Sales		Operating Income		Ordinary Income		Quarterly Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
First three months ended June 30, 2014	5,573	2.6	(126)	-	(98)	-	(108)	-
First three months ended June 30, 2013	5,434	(12.4)	(309)	-	(206)	-	(145)	-

(Note) Statements of comprehensive income First three months ended June 30, 2014 ¥(131) million [- %]
First three months ended June 30, 2013 ¥105 million [(37.7)%]

	Net Income Per Share	Net income Per Share, Diluted
	Yen	Yen
First three months ended June 30, 2014	(4.69)	-
First three months ended June 30, 2013	(6.26)	-

(2) Consolidated financial standing

	Total Assets	Net assets	Shareholders' Equity Ratio	Shareholders' Equity Per Share
	Million Yen	Million Yen	%	Yen
As of June 30, 2014	41,247	32,439	78.0	1,384.04
As of March 31, 2014	43,031	32,811	75.6	1,399.52

(Reference) Shareholders' equity As of June 30, 2014 ¥32,192 million
As of March 31, 2014 ¥32,552 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, 2014	-	7.00	-	13.00	20.00
Fiscal year ended March 31, 2015	-				
Fiscal year ending March 31, 2015 (forecast)		7.00	-	13.00	20.00

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

3. Forecast of consolidated operating results for fiscal 2014 ending March 31, 2015 (April 1, 2014 ~ March 31, 2015)

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
Six Months Ending September 30, 2014	15,000	6.8	700	2.9	750	(7.5)	400	(20.6)	17.20
Full-term	33,000	2.8	2,300	10.7	2,400	1.3	1,600	1.9	68.79

(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: Yes

2) Changes in accounting policies other than above: No

3) Changes in accounting estimates: No

4) Restatements of financial statements: No

(Note) For details see "Changes in Accounting Policies, Estimates and Restatement of Revisions" on p.4.

(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

(Consolidated quarter):

As of June 30, 2014	23,781,394 shares	As of March 31, 2014	23,781,394 shares
As of June 30, 2014	521,765 shares	As of March 31, 2014	521,715 shares
First three months ended June 30, 2014	23,259,649 shares	First three months ended June 30, 2013.	23,259,912 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) Changes in Accounting Policies, Estimates and Restatement of Revisions -----	4
3. Quarterly Consolidated Financial Statements -----	6
(1) Quarterly Consolidated Balance Sheets -----	6
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	
Quarterly Consolidated Statements of Income	
(Three months ended June 30, 2014) -----	8
Quarterly Consolidated Statements of Comprehensive Income	
(Three months ended June 30, 2014) -----	9
(3) Notes to the quarterly consolidated financial statements -----	10

1. Qualitative Information concerning Consolidated Financial Results

(1) Description of operating results

During the first three months of fiscal 2014, the year ending March 31, 2015, the Japanese economy continued to recover as a trend, despite a momentary backlash from heightened demand before the consumption tax rate was raised. This recovery trend was underscored by economic expansion overseas, primarily in the U.S., and Japanese companies regaining their competitiveness from the yen depreciating.

Of the Company's main customers, automotive manufacturers continued to invest aggressively, while investment activity improved in other manufacturing sectors.

In this environment, the Company strengthened marketing activities in the U.S., China and Southeast Asia, and focused on eco-cars in the green technology market to win orders.

Despite these efforts, the consolidated results for the first quarter of the fiscal year were down from the same period in the previous fiscal year. The amount of orders-received increased 6.6% year on year to ¥8,269 million and net sales increased 2.6% to ¥5,573 million. On the earnings front, the Company posted an operating and net loss of ¥126 million and ¥108 million, respectively.

	Previous consolidated 1 st quarter (Fiscal 2013) (Million Yen)	This consolidated 1 st quarter (Fiscal 2014) (Million Yen)	Change (%)
Orders-Received	7,757	8,269	6.6
Net Sales	5,434	5,573	2.6
Operating Income (Loss)	(309)	(126)	-
Ordinary Income (Loss)	(206)	(98)	-
Quarterly net Income (Loss)	(145)	(108)	-

Performance by Segment

This consolidated 1st quarter (Fiscal 2014)

	Orders-Received	Net Sales	Operating Income (Loss)
	Million Yen	Million Yen	Million Yen
Equipment Business	6,421	4,270	(131)
Service Business	1,470	1,177	31
Other Business	446	158	(25)
Elimination	(69)	(33)	0
Total	8,269	5,573	(126)

[Equipment Business]

In environmental test chambers, with investment demand improving in Japan, the Company saw strong business for highly standardized products. Overseas, exports to China and Southeast Asia and sales by the Company's Chinese and U.S. subsidiaries increased from the same period a year earlier. 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 energy devices equipment, both orders-received and net sales increased from the same period the year before, in part because of the orders the Company won for Charge-discharge Evaluation System for secondary batteries in automobiles. In semiconductor equipment, certain semiconductor and automotive-related manufacturers were behind a year-on-year increase in orders-received. However, net sales fell in comparison to strong performance in the first three months of the previous fiscal year.

In FPD equipment, there were few large business deals for bid on the market in contrast to the Company's effort to selectively win orders on the basis of profitability. Both orders-received and net sales declined in comparison to the same period a year ago.

As a result, the Equipment Business as a whole saw orders-received increase 1.8% to ¥6,421 million and net sales increase 2.5% to ¥4,270 million compared to the first quarter of the previous fiscal year. As for profits, the Company incurred a ¥131 million operating loss in the Equipment Business. This, however, was an improvement over the same period a year earlier.

	Previous consolidated 1 st quarter (Fiscal 2013) (Million Yen)	This consolidated 1 st quarter (Fiscal 2014) (Million Yen)	Change (%)
Orders-Received	6,305	6,421	1.8
Net Sales	4,167	4,270	2.5
Operating Income (Loss)	(307)	(131)	-

[Service Business]

In after-sales service and engineering, both orders-received and net sales increased year on year as a result of customers relaxing their grip on expense reduction.

In commissioned tests and facility rentals, the core test consulting operation saw growth in the automobile market. Consequently, both orders-received and net 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 18.7% to ¥1,470 million, and 13.6% to ¥1,177 million, respectively, compared to the first quarter of the previous fiscal year. As a result operating income increased 2.9% year on year to ¥31 million.

	Previous consolidated 1 st quarter (Fiscal 2013) (Million Yen)	This consolidated 1 st quarter (Fiscal 2014) (Million Yen)	Change (%)
Orders-Received	1,238	1,470	18.7
Net Sales	1,036	1,177	13.6
Operating Income	30	31	2.9

[Other Business]

In the Other Business, conditions picking up for environmental engineering in reforestation (tree planting) the plant factory business drove orders-received to increase 77.6% year on year to ¥446 million for the first quarter. However, net sales decreased 39.3% year on year to ¥158 million. As for earnings, the segment posted an operating loss of ¥25 million, however this was an improvement from the first quarter of the previous fiscal year.

	Previous consolidated 1 st quarter (Fiscal 2013) (Million Yen)	This consolidated 1 st quarter (Fiscal 2014) (Million Yen)	Change (%)
Orders-Received	251	446	77.6
Net Sales	261	158	(39.3)
Operating loss	(33)	(25)	-

* 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 ¥41,247 million, a decrease of ¥1,783 million over the end of the previous consolidated fiscal year. Major factors included decreases of ¥1,914 million in notes and accounts receivable-trade and ¥1,000 million in investment securities, and increases of ¥420 million in merchandise and finished goods and ¥592 million in work in process. Liabilities were ¥8,808 million, a decrease of ¥1,411 million against the end of the previous consolidated fiscal year. Major factors included decreases of ¥709 million in notes and accounts payable-trade ¥381 million in other current liabilities and ¥525 million in income taxes payable which were partly offset by a ¥198 million increase in provision for bonuses. Net assets were ¥32,439 million, a decrease of ¥371 million against the end of the previous consolidated fiscal year. Major factors included a decrease of ¥348 million in retained earnings.

(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 2014 and for full-year fiscal 2014, 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 2013 Ended March 31, 2014, 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) Changes in Accounting Policies, Estimates and Restatement of Revisions

Change in accounting policy

(Accounting standard applied to retirement benefits)

With regard to Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012, hereinafter the "Retirement Benefits Accounting Standard") and Guidance on Accounting Standard for

Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012, hereinafter the "Retirement Benefits Guidance") the Company has adopted the provisions of Article 35 of the Retirement Benefits Accounting Standard and Article 67 of the Retirement Benefits Guidance from the first quarter ended June 30, 2014. As a result, the Company revised its calculation method of retirement benefit obligations and service costs, and changed its method for attributing estimated retirement benefits to accounting periods from the straight-line method to the benefit formula method. At the same time, the method for determining the discount rate was changed to apply a single weighted-average discount rate reflecting the estimated period of benefit payments and amounts to be paid in each period. Formerly, this discount rate was based on a close approximation of the number of years the Company's employees had on average until retirement.

With regard to the adoption of the retirement benefit accounting standards, the Company has followed the transitional treatment in Article 37 of the Retirement Benefits Accounting Standard. Accordingly, the amounts that correspond to the effect of the change in retirement benefit accounting standards were added to, or deducted from, the starting balance of retained earnings for the first quarter ended June 30, 2014.

The effect of this change on the consolidated financial statements for the first quarter was negligible.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million Yen)

	As of March 31, 2014	As of June 30, 2014
Assets		
Current assets		
Cash and deposits	8,954	8,580
Notes and accounts receivable - trade	12,868	10,953
Securities	4,401	3,401
Merchandise and finished goods	340	760
Work in process	952	1,545
Raw materials and supplies	1,226	1,281
Other	1,767	1,889
Allowance for doubtful accounts	△7	△7
Total current assets	30,503	28,405
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,186	3,275
Land	4,424	4,422
Other, net	1,646	1,546
Total property, plant and equipment	9,257	9,243
Intangible assets	246	244
Investments and other assets	3,022	3,354
Total non-current assets	12,527	12,842
Total assets	43,031	41,247
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,104	4,395
Income taxes payable	545	19
Provision for bonuses	360	559
Provision for directors' bonuses	6	—
Provision for product warranties	216	187
Other	2,264	1,882
Total current liabilities	8,497	7,044
Non-current liabilities		
Provision for directors' retirement benefits	19	12
Net defined benefit liability	96	37
Asset retirement obligations	51	52
Other	1,554	1,661
Total non-current liabilities	1,721	1,763
Total liabilities	10,219	8,808

(Million Yen)

	As of March 31, 2014	As of June 30, 2014
Net assets		
Shareholders' equity		
Capital stock	6,895	6,895
Capital surplus	7,172	7,172
Retained earnings	18,838	18,489
Treasury shares	△360	△360
Total shareholders' equity	32,546	32,197
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	813	969
Revaluation reserve for land	△743	△743
Foreign currency translation adjustment	33	△139
Remeasurements of defined benefit plans	△97	△92
Total accumulated other comprehensive income	5	△5
Minority interests	258	247
Total net assets	32,811	32,439
Total liabilities and net assets	43,031	41,247

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

Quarterly Consolidated Statements of Income
(First three months ended June 30, 2014)

(Million Yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Net sales	5,434	5,573
Cost of sales	3,746	3,633
Gross profit	1,688	1,940
Selling, general and administrative expenses		
Salaries and allowances	579	608
Provision for bonuses	59	55
Provision for product warranties	25	27
Provision of allowance for doubtful accounts	—	1
Other	1,333	1,374
Total selling, general and administrative expenses	1,997	2,067
Operating loss	△309	△126
Non-operating income		
Interest income	7	12
Dividend income	34	33
Foreign exchange gains	44	—
Other	21	15
Total non-operating income	107	62
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	—	30
Commission fee	2	2
Other	1	1
Total non-operating expenses	3	33
Ordinary loss	△206	△98
Extraordinary income		
Gain on sales of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Other	—	0
Total extraordinary losses	0	0
Loss before income taxes and minority interests	△205	△98
Income taxes - current	△58	10
Loss before minority interests	△147	△108
Minority interests in income (loss)	△1	0
Net loss	△145	△108

Quarterly Consolidated Statements of Comprehensive Income
(First three months ended June 30, 2014)

(Million Yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Loss before minority interests	△147	△108
Other comprehensive income		
Valuation difference on available-for-sale securities	32	156
Foreign currency translation adjustment	220	△185
Remeasurements of defined benefit plans, net of tax	—	5
Total other comprehensive income	253	△23
Comprehensive income	105	△131
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	90	△120
Comprehensive income attributable to minority interests	15	△11

(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, 2013 to June 30, 2013)

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	4,167	1,006	260	5,434	-	5,434
(2) Internal sales or transfers between segments	-	30	0	30	(30)	-
Total	4,167	1,036	261	5,465	(30)	5,434
Segment income (loss)	(307)	30	(33)	(309)	0	(309)

*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 1st quarter (From April 1, 2014 to June 30, 2014)

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	4,270	1,144	158	5,573	-	5,573
(2) Internal sales or transfers between segments	-	32	0	33	(33)	-
Total	4,270	1,177	158	5,607	(33)	5,573
Segment income (loss)	(131)	31	(25)	(126)	0	(126)

*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