



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

July 31, 2017

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 10, 2017
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, 2017 at 14:00. (GMT+9)

(Rounded off to nearest million yen)

1. Consolidated financial results for the 1st quarter of fiscal 2017 ending March 31, 2018 (April 1, 2017 ~ June 30, 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 three months ended June 30, 2017	8,013	8.0	310	-	339	-	185	-
First three months ended June 30, 2016	7,419	17.3	(55)	-	(161)	-	(182)	-

(Note) Statements of comprehensive income First three months ended June 30, 2017 ¥ 140 million [- %]
First three months ended June 30, 2016 ¥ (735) million [- %]

	Net Income Per Share	Net income Per Share, Diluted
	Yen	Yen
First three months ended June 30, 2017	8.09	-
First three months ended June 30, 2016	(8.03)	-

(2) Consolidated financial standing

	Total Assets	Net assets	Shareholders' Equity Ratio	Shareholders' Equity Per Share
	Million Yen	Million Yen	%	Yen
As of June 30, 2017	48,206	36,644	76.0	1,603.07
As of March 31, 2017	49,044	37,049	75.5	1,621.00

(Reference) Shareholders' equity As of June 30, 2017 ¥36,644 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	-				
Fiscal year ending March 31, 2018 (forecast)		15.00	-	35.00	50.00

(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 ¥14.00; a commemorative dividend of ¥1.00

Forecast for the year-end dividend for the year ending March 31, 2018:
An increased ordinary dividend of ¥34.00; 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
Six Months Ending September 30, 2017	17,500	1.4	1,200	18.9	1,250	50.0	850	65.9	37.19
Full-term	40,000	1.2	3,700	14.1	3,800	19.8	2,700	20.9	118.12

(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 (3) under "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, 2017	23,781,394 shares	As of March 31, 2017	23,781,394 shares
As of June 30, 2017	922,724 shares	As of March 31, 2017	925,324 shares
First three months ended June 30, 2017	22,858,670 shares	First three months ended June 30, 2016	22,783,847 shares

2) Quantity of treasury stock at end of term:

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

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

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

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 first quarter of the fiscal year, the amount of orders-received increased 9.5% year on year to ¥10,526 million and net sales increased 8.0% to ¥8,013 million. On the earnings front, profitability was restored owing to the higher net sales and improvement in the cost of sales ratio. The Company posted operating income of ¥310 million, and profit attributable to owners of the parent of ¥185 million.

	Previous consolidated 1 st quarter (Fiscal 2016) (Million Yen)	This consolidated 1 st quarter (Fiscal 2017) (Million Yen)	Change (%)
Orders-Received	9,615	10,526	9.5
Net Sales	7,419	8,013	8.0
Operating Income (Loss)	(55)	310	-
Ordinary Profit (Loss)	(161)	339	-
Profit (Loss) attributable to owners of parent	(182)	185	-

Performance by Segment

This consolidated 1st quarter (Fiscal 2017)

	Orders-Received	Net Sales	Operating Income (Loss)
	Million Yen	Million Yen	Million Yen
Equipment Business	8,886	6,574	392
Service Business	1,486	1,252	(48)
Other Business	214	227	(34)
Elimination	(59)	(39)	1
Total	10,526	8,013	310

[Equipment Business]

In the environment test chambers field, in Japan the Company saw firm business for highly versatile standardized products and customized products. Overseas, sales to China, the U.S., Southeast Asia and South Korea increased, despite a drop in sales to Europe and Taiwan. As a result, both orders-received and net sales of environmental test chambers on the whole increased compared to the first quarter of the previous fiscal 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, orders-received increased year on year atop solid orders from smartphone and automotive manufacturers, but net sales decreased.

As a result, the Equipment Business on the whole saw orders-received increase 14.3% year on year to ¥8,886 million and net sales increase 8.4% to ¥6,574 million, compared to the first quarter of the previous fiscal year. On the earnings front, the segment posted operating income of ¥392 million due to the higher net sales and improvement in the cost of sales ratio.

	Previous consolidated 1 st quarter (Fiscal 2016) (Million Yen)	This consolidated 1 st quarter (Fiscal 2017) (Million Yen)	Change (%)
Orders-Received	7,775	8,886	14.3
Net Sales	6,063	6,574	8.4
Operating Income (Loss)	(35)	392	-

[Service Business]

In after-sales service and engineering, orders-received increased were about the same period last year and net sales year on year.

In commissioned tests and facility rentals, orders-received increased year on year, but net sales fell short of the strong level achieved in the same period last year, decreasing year on year.

As a result, the Company's Service Business on the whole saw orders-received decrease 0.6% year on year to ¥1,486 million and net sales increase 4.9% to ¥1,252 million, compared to the first quarter of the previous fiscal year. On the earnings front, the segment posted operating loss of ¥48 million due to deterioration in the cost of sales ratio.

	Previous consolidated 1 st quarter (Fiscal 2016) (Million Yen)	This consolidated 1 st quarter (Fiscal 2017) (Million Yen)	Change (%)
Orders-Received	1,494	1,486	(0.6)
Net Sales	1,193	1,252	4.9
Operating Income (Loss)	11	(48)	-

[Other Business]

The reforestation (tree planting) business and the waterfront biotope restoration was firm, but the plant factory business declined. As a result, the Other Business overall saw orders-received decrease 46.1% to ¥214 million and net sales increase 5.6% to ¥227 million, compared to the first quarter of the previous fiscal year. On the earnings front, the segment posted operating loss of ¥34 million.

	Previous consolidated 1 st quarter (Fiscal 2016) (Million Yen)	This consolidated 1 st quarter (Fiscal 2017) (Million Yen)	Change (%)
Orders-Received	397	214	(46.1)
Net Sales	215	227	5.6
Operating Loss	(31)	(34)	-

* 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 ¥48,206 million, a decrease of ¥838 million over the end of the previous consolidated fiscal year. Major factors included a ¥571 million increase in cash and deposits and a ¥3,207 million decrease in notes and accounts receivable-trade and a ¥384 million increase in electronically recorded monetary claims-operating and a ¥1,162 million increase in inventory assets such as work in process. Liabilities were ¥11,561 million, a decrease of ¥432 million from the end of the previous consolidated fiscal year. Major factors included a ¥147 million decrease in notes and accounts payable-trade and a ¥209 million decrease in income taxes payable. Net assets were ¥36,644 million, a decrease of ¥405 million from the end of the previous consolidated fiscal year. Major factors included a ¥368 million decrease 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 2017 and for full-year fiscal 2017, the Company is not revising the original forecasts 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 June 30, 2017
Assets		
Current assets		
Cash and deposits	9,654	10,226
Notes and accounts receivable - trade	15,123	11,915
Electronically recorded monetary claims - operating	1,564	1,948
Securities	1,901	1,901
Merchandise and finished goods	623	1,105
Work in process	1,826	2,462
Raw materials and supplies	1,862	1,906
Other	2,160	2,312
Allowance for doubtful accounts	(21)	(16)
Total current assets	34,694	33,762
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,584	3,551
Land	4,455	4,449
Other, net	1,787	1,718
Total property, plant and equipment	9,827	9,720
Intangible assets		
Goodwill	614	575
Other	346	320
Total intangible assets	961	896
Investments and other assets	3,560	3,827
Total non-current assets	14,349	14,443
Total assets	49,044	48,206
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,591	2,444
Electronically recorded obligations - operating	3,694	3,627
Income taxes payable	382	172
Provision for bonuses	383	601
Provision for directors' bonuses	13	—
Provision for product warranties	255	238
Provision for loss on order received	1	9
Asset retirement obligations	123	123
Other	2,817	2,533
Total current liabilities	10,263	9,750
Non-current liabilities		
Net defined benefit liability	53	53
Provision for directors' retirement benefits	12	12
Asset retirement obligations	13	14
Other	1,651	1,730
Total non-current liabilities	1,731	1,811
Total liabilities	11,994	11,561

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Net assets		
Shareholders' equity		
Capital stock	6,895	6,895
Capital surplus	6,914	6,914
Retained earnings	23,873	23,510
Treasury shares	(994)	(991)
Total shareholders' equity	36,689	36,329
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,079	1,267
Revaluation reserve for land	(661)	(661)
Foreign currency translation adjustment	120	(121)
Remeasurements of defined benefit plans	(179)	(170)
Total accumulated other comprehensive income	359	314
Total net assets	37,049	36,644
Total liabilities and net assets	49,044	48,206

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
Quarterly Consolidated Statements of Income
(First three months ended June 30, 2017)

(Million Yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Net sales	7,419	8,013
Cost of sales	5,073	5,226
Gross profit	2,346	2,787
Selling, general and administrative expenses		
Salaries and allowances	676	721
Provision for bonuses	61	64
Provision for product warranties	45	40
Amortization of goodwill	16	16
Other	1,601	1,633
Total selling, general and administrative expenses	2,401	2,477
Operating profit (loss)	(55)	310
Non-operating income		
Interest income	4	7
Dividend income	27	29
Other	23	28
Total non-operating income	54	65
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	155	23
Commission fee	2	2
Other	3	10
Total non-operating expenses	161	36
Ordinary profit (loss)	(161)	339
Extraordinary income		
Gain on sales of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on sales of non-current assets	0	—
Loss on retirement of non-current assets	0	1
Loss on valuation of investment securities	8	—
Total extraordinary losses	8	1
Profit (loss) before income taxes	(169)	338
Income taxes - current	13	153
Profit (loss)	(182)	185
Profit (loss) attributable to owners of parent	(182)	185

Quarterly Consolidated Statements of Comprehensive Income
 (First three months ended June 30, 2017)

(Million Yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Profit (loss)	(182)	185
Other comprehensive income		
Valuation difference on available-for-sale securities	(159)	187
Foreign currency translation adjustment	(404)	(242)
Remeasurements of defined benefit plans, net of tax	11	9
Total other comprehensive income	(552)	(44)
Comprehensive income	(735)	140
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(735)	140

(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 1st quarter (From April 1, 2016 to June 30, 2016)

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	6,061	1,143	214	7,419	-	7,419
(2) Internal sales or transfers between segments	1	49	0	52	(52)	-
Total	6,063	1,193	215	7,471	(52)	7,419
Segment Income (Loss)	(35)	11	(31)	(55)	0	(55)

*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, 2017 to June 30, 2017)

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	6,573	1,213	226	8,013	-	8,013
(2) Internal sales or transfers between segments	0	38	0	39	(39)	-
Total	6,574	1,252	227	8,053	(39)	8,013
Segment Income (Loss)	392	(48)	(34)	309	1	310

*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