



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

October 30, 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:	November 10, 2017
Dividends Payment Beginning Day:	December 5, 2017
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 October 30, 2017 at 14:00. (GMT+9)

(Rounded off to nearest million yen)

1. Consolidated financial results for the 2nd quarter of fiscal 2017 ending March 31, 2018 (April 1, 2017 ~ September 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 six months ended September 30, 2017	18,396	6.6	1,625	61.1	1,691	103.0	1,165	127.5
First six months ended September 30, 2016	17,250	6.9	1,009	(11.0)	833	(34.6)	512	(36.1)

(Note) Statements of comprehensive income First six months ended September 30, 2017 ¥1,468million [- %]
First six months ended September 30, 2016 ¥ (689) million [- %]

	Net Income Per Share	Net income Per Share, Diluted
	Yen	Yen
First six months ended September 30, 2017	51.01	-
First six months ended September 30, 2016	22.47	-

(2) Consolidated financial standing

	Total Assets	Net assets	Shareholders' Equity Ratio	Shareholders' Equity Per Share
	Million Yen	Million Yen	%	Yen
As of September 30, 2017	49,477	37,971	76.7	1,661.17
As of March 31, 2017	49,044	37,049	75.5	1,621.00

(Reference) Shareholders' equity As of September 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	-	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: Yes

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: Yes

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 September 30, 2017	23,781,394 shares	As of March 31, 2017	23,781,394 shares
As of September 30, 2017	922,935 shares	As of March 31, 2017	925,324 shares
First six months ended September 30, 2017	22,858,611 shares	First six months ended September 30, 2016	22,799,153 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 six 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 based on 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 second quarter of the fiscal year, the amount of orders-received increased 14.7% year on year to ¥22,850 million and net sales increased 6.6% to ¥18,396 million. Operating income increased 61.1% year on year to ¥1,625 million, owing to the higher net sales and improvement in the cost of sales ratio, and profit attributable to owners of parent increased 127.5% year on year to ¥1,165 million due to decreasing of exchange losses.

	Previous consolidated 2 nd quarter (Fiscal 2016) (Million Yen)	This consolidated 2 nd quarter (Fiscal 2017) (Million Yen)	Change (%)
Orders-Received	19,914	22,850	14.7
Net Sales	17,250	18,396	6.6
Operating Income	1,009	1,625	61.1
Ordinary Income	833	1,691	103.0
Profit attributable to owners of parent	512	1,165	127.5

Performance by Segment

This consolidated 2nd quarter (Fiscal 2017)

	Orders-Received	Net Sales	Operating Income (Loss)
	Million Yen	Million Yen	Million Yen
Equipment Business	19,230	15,355	1,621
Service Business	3,061	2,702	87
Other Business	674	439	(82)
Elimination	(115)	(100)	(0)
Total	22,850	18,396	1,625

[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, orders-received increased year on year atop solid orders from smartphone and automotive manufacturers, but net sales were on par with the first six months of the previous fiscal year.

As a result, the Company's Equipment Business on the whole saw orders-received increase 16.5% to ¥19,230 million and net sales increase 8.2% to ¥15,355 million compared to the first six months of the previous fiscal year. Operating income increased 79.9% to ¥1,621 million, owing to the higher net sales and improvement in the cost of sales ratio.

	Previous consolidated 2 nd quarter (Fiscal 2016) (Million Yen)	This consolidated 2 nd quarter (Fiscal 2017) (Million Yen)	Change (%)
Orders-Received	16,508	19,230	16.5
Net Sales	14,188	15,355	8.2
Operating Income	901	1,621	79.9

[Service Business]

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

In the requested test and facility rental, test consulting business and facility rental grew steadily. Consequently, orders-received increased year on year, but net sales were on par with the first six months of the previous fiscal year.

As a result, the Company's Service Business on the whole saw increases orders-received and net sales of 5.3% to ¥3,061 million, and 1.3% to ¥2,702 million, respectively, compared to first six months of the previous fiscal year. Operating income decreased 42.6% year on year to ¥87 million, mainly due to increased selling, general and administrative expenses.

	Previous consolidated 2 nd quarter (Fiscal 2016) (Million Yen)	This consolidated 2 nd quarter (Fiscal 2017) (Million Yen)	Change (%)
Orders-Received	2,908	3,061	5.3
Net Sales	2,666	2,702	1.3
Operating Income	152	87	(42.6)

[Other Business]

In the Other Business, the plant factory business and the reforestation (tree planting) was firm. As a result, orders-received increased 8.6% to ¥674 million, but net sales decreased 12.6 % to ¥439 million, compared to first six months of the previous fiscal year. On the earnings front, the segment posted operating loss of ¥82 million.

	Previous consolidated 2 nd quarter (Fiscal 2016) (Million Yen)	This consolidated 2 nd quarter (Fiscal 2017) (Million Yen)	Change (%)
Orders-Received	621	674	8.6
Net Sales	502	439	(12.6)
Operating loss	(45)	(82)	-

* 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 ¥49,477million, an increase of ¥432million over the end of the previous consolidated fiscal year. Major factors included an increase of ¥1,992 million in cash and deposits, a decrease of ¥3,446 million in notes and accounts receivable-trade, an increase of ¥1,028 million in inventory assets such as work in process, and an increase of ¥774 million in investments and other assets. Liabilities were ¥11,505 million, a decrease of ¥489 million from the end of the previous consolidated fiscal year. Major factors included a decrease of ¥871million in notes and accounts payable-trade and an increase of ¥307 million in other non-current liabilities. Net assets were ¥37,971 million, an increase of ¥922 million from the end of the previous consolidated fiscal year. Major factors included an increase of ¥617 million in retained earnings and an increase of ¥529 million in valuation difference on available-for-sale securities.

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

With regard to the consolidated performance forecasts for full-year fiscal 2017, the Company has revised the original forecasts announced on May 12, 2017. Furthermore, consolidated business results for the full-year fiscal 2017 are now expected to exceed of previous forecasts. Therefore, the Company has revised its year-end dividend forecast. For details, please see the "Notice of Difference between Consolidated Financial Forecast Figures and Financial Results for First Half, Revision of Consolidated Full-year Financial Forecast, Resolution of Dividend of Surplus (Interim), and Revision of Year-End Dividend Forecast" issued on October 30, 2017.

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

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	9,654	11,647
Notes and accounts receivable - trade	15,123	11,676
Electronically recorded monetary claims - operating	1,564	1,679
Securities	1,901	1,901
Merchandise and finished goods	623	1,163
Work in process	1,826	2,324
Raw materials and supplies	1,862	1,852
Other	2,160	2,313
Allowance for doubtful accounts	(21)	(18)
Total current assets	34,694	34,540
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,584	3,517
Land	4,455	4,449
Other, net	1,787	1,768
Total property, plant and equipment	9,827	9,735
Intangible assets		
Goodwill	614	557
Other	346	306
Total intangible assets	961	864
Investments and other assets	3,560	4,335
Total non-current assets	14,349	14,936
Total assets	49,044	49,477
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,591	1,720
Electronically recorded obligations - operating	3,694	3,758
Income taxes payable	382	551
Provision for bonuses	383	373
Provision for directors' bonuses	13	—
Provision for product warranties	255	249
Provision for loss on order received	1	2
Asset retirement obligations	123	123
Other	2,817	2,685
Total current liabilities	10,263	9,464
Non-current liabilities		
Net defined benefit liability	53	54
Provision for directors' retirement benefits	12	12
Asset retirement obligations	13	14
Other	1,651	1,958
Total non-current liabilities	1,731	2,040
Total liabilities	11,994	11,505

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Net assets		
Shareholders' equity		
Capital stock	6,895	6,895
Capital surplus	6,914	6,914
Retained earnings	23,873	24,491
Treasury shares	(994)	(991)
Total shareholders' equity	36,689	37,309
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,079	1,609
Revaluation reserve for land	(661)	(661)
Foreign currency translation adjustment	120	(125)
Remeasurements of defined benefit plans	(179)	(161)
Total accumulated other comprehensive income	359	661
Total net assets	37,049	37,971
Total liabilities and net assets	49,044	49,477

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

Quarterly Consolidated Statements of Income
(First six months ended September 30, 2017)

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net sales	17,250	18,396
Cost of sales	11,360	11,770
Gross profit	5,889	6,625
Selling, general and administrative expenses		
Salaries and allowances	1,388	1,476
Provision for bonuses	111	112
Provision for product warranties	106	92
Amortization of goodwill	32	32
Other	3,240	3,285
Total selling, general and administrative expenses	4,880	4,999
Operating profit	1,009	1,625
Non-operating income		
Interest income	7	10
Dividend income	35	39
Other	47	40
Total non-operating income	91	89
Non-operating expenses		
Interest expenses	0	0
Provision of allowance for doubtful accounts	—	6
Foreign exchange losses	240	6
Commission fee	8	5
Other	18	5
Total non-operating expenses	267	24
Ordinary profit	833	1,691
Extraordinary income		
Gain on sales of non-current assets	3	4
Total extraordinary income	3	4
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	829	1,693
Income taxes - current	317	527
Profit	512	1,165
Profit attributable to owners of parent	512	1,165

Quarterly Consolidated Statements of Comprehensive Income
(First six months ended September 30, 2017)

(Million Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit	512	1,165
Other comprehensive income		
Valuation difference on available-for-sale securities	(89)	529
Foreign currency translation adjustment	(1,135)	(245)
Remeasurements of defined benefit plans, net of tax	23	18
Total other comprehensive income	(1,201)	302
Comprehensive income	(689)	1,468
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(689)	1,468
Profit		

(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 2nd quarter (From April 1, 2016 to September 30, 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	14,186	2,561	502	17,250	-	17,250
(2) Internal sales or transfers between segments	1	105	0	108	(108)	-
Total	14,188	2,666	502	17,358	(108)	17,250
Segment income (loss)	901	152	(45)	1,007	1	1,009

*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 six months of fiscal 2016, the year ending March 31, 2017, there was no material change in the amount of goodwill

II This consolidated 2nd quarter (From April 1, 2017 to September 30, 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	12,908	2,495	732	16,136	-	16,136
(2) Internal sales or transfers between segments	0	120	0	122	(122)	-
Total	12,909	2,615	733	16,258	(122)	16,136
Segment income (loss)	887	215	32	1,136	(2)	1,133

*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 six months of fiscal 2017, the year ending March 31, 2018, there was no material change in the amount of goodwill