



**Summary of Financial Results (Consolidated)**  
**for the First Quarter of Fiscal 2018 Ending March 31, 2019**  
**[under Japanese GAAP]**

August 3, 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: August 10, 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 August 3, 2018 at 14:00. (GMT+9)

(Rounded off to nearest million yen)

1. Consolidated financial results for the 1<sup>st</sup> quarter of fiscal 2018 ending March 31, 2019 (April 1, 2018 ~ June 30, 2018)

(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, 2018	7,558	(5.7)	(53)	-	15	(95.5)	44	(76.0)
First three months ended June 30, 2017	8,013	8.0	310	-	339	-	185	-

(Note) Statements of comprehensive income First three months ended June 30, 2018 ¥ (347) million [- %]  
First three months ended June 30, 2017 ¥ 140 million [- %]

	Net Income Per Share	Net income Per Share, Diluted
	Yen	Yen
First three months ended June 30, 2018	1.94	-
First three months ended June 30, 2017	8.09	-

(2) Consolidated financial standing

	Total Assets	Net assets	Shareholders' Equity Ratio	Shareholders' Equity Per Share
	Million Yen	Million Yen	%	Yen
As of June 30, 2018	50,368	38,673	76.8	1,691.89
As of March 31, 2018	54,208	39,943	73.7	1,747.46

(Reference) Shareholders' equity As of June 30, 2018 ¥38,673 million  
As of March 31, 2018 ¥39,943 million

2. Dividends

	Annual dividends				
	End of 1 <sup>st</sup> quarter	End of 2 <sup>nd</sup> quarter	End of 3 <sup>rd</sup> quarter	Term-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2018	-	20.00	-	38.00	58.00
Fiscal year ended March 31, 2019	-				
Fiscal year ending March 31, 2019 (forecast)		22.00	-	40.00	62.00

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

## 3. Forecast of consolidated operating results for fiscal 2018 ending March 31, 2019 (April 1, 2018 ~ March 31, 2019)

(% figures for the six months ended 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, 2018	20,500	11.4	1,800	10.7	1,850	9.4	1,300	11.5	56.87
Full-term	48,000	-	4,800	-	4,900	-	3,550	-	155.31

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

As detailed in the press release dated May 15, 2018, the full-year figures presented above include the results of a 15-month period (hitherto a 12-month period) for overseas consolidated subsidiaries, assuming that the overseas consolidated subsidiaries will change their fiscal year-end to the same date shared by all subsidiaries. There is no impact on the results for the six months ending September 30, 2018.

\* Full-year comparisons with the previous fiscal year are omitted as the comparison targets are different.

Consolidated operating results forecasts assuming a 12-month period for overseas consolidated subsidiaries, as before, are presented below. The impact of these changes has been to increase net sales by ¥2,500 million, operating income by ¥100 million, ordinary income by ¥100 million, and profit attributable to owners of parent by ¥50 million.

(Reference) Consolidated operating results forecast assuming a 12-month period for overseas consolidated subsidiaries

(% figures for the full-term are rates of change in comparison to 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
Full-term (12 months)	45,500	3.2	4,700	2.1	4,800	1.1	3,500	5.8	153.12

## 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, 2018	23,781,394 shares	As of March 31, 2018	23,781,394 shares
2) Quantity of treasury stock at end of term:	As of June 30, 2018	923,237 shares	As of March 31, 2018	923,237 shares
3) Average number of shares during the term (Consolidated quarter):	First three months ended June 30, 2018	22,858,157 shares	First three months ended June 30, 2017	22,858,670 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 2018, the year ending March 31, 2019, the Japanese economy saw exports trend firmly and capital investment also performed favorably against the backdrop of a strong business performance, measures to address personnel shortfalls and other factors, although the economic outlook remained uncertain due to the impact of U.S.-China trade friction.

Of the Company's main customers, automotive manufacturers and electronics-related manufacturers continued to invest aggressively.

In this environment, the Company worked on strengthening the customization capabilities of its environmental test chambers, targeting the automotive and IoT-related markets, and on developing energy devices equipment. The Company also worked on expanding sales in the domestic market and in overseas markets such as China, South Korea, Europe and ASEAN.

As a result, in the consolidated results for the first quarter of the fiscal year, the amount of orders-received increased 15.0% year on year to ¥12,101 million but net sales, however, decreased 5.7% to ¥7,558 million due to an increase in products with long delivery periods. On the earnings front, the Company posted a ¥53 million operating loss owing to the decline in net sales and an increase in selling, general and administrative expenses including R&D expenses. Profit attributable to owners of parent was ¥44 million, reflecting a decrease in income taxes payable.

	Previous consolidated 1 <sup>st</sup> quarter (Fiscal 2017) (Million Yen)	This consolidated 1 <sup>st</sup> quarter (Fiscal 2018) (Million Yen)	Change (%)
Orders-Received	10,526	12,101	15.0
Net Sales	8,013	7,558	(5.7)
Operating Income (Loss)	310	(53)	-
Ordinary Profit	339	15	(95.5)
Profit attributable to owners of parent	185	44	(76.0)

### Performance by Segment

This consolidated 1<sup>st</sup> quarter (Fiscal 2018)

	Orders-Received	Net Sales	Operating Income (Loss)
	Million Yen	Million Yen	Million Yen
Equipment Business	10,210	6,040	(80)
Service Business	1,723	1,415	76
Other Business	225	147	(50)
Elimination	(57)	(45)	1
Total	12,101	7,558	(53)

[Equipment Business]

In the environment test chambers field, in Japan the Company saw firm business for highly versatile standardized products. For customized products, the Company saw firm orders-received, while net sales decreased year on year due to an increase in products with long delivery periods. Overseas, sales to the U.S., South Korea and Southeast Asia decreased year on year, despite increased sales in China and Europe. As a result, for environmental test chambers on the whole, orders-received increased year on year but net sales decreased.

In the energy devices equipment field, orders-received increased year on year, reflecting solid orders from evaluation systems for secondary batteries. However, net sales decreased year on year.

In the semiconductor equipment field, orders-received and net sales decreased compared to the high level achieved in the same period last year.

As a result, the Equipment Business on the whole saw orders-received increase 14.9% year on year to ¥10,210 million and net sales decrease 8.1% to ¥6,040 million, compared to the same period last year. On the earnings front, the segment posted operating income of ¥80 million owing to the decline in net sales and an increase in selling, general and administrative expenses including R&D expenses.

	Previous consolidated 1 <sup>st</sup> quarter (Fiscal 2017) (Million Yen)	This consolidated 1 <sup>st</sup> quarter (Fiscal 2018) (Million Yen)	Change (%)
Orders-Received	8,886	10,210	14.9
Net Sales	6,574	6,040	(8.1)
Operating Income (Loss)	392	(80)	-

[Service Business]

In after-sales service and engineering, orders-received increased compared to the same period last year and net sales remained level year on year.

In the requested tests and facility rentals, test consulting 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 orders-received increase 16.0% year on year to ¥1,723 million and net sales increase 13.0% to ¥1,415 million, compared to the same period last year. On the earnings front, the segment posted operating income of ¥76 million due to increase in net sales.

	Previous consolidated 1 <sup>st</sup> quarter (Fiscal 2017) (Million Yen)	This consolidated 1 <sup>st</sup> quarter (Fiscal 2018) (Million Yen)	Change (%)
Orders-Received	1,486	1,723	16.0
Net Sales	1,252	1,415	13.0
Operating Income (Loss)	(48)	76	-

[Other Business]

At ESPEC MIC Corp., which operates the forest and wetland greening business and plant factory business, orders received increased but net sales decreased year on year. In the Other Business overall, orders received increased 5.1% year on year to ¥225 million; however, net sales decreased 35.2% year on year to ¥147 million. On the earnings front, the segment recorded an operating loss of ¥50 million due to decline in net sales.

	Previous consolidated 1 <sup>st</sup> quarter (Fiscal 2017) (Million Yen)	This consolidated 1 <sup>st</sup> quarter (Fiscal 2018) (Million Yen)	Change (%)
Orders-Received	214	225	5.1
Net Sales	227	147	(35.2)
Operating Loss	(34)	(50)	-

\* 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 2<sup>nd</sup> and 4<sup>th</sup> 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 ¥50,368 million, a decrease of ¥3,840 million over the end of the previous consolidated fiscal year. Major factors included a ¥4,497 million decrease in notes and accounts receivable-trade and electronically recorded monetary claims-operating resulting from a collection of accounts receivables recorded at the end of the previous fiscal year, and also a ¥1,541 million increase in inventory assets such as work in process owing to increased orders received. Liabilities were ¥11,694 million, a decrease of ¥2,569 million from the end of the previous consolidated fiscal year. Major factors included a decrease of ¥965 million in notes and accounts payable-trade and electronically recorded obligations-operating resulting from payments of accounts payables, a decrease of ¥839 million in income taxes payable, and a decrease of ¥601 million in other current liabilities. Net assets were ¥38,673 million, a decrease of ¥1,270 million from the end of the previous consolidated fiscal year. Major factors included a decrease of ¥824 million in retained earnings resulting from dividends paid and a decrease of ¥298 million in foreign currency translation adjustment. The Company applied the Partial Amendments to the Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) from the beginning of the first quarter of fiscal 2018 (ending March 31, 2019) For the financial position, the comparison is based on figures from the end of the prior consolidated fiscal year after applying those amendments retroactively.

(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 2018 and for full-year fiscal 2018, 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, 2018	As of June 30, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	11,079	10,811
Notes and accounts receivable - trade	16,471	12,174
Electronically recorded monetary claims - operating	2,551	2,350
Securities	2,901	2,401
Merchandise and finished goods	946	1,381
Work in process	1,473	2,340
Raw materials and supplies	1,937	2,177
Other	1,953	2,056
Allowance for doubtful accounts	(64)	(39)
Total current assets	39,251	35,654
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,485	3,391
Land	4,449	4,440
Other, net	1,792	1,798
Total property, plant and equipment	9,727	9,630
Intangible assets		
Goodwill	530	482
Other	315	298
Total intangible assets	845	780
Investments and other assets	4,384	4,301
Total non-current assets	14,957	14,713
Total assets	54,208	50,368
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	2,800	2,342
Electronically recorded obligations - operating	4,269	3,762
Income taxes payable	945	106
Provision for bonuses	413	634
Provision for directors' bonuses	12	—
Provision for product warranties	250	202
Provision for loss on order received	1	1
Asset retirement obligations	123	—
Other	3,726	3,125
Total current liabilities	12,544	10,175
Non-current liabilities		
Net defined benefit liability	60	58
Provision for directors' retirement benefits	12	12
Asset retirement obligations	14	14
Other	1,633	1,433
Total non-current liabilities	1,720	1,519
Total liabilities	14,264	11,694

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Net assets		
Shareholders' equity		
Capital stock	6,895	6,895
Capital surplus	6,914	6,914
Retained earnings	26,174	25,350
Treasury shares	(992)	(992)
Total shareholders' equity	38,992	38,168
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,615	1,461
Revaluation reserve for land	(662)	(662)
Foreign currency translation adjustment	131	(167)
Remeasurements of defined benefit plans	(133)	(126)
Total accumulated other comprehensive income	951	505
Total net assets	39,943	38,673
Total liabilities and net assets	54,208	50,368



(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income  
Quarterly Consolidated Statements of Income  
(First three months ended June 30, 2018)

	(Million Yen)	
	Three months ended June 30, 2017	Three months ended June 30, 2018
Net sales	8,013	7,558
Cost of sales	5,226	4,936
Gross profit	2,787	2,622
Selling, general and administrative expenses		
Salaries and allowances	721	781
Provision for bonuses	64	60
Provision for product warranties	40	40
Amortization of goodwill	16	15
Other	1,633	1,775
Total selling, general and administrative expenses	2,477	2,675
Operating income (loss)	310	(53)
Non-operating income		
Interest income	7	6
Dividend income	29	39
Reversal of allowance for doubtful accounts	6	22
Other	21	21
Total non-operating income	65	89
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	23	16
Commission fee	2	2
Other	10	2
Total non-operating expenses	36	21
Ordinary income	339	15
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	1	1
Total extraordinary losses	1	1
Income before income taxes	338	13
Income taxes - current	153	(30)
Profit	185	44
Profit attributable to owners of parent	185	44

Quarterly Consolidated Statements of Comprehensive Income  
(First three months ended June 30, 2018)

(Million Yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Profit	185	44
Other comprehensive income		
Valuation difference on available-for-sale securities	187	(154)
Foreign currency translation adjustment	(242)	(244)
Remeasurements of defined benefit plans, net of tax	9	6
Total other comprehensive income	(44)	(391)
Comprehensive income	140	(347)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	140	(347)

(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.

(Application of Partial Amendment to "Accounting Standard for Tax Effect Accounting", etc.)

The Partial Amendments to the Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) was applied from the beginning of the first quarter of fiscal 2018 (ending March 31, 2019). Deferred tax assets are presented in the classification for investments and other assets, and deferred tax liabilities are presented in the classification for non-current liabilities.

(Segment information)

I Previous consolidated 1<sup>st</sup> 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

II This consolidated 1<sup>st</sup> quarter (From April 1, 2018 to June 30, 2018)

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	6,038	1,373	146	7,558	-	7,558
(2) Internal sales or transfers between segments	2	41	1	45	(45)	-
Total	6,040	1,415	147	7,603	(45)	7,558
Segment Income (Loss)	(80)	76	(50)	(54)	1	(53)

\*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