



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

October 29, 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:	November 9, 2018
Dividends Payment Beginning Day:	December 4, 2018
Preparing Supplementary Material on Quarterly Financial Results:	Yes
Holding Financial Results Presentation Meeting:	Yes (For Institutional Investors)
U.S. GAAP Accounting standard:	Not Adopted

*The original disclosure in Japanese was released on October 29, 2018 at 16:00. (GMT+9)

(Rounded off to nearest million yen)

1. Consolidated financial results for the 2nd quarter of fiscal 2018 ending March 31, 2019 (April 1, 2018 ~ September 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 six months ended September 30, 2018	19,092	3.8	1,659	2.1	1,732	2.4	1,270	9.0
First six months ended September 30, 2017	18,396	6.6	1,625	61.1	1,691	103.0	1,165	127.5

(Note) Statements of comprehensive income First six months ended September 30, 2018 ¥ 881 million [(39.9)%]
First six months ended September 30, 2017 ¥ 1,468 million [- %]

	Net Income Per Share	Net income Per Share, Diluted
	Yen	Yen
First six months ended September 30, 2018	55.60	-
First six months ended September 30, 2017	51.01	-

(2) Consolidated financial standing

	Total Assets	Net assets	Shareholders' Equity Ratio	Shareholders' Equity Per Share
	Million Yen	Million Yen	%	Yen
As of September 30, 2018	51,819	39,956	77.1	1,748.04
As of March 31, 2018	54,208	39,943	73.7	1,747.46

(Reference) Shareholders' equity As of September 30, 2018 ¥39,956 million
As of March 31, 2018 ¥39,943 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, 2018	-	20.00	-	38.00	58.00
Fiscal year ended March 31, 2019	-	22.00			
Fiscal year ending March 31, 2019 (forecast)			-	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 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	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.

* 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
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2) Quantity of treasury stock at end of term:

As of June 30, 2018	923,287 shares	As of March 31, 2018	923,237 shares
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3) Average number of shares during the term (Consolidated quarter):

First six months ended September 30, 2018	22,858,132 shares	First six months ended September 30, 2017	22,858,611 shares
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* 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 six months of fiscal 2018, the year ending March 31, 2019, the Japanese economy saw capital investment perform 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 and the impact of large-scale natural disasters.

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 second quarter of the fiscal year, the amount of orders-received increased 8.0% year on year to ¥24,681 million and net sales increased 3.8% to ¥19,092 million. Operating income increased 2.1% year on year to ¥1,659 million and profit attributable to owners of parent increased 9.0% year on year to ¥1,270 million.

	Previous consolidated 2 nd quarter (Fiscal 2017) (Million Yen)	This consolidated 2 nd quarter (Fiscal 2018) (Million Yen)	Change (%)
Orders-Received	22,850	24,681	8.0
Net Sales	18,396	19,092	3.8
Operating Income	1,625	1,659	2.1
Ordinary Income	1,691	1,732	2.4
Profit attributable to owners of parent	1,165	1,270	9.0

Performance by Segment

This consolidated 2nd quarter (Fiscal 2018)

	Orders-Received	Net Sales	Operating Income (Loss)
	Million Yen	Million Yen	Million Yen
Equipment Business	20,874	15,639	1,457
Service Business	3,238	3,056	284
Other Business	679	499	(83)
Elimination	(110)	(102)	0
Total	24,681	19,092	1,659

[Equipment Business]

In the environmental test chambers field, the Company saw strong business for highly versatile standardized products, as well as customized products in Japan. Overseas, sales in China, Southeast Asia and Europe increased, although sales in the U.S. and South Korea decreased in comparison with the same period of the previous 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 increased year on year, reflecting strong 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 8.5% year on year to ¥20,874 million and net sales increase 1.9% to ¥15,639 million, compared to the same period last year. Operating income decreased 10.1% year on year to ¥1,457 million owing to an increase in selling, general and administrative expenses including R&D expenses.

	Previous consolidated 2 nd quarter (Fiscal 2017) (Million Yen)	This consolidated 2 nd quarter (Fiscal 2018) (Million Yen)	Change (%)
Orders-Received	19,230	20,874	8.5
Net Sales	15,355	15,639	1.9
Operating Income	1,621	1,457	(10.1)

[Service Business]

In the after-sales service and engineering field, orders-received increased year on year and net sales increased slightly over the first six months of the previous fiscal year.

In the requested tests and facility rentals, orders-received were on par with the same period of the previous year, but net sales increased year on year due to the test consulting business performing strongly.

As a result, the Company's Service Business on the whole saw orders-received increase 5.8% year on year to ¥3,238 million and net sales increase 13.1% to ¥3,056 million, compared to the same period last year. Operating income increased 225.3% year on year to ¥284 million owing to the higher net sales and improvement in the cost of sales ratio.

	Previous consolidated 2 nd quarter (Fiscal 2017) (Million Yen)	This consolidated 2 nd quarter (Fiscal 2018) (Million Yen)	Change (%)
Orders-Received	3,061	3,238	5.8
Net Sales	2,702	3,056	13.1
Operating Income	87	284	225.3

[Other Business]

At ESPEC MIC Corp., which operates the forest and wetland greening business and plant factory business, orders received remained level but net sales increased year on year. In the Other Business overall, orders received increased 0.7% year on year to ¥679 million and net sales increased 13.7% year on year to ¥499 million. On the earnings front, the segment recorded an operating loss of ¥83 million due to deteriorating cost of sales ratio and increase in sales.

	Previous consolidated 2 nd quarter (Fiscal 2017) (Million Yen)	This consolidated 2 nd quarter (Fiscal 2018) (Million Yen)	Change (%)
Orders-Received	674	679	0.7
Net Sales	439	499	13.7
Operating Loss	(82)	(83)	-

* 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 ¥51,819 million, a decrease of ¥2,388 million over the end of the previous consolidated fiscal year. Major factors included a decrease of ¥4,247 million 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 an increase of ¥1,196 million in inventory assets such as work in process owing to increased orders received. Liabilities were ¥11,862 million, a decrease of ¥2,401 million from the end of the previous consolidated fiscal year. Major factors included a decrease of ¥1,159 million in notes and accounts payable-trade and electronically recorded obligations-operating resulting from payments of accounts payables, a decrease of ¥496 million in other current liabilities, and a decrease of ¥339 million in income taxes payable. Net assets were ¥39,956 million, an increase of ¥13 million from the end of the previous consolidated fiscal year. Major factors included the recording of ¥1,270 million in profit attributable to owners of parent, and an increase of ¥402 million in retained earnings resulting from appropriation of surplus of ¥868 million, and a decrease of ¥226 million in the 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 2018, the Company is not revising the original forecasts made on May 15, 2018, 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 September 30, 2018
Assets		
Current assets		
Cash and deposits	11,079	12,428
Notes and accounts receivable - trade	16,471	12,841
Electronically recorded monetary claims - operating	2,551	1,933
Securities	2,901	2,401
Merchandise and finished goods	946	1,399
Work in process	1,473	2,020
Raw materials and supplies	1,937	2,133
Other	1,953	2,019
Allowance for doubtful accounts	(64)	(40)
Total current assets	39,251	37,138
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,485	3,398
Land	4,449	4,446
Other, net	1,792	1,850
Total property, plant and equipment	9,727	9,694
Intangible assets		
Goodwill	530	485
Other	315	288
Total intangible assets	845	774
Investments and other assets	4,384	4,211
Total non-current assets	14,957	14,680
Total assets	54,208	51,819
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,800	2,178
Electronically recorded obligations - operating	4,269	3,731
Income taxes payable	945	606
Provision for bonuses	413	377
Provision for directors' bonuses	12	-
Provision for product warranties	250	194
Provision for loss on order received	1	2
Asset retirement obligations	123	-
Other	3,726	3,230
Total current liabilities	12,544	10,322
Non-current liabilities		
Net defined benefit liability	60	61
Executive share benefit reserve	-	36
Provision for directors' retirement benefits	12	12
Asset retirement obligations	14	14
Other	1,633	1,415
Total non-current liabilities	1,720	1,540
Total liabilities	14,264	11,862

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Net assets		
Shareholders' equity		
Capital stock	6,895	6,895
Capital surplus	6,914	7,120
Retained earnings	26,174	26,576
Treasury shares	(992)	(1,197)
Total shareholders' equity	38,992	39,394
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,615	1,388
Revaluation reserve for land	(662)	(662)
Foreign currency translation adjustment	131	(44)
Remeasurements of defined benefit plans	(133)	(119)
Total accumulated other comprehensive income	951	562
Total net assets	39,943	39,956
Total liabilities and net assets	54,208	51,819

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

(Million Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	18,396	19,092
Cost of sales	11,770	12,062
Gross profit	6,625	7,030
Selling, general and administrative expenses		
Salaries and allowances	1,476	1,569
Provision for bonuses	112	111
Executive share benefits provisions	-	33
Provision for product warranties	92	76
Amortization of goodwill	32	31
Other	3,285	3,547
Total selling, general and administrative expenses	4,999	5,371
Operating income	1,625	1,659
Non-operating income		
Interest income	10	11
Dividend income	39	39
Subsidy income	-	43
Reversal of allowance for doubtful accounts	5	20
Other	35	33
Total non-operating income	89	147
Non-operating expenses		
Interest expenses	0	0
Provision of allowance for doubtful accounts	6	-
Foreign exchange losses	6	67
Commission fee	5	4
Other	5	3
Total non-operating expenses	24	75
Ordinary income	1,691	1,732
Extraordinary income		
Gain on sales of non-current assets	4	0
Total extraordinary income	4	0
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	2	5
Total extraordinary losses	2	5
Income before income taxes	1,693	1,727
Income taxes - current	527	456
Profit	1,165	1,270
Profit attributable to owners of parent	1,165	1,270

Quarterly Consolidated Statements of Comprehensive Income
 (First six months ended September 30, 2018)

(Million Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit	1,165	1,270
Other comprehensive income		
Valuation difference on available-for-sale securities	529	(226)
Foreign currency translation adjustment	(245)	(175)
Remeasurements of defined benefit plans, net of tax	18	13
Total other comprehensive income	302	(388)
Comprehensive income	1,468	881
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,468	881

(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.

(Performance-linked share-based remuneration system)

Since August 2018, the Company has introduced a performance-linked share-based remuneration system (hereinafter referred to as "the System"), for the Company's Directors (excluding Outside Directors) and Executive Officers (hereinafter, Directors other than Outside Directors and Executive Officers who do not concurrently serve as Directors are collectively referred to as "Directors, etc.").

The System is a performance-linked, share-based remuneration system under which the Company shares are acquired through a trust (hereinafter, referred to as "the Trust") using funds contributed by the Company, and the Directors, etc. are provided with the Company shares and money equivalent to the market value of the Company shares (hereinafter referred to as "the Company shares, etc.") through the Trust in accordance with the Regulations for Delivery of Shares to Officers stipulated by the Company.

Regarding the accounting procedure for the System, the Company applies the gross method whereby the Trust's assets, liabilities, and profit and loss are included in the Company's consolidated financial statements. Moreover, the Company posted provision for delivery of shares to officers based on the estimated amount of the share-benefit obligation at the end of the first six months of fiscal 2018 in preparation for providing Company shares to the Directors, etc. in accordance with the Regulations for Delivery of Shares to Officers.

(Segment information)

I Previous 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

	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	15,348	2,609	438	18,396	-	18,396
(2) Internal sales or transfers between segments	6	92	0	100	(100)	-
Total	15,355	2,702	439	18,496	(100)	18,396
Segment Income (Loss)	1,621	87	(82)	1,626	(0)	1,625

*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 2nd quarter (From April 1, 2018 to September 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	15,620	2,973	498	19,092	-	19,092
(2) Internal sales or transfers between segments	18	82	1	102	(102)	-
Total	15,639	3,056	499	19,195	(102)	19,092
Segment Income (Loss)	1,457	284	(83)	1,658	0	1,659

*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