



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

January 31, 2019

Listed Company Name:	ESPEC CORP.
Listed Stock Exchange:	Tokyo Stock Exchanges, First Section
Securities Code:	6859
Homepage:	<a href="https://www.espec.co.jp/">https://www.espec.co.jp/</a>
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Planned Date of Filing of Quarterly Report:	February 8, 2019
Preparing Supplementary Material on Quarterly Financial Results:	No
Holding Financial Results Presentation Meeting:	No
U.S. GAAP Accounting standard:	Not Adopted

\*The original disclosure in Japanese was released on January 31, 2019 at 14:00. (GMT+9)

(Rounded off to nearest million yen)

1. Consolidated financial results for the 3<sup>rd</sup> quarter of fiscal 2018 ending March 31, 2019 (April 1, 2018 ~ December 31, 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 nine months ended December 31, 2018	28,924	0.0	2,797	(6.0)	2,867	(8.4)	2,079	(4.8)
First nine months ended December 31, 2017	28,912	12.7	2,976	89.2	3,129	112.0	2,183	126.4

(Note) Statements of comprehensive income First nine months ended December 31, 2018 ¥ 1,445 million [ (48.1) %]  
 First nine months ended December 31, 2017 ¥ 2,781 million [ - %]

	Net Income Per Share	Net income Per Share, Diluted
	Yen	Yen
First nine months ended December 31, 2018	90.99	-
First nine months ended December 31, 2017	95.54	-

(2) Consolidated financial standing

	Total Assets	Net assets	Shareholders' Equity Ratio	Shareholders' Equity Per Share
	Million Yen	Million Yen	%	Yen
As of December 31, 2018	52,991	40,012	75.5	1,750.49
As of March 31, 2018	54,208	39,943	73.7	1,747.46

(Reference) Shareholders' equity As of December 31, 2018 ¥40,012 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	-	22.00	-		
Fiscal year ending March 31, 2019 (forecast)				46.00	68.00

(Note) Has there been a correction in the dividend forecast this quarter: Yes

For the dividend forecast correction, please see the "Notice of Revisions of Consolidated Full-Year Financial Forecast and Year-End Dividend Forecast" issued today (January 31, 2019).

## 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	49,000	-	5,100	-	5,200	-	3,800	-	166.24

(Note) Has there been a correction in the results forecast this quarter: Yes

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 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)	46,500	5.5	5,000	8.6	5,100	7.4	3,750	13.3	164.06

For the consolidated financial forecast correction, please see the "Notice of Revisions of Consolidated Full-Year Financial Forecast and Year-End Dividend Forecast" issued today (January 31, 2019).

## 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):

2) Quantity of treasury stock at end of term:

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

As of December 31, 2018	23,781,394 shares	As of March 31, 2018	23,781,394 shares
As of December 31, 2018	923,317 shares	As of March 31, 2018	923,237 shares
First nine months ended December 31, 2018	22,858,117 shares	First nine months ended December 31, 2017	22,858,523 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 nine months of fiscal 2018, the year ending March 31, 2019, uncertainty in the outlook for the Japanese economy was amplified due to raised concerns regarding a global economic slowdown originating from 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 third quarter of the fiscal year, the amount of orders-received increased 7.2% year on year to ¥36,730 million and net sales were ¥28,924 million, which is on par with the first nine months of the previous fiscal year. Operating income decreased 6.0% year on year to ¥2,797 million owing to an increase in selling, general and administrative expenses including R&D expenses. And profit attributable to owners of parent decreased 4.8% year on year to ¥2,079 million.

	Previous consolidated 3 <sup>rd</sup> quarter (Fiscal 2017) (Million Yen)	This consolidated 3 <sup>rd</sup> quarter (Fiscal 2018) (Million Yen)	Change (%)
Orders-Received	34,262	36,730	7.2
Net Sales	28,912	28,924	0.0
Operating Income	2,976	2,797	(6.0)
Ordinary Income	3,129	2,867	(8.4)
Profit attributable to owners of parent	2,183	2,079	(4.8)

### Performance by Segment

This consolidated 3<sup>rd</sup> quarter (Fiscal 2018)

	Orders-Received	Net Sales	Operating Income (Loss)
	Million Yen	Million Yen	Million Yen
Equipment Business	30,785	23,735	2,453
Service Business	4,819	4,528	411
Other Business	1,291	814	(70)
Elimination	(165)	(153)	2
Total	36,730	28,924	2,797

[Equipment Business]

In the environmental test chambers field, net sales were on par with the same period last year, despite firm orders-received for customized products in the Japanese market. 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, as well as fuel cells chambers. However, net sales declined year on year due to an increase in products with long delivery periods.

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 7.4% year on year to ¥30,785 million and net sales decrease 2.0% to ¥23,735 million, compared to the same period last year. Operating income decreased 13.8% year on year to ¥2,453 million owing to an increase in selling, general and administrative expenses including R&D expenses.

	Previous consolidated 3 <sup>rd</sup> quarter (Fiscal 2017) (Million Yen)	This consolidated 3 <sup>rd</sup> quarter (Fiscal 2018) (Million Yen)	Change (%)
Orders-Received	28,672	30,785	7.4
Net Sales	24,229	23,735	(2.0)
Operating Income	2,848	2,453	(13.8)

[Service Business]

In the after-sales service and engineering field, orders-received and net sales increased year on year.

In the requested tests and facility rentals, orders-received decreased year on year, but net sales increased year on year due to the requested tests business performing strongly.

As a result, the Company's Service Business on the whole saw orders-received increase 0.4% year on year to ¥4,819 million and net sales increase 8.4% to ¥4,528 million, compared to the same period last year. Operating income increased 68.7% year on year to ¥411 million owing to the higher net sales and improvement in the cost of sales ratio.

	Previous consolidated 3 <sup>rd</sup> quarter (Fiscal 2017) (Million Yen)	This consolidated 3 <sup>rd</sup> quarter (Fiscal 2018) (Million Yen)	Change (%)
Orders-Received	4,801	4,819	0.4
Net Sales	4,177	4,528	8.4
Operating Income	243	411	68.7

[Other Business]

At ESPEC MIC Corp., which operates the forest and wetland greening business and plant factory business, the plant factory business performed firmly, with orders-received and net sales both increasing year on year. In the Other Business overall, orders received increased 35.4% year on year to ¥1,291 million and net sales increased 23.7% year on year to ¥814 million. On the earnings front, the segment recorded an operating loss of ¥70 million.

	Previous consolidated 3 <sup>rd</sup> quarter (Fiscal 2017) (Million Yen)	This consolidated 3 <sup>rd</sup> quarter (Fiscal 2018) (Million Yen)	Change (%)
Orders-Received	953	1,291	35.4
Net Sales	657	814	23.7
Operating Loss	(115)	(70)	-

\* 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 ¥52,991 million, a decrease of ¥1,217 million over the end of the previous consolidated fiscal year. Major factors included a decrease of ¥4,086 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, an increase of ¥3,455 million in inventory assets such as work in process owing to increased orders received, and a decrease of ¥584 million in investments and other assets due to a drop in market value for investment securities. Liabilities were ¥12,978 million, a decrease of ¥1,286 million from the end of the previous consolidated fiscal year. Major factors included a decrease of ¥637 million in income taxes payable, a decrease of ¥267 million in other non-current liabilities. Net assets were ¥40,012 million, an increase of ¥69 million from the end of the previous consolidated fiscal year. Major factors included the recording of ¥2,079 million in profit attributable to owners of parent, and an increase of ¥704 million in retained earnings resulting from appropriation of surplus of ¥1,375 million, and a decrease of ¥622 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 has revised the forecast announced on May 15, 2018. Furthermore, full-year consolidated performance for fiscal 2018 is expected to exceed the previously announced forecast; therefore the Company has corrected its year-end dividend forecast. For details, please see the "Notice of Revisions of Consolidated Full-Year Financial Forecast and Year-End Dividend Forecast" issued today (January 31, 2019).

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

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	11,079	11,107
Notes and accounts receivable - trade	16,471	12,692
Electronically recorded monetary claims - operating	2,551	2,243
Securities	2,901	2,401
Merchandise and finished goods	946	2,036
Work in process	1,473	3,517
Raw materials and supplies	1,937	2,259
Other	1,953	2,444
Allowance for doubtful accounts	(64)	(44)
Total current assets	39,251	38,658
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,485	3,462
Land	4,449	4,449
Other, net	1,792	1,869
Total property, plant and equipment	9,727	9,782
Intangible assets		
Goodwill	530	482
Other	315	268
Total intangible assets	845	750
Investments and other assets	4,384	3,799
Total non-current assets	14,957	14,332
Total assets	54,208	52,991
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	2,800	2,869
Electronically recorded obligations - operating	4,269	4,374
Income taxes payable	945	308
Provision for bonuses	413	255
Provision for directors' bonuses	12	—
Provision for product warranties	250	187
Provision for loss on order received	1	2
Asset retirement obligations	123	—
Other	3,726	3,470
Total current liabilities	12,544	11,468
Non-current liabilities		
Net defined benefit liability	60	62
Executive share benefit reserve	—	54
Provision for directors' retirement benefits	12	12
Asset retirement obligations	14	14
Other	1,633	1,365
Total non-current liabilities	1,720	1,509
Total liabilities	14,264	12,978

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Net assets		
Shareholders' equity		
Capital stock	6,895	6,895
Capital surplus	6,914	7,120
Retained earnings	26,174	26,878
Treasury shares	(992)	(1,198)
Total shareholders' equity	38,992	39,696
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,615	993
Revaluation reserve for land	(662)	(662)
Foreign currency translation adjustment	131	98
Remeasurements of defined benefit plans	(133)	(112)
Total accumulated other comprehensive income	951	316
Total net assets	39,943	40,012
Total liabilities and net assets	54,208	52,991



(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income  
Quarterly Consolidated Statements of Income  
(First nine months ended December 31, 2018)

	(Million Yen)	
	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Net sales	28,912	28,924
Cost of sales	18,326	18,055
Gross profit	10,585	10,868
Selling, general and administrative expenses		
Salaries and allowances	2,312	2,347
Provision for bonuses	42	150
Executive share benefits provisions	—	50
Provision for product warranties	137	116
Amortization of goodwill	49	48
Other	5,065	5,358
Total selling, general and administrative expenses	7,608	8,071
Operating income	2,976	2,797
Non-operating income		
Interest income	14	21
Dividend income	90	79
Subsidy income	2	43
Reversal of allowance for doubtful accounts	3	16
Foreign exchange gains	14	—
Other	46	42
Total non-operating income	173	203
Non-operating expenses		
Interest expenses	0	0
Provision of allowance for doubtful accounts	6	—
Foreign exchange losses	—	121
Commission fee	7	6
Other	6	4
Total non-operating expenses	20	133
Ordinary income	3,129	2,867
Extraordinary income		
Gain on sales of non-current assets	7	0
Gain on sales of investment securities	0	—
Total extraordinary income	7	0
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	2	10
Total extraordinary losses	2	10
Income before income taxes	3,133	2,856
Income taxes - current	949	776
Profit	2,183	2,079
Profit attributable to owners of parent	2,183	2,079

Quarterly Consolidated Statements of Comprehensive Income  
(First nine months ended December 31, 2018)

(Million Yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit	2,183	2,079
Other comprehensive income		
Valuation difference on available-for-sale securities	708	(622)
Foreign currency translation adjustment	(138)	(32)
Remeasurements of defined benefit plans, net of tax	27	20
Total other comprehensive income	597	(634)
Comprehensive income	2,781	1,445
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,781	1,445

(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 3<sup>rd</sup> quarter (From April 1, 2017 to December 31, 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	24,212	4,042	656	28,912	-	28,912
(2) Internal sales or transfers between segments	16	134	0	152	(152)	-
Total	24,229	4,177	657	29,064	(152)	28,912
Segment Income (Loss)	2,848	243	(115)	2,976	0	2,976

\*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 3<sup>rd</sup> quarter (From April 1, 2018 to December 31, 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	23,710	4,407	806	28,924	-	28,924
(2) Internal sales or transfers between segments	25	120	7	153	(153)	-
Total	23,735	4,528	814	29,077	(153)	28,924
Segment Income (Loss)	2,453	411	(70)	2,795	2	2,797

\*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