



Summary of Financial Results (Consolidated)
for the Fiscal 2019 Ended March 31, 2020
[under Japanese GAAP]

May 15, 2020

Listed Company Name: ESPEC CORP.
Listed Stock Exchange: Tokyo, Stock Exchanges, First Section
Securities Code: 6859
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Annual General Shareholders' Meeting (Scheduled): June 23, 2020
Dividends payment beginning day (Scheduled): June 24, 2020
Filing of Securities Report [Yuka shoken hokokusho](Scheduled): June 24, 2020
Preparing Supplementary Material on Financial Results: Yes
Holding Financial Results Presentation Meeting: No (A video of the presentation meeting is scheduled to be posted to the Company's website.)
U.S. GAAP Accounting standard: Not Adopted
*The original disclosure in Japanese was released on May 15, 2020 at 16:00. (GMT+9)

(Rounded off to nearest million yen)

1. Consolidated financial results for the fiscal 2019 ended March 31, 2020. (April 1, 2019 ~ March 31, 2020)

(1) Consolidated operating results

(% figures are rates of change in comparison to previous year)

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
Year Ended March 31, 2020	42,443	-	3,742	-	3,933	-	2,818	-
Year Ended March 31, 2019	50,580	-	5,827	-	5,851	-	4,289	-

(Note) Statements of comprehensive income Year Ended March 31, 2020 ¥2,199million [- %]
Year Ended March 31, 2019 ¥3,528million [- %]

	Net Income Per Share	Net Income Per Share, Diluted	Net Income to Shareholders' Equity	Ordinary Profit to Total Assets	Operating Profit to Net Sales
	Yen	Yen	%	%	%
Year Ended March 31, 2020	123.26	-	6.6	6.9	8.8
Year Ended March 31, 2019	187.65	-	10.5	10.5	11.5

(Reference) Equity in earnings of affiliates Year Ended March 31, 2020 ¥ - million
Year Ended March 31, 2019 ¥ - million

(Note) Rate of change in comparison to previous fiscal year are omitted as the year ended March 31, 2019 was an irregular 15-month period due to a change in fiscal year-end at overseas consolidated subsidiaries.

Consolidated operating results forecasts in comparison to previous fiscal year assuming a 12-month period for overseas consolidated subsidiaries, as before, are presented below.

(Reference) Consolidated operating results assuming a 12-month period for overseas consolidated subsidiaries in the previous fiscal year.

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
Year Ended March 31, 2020	42,443	(9.8)	3,742	(31.6)	3,933	(28.4)	2,818	(30.1)
Year Ended March 31, 2019	47,060	6.8	5,470	18.8	5,493	15.7	4,030	21.8

(Note) Statements of comprehensive income Year Ended March 31, 2020 ¥2,199million [(31.3)%]
Year Ended March 31, 2019 ¥3,202million [(17.9)%]

(2) Consolidated financial standing

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets Per Share
	Million Yen	Million Yen	%	Yen
As of March 31, 2020	57,461	42,731	74.4	1,868.77
As of March 31, 2019	57,359	42,088	73.4	1,841.30

(Reference) Shareholders' equity As of March 31, 2020 ¥ 42,731 million
As of March 31, 2019 ¥ 42,088 million

(3) Consolidated status on cash flows

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents at End of Year
	Million Yen	Million Yen	Million Yen	Million Yen
Year Ended March 31, 2020	4,870	(1,942)	(931)	16,779
Year Ended March 31, 2019	3,017	(562)	(1,399)	14,929

2. Dividends

	Dividend Per Share					Total Cash Dividend (Total)	Dividend Payout Ratio (Consolidated)	Ratio of Dividends to Net Assets (Consolidated)
	End of 1 st Quarter	End of 2 nd Quarter	End of 3 rd Quarter	Term-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million Yen	%	%
Year Ended March 31, 2019	-	22.00	-	46.00	68.00	1,567	36.2	3.8
Year Ended March 31, 2020	-	22.00	-	46.00	68.00	1,567	55.2	3.7
Year Ending March 31, 2021 (Forecast)	-	-	-	-	-		-	

(Note) Dividends for the fiscal year ending March 31, 2021 are not yet determined.

3. Forecasts of consolidated operating results for fiscal 2020, ending March 31, 2021 (From April 1, 2020 to March 31, 2021)

It is currently very difficult to rationally determine the impact of the spread of coronavirus disease 2019 (COVID-19) on forecasts of consolidated operating results for fiscal 2020, the year ending March 31, 2021. Accordingly, the Company has not yet determined the forecasts.

The forecasts of consolidated operating results will be announced promptly when it is possible to determine the forecasts.

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) 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

(3) Number of outstanding shares (Ordinary shares)

1) Number of outstanding shares at end of term (Including treasury stock):	As of March 31, 2020	23,781,394 shares	As of March 31, 2019	23,781,394 shares
2) Number of treasury stock at end of term:	As of March 31, 2020	915,230 shares	As of March 31, 2019	923,367 shares
3) Average number of shares during the term (Consolidated quarter):	Year Ended March 31, 2020	22,864,168 shares	Year Ended March 31, 2019	22,858,101 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.

(Note) For details, see "Outlook for Fiscal 2020" on p. 5.

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1. Summary of Business Results

(1) Overview of Fiscal 2019 Operating Results

1) Operating Results for Fiscal 2019

During fiscal 2019, the year ended March 31, 2020, the Japanese economy remained sluggish, mainly in manufacturing, as global economic conditions deteriorated due to U.S.-China trade friction. Along with this, the global economic outlook became increasingly uncertain toward the fiscal year-end as a result of the spread of COVID-19.

Of the company's main customers, semiconductor-related businesses made firm investments. However, customers in other sectors kept a cautious stance toward investment, showing signs of postponing or reviewing capital expenditures.

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 increasing sales of energy device products. The Company also focused on expanding sales in overseas markets, positioning Europe and ASEAN as key expansion regions.

As a result, in the consolidated results for fiscal 2019, orders-received was ¥43,571 million and net sales were ¥42,443 million. On the earnings front, operating income amounted to ¥3,742 million, mainly due to a decrease in net sales and a deteriorating cost of sales ratio. Profit attributable to owners of parent was ¥2,818 million.

* The previous fiscal year was an irregular 15-month transitional period (January 2018 to March 2019) for overseas consolidated subsidiaries. For this reason, year-on-year comparisons for operating results for the fiscal year under review have been omitted.

	Year Ended March 31, 2019 (Million Yen)	Year Ended March 31, 2020 (Million Yen)	Change (%)
Orders-Received	50,698	43,571	—
Net Sales	50,580	42,443	—
Operating Profit	5,827	3,742	—
Ordinary Profit	5,851	3,933	—
Profit Attributable to Owners of Parent	4,289	2,818	—

Rate of change in comparison to previous fiscal year assuming a 12-month period for overseas consolidated subsidiaries, as before, are presented below.

(Reference)

	Year Ended March 31, 2019 (Million Yen)	Year Ended March 31, 2020 (Million Yen)	Change (%)
Orders-Received	48,008	43,571	(9.2)
Net Sales	47,060	42,443	(9.8)
Operating Profit	5,470	3,742	(31.6)
Ordinary Profit	5,493	3,933	(28.4)
Profit Attributable to Owners of Parent	4,030	2,818	(30.1)

2) Performance by Segment

Consolidated results by operating segment for fiscal 2019

	Orders-Received (Million Yen)	Net Sales (Million Yen)	Operating Profit (Million Yen)
Equipment Business	34,682	34,361	3,041
Service Business	6,378	6,459	646
Other Business	2,715	1,831	49
Elimination	(203)	(208)	4
Total	43,571	42,443	3,742

<Equipment Business>

In the environmental test chambers field, particularly in Japan, orders for versatile standardized products decreased in the second half of fiscal 2019, along with a decline in major projects for customized products. Overseas, orders decreased year on year across all areas, with a particularly weak performance trend in China, South Korea and Taiwan.

In the energy devices equipment field, orders for evaluation systems for secondary batteries were lower than anticipated due to sluggish market conditions in China. Orders for evaluation systems for fuel cells also decreased as customers reviewed their investment plans. Net sales stayed at mostly the same level as in the previous fiscal year, mainly owing to evaluation systems for fuel cells.

In the semiconductor equipment field, orders-received and net sales both increased year on year as burn-in system and chambers for flash memory and automobiles performed solidly.

As a result, the Equipment Business overall saw orders-received was ¥34,682 million and net sales were ¥34,361 million.

Operating profit was ¥3,041 million, mainly due to a decrease in net sales and a deteriorating cost of sales ratio.

	Year Ended March 31, 2019 (Million Yen)	Year Ended March 31, 2020 (Million Yen)	Change (%)
Orders-Received	42,587	34,682	—
Net Sales	42,638	34,361	—
Operating Profit	5,193	3,041	—

Rate of change in comparison to previous fiscal year assuming a 12-month period for overseas consolidated subsidiaries, as before, are presented below.

(Reference)

	Year Ended March 31, 2019 (Million Yen)	Year Ended March 31, 2020 (Million Yen)	Change (%)
Orders-Received	39,979	34,682	(13.3)
Net Sales	39,236	34,361	(12.4)
Operating Profit	4,908	3,041	(38.0)

< Service Business >

In the after-sales service and engineering field, orders-received and net sales were both mostly on par with the previous year, as after-sales service performed firmly.

In the requested tests and facility rentals, orders-received and net sales were both mostly on par with the previous year. As a result, the Service Business overall recorded orders-received was ¥6,378 million and net sales were ¥6,459 million. Operating income amounted to ¥646 million, due to improvement in the cost of sales ratio.

	Year Ended March 31, 2019 (Million Yen)	Year Ended March 31, 2020 (Million Yen)	Change (%)
Orders-Received	6,614	6,378	—
Net Sales	6,613	6,459	—
Operating Profit	620	646	—

Rate of change in comparison to previous fiscal year assuming a 12-month period for overseas consolidated subsidiaries, as before, are presented below.

(Reference)

	Year Ended March 31, 2019 (Million Yen)	Year Ended March 31, 2020 (Million Yen)	Change (%)
Orders-Received	6,524	6,378	(2.2)
Net Sales	6,486	6,459	(0.4)
Operating Profit	548	646	17.9

<Other Business>

In the Other Business, which is centered on environmental preservation and plant factory businesses, the Company received a large order for a plant factory in the second quarter, and waterfront biotope restoration trended favorably. Orders-received were ¥2,715 million and net sales were ¥1,831 million. Operating income amounted to ¥49 million, due to an increase in net sales.

	Year Ended March 31, 2019 (Million Yen)	Year Ended March 31, 2020 (Million Yen)	Change (%)
Orders-Received	1,706	2,715	—
Net Sales	1,541	1,831	—
Operating Profit	9	49	—

Rate of change in comparison to previous fiscal year assuming a 12-month period for overseas consolidated subsidiaries, as before, are presented below.

(Reference)

	Year Ended March 31, 2019 (Million Yen)	Year Ended March 31, 2020 (Million Yen)	Change (%)
Orders-Received	1,706	2,715	59.1
Net Sales	1,541	1,831	18.8
Operating Profit	9	49	428.7

(2) Overview of Fiscal 2019 Consolidated Financial Situation

Total assets at the end of the fiscal year consolidated accounting period were ¥57,461 million, an increase of ¥101 million over the end of the previous consolidated fiscal year. Major factors included a decrease of ¥3,733 million resulting from a collection of trade receivables (notes and accounts receivable – trade and electronically recorded monetary claims – operating), and an increase of ¥1,668 million in property, plant and equipment due to capital expenditures. Other major factors included an increase of ¥1,349 million in cash and deposits, an increase of ¥500 million in securities, and an increase of ¥222 million in inventory assets such as work in process.

Liabilities were ¥14,729 million, a decrease of ¥541 million against the end of the previous consolidated fiscal year. Major factors included a decrease of ¥989 million resulting from payment of trade payables (notes and accounts payable – trade and electronically recorded obligations – operating) and an increase of ¥672 million in long- and short-term borrowings by subsidiaries.

Net assets were ¥42,731 million, an increase of ¥643 million against the end of the previous fiscal year. Major factors included an increase of ¥1,244 million in retained earnings resulting from ¥1,567 million in dividends of surplus, despite the recording of ¥2,818 million in profit attributable to owners of parent in the fiscal 2019. As a result, the shareholders' equity ratio stood at 74.4%, an increase of 1.0 points from the end of the previous fiscal year.

(3) Overview of Fiscal 2019 Cash Flows

Cash and cash equivalents (hereinafter, "cash") at the end of the fiscal year under review were ¥16,779 million, an increase of ¥1,850 million from the previous fiscal year-end. This was mainly the result of net cash provided by operating activities of ¥4,870 million, net cash used in investing activities of ¥1,942 million, and net cash used in financing activities of ¥931 million. The status of each cash flow and the factors behind that for the fiscal 2019 are as follows.

Net cash provided by operating activities was ¥4,870 million, compared with net cash provided of ¥3,017 million in the previous fiscal year. The main sources of cash were profit before income taxes of ¥3,920 million and a decrease in notes and accounts receivable – trade of ¥3,381 million, while the main cash outflow was income taxes paid of ¥1,490 million.

Net cash used in investing activities was ¥1,942 million, compared with net cash used of ¥562 million in the previous fiscal year. This was mainly due to a purchase of property, plant and equipment and intangible assets of ¥1,765 million.

Net cash used in financing activities was ¥931 million, compared with net cash used of ¥1,399 million in the previous fiscal year. This was mainly due to cash dividends paid of ¥1,562 million, while there was a cash inflow of ¥706 million from long- and short-term borrowings and other sources.

(4) Outlook for Fiscal 2020

The global spread of coronavirus disease 2019 (COVID-19) is expected to result in stagnation in consumer spending and corporate business activity, and to also affect trends in capital expenditures by businesses. However, at this time, the Company is still carefully assessing the impact of those factors on its forecasts of operating results. Considering the difficulty in rationally determining its business forecasts, the Company has not yet determined its forecasts of operating results for fiscal 2020, the year ending March 31, 2021. These business forecasts will be announced promptly when it is possible to determine the forecasts.

(5) Basic Policy on Profit Distributions and Dividends for Fiscal 2019 and Fiscal 2020

The Company recognizes the return of profits to shareholders as an important management priority, and believes that constantly raising enterprise value is the key element in ensuring improved shareholder returns. Regarding the dividend for the fiscal year under review, the Company decides dividends in consideration of continuity and the consolidated dividend payout ratio, and plans to pay an increased year-end dividend of ¥46 per share. Together with the payment of an interim dividend of ¥22 per share, the Company will pay an annual dividend of ¥68 per share for fiscal 2019.

Moreover, the Company has not yet determined its annual dividend for the next fiscal year. The annual dividend will be announced promptly when it is possible to disclose a rational forecast.

2. Basic Stance on the Selection of Accounting Standards

Effective from the first quarter of fiscal 2020, the year ending March 31, 2021, the Company had planned to adopt International Financial Reporting Standards (IFRS). However, as announced in “Announcement Concerning Decision to Forgo Voluntary Adoption of IFRS” on April 27, 2020, the Company has decided not to voluntarily adopt IFRS at this time. The Company plans to continue to prepare its consolidated financial statements in accordance with Japanese Accounting Standards (Japanese GAAP). The Company intends to consider the adoption of IFRS in light of factors such as trends in the adoption of IFRS by peer companies in the same industry in Japan, and changes in the composition of foreign shareholders in those companies.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million Yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	12,028	13,378
Notes and accounts receivable-trade	18,644	14,808
Electronically recorded monetary claims-operating	2,493	2,595
Securities	2,901	3,402
Merchandise and finished goods	1,054	1,172
Work in process	1,674	1,768
Raw materials and supplies	2,129	2,140
Other	2,070	2,197
Allowance for doubtful accounts	(93)	(35)
Total current assets	42,905	41,428
Non-current assets		
Property, plant and equipment		
Buildings and structures	10,498	10,661
Accumulated depreciation	(6,993)	(7,151)
Buildings and structures, net	3,505	3,509
Machinery, equipment and vehicles	2,478	2,575
Accumulated depreciation	(1,638)	(1,731)
Machinery, equipment and vehicles, net	840	843
Tools, furniture and fixtures	4,534	4,858
Accumulated depreciation-tools, furniture and fixtures	(3,503)	(3,659)
Tools, furniture and fixtures, net	1,031	1,199
Land	4,446	4,443
Leased assets	140	169
Accumulated depreciation	(46)	(87)
Leased assets, net	94	82
Construction in progress	46	1,552
Total property, plant and equipment	9,963	11,631
Intangible assets		
Goodwill	455	382
Other	283	314
Total Intangible assets	739	696
Investments and other assets		
Investment securities	2,913	2,916
Retirement benefit asset	189	163
Deferred tax assets	134	124
Other	554	533
Allowance for doubtful accounts	(40)	(33)
Total investments and other assets	3,751	3,704
Total non-current assets	14,454	16,032
Total assets	57,359	57,461

(Million Yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,164	2,651
Electronically recorded obligations-operating	4,597	4,120
Short-term borrowings	—	230
Current portion of long-term borrowings	—	73
Income taxes payable	815	311
Provision for bonuses	406	400
Provision for bonuses for directors (and other officers)	13	17
Provision for share-based remuneration for directors (and other officers)	18	—
Provision for product warranties	255	212
Provision for loss on order received	0	2
Other	4,412	4,755
Total Current liabilities	13,685	12,775
Non-current liabilities		
Long-term borrowings	—	368
Deferred tax liabilities	190	180
Retirement benefit liability	63	56
Provision for share-based remuneration for directors (and other officers)	53	79
Provision for retirement benefits for directors (and other officers)	4	4
Asset retirement obligations	14	14
Deferred tax liabilities for land revaluation	534	534
Other	723	715
Total non-current liabilities	1,585	1,953
Total liabilities	15,270	14,729
Net assets		
Shareholders' equity		
Share capital	6,895	6,895
Capital surplus	7,120	7,120
Retained earnings	29,080	30,325
Treasury shares	(1,198)	(1,180)
Total shareholders' equity	41,898	43,160
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,123	930
Revaluation reserve for land	(662)	(662)
Foreign currency translation adjustment	(155)	(535)
Remeasurements of defined benefit plans	(115)	(161)
Total Valuation and translation adjustments	190	(428)
Total net assets	42,088	42,731
Total liabilities and net assets	57,359	57,461

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

Consolidated Statements of Income

(Million Yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	50,580	42,443
Cost of sales	32,417	27,724
Gross profit	18,163	14,719
Selling, general and administrative expenses		
Salaries and allowances	3,873	3,429
Research and development expenses	1,290	1,169
Provision for bonuses	119	121
Provision for product warranties	196	150
Provision for share-based remuneration for directors (and other officers)	66	28
Commission expenses	1,593	1,377
Provision for bonuses for directors (and other officers)	13	17
Amortization of goodwill	64	63
Other	5,117	4,619
Total selling, general and administrative expenses	12,335	10,976
Operating profit	5,827	3,742
Non-operating income		
Interest income	20	22
Dividend income	100	153
Subsidy income	43	36
Reversal of allowance for doubtful accounts-NOI	—	44
Other	61	47
Total non-operating income	226	304
Non-operating expenses		
Interest expenses	0	10
Provision of allowance for doubtful accounts	—	0
Foreign exchange losses	185	84
Commission expenses	9	9
Other	7	8
Total non-operating expenses	203	113
Ordinary profit	5,851	3,933
Extraordinary income		
Gain on sales of non-current assets	0	—
Gain on sales of investment securities	0	—
Total extraordinary income	1	—
Extraordinary losses		
Loss on retirement of non-current assets	13	10
Loss on sales of non-current assets	0	2
Total extraordinary losses	14	13
Profit before income taxes	5,838	3,920
Income taxes-current	1,499	1,016
Income taxes-deferred	50	85
Income taxes	1,549	1,102
Profit	4,289	2,818
Profit attributable to owners of parent	4,289	2,818

Consolidated Statements of Comprehensive Income

(Million Yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit	4,289	2,818
Other comprehensive income		
Valuation difference on available-for-sale securities	(492)	(192)
Foreign currency translation adjustment	(286)	(379)
Remeasurements of defined benefit plans, net of tax	17	(46)
Total other comprehensive income	(760)	(619)
Comprehensive income	3,528	2,199
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,528	2,199

(3) Consolidated Statements of Changes in Net Assets

Year Ended March 31, 2019

(Million Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,895	6,914	26,174	(992)	38,992
Changes of items during period					
Dividends of surplus			(1,375)		(1,375)
Profit attributable to owners of parent			4,289		4,289
Purchase of treasury shares				(412)	(412)
Disposal of treasury shares		205		206	411
Other			(7)		(7)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	205	2,906	(205)	2,905
Balance at end of current period	6,895	7,120	29,080	(1,198)	41,898

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	1,615	(662)	131	(133)	951	39,943
Changes of items during period						
Dividends of surplus						(1,375)
Profit attributable to owners of parent						4,289
Purchase of treasury shares						(412)
Disposal of treasury shares						411
Other						(7)
Net changes of items other than shareholders' equity	(492)	-	(286)	17	(760)	(760)
Total changes of items during period	(492)	-	(286)	17	(760)	2,144
Balance at end of current period	1,123	(662)	(155)	(115)	190	42,088

Year Ended March 31, 2020

(Million Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,895	7,120	29,080	(1,198)	41,898
Changes of items during period					
Dividends of surplus			(1,567)		(1,567)
Profit attributable to owners of parent			2,818		2,818
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				18	18
Other			(6)		(6)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	1,244	17	1,262
Balance at end of current period	6,895	7,120	30,325	(1,180)	43,160

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	1,123	(662)	(155)	(115)	190	42,088
Changes of items during Period						
Dividends of surplus						(1,567)
Profit attributable to owners of parent						2,818
Purchase of treasury shares						(0)
Disposal of treasury shares						18
Other						(6)
Net changes of items other than shareholders' equity	(192)	-	(379)	(46)	(619)	(619)
Total changes of items during period	(192)	-	(379)	(46)	(619)	643
Balance at end of current period	930	(662)	(535)	(161)	(428)	42,731

(4) Consolidated Statements of Cash Flows

(Million Yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	5,838	3,920
Depreciation	906	912
Amortization of goodwill	64	63
Increase (decrease) in allowance for doubtful accounts	26	(50)
Increase (decrease) in provision for bonuses for directors (and other officers)	0	3
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(8)	—
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	72	24
Increase (decrease) in retirement benefit liability	5	(5)
Interest and dividend income	(121)	(175)
Interest expenses	0	10
Decrease (increase) in trade receivables	(2,331)	3,381
Decrease (increase) in inventories	(902)	(645)
Increase (decrease) in trade payables	827	(778)
Other, net	98	(489)
Subtotal	4,476	6,172
Interest and dividends received	98	197
Interest paid	(0)	(8)
Income taxes (paid) refund	(1,557)	(1,490)
Net cash provided by (used in) operating activities	3,017	4,870
Cash flows from investing activities		
Net decrease (increase) in time deposits	16	—
Net decrease (increase) in trust beneficiary right	74	101
Purchase of property, plant and equipment and intangible assets	(558)	(1,765)
Proceeds from sales of property, plant and equipment and intangible assets	2	1
Purchase of investment securities	—	(280)
Proceeds from sales and redemption of investment securities	0	0
Loan advances	—	(0)
Collection of loans receivable	0	0
Decrease (increase) in other investments	(98)	—
Net cash provided by (used in) investing activities	(562)	(1,942)
Cash flows from financing activities		
Dividends paid	(1,372)	(1,562)
Net increase (decrease) in short-term borrowings	—	234
Proceeds from long-term borrowings	—	471
Repayments of long-term borrowings	—	(30)
Purchase of treasury shares	(0)	(0)
Proceeds from disposal of treasury shares	—	0
Other, net	(26)	(44)
Net cash provided by (used in) financing activities	(1,399)	(931)
Effect of exchange rate change on cash and cash equivalents	(89)	(146)
Net increase (decrease) in cash and cash equivalents	965	1,850
Cash and cash equivalents at beginning of period	13,963	14,929
Cash and cash equivalents at end of period	14,929	16,779

(5) Notes to the Consolidated Financial Statements

(Notes on the assumption of a going concern)

Not applicable.

(Important Matters Concerning the Basis for Preparing Consolidated Financial Statements)

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 10

Name of main consolidated subsidiary: ESPEC NORTH AMERICA, INC.

(2) Name of main non-consolidated subsidiary:

Main non-consolidated subsidiary: ESPEC EUROPE GmbH

(Reason for exclusion from scope of consolidation)

The non-consolidated subsidiaries have been excluded from the scope of consolidation because of their small size and because their total assets, net sales, net income (corresponding to equity) and retained earnings (corresponding to equity) have a negligible effect on the consolidated financial statements of the ESPEC Group.

2. Application of the Equity Method

(1) Number of non-consolidated subsidiaries accounted for using the equity method: None

(2) Number of affiliates accounted for using the equity method: None

(3) Some non-consolidated subsidiaries (ESPEC EUROPE GmbH and others) not accounted for using the equity method have been excluded from the scope of companies accounted for by the equity method as they have a negligible effect on the consolidated net income and retained earnings of the ESPEC Group, and are immaterial overall.

3. Fiscal Year of Consolidated Subsidiaries

The fiscal year-ends of consolidated subsidiaries SHANGHAI ESPEC ENVIRONMENTAL EQUIPMENT CORP., ESPEC ENVIRONMENTAL EQUIPMENT (SHANGHAI) CO., LTD., ESPEC TEST TECHNOLOGY (SHANGHAI) CO., LTD. ESPEC TEST EQUIPMENT (GUANGDONG) CO., LTD., and ESPEC (CHINA) LIMITED are December 31. These subsidiaries are included in the scope of consolidation based on a provisional financial closing of accounts on March 31, the consolidated closing date.

Moreover, from fiscal 2018 the fiscal year-ends of consolidated subsidiaries ESPEC NORTH AMERICA, INC. and ESPEC KOREA CORP. have been changed from December 31 to March 31.

4. Summary of Significant Accounting Policies

(1) Valuation standards and accounting treatment for important assets

1) Marketable securities

Among available-for-sale securities, with listed securities, the market value is determined by the market price as of the end of the period, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net assets, and the cost of securities sold determined by the moving average method. With non-listed securities, the cost is determined by the moving average method.

2) Derivatives

Market value.

3) Inventories

Work in process is mainly stated by the specific identification method; other inventories are mainly stated using the acquisition cost method, cost being determined by the weighted average method (the book value in the balance sheet is reduced when the profitability has declined).

(2) Method for depreciating and amortizing important assets

1) Property, plant and equipment (excluding lease assets)

The Company uses the straight-line method.

Estimated useful lives are as follows: Buildings 15-50 years

2) Intangible assets (excluding lease assets)

The Company amortizes intangible assets using the straight-line method. Estimated useful lives are as follows:

Software used by the Company 5 years

3) Lease assets

Depreciation equivalents are accounted for by the straight-line method, assuming the lease period to be the useful lives and the residual value to be zero.

(3) Accounting for important allowances

1) Allowance for doubtful accounts

The allowance for doubtful accounts provides for possible losses arising from default on accounts receivable. It comprises a general reserve for accounts receivable based on historical default rates, and an estimated credit loss for accounts receivable based on an individual assessment of each account.

2) Allowance for bonuses

The allowance for employees' bonuses is based on the estimated requirements for the fiscal year.

3) Allowance for directors' bonuses

The allowance for directors' bonuses is based on the estimated requirements for the fiscal year.

4) Reserve for product warranties

The reserve for product warranties is provided to cover the after service expenses, which are free during the warranty period, and are calculated based on historical claim rates for warranty expenses proportional to net sales.

5) Allowance for loss on orders-received

The allowance for loss on orders-received provides for possible losses in the future arising from the orders the Company received. The amount of potential loss on orders-received as of the end of the fiscal year under review in this report that can be rationally estimated is recorded as an allowance for conceivable losses on orders-received in subsequent fiscal years.

6) Allowance for directors' retirement benefits

For the Company's domestic consolidated subsidiaries, the Board of Directors has decided to terminate retirement benefits for directors. The Company books an allowance for the monetary amount for the period served by current directors up to the date of termination of retirement benefits.

7) Executive share benefit reserve

The Company posted provision for delivery of shares based on the estimated amount of the share-benefit obligation at the end of the fiscal year under review in preparation for providing Company shares to the Directors, etc.

(Additional Information)

(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 fiscal 2019 in preparation for providing Company shares to the Directors, etc. in accordance with the Regulations for Delivery of Shares to Officers. The following shows the book value and the number of treasury stocks held.

	Previous consolidated fiscal year March 31, 2019	This consolidated fiscal year March 31, 2020
Book value of treasury stocks	1,198 million yen	1,180 million yen
Book value of treasury stocks held by the company	786 million yen	786 million yen
Book value of treasury stocks held by the Trust	411 million yen	393 million yen
Number of treasury stocks	923,367 shares	915,230 shares
Number of treasury stocks held by Company	731,167 shares	731,430 shares
Number of treasury stocks held by the Trust	192,200 shares	183,800 shares

(4) Change in accounting method of retirement benefits

1) Attribution method for projected retirement benefits

As regards calculating retirement benefit obligations, at the end of the consolidated fiscal year under review the Company changed its method for attributing projected retirement benefits to accounting periods from the straight-line method to the benefit formula method.

2) Amortization method of actuarial gains or losses

Actuarial gains or losses are amortized from the consolidated fiscal year following the consolidated fiscal year in which they arise, using the straight-line method over a fixed number of years (10 years), but no more than the average remaining years of service of employees.

(5) Standards for Translation of Material Foreign Currency-Denominated Assets and Liabilities Into Japanese Yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the balance sheet date, with the foreign currency exchange gains and losses from translation recognized in the statement of income. The assets and liabilities of foreign subsidiaries, etc. are translated into Japanese yen at the current exchange rates at the balance sheet date. Revenue and expenses of foreign subsidiaries, etc. are

translated into Japanese yen at the average rate for the year. Differences arising from such translation are shown as “Foreign currency translation adjustments” as separate components of net assets.

(6) Method and Period of Goodwill Amortization

Goodwill is amortized by the straight-line method, equally allocating the cost over a period of no longer than 20 years.

(7) Scope of Cash and Cash Equivalents on the Consolidated Statements of Cash Flows

Cash and cash equivalents include cash in hand and deposits as well as short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value, all of which mature or become due within three months of the date of acquisition.

(8) Other Significant Notes on Preparation of Consolidated Financial Statements

Treatment of Consumption Tax

Figures are presented exclusive of consumption taxes and local consumption taxes for accounting purposes.

(Segment Information and Others)

Segment Information

1. Overview of reportable segments

ESPEC’s reportable segments refer to those components of the Company for which separate financial information is available and such information is reviewed regularly by the Board of Directors in determining the allocation of resources and in evaluating performance.

The Company classifies its business activities into segments according to the business format. There are three reportable segments: Equipment Business, Service Business, and Other Business.

The Equipment Business provides environmental test chambers, energy device equipment, semiconductor equipment, and FPD equipment. The Service Business is engaged in after service engineering, commissioned testing, and rentals.

The Other Business is involved with environmental preservation, plant production systems.

(Changes in the closing date of consolidated subsidiaries)

Overseas consolidated subsidiaries that changed their fiscal years in the previous fiscal year have been consolidated for a 15-month period from January 1, 2018 to March 31, 2019.

2. Method of calculating the monetary values of net sales, income or loss, assets, and other items of each reportable segment

Accounting treatment methods for reportable segments are the same as the methods shown in the “Important Matters Concerning the Basis for Preparing Consolidated Financial Statements.” Inter-segment sales and transfers are based on market prices and certain other factors.

3. Information concerning the monetary values of net sales, income or loss, assets and other items of each reportable segment

Previous consolidated fiscal year (April 1, 2018 ~ March 31, 2019)

(Million Yen)

	Reportable Segment			Total	Adjustment *1	Carried Amount on Consolidated Financial Statements *2
	Equipment Business	Service Business	Other Business			
Net Sales						
(1) Sales to External Customers	42,611	6,435	1,533	50,580	-	50,580
(2) Internal Sales or Transfers between Segments	27	177	7	212	(212)	-
Total	42,638	6,613	1,541	50,793	(212)	50,580
Segment Income	5,193	620	9	5,823	4	5,827
Segment Assets	34,280	6,511	1,158	41,951	15,407	57,359
Other						
Depreciation Expenses	611	279	6	897	-	897
Amortization of goodwill	64	-	-	64	-	64
Increases in Property, Plant and Equipment and Intangible Assets	652	489	3	1,144	52	1,197

(Note)

1. Adjustments are as follows.

- 1) "Adjustment" for segment sales mainly represents eliminations of inter-segment transactions.
- 2) "Adjustment" for segment income mainly represents eliminations of inter-segment transactions.
- 3) "Adjustment" for segment assets mainly represents eliminations of inter-segment transactions and company-wide assets. Company-wide assets of ¥15,527 million primarily consist of surplus working capital at the parent company (cash and deposits, short-term investment securities, etc.), long-term investment funds (investment securities) and assets related to administrative divisions.
- 4) "Adjustment" for depreciation expenses mainly represents eliminations of inter-segment transactions.
- 5) "Adjustment" for increases in property, plant and equipment and intangible assets mainly represents eliminations of inter-segment transactions and company-wide assets.

2. Segment income is adjusted to be consistent with the operating income stated in the consolidated statements of income.

This consolidated fiscal year (April 1, 2019 ~ March 31, 2020)

(Million Yen)

	Reportable Segment			Total	Adjustment *1	Carried Amount on Consolidated Financial Statements *2
	Equipment Business	Service Business	Other Business			
Net Sales						
(1) Sales to External Customers	34,341	6,272	1,829	42,443	-	42,443
(2) Internal Sales or Transfers between Segments	19	186	1	208	(208)	-
Total	34,361	6,459	1,831	42,652	(208)	42,443
Segment Income	3,041	646	49	3,737	4	3,742
Segment Assets	31,647	5,676	1,853	39,177	18,283	57,461
Other						
Depreciation Expenses	610	269	12	891	—	891
Amortization of goodwill	63	—	—	63	—	63
Increases in Property, Plant and Equipment and Intangible Assets	930	495	42	1,468	1,202	2,671

(Note)

1. Adjustments are as follows.

- 1) "Adjustment" for segment sales mainly represents eliminations of inter-segment transactions.
- 2) "Adjustment" for segment income mainly represents eliminations of inter-segment transactions.
- 3) "Adjustment" for segment assets mainly represents eliminations of inter-segment transactions and company-wide assets. Company-wide assets of ¥18,386 million primarily consist of surplus working capital at the parent company (cash and deposits, short-term investment securities, etc.), long-term investment funds (investment securities) and assets related to administrative divisions.
- 4) "Adjustment" for depreciation expenses mainly represents eliminations of inter-segment transactions.
- 5) "Adjustment" for increases in property, plant and equipment and intangible assets mainly represents eliminations of inter-segment transactions and company-wide assets.

2. Segment income is adjusted to be consistent with the operating income stated in the consolidated statements of income.

Related Information

Previous consolidated fiscal year (April 1, 2018 to March 31, 2019)

1.Information by product and service

(Million Yen)

	Equipment Business	Service Business	Other Business	Total
Sales to third parties	42,611	6,435	1,533	50,580

2.Information by region

(1) Net sales

(Million Yen)

Japan	U.S.	China	Others in Asia	Others	Total
24,789	5,734	10,701	6,253	3,101	50,580

(2) Property, plant and equipment

(Million Yen)

Japan	U.S.	China	Others in Asia	Total
8,077	1,090	648	146	9,963

This consolidated fiscal year (April 1, 2019 to March 31, 2020)

1.Information by product and service

(Million Yen)

	Equipment Business	Service Business	Other Business	Total
Sales to third parties	34,341	6,272	1,829	42,443

2.Information by region

(1) Net sales

(Million Yen)

Japan	U.S.	China	Others in Asia	Others	Total
23,791	4,291	7,005	4,511	2,844	42,443

(2) Property, plant and equipment

(Million Yen)

Japan	U.S.	China	Others in Asia	Total
9,365	1,480	656	128	11,631

Information on non-current assets and impairment loss by reportable segment

Previous consolidated fiscal year (April 1, 2018 to March 31, 2019)

No items to report

This consolidated fiscal year (April 1, 2019 to March 31, 2020)

No items to report

Information on amortization of goodwill and unamortized balance by reportable segment

Previous consolidated fiscal year (April 1, 2018 to March 31, 2019)

(Million Yen)

	Equipment Business	Service Business	Other Business	Corporate and Elimination	Total
Amortization	64	—	—	—	64
Unamortized Balance	455	—	—	—	455

This consolidated fiscal year (April 1, 2019 to March 31, 2020)

(Million Yen)

	Equipment Business	Service Business	Other Business	Corporate and Elimination	Total
Amortization	63	—	—	—	63
Unamortized Balance	382	—	—	—	382

Information on gain on negative goodwill by reportable segment

Previous consolidated fiscal year (April 1, 2018 to March 31, 2019)

No items to report

This consolidated fiscal year (April 1, 2019 to March 31, 2020)

No items to report

(Per-Share Information)

FY2018 (From April 1, 2018 to March 31, 2019)		FY2019 (From April 1, 2019 to March 31, 2020)	
	Yen		Yen
Net Assets Per Share	1,841.30	Net Assets Per Share	1,868.77
Net Income Per Share	187.65	Net Income Per Share	123.26
Diluted net income per share is not shown as there are no dilutive securities.		Diluted net income per share is not shown as there are no dilutive securities.	

* The Company's shares set up by the Board Benefit Trust (BBT) are recognized as treasury stock in the Company's consolidated financial statements. Accordingly, the number of common shares used to calculate the amount of net assets per share in the consolidated fiscal year under review was calculated after deducting the relevant number of those shares. For the purpose of calculating net assets per share, the number of treasury shares at term end that was deducted was 192,200 in the previous fiscal year and 183,800 in the fiscal year under review.

(Note) The basis of calculation for net income per share is as follows:

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
Net income per share		
Profit attributable to owners of parent (Million Yen)	4,289	2,818
Net income available to minority interests (Million Yen)	—	—
Profit attributable to owners of parent available to common shares (Million Yen)	4,289	2,818
Weighted-average number of common shares outstanding for the period (Thousand Shares)	22,858	22,864
Dilutive shares omitted from the calculation of diluted net income per share, due to absence of a dilution effect.	—————	—————

* The Company's shares set up by the Board Benefit Trust (BBT) are recognized as treasury stock in the Company's consolidated financial statements. Accordingly, the number of common shares used to calculate the amount of net assets per share in the consolidated fiscal year under review was calculated after deducting the relevant number of those shares. For the purpose of calculating net income per share, the average number of treasury shares during the term that was deducted was 128,133 in the previous fiscal year and 185,900 in the fiscal year under review.

(Material Subsequent Events)

Not applicable.