



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

August 8, 2019

Listed Company Name:	ESPEC CORP.
Listed Stock Exchange:	Tokyo Stock Exchanges, First Section
Securities Code:	6859
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Planned Date of Filing of Quarterly Report:	August 9, 2019
Dividends Payment Beginning Day:	-
Preparing Supplementary Material on Quarterly Financial Results:	No
Holding Quarterly Financial Results Presentation Meeting:	No
U.S. GAAP Accounting standard:	Not Adopted

\*The original disclosure in Japanese was released on August 8, 2019 at 14:00. (GMT+9)

(Rounded off to nearest million yen)

1. Consolidated financial results for the 1<sup>st</sup> quarter of fiscal 2019 ending March 31, 2020 (April 1, 2019 ~ June 30, 2019)

(1) Consolidated operating results (cumulative)

(% figures are rates of change in comparison to the same period last year)

	Net Sales		Operating Profit		Ordinary Profit		Profit attributable to owners of parent	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
First three months ended June 30, 2019	8,031	6.3	278	-	397	-	240	441.4
First three months ended June 30, 2018	7,558	(5.7)	(53)	-	15	(95.5)	44	(76.0)

(Note) Statements of comprehensive income First three months ended June 30, 2019 ¥ (161) million [- %]  
First three months ended June 30, 2018 ¥ (347) million [- %]

	Net Income Per Share		Net Income Per Share, Diluted	
	Yen		Yen	
First three months ended June 30, 2019	10.51		-	
First three months ended June 30, 2018	1.94		-	

(2) Consolidated financial standing

	Total Assets		Net assets		Shareholders' Equity Ratio		Shareholders' Equity Per Share	
	Million Yen		Million Yen		%	Yen		
As of June 30, 2019	53,820		40,958		76.1	1,791.89		
As of March 31, 2019	57,359		42,088		73.4	1,841.30		

(Reference) Shareholders' equity As of June 30, 2019 ¥40,958 million  
As of March 31, 2019 ¥42,088 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
Fiscal year ended March 31, 2019	Yen -	Yen 22.00	Yen -	Yen 46.00	Yen 68.00
Fiscal year ended March 31, 2020	-				
Fiscal year ending March 31, 2020 (forecast)		22.00	-	46.00	68.00

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

3. Forecast of consolidated operating results for fiscal 2019 ending March 31, 2020 (April 1, 2019 ~ March 31, 2020)

(% figures for the six months ended are rates of change in comparison to the same quarter previous year)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Net Income Per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
Six Months Ending September 30, 2019	21,500	12.6	2,300	38.6	2,400	38.6	1,700	33.8	74.37
Full-term	47,500	-	5,500	-	5,600	-	4,100	-	179.37

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

The Company changed the fiscal year-end of some overseas consolidated subsidiaries to a closing date shared by all subsidiaries, carrying out a 15-month settlement period. As a result, comparisons with the previous fiscal year have been omitted from the above figures. Consolidated operating results forecasts assuming a 12-month period for overseas consolidated subsidiaries, as before, are presented below.

(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)	47,500	0.9	5,500	0.5	5,600	1.9	4,100	1.7	179.37

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, 2019	23,781,394 shares	As of March 31, 2019	23,781,394 shares
2) Quantity of treasury stock at end of term:	As of June 30, 2019	923,455 shares	As of March 31, 2019	923,367 shares
3) Average number of shares during the term (Consolidated quarter):	First three months ended June 30, 2019	22,857,982 shares	First three months ended June 30, 2018	22,858,157 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.

## Index of Attached Material

1. Qualitative Information concerning Consolidated Financial Results .....	2
(1) Description of operating results .....	2
(2) Description of financial position .....	4
(3) Description of consolidated operating forecasts and other forward-looking information .....	4
2. Quarterly Consolidated Financial Statements and Significant Notes .....	5
(1) Quarterly Consolidated Balance Sheets .....	5
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	
Quarterly Consolidated Statements of Income	
(First three months ended June 30, 2019).....	7
Quarterly Consolidated Statements of Comprehensive Income	
(First three months ended June 30, 2019).....	8
(3) Notes to the quarterly consolidated financial statements .....	9

## 1. Qualitative Information concerning Consolidated Financial Results

### (1) Description of operating results

During the first three months of fiscal 2019, the year ending March 31, 2020, the economic outlook remained uncertain amid concerns over a global economic slowdown due to the impact of U.S.-China trade friction. Of the Company's main customers, automotive manufacturers and electronics-related manufacturers continued to invest aggressively.

Of the Company's main customers, automotive-related manufacturers continued to invest aggressively, but there were signs that some manufacturers were becoming cautious with investment.

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

As a result, in the consolidated results for the first quarter of the fiscal year, the amount of orders-received decreased 14.1% year on year to ¥10,393 million and net sales increased 6.3% to ¥8,031 million. On the earnings front, the Company posted a ¥278 million operating income and ¥240 million profit attributable to owners of parent, owing to the increased in net sales and a decline in selling, general and administrative expenses.

	Previous consolidated 1 <sup>st</sup> quarter (Fiscal 2018) (Million Yen)	This consolidated 1 <sup>st</sup> quarter (Fiscal 2019) (Million Yen)	Change (%)
Orders-Received	12,101	10,393	(14.1)
Net Sales	7,558	8,031	6.3
Operating Income (Loss)	(53)	278	-
Ordinary Profit	15	397	-
Profit attributable to owners of parent	44	240	441.4

### Performance by Segment

This consolidated 1<sup>st</sup> quarter (Fiscal 2019)

	Orders-Received	Net Sales	Operating Income (Loss)
	Million Yen	Million Yen	Million Yen
Equipment Business	8,599	6,543	(286)
Service Business	1,591	1,387	46
Other Business	260	151	(55)
Elimination	(57)	(51)	0
Total	10,393	8,031	278

[Equipment Business]

In the environment test chambers field, in Japan the Company saw firm business for highly versatile standardized products. In customized products, orders-received decreased compared to the high level achieved in the same period of the previous fiscal year. However, net sales increased. Overseas, sales to ASEAN and South Korea decreased year on year, despite increased sales in China, the U.S. and Europe. As a result, for environmental test chambers on the whole, orders-received decreased year on year but net sales increased.

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

In the semiconductor equipment field, orders-received and net sales both increased year on year as burn-in systems performed firmly.

As a result, the Equipment Business on the whole saw orders-received decrease 15.8% year on year to ¥8,599 million and net sales increase 8.3% to ¥6,543 million, compared to the same period last year. On the earnings front, the segment posted operating income of ¥286 million owing to an increase in net sales and the decline in selling, general and administrative expenses.

	Previous consolidated 1 <sup>st</sup> quarter (Fiscal 2018) (Million Yen)	This consolidated 1 <sup>st</sup> quarter (Fiscal 2019) (Million Yen)	Change (%)
Orders-Received	10,210	8,599	(15.8)
Net Sales	6,040	6,543	8.3
Operating Income (Loss)	(80)	286	-

[Service Business]

In after-sales service and engineering, both orders-received and net sales remained level year on year.

In requested tests and facility rentals, orders-received and net sales both decreased year on year due to delays in orders-received for requested tests.

As a result, the Company's Service Business on the whole saw orders-received decrease 7.7% year on year to ¥1,591 million and net sales decrease 2.0% to ¥1,387 million, compared to the same period last year. On the earnings front, the segment posted operating income of ¥46 million due to an increase in selling, general and administrative expenses including R&D expenses.

	Previous consolidated 1 <sup>st</sup> quarter (Fiscal 2018) (Million Yen)	This consolidated 1 <sup>st</sup> quarter (Fiscal 2019) (Million Yen)	Change (%)
Orders-Received	1,723	1,591	(7.7)
Net Sales	1,415	1,387	(2.0)
Operating Income (Loss)	76	46	(38.7)

[Other Business]

The Other Business, centered on the forest and wetland greening and plant factory businesses, recorded orders-received of ¥260 million, a 15.6% increase year on year owing to the plant factory business performing strongly. Net sales were ¥151 million, an increase of 3.2%. On the earnings front, the Company posted an operating loss of ¥55 million, due in part to deterioration in the cost of sales ratio.

	Previous consolidated 1 <sup>st</sup> quarter (Fiscal 2018) (Million Yen)	This consolidated 1 <sup>st</sup> quarter (Fiscal 2019) (Million Yen)	Change (%)
Orders-Received	225	260	15.6
Net Sales	147	151	3.2
Operating Loss	(50)	(55)	-

\* 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 ¥53,820 million, a decrease of ¥3,538 million over the end of the previous consolidated fiscal year. Major factors included a ¥4,293 million decrease in notes and accounts receivable-trade resulting from a collection of accounts receivables recorded at the end of the previous fiscal year, and also a ¥1,149 million increase in inventory assets such as work in process owing to increased orders received. Liabilities were ¥12,861 million, a decrease of ¥2,409 million from the end of the previous consolidated fiscal year. Major factors included a decrease of ¥1,251 million in notes and accounts payable-trade and electronically recorded obligations-operating resulting from payments of accounts payables, a decrease of ¥639 million in income taxes payable, and a decrease of ¥736 million in other current liabilities. Net assets were ¥40,958 million, a decrease of ¥1,129 million from the end of the previous consolidated fiscal year. Major factors included a decrease of ¥727 million in retained earnings resulting from dividends paid and a decrease of ¥413 million in foreign currency translation adjustment.

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

With regard to the consolidated performance forecasts for the first six months of fiscal 2019 and for full-year fiscal 2019, the Company is not revising the original forecasts because there are currently no conditions requiring us to revise these business performance forecasts.

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

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	12,028	11,400
Notes and accounts receivable - trade	18,644	14,350
Electronically recorded monetary claims - operating	2,493	2,778
Securities	2,901	2,401
Merchandise and finished goods	1,054	1,416
Work in process	1,674	2,431
Raw materials and supplies	2,129	2,161
Other	2,070	2,155
Allowance for doubtful accounts	(93)	(43)
Total current assets	42,905	39,053
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,505	3,448
Land	4,446	4,442
Other, net	2,011	2,397
Total property, plant and equipment	9,963	10,288
Intangible assets		
Goodwill	455	426
Other	283	260
Total intangible assets	739	686
Investments and other assets	3,751	3,792
Total non-current assets	14,454	14,767
Total assets	57,359	53,820
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	3,164	2,470
Electronically recorded obligations - operating	4,597	4,039
Income taxes payable	815	176
Provision for bonuses	406	636
Provision for bonuses for directors (and other officers)	13	—
Provision for share-based remuneration for directors (and other officers)	18	—
Provision for product warranties	255	222
Provision for loss on order received	0	2
Other	4,412	3,676
Total current liabilities	13,685	11,223
Non-current liabilities		
Retirement benefit liability	63	64
Provision for share-based remuneration for directors (and other officers)	53	65
Provision for retirement benefits for directors (and other officers)	4	4
Asset retirement obligations	14	14
Other	1,449	1,489
Total non-current liabilities	1,585	1,638
Total liabilities	15,270	12,861

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
<b>Net assets</b>		
Shareholders' equity		
Share capital	6,895	6,895
Capital surplus	7,120	7,120
Retained earnings	29,080	28,352
Treasury shares	(1,198)	(1,198)
Total shareholders' equity	41,898	41,170
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,123	1,128
Revaluation reserve for land	(662)	(662)
Foreign currency translation adjustment	(155)	(568)
Remeasurements of defined benefit plans	(115)	(109)
Total accumulated other comprehensive income	190	(211)
Total net assets	42,088	40,958
Total liabilities and net assets	57,359	53,820



(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income  
Quarterly Consolidated Statements of Income  
(First three months ended June 30, 2019)

(Million Yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Net sales	7,558	8,031
Cost of sales	4,936	5,170
Gross profit	2,622	2,860
Selling, general and administrative expenses		
Salaries and allowances	781	788
Provision for bonuses	60	75
Provision for share-based remuneration for directors	—	15
Provision for product warranties	40	30
Amortization of goodwill	15	16
Other	1,775	1,656
Total selling, general and administrative expenses	2,675	2,582
Operating profit (loss)	(53)	278
Non-operating income		
Interest income	6	6
Dividend income	39	110
Reversal of allowance for doubtful accounts	22	46
Other	21	13
Total non-operating income	89	176
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	16	52
Commission expenses	2	2
Other	2	2
Total non-operating expenses	21	57
Ordinary profit	15	397
Extraordinary income		
Gain on sales of non-current assets	0	—
Total extraordinary income	0	—
Extraordinary losses		
Loss on sales of non-current assets	—	2
Loss on retirement of non-current assets	1	2
Total extraordinary losses	1	4
Profit before income taxes	13	392
Income taxes - current	(30)	152
Profit	44	240
Profit attributable to owners of parent	44	240

Quarterly Consolidated Statements of Comprehensive Income  
 (First three months ended June 30, 2019)

(Million Yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Profit	44	240
Other comprehensive income		
Valuation difference on available-for-sale securities	(154)	5
Foreign currency translation adjustment	(244)	(413)
Remeasurements of defined benefit plans, net of tax	6	5
Total other comprehensive income	(391)	(401)
Comprehensive income	(347)	(161)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(347)	(161)

(3) Notes to the quarterly consolidated financial statements

(Notes on the assumption of a going concern)

No applicable

(Note on significant changes in shareholders' equity)

Not applicable

(Application of special accounting methods in the creation of quarterly consolidated financial statements)

For tax expenses, the Company has adopted the method of reasonably estimating the effective tax rate after applying tax effect accounting to net income before taxes for the current consolidated fiscal year, and then multiplying quarterly net income before taxes by the relevant estimated effective tax rate. However, when the tax expenses calculated using the relevant estimated effective tax rate are notably irrational, tax expenses shall be calculated using the statutory effective tax rate.

(Segment information)

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

1. Information concerning the net sales and income or loss of each reportable segment

	Reportable segment			Total (Million Yen)	Adjustment *1 (Million Yen)	Carried amount on quarterly consolidated statements of income *2 (Million Yen)
	Equipment Business (Million Yen)	Service Business (Million Yen)	Other Business (Million Yen)			
Net Sales						
(1) Sales to external customers	6,038	1,373	146	7,558	-	7,558
(2) Internal sales or transfers between segments	2	41	1	45	(45)	-
Total	6,040	1,415	147	7,603	(45)	7,558
Segment Income (Loss)	(80)	76	(50)	(54)	1	(53)

\*Notes:

1. "Adjustment" for segment income (loss) mainly represents eliminations of inter-segment transactions.
2. Segment income (loss) was reconciled with the operating income presented in the Quarterly Consolidated Statement of Income.

2. Information related to impairment loss on fixed assets, and goodwill, etc. for each reporting segment.

No applicable

II This consolidated 1<sup>st</sup> quarter (From April 1, 2019 to June 30, 2019)

1. Information concerning the net sales and income or loss of each reportable segment

	Reportable segment			Total (Million Yen)	Adjustment *1 (Million Yen)	Carried amount on quarterly consolidated statements of income *2 (Million Yen)
	Equipment Business (Million Yen)	Service Business (Million Yen)	Other Business (Million Yen)			
Net Sales						
(1) Sales to external customers	6,532	1,347	151	8,031	-	8,031
(2) Internal sales or transfers between segments	11	39	0	51	(51)	-
Total	6,543	1,387	151	8,083	(51)	8,031
Segment Income (Loss)	286	46	(55)	277	0	278

\*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