



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

November 12, 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:	November 13, 2019
Dividends Payment Beginning Day:	December 5, 2019
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 November 12, 2019 at 16:00. (GMT+9)	

(Rounded off to nearest million yen)

1. Consolidated financial results for the 2nd quarter of fiscal 2019 ending March 31, 2020 (April 1, 2019 ~ September 30, 2019)

(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, 2019	18,776	(1.7)	1,387	(16.4)	1,494	(13.7)	1,046	(17.6)
First six months ended September 30, 2018	19,092	3.8	1,659	2.1	1,732	2.4	1,270	9.0

(Note) Statements of comprehensive income First six months ended September 30, 2019 ¥ 646 million [(26.7) %]
 First six months ended September 30, 2018 ¥ 881 million [(39.9) %]

	Net Income Per Share	Net income Per Share, Diluted
	Yen	Yen
First six months ended September 30, 2019	45.79	-
First six months ended September 30, 2018	55.60	-

(2) Consolidated financial standing

	Total Assets	Net assets	Shareholders' Equity Ratio	Shareholders' Equity Per Share
	Million Yen	Million Yen	%	Yen
As of September 30, 2019	53,805	41,692	77.5	1,823.33
As of March 31, 2019	57,359	42,088	73.4	1,841.30

(Reference) Shareholders' equity As of September 30, 2019 ¥41,692 million
 As of March 31, 2019 ¥42,088 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, 2019	-	22.00	-	46.00	68.00
Fiscal year ended March 31, 2020	-	22.00			
Fiscal year ending March 31, 2020 (forecast)			-	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 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	42,500	-	3,600	-	3,700	-	2,700	-	118.09

(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)	42,500	(9.6)	3,600	(34.1)	3,700	(32.6)	2,700	(33.0)	118.09

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 September 30, 2019	23,781,394 shares	As of March 31, 2019	23,781,394 shares
As of September 30, 2019	915,141 shares	As of March 31, 2019	923,367 shares
First six months ended September 30, 2019	22,862,132 shares	First six months ended September 30, 2018	22,858,132 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 six months of fiscal 2019, the year ending March 31, 2020, the Japanese economy remained sluggish, mainly in manufacturing due to factors including the prolonging of U.S.-China trade friction, and the global economic outlook looked increasingly uncertain.

Of the Company's main customers, automotive manufacturers continued to invest aggressively. But the stance of other manufacturers toward investment remained cautious, and they continue to postpone 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 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 second quarter of the fiscal year, the amount of orders-received decreased 4.9% year on year to ¥23,463 million and net sales decreased 1.7% to ¥18,776 million. On the earnings front, decreased sales and a deteriorating cost of sales ratio saw operating income fall 16.4% to ¥1,387 million and profit attributable to owners of parent decrease 17.6% to ¥1,046 million.

	Previous consolidated 2 nd quarter (Fiscal 2018) (Million Yen)	This consolidated 2 nd quarter (Fiscal 2019) (Million Yen)	Change (%)
Orders-Received	24,681	23,463	(4.9)
Net Sales	19,092	18,776	(1.7)
Operating Income	1,659	1,387	(16.4)
Ordinary Profit	1,732	1,494	(13.7)
Profit attributable to owners of parent	1,270	1,046	(17.6)

Performance by Segment

This consolidated 2nd quarter (Fiscal 2019)

	Orders-Received	Net Sales	Operating Income (Loss)
	Million Yen	Million Yen	Million Yen
Equipment Business	18,476	15,131	1,171
Service Business	3,242	3,075	280
Other Business	1,865	675	(65)
Elimination	(120)	(106)	1
Total	23,463	18,776	1,387

[Equipment Business]

In the environment test chambers field, on the whole, net sales and orders-received decreased year on year. In Japan, customized products decreased compared to a strong previous fiscal year although there was strong business for highly versatile standardized products. Overseas, net sales were strong year on year in the U.S. and Europe, but decreased in China, ASEAN countries and South Korea.

In the energy devices equipment field, orders-received decreased year on year, due to delays in orders for evaluation systems for both secondary batteries and fuel cells. However, net sales increased year on year.

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 11.5% year on year to ¥18,476 million and net sales decrease 3.2% to ¥15,131 million, compared to the same period last year. Operating income decreased 19.7% year on year to ¥1,171 million due to decreased net sales and a worsening cost of sales ratio.

	Previous consolidated 2 nd quarter (Fiscal 2018) (Million Yen)	This consolidated 2 nd quarter (Fiscal 2019) (Million Yen)	Change (%)
Orders-Received	20,874	18,476	(11.5)
Net Sales	15,639	15,131	(3.2)
Operating Income	1,457	1,171	(19.7)

[Service Business]

In the after-sales service and engineering field, orders-received were on par with the same period of the previous year, but net sales increased.

In commissioned tests and facility rentals, orders-received were on par with the same period of the previous year, but net sales decreased year on year due to delays in orders-received for commissioned tests.

As a result, the Company's Service Business on the whole saw orders-received increase 0.1% year on year to ¥3,242 million and net sales increase 0.6% to ¥3,075 million, compared to the same period last year. Operating income decreased 1.4% to ¥280 million due to an increase in selling, general and administrative expenses including R&D expenses.

	Previous consolidated 2 nd quarter (Fiscal 2018) (Million Yen)	This consolidated 2 nd quarter (Fiscal 2019) (Million Yen)	Change (%)
Orders-Received	3,238	3,242	0.1
Net Sales	3,056	3,075	0.6
Operating Income	284	280	(1.4)

[Other Business]

The Other Business, centered on the forest and wetland greening and plant factory businesses, recorded orders-received of ¥1,865 million, a 174.7% increase year on year owing to the plant factory business receiving a large order. Net sales were ¥675 million, an increase of 35.3%. On the earnings front, the Company posted an operating loss of ¥65 million, due to deterioration in the cost of sales ratio.

	Previous consolidated 2 nd quarter (Fiscal 2018) (Million Yen)	This consolidated 2 nd quarter (Fiscal 2019) (Million Yen)	Change (%)
Orders-Received	679	1,865	174.7
Net Sales	499	675	35.3
Operating Loss	(83)	(65)	-

* 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 second quarter consolidated accounting period were ¥53,805 million, a decrease of ¥3,553 million over the end of the previous consolidated fiscal year. Major factors included a decrease of ¥6,838 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 ¥1,623 million in cash and deposits and an increase of ¥1,192 million in inventory assets such as work in process owing to increased orders-received. Liabilities were ¥12,112 million, a decrease of ¥3,157 million from the end of the previous consolidated fiscal year. Major factors included a decrease of ¥1,438 million in notes and accounts payable-trade and electronically recorded obligations-operating resulting from payments of accounts payables, a decrease of ¥1,340 million in other current liabilities, and a decrease of ¥304 million in income taxes payable. Net assets were ¥41,692 million, a decrease of ¥395 million from the end of the previous consolidated fiscal year. Major factors included a decrease of ¥450 million in foreign currency translation adjustment and an increase of ¥37 million in valuation difference on available-for-sale securities.

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

With regard to the full-year consolidated performance forecast for fiscal 2019, the Company has revised the original forecast announced on May 15, 2019. For details, please refer to "Notice of Revisions of Financial Forecasts" announced on October 31, 2019.

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

(Million Yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	12,028	13,652
Notes and accounts receivable - trade	18,644	12,350
Electronically recorded monetary claims - operating	2,493	1,948
Securities	2,901	2,901
Merchandise and finished goods	1,054	1,598
Work in process	1,674	2,326
Raw materials and supplies	2,129	2,126
Other	2,070	2,072
Allowance for doubtful accounts	(93)	(32)
Total current assets	42,905	38,945
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,505	3,467
Land	4,446	4,442
Other, net	2,011	2,404
Total property, plant and equipment	9,963	10,314
Intangible assets		
Goodwill	455	411
Other	283	262
Total intangible assets	739	673
Investments and other assets	3,751	3,871
Total non-current assets	14,454	14,859
Total assets	57,359	53,805
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,164	2,470
Electronically recorded obligations - operating	4,597	3,853
Income taxes payable	815	510
Provision for bonuses	406	377
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	207
Provision for loss on order received	0	5
Other	4,412	3,072
Total current liabilities	13,685	10,496
Non-current liabilities		
Retirement benefit liability	63	65
Provision for share-based remuneration for directors (and other officers)	53	67
Provision for retirement benefits for directors (and other officers)	4	4
Asset retirement obligations	14	14
Other	1,449	1,463
Total non-current liabilities	1,585	1,616
Total liabilities	15,270	12,112

(Million Yen)

	As of March 31, 2019	As of September 30, 2019
Net assets		
Shareholders' equity		
Share capital	6,895	6,895
Capital surplus	7,120	7,120
Retained earnings	29,080	29,067
Treasury shares	(1,198)	(1,180)
Total shareholders' equity	41,898	41,902
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,123	1,160
Revaluation reserve for land	(662)	(662)
Foreign currency translation adjustment	(155)	(605)
Remeasurements of defined benefit plans	(115)	(103)
Total accumulated other comprehensive income	190	(210)
Total net assets	42,088	41,692
Total liabilities and net assets	57,359	53,805

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

(Million Yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	19,092	18,776
Cost of sales	12,062	12,172
Gross profit	7,030	6,604
Selling, general and administrative expenses		
Salaries and allowances	1,569	1,580
Provision for bonuses	111	114
Provision for share-based remuneration for directors (and other officers)	33	18
Provision for product warranties	76	70
Amortization of goodwill	31	31
Other	3,547	3,400
Total selling, general and administrative expenses	5,371	5,216
Operating profit	1,659	1,387
Non-operating income		
Interest income	11	12
Dividend income	39	110
Reversal of allowance for doubtful accounts	20	48
Other	76	27
Total non-operating income	147	197
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	67	82
Commission expenses	4	4
Other	3	3
Total non-operating expenses	75	90
Ordinary profit	1,732	1,494
Extraordinary income		
Gain on sales of non-current assets	0	-
Total extraordinary income	0	-
Extraordinary losses		
Loss on sales of non-current assets	0	2
Loss on retirement of non-current assets	5	5
Total extraordinary losses	5	7
Profit before income taxes	1,727	1,487
Income taxes - current	456	440
Profit	1,270	1,046
Profit attributable to owners of parent	1,270	1,046

Quarterly Consolidated Statements of Comprehensive Income
(First six months ended September 30, 2019)

(Million Yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit	1,270	1,046
Other comprehensive income		
Valuation difference on available-for-sale securities	(226)	37
Foreign currency translation adjustment	(175)	(450)
Remeasurements of defined benefit plans, net of tax	13	11
Total other comprehensive income	(388)	(400)
Comprehensive income	881	646
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	881	646

(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 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

II This consolidated 2nd quarter (From April 1, 2019 to September 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	15,112	2,989	675	18,776	-	18,776
(2) Internal sales or transfers between segments	19	86	0	106	(106)	-
Total	15,131	3,075	675	18,883	(106)	18,776
Segment Income (Loss)	1,171	280	(65)	1,386	1	1,387

*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