



Summary of Financial Results (Consolidated)
for the Second Quarter of Fiscal 2020 Ending March 31, 2021
[under Japanese GAAP]

November 13, 2020

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, 2020
 Dividends payment beginning day (Scheduled): December 10, 2020
 Preparing Supplementary Material on Quarterly Financial Results: Yes
 Holding Financial Results Presentation Meeting: Yes (A video on-demand 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 November 13, 2020 at 16:00. (GMT+9)

(Rounded off to nearest million yen)

1. Consolidated financial results for the 2nd quarter of fiscal 2020 ending March 31, 2021 (From April 1, 2020 to September 30, 2020)
 (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, 2020	17,294	(7.9)	734	(47.1)	834	(44.2)	494	(52.8)
First six months ended September 30, 2019	18,776	(1.7)	1,387	(16.4)	1,494	(13.7)	1,046	(17.6)

(Note) Statements of comprehensive income First six months ended September 30, 2020 ¥ 831 million [28.7%]
 First six months ended September 30, 2019 ¥ 646 million [(26.7)%]

	Net Income Per Share	Net income Per Share, Diluted
	Yen	Yen
First six months ended September 30, 2020	21.63	-
First six months ended September 30, 2019	45.79	-

(2) Consolidated financial standing

	Total Assets	Net assets	Shareholders' Equity Ratio	Shareholders' Equity Per Share
	Million Yen	Million Yen	%	Yen
As of September 30, 2020	54,442	42,775	78.6	1,870.72
As of March 31, 2020	57,461	42,731	74.4	1,868.77

(Reference) Shareholders' equity As of September 30, 2020 ¥42,775 million
 As of March 31, 2020 ¥42,731 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, 2020	-	22.00	-	46.00	68.00
Fiscal year ended March 31, 2021	-	10.00			
Fiscal year ending March 31, 2021 (forecast)			-	30.00	40.00

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

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

(% 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	37,000	(12.8)	1,700	(54.6)	1,800	(54.2)	1,200	(57.4)	52.48

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

With regard to the full-year consolidated financial results for fiscal 2020, ending March 31, 2021, the Company has revised its earnings forecast, taking into account financial results for the first six months of fiscal 2020.

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 "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 September 30, 2020	23,781,394 shares	As of March 31, 2020	23,781,394 shares
As of September 30, 2020	915,389 shares	As of March 31, 2020	915,230 shares
First six months ended September 30, 2020	22,866,039 shares	First six months ended September 30, 2019	22,862,132 shares

2) Quantity of treasury stock at end of term:

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

* 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.

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.....	7
Quarterly Consolidated Statements of Income	
(First six months ended September 30, 2020)	7
Quarterly Consolidated Statements of Comprehensive Income	
(First six months ended September 30, 2020)	8
(3) Notes to the quarterly consolidated financial statements	9
(Notes on the assumption of a going concern)	9
(Note on significant changes in shareholders' equity)	9
(Application of special accounting methods in the creation of quarterly consolidated financial statements).....	9
(Additional Information)	9
(Segment information)	10

1. Qualitative Information concerning Consolidated Financial Results

(1) Description of operating results

During the first six months of fiscal 2020, the year ending March 31, 2021, the Japanese economy drastically worsened as economic activities came to a standstill due to the global spread of COVID-19, but there are signs of a gradual recovery in exports and personal consumption, and there has been normalization of economic activities in some places, such as China. However, it remains unclear when the situation regarding COVID-19 will settle and there continues to be uncertainty about the outlook.

Among the Company's main customers, the trend of curbing investments domestically and overseas continued overall in the automotive and electronics industries. With restrictions such as limitations on movement in place, the Company's initiatives included advancing online sales and strengthening activities centered on markets related to 5G and IoT and automated driving and electrification.

As a result, in the consolidated results for the second quarter of the fiscal year, the amount of orders-received decreased 27.7% year on year to ¥16,957 million and net sales decreased 7.9% year on year to ¥17,294 million. On the earnings front, decreased net sales and a deteriorating cost of sales ratio saw operating income fall 47.1% to ¥734 million and profit attributable to owners of parent decrease 52.8% to ¥494 million.

	Previous consolidated 2 nd quarter (Fiscal 2019) (Million Yen)	This consolidated 2 nd quarter (Fiscal 2020) (Million Yen)	Change (%)
Orders-Received	23,463	16,957	(27.7)
Net Sales	18,776	17,294	(7.9)
Operating Income	1,387	734	(47.1)
Ordinary Profit	1,494	834	(44.2)
Profit attributable to owners of parent	1,046	494	(52.8)

Performance by Segment

This consolidated 2nd quarter (Fiscal 2020)

	Orders-Received	Net Sales	Operating Income
	Million Yen	Million Yen	Million Yen
Equipment Business	13,699	13,745	658
Service Business	2,879	2,592	58
Other Business	502	1,073	16
Elimination	(124)	(116)	1
Total	16,957	17,294	734

[Equipment Business]

In the environmental test chambers field, in Japan, orders-received and net sales both decreased year on year for versatile standardized products and customized products. Overseas, net sales were strong year on year in China, Southeast Asia and Taiwan, but decreased in the U.S. and Europe.

In the energy devices equipment field, orders-received and net sales both substantial decreased year on year for evaluation systems for secondary batteries and fuel cells as the market was sluggish.

In the semiconductor equipment field, orders-received decreased year on year, but net sales increased as sales of burn-in system and chambers from the previous fiscal year were recorded.

As a result, the Equipment Business on the whole saw orders-received decrease 25.9% to ¥13,699 million and net sales decrease 9.2% to ¥13,745 million, compared to the same period last year. Operating income decreased 43.8% year on year to ¥658 million due to decreased net sales and a worsening cost of sales ratio.

	Previous consolidated 2 nd quarter (Fiscal 2019) (Million Yen)	This consolidated 2 nd quarter (Fiscal 2020) (Million Yen)	Change (%)
Orders-Received	18,476	13,699	(25.9)
Net Sales	15,131	13,745	(9.2)
Operating Income	1,171	658	(43.8)

[Service Business]

In the after-sales service and engineering field, orders-received remained level year on year but net sales decreased.

In commissioned tests and facility rentals, orders-received and net sales both decreased year on year mainly due to sluggish market conditions of commissioned tests.

As a result, the Service Business on the whole saw orders-received decrease 11.2% year on year to ¥2,879 million and net sales decrease 15.7% to ¥2,592 million. On the earnings front, Operating income decreased 79.3% year on year to ¥58 million due to a decrease in net sales and deteriorating cost ratio.

	Previous consolidated 2 nd quarter (Fiscal 2019) (Million Yen)	This consolidated 2 nd quarter (Fiscal 2020) (Million Yen)	Change (%)
Orders-Received	3,242	2,879	(11.2)
Net Sales	3,075	2,592	(15.7)
Operating Income	280	58	(79.3)

[Other Business]

In the Other Business, which is centered on environmental preservation and plant factory businesses, recorded orders received decreased to ¥502 million, down 73.1% year on year due to receipt of a large-scale order for a plant factory in the previous fiscal year. Net sales were ¥1,073 million, an increase of 58.9% year on year due to recording the aforementioned large-scale plant factory project. Operating income was ¥16 million.

	Previous consolidated 2 nd quarter (Fiscal 2019) (Million Yen)	This consolidated 2 nd quarter (Fiscal 2020) (Million Yen)	Change (%)
Orders-Received	1,865	502	(73.1)
Net Sales	675	1,073	58.9
Operating Income (Loss)	(65)	16	-

* 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 ¥54,442 million, a decrease of ¥3,018 million over the end of the previous consolidated fiscal year. Major factors included a decrease of ¥5,220 million resulting from a collection of trade receivables (notes and accounts receivable - trade and electronically recorded monetary claims - operating) recorded at the end of the previous fiscal year and increases of ¥1,600 million in cash and deposits and ¥606 million in inventories such as work in process. Liabilities were ¥11,666 million, a decrease of ¥3,062 million from the end of the previous consolidated fiscal year. Major factors include decreases of ¥1,898 million in other current liabilities mainly due to a decrease in fixed costs accompanying limited activities and ¥1,291 million in payment of trade payables (notes and accounts payable - trade and electronically recorded obligations - operating). Net assets were ¥42,775 million, an increase of ¥44 million from the end of the previous consolidated fiscal year. Major factors included an increase of ¥366 million in valuation difference on available-for-sale securities and a decrease of ¥265 million in retained earnings resulting from dividends paid.

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

With regard to the consolidated performance forecast for the second quarter of fiscal 2020, the Company has revised the forecast announced on August 7, 2020. For details, please refer to the "Notice of Revisions of Consolidated Financial Forecasts for the First Half of Fiscal 2020" announced on October 30, 2020. With regard to the consolidated performance forecast for the full year for fiscal 2020, the Company has revised its earnings forecast, taking into account financial results for the first six months of fiscal 2020.

2. Quarterly Consolidated Financial Statements and Significant Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	13,378	14,979
Notes and accounts receivable - trade	14,808	10,586
Electronically recorded monetary claims - operating	2,595	1,596
Securities	3,402	3,402
Merchandise and finished goods	1,172	1,642
Work in process	1,768	1,870
Raw materials and supplies	2,140	2,174
Other	2,197	1,734
Allowance for doubtful accounts	(35)	(33)
Total current assets	41,428	37,953
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,509	4,907
Land	4,443	4,589
Other, net	3,677	2,207
Total property, plant and equipment	11,631	11,705
Intangible assets		
Goodwill	382	341
Other	314	317
Total intangible assets	696	658
Investments and other assets	3,704	4,125
Total non-current assets	16,032	16,489
Total assets	57,461	54,442
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,651	2,361
Electronically recorded obligations - operating	4,120	3,119
Short-term borrowings	304	300
Income taxes payable	311	310
Provision for bonuses	400	380
Provision for bonuses for directors (and other officers)	17	—
Provision for product warranties	212	170
Provision for loss on order received	2	0
Other	4,755	2,857
Total current liabilities	12,775	9,500
Non-current liabilities		
Long-term borrowings	368	340
Retirement benefit liability	56	66
Provision for share-based remuneration for directors (and other officers)	79	107
Provision for retirement benefits for directors (and other officers)	4	4
Asset retirement obligations	14	21
Other	1,430	1,626
Total non-current liabilities	1,953	2,166
Total liabilities	14,729	11,666

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Net assets		
Shareholders' equity		
Share capital	6,895	6,895
Capital surplus	7,120	7,120
Retained earnings	30,325	30,060
Treasury shares	(1,180)	(1,180)
Total shareholders' equity	43,160	42,894
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	930	1,297
Revaluation reserve for land	(662)	(662)
Foreign currency translation adjustment	(535)	(608)
Remeasurements of defined benefit plans	(161)	(145)
Total accumulated other comprehensive income	(428)	(119)
Total net assets	42,731	42,775
Total liabilities and net assets	57,461	54,442

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

Quarterly Consolidated Statements of Income

(First six months ended September 30, 2020)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	18,776	17,294
Cost of sales	12,172	11,502
Gross profit	6,604	5,792
Selling, general and administrative expenses		
Salaries and allowances	1,580	1,579
Provision for bonuses	114	117
Provision for share-based remuneration for directors	18	19
Provision for product warranties	70	65
Amortization of goodwill	31	31
Other	3,400	3,244
Total selling, general and administrative expenses	5,216	5,058
Operating profit	1,387	734
Non-operating income		
Interest income	12	9
Dividend income	110	41
Reversal of allowance for doubtful accounts	48	4
Foreign exchange gains	—	28
Other	27	33
Total non-operating income	197	117
Non-operating expenses		
Interest expenses	0	9
Foreign exchange losses	82	—
Commission expenses	4	4
Other	3	3
Total non-operating expenses	90	17
Ordinary profit	1,494	834
Extraordinary income		
Gain on sales of non-current assets	—	1
Gain on sales of investment securities	—	9
Total extraordinary income	—	11
Extraordinary losses		
Loss on sales of non-current assets	2	0
Loss on retirement of non-current assets	5	11
Total extraordinary losses	7	11
Profit before income taxes	1,487	834
Income taxes - current	440	339
Profit	1,046	494
Profit attributable to owners of parent	1,046	494

Quarterly Consolidated Statements of Comprehensive Income

(First six months ended September 30, 2020)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit	1,046	494
Other comprehensive income		
Valuation difference on available-for-sale securities	37	366
Foreign currency translation adjustment	(450)	(45)
Remeasurements of defined benefit plans, net of tax	11	16
Total other comprehensive income	(400)	337
Comprehensive income	646	831
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	646	831

(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.

(Additional Information)

(Accounting Estimates)

The ESPEC Group's sales activities have been limited due to the requests to exercise self-restraint on movement and to restrict travel.

The Company has made accounting judgements based on the assumption that these conditions will continue during the current fiscal year and into the following fiscal year before gradually normalizing.

As the impact of the COVID-19 pandemic on economic activities remains highly uncertain, any changes to the abovementioned assumptions may have an impact on future financial conditions and management results.

(Segment information)

I Previous 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

(Million Yen)

	Reportable segment			Total	Adjustment *1	Carried amount on quarterly consolidated statements of income *2
	Equipment Business	Service Business	Other Business			
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

II This consolidated 2nd quarter (From April 1, 2020 to September 30, 2020)

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

(Million Yen)

	Reportable segment			Total	Adjustment *1	Carried amount on quarterly consolidated statements of income *2
	Equipment Business	Service Business	Other Business			
Net Sales						
(1) Sales to external customers	13,731	2,490	1,072	17,294	-	17,294
(2) Internal sales or transfers between segments	13	102	1	116	(116)	-
Total	13,745	2,592	1,073	17,411	(116)	17,294
Segment Income	658	58	16	732	0	734

*Notes:

1. "Adjustment" for segment income mainly represents eliminations of inter-segment transactions.

2. Segment income 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