

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

February 10, 2021

Listed Company Name:	ESPEC CORP.
Listed Stock Exchange:	Tokyo Stock Exchanges, First Section
Securities Code:	6859
Website:	https://www.espec.co.jp/
Representative:	Masaaki Ishida, President
Contact:	Keiji Oshima, Chief Officer of Corporate Control Headquarters
Tel:	+81-6-6358-4741
Planned Date of Filing of Quarterly Report:	February 12, 2021
Preparing Supplementary Material on Quarterly Financial Results:	Yes
Holding Financial Results Presentation Meeting:	No
U.S. GAAP Accounting standard:	Not Adopted

*The original disclosure in Japanese was released on February 10, 2021 at 16:00. (GMT+9)

(Rounded off to nearest million yen)

1. Consolidated financial results for the 3rd quarter of fiscal 2020 ending March 31, 2021 (From April 1, 2020 to December 31, 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 nine months ended December 31, 2020	26,526	(11.0)	1,330	(52.7)	1,491	(50.1)	943	(55.0)
First nine months ended December 31, 2019	29,805	3.0	2,812	0.5	2,986	4.2	2,096	0.8

(Note) Statements of comprehensive income First nine months ended December 31, 2020 ¥ 1,508 million [(31.3) %]
First nine months ended December 31, 2019 ¥ 2,195 million [51.9%]

	Net Income Per Share	Net income Per Share, Diluted
	Yen	Yen
First nine months ended December 31, 2020	41.27	-
First nine months ended December 31, 2019	91.71	-

(2) Consolidated financial standing

	Total Assets	Net assets	Shareholders' Equity Ratio	Shareholders' Equity Per Share
	Million Yen	Million Yen	%	Yen
As of December 31, 2020	55,118	43,221	78.4	1,890.23
As of March 31, 2020	57,461	42,731	74.4	1,868.77

(Reference) Shareholders' equity As of December 31, 2020 ¥43,221 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)				38.00	48.00

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

For the dividend forecast, please see "Notice of Revisions of Consolidated Full-Year Financial Forecast and Year-End Dividend Forecast for Fiscal 2020" issued today (February 10, 2021).

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	37,500	(11.6)	2,000	(46.6)	2,100	(46.6)	1,400	(50.3)	61.23

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

For the consolidated financial forecast, please see "Notice of Revisions of Consolidated Full-Year Financial Forecast and Year-End Dividend Forecast for Fiscal 2020" issued today (February 10, 2021).

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 December 31, 2020	23,781,394 shares	As of March 31, 2020	23,781,394 shares
2) Quantity of treasury stock at end of term:	As of December 31, 2020	915,593 shares	As of March 31, 2020	915,230 shares
3) Average number of shares during the term (Consolidated quarter):	First nine months ended December 31, 2020	22,865,991 shares	First nine months ended December 31, 2019	22,863,503 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 p.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 nine months ended December 31, 2020) -----	7
Quarterly Consolidated Statements of Comprehensive Income	
(First nine months ended December 31, 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 nine 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, like Europe and the U.S. COVID-19 began to spread once again in Japan and the uncertain state continues. Among the Company's main customers, investment related to digitalization was strong, but the trend toward restraint in capital investment remained in all other markets.

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 third quarter of the fiscal year, the amount of orders-received decreased 18.6% year on year to ¥27,448 million and net sales decreased 11.0% year on year to ¥26,526 million. On the earnings front, decreased net sales saw operating income fall 52.7% to ¥1,330 million and profit attributable to owners of parent decrease 55.0% to ¥943 million.

	Previous consolidated 3 rd quarter (Fiscal 2019) (Million Yen)	This consolidated 3 rd quarter (Fiscal 2020) (Million Yen)	Change (%)
Orders-Received	33,705	27,448	(18.6)
Net Sales	29,805	26,526	(11.0)
Operating Income	2,812	1,330	(52.7)
Ordinary Profit	2,986	1,491	(50.1)
Profit attributable to owners of parent	2,096	943	(55.0)

Performance by Segment

This consolidated 3rd quarter (Fiscal 2020)

	Orders-Received	Net Sales	Operating Income
Equipment Business	Million Yen 22,340	Million Yen 20,745	Million Yen 1,073
Service Business	4,567	4,114	191
Other Business	778	1,848	64
Elimination	(237)	(182)	1
Total	27,448	26,526	1,330

[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. In overseas markets, net sales increased year on year in Southeast Asia and South Korea, but decreased in China, Europe and the U.S.

In the energy devices equipment field, orders-received and net sales both 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 and net sales both increased year on year due mainly to memory-related investment.

As a result, the Equipment Business on the whole saw orders-received decrease 16.5% to ¥22,340 million and net sales decrease 15.0% to ¥20,745 million, compared to the same period last year. Operating income decreased 55.8% year on year to ¥1,073 million due to decreased net sales.

	Previous consolidated 3 rd quarter (Fiscal 2019) (Million Yen)	This consolidated 3 rd quarter (Fiscal 2020) (Million Yen)	Change (%)
Orders-Received	26,755	22,340	(16.5)
Net Sales	24,408	20,745	(15.0)
Operating Income	2,429	1,073	(55.8)

[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 due mainly to sluggish market conditions of commissioned tests.

As a result, the Service Business on the whole saw orders-received decrease 4.5% year on year to ¥4,567 million and net sales decrease 10.8% to ¥4,114 million. On the earnings front, Operating income decreased 56.9% year on year to ¥191 million due to a decrease in net sales and deteriorating cost ratio.

	Previous consolidated 3 rd quarter (Fiscal 2019) (Million Yen)	This consolidated 3 rd quarter (Fiscal 2020) (Million Yen)	Change (%)
Orders-Received	4,780	4,567	(4.5)
Net Sales	4,610	4,114	(10.8)
Operating Income	443	191	(56.9)

[Other Business]

In the Other Business, which is centered on environmental preservation and plant factory businesses, recorded orders received decreased to ¥778 million, down 66.6% year on year due to receipt of a large-scale order for a plant factory in the previous fiscal year. Net sales were ¥1,848 million, an increase of 95.6% year on year due to recording the aforementioned large-scale plant factory project. Operating income was ¥64 million.

	Previous consolidated 3 rd quarter (Fiscal 2019) (Million Yen)	This consolidated 3 rd quarter (Fiscal 2020) (Million Yen)	Change (%)
Orders-Received	2,331	778	(66.6)
Net Sales	945	1,848	95.6
Operating Income (Loss)	(63)	64	-

* 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 third quarter consolidated accounting period were ¥55,118 million, a decrease of ¥2,342 million over the end of the previous consolidated fiscal year. Major factors included a decrease of ¥4,220 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 an increase of ¥1,233 million in inventory assets such as work in process owing to increased orders-received and an increase of ¥1,286 million in investments and other assets. Liabilities were ¥11,896 million, a decrease of ¥2,832 million from the end of the previous consolidated fiscal year. Major factors include decreases of ¥1,520 million in other current liabilities due mainly to a decrease in fixed costs accompanying limited activities and ¥1,183 million in payment of trade payables (notes and accounts payable - trade and electronically recorded obligations - operating). Net assets were ¥43,221 million, an increase of ¥489 million from the end of the previous consolidated fiscal year. Major factors included an increase of ¥560 million in valuation difference on available-for-sale securities and a decrease of ¥48 million in foreign currency translation adjustment.

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

With regard to the full-year consolidated performance forecast for fiscal 2020, the Company has revised the forecast announced on November 13, 2020. Regarding the consolidated performance for the full year for fiscal 2020, the Company has revised its year-end dividend forecast, taking into account performance that exceeded previous forecasts. For details, please refer to the "Notice of Revisions of Consolidated Full-Year Financial Forecast and Year-End Dividend Forecast for Fiscal 2020" announced on February 10, 2021.

2. Quarterly Consolidated Financial Statements and Significant Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	13,378	12,866
Notes and accounts receivable - trade	14,808	11,030
Electronically recorded monetary claims operating	2,595	2,152
Securities	3,402	3,902
Merchandise and finished goods	1,172	1,683
Work in process	1,768	2,499
Raw materials and supplies	2,140	2,131
Other	2,197	1,540
Allowance for doubtful accounts	(35)	(38)
Total current assets	41,428	37,768
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,509	4,866
Land	4,443	4,583
Other, net	3,677	2,276
Total property, plant and equipment	11,631	11,725
Intangible assets		
Goodwill	382	318
Other	314	314
Total intangible assets	696	633
Investments and other assets	3,704	4,990
Total non-current assets	16,032	17,349
Total assets	57,461	55,118
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,651	2,312
Electronically recorded obligations - operating	4,120	3,276
Short-term borrowings	304	318
Income taxes payable	311	161
Provision for bonuses	400	151
Provision for bonuses for directors (and other officers)	17	—
Provision for product warranties	212	151
Provision for loss on order received	2	2
Other	4,755	3,234
Total current liabilities	12,775	9,606
Non-current liabilities		
Long-term borrowings	368	315
Retirement benefit liability	56	68
Provision for share-based remuneration for directors (and other officers)	79	146
Provision for retirement benefits for directors (and other officers)	4	4
Asset retirement obligations	14	21
Other	1,430	1,733
Total non-current liabilities	1,953	2,290
Total liabilities	14,729	11,896

As of March 31, 2020

As of December 31, 2020

Net assets		
Shareholders' equity		
Share capital	6,895	6,895
Capital surplus	7,120	7,120
Retained earnings	30,325	30,278
Treasury shares	(1,180)	(1,181)
Total shareholders' equity	43,160	43,113
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	930	1,490
Revaluation reserve for land	(662)	(662)
Foreign currency translation adjustment	(535)	(583)
Remeasurements of defined benefit plans	(161)	(136)
Total accumulated other comprehensive income	(428)	108
Total net assets	42,731	43,221
Total liabilities and net assets	57,461	55,118

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

Quarterly Consolidated Statements of Income

(First nine months ended December 31, 2020)

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Net sales	29,805	26,526
Cost of sales	19,034	17,401
Gross profit	10,771	9,125
Selling, general and administrative expenses		
Salaries and allowances	2,477	2,501
Provision for bonuses	44	44
Provision for share-based remuneration for directors (and other officers)	23	55
Provision for product warranties	102	87
Provision of allowance for doubtful accounts	—	4
Amortization of goodwill	47	46
Other	5,262	5,054
Total selling, general and administrative expenses	7,959	7,794
Operating profit	2,812	1,330
Non-operating income		
Interest income	19	14
Dividend income	153	81
Reversal of allowance for doubtful accounts	43	—
Foreign exchange gains	—	49
Other	41	48
Total non-operating income	258	194
Non-operating expenses		
Interest expenses	3	14
Provision of allowance for doubtful accounts	0	—
Foreign exchange losses	66	—
Commission expenses	7	6
Loss on investments in investment partnerships	—	7
Other	6	4
Total non-operating expenses	84	33
Ordinary profit	2,986	1,491
Extraordinary income		
Gain on sales of non-current assets	—	4
Gain on sales of investment securities	—	9
Total extraordinary income	—	14
Extraordinary losses		
Loss on sales of non-current assets	2	0
Loss on retirement of non-current assets	8	11
Total extraordinary losses	11	11
Profit before income taxes	2,975	1,494
Income taxes - current	878	550
Profit	2,096	943
Profit attributable to owners of parent	2,096	943

Quarterly Consolidated Statements of Comprehensive Income

(First nine months ended December 31, 2020)

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Profit	2,096	943
Other comprehensive income		
Valuation difference on available-for-sale securities	316	560
Foreign currency translation adjustment	(235)	(20)
Remeasurements of defined benefit plans, net of tax	17	24
Total other comprehensive income	98	564
Comprehensive income	2,195	1,508
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,195	1,508

(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)

In the wake of the global spread of COVID-19 infection, 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 3rd quarter (From April 1, 2019 to December 31, 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	24,388	4,472	943	29,805	-	29,805
(2) Internal sales or transfers between segments	19	137	1	158	(158)	-
Total	24,408	4,610	945	29,964	(158)	29,805
Segment Income (Loss)	2,429	443	(63)	2,809	2	2,812

*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 3rd quarter (From April 1, 2020 to December 31, 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	20,726	3,952	1,847	26,526	-	26,526
(2) Internal sales or transfers between segments	18	162	1	182	(182)	-
Total	20,745	4,114	1,848	26,708	(182)	26,526
Segment Income	1,073	191	64	1,329	1	1,330

*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