



November 12, 2015

Listed Company Name : ESPEC CORP.  
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Listed Stock Exchange: Tokyo Stock Exchanges, First Section  
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## **Announcement Concerning Acquisition of U.S. entrepreneurial company QUALMARK CORPORATION (Corporate Acquisition)**

ESPEC CORP. (hereinafter, “the Company”) hereby announces that its Board of Directors resolved to acquire QUALMARK CORPORATION (hereinafter “QUALMARK ”), a U.S. entrepreneurial company based in Colorado, USA, by merger as the surviving company with ESPEC MERGER SUB, INC. (hereinafter “ESPEC MERGER”), a subsidiary based in Colorado established in preparation for the merger. As a result of this “reverse triangular merger” pursuant to the Colorado Business Corporation Act, QUALMARK will become a wholly owned subsidiary of the Company. Details are as follows.

### **1. Reasons for Acquisition**

In its “Progressive Plan 2017” medium-term management plan from fiscal 2014 through fiscal 2017, the Company established the expansion of business domains targeting growing and strategic markets as a key management strategy for sales expansion.

The Company manufactures and sells environmental test chambers designed to detect degradation failures that may arise over time by recreating the operating environment of products, and also simulating environments that are harsher than the operating environment. In contrast, highly accelerated life test and highly accelerated stress screening (HALT & HASS)\* chambers excel at detecting defects in the initial stages of product design and manufacturing by applying a high stress exceeding the operating limits of products. Such chambers are indispensable to improving the reliability of products.

QUALMARK is a top brand in the HALT & HASS business. As a U.S. entrepreneurial company, it has the proprietary know-how for performing a HALT & HASS for detecting product malfunction in a timeframe far shorter than other generic environmental test chambers.

Going forward, the Company will respond to the rising need for more efficient product development among customers by utilizing QUALMARK as a wholly owned subsidiary and enhancing its business in the HALT & HASS field.

\*HALT & HASS is a screening and testing method for improving design quality that was invented in the U.S. in the 1980s, and is now applied mainly in North America and Europe in the aviation, automotive and electronics sectors. In 2013, testing methods including HALT were incorporated into the International Electrotechnical Commission (IEC)’s IEC 62506:2013 methods for product accelerated testing. A HALT applies high stress to the point of causing a product to fail in order to clarify product defects and weak points within a short timeframe in the design stage. Design quality can be raised efficiently by repeatedly reflecting the analysis of HALT results in the product design. HASS is a screening method for identifying initial defects in products at the manufacturing stage, before they have the potential of materializing after the products have been shipped. The stress levels applied in HASS are set based on operating limits determined by the HALT.

### **2. Method of Acquisition**

QUALMARK will be acquired by the Company for cash using the so-called “reverse triangular merger” method pursuant to the Colorado Business Corporation Act. More specifically, ESPEC MERGER as the company in preparation for the merger will be absorbed by QUALMARK, the surviving company, through the merger.

Upon merger, shareholders of QUALMARK will receive cash from the Company and all shares of QUALMARK will be canceled. At the same time, all shares of the Company in ESPEC MERGER will

be converted into common shares of the surviving company, QUALMARK, and acquired 100% by the Company. As a result, QUALMARK will become a wholly owned subsidiary of the Company.

### 3. Overview of the Transferred Subsidiary (QUALMARK: the Surviving Company)

- (1) Name: QUALMARK CORPORATION  
 (2) Location: 10390 East 48th Avenue, Denver, Colorado 80238, U.S.A.  
 (3) Representative: Andrew Drenick  
 (4) Business: Manufacturing, sales and after-sales service of HALT & HASS environmental test chambers  
 (5) Capital stock: US\$12,874,000  
 (6) Establishment: March 11, 1992  
 (7) Major shareholder and ownership ratio: The Roser Partnership III-C, LP 42%  
 (8) Relation with the ESPEC Group: No capital, personnel, or business relationship

### (9) Consolidated Financial Results and Position for the Past Three Years

(Unit thousand US\$)

| Year ended   | December 2012 | December 2013 | December 2014 |
|--|---------------|---------------|---------------|
| Net assets   | 7,319         | 6,943         | 7,317         |
| Total assets   | 10,184        | 10,404        | 10,050        |
| Net assets per share                                   | \$0.66        | \$0.63        | \$0.66        |
| Net sales  | 13,352        | 10,676        | 13,154        |
| Operating income (loss)                                | 945           | (480)         | 640           |
| Net income (loss) attributable to owners of the parent | 1,731         | (426)         | 363           |
| Net income (loss) per share                            | \$0.16        | (\$0.04)      | \$0.03        |
| Dividend per share                                     | -             | -             | -             |

### 4. Overview of the Transferred Subsidiary (ESPEC MERGER: the Dissolving Company)

- (1) Name: ESPEC MERGER SUB, INC.  
 (2) Location: 10390 East 48th Avenue, Denver, Colorado 80238, U.S.A.  
 (3) Representative: Kunikazu Ishii  
 (4) Business: Company in preparation for the merger  
 (5) Capital stock: US\$1,000  
 (6) Establishment: November 5, 2015  
 (7) Major shareholder and ownership ratio: ESPEC CORP. 100%

### 5. Overview of Acquisition Counterparty

The Roser Partnership III-C, LP

- (1) Name: The Roser Partnership III-C, LP \*  
 (2) Location: 1105 Spruce Street, Boulder, Colorado 80302, U.S.A.  
 (3) Form of legal establishment: Limited partnership based on Colorado Law  
 (4) Purpose of establishment: Private equity investment  
 (5) Establishment: August 13, 1998  
 (6) Stated capital: US\$3,531,000  
 (7) Investors, investment ratio, overview of investors, and overview of the executive partnership: Undisclosed by request of The Roser Partnership III-C, LP  
 (8) Agent in Japan: None  
 (9) Relation with the ESPEC Group: No capital, personnel, or business relationship

\*Apart from the aforementioned partnership, the Company will also acquire shares from other funds and individuals as part of the merger. There are no capital, personnel, or business relations either between these other funds and individuals and the Company.

#### 6. Share Ownership after Acquisition

|   |   |
|---|---|
| (1) Share ownership before acquisition:             | 0 (Voting rights: 0, Ratio of voting rights: 0.0%)            |
| (2) Acquisition price                               |   |
| Outstanding shares, etc. of<br>QUALMARK (estimate): | 1,540 million yen   |
| Advisory and other fees (estimate):                 | 110 million yen   |
| Total (estimate):                                   | 1,650 million yen   |
| (3) Share ownership after acquisition:              | 1,000 (Voting rights: 1,000, Ratio of voting rights:<br>100%) |

#### 7. Schedule

|                                    |                             |
|------------------------------------|-----------------------------|
| (1) Board of Directors resolution: | November 12, 2015           |
| (2) Contract date:                 | November 12, 2015 (planned) |
| (3) Execution date:                | December 2015 (planned)     |

#### 8. Outlook

The impact of this acquisition on the consolidated financial performance of the Company is currently being examined. The Company will promptly announce the matters requiring disclosure if they arise.