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Listed Company Name: ESPEC CORP.
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Listed Stock Exchange: Tokyo Stock Exchanges, First Section
Securities Code: 6859
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Announcement Concerning an Absorption-Type Merger Between Two U.S. Consolidated Subsidiaries

The Company hereby announces that a meeting of the Board of Directors held today passed a resolution to have the Company's US consolidated subsidiary ESPEC NORTH AMERICA, INC. (hereinafter "ENA") conduct an absorption-type merger with another US consolidated subsidiary, QUALMARK CORPORATION (hereinafter "QMK"). Details of the merger are as follows. Furthermore, in conjunction with the merger, the dissolving company, QMK, will become a specified subsidiary company.

1. Purpose of the mergers

The Company made QMK a wholly owned subsidiary in December 2015 with the intention of enhancing the accelerated testing field. QMK is a leading brand in the Highly Accelerated Limit Test (HALT) and the Highly Accelerated Stress Screening (HASS) business.

ENA's environmental testing equipment detects deterioration faults that occur in products with the passage of time by recreating their usage environment or creating one that is even harsher. By contrast, QMK's HALT / HASS chambers specialize in detecting initial defects at the design and manufacture stages by applying high stress to the product exceeding its usage limits. All of these devices play an essential role in improving product reliability.

Two years have elapsed since QMK was made a wholly owned subsidiary, and the initial objective has been amply achieved. The Company has therefore decided to undertake this absorption-type merger in order to increase customer convenience and streamline Group management.

2. Outline of the mergers

(1) Merger date (effective date)

January 1, 2018

(2) Form of the mergers

The merger will be an absorption-type merger that makes ENA the surviving company and dissolve QMK.

(3) Details of allocation related to the mergers

The Company will request ENA to acquire all of the 1,000 shares of QMK held by the Company, and will acquire 500 ENA shares from ENA in exchange.

3. Outline of the companies involved in the merger

	The surviving company	The defunct company
① Company Name	ESPEC NORTH AMERICA, INC.	QUALMARK CORPORATION
② Head Office	4141 Central Parkway, Hudsonville, MI 49426, U.S.A.	10390 East 48th Avenue, Denver, Colorado 80238, U.S.A.
③ President	Director Kunikazu Ishii Director Kenji Fuchita President Kenneth Walter	Director Kunikazu Ishii President and Director Kenneth Walter
④ Business Contents	Manufacturing, sales and after-sales service of environmental test chambers, etc.	Manufacturing, sales and after-sales service of HALT / HASS chambers.
⑤ Capital	8,510 thousand US dollars	12,422 thousand US dollars
⑥ Incorporated	October 11, 1983	March 11, 1992
⑦ Fiscal Year-end	December	December
⑧ Principal shareholders and Percentage of total equity	ESPEC CORP. 100%	ESPEC CORP. 100%
⑨ Operating Results and Financial Position for the Most Recent Business Year (Ended December 31, 2016)		
Net assets	22,817 thousand US dollars	7,187 thousand US dollars
Total assets	30,780 thousand US dollars	9,814 thousand US dollars
Shareholders' equity per share	241 US dollars	7,187 US dollars
Net sales	38,104 thousand US dollars	10,872 thousand US dollars
Operating Income	1,643 thousand US dollars	903 thousand US dollars
Ordinary Income	1,682 thousand US dollars	904 thousand US dollars
Net Income	1,122 thousand US dollars	656 thousand US dollars
Net Income Per Share	11 US dollars	656 US dollars

4. Situation after the merger

① Company Name	ESPEC NORTH AMERICA, INC.
② Head Office	4141 Central Parkway, Hudsonville, MI 49426, U.S.A.
③ President	Director Kunikazu Ishii Director Kenji Fuchita President Kenneth Walter
④ Business Contents	Manufacturing, sales and after-sales service of environmental test chambers and HALT / HASS chambers, etc.
⑤ Capital	8,510 thousand US dollars
⑥ Fiscal Year-end	December
⑦ Principal shareholders and Percentage of total equity	ESPEC CORP. 100%

5. Future outlook

The impact of the merger on the Company's consolidated operating results is negligible. The Company will promptly disclose any matters requiring disclosure should they arise.