



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

February 7, 2020

Listed Company Name:	ESPEC CORP.
Listed Stock Exchange:	Tokyo Stock Exchanges, First Section
Securities Code:	6859
Homepage:	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 13, 2020
Preparing Supplementary Material on Quarterly Financial Results:	No
Holding Financial Results Presentation Meeting:	No
U.S. GAAP Accounting standard:	Not Adopted

*The original disclosure in Japanese was released on February 7, 2020 at 14:00. (GMT+9)

(Rounded off to nearest million yen)

1. Consolidated financial results for the 3rd quarter of fiscal 2019 ending March 31, 2020 (From April 1, 2019 to December 31, 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 nine months ended December 31, 2019	29,805	3.0	2,812	0.5	2,986	4.2	2,096	0.8
First nine months ended December 31, 2018	28,924	0.0	2,797	(6.0)	2,867	(8.4)	2,079	(4.8)

(Note) Statements of comprehensive income First nine months ended December 31, 2019 ¥ 2,195 million [51.9 %]
First nine months ended December 31, 2018 ¥ 1,445 million [(48.1) %]

	Net Income Per Share		Net income Per Share, Diluted	
	Yen		Yen	
First nine months ended December 31, 2019	91.71		-	
First nine months ended December 31, 2018	90.99		-	

(2) Consolidated financial standing

	Total Assets		Net assets		Shareholders' Equity Ratio		Shareholders' Equity Per Share	
	Million Yen		Million Yen		%	Yen		
As of December 31, 2019	55,944		42,734		76.4	1,868.88		
As of March 31, 2019	57,359		42,088		73.4	1,841.30		

(Reference) Shareholders' equity As of December 31, 2019 ¥42,734 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
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 (From April 1, 2019 to 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 "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, 2019	23,781,394 shares	As of March 31, 2019	23,781,394 shares
2) Quantity of treasury stock at end of term:	As of December 31, 2019	915,164 shares	As of March 31, 2019	923,367 shares
3) Average number of shares during the term (Consolidated quarter):	First nine months ended December 31, 2019	22,863,503 shares	First nine months ended December 31, 2018	22,858,117 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.

Index of Attached Material

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	
Quarterly Consolidated Statements of Income	
(First nine months ended December 31, 2019).....	7
Quarterly Consolidated Statements of Comprehensive Income	
(First nine months ended December 31, 2019).....	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
(Segment information)	9

1. Qualitative Information concerning Consolidated Financial Results

(1) Description of operating results

During the first nine months of fiscal 2019, the year ending March 31, 2020, the Japanese economy remained sluggish, mainly in manufacturing, based on an uncertain global economic outlook, although the U.S. and China reached a partial trade agreement to address U.S.-China trade friction.

Of the Company's main customers, automotive manufacturers invested firmly in cutting-edge development fields such as the electrification of vehicles and automated driving. 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 first nine months of the fiscal year, the amount of orders-received decreased 8.2% year on year to ¥33,705 million, while net sales increased 3.0% year on year to ¥29,805 million. On the earnings front, operating income rose 0.5% to ¥2,812 million, mainly due to an increase in net sales and a decrease in selling, general and administrative expenses, despite a deteriorating cost of sales ratio. Profit attributable to owners of parent increased 0.8% to ¥2,096 million.

	Previous consolidated 3 rd quarter (Fiscal 2018) (Million Yen)	This consolidated 3 rd quarter (Fiscal 2019) (Million Yen)	Change (%)
Orders-Received	36,730	33,705	(8.2)
Net Sales	28,924	29,805	3.0
Operating Income	2,797	2,812	0.5
Ordinary Profit	2,867	2,986	4.2
Profit attributable to owners of parent	2,079	2,096	0.8

Performance by Segment

This consolidated 3rd quarter (Fiscal 2019)

	Orders-Received	Net Sales	Operating Income (Loss)
	Million Yen	Million Yen	Million Yen
Equipment Business	26,755	24,408	2,429
Service Business	4,780	4,610	443
Other Business	2,331	945	(63)
Elimination	(162)	(158)	2
Total	33,705	29,805	2,812

[Equipment Business]

In the environmental test chambers field, on the whole, net sales and orders-received decreased year on year. In Japan, versatile standardized products and customized products were both sluggish, causing both orders-received and net sales to decline year on year. Overseas, net sales were strong year on year in China, the U.S. and Europe, but decreased in ASEAN countries, South Korea and Taiwan.

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 as evaluation of fuel cell systems.

In the semiconductor equipment field, orders-received and net sales both increased year on year as burn-in system and chamber performed firmly.

As a result, the Equipment Business on the whole saw orders-received decrease 13.1% year on year to ¥26,755 million and net sales increase 2.8% to ¥24,408 million, compared to the same period last year. Operating income decreased 1.0% year on year to ¥2,429 million due to a worsening cost of sales ratio.

	Previous consolidated 3 rd quarter (Fiscal 2018) (Million Yen)	This consolidated 3 rd quarter (Fiscal 2019) (Million Yen)	Change (%)
Orders-Received	30,785	26,755	(13.1)
Net Sales	23,735	24,408	2.8
Operating Income	2,453	2,429	(1.0)

[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 for commissioned tests were on par with the same period of the previous year, and orders-received and net sales were both mostly the same year on year.

As a result, the Service Business on the whole saw orders-received decrease 0.8% year on year to ¥4,780 million and net sales increase 1.8% to ¥4,610 million. Operating income increased 7.8% to ¥443 million, mainly due to an increase in net sales and improvement in the cost of sales ratio.

	Previous consolidated 3 rd quarter (Fiscal 2018) (Million Yen)	This consolidated 3 rd quarter (Fiscal 2019) (Million Yen)	Change (%)
Orders-Received	4,819	4,780	(0.8)
Net Sales	4,528	4,610	1.8
Operating Income	411	443	7.8

[Other Business]

In the Other Business, which is centered on the forest and wetland greening and plant factory businesses, the Company received a large order for a plant factory in the second quarter. Consequently, orders-received increased 80.5% year on year to ¥2,331 million, and net sales rose 16.1% to ¥945 million. On the earnings front, the Company posted an operating loss of ¥63 million, due to deterioration in the cost of sales ratio.

	Previous consolidated 3 rd quarter (Fiscal 2018) (Million Yen)	This consolidated 3 rd quarter (Fiscal 2019) (Million Yen)	Change (%)
Orders-Received	1,291	2,331	80.5
Net Sales	814	945	16.1
Operating Loss	(70)	(63)	-

* 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 ¥55,944 million, a decrease of ¥1,414 million over the end of the previous consolidated fiscal year. Major factors included a decrease of ¥5,045 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 ¥1,596 million in inventory assets such as work in process owing to increased orders-received. Other major factors included an increase of ¥1,147 million in property, plant and equipment and an increase of ¥787 million in investments and other assets. Liabilities were ¥13,210 million, a decrease of ¥2,060 million from the end of the previous consolidated fiscal year. Major factors included a decrease of ¥1,205 million resulting from payment of trade payables (notes and accounts payable - trade and electronically recorded obligations - operating), a decrease of ¥655 million in income taxes payable and a decrease of ¥517 million in other current liabilities. Net assets were ¥42,734 million, an increase of ¥645 million from the end of the previous consolidated fiscal year. Major factors included an increase of ¥530 million in retained earnings resulting from the recording of ¥2,096 million in profit attributable to owners of parent and appropriation of surplus of ¥1,567 million, and an increase of ¥316 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 not revised the forecast announced on October 31, 2019, because there are currently no conditions requiring us to revise these business performance forecasts.

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

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	12,028	12,330
Notes and accounts receivable - trade	18,644	13,200
Electronically recorded monetary claims - operating	2,493	2,892
Securities	2,901	2,901
Merchandise and finished goods	1,054	1,256
Work in process	1,674	2,991
Raw materials and supplies	2,129	2,207
Other	2,070	1,851
Allowance for doubtful accounts	(93)	(36)
Total current assets	42,905	39,595
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,505	3,463
Land	4,446	4,444
Other, net	2,011	3,202
Total property, plant and equipment	9,963	11,110
Intangible assets		
Goodwill	455	401
Other	283	297
Total intangible assets	739	698
Investments and other assets	3,751	4,539
Total non-current assets	14,454	16,348
Total assets	57,359	55,944
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,164	2,601
Electronically recorded obligations - operating	4,597	3,954
Short-term borrowings	—	198
Income taxes payable	815	159
Provision for bonuses	406	151
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	166
Provision for loss on order received	0	1
Other	4,412	3,895
Total current liabilities	13,685	11,130
Non-current liabilities		
Long-term borrowings	—	263
Retirement benefit liability	63	66
Provision for share-based remuneration for directors (and other officers)	53	73
Provision for retirement benefits for directors (and other officers)	4	4
Asset retirement obligations	14	14
Other	1,449	1,657
Total non-current liabilities	1,585	2,079
Total liabilities	15,270	13,210

(Million Yen)

	As of March 31, 2019	As of December 31, 2019
Net assets		
Shareholders' equity		
Share capital	6,895	6,895
Capital surplus	7,120	7,120
Retained earnings	29,080	29,610
Treasury shares	(1,198)	(1,180)
Total shareholders' equity	41,898	42,445
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,123	1,439
Revaluation reserve for land	(662)	(662)
Foreign currency translation adjustment	(155)	(390)
Remeasurements of defined benefit plans	(115)	(97)
Total accumulated other comprehensive income	190	288
Total net assets	42,088	42,734
Total liabilities and net assets	57,359	55,944

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
Quarterly Consolidated Statements of Income
(First nine months ended December 31, 2019)

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net sales	28,924	29,805
Cost of sales	18,055	19,034
Gross profit	10,868	10,771
Selling, general and administrative expenses		
Salaries and allowances	2,347	2,477
Provision for bonuses	150	44
Provision for share-based remuneration for directors (and other officers)	50	23
Provision for product warranties	116	102
Amortization of goodwill	48	47
Other	5,358	5,262
Total selling, general and administrative expenses	8,071	7,959
Operating profit	2,797	2,812
Non-operating income		
Interest income	21	19
Dividend income	79	153
Reversal of allowance for doubtful accounts	16	43
Other	86	41
Total non-operating income	203	258
Non-operating expenses		
Interest expenses	0	3
Provision of allowance for doubtful accounts	—	0
Foreign exchange losses	121	66
Commission expenses	6	7
Other	4	6
Total non-operating expenses	133	84
Ordinary profit	2,867	2,986
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	10	8
Total extraordinary losses	10	11
Profit before income taxes	2,856	2,975
Income taxes - current	776	878
Profit	2,079	2,096
Profit attributable to owners of parent	2,079	2,096

Quarterly Consolidated Statements of Comprehensive Income
 (First nine months ended December 31, 2019)

(Million Yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Profit	2,079	2,096
Other comprehensive income		
Valuation difference on available-for-sale securities	(622)	316
Foreign currency translation adjustment	(32)	(235)
Remeasurements of defined benefit plans, net of tax	20	17
Total other comprehensive income	(634)	98
Comprehensive income	1,445	2,195
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,445	2,195

(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 3rd quarter (From April 1, 2018 to December 31, 2018)

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	23,710	4,407	806	28,924	-	28,924
(2) Internal sales or transfers between segments	25	120	7	153	(153)	-
Total	23,735	4,528	814	29,077	(153)	28,924
Segment Income (Loss)	2,453	411	(70)	2,795	2	2,797

*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, 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