



# Summary of Financial Results (Consolidated)

## for the Fiscal 2018 Ended March 31, 2019

### [under Japanese GAAP]

May 15, 2019

Listed Company Name: ESPEC CORP.  
 Listed Stock Exchange: Tokyo, Stock Exchanges, First Section  
 Securities Code: 6859  
 Homepage: <http://www.espec.co.jp>  
 Representative: Masaaki Ishida, President  
 Contact: Keiji Oshima, Chief Officer of Corporate Control Headquarters  
 Tel: +81-6-6358-4741  
 Annual General Shareholders' Meeting (Scheduled): June 21, 2019  
 Dividends payment beginning day (Scheduled): June 24, 2019  
 Filing of Securities Report [Yuka shoken hokokusho](Scheduled): June 24, 2019  
 Preparing Supplementary Material on Financial Results: Yes  
 Holding Financial Results Presentation Meeting: Yes (For Institutional Investors)  
 U.S. GAAP Accounting standard: Not Adopted  
 \*The original disclosure in Japanese was released on May 15, 2019 at 14:00. (GMT+9)

(Rounded off to nearest million yen)

1. Consolidated financial results for the fiscal 2018 ended March 31, 2019. (April 1, 2018 ~ March 31, 2019)

(1) Consolidated operating results

(% figures are rates of change in comparison to previous year)

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
Year Ended March 31, 2019	50,580	-	5,827	-	5,851	-	4,289	-
Year Ended March 31, 2018	44,069	11.5	4,602	41.9	4,746	49.7	3,308	48.2

(Note) Statements of comprehensive income Year Ended March 31, 2019 ¥3,528million [- %]  
 Year Ended March 31, 2018 ¥3,901million [83.9%]

	Net Income Per Share	Net Income Per Share, Diluted	Net Income to Shareholders' Equity	Ordinary Profit to Total Assets	Operating Profit to Net Sales
	Yen	Yen	%	%	%
Year Ended March 31, 2019	187.65	-	10.5	10.5	11.5
Year Ended March 31, 2018	144.76	-	8.6	9.2	10.4

(Reference) Equity in earnings of affiliates Year Ended March 31, 2019 ¥ - million  
 Year Ended March 31, 2018 ¥ - million

(Note) Rate of change in comparison to previous fiscal year are omitted as the year ended March 31, 2019 was an irregular 15-month period due to a change in fiscal year-end at overseas consolidated subsidiaries.

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

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
Year Ended March 31, 2019	47,060	6.8	5,470	18.8	5,493	15.7	4,030	21.8

(Note) Statements of comprehensive income Year Ended March 31, 2019 ¥3,202million [(17.9)%]

	Net Income Per Share	Net Income Per Share, Diluted	Net Income to Shareholders' Equity	Ordinary Profit to Total Assets	Operating Profit to Net Sales
	Yen	Yen	%	%	%
Year Ended March 31, 2019	176.32	-	9.9	9.9	11.6

(2) Consolidated financial standing

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets Per Share
	Million Yen	Million Yen	%	Yen
As of March 31, 2019	57,359	42,088	73.4	1,841.30
As of March 31, 2018	54,208	39,943	73.7	1,747.46

(Reference) Shareholders' equity As of March 31, 2019 ¥ 42,088 million  
 As of March 31, 2018 ¥ 39,943 million

(3) Consolidated status on cash flows

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents at End of Year
	Million Yen	Million Yen	Million Yen	Million Yen
Year Ended March 31, 2019	3,017	(562)	(1,399)	14,929
Year Ended March 31, 2018	3,965	(269)	(1,019)	13,963

## 2. Dividends

	Dividend Per Share					Total Cash Dividend (Total)	Dividend Payout Ratio (Consolidated)	Ratio of Dividends to Net Assets (Consolidated)
	End of 1 <sup>st</sup> Quarter	End of 2 <sup>nd</sup> Quarter	End of 3 <sup>rd</sup> Quarter	Term-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million Yen	%	%
Year Ended March 31, 2018	-	20.00	-	38.00	58.00	1,325	40.1	3.4
Year Ended March 31, 2019	-	22.00	-	46.00	68.00	1,567	36.2	3.8
Year Ending March 31, 2020 (Forecast)	-	22.00	-	46.00	68.00		37.9	

## 3. Forecast of Consolidated Operating Results for the Fiscal 2019 Ending March 31, 2020(April 1, 2019 ~ March 31, 2020)

(% figures for the six months ended are rates of change in comparison to the same quarter previous year)

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent		Net Income Per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
Six Months Ending September 30, 2019	21,500	12.6	2,300	38.6	2,400	38.6	1,700	33.8	74.37
Full-term	47,500	-	5,500	-	5,600	-	4,100	-	179.37

(Reference) Rate of change in comparison to previous fiscal year for the year ended March 31, 2019 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 Profit		Ordinary Profit		Profit Attributable to Owners of Parent		Net Income Per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
Full-term (12 months)	47,500	0.9	5,500	0.5	5,600	1.9	4,100	1.7	179.37

## 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) 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

(3) Number of outstanding shares (Ordinary shares)

1) Number of outstanding shares at end of term (Including treasury stock):

As of March 31, 2019	23,781,394 shares	As of March 31, 2018	23,781,394 shares
As of March 31, 2019	923,367 shares	As of March 31, 2018	923,237 shares
Year Ended March 31, 2019	22,858,101 shares	Year Ended March 31, 2018	22,858,444 shares

2) Number 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.

(Note) For details, see "Outlook for Fiscal 2019" on p. 5.

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# 1. Summary of Business Results

## (1) Overview of Fiscal 2018 Operating Results

At a Board of Directors meeting held on May 15, 2018, the Company passed a resolution to change the fiscal year-end of overseas consolidated subsidiaries from December to March, a closing date shared by all subsidiaries. With this change, operating results for fiscal 2018, the year ended March 31, 2019, was an irregular 15-month period for overseas consolidated subsidiaries. For this reason, year-on-year comparisons have been omitted.

### 1) Operating Results for Fiscal 2018

During fiscal 2018, the year ending March 31, 2019, uncertainty in the outlook for the Japanese economy was amplified due to raised concerns regarding a global economic slowdown originating from U.S. China trade friction.

Of the Company's main customers, automotive manufacturers and electronics related manufacturers continued to invest aggressively.

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 devices equipment. The Company also worked on expanding sales in the domestic market and in overseas markets such as China, South Korea, Europe and ASEAN.

As a result, in the consolidated results for fiscal 2018, orders-received was ¥50,698 million and net sales were ¥50,580 million. Operating profit was ¥5,827 million and profit attributable to owners of parent was ¥4,289 million.

	Year Ended March 31, 2018 (Million Yen)	Year Ended March 31, 2019 (Million Yen)	Change (%)
Orders-Received	44,775	50,698	—
Net Sales	44,069	50,580	—
Operating Profit	4,602	5,827	—
Ordinary Profit	4,746	5,851	—
Profit Attributable to Owners of Parent	3,308	4,289	—

Rate of change in comparison to previous fiscal year assuming a 12-month period for overseas consolidated subsidiaries, as before, are presented below.

(Reference)

	Year Ended March 31, 2018 (Million Yen)	Year Ended March 31, 2019 (Million Yen)	Change (%)
Orders-Received	44,775	48,008	7.2
Net Sales	44,069	47,060	6.8
Operating Profit	4,602	5,470	18.8
Ordinary Profit	4,746	5,493	15.7
Profit Attributable to Owners of Parent	3,308	4,030	21.8

## 2) Performance by Segment

### Consolidated results by operating segment for fiscal 2018

	Orders-Received (Million Yen)	Net Sales (Million Yen)	Operating Profit (Million Yen)
Equipment Business	42,587	42,638	5,193
Service Business	6,614	6,613	620
Other Business	1,706	1,541	9
Elimination	(210)	(212)	4
Total	50,698	50,580	5,827

Consolidated results assuming a 12-month period for overseas consolidated subsidiaries, as before, are presented below.

(Reference)

	Orders-Received (Million Yen)	Net Sales (Million Yen)	Operating Profit (Million Yen)
Equipment Business	39,979	39,236	4,908
Service Business	6,524	6,486	548
Other Business	1,706	1,541	9
Elimination	(201)	(203)	4
Total	48,008	47,060	5,470

#### <Equipment Business>

In the environmental test chambers field, in Japan both orders-received and net sales of customized products were strong. Overseas, all areas performed favorably, with China in particular recording sales growth.

In the energy devices equipment field, orders-received orders of evaluation systems for secondary batteries and fuel cells chambers were strong.

In the semiconductor equipment field, orders-received were sluggish following a downturn in the semiconductor market.

As a result, the Equipment Business overall saw orders-received was ¥42,587 million and net sales were ¥42,638 million.

Operating profit was ¥5,193 million.

	Year Ended March 31, 2018 (Million Yen)	Year Ended March 31, 2019 (Million Yen)	Change (%)
Orders-Received	37,076	42,587	—
Net Sales	36,602	42,638	—
Operating Profit	4,092	5,193	—

#### < Service Business >

In after-sales service and engineering, both orders-received and net sales performed favorably.

In the requested tests and facility rentals, requested tests performed favorably.

As a result, the Service Business overall recorded orders-received was ¥6,614 million and net sales were ¥6,613 million.

Operating profit was ¥620 million.

	Year Ended March 31, 2018 (Million Yen)	Year Ended March 31, 2019 (Million Yen)	Change (%)
Orders-Received	6,488	6,614	—
Net Sales	6,292	6,613	—
Operating Profit	524	620	—

#### <Other Business>

At ESPEC MIC Corp., which operates the forest and wetland greening business and plant factory business, both orders-received and net sales of the plant factory business were strong. In the Other Business overall, On the earnings front, the segment recorded an orders-received of ¥1,706 million, net sales of ¥1,541 million, an operating profit of ¥9 million.

	Year Ended March 31, 2018 (Million Yen)	Year Ended March 31, 2019 (Million Yen)	Change (%)
Orders-Received	1,416	1,706	—
Net Sales	1,375	1,541	—
Operating Profit (Loss)	(15)	9	—

#### (2) Overview of Fiscal 2018 Consolidated Financial Situation

Total assets at the end of the fiscal year consolidated accounting period were ¥57,359 million, an increase of ¥3,150 million over the end of the previous consolidated fiscal year. Major factors included increases of ¥949 million in cash and deposits and ¥2,173 million in notes and accounts receivable - trade due to increases in net sales and profit attributable to owners of parent. Liabilities were ¥15,270 million, an increase of ¥1,006 million against the end of the previous consolidated fiscal year. Major factors included increases of ¥364 million in notes and accounts payable - trade, ¥327 million in electronically recorded monetary obligations - operating and ¥685 million in other current liabilities due to increases in production and sales activities accompanying higher net sales. Net assets were ¥42,088 million, an increase of ¥2,144 million against the end of the previous fiscal year. Major factors included an increase of ¥2,906 million in retained earnings resulting from ¥1,375 million in dividends of surplus, despite the recording of ¥4,289 million in profit attributable to owners of parent in the fiscal 2018. As a result, the shareholders' equity ratio stood at 73.4%, a decrease of 0.3 points from the end of the previous fiscal year.

#### (3) Overview of Fiscal 2018 Cash Flows

Cash and cash equivalents (hereinafter “capital”) at the end of the fiscal year under review were ¥14,929, an increase of ¥965 million from a year earlier. This was due to a 23.0% increase in profit before income taxes of ¥5,838 million which was partially offset by an increase in notes and accounts receivable – trade and cash dividends paid. The status of each cash flow and the factors behind that for the fiscal 2018 are as follows.

Net cash provided by operating activities was ¥3,017, down 23.9% from the end of the previous fiscal year. This was mainly due to a 23.0% increase in profit before income taxes of ¥5,838 million resulting from higher net sales. Increases in accounts receivables and inventories partially offset the increase in capital, but these increases were within a regular range due to the increases in net sales and orders-received.

Net cash used in investing activities was ¥562 million, up 108.8% from the end of the previous fiscal year. This was mainly due to an 11.9% increase in purchase of property, plant and equipment and intangible assets of ¥558 million.

Net cash used in financing activities was ¥1,399 million, up 7.3% from the end of the previous fiscal year. This was mainly due to a ¥37.0% increase in cash dividends paid of ¥1,372 million.

#### (4) Outlook for Fiscal 2019

Demand for environmental testing services will remain strong due to automobiles' electrification, technological developments for automation and advances related to IoT, despite increasing uncertainty in the outlook amplified by raised concerns regarding a global economic slowdown originating from U.S.-China trade friction.

Under these conditions, the Company formulated the new medium-term management plan "Progressive Plan 2021," aimed at achieving further growth. Based on this plan, the Company will take steps to expand its business, targeting the automotive and IoT-related markets, while aiming to launch businesses in new fields. The Company will also develop global marketing with Europe and the ASEAN region (including India) as core expansion areas and continue expansion in China and Korea.

As a result, the Company's business plan for fiscal 2019 projects net sales of ¥47,500 million, operating profit of ¥5,500 million, and profit attributable to owners of parent of ¥4,100 million.

#### Forecast of Consolidated Operating Results for Fiscal 2019

(% figures for the six months ended are rates of change in comparison to the same quarter previous year)

	Net Sales		Operating Profit		Ordinary Profit		Profit attributable to owners of parent		Net Income Per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
Six Months Ending September 30, 2019	21,500	12.6	2,300	38.6	2,400	38.6	1,700	33.8	74.37
Full-term	47,500	-	5,500	-	5,600	-	4,100	-	179.37

#### Forecast of Consolidated Operating Results by Segment for Fiscal 2019 (Full-term)

	Orders-Received (Million Yen)	Net Sales (Million Yen)	Operating Profit (Million Yen)
Equipment Business	39,300	39,300	4,850
Service Business	6,900	6,900	650
Other Business	1,500	1,500	0
Elimination	(200)	(200)	0
Total	47,500	47,500	5,500

\* There are marked seasonal fluctuations in our performance based on quarterly sales because of a strong trend towards contractual deliveries occurring in the 2<sup>nd</sup> and 4<sup>th</sup> consolidated quarters as a result of customers' budget implementation.

\* The year ended March 31, 2019 was an irregular 15-month period due to a change in fiscal year-end at overseas consolidated subsidiaries. In the Fiscal 2019 forecast, full-term comparisons with the previous fiscal year are omitted as the comparison targets are different.

(Reference) Rate of change in comparison to previous fiscal year for the year ended March 31, 2019 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 Profit		Ordinary Profit		Profit Attributable to Owners of Parent		Net Income Per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
Full-term (12 months)	47,500	0.9	5,500	0.5	5,600	1.9	4,100	1.7	179.37

(5) Basic Policy on Profit Distributions and Dividends for Fiscal 2018 and Fiscal 2019

The Company recognizes the return of profits to shareholders as an important management priority, and believes that constantly raising enterprise value is the key element in ensuring improved shareholder returns. Regarding the dividend for the fiscal year under review, the Company decides dividends in consideration of continuity and the consolidated dividend payout ratio, and plans to pay an increased year-end dividend of ¥46 per share. Together with the payment of an interim dividend of ¥22 per share, the Company will pay an annual dividend of ¥68 per share for fiscal 2018.

For fiscal 2019, current projections are for an annual dividend of ¥68 per share, including an interim dividend of ¥22 per share.

2. Basic Stance on the Selection of Accounting Standards

The Group plans to adopt the International Financial Reporting Standards from the first quarter of the fiscal year ending March 31, 2021 for the purpose of improving international comparability of financial information in capital markets and unifying the accounting standards of the Group.



### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Million Yen)

	As of March 31, 2018	As of March 31, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	11,079	12,028
Notes and accounts receivable - trade	16,471	18,644
Electronically recorded monetary claims - operating	2,551	2,493
Securities	2,901	2,901
Merchandise and finished goods	946	1,054
Work in process	1,473	1,674
Raw materials and supplies	1,937	2,129
Other	1,953	2,070
Allowance for doubtful accounts	(64)	(93)
Total current assets	39,251	42,905
Non-current assets		
Property, plant and equipment		
Buildings and structures	10,307	10,498
Accumulated depreciation	(6,822)	(6,993)
Buildings and structures, net	3,485	3,505
Machinery, equipment and vehicles	2,290	2,478
Accumulated depreciation	(1,542)	(1,638)
Machinery, equipment and vehicles, net	748	840
Tools, furniture and fixtures	4,220	4,534
Accumulated depreciation	(3,298)	(3,503)
Tools, furniture and fixtures, net	921	1,031
Land	4,449	4,446
Leased assets	133	140
Accumulated depreciation	(21)	(46)
Leased assets, net	111	94
Construction in progress	10	46
Total property, plant and equipment	9,727	9,963
Intangible assets		
Goodwill	530	455
Other	315	283
Total intangible assets	845	739
Investments and other assets		
Investment securities	3,518	2,913
Retirement benefit asset	130	189
Deferred tax assets	200	134
Other	575	554
Allowance for doubtful accounts	(40)	(40)
Total investments and other assets	4,384	3,751
Total non-current assets	14,957	14,454
Total assets	54,208	57,359

(Million Yen)

	As of March 31, 2018	As of March 31, 2019
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	2,800	3,164
Electronically recorded obligations - operating	4,269	4,597
Income taxes payable	945	815
Provision for bonuses	413	406
Provision for bonuses for directors (and other officers)	12	13
Executive share benefit reserve	-	18
Provision for product warranties	250	255
Provision for loss on order received	1	0
Asset retirement obligations	123	-
Other	3,726	4,412
<b>Total current liabilities</b>	<b>12,544</b>	<b>13,685</b>
Non-current liabilities		
Deferred tax liabilities	356	190
Retirement benefit liability	60	63
Executive share benefit reserve	—	53
Provision for retirement benefits for directors (and other officers)	12	4
Asset retirement obligations	14	14
Deferred tax liabilities for land revaluation	534	534
Other	741	723
<b>Total non-current liabilities</b>	<b>1,720</b>	<b>1,585</b>
<b>Total liabilities</b>	<b>14,264</b>	<b>15,270</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	6,895	6,895
Capital surplus	6,914	7,120
Retained earnings	26,174	29,080
Treasury shares	(992)	(1,198)
<b>Total shareholders' equity</b>	<b>38,992</b>	<b>41,898</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,615	1,123
Revaluation reserve for land	(662)	(662)
Foreign currency translation adjustment	131	(155)
Remeasurements of defined benefit plans	(133)	(115)
<b>Total accumulated other comprehensive income</b>	<b>951</b>	<b>190</b>
<b>Total net assets</b>	<b>39,943</b>	<b>42,088</b>
<b>Total liabilities and net assets</b>	<b>54,208</b>	<b>57,359</b>

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

## Consolidated Statements of Income

(Million Yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	44,069	50,580
Cost of sales	28,487	32,417
Gross profit	15,581	18,163
Selling, general and administrative expenses		
Salaries and allowances	3,510	3,873
Research and development expenses	1,023	1,290
Provision for bonuses	121	119
Provision for product warranties	203	196
Executive share benefits provisions	-	66
Commission expenses	1,511	1,593
Provision for bonuses for directors (and other officers)	12	13
Amortization of goodwill	65	64
Other	4,530	5,117
Total selling, general and administrative expenses	10,979	12,335
Operating profit	4,602	5,827
Non-operating income		
Interest income	19	20
Dividend income	90	100
Subsidy income	2	43
Other	57	61
Total non-operating income	171	226
Non-operating expenses		
Interest expenses	0	0
Provision of allowance for doubtful accounts	6	-
Foreign exchange losses	1	185
Commission expenses	10	9
Other	7	7
Total non-operating expenses	27	203
Ordinary profit	4,746	5,851
Extraordinary income		
Gain on sales of non-current assets	7	0
Gain on sales of investment securities	0	0
Total extraordinary income	7	1
Extraordinary losses		
Loss on retirement of non-current assets	4	13
Impairment loss	1	-
Loss on sales of non-current assets	0	0
Total extraordinary losses	7	14
Profit before income taxes	4,746	5,838
Income taxes - current	1,378	1,499
Income taxes - deferred	59	50
Total income taxes	1,437	1,549
Profit	3,308	4,289
Profit attributable to owners of parent	3,308	4,289

Consolidated Statements of Comprehensive Income

(Million Yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	3,308	4,289
Other comprehensive income		
Valuation difference on available-for-sale securities	535	(492)
Foreign currency translation adjustment	10	(286)
Remeasurements of defined benefit plans, net of tax	46	17
Total other comprehensive income	592	(760)
Comprehensive income	3,901	3,528
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,901	3,528

## (3) Consolidated Statements of Changes in Net Assets

Year Ended March 31, 2018

(Million Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,895	6,914	23,873	(994)	36,689
Changes of items during period					
Dividends of surplus			(1,005)		(1,005)
Profit attributable to owners of parent			3,308		3,308
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares				3	3
Other			(2)		(2)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	2,300	1	2,302
Balance at end of current period	6,895	6,914	26,174	(992)	38,992

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	1,079	(661)	120	(179)	359	37,049
Changes of items during period						
Dividends of surplus						(1,005)
Profit attributable to owners of parent						3,308
Purchase of treasury shares						(1)
Disposal of treasury shares						3
Other						(2)
Net changes of items other than shareholders' equity	535	(1)	10	46	591	591
Total changes of items during period	535	(1)	10	46	591	2,894
Balance at end of current period	1,615	(662)	131	(133)	951	39,943

Year Ended March 31, 2019

(Million Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,895	6,914	26,174	(992)	38,992
Changes of items during period					
Dividends of surplus			(1,375)		(1,375)
Profit attributable to owners of parent			4,289		4,289
Purchase of treasury shares				(412)	(412)
Disposal of treasury shares		205		206	411
Other			(7)		(7)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	205	2,906	(205)	2,905
Balance at end of current period	6,895	7,120	29,080	(1,198)	41,898

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	1,615	(662)	131	(133)	951	39,943
Changes of items during period						
Dividends of surplus						(1,375)
Profit attributable to owners of parent						4,289
Purchase of treasury shares						(412)
Disposal of treasury shares						411
Other						(7)
Net changes of items other than shareholders' equity	(492)	-	(286)	17	(760)	(760)
Total changes of items during period	(492)	-	(286)	17	(760)	2,144
Balance at end of current period	1,123	(662)	(155)	(115)	190	42,088

## (4) Consolidated Statements of Cash Flows

(Million Yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	4,746	5,838
Depreciation	817	906
Impairment loss	1	—
Amortization of goodwill	65	64
Increase (decrease) in allowance for doubtful accounts	48	26
Increase (decrease) in provision for bonuses for directors (and other officers)	(0)	0
Increase (decrease) in provision for retirement benefits for directors (and other officers)	—	(8)
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	—	72
Increase (decrease) in retirement benefit liability	5	5
Interest and dividend income	(110)	(121)
Interest expenses	0	0
Decrease (increase) in notes and accounts receivable - trade	(2,259)	(2,331)
Decrease (increase) in inventories	(207)	(902)
Increase (decrease) in notes and accounts payable - trade	722	827
Other, net	803	98
Subtotal	4,633	4,476
Interest and dividend income received	118	98
Interest expenses paid	(0)	(0)
Income taxes (paid) refund	(785)	(1,557)
Net cash provided by (used in) operating activities	3,965	3,017
Cash flows from investing activities		
Net decrease (increase) in time deposits	(16)	16
Net decrease (increase) in trust beneficiary right	(87)	74
Net decrease (increase) in short-term investment securities	300	—
Purchase of property, plant and equipment and intangible assets	(499)	(558)
Proceeds from sales of property, plant and equipment and intangible assets	32	2
Proceeds from sales and redemption of investment securities	1	0
Collection of loans receivable	1	0
Decrease (increase) in other investments	—	(98)
Net cash provided by (used in) investing activities	(269)	(562)
Cash flows from financing activities		
Cash dividends paid	(1,002)	(1,372)
Purchase of treasury shares	(1)	(0)
Proceeds from disposal of treasury shares	3	—
Other, net	(18)	(26)
Net cash provided by (used in) financing activities	(1,019)	(1,399)
Effect of exchange rate change on cash and cash equivalents	31	(89)
Net increase (decrease) in cash and cash equivalents	2,709	965
Cash and cash equivalents at beginning of period	11,254	13,963
Cash and cash equivalents at end of period	13,963	14,929

(5) Notes to the Consolidated Financial Statements

(Notes on the assumption of a going concern)

Not applicable.

(Important Matters Concerning the Basis for Preparing Consolidated Financial Statements)

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 10

Name of main consolidated subsidiary: ESPEC NORTH AMERICA, INC.

(2) Name of main non-consolidated subsidiary:

Main non-consolidated subsidiary: ESPEC EUROPE GmbH

(Reason for exclusion from scope of consolidation)

The non-consolidated subsidiaries have been excluded from the scope of consolidation because of their small size and because their total assets, net sales, net income (corresponding to equity) and retained earnings (corresponding to equity) have a negligible effect on the consolidated financial statements of the ESPEC Group.

2. Application of the Equity Method

(1) Number of non-consolidated subsidiaries accounted for using the equity method: None

(2) Number of affiliates accounted for using the equity method: None

(3) Some non-consolidated subsidiaries (ESPEC EUROPE GmbH and others) not accounted for using the equity method have been excluded from the scope of companies accounted for by the equity method as they have a negligible effect on the consolidated net income and retained earnings of the ESPEC Group, and are immaterial overall.

3. Fiscal Year of Consolidated Subsidiaries

The fiscal year-ends of consolidated subsidiaries SHANGHAI ESPEC ENVIRONMENTAL EQUIPMENT CORP., ESPEC ENVIRONMENTAL EQUIPMENT (SHANGHAI) CO., LTD., ESPEC TEST TECHNOLOGY (SHANGHAI) CO., LTD. ESPEC TEST EQUIPMENT (GUANGDONG) CO., LTD., and ESPEC (CHINA) LIMITED are December 31. From fiscal 2018, the Company has changed the consolidation method for these subsidiaries where the Company uses March 31 as a provisional financial closing date.

Moreover, from fiscal 2018 the fiscal year-ends of consolidated subsidiaries ESPEC NORTH AMERICA, INC. and ESPEC KOREA CORP. have been changed from December 31 to March 31.

With these changes, the Company has consolidated a 15-month period from January 1, 2018, to March 31, 2019 for fiscal 2018 and the impact resulting from the change in the fiscal year-end has been adjusted in the consolidated statements of income. For the period from January 1 to March 31, 2019, the consolidated subsidiaries achieved net sales of ¥4,207 million, operating profit of ¥375 million, ordinary profit of ¥376 million and profit before income taxes of ¥376 million.



#### 4. Summary of Significant Accounting Policies

##### (1) Valuation standards and accounting treatment for important assets

###### 1) Marketable securities

Among available-for-sale securities, with listed securities, the market value is determined by the market price as of the end of the period, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net assets, and the cost of securities sold determined by the moving average method. With non-listed securities, the cost is determined by the moving average method.

###### 2) Derivatives

Market value.

###### 3) Inventories

Work in process is mainly stated by the specific identification method; other inventories are mainly stated using the acquisition cost method, cost being determined by the weighted average method (the book value in the balance sheet is reduced when the profitability has declined).

##### (2) Method for depreciating and amortizing important assets

###### 1) Property, plant and equipment (excluding lease assets)

The Company uses the straight-line method.

Estimated useful lives are as follows: Buildings 15-50 years

###### 2) Intangible assets (excluding lease assets)

The Company amortizes intangible assets using the straight-line method. Estimated useful lives are as follows:

Software used by the Company 5 years

###### 3) Lease assets

Depreciation equivalents are accounted for by the straight-line method, assuming the lease period to be the useful lives and the residual value to be zero.

##### (3) Accounting for important allowances

###### 1) Allowance for doubtful accounts

The allowance for doubtful accounts provides for possible losses arising from default on accounts receivable. It comprises a general reserve for accounts receivable based on historical default rates, and an estimated credit loss for accounts receivable based on an individual assessment of each account.

###### 2) Allowance for bonuses

The allowance for employees' bonuses is based on the estimated requirements for the fiscal year.

###### 3) Allowance for directors' bonuses

The allowance for directors' bonuses is based on the estimated requirements for the fiscal year.

###### 4) Reserve for product warranties

The reserve for product warranties is provided to cover the after service expenses, which are free during the warranty period, and are calculated based on historical claim rates for warranty expenses proportional to net sales.

###### 5) Allowance for loss on orders-received

The allowance for loss on orders-received provides for possible losses in the future arising from the orders the Company received. The amount of potential loss on orders-received as of the end of the fiscal year under review in

this report that can be rationally estimated is recorded as an allowance for conceivable losses on orders-received in subsequent fiscal years.

6) Allowance for directors' retirement benefits

For the Company's domestic consolidated subsidiaries, the Board of Directors has decided to terminate retirement benefits for directors. The Company books an allowance for the monetary amount for the period served by current directors up to the date of termination of retirement benefits.

7) Executive share benefit reserve

The Company posted provision for delivery of shares based on the estimated amount of the share-benefit obligation at the end of the fiscal year under review in preparation for providing Company shares to the Directors, etc.

(4) Change in accounting method of retirement benefits

1) Attribution method for projected retirement benefits

As regards calculating retirement benefit obligations, at the end of the consolidated fiscal year under review the Company changed its method for attributing projected retirement benefits to accounting periods from the straight-line method to the benefit formula method.

2) Amortization method of actuarial gains or losses

Actuarial gains or losses are amortized from the consolidated fiscal year following the consolidated fiscal year in which they arise, using the straight-line method over a fixed number of years (10 years), but no more than the average remaining years of service of employees.

(5) Standards for Translation of Material Foreign Currency-Denominated Assets and Liabilities Into Japanese Yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the balance sheet date, with the foreign currency exchange gains and losses from translation recognized in the statement of income. The assets and liabilities of foreign subsidiaries, etc. are translated into Japanese yen at the current exchange rates at the balance sheet date. Revenue and expenses of foreign subsidiaries, etc. are translated into Japanese yen at the average rate for the year. Differences arising from such translation are shown as "Foreign currency translation adjustments" as separate components of net assets.

(6) Method and Period of Goodwill Amortization

Goodwill is amortized by the straight-line method, equally allocating the cost over a period of no longer than 20 years.

(7) Scope of Cash and Cash Equivalents on the Consolidated Statements of Cash Flows

Cash and cash equivalents include cash in hand and deposits as well as short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value, all of which mature or become due within three months of the date of acquisition.

(8) Other Significant Notes on Preparation of Consolidated Financial Statements

Treatment of Consumption Tax

Figures are presented exclusive of consumption taxes and local consumption taxes for accounting purposes.

(Additional Information)

(Application of Partial Amendment to "Accounting Standard for Tax Effect Accounting", etc.)

The Partial Amendments to the Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) was applied from the beginning of the first quarter of fiscal 2018 (ending March 31, 2019). Deferred tax assets are presented in the classification for investments and other assets, and deferred tax liabilities are presented in the classification for non-current liabilities.

(Performance-linked share-based remuneration system)

Since August 2018, the Company has introduced a performance-linked share-based remuneration system (hereinafter referred to as "the System"), for the Company's Directors (excluding Outside Directors) and Executive Officers (hereinafter, Directors other than Outside Directors and Executive Officers who do not concurrently serve as Directors are collectively referred to as "Directors, etc.").

The System is a performance-linked, share-based remuneration system under which the Company shares are acquired through a trust (hereinafter, referred to as "the Trust") using funds contributed by the Company, and the Directors, etc. are provided with the Company shares and money equivalent to the market value of the Company shares (hereinafter referred to as "the Company shares, etc.") through the Trust in accordance with the Regulations for Delivery of Shares to Officers stipulated by the Company.

Regarding the accounting procedure for the System, the Company applies the gross method whereby the Trust's assets, liabilities, and profit and loss are included in the Company's consolidated financial statements. Moreover, the Company posted provision for delivery of shares to officers based on the estimated amount of the share-benefit obligation at the end of the first six months of fiscal 2018 in preparation for providing Company shares to the Directors, etc. in accordance with the Regulations for Delivery of Shares to Officers.

(Segment Information and Others)

Segment Information

1. Overview of reportable segments

ESPEC's reportable segments refer to those components of the Company for which separate financial information is available and such information is reviewed regularly by the Board of Directors in determining the allocation of resources and in evaluating performance.

The Company classifies its business activities into segments according to the business format. There are three reportable segments: Equipment Business, Service Business, and Other Business.

The Equipment Business provides environmental test chambers, energy device equipment, semiconductor equipment, and FPD equipment. The Service Business is engaged in after service engineering, commissioned testing, and rentals. The Other Business is involved with the forest wetland and greening business, plant production systems.

2. Method of calculating the monetary values of net sales, income or loss, assets, and other items of each reportable segment

Accounting treatment methods for reportable segments are the same as the methods shown in the "Important Matters Concerning the Basis for Preparing Consolidated Financial Statements." Inter-segment sales and transfers are based on market prices and certain other factors.

3. Information concerning the monetary values of net sales, income or loss, assets and other items of each reportable segment

Previous consolidated fiscal year (April 1, 2017 ~ March 31, 2018)

(Million Yen)

	Reportable Segment			Total	Adjustment *1	Carried Amount on Consolidated Financial Statements *2
	Equipment Business	Service Business	Other Business			
Net Sales						
(1) Sales to External Customers	36,580	6,115	1,373	44,069	—	44,069
(2) Internal Sales or Transfers between Segments	22	177	1	201	(201)	—
Total	36,602	6,292	1,375	44,271	(201)	44,069
Segment Income	4,092	524	(15)	4,602	0	4,602
Segment Assets	31,301	5,938	1,071	38,311	16,277	54,208
Other						
Depreciation Expenses	550	255	5	811	—	811
Amortization of goodwill	65	—	—	65	—	65
Increases in Property, Plant and Equipment and Intangible Assets	350	331	29	712	35	748

(Note)

1. Adjustments are as follows.

- 1) "Adjustment" for segment sales mainly represents eliminations of inter-segment transactions.
- 2) "Adjustment" for segment income (loss) mainly represents eliminations of inter-segment transactions.
- 3) "Adjustment" for segment assets mainly represents eliminations of inter-segment transactions and company-wide assets. Company-wide assets of ¥16,343 million primarily consist of surplus working capital at the parent company (cash and deposits, short-term investment securities, etc.), long-term investment funds (investment securities) and assets related to administrative divisions.
- 4) "Adjustment" for depreciation expenses mainly represents eliminations of inter-segment transactions.
- 5) "Adjustment" for increases in property, plant and equipment and intangible assets mainly represents eliminations of inter-segment transactions and company-wide assets.

2. Segment income (loss) is adjusted to be consistent with the operating income stated in the consolidated statements of income.

This consolidated fiscal year (April 1, 2018 ~ March 31, 2019)

(Million Yen)

	Reportable Segment			Total	Adjustment *1	Carried Amount on Consolidated Financial Statements *2
	Equipment Business	Service Business	Other Business			
Net Sales						
(1) Sales to External Customers	42,611	6,435	1,533	50,580	—	50,580
(2) Internal Sales or Transfers between Segments	27	177	7	212	(212)	
Total	42,638	6,613	1,541	50,793	(212)	50,580
Segment Income	5,193	620	9	5,823	4	5,827
Segment Assets	34,280	6,511	1,158	41,951	15,407	57,359
Other						
Depreciation Expenses	611	279	6	897	—	897
Amortization of goodwill	64	—	—	64	—	64
Increases in Property, Plant and Equipment and Intangible Assets	652	489	3	1,144	52	1,197

(Note)

1. Adjustments are as follows.

- 1) "Adjustment" for segment sales mainly represents eliminations of inter-segment transactions.
- 2) "Adjustment" for segment income (loss) mainly represents eliminations of inter-segment transactions.
- 3) "Adjustment" for segment assets mainly represents eliminations of inter-segment transactions and company-wide assets. Company-wide assets of ¥15,527 million primarily consist of surplus working capital at the parent company (cash and deposits, short-term investment securities, etc.), long-term investment funds (investment securities) and assets related to administrative divisions.
- 4) "Adjustment" for depreciation expenses mainly represents eliminations of inter-segment transactions.
- 5) "Adjustment" for increases in property, plant and equipment and intangible assets mainly represents eliminations of inter-segment transactions and company-wide assets.

2. Segment income (loss) is adjusted to be consistent with the operating income stated in the consolidated statements of income.

#### 4. Changes in reportable segments

Change in fiscal year-end for consolidated subsidiaries

Overseas consolidated subsidiaries that changed fiscal year-end in the fiscal year under review have consolidated a 15-month period from January 1, 2018, to March 31, 2019. During the period from January 1, 2018, to March 31, 2019, the Equipment Business posted ¥3,399 million in sales to external customers and ¥285 million in segment income, while the Service Business posted ¥120 million in sales to external customers and ¥72 million in segment income.

Related Information

Previous consolidated fiscal year (April 1, 2017 to March 31, 2018)

1.Information by product and service

(Million Yen)

	Equipment Business	Service Business	Other Business	Total
Sales to third parties	36,580	6,115	1,373	44,069

2.Information by region

(1) Net sales

(Million Yen)

Japan	U.S.	China	Others in Asia	Others	Total
24,581	4,699	6,863	5,299	2,625	44,069

(2) Property, plant and equipment

(Million Yen)

Japan	U.S.	China	Others in Asia	Total
7,758	1,144	654	170	9,727

This consolidated fiscal year (April 1, 2018 to March 31, 2019)

1.Information by product and service

(Million Yen)

	Equipment Business	Service Business	Other Business	Total
Sales to third parties	42,611	6,435	1,533	50,580

2.Information by region

(1) Net sales

(Million Yen)

Japan	U.S.	China	Others in Asia	Others	Total
24,789	5,734	10,701	6,253	3,101	50,580

(2) Property, plant and equipment

(Million Yen)

Japan	U.S.	China	Others in Asia	Total
8,077	1,090	648	146	9,963

Information on non-current assets and impairment loss by reportable segment

Previous consolidated fiscal year (April 1, 2017 to March 31, 2018)

(Million Yen)

	Equipment Business	Service Business	Other Business	Corporate and Elimination	Total
Impairment Loss	—	—	—	1	1

This consolidated fiscal year (April 1, 2018 to March 31, 2019)

No items to report

Information on amortization of goodwill and unamortized balance by reportable segment

Previous consolidated fiscal year (April 1, 2017 to March 31, 2018)

(Million Yen)

	Equipment Business	Service Business	Other Business	Corporate and Elimination	Total
Amortization	65	—	—	—	65
Unamortized Balance	530	—	—	—	530

This consolidated fiscal year (April 1, 2018 to March 31, 2019)

(Million Yen)

	Equipment Business	Service Business	Other Business	Corporate and Elimination	Total
Amortization	64	—	—	—	64
Unamortized Balance	455	—	—	—	455

Information on gain on negative goodwill by reportable segment

Previous consolidated fiscal year (April 1, 2017 to March 31, 2018)

No items to report

This consolidated fiscal year (April 1, 2018 to March 31, 2019)

No items to report

## (Per-Share Information)

FY2017 (From April 1, 2017 to March 31, 2018)		FY2018 (From April 1, 2018 to March 31, 2019)	
	Yen		Yen
Net Assets Per Share	1,747.46	Net Assets Per Share	1,841.30
Net Income Per Share	144.76	Net Income Per Share	187.65
Diluted net income per share is not shown as there are no dilutive securities.		Diluted net income per share is not shown as there are no dilutive securities.	

\* The Company's shares set up by the Board Benefit Trust (BBT) are recognized as treasury stock in the Company's consolidated financial statements. Accordingly, the number of common shares used to calculate the amount of net assets per share in the consolidated fiscal year under review was calculated after deducting the relevant number of those shares.

For the purpose of calculating net assets per share, the number of treasury stocks held by the Employee Trust after deducting the relevant number at the end of previous consolidated financial year was 192,200 shares.

(Note) 1. The basis of calculation for net income per share is as follows:

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
Net income per share		
Profit attributable to owners of parent (Million Yen)	3,308	4,289
Net income available to minority interests (Million Yen)	—	—
Profit attributable to owners of parent available to common shares (Million Yen)	3,308	4,289
Weighted-average number of common shares outstanding for the period (Thousand Shares)	22,858	22,858
Dilutive shares omitted from the calculation of diluted net income per share, due to absence of a dilution effect.		

\* The Company's shares set up by the Board Benefit Trust (BBT) are recognized as treasury stock in the Company's consolidated financial statements. Accordingly, the number of common shares used to calculate the amount of net assets per share in the consolidated fiscal year under review was calculated after deducting the relevant number of those shares. For the purpose of calculating net income per share, the average number of treasury stocks after deducting the relevant number for previous consolidated fiscal year was 128,133 shares.

## (Material Subsequent Events)

Not applicable.