

ESPEC CORP.

May 18, 2006

Company Code : 6859

Listed on the first section of Tokyo Stock Exchange and Osaka Securities Exchange

(URL <http://www.espec.co.jp>)

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Date of Board Meeting on Approval of Financial Results were May 18, 2006

This consolidated financial statements is not based on the generally accepted accounting principles in USA.

**SUMMARY OF FINANCIAL RESULTS (CONSOLIDATED)**  
**OF ESPEC CORP.**  
**FOR THE FISCAL 2005 ENDED MARCH 31, 2006**

Fiscal 2006: April 1, 2006 - March 31, 2007

Fiscal 2005: April 1, 2005 - March 31, 2006

Fiscal 2004: April 1, 2004 - March 31, 2005

**I. CONSOLIDATED OPERATING RESULTS AND RELATED DATA FOR FISCAL 2005**

**(1) Consolidated Operating Results**

(Millions of Yen, Millions of U.S. dollars,  
except per share figures)

	Fiscal 2005	Fiscal 2004	% change 2005/2004	Fiscal 2005
Net sales	¥39,582	¥38,789	2.0	\$335.81
Operating income	¥3,633	¥2,633	39.1	\$30.82
Ordinary income	¥3,869	¥2,873	34.7	\$32.82
Net income	¥2,403	¥1,625	47.9	\$20.39
Net income per share (inyen, US \$)	¥100.96	¥70.32	43.6	\$0.86
Net income per share -diluted (in yen, US \$ )	¥100.09	¥69.56	43.9	\$0.85
Net income to shareholders' equity	8.6%	6.4%	-	8.6%
Ordinary income to total assets	9.3%	7.6%	-	9.3%
Ordinary income to net sales	9.8%	7.4%	-	9.8%

**(Notes)**

1 Equity method investment profit and loss for: Fiscal 2005= 134 Milion Yen, Fiscal 2004= 2 Milion Yen

2 Number of shares during the period (consolidated) for:

Fiscal 2005 = 23,426,158 shares, Fiscal 2004 = 22,659,029 shares

3 The change in accounting policy has been made.

4 The percentages for net sales, operating income, ordinary income, net income indicates the increase/decrease from preceding period.

5 US dollar amounts are converted from yen, for convenience only, at the rate of US \$1= 117.87 yen.

## (2) Consolidated Financial Standing

(Millions of yen, Millions of U.S. dollars)

	Fiscal 2005	Fiscal 2004	Fiscal 2005
Total Assets	¥43,182	¥40,266	\$366.35
Shareholder's Equity	¥29,399	¥26,569	\$249.42
Shareholder's Equity Ratio	68.1%	66.0%	68.1%
Shareholders' equity per share of common stock	¥1,245.40	¥1,141.06	\$10.57

(Note) Number of shares issued and outstanding as of the end the period (consolidated) for:

Fiscal 2005 = 23,575,997 shares, Fiscal 2004 = 23,256,737 shares

## (3) Consolidated Status On Cash Flows

(Millions of yen, Millions of U.S. dollars)

	Fiscal 2005	Fiscal 2004	Fiscal 2005
Cash flows from operating activities	¥2,768	¥2,918	\$23.48
Cash flows from investing activities	△¥3,217	△¥760	△ \$ 27.29
Cash flows from financing activities	△¥166	¥98	△ \$ 1.41
Cash and cash equivalents at end of year	¥5,762	¥6,247	\$48.88

## (4) Scope of Consolidation and Application of Equity Method

Number of consolidated subsidiaries : 10

Number of non-consolidated subsidiaries accounted for by equity method: Nil

Number of affiliated companies accounted for by equity method: 1

## (5) Changes in the Scope of Consolidation and Application of Equity Method

Consolidation (New) : Nil, (Exception) : Nil, Equity Method (New) : Nil, (Exception) : Nil

## II. FORECAST OF CONSOLIDATED OPERATING RESULTS FOR FISCAL 2006

	FISCAL 2006 1ST HALF, ENDING SEPTEMBER 30,2006 Yen(Millions)	FISCAL 2006, ENDING MARCH 31, 2007 Yen(Millions)
Net sales	¥19,500	¥42,000
Ordinary income	¥1,500	¥4,000
Net income	¥750	¥2,300

(Reference) Forecast of Net Income Per Share (full term) is \ 97.56

Cautionary Statements : Statements made in this flash summary report (the "Report") regarding ESPEC CORP.'s plans, assumptions, forecasts and other statements that are not historical facts, are forward-looking statements about the future performance of the ESPEC CORP. based on management's assumptions in light of information available at the time of publication, and involve risks, factors and uncertainties that could cause ESPEC CORP.'s actual results to differ materially from those presented in this Report. For reference, the related issues about this forecast section are described on page 9 of the Japanese version of this Report.

## Consolidated Financial Statements

### 1 . Consolidated Balance Sheet

(Millions of Yen)

Title of Account	Previous Period (ending 05.03.31)		Current Period (ending 06.03.31)		Changes
	Amount	Proportion	Amount	Proportion	
( Assets )		%		%	
Current Assets	26,052	64.7	26,492	61.3	440
Cash & Deposits	4,274		3,844		430
Notes & Trade Receivable	14,311		16,316		2,005
Marketable Securities	1,901		1,568		333
Inventory Assets	3,773		2,817		956
Deferred Tax Asset	464		519		55
Other Current Assets	1,367		1,432		65
Provision for Doubtful Debts	39		7		32
Fixed Assets	14,213	35.3	16,690	38.7	2,477
Tangible Fixed Assets	9,584	23.8	9,609	22.3	25
Building & Structure	3,950		3,820		130
Machinery & Transp. Vehicle	250		279		29
Tools, Furniture & Fixtures	802		760		42
Land	4,539		4,500		39
Construction in Progress	41		248		207
Intangible Fixed Assets	1,394	3.5	1,507	3.5	113
Invested Property etc.	3,234	8.0	5,573	12.9	2,339
Investment in Securities	1,994		4,018		2,024
Deferred Tax Asset	294		125		169
Others	1,126		1,609		483
Provision for Doubtful Debts	181		179		2
<b>Total Assets</b>	<b>40,266</b>	<b>100.0</b>	<b>43,182</b>	<b>100.0</b>	<b>2,916</b>

(Millions of Yen)

Title of Account	Previous Period (ending 05.03.31)		Current Period (ending 06.03.31)		Changes
	Amount	Proportion	Amount	Proportion	
(Liabilities)		%		%	
Current Liabilities	11,546	28.7	11,785	27.3	239
Notes & Trade Payable	7,226		7,203		23
Short-term Loan	386		472		86
Corporate Tax Payable	775		1,033		258
Accrued Bonuses	435		505		70
Provision for Product Guarantee	352		300		52
Others	2,370		2,269		101
Long term Liabilities	1,687	4.2	1,766	4.1	79
Convertible Bonds	50		-		-
Long-term Loan	496		522		26
Deferred Tax Liability	13		17		4
Provision for Retirement Payments	603		514		89
Consolidation Adjustment	7		148		141
Others	516		564		48
Total Liabilities	13,233	32.9	13,552	31.4	319
(Minorities' Equity)					
Minority Shareholders' Equity	463	1.1	230	0.5	233
(Shareholders' Equity)					
Share Capital	6,778	16.8	6,823	15.8	45
Capital Reserve	7,069	17.6	7,101	16.4	32
Earned Surplus	13,057	32.4	15,078	34.9	2,021
Unrealized gain(loss) on land	-		26	0.0	-
Other Securities Valuation Excess	236	0.6	529	1.2	293
Currency Exchange Adjustment	393	1.0	55	0.1	338
Treasury Stock	179	0.4	50	0.1	129
Total Capital	26,569	66.0	29,399	68.1	2,830
Total Of Liabilities + Minority Shareholders' Equity + Capital	40,266	100.0	43,182	100.0	2,916

2 . CONSOLIDATED PROFIT & LOSS STATEMENT

(Millions of Yen)

Title of Account	Fiscal 2004 ( 04.4.1-05.3.31 )		Fiscal 2005 ( 05.4.1-06.3.31 )		Changes
	Amount	Proportion %	Amount	Proportion %	
Sales	38,789	100.0	39,582	100.0	793
Cost of Goods Sold	27,365	70.5	26,536	67.0	829
Gross Profit on Sales	11,423	29.5	13,045	33.0	1,622
Sales and Administrative Expenses	8,790	22.7	9,382	23.7	592
Operating Income	2,633	6.8	3,663	9.3	1,030
Non-Operating Income	( 380 )	1.0	( 354 )	0.9	26
Interest Received	23		33		10
Dividends Received	19		19		0
Profit on Securities Sold	54		63		9
Company Residence Rent Income	105				
Investment Profit by Equity Method	2		134		132
Profit on Foreign Exchange	94		33		61
Others	81		70		11
Non-Operating Expenses	( 141 )	0.4	( 147 )	0.4	6
Interest Paid	30		36		6
Non Operating Commission	13		16		3
Loss on Disposals of Property,Plant and Equipment	15		53		38
Loss on Devaluation of Property,Plant and Equipment	19		12		7
Others	61		27		34
Ordinary Profit	2,873	7.4	3,869	9.8	996
Extraordinary Income		0.0	( 162 )	0.4	
Extraordinary Loss	( 136 )	0.4	( 445 )	1.1	309
Net Profit Before Tax	2,736	7.0	3,586	9.1	850
Corporate, Resident & Business	1,089		1,271		182
Corporate Tax etc. Adjustments	4		79		83
Minority Shareholders' Gain	17	0.0	9	0.0	26
NET PROFIT	1,625	4.2	2,403	6.1	778

### 3 . CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of Yen)

Account Title	Fiscal 2004 ( 04.4.1-05.3.31 )	Fiscal 2005 ( 05.4.1-06.3.31 )
. Cash flows from Operating Activities		
Net income before adjustment of tax	2,736	3,586
Depreciation	698	843
Impairment loss on fixed assets		54
Loss from Revaluation of Marketable Securities	46	95
Increase/Decrease in Allowance for Doubtful Accounts	4	28
Increase/Decrease in Provision for Retirement Benefit	9	91
Interest Received and Dividends Received	43	53
Interest Paid	30	36
Income from Sale of Marketable Securities	54	63
Investment Income from Equity Method	2	134
Payments for Directors' Bonus	24	37
Increase/Decrease in Trade Receivables	528	1,833
Increase/Decrease in Inventories	326	1,178
Increase/Decrease in Trade Payables	462	143
Others	734	277
Sub-Total	3,974	3,687
Proceeds from Receipt of Interest and Dividends	96	137
Payments for Interest	30	36
Payments for Corporate Tax etc	1,122	1,019
Net Cash Provided by Operating Activities	2,918	2,768
. Cash Flows from Investing Activities		
Payments for Purchase of Securities	100	169
Proceeds from Sale and Redemption of Securities		200
Payments for Purchase of Tangible - Intangible Fixed Assets	1,373	1,034
Disbursements due to Acquisition of Investment Securities	184	2,050
Proceeds from Sale and Redemption of Investment Securities	620	485
Others	277	646
Net Cash Provided by Investing Activities	760	3,217
. Cash Flows from Finacing Activities		
Revenue from Short Term Loan	60	428
Disbursements due to Redemption of Short Term Loan	370	381
Revenue from Long Term Loan	11	
Decrease in long-term debt		44
Dividends Paid	291	372
Dividends Paid to Minority Shareholders	0	1
Disbursements due to Acquisition of Treasury Stock	13	25
Profit on Sales of trasury Stock	718	141
Issuance of common stock		90
Others	15	0
Net Cash Used in Finacing Activities	98	166
. Effect of Exchange Rate Changes on Cash and Cash Equivalents	24	129
. Net Increase/Decrease in Cash and Cash Equivalents	2,232	485
. Cash and Cash Equivalents at Begining of Year	3,614	6,247
. Increase in Cash and Cash Equivalents due to New Consolidation	401	
. Cash and Cash Equivalents at End of Year	6,247	5,762

#### 4. Status of Production, Orders Received and Sales

##### 1. Achievements of Production

(Millions of Yen)

Name of Business Segment	Fiscal 2004 (04.4.1-05.3.31)	Fiscal 2005 (05.4.1-06.3.31)	Changes	
				% change
Environmental Test Business	18,932	20,562	1,630	8.6
Electronics Device Business	13,188	10,629	2,559	19.4
Environmental Service Business	197	238	40	20.8
Grand Total	32,318	31,430	887	2.7

##### 2.(1) Achievements of Orders Received

Name of Business Segment	Fiscal 2004 (04.4.1-05.3.31)	Fiscal 2005 (05.4.1-06.3.31)	Changes	
				% change
Environmental Test Business	20,007	22,653	2,646	13.2
Electronics Device Business	10,164	12,120	1,956	19.2
Environmental Service Business	6,908	7,694	785	11.4
Total	37,080	42,469	5,388	14.5
Eliminations	935	1,978	1,042	-
Grand Total	36,145	40,490	4,345	12.0

##### 2.(2) Backlog of Orders in hand

Name of Business Segment	Fiscal 2004 (2005.03.31)	Fiscal 2005 (05.4.1-06.3.31)	Changes	
				% change
Environmental Test Business	2,189	3,150	961	43.9
Electronics Device Business	4,706	4,741	34	0.7
Environmental Service Business	318	439	120	37.8
Total	7,215	8,331	1,116	15.5
Eliminations	40	251	210	-
Grand Total	7,174	8,079	905	12.6

##### 3. Sales Track

Name of Business Segment	Fiscal 2004 (04.4.1-05.3.31)	Fiscal 2005 (05.4.1-06.3.31)	Changes	
				% change
Environmental Test Business	20,200	21,692	1,492	7.4
Electronics Device Business	13,212	12,086	1,126	8.5
Environmental Service Business	6,857	7,573	716	10.4
Total	40,271	41,352	1,081	2.7
Eliminations	1,482	1,770	287	-
Grand Total	38,789	39,582	793	2.0