

Summary of Financial Results (Consolidated)
for the First Half of Fiscal 2006 Ending March 31, 2007

Listed Company Name: ESPEC CORP.
Company Code: 6859
Exchanges Listed: Tokyo, Osaka Stock Exchanges, First Section
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U.S. GAAP Accounting Standard: Not Adopted

1.Preparation of Summary First-Half Fiscal 2006 Results

Changes in Consolidated Accounting Methods from the Most Recent Fiscal Year:	No.
Changes in the Scope of Consolidation and Application of Equity Method	Yes. Consolidation: (New) 2 (Exception) Nil
	Equity Method (New) Nil (Exception) Nil

2. Consolidated Financial Results for the First Half of Fiscal 2006 Ending March 31, 2007

(1) Operating Results

Millions of Yen-Except Per Share Data and Percentages

	Six months ended September 30, 2006		Six months ended September 30, 2005	Year Ended March 31, 2006
		change		
Net Sales	19,303	7.0%	18,045	39,582
Operating Income	1,685	23.6%	1,363	3,663
Ordinary Income	1,783	20.6%	1,479	3,869
Income before Income Taxes	1,739	39.5%	1,246	3,586
Net Income	945	30.4%	725	2,403
Net Income Per Share (Yen)	40.10	-	31.08	100.96
Net income Per Share , Diluted (Yen)	39.78	-	30.85	100.09
Net Income to Shareholders' Equity(%)	-	-	-	8.6
Ordinary Income to Total Assets (%)	-	-	-	9.3
Ordinary Income to Net Sales(%)	-	-	-	9.8

(Notes)

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

Results of Operations

The Japanese economy improved steadily during the fiscal first half ended in September, 2006. Profits at Japanese businesses continued expanding and their capital investment kept increasing despite the surge in crude oil prices and some other concerns.

Amid this business environment, our company group, in its first year of the five-year management innovation plan "ESPEC G-company Plan," focused on the auto-related market and other growth markets and also enhanced sales in key strategic markets such as China and the EU. In addition, we stepped up the purchase of parts from overseas suppliers, local production, and effective use of outside management resources in order to improve our profitability. We also worked extensively to ensure the company's long-term business growth by establishing/expanding our business units in the strategic markets and strengthening our Semiconductor Cleaning Device Business, which we had entered in the previous year.

As a result of these efforts, the Environmental Test Business enjoyed growth in both orders and sales, and the Electronic Device Business showed a marked improvement in profitability, leading the company to post record half-year results in terms of orders received, sales, and operating income.

We are pleased to announce an interim dividend of ¥11 per share to our shareholders, up ¥2 from the previous fiscal half.

Environmental Test Business

We stepped up our sales efforts of environment testing equipment, focusing on growth markets such as the auto and electronics industries, and strategic overseas areas like China and the EU. In particular, Temperature and Humidity Chambers and Thermal Shock Chambers for development/assessment enjoyed strong sales backed by the rapid expansion of the car-electronics market. Profits increased from the fiscal first half of the previous year, assisted by the good performance of affiliated companies, although the profit ratio declined due to the growth of selling and administrative expenses attributable to the change in segment classification.

Although regular and frequent visits to customers resulted in the steady growth in repair and maintenance service revenues, the sales and profits of the After-sales Engineering Service Business, a component of the Environmental Test Business, fell from the same fiscal half of the previous year, hit by the decrease of transfer and repair works on large testing facilities, which were active due to special demand in the previous fiscal year.

Sales of the Commissioned Test/Rental Business grew from the same fiscal half of the previous year thanks to its effective response to the testing needs from customers in the auto industry, where the market expanded steadily, but the Business suffered a fall in profit due to the increase of selling and administrative expenses resulting from the opening of a new testing facility.

In the fiscal first half, Environmental Test Business received new orders worth ¥15,225 million and earned ¥1,355 million in operating income on sales of ¥13,860 million.

Electronic Device Business

Despite some uncertainty in the trend of the LCD market, the FPD Device System Business, a part of the Electronic Device Business, received far more orders than in the previous fiscal first half thanks to facility expansion by LCD manufacturers in Taiwan. Sales, however, dropped since the Taiwanese manufacturers have decided to postpone the installation of our thermal treatment equipment, which can process the next-generation (i.e., the 8th-generation) glass substrates, to the second fiscal half. The profit ratio improved remarkably as a result of our concentrated efforts, which included enhanced overseas production using components made by local suppliers, efficient use of outside management resources, and a review of equipment designs.

Orders and sales increased in the Semiconductor-related Equipment Business, another part of the Electronic Device Business, backed by stronger demand for DRAM burn-in systems from overseas semiconductor makers and the demand for semiconductor evaluation systems for in-car electronic devices from Japanese automakers. Profits also rose thanks both to productivity improvement through the effective use of outside management resources and a reduction of selling and administrative expenses.

In the fiscal first half, the Electronic Device Business as a whole received ¥7,493 million in new orders, and made an operating income of ¥399 million on sales of ¥5,406 million.

Other Businesses

In respect of businesses other than the major ones described above, we are trying to develop and create new businesses which can grow into profit-earners for the company. We are going to develop these by injecting management resources into businesses with high growth potential and able to produce synergistic effects with our existing businesses. Other Businesses include the Environment-related Engineering Business, which we have been stressing in recent years.

In the fiscal first half, Other Businesses posted sales of ¥339 million and suffered an operating loss of ¥69 million.

Changes in Segment Classification

We made the following changes in business segment classification in the fiscal first half.

* We moved the After-sales Engineering Service Business and Commissioned Test/Rental Business from the Environmental Service Business segment to the more closely related Environmental Test Business segment.

* We moved the Semiconductor Cleaning Device Business, which was previously a new business in the Environmental Service Business segment, to the more closely related Electronic Device Business segment, taking the opportunity of consolidation of ESPEC ICF CORP. in this fiscal half.

In view of these segment changes, we have decided not to show year-on-year percentage increases/decreases of segment performance in this interim report.

(2) Financial Standing

Millions of Yen-Except Per Share Data and Percentages

	As of September 30, 2006	As of September 30, 2005	As of March 31, 2006
Total Assets	42,680	39,104	43,182
Net assets	30,058	27,466	29,399
Shareholders, Equity Ratio(%)	70.0	70.2	68.1
Shareholders, Equity Per Share of Common Stock(Yen)	1,266.01	1,171.74	1,245.40

(3) Status On Cash Flows

Millions of Yen-Except Per Share Data and Percentages

	Six months ended September 30, 2006	Six months ended September 30, 2005	Year Ended March 31, 2006
Cash Flow from Operating Activities	645	1,638	2,768
Cash Flow from Investing Activities	(737)	(1,468)	(3,217)
Cash Flow from Financing Activities	(379)	(40)	(166)
Cash and Cash Equivalents at End of Year	5,600	6,430	5,762

Balance Sheet Analysis

The total assets at the end of the fiscal first half fell ¥502 million from the end of the previous fiscal year, to ¥42,680 million despite the consolidation of two new subsidiaries. The decline resulted mainly from the combination of the growth of inventories by ¥737 million, the decline of accounts receivables by ¥1,146 million, and the decrease of invested securities by ¥1,095 million. The net worth came to ¥30,058 million, up ¥658 million from the shareholders' equity at the end of the previous fiscal year. Accordingly, the net worth ratio rose 1.9 percentage points, to 70.0%.

The company had net cash inflow of ¥645 million from operating activities in the fiscal first half, which resulted mainly from the pre-tax interim net profit of ¥1,739 million, the ¥1,510 million inflow attributable to the reduction of accounts receivables, the ¥1,138 million outflow resulting from trimming of accounts payables, the ¥985 million payment of corporate tax and other dues, and the ¥367 million outflow resulting from the growth of inventories.

The company had net cash outflow of ¥745 million from investing activities in the fiscal first half, which consisted mainly of the ¥656 million spent as upfront money for the construction of research and development facilities, and used for the acquisition of tangible and intangible fixed assets including the construction of new plants by ESPEC KOREA CORP. and ESPEC ICF CORP., the ¥713 million for purchasing invested securities, and the ¥591 million inflow from the sale and redemption of invested securities.

The company had net cash outflow of ¥381 million from financing activities in the fiscal first half, which consisted mainly of ¥258 million in dividend payment, ¥457 million outflow in repayment of short-term borrowings, ¥50 million outflow for convertible bond redemption, and ¥375 million inflow from short-term borrowings.

In addition to the above, cash and cash equivalents increased ¥322 million due to the consolidation of two new subsidiaries. Consequently, the balance of cash and cash equivalents stood at ¥5,600 million at the end of the first fiscal half, down ¥162 million from the end of the previous fiscal year.

3. Forecast of Consolidated Operating Results for Fiscal 2006 Ending March 31, 2007

Millions of Yen-Except Per Share Data

	Year ending March 31,2007 (projected)	Year ending March 31,2006 (actual)
Net sales	42,000	39,582
Operating Income	3,900	3,663
Ordinary Income	4,000	3,869
Income before Income Taxes	3,800	3,586
Net Income	2,300	2,403
Net Income Per Share(Yen)	97.48	100.96

※This material includes current descriptions of plans and business forecast of our company. The future plans and anticipated figures are planned and estimated by us based on the currently available information. The actual accomplishment is subject to various future conditions and factors and may differ from these plans. This material shall not affirm or guarantee the realization of such plans.

Performance Outlook for Full Fiscal Year

Although not without some uncertainty, such as the surge of crude oil and other raw-material prices and inventory trimming by the LCD industry, the Japanese economy is expected to remain strong in the near future, led by the active drive for capital investment by the auto and electronics industries and other businesses.

In view of these economic conditions, our company group intends to continue promoting sales in the Environmental Test Business in key strategic markets and enhancing our sales capability in overseas markets.

The FPD Device System Business, a part of the Electronic Device Business, will try to win more orders through more intensive marketing in line with the capital investment moves of LCD makers and their needs. The FPD Device System Business will also start operation of the new plant at its South Korean subsidiary, which is in line with the company's move toward localization and higher profitability. The Semiconductor-related Equipment Business, in expanding its business, will focus on sales of new products and sales targeting pioneer companies of customer industries.

In the current fiscal year, which is the first year of the ESPEC G-company Plan, we intend to implement various strategies and adopt policies to achieve our "Four Developments" and "Two Innovations." We are determined to reinforce the foundation of our business and achieve further growth and progress.

In this spirit, we forecast an operating income of ¥3.9 billion on sales of ¥42 billion in the full fiscal year ending in March 2007.

We plan to pay a dividend of ¥11 per share at the end of the fiscal year, the same amount as the interim dividend, bringing the total dividend for the year to ¥22 per share. (The estimated dividend payout ratio will be 22.6% on a consolidated base and 28.8% on a parent-only base.)

4 . Consolidated Financial Statements
 (1) Consolidated Balance Sheets

Millions of yen

	As of September 30, 2005		As of September 30, 2006		As of March 31, 2006	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
Assets		%		%		%
Current assets	23,853	61.0	25,880	60.6	26,492	61.3
Cash & deposits	4,431		4,187		3,844	
Notes & trade receivable	12,313		15,169		16,316	
Marketable securities	2,169		1,099		1,568	
Inventory assets	3,502		3,555		2,817	
Other current assets	1,439		1,877		1,952	
Allowance for doubtful receivables	4		9		7	
Fixed assets	15,251	39.0	16,799	39.4	16,690	38.7
Tangible fixed assets	9,460	24.2	10,113	23.7	9,609	22.3
Building & structure	3,898		4,045		3,820	
Land	4,497		4,526		4,500	
Others	1,063		1,541		1,288	
Intangible fixed assets	1,603	4.1	1,965	4.6	1,507	3.5
Investments and other assets	4,187	10.7	4,720	11.1	5,573	12.9
Investment securities	2,808		2,922		4,018	
Others	1,568		1,977		1,734	
Allowance for doubtful receivables	188		178		179	
Total	39,104	100.0	42,680	100.0	43,182	100.0

Millions of yen

	As of September 30, 2005		As of September 30, 2006		As of March 31, 2006	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
Liabilities		%		%		%
Current liabilities	9,562	24.4	10,782	25.3	11,785	27.3
Notes & trade payable	5,900		6,798		7,203	
Short-term borrowing	409		400		472	
Accrued bonuses	476		548		505	
Provision for product guarantee	349		265		300	
Others	2,426		2,768		3,303	
Long-term liabilities	1,667	4.3	1,839	4.3	1,766	4.1
Long-term debt	519		508		522	
Liability for retirement benefit	578		453		514	
Others	569		877		729	
Total liabilities	11,230	28.7	12,621	29.6	13,552	31.4
Minority interests						
Minority interests	408	1.1	-	-	230	0.5
Shareholders' equity						
Common stock	6,778	17.3	-	-	6,823	15.8
Capital surplus	7,059	18.1	-	-	7,101	16.4
Retained earnings	13,608	34.8	-	-	15,078	34.9
Unrealized gain (loss) on land	(23)	(0.1)	-	-	(26)	0.0
Unrealized gain (loss) on available-for-sale-securities	347	0.9	-	-	529	1.2
Foreign currency translation adjustments	(260)	(0.7)	-	-	(55)	(0.1)
Treasury stock	(43)	(0.1)	-	-	(50)	(0.1)
Total shareholders' equity	27,466	70.2	-	-	29,399	68.1
Total	39,104	100.0	-	-	43,182	100.0
Net assets						
Shareholders' equity						
Common stock	-	-	6,830	16.0	-	-
Capital surplus	-	-	7,107	16.7	-	-
Retained earnings	-	-	15,728	36.8	-	-
Treasury stock	-	-	(51)	(0.1)	-	-
Total shareholders' equity	-	-	29,614	69.4	-	-
Unrealized gain (loss)						
Unrealized gain (loss) on land	-	-	(29)	(0.1)	-	-
Unrealized gain (loss) on available-for-sale-securities	-	-	340	0.8	-	-
Foreign currency translation adjustments	-	-	(55)	(0.1)	-	-
Total unrealized gain (loss)	-	-	254	0.6	-	-
Minority interests	-	-	188	0.4	-	-
Total net assets	-	-	30,058	70.4	-	-
Total liabilities and net assets	-	-	42,680	100.0	-	-

(2) Consolidated Statements of Income

Millions of yen

	Six months ended September 30,2005		Six months ended September 30,2006		Year ended March 31,2006	
	Amount	Proportion %	Amount	Proportion %	Amount	Proportion %
Net sales	18,045	100.0	19,303	100.0	39,582	100.0
Cost of sales	12,202	67.6	12,711	65.9	26,536	67.0
Gross profit	5,842	32.4	6,592	34.1	13,045	33.0
Selling, general and administrative expenses	4,478	24.8	4,906	25.4	9,382	23.7
Operating income	1,363	7.6	1,685	8.7	3,663	9.3
Non-operating income	179	1.0	205	1.1	354	0.9
Interest received	11		21		33	
Dividends received	14		18		19	
Profit on securities sold	12				63	
Foreign currency exchange gain	25				33	
Investment profit by equity method	83		87		134	
Others	33		79		70	
Non-operating expenses	63	0.4	107	0.6	147	0.4
Interest paid	17		17		36	
Foreign currency exchange loss			25			
Non-operating commission			11		16	
Loss on disposals of property, plant and equipment	26		30		53	
Loss on devaluation of property, plant and equipment					12	
Others	18		21		27	
Ordinary income	1,479	8.2	1,783	9.2	3,869	9.8
Extraordinary income	22	0.1	10	0.1	162	0.4
Extraordinary loss	255	1.4	55	0.3	445	1.1
Income before income taxes and minority interests	1,246	6.9	1,739	9.0	3,586	9.1
Income taxes current	549	3.0	778	4.0	1,271	3.2
deferred		-		-	(79)	(0.2)
Minority interests in net income of subsidiaries	(27)	(0.1)	14	0.1	(9)	0.0
Net income	725	4.0	945	4.9	2,403	6.1

(3) Consolidated Statements of Cash Flows

Millions of yen

	Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
Operating activities			
Income before income taxes and minority interests	1,246	1,739	3,586
Depreciation and amortization	364	463	843
Impairment loss on fixed assets	49	6	54
Loss won devaluation of securities			95
provision for doubtful receivables	(29)	(3)	(28)
Decrease in liability for retirement benefits	(25)	(73)	(91)
Interest and dividends received	(26)	(39)	(53)
Interest paid	17	17	36
Income from sale of marketable securities	(12)	(9)	(63)
Investment income from equity method	(83)	(87)	(134)
Increase/decrease in trade receivables	2,065	1,510	(1,833)
Increase/decrease in inventories	400	(367)	1,178
Increase/decrease in trade payables	(1,383)	(1,138)	(143)
Bonuses to directors and corporate auditors	(37)	(50)	(37)
Others	(328)	(448)	277
Sub-total	2,218	1,519	3,687
Proceeds from receipt of interest and dividends	24	130	137
Payments for interest	(16)	(17)	(36)
Payments for corporate tax etc.	(587)	(985)	(1,019)
Net cash provided by operating activities	1,638	645	2,768
Investing activities			
Deposits of time deposit		(5)	(274)
Repayments of time deposit		9	
Purchases of marketable securities	(169)		(169)
Proceeds from sales and redemptions of marketable securities		69	200
Purchases of tangible and intangible fixed assets	(479)	(647)	(1,034)
Purchases of investment securities	(838)	(610)	(2,050)
Proceeds from sales and redemptions of investment securities	226	591	485
Purchases of subsidiaries stock		(51)	(98)
Loans to unconsolidated subsidiaries			(230)
Collects loans for unconsolidated subsidiaries	2	8	6
Others	(209)	(101)	(50)
Net cash provided by investing activities	(1,468)	(737)	(3,217)
Financing activities			
Proceeds from short-term bank loans	410	375	428
Repayments of short-term bank loans	(388)	(457)	(381)
Proceeds from long-term debt	0	20	
Repayments of long-term debt	(25)	(18)	(44)
Dividends paid	(161)	(258)	(372)
Dividends paid to minority shareholders	(1)	(1)	(1)
Purchases of treasury stock	(0)	(0)	(25)
Disposal of treasury stock	125	0	141
Issuance of common stock		12	90
Others		(50)	0
Net cash provided by financing activities	(40)	(379)	(166)
Effect of foreign currency translation adjustments on cash and cash equivalents	52	(2)	129
Net decrease in cash and cash equivalents	182	(473)	(485)
Cash and cash equivalents, beginning of year	6,247	5,762	6,247
Cash and cash equivalents of newly consolidated subsidiaries, beginning of year		311	
Cash and cash equivalents, end of year	6,430	5,600	5,762

(4) Status of production, orders received and sales

Achievements of order received

Name of business segment	Six months ended September 30, 2005	Six months ended September 30, 2006	Changes	
				% change
Environmental test business	11,578	15,225	3,646	31.5
Electronics device business	4,980	7,493	2,513	50.5
Other business	-	(34)	(34)	-
Environmental service business	3,661	-	(3,661)	(100.0)
Total	20,220	22,685	2,464	12.2
Eliminations	(682)	(57)	625	-
Grand total	19,537	22,627	3,089	15.8

Backlog of orders in hand

Name of business segment	As of March 31, 2006	As of September 30, 2006	Changes	
				% change
Environmental test business	3,150	4,515	1,364	43.3
Electronics device business	4,741	6,828	2,087	44.0
Other business	-	65	65	-
Environmental service business	439	-	(439)	(100.0)
Total	8,331	11,409	3,077	36.9
Eliminations	(251)	(5)	246	-
Grand total	8,079	11,404	3,324	41.1

Sales track

Name of business segment	Six months ended September 30, 2005	Six months ended September 30, 2006	Changes	
				% change
Environmental test business	9,455	13,860	4,404	46.6
Electronics device business	5,595	5,406	(189)	(3.4)
Other business	-	339	339	-
Environmental service business	3,590	-	(3,590)	(100.0)
Total	18,641	19,606	964	5.2
Eliminations	(596)	(303)	293	-
Grand total	18,045	19,303	1,258	7.0