

Summary of Financial Results (Consolidated)
for the Third Quarter 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 Third-Quarter Fiscal 2006 Results

Simplification of Accounting Methods:	Yes.We use simplified methods for estimating corporate and other taxes and calculating the accounts whose values are immaterial to the total operating results and financial position of the company.			
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 Third Quarter of Fiscal 2006 Ending March 31, 2007

(1) Operating Results

Millions of Yen-Except Per Share Data and Percentages

	Nine months ended December 31, 2006		Nine months ended December 31, 2005	Year Ended March 31, 2006
		change		
Net Sales	28,226	9.1	25,869	39,582
Operating Income	2,180	23.1	1,771	3,663
Ordinary Income	2,360	19.8	1,970	3,869
Income before Income Taxes	2,313	32.9	1,740	3,586
Net Income	1,266	22.5	1,033	2,403
Net Income Per Share (Yen)	53.67		44.20	100.96
Net income Per Share , Diluted (Yen)	53.27		43.85	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

In the third quarter of fiscal 2006, despite negative economic factors including a prolonged surge in raw material prices and slowdown of the US economy, capital investment made by Japanese industries continued to increase on the back of improved corporate earnings. The Japanese economy is recovering slowly but steadily as indicated by the improving employment situation. In such economic conditions, ESPEC CORP. posted total sales of ¥28,226 million in this October–December quarter, up 9.1% from the same quarter a year earlier, thanks mainly to the strength of its Environmental Test Business and Electronic Device Business. Operating income increased by 23.1% year–on–year to ¥2,180 million, thanks to improvement in the Electronic Device Business, despite declining profitability in the Environmental Test Business.

* Environmental Test Business

Among environmental testing equipment, temperature and humidity chambers and thermal shock chambers used for development and assessment enjoyed brisk demand from automakers. While revenues increased, profitability declined due to the expansion of selling and administrative expenses related to a change in segment classification.

Meanwhile, the Commissioned Test/Rental Business smoothly fulfilled the increase in orders from booming automakers for assessing the performance of their components. Although revenues increased on a year–on–year basis, the profit decreased due to the initial investment required to open a new testing facility. Consequently, sales from the Environmental Test Business were ¥20,095 million, while operating income recorded ¥1,828 million.

* Electronic Device Business

In the FPD Device System Business, we were able to deliver thermal treatment equipment, which can mainly process the 7.5th and 8th–generation glass substrates exactly as planned. Meanwhile, proactive measures were taken to improve revenues, including the construction of a new plant of an affiliated company in South Korea to promote local production and enhanced overseas production using components made by local suppliers. Thus, the operating income increased on a year–on–year basis. In the Semiconductor–related Equipment Business, burn–in systems for DRAMs recorded brisk sales due to active capital investment made by semiconductor manufacturers, which led to a significant increase in revenues. The operating income increased only slightly, however, due partly to investment in developing next–generation semiconductor cleaning devices. Consequently, sales from the Electronic Device Business were ¥7,968 million, while operating income expanded to ¥418 million.

* Other Businesses

We are investing heavily in new business segments with growth potential where we can expect synergistic effects with existing businesses of our company and the creation of new profitable businesses. Other Businesses include the Environment–related Engineering Business, which we have long focused our efforts on.

The Other Business Segment incurred an operating loss of ¥67 million on sales of ¥491 million.

We would like to draw your attention to the fact that both sales and profits of our company group tend to concentrate in the second and fourth quarters of a fiscal year due to business cycles and budgeting of our customers.

Change in Segment Classification

We have chosen not to show year–on–year changes in the sales and profit for each segment in the financial statements for this quarter, since we changed the business segment classification in this quarter.

The major changes in segment classification are as follows:

We moved the After–sales Service Business and Commissioned Test Business from the Environmental Service Business to the more closely related Environmental Test Business.

We formerly included the Semiconductor Cleaning Device Business in the Environmental Service Business, but have now transferred it to the more closely related Electronic Device Business, taking the opportunity that we have turned ESPEC ICF CORP. into one of our consolidated subsidiaries beginning this first quarter.

(2) Financial Standing

Millions of Yen-Except Per Share Data and Percentages

	As of December 31, 2006	As of December 31, 2005	As of March 31, 2006
Total Assets	42,155	39,532	43,182
Net assets	30,207	27,816	29,399
Shareholders, Equity Ratio(%)	71.2	70.4	68.1
Shareholders, Equity Per Share of Common Stock(Yen)	1,270.93	1,182.70	1,245.40

(3) Status On Cash Flows

Millions of Yen-Except Per Share Data and Percentages			
	Three months ended December 31, 2006	Three months ended December 31, 2005	Year Ended March 31, 2006
Cash Flow from Operating Activities	(188)	1,418	2,768
Cash Flow from Investing Activities	(1,328)	(2,828)	(3,217)
Cash Flow from Financing Activities	(628)	(82)	(166)
Cash and Cash Equivalents at End of Year	3,946	4,819	5,762

Balance Sheet Analysis

Total assets stood at ¥42,155 million at the end of the third fiscal quarter under review, down ¥1,027 million from the end of the previous fiscal year. The contraction of assets resulted from the inventory growth of ¥1,890 million, which was offset by decreases of ¥1,800 million in accounts receivable and ¥1,568 million in marketable securities. Net worth was ¥30,207 million, up ¥807 million from the shareholders' equity at the end of the previous fiscal year. The equity ratio stood at 71.2%, up 3.1 percentage points.

Net cash inflow from operating activities was ¥188 million, which resulted mainly from the ¥2,313 million increase in capital due to pre-tax quarterly net profit, ¥2,182 million increase attributable to the reduction of accounts receivable, ¥1,522 million decrease due to the inventory expansion, ¥1,146 million decline arising from the decrease of accounts payables, and ¥1,667 million decrease due to corporate tax and other payments.

The net cash outflow from investing activities totaled ¥1,328 million. Major outflows consisted of ¥921 million resulting from advance payment for construction of research and development facilities, as well as acquisition of tangible fixed assets and intangible fixed assets including construction of a new plant by ESPEC KOREA CORP. and ESPEC ICF CORP., and ¥893 million paid to buy invested securities. The major inflow was ¥598 million from proceeds of sales and redemption of invested securities.

Net cash outflow from financing activities totaled ¥628 million, resulting mainly from the dividend payout of ¥519 million, payout for short-term borrowings of ¥717 million, payout for convertible bond redemption of ¥50 million, and proceeds from short-term borrowings of ¥660 million.

In addition to the cash receipts and disbursements explained above, the consolidation of two subsidiaries pushed up the balance of cash and cash equivalents by ¥311 million. In total, the cash and cash equivalents at the end of the third quarter stood at ¥3,946 million, down ¥1,816 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	
	Fiscal 2006 Ending March 31, 2007
Net sales	42,000
Operating Income	3,900
Ordinary Income	4,000
Income before Income Taxes	3,800
Net Income	2,300
Net Income Per Share(Yen)	97.56

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 forecast

Encouraged by the steady growth of orders in the third quarter, we maintain our original performance forecast for the entire fiscal 2006 unchanged.

4 . Consolidated Financial Statements
 (1) Consolidated Balance Sheets

Millions of yen

	As of December 31, 2005		As of December 31, 2006		As of March 31, 2006	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
Assets		%		%		%
Current assets	22,981	58.1	24,884	59.0	26,492	61.3
Cash & deposits	4,220		3,671		3,844	
Notes & trade receivable	11,670		14,516		16,316	
Marketable securities	669				1,568	
Inventory assets	4,933		4,707		2,817	
Other current assets	1,493		1,997		1,952	
Allowance for doubtful receivables	(5)		(8)		(7)	
Fixed assets	16,550	41.9	17,271	41.0	16,690	38.7
Tangible fixed assets	9,649	24.4	10,290	24.4	9,609	22.3
Building & structure	3,852		4,051		3,820	
Land	4,499		4,528		4,500	
Others	1,297		1,710		1,288	
Intangible fixed assets	1,539	3.9	1,914	4.5	1,507	3.5
Investments and other assets	5,361	13.6	5,065	12.0	5,573	12.9
Investment securities	3,800		3,207		4,018	
Others	1,747		2,036		1,734	
Allowance for doubtful receivables	(186)		(178)		(179)	
Total	39,532	100.0	42,115	100.0	43,182	100.0

Millions of yen

	As of December 31, 2005		As of December 31, 2006		As of March 31, 2006	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
Liabilities		%		%		%
Current liabilities	9,678	24.5	10,172	24.1	11,785	27.3
Notes & trade payable	6,134		6,801		7,203	
Short-term borrowing	519		426		472	
Accrued bonuses	203		241		505	
Provision for product guarantee	374		288		300	
Others	2,446		2,414		3,303	
Long-term liabilities	1,638	4.1	1,775	4.2	1,766	4.1
Convertible bonds						
Long-term debt	509		499		522	
Liability for retirement benefit	550		403		514	
Others	579		871		729	
Total liabilities	11,316	28.6	11,948	28.3	13,552	31.4
Minority interests						
Minority interests	400	1.0	-	-	230	0.5
Shareholders' equity						
Common stock	6,798	17.2	-	-	6,823	15.8
Capital surplus	7,077	17.9	-	-	7,101	16.4
Retained earnings	13,705	34.7	-	-	15,078	34.9
Unrealized gain (loss) on land	(23)	(0.0)	-	-	(26)	(0.0)
Unrealized gain (loss) on available-for-sale-securities	477	1.2	-	-	529	1.2
Foreign currency translation adjustments	(193)	(0.5)	-	-	(55)	(0.1)
Treasury stock	(25)	(0.1)	-	-	(50)	(0.1)
Total shareholders' equity	27,816	70.4	-	-	29,399	68.1
Total	39,532	100.0	-	-	43,182	100.0
Net assets						
Shareholders' equity						
Common stock	-	-	6,834	16.2	-	-
Capital surplus	-	-	7,111	16.9	-	-
Retained earnings	-	-	15,789	37.5	-	-
Treasury stock	-	-	(51)	(0.1)	-	-
Total shareholders' equity	-	-	29,683	70.4	-	-
Unrealized gain (loss)						
Unrealized gain (loss) on land	-	-	(29)	(0.0)	-	-
Unrealized gain (loss) on available-for-sale-securities	-	-	343	0.8	-	-
Foreign currency translation adjustments	-	-	3	0.0	-	-
Total unrealized gain (loss)	-	-	317	0.8	-	-
Minority interests	-	-	206	0.5	-	-
Total net assets	-	-	30,207	71.7	-	-
Total liabilities and net assets	-	-	42,155	100.0	-	-

(2) Consolidated Statements of Income

Millions of yen

	Nine months ended December 31, 2005		Nine months ended December 31, 2006		Year ended March 31, 2006	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
		%		%		%
Net sales	25,869	100.0	28,226	100.0	39,582	100.0
Cost of sales	17,402	67.3	18,485	65.5	26,536	67.0
Gross profit	8,466	32.7	9,740	34.5	13,045	33.0
Selling, general and administrative expenses	6,695	25.9	7,560	26.8	9,382	23.7
Operating income	1,771	6.8	2,180	7.7	3,663	9.3
Non-operating income	279	1.1	305	1.1	354	0.9
Interest received	20		28		33	
Dividends received	19		28		19	
Profit on securities sold	32				63	
Foreign currency exchange gain	27				33	
Investment profit by equity method	127		149		134	
Others	52		98		70	
Non-operating expenses	79	0.3	124	0.4	147	0.4
Interest paid	27		26		36	
Foreign currency exchange loss			30			
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	25		25		27	
Ordinary income	1,970	7.6	2,360	8.4	3,869	9.8
Extraordinary income	50	0.2	10	0.0	162	0.4
Extraordinary loss	280	1.1	58	0.2	445	1.1
Income before income taxes and minority interests	1,740	6.7	2,313	8.2	3,586	9.1
Income taxes current	729	2.8	1,020	3.6	1,271	3.2
deferred		-		-	(79)	(0.2)
Minority interests in net income of subsidiaries	(21)	(0.1)	26	0.1	(9)	(0.0)
Net income	1,033	4.0	1,266	4.5	2,403	6.1

(3) Consolidated Statements of Cash Flows

Millions of yen

	Nine months ended December 31, 2005	Nine months ended December 31, 2006	Year ended March 31, 2006
Operating activities			
Income before income taxes and minority interests	1,740	2,313	3,586
Depreciation and amortization	605	716	843
Impairment loss on fixed assets	49	6	54
Loss on devaluation of securities	20	6	95
provision for doubtful receivables	(29)	(3)	(28)
Decrease in liability for retirement benefits	(54)	(124)	(91)
Interest and dividends received	(40)	(57)	(53)
Interest paid	27	26	36
Income from sale of marketable securities	(32)	(10)	(63)
Investment income from equity method	(127)	(149)	(134)
Increase/decrease in trade receivables	2,739	2,182	(1,833)
Increase/decrease in inventories	(971)	(1,522)	1,178
Increase/decrease in trade payables	(1,173)	(1,146)	(143)
Bonuses to directors and corporate auditors	(37)	(50)	(37)
Others	(316)	(831)	277
Sub-total	2,399	1,354	3,687
Proceeds from receipt of interest and dividends	116	150	137
Payments for interest	(25)	(26)	(36)
Payments for corporate tax etc.	(1,071)	(1,667)	(1,019)
Net cash provided by operating activities	1,418	(188)	2,768
Investing activities			
Deposits of time deposit	(294)	(141)	(274)
Repayments of time deposit		9	
Purchases of marketable securities	(169)		(169)
Proceeds from sales and redemptions of marketable securities	100	168	200
Purchases of tangible and intangible fixed assets	(922)	(921)	(1,034)
Purchases of investment securities	(1,811)	(893)	(2,050)
Proceeds from sales and redemptions of investment securities	447	598	485
Purchases of subsidiaries stock		(153)	(98)
Loans to unconsolidated subsidiaries	(130)	7	(230)
Collects loans for unconsolidated subsidiaries	4	10	6
Others	(52)	3	(50)
Net cash provided by investing activities	(2,828)	(1,328)	(3,217)
Financing activities			
Proceeds from short-term bank loans	580	660	428
Repayments of short-term bank loans	(467)	(717)	(381)
Proceeds from long-term debt	(33)	(41)	(44)
Dividends paid	(342)	(519)	(372)
Dividends paid to minority shareholders	(1)	(1)	(1)
Purchases of treasury stock	(0)	(0)	(25)
Disposal of treasury stock	142	0	141
Issuance of common stock	39	20	90
Others		(30)	0
Net cash provided by financing activities	(82)	(628)	(166)
Effect of foreign currency translation adjustments on cash and cash equivalents	62	16	129
Net decrease in cash and cash equivalents	(1,428)	(2,128)	(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	4,819	3,946	5,762

(4) Status of production, orders received and sales

Achievements of order received

Name of business segment	Nine months ended December 31, 2005	Nine months ended December 31, 2006	Changes	
				% change
Environmental test business	16,685	23,098	6,412	38.4
Electronics device business	8,370	10,693	2,323	27.8
Other business	-	237	237	-
Environmental service business	5,429	-	(5,429)	(100.0)
Total	30,485	34,029	3,544	11.6
Eliminations	(1,212)	(199)	1,013	-
Grand total	29,272	33,830	4,557	15.6

Backlog of orders in hand

Name of business segment	As of March 31, 2006	As of December 31, 2006	Changes	
				% change
Environmental test business	3,150	6,153	3,002	95.3
Electronics device business	4,741	7,465	2,724	57.5
Other business	-	185	185	-
Environmental service business	439	-	(439)	(100.0)
Total	8,331	13,805	5,473	65.7
Eliminations	(251)	(121)	130	-
Grand total	8,079	13,683	5,604	69.4

Sales track

Name of business segment	Nine months ended December 31, 2005	Nine months ended December 31, 2006	Changes	
				% change
Environmental test business	14,289	20,095	5,806	40.6
Electronics device business	7,403	7,968	565	7.6
Other business	-	491	491	-
Environmental service business	5,109	-	(5109)	(100.0)
Total	26,802	28,555	1,753	6.5
Eliminations	(932)	(328)	603	-
Grand total	25,869	28,226	2,357	9.1