

Summary of Financial Results (Consolidated)
for the 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 Fiscal 2006 Results

Changes in Consolidated Accounting Methods from the Most Recent Fiscal Year:	Yes.			
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 Fiscal 2006 Ending March 31, 2007

(1) Operating Results

Millions of Yen-Except Per Share Data and Percentages

	Year Ended March 31, 2007	Year Ended March 31, 2006	change
Net Sales	42,595	39,582	7.6%
Operating Income	3,930	3,663	7.3%
Ordinary Income	4,094	3,869	5.8%
Income before Income Taxes	3,994	3,586	11.4%
Net Income	2,523	2,403	5.0%
Net Income Per Share (Yen)	106.94	100.96	
Net income Per Share , Diluted (Yen)	106.19	100.09	
Net Income to Shareholders' Equity(%)	8.3	8.6	
Ordinary Income to Total Assets (%)	9.2	9.3	
Operating Income to Net Sales(%)	9.2	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

During the fiscal year under review, the Japanese economy has gradually recovered despite the surge in raw materials prices, fluctuations in the exchange rate and other concerns, thanks to strong growth in capital investment backed by improved corporate performance, and the pickup in personal consumption.

Amid this business environment, our company group, in its first year of the five-year “ESPEC G-company Plan” for management innovation, focused on thriving and growing markets such as the auto-related and semiconductor markets, and also heavily invested management resources in China, the EU and other key strategic areas to enhance sales in these markets. In addition, we encouraged overseas procurement of materials and parts and local production as part of our efforts to increase profitability.

We also made extensive efforts to strengthen our Semiconductor Cleaning Device Business, which we had entered in the previous year, while preparing for new business innovations.

As a result of these efforts, the Environmental Test Business enjoyed steady growth, leading the company to achieve record results in orders received, sales, and operating income.

Environmental Test Business

We stepped up efforts to increase sales of environmental testing equipment in growing and thriving markets such as the auto and electronics industries, and continued to expand sales networks in key strategic overseas markets like China and the EU. In particular, Temperature and Humidity Chambers for the auto industry for development/assessment enjoyed strong sales income. Profits rose from the previous fiscal year, assisted by the improvement in operational efficiency and productivity, despite higher selling and administrative expenses resulting from the change in segment classification.

In the After-sales Engineering Service Business, frequent visits to customers resulted in the steady growth of revenues, but profits fell from the previous fiscal year because of major investments made to enhance service and administrative capabilities.

Sales of the Commissioned Test/Rental Business grew from the previous fiscal year, as we opened one of the largest testing facilities in Japan and successfully met the growing testing needs from customers in the thriving auto industry, but profits fell due to the initial investment incurred for opening the new facility.

The Environmental Test Business as a whole received new orders worth ¥30,891 million and earned ¥ 3,538 million in operating income on sales of ¥30,277 million.

Electronic Device Business

While we delivered thermal treatment equipment that can process the 6th-generation and 7.5th-generation glass substrates mainly to Taiwanese LCD manufacturers, the fall of LCD panel prices caused these customers to decide to discontinue or postpone capital investment, resulting in declines in both orders received and sales in the FPD Device System Business from the previous fiscal year. However, the profit ratio improved as a result of our concentrated efforts, which included opening a new plant of a South Korean subsidiary, enhancing overseas production backed by the increase in overseas procurement, and reviewing equipment designs.

Both orders received and sales rose in the Semiconductor-related Equipment Business from the previous year, thanks to a dramatic increase in demand for burn-in systems from DRAM manufacturers, who have focused on capital investment to meet the growing needs for semiconductors for personal computers and digital consumer electronics. However, profits declined from the previous fiscal year, due to the sluggish sales of semiconductor cleaning devices and the investment for new product development, despite our efforts to improve productivity by effectively using outside management resources and to reduce selling and administrative expenses.

The Electronic Device Business as a whole received ¥12,092 million in new orders, and made an operating income of ¥397 million on sales of ¥11,780 million.

Other Businesses

In respect of businesses other than the major ones described above, we are developing and creating new businesses which can grow into profit-earners for the company. We are doing this by injecting management resources into businesses with high growth potential and that offer synergistic effects with our existing businesses. Other Businesses include the Environment-related Engineering Business, which we have been concentrating on in recent years.

In the fiscal year under review, Other Businesses received orders worth ¥493 million, posted sales of ¥911 million and suffered an operating loss of ¥7 million.

Changes in Segment Classification

We have changed business segment classifications in this fiscal year; the major changes are as follows:

– We have reclassified the After-sales Service Engineering Business and Commissioned Test/Rental Business, which were formerly included in the Environmental Service Business, as the Environmental Test Business due to closer association between them.

– We have reclassified the Semiconductor Cleaning Device Business, which was formerly a new business in the Environmental Service Business, as the Electronic Device Business, due to closer association between them, taking the opportunity of ESPEC ICF CORP. becoming one of our consolidated subsidiaries in this fiscal year.

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

(2) Financial Standing

Millions of Yen-Except Per Share Data and Percentages

	As of March 31, 2007	As of March 31, 2006	change
Total Assets	45,357	43,182	2,175
Net assets	31,536	29,399	2,137
Shareholders, Equity Ratio(%)	69.1	68.1	1.0
Shareholders' Equity Per Share of Common Stock(Yen)	1,327.87	1,245.40	82.47

(3) Status On Cash Flows

Millions of Yen-Except Per Share Data and Percentages

	As of March 31, 2007	As of March 31, 2006	change
Cash Flow from Operating Activities	1,829	2,768	(939)
Cash Flow from Investing Activities	(1,760)	(3,217)	1,456
Cash Flow from Financing Activities	(652)	(166)	(485)
Cash and Cash Equivalents at End of Year	5,538	5,762	(224)

Balance Sheet Analysis

The total assets at the end of this fiscal year increased ¥2,175 million from the end of the previous fiscal year to ¥45,357 million. The increase resulted mainly from the growth of accounts receivables by ¥1,667 million, inventories by ¥390 million, buildings and structures by ¥510 million, and goodwill value by ¥455 million, combined with the decrease of marketable securities by ¥869 million and invested securities by ¥732 million. The net worth came to ¥31,536 million, up ¥2,136 million from the shareholders' equity at the end of the previous fiscal year. Accordingly, the net worth ratio rose 1.0 percentage point from the end of the previous fiscal year, to 69.1%.

The company had net cash inflow of ¥1,829 million from operating activities in this fiscal year, which resulted mainly from the pre-tax net profit of ¥3,994 million, the ¥1,262 million outflow attributable to the increase of accounts receivables, and the ¥1,670 million payment of corporate tax and other dues.

The company had net cash outflow of ¥1,760 million from investing activities in this fiscal year, which consisted mainly of the ¥1,368 million spending for the acquisition of tangible and intangible fixed assets, including the construction of an additional testing facility by ESPEC Environmental Test Technology Center Corp. and of new plants by ESPEC KOREA CORP. and ESPEC ICF CORP., the ¥1,037 million spending for purchase of invested securities, and the ¥604 million inflow from the sales and redemption of invested securities.

The company had net cash outflow of ¥652 million from financing activities in this fiscal year, which consisted mainly of ¥519 million for dividend payment, ¥856 million outflow for repayment of short-term borrowings, ¥50 million outflow for convertible bond redemption, and ¥773 million inflow from short-term borrowings. In addition to the above, cash and cash equivalents increased ¥311 million due to the consolidation of two new subsidiaries. Consequently, the balance of cash and cash equivalents stood at ¥5,538 million at the end of the fiscal year, down ¥224 million from the end of the previous fiscal year.

3. Forecast of Consolidated Operating Results for Fiscal 2007 Ending March 31, 2008

Millions of Yen-Except Per Share Data

	Fiscal 2007 1st Half, Ending September 30, 2007	Fiscal 2007, Ending March 31, 2008
Net sales	21,500	45,000
Operating Income	1,750	4,300
Ordinary Income	1,800	4,400
Income before Income Taxes	1,800	4,300
Net Income	1,000	2,700
Net Income Per Share(Yen)	42.38	114.43

※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

In Japan, capital investment is expected to continue to increase led by strong corporate performance. On the other hand, the business environment in which our company group operates remains uncertain, with the fall of LCD and semiconductor prices as well as concerns over fluctuations in exchange rate and increase in interest rate.

In view of these economic conditions, our company group will step up sales activities in the Environmental Test Business in the auto and electronics industries and other thriving and growing markets, while strengthening and expanding the sales and service capabilities to develop new markets and new customer bases in key strategic markets such as China and the EU. We will also actively collect useful information on market and customer needs and encourage the development of new technologies and products to enhance profitability, thereby increasing our share in the global market.

In the Electronic Device Business, the FPD Device System Business will try to win more orders, particularly from Chinese LCD manufacturers, while promoting change in equipment designs and increasing local production to secure stable income. The Semiconductor-related Equipment Business will strengthen its production capacity to ensure a smooth supply of DRAM burn-in systems to meet growing needs, and improve its performance by selling new products and developing new markets in new industrial fields. This fiscal year saw sluggish sales of semiconductor cleaning devices. To improve the performance, we will make a concerted effort to boost sales, while placing greater focus on the standardization and modularization of product design to increase profitability and also on the development of next-generation semiconductor cleaning devices.

The next fiscal year is considered to be a preparatory period for fuller implementation of the five-year "ESPEC G-company Plan" for management innovation, and we will follow various strategies and policies to achieve our "Two Innovations" and "Four Developments." Specifically, we will strengthen our marketing force, build a sounder profit base, and strive to create new businesses that can significantly boost corporate performance in the medium to long

4 . Consolidated Financial Statements
 (1) Consolidated Balance Sheets

Millions of yen

	As of March 31, 2006		As of March 31, 2007		Change
	Amount	Proportion	Amount	Proportion	
Assets		%		%	
Current assets	26,492	61.3	28,433	62.7	1,940
Cash & deposits	3,844		4,143		
Notes & trade receivable	16,316		17,984		
Marketable securities	1,568		699		
Inventory assets	2,817		3,207		
Other current assets	1,952		2,412		
Allowance for doubtful receivables	(7)		(13)		
Fixed assets	16,690	38.7	16,924	37.3	234
Tangible fixed assets	9,609	22.3	10,042	22.1	433
Building & structure	3,820		4,331		
Land	4,500		4,524		
Others	1,288		1,187		
Intangible fixed assets	1,507	3.5	1,911	4.2	403
Investments and other assets	5,573	12.9	4,971	11.0	(602)
Investment securities	4,018		3,285		
Others	1,734		1,867		
Allowance for doubtful receivables	(179)		(182)		
Total	43,182	100.0	45,357	100.0	2,175

Millions of yen

	As of March 31, 2006		As of March 31, 2007		Change
	Amount	Proportion	Amount	Proportion	
Liabilities					
Current liabilities	11,785	27.3	12,174	26.8	388
Notes & trade payable	7,203		7,770		
Short-term borrowing	472		430		
Accrued bonuses	505		595		
Provision for product guarantee	300		274		
Others	3,303		3,103		
Long-term liabilities	1,766	4.1	1,647	3.6	(119)
Long-term debt	522		478		
Liability for retirement benefit	514		359		
Others	729		808		
Total liabilities	13,552	31.4	13,821	30.5	269
Minority interests					
Minority interests	230	0.5			
Shareholders' equity					
Common stock	6,823	15.8	-	-	
Capital surplus	7,101	16.4	-	-	
Retained earnings	15,078	34.9	-	-	
Unrealized gain (loss) on land	(26)	0.0	-	-	
Unrealized gain (loss) on available-for-sale-securities	529	1.2	-	-	
Foreign currency translation adjustments	(55)	(0.1)	-	-	
Treasury stock	(50)	(0.1)	-	-	
Total shareholders' equity	29,399	68.1	-	-	
Total	43,182	100.0	-	-	
Net assets					
Shareholders' equity					
Common stock		-	6,837	15.1	
Capital surplus		-	7,115	15.7	
Retained earnings		-	17,048	37.6	
Treasury stock		-	(51)	(0.1)	
Total shareholders' equity		-	30,949	68.2	
Unrealized gain (loss)					
Unrealized gain (loss) on land		-	(32)	(0.1)	
Unrealized gain (loss) on available-for-sale-securities		-	374	0.8	
Foreign currency translation adjustments		-	64	0.1	
Total unrealized gain (loss)		-	406	0.9	
Minority interests		-	179	0.4	
Total net assets		-	31,536	69.5	
Total liabilities and net assets		-	45,357	100.0	

(2) Consolidated Statements of Income

Millions of yen

	Year ended March 31, 2006		Year ended March 31, 2007		Change
	Amount	Proportion %	Amount	Proportion %	
Net sales	39,582	100.0	42,595	100.0	3,012
Cost of sales	26,536	67.0	27,743	65.1	1,207
Gross profit	13,045	33.0	14,851	34.9	1,805
Selling, general and administrative expenses	9,382	23.7	10,921	25.6	1,538
Operating income	3,663	9.3	3,930	9.2	267
Non-operating income	354		369	0.9	15
Interest received	33		36		
Dividends received	19		34		
Profit on securities sold	63				
Foreign currency exchange gain	33				
Investment profit by equity method	134		165		
Others	70		134		
Non-operating expenses	147	0.4	205	0.5	57
Interest paid	36		34		
Foreign currency exchange loss			34		
Non-operating commission	16		13		
Loss on disposals of property, plant and equipment	53		67		
Loss on devaluation of property, plant and equipment	12				
Others	27		55		
Ordinary income	3,869	9.8	4,094	9.6	225
Extraordinary income	162		131	0.3	(31)
Extraordinary loss	445		231	0.5	(214)
Income before income taxes and minority interests	3,586	9.1	3,994	9.4	408
Income taxes current	1,271		1,422		
deferred	(79)		25		
Minority interests in net income of subsidiaries	(9)		24		33
Net income	2403	6.1	2,523	5.9	119

(3) Consolidated Statements of Cash Flows

Millions of yen

	Year ended March 31, 2006	Year ended March 31, 2007	Change
Operating activities			
Income before income taxes and minority interests	3,586	3,994	
Depreciation and amortization	843	976	
Impairment loss on fixed assets	54	11	
Loss won devaluation of securities	95	93	
provision for doubtful receivables	(28)	4	
Decrease in liability for retirement benefits	(91)	(168)	
Interest and dividends received	(53)	(70)	
Interest paid	36	34	
Income from sale of marketable securities	(63)	(3)	
Investment income from equity method	(134)	(165)	
Increase/decrease in trade receivables	(1,833)	(1,262)	
Increase/decrease in inventories	1,178	(80)	
Increase/decrease in trade payables	(143)	(189)	
Bonuses to directors and corporate auditors	(37)	(50)	
Others	277	254	
Sub-total	3,687	3,379	(307)
Proceeds from receipt of interest and dividends	137	153	
Payments for interest	(36)	(32)	
Payments for corporate tax etc.	(1,019)	(1,670)	
Net cash provided by operating activities	2,768	1,829	(939)
Investing activities			
Deposits of time deposit	(274)	(145)	
Repayments of time deposit		12	
Purchases of marketable securities	(169)		
Proceeds from sales and redemptions of marketable securities	200	168	
Purchases of tangible and intangible fixed assets	(1,034)	(1,368)	
Purchases of investment securities	(2,050)	(1,037)	
Proceeds from sales and redemptions of investment securities	485	604	
Purchases of subsidiaries stock	(98)	(51)	
Loans to unconsolidated subsidiaries	(230)	(7)	
Collects loans for unconsolidated subsidiaries	6	33	
Others	(50)	14	
Net cash provided by investing activities	(3,217)	(1,760)	1,456
Financing activities			
Proceeds from short-term bank loans	428	773	
Repayments of short-term bank loans	(381)	(856)	
Proceeds from long-term debt		20	
Repayments of long-term debt	(44)	(44)	
Dividends paid	(372)	(519)	
Dividends paid to minority shareholders	(1)	(1)	
Purchases of treasury stock	(25)	(1)	
Disposal of treasury stock	141	0	
Issuance of common stock	90	27	
Others	0		
Net cash provided by financing activities	(166)	(652)	(485)
Effect of foreign currency translation adjustments on cash and cash equivalents	129	47	(81)
Net decrease in cash and cash equivalents	(485)	(535)	(50)
Cash and cash equivalents, beginning of year	6,247	5,762	(485)
Cash and cash equivalents of newly consolidated subsidiaries, beginning of year		311	311
Cash and cash equivalents, end of year	5,762	5,538	(224)