

## Summary of Financial Results (Consolidated)

### for the First Quarter of Fiscal 2008 Ending March 31, 2009

Aug 8, 2008

Listed Company Name: ESPEC CORP. Company Code: 6859 Exchanges Listed: Tokyo, Osaka Stock Exchanges, First Section Homepage: <a href="http://www.espec.co.jp">http://www.espec.co.jp</a> Representative: Nobuyoshi Shin, President Contact: Nobuyoshi Hiro, Director and Managing Executive Officer Tel: +81-6-6358-4741 Planned Date of Filing of Quarterly Report: August 14, 2008 U.S. GAAP Accounting standard: Not Adopted	
--	--

(Rounded off to nearest million yen)

1. Consolidated financial results for the 1<sup>st</sup> quarter of fiscal 2008, ending March 31, 2009 (April 1, 2008 ~ June 30, 2008)  
 (1) Consolidated operating results (cumulative) (% figures are rates of change in comparison to the same period last year)

	Net Sales		Operating Income		Ordinary Income		Quarterly net profit	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Three months ended June 30, 2008	7,885	-	(324)	-	(116)	-	(264)	-
Three months ended June 30, 2007	7,813	0.6	(33)	-	56	(53.9)	(87)	-

	Net Income Per Share	Net income Per Share, Diluted
	(Yen)	(Yen)
Three months ended June 30, 2008	(11.16)	-
Three months ended June 30, 2007	(3.69)	-

(2) Financial Standing

	Total Assets	Net assets	Shareholders' Equity Ratio(%)	Shareholders' Equity Per Share of Common Stock
	¥ million	¥ million	%	(Yen)
As of June 30, 2008	42,801	30,249	70.3	1,267.17
As of March 31, 2008	43,810	31,127	70.6	1,305.43

(Reference) Shareholders' equity Three months ending June 30, 2009 ¥30,072 million As of March 31, 2008 ¥30,940 million

2. Dividends

(Reference date)	Dividend per share				
	End of 1 <sup>st</sup> quarter	End of 2 <sup>nd</sup> quarter	End of 3 <sup>rd</sup> quarter	Term-end	Annual
Year ended March 31, 2008	(Yen) -	(Yen) 12.00	(Yen) -	(Yen) 12.00	(Yen) 24.00
Year ended March 31, 2009	-	_____	_____	_____	_____
Year ended March 31, 2009 (forecast)	_____	9.00	-	9.00	18.00

(Note) Has there been a correction in the dividend forecast this quarter: Yes

3. Forecast of Consolidated Operating Results for Fiscal 2008 Ending March 31, 2009 (April 1, 2008 ~ March 31, 2009)

(% figures for the whole term are rates of change in comparison to last year and % figures for the consolidated 2<sup>nd</sup> quarter are rates of change in comparison to the same quarter last year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	(Yen)
Six-month period	19,000	-	500	-	600	-	350	-	14.75
Full-term	40,000	(2.2)	2,300	(26.5)	2,400	(19.2)	1,400	15.1	59.00

(Note) Has there been a correction in the consolidated results forecast this quarter? Yes

4. Other

(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) Application of simplified accounting methods and special accounting methods in the creation of quarterly consolidated financial statements: Yes  
 (Note) For details, see "4. Other (2)" under "Qualitative information/ financial statements, etc." on p.4.

(3) Changes in the principles, procedures, and presentation methods, etc., of accounting methods related to the creation of quarterly consolidated financial statements (matters described in changes to important items fundamental to the creation of quarterly consolidated financial statements)

1) Changes associated with the revision of accounting standards: Yes

2) Changes other than those in 1): Yes

(Note) For details, see "4. Other (3)" under "Qualitative information/ financial statements, etc." on p.5.

(4) Number of outstanding shares (ordinary shares)

1) Number of outstanding shares at end of term (including treasury stock): Three months ended June 30, 2008: 23,781,394 shares As of March 31, 2008: 23,750,394 shares

2) Quantity of treasury stock at end of term: Three months ended June 30, 2008: 49,354 shares As of March 31, 2008: 49,166 shares

3) Average number of shares during the term (consolidated quarter): Three months ended June 30, 2008: 23,712,771 shares Three months ended June 30, 2007: 23,624,578 shares

\* 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. The consolidated results forecast and dividend forecast announced on May 15, 2008 have been revised as described in the "Notice of Revisions of Financial Forecasts" and "Notice of Revisions of Dividend Forecasts for the Fiscal Year ending March 2009", released today.

Qualitative information/ financial statements, etc

1. Qualitative information concerning the consolidated operating results

The consolidated 1<sup>st</sup> quarter was a period of difficult business conditions, including a reduction of corporate facility investment because of the high price of crude oil and raw materials, changes in exchange rates and the slowdown of the domestic and American economies. In such circumstances, although the company managed to ensure the same level of sales in comparison to the same quarter of the previous year, in terms of profits, unfortunately, the company suffered both an operating loss and quarterly net loss.

	Previous consolidated 1 <sup>st</sup> quarter (55 <sup>th</sup> term) (¥ millions)	This consolidated 1 <sup>st</sup> quarter (56 <sup>th</sup> term) (¥ millions)	Change (%)
Orders	9,441	12,176	29.0
Sales	7,813	7,885	0.9
Operating loss (△)	(33)	(324)	-
Ordinary profit or ordinary loss (△)	56	(116)	-
Quarterly net loss (△)	(87)	(264)	-

\* Environmental Test Business

Although sales of environmental test equipment and demand for contract testing and rentals decreased due to the deceleration of facility investment, mainly among automobile-related manufacturers in the domestic market, sales in overseas markets such as North America and China performed strongly. Income increased in comparison to the same quarter last year, but in terms of profits, the company has finished with an operating loss in this sector due to the worsening of the cost ratio and other factors.

	Previous consolidated 1 <sup>st</sup> quarter (55 <sup>th</sup> term) (¥ millions)	This consolidated 1 <sup>st</sup> quarter (56 <sup>th</sup> term) (¥ millions)	Change (%)
Orders	7,443	7,345	(1.3)
Sales	5,771	5,905	2.3
Operating profit or operating loss (△)	161	(207)	-

\* Electronic Device Business

In regard to the FPD equipment business, while the facility investment of LCD manufacturers was strong, deliveries of heat treatment equipment for glass substrates have gone as planned, centered on Taiwanese manufacturers, and the company had increased revenues in comparison to the same quarter last year. However, in terms of profits, despite efforts to reduce costs, the cost ratio has worsened due to the fall of sales prices in association with fiercer competition and the higher cost of raw materials, and the company has finished with an operating loss in this sector.

In regard to the semiconductor equipment business, sales of burn-in systems and semiconductor evaluation equipment decreased under the impact of the reining-in of facility investment by semiconductor manufacturers. Sales fell significantly in comparison to the same quarter last year, for which results were good and the company finished with an operating loss in this sector.

As a result of the above, sales in the electronic device and equipment business overall decreased in comparison to the same quarter last year due to the influence of the semiconductor equipment business, and in terms of profit, the company made an operating loss.

	Previous consolidated 1 <sup>st</sup> quarter (55 <sup>th</sup> term) (¥ millions)	This consolidated 1 <sup>st</sup> quarter (56 <sup>th</sup> term) (¥ millions)	Change (%)
Orders	1,702	4,635	172.3
Sales	1,883	1,804	(4.2)
Operating loss	(182)	(125)	-

\* Other Businesses

In other business, the company promoted environmental engineering such as forest and waterfront, and urban greening, etc., and new business developments that may be sources of profits in the future. These operations saw increased revenue and profits in comparison to the same quarter the previous year.

	Previous consolidated 1 <sup>st</sup> quarter (55 <sup>th</sup> term) (¥ millions)	This consolidated 1 <sup>st</sup> quarter (56 <sup>th</sup> term) (¥ millions)	Change (%)
Orders	317	222	(30.0)
Sales	172	187	8.9
Operating profit or operating loss	(13)	10	-

- \*(1) The rate of change is calculated on the assumption of there being no effects associated with the application of quarterly accounting standards in regard to the previous consolidated 1<sup>st</sup> quarter.
- (2) Because there is a strong tendency within this business group for contracted delivery deadlines to concentrate in the 2<sup>nd</sup> and 4<sup>th</sup> quarter consolidated accounting periods due to budget implementation by our customers, there are marked seasonal fluctuations in the group's results on a quarterly sales base.

2. Qualitative information concerning the consolidated financial standing

Total assets at the end of the 1<sup>st</sup> quarter consolidated accounting period were ¥42,801 million, a decrease of ¥1,009 million in comparison to the end of the previous consolidated accounting year. The main reasons for this were a decrease in notes and accounts receivable of ¥2,153 million and an increase in inventory assets of ¥1,004 million, etc. In addition, net assets were ¥30,249 million, a decrease of ¥878 million in comparison to the end of the previous term, primarily because there was a decrease of ¥549 million in retained earnings.

In regard to the cash flow situation, the company had a net cash inflow from operating activities of ¥821 million resulting mainly from a decrease of ¥1,989 million in notes and accounts receivable, the posting of ¥277 million in depreciation and amortization, an increase of ¥1,130 million in inventory assets and the payment of ¥367 million in corporate taxes, etc. The company had a net cash outflow of ¥295 million from investment activities. The main reasons for this were expenditures of ¥472 million due to deposits of time deposits, expenditures of ¥117 million due to the purchase of tangible and intangible fixed assets and income of ¥294 million due to the proceeds from sales of tangible and intangible fixed assets. The company had a net outflow of ¥376 million from financing activities, arising mainly from the payment of dividends of ¥284 million.

Due to these results, the balance of cash and cash equivalents at the end of this 1<sup>st</sup> quarter consolidated accounting period was ¥6,962 million, an increase of ¥32 million in comparison to the end of the previous consolidated accounting year.

3. Qualitative information concerning the consolidated results forecast

The company has revised the consolidated results forecast and dividend forecast for the year ending March 31, 2009, which were announced on May 15, 2008. For details, please refer to the "Notice of Revisions of Financial Forecasts" and "Notice of Revisions of Dividend Forecasts for the Fiscal Year ending March 31, 2009", released today.

4. Other

- (1) Transfers of important subsidiaries during this quarter (transfers of specified subsidiaries entailing changes in the scope of consolidation)  
No
- (2) Application of simplified accounting methods and special accounting methods in the creation of quarterly consolidated financial statements
- 1) Simplified accounting methods  
N/A
  - 2) Special accounting methods in the creation of quarterly consolidated financial statements  
The company has adopted the method for tax costs of making a reasonable estimate of the effective tax rate after application of tax effect accounting on current term income before income taxes and minority interests for the consolidated accounting year in question and calculating tax costs by multiplying income before income taxes and minority interests by the aforementioned estimated effective tax rate.

- (3) Changes in the principles, procedures, and presentation methods, etc, of accounting methods related to the creation of quarterly consolidated financial statements
- 1) From this consolidated accounting year onwards, the company is applying the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No.12) and “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No.14). In addition, the company creates quarterly financial statements in accordance with the “Regulations for Quarterly Financial Statements”.
  - 2) Changes in evaluation standards and methods for important inventory assets  
Inventory assets  
Previously, work in progress was calculated mainly by cost accounting based on the identified cost method and other inventory assets were calculated mainly by cost accounting based on the gross average method, but in association with the application of the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 5, 2006) from this 1<sup>st</sup> quarter consolidated accounting period onwards, work in progress will mainly be calculated using the identified cost method and other inventory assets will mainly be calculated using cost accounting based on the gross average method (book devaluation method based on the decrease in profitability of the balance sheet value). In association with this change, in comparison to the case of calculation using the previous method, gross profit decreases by ¥80 million and losses before income taxes and minority interests increases by ¥80 million.
  - 3) Application of the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”  
From this 1<sup>st</sup> quarter consolidated accounting period onwards, the company is applying the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ PITF No. 18, May 17, 2006) and has made the necessary revisions in the consolidated financial settlement.  
The impact on profit and loss due to this change is minor.
  - 4) Application of accounting standards for lease transactions  
Previously, finance lease transactions not involving transfer of ownership underwent accounts processing in conformance with the method for lease transactions. However, it has become possible to apply the “Accounting Standard for Lease Transactions” (ASBJ Statement No.13 (June 17, 1993 (1<sup>st</sup> ASBJ Review Committee), revised March 30, 2007)) and the “Implementation Guidance on the Accounting Standard for Lease Transactions” (ASBJ Guidance No.16 (January 18, 1994 (The Japanese Institute of Certified Public Accountants, Accounting Systems Committee), revised March 30, 2007)) from quarterly consolidated financial statements for consolidated accounting years starting from April 1, 2008 or later. In association with this, the company will apply these accounting standards from this 1<sup>st</sup> quarter consolidated accounting period and is using accounting methods for normal purchase transactions. For depreciation of lease assets related to finance lease transactions not involving transfer of ownership, the company has adopted a straight line depreciation method, taking the lease period as the working lifetime of the asset and making the residual value 0.  
For finance lease transactions not involving transfer of ownership where the starting date of the lease transaction is prior to the first year of application of the new accounting standards, the company will continue to use accounting methods in conformance with the method for normal lease transactions. There is no impact on profit and loss due to this change.
  - 5) Changes in the accounting method for overseas commissions  
Sales commissions for overseas agent transactions were previously accounted for as a deduction from sales, but as a result of the new conclusion of a major customer and sales agent contract, the tendency to post commissions for agents as sales promotion costs (selling, general and administrative expenses) has become stronger. In addition, as a result of the completion of construction of the sales system and trade control system, and the implementation of a revision of overseas transaction control methods during this 1<sup>st</sup> quarter consolidated accounting period, the company has decided to include the sales commissions in question in selling, general and administrative expenses from this 1<sup>st</sup> quarter consolidated accounting period onwards. In association with this change, sales, gross profit, and selling, general and administrative expenses have each increased by ¥129 million. There is no impact on operating losses or losses before income taxes and minority interests and other adjustments due to this change.

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

Millions of yen

	As of June 30, 2008	As of March 31, 2008
<b>Assets</b>		
Current assets		
Cash & deposits	6,005	5,461
Notes & trade receivable	13,642	15,795
Marketable securities	2,100	1,649
Commercial goods	71	107
Finished goods	411	323
Raw materials	1,244	1,208
Work in progress	2,591	1,674
Other current assets	1,915	2,722
Allowance for doubtful receivables	(21)	(26)
Total current assets	27,960	28,916
Fixed assets		
Tangible fixed assets		
Building & structure (Net value)	4,273	4,162
Land	4,448	4,462
Others (Net value)	1,061	1,049
Total tangible fixed assets	9,783	9,674
Intangible fixed assets	1,001	1,073
Investments and other assets	4,056	4,145
Total fixed assets	14,841	14,893
<b>Total assets</b>	<b>42,801</b>	<b>43,810</b>
<b>Liabilities</b>		
Current liabilities		
Notes & trade payable	6,482	6,719
Short-term borrowing	333	457
Accrued corporate tax, etc	48	251
Accrued bonuses	827	523
Allowance for bonuses to directors	6	31
Provision for product guarantee	209	244
Others	2,384	2,161
Total current liabilities	10,293	10,390
Long-term liabilities		
Long-term debt	362	416
Liability for retirement benefit	115	130
Allowance for retirement benefits for directors	59	85
Negative goodwill	83	91
Others	1,638	1,568
Total fixed liabilities	2,259	2,292
<b>Total liabilities</b>	<b>12,552</b>	<b>12,682</b>

Millions of yen

	As of June 30, 2008	As of March 31, 2008
Net assets		
Shareholders' equity		
Common stock	6,895	6,884
Capital surplus	7,173	7,161
Retained earnings	17,192	17,741
Treasury stock	(52)	(52)
Total shareholders' equity	31,207	31,734
Unrealized gain (loss)		
Unrealized gain (loss) on available-for-sale-securities	121	95
Unrealized gain (loss) on land	(818)	(818)
Foreign currency translation adjustments	(438)	(70)
Total unrealized gain (loss)	(1,135)	(793)
Minority interests	176	187
Total net assets	30,249	31,127
Total liabilities and net assets	42,801	43,810

(2) Consolidated Statements of Income

(Consolidated 1<sup>st</sup> quarter)

	Millions of yen
	Three months ended June 30, 2008
Net sales	7,885
Cost of sales	5,642
Gross profit	2,243
Selling, general and administrative expenses	
Salaries and allowances	641
Provision for accrued bonuses	101
Provision for product guarantees	41
Provision for bonuses to directors	6
Others	1,776
Total selling, general and administrative expenses	2,568
Operating loss	(324)
Non-operating income	
Interest received	10
Dividends received	37
Amortization of negative goodwill	8
Equity in earnings of affiliated companies	45
Foreign currency exchange gain	99
Others	23
Total non-operating income	223
Non-operating expenses	
Interest paid	6
Others	8
Total non-operating expenses	14
Ordinary loss	(116)
Extraordinary income	
Reversal of allowance for doubtful accounts	5
Others	0
Total extraordinary income	5
Extraordinary loss	
Loss on retirement of fixed assets	35
Total extraordinary losses	35
Loss before income taxes and minority interests	(145)
Income taxes	114
Minority interests in net income of subsidiaries	4
Net loss	(264)

From this consolidated accounting year onwards, the company is applying the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No.12) and “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No.14). In addition, the company creates quarterly financial statements in accordance with the “Regulations for Quarterly Financial Statements”.

(3) Notes on the assumption of a going concern

N/A

(4) Segment information

Segment information by type of business

This consolidated 1<sup>st</sup> quarter (From April 1, 2008 to June 30, 2008)

	Environmental test business (¥ million)	Electronics device business (¥ million)	Other business (¥ million)	Total (¥ million)	Elimination or corporate (¥ million)	Consolidated (¥ million)
Sales						
(1) Sales to external customers	5,897	1,804	184	7,885	-	7,885
(2) Internal sales or transfers between segments	8	0	3	12	(12)	-
Total	5,905	1,804	187	7,898	(12)	7,885
Operating income or loss	(207)	(125)	10	(322)	(1)	(324)

(5) Notes in cases where marked changes have occurred in the value of shareholder equity

N/A

## Reference material

Financial statement for the previous quarter, etc.

## (1) (Condensed) Quarterly consolidated statement of Income

	Three months ended June 30, 2007
	¥ million
I Net sales	7,813
II Cost of sales	5,196
Gross profit	2,616
III Selling, general and administrative expenses	2,650
Operating loss ( $\Delta$ )	(33)
IV Non-operating income	119
Interest received	9
Dividends received	32
Foreign currency exchange gain	34
Equity in earnings of affiliated companies	6
Others	37
V Non-operating expenses	29
Interest paid	7
Loss on disposals of property, plant and equipment	14
Others	7
Ordinary income	56
VI Extraordinary income	5
Income from sales of investment securities	5
VII Extraordinary loss	80
Loss on disposal of fixed assets	9
Valuation loss on investment securities	70
Loss before income taxes and minority interest	(18)
Income taxes	66
Minority interests in net income of subsidiaries	2
Net loss	(87)

(2) Segment information

Segment information by type of business

Previous consolidated 1<sup>st</sup> quarter (From April 1, 2007 to June 30, 2007)

	Environmental test business (¥ million)	Electronics device business (¥ million)	Other business (¥ million)	Total (¥ million)	Elimination or corporate (¥ million)	Consolidated (¥ million)
Sales						
(1) Sales to external customers	5,759	1,883	170	7,813	-	7,813
(2) Internal sales or transfers between segments	12	0	1	13	(13)	-
Total	5,771	1,883	172	7,827	(13)	7,813
Operating income or loss	161	(182)	(13)	(33)	-	(33)