

## Summary of Financial Results (Consolidated)

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

November 7, 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
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Planned Date of Filing of Quarterly Report:	November 14, 2008
Interim dividends payment beginning day:	December 9, 2008
U.S. GAAP Accounting standard	Not Adopted

(Rounded off to nearest million yen)

1. Consolidated financial results for the 2<sup>nd</sup> quarter of fiscal 2008, ending March 31, 2009 (April 1, 2008 ~ September 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 income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Six months ended September 30, 2008	18,402	-	564	-	743	-	371	-
Six months ended September 30, 2007	19,165	(0.7)	1,055	(37.4)	1,035	(42.0)	(228)	(75.8)

	Net Income Per Share	Net income Per Share, Diluted
	(Yen)	(Yen)
Six months ended September 30, 2008	15.64	15.64
Six months ended September 30, 2007	9.66	9.60

(2) Financial Standing

	Total Assets	Net assets	Shareholders' Equity Ratio(%)	Shareholders' Equity Per Share of Common Stock
	¥ million	¥ million	%	(Yen)
As of September 30, 2008	42,967	30,995	71.7	1,297.65
As of March 31, 2008	43,810	31,127	70.6	1,305.43

(Reference) Shareholders' equity Six months ending September 30, 2009 ¥30,795million 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
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Year ended March 31, 2008	-	12.00	-	12.00	24.00
Year ended March 31, 2009	-	9.00	—	—	—
Year ended March 31, 2009 (forecast)	—	—	-	9.00	18.00

(Note) Has there been a correction in the dividend forecast this quarter: No

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)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	(Yen)
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? No

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):	Six months ended September 30, 2008	23,781,394 shares	As of March 31, 2008:	23,750,394 shares
2) Quantity of treasury stock at end of term:	Six months ended September 30, 2008	49,665 shares	As of March 31, 2008:	49,166 shares
3) Average number of shares during the term (consolidated quarter)	Six months ended September 30, 2008	23,722,266 shares	Six months ended September 30, 2007:	23,659,199 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.

## 1. Qualitative information concerning consolidated operating results

During the first half of the consolidated fiscal year under review, the outlook for the Japanese economy was made increasingly uncertain by deteriorating global economic conditions stemming from the U.S. financial crisis and declining corporate earnings, following fluctuations in prices of crude oil, raw materials, and foreign exchange rates.

Under these circumstances, the Group promoted its sales activities in priority markets including the automotive and electronics industries. It reinforced administrative organization and management systems as well as response capabilities in sales and services at overseas affiliates in order to bolster its competitiveness overseas. The Group also endeavored to stabilize revenue sources by focusing on earnings recovery through cutting costs and increasing productivity.

In addition, the Group actively promoted the development of new technologies and products toward medium- and long-term growth.

However, the downturn in the semiconductor markets and slowdown in previously strong capital investment by auto manufacturers reduced performance in the Environmental Test Business. Thus, net sales and operating income for the first half of the current consolidated fiscal year declined on a year on year basis. However, quarterly net income increased on a year on year basis supported by decreasing extraordinary losses.

	Previous first half year, consolidated (55 <sup>th</sup> term) (¥ millions)	Current first half year, consolidated (56 <sup>th</sup> term) (¥ millions)	Rate of change (%)
Orders	18,401	20,555	11.7
Sales	19,165	18,402	(4.0)
Operating income	1,055	564	(46.5)
Ordinary income	1,035	743	(28.2)
Quarterly net income	228	371	62.4

## \*Environmental Test Business

In the Product Sales Business, the Company stepped up domestic sales activities targeted at priority markets such as the automotive and electronics industries and enhanced relationships with agencies, which are important sales channels of the Company. In overseas markets, the Company worked to improve administrative organizations and management systems at its overseas affiliates and enhance response capabilities to sales and services, particularly in emerging countries where demands for environmental tests are increasing. However, sales for the first half of the current consolidated fiscal year decreased on a year on year basis due to slowdown in hitherto strong facility investment by auto manufacturers. Heavily affected by the drop in sales, operating income fell on a year on year basis, despite proactive moves toward increased profitability, including continuous cost-cutting activities, concentration of production bases, and improvement of procurement and distribution systems.

In the Maintenance Services and Engineering Business, supported by enhancing scheduled home-visit services, sales advanced steadily, but declined on a year on year basis due to a fall in peripheral works such as relocation and refurbishment of customers' test facilities. In terms of profits, cost ratios were improved by decreasing costs for subcontract processing, resulting in an increase in profits on a year on year basis.

For the Commissioned Tests and Facility Rental Business, sales declined on a year on year basis owing to fewer rental transactions associated with customers' movements to reduce costs, though requests for commissioned tests remained strong. At the profits, operating losses were registered due to strategic investments with a view to the future opening of new Yokohama test center.

As a result, both overall sales and profits in the Environmental Test Business dropped on a year on year basis, particularly affected by the Product Sales and the Commissioned Tests and Facility Rental Businesses.

	Previous first half year, consolidated (55 <sup>th</sup> term) (¥ millions)	Current first half year, consolidated (56 <sup>th</sup> term) (¥ millions)	Rate of change (%)
Orders	14,679	14,651	(0.2)
Sales	14,294	13,937	(2.5)
Operating income	1,261	655	(48.1)

## \*Electronic Device Business

Sales of the FPD Device Business increased on a year on year basis since heat treatment equipment for glass substrates was delivered to Taiwanese manufactures as scheduled, giving strong facility investment by LCD manufacturers. Despite efforts to reduce costs by localization, however, lower profitability resulting from soaring raw material prices and losses on revaluation of inventories dragged the cost ratio down, leading to operating losses. In the Semiconductor Equipment Business, the Company strove to ensure profits by promoting the expansion of sales

operations for semiconductor evaluation systems, though, given poor market conditions, the movements of semiconductor manufacturers to halt or cut facility investment were stronger than the Company expected, thereby sales declined on a year on year basis. However, profits increased on a year on year basis as operating losses were reported in the Semiconductor Cleaning Devices Business for the previous fiscal year when the Company withdrew from the business.

Consequently, in the Electronic Device Business as a whole, sales fell on a year on year basis affected by the Semiconductor Equipment Business, and at the profits, operating losses were recorded due to the slump of the FPD Device Business.

	Previous first half year, consolidated (55 <sup>th</sup> term) (¥ millions)	Current first half year, consolidated (56 <sup>th</sup> term) (¥ millions)	Rate of change (%)
Orders	3,212	5,553	72.9
Sales	4,657	4,171	(10.4)
Operating loss	(189)	(58)	–

\*Other Businesses

In Other Businesses, the Company promoted environmental engineering such as forest and waterfront development and urban greening, as well as the development of new businesses which may become sources of earnings in the future. Orders, sales and operating profits in this segment all decreased from the same period of the previous consolidated fiscal year.

	Previous first half year, consolidated (55 <sup>th</sup> term) (¥ millions)	Current first half year, consolidated (56 <sup>th</sup> term) (¥ millions)	Rate of change (%)
Orders	602	386	(35.9)
Sales	390	328	(15.8)
Operating loss	(16)	(30)	–

\* (1) Changes in percentage are shown for reference.

(2) Within the Group, there is a strong tendency for contracted delivery deadlines to concentrate in the 2<sup>nd</sup> and 4<sup>th</sup> quarters of the consolidated fiscal year due to budget implementation by customers.

## 2. Qualitative information concerning consolidated financial positions

Total assets at the end of the first half of the current consolidated fiscal year amounted to ¥42,967 million, a decrease of ¥843 million in comparison to the level at the end of the previous consolidated fiscal year. Major factors for the decrease included a decrease of ¥426 million in trade notes and accounts receivable, an increase of ¥516 million in inventories, and a decrease of ¥1,108 million in current assets and others due to receipt of an income tax refund. Liabilities were recorded at ¥11,971 million, a decrease of ¥711 million from the end of the previous consolidated fiscal year, due mainly to a decrease of ¥937 million in purchase liabilities and an increase of ¥312 million in current liabilities and others caused by receipt of increasing advances. Net assets were ¥30,995 million, a decrease of ¥131 million from the end of the previous consolidated fiscal year. This was largely attributable to an increase of ¥86 million in retained earnings and a fall of ¥152 million in foreign currency translation adjustments.

### 3. Qualitative information concerning consolidated results forecasts

#### Full year forecasts

Business environments surrounding the Company are expected to become more challenging, owing to deteriorating global economic situations stemming from the U.S. financial crisis and declining corporate earnings as a result of fluctuations in prices of crude oil, raw materials and foreign exchange rates.

Against this backdrop, the Group will set up a department to support customers and pursue the development of energy-saving products in the Environmental Test Business in order to improve its capability to respond and propose to priority markets and customers. The Group will also secure profits by revising sales prices to incorporate escalating prices of raw materials. Additionally, the Group will further enhance its global competitiveness through intensifying support for overseas affiliates and agencies in key strategic areas, mainly in China and South East Asia. Furthermore, the Group will aggressively pursue increased earnings in the future by advancing the development of new technologies and products.

In the Electronic Device Business, the Group will work to promote cost reduction through complete standardization of improved earnings sources and to enhance process management functions in the FPD Device Business. In the Semiconductor Equipment Business, the difficult environment is likely to continue due to poor market conditions for semiconductors, though the Group will strive to secure profits by attracting new markets and new customers through increased sales volume of test systems.

Considering the situation, net sales and operating income are expected to reach ¥40 billion and ¥2.3 billion, respectively, for the full year.

Consolidated results forecasts for the full year have not been altered from the figures publicized in "Notice of Revisions of Financial Forecasts" released August 8, 2008.

### 4. Others

- (1) Transfers of important subsidiaries during the period under review (transfers of specified subsidiaries entailing changes in the scope of consolidation)

None

- (2) Application of simplified accounting methods and special accounting methods in preparing quarterly consolidated financial statements

[1] Simplified accounting methods

Not applicable

[2] Special accounting methods in preparing quarterly consolidated financial statements

For tax expenses, the Company has adopted the method of reasonably estimating the effective tax rate after applying tax effect accounting to net profits before taxes for the current consolidated fiscal year, and then multiplying quarterly net income before taxes by the relevant estimated effective tax rate.

(3) Changes in accounting principles and procedures and presentation methods concerning quarterly consolidated financial statements

[1] From the current consolidated fiscal year onward, the Company adopts “Accounting Standards for Quarterly Financial Statements” (the Accounting Standards Board of Japan (ASBJ) Statement No.12) and “Guidance on Accounting Standards for Quarterly Financial Reporting” (ASBJ Guidance No.14). The Company also prepares quarterly consolidated financial statements in accordance with “Regulations for Quarterly Financial Statements”.

[2] Changes in valuation standards and methods of important assets

Inventories

Work in progress was previously computed mainly on a specific identified cost basis, with other inventories on a weighted average cost basis. However, as a result of the application of “Accounting Standard for Measurement of Inventories” (ASBJ Statement No.9, July 5, 2006) in the first quarter of the current consolidated fiscal year, work in progress has been calculated primarily by the specific identified cost method, while other inventories have been computed mainly by the weighted average cost method (book devaluation method based on a decrease in profitability for the values on the balance sheet).

In association with these changes, gross profits and net income before taxes for the first half of the current consolidated fiscal year each decreased by ¥150 million, compared with the figures derived by the previous methods.

[3] Application of “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”

Since the first quarter of the current consolidated fiscal year, the Company has applied “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force (PITF) No. 18, May 17, 2006) and has made adjustments necessary for consolidated financial settlement.

These adjustments have a negligible impact on profits or losses.

[4] Application of accounting standards for lease transactions

Finance lease transactions involving no ownership transfers were previously processed in accordance with accounting policies for lease transactions. However, “Accounting Standards for Lease Transactions” (ASBJ Statement No. 13, (June 17, 1993 (1<sup>st</sup> ASBJ Review Committee), revised March 30, 2007)) and “Guidance on Accounting Standards for Lease Transactions” (ASBJ Guidance No.16 (January 18, 1994 (The Japanese Institute of Certified Public Accountants, Accounting Systems Committee), revised March 30, 2007)) were allowed to be applied to quarterly consolidated financial statements for consolidated fiscal years beginning after April 1, 2008. Thus, the Company adopted these accounting standards in the first quarter of the current consolidated fiscal year and processes under accounting policies for ordinary sales and purchase transactions.

With regard to depreciation methods for lease assets related to non-ownership-transfer finance lease transactions, the Company has adopted a straight line depreciation method, taking the lease period as depreciable life and the residual value as zero.

For finance lease transactions involving no ownership transfer starting before the first fiscal year of the application of these new standards, the Company continues to adopt accounting policies in accordance with the methods for ordinary lease transactions. These adjustments have no influence on profits or losses.

[5] Changes in accounting policies for overseas commissions

Sales commissions for transactions by overseas agents were previously deducted from sales. However, the Company has decided to include the relevant commissions in selling, general and administrative expenses from the first quarter of the current consolidated fiscal year onward. Underlying this change was that commissions for agents have stronger implications as sales promotion (selling, general and administrative expenses) under the new sales agency contracts is concluded with major customers. The Company also reviewed the methods of managing overseas transactions during the first quarter of the current consolidated fiscal year after sales and trade control systems were established. As a result of this change, sales, gross profits and selling, general and administrative expenses each increased by ¥336 million for the first half of the current consolidated fiscal year, which has no impact on operating income or quarterly net income before taxes.

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

Millions of yen

	As of September 30, 2008	As of March 31, 2008
<b>Assets</b>		
Current assets		
Cash & deposits	5,686	5,461
Notes & trade receivable	15,369	15,795
Marketable securities	1,798	1,649
Commercial goods	69	107
Finished goods	212	323
Raw materials	1,197	1,208
Work in progress	2,351	1,674
Other current assets	1,614	2,722
Allowance for doubtful receivables	(22)	(26)
Total current assets	28,278	28,916
Fixed assets		
Tangible fixed assets		
Building & structure (Net value)	4,275	4,162
Land	4,455	4,462
Others (Net value)	1,007	1,049
Total tangible fixed assets	9,738	9,674
Intangible fixed assets	963	1,073
Investments and other assets	3,986	4,145
Total fixed assets	14,689	14,893
Total assets	42,967	43,810
<b>Liabilities</b>		
Current liabilities		
Notes & trade payable	5,781	6,719
Short-term borrowing	524	457
Accrued corporate tax, etc	221	251
Accrued bonuses	506	523
Allowance for bonuses to directors	13	31
Provision for product guarantee	213	244
Others	2,474	2,161
Total current liabilities	9,735	10,390
Long-term liabilities		
Long-term debt	376	416
Liability for retirement benefit	107	130
Allowance for retirement benefits for directors	59	85
Negative goodwill	74	91
Others	1,617	1,568
Total fixed liabilities	2,236	2,292
Total liabilities	11,971	12,682

	As of September 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	17,827	17,741
Treasury stock	(53)	(52)
Total shareholders' equity	31,843	31,734
Unrealized gain (loss)		
Unrealized gain (loss) on available-for-sale-securities	(6)	95
Unrealized gain (loss) on land	(818)	(818)
Foreign currency translation adjustments	(222)	(70)
Total unrealized gain (loss)	(1,047)	(793)
Minority interests	200	187
Total net assets	30,995	31,127
Total liabilities and net assets	42,967	43,810

## (2) Consolidated Statements of Income

(Consolidated 2<sup>nd</sup> quarter)

Millions of yen

	<b>Six months ended September 30, 2008</b>
Net sales	18,402
Cost of sales	12,646
Gross profit	<u>5,755</u>
Selling, general and administrative expenses	
Salaries and allowances	1,252
Provision for bonuses	163
Provision for product warranties	92
Provision for directors' bonuses	13
Other	3,670
Total selling, general and administrative expenses	<u>5,191</u>
Operating income	<u>564</u>
Non-operating income	
Interest income	25
Dividends income	38
Amortization of negative goodwill	16
Equity in earnings of affiliates	62
Other	71
Total non-operating income	<u>214</u>
Non-operating expenses	
Interest expenses	16
Loss on sales of securities	5
Other	13
Total non-operating expenses	<u>35</u>
Ordinary income	<u>743</u>
Extraordinary income	
Gain on sales of noncurrent assets	0
Reversal of allowance for doubtful accounts	0
Total extraordinary income	<u>0</u>
Extraordinary loss	
Loss on sales of noncurrent assets	1
Loss on retirement of noncurrent assets	37
Loss on valuation of investment securities	81
Total extraordinary losses	<u>119</u>
Income before income taxes and minority interests	<u>625</u>
Income taxes-current	242
Minority interests in income	11
Quarterly net income	<u>371</u>

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 2<sup>nd</sup> quarter (From April 1, 2008 to September 30, 2008)

	Environmental test business (¥ million)	Electronic device business (¥ million)	Other business (¥ million)	Total (¥ million)	Elimination or corporate (¥ million)	Consolidated (¥ million)
Sales						
(1) Sales to external customers	13,910	4,170	321	18,402	-	18,402
(2) Internal sales or transfers between segments	27	1	6	35	(35)	-
Total	13,937	4,171	328	18,437	(35)	18,402
Operating income or loss	655	(58)	(30)	566	(2)	564

(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) Semiannual consolidated statement of Income

	Six months ended September 30, 2007	
	Amount (¥ million)	Proportion (%)
Net sales	19,165	100.0
Cost of sales	12,848	67.0
Gross profit	6,317	33.0
Selling, general and administrative expenses	5,262	27.5
Operating income	1,055	5.5
Non-operating income	293	1.5
Interest income	18	
Dividends income	97	
Equity in earnings of affiliates	97	
Other	79	
Non-operating expenses	313	1.6
Interest expenses	15	
Non-operating commission	5	
Foreign currency exchange loss	24	
Loss on disposals of property, plant and equipment	49	
Other	219	
Ordinary income	1,035	5.4
Extraordinary income	109	0.6
Extraordinary loss	876	4.6
Income before income taxes and minority interests	267	1.4
Income taxes-current	27	0.1
Minority interests in income of subsidiaries	11	0.1
Net income	228	1.2

(2) Segment information

Segment information by type of business

Previous consolidated 2<sup>nd</sup> quarter (From April 1, 2007 to September 30, 2007)

	Environmental test business (¥ million)	Electronic device business (¥ million)	Other business (¥ million)	Total (¥ million)	Elimination or corporate (¥ million)	Consolidated (¥ million)
Sales						
(1) Sales to external customers	14,246	4,538	380	19,165	-	19,165
(2) Internal sales or transfers between segments	47	119	9	176	(176)	-
Total	14,294	4,657	390	19,342	(176)	19,165
Operating expenses	13,032	4,846	406	18,286	(176)	18,110
Operating income or loss	1,261	(189)	(16)	1,055	(0)	1,055