

ESPEC CORP.

May 18,2005

Company Code : 6859

Listed on the first section of Tokyo Stock Exchange and Osaka Securities Exchange

(URL <http://www.espec.co.jp>)

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Date of Board Meeting on Approval of Financial Results were May 18, 2005

This consolidated financial statements is not based on the generally accepted accounting principles in USA.

**SUMMARY OF FINANCIAL RESULTS (CONSOLIDATED)**  
**OF ESPEC CORP.**  
**FOR THE FISCAL 2004 ENDED MARCH 31, 2005**

Fiscal 2005: April 1, 2005 - March 31, 2006

Fiscal 2004: April 1, 2004 - March 31, 2005

Fiscal 2003: April 1, 2003 - March 31, 2004

**I. CONSOLIDATED OPERATING RESULTS AND RELATED DATA FOR FISCAL 2004**

**(1) Consolidated Operating Results**

(Millions of Yen, Millions of U.S. dollars,  
except per share figures)

	Fiscal 2004	Fiscal 2003	% change 2004/2003	Fiscal 2004
Net sales	¥38,789	¥30,537	27.0	\$361.20
Operating income	¥2,633	¥2,096	25.6	\$24.52
Ordinary income	¥2,873	¥2,391	20.2	\$26.76
Net income	¥1,625	¥1,298	25.1	\$15.13
Net income per share (inyen, US \$)	¥70.32	¥56.30	24.9	\$0.65
Net income per share -diluted (in yen, US \$ )	¥69.56	¥55.89	24.5	\$0.65
Net income to shareholders' equity	6.4%	5.4%	-	6.4%
Ordinary income to total assets	7.5%	7.1%	-	7.5%
Ordinary income to net sales	7.4%	7.8%	-	7.4%

**(Notes)**

1 Equity method investment profit and loss for: Fiscal 2004= 2 Milion Yen, Fiscal 2003= 158 Milion Yen

2 Number of shares during the period (consolidated) for:

Fiscal 2004 = 22,659,029 shares, Fiscal 2003 = 22,667,058 shares

3 No changes in accounting policy has been made.

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

5 US dollar amounts are converted from yen, for convenience only, at the rate of US \$1= 107.39 yen.

## (2) Consolidated Financial Standing

(Millions of yen, Millions of U.S. dollars)

	Fiscal 2004	Fiscal 2003	Fiscal 2004
Total Assets	¥40,266	¥35,684	\$374.95
Shareholder's Equity	¥26,569	¥24,528	\$247.41
Shareholder's Equity Ratio	66.0%	68.7%	66.0%
Shareholders' equity per share of common stock	¥1,141.06	¥1,096.18	\$10.63

(Note) Number of shares issued and outstanding as of the end the period (consolidated) for:

Fiscal 2004 = 23,256,737 shares, Fiscal 2003 = 22,355,843 shares

## (3) Consolidated Status On Cash Flows

(Millions of yen, Millions of U.S. dollars)

	Fiscal 2004	Fiscal 2003	Fiscal 2004
Cash flows from operating activities	¥2,918	¥613	\$27.17
Cash flows from investing activities	△¥760	△¥1,149	△\$7.08
Cash flows from financing activities	¥98	△¥206	\$0.91
Cash and cash equivalents at end of year	¥6,247	¥3,614	\$58.17

## (4) Scope of Consolidation and Application of Equity Method

Number of consolidated subsidiaries : 10

Number of non-consolidated subsidiaries accounted for by equity method: Nil

Number of affiliated companies accounted for by equity method: 1

## (5) Changes in the Scope of Consolidation and Application of Equity Method

Consolidation (New) : 3, (Exception) : 1, Equity Method (New) : Nil, (Exception) : 2

## II. FORECAST OF CONSOLIDATED OPERATING RESULTS FOR FISCAL 2004

	FISCAL 2005 1ST HALF, ENDING SEPTEMBER 30,2005 Yen(Millions)	FISCAL 2005, ENDING MARCH 31, 2006 Yen(Millions)
Net sales	¥17,500	¥38,000
Ordinary income	¥1,000	¥3,100
Net income	¥400	¥1,700

(Reference) Forecast of Net Income Per Share (full term) is \ 71.73

Cautionary Statements : Statements made in this flash summary report (the "Report") regarding ESPEC CORP.'s plans, assumptions, forecasts and other statements that are not historical facts, are forward-looking statements about the future performance of the ESPEC CORP. based on management's assumptions in light of information available at the time of publication, and involve risks, factors and uncertainties that could cause ESPEC CORP.'s actual results to differ materially from those presented in this Report. For reference, the related issues about this forecast section are described on page 10 of the Japanese version of this Report.

## Consolidated Financial Statements

### 1 . Consolidated Balance Sheet

(Millions of Yen)

Title of Account	Current Period (ending 05.03.31)		Previous Period (ending 04.03.31)		Changes
	Amount	Proportion	Amount	Proportion	
( Assets )		%		%	
Current Assets	26,052	64.7	21,481	60.2	4,571
Cash & Deposits	4,274		2,021		2,253
Notes & Trade Receivable	14,311		14,028		283
Marketable Securities	1,901		1,000		900
Inventory Assets	3,773		2,962		811
Deferred Tax Asset	464		415		48
Other Current Assets	1,367		1,087		279
Provision for Doubtful Debts	39		34		4
Fixed Assets	14,213	35.3	14,203	39.8	9
Tangible Fixed Assets	9,584	23.8	9,191	25.8	392
Building & Structure	3,950		3,841		109
Machinery & Transp. Vehicle	250		176		73
Tools, Furniture & Fixtures	802		714		87
Land	4,539		4,458		80
Construction in Progress	41		0		41
Intangible Fixed Assets	1,394	3.5	874	2.4	520
Invested Property etc.	3,234	8.0	4,137	11.6	903
Investment in Securities	1,994		2,442		448
Deferred Tax Asset	294		388		93
Others	1,126		1,491		364
Provision for Doubtful Debts	181		184		3
<b>Total Assets</b>	<b>40,266</b>	<b>100.0</b>	<b>35,684</b>	<b>100.0</b>	<b>4,581</b>

(Millions of Yen)

Title of Account	Current Period (ending 05.03.31)		Previous Period (ending 04.03.31)		Changes
	Amount	Proportion	Amount	Proportion	
(Liabilities)		%		%	
Current Liabilities	11,546	28.7	9,472	26.6	2,074
Notes & Trade Payable	7,226		6,145		1,080
Short-term Loan	386		350		36
Corporate Tax Payable	775		797		22
Accrued Bonuses	435		408		27
Provision for Product Guarantee	352		257		94
Others	2,370		1,513		857
Long term Liabilities	1,687	4.2	1,540	4.3	146
Convertible Bonds	50		-		50
Long-term Loan	496		445		50
Deferred Tax Liability	13		-		13
Provision for Retirement Payments	603		569		34
Consolidation Adjustment	7		11		4
Others	516		514		1
Total Liabilities	13,233	32.9	11,012	30.9	2,221
(Minorities' Equity)					
Minority Shareholders' Equity	463	1.1	143	0.4	320
(Shareholders' Equity)					
Share Capital	6,778	16.8	6,778	19.0	-
Capital Reserve	7,069	17.6	7,022	19.6	47
Earned Surplus	13,057	32.4	11,734	32.9	1,323
Other Securities Valuation Excess	236	0.6	164	0.4	71
Currency Exchange Adjustment	393	1.0	334	0.9	59
Treasury Stock	179	0.4	836	2.3	657
Total Capital	26,569	66.0	24,528	68.7	2,040
Total Of Liabilities + Minority Shareholders' Equity + Capital	40,266	100.0	35,684	100.0	4,581

## 2 . CONSOLIDATED PROFIT & LOSS STATEMENT

(Millions of Yen)

Title of Account	Fiscal 2004 ( 04.4.1-05.3.31 )		Fiscal 2003 ( 03.4.1-04.3.31 )		Changes
	Amount	Proportion	Amount	Proportion	
		%		%	
Sales	38,789	100.0	30,537	100.0	8,251
Cost of Goods Sold	27,365	70.5	20,831	68.2	6,533
Gross Profit on Sales	11,423	29.5	9,705	31.8	1,718
Sales and Administrative Expenses	8,790	22.7	7,609	23.6	1,181
Operating Income	2,633	6.8	2,096	6.9	537
Non-Operating Income	( 380)	1.0	( 514)	1.7	( 133)
Interest Received	30		30		6
Dividends Received	19		61		42
Profit on Securities Sold	54		103		48
Company Residence Rent Income	105		91		13
Investment Profit by Equity Method	2		158		155
Profit on Foreign Exchange	94				94
Others	81		69		11
Non-Operating Expenses	( 141)	0.4	( 219)	0.8	( 78)
Interest Paid	30		5		24
Loss on Foreign Exchange			88		88
Non Operating Commission	13		8		4
Loss on Disposals of Property,Plant and Equipment	15		19		3
Loss on Devaluation of Property,Plant and Equipment	19		17		1
Others	61		79		17
Ordinary Profit	2,873	7.4	2,391	7.8	482
Extraordinary Income		0.0	( 15)	0.0	( 15)
Profit on Transfer from Reserve for Bad Debt Reserves			15		15
Extraordinary Loss	( 136)	0.4	( 134)	0.4	( 1)
Loss on Retirement of Fixed Assets	28		22		5
Loss on Devaluation of Investment Securities	46		22		23
Loss on Sales of Investment Securities	39				39
Loss on Lease Cancellation	23				23
Director's Retirement Allowances of Subsidiary			45		45
Relocation Expenses of Subsidiary			43		43
Net Profit Before Tax	2,736	7.0	2,272	7.4	464
Corporate, Resident & Business	1,089	2.8	873	2.8	215
Corporate Tax etc. Adjustments	4	0.0	91	0.3	86
Minority Shareholders' Gain	17	0.0	8	0.0	9
<b>NET PROFIT</b>	<b>1,625</b>	<b>4.2</b>	<b>1,298</b>	<b>4.3</b>	<b>326</b>

### 3 . CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of Yen)

Account Title	Fiscal 2004 ( 04.4.1-05.3.31 )	Fiscal 2003 ( 03.4.1-04.3.31 )
. Cash flows from Operating Activities		
Net income before adjustment of tax	2,736	2,272
Depreciation	698	608
Loss from Revaluation of Marketable Securities	46	30
Increase/Decrease in Allowance for Doubtful Accounts	4	15
Increase/Decrease in Provision for Retirement Benefit	9	68
Interest Received and Dividends Received	43	92
Interest Paid	30	5
Income from Sale of Marketable Securities	54	103
Investment Income from Equity Method	2	158
Payments for Directors' Bonus	24	3
Increase/Decrease in Trade Receivables	528	2,665
Increase/Decrease in Inventories	326	864
Increase/Decrease in Trade Payables	462	1,207
Others	734	514
Sub-Total	3,974	804
Proceeds from Receipt of Interest and Dividends	96	92
Payments for Interest	30	5
Payments for Corporate Tax etc	1,122	278
Net Cash Provided by Operating Activities	2,918	613
. Cash Flows from Investing Activities		
Payments for Purchase of Securities	100	0
Proceeds from Sale and Redemption of Securities		139
Payments for Purchase of Tangible · Intangible Fixed Assets	1,373	1,385
Disbursements due to Acquisition of Investment Securities	184	448
Proceeds from Sale and Redemption of Investment Securities	620	471
Others	277	74
Net Cash Provided by Investing Activities	760	1,149
. Cash Flows from Financing Activities		
Revenue from Short Term Loan	60	56
Disbursements due to Redemption of Short Term Loan	370	
Revenue from Long Term Loan	11	460
Dividends Paid	291	250
Dividends Paid to Minority Shareholders	0	1
Disbursements due to Acquisition of Treasury Stock	13	464
Profit on Sales of treasury Stock	718	
Others	15	8
Net Cash Used in Financing Activities	98	206
. Effect of Exchange Rate Changes on Cash and Cash Equivalents	24	70
. Net Increase/Decrease in Cash and Cash Equivalents	2,232	812
. Cash and Cash Equivalents at Beginning of Year	3,614	4,392
. Increase in Cash and Cash Equivalents due to New Consolidation	401	33
. Cash and Cash Equivalents at End of Year	6,247	3,614

#### 4 . Status of Production, Orders Received and Sales

##### 1 .Achievements of Production

(Millions of Yen)

Name of Business Segment	Fiscal 2004 ( 04.4.1-05.3.31 )	Fiscal 2003 ( 03.4.1-04.3.31 )	Changes	
				% change
Environmental Test Business	18,932	16,458	2,474	15.0
Electronics Device Business	13,188	8,702	4,486	51.6
Environmental Service Business	197	69	127	182.2
Grand Total	32,318	25,230	7,088	28.1

##### 2.(1)Achievements of Orders Received

Name of Business Segment	Fiscal 2004 ( 04.4.1-05.3.31 )	Fiscal 2003 ( 03.4.1-04.3.31 )	Changes	
				% change
Environmental Test Business	20,007	17,657	2,350	13.3
Electronics Device Business	10,164	13,853	3,689	26.6
Environmental Service Business	6,908	6,195	712	11.5
Total	37,080	37,706	625	1.7
Eliminations	935	1,964	1,028	-
Grand Total	36,145	35,742	402	1.1

##### 2.(2)Backlog of Orders in hand

Name of Business Segment	Fiscal 2004 ( 2005.03.31 )	Fiscal 2003 ( 2004.03.31 )	Changes	
				% change
Environmental Test Business	2,189	2,382	192	8.1
Electronics Device Business	4,706	7,755	3,048	39.3
Environmental Service Business	318	267	51	19.1
Total	7,215	10,405	3,190	30.7
Eliminations	40	587	546	-
Grand Total	7,174	9,818	2,643	26.9

##### 3 .Sales Track

Name of Business Segment	Fiscal 2004 ( 04.4.1-05.3.31 )	Fiscal 2003 ( 03.4.1-04.3.31 )	Changes	
				% change
Environmental Test Business	20,200	17,425	2,775	15.9
Electronics Device Business	13,212	8,631	4,581	53.1
Environmental Service Business	6,857	6,024	833	13.8
Total	40,271	32,081	8,190	25.5
Eliminations	1,482	1,543	61	-
Grand Total	38,789	30,537	8,251	27.0