



March 11, 2009

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Company Code: 6859
Exchanges Listed: Tokyo, Osaka Stock Exchanges, First Section
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Notice Concerning Management Rationalization Measures

ESPEC CORP. (“the Company”) hereby announces that, in consideration of current business conditions and the expected future business environment, it will be promoting the following management rationalization measures.

Details

1. Reasons for implementing the management rationalization measures

The business environment surrounding the Company has become extremely difficult in response to the impact of financial uncertainty, both within Japan and abroad, and the rapid slowdown of the economy. The Company’s results have deteriorated above expectations; we have already begun implementing and developing measures such as reductions in directors’ pay, reductions in managers’ salaries, shortened working hours, reductions in overtime and the revision of recruitment plans; however, we have decided that further strengthening of profitability is required, and we shall promote management rationalization from the dual perspectives of “reforming the business structure” and “reforming the profit structure”, as follows.
2. Details of management rationalization measures
 - (1) Reforming the business structure
 - i. Implementation of structural reforms

We shall abolish the current divisional organization and from April, 2009 we shall concentrate the production, sales and technological functions, which were being duplicated by different areas of the business, by implementing structural reforms to create a business structure organized according to function, thereby strengthening the Company’s ability to respond to the difficult market environment. In addition to the above restructuring, by strengthening the headquarters’ function and promoting the optimum placement of human resources, we shall also improve efficiency and streamline management systems with the aim of improving manageability through more functional decision-making and business conduct.
 - ii. Strategic shift towards priority fields

We shall implement a strategic shift of management resources away from production fields experiencing particularly difficult conditions in terms of profitability, such as the semi-conductor and LCD markets, and towards the field of testing and evaluation, with a focus on the Company’s principal business of environmental test business. In this way, we shall strengthen our ability to provide a customized response in growth markets, such as environment and energy, at the same time as promoting the development of new products and business, thereby strengthening the Company’s competitiveness.
 - (2) Reforming the profit structure
 - i. Restructuring of sales and production bases

We shall improve sales and production efficiency and reduce both upkeep costs for bases and logistics costs through the elimination and consolidation of offices by revising the sales system and concentrating logistics and production functions.

- a) Sales bases
The Tokyo Branch shall be transferred and the Kyoto Sales Office shall be closed.
- b) Production and logistics bases
The Kumiyama Plant and Ayabe Logistics Center shall be closed, and their functions shall be concentrated in the Fukuchiyama Plant.
- ii. Measures accompanying cutbacks in production
 - a) Optimization and optimum placement of human resources
In addition to cancelling the contracts of temporary workers involved in development and design work and production work by the end of March, we shall also carry out the optimum placement of full-time employees in accordance with these measures.
 - b) Response to production personnel/system
Concerning outsourced work, in addition to promoting an expansion in self-manufacture through improvements in work efficiency, we shall also implement temporary layoffs in the design and production departments in line with production volumes.
- iii. Reductions in directors' pay
We have continued to implement pay reductions since September 2008, but further reductions in directors' pay will be implemented as follows as a result of a further deterioration in performance. The voluntary return of pay by the auditors has been added at the same time. Directors' bonuses shall not be paid.
 - a) Reductions in directors' pay (from March 2009)

President	30% of monthly pay
Directors and Managing Executive Officers	20% of monthly pay
Directors	15% of monthly pay
 - b) Return of auditors' pay (from March 2009)

Auditors	15% of monthly pay
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- iv. Reductions in employee's salaries
The salaries of Company employees shall be reduced as follows:
 - a) Reduction in employees' salaries (from April 2009)

Executive Officers	10% of monthly pay
Management	10% of basic salary
Ordinary employees	5% of basic salary
 - b) Reduction in employee bonuses

Executive officers and management	No bonuses
Ordinary employees	Review of fixed payment months

* We have made an application to the labor unions concerning the measures affecting ordinary employees. Measures shall be implemented as soon as negotiations have been completed.
- v. Other measures
In addition to the above, we shall also implement measures such as the reduction of inventory assets and screening of owned fixed assets, and the control and revision of capital investment. Furthermore, we shall implement close checks and further reductions of expenses.

Concerning group companies, we shall also promote management rationalization based on the above policy depending on the circumstances.

3. Future outlook

Concerning the consolidated results forecast for Fiscal 2008 Ending March 31, 2009, this has already been disclosed in the "Summary of Financial Results (Consolidated) for the Third Quarter of Fiscal 2008 Ending March 31, 2009", which was released on February 9, 2009; however, in the case that the management rationalization policy has any impact on performance, the Company shall make a prompt disclosure in line with disclosure standards.