FerroTec

November 25, 2005

Consolidated Interim Financial Results
(April 1, 2005 - September 30, 2005)
for the Fiscal Year Ending March 2006

Company:	Ferrotec Corporation
Stock code:	6890
Stock exchange listing:	JASDAQ
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Board meeting for approval:	November 25, 2005
Accounting method:	Japanese GAAP

1. Interim Financial Results (April 1, 2005 - September 30, 2005)
(1) Results of Operations

(Rounded down to million yen)

	Net Sales		Operating Income		Ordinary Income	
	million yen	YoY change (%)	million yen	YoY change (%)	million yen	YoY change (%)
Interim ended September 2005	10,725	(0.5)	292	(72.5)	253	(73.0)
Interim ended September 2004	10,783	58.0	1,063	6162.5	940	-
Fiscal Year ended March 2005	21,105		1,762		1,456	

	Net Income		Net Income per Share (Basic)	Net Income per Share (Diluted)
	million yen	YoY change (%)	yen	yen
Interim ended September 2005	410	(10.5)	20.59	18.35
Interim ended September 2004	458	-	26.80	23.99
Fiscal Year ended March 2005	633		36.69	32.17

Notes:

1. Equity in earnings (losses) of non-consolidated subsidiaries and affiliates
   - Interim ended September 2005: (10) million yen
   - Interim ended September 2004: (99) million yen
   - Fiscal Year ended March 2005: (58) million yen
2. Average number of shares outstanding (consolidated)
   - Interim ended September 2005: 19,916,406 shares
   - Interim ended September 2004: 17,099,735 shares
   - Fiscal Year ended March 2005: 17,274,075 shares
3. Changes in accounting methods applied: Yes
4. “YoY change” represents relevant change in percentage compared to the same period of the previous year.

(2) Financial Position

	Total Assets	Shareholders' Equity	Equity to Total Assets Ratio	Shareholders' Equity per Share
	million yen	million yen	%	yen
As of September 30, 2005	32,859	15,682	47.7	787.41
As of September 30, 2004	29,992	12,813	42.7	748.63
As of March 31, 2005	30,041	14,789	49.2	742.57

Note: Outstanding shares at the end of period (consolidated)

As of September 2005: 19,916,406 shares
As of September 2004: 17,116,406 shares
As of March 2005: 19,916,406 shares

(3) Cash Flows

	Net Cash Provided by (Used in)			Cash and Cash Equivalents at End of Period
	Operations	Investments	Financing	
	million yen	million yen	million yen	million yen
Interim ended September 2005	1,241	(1,329)	639	3,759
Interim ended September 2004	1,070	(953)	(251)	2,973
Fiscal Year ended March 2005	2,149	(2,349)	273	3,188

(4) Scope of consolidation and application of equity method

Consolidated subsidiaries: 16
Non-consolidated subsidiaries accounted for by the equity method: 0
Affiliates accounted for by the equity method: 6

(5) Changes in scope of consolidation and equity method application

Consolidated subsidiaries

Newly added: 3
Excluded: 0

Affiliates accounted for under the equity method

Newly added: 4
Excluded: 0

2. Forecast for the Fiscal Year Ending March 2006 (April 1, 2005 - March 31, 2006)

	Net Sales	Operating Income	Ordinary Income	Net Income
	million yen	million yen	million yen	million yen
Full year	23,000	1,400	1,200	700

Note: Forecast net income per share for full year: 35.15 yen

Notes: The above-mentioned forecast is premised on information available as of the date of publication of this data and on assumptions regarding uncertain factors as of the date of this data, which may affect future performances. Actual performance may vary significantly from this forecast. Please refer to page 10 regarding assumptions for performance forecasts.

1. The Ferrotec Group

The Ferrotec Group (the "Group") consists of Ferrotec Corporation (the "Company") and 25 subsidiaries and affiliates ("Members": 16 consolidated subsidiaries, 6 equity-method affiliates, 3 non-consolidated subsidiaries).

The Group develops, manufactures and sells vacuum feedthroughs and quartz products used for semiconductor applications or flat panel display (FPD) manufacturing, ferrofluid seals for HDDs (former computer seals and its application products), and thermoelectric modules for thermostatic control systems.

The following categories are the same as those for segment information by business.

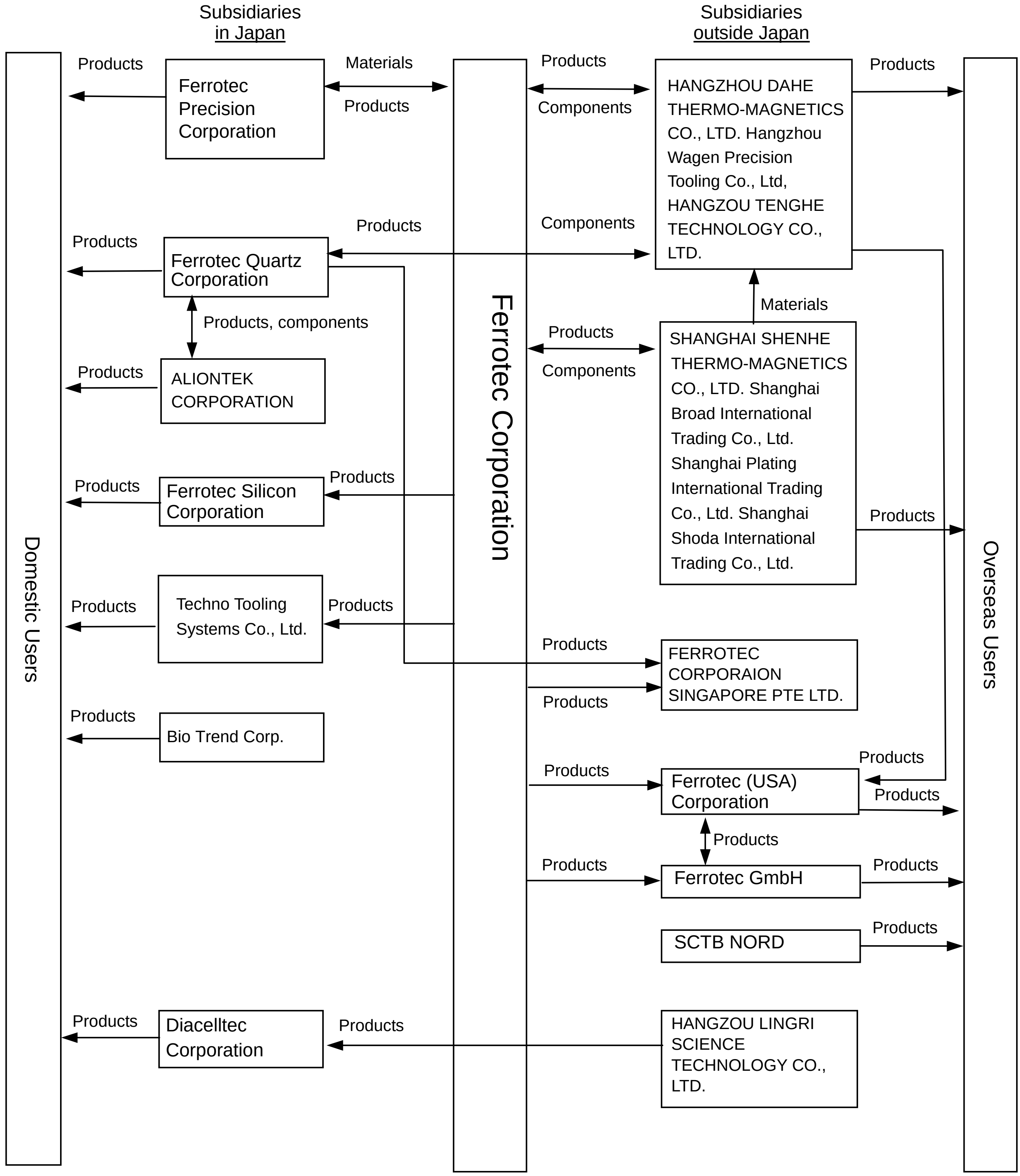
The chart below shows the relationship between the Company and Members for each business category.

	Major products	Development	Manufacturing	Sales	Major Companies
Equipment- related business	Vacuum feedthroughs	o		o	Ferrotec Corporation
			o		Ferrotec Precision Corporation
			o		HANGZHOU DAHE THERMO-MAGNETICS CO., LTD.
		o	o	o	Ferrotec (USA) Corporation
	Quartz products		o	o	Ferrotec Quartz Corporation
			o	o	ALIONTEK CORPORATION
				o	FERROTEC CORPORATION SINGAPORE PTE LTD.
	Others		o	o	Ferrotec Corporation
			o	o	Ferrotec GmbH
			o	o	Ferrotec Silicon Corporation
Electronic device business	Ferrofluid seals	o		o	Ferrotec Corporation
			o		HANGZHOU DAHE THERMO-MAGNETICS CO., LTD.
				o	FERROTEC CORPORATION SINGAPORE PTE LTD.
	Thermoelectric modules	o		o	Ferrotec Corporation
		o		o	Ferrotec (USA) Corporation
		o		o	SCTB NORD
			o		HANGZHOU DAHE THERMO-MAGNETICS CO., LTD.
			o		SHANGHAI SHENHE THERMO-MAGNETICS CO., LTD.
	Ferrofluid	o	o	o	Ferrotec Corporation
		o	o	o	Ferrotec (USA) Corporation
				o	SHANGHAI SHENHE THERMO-MAGNETICS CO., LTD.
				o	FERROTEC CORPORATION SINGAPORE PTE LTD.
	Others		o	o	Ferrotec Precision Corporation
			o	o	Bio Trend Corp.
CMS business*			o	o	HANGZHOU DAHE THERMO-MAGNETICS CO., LTD.
			o	o	HANGZHOU WAGEN PRECITION TOOLING CO., LTD
			o	o	SHANGHAI SHENHE THERMO-MAGNETICS CO., LTD.
			o	o	Shanghai Broad International Trading Co., Ltd.
			o	o	Shanghai Plating International Trading Co., Ltd.
			o	o	Shanghai Shoda International Trading Co., Ltd.
			o	o	Diacelltec Corporation
			o	o	HANGZOU LINGRI SCIENCE & TECHNOLOGY CO., LTD.
			o	o	SHANGHAI HANHONG PRECISION MACHINERY CO., LTD.
			o	o	Techno Tooling System Co., Ltd.

Note: Certain major product items are not shown above due to the wide spectrum of products, and in some cases, due to our confidentiality obligation to clients.

The chart set below illustrates the operation flows within the Group, excluding five-consolidated subsidiaries and one affiliate for which the equity method is not applied.
Hangzhou Nippon-Magnetics Science Industry Park Development Co., Ltd. and Ferrotec Investments, LLC are also excluded because business with each of them is not customary.

Ferrotec Group



2. Management Policies

1) Basic management policy

Ferrotec Corporation aims to be a global manufacturer by improving and expanding core technologies, not only in the electronics industry, but in manufacturing in general, to offer high-quality products at internationally competitive prices. At the same time, we plan to continue actively pursuing environmental protection in all corporate endeavors, and are eager to be a company whose shareholders can look forward to future growth.

From this standpoint, our fundamental management policy is to focus on development of new products and markets that take advantage of our strength in materials, such as ferrofluids, and manufacturing technologies, and thereby increase our share of the global market and enhance group profits.

2) Basic profit-sharing principles

Based on our fundamental management policy, we believe it is important to return profits to shareholders on a stable basis, while also ensuring sufficient retained earnings to strengthen the company for future business expansion.

3) Targeted profit indices

We aim for ROE of 10%, and EPS of 100 yen, although we are currently investing in capital equipment at Chinese subsidiaries, establishing new subsidiaries, and engaging in M&A activity to expand our business.

4) Medium- to long-term strategy and issues

While the electronics industry is expected to expand along with advances in information technology, electronics manufacturers are considered vulnerable to the rapid pace of technical innovation and fierce international competition. In order to grow steadily in this difficult business environment, we must not only continue to develop our own core (or proprietary) technology we must also aggressively expand domestic and overseas markets. Our medium- to long-term business strategy includes M&A activity as well as entering into strategic joint ventures and long-term manufacturing supply agreements.

Specifically, we aim for the subsidiaries in China to function not only as production bases but also as marketing bases, and plan to expand product supply to European markets through our US subsidiaries.

5) Current key issues

An important characteristic of the electronics industry is that product demand is very volatile, and capital investment fluctuates cyclically and sharply. While our diverse product offering reduces the impact of business cycles, we aim to cut production costs further, rationalize our domestic production network, and shift more of our production to China, to better cope with downturns in electronic product markets. We also intend to boost sales and profits by strengthening our sales branches and product development in the European market. And as the market for electronic industrial products in China grows, we believe it is increasingly important to have a marketing strategy that addresses this market. We also intend to step up the transfer of production technologies and methods to our Chinese subsidiaries, support them in winning product certification from client companies, and provide them with more marketing support and information. We have invested in new businesses, such as our CMS (contract manufacturing service) business, and will work to improve profits and recover invested funds, by securing stable production volumes through increased productivity.

6) Corporate governance principles

Basic policy on corporate governance:

Our basic corporate governance principle is to ensure fair and speedy management through a clear demarcation of the boundaries between decision-making, oversight, and business execution.

Basic practice of corporate governance:

a. Corporate governance structure (decision-making auditing, business execution, etc.)

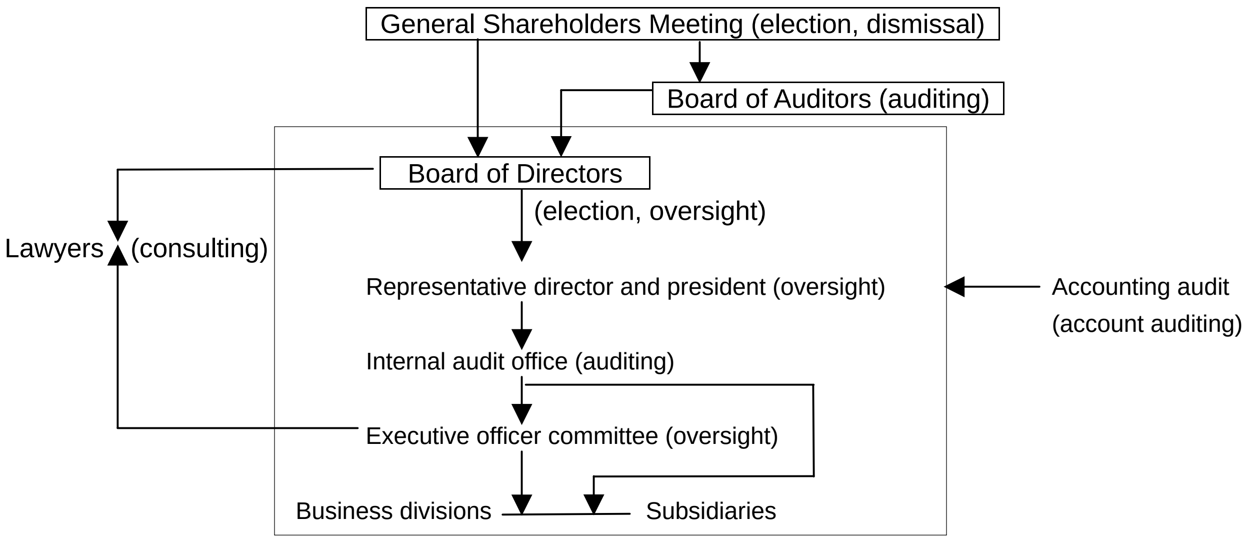
Our company's board of directors is composed of six members who hold the board meeting once a month, but also convene when important matters arise. We have introduced an executive officer committee for business execution, and an auditors committee composed of three outside directors who participate actively in board of director meetings and ensure appropriate business execution.

We have an internal auditing office that reports directly to the president, that monitors business across all group companies, and that has appropriate functions to ensure compliance with all applicable laws and internal regulations.

Our Company has a legal advisory agreement with Goto law firm, with which we consult from time to time, and a comprehensive auditing contract with Deloitte Touche Tohmatsu, which audits our books.

b. System of internal control and risk management

We have formulated various company-wide codes—a Code of Administrative Authority, a Code of Administrative Separation, and a Code of Information Management—to clarify the roles and responsibilities of each organization, and to ensure internal control and risk management through organizations involved in business execution and oversight in line with other corporate governance systems. The following diagram is our management structure.



c. Summary of personal, financial, business, and other relationships between our company and external auditors

We have no particular relationship with any of our three independent outside auditors (one of which is a standing auditor), and none are originally from the parent company or any group affiliate.

d. Efforts over the past year to improve corporate governance

We established a management strategy committee composed of board directors, executive officers, and subsidiary representatives, which examine basic business execution policies and other important matters, and work to improve the parent and group management structure.

We held our General Shareholders' Meeting in June on a day when most other companies did not hold their shareholder's meeting to enable greater participation, and held a reception afterward to encourage communication between shareholders and management. We disclose quarterly financial results on our company Website, and have established an automatic fax service for investors since the nine months ended FY3/02.

We broadcast two results meetings we have each year over the Internet, and hold several meetings with individual investors every year, including in regional cities.

3. Business results

Review of operations for interim period (April 1, 2005 - September 30, 2005)

The global economy remained strong in the interim period under review, despite concerns over rising crude oil prices and interest rate hikes in the US, as strong housing investment supported the US economy, and the Chinese economy sustained high growth. The European and Asian economies also began to recover, albeit slowly. The Japanese economy appears to have finally moved out from a period of flat growth that continued since last summer, due to firm consumer spending, capital spending, and brisk real estate investment.

The electronics industry, the main source of demand for our company's products, remained in an adjustment phase, particularly in the US. However, digital consumer electronics makers have made good progress in reducing inventories of some product categories, and production appears likely to rebound thanks to the launch of new products. Capital investment in semiconductors and electronic parts, which had been in a downward trend, began to show signs of recovery in some fields.

In this environment, order growth for our vacuum feedthroughs and quartz products (equipment-related business) was rather mild as soft demand at customers that produce semiconductor and FPD manufacturing equipment typically slows orders. In our electronic device business, sales of our mainstay computer seals declined in line with initial expectations due to greater market penetration of FDB motors. In our CMS business, revenue from silicon wafer processing and other services grew steadily, exceeding last year's level.

Sales exceeded initial forecasts in all business segments due to greater-than-expected demand in the CMS business, strong demand for each product in the equipment-related business, and strong demand for thermoelectric modules in the electronic business. However, operating income fell slightly short of our initial 340 million yen target as a result of declining profitability in the equipment-related business. This was due to higher transaction costs caused by an increase in small orders and changes in the product mix, a surge in the price of raw materials for thermoelectric modules (the mainstay product of our electronic device business), and continued investment in FFB and HDD products. Ordinary income exceeded our initial 170 million yen target due to yen depreciation. Net income exceeded our initial 90 million yen target because we booked compensatory income from the early cancellation of outsourcing contracts.

Consolidated sales in the interim period declined 0.5% year-over-year to 10,725 million yen. Operating income fell 72.5% to 292 million yen, and ordinary income fell 73.0% to 253 million yen, due to a decline in high-margin computer seal sales, and an increase in new product development costs. Net income declined only 10.5% to 410 million yen as we booked 600 million yen in compensatory income from the early cancellation of outsourcing contracts as an extraordinary income.

Our businesses are categorized into "equipment-related business," "electronic devices business," and "CMS business" by similarity in use of products and order type.

Equipment-related business

Mainstay products in this business include vacuum feedthroughs, quartz products, and silicon products.

Sales of vacuum feedthroughs, a product used in semiconductor and FPD manufacturing equipment, were roughly flat year-over-year; however, the results for these products exceeded our initial forecast because while semiconductor capital spending was weak in the US, investment in LCD and PDP production equipment was firm in Japan.

Sales of quartz products fell below last year's level; although sales for products used in 300mm equipment were strong in the domestic market. Demand for products geared for compound semiconductors was weak, as was OEM demand from US companies at our Chinese subsidiary.
However, we are working to receive certification for Chinese-made parts in order to meet rising demand from semiconductor and FPD manufacturing equipment makers for low-cost, high-quality Chinese parts. Sales of ingot and other silicon products geared for semiconductors and solar batteries continued to steadily expand.
For vacuum feedthroughs, the price of raw materials remained high and we had no choice but to purchase materials at these high prices because of declining inventories. This increased costs for the vacuum feedthrough business, as did changes in the product mix resulting from an increase in product procurement and small-lot orders.

Electronic devices business

Mainstay products in this business include computer seals, thermoelectric modules, and ferrofluid.
Sales of computer seals met expectations as makers of corporate servers stopped adopting the product.
Sales of thermoelectric modules, used mainly for temperature-adjustable car seats, exceeded our target. While we experienced a period of inventory adjustment caused by weakness in the US auto industry, demand was strong from the semiconductor and medical equipment industries. Sales of ferrofluids were in line with our target because of strong demand for use in audio speakers.
Profits declined year-over-year due to decreasing computer seal sales and investment in the development of ferrofluid bearings (FFBs), designed to replace computer sales, and new HDD-related products. We note that we are making good progress in winning customer support for FFBs.

CMS business

We manufacture items contracted to us by other companies in this business category. We cannot discuss details as we have a confidentiality obligation to our customers, and we manufacture too broad a range of products to explain briefly. Some of the activities in this business that we are able to disclose are silicon wafer processing, machine tool assembly, and equipment parts cleansing.
Silicon wafer processing orders trended generally in line with expectations despite delays in the transfer of production facilities earlier in the period. Orders for machine tool assembly, equipment parts cleansing and solar battery monocrystal lifting equipment remained strong. Profit growth was steady overall.

Performance by business segment was as follows:

(millions of yen)

	Equipment-related business		Electronic devices business		CMS business	
	Amount	YoY change	Amount	YoY change	Amount	YoY change
Net sales	5,477	2.6%	1,424	(32.7)%	3,823	14.9%
Operating income	451	(34.8)%	(233)	-	94	25.8%

Note: Net sales figures include interdivisional sales.

Performance by geographical area was as follows:

(millions of yen)

	Japan		Asia		USA & Europe	
	Amount	YoY change	Amount	YoY change	Amount	YoY change
Net sales	6,816	(7.5)%	5,691	(2.7)%	2,670	10.1%
Operating income	(4)	-	247	(29.6)%	104	(56.9)%

Note: Net sales figures include interdivisional sales.

Forecast for the full consolidated fiscal year (April 1, 2005 - March 31, 2006)

We expect the Japanese economy to continue gradually recovering, although we remain concerned about the impact of high crude oil prices and other raw materials on earnings. The electronics industry has entered a recovery path, and capital investment in the semiconductor and flat panel display (LCDs and PDPs) sectors is accelerating again.

In the equipment-related business, we have partnered with Korea's KSM Co., Ltd. to boost sales of vacuum feedthroughs, and are working to increase certification of our quartz products by manufacturers to expand OEM orders. In the electronic devices business, we expect increased sales of thermoelectric modules, geared mainly for temperature-adjusting car seats, due to greater adoption in 2006 car models. We believe the acquisition of Russia's SCTB NORD will enable us to supply higher performance products for the bio equipment, medical equipment, and consumer electronics industries. We intend to leverage our core ferrofluid technology to continue launching new products and expand earnings growth over the medium to long term. In the CMS business we expect to finish the transfer of silicon wafer processing facilities to China, and aim to improve profitability by boosting capacity and yields. We expect firm growth of orders for solar battery lifting equipment.

We forecast full-year consolidated sales of 23,000 million yen, operating income of 1,400 million yen, ordinary income of 1,200 million yen, and net income of 700 million yen.

Our full-year forecasts are based on a foreign exchange rate of 110 yen to the U.S. dollar for the second half.

Cash flows position

Consolidated cash and cash equivalents fell to 3,759 million yen at the end of the interim period, up 571 million yen from the end of the previous fiscal year, and up 786 million yen from the end of the previous interim period.

Cash flows in the current consolidated interim period were as follows:

[Cash flow from operating activities]

Net cash provided by operating activities was 1,241 million yen (up 170 million yen). Net income before income taxes was 766 million yen (up 36 million yen), net of depreciation and non–cash expenses.

[Cash flow from investing activities]

Net cash used in investing activities was 1,329 million yen (up 375 million yen year-over-year). This was due to capital equipment investment at the Chinese subsidiary, and outlays for the acquisition of SCTB NORD.

[Cash flow from financing activities]

Cash flow provided by financing activities was 639 million yen (up 890 million year-over-year), mainly due to net debt outflow (inflow minus outflow) of 803 million yen, and dividends payments.

Cash flow indices

	FY 3/04		FY 3/05		FY 3/06
	Interim	Year-end	Interim	Year-end	Interim
Shareholders' equity ratio (%)	47.7	43.4	42.7	49.2	47.7
Equity ratio by market capitalization (%)	50.8	51.7	47.9	51.7	48.7
Redeemable period of debts (years)	16.1	11.1	11.5	5.0	9.4
Interest coverage ratio	4.5	3.8	7.0	7.0	8.6

Notes:

1. Shareholders' equity ratio = shareholders' equity / total assets
   Equity ratio by market capitalization = market capitalization / total assets
   Redeemable period of debts = interest bearing liabilities /cash flows from operating activities
   Interest coverage ratio = cash flows from operating activities / interest paid
2. Each index is calculated on a consolidated basis.
3. Market capitalization = year-end stock price x year-end number of outstanding shares after accounting for treasury stock.
4. Cash flows from operating activities are those stated on the consolidated statements of cash flows for each year. Interest bearing liabilities are the sum of all the liability accounts which bear interest on the relevant consolidated balance sheets. Interest paid is from the relevant consolidated statements of cash flows for each year.

5. Interim Consolidated Financial Statements

(1) Interim Consolidated Balance Sheets

(thousands of yen)

Item / Period		As of September 30, 2004		As of September 30, 2005		As of March 31, 2005	
		Amount	%	Amount	%	Amount	%
Assets							
I Current assets							
Cash and deposits		2,973,452		3,759,958		3,188,815	
Notes and accounts receivable		5,261,784		4,879,575		5,065,736	
Inventories		3,037,798		3,383,873		2,922,602	
Other current assets		1,624,658		2,364,658		1,575,815	
Allowance for doubtful receivables		(162,357)		(111,128)		(153,287)	
Total current assets		12,735,336	42.5	14,276,938	43.4	12,599,681	41.9
II Fixed assets							
(1) Tangible fixed assets	*1						
Buildings and structures	*2	3,425,943		4,011,718		3,047,344	
Machinery and vehicles		3,630,709		4,088,978		3,608,437	
Tools, furniture and fixtures		1,033,021		1,052,511		955,263	
Land	*2	2,601,404		2,548,251		2,552,187	
Construction in progress		465,248		348,991		1,027,323	
Total tangible fixed assets		11,156,329	37.1	12,050,451	36.7	11,190,556	37.3
(2) Intangible assets							
Goodwill		1,747,687		2,019,015		1,943,271	
Consolidation adjustment		199,427		520,064		177,280	
Other intangible assets	*2	503,781		703,803		522,142	
Total intangible assets		2,450,896	8.2	3,242,884	9.9	2,642,694	8.8
(3) Investments and assets							
Investment securities		1,315,873		1,376,004		1,558,071	
Other investments and other assets		2,364,970		2,290,384		2,211,180	
Allowance for doubtful receivables		(30,496)		(377,497)		(160,575)	
Total investments and assets		3,650,347	12.2	3,288,891	10.0	3,608,676	12.0
Total fixed assets		17,257,572	57.5	18,582,227	56.6	17,441,927	58.1
Total Assets		29,992,909	100.0	32,859,165	100.0	30,041,608	100.0

(thousands of yen)

Item \ Period		As of September 30, 2004		As of September 30, 2005		As of March 31, 2005	
		Amount	%	Amount	%	Amount	%
Liabilities							
I Current liabilities							
Notes and accounts payable		2,377,856		2,042,337		1,840,305	
Short-term borrowings	*2	3,768,706		3,248,974		3,093,292	
Current portion of long-term borrowings	*2	2,361,409		2,781,284		2,219,172	
Reserve for bonuses payable		136,209		138,272		134,247	
Other current liabilities		2,094,468		2,885,406		2,261,345	
Total current liabilities		10,738,650	35.8	11,096,275	33.8	9,548,363	31.8
II Long-term liabilities							
Convertible bonds with stock acquisition right		1,776,643		1,776,643		1,776,643	
Long-term borrowings	*2	4,448,125		3,916,613		3,637,991	
Liability for retirement benefits		29,099		29,993		30,114	
Liability for retirement benefits to officers		110,049		113,699		114,500	
Other long-term liabilities		30,722		183,385		61,317	
Total long-term liabilities		6,394,641	21.3	6,020,336	18.3	5,620,567	18.7
Total Liabilities		17,133,291	57.1	17,116,611	52.1	15,168,930	50.5
Minority Interests							
Minority interests		45,801	0.2	60,153	0.2	83,423	0.3
Shareholders' Equity							
I Common stock		5,871,661	19.6	6,910,461	21.0	6,910,461	23.0
II Capital surplus		6,747,159	22.5	7,784,251	23.7	7,784,251	25.9
III Retained earnings		615,351	2.1	1,009,755	3.1	762,141	2.5
IV Unrealized holding loss on securities		117,204	0.4	308,993	0.9	153,732	0.5
V Cumulative translation adjustment		(377,447)	(1.3)	(170,948)	(0.5)	(661,220)	(2.2)
VI Treasury stock		(160,112)	(0.5)	(160,112)	(0.4)	(160,112)	(0.5)
Total Shareholders’ Equity		12,813,816	42.7	15,682,400	47.7	14,789,254	49.2
Total Liabilities, Minority Interests and Shareholders’ Equity		29,992,909	100.0	32,859,165	100.0	30,041,608	100.0

(2) Interim Consolidated Statements of Income

(thousands of yen)

Item \ Period		April 1, 2004 - September 30, 2004		April 1, 2005 - September 30, 2005		April 1, 2004 - March 31, 2005	
		Amount	%	Amount	%	Amount	%
I Net sales		10,783,567	100.0	10,725,952	100.0	21,105,746	100.0
II Cost of sales		7,366,197	68.3	7,805,895	72.8	14,423,382	68.3
Gross profit		3,417,370	31.7	2,920,057	27.2	6,682,364	31.7
III Selling, general and administrative expenses	*1	2,353,904	21.8	2,627,102	24.5	4,920,338	23.4
Operating income		1,063,466	9.9	292,954	2.7	1,762,026	8.3
IV Non-operating income							
Interest income		26,945		32,793		42,227	
Gain on valuation of equity in investee		-		16,338		-	
Lease income		11,819		33,266		40,810	
Foreign exchange gains		121,959		130,732		-	
Other non-operating income		75,502		62,172		161,752	
Total non-operating income		236,226	2.2	275,304	2.6	244,791	1.2
V Non-operating expenses							
Interest expense		151,427		146,696		303,861	
Loss on valuation of equity in investee		171		-		-	
Loss on disposal of inventories		46,592		93,238		84,331	
Equity in loss of non-consolidated subsidiaries		99,978		10,124		58,743	
Other non-operating expenses		61,233		64,256		103,251	
Total non-operating expenses		359,403	3.3	314,316	2.9	550,187	2.6
Ordinary income		940,289	8.7	253,942	2.4	1,456,630	6.9

(thousands of yen)

Item / Period		April 1, 2004 - September 30, 2004		April 1, 2005 - September 30, 2005		April 1, 2004 - March 31, 2005	
		Amount	%	Amount	%	Amount	%
VI Extraordinary income							
Gain on sales of investment securities		26,744		149,180		95,107	
Gain on sale of fixed assets	*3	39,231		28,303		48,686	
Reversal of allowance for doubtful receivables		-		4,364		-	
Compensatory income		-		600,000		-	
Other extraordinary income		6,287		3,052		69,019	
Total extraordinary income		72,263	0.7	784,901	7.3	212,813	1.0
VII Extraordinary losses							
Loss on disposal of fixed assets	*4	86,211		1,582		89,767	
Loss on valuation of investment securities		3,253		-		-	
Amortization of consolidation adjustments	*5	188,406		-		188,406	
Provision for allowance for doubtful receivables		-		220,000		130,000	
Impairment losses	*6	-		43,360		-	
Other extraordinary losses		4,854		7,148		50,594	
Total extraordinary losses		282,726	2.6	272,092	2.5	458,768	2.2
Net income before income taxes		729,826	6.8	766,751	7.1	1,210,674	5.7
Current income taxes	*2	243,682	2.3	376,898	3.5	182,238	0.9
Deferred income taxes	*2	6,513	0.1	4,556	0.0	350,687	1.7
Minority interests		21,438	0.2	(24,870)	(0.2)	43,967	0.2
Net income		458,191	4.2	410,166	3.8	633,780	3.0

(3) Interim Consolidated Statements of Retained Earnings

(thousands of yen)

Item \ Period	April 1, 2004 - September 30, 2004		April 1, 2005 - September 30, 2005		April 1, 2004 - March 31, 2005	
	Amount		Amount		Amount	
Capital surplus						
I Beginning balance of capital surplus		6,700,406		7,784,251		6,700,406
II Increase in capital surplus						
New share issue in capital increase	46,753	46,753	-	-	1,083,845	1,083,845
III Balance of capital surplus at end of period		6,747,159		7,784,251		7,784,251
Retained earnings						
I Beginning balance of retained earnings		293,249		762,141		293,249
II Increase in retained earnings						
Net income	458,191	458,191	410,166	410,166	633,780	633,780
III Decrease in retained earnings						
Cash dividends	136,089		159,331		136,089	
Directors' bonuses	-		3,220		-	
Others	-	136,089	-	162,552	28,799	164,888
IV Balance of retained earnings at end of period		615,351		1,009,755		762,141

Note: Included in "others" of "Decrease in retained earnings" are employee bonuses and social welfare provisions (in accordance with financial administration regulation No.37 of the Chinese subsidiary).

(4) Interim Consolidated Statements of Cash Flows

(thousands of yen)

Item / Period	April 1, 2004 - September 30, 2004 Amount	April 1, 2005 - September 30, 2005 Amount	April 1, 2004 - March 31, 2005 Amount
I Cash flows from operating activities			
Net income before income taxes	729,826	766,751	1,210,674
Depreciation and amortization	650,435	690,493	1,359,496
Amortization of consolidation adjustments	210,553	20,611	232,700
Impairment losses	-	43,360	-
Increase (decrease) in liability for retirement benefits	2,489	(121)	3,504
Increase (decrease) in liability for retirement benefits to officers	4,449	(800)	8,900
Increase (decrease) in reserve for bonuses payable	28,519	1,802	27,516
Increase (decrease) in allowance for doubtful receivables	29,544	171,148	152,331
Interest and dividend income	(28,687)	(38,224)	(44,507)
Interest expense	151,427	146,696	303,861
New shares issue expense	-	-	26,787
Foreign exchange losses	(126,215)	(77,266)	(49,448)
Equity loss of non-consolidated subsidiaries	99,978	10,124	58,743
Loss on valuation of equity in investee	171	(16,338)	-
Loss (gain) on sales of tangible fixed assets	(38,641)	(28,303)	(30,984)
Loss on disposal of fixed assets	86,211	1,582	89,767
Gain on sales of investment securities	(25,551)	(149,180)	(93,944)
Loss on valuation of investment securities	3,253	-	3,253
Decrease (increase) in notes and accounts receivable	(932,972)	396,777	(845,572)
Decrease (increase) in inventories	(228,535)	(256,544)	(180,331)
Decrease (increase) in other assets	(37,417)	(412,285)	(277,953)
Increase (decrease) in notes and accounts payable	465,022	69,223	(2,006)
Increase (decrease) in other liabilities	219,793	158,178	505,482
Directors' bonuses	-	(7,320)	-
Others	1,431	2,514	22,141
Sub-total	1,265,086	1,492,881	2,480,413
Interest and dividends received	26,058	39,383	38,224
Interest paid	(152,754)	(144,271)	(305,034)
Income taxes paid	(67,462)	(146,351)	(64,482)
Net cash provided by operating activities	1,070,927	1,241,640	2,149,121

(thousands of yen)

Item \ Period	April 1, 2004 - September 30, 2004	April 1, 2005 - September 30, 2005	April 1, 2004 - March 31, 2005
	Amount	Amount	Amount
II Cash flows from investing activities			
Payments for purchase of tangible fixed assets	(1,100,047)	(900,416)	(2,324,040)
Proceeds from sales of tangible fixed assets	90,753	43,600	383,137
Payments for business transfer	-	-	(323,400)
Payments for purchase of investment securities	(7,909)	(20,600)	(93,029)
Proceeds from sales of investment securities	146,423	335,648	304,609
Income from acquisition of subsidiary stock on changes in consolidated accounts	-	(498,564)	-
Payment for loans receivable	(49,000)	(150)	(199,000)
Proceeds from collection of loans receivable	640	600	2,230
Proceeds from other investing activities	20,637	7,419	46,926
Payment for other investing activities	(55,416)	(297,219)	(146,957)
Net cash provided by (used in) investing activities	(953,917)	(1,329,682)	(2,349,524)
III Cash flows from financing activities			
Increase (decrease) in short-term borrowings	555,360	36,266	(55,921)
Proceeds from long-term borrowings	603,870	2,112,169	1,497,061
Repayments of long-term borrowings	(1,274,829)	(1,344,728)	(3,096,368)
Proceeds from issuance of new shares	-	-	2,049,104
Proceeds from issuance of shares to minority shareholders	-	-	15,500
Payment for acquisition of treasury stock	(30)	-	(30)
Cash dividends paid	(135,658)	(164,341)	(135,745)
Cash dividends paid to minority shareholders	-	-	(250)
Net cash provided by (used in) financing activities	(251,288)	639,366	273,349
IV Effect of exchange rate changes on cash and cash equivalents	(15,802)	19,819	(7,663)
V Increase (decrease) in cash and cash equivalents	(150,080)	571,143	65,282
VI Cash and cash equivalents at the beginning of period	3,123,532	3,188,815	3,123,532
VII Cash and cash equivalents at end of period	2,973,452	3,759,958	3,188,815

Basis for Presentation of Consolidated Financial Statements

1. Scope of Consolidation

Consolidated subsidiaries: 16 entities as follows;

Ferrotec Quartz Corporation
Ferrotec Precision Corporation
Ferrotec Silicon Corporation
ALIONTEK CORPORATION
Techno Tooling Systems Co., Ltd.
Bio Trend Corp.
HANGZHOU DAHE THERMO-MAGNETICS CO., LTD.
HANGZHOU NIPPON-MAGNETICS SCIENCE INDUSTRY PARK DEVELOPMENT CO., LTD.
HANGZHOU WAGEN PRECISI TOOLING CO., LTD.
SHANGHAI SHENHE THERMO-MAGNETICS CO., LTD.
SHANGHAI HANHONG PRECISION MACHINERY CO., LTD.
Ferrotec (USA) Corporation
Ferrotec GmbH
Ferrotec Investments, LLC
FERROTEC CORPORATION SINGAPORE PTE LTD
SCTB NORD

Bio Trend Corp. and HANGZHOU WAGEN PRECISI TOOLING CO., LTD was established in the current fiscal year, and SCTB NORD was acquired in the current fiscal year. These subsidiaries are included in the scope of consolidation.

Non-consolidated subsidiaries: 6 entities as follows;

Ferrotec Engineering SRL
Shanghai Broad International Trading Co., Ltd.
Shanghai Plating International Trading Co., Ltd.
HANGZOU TENGHE TECHNOLOGY CO., LTD.
Two other companies

HANGZOU TENGHE TECHNOLOGY CO., LTD. was acquired in the current fiscal year.

Reason for exclusion:

Each one of the above-listed six subsidiaries have negligible total assets, net sales, net income (loss) and retained earnings, and as a result, they collectively have very little impact on consolidation.

2. Application of Equity Method

Non-consolidated subsidiaries and affiliates for which the equity method is applied: 6 entities as follows:

Diacelltec Corporation
Hangzhou Lingri Science and Technology Co., Ltd.
Shanghai Broad International Trading Co., Ltd.
Shanghai Plating International Trading Co., Ltd.
HANGZOU TENGHE TECHNOLOGY CO., LTD.
Shanghai Shoda International Trade Co., Ltd.

We have applied the equity method to Shanghai Broad International Trading Co., Ltd. Shanghai Plating International Trading Co., Ltd., and Shanghai Shoda International Trade Co., Ltd. because of their close business relationship, and to HANGZOU TENGHE TECHNOLOGY CO., LTD. which we acquired it this fiscal year.

Non-consolidated subsidiaries not accounted for under equity method: 3 entities as follows:

Ferrotec Engineering SRL
Two of other companies

Reason for exclusion:

Each one of the above-listed subsidiaries and an affiliate has very little impact on consolidated net income (loss) and retained earnings, and therefore the investments in them are not accounted for under equity method.

3. Interim Fiscal Year of Consolidated Subsidiaries

The interim period of consolidated subsidiary Aliontec Corporation ends October 31, but we calculated provisional results on June 30 for consolidation purposes; the interim period of other consolidated subsidiaries ends on June 30, and we have consolidated their results as of that day. We have made necessary adjustments at the consolidated level for important transactions that occurred between June 30 and interim consolidation closing date.

4. Significant Accounting Standards

(1) Valuation Standards and Method for Major Assets

1) Securities

Bonds held to maturity:

Valued at cost and are being amortized by the straight-line method.

Other securities:

Securities with market quotations:

Valued at market price, using the market value at the end of the period, differences in valuation to be included in shareholders' equity, and cost of sale being determined by the moving average method.

Securities without market quotations:

Valued at cost being determined by the moving average method.

2) Derivatives:

Valued by the mark-to-market method.

3) Inventories

At the Company and the subsidiaries located in Japan and China:

Valued at cost being determined by the moving average method.

At the subsidiaries located in the US and Singapore:

Valued at cost being determined by the first-in-first-out method.

(2) Depreciation / Amortization Method Applicable to Material Fixed Assets

1) Tangible fixed assets:

At the Company and the subsidiaries in Japan:

By the declining balance method, except for buildings excluding fixtures acquired on or after April 1, 1998, to which the straight-line method is applied.

At the subsidiaries outside Japan:

By the straight-line method.

Useful lives:

Buildings and structures: 20-47 years

Machinery and equipment: 10 years

2) Intangible assets:

At the Company and the subsidiaries in Japan:

By the straight-line method.

Software for internal use is amortized over an expected useful life of five years by the straight-line method.

At the subsidiaries outside Japan:

By the straight-line method in accordance with local generally accepted accounting standards in each domicile.

However, regarding goodwill at our US consolidated subsidiary, we follow the US Financial Accounting Standards Board's Standard No.142 which discusses the treatment of goodwill and other non-tangible fixed assets. As such, we have not amortized goodwill at the US subsidiary, but will make a judgment concerning amortization once a year, or whenever an event occurs that would necessitate this. We have not amortized in the current consolidated interim period based on our judgment.

3) Long-term prepaid expenses:

At the Company and the subsidiaries in Japan:

By the straight-line method.

At the subsidiaries outside Japan:

By the straight-line method in accordance with local generally accepted accounting standards in each domicile.

(3) Recognition of Major Reserves

1) Allowance for doubtful receivables

To prepare for credit losses on accounts receivable, allowances equal to the estimated amount of uncollectible receivables are accounted for based on historical write-off ratio for general receivables, and based on case-by-case determination of collectibility for bad receivables and claims in bankruptcy.

2) Reserve for bonuses payable

To provide for employee bonuses, we booked reserves in the current consolidated interim period based on estimate of interim-period bonus obligations.

3) Liability for retirement benefits

To provide for retirement benefits to employees, an amount is reserved as recognized at the Company and domestic subsidiaries in the way liability for retirement benefits is determined based on the estimated retirement benefit obligations and pension assets at the end of the period under review. At the consolidated subsidiaries overseas, nothing is applicable here.

4) Liability for retirement benefits to officers

To provide for retirement benefits to officers, an amount required by the internal rule as of the balance sheets date is fully reserved at the Company and domestic subsidiaries. At the subsidiaries overseas, nothing is applicable here.

(4) Translation of Material Assets / Liabilities in Foreign Currency into Japanese Currency

The monetary liabilities denominated in foreign currency are translated into Japanese currency based on the spot exchange rate as of the balance sheets date of the period under review, with the conversion difference to be accounted for as profit or loss. The assets, liabilities, profit and loss of overseas subsidiaries are translated into Japanese currency based on the spot exchange rate as of the balance sheets date, with the conversion difference to be accounted for so as to be included in foreign exchange translation adjustment account in the shareholders' equity.

(5) Significant Lease Transaction

At the Company and domestic subsidiaries, finance leases other than those wherein the ownership of the lease assets is deemed to be transferred to the lessees are accounted for by the method applicable to ordinary operating leases. At the overseas subsidiaries, an accounting method similar to one applicable to the ordinary sales transactions is adopted.

(6) Accounting for Hedges

1) Accounting method

Interest rate swap transactions are booked by an exceptional treatment allowed for fully hedged transactions as they satisfy the conditions for the treatment. Currency option contracts are booked by reflection in the underlying accounts as they satisfy the conditions for such treatment allowed for fully matched usage.

2) Hedging instruments and the risks hedged

a) Hedging instrument: Interest rate swap   Risks hedged: Interests payable on borrowings

b) Hedging instrument: Currency option   Risks hedged: Monetary liabilities denominated in foreign currencies

3) Hedging policy

The Group hedges fluctuation risks of interest rates and foreign exchanges in accordance with internal rules.

4) Accessing effectiveness of hedges

Because exceptional treatment is allowed for interest rate swap transactions, there is no assessment made on effectiveness of the relevant hedging transactions.

For a currency option contract, assessment is made based on comparison of accumulated cash flows changes both in an underlying liability and in the corresponding hedging contract during a certain period for assessment.

(7) Other Significant Principles for Presentation of Consolidated Financial Statements

Consumption taxes

Amounts of transactions subject to the tax are stated exclusive of consumption taxes.

5. Change in major items in the preparation of interim consolidated financial statements (fixed asset impairment accounting)

We applied fixed asset impairment accounting standards based on the "Opinion Paper on the Establishment of Fixed Asset Impairment Accounting Standards" (Business Accounting Council; August 9, 2002) and the "Fixed Asset Impairment Accounting Standards Application Policy" (Business Accounting Standard Application Policy No.6, October 31, 2003), starting from the current interim period.

As a result, net income before taxes and adjustments declined 43 million yen. We have deducted impairment losses directly from asset values in line with revised interim consolidated financial rules.

6. Cash and cash equivalents on the Interim Consolidated Statement of Cash Flows

The funds represented by "cash and cash equivalents" on the Consolidated Statement of Cash Flows is composed of 1) cash on hand, 2) bank deposits payable on demand, and 3) short-term investments readily redeemable within three months from the acquisition that has little risk on changes in valuation.

Change in display format

(Interim balance sheet)

Due to a partial revision to the Securities Exchange Law (2004 revised law No.97), and a revision to the Practical Guideline for Financial Product Accounting (Accounting Standards Committee Report No.14), investment business limited associations and investments in these associations, previously presented under "others" as a component of "investments and other assets" at the end of the previous consolidated interim period, were classified under "investment securities" starting at the end of the previous consolidated period.

These limited association investments, included as a component of "investment securities," totaled 187,505 thousand yen at the end of the current consolidated interim period. This compares with the 190,655 thousand yen booked under "others" as a component of "investments and other assets" at the end of the previous consolidated interim period.

Notes to Consolidated Financial Statements

Interim Consolidated Balance Sheets

(thousands of yen)

As of September 30, 2004		As of September 30, 2005		As of March 31, 2005	
*1. Accumulated depreciation of tangible fixed assets:	5,088,031	*1. Accumulated depreciation of tangible fixed assets:	5,891,892	*1. Accumulated depreciation of tangible fixed assets:	5,203,630
*2. Pledged assets		*2. Pledged assets		*2. Pledged assets	
Buildings and structures	1,574,094	Buildings and structures	1,364,470	Buildings and structures	1,358,039
Land	2,253,150	Land	2,253,150	Land	2,253,150
Other intangible assets	493,572	Other intangible assets	985,498	Other intangible assets	304,713
Total	4,320,816	Total	4,603,119	Total	3,915,902
Liabilities secured with the above listed collateral		Liabilities secured with the above listed collateral		Liabilities secured with the above listed collateral	
Short-term borrowings	267,609	Short-term borrowings	447,513	Short-term borrowings	277,311
Current portion of long-term borrowings	361,483	Current portion of long-term borrowings	268,443	Current portion of long-term borrowings	358,964
Long-term borrowings	1,115,532	Long-term borrowings	637,329	Long-term borrowings	757,251
Total	1,744,624	Total	1,383,285	Total	1,393,526
3. Discounted notes receivable:	203,587	3. Discounted notes receivable:	38,318	3. Discounted notes receivable:	197,548

Interim Consolidated Statements of Income

(thousands of yen)

<table>
<tr><th>April 1, 2004 - September 30, 2004</th><th>April 1, 2005 - September 30, 2005</th><th>April 1, 2004 - March 31, 2005</th></tr>
<tr>
<td>*1. Significant components of selling, general and administrative expenses:
Salaries and wages 803,145
Provision for reserve for bonus payable 101,136
Provision for liability for retirement benefits to officers 11,349
Provision for allowance for doubtful receivables 21,065</td>
<td>*1. Significant components of selling, general and administrative expenses:
Salaries and wages 898,708
Provision for reserve for bonus payable 72,270
Provision for liability for retirement benefits to officers 5,199
Provision for allowance for doubtful receivables 11,737</td>
<td>*1. Significant components of selling, general and administrative expenses:
Salaries and wages 1,601,334
Provision for reserve for bonus payable 74,756
Provision for liability for retirement benefits to officers 14,400
Provision for allowance for doubtful receivables 26,251</td>
</tr>
<tr>
<td>*2. As for deferred tax accounting, the Company and subsidiaries adopt the ''simple method,'' which is based on expected net income and permanent differences for relevant fiscal year, and their deferred income taxes are included in current taxes.</td>
<td>*2. Same as on the left.</td>
<td>-</td>
</tr>
<tr>
<td>*3. It consists mainly of 37,950 thousand yen in gain on sale of machinery.</td>
<td>*3. Includes 20,307 thousand yen in capital gains on sale of machinery, 6,880 thousand yen from the sale of tools and fixtures, etc.</td>
<td>*3. It consists mainly of 43,110 thousand yen in gain on sale of machinery.</td>
</tr>
<tr>
<td>*4. It consists of 81,969 thousand yen in losses from the disposal of machinery.</td>
<td>*4 Mainly the write off of tools, furniture and fixtures.</td>
<td>*4. It consists of 83,426 thousand yen in losses from the disposal of machinery.</td>
</tr>
<tr>
<td>*5. We amortized at once consolidated account adjustments related to Ferrotec Silicon Corporation.</td>
<td>-</td>
<td>*5. We amortized at once consolidated account adjustments related to Ferrotec Silicon Corporation.</td>
</tr>
<tr>
<td></td>
<td>*6. Impairment losses
<table>
<tr><th>Location</th><th>Purpose</th><th>Type</th></tr>
<tr><td>Ferrotec Silicon Fukui Factory (Fukui-city, Fukui Pref.)</td><td>Production facilities of semiconductor silicon wafer</td><td>Machinery Goodwill, Etc.</td></tr>
</table>
As a general rule, we group impairment losses at the company level.
However, we group at the factory level when it is possible to grasp operating gains/losses at this level.
As factory losses have continued to deteriorate in the above asset groups, we have recorded asset impairments of 43,360 thousand yen as extraordinary losses. The breakdown of the impairment losses is machinery and equipment 8,806 thousand yen, goodwill 33,750 thousand yen, and others 803 thousand yen.
Although we have used utility value as the recoverable value for these assets, we have written off their entire book value because of our forecast for negative future cash flow.</td>
<td></td>
</tr>
</table>

Interim Consolidated Statements of Cash Flows

(thousands of yen)

April 1, 2004 - September 30, 2004	April 1, 2005 - September 30, 2005	April 1, 2004 - March 31, 2005
*1. The balance of cash and cash equivalents at end of period Reconciled with the "cash and deposits" stated in the consolidated balance sheets.	*1. The balance of cash and cash equivalents at end of period Same as on the left.	*1.The balance of cash and cash equivalents at the end of year Reconciled with the "cash and deposits" stated in the consolidated balance sheets.
-		*2 Breakdown of the increase in assets resulting from business transfer in the current fiscal year: Fixed assets: 323,400
-	*3. Major components of assets and liabilities of subsidiaries' SCTB NORD acquired through share purchase and consequently newly included in consolidation. Reconciliation of major balance sheets items, acquisition payment and amount paid for / received from the acquisition upon consolidation of the relevant subsidiary is shown as follows: Current assets 201,181 Fixed assets 24,757 Consolidation adjustment 363,396 Current liabilities (11,275) Minority interest (10,733) Acquisition payment for shares 567,325 Cash and cash equivalents 68,760 Net amount paid for received from acquisition 498,564	-

Lease Transactions

(thousands of yen)

April 1, 2004 - September 30, 2004		April 1, 2005 - September 30, 2005		April 1, 2004 - March 31, 2005	
Finance leases other than those wherein the ownership is deemed to be transferred to lessees		Finance leases other than those wherein the ownership is deemed to be transferred to lessees		Finance leases other than those wherein the ownership is deemed to be transferred to lessees	
1. Acquisition amount, accumulated depreciation and the balance of leased assets at end of period		1. Acquisition amount, accumulated depreciation and the balance of leased assets at end of period		1. Acquisition amount, accumulated depreciation and the balance of leased assets at end of fiscal year	
Machinery and vehicles:		Machinery and vehicles:		Machinery and vehicles:	
Acquisition amount	257,475	Acquisition amount	219,032	Acquisition amount	219,032
Accumulated depreciation	109,378	Accumulated depreciation	98,803	Accumulated depreciation	80,230
Period-end balance	148,097	Period-end balance	120,229	Year-end balance	138,802
Tools, furniture and fixtures:		Tools, furniture and fixtures:		Tools, furniture and fixtures:	
Acquisition amount	44,255	Acquisition amount	51,785	Acquisition amount	47,509
Accumulated depreciation	17,855	Accumulated depreciation	26,678	Accumulated depreciation	22,008
Period-end balance	26,399	Period-end balance	25,106	Year-end balance	25,501
Others:		Others:		Others:	
Acquisition amount	79,452	Acquisition amount	95,768	Acquisition amount	95,768
Accumulated depreciation	29,300	Accumulated depreciation	47,108	Accumulated depreciation	37,531
Period-end balance	50,151	Period-end balance	48,659	Year-end balance	58,236
Total:		Total:		Total:	
Acquisition amount	381,183	Acquisition amount	366,586	Acquisition amount	362,309
Accumulated depreciation	156,534	Accumulated depreciation	172,590	Accumulated depreciation	139,770
Period-end balance	224,648	Period-end balance	193,995	Year-end balance	222,539
2. Outstanding lease commitments as of balance sheets date		2. Outstanding lease commitments as of balance sheets date		2. Outstanding lease commitments as of balance sheets date	
Due within one year	59,633	Due within one year	65,305	Due within one year	64,676
Due after one year	168,706	Due after one year	132,939	Due after one year	162,003
Total	228,340	Total	198,245	Total	226,680
3. Lease payments, depreciation and interest equivalents		3. Lease payments, depreciation and interest equivalents		3. Lease payments, depreciation and interest equivalents	
Lease payments	37,076	Lease payments	34,746	Lease payments	73,947
Depreciation equivalents	34,591	Depreciation equivalents	32,820	Depreciation equivalents	69,171
Interest equivalents	2,252	Interest equivalents	2,027	Interest equivalents	4,407
4. Calculation of accumulated depreciation equivalents Depreciation is based on the straight-line method, assuming the lease period to be the useful life and no residual value.		4. Calculation of accumulated depreciation equivalents Same as on the left.		4. Calculation of accumulated depreciation equivalents Same as on the left.	
5. Calculation of interest equivalents Interest represents the difference between the total lease payments and the acquisition cost equivalents, and is allocated for each period using the simple-interest method.		5. Calculation of interest equivalents Same as on the left.		5. Calculation of interest equivalents Same as on the left.	

6. Segment Information

(1) Segment information by business category

(thousands of yen)

April 1, 2004 to September 30, 2004						
Division	Equipment-related business	Electronic devices business	CMS business	Total	Eliminations or corporate	Consolidated
Net sales						
(1) Net sales to third parties	5,339,672	2,115,327	3,328,567	10,783,567	-	10,783,567
(2) Internal sales and transfers	-	883	-	883	(883)	-
Total	5,339,672	2,116,211	3,328,567	10,784,451	(883)	10,783,567
Operating expenses	4,646,860	1,799,449	3,253,519	9,699,830	20,271	9,720,101
Operating income	692,811	316,761	75,048	1,084,621	(21,155)	1,063,466
April 1, 2005 to September 30, 2005						
Division	Equipment-related business	Electronic devices business	CMS business	Total	Eliminations or corporate	Consolidated
Net sales						
(1) Net sales to third parties	5,477,695	1,424,407	3,823,849	10,725,952	-	10,725,952
(2) Internal sales and transfers	-	308	-	308	(308)	-
Total	5,477,695	1,424,715	3,823,849	10,726,260	(308)	10,725,952
Operating expenses	5,026,217	1,658,045	3,729,461	10,413,723	19,273	10,432,997
Operating income	451,477	(233,329)	94,388	312,536	(19,581)	292,954
April 1, 2004 to March 31, 2005						
Division	Equipment-related business	Electronic devices business	CMS business	Total	Eliminations or corporate	Consolidated
Net sales						
(1)Net sales to third parties	11,203,550	3,577,173	6,325,023	21,105,746	-	21,105,746
(2)Internal sales and transfers	-	1,415	-	1,415	(1,415)	-
Total	11,203,550	3,578,589	6,325,023	21,107,162	(1,415)	21,105,746
Operating expenses	9,829,122	3,332,638	6,143,886	19,305,646	38,073	19,343,720
Operating income	1,374,427	245,950	181,137	1,801,515	(39,489)	1,762,026

Notes:

1. The business segmentation listed above is based on similarity in use of products and form of transactions.

(1) Equipment-related business:
Vacuum feedthroughs, quartz products, etc. for manufacturing devices of semiconductors and FPDs

(2) Electronic devices business:
Computer seals applied for HDDs and thermoelectric modules used for thermostats

(3) CMS business:
We manufacture products on contract for other companies, but refrain from listing those products due to confidentiality obligations with clients, and because of the wide variety of products handled.

(2) Geographical segment information

(thousands of yen)

April 1, 2004 to September 30, 2004						
Division	Japan	Asia	USA & Europe	Total	Eliminations or corporate	Consolidated
Net sales						
(1) Net sales to third parties	6,118,819	2,286,804	2,377,944	10,783,567	-	10,783,567
(2) Internal sales and transfers	1,253,280	3,563,321	47,848	4,864,450	(4,864,450)	-
Total	7,372,099	5,850,126	2,425,792	15,648,018	(4,864,450)	10,783,567
Operating expenses	6,852,081	5,498,679	2,183,442	14,534,203	(4,814,102)	9,720,101
Operating income	520,018	351,446	242,349	1,113,814	(50,348)	1,063,466
April 1, 2005 to September 30, 2005						
Division	Japan	Asia	USA & Europe	Total	Eliminations or corporate	Consolidated
Net sales						
(1) Net sales to third parties	5,993,393	2,073,628	2,658,929	10,725,952	-	10,725,952
(2) Internal sales and transfers	823,432	3,618,084	11,904	4,453,422	(4,453,422)	-
Total	6,816,826	5,691,713	2,670,834	15,179,374	(4,453,422)	10,725,952
Operating expenses	6,821,289	5,444,346	2,566,434	14,832,069	(4,399,072)	10,432,997
Operating income	(4,462)	247,366	104,400	347,304	(54,349)	292,954
April 1, 2004 to March 31, 2005						
Division	Japan	Asia	USA & Europe	Total	Eliminations or corporate	Consolidated
Net sales						
(1) Net sales to third parties	11,901,638	4,368,312	4,835,795	21,105,746	-	21,105,746
(2) Internal sales and transfers	1,806,903	6,832,983	57,188	8,697,074	(8,697,074)	-
Total	13,708,542	11,201,295	4,892,984	29,802,821	(8,697,074)	21,105,746
Operating expenses	12,825,492	10,666,776	4,475,818	27,968,088	(8,624,367)	19,343,720
Operating income	883,049	534,518	417,165	1,834,733	(72,707)	1,762,026

Notes:
1. Country or area for categorization is based on geographical distance.
2. Areas other than Japan and countries falling to them are as follows:
   Asia: China and Singapore
   USA & Europe: USA and Germany

(3) Overseas sales

(thousands of yen)

Division			Asia	USA & Europe	Total
April 1, 2004 to September 30, 2004	I	Overseas sales	1,733,907	2,377,944	4,111,852
	II	Consolidated sales	-	-	10,783,567
	III	Share of overseas sales among the consolidated sales (%)	16.1	22.1	38.1
Division			Asia	USA & Europe	Total
April 1, 2005 to September 30, 2005	I	Overseas sales	1,644,734	2,658,929	4,303,664
	II	Consolidated sales	-	-	10,725,952
	III	Share of overseas sales among the consolidated sales (%)	15.3	24.8	40.1
Division			Asia	USA & Europe	Total
April 1, 2004 to March 31, 2005	I	Overseas sales	3,290,223	4,924,795	8,215,019
	II	Consolidated sales	-	-	21,105,746
	III	Share of overseas sales among the consolidated sales (%)	15.6	23.3	38.9

Notes:
1. Country or area for categorization is based on geographical distance.
2. Areas other than Japan and countries falling to them are as follows:
   USA & Europe: USA, Germany, and UK
   Asia: China, Thailand, and Singapore
3. “Overseas sales” consists of net sales from outside Japan at the Company and consolidated subsidiaries.

7. Production, Orders and Sales

(1) Production

Production amounts by business category in the current interim period under review are as follows:

(thousands of yen)

Business category	Production amount	
		Year-on-year ratio
Equipment-related business	4,651,626	92.6%
Electric devices business	1,573,654	73.2%
CMS business	3,961,128	123.9%
Total	10,186,408	98.2%

Notes:

1. Amounts are stated at sales price.
2. The above amounts are exclusive of consumption taxes.

(2) Orders

Orders received by business category for the current interim period under review are as follows:

(thousands of yen)

Business category	Orders received		Orders outstanding	
		Year-on-year ratio		Year-on-year ratio
Equipment-related business	5,586,448	102.6%	1,477,181	91.1%
Electric devices business (made-to-order items)	340,486	37.6%	9,675	5.1%
CMS business	4,061,931	118.0%	323,101	110.7%

Notes:

1. Thermoelectric modules of the electronic devices business are produced in prospect of demands.
2. The above amounts are exclusive of consumption taxes.

(3) Sales

Sales amounts by business category for the current interim period under review are as follows:

(thousands of yen)

Business category	Sales amount	
		Year-on-year ratio
Equipment-related business	5,477,695	102.6%
Electric devices business	1,424,426	67.3%
CMS business	3,823,830	114.9%
Total	10,725,952	91.0%

Note: The above amounts are exclusive of consumption taxes.

8. Securities

FY 3/05 Interim (As of September 30, 2004)

1. Securities with market quotations classified as “other securities”

(thousands of yen)

	Acquisition cost	Carrying value	Unrealized gain
(1) Shares	483,958	648,429	164,471
(2) Bonds	-	-	-
(3) Others	137,233	179,926	42,692
Total	621,191	828,356	207,164

2. Securities without market quotations

(thousands of yen)

	Carrying value
(1) Bonds held to maturity	
Unlisted bonds	290,000
(2) Other securities	
Unlisted shares	62,785
Unlisted bonds	114,266

FY 3/06 Interim (As of September 30, 2005)

1. Securities with market quotations classified as “other securities”

(thousands of yen)

	Acquisition cost	Carrying value	Unrealized gain (loss)
(1) Shares	483,958	994,455	510,497
(2) Bonds	100,000	98,840	(1,160)
(3) Others	20,600	19,956	(644)
Total	604,558	1,113,251	508,693

2. Securities without market quotations

(thousands of yen)

	Carrying value
(1) Bonds held to maturity	
Unlisted bonds	296,000
(2) Other securities	
Unlisted shares	53,343
Unlisted bonds	187,505

FY 3/05 (As of March 31, 2005)

1. Securities with market quotations classified as “other securities”

(thousands of yen)

	Acquisition cost	Carrying value	Unrealized gain (loss)
(1) Shares	483,958	702,471	218,512
(2) Bonds	100,000	91,360	(8,640)
(3) Others	137,233	191,099	53,866
Total	721,191	984,931	263,739

2. Securities without market quotations

(thousands of yen)

	Carrying value
(1) Bonds held to maturity	
Unlisted bonds	293,000
(2) Other securities	
Unlisted shares	77,195
Unlisted bonds	182,478

9. Derivatives

April 1, 2004 - September 30, 2004	April 1, 2005 - September 30, 2005	April 1, 2004 - March 31, 2005
It is omitted here because all derivatives transactions outstanding as of the end of the interim period under review are applicable to the hedge accounting.	Same as on the left.	It is omitted here because all derivatives transactions outstanding as of the end of the fiscal year under review are applicable to the hedge accounting.

10. Per share data

(yen)

April 1, 2004 - September 30, 2004		April 1, 2005 - September 30, 2005		April 1, 2004 - March 31, 2005	
Net assets per share	748.63	Net assets per share	787.41	Net assets per share	742.57
Net income per share	26.80	Net income per share	20.59	Net loss per share	36.69
Diluted net income per share	23.99	Diluted net income per share	18.35	Diluted net income per share	32.17

(thousands of yen)

	April 1, 2004 - September 30, 2004	April 1, 2005 - September 30, 2005	April 1, 2004 - March 31, 2005
Net income	458,191	410,166	633,780
Amount not attribute to shareholders	-	-	-
[of which, directors' bonus in the appropriation of retained earnings]	[-]	[-]	[-]
Net income related to common stock	458,191	410,166	633,780
Average number of shares outstanding	17,099,735	19,916,406	17,274,075
Adjusted net income	886	718	1,804
[of which, interest expenses after tax deduction]	[721]	[716]	[1,456]
[of which, paperwork fees after tax deduction]	[164]	[1]	[348]
Increase in common stock	2,032,956	2,472,052	2,480,700
Dilutive potential shares excluded from the dilution information due to improbability	Dilutive potential shares: Stock acquisition rights Common shares: 1,218,600 shares	Dilutive potential shares: Stock acquisition rights Common shares: 1,004,900 shares	Dilutive potential shares: Stock acquisition rights Common shares: 1,589,900 shares

**This financial report is solely a translation of the summary of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*