FerroTec

November 24, 2006

Consolidated Interim Financial Results

(April 1, 2006 – September 30, 2006)
for the Fiscal Year Ending March 2007

Company:	Ferrotec Corporation
Stock code:	6890
Stock exchange listing:	JASDAQ
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URL:	http:// www.ferrotec.co.jp
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Board meeting for approval:	November 24, 2006
Accounting method:	Japanese GAAP

1. Consolidated Interim Financial Results (April 1, 2006 – September 30, 2006)

(1) Consolidated 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 period ended Sep. 2006	14,819	38.2	973	232.2	793	212.5
Interim period ended Sep. 2005	10,725	(0.5)	292	(72.5)	253	(73.0)
Fiscal year ended Mar. 2006	23,946		1,210		1,040	

	Net Income		Net Income per Share (Basic)	Net Income per Share (Diluted)
	million yen	YoY change (%)	yen	yen
Interim period ended Sep. 2006	663	61.7	33.31	29.67
Interim period ended Sep. 2005	410	(10.5)	20.59	18.35
Fiscal year ended Mar. 2006	708		35.59	31.72

Notes:

1. Equity in earnings (losses) of non-consolidated subsidiaries and affiliates
   - Interim period ended Sep. 2006: (8) million yen
   - Interim period ended Sep. 2005: (10) million yen
   - Fiscal year ended March 2006: (79) million yen
2. Average number of shares outstanding (consolidated)
   - Interim period ended Sep. 2006: 19,916,406 shares
   - Interim period ended Sep. 2005: 19,916,406 shares
   - Fiscal year ended March 2006: 19,916,406 shares
3. Changes in accounting methods applied: None
4. "YoY change" represents relevant change in percentage compared to the same period of the previous year.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	million yen	million yen	%	yen
As of September 30, 2006	36,532	17,471	47.4	868.78
As of September 30, 2005	32,859	15,682	47.7	787.41
As of March 31, 2006	35,039	17,084	48.8	857.81

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

As of September 30, 2006: 19,916,406 shares
As of September 30, 2005: 19,916,406 shares
As of March 31, 2006: 19,916,406 shares

(3) Consolidated Cash Flows

	Net Cash Provided by (Used in)			Cash and Cash Equivalents at End of Period
	Operating Activities	Investing Activities	Financing Activities	
	million yen	million yen	million yen	million yen
Interim period ended Sep. 2006	885	(353)	677	5,395
Interim period ended Sep. 2005	1,241	(1,329)	639	3,759
Fiscal year ended Mar. 2006	4,133	(3,541)	162	4,108

(4) Scope of Consolidation and Application of Equity Method

Consolidated subsidiaries: 16
Non-consolidated subsidiaries accounted for by the equity method: 6
Affiliates accounted for by the equity method: 2

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

Consolidation
- Newly added: 3
- Excluded: 0

Equity method
- Newly added: 0
- Excluded: 2

2. Forecast for the Fiscal Year Ending March 31, 2007 (April 1, 2006 - March 31, 2007)

	Net Sales	Operating Income	Ordinary Income	Net Income
	million yen	million yen	million yen	million yen
Full year	29,500	1,800	1,400	980

Note: Forecast net income per share for the full year: 49.21 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 7 regarding assumptions for performance forecasts.

1. The Ferrotec Group

The Ferrotec Group (the “Group”) consists of Ferrotec Corporation (the “Company”) and 26 subsidiaries and affiliates (“Members”: 16 consolidated subsidiaries, six equity-method subsidiaries, two equity-method affiliates, two non-consolidated subsidiaries).

The Group develops, manufactures and sells vacuum feedthroughs and quartz products used for semiconductor applications and flat panel display (FPD) manufacturing, thermoelectric modules for thermostatic control systems, and silicon products, ferrofluids, and ferrofluid-applied products.

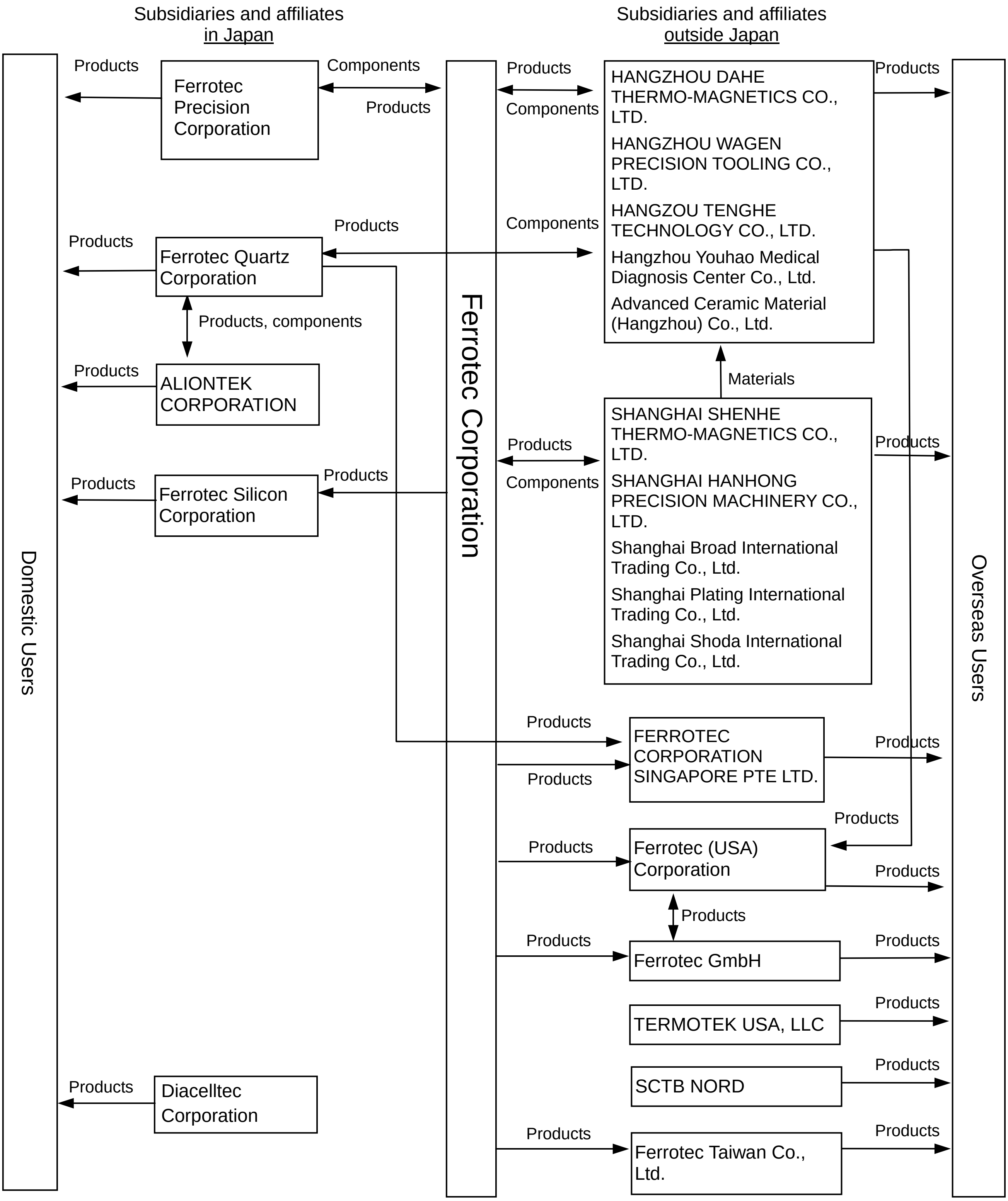
The following categories are the same as those for segment information by business.

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

	Major products	Development	Manufacturing	Sales	Major Companies
Equipment- related business	Vacuum feedthroughs	o		o	Ferrotec Corporation
			o	o	Ferrotec Precision Corporation
			o	o	HANGZHOU DAHE THERMO-MAGNETICS CO., LTD.
			o	o	Ferrotec Taiwan 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
			o	o	TERMOTEK USA, LLC
Electronic device business	Ferrofluid-applied products (ferrofluid seals, etc.)	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
CMS business*			o	o	HANGZHOU DAHE THERMO-MAGNETICS CO., LTD.
			o	o	HANGZHOU WAGEN PRECISION 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	SHANGHAI HANHONG PRECISION MACHINERY CO., LTD.
Other businesses			o	o	HANGZOU TENGHE TECHNOLOGY CO., LTD.
			o	o	Hangzhou Youhao Medical Diagnosis Center 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.

Ferrotec Group



2. Management Policies

1) Fundamental 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 overseas customers, 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) Internal administrative structure and management

Please see the corporate governance report “Basic policy and structure of internal control.”

7) Parent company

Not applicable.

3. Business Results

Review of operations for interim period (April 1, 2006 - September 30, 2006)

The global economy remained strong overall in the interim period under review. The US economy slowed, but the Japanese economy continued to steadily recover driven by capital spending and exports.

In the electronics industry, the main source of demand for our company's products, capital spending was robust at semiconductor and flat panel display (FPD) manufacturers seeking to boost production capacity, and production of electronic devices and parts remained strong thanks to expanding demand for PCs, mobile equipment, and digital consumer electronics.

In this environment, sales exceeded our initial forecasts in most product categories. Shipments of vacuum feedthroughs, quartz products, and other components geared for semiconductor and FPD manufacturing equipment remained strong, as did shipments of silicon products to semiconductor manufacturers. Shipments of thermoelectric modules also showed strong growth driven mostly by demand from temperature-adjustable car seat applications.

Consolidated sales in the interim period increased 38.2% year-over-year to 14,819 million yen. Operating income increased 232.2% to 973 million yen due to expanding sales and continued efforts to reduce expenses, ordinary income increased 212.5% to 793 million yen due to foreign exchange rate stability, and net income increased 61.7% to 663 million yen.

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

Vacuum feedthroughs, quartz products, and silicon products are the mainstay products in the equipment-related business.

In the semiconductor production equipment segment, semiconductor production volumes expanded as semiconductor manufacturers in Japan, Korea, the US, and Taiwan continued to invest in production equipment mainly for DRAM and flash memory to meet rising semiconductor demand from a variety of applications including PCs, mobile equipment, digital consumer electronics, and automobiles. In the FPD production equipment segment, Japanese and Asian LCD and plasma panel makers continued to expand production to meet rising demand for FPD TVs as volume production drove prices lower. Sales of our mainstay products in this business - vacuum feedthroughs, quartz products, and silicon products – increased strongly as a result of these positive trends.

Profits increased significantly year-over-year as higher sales, and benefits from the production innovation program we have been working on since last fiscal year, offset the negative impact of high raw materials prices.

Electronic devices business

Thermoelectric modules and ferrofluids are the mainstay products in the electronic devices business.

Sales of thermoelectric modules exceeded our initial forecasts due to strong demand from temperature-adjustable car seats, the mainstay application, and semiconductors, measuring equipment, and laser equipment. Sales of ferrofluids, primarily used in audio speakers, achieved our initial target due to strong demand for new products including biomedical research kits.

Operating loss improved despite investment in the development of ferrofluid bearings (FFBs) designed to replace computer seals, sample FFB shipment costs, and other related product development costs.

CMS business

We manufacture items contracted to us by other companies in the contract manufacturing services (CMS) business, but cannot discuss product details as we manufacture too broad a range of products, and have a confidentiality obligation to customers. However, some of the activities in this business that we can disclose are silicon wafer processing, machine tool assembly, and equipment parts cleansing.

With the transfer of silicon wafer processing equipment to our Chinese subsidiary fully complete, silicon wafer processing orders exceeded our initial target. Also, orders were strong for equipment parts cleansing, machine tool assembly, and monocrystal silicon lifting equipment for solar cells. Profits expanded on greater sales.

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	7,135	+30.3%	2,235	+56.9%	5,514	+44.2%
Operating income (loss)	896	+98.6%	(12)	-	123	+30.5%

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	10,090	+48.0%	7,997	+40.5%	3,886	+45.5%
Operating income	335	-	495	+100.2%	255	+145.1%

Note: Net sales figures include interdivisional sales.

Forecast for the full consolidated fiscal year (April 1, 2006 - March 31, 2007)

We expect earnings at Japanese companies, particularly large ones, to continue recovering going forward, although the slow recovery in personal spending will make it difficult for companies to pass on high crude oil prices and rising raw materials prices to customers, making the outlook for corporate earnings less certain. We are concerned about end-product inventory adjustment after the holiday shopping season finishes around the New Year, due in part to a slowdown in the US economy.

In the electronics industry, the main source of demand for our company’s products, capital spending remains brisk in the semiconductor and flat panel display (LCDs and PDPs) sectors, but we expect to see a correction toward the end of the fiscal year due to production equipment delivery adjustments at some LCD panel makers. In the solar panel market which we have recently entered, polysilicon remains in short supply due to strong demand from the semiconductor industry which also uses polysilicon as a raw material, and we expect the supply-demand balance to deteriorate further around the end of the year.

In this environment, we established a sales and maintenance subsidiary in Taiwan in September to expand sales of vacuum feedthroughs in the equipment-related business and to improve customer satisfaction in the Asian market. We have bolstered processing capacity of quartz products to meet rising demand for OEM products from overseas customers. In the electronic devices business, sales of thermoelectric modules have been growing for temperature-adjustable car seats and laser equipment applications, and we have been working to expand orders for high-performance products. Ferrofluids are our company’s core technology, and we have been launching new products to expand uptake by manufacturers of external speakers of portable music players and mid-range speakers.

In the CMS business, we will work to improve profitability, particularly of silicon wafer processing, by raising capacity utilization and yields at our Chinese factory. We will also work to ensure that our solar battery lifting equipment meets the specifications of customers in order to boost orders, and will continue R&D to launch new products.

We forecast full-year consolidated sales of 29,500 million yen, operating income of 1,800 million yen, ordinary income of 1,400 million yen, and net income of 980 million yen.

Our full-year forecasts are based on a foreign exchange rate of 115 yen to the US dollar for the second half.

Cash flow position

Consolidated cash and cash equivalents totaled 5,395 million yen at the end of the interim period under review, up 1,286 million yen from the end of the previous fiscal year, and up 1,635 million yen from the end of the previous interim period.
Cash flows in the consolidated interim period under review were as follows:

Cash flow from operating activities
Net cash provided by operating activities was 885 million yen (down 355 million yen year-over-year), mainly due to net income before income taxes was 1,021 million yen (up 255 million yen), net of depreciation and non–cash expenses, and increase in notes and accounts receivable.

Cash flow from investing activities
Net cash used in investing activities was 353 million yen (down 976 million yen year-over-year). This was mainly due to payment for purchase of tangible fixed assets, and proceeds from sales of investment securities.

Cash flow from financing activities
Cash flow provided by financing activities was 677 million yen (up 38 million year-over-year), mainly due to net debt inflow (inflow minus outflow) of 746 million yen, and dividend payments.

Cash flow indices

	FY3/05		FY3/06		FY3/07
	Interim	Year-end	Interim	Year-end	Interim
Shareholders' equity ratio (%)	42.7	49.2	47.7	48.8	47.4
Equity ratio by market capitalization (%)	47.9	51.7	48.7	46.0	42.5
Redeemable period of debts (years)	5.8	5.0	4.7	2.8	6.9
Interest coverage ratio	7.0	7.0	8.6	12.3	4.8

Notes: 1. Indices are calculated as follows:
Shareholders' equity ratio = shareholders' equity / total assets
Equity ratio by market capitalization = market capitalization / total assets
Redeemable period of debts = interest bearing liabilities / operating cash flow
(We doubled operating cash flow for the interim period in order to obtain a yearly figure.)
Interest coverage ratio = cash flows from operating activities / interest payment
2. Each index is calculated on a consolidated basis.
3. Market capitalization = term-end stock price x term-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 period. Interest bearing liabilities are the sum of all the liability accounts which bear interest on the relevant consolidated balance sheets. Interest payment is from the relevant consolidated statements of cash flows for each period.

Business risk

Below we discuss risk factors to our group’s business performance, financials, and share price.

Product supply-demand trends and capital spending in the electronics industry

Group sales are affected by product supply-demand and capital spending trends in the electronics industry because many of our components are sold to flat panel display (liquid crystal display, plasma display, and organic electroluminescence display) and semiconductor manufacturing equipment makers.

Concentration of manufacturing sites in China

The majority of group products are manufactured at production subsidiaries in China mainly to reduce manufacturing costs. Doing business in China involves many political, economic, and social risks: for example, environmental, labor, tax, law, currency administration, and trade laws and regulations may be revised, and the government may change its foreign exchange rate policy, such as strengthening the Chinese yuan. Such changes could significantly depress our group’s product supply capacity, impacting our business performance, and diminishing prospects for a recovery of invested capital.

Foreign exchange rates

Our group mainly exports products and imports raw materials valued in US dollars and other foreign currencies, and we have foreign-currency-denominated debt as well. Foreign exchange rate volatility may therefore impact our group’s business performance.

Yen appreciation versus the US dollar and other foreign currencies reduces the price competitiveness of group products exported from Japan to overseas markets, and therefore negatively impacts profitability.

Also, consolidated figures are impacted by foreign exchange rate volatility as we convert the foreign-currency-denominated financials of overseas consolidated subsidiaries and equity-method affiliates to a yen basis when we prepare consolidated financial statements.

5. Interim Consolidated Financial Statements

(1) Interim Consolidated Balance Sheets

(thousands of yen)

Item \ Period		As of Sep. 30, 2005		As of Sep. 30, 2006		As of Mar. 31, 2006	
		Amount	%	Amount	%	Amount	%
Assets							
I Current assets							
Cash and deposits		3,759,958		4,995,435		4,108,656	
Notes and accounts receivable	*4	4,879,575		6,342,079		5,067,014	
Securities		-		449,905		299,000	
Inventories		3,383,873		3,428,664		3,504,918	
Other current assets		2,364,658		1,145,496		1,626,904	
Allowance for doubtful receivables		(111,128)		(149,400)		(140,587)	
Total current assets		14,276,938	43.4	16,212,180	44.4	14,465,906	41.3
II Fixed assets							
(1) Tangible fixed assets	*1						
Buildings and structures	*2	4,011,718		4,767,182		4,091,685	
Machinery and vehicles		4,088,978		4,823,908		4,602,930	
Tools, furniture and fixtures		1,052,511		1,252,261		1,175,330	
Land	*2	2,548,251		2,603,486		2,552,077	
Construction in progress		348,991		816,755		1,397,328	
Total tangible fixed assets		12,050,451	36.7	14,263,594	39.0	13,819,353	39.4
(2) Intangible assets							
Goodwill (under the previous display format)		2,019,015		-		2,154,992	
Consolidation adjustment (under the previous display format)		520,064		-		463,113	
Goodwill (under the new display format)		-		2,389,279		-	
Other intangible assets	*2	703,803		1,042,994		785,234	
Total intangible assets		3,242,884	9.9	3,432,273	9.4	3,403,339	9.7
(3) Investments and other assets							
Investment securities		1,376,004		1,015,320		1,591,142	
Other investments and other assets		2,290,384		2,349,704		2,440,661	
Allowance for doubtful receivables		(377,497)		(740,829)		(680,856)	
Total investments and other assets		3,288,891	10.0	2,624,196	7.2	3,350,947	9.6
Total fixed assets		18,582,227	56.6	20,320,065	55.6	20,573,640	58.7
Total Assets		32,859,165	100.0	36,532,245	100.0	35,039,546	100.0

(thousands of yen)

Item / Period		As of Sep. 30, 2005 Amount	%	As of Sep. 30, 2006 Amount	%	As of Mar. 31, 2006 Amount	%
Liabilities							
I Current liabilities							
Notes and accounts payable	*4	2,042,337		2,858,609		3,086,786	
Short-term borrowings	*2	3,248,974		3,425,632		3,255,706	
Current portion of long-term borrowings	*2	2,781,284		2,218,399		2,549,855	
Reserve for bonuses payable		138,272		240,590		149,863	
Other current liabilities		2,885,406		3,229,412		2,479,206	
Total current liabilities		11,096,275	33.8	11,972,644	32.8	11,521,418	32.9
II Long-term liabilities							
Convertible bonds with stock acquisition rights		1,776,643		1,776,643		1,776,643	
Long-term borrowings	*2	3,916,613		4,770,659		3,913,381	
Liability for retirement benefits		29,993		26,965		22,635	
Liability for retirement benefits to officers		113,699		119,600		118,900	
Other long-term liabilities		183,385		393,782		537,219	
Total long-term liabilities		6,020,336	18.3	7,087,650	19.4	6,368,779	18.1
Total Liabilities		17,116,611	52.1	19,060,294	52.2	17,890,198	51.0
Minority Interests							
Minority interests		60,153	0.2	-	-	64,770	0.2
Shareholders' Equity							
I Common stock		6,910,461	21.0	-	-	6,910,461	19.7
II Capital surplus		7,784,251	23.7	-	-	7,784,251	22.2
III Retained earnings		1,009,755	3.1	-	-	1,300,643	3.7
IV Net unrealized holding gain on securities		308,993	0.9	-	-	500,617	1.5
V Cumulative translation adjustment		(170,948)	(0.5)	-	-	748,717	2.2
VI Treasury stock		(160,112)	(0.5)	-	-	(160,112)	(0.5)
Total Shareholders' Equity		15,682,400	47.7	-	-	17,084,577	48.8
Total Liabilities, Minority Interests and Shareholders' Equity		32,859,165	100.0	-	-	35,039,546	100.0
Net Assets							
I Shareholders' equity							
Common stock		-	-	6,910,461	18.9	-	-
Capital surplus		-	-	7,784,251	21.3	-	-
Retained earnings		-	-	1,801,584	4.9	-	-
Treasury stock		-	-	(160,112)	(0.4)	-	-
Total shareholders' equity		-	-	16,336,184	44.7	-	-
II Valuation and translation adjustments							
Net unrealized holding gain on securities		-	-	290,161	0.8	-	-
Cumulative translation adjustment		-	-	676,717	1.8	-	-
Total valuation and translation adjustments		-	-	966,878	2.6	-	-
III Treasury stock		-	-	168,887	0.5	-	-
Total net assets		-	-	17,471,951	47.8	-	-
Total Liabilities and Net Assets		-	-	36,532,245	100.0	-	-

(2) Interim Consolidated Statements of Income

(thousands of yen)

Item \ Period			Apr. 1, 2005 - Sep. 30, 2005		Apr. 1, 2006 - Sep. 30, 2006		Apr. 1, 2005 - Mar. 31, 2006	
			Amount	%	Amount	%	Amount	%
I	Net sales		10,725,952	100.0	14,819,125	100.0	23,946,131	100.0
II	Cost of sales		7,805,895	72.8	10,877,480	73.4	17,022,507	71.1
	Gross profit		2,920,057	27.2	3,941,644	26.6	6,923,623	28.9
III	Selling, general and administrative expenses	*1	2,627,102	24.5	2,968,403	20.0	5,712,831	23.9
	Operating income		292,954	2.7	973,241	6.6	1,210,791	5.0
IV	Non-operating income							
	Interest income		32,793		36,211		81,361	
	Lease income		33,266		41,708		63,434	
	Foreign exchange gain		130,732		-		227,656	
	Other non-operating income		78,511		90,578		101,473	
	Total non-operating income		275,304	2.6	168,498	1.1	473,925	2.0
V	Non-operating expenses							
	Interest expense		146,696		183,692		338,426	
	Foreign exchange loss		-		37,505		-	
	Loss on valuation of inventories		-		-		76,512	
	Loss on disposal of inventories		93,238		-		-	
	Equity in loss of non-consolidated subsidiaries		10,124		8,308		79,716	
	Other non-operating expenses		64,256		118,567		149,180	
	Total non-operating expenses		314,316	2.9	348,073	2.3	643,835	2.7
	Ordinary income		253,942	2.4	793,666	5.4	1,040,881	4.3
VI	Extraordinary income							
	Gain on sales of investment securities		149,180		426,606		149,180	
	Gain on sale of fixed assets	*3	28,303		38,809		97,663	
	Reversal of allowance for doubtful receivables		4,364		-		79,130	
	Compensatory income		600,000		-		600,000	
	Other extraordinary income		3,052		-		3,041	
	Total extraordinary income		784,901	7.3	465,415	3.1	929,015	3.9
VII	Extraordinary losses							
	Loss on disposal of fixed assets	*4	1,582		75,128		3,930	
	Provision of allowance for doubtful receivables		220,000		60,000		541,357	
	Impairment losses	*5	43,360		72,055		44,010	
	Other extraordinary losses		7,148		30,000		61,697	
	Total extraordinary losses		272,092	2.6	237,183	1.6	650,996	2.7
	Net income before income taxes and minority interests		766,751	7.1	1,021,898	6.9	1,318,900	5.5
	Current income taxes	*2	376,898	3.5	357,791	2.4	502,585	2.1
	Deferred income taxes	*2	4,556	0.0	(20,502)	(0.1)	112,743	0.5
	Minority interests in income (loss)		(24,870)	(0.2)	21,221	0.1	(5,193)	(0.0)
	Net income		410,166	3.8	663,387	4.5	708,764	2.9

(3) Interim Consolidated Statements of Retained Earnings

(thousands of yen)

Item / Period	Apr. 1, 2005 - Sep. 30, 2005 Amount		Apr. 1, 2005 - Mar. 31, 2006 Amount	
Capital Surplus				
I Beginning balance of capital surplus		7,784,251		7,784,251
II Ending balance of capital surplus		7,784,251		7,784,251
Retained Earnings				
I Beginning balance of retained earnings		762,141		762,141
II Increase in retained earnings				
Net income	410,166	410,166	708,764	708,764
III Decrease in retained earnings				
Cash dividends	159,331		159,331	
Directors' bonuses	3,220		3,220	
Others	-	162,552	7,710	170,262
IV Ending balance of retained earnings		1,009,755		1,300,643

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).

Interim Consolidated Statement of Changes in Shareholders' Equity

Current interim period (Apr. 1, 2006 – Sep. 30, 2006)

(thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of Mar. 31, 2006	6,910,461	7,784,251	1,300,643	(160,112)	15,835,243
Changes in the interim period					
Dividend of surplus			(159,331)		(159,331)
Directors' bonuses			(3,115)		(3,115)
Net income			663,387		663,387
Changes (net) in items other than shareholders' equity					
Total changes in the interim period	-	-	500,941	-	500,941
Balance as of Sep. 30, 2006	6,910,461	7,784,251	1,801,584	(160,112)	16,336,184

(thousands of yen)

	Valuation and translation adjustments			Minority interests	Total net assets
	Net unrealized holding gain on securities	Cumulative translation adjustment	Valuation and translation adjustments		
Balance as of Mar. 31, 2006	500,617	748,717	1,249,334	64,770	17,149,348
Changes in the interim period					
Dividend of surplus					(159,331)
Directors' bonuses					(3,115)
Net income					663,387
Changes (net) in items other than shareholders' equity	(210,455)	(71,999)	(282,455)	104,117	(178,338)
Total changes in the interim period	(210,455)	(71,999)	(282,455)	104,117	322,602
Balance as of Sep. 30, 2006	290,161	676,717	966,878	168,887	17,471,951

(4) Interim Consolidated Statements of Cash Flows

(thousands of yen)

Item / Period	Apr. 1, 2005 - Sep. 30, 2005 Amount	Apr. 1, 2006 - Sep. 30, 2006 Amount	Apr. 1, 2005 - Mar. 31, 2006 Amount
I Cash flows from operating activities			
Net income before income taxes and minority interests	766,751	1,021,898	1,318,900
Depreciation and amortization	690,493	809,784	1,670,405
Amortization of goodwill	-	43,603	-
Amortization of consolidation adjustments	20,611	-	81,382
Impairment losses	43,360	72,055	44,010
Increase (decrease) in liability for retirement benefits	(121)	4,329	(7,479)
Increase (decrease) in liability for retirement benefits to officers	(800)	700	4,400
Increase (decrease) in reserve for bonuses payable	1,802	91,911	10,811
Increase (decrease) in allowance for doubtful receivables	171,148	70,930	499,113
Interest and dividend income	(38,224)	(37,217)	(87,422)
Interest expense	146,696	183,692	338,426
Foreign exchange loss (gain)	(77,266)	21,419	(247,307)
Equity loss of non-consolidated subsidiaries	10,124	8,308	79,716
Loss on valuation of equity in investees	-	(14,360)	-
Loss (gain) on sales of tangible fixed assets	(28,303)	(38,809)	(97,662)
Loss on disposal of fixed assets	1,582	75,128	3,930
Gain on sales of investment securities	(149,180)	(426,606)	(149,180)
Decrease (increase) in notes and accounts receivable	396,777	(1,336,045)	519,587
Decrease (increase) in inventories	(256,544)	40,112	(194,143)
Decrease (increase) in other assets	(412,285)	627,196	3,903
Increase (decrease) in notes and accounts payable	69,223	(174,166)	899,224
Increase (decrease) in other liabilities	158,178	511,659	(50,162)
Directors’ bonuses paid	(7,320)	(7,080)	(7,320)
Others	(13,824)	1,282	1,488
Sub-total	1,492,881	1,549,726	4,634,623
Interests and dividends received	39,383	39,113	80,467
Interests paid	(144,271)	(183,538)	(337,390)
Income taxes paid	(146,351)	(519,591)	(243,999)
Net cash provided by operating activities	1,241,640	885,710	4,133,700
II Cash flows from investing activities			
Payments for purchase of tangible fixed assets	(900,416)	(1,153,684)	(3,138,710)
Proceeds from sales of tangible fixed assets	43,600	126,445	266,511
Payments for purchase of investment securities	(20,600)	(5,865)	(20,600)
Proceeds from sales of investment securities	335,648	633,209	401,093
Income from acquisition of subsidiary stock on changes in consolidated accounts	(498,564)	-	(498,564)
Payments for purchase of shares of affiliates	-	-	(50,000)
Payments for loans receivable	(150)	-	(35,150)
Proceeds from collection of loans	600	75,480	1,170
Proceeds from other investing activities	7,419	263,894	84,613
Payments for other investing activities	(297,219)	(293,058)	(552,288)
Net cash used in investing activities	(1,329,682)	(353,579)	(3,541,924)
III Cash flows from financing activities			

Item / Period		Apr. 1, 2005 - Sep. 30, 2005	Apr. 1, 2006 - Sep. 30, 2006	Apr. 1, 2005 - Mar. 31, 2006
		Amount	Amount	Amount
	Net increase (decrease) in short-term borrowings	36,266	208,481	(146,622)
	Proceeds from long-term borrowings	2,112,169	2,253,885	3,162,047
	Repayments of long-term borrowings	(1,344,728)	(1,715,737)	(2,683,420)
	Proceeds from issuance of shares to minority shareholders	-	92,281	-
	Cash dividends paid	(158,243)	(158,401)	(159,612)
	Cash dividends paid to minority shareholders	(6,097)	(2,604)	(9,591)
	Net cash provided by financing activities	639,366	677,906	162,799
IV	**Effect of exchange rate changes on cash and cash equivalents**	19,819	76,647	185,946
V	**Increase (decrease) in cash and cash equivalents**	571,143	1,286,684	940,521
VI	**Cash and cash equivalents at the beginning of period**	3,188,815	4,108,656	3,188,815
VII	**Decrease in cash and cash equivalents due to exclusion of subsidiaries from consolidation**	-	-	(20,680)
VIII	**Cash and cash equivalents at end of period** *1	3,759,958	5,395,340	4,108,656

Basis for Presentation of Interim Consolidated Financial Statements

1. Scope of consolidation

Consolidated subsidiaries: 16 entities as follows;

- Ferrotec Quartz Corporation
- Ferrotec Precision Corporation
- Ferrotec Silicon Corporation
- ALIONTEK CORPORATION
- HANGZHOU DAHE THERMO-MAGNETICS CO., LTD.
- HANGZHOU WAGEN PRECISION TOOLING CO., LTD.
- Advanced Ceramic Material (Hangzhou) Co., Ltd.
- SHANGHAI SHENHE THERMO-MAGNETICS CO., LTD.
- SHANGHAI HANHONG PRECISION MACHINERY CO., LTD.
- Ferrotec Taiwan Co., Ltd.
- Ferrotec (USA) Corporation
- Ferrotec GmbH
- Ferrotec Investments, LLC
- TERMOTEK USA, LLC
- FERROTEC CORPORATION SINGAPORE PTE LTD
- SCTB NORD

Of the above consolidated subsidiaries, Ferrotec Taiwan Co., Ltd. and TERMOTEK USA, LLC were established in the interim period under review, and Advanced Ceramic Material (Hangzhou) Co., Ltd., treated as an equity method affiliate through previous fiscal year, was made a consolidated subsidiary beginning this fiscal year to reflect its increased importance.

Non-consolidated subsidiaries: 8 entities as follows;

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

Reason for exclusion:

Each one of the above-listed eight subsidiaries has 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: 8 entities as follows:

- Diacelltec Corporation
- Shanghai Broad International Trading Co., Ltd.
- Shanghai Plating International Trading Co., Ltd.
- HANGZOU TENGHE TECHNOLOGY CO., LTD.
- Shanghai Shoda International Trading Co., Ltd.
- Hangzhou Youhao Medical Diagnosis Center Co., Ltd.
- Bio Trend Corp.
- Techno Tooling Systems Co., Ltd.

Advanced Ceramic Material (Hangzhou) Co., Ltd., treated as an equity method affiliate through previous fiscal year, was made a consolidated subsidiary beginning this fiscal year to reflect its increased importance. HANGZHOU LINGRI SCIENCE AND TECHNOLOGY CO., LTD., treated as an equity method affiliate through previous fiscal year, was sold in August 2006.

Non-consolidated subsidiaries not accounted for under equity method: 2 entities as follows:

- Ferrotec Engineering SRL
- One other company

Reason for exclusion:

Each one of the above-listed two subsidiaries 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. Period end of consolidated subsidiaries

The interim period of consolidated subsidiary ALIONTEK 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 net assets, 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.

As for marketable securities of "investment business limited associations" and similar such associations as defined in Article 2, Section 2 of the Securities Exchanges Law, we book the proportional value based on the most recent available financial report of the association, according to the financial settlement date stipulated in the association contract.

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 intangible 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 interim period under review 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 based on estimate of bonus obligations for the interim period under review.

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 amount deemed to have accrued at the end of the interim period under review based on the estimated retirement benefit obligations and pension assets at the end of the fiscal year. At the overseas subsidiaries, 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 interim 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 cumulative translation adjustment account and minority interests in the net assets.

(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.

2) Hedging instruments and the risks hedged

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

3) Hedging policy

The Company uses interest rate swaps to minimize interest payment volatility on borrowings from interest rate fluctuation, and makes decisions on hedges on an individual contract basis.

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.

(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. 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 major items in the preparation of interim consolidated financial statements

(Accounting standard concerning presentation of net assets on balance sheet)

Effective from the current interim period, we adopted “Accounting Standard for Presentation of Net Assets in the Balance Sheet” (ASBJ Statement No. 5, December 9, 2005) and “Guidance on Accounting Standards for Presentation of Net Assets in Balance Sheet” (ASBJ Guidance No. 8, December 9, 2005). The effect of this change on financial statements is insignificant.

Under the former accounting standard, amounts equivalent to “Total shareholders’ equity” totaled 17,303,063,000 yen.

Due to this revision, net assets in the consolidated balance sheet for the current interim period are presented based on the revised standard.

Change in display format

(Interim Consolidated Balance Sheets)

Effective from the current interim period, “goodwill” and “consolidation adjustment,” stated in the prior periods, is presented as “goodwill”.

(Interim Consolidated Statements of Income)

Effective from the current interim period, “amortization of consolidation adjustment,” stated in the prior periods, is presented as “amortization of goodwill”.

Notes to Interim Consolidated Financial Statements

Notes to Interim Consolidated Balance Sheets

(thousands of yen)

	As of September 30, 2005	As of September 30, 2006	As of March 31, 2006
*1. Accumulated depreciation of tangible fixed assets:	5,891,892	7,110,714	6,556,901
*2. Pledged assets			
Buildings and structures	1,364,470	2,205,389	2,179,516
Land	2,253,150	88,000	2,197,954
Other intangible assets	985,498	344,301	192,983
Total	4,603,119	2,637,690	4,570,454
Liabilities secured with the above listed collateral			
Short-term borrowings	477,513	1,671,668	1,861,513
Current portion of long-term borrowings	268,443	78,178	187,661
Long-term borrowings	637,329	594,675	142,289
Total	1,383,285	2,344,522	2,191,463
3. Discounted notes receivable:	38,318	7,064	78,251
*4. Notes redeemable at the end of the interim period	———	Notes redeemable at the end of the interim period were settled on the exchange date. Following notes redeemable at the end of the interim period were included in the balance of redeemable notes at the end of the current interim period under review because the end of the interim period under review was a bank holiday.	———
Notes receivable		49,727	
Notes payable		76,643	

Notes to Interim Consolidated Statements of Income

(thousands of yen)

<table>
<tr><th>April 1, 2005 - September 30, 2005</th><th>April 1, 2006 - September 30, 2006</th><th>April 1, 2005 - March 31, 2006</th></tr>
<tr>
<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 961,106
Provision for reserve for bonus payable 74,873
Provision for liability for retirement benefits to officers 6,000
Provision for allowance for doubtful receivables 13,720</td>
<td>*1. Significant components of selling, general and administrative expenses:
Salaries and wages 1,905,106
Provision for reserve for bonus payable 76,232
Provision for liability for retirement benefits to officers 10,400
Provision for allowance for doubtful receivables 35,973</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, 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. Includes 20,307,000 yen in gains on sale of machinery, and 6,880,000 yen in gains on sale of tools, furniture and fixtures, etc.</td>
<td>*3. Includes 15,577,000 yen in gains on sale of machinery, and 17,561,000 yen in gains on sale of buildings, etc.</td>
<td>*3. Includes 34,460,000 yen in gains on sales of buildings, 53,664,000 yen in gains on sale of machinery, and 8,429,000 yen in gains on sales of tools, furniture and fixtures, etc.</td>
</tr>
<tr>
<td>*4 Mainly the write off of tools, furniture and fixtures.</td>
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</tr>
<tr>
<td>*5. 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 43,360,000 yen as extraordinary losses. The breakdown of the impairment losses is machinery and equipment 8,806,000 yen, goodwill 33,750,000 yen, and others 803,000 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>*5. Impairment losses
<table>
<tr><th>Location</th><th>Purpose</th><th>Type</th></tr>
<tr><td>Ferrotec Corporation (Kamaishi City, Iwate Pref.)</td><td>Idle assets</td><td>Land, buildings</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.
The aforementioned asset groups are idle land and buildings, with no plans for future use and the sale of which would be difficult. We have impaired the book value of these assets to their memorandum value, and booked the asset impairment difference of 72,055,000 yen (land 19,607,000 yen and buildings 52,447,000 yen) as extraordinary losses.</td>
<td>*5. Impairment losses
<table>
<tr><th>Location</th><th>Purpose</th><th>Type</th></tr>
<tr><td>Ferrotec Silicon Fukui Factory (Katsuyama City, Fukui)</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 44,010,000 yen as extraordinary losses. The breakdown of the impairment losses is machinery 9,456,000 yen, goodwill 33,750,000 yen, and others 803,000 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>
</tr>
</table>

Notes to Interim Consolidated Statement of Changes in Shareholders' Equity

Current interim period (April 1, 2006 – September 30, 2006)

1. Type and number of outstanding shares and treasury stocks

	Number of shares as of Mar. 31, 2006 (Thousand shares)	Increase during the current interim period (Thousand shares)	Decrease during the current interim period (Thousand shares)	Number of shares as of Sep. 30, 2006 (Thousand shares)
Outstanding shares				
Common shares	20,156	-	-	20,156
Total	20,156	-	-	20,156
Treasury stock				
Common shares	240	-	-	240
Total	240	-	-	240

2. Dividends

Resolution	Type of share	Total amount of dividend (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
General Shareholders' Meeting on June 23, 2006	Common shares	159,331	8	March 31, 2006	June 23, 2006

Notes to Interim Consolidated Statements of Cash Flows

(thousands of yen)

April 1, 2005 - September 30, 2005	April 1, 2006 - September 30, 2006	April 1, 2005 - March 31, 2006
*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 Cash and bank deposits 4,995,435 Short-term investments readily redeemable within 3 months from the acquisition 399,905 5,395,340	*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 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, 2005 - September 30, 2005	April 1, 2006 - September 30, 2006	April 1, 2005 - March 31, 2006
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 219,032	Acquisition amount 251,624	Acquisition amount 256,495
Accumulated depreciation 98,803	Accumulated depreciation 138,611	Accumulated depreciation 122,058
Period-end balance 120,229	Period-end balance 113,012	Year-end balance 134,436
Tools, furniture and fixtures:	Tools, furniture and fixtures:	Tools, furniture and fixtures:
Acquisition amount 51,785	Acquisition amount 53,441	Acquisition amount 53,441
Accumulated depreciation 26,678	Accumulated depreciation 29,818	Accumulated depreciation 24,801
Period-end balance 25,106	Period-end balance 23,623	Year-end balance 28,639
Others:	Others:	Others:
Acquisition amount 95,768	Acquisition amount 95,768	Acquisition amount 95,768
Accumulated depreciation 47,108	Accumulated depreciation 66,262	Accumulated depreciation 56,685
Period-end balance 48,659	Period-end balance 29,505	Year-end balance 39,082
Total:	Total:	Total:
Acquisition amount 366,586	Acquisition amount 400,833	Acquisition amount 405,705
Accumulated depreciation 172,590	Accumulated depreciation 234,691	Accumulated depreciation 203,546
Period-end balance 193,995	Period-end balance 166,141	Year-end balance 202,158
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 65,305	Due within one year 67,860	Due within one year 71,921
Due after one year 132,939	Due after one year 102,141	Due after one year 134,481
Total 198,245	Total 170,001	Total 206,402
3. Lease payments, depreciation and interest equivalents	3. Lease payments, depreciation and interest equivalents	3. Lease payments, depreciation and interest equivalents
Lease payments 34,746	Lease payments 38,624	Lease payments 74,358
Depreciation equivalents 32,820	Depreciation equivalents 36,017	Depreciation equivalents 70,304
Interest equivalents 2,027	Interest equivalents 1,676	Interest equivalents 4,142
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, 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 (loss)	451,477	(233,329)	94,388	312,536	(19,581)	292,954

April 1, 2006 to September 30, 2006						
Division	Equipment-related business	Electronic devices business	CMS business	Total	Eliminations or corporate	Consolidated
Net sales						
(1) Net sales to third parties	7,069,208	2,235,494	5,514,422	14,819,125	-	14,819,125
(2) Internal sales and transfers	66,703	29	258	66,991	(66,991)	-
Total	7,135,911	2,235,523	5,514,681	14,886,117	(66,991)	14,819,125
Operating expenses	6,239,125	2,248,364	5,391,517	13,879,008	(33,124)	13,845,884
Operating income (loss)	896,786	(12,840)	123,163	1,007,109	(33,867)	973,241

April 1, 2005 to March 31, 2006						
Division	Equipment-related business	Electronic devices business	CMS business	Total	Eliminations or corporate	Consolidated
Net sales						
(1)Net sales to third parties	11,657,881	3,409,352	8,878,897	23,946,131	-	23,946,131
(2)Internal sales and transfers	-	676	-	676	(676)	-
Total	11,657,881	3,410,028	8,878,897	23,946,807	(676)	23,946,131
Operating expenses	10,515,537	3,739,274	8,413,586	22,668,398	66,940	22,735,339
Operating income (loss)	1,142,343	(329,245)	465,310	1,278,408	(67,617)	1,210,791

Note: 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: Thermoelectric modules used for thermostats, ferrofluid-applied products (ferrofluid seals, etc.)

(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, 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 (loss)	(4,462)	247,366	104,400	347,304	(54,349)	292,954
April 1, 2006 to September 30, 2006						
Division	Japan	Asia	USA & Europe	Total	Eliminations or corporate	Consolidated
Net sales						
(1) Net sales to third parties	8,430,452	2,572,663	3,816,009	14,819,125	-	14,819,125
(2) Internal sales and transfers	1,659,763	5,424,897	70,852	7,155,513	(7,155,513)	-
Total	10,090,216	7,997,560	3,886,861	21,974,638	(7,155,513)	14,819,125
Operating expenses	9,754,518	7,502,364	3,630,977	20,887,860	(7,041,976)	13,845,884
Operating income	335,698	495,196	255,883	1,086,777	(113,536)	973,241
April 1, 2005 to March 31, 2006						
Division	Japan	Asia	USA & Europe	Total	Eliminations or corporate	Consolidated
Net sales						
(1) Net sales to third parties	13,317,410	4,709,834	5,918,885	23,946,131	-	23,946,131
(2) Internal sales and transfers	2,030,161	9,245,670	25,694	11,301,526	(11,301,526)	-
Total	15,347,572	13,955,505	5,944,579	35,247,657	(11,301,526)	23,946,131
Operating expenses	14,889,104	13,335,567	5,729,099	33,953,771	(11,218,432)	22,735,339
Operating income	458,468	619,937	215,480	1,293,885	(83,093)	1,210,791

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, 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, 2006 to September 30, 2006	I	Overseas sales	2,670,471	3,859,299	6,529,770
	II	Consolidated sales	-	-	14,819,125
	III	Share of overseas sales among the consolidated sales (%)	18.0	26.0	44.1
Division			Asia	USA & Europe	Total
April 1, 2005 to March 31, 2006	I	Overseas sales	4,186,563	5,989,570	10,176,134
	II	Consolidated sales	-	-	23,946,131
	III	Share of overseas sales among the consolidated sales (%)	17.5	25.0	42.5

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	6,311,281	135.7%
Electric devices business	2,215,775	140.8%
CMS business	5,393,936	136.2%
Total	13,920,992	136.7%

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	7,350,471	131.6%	2,234,792	151.3%
Electric devices business (made-to-order items)	366,957	107.8%	13,076	135.2%
CMS business	6,353,129	156.4%	1,081,307	334.7%

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	7,069,208	129.1%
Electric devices business	2,235,494	156.9%
CMS business	5,514,422	144.2%
Total	14,819,125	138.2%

Notes: 1. Sales figures do not include interdivisional sales.
2.The above amounts are exclusive of consumption taxes.

8. Securities

Previous interim period (As of September 30, 2005)

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

(thousands of yen)

	Acquisition cost	Carrying value	Unrealized gain
(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 equities	53,343
Equity in investment business associations	174,128
Others	13,376

Current interim period (As of September 30, 2006)

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

(thousands of yen)

	Acquisition cost	Carrying value	Unrealized gain
(1) Shares	312,284	813,311	501,027
(2) Bonds	-	-	-
(3) Others	20,600	20,086	(514)
Total	332,884	833,397	500,513

2. Securities without market quotations

(thousands of yen)

	Carrying value
(1) Bonds held to maturity	
Unlisted bonds	449,905
(2) Other securities	
Unlisted equities	21,984
Equity in investment business associations	113,121

Previous fiscal year (As of March 31, 2006)

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

(thousands of yen)

	Acquisition cost	Carrying value	Unrealized gain
(1) Shares	483,958	1,328,445	844,486
(2) Bonds	-	-	-
(3) Others	20,600	20,974	374
Total	504,558	1,349,419	844,860

2. Securities without market quotations

(thousands of yen)

	Carrying value
(1) Bonds held to maturity	
Unlisted bonds	299,000
(2) Other securities	
Unlisted equities	54,777
Equity in investment business associations	139,566

9. Derivatives

April 1, 2005 - September 30, 2005	April 1, 2006 - September 30, 2006	April 1, 2005 - March 31, 2006
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, 2005 - September 30, 2005		April 1, 2006 - September 30, 2006		April 1, 2005 - March 31, 2006	
Net assets per share	787.41	Net assets per share	868.78	Net assets per share	857.81
Net income per share (basic)	20.59	Net income per share (basic)	33.31	Net income per share (basic)	35.59
Net income per share (diluted)	18.35	Net income per share (diluted)	29.67	Net income per share (diluted)	31.72

(thousands of yen)

	April 1, 2005 – September 30, 2005	April 1, 2006 – September 30, 2006	April 1, 2005 – March 31, 2006
Net income	410,166	663,387	708,764
Amount not attribute to shareholders	-	-	-
[of which, directors' bonus in the appropriation of retained earnings]	[-]	[-]	[-]
Net income related to common stock	410,166	663,387	708,764
Average number of shares outstanding	19,916,406 shares	19,916,406 shares	19,916,406 shares
Adjusted net income	718	775	1,451
[of which, interest expenses after tax deduction]	[716]	[773]	[1,447]
[of which, paperwork fees after tax deduction]	[1]	[1]	[3]
Increase in common stock	2,472,052 shares	2,472,052 shares	2,472,052 shares
Dilutive potential shares excluded from the dilution information due to improbability	Dilutive potential shares: Stock acquisition rights 10,049	Dilutive potential shares: Stock acquisition rights 9,865	Dilutive potential shares: Stock acquisition rights 10,031

**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.*