November 22, 2007

# Interim Business Results for the Fiscal Year Ending March 31, 2008
## (April 1, 2007 – September 30, 2007)

Company name: Ferrotec Corporation
Stock exchange listing: JASDAQ
Stock code: 6890
URL: http:// www.ferrotec.co.jp
Representative: Akira Yamamura, Representative Director & President
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Tel: +81-3-3281-8186
Scheduled date of filing of Semiannual Report: December 26, 2007
Starting date of dividend payment: No interim dividends

(All amounts are rounded down to the nearest million yen)

### 1. Consolidated Interim Financial Results (April 1, 2007 - September 30, 2007)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| September 2007 | 17,908 | 20.8 | 1,565 | 60.9 | 1,421 | 79.1 | 913 | 37.6 |
| September 2006 | 14,819 | 38.2 | 973 | 232.2 | 793 | 212.5 | 663 | 61.7 |
| March 2007 | 32,517 | 35.8 | 2,288 | 89.0 | 2,081 | 100.0 | 1,703 | 140.3 |

| | Net income per share | Diluted net income per share |
|---|---|---|
| | Yen | Yen |
| September 2007 | 48.36 | 43.06 |
| September 2006 | 33.31 | 29.67 |
| March 2007 | 86.38 | 76.82 |

Reference: Earnings/loss on investments in equity-method affiliates
Sep. 2007: (47) million yen Sep. 2006: (8) million y en Mar. 2007: (14) million yen

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| September 2007 | 41,770 | 20,022 | 47.4 | 1,038.47 |
| September 2006 | 36,532 | 17,471 | 47.4 | 868.78 |
| March 2007 | 38,656 | 18,270 | 46.7 | 956.23 |

Reference: Shareholders' equity
Sep. 2007: 19,732 million yen Sep. 2006: 17,303 million yen Mar. 2007: 18,054 million yen

(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 |
| September 2007 | 2,550 | (1,465) | (101) | 4,354 |
| September 2006 | 885 | (353) | 677 | 5,395 |
| March 2007 | 2,049 | (2,665) | (487) | 3,225 |

### 2. Dividends

| | Dividend per share | | |
|---|---|---|---|
| | Interim | Year-end | Annual |
| | Yen | Yen | Yen |
| March 2007 | - | 12.00 | 12.00 |
| March 2008 (actual) | - | | |
| March 2008 (forecast) | | 10.00 | |

### 3. Consolidated Forecast for the Fiscal Year Ending March 31, 2008 (April 1, 2007 - March 31, 2008)

(Percentages represent year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 35,500 | 9.2 | 2,800 | 22.3 | 2,400 | 15.3 | 1,500 | (11.9) | 78.64 |

*Cautionary statement with respect to forward-looking statements

Forecasts regarding future performance in these materials are based on information and assumptions at the time this report was prepared. Therefore, actual results may differ significantly from these forecasts. Please refer to page 4 for further information concerning forecasts.

## 4. Others

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None

(2) Changes in accounting principles, procedures and presentation methods for preparation of interim consolidated financial statements

1) Changes caused by revision of accounting standards: Yes

2) Other changes: None

Note: Please refer to “Basis for Presentation of Interim Consolidated Financial Statements” on page 18 for further information.

(3) Number of shares outstanding (common shares)

1) Number of shares outstanding at end of period (including treasury stock)

Sep. 2007: 20,156,550 shares Sep. 2006: 20,156,550 shares Mar. 2007: 20,156,550 shares

2) Number of treasury stock at end of period

Sep. 2007: 1,083,192 shares Sep. 2006: 240,144 shares Mar. 2007: 1,276,144 shares

Note: Please refer to “Per Share Data” on page 32 for the number of shares used in calculating net income per share.

## (Reference) Summary of Non-consolidated Financial Results

### 1. Non-consolidated Interim Financial Results (April 1, 2007 - September 30, 2007)

(1) Non-consolidated results of operations (Percentages represent year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| September 2007 | 8,243 | 21.3 | 52 | 50.6 | 146 | 142.1 | 38 | (77.7) |
| September 2006 | 6,795 | 38.8 | 34 | - | 60 | 535.7 | 170 | (28.5) |
| March 2007 | 15,123 | 34.0 | 269 | 25.4 | 662 | (1.6) | 729 | 52.0 |

| | Net income per share |
|---|---|
| | Yen |
| September 2007 | 2.01 |
| September 2006 | 8.56 |
| March 2007 | 36.98 |

(2) Non-consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| September 2007 | 25,159 | 15,570 | 61.9 | 816.35 |
| September 2006 | 24,823 | 15,794 | 63.6 | 793.04 |
| March 2007 | 24,266 | 15,459 | 63.7 | 818.79 |

Reference: Shareholders’ equity

Sep. 2007: 15,570 million yen Sep. 2006: 15,794 million yen Mar. 2007: 15,459 million yen

### 2. Non-consolidated Forecast for the Fiscal Year Ending March 31, 2008 (April 1, 2007 - March 31, 2008)

(Percentages represent year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 18,000 | 19.0 | 200 | (25.9) | 960 | 44.9 | 480 | (34.2) | 25.17 |

* Forecasts regarding future performance in these materials area based on information and assumptions at the time this report was prepared. Therefore, actual results may differ significantly from these forecasts.

# 1. Business Results

## (1) Analysis of Results of Operations

### 1) Interim Business Results (April 1, 2007 – September 30, 2007)

The Japanese economy continued to gradually expand in the interim period under review due to rising exports on the strength of overseas economies, and strong capital spending underpinned by high corporate profits. Despite concerns over the surging price of crude oil and other raw materials, and fallout from the US housing market crisis, personal spending remained firm as incomes continued to gradually rise.

In the electronics industry, the main source of demand for the Group's products, production of flat panel display (FPD) TVs increased as lower prices increased demand; production of electronic components increased as the automotive industry continued to use more electronics in their vehicles; and production of data flash memory and other semiconductor ICs increased.

In this environment, sales and profits both exceeded our forecasts in the interim period. Demand for vacuum feedthroughs used in FPD production equipment declined as Korean and Taiwanese LCD panel manufacturers slowed investment in new production equipment, but demand from semiconductor production equipment makers remained firm in Japan and the US. Demand for quartz products remained strong from US users, and demand was stable for thermoelectric modules, which are mostly used in temperature-adjustable car seats. Finally, we captured large orders in China for silicon monocrystal lifting equipment used to make silicon for solar cells.

As a result, consolidated sales increased 20.8% year-over-year to 17,908 million yen. Operating income increased 60.9% to 1,565 million yen through cost-cutting measure, ordinary income increased 79.1% to 1,421 million yen, and net income increased 37.6% to 913 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.

Although falling prices for some semiconductor products such as DRAM and flash memory impacted capital investment trends to some extent, Japanese and other Asian semiconductor makers continued to invest in mostly 300mm wafer equipment on rising demand for semiconductors used in personal computers, digital consumer electronics, and automotive applications. As a result, sales of vacuum feedthroughs, an essential component of semiconductor production equipment and a mainstay product of ours, increased year-over-year. Also, sales of quartz products, essential to the semiconductor manufacturing process, rose due to a steady increase in semiconductor production volumes. As for silicon products (monocrystal ingots) geared for solar cell applications, although demand was strong, we could not offer adequate supplies because of a shortage of the raw material polysilicon. Sales in this segment increased year-over-year, and profits rose as economies of scale from greater sales, and cost reductions, more than offset higher raw materials costs.

**Electronic devices business**

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

We achieved stable growth in sales of thermoelectric modules supported by demand from the mainstay application of temperature-adjustable car seats, and by demand across a broad array of industries including semiconductors, biotechnology, optics, and consumer electronics. Sales of ferrofluids, primarily used in audio speakers, were strong due to greater adoption in home theater speakers. Sales in this segment increased year-over-year, and profits improved, despite continued development costs in a related business, on greater thermoelectric module sales.

**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 monocrystal lifting equipment geared for solar cells, silicon wafer processing, machine tool assembly, and equipment parts cleansing.

Silicon wafer processing at our Shanghai factory for discrete applications increased in line with plans, and equipment parts cleansing and machine tool manufacturing was stable. Also, as of the end of September, we had captured orders for over 150 units of monocrystal lifting equipment geared for solar cells, a new energy industry, on rising demand from Chinese solar cell makers. We maintained sales in this segment at roughly the same level as the previous interim period as we offset the decline in lithium ion rechargeable battery packaging sales which ended last fiscal year. Profits steadily expanded due to firm sales, and a better product mix.

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 | 9,982 | +39.9% | 2,770 | +23.9% | 5,427 | -1.6% |
| Operating income | 1,155 | +28.9% | 99 | - | 335 | +172.5% |

Note: Net sales figures include internal 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 | 11,327 | +12.3% | 11,378 | +42.3% | 5,509 | +41.7% |
| Operating income | 238 | -28.9% | 813 | +64.3% | 510 | +99.4% |

Note: Net sales figures include internal sales.

**2) Consolidated Outlook (April 1, 2007 – March 31, 2008)**

The economy bears close watching throughout the rest of the fiscal year due to concerns of inflation from surging crude oil and raw materials prices, instability in financial markets triggered by the US housing loan debacle, and stock market turmoil due to high volatility in foreign exchange markets.

In the electronics industry, the main source of demand for the Group's products, capital spending continues in the semiconductor and flat panel display sectors, although LCD panel makers are holding back on investing in next-generation equipment. In the solar cell market which we have recently entered, the raw material polysilicon remains in short supply.

In this environment, we will work to raise customer satisfaction in the equipment-related business, particularly through maintenance companies established in Taiwan and Korea to expand sales of vacuum feedthroughs, by enhancing our service structure and shortening turnaround times. We also aim to further expand quartz product orders by bolstering processing capacity to meet rising demand for OEM products from overseas customers. In the electronic devices business, in addition to the mainstay application of temperature-adjustable car seats, we are working to market thermoelectric modules with high performance and high reliability to the semiconductor, biotechnology, and optics industries. In the CMS business, we will concentrate management resources on bolstering production capacity of silicon monocrystal lifting equipment for solar cell applications to meet expanding orders. We will also work to improve overall profitability in the CMS business by boosting capacity utilization and yields at our Chinese factory. For the fiscal year ending March 31, 2008, we forecast sales of 35,500 million yen, operating income of 2,800 million yen, ordinary income of 2,400 million yen, and net income of 1,500 million yen.

## (2) Analysis of Financial Position

### 1) Balance Sheet Position

Assets at the end of the interim period under review increased 3,114 million yen over the end of the previous fiscal year to 41,770 million yen on a consolidated basis. The main factors were an increase in current assets due to rising cash and deposits, and notes and accounts receivable, and an increase in fixed assets due to an increase in machinery and equipment.

Liabilities increased 1,362 million yen to 21,748 million yen. The main factors were increases in other current liabilities and long and short-term borrowings.

Net assets increased 1,751 million yen to 20,022 million yen. The main factors were an increase in retained earnings due to net income of 913 million yen, and an increase in cumulative translation adjustments due to yen depreciation compared with the end of the previous fiscal year.

### 2) Cash Flow Position

Consolidated cash and cash equivalents totaled 4,354 million yen at the end of the interim period under review, up 1,128 million yen from the end of the previous fiscal year.

Cash flows in the current interim period were as follows:

Cash flow from operating activities

Net cash provided by operating activities was 2,550 million yen (up 1,664 million yen year-over-year), although there was net income before income taxes of 1,323 million yen (up 301 million yen), there were an increase in net of depreciation and non–cash expenses and other liabilities.

Cash flow from investing activities

Net cash used in investing activities was 1,465 million yen (up 1,111 million yen year-over-year). This was mainly due to capital investments at the Chinese subsidiary.

Cash flow from financing activities

Net cash used in financing activities was 101 million yen, mainly due to cash dividends paid.

(Reference) Cash flow indices

| Fiscal year ended | March 2006 | | March 2007 | | March 2008 |
|---|---|---|---|---|---|
| | Interim | Year-end | Interim | Year-end | Interim |
| Shareholders' equity ratio (%) | 47.7 | 48.8 | 47.4 | 46.7 | 47.4 |
| Equity ratio by market capitalization (%) | 48.7 | 46.0 | 42.5 | 46.4 | 50.2 |
| Interest-bearing debt to cash flow ratio | 4.7 | 2.8 | 6.9 | 5.1 | 2.1 |
| Interest coverage ratio | 8.6 | 12.3 | 4.8 | 5.0 | 11.7 |

Notes: 1. Indices are calculated as follows:
Shareholders' equity ratio = shareholders' equity / total assets
Equity ratio by market capitalization = market capitalization / total assets
Interest-bearing debt to cash flow ratio = interest bearing debt / cash flows
Interest coverage ratio = cash flows / 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 net of treasury stock.
4. Cash flows are calculated using the figures for operating cash flows in the consolidated statements of cash flows. Interest-bearing debt include all liabilities on the consolidated balance sheets that incur interest. Interest payments are calculated using the figures for interest paid in the consolidated statements of cash flows.

## (3) Basic Profit-sharing Principles and Dividends for the Current Fiscal Year

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.

In line with this policy, we plan to pay a yearend dividend of 10 yen per share for the current fiscal year.

### (4) Business risk

Below we discuss risk factors to the 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 the Group's product supply capacity, impacting our business performance, and diminishing prospects for a recovery of invested capital.

**Foreign exchange rates**

The 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 the 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.

**Share price and interest rate volatility**

The Group owns shares and other marketable securities, and price declines would impact the Group's financials and business performance.

Also, interest rate volatility has the potential to increase debt service payments, impacting the Group's business performance.

**Impairment accounting**

Impairment accounting requires that we write down fixed assets due to land price declines or a decline in profitability of businesses that use fixed assets, and therefore impacts group business performance.

**Technological innovation**

The Group manufactures and sells high-tech products including ferrofluid-applied products, thermoelectric modules, quartz products, and solar cell related products. However, the emergence of innovative and disruptive new technologies and products could diminish our technological advantage, impacting our business performance.

## 2. The Ferrotec Group

The Ferrotec Group (the “Group”) consists of Ferrotec Corporation (the “Company”) and 24 subsidiaries and affiliates (“Members”: 16 consolidated subsidiaries, four equity-method subsidiaries, three equity-method affiliates, a non-consolidated subsidiary).

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.

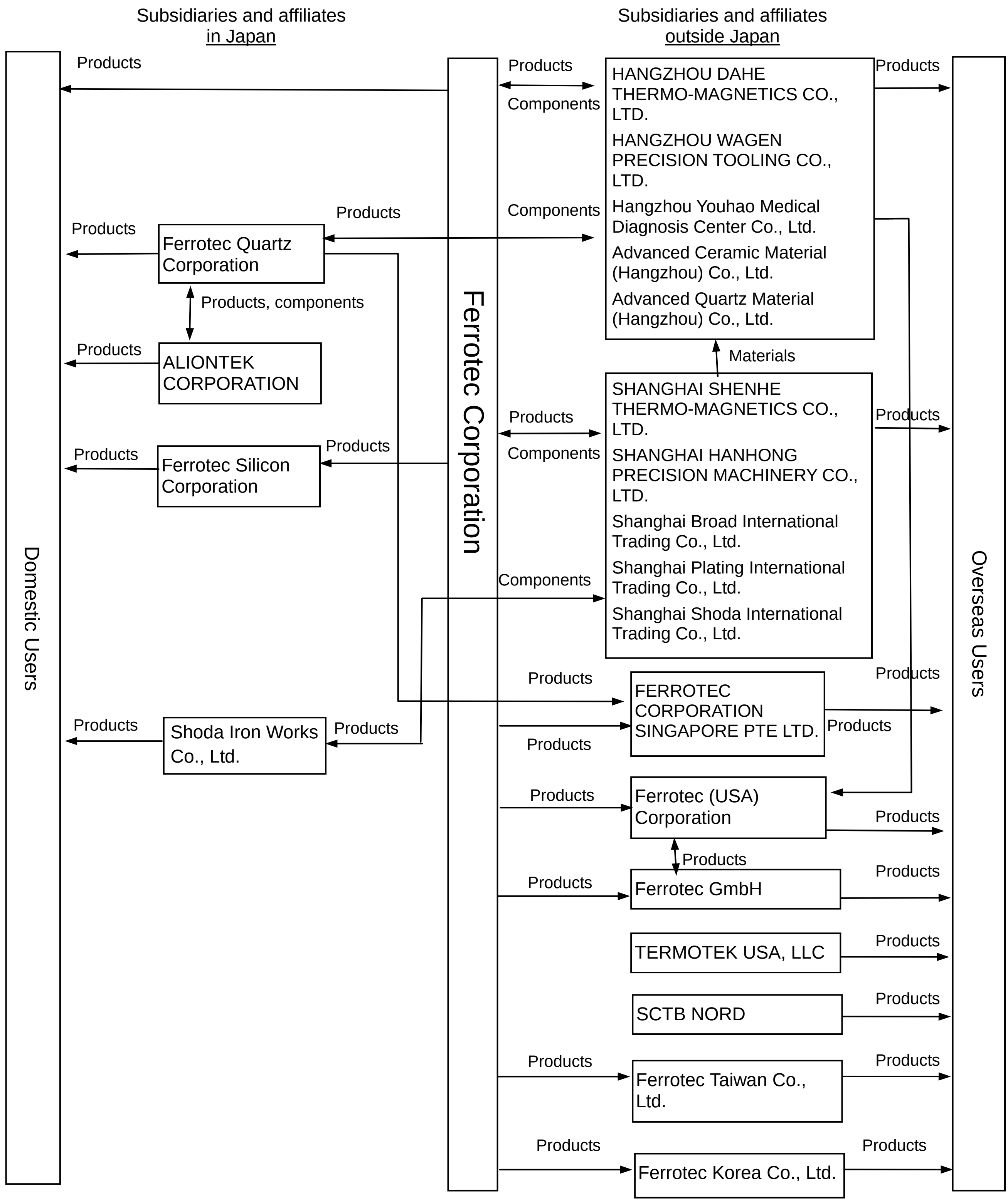
The following categories are the same as those for segment information by business.

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 | 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 (USA) Corporation |
| | | | | o | FERROTEC CORPORATION SINGAPORE PTE LTD. |
| | Others | | o | o | Ferrotec Corporation |
| | | | o | o | Ferrotec Silicon Corporation |
| | | | o | o | Advanced Ceramic Material (Hangzhou) Co., Ltd. |
| | | | o | o | Advanced Quartz Material (Hangzhou) Co., Ltd. |
| | | | o | o | Ferrotec GmbH |
| | | | o | o | TERMOTEK USA, LLC |
| | | | o | o | Scan Crucible |
| 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 | HANGZHOU DAHE THERMO-MAGNETICS CO., LTD. |
| 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 HANHONG PRECISION MACHINERY 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 | Shoda Iron Works Co., Ltd. |
| Other businesses | | | 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



## 3. 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) 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.

### 3) 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 and reduce manufacturing costs, 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.

### 4) 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 orders and product certification from overseas customers, and provide them with more support for marketing and administrative operations.

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.

We are now also moving forward with enhancements of our internal governance system, and are aiming to establish a system to guarantee the proper preparation of financial statements.

### 5) Internal administrative structure and management

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

## 5. Interim Consolidated Financial Statements

### (1) Interim Consolidated Balance Sheets

(Thousands of yen)

| Item / Period | | As of Sep. 30 2006 | | As of Sep. 30 2007 | | As of Mar. 31 2007 | |
|---|---|---|---|---|---|---|---|
| | | Amount | % | Amount | % | Amount | % |
| **Assets** | | | | | | | |
| I Current assets | | | | | | | |
| Cash and deposits | | 4,995,435 | | 4,354,674 | | 3,225,758 | |
| Notes and accounts receivable | *4 | 6,342,079 | | 7,462,893 | | 6,725,773 | |
| Securities | | 449,905 | | - | | - | |
| Inventories | | 3,428,664 | | 4,605,522 | | 3,821,929 | |
| Other current assets | | 1,145,496 | | 1,849,659 | | 2,318,967 | |
| Allowance for doubtful receivables | | (149,400) | | (95,872) | | (130,823) | |
| Total current assets | | 16,212,180 | 44.4 | 18,176,877 | 43.5 | 15,961,604 | 41.3 |
| II Fixed assets | | | | | | | |
| (1) Tangible fixed assets | *1 | | | | | | |
| Buildings and structures | *2 | 4,767,182 | | 5,729,793 | | 5,497,427 | |
| Machinery and vehicles | | 4,823,908 | | 6,743,866 | | 5,804,241 | |
| Tools, furniture and fixtures | | 1,252,261 | | 1,339,833 | | 1,588,844 | |
| Land | *2 | 2,603,486 | | 2,595,009 | | 2,590,358 | |
| Construction in progress | | 816,755 | | 274,010 | | 795,603 | |
| Total tangible fixed assets | | 14,263,594 | 39.0 | 16,682,514 | 39.9 | 16,276,475 | 42.1 |
| (2) Intangible assets | | | | | | | |
| Goodwill | | 2,389,279 | | 2,587,084 | | 2,532,651 | |
| Other intangible assets | *2 | 1,042,994 | | 1,067,000 | | 941,473 | |
| Total intangible assets | | 3,432,273 | 9.4 | 3,654,085 | 8.7 | 3,474,124 | 9.0 |
| (3) Investments and other assets | | | | | | | |
| Investment securities | | 1,015,320 | | 1,695,204 | | 1,437,159 | |
| Other investments and other assets | | 2,349,704 | | 1,615,032 | | 1,560,197 | |
| Allowance for doubtful receivables | | (740,829) | | (52,743) | | (53,015) | |
| Total investments and other assets | | 2,624,196 | 7.2 | 3,257,494 | 7.8 | 2,944,342 | 7.6 |
| Total fixed assets | | 20,320,065 | 55.6 | 23,594,093 | 56.5 | 22,694,942 | 58.7 |
| Total assets | | 36,532,245 | 100.0 | 41,770,970 | 100.0 | 38,656,547 | 100.0 |

(Thousands of yen)

| Item / Period | | As of Sep. 30 2006 | | As of Sep. 30 2007 | | As of Mar. 31 2007 | |
|---|---|---|---|---|---|---|---|
| | | Amount | % | Amount | % | Amount | % |
| **Liabilities** | | | | | | | |
| I Current liabilities | | | | | | | |
| Notes and accounts payable | *4 | 2,858,609 | | 3,882,147 | | 3,667,730 | |
| Short-term borrowings | *2 | 3,425,632 | | 3,855,267 | | 3,771,765 | |
| Current portion of long-term borrowings | *2 | 2,218,399 | | 2,497,825 | | 2,248,992 | |
| Current portion of convertible bonds with stock acquisition rights | | - | | 1,528,648 | | 1,658,744 | |
| Reserve for bonuses payable | | 240,590 | | 338,128 | | 382,725 | |
| Other current liabilities | | 3,229,412 | | 3,897,775 | | 3,139,816 | |
| Total current liabilities | | 11,972,644 | 32.8 | 15,999,793 | 38.3 | 14,869,773 | 38.4 |
| II Long-term liabilities | | | | | | | |
| Convertible bonds with stock acquisition rights | | 1,776,643 | | - | | - | |
| Corporate bonds | | - | | 100,000 | | - | |
| Long-term borrowings | *2 | 4,770,659 | | 4,474,155 | | 4,508,596 | |
| Liability for retirement benefits | | 26,965 | | 28,536 | | 24,686 | |
| Liability for retirement benefits to officers | | 119,600 | | 10,500 | | 126,300 | |
| Other long-term liabilities | | 393,782 | | 1,135,648 | | 856,807 | |
| Total long-term liabilities | | 7,087,650 | 19.4 | 5,748,840 | 13.8 | 5,516,390 | 14.3 |
| Total liabilities | | 19,060,294 | 52.2 | 21,748,633 | 52.1 | 20,386,164 | 52.7 |
| **Net assets** | | | | | | | |
| I Shareholders’ equity | | | | | | | |
| Common stock | | 6,910,461 | 18.9 | 6,910,461 | 16.5 | 6,910,461 | 17.9 |
| Capital surplus | | 7,784,251 | 21.3 | 7,712,840 | 18.5 | 7,750,570 | 20.0 |
| Retained earnings | | 1,801,584 | 4.9 | 3,486,820 | 8.3 | 2,800,331 | 7.2 |
| Treasury stock | | (160,112) | (0.4) | (1,000,286) | (2.4) | (1,178,575) | (3.0) |
| Total shareholders’ equity | | 16,336,184 | 44.7 | 17,109,836 | 41.0 | 16,282,787 | 42.1 |
| II Valuation and translation adjustments | | | | | | | |
| Net unrealized holding gain on securities | | 290,161 | 0.8 | 607,608 | 1.5 | 448,159 | 1.2 |
| Cumulative translation adjustment | | 676,717 | 1.8 | 2,083,814 | 4.9 | 1,323,084 | 3.4 |
| Total valuation and translation adjustments | | 966,878 | 2.6 | 2,691,422 | 6.4 | 1,771,243 | 4.6 |
| III Minority interests | | 168,887 | 0.5 | 221,077 | 0.5 | 216,352 | 0.6 |
| Total net assets | | 17,471,951 | 47.8 | 20,022,337 | 47.9 | 18,270,383 | 47.3 |
| Total liabilities and net assets | | 36,532,245 | 100.0 | 41,770,970 | 100.0 | 38,656,547 | 100.0 |

### (2) Interim Consolidated Statements of Income

(Thousands of yen)

| Item | | Period | Apr. 1, 2006 - Sep. 30, 2006 | | Apr. 1, 2007 - Sep. 30, 2007 | | Apr. 1, 2006 - Mar. 31, 2007 | |
|---|---|---|---|---|---|---|---|---|
| | | | Amount | % | Amount | % | Amount | % |
| I | Net sales | | 14,819,125 | 100.0 | 17,908,843 | 100.0 | 32,517,168 | 100.0 |
| II | Cost of sales | | 10,877,480 | 73.4 | 12,629,866 | 70.5 | 23,476,437 | 72.2 |
| | Gross profit | | 3,941,644 | 26.6 | 5,278,977 | 29.5 | 9,040,730 | 27.8 |
| III | Selling, general and administrative expenses | *1 | 2,968,403 | 20.0 | 3,712,995 | 20.7 | 6,751,894 | 20.8 |
| | Operating income | | 973,241 | 6.6 | 1,565,981 | 8.7 | 2,288,835 | 6.9 |
| IV | Non-operating income | | | | | | | |
| | Interest income | | 36,211 | | 25,454 | | 115,902 | |
| | Lease income | | 41,708 | | 33,859 | | 60,921 | |
| | Commission income | | - | | - | | 86,897 | |
| | Foreign exchange gain | | - | | 82,657 | | 49,757 | |
| | Other non-operating income | | 90,578 | | 96,985 | | 80,302 | |
| | Total non-operating income | | 168,498 | 1.1 | 238,956 | 1.3 | 393,781 | 1.2 |
| V | Non-operating expenses | | | | | | | |
| | Interest expense | | 183,692 | | 217,987 | | 411,144 | |
| | Foreign exchange loss | | 37,505 | | - | | - | |
| | Equity in loss of non-consolidated subsidiaries and affiliates | | 8,308 | | 47,524 | | 14,065 | |
| | Other non-operating expenses | | 118,567 | | 118,001 | | 175,729 | |
| | Total non-operating expenses | | 348,073 | 2.3 | 383,513 | 2.1 | 600,939 | 1.8 |
| | Ordinary income | | 793,666 | 5.4 | 1,421,425 | 7.9 | 2,081,677 | 6.4 |
| VI | Extraordinary income | | | | | | | |
| | Gain on sales of investment securities | | 426,606 | | - | | 426,606 | |
| | Gain on sale of fixed assets | *3 | 38,809 | | - | | 56,480 | |
| | Reversal of allowance for doubtful receivables | | - | | 41,879 | | 650 | |
| | Other extraordinary income | | - | | 2,936 | | 6,000 | |
| | Total extraordinary income | | 465,415 | 3.1 | 44,815 | 0.3 | 489,736 | 1.5 |
| VII | Extraordinary losses | | | | | | | |
| | Loss on disposal of fixed assets | *4 | 75,128 | | 66,410 | | 192,860 | |
| | Provision of allowance for doubtful receivables | | 60,000 | | - | | - | |
| | Impairment losses | *5 | 72,055 | | - | | 72,055 | |
| | Retirement benefits to officers | | - | | 62,500 | | - | |
| | Other extraordinary losses | | 30,000 | | 13,500 | | 116,975 | |
| | Total extraordinary losses | | 237,183 | 1.7 | 142,411 | 0.8 | 381,891 | 1.2 |
| | Net income before income taxes and minority interests | | 1,021,898 | 6.9 | 1,323,829 | 7.4 | 2,189,523 | 6.7 |
| | Current income taxes | *2 | 357,791 | 2.4 | 421,420 | 2.4 | 430,919 | 1.3 |
| | Deferred income taxes | *2 | (20,502) | (0.1) | (12,705) | (0.1) | 42,273 | 0.2 |
| | Minority interests in income | | 21,221 | 0.1 | 1,965 | 0.0 | 13,049 | 0.0 |
| | Net income | | 663,387 | 4.5 | 913,148 | 5.1 | 1,703,281 | 5.2 |

## (3) Interim Consolidated Statements of Changes in Shareholders' Equity

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 period | | | | | |
| Dividends from 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 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 period | | | | | |
| Dividends from 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 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 |

Apr. 1, 2007 - Sep. 30, 2007

(Thousands of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance as of Mar. 31, 2007 | 6,910,461 | 7,750,570 | 2,800,331 | (1,178,575) | 16,282,787 |
| Changes in the period | | | | | |
| Dividends from surplus | | | (226,564) | | (226,564) |
| Net income | | | 913,148 | | 913,148 |
| Acquisition of treasury stock | | | | (59) | (59) |
| Disposal of treasury stock | | (37,729) | | 178,349 | 140,620 |
| Others | | | (94) | | (94) |
| Changes (net) in items other than shareholders' equity | | | | | |
| Total changes in the period | - | (37,729) | 686,489 | 178,289 | 827,049 |
| Balance as of Sep. 30, 2007 | 6,910,461 | 7,712,840 | 3,486,820 | (1,000,286) | 17,109,836 |

(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, 2007 | 448,159 | 1,323,084 | 1,771,243 | 216,352 | 18,270,383 |
| Changes in the period | | | | | |
| Dividends from surplus | | | | | (226,564) |
| Net income | | | | | 913,148 |
| Acquisition of treasury stock | | | | | (59) |
| Disposal of treasury stock | | | | | 140,620 |
| Others | | | | | (94) |
| Changes (net) in items other than shareholders' equity | 159,449 | 760,729 | 920,179 | 4,724 | 924,903 |
| Total changes in the period | 159,449 | 760,729 | 920,179 | 4,724 | 1,751,953 |
| Balance as of Sep. 30, 2007 | 607,608 | 2,083,814 | 2,691,422 | 221,077 | 20,022,337 |

Apr. 1, 2006 - Mar. 31, 2007

(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 fiscal year | | | | | |
| Dividends from surplus | | | (159,331) | | (159,331) |
| Directors' bonuses | | | (3,115) | | (3,115) |
| Net income | | | 1,703,281 | | 1,703,281 |
| Acquisition of treasury stock | | | - | (1,170,043) | (1,170,043) |
| Disposal of treasury stock | | (33,680) | - | 151,580 | 117,899 |
| Others | | | (41,147) | | (41,147) |
| Changes (net) in items other than shareholders' equity | | | | | |
| Total changes in the fiscal year | - | (33,680) | 1,499,687 | (1,018,463) | 447,543 |
| Balance as of Mar. 31, 2007 | 6,910,461 | 7,750,570 | 2,800,331 | (1,178,575) | 16,282,787 |

(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 fiscal year | | | | | |
| Dividends from surplus | | | | | (159,331) |
| Directors' bonuses | | | | | (3,115) |
| Net income | | | | | 1,703,281 |
| Acquisition of treasury stock | | | | | (1,170,043) |
| Disposal of treasury stock | | | | | 117,899 |
| Others | | | | | (41,147) |
| Changes (net) in items other than shareholders' equity | (52,457) | 574,367 | 521,909 | 151,582 | 673,491 |
| Total changes in the fiscal year | (52,457) | 574,367 | 521,909 | 151,582 | 1,121,035 |
| Balance as of Mar. 31, 2007 | 448,159 | 1,323,084 | 1,771,243 | 216,352 | 18,270,383 |

### (4) Interim Consolidated Statements of Cash Flows

(Thousands of yen)

| Item / Period | Apr. 1, 2006 - Sep. 30, 2006 | Apr. 1, 2007 - Sep. 30, 2007 | Apr. 1, 2006 - Mar. 31, 2007 |
|---|---|---|---|
| | Amount | Amount | Amount |
| **I Cash flows from operating activities** | | | |
| Net income before income taxes and minority interests | 1,021,898 | 1,323,829 | 2,189,523 |
| Depreciation and amortization | 809,784 | 1,159,948 | 1,807,381 |
| Amortization of goodwill | 43,603 | 43,588 | 87,183 |
| Impairment losses | 72,055 | - | 72,055 |
| Increase (decrease) in liability for retirement benefits | 4,329 | 3,849 | 2,050 |
| Increase (decrease) in liability for retirement benefits to officers | 700 | (115,800) | 7,400 |
| Increase (decrease) in reserve for bonuses payable | 91,911 | (58,405) | 232,426 |
| Increase (decrease) in allowance for doubtful receivables | 70,930 | (41,593) | (640,766) |
| Interest and dividend income | (37,217) | (46,382) | (118,011) |
| Interest expense | 183,692 | 217,987 | 411,144 |
| Foreign exchange loss (gain) | 21,419 | (124,488) | (118,370) |
| Equity in income (loss) of non-consolidated subsidiaries and affiliates | 8,308 | 47,524 | 14,065 |
| Loss (gain) on sales of tangible fixed assets | (38,809) | - | (15,762) |
| Loss on disposal of fixed assets | 75,128 | 66,410 | 152,142 |
| Gains on sales of investment securities | (426,606) | - | (426,606) |
| Loss on valuation of investment securities | 30,000 | - | - |
| Decrease (increase) in notes and accounts receivable | (1,336,045) | (462,402) | (1,529,086) |
| Decrease (increase) in inventories | 40,112 | (608,141) | (214,414) |
| Decrease (increase) in other assets | 621,658 | 440,306 | 298,378 |
| Increase (decrease) in notes and accounts payable | (174,166) | (67,658) | 436,639 |
| Increase (decrease) in other liabilities | 511,659 | 1,172,754 | 508,971 |
| Directors' bonuses paid | (7,080) | - | (7,080) |
| Others | (37,539) | 4,162 | 39,502 |
| Sub-total | 1,549,726 | 2,955,489 | 3,188,768 |
| Interests and dividends received | 39,113 | 46,235 | 118,137 |
| Interests paid | (183,538) | (217,105) | (411,863) |
| Income taxes paid | (519,591) | (234,209) | (845,424) |
| Net cash provided by operating activities | 885,710 | 2,550,410 | 2,049,616 |
| **II Cash flows from investing activities** | | | |
| Payments for purchase of tangible fixed assets | (1,153,684) | (1,329,621) | (3,263,800) |
| Proceeds from sales of tangible fixed assets | 126,445 | 1,215 | 87,740 |
| Payments for purchase of investment securities | (5,865) | (2,221) | (139,522) |
| Proceeds from sales of investment securities | 633,209 | 10,150 | 598,281 |
| Payments for purchase of subsidiary stock on changes in consolidated accounts | - | - | (3,031) |
| Payments for purchase of shares of affiliates | - | (25,228) | (59,053) |
| Proceeds from collection of loans | 75,480 | 10 | 120,890 |
| Proceeds from other investing activities | 263,894 | 17,582 | 386,852 |
| Payments for other investing activities | (293,058) | (137,182) | (393,873) |
| Net cash used in investing activities | (353,579) | (1,465,296) | (2,665,518) |

| Item \ Period | Apr. 1, 2006 - Sep. 30, 2006 | Apr. 1, 2007 - Sep. 30, 2007 | Apr. 1, 2006 - Mar. 31, 2007 |
|---|---|---|---|
| | Amount | Amount | Amount |
| **III Cash flows from financing activities** | | | |
| Net increase (decrease) in short-term borrowings | 208,481 | (97,706) | 400,464 |
| Proceeds from long-term borrowings | 2,253,885 | 1,429,165 | 3,525,499 |
| Repayments of long-term borrowings | (1,715,737) | (1,301,029) | (3,228,588) |
| Proceeds from issue of corporate bonds | - | 100,000 | - |
| Proceeds from issuance of shares to minority shareholders | 92,281 | - | 147,033 |
| Payments for acquisition of treasury stock | - | (59) | (1,170,043) |
| Proceeds from sales of treasury stock | - | 10,524 | - |
| Cash dividends paid | (158,401) | (236,823) | (158,932) |
| Cash dividends paid to minority shareholders | (2,604) | (5,208) | (2,604) |
| Net cash provided by (used in) financing activities | 677,906 | (101,137) | (487,172) |
| **IV Effect of exchange rate changes on cash and cash equivalents** | 76,647 | 144,939 | 220,175 |
| **V Increase (decrease) in cash and cash equivalents** | 1,286,684 | 1,128,915 | (882,897) |
| **VI Cash and cash equivalents at the beginning of period** | 4,108,656 | 3,225,758 | 4,108,656 |
| **VII Cash and cash equivalents at the end of period** *1 | 5,395,340 | 4,354,674 | 3,225,758 |

## Basis for Presentation of Interim Consolidated Financial Statements

**1. Scope of consolidation**

Consolidated subsidiaries: 16 entities as follows;

Ferrotec Quartz Corporation
Ferrotec Silicon Corporation
ALIONTEK CORPORATION
HANGZHOU DAHE THERMO-MAGNETICS CO., LTD.
HANGZHOU WAGEN PRECISION TOOLING CO., LTD.
Advanced Ceramic Material (Hangzhou) Co., Ltd.
Advanced Quartz 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

Non-consolidated subsidiaries: 5 entities as follows;

Ferrotec Engineering SRL
Shanghai Broad International Trading Co., Ltd.
Shanghai Plating International Trading Co., Ltd.
Two other companies

Reason for exclusion:

Each one of the above-listed five subsidiaries has negligible total assets, net sales, net income/loss (equity in earnings/loss) and retained earnings (equity in earnings), and as a result, they collectively have very little impact on consolidation. HANGZHOU LINGRI SCIENCE AND TECHNOLOGY CO., LTD., treated as a non-consolidated subsidiary in the previous fiscal year, was sold in the current fiscal year.

**2. Application of equity method**

Non-consolidated subsidiaries and affiliates for which the equity method is applied: 7 entities as follows:

Shanghai Broad International Trading Co., Ltd.
Shanghai Plating International Trading Co., Ltd.
Shanghai Shoda International Trading Co., Ltd.
Hangzhou Youhao Medical Diagnosis Center Co., Ltd.
SCAN CRUCIBLE AS
Shoda Iron Works Co., Ltd.
Ferrotec Korea Co., Ltd.

Of the companies above, Ferrotec Korea Co., Ltd. was included in the application of the equity method due to its established in the current fiscal year.

Non-consolidated subsidiaries not accounted for under the equity method: 1 entity as follows:

Ferrotec Engineering SRL

Reason for exclusion:

Ferrotec Engineering SRL has very little impact on consolidated net income (loss) and retained earnings, and therefore the investments in the company is not accounted for under the equity method.

**3. Period of consolidated subsidiaries**

The interim period of consolidated subsidiary ALIONTEK CORPORATION ends on 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 interim 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, inventories are primarily valued at cost being determined by the moving average method. At the consolidated subsidiaries located in the US and Singapore, stated at the lower of the cost method by the first-in first-out method, and other consolidated subsidiaries primarily stated at the lower of the cost method by the moving average method.

(2) Depreciation / amortization method applicable to material fixed assets

1) Tangible fixed assets:

At the Company and the consolidated 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 consolidated subsidiaries outside Japan:

By the straight-line method.

Useful lives:

Buildings and structures: 20-47 years

Machinery and vehicles: 10 years

(Changes in accounting policy)

Effective from the current interim period, the Company and its consolidated subsidiaries in Japan have adopted the revised Corporation Tax Law and changed the method of depreciation of tangible fixed assets acquired on or after April 1, 2007.

The effect of these changes on profit/loss is insignificant.

(Supplementary information)

The Company and its consolidated subsidiaries in Japan have adopted the revised Corporation Tax Law and changed the method of depreciation of assets acquired on or before March 31, 2007. Accordingly, the difference between the residual value of such an asset and the value equivalent to 5% of its acquisition cost, as computed by the previous Corporation Tax Law, is depreciated over a period of five years starting from the year following the year in which the value of an asset falls to 5% of its acquisition cost. The difference is amortized by the straight-line method and is included in the depreciation and amortization.

The effect of these changes on profit/loss is insignificant.

2) Intangible assets:

At the Company and the consolidated 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 consolidated 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 assets. As such, we have not amortized goodwill at the US subsidiary, but will make a judgment concerning goodwill impairment once a year, or whenever an event occurs that would necessitate this. We have not recognized goodwill impairment in the interim period under review based on our judgment.

3) Long-term prepaid expenses:

At the Company and the consolidated subsidiaries in Japan:

By the straight-line method.

At the consolidated 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 as a general rule.

2) Reserve for bonuses payable

To provide for employee bonuses, we booked reserves based on estimate 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 its consolidated subsidiaries in Japan 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 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 interim balance sheets date is fully reserved at the certain consolidated subsidiaries in Japan. At the consolidated subsidiaries overseas, nothing is applicable here.

Board of Directors held on June 26, 2007 passed a resolution that the retirement benefit program to officers should be abolished.

(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 interim balance sheets date, with the conversion difference to be accounted for as profit or loss. The assets, liabilities, profit and loss of consolidated subsidiaries outside Japan are translated into Japanese currency based on the spot exchange rate as of the interim 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 its consolidated subsidiaries in Japan, 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 consolidated subsidiaries outside Japan, 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. As for the foreign exchange 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: Foreign exchange contract — Risks hedged: Monetary liabilities denominated in foreign currencies

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. Also, foreign exchange contracts are made based on future material import plans.

4) Accessing effectiveness of hedges

Because exceptional treatment is allowed for interest rate swap transactions, and appropriated treatment is allowed for foreign exchange contracts, 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 consolidated statements of cash flows

The funds represented by “cash and cash equivalents” on the Consolidated Statements 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.

## Notes to Interim Consolidated Financial Statements

### Notes to Interim Consolidated Balance Sheets

(Thousands of yen)

| As of Sep. 30, 2006 | As of Sep. 30, 2007 | As of Mar. 31, 2007 |
|---|---|---|
| *1. Accumulated depreciation of tangible fixed assets<br>7,110,714 | *1. Accumulated depreciation of tangible fixed assets<br>8,696,268 | *1. Accumulated depreciation of tangible fixed assets<br>7,461,278 |
| *2. Pledged assets<br>Buildings and structures 2,205,389<br>Land 88,000<br>Other intangible assets 344,301<br>Total 2,637,690 | *2. Pledged assets<br>Buildings and structures 3,158,815<br>Land 208,974<br>Other intangible assets 366,772<br>Total 3,734,562 | *2. Pledged assets<br>Buildings and structures 2,757,576<br>Land 138,100<br>Other intangible assets 440,502<br>Total 3,336,179 |
| Liabilities secured with the above listed collateral<br>Short-term borrowings 1,671,668<br>Current portion of long-term borrowings 78,178<br>Long-term borrowings 594,675<br>Total 2,344,522 | Liabilities secured with the above listed collateral<br>Short-term borrowings 1,569,265<br>Current portion of long-term borrowings 262,159<br>Long-term borrowings 748,911<br>Total 2,580,336 | Liabilities secured with the above listed collateral<br>Short-term borrowings 1,614,400<br>Current portion of long-term borrowings 248,771<br>Long-term borrowings 777,257<br>Total 2,640,429 |
| 3. Discounted notes receivable<br>7,064 | 3. Discounted notes receivable<br>117,564 | 3. Discounted notes receivable<br>84,766 |
| *4. Notes redeemable at the end of the interim period<br>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 interim period because the end of the interim period was a bank holiday.<br>Notes receivable 49,727<br>Notes payable 76,643 | *4. Notes redeemable at the end of the interim period<br>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 interim period because the end of the interim period was a bank holiday.<br>Notes receivable 60,901<br>Notes payable 189,019<br>Discounted notes 25,627 | *4. Notes redeemable at the end of the fiscal year<br>Notes redeemable at the end of the fiscal year were settled on the exchange date. Following notes redeemable at the end of the fiscal year were included in the balance of redeemable notes at the end of the current fiscal year because the end of the fiscal year was a bank holiday.<br>Notes receivable 68,142<br>Notes payable 153,479<br>Discounted notes 17,174 |

## Notes to Interim Consolidated Statements of Income

(Thousands of yen)

<table>
<tr><th>Apr. 1, 2006 - Sep. 30, 2006</th><th>Apr. 1, 2007 - Sep. 30, 2007</th><th>Apr. 1, 2006 - Mar. 31, 2007</th></tr>
<tr>
<td>*1. Significant components of selling, general and administrative expenses<br>Salaries and wages 961,106<br>Provision for reserve for bonus payable 74,873<br>Provision for liability for retirement benefits to officers 6,000<br>Provision of allowance for doubtful receivables 13,720</td>
<td>*1. Significant components of selling, general and administrative expenses<br>Salaries and wages 1,152,935<br>Provision for reserve for bonus payable 83,381<br>Provision of allowance for doubtful receivables 4,503</td>
<td>*1. Significant components of selling, general and administrative expenses<br>Salaries and wages 1,928,268<br>Provision for reserve for bonus payable 78,583<br>Provision for liability for retirement benefits to officers 12,000<br>Provision of allowance for doubtful receivables 49,453</td>
</tr>
<tr>
<td>*2. The Company and its consolidated subsidiaries in Japan use the simple method for accounting for deferred taxes and “Deferred income taxes” are included in “Current income taxes.”</td>
<td>*2.<br>Same as on the left.</td>
<td>―</td>
</tr>
<tr>
<td>*3. Includes 15,577,000 yen in gains on sale of machinery, 17,561,000 yen in gains on sales of buildings, etc.</td>
<td>*3. ―</td>
<td>*3. Includes 30,252,000 yen in gains on sales of buildings, 26,216,000 yen in gains on sale of machinery, etc.</td>
</tr>
<tr>
<td>*4. Mainly the loss on disposal of machinery.</td>
<td>*4. Mainly the loss on disposal of machinery.</td>
<td>*4. Includes 24,070,000 yen in loss on disposal of buildings, 156,014,000 yen in loss on disposal of machinery, etc.</td>
</tr>
<tr>
<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 and 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.<br>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>―</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 and 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.<br>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>
</tr>
</table>

## Notes to Interim Consolidated Statements of Changes in Shareholders' Equity

Previous interim period (Apr. 1, 2006 - Sep. 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 period (Thousand shares) | Decrease during the current 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 |
|---|---|---|---|---|---|
| Annual shareholders' meeting on June 23, 2006 | Common shares | 159,331 | 8 | March 31, 2006 | June 24, 2006 |

Current interim period (Apr. 1, 2007 - Sep. 30, 2007)

1. Type and number of outstanding shares and treasury stocks

| | Number of shares as of Mar. 31, 2007 (Thousand shares) | Increase during the current period (Thousand shares) | Decrease during the current period (Thousand shares) | Number of shares as of Sep. 30, 2007 (Thousand shares) |
|---|---|---|---|---|
| Outstanding shares | | | | |
| Common shares | 20,156 | - | - | 20,156 |
| Total | 20,156 | - | - | 20,156 |
| Treasury stock | | | | |
| Common shares | 1,276 | 0 | 193 | 1,083 |
| Total | 1,276 | 0 | 193 | 1,083 |

Decrease in the number of shares by 12,000 is due to the exercise of stock option, and by 181,000 are due to the exercise of convertible bonds with stock acquisition rights.

2. Items related to acquisition rights for new shares and treasury stock

| Item | Stock acquisition rights (itemized) | Type of shares under stock acquisition rights | Number of shares under stock acquisition rights (Thousand shares) | | | | Balance as of Sep. 30, 2007 (Thousand yen) |
|---|---|---|---|---|---|---|---|
| | | | As of Mar. 31, 2007 | Increase during the period | Decrease during the period | As of Sep. 30, 2007 | |
| Reporting company (Parent company) | Stock acquisition rights (2002) | Common shares | 173 | - | 173 | - | - |
| | Stock acquisition rights (2003) | Common shares | 366 | - | 12 | 354 | - |
| | Stock acquisition rights (2004) | Common shares | 431 | - | - | 431 | - |
| Total | | - | 970 | - | 185 | 785 | - |

Notes:
1. Above table represents outstanding balance of unexercised stock acquisition rights.
2. Decrease in the stock acquisition rights (2002) is due to expiration of exercise period, and in the stock acquisition rights (2003) is due to the exercise of the rights.

3. Dividends

| Resolution | Type of share | Total amount of dividend (Thousand yen) | Dividend per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| Annual shareholders' meeting on June 26, 2007 | Common shares | 226,564 | 12 | March 31, 2007 | June 27, 2007 |

Note: Composition of dividend: Ordinary dividend 10 yen; Commemorative dividend 2 yen

Previous fiscal year (Apr. 1, 2006 - Mar. 31, 2007)

1. Type and number of outstanding shares and treasury stocks

| | Number of shares as of Mar. 31, 2006 (Thousand shares) | Increase during the current fiscal year (Thousand shares) | Decrease during the current fiscal year (Thousand shares) | Number of shares as of Mar. 31, 2007 (Thousand shares) |
|---|---|---|---|---|
| Outstanding shares | | | | |
| Common shares | 20,156 | - | - | 20,156 |
| Total | 20,156 | - | - | 20,156 |
| Treasury stock | | | | |
| Common shares | 240 | 1,200 | 164 | 1,276 |
| Total | 240 | 1,200 | 164 | 1,276 |

Note: Increase in the number of shares by 1,200,000 is due to the acquisition of treasury stock based on the Board of Directors resolution. Decrease in the number of shares by 164,000 is due to the exercise of the stock acquisition rights on convertible bonds

2. Items related to acquisition rights for new shares and treasury stock

| Item | Stock acquisition rights (itemized) | Type of shares under stock acquisition rights | Number of shares under stock acquisition rights (Thousand shares) | | | | Balance as of Mar. 31, 2007 (Thousand yen) |
|---|---|---|---|---|---|---|---|
| | | | As of Mar. 31, 2006 | Increase during the fiscal year | Decrease during the fiscal year | As of Mar. 31, 2007 | |
| Reporting company (Parent company) | Stock acquisition rights (2002) | Common shares | 178 | - | 5 | 173 | - |
| | Stock acquisition rights (2003) | Common shares | 378 | - | 12 | 366 | - |
| | Stock acquisition rights (2004) | Common shares | 447 | - | 16 | 431 | - |
| Total | | - | 1,003 | - | 33 | 970 | - |

Notes: 1. Above table represents outstanding balance of unexercised stock acquisition rights.
2. Decrease in the stock acquisition rights is due to the invalidation of rights for retirement of grantees.

3. Dividends

(1) Dividend payment

| Resolution | Type of share | Total amount of dividend (Thousand yen) | Dividend per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| Annual shareholders' meeting on June 23, 2006 | Common shares | 159,331 | 8 | March 31, 2006 | June 24, 2006 |

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

| Resolution | Type of share | Total amount of dividend (Thousand yen) | Source of funds | Dividend per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| Annual shareholders' meeting on June 26, 2007 | Common shares | 226,564 | Retained earnings | 12 | March 31, 2007 | June 27, 2007 |

Note: Composition of dividend: Ordinary dividend 10 yen; Commemorative dividend 2 yen

## Notes to Interim Consolidated Statements of Cash Flows

(Thousands of yen)

| Apr. 1, 2006 - Sep. 30, 2006 | Apr. 1, 2007 - Sep. 30, 2007 | Apr. 1, 2006 - Mar. 31, 2007 |
|---|---|---|
| *1. Reconciliation of cash and cash equivalents and balance sheet items for the current interim period is made as follows.<br>Cash and bank deposits 4,995,435<br>Short-term investments readily redeemable within 3 months from the acquisition 399,905<br>5,395,340 | *1. The balance of cash and cash equivalents at end of the interim period reconciled with the “cash and deposits” stated in the interim consolidated balance sheets. | *1. The balance of cash and cash equivalents at the end of the fiscal year reconciled with the “cash and deposits” stated in the consolidated balance sheets. |

**Lease Transactions**

(Thousands of yen)

| Apr. 1, 2006 - Sep. 30, 2006 | | Apr. 1, 2007 - Sep. 30, 2007 | | Apr. 1, 2006 - Mar. 31, 2007 | |
|---|---|---|---|---|---|
| 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 | 251,624 | Acquisition amount | 300,587 | Acquisition amount | 250,622 |
| Accumulated depreciation | 138,611 | Accumulated depreciation | 105,210 | Accumulated depreciation | 138,389 |
| Period-end balance | 113,012 | Period-end balance | 195,377 | Year-end balance | 112,233 |
| Tools, furniture and fixtures: | | Tools, furniture and fixtures: | | Tools, furniture and fixtures: | |
| Acquisition amount | 53,441 | Acquisition amount | 45,682 | Acquisition amount | 53,441 |
| Accumulated depreciation | 29,818 | Accumulated depreciation | 16,837 | Accumulated depreciation | 35,404 |
| Period-end balance | 23,623 | Period-end balance | 28,845 | Year-end balance | 18,037 |
| Others: | | Others: | | Others: | |
| Acquisition amount | 95,768 | Acquisition amount | 82,579 | Acquisition amount | 82,579 |
| Accumulated depreciation | 66,262 | Accumulated depreciation | 70,254 | Accumulated depreciation | 61,996 |
| Period-end balance | 29,505 | Period-end balance | 12,325 | Year-end balance | 20,583 |
| Total: | | Total: | | Total: | |
| Acquisition amount | 400,833 | Acquisition amount | 428,850 | Acquisition amount | 386,643 |
| Accumulated depreciation | 234,691 | Accumulated depreciation | 192,301 | Accumulated depreciation | 235,789 |
| Period-end balance | 166,141 | Period-end balance | 236,548 | Year-end balance | 150,853 |
| 2. Outstanding lease commitments at end of period | | 2. Outstanding lease commitments at end of period | | 2. Outstanding lease commitments at end of fiscal year | |
| Due within one year | 67,860 | Due within one year | 67,939 | Due within one year | 63,320 |
| Due after one year | 102,141 | Due after one year | 171,559 | Due after one year | 90,566 |
| Total | 170,001 | Total | 239,498 | Total | 153,887 |
| 3. Lease payments, depreciation and interest equivalents | | 3. Lease payments, depreciation and interest equivalents | | 3. Lease payments, depreciation and interest equivalents | |
| Lease payments | 38,624 | Lease payments | 41,637 | Lease payments | 79,315 |
| Depreciation equivalents | 36,017 | Depreciation equivalents | 39,607 | Depreciation equivalents | 75,044 |
| Interest equivalents | 1,676 | Interest equivalents | 2,038 | Interest equivalents | 3,359 |
| 4. Calculation of depreciation equivalents<br>Depreciation is based on the straight-line method, assuming the lease period to be the useful life and no residual value. | | 4. Calculation of depreciation equivalents<br>Same as on the left. | | 4. Calculation of depreciation equivalents<br>Same as on the left. | |
| 5. Calculation of interest equivalents<br>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<br>Same as on the left. | | 5. Calculation of interest equivalents<br>Same as on the left. | |

## 6. Segment Information

### (1) Segment information by business category

(Thousands of yen)

| Apr. 1, 2006 – Sep. 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 |

| Apr. 1, 2007 – Sep. 30, 2007 | | | | | | |
|---|---|---|---|---|---|---|
| Division | Equipment-related business | Electronic devices business | CMS business | Total | Eliminations or corporate | Consolidated |
| Net sales | | | | | | |
| (1) Net sales to third parties | 9,711,121 | 2,769,991 | 5,427,730 | 17,908,843 | - | 17,908,843 |
| (2) Internal sales and transfers | 271,062 | 415 | - | 271,478 | [271,478] | - |
| Total | 9,982,183 | 2,770,407 | 5,427,730 | 18,180,321 | [271,478] | 17,908,843 |
| Operating expenses | 8,826,565 | 2,670,667 | 5,092,479 | 16,589,712 | [246,850] | 16,342,861 |
| Operating income | 1,155,617 | 99,740 | 335,251 | 1,590,609 | [24,628] | 1,565,981 |

| Apr. 1, 2006 – Mar. 31, 2007 | | | | | | |
|---|---|---|---|---|---|---|
| Division | Equipment-related business | Electronic devices business | CMS business | Total | Eliminations or corporate | Consolidated |
| Net sales | | | | | | |
| (1) Net sales to third parties | 15,770,975 | 5,287,587 | 11,458,604 | 32,517,168 | - | 32,517,168 |
| (2) Internal sales and transfers | 201,743 | 352 | - | 202,095 | [202,095] | - |
| Total | 15,972,718 | 5,287,940 | 11,458,604 | 32,719,263 | [202,095] | 32,517,168 |
| Operating expenses | 13,958,571 | 5,222,401 | 11,193,784 | 30,374,758 | [146,425] | 30,228,332 |
| Operating income | 2,014,146 | 65,538 | 264,820 | 2,344,505 | [55,669] | 2,288,835 |

Notes:

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

(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)

| Apr. 1, 2006 - Sep. 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 |
| Apr. 1, 2007 - Sep. 30, 2007 | | | | | | |
| Division | Japan | Asia | USA & Europe | Total | Eliminations or corporate | Consolidated |
| Net sales | | | | | | |
| (1) Net sales to third parties | 9,178,655 | 3,270,418 | 5,459,769 | 17,908,843 | - | 17,908,843 |
| (2) Internal sales and transfers | 2,149,332 | 8,107,892 | 49,594 | 10,306,819 | [10,306,819] | - |
| Total | 11,327,987 | 11,378,311 | 5,509,364 | 28,215,663 | [10,306,819] | 17,908,843 |
| Operating expenses | 11,089,276 | 10,564,565 | 4,999,081 | 26,652,922 | [10,310,061] | 16,342,861 |
| Operating income | 238,710 | 813,746 | 510,283 | 1,562,740 | 3,241 | 1,565,981 |
| Apr. 1, 2006 - Mar. 31, 2007 | | | | | | |
| Division | Japan | Asia | USA & Europe | Total | Eliminations or corporate | Consolidated |
| Net sales | | | | | | |
| (1) Net sales to third parties | 17,796,425 | 5,807,625 | 8,913,117 | 32,517,168 | - | 32,517,168 |
| (2) Internal sales and transfers | 3,558,442 | 12,932,883 | 48,597 | 16,539,923 | [16,539,523] | - |
| Total | 21,354,867 | 18,740,508 | 8,961,715 | 49,057,091 | [16,539,923] | 32,517,168 |
| Operating expenses | 20,524,220 | 17,616,994 | 8,485,644 | 46,626,860 | [16,398,527] | 30,228,332 |
| Operating income | 830,646 | 1,123,513 | 476,071 | 2,430,231 | [141,395] | 2,288,835 |

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, Singapore and Taiwan
   USA & Europe: USA, Germany and Russia

### (3) Overseas sales

(Thousands of yen)

| Division | | Asia | USA & Europe | Total |
|---|---|---|---|---|
| Apr. 1, 2006 - Sep. 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 |
| Apr. 1, 2007 - Sep. 30, 2007 | I Overseas sales | 3,784,513 | 5,477,145 | 9,261,659 |
| | II Consolidated sales | - | - | 17,908,843 |
| | III Share of overseas sales among the consolidated sales | 21.1% | 30.6% | 51.7% |
| Division | | Asia | USA & Europe | Total |
| Apr. 1, 2006 - Mar. 31, 2007 | I Overseas sales | 6,859,021 | 8,987,669 | 15,846,691 |
| | II Consolidated sales | - | - | 32,517,168 |
| | III Share of overseas sales among the consolidated sales | 21.1% | 27.6% | 48.7% |

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, Korea, Singapore and Taiwan
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 interim period under review are as follows:

(Thousands of yen)

| Business category | Production amount | |
|---|---|---|
| | | Year-on-year ratio |
| Equipment-related business | 8,916,217 | 141.3% |
| Electric devices business | 2,863,409 | 129.2% |
| CMS business | 5,393,408 | 100.0% |
| Total | 17,173,034 | 123.4% |

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 interim period under review are as follows:

(Thousands of yen)

| Business category | Orders received | | Order backlog | |
|---|---|---|---|---|
| | | Year-on-year ratio | | Year-on-year ratio |
| Equipment-related business | 9,828,789 | 133.7% | 2,402,972 | 107.5% |
| Electric devices business (made-to-order items) | 308,927 | 84.2% | 19,381 | 148.2% |
| CMS business | 10,335,862 | 162.7% | 6,308,181 | 583.4% |

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 interim period under review are as follows:

(Thousands of yen)

| Business category | Sales amount | |
|---|---|---|
| | | Year-on-year ratio |
| Equipment-related business | 9,711,121 | 137.4% |
| Electric devices business | 2,769,991 | 123.9% |
| CMS business | 5,427,730 | 98.4% |
| Total | 17,908,843 | 120.8% |

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 Sep. 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 |

Current interim period (As of Sep. 30, 2007)

(1) Securities with market quotations classified as “other securities”

(Thousands of yen)

| | Acquisition cost | Carrying value | Unrealized gain |
|---|---|---|---|
| (1) Shares | 313,056 | 1,359,527 | 1,046,470 |
| (2) Bonds | - | - | - |
| (3) Others | 70,600 | 61,498 | (9,102) |
| Total | 383,656 | 1,421,025 | 1,037,368 |

(2) Securities without market quotations

(Thousands of yen)

| | Carrying value |
|---|---|
| Other securities | |
| Unlisted equities | 106,289 |
| Equity in investment business associations | 99,567 |

Previous fiscal year (As of Mar. 31, 2007)

(1) Securities with market quotations classified as “other securities”

(Thousands of yen)

| | Acquisition cost | Carrying value | Unrealized gain |
|---|---|---|---|
| (1) Shares | 310,835 | 1,076,520 | 765,685 |
| (2) Bonds | - | - | - |
| (3) Others | 70,600 | 67,169 | (3,431) |
| Total | 381,435 | 1,143,689 | 762,254 |

(2) Securities without market quotations

(Thousands of yen)

| | Carrying value |
|---|---|
| Other securities | |
| Unlisted equities | 102,905 |
| Equity in investment business associations | 111,543 |

## 9. Derivatives

| Apr. 1, 2006 - Sep. 30, 2006 | Apr. 1, 2007 - Sep. 30, 2007 | Apr. 1, 2006 - Mar. 31, 2007 |
|---|---|---|
| It is omitted here because all derivatives transactions outstanding during the interim period are applicable to the hedge accounting. | Same as on the left. | It is omitted here because all derivatives transactions outstanding during the fiscal year are applicable to the hedge accounting. |

## 10. Per Share Data

(Yen)

| Apr. 1, 2006 - Sep. 30, 2006 | | Apr. 1, 2007 - Sep. 30, 2007 | | Apr. 1, 2006 - Mar. 31, 2007 | |
|---|---|---|---|---|---|
| Net assets per share | 868.78 | Net assets per share | 1,038.15 | Net assets per share | 956.23 |
| Net income per share | 33.31 | Net income per share | 48.36 | Net income per share | 86.38 |
| Diluted net income per share | 29.67 | Diluted net income per share | 43.06 | Diluted net income per share | 76.82 |

| | Apr. 1, 2006 - Sep. 30, 2006 | Apr. 1, 2007 - Sep. 30, 2007 | Apr. 1, 2006 - Mar. 31, 2007 |
|---|---|---|---|
| Net income | 663,387 | 913,148 | 1,703,281 |
| Amount not attribute to shareholders | - | - | - |
| [of which, directors' bonus in the appropriation of retained earnings] | [-] | [-] | [-] |
| Net income related to common stock | 663,387 | 913,148 | 1,703,281 |
| Average number of shares outstanding | 19,916,406 shares | 18,883,388 shares | 19,719,596 shares |
| Adjusted net income | 775 | 696 | 1,520 |
| [of which, interest expenses after tax deduction] | [773] | [696] | [1,520] |
| [of which, paperwork fees after tax deduction] | [1] | [0] | [0] |
| Increase in common stock | 2,472,052 shares | 2,341,368 shares | 2,472,052 shares |
| Dilutive potential shares excluded from the dilution information due to improbability | Dilutive potential shares: Stock acquisition rights 9,865 | ——— | Dilutive potential shares: Stock acquisition rights 9,702 |

**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.*