November 14, 2008

Business Results for the First Half of Fiscal Year Ending March 31, 2009
(Six Months ended September 30, 2008)

Company name: Ferrotec Corporation
Stock exchange listing: JASDAQ
Stock code: 6890
URL: http:// www.ferrotec.co.jp
Representative: Akira Yamamura, Representative Director & President
Contact: Masaru Yoshida, Director
Tel: +81-3-3281-8186

Scheduled date of filing of Quarterly Report: November 14, 2008

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2008 (April 1, 2008 – September 30, 2008)

(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	%
Six months ended Sep. 2008	19,551	-	2,054	-	1,819	-	877	-
Six months ended Sep. 2007	17,908	20.8	1,565	60.9	1,421	79.1	913	37.6

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 2008	40.95	40.62
Six months ended Sep. 2007	48.36	43.06

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Sep. 30, 2008	50,879	21,929	41.9	984.43
Mar. 31, 2008	40,973	21,501	52.0	1,004.39

Reference) Shareholders' equity Sep. 30, 2008: 21,340 million yen Mar. 31, 2008: 21,294 million yen

2. Dividends

	Dividend per share				
(Record date)	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 2008	-	0.00	-	12.00	12.00
Fiscal year ending Mar. 2009	-	0.00	-	-	-
Fiscal year ending Mar. 2009 (forecast)	-	-	-	12.00	12.00

Note) Revision of dividend forecast during the period: None

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2009 (April 1, 2008 – March 31, 2009)

(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	43,000	17.4	3,700	21.0	3,100	28.4	1,600	(16.0)	74.66

Note) Revision of consolidated forecast during the period: Yes

4. Others

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

(2) Application of simplified accounting methods and special accounting methods in the preparation of quarterly consolidated financial statements: Yes

Note: Please refer to "Qualitative Information and Financial Statements, 4. Others" on pages 5 and 6 for further information.

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

1) Changes caused by revision of accounting standards: Yes

2) Other changes: None

Note: Please refer to “Qualitative Information and Financial Statements, 4. Others” on pages 5 and 6for further information.

(4) Number of shares outstanding (common shares)

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

Sep. 30, 2008:	21,771,422 shares	Mar. 31, 2008:	21,294,922 shares

2) Number of treasury stock at end of period

Sep. 30, 2008:	93,344 shares	Mar. 31, 2008:	93,264 shares

3) Average number of shares outstanding during the period

Six months ended Sep. 2008:	21,430,794 shares	Six months ended Sep. 2007:	18,883,388 shares

<u>*Cautionary statement with respect to forward-looking statements</u>

1. 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 from these forecasts for a number of factors. Please refer to “Qualitative Information and Financial Statements, 3. Qualitative Information Regarding Consolidated Forecasts” on page 5 for further information concerning forecasts.
2. Effective from the current fiscal year, the Company has adopted “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12) and “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14). In addition, the quarterly consolidated financial statements are prepared in accordance with “Regulations for Quarterly Consolidated Financial Statements.”

Qualitative Information and Financial Statements

1. Qualitative Information Regarding Consolidated Results of Operations

In the electronics industry, the main source of demand for the Group's products, the semiconductor industry continued to restrain new investment in production equipment from the start of the year, but in the market for LCD and other flat-panel displays (FDP), the Group saw a steady recovery in demand for panel production equipment, particularly for next-generation panels, despite intensifying price competition in the panel market. Also, the photovoltaic power generation market continued to grow as heightening worldwide awareness of the need to cut CO2 emissions boosted demand for photovoltaic cell panels.

Against this backdrop, sales of vacuum feedthroughs, a mainstay product of the Group, exceeded the Group's plan: sales slumped to semiconductor production equipment manufacturers, but increased to other industries including makers of production equipment for FPDs and photovoltaic cells. In the Group's other production equipment-related businesses, sales of quartz and silicon products, used in the semiconductor manufacturing process, declined. In the photovoltaic cell-related business, launched as a separate business segment starting this fiscal year, sales of monocrystalline silicon manufacturing equipment were firm, and the Group began shipments of polycrystalline silicon production equipment as well. In the electronic devices business, sales of thermoelectric modules for temperature-adjustable car seats began to decline due to a sharp drop in luxury auto sales in the US, but the Group managed to keep sales in line with plan by strengthening marketing to other industries. In the CMS business, sales were generally in line with plan due to steady demand for the Group's various contract manufacturing services.

As a result, consolidated net sales increased 9.2% year-over-year to 19,551 million yen. Operating income increased 31.2% to 2,054 million yen, ordinary income increased 28.0% to 1,819 million yen, and net income decreased 3.9% to 877 million yen.

Year-over-year comparisons are provided for reference.

The Group's business segments are categorized into the "equipment-related business," the "photovoltaic cell-related business," the "electronic devices business," and the "CMS business" based on similarity in use of products and form of transactions. The "photovoltaic cell-related business" was newly established in the first quarter of the current fiscal year.

Below is a summary of business conditions in each segment in the first half of the current fiscal year.

Equipment-related business

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

In the semiconductor industry, semiconductor manufacturers continue to restrain investment due to sluggish demand for ICs and other semiconductor products. However, demand from the FPD industry recovered as LCD panel makers began to invest in production equipment again. In this market environment, sales of vacuum feedthroughs, which are used in production equipment of thin-film and silicon-based photovoltaic cells, expanded. However, sales of various quartz, silicon, and ceramic products, which are used primarily in the semiconductor industry, declined.

Year-over-year sales comparisons are not possible in the equipment-related business due to a change in segment classification, but sales slightly exceeded our plan. Year-over-year profit comparisons are also not possible, but we believe they declined due to a change in the product mix.

Note: Quartz crucibles and some other silicon products have been reclassified with the photovoltaic cell-related business.

Photovoltaic cell-related business

Monocrystalline and polycrystalline silicon production equipment, quartz crucibles, and silicon products used in photovoltaic cells, are the mainstay products in the photovoltaic cell-related business.

The photovoltaic cell industry is rapidly expanding, and demand is particularly strong for silicon production equipment from photovoltaic cell manufacturers in China. We announced the capture of major orders for monocrystalline and polycrystalline silicon production equipment in July, and shipments are progressing smoothly. Sales of silicon products used in photovoltaic cells increased steadily, and sales of quartz crucibles used in monocrystalline production equipment gradually increased. Year-over-year profit comparisons are not possible, but we achieved high profit margins in this business.

Note: Silicon crystal production equipment has been reclassified from the CMS business, and quartz crucibles and some silicon products from the equipment-related business.

Electronic devices business

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

Sales of thermoelectric modules, the core product in this business, declined for temperature-adjustable car seat applications due to falling auto sales, but sales and profits increased year-over-year as we strengthened marketing to other industries including biotechnology & healthcare, and consumer electronics.

Note: No classification changes were made in this business.

CMS business

We manufacture items contracted to us by other companies in the contract manufacturing services (CMS) business, but cannot discuss product details due to confidentiality agreements with customers.

Sales of silicon wafer processing declined slightly, but sales of equipment parts cleansing and machine tool assembly were generally in line with plans. The profit margin in this business declined year-over-year due in part to the reclassification of silicon crystal production equipment, a high-margin product, to the photovoltaic cell-related business.

Note: Silicon crystal production equipment was reclassified with the photovoltaic cell-related business.

2. Qualitative Information Regarding Consolidated Financial Position

Assets

Assets at the end of the second quarter of the current fiscal year increased 9,905 million yen over the end of the previous fiscal year to 50,879 million yen on a consolidated basis. The main factor was the acquisition of Ferrotec Ceramics Corporation.

Liabilities

Liabilities increased 9,477 million yen to 28,949 million yen, mainly due to the acquisition of Ferrotec Ceramics Corporation and the acquisition-related borrowings.

Net assets

Net assets increased 428 million yen to 21,929 million yen.

Cash Flow Position

Consolidated cash and cash equivalents totaled 6,146 million yen at the end of the second quarter, up 684 million yen from the end of the previous fiscal year.

Cash flows in the current fiscal year were as follows.

Cash flow from operating activities

Net cash provided by operating activities was 2,607 million yen. This was mainly due to net income before income taxes and minority interests of 1,447 million yen, an increase in net of depreciation and other non–cash expenses and an increase in notes and accounts payable.

Cash flow from investing activities

Net cash used in investing activities was 7,146 million yen. This was mainly due to the acquisition of Ferrotec Ceramics Corporation.

Cash flow from financing activities

Net cash provided by financing activities was 5,217 million yen, mainly due to short- and long-term borrowings.

3. Qualitative Information Regarding Consolidated Forecasts

The financial crisis triggered by the US subprime problem has caused a slowdown in the global economy, and the outlook for the future has become increasingly unclear. In this economic environment, and given that the electronics industry accounts for most demand for our products, the environment for our equipment-related business has become increasingly severe as we wait for a recovery in capital equipment investment particularly in the semiconductor industry. The environment is also severe for the electronic devices business because automakers, our mainstay customers, have been hit hard by the global economic slowdown.

However, shipments of our silicon crystal production equipment are steady in the photovoltaic cell market because photovoltaic cell makers are boosting production capacity as the price of the raw material polysilicon has declined thanks to ramped up production.

Against these business conditions, we revise the full-year forecasts that we announced on August 14, 2008 to the following: net sales of 43,000 million yen, operating income of 3,700 million yen, ordinary income of 3,100 million yen, and net income of 1,600 million yen.

4. Others

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation)

Not applicable.

(2) Application of simplified accounting methods and special accounting methods in the preparation of quarterly consolidated financial statements

Simplified accounting methods

1. Method for estimating the uncollectible amount of general receivables

   The uncollectible amount of general receivables was estimated using the historical write-off ratio at the end of the previous fiscal year as the ratio at the end of the second quarter of the current fiscal year was found not to be significantly different from the ratio at the end of the previous fiscal year.

2. Valuation of inventories

   Inventory write-down is based on the current net sales value of items on which profit margins have declined significantly.

3. Calculation of deferred tax assets and deferred tax liabilities

   Judgments about the recoverability of deferred tax assets are made based on earnings forecasts and tax planning, as in the previous fiscal year, as there have been no significant changes in the operating environment or in the occurrence of temporary differences since the end of the previous fiscal year.

Special accounting methods in the preparation of quarterly consolidated financial statements

1. Calculation of tax expense

   The tax expense was calculated by first estimating the effective tax rate after the application of tax effect accounting with respect to net income before income taxes and minority interests in the current fiscal year, and multiplying that rate by the quarterly net income before income taxes and minority interests.

   Deferred income taxes were included and displayed with income taxes.

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

1. Effective from the current fiscal year, the Company has adopted "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12) and "Guidance on Accounting Standard for Quarterly Financial Reporting" (ASBJ Guidance No. 14). In addition, the quarterly consolidated financial statements are prepared in accordance with "Regulations for Quarterly Consolidated Financial Statements."

   The Company has adopted the amended Regulations for Quarterly Consolidated Financial Statements from the first quarter of the current fiscal year (April 1, 2008 to June 30, 2008), pursuant to the proviso of Article 7, Paragraph 1, Item 5 of the Supplementary Provision of the "Cabinet Office Ordinance Partially Revising Regulation for Terminology, Forms and Preparation Methods of Financial Statements" (Cabinet Office Ordinance No. 50, August 7, 2008).

2. Changes in valuation criteria and methods for principal assets

   Inventories

   In prior years, the Company and its domestic subsidiaries have computed inventory for regular sales purposes primarily by the moving-average cost method. With the adoption of "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006) from the first quarter of the current fiscal year, inventory is computed primarily by the moving-average cost method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins).

   There is no effect on profit/loss.

3. Application of "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"

   Effective from the first quarter of the current fiscal year, the Company has adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No. 18, May 17, 2006.) Regarding goodwill at the US consolidated subsidiary, we followed the US Financial Accounting Standards Board's Standard No.142 "Treatment of Goodwill and Other Intangible Assets" in prior years, but from the first quarter of the current fiscal year, goodwill is amortized by the straight-line method.

   Effect of this change was to decrease operating income, ordinary income and net income before income taxes and minority interests in the first half of the current fiscal year by 50,349,000 yen each, and decrease the beginning balance of retained earnings (prior-period amortized adjustments) by 676,464,000 yen.

   At the Chinese subsidiary, first-half net income and the beginning balance of retained earnings increased by 54,870,000 yen and 98,514,000 yen respectively, due to the application of deferred tax accounting.

   The effect of these changes on segment operations is shown in the Segment Information section.

(Supplementary Information)

Provision for product warranties

The Company books an estimate of compensation expenses based on its forecast of future product quality related compensation payments.

Accordingly, net income before income taxes and minority interests decreased by 290,000,000 yen.

5. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of Sep. 30, 2008	As of Mar. 31, 2008
Assets		
Current assets		
Cash and deposits	8,823,317	5,461,589
Notes and accounts receivable	8,856,691	6,961,770
Merchandise and finished goods	1,826,836	1,736,256
Work in process	2,069,107	941,945
Raw materials and supplies	2,554,673	1,754,878
Other current assets	2,284,470	2,141,721
Allowance for doubtful receivables	(103,318)	(91,684)
Total current assets	26,311,778	18,906,477
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	5,734,597	5,425,862
Machinery and vehicles, net	6,553,063	5,661,010
Tools, furniture and fixtures, net	2,473,268	2,262,452
Land	2,836,068	2,579,549
Construction in progress	855,155	398,331
Total tangible fixed assets	18,452,153	16,327,206
Intangible assets		
Goodwill	2,772,664	2,067,924
Other intangible assets	1,006,878	1,006,033
Total intangible assets	3,779,542	3,073,958
Investments and other assets		
Other investments and other assets	2,377,144	2,707,084
Allowance for doubtful receivables	(41,323)	(41,194)
Total investments and other assets	2,335,820	2,665,889
Total fixed assets	24,567,517	22,067,054
Total assets	50,879,295	40,973,532

(Thousands of yen)

	As of Sep. 30, 2008	As of Mar. 31, 2008
Liabilities		
Current liabilities		
Notes and accounts payable	6,117,209	4,147,136
Short-term borrowings	8,257,348	3,332,521
Current portion of long-term borrowings	3,158,329	2,930,071
Accrued income taxes	574,723	703,502
Reserve for bonuses payable	384,436	173,277
Provision for product warranties	290,000	-
Other current liabilities	3,467,904	2,966,436
Total current liabilities	22,249,951	14,252,944
Long-term liabilities		
Corporate bonds	100,000	100,000
Long-term borrowings	5,890,858	4,299,431
Liability for retirement benefits	40,190	29,204
Liability for retirement benefits to officers	57,248	6,300
Other long-term liabilities	611,548	784,249
Total long-term liabilities	6,699,845	5,219,185
Total liabilities	28,949,797	19,472,129
Net assets		
Shareholders' equity		
Common stock	7,535,259	7,320,151
Capital surplus	8,137,171	7,922,063
Retained earnings	4,458,593	4,413,321
Treasury stock	(86,297)	(86,168)
Total shareholders' equity	20,044,727	19,569,368
Valuation and translation adjustments		
Net unrealized holding gain on securities	52,175	241,526
Foreign currency translation adjustment	1,243,560	1,483,927
Total valuation and translation adjustments	1,295,736	1,725,453
Minority interests	589,034	206,579
Total net assets	21,929,498	21,501,402
Total liabilities and net assets	50,879,295	40,973,532

(2) Consolidated Statements of Income

(For the Six-month Period)

(Thousands of yen)

	Six months ended Sep. 30, 2008 (Apr. 1, 2008 – Sep. 30, 2008)
Net sales	19,551,444
Cost of sales	13,208,035
Gross profit	6,343,408
Selling, general and administrative expenses	4,288,618
Operating income	2,054,790
Non-operating income	
Interest income	66,335
Other non-operating income	173,475
Total non-operating income	239,811
Non-operating expenses	
Interest expense	223,127
Foreign exchange loss	99,811
Other non-operating expenses	152,209
Total non-operating expenses	475,148
Ordinary income	1,819,453
Extraordinary income	
Gain on sales of investment securities	10,759
Gain on change in equity	63,796
Other extraordinary income	51,122
Total extraordinary income	125,678
Extraordinary losses	
Loss on disposal of fixed assets	37,583
Impairment losses	51,599
Provision for product warranties	290,000
Other extraordinary losses	118,920
Total extraordinary losses	498,102
Net income before income taxes and minority interests	1,447,029
Income taxes	548,791
Minority interests in income	20,595
Net income	877,641

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	Six months ended Sep. 30, 2008 (Apr. 1, 2008 – Sep. 30, 2008)
Cash flows from operating activities	
Net income before income taxes and minority interests	1,447,029
Depreciation and amortization	1,199,106
Impairment losses	51,599
Amortization of goodwill	11,358
Increase (decrease) in liability for retirement benefits	1,798
Increase (decrease) in reserve for bonuses payable	183,720
Increase (decrease) in liability for retirement benefits to officers	(6,300)
Increase (decrease) in allowance for doubtful receivables	14,508
Increase (decrease) in provision for product warranties	290,000
Interest and dividend income	(68,495)
Interest expense	223,127
Stock issue expenses	5,790
Foreign exchange loss (gain)	34,110
Equity in loss (income) of non-consolidated subsidiaries and affiliates	44,497
Loss (gain) on disposal of fixed assets	37,583
Loss (gain) on sales of investment securities	(10,759)
Loss (gain) on valuation of investment securities	27,945
Decrease (increase) in notes and accounts receivable	(591,852)
Decrease (increase) in inventories	(1,190,783)
Increase (decrease) in notes and accounts payable	1,436,061
Others	438,639
Sub-total	3,578,686
Interests and dividends received	56,392
Interests paid	(218,147)
Income taxes paid	(809,926)
Net cash provided by operating activities	2,607,004
Cash flows from investing activities	
Payments into time deposits	(2,676,780)
Payments for purchase of tangible fixed assets	(1,432,120)
Proceeds from sales of tangible fixed assets	43,445
Payments for purchase of investment securities	(601)
Proceeds from sales of investment securities	43,880
Payments for purchase of subsidiary stock	(52,875)
Payments for purchase of subsidiary stock resulting in change in scope of consolidation	(2,981,363)
Others	(90,568)
Net cash used in investing activities	(7,146,984)

(Thousands of yen)

	Six months ended Sep. 30, 2008 (Apr. 1, 2008 – Sep. 30, 2008)
Cash flows from financing activities	
Net increase (decrease) in short-term borrowings	3,265,028
Proceeds from long-term borrowings	3,528,812
Repayments of long-term borrowings	(1,996,680)
Proceeds from issuance of shares	424,425
Proceeds from issuance of shares to minority shareholders	255,617
Payments for purchase of treasury stock	(129)
Cash dividends paid	(254,216)
Cash dividends paid to minority shareholders	(5,078)
Net cash provided by financing activities	5,217,779
Effect of exchange rate changes on cash and cash equivalents	7,148
Increase (decrease) in cash and cash equivalents	684,947
Cash and cash equivalents at the beginning of period	5,461,589
Cash and cash equivalents at the end of period	6,146,537

Effective from the current fiscal year, the Company has adopted "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12) and "Guidance on Accounting Standard for Quarterly Financial Reporting" (ASBJ Guidance No. 14). In addition, the quarterly consolidated financial statements are prepared in accordance with "Regulations for Quarterly Consolidated Financial Statements."

(4) Going Concern Assumption

No reportable information.

(5) Segment Information

Segment information by business category

(Thousands of yen)

Six months ended Sep. 30, 2008 (Apr. 1, 2008 – Sep. 30, 2008)							
Division	Equipment-related business	Photovoltaic cell-related business	Electronic devices business	CMS business	Total	Eliminations or corporate	Consolidated
Net sales							
(1) Net sales to third parties	7,873,981	4,265,308	2,865,520	4,546,633	19,551,444	-	19,551,444
(2) Internal sales and transfers	912,122	426,062	-	-	1,338,185	(1,338,185)	-
Total	8,786,104	4,691,371	2,865,520	4,546,633	20,889,629	(1,338,185)	19,551,444
Operating income	844,062	792,812	213,636	246,970	2,097,481	(42,690)	2,054,790

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) Photovoltaic cell-related business: Silicon ingot production equipment for photovoltaic cells, silicon ingot for photovoltaic cells, etc.

(3) Electronic devices business: Thermoelectric modules used for thermostats, ferrofluid-applied products (ferrofluid seals, etc.)

(4) CMS business: The Company manufactures products on contract for other companies, but refrains from listing those products due to confidentiality obligations with clients, and because of the wide variety of products handled.

3. Changes in accounting methods

(Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements)

Effective from the first quarter of the current fiscal year, the Company has adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements." The effect of this change was to decrease first-half operating income in the equipment-related business and the electronic devices business by 36,864,000 yen and 13,484,000 yen respectively.

4. Change in business segment classification

The Company previously had three business segments based on similarity in use of products and form of transactions, but changed to a system of four business segments starting from the first quarter of the current fiscal year. We separated the photovoltaic cell-related business, previously classified within the CMS business, into a new business called the "photovoltaic cell-related business" because production equipment related to photovoltaic cells now accounts for a large proportion of our overall sales. In line with this change, we reclassify quartz crucibles and photovoltaic cell-related silicon ingot products, previously classified within the equipment-related business, into the photovoltaic cell-related business starting from the first quarter of the current fiscal year, as these products are mainly used for the manufacture of photovoltaic cells.

Due to the change in segment classification from three to four businesses, first-half net sales in the equipment-related business declined 1,177,022,000 yen and operating income declined 208,052,000 yen; and first-half sales in the CMS business declined 3,088,286,000 yen and operating income declined 584,761,000 yen.

Geographical segment information

(Thousands of yen)

Six months ended Sep. 30, 2008 (Apr. 1, 2008 – Sep. 30, 2008)						
Division	Japan	Asia	USA & Europe	Total	Eliminations or corporate	Consolidated
Net sales						
(1) Net sales to third parties	6,679,807	7,295,458	5,576,178	19,551,444	-	19,551,444
(2) Internal sales and transfers	2,587,466	7,607,970	50,691	10,246,128	(10,246,128)	-
Total	9,267,273	14,903,429	5,626,869	29,797,572	(10,246,128)	19,551,444
Operating income	350,985	1,226,783	424,267	2,002,036	52,753	2,054,790

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. Changes in accounting methods
   (Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements)
   Effective from the first quarter of the current fiscal year, the Company has adopted “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”. The effect of this change was to decrease first-half operating income in the USA & Europe by 50,349,000 yen.

Overseas sales

(Thousands of yen)

Division		Asia	USA & Europe	Total
Six months ended Sep. 30, 2008 (Apr. 1, 2008 – Sep. 30, 2008)	I Overseas sales	7,500,889	5,585,794	13,086,684
	II Consolidated sales			19,551,444
	III Share of overseas sales among the consolidated sales (%)	38.3	28.6	66.9

Notes:

1. Country or area for categorization is based on geographical distance.
2. Country or area included in each category is 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.

(6) Significant Changes in Shareholders’ Equity

Effective from the first quarter of the current fiscal year, the Company has adopted “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (PITF No. 18, May 17, 2006). For the first fiscal year of application, we have reduced surplus reserves within the asset balance of foreign subsidiaries' balance sheets at the beginning of the fiscal year by after-tax profits from past fiscal years of 577,949,000 yen.

Reference Materials

Financial Statements for the Previous Period

(1) Interim Consolidated Statements of Income

(Thousands of yen)

Item		Apr. 1, 2007 – Sep. 30, 2007	
		Amount	%
I	Net sales	17,908,843	100.0
II	Cost of sales	12,629,866	70.5
	Gross profit	5,278,977	29.5
III	Selling, general and administrative expenses	3,712,995	20.7
	Operating income	1,565,981	8.7
IV	Non-operating income		
	Interest income	25,454	
	Lease income	33,859	
	Foreign exchange gain	82,657	
	Other non-operating income	96,985	
	Total non-operating income	238,956	1.3
V	Non-operating expenses		
	Interest expense	217,987	
	Equity in loss of non-consolidated subsidiaries and affiliates	47,524	
	Other non-operating expenses	118,001	
	Total non-operating expenses	383,513	2.1
	Ordinary income	1,421,425	7.9
VI	Extraordinary income		
	Reversal of allowance for doubtful receivables	41,879	
	Other extraordinary income	2,936	
	Total extraordinary income	44,815	0.3
VII	Extraordinary losses		
	Loss on disposal of fixed assets	66,410	
	Retirement benefits to officers	62,500	
	Other extraordinary losses	13,500	
	Total extraordinary losses	142,411	0.8
	Net income before income taxes and minority interests	1,323,829	7.4
	Current income taxes	421,420	2.4
	Deferred income taxes	(12,705)	(0.1)
	Minority interests in income	1,965	0.0
	Net income	913,148	5.1

(2) Interim Consolidated Statements of Cash Flows

(Thousands of yen)

Item	Apr. 1, 2007 – Sep. 30, 2007
	Amount
I Cash flows from operating activities	
Net income before income taxes and minority interests	1,323,829
Depreciation and amortization	1,159,948
Amortization of goodwill	43,588
Increase (decrease) in liability for retirement benefits	3,849
Increase (decrease) in liability for retirement benefits to officers	(115,800)
Increase (decrease) in reserve for bonuses payable	(58,405)
Increase (decrease) in allowance for doubtful receivables	(41,593)
Interest and dividend income	(46,382)
Interest expense	217,987
Foreign exchange loss (gain)	(124,488)
Equity in loss of non-consolidated subsidiaries and affiliates	47,524
Loss on disposal of fixed assets	66,410
Decrease (increase) in notes and accounts receivable	(462,402)
Decrease (increase) in inventories	(608,141)
Decrease (increase) in other assets	561,906
Increase (decrease) in notes and accounts payable	(67,658)
Increase (decrease) in other liabilities	1,172,754
Others	4,162
Sub-total	3,077,089
Interests and dividends received	46,235
Interests paid	(217,105)
Income taxes paid	(234,209)
Net cash provided by operating activities	2,672,010
II Cash flows from investing activities	
Payments for purchase of tangible fixed assets	(1,329,621)
Proceeds from sales of tangible fixed assets	1,215
Payments for purchase of investment securities	(2,221)
Proceeds from sales of investment securities	10,150
Payments for purchase of shares of affiliates	(25,228)
Proceeds from collection of loans	10
Proceeds from other investing activities	17,582
Payments for other investing activities	(137,182)
Net cash used in investing activities	(1,465,296)
III Cash flows from financing activities	
Net increase (decrease) in short-term borrowings	(97,706)
Proceeds from long-term borrowings	1,429,165
Repayments of long-term borrowings	(1,301,029)
Proceeds from issue of corporate bonds	100,000
Payments for acquisition of treasury stock	(59)
Proceeds from sales of treasury stock	10,524
Cash dividends paid	(236,823)
Cash dividends paid to minority shareholders	(5,208)
Net cash used in financing activities	(101,137)
IV Effect of exchange rate changes on cash and cash equivalents	144,939
V Increase (decrease) in cash and cash equivalents	1,250,515
VI Cash and cash equivalents at the beginning of period	3,225,758
VII Cash and cash equivalents at the end of period	4,476,274

(3) Segment Information

Segment information by business category

(Thousands of yen)

Six months ended Sep. 30, 2007 (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

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: The Company manufactures products on contract for other companies, but refrains from listing those products due to confidentiality obligations with clients, and because of the wide variety of products handled.

Geographical segment information

(Thousands of yen)

Six months ended Sep. 30, 2007 (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

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

Overseas sales

Six months ended Sep. 30, 2007 (Apr. 1, 2007 – Sep. 30, 2007) (Thousands of yen)

Division	Asia	USA & Europe	Total
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

Notes:
1. Country or area for categorization is based on geographical distance.
2. Country or area included in each category is 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.

**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.*