November 13, 2009

Business Results for the Second Quarter of Fiscal Year Ending March 31, 2010
(Six Months ended September 30, 2009)

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 13, 2009
Starting date of dividend payment: -

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2009
(April 1, 2009 – September 30, 2009)

(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. 30, 2009	13,423	(31.3)	(543)	-	(504)	-	(437)	-
Six months ended Sep. 30, 2008	19,551	-	2,054	-	1,819	-	877	-

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2009	(19.28)	-
Six months ended Sep. 30, 2008	40.95	40.62

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Sep. 30, 2009	49,318	22,428	44.6	887.15
Mar. 31, 2009	46,951	19,034	39.6	856.22

Reference) Shareholders' equity Sep. 30, 2009: 21,977 million yen Mar. 31, 2009: 18,583 million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2009	-	0.00	-	12.00	12.00
Fiscal year ending Mar. 31, 2010	-	0.00			
Fiscal year ending Mar. 31, 2010 (forecast)			-	12.00	12.00

Note) Revision of dividend forecast during the period: None

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2010 (April 1, 2009 – March 31, 2010)

(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	31,000	(15.4)	600	(78.5)	300	(85.7)	100	(86.5)	4.40

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 page 5 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: Yes

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

(4) Number of shares outstanding (common shares)

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

Sep. 30, 2009:	24,867,022 shares	Mar. 31, 2009:	21,797,422 shares

2) Number of treasury stock at end of period

Sep. 30, 2009:	93,344 shares	Mar. 31, 2009:	93,344 shares

3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2009:	22,715,763 shares	Six months ended Sep. 30, 2008:	21,430,794 shares

*Cautionary statement with respect to forward-looking statements

1. Forecasts regarding future performance in these materials are based on assumptions judged to be valid and information currently available to the Company. Actual results may differ significantly 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. For the first half of the current fiscal year (April 1, 2009 to September 30, 2009), the quarterly consolidated financial statements were prepared based on the amended regulations for quarterly consolidated financial statements pursuant to the proviso of Article 7, Paragraph 1, Item 4 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. 5, March 24, 2009).

Qualitative Information and Financial Statements

1. Qualitative Information Regarding Consolidated Results of Operations

The business environment remained difficult in the first half of the fiscal year as conditions in the real economy deteriorated since last year's financial crisis.

In the electronics industry, the main source of demand for the Group's products, recovery in the domestic semiconductor market has been particularly delayed because semiconductor manufacturers continue to restrain capital investment. Manufacturers of LCD panel and other flat-panel displays (FPD) have also not moved to make new investments in panel production equipment despite signs of expanding demand for flat-screen TVs particularly in China.

In the renewable energy industry, where demand declined on fallout from the financial crisis, the photovoltaic cell market had been shrinking particularly in Europe, but the market has gradually begun to show signs of recovery thanks to ongoing declines in photovoltaic panel prices following a drop in the price of the raw material polysilicon.

Against this backdrop, sales of vacuum feedthroughs, a product in the equipment-related business, declined for semiconductor and thin-film photovoltaic cell manufacturing equipment applications, and demand declined for quartz products, ceramics, and other consumables used in the semiconductor manufacturing process due to declines in production of memory and other semiconductors at device makers. In the photovoltaic cell-related business, sales were in line with plan due to steady shipments of silicon crystal production equipment. In the electronic devices business, sales of thermoelectric modules for the mainstay application of temperature-adjustable car seats continued to decline on fallout from mergers and production cuts throughout the global auto industry, and sales also declined to the semiconductor industry. In the CMS business, sales continued to decline due to production cuts at customers. To cope in this environment, each Group company further strengthened marketing activities, and strove to promote sales beyond conventional existing markets.

As a result, consolidated net sales of 13,423 million yen exceeded the Group's target. However, COGS rose due to a decline in order prices and changes in the product mix, and this pressured gross profits. Although the Group strove to tamp down personnel expenses by cutting director compensation and employee pay at the parent company and subsidiaries, and by cutting other expenses, the Group booked an operating loss of 543 million yen, an ordinary loss of 504 million yen, and a net loss of 437 million yen.

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.

Below is a summary of business conditions in each segment.

Equipment-related business

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

In the semiconductor industry, sales of vacuum feedthroughs in the domestic market declined as manufacturers continued to restrain investment in the face of sluggish demand. Also, sales of consumables used in manufacturing processes declined due to ongoing production adjustment at device makers. As a result of these trends, sales in the equipment-related business declined year-over-year, but exceeded our initial target due to Group-wide marketing efforts. Recently, signs of a recovery in orders are emerging. Operating income declined year-over-year on the back of falling sales. The recovery in profits is about a quarter behind plan due to changes in the product mix and other factors.

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.

Demand for silicon crystal production equipment from photovoltaic cell makers in the Chinese market had been in decline due to a rapid shrinking of the photovoltaic cell market since the financial crisis, but recently demand has been recovering from major customers. We saw new orders for silicon crystal production equipment only from the US in the second quarter, but sales in the business rose year-over-year due to steady shipments of existing orders, and firm sales of silicon products used in photovoltaic cells and quartz crucibles used in monocrystalline silicon production equipment. However, operating income declined year-over-year due to the burden of leading costs, including development expenses for silicon crystal production equipment and peripheral equipment, and design expenses to meet customer specifications, and a decline in product prices on a plunge in silicon raw material prices. Although second-quarter operating income declined, the photovoltaic cell-related business remains a stable source of profits.

Electronic devices business

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

Sales and profits in the electronic devices business declined year-over-year as mainstay thermoelectric modules for temperature-adjustable car seats were impacted by global stagnation in the auto industry. Sales have recently begun to recover as unit auto sales in major countries appear to have temporarily bottomed on economic stimulus benefits. Signs of a recovery in orders are also emerging in the consumer electronics and biotechnology markets.

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 and profits in the CMS business declined year-over-year as silicon wafer processing, equipment parts cleansing, and machine tool assembly were impacted by restrained purchases and production cuts at end-demand users. Recently, however, sales and profits have turned higher.

2. Qualitative Information Regarding Consolidated Financial Position

Assets

Assets at the end of the second quarter of the current fiscal year increased 2,366 million yen over the end of the previous fiscal year to 49,318 million yen on a consolidated basis. The main factor was the increase of current assets (mainly cash and deposits).

Liabilities

Liabilities decreased 1,026 million yen to 26,890 million yen, mainly due to the decrease of current liabilities (mainly notes and accounts payable).

Net assets

Net assets increased 3,393 million yen to 22,428 million yen. The main factors include an increase in shareholders' equity due to the exercise of stock acquisition rights and an increase in foreign currency translation adjustment.

Cash Flow Position

Consolidated cash and cash equivalents totaled 9,003 million yen at the end of the second quarter, up 3,593 million yen from the end of the previous fiscal year.

Cash flows in the first half of the current fiscal year were as follows.

Cash flow from operating activities

Net cash provided by operating activities was 1,720 million yen. The main factor included an addition of net of depreciation and other non–cash expenses to net loss before income taxes and minority interests of 492 million yen.

Cash flow from investing activities

Net cash used in investing activities was 445 million yen. This was mainly due to the payments for purchase of tangible fixed assets and proceeds from withdrawal of time deposits.

Cash flow from financing activities

Net cash provided by financing activities was 2,165 million yen, mainly due to the issuance of shares resulting from the exercise of stock acquisition rights.

3. Qualitative Information Regarding Consolidated Forecasts

Based on the first-half performance, the Company has revised its full-year forecasts for the fiscal year ending March 31, 2010. The previous forecasts were announced on May 20, 2009 when fiscal year operating results were released.

For details, please see the press release titled “Revision of estimate for FY March, 2010” announced on November 13, 2009.

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

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. The Company has adopted “Guidance on Determining a Subsidiary and an Affiliate” (Accounting Standards Board of Japan (ASBJ) Guidance No. 22, May 13, 2008) from the first quarter of the fiscal year.

   The effect of this change was to increase operating loss, ordinary loss and net loss before income taxes and minority interests for the first half of the current fiscal year by 21,506,000 yen, 19,580,000 yen and 19,580,000 yen, respectively.

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

2. Translation of material assets / liabilities in foreign currency into Japanese currency

   The revenues and expenses of overseas subsidiaries used to be translated into Japanese currency based on spot exchange rates as of the account settlements date, but starting from the first quarter of the current fiscal year, the term-average exchange rate has been used for conversion into Japanese currency.

   The change was made to eliminate the impact of sharp changes in foreign exchange rates on term profits, and to more appropriately reflect the results of overseas subsidiaries in consolidated results.

   As a result of this change, net sales decreased by 11,565,000 yen and operating loss, ordinary loss, and net loss increased by 1,123,000 yen, 1,529,000 yen and 1,175,000 yen respectively than otherwise would have been the case.

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

3. Based on the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008), the Company is able to apply “Cabinet Office Ordinance Partially Revising Regulation for Terminology, Forms and Preparation Methods of Financial Statements” (Cabinet Office Ordinance No. 5, March 24, 2009) beginning with the fiscal years starting on or after April 1, 2009. Accordingly, a new line item “Net loss before minority interests” is presented in the first half of the current fiscal year.

5. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of Sep. 30, 2009	As of Mar. 31, 2009
Assets		
Current assets		
Cash and deposits	10,653,676	7,675,121
Notes and accounts receivable	7,260,583	7,899,627
Merchandise and finished goods	3,027,770	1,468,838
Work in process	1,427,633	1,907,744
Raw materials and supplies	2,201,239	2,593,871
Other current assets	1,484,630	2,667,450
Allowance for doubtful receivables	(86,957)	(64,455)
Total current assets	25,968,576	24,148,198
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	5,322,986	5,271,192
Machinery and vehicles, net	5,104,520	5,513,458
Tools, furniture and fixtures, net	3,777,105	2,594,276
Land	2,804,758	2,817,498
Lease assets, net	21,092	24,400
Construction in progress	555,588	1,054,039
Total tangible fixed assets	17,586,051	17,274,865
Intangible assets		
Goodwill	2,245,795	2,399,207
Other intangible assets	1,044,707	1,025,965
Total intangible assets	3,290,503	3,425,172
Investments and other assets		
Other investments and other assets	2,526,610	2,151,350
Allowance for doubtful receivables	(53,124)	(47,684)
Total investments and other assets	2,473,485	2,103,666
Total fixed assets	23,350,040	22,803,703
Total assets	49,318,616	46,951,902

(Thousands of yen)

	As of Sep. 30, 2009	As of Mar. 31, 2009
Liabilities		
Current liabilities		
Notes and accounts payable	3,860,122	5,386,321
Short-term borrowings	8,325,299	8,886,464
Current portion of long-term borrowings	3,572,342	3,480,595
Accrued income taxes	140,855	189,795
Reserve for bonuses payable	158,241	93,856
Provision for product warranties	258,719	263,000
Other current liabilities	3,478,722	2,734,109
Total current liabilities	19,794,304	21,034,142
Long-term liabilities		
Corporate bonds	150,000	100,000
Long-term borrowings	5,956,777	5,918,615
Liability for retirement benefits	102,738	47,485
Liability for retirement benefits to officers	63,748	60,748
Other long-term liabilities	822,941	756,410
Total long-term liabilities	7,096,205	6,883,259
Total liabilities	26,890,510	27,917,401
Net assets		
Shareholders’ equity		
Common stock	9,118,934	7,547,583
Capital surplus	9,720,846	8,149,495
Retained earnings	3,597,907	4,296,845
Treasury stock	(86,297)	(86,297)
Total shareholders’ equity	22,351,390	19,907,627
Valuation and translation adjustments		
Net unrealized holding gain on securities	115,237	(68,043)
Foreign currency translation adjustment	(488,670)	(1,256,129)
Total valuation and translation adjustments	(373,432)	(1,324,172)
Stock acquisition rights	280	-
Minority interests	449,868	451,046
Total net assets	22,428,106	19,034,501
Total liabilities and net assets	49,318,616	46,951,902

(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)	Six months ended Sep. 30, 2009 (Apr. 1, 2009 – Sep. 30, 2009)
Net sales	19,551,444	13,423,645
Cost of sales	13,208,035	10,100,354
Gross profit	6,343,408	3,323,290
Selling, general and administrative expenses	4,288,618	3,866,530
Operating income (loss)	2,054,790	(543,239)
Non-operating income		
Interest income	66,335	78,337
Foreign exchange gain	-	150,338
Other non-operating income	173,475	146,791
Total non-operating income	239,811	375,467
Non-operating expenses		
Interest expense	223,127	235,193
Foreign exchange loss	99,811	-
Other non-operating expenses	152,209	101,989
Total non-operating expenses	475,148	337,182
Ordinary income (loss)	1,819,453	(504,955)
Extraordinary income		
Gain on sales of investment securities	10,759	9,149
Gain on prior period adjustment	-	46,436
Gain on sales of fixed assets	-	13,812
Gain on change in equity	63,796	-
Other extraordinary income	51,122	-
Total extraordinary income	125,678	69,398
Extraordinary losses		
Loss on disposal of fixed assets	37,583	20,119
Loss on sales of investment securities	-	10,971
Impairment losses	51,599	-
Extra retirement payments	-	25,617
Provision for product warranties	290,000	-
Other extraordinary losses	118,920	682
Total extraordinary losses	498,102	57,389
Net income (loss) before income taxes and minority interests	1,447,029	(492,946)
Income taxes	548,791	(34,815)
Net loss before minority interests	-	(458,130)
Minority interests in income (loss)	20,595	(20,256)
Net income (loss)	877,641	(437,873)

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	Six months ended Sep. 30, 2008 (Apr. 1, 2008 – Sep. 30, 2008)	Six months ended Sep. 30, 2009 (Apr. 1, 2009 – Sep. 30, 2009)
Cash flows from operating activities		
Net income (loss) before income taxes and minority interests	1,447,029	(492,946)
Depreciation and amortization	1,199,106	1,295,882
Impairment losses	51,599	-
Amortization of goodwill	11,358	158,484
Increase (decrease) in liability for retirement benefits	1,798	55,253
Increase (decrease) in reserve for bonuses payable	183,720	62,544
Increase (decrease) in liability for retirement benefits to officers	(6,300)	3,000
Increase (decrease) in allowance for doubtful receivables	14,508	24,555
Increase (decrease) in provision for product warranties	290,000	(4,280)
Interest and dividend income	(68,495)	(80,105)
Interest expense	223,127	235,193
Stock issue expenses	5,790	18,985
Foreign exchange loss (gain)	34,110	(166,259)
Equity in loss (income) of non-consolidated subsidiaries and affiliates	44,497	(1,342)
Loss (gain) on sales of fixed assets	-	(13,812)
Loss (gain) on disposal of fixed assets	37,583	20,119
Loss (gain) on sales of investment securities	(10,759)	1,821
Loss (gain) on valuation of investment securities	27,945	-
Decrease (increase) in notes and accounts receivable	(591,852)	949,704
Decrease (increase) in inventories	(1,190,783)	(422,550)
Increase (decrease) in notes and accounts payable	1,436,061	(1,816,361)
Others	438,639	2,262,680
Sub-total	3,578,686	2,090,567
Interests and dividends received	56,392	81,879
Interests paid	(218,147)	(235,923)
Income taxes paid	(809,926)	(215,634)
Net cash provided by operating activities	2,607,004	1,720,890

(Thousands of yen)

	Six months ended Sep. 30, 2008 (Apr. 1, 2008 – Sep. 30, 2008)	Six months ended Sep. 30, 2009 (Apr. 1, 2009 – Sep. 30, 2009)
Cash flows from investing activities		
Payments into time deposits	(2,676,780)	(268,490)
Proceeds from withdrawal of time deposits	-	1,007,211
Payments for purchase of tangible fixed assets	(1,432,120)	(1,151,775)
Proceeds from sales of tangible fixed assets	43,445	92,339
Payments for purchase of investment securities	(601)	(25,572)
Proceeds from sales of investment securities	43,880	52,466
Payments for purchase of subsidiary stock	(52,875)	(4,937)
Payments for purchase of subsidiary stock resulting in change in scope of consolidation	(2,981,363)	-
Net decrease (increase) in short-term loans receivable	-	(27,822)
Payments of long-term loans receivable	-	(30,100)
Others	(90,568)	(89,107)
Net cash used in investing activities	(7,146,984)	(445,787)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,265,028	(808,214)
Proceeds from long-term borrowings	3,528,812	2,365,562
Repayments of long-term borrowings	(1,996,680)	(2,249,009)
Repayments of lease obligations	-	(26,501)
Proceeds from issuance of corporate bonds	-	50,000
Proceeds from issuance of stock acquisition rights	-	28,071
Proceeds from issuance of shares	424,425	3,095,925
Proceeds from issuance of shares to minority shareholders	255,617	4,000
Payments for purchase of treasury stock	(129)	-
Cash dividends paid	(254,216)	(258,016)
Cash dividends paid to minority shareholders	(5,078)	(36,000)
Net cash provided by financing activities	5,217,779	2,165,817
Effect of exchange rate changes on cash and cash equivalents	7,148	152,248
Increase (decrease) in cash and cash equivalents	684,947	3,593,168
Cash and cash equivalents at the beginning of period	5,461,589	5,410,576
Cash and cash equivalents at the end of period	6,146,537	9,003,745

(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

Six months ended Sep. 30, 2009 (Apr. 1, 2009 – Sep. 30, 2009)							
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	4,801,751	5,038,052	1,511,392	2,072,448	13,423,645	-	13,423,645
(2) Internal sales and transfers	678,077	45,226	-	-	723,303	(723,303)	-
Total	5,479,829	5,083,279	1,511,392	2,072,448	14,146,949	(723,303)	13,423,645
Operating income (loss)	(831,516)	435,292	(71,669)	(38,484)	(506,377)	(36,862)	(543,239)

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, ceramic products, etc. for manufacturing devices of semiconductors and FPDs

(2) Photovoltaic cell-related business: Silicon ingot production equipment and silicon products geared for solar cell applications, and crucibles, etc.

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

(4) CMS business: Items produced by commission on contract from other manufacturers. Detail is not disclosed here because of broad range of products and fiduciary obligation of confidentiality with clients.

3. Changes in accounting methods

Six months ended Sep. 30, 2008

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

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

Six months ended Sep. 30, 2009

(Guidance on determining a subsidiary and an affiliate)

The Company has adopted "Guidance on Determining a Subsidiary and an Affiliate" (ASBJ Guidance No. 22, May 13, 2008) from the first quarter of the current fiscal year. The effect of this change was to decrease operating income in the photovoltaic cell-related business by 21,506,000 yen in the first half.

The Company has changed the translation of material assets/liabilities in foreign currency into Japanese currency in the first quarter of the current fiscal year. As a result of this change, net sales in the equipment-related business decreased 1,976,000 yen and operating income increased 355,000 yen; net sales in the electronic devices business decreased 9,574,000 yen and operating income decreased 1,492,000 yen; net sales in the CMS business decreased 15,000 yen and operating income decreased 1,000 yen; and operating income in “Eliminations or corporate” increased 13,000 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

Six months ended Sep. 30, 2009 (Apr. 1, 2009 – Sep. 30, 2009)						
Division	Japan	Asia	USA & Europe	Total	Eliminations or corporate	Consolidated
Net sales						
(1) Net sales to third parties	6,229,593	4,369,038	2,825,012	13,423,645	-	13,423,645
(2) Internal sales and transfers	1,720,832	4,998,749	36,134	6,755,715	(6,755,715)	-
Total	7,950,425	9,367,788	2,861,147	20,179,360	(6,755,715)	13,423,645
Operating income (loss)	(626,999)	202,436	(109,917)	(534,481)	(8,758)	(543,239)

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

Six months ended Sep. 30, 2008

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

The Company has adopted “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” from the first quarter of the current fiscal year. The effect of this change was to decrease operating income in USA & Europe by 50,349,000 yen in the first half.

Six months ended Sep. 30, 2009

(Guidance on determining a subsidiary and an affiliate)

The Company has adopted “Guidance on Determining a Subsidiary and an Affiliate” (ASBJ Guidance No. 22, May 13, 2008) from the first quarter of the current fiscal year. The effect of this change was to decrease operating income in Asia by 21,506,000 yen in the first half.

The Company has changed the translation of material assets/liabilities in foreign currency into Japanese currency in the first quarter of the current fiscal year. As a result of this change, net sales in Asia decreased 2,641,000 yen and operating income increased 168,000 yen; net sales in USA & Europe decreased 10,843,000 yen and operating income decreased 1,276,000 yen; and net sales in “Eliminations or corporate” increased 1,919,000 yen and operating income decreased 16,000 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

Division		Asia	USA & Europe	Total
Six months ended Sep. 30, 2009 (Apr. 1, 2009 – Sep. 30, 2009)	I Overseas sales	4,448,957	3,478,514	7,927,472
	II Consolidated sales			13,423,645
	III Share of overseas sales among the consolidated sales (%)	33.1	25.9	59.1

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.

(6) Significant Changes in Shareholders’ Equity

As a result of the exercise of the stock acquisition rights in the first half of the current fiscal year, the number of shares outstanding increased by 3,069,600 shares to 24,867,022 shares, common stock increased by 1,571,350,000 yen to 9,118,934,000 yen, and legal capital surplus increased by 1,571,350,000 yen to 7,823,860,000 yen respectively, as of the end of the second quarter.

**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.*