FerroTec

May 20, 2010

Business Results for the Fiscal Year Ended March 31, 2010

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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Scheduled date of annual shareholders' meeting: June 24, 2010
Scheduled date of filing of Annual Securities Report: June 25, 2010
Starting date of dividend payment: June 25, 2010

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

1. Consolidated Financial Results (April 1, 2009 – March 31, 2010)

(1) Consolidated results of operations

(Percentages for net sales, operating income, ordinary income and net income represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2010	31,541	(13.9)	703	(74.8)	524	(75.0)	156	(79.0)
March 31, 2009	36,653	0.1	2,790	(8.7)	2,097	(13.1)	743	(61.0)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
March 31, 2010	6.58	6.58	0.8	1.1	2.2
March 31, 2009	34.39	34.22	3.7	4.8	7.6

Reference) Earnings/loss on investments in equity-method affiliates
March 31, 2010: 0 million yen   March 31, 2009: (49) million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2010	47,963	22,581	46.1	892.19
March 31, 2009	46,951	19,034	39.6	856.22

Reference) Shareholders' equity   March 31, 2010: 22,129 million yen   Mar. 31, 2009: 18,583 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
March 31, 2010	2,374	(1,521)	(459)	5,867
March 31, 2009	2,699	(8,692)	6,686	5,410

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (Consolidated)	Dividend on equity (Consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2009	-	0.00	-	12.00	12.00	260	34.9	1.3
March 31, 2010	-	0.00	-	12.00	12.00	297	182.4	1.4
March 31, 2011 (forecast)	-	0.00	-	12.00	12.00		21.9	

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2011 (April 1, 2010 – March 31, 2011)

(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
First half	18,780	39.9	1,390	-	1,170	-	700	-	28.22
Full year	38,000	20.5	2,750	290.9	2,330	344.5	1,360	770.1	54.83

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 consolidated financial statements

1) Changes caused by revision of accounting standards: Yes

2) Other changes: Yes

Note: Please refer to "Basis for Presentation of Consolidated Financial Statements" on page 19 for further information.

(3) Number of shares outstanding (common shares)

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

March 31, 2010:	24,897,022 shares	Mar. 31, 2009:	21,797,422 shares

2) Number of treasury stock at end of period

March 31, 2010:	93,344 shares	Mar. 31, 2009:	93,344 shares

Note: Please refer to "Per Share Information" on page 37 for the number of shares used in calculating net income per share.

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results (April 1, 2009 – March 31, 2010)

(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	%
March 31, 2010	15,181	10.0	132	-	872	(23.9)	628	74.5
March 31, 2009	13,795	(23.5)	(28)	-	1,145	8.9	360	(44.5)

	Net income per share	Diluted net income per share
	Yen	Yen
March 31, 2010	26.47	26.47
March 31, 2009	16.67	16.59

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2010	31,015	21,424	69.1	863.76
March 31, 2009	27,908	17,599	63.1	810.87

Reference) Shareholders' equity Mar. 31, 2010: 21,424 million yen Mar. 31, 2009: 17,599 million yen

*Cautionary statement with respect to forward-looking statements

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 the section "1. Business Results, (1) Analysis of Results of Operations" on page 3 regarding preconditions or other related matters for the forecast shown above.

1. Business Results

(1) Analysis of Results of Operations

1) Business results (April 1, 2009 – March 31, 2010)

The business environment in the electronics industry, the main business field of our Group, remained harsh through the first half of the fiscal year under review, but signs of recovery gradually emerged from the second half driven by a recovery in Chinese and other Asian economies.

Against this backdrop, sales of vacuum feedthroughs, a product in the equipment-related business, turned higher for semiconductor and LCD panel (including LED, etc.) manufacturing equipment applications, and sales of quartz products and ceramics used in the semiconductor manufacturing process recovered. In the photovoltaic cell-related business, sales of silicon crystal production equipment declined, but shipments of quartz crucibles, a consumable used in the equipment, proceeded in line with plan. In the electronic devices business, sales of thermoelectric modules used in the mainstay application of temperature-adjustable car seats, began to recover towards the end of the year, and sales in the CMS business turned higher from yearend as production adjustments at clients finished.

Our entire Group continued to work on strengthening marketing activities in China, Taiwan, Korea, and other Asian markets, to cut inventories, reduce manufacturing costs, and lower SG&A expenses by tamping down expenses and cutting manager and employee bonuses.

Consolidated net sales decreased 13.9% year-over-year to 31,541 million yen. Operating income decreased 74.8% to 703 million yen, ordinary income decreased 75.0% to 524 million yen, and net income decreased 79.0% to 156 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.

Sales in this business declined over the year-ago period, but sales of vacuum feedthroughs entered a recovery path due to the resumption of investment in semiconductor and LCD equipment on the back of a sharp recovery in capacity utilization rates at Taiwanese and Korean manufacturers, and growing demand for vacuum feedthroughs used in LED manufacturing equipment in US and European markets. Also, demand for quartz products, ceramics, and other consumables used in manufacturing processes began to recover due to the end of production adjustments at device manufacturers.

Photovoltaic cell-related business

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

Sales in this business declined year-over-year because firm sales of quartz crucibles were not enough to offset the slump in sales of silicon crystal production equipment and sales of silicon products impacted by a sharp decline in prices. However, inquiries and orders for silicon crystal production equipment have been rising since we received an order from a major customer at the end of last year.

Electronic devices business

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

Sales in this business declined year-over-year, but sales of thermoelectric modules used in the mainstay application of temperature-adjustable car seats began to bottom out around mid-year due to economic stimulus measures adopted in countries around the world and an increase in auto unit sales in China and other markets. Orders have also entered a steady recovery path in the consumer electronics (air purifiers, air conditioners, etc.) 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 in this 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.

Performance by business segment was as follows: (Millions of yen)

	Equipment-related business		Photovoltaic cell-related business		Electronic devices business		CMS business	
	Amount	YoY change	Amount	YoY change	Amount	YoY change	Amount	YoY change
Net sales	12,986	-22.2%	10,738	-8.3%	3,750	-13.9%	5,390	-23.2%
Operating income	(598)	-	1,168	-29.6%	187	+4.4%	(7)	-

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	19,197	+9.1%	21,651	-12.7%	6,441	-25.5%
Operating income	(324)	-	1,009	-55.9%	54	-90.2%

Note: Net sales figures include internal sales.

2) Consolidated outlook (April 1, 2010 – March 31, 2011)

In the new fiscal year, we see signs of a gradual recovery in the economic environment post the financial crisis, but we expect the environment to remain unstable due to credit concerns sparked by the fiscal crisis in the eurozone, the protracted nature of the US economy's exit strategy and unemployment problems, and delays in the domestic economic recovery due to deflationary concerns.

In the electronics industry, the main source of demand for the Group’s products, the semiconductor sector has moved from a long period of adjustment to a recovery phase, and the appetite for capital investment in the sector has emerged. In the FPD industry as well, capital investment has entered a recovery path due to the emergence of demand for digital equipment in China and other emerging market countries, and the launch of new products such as portable electronic books. In the photovoltaic cell industry, electricity generating capacity has steadily expanded to 9.5 gigawatts worldwide, and OEM production of photovoltaic panels and cells is expanding in China for European and Japanese markets.

In this environment, we will strive in the equipment-related business to expand OEM product orders from overseas clients by working to expand sales channels of various products particularly in China, Taiwan, Korea, and other Asian markets. In the photovoltaic cell-related business, in addition to silicon crystal production equipment, we will develop in turn various equipment and consumables necessary in backend production stages. In addition to existing silicon products such as crystal ingot, we will expand our lineup of photovoltaic cell-related products such as photovoltaic wafers to meet the needs of clients. In the electronic devices business, we will broaden sales channels for thermoelectric modules from mostly temperature-adjustable car seats to more high-function products in the medical, biotechnology, and optics fields.

Currently, we make the following forecasts for the fiscal year ending March 31, 2011: consolidated net sales of 38,000 million yen, operating income of 2,750 million yen, ordinary income of 2,330 million yen, and net income of 1,360 million yen. The exchange rate was a dollar = 90 yen.

We omit non-consolidated earnings forecasts starting from the current fiscal year based on our judgment of their immateriality as investment information.

(2) Analysis of Financial Position

1) Balance sheet position

Assets at the end of the current fiscal year increased 1,011 million yen over the end of the previous fiscal year to 47,963 million yen on a consolidated basis. The main factor was the increase of current assets.

Liabilities decreased 2,535 million yen to 25,382 million yen, mainly due to the decrease of short- and long-term borrowings.

Net assets increased 3,547 million yen to 22,581 million yen. The main factors include an increase in shareholders' equity due to the exercise of stock acquisition rights.

2) Cash flow position

Consolidated cash and cash equivalents totaled 5,867 million yen at the end of the current fiscal year, up 457 million yen from the end of the previous fiscal year.

Cash flow from operating activities

Net cash provided by operating activities was 2,374 million yen (down 325 million yen year-over-year). This was mainly due to net income before income taxes and minority interests of 261 million yen (down 1,407 million yen), net of depreciation and other non–cash expenses, and a decrease in income taxes paid.

Cash flow from investing activities

Net cash used in investing activities was 1,521 million yen (down 7,171 million yen year-over-year). This was mainly due to capital equipment investment at the Chinese subsidiary.

Cash flow from financing activities

Net cash used in financing activities was 459 million yen, mainly due to repayment of short- and long-term borrowings.

(Reference) Cash flow indices

Fiscal year ended	March 2006	March 2007	March 2008	March 2009	March 2010
Shareholders' equity ratio (%)	48.8	46.7	52.0	39.6	46.1
Equity ratio by market capitalization (%)	46.0	46.4	58.2	50.7	55.7
Interest-bearing debt to cash flow ratio (years)	2.8	5.1	2.4	6.9	6.4
Interest coverage ratio	12.3	5.0	10.1	6.8	5.6

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

Notes: 1. Each index is calculated on a consolidated basis.
2. Market capitalization are calculated based on the number of outstanding shares (net of treasury stock)
3. Cash flows are calculated using the figures for operating cash flows in the consolidated statements of cash flows.
4. Interest-bearing debt includes all liabilities on the consolidated balance sheets that incur interest.

(3) Basic profit-sharing principles and dividends for the current and next fiscal years

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, including capital investments and merger and acquisitions.

In line with this policy, we plan to pay a yearend dividend of 12 yen per common share (annual) for the current fiscal year.

In the new fiscal year, we plan an annual dividend of 12 yen per common share.

(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, and the impact of new car sales (units) in the auto 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 LCD panel equipment and semiconductor manufacturing equipment makers.

Also, the Group's products used in temperature-adjustable car seats are impacted by new car sales (units) in the auto industry.

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 the Group’s business performance.

Technological innovation

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

2. The Ferrotec Group

The Ferrotec Group (the "Group") consists of Ferrotec Corporation (the "Company") and 25 subsidiaries and affiliates ("Members": 23 subsidiaries, two affiliates).

The Group develops, manufactures and sells vacuum feedthroughs and quartz products used for semiconductor applications and flat panel display (FPD) manufacturing, silicon crystal production equipment used in photovoltaic cells, silicon products used in photovoltaic cells, crucibles, 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.

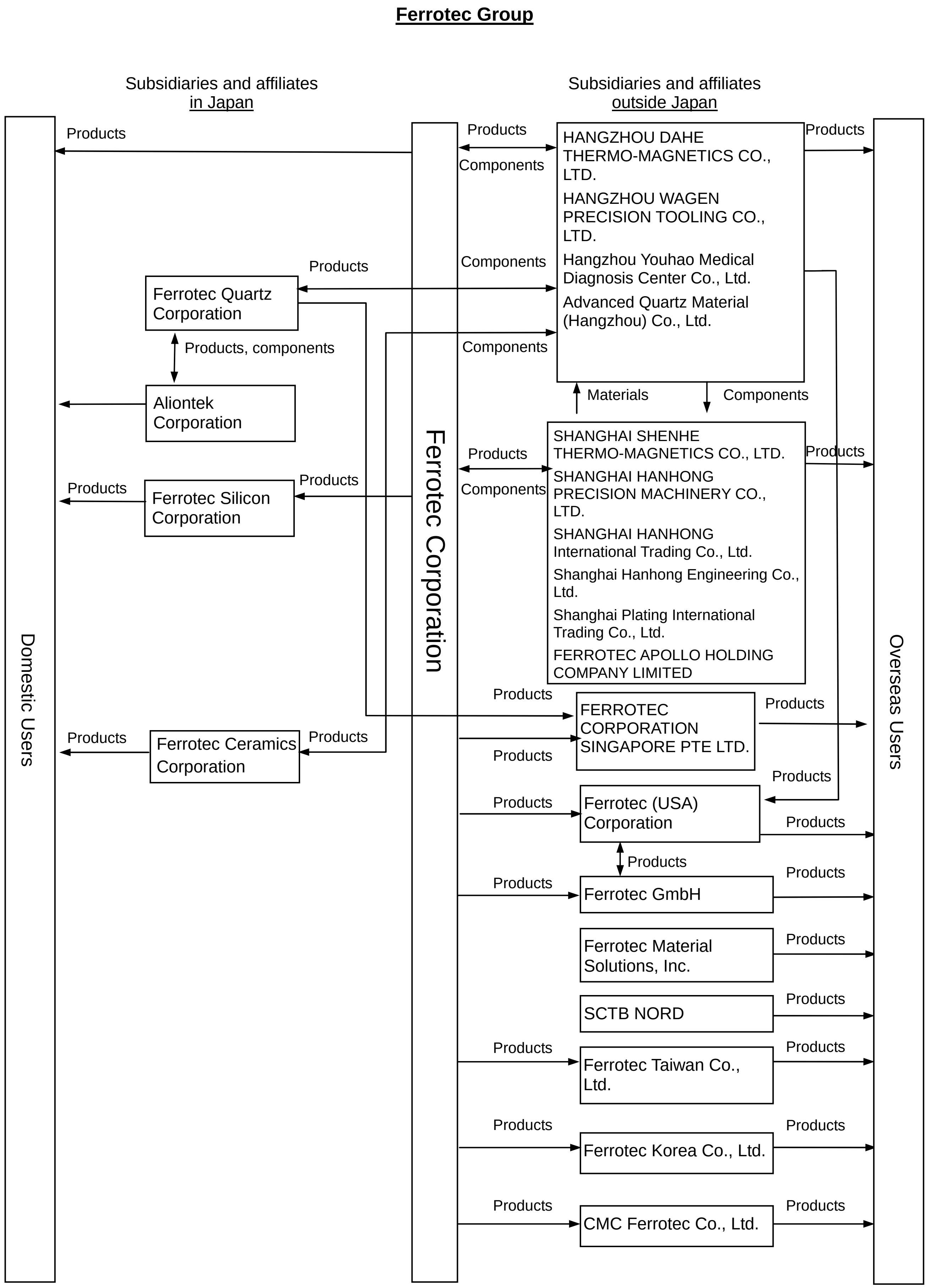
The chart below shows the relationship between the Company and major members for each business category.

Division	Major products	Development	Manufacturing	Sales	Major Companies
Equipment- related business	Vacuum feedthroughs	o	o	o	Ferrotec Corporation
			o	o	HANGZHOU DAHE THERMO-MAGNETICS CO., LTD.
			o	o	Ferrotec Taiwan Co., Ltd.
			o	o	Ferrotec Korea Co., Ltd.
		o	o	o	Ferrotec (USA) Corporation
	Quartz products		o	o	Ferrotec Quartz Corporation
			o	o	Aliontek Corporation
				o	Ferrotec Corporation
				o	Ferrotec (USA) Corporation
				o	FERROTEC CORPORATION SINGAPORE PTE LTD.
	Ceramics products	o	o	o	Ferrotec Ceramics Corporation
		o	o	o	HANGZHOU DAHE THERMO-MAGNETICS CO., LTD.
				o	Ferrotec (USA) Corporation
				o	Ferrotec Materials Solutions, Inc.
	Others		o	o	Ferrotec Corporation
			o	o	Ferrotec Silicon Corporation
			o	o	Ferrotec GmbH
Photovoltaic cell-related business	Silicon crystal production equipment used in photovoltaic cells	o	o		SHANGHAI HANHONG PRECISION MACHINERY CO., LTD.
		o	o		FERROTEC APOLLO HOLDING COMPANY LIMITED
				o	SHANGHAI HANHONG International Trading Co., Ltd.
				o	Shanghai Hanhong Engineering Co., Ltd.
				o	CMC Ferrotec Co., Ltd.
	Silicon products used in photovoltaic cells	o	o	o	SHANGHAI SHENHE THERMO-MAGNETICS CO., LTD.
	Crucibles	o	o	o	Advanced Quartz Material (Hangzhou) Co., Ltd.
				o	Ferrotec Silicon Corporation
Electronic device business	Thermoelectric modules	o		o	Ferrotec Corporation
		o		o	Ferrotec (USA) Corporation
		o		o	SCTB NORD
			o		HANGZHOU DAHE THERMO-MAGNETICS CO., LTD.
			o		SHANGHAI SHENHE THERMO-MAGNETICS CO., LTD.
	Ferrofluid	o	o	o	Ferrotec Corporation
		o	o	o	Ferrotec (USA) Corporation
				o	SHANGHAI SHENHE THERMO-MAGNETICS CO., LTD.
				o	FERROTEC CORPORATION SINGAPORE PTE LTD.
	Others	o		o	Ferrotec Corporation
			o	o	HANGZHOU DAHE THERMO-MAGNETICS CO., LTD.

Division	Major products	Development	Manufacturing	Sales	Major Companies
CMS business (note)			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 HANHONG International Trading Co., Ltd.
			o	o	Shanghai Plating International Trading 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.

The chart set below illustrates the operation flows within the 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 more than 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 develop new 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. We therefore intend to enter into the market for photovoltaic cells which have garnered attention as a renewable energy source, and launch, in addition to silicon crystal production equipment, peripheral equipment, testing equipment, and consumables. We aim for the subsidiaries in China to function not only as production bases but also as marketing bases, and plan to further expand product supplies to European and US markets through our US subsidiaries.

(4) Current key issues

Capacity utilization and capital investment in the electronics industry, the main source of demand for the Group’s products, fluctuates sharply according to changes in supply-demand conditions for electronics products, and dealing with these fluctuations is a major challenge for the Group. We have four business segments to diversify business risk in periods when demand for electronics products is stagnant like in the current fiscal year. We also intend to focus on cutting manufacturing costs even further, consolidating our network of production bases, and expanding production in China to generally rationalize the business.

In terms of marketing, we will emphasize Chinese markets where we expect large growth in the electronics industry and photovoltaic cell industry, and believe this to be important from a marketing strategy perspective. We will therefore transfer intellectual property-based technology development, and production technologies, to our Chinese subsidiaries, and our Group will pull together to bolster marketing, administrative, development, design, and other managerial support to help them obtain product certification from overseas customers at production bases in China. Particularly in the photovoltaic cell industry, we will continue to concentrate our investment of management resources, and in addition to photovoltaic silicon crystal production equipment and consumables which we currently supply, we will develop, sell, and provide maintenance and process guidance for various backend process equipment, to adapt to the rapidly expanding market while prioritizing customer satisfaction.

Also, we construct and operate an internal governance system that is J-SOX compliant to establish a structure to secure appropriate operations, and will continue to appropriately operate the system and conduct oversight on a daily basis to strengthen the framework of guarantees for the preparation of reliable financial statements.

(5) Internal administrative structure and management

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

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of Mar. 31, 2009	As of Mar. 31, 2010
Assets		
Current assets		
Cash and deposits	*2 7,675,121	*2 7,345,791
Notes and accounts receivable	7,899,627	10,129,541
Merchandise and finished goods	1,468,838	2,211,320
Work in process	1,907,744	1,562,755
Raw materials and supplies	2,593,871	2,024,578
Deferred tax assets – current	220,705	340,002
Other current assets	2,446,745	2,161,776
Allowance for doubtful receivables	(64,455)	(153,467)
Total current assets	24,148,198	25,622,299
Fixed assets		
Tangible fixed assets		
Buildings and structures	*2 7,806,713	*2 8,028,506
Accumulated depreciation	(2,535,520)	(2,951,722)
Buildings and structures, net	5,271,192	5,076,783
Machinery and vehicles	12,483,985	13,497,044
Accumulated depreciation	(6,970,527)	(8,148,247)
Machinery and vehicles, net	5,513,458	5,348,796
Tools, furniture and fixtures	5,397,629	5,815,899
Accumulated depreciation	(2,803,353)	(3,245,534)
Tools, furniture and fixtures, net	2,594,276	2,570,364
Land	*2,*3 2,817,498	*2,*3 2,803,452
Lease assets	27,956	21,410
Accumulated depreciation	(3,556)	(7,554)
Lease assets, net	24,400	13,856
Construction in progress	1,054,039	1,130,246
Total tangible fixed assets	17,274,865	16,943,500
Intangible assets		
Goodwill	2,399,207	1,942,657
Lease assets	183,330	199,407
Other intangible assets	*2 842,635	*2 786,633
Total intangible assets	3,425,172	2,928,698
Investments and other assets		
Investment securities	*1 582,146	*1 925,880
Long-term loans receivable	39,901	42,541
Deferred tax assets – non-current	155,085	95,170
Other investments and other assets	*1 1,374,217	*1 1,452,792
Allowance for doubtful receivables	(47,684)	(47,192)
Total investments and other assets	2,103,666	2,469,193
Total fixed assets	22,803,703	22,341,391
Total assets	46,951,902	47,963,691

(Thousands of yen)

	As of Mar. 31, 2009	As of Mar. 31, 2010
Liabilities		
Current liabilities		
Notes and accounts payable	5,386,321	4,988,240
Short-term borrowings	*2 8,886,464	*2 6,904,993
Current portion of long-term borrowings	*2 3,480,595	*2 3,199,223
Lease obligations	47,934	60,151
Accrued income taxes	189,795	114,398
Deferred tax liabilities – current	8,815	-
Reserve for bonuses payable	93,856	191,882
Provision for product warranties	263,000	-
Other current liabilities	2,677,359	3,780,546
Total current liabilities	21,034,142	19,239,436
Long-term liabilities		
Corporate bonds	100,000	150,000
Long-term borrowings	*2 5,918,615	*2 5,000,578
Liability for retirement benefits	47,485	65,493
Liability for retirement benefits to officers	60,748	67,248
Lease obligations	139,448	132,922
Deferred tax liabilities – non-current	3,382	135,874
Other long-term liabilities	613,579	590,593
Total long-term liabilities	6,883,259	6,142,710
Total liabilities	27,917,401	25,382,146
Net assets		
Shareholders' equity		
Common stock	7,547,583	9,134,329
Capital surplus	8,149,495	9,736,241
Retained earnings	4,296,845	4,192,082
Treasury stock	(86,297)	(86,297)
Total shareholders' equity	19,907,627	22,976,356
Valuation and translation adjustments		
Net unrealized holding gain on securities	(68,043)	215,248
Foreign currency translation adjustment	(1,256,129)	(1,061,951)
Total valuation and translation adjustments	(1,324,172)	(846,703)
Minority interests	451,046	451,892
Total net assets	19,034,501	22,581,544
Total liabilities and net assets	46,951,902	47,963,691

(2) Consolidated Statements of Income

(Thousands of yen)

	Fiscal year ended Mar. 31, 2009 (Apr. 1, 2008 – Mar. 31, 2009)	Fiscal year ended Mar. 31, 2010 (Apr. 1, 2009 – Mar. 31, 2010)
Net sales	36,653,066	31,541,267
Cost of sales	*1 25,357,204	*1 22,987,615
Gross profit	11,295,861	8,553,651
Selling, general and administrative expenses	*2,*3 8,505,130	*2,*3 7,850,225
Operating income	2,790,731	703,425
Non-operating income		
Interest income	102,104	103,260
Dividend income	4,120	4,963
Lease income	58,243	24,328
Commission income	147,877	33,566
Subsidy income	-	78,800
Equity in income of non-consolidated subsidiaries and affiliates	-	740
Foreign exchange gain	-	66,014
Other non-operating income	84,460	91,627
Total non-operating income	396,807	403,302
Non-operating expenses		
Interest expense	403,339	421,864
Equity in loss of non-consolidated subsidiaries and affiliates	49,618	-
Foreign exchange loss	461,129	-
Other non-operating expenses	176,205	160,652
Total non-operating expenses	1,090,293	582,516
Ordinary income	2,097,245	524,211
Extraordinary income		
Gain on prior period adjustment	-	46,503
Gain on sales of fixed assets	*4 11,407	*4 54,972
Gain on sales of investment securities	135,014	9,149
Reversal of allowance for doubtful receivables	7,969	224
Gain on change in equity	63,796	-
Other extraordinary income	16,625	8,418
Total extraordinary income	234,814	119,268
Extraordinary losses		
Loss on sales of investment securities	-	10,971
Loss on valuation of investment securities	35,990	97,739
Loss on disposal of fixed assets	*5 113,643	*5 126,311
Impairment losses	-	*7 107,564
Provision for product warranties	310,445	-
Extra retirement payments	118,381	36,298
Other extraordinary losses	*6 84,236	2,600
Total extraordinary losses	662,697	381,484
Net income before income taxes and minority interests	1,669,362	261,995
Current income taxes	807,908	290,440
Refund of income taxes	-	(112,510)
Deferred income taxes	98,932	(100,246)
Total income taxes	906,841	77,683
Net income before minority interests	-	184,311
Minority interests in income (loss)	19,459	28,010
Net income	743,060	156,301

(3) Consolidated Statements of Changes in Shareholders' Equity

(Thousands of yen)

	Fiscal year ended Mar. 31, 2009 (Apr. 1, 2008 – Mar. 31, 2009)	Fiscal year ended Mar. 31, 2010 (Apr. 1, 2009 – Mar. 31, 2010)
Shareholders' equity		
Common stock		
Balance at the end of previous period	7,320,151	7,547,583
Changes of items during the period		
Issuance of new shares	227,432	1,586,745
Total changes of items during the period	227,432	1,586,745
Balance at the end of current period	7,547,583	9,134,329
Capital surplus		
Balance at the end of previous period	7,922,063	8,149,495
Changes of items during the period		
Issuance of new shares	227,432	1,586,745
Total changes of items during the period	227,432	1,586,745
Balance at the end of current period	8,149,495	9,736,241
Retained earnings		
Balance at the end of previous period	4,413,321	4,296,845
Effect of changes in accounting policies applied to foreign subsidiaries	(577,949)	-
Changes of items during the period		
Dividends from surplus	(254,419)	(260,448)
Net income	743,060	156,301
Other	(27,167)	(615)
Total changes of items during the period	461,473	(104,763)
Balance at the end of current period	4,296,845	4,192,082
Treasury stock		
Balance at the end of previous period	(86,168)	(86,297)
Changes of items during the period		
Purchase of treasury stock	(129)	-
Total changes of items during the period	(129)	-
Balance at the end of current period	(86,297)	(86,297)
Total shareholders' equity		
Balance at the end of previous period	19,569,368	19,907,627
Effect of changes in accounting policies applied to foreign subsidiaries	(577,949)	-
Changes of items during the period		
Issuance of new shares	454,864	3,173,491
Dividends from surplus	(254,419)	(260,448)
Net income	743,060	156,301
Purchase of treasury stock	(129)	-
Other	(27,167)	(615)
Total changes of items during the period	916,208	3,068,728
Balance at the end of current period	19,907,627	22,976,356

(Thousands of yen)

	Fiscal year ended Mar. 31, 2009 (Apr. 1, 2008 – Mar. 31, 2009)	Fiscal year ended Mar. 31, 2010 (Apr. 1, 2009 – Mar. 31, 2010)
Valuation and translation adjustments		
Net unrealized holding gain on securities		
Balance at the end of previous period	241,526	(68,043)
Changes of items during the period		
Net changes of items other than shareholders' equity	(309,569)	283,291
Total changes of items during the period	(309,569)	283,291
Balance at the end of current period	(68,043)	215,248
Foreign currency translation adjustment		
Balance at the end of previous period	1,483,927	(1,256,129)
Changes of items during the period		
Net changes of items other than shareholders' equity	(2,740,056)	194,177
Total changes of items during the period	(2,740,056)	194,177
Balance at the end of current period	(1,256,129)	(1,061,951)
Total valuation and translation adjustments		
Balance at the end of previous period	1,725,453	(1,324,172)
Changes of items during the period		
Net changes of items other than shareholders' equity	(3,049,626)	477,469
Total changes of items during the period	(3,049,626)	477,469
Balance at the end of current period	(1,324,172)	(846,703)
Minority interests		
Balance at the end of previous period	206,579	451,046
Changes of items during the period		
Net changes of items other than shareholders' equity	244,466	845
Total changes of items during the period	244,466	845
Balance at the end of current period	451,046	451,892
Total net assets		
Balance at the end of previous period	21,501,402	19,034,501
Effect of changes in accounting policies applied to foreign subsidiaries	(577,949)	-
Changes of items during the period		
Issuance of new shares	454,864	3,173,491
Dividends from surplus	(254,419)	(260,448)
Net income	743,060	156,301
Purchase of treasury stock	(129)	-
Other	(27,167)	(615)
Net changes of items other than shareholders' equity	(2,805,159)	478,315
Total changes of items during the period	(1,888,951)	3,547,043
Balance at the end of current period	19,034,501	22,581,544

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended Mar. 31, 2009 (Apr. 1, 2008 – Mar. 31, 2009)	Fiscal year ended Mar. 31, 2010 (Apr. 1, 2009 – Mar. 31, 2010)
Cash flows from operating activities		
Net income before income taxes and minority interests	1,669,362	261,995
Depreciation and amortization	2,421,326	2,605,116
Impairment losses	-	107,564
Amortization of goodwill	170,525	315,833
Increase (decrease) in liability for retirement benefits	9,092	18,008
Increase (decrease) in liability for retirement benefits to officers	(2,800)	6,500
Increase (decrease) in reserve for bonuses payable	(100,422)	97,918
Increase (decrease) in allowance for doubtful receivables	(6,528)	89,139
Increase (decrease) in provision for product warranties	263,000	(263,000)
Interest and dividend income	(106,225)	(108,224)
Interest expense	403,339	421,864
Stock issue expenses	6,213	25,759
Foreign exchange loss (gain)	359,554	19,270
Equity in loss (income) of non-consolidated subsidiaries and affiliates	49,618	(740)
Loss (gain) on disposal of fixed assets	113,643	126,311
Loss (gain) on sales of investment securities	(135,014)	1,821
Loss (gain) on valuation of investment securities	35,990	97,739
Loss (gain) on sales of tangible fixed assets	(11,407)	(54,972)
Decrease (increase) in notes and accounts receivable	(496,503)	(2,201,199)
Decrease (increase) in inventories	(1,156,900)	216,197
Decrease (increase) in other assets	(790,207)	487,652
Increase (decrease) in notes and accounts payable	1,506,244	(458,963)
Increase (decrease) in other liabilities	132,080	1,052,896
Others	67,489	7,726
Sub-total	4,401,472	2,872,216
Interests and dividends received	97,251	110,063
Interests paid	(398,161)	(423,128)
Income taxes paid	(1,401,213)	(184,973)
Net cash provided by operating activities	2,699,348	2,374,178

(Thousands of yen)

	Fiscal year ended Mar. 31, 2009 (Apr. 1, 2008 – Mar. 31, 2009)	Fiscal year ended Mar. 31, 2010 (Apr. 1, 2009 – Mar. 31, 2010)
Cash flows from investing activities		
Decrease (increase) in time deposits	(2,264,545)	829,295
Payments for purchase of tangible fixed assets	(3,178,960)	(2,386,218)
Proceeds from sales of tangible fixed assets	73,550	183,444
Payments for purchase of investment securities	(152,245)	(26,529)
Proceeds from sales of investment securities	185,417	59,100
Payments for additional purchase of shares of consolidated subsidiary	(106,595)	(4,937)
Payments for purchase of subsidiary stock resulting in change in scope of consolidation	(2,981,363)	-
Payments for loans receivable	(25,000)	(60,522)
Proceeds from collection of loans	-	12,039
Proceeds from other investing activities	35,637	10,338
Payments for other investing activities	(278,459)	(137,124)
Net cash used in investing activities	(8,692,563)	(1,521,114)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	4,139,733	(2,078,330)
Proceeds from long-term borrowings	5,653,184	2,900,274
Repayments of long-term borrowings	(3,551,196)	(4,130,383)
Repayments of lease obligations	-	(57,216)
Proceeds from issuance of corporate bonds	-	50,000
Proceeds from issuance of stock acquisition rights	-	28,071
Proceeds from issuance of shares	448,650	3,119,660
Proceeds from issuance of shares to minority shareholders	255,617	4,000
Payments for purchase of treasury stock	(129)	-
Cash dividends paid	(254,681)	(259,108)
Cash dividends paid to minority shareholders	(5,078)	(36,000)
Net cash provided by (used in) financing activities	6,686,100	(459,031)
Effect of exchange rate changes on cash and cash equivalents	(743,897)	63,128
Increase (decrease) in cash and cash equivalents	(51,012)	457,161
Cash and cash equivalents at the beginning of period	5,461,589	5,410,576
Cash and cash equivalents at the end of period	5,410,576	5,867,737

Going Concern Assumption

No reportable information.

Basis for Presentation of Consolidated Financial Statements

Item	Fiscal year ended Mar. 31, 2009 (Apr. 1, 2008 – Mar. 31, 2009)	Fiscal year ended Mar. 31, 2010 (Apr. 1, 2009 – Mar. 31, 2010)
1. Scope of consolidation	1) Consolidated subsidiaries: 18 entities Name of consolidated subsidiaries: HANGZHOU DAHE THERMO-MAGNETICS CO., LTD. (China) HANGZHOU WAGEN PRECISION TOOLING CO., LTD. (China) Advanced Quartz Material (Hangzhou) Co., Ltd. (China) SHANGHAI SHENHE THERMO-MAGNETICS CO., LTD. (China) SHANGHAI HANHONG PRECISION MACHINERY CO., LTD. (China) SHANGHAI HANHONG International Trading Co., Ltd. (China) FERROTEC APOLLO HOLDING COMPANY LIMITED (Hong Kong) Ferrotec (USA) Corporation (USA) Ferrotec Investments, LLC (USA) TERMOTEK USA, LLC (USA) Ferrotec GmbH (Germany) SCTB NORD (Russia) FERROTEC CORPORATION SINGAPORE PTE LTD (Singapore) Ferrotec Taiwan Co., Ltd. (Taiwan) Ferrotec Quartz Corporation (Japan) Ferrotec Silicon Corporation (Japan) ALIONTEK CORPORATION (Japan) Ferrotec Ceramics Corporation (Japan) Of the above, FERROTEC APOLLO HOLDING COMPANY LIMITED was established in the current fiscal year and became a consolidated subsidiary, since its investment stake in SHANGHAI HANHONG PRECISION MACHINERY CO., LTD., a consolidated subsidiary of the Company, was invested in-kind and capital raised through a third-party placement of shares; Ferrotec Ceramics Corporation was acquired in the current fiscal year and became a consolidated subsidiary; and SHANGHAI HANHONG International Trading Co., Ltd., formerly an equity-method affiliate, became a consolidated subsidiary as its importance increased due to an increase in transaction volumes. Advanced Ceramic Material (Hangzhou) Co., Ltd. was excluded from the consolidation due to merger into HANGZHOU DAHE THERMO-MAGNETICS CO., LTD. during the current fiscal year.	1) Consolidated subsidiaries: 19 entities Name of consolidated subsidiaries: HANGZHOU DAHE THERMO-MAGNETICS CO., LTD. (China) HANGZHOU WAGEN PRECISION TOOLING CO., LTD. (China) Advanced Quartz Material (Hangzhou) Co., Ltd. (China) SHANGHAI SHENHE THERMO-MAGNETICS CO., LTD. (China) SHANGHAI HANHONG PRECISION MACHINERY CO., LTD. (China) SHANGHAI HANHONG International Trading Co., Ltd. (China) Shanghai Hanhong Engineering Co., Ltd. (China) FERROTEC APOLLO HOLDING COMPANY LIMITED (Hong Kong) Ferrotec (USA) Corporation (USA) Ferrotec Investments, LLC (USA) Ferrotec Material Solutions, Inc. (USA) Ferrotec GmbH (Germany) SCTB NORD (Russia) FERROTEC CORPORATION SINGAPORE PTE LTD (Singapore) Ferrotec Taiwan Co., Ltd. (Taiwan) Ferrotec Quartz Corporation (Japan) Ferrotec Silicon Corporation (Japan) ALIONTEK CORPORATION (Japan) Ferrotec Ceramics Corporation (Japan) Of the above, Shanghai Hanhong Engineering Co., Ltd. and Ferrotec Material Solutions, Inc. were established in the current fiscal year and became consolidated subsidiaries. TERMOTEK USA, LLC was excluded from consolidation because it effectively no longer exists following the suspension of its business operations. (Change in accounting policy) 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 current fiscal year. The effect of this change was to decrease in operating income, ordinary income, and net income by 62,712,000 yen, 62,712,000 yen, and 47,221,000 yen, respectively in the fiscal year. The effect of the change on segment operations is shown in the Segment Information section.

Item	Fiscal year ended Mar. 31, 2009 (Apr. 1, 2008 – Mar. 31, 2009)	Fiscal year ended Mar. 31, 2010 (Apr. 1, 2009 – Mar. 31, 2010)
	2) Major non-consolidated subsidiaries Name of the non-consolidated subsidiaries: Shanghai Plating International Trading Co., Ltd. (China) SHANGHAI SHENHE THERMO-MAGNETICS CO., LTD. (China) Hangzhou Youhao Medical Diagnosis Center Co., Ltd. (China) (Reason for exclusion) Each one of the above-listed three 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.	2) Major non-consolidated subsidiaries Name of the non-consolidated subsidiaries: Shanghai Plating International Trading Co., Ltd. (China) SHANGHAI SHENHE THERMO-MAGNETICS CO., LTD. (China) Hangzhou Youhao Medical Diagnosis Center Co., Ltd. (China) TERMOTEK USA, LLC (USA) (Reason for exclusion) Each one of the above-listed four 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.
2. Application of equity method	Non-consolidated subsidiaries and affiliates for which the equity method is applied: 5 entities Shanghai Plating International Trading Co., Ltd. (China) SHANGHAI SHENHE THERMO-MAGNETICS CO., LTD. (China) Hangzhou Youhao Medical Diagnosis Center Co., Ltd. (China) Ferrotec Korea Co., Ltd. (Korea) CMC Ferrotec Co., Ltd. (Korea) SHANGHAI SHENHE THERMO-MAGNETICS CO., LTD. was included in the application of the equity method due to its established in the current fiscal year. The following companies were excluded from application of the equity-method: SHANGHAI HANHONG International Trading Co., Ltd. because it was made a consolidated subsidiary as its importance increased due to an increase in transaction volumes; Shanghai Shoda International Trading Co., Ltd. and SCAN CRUCIBLE AS because they were sold; and Shoda Iron Works Co., Ltd. because the Company sold a portion of its stock in this company, which lowered its stake to 5%, due to the weak business affiliation with the Group. Ferrotec Engineering SRL was liquidated during the current fiscal year.	Non-consolidated subsidiaries and affiliates for which the equity method is applied: 5 entities Shanghai Plating International Trading Co., Ltd. (China) SHANGHAI SHENHE THERMO-MAGNETICS CO., LTD. (China) Hangzhou Youhao Medical Diagnosis Center Co., Ltd. (China) Ferrotec Korea Co., Ltd. (Korea) CMC Ferrotec Co., Ltd. (Korea) Non-consolidated subsidiaries not accounted for under the equity method: TERMOTEC USA, LLC (USA) (Reason for exclusion) Non-consolidated subsidaiaries were excluded from application of the equity-method because of the fact that each had a very minor effect on net income/loss (equity in earnings/loss) and retained earnings (equity in earnings) and were relatively insignificant in the context of consolidated financial statements.
3. Fiscal year of consolidated subsidiaries	The fiscal year of consolidated subsidiary ALIONTEK CORPORATION ends on March 31, and December 31 for the other consolidated subsidiaries. We have consolidated their results as of these dates and made necessary adjustments at the consolidated level for important transactions that occurred between these dates and consolidation closing date.	Same as on the left.

Item	Fiscal year ended Mar. 31, 2009 (Apr. 1, 2008 – Mar. 31, 2009)	Fiscal year ended Mar. 31, 2010 (Apr. 1, 2009 – Mar. 31, 2010)
4. Significant accounting standards (1) Valuation standards and method for major assets	1) Securities Other securities Securities with market quotations Valued at market price, using the market value at the end of the fiscal year, 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 Financial Instruments and Exchange 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 Inventories for regular sales purpose: At the Company and the consolidated subsidiaries located in Japan, inventories are primarily valued at cost being determined by the moving average method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins). 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. (Change in accounting policy) Effective from the current fiscal year, the Company has adopted “Accounting Standards for Measurement of Inventories” (ASBJ Statement No. 9, July 5, 2008). The effect of this change was to decrease operating income, ordinary income and net income before income taxes and minority interests by 19,729,000 yen each.	1) Securities Other securities Securities with market quotations Same as on the left. Securities without market quotations Same as on the left. 2) Derivatives Same as on the left. 3) Inventories Inventories for regular sales purpose: Same as on the left. ―――

Item	Fiscal year ended Mar. 31, 2009 (Apr. 1, 2008 – Mar. 31, 2009)	Fiscal year ended Mar. 31, 2010 (Apr. 1, 2009 – Mar. 31, 2010)
(2) Depreciation / amortization method applicable to material fixed assets	1) Tangible fixed assets (excluding lease 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 2) Intangible assets (excluding lease 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. 3) Lease assets The depreciation of lease assets use the straight-line method where the lease period is considered the useful life of the asset, and residual value is set at zero. For finance lease transactions where there is no transfer of ownership beginning on or before March 31, 2008, the Company uses an accounting method that is based on the method used for ordinary lease transactions. 4) 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.	1) Tangible fixed assets (excluding lease assets) At the Company and the consolidated subsidiaries in Japan Same as on the left. At the consolidated subsidiaries outside Japan Same as on the left. 2) Intangible assets (excluding lease assets) At the Company and the consolidated subsidiaries in Japan Same as on the left. At the consolidated subsidiaries outside Japan Same as on the left. 3) Lease assets Same as on the left. 4) Long-term prepaid expenses At the Company and the consolidated subsidiaries in Japan Same as on the left. At the consolidated subsidiaries outside Japan Same as on the left.
(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.	1) Allowance for doubtful receivables Same as on the left.

Item	Fiscal year ended Mar. 31, 2009 (Apr. 1, 2008 – Mar. 31, 2009)	Fiscal year ended Mar. 31, 2010 (Apr. 1, 2009 – Mar. 31, 2010)
	2) Reserve for bonuses payable To provide for employee bonuses, we booked reserves based on estimate bonus obligations for the current fiscal year. 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 current fiscal year 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 balance sheets date is fully reserved at the certain consolidated subsidiaries in Japan. At the consolidated subsidiaries overseas, nothing is applicable here. 5) Provision for product warranties The Company books an estimate of compensation expenses based on its forecast of future product quality related compensation payments.	2) Reserve for bonuses payable Same as on the left. 3) Liability for retirement benefits Same as on the left. 4) Liability for retirement benefits to officers Same as on the left. 5) Provision for product warranties Same as on the left.
(4) Translation of material assets / liabilities in foreign currency into Japanese currency	The monetary assets and liabilities denominated in foreign currency are translated into Japanese currency based on the spot exchange rate as of the balance sheets date, with the conversion difference to be accounted for 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 balance sheets date, with the conversion difference to be accounted for so as to be included in minority interests and foreign currency translation adjustment account in the net assets.	The monetary assets and liabilities denominated in foreign currency are translated into Japanese currency based on the spot exchange rate as of the balance sheets date, with the conversion difference to be accounted for as profit or loss. The assets, liabilities of subsidiaries outside Japan are translated into Japanese currency based on the spot exchange rate as of the balance sheets date, and the revenue and expense of subsidiaries outside Japan are translated into yen at the term-average exchange rate for their accounting periods, with the conversion difference to be accounted for so as to be included in minority interests and foreign currency translation adjustment account in the net assets.

Item	Fiscal year ended Mar. 31, 2009 (Apr. 1, 2008 – Mar. 31, 2009)	Fiscal year ended Mar. 31, 2010 (Apr. 1, 2009 – Mar. 31, 2010)
		(Change in accounting policy) The revenues and expenses of subsidiaries outside Japan used to be translated into Japanese currency based on spot exchange rates as of the balance sheet date, but starting from 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 was to increase in net sales, oprating income, ordinary income, and net income by 232,427,000 yen, 19,994,000 yen, 17,569,000 yen, and 13,098,000 yen, respectively than otherwise would have been the case. The effect of the change on segment operations is shown in the Segment Information section.
(5) 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.	1) Accounting method Same as on the left. 2) Hedging instruments and the risks hedged Same as on the left. 3) Hedging policy Same as on the left.

Item	Fiscal year ended Mar. 31, 2009 (Apr. 1, 2008 – Mar. 31, 2009)	Fiscal year ended Mar. 31, 2010 (Apr. 1, 2009 – Mar. 31, 2010)
	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.	4) Accessing effectiveness of hedges Same as on the left.
(6) Other significant principles for presentation of consolidated financial statements	1) Consumption taxes Amounts of transactions subject to the tax are stated exclusive of consumption taxes.	1) Consumption taxes Same as on the left.
5. Evaluation of assets and liabilities of consolidated subsidiaries	The market value method is adopted fully for the evaluation of assets and liabilities of the consolidated subsidiaries.	Same as on the left.
6. Amortization of goodwill	Goodwill, which is predictable when the expected effect emerges, is amortized equally over the estimated years from the year of acquisition, and other than those is amortized equally over the period of 20 years.	Same as on the left.
7. 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.	Same as on the left.

Change in Basis for Presentation of Consolidated Financial Statements

Fiscal year ended Mar. 31, 2009 (Apr. 1, 2008 – Mar. 31, 2009)	Fiscal year ended Mar. 31, 2010 (Apr. 1, 2009 – Mar. 31, 2010)
(Accounting Standards for Lease Transactions) In prior years, the Company accounted for finance lease transactions where there is no transfer of ownership as ordinary lease transactions for accounting purposes. However, the Company has adopted “Accounting Standards for Lease Transactions” (ASBJ Statement No. 13: originally issued on June 17, 1993 by Section 1 of the Business Accounting Deliberation Counsel, and revised on March 30, 2007 by Accounting Standards Board of Japan); and “Guidance on Accounting Standards for Lease Transactions” (ASBJ Guidance No. 16: originally issued on January 18, 1994 by Accounting Standards Committee of the Japanese Institute of Certified Public Accountants, and revised on March 30, 2007 by Accounting Standards Board of Japan) from the current fiscal year, using an accounting method for leases that is based on the method used for ordinary purchases and sales. For finance lease transactions where there is no transfer of ownership that started prior to the fiscal year when these standards were first applied, the Company continues to use an accounting method that is based on the method used for ordinary lease transactions. The effect of this change on profit/loss is insignificant. (Application of “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements) Effective from the current fiscal year, the Company has adopted “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (Practical Issues Task Force (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 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 current fiscal year by 86,135,000 yen each, and decrease the beginning balance of retained earnings (prior-period amortized adjustments) by 676,464,000 yen. At the Chinese subsidiary, net income decreased by 65,117,000 yen and the beginning balance of retained earnings increased by 98,514,000 yen, due to the application of deferred tax accounting.	―――

Change in display format

Fiscal year ended Mar. 31, 2009 (Apr. 1, 2008 – Mar. 31, 2009)	Fiscal year ended Mar. 31, 2010 (Apr. 1, 2009 – Mar. 31, 2010)
(Consolidated balance sheet) With the adoption of “Cabinet Office Ordinance Partially Revising Regulation for Terminology, Forms and Preparation Methods of Financial Statements” (Cabinet Office Ordinance No. 50, August 7, 2008), “Inventories” is reclassified and divided into “Merchandise and finished goods,” “Work in process” and “Raw materials and supplies” in the current fiscal year. “Merchandise and finished goods,” “Work in process” and “Raw materials and supplies” those included in “Inventories” were 1,734,771,000 yen, 941,945,000 yen and 1,754,878,000 yen respectively in the previous fiscal year.	―――

Notes to Consolidated Financial Statements

Notes to Consolidated Balance Sheets

(Thousands of yen)

Fiscal year ended Mar. 31, 2009 (As of Mar. 31, 2009)		Fiscal year ended Mar. 31, 2010 (As of Mar. 31, 2010)	
*1. Notes regarding non-consolidated subsidiaries and affiliates		*1. Notes regarding non-consolidated subsidiaries and affiliates	
The following are items related to non-consolidated subsidiaries and affiliates included in each category.		The following are items related to non-consolidated subsidiaries and affiliates included in each category.	
Investment securities (stock)	16,471	Investment securities (stock)	25,991
Other investments and other assets (equity investments)	7,841	Other investments and other assets (equity investments)	7,440
*2. Pledged assets		*2. Pledged assets	
Deposits	2,337,938	Deposits	1,478,053
Buildings and structures	983,992	Buildings and structures	947,534
Land	208,974	Land	208,974
Other intangible assets	165,112	Other intangible assets	163,546
Total	3,696,017	Total	2,798,109
Liabilities secured with the above listed collateral		Liabilities secured with the above listed collateral	
Short-term borrowings	3,222,838	Short-term borrowings	2,005,659
Current portion of long-term borrowings	183,952	Current portion of long-term borrowings	287,223
Long-term borrowings	417,489	Long-term borrowings	603,556
Total	3,824,279	Total	2,896,439
Also, Ferrotec signed an agreement with financial institutions for the retainment of the registration of head offices, land, and buildings in relation to the long-term borrowing of 3 billion yen in long-term funds for the acquisition of Ferrotec Ceramics Corporation.		Also, Ferrotec signed an agreement with financial institutions for the retainment of the registration of head offices, land, and buildings in relation to the borrowing of 3 billion yen in long-term funds for the acquisition of Ferrotec Ceramics Corporation in July 2008.	
*3. Advanced depreciation for the assets		*3. Advanced depreciation for the assets	
The amounts of assets presented in the consolidated balance sheet are net of the following amounts of advanced depreciation for the assets that were acquired in prior fiscal years with local government subsidies.		Same as on the left.	
Land	13,776		
4. Contingent liabilities		4. Contingent liabilities	
The Company provides loan guarantees for borrowings (106,560,000 yen) from financial institutions by HANGZHOU LINGRI SCIENCE AND TECHNOLOGY CO., LTD.		The Company provides loan guarantees for borrowings (107,920,000 yen) from financial institutions by HANGZHOU LINGRI SCIENCE AND TECHNOLOGY CO., LTD.	

Notes to Consolidated Statements of Income

(Thousands of yen)

<table>
<tr><th>Fiscal year ended Mar. 31, 2009
(Apr. 1, 2008 – Mar. 31, 2009)</th><th>Fiscal year ended Mar. 31, 2010
(Apr. 1, 2009 – Mar. 31, 2010)</th></tr>
<tr><td>*1. The ending inventory is the amount written down to reflect the effect of lower profit margins. The following loss on valuation of inventories is included in cost of sales.
266,840</td><td>*1. The ending inventory is the amount written down to reflect the effect of lower profit margins. The following loss on valuation of inventories is included in cost of sales.
(112,210)</td></tr>
<tr><td>*2. Significant components of selling, general and administrative expenses
Salaries and wages 2,511,238
Provision for reserve for bonus payable 30,661
Provision of allowance for doubtful receivables 26,963</td><td>*2. Significant components of selling, general and administrative expenses
Salaries and wages 2,317,634
Provision for reserve for bonus payable 88,392
Provision of allowance for doubtful receivables 117,836</td></tr>
<tr><td>*3. Research and development expenditure included in general and administrative expenses and production cost
483,326</td><td>*3. Research and development expenditure included in general and administrative expenses and production cost
373,317</td></tr>
<tr><td>*4. Mainly the gain on sale of machinery.</td><td>*4. Includes 36,835,000 yen in gain on sale of machinery, and 17,757,000 yen in gain on sales of tools, furniture and fixtures, etc.</td></tr>
<tr><td>*5. Includes 60,112,000 yen in loss on disposal of machinery, 35,380,000 yen in loss on disposal of buildings, 15,605,000 yen in loss on disposal of tools, furniture and fixtures, etc.</td><td>*5. Mainly the loss on disposal of machinery.</td></tr>
<tr><td>*6. Includes 16,857,000 yen in loss on prior period adjustment and 45,090,000 yen in capital increase at a subsidiary.</td><td>*6. ―――</td></tr>
<tr><td>*7. ―――</td><td>*7. Impairment losses
In the current fiscal year, the Company recognized an impairment loss on the following groups of assets.
(Thousands of yen)
<table>
<tr><th>Location</th><th>Use</th><th>Item</th><th>Impairment losses</th></tr>
<tr><td>The Company (Oushu City, Iwate)</td><td>Real estate for rent</td><td>Land, buildings, etc.</td><td>42,588</td></tr>
<tr><td>Ferrotec (USA) Corporation (USA)</td><td>-</td><td>Goodwill</td><td>64,975</td></tr>
</table>
The Ferrotec Group conducts, as a general rule, grouping at the company level. However, it will conduct grouping at the individual property level for factories and other properties whose independent cash flow is discernible.
For rental real estate, the conclusion of rental contracts made it impossible to forecast future cash flow, so the Group impaired book value to the recoverable level, and booked the difference as an impairment loss with extraordinary losses. The Group reasonably calculated recoverable value based on net sales value.
For goodwill, the Group reappraised all goodwill after considering future business plans following reorganization of the business in Europe, and booked the total unamortized balance of some goodwill as an impairment loss with extraordinary losses.</td></tr>
</table>

Notes to Consolidated Statements of Changes in Shareholders' Equity

Fiscal year ended Mar. 31, 2009 (Apr. 1, 2008 – Mar. 31, 2009)

1. Type and number of outstanding shares and treasury stock

	Number of shares as of Mar. 31, 2008 (Thousand shares)	Increase (Thousand shares)	Decrease (Thousand shares)	Number of shares as of Mar. 31, 2009 (Thousand shares)
Outstanding shares				
Common shares	21,294	502	-	21,797
Total	21,294	502	-	21,797
Treasury stock				
Common shares	93	0	-	93
Total	93	0	-	93

Notes: Increase in the number of common shares is due to the exercise of the stock acquisition rights.
Increase in the number of common shares of treasury stock is due to the acquisition of odd lot shares.

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, 2009 (Thousand yen)
			As of Mar. 31, 2008	Increase	Decrease	As of Mar. 31, 2009	
Reporting company (Parent company)	Stock acquisition rights (2003)	Common shares	344	-	344	-	-
	Stock acquisition rights (2004)	Common shares	421	-	202	218	-
Total		-	765	-	547	218	-

Notes: 1. Above table represents outstanding balance of unexercised stock acquisition rights.
2. Decrease in the number of stock acquisition rights is due to the exercise of the rights (502,000 shares), the expiration of exercise period (45,000 shares), and 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 Jun. 24, 2008	Common shares	254,419	12	Mar. 31, 2008	Jun. 25, 2008

(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 Jun. 26, 2009	Common shares	260,448	Retained earnings	12	Mar. 31, 2009	Jun. 29, 2009

Fiscal year ended Mar. 31, 2010 (Apr. 1, 2009 – Mar. 31, 2010)

1. Type and number of outstanding shares and treasury stock

	Number of shares as of Mar. 31, 2009 (Thousand shares)	Increase (Thousand shares)	Decrease (Thousand shares)	Number of shares as of Mar. 31, 2010 (Thousand shares)
Outstanding shares				
Common shares	21,797	3,099	-	24,897
Total	21,797	3,099	-	24,897
Treasury stock				
Common shares	93	-	-	93
Total	93	-	-	93

Notes: Increase in the number of common shares is due to the exercise of the 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 Mar. 31, 2010 (Thousand yen)
			As of Mar. 31, 2009	Increase	Decrease	As of Mar. 31, 2010	
Reporting company (Parent company)	Stock acquisition rights (2004)	Common shares	218	-	218	-	-
	Stock acquisition rights issued pursuant to the resolution passed by the Board of Directors meeting on Mar. 27, 2009	Common shares	-	3,000	3,000	-	-
Total		-	218	3,000	3,218	-	-

Notes: 1. Above table represents outstanding balance of unexercised stock acquisition rights.
2. Decrease in the number of stock acquisition rights (2004) is due to the exercise of the rights (99,000 shares), the expiration of exercise period (118,000 shares), and 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 Jun. 26, 2009	Common shares	260,448	12	Mar. 31, 2009	Jun. 29, 2009

(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 Jun. 24, 2010	Common shares	297,644	Retained earnings	12	Mar. 31, 2010	Jun. 25, 2010

Notes to Consolidated Statements of Cash Flows

(Millions of yen)

Fiscal year ended Mar. 31, 2009 (Apr. 1, 2008 – Mar. 31, 2009)	Fiscal year ended Mar. 31, 2010 (Apr. 1, 2009 – Mar. 31, 2010)
*1. Reconciliation of cash and cash equivalents and balance sheet items for the current fiscal year is made as follows. (As of March 31, 2009) Cash and bank deposits 7,675,121 Time deposits with maturities longer than 3 months (2,264,545) Cash and cash equivalents 5,410,576 *2. Breakdown of assets and liabilities of subsidiaries newly included in the consolidation through stock acquisition. A summary of assets and liabilities of newly consolidated subsidiaries Ferrotec Ceramics Corporation, and acquisition cost and net payment for acquisition of Ferrotec Ceramics Corporation's share as follows. (Thousands of yen) Current assets 2,504,420 Fixed assets 2,136,283 Goodwill 1,525,472 Current liabilities (2,689,509) Long-term liabilities (266,436) Minority interests (168,475) Acquisition payment for shares 3,041,755 Cash and cash equivalents (60,392) Net amount paid for received from acquisition 2,981,363	*1. Reconciliation of cash and cash equivalents and balance sheet items for the current fiscal year is made as follows. (As of March 31, 2010) Cash and bank deposits 7,345,791 Time deposits with maturities longer than 3 months (1,478,053) Cash and cash equivalents 5,867,737

Segment Information

a. Segment information by business category

Previous fiscal year (Apr. 1, 2008 – Mar. 31, 2009) (Thousands of yen)

Division	Equipment-related business	Photovoltaic cell-related business	Electronic devices business	CMS business	Total	Eliminations or corporate	Consolidated
I Net sales and operating income							
Net sales							
(1) Net sales to third parties	14,257,587	11,019,209	4,354,994	7,021,274	36,653,066	-	36,653,066
(2) Internal sales and transfers	2,443,405	694,850	-	39	3,138,295	(3,138,295)	-
Total	16,700,992	11,714,059	4,354,994	7,021,314	39,791,361	(3,138,295)	36,653,066
Operating expenses	15,874,878	10,055,652	4,175,294	6,838,039	36,943,865	(3,081,530)	33,862,335
Operating income	826,114	1,658,407	179,699	183,274	2,847,496	(56,765)	2,790,731
II Assets, depreciation and capital expenditure							
Assets	21,429,321	7,654,326	3,268,416	11,139,662	43,491,727	3,460,174	46,951,902
Depreciation	1,225,424	418,149	159,743	537,440	2,340,758	80,568	2,421,326
Capital expenditure	1,657,790	536,992	163,344	340,762	2,698,889	320,925	3,019,814

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 crystal 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.

3. Of operating expenses in the current fiscal year, unallotable operating expenses in “eliminations or corporate” categories was 56,765,000 yen, or depreciation of all company assets.

4. The amount of assets included in “eliminations or corporate” for the current fiscal year is 3,671,138,000 yen, primarily consisting of investment securities, equities in investees, and the main building and land at the Company, as well as the rented and unused portions of factories of Chinese subsidiaries.

5. Changes in accounting methods

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

As noted in “Change in Basis for Presentation of Consolidated Financial Statements,” effective from 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 operating income in the equipment-related business and the electronic devices business by 62,611,000 yen and 23,524,000 yen respectively.

(Accounting standard for measurement of inventories)

As noted in “Basis for Presentation of Consolidated Financial Statements,” effective from the current fiscal year, the Company has adopted “Accounting Standards for Measurement of Inventories.” The effect of this change was to decrease operating income in the equipment-related business and the electronic devices business by 17,509,000 yen and 2,219,000 yen respectively.

(Accounting standards for lease transactions)

As noted in “Change in Basis for Presentation of Consolidated Financial Statements,” effective from the current fiscal year, the Company has adopted “Accounting Standards for Lease Transactions” and “Guidance on Accounting Standards for Lease Transactions.” The effect of this change is insignificant.

6. 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 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 products, previously classified within the equipment-related business, into the photovoltaic cell-related business starting from 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, net sales and operating income in the equipment-related business declined 2,996,458,000 yen and 801,180,000 yen respectively; and net sales and operating income in the CMS business declined 8,022,752,000 yen and 857,227,000 yen respectively.

Assets, depreciation and capital expenditure in the equipment-related business declined 4,326,248,000 yen, 369,935,000 yen, and 398,487,000 yen, respectively; and assets, depreciation, and capital expenditure in the CMS business declined 3,858,760,000 yen, 48,215,000 yen and 138,505,000 yen, respectively

Current fiscal year (Apr. 1, 2009 – Mar. 31, 2010) (Thousands of yen)

Division	Equipment-related business	Photovoltaic cell-related business	Electronic devices business	CMS business	Total	Eliminations or corporate	Consolidated
I Net sales and operating income							
Net sales							
(1) Net sales to third parties	11,822,058	10,579,004	3,750,387	5,389,817	31,541,267	-	31,541,267
(2) Internal sales and transfers	1,164,409	159,127	-	290	1,323,827	(1,323,827)	-
Total	12,986,468	10,738,131	3,750,387	5,390,107	32,865,094	(1,323,827)	31,541,267
Operating expenses	13,585,222	9,569,952	3,562,788	5,398,009	32,115,974	(1,278,133)	30,837,841
Operating income	(598,754)	1,168,178	187,598	(7,902)	749,119	(45,693)	703,425
II Assets, depreciation and capital expenditure							
Assets	20,898,126	9,956,777	3,936,787	10,432,553	45,224,245	2,739,446	47,963,691
Depreciation	1,396,399	481,601	130,130	532,754	2,540,885	64,231	2,605,116
Capital expenditure	488,674	1,346,981	136,608	311,389	2,283,653	82,617	2,366,271

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 crystal 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.

3. Of operating expenses in the current fiscal year, unallotable operating expenses in "eliminations or corporate" categories was 45,693,000 yen, or depreciation of all company assets.

4. The amount of assets included in "eliminations or corporate" for the current fiscal year is 3,804,732,000 yen, primarily consisting of investment securities, equities in investees, and the main building and land at the Company, as well as the unused portions of factories of Chinese subsidiaries.

5. Changes in accounting methods

(Guidance on determining a subsidiary and an affiliate)

As noted in "Basis for Presentation of Consolidated Financial Statements 1. (1)," the Company has adopted "Guidance on Determining a Subsidiary and an Affiliate" (ASBJ Guidance No. 22, May 13, 2008) from the fiscal year. The effect of this change was to decrease operating income in the photovoltaic cell-related business by 62,712,000 yen.

(Translation of material assets/liabilities in foreign currency into Japanese currency)
As noted in "Basis for Presentation of Consolidated Financial Statements 4. (4),"the Company has changed the translation of material assets/liabilities in foreign currency into Japanese currency in the current fiscal year. As a result of this change, net sales in the equipment-related business, photovoltaic cell-related business, electronic devices business, CMS business increased 106,032,000 yen, 92,689,000 yen, 29,835,000 yen and 25,199,000 yen, respectively; and operating income in the equipment-related business, photovoltaic cell-related business, electronic devices business increased 6,107,000 yen, 20,089,000 yen and 2,283,000 yen, respectively, and operating income in CMS business and eliminations or corporate decreased 1,670,000 yen and 6,814,000 yen, respectively.

b. Geographical segment information

(1) Previous fiscal year (Apr. 1, 2008 – Mar. 31, 2009) (Thousands of yen)

Division	Japan	Asia	USA & Europe	Total	Eliminations or corporate	Consolidated
I Net sales and operating income						
Net sales						
(1) Net sales to third parties	13,558,081	14,537,597	8,557,387	36,653,066	-	36,653,066
(2) Internal sales and transfers	4,037,885	10,271,490	86,029	14,395,405	(14,395,405)	-
Total	17,595,967	24,809,087	8,643,416	51,048,471	(14,395,405)	36,653,066
Operating expenses	17,703,520	22,516,755	8,089,953	48,310,229	(14,447,894)	33,862,335
Operating income (loss)	(107,553)	2,292,332	553,462	2,738,241	52,489	2,790,731
II Assets	30,363,205	24,119,383	5,619,227	60,101,816	(13,149,913)	46,951,902

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. Of operating expenses in the current fiscal year, unallotable operating expenses in "eliminations or corporate" categories was 56,765,000 yen, or depreciation of all company assets.

4. The amount of assets included in "eliminations or corporate" for the current fiscal year is 3,671,138,000 yen, primarily consisting of investment securities, equities in investees, and the main building and land at the Company, as well as the rented and unused portions of factories of Chinese subsidiaries.

5. Changes in accounting methods

(Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements)
As noted in "Basis for Presentation of Consolidated Financial Statements," effective from 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 operating income in USA & Europe by 86,135,000 yen.

(Accounting standard for measurement of inventories)
As noted in "Change in Basis for Presentation of Consolidated Financial Statements," effective from the current fiscal year, the Company has adopted "Accounting Standards for Measurement of Inventories." The effect of this change was to increase operating loss in Japan by 19,729,000 yen.

(Accounting standards for lease transactions)
As noted in "Change in Basis for Presentation of Consolidated Financial Statements," effective from the current fiscal year, the Company has adopted "Accounting Standards for Lease Transactions" and "Guidance on Accounting Standards for Lease Transactions." The effect of this change is insignificant.

(2) Current fiscal year (Apr. 1, 2009 – Mar. 31, 2010) (Thousands of yen)

Division	Japan	Asia	USA & Europe	Total	Eliminations or corporate	Consolidated
I Net sales and operating income						
Net sales						
(1) Net sales to third parties	15,112,619	10,095,896	6,332,750	31,541,267	-	31,541,267
(2) Internal sales and transfers	4,085,005	11,555,994	109,219	15,750,218	(15,750,218)	-
Total	19,197,624	21,651,891	6,441,970	47,291,486	(15,750,218)	31,541,267
Operating expenses	19,521,783	20,642,078	6,387,712	46,551,575	(15,713,734)	30,837,841
Operating income (loss)	(324,159)	1,009,812	54,257	739,910	(36,484)	703,425
II Assets	31,610,824	25,803,724	6,876,150	64,290,699	(16,327,007)	47,963,691

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. Of operating expenses in the current fiscal year, unallotable operating expenses in “eliminations or corporate” categories was 45,693,000 yen, or depreciation of all company assets.

4. The amount of assets included in “eliminations or corporate” for the current fiscal year is 3,804,732,000 yen, primarily consisting of investment securities, equities in investees, and the main building and land at the Company, as well as the unused portions of factories of Chinese subsidiaries.

5. Changes in accounting methods

(Guidance on determining a subsidiary and an affiliate)

As noted in “Basis for Presentation of Consolidated Financial Statements 1. (1),” the Company has adopted “Guidance on Determining a Subsidiary and an Affiliate” (ASBJ Guidance No. 22, May 13, 2008) from the current fiscal year. The effect of this change was to decrease operating income in Asia by 62,712,000 yen.

(Translation of material assets/liabilities in foreign currency into Japanese currency)

As noted in “Basis for Presentation of Consolidated Financial Statements 4. (4),”the Company has changed the translation of material assets/liabilities in foreign currency into Japanese currency in the current fiscal year. As a result of this change, net sales in Asia and USA & Europe increased 326,453,000 yen and 97,720,000 yen respectively, and net sales in eliminations or corporate decreased 191,745,000 yen; and operating income in Asia increased 21,522,000 yen, and operating income in USA & Europe and eliminations or corporate decreased 1,521,000 yen and 5,000 yen respectively.

c. Overseas sales

The following table indicates overseas sales for last two fiscal years.

(Thousands of yen)

Division		Asia	USA & Europe	Total
Apr. 1, 2008 – Mar. 31, 2009	I Overseas sales	14,842,543	8,576,138	23,418,682
	II Consolidated sales	-	-	36,653,066
	III Share of overseas sales among the consolidated sales	40.5%	23.4%	63.9%

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

(Thousands of yen)

Division		Asia	USA & Europe	Total
Apr. 1, 2009 – Mar. 31, 2010	I Overseas sales	10,306,555	8,690,960	18,997,516
	II Consolidated sales	-	-	31,541,267
	III Share of overseas sales among the consolidated sales	32.7%	27.6%	60.2%

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

Per Share Information

(Yen)

Fiscal year ended Mar. 31, 2009 (Apr. 1, 2008 – Mar. 31, 2009)		Fiscal year ended Mar. 31, 2010 (Apr. 1, 2009 – Mar. 31, 2010)	
Net assets per share	856.22	Net assets per share	892.19
Net income per share	34.39	Net income per share	6.58
Diluted net income per share	34.22	Diluted net income per share is not presented since the Company has no outstanding dilutive securities.	

Note: The following is a reconciliation of net income per share and diluted net income per share.

(Thousands of yen)

	Fiscal year ended Mar. 31, 2009 (Apr. 1, 2008 – Mar. 31, 2009)	Fiscal year ended Mar. 31, 2010 (Apr. 1, 2009 – Mar. 31, 2010)
Net income per share		
Net income	743,060	156,301
Amount not attribute to shareholders	-	-
Net income related to common stock	743,060	156,301
Average number of shares outstanding (share)	21,608,897	23,754,394
Diluted net income per share (yen)	34.22	6.58
Adjusted net income	-	-
[of which, interest expenses after tax deduction]	(-)	(-)
[of which, paperwork fees after tax deduction]	(-)	(-)
Increase in common stock (share)	103,184	-
[of which stock acquisition rights]	(103,184)	(-)

Subsequent Events

Fiscal year ended Mar. 31, 2009 (Apr. 1, 2008 – Mar. 31, 2009)	Fiscal year ended Mar. 31, 2010 (Apr. 1, 2009 – Mar. 31, 2010)
The Board of Directors resolved at a meeting held on March 27, 2009 to issue No.1 stock acquisition rights in a third-party placement to UBS AG London Branch, and to sign a third-party placement contract that includes an exercise designation clause. Payment of 28,071,000 yen was received for the stock acquisition rights from UBS AG London Branch on April 13, 2009. Details are as follows. 1. Subscription method: Third-party allocation to UBS AG London Branch 2. Total stock acquisition rights: 3,000 3. Type and number of shares under stock acquisition rights: 3,000,000 common shares (number of shares per stock acquisition right: 1,000 shares) 4. Amount paid per stock acquisition right: 9,357 yen 5. Amount to be paid upon exercise of stock acquisition rights: The amount of capital to be paid upon exercise of stock acquisition rights is 1,017 yen per common share X the number of shares exercised 6. Date of allocation and payment: April 13, 2009 7. Exercise period: From April 14, 2009 to April 13, 2011 8. Conditions for exercise: UBS AG London Branch is to exercise its stock acquisition rights based on the third-party placement contract that includes an exercise designation clause 9. Use of funds: - Approximately 500 million yen for investment in production equipment at Chinese subsidiaries to strengthen the photovoltaic cell-related business (the money will primarily be invested in bolstering the production capacity of silicon crystal production equipment and consumables (quartz crucibles, etc.) at Chinese factories). - Approximately 1.5 billion yen will be used to build new factories in Japan, the US, and Korea to meet new demand for photovoltaic cell-related products around the world (we assume an investment of approximately 500 million yen will be necessary for each new factories with the location and date to be decided at a future time). - Approximately 1 billion yen to repay a portion of the debt used to acquire Ferrotec Ceramics Corporation in the current fiscal year.	(Acquisition of important business) The Company resolved at a Board of Directors meeting held on November 27, 2009 that Ferrotec (USA) Corporation, its US subsidiary, would acquire the Temescal division (metalorgainc chemical vapor deposition equipment business) of the UK company Edwards Vacuum Inc. to integrate the business into that of Ferrotec (USA) Corporation. A contract for acquisition of the business was signed on November 30, 2009. 1. Name of company selling the business: Edwards Vacuum Inc. (UK) 2. Purpose and business content: To add the Temescal division's metalorgainc chemical vapor deposition equipment (which are used to form thin films of metals and oxides on sapphire and other substrates) and related products to the Group's product lineup, and expand sales in the rapidly growing LED market. 3. Value of goodwill and assets acquired: Goodwill 1,600,000 US$ Inventories 4,365,000 US$ Other assets 130,000 US$ 4. Date of acquisition: January 1, 2010 This is added as an important subsequent event because Ferrotec (USA) Corporation closes its fiscal books in December. (Merger of important subsidiary) The Board of Directors resolved at a meeting held on January 29, 2010 that it would absorb via merger its consolidated subsidiary Ferrotec Quartz Corporation. 1. Purpose of merger: Improve management efficiency through merger of product and sales divisions. 2. Company to be merged (the absorbed entity): Ferrotec Quartz Corporation 3. Merger method: The Company will be the surviving entity, and Ferrotec Quartz Corporation the absorbed entity. The two companies were merged without the approval of shareholders at a general meeting based on Company Law Section 796-3 (simplified mergers) for the Company and Company Law Section 784-1 (informal merger) for Ferrotec Quartz Corporation. 4. Company name after the merger: Ferrotec Corporation (no change in name) 5. Merger ratio: Ferrotec Corporation own 100% of the stock of Ferrotec Quartz Corporation, and therefore no new stock were issued, capital raised, or cash payment based on the merger.

Fiscal year ended Mar. 31, 2009 (Apr. 1, 2008 – Mar. 31, 2009)	Fiscal year ended Mar. 31, 2010 (Apr. 1, 2009 – Mar. 31, 2010)
10. Exercise designation: The Company designated to UBS AG London Branch the exercise of new stock acquisition rights as follows: 600 (600,000 shares) on June 3, 2009 and 800 (800,000 shares) on June 15, 2009. Of the 1,400 stock acquisition rights for which exercise was designated, 1,300 have been exercised, and payment received of 1,322,100,000 yen, as of the submission date of Annual Securities Report.	6. Business and scale of operations of Ferrotec Quartz Corporation Business: Manufacture of quartz products Scale (as of December 31, 2009) Net sales: 896 million yen Net loss: 103 million yen Total assets: 1,382 million yen Net assets: 28 million yen 7. Merger date: April 1, 2010

Omission of Disclosure

Leases, Financial Instruments, Securities, Derivatives, Retirement benefits, Stock options, Business combination, Deferred income taxes, Investment and rental property, and Transaction with Related Parties is not announced, since it was not considered to be materially significant in respect of the release of business results.

**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.*