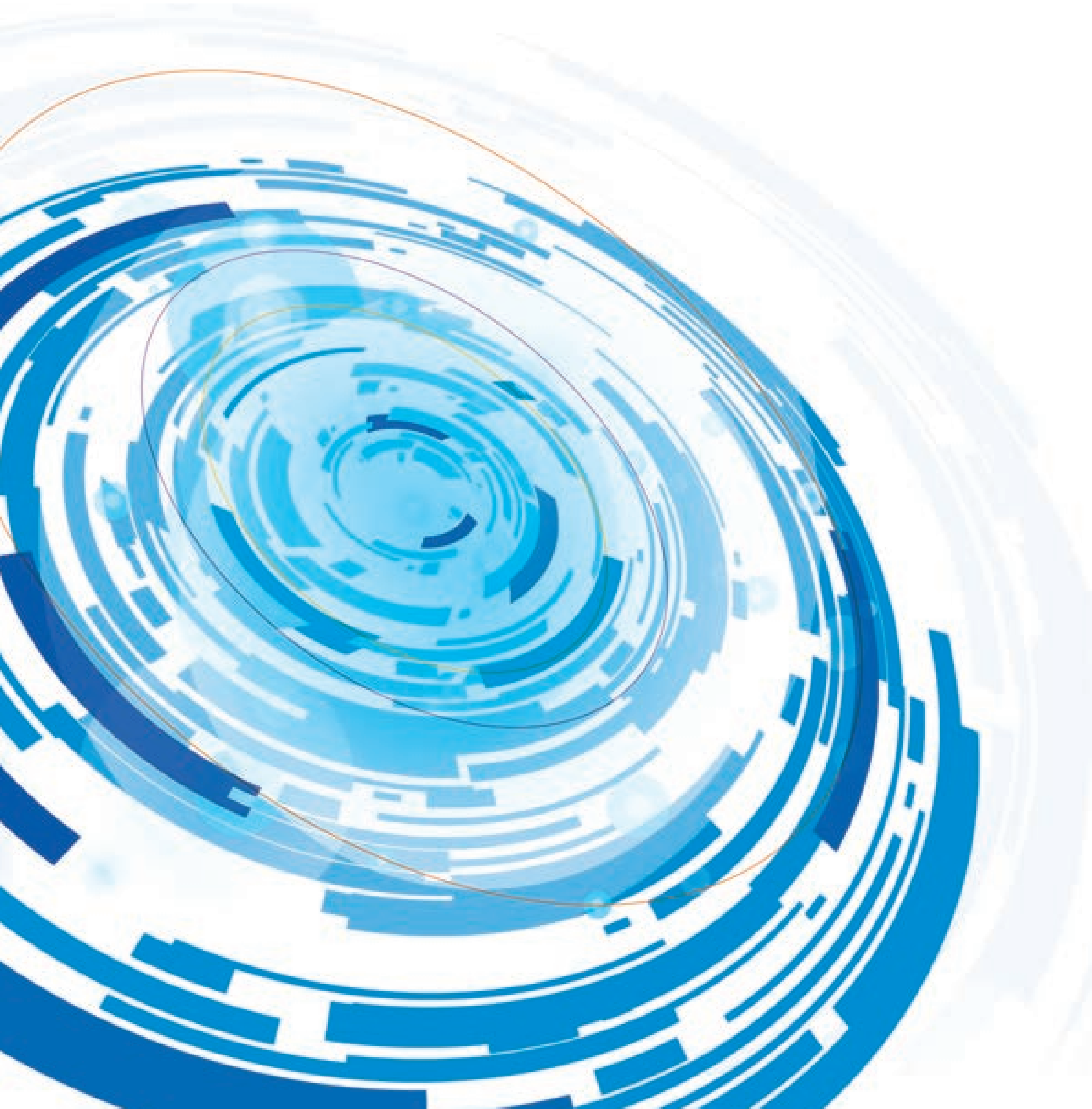
ULVAC

ULVAC REPORT 2014

Annual Report



Financial Highlights

Millions of yen (except per share amounts) | Thousands of U.S. dollars (except per share amounts)

FOR THE YEAR DATA	2010.06	2011.06	2012.06	2013.06	2014.06	2014.06
Orders received	221,705	235,932	152,221	166,778	169,808	1,676,288
Net sales	221,804	232,040	196,804	163,351	173,878	171,639
Operating income (loss)	4,809	1,850	(6,384)	6,115	11,996	118,421
Income (loss) before income taxes	4,558	(9,192)	(33,704)	(565)	15,137	149,427
Net income (loss)	2,138	(8,706)	(49,984)	(3,807)	11,538	113,899
Capital expenditures	11,087	17,827	12,719	6,761	6,217	61,372
Depreciation	11,949	10,717	9,096	7,967	7,421	73,258
R&D costs	8,005	8,255	7,088	4,989	5,213	51,461

YEAR-END DATA						
Total assets	313,784	313,616	249,651	243,289	230,791	2,278,292
Net assets/Shareholders' equity	102,504	92,023	41,187	59,436	72,238	713,110
Number of employees	7,169	7,878	6,981	6,579	5,971	

(Yen) (U.S. dollars)

PER SHARE DATA						
Net assets	1,992.06	1,787.51	751.00	806.38	1,040.23	10,289
Net income (loss)						
—Basic	46.60	(176.43)	(1,012.94)	(87.79)	223.18	2,203
—Diluted	42.65	–	–	–	165.6	1,635
Cash dividends	21.00	–	–	–	–	–

(%)

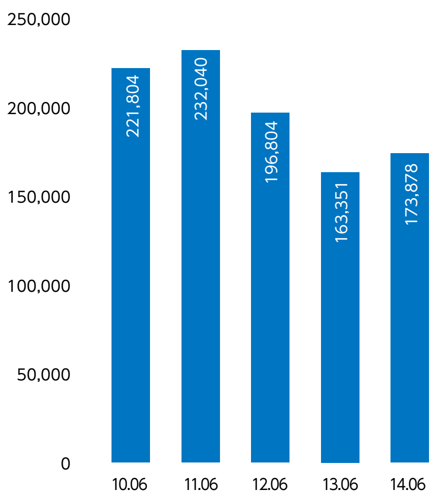
OTHER INFORMATION						
Net income / Average total assets (ROA)	0.7	–	–	–	4.9	4.9
Net income / Average shareholders' equity (ROE)	2.3	–	–	–	18.8	18.8
Shareholders' equity ratio	31.3	28.1	14.8	22.7	29.2	29.2

U.S. dollar amounts have been converted from yen, for convenience only, using the approximate exchange rate on June 30, 2014, which was U.S. $1 = ¥101.30.

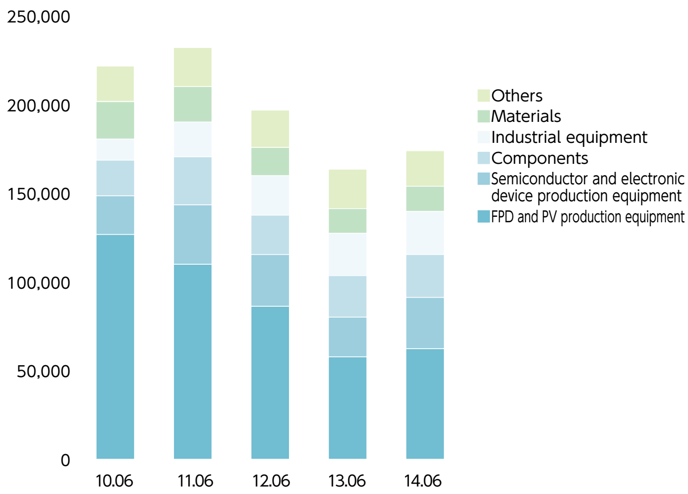
Disclaimer regarding forward-looking statements

Forward-looking statements of the company in this report are based on information available at the time these documents were prepared. ULVAC's customers in the flat-panel display (FPD), solar cells, semiconductor, and electronic parts industries face the challenge of the rapid pace of technological advances and fierce competition. Consequently, actual earnings may vary substantially from the projections included in this report due to a number of factors that could cause, directly or indirectly, performance to fluctuate. The factors that could cause results to differ materially from the statements herein include the world economy; fluctuations in the exchange rate; market conditions for flat-panel displays, semiconductors, and electric devices; and trends in capital investments.

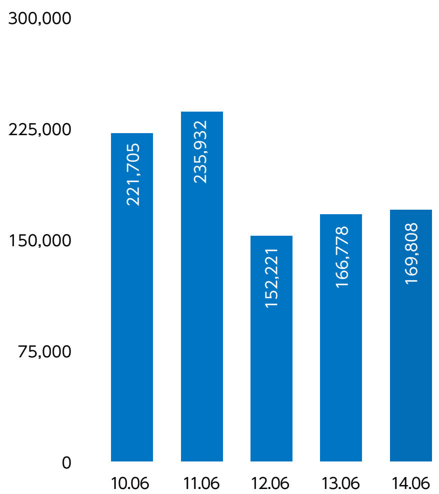
■ Net sales (Millions of yen)



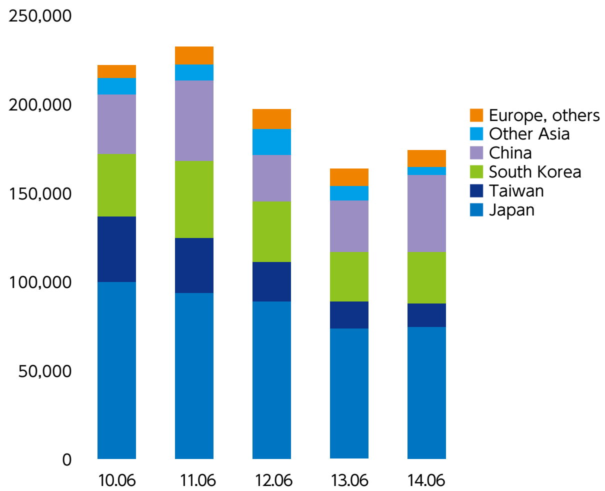
■ Net sales by business segment (Millions of yen)



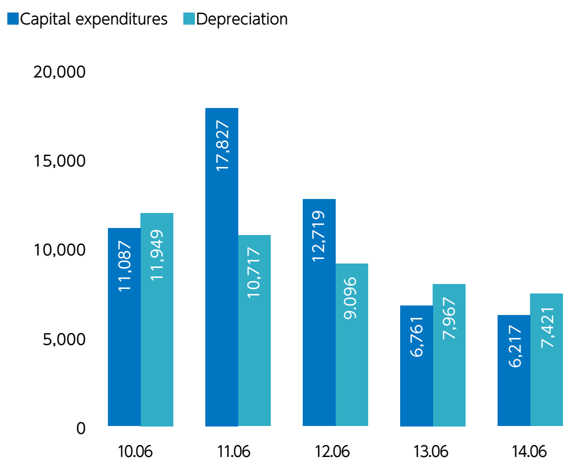
■ Orders received (Millions of yen)



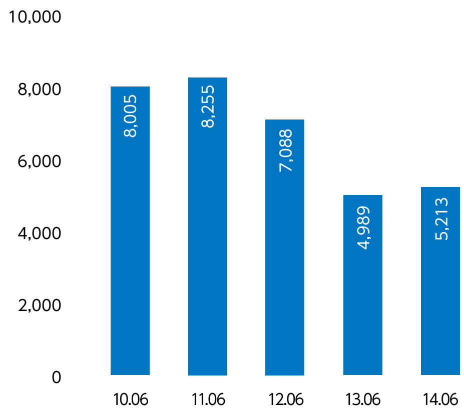
■ Net sales by region (Millions of yen)



■ Capital expenditures/Depreciation (Millions of yen)



■ R&D costs (Millions of yen)

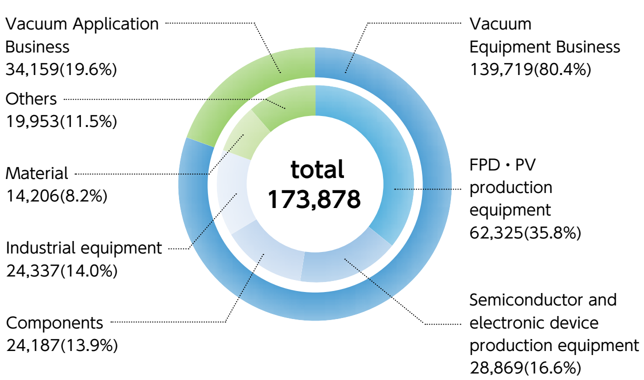


Analysis of Business Results

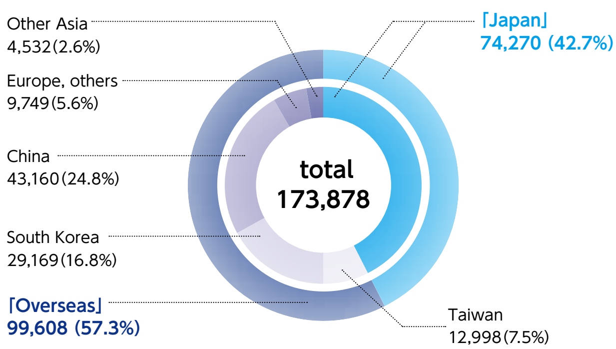
Business results for the current fiscal year

During the fiscal year ended June 30, 2014, the Japanese economy continued a gradual recovery as seen in the improvement of corporate earnings and employment conditions backed by the effects of fiscal and monetary policies of the Japanese government, as well as the correction of the yen appreciation. In the United States, the gradual economic recovery has been solidifying, chiefly led by private demand including the strong personal consumption and signs of pickup in capital investment and housing starts. In Europe, although unemployment rate remained high, it was on a downward trend to show the signs of recovery. The Chinese economy continued stable growth, as seen in the steady growth of personal consumption, but its pace has slowed down.
Regarding the market environment surrounding the ULVAC Group, in the flat panel display (FPD) industry, the stagnant TV market led to cautious moves toward capital expenditures related to large LCD TVs at the beginning of the year under review. In the second half, however, the movement resumed, especially in China. Strong capital expenditures were seen for small to medium-sized LCDs for mobile devices, such as smartphones and tablet PCs.
In the semiconductor market, the growing demand for mobile devices and servers led to favorable capital expenditures in mobile DRAMs and NAND flash memories.
In the automobile market, strong sales of eco-friendly cars and others brought about steady capital expenditures in automobile parts, including car electronics products.
In term of pricing, we faced the sustained requests for price reduction from customers and severe price competition with other manufacturers of production equipment.
In these conditions, the ULVAC Group has pursued the development of businesses in line with the medium-term management plan established last year.
As a result, regarding the consolidated performance for the fiscal year ended June 30, 2014, orders received increased by 3,030 million yen, or 1.8% year on year, to 169,808 million yen, and net sales advanced by 10,527 million yen, or 6.4%, to 173,878 million yen. For consolidated profit and loss, operating profit rose by 5,880 million yen, or 96.2%, to 11,996 million yen, ordinary profit soared by 7,119 million yen, or 113.6%, to 13,384 million yen. As a result, net income amounted to 11,538 million yen compared with a net loss of 3,807 million yen recorded for the previous fiscal year.

■ Net sales by business segment (Millions of yen)



■ Net sales by region (Millions of yen)



Vacuum Equipment Business

The operating results of the vacuum equipment business by market segment are as follows:

■FPD production equipment and PV production equipment

In the FPD-related market segment, orders received declined from the previous year, although orders received for production equipment for small to medium-sized LCDs for Japan and South Korea and production equipment for large-sized LCDs for Taiwan and China contributed to the result. Meanwhile, net sales increased owing to favorable sales of production equipment for small to medium-sized LCDs for Japan, China and South Korea, and large-sized displays and organic electroluminescence (EL) production equipment for China.

■Semiconductor and electronic device production equipment

Both orders received and net sales achieved year-on-year increases, chiefly due to the good business results of sputtering equipment and native oxide film removing equipment for mobile DRAMs and NAND flash memories in the semiconductor-related market segment, and sputtering equipment for high-performance devices, such as power semiconductors and mobile devices, in the electronic device-related market segment.

■Components

In the component-related market segment, orders received declined year on year due to the sluggish moves in the second half. However, net sales increased from the previous year, partly due to the active capital expenditures related to semiconductors, electronic parts and automobiles.

■ Industrial equipment

In the industrial equipment-related market segment, both orders received and net sales increased, primarily due to the good performance of vacuum heat treatment furnaces for automobile parts and high-performance magnets, helium leak test systems and medical-use vacuum freeze drying equipment.

Vacuum Application Business

The operating results of the vacuum application business by market segment are as follows:

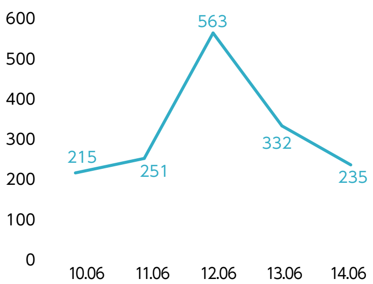
■ Materials

Although orders received of the material-related segment declined year on year chiefly due to the restructuring of unprofitable businesses, net sales increased slightly from the previous fiscal year, centering on sputtering target materials.

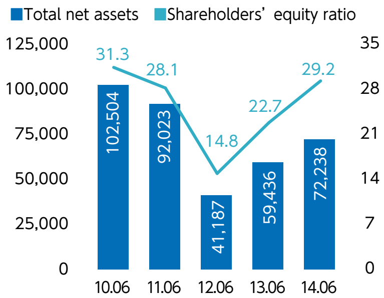
■ Others

The mask blanks business remained steady, supported by favorable markets for smartphones and tablet PCs. The analysis devices business performed well, centering on those for private-sector companies in Japan.

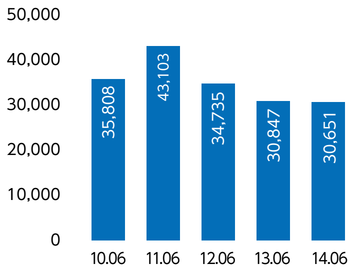
■ Debt ratio (%)



■ Total net assets (Millions of yen) ／ Shareholders' equity ratio (%)



■ SG&A expenses (Millions of yen)



Analysis of Financial Position

1 Assets, liabilities and net assets at fiscal year-end

●Assets

Total assets decreased by 12,499 million yen compared with the end of the previous fiscal year. This decrease was attributable to decreases of 13,185 million yen in notes and accounts receivable, trade, and 9,575 million yen in inventories, which were partly offset by an increase of 13,067 million yen in cash on hand in banks.

●Liabilities

Total liabilities decreased by 25,301 million yen compared with the end of the previous fiscal year, chiefly owing to decreases of 13,508 million yen in short-term borrowings, 4,087 million yen in advances received, 2,680 million yen in provision for loss on contract and 2,994 million yen in long-term debt.

●Net assets

Total net assets increased by 12,802 million yen compared with the end of the previous fiscal year. This increase was primarily attributable to an increase of 11,476 million yen in retained earnings.

2 Cash flows

●Cash flows from operating activities

Net cash provided by operating activities amounted to 32,213 million yen, reflecting positive factors such as income before income taxes and minority interests, depreciation and amortization, a decrease in accounts receivable, trade, a decrease in inventories and an increase in accounts payable, trade, as well as negative factors such as a decrease in advances received and a decrease in provision for loss on contract.

●Cash flows from investing activities

Net cash used in investing activities amounted to 3,023 million yen, chiefly due to the payments for acquisition of tangible and intangible fixed assets.

●Cash flows from financing activities

Net cash used in financing activities amounted to 16,881 million yen, primarily arising from a decrease in short-term borrowings and a decrease in long-term debt.
As a result, consolidated cash and cash equivalents were 57,012 million yen at the end of the current fiscal year, up 12,808 million yen from the end of the previous fiscal year.

Business and Other Risks

Major potential factors that could influence business performance and the financial position of the ULVAC Group are as follows.

1 Fluctuations in the Markets for FPDs, Semiconductors and Electronic Parts

The ULVAC Group has grown by developing proprietary technologies for vacuum equipment used in the manufacturing process of FPDs, semiconductors and electronic components, and by marketing such devices, which has allowed us to build market shares in these fields. These products account for about 50% of our consolidated net sales and have become the mainstay of the Group. However, any large reduction in capital expenditures by manufacturers of FPDs, semiconductors and electronic parts, our corporate customers, or any deterioration in the financial conditions of our corporate customers could affect our business results and financial position.

2 Influence of Research and Development

Based on sustained proactive investment in research and development, the ULVAC Group has consistently brought new products to market using cutting-edge technologies. However, if it becomes extremely difficult to achieve the development that meets the requirements indispensable for the commercialization of new products or such development is markedly delayed in comparison with the envisioned plans, our business results and financial position could be affected adversely.

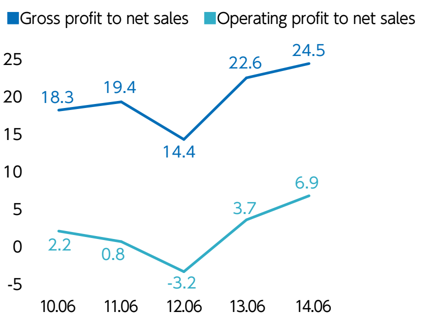
3 Influence on Pricing Competition

Although in the FPD industry—ULVAC' s principal customer—demand for digital home appliances remains robust, there is constant pressure from the customer side to lower prices. In addition, new competitors are emerging in South Korea, Taiwan and China, further intensifying sales competition. These factors, combined with higher costs caused by surging prices for raw materials and goods purchased, could affect our business results and financial position.

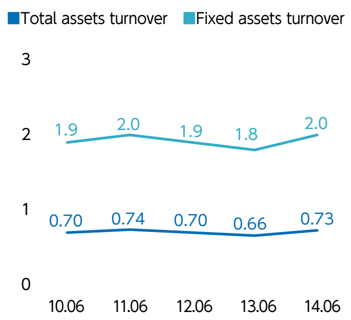
4 Influence of Increased Overseas Sales

The overseas net sales ratio of the ULVAC Group is high, with South Korea, Taiwan, China and other economies, particularly in the Asian region, occupying larger shares. To avoid currency exchange risks, transactions by ULVAC are, as a rule, denominated in yen. However, in the context of sales to the Asian region at a time of yen appreciation, the Group is placed at a disadvantage in its price competitiveness relative to overseas manufacturers in yen-denominated transactions. If ULVAC conducts an exceptional foreign-currency-denominated transaction, sudden exchange rate fluctuations might cause losses in the exchange. The aforementioned factors could negatively affect our business results and financial position.

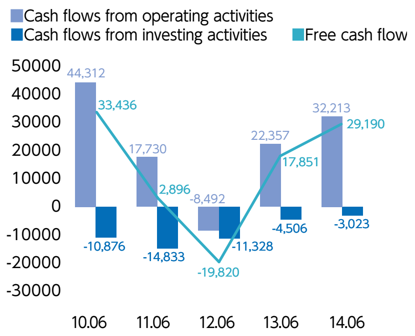
■ Gross profit to net sales (%) ／ Operating profit to net sales (%)



■ Total assets turnover (Times) ／ Fixed assets turnover (Times)



■ Cash flows (Millions of yen)



5 Influence of Global Business Development

To secure market share in China, a prospective future growth market, the Group has proactively advanced into China and is pursuing business initiatives through locally incorporated subsidiaries. Although arrangements have been put into place at locally incorporated subsidiaries for gauging business conditions and taking corrective actions when needed, risks such as various restrictions and/or changes in tax/exchange rate systems due to unforeseeable changes in legal systems, political instability, business fluctuations and an outflow of personnel could affect our business results and financial position.

6 Influence of Quality Assurance Efforts

The Group has installed quality assurance systems, acquired ISO9001 certification and has been providing services with a high level of customer satisfaction. As ULVAC continually provides products with leading-edge technologies, there are numerous development elements that could lead to a situation in which ULVAC has to collect and repair products free of charge due to some unforeseeable defect; this could affect our business results and financial position.

7 Influence of Intellectual Property Rights

The Group owns numerous patents related to various types of vacuum systems and proactively aims to acquire intellectual property rights. Moreover, ULVAC examines the patents of third parties concerning such products. However, unforeseeable litigation brought by a third party for a breach of patent rights might pose risks that could negatively affect our business results and financial position.

8 Impact on Financing

A financial covenant may often be incorporated into some of the loan agreements that the Group has entered into with financial institutions. Any violation of such financial covenants might negatively influence our business results and financial position.

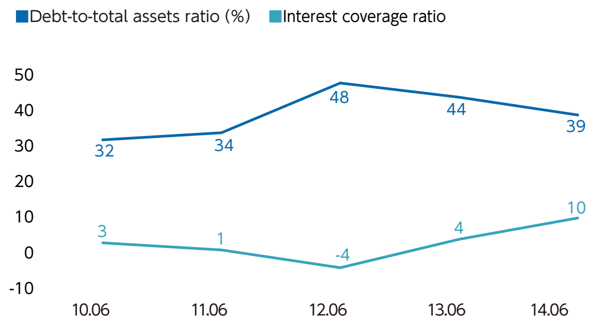
9 Litigation-Related Risk

There is a risk in which the Group might be targeted in any lawsuits in Japan and overseas with regard to the businesses in which the Group engages. An important lawsuit filed against any of the Group companies could negatively affect our business results and financial position.

10 Other Risks

As applicable to companies that engage in global operations or in a wide range of business areas, the Group’ s business results and financial position could be negatively affected by global and local economic climates, or any event of force majeure, such as natural disasters, acts of war or terrorism, or infectious diseases.

● Debt-to-total assets ratio (%) Interest coverage ratio (Times)



Stock Information (As of June 30, 2014)

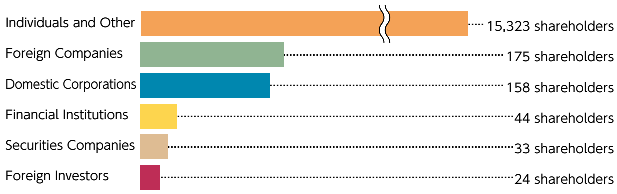
☐ Total number of stocks authorized	Common stock	100,000,000
	Class A classified stock	1,500
	Class B classified stock	37,500
☐ Total number of stocks issued	Common stock	49,355,938
	Class A classified stock	1,500
☐ Total number of shareholders	Common stock	15,758
	Class A classified stock	1

Major Shareholders (Common Stock)

Shareholder’ s name	Number of shares (thousands)	(%)
TAIYO FUND, L.P.	8,242	16.7
Nippon Life Insurance Company	3,242	6.57
Mizuho Bank, Ltd.	1,916	3.88
Sumitomo Mitsui Banking Corporation	1,864	3.78
TAIYO HANEI FUND, L. P.	1,154	2.34
Japan Trustee Services Bank, Ltd.(Trust account)	1,117	2.26
The Master Trust Bank of Japan, Ltd.(Trust account)	984	1.99
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	910	1.84
Association of Employee Shareholders of ULVAC	904	1.83
Inabata & Co., Ltd.	795	1.61

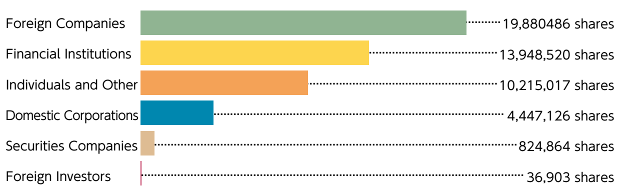
Note: Stock ownership ratio is calculated by the number of treasury stocks (3,022 stocks)

Number of Shareholders (Common Stock) total：15,758shareholders



Tresury stock：1 shareholders

Number of Shares Held (Common Stock) total：49,355,938 shares



Tresury stock：3,022 shares

Financial Section

Contents

1. [Consolidated Financial Statements and Others]

(1) [Consolidated Financial Statements]

i) [Consolidated Balance Sheets]

		Previous fiscal year (As of June 30, 2013)		Current fiscal year (As of June 30, 2014)	
		Amount (Millions of yen)		Amount (Millions of yen)	Amount (Thousands of U.S. dollars)
Assets					
Current assets					
Cash on hand and in banks		44,603		57,669	569,292
Notes and accounts receivable, trade	*4	59,525		46,341	457,461
Merchandise and finished goods		4,740		4,068	40,156
Work in process	*7	28,548		21,392	211,174
Raw materials and supplies		10,640		8,892	87,780
Deferred tax assets		1,471		1,774	17,513
Other		4,606		6,006	59,293
Allowance for doubtful accounts		(564)		(360)	(3,550)
Total current assets		153,569		145,783	1,439,120
Fixed assets					
Property, plant and equipment					
Buildings and structures		80,603		79,614	785,924
Accumulated depreciation		(39,510)		(41,103)	(405,754)
Buildings and structures, net		41,093		38,511	380,170
Machinery, equipment and vehicles		63,758		64,464	636,365
Accumulated depreciation		(47,389)		(48,774)	(481,484)
Machinery, equipment and vehicles, net		16,369		15,689	154,881
Tools, furniture and fixtures		13,999		13,779	136,018
Accumulated depreciation		(12,276)		(12,393)	(122,336)
Tools, furniture and fixtures, net		1,723		1,386	13,682
Land		9,513		8,476	83,673
Lease assets		1,717		1,270	12,537
Accumulated depreciation		(1,172)		(757)	(7,468)
Lease assets, net		545		514	5,069
Construction in progress		2,565		2,325	22,949
Total property, plant and equipment	*3, *6	71,808	*3, *6	66,901	660,424
Intangible fixed assets					
Goodwill		89		—	—
Lease assets		150		181	1,786
Software		1,437		1,120	11,053
Other		3,703		3,709	36,614
Total intangible fixed assets		5,379		5,010	49,453
Investments and other assets					
Investment securities	*1	3,882	*1	4,130	40,767
Guarantee deposits		1,804		1,936	19,115
Deferred tax assets		2,204		2,384	23,532
Other	*1	4,722	*1	5,549	54,775
Allowance for doubtful accounts		(78)		(901)	(8,897)
Total investments and other assets		12,534		13,097	129,292
Total fixed assets		89,720		85,008	839,169
Total assets		243,289		230,791	2,278,289

The accompanying notes are an integral part of these financial statements.

	Previous fiscal year (As of June 30, 2013)		Current fiscal year (As of June 30, 2014)		
		Amount (Millions of yen)		Amount (Millions of yen)	Amount (Thousands of U.S. dollars)
Liabilities					
Current liabilities					
Notes and accounts payable, trade	*4	28,651		28,700	283,317
Short-term borrowings	*3	82,750	*3	69,242	683,533
Lease liabilities		653		338	3,340
Accrued income taxes		776		1,473	14,537
Advances received		13,872		9,785	96,593
Deferred tax liabilities		170		51	501
Accrued bonuses for employees		1,051		1,043	10,292
Accrued bonuses for directors and corporate auditors		235		245	2,421
Accrued warranty costs		1,864		1,593	15,728
Allowance for loss on contract		3,261		581	5,737
Other	*4	10,778		9,097	89,807
Total current liabilities		144,061		122,148	1,205,807
Long-term liabilities					
Bonds		20		—	—
Long-term debt	*3	23,358	*3	20,364	201,026
Lease liabilities		759		648	6,402
Deferred tax liabilities		1,431		1,850	18,258
Accrued pension and severance costs for employees		12,057		—	—
Net defined benefit liability		—		11,759	116,080
Accrued pension and severance costs for directors and corporate auditors		786		720	7,108
Asset retirement obligations		337		340	3,358
Other		1,044		723	7,138
Total long-term liabilities		39,792		36,404	359,370
Total liabilities		183,853		158,552	1,565,177
Net Assets					
Shareholders' equity					
Common stock		20,873		20,873	206,052
Capital surplus		37,100		37,100	366,243
Retained earnings		(2,966)		8,510	84,009
Treasury stock, at cost		(10)		(10)	(98)
Total shareholders' equity		54,998		66,474	656,206
Accumulated other comprehensive income					
Unrealized gain on securities		333		372	3,675
Foreign currency translation adjustments		(13)		1,925	19,007
Remeasurements of defined benefit plans		—		(1,389)	(13,715)
Total accumulated other comprehensive income		320		908	8,967
Minority interests		4,119		4,856	47,939
Total net assets		59,436		72,238	713,112
Total liabilities and net assets		243,289		230,791	2,278,289

The accompanying notes are an integral part of these financial statements.

ii) [Consolidated Statements of Income and Consolidated Statements of Comprehensive Income]
[Consolidated Statements of Income]

	Previous fiscal year (From July 1, 2012 to June 30, 2013)		Current fiscal year (From July 1, 2013 to June 30, 2014)		
		Amount (Millions of yen)		Amount (Millions of yen)	Amount (Thousands of U.S. dollars)
Net sales		163,351		173,878	1,716,464
Cost of sales	*2, *3, *4	126,389	*2, *3, *4	131,231	1,295,473
Gross profit		36,962		42,646	420,991
Selling, general and administrative expenses					
Selling expenses		13,186		13,707	135,312
General and administrative expenses		17,661		16,944	167,263
Total selling, general and administrative expenses	*1, *2	30,847	*1, *2	30,651	302,575
Operating profit		6,115		11,996	118,416
Non-operating income					
Interest income		169		216	2,132
Dividend income		173		267	2,632
Foreign exchange gains		1,226		765	7,551
Insurance and dividends income		328		242	2,391
Gain on sales of scraps		158		1,100	10,854
Equity in earnings of unconsolidated subsidiaries and affiliates		17		—	—
Other		1,050		1,110	10,955
Total non-operating income		3,120		3,699	36,516
Non-operating expenses					
Interest expenses		1,562		1,257	12,409
Equity in losses of affiliates		—		109	1,072
Other		1,409		945	9,334
Total non-operating expenses		2,971		2,311	22,814
Ordinary profit		6,264		13,384	132,118
Extraordinary gains					
Gain on sales of fixed assets	*5	105	*5	1,068	10,543
Gain on sales of stocks of subsidiaries and affiliates		—		838	8,269
Insurance income		—		535	5,278
Other		178		31	302
Total extraordinary gains		283		2,471	24,391
Extraordinary losses					
Loss on disposal of fixed assets		299		145	1,427
Loss on disaster		—		279	2,755
Business structure improvement expenses	*6, *7	6,089	*6	133	1,311
Other		724		161	1,593
Total extraordinary losses		7,112		718	7,087
Income (loss) before income taxes and minority interests		(565)		15,137	149,423
Current income taxes		2,347		2,805	27,686
Deferred income taxes		202		3	32
Total income taxes		2,549		2,808	27,718
Income (loss) before minority interests		(3,114)		12,329	121,705
Minority interests in income		693		791	7,805
Net income (loss)		(3,807)		11,538	113,900

The accompanying notes are an integral part of these financial statements.

[Consolidated Statements of Comprehensive Income]

	Previous fiscal year (From July 1 2012 to June 30, 2013)	Current fiscal year (From July 1, 2013 to June 30, 2014)	
	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)
Income (loss) before minority interests	(3,114)	12,329	121,705
Other comprehensive income			
Unrealized gain on securities	395	40	390
Foreign currency translation adjustments	7,221	2,086	20,588
Share of other comprehensive income of companies accounted for by the equity method	2	21	212
Total other comprehensive income	* 7,619	* 2,147	21,190
Comprehensive income	4,505	14,475	142,895
Comprehensive income attributable to:			
Owners of the parent	3,261	13,515	133,417
Minority interests	1,243	960	9,478

The accompanying notes are an integral part of these financial statements.

iii) [Consolidated Statements of Changes in Net Assets]

Previous fiscal year (From July 1, 2012 to June 30, 2013)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at the beginning of the period	20,873	22,100	845	(11)	43,807
Changes of items during the period					
Issuance of new shares	7,500	7,500			15,000
Transfer to other capital surplus from common stock	(7,500)	7,500			—
Change of scope of equity method			(37)		(37)
Change of scope of consolidation					
Effect of changes in fiscal year-ends of consolidated subsidiaries			33		33
Net loss			(3,807)		(3,807)
Purchase of treasury stock				1	1
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	15,000	(3,811)	1	11,190
Balance at the end of the period	20,873	37,100	(2,966)	(10)	54,998

	Accumulated other comprehensive income				Minority interests	Total net assets
	Unrealized gain (loss) on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the period	(48)	(6,701)	—	(6,749)	4,128	41,187
Changes of items during the period						
Issuance of new shares						15,000
Transfer to other capital surplus from common stock						—
Change of scope of equity method						(37)
Change of scope of consolidation						
Effect of changes in fiscal year-ends of consolidated subsidiaries						33
Net loss						(3,807)
Purchase of treasury stock						1
Net changes of items other than shareholders' equity	381	6,688	—	7,069	(9)	7,059
Total changes of items during the period	381	6,688	—	7,069	(9)	18,249
Balance at the end of the period	333	(13)	—	320	4,119	59,436

The accompanying notes are an integral part of these financial statements.

Current fiscal year (From July 1, 2013 to June 30, 2014)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at the beginning of the period	20,873	37,100	(2,966)	(10)	54,998
Changes of items during the period					
Issuance of new shares					
Transfer to other capital surplus from common stock					
Change of scope of equity method					
Change of scope of consolidation			(62)		(62)
Effect of changes in fiscal year-ends of consolidated subsidiaries					
Net income			11,538		11,538
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	11,476	(0)	11,476
Balance at the end of the period	20,873	37,100	8,510	(10)	66,474

	Accumulated other comprehensive income				Minority interests	Total net assets
	Unrealized gain (loss) on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the period	333	(13)	—	320	4,119	59,436
Changes of items during the period						
Issuance of new shares						
Transfer to other capital surplus from common stock						
Change of scope of equity method						
Change of scope of consolidation						(62)
Effect of changes in fiscal year-ends of consolidated subsidiaries						
Net income						11,538
Purchase of treasury stock						(0)
Net changes of items other than shareholders' equity	40	1,938	(1,389)	589	737	1,326
Total changes of items during the period	40	1,938	(1,389)	589	737	12,802
Balance at the end of the period	372	1,925	(1,389)	908	4,856	72,238

The accompanying notes are an integral part of these financial statements.

Current fiscal year (From July 1, 2013 to June 30, 2014)

(Thousands of U.S. dollars)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at the beginning of the period	206,052	366,243	(29,279)	(97)	542,918
Changes of items during the period					
Issuance of new shares					
Transfer to other capital surplus from common stock					
Change of scope of equity method					
Change of scope of consolidation			(612)		(612)
Effect of changes in fiscal year-ends of consolidated subsidiaries					
Net income			113,900		113,900
Purchase of treasury stock				(1)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	113,288	(0)	113,288
Balance at the end of the period	206,052	366,243	84,009	(98)	656,206

	Accumulated other comprehensive income				Minority interests	Total net assets
	Unrealized gain (loss) on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the period	3,283	(128)	—	3,156	40,661	586,734
Changes of items during the period						
Issuance of new shares						
Transfer to other capital surplus from common stock						
Change of scope of equity method						
Change of scope of consolidation						(612)
Effect of changes in fiscal year-ends of consolidated subsidiaries						
Net income						113,900
Purchase of treasury stock						(0)
Net changes of items other than shareholders' equity	391	19,135	(13,715)	5,811	7,278	13,089
Total changes of items during the period	391	19,135	(13,715)	5,811	7,278	126,378
Balance at the end of the period	3,675	19,007	(13,715)	8,967	47,939	713,112

The accompanying notes are an integral part of these financial statements.

iv) [Consolidated Statements of Cash Flows]

	Previous fiscal year (From July 1, 2012 to June 30, 2013)	Current fiscal year (From July 1, 2013 to June 30, 2014)		
	Amount (Millions of yen)		Amount (Millions of yen)	Amount (Thousands of U.S. dollars)
Cash flows from operating activities				
Income (loss) before income taxes and minority interests	(565)		15,137	149,423
Depreciation and amortization	7,967		7,421	73,255
Business structure improvement expenses	6,089		133	1,311
(Decrease) increase in allowance for doubtful accounts	(491)		626	6,177
(Decrease) increase in accrued bonuses	(156)		23	223
Decrease in accrued pension and severance costs for employees	(350)		—	—
Decrease in net defined benefit liability	—		(661)	(6,523)
(Decrease) increase in accrued pension and severance costs for directors and corporate auditors	(17)		83	822
Increase (decrease) in accrued warranty costs	108		(209)	(2,065)
Decrease in allowance for loss on contract	(4,308)		(2,636)	(26,026)
Interest and dividend income	(341)		(483)	(4,765)
Interest expenses	1,562		1,257	12,407
Income on prefectural government's grants	(456)		(219)	(2,158)
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(17)		109	1,072
Decrease in accounts receivable, trade	10,922		13,178	130,088
Decrease in inventories	11,546		8,986	88,707
(Decrease) increase in accounts payable, trade	(4,335)		292	2,886
Increase (decrease) in advances received	1,409		(4,345)	(42,896)
Decrease in accrued consumption taxes	(926)		(100)	(983)
Other	3,575		(4,068)	(40,161)
Subtotal	31,216		34,522	340,794
Interest and dividend income received	348		554	5,464
Interest expenses paid	(1,538)		(1,254)	(12,381)
Payment for special additional retirement benefits	(4,855)		—	—
Income taxes paid	(2,815)		(1,609)	(15,883)
Net cash provided by operating activities	22,357		32,213	317,993
Cash flows from investing activities				
Increase in time deposits	(1,702)		(898)	(8,862)
Decrease in time deposits	1,577		658	6,494
Payments for acquisition of tangible and intangible fixed assets	(5,787)		(5,539)	(54,675)
Proceeds from sales of tangible and intangible fixed assets	359		1,989	19,636
Proceeds from sales of stocks of subsidiaries resulting in change in scope of consolidation	—	*2	867	8,554
Purchase of stocks of subsidiaries and affiliates	(128)		—	—
Proceeds from sales of stocks of subsidiaries and affiliates	399		—	—
Proceeds from prefectural government's grants	598		360	3,558
Other	179		(461)	(4,547)
Net cash used in investing activities	(4,506)		(3,023)	(29,843)

The accompanying notes are an integral part of these financial statements.

	Previous fiscal year (From July 1, 2012 to June 30, 2013)		Current fiscal year (From July 1, 2013 to June 30, 2014)		
		Amount (Millions of yen)		Amount (Millions of yen)	Amount (Thousands of U.S. dollars)
Cash flows from financing activities					
Net increase (decrease) in short-term borrowings		1,354		(9,559)	(94,360)
Net decrease in commercial paper		(10,000)		—	—
Borrowing of long-term debt		9,403		7,769	76,692
Repayments of long-term debt		(16,958)		(14,137)	(139,561)
Proceeds from issuance of stock		15,000		—	—
Repayments of lease liabilities		(1,338)		(668)	(6,590)
Dividends paid by the parent company		(1)		(0)	(1)
Dividends paid by consolidated subsidiaries to minority shareholders		(1,117)		(266)	(2,629)
Other		37		(20)	(198)
Net cash used in financing activities		(3,619)		(16,881)	(166,646)
Effect of exchange rate changes on cash and cash equivalents		1,616		500	4,934
Increase in cash and cash equivalents		15,849		12,808	126,438
Cash and cash equivalents at beginning of year		28,180		44,204	436,363
Increase in cash and cash equivalents due to change in fiscal year-ends of consolidated subsidiaries		175		—	—
Cash and cash equivalents at end of year	*1	44,204	*1	57,012	562,801

The accompanying notes are an integral part of these financial statements.

[Notes]

(Basis for Preparation of Consolidated Financial Statements)

1. Basis of preparation of consolidated financial statements

The accompanying consolidated financial statements of ULVAC, Inc. (the "Company") and its consolidated subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Corporate Law of Japan and the Financial Instruments and Exchange Law of Japan, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

U.S. dollar amounts are included solely for convenience and have been translated, as a matter of arithmetical computation only, at the rate of ¥101.30 = US$1, the approximate exchange rate prevailing in the Japanese foreign exchange market at June 30, 2014.

2. Scope of consolidation

(1) Number of consolidated subsidiaries: 32

Names of consolidated subsidiaries are as follows:

ULVAC-RIKO, Inc.
ULVAC TECHNO, Ltd.
ULVAC KYUSHU CORPORATION
ULVAC TOHOKU, Inc.
ULVAC Technologies, Inc.
ULVAC KIKO, Inc.
ULVAC EQUIPMENT SALES, Inc.
ULVAC CRYOGENICS INCORPORATED
ULVAC-PHI, Inc.
ULVAC KOREA, Ltd.
ULVAC TAIWAN INC.
ULVAC (NINGBO) CO., LTD.
ULVAC SINGAPORE PTE LTD
ULVAC (SUZHOU) Co., Ltd.
ULVAC Orient (Chengdu) Co., Ltd.
ULVAC Automation Technology (Shanghai) Corporation
Ulvac Tianma Electric (Jing Jiang) Co., Ltd.
ULVAC Vacuum Furnace (Shenyang) Co., Ltd.
ULVAC (China) Holding Co., Ltd.
ULVAC MALAYSIA SDN. BHD.
Physical Electronics USA, Inc.
TIGOLD CO., Ltd.
Ulvac Korea Precision, Ltd.
Pure Surface Technology, Ltd.
ULVAC CRYOGENICS KOREA INCORPORATED
ULTRA CLEAN PRECISION TECHNOLOGIES CORP.
ULVAC COATING CORPORATION
ULCOAT TAIWAN, Inc.
ULVAC (Shanghai) Trading Co., Ltd.
ULVAC Materials Korea, Ltd.
ULVAC Materials (Suzhou) Co., Ltd.
ULVAC Opto-electronics Thin Film Technology (Shenzhen) Co., Ltd.

Because the Company sold Reliance Electric Limited shares in the fiscal year ended June 30, 2014, the said company, ULVAC AUTOMATION TAIWAN INC. and RAS Co., Ltd., have been excluded from the scope of consolidation.

(2) Number of unconsolidated subsidiaries: 14

Names of unconsolidated subsidiaries are as follows:

ULVAC GmbH
ULVAC SOFTWARE CREATIVE TECHNOLOGY, Co., Ltd.
ULVAC Materials Taiwan, Inc.
Nisshin Seigyo
OOO ULVAC
Initium, Inc.
ULVAC (THAILAND) LTD.
ULVAC CRYOGENICS (NINGBO) INCORPORATED
UF TECH, Ltd.
ULVAC NONFERROUS METALS (NINGBO) CO., LTD.
ULVAC ENGINEERING, Inc.
ULVAC HUMAN RELATIONS, Ltd.
ULVAC Research Center SUZHOU Co., Ltd.
FINE SURFACE TECHNOLOGY CO., LTD.

(3) Reasons for excluding unconsolidated subsidiaries from the scope of consolidation

All the unconsolidated subsidiaries are small in scale and have an immaterial effect on the Company's consolidated financial statements in terms of total assets, net sales, net income/loss and retained earnings.

3. Application of equity method

(1) Number of unconsolidated subsidiaries which are accounted for by the equity method: Nil

(2) Number of affiliates which are accounted for by the equity method: 3

SHOWA SHINKU CO., LTD.

Reliance Electric Limited

ULVAC AUTOMATION TAIWAN INC.

Because the Company sold Reliance Electric Limited shares in the fiscal year ended June 30, 2014, the said company and ULVAC AUTOMATION TAIWAN INC. have been excluded from the scope of consolidation and included in the scope of application of the equity method.

(3) The cost method is applied to the investment in certain unconsolidated subsidiaries not accounted for by the equity method (14 companies) and affiliates not accounted for by the equity method (4 companies), because the effect of their net income/loss and retained earnings on the Company's consolidated financial statements is immaterial and they are not important as a whole in accounting terms.

4. Fiscal year-end of consolidated subsidiaries

The fiscal year-end of ULVAC (NINGBO) CO., LTD.; ULVAC (SUZHOU) Co., Ltd.; ULVAC Orient (Chengdu) Co., Ltd.; ULVAC Automation Technology (Shanghai) Corporation; Ulvac Tianma Electric (Jing Jiang) Co., Ltd.; ULVAC Vacuum Furnace (Shenyang) Co., Ltd.; ULVAC (China) Holding Co., Ltd., ULVAC (Shanghai) Trading Co., Ltd.; ULVAC Materials (Suzhou) Co., Ltd.; and ULVAC Opto-electronics Thin Film Technology (Shenzhen) Co., Ltd., is December 31, and that of ULVAC KIKO, Inc.; ULVAC Technologies, Inc.; ULVAC SINGAPORE PTE LTD; and ULVAC MALAYSIA SDN. BHD. is March 31.

For those consolidated subsidiaries whose fiscal year-end is December 31, the Company uses their financial statements based on the provisional settlement of accounts as of the consolidated fiscal year-end when preparing consolidated financial statements, whilst for consolidated subsidiaries whose fiscal year-ends are March 31, the Company uses their financial statements as of their fiscal year-end. However, necessary adjustments are made regarding important transactions conducted between the Company's consolidated fiscal year-end and the fiscal year-end of consolidated subsidiaries.

5. Accounting policies

(1) Revenue recognition

For the make-to-order manufacturing of production equipment, the percentage-of-completion method (the cost-to-cost method is used to estimate the percentage of completion) is applied to the contracts, if the outcome of the contract activity achieved by the end of the fiscal year can be estimated reliably, whereas the completed-contract method is applied otherwise.

Revenue from components, materials and parts is accounted for on a delivery basis.

Revenue from royalty income, management fees and related items is recognized when the services are rendered according to related contracts.

(2) Valuation of major assets

Inventories

Inventories are generally stated at cost, with cost determined by the individual identification method and are carried at the lower of the cost or net selling value on the balance sheet.

Securities

1) Bonds held to maturity:

Bonds held to maturity are stated at amortized cost (straight-line method).

2) Other securities:

Other securities with fair value

Other securities with fair value are stated at fair value as of the consolidated balance sheet date. (The unrealized gains and losses on these securities are booked directly to net assets. Realized gains and losses on sale of such securities are computed using the moving average method.)

Other securities without fair value

Other securities without fair value are stated at cost as determined by the moving average method.

Derivatives

Derivatives are stated at fair value.

(3) Depreciation and amortization of major depreciable and amortizable assets

Depreciation of property, plant and equipment (excluding lease assets)

Depreciation is calculated using the declining-balance method except for the Research and Development Division, Fujisusono Plant of the Company and property, plant and equipment for lease, which are depreciated using the straight-line method.

Depreciation of buildings (excluding building fixtures) acquired on or after April 1, 1998, is calculated using the straight-line method.

Assets, whose acquisition value is 100,000 yen or more and less than 200,000 yen, are equally depreciated over three years.

The useful lives for major property, plant and equipment are as follows:

Buildings and structures	10–50 years
Machinery, equipment and vehicles	4–13 years

Amortization of intangible fixed assets (excluding lease assets)

Intangible fixed assets are amortized using the straight-line method.

Development costs for software (internally used) are capitalized and amortized using the straight-line method over the estimated useful life (five years) determined by the Company.

Lease assets

Depreciation on lease assets is recorded using the straight-line method over the lease term without residual value.

Finance lease transactions that do not transfer ownership, commenced prior to the first year of the Lease Accounting Standard application are accounted for as operating leases.

(4) Posting standards for providing major reserves

1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided for expected uncollectible doubtful accounts at an amount specifically assessed, and for other accounts receivable, at an amount computed based on historical loss experience.

2) Accrued bonuses for employees

Accrued bonuses for employees are provided at the estimated amounts expected to be paid to employees after the fiscal year-end, based on services provided during the current fiscal year.

3) Accrued bonuses for directors and corporate auditors

Accrued bonuses for directors and corporate auditors are provided at the estimated amounts expected to be paid to directors and corporate auditors.

4) Accrued warranty costs

Accrued warranty costs are provided at the amount of estimated future warranty costs based on the actual ratio of occurrence of such expenditure in the past.

5) Allowance for loss on contract

Allowance for loss on contract is recorded for losses to fulfill contracts, for which a loss occurrence is expected and the amount can be reasonably estimated, at projected amounts that will occur in the next consolidated fiscal year and beyond.

6) Accrued pension and severance costs for directors and corporate auditors

Accrued pension and severance costs for directors and corporate auditors represent the estimated amount to be paid if all directors and corporate auditors of the domestic consolidated subsidiaries retired at the balance sheet date, based on the internal retirement rules.

(5) Methods of accounting for retirement benefits

1) Method for attributing projected retirement benefits to periods of service

In calculating retirement benefit obligations, the straight-line method is applied to allocate projected retirement benefits to the periods of service until the end of the current fiscal year.

2) Method for amortizing actuarial gain or loss and prior service cost

Prior service costs are amortized using the straight-line method over a certain number of years (10 years) not exceeding the average remaining service period of the employees at the time of occurrence.

Actuarial gain or loss is amortized using the straight-line method over a certain number of years (10 years) not exceeding the average remaining service period of the employees, starting from the fiscal year following the time of occurrence.

(Additional information)

The Company revised its retirement benefit plan on July 1, 2014, and adopted a point system for retirement benefits. Consequently, prior service cost of 789 million yen (US$ 7,784 thousand) accrued.

(6) Standard for translation of major foreign-currency-denominated assets or liabilities into Japanese yen

Foreign-currency-denominated assets and liabilities are translated into Japanese yen at the spot exchange rate at the consolidated balance sheet date, and the resulting gains and losses are recorded as profits or losses for the fiscal year.

Assets, liabilities, income and expenses of subsidiaries outside of Japan are translated into Japanese yen at the spot exchange rate at the consolidated balance sheet date, and the resulting translation adjustments are accounted for “foreign currency translation adjustments,” except for the minority interests portion, which is allocated to “minority interests” under consolidated net assets.

(7) Method and period for amortization of goodwill

Goodwill is amortized on a substantial basis over its useful life or, where the useful life is not estimable, amortized over a five-year period, with the exception of minor amounts to which one-time amortization is applied.

(8) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows comprise cash on hand, bank deposits available for withdrawal on demand and readily available short-term investments with maturities of three months or less, which are exposed to minor risk of fluctuation in value.

(9) Other important items concerning the preparation of consolidated financial statements

Consumption taxes and others

Consumption taxes are excluded from the transaction accounts.

(Change in Accounting Policies)

(Application of the accounting standard and guidance regarding retirement benefits)

The Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012, hereinafter the "Standard") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012, hereinafter the "Guidance") have been applied effective from the end of the fiscal year ended June 30, 2014, except for the provisions of Paragraph 35 of the Standard and Paragraph 67 of the Guidance. According to this application, an amount obtained by deducting the amount of plan assets from retirement benefit obligations is now recognized as a Net defined benefit liability, and unrecognized actuarial gain or loss and unrecognized prior service costs are included in the Net defined benefit liability.

Upon the adoption of the Standard and the Guidance, the transitional treatment prescribed in Paragraph 37 of the Standard is applied. Accordingly, the effect of this adoption is reflected by adjusting Remeasurements of retirement benefit plans under Accumulated other comprehensive income at the end of the fiscal year ended June 30, 2014.

As a result, at the end of the fiscal year ended June 30, 2014, Net defined benefit liability of 11,759 million yen (US$ 116,080 thousand) was reported and there was a decrease of 1,389 million yen (US$ 13,715 thousand) in Accumulated other comprehensive income.

The effect of this change on per share information is disclosed in the relevant note.

(Unapplied Accounting Standards)

Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012)

Implementation Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

(1) Outline

The Accounting Standards Board of Japan (ASBJ) revised the accounting standard for retirement benefits from the viewpoint of improving financial reporting and international convergence, mainly focusing on (a) how actuarial gains and losses and past service costs should be accounted for, (b) how retirement benefit obligations and current service costs should be determined and (c) enhancement of disclosures.

(2) Planned effective date

The amendments relating to the calculation method of retirement benefit obligations and current service costs will be applied effective from the beginning of the fiscal year ending June 30, 2015.

(3) Effect of the application of the above accounting standards on financial statements

Following the amendments relating to the calculation method of retirement benefit obligations and current service costs, retained earnings is projected to be increased by 3,422 million yen (US$ 33,776 thousand) at the beginning of the fiscal year ending June 30, 2015. The impact of this change on profits and losses is immaterial.

(Change in Presentation)

(Consolidated Statements of Income)

1. "Gain on sales of scraps," which was included in "Other" within "Non-operating income" in the previous fiscal year, has been separately stated effective from the current consolidated fiscal year because its amount exceeds 10% of the total non-operating income. To reflect this change in presentation, the reclassification of accounts has been made on the consolidated financial statements for the previous fiscal year.

   As a result, 158 million yen of "Other" within "Non-operating income" in the consolidated statement of income for the previous fiscal year has been reclassified into 158 million yen of "Gain on sales of scraps."
2. "Syndicate loan fees," which was separately presented within "Non-operating expenses" in the previous fiscal year, has been included in "Other" in the current consolidated fiscal year due to the decreased significance of the amount. To reflect this change in presentation, the reclassification of accounts has been made on the consolidated financial statements for the previous fiscal year.

   As a result, 368 million yen of "Syndicate loan fees" within "Non-operating expenses" in the consolidated statement of income for the previous fiscal year has been reclassified into "Other."
3. "Income on prefectural government's grants," which was separately presented within "Extraordinary gains" in the previous fiscal year, has been included in "Other" in the current consolidated fiscal year due to the decreased significance of the amount. To reflect this change in presentation, the reclassification of accounts has been made on the consolidated financial statements for the previous fiscal year.

   As a result, 175 million yen of "Income on prefectural government's grants" within "Extraordinary gains" in the consolidated statement of income for the previous fiscal year has been reclassified into "Other."
4. "Loss on disposal of fixed assets," which was included in "Other" within "Extraordinary losses" in the previous fiscal year, has been separately stated effective from the current consolidated fiscal year because its amount exceeds 10% of the total extraordinary losses. To reflect this change in presentation, the reclassification of accounts has been made on the consolidated financial statements for the previous fiscal year.

   As a result, 299 million yen of "Other" within "Extraordinary losses" in the consolidated statement of income for the previous fiscal year has been reclassified into 299 million yen of "Loss on disposal of fixed assets."

(Consolidated Statements of Cash Flows)

1. "Proceeds from sales of tangible and intangible fixed assets," which was included in "Other" within "Cash flows from investing activities" in the previous fiscal year, has been separately stated effective from the current consolidated fiscal year due to the increased significance of the amount. To reflect this change in presentation, the reclassification of accounts has been made on the consolidated financial statements for the previous fiscal year.

   As a result, 359 million yen of "Other" within "Cash flows from investing activities" in the consolidated statement of cash flows for the previous fiscal year has been reclassified into 359 million yen of "Proceeds from sales of tangible and intangible fixed assets."

a) Notes to Consolidated Balance Sheets

*1. Investments in unconsolidated subsidiaries and affiliates are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	Previous fiscal year (As of June 30, 2013)	Current fiscal year (As of June 30, 2014)	Current fiscal year (As of June 30, 2014)
Investment securities (stocks)	1,989	2,163	21,355
Investments and other assets—other (investments)	1,345	1,320	13,034

*2. Contingent liabilities

The Company guarantees loans that following subsidiaries take out from financial institutions:

	(Millions of yen)		(Thousands of U.S. dollars)
	Previous fiscal year (As of June 30, 2013)	Current fiscal year (As of June 30, 2014)	Current fiscal year (As of June 30, 2014)
ULVAC GmbH	17	53 (EUR 377,000)	521
ULVAC HUMAN RELATIONS, Ltd.	3	—	—

*3. Details of collateral and secured liabilities:

Assets pledged as collateral

	(Millions of yen)		(Thousands of U.S. dollars)
	Previous fiscal year (As of June 30, 2013)	Current fiscal year (As of June 30, 2014)	Current fiscal year (As of June 30, 2014)
Factory foundation			
Land	504	504	4,972
Buildings and structures	3,884	3,690	36,424
Machinery, equipment and vehicles	13	10	102
Total	4,401	4,204	41,497
Land	1,016	1,016	10,030
Buildings and structures	2,043	1,958	19,332
Machinery, equipment and vehicles	186	143	1,411
Total	3,245	3,117	30,772

Secured liabilities

	(Millions of yen)		(Thousands of U.S. dollars)
	Previous fiscal year (As of June 30, 2013)	Current fiscal year (As of June 30, 2014)	Current fiscal year (As of June 30, 2014)
Short-term borrowings	2,384	2,052	20,254
Long-term debt	3,393	2,773	27,377
Total	5,777	4,825	47,631

*4. Treatment of matured notes that matured at the fiscal year-end:

Although the balance sheet date of the previous fiscal year fell on a holiday for financial institutions, notes were treated as if they were settled on the maturity date. The notes matured at the previous fiscal year-end, which were excluded from the balance as of the end of the previous fiscal year, were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	Previous fiscal year (As of June 30, 2013)	Current fiscal year (As of June 30, 2014)	Current fiscal year (As of June 30, 2014)
Notes receivable	340	—	—
Notes payable	662	—	—
“Other” under current liabilities (notes payable for equipment)	16	—	—

*5. Commitment line contracts:
The Company has concluded loan commitment contracts as follows:

(Millions of yen)				(Thousands of U.S. dollars)	
Previous fiscal year (As of June 30, 2013)		Current fiscal year (As of June 30, 2014)		Current fiscal year (As of June 30, 2014)	
The Company has concluded loan commitment contracts with eight banks. The undrawn balance of these commitment line contracts at the end of this consolidated fiscal year is as follows:		The Company has concluded loan commitment contracts with eight banks. The undrawn balance of these commitment line contracts at the end of this consolidated fiscal year is as follows:			
Total amount of the loan commitment contracts	50,000	Total amount of the loan commitment contracts	50,000	Total amount of the loan commitment contracts	493,583
Amount of executed loans	32,775	Amount of executed loans	26,500	Amount of executed loans	261,599
Undrawn balance of loan commitment	17,225	Undrawn balance of loan commitment	23,500	Undrawn balance of loan commitment	231,984

*6. Accumulated reduction entries due to acceptance of prefectural government's grants relating to property, plant and equipment:

	(Millions of yen)		(Thousands of U.S. dollars)
	Previous fiscal year (As of June 30, 2013)	Current fiscal year (As of June 30, 2014)	Current fiscal year (As of June 30, 2014)
Land	247	247	2,438

*7. "Inventories" and "Allowance for loss on contract" relating to work contracts for which a loss is expected are separately stated without offsetting each other. Of the inventories relating to work contracts for which a loss is expected, the amount corresponding to the allowance for loss on contract is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	Previous fiscal year (As of June 30, 2013)	Current fiscal year (As of June 30, 2014)	Current fiscal year (As of June 30, 2014)
Work in process	2,579	—	—

b) Notes to Consolidated Statements of Income

*1. Major expense items of selling, general and administrative expenses and their amounts are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	Previous fiscal year (From July 1, 2012 to June 30, 2013)	Current fiscal year (From July 1, 2013 to June 30, 2014)	Current fiscal year (From July 1, 2013 to June 30, 2014)
Employee salaries	6,978	6,485	64,021
Provision for accrued bonuses for employees	245	237	2,337
Provision for accrued bonuses for directors and corporate auditors	235	249	2,454
Provision for accrued pension and severance costs for employees	569	456	4,498
Provision for accrued pension and severance costs for directors and corporate auditors	123	147	1,450
Depreciation	1,201	1,244	12,280
Travel and transportation expenses	1,014	1,065	10,518
Commission	1,988	1,670	16,484
Research and development cost	3,888	4,036	39,845
Provision for allowance for doubtful accounts	(100)	653	6,442
Support costs for sales activities by manufacturing departments	5,588	5,500	54,290

*2. Research and development cost included in general and administrative expenses and manufacturing cost are as follows:

(Millions of yen)		(Thousands of U.S. dollars)
Previous fiscal year (From July 1, 2012 to June 30, 2013)	Current fiscal year (From July 1, 2013 to June 30, 2014)	Current fiscal year (From July 1, 2013 to June 30, 2014)
4,989	5,213	51,462

*3. Inventories as at the fiscal year-end represent the book value written-down due to a decrease in profitability. Loss on devaluation of inventories included in cost of sales is immaterial.

*4. Provision for loss on contract included in cost of sales was as follows:

(Millions of yen)		(Thousands of U.S. dollars)
Previous fiscal year (From July 1, 2012 to June 30, 2013)	Current fiscal year (From July 1, 2013 to June 30, 2014)	Current fiscal year (From July 1, 2013 to June 30, 2014)
(4,287)	(2,680)	(26,456)

*5. The breakdown of gain on sales of fixed assets is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	Previous fiscal year (From July 1, 2012 to June 30, 2013)	Current fiscal year (From July 1, 2013 to June 30, 2014)	Current fiscal year (From July 1, 2013 to June 30, 2014)
Machinery, equipment and vehicles	92	180	1,773
Land	10	888	8,770
Other	3	—	—
Total	105	1,068	10,543

*6. The breakdown of business structure improvement expenses is as follows:

	Previous fiscal year (From July 1, 2012 to June 30, 2013) (Millions of yen)
Loss on valuation of inventories	5,398
Impairment loss	691
Total	6,089

Current fiscal year (From July 1, 2013 to June 30, 2014)	(Millions of yen)	(Thousands of U.S. dollars)
Loss regarding the disposal of equipment for specific business, etc.	82	808
Loss on valuation of inventories regarding specific business	51	503
Total	133	1,311

*7. The breakdown of impairment loss is as follows:

Previous fiscal year (From July 1, 2012 to June 30, 2013)

(1) Assets or asset groups for which impairment losses were recognized

Location	Use	Type	Impairment loss
			Millions of yen
Kirishima, Kagoshima Prefecture, etc.	Idle assets	Machinery, equipment and vehicles, etc.	691

(2) Recognition of impairment losses

As the Group reviewed parts of unprofitable products and transactions as part of business structure improvement for idle assets, the carrying values of fixed assets were reduced to the recoverable amounts. The reductions were recorded as an impairment loss within extraordinary losses.

(3) Grouping of assets

In applying the asset-impairment accounting, in addition to grouping assets on a reportable segment basis, the Company and its consolidated subsidiaries have separately grouped individual assets which generate independent, identifiable cash flows, such as idle assets and assets held for sale.

(4) Calculation of recoverable amounts

Recoverable amounts for idle assets are determined by using the net selling value. The net selling value of the idle assets located in Kirishima, Kagoshima Prefecture, etc., has been determined as zero.

c) Notes to Consolidated Statements of Comprehensive Income

*Amounts of recycling and the tax-effect equivalent included in “Other comprehensive income”

(Millions of yen)

	Previous fiscal year (From July 1, 2012 to June 30, 2013)	Current fiscal year (From July 1, 2013 to June 30, 2014)	Current fiscal year (From July 1, 2013 to June 30, 2014) Thousands of U.S. dollars
Unrealized gain (loss) on securities, net of taxes:			
Accrued in the fiscal year	436	26	253
Amount of recycling	13	(2)	(19)
Before tax-effect adjustment	449	24	235
Amount of tax-effect equivalent	(53)	17	163
Unrealized gain (loss) on securities, net of taxes	395	40	398
Foreign currency translation adjustments:			
Accrued in the fiscal year	7,221	2,086	20,588
Share of other comprehensive income of companies accounted for by the equity method			
Accrued in the fiscal year	2	21	212
Total other comprehensive income	7,619	2,147	21,198

d) Notes to Consolidated Statements of Changes in Net Assets

Previous fiscal year (From July 1, 2012 to June 30, 2013)

1. Matters related to the type and total number of shares outstanding (Shares)

Type of stock	Number of shares at the beginning of this fiscal year	Increase in number of shares in this fiscal year	Decrease in number of shares in this fiscal year	Number of shares at the end of this fiscal year
Common stock	49,355,938	—	—	49,355,938
Class-A stock	—	1,500	—	1,500
Total	49,355,938	1,500	—	49,357,438

(Outline of reasons for fluctuations)
The increase in number of shares in this fiscal year (1,500 shares) of Class-A stock represents the increase due to issuance of new shares through the allocation of new shares to a third party.

2. Matters related to the type and total number of treasury stock (Shares)

Type of stock	Number of shares at the beginning of this fiscal year	Increase in number of shares in this fiscal year	Decrease in number of shares in this fiscal year	Number of shares at the end of this fiscal year
Common stock	10,479	41	1,260	9,260

(Outline of reasons for fluctuations)
The breakdown of the increase in the number of shares of treasury stock is as follows:

Increase from purchase of less-than-one-unit shares 41 shares

The breakdown of the decrease in the number of shares of treasury stock is as follows:

Decrease due to the exclusion of an affiliate accounted for by the equity method, which held treasury stock (the Company’s shares), from the scope of application of equity method 1,260 shares

3. Matters related to dividends

(1) Amount of dividends paid

Not applicable

(2) Of the dividends whose base dates belong to the fiscal year ended June 30, 2013, those whose effective dates are in the following consolidated fiscal year

Not applicable

Current fiscal year (From July 1, 2013 to June 30, 2014)

1. Matters related to the type and total number of shares outstanding (Shares)

Type of stock	Number of shares at the beginning of this fiscal year	Increase in number of shares in this fiscal year	Decrease in number of shares in this fiscal year	Number of shares at the end of this fiscal year
Common stock	49,355,938	—	—	49,355,938
Class-A stock	1,500	—	—	1,500
Total	49,357,438	—	—	49,357,438

2. Matters related to the type and total number of treasury stock (Shares)

Type of stock	Number of shares at the beginning of this fiscal year	Increase in number of shares in this fiscal year	Decrease in number of shares in this fiscal year	Number of shares at the end of this fiscal year
Common stock	9,260	32	—	9,292

(Outline of reasons for fluctuations)

The breakdown of the increase in the number of shares of treasury stock is as follows:

Increase from purchase of less-than-one-unit shares 32 shares

3. Matters related to dividends

(1) Amount of dividends paid

Not applicable

(2) Of the dividends whose base dates belong to the fiscal year ended June 30, 2014, those whose effective dates are in the following consolidated fiscal year

Resolution	Type of stock	Total dividends (Millions of yen)*	Source of dividends	Dividend per share (Yen)*	Base date	Effective date
Ordinary General Meeting of Shareholders held on September 26, 2014	Class-A stock	1,050	Other capital surplus	700,000	June 30, 2014	September 29, 2014

*In accordance with the accumulation provision set forth in the Company's Articles of Incorporation, the amount represents the sum of the total dividends of 525 million yen (350,000 yen per share) for the fiscal year ended June 30, 2013, and the total dividends of 525 million yen (US$ 5,183 thousand) (350,000 yen (US $ 3,455) per share) for the fiscal year ended June 30, 2014.

e) Notes to Consolidated Statements of Cash Flows

*1. A reconciliation of the balance of cash and cash equivalents in the consolidated statement of cash flows to cash on hand and in banks included in the consolidated balance sheet

	(Millions of yen) Previous fiscal year (From July 1, 2012 to June 30, 2013)	(Millions of yen) Current fiscal year (From July 1, 2013 to June 30, 2014)	(Thousands of U.S. dollars) Current fiscal year (From July 1, 2013 to June 30, 2014)
Cash on hand and in banks	44,603	57,669	569,292
Time deposits with maturities over three months	(399)	(658)	(6,491)
Cash and cash equivalents	44,204	57,012	562,801

*2. The breakdown of assets and liabilities of companies which are no longer consolidated subsidiaries due to sales of stocks

Previous fiscal year (From July 1, 2012 to June 30, 2013)

Not applicable

Current fiscal year (From July 1, 2013 to June 30, 2014)

The breakdown of assets and liabilities as at the time of sale of companies which are no longer consolidated subsidiaries due to sales of stocks, and reconciliation of the sales value and net proceeds from sales of stocks of such companies are as below:

	(Millions of yen)	(Thousands of U.S. dollars)
Current assets	4,423	43,660
Fixed assets	1,534	15,140
Current liabilities	(3,200)	(31,592)
Long-term liabilities	(1,515)	(14,958)
Minority interests	(156)	(1,539)
Investment account after sales of stocks	(278)	(2,741)
Other	(10)	(97)
Gain on sales of stocks	838	8,269
Sales value of stocks	1,635	16,140
Cash and cash equivalents of the consolidated subsidiaries which were sold	(769)	(7,587)
Balance: proceeds from sales	867	8,554

(Lease Transactions)

1. Finance leases (lessee)

   Finance lease transactions that do not transfer ownership

   1) Lease assets

      (a) Property, plant and equipment

      Production facilities (machinery, equipment and vehicles) and business equipment, etc. (tools, furniture and fixtures)

      (b) Intangible fixed assets

      Software

   2) Depreciation of lease assets

      As described in "4. Accounting policies (3) Depreciation and amortization of major depreciable and amortizable assets" in "Basis for Preparation of Consolidated Financial Statements."

      In addition, finance lease transactions that do not transfer ownership, of which the lease term commenced on or before June 30, 2008, continue to be accounted for as operating leases. The details of such finance lease transactions are as follows:

(1) Acquisition value, accumulated depreciation and book value of leased properties would have been as follows:

(Millions of yen)

	Previous fiscal year (As of June 30, 2013)		
	Acquisition value	Accumulated depreciation	Book value
Machinery, equipment and vehicles	1,419	1,110	309
Tools, furniture and fixtures	246	187	59
Other	6	6	0
Total	1,672	1,303	369

Note: Acquisition values are computed by including interest paid because the ratio of future lease payment obligations to the term-end balance of property, plant and equipment is low.

(Millions of yen)

	Current fiscal year (As of June 30, 2014)		
	Acquisition value	Accumulated depreciation	Book value
Machinery, equipment and vehicles	410	171	239
Tools, furniture and fixtures	137	111	26
Other	0	0	0
Total	547	283	264

(Thousands of U.S. dollars)

	Current fiscal year (As of June 30, 2014)		
	Acquisition value	Accumulated depreciation	Book value
Machinery, equipment and vehicles	4,046	1,960	2,356
Tools, furniture and fixtures	1,352	1,100	252
Other	3	2	1
Total	5,401	2,791	2,610

Note: Acquisition values are computed by including interest paid because the ratio of future lease payment obligations to the term-end balance of property, plant and equipment is low.

(2) Future lease payment obligations would have been as follows:

(Millions of yen) (Thousands of U.S. dollars)

	Previous fiscal year (As of June 30, 2013)	Current fiscal year (As of June 30, 2014)	Current fiscal year (As of June 30, 2014)
Future lease payment obligations			
Due within one year	216	80	788
Due after one year	153	184	1,821
Total	369	264	2,610

Note: Future lease payment obligations are computed by including interest paid because the ratio of future lease payment obligations to the term-end balance of property, plant and equipment is low.

(3) Lease payments are and depreciation expenses would have been as follows:

(Millions of yen) (Thousands of U.S. dollars)

	Previous fiscal year (From July 1, 2012 to June 30, 2013)	Current fiscal year (From July 1, 2013 to June 30, 2014)	Current fiscal year (From July 1, 2013 to June 30, 2014)
Lease payments	267	228	2,251
Depreciation expenses	267	228	2,251

(4) Calculation method of depreciation expenses

Depreciation expenses are calculated using the straight-line method over the lease term without residual value.

2. Operating leases

Future minimum lease payments under noncancelable operating leases:

(Millions of yen) (Thousands of U.S. dollars)

	Previous fiscal year (As of June 30, 2013)	Current fiscal year (As of June 30, 2014)	Current fiscal year (As of June 30, 2014)
Due within one year	337	85	839
Due after one year	170	144	1,418
Total	507	229	2,257

(Financial Instruments)

1. Status of financial instruments

(1) Policy on the use of financial instruments

As a Group policy, the Company and its consolidated subsidiaries invest funds in highly secure financial assets such as bank deposits and decide the fund-raising methods in consideration of factors such as the fund usage and financing environment. Derivatives are utilized within the limit of the outstanding balance of foreign-currency-denominated receivables/payables and the actual hedging demand thereof, and not for speculative purposes.

(2) Content of financial instruments, their supposed risks and risk management system

Trade notes and accounts receivable are exposed to customer credit risk, which is managed through our credit control. The foreign-currency-denominated operating receivables arising from our global business deployment are exposed to exchange fluctuation risk, which is partially hedged by the use of forward exchange contracts.

Investment securities are mainly stocks of companies with which the Company and its consolidated subsidiaries hold business relationships and are exposed to market price fluctuation risk. The Company and its consolidated subsidiaries, however, periodically monitor the market value of the listed stocks.

Trade notes and accounts payable normally have a required payment date within one year. Although foreign-currency-denominated operating liabilities that make up a part of trade notes and accounts payable are exposed to exchange fluctuation risk, the risk is hedged by the use of forward exchange contracts as needed.

Short-term borrowings and commercial paper within the total loans payable account are mainly used to finance general operations. Long-term debt and bonds are mainly used to finance capital investments and mostly contain contractual fixed interest rates. Although operating liabilities and loans payable are exposed to liquidity risk (risk of non-repayment on due date), the risk is managed by means such as periodically preparing and revising a cash-flow plan.

Derivative contracts entered into by the Company and its consolidated subsidiaries are forward exchange contracts used to mitigate exchange fluctuation risk pertaining to foreign-currency-denominated receivables and payables and are not used for speculative purposes. Default risk of the counterparties of the derivative contracts is deemed extremely low because the counterparties are financial institutions with high credit standing. In accordance with the internal control regulations of the Company and its consolidated subsidiaries, derivative contracts are carried out within the limit of the actual hedging demand.

(3) Supplementary information on fair values of financial instruments

Fair values of financial instruments include the amounts based on market prices and rationally determined amounts in cases where there are no market prices. As variables are factored in when determining the fair values of financial instruments, they may change if different assumptions are adopted.

The amounts of the contract values of derivatives described in the note entitled “Derivative Transactions” do not reflect the market risk related to derivative financial instruments.

2. Fair values of financial instruments

Book values, fair values and their differences as of the end of the fiscal year are as follows. Financial instruments whose fair values are deemed extremely difficult to determine are not included in the table below. (Note 2)

Previous fiscal year (As of June 30, 2013)

(Millions of yen)

	Book value	Fair value (*1)	Difference
(1) Cash on hand and in banks	44,603	44,603	—
(2) Notes and accounts receivable, trade	59,525	59,525	—
(3) Investment securities			
a. Shares in subsidiaries and affiliates	1,172	440	(732)
b. Other securities	1,358	1,358	—
(4) Notes and accounts payable, trade	(28,651)	(28,651)	—
(5) Short-term borrowings	(69,249)	(69,249)	—
(6) Bonds (*2)	(40)	(40)	(0)
(7) Long-term debt (*2)	(36,859)	(36,643)	216
(8) Derivative transactions (*3)	(191)	(191)	—

(*1) The items included in liabilities are indicated in parentheses.

(*2) The book values of bonds and long-term debt include the current portion of bonds and the current portion of long-term debt, respectively.

(*3) Claims and debts arising from derivative transactions are shown on a net basis. The items for which the total is a net debt are indicated in parentheses.

Current fiscal year (As of June 30, 2014)

(Millions of yen)

	Book value	Fair value (*1)	Difference
(1) Cash on hand and in banks	57,669	57,669	—
(2) Notes and accounts receivable, trade	46,341	46,341	—
(3) Investment securities			
a. Shares in subsidiaries and affiliates	1,081	496	(585)
b. Other securities	1,383	1,383	—
(4) Notes and accounts payable, trade	(28,700)	(28,700)	—
(5) Short-term borrowings	(59,158)	(59,158)	—
(6) Long-term debt (*2)	(30,448)	(30,339)	109
(7) Derivative transactions (*3)	13	13	—

(Thousands of U.S. dollars)

	Book value	Fair value (*1)	Difference
(1) Cash on hand and in banks	569,292	569,292	—
(2) Notes and accounts receivable, trade	457,461	457,461	—
(3) Investment securities			
a. Shares in subsidiaries and affiliates	10,674	4,895	(5,779)
b. Other securities	13,654	13,654	—
(4) Notes and accounts payable, trade	(283,317)	(283,317)	—
(5) Short-term borrowings	(583,986)	(583,986)	—
(6) Long-term debt (*2)	(300,573)	(299,496)	(1,076)
(7) Derivative transactions (*3)	127	127	—

(*1) The items included in liabilities are indicated in parentheses.

(*2) The book values of long-term debt include the current portion of long-term debt.

(*3) Claims and debts arising from derivative transactions are shown on a net basis. The items for which the total is a net debt are indicated in parentheses.

Note 1. Fair value measurement of financial instruments and matters regarding securities and derivatives

(1) Cash on hand and in banks
As these instruments are settled within a short term and their fair values and book values are similar, their book values are assumed as their fair values.

(2) Notes and accounts receivable, trade
As these instruments are settled within a short term and their fair values and book values are similar, their book values are assumed as their fair values. There are certain receivables that have terms greater than one year. In these cases, their book values are assumed as their fair values as their fair values and book values are similar unless customers' credit standing significantly differs.

(3) Investment securities
The fair value of investment securities is based on the prices at listed stock exchanges. For details of securities by holding purpose, please refer to the note entitled "Securities."

(4) Notes and accounts payable, trade, and (5) Short-term borrowings
As these instruments are settled within a short term and their fair values and book values are similar, their book values are assumed as their fair values.

(6) Long-term debt
The fair values are measured by discounting the total of principal and interest at a rate estimated for similar new loans.

(7) Derivative transactions
Refer to the note entitled "Derivative Transactions."

Note 2. Financial instruments whose fair values are deemed extremely difficult to determine

Previous fiscal year (As of June 30, 2013)

(Millions of yen)

Classification	Book value
Shares in subsidiaries and affiliates	817
Other securities (unlisted stocks)	535
Total	1,352

The above instruments are not included in "(3) Investment securities" because their fair values are deemed to be extremely difficult to determine as they have no market prices and their future cash flows are not estimable.

Current fiscal year (As of June 30, 2014)

Classification	Book value	
	(Millions of yen)	(Thousands of U.S. dollars)
Shares in subsidiaries and affiliates	1,082	10,681
Other securities (unlisted stocks)	583	5,758
Total	1,665	16,439

The above instruments are not included in "(3) Investment securities" because their fair values are deemed to be extremely difficult to determine as they have no market prices and their future cash flows are not estimable.

Note 3. The redemption schedules after the consolidated balance sheet date for monetary assets

Previous fiscal year (As of June 30, 2013)

	Within one year	Over one year and not exceeding five years	Over five years and not exceeding 10 years	Over 10 years
	(Millions of yen)			
Cash on hand and in banks	44,603	—	—	—
Notes and accounts receivable, trade	59,525	—	—	—
Total	104,128	—	—	—

Current fiscal year (As of June 30, 2014)

	Within one year	Over one year and not exceeding five years	Over five years and not exceeding 10 years	Over 10 years	Within one year	Over one year and not exceeding five years	Over five years and not exceeding 10 years	Over 10 years
	(Millions of yen)				(Thousands of U.S. dollars)			
Cash on hand and in banks	57,669	—	—	—	569,292	—	—	—
Notes and accounts receivable, trade	46,341	—	—	—	457,461	—	—	—
Total	104,010	—	—	—	1,026,754	—	—	—

Note 4. The repayment schedules after the consolidated balance sheet date for bonds and long-term debt

Previous fiscal year (As of June 30, 2013)

(Millions of yen)

	Within one year	Over one year and not exceeding two years	Over two years and not exceeding three years	Over three years and not exceeding four years	Over four years and not exceeding five years	Over five years
Short-term borrowings	69,249	—	—	—	—	—
Bonds	20	20	—	—	—	—
Long-term debt	13,501	8,559	4,288	1,484	8,951	77
Lease liabilities	653	287	254	130	46	41
Total	83,422	8,866	4,542	1,614	8,997	118

Current fiscal year (As of June 30, 2014)

(Millions of yen)

	Within one year	Over one year and not exceeding two years	Over two years and not exceeding three years	Over three years and not exceeding four years	Over four years and not exceeding five years	Over five years
Short-term borrowings	59,158	—	—	—	—	—
Bonds	20	—	—	—	—	—
Long-term debt	10,084	5,851	3,041	10,508	963	1
Lease liabilities	338	326	159	86	44	33
Total	69,600	6,177	3,200	10,594	1,006	34

(Thousands of U.S. dollars)

	Within one year	Over one year and not exceeding two years	Over two years and not exceeding three years	Over three years and not exceeding four years	Over four years and not exceeding five years	Over five years
Short-term borrowings	583,986	—	—	—	—	—
Bonds	197	—	—	—	—	—
Long-term debt	99,547	57,760	30,023	103,730	9,503	10
Lease liabilities	3,340	3,221	1,569	851	433	328
Total	687,070	60,981	31,592	104,581	9,935	338

(Securities)

1. Other securities

Previous fiscal year (As of June 30, 2013)

	Type	Book value	Acquisition cost	Difference
		(Millions of yen)		
Securities with book values exceeding acquisition cost	(1) Stocks	1,358	960	398
	(2) Bonds			
	a. National government bonds, local government bonds, etc.	—	—	—
	b. Corporate bonds	—	—	—
	c. Other	—	—	—
	(3) Other	—	—	—
	Subtotal	1,358	960	398
Securities with book values not exceeding acquisition cost	(1) Stocks	1	1	(0)
	(2) Bonds			
	a. National government bonds, local government bonds, etc.	—	—	—
	b. Corporate bonds	—	—	—
	c. Other	—	—	—
	(3) Other	—	—	—
	Subtotal	1	1	(0)
Total		1,358	960	398

Notes:

1. Acquisition costs are amounts after accounting for impairment loss.
2. Unlisted stocks (535 million yen on the consolidated balance sheets) are not included in the table above since their fair values are deemed extremely difficult to determine as they have no market prices.

Current fiscal year (As of June 30, 2014)

	Type	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
		(Millions of yen)			(Thousands of U.S. dollars)		
Securities with book values exceeding acquisition cost	(1) Stocks	1,383	962	420	13,648	9,501	4,147
	(2) Bonds						
	a. National government bonds, local government bonds, etc.	—	—	—	—	—	—
	b. Corporate bonds	—	—	—	—	—	—
	c. Other	—	—	—	—	—	—
	(3) Other	—	—	—	—	—	—
	Subtotal	1,383	962	420	13,648	9,501	4,147
Securities with book values not exceeding acquisition cost	(1) Stocks	1	1	(0)	6	8	(2)
	(2) Bonds						
	a. National government bonds, local government bonds, etc.	—	—	—	—	—	—
	b. Corporate bonds	—	—	—	—	—	—
	c. Other	—	—	—	—	—	—
	(3) Other	—	—	—	—	—	—
	Subtotal	1	1	(0)	6	8	(2)
Total		1,383	963	420	13,654	9,509	4,145

Notes:
1. Acquisition costs are amounts after accounting for impairment loss.
2. Unlisted stocks (583 million yen (US$ 5,758 thousand) on the consolidated balance sheets) are not included in the table above as their fair values are deemed extremely difficult to determine as they have no market prices.

2. Other securities which were sold

Previous fiscal year (From July 1, 2012 to June 30, 2013)

(Millions of yen)

Type	Proceeds from sale	Total gains on sale	Total losses on sale
Stocks	8	3	0
Total	8	3	0

Current fiscal year (From July 1, 2013 to June 30, 2014)

(Millions of yen)

Type	Proceeds from sale	Total gains on sale	Total losses on sale
Stocks	3	2	—
Total	3	2	—

(Thousands of U.S. dollars)

Type	Proceeds from sale	Total gains on sale	Total losses on sale
Stocks	27	19	—
Total	27	19	—

3. Other securities for which impairment loss was recognized

Previous fiscal year (From July 1, 2012 to June 30, 2013)

An impairment loss of 63 million yen was recognized and charged to income as loss on devaluation of investment securities for the current fiscal year. In the accounting for impairment, an impairment loss is recognized for all securities of which the fair values as of the consolidated balance sheet date decline more than 50% from the acquisition cost, and at an amount deemed necessary for securities of which the fair values as of the same date decline between 30% and 50% in consideration of recoverability and other factors.

Current fiscal year (From July 1, 2013 to June 30, 2014)

Not applicable

(Derivative Transactions)

1. Derivatives in which hedge accounting is not applied

Currency-related transactions

Previous fiscal year (As of June 30, 2013)

(Millions of yen)

Classification	Type	Previous fiscal year As of June 30, 2013			
		Contract value	of which, over one year	Fair value	Unrealized gains (losses)
Transactions other than market transactions	Forward foreign exchange contracts				
	Sold				
	U.S. dollar	1,202	—	(115)	(115)
	Euro	86	—	(13)	(13)
	Bought				
	U.S. dollar	692	—	14	14
	Euro	10	—	0	0
	Pound sterling	20	—	1	1
	Korean won	1,387	—	(77)	(77)
Total		3,397	—	(191)	(191)

Note: Calculation of fair values

Fair values are based on the prices presented by financial institutions with which the Company does business.

Current fiscal year (As of June 30, 2014)

Classification	Type	Current fiscal year As of June 30, 2014							
		(Millions of yen)				(Thousands of U.S. dollars)			
		Contract value	of which, over one year	Fair value	Unrealized gains (losses)	Contract value	of which, over one year	Fair value	Unrealized gains (losses)
Transactions other than market transactions	Forward foreign exchange contracts								
	Sold								
	U.S. dollar	1,545	21	10	10	15,251	211	94	94
	Korean won	610	—	8	8	6,022	—	82	82
	Bought								
	U.S. dollar	784	—	(5)	(5)	7,744	—	(50)	(50)
	Pound sterling	45	—	0	0	447	—	1	1
Total		2,985	21	13	13	29,464	211	127	127

Note: Calculation of fair values

Fair values are based on the prices presented by financial institutions with which the Company does business.

(Retirement Benefit Plans)

Previous fiscal year (From July 1, 2012 to June 30, 2013)

1. Outline of adopted employee retirement benefit plans

The Company and domestic consolidated subsidiaries provide a corporate pension plan and a lump-sum severance payment plan as defined-benefit pension plans.

Extra payments, which are not subject to the retirement benefit obligations by actuarial calculation based on retirement benefit accounting, may be added upon retirement of employees of the Company and its consolidated subsidiaries.

2. Retirement benefit obligations (As of June 30, 2013)

(Millions of yen)

(1) Projected benefit obligation	(21,728)
(2) Plan assets	10,804
(3) Unfunded retirement benefit obligation (1) + (2)	(10,923)
(4) Unrecognized actuarial differences	(378)
(5) Unrecognized prior service liabilities	(755)
(6) Net amount on the consolidated balance sheets (3) + (4) + (5)	(12,057)
(7) Accrued pension and severance costs for employees (6)	(12,057)

Note: Some consolidated subsidiaries adopt the simplified method for calculating the projected benefit obligation.

3. Retirement benefit expenses (From July 1, 2012 to June 30, 2013)

(Millions of yen)

(1) Service cost	1,708
(2) Interest cost	321
(3) Expected return on plan assets	(88)
(4) Amortization of actuarial differences	87
(5) Amortization of prior service cost	(25)
(6) Retirement benefit expenses	2,003

4. Assumptions for calculation of projected benefit obligation

(1) Method of attributing the projected benefits to periods of service: Straight-line basis

(2) Discount rate: 2.0%

(3) Expected rate of return on plan assets: 1.0%–2.5%

(4) Number of years for amortization of prior service cost: 10 years

(5) Number of years for amortization of actuarial differences: 10 years

Current fiscal year (From July 1, 2013 to June 30, 2014)

1. Outline of adopted employee retirement benefit plans

The Company and domestic consolidated subsidiaries provide funded and unfunded defined-benefit corporate pension plan and defined-contribution pension plan for retirement benefits for employees. Extra payments may be added upon retirement of employees of the Company and its consolidated subsidiaries.

Some consolidated subsidiaries adopt the simplified method for calculating the defined benefit liability and retirement benefit expenses for their defined-benefit corporate pension plan and lump-sum severance payment plan.

2. Defined-benefit pension plan

(1) Reconciliation of opening and closing balance of retirement benefit obligation

	(Millions of yen)	(Thousands of U.S. dollars)
Balance of retirement benefit obligation at the beginning of year	17,604	173,783
Service cost	1,130	11,159
Interest cost	365	3,605
Actuarial differences	1,612	15,915
Prior service cost	776	7,661
Retirement benefits paid	(262)	(2,586)
Balance of the retirement benefit obligation at the end of year	21,226	209,536

(2) Reconciliation of opening and closing balance of plan assets

	(Millions of yen)	(Thousands of U.S. dollars)
Balance of plan assets at the beginning of year	9,817	96,910
Expected return on plan assets	213	2,106
Actuarial differences	(157)	(1,553)
Contribution from employer	1,719	16,969
Retirement benefits paid	(213)	(2,101)
Balance of plan assets at the end of year	11,379	112,331

(3) Reconciliation of opening and closing balance of net defined benefit liability under the pension plans using the simplified method

	(Millions of yen)	(Thousands of U.S. dollars)
Balance of net defined benefit liability at the beginning of year	3,194	31,529
Retirement benefit expenses	318	3,136
Retirement benefits paid	(178)	(1,759)
Contribution to the plan	(145)	(1,430)
Reduction due to deconsolidation	(1,276)	(12,601)
Balance of net defined benefit liability at the end of year	1,912	18,875

(4) Reconciliation of the ending balance of retirement benefit obligations and plan assets, and the net defined benefit liability and the net defined benefit asset

	(Millions of yen)	(Thousands of U.S. dollars)
Funded retirement benefit obligations	22,994	226,991
Plan assets	(12,712)	(125,489)
	10,282	101,502
Unfunded retirement benefit obligations	1,477	14,578
Net amount of relevant liabilities and assets on the consolidated balance sheets	11,759	116,080
Net defined benefit liability	11,759	116,080
Net amount of relevant liabilities and assets on the consolidated balance sheets	11,759	116,080

Note: Includes the plans using the simplified method.

(5) Retirement benefit expenses and the breakdown of the amounts thereof

	(Millions of yen)	(Thousands of U.S. dollars)
Service cost	1,130	11,159
Interest cost	365	3,605
Amortization of prior service cost	(81)	(802)
Expected return on plan assets	(213)	(2,106)
Amortization of actuarial differences	(2)	(18)
Retirement benefit expenses calculated using the simplified method	318	3,136
Retirement benefit expenses related to the defined-benefit pension plan	1,517	14,973

(6) Remeasurements of defined benefit plans

The breakdown of items (before tax) reported under remeasurements of defined benefit plans is as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Unrecognized prior service cost	102	1,012
Unrecognized actuarial differences	1,514	14,950
Total	1,617	15,962

(7) Matters regarding plan assets

1) Major content of the plan assets

The percentages of major asset types that account for the total plan assets are as follows:

Bonds	38%
Stocks	7
Cash on hand and in banks	10
General accounts	43
Other	2
Total	100

2) Method for setting the long-term rate of expected return on plan assets

To determine the long-term rate of expected return on plan assets, the current and projected distribution of plan assets, as well as the current and anticipated long-term yield rates of various assets that constitute the plan assets, are taken into account.

(8) Matters regarding the assumptions for actuarial calculations

Key assumptions for actuarial calculations at the end of the consolidated fiscal year

Discount rate: 1.1%–3.8%

Long-term rate of expected return on plan assets: 1.0%–3.8%

3. Defined contribution pension plan

The amount required to be contributed by consolidated subsidiaries is 66 million yen (US$ 656 thousand).

(Deferred Tax Assets and Liabilities)

1. Significant components of deferred tax assets and liabilities

	(Millions of yen)		(Thousands of U.S. dollars)
	Previous fiscal year (As of June 30, 2013)	Current fiscal year (As of June 30, 2014)	Current fiscal year (As of June 30, 2014)
Deferred tax assets (current)			
Inventories (unrealized gains, devaluation losses)	4,110	2,281	22,517
Accrued bonuses	329	288	2,843
Accrued warranty costs	462	339	3,344
Allowance for doubtful accounts	331	370	3,649
Provision for loss on contract	1,286	230	2,269
Accrued retirement benefits	2	—	—
Loss on disposal of fixed assets	18	—	—
Other	895	989	9,761
Subtotal deferred tax assets (current)	7,433	4,496	44,384
Provision for valuation allowance	(5,943)	(2,690)	(26,556)
Total deferred tax assets (current)	1,490	1,806	17,829
Deferred tax assets (fixed)			
Accrued pension and severance costs for employees	4,290	—	—
Net defined benefit liability	—	4,055	40,032
Accrued pension and severance costs for directors and corporate auditors	355	309	3,051
Tax loss carried forward	18,822	19,494	192,435
Devaluation loss on investment securities	559	589	5,810
Depreciation	634	1,047	10,337
Impairment loss on fixed assets	3,889	2,985	29,464
Other	599	847	8,362
Subtotal deferred tax assets (fixed)	29,147	29,325	289,491
Provision for valuation allowance	(26,849)	(26,829)	(264,850)
Total deferred tax assets (fixed)	2,298	2,496	24,641
Total deferred tax assets	3,787	4,302	42,469
Deferred tax liabilities (current)			
Allowance for doubtful accounts	(176)	(74)	(727)
Other	(12)	(9)	(91)
Total deferred tax liabilities (current)	(188)	(83)	(817)
Deferred tax liabilities (fixed)			
Special reserve for income tax deferred	(633)	(564)	(5,566)
Reserve of foreign subsidiary	(632)	(1,207)	(11,915)
Other	(259)	(191)	(1,887)
Total deferred tax liabilities (fixed)	(1,525)	(1,962)	(19,367)
Total deferred tax liabilities	(1,713)	(2,045)	(20,185)
Net deferred tax assets	2,075	2,257	22,285

2. Reconciliation of the differences between the statutory tax rate and the effective income tax rate

	Previous fiscal year (As of June 30, 2013)	Current fiscal year (As of June 30, 2014)
Effective statutory tax rate	As a loss before income taxes and minority interests is reported, the disclosure of notes is omitted.	37.7%
(Adjustment)		
Permanent Non-deductible items such as entertainment expenses		0.8
Per capita inhabitant tax		0.3
Foreign withholding taxes		1.4
Increase in provision for valuation allowances		(12.8)
Difference in tax rate for subsidiaries overseas		(8.7)
Retained profits of subsidiaries overseas		4.8
Other		(4.8)
Effective income tax rate after tax-effect accounting		18.5

3. Revision to the amounts of deferred tax assets and liabilities pursuant to the change in the income tax rate
   Following the promulgation of the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 10 of 2014) on March 31, 2014, the Special Reconstruction Corporation Tax will not be imposed for the fiscal years beginning on or after April 1, 2014. In accordance with this change, the effective statutory tax rate which is used to calculate deferred tax assets and deferred tax liabilities has been reduced to 35.3% from 37.7% for temporary differences that are expected to be eliminated during the fiscal year beginning on July 1, 2014.
   The impact of this change in the effective statutory tax rate is immaterial.

(Segment Information, etc.)

[Segment Information]

1. Outline of Reportable Segments

The reportable segments of the Company are components of the Company, about which separate financial information is available, and which are subject to regular review and evaluation by the top management decision-making body in deciding the allocation of resources and in assessing performance.

The Company's operations are made up from segments by product and service based on business units, and its reportable segments are the "Vacuum equipment business" and the "Vacuum application business."

The "Vacuum equipment business" is made up of products such as sputtering equipment for LCDs, organic EL production equipment, photovoltaic-cells production equipment, sputtering equipment for semiconductor production, vacuum evaporation roll coaters, vacuum pumps and measuring equipment. The business activities related to this segment include developing, manufacturing, selling and providing maintenance services for these products.

The "Vacuum application business" is made up of vacuum application products such as sputtering target materials, control system equipment and analyzing equipment. The business activities related to this segment include developing, manufacturing, selling and providing maintenance services for these products.

2. Method of measurement for the amounts of net sales, profit (loss), assets and other items for each reportable segment

The accounting treatment followed by reportable segments is generally consistent with that stated in "Basis for Preparation of Consolidated Financial Statements."

Profit of reportable segments is based on operating profit.

"Intersegment" sales and transfers are determined based on actual market prices.

3. Information about the amounts of net sales, profit (loss), assets and other items for each reportable segment

Previous fiscal year (From July 1, 2012 to June 30, 2013)

(Millions of yen)

	Reportable segments			Adjustments (Note 1)	Amounts recorded on consolidated financial statements (Note 2)
	Vacuum equipment business	Vacuum application business	Total		
Net sales					
Sales to outside customers	127,282	36,068	163,351	—	163,351
Intersegment	2,253	1,511	3,764	(3,764)	—
Total	129,536	37,579	167,115	(3,764)	163,351
Segment profit	5,411	588	5,998	117	6,115
Segment assets	193,163	48,233	241,396	1,893	243,289
Other items					
Depreciation	6,522	1,450	7,971	(5)	7,967
Increase in property, plant and equipment and intangible fixed assets	5,288	1,473	6,761	—	6,761

Notes:

1. Adjustments are calculated as follows:
   (1) The adjustments for net sales, segment profit and depreciation are the amounts to eliminate intersegment transactions.
   (2) The adjustments for segment assets relate to long-term investment assets (investment securities), etc.
2. Segment profit is adjusted to operating profit on the consolidated statements of income.

Current fiscal year (From July 1, 2013 to June 30, 2014)

(Millions of yen)

	Reportable segments			Adjustments (Note 1)	Amounts recorded on consolidated financial statements (Note 2)
	Vacuum equipment business	Vacuum application business	Total		
Net sales					
Sales to outside customers	139,719	34,159	173,878	—	173,878
Intersegment	1,758	1,287	3,044	(3,044)	—
Total	141,477	35,446	176,922	(3,044)	173,878
Segment profit	8,437	3,581	12,017	(22)	11,996
Segment assets	191,817	37,007	228,824	1,966	230,791
Other items					
Depreciation	6,063	1,375	7,438	(17)	7,421
Increase in property, plant and equipment and intangible fixed assets	5,272	944	6,217	—	6,217

(Thousands of U.S. dollars)

	Reportable segment			Adjustments (Note 1)	Amount recorded on consolidated financial statements (Note 2)
	Vacuum equipment business	Vacuum application business	Total		
Net sales					
Sales to outside customers	1,379,258	337,206	1,716,464	—	1,716,464
Intersegment	17,351	12,700	30,052	(30,052)	—
Total	1,396,609	349,907	1,746,516	(30,052)	1,716,464
Segment profit	83,283	35,350	118,633	(217)	118,416
Segment assets	1,893,554	365,323	2,258,877	19,412	2,278,289
Other items					
Depreciation	59,852	13,571	73,424	(168)	73,255
Increase in property, plant and equipment and intangible fixed assets	52,048	9,324	61,372	—	61,372

Notes:

1. Adjustments are calculated as follows:
   (1) The adjustments for net sales, segment profit and depreciation are the amounts to eliminate intersegment transactions.
   (2) The adjustments for segment assets relate to long-term investment assets (investment securities), etc.
2. Segment profit is adjusted to operating loss on the consolidated statements of income.

[Related Information]

Previous fiscal year (From July 1, 2012 to June 30, 2013)

1. Information by product and service
   This information is omitted as the classification by product and service is the same as the classification by reportable segment.

2. Information by geographic region
   (1) Net sales

(Millions of yen)

Japan	China	South Korea	Other regions	Total
73,221	28,619	28,059	33,452	163,351

(Note) Net sales are classified into countries and regions based on geographic location of the customer.

   (2) Property, plant and equipment

(Millions of yen)

Japan	China	Other Asian regions	North America	Total
56,285	8,225	6,922	376	71,808

3. Information by major customer
   This information is omitted as there are no specific customers who individually account for 10% or more of the net sales on the consolidated statements of income.

Current fiscal year (From July 1, 2013 to June 30, 2014)

1. Information by product and service
   This information is omitted as the classification by product and service is the same as the classification by reportable segment.

2. Information by geographic region
   (1) Net sales

(Millions of yen)

Japan	China	South Korea	Other regions	Total
74,270	43,160	29,169	27,279	173,878

(Thousands of U.S. dollars)

Japan	China	South Korea	Other regions	Total
733,166	426,061	287,946	269,291	1,716,464

(Note) Net sales are classified into countries and regions based on geographic location of the customer.

   (2) Property, plant and equipment

(Millions of yen)

Japan	China	Other Asian regions	North America	Total
51,702	7,560	7,235	403	66,901

(Thousands of U.S. dollars)

Japan	China	Other Asian regions	North America	Total
510,389	74,632	71,419	3,983	660,424

3. Information by major customer
   This information is omitted as there are no specific customers who individually account for 10% or more of the net sales on the consolidated statements of income.

[Impairment loss on fixed assets by reportable segment]

Previous fiscal year (From July 1, 2012 to June 30, 2013)

(Millions of yen)

	Vacuum equipment business	Vacuum application business	Total
Impairment loss	—	691	691

Current fiscal year (From July 1, 2013 to June 30, 2014)

(Millions of yen)

	Vacuum equipment business	Vacuum application business	Total
Impairment loss	—	—	—

(Thousands of U.S. dollars)

	Vacuum equipment business	Vacuum application business	Total
Impairment loss	—	—	—

[Amortization of goodwill and remaining goodwill balance by reportable segment]

Previous fiscal year (From July 1, 2012 to June 30, 2013)

(Millions of yen)

	Vacuum equipment business	Vacuum application business	Total
Amortization during the fiscal year	—	44	44
Remaining goodwill balance as of June 30, 2013	—	89	89

Current fiscal year (From July 1, 2013 to June 30, 2014)

(Millions of yen)

	Vacuum equipment business	Vacuum application business	Total
Amortization during the fiscal year	—	20	20
Remaining goodwill balance as of June 30, 2014	—	—	—

(Thousands of U.S. dollars)

	Vacuum equipment business	Vacuum application business	Total
Amortization during the fiscal year	—	194	194
Remaining goodwill balance as of June 30, 2014	—	—	—

[Gain on negative goodwill by reportable segment]

Previous fiscal year (From July 1, 2012 to June 30, 2013)
Not applicable

Current fiscal year (From July 1, 2013 to June 30, 2014)
Not applicable

[Related party information]
Related party transactions
Previous fiscal year (From July 1, 2012 to June 30, 2013)
Not applicable

Current fiscal year (From July 1, 2013 to June 30, 2014)
Not applicable

(Per Share Information)

	Previous fiscal year (From July 1, 2012 to June 30, 2013) (Yen)	Current fiscal year (From July 1, 2013 to June 30, 2014) (Yen)	Current fiscal year (From July 1, 2013 to June 30, 2014) (U.S. dollars)
Net assets per share	806.38	1,040.23	10.27
Net income (loss) per share	(87.79)	223.18	2.20
Diluted net income per share	—	165.62	1.63

Notes:

1. Diluted net income per share for the previous fiscal year is not disclosed because, while potential shares exist, net loss is recorded.
2. As stated in "Change in accounting policies," the Company applied the accounting standard and guidance for retirement benefits and followed the transitional treatment provided for in Paragraph 37 of the Accounting Standard for Retirement Benefits. This resulted in a decrease of 28.15 yen (US$ 0.28) in net assets per share for the fiscal year ended June 30, 2014.
3. The basis for calculation of "net income (loss) per share" and "diluted net income per share" is as follows:

	Previous fiscal year (From July 1, 2012 to June 30, 2013)	Current fiscal year (From July 1, 2013 to June 30, 2014)	Current fiscal year (From July 1, 2013 to June 30, 2014)
Net income (loss) per share			
Net income (loss) (Millions of yen / Thousands of U.S. dollars)	(3,807)	11,538	113,900
Amounts which do not belong to shareholders of common stock (Millions of yen / Thousands of U.S. dollars)	525	525	5,183
(Amount of preferred dividends included therein) (Millions of yen / Thousands of U.S. dollars)	(525)	(525)	(5,183)
Net income (loss) attributable to common stock (Millions of yen / Thousands of U.S. dollars)	(4,332)	11,013	108,718
Average number of common shares during the fiscal year (Thousands of shares)	49,347	49,347	49,347
Diluted net income per share			
Adjustment to net income (Millions of yen / Thousands of U.S. dollars)	—	525	5,183
(Amount of preferred dividends included therein) (Millions of yen / Thousands of U.S. dollars)	(—)	(525)	(5,183)
Increase in number of common stock (Thousands of shares)	—	20,321	20,321
(Number of Class-A stock included therein) (Thousands of shares)	(—)	(20,321)	(20,321)
Outline of the potential shares which were not included in the calculation of diluted net income per share as they did not have dilutive effect	1,500 shares of Class-A stock	—	

(Subsequent Events)

1. The transfer of other capital surplus and general reserve to retained earnings carried forward

The company resolved at its Directors' meeting held on August 28, 2014 to deliberate the appropriation of capital surplus at its General meeting of shareholders held on September 26, 2014, and the proposal was approved and passed the meeting of shareholders.

As a result of above, in accordance with the provision set forth in Article 452 of the Companies Act, it has been decided that the amount of other capital surplus and general reserve are to be decreased and transferred to retained earnings carried forward as below:

1) Items and amounts of surplus to be decreased

Other capital surplus:	13,804,226,474 yen (US$ 136,270,745)
General reserve:	30,206,000,000 yen (US$ 298,183,613)

2) Item and amount of surplus to be increased

Retained earnings carried forward: 44,010,226,474 yen (US$ 434,454,358)

3) Effective date

September 29, 2014

2. The purchase and cancellation of certain Class-A stocks

The company resolved at its Directors' meeting held on September 10, 2014 to purchase certain Class-A stocks in exchange for cash based on article 12-2 of its articles of incorporation, and subject to the purchase, to cancel such Class-A stocks based on Article 178 of the Companies Act. The details are as follows:

1) Reason of purchase

In order to reduce the cost of dividend related to class shares, and to limit the increase of redemption amount caused by the rise in redemption ratio.

2) Details of purchase

Seller	Japan Industrial Solutions Fund I
Class and number of purchased stocks	500 Class-A stocks
Purchase amount per share	11,621,527.777 yen (US$ 114,724)
Total amount of purchase	5,810,763,888 yen (US$ 57,361,934)

Note: The purchase amount is calculated by adding the dividend amount on a per diem basis for the relevant period and 115% of paid in amount.

3) Schedule for purchase and cancellation

Notice to shareholders	September 10, 2014
Date of purchase	November 5, 2014
Date of cancellation	November 5, 2014

4) Number of outstanding class-A stocks after cancellation

i)	Total number of issued stocks	1,500 (as of June 30, 2014)
ii)	Number of stocks to be cancelled	500
iii)	Number of outstanding stocks after cancellation	1,000

5) Impact on net assets after cancellation

Amount of decrease in other capital surplus	5,810,763,888 yen (US$ 57,361,934)

5) (Supplementary Financial Schedules)

[Schedule of bonds and debentures]

Company	Issue	Date of issuance	Beginning balance		Ending balance		Interest rate	Collateral	Date of maturity
			(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(%)		
ULVAC KIKO, Inc.	First unsecured bond	March 25, 2010	40 (20)	395 (197)	20 (20)	197 (197)	0.86	Unsecured bond	March 25, 2015
Total	—	—	40 (20)	395 (197)	20 (20)	197 (197)	—	—	—

Notes:
1. The amount inside parentheses is the amount of redemption payments expected to be paid within one year.
2. Projected redemption amounts within five years after the consolidated balance sheet date are as follows:

Within one year	Over one year and not exceeding two years	Over two years and not exceeding three years	Over three years and not exceeding four years	Over four years and not exceeding five years	Within one year	Over one year and not exceeding two years	Over two years and not exceeding three years	Over three years and not exceeding four years	Over four years and not exceeding five years
(Millions of yen)					(Thousands of U.S. dollars)				
20	—	—	—	—	203	—	—	—	—

[Schedule of borrowings, etc.]

Classification	Beginning balance		Ending balance		Average interest rate (%)	Due date of repayment
	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)		
Short-term borrowings	69,249	683,598	59,158	583,991	0.9	—
Long-term debt scheduled to be repaid within one year	13,501	133,278	10,084	99,547	1.4	—
Lease liabilities scheduled to be repaid within one year	653	6,442	338	3,340	—	—
Long-term debt (excluding debt scheduled to be repaid within one year)	23,358	230,581	20,364	201,026	1.5	From November 30, 2015 to March 31, 2019
Lease liabilities (excluding liabilities scheduled to be repaid within one year)	759	7,496	648	6,402	—	From July 1, 2015 to February 1, 2022
Other interest-bearing liabilities	—	—	—	—	—	—
Total	107,519	1,061,396	90,593	894,300	—	—

Notes:
1. “Average interest rate” presents the weighted average interest rate against the term-end balance of borrowings.
2. “Average interest rate” for lease liabilities is not presented here because, in principle, lease liabilities are stated in the consolidated balance sheets in the amount before deducting the amount equivalent to related interest expenses, which are included in the total lease payments.
3. The projected repayment amounts of long-term debt and lease liabilities (excluding debt and liabilities scheduled to be repaid within one year) within five years after the consolidated balance sheet date are as follows.

	Over one year and not exceeding two years	Over two years and not exceeding three years	Over three years and not exceeding four years	Over four years and not exceeding five years	Over one year and not exceeding two years	Over two years and not exceeding three years	Over three years and not exceeding four years	Over four years and not exceeding five years
	(Millions of yen)				(Thousands of U.S. dollars)			
Long-term debt	5,851	3,041	10,508	963	57,760	30,023	103,730	9,503
Lease liabilities	326	159	86	44	3,221	1,569	851	433

[Schedule of asset retirement obligations]

The amounts of asset retirement obligations at the beginning and the end of the current consolidated fiscal year (July 1, 2013 and June 30, 2014) were 1% or less of the total of the liabilities and net assets as of the same dates, respectively. Accordingly, as per Article 92-2 of the Regulation for Consolidated Financial Statements, this information has been omitted.

(2) [Other]
Quarterly data for the current fiscal year ended June 30, 2014

Cumulative periods	First quarter (From July 1, 2013 to September 30, 2013)	Second quarter (From July 1, 2013 to December 31, 2013)	Third quarter (From July 1, 2013 to March 31, 2014)	Current fiscal year (From July 1, 2013 to June 30, 2014)
Net sales (Millions of yen)	42,834	91,644	133,913	173,878
Income before income taxes and minority interests (Millions of yen)	3,978	9,073	12,989	15,137
Net income (Millions of yen)	3,340	7,073	9,743	11,538
Net income per share (Yen)	65.03	138.02	189.46	223.18

Accounting period	First quarter (From July 1, 2013 to September 30, 2013)	Second quarter (From October 1, 2013 to December 31, 2013)	Third quarter (From January 1, 2014 to March 31, 2014)	Fourth quarter (From April 1, 2014 to June 30, 2014)
Net income per share (Yen)	65.03	72.98	51.45	33.72

Cumulative periods	First quarter (From July 1, 2013 to September 30, 2013)	Second quarter (From July 1, 2013 to December 31, 2013)	Third quarter (From July 1, 2013 to March 31, 2014)	Current fiscal year (From July 1, 2013 to June 30, 2014)
Net sales (Thousands of U.S. dollars)	422,848	904,680	1,321,946	1,716,464
Income before income taxes and minority interests (Thousands of U.S. dollars)	39,268	89,570	128,223	149,423
Net income (Thousands of U.S. dollars)	32,976	69,823	96,180	113,900
Net income per share (U.S. dollars)	0.64	1.36	1.87	2.20

Accounting period	First quarter (From July 1, 2013 to September 30, 2013)	Second quarter (From October 1, 2013 to December 31, 2013)	Third quarter (From January 1, 2014 to March 31, 2014)	Fourth quarter (From April 1, 2014 to June 30, 2014)
Net income per share (U.S. dollars)	0.64	0.72	0.51	0.33

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Independent Auditor's Report

October 3, 2014

To the Board of Directors of ULVAC, Inc.

We have audited the accompanying (consolidated) financial statements of ULVAC, Inc. ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at June 30, 2014, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at June 30, 2014, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

PricewaterhouseCoopers Aarata
Sumitomo Fudosan Shiodome Hamarikyu Bldg., 8-21-1 Ginza, Chuo-ku, Tokyo 104-0061, Japan
T: +81 (3) 3546 8450, F: +81 (3) 3546 8451, www.pwc.com/jp/assurance

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To the Board of Directors of ULVAC, Inc.
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Emphasis of Matter

As described in the accompanying note entitled "Subsequent Events", the ordinary general meeting of shareholders held on September 26, 2014 duly approved a proposal on "The transfer of other capital surplus and general reserve to retained earnings carried forward". The Board of Directors resolved to submit this proposal for shareholder approval at the meeting of the Board of Directors held on August 28, 2014.

As described in the accompanying note entitled "Subsequent Events", the Company's Board of Directors held on September 10, 2014 resolved to the purchase and cancellation of certain Class-A stocks.

Our opinion is not qualified in respect of these matters.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended June 30, 2014 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

PricewaterhouseCoopers Aarata

ULVAC

www.ulvac.co.jp
ULVAC, Inc.
2500 Hagisono, Chigasaki, Kanagawa 253-8543, Japan
Phone +81-467-89-2033