Innovation Begins in a Vacuum

Annual Report 2008

Year ended June 30, 2008

ULVAC

Profile

The ULVAC Group (which refers collectively to ULVAC, Inc. and its group companies, hereinafter "ULVAC") will contribute to the development of science and industries with its proprietary cutting-edge technologies.

Since its foundation in 1952, ULVAC has provided industries with a range of advanced equipment through the application of vacuum technology, its core technology, under the corporate slogan of "Innovation Begins in a Vacuum."

ULVAC is engaged in a wide range of business areas, including flat panel display (FPD) production equipment, electronic device production equipment for digital home appliances, and device production equipment for hybrid cars. We dominate the global market for sputtering systems for liquid crystal displays (LCDs), among others. We also provide a "turnkey solution," comprising an integrated production line for thin-film solar cells (TFSCs or TFSC) and related production guidance for the solar cell industry, which has developed rapidly in recent years amid increasing demand for clean energy.

As a comprehensive vacuum manufacturer, ULVAC will continue to contribute to the development of science and industries, and the realization of an affluent society, by providing ULVAC Solutions to customers along with products and services that have been quickly tailored to changes in the business environment.

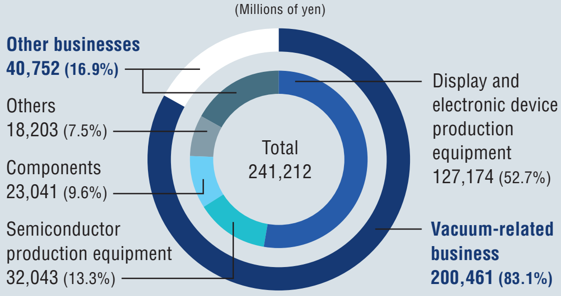
Contents

Forward-looking statements

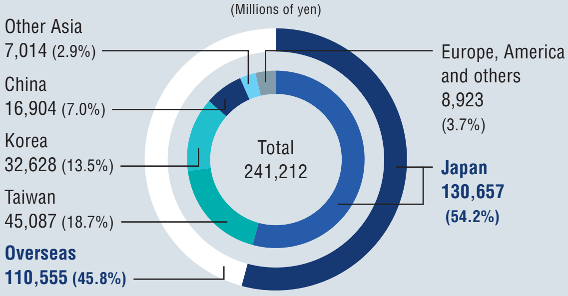
The future plans, projected figures, and other such statements contained herein represent outlooks based on information available to the management at the time of preparation of this annual report. They therefore include some risk and uncertainty, and must be used with caution as grounds for investment decisions. For example, there are latent risks and uncertainties associated with factors such as the tone of the economy, business environment, trend of consumption, competition with other firms at ULVAC, Inc. and its subsidiaries, and changes in laws and regulations. We are under no legal obligation to update information related to forward-looking statements in the future based on the latest information, nor to revise them or make public disclosure of the revisions.

Business at a Glance

Net sales by business segment in 2008



Net sales by region in 2008

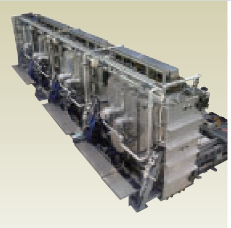
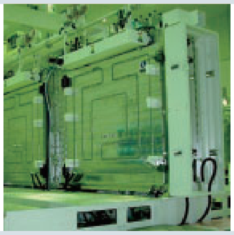


Vacuum-related business

Display and electronic device production equipment

Main Products
FPDs (LCDs, organic EL displays, PDPs, etc.), solar cells, and electronic devices

Major R&D Themes
LCDs (large substrates for TVs and LTPS), next-generation displays (organic ELs, PDPs, FEDs, etc.), solar cells (thin-films, crystal, compound, etc.)

Semiconductor production equipment

Main Products
Production equipment for memories, compound semiconductors, and other items

Major R&D Themes
Non-volatile memories, other memories, etc., power semiconductors (ultra-thin wafers), product areas related to digital home appliances (high-density packages, etc.), MEMS (micro electro mechanical systems)


Components

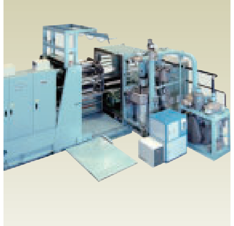
Main Products
Vacuum pumps, measuring instruments, and power supplies for vacuum equipment

Major R&D Themes
Energy, environment, biotechnology


Others

Main Products
General industry equipment such as vacuum heat treatment furnaces

Major R&D Themes
Energy, environment, nanotechnology

Other businesses

Main Products
Advanced materials, sputtering target materials, surface analysis devices and equipment controllers, and other items

Major R&D Themes
New functional materials (nanotechnology) and analysis technologies


Year in Review

October 2007

New Sigma-Technos plant starts operations

A new plant of Sigma-Technos Co., Ltd. in Hidaka, Saitama Prefecture, was completed and started operations (Sigma-Technos became a subsidiary of ULVAC in August 2006.). The subsidiary also relocated its headquarters to a new office building. The new plant's greatest feature lies in its capability to simultaneously manufacture three XY granite stages for large-size FPD production equipment, which can handle 8.5-generation or larger glass substrates.

January 2008

Chosen among best 10 in Great Place to Work survey

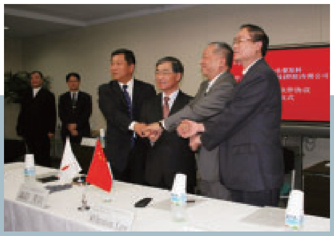
ULVAC was ranked the tenth in Japan's second Great Place to Work survey conducted by the Great Place to Work® Institute Japan. The Great Place to Work® Institute, Inc. (based in the U.S.), a research body operating globally, has conducted surveys and research on what makes a workplace great since 1980.

October 2007

Strategic business tie-up with China Solar Power

ULVAC and China Solar Power (Holdings) Ltd. (CSP) formed an alliance to jointly enter the TFSC market in China. The purposes of the partnership are to spread ULVAC's TFSC production line around the world, and to develop CSP into a leading TFSC manufacturer in China.

The production line supplied by ULVAC uses glass substrates of size 1.1m x 1.4m, marking the first time in China that TFSCs are being manufactured using that size of glass substrates.



November 2007

Integrated demonstration line for TFSCs completed at Chigasaki Plant

ULVAC completed an integrated demonstration line for TFSCs at Chigasaki Plant, while establishing a system for comprehensively providing incidental operations that included procuring materials, giving production instructions, and offering maintenance services. The integrated TFSC demonstration line comprises a series of systems for TFSCs, including a plasma CVD system, sputtering equipment, and a laser patterning system, etc.

March 2008

Sales start of Magrise, an equipment to mass produce world's highest-grade rare-earth permanent magnets

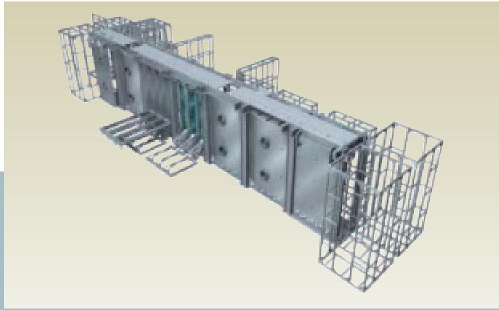
ULVAC developed and began to sell Magrise, an equipment to mass produce the world's highest-grade rare-earth permanent magnets. The equipment uses an applied technology that generates metal vapor of dysprosium (Dy) in a vacuum, and diffuses Dy atoms along a grain boundary. ULVAC was the first in the world to develop this applied technology, and has filed for about 40 related patents at home and abroad.

2008

January 2008

Launch of SDP, a new model of vertical in-line sputtering system

ULVAC began to sell the SDP-2600VTX/3000VTX, a sputtering equipment for next-generation color filter (CF) substrates based on a new concept that is optimal for 8.5-generation or larger glass substrates. This model is a state-of-the-art vertical in-line sputtering equipment compatible with ITO coating for CFs, which are rapidly gaining ground. It features high productivity and provides stable processes.



April 2008

Sales start of vacuum evaporation system for color reflectors

ULVAC developed the EBH-800, a vacuum evaporation system for color reflectors used in automobiles and motorcycles, and began to sell it worldwide market. In conventional methods, reflector parts of automobiles and motorcytles were color painted, while this system enables a reflection coat, color coat, and protective coat to be formed in a vacuum. Hence, the EBH-800 does not use organic solvents at all, providing an eco-friendly production method.

May 2008

Sales start of sputtering equipment for metallic insulator coating

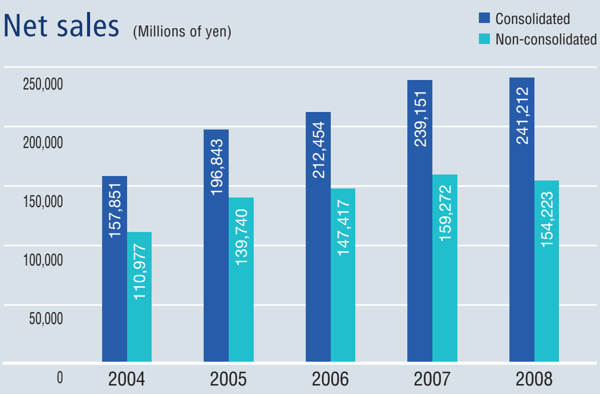
ULVAC began to sell sputtering equipment to coat metallic non-conductors (electric insulators with metallic luster) used for automobiles and consumer appliances. ULVAC has sold the SPV series, a carrousel sputtering system, for this industrial field. We have also developed sputtering equipment for non-conductor coating on cast-resin substrates, expanding our product lineup.

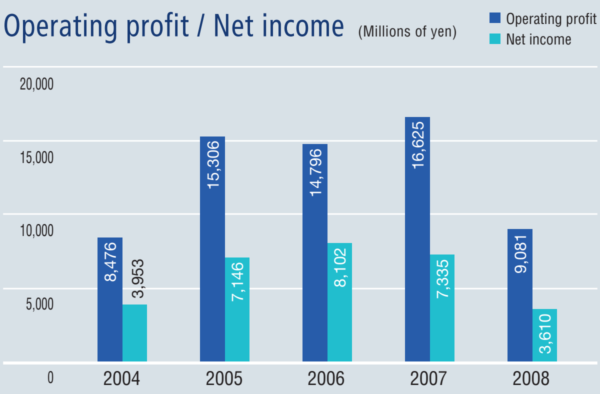
Financial Highlights

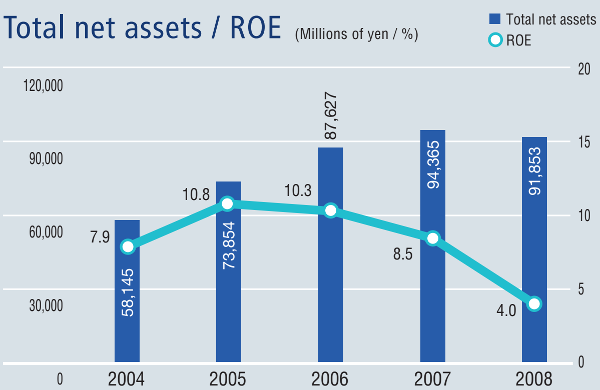
ULVAC, Inc. and its consolidated subsidiaries

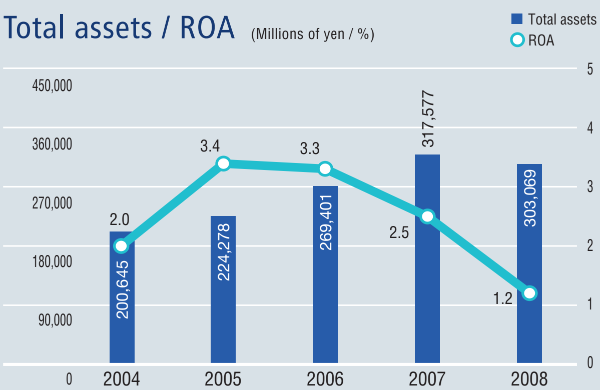
For the years ended June 30, 2007 and 2008	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars* 2008
For the year:			
Net sales	**¥ 241,212**	¥ 239,151	**$ 2,266,607**
Operating profit	**9,081**	16,625	**85,328**
Net income	**3,610**	7,335	**33,923**
At year-end:			
Total assets	**¥ 303,069**	¥ 317,577	**$ 2,847,853**
Total net assets	**91,853**	94,365	**863,118**
Per share (in yen and U.S. dollars):			
Net income	**¥ 84.16**	¥ 170.99	**$ 0.79**
Cash dividends	**21.00**	47.00	**0.20**

*The U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥106.42 to US$1, the approximate exchange rate as of June 30, 2008.









To Our Stakeholders

Speedily responding to changes in the business environment, ULVAC aims to manufacture new products and improve our profitability.

In recent years, solar cells, hybrid car-related devices, light-emitting diodes, and other new energy devices have drawn attention amid increased awareness of environmental protection such as reduction of CO_2 emissions, a cause of global warming. In addition, the effective use of rare metal and other resources has become required. ULVAC will work towards further growth as we proactively advance into these fields.

We aim to become a world-leading manufacturer in every cutting-edge field by responding steadily to changing times and customer needs.

Hidenori Suwa, President and CEO

Interview with the President

Q Please tell us about the operating environment and performance evaluation for the fiscal year ended June 2008.

A In the business environment surrounding our mainstay FPD production equipment, the market slowed down in the first half of fiscal 2008, but orders for this equipment picked up rapidly in the second half. Reflecting this, net sales of ULVAC marked a record high, but performance of some businesses other than FPDs and TFSCs deteriorated. As a result, we failed to achieve satisfactory earnings, and profits declined. It is extremely regrettable that we had to decrease dividends to our shareholders. Nevertheless, the solar cell business is expanding sharply and our slow but steady manufacturing has taken hold.

Q ULVAC is now attracting a lot of attention as a manufacturer of equipment to produce solar cells. Please tell us about the solar cell market.

A Responding to demands to reduce CO_2 emissions on a global basis, the need for solar cells is rising rapidly, particularly in Europe. The trend to construct huge power plants that contain a great number of solar cells in a radius of several kilometers is accelerating worldwide, and thus a vast number of solar cells are needed.

To meet such demand, China, Taiwan, and Southeast Asian countries are increasingly building solar cell plants. Given this, we predict that capital expenditure in solar cells will amount to about ¥1 trillion, exceeding capital expenditure in FPDs, in 2010 or 2011.

Q What is ULVAC's strategy to lead the expanding market for solar cells?

A Since crystalline silicon is in short supply and a large number of solar cells are needed to construct large power stations, demand for TFSCs, which use less silicon than crystalline solar cells, is growing.

ULVAC provides customers with equipment to produce TFSCs as an integrated turnkey line. That is, our solution is designed so that we prepare all the facilities necessary for producing such TFSCs, and we guarantee that the required output volume of TFSCs as finished products can be manufactured. We also guarantee the required power output capacity.

ULVAC is also conducting research on crystalline and compound TFSCs, for which demand is expected to increase. In addition, we will strive to meet any needs for solar cells by broadening the scope of our turnkey solutions.

Q Are there any companies beside ULVAC that provide turnkey solutions?

A Some of our competitors in Europe and the U.S., which commercialize integrated lines, or turnkey systems, provide them in the same way. However, most of them manufacture solar cell production equipment by using technology for manufacturing liquid crystal displays (LCDs).

ULVAC has consistently manufactured production equipment for thin-film silicon solar cells over the past 30 years. Given that solar cells need to be inexpensive and require technology that matches their unique characteristics, we believe that production equipment designed exclusively for TFSCs is far superior to equipment based on the technology for producing LCDs. In this respect, we differentiate ourselves from competing companies. We also think that the experience, technologies, and expertise that we have accumulated over the last 30 years through the TFSC business are the strength peculiar to ULVAC.

Q Please tell us about ULVAC's overseas strategy for the solar cell business.

A As I mentioned earlier, China, Taiwan, and Southeast Asian countries are actively building solar cell manufacturing plants so that they can supply solar cells to Europe, which has the world's highest demand for solar cells. Manufacturers in these regions need turnkey solutions, including production guidance, because they have insufficient experience and technology about TFSC production compared with their counterparts in Japan, Europe, and the U.S.

ULVAC delivered the first turnkey equipment to NexPower Technology Corporation of Taiwan in December 2007, and has reached agreements with Sunner Solar Corporation of Taiwan and China Solar Power (Holdings) Ltd. of China to deliver TFSC production lines to these companies. ULVAC will, ahead of other companies, continue to expand its solar cell business in Asia, including in China and Taiwan, leading the market there. In addition, we will establish our beachheads worldwide while looking to form alliances with local companies.

Q We have heard that standardization of the TFSC business has advanced more than that of conventional custom-made business models. What do you think of this?

A Perfect standard equipment has been completed to even guarantee conversion ratio. Equipment manufacturers generally produce equipment at the request of customers, and their business tends to be passive. Meanwhile, the turnkey solution for TFSCs is a proposal-based business.

With equipment completely standardized, ULVAC can forecast the market and formulate production plans on its own.

We will apply this business model to businesses other than the TFSC business; we will apply it to new manufacturing and businesses different from conventional ones, which we hope will lead to reform of the project structure and better profitability.

Q What are the future issues for ULVAC in manufacturing?

A In the year ended June 2008, ULVAC failed to achieve sufficient earnings because we were unable to shift away from the conventional custom-made manufacturing method in businesses other than the FPD and TFSC businesses. However, we focused on steady development activities and made all-out efforts on standardization, and we expect the results to be seen in the year ending June 2009. We have been promoting vertical integration of related departments within ULVAC to increase the in-house manufacturing ratio, and will actively continue to do so.

Another issue is to do with manufacturing overseas. In South Korea, China, and Taiwan, ULVAC's proprietary manufacturing method—a combination of leading-edge technologies and production techniques, and standardization—has spread. Now, we plan to promote turnkey solution business models all over the world.

Q It seems that the trend of post-FPD accelerated further in the year ended June 2008.

A In the year ended June 2008, we succeeded in achieving significant results in the environmental business. We substantially reduced the amount of the rare metal dysprosium (Dy) used in Magrise equipment for producing rare-earth permanent magnets. The vacuum evaporation system for color reflectors, which we were the first to commercialize, does not use organic solvents at all, unlike the conventional painting method. This means we are contributing to reducing environmental impact. Furthermore, in the sputtering target business, we contribute to saving resources through collecting materials and recycling used targets and target material that adhered to the deposition shield plate.

With respect to the expansion of business activities in growth regions, one of the strategies for post-FPD, ULVAC has established a locally incorporated subsidiary in Russia, in addition to the ones in China, Taiwan, and other areas, where we are already achieving sound business results. We have also opened a branch in India. Through these efforts, we are making thorough preparations to be able to respond with agility to sudden start-ups of related industries in such growth regions.

Q Please tell us about your business policies for the year through June 2009.

A We will promote the development of competitive products that are unique to ULVAC and that can yield profits by reducing costs. We will also develop our TFSC business into a main pillar of our business, like FPDs. We think that an important issue in the year ending June 2009 is to develop the businesses of electronic devices and industrial machinery-related equipment into the next pillars.

Among the various management indicators, ULVAC focuses particularly on operating profit. In the year ended June 2008, operating profit decreased from the previous year, and we had to reduce dividends. For the current year ending June 2009, we have given top priority to improving the operating profit, and to this end we will further reform our earnings structure, in order to meet the expectations of our shareholders.

Special Feature

ULVAC's product strategies

Drastic changes in the operating environment and their effect on ULVAC

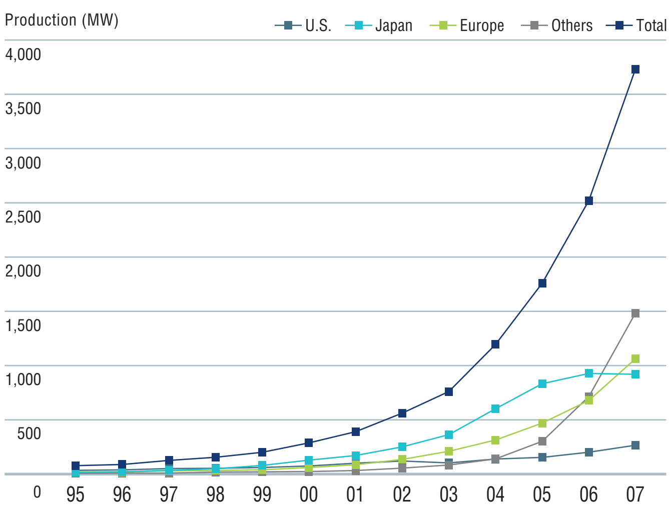
The economic environment surrounding the manufacturing industry and ULVAC has dramatically changed in the last few years, and we have been under pressure to overhaul our business strategy. Among the changes, the first one is a surge in raw materials prices. Crude oil prices have risen sharply because of higher demand from emerging countries and the inflow of speculative money into the crude oil market, and as a result, that has quickly pushed up the prices of mineral resources, including steel and various other materials. For ULVAC, costs have increased because of a rise in raw materials prices, and profitability has dropped.

The second change is the shift of the driving force of the manufacturing industry from the electronic devices and IT-related industries to the industries of resources, raw materials, the environment, and energy. The solar cell business, among others, has rapidly expanded worldwide reflecting social demands for reducing CO_2 emissions. Against this backdrop, solar cells are being increasingly introduced into Europe, including Germany which brought in the feed-in tariff (FIT) policy ahead of other countries. Under this policy, electric power stations purchase electric power obtained by solar cell generation systems at high fixed prices set by the government. Solar cell introduction in Spain and Italy is also skyrocketing. Meanwhile, many solar cell manufacturing plants are being constructed in China, Taiwan, and India in order to supply solar cells to Europe.

The size of the solar cell market for 2007 is estimated at about ¥1 trillion, and is expected to grow at an annual rate of 30% or more. There are fewer processes involved in manufacturing solar cells than LCDs or semiconductors, and it is relatively easy to start the solar cell business by purchasing an integrated production line from equipment manufacturers. For these reasons, we predict that new players will continue to enter the business.

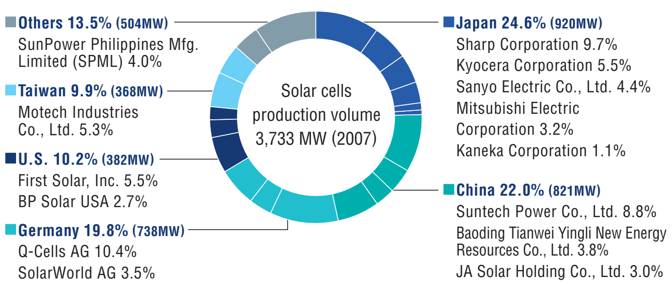
The third change is the growth of emerging countries. In the wake of the subprime mortgage problem in the U.S., concerns have arisen that the economies of the U.S., Japan, and Europe will stall. Meanwhile, the economies of emerging countries, such as the BRICs economies, are continuing to grow at a high rate, providing large business opportunities for ULVAC.

Global Solar Cell Production



Source: PV Energy System Inc. PV News

Solar cell production share by country and company (as of the end of 2007)



Rank	Company name (country)	Production volume (kW)	Rank	Company name (country)	Production volume (kW)
1	Q-Cells AG (Germany)	389,000	**4**	**Kyocera Corporation (Japan)**	**207,000**
2	**Sharp Corporation (Japan)**	**363,000**	4	First Solar, Inc. (U.S. and Germany)	207,000
3	Suntech Power Co., Ltd. (China)	327,000			

*First Solar's production in Germany is included in the figure for First Solar, Inc. of the U.S., BP Solar's production in Spain, India, and Australia is included in the figure for BP Solar USA, and production of SolarWorld CA is included in the figure for SolarWorld AG of Germany.

Source: Prepared by the METI (Ministry of Economy, Trade and Industry) based on *PV News*, March 2008.

Securing profitability under post-FPD and product strategies, and through advanced manufacturing

ULVAC is striving to secure high profitability and maintain high growth, through a steady implementation of the following two strategies for responding to drastic changes in the global economy.

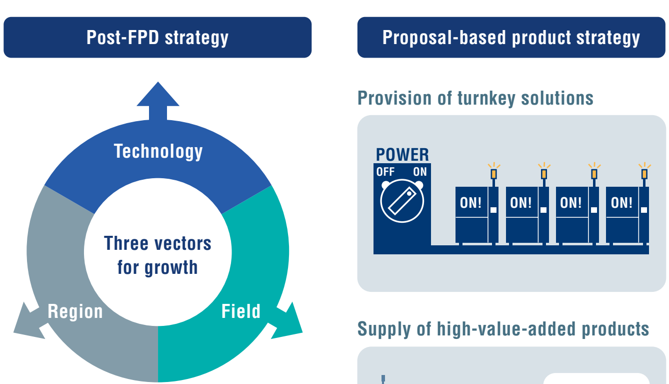
One such strategy is the post-FPD strategy. FPD production equipment has supported the development of ULVAC as its mainstay during the past dozen or so years. However, owing to the widespread adoption of large LCD-TVs and other finished products that use FPDs in society, it has become certain that customers' capital expenditure will slow before long. In response, ULVAC has been taking measures to cope with this situation since around 2004, concentrating its management resources on technologies, regions, and fields that are expected to grow under the post-FPD production strategy.

The growth technology areas include digital home appliance equipment, and energy and environment-related industries such as solar cell production systems. One of the growth regions will be China, which is becoming the world's factory in place of the U.S. and Japan. We expect a growth business field will be the customer support business centering on the supply of sputtering target materials and recycling business. Unlike the equipment business, this business can be sustained and thus contribute to stabilizing our earnings structure.

Another strategy for coping with the dramatic changes in the external environment is to implement a proposal-based product strategy to enhance profitability. In line with this strategy, we will establish the turnkey solution, a new business model designed to supply integrated production lines, and provide high-value-added products that are proposed in anticipation of the needs of customers. In the conventional manufacturing of ULVAC, custom-made production in accordance with individual customer's specifications was the mainstream.

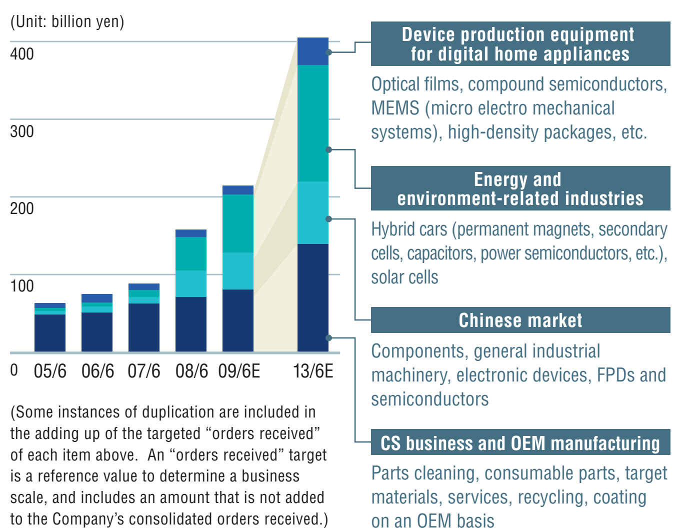
Meanwhile, proposal-based products are equipment and systems that are completely standardized; some of these products can be manufactured according to a plan, rather than produced by order. Through proposing to our customers creative products, which can produce high profitability, ULVAC will further upgrade its manufacturing and enhance its competitiveness.

Securing profits under post-FPD and proposal-based product strategies



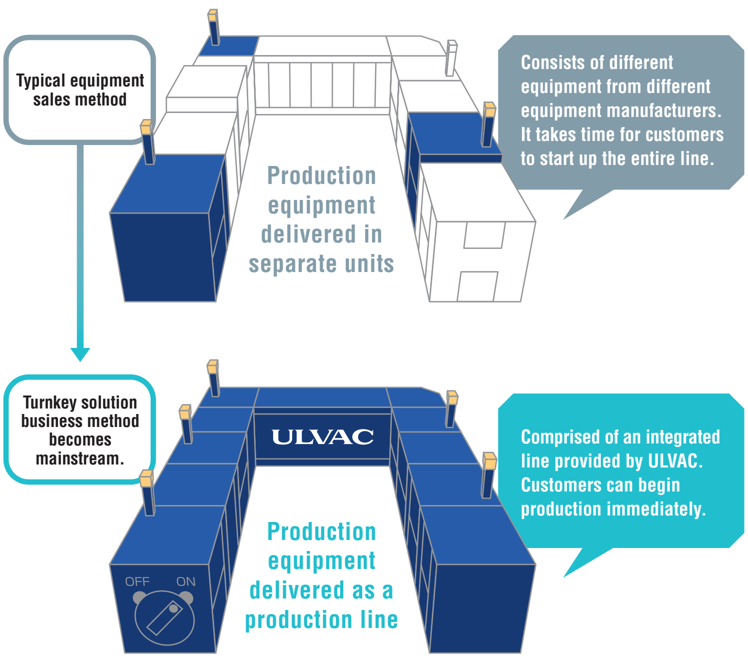
Technology: Digital home appliances, energy and the environment
Region: China
Field: Customer support business and recycling business

Post-FPD strategy (targets for orders received)



(Some instances of duplication are included in the adding up of the targeted "orders received" of each item above. An "orders received" target is a reference value to determine a business scale, and includes an amount that is not added to the Company's consolidated orders received.)

What is the provision of turnkey solutions?



Track record of ULVAC's integrated production line for TFSCs


Opening ceremony for NexPower Technology Corporation of Taiwan


Integrated demonstration line

Mar. 2007	Order for TFSC production equipment received from NexPower Technology Corporation of Taiwan.
Aug. 2007	Order for TFSC production equipment received from Sunner Solar Corporation of Taiwan.
Oct. 2007	Strategic business alliance concluded with China Solar Power (Holding) Ltd. for TFSC production equipment.
Nov. 2007	Integrated demonstration line for TFSCs completed at Chigasaki Plant.
May 2008	The integrated production line begins operations at NexPower Technology Corporation, marking the first operations of such line of ULVAC in Taiwan.

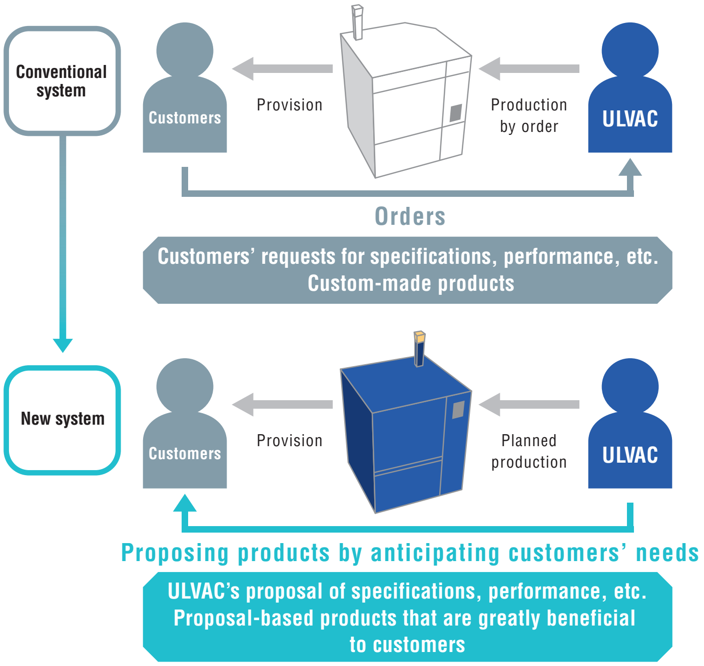
What is ULVAC's turnkey solution?

In its overseas development of the business of TFSC production equipment, ULVAC has made it a basic strategy to provide turnkey solutions. "Turnkey" implies that just turning the start key will enable production to start. The turnkey solution is a comprehensive business method in which we do not sell equipment separately, but provide an integrated production line, and sometimes also supply materials and give production guidance. In the turnkey solution, we even guarantee the required output of TFSCs and power-generating efficiency.

If a customer purchases equipment to coat plasma CVDs and sputtering equipment individually, that company will have to assemble a line on its own by using equipment of different specifications supplied by various manufacturers. A considerable amount of knowledge and experience of solar cells is needed for such an assembly. However, in China, Taiwan, India, and other regions, which are currently drawing attention as the world's supply bases for solar cells, manufacturers have few solar cell technologies, and many of the entrants have never engaged in producing solar cells. Accordingly, in these emerging countries, only equipment manufacturers that actually hold the capability of turnkey solutions will be able to operate the solar cell business.

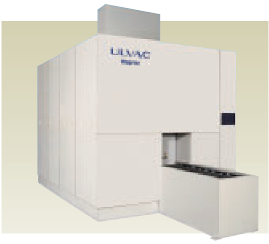
Against this backdrop, ULVAC, in March 2007, received an order for TFSC production equipment on a turnkey basis from NexPower Technology Corporation of Taiwan, a subsidiary of the leading foundry manufacturer UMC. The production line of NexPower Technology started operations in May 2008, and ULVAC's integrated TFSC production line demonstrated high productivity and reliability. In August 2007, ULVAC won an order for TFSC production equipment from Sunner Solar Corporation of Taiwan, and in October 2007, we formed a business alliance with China Solar Power (Holdings) Ltd. for TFSC production equipment. Thus, as a leading company in the industry, we are continuing to make enormous advances.

What is the provision of high-value-added products?



Example of ULVAC's proposal-based product

Magrise, an equipment for mass producing the world's highest-grade rare-earth permanent magnets



Merits for customers

With a new method applying vacuum technology, Magrise has reduced the amount of dysprosium (Dy) metal used to about one-tenth that used in the conventional method. This eco-friendly equipment thus enables customers to reduce their costs.

Vacuum evaporation system for color reflectors

Merits for customers

Unlike conventional color painting, this system enables a reflection coat, color coat, and protective coat to all be formed in a vacuum. The system also allows users to form various color coats according to how color materials are combined, and does not use organic solvents at all; it is thus an eco-friendly method.

Manufacturing high-value-added products for our customers

Thus far, ULVAC has led the worldwide market for FPD and semiconductor production equipment, and has achieved steady development in these fields. In recent years, net sales have grown steadily, but profitability has declined, making it difficult to attain earnings as planned. One of the factors behind this situation is the custom-made production system, in which production is started in line with the requests of customers for specifications and performance. Under such a production system, however, it is difficult to improve production efficiency, and we cannot fully make the best use of ULVAC's unique cutting-edge technologies, its largest strength.

Hence, ULVAC has drastically shifted to a strategy of developing proposal-based products, in which we anticipate our customers' needs and define specifications and performance on our own. By applying this strategy, we can now carry out planned manufacture of some products, and we have established a structure under which we can improve production efficiency and reduce costs through standardizing equipment.

Because of the shift to proposal-based products, we can now create high-value-added equipment that features designs to save materials and energy, and low-environmental-load methods, for some products. For example, the amount of the rare metal dysprosium (Dy) used in Magrise, equipment to mass produce rare-earth permanent magnets, is one-tenth that used in conventional machines. The EBH-800, a vacuum evaporation system for color reflectors, does not use organic solvents at all, realizing an eco-friendly production method.

Up until now, ULVAC has provided products in line with cutomers' expectations under the custom-made development and production systems. From now on, however, we will create products that are beyond customers' expectations, under the proposal-based development and production systems.

CSR

ULVAC aims to establish favorable relations with all stakeholders

As its basic principle of CSR, ULVAC is striving to establish a strong trust-based relationship with all our stakeholders, including shareholders, customers, business partners, employees, and local communities.

With respect to our shareholders and investors, we are doing our utmost to establish good communication by disclosing accurate and transparent information, giving factory tours, holding IR meetings, and giving corporate briefings for investors. For our customers, we are striving to maximize customer satisfaction by providing products that are manufactured under a strict quality control system. We are making efforts to build good cooperative relationships with our important business partners by procuring materials based on fair and free competition.

In terms of contributing to local communities, ULVAC, as a global corporation with many bases in Asia, Europe and the U.S., is conducting various business activities to promote regional revitalization, while attaching importance to the customs and cultures of each country or region. To have deeper exchanges with local residents, we hold the ULVAC Festival in Japan and South Korea, and support the activities of TABLE FOR TWO, which has been established to solve famine in Africa and promote healthy meals in Japan.

ULVAC is working on reducing environmental impact and developing environmentally-friendly products

Regarding conservation of the global environment as one of the most important common challenges for all mankind, ULVAC is making efforts to reduce the environmental impact of its business activities and develop products that can contribute to environmental conservation.

To reduce the environmental impact of its business activities, such as research, development and production, ULVAC is thoroughly managing the chemical agents it uses and proceeding with activities to totally abolish six substances designated by the RoHS directive. We are also endeavoring to cut CO_2 emissions and promote green procurement for all components. In terms of reduction and recycling of waste, in the fiscal year ended June 2008 we achieved zero waste emissions, as we did during the previous fiscal year ended June 2007.

One of the pillars of ULVAC's environmental management is providing products that contribute to environmental conservation. We are contributing to global environmental conservation by supplying integrated production lines for TFSCs to the solar cell market, which is rapidly expanding, selling equipment for manufacturing core parts for hybrid cars, and developing a new eco-friendly method for cleaning the parts of sputtering equipment.

As of the end of June 2008, a total of 30 group companies (16 in Japan and 14 overseas) had obtained the ISO 14001 environmental management system certification.

ULVAC supports the TABLE FOR TWO activities and participates in this program through the Company's cafeteria at Chigasaki plant

©TABLE FOR TWO

ULVAC was chosen as a constituent stock of the FTSE4Good Global Index again

ULVAC was chosen as a constituent stock of the FTSE4Good Global Index for two consective years, which is a Social Responsibility Investment (SRI) index set up by FTSE*.

The FTSE4Good Index Series has been designed to measure the performance of companies that meet globally recognized corporate responsibility standards, and to facilitate investment in those companies.

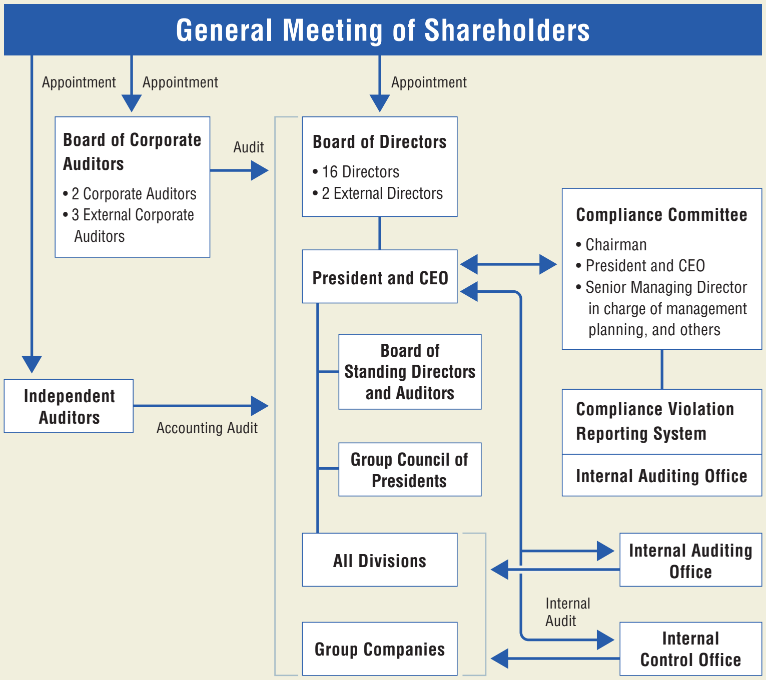
FTSE's qualification standards call for (1) working towards environmental sustainability, (2) developing positive relationships with stakeholders, (3) upholding and supporting universal human rights, (4) ensuring good supply chain labor standards, and (5) countering bribery.

The component stocks incorporated in the FTSE4Good Index Series are accredited as those of companies which satisfy internationally approved social and environmental corporate responsibility action standards.

*FTSE is a company owned by The Financial Times and London Stock Exchange.

Corporate Governance

ULVAC Management Structure



Risk Management System

ULVAC is striving to realize both prompt decision-making by the management and strict audits

ULVAC positions corporate governance as one of its most important issues to fulfill its corporate responsibilities to society and shareholders, and is further enhancing its management control system.

To secure fair, neutral, and transparent corporate management, our 18-member Board of Directors includes two external directors, and the five-member Board of Corporate Auditors includes three external corporate auditors. The Board of Directors holds extraordinary meetings as the occasion calls, in addition to the regular meetings held once a month. To implement operations that require agility, we have established an Internal Board of Directors to supplement the Board of Directors, which deliberates important managerial matters carefully and promptly. The Internal Board of Directors holds extraordinary meetings if necessary, in addition to the regular meetings held twice a month.

Meanwhile, the Board of Corporate Auditors strictly oversees the management system in close cooperation with the Internal Auditing Office tasked to conduct internal audits and external independent auditors, while maintaining its independence. Thus, the management control system of ULVAC has established a system to facilitate quick managerial judgment and decision-making, while maintaining sufficient supervisory functions.

ULVAC is making efforts to thoroughly carry out compliance and establish a risk management system

ULVAC has established a Corporate Code of Conduct, which shows the code of conduct required of each employee, to have employees fully build their awareness of compliance with laws. We have also set up an Internal Reporting System, whose contact point is the Internal Auditing Office—the secretariat of the Compliance Committee—in a bid to minimize the effects of breaches of laws or regulations. The Compliance Committee, consisting of the President and the head of each organization, is striving to keep informants and those who are investigated from suffering disadvantageous treatment under a rigorous confidentiality system.

ULVAC is enhancing its risk management system so that it can promptly and appropriately deal with increasingly complicated and diversified risk factors. We have established the ULVAC Risk Management Policy, under which we set up a structure for conveying various pieces of risk information quickly to relevant departments and the President. ULVAC also has a Risk Management Committee, chaired by the President, which works on the formulation of basic company-wide risk management policies and on the understanding and improvement of the administration status. In addition, we focus on preventing the leakage of information stored in personal computers and protecting intellectual properties such as the results of research and development. By implementing such multifaceted risk management activities, we are promoting strategic management and striving to raise corporate value.

Board of Directors and Auditors

Dr. Kyuzo Nakamura
Chairman

Hidenori Suwa
President and CEO

Dr. Hiroyuki Yamakawa
Senior Managing Director
Research & Development
Planning Dept.
Chief Technology Officer

Yoshihiro Tsunemi
Senior Managing Director
Management Planning Dept.
Chief of Investor Relations

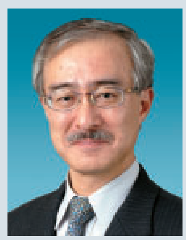
Yoshio Sunaga
Senior Managing Director
Flat Panel Display
Equipment Group

Junki Fujiyama
Director
Semiconductor Equipment
Div. 2

Takeo Kato
Director
Industrial Equipment Div.

Yoshifumi Sato
Director
Personnel Department

Mitsuru Motoyoshi
Director
Accounting Department

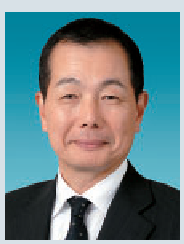


Dr. Narishi Gonohe
Director
Semiconductor Equipment
Div. 1

Masasuke Matsudai
Director
Flat Panel Display Equipment
Div. 1

Hideyuki Odagi
Director
Advanced Electronics
Equipment Div.

Hiroyuki Hirano
Director
Procurement Center



Masatoshi Yamamoto
Director
Corporate Sales Div.

Takao Nakamura
Director
Chief Financial Officer

Kiyoshi Ujihara
Director
Nippon Life Insurance
Company

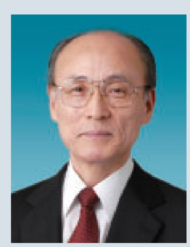
Yoshinobu Nakano
Director
INABATA & CO., LTD.

Nobuo Ohi
Corporate Auditor

Hironobu Machidori
Corporate Auditor

Minoru Hara
Auditor

Senshu Asada
Auditor



Koichi Komiyaji
Auditor

Developing our solar cell business
to become one of our core competencies
on a par with the FPD business

6-year Summary

ULVAC, Inc. and its consolidated subsidiaries

For the years ended June 30	2003	2004	2005	2006	2007	2008	2008
	Millions of yen						Thousands of U.S. dollars*
For the year							
Net sales	¥ 127,472	¥ 157,851	¥ 196,843	¥ 212,454	¥ 239,151	**¥ 241,212**	**$ 2,266,607**
Gross profit	24,108	29,996	40,689	41,577	46,451	**46,120**	**433,381**
Operating profit	4,736	8,476	15,306	14,796	16,625	**9,081**	**85,328**
Net income	1,729	3,953	7,146	8,102	7,335	**3,610**	**33,923**
At year-end							
Total assets	¥ 173,949	¥ 200,645	¥ 224,278	¥ 269,401	¥ 317,577	**¥ 303,069**	**$ 2,847,853**
Total net assets	41,951	58,145	73,854	87,627	94,365	**91,853**	**863,118**
Per share (in yen and U.S. dollars)							
Net income	¥ 48.10	¥ 108.91	¥ 168.65	¥ 188.87	¥ 170.99	**¥ 84.16**	**$ 0.79**
Cash dividends	7.00	20.00	30.00	37.00	47.00	**21.00**	**0.20**
Ratios (%)							
Shareholders' equity ratio	24.1	29.0	32.9	30.7	28.4	**29.1**	
ROE	4.1	7.9	10.8	10.3	8.5	**4.0**	
ROA	1.0	2.0	3.4	3.3	2.5	**1.2**	
Number of employees	3,648	3,712	4,048	5,150	5,543	**6,356**	

* The U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥106.42 to US$1, the approximate exchange rate as of June 30, 2008.

Analysis of Financial Conditions and Business Results

Business Results

In the fiscal year under review, the Japanese economy began to slow as consumer spending continued to show no sign of recovery, amid high oil and other prices and slackened income. Internationally, the U.S. economy increasingly slowed, on the back of financial concern triggered by the subprime mortgage loan problem and overall price hikes owing mainly to rises in resource prices. In Asia, including China, the economy remained steady thanks to expanded demand, but concerns arose over economic growth chiefly because of the deteriorated export environment.

Under such circumstances, in the FPD (flat panel display) industry with which ULVAC's main customers are involved, Taiwan and South Korea in particular postponed or froze their capital expenditure plans. However, as inventory adjustment of FPDs ran its course, capital expenditure in panels picked up. Manufacturers in the semiconductor industry made active investments primarily in flash memory-related fields. However, the market entered an adjustment phase, as evidenced by factors such as a decrease in memory prices caused by a bad supply-demand balance of semiconductors. Thus, uncertainty over the outlook for the semiconductor industry became clear. In the energy and environment-related industries, with public awareness of the environment increasing, companies strove to reduce CO_2 emissions, which are considered to be a main cause of global warming. Against this backdrop, demand grew for new energy devices such as solar cells and light-emitting diodes (LEDs), as well as hybrid car-related devices. Among others, the market for solar cells, which are drawing attention as a clean energy source, expanded rapidly.

To prevail in this operating environment, ULVAC has been launching unique products onto the market ahead of its competitors and pursuing sales expansion by promoting ULVAC Solutions. ULVAC invested not only in growth regions, such as China, South Korea, and Taiwan, but also in the domestic market, with our eyes on the post-FPD strategy. We also aggressively invested in the development of new technologies and products to implement the post-FPD strategy. Furthermore, amid sustained requests from customers for price reductions, as well as price hikes of raw materials, we pushed ahead with the innovation of production, vertical integration of related departments within our group companies, and cost reduction by enhancing in-house manufacturing. We also proceeded with fixed cost reductions by continuously trimming our operating expenses.

Consequently, for the consolidated performance during the term under review, orders received increased by ¥56,341 million to ¥293,110 million (up 23.8% year-on-year) and net sales rose by ¥2,061 million to ¥241,212 million (up 0.9%). For the consolidated profit and loss, operating profit decreased by ¥7,545 million to ¥9,081 million (down 45.4% year-on-year), and ordinary profit dropped by ¥11,029 million to ¥5,075 million (down 68.5%). Net income was down ¥3,725 million to ¥3,610 million (down 50.8%).

Operating results of ULVAC by business segment are as follows:

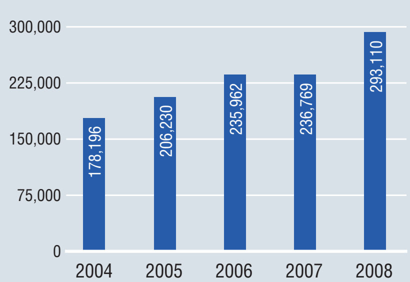
Vacuum-related Business

Results of the vacuum-related business by market segment are as follows:

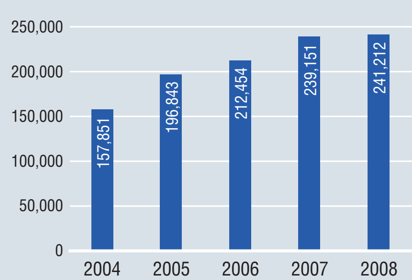
(1) Display and electronic device production equipment

In the display and electronic device production equipment business, centering on the Asian region, sales continued to be strong in the SMD series of multi-chamber sputtering equipment for small and medium-size LCDs and large LCD TVs; the same was true for the SDP series of in-line sputtering equipment. Looking at electronic

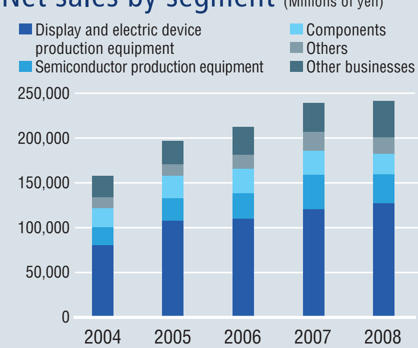
Orders received (Millions of yen)



Net sales (Millions of yen)



Net sales by segment (Millions of yen)



device production equipment, sales remained robust for the SRH series of sputtering equipment for power semiconductors used in hybrid cars. Orders received improved sharply thanks to active capital expenditure plans for large LCD TVs. In addition, orders for and inquiries about an integrated production line of TFSCs increased substantially, centering on the Asian region, where capital expenditure plans for solar cells increased remarkably.

(2) Semiconductor production equipment

Semiconductor production equipment saw strong capital expenditure in memories, including flash memories and DRAMs used in cellular phones, portable music players, and digital cameras, in the product areas related to digital home appliances during the first half of the term under review. In the latter half, however, some capital expenditure plans were postponed owing to the adjustment of the supply-demand balance for semiconductors. Despite such circumstances, the ENTRON™-EX series of sputtering equipment with improved reliability and productivity, and the RISE series of batch-type native oxide removal equipment, enjoyed healthy orders received and sales, particularly in Asia. In addition, orders received and sales of new equipment for energy-related devices, such as an LED etching system, grew with improved productivity.

(3) Components

In the first half of the term under review, orders received for large vacuum pumps and surface profiling systems weakened, mainly because of the postponement of capital expenditure plans in the FPD industry. In the latter half, however, capital expenditure plans improved in the FPD industry, centering on LCDs, and solar cell-related capital expenditure accelerated rapidly. The business relating to consumer-use small vacuum pumps was sluggish, while both orders received and sales of vacuum pumps and measuring instruments (vacuum gauges and helium leak detectors) in the general industry field, and vacuum pumps for solar cell production equipment, were steady.

(4) Others

We aggressively promoted sales expansion activities for general industry machinery, launching new products onto the market. Sales were strong for the FHH series of vacuum heat treatment furnaces, the FMI series of vacuum melting furnaces and vacuum evaporating systems, and the DF series of vacuum freeze-drying equipment for medicines. Overall, however, the section of others continued to be harshly affected chiefly by the postponement of capital expenditure plans.

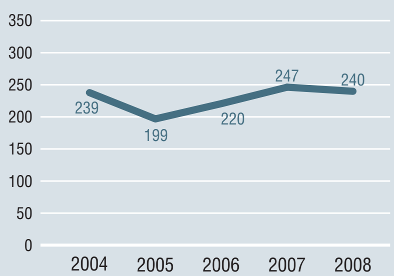
As a result, the vacuum-related business saw orders received of ¥252,019 million, outstanding orders of ¥162,548 million and net sales of ¥200,461 million. Operating profit was ¥8,377 million.

Other Businesses

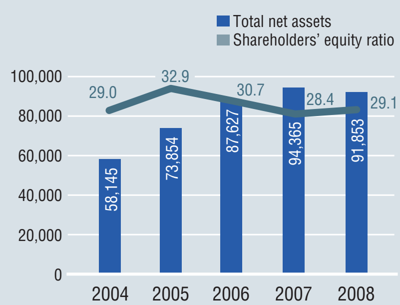
With respect to the other business segment, the entire ULVAC proactively conducted sales expansion activities while leveraging ULVAC Solutions. However, ULVAC failed to achieve the originally planned orders received and sales of sputtering materials for LCDs in the materials business. The control-related business as a whole remained sluggish, hurt mainly by the postponement of capital expenditure plans, despite steady orders received for control systems in the metal and automotive industries. In the analyzer-related business, orders received and sales of the PHI5000 VersaProbe™, an x-ray photoelectron spectrometer, were robust, particularly in Europe and the U.S.

As a result, orders received for other businesses were ¥41,091 million, while outstanding orders stood at ¥8,495 million, and net

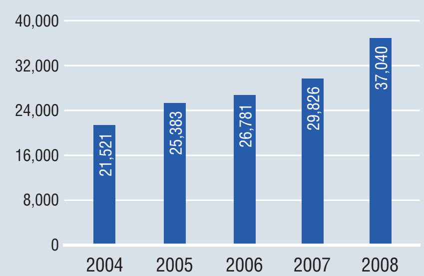
Debt ratio (%)



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



SG&A (Millions of yen)



sales were ¥40,752 million. Meanwhile, this segment posted an operating loss of ¥135 million primarily because cost reductions failed to offset the decreases in sales and sales prices in the materials business.

Financial Conditions

1) Assets, Liabilities and Net Assets

Assets

Total assets decreased by ¥14,508 million compared with the end of the previous fiscal year, reflecting a decrease of ¥11,205 million in notes and accounts receivable, trade, a decline of ¥14,832 million in inventories, and an increase of ¥11,978 million in total property, plant and equipment as a result of capital expenditure for business expansion.

Liabilities

Total liabilities dropped by ¥11,996 million compared with the end of the previous fiscal year, chiefly owing to a decrease of ¥8,225 million in notes and accounts payable, trade.

Net assets

Total net assets decreased by ¥2,512 million compared with the end of the previous fiscal year. This fall is attributable mainly to the posting of net income of ¥3,610 million, payment of dividends amounting to ¥2,016 million, and a decline of ¥3,641 million in total valuation and translation adjustments.

2) Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities came to ¥32,068 million, reflecting a decrease in income before income taxes and minority interests, depreciation and amortization, account recivable, trade, and inventories.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥25,944 million, which was mainly attributed to expenditure for the acquisition of tangible fixed assets and investment securities.

Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥1,750 million, chiefly because of payment of dividends.

As a result, consolidated cash and cash equivalents were ¥16,977 million at the end of the fiscal year under review, up ¥5,312 million from the previous year.

Risk Management

ULVAC identifies the following factors as potential risks that could influence our earnings and financial position:

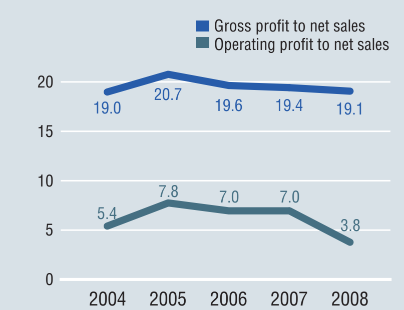
(1) Fluctuations in the FPD and Semiconductor Markets

ULVAC has grown by developing proprietary technologies for vacuum equipment used in the manufacturing process of FPDs and semiconductors and marketing such devices, which have allowed us to capture our market share. These products account for 60% or more of our consolidated net sales, and have become the mainstay of ULVAC. However, any large reduction in capital expenditure by FPD and/or semiconductor manufacturers, our corporate customers, could affect our business results and financial position.

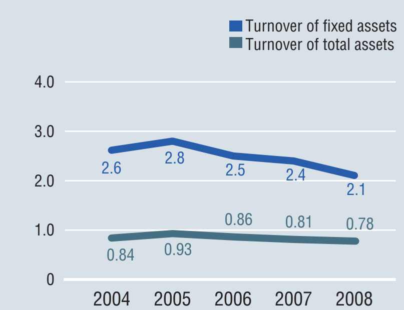
(2) Influence of Research and Development

Based on sustained proactive investment in research and development activities, ULVAC has consistently been coming to the market with new products using cutting-edge technologies. However, if it becomes extremely difficult to achieve the development that meets the requirements indispensable for

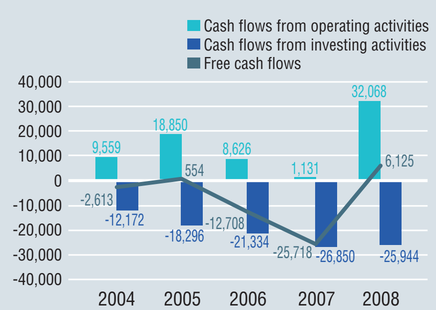
Gross profit to net sales
Operating profit to net sales (%)



Turnover of total assets
Turnover of fixed assets (Times)



Cash flows (Millions of yen)



commercialization of new products, or such development is markedly delayed, our business results and financial position could be affected adversely.

(3) Influence of Pricing Competition

The FPD industry, ULVAC's principal customer, has been making steady capital expenditure in step with expansion of demand for digital home appliances. However, there is constant pressure from the customer side to lower prices. In addition to this, new competitors are emerging in South Korea, Taiwan, and China, resulting in further intensifying sales competition. This, 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

ULVAC has an overseas net sales ratio of about 50%, with South Korea, Taiwan, China and other economies in the Asian region accounting for the majority. In order to avoid currency risks, transactions by ULVAC are, as a rule, denominated in yen. However, in the context of sales to the Asian region at the time of yen appreciation, ULVAC is placed at disadvantage in its strength in price competition relative to overseas makers. Moreover, since ULVAC also has a small amount of foreign currency-denominated exports, sudden shifts in foreign exchange rates may cause heavy exchange loss. The aforementioned factors could negatively affect our business results and financial position.

(5) Influence of Global Business Development

In order to secure a market share in China as a prospective future growth market, ULVAC has proactively been making market inroads and is pursuing business initiatives through 13 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 unforeseeable changes in legal and tax systems, shifts to a floating exchange rate system, political instability, business fluctuations, and an outflow of personnel could affect our business results and financial position.

(6) Influence of Quality Assurance Efforts

ULVAC has installed quality assurance systems, acquired ISO9001 certification, and has been providing services with a high level of customer satisfaction. As ULVAC constantly provide products with leading-edge technologies, there are numerous developmental elements that could lead to the 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.

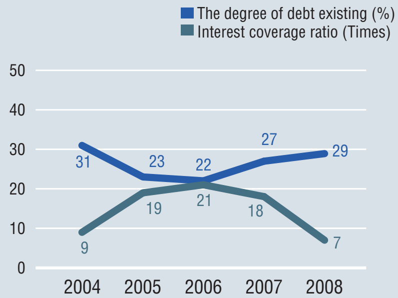
(7) Influence of Intellectual Property Rights

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

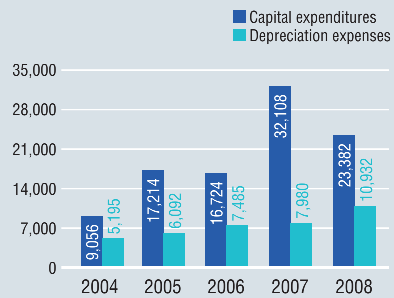
(8) Other Risks

As applicable to companies that engage in global operations and/or in wide-ranging business areas, ULVAC'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.

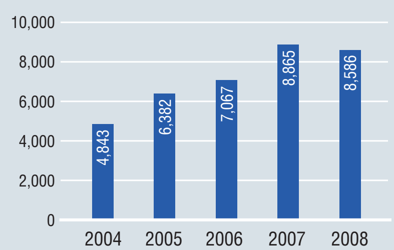
The degree of debt existing Interest coverage ratio (%/Times)



Capital expenditures Depreciation expenses (Millions of yen)



R & D Expenditures (Millions of yen)



Financial Section

Contents

1. [Consolidated Financial Statements and Others]

(1) [Consolidated Financial Statements]

i) [Consolidated Balance Sheets]

		Previous fiscal year As of June 30, 2007			Current fiscal year As of June 30, 2008				
Title	Note no.	Amount (millions of yen)		Composition ratio (%)	Amount (millions of yen)		Amount (thousands of U.S. dollars)		Composition ratio (%)
(Assets)									
I Current assets									
1. Cash on hand and in banks			11,889			17,603		165,409	
2. Notes and accounts receivable, trade	*4		87,399			76,193		715,969	
3. Inventories			96,561			81,728		767,980	
4. Deferred tax assets			4,723			4,711		44,269	
5. Other			7,558			6,517		61,239	
6. Allowance for doubtful accounts			(253)			(175)		(1,647)	
Total current assets			207,876	65.5		186,578		1,753,219	61.6
II Fixed assets									
(1) Property, plant and equipment	*3,6								
1. Buildings and structures		58,105			63,793		599,443		
Accumulated depreciation		(19,798)	38,308		(21,655)	42,138	(203,482)	395,961	
2. Machinery, equipment and vehicles		46,473			57,814		543,264		
Accumulated depreciation		(25,406)	21,068		(30,473)	27,341	(286,344)	256,920	
3. Tools, furniture and fixtures		11,643			13,442		126,310		
Accumulated depreciation		(8,445)	3,198		(9,791)	3,651	(92,002)	34,308	
4. Land			8,915			9,532		89,567	
5. Construction in progress			10,333			11,137		104,653	
Total property, plant and equipment			81,822	25.7		93,799		881,408	30.9
(2) Intangible fixed assets									
1. Goodwill			218			-		-	
2. Software			-			1,486		13,964	
3. Other			3,593			2,352		22,102	
Total intangible fixed assets			3,811	1.2		3,838		36,066	1.3
(3) Investments and other assets									
1. Investment securities	*1		15,555			7,963		74,821	
2. Leasehold and guarantee deposits			1,392			1,764		16,572	
3. Deferred tax assets			4,338			5,968		56,080	
4. Other	*1		3,096			3,453		32,446	
5. Allowance for doubtful accounts			(315)			(294)		(2,759)	
Total investments and other assets			24,068	7.6		18,853		177,160	6.2
Total fixed assets			109,701	34.5		116,491		1,094,634	38.4
Total assets			317,577	100.0		303,069		2,847,853	100.0

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

Title	Note no.	Previous fiscal year As of June 30, 2007 Amount (millions of yen)	Previous fiscal year Composition ratio (%)	Current fiscal year As of June 30, 2008 Amount (millions of yen)	Current fiscal year Amount (thousands of U.S. dollars)	Current fiscal year Composition ratio (%)
(Liabilities)						
I Current liabilities						
1. Notes and accounts payable, trade	*4	72,099		63,873	600,199	
2. Short-term borrowings	*3	33,715		36,588	343,809	
3. Commercial paper		10,000		6,000	56,380	
4. Accrued income taxes		3,940		1,635	15,361	
5. Advances received		24,980		23,478	220,613	
6. Deferred tax liabilities		1		2	14	
7. Accrued bonuses for employees		1,640		1,570	14,756	
8. Accrued bonuses for directors and corporate auditors		497		340	3,197	
9. Accrued warranty costs		2,897		3,193	30,000	
10. Other	*4	19,698		14,092	132,422	
Total current liabilities		169,467	53.4	150,771	1,416,751	49.8
II Long-term liabilities						
1. Bonds		200		200	1,879	
2. Convertible bonds		15,500		15,500	145,649	
3. Long-term debt	*3	24,926		28,415	267,009	
4. Deferred tax liabilities		1		2	17	
5. Accrued pension and severance costs for employees		11,394		12,581	118,223	
6. Accrued pension and severance costs for directors and corporate auditors		714		800	7,519	
7. Reserve for restructuring of business		-		331	3,107	
8. Other		1,010		2,616	24,579	
Total long-term liabilities		53,745	16.9	60,445	567,984	19.9
Total liabilities		223,212	70.3	211,216	1,984,735	69.7
(Net Assets)						
I Shareholders' equity						
1. Common stock		13,468		13,468	126,553	
2. Capital surplus		14,695		14,695	138,087	
3. Retained earnings		57,955		59,323	557,444	
4. Treasury stock, at cost		(7)		(10)	(91)	
Total shareholders' equity		86,111	27.1	87,477	821,993	28.9
II Valuation and translation adjustments						
1. Unrealized gain on securities, net of taxes		1,461		648	6,092	
2. Foreign currency translation adjustments		2,747		(82)	(767)	
Total valuation and translation adjustments		4,208	1.3	567	5,325	0.2
III Minority interests		4,047	1.3	3,810	35,800	1.2
Total net assets		94,365	29.7	91,853	863,118	30.3
Total liabilities and net assets		317,577	100.0	303,069	2,847,853	100.0

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

ii) [Consolidated Statements of Income]

Title	Note no.	For the fiscal year ended June 30, 2007 Amount (millions of yen)		Percentage (%)	For the fiscal year ended June 30, 2008 Amount (millions of yen)		Amount (thousands of U.S. dollars)		Percentage (%)
I Net sales			239,151	100.0		241,212		2,266,607	100.0
II Cost of sales	*3		192,700	80.6		195,092		1,833,226	80.9
Gross profit			46,451	19.4		46,120		433,381	19.1
III Selling, general and administrative expenses	*1,3								
1. Selling expenses		10,401			16,996		159,709		
2. General and administrative expenses		19,425	29,826	12.5	20,044	37,040	188,344	348,053	15.3
Operating profit			16,625	6.9		9,081		85,328	3.8
IV Non-operating income									
1. Interest income		145			203		1,907		
2. Dividend income		194			195		1,834		
3. Commission fee		274			225		2,117		
4. Rental income		157			136		1,282		
5. Equity in earnings of unconsolidated subsidiaries and affiliates		-			36		341		
6. Royalty income		48			-		-		
7. Insurance income		4			-		-		
8. Foreign exchange gain, net		290			-		-		
9. Refund of value-added taxes of overseas subsidiaries		624			112		1,055		
10. Other		1,427	3,162	1.3	657	1,565	6,172	14,708	0.6
V Non-operating expenses									
1. Interest expenses		949			1,291		12,130		
2. Loss on devaluation of inventories		1,199			2,440		22,926		
3. Loss on disposal of inventories		92			141		1,321		
4. Cost and expense for rental activities		278			114		1,072		
5. Foreign exchange losses		-			548		5,146		
6. Equity in losses of unconsolidated subsidiaries and affiliates		560			-		-		
7. Commission on refund of value-added taxes of overseas subsidiaries		206			-		-		
8. Other		399	3,683	1.5	1,038	5,571	9,750	52,345	2.3
Ordinary profit			16,105	6.7		5,075		47,691	2.1
VI Extraordinary gains									
1. Reversal of allowance for doubtful accounts		154			118		1,105		
2. Gain on sale of investment securities		-			91		854		
3. Income on prefectural government's grants		235			229		2,149		
4. Cumulative difference relating to the revision of allocation of fixed manufacturing costs		-			2,605		24,476		
5. Other		14	402	0.2	73	3,115	688	29,272	1.3
VII Extraordinary losses									
1. Loss on disposal of fixed assets	*2	533			522		4,903		
2. Loss on devaluation of investment securities		36			112		1,055		
3. Loss on devaluation of investment in affiliates		69			-		-		
4. Loss on business restructuring	*5	-			331		3,107		
5. Impairment loss	*4	2,159			346		3,251		
6. Other		83	2,880	1.2	429	1,740	4,032	16,348	0.7
Income before income taxes and minority interests			13,627	5.7		6,451		60,615	2.7
Current income taxes		7,307			4,177		39,253		
Deferred income taxes		(1,148)	6,159	2.6	(1,225)	2,953	(11,506)	27,747	1.2
Minority interests (or minority losses) in net income of consolidated subsidiaries			133	0.0		(112)		(1,055)	(0.0)
Net income			7,335	3.1		3,610		33,923	1.5

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

iii) [Consolidated Statements of Changes in Net Assets]
For the fiscal year ended June 30, 2007

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance on June 30, 2006 (millions of yen)	13,468	14,695	51,929	(6)	80,085
Changes during the fiscal year					
Increase from the increase in number of consolidated subsidiaries			278		278
Dividends from surplus			(1,587)		(1,587)
Net income			7,335		7,335
Purchase of treasury stock				(1)	(1)
Change in items other than shareholders' equity during the fiscal year (net)					
Total changes during the fiscal year (millions of yen)	-	-	6,026	(1)	6,025
Balance on June 30, 2007 (millions of yen)	13,468	14,695	57,955	(7)	86,111

	Valuation and translation adjustments			Minority interests	Total net assets
	Unrealized gain on securities, net of taxes	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance on June 30, 2006 (millions of yen)	1,537	1,134	2,671	4,870	87,627
Changes during the fiscal year					
Increase from the increase in number of consolidated subsidiaries					278
Dividends from surplus					(1,587)
Net income					7,335
Purchase of treasury stock					(1)
Change in items other than shareholders' equity during the fiscal year (net)	(76)	1,613	1,536	(823)	713
Total changes during the fiscal year (millions of yen)	(76)	1,613	1,536	(823)	6,738
Balance on June 30, 2007 (millions of yen)	1,461	2,747	4,208	4,047	94,365

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

For the fiscal year ended June 30, 2008

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance on June 30, 2007 (millions of yen)	13,468	14,695	57,955	(7)	86,111
Changes during the fiscal year					
Increase from the increase in number of consolidated subsidiaries			(226)		(226)
Dividends from surplus			(2,016)		(2,016)
Net income			3,610		3,610
Purchase of treasury stock				(2)	(2)
Change in items other than shareholders' equity during the fiscal year (net)					
Total changes during the fiscal year (millions of yen)	-	-	1,368	(2)	1,366
Balance on June 30, 2008 (millions of yen)	13,468	14,695	59,323	(10)	87,477

	Valuation and translation adjustments			Minority interests	Total net assets
	Unrealized gain on securities, net of taxes	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance on June 30, 2007 (millions of yen)	1,461	2,747	4,208	4,047	94,365
Changes during the fiscal year					
Increase from the increase in number of consolidated subsidiaries					(226)
Dividends from surplus					(2,016)
Net income					3,610
Purchase of treasury stock					(2)
Change in items other than shareholders' equity during the fiscal year (net)	(812)	(2,829)	(3,641)	(237)	(3,878)
Total changes during the fiscal year (millions of yen)	(812)	(2,829)	(3,641)	(237)	(2,512)
Balance on June 30, 2008 (millions of yen)	648	(82)	567	3,810	91,853

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

For the fiscal year ended June 30, 2008

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance on June 30, 2007 (thousands of U.S. dollars)	126,553	138,087	544,589	(69)	809,160
Changes during the fiscal year					
Increase from the increase in number of consolidated subsidiaries			(2,120)		(2,120)
Dividends from surplus			(18,948)		(18,948)
Net income			33,923		33,923
Purchase of treasury stock				(21)	(21)
Change in items other than shareholders' equity during the fiscal year (net)					
Total changes during the fiscal year (thousands of U.S. dollars)	-	-	12,855	(21)	12,833
Balance on June 30, 2008 (thousands of U.S. dollars)	126,553	138,087	557,444	(91)	821,993

	Valuation and translation adjustments			Minority interests	Total net assets
	Unrealized gain on securities, net of taxes	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance on June 30, 2007 (thousands of U.S. dollars)	13,726	25,812	39,538	38,025	886,723
Changes during the fiscal year					
Increase from the increase in number of consolidated subsidiaries					(2,120)
Dividends from surplus					(18,948)
Net income					33,923
Purchase of treasury stock					(21)
Change in items other than shareholders' equity during the fiscal year (net)	(7,634)	(26,579)	(34,213)	(2,225)	(36,439)
Total changes during the fiscal year (thousands of U.S. dollars)	(7,634)	(26,579)	(34,213)	(2,225)	(23,605)
Balance on June 30, 2008 (thousands of U.S. dollars)	6,092	(767)	5,325	35,800	863,118

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

iv) [Consolidated Statements of Cash Flows]

		For the fiscal year ended June 30, 2007	For the fiscal year ended June 30, 2008	
Title	Note no.	Amount (millions of yen)	Amount (millions of yen)	Amount (thousands of U.S. dollars)
I Cash flows from operating activities				
Income before income taxes and minority interests		13,627	6,451	60,615
Depreciation and amortization		7,980	10,932	102,727
Impairment loss		2,159	346	3,251
Increase (decrease) in allowance for doubtful accounts		212	(81)	(760)
Increase in accrued pension and severance costs for employees		1,084	1,123	10,554
Increase (decrease) in accrued pension and severance costs for directors and corporate auditors		(391)	64	602
Increase in accrued warranty costs		77	340	3,191
Loss on disposal of fixed assets		533	522	4,903
Gain on sale of investment securities		-	(91)	(854)
Loss on devaluation of investment securities		36	112	1,055
Loss on devaluation of investment in affiliates		69	-	-
Interest and dividend income		(339)	(398)	(3,741)
Interest expenses		949	1,291	12,130
Income on prefectural government's grants		(235)	(229)	(2,149)
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates		560	(36)	(341)
Decrease (increase) in accounts receivable, trade		(2,837)	10,089	94,804
Decrease (increase) in inventories		(18,739)	10,607	99,672
Increase (decrease) in accounts payable, trade		2,687	(8,082)	(75,948)
Increase in advances received		2,293	3,491	32,800
Increase (decrease) in accrued consumption taxes		(108)	326	3,064
Other		450	3,016	28,340
Subtotal		10,066	39,792	373,915
Interest and dividend income received		383	417	3,922
Interest expenses paid		(905)	(1,333)	(12,527)
Income taxes paid		(8,413)	(6,808)	(63,974)
Net cash provided by operating activities		1,131	32,068	301,336

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

Title	Note no.	For the fiscal year ended June 30, 2007 Amount (millions of yen)	For the fiscal year ended June 30, 2008 Amount (millions of yen)	Amount (thousands of U.S. dollars)
II Cash flows from investing activities				
Increase in time deposits		(754)	(1,930)	(18,139)
Decrease in time deposits		1,008	1,518	14,265
Payments for acquisition of tangible and intangible fixed assets		(27,809)	(27,241)	(255,972)
Proceeds from sale of tangible fixed assets		2,965	1,948	18,306
Payments for acquisition of investment securities		(2,122)	(440)	(4,130)
Proceeds from sale of investment securities		23	462	4,338
Payment for acquisition of subsidiaries		(164)	(57)	(540)
Proceeds from prefectural government's grants		235	229	2,149
Payments for long-term prepaid expenses		(210)	(32)	(300)
Payments for loan receivables		(253)	(289)	(2,713)
Proceeds from collection of loan receivables		227	247	2,326
Other		5	(359)	(3,373)
Net cash used in investing activities		(26,850)	(25,944)	(243,784)
III Cash flows from financing activities				
Net changes in short-term borrowings		7,435	(446)	(4,188)
Net decrease in commercial paper		-	(4,000)	(37,587)
Borrowing of long-term debt		14,222	17,416	163,653
Repayment of long-term debt		(12,108)	(12,727)	(119,594)
Proceeds from issuance of convertible bonds		15,500	-	-
Dividends paid by the parent company		(1,587)	(2,016)	(18,948)
Dividends paid by consolidated subsidiaries to minority shareholders		(156)	(46)	(435)
Proceeds from investment by minority shareholders		98	72	681
Other		333	(2)	(21)
Net cash provided by (used in) financing activities		23,738	(1,750)	(16,440)
IV Effect of exchange rate changes on cash and cash equivalents		658	(526)	(4,947)
V Increase (decrease) in cash and cash equivalents		(1,322)	3,849	36,165
VI Cash and cash equivalents at beginning of year		10,515	11,664	109,604
VII Cash and cash equivalents at beginning of year from newly consolidated of subsidiaries		2,472	1,464	13,755
VIII Cash and cash equivalents at end of year		11,664	16,977	159,524

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

Fundamental Items of Importance Concerning the Preparation of Consolidated Financial Statements

Item	For the fiscal year ended June 30, 2007	For the fiscal year ended June 30, 2008
1. Basis of preparation of consolidated financial statements	The accompanying consolidated financial statements of ULVAC, Inc. and its consolidated subsidiaries (hereinafter collectively referred to as the "Company") maintain their accounts and records in accordance with the provisions set forth in the Corporate Law of Japan and the Securities 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 ¥123.27 = US$1, the approximate exchange rate prevailing in the Japanese foreign exchange market at June 30, 2007.	The accompanying consolidated financial statements of ULVAC, Inc. and its consolidated subsidiaries (hereinafter collectively referred to as the "Company") 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 ¥106.42 = US$1, the approximate exchange rate prevailing in the Japanese foreign exchange market at June 30, 2008.
2. Scope of consolidation	(1) Number of consolidated subsidiaries: 27 Names of consolidated subsidiaries are as follows: ULVAC Materials, Inc. ULVAC-RIKO, Inc. ULVAC TECHNO, Ltd. ULVAC KYUSHU CORPORATION ULVAC TOHOKU, Inc. ULVAC SEIKI COMPANY, LIMITED ULVAC CORPORATE CENTER ULVAC Technologies, Inc. ULVAC KIKO, Inc. Reliance Electric Limited ULVAC EQUIPMENT SALES, Inc. ULVAC CRYOGENICS INCORPORATED ULVAC-PHI, Inc. ULVAC KOREA, Ltd. ULVAC TAIWAN, INC. ULVAC (NINGBO) CO., LTD. Litrex Corporation ULVAC SINGAPORE PTE LTD ULVAC (SUZHOU) Co., Ltd. ULVAC Orient (Chengdu) Co., Ltd. ULVAC-TTI 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. Sigma-Technos Co., Ltd. ULVAC (China) Holding Co., Ltd.; ULVAC MALAYSIA SDN. BHD.; Physical Electronics USA, Inc.; and Sigma-Technos Co., Ltd. are included in the scope of consolidation, since their importance has increased.	(1) Number of consolidated subsidiaries: 34 Names of consolidated subsidiaries are as follows: ULVAC Materials, Inc. ULVAC-RIKO, Inc. ULVAC TECHNO, Ltd. ULVAC KYUSHU CORPORATION ULVAC TOHOKU, Inc. ULVAC SEIKI COMPANY, LIMITED ULVAC CORPORATE CENTER ULVAC Technologies, Inc. ULVAC KIKO, Inc. Reliance Electric Limited ULVAC EQUIPMENT SALES, Inc. ULVAC CRYOGENICS INCORPORATED ULVAC-PHI, Inc. ULVAC KOREA, Ltd. ULVAC TAIWAN, INC. ULVAC (NINGBO) CO., LTD. Litrex Corporation 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. Sigma-Technos Co., Ltd. RAS Co., Ltd. TIGOLD CO., Ltd. Ulvac Korea Precision, Ltd. Pure Surface Technology, Ltd. ULVAC CRYOGENICS KOREA INCORPORATED ULVAC Taiwan Manufacturing Corp. ULTRA CLEAN PRECISION TECHNOLOGIES CORP.

Item	For the fiscal year ended June 30, 2007	For the fiscal year ended June 30, 2008
		RAS Co., Ltd., TIGOLD CO., Ltd., Ulvac Korea Precision, Ltd., Pure Surface Technology, Ltd., ULVAC CRYOGENICS KOREA INCORPORATED, ULVAC Taiwan Manufacturing Corp., ULTRA CLEAN PRECISION TECHNOLOGIES CORP. are included in the scope of consolidation, since their importance has increased. Also, the name "ULVAC-TTI Technology (Shanghai) Corporation" was changed to "ULVAC Automation Technology (Shanghai) Corporation." ULVAC Taiwan Manufacturing Corp. was merged with consolidated subsidiary ULVAC TAIWAN, INC., the surviving company, on August 1, 2008.
	(2) Number of unconsolidated subsidiaries: 23 Names of unconsolidated subsidiaries are as follows: ULVAC G.m.b.H. ULVAC SOFTWARE CREATIVE TECHNOLOGY, Co., Ltd. ULVAC Elder, Ltd. ULVAC Materials Taiwan, Inc. RAS Co., Ltd. Nisshin Seigyo ULVAC (SHANGHAI) CO., LTD. TIGOLD CO., Ltd. Ulvac Korea Precision, Ltd. Pure Surface Technology, Ltd. OOO ULVAC ULVAC CRYOGENICS KOREA INCORPORATED Initium, Inc. ULVAC Taiwan Manufacturing Corp. ULTRA CLEAN PRECISION TECHNOLOGIES CORP. ULVAC (THAILAND) LTD. ULVAC CRYOGENICS (NINGBO) INCORPORATED UF TECH, Ltd. ULVAC AUTOMATION TAIWAN INC. ULVAC Research Center KOREA, Ltd. ULVAC Research Center TAIWAN, Inc. ULVAC (Shanghai) Trading Co., Ltd. ULVAC NONFERROUS METALS (NINGBO) CO., LTD. The name of ULVAC System Control TAIWAN, Ltd. was changed to ULVAC SOFTWARE CREATIVE TECHNOLOGY, Co., Ltd.	(2) Number of unconsolidated subsidiaries: 17 Names of unconsolidated subsidiaries are as follows: ULVAC G.m.b.H. ULVAC SOFTWARE CREATIVE TECHNOLOGY, Co., Ltd. ULVAC Elder, Ltd. ULVAC Materials Taiwan, Inc. Nisshin Seigyo ULVAC (SHANGHAI) CO., LTD. OOO ULVAC Initium, Inc. ULVAC (THAILAND) LTD. ULVAC CRYOGENICS (NINGBO) INCORPORATED UF TECH, Ltd. ULVAC AUTOMATION TAIWAN INC. ULVAC Research Center KOREA, Ltd. ULVAC Research Center TAIWAN, Inc. ULVAC (Shanghai) Trading Co., Ltd. ULVAC NONFERROUS METALS (NINGBO) CO., LTD. ULVAC ENGINEERING, Inc.
	(3) Reasons why unconsolidated subsidiaries are excluded 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) Reasons why unconsolidated subsidiaries are excluded 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.

Item	For the fiscal year ended June 30, 2007	For the fiscal year ended June 30, 2008
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 ULVAC COATING CORPORATION SHOWA SHINKU CO., LTD. SANKO ULVAC Co., Ltd. (3) The cost method is applied to the investment in certain unconsolidated subsidiaries not accounted for by the equity method (23 companies) and affiliates not accounted for by the equity method (5 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.	(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 ULVAC COATING CORPORATION SHOWA SHINKU CO., LTD. SANKO ULVAC Co., Ltd. (3) The cost method is applied to the investment in certain unconsolidated subsidiaries not accounted for by the equity method (17 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 Reliance Electric Limited; ULVAC KOREA, Ltd.; ULVAC TAIWAN INC.; ULVAC (NINGBO) CO., LTD.; Litrex Corporation; ULVAC (SUZHOU) Co., Ltd.; ULVAC Orient (Chengdu) Co., Ltd.; ULVAC-TTI Technology (Shanghai) Corporation; ULVAC Tianma Electric (Jing Jiang) Co., Ltd.; ULVAC Vacuum Furnace (Shenyang) Co., Ltd. and ULVAC (China) Holding Co., Ltd. is December 31, and that of ULVAC Materials, Inc.; ULVAC CORPORATE CENTER; ULVAC KIKO, Inc.; ULVAC Technologies, Inc.; ULVAC SINGAPORE PTE LTD; ULVAC MALAYSIA SDN. BHD. and Sigma-Technos Co., Ltd. is March 31, while that of Physical Electronics USA, Inc. is May 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 and May 31, the Company uses their financial statements as of their fiscal year-end. Necessary adjustments are made regarding important transactions conducted between the Company's consolidated fiscal year-end and the fiscal year-end of consolidated subsidiaries.	The fiscal-year end of ULVAC (NINGBO) CO., LTD.; Litrex Corporation; 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. and ULVAC (China) Holding Co., Ltd. is December 31, and that of ULVAC Materials, Inc.; ULVAC CORPORATE CENTER; ULVAC KIKO, Inc.; ULVAC Technologies, Inc.; ULVAC SINGAPORE PTE LTD; ULVAC MALAYSIA SDN. BHD. and Sigma-Technos Co., Ltd. is March 31, while that of Physical Electronics USA, Inc. is May 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 and May 31, the Company uses their financial statements as of their fiscal year-end. Necessary adjustments are made regarding important transactions conducted between the Company's consolidated fiscal year-end and the fiscal year-end of consolidated subsidiaries. For the consolidated fiscal year ended June 30, 2008, the following companies changed their fiscal year-end from December 31 to June 30. Reliance Electric Limited ULVAC KOREA, Ltd. ULVAC TAIWAN, INC.

Item	For the fiscal year ended June 30, 2007	For the fiscal year ended June 30, 2008
5. Accounting policies	(1) Revenue recognition Revenues from production equipment in the vacuum business are recognized mainly at customer acceptance. With regard to export sales, revenues from the main units of production equipment are recognized when ownership is transferred (FOB shipping points) and revenues from installment and installation are recognized at customer acceptance.	(1) Revenue recognition Revenues from production equipment in the vacuum business are recognized mainly at customer acceptance. With regard to export sales, revenues from the main units of production equipment are recognized when ownership is transferred (FOB shipping points) and revenues from installment and installation are recognized at customer acceptance. Revenues from the integrated line for solar cell manufacturing are recognized at customer acceptance.
	(2) Valuation of major assets Inventories Inventories are generally stated at cost, with cost determined by the individual identification method. 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 cost 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	(2) Valuation of major assets Inventories Same as left. Securities 1) Bonds held to maturity: Same as left. 2) Other securities: Other securities with fair value Same as left. Other securities without fair value Same as left. Derivatives Same as left.
	(3) Depreciation and amortization of major fixed assets Depreciation of property, plant and equipment Deprecation 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 not exceeding 200,000 yen, are equally depreciated over three years. The useful lives for tangible fixed assets are mainly based on the same method stipulated in the Corporate Tax Law.	(3) Depreciation and amortization of major fixed assets Depreciation of property, plant and equipment Deprecation 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 (US$939.67) or more and not exceeding 200,000 yen (US$1,879.35), are equally depreciated over three years. The useful lives for tangible fixed assets are mainly based on the same method stipulated in the Corporate Tax Law.

Item	For the fiscal year ended June 30, 2007	For the fiscal year ended June 30, 2008
		(Change of accounting policy) Pursuant to the revision of the Corporate Income Tax Law, effective from the year ended June 30, 2008, the depreciation of tangible fixed assets acquired by the Company and its domestic consolidated subsidiaries on or after April 1, 2007 is calculated in accordance with the revised Corporate Income Tax Law. The effect of this change on the Company's consolidated financial statements was immaterial for the year ended June 30, 2008. (Additional information) Pursuant to the revision of the Corporate Income Tax Law, effective from the year ended June 30 2008, tangible fixed assets acquired prior to March 31, 2007 by the Company and its domestic consolidated subsidiaries are depreciated and amortized on a straight-line basis over five years from the following fiscal year when depreciation and amortization has reached the pre-established depreciable limits. The effect of this change on the Company's consolidated financial statements was immaterial for the year ended June 30, 2008.
	Amortization of intangible fixed 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. The useful lives for intangible fixed assets are mainly based on the same method stipulated in the Corporate Tax Law.	Amortization of intangible fixed assets Same as left.
	(4) Method of providing major reserves 1) Allowance for doubtful accounts An allowance for doubtful accounts is provided for estimated uncollectible doubtful accounts at an amount specifically assessed plus an amount computed based on historical loss experience.	(4) Method of providing major reserves 1) Allowance for doubtful accounts Same as left.
	2) Accrued bonuses for employees Accrued bonuses for employees are the estimated amounts expected to be paid to employees after the fiscal year-end, based on services provided during the current period.	2) Accrued bonuses for employees Same as left.
	3) Accrued bonuses for directors and corporate auditors Accrued bonuses for directors and corporate auditors are the estimated amounts expected to be paid to directors and corporate auditors.	3) Accrued bonuses for directors and corporate auditors Same as left.
	4) Accrued warranty costs Accrued warranty costs are provided in the amount of estimated future warranty costs based on the actual ratio of occurrence of such expenditure in the past.	4) Accrued warranty costs Same as left.

Item	For the fiscal year ended June 30, 2007	For the fiscal year ended June 30, 2008
	5) Accrued pension and severance costs for employees Accrued pension and severance costs for employees represent the projected benefit obligation in excess of the fair value of the plan assets, except for unrecognized transition obligation and unrecognized actuarial gain of loss. The unrecognized transition obligation (3,425 million yen) is to be amortized over ten years. Unrealized actuarial gains (losses) are recognized as expenses starting from the following consolidated fiscal year and amortized over a fixed number of years within the average remaining service period of the current employees (ten years) using the straight-line method.	5) Accrued pension and severance costs for employees Same as left.
	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 consolidated subsidiaries' internal retirement rule. ULVAC, Inc., abolished the retirement benefit plan for directors and corporate auditors effective the date of the ordinary general meeting of shareholders held on September 28, 2006. The amount of accrued retirement benefits for directors and corporate auditors for their services up to that date amounting to 352 million yen is included in "other" long term liabilities in the accompanying consolidated balance sheet.	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 consolidated subsidiaries' internal retirement rule.
	――――――――	7) Reserve for restructuring of business Reserve for restructuring of business is provided for predicted losses as a result of business restructuring.
	(5) 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 exchange rate at the consolidated balance sheet date, and resulting gains and losses included in net income for the year. Assets, liabilities, incomes and expenses of subsidiaries outside of Japan are translated into Japanese yen at the exchange rate at the 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 in consolidated subsidiaries.	(5) Standard for translation of major foreign-currency-denominated assets or liabilities into Japanese yen Same as left.

Item	For the fiscal year ended June 30, 2007	For the fiscal year ended June 30, 2008
	(6) Lease transactions Finance leases without option to transfer of ownership to the lessee are accounted for as operating leases. (7) Other items of importance concerning the preparation of consolidated financial statements 1) Consumption taxes and others Consumption taxes are excluded from the transaction accounts.	(6) Lease transactions Same as left. (7) Other items of importance concerning the preparation of consolidated financial statements 1) Consumption taxes and others Same as left.
6. Valuation of the assets and liabilities of consolidated subsidiaries	The difference between the cost and the underlying net equity of investments in consolidated subsidiaries measured at fair value at the time of acquisition is recognized as goodwill.	Same as left.
7. Amortization of goodwill	Goodwill is amortized on a systematic basis over its useful life or, where the useful life is not estimatable, amortized over a five-year period, with the exception of minor amounts which are charged to income or loss in the year of acquisition.	Same as left.
8. Cash and cash equivalents	Cash and cash equivalents in the consolidated statements of cash flows comprise of cash on hand, bank deposits available for withdrawal on demand, and short-term investments with maturities of three months or less, and which are exposed to minor risk of fluctuation in value.	Same as left.

Changes in Fundamental Items of Importance Concerning the Preparation of Consolidated Financial Statements

For the fiscal year ended June 30, 2007	For the fiscal year ended June 30, 2008
――――――――――	(Change of account classification for costs generated in the engineering divisions and the design divisions) Until the year ended June 30, 2007, all costs generated in the engineering divisions and the design divisions had been accounted for as cost of sales on the basis that these divisions belonged to one of the manufacturing departments. However, effective from the year ended June 30, 2008, these costs have been classified as operating activities, and the costs relating to sales support activities, sales price estimation activities as well as development activities has been classified to selling, general and administrative expenses. This change was made in order to present the Companies' activities more accurately on the operating results in response to increasing sales support activities as a result of the proactive hiring of employees in the engineering divisions and the design divisions together with increasing orders for new equipment shifting towards more developmentally advanced and technologically innovative items. This change was made in the current year in connection with the fact that the Company and certain domestic consolidated subsidiaries had completed the revision of the basis for the fixed manufacturing cost allocation more realistically by reviewing the operating activities unit within the manufacturing departments, reinforcing the control over the daily activity report and clearly classifying working hours into more detailed operating activities. As a result of this change, cost of sales decreased by 6,557 million yen (US$61,613 thousand) , gross profit increased by the same amount and selling, general and administrative expenses also increased by the same amount. There was no effect on operating profit, ordinary profit, income before income taxes or

	minority interests for the year ended June 30, 2008 in comparison to if the previous method had have been applied.

(Change in Presentation)

For the fiscal year ended June 30, 2007	For the fiscal year ended June 30, 2008
――――――――――	(Consolidated Balance Sheets) “Software” (1,428 million yen recorded in the previous consolidated fiscal year), which was included in the “Other” account of intangible fixed assets until the previous consolidated fiscal year, is listed separately due to the increased importance of the amount.
――――――――――	(Consolidated Statements of Income) “Royalty income” (13 million yen (US$124 thousand) recorded in the current consolidated fiscal year) and “Insurance income” (1 million yen (US$7 thousand) recorded in the current consolidated fiscal year), which were listed separately in non-operating income until the previous consolidated fiscal year, are included in the “Other” account of non-operating income due to the decreased importance of the amounts and in order to simplify presentation.

Additional Information

For the fiscal year ended June 30, 2007	For the fiscal year ended June 30, 2008
――――――――――	(Revision of the method of accounting for the allocation of fixed manufacturing costs) Until the year ended June 30, 2007, a portion of fixed manufacturing costs had been accounted for as cost of sales without any allocation to work in process. However, effective from the year ended June 30, 2008, these costs have been allocated to both work in process and cost of sales. This revision was made to calculate the manufacturing cost per unit for work orders more accurately by reallocating fixed manufacturing costs to work orders based on the direct operating hours, which had not been allocated to them in prior years. In addition, this revision was made in response to the growing importance of the amount of fixed manufacturing costs to be allocated to work in process in connection with increasing the indirect operating hours with the volume of work orders becoming larger and the manufacturing term becoming longer like the integrated line for solar cells manufacturing. As a result, the cumulative effect of this revision attributable to prior years of 2,605 million yen (US$24,476 thousand) was recorded as an extraordinary gains , on the basis that if the revision had have been applied retroactively, the impact on operating results each year would have been immaterial. As a result of this revision, cost of sales decreased by 1,038 million yen (US$9,749 thousand), operating profit and ordinary profit increased by the same amount and income before income taxes and minority interests increased by 3,642 million yen (US$34,225 thousand) in comparison to if the previous method had have been applied.

Notes to Consolidated Financial Statements

a) Notes to Consolidated Balance Sheets

<table>
<tr><th colspan="2">Previous fiscal year
As of June 30, 2007</th><th colspan="2">Current fiscal year
As of June 30, 2008</th></tr>
<tr><td>*1</td><td>Investments in unconsolidated subsidiaries and affiliates are as follows:

Millions of yen
Investment securities (shares) 11,725
Investments and other assets (other) (Investments) 1,013</td><td>*1</td><td>Investments in unconsolidated subsidiaries and affiliates are as follows:

Millions of yen / Thousands of U.S. dollars
Investment securities (shares) 5,609 / 52,706
Investments and other assets (other) (Investments) 995 / 9,352</td></tr>
<tr><td>2</td><td>Contingent liabilities
The Company commits to provide guarantees for the lease liabilities of the following subsidiaries:

Millions of yen
TIGOLD CO., Ltd. 195
Ulvac Korea Precision, Ltd. 363
Pure Surface Technology, Ltd. 360
Initium, Inc. 8</td><td>2</td><td>Contingent liabilities
The Company guarantees the loans that the following subsidiary takes out with financial institutions:

Millions of yen / Thousands of U.S. dollars
ULVAC G.m.b.H. 2 / 22

The Company commits to provide guarantees for the lease liabilities of the following subsidiary:

ULVAC NONFERROUS METALS (NINGBO) CO., LTD. 16 / 151</td></tr>
<tr><td>*3</td><td>Details of collateral and secured liabilities
(1) Collateral

Millions of yen
• Factory foundation
Land 504
Buildings and structures 5,767
Machinery, equipment and vehicles 257
Total 6,528
• Land 172
• Buildings and structures 71
Total 243

(2) Secured liabilities
• Short-term borrowings 1,857
• Long-term debt 3,511
Total 5,368</td><td>*3</td><td>Details of collateral and secured liabilities
(1) Collateral

Millions of yen / Thousands of U.S. dollars
• Factory foundation
Land 504 / 4,737
Buildings and structures 5,235 / 49,192
Machinery, equipment and vehicles 186 / 1,752
Total 5,926 / 55,681
• Land 172 / 1,614
• Buildings and structures 120 / 1,124
• Machinery, equipment and vehicles 155 / 1,453
Total 446 / 4,192
(2) Secured liabilities
• Short-term borrowings 1,106 / 10,392
• Long-term debt 3,488 / 32,775
Total 4,594 / 43,167</td></tr>
</table>

	Previous fiscal year As of June 30, 2007		Current fiscal year As of June 30, 2008
*4	Notes receivable and payable due on the last day of the consolidated fiscal year Notes receivable and payable due on the last day of the current consolidated fiscal year are deemed to have been settled on the due date, though the last day of the current consolidated fiscal year was a holiday for financial institutions. Notes receivable and payable due on the last day of the consolidated fiscal year that were excluded from the balance as of the end of the current consolidated fiscal year are as follows: Millions of yen Notes receivable 1,060 Notes payable 824 Current liabilities, "other" (Notes payable for facilities) 162	*4	――――――――――
5	The Company has concluded contracts for the commitment line for loans with two banks. The unrealized balance of these contracts for the commitment line for loans at the end of this consolidated fiscal year is as follows. Millions of yen Total amount of the commitment line for loans 10,000 Realized balance - Net 10,000	5	The Company has concluded contracts for the commitment line for loans with two banks. The unrealized balance of these contracts for the commitment line for loans at the end of this consolidated fiscal year is as follows. Millions of yen / Thousands of U.S. dollars Total amount of the commitment line for loans 10,000 / 93,967 Realized balance - / - Net 10,000 / 93,967
*6	The amount of prefectural government grants for the acquisition of land amounting to 19 million yen is directly reduced the value of land in conformity of the Corporate Tax Law for the current fiscal year. The total amount of reduced value for land due to the receiving of prefectural government grants is 128 million yen.	*6	The total amount of reduced value for land due to the receiving of prefectural government grants is 128 million yen (US$1,203 thousand).

b) Notes to Consolidated Statements of Income

<table>
<tr><th colspan="2">For the fiscal year ended
June 30, 2007</th><th colspan="2">For the fiscal year ended
June 30, 2008</th></tr>
<tr><td>*1</td><td>Major expense items of selling, general and administrative expenses and their amounts are as follows:

Millions of yen
Employee salaries 7,303
Transfer to reserve for bonuses to employees 464
Transfer to accrued bonuses to directors and corporate auditors 495
Transfer to reserve for retirement benefits to employees 662
Transfer to reserve for retirement benefits to directors and corporate auditors 190
Depreciation 1,172
Travel and transportation expenses 1,750
Commission 2,020
Research and development cost 4,886
Transfer to allowance for doubtful accounts 393</td>
<td>*1</td><td>Major expense items of selling, general and administrative expenses and their amounts are as follows:

(Millions of yen / Thousands of U.S. dollars)
Employee salaries 7,555 70,988
Transfer to reserve for bonuses to employees 453 4,257
Transfer to accrued bonuses to directors and corporate auditors 304 2,855
Transfer to reserve for retirement benefits to employees 714 6,705
Transfer to reserve for retirement benefits to directors and corporate auditors 164 1,542
Depreciation 1,388 13,045
Travel and transportation expenses 1,744 16,392
Commission 1,549 14,553
Research and development cost 4,930 46,328
Transfer to allowance for doubtful accounts 70 661
Support costs for sales activities by manufacturing departments 6,557 61,613</td></tr>
<tr><td>*2</td><td>The breakdown of losses on disposal of fixed assets is as follows:

Millions of yen
Buildings and structures 338
Machinery, equipment and vehicles 162
Tools, furniture and fixtures 32
Software 1
Total 533</td>
<td>*2</td><td>The breakdown of losses on disposal of fixed assets is as follows:

(Millions of yen / Thousands of U.S. dollars)
Buildings and structures 319 2,998
Machinery, equipment and vehicles 189 1,779
Tools, furniture and fixtures 11 106
Software 2 21
Total 522 4,903</td></tr>
<tr><td>*3</td><td>Research and development cost included in selling, general and administrative expenses and manufacturing cost for the current fiscal year amounts to 8,865 million yen.</td>
<td>*3</td><td>Research and development cost included in selling, general and administrative expenses and manufacturing cost for the current fiscal year amounts to 8,586 million yen (US$80,678 thousand).</td></tr>
<tr><td>*4</td><td>The breakdown of impairment losses is as follows:
(1) Assets for which impairment losses are recognized
<table><tr><th>Use</th><th>Type of asset</th><th>Location</th></tr>
<tr><td>-</td><td>Goodwill</td><td>The U.S
Litrex Corporation</td></tr>
<tr><td>Facility for bonding</td><td>Machinery, equipment and vehicles</td><td>China
ULVAC (SUZHOU) Co., Ltd.</td></tr></table></td>
<td>*4</td><td>The breakdown of impairment losses is as follows:
(1) Assets for which impairment losses are recognized.
<table><tr><th>Use</th><th>Type of asset</th><th>Location</th></tr>
<tr><td>-</td><td>Goodwill</td><td>Sigma-Technos Co., Ltd.</td></tr>
<tr><td>Factory</td><td>Buildings and structures</td><td>Korea
Pure Surface Technology, Ltd.</td></tr></table></td></tr>
<tr><td></td><td>(2) Circumstances for the recognition of impairment losses-
The Company recognizes impairment losses on goodwill because earnings are not expected as promised business plan.
The book value of the facility for bonding was devalued to its recoverable amount after consideration of the net sales price because it was decided to sell the facility.
(3) Amounts of impairment loss-

Millions of yen
Goodwill 2,114
Machinery, equipment and vehicles 45
Total 2,159</td>
<td></td><td>(2) Circumstances for the recognition of impairment losses-
The Company recognizes impairment losses on goodwill because earnings are not expected as promised business plan.
The book value of the factory was devalued to its recoverable amount after consideration of the net sales price because it was decided to sell the building.
(3) Amounts of impairment loss-

(Millions of yen / Thousands of U.S. dollars)
Goodwill 266 2,503
Buildings and structures 80 748
Total 346 3,251</td></tr>
</table>

	For the fiscal year ended June 30, 2007		For the fiscal year ended June 30, 2008
	(4) Asset grouping method- The Group classified assets by segment, business type, and investment target when applying impairment accounting. For assets planned to be sold, each asset is separately evaluated for impairment on an individual asset level mentioned above. (5) Calculation method of recoverable amount- The balance of the unamortized portion of goodwill, which is considered to be unable to bring profits in the future, was fully impaired and recognized as an impairment loss. The book value of the facility for bonding was devalued to its recoverable amount, and the difference between the recoverable amount and the book value was recognized as a loss on impairment of fixed assets. The recoverable amount is based on net sales price, and the assumed sales price is used for the net sales price.		(4) Asset grouping method- Same as left. (5) Calculation method of recoverable amount- The balance of the unamortized portion of goodwill, which is considered to be unable to bring profits in the future, was fully impaired and recognized as an impairment loss. The book value of the factory was devalued to its recoverable amount, and the difference between the recoverable amount and the book value was recognized as a loss on impairment of fixed assets. The recoverable amount is based on net sales price, and the assumed sales price is used for the net sales price.
*5	___________________	*5	Estimated losses as a result of the restructuring of some businesses.

c) Notes to Consolidated Statements of Changes in Net Assets
For the fiscal year ended June 30, 2007

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

Type of stock	Number of shares at the end of the previous 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	42,905,938	-	-	42,905,938

2. Matters related to treasury stock (Shares)

Type of stock	Number of shares at the end of the previous 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	8,868	313	45	9,136

(Outline of reasons for fluctuations)
The breakdown of the increase in number of shares of treasury stock is as follows:
Increase from purchases of less-than-one-unit shares 313 shares
The breakdown of the decrease in number of shares of treasury stock is as follows:
Decrease from the request for additional purchase of less-than-one-unit shares 6 shares
Own shares (shares of the Company) that were held by companies accounted for by the equity method and belonging to the Company 39 shares

3. Matters related to dividends
(1) Amount of dividends paid

Resolution	Type of stock	Total amount of dividends (millions of yen)	Dividend per share (yen)	Base date	Effective date
Ordinary general meeting of shareholders held on September 28, 2006	Common stock	1,587	37.00	June 30, 2006	September 29, 2006

(2) Of the dividends whose base dates belong to the fiscal year ended June 30, 2007, those whose effective dates are in the following consolidated fiscal year

Resolution	Type of stock	Total amount of dividends (millions of yen)	Fiscal resource of dividends	Dividend per share (yen)	Base date	Effective date
Ordinary general meeting of shareholders held on September 27, 2007	Common stock	2,017	Retained earnings	47.00	June 30, 2007	September 28, 2007

For the fiscal year ended June 30, 2008

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

Type of stock	Number of shares at the end of the previous 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	42,905,938	-	-	42,905,938

2. Matters related to treasury stock (Shares)

Type of stock	Number of shares at the end of the previous 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	9,136	583	2	9,717

(Outline of reasons for fluctuations)

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

Increase from purchase of less-than-one-unit shares 296 shares

Own shares (shares of the Company) that are held by companies accounted for by the equity method and belong to the Company 287 shares

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

Decrease from the request for additional purchase of less-than-one-unit shares 2 shares

3. Matters related to dividends

(1) Amount of dividends paid

Resolution	Type of stock	Total amount of dividends (millions of yen)	Dividend per share (yen)	Base date	Effective date
Ordinary general meeting of shareholders held on September 27, 2007	Common stock	2,016	47.00	June 30, 2007	September 28, 2007

(2) Of the dividends whose base dates belong to the fiscal year ended June 30, 2008, those whose effective dates are in the following consolidated fiscal year

Resolution	Type of stock	Total amount of dividends (millions of yen)	Fiscal resource of dividends	Dividend per share (yen)	Base date	Effective date
Ordinary general meeting of shareholders held on September 29, 2008	Common stock	901	Retained earnings	21.00	June 30, 2008	September 30, 2008

Resolution	Type of stock	Total amount of dividends (thousands of U.S. dollars)	Fiscal resource of dividends	Dividend per share (U.S. dollars)	Base date	Effective date
Ordinary general meeting of shareholders held on September 29, 2008	Common stock	8,466	Retained earnings	0.20	June 30, 2008	September 30, 2008

d) Notes to Consolidated Statements of Cash Flows

For the fiscal year ended June 30, 2007

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

	Millions of yen
Cash on hand and in banks	11,889
Time deposits with maturities over three months	(225)
Cash and cash equivalents	11,664

For the fiscal year ended June 30, 2008

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

	Millions of yen	Thousands of U.S. dollars
Cash on hand and in banks	17,603	165,409
Time deposits with maturities over three months	(626)	(5,885)
Cash and cash equivalents	16,977	159,524

(Lease Transactions)

For the fiscal year ended June 30, 2007	For the fiscal year ended June 30, 2008
1. Lease assets and the related expense for the Company's finance leases without options to transfer the ownership to the lessee are accounted for as operating lease. If such leases had been capitalized,	1. Lease assets and the related expense for the Company's finance leases without options to transfer the ownership to the lessee are accounted for as operating lease. If such leases had been capitalized,
1) Acquisition cost, accumulated depreciation and book value of leased properties would have been as follows:	1) Acquisition cost, accumulated depreciation and book value of leased properties would have been as follows:

For the fiscal year ended June 30, 2007

	Tools, furniture and fixtures	Other	Total
	Millions of yen	Millions of yen	Millions of yen
Acquisition cost	2,282	4,818	7,100
Accumulated depreciation	(1,047)	(1,649)	(2,696)
Book value	1,235	3,169	4,405

Acquisition cost are computed by including interests paid because the ratio of future lease payments obligation to the term-end balance of property, plant and equipment is small.

For the fiscal year ended June 30, 2008

	Machinery, equipment and vehicles	Tools, furniture and fixtures	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Acquisition cost	4,116	2,541	913	7,570
Accumulated depreciation	(1,691)	(1,321)	(415)	(3,428)
Book value	2,424	1,220	498	4,142

	Machinery, equipment and vehicles	Tools, furniture and fixtures	Other	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Acquisition cost	38,674	23,880	8,579	71,133
Accumulated depreciation	(15,892)	(12,416)	(3,901)	(32,209)
Book value	22,782	11,463	4,678	38,923

Refer to column as on the left.

2) Future lease payments obligations are as follows:

For the fiscal year ended June 30, 2007:

	Millions of yen
Due within one year	1,122
Due after one year	3,283
Total	4,405

Future lease payments obligation are computed by including interests paid because the ratio of future lease payments obligation to the term-end balance of property, plant and equipment is small.

For the fiscal year ended June 30, 2008:

	Millions of yen	Thousands of U.S. dollars
Due within one year	1,163	10,929
Due after one year	2,979	27,994
Total	4,142	38,923

Refer to column as on the left.

3) Lease payments are and depreciation expense would had been as follows:

For the fiscal year ended June 30, 2007:

	Millions of yen
Lease payments	1,032
Depreciation expense	1,032

For the fiscal year ended June 30, 2008:

	Millions of yen	Thousands of U.S. dollars
Lease payments	1,441	13,542
Depreciation expense	1,441	13,542

4) Calculation method of depreciation

For the fiscal year ended June 30, 2007: Depreciation expenses are calculated using the straight-line method over the lease term without residual value.

For the fiscal year ended June 30, 2008: Refer to column as on the left.

2. Operating leases

Obligation for future lease payments

For the fiscal year ended June 30, 2007:

	Millions of yen
Due within one year	104
Due after one year	375
Total	479

For the fiscal year ended June 30, 2008:

	Millions of yen	Thousands of U.S. dollars
Due within one year	129	1,208
Due after one year	395	3,716
Total	524	4,924

(Securities)

1. Other securities with fair values

	Type	Previous fiscal year As of June 30, 2007			Current fiscal year As of June 30, 2008					
		(millions of yen)			(millions of yen)			(thousands of U.S. dollars)		
		Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition cost	Stocks	1,480	3,342	1,862	584	1,480	896	5,489	13,907	8,418
Securities with book values not exceeding acquisition cost	Stocks	23	21	(2)	937	702	(235)	8,805	6,594	(2,211)
Total		1,503	3,363	1,860	1,521	2,182	661	14,294	20,500	6,207

Note: "Securities with book values not exceeding acquisition cost" include those for which impairment losses are recognized, and the amounts after the recognition of impairment losses are recorded.
The total amount of accumulated impairment losses was 36 million yen in the previous consolidated fiscal year and 112 million yen (US$1,055 thousand) in the current consolidated fiscal year.

2. Other securities which were sold during the previous and current consolidated fiscal years

For the fiscal year ended June 30, 2007			For the fiscal year ended June 30, 2008					
(millions of yen)			(millions of yen)			(thousands of U.S. dollars)		
Proceeds from sale	Gains on sale	Losses on sale	Proceeds from sale	Gains on sale	Losses on sale	Proceeds from sale	Gains on sale	Losses on sale
23	-	-	462	91	11	4,338	854	102

3. Major securities which are not marked to market

	Previous fiscal year As of June 30, 2007	Current fiscal year As of June 30, 2008	
	Book value	Book value	
	(millions of yen)	(millions of yen)	(thousands of U.S. dollars)
1) Shares in subsidiaries and affiliates Shares in subsidiaries and affiliates	10,174	4,005	37,638
2) Other securities Unlisted stocks	467	172	1,615

(Derivative Transactions)

1. Circumstances of derivative transactions

For the fiscal year ended June 30, 2007	For the fiscal year ended June 30, 2008
1) Details of derivative transactions The Company and consolidated subsidiaries engage in forward foreign exchange contracts and interest rate swaps as derivative financial transactions.	1) Details of derivative transactions Refer to column as on the left.
2) Transaction guidelines The Company and consolidated subsidiaries carry out forward foreign exchange contracts in order to hedge exchange risks that occur financially and are consistent with business activities, and conduct interest rate swaps in a bid to hedge fluctuation risks of interest rates regarding variable-rate liabilities. They do not engage in speculative transactions or transactions aimed at obtaining short-term profit on own account trading.	2) Transaction guidelines Refer to column as on the left.
3) Purpose of using derivative transactions Forward foreign exchange contracts are utilized to hedge fluctuation risks of future exchange rates regarding foreign currency-denominated claims and liabilities within the scope of normal transactions, and interest rate swaps are used to hedge risk of interest rate rises.	3) Purpose of using derivative transactions Refer to column as on the left.
4) Details of transaction-related risk Forward foreign exchange contracts are exposed to the market risk resulting from fluctuations in exchange rates, while interest rate swaps involve risk attributed to fluctuations in market interest rates. The credit risks associated with these derivatives are considered low because all the counterparties of these derivative contracts are banks with high credit standings.	4) Details of transaction-related risk Refer to column as on the left.
5) Derivative transaction risk control structure Derivative transactions are carried out by each company, and execution and control of the transactions are conducted by the financial department of each company. To prevent illegal transactions, information on derivative transactions is reported to and confirmed by the director in charge for each transaction.	5) Derivative transaction risk control structure Refer to column as on the left.

2. Fair value of derivatives

Contract values of derivative transactions, fair value and unrealized gains (losses)

(1) Currency-related transactions

Classification	Type	Previous fiscal year As of June 30, 2007				Current fiscal year As of June 30, 2008							
		(millions of yen)				(millions of yen)				(thousands of U.S. dollars)			
		Contract value	Over one year	Fair value	Unrealized gains (losses)	Contract value	Over one year	Fair value	Unrealized gains (losses)	Contract value	Over one year	Fair value	Unrealized gains (losses)
Transactions other than market transactions	Forward foreign exchange contracts												
	Sold												
	U.S. dollar	2,278	-	2,368	(90)	1,462	-	1,481	(20)	13,734	-	13,919	(185)
	Bought												
	U.S. dollar	1,340	-	1,390	50	613	-	618	5	5,760	-	5,810	50
	Euro	304	-	314	10	146	-	148	2	1,373	-	1,393	20
	Pound sterling	101	-	112	10	92	-	93	1	865	-	877	12
Total		-	-	-	(19)	-	-	-	(11)	-	-	-	(103)

Note: Calculation of fair values

Fair values are based on forward exchange rates.

(2) Interest rate-related transactions

Classification	Type	Previous fiscal year As of June 30, 2007				Current fiscal year As of June 30, 2008							
		(millions of yen)				(millions of yen)				(thousands of U.S. dollars)			
		Contract value	Over one year	Fair value	Unrealized gains (losses)	Contract value	Over one year	Fair value	Unrealized gains (losses)	Contract value	Over one year	Fair value	Unrealized gains (losses)
Transactions other than market transactions	Interest rate swaps Receive float/ pay fixed	450	450	2	2	450	450	0	0	4,229	4,229	(2)	(2)

Notes:

1. Calculation of fair values
   Fair values are based on the prices presented by financial institutions with which interest rate swap contracts are concluded.
2. The amounts of assumed principal under interest rate swap contracts themselves do not indicate the volume of market risk concerning derivative transactions.

(Retirement Benefit Plans)

<table>
<tr><th>For the fiscal year ended
June 30, 2007</th><th>For the fiscal year ended
June 30, 2008</th></tr>
<tr><td>1. Outline of adopted employee retirement benefit plans
The Company and domestic consolidated subsidiaries provide a tax-qualified pension plan and a lump-sum severance payment plan as defined-benefit corporate pension plans.
Extra payments, which are not subject to the retirement benefit obligation by mathematical calculation based on retirement benefit accounting, may be added upon retirement of employees of the Company and its consolidated subsidiaries.</td><td>1. Outline of adopted employee retirement benefit plans
Refer to column as on the left.</td></tr>
<tr><td>2. Retirement benefit obligations
(As of June 30, 2007)

Millions of yen
(1) Projected benefit obligation (21,046)
(2) Plan assets 7,135
(3) Unfunded retirement benefit obligation (1) + (2) (13,911)
(4) Unrecognized net obligation on the date of initial application of the new accounting standards for employee retirement benefits 993
(5) Unrecognized actuarial differences 1,524
(6) Unrecognized prior service cost -
(7) Net amount on the consolidated balance sheets (3) + (4) + (5) + (6) (11,394)
(8) Prepaid pension cost -
(9) Reserve for retirement benefits (7) – (8) (11,394)
Note: Some consolidated subsidiaries adopt the non-actuarial method for calculating projected benefit obligations.</td><td>2. Retirement benefit obligations
(As of June 30, 2008)
Millions of yen / Thousands of U.S. dollars
(1) Projected benefit obligation (22,319) (209,730)
(2) Plan assets 7,800 73,298
(3) Unfunded retirement benefit obligation (1) + (2) (14,519) (136,432)
(4) Unrecognized net obligation on the date of initial application of the new accounting standards for employee retirement benefits 659 6,194
(5) Unrecognized actuarial differences 1,279 12,014
(6) Unrecognized prior service cost - -
(7) Net amount on the consolidated balance sheets (3) + (4) + (5) + (6) (12,581) (118,223)
(8) Prepaid pension cost - -
(9) Reserve for retirement benefits (7) – (8) (12,581) (118,223)
Note: Some consolidated subsidiaries adopt the non-actuarial method for calculating projected benefit obligations.</td></tr>
<tr><td>3. Retirement benefit expenses
(For the fiscal year ended June 30, 2007)

Millions of yen
(1) Service cost 1,562
(2) Interest cost 289
(3) Expected return on plan assets (147)
(4) Amortization of unrecognized net obligation on the date of initial application of the new accounting standards for employee retirement benefits 334
(5) Amortization of actuarial differences 247
(6) Net retirement benefit expenses 2,285</td><td>3. Retirement benefit expenses
(For the fiscal year ended June 30, 2008)
Millions of yen / Thousands of U.S. dollars
(1) Service cost 1,659 15,588
(2) Interest cost 336 3,161
(3) Expected return on plan assets (175) (1,642)
(4) Amortization of unrecognized net obligation on the date of initial application of the new accounting standards for employee retirement benefits 334 3,138
(5) Amortization of actuarial differences 277 2,599
(6) Net retirement benefit expenses 2,431 22,845</td></tr>
<tr><td>4. Basis for calculation of projected benefit obligations
(1) Discount rate: 2.0%–2.5%
(2) Expected rate of return on plan assets: 1.0%–3.0%
(3) Method of attributing the projected benefits to periods of service: Term straight-line basis
(4) Number of years for amortization of unrecognized prior service cost: -
(5) Number of years for amortization of unrecognized net obligation on the date of initial application of the new accounting standards for employee retirement benefits: 10 years
(6) Number of years for amortization of unrealized actuarial differences: 10 years</td><td>4. Basis for calculation of projected benefit obligations
(1) Discount rate: 2.0%
(2) Expected rate of return on plan assets: 1.0%–3.0%
(3) Method of attributing the projected benefits to periods of service: Term straight-line basis
(4) Number of years for amortization of unrecognized prior service cost: -
(5) Number of years for amortization of unrecognized net obligation on the date of initial application of the new accounting standards for employee retirement benefits: 10 years
(6) Number of years for amortization of unrealized actuarial differences: 10 years</td></tr>
</table>

(Deferred Tax Assets and Liabilities)

Previous fiscal year
As of June 30, 2007

1. Significant components of deferred tax assets and liabilities

	Millions of yen
(Deferred tax assets)	
(1) Deferred tax assets (current)	
Accrued enterprise tax	354
Inventories (unrealized gains, devaluation losses)	2,416
Accrued bonuses	617
Accrued warranty costs	1,125
Other	295
Subtotal deferred tax assets (current)	4,807
Provision for valuation allowance	(39)
Total deferred tax assets (current)	4,768
(2) Deferred tax assets (fixed)	
Accrued pension and severance costs for employees	4,375
Accrued pension and severance costs for directors and corporate auditors	431
Tax loss carried forward	389
Devaluation loss on investment securities	799
Other	230
Subtotal deferred tax assets (fixed)	6,225
Provision for valuation allowance	(1,160)
Total deferred tax assets (fixed)	5,065
(3) Total deferred tax assets	9,832
(Deferred tax liabilities)	
(1) Deferred tax liabilities (current)	
Adjustment for allowance for doubtful accounts	(47)
Total deferred tax liabilities (current)	(47)
(2) Deferred tax liabilities (fixed)	
Special reserve for income tax deferred	(336)
Unrealized gain on securities, net of taxes	(390)
Total deferred tax liabilities (fixed)	(726)
(3) Total deferred tax liabilities	(773)
Net deferred tax assets	9,059

Current fiscal year
As of June 30, 2008

1. Significant components of deferred tax assets and liabilities

	Millions of yen	Thousands of U.S. dollars
(Deferred tax assets)		
(1) Deferred tax assets (current)		
Accrued enterprise tax	144	1,355
Inventories (unrealized gains, devaluation losses)	2,768	26,008
Accrued bonuses	570	5,357
Accrued warranty costs	1,194	11,218
Other	579	5,443
Subtotal deferred tax assets (current)	5,255	49,381
Provision for valuation allowance	(3)	(28)
Total deferred tax assets (current)	5,252	49,352
(2) Deferred tax assets (fixed)		
Accrued pension and severance costs for employees	4,884	45,895
Accrued pension and severance costs for directors and corporate auditors	446	4,188
Tax loss carried forward	1,136	10,672
Devaluation loss on investment securities	580	5,454
Other	334	3,135
Subtotal deferred tax assets (fixed)	7,379	69,344
Provision for valuation allowance	(946)	(8,893)
Total deferred tax assets (fixed)	6,433	60,450
(3) Total deferred tax assets	11,685	109,803
(Deferred tax liabilities)		
(1) Deferred tax liabilities (current)		
Adjustment for allowance for doubtful accounts	(35)	(329)
Other	(507)	(4,768)
Total deferred tax liabilities (current)	(542)	(5,098)
(2) Deferred tax liabilities (fixed)		
Special reserve for income tax deferred	(389)	(3,656)
Other	(78)	(732)
Total deferred tax liabilities (fixed)	(467)	(4,388)
(3) Total deferred tax liabilities	(1,009)	(9,485)
Net deferred tax assets	10,676	100,317

Previous fiscal year As of June 30, 2007		Current fiscal year As of June 30, 2008	
2. A reconciliation of the differences between the statutory tax rate and the effective income tax rate		2. A reconciliation of the differences between the statutory tax rate and the effective income tax rate	
Statutory tax rate	40.3 %	Statutory tax rate	40.3 %
(Adjustments)		(Adjustments)	
Permanent non-deductible expenses, including entertainment expenses	3.4	Permanent non-deductible expenses, including entertainment expenses	3.8
Losses on investments using the equity method	1.7	Credit for income tax	2.3
Special deduction for experimental and research expenses	(4.1)	Special deduction for experimental and research expenses	(5.6)
Amortization of goodwill	0.3	Tax rate difference of overseas subsidiaries	2.0
Tax rate difference of overseas subsidiaries	(5.2)	Valuation allowance	1.6
Valuation allowance	4.7	Other	1.4
Other	4.2	Effective income tax rate	45.8
Effective income tax rate	45.2		

(Segment Information)
[Segment information by type of business]

(Millions of yen)

Title	For the fiscal year ended June 30, 2007				
	Vacuum business	Other business	Total	Elimination or corporate total	Consolidated
I Net sales and operating profit/loss					
Net sales					
(1) Sales to outside customers	206,648	32,503	239,151	-	239,151
(2) Intersegment	812	8,185	8,997	(8,997)	-
Total	207,460	40,688	248,148	(8,997)	239,151
Operating expenses	192,797	39,121	231,918	(9,393)	222,526
Operating profit	14,663	1,567	16,230	396	16,625
II Assets, depreciation, impairment loss and capital expenditure					
Assets	272,366	41,380	313,746	3,831	317,577
Depreciation	6,933	1,049	7,982	(3)	7,980
Impairment loss	2,159	-	2,159	-	2,159
Capital expenditure	29,084	3,024	32,109	-	32,109

(Millions of yen)

Title	For the fiscal year ended June 30, 2008				
	Vacuum business	Other business	Total	Elimination or corporate total	Consolidated
I Net sales and operating profit/loss					
Net sales					
(1) Sales to outside customers	200,461	40,752	241,212	-	241,212
(2) Intersegment	505	5,623	6,128	(6,128)	-
Total	200,965	46,375	247,340	(6,128)	241,212
Operating expenses	192,588	46,510	239,098	(6,967)	232,132
Operating profit	8,377	(135)	8,242	839	9,081
II Assets, depreciation, impairment loss and capital expenditure					
Assets	254,849	45,866	300,715	2,354	303,069
Depreciation	9,129	1,805	10,935	(2)	10,932
Impairment loss	266	80	346	-	346
Capital expenditure	19,751	3,632	23,382	-	23,382

(Thousands of U.S. dollars)

Title	For the fiscal year ended June 30, 2008				
	Vacuum business	Other business	Total	Elimination or corporate total	Consolidated
I Net sales and operating profit/loss					
Net sales					
(1) Sales to outside customers	1,883,675	382,932	2,266,607	-	2,266,607
(2) Intersegment	4,743	52,840	57,583	(57,583)	-
Total	1,888,418	435,772	2,324,190	(57,583)	2,266,607
Operating expenses	1,809,702	437,042	2,246,744	(65,465)	2,181,279
Operating profit	78,716	(1,270)	77,446	7,882	85,328
II Assets, depreciation, impairment loss and capital expenditure					
Assets	2,394,747	430,990	2,825,737	22,116	2,847,853
Depreciation	85,784	16,965	102,749	(22)	102,727
Impairment loss	2,503	748	3,251	-	3,251
Capital expenditure	185,590	34,127	219,718	-	219,718

Notes:

1. Method of business segmentation
   Businesses are segmented in consideration of the commonality of production technologies and uses.
2. Major products of each business segment

Business segment	Major products
Vacuum business	Includes vacuum melting furnaces, vacuum deposition equipment, sputtering equipment, plasma CVD systems, ion implanter, vacuum pumps, vacuum valves, vacuum gauges, surface profiler, dry etching equipment and sales, modification, repair, overhaul, relocation of vacuum-related equipment; and sales of components and expendable supplies
Other business	DRP materials; titanium and zirconium products; tantalum, niobium, molybdenum, and tungsten products; superconductive products; special surface treatment; thermal analysis and thermo-physical property measuring instruments; near infrared image furnace application equipment; drive units for various types of industrial machinery; distributed control units; and others

3. Operating expenses do not include operating expenses that cannot be allocated, which are included in “elimination or corporate total.”
4. Of assets, corporate total assets included in “elimination or corporate total” amounted to 3,831 million yen in the previous consolidated fiscal year and 2,354 million yen (US$22,120 thousand) in this consolidated fiscal year. They are mainly long-term investment assets (investment securities) and assets related to the administrative division.
5. As mentioned in the additional information, the Company and some of its domestic consolidated subsidiaries revised there method of accounting for the allocation of fixed manufacturing costs. As a result of this change, operating expenses generated by the vacuum business decreased by 1,038 million yen (US$9,749 thousand) and operating profit increased by the same amount in comparison to if the previous method have had been applied.

[Segment information by geographic area]

(Millions of yen)

Title	For the fiscal year ended June 30, 2007					
	Japan	Asia	North America	Total	Elimination or corporate total	Consolidated
I Net sales and operating profit/loss Net sales (1) Sales to outside customers	198,981	32,734	7,436	239,151	-	239,151
(2) Intersegment	17,442	6,891	4,153	28,486	(28,486)	-
Total	216,423	39,625	11,589	267,637	(28,486)	239,151
Operating expenses	203,996	36,158	11,540	251,694	(29,168)	222,526
Operating profit	12,427	3,467	49	15,943	683	16,625
II Assets	260,239	49,719	3,788	313,746	3,831	317,577

(Millions of yen)

Title	For the fiscal year ended June 30, 2008					
	Japan	Asia	North America	Total	Elimination or corporate total	Consolidated
I Net sales and operating profit/loss Net sales (1) Sales to outside customers	198,855	35,825	6,532	241,212	-	241,212
(2) Intersegment	21,585	6,063	2,505	30,154	(30,154)	-
Total	220,440	41,888	9,037	271,366	(30,154)	241,212
Operating expenses	215,592	38,642	9,239	263,473	(31,341)	232,132
Operating profit (loss)	4,848	3,246	(201)	7,893	1,187	9,081
II Assets	250,672	46,112	3,931	300,715	2,354	303,069

(Thousands of U.S. dollars)

Title	For the fiscal year ended June 30, 2008					
	Japan	Asia	North America	Total	Elimination or corporate total	Consolidated
I Net sales and operating profit/loss Net sales (1) Sales to outside customers	1,868,586	336,639	61,382	2,266,607	-	2,266,607
(2) Intersegment	202,831	56,974	23,540	283,345	(283,345)	-
Total	2,071,417	393,613	84,922	2,549,952	(283,345)	2,266,607
Operating expenses	2,025,858	363,109	86,815	2,475,782	(294,503)	2,181,279
Operating profit (loss)	45,559	30,503	(1,893)	74,170	11,159	85,328
II Assets	2,355,501	433,302	36,935	2,825,737	22,116	2,847,853

Notes:

1. Segmentation of countries or regions: Based on geographical proximity
2. Major countries or regions that belong to each segment:
   (1) Asia: China, South Korea, Taiwan and Singapore
   (2) North America: U.S.A. and Canada
3. Operating expenses do not include operating expenses that cannot be allocated, which are included in “elimination or corporate total.”
4. Of assets, corporate total assets included in “elimination or corporate total” amounted to 3,831 million yen in the previous consolidated fiscal year and 2,354 million yen (US$22,120 thousand) in this consolidated fiscal year. They are mainly long-term investment assets (investment securities) and assets related to the administrative division.
5. As mentioned in the additional information, the Company and some of its domestic consolidated subsidiaries revised their method of accounting for the allocation of fixed manufacturing costs. As a result of this change, operating expenses generated in Japan decreased by 1,038 million yen (US$9,749 thousand) and operating profit increased by the same amount in comparison to if the previous method had have been applied.

[Overseas sales]

	For the fiscal year ended June 30, 2007				
	Asia	North America	Europe	Other regions	Total
I Overseas sales (millions of yen)	96,230	7,317	1,676	488	105,711
II Consolidated net sales (millions of yen)					239,151
III Ratio of overseas sales to consolidated net sales (%)	40.2	3.1	0.7	0.2	44.2

	For the fiscal year ended June 30, 2008				
	Asia	North America	Europe	Other regions	Total
I Overseas sales (millions of yen)	101,633	7,008	1,764	151	110,555
II Consolidated net sales (millions of yen)					241,212
III Ratio of overseas sales to consolidated net sales (%)	42.1	2.9	0.7	0.1	45.8

	For the fiscal year ended June 30, 2008				
	Asia	North America	Europe	Other regions	Total
I Overseas sales (thousands of U.S. dollars)	955,015	65,853	16,577	1,414	1,038,859
II Consolidated net sales (thousands of U.S. dollars)					2,266,607
III Ratio of overseas sales to consolidated net sales (%)	42.1	2.9	0.7	0.1	45.8

Notes:
1. Segmentation of countries or regions: Based on geographical proximity
2. Major countries or regions that belong to each segment:
   (1) Asia: China, South Korea and Taiwan
   (2) North America: U.S.A. and Canada
   (3) Europe: Germany and U.K.
   (4) Other region: Russia
3. Overseas sales are sales of the Company and its consolidated subsidiaries in countries and regions other than Japan.

[Related party transactions]

For the fiscal year ended June 30, 2007

Not applicable

For the fiscal year ended June 30, 2008

Not applicable

(Per Share Information)

For the fiscal year ended June 30, 2007		For the fiscal year ended June 30, 2008		
	Yen		Yen	U.S. dollars
Net assets per share of common stock	2,105.48	Net assets per share of common stock	2,052.48	19.29
Net income per share of common stock	170.99	Net income per share of common stock	84.16	0.79
Diluted net income per share	168.04	Diluted net income per share	78.20	0.73

Note: The basis for calculation of "net income per share" and "diluted net income per share" is as follows:

	For the fiscal year ended June 30, 2007	For the fiscal year ended June 30, 2008	For the fiscal year ended June 30, 2008
Net income per share			
Net income (millions of yen* / thousands of U.S. dollars**)	7,335*	3,610*	33,923**
Amounts which do not belong to shareholders of common stock (millions of yen* / thousands of U.S. dollars**)	-*	-*	-**
Net income attributable to common stock (millions of yen* / thousands of U.S. dollars**)	7,335*	3,610*	33,923**
Average number of common stock during the fiscal year (thousands of shares)	42,897	42,896	42,896
Diluted net income per share			
Adjustment in net income	-	-	-
Increase in common stock (thousands of shares)	754	3,267	3,267
(Of which, unexercised first unsecured convertible bond-type bonds with stock acquisition rights)	(754)	(3,267)	(3,267)
Outline of potentially dilutive shares not included in the calculation of diluted net income per share because they have no dilutive effect	-	-	-

(Subsequent Events)
Not applicable

v) [Supplementary Financial Schedule]

[Schedule of bonds and debentures]

Company	Type of bond	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 TOHOKU, Inc.	First unsecured bond	March 25, 2004	200	1,879	200	1,879	0.55	Unsecured bond	March 25, 2011
ULVAC, Inc.	First unsecured convertible bond-type bonds with stock acquisition rights (Note 1)	April 13, 2007	15,500	145,649	15,500	145,649	-	Unsecured bond	April 13, 2012
Total	-		15,700	147,529	15,700	147,529	-	-	-

Notes :

1. Entries regarding the first unsecured convertible bond-type bonds with stock acquisition rights are as follows:

Type of bond	First unsecured convertible bond-type bonds with stock acquisition rights
Stock to be issued	Common stock
Issue value of the stock acquisition rights (yen)	Issued gratis
Issue price of stock (yen)	*
Total issue price (millions of yen)	15,500
Total issue price (thousands of U.S. dollars)	145,649
Total issue value of shares issued through the exercise of the stock acquisition rights (millions of yen)	-
Ratio of the stock acquisition rights granted (%)	100
Exercise period of the stock acquisition rights	From April 16, 2007 To April 12, 2012

When a request for exercise of stock acquisition rights is made, it shall be deemed that the whole amount of money that should be paid upon exercise of the stock acquisition rights has been paid in place of the redemption of the whole amount of the bonds to which the stock acquisition rights are attached. When stock acquisition rights are exercised, it shall be deemed that the said request has been made.

* The conversion value shall initially be 4,745 yen (US$44.59), and then revised as follows.

After the issuance of bonds with stock acquisition rights, the conversion value shall, be revised after the following business day of the third Friday of February and August every year (hereinafter referred to as the “Decision Date”). It shall be revised to 94% of the average closing quotation for ordinary transactions of the Company’s common stock on the Tokyo Stock Exchange for five consecutive business days (excluding days when there are no closing quotations, and when the Decision Date is not a business day, for five consecutive business days up to the business day immediately before the Decision Date; hereinafter referred to as the “Market Price Calculation Period”) up to the Decision Date (including that day; calculated to two decimal places of yen and rounded to two decimal places; hereinafter referred to as the “Decision Date Value”). When reasons for adjusting the conversion value arise within the Market Price Calculation Period, the conversion value after revision shall be adjusted to an amount the Company considers appropriate in accordance with the bond guidebook of bonds with stock acquisition rights. However, if the Decision Date Value falls below 3,650 yen (US$34.30) (hereinafter referred to as the “Minimum Conversion Value”) as a result of such calculation, the conversion value after revision shall be the Minimum Conversion Value.

Despite the above, during a period after the issuance of the bonds with stock acquisition rights and until March 30, 2012 (including that day; hereinafter referred to as the “Revision Advance Exercise Period”), when the Company gives prior notice to holders of the rights to bonds with stock acquisition rights at its option (such prior notice shall be hereinafter referred to as the “Revision Advance Notice” and the day when the Revision Advance Notice is made shall be referred to as the “Revision Decision Date.”) and 94% of the average closing quotation each day of ordinary transactions of the common stock of the Company on the Tokyo Stock Exchange for five consecutive business days up to the business day (including that day) immediately before the Revision Decision Date (excluding days when there are no closing quotations; hereinafter referred to as the “Revision Decision Date Market Price Calculation Period”) exceeds the effective Minimum Conversion Value on each of the said business days but is less than the effective Conversion Value on each of the said business days, the conversion value shall be revised to 94% of the average closing quotation each day of ordinary transactions of the common stock of the Company on the Tokyo Stock Exchange during the Revision Decision Date Market Price Calculation Period after five business days, counted from the following business day of the Revision Decision Date (calculated to two decimal places of yen and rounded to two decimal places; however, when reasons for adjusting the conversion value arise after the Revision Decision Date and by the revision of the conversion value, adjustments shall be made in accordance with the bond guidebook on bonds with stock acquisition rights; hereinafter referred to as the “Revision Decision Date Value”). When such a revision is to be made, a revision of the conversion value shall not be made by the aforementioned method regarding the Revision Decision Date related to the said revision or a Decision Date that falls on that day or immediately after that. The Company may give this Revision Advance Notice twice at the most during the Revised Advance Exercise Period. When reasons for adjusting the conversion value arise within the Revision Decision Date Market Price Calculation Period, the Revision Decision Date Value shall be adjusted to an amount the Company considers appropriate in accordance with the bond guidebook on bonds with stock acquisition rights. However, if the Revision Decision Date Value falls below the Minimum Conversion Value as a result of such calculation, the conversion value after revision shall be the Minimum Conversion Value.

When a change is made or could be made in the number of common shares of the Company for any of the reasons specified in the bond guidebook of bonds with stock acquisition rights after the issuance of the bonds with stock acquisition rights, the conversion value shall be adjusted by the following equation (hereinafter referred to as the "Conversion Value Adjustment Equation").

$$\text{Conversion value after adjustment} = \text{Conversion value before adjustment} \times \frac{\text{Number of common shares already issued} + \dfrac{\text{Number of common shares to be granted} \times \text{Paid - in value per share}}{\text{Market price}}}{\text{Number of common shares already issued} + \text{Number of common shares to be granted}}$$

The "number of common shares already issued" shall be obtained by subtracting the number of common shares of the Company owned by the Company as of the base date for granting the right to get allocation to shareholders of the common shares of the Company (hereinafter referred to as the "Common Shareholders of the Company") when the said base date is specified, or as of the day one month before the day when the conversion value after adjustment is applied when the said base date is not specified, from the number of common shares outstanding of the Company as of the said day, and then adding the number of common shares of the Company that were considered to constitute the "number of common shares to be granted" before the adjustment of the said conversion value but have not been granted yet. When a stock split of common shares of the Company is conducted, the number of common shares to be granted, which is used in the Conversion Value Adjustment Equation shall not include the number of common shares of the Company, which increased concerning common shares of the Company owned by the Company on the base date.

2. Projected redemption amount every year within five years after the consolidated balance sheet date is 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)				
-	-	200	15,500	-	-	-	1,879	145,649	-

[Schedule of borrowings, etc]

Classification	Balance at the end of the previous fiscal year	Balance at the end of this fiscal year		Average interest rate (%)	Due date of payment
	(millions of yen)	(millions of yen)	(thousands of U.S. dollars)		
Short-term borrowings	22,264	23,805	223,685	1.3	-
Long-term debt scheduled to be repaid within one year	11,452	12,784	120,123	1.5	-
Lease liabilities scheduled to be repaid within one year	-	-	-	-	-
Long-term debt (excluding debt scheduled to be repaid within one year)	24,926	28,415	267,009	1.6	From April 30, 2009 to June 28, 2013
Lease liabilities (excluding liabilities scheduled to be repaid within one year)	-	-	-	-	-
Other interest-bearing liabilities	-	-	-	-	-
Total	58,641	65,003	610,818	-	-

Notes:

1. "Average interest rate" presents the weighted average interest rate against the term-end balance of borrowings
2. The projected repayment amount of long-term debt (excluding debt scheduled to be repaid within one year) within five years after the consolidated balance sheet date is 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	12,400	8,767	4,985	2,263	116,516	82,378	46,847	21,268

(2) [Other]
Not applicable

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers Aarata
Shin-Marunouchi Bldg., 32nd Floor
1-5-1 Marunouchi
Chiyoda-ku, Tokyo 100-6532
Japan
Telephone : +81 (3) 5427 6555
Facsimile : +81 (3) 5427 6556
www.pwc.com/jp/aarata

Report of Independent Auditors

December 4, 2008

To the Board of Directors of
ULVAC, Inc.

We have audited the accompanying consolidated balance sheet of ULVAC, Inc. ("the Company") and its consolidated subsidiaries as of June 30, 2008, and the related consolidated statements of income, changes in net assets and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of June 30, 2008, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

1. As described in "Changes in Fundamental Items of Importance Concerning the Preparation of Consolidated Financial Statements", the Company and some of its domestic consolidated subsidiaries changed their account classification for costs generated in the engineering divisions and the design divisions.

2. As described in "Additional Information", the Company and some of its domestic consolidated subsidiaries revised their method of accounting for the allocation of fixed manufacturing costs.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended June 30, 2008 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

Corporate Data

As of September 30, 2008

Trade name	ULVAC, Inc.
Trademark	ULVAC
Head office address	2500 Hagisono, Chigasaki, Kanagawa Prefecture 253-8543, Japan
Date of establishment	August 23, 1952
Capital	¥13,467,797,500
Number of employees	1,761 (6,872 consolidated)

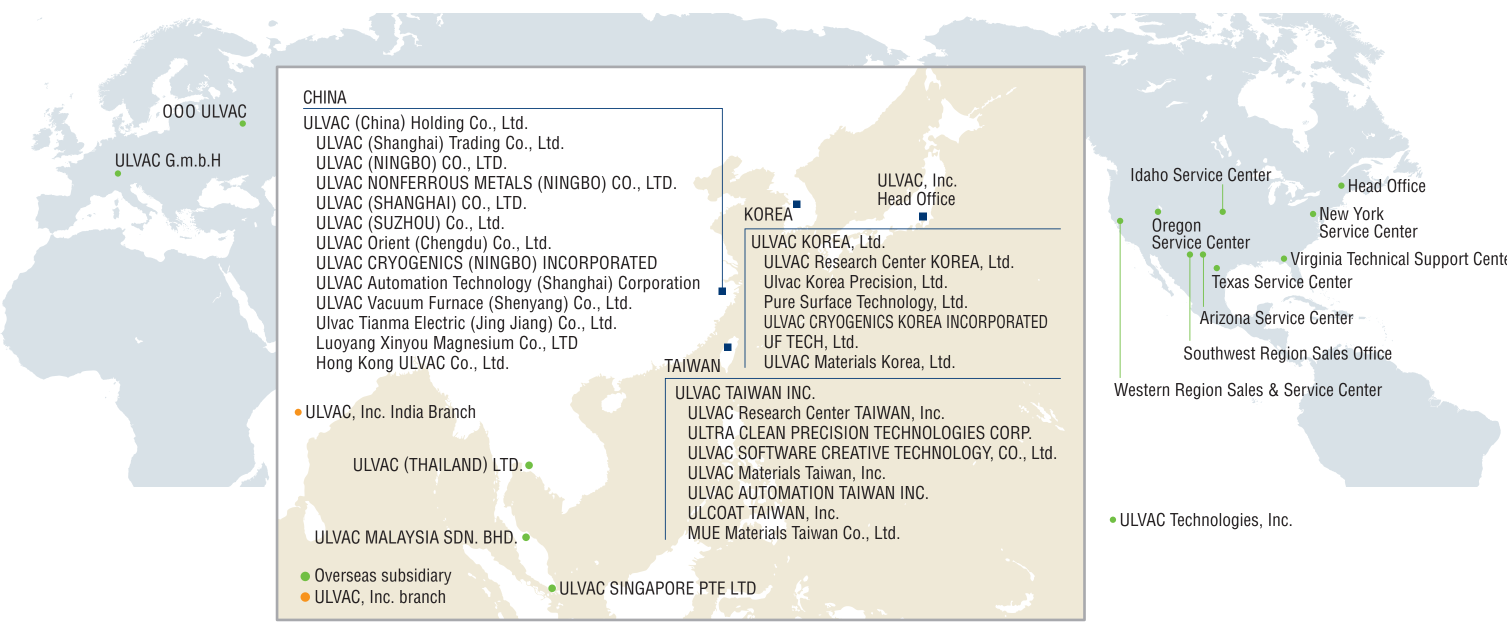
Consolidated Subsidiaries

ULVAC TECHNO, Ltd.
ULVAC KYUSHU CORPORATION
ULVAC TOHOKU, Inc.
ULVAC SEIKI COMPANY, LIMITED
ULVAC CORPORATE CENTER
ULVAC Materials, Inc.
Reliance Electric Limited
ULVAC COATING CORPORATION
ULVAC-RIKO, Inc.
ULVAC KIKO, Inc.
ULVAC-PHI, Inc.
ULVAC CRYOGENICS INCORPORATED
ULVAC Technologies, Inc.
ULVAC TAIWAN, INC.
ULVAC KOREA, Ltd.
ULVAC SINGAPORE PTE LTD
Litrex Corporation*
ULVAC (China) Holding Co., Ltd.
ULVAC (Shanghai) Trading Co., Ltd.
ULVAC (NINGBO) CO., LTD.
ULVAC (SUZHOU) Co., LTD.
ULVAC Orient (Chengdu) Co., Ltd.
ULVAC Automation Technology (Shanghai) Corporation
ULVAC Vacuum Furnace (Shenyang) Co., Ltd.
Ulvac Tianma Electric (Jing Jiang) Co., Ltd.
ULVAC EQUIPMENT SALES, Inc.
TIGOLD CO., Ltd.
Sigma-Technos Co., LTD.
RAS Co., Ltd.
Ulvac Korea Precision, Ltd.
Pure Surface Technology, Ltd.
ULVAC CRYOGENICS KOREA INCORPORATED
ULTRA CLEAN PRECISION TECHNOLOGIES CORP.
ULCOAT TAIWAN, Inc.
Physical Electronics USA, Inc.
ULVAC MALAYSIA SDN. BHD.

*Litrex Corporation will dissolve in June 2009.

Global Network

As of November 30, 2008



Shareholders Information

As of June 30, 2008

Stocks

Total number of issuable shares	80,000,000
Number of shareholders	11,608
Regular general meeting of shareholders	September
Total number of issued shares	42,905,938
Settlement date	June 30 (to determine the shareholders receiving dividends)

Major shareholders

Major shareholders	Number of shares (thousands)	(%)
Nippon Life Insurance Company	3,602	8.40
The Master Trust Bank of Japan, Ltd. (Trust account)	3,455	8.06
Japan Trustee Services Bank, Ltd. (Trust account)	2,596	6.05
Sumitomo Mitsui Banking Corporation	1,864	4.35
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,820	4.24
Mizuho Bank, Ltd.	1,604	3.74
Association of Employee Shareholders of ULVAC	1,160	2.70
The Nomura Trust and Banking Co., Ltd. (Investment account)	1,023	2.38
Goldman Sachs and Company Regular Account	1,002	2.34
OM04 SSB Client Omnibus	866	2.02

www.ulvac.co.jp

ULVAC, Inc.

HEAD OFFICE

2500 Hagisono, Chigasaki, Kanagawa Prefecture 253-8543, Japan
Phone +81-467-89-2033

TOKYO OFFICE

2-3-1 Yaesu, Chuou-ku, Tokyo 104-0028, Japan
Phone +81-3-5218-5700
UJMPDAR0812202000