Annual Report 2007

Year ended June 30, 2007

Vacuum Technology and Innovative Ideas

ULVAC

ULVAC, Inc. is opening up new technological areas by making the best use of a cutting-edge R&D capability with vacuum technology at its core and the fully-equipped production system.

Since its foundation in 1952, ULVAC has provided various advanced equipment by applying vacuum technology for the industries, under the corporate slogan of "Vacuum technology and Innovative Ideas."
The Company has established its position as the world's leading supplier of flat panel displays (FPDs) production equipment, among others.

In order to ensure sustainable growth, production equipment manufacturers need to envision an industry that will become the leader for the next generation and to conduct up-front development of equipment to be supplied to such industry. ULVAC has categorized the products likely to grow following FPDs as "post-FPDs," and is making large investments in the field and conducting development of products there. In particular, we are concentrating our management resources on photovoltaic cells and sputtering targets, aiming to become the world's top manufacturer.

ULVAC has also begun to reform its production system to improve its capability as a manufacturer, promoting vertical integration of related departments within the Group and in-house manufacturing. The Company will continue to contribute to the development of science and industries, by combining cutting-edge, proprietary technologies with production technologies and realizing them in products.

Profile

Contents

Year in Review

2006

July 7

- Launched a new company for the sales and customer support business in Malaysia.
- Launched the low-k Inter Layer Dielectric Film Materials for wafers with low-k films for next-generation LSI.

August 8

- Acquired stocks of Sigma-Technos Co., Ltd., manufacturer of FPD manufacturing equipment.

September 9

- Developed the new technology of manufacturing MEMS PZT piezoelectric devices.

October 10

- Concluded an agreement with JDS Uniphase Corporation, U.S.A. on establishing of new alliance.

November 11

- Aichi Plant was put into operation.

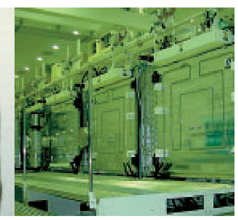
2007

February 2

- Chiba Tomisato Plant of ULVAC Materials, Inc. was put into operation.

March 3

- Received package contract for production systems for thin-film photovoltaic cell production lines for NexPower Technology Corporation, Taiwan.



April 4

- Awarded the Grand Prize in the ADY2007 Display Manufacturing Equipment Category.

June 6

- Developed a new thin-film deposition technology for high-density PCRAM.
- Dr. Nakamura, Chairman, was awarded the Chairman's Prize from the Japan Business Federation as a person of merit for his contribution to industry-government-academia cooperation.

Financial Highlights

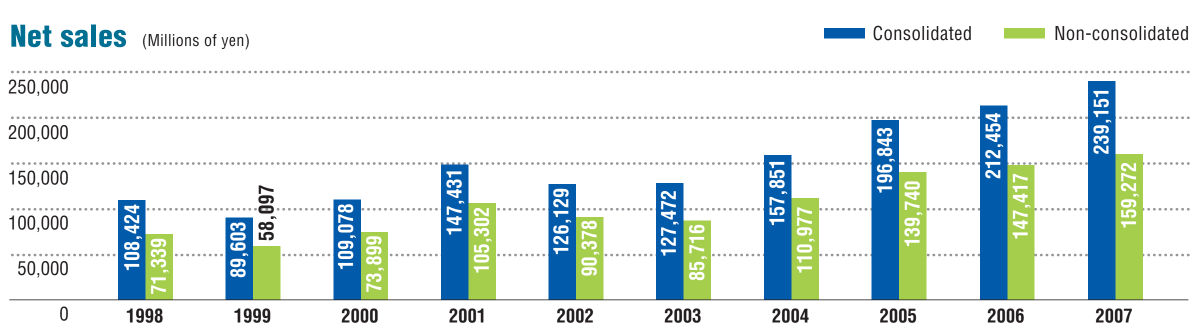
ULVAC, Inc. and its consolidated subsidiaries

For the years ended June 30, 2006 and 2007	Millions of yen 2007	2006	Thousands of U.S. dollars* 2007
For the year:			
Net sales	¥ 239,151	¥ 212,454	$ 1,940,058
Operating profit	16,625	14,796	134,870
Net income	7,335	8,102	59,503
At year-end:			
Total assets	¥ 317,577	¥ 269,401	$ 2,576,269
Total net assets	94,365	87,627	765,515
Per Share (in yen and U.S. dollars):			
Net income	¥ 170.99	¥ 188.87	$ 1.39
Cash dividends	47.00	37.00	0.38

*The U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥123.27 to US$1, the approximate exchange rate as of June 30, 2007.

Forward-looking statement

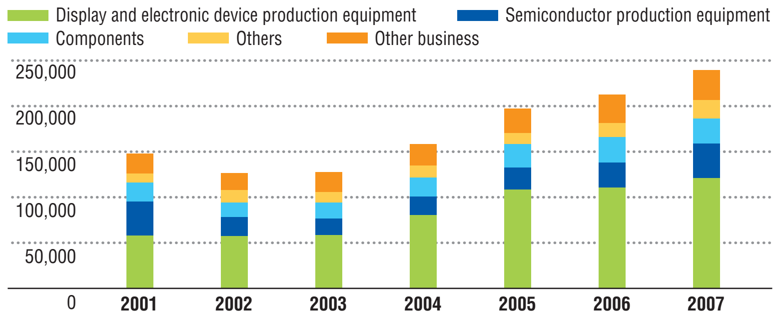
The future plans, projected figures, and other such statements contained herein represent outlooks based on information available to management at the time of preparation of this annual report. They, therefore, include some risk and uncertainty, and must be used with caution as grounds for investment 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 or to revise them and make public disclosure of the revisions.



Net sales by segment

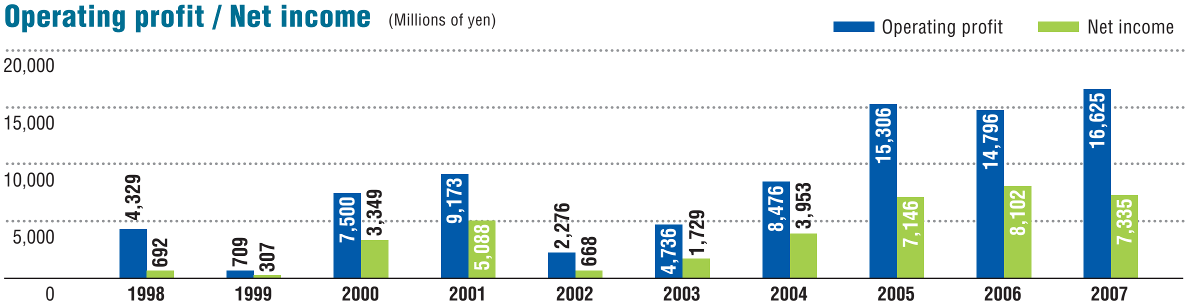
(Millions of yen)

2001	2002	2003	2004	2005	2006	2007
21,731	18,603	22,161	23,880	26,393	31,299	32,503
9,702	13,596	10,963	12,436	12,731	15,645	20,720
21,469	15,760	18,085	20,976	25,019	27,585	27,111
36,551	21,014	18,135	20,138	24,705	27,898	38,184
57,977	57,153	58,126	80,421	107,995	110,027	120,633



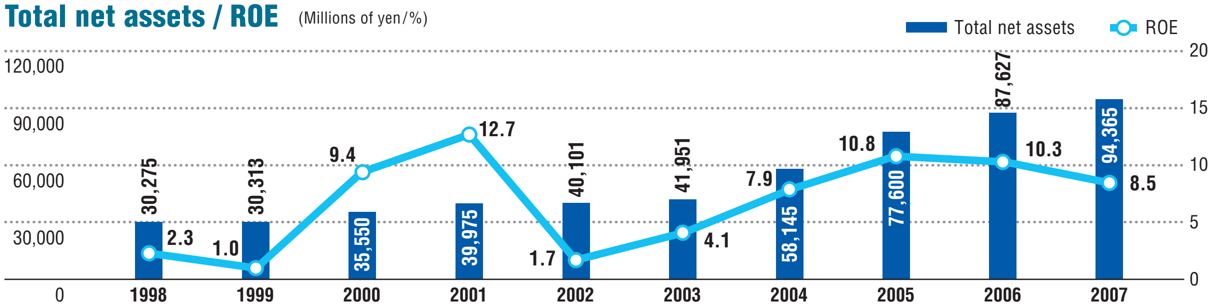
Operating profit / Net income

(Millions of yen)



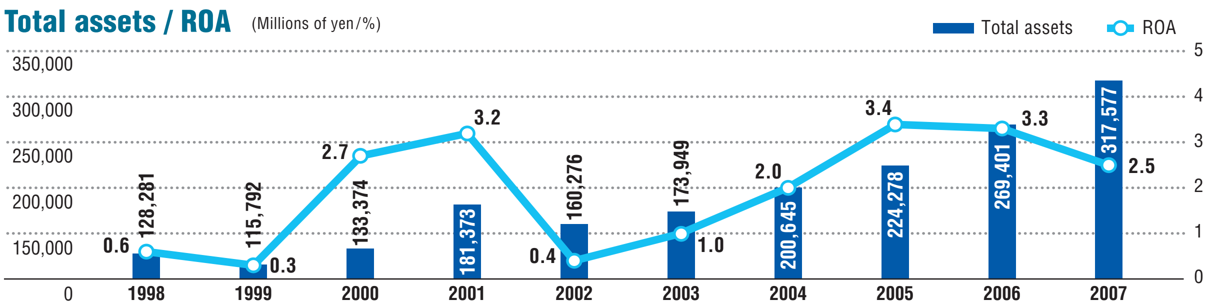
Total net assets / ROE

(Millions of yen/%)



Total assets / ROA

(Millions of yen/%)



By providing "ULVAC Solutions," which reflect the most strength in technological capability, ULVAC aims to become the world's top manufacturer.

ULVAC's corporate philosophy is to contribute to the development of industries and science through the comprehensive use of vacuum technology and its peripherals. Vacuum equipment and components manufactured by the ULVAC Group are used in the production process of a wide range of products, from digital home appliances that are essential goods for everyday life, such as cellular phones and flat TVs, to medical supplies and foods. The Group has provided "ULVAC Solutions," which comprehensively combine equipment, materials, analysis device, evaluation and other services, to the industries of FPDs, electronic devices, semiconductors and general industrial machinery.

ULVAC, with the most strength in technological capability, has provided the solutions that contribute to the development of all sorts of industrial and scientific fields, by using original technologies and the next-generation ideas obtained through the combination of its proprietary technologies cultivated through R&D and manufacturing technology renovation activities over the years.

ULVAC will continue to enhance its management structure based on technologies while fully responding to both the changes in time and customers' needs, aiming to become the world's top level manufacturer in every cutting-edge field.

H. Suwa

Hidenori Suwa, President and CEO

To Our Stakeholders

Interview with the President and CEO

Q Please describe the business environment and performance evaluation for the fiscal year that ended in June 2007.

A The business environment for FPD production equipment, which is our mainstay, changed drastically from the first to the second half of fiscal 2006. It was going favorably in the first half of the period, but capital expenditure by liquid crystal display (LCD) manufacturers decelerated rapidly in the second half of the fiscal year.

Although, as a result, performance during the period failed to reach our initial targets in terms of three management indicators such as the amount of orders received, net sales and ordinary income, we posted record figures for four consecutive years thanks to robust business in the first half of the fiscal year. Orders received are expected to fall as growth of capital expenditure in FPDs will be likely to slow down in the future, but ULVAC can deal with the drop in orders received by promoting ULVAC solutions in which we comprehensively provide not only the equipment but also materials such as sputtering targets materials and other customer support. I think that fiscal 2006 was a year during which the strategy ULVAC has been implementing was proved to be correct.

Q What was a particularly significant achievement among the business activities in the fiscal year?

A I think that the most significant achievement was that we were able to construct a foundation for future development by proactive capital expenditure. We made investments totaling a record of about ¥32.1 billion, which includes research and development investment. As a result, we will have a production capacity equivalent to ¥350 billion once the ongoing renewal of the Chigasaki Plant is completed, in addition to the new Chiba Tomisato Plant of ULVAC Materials, Inc. and the Aichi Plant that was completed last

November. In particular, ULVAC Materials, Inc. whose main business is to produce sputtering target materials for FPDs, carried out large-scale capital expenditure. The newly built Chiba Tomisato Plant began its operation in February and the Tohoku and Kyushu facilities are currently strengthening their production capacities. Target materials contribute to the stabilization of our revenue base because they are continuously used and we also can expect expansion of relevant businesses such as parts cleaning of sputtering equipment and consumable parts supply. We will continue to deal with this product as one of main pillars of the post-FPD strategy.

Q Your company is also focusing on the photovoltaic cells production equipment in addition to target materials.

A With calls for measures to handle global warming and a stable energy supply, the demand for photovoltaic cells has been increasing in Europe, China, Taiwan, Southeast Asia and other parts of the world. Projecting from a plan mapped out by the New Energy and Industrial Technology Development Organization (NEDO), the size of the equipment-related market alone is estimated to grow to several trillions of yen per year by 2030.

ULVAC has been engaged in photovoltaic cell production equipment for more than 20 years. Recently, we succeeded in receiving an order for the integrated thin-film photovoltaic cells production equipment line. Aside from domestic customers who already have the relevant technologies, we will be able to leverage our strength in being able to provide an integrated production line to customers overseas who plan to begin photovoltaic cells production. By effectively utilizing this technological advantage, I believe our company will be able to gain major share of the expanding photovoltaic cells market. I am telling my employees that this is a make-or-break battle for the Company.

Q ULVAC is currently strengthening its manufacturing capability. What is the goal with this initiative?

A Boldly taking up the challenges of new technologies is ULVAC's DNA, so to speak. With the vacuum technology at its core, we have been conducting R&D to take the initiative in cutting-edge technologies on a continual basis. However, a fundamental goal of a manufacturer is to develop on the double axes of both R&D and manufacturing sectors as an inseparable part of its businesses, and we will make company-wide efforts in in-house manufacturing and standardization to actively promote production based on this recognition.

The main objectives of in-house manufacturing are to reduce costs and improve quality. We are responding to increasingly sophisticated customer requirements by vertically integrating production technologies in our group companies and strengthening our in-house manufacturing capability. It is also necessary to promote standardization to maintain our cost competitiveness. ULVAC receives many requests from customers for customization of our equipment and I believe we can meet the customization requests by promoting standardization, commonality and combination of parts, units and modules of the equipment.

Q Please describe the prospects for the business environment and the management issues you plan to tackle in fiscal 2007.

A Although demand for FPDs is heading for recovery, the tendency for ULVAC's performance to depend on the condition of capital expenditure by our customers remains unchanged. To reduce this risk, we will inject our management resources into the production of photovoltaic cell production equipment, and develop it into a main pillar of our businesses, which can be comparable to that of FPD production equipment. Strengthening the Company's financial base is also an important management issue. Our capital expenditure and investments in R&D are based on what we see happening in the market, so we cannot reduce these investments in response to the Company's financial condition. We would like to generate positive cash flow as soon as possible.

Regarding dividends to shareholders, we will basically maintain the payout ratio of about 20 percent of consolidated net income in the current fiscal year and would like to continue to increase dividends by boosting profits. We will aim to maximize corporate value through sustained growth so that we can live up to our shareholders' expectations.

One of our technological advantages is the ability to provide an integrated production line for thin film photovoltaic cells.

Special Feature 1

ULVAC's efforts on the in-house manufacturing system

"Manufacturing" through combination of cutting-edge technology with production technology

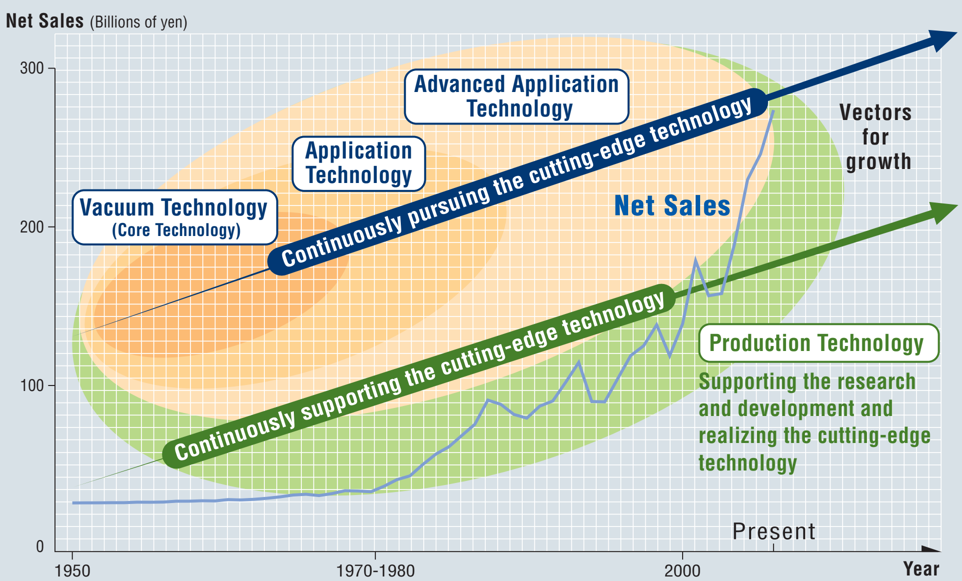
ULVAC, an R&D-oriented corporation, has constantly come up with the cutting-edge technologies to the world, by developing application technology based on the vacuum technology, as its core technology, and developing advanced application technology. Currently, ULVAC covers the technological fields of not only electronics but also the next-generation energy, fine chemical, nanotechnology, biotechnology and others.

Since its foundation, ULVAC, an equipment manufacturer, has developed advanced technologies through R&D activities, as well as reformed its production system and improved/accumulated production technologies at the front line in response to customers' needs. Among advanced production technologies include the precision/airtight processing technology for large/heavy articles, welding, ultra-cleaning, transferring in a vacuum and positioning, which ULVAC is proud of. Production bases at home and abroad of the ULVAC Group operate finishing machines, machining centers and production lines that use the above technologies, which support "manufacturing" of ULVAC.

ULVAC believes that it is extremely important for an equipment manufacturer to promote "manufacturing" with highly advanced technologies and the front line's production techniques based on the said technologies as so-called "both wheels of a vehicle," in order to grow continuously. In line with this idea, ULVAC is striving to enhance its in-house manufacturing capability for "manufacturing" while taking into account the three factors: customers, products and the market.

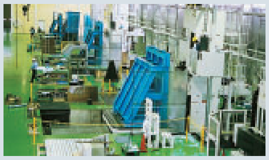
Pursuing the growth with the cutting-edge technology and production capabilities.

ULVAC conducts production based on its cutting-edge technology acquired by research and development and accumulated production technology.



In-house manufacturing status of FPD production equipment


Control Panel


Machining Center


Module

Improvement of competitiveness in the market by raising the in-house manufacturing ratio

Manufacturers in the industries relating to FPDs, electronic device and semiconductors, ULVAC's customers, always need to promptly respond to changes of consumers' needs for products and prices in the market for digital home appliances such as large-screen flat TVs and cellular phones.

Hence, such manufacturers need to introduce related production equipment quickly and appropriately, which calls on ULVAC, an equipment manufacturer, to have more excellent response in terms of prices and delivery schedules as well as quality of equipment and after-sales services.

To meet the above needs, ULVAC is striving to establish a vertically-integrated production system which combines production technologies of Group companies, reduce costs, improve quality and speed up production, aiming to further expand the share in the production equipment market.

The ULVAC Group consists of companies with various functions, including parts manufacturers, component production firms, manufacturing companies, materials providers, customer support corporations, and companies which conduct surface and other analyses and evaluation. These companies cooperate with each other while sharing production processes to produce equipment and providing services on a group-wide basis, while maximizing synergy effects of the entire Group.

Production equipment needs to be customized according to individual needs of manufacturer customers, which results in increasing costs and taking a risk of delaying delivery schedule. In order to meet customers' needs, ULVAC tailors equipment to their individual specifications. To this end, ULVAC combines standardized/common parts, components, units and modules to stabilize and improve the quality of equipment, increase the speed of development and production and reduce costs.

ULVAC will continue to strengthen such "ULVAC's manufacturing" system, aiming to secure the top place in the production equipment market, where competition is intensifying.

ULVAC's Vertical Integration Image

ULVAC intensifies its in-house manufacturing capability by integrating the manufacturing technologies in the Group.

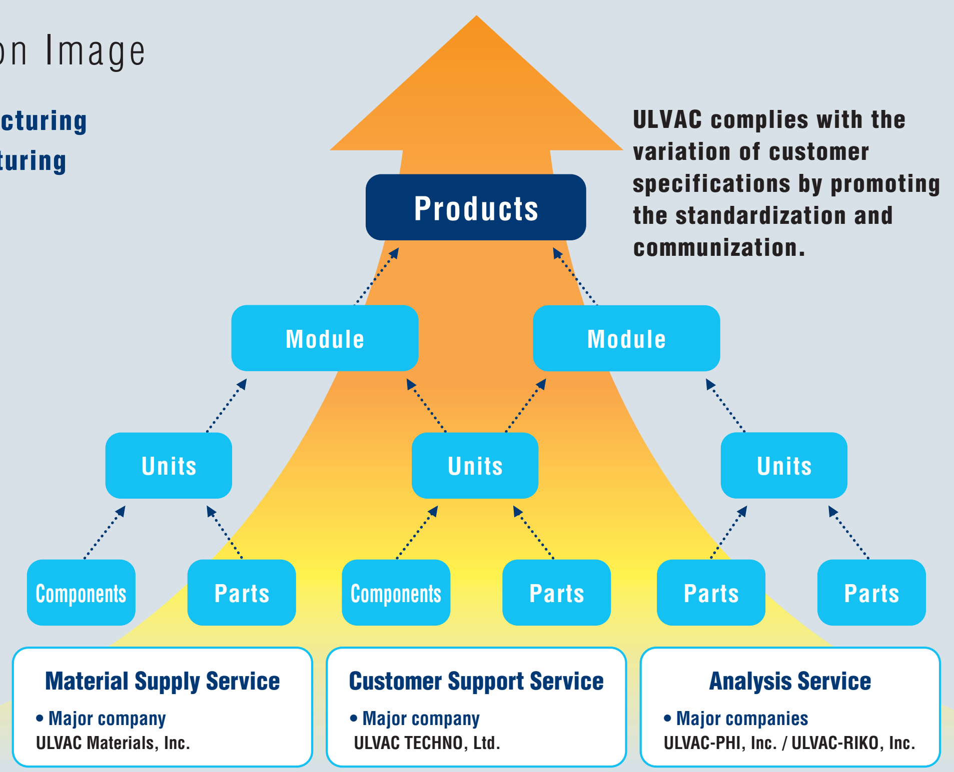
Module and Units

- **Major companies for equipment production**
ULVAC KYUSHU CORPORATION / ULVAC TOHOKU, Inc. / ULVAC KOREA, Ltd. / ULVAC Taiwan Manufacturing Corp.

Components and Parts

- **Major companies for component production**
ULVAC SEIKI COMPANY, LIMITED / ULVAC KIKO, Inc. / Reliance Electric Limited / ULVAC CRYOGENICS INCORPORATED
- **Major companies for parts production**
ULVAC TOHOKU, Inc. / ULVAC Korea Precision, Ltd.

Suppliers



Special Feature 2

ULVAC's efforts on the environment business

ULVAC's advantage in the photovoltaic cells market

Currently, the market for photovoltaic energy is expanding rapidly. In the background are huge demand for power from BRICs (Brazil, Russia, India and China) and price hikes of fuel oil used for thermal power generation. However, the largest factor behind this is the spread of all-out efforts toward global environmental conservation around the world. Photovoltaic cells are said to be a clean energy source that emits no carbon dioxide, which is thought to be the main cause of global warming, and therefore they are expected to be the main energy source of the next generation.

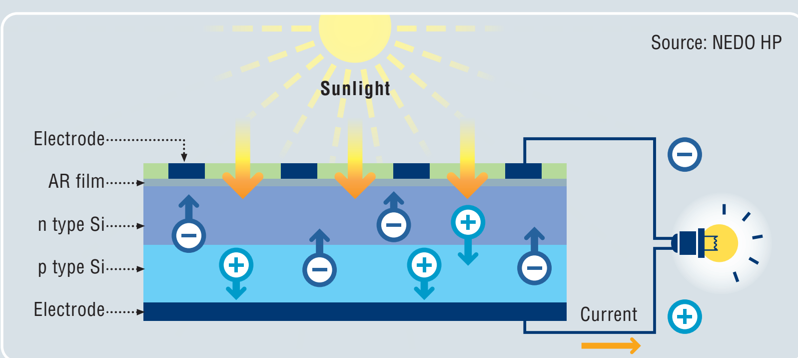
ULVAC has been engaged in the development of photovoltaic cells for many years. In 1978, the Company began to develop photovoltaic cell manufacturing equipment, and immediately succeeded in commercializing thin-film photovoltaic cell production equipment. The thin-film photovoltaic cells can be manufactured with inexpensive raw materials, features an excellent energy conversion efficiency and is expected to reduce costs. Also, as it can be flexibly processed according to varied uses, demand for photovoltaic cells is expected to further increase.

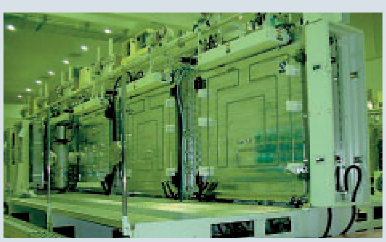
In 2006, ULVAC began to sell integrated production lines for the thin-film photovoltaic cells, which use vacuum and process technologies cultivated through development of FPD manufacturing equipment. In 2007, the Company built a demonstration line*at Chigasaki Plant, while establishing a system that can comprehensively provide our customers with incidental operations, including material procurement, production guidance and maintenance service. There are only a few manufacturers in the world, including ULVAC, which can supply equipment necessary for photovoltaic cell production by themselves. On the back of this, the Company successively received orders for integrated production lines including plasma CVD systems, laser scribing systems, sputtering systems, etc. from Taiwanese companies: NexPower Technology Corporation in March 2007 and from Sunner Solar Corporation in August 2007.

ULVAC will continue to expand sales of integrated production lines for the thin-film photovoltaic cells, in order to respond to rising energy demand worldwide and various needs for environmental preservation, such as conservation of natural resources and prevention of global warming.

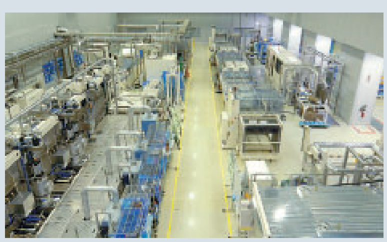
*The demonstration line which enables an integrated production of thin-film photovoltaic cells. The size of the substrate is the same as that of mass-produced glass.

Principle and production of photovoltaic cells



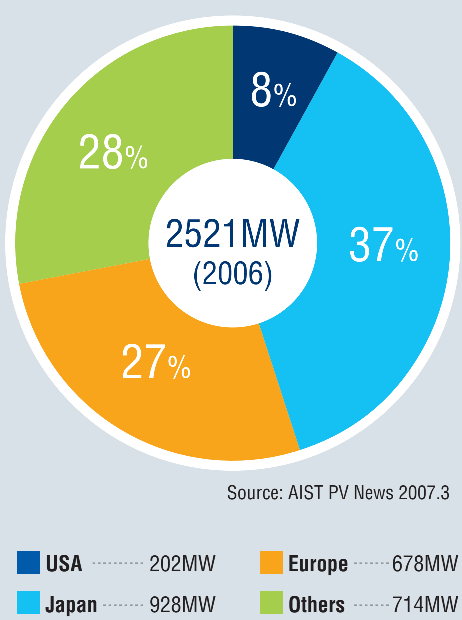


Plasma CVD system for photovoltaic cells



A demonstration line at Chigasaki Plant

Global photovoltaic cell production



Expansion of the sputtering target business and environmental measures

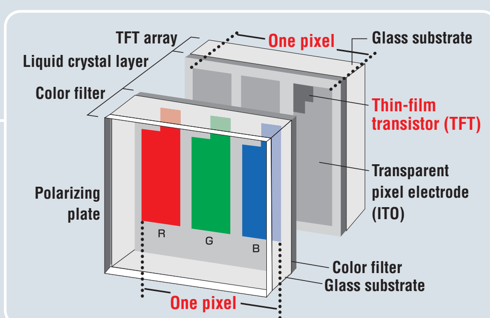
Worldwide shipments of LCD panels for TVs have been increasing sharply at a high rate of 40% per year for the last five years. In producing LCD panels, an indispensable process is sputtering, through which a thin film is deposited on the glass substrate. High-purity metals (such as Al and Cu alloy) used in the process are called sputtering targets. In recent years, demand for sputtering targets has been rapidly growing because they are used for a wide range of products, including photovoltaic cells, semiconductors, optical films and various FPDs such as LCD, plasma and organic EL displays.

In the ULVAC Group, a consolidated subsidiary ULVAC Materials, Inc. has been engaged in the sputtering target business from early on, aiming to secure the world's top share for the product.

In the sputtering target business, collection and recycle of target materials have increasingly become important lately. For example indium tin oxide (ITO)—used in transparent conductive film for LCDs—is a compound of the rare metal indium which is only produced in the order of several hundred tons per year as a by-product during the process of smelting zinc. Since demand for indium will likely tighten as early as several years from now, one of the most pressing tasks is the recycling of the metal. Therefore, the ULVAC Group, including ULVAC Materials, focuses on collecting indium. Furthermore, the Company actively promotes collection and recycling activities, including the development of recovery/precision cleaning and recycling technologies for deposition shield plate, and collection of used targets. Thus, we are contributing to the conservation of natural resources. In addition, we are proactively developing environmentally-friendly target materials, and improving the use efficiency of targets.

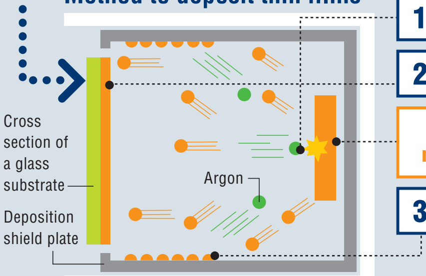
ULVAC Materials has constructed a large ITO target plant in its Kyushu Office, resulting in establishing a global production system which consists of four domestic and three overseas production bases. In the target business, the ULVAC Group will continuously strive to develop technologies for eco-friendly materials, improve processing, cleaning and recycling techniques, and reduce environmental impacts.

Principle of sputtering equipment for FPDs



Displays have built-in transistors. To fabricate them, metal films need to be deposited on the surface using sputtering equipment.

Method to deposit thin films

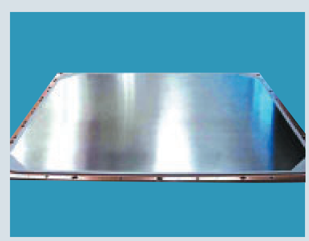


1 **By striking target materials with kinetic energy of argon or krypton, particles are emitted and attached to the glass substrate.**

2 **A thin film is deposited on the glass substrate. (about 0.1 micron: approximately 1/1,000 of hair thickness)**

Target materials
- ▶ Wasted due to the deposition of a thin film.
- ▶ New target materials are needed.
- ➡ ULVAC's support of providing materials.

3 **Target materials attach to the deposition shield plate, a component, around the glass substrate.**
- ▶ Parts are took off and then cleaned.
- ➡ ULVAC's cleaning/recycling support.



Sputtering target materials for LCDs

Cleaning of sputtering equipment parts

CSR

The corporate social responsibility (CSR) of ULVAC is to fulfill its responsibility to all stakeholders and conduct research and development on cutting-edge technology to pass them on to society.

The ULVAC Group is striving to establish favorable relations with all stakeholders in its efforts for CSR with the understanding that CSR is the source of corporate value.

We are also doing our utmost to enhance our relationship of mutual trust with our shareholders and investors through extensive communication activities. We are making efforts to quickly disclose corporate activities and financial information, making the most of not only summaries of financial results and public notice of the financial statements but also our annual report, the ULVAC REPORT, and our website. For institutional and individual investors, we also hold briefings to outline our corporate profile and give factory tours on a regular basis.

We strive to maximize customer satisfaction by providing high-quality products. While obtaining the ISO 9001 certification at almost all our production bases, the ULVAC Group has established a global quality management system by setting up a Quality Assurance Committee, chaired by the President of ULVAC. Our business partners are important to the ULVAC Group, and we are focusing on establishing proper and fair relationships with them while promoting green procurement.

In terms of contributing to local communities, we, as a global corporation with bases in Asia, Europe and the U.S., are contributing to regional revitalization by carrying out business activities that attach importance to the customs and cultures of each country or region.

Viewing conservation of the global environment as one of the most important challenges of its CSR, the ULVAC Group has obtained the ISO 14001 environmental management system certification at 27 group companies around the world, and is pushing forward with the realization of three pillars of its environmental management-environmental efforts in business activities, development of environmentally-friendly products, and provision of products that contribute to environmental conservation.

In our environmental efforts at the stages of research and development and production, we are focusing on the achievement of zero waste emissions through recycling waste, while properly managing the chemicals we use and taking all possible measures to prevent environmental pollution. We also provide products that help reduce environmental impacts, including ECO-SHOCK which can slash electricity consumption by up to 80% when attached to existing dry pumps, and a cryopump that conforms to the RoHS directive for the first time in the world.

The ULVAC Group will do its utmost to conduct management in harmony with the global environment and local communities, while maintaining its favorable relationship with all stakeholders.

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

FTSE4Good

ULVAC was chosen as a constituent stock of FTSE4Good Global Index, 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) up-holding and supporting universal human rights, (4) ensuring good supply chain labor standards and (5) countering bribery.

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

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

ULVAC Festival
at Chigasaki head office in Japan

Volunteer activities
in Korea by ULVAC's Korea staff

Corporate Governance

The ULVAC Group is striving to raise corporate value by thoroughly ensuring corporate governance.

The ULVAC Group assigns the highest management priority to strengthening corporate governance. We have established a transparent corporate management control system and are making efforts to improve our corporate value further by enhancing both risk management and observance of compliance.

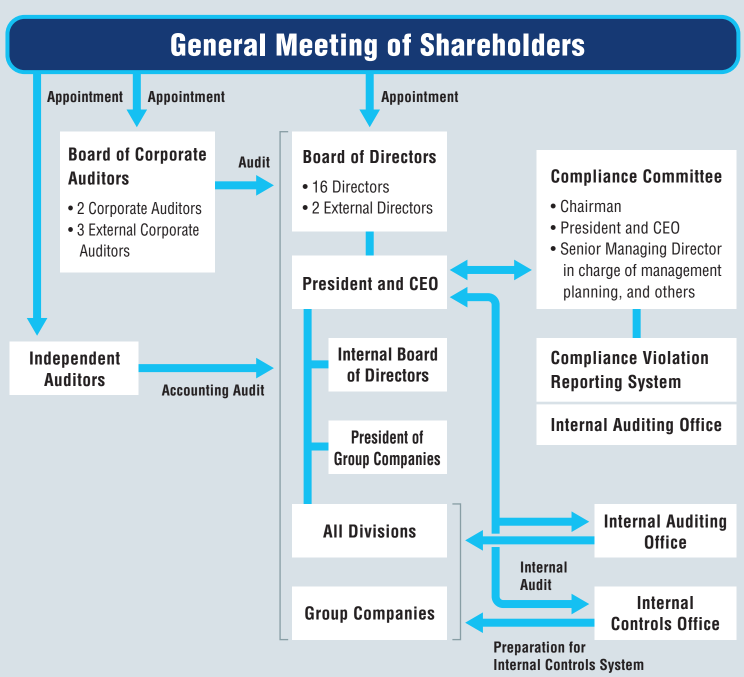
Two directors on our eighteen-member Board of Directors are external directors. The Board of Directors does its utmost to ensure maneuverability by holding extraordinary meetings as the occasion calls, in addition to the regular meetings held once a month. ULVAC has realized facilitation of management judgment and decision-making by establishing a Board of Full-time Executives to supplement the Board of Directors. Meanwhile, the five-member Board of Corporate Auditors, including three external corporate auditors, strictly oversees the management system in cooperation with the Internal Auditing of ULVAC and external independent auditors. Under this structure, ULVAC has balanced neutral and transparent corporate management and quick decision-making, which are contrary to each other.

The ULVAC Group has also established a Corporate Code of Conduct, which shows the code of conduct required of each employee, to ensure compliance with laws. While setting up a Compliance Committee, we have also established an Internal Reporting System, for which the Internal Auditing of ULVAC is in charge, in a bid to minimize the influence from breaches of the law regarding compliance violations within the Group. The system allows anonymous reporting, and guarantees that informants will not be treated unfavorably by making all parties concerned maintain strict confidentiality when conducting investigations.

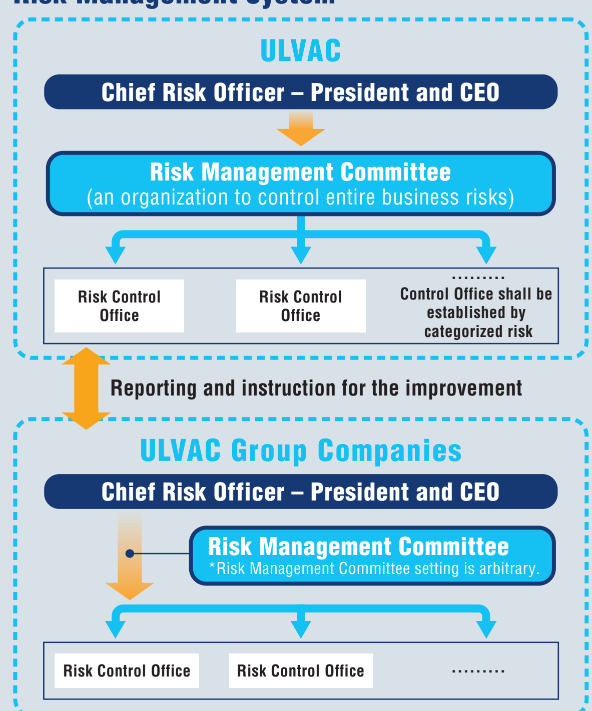
In recent years, corporations have been required to closely analyze risk factors that are getting complicated and diversified and take precise measures in order to carry out strategic corporate management. Anticipating this trend, the ULVAC Group established the ULVAC Group Risk Management Policy in March 2005. As a result, we have established a structure under which various pieces of risk information are quickly communicated to relevant departments while particularly important risk information is communicated from the president of each company, who is a chief risk officer (CRO), to the president of ULVAC.

The ULVAC Group also has a Risk Management Committee, chaired by the president. The Committee holds regular meetings twice a year to work on the formulation of company-wide risk management basic policies and on the understanding and improvement of the administration status.

ULVAC Management Structure



Risk Management System



Board of Directors and Corporate Auditors

Dr. Kyuzo Nakamura
Chairman

Hidenori Suwa
President and CEO

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

Yuzo Sakurada
Senior Managing Director
Semiconductor Equipment Group

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

Yoshio Sunaga
Senior Managing Director
Flat Panel Display Equipment Group

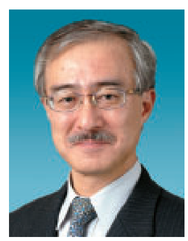
Takashi Fukuda
Managing Director
Chief Financial Officer

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
Electronics Equipment Div.

Hiroyuki Hirano
Director
Procurement Center

Masatoshi Yamamoto
Director
Corporate Sales Div.

Kiyoshi Ujihara
Director
Nippon Life Insurance Company

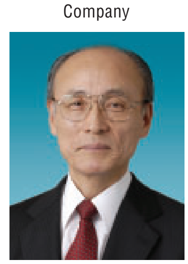
Yoshinobu Nakano
Director
INABATA & CO., LTD.

Takao Nakamura
Corporate Auditor

Nobuo Ohi
Corporate Auditor

Minoru Hara
Auditor

Senshu Asada
Auditor



Koichi Komiyaji
Auditor

ULVAC responds to customers' needs through manufacturing with advanced technologies and production technologies as so-called "both wheels of a vehicle."

Financial Section

ULVAC, Inc. and its consolidated subsidiaries

6-year summary

For the years ended June 30	2002	2003	2004	2005	2006	2007	2007
	Millions of yen						Thousands of U.S. dollars*
For the year							
Net sales	¥ 126,129	¥ 127,472	¥ 157,851	¥ 196,843	¥ 212,454	**¥ 239,151**	**$ 1,940,058**
Gross profit	20,457	24,108	29,996	40,689	41,577	**46,451**	**376,827**
Operating profit	2,276	4,736	8,476	15,306	14,796	**16,625**	**134,870**
Net income	668	1,729	3,953	7,146	8,102	**7,335**	**59,503**
At year-end							
Total assets	¥ 160,276	¥ 173,949	¥ 200,645	¥ 224,278	¥ 269,401	**¥ 317,577**	**$ 2,576,269**
Total net assets	40,101	41,951	58,145	73,854	87,627	**94,365**	**765,515**
Per Share (in yen and U.S. dollars)							
Net income	¥ 20.62	¥ 48.10	¥ 108.91	¥ 168.65	¥ 188.87	**¥ 170.99**	**$ 1.39**
Cash dividends	7.00	7.00	20.00	30.00	37.00	**47.00**	**0.38**
Ratios (%)							
Shareholders' equity ratio	25.0	24.1	29.0	32.9	30.7	**28.4**	
ROE	1.7	4.1	7.9	10.8	10.3	**8.5**	
ROA	0.4	1.0	2.0	3.4	3.3	**2.5**	
Number of employees	3,658	3,648	3,712	4,048	5,150	**5,543**	

* The U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥123.27 to US$1, the approximate exchange rate as of June 30, 2007.

Management's Discussion and Analysis

Business Results

In the fiscal year under review, the Japanese economy remained on a slow expansion track thanks to brisk exports to Asia, though consumer spending and capital expenditure somewhat lacked of accelerating force. Looking at the global economy, the corporate sector in the U.S. continued to be steady on the expansion of capital expenditure and exports, though consumer spending showed signs of decline due to the continued adjustment in the housing market. The Asian region continued to enjoy high economic growth, as exports and capital expenditure remained active, mainly in China.

In this setting, the capital expenditure at ULVAC Group's main customers in FPDs, electronic device and semiconductor-related industries were robust in product areas related to digital home appliances, such as large-screen TVs (LCD TV and plasma display TV), mobile phones and portable music players, although some customers put off their capital expenditure plans to reduce production. In the energy and environment-related industries, companies have begun capital expenditure in environmentally-sensitive products such as hybrid cars and photovoltaic cells.

To prevail in this operating environment, the ULVAC Group has been launching unique products to the market ahead of its competitors while aggressively pursuing sales expansion by promoting ULVAC Solutions. In addition, we have proactively expanded business, not only by investing in the growth regions of China, Korea and Taiwan, but also by establishing new plants in Japan, with our eyes on the "Post-FPD strategy." Moreover, amid sustained customer requests for price cuts, ULVAC has pushed ahead with the innovation of production aimed at paring manufacturing costs and improving quality, and proceeded with fixed-cost reductions.

Consequently, for the consolidated performance during the term under review, orders received increased by ¥807 million to ¥236,769 million (up 0.3% year-on-year) and net sales rose by ¥26,697 million to ¥239,151 million (up 12.6% year-on-year) from the previous fiscal year. For the consolidated profit and loss, ordinary profit increased by ¥1,323 million to ¥16,105 million (up 8.9% year-on-year). Net income was down ¥767 million to ¥7,335 million (down 9.5% year-on-year).

Vacuum-related Business

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

(1) Display and electronic device production equipment

In display and electronic device production equipment business, sales were strong in the "SMD Series," the multi-chamber sputtering equipment and "SDP Series," the in-line sputtering equipment, reflecting proactive capital expenditure in Asia for medium and small size LCDs and large-screen TVs (LCD TV and plasma display TV). However, orders received slowed sharply in the latter half of the term under review due to the postponement of plans for capital expenditure in LCDs and plasma displays by some of our customers. The electronic device production equipment saw robust orders received and sales for the "SRH Series," the sputtering equipment for high-density mounting boards and power ICs.

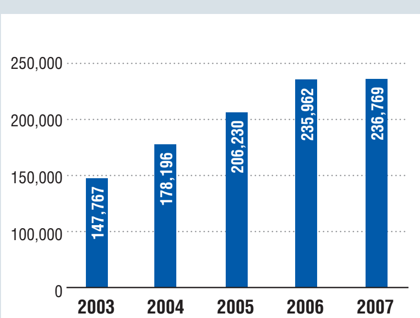
(2) Semiconductor production equipment

Semiconductor production equipment segment saw strong capital expenditure in memories, including flash memories and DRAMs used in cellular phones, portable music players, and personal digital assistants in the product areas related to digital home appliances and such compound semiconductors as LEDs. The "ENTRON™-EX Series," the PVD equipment with improved productivity and the "RISE Series," the batch-type native oxide removal equipment enjoyed healthy orders received and sales.

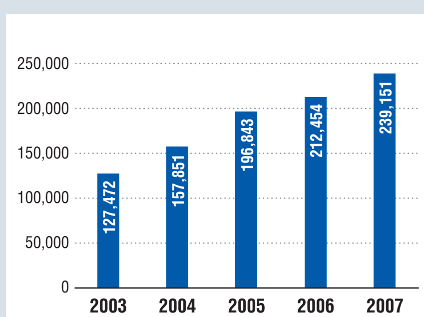
(3) Components

Orders received for dry pumps were weak mainly due to the postponement of the FPD-related capital expenditure, including LCDs. However, automotive components remained strong, and the photovoltaic cell-related capital expenditure was also active. As a result, orders for rotary pumps and helium leak detectors were robust. The "Qulee" residual gas analyzers for process management also enjoyed strong orders received, mainly from the semiconductor industries.

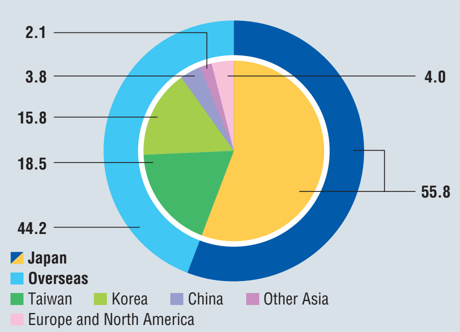
Orders received (Millions of yen)



Net sales (Millions of yen)



Net sales percentage by region in 2007 (%)



Management's Discussion and Analysis

(4) Others

Automotive-related products such as the "FBC Series," the Vacuum Brazing Furnaces, "EW Series," the Vacuum Evaporation Roll Coater and "ALT Series," the Automatic Leak Test System among general industrial applications were strong.

As a result, the vacuum-related business saw orders received of ¥203,008 million, outstanding orders of ¥112,638 million and sales of ¥206,648 million, reflecting a slowdown of FPD-related orders received despite the proactive capital expenditure for semiconductor-related products such as flash memories. In the meantime, operating profit reached ¥14,663 million.

Other Business

In the other businesses segment, the ULVAC Group as a whole worked proactively to increase sales by using ULVAC Solutions offering to its best advantage, resulting in robust orders received and sales in ULVAC's materials business such as sputtering target materials for LCDs and semiconductors and parts cleaning for maintenance parts centering in countries such as Japan, Korean, Taiwan, and other parts of Asia. In addition, we saw strong orders received and sales of control systems for automotive-related industries, receiving orders for large production lines for steel-making facilities in Korea. Orders received and sales for analyzers were also robust.

Consequently, orders received for other businesses reached ¥33,760 million, while outstanding orders stood at ¥7,717 million. In the meantime, sales were ¥32,503 million and operating profit reached ¥1,567 million.

Outlook for the Next Fiscal Year

In the FPD industry, where our principal customers are situated, the capital expenditure in large-screen TVs, including LCD TVs, is projected to be resumed. The capital expenditure in photovoltaic cells in the energy and environment-related industries and in electronic device for digital home appliances has moved into high gear. On the other hand, with some customers putting off their capital expenditure plans for flash memories and DRAMs, what will become of the semiconductor industry is yet to be seen.

ULVAC Group's efforts are all aimed at increasing customer satisfaction, which it believes is the basis of all activities. It will make efforts to develop unique products ahead of its competitors, increase orders as well as expand market share, while we will seek to improve profitability by further promoting cost reduction through vertical integration within the Group including in-house manufacturing and innovation of production.

The ULVAC Group places its strategic emphasis on the above activities, and with vacuum applications as its core technology, it will focus on providing comprehensive solutions in equipment, components, target materials, analyzers and customer support. The Group projects net sales of ¥273,000 million, operating profit of ¥17,900 million, net income of ¥9,000 million on a consolidate basis.

Financial Conditions

1) Status of Assets, Liabilities and Net Assets at the End of the Fiscal Year under Review

Assets

Assets increased ¥48,175 million compared with the end of the previous fiscal year. This was mainly due to an increase of ¥21,820 million in inventories and an increase of ¥21,015 million in property, plant and equipment as a result of capital expenditure for business expansion.

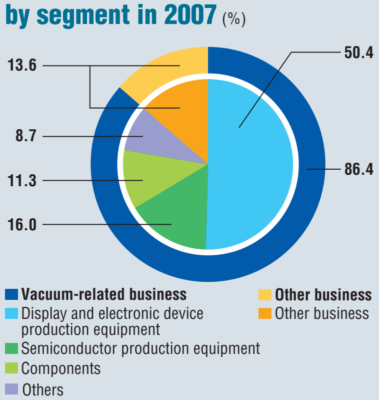
Liabilities

Liabilities increased ¥41,437 million compared with the end of the previous fiscal year. This was mainly attributed to the issue of unsecured convertible bond with stock acquisition rights amounting to ¥15,500 million, an increase of ¥10,584 million in borrowings, an increase of ¥3,688 million in notes and accounts payable and an increase of ¥4,196 million in advances received.

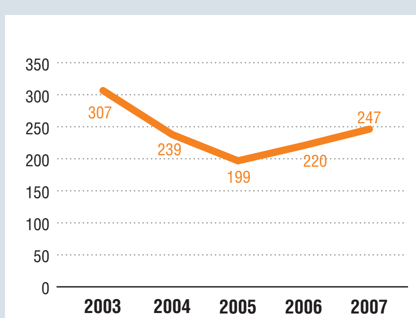
Net Assets

Net assets increased ¥6,738 million compared with the end of the previous fiscal year. This was mainly due to the posting of net income of ¥7,335

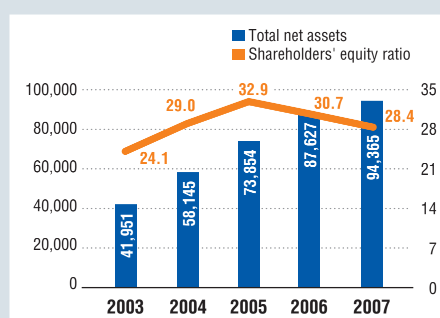
Net sales percentage by segment in 2007 (%)



Debt ratio (%)



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



million and payment of dividends from surplus totaling ¥1,587 million.

2) Status of Cash flows in the Term under Review

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥1,131 million. This was mainly because of an increase in income before income taxes and depreciation and amortization as positive factors and rise in inventories as a negative factor.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥26,850 million, which was mainly attributed to expenditure for the acquisition of tangible fixed assets and investment securities.

Cash Flows from Financing Activities

Net cash provided by financing activities totaled ¥23,738 million. This was mainly a result of ¥15,500 million procured by issuing unsecured convertible bond with stock acquisition rights to provide for cash outflow resulting from investment activities and a net increase in borrowing of long-term debt of ¥14,222 million.

As a result, consolidated net cash and cash equivalents at the end of the fiscal year increased ¥1,149 million from the previous year to ¥11,664 million.

3) Outlook for the Next Fiscal Year

Cash Flows from Operating Activities

ULVAC expects an increase in cash from operating activities compared to the fiscal year under review due to an increase in income before income taxes, reduction of inventories and enhancement of collection of notes and accounts receivable.

Cash Flows from Investing Activities

Prospects are for cash outflow unchanged from the fiscal year under review because of investment in facilities for the enhancement of output capacity and in research and development toward future growth.

Cash Flows from Financing Activities

The outlook is for an increase in fund-raising to provide for cash outflow resulting from investment activities.

Basic Policy on Profit Distribution and Dividends for the Fiscal Year under Review and the Next Fiscal Year

We place priority on the dividend payout ratio to our shareholders as a major indicator, recognizing profit distribution as one of our paramount management policies. It is our policy to keep a dividend payout ratio of about 20% of the consolidated net income, adopting the idea of a dividend that interacts with our performance while considering the consolidated performance and reinforcement of financial conditions comprehensively.

For the fiscal year under review, we will pay a dividend of ¥47 per share (on a consolidated basis, dividend payout ratio of 27.5%), an increase of ¥10, as projected initially, though our net income declined sharply.

For the next fiscal year, we plan to pay ¥47 per share in accordance with the consolidated earnings projections mentioned above and the basic policy on profit distribution stated above.

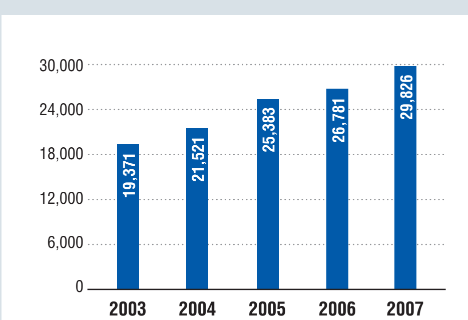
Risk Management

Our Group identifies the following factors as potential risks that could influence our earnings and financial position.

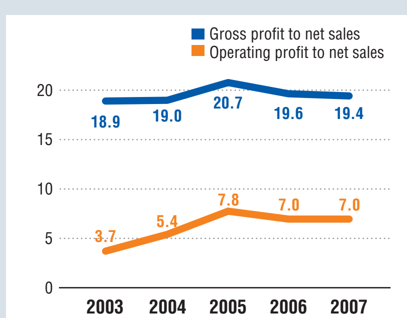
(1) Fluctuations in the FPDs and Semiconductor Markets

The ULVAC Group has grown by developing unique technological for vacuum equipment used in the manufacturing process of FPDs and semiconductors and marketing such devices, which have allowed us to capture market share and expand our sales. These products, the main stay of the Group, account for over 60% of our consolidated net sales. However, any large reduction in capital expenditure by the FPD and/or semiconductor manufacturers could affect our business results and financial position.

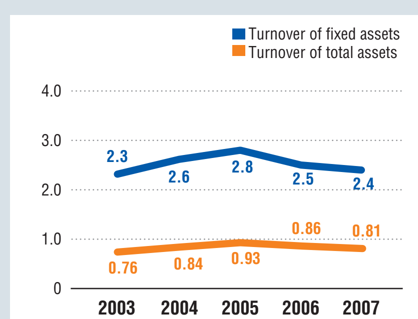
SG&A (Millions of yen)



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



Turnover of total assets (Times)
Turnover of fixed assets (Times)



Management's Discussion and Analysis

(2) Influence of Research and Development

Based on the sustained proactive investment in research and development activities, the ULVAC Group has consistently been coming to the market with new products using cutting-edge technologies. However, the failure to achieve the results hoped for from the commercialization of new technologies, or shifts in the timing of market introduction, could affect our business results and financial position.

(3) Influence of Pricing Competition

As ULVAC Group's principal customer, the FPD industry, has been making steady capital expenditure in step with the expansion of demand for digital home appliances. However, there is constant pressure from the customer side to lower prices. In the years to come, it is assumed that in addition to market entry by the existing competitors, new rival manufacturers may appear in Korea, Taiwan and China. Therefore, it is possible that intensifying sales competition and higher production costs due to surging prices for materials and goods purchased could affect our business results and financial position.

(4) Influence of Increased Overseas Sales

The ULVAC Group has an overseas sales ratio of about 40%, with South Korea, Taiwan, China and other economies in the Asian region accounting for the majority. In order to avoid currency risks, transactions by the ULVAC Group 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 affect our business results and financial position.

(5) Influence of Global Business Development

In order to secure market share in China as a prospective future growth market, the ULVAC Group 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 overseas outflow of personnel, could affect our business results and financial position.

(6) Influence of Quality-Assurance Efforts

The ULVAC Group has installed quality assurance systems, including the acquisition of ISO 9001 certification and has been providing services with a high level of customer satisfaction. As the ULVAC Group constantly provides products of cutting-edge technologies, consequently numerous developmental elements could lead to the situation that the Group has to collect and repair products free of charge in the event of any unforeseeable defect, which could affect our business results and financial position.

(7) Influence of Intellectual Property Rights

The ULVAC Group owns numerous patents related to various types of vacuum equipment, and proactively aims at acquiring intellectual property rights. Moreover, ULVAC also engages in examining patents concerning such products. However, unforeseeable litigation brought by a third party for a breach of patent rights may pose risks that could affect our business results and financial position.

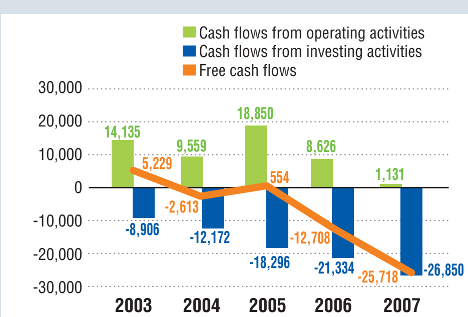
(8) Adoption of Impairment Accounting

The adoption of fixed-asset impairment accounting could negatively affect our business results and financial position.

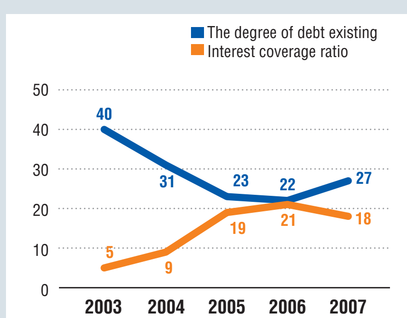
(9) Other Risks

As applicable to companies that engage in global operations and/or wide-ranging business areas, ULVAC Group's business results and financial position could be affected by condition in global and local markets, or any event of force majeure, such as natural disasters, acts of war or terrorism, or epidemics.

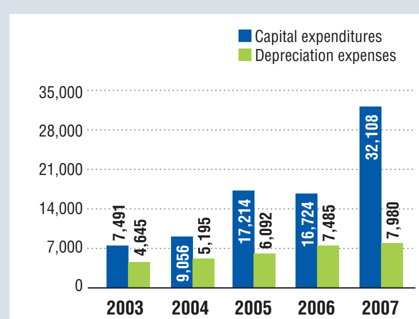
Cash flows (Millions of yen)



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



Capital expenditures
Depreciation expenses (Millions of yen)



Financial Section

Contents

1. [Consolidated Financial Statements and Others]

(1) [Consolidated Financial Statements]

i) Consolidated Balance Sheets

Title	Note no.	Previous fiscal year As of June 30, 2006 Amount (millions of yen)		Composition ratio (%)	Current fiscal year As of June 30, 2007 Amount (millions of yen)		Amount (thousands of U.S. dollars)		Composition ratio (%)
(Assets)									
I Current assets									
1. Cash on hand and in banks			10,986			11,889		96,444	
2. Notes and accounts receivable, trade	*4		83,430			87,399		709,004	
3. Inventories			74,741			96,561		783,329	
4. Deferred tax assets			4,164			4,723		38,311	
5. Other			5,644			7,558		61,314	
6. Allowance for doubtful accounts			(227)			(253)		(2,055)	
Total current assets			178,738	66.3		207,876		1,686,346	65.5
II Fixed assets									
(1) Property, plant and equipment	*3,6								
1. Buildings and structures		43,960			58,105		471,366		
Accumulated depreciation		(19,132)	24,829		(19,798)	38,308	(160,604)	310,762	
2. Machinery, equipment and vehicles		42,208			46,473		377,006		
Accumulated depreciation		(22,954)	19,253		(25,406)	21,068	(206,097)	170,909	
3. Tools, furniture and fixtures		10,933			11,643		94,455		
Accumulated depreciation		(8,292)	2,641		(8,445)	3,198	(68,511)	25,944	
4. Land			9,115			8,915		72,323	
5. Construction in progress			4,969			10,333		83,823	
Total property, plant and equipment			60,807	22.6		81,822		663,761	25.7
(2) Intangible fixed assets									
1. Goodwill			2,197			218		1,770	
2. Other			3,339			3,593		29,147	
Total intangible fixed assets			5,536	2.1		3,811		30,917	1.2
(3) Investments and other assets									
1. Investment securities	*1		14,910			15,555		126,189	
2. Leasehold and guarantee deposits			1,336			1,392		11,296	
3. Deferred tax assets			3,678			4,338		35,193	
4. Other	*1		4,486			3,096		25,118	
5. Allowance for doubtful accounts			(91)			(315)		(2,552)	
Total investments and other assets			24,320	9.0		24,068		195,244	7.6
Total fixed assets			90,663	33.7		109,701		889,922	34.5
Total assets			269,401	100.0		317,577		2,576,269	100.0

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

		Previous fiscal year As of June 30, 2006		Current fiscal year As of June 30, 2007		
Title	Note no.	Amount (millions of yen)	Composition ratio (%)	Amount (millions of yen)	Amount (thousands of U.S. dollars)	Composition ratio (%)
(Liabilities)						
I Current liabilities						
1. Notes and accounts payable, trade	*4	68,410		72,099	584,884	
2. Short-term borrowings	*3	24,908		33,715	273,506	
3. Commercial paper		10,000		10,000	81,123	
4. Accrued income taxes		5,002		3,940	31,962	
5. Advances received		20,785		24,980	202,647	
6. Deferred tax liabilities		1		1	10	
7. Accrued bonuses for employees		1,484		1,640	13,305	
8. Accrued bonuses for directors and corporate auditors		294		497	4,030	
9. Accrued warranty costs		2,769		2,897	23,497	
10. Other	*4	12,811		19,698	159,797	
Total current liabilities		146,464	54.4	169,467	1,374,762	53.4
II Long-term liabilities						
1. Bonds		200		200	1,622	
2. Convertible bonds		-		15,500	125,740	
3. Long-term debt	*3	23,149		24,926	202,209	
4. Deferred tax liabilities		-		1	4	
5. Accrued pension and severance costs for employees		10,269		11,394	92,428	
6. Accrued pension and severance costs for directors and corporate auditors		1,104		714	5,790	
7. Other		588		1,010	8,197	
Total long-term liabilities		35,311	13.1	53,745	435,991	16.9
Total liabilities		181,774	67.5	223,212	1,810,753	70.3
(Net Assets)						
I Shareholders' equity						
1. Common stock		13,468		13,468	109,254	
2. Capital surplus		14,695		14,695	119,211	
3. Retained earnings		51,929		57,955	470,148	
4. Treasury stock, at cost		(6)		(7)	(60)	
Total shareholders' equity		80,085	29.7	86,111	698,554	27.1
II Valuation and translation adjustments						
1. Unrealized gain on securities, net of taxes		1,537		1,461	11,850	
2. Foreign currency translation adjustments		1,134		2,747	22,284	
Total valuation and translation adjustments		2,671	1.0	4,208	34,134	1.3
III Minority interests		4,870	1.8	4,047	32,827	1.3
Total net assets		87,627	32.5	94,365	765,515	29.7
Total liabilities and net assets		269,401	100.0	317,577	2,576,269	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, 2006			For the fiscal year ended June 30, 2007				
		Amount (millions of yen)		Percentage (%)	Amount (millions of yen)		Amount (thousands of U.S. dollars)		Percentage (%)
I Net sales			212,454	100.0		239,151		1,940,058	100.0
II Cost of sales	*3		170,877	80.4		192,700		1,563,231	80.6
Gross profit			41,577	19.6		46,451		376,827	19.4
III Selling, general and administrative expenses	*1,3								
1. Selling expenses		10,155			10,401		84,376		
2. General and administrative expenses		16,626	26,781	12.6	19,425	29,826	157,581	241,957	12.5
Operating profit			14,796	7.0		16,625		134,870	6.9
IV Non-operating income									
1. Interest income		89			145		1,176		
2. Dividend income		155			194		1,575		
3. Commission fee		261			274		2,221		
4. Rental income		114			157		1,272		
5. Equity in earnings of unconsolidated subsidiaries and affiliates		311			-		-		
6. Royalty income		17			48		392		
7. Insurance income		41			4		34		
8. Foreign exchange gain, net		152			290		2,349		
9. Refund of value-added taxes of overseas subsidiaries		-			624		5,062		
10. Other		612	1,751	0.8	1,427	3,162	11,572	25,653	1.3
V Non-operating expenses									
1. Interest expenses		717			949		7,697		
2. Loss on devaluation of inventories		365			1,199		9,728		
3. Loss on disposal of inventories		209			92		750		
4. Cost and expense for rental activities		197			278		2,253		
5. Equity in losses of unconsolidated subsidiaries and affiliates		-			560		4,543		
6. Commission on refund of value-added taxes of overseas subsidiaries		-			206		1,671		
7. Other		277	1,765	0.8	399	3,683	3,237	29,877	1.5
Ordinary profit			14,782	7.0		16,105		130,646	6.7
VI Extraordinary gains									
1. Reversal of allowance for doubtful accounts		117			154		1,249		
2. Gain on sale of investment securities		517			-		-		
3. Income on prefectural government's grants		91			235		1,905		
4. Gain on change in equity		14			-		-		
5. Other		57	797	0.4	14	402	111	3,264	0.2
VII Extraordinary losses									
1. Loss on disposal of fixed assets	*2	243			533		4,327		
2. Loss on devaluation of investment securities		588			36		293		
3. Loss on devaluation of investment in affiliates		-			69		556		
4. Impairment loss	*4	-			2,159		17,514		
5. Other		0	831	0.4	83	2,880	673	23,363	1.2
Income before income taxes and minority interests			14,747	7.0		13,627		110,546	5.7
Current income taxes		5,930			7,307		59,279		
Deferred income taxes		164	6,094	2.9	(1,148)	6,159	(9,315)	49,964	2.6
Minority interests in net income of consolidated subsidiaries			552	0.3		133		1,079	0.0
Net income			8,102	3.8		7,335		59,503	3.1

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, 2006

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance on June 30, 2005 (millions of yen)	13,468	14,695	44,991	(3)	73,151
Changes during the fiscal year					
Increase from the increase in number of consolidated subsidiaries			53		53
Increase from the increase in number of subsidiaries accounted for by the equity method			361		361
Dividends from surplus			(1,287)		(1,287)
Bonuses to directors and corporate auditors from profit appropriation			(285)		(285)
Net income			8,102		8,102
Purchase of treasury stock				(3)	(3)
Other decrease in shareholders' equity			(7)		(7)
Change in items other than shareholders' equity during the fiscal year (net)					
Total changes during the fiscal year (millions of yen)	-	-	6,938	(3)	6,935
Balance on June 30, 2006 (millions of yen)	13,468	14,695	51,929	(6)	80,085

	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, 2005 (millions of yen)	630	74	703	3,746	77,600
Changes during the fiscal year					
Increase from the increase in number of consolidated subsidiaries					53
Increase from the increase in number of subsidiaries accounted for by the equity method					361
Dividends from surplus					(1,287)
Bonuses to directors and corporate auditors from profit appropriation					(285)
Net income					8,102
Purchase of treasury stock					(3)
Other decrease in shareholders' equity					(7)
Change in items other than shareholders' equity during the fiscal year (net)	907	1,060	1,968	1,124	3,092
Total changes during the fiscal year (millions of yen)	907	1,060	1,968	1,124	10,027
Balance on June 30, 2006 (millions of yen)	1,537	1,134	2,671	4,870	87,627

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

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, 2007

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance on June 30, 2006 (thousands of U.S. dollars)	109,254	119,211	421,260	(50)	649,675
Changes during the fiscal year					
Increase from the increase in number of consolidated subsidiaries			2,264		2,264
Dividends from surplus			(12,878)		(12,878)
Net income			59,503		59,503
Purchase of treasury stock				(10)	(10)
Change in items other than shareholders' equity during the fiscal year (net)					
Total changes during the fiscal year (thousands of U.S. dollars)	-	-	48,889	(10)	48,879
Balance on June 30, 2007 (thousands of U.S. dollars)	109,254	119,211	470,148	(60)	698,554

	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 (thousands of U.S. dollars)	12,469	9,201	21,671	39,507	710,853
Changes during the fiscal year					
Increase from the increase in number of consolidated subsidiaries					2,264
Dividends from surplus					(12,878)
Net income					59,503
Purchase of treasury stock					(10)
Change in items other than shareholders' equity during the fiscal year (net)	(620)	13,083	12,463	(6,680)	5,783
Total changes during the fiscal year (thousands of U.S. dollars)	(620)	13,083	12,463	(6,680)	54,662
Balance on June 30, 2007 (thousands of U.S. dollars)	11,850	22,284	34,134	32,827	765,515

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

iv) [Consolidated Statements of Cash Flows]

		For the fiscal year ended June 30, 2006	For the fiscal year ended June 30, 2007	
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		14,747	13,627	110,546
Depreciation and amortization		7,485	7,980	64,732
Impairment loss		-	2,159	17,514
Increase (decrease) in allowance for doubtful accounts		(65)	212	1,720
Increase in accrued pension and severance costs for employees		1,267	1,084	8,791
Increase (decrease) in accrued pension and severance costs for directors and corporate auditors		159	(391)	(3,170)
Increase in accrued warranty costs		454	77	624
Loss on disposal of fixed assets		307	533	4,327
Gain on sale of investment securities		(517)	-	-
Loss on devaluation of investment securities		588	36	293
Loss on devaluation of investment in affiliates		-	69	556
Interest and dividend income		(245)	(339)	(2,750)
Interest expenses		717	949	7,697
Income on prefectural government's grants		(91)	(235)	(1,905)
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates		(311)	560	4,543
Increase in accounts receivable		(13,666)	(2,837)	(23,015)
Increase in inventories		(20,678)	(18,739)	(152,017)
Increase in accounts payable, trade		11,941	2,687	21,795
Increase in advances received		12,968	2,293	18,601
Decrease in accrued consumption taxes		(393)	(108)	(874)
Other		26	450	3,652
Subtotal		14,694	10,066	81,660
Income taxes paid		(5,745)	(8,413)	(68,250)
Interest and dividend income received		369	383	3,104
Interest expenses paid		(693)	(905)	(7,338)
Net cash provided by operating activities		8,626	1,131	9,176

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

Title	Note no.	For the fiscal year ended June 30, 2006 Amount (millions of yen)	For the fiscal year ended June 30, 2007 Amount (millions of yen)	Amount (thousands of U.S. dollars)
II Cash flows from investing activities				
Increase in time deposits		(39)	(754)	(6,119)
Decrease in time deposits		241	1,008	8,177
Proceeds from sale of investment securities		824	23	187
Payments for acquisition of investment securities		(6,821)	(2,122)	(17,214)
Payment for acquisition of subsidiaries		(1,152)	(164)	(1,329)
Payments for loan receivables		(275)	(253)	(2,056)
Proceeds from collection of loan receivables		160	227	1,845
Payments for acquisition of tangible and intangible fixed assets		(16,717)	(27,809)	(225,596)
Proceeds from sale of tangible fixed assets		2,891	2,965	24,054
Proceeds from prefectural government's grants		91	235	1,905
Payment for long-term prepaid expenses		(445)	(210)	(1,706)
Other		(91)	5	42
Net cash used in investing activities		(21,334)	(26,850)	(217,811)
III Cash flows from financing activities				
Net changes in short-term borrowings		(6,805)	7,435	60,319
Net increase in commercial paper		10,000	-	-
Borrowing of long-term debt		18,359	14,222	115,376
Repayment of long-term debt		(13,347)	(12,108)	(98,227)
Proceeds from issuance of convertible bonds		-	15,500	125,740
Payments for redemption of bonds		(2,500)	-	-
Dividends paid by the parent company		(1,287)	(1,587)	(12,878)
Dividends paid by consolidated subsidiaries to minority shareholders		(170)	(156)	(1,264)
Proceeds from investment by minority shareholders		207	98	797
Other		(44)	333	2,703
Net cash provided by financing activities		4,414	23,738	192,566
IV Effect of exchange rate changes on cash and cash equivalents		236	658	5,341
V Decrease in cash and cash equivalents		(8,059)	(1,322)	(10,728)
VI Cash and cash equivalents at beginning of year		16,866	10,515	85,300
VII Cash and cash equivalents at beginning of year from newly consolidated of subsidiaries		1,708	2,472	20,050
VIII Cash and cash equivalents at end of year		10,515	11,664	94,623

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
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.
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. (2) Number of unconsolidated subsidiaries: 23 Names of unconsolidated subsidiaries are as follows: ULVAC GmbH 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) UF TECH CO., LTD. ULVAC AUTOMATION TAIWAN INC.

Item	For the fiscal year ended June 30, 2007
	ULVAC Research Center KOREA, Ltd. ULVAC RESEARCH CENTER TAIWAN, Inc. ULVAC (Shanghai) Trading Co., Ltd. ULVAC NONFERROUS The name of ULVAC System Control TAIWAN, Ltd. was changed to ULVAC Software Creative Technology, Co., Ltd. (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. 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.
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.
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. (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

Item	For the fiscal year ended June 30, 2007
	(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. 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. (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. 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. 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. 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. 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. 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 (US$2,855 thousand) is included in "other" long term liabilities in the accompanying consolidated balance sheet. (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.

Item	For the fiscal year ended June 30, 2007
	(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. 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.
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.
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.

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

For the fiscal year ended June 30, 2006	For the fiscal year ended June 30, 2007
(Accounting Standard for Directors' Bonus) Bonuses for directors and corporate auditors were previously recognized as a decrease in unappropriated retained earnings based on the resolution of proposal for appropriation of retained earnings made at the general meeting of shareholders. Effective from the current consolidated fiscal year, the bonuses are recognized as expenses in the period in which they arise in accordance with the "Accounting Standard for Directors' Bonus" (Accounting Standards Board of Japan, Accounting Standard Statement No. 4, November 29, 2005). As a result of this change, operating profit, ordinary profit and income before income taxes and minority interests all decreased by 294 million yen compared with the figures based on the previous method.	―――――――――
(Accounting Standard for Presentation of Net Assets in the Balance Sheet) Effective from the current consolidated fiscal year, the Company and consolidated subsidiaries adopted the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ, Accounting Standard No. 5, December 9, 2005) and the "Implementation Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ, Accounting Standard Implementation Guidance No. 8, December 9, 2005). The amount corresponding to the former shareholders' equity stands at 82,757 million yen. Net assets in the consolidated balance sheets for the current fiscal year were prepared based on the revised Regulations of Consolidated Financial Statements, following the revision of those regulations.	―――――――――

(Change in Presentation)

For the fiscal year ended June 30, 2006	For the fiscal year ended June 30, 2007
(Consolidated Balance Sheets) 1. "Advances received" (6,941 million yen at the end of the previous consolidated fiscal year), which was included in "other" under "current liabilities" at the end of the previous fiscal year, is presented as a separate category this fiscal year, since the ratio of "advances received" to total liabilities and net assets exceeded 5%.	(Consolidated Balance Sheets) ____________________

Notes to Consolidated Financial Statements

a) Notes to Consolidated Balance Sheets

Previous fiscal year As of June 30, 2006

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

	Millions of yen
Investment securities (shares)	10,884
Investments and other assets (other) (Investments)	2,496

2 Contingent liabilities

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

	Millions of yen
ULVAC GmbH	2 (EUR 13,000)
Physical Electronics USA, Inc.	105 (US$ 900,000)
Initium, Inc.	15

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

	Millions of yen
TIGOLD Co., Ltd.	362
Ulvac Korea Precision, Ltd.	484
Pure Surface Technology, Ltd.	130

*3 Details of collateral and secured liabilities

(1) Collateral

	Millions of yen
• Factory foundation	
Land	504
Buildings and structures	6,430
Machinery, equipment and vehicles	350
Total	7,283
• Land	172
• Buildings and structures	76
Total	248

(2) Secured liabilities

	Millions of yen
• Short-term borrowings	1,947
• Long-term debt	4,701
Total	6,648

Current fiscal year As of June 30, 2007

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

	Millions of yen	Thousands of U.S. dollars
Investment securities (shares)	11,725	95,113
Investments and other assets (other) (Investments)	1,013	8,221

2 Contingent liabilities

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

	Millions of yen	Thousands of U.S. dollars
TIGOLD Co., Ltd.	195	1,584
Ulvac Korea Precision, Ltd.	363	2,945
Pure Surface Technology, Ltd.	360	2,918
Initium, Inc.	8	65

*3 Details of collateral and secured liabilities

(1) Collateral

	Millions of yen	Thousands of U.S. dollars
• Factory foundation		
Land	504	4,089
Buildings and structures	5,767	46,783
Machinery, equipment and vehicles	257	2,087
Total	6,528	52,959
• Land	172	1,394
• Buildings and structures	71	574
Total	243	1,968

(2) Secured liabilities

	Millions of yen	Thousands of U.S. dollars
• Short-term borrowings	1,857	15,061
• Long-term debt	3,511	28,486
Total	5,368	43,547

<table>
<tr><th colspan="2">Previous fiscal year
As of June 30, 2006</th><th colspan="2">Current fiscal year
As of June 30, 2007</th></tr>
<tr><td>*4</td><td>Notes receivable and payable due on the last day of the consolidated fiscal year
___________________</td><td>*4</td><td>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:
<table><tr><th></th><th>Millions of yen</th><th>Thousands of U.S. dollars</th></tr><tr><td>Notes receivable</td><td>1,060</td><td>8,599</td></tr><tr><td>Notes payable</td><td>824</td><td>6,682</td></tr><tr><td>Current liabilities, “other” (Notes payable for facilities)</td><td>162</td><td>1,315</td></tr></table></td></tr>
<tr><td>5</td><td>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.
<table><tr><th></th><th>Millions of yen</th></tr><tr><td>Total amount of the commitment line for loans</td><td>10,000</td></tr><tr><td>Realized balance</td><td>-</td></tr><tr><td>Net</td><td>10,000</td></tr></table></td><td>5</td><td>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.
<table><tr><th></th><th>Millions of yen</th><th>Thousands of U.S. dollars</th></tr><tr><td>Total amount of the commitment line for loans</td><td>10,000</td><td>81,123</td></tr><tr><td>Realized balance</td><td>-</td><td>-</td></tr><tr><td>Net</td><td>10,000</td><td>81,123</td></tr></table></td></tr>
<tr><td>*6</td><td>___________________</td><td>*6</td><td>The amount of prefectural government grants for the acquisition of land amounting to 19 million yen (US$153 thousand) 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 (US$1,038 thousand).</td></tr>
</table>

b) Notes to Consolidated Statements of Income

For the fiscal year ended June 30, 2006

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

	Millions of yen
Employee salaries	6,301
Transfer to reserve for bonuses to employees	447
Transfer to accrued bonuses to directors and corporate auditors	294
Transfer to reserve for retirement benefits to employees	717
Transfer to reserve for retirement benefits to directors and corporate auditors	260
Depreciation	1,055
Travel and transportation expenses	1,236
Commission	2,222
Research and development cost	4,324
Transfer to allowance for doubtful accounts	107

*2 The breakdown of losses on disposal of fixed assets is as follows:

	Millions of yen
Buildings and structures	21
Machinery, equipment and vehicles	210
Tools, furniture and fixtures	4
Software	8
Total	243

*3 Research and development cost included in selling, general and administrative expenses and manufacturing cost for the current fiscal year amounts to 7,067 million yen.

*4 ——————

For the fiscal year ended June 30, 2007

*1 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	7,303	59,243
Transfer to reserve for bonuses to employees	464	3,760
Transfer to accrued bonuses to directors and corporate auditors	495	4,012
Transfer to reserve for retirement benefits to employees	662	5,371
Transfer to reserve for retirement benefits to directors and corporate auditors	190	1,538
Depreciation	1,172	9,510
Travel and transportation expenses	1,750	14,197
Commission	2,020	16,386
Research and development cost	4,886	39,636
Transfer to allowance for doubtful accounts	393	3,187

*2 The breakdown of losses on disposal of fixed assets is as follows:

	Millions of yen	Thousands of U.S. dollars
Buildings and structures	338	2,744
Machinery, equipment and vehicles	162	1,314
Tools, furniture and fixtures	32	259
Software	1	10
Total	533	4,327

*3 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 (US$71,913 thousand).

*4 The breakdown of impairment losses are as follows:

(1) Assets for which impairment losses are recognized

Use	Type of asset	Location
-	Goodwill	The U.S Litrex Corporation
Facility for bonding	Machinery, equipment and vehicles	China ULVAC (SUZHOU) Co., LTD.

(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	Thousands of U.S. dollars
Goodwill	2,114	17,152
Machinery, equipment and vehicles	45	362
Total	2,159	17,514

For the fiscal year ended June 30, 2006	For the fiscal year ended June 30, 2007
	(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.

c) Notes to Consolidated Statements of Changes in Net Assets

For the fiscal year ended June 30, 2006

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	2,664	6,252	48	8,868

(Outline of reasons for fluctuations)

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

Increase from purchases of less-than-one-unit shares 272 shares

Own shares (shares of the Company) that were acquired by companies accounted for by the equity method and belonging to the Company 5,980 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 48 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 29, 2005	Common stock	1,287	30.00	June 30, 2005	September 30, 2005

(2) Of the dividends whose base dates belong to the fiscal year ended June 30, 2006, 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 28, 2006	Common stock	1,587	Retained earnings	37.00	June 30, 2006	September 29, 2006

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 purchase 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 are held by companies accounted for using the equity method and belong 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

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 27, 2007	Common stock	16,358	Retained earnings	0.38	June 30, 2007	September 28, 2007

d) Notes to Consolidated Statements of Cash Flows

For the fiscal year ended June 30, 2006

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	10,986
Time deposits with maturities over three months	(471)
Cash and cash equivalents	10,515

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	Thousands of U.S. dollars
Cash on hand and in banks	11,889	96,444
Time deposits with maturities over three months	(225)	(1,821)
Cash and cash equivalents	11,664	94,622

(Lease Transactions)

For the fiscal year ended June 30, 2006

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

	Tools, furniture and fixtures	Other	Total
	Millions of yen	Millions of yen	Millions of yen
Acquisition cost	2,104	3,563	5,666
Accumulated depreciation	(1,009)	(1,701)	(2,710)
Book value	1,094	1,862	2,956

   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.

   2) Future lease payments obligations are as follows:

	Millions of yen
Due within one year	913
Due after one year	2,043
Total	2,956

   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.

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

	Millions of yen
Lease payments	1,308
Depreciation expense equivalents	1,308

   4) Calculation method of depreciation
   Depreciation expenses are calculated using the straight-line method over the lease term without residual value.

2. Operating leases
   Obligation for future lease payments

	Millions of yen
Due within one year	116
Due after one year	520
Total	636

For the fiscal year ended June 30, 2007

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

	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

	Tools, furniture and fixtures	Other	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Acquisition cost	18,516	39,084	57,600
Accumulated depreciation	(8,495)	(13,374)	(21,869)
Book value	10,021	25,710	35,731

   Refer to column as on the left.

   2) Future lease payments obligations are as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	1,122	9,100
Due after one year	3,283	26,631
Total	4,405	35,731

   Refer to column as on the left.

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

	Millions of yen	Thousands of U.S. dollars
Lease payments	1,032	8,368
Depreciation expense	1,032	8,368

   4) Calculation method of depreciation
   Refer to column as on the left.

2. Operating leases
   Obligation for future lease payments

	Millions of yen	Thousands of U.S. dollars
Due within one year	104	848
Due after one year	375	3,038
Total	479	3,886

(Securities)

1. Other securities with fair values

	Type	Previous fiscal year As of June 30, 2006			Current fiscal year As of June 30, 2007					
		(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	1,383	3,388	2,005	1,480	3,342	1,862	12,008	27,110	15,102
Securities with book values not exceeding acquisition cost	Stocks	119	114	(6)	23	21	(2)	188	174	(15)
Total		1,502	3,502	2,000	1,503	3,363	1,860	12,196	27,284	15,088

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 588 million yen in the previous consolidated fiscal year and 36 million yen (US$293 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, 2006			For the fiscal year ended June 30, 2007					
(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
824	517	-	23	-	-	187	-	-

3. Major securities which are not marked to market

	Previous fiscal year As of June 30, 2006	Current fiscal year As of June 30, 2007	
	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	9,363	10,174	82,532
2) Other securities Unlisted stocks	523	467	3,792

(Derivative Transactions)

1. Circumstances of derivative transactions

For the fiscal year ended June 30, 2006	For the fiscal year ended June 30, 2007
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.

For the fiscal year ended June 30, 2006	For the fiscal year ended June 30, 2007
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, 2006				Current fiscal year As of June 30, 2007							
		(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	1,530	-	1,577	(47)	2,278	-	2,368	(90)	18,478	-	19,210	(732)
	Bought												
	U.S. dollar	500	-	501	1	1,340	-	1,390	50	10,871	-	11,278	407
	Euro	87	-	89	2	304	-	314	10	2,467	-	2,550	83
	Pound sterling	-	-	-	-	101	-	112	10	823	-	908	85
Total		-	-	-	(44)	-	-	-	(19)	-	-	-	(157)

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, 2006				Current fiscal year As of June 30, 2007							
		(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	4	4	450	450	2	2	3,651	3,651	18	18

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)

For the fiscal year ended June 30, 2006	For the fiscal year ended June 30, 2007
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.	1. Outline of adopted employee retirement benefit plans Refer to column as on the left.
2. Retirement benefit obligations (As of June 30, 2006) Millions of yen (1) Projected benefit obligation (19,711) (2) Plan assets 6,635 (3) Unfunded retirement benefit obligation (1) + (2) (13,075) (4) Unrecognized net obligation on the date of initial application of the new accounting standards for employee retirement benefits 1,327 (5) Unrecognized actuarial differences 1,479 (6) Unrecognized prior service cost - (7) Net amount on the consolidated balance sheets (3) + (4) + (5) + (6) (10,269) (8) Prepaid pension cost - (9) Reserve for retirement benefits (7) – (8) (10,269) Note: Some consolidated subsidiaries adopt the non-actuarial method for calculating projected benefit obligations.	2. Retirement benefit obligations (As of June 30, 2007) Millions of yen / Thousands of U.S. dollars (1) Projected benefit obligation (21,046) (170,734) (2) Plan assets 7,135 57,885 (3) Unfunded retirement benefit obligation (1) + (2) (13,911) (112,849) (4) Unrecognized net obligation on the date of initial application of the new accounting standards for employee retirement benefits 993 8,056 (5) Unrecognized actuarial differences 1,524 12,365 (6) Unrecognized prior service cost - - (7) Net amount on the consolidated balance sheets (3) + (4) + (5) + (6) (11,394) (92,428) (8) Prepaid pension cost - - (9) Reserve for retirement benefits (7) – (8) (11,394) (92,428) Note: Some consolidated subsidiaries adopt the non-actuarial method for calculating projected benefit obligations.
3. Retirement benefit expenses (For the fiscal year ended June 30, 2006) Millions of yen (1) Service cost 1,584 (2) Interest cost 287 (3) Expected return on plan assets (133) (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 313 (6) Net retirement benefit expenses 2,385	3. Retirement benefit expenses (For the fiscal year ended June 30, 2007) Millions of yen / Thousands of U.S. dollars (1) Service cost 1,562 12,675 (2) Interest cost 289 2,342 (3) Expected return on plan assets (147) (1,196) (4) Amortization of unrecognized net obligation on the date of initial application of the new accounting standards for employee retirement benefits 334 2,709 (5) Amortization of actuarial differences 247 2,007 (6) Net retirement benefit expenses 2,285 18,537
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	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

(Deferred Tax Assets and Liabilities)

Previous fiscal year As of June 30, 2006		Current fiscal year As of June 30, 2007		
1. Significant components of deferred tax assets and liabilities (Deferred tax assets) (1) Deferred tax assets (current)		1. Significant components of deferred tax assets and liabilities (Deferred tax assets) (1) Deferred tax assets (current)		
	Millions of yen		Millions of yen	Thousands of U.S. dollars
Accrued enterprise tax	432	Accrued enterprise tax	354	2,869
Inventories (unrealized gains, devaluation losses)	1,717	Inventories (unrealized gains, devaluation losses)	2,416	19,603
Accrued bonuses	698	Accrued bonuses	617	5,009
Accrued warranty costs	1,089	Accrued warranty costs	1,125	9,122
Other	306	Other	295	2,392
Subtotal deferred tax assets (current)	4,242	Subtotal deferred tax assets (current)	4,807	38,995
Provision for valuation allowance	(50)	Provision for valuation allowance	(39)	(320)
Total deferred tax assets (current)	4,192	Total deferred tax assets (current)	4,768	38,675
(2) Deferred tax assets (fixed)		(2) Deferred tax assets (fixed)		
Accrued pension and severance costs for employees	3,815	Accrued pension and severance costs for employees	4,375	35,494
Accrued pension and severance costs for directors and corporate auditors	426	Accrued pension and severance costs for directors and corporate auditors	431	3,494
Tax loss carried forward	496	Tax loss carried forward	389	3,153
Devaluation loss on investment securities	1,530	Devaluation loss on investment securities	3,550	28,801
Other	369	Other	230	1,870
Subtotal deferred tax assets (fixed)	6,635	Subtotal deferred tax assets (fixed)	8,975	72,812
Provision for valuation allowance	(2,191)	Provision for valuation allowance	(3,911)	(31,727)
Total deferred tax assets (fixed)	4,443	Total deferred tax assets (fixed)	5,065	41,085
(3) Total deferred tax assets	8,635	(3) Total deferred tax assets	9,832	79,760
(Deferred tax liabilities)		(Deferred tax liabilities)		
(1) Deferred tax liabilities (current)		(1) Deferred tax liabilities (current)		
Adjustment for allowance of doubtful accounts	(28)	Adjustment for allowance of doubtful accounts	(47)	(381)
Total deferred tax liabilities (current)	(28)	Total deferred tax liabilities (current)	(47)	(381)
(2) Deferred tax liabilities (fixed)		(2) Deferred tax liabilities (fixed)		
Special reserve for income tax deferred	(319)	Special reserve for income tax deferred	(336)	(2,722)
Unrealized gain on securities, net of taxes	(446)	Unrealized gain on securities, net of taxes	(390)	(3,167)
Total deferred tax liabilities (fixed)	(765)	Total deferred tax liabilities (fixed)	(726)	(5,888)
(3) Total deferred tax liabilities	(793)	(3) Total deferred tax liabilities	(773)	(6,270)
Net deferred tax assets	7,842	Net deferred tax assets	9,059	73,490

Previous fiscal year As of June 30, 2006		Current fiscal year As of June 30, 2007	
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	1.0	Permanent non-deductible expenses, including entertainment expenses	3.4
Permanent non-taxable revenue, including dividends received	(2.7)	Permanent non-taxable revenue, including dividends received	(4.9)
Tax deduction for foreign taxes	(2.2)	Tax deduction for foreign taxes	(4.4)
Gains on investments using the equity method	(0.9)	Losses on investments using the equity method	1.7
Special deduction for experimental and research expenses	(2.7)	Special deduction for experimental and research expenses	(4.1)
Amortization of goodwill	0.9	Amortization of goodwill	0.3
Tax rate difference of overseas subsidiaries	(0.8)	Tax rate difference of overseas subsidiaries	(5.2)
Consolidated elimination of dividends received	6.4	Consolidated elimination of dividends received	10.6
Other	2.0	Valuation allowance	4.7
Effective income tax rate	41.3	Other	2.9
		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, 2006				
	Vacuum business	Other business	Total	Elimination or corporate total	Consolidated
I Net sales and operating profit/loss					
Net sales					
(1) Sales to outside customers	181,155	31,299	212,454	-	212,454
(2) Intersegment	856	6,043	6,900	(6,900)	-
Total	182,012	37,342	219,354	(6,900)	212,454
Operating expenses	170,130	34,513	204,643	(6,985)	197,658
Operating profit	11,882	2,829	14,711	85	14,796
II Assets, depreciation and capital expenditure					
Assets	232,842	32,534	265,376	4,025	269,401
Depreciation	6,519	778	7,297	(-)	7,297
Capital expenditure	14,689	2,035	16,724	(-)	16,724

(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 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

(Thousands of U.S. dollars)

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	1,676,383	263,675	1,940,058	-	1,940,058
(2) Intersegment	6,585	66,401	72,986	(72,986)	-
Total	1,682,969	330,075	2,013,044	(72,986)	1,940,058
Operating expenses	1,564,020	317,363	1,881,383	(76,195)	1,805,188
Operating profit	118,949	12,712	131,661	3,209	134,870
II Assets, depreciation and capital expenditure					
Assets	2,209,510	335,683	2,545,193	31,076	2,576,269
Depreciation	56,241	8,513	64,754	(22)	64,732
Impairment loss	17,514	-	17,514	-	17,514
Capital expenditure	235,938	24,536	260,474	-	260,474

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 systems, sputtering systems, plasma CVD systems, ion injection equipment, vacuum pumps, vacuum valves, vacuum gauges, surface roughness meters, dry etching systems and sales, remolding, 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 4,025 million yen in the previous consolidated fiscal year and 3,831 million yen (US$31,076 thousand) in this consolidated fiscal year. They are mainly long-term investment assets (investment securities) and assets related to the administrative division.

[Segment information by geographic area]

(Millions of yen)

Title	For the fiscal year ended June 30, 2006					
	Japan	Asia	North America	Total	Elimination or corporate total	Consolidated
I Net sales and operating profit/loss Net sales (1) Sales to outside customers	191,449	16,452	4,553	212,454	-	212,454
(2) Intersegment	12,011	7,201	670	19,883	(19,883)	-
Total	203,460	23,654	5,223	232,337	(19,883)	212,454
Operating expenses	190,790	20,967	5,825	217,582	(19,924)	197,658
Operating profit or loss	12,670	2,687	(602)	14,755	41	14,796
II Assets	221,836	38,183	5,357	265,376	4,025	269,401

(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

(Thousands of U.S. dollars)

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	1,614,190	265,549	60,319	1,940,058	-	1,940,058
(2) Intersegment	141,491	55,899	33,694	231,085	(231,085)	-
Total	1,755,681	321,448	94,013	2,171,143	(231,085)	1,940,058
Operating expenses	1,654,871	293,321	93,618	2,041,810	(236,622)	1,805,188
Operating profit	100,810	28,127	395	129,333	5,537	134,870
II Assets	2,111,132	403,334	30,727	2,545,193	31,076	2,576,269

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 4,025 million yen in the previous consolidated fiscal year and 3,831 million yen (US$31,076 thousand) in this consolidated fiscal year. They are mainly long-term investment assets (investment securities) and assets related to the administrative division.

[Overseas sales]

	For the fiscal year ended June 30, 2006				
	Asia	North America	Europe	Other regions	Total
I Overseas sales (millions of yen)	88,724	4,201	535	67	93,527
II Consolidated net sales (millions of yen)					212,454
III Ratio of overseas sales to consolidated net sales (%)	41.8	2.0	0.3	0.0	44.0

	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, 2007				
	Asia	North America	Europe	Other regions	Total
I Overseas sales (thousands of U.S. dollars)	780,645	59,354	13,593	3,962	857,555
II Consolidated net sales (thousands of U.S. dollars)					1,940,058
III Ratio of overseas sales to consolidated net sales (%)	40.2	3.1	0.7	0.2	44.2

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 the Czech Republic
   (4) Other regions: 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, 2006

Not applicable

For the fiscal year ended June 30, 2007

Not applicable

(Per Share Information)

For the fiscal year ended June 30, 2006		For the fiscal year ended June 30, 2007	Yen	U.S. dollars
Net assets per share of common stock	1,929.19	Net assets per share of common stock	2,105.48	17.08
Net income per share of common stock	188.87	Net income per share of common stock	170.99	1.39
Diluted net income per share is not presented because there are no potentially dilutive shares.	-	Diluted net income per share	168.04	1.36

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, 2006	For the fiscal year ended June 30, 2007	For the fiscal year ended June 30, 2007
Net income per share			
Net income (millions of yen* / thousands of U.S. dollars**)	8,102	7,335*	59,503**
Amount 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**)	8,102	7,335*	59,503**
Average number of common stock during the fiscal year (thousands of shares)	42,897	42,897	42,897
Diluted net income per share			
Adjustment in net income	-	-	-
Increase in common stock (thousands of shares)	-	754	754
(Of which, unexercised first unsecured convertible bond-type bonds with stock acquisition rights)	(-)	(754)	(754)
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 (millions of yen)	Beginning balance (thousands of U.S. dollars)	Ending balance (millions of yen)	Ending balance (thousands of U.S. dollars)	Interest rate (%)	Collateral	Date of maturity
ULVAC TOHOKU, Inc.	First unsecured bond	March 25, 2004	200	1,622	200	1,622	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	125,740	-	Unsecured bond	April 13, 2012
Total	-		200	1,622	15,700	127,363	-	-	-

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)	125,740
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, 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 (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 on 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	-	-	-	1,622	125,740

[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	14,366	22,264	180,608	1.2	-
Long-term debt scheduled to be repaid within one year	10,542	11,452	92,898	1.4	-
Long-term debt (excluding debt scheduled to be repaid within one year)	23,149	24,926	202,209	1.5	From May 30, 2008 to June 29, 2012
Other interest-bearing liabilities	-	-	-	-	-
Total	48,057	58,641	475,719	-	-

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	9,367	8,825	5,899	836	75,987	71,589	47,855	6,778

(2) [Other]
Not applicable

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Report of Independent Auditors

December 12, 2007

To the Board of Directors of ULVAC, Inc.

We have audited the accompanying consolidated balance sheet of ULVAC, Inc. ("the Company") and its subsidiaries as of June 30, 2007, 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 subsidiaries as of June 30, 2007, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended June 30, 2007 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 June 30, 2007

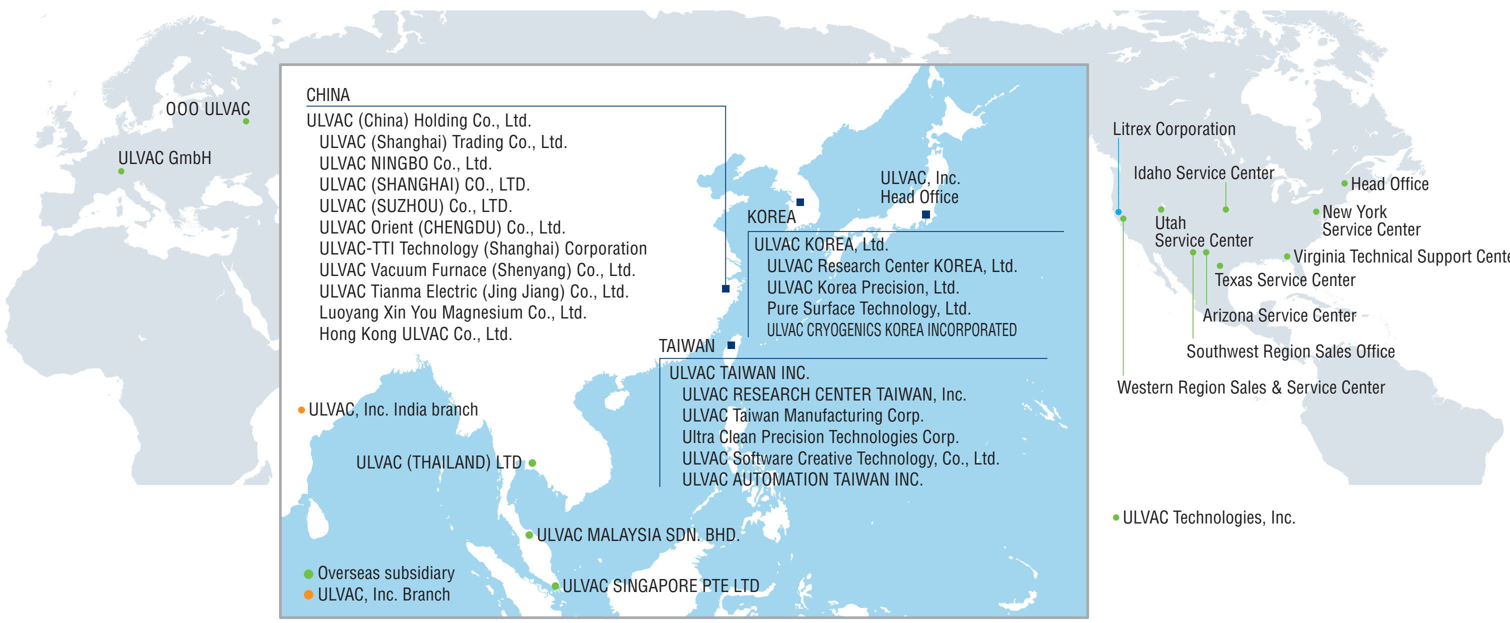
Trade name	ULVAC, Inc.
Trademark	ULVAC
Head office address	2500 Hagisono, Chigasaki, Kanagawa Prefecture 253-8543, Japan
Date of establishment	August 23, 1952
Capital	¥13,467,797,500
Number of employees	1,653 (5,543 consolidated)

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-RIKO, Inc.
ULVAC KIKO, Inc.
ULVAC-PHI, Inc.
ULVAC EQUIPMENT SALES, Inc.
ULVAC CRYOGENICS INCORPORATED
ULVAC Technologies, Inc.
ULVAC TAIWAN INC.
ULVAC KOREA, Ltd.
ULVAC SINGAPORE PTE LTD
Litrex Corporation
ULVAC NINGBO Co., 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.

Global Network

As of September 30, 2007



Shareholders Information

Stocks

Total number of issuable shares	80,000,000
Number of shareholders	10,202
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	Number of shares (thousands)	(%)
The Master Trust Bank of Japan, Ltd. (Trust account)	3,447	8.04
Nippon Life Insurance Company	3,202	7.47
Japan Trustee Services Bank, Ltd. (Trust account)	2,595	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	1,290	3.01
Trust & Custody Services Bank, Ltd. (Trust account B)	1,137	2.65
INABATA & CO., LTD.	920	2.14
OM04 SSB Client Omnibus	820	1.91

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