ULVAC REPORT 2012

Annual Report

Financial Highlights

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

FOR THE YEAR DATA	2008.06	2009.06	2010.06	2011.06	2012.06	2012.06
Net sales	241,212	223,825	221,804	232,040	196,804	2,481,453
Orderds received	293,110	172,212	221,705	235,932	152,221	1,919,312
Operating income (loss)	9,081	3,483	4,809	1,850	(6,384)	(80,494)
Income (loss) before income taxes	6,451	(1,600)	4,558	(9,192)	(33,704)	(424,971)
Net income (loss)	3,610	811	2,138	(8,706)	(49,984)	(630,238)
Capital expenditures	23,382	19,567	11,087	17,827	12,719	160,375
Depreciation	10,932	12,320	11,949	10,717	9,096	114,683
R&D costs	8,586	8,344	8,005	8,255	7,088	89,377

YEAR-END DATA						
Total assets	303,069	318,076	313,784	313,616	249,651	3,147,788
Net assets/Shareholders' equity	91,853	90,158	102,504	92,023	41,187	519,315
Number of employees	6,356	6,871	7,169	7,878	6,981	6,981

(yen)

PER SHARE DATA						
Net assets	2,052.48	1,961.08	1,992.06	1,787.51	751.00	9.47
Net income (loss)						
—Basic	84.16	18.90	46.60	(176.43)	(1,012.94)	(12.77)
—Diluted	78.20	17.44	42.65	—	—	—
Cash dividends	21	21	21	—	—	—

(%)

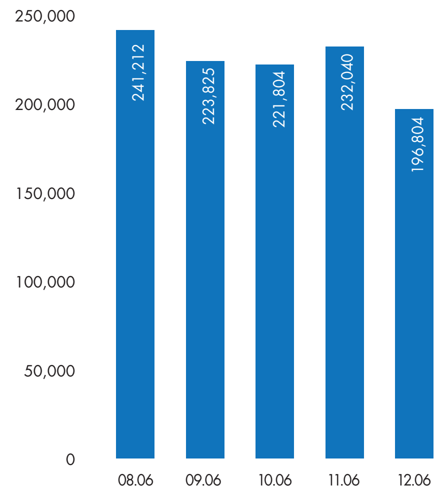
OTHER INFORMATION						
Net income /Average total assets (ROA)	1.2	0.3	0.7	—	—	—
Net income /Average shareholders' equity (ROE)	4.0	0.9	2.3	—	—	—
shareholders' equity ratio	29.1	26.4	31.3	28.1	14.8	14.8

U.S. dollar amounts have been converted from yen, for convenience only, using the approximate exchange rate on June 30, 2012, which was U.S.$1 = ¥79.31.

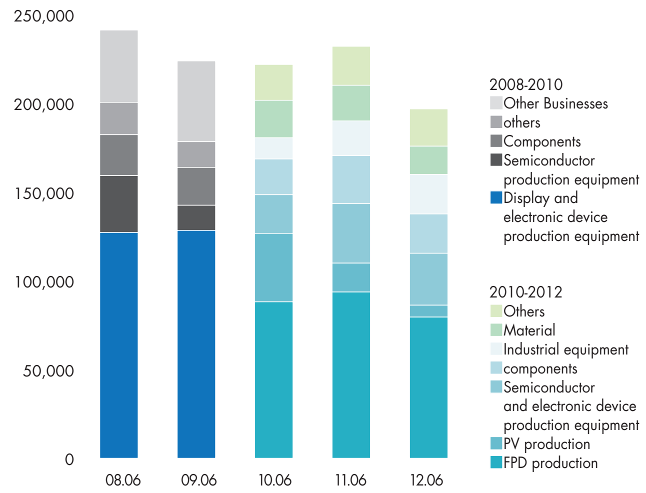
☑ Disclaimer regarding forward-looking statements

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

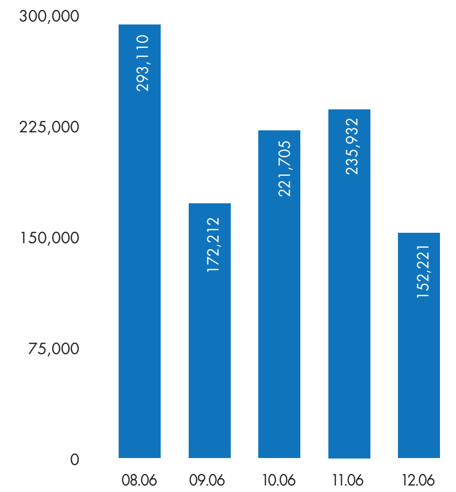
● Net sales (Millions of yen)



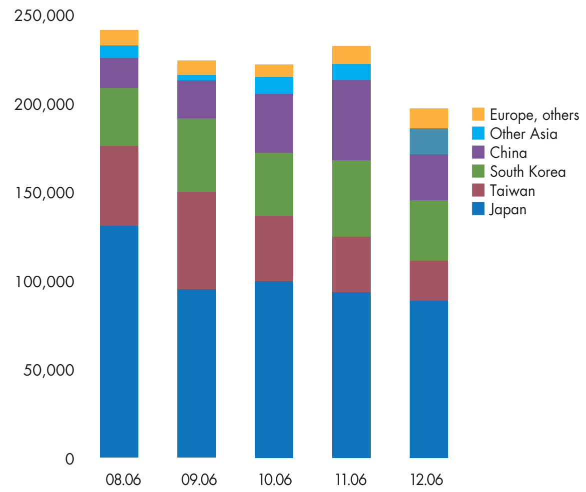
● Net sales by business segment (Millions of yen)



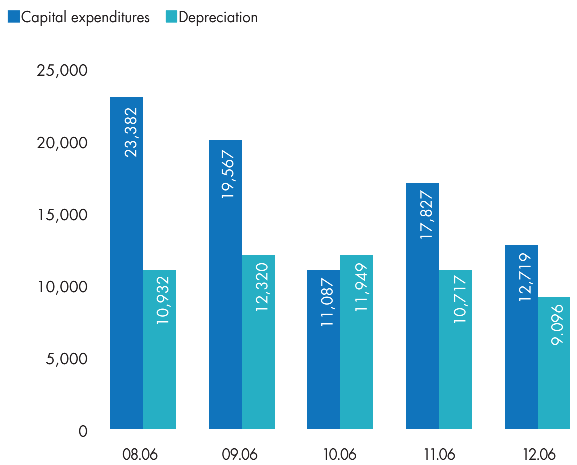
● Orderds received (Millions of yen)



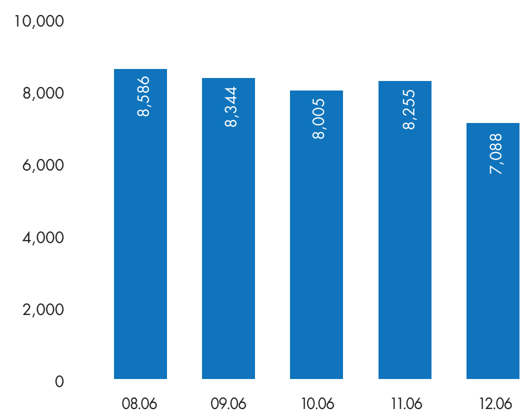
● Net sales by region (Millions of yen)



● Capital expenditures／Depreciation (Millions of yen)



● R&D costs (Millions of yen)



Business Overview

Business Results

During the fiscal year ended June 30, 2012, the Japanese economy continued to face severe conditions due to several uncertain factors such as the lingering impact of the European debt crisis and concerns about possible power shortages despite several signs of gradual recovery such as demand for reconstruction following the Great East Japan Earthquake and solid personal consumption centering on the elderly, who drive domestic demand. In the United States, a gradual undertone of recovery was seen with positive signs such as a decline in the unemployment rate and improved personal consumption and housing starts. In Europe, the economy was at a stalemate in several countries with negative factors such as the debt crisis and a heightened unemployment rate. The Chinese economy continued to grow, but the pace of growth gradually slowed.

Under these circumstances, in the flat panel display (FPD) industry, in which ULVAC' s main customers are involved, although some LCD panel manufacturers postponed capital expenditure schedules due to the struggling large-TV market, sales of mobile devices including smartphones and tablet PCs remained robust. Centered on the Asian region, new capital expenditures for small to medium-sized LCDs and organic light-emitting diodes (OLEDs) remained steady. In the semiconductor industry, the market remained relatively robust thanks to growing demand for memory generated by the increasing demand for mobile equipment such as smartphones and tablet PCs despite sluggish demand for PCs. In the energy and environment-related industries, amid efforts to reduce greenhouse gas emissions, demand continued to grow for energy devices such as power semiconductors and secondary batteries, as well as solar cells and eco cars including hybrid and electric vehicles (EVs).

To prevail in this operating environment, the ULVAC Group enhanced the competitiveness of its existing products including semiconductor production equipment and FPD production equipment, and started proactive moves aimed at increasing its corporate value over the medium to long term. Such initiatives included the development of leading-edge products to differentiate our products from competitors' products, aggressive promotion of the 3S campaign— "Simple (Simplification)," "Same (Commonization)" and "Standard (Standardization)—and steps for further globalization.

In terms of profits, amid sustained requests for price reductions from customers, the continued appreciation of the yen and severe price competition with other Asian manufacturers of production equipment, we streamlined fixed costs by trimming various expenses across the Group, as well as cutting back capital expenditures. In addition, we pushed ahead with cost curtailment by implementing production innovations including, in particular, the promotion of an enhanced global production structure through the transfer of production bases to South Korea, Taiwan and China, and an increase in the local procurement rate. Furthermore, given an extremely severe order reception environment, we carried out emergency measures such as a partial cutback in officers' compensation and salaries for managerial staff and the temporary layoff of workers to reduce fixed costs.

Nevertheless, as it has become difficult to ensure profits in today' s severe market environment, the Company formulated the Business Structural Reform Plan to evaluate growth fields where high future profits can be expected, radically shift corporate assets and personnel and considerably reduce fixed costs to solidify its competitive edge and business structure. The first specific measure to reduce losses such as streamlining fixed costs was carried out during the fiscal year under review.

Consequently, for the consolidated performance during the fiscal year ended June 30, 2012, orders received decreased by 83,712 million yen, or 35.5% year on year, to 152,221 million yen, and net sales dropped by 35,236 million yen, or 15.2% year on year, to 196,804 million yen, reflecting a decline in orders received for FPD production equipment and PV production equipment—a trend that seems unlikely to change in the foreseeable future. For consolidated profit and loss, which was considerably affected by the decline in sales mainly for the highly profitable FPD production equipment and the effect of additional costs accrued for equipment that incorporates features with high development costs, an operating loss of 6,384 million yen was recorded (compared with operating profit of 1,850 million yen for the previous fiscal year). An ordinary loss of 6,497 million yen was recorded (compared with ordinary profit of 1,441 million yen for the previous fiscal year). As extraordinary losses of 27,403 million yen including business structure improvement expenses were posted and deferred tax assets were reversed, the net loss totaled 49,984 million yen compared with a net loss of 8,706 million yen for the previous fiscal year. The breakdown of the business structure improvement expenses of 24,738 million yen includes a loss on devaluation of inventories of 8,490 million yen, a loss on disposal of fixed assets of 6,052 million yen, an impairment loss of 5,107 million yen and special additional retirement benefits, etc., of 4,730 million yen.

Vacuum Equipment Business

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

■FPD production equipment

In the FPD-related market segment, sales were posted for sputtering equipment for large LCD TVs mainly to the Asian region, as well as for sputtering equipment for the production of small to medium-sized LCDs for mobile devices, plasma enhanced chemical vapor deposition (PE-CVD) equipment and OLED production equipment. Orders received during the fiscal year under review included those for sputtering equipment for small to medium-sized LCD production for mobile devices, OLED production equipment for mobile devices and lighting use and touch-panel production equipment to Japan and South Korea. However, affected by the rapid reduction in demand for LCD TVs and the economic setback, sales in this market segment remained sluggish.

■PV production equipment

In the PV-related market segment, sales were recorded mainly for compound-type and crystal-type solar cell production equipment to China and South Korea. Despite some orders received for compound-type and high-efficiency crystal-type solar cell production equipment, orders for thin-film type solar cell production equipment remained stagnant. Hence, severe sales conditions continued, as a whole.

■Semiconductor and electronic device production equipment

In the semiconductor and electronic device-related market segment, sales were recorded mainly for the ENTRON™-EX series of sputtering equipment for memory to Asia and the United States against the backdrop of high demand for smartphones and tablet PCs. We also received inquiries for production equipment for nonvolatile memory, which is highly expected to be the next-generation memory, and production equipment for power semiconductors, which are indispensable for increasing the efficiency of electricity use and energy conservation. On the other hand, orders received and sales of LED production-dedicated dry-etching systems and deposition systems declined because demand for LEDs for lighting and for the backlights of LCDs as a response to energy-saving needs decreased drastically mainly in China.

■Components

In the component-related market segment, orders received and sales of dry pumps, etc., for FPD production equipment remained sluggish due to the impact from the postponement of large-scale LCD-related capital expenditure projects. However, orders received and sales related to cryopumps for OLED production equipment and measuring instruments remained robust.

■Industrial equipment

In the industrial equipment-related market segment, orders received and sales of vacuum heat treatment furnaces for rare-earth sintered magnet production, vacuum melting furnaces and vacuum deposition equipment for automotive parts were robust in China. However, the order reception environment was severe, as a whole, because touch-panel-related capital expenditures were suspended by many of our prospective clients.

As a result, the vacuum equipment business saw orders received of 114,899 million yen, an order backlog of 55,118 million yen and net sales of 159,899 million yen. An operating loss of 7,355 million yen was recorded for the year.

Vacuum Application Business

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

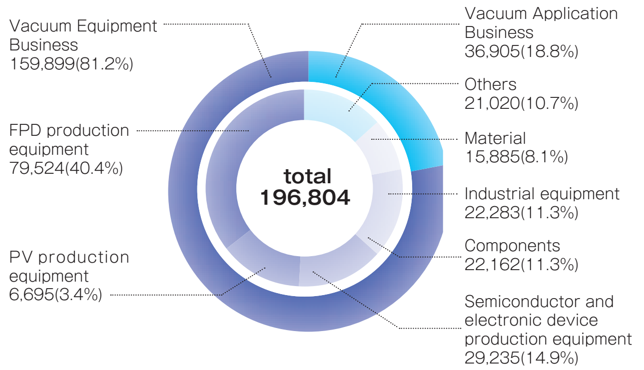
■Materials

With respect to the sputtering target materials for LCDs, which account for most of the sales of the materials market segment, sales and orders received came mainly from Asia. Although we aggressively promoted our solution businesses combined with production equipment, our cost-cutting efforts failed to compensate for decreased production by major panel manufacturers and the pressure to cut prices, and the business environment remained severe.

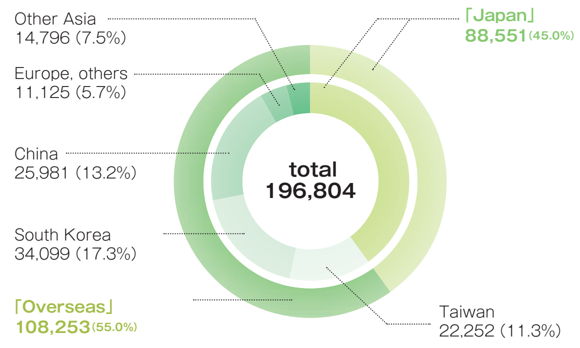
■Others

In the control-system-related market segment, orders received and sales increased, reflecting the return to a

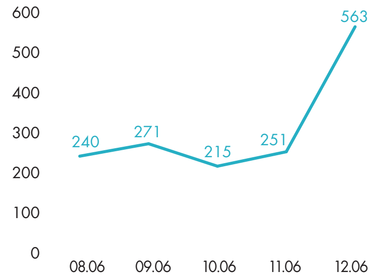
● **Net sales by business segment** (Millions of yen)



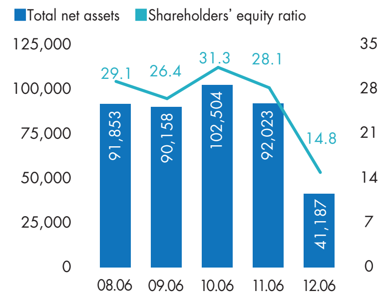
● **Net sales by region** (Millions of yen)



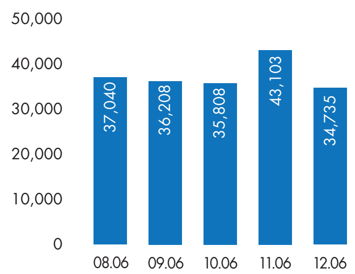
● **Debt ratio** (%)



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



● **SG&A expenses** (Millions of yen)



recovery path of capital expenditures in the metal processing and automotive industries and the launch of new products. With respect to analysis devices, orders were received from private-sector companies in Japan and universities in the United States and Europe. Meanwhile, orders received and sales of the mask blanks business remained steady.

As a result, the vacuum application business saw orders received of 37,321 million yen, an order backlog of 9,858 million yen and net sales of 36,905 million yen. Operating profit for the year amounted to 935 million yen.

▶▶Analysis of Financial Conditions

1 : Assets, Liabilities and Net Assets at Fiscal Year-End

●Assets

Total assets decreased by 63,965 million yen compared with the end of the previous fiscal year, reflecting decreases of 7,862 million yen in cash on hand and in banks, 15,683 million yen in notes and accounts receivable, trade, 14,060 million yen in inventories, 12,065 million yen in deferred tax assets, 13,133million yen in Property, plant and equipment.

●Liabilities

Total liabilities decreased by 13,129 million yen compared with the end of the previous fiscal year, chiefly owing to an increase of 14,872 million yen in short-term borrowings, partly offset by a decrease of 26,866 million yen in notes and accounts payable, trade.

●Net Assets

Total net assets decreased by 50,836 million yen compared with the end of the previous fiscal year. This decrease was attributable to a decline of 49,984 million yen in net loss.

2 : Cash Flows

●Cash Flows from Operating Activities

Net cash used in operating activities amounted to 8,492 million yen, reflecting positive factors such as depreciation and amortization, a decrease in accounts receivable, trade, and a decrease in inventories, and negative factors such as a loss before income taxes and minority interests, a decrease in accounts payable, trade, and a decrease in advances received.

●Cash Flows from Investing Activities

Net cash used in investing activities amounted to 11,328 million yen, which was mainly attributable to payments for acquisition of tangible and intangible fixed assets and the payments for acquisition of affiliates.

●Cash Flows from Financing Activities

Net cash provided by financing activities totaled 12,616 million yen, chiefly arising from a net increase in short-term borrowings and the repayments of lease liabilities.

As a result, consolidated cash and cash equivalents were 28,180 million yen at the end of the fiscal year under review, down 7,542 million yen from the previous fiscal year-end.

▶▶Business and Other Risks

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

1 : Fluctuations in the Markets for FPDs, Photovoltaic Cells (PVs) and Semiconductors

The ULVAC Group has grown by developing proprietary technologies for vacuum equipment used in the manufacturing process of FPDs, PVs and semiconductors, and by marketing such devices, which has allowed us to build market shares in these fields. These products account for about 60% of our consolidated net sales and have become the mainstay of the Group. However, any large reduction in capital expenditures by manufacturers of FPDs, PVs and semiconductors, our corporate customers, or any deterioration in the financial conditions of our corporate customers could affect our business results and financial position.

2 : Influence of Research and Development

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

3 : Influence on Pricing Competition

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

4 : Influence of Increased Overseas Sales

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

5 : Influence of Global Business Development

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

6 : Influence of Quality Assurance Efforts

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

7 : Influence of Intellectual Property Rights

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

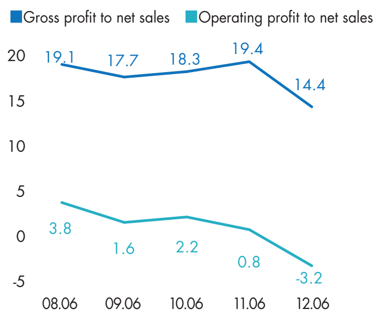
8 : Impact on Financing

A financial covenant is incorporated into some of the loan agreements that the Group has entered into with financial institutions. Any violation of such financial covenants might negatively influence the business performance and financial position of the Group.

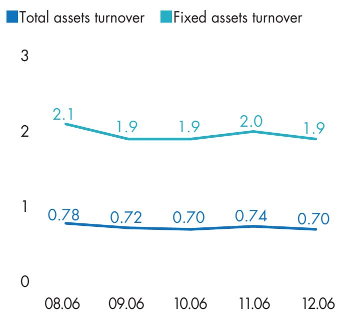
9 : Other Risks

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

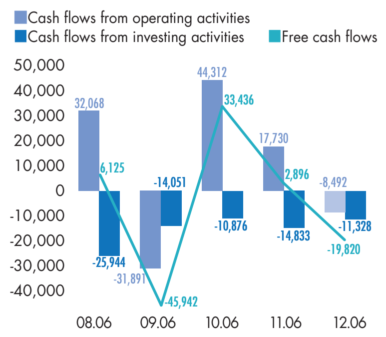
● Gross profit to net sales (%) ／ Operating profit to net sales (%)



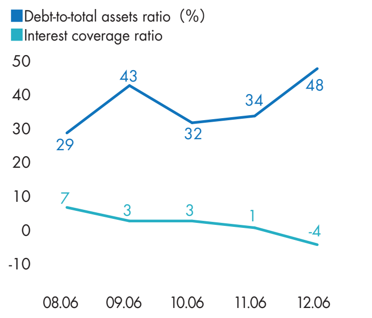
● Total assets turnover (Times) ／ Fixed assets turnover (Times)



● Cash flows (Millions of yen)



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



Financial Section

Contents

1. [Consolidated Financial Statements and Others]

(1) [Consolidated Financial Statements]

i) [Consolidated Balance Sheets]

	Previous fiscal year (As of June 30, 2011)		Current fiscal year (As of June 30, 2012)		
		Amount (Millions of yen)		Amount (Millions of yen)	Amount (Thousands of U.S. dollars)
Assets					
Current assets					
Cash on hand and in banks		36,259		28,397	358,048
Notes and accounts receivable, trade		80,489	*4	64,806	817,123
Merchandise and finished goods		5,562		4,701	59,275
Work in process	*7	51,111	*7	39,115	493,191
Raw materials and supplies		14,616		13,413	169,116
Deferred tax assets		6,816		1,355	17,090
Other		6,989		6,084	76,709
Allowance for doubtful accounts		(853)		(635)	(8,009)
Total current assets		200,989		157,236	1,982,544
Fixed assets					
Property, plant and equipment					
Buildings and structures		77,003		76,467	964,151
Accumulated depreciation		(33,646)		(36,305)	(457,759)
Buildings and structures, net		43,357		40,162	506,392
Machinery, equipment and vehicles		69,647		58,631	739,262
Accumulated depreciation		(48,577)		(43,367)	(546,804)
Machinery, equipment and vehicles, net		21,070		15,264	192,458
Tools, furniture and fixtures		13,990		13,309	167,811
Accumulated depreciation		(11,864)		(11,595)	(146,197)
Tools, furniture and fixtures, net		2,126		1,714	21,614
Land		10,016		9,592	120,942
Lease assets		3,124		2,880	36,312
Accumulated depreciation		(1,541)		(2,117)	(26,697)
Lease assets, net		1,583		763	9,615
Construction in progress		8,944		6,468	81,554
Total property, plant and equipment	*3, *6	87,095	*3, *6	73,963	932,575
Intangible fixed assets					
Goodwill		177		133	1,677
Lease assets		10		69	870
Software		2,023		1,812	22,846
Other		3,275		3,705	46,716
Total intangible fixed assets		5,485		5,719	72,109
Investments and other assets					
Investment securities	*1	4,605	*1	4,055	51,122
Leasehold and guarantee deposits		1,945		1,959	24,700
Deferred tax assets		8,763		2,159	27,220
Other	*1	5,371	*1	5,030	63,428
Allowance for doubtful accounts		(639)		(469)	(5,909)
Total investments and other assets		20,046		12,734	160,561
Total fixed assets		112,627		92,416	1,165,244
Total assets		313,616		249,651	3,147,788

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

	Previous fiscal year (As of June 30, 2011) Amount (Millions of yen)		Current fiscal year (As of June 30, 2012) Amount (Millions of yen)		Amount (Thousands of U.S. dollars)
Liabilities					
Current liabilities					
Notes and accounts payable, trade		57,556	*4	30,690	386,960
Short-term borrowings	*3	67,809	*3	82,682	1,042,511
Commercial paper		10,000		10,000	126,088
Lease liabilities		1,623		906	11,427
Accrued income taxes		1,703		779	9,826
Advances received		15,393		10,336	130,323
Deferred tax liabilities		7		487	6,142
Accrued bonuses for employees		1,546		1,208	15,229
Accrued bonuses for directors and corporate auditors		172		196	2,469
Accrued warranty costs		1,623		1,631	20,569
Provision for loss on contract		2,598		7,549	95,179
Provision for business structure improvement		353		–	–
Provision for loss on disaster		164		–	–
Other		14,491		18,054	227,644
Total current liabilities		175,039		164,518	2,074,366
Long-term liabilities					
Bonds		60		40	504
Long-term debt	*3	27,210	*3	27,492	346,645
Lease liabilities		2,809		960	12,107
Deferred tax liabilities		27		689	8,689
Accrued pension and severance costs for employees		13,990		12,365	155,903
Accrued pension and severance costs for directors and corporate auditors		873		803	10,126
Asset retirement obligations		289		342	4,312
Other		1,296		1,255	15,821
Total long-term liabilities		46,553		43,946	554,107
Total liabilities		221,593		208,464	2,628,473
Net Assets					
Shareholders' equity					
Common stock		20,873		20,873	263,183
Capital surplus		22,100		22,100	278,659
Retained earnings		50,829		845	10,651
Treasury stock, at cost		(11)		(11)	(135)
Total shareholders' equity		93,792		43,807	552,358
Accumulated other comprehensive income					
Unrealized loss on securities, net of taxes		(14)		(48)	(607)
Foreign currency translation adjustments		(5,572)		(6,701)	(84,487)
Total accumulated other comprehensive income		(5,586)		(6,749)	(85,095)
Minority interests		3,818		4,128	52,052
Total net assets		92,023		41,187	519,315
Total liabilities and net assets		313,616		249,651	3,147,788

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

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

	Previous fiscal year (From July 1, 2010 to June 30, 2011) Amount (Millions of yen)		Current fiscal year (From July 1, 2011 to June 30, 2012) Amount (Millions of yen)		Amount (Thousands of U.S. dollars)
Net sales		232,040		196,804	2,481,453
Cost of sales	*2, *3, *4	187,088	*2, *3, *4	168,453	2,123,979
Gross profit		44,952		28,351	357,474
Selling, general and administrative expenses					
Selling expenses		21,687		15,206	191,731
General and administrative expenses		21,416		19,529	246,238
Total selling, general and administrative expenses	*1, *2	43,103	*1, *2	34,735	437,969
Operating profit		1,850		(6,384)	(80,494)
Non-operating income					
Interest income		134		206	2,597
Dividend income		128		161	2,036
Equity in earnings of unconsolidated subsidiaries and affiliates		55		–	–
Foreign exchange gains		322		158	1,997
Insurance and dividends income		397		437	5,511
Income on prefectural government's grants		136		299	3,775
Income on receipt of compensation		–		735	9,267
Other		835		809	10,205
Total non-operating income		2,006		2,807	35,388
Non-operating expenses					
Interest expenses		1,551		1,640	20,674
Equity in losses of affiliates		–		319	4,022
Commitment fee		116		393	4,953
Other		748		568	7,164
Total non-operating expenses		2,415		2,920	36,812
Ordinary profit		1,441		(6,497)	(81,918)
Extraordinary gains					
Reversal of allowance for doubtful accounts		28		–	–
Gain on sales of investment securities		–		89	1,118
Income on prefectural government's grants		181		87	1,101
Other		20		19	242
Total extraordinary gains		228		195	2,461
Extraordinary losses					
Impairment loss	*6	5,781	*6	826	10,409
Loss on disaster	*7	3,419		–	–
Loss on adjustment for changes of accounting standard for asset retirement obligations		209		–	–
Business structure improvement expenses		–	*5, *6	24,738	311,910
Other		1,452		1,840	23,194
Total extraordinary losses		10,861		27,403	345,513
Loss before income taxes and minority interests		(9,192)		(33,704)	(424,971)
Current income taxes		2,689		2,405	30,329
Deferred income taxes		(3,147)		13,163	165,966
Total income taxes		(459)		15,568	196,295
Loss before minority interests		(8,733)		(49,273)	(621,266)
Minority interests in income (loss)		(27)		712	8,972
Net loss		(8,706)		(49,984)	(630,238)

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

[Consolidated Statements of Comprehensive Income]

	Previous fiscal year (From July 1, 2010 to June 30, 2011)	Current fiscal year (From July 1, 2011 to June 30, 2012)	
	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)
Loss before minority interests	(8,733)	(49,273)	621,266
Other comprehensive income			
Unrealized gain (loss) on securities, net of taxes	7	(39)	494
Foreign currency translation adjustments	(198)	(1,178)	14,853
Share of other comprehensive income of companies accounted for by the equity method	(6)	3	44
Total other comprehensive income	(198)	* (1,214)	15,304
Comprehensive income	(8,931)	(50,486)	636,570
Comprehensive income attributable to:			
Owners of the parent	(8,860)	(51,147)	644,902
Minority interests	(71)	661	8,332

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

iii) [Consolidated Statements of Changes in Net Assets]

	Previous fiscal year (From July 1, 2010 to June 30, 2011)	Current fiscal year (From July 1, 2011 to June 30, 2012)	
	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)
Shareholders' equity			
Common stock			
Balance at the beginning of current period	20,873	20,873	263,183
Changes of items during the period			
Total changes of items during the period	–	–	–
Balance at the end of current period	20,873	20,873	263,183
Capital surplus			
Balance at the beginning of current period	22,100	22,100	278,659
Changes of items during the period			
Total changes of items during the period	–	–	–
Balance at the end of current period	22,100	22,100	278,659
Retained earnings			
Balance at the beginning of current period	60,768	50,829	640,890
Changes of items during the period			
Change of scope of consolidation	(197)	–	–
Dividends from surplus	(1,036)	–	–
Net loss	(8,706)	(49,984)	(630,238)
Total changes of items during the period	(9,939)	(49,984)	(630,238)
Balance at the end of current period	50,829	845	10,651
Treasury stock, at cost			
Balance at the beginning of current period	(11)	(11)	(135)
Changes of items during the period			
Purchase of treasury stock	(0)	(0)	(1)
Total changes of items during the period	(0)	(0)	(1)
Balance at the end of current period	(11)	(11)	(134)
Total shareholders' equity			
Balance at the beginning of current period	103,731	93,792	1,182,597
Changes of items during the period			
Change of scope of consolidation	(197)	–	–
Dividends from surplus	(1,036)	–	–
Net loss	(8,706)	(49,984)	(630,238)
Purchase of treasury stock	(0)	(0)	0
Total changes of items during the period	(9,939)	(49,984)	(630,238)
Balance at the end of current period	93,792	43,807	552,358

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

	Previous fiscal year (From July 1, 2010 to June 30, 2011)	Current fiscal year (From July 1, 2011 to June 30, 2012)	
	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)
Accumulated other comprehensive income			
Unrealized gain (loss) on securities, net of taxes			
Balance at the beginning of current period	(23)	(14)	(173)
Changes of items during the period			
Net changes of items other than shareholders' equity	9	(34)	(435)
Total changes of items during the period	9	(34)	(435)
Balance at the end of current period	(14)	(48)	(607)
Foreign currency translation adjustments			
Balance at the beginning of current period	(5,409)	(5,572)	(70,259)
Changes of items during the period			
Net changes of items other than shareholders' equity	(163)	(1,128)	(14,229)
Total changes of items during the period	(163)	(1,128)	(14,229)
Balance at the end of current period	(5,572)	(6,701)	(84,487)
Total accumulated other comprehensive income			
Balance at the beginning of current period	(5,432)	(5,586)	(70,431)
Changes of items during the period			
Net changes of items other than shareholders' equity	(154)	(1,163)	(14,663)
Total changes of items during the period	(154)	(1,163)	(14,663)
Balance at the end of current period	(5,586)	(6,749)	(85,095)
Minority interests			
Balance at the beginning of current period	4,205	3,818	48,134
Changes of items during the period			
Net changes of items other than shareholders' equity	(388)	311	3,918
Total changes of items during the period	(388)	311	3,918
Balance at the end of current period	3,818	4,128	52,052
Total net assets			
Balance at the beginning of current period	102,504	92,023	1,160,299
Changes of items during the period			
Change of scope of consolidation	(197)	–	–
Dividends from surplus	(1,036)	–	–
Net loss	(8,706)	(49,984)	(630,239)
Purchase of treasury stock	(0)	(0)	0
Net changes of items other than shareholders' equity	(541)	(852)	(10,745)
Total changes of items during the period	(10,481)	(50,836)	(640,984)
Balance at the end of current period	92,023	41,187	519,315

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

iv) [Consolidated Statements of Cash Flows]

	Previous fiscal year (From July 1, 2010 to June 30, 2011)	Current fiscal year (From July 1, 2011 to June 30, 2012)	
	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)
Cash flows from operating activities			
Loss before income taxes and minority interests	(9,192)	(33,704)	(424,971)
Depreciation and amortization	10,717	9,096	114,683
Business structure improvement expenses	–	24,738	311,910
Impairment loss	5,781	826	10,409
Increase (decrease) in allowance for doubtful accounts	996	(384)	(4,844)
Increase (decrease) in accrued bonuses	45	(310)	(3,905)
Increase (decrease) in accrued pension and severance costs for employees	46	(1,617)	(20,394)
Decrease in accrued pension and severance costs for directors and corporate auditors	(88)	(70)	(877)
Increase in accrued warranty costs	378	36	448
Increase in provision for loss on contract	1,839	4,951	62,430
Interest and dividend income	(262)	(367)	(4,633)
Interest expenses	1,551	1,640	20,674
Income on prefectural government's grants	(317)	(387)	(4,876)
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(55)	319	4,022
Decrease in accounts receivable, trade	8,420	14,249	179,662
(Increase) decrease in inventories	(4,193)	4,407	55,568
Decrease in accounts payable, trade	(1,375)	(26,211)	(330,484)
Increase (decrease) in advances received	3,167	(4,694)	(59,180)
Increase in accrued consumption taxes	200	956	12,052
Other	3,411	2,649	33,396
Subtotal	21,072	(3,880)	(48,920)
Interest and dividend income received	286	374	4,721
Interest expenses paid	(1,524)	(1,648)	(20,785)
Income taxes paid	(2,105)	(3,338)	(42,085)
Net cash provided by (used in) operating activities	17,730	(8,492)	(107,068)
Cash flows from investing activities			
Increase in time deposits	(1,007)	(39)	(496)
Decrease in time deposits	2,895	362	4,568
Payments for acquisition of tangible and intangible fixed assets	(16,808)	(12,151)	(153,209)
Payments for acquisition of investment securities	(778)	(2)	(20)
Payments for acquisition of subsidiaries	(484)	–	–
Purchase of stocks of subsidiaries and affiliates	–	(200)	(2,521)
Proceeds from prefectural government's grants	460	530	6,678
Other	888	172	2,171
Net cash used in investing activities	(14,833)	(11,328)	(142,830)

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

	Previous fiscal year (From July 1, 2010 to June 30, 2011) Amount (Millions of yen)	Current fiscal year (From July 1, 2011 to June 30, 2012) Amount (Millions of yen)	Amount (Thousands of U.S. dollars)
Cash flows from financing activities			
Net increase in short-term borrowings	20,009	14,626	184,413
Net increase in commercial paper	10,000	–	–
Borrowing of long-term debt	7,324	18,641	235,034
Repayments of long-term debt	(16,776)	(17,567)	(221,494)
Payments for redemption of convertible bonds	(15,500)	–	–
Repayments of lease liabilities	(1,570)	(2,736)	(34,500)
Dividends paid by the parent company	(1,033)	(3)	(35)
Dividends paid by consolidated subsidiaries to minority shareholders	(49)	(361)	(4,552)
Other	(245)	17	208
Net cash provided by financing activities	2,159	12,616	159,074
Effect of exchange rate changes on cash and cash equivalents	36	(339)	(4,276)
Increase (decrease) in cash and cash equivalents	5,092	(7,542)	(95,100)
Cash and cash equivalents at beginning of year	29,721	35,722	450,415
Cash and cash equivalents at beginning of year from newly consolidated subsidiaries	910	–	–
Cash and cash equivalents at end of year	* 35,722	* 28,180	355,315

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

[Fundamental Items of Importance Concerning the Preparation of Consolidated Financial Statements]

1. Basis of preparation of consolidated financial statements
   The accompanying consolidated financial statements of ULVAC, Inc. (the “Company”) and its consolidated subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Corporate Law of Japan and the Financial Instruments and Exchange Law of Japan, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. U.S. dollar amounts are included solely for convenience and have been translated, as a matter of arithmetical computation only, at the rate of ¥79.31 = US$1, the approximate exchange rate prevailing in the Japanese foreign exchange market at June 30, 2012.

2. Scope of consolidation

(1) Number of consolidated subsidiaries: 37

Names of consolidated subsidiaries are as follows:

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

ULVAC EQUIPMENT SALES, Inc., changed Japanese trade name on July 1, 2012.

(2) Number of unconsolidated subsidiaries: 17

Names of unconsolidated subsidiaries are as follows:

ULVAC G.m.b.H.
ULVAC SOFTWARE CREATIVE TECHNOLOGY, Co., Ltd.
ULVAC Elder, Ltd.
ULVAC Materials Taiwan, Inc.
Nisshin Seigyo
ULVAC (SHANGHAI) CO., LTD.
OOO ULVAC
Initium, Inc.
ULVAC (THAILAND) LTD.
ULVAC CRYOGENICS (NINGBO) INCORPORATED

UF TECH, Ltd.
ULVAC Research Center TAIWAN, Inc.
ULVAC NONFERROUS METALS (NINGBO) CO., LTD.
ULVAC ENGINEERING, Inc.
ULVAC HUMAN RELATIONS, Ltd.
ULVAC Research Center SUZHOU Co., Ltd.
FINE SURFACE TECHNOLOGY CO., LTD.

(3) Reasons for excluding unconsolidated subsidiaries from the scope of consolidation
All the unconsolidated subsidiaries are small in scale and have an immaterial effect on the Company's consolidated financial statements in terms of total assets, net sales, net income/loss and retained earnings.

3. Application of equity method
(1) Number of unconsolidated subsidiaries which are accounted for by the equity method: Nil
(2) Number of affiliates which are accounted for by the equity method: 2
SHOWA SHINKU CO., LTD.
SANKO ULVAC Co., Ltd.
(3) The cost method is applied to the investment in certain unconsolidated subsidiaries not accounted for by the equity method (17 companies) and affiliates not accounted for by the equity method (five companies), because the effect of their net income/loss and retained earnings on the Company's consolidated financial statements is immaterial and they are not important as a whole in accounting terms.

4. Fiscal year-end of consolidated subsidiaries
The fiscal-year-end of ULVAC (NINGBO) CO., LTD.; ULVAC (SUZHOU) Co., Ltd.; ULVAC Orient (Chengdu) Co., Ltd.; ULVAC Automation Technology (Shanghai) Corporation; Ulvac Tianma Electric (Jing Jiang) Co., Ltd.; ULVAC Vacuum Furnace (Shenyang) Co., Ltd.; ULVAC (China) Holding Co., Ltd., ULVAC (Shanghai) Trading Co., Ltd., ULVAC Materials (Suzhou) Co., Ltd. and ULVAC Opto-electronics Thin Film Technology (Shenzhen) Co., Ltd. is December 31, and that of ULVAC KIKO, Inc.; ULVAC Technologies, Inc.; ULVAC SINGAPORE PTE LTD; ULVAC MALAYSIA SDN. BHD.; Sigma-Technos Co., Ltd. and ULCOAT TAIWAN, Inc. 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
For the make-to-order manufacturing of production equipment, the percentage-of-completion method (the cost-to-cost method is used to estimate the percentage of completion) is applied to the contracts, if the outcome of the contract activity progressed by the end of the fiscal year can be estimated reliably, while the completed-contract method is applied otherwise.
Revenue from components, materials and parts are accounted for on a delivery basis.
Revenue from royalty income, management fees and related items is recognized when the services are rendered according to related contracts.

(2) Valuation of major assets
Inventories
Inventories are generally stated at cost, with cost determined by the individual identification method and are carried at the lower of the cost or net selling value on the balance sheet.
Securities
1) Bonds held to maturity:
Bonds held to maturity are stated at amortized cost (straight-line method)
2) Other securities:
Other securities with fair value
Other securities with fair value are stated at fair value as of the consolidated balance sheet date. (The unrealized gains and losses on these securities are booked directly to net assets. Realized gains and losses on sale of such securities are computed using the moving average 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.

(3) Depreciation and amortization of major depreciable and amortizable assets
Depreciation of property, plant and equipment (excluding lease assets)
Depreciation is calculated using the declining-balance method except for the Research and Development Division, Fujisusono Plant of the Company and property, plant and equipment for lease, which are depreciated using the straight-line method.
Depreciation of buildings (excluding building fixtures) acquired on or after April 1, 1998 is calculated using the straight-line method.
Assets, whose acquisition value is 100,000 yen or more and less than 200,000 yen, are equally depreciated over three years.

The useful lives for major property, plant and equipment are as follows:
Buildings and structures 10-50 years
Machinery, equipment and vehicles 4-13 years
Amortization of intangible fixed assets (excluding lease assets)
Intangible fixed assets are amortized using the straight-line method.
Development costs for software (internally used) are capitalized and amortized using the straight-line method over the estimated useful life (five years) determined by the Company.
Lease assets
Depreciation on lease assets is recorded using the straight-line method over the lease term without residual value.
Finance lease transactions that do not transfer ownership, commenced on or before June 30, 2008 are accounted for as operating leases.

(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 fiscal year.
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) Provision for loss on contract
Provision for loss on contract is recorded for losses to fulfill contracts, for which a loss occurrence is expected and the amount can be reasonably estimated, at projected amounts that will be accrued for the next consolidated fiscal year and beyond.
6) 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 or loss.
Prior service liabilities were recognized as expense and amortized over a fixed number of years within the average remaining service period of the current employees (10 years) using the straight-line method.
Unrecognized actuarial gains (losses) are recognized as expenses starting from the following consolidated fiscal year-end and amortized over a fixed number of years within the average remaining service period of the current employees (10 years) using the straight-line method.
7) 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.
8) Provision for business structure improvement
Provision for business structure improvement is provided at an amount estimated to cover the future expenditures in connection with business structure improvement.
9) Provision for loss on disaster
Provision for loss on disaster is provided at an amount estimated to cover expenses or losses required for restoration related to assets damaged by the Great East Japan Earthquake.

(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 spot exchange rate at the consolidated balance sheet date, and the resulting gains and losses are recorded as profits or losses for the fiscal year.
Assets, liabilities, incomes and expenses of subsidiaries outside of Japan are translated into Japanese yen at the spot exchange rate at the consolidated balance sheet date, and the resulting translation adjustments are accounted for "foreign currency translation adjustments," except for the minority interests portion, which is allocated to "minority interests" under consolidated net assets.

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

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

(8) Other items of importance concerning the preparation of consolidated financial statements
Consumption taxes and others
Consumption taxes are excluded from the transaction accounts.

[Unapplied Accounting Standards]

・Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012)
・Implementation Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

(1) Outline
Unrecognized actuarial differences and prior service liabilities are recognized instantly through "Other comprehensive income."

(2) Planned date of application
To be applied from the beginning of the consolidated fiscal year beginning July 1, 2013

(3) Effect of the application of the above accounting standards on financial statements
The effects on the financial statements of the Company in preparing the consolidated financial statements are currently under evaluation.

[Change in Presentation]

(Consolidated Statements of Income)

1. "Income on prefectural government's grants", which was included in "Other" within non-operating income for the previous fiscal year, has been separately stated effective from the current consolidated fiscal year because its amount exceeded 10% of the total non-operating income. To reflect this change in presentation, the reclassification of accounts has been made on the consolidated financial statements for the previous fiscal year.
As a result, 970 million yen of "Other" within non-operating income in the consolidated statements of income for the previous fiscal year has been reclassified into 136 million yen of "Income on prefectural government's grants" and 835 million yen of "Other".
2. "Commitment fee", which was included in "Other" within non-operating income for the previous fiscal year, has been separately stated effective from the current consolidated fiscal year because its amount exceeded 10% of the total non-operating income. To reflect this change in presentation, the reclassification of accounts has been made on the consolidated financial statements for the previous fiscal year.
As a result, 864 million yen of "Other" within non-operating income in the consolidated statements of income for the previous fiscal year has been reclassified into 116 million yen of "Commitment fee" and 748 million yen of "Other".
3. "Loss on disposal of fixed assets," which was separately stated within extraordinary losses in the previous consolidated fiscal year, has been included in "Other" for the current fiscal year due to the decreased significance of the amount. To reflect this change in presentation, the reclassification of accounts has been made on the consolidated financial statements for the previous fiscal year.
As a result, 214 million yen of "Loss on disposal of fixed assets" within extraordinary losses has been reclassified into "Other" in the consolidated statements of income for the previous fiscal year.

(Consolidated Statements of Cash Flows)

1. "Proceeds from sale of tangible and intangible fixed assets", which was separately stated within cash flows from investing activities in the previous consolidated fiscal year, has been included in "Other" for the current fiscal year due to the decreased significance of the amount. To reflect this change in presentation, the reclassification of accounts has been made on the consolidated financial statements for the previous fiscal year.
As a result, 713 million yen of "Proceeds from sale of tangible and intangible fixed assets" within cash flows from investing activities has been reclassified into "Other" in the consolidated statements of cash flows for the previous fiscal year.
2. "Loss on disposal of fixed assets", which was separately stated within cash flows from operating activities in the previous consolidated fiscal year, has been included in "Other" for the current fiscal year due to the decreased significance of the amount. To reflect this change in presentation, the reclassification of accounts has been made on the consolidated financial statements for the previous fiscal year.
As a result, 214 million yen of "Loss on disposal of fixed assets" within cash flows from operating activities has been reclassified into "Other" in the consolidated statements of cash flows for the previous fiscal year.

[Additional Information]

(Application of the Accounting Standard for Accounting Changes and Error Corrections, etc.)

Accounting changes and error corrections effected after the beginning of the current consolidated fiscal year (July 1, 2011) have been subject to the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24, December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, December 4, 2009).

[Notes to Consolidated Financial Statements]

a) Notes to Consolidated Balance Sheets

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

	(Millions of yen)		(Thousands of U.S. dollars)
	Previous fiscal year (As of June 30, 2011)	Current fiscal year (As of June 30, 2012)	Current fiscal year (As of June 30, 2012)
Investment securities (stocks)	2,588	2,557	32,239
Investments and other assets; (other) (investments)	1,212	1,212	15,280

2 Contingent liabilities

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

	(Millions of yen)		(Thousands of U.S. dollars)
	Previous fiscal year (As of June 30, 2011)	Current fiscal year (As of June 30, 2012)	Current fiscal year (As of June 30, 2012)
ULVAC G.m.b.H.	39	35	441
	(EUR 150 thousand)		
	(22 million yen)		
ULVAC HUMAN RELATIONS, Ltd.	11	7	88

The Company has provided the following guarantees for certain leases entered into by its subsidiary:

	(Millions of yen)		(Thousands of U.S. dollars)
	Previous fiscal year (As of June 30, 2011)	Current fiscal year (As of June 30, 2012)	Current fiscal year (As of June 30, 2012)
ULVAC NONFERROUS METALS (NINGBO) CO., LTD.	11	6	78

*3 Details of collateral and secured liabilities:

	(Millions of yen)		(Thousands of U.S. dollars)
	Previous fiscal year (As of June 30, 2011)	Current fiscal year (As of June 30, 2012)	Current fiscal year (As of June 30, 2012)
Factory foundation			
Land	504	504	6,350
Buildings and structures	4,334	4,096	51,650
Machinery, equipment and vehicles	28	16	196
Total	4,866	4,616	58,197
Land	1,016	1,016	12,809
Buildings and structures	2,178	1,996	25,162
Machinery, equipment and vehicles	372	233	2,935
Total	3,565	3,244	40,905

Secured liabilities

	(Millions of yen)		(Thousands of U.S. dollars)
	Previous fiscal year (As of June 30, 2011)	Current fiscal year (As of June 30, 2012)	Current fiscal year (As of June 30, 2012)
Short–term borrowings	1,873	1,923	24,250
Long–term debt	4,252	3,742	47,178
Total	6,125	5,665	71,429

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

Although the fiscal year−end date of the current fiscal year fell on a holiday for financial institutions, notes were treated as if they were settled on the expiring date. The notes that matured on the fiscal year−end date, which have been excluded from the balance as of the end of the current fiscal year, were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	Previous fiscal year (As of June 30, 2011)	Current fiscal year (As of June 30, 2012)	Current fiscal year (As of June 30, 2012)
Notes receivable	–	1,010	12,736
Notes payable	–	1,035	13,048

5 Contracts for the commitment line for loans:

The Company has concluded contracts for the commitment line for loans as follows.

(Millions of yen)				(Thousands of U.S. dollars)	
Previous fiscal year (As of June 30, 2011)		Current fiscal year (As of June 30, 2012)		Current fiscal year (As of June 30, 2012)	
The Company has concluded contracts for the commitment line for loans with six banks. The unrealized balance of these contracts for the commitment line for loans at the end of this consolidated fiscal year is as follows.		The Company has concluded contracts for the commitment line for loans with eight banks. The unrealized balance of these contracts for the commitment line for loans at the end of this consolidated fiscal year is as follows.			
Total amount of the commitment line for loans	50,000	Total amount of the commitment line for loans	50,000	Total amount of the commitment line for loans	630,438
Amount of executed loans	10,000	Amount of executed loans	24,650	Amount of executed loans	310,806
Outstanding balance of line of credit	40,000	Outstanding balance of line of credit	25,350	Outstanding balance of line of credit	319,632

Current fiscal year:

Although the Company interfered with the financial covenant below set forth in the commitment contract with one of the aforementioned banks, the Company has obtained confirmation from said counterparty bank that it has waived its rights to request the forfeiture of benefit of term due to the noncompliance of a financial covenant clause.

The amount of executed loans under the contract at the end of the fiscal year ended June 30, 2012 was as follows:
Amount of executed loans: 2,600 million yen (US$ 32,782,751 thousand)

(1) Net assets in the consolidated balance sheet as of the end of every fiscal year shall be maintained at either not less than 80% of the net assets in the consolidated balance sheet as of June 30, 2011 or not less than 80% of the net assets in the consolidated balance sheet as of the end of the nearest preceding fiscal year, whichever is higher.
(2) Operating loss shall not be recorded for two consecutive years in the Company’s consolidated statements of income for the fiscal years ended June 30, 2012 or later.
(3) Ordinary loss shall not be recorded for two consecutive years in the Company’s consolidated statements of income for the fiscal years ended June 30, 2012 or later.

Syndicated loan agreement

A consolidated subsidiary has entered into a syndicated loan agreement that includes financial covenants. The amount of executed loans under this agreement at the fiscal year−end is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	Previous fiscal year (As of June 30, 2011)	Current fiscal year (As of June 30, 2012)	Current fiscal year (As of June 30, 2012)
Amount of executed loans	1,680	1,260	15,887

The agreement above includes the following financial covenants with regard to the borrower and guarantor.

(Borrower)

(1) Net assets in the borrower’s non−consolidated balance sheets as of the end of the fiscal years ended June 30, 2010 or later (not including the interim terms) shall be maintained at not less than 75% of the net assets in the balance sheet as of the previous fiscal year–end, on a year−on−year basis.
(2) Ordinary loss in the borrower’s non–consolidated statements of income for the fiscal years ended June 30, 2010 or later shall not be recorded for two consecutive years in the statements of income only for the fiscal years ended June 30, 2010 or later.

(Guarantor)

(1) Net assets in the guarantor’s non–consolidated and consolidated balance sheets as of the end of every fiscal year (not including the interim terms) (excluding the sum of “Unrealized gain (loss) on securities,” “Deferred gains or losses on hedges” and “Foreign currency translation adjustments”) shall be maintained at not less than 75% of the net assets in the balance sheet as of the previous fiscal year–end, on a year−on−year basis.
(2) Ordinary loss in the guarantor’s non–consolidated and consolidated statements of income for every fiscal year shall not be recorded for two consecutive years.

Previous fiscal year:

Although ULVAC COATING CORPORATION as a borrower interfered with the above financial covenant for the fiscal year ended June 30, 2011, ULVAC COATING has obtained confirmation from the counterparty banks that they have waived their rights to request the forfeiture of benefit of term due to the noncompliance of a financial covenant clause.
Although ULVAC COATING CORPORATION also interfered with a similar financial covenant in its lease contracts for the fiscal year ended June 30, 2011, ULVAC COATING has obtained confirmation from the counterparty leasing companies that they have waived their rights to request the forfeiture of benefit of term due to the noncompliance of a financial covenant clause.

Current fiscal year:
Although ULVAC, Inc., as guarantor interfered with the above financial covenant for the fiscal year ended June 30, 2012, ULVAC has obtained confirmation from the counterparty banks that they have waived their rights to request the forfeiture of benefit of term due to the noncompliance of a financial covenant clause.
Although ULVAC, Inc., also interfered with a similar financial covenant in its lease contracts for the fiscal year ended June 30, 2012, ULVAC has obtained confirmation from the counterparty leasing companies that they have waived their rights to request the forfeiture of benefit of term due to the noncompliance of a financial covenant clause.

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

	(Millions of yen)		(Thousands of U.S. dollars)
	Previous fiscal year (As of June 30, 2011)	Current fiscal year (As of June 30, 2012)	Current fiscal year (As of June 30, 2012)
Land	247	247	3,114

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

	(Millions of yen)		(Thousands of U.S. dollars)
	Previous fiscal year (As of June 30, 2011)	Current fiscal year (As of June 30, 2012)	Current fiscal year (As of June 30, 2012)
Work in process	1,348	5,758	72,605

b) Notes to Consolidated Statements of Income

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

	(Millions of yen)		(Thousands of U.S. dollars)
	Previous fiscal year (From July 1, 2010 to June 30, 2011)	Current fiscal year (From July 1, 2011 to June 30, 2012)	Current fiscal year (From July 1, 2011 to June 30, 2012)
Employee salaries	8,090	7,671	96,726
Transfer to accrued bonuses for employees	612	364	4,592
Transfer to accrued bonuses for directors and corporate auditors	172	194	2,440
Transfer to accrued pension and severance costs for employees	761	571	7,200
Transfer to accrued pension and severance costs for directors and corporate auditors	231	220	2,774
Depreciation	1,063	1,200	15,133
Travel and transportation expenses	1,482	1,224	15,433
Commission	1,858	1,636	20,627
Research and development cost	5,710	5,245	66,137
Transfer to allowance for doubtful accounts	1,087	(208)	(2,623)
Bad debt expenses	3,707	43	544
Support costs for sales activities by manufacturing departments	7,379	6,558	82,693

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

(Millions of yen)		(Thousands of U.S. dollars)
Previous fiscal year (From July 1, 2010 to June 30, 2011)	Current fiscal year (From July 1, 2011 to June 30, 2012)	Current fiscal year (From July 1, 2011 to June 30, 2012)
8,255	7,088	89,377

*3 Inventories are stated at the lower of the cost or net selling value as of June 30, 2012. Loss on devaluation of inventories included in cost of sales is immaterial.

*4 Transfer to provision for loss on contract included in cost of sales was as follows:

(Millions of yen)		(Thousands of U.S. dollars)
Previous fiscal year (From July 1, 2010 to June 30, 2011)	Current fiscal year (From July 1, 2011 to June 30, 2012)	Current fiscal year (From July 1, 2011 to June 30, 2012)
1,852	4,951	62,425

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

	Current fiscal year (From July 1, 2011 to June 30, 2012)	
	(Millions of yen)	(Thousands of U.S. dollars)
Loss on valuation and disposal of inventories	8,549	107,788
Loss on disposal of fixed assets	6,052	76,312
Impairment loss	5,107	64,393
Special additional retirement benefits, etc.	4,730	59,640
Loss on cancellation of lease contracts and others	300	3,777
Total	24,738	311,910

*6 The breakdown of impairment loss is as follows:

Previous fiscal year (From July 1, 2010 to June 30, 2011)
(1) Assets or asset groups for which impairment losses were recognized

Location	Use	Type	Impairment loss Millions of yen
Tomisato, Chiba Prefecture, etc.	Assets for business use (Vacuum application business)	Buildings and structures Machinery, equipment and vehicles Tools, furniture and fixtures, etc.	4,611
Chichibu, Saitama Prefecture	Assets for business use (Vacuum application business)	Buildings and structures Machinery, equipment and vehicles Tools, furniture and fixtures, etc.	195
Chichibu, Saitama Prefecture	Idle assets	Buildings and structures, Machinery, equipment and vehicles Tools, furniture and fixtures, etc.	635
Chichibu, Saitama Prefecture	–	Goodwill	341
	Total		5,781

(2) Recognition of impairment losses
As the initially anticipated revenues are no longer probable for the assets for business use, and the Group has consolidated its production facilities through such measures as integration and dismantling of idle production lines, the carrying values of fixed assets were reduced to the recoverable amounts. The reductions were recorded as impairment loss within extraordinary losses.
In respect of goodwill, an impairment loss has been recognized because the revenue initially anticipated based on the examination of the business plan at the time of a stock acquisition is no longer probable.
(3) Grouping of assets
In applying the asset–impairment accounting, in addition to grouping assets on a reportable segment basis, the Company and its consolidated subsidiaries have separately grouped individual assets for which there are independent, identifiable cash flows, such as idle assets and assets planned to be sold.
(4) Calculation of recoverable amounts
Recoverable amounts for assets for business use located in Tomisato, Chiba Prefecture, etc. are measured by the value in use based on the anticipated future cash flows, and the value of the assets is determined by discounting future cash flows at 5.0%.
Because the value of the assets for business use located in Chichibu, Saitama Prefecture was estimated as a negative amount, the value in use was determined to be zero.
Recoverable amounts for idle assets are determined using the net selling value. The net selling value of the idle assets located in Chichibu, Saitama Prefecture has been assessed as zero.
Goodwill, which is not considered to be recoverable against future profits was fully impaired and recognized as an impairment loss.

Current fiscal year (From July 1, 2011 to June 30, 2012)

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

Location	Use	Type	Impairment loss: Millions of yen	Impairment loss: Thousands of U.S. dollars
Kirishima, Kagoshima Prefecture	Assets for business use (Vacuum equipment business)	Buildings and structures Machinery, equipment and vehicles Tools, furniture and fixtures, etc.	1,978	24,940
Hachinohe, Aomori Prefecture	Assets for business use (Vacuum equipment business)	Buildings and structures Machinery, equipment and vehicles Tools, furniture and fixtures, etc.	644	8,120
Suzhou, China	Assets for business use (Vacuum application business)	Machinery, equipment and vehicles Tools, furniture and fixtures, etc.	601	7,584
Hashimoto, Wakayama Prefecture, etc.	Assets for business use (Vacuum equipment business)	Buildings and structures Machinery, equipment and vehicles Lease assets, etc.	572	7,213
Kasugai, Aichi Prefecture	Idle assets	Buildings and structures Land, etc.	870	10,965
Chigasaki, Kanagawa Prefecture, etc.	Idle assets	Machinery, equipment and vehicles Lease assets, etc.	709	8,945
5 other sites	–	–	558	7,036
Total			5,933	74,803

(2) Recognition of impairment losses

As the initially anticipated revenues are no longer probable for the assets for business use, and the Group has consolidated its production facilities through such measures as integration and dismantling of idle production lines, the carrying values of fixed assets were reduced to the recoverable amounts. The reductions were recorded as impairment loss within extraordinary losses.

(3) Grouping of assets

In applying the asset–impairment accounting, in addition to grouping assets on a reportable segment basis, the Company and its consolidated subsidiaries have separately grouped individual assets for which there are independent, identifiable cash flows, such as idle assets and assets planned to be sold.

(4) Calculation of recoverable amounts

Recoverable amounts for assets for business use located in Kirishima, Kagoshima Prefecture, Hachinohe, Aomori Prefecture, Hashimoto, Wakayama Prefecture, etc., are measured by the value in use based on the anticipated future cash flows, and the value of the assets is determined by discounting future cash flows at 5.0%. Recoverable amounts for assets for business use located in Suzhou, China, are measured by the fair value after deducting the cost of disposal for the assets.

Recoverable amounts for idle assets are determined using the net selling value. The net selling value of the idle assets located in Kasugai, Aichi Prefecture, has been assessed in accordance with real estate appraisal standards, whereas the net selling value of the idle assets located in Chigasaki, Kanagawa Prefecture, etc., has been assessed as zero.

*7 The Company recorded losses incurred by the Great East Japan Earthquake. The breakdown of loss recorded is as follows:

	(Millions of yen) Previous fiscal year (From July 1, 2010 to June 30, 2011)	(Millions of yen) Current fiscal year (From July 1, 2011 to June 30, 2012)	(Thousands of U.S. dollars) Current fiscal year (From July 1, 2011 to June 30, 2012)
Loss on inventories	2,982	–	–
Expenses for restoring to original condition and repair, etc., of property, plant and equipment	273	–	–
Total	3,254	–	–

A reasonable estimate of loss expected to be incurred in the future has been recognized as provision for loss on disaster and include in loss on disaster. The breakdown of this provision is as follows:

	(Millions of yen) Previous fiscal year (From July 1, 2010 to June 30, 2011)	(Millions of yen) Current fiscal year (From July 1, 2011 to June 30, 2012)	(Thousands of U.S. dollars) Current fiscal year (From July 1, 2011 to June 30, 2012)
Restoration expense of inventories	79	–	–
Expenses for restoring to original condition and repair, etc., of property, plant and equipment	86	–	–
Total	164	–	–

c) Notes to Consolidated Statements of Comprehensive Income

Current fiscal year (From July 1, 2011 to June 30, 2012)

*Amounts of recycling and the tax–effect equivalent in relation to "Other comprehensive income"

	Millions of yen	Thousands of U.S. dollars
Unrealized gain (loss) on securities, net of taxes:		
Accrued in the fiscal year ended June 30, 2012	(223)	(2,815)
Amount of recycling	227	2,868
Before tax–effect adjustment	4	53
Amount of tax–effect equivalent	(43)	(547)
Unrealized gain (loss) on securities, net of taxes	(39)	(494)
Foreign currency translation adjustments:		
Accrued in the fiscal year ended June 30, 2012	(1,178)	(14,853)
Share of other comprehensive income of companies accounted for by the equity method		
Accrued in the fiscal year ended June 30, 2012	3	44
Total other comprehensive income	(1,214)	(15,304)

d) Notes to Consolidated Statements of Changes in Net Assets

Previous fiscal year (From July 1, 2010 to June 30, 2011)

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

Type of stock	Number of shares at the beginning of this fiscal year	Increase in number of shares in this fiscal year	Decrease in number of shares in this fiscal year	Number of shares at the end of this fiscal year
Common stock	49,355,938	–	–	49,355,938

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

Type of stock	Number of shares at the beginning of this fiscal year	Increase in number of shares in this fiscal year	Decrease in number of shares in this fiscal year	Number of shares at the end of this fiscal year
Common stock	10,376	29	–	10,405

(Outline of reasons for fluctuations)
The breakdown of the increase in the number of shares of treasury stock is as follows:
Increase from purchase of less–than–one–unit shares 29 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, 2010	Common stock	1,036	21.00	June 30, 2010	September 30, 2010

(2) Of the dividends whose base dates belong to the fiscal year ended June 30, 2011, those whose effective dates are in the following consolidated fiscal year
Not applicable

Current fiscal year (From July 1, 2011 to June 30, 2012)

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

Type of stock	Number of shares at the beginning of this fiscal year	Increase in number of shares in this fiscal year	Decrease in number of shares in this fiscal year	Number of shares at the end of this fiscal year
Common stock	49,355,938	–	–	49,355,938

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

Type of stock	Number of shares at the beginning of this fiscal year	Increase in number of shares in this fiscal year	Decrease in number of shares in this fiscal year	Number of shares at the end of this fiscal year
Common stock	10,405	74	–	10,479

(Outline of reasons for fluctuations)
The breakdown of the increase in the number of shares of treasury stock is as follows:
Increase from purchase of less–than–one–unit shares 74 shares

3. Matters related to dividends
(1) Amount of dividends paid
Not applicable

(2) Of the dividends whose base dates belong to the fiscal year ended June 30, 2012, those whose effective dates are in the following consolidated fiscal year
Not applicable

e) Notes to Consolidated Statements of Cash Flows

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

	(Millions of yen)		(Thousands of U.S. dollars)
	Previous fiscal year (From July 1, 2010 to June 30, 2011)	Current fiscal year (From July 1, 2011 to June 30, 2012)	Current fiscal year (From July 1, 2011 to June 30, 2012)
Cash on hand and in banks	36,259	28,397	358,048
Time deposits with maturities over three months	(536)	(217)	(2,733)
Cash and cash equivalents	35,722	28,180	355,315

(Lease Transactions)

1. Finance leases (lessee)
Finance lease transactions that do not transfer ownership
1) Lease assets
(a) Property, plant and equipment
Production facilities (machinery, equipment and vehicles) and business equipment, etc. (tools, furniture and fixtures)
(b) Intangible fixed assets
Software

2) Depreciation of lease assets
As described in the Fundamental Items of Importance Concerning the Preparation of Consolidated Financial Statements "4. Accounting policies (3) Depreciation and amortization of major depreciable and amortizable assets.

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

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

	Previous fiscal year (As of June 30, 2011)		
	Acquisition value	Accumulated depreciation	Book value
Machinery, equipment and vehicles	2,187	1,432	756
Tools, furniture and fixtures	884	647	237
Other	244	203	41
Total	3,315	2,282	1,034

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

(Millions of yen)

	Current fiscal year (As of June 30, 2012)		
	Acquisition value	Accumulated depreciation	Book value
Machinery, equipment and vehicles	1,748	1,240	508
Tools, furniture and fixtures	498	391	108
Other	149	140	9
Total	2,396	1,771	625

(Thousands of U.S. dollars)

	Current fiscal year (As of June 30, 2012)		
	Acquisition value	Accumulated depreciation	Book value
Machinery, equipment and vehicles	22,040	15,634	6,407
Tools, furniture and fixtures	6,284	4,926	1,358
Other	1,884	1,765	119
Total	30,208	22,324	7,884

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

(2) Future lease payment obligations are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	Previous fiscal year (As of June 30, 2011)	Current fiscal year (As of June 30, 2012)	Current fiscal year (As of June 30, 2012)
Future lease payment obligations are as follows			
Due within one year	557	279	3,521
Due after one year	477	346	4,363
Total	1,034	625	7,884

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

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

	(Millions of yen)		(Thousands of U.S. dollars)
	Previous fiscal year (From July 1, 2010 to June 30, 2011)	Current fiscal year (From July 1, 2011 to June 30, 2012)	Current fiscal year (From July 1, 2011 to June 30, 2012)
Lease payments	671	559	7,046
Depreciation expenses	671	559	7,046

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

2. Operating leases
Future minimum lease payments under noncancelable operating leases:

	(Millions of yen)		(Thousands of U.S. dollars)
	Previous fiscal year (As of June 30, 2011)	Current fiscal year (As of June 30, 2012)	Current fiscal year (As of June 30, 2012)
Due within one year	542	510	6,436
Due after one year	810	366	4,612
Total	1,352	876	11,048

(Financial Instruments)

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

(2) Content of financial instruments, their supposed risks and risk management system
Trade notes and accounts receivable are exposed to the customer credit risk, which is managed through our credit control. The foreign−currency−denominated operating receivables arising from our global business deployment are exposed to exchange fluctuation risk, which is partially hedged by the use of forward exchange contracts.
Investment securities are mainly stocks of companies with which the Company and its consolidated subsidiaries hold business relationships, and are exposed to market price fluctuation risk. The Company and its consolidated subsidiaries, however, periodically monitor the market value of the listed stocks.
Trade notes and accounts payable normally have a required payment date within one year. Although foreign−currency−denominated operating liabilities that make up a part of trade notes and accounts payable are exposed to exchange fluctuation risk, the risk is hedged by the use of forward exchange contracts as needed.
Short–term borrowings and commercial paper within the total loans payable account are mainly used to finance general operations. Long–term debt and bonds are mainly used to finance capital investments and mostly contain contractual fixed interest rates. Although operating liabilities and loans payable are exposed to liquidity risk (risk of non–repayment on due date), the risk is managed by means such as periodically preparing and revising cash−flow−plan.
Derivative contracts entered into by the Company and its consolidated subsidiaries are forward exchange contracts used to mitigate exchange fluctuation risk pertaining to foreign−currency−denominated receivables and payables, and are not used for speculative purposes. Default risk of the counterparties of the derivative contracts is deemed extremely low because the counterparties are financial institutions with high credit standings. In accordance with the internal control regulations of the Company and its consolidated subsidiaries, derivative contracts are carried out within the limit of the actual hedging demand.

(3) Supplementary information on fair values of financial instruments
Fair values of financial instruments are amounts based on market prices and include rationally determined amounts in cases where there are no market prices. As variables are factored in when determining the fair values of financial instruments, they may change if different assumptions are adopted.
The amounts of the contract values of derivatives mentioned in the notes entitled “Derivative Transactions” do not reflect the market risk related to derivative financial instruments.

2. Fair values of financial instruments

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

Previous fiscal year (As of June 30, 2011)

(Millions of yen)

	Book value	Fair value (*1)	Difference
(1) Cash on hand and in banks	36,259	36,259	–
(2) Notes and accounts receivable, trade	80,489	80,489	–
(3) Investment securities			
a. Shares in subsidiaries and affiliates	1,488	663	(824)
b. Other securities	1,363	1,363	–
(4) Notes and accounts payable, trade	(57,556)	(57,556)	–
(5) Short–term borrowings	(51,629)	(51,629)	–
(6) Commercial paper	(10,000)	(10,000)	–
(7) Bonds (*2)	(80)	(80)	(0)
(8) Long–term debt (*2)	(43,390)	(43,419)	(29)
(9) Derivative transactions (*3)	26	26	–

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

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

(*3) Claims and debts arising from derivative transactions are shown on a net basis.

Current fiscal year (As of June 30, 2012)

(Millions of yen)

	Book value	Fair value (*1)	Difference
(1) Cash on hand and in banks	28,397	28,397	–
(2) Notes and accounts receivable, trade	64,806	64,806	–
(3) Investment securities			
a. Shares in subsidiaries and affiliates	1,158	392	(766)
b. Other securities	969	969	–
(4) Notes and accounts payable, trade	(30,690)	(30,690)	–
(5) Short–term borrowings	(65,801)	(65,801)	–
(6) Commercial paper	(10,000)	(10,000)	–
(7) Bonds (*2)	(60)	(60)	(0)
(8) Long–term debt (*2)	(44,373)	(44,092)	281
(9) Derivative transactions (*3)	(1)	(1)	–

(Thousands of U.S. dollars)

	Book value	Fair value (*1)	Difference
(1) Cash on hand and in banks	358,048	358,048	–
(2) Notes and accounts receivable, trade	817,123	817,123	–
(3) Investment securities			
a. Shares in subsidiaries and affiliates	14,606	4,945	(9,661)
b. Other securities	12,220	12,220	–
(4) Notes and accounts payable, trade	(386,960)	(386,960)	–
(5) Short–term borrowings	(829,663)	(829,663)	–
(6) Commercial paper	(126,088)	(126,088)	–
(7) Bonds (*2)	(757)	(757)	(0)
(8) Long–term debt (*2)	(559,493)	(555,950)	(3,542)
(9) Derivative transactions (*3)	(1)	(17)	–

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

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

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

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

(1) Cash on hand and in banks

As these instruments are settled within a short term and their fair values and book values are similar, their book values are assumed as their fair values.

(2) Notes and accounts receivable, trade

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

(3) Investment securities

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

(4) Notes and accounts payable, trade, (5) Short–term borrowings and (6) Commercial paper

As these instruments are settled within a short term and their fair values and book values are similar, their book values are assumed as their fair values.

(7) Bonds, and (8) Long–term debt

The fair values are measured by discounting the total of principal and interest at a rate estimated for similar bond issuance and new loans.

(9) Derivative transactions

Refer to the notes entitled "Derivative Transactions."

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

Previous fiscal year (As of June 30, 2011)

(Millions of yen)

Classification	Book value
Shares in subsidiaries and affiliates	1,101
Other securities (unlisted stocks)	655
Total	1,755

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

Current fiscal year (As of June 30, 2012)

Classification	Book value	
	(Millions of yen)	(Thousands of U.S. dollars)
Shares in subsidiaries and affiliates	1,399	17,633
Other securities (unlisted stocks)	533	6,726
Total	1,932	24,360

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

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

Previous fiscal year (As of June 30, 2011)

	Within one year	Over one year and not exceeding five years	Over five years and not exceeding 10 years	Over 10 years
	(Millions of yen)			
Cash on hand and in banks	36,259	–	–	–
Notes and accounts receivable, trade	80,437	52	–	–
Total	116,696	52	–	–

Current fiscal year (As of June 30, 2012)

	Within one year	Over one year and not exceeding five years	Over five years and not exceeding 10 years	Over 10 years	Within one year	Over one year and not exceeding five years	Over five years and not exceeding 10 years	Over 10 years
	(Millions of yen)				(Thousands of U.S. dollars)			
Cash on hand and in banks	28,397	–	–	–	358,048	–	–	–
Notes and accounts receivable, trade	64,806	–	–	–	817,123	–	–	–
Total	93,203	–	–	–	1,175,171	–	–	–

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

Refer to "Schedule of bonds and debentures" and "Schedules of borrowings, etc." of "Supplementary Financial Schedule."

(Securities)
1. Other securities
Previous fiscal year (As of June 30, 2011)

	Type	Book value	Acquisition cost	Difference
		(Millions of yen)		
Securities with book values exceeding acquisition cost	(1) Stocks	593	424	169
	(2) Bonds			
	a. National government bonds, local government bonds, etc.	–	–	–
	b. Corporate bonds	–	–	–
	c. Other	–	–	–
	(3) Other	–	–	–
	Subtotal	593	424	169
Securities with book values not exceeding acquisition cost	(1) Stocks	769	993	(224)
	(2) Bonds			
	a. National government bonds, local government bonds, etc.	–	–	–
	b. Corporate bonds	–	–	–
	c. Other	–	–	–
	(3) Other	–	–	–
	Subtotal	769	993	(224)
Total		1,363	1,417	(55)

Notes:
1. Acquisition costs are amounts after accounting for impairment loss.
2. Unlisted stocks (655 million yen on the consolidated balance sheets) are not included in the table above since their fair values are deemed extremely difficult to determine as they have no market prices.

Current fiscal year (As of June 30, 2012)

	Type	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
		(Millions of yen)			(Thousands of U.S. dollars)		
Securities with book values exceeding acquisition cost	(1) Stocks	301	237	64	3,797	2,994	803
	(2) Bonds						
	a. National government bonds, local government bonds, etc.	–	–	–	–	–	–
	b. Corporate bonds	–	–	–	–	–	–
	c. Other	–	–	–	–	–	–
	(3) Other	–	–	–	–	–	–
	Subtotal	301	237	64	3,797	2,994	803
Securities with book values not exceeding acquisition cost	(1) Stocks	668	780	(112)	8,423	9,837	(1,414)
	(2) Bonds						
	a. National government bonds, local government bonds, etc.	–	–	–	–	–	–
	b. Corporate bonds	–	–	–	–	–	–
	c. Other	–	–	–	–	–	–
	(3) Other	–	–	–	–	–	–
	Subtotal	668	780	(112)	8,423	9,837	(1,414)
Total		969	1,018	(48)	12,220	12,831	(611)

Notes:
1. Acquisition costs are amounts after accounting for impairment loss.
2. Unlisted stocks (533 million yen (US$ 6,720 thousand) on the consolidated balance sheets) are not included in the table above since their fair values are deemed extremely difficult to determine as they have no market prices.

2. Other securities which were sold
Previous fiscal year (From July 1, 2010 to June 30, 2011)
Not applicable

Current fiscal year (From July 1, 2011 to June 30, 2012)

(Millions of yen)

Type	Proceeds from sale	Total gains on sale	Total losses on sale
Stocks	173	89	–
Total	173	89	–

(Thousands of U.S. dollars)

Type	Proceeds from sale	Total gains on sale	Total losses on sale
Stocks	2,186	1,118	–
Total	2,186	1,118	–

3. Other securities for which impairment loss was recognized

Previous fiscal year (From July 1, 2010 to June 30, 2011)
An impairment loss of 305 million yen was recognized and charged to income as loss on devaluation of investment securities for the current fiscal year. In the accounting for impairment, an impairment loss is recognized for all securities of which the fair values as of the consolidated balance sheet date decline more than 50% from the acquisition cost, and at an amount deemed necessary for securities of which the fair values as of the same date decline between 30% and 50% in consideration of recoverability and other factors.

Current fiscal year (From July 1, 2011 to June 30, 2012)
An impairment loss of 318 million yen (US$ 4,012 thousand) was recognized and charged to income as loss on devaluation of investment securities for the current fiscal year. In the accounting for impairment, an impairment loss is recognized for all securities of which the fair values as of the consolidated balance sheet date decline more than 50% from the acquisition cost, and at an amount deemed necessary for securities of which the fair values as of the same date decline between 30% and 50% in consideration of recoverability and other factors.

(Derivative Transactions)

1. Derivatives in which hedge accounting is not applied

Currency–related transactions

Previous fiscal year (As of June 30, 2011)

(Millions of yen)

Classification	Type	Previous fiscal year As of June 30, 2011 Contract value	Over one year	Fair value	Unrealized gains (losses)
Transactions other than market transactions	Forward foreign exchange contracts				
	Sold				
	U.S. dollar	2,439	–	2,401	38
	Euro	140	–	146	(6)
	Bought				
	U.S. dollar	325	–	318	(7)
	Euro	54	–	55	1
	Pound sterling	22	–	22	(1)
Total		–	–	–	26

Note: Calculation of fair values

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

Current fiscal year (As of June 30, 2012)

Classification	Type	Current fiscal year As of June 30, 2012 (Millions of yen) Contract value	Over one year	Fair value	Unrealized gains (losses)	(Thousands of U.S. dollars) Contract value	Over one year	Fair value	Unrealized gains (losses)
Transactions other than market transactions	Forward foreign exchange contracts								
	Sold								
	U.S. dollar	1,985	–	1,983	2	25,029	–	25,009	19
	Euro	114	–	112	2	1,439	–	1,418	21
	Bought								
	U.S. dollar	534	–	531	(3)	6,728	–	6,692	(37)
	Euro	20	–	18	(1)	248	–	231	(17)
	Pound sterling	20	–	20	(0)	255	–	252	(4)
Total		–	–	–	(1)	–	–	–	(17)

Note: Calculation of fair values

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

(Retirement Benefit Plans)

1. Outline of adopted employee retirement benefit plans

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

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

2. Retirement benefit obligations

	(Millions of yen) Previous fiscal year (As of June 30, 2011)	Current fiscal year (As of June 30, 2012)	(Thousands of U.S. dollars) Current fiscal year (As of June 30, 2012)
(1) Projected benefit obligation	(26,018)	(20,260)	(255,450)
(2) Plan assets	12,412	8,389	105,772
(3) Unfunded retirement benefit obligation (1) + (2)	(13,606)	(11,871)	(149,678)
(4) Unrecognized actuarial differences	30	(267)	(3,370)
(5) Unrecognized prior service liabilities	(313)	(226)	(2,854)
(6) Net amount on the consolidated balance sheets (3) + (4) + (5)	(13,889)	(12,365)	(155,903)
(7) Prepaid pension cost	101	–	–
(8) Accrued pension and severance costs for employees (6) – (7)	(13,990)	(12,365)	(155,903)

Note: Some consolidated subsidiaries adopt the non–actuarial method for calculating projected benefit obligations.

3. Retirement benefit expenses

	(Millions of yen) Previous fiscal year (From July 1 2010, to June 30, 2011)	Current fiscal year (From July 1, 2011 to June 30, 2012)	(Thousands of U.S. dollars) Current fiscal year (From July 1, 2011 to June 30, 2012)
(1) Service cost	2,026	1,821	22,962
(2) Interest cost	407	417	5,260
(3) Expected return on plan assets	(115)	(123)	(1,546)
(4) Amortization of actuarial differences	242	207	2,612
(5) Amortization of prior service liabilities	(28)	(29)	(360)
(6) Amount accounted for as expenses for changing the calculation method for projected benefit obligation from the non–actuarial method to the formal actuarial method.(Note1)	225	–	–
(7) Loss on partial abolishment of the retirement benefit plan due to a mass retirement (Note 2)	–	(312)	(3,929)
(8) Net retirement benefit expenses	2,758	1,983	24,999

Notes:

1. One domestic consolidated subsidiary merged another domestic consolidated subsidiary that had calculated its projected benefit obligation for employees using the non−actuarial method and recalculated the obligation for employees using the actuarial valuation.
   As a result, a 225 million yen difference between accrued pension and severance costs for employees carried from merged subsidiary and the recalculated obligation was recognized as an extraordinary loss.
2. The loss was incurred by adopting an accounting treatment compliant with partial abolishment of the retirement benefit plan due to a mass retirement as a result of business structure improvement. Its amount is included in “Business structure improvement expenses” within extraordinary loss. In addition to the above retirement benefit expenses, 3,973 million (US$ 50,095 thousand) yen of special additional retirement benefits is also included in the business structure improvement expenses.

4. Basis for calculation of projected benefit obligations

(1) Method of attributing the projected benefits to periods of service: Term straight–line basis

(2) Discount rate:

Previous fiscal year (From July 1, 2010 to June 30, 2011)	Current fiscal year (From July 1, 2011 to June 30, 2012)
2.0%	2.0%

(3) Expected rate of return on plan assets:

Previous fiscal year (From July 1, 2010 to June 30, 2011)	Current fiscal year (From July 1, 2011 to June 30, 2012)
1.0%–1.5%	1.0%–1.5%

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

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

(Deferred Tax Assets and Liabilities)

1. Significant components of deferred tax assets and liabilities

	(Millions of yen)		(Thousands of U.S. dollars)
	Previous fiscal year (As of June 30, 2011)	Current fiscal year (As of June 30, 2012)	Current fiscal year (As of June 30, 2012)
Deferred tax assets (current)			
Inventories (unrealized gains, devaluation losses)	3,385	6,005	75,715
Accrued bonuses	597	401	5,061
Accrued warranty costs	493	448	5,647
Allowance for doubtful accounts	583	454	5,726
Provision for loss on contract	1,045	2,814	35,486
Bad debt expenses	792	–	–
Accrued retirement benefits	–	1,938	24,437
Loss on disposal of fixed assets	22	444	5,595
Other	1,030	931	11,741
Subtotal deferred tax assets (current)	7,947	13,436	169,409
Provision for valuation allowance	(681)	(12,069)	(152,173)
Total deferred tax assets (current)	7,266	1,367	17,236
Deferred tax assets (fixed)			
Accrued pension and severance costs for employees	5,583	4,448	56,087
Accrued pension and severance costs for directors and corporate auditors	451	425	5,353
Tax loss carried forward	3,926	11,028	139,056
Tax credit carried forward	927	–	–
Devaluation loss on investment securities	490	543	6,844
Depreciation	1,725	975	12,292
Impairment loss on fixed assets	1,998	3,888	49,024
Other	837	463	5,841
Subtotal deferred tax assets (fixed)	15,937	21,770	274,498
Provision for valuation allowance	(6,355)	(19,496)	(245,816)
Total deferred tax assets (fixed)	9,582	2,275	28,682
Total deferred tax assets	16,848	3,642	45,918
Deferred tax liabilities (current)			
Allowance for doubtful accounts	(126)	(134)	(1,692)
Other	(331)	(364)	(4,596)
Total deferred tax liabilities (current)	(457)	(499)	(6,288)
Deferred tax liabilities (fixed)			
Special reserve for income tax deferred	(771)	(642)	(8,099)
Other	(75)	(163)	(2,052)
Total deferred tax liabilities (fixed)	(846)	(805)	(10,150)
Total deferred tax liabilities	(1,303)	(1,304)	(16,438)
Net deferred tax assets	15,545	2,338	29,480

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

As a loss before income taxes and minority interests is reported, the disclosure of notes is omitted.

3. Amendments to deferred tax assets and deferred tax liabilities due to tax rate changes in income taxes, etc.

The Act for Partial Amendment of the Income Tax Act, etc., for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures (Act No. 114, 2011) and the Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake (Act No. 117, 2011) were promulgated on December 2, 2011. According to these laws, corporate income taxes will be reduced and the Special Reconstruction Corporation Tax will be imposed, beginning with the fiscal year starting on or after April 1, 2012. In accordance with this reform, regarding the statutory effective tax rate for calculating deferred tax assets and deferred tax liabilities for the fiscal year ended June 30, 2012, the Company uses 37.7% for temporary differences that are expected to be reversed during the period from the fiscal year beginning on July 1, 2012 to the fiscal year beginning on July 1, 2014, and 35.3% for temporary differences that are expected to be reversed during and after the fiscal year beginning on July 1, 2015, instead of 40.3%, the rate used for the previous consolidated fiscal year.

As a result, these tax rate changes have resulted in a reduction of 170 million yen (US$ 2,143 thousands) in the amount of deferred tax assets (after deducting deferred tax liabilities), an increase of 171 million yen (US$ 2,156 thousands) in deferred income taxes and an increase of 1 million yen (US$ 13 thousands) in unrealized gain (loss) on securities.

(Segment Information)

1. Outline of Reportable Segments

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

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

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

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

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

The accounting treatment followed by reportable segments is almost consistent with those stated in "Fundamental Items of Importance Concerning the Preparation of Consolidated Financial Statements."

Profit of reportable segments is based on operating profit.

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

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

Previous fiscal year (From July 1, 2010 to June 30, 2011)

(Millions of yen)

	Reportable segment			Adjustments (Note 1)	Amount recorded on consolidated financial statements (Note 2)
	Vacuum equipment business	Vacuum application business	Total		
Net sales					
Sales to outside customers	190,041	41,999	232,040	–	232,040
Intersegment	3,383	5,359	8,742	(8,742)	–
Total	193,425	47,357	240,782	(8,742)	232,040
Segment profit (loss)	2,978	(1,161)	1,816	33	1,850
Segment assets	255,653	55,946	311,599	2,017	313,616
Other items					
Depreciation	8,784	1,935	10,719	(2)	10,717
Increase in property, plant and equipment and intangible fixed assets	14,047	4,400	18,446	–	18,446

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

Current fiscal year (From July 1, 2011 to June 30, 2012)

(Millions of yen)

	Reportable segment			Adjustments (Note 1)	Amount recorded on consolidated financial statements (Note 2)
	Vacuum equipment business	Vacuum application business	Total		
Net sales					
Sales to outside customers	159,899	36,905	196,804	–	196,804
Intersegment	4,117	2,904	7,020	(7,020)	–
Total	164,016	39,809	203,824	(7,020)	196,804
Segment profit (loss)	(7,355)	935	(6,420)	36	(6,384)
Segment assets	193,714	54,435	248,148	1,503	249,651
Other items					
Depreciation	8,009	1,091	9,100	(4)	9,096
Increase in property, plant and equipment and intangible fixed assets	10,048	2,671	12,719	–	12,719

(Thousands of U.S. dollars)

	Reportable segment			Adjustments (Note 1)	Amount recorded on consolidated financial statements (Note 2)
	Vacuum equipment business	Vacuum application business	Total		
Net sales					
Sales to outside customers	2,016,127	465,326	2,481,453	–	2,481,453
Intersegment	51,905	36,610	88,516	(88,516)	–
Total	2,068,032	501,937	2,569,968	(88,516)	2,481,453
Segment profit (loss)	(92,733)	11,786	(80,947)	453	(80,494)
Segment assets	2,442,491	686,351	3,128,842	18,946	3,147,788
Other items					
Depreciation	100,983	13,754	114,737	(54)	114,683
Increase in property, plant and equipment and intangible fixed assets	126,692	33,683	160,375	–	160,375

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

[Related information]

Previous fiscal year (From July 1, 2010 to June 30, 2011)

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

2. Information by geographic region
   (1) Net sales

(Millions of yen)

Japan	China	South Korea	Taiwan	Other regions	Total
93,343	45,397	43,254	30,994	19,052	232,040

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

   (2) Property, plant and equipment

(Millions of yen)

Japan	Asia	North America	Total
75,022	11,929	144	87,095

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

Current fiscal year (From July 1, 2011 to June 30, 2012)

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

2. Information by geographic region
   (1) Net sales

(Millions of yen)

Japan	China	South Korea	Taiwan	Other regions	Total
88,551	25,981	34,099	22,252	25,921	196,804

(Thousands of U.S. dollars)

Japan	China	South Korea	Taiwan	Other regions	Total
1,116,516	327,585	429,952	280,572	326,827	2,481,453

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

   (2) Property, plant and equipment

(Millions of yen)

Japan	Asia	North America	Total
61,363	12,364	235	73,963

(Thousands of U.S. dollars)

Japan	Asia	North America	Total
773,715	155,893	2,968	932,575

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

[Impairment loss on fixed assets by reportable segment]

Previous fiscal year (From July 1, 2010 to June 30, 2011)

(Millions of yen)

	Vacuum equipment business	Vacuum application business	Total
Impairment loss	–	5,781	5,781

Current fiscal year (From July 1, 2011 to June 30, 2012)

(Millions of yen)

	Vacuum equipment business	Vacuum application business	Total
Impairment loss	5,331	601	5,933

(Thousands of U.S. dollars)

	Vacuum equipment business	Vacuum application business	Total
Impairment loss	67,218	7,584	74,803

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

Previous fiscal year (From July 1, 2010 to June 30, 2011)

(Millions of yen)

	Vacuum equipment business	Vacuum application business	Total
Amortization during the fiscal year	–	157	157
Remaining goodwill balance as of June 30, 2011	–	177	177

Current fiscal year (From July 1, 2011 to June 30, 2012)

(Millions of yen)

	Vacuum equipment business	Vacuum application business	Total
Amortization during the fiscal year	–	44	44
Remaining goodwill balance as of June 30, 2012	–	133	133

(Thousands of U.S. dollars)

	Vacuum equipment business	Vacuum application business	Total
Amortization during the fiscal year	–	553	553
Remaining goodwill balance as of June 30, 2012	–	1,677	1,677

[Gain on negative goodwill by reportable segment]

Previous fiscal year (From July 1, 2010 to June 30, 2011)
Not applicable

Current fiscal year (From July 1, 2011 to June 30, 2012)
Not applicable

[Related party information]

Transactions with related parties

Directors, corporate auditors, major shareholders (individuals only), or other related parties of the Company

Previous fiscal year (From July 1, 2010 to June 30, 2011)

Classification	Name of individual or company	Location	Capital or investments in capital (Millions of yen)	Business activity or occupation	Ownership of voting rights etc. of the Company (%)	Relationship	Description of business transactions	Transaction amounts (Millions of yen)	Accounting item	Balance As of June 30, 2011 (Millions of yen)
Director or corporate auditor	Kiyoshi Ujihara	–	–	Director of the Company (Director and Executive Vice President, Nippon Life Insurance Company)	–	Borrowing of loans	Borrowing of loans	3,000	Short–term borrowings	3,356
							Repayment of loans	3,387	Long–term debt	6,496
							Payment of interest	181	Other current assets	44

Notes:

1. The above transactions were transactions between the Company and Nippon Life Insurance Company and, therefore, were carried out for a third party.
2. Terms and conditions of transaction, and policy for deciding terms and conditions of transaction, etc.
   The above transactions are subject to the terms and conditions similar to those that any transaction with general co−party is subject to.

Current fiscal year (From July 1, 2011 to June 30, 2012)

Not applicable

(Per Share Information)

	Previous fiscal year (From July 1, 2010 to June 30, 2011) (Millions of yen)	Current fiscal year (From July 1, 2011 to June 30, 2012) (Millions of yen)	(Thousands of U.S. dollars)
Net assets per share of common stock	1,787.51	751.00	9.47
Net loss per share of common stock	(176.43)	(1,012.94)	(12.77)

Notes:

1. Diluted net income per share is not disclosed due to net loss per share and no potential shares exist.
2. The basis for calculation of “net loss per share” is as follows:

	Previous fiscal year (From July 1, 2010 to June 30, 2011)	Current fiscal year (From July 1, 2011 to June 30, 2012)	Current fiscal year (From July 1, 2011 to June 30, 2012)
Net loss (Millions of yen / Thousands of U.S. dollars)	(8,706)	(49,984)	(630,238)
Amounts which do not belong to shareholders of common stock (Millions of yen / Thousands of U.S. dollars)	–	–	–
Net loss attributable to common stock (Millions of yen / Thousands of U.S. dollars)	(8,706)	(49,984)	(630,238)
Average number of common shares during the fiscal year (Thousands of shares)	49,346	49,346	49,346

(Subsequent Events)

Previous fiscal year (From July 1, 2010 to June 30, 2011)

Not applicable

Current fiscal year (From July 1, 2011 to June 30, 2012)

1. Issuance of preferred stock
   The Company resolved, at its meeting of the Board of Directors held on August 13, 2012, to submit the proposal on “Issuance of Class−A preferred Stock via Allotment to third−party” to the ordinary general meeting of shareholders to be held on September 27, 2012, and the proposal was duly approved by the ordinary general meeting of shareholders. The issuance of Class−A preferred stock has now been executed at September 28, 2012. Details are as follows:

(1) Method of issuance	Allotment to third−party
(2) Type and number of shares	Class−A preferred stock: 1,500 shares
(3) Total amount of the issued shares	15,000,000,000 yen (US$ 189,131,257)
(Amount incorporated into common stock:	7,500,000,000 yen (US$ 94,565,629)
(Amount incorporated into legal capital surplus:	7,500,000,000 yen (US$ 94,565,629)
(4) Allottee	Japan Industrial Solutions No. 1 Investment Limited Partnership
(5) Date of payment	September 28, 2012
(6) Use of funds	Repayment of short−term borrowings commensurate with the payment of retirement benefits, etc., resulting from the recruitment of voluntary retirees and the R&D investment to accelerate the development of leading−edge products

2. Transfer of common stock and legal capital surplus to be simultaneously conducted with the issuance of Class−A preferred stock
   The Company resolved, at its meeting of the Board of Directors held on August 13, 2012, that common stock and legal capital surplus be reduced and transferred to other capital surplus at the issue date of Class−A preferred stock subject to the coming into effect of the issuance of Class−A preferred stock. Details are as follows:

   (Matters regarding reduction in the capital stock and legal capital surplus)
   Capital stock shall be reduced and the reduced amount shall be transferred to other capital surplus in accordance with Article 447, Paragraphs 1–3, of the Companies Act. In addition, legal capital surplus shall be reduced and the reduced amount shall be transferred to other capital surplus in accordance with Article 448, Paragraphs 1–3, of the Companies Act.
   1) Amounts of capital and reserve to be reduced
      Capital stock: 7,500,000,000 yen (US$ 94,565,629)
      Legal capital surplus: 7,500,000,000 yen (US$ 94,565,629)
   2) Date on which the reduction in the common stock and the legal capital surplus comes into effect (Effective date)
      September 28, 2012
   3) Schedule

Date of resolution at the Board of Directors meeting	August 13, 2012
Publication date of the grievance period by creditors	August 24, 2012
Deadline of the grievance period by creditors	September 24, 2012
Effective date	September 28, 2012

3. Transfer of the legal capital surplus
   The Company resolved, at its meeting of the Board of Directors held on August 13, 2012, to submit a proposal on “Reduction in Legal Capital Surplus” to the ordinary general meeting of shareholders to be held on September 27, 2012, and the proposal was duly approved by the ordinary general meeting of shareholders. Details are as follows:

   (Matters regarding reduction in the legal capital surplus)
   Legal capital surplus shall be reduced and the reduced amount shall be transferred to other capital surplus in accordance with Article 448, Paragraph 1, of the Companies Act.
   1) Amount of the reserve to be reduced
      Legal capital surplus: 22,100,419,017 yen (US$ 278,658,669)
   2) Date on which the reduction in the legal capital surplus comes into effect (Effective date)
      September 27, 2012

v) (Supplementary Financial Schedule)

[Schedule of bonds and debentures]

Company	Type of bond	Date of issuance	Beginning balance		Ending balance		Interest rate	Collateral	Date of maturity
			(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(%)		
ULVAC KIKO, Inc.	First unsecured bond	March 25, 2010	80 (20)	1,009 (252)	60 (20)	757 (252)	0.86	Unsecured bond	March 25, 2015
Total	–	–	80 (20)	1,009 (252)	60 (20)	757 (252)	–	–	–

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

Within one year	Over one year and not exceeding two years	Over two years and not exceeding three years	Over three years and not exceeding four years	Over four years and not exceeding five years	Within one year	Over one year and not exceeding two years	Over two years and not exceeding three years	Over three years and not exceeding four years	Over four years and not exceeding five years
(Millions of yen)					(Thousands of U.S. dollars)				
20	20	20	–	–	252	252	252	–	–

[Schedule of borrowings, etc.]

Classification	Beginning balance	Ending balance		Average interest rate (%)	Due date of repayment
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)		
Short–term borrowings	51,629	65,801	829,663	1.2	–
Long–term debt scheduled to be repaid within one year	16,180	16,881	212,848	1.5	–
Lease liabilities scheduled to be repaid within one year	1,623	906	11,427	–	–
Long–term debt (excluding debt scheduled to be repaid within one year)	27,210	27,492	346,645	1.4	From July 20, 2013 to March 31, 2019
Lease liabilities (excluding liabilities scheduled to be repaid within one year)	2,809	960	12,107	–	From June 30, 2013 to January 31, 2020
Other interest–bearing liabilities	–	–	–	–	–
Total	99,451	112,040	1,412,690	–	–

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

	Over one year and not exceeding two years	Over two years and not exceeding three years	Over three years and not exceeding four years	Over four years and not exceeding five years	Over one year and not exceeding two years	Over two years and not exceeding three years	Over three years and not exceeding four years	Over four years and not exceeding five years
	(Millions of yen)				(Thousands of U.S. dollars)			
Long−term debt	13,295	8,314	4,108	1,464	167,628	104,831	51,803	18,461
Lease liabilities	525	178	155	53	6,624	2,250	1,951	664

[Schedule of asset retirement obligations]

The amounts of asset retirement obligations at the beginning and the end of the current consolidated fiscal year (July 1, 2011 and June 30, 2012) were 1% or less of the total of the liabilities and net assets as of the same dates, respectively. Accordingly, as per Article 92−2 of the Regulation for Consolidated Financial Statements, this information has been omitted.

(2) [Other]
Quarterly data for the current fiscal year ended June 30, 2012

Cumulative periods	First quarter (From July 1, 2011 to September 30, 2011)	Second quarter (From July 1, 2011 to December 31, 2011)	Third quarter (From July 1, 2011 to March 31, 2012)	Current fiscal year (From July 1, 2011 to June 30, 2012)
Net sales (Millions of yen)	59,683	115,652	157,048	196,804
Income (loss) before income taxes and minority interests (Millions of yen)	282	3,086	(19,149)	(33,704)
Net income (loss) (Millions of yen)	233	252	(35,376)	(49,984)
Net income (loss) per share (Yen)	4.71	5.11	(716.90)	(1,012.94)

Accounting period	First quarter (From July 1, 2011 to September 30, 2011)	Second quarter (From October 1, 2011 to December 31, 2011)	Third quarter (From January 1, 2012 to March 31, 2012)	Fourth quarter (From April 1, 2012 to June 30, 2012)
Net income (loss) per share (Yen)	4.71	0.40	(722.01)	(296.04)

Cumulative periods	First quarter (From July 1, 2011 to September 30, 2011)	Second quarter (From July 1, 2011 to December 31, 2011)	Third quarter (From July 1, 2011 to March 31, 2012)	Current fiscal year (From July 1, 2011 to June 30, 2012)
Net sales (Thousands of U.S. dollars)	752,525	145,824	1980,177	2,481,453
Income (loss) before income taxes and minority interests (Thousands of U.S. dollars)	3,556	38,913	(241,450)	(424,971)
Net income (loss) (Thousands of U.S. dollars)	2,932	3,180	(446,045)	(630,238)
Net income (loss) per share (U.S. dollars)	0.06	0.06	(9.04)	(12.77)

Accounting period	First quarter (From July 1, 2011 to September 30, 2011)	Second quarter (From October 1, 2011 to December 31, 2011)	Third quarter (From January 1, 2012 to March 31, 2012)	Fourth quarter (From April 1, 2012 to June 30, 2012)
Net income (loss) per share (U.S. dollars)	0.06	0.01	(9.10)	(3.73)

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Independent Auditor's Report

October 4, 2012

To the Board of Directors
of ULVAC, Inc.

We have audited the accompanying consolidated financial statements of ULVAC, Inc. ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at June 30, 2012, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at June 30, 2012, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

As described in the accompanying note entitled "Subsequent Events", the ordinary general meeting of shareholders held on September 27, 2012 duly approved a proposal on "Issuance of Class-A preferred stock via Allotment to a third-party". The issuance of Class-A preferred stock has now been executed on September 28, 2012. The Board of Directors resolved to submit the proposal for shareholder approval at the meeting of the Board of Directors held on August 13, 2012.

As described in the accompanying note entitled "Subsequent Events", the Company's Board of Directors held on August 13, 2012 resolved to reduce common stock and legal capital surplus and to transfer those amounts to other capital surplus at the issue date of Class-A preferred stock, subject to the issuance of Class-A preferred stock. The transfer of common stock and legal capital surplus was executed on the issuance of Class-A preferred stock.

As described in the accompanying note entitled "Subsequent Events", the ordinary general meeting of shareholders held on September 27, 2012 duly approved a proposal on "Reduction in Legal Capital Surplus". The Board of Directors resolved to submit this proposal for shareholder approval at the meeting of the Board of Directors held on August 13, 2012.

Our opinion is not qualified in respect of these matters.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended June 30, 2012 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

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