

## Consolidated Financial Review for the Six Months Ended December 31, 2005

Company name: Lasertec Corporation  
 Headquarter address: 4-10-4, Tsunashima-Higashi, Kohoku-Ku, Yokohama, Kanagawa  
 223-8551, Japan  
 Telephone number: (045) 544-4111  
 Stock exchange listing: Jasdaq Securities Exchange, Inc.  
 Code number: 6920  
 Representative Director: Yaichiro Watakabe, President  
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 Board of Directors Meeting: February 22, 2006

For reference only: The accompanying financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan.

### 1. Consolidated financial highlights

#### (1) Consolidated operating results

(Fractional amounts are discarded)

	Net sales		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Dec. 31, 2005	7,209	78.7	1,739	155.5	1,746	154.1
Dec. 31, 2004	4,034	55.4	681	—	687	655.0
June 30, 2005	9,972	32.9	1,911	63.4	1,928	56.8

	Net income		Net income per share		Net income per share, fully diluted	
	(Millions of yen)	%	(Yen)		(Yen)	
Dec. 31, 2005	1,101	162.5	190.15		189.45	
Dec. 31, 2004	419	949.0	72.66		72.53	
June 30, 2005	1,203	58.4	196.17		195.75	

(Notes)

1. Profit/loss on equity method:

Six months ending December 31, 2005: None

Six months ending December 31, 2004: None

Year ended June 30, 2005: None

2. Average number of shares of common stock during period:

December 31, 2005 5,795,147 shares

December 31, 2004 5,777,996 shares

June 30, 2005 5,778,987 shares

3. Changes in accounting methods: None

4. The percentages for net sales, operating income, ordinary income and net income represent year-on-year changes.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
Dec. 31, 2005	14,019	10,261	73.2	1,765.17
Dec. 31, 2004	11,232	8,581	76.4	1,484.85
June 30, 2005	12,508	9,382	75.0	1,610.67

(Notes) Number of outstanding shares at end of period:

Dec 31, 2005 5,813,420 shares Dec 31, 2004 5,779,420 shares June 30, 2005 5,781,420 shares

(3) Consolidated cash flows position

	(Millions of yen)			
	Cash flows from operating activities	Cash flows from Investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Dec. 31, 2005	2,619	(347)	(212)	4,933
Dec. 31, 2004	(314)	93	(197)	2,203
June 30, 2005	283	139	(192)	2,859

(4) Scope of consolidation and application of the equity method

Consolidated subsidiaries: 2 companies

Nonconsolidated subsidiaries: None

Affiliated company using the equity method: None

(5) Changes in scope of consolidation and application of the equity method

Consolidation (Additions): None (Deletions): None

Equity method (Additions): None (Deletions): None

**2. Consolidated operating estimates for the year ending June 30, 2006**

**(7/1/05- 6/30/06)**

	Net sales	Ordinary income	Net income
	(Millions of yen)	(Millions of yen)	(Millions of yen)
Annual	12,400	2,780	1,765

(N.b.) Estimated net income per share for the year ending June 30, 2006(annual): 152.71 yen

company's share is to be split one share to two shares without charge, effective on April 1<sup>st</sup> 2006.

(Appendix)

## **I. Current status of the company group**

The business of our company group includes development, manufacturing, sales, and servicing of semiconductor related systems and FPD related systems as well as laser microscopes. The responsibility of each business lies as follows.

For developing and manufacturing semiconductor related systems and FPD related systems as well as laser microscopes, the company submitting consolidated financial statements (called "this company") takes the responsibility.

For sales, this company takes the responsibility in the Japan, Asian and European markets. In the North American market, Lasertec U. S. A. Inc., a consolidated subsidiary of this company, takes the responsibility.

For servicing, this company takes the responsibility in the Japan, Asian (excluding Korea), and European markets. Lasertec U. S. A. Inc., a consolidated subsidiary of this company, is in charge in the North American market, and Lasertec Korea Corporation, the other consolidated subsidiary of this company, is in charge in the Korean market.

This company has only two consolidated subsidiaries. Thus the illustration of the relationship between this company and them is omitted.

## **II. Management policies**

### **1. Basic policy for the company management**

Since its establishment, this company has supplied various inspection and measurement systems in the semiconductor, FPD and new material industries under the policy that "the company will satisfy needs with advanced technology." For the higher level needs in future, this company will continue to meet credence of our customers with multiple technologies of optics, precision mechanical engineering and electronics. This is the basic management policy of this company.

In the medium term, this company will strengthen the main three product lines: semiconductor related systems, FPD related systems, and laser microscopes. Especially, this company regards needs for accelerated pursuit of finer processing in the semiconductor related systems, and needs for more sophisticated inspection and repair process in the FPD related systems, as the key elements for

business expansion. Consequently, this company intends to devote more energy to the fulfillment of these needs.

## **2. Basic policy for profit sharing**

As a basic policy, this company aims at stable profit sharing among stockholders while strengthening the financial condition of the corporation and attaining higher performance. At the same time, this company simultaneously employs flexible profit sharing depending on performance while considering the necessity for reinforcement of the corporate structure based on retained earnings.

For further reinforcement of corporation condition and establishment of long-lasting management basis, the retained earnings will be effectively spent on R & D investment of new technologies and new products, capital investment for expanding business, and recruitment of highly capable staff.

## **3. Concept and policy regarding the reduction in size of the Stock Trading Unit**

This company believes it is very important that participation of individual stockholders to the capital market becomes more dynamic. Based on this belief, this company lowered the number of shares of one unit from 1,000 shares to 100 shares, effective on April 1, 2004. Also, the board meeting held on February 22<sup>nd</sup> 2006 passed a resolution that this company's share is to be split one share to two shares without charge, effective on April 1<sup>st</sup> 2006. These measures and policies on stock trading will surely increase the level of convenience for individual stockholders and heighten the liquidity of the stocks of this company.

## **4. Management strategies and tasks to be worked on**

(1) This company thoroughly believes that customer always comes first and this company intends to attain customer's trust by developing new technologies and new products that meet customer needs, with aggressive investment in a short period time so that this company can maintain product superiority, business expansion and profit platform extension.

- In the semiconductor related system field, this company plans to provide new products responding to market needs, such as reliable inspection systems for high quality mask blanks and phase shift mask inspection systems that are indispensable for ultra-high resolution lithography.
- Through R & D in collaboration with consortium and business enterprise, this company will make more efficient R & D investment.
- In the FPD related system field, this company will satisfy needs for larger-sized mother glass for color filters and higher throughput, and differentiate our products from other competitive ones

with respect to function while achieving further cost reduction. Furthermore, this company aims to respond to rapid market expansion coming in very near future by shortening the lead time of large size photo mask inspection systems that require high inspection capability.

- In the laser microscope field, this company increases the business by vigorously expanding the sales of entirely a new confocal microscope that is equipped with real color function or a new confocal microscope with selection ability of five wavelengths, which are strongly desired by the market.
- (2) This company reinforces sales & marketing capability, aggressively seeks new customers and maintains close relationships with customers. Also, this company pursues shorter time range between delivery and final acceptance of the products.
  - (3) This company makes continuous effort on raising level of customer satisfaction by proactively promoting transfer of authority to speed up the decision at each management level and also by promoting streamlining and cost reduction at each organization within the company.

## **5. Basic policy for corporate governance and current actions taken for it**

### (1) Basic policy for corporate governance

This company believes that a business enterprise fundamentally has to grow in such a way to increase its value (financial conditions and quality) continuously, and that only such growth can improve a sense of satisfaction in stockholders and a sense of accomplishment in employees. Especially to improve company value under recent circumstances where business environment surrounding companies is vertiginously changing, this company thinks it essential to establish a flexible management system that can respond to rapidly changing conditions as well as corporate governance that secures the management with emphasis on stockholders.

### (2) Current actions taken for corporate governance

- ① Status of executive management organization and other cooperate governance structure of this company involved with managerial decision-making, enforcement and surveillance.

This company employs auditing system. The Board consists of seven directors including one outside director. The board is organized with enough number of members to make prompt management judgment, and the board is held every month to inform and decide important issues within this company. All board members, the senior auditor and one outside auditor attend a monthly meeting held by representatives from each department and employees in charge of products so that everyone can understand the current business situations and share business information.

Furthermore, a management meeting that is a decision body for practical business affairs

regarding company management is being held twice a month. Holding of this regular meeting speeds up the decision making on issues regarding company management and at the same time promotes integration of understanding and strengthens mutual surveillance, among board members. In addition, this company strengthens cooperation between internal auditing office and board of auditors in the aim to pursue realization of more effective internal auditing.

This company has three auditors including two outside auditors. The auditors are expected to attend board meetings, managing director's meetings, monthly meetings, and other meetings so that they can closely audit execution of operation by board members.

One of the outside auditors (part-time) is a lawyer, which means that this company considers highly of law-abiding operation.

Regarding accounting audit, this company signs up an audit contract with Deloitte Touche Tohmatsu regarding audit under business law and securities and exchange law.

Please be noted that the accounting audit is conducted by the following structure.

The name of the certified public accountants who conducted audit	Auditing firm the accountants belong to	Formation of subservience
Designated Employee, Managing Partner Yasumasa Kondo	Deloitte Touche Tohmatsu	One Certified Public Accountants
Designated Employee, Managing Partner Tsuruno Takakazu	Deloitte Touche Tohmatsu	Four Junior Certified Public Accountants

- ② Outline regarding personal relationship, capital relationship, business relationship or any business stake among this company, outside director and outside auditor.

It is noted that neither outside director nor outside auditor has an interest in business with this company.

It is also noted that, regarding the remuneration of directors, the institution of retirement benefits for directors and auditors was abolished effective at the point of closing time of the annual meeting of stockholders for the 43<sup>rd</sup> term held on September 27<sup>th</sup> 2005, in the aim to make linkage between remuneration of directors and business performance more visible and transparent.

## 6. The matter of parent company,

Not available

## 7. Improvement and operation status of internal administrative structure

This company decided on a policy to disclose appropriate company information in timely manner, which would be of great interest to investors in connection with investors' decision and activity and this company has been working on this adequate disclosure activity.

This company established a company regulation, "Administrative provision on insider information", in the aim to prevent occurrence of unlawful insider trading and to thoroughly conduct information

management and to disclose appropriate company information in timely manner, so that this company complies with the timely disclosure provisions and the related provisions of the JASDAQ securities exchange.

The official responsible for general internal information management (a director in charge of general affairs) works on monitoring and gathering company information that should be timely and appropriately disclosed, from each division, department and overseas affiliate. Also, the same official receives information reports from every department manager (responsible officials for internal information management) and decides whether the said information falls into category for timely and appropriate disclosure or not, and if necessary, submits the matter to presidents approval or submits the matter to management meeting or board meeting, and swiftly disclose the information after obtaining resolution of the meetings.

### III. Financial achievement

#### 1. Outline of the Interim Period (July 1, 2005 to December 31, 2005)

In the global semiconductor industry that is the major market for this company group, upward momentum of capital investment has now become clearly visible due to replacement demand of personal computers and mobile phones along with market growth of digital home appliances represented by DVD recorders, digital cameras and flat screen televisions.

On the other hand, in the FPD industry field, this company have enjoyed firm and steady order entries for the FPD related products due to continuous and aggressive investments in the industry on tools corresponding to large size glass substrates such as 7<sup>th</sup> and 8<sup>th</sup> generation, in addition to tools for reinforcing productivity of 5<sup>th</sup> and 6<sup>th</sup> generation glass substrates, thanks to quantitative expansion of large size LCD panels, even though the price deterioration of LCD panel itself continues.

Under such circumstances, this company has been developing new technologies and new products that satisfy customer needs and has been striving for shorter lead time and acceptance period. As a result of these efforts, the consolidated net sales for this interim period amounted to 7,209 million yen (78.7 % up from the same period last year).

The sales for each product line were:

Semiconductor related systems

1,968 million yen (122.8 % up from the interim period in the last year)

FPD related systems

4,409 million yen (87.9 % up from the interim period in the last year)

Laser microscopes

353 million yen (6.5 % down from the interim period in the last year)

With regard to the consolidated profits, the ordinary income amounted to 1,746 million yen (154.1 % up from the interim period in the last year) and the net interim income amounted to 1,101 million yen (162.5 % up from the interim period in the last year).

The main new product this company announced during this interim period, which satisfies the customer needs for the next generation, is as the following,

Five Line Confocal Microscope	OPTELICS S130
Pellicle / Photomask Particle Inspection System	M2350

## 2. Forecast for the fiscal year ending June 30, 2006

The semiconductor industry is expected to continuously invest on the tools related to the leading edge lithography and this company expects continuous and steady order receiving. At the same time, although the FPD industry may be expected to come to an atmosphere of a pause on the vigorous capital investment that has been continuing thus far, serious decline is not expected to come.

Under these circumstances, this company will make continuous efforts on development of new applications and speedup of new product development. With regard to semiconductor related systems, this company explores new customer needs and develops new applications. With regard to FPD related systems, this company pursues further cost down of the products and seeks greater differentiation against competitor products by applying new technologies.

Furthermore, this company expects further sales and profit increase by shortening the acceptance period.

With regard to the consolidated business achievement of this fiscal period, this company plans to achieve the consolidated net sales 12,400 million yen (24.4 % up from the last fiscal period), the ordinary income 2,780 million yen (44.2 % up from the last fiscal period) and the net income 1,765 million yen (46.7 % up from the last fiscal period).

With regard to the stock dividend, this company plans to distribute 30 yen per share as is achieved for this fiscal period. The dividend pay-out ratio for this fiscal period amounts to 20.7 % as a result.

### 3. Financial conditions

Cash flows in the Interim Period (July 1, 2005 to December 31, 2005)

With regard to cash and cash equivalent on the consolidated basis (called “fund”) at the interim period (July 1, 2005 to December 31, 2005), the balance of the fund amounted to 4,933 million yen, increased 2,073 million compared with the balance at the end of the last fiscal year, not only because of gain by profit before taxes but also of decrease of inventories and of increase of advances received. Cash flows at the current consolidated Interim Period and their causes are described below.

(Cash flows from operating activities)

The fund gained for operating activities during this interim period was 2,619 million yen (use of 314 million yen in the interim period last fiscal year). This is mainly because the amount of increase factor including 1,738 million yen of interim profit before taxes, 620 million yen for decrease of inventories, and 566 million yen for increase of advances received exceeded the total amount of decrease factor including 361 million yen payment for corporate income taxes.

(Cash flows from investing activities)

The use through investing activities was 347 million yen (gain of 93 million yen in the interim period of last fiscal year). This was mainly because of 402 million yen of the payments for acquisition of investment securities.

(Cash flows from financing activities)

The fund used for financing activities was 212 million yen (7.7% up from the interim period of last fiscal year). This was mainly attributed to payment of dividends that amounted to 289 million yen.

Listed below are the consolidated management indexes on this company's financial conditions.

	Year ended June 2003	Year ended June 2004	Year ended June 2005	Interim Period ended December 2005
Equity ratio	81.9%	77.9%	75.0%	73.2%
Equity ratio on market price basis	138.8%	199.2%	144.7%	339.6%
Years for debt redemption	—	—	—	—
Interest coverage ratio	—	122,977.6%	28,621.0%	515,970.5%

(Note)

1. Each index is calculated from financial data on the consolidated basis as follows.

Equity ratio: Shareholder's equity / Total assets

Equity ratio on market price basis: Total amount of share value at market price / Total assets

Interest coverage ratio: Cash flows from operating activities / Interest payment

2. The total amount of share value at market price is calculated by multiplying the closing share price of the company at the end of the period by the number of outstanding shares at the end of the period (after deduction of the number of equities).

3. Cash flows from operating activities correspond to the cash flows shown in the consolidated statement of cash flows, and interest payment corresponds to the interest payment shown in the consolidated statement of cash flows.

## Consolidated balance sheets

(In thousands of yen)

Years ended December 31;	2004	%	2005	%	June 30,2005	%
<b>(Assets)</b>						
<b>Current assets</b>						
Cash and deposits	2,102,968		4,833,192		2,759,310	
Notes and accounts receivable – trade	2,608,934		3,394,289		3,660,025	
Marketable securities	100,260		100,382		100,320	
Inventories	4,053,296		3,230,522		3,849,482	
Deferred tax assets	237,025		136,085		146,949	
Others	136,329		102,090		67,401	
Allowance for doubtful accounts	(2,625)		(3,324)		(3,659)	
Total current assets	9,236,188	82.2	11,793,239	84.1	10,579,830	84.6
<b>Long-term assets</b>						
Tangible fixed assets						
Land	581,721		581,721		581,721	
Others	527,061		618,343		637,166	
Total tangible fixed assets	1,108,782		1,200,064		1,218,887	
Intangible fixed assets	1,821		1,842		1,830	
Investments and other assets						
Investment securities	437,463		603,567		231,060	
Deferred tax assets	143,200		100,071		162,451	
Others	305,204		321,191		314,434	
Total Investments and other assets	885,867		1,024,830		707,946	
Total long-term assets	1,996,471	17.8	2,226,738	15.9	1,928,664	15.4
<b>Total assets</b>	<b>11,232,660</b>	<b>100.0</b>	<b>14,019,977</b>	<b>100.0</b>	<b>12,508,495</b>	<b>100.0</b>

(In thousands of yen)

Years ended December 31;	2004	%	2005	%	June 30,2005	%
<b>(Liabilities)</b>						
<b>Current liabilities</b>						
Accounts payable – trade	367,860		513,224		636,990	
Accrued income taxes	191,391		608,219		384,492	
Advances received	1,453,442		1,929,854		1,359,199	
Reserve for product warranties	28,200		95,842		50,580	
Others	346,116		412,627		383,642	
Total current liabilities	<u>2,387,011</u>	21.3	<u>3,559,769</u>	25.4	<u>2,814,905</u>	22.5
<b>Long-term liabilities</b>						
Accounts payable - long term	—		77,400		—	
Reserve for employees' retirement benefits	100,578		121,127		134,782	
Reserve for directors' retirement benefits	163,477		—		176,536	
Total long-term liabilities	<u>264,056</u>	2.4	<u>198,527</u>	1.4	<u>311,319</u>	2.5
<b>Total liabilities</b>	<u>2,651,067</u>	23.6	<u>3,758,296</u>	26.8	<u>3,126,224</u>	25.0
<b>(Shareholders' equity)</b>						
<b>Capital stock</b>	931,000	8.3	931,000	6.6	931,000	7.4
<b>Capital surplus</b>	1,080,360	9.6	1,080,360	7.7	1,080,360	8.6
<b>Retained earnings</b>	6,875,945	61.2	8,396,476	59.9	7,659,706	61.2
<b>Revaluation on other securities</b>	11,170	0.1	49,419	0.4	8,178	0.1
<b>Foreign currency translation adjustments</b>	(25,016)	(0.2)	8,843	0.1	(10,251)	(0.1)
<b>Less treasury stock, at cost</b>	(291,866)	(2.6)	(204,418)	(1.5)	(286,722)	(2.2)
<b>Total shareholders' equity</b>	<u>8,581,592</u>	76.4	<u>10,261,680</u>	73.2	<u>9,382,270</u>	75.0
<b>Total liabilities and shareholders' equity</b>	<u>11,232,660</u>	100.0	<u>14,019,977</u>	100.0	<u>12,508,495</u>	100.0

## Consolidated statements of income

(In thousands of yen)

Years ended December 31;	2004	%	2005	%	June 30,2005	%
<b>Net sales</b>	4,034,121	100.0	7,209,159	100.0	9,972,241	100.0
<b>Cost of sales</b>	2,292,195	56.8	4,070,225	56.5	5,829,738	58.5
Gross profit	1,742,226	43.2	3,138,933	43.5	4,142,502	41.5
<b>Selling, general and administrative expenses</b>	1,061,105	26.3	1,398,998	19.4	2,231,316	22.3
Operating income	681,120	16.9	1,739,935	24.1	1,911,186	19.2
<b>Non-operating income</b>						
Interest income	1,123		2,030		2,621	
Dividend income	1,610		4,399		2,288	
Gain on sales of investment securities	—		—		159	
Exchange gain	—		1,800		2,169	
Income from contract development	5,226		—		5,226	
Income from Insurance	—		—		4,649	
Others	373		575		1,411	
Total non-operating income	8,333	0.2	8,805	0.1	18,525	0.1
<b>Non-operating expenses</b>						
Interest expenses	685		507		990	
Loss on sales of investment securities	—		810		354	
Exchange loss	1,410		—		—	
Others	11		668		9	
Total non-operating expenses	2,107	0.1	1,986	0.0	1,355	0.0
Ordinary income	687,346	17.0	1,746,753	24.2	1,928,356	19.3
<b>Extraordinary income</b>						
Gain on sales of fixed assets	—		1,010		—	
Reversal of allowance for doubtful receivables	—		341		—	
Total extraordinary income	—	—	1,351	0.0	—	—
<b>Extraordinary losses</b>						
Loss on disposal of fixed assets	15,678		9,167		29,854	
Product warranty cost	9,700		—		9,700	
Total extraordinary losses	25,378	0.6	9,167	0.1	39,554	0.4
Income before income taxes	661,967	16.4	1,738,937	24.1	1,888,801	18.9
Corporate, inhabitant and enterprise taxes	179,692	4.5	589,175	8.2	547,354	5.5
Deferred income taxes	62,410	1.5	47,797	0.6	137,458	1.3
Net income	419,864	10.4	1,101,965	15.3	1,203,989	12.1

## Consolidated statements of retained earnings

(In thousands of yen)

Years ended December 31;	2004	2005	June 30,2004
(Capital surplus)			
I Capital surplus at beginning of period	1,080,360	1,080,360	1,080,360
II Capital surplus at end of period	1,080,360	1,080,360	1,080,360
(Retained earnings)			
I Retained earnings at beginning of period	6,699,904	7,659,706	6,699,904
II Increase of retained earnings			
Net income	419,864	1,101,965	1,203,989
III Decrease of retained earnings			
Dividends	202,209	289,071	202,209
Officers' bonuses	41,250	70,300	41,250
Loss on sales of treasury stock	364	5,824	728
Total decrease of retained earnings	243,823	365,195	244,187
IV Retained earnings at end of period	6,875,945	8,396,476	7,659,706

## Consolidated statement of cash flows

(In thousands of yen)

	2004 (July 1,2004~ Dec31,2004)	2005 (July 1,2004~ Dec31,2004)	June 30,2005 (July 1,2004~ June 30,2005)
<b>Cash flows from operating activities</b>			
Income before income taxes	661,967	1,738,937	1,888,801
Depreciation and amortization	45,723	49,370	93,792
Increase (decrease) in allowance for doubtful receivables	39	(335)	1,074
Increase in reserve for product warranties	28,200	45,262	50,580
Increase(decrease) in reserve for employees' retirement benefits	5,616	(14,444)	39,450
Increase (decrease) in reserve for directors' retirement benefits	12,888	(176,536)	25,947
Interest and dividend income	(2,733)	(6,429)	(4,909)
Loss on sales of investment securities	—	810	354
Interest expenses	685	507	990
Exchange loss(gain)	2,846	(418)	(2,553)
Gain on sales of tangible fixed assets	—	(1,010)	—
Loss on disposal of tangible fixed assets	15,678	9,167	29,854
Decrease(increase) in notes and accounts receivable-trade	(100,337)	270,289	(1,149,204)
Decrease(increase) in inventory	(992,594)	620,962	(777,776)
Increase(decrease) in accounts payable-trade	(8,271)	(123,765)	260,858
Increase in advances received	570,631	566,027	471,980
Officers' bonuses	(41,250)	(70,300)	(41,250)
Others	17,929	68,466	107,452
	217,019	2,976,562	995,445
Interest and dividends received	2,280	5,316	4,870
Interest paid	(685)	(507)	(990)
Income taxes paid	(532,754)	(361,690)	(715,812)
Net cash provided by (used in) operating activities	(314,140)	2,619,680	283,512
<b>Cash flows from investing activities</b>			
Proceeds from sales of marketable securities	300,000	—	299,957
Payments for acquisition of tangible fixed assets	(107,665)	(45,531)	(265,053)
Proceeds from sales of tangible fixed assets	5,220	1,467	9,177
Payments for purchase of investment securities	(100,000)	(402,384)	(100,000)
Proceeds from sales of investment securities	—	99,190	200,953
Others	(3,958)	(459)	(5,197)
Net cash provided by (used in) investing activities	93,597	(347,719)	(139,836)
<b>Cash flows from financing activities</b>			
Proceeds from sales of treasury stock	4,780	76,480	9,560
Dividends paid	(202,209)	(289,071)	(202,209)
Net cash used in financial activities	(197,429)	(212,591)	(192,649)
Translation difference in cash and cash equivalents	(1,582)	14,573	6,147
Increase (decrease) in cash and cash equivalents	(419,555)	2,073,943	236,847
Cash and cash equivalents at beginning of period	2,622,783	2,859,630	2,622,783
Cash and cash equivalents at end of period	2,203,228	4,933,574	2,859,630

## Production, orders and sales

### 1. Production

(In thousands of yen)

Years ended December 31;	2005	
	Year-on-year comparison (%)	
Finished goods		
Semiconductor related systems	2,092,485	197.3
FPD related systems	3,630,931	111.7
Confocal Scanning Laser Microscopes	353,695	104.6
	6,077,112	130.7
Services	477,494	112.2
Total	6,554,606	129.1

(Notes)

1. Amounts are shown in sales prices.
2. Amounts exclude consumption taxes.

### 2. Orders

(In thousands of yen)

Years ended December 31;	2005			
	Amount	Year-on-year comparison (%)	Outstanding	Year-on-year comparison (%)
Finished goods				
Semiconductor related systems	1,807,285	71.0	1,496,384	58.7
FPD related systems	5,940,520	191.3	8,455,600	123.3
Confocal Scanning Laser Microscopes	341,669	99.3	88,800	63.5
	8,089,475	134.9	10,040,784	105.2
Services	336,895	85.8	65,571	48.7
Total	8,429,370	131.9	10,106,355	104.4

(Notes)

1. Amounts are show in sales price basis.
2. Amounts exclude consumption taxes.

**3. Sales**

(In thousands of yen)

Years ended December 31;	2005	
	Amount	Year-on-year comparison (%)
Finished goods		
Semiconductor related systems	1,968,433	222.8
FPD related systems	4,409,466	187.9
Confocal Scanning Laser Microscopes	353,765	93.5
	6,731,665	186.5
Services	477,494	121.2
Total	7,209,159	178.7

*(Notes)*

Amounts exclude consumption taxes.

## Financial Review for the Six Months Ended December 31, 2005(Non-Consolidated)

Company name: Lasertec Corporation  
 Headquarter address: 4-10-4, Tsunashima-Higashi, Kohoku-Ku, Yokohama, Kanagawa  
 223-8551, Japan  
 Telephone number: (045) 544-4111  
 Stock exchange listing: Jasdaq Securities Exchange, Inc.  
 Code number: 6920  
 Representative Director: Yaichiro Watakabe, President  
 Inquiries: Shu Uchiyama, Director, Corporate Planning Office  
 Board of Directors Meeting: February 22, 2006

For reference only: The accompanying financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan.

### 1. Financial highlights

#### (1) Operating results

(Fractional amounts are discarded)

	Net sales		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Dec. 31, 2005	7,011	81.6	1,644	172.7	1,652	171.3
Dec. 31, 2004	3,861	52.3	603	968.9	608	894.8
June 30, 2005	9,569	28.5	1,779	46.8	1,795	43.9

	Net income		Net income per share		Net income per share, fully diluted	
	(Millions of yen)	%	(Yen)		(Yen)	
Dec. 31, 2005	1,039	181.3	179.41		178.76	
Dec. 31, 2004	369	—	63.97		63.85	
June 30, 2005	1,123	47.8	182.20		181.82	

(Notes)

1. Average number of shares of common stock during period:

December 31, 2005	5,795,147 shares
December 31, 2004	5,777,996 shares
June 30, 2005	5,778,987 shares

2. Changes in accounting methods: None

3. The percentages shown next to net sales, operating income, ordinary income and net income represent year-on-year changes.

#### (2) Dividends

	Annual dividend per share	
	Interim period	Term end
	(yen)	(yen)
Dec. 31, 2005	0.00	—
Dec. 31, 2004	0.00	—
June 30, 2005	—	50.00

(3) Financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
Dec. 31, 2005	13,662	10,001	73.2	1,720.44
Dec. 31, 2004	11,041	8,448	76.5	1,461.76
June 30, 2005	12,253	9,203	75.1	1,579.75

(Notes) 1. Number of outstanding shares at end of period:

Dec 31, 2005 5,813,420 shares

Dec 31, 2004 5,779,420 shares

June 30, 2005 5,781,420 shares

2. Number of treasury stocks at end of period

Dec 31, 2005 79,480 shares

Dec 31, 2004 113,480 shares

June 30, 2005 111,480 shares

**2. Operating estimates for the year ending June 30, 2006 (7/1/05- 6/30/06)**

	Net sales	Ordinary income	Net income	Annual dividend per share	
				End of period	
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(yen)	(yen)
Annual	12,050	2,650	1,680	30.00	30.00

(N.b.) Estimated net income per share (annual): 145.32 yen

company's share is to be split one share to two shares without charge, effective on April 1<sup>st</sup> 2006.

## Balance sheet

(In thousands of yen)

Years ended December 31;	2004	%	2005	%	June 30,2005	%
<b>(Assets)</b>						
<b>Current assets</b>						
Cash and deposits	1,979,349		4,472,085		2,562,207	
Notes receivable - trade	311,769		198,167		959,949	
Accounts receivable - trade	2,264,003		3,213,961		2,641,813	
Marketable securities	100,260		100,382		100,320	
Inventories	4,014,807		3,193,129		3,830,835	
Deferred tax assets	182,814		112,284		113,938	
Others	133,992		93,681		59,680	
Allowance for doubtful accounts	(2,577)		(3,416)		(3,603)	
Total current assets	8,984,420	81.4	11,380,275	83.3	10,265,140	83.8
<b>Long-term assets</b>						
Tangible fixed assets						
Land	581,721		581,721		581,721	
Others	520,699		612,299		632,167	
Total tangible fixed assets	1,102,420		1,194,020		1,213,889	
Intangible fixed assets	1,700		1,700		1,700	
Investments and other assets						
Investment securities	518,603		684,707		312,200	
Deferred tax assets	141,330		97,226		160,157	
Others	292,656		304,139		300,533	
Total Investments and other assets	952,590		1,086,073		772,891	
Total long-term assets	2,056,711	18.6	2,281,794	16.7	1,988,480	16.2
<b>Total assets</b>	<b>11,041,131</b>	<b>100.0</b>	<b>13,662,069</b>	<b>100.0</b>	<b>12,253,621</b>	<b>100.0</b>

(In thousands of yen)

Years ended December 31;	2004	%	2005	%	June 30,2005	%
<b>(Liabilities)</b>						
<b>Current liabilities</b>						
Accounts payable – trade	367,860		511,815		636,990	
Accrued income taxes	187,558		584,964		384,107	
Advances received	1,394,728		1,878,231		1,310,906	
Reserve for product warranties	24,600		53,025		35,621	
Others	359,953		445,269		379,817	
Total current liabilities	2,334,700	21.2	3,473,306	25.4	2,747,442	22.4
<b>Long-term liabilities</b>						
Accounts payable – long term	—		77,400		—	
Reserve for employees' retirement benefits	94,808		109,716		126,102	
Reserve for directors' retirement benefits	163,477		—		176,536	
Total long-term liabilities	258,285	2.3	187,116	1.4	302,638	2.5
<b>Total liabilities</b>	<b>2,592,985</b>	<b>23.5</b>	<b>3,660,422</b>	<b>26.8</b>	<b>3,050,080</b>	<b>24.9</b>
<b>(Shareholders' equity)</b>						
<b>Capital stock</b>	931,000	8.4	931,000	6.8	931,000	7.6
<b>Capital surplus</b>						
Additional paid-in capital	1,080,360		1,080,360		1,080,360	
Total capital surplus	1,080,360	9.8	1,080,360	7.9	1,080,360	8.8
<b>Retained earnings</b>						
Revenue reserves	159,038		159,038		159,038	
Voluntary reserves	5,912,000		6,612,000		5,912,000	
Unappropriated retained earnings for the term	646,444		1,374,248		1,399,686	
Total retained earnings	6,717,482	60.8	8,145,286	59.6	7,470,724	61.0
<b>Revaluated on other securities</b>	11,170	0.1	49,419	0.4	8,178	0.1
<b>Less treasury stock, at cost</b>	(291,866)	(2.6)	(204,418)	(1.5)	(286,722)	(2.4)
<b>Total shareholders' equity</b>	<b>8,448,145</b>	<b>76.5</b>	<b>10,004,646</b>	<b>73.2</b>	<b>9,203,540</b>	<b>75.1</b>
<b>Total liabilities and shareholders' equity</b>	<b>11,041,131</b>	<b>100.0</b>	<b>13,662,069</b>	<b>100.0</b>	<b>12,253,621</b>	<b>100.0</b>

## Statements of income

	(In thousands of yen)					
Years ended December 31;	2004	%	2005	%	June 30,2005	%
<b>Net sales</b>	3,861,405	100.0	7,011,400	100.0	9,569,467	100.0
<b>Cost of sales</b>	2,257,180	58.5	4,026,691	57.4	5,686,989	59.4
Gross profit	1,604,224	41.5	2,984,708	42.6	3,882,477	40.6
<b>Selling, general and administrative expenses</b>	1,001,152	25.9	1,340,259	19.1	2,102,700	22.0
Operating income	603,072	15.6	1,644,448	23.5	1,779,777	18.6
<b>Non-operating income</b>	8,091	0.2	9,810	0.1	17,241	0.2
<b>Non-operating expenses</b>	2,175	0.0	1,986	0.0	1,348	0.0
Ordinary income	608,988	15.8	1,652,272	23.6	1,795,670	18.8
<b>Extraordinary income</b>	2	0.0	187	0.0	—	—
<b>Extraordinary losses</b>	25,378	0.7	9,167	0.2	39,104	0.4
Income before income taxes	583,611	15.1	1,643,292	23.4	1,756,565	18.4
Corporate, inhabitant and enterprise taxes	174,231	4.5	566,802	8.1	541,507	5.7
Deferred income taxes	39,714	1.0	36,733	0.5	91,785	1.0
Net income	369,666	9.6	1,039,756	14.8	1,123,273	11.7
Retained earnings brought forward from previous period	277,141		340,315		277,141	
Loss on sales of treasury stock	364		5,824		728	
Unappropriated retained earnings, end of six months period	646,444		1,374,248		1,399,686	