

Consolidated Financial Review for the Year Ended June 30, 2006



Company name: Lasertec Corporation
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 (U R L <http://www.Lasertec.co.jp/>)
 Stock exchange listing: Jasdaq Securities Exchange, Inc.
 Code number: 6920
 Representative Director: Yaichiro Watakabe, President
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 Board of Directors Meeting: August 23, 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 is discarded)

	Net sales		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
June 30, 2006	12,033	20.7	2,963	55.0	3,060	58.7
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	Return on shareholders' equity	Ratio of ordinary income to total assets	Ratio of ordinary income to net sales
	(Millions of yen)	%	(Yen)	(Yen)	%	%	%
June 30, 2006	1,884	56.5	162.25	161.67	18.4	21.8	25.4
June 30, 2005	1,203	58.4	196.17	195.75	13.5	16.6	19.3

(Notes)

1. Profit/loss on equity method:
 - Year ended June 30, 2006: None
 - Year ended June 30, 2005: None
2. Average number of shares of common stock during period:
 - June 30, 2006 11,615,755 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)
June 30, 2006	15,560	11,067	71.1	949.96
June 30, 2005	12,508	9,382	75.0	1,610.67

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

June 30, 2006 11,650,755 shares June 30, 2005 5,781,420 shares

(3) Consolidated cash flow position

(Millions of yen)

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
June 30, 2006	3,325	(443)	(184)	5,570
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, 2007

(7/1/06- 6/30/07)

(Millions of yen)

	Net sales	Ordinary income	Net income
Interim period	7,210	1,700	1,050
Annual	16,000	3,550	2,230

(N.b.) 1. Estimated net income per share for the year ending June 30, 2007 (annual): 191.44 yen

(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 the two consolidated subsidiaries 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 the most 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 for R & D investment on new technologies and new products, capital investment for expanding business, and recruitment of highly capable staffs.

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

This company believes it is very important to capture individual financial assets into the capital market. 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, and further implemented gratis share split making one common share to two common shares, effective on April 1, 2006. This company recognizes these measures described above have significantly uplifted the convenience of individual stockholders and the liquidity of the stocks of this company. Please be further informed that this company plans to handle the future lowering of the number of share of one unit by considering the result of analyses of the general status depending on the prevailing situation on each occasion.

4. Management strategies and tasks to be worked on

(1) While this company reinforces the Sales & Marketing functions to vigorously acquire new customers, 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 on product development and human resources in a short period of time so that this company can maintain product superiority, business expansion and profit platform expansion.

- 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 universities, consortiums and business enterprises, 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 new laser microscopes with high functions, such as full-color image microscopes and five wavelengths selectable microscopes, which are strongly desired by the market.

(2) In order to pursue speedy and decisive management at each management level, this company promotes establishment of clearer responsibility and authority, and also actively promotes delegation of authority. Also this company intends to further improve customer satisfaction by unifying sales and the service function.

(3) This company promotes reinforcement of the company structure by strengthening compliance and internal control functions and also by strengthening the quality assurance system. This company also continues active recruitment based on the mid-to-long term view and pursues establishment of a solid structure for human resource development.

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 are rapidly 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

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 the company. All board members and the senior 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 was newly started since October last year and this meeting 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. It is noted that one of the outside auditors, who is part time, is an attorney at law and this company is regardful about compliance with all the relevant laws, accordingly.

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	Formation of subservience
Designated Employee, Managing Partner Yasumasa Kondo	Two Certified Public Accountants Three Junior Certified Public Accountants
Designated Employee, Managing Partner Tsuruno Takakazu	

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.

The status of the implementation of enhancement activity regarding cooperate governance of this company

The board meeting is held regularly once a month and is also held extraordinarily as needed. The board meeting was held 15 times in this fiscal period. Auditor's meeting is held regularly once a month and is also held extraordinarily as needed. Auditor's meeting was held 13 times in this fiscal period.

With regard to the dispensation for executive compensation, the dispensation for special service bonus at the time of retirement of board members and auditors was decided to discontinue at the closing of the general shareholder's meeting for the 43rd fiscal period held on September 27th 2005, which would result in the dispensation system with clearer understanding on relationship between director's remuneration and business achievement of this company.

6. Casus regarding parent company and such

There are no relevant items.

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 corporate planning) 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 officials responsible for internal information management (every department manager) 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 this fiscal period (ended June 30, 2006)

(1) Outline of this fiscal period (ended June 30, 2006)

In the global semiconductor industry that is the major market for this company group, the market expansion for digital home appliances represented by digital cameras, DVD recorders, flat panel TV's and new type portable music players, and rapid spread of PC's and mobile phones into developing countries such as BRICs, has led to active capital investment. Accordingly, the investment activity on tools related to the leading edge lithography that is closely related to the major products of this company has made a solid progress.

On the other hand, in the FPD industry, although the price deterioration for the panels continued, expansion of demand for large size panels led to vigorous and continuous capital investment on equipments related to large size glass substrates. This company enjoyed order increase in FPD related systems, accordingly.

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 amounted to 12,033 million yen (20.7% up from the last fiscal period).

The sales for each product line were:

Semiconductor related systems

3,601 million yen (33.4 % up from the last fiscal period)

FPD related systems

6,825 million yen (20.9 % up from the last fiscal period)

Laser microscopes

619 million yen (14.4 % down from the last fiscal period)

With regard to the consolidated profits, the ordinary income amounted to 3,060 million yen (58.7 % up from the last fiscal period) and the net income amounted to 1,884 million yen (56.5 % up from the last fiscal period).

The main new products this company announced during this fiscal period, which satisfies the customer needs for the next generation, are as follows,

Five line confocal microscope	OPTELICS	S130
Pelicle/Photomask particle inspection system	PEGSIS	P100

(2) Forecast for the next fiscal year ending June 30, 2007

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 the next fiscal period, this company plans to achieve the consolidated net sales 16,000 million yen (33.0% up from the previous fiscal period), the ordinary income 3,550 million yen (16.0 % up from the previous fiscal period) and the net income 2,230 million yen (18.3% up from the previous fiscal period).

2. Financial conditions

Cash flows for this Period (ended June 30, 2006)

With regard to cash and cash equivalent on the consolidated basis (called “fund”) for this period (ended June 30, 2006) the balance of the fund amounted to 5,575 million yen, an increase of 2,710 million yen compared to the balance at the end of the last fiscal period, due to increase factors such as decrease of accounts receivables and as increase of advances received besides income before taxes.

Cash flows for this consolidated period and their causes are described below. ,

(Cash flows from operating activities)

The fund gained for operating activities during the current period was 3,325 million yen (1,073.1% up from the last consolidated fiscal period). This is mainly because the total amount of excess factors including the decrease of accounts receivables and the increase of advances received, besides the income before taxes of 3,042 million yen exceeded the total amount of decrease factor including increase of inventory assets and payment of corporate income tax.

(Cash flows from investing activities)

The fund used from investing activities was 443 million yen (139 million gain in the last consolidated fiscal period). This was mainly because the total amount of decrease factors including the payment for purchase of marketable securities and investment securities and of tangible fixed assets exceeded the total amount of increase factors including inflow for disposal of investment securities.

(Cash flows from financing activities)

The fund used for financing activities was 184 million yen (4.4% down from the last consolidated fiscal period). This was mainly attributed to payment of dividends and inflow for disposal of treasury stock.

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	Year ended June 2006
Equity ratio	81.9%	77.9%	75.0%	71.1%
Equity ratio on market price basis	138.8%	199.2%	144.7%	214.1%
Years for debt redemption	-	-	-	-
Interest coverage ratio	-	122,977.6%	28,621.0%	536,335.6%

(Note)

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

Equity ratio: Shareholder's equity / Liabilities + Stockholder's equity

Equity ratio on market price basis: Total amount of share value at market price / Liabilities + Stockholder's equity

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 June 30;	2005	%	2006	%	Increase (Decrease)
Current assets					
Cash and deposits					
Notes and accounts receivable - trade	2,759,310		5,469,810		2,710,500
Marketable securities	3,660,025		1,781,684		(1,878,341)
Inventories	100,320		100,457		137
Deferred tax assets	3,849,482		5,445,352		1,595,869
Others	146,949		159,459		12,509
Allowance for doubtful accounts	67,401		332,919		265,518
Total current assets	(3,659)		(2,111)		1,548
	<u>10,579,980</u>	84.6	<u>13,287,572</u>	85.4	<u>2,707,742</u>
Long-term assets					
Tangible fixed assets					
Buildings and structures					
Machinery, vehicles and delivery equipments	503,087		503,241		153
Tools, furniture and fixtures	15,118		28,154		13,035
Land	118,960		128,803		9,843
Construction in progress	581,721		581,721		-
	-		1,242		1,242
Intangible fixed assets	<u>1,218,887</u>	9.7	<u>1,243,162</u>	8.0	<u>24,275</u>
Investments and other assets	1,830	0.0	1,846	0.0	15
Investment securities					
Long-term guarantee deposits	231,060		590,813		359,752
Deferred tax assets	199,128		203,977		4,849
Others	162,451		114,819		(47,631)
	<u>115,306</u>		<u>118,424</u>		<u>3,118</u>
Total long-term assets	<u>707,946</u>	5.7	<u>1,028,035</u>	6.6	<u>320,088</u>
Total assets	<u>1,928,664</u>	15.4	<u>2,273,045</u>	14.6	<u>344,380</u>
Current assets	<u>12,508,495</u>	100.0	<u>15,560,617</u>	100.0	<u>3,052,122</u>

(In thousands of yen)

Years ended June 30;	2005	%	2006	%	Increase (Decrease)
(Liabilities)					
Current liabilities					
Accounts payable - trade	636,990		507,926		(129,064)
Accrued income taxes	384,492		866,219		481,726
Advances received	1,359,199		2,170,870		811,670
Reserve for director's bonus	-		116,300		116,300
Reserve for product warranties	50,580		78,750		28,170
Others	383,642		533,727		150,084
Total current liabilities	2,814,905	22.5	4,273,793	27.5	1,458,888
Long-term liabilities					
Accounts payable for long-term	-		77,400		77,400
Reserve for employees' retirement benefits	134,782		141,600		6,817
Reserve for directors' retirement benefits	176,536		-		(176,536)
Total long-term liabilities	311,319	2.5	219,000	1.4	(92,318)
Total liabilities	3,126,224	25.0	4,492,794	28.9	1,366,569
(Shareholders' equity)					
Capital stock	931,000	7.4	-	-	(931,000)
Capital surplus	1,080,360	8.6	-	-	(1,080,360)
Retained earnings	7,659,706	61.2	-	-	(7,659,706)
Revaluation on other securities	8,178	0.1	-	-	(8,178)
Foreign currency translation adjustment	(10,251)	(0.1)	-	-	10,251
Less treasury stock, at cost	(286,722)	(2.2)	-	-	286,722
Total shareholders' equity	9,382,270	75.0	-	-	(9,382,270)
Total liabilities and shareholders' equity	12,508,495	100.0	-	-	(12,058,495)
(Net Assets)					
Capital stock	-	-	931,000	6.0	931,000
Capital surplus	-	-	1,080,360	6.9	1,080,360
Retained earnings	-	-	9,177,025	59.0	9,177,025
Less treasury stock, at cost	-	-	(173,899)	(1.1)	(173,899)
Total shareholders' equity	-	-	11,014,485	70.8	11,014,485
Revaluation					
Revaluation on other securities	-	-	47,308	0.3	47,308
Foreign currency translation adjustment	-	-	6,029	0.0	6,029
Total Revaluation	-	-	53,337	0.3	53,337
Total Net Assets	-	-	11,067,823	71.1	11,067,823
Total liabilities and net assets	-	-	15,560,617	100.0	15,560,617

Consolidated statements of income

(In thousands of yen)

Years ended June 30;	2005	%	2006	%	Increase (Decrease)
Net sales	9,972,241	100.0	12,033,090	100.0	2,060,849
Cost of sales	5,829,738	58.5	6,153,367	51.1	323,628
Gross profit	4,142,502	41.5	5,879,722	48.9	1,737,220
Selling, general and administrative expenses	2,231,316	22.3	2,916,574	24.3	685,257
Operating income	1,911,186	19.2	2,963,148	24.6	1,051,962
Non-operating income					
Interest income	2,621		4,554		1,933
Dividend income	2,288		9,741		7,452
Income from sales of investment securities	159		-		(159)
Exchange gain	2,169		8,248		6,079
Income from contract development	5,226		70,302		65,076
Income from insurance	4,649		-		(4,649)
Others	1,411		7,245		5,833
Total non-operating income	18,525	0.1	100,091	0.8	81,565
Non-operating expenses					
Interest expenses	990		620		(370)
Loss on sales of investment securities	354		810		455
Others	9		1,008		998
Total non-operating expenses	1,355	0.0	2,438	0.0	1,083
Ordinary income	1,928,356	19.3	3,060,801	25.4	1,132,444
Extraordinary income					
Gain on sales of fixed assets	-		1,039		1,039
Reversal of allowance for doubtful accounts	-		1,556		1,556
Total extraordinary income	-	-	2,595	0.0	2,595
Extraordinary loss					
Loss on disposal of fixed assets	29,854		11,986		(17,867)
Loss on devaluation on investment securities	-		9,218		9,218
Product warranty cost	9,700		-		(9,700)
Total extraordinary losses	39,554	0.4	21,205	0.1	(18,349)
Income before income taxes	1,888,801	18.9	3,042,191	25.3	1,153,390
Corporate, inhabitant and enterprise taxes	547,354	5.5	1,144,706	9.5	597,352
Deferred income taxes	137,458	1.3	12,777	0.1	(124,681)
Net income	1,203,989	12.1	1,884,708	15.7	680,718

Consolidated statement of retained earnings

(In thousands of yen)

Years ended June 30;	2005
Capital surplus	
Capital surplus at beginning of period	
Additional paid-in capital at beginning of period	1,080,360
Capital surplus at end of period	<u>1,080,360</u>
Retained earnings	
Retained earnings at beginning of period	
Consolidated retained earnings at beginning of period	6,699,904
Increase of retained earnings	
Net income	1,203,989
Decrease of retained earnings	
1 Dividends	202,209
2 Officers' bonuses	41,250
3 Loss on sales of treasury stock	728
Total decrease of retained earnings	<u>244,187</u>
Retained earnings at end of period	<u>7,659,706</u>

Consolidated statement of shareholders' equity

(In thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
2005/6/30	931,000	1,080,360	7,659,706	(286,722)	9,384,343
Changes					
Dividends	-	-	(289,071)	-	(289,071)
Net income	-	-	1,884,708	-	1,884,708
Officers' bonuses	-	-	(70,300)	-	(70,300)
Purchase of treasury stock	-	-	-	(355)	(355)
Sales of treasury stock	-	-	(8,018)	113,178	105,160
Others (net)	-	-	-	-	-
Total changes	-	-	1,517,318	112,823	1,630,141
2006/6/30	931,000	1,080,360	9,177,025	(173,899)	11,014,485

	Revaluation			Total net assets
	Revaluation on other securities	Foreign currency transaction adjustment	Total revaluation	
2005/6/30	8,178	(10,251)	(2,072)	9,382,270
Changes				
Dividends	-	-	-	(289,071)
Net Income	-	-	-	1,884,708
Officers' bonuses	-	-	-	(70,300)
Purchase of treasury stock	-	-	-	(355)
Sales of treasury stock	-	-	-	105,160
Others (net)	39,130	16,280	55,410	55,410
Total changes	39,130	16,280	55,410	1,685,552
2006/6/30	47,308	6,029	53,337	11,067,823

Consolidated statement of cash flows

(In thousands of yen)

Years ended June 30;	2005	2006
Cash flows from operating activities		
Income before income taxes	1,888,801	3,042,191
Depreciation and amortization	93,792	110,810
Increase (decrease) in allowance for doubtful accounts	1,074	(1,548)
Increase in directors' bonus	-	116,300
Increase in reserve for product warranties	50,580	28,170
Increase in employees' retirement benefits	39,450	5,754
Increase(decrease) in reserve for directors' retirement benefits	25,947	(176,536)
Interest and dividend income	(4,909)	(14,295)
Loss on sales of investment securities	354	810
Interest expenses	990	620
Exchange gain	(2,553)	(1,813)
Loss on devaluation of investment securities	-	9,218
Gain on sales of tangible fixed assets	-	(1,039)
Loss on disposal of tangible fixed assets	29,854	11,986
Decrease (increase) in notes and accounts receivable-trade	(1,149,204)	1,882,238
Increase in inventory	(777,776)	(1,593,542)
Increase (decrease)in accounts payable-trade	260,858	(129,064)
Increase in advance received	471,980	808,800
Officers' bonuses	(41,250)	(70,300)
Others	107,452	(50,446)
	<u>995,445</u>	<u>3,978,315</u>
Interest and dividends received	4,870	13,145
Interest paid	(990)	(620)
Income taxes paid	(715,812)	(664,921)
Net cash provided by operating activities	<u>283,512</u>	<u>3,325,918</u>
Cash flows from investment activities		
Proceeds from sales of marketable securities	299,957	-
Payments for purchase of tangible fixed assets	(265,053)	(139,638)
Proceeds from sales of tangible fixed assets	9,177	5,133
Payments for purchase of investment securities	(100,000)	(402,384)
Proceeds from sales of investment securities	200,953	99,190
Others	(5,197)	(5,396)
Net cash used in investing activities	<u>139,836</u>	<u>(443,096)</u>

(In thousands of yen)

Years ended June 30;	2005	2006
Cash flows from financing activities		
Payments for purchase of treasury stock	-	(355)
Proceeds from sales of treasury stock	9,560	105,160
Dividends paid	(202,209)	(289,071)
Net cash used in financial activities	(192,649)	(184,266)
Translation difference in cash and cash equivalents	6,147	12,081
Increase in cash and cash equivalents	236,847	2,710,637
Cash and cash equivalents at beginning of period	2,622,783	2,859,630
Cash and cash equivalents at end of period	2,859,630	5,570,268

Production, orders and sales

1. Production

(in thousands of yen)		
Year ended June 30;	2006	
	Year-on-year comparison (%)	
Finished goods		
Semiconductor related systems	4,441,480	196.4
FPD related systems	8,957,395	120.7
Confocal Scanning Laser Microscopes	631,550	97.5
	14,030,431	135.8
Services	987,159	109.5
Total	15,017,591	133.7

(Notes)

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

2. Orders

(In thousands of yen)				
Year ended June 30;	2006			
	Amount	Year-on-year comparison (%)	Outstanding	Year-on-year comparison (%)
Finished goods				
Semiconductor related systems	3,947,915	113.8	2,003,994	120.9
FPD related systems	10,486,925	162.0	10,586,175	152.9
Confocal Scanning Laser Microscopes	628,305	96.6	110,020	109.0
	15,063,145	142.2	12,700,189	146.3
Services	915,753	97.4	131,764	64.9
Total	15,978,898	138.5	12,831,953	144.4

(Notes)

1. Amounts are shown in sales prices.
2. Amounts include adjustments of cancellation, changes and etc.
3. Amounts exclude consumption taxes.

3. Sales

(In thousands of yen)

Year ended June 30;	2006	
	Amount	Year-on-year comparison (%)
Finished goods		
Semiconductor related systems	3,601,453	133.4
FPD related systems	6,825,296	120.9
Confocal Scanning Laser Microscopes	619,181	85.6
	11,045,930	121.8
Services	987,159	109.5
Total	12,033,090	120.7

Financial Review for the Year Ended June 30, 2006(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
 (U R L <http://www.Lasertec.co.jp/>)
 Stock exchange listing: Jasadq Securities Exchange, Inc.
 Code number: 6920
 Representative Director Yaichiro Watakabe, President
 Inquiries: Shu Uchiyama, Director, Corporate Planning Office
 Board of Directors Meeting: August 23 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 is discarded)

	Net sales		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
June 30, 2006	11,663	21.9	2,769	55.6	2,857	59.1
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	Return on shareholders' equity	Ratio of ordinary income to total assets	Ratio of ordinary income to net sales
	(Millions of yen)	%	(Yen)	(Yen)	%	%	%
June 30, 2006	1,755	56.3	151.11	150.57	17.6	20.8	24.5
June 30, 2005	1,123	47.8	182.20	181.82	12.8	15.7	18.8

(Notes)

- Average number of shares of common stock during period:
 June 30, 2006 11,615,755 shares
 June 30, 2005 5,778,987 shares
- Changes in accounting methods: None
- 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			Dividend payment	Dividend payout ratio	The ratio of dividend to shareholders' equity
	(yen)	Interim period (yen)	Term end (yen)			
June 30, 2005	50.00	0.00	50.00	(Millions of yen) 289	% 27.4	% 3.1
June 30, 2006	40.00	0.00	40.00	466	26.5	3.2
(Forecast) June30, 2007	40.00	0.00	40.00			

(3) Financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
June 30, 2006	15,212	10,743	70.6	922.11
June 30, 2005	12,253	9,203	75.1	1,579.75

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

June 30, 2006	11,650,755 shares
June 30, 2005	5,781,420 shares

Number of treasury stocks at end of period

June 30, 2006	135,045 shares
June 30, 2005	111,480 shares

2. Operating estimates for the year ending June 30, 2007 (7/1/06- 6/30/07)

	Net sales	Ordinary income	Net income	Annual dividend per share		
				Interim period	End of period	
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(yen)	(yen)	(yen)
Interim period	7,020	1,690	1,040	-	-	-
Annual	15,620	3,380	2,110	-	40.00	40.00

(N.b.) 1. Estimated net income per share (annual):181.12yen

Balance sheets

(In thousands of yen)

Years ended June 30;	2005	%	2006	%	Year-on-year change
(Assets)					
Current assets					
Cash and deposits	2,562,207		5,188,434		2,626,226
Notes receivable - trade	959,949		110,422		(849,526)
Accounts receivable - trade	2,641,813		1,618,254		(1,023,559)
Marketable securities	100,320		100,457		137
Raw materials	126,215		207,008		80,793
Work in process	3,702,420		5,195,331		1,492,911
Supplies	2,200		2,276		76
Deferred tax assets	113,938		155,426		41,488
Advance receipt	10,294		207,088		196,793
Others	49,385		116,741		67,355
Allowance for doubtful accounts	(3,603)		(1,931)		1,672
Total current assets	10,265,140	83.8	12,899,508	84.8	2,634,368
Long-term assets					
Tangible fixed assets					
Buildings	493,382		486,804		(6,578)
Structures	9,334		7,307		(2,026)
Machinery and equipments	7,461		20,739		13,278
Vehicles and delivery equipments	6,443		7,414		970
Tools, furniture and fixtures	115,545		122,571		7,025
Land	581,721		581,721		-
Construction in progress	-		1,242		1,242
	1,213,889	9.9	1,227,800	8.1	13,911
Intangible fixed assets					
Telephone subscription rights	1,700		1,700		-
	1,700	0.0	1,700	0.0	-

(In thousands of yen)

Years ended June 30;	2005	%	2006	%	Year-on-year Change
Investments and other assets					
Investment securities	231,060		590,813		359,752
Investment in affiliated companies	81,139		81,139		-
Long-term guarantee deposits	185,226		181,418		(3,808)
Deferred tax assets	160,157		112,139		(48,018)
Others	115,306		118,424		3,118
	<u>772,891</u>	6.3	<u>1,083,935</u>	7.1	<u>311,044</u>
Total long-term assets	<u>1,988,480</u>	16.2	<u>2,313,436</u>	15.2	<u>324,956</u>
Total assets	<u>12,253,621</u>	100.0	<u>15,212,945</u>	100.0	<u>2,959,324</u>

(In thousands of yen)

Years ended June 30;	2005	%	2006	%	Year-on-year Change
(Liabilities)					
Current liabilities					
Accounts payable - trade	636,990		507,926		(129,064)
Accounts payable - other	308,424		449,904		141,479
Accrued income taxes	384,107		853,656		469,549
Advances received	1,310,906		2,123,773		812,867
Reserve for directors' bonus	-		116,300		116,300
Reserve for product warranties	35,621		55,333		19,712
Others	71,392		158,358		86,965
Total current liabilities	2,747,442	22.4	4,265,251	28.0	1,517,809
Long-term liabilities					
Account payable for long-term	-		77,400		77,400
Reserve for employees' retirement benefits	126,102		126,903		801
Reserve for directors' retirement benefits	176,536		-		(176,536)
Total long-term liabilities	302,638	2.5	204,303	1.4	(98,334)
Total liabilities	3,050,080	24.9	4,469,555	29.4	1,419,474
(Shareholders' equity)					
Capital stock	931,000	7.6	-	-	(931,000)
Capital surplus					
Additional paid-in capital	1,080,360		-	-	(1,080,360)
Total capital surplus	1,080,360	8.8	-	-	(1,080,360)
Retained earnings					
Revenue reserves	159,038		-	-	(159,038)
Voluntary reserve	5,912,000		-	-	(5,912,000)
Unappropriated retained earnings for the term	1,399,686		-	-	(1,399,686)
Total retained earnings	7,470,724	61.0	-	-	(7,470,724)
Revaluation on other securities	8,178	0.1	-	-	(8,178)
Less treasury stock, at cost	(286,722)	(2.4)	-	-	286,722
Total shareholders' equity	9,203,540	75.1	-	-	(9,203,540)
Total liabilities and shareholders' equity	12,253,621	100.0	-	-	(12,253,621)

(Net Assets)

Capital stock	-	-	931,000	6.1	931,000
Capital surplus					
Additional paid-in capital	-	-	1,080,360		1,080,360
Total capital surplus	-	-	<u>1,080,360</u>	7.1	<u>1,080,360</u>
Revenue reserves					
Revenue reserves	-	-	159,038		159,038
Voluntary reserve	-	-	6,612,000		6,612,000
Retained earnings carry forward	-	-	2,087,583		2,087,583
Total Revenue reserves	-	-	<u>8,858,621</u>	58.2	<u>8,858,621</u>
Less Treasury Stock	-	-	<u>(173,899)</u>	(1.1)	<u>(173,899)</u>
Total shareholders' equity	-	-	<u>10,696,081</u>	70.3	<u>10,696,081</u>
Revaluation on other securities	-	-	47,308	0.3	47,308
Total net assets	-	-	<u>10,743,390</u>	70.6	<u>10,743,390</u>
Total liabilities and net assets	-	-	<u>15,212,945</u>	100.0	<u>15,212,945</u>

Statements of income

(In thousands of yen)

Years ended June 30;	2005	%	2006	%	Year-on-year Change
Net sales	9,569,467	100.0	11,663,426	100.0	2,093,958
Cost of sales	5,686,989	59.4	6,100,718	52.3	413,728
Gross profit	3,882,477	40.6	5,562,707	47.7	1,680,230
Selling, general and administrative expenses	2,102,700	22.0	2,793,242	24.0	690,541
Operating income	1,779,777	18.6	2,769,465	23.7	989,688
Non-operating income					
Interest income	986		605		(381)
Interest income from securities	1,047		441		(605)
Dividend income	2,288		9,741		7,452
Income from sale of investment securities	159		-		(159)
Exchange gain	1,833		81		(1,751)
Income from contract development	5,226		70,302		65,076
Income from insurance	4,649		-		(4,649)
Income from teaching management	-		1,800		1,800
Others	1,051		7,165		6,113
Total non-operating income	17,241	0.2	90,136	0.8	72,895
Non-operating expenses					
Interest expenses	990		507		(482)
Loss on sales of securities	-		810		810
Loss on sales of investment securities	354		-		(354)
Others	2		916		913
Total non-operating expenses	1,348	0.0	2,233	0.0	885
Ordinary income	1,795,670	18.8	2,857,367	24.5	1,061,697
Extraordinary income					
Reversal of allowance for doubtful accounts	-		1,672		1,672
Total extraordinary income	-	-	1,672	0.0	1,672
Extraordinary losses					
Loss on disposal of fixed assets	29,404		10,965		(18,438)
Loss on devaluation on investment securities	-		9,218		9,218
Product warranty cost	9,700		-		(9,700)
Total extraordinary losses	39,104	0.4	20,184	0.2	(18,920)
Income before income taxes	1,756,565	18.4	2,838,856	24.3	1,082,290
Corporate, inhabitant and enterprise taxes	541,507	5.7	1,103,465	9.5	561,958
Deferred income taxes	91,785	1.0	(19,895)	(0.2)	(111,680)
Net income	1,123,273	11.7	1,755,286	15.0	632,012