

# Consolidated Financial Review for the Year Ended June 30, 2005

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: Japan Securities Dealers Association  
 Code number: 6920  
 Representative Director: Yaichiro Watakabe, President  
 Inquiries: Shu Uchiyama, Director, Corporate Planning Office  
 Board of Directors Meeting: August 24, 2005

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, 2005	9,972	32.9	1,911	63.4	1,928	56.8
June 30, 2004	7,504	21.9	1,169	16.4	1,230	12.4

	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, 2005	1,203	58.4	196.17	195.75	13.5	16.6	19.3
June 30, 2004	759	13.3	124.38	123.94	9.4	12.1	16.4

(Notes)

- Profit/loss on equity method:
  - Year ended June 30, 2005: None
  - Year ended June 30, 2004: None
- Average number of shares of common stock during period:
  - June 30, 2005: 5,778,987 shares
  - June 30, 2004: 5,778,460 shares
- Changes in accounting methods: None
- 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, 2005	12,508	9,382	75.0	1,610.67
June 30, 2004	10,789	8,407	77.9	1,448.03

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

June 30, 2005      5,781,420 shares                      June 30, 2004      5,777,420 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, 2005	283	139	(192)	2,859
June 30, 2004	1,499	(92)	(185)	2,622

## (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)

(Millions of yen)

	Net sales	Ordinary income	Net income
Interim period	4,630	995	620
Annual	10,550	2,255	1,410

(N.b.) 1. Estimated net income per share for the year ending June 30, 2006 (annual): 231.77 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 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 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. This company recognizes the lowering of the number of shares of one unit has increased the number of individual stockholders and liquidity of the stocks of this company has been significantly uplifted. 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) 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 of 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 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 microscope that is equipped with real color function 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 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 ten 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.

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	Three Certified Public Accountants
Designated Employee, Managing Partner Tsuruno Takakazu	Deloitte Touche Tohmatsu	Three Junior Certified Public Accountants

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 16 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 43<sup>rd</sup> fiscal period, to be held in September 2005, which would result in the dispensation system with clearer understanding on relationship between director's remuneration and business achievement of this company.

## **6. 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 this fiscal period (ended June 30, 2005)

##### (1) Outline of this fiscal period (ended June 30, 2005)

In the global semiconductor industry that is the major market for this company group, the growing speed of the market expansion for digital home appliances represented by DVD recorders, digital cameras and flat panel TV's has slowed down due to concerns for oversupply originated to excess inventory and the capital investment in this field temporarily fell off. However, sign of recovery is seen in the investment activity on tools related to the leading edge lithography that is closely related to the major products of this company.

On the other hand, this company enjoyed order increase in FPD related systems under the strong wave of continuous and vigorous capital investment toward the 7<sup>th</sup> and the 8<sup>th</sup> generation production processes subsequent to the 6<sup>th</sup> generation.

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 9,972 million yen (32.9% up from the last fiscal period).

The sales for each product line were:

Semiconductor related systems

2,700 million yen (5.9 % up from the last fiscal period)

FPD related systems

5,646 million yen (53.8 % up from the last fiscal period)

Laser microscopes

723 million yen (3.9 % up from the last fiscal period)

With regard to the consolidated profits, the ordinary income amounted to 1,928 million yen (56.8 % up from the last fiscal period) and the net income amounted to 1,203 million yen (58.4 % up from the last fiscal period).

With regard to the stock dividend for this fiscal period, this company plans to distribute 50 yen per share, dividend increase of 15 yen from the last fiscal period, based on the aforementioned policy regarding profit sharing. The dividend pay-out ratio for this fiscal period amounts to 27.4 % as a result.

The main new products this company announced during this fiscal period, which satisfies the

customer needs for the next generation, are as follows,

Photomask/reticle defect inspection system	MD2500ADI
Mask substrates/blanks inspection system	M2350
CF/TFT repair system compatible with 7th and 8th generation substrate	CR series

(2) Forecast for the next fiscal year ending June 30, 2005

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 10,550 million yen, the ordinary income 2,255 million yen and the net income 1,410 million yen.

With regard to the stock dividend, this company plans to distribute 50 yen per share as is achieved for this fiscal period. The dividend pay-out ratio for this fiscal period amounts to 22.8 % as a result.

## **2. Financial conditions**

Cash flows for this Period (ended June 31, 2005)

With regard to cash and cash equivalent on the consolidated basis (called “fund”) for this period (ended June 31, 2005) the balance of the fund amounted to 2,859 million yen, an increase of 236 million yen compared to the balance at the end of the last fiscal period, due to increase factors such as increase of advances received besides the income before taxes though there were decrease factors including increase of accounts receivables and increase of inventory assets,

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 283 million yen (81.8% down from the last consolidate fiscal period). This is mainly because the total amount of excess factors including the increase of advances received, besides the income before taxes of 1,888 million yen exceeded the total amount of decrease factor including increase of accounts receivables, increase of

inventory assets and corporate income tax.

(Cash flows from investing activities)

The fund gained from investing activities was 139 million yen (92 million usage in the last consolidated fiscal period). This was mainly because the total amount of excess factors including the proceeds from marketable securities and investment securities exceeded the total amount of decrease factors including payment for purchase of tangible fixed assets and investment securities.

(Cash flows from financing activities)

The fund used for financing activities was 192 million yen (4.1% up from the last consolidated fiscal period). This was mainly attributed to payback and payment of dividends.

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

	Year ended June 2002	Year ended June 2003	Year ended June 2004	Year ended June 2005
Equity ratio	87.6%	81.9%	77.9%	75.0%
Equity ratio on market price basis	172.5%	138.8%	199.2%	144.7%
Years for debt redemption	-	-	-	-
Interest coverage ratio	63,153.5%	-	122,977.6%	28,621.0%

(Note)

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

Equity ratio:  $\text{Shareholder's equity} / \text{Liabilities} + \text{Stockholder's equity}$

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

Interest coverage ratio:  $\text{Cash flows from operating activities} / \text{Interest payment}$

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;	2004	%	2005	%	Increase (Decrease)
<b>( Assets )</b>					
<b>Current assets</b>					
Cash and deposits	2,522,595		2,759,310		236,715
Notes and accounts receivable - trade	2,508,214		3,660,025		1,151,811
Marketable securities	400,145		100,320		(299,825)
Inventories	3,067,173		3,849,482		782,309
Deferred tax assets	308,262		146,949		(161,312)
Others	149,415		67,401		(82,014)
Allowance for doubtful accounts	(2,585)		(3,659)		(1,074)
Total current assets	8,953,221	83.0	10,579,980	84.6	1,626,609
<b>Long-term assets</b>					
Tangible fixed assets					
Buildings and structures	157,163		503,087		345,923
Machinery, vehicles and delivery equipments	27,117		15,118		(11,999)
Tools, furniture and fixtures	134,185		118,960		(15,224)
Land	581,721		581,721		-
Construction in progress	156,690		-		(156,690)
	1,056,877	9.8	1,218,887	9.7	162,009
Intangible fixed assets	1,814	0.0	1,830	0.0	15
Investments and other assets					
Investment securities	341,130		231,060		(110,069)
Long-term guarantee deposits	195,080		199,128		4,047
Deferred tax assets	134,134		162,451		28,316
Others	107,467		115,306		7,839
	777,812	7.2	707,946	5.7	(69,865)
Total long-term assets	1,836,505	17.0	1,928,664	15.4	92,159
<b>Total assets</b>	<b>10,789,726</b>	<b>100.0</b>	<b>12,508,495</b>	<b>100.0</b>	<b>1,718,768</b>

(In thousands of yen)

Years ended June 30;	2004	%	2005	%	Increase (Decrease)
<b>( Liabilities )</b>					
<b>Current liabilities</b>					
Accounts payable - trade	376,131		636,990		260,858
Accrued income taxes	558,763		384,492		(174,270)
Advances received	885,713		1,359,199		473,486
Reserve for product warranties	-		50,580		50,580
Others	316,677		383,642		66,964
Total current liabilities	2,137,285	19.8	2,814,905	22.5	677,619
<b>Long-term liabilities</b>					
Reserve for employees' retirement benefits	94,689		134,782		40,093
Reserve for directors' retirement benefits	150,588		176,536		25,947
Total long-term liabilities	245,278	2.3	311,319	2.5	66,041
Total liabilities	2,382,564	22.1	3,126,224	25.0	743,660
<b>(Shareholders' equity)</b>					
Capital stock	931,000	8.6	931,000	7.4	-
Capital surplus	1,080,360	10.0	1,080,360	8.6	-
Retained earnings	6,699,904	62.1	7,659,706	61.2	959,801
Revaluation on other securities	13,545	0.1	8,178	0.1	(5,366)
Foreign currency translation adjustment	(20,637)	(0.2)	(10,251)	(0.1)	10,385
Less treasury stock, at cost	(297,010)	(2.7)	(286,722)	(2.2)	10,288
Total shareholders' equity	8,407,162	77.9	9,382,270	75.0	975,108
<b>Total liabilities and shareholders' equity</b>	<b>10,789,726</b>	<b>100.0</b>	<b>12,508,495</b>	<b>100.0</b>	<b>1,718,768</b>

# Consolidated statements of income

(In thousands of yen)

Years ended June 30;	2004	%	2005	%	Increase (Decrease)
<b>Net sales</b>	7,504,158	100.0	9,972,241	100.0	2,468,082
<b>Cost of sales</b>	4,499,893	60.0	5,829,738	58.5	1,329,845
Gross profit	3,004,265	40.0	4,142,502	41.5	1,138,236
<b>Selling, general and administrative expenses</b>	1,834,586	24.4	2,231,316	22.3	396,729
Operating income	1,169,679	15.6	1,911,186	19.2	741,506
<b>Non-operating income</b>					
Interest income	3,600		2,621		(979)
Dividend income	19,473		2,288		(17,184)
Income from sales of investment securities	7,021		159		(6,862)
Exchange gain	-		2,169		2,169
Income from contract development	43,700		5,226		(38,474)
Income from insurance	-		4,649		4,649
Others	575		1,411		836
Total non-operating income	74,370	1.0	18,525	0.1	(55,844)
<b>Non-operating expenses</b>					
Interest expenses	1,219		990		(228)
Loss on sales of investment securities	8,650		354		(8,295)
Exchange loss	3,718		-		(3,718)
Others	410		9		(400)
Total non-operating expenses	13,998	0.2	1,355	0.0	(12,643)
Ordinary income	1,230,051	16.4	1,928,356	19.3	698,305
<b>Extraordinary income</b>					
Gain on sales of fixed assets	299		-		(299)
Reversal of allowance for doubtful accounts	738		-		(738)
Total extraordinary income	1,038	0.0	-	-	(1,038)
<b>Extraordinary loss</b>					
Loss on disposal of fixed assets	10,701		29,854		19,152
Loss on devaluation on investment securities	13,231		-		(13,231)
Product warranty cost	-		9,700		9,700
Premium severance pay for early retirement	10,000		-		(10,000)
Total extraordinary losses	33,932	0.4	39,554	0.4	5,621
Income before income taxes	1,197,157	16.0	1,888,801	18.9	691,644
Corporate, inhabitant and enterprise taxes	610,675	8.2	547,354	5.5	(63,321)
Deferred income taxes	(173,505)	(2.3)	137,458	1.3	310,964
Net income	759,987	10.1	1,203,989	12.1	444,001

## Consolidated statement of retained earnings

(In thousands of yen)

Years ended June 30;	2004	2005	Increase (Decrease)
<b>Capital surplus</b>			
Capital surplus at beginning of period			
Additional paid-in capital at beginning of period	1,080,360	1,080,360	-
Capital surplus at end of period	<u>1,080,360</u>	<u>1,080,360</u>	<u>-</u>
<b>Retained earnings</b>			
Retained earnings at beginning of period			
Consolidated retained earnings at beginning of period	6,143,097	6,699,904	556,807
Increase of retained earnings			
Net income	759,987	1,203,989	444,001
Decrease of retained earnings			
1 Dividends	173,430	202,209	28,779
2 Officers' bonuses	29,750	41,250	11,500
3 Loss on sales of treasury stock	-	728	728
Total decrease of retained earnings	<u>203,180</u>	<u>244,187</u>	<u>41,007</u>
Retained earnings at end of period	<u>6,699,904</u>	<u>7,659,706</u>	<u>959,801</u>

# Consolidated statement of cash flows

(In thousands of yen)

Years ended June 30;	2004	2005
<b>Cash flows from operating activities</b>		
Income before income taxes	1,197,157	1,888,801
Depreciation and amortization	97,541	93,792
Increase (decrease) in allowance for doubtful accounts	(743)	1,074
Increase in reserve for product warranties	-	50,580
Increase in employees' retirement benefits	5,570	39,450
Increase in reserve for directors' retirement benefits	37,102	25,947
Interest and dividend income	(23,073)	(4,909)
Loss on sales of investment securities	1,628	354
Interest expenses	1,219	990
Exchange loss (gain)	15,584	(2,553)
Loss on devaluation of investment securities	13,231	-
Gain on sales of tangible fixed assets	(299)	-
Loss on disposal of tangible fixed assets	10,701	29,854
Decrease (increase) in notes and accounts receivable-trade	756,280	(1,149,204)
Increase in inventory	(557,608)	(777,776)
Increase in accounts payable-trade	40,263	260,858
Increase in advance received	383,169	471,980
Officers' bonuses	(29,750)	(41,250)
Others	27,096	107,452
	1,975,071	995,445
Interest and dividends received	22,807	4,870
Interest paid	(1,219)	(990)
Income taxes paid	(497,069)	(715,812)
Net cash provided by operating activities	1,499,591	283,512
<b>Cash flows from investment activities</b>		
Payments for purchase of marketable securities	(299,955)	-
Proceeds from sales of marketable securities	449,935	299,957
Payments for purchase of tangible fixed assets	(380,568)	(265,053)
Proceeds from sales of tangible fixed assets	7,101	9,177
Payments for purchase of investment securities	(301,905)	(100,000)
Proceeds from sales of investment securities	436,684	200,953
Others	(3,971)	(5,197)
Net cash used in investing activities	(92,679)	139,836

(In thousands of yen)

Years ended June 30;	2004	2005
<b>Cash flows from financing activities</b>		
Payments for purchase of treasury stock	(11,587)	-
Proceeds from sales of treasury stock	-	9,560
Dividends paid	(173,430)	(202,209)
Net cash used in financial activities	(185,017)	(192,649)
Translation difference in cash and cash equivalents	(30,629)	6,147
Increase in cash and cash equivalents	1,191,264	236,847
Cash and cash equivalents at beginning of period	1,431,518	2,622,783
Cash and cash equivalents at end of period	2,622,783	2,859,630

## Production, orders and sales

### 1. Production (in thousands of yen)

Year ended June 30;	2005	
	Year-on-year comparison (%)	
Finished goods		
Semiconductor related systems	2,261,409	93.1
FPD related systems	7,419,367	153.6
Confocal Scanning Laser Microscopes	647,657	84.1
	10,328,434	128.6
Services	901,305	153.8
<b>Total</b>	11,229,739	130.4

(Notes)

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

### 2. Orders

(In thousands of yen)

Year ended June 30;	2005			
	Amount	Year-on-year comparison (%)	Outstanding	Year-on-year comparison (%)
Finished goods				
Semiconductor related systems	3,469,569	174.6	1,657,532	186.5
FPD related systems	6,473,285	91.5	6,924,546	113.6
Confocal Scanning Laser Microscopes	650,386	84.9	100,896	58.0
	10,593,241	107.8	8,682,974	121.3
Services	940,280	135.7	203,170	123.7
<b>Total</b>	11,533,521	109.6	8,886,145	121.3

(Notes)

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

### 3. Sales

(In thousands of yen)

Year ended June 30;	2005	
	Amount	Year-on-year comparison (%)
Finished goods		
Semiconductor related systems	2,700,627	105.9
FPD related systems	5,646,809	153.8
Confocal Scanning Laser Microscopes	723,498	103.9
	9,070,935	131.1
Services	901,305	153.8
<b>Total</b>	<b>9,972,241</b>	<b>132.9</b>

# Financial Review for the Year Ended June 30, 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  
 ( U R L <http://www.Lasertec.co.jp/> )  
 Stock exchange listing: Japan Securities Dealers Association  
 Code number: 6920  
 Representative Director Yaichiro Watakabe, President  
 Inquiries: Shu Uchiyama, Director, Corporate Planning Office  
 Board of Directors Meeting: August 24 2004

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, 2005	9,569	28.5	1,779	46.8	1,795	43.9
June 30, 2004	7,444	26.7	1,212	31.4	1,247	24.1

	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, 2005	1,123	47.8	182.20	181.82	12.8	15.7	18.8
June 30, 2004	760	22.7	124.39	123.95	9.5	12.5	16.8

(Notes)

- Average number of shares of common stock during period:
 

June 30, 2005	5,778,987 shares
June 30, 2004	5,778,460 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, 2004	35.00	0.00	35.00	202	26.6	2.4

### (3) Financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
June 30, 2005	12,253	9,203	75.1	1,579.75
June 30, 2003	10,618	8,319	78.3	1,432.86

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

June 30, 2005	5,781,420 shares
June 30, 2004	5,777,420 shares

Number of treasury stocks at end of period

June 30, 2005	111,480 shares
June 30, 2004	115,480 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		
				Interim period	End of period	
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(yen)	(yen)	(yen)
Interim period	4,460	920	575	0.00	-	-
Annual	10,250	2,145	1,340	-	50.00	50.00

(N.b.) 1. Estimated net income per share (annual): 219.65 yen

## Balance sheets

(In thousands of yen)

Years ended June 30;	2004	%	2005	%	Year-on-year change
<b>( Assets )</b>					
<b>Current assets</b>					
Cash and deposits	2,392,216		2,562,207		169,991
Notes receivable - trade	605,364		959,949		354,584
Accounts receivable - trade	1,971,280		2,641,813		670,532
Marketable securities	400,145		100,320		(299,825)
Raw materials	142,941		126,215		(16,725)
Work in process	2,856,442		3,702,420		845,977
Supplies	2,497		2,200		(297)
Deferred tax assets	229,098		113,938		(115,160)
Others	121,900		59,680		(62,220)
Allowance for doubtful accounts	(2,580)		(3,603)		(1,023)
Total current assets	8,719,307	82.1	10,265,140	83.8	1,545,833
<b>Long-term assets</b>					
Tangible fixed assets					
Buildings	156,242		493,382		337,140
Structures	329		9,334		9,005
Machinery and equipments	9,274		7,461		(1,813)
Vehicles and delivery equipments	15,376		6,443		(8,932)
Tools, furniture and fixtures	128,004		115,545		(12,458)
Land	581,721		581,721		-
Construction in progress	156,690		-		(156,690)
	1,047,638	9.9	1,213,889	9.9	166,250
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;	2004	%	2005	%	Year-on-year change
Investments and other assets					
Investment securities	341,130		231,060		(110,069)
Investment in affiliated companies	81,139		81,139		-
Long-term guarantee deposits	186,972		185,226		(1,746)
Deferred tax assets	133,157		160,157		26,999
Others	107,467		115,306		7,839
	<u>849,867</u>	8.0	<u>772,891</u>	6.3	<u>(76,976)</u>
Total long-term assets	<u>1,899,206</u>	17.9	<u>1,988,480</u>	16.2	<u>89,274</u>
<b>Total assets</b>	<u>10,618,513</u>	100.0	<u>12,253,621</u>	100.0	<u>1,635,107</u>

(In thousands of yen)

Years ended June 30;	2004	%	2005	%	Year-on-year change
<b>( Liabilities )</b>					
<b>Current liabilities</b>					
Accounts payable - trade	376,131		636,990		260,858
Accounts payable - other	242,151		308,424		66,273
Accrued income taxes	550,885		384,107		(166,778)
Advances received	824,331		1,310,906		486,574
Reserve for product warranties	-		35,621		35,621
Others	64,808		71,392		6,584
Total current liabilities	2,058,308	19.4	2,747,442	22.4	689,134
<b>Long-term liabilities</b>					
Reserve for employees' retirement benefits	90,082		126,102		36,019
Reserve for directors' retirement benefits	150,588		176,536		25,947
Total long-term liabilities	240,671	2.3	302,638	2.5	61,967
Total liabilities	2,298,979	21.7	3,050,080	24.9	751,101
<b>(Shareholders' equity)</b>					
<b>Capital stock</b>	931,000	8.8	931,000	7.6	-
<b>Capital surplus</b>					
Additional paid-in capital	1,080,360		1,080,360		-
Total capital surplus	1,080,360	10.1	1,080,360	8.8	-
<b>Retained earnings</b>					
Revenue reserves	159,038		159,038		-
Voluntary reserve	5,412,000		5,912,000		500,000
Unappropriated retained earnings for the term	1,020,601		1,399,686		379,085
Total retained earnings	6,591,639	62.1	7,470,724	61.0	879,085
<b>Revaluation on other securities</b>	13,545	0.1	8,178	0.1	(5,366)
<b>Less treasury stock, at cost</b>	(297,010)	(2.8)	(286,722)	(2.4)	10,288
Total shareholders' equity	8,319,533	78.3	9,203,540	75.1	884,006
<b>Total liabilities and shareholders' equity</b>	10,618,513	100.0	12,253,621	100.0	1,635,107

# Statements of income

(In thousands of yen)

Years ended June 30;	2004	%	2005	%	Year-on-year change
<b>Net sales</b>	7,444,471	100.0	9,569,467	100.0	2,124,995
<b>Cost of sales</b>	4,520,402	60.7	5,686,989	59.4	1,166,587
Gross profit	2,924,069	39.3	3,882,477	40.6	958,408
<b>Selling, general and administrative expenses</b>	1,711,367	23.0	2,102,700	22.0	391,333
Operating income	1,212,702	16.3	1,779,777	18.6	567,075
<b>Non-operating income</b>					
Interest income	510		986		475
Interest income from securities	1,740		1,047		(693)
Dividend income	19,473		2,288		(17,184)
Income from sale of investment securities	7,021		159		(6,862)
Exchange gain	-		1,833		1,833
Income from contract development	43,700		5,226		(38,474)
Income from insurance	-		4,649		4,649
Others	3,659		1,051		(2,607)
Total non-operating income	76,104	1.0	17,241	0.2	(58,863)
<b>Non-operating expenses</b>					
Interest expenses	1,219		990		(228)
Loss on sales of investment securities	8,650		354		(8,295)
Exchange loss	30,614		-		(30,614)
Others	403		2		(400)
Total non-operating expenses	40,887	0.5	1,348	0.0	(39,539)
Ordinary income	1,247,918	16.8	1,795,670	18.8	547,751
<b>Extraordinary income</b>					
Gain on sales of fixed assets	299		-		(299)
Reversal of allowance for doubtful accounts	680		-		(680)
Total extraordinary income	980	0.0	-	-	(980)
<b>Extraordinary losses</b>					
Loss on disposal of fixed assets	10,099		29,404		19,304
Loss on devaluation on investment securities	13,231		-		(13,231)
Product warranty cost	-		9,700		9,700
Premium severance pay for early retirement	10,000		-		(10,000)
Total extraordinary losses	33,330	0.5	39,104	0.4	5,773
Income before income taxes	1,215,567	16.3	1,756,565	18.4	540,997
Corporate, inhabitant and enterprise taxes	563,790	7.6	541,507	5.7	(22,283)
Deferred income taxes	(108,277)	(1.5)	91,785	1.0	200,062
Net income	760,054	10.2	1,123,273	11.7	363,218
Retained earnings brought forward from previous period	260,546		277,141		16,595
Loss on sales of treasury stock	-		728		728
Unappropriated retained earnings for the term	1,020,601		1,399,686		379,085

## **Change in the Board of Directors (as of September 27, 2005)**

### **1. A candidate for a new Directors**

Director Kazuyoshi Tanaka (current: Permanent Auditor)

Note: The candidate is qualified for the requirement defined in the paragraph 7.2, clause 2, Provision188, as described in the law of business, regarding Outside Director of Public Company.

### **2. A candidate for a new Corporate Auditor**

Auditor Kazuhiro Yoshida (current: Managing Director)

### **3. Exiting Directors**

Kenichi Kosugi (current: Director (Outside Councilor))

Takehiko Hosokawa (current: Representative Senior Managing Director)

Kazuhiro Yoshida (current: Managing Director)

Takao Okita (current: Director)

### **4. Exiting Corporate Auditor**

Kazuyoshi Tanaka (current Permanent Auditor)

### **5. Newly Appointed Directors with higher responsibility**

Chairman Kazuyoshi Tanaka (current: Managing Director)

Managing Director Osamu Okabayashi (current: Director)

[Attachment]

A candidate for the new Directors (Career Summary)

Kazuyoshi Tanaka (date of birth: October 20, 1943)

April 1995	Senior Managing Director, Tokyo Electron Ltd.
April 1996	President & Representative Director, Tokyo Electron FE Ltd.
January 2001	Advisor, Lasertec Corp.
September 2001	Permanent Auditor, Lasertec Corp. (current position)

A candidate for the new Auditor (Career Summary)

Kazuhiro Yoshida (date of birth: November 11, 1942)

June 1989	Joined Lasertec Corporation
October 1992	Manager of General affaires Department
September 1995	Director
March 1996	Manger of Accounting Department
March 2001	General Manager of Accounting Department
April 2001	Auditor, Lasertec Korea Corporation (current position)
September 2002	General Manager of General Affairs Department
September 2003	Managing Director (current position)