

Consolidated Financial Review for the Year Ended June 30, 2004

Company name: Lasertec Corporation
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 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
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 Board of Directors Meeting: August 25, 2004

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, 2004	7,504	21.9	1,169	16.4	1,230	12.4
June 30, 2003	6,156	(5.6)	1,005	(20.9)	1,094	(14.8)

	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, 2004	759	13.3	124.38	123.94	9.4	12.1	16.4
June 30, 2003	670	(6.0)	110.26	-	8.7	12.0	17.8

(Notes)

- Profit/loss on equity method:
 - Year ended June 30, 2004: None
 - Year ended June 30, 2003: None
- Average number of shares of common stock during period:
 - June 30, 2004: 5,778,460 shares
 - June 30, 2003: 5,813,820 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, 2004	10,789	8,407	77.9	1,448.03
June 30, 2003	9,579	7,849	81.9	1,352.59

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

June 30, 2004 5,777,420 shares June 30, 2003 5,781,020 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, 2004	1,499	(92)	(185)	2,622
June 30, 2003	(541)	(33)	(361)	1,431

(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, 2005

(7/1/04- 6/30/05)

(Millions of yen)

	Net sales	Ordinary income	Net income
Interim period	4,230	455	285
Annual	9,300	1,575	1,000

(N.b.) 1. Estimated net income per share for the year ending June 30, 2005 (annual): 165.98 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 thinks this lowering of the number of shares of one unit is a very useful measure in enhancing convenience of individual stockholders and 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 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 efforts on streamlining of organization within the company, cost reduction, improvement of quality and reliability, and shortening of delivery times. Especially, the company tries to increase customer satisfaction in quality by operating quality management system.

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

This company employs auditing system. The Board consists of ten directors including one outside director. It is organized with enough number of members to make prompt management judgment, and 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, at a management meeting that is held twice a month, all board members actively exchange opinions on various issues regarding management. 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, starting this fiscal period.

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 neither outside director nor outside auditor has an interest in business with this company.

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

III. Financial achievement

1. Outline of this fiscal period (ended June 30, 2004)

(1) Outline of this fiscal period (ended June 30, 2004)

In the global semiconductor industry that is the major market for this company, capital investment on semiconductor processes for enhancement of production capacity have been aggressively made mainly in Japan and Asia region because the market of consumer appliances based on digital technologies, such as DVD recorder, digital camera and flat panel TV, has extensively grown, in addition to those market growth based on demands for replacement of PC and newest cellular phone with digital camera. However, the capital investment on next generation and state-of-the-art lithography such as F2 and EUV, that are closely related to this company's main products, has been postponed and order entry of the semiconductor related products ended in somewhat less active result.

On the other hand, this company enjoyed order increase in FPD related systems under the strong wave of continuous and vigorous capital investment toward 5th and 6th generation production processes.

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 7,504 million yen (21.9% up from the last fiscal period).

The sales for each product line were:

Semiconductor related systems

2,549 million yen (23.4 % down from the last fiscal period)

FPD related systems

3.672 million yen (153.7 % up from the last fiscal period)

Laser microscopes

696 million yen (18.4 % down from the last fiscal period)

With regard to the consolidated profits, the ordinary income amounted to 1,230 million yen (12.4 % up from the last fiscal period) and the net income amounted to 759 million yen (13.3 % up from the last fiscal period).

With regard to the stock dividend for this fiscal period, this company plans to distribute 35 yen per share, dividend increase of 5 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 26.6 % 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,

Mask Process Monitoring System	M2351
Real Color Confocal Microscope	OPTELICS C130
Mask Contamination Monitoring System	MCM400
DUV Mask Review Station	MRS248

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

The semiconductor industry is expected to more clearly postpone the investment on the most advanced lithography, which continuously affects the sales activity of this company. At the same time, the FPD industry may be expected to come to an atmosphere of a pause on the vigorous capital investment continuing thus far.

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 remarkable 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 9,300 million yen, the ordinary income 1,575 million yen and the net income 1,000 million yen.

With regard to the stock dividend, this company plans to distribute 40 yen per share as is achieved for this fiscal period. The dividend pay-out ratio for this fiscal period amounts to 24.6 % as a result.

2. Financial conditions

Cash flows for this Period (ended June 31, 2004)

With regard to cash and cash equivalent on the consolidated basis (called "fund") for this period (ended June 31, 2004) the balance of the fund amounted to 2,622 million yen, an increase of 1,191 million yen compared to the balance at the end of the last fiscal period, due to increase factors such as decrease of trade account receivable in addition to cash increase factor such as the income before taxes, in addition to the increase of the 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 1,499 million yen (use of 541 million yen in the last consolidated fiscal period). This is mainly because the total amount of excess factors including the decrease of account receivable, besides the income before taxes of 1,197 million yen (5.8% up from the last consolidate fiscal period), exceeded the total amount of decrease factor including increase of inventory assets and corporate income tax.

(Cash flows from investing activities)

The fund used for investing activities was 92 million yen (176.9 % up from the last consolidated fiscal period). This was mainly attributed to expenditure for obtaining tangible fixed asset.

(Cash flows from financing activities)

The fund used for financing activities was 185 million yen (48.8% down 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 2001	Year ended June 2002	Year ended June 2003	Year ended June 2004
Equity ratio	78.4%	87.6%	81.9%	77.9%
Equity ratio on market price basis	155.9%	172.5%	138.8%	199.2%
Years for debt redemption	-	-	-	-
Interest coverage ratio	102,092.2%	63,153.5%	-	122,977.6%

(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;	2003	%	2004	%	Increase (Decrease)
(Assets)					
Current assets					
Cash and deposits	1,181,065		2,522,595		1,341,530
Notes and accounts receivable - trade	3,265,498		2,508,214		(757,283)
Marketable securities	700,125		400,145		(299,980)
Inventories	2,511,370		3,067,173		555,802
Deferred tax assets	157,250		308,262		151,011
Others	103,690		149,415		45,725
Allowance for doubtful accounts	(3,329)		(2,585)		743
Total current assets	7,915,671	82.6	8,953,221	83.0	1,037,549
Long-term assets					
Tangible fixed assets					
Buildings and structures	168,705		157,163		(11,542)
Machinery, vehicles and delivery equipments	28,667		27,117		(1,549)
Tools, furniture and fixtures	156,727		134,185		(22,541)
Land	394,470		581,721		187,251
Construction in progress	26,330		156,690		130,360
	774,900	8.1	1,056,877	9.8	281,977
Intangible fixed assets	6,500	0.1	1,814	0.0	(4,685)
Investments and other assets					
Investment securities	440,367		341,130		(99,237)
Long-term prepaid expenses	21,225		13,246		(7,978)
Long-term guarantee deposits	193,677		195,080		1,402
Deferred tax assets	132,992		134,134		1,142
Others	94,171		94,220		49
	882,434	9.2	777,812	7.2	(104,621)
Total long-term assets	1,663,835	17.4	1,836,505	17.0	172,669
Total assets	9,579,507	100.0	10,789,726	100.0	1,210,218

(In thousands of yen)

Years ended June 30;	2003	%	2004	%	Increase (Decrease)
(Liabilities)					
Current liabilities					
Accounts payable - trade	335,867		376,131		40,263
Accrued income taxes	426,801		558,763		131,962
Advances received	506,858		885,713		378,854
Others	258,058		316,677		58,619
Total current liabilities	<u>1,527,586</u>	16.0	<u>2,137,285</u>	19.8	<u>609,699</u>
Long-term liabilities					
Reserve for employees' retirement benefits	89,314		94,689		5,375
Reserve for directors' retirement benefits	113,486		150,588		37,102
Total long-term liabilities	<u>202,800</u>	2.1	<u>245,278</u>	2.3	<u>42,477</u>
Total liabilities	<u>1,730,386</u>	18.1	<u>2,382,564</u>	22.1	<u>652,177</u>
(Shareholders' equity)					
Capital stock	931,000	9.7	931,000	8.6	-
Capital surplus	1,080,360	11.3	1,080,360	10.0	-
Retained earnings	6,143,097	64.1	6,699,904	62.1	556,807
Revaluation on other securities	(16,076)	(0.2)	13,545	0.1	29,621
Foreign currency translation adjustment	(3,837)	(0.0)	(20,637)	(0.2)	(16,799)
Less treasury stock, at cost	(285,423)	(3.0)	(297,010)	(2.7)	(11,587)
Total shareholders' equity	<u>7,849,120</u>	81.9	<u>8,407,162</u>	77.9	<u>558,041</u>
Total liabilities and shareholders' equity	<u>9,579,507</u>	100.0	<u>10,789,726</u>	100.0	<u>1,210,218</u>

Consolidated statements of income

(In thousands of yen)

Years ended June 30;	2003	%	2004	%	Increase (Decrease)
Net sales	6,156,222	100.0	7,504,158	100.0	1,347,936
Cost of sales	3,239,851	52.6	4,499,893	60.0	1,260,042
Gross profit	2,916,371	47.4	3,004,265	40.0	87,894
Selling, general and administrative expenses	1,911,291	31.1	1,834,586	24.4	(76,705)
Operating income	1,005,079	16.3	1,169,679	15.6	164,600
Non-operating income					
Interest income	12,049		3,600		(8,448)
Dividend income	529		19,473		18,943
Income from sales of investment securities	-		7,021		7,021
Exchange gain	4,814		-		(4,814)
Income from contract development	72,090		43,700		(28,390)
Others	2,872		575		(2,297)
Total non-operating income	92,356	1.5	74,370	1.0	(17,986)
Non-operating expenses					
Interest expenses	828		1,219		390
Loss on sales of investment securities	-		8,650		8,650
Commission paid on purchase of treasury stock	629		15		(613)
Exchange loss	-		3,718		3,718
Others	1,585		394		(1,190)
Total non-operating expenses	3,043	0.0	13,998	0.2	10,955
Ordinary income	1,094,392	17.8	1,230,051	16.4	135,658
Extraordinary income					
Gain on sales of fixed assets	4,724		299		(4,424)
Gain on cancellation of insurance	63,322		-		(63,322)
Reversal of allowance for doubtful accounts	3,226		738		(2,487)
Total extraordinary income	71,273	1.2	1,038	0.0	(70,234)
Extraordinary loss					
Loss on disposal of fixed assets	24,947		10,701		(14,246)
Loss on devaluation on investment securities	9,043		13,231		4,187
Premium severance pay for early retirement	-		10,000		10,000
Total extraordinary losses	33,991	0.6	33,932	0.4	(58)
Income before income taxes	1,131,675	18.4	1,197,157	16.0	65,481
Corporate, inhabitant and enterprise taxes	560,265	9.1	610,675	8.2	50,410
Deferred income taxes	(99,426)	(1.6)	(173,505)	(2.3)	(74,079)
Net income	670,836	10.9	759,987	10.1	89,150

Consolidated statement of retained earnings

(In thousands of yen)

Years ended June 30;	2003	2004	Increase (Decrease)
Capital surplus			
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>
Retained earnings			
Retained earnings at beginning of period			
Consolidated retained earnings at beginning of period	5,680,819	6,143,097	462,278
Increase of retained earnings			
Net income	670,836	759,987	89,150
Decrease of retained earnings			
1 Dividends	175,758	173,430	(2,328)
2 Officers' bonuses	32,800	29,750	(3,050)
Total decrease of retained earnings	<u>208,558</u>	<u>203,180</u>	<u>(5,378)</u>
Retained earnings at end of period	<u>6,143,097</u>	<u>6,699,904</u>	<u>556,807</u>

Consolidated statement of cash flows

(In thousands of yen)

Years ended June 30;	2003	2004
Cash flows from operating activities		
Income before income taxes	1,131,675	1,197,157
Depreciation and amortization	116,709	97,541
Decrease in allowance for doubtful accounts	(4,107)	(743)
Increase in employees' retirement benefits	10,961	5,570
Increase in reserve for directors' retirement benefits	16,347	37,102
Interest and dividend income	(12,579)	(23,073)
Loss on sales of investment securities	-	1,628
Loss on sales of marketable securities	18	-
Interest expenses	828	1,219
Exchange loss (gain)	(1,932)	15,584
Loss on devaluation of investment securities	9,043	13,231
Gain on sales of tangible fixed assets	(4,724)	(299)
Loss on disposal of tangible fixed assets	24,947	10,701
Gain on cancellation of insurance	(63,322)	-
Decrease (increase) in notes and accounts receivable-trade	(682,721)	756,280
Increase in inventory	(1,067,223)	(557,608)
Increase in accounts payable-trade	142,163	40,263
Increase in advance received	187,528	383,169
Officers' bonuses	(32,800)	(29,750)
Others	(114,234)	27,096
	(343,421)	1,975,071
Interest and dividends received	11,898	22,807
Interest paid	(828)	(1,219)
Income taxes paid	(209,152)	(497,069)
Net cash (used in) provided by operating activities	(541,504)	1,499,591
Cash flows from investment activities		
Payments for purchase of marketable securities	(299,673)	(299,955)
Proceeds from sales of marketable securities	718,587	449,935
Payments for purchase of tangible fixed assets	(65,620)	(380,568)
Proceeds from sales of tangible fixed assets	14,922	7,101
Payments for purchase of investment securities	(437,027)	(301,905)
Proceeds from sales of investment securities	-	436,684
Proceeds from collection of loans	500	-
Payments for insurance	(97,687)	-
Proceeds from cancellation of insurance	131,510	-
Others	1,014	(3,971)
Net cash used in investing activities	(33,474)	(92,679)

(In thousands of yen)

Years ended June 30;	2003	2004
Cash flows from financing activities		
Payments for purchase of treasury stock	(185,462)	(11,587)
Dividends paid	(175,758)	(173,430)
Net cash used in financial activities	(361,220)	(185,017)
Translation difference in cash and cash equivalents	1,708	(30,629)
Increase (decrease) in cash and cash equivalents	(934,490)	1,191,264
Cash and cash equivalents at beginning of period	2,366,009	1,431,518
Cash and cash equivalents at end of period	1,431,518	2,622,783

Production, orders and sales

1. Production (in thousands of yen)

Year ended June 30;	2004	
	Year-on-year comparison (%)	
Finished goods		
Semiconductor related systems	2,429,069	71.7
FPD related systems	4,829,852	183.5
Confocal Scanning Laser Microscopes	769,800	89.1
	8,028,722	116.6
Services	586,115	111.4
Total	8,614,838	116.2

(Notes)

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

2. Orders

(In thousands of yen)

Year ended June 30;	2004			
	Amount	Year-on-year comparison (%)	Outstanding	Year-on-year comparison (%)
Finished goods				
Semiconductor related systems	1,987,306	72.0	888,590	61.3
FPD related systems	7,073,809	258.3	6,098,070	226.2
Confocal Scanning Laser Microscopes	765,761	94.5	174,008	165.9
	9,826,876	155.8	7,160,668	168.4
Services	692,836	155.6	164,196	285.7
Total	10,519,713	155.8	7,324,864	170.0

(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;	2004	
	Amount	Year-on-year comparison (%)
Finished goods		
Semiconductor related systems	2,549,203	76.6
FPD related systems	3,672,209	253.7
Confocal Scanning Laser Microscopes	696,630	81.6
	6,918,043	122.9
Services	586,115	111.4
Total	7,504,158	121.9

Financial Review for the Year Ended June 30, 2004(Non-Consolidated)

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 Inquiries: Shu Uchiyama, Director, Corporate Planning Office
 Board of Directors Meeting: August 25 2004

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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, 2004	7,444	26.7	1,212	31.4	1,247	24.1
June 30, 2003	5,875	(7.4)	923	(28.8)	1,005	(21.4)

	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, 2004	760	22.7	124.39	123.95	9.5	12.5	16.8
June 30, 2003	619	(12.7)	101.39	-	8.1	11.2	17.1

(Notes)

- Average number of shares of common stock during period:
 - June 30, 2004 5,778,460 shares
 - June 30, 2003 5,813,820 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			Dividend payment	Dividend payout ratio	The ratio of dividend to shareholders' equity
	(yen)	Interim period	Term end			
June 30, 2004	35.00	(yen)	(yen)	(Millions of yen)	%	%
June 30, 2004	35.00	0.00	35.00	202	26.6	2.4
June 30, 2003	30.00	0.00	30.00	173	28.0	2.2

(3) Financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
June 30, 2004	10,618	8,319	78.3	1,432.86
June 30, 2003	9,417	7,744	82.2	1,334.51

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

June 30, 2004	5,777,420 shares
June 30, 2003	5,781,020 shares

Number of treasury stocks at end of period

June 30, 2004	115,480 shares
June 30, 2003	111,880 shares

2. Operating estimates for the year ending June 30, 2005 (7/1/04- 6/30/05)

	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	3,960	345	220	0.00	-	-
Annual	8,910	1,470	940	-	40.00	40.00

(N.b.) 1. Estimated net income per share (annual): 155.59 yen

Balance sheets

(In thousands of yen)

Years ended June 30;	2003	%	2004	%	Year-on-year change
(Assets)					
Current assets					
Cash and deposits	1,010,156		2,392,216		1,382,060
Notes receivable - trade	341,480		605,364		263,884
Accounts receivable - trade	2,919,023		1,971,280		(947,743)
Marketable securities	700,125		400,145		(299,980)
Raw materials	160,849		142,941		(17,908)
Work in process	2,327,686		2,856,442		528,756
Supplies	2,510		2,497		(13)
Deferred tax assets	141,691		229,098		87,406
Others	93,664		121,900		28,235
Allowance for doubtful accounts	(3,260)		(2,580)		680
Total current assets	<u>7,693,928</u>	81.7	<u>8,719,307</u>	82.1	<u>1,025,378</u>
Long-term assets					
Tangible fixed assets					
Buildings	160,844		156,242		(4,601)
Structures	6,714		329		(6,385)
Machinery and equipments	11,789		9,274		(2,515)
Vehicles and delivery equipments	12,066		15,376		3,309
Tools, furniture and fixtures	146,630		128,004		(18,625)
Land	394,470		581,721		187,251
Construction in progress	26,330		156,690		130,360
	<u>758,845</u>	8.0	<u>1,047,638</u>	9.9	<u>288,792</u>
Intangible fixed assets					
Software	4,678		-		(4,678)
Telephone subscription rights	1,700		1,700		-
	<u>6,378</u>	0.1	<u>1,700</u>	0.0	<u>(4,678)</u>

(In thousands of yen)

Years ended June 30;	2003	%	2004	%	Year-on-year change
Investments and other assets					
Investment securities	440,367		341,130		(99,237)
Investment in affiliated companies	81,139		81,139		-
Long-term prepaid expenses	21,225		13,246		(7,978)
Long-term guarantee deposits	189,032		186,972		(2,059)
Deferred tax assets	132,198		133,157		959
Others	94,171		94,220		49
	<u>958,135</u>	10.2	<u>849,867</u>	8.0	<u>(108,267)</u>
Total long-term assets	<u>1,723,359</u>	18.3	<u>1,899,206</u>	17.9	<u>175,846</u>
Total assets	<u>9,417,288</u>	100.0	<u>10,618,513</u>	100.0	<u>1,201,224</u>

(In thousands of yen)

Years ended June 30;	2003	%	2004	%	Year-on-year change
(Liabilities)					
Current liabilities					
Accounts payable - trade	335,867		376,131		40,263
Accounts payable - other	206,124		242,151		36,027
Accrued income taxes	426,722		550,885		124,163
Advances received	462,477		824,331		361,853
Others	41,898		64,808		22,910
Total current liabilities	<u>1,473,090</u>	15.7	<u>2,058,308</u>	19.4	<u>585,217</u>
Long-term liabilities					
Reserve for employees' retirement benefits	86,086		90,082		3,995
Reserve for directors' retirement benefits	113,486		150,588		37,102
Total long-term liabilities	<u>199,573</u>	2.1	<u>240,671</u>	2.3	<u>41,098</u>
Total liabilities	<u>1,672,663</u>	17.8	<u>2,298,979</u>	21.7	<u>626,315</u>
(Shareholders' equity)					
Capital stock					
	931,000	9.9	931,000	8.8	-
Capital surplus					
Additional paid-in capital	1,080,360		1,080,360		-
Total capital surplus	<u>1,080,360</u>	11.4	<u>1,080,360</u>	10.1	-
Retained earnings					
Revenue reserves	159,038		159,038		-
Voluntary reserve	5,012,000		5,412,000		400,000
Unappropriated retained earnings for the term	863,726		1,020,601		156,874
Total retained earnings	<u>6,034,765</u>	64.1	<u>6,591,639</u>	62.1	<u>556,874</u>
Revaluation on other securities					
	(16,076)	(0.2)	13,545	0.1	29,621
Less treasury stock, at cost					
	(285,423)	(3.0)	(297,010)	(2.8)	(11,587)
Total shareholders' equity	<u>7,744,624</u>	82.2	<u>8,319,533</u>	78.3	<u>574,908</u>
Total liabilities and shareholders' equity	<u>9,417,288</u>	100.0	<u>10,618,513</u>	100.0	<u>1,201,224</u>

Statements of income

(In thousands of yen)

Years ended June 30;	2003	%	2004	%	Year-on-year change
Net sales	5,875,582	100.0	7,444,471	100.0	1,568,889
Cost of sales	3,149,352	53.6	4,520,402	53.6	1,371,050
Gross profit	2,726,230	46.4	2,924,069	46.4	197,838
Selling, general and administrative expenses	1,803,112	30.7	1,711,367	30.7	(91,745)
Operating income	923,118	15.7	1,212,702	15.7	289,583
Non-operating income					
Interest income	9,929		2,250		(7,679)
Dividend income	529		19,473		18,943
Income from sale of investment securities	-		7,021		7,021
Income from contract development	72,090		43,700		(28,390)
Others	2,544		3,659		1,115
Total non-operating income	85,093	1.4	76,104	1.0	(8,989)
Non-operating expenses					
Interest expenses	828		1,219		390
Loss on sales of investment securities	-		8,650		8,650
Commission paid on purchase of treasury stock	629		15		(613)
Exchange loss	237		30,614		30,377
Others	804		387		(416)
Total non-operating expenses	2,500	0.0	40,887	0.5	38,387
Ordinary income	1,005,711	17.1	1,247,918	16.8	242,206
Extraordinary income					
Gain on sales of fixed assets	4,724		299		(4,424)
Gain on cancellation of insurance	63,322		-		(63,322)
Reversal of allowance for doubtful accounts	3,601		680		(2,921)
Total extraordinary income	71,648	1.2	980	0.0	(70,668)
Extraordinary losses					
Loss on disposal of fixed assets	22,831		10,099		(12,731)
Loss on devaluation on investment securities	9,043		13,231		4,187
Premium severance pay for early retirement			10,000		10,000
Total extraordinary losses	31,874	0.5	33,330	0.5	1,456
Income before income taxes	1,045,485	17.8	1,215,567	16.3	170,082
Corporate, inhabitant and enterprise taxes	528,174	9.0	563,790	7.6	35,615
Deferred income taxes	(101,924)	(1.7)	(108,277)	(1.5)	(6,353)
Net income	619,235	10.5	760,054	10.2	140,819
Retained earnings brought forward from previous period	244,491		260,546		16,054
Unappropriated retained earnings for the term	863,726		1,020,601		156,874

Change in the Board of Directors (as of September 28, 2004)

1. Change of Representative Directors

Director (Outside Councilor) Kenichi Kosugi (current: Representative Chairman)

2. A candidate for a new Representative Directors

Representative Senior Managing Director Takehiko Hosokawa (current: Senior Managing Director)

3. A candidate for a new Corporate Auditor

Outside Auditor Osamu Mizuno (current: Senior Advisor at this company)

Note: Mr. Mizuno, the candidate for a new Corporate Auditor, is qualified for the requirement defined in the paragraph 1, clause 18 of the Special Regulation regarding Audit of Public Company described in the law of business.

4. Exiting Auditor

Osamu Mito (current: Permanent Auditor)

[Attachment]

A candidate for the new Corporate Auditor (Career Summary)

Osamu Mizuno (date of birth: March 1, 1943)

April 1967 Joined NEC

June 1992 General Manager, Yamaguchi NEC

June 1998 Director, Hiroshima NEC

November 2003 Senior Advisor of this company (current)