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JASDAQ

Lasertec Corporation**Summary of FY6/11 Business Results**

Lasertec Corporation (hereinafter Lasertec or the Company) held its FY6/11 Business Results Meeting on August 17, 2011. The following is the summary of the meeting and its follow-up interview.

Summary of FY6/11 Consolidated Business Results

As indicated in Table 1, consolidated net sales in FY6/11 grew by 42.4% year-on-year (y/y), to ¥12,722 million, while operating income soared by 227.0%, to ¥2,441 million. Lasertec's operating margin rose from 8.4% to 19.2% y/y, and SG&A expenses ratio improved from 29.8% to 23.8%. Several factors contributed to the upgraded performance, including improved product development efficiency and speed achieved by the consolidation of the Company's technology departments, a change in product mix, higher net sales, and lower cost to sales ratio.

As to achievement of faster development cycles, improvements have begun as a result of enhanced information sharing between engineers and the integration of different technological domains. The better results have been particularly evident in new product development projects carried out in the past two years. In addition, the change in product mix has contracted the period of delivery to acceptance inspection/sales in sales of LCD color filter repair systems for FPDs, which require a relatively longer acceptance inspection period before sales become final, while sales for semiconductor-related systems, which have comparatively shorter acceptance inspections, increased. Given that the competition with other firms over semiconductor-related systems is intense, Lasertec expects that production lead time of its products will have to be shortened even further.

As can be seen in Table 2, net sales by product increased overall. Order volume for semiconductor-related systems surged by 73.5% on a y/y basis, while FPD-related systems slipped by 27.6%, laser microscopy systems increased by 52.0% and services also moved up by 10.6%. Lasertec's order backlog fell by 10.9% y/y as a result of shortened shipment deadlines and improved sales completion for orders received in the same term.

As for the Company's semiconductor-related operations, sales of its flagship mask inspection systems reached ¥5.8 billion, exceeding the initial estimate of ¥5.1 billion. One of the primary drivers

for the higher sales was growing demand for systems to inspect particles with growth potential on masks, called haze, from advanced-technology chipmakers. Haze is created readily through the latest lithography processes employed by these fabricators. Sales of Lasertec's MATRICS Series X700 mask inspection system have been rising as a result. Its market share has thus been growing not only for sales to memory chip makers, but also makers of logic devices. In FY6/11, the Company estimates that its MATRICS units commanded 35% of all mask inspection systems sold to wafer fabricators.

Other new products have begun to contribute to Lasertec's bottom line as well. It is receiving orders for a new inspection system for composite semiconductors made of gallium nitride (GaN) and sapphire, and which are used in LEDs and laser diodes, and another new inspection system for such advanced lithography processes as ArF immersion, products in markets with high growth potential. Orders for the WASAVI Series SICA61 system, with its superior performance in inspecting blanks made of transparent substrate, are particularly on the rise.

As for sales of FPD-related systems, while sales exceeded projections, demand for large-scale panels centering around television sets has peaked and panel prices have consequently collapsed. As the profitability of panel makers has declined dramatically, so has the Company's orders received and order backlog.

As for special provisions in its financial status, Lasertec had to rely on a syndicated loan to redeem a convertible bond and borrowings consequently rose by some ¥3.5 billion.

● 【Table 1】 FY6/11 Consolidated Business Results

Consolidated (¥ million)	FY6/10		FY6/11			Y/Y Change		vs.
	Actual	Ratio	Forecast	Actual	Ratio	Amount	Ratio	Forecast
Net sales	8,931	100.0%	12,500	12,722	100.0%	3,791	42.4%	222
Gross profit	3,404	38.1%	n.a.	5,474	43.0%	2,070	60.8%	n.a.
SG&A expenses	2,657	29.8%	n.a.	3,033	23.8%	376	14.1%	n.a.
Operating income	746	8.4%	1,400	2,441	19.2%	1,695	227.0%	1,041
Ordinary income	714	8.0%	1,300	2,295	8.0%	1,581	221.4%	995
Net income	361	4.0%	850	1,517	11.9%	1,156	319.7%	667
R&D Cost	924	10.3%	n.a.	1,011	8.0%	87	9.5%	n.a.
Depreciation and amortization	354	4.0%	n.a.	285	2.2%	-69	-19.5%	n.a.
Capital expenditure	27	0.3%	n.a.	47	0.4%	20	76.4%	n.a.
No. of Employees (excl. directors)	229	n.a.	n.a.	233	n.a.	4	1.7%	n.a.

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● 【Table 2】FY6/11 Net Sales Information by Product

Consolidated (¥ million)	FY6/10		FY6/11		Y/Y Change
	Actual	Ratio	Actual	Ratio	
Semiconductor Related Systems	5,142	57.6%	6,432	50.6%	25.1%
FPD Related Systems	2,432	27.2%	4,748	37.3%	95.2%
Confocal Scanning Laser Microscopes	369	4.1%	379	3.0%	2.7%
Services	986	11.0%	1,161	9.1%	17.8%
Total	8,931	100.0%	12,722	100.0%	42.4%

Operating Environment

Semiconductor-Related Markets

Following the March 11 calamity, with some chipmakers having passed on their facility equipment orders or postponing delivery, the market adjustment has been sharp. For this reason, the rebound demand following the financial crisis that was expected from the start of the year never materialized and the investment activities of the makers from later this year to the early next year remains uncertain.

Despite this situation, however, work is progressing on the development of next-generation technologies. The Company, for example, is participating in a project organized by EUVL Infrastructure Development Center, Inc. (EIDEC) to develop the next generation in lithographic technology, Extreme Ultraviolet Lithography, or EUVL, which uses extremely narrow wavelength ultraviolet light to print even finer microcircuits on silicon wafers—a project that is gaining momentum. In addition, Backside Illumination (BSI) type CMOS image sensors are also growing in popularity. These trends are expected to drive Lasertec's growth in the years to come.

LCD-Related Markets

Investment in China to manufacture large-scale panels has tapered off and the decline in panel prices has continued. While the profitability of these makers is worsening, Japanese and Korean makers have begun investing in small- to medium-sized high definition panels, with demand especially for finer processing of masks to produce these sized HD panels escalating.

New Business Realms, Including Environmental Field

As for power semiconductors, volume production of SBD—or Schottky Barrier Diode, which uses SiC materials to form a Schottky barrier between metal and semiconductor—has begun. Regarding devices that use SiC materials, plans are currently underway to step up to full-fledged volume

production, and to expand the diameter of SiC wafers.

While the market for photovoltaic cells has been expanding rapidly, PV cell makers have been criticized for carrying excessive inventories, and prices have fallen sharply. Nevertheless, because PV cells remain a growth market over the mid- and long-term, Lasertec intends to leverage its PV cell conversion efficiency distribution measurement system to gain a toehold in the core PV market itself and tap its latent demand for inspection systems.

Outlook for the Future

The Company will be aggressively investing business resources in growth areas where its core competencies can be maximized. One possibility is markets such as semiconductor mask inspection systems that Lasertec has already established major inroads in, with the goal to expand market share in these markets. Another possibility is to launch new businesses by entering into high growth markets—including those for new applications for semiconductors, as well as high power devices, and energy-related systems—by leveraging the Company's strength in optical application technologies.

FY6/12 Earnings Forecast

Tables 3 and 4 provide an overview of Lasertec's earnings forecast for FY6/12. The Company aims to secure ¥10 billion in orders received by assigning greater focus on semiconductor-related systems. It will concurrently be moving to further contract the period between receipt of an order and the posting of sales. Lasertec anticipates lower sales in FPD-related systems due to the transition to a different business model in color filter repair systems. Meanwhile, the LCD market has been hit hard, particularly in applications for TVs, and immense pressure has been brought to bear on prices of color filter repair systems. The Company has therefore transitioned to a business model based on royalty income by outsourcing the manufacture, sales and technical support to a distribution agent in Taiwan and China. As a result of this shift, sales will fall significantly, but gross profit margin will show a remarkable improvement.

In FY6/12, the earnings momentum in which orders received in 1H are posted in the books as earnings in 2H, will not change. But the Company not only aims to reinforce marketing activities to secure orders, but to shorten the time up until acceptance inspection of delivered systems and improve the "harvesting" of the results before 4Q, when sales increases the most.

Lasertec will also be investing aggressively in R&D, especially on initiatives to upgrade research infrastructure, compared to FY 6/11. In addition, it plans to bolster staff for its overseas subsidiaries by adding seven new employees.

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● [Table 3] FY6/12 Consolidated Earnings Forecast

Consolidated (¥ million)	FY6/11		FY6/12 Forecast				Y/Y Change	
	Actual	% to Net Sales	1H	2H	Full-year	Ratio	Amount	Ratio
Net sales	12,722	100.0%	4,600	8,600	13,200	100.0%	478	3.8%
Semiconductor related systems	6,432	50.6%	3,330	5,260	8,590	65.1%	2,158	33.6%
FPD related systems	4,748	37.3%	350	2,420	2,770	21.0%	-1,978	-41.7%
Laser microscopes	379	3.0%	290	280	570	4.3%	191	50.4%
Services	1,161	9.1%	630	640	1,270	9.6%	109	9.4%
Operating income	2,441	19.2%	450	2,150	2,600	19.7%	159	6.5%
Ordinary income	2,295	18.0%	400	2,100	2,500	18.9%	205	8.9%
Net income	1,517	11.9%	250	1,350	1,600	12.1%	83	5.4%
R&D Cost	1,011	8.0%	n.a.	n.a.	1,469	11.1%	458	45.3%
Depreciation and amortization	285	2.2%	n.a.	n.a.	300	2.3%	15	5.4%
Capital expenditure	47	0.4%	n.a.	n.a.	75	0.6%	28	59.6%
# Employees (excl. directors)	233	1.7%	n.a.	n.a.	240	n.a.	7	3.0%

Note: FY6/12 forecasts announced on August 17, 2011

● [Table 4] FY6/12 Net Sales/Order Forecast by Product

Consolidated (¥ million)	FY6/11			FY6/12 Forecast		
	Orders Received	Net Sales	Order Backlog	Orders Received	Net Sales	Order Backlog
Semiconductor related systems	8,365	6,432	3,125	10,100	8,590	4,630
FPD related systems	2,123	4,748	1,443	1,900	2,770	570
Laser microscopes	506	379	136	700	570	270
Services	1,136	1,161	130	1,300	1,270	160
Total	12,131	12,722	4,834	14,000	13,200	5,630

Medium-Term Management Plan

With FY6/12 being the final year of the first phase of the nine-year medium-term management plan (FY6/10-FY6/18), the Company gave a progress report in addition to explaining its consolidated business results. Incidentally, the second phase extends from FY6/13 to FY6/15; the third, from FY6/16 to FY6/18. The numerical target for the first phase is consolidated net sales of ¥13.2 billion, during which the selection and concentration of businesses will be concluded. Then, in FY6/18, the final year of the third phase, the Company aims to increase consolidated net sales to ¥30 billion, based on its core and new businesses.

Among the priority initiatives under the plan is to reinforce its existing product lineup by developing next-generation series for the Company's core products, including semiconductor mask defect inspection systems and LCD large mask inspection systems for finer patterns. The development of these products is to be completed by the end of this fiscal year. In the second phase, the objective is

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to cultivate new markets related to semiconductors by leveraging its existing technology base. In the third and final phase, in addition to the semiconductor field, the Company will move into such new markets as environmental and energy, primarily in photovoltaic cells and secondary battery systems—areas that also dovetail with Lasertec's technology base. For this reason, the Company launched a new marketing division on August 1 and increased personnel.

In moving toward the second phase, Lasertec has already developed a product, the WASAVI Series LP300, which should prove highly successful in the semiconductor market in that phase. The LP300 is an inspection system for advanced lithography processes, including ArF immersion, and the Company expects demand to replace an existing inspection system made by a competitor to be considerable.

As mentioned earlier, Lasertec is also taking part in a national project under the auspices of EIDEC to develop a next-generation lithography process. The participant list in this project is impressive: It not only includes the largest domestic makers, but also such foreign market leaders as Intel, Samsung and Hynix; development is now being pursued on a horizontal division of labor worldwide. Lasertec's role in the project is to develop an EUV mask blanks inspection system. The unit cost of this next-generation system is expected to be high and order volume to be low—meaning the risks for Lasertec to develop such a system on a proprietary basis are prohibitively high. Through projects conducted on this scale, the Company seeks to emerge as an industry benchmark by playing a central role in the development of next-generation systems, while reining in and reducing the costs and risks associated with their development.

Lasertec will be strengthening its effort to develop new clients primarily in the semiconductor wafer-related business. While orders received for power device systems increased in 1H, the Company must improve its sales approach because the potential clientele, especially foreign makers, is significantly larger than that which exists for its mask-related systems, which is the core business. Additionally, Lasertec will be reinforcing the marketing effort for laser microscopes utilizing its sales network, an initiative based on the fact that microscopes are employed in a broad array of fields.

Q&A Session

Q1: What were some of the key differences by product in terms of sales for the previous fiscal year versus this fiscal year.

A1: In FY6/11, sales of mask inspection systems accounted for 90% of the ¥6.4 billion in semiconductor-related systems sales. New products accounted for the rest. The MAGICS series did

not generate any sales. Sales of FPD-related systems exceeded ¥4.7 billion, with color filter repair systems accounting for 75% of the total; most of the remaining sales came from systems related to large size masks and photovoltaic cells.

As for orders received in FY6/11, semiconductors comprised ¥8.3 billion-plus, of which 80% came from mask inspection systems and 10% from mask blanks inspection systems, with new products accounting for the remaining. Orders received for FPD-related systems were ¥2.1 billion, of which color filter repair systems accounting for 75% and the remaining 25% coming from systems related to large size masks and photovoltaic cells.

As for the forecast for FY6/12, the Company expects mask inspection systems will account for 50% of the ¥8.6 billion generated from semiconductor-related systems sales. Mask blanks-related systems, including EUVL systems, will account for 40%, with new products accounting for the rest. While the Company expects net sales of ¥2.7 billion in FPD-related systems, of which half of that will be generated from color filter repair systems and the other half coming from systems related to large size masks and photovoltaic cells.

As for orders received for semiconductor-related systems in this term, the Company expects the figure to reach ¥10.1 billion, of which 55% will come from mask inspection systems and 35% from mask blanks-related systems, and the rest from new products. Orders received for FPD-related systems are projected to decrease to ¥1.9 billion as a result of the business model change, of which color filter repair systems accounting for 25% and 75% made up of systems related to large size masks and photovoltaic cells.

Q2: While many are predicting that the industry will be facing difficulty in the aftermath of the March 11 calamity, Lasertec forecasts increases in both sales and incomes in FY6/12. Do you have any concerns of a downturn, primarily in the semiconductor manufacturing business?

A2: We aim to increase market share in semiconductor mask inspection systems, while increasing sales of mask blanks inspection systems, an area in which investments were not made last year. Moreover, as a result of hearings conducted with clients, many expect a recovery to occur from April 2012. Given these points, we believe we can achieve the sales and income figures made in our forecast.

Q3: What is the outlook on investments made by Taiwanese foundries?

A3: DRAM prices have stayed low and sales to memory makers have thus been sluggish. The situation is different regarding logic devices, however. The competition among foundries to secure orders has heated up with the planned rollout of iPhone 5 and other smartphone upgrades, as well

as new game console products. We therefore do not expect that these foundries will ease up on investments.

Q4: Will sales to the EIDEC project continue beyond next fiscal year?

A4: We are working on developing a mask blanks inspection system with an exposure wavelength of 13.5 nm because such a system will definitely be needed. While it is difficult to forecast sales from the joint development EIDEC project for our EUVL mask blanks inspection system, we expect orders for the system to grow for the duration of the project over the next several years.

It should be noted that a similar trend was taken with SEMATECH, the U.S. semiconductor consortium, in which we were responsible for research related to mask blanks. We believe that in the recent effort to develop next-generation technologies, a system for global division of labor has been established.

Q5: Is your FY6/12 forecast for increased revenues nonbinding target or a figure with a high probability of achievement?

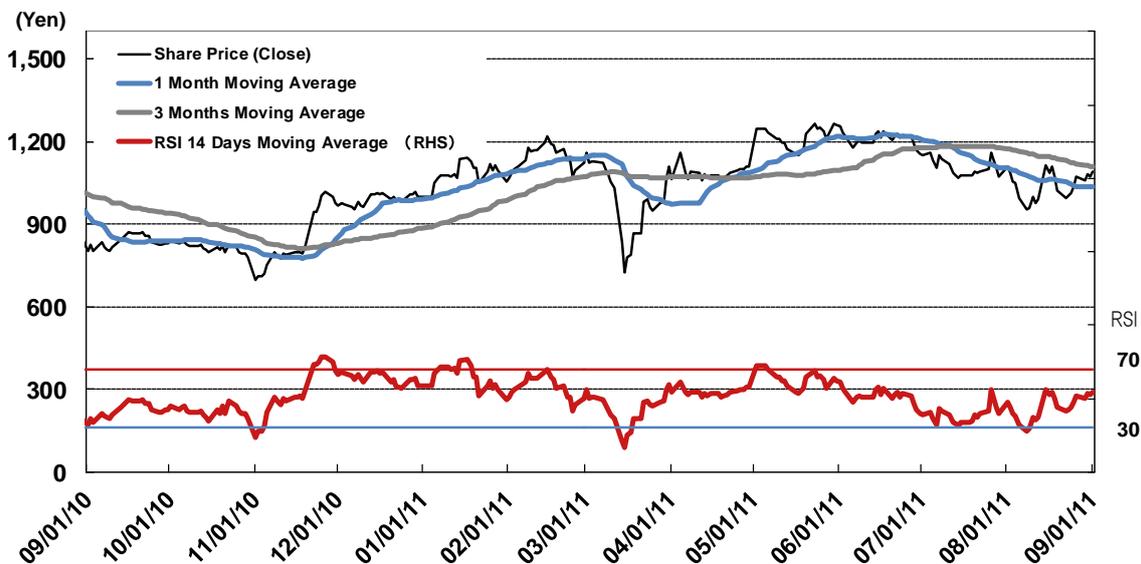
A5: As we have in previous years, the current forecast was developed based on sound numbers and principles. It is not nonbinding. 📄

Reference
● Key Stock Indicators/Financial Data and Business Results (Consolidated)

No. of Shares Issued	Jun.2011	11,785,800	Total Assets (¥million)	Jun.2011	20,962
No. of Treasury Stock	Jun.2011	520,792	Shareholders' Equity (¥million)	Jun.2011	13,449
Market Value (¥million)	Sep.1, 2011	12,882	Interest-Bearing Debt (¥million)	Jun.2011	3,591
BPS (¥)	Jun.2011	1,193.9	Equity Ratio (%)	Jun.2011	64.2
ROE (%)	Jun.2011	11.2	Ratio of Interest-Bearing Debt (%)	Jun.2011	26.7
ROA (%)	Jun.2011	7.2	Free Cash Flows (¥million)	Jun.2011	3,251
PER (times)	FY6/12 est.	7.7	ROE=Current Net Income÷Averaged Shareholders' Equity of beginning of term and term end		
PCFR (times)	Jun.2011	7.1	ROA=Current Net Income÷Averaged Total Assets of beginning of term and term end		
PBR (times)	Jun.2011	0.9	PCFR=Market Value÷(Current Net Income+Depreciation)		
Share Price (¥)	Sep.1, 2011	1,093	Average Daily Volume=Ave. Daily Volume for previous 12months		
Unit Share (shares)	Sep.1, 2011	100	Interest-Bearing Debts Ratio=I.B.D.÷Shareholders' Equity		
Average Daily Volume (shares)	Sep.1, 2011	25,117	Free Cash Flows=Operating CF+Investment CF		

Consolidated (¥million)	Net Sales	Operating Income	Ordinary Income	Net Income	EPS (¥)	DPS (¥)
FY6/08	14,136	3,100	3,156	1,888	165.22	50.00
FY6/09	9,266	-657	-659	-651	-57.82	15.00
FY6/10	8,931	746	714	361	32.10	15.00
FY6/11	12,722	2,441	2,295	1,517	134.72	41.00
1H FY6/12 fcst.	4,600	450	400	250	22.19	n/a
FY6/12 fcst.	13,200	2,600	2,500	1,600	142.03	43.00

Note: FY6/12 forecasts announced on August 17, 2011.

● Stock Price Charts and RSI


Source: Prepared by Trias Corp. with Bloomberg data.

Note: RSI, Relative Strength Index, is the index representing the ratio of overbought or oversold share prices. In general, over 70 in RSI shows overbought share price range, while below 30 shows oversold share price range.

$$RSI = \frac{\text{averaged share price appreciation for N days}}{\text{averaged share price appreciation for N days} + \text{averaged share price decline for N days}} \times 100$$

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