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JASDAQ

## Lasertec Corporation

Summary of Business Results Meeting  
for the 2<sup>nd</sup> Quarter of Fiscal Year Ending June 30, 2011

25 February 2011

On February 2, 2011, Lasertec Corporation (hereinafter Lasertec or the Company) held its Q2 FY6/11 Business Results Meeting. The following is the summary of business results presented at the meeting

### Summary of Q2 FY6/11 Consolidated Business Results

Consolidated net sales for the first half reached ¥4,200 million, a year-on-year increase of 14.8%, while operating income was ¥245 million, a decline of ¥80 million versus last year (see Table 1). The results exceeded the February 2, 2011 forecast in net sales by ¥400 million and ¥595 million in operating income.

**【Table 1】 Consolidated Business Results**

Consolidated (¥ million)	1H FY6/10		1H FY6/11			Year-on-Year Change		vs. Forecast
	Actual	Ratio	Forecast	Actual	Ratio	Amount	Ratio	
Net Sales	3,660	100.0%	3,800	4,200	100.0%	540	14.8%	400
Gross Profit	1,270	28.6%	n.a.	1,620	38.1%	350	27.6%	n.a.
SG&A	1,351	35.7%	n.a.	1,374	29.8%	23	1.7%	n.a.
Operating Income	△ 80	-7.1%	△ 350	245	8.4%	325	n.a.	595
Ordinary Income	△ 61	-7.1%	△ 400	141	8.0%	202	n.a.	541
Net Income	△ 96	-7.0%	△ 250	73	4.0%	169	n.a.	323
R&D Expenses	494	13.5%	n.a.	415	9.9%	△ 79	-16.0%	n.a.
Depreciation & Amortization	176	n.a.	n.a.	140	n.a.	△ 36	-20.5%	n.a.
Capital Expenditures	6	n.a.	n.a.	15	n.a.	9	150.0%	n.a.
No. of Employees (excl. Directors)	235	n.a.	n.a.	232	n.a.	△ 3	-1.3%	n.a.

Note: Tables and charts are prepared by Trias Corp. with data disclosed by Lasertec Corp.

The reason for the improved performance was due to the earlier than expected posting of sales of the large-scale mask inspection systems and its options. As seen in Table 2, first-half sales of semiconductor related systems were almost on the same level as that reported last year, but orders received and order backlog rose significantly on a year-on-year basis, the result of new products released last year. The MATRICS X700 Series, a pattern defect inspection system for photomasks, was the largest contributor to sales. Order generation remains strong, and units have been shipped worldwide, including Japan, Taiwan, South Korea, Europe and the U.S. Also, several SICA61 units,

which test defects in the wafer fabrication process of SiC (Silicon Carbide) for high-powered ICs, have been sold. This system uses confocal optics technology, a core Lasertec technology, and is not affected by light reflected off the reverse side of the transparent substrate of SiC wafers. It can detect nano-scale defects and is valued highly by clients. Additionally, the Company has begun to receive orders for its WASAVI Series MR300, MURA/CD Error High Resolution Visualizing System. This product accurately inspects fine film-thickness and detects sensitivity unevenness in CCD and CMOS image sensors, generating a growing number of orders from the leading CCD and CMOS image sensor makers as a result. Moreover, orders for the MAP Series, PV (photovoltaic) Cell Conversion Efficiency Distribution Measurement System, have reached a double-digit cumulative total.

**【Table 2】Net Sales/Order Information by Product**

Consolidated (¥ million)	1H FY6/10			1H FY6/11					2H FY6/11	
	Orders Received	Net Sales	Order Backlog	Orders Received (Fcst)	Orders Received (Actual)	Net Sales (Fcst)	Net Sales (Actual)	Order Backlog (Actual)	Orders Received (Fcst)	Orders Backlog (Fcst)
Semiconductor Related Systems	2,433	1,905	2,042	6,380	4,153	2,560	1,893	3,452	7,147	6,100
FPD Related Systems	704	1,079	3,191	2,350	1,822	570	1,626	4,263	378	1,700
Confocal Scanning Laser Microscopes	211	154	103	200	288	200	110	188	112	10
Service	551	520	143	470	578	470	571	162	522	150
Total	12,054	3,660	5,481	9,400	6,842	3,800	4,200	8,066	8,158	7,960

In terms of Lasertec's financials, cash and deposits increased by ¥1,010 million on a year-on-year basis as a result of increased income, while the figure for partially finished goods rose to ¥1,001 million due to a greater order inflow. In addition, the Company executed a syndicated loan in December 2010 to redeem ¥4,000 million in corporate bond with subscription rights to shares, resulting in higher noncurrent liabilities and lower current liabilities. Incidentally, interest-bearing debt reached ¥4,944 million at the end of the first half, rising ¥944 million on a y-o-y basis. Cash flows from operating activities declined from ¥754 million to ¥262 million due to increased inventories and accounts receivables rose with the increase in orders. Thus, free cash flows fell from ¥735 million to ¥249 million.

### FY6/11 Earnings Forecast

The semiconductor market has been sound, driven by NAND flash memories as alternative applications such as tablet PCs and smart phones have emerged. In addition, demand for discrete semiconductors, which include eco-related power devices, have also been expanding. As for

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DRAMs, the present unit price has decreased with sluggish PC demand.

The major memory chip makers and foundries have implemented large capital investments in order to achieve finer design rules and meet production increases. One of East Asian device makers has also started foundry operations for logic chips. Lasertec expects the leading memory makers, logic chip makers and foundries to continue their investment programs in 2011. The Company also predicts greater investment in power devices and CMOS image sensors.

At the same time, production—particularly for large panels—remains in the process of production adjustment for the FPD market, and investment is projected to remain sluggish in 2011. Given the circumstances, the following moves are expected: 1) investment in 8G panel production, mainly by China's CSOT; 2) new plants launched by two Korean companies, LG Display and Samsung, which have been authorized by Beijing; and 3) investment in small- to medium-sized high-definition TFTs and active organic EL for table PCs. Meanwhile, the PV cell market in Europe, Japan and the United States is expanding dramatically, and non-Japanese panel makers in Asia are coming on strong. Despite short-term swings influenced on the degree of government support, Lasertec projects that the solar panel market will continue to expand over the mid- to long-term.

With these market conditions as a backdrop, Lasertec does not expect to revise its full-year earnings forecast released on February 2 (see Table 3). As with the first half, the Company aims to achieve its second-half objectives based on a two-track strategy: the first is to exploit new business opportunities in growth markets; the second involves products leveraging Lasertec's core strengths that differentiate it from competitors to gain further market share. Included in the former category are businesses related to PV cells and SiC wafers. The latter category includes the MATRICS X700 series Photomask Inspection System. As for order trends, as seen in Table 2, the Company expects orders for semiconductor related systems to increase, whereas orders for FPD Related Systems should decrease. Meanwhile, Lasertec is allocating ¥1,008 million in R&D expenses in the second half, a figure that is roughly double that spent in the first half. Its commitment, made at the beginning of the fiscal year, to proactively invest in developing new business opportunities and next-generation systems, thus remains unchanged.

In the first half, Lasertec rolled out two new WASAVI Series models: TROIS32, Transparent Objective Inspection System, and LP300, Lithography Process Inspection System. TROIS32 is a product for GaN (gallium nitride), sapphire and other transparent substrates used by such systems as LEDs, laser diodes and high-powered devices. As with the aforementioned SICA61, it has the ability to inspect defects without being adversely affected by reflected light from the opposite side of a transparent substrate. The LP300 targets the advanced lithographic process market that includes

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ArF liquid immersion, such as for flash memories and DRAMs. It is capable of detecting fine film-thickness unevenness and CD errors for resist after development.

As for next-generation products, Lasertec is now engaged in the development of photomask inspection systems for semiconductors for rapid detection of fine defects, and next generation of maskblanks defect inspection system for EUVL (extreme ultraviolet lithography) equipment. In addition, the Company established an Advanced Technologies Development Office in January 2011, not only to leverage its core strengths, but also to enter new markets to exploit.

**【Table 3】 Consolidated Earnings Forecast**

Consolidated (¥ million)	FY6/10		FY6/11 Forecast				Year-on-Year Change	
	Actual	Ratio	1H (Act.)	2H	Fullyear	Ratio	Amount	Ratio
Net Sales	8,931	100.0%	4,200	8,300	12,500	100.0%	3,569	40.0%
Semiconductor Related Systems	5,142	57.6%	1,893	4,507	6,400	51.2%	1,258	24.5%
FPD Related Systems	2,432	27.2%	1,626	2,974	4,600	36.8%	2,168	89.1%
Confocal Scanning Laser Microscopes	369	4.1%	110	290	400	3.2%	31	8.4%
Service	986	11.0%	571	529	1,100	8.8%	114	11.6%
Operating Income	746	8.4%	245	1,155	1,400	11.2%	654	87.5%
Ordinary Income	714	8.0%	141	1,159	1,300	10.4%	586	82.0%
Net Income	361	4.0%	73	777	850	6.8%	489	135.1%
R&D Expenses	924	10.3%	415	1,008	1,423	11.4%	499	54.0%
Depreciation & Amortization	354	n.a.	140	178	318	n.a.	△ 36	-10.2%
Capital Expenditures	27	n.a.	15	65	80	n.a.	53	196.3%
No. of Employees (excl. Directors)	229	n.a.	232	235	235	n.a.	6	2.6%

Note: Company forecast was released on February 2, 2011.

## Q&A

**Q1: There are signs that several major chipmakers have begun to step up capital investment from January. What kind of impact will this have on Lasertec's performance? And how much will this be reflected in this fiscal year's forecast?**

A1: First of all, given the trend to increasing microminiaturization, demand for systems to detect microscopic defects for semiconductor maskblanks have been on the rise from memory makers and foundries. For this reason, makers of masks and maskblanks are under considerable pressure from chipmakers, which is why we project that demand for such systems will continue into the future. Meanwhile, while our MATRICS X600 Series mask pattern inspection system has traditionally been strong in the area of memory chips, we have been able to sell our newly

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introduced X700 Series systems to logic chip foundries as well. The resulting knowledge base that we're developing will enable us to target both memory and logic chip markets. Most of the capital investment in 2010 was driven by memory makers, but foundries are not only planning to invest in new fabrication plants in 2011, but also expand production at existing fabs. As for the extent to which these investment trends will be reflected in this fiscal year's earnings forecast, we are taking a conservative position. The reason for this is because many of the orders we are aware of have been verbal commitments, with most of the shipments concentrated in the third and fourth quarters. That means most of the sales generated will take place in Q4—which is why we are adopting a cautious stand for now.

**Q2: What are the sales projections for two new products—the maskblanks inspection system for next-generation EUVL and the TSV (silicon penetrating electrode) related system, which will be shipped on a commercial basis from this year? And how does Lasertec intend to address the anticipated increase in active organic EL related investment in the LCD field?**

A2: There has been a major shift in EUVL in the past year, and the volume production schedule among the large device makers has become clearer. This move has stepped up the pressure on maskblanks makers, which has led to more inquiries to Lasertec. We look to the maskblanks market as our target market. As for the TSV field, we shipped our WASAVI Series TSV-300IR etching depth inspection system to SEMATECH, a technology development consortium led by the U.S. Semiconductor Industry Association in which the world's major chipmakers are taking part. We expect additional business inquiries to increase as a result. In LCDs, while we commercialized large-scale mask inspection systems in the past, we believe that demand for small- and medium-sized photomask inspection systems will increase from now.

**Q3: What is the competitive level for your new products in such niche areas as SiC and TSV?**

A3: We already offer a SiC system. While it is designed for small-bore silicon wafers and uses laser scattered light, it is not designed to work for transparent platforms. It is being replaced by a system using our confocal technology in order to handle transparent platforms. As for TSV, our system employs infrared to measure the deep holes with small diameters—a feature highly valued at SEMATECH.

**Q4: How are orders coming along for your FPD related systems used for small- to mid-sized panels?**

A4: Given that photomask use for touch panels are on the rise, we are beginning to see a slight increase in inquiries over our photomask inspection systems. As for our large-scale mask inspection systems, if BOE and TCL start up volume production in China, we can look forward to

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more investment for G8 and later systems.

**Q5: What is the product-by-product breakdown in sales and orders received?**

A5: The first-half and full-year breakdown is as follows:

Net Sales / Orders Received (¥ million)	1H FY6/11 (Actual)		FY6/11 (Forecast)	
	Net Sales	Orders	Net Sales	Orders
<b>Semiconductor Related Systems</b>	<b>1,893</b>	<b>4,153</b>	<b>6,400</b>	<b>11,300</b>
Photomask Inspection Systems (MATRICS)	Apprx. 90%	Above 80%	Under 80%	Above 70%
Mask Blanks Inspection Systems (MAGICS)		-	10%	20%
New Products	Apprx. 10%	Apprx. 20%	10%	Under 10%
<b>FPD Related Systems</b>	<b>1,626</b>	<b>1,822</b>	<b>4,600</b>	<b>2,200</b>
Color Filter Repair Systems	Apprx. 60%	Apprx. 80%	Above 75%	75%
Large Size Photomask Inspection System	Apprx. 40%	Apprx. 20%	Under 25%	25%
(PV Cell Related Systems)	(Less Than ¥100 million)	-	(Slightly less than ¥200 million in inquiries for R&D use)	(Some orders still undelivered)

According to our forecast developed at the start of the term, the breakdown for our order backlog for the full fiscal year was ¥10.5 billion for semiconductor related systems and ¥3.56 billion for FPD related systems. However, the figure for FPD systems were revised downward as a result of investment delays, particularly in China, as well as increasing competition to secure orders. On the other hand, orders received projection for our semiconductor related systems was revised upward due to improved evaluation of our photomask inspection systems among semiconductor makers, thus generating more orders. 

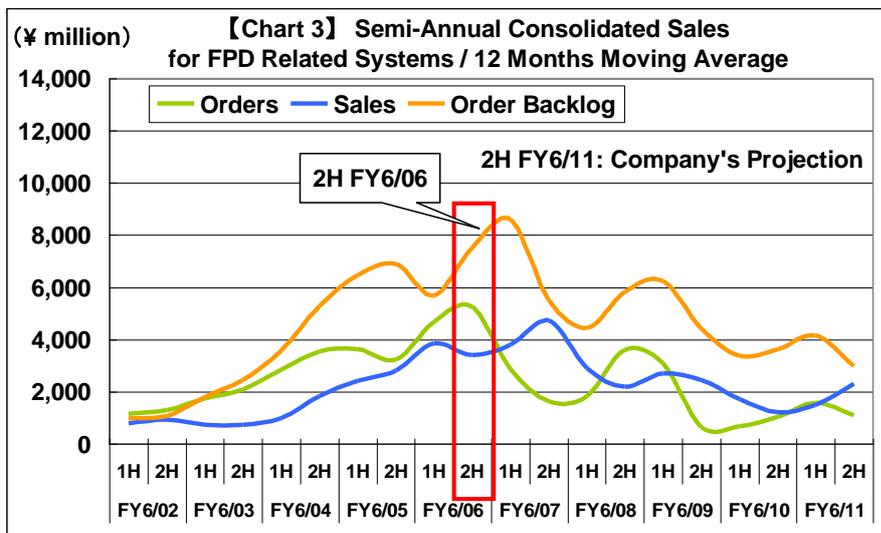
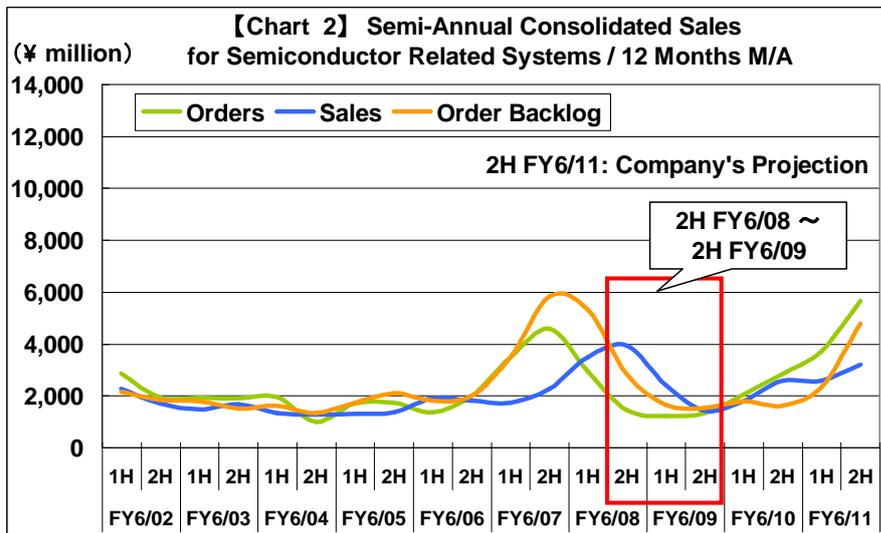
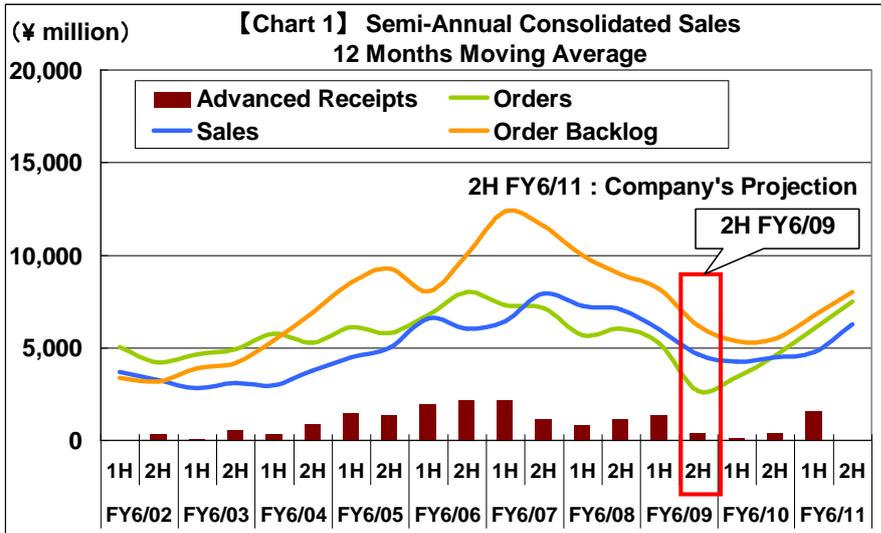
## Reference 1: Mid-Term Trends

Because Lasertec posts sales on a final acceptance basis, the lead time from order to the posting of sales is relatively lengthy. The average lead time for semiconductor related systems, for example, is six to nine months, while that period may lengthen to more than one year in the case of LCD related systems. Consequently, in order to gain a proper understanding of the Company and its performance, it is necessary to follow mid-term trends on sales and orders. As seen below, we examined these trends over a 12-month moving average:

Looking at the orders Lasertec has received **【Chart 1】**, this measure is a leading indicator of the Company's business performance. It shows that orders received bottomed out in FY6/09 and has since rebounded in a V-shaped recovery. Although sales have been slow to recover, it is mirroring the orders received trend with roughly a one-year lag. As seen in **【Chart 2】**, the semiconductor related systems trend is interconnected and integral to this recovery trend. The orders received trend remained at the same level from the second half of FY6/08 to the second half of FY6/09, and then entered the slight expansion phase after that period.

The Company broke its previous orders received record set in the second half of FY6/07, as did its order backlog. In contrast, as seen in **【Chart 3】**, the orders received level for FPD related systems peaked in the second half of FY6/06 and then began to decline and remains weak.

As for Lasertec's future outlook, it is believed to be crucial for the Company to sustain order generation for its semiconductor related systems, which drives the development of new products, at a level equal to or above the previous peak. When considering its mid-term growth, it is equally vital for Lasertec to achieve its second-half targets and increase order generation for the next fiscal year. 



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**Reference 2**
**● Key Financial Data and Business Results (Consolidated)**

Key Stock Indicators			Key Financial Data		
No. of Shares Issued	Dec. 2010	11,785,800	Total Assets (¥million)	Dec. 2010	19,867
No. of Treasury Stock	Dec. 2010	522,727	Shareholders' Equity (¥million)	Dec. 2010	11,922
Market Value (¥million)	Feb.25, 2011	12,941	Interest-Bearing Debt (¥million)	Dec. 2010	6,100
BPS (¥)	Dec. 2010	1,058.5	Equity Ratio (%)	Dec. 2010	60.0
ROE (%) ※1	Dec. 2010	△ 5.2	Ratio of Interest-Bearing Debt (%) ※5	Dec. 2010	51.2
ROA (%) ※2	Dec. 2010	△ 3.1	Free Cash Flows (¥million) ※6	Dec. 2010	△ 1,726
PER (times)	FY6/11 est.	14.6	※1 ROE=Current Net Income÷Shareholders' Equity		
PCFR (times) ※3	Dec. 2010	△ 71.9	※2 ROA=Current Net Income÷ Total Assets		
PBR (times)	Dec. 2010	1.0	※3 PCFR=Market Value÷(Current Net Income+Depreciation)		
Share Price (¥)	Feb.25, 2011	1,098	※4 Average Daily Volume=Average Daily Volume for previous 12month		
Unit Share (shares)	Feb.25, 2011	100	※5 Ratio=Interest-Bearing Debts÷Shareholders' Equity		
Average Daily Volume (shares) ※4	Feb.25, 2011	25,151	※6 Free Cash Flows=Operating CF+Investment CF		

Consolidated (¥million)	Net Sales	Operating Income	Ordinary Income	Net Income	EPS (¥)	Dividend per Share (¥)
FY6/06	12,033	2,963	3,060	1,884	162.3	40.00
FY6/07	15,874	3,895	3,895	2,375	203.8	60.00
FY6/08	14,136	3,100	3,156	1,888	165.2	50.00
FY6/09	9,266	△ 657	△ 659	△ 651	△ 57.8	15.00
1H FY6/11	4,200	245	141	73	6.5	0.00
FY6/11 forecast	12,500	1,400	1,300	850	75.5	23.00

Note: FY6/11 forecast announced on Feb. 2, 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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