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JASDAQ

Lasertec Corporation

Summary of Q2 FY6/12 Business Results Meeting and its Follow-up Interview

On February 2, 2012, Lasertec Corporation (hereinafter Lasertec or the Company) held its Q2 FY6/12 business results meeting. The following is a summary of the meeting and follow-up interview conducted by Trias Corporation.

Summary of Q2 FY6/12 Consolidated Business Results

As seen in Table 1, the consolidated business results that Lasertec reported for Q2 FY6/12 cumulative, 1H, showed dramatic year-on-year increases in net sales, up 16.6%, and operating income, up 199.6%. Meanwhile, while SG&A expenses posted a modest gain from 32.7% to 33.5%, over the same period, Lasertec's cost to sales ratio declined from 61.4% to 51.5%, which drove its operating income ratio up from 5.8% to 15.0%.

Orders for and the order backlog of semiconductor-related equipment grew, driven by surging sales of the new MATRICS X700 Series, Lasertec's mainstay mask inspection system, with MAGICS—a maskblanks inspection system that plays a vital role in the development of EUVL (Extreme Ultraviolet Lithography), an advanced exposure technology to etch greater microminiaturized circuit patterns for next-generation chips—contributing to earnings as well.

●【Table 1】 Summary of Q2 FY6/12 Consolidated Business Results

Consolidated (¥ million)	FY6/11 1H		FY6/12 1H		YoY Change	
	Actual	Weighting	Actual	Weighting	Amount	Ratio
Net Sales	4,200	100.0%	4,897	100.0%	697	16.6%
Cost of Sales	2,580	61.4%	2,521	51.5%	(59)	-2.3%
Gross Profit	1,620	38.6%	2,376	48.5%	756	46.7%
SG&A Expenses	1,374	32.7%	1,642	33.5%	268	19.5%
Operating Income	245	5.8%	734	15.0%	489	199.6%
Ordinary Income	141	3.4%	636	13.0%	495	351.1%
Net Income	73	1.7%	424	8.7%	351	480.8%
R&D Cost	415	9.9%	782	16.0%	367	88.4%
Depreciation and amortization	140	3.3%	126	2.6%	(14)	-10.0%
Capital Expenditure	15	0.4%	26	0.5%	11	73.3%
No. of Employees (excl. directors)	232	n.a.	235	n.a.	3	n.a.

Note: Tables 1 & 2 prepared by Trias Corp. with the data disclosed by Lasertec Corp.

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As seen in Table 2, orders for and the order backlog of semiconductor-related equipment and laser microscopes showed significant growth. The surge helped offset the earnings decrease posted by the Company's FPD related systems business, which not only is in the process of transitioning to a royalty income business model, but was also hit by the general slump in sales of liquid crystal panels. Orders for Lasertec's entire products, however, hit its highest mark ever recorded in a single half-term.

● **[Table 2] Trends in Orders Received and Order Backlog**

Consolidated (¥ million)	FY6/11 1H			FY6/12 1H		
	Orders Received	Net Sales	Order Backlog	Orders Received	Net Sales	Order Backlog
Semiconductor related systems	4,153	1,893	3,452	8,805	3,703	8,227
FPD related systems	1,822	1,626	4,263	100	399	1,143
Laser microscopes	288	110	188	423	283	276
Services	578	571	162	517	511	136
Total	6,842	4,200	8,066	9,847	4,897	9,783
Year-on-Year Change	FY6/11 1H			FY6/12 1H		
	Orders Received	Net Sales	Order Backlog	Orders Received	Net Sales	Order Backlog
Semiconductor related	70.7%	-0.6%	69.0%	112.0%	95.6%	138.3%
FPD related systems	158.8%	50.7%	33.6%	-94.5%	-75.5%	-73.2%
Laser microscopes	36.5%	-28.6%	82.5%	46.9%	157.3%	46.8%
Services	4.9%	9.8%	13.3%	-10.6%	-10.5%	-16.0%
Total	75.4%	14.8%	47.2%	43.9%	16.6%	21.3%

A well-performing semiconductor related systems business was one of the key objectives to be achieved in Phase Zero of Lasertec's Nine-Year Mid-Term Management Plan (FY6/10 to FY6/18), which called for the Company to develop solutions for and focus resources on the business in order to maximize its strengths. Given that FY6/12 represents the final fiscal year of Phase Zero, it appears that the initiatives to reinforce Lasertec's core business, as well as the selection and concentration of business resources, are now paying dividends. As one example of this, the Company has been concentrating its R&D effort on the development of semiconductor photomask inspection systems, maskblanks inspection systems, and LCD large mask inspection systems.

Moreover, as a first-half initiative, Lasertec not only facilitated the lateral sharing of expertise and information by integrating its engineering departments, it recruited an outside expert specializing in the marketing of the semiconductor and semiconductor manufacturing equipment fields to head a marketing/sales division it launched in order to develop new growth areas.

As for new product development, the Company rolled out the SICA6X of the WASAVI Series, a silicon carbide (SiC) wafer inspection review system used in energy conserving power devices, as well as the

TROIS33, also of the WASAVI Series, which inspects and reviews defects in such transparent wafers as gallium nitride (GaN), making it possible to fabricate the wafers in volume. In addition, Lasertec was able to launch new products in order to enter into fields with high growth potential, developing the WASAVI Series TSV300S, a through-silicon via inspection system, and the MAP Series SR-MAP, a spectral response distribution measurement system.

Lasertec's Market Environment

Table 3 is a forecast of the trend in capital expenditures in semiconductor field by IT market researcher and consultancy Gartner. The table shows that the capex level for 2012 will decrease by 21.3% after the post-Lehman shock recovery. In addition, investment in wafer fabrication—an area that will directly affect the Company—reached a peak in 2010, but the decline projected for 2012 is expected to exceed the size of the 2012 market itself.

● [Table 3] Semiconductor Market Global Capex Forecasts

(\$ million)	2010	2011	2012 Fcst.	2013 Fcst.	2014 Fcst.	2015 Fcst.
Semiconductor Capital Spending	56,526	64,242	51,706	61,624	63,549	60,966
Capital Equipment	40,639	43,200	34,010	42,528	43,893	41,664
Wafer Fab Equipment	31,624	34,729	26,764	33,119	34,729	31,886
Packing/Assembly Equipment	6,154	5,782	5,001	6,313	6,161	6,608
Automated Test Equipment	2,859	2,688	2,245	3,096	3,002	3,169
Other Spending	15,887	21,042	17,696	19,095	19,655	19,301
[Growth]						
Semiconductor Capital Spending	118.4%	13.7%	-19.5%	19.2%	3.1%	-4.1%
Capital Equipment	142.7%	6.3%	-21.3%	25.0%	3.2%	-5.1%
Wafer Fab Equipment	145.5%	9.8%	-22.9%	23.7%	4.9%	-8.2%
Packing/Assembly Equipment	127.2%	-6.1%	-13.5%	26.2%	-2.4%	7.3%
Automated Test Equipment	148.7%	-6.0%	-16.5%	37.9%	-3.0%	5.6%
Other Spending	73.9%	32.5%	-15.9%	7.9%	2.9%	-1.8%

Note: Mid-term forecasts by Gartner, Inc. on EE Times Japan

Meanwhile, Table 4 is an overview of technology trends from the International Technology Roadmap for Semiconductors (ITRS). It projects major advances in the process rule for both logic and memory chips over the next several years. As a result, complex and diverse new technologies will emerge in system-on-a-chip (SoC) LSIs, from 3D transistors and 450mm wafer processing to quadruple exposure, EUVL exposure and through-silicon via (TSV) circuitry.

● **[Table 4] ITRS Miniaturization Trends (2011-2016)**

Year of Production		2011	2012 Fcst.	2013 Fcst.	2014 Fcst.	2015 Fcst.	2016 Fcst.
DRAM 1/2 Pitch (contacted)	nm	36.0	32.0	28.0	25.0	23.0	20.0
DRAM Generation at Production	bit	4G	4G	4G	8G	8G	8G
MPU/ASIC Metal 1(M1) 1/2 Pitch	nm	38.0	32.0	27.0	24.0	21.0	18.9
Flash 1/2 Pitch (un-contacted Poly)	nm	22.0	20.0	18.0	17.0	15.0	14.2
MPU Printed Gate Length	nm	35.0	31.0	28.0	25.0	22.0	19.8
MPU Physical Gate Length	nm	24.0	22.0	20.0	18.0	17.0	15.3

Note: Prepared by Trias Corp. with the data disclosed by ITRS 2011

As seen in Table 5, the major chipmakers and foundries are continuing to aggressively invest in advanced fabrication lines.

Based in the U.S., the unlisted foundry, GlobalFoundries Inc., was cofounded in 2009 by Advanced Technology Investment Company (ATIC), the Abu Dhabi government fund, and CPU maker AMD. In 2011, GlobalFoundries is believed to have spent \$5.4 billion—double what it invested in 2010—in capital expenditures in a head-to-head battle with TSMC, the world's largest foundry. GlobalFoundries operates fabs in Germany and Singapore, and is now building a new facility, Fab 8, in the state of New York. Fab 8 is slated to begin operating in 2012, with the first shipment planned for 2013. The foundry is also allocating capex in 2012 to expand production capacity at its three existing locations of fabs; it also appears poised to construct a new fab in Abu Dhabi. It is pushing forward new capex plans to adopt the latest process rule, 32 nm, as well as the next-generation standard of 28nm.

● **[Table 5] Capex Plans of Major Chipmakers and Foundries**

(\$ million)		2009	2010	2011	2012 Fcst.
Intel	Logic	4,515	5,207	10,764	12,500
Samsung	DRAM/NAND	3,518	10,948	9,200	12,200
TSMC	Foundry	2,687	5,936	7,333	6,000
Total		10,720	22,091	27,297	30,700
【Growth】					
Intel		n.a.	15.3%	106.7%	16.1%
Samsung		n.a.	211.2%	-16.0%	32.6%
TSMC		n.a.	120.9%	23.5%	-18.2%
Total		n.a.	106.1%	23.6%	12.5%

Note: Prepared by Trias Corp. with the data disclosed by each company

As mentioned earlier, Lasertec's new products in its MATRICS Series, the X700, and maskblanks inspection system MAGICS have been performing well because the world's leading chipmakers have been making strategic investments in order to develop medium-term next-generation technologies. This is particularly true for the X700, which inspects haze (growth particles that form on masks).

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It appears to have a cost-performance advantage over a similar system offered by its closest competitor, the U.S.-based KLA-Tencor (NASDAQ: KLAC), and the leading chipmakers and foundries are turning to the Lasertec product in increasing numbers as a result.

In the LCD market, production of small- to medium-sized panels for use in smartphones has been going strong, while large panel sales have been weak due to a slide in sales of LCD televisions. The former, however, are not being produced in sufficient numbers to compensate for the decline in LCD TV panel sales. The Company's FPD-related systems business is thus expected to continue underperforming as a result of the anemic LCD market.

As for new fields such as the environment business, Lasertec believes that the PV cell market will undergo a short-term correction as a result of oversupply in 2011. On the other hand, the Company is stepping up efforts to market the two WASAVI Series products referred to above—the SICA6X and TROIS33—as R&D investment in SiC chips, followed by GaN-based wide gap semiconductors, has continued across the entire market.

FY6/12 Financial Forecast

Prior to the announcement of its Q2 FY6/12 business results, the Company issued an upward revision of its first-half forecast for the year; it kept to its initial forecast for the full year, however.

● [Table 6] FY6/12 Consolidated Financial Forecast

Consolidated (¥ million)	FY6/11		FY6/12				YoY Change	
	Actual	Weighting	1H Actual	2H Fcst.	Full Year Fcst.	Weighting	Amount	Ratio
Net Sales	12,722	100.0%	4,897	8,303	13,200	100.0%	478	3.8%
Semiconductor related systems	6,432	50.6%	3,703	5,967	9,670	73.3%	3,238	50.3%
FPD related systems	4,748	37.3%	399	1,231	1,630	12.3%	(3,118)	-65.7%
Laser microscopes	379	3.0%	283	467	750	5.7%	371	97.9%
Services	1,161	9.1%	511	639	1,150	8.7%	(11)	-0.9%
Operating Income	2,441	19.2%	734	1,866	2,600	19.7%	159	6.5%
Ordinary Income	2,295	18.0%	636	1,864	2,500	18.9%	205	8.9%
Net Income	1,517	11.9%	424	1,176	1,600	12.1%	83	5.5%
R&D Cost	1,011	7.9%	782	706	1,488	11.3%	477	47.2%
Depreciation and amortization	285	2.2%	126	142	268	2.0%	(17)	-6.0%
Capital Expenditure	47	0.4%	26	39	65	0.5%	18	38.3%
No. of Employees, excluding directors	233	n.a.	235	n.a.	240	n.a.	7	3.0%

Note: FY6/12 forecasts announced on January 31, 2012

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In the second half of FY6/12, Lasertec intends to bolster its semiconductor related business as a top priority in order to achieve the results mandated in the final year of Phase Zero of the Mid-Term Management Plan. It aims to increase the full-year order volume from ¥8,365 million recorded in FY6/11 to ¥12,600 million in FY6/12. In addition, R&D spending will be increased to ¥1,488 million, up ¥477 million over the previous fiscal year.

Moreover, Lasertec is committed to recovering the share it lost in the microscope market.

Question & Answer Session

Q1. What is the breakdown of orders received and sales by product?

A1. First of all, regarding our results for the first half of this fiscal year, mask inspection systems accounted for 50% of the ¥8.8 billion semiconductor related systems business in terms of orders received, while maskblanks inspection systems 45% and other products made for the remaining percentage. In our FPD related systems business, of the ¥100 million in orders, half was comprised of color filter repair systems; the rest from other products.

As for sales, of the ¥3.7 billion sold by the semiconductor related business, 55% of that was generated by mask inspection systems; 35% came from maskblanks inspection systems; and the remaining 10% was the result of other products. In FPD related systems business, color filter repair systems comprised almost all of the less than ¥400 million total.

As for the FY6/12 forecast orders, mask inspection systems make up over 45% of orders received for the ¥12.6 billion semiconductor related business, while maskblanks inspection systems should account for 50%; the rest come from other products. In the FPD related business, color filter repair systems should account for slightly less than 35% of the ¥300 million orders received, while the remaining 65% to be generated from large mask inspection systems as well as for PV cell related systems.

As for forecasted sales, of the ¥9.7 billion to be generated by the semiconductor related business, 50% should come from mask inspection systems and 40% from maskblanks inspection systems; other products should account for the remaining 10%.

Of the ¥1.6 billion generated by the FPD related business, color filter repair systems should account for slightly over 85% and the rest coming from large mask inspection systems and other products.

Q2. How is the development of EUVL maskblanks inspection system progressing?

A2. We are presently engaged in a collaborative venture with the EUVL Infrastructure Development Center, Inc. (EIDEC) and expect to begin development on a EUVL maskblanks inspection system by the end of 2013.


Q3. Are you expecting more orders for advanced processing from TSMC, Taiwan Semiconductor Manufacturing Co. , next year?

A3. The more extensive the employment of the advanced ArF exposure process, the easier it is for haze to develop. We believe the trend in which chipmakers and foundries purchase our system to inspect for haze will continue into FY6/13. Additionally, because logic foundries require a large number of masks, we project that demand for our system, led largely by the top makers, will continue for some time.

Q4. How high are your expectations for the TSV inspection system?

A4. Compared to what was expected two years ago, the market for such systems has yet to take off. However, we believe investment in TSV will begin from either this year or next.

Q5. When do you think Lasertec will be shipping out its mask inspection systems for small- and medium-sized high definition LCDs?

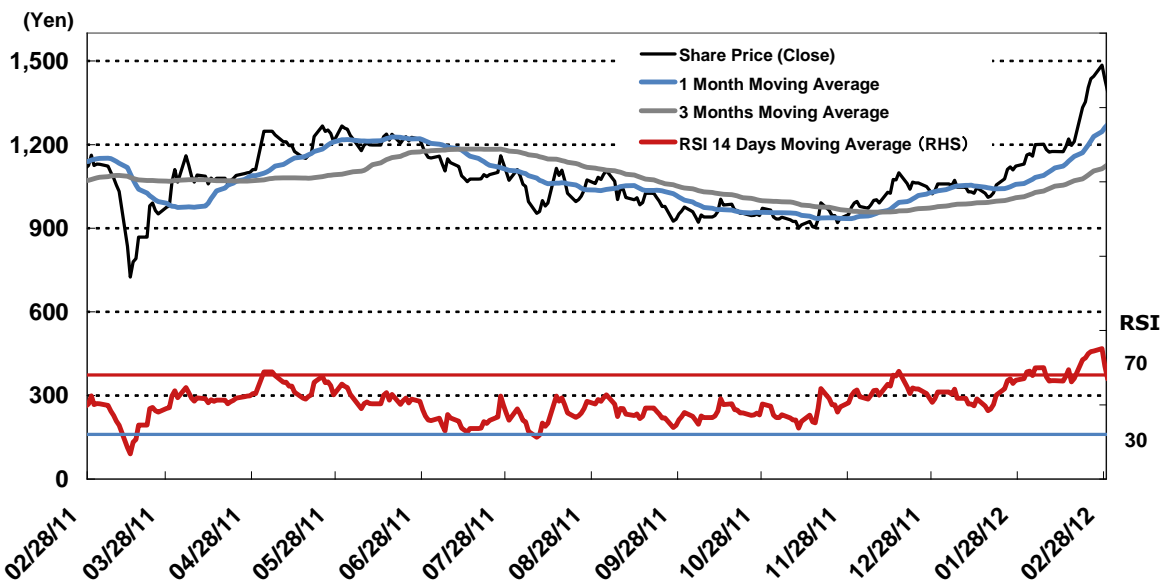
A5. While the high-definition trend of smartphone panels is progressing, we expect to begin shipping out mask inspection systems for these high-def LCDs from FY6/13 or later. 

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)	Feb.28, 2012	16,913	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 fcst.	8.6	ROE=Current Net Income÷Averaged Shareholders' Equity of beginning of term and term end		
PCFR (times)	Jun.2011	8.0	ROA=Current Net Income÷Averaged Total Assets of beginning of term and term end		
PBR (times)	Jun.2011	1.0	PCFR=Market Value÷(Current Net Income+Depreciation)		
Share Price (¥)	Feb.28, 2012	1,435	Average Daily Volume=Ave. Daily Volume for previous 12months		
Unit Share (shs)	Jun.2011	100	Interest-Bearing Debts Ratio=I.B.D.÷Shareholders' Equity		
Average Daily Volume (shs)	Feb.28, 2012	22,538	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 Actual	4,897	734	636	424	37.68	n.a.
FY6/12 Fcst.	13,200	2,600	2,500	1,600	142.03	43.00

Note: FY6/12 forecasts announced on January 31, 2012

● 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=averaged share price appreciation for N days ÷ (averaged share price appreciation for N days + averaged share price decline for N days) × 100

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