

Trias Company Memo
15-Mar-2010

(6920 / JASDAQ) Lasertec Corporation
Summaries of Business Results for the Second Quarter of FY6/10
and Follow-Up Company Visit

Following the Business Results Meeting for Q2 of FY06/10, Trias Corporation visited Lasertec Corporation (hereinafter Lasertec or the Company) to interview President Osamu Okabayashi. The following is the summary of the interview. As for the summary of the Business Results Meeting, please see the [Trias Company Memo of February 9, 2010](#).

[Lasertec's Operating Environment]

Our earnings, particularly in this fiscal year (July 2009-June 2010), will most likely be influenced by the macro-environment in which we operate and the impact of new applications on the market.

In spite of the recovery in semiconductor production, investment in new production capacity remains modest, but companies are spending more to upgrade existing facilities in order to handle finer pattern technologies. Korean, Taiwanese and Japanese semiconductor makers are leading in capital expenditures for DRAM production. Korean and Japanese companies are also the biggest spenders on flash memories, while Intel and foundries are the main players in logic ICs. These developments allow us a clearer picture of the type of demand for the respective makers. In this situation, GLOBAL FOUNDRIES (hereinafter GF)* has emerged as a new player. GF is a U.S. chipmaker that currently ranks third among semiconductor foundries, after TSMC and UMC of Taiwan. GF has fabrication plants in two countries—Fab1 in Dresden, Germany, which it took over from Advanced Micro Devices (hereinafter AMD)** of the US, and Fab2-7 in Singapore previously owned by Chartered Semiconductor Manufacturing***. GF plans to expand production capacity of Fab7 in Singapore and Fab1 in Dresden, as well as build a new plant, Fab8, in New York, slated to commence production in 2012. Facility upgrades for Fab1 and Fab7 will be to meet demand from existing markets, but Fab8 is expected to cater to new demand, including that generated from Europe and the US. This suggests that East Asian dominance of the market may be shifting somewhat.

* GLOBAL FOUNDRIES: Launched in October 2008 as “The Foundry Company,” GF was officially established in March 2009 under its present name. GF is a joint venture between AMD and Advanced Technology Investment Company (hereinafter ATIC), an investment institute of the U.A.E. Headquartered in California, GF's corporate organization is comprised of semiconductor division spun off from AMD and Chartered Semiconductor Manufacturing, which was acquired by the JV on January 13, 2010. GF engages in semiconductor fabrication and development services to more than 150 fab-less and fab-light makers, including AMD, IBM, Qualcomm and ST Microelectronics.

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- ** AMD: US chipmaker launched in 1969 that offers a product lineup consisting primarily of microprocessors and flash memories.
- *** Chartered Semiconductor Manufacturing: Formerly the world's third-largest semiconductor foundry purchased by ATIC for S\$5.6 billion (c.¥364 billion) in September 2009.

With regard to FPD (Flat Panel Displays) market, many new LCD plants are being constructed in China, though non-Chinese makers have not yet been permitted to build plants in the country due to Chinese government's policy of protecting domestic companies. It is a consensus now that China will be the center of global FPD investments in the future, but all depends upon Beijing's decision whether large-scale investments actually will increase or not. At this point, all we can count is Chinese makers' investment demands for 8G plants. Investments for larger masks than 10G are more important for Lasertec's business, such as additional investment in Sharp's 10G plant in Sakai, which started production last autumn, and expected ramp-up of Samsung's 11G. These demands, however, remain uncertain in short-term.

[Lasertec's R&D and Future Management Strategy]

When juxtaposing Lasertec's business framework upon the aforementioned market environment, the Company's semiconductor related business is comprised of photomask inspection and silicon wafer inspection systems. Our photomask inspection system business is closely tied to investments in finer pattern technology, with our largest competitor being KLA-Tencor, a major US maker of semiconductor inspection and measurement systems. Developed last year, our MATRICS X700 Series photomask inspection system, with its greatly improved defect detection capability, provides us with a competitive advantage in cost performance. The volume of customer inquiry for the product has been high, and we expect the X700 series to generate several billion yen in sales in the future.

PROMHAZE is another system we developed last year which removes the buildup of haze or chemical agents on photomasks, which occur when using short wavelength (ArF wavelength) steppers. In the past, semiconductor device makers had to return their photomasks to mask makers to remove haze, but PROMHAZE eliminates that need, allowing chipmakers to remove buildup on their own. When used together with the X700 series, it becomes possible for a chipmaker to detect haze at an earlier stage and prevent the lowering of batch yields, thereby providing chipmakers total control over the photomask production process. However, it will take several months to fully assess the compatibility of PROMHAZE with that production process, as it differs by client—meaning orders will likely begin coming in this summer or by autumn. Still, once it is accepted by the market, it could generate sales of more than ¥1 billion.

As seen in Chart 1, the trends in orders and sales have become increasingly volatile. This is due to two factors: First, the size of a single order has increased over the past few years, particularly in FPD related systems; and secondly, the global economic slowdown is leading to frequent delays

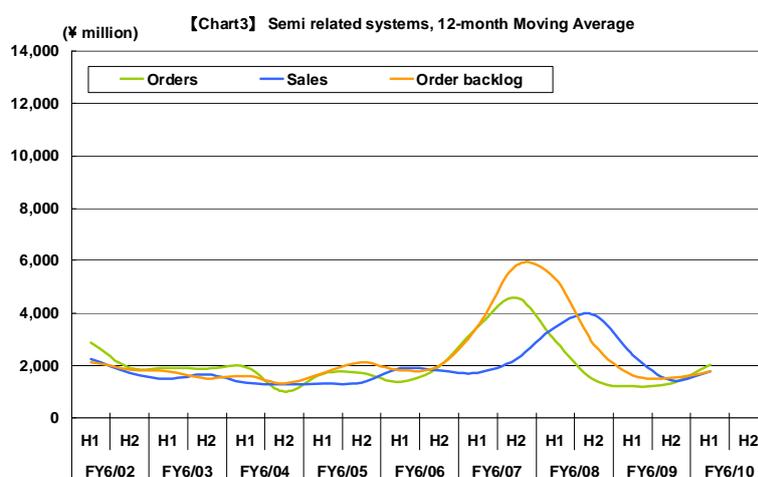
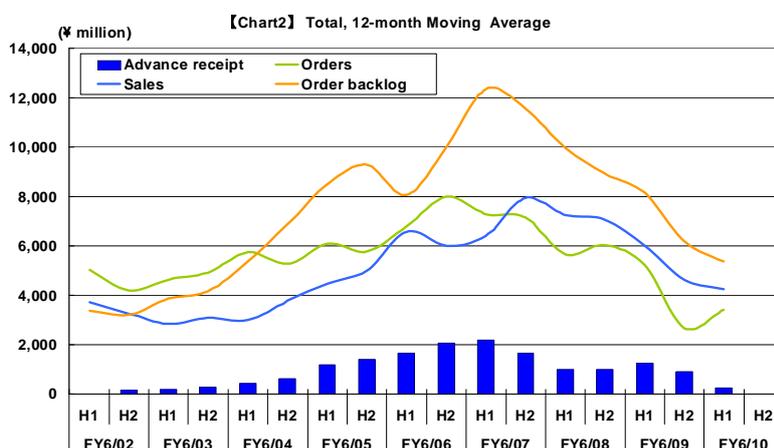
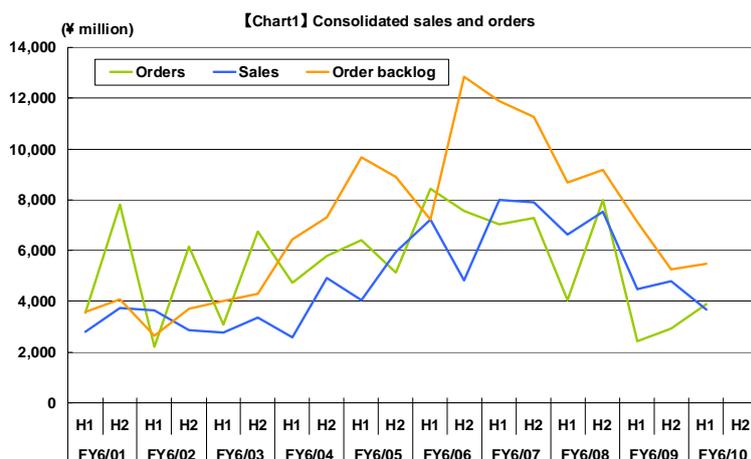
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of projects.

In addition, the time-lag between receipt of an order and the posting of sales is sizeable because we operate under accounting rules that recognizes orders as sales on an acceptance basis. In our semiconductor related business, it takes six to nine months for an order to be posted as sales; for our LCD related business, that time-lag may extend to as long as one year. All these factors have conspired to create earnings instability.

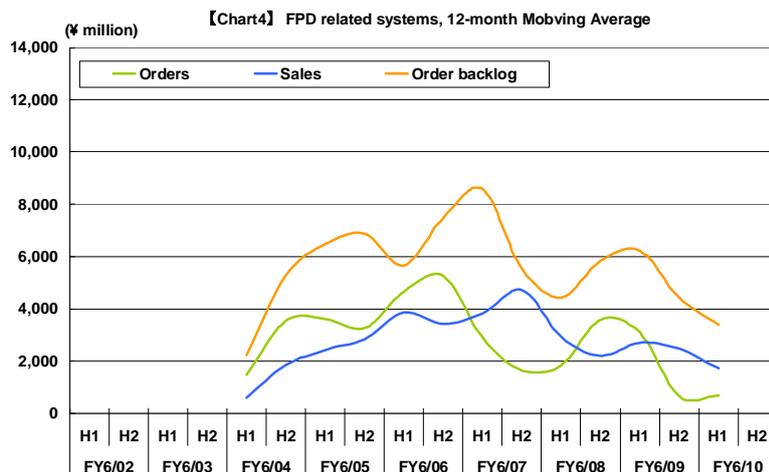
While the Company's earnings will invariably remain vulnerable to changes in the macro-environment, Lasertec aims to develop new demand, new markets and new applications with new technologies. We are committed to the constant upgrading of our R&D capabilities so that we can continuously develop and release new products on an annual basis, launching products with major potential every two years or so.

Concurrent to this effort, we need to visualize the future of our business framework. The photomask inspection system market is worth ¥20-30 billion; the market for mask blanks is ¥2-3 billion, of which a mere ¥200-300 million come from a number of specialized inspection systems. For instance, we introduced the SICA61 inspection system for silicon carbide (SiC) wafers last year, targeting a new market based on a new material used in power semiconductor devices that will support highly efficient power conversion technologies. Although this market has ample potential for growth, if applications are limited to the development of niche new material-based power



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devices, the potential market size for SIC61 may not reach that of mask blanks inspection systems. I believe Lasertec will have take steps that will help us better visualize our businesses, enabling us to arrive at projections not only of a product and its potential market, but the potential market of a product based on its use in the production process as well as its use in other applications, mapping out a product portfolio.



[Capture the Trends]

It has been difficult to describe the major business trends of Lasertec due to the dynamic changes in our operating environment. As mentioned above, our order-to-sales time-lag is sizeable. It may therefore be meaningful to capture the Company's business trends in the future by employing, for example, moving average data from the entire year. If seen in this manner, we feel that our semiconductor business is now on a rebound, while it may a bit longer before our LCD business will see an improvement, although the worst phase seems to have passed.

(This concludes the Trias Company Memo)

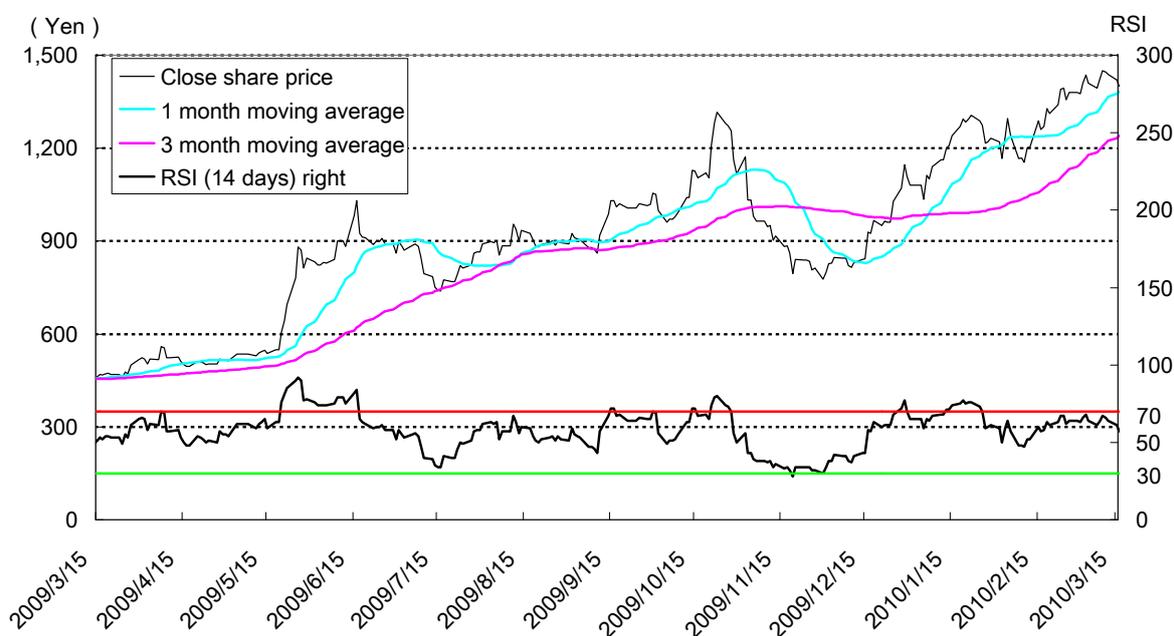
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[Reference] Lasertec Corporation (Securities Code: 6920)
Key Financial Data and Business Results (Consolidated)

Key Stock Indicators (Consolidated)			Key Financial Data (Consolidated)	
No. of Shares Issued	Dec. 09	11,785,800	Total Assets (¥million)	Jun. 09 19,867
No. of Treasury Stock	Dec. 09	522,727	Shareholders' Equity (¥million)	Jun. 09 11,922
Market Value (¥million)	Mar.15, 2010	16,500	Interest-Bearing Debt (¥million)	Jun. 09 6,100
BPS (¥)	Jun. 09	1,058.5	Equity Ratio (%)	Jun. 09 60.0
ROE (%) ※1	Jun. 09	△ 5.2	Ratio of Interest-Bearing Debt (%) ※4	Jun. 09 51.2
ROA (%) ※2	Jun. 09	△ 3.1	Free Cash Flows (¥million) ※5	Jun. 09 △ 1,726
PER (times)	FY6/10 est.	78.9	※1 ROE=Current Net Income ÷ Averaged Shareholders' Equity of beginning of term and term end	
PCFR (times) ※3	Jun. 09	△ 91.7	※2 ROA=Current Net Income ÷ Averaged Total Assets of beginning of term and term end	
PBR (times)	Jun. 09	1.3	※3 PCFR=Market Value ÷ (Current Net Income+Depreciation)	
Share Price (¥)	Mar.15, 2010	1,400	※4 Average Daily Volume=Average Daily Volume for previous 12months	
Unit Share (shares)	Mar.15, 2010	100	※5 Ratio=Interest-Bearing Debts ÷ Shareholders' Equity	
Average Daily Volume (shares)	Mar.15, 2010	32,377	※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
FY6/10 2Q	3,660	△ 80	△ 61	△ 96	△ 8.5	-
FY6/10 fcst.	9,700	430	370	200	17.8	15.00

Note: FY6/10 forecasts announced on Feb. 1, 2010

Stock price charts and RSI


Source: Prepared by Trias Corp. with Bloomberg B.P. 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) x100

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