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CORPORATE GOVERNANCE REPORT

Last updated on September 26, 2018

Lasertec Corporation
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The status of our corporate governance is as follows:

I. Basic views on corporate governance, capital structure, corporate attributes, and other basic information

1. Basic views

Our corporate philosophy since foundation is “Create unique solutions. Create new value.” This founding philosophy continues to hold true today even after our success in becoming a publicly-traded company in pursuit of higher customer confidence and more corporate strengths. We are striving to increase our enterprise value by successively launching products that help us achieve customer satisfaction and contribution to the progress of society. We are also striving to establish a management structure worthy of the trust of shareholders and investors, and maintain and improve such a structure, by attaining higher transparency as a publicly-traded company and actively taking various measures that ensure sound management. We recognize that these efforts are essential to meet the expectations of shareholders and all other stakeholders.

[Reason for not being compliant with any of the principles of Corporate Governance Code]

This report is written for the principles provided in Corporate Governance Code prior to the revision of June 2018. We are planning to update the report around December 2018 based on the revised Corporate Governance Code.

We are compliant with all of the principles of Corporate Governance Code.

[Disclosure pursuant to the principles of Corporate Governance Code]

This report is written for the principles provided in Corporate Governance Code prior to the revision of June 2018. We are planning to update the report around December 2018 based on the revised Corporate Governance Code.

<Principle 1.4 Cross-shareholdings>

We decide on shareholding in a listed company’s stock after weighing its overall merits in light of business strategy, trade relationship and others. We do not engage in a so-called “cross-

shareholding" unless it is beneficial for increasing our enterprise value in the mid to long term. We will conduct an annual review to judge whether it is appropriate to continue the cross-shareholding.

We also see the exercise of our voting rights in a cross-shareholding stock as an important tool to increase the enterprise value of the subject company and therefore use it in a way that leads to an increase in the subject company's enterprise value and shareholder returns in the mid to long term.

<Principle 1.7 Related party transactions>

We stipulate in the rules of the Board of Directors that a Director's engagement in a transaction that competes or conflicts with the Company's interests is a matter requiring approval by the Board of Directors. A Director who has engaged in a transaction that competes with the Company's interests or who has engaged in a transaction with the Company or its group company must report material facts about the transaction to the Board of Directors promptly.

If the Company engages in a significant or extraordinary transaction with a major shareholder, it will be subject to approval by the Board of Directors.

<Principle 3.1 Full disclosure>

(i) Company objectives (e.g., business principles), business strategies and business plans

Information about our corporate philosophy, mission, vision, and business strategies is available on our website at the following links:
https://www.lasertec.co.jp/en/company/greeting/index.html
https://www.lasertec.co.jp/en/ir/plan/strategy.html

(ii) Basic views and guidelines on corporate governance based on each of the principles of the Code

See "1. Basic views" above.

(iii) Board policies and procedures in determining the remuneration of the senior management and Directors

The remuneration of a Director consists of fixed monthly pay and performance-based bonus and stock option. The monthly pay is determined based on social trends and business environment. The bonus and stock option are determined based on the evaluation of the Director's position, responsibilities, and performance together with the Company's performance in the fiscal year. The President decides the amount of remuneration for each Director, under authority delegated by the Board of Directors, after hearing the opinion of the Compensation Committee, an advisory organ for the President.

(iv) Board policies and procedures in the appointment of the senior management and the nomination of Director candidates and Audit & Supervisory Board Member candidates

Our policy on the appointment of Directors and Audit & Supervisory Board Members is that we make a careful review of candidates' personality, acumen and other traits without regard to their gender, age or nationality, and choose the right people who are capable of fully discharging the duties and responsibilities.

Under this policy, the President makes a proposal to the Board of Directors, and the Board approves it by resolution.

(v) Explanation with respect to the individual appointments and nominations in the Board's appointment of the senior management and the nomination of Directors

The reason for the nomination of each candidate for Director or Audit & Supervisory Board Member is explained in “Reference Documents for General Meeting of Shareholders.”

<Supplementary Principle 4.1.1 Scope of delegation to the management>

Our rules of the Board of Directors provide a list of matters that are subject to approval by the Board either because it is required by law or because it is deemed appropriate to do so for their significance, nature or any other reason even though it is not explicitly required by law. We make decisions about these matters at the Board of Directors.

The execution of duties other than the matters mentioned in the preceding paragraph is delegated to individual Directors and others. The Board of Directors supervises the execution of such duties by the Directors and others.

<Principle 4.8 Effective use of independent outside directors>

We have two or more Independent Directors elected to the Board who have excellent ability and experience. Each of them has a wide scope of knowledge and useful professional expertise and is making contributions to the sustainable growth of the Company.

<Principle 4.9 Independence standards and qualification for independent outside directors>

We judge independence based on the following criteria when nominating a candidate for Outside Director:

(1) The candidate is not serving or has no history of serving as a director, auditor, executive officer, operating officer, or employee of Lasertec or its affiliates in the last 10 years;

(2) Relationship with major shareholder:

The candidate is not a major shareholder owning 10% or more voting-right shares (or not a director, auditor, executive officer, operating officer, or employee of a company that is a major shareholder);

(3) Relationship with major trading partner:

The candidate is not a director, auditor, executive officer, operating officer, or employee of a major trading partner of Lasertec or any of those listed below and has no history of serving as an executive director, executive officer, or operating officer of a major trading partner of Lasertec or any of those listed below in the last 10 years.

- A major trading partner of Lasertec: a company with whom we recorded a volume of trade worth 5% or more of our consolidated sales in each of the last 3 years.
- A company whose major trading partner is Lasertec: a company whose trading volume with Lasertec is worth 5% or more of its consolidated sales in each of the last 3 years.
- A major lender to Lasertec: a financial institution whose average annual lending to Lasertec is more than 2% of our total asset.

(4) Relationship with professional service provider (attorney, CPA, consultant, etc.):

The candidate is not an attorney, certified public accountant, consultant or any other professional who earns 10 million yen or more from us annually as monetary or any other compensation, except for the compensation for serving as a member of the Board of Lasertec.

(5) Relationship with financial auditor:

The candidate is not a representative partner or partner of our financial auditor.

(6) Relationship with organization receiving donation or assistance from us:

The candidate is not an officer or employee of an organization that receives more than 10 million yen from us annually in donation or assistance.

(7) Kinship

The candidate is not a spouse or a relative within the second degree of kinship of a director, auditor, operating officer, or any other important employee of Lasertec or its affiliates.

<Supplementary Principle 4.11.1 View on diversity and size of the board of directors>

We try to maintain a well-balanced composition and diversity in the Board of Directors by having Directors with different professional knowledge and experience on the Board. The Articles of Incorporation limit the maximum number of Directors to 10 to ensure swift decision making.

<Supplementary Principle 4.11.3 Analysis and evaluation of effectiveness of the board of directors>

We have conducted analysis and evaluation concerning the effectiveness of the Board of Directors to examine whether the Board is functioning properly as a whole.

1. Method of evaluation

We conducted a survey by asking all of our Directors and Audit & Supervisory Board Members to answer a questionnaire in June 2018 to analyze and evaluate the effectiveness of the Board of Directors during the fiscal year ended June 2018. After reviewing the result of this survey, the Board of Directors discussed the current status concerning the effectiveness of the Board, actions to be taken, and others at its meeting held in July 2018.

<Main items in the questionnaire>

(1) Size, composition and diversity of the Board of Directors
(2) Operation of the Board of Directors meetings (frequency, duration, proposed agenda, reference materials, etc.)
(3) Participation of Directors at the meetings (depth of understanding, active participation in discussion, etc.)
(4) Monitoring and supervision by the Board of Directors
(5) Auditing by the Audit & Supervisory Board Members
(6) Relationship with shareholders and investors

2. Outline of evaluation result

Through the analysis of the questionnaire and subsequent deliberations by the Board of Directors, we have concluded that our Board of Directors is playing its roles properly and that the effectiveness of the Board is ensured based on the following reasons:

- The Board of Directors is structured with an adequate size, composition and diversity to play its roles and responsibilities.
- The frequency of the Board meetings, the number of proposals at the Board, the contents of those proposals, and the duration of the Board meetings are all appropriate in general.
- The Board of Directors conducts deliberations thoroughly with all members in attendance, including Outside Directors and Outside Audit & Supervisory Board Members, actively contributing opinions.
- The Board of Directors effectively monitors the status of business execution and discharges its role and responsibility of supervision over individual Directors and the management.
- The Board of Directors is properly involved in the drafting and revising of the Company's business strategies and business plans based on clear understanding.
- The opinions of investors and shareholders about the Company are reported and analyzed properly at the Board of Directors.

<Supplementary Principle 4.14.2 Principle concerning the training of directors and audit & supervisory board members>

Newly-elected Directors and Audit & Supervisory Board Members are properly briefed on the legal responsibilities and other obligations of Board Members. They also participate in training conducted by outside institutions as necessary. We make sure that Outside Directors and Outside Audit & Supervisory Board Members are given an opportunity to be individually briefed on our management strategies, business contents, financial conditions, and others.

<Principle 5.1 Policy for constructive dialogue with shareholders>

We explain our management policy and the status of business in a clear and easily understandable manner to facilitate the understanding of shareholders. We also promote constructive dialogues with shareholders in our effort to achieve sustainable growth and to increase our enterprise value in the mid to long term.

We actively promote dialogues with institutional investors, particularly with those who are interested in having dialogues with us to help us pursue a long-term growth of enterprise value. Such dialogues will be conducted mainly by the President and the Director in charge of investor relations.

For day-to-day dialogues with shareholders and investors, the department in charge of investor relations (Corporate Planning Office) is tasked to coordinate financial results briefing meetings and interviews with investors and analysts while General Affairs Department serves as our point of contact for matters concerning the general meeting of shareholders. They work in coordination and cooperation with Treasury & Accounting Department.

We keep in mind that our disclosure materials are informative and giving accurate and unbiased information to shareholders and investors. We keep the management informed of feedback from shareholders and investors.

When conducting dialogues, we adhere to our internal rules and manage insider information properly. To prevent insider information leaks, we regularly educate employees through lectures, via the Intranet, and using other available tools.

2. Capital structure

Ratio of shares owned by foreigners	30% or higher

[Major shareholders]

Name of shareholder	Number of shares owned	Ratio (%)
BBH for Matthews Japan Fund (standing proxy: MUFG Bank, Ltd.)	2,123,300	4.70
Japan Trustee Services Bank, Ltd. (trust account)	2,009,200	4.45
Yasuko Uchiyama	2,003,200	4.44
Hiroshi Uchiyama	1,741,600	3.86
The Master Trust Bank of Japan (trust account)	1,697,000	3.76
MUFG Bank, Ltd.	1,504,000	3.33
Shu Uchiyama	1,394,000	3.09
State Street Bank and Trust Company (standing proxy: HSBC Bank Tokyo Branch)	1,360,688	3.01
Setsuko Maeda	1,293,600	2.86
Uchiyama Holdings	807,600	1.79

Do you have a controlling shareholder (except parent company)?	--
Do you have a parent company?	No

Supplementary information

We have 2,054,078 shares of treasury stock, which is not on the list of major shareholders above. The ratio of each major shareholder is calculated after subtracting the number of treasury shares from the total number of shares.

3. Corporate attributes

Stock exchange and market segment where the company's stock is listed	Tokyo Stock Exchange, First Section
Fiscal year-end	June
Industry category	Electrical equipment
Number of employees at end of last fiscal year (consolidated)	From 100 to fewer than 500
Sales in last fiscal year (consolidated)	From 10 billion to less than 100 billion yen
Number of consolidated subsidiaries at end of last fiscal year	Fewer than 10

4. Policy on measures to protect minority shareholders in conducting transactions with controlling shareholder

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5. Other special factors that may have material impact on corporate governance

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II. Status of management organization and other corporate governance structures related to decision making, execution of duties, and supervision

1. Matters related to the structure and operation of organization, and others

Organization form	Company with Audit & Supervisory Board

[Members of the Board of Directors]

Maximum number of directors allowed by the articles of incorporation	10
Term of director under the articles of incorporation	1 year
Chairman of the board of directors	President
Number of directors	8
Do you have any outside director?	Yes
Number of outside directors	3
Number of outside directors filed as independent directors	3

Outside Directors' relationship with the Company (1)

Name of Outside Director	Attribute	Relationship with the Company(Notes)										
		a	b	c	d	e	f	g	h	i	j	k
Nobuhiro Kajikawa	Former executive of a third-party company								△			
Minoru Ebihara	Former executive of a third-party company								△			
Takayuki Shimoyama	Former executive of a third-party company								△			

(Notes)
- The symbols in the space above indicate the type of relationship between the named person and the company.
- A white circle (○) indicates that the named person is in this position at present or has been in this position until recently whereas a white triangle (△) indicates that the named person was in this position in the past.
- A black circle (●) indicates that the named person's close relative is in this position at present or has been in this position until recently whereas a black triangle (▲) indicates that the named person's close relative was in this position in the past.

a. Executive of the listed company or its subsidiary
b. Executive or non-executive director of the listed company's parent company
c. Executive of the listed company's sister company
d. Someone whose major trading partner is the listed company, or its executive if it is a company
e. Major trading partner of the listed company, or its executive
f. Consultant, accounting professional, or legal professional who earns a large monetary or other compensation from the listed company other than the compensation for serving as the director of the listed company
g. Major shareholder of the listed company (or executive of an entity that is a major shareholder)
h. Executive of a trading partner of the listed company (if neither d, e nor f applies) (This is marked only when it applies to the named person himself/herself)
i. Executive of a company where an executive of the listed company sits at the board as an outside member in exchange. (This is marked only when it applies to the named person himself/herself)
j. Executive of a company to which the listed company makes contribution. (This is marked only when it applies to the named person himself/herself)
k. Others

Outside Directors' relationship with the Company (2)

Name of Outside Director	Independent	Supplementary information about the marked category	Reason for appointment
Nobuhiro Kajikawa	Yes	Nobuhiro Kajikawa worked for Tokyo Electron Ltd. more than 10 years ago and retired from one of its subsidiaries. Lasertec has sold its products to Tokyo Electron Ltd., but the percentage of the sales to Tokyo Electron over the total sales of Lasertec is insignificant, approximately 0.001%. Because the business volume and frequency are not so significant as to affect our business and other decisions, Mr. Kajikawa is considered an independent outside director based on the criteria set by the Tokyo Stock Exchange and our own criteria.	Mr. Kajikawa is experienced in the business of semiconductor and FPD manufacturing equipment. We expect his experience and wide-ranging knowledge to be reflected in the management of the Company. No special interest exists between Mr. Kajikawa and Lasertec. It is unlikely that conflicts of interest with general shareholders arise from his appointment.
Minoru Ebihara	Yes	Minoru Ebihara used to work for current Hewlett-Packard Japan, Ltd. and Agilent Technologies. Lasertec had no business with either of these companies in the last fiscal year. Because the business volume and frequency are not so significant as to affect our business and other decisions, Mr. Ebihara is considered an independent outside director based on the criteria set by the Tokyo Stock Exchange and our own criteria.	Mr. Ebihara has years of experience in the business of measurement and analysis equipment in the semiconductor, FPD and various other industries, and in the management of such business. We expect his experience and wide-ranging knowledge to be reflected in the management of the Company. No special interest exists between Mr. Ebihara and Lasertec. It is unlikely that conflicts of interest with general shareholders arise from his appointment.
Takayuki Shimoyama	Yes	Takayuki Shimoyama retired from current MUFG Bank, Ltd., with which Lasertec has business relationship, more than 20 years ago. Since then, he has worked for other	Mr. Shimoyama has years of experience in finance and overall management at financial institutions and business entities. We expect his experience and wide-

		companies that have no special relationship either with the bank or with Lasertec. Because Mr. Shimoyama is in no position to be influenced by the bank's will, he is considered an independent outside director based on the criteria set by the Tokyo Stock Exchange and our own criteria.	ranging knowledge to be reflected in the management of the Company. No special interest exists between Mr. Shimoyama and Lasertec. It is unlikely that conflicts of interest with general shareholders arise from his appointment.

Do you have any voluntary committee that is an equivalent of nomination committee or compensation committee?	Yes

Status of voluntary committees, composition of committee members, and chairman's attributes

	Name of committee	Members total	Full-time members	Executive director	Outside director	Outside expert	Others	Chairman
Equivalent of nomination committee	--	--	--	--	--	--	--	--
Equivalent of compensation committee	Compensation Committee	5	0	1	3	0	1	Executive Director

Supplementary information

The Compensation Committee is established as an advisory organ for the President to ensure that the remunerations of Directors are determined in a transparent and objective process. The Committee members consist of Outside Directors, Senior Audit & Supervisory Board Member, and the President.

[Status concerning Audit & Supervisory Board Members]

Do you have an audit & supervisory board?	Yes
Number of audit & supervisory board members set by the articles of incorporation	4
Number of audit & supervisory board members	3

Status of coordination among Audit & Supervisory Board Members, Financial Auditor, and the internal auditing department

Audit & Supervisory Board Members receive an annual audit plan from the Financial Auditor at the beginning of each fiscal year and have regular meetings with the Financial Auditor to exchange opinions. They also receive briefings on the results of quarterly and year-end financial audits and actively exchange opinions and information to conduct effective audits.

Audit & Supervisory Board Members receive an annual audit plan from the internal auditing department and stay informed of the progress of internal audits to conduct effective audits. They request a report from the internal auditing department as necessary and keep a close relationship to minimize the chance of materialized risks.

Do you have any outside member on the audit & supervisory board?	Yes

Number of outside members on the audit & supervisory board	2
Number of outside members of the audit & supervisory board filed as independent members.	1

Outside Members' relationship with the Company (1)

Name of Outside Audit & Supervisory Board Member	Attribute	Relationship with the Company(Notes)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Yuji Saito	Former executive of a third-party company										△			
Miyuki Ishiguro	Lawyer													

(Notes)
- The symbols in the space above indicate the type of relationship between the named person and the company.
- A white circle (○) indicates that the named person is in this position at present or has been in this position until recently whereas a white triangle (△) indicates that the named person was in this position in the past.
- A black circle (●) indicates that the named person's close relative is in this position at present or has been in this position until recently whereas a black triangle (▲) indicates that the named person's close relative was in this position in the past.

a. Executive of the listed company or its subsidiary
b. Non-executive director or accounting advisor of the listed company or its subsidiary
c. Executive or non-executive director of the listed company's parent company
d. Auditor of the listed company's parent company
e. Executive of the listed company's sister company
f. Someone whose major trading partner is the listed company, or its executive if it is a company
g. Major trading partner of the listed company, or its executive
h. Consultant, accounting professional, or legal professional who earns a large monetary or other compensation from the listed company other than the compensation for serving as a member of the board of the listed company
i. Major shareholder of the listed company (or executive of an entity that is a major shareholder)
j. Executive of a trading partner of the listed company (if neither d, e nor f applies) (This is marked only when it applies to the named person himself/herself)
k. Executive of a company where an executive of the listed company sits at the board as an outside member in exchange. (This is marked only when it applies to the named person himself/herself)
l. Executive of a company to which the listed company makes contribution. (This is marked only when it applies to the named person himself/herself)
m. Others

Outside Members' relationship with the Company (2)

Name of Outside Audit & Supervisory Board Member	Independent	Supplementary information about the marked category	Reason for appointment
Yuji Saito	Yes	Yuji Saito worked for Mitsubishi Electric Corporation more than 10 years ago and retired from one of its subsidiaries, SPC Electronics Corporation. Lasertec had no business with either Mitsubishi Electric or SPC Electronics	Mr. Saito has years of experience in the business of electrical equipment and electronics and in the management of such business. We expect him to carry out objective and neutral audits from a

		in the last fiscal year. Because the business volume and frequency are not so significant as to affect our business and other decisions, Mr. Saito is considered an independent outside member based on the criteria set by the Tokyo Stock Exchange and our own criteria.	broad perspective based on his experience and wide-ranging knowledge. No special interest exists between Mr. Saito and Lasertec. It is unlikely that conflicts of interest with general shareholders arise from his appointment.
Miyuki Ishiguro		Ms. Ishiguro has no legal advisory contract or any other contractual relationship with Lasertec, and the law firm to which she belongs has no legal advisory contract or any other contractual relationship with Lasertec. Ms. Ishiguro is an outside director of Miraca Holdings Inc. and an outside auditor of Benesse Holdings Inc. Lasertec has no business relationship with either Miraca Holdings or Benesse Holdings. We therefore consider Ms. Ishiguro to be a highly independent outside member of our Audit & Supervisory Board, but the law firm to which she belongs has a policy that it does not allow its member lawyers to be registered as an independent member when serving on the board of a company. We therefore do not designate her as an independent member of the Board.	Ms. Ishiguro has abundant knowledge and experience as an attorney at law specializing in corporate law and has an experience of supervising corporate management as an outside director. We expect her to ensure that objective and neutral audits be carried out lawfully based on these experiences. No special interest exists between Ms. Ishiguro and Lasertec. It is unlikely that conflicts of interest with general shareholders arise from her appointment.

[Status concerning independent members of the board]

Number of independent members of the board	4

Other matters related to independent members of the board

[Status concerning incentives]

Status of adopted measures of incentives for directors	Stock options

Supplementary information

The stock acquisition rights we granted in accordance with the Companies Act of Japan are as follows:

- Date of the Board resolution for grant: March 9, 2007
- Total number of stock acquisition rights granted: 95
- Class and number of shares to be issued upon exercise of stock acquisition rights: 38,000 shares of common stock
- Exercise price of stock acquisition rights: 1 yen per share
- Exercise period of stock acquisition rights: From March 27, 2007 to March 26, 2027
- Stock issue price when shares are issued with the exercise of stock acquisition rights, and the amount of capitalization from the stock issue: stock issue price 566.75 yen per share; amount of capitalization 284 yen per share

Grantee of stock options	Executive Directors

Supplementary information

We introduced stock options as remunerations for Executive Directors to increase their motivation and morale to achieve better operating results and higher stock price as well as to give them a sense of shared interests with shareholders. The grantees of stock options may exercise their rights during the exercise period and, in principle, for 5 years after retirement from the Board of Directors.

[Status concerning remunerations for Directors]

Status of disclosure (of individual director remunerations)	Partial disclosure of individual remunerations

Supplementary information

In our operating results reports, we disclose the number of Directors and the sum of their remunerations as well as the number of Audit & Supervisory Board Members and the sum of their remunerations. We also disclose the number of Outside Directors and the sum of their remunerations as well as the number of Outside Audit & Supervisory Board Members and the sum of their remunerations. In our securities reports, we disclose the sum of remunerations for Directors (not including Outside Directors), for Audit & Supervisory Board Members (not including Outside Members), and for Outside Members of the Board. We also disclose the remuneration of each Director who receives 100 million yen or more.

Do you have a policy concerning the determination of remunerations or the method of remuneration calculation?	Yes

Disclosure of policy concerning the determination of remunerations or the method of remuneration calculation

The Compensation Committee is established as an advisory organ for the President to ensure that the remunerations of Directors are determined in a transparent and objective process.

The Committee members consist of Outside Directors, Senior Audit & Supervisory Board Member, and the President.

[Support system for Outside Directors (and Outside Audit & Supervisory Board Members)]

General Affairs Department serves as a liaison for Outside Directors. The secretariat of the Audit & Supervisory Board is responsible for the communication with Outside Audit & Supervisory Board Members. We have a system in place that ensures the attendance of Outside Directors and Outside Audit & Supervisory Board Members at various meetings and their access to important information whenever necessary.

[Status concerning retired presidents and representative directors]

Former presidents and representative directors who are serving as advisors and others

Name	Title/position	Duties	Terms of employment (full-time, part-time, compensation, etc.)	Date retired from president and others	Term of office
--	--	--	--	--	--

Total number of former presidents and representative directors who are servicing as advisors and others	0

Other information
None applicable

2. Matters concerning execution of duties, audit and supervision, appointment, determination of remuneration, and other functions (Outline of current corporate governance structure)

Because of the scale of business and the number of employees we have and because of the track record of successful audits by Audit & Supervisory Board Members, we have chosen to retain the structure of a company with an audit & supervisory board. To enhance transparency and sound management, we have appointed Outside Directors to the Board of Directors in addition to having Outside Members on the Audit & Supervisory Board.

The Board of Directors performs the duties set forth by laws and regulations and by the Articles of Incorporation, resolves on the matters of importance for the Company, such as the adoption of business plans, and supervises each Director's execution of duties. The term of the office of Director is 1 year. This allows us to ensure that Directors account for their performance in each fiscal year and that our management structure can quickly adapt to a changing business environment. A regular meeting of the Board of Directors is held once a month to make swift management decisions. If necessary, a special meeting may be held to discuss and resolve on the matters of importance.

As an advisory organ for the President that discusses the matters of importance concerning the execution of duties, we have put in place an institution called Management Meeting, which convenes once a month. The purpose is to assist proper decision making and to build a consensus on the execution of duties. The right of Audit & Supervisory Board Members to attend Management Meeting and state opinions is guaranteed under the rules of Management Meeting so that there is no lack of supervision over management decisions.

We have Compensation Committee as an advisory organ for the President to ensure that the remunerations of Directors are determined in a transparent and objective process. The Committee members consist of Outside Directors, Senior Audit & Supervisory Board Member,

and the President.

Audit & Supervisory Board Members are engaged in fair and strict audits while gathering information and promoting a good audit environment through communication with Directors and Auditing Office, an organ responsible for internal audits, in accordance with audit policy, audit plan and other decisions by the Audit & Supervisory Board. For example, they attend the Board of Directors meeting and Management Meeting, actively participate in other meetings, hear briefings on the status of execution of duties by Directors and others, review documents of important decision making and others, examine the status of business operation and assets, and conduct the oversight and review of the internal control system.

PricewaterhouseCoopers Aarata LLC is appointed as Financial Auditor to ensure that our financial statements are properly compiled and that its credibility is guaranteed.

3. Reason why we have chosen the current corporate governance structure

We have chosen the current corporate structure, which is based on the structure of a company with an audit & supervisory board, because we believe that our corporate governance should be centered on enhancing the function of the board of directors by appointing independent outside directors who have no special interest in the Company and who can therefore voice the opinions of general shareholders.

III. Status of implementation of measures related to shareholders and other stakeholders

1. Status of measures to vitalize the general meeting of shareholders and to facilitate the smooth exercise of voting rights

	Supplementary information
Early notification of the general meeting of shareholders	The convocation notice is dispatched 3 weeks before the date of the general meeting of shareholders.
Scheduling the general meeting of shareholders avoiding the peak day	Since our fiscal year-end is June 30, our ordinary general meeting of shareholders is held in September. It is not held on the peak day.
Allowing the electronic exercise of voting rights	The exercise of voting rights via electronic means is available.
Participation in an electronic voting platform and other action to improve the environment for voting rights exercise by institutional investors	We participate in the electronic voting platform provided by ICJ, Inc.
Providing convocation notice in English	We provide a Japanese text and an abridged English translation of our convocation notice on the ICJ platform, on the website of the Tokyo Stock Exchange, and on our website.

2. Status of IR activities

	Supplementary information	Representative executive's participation in briefing
Preparation and publication of disclosure	Our disclosure policy is available on our website.	

policy		
Regular briefings for analysts and institutional investors	We hold a meeting of financial results briefing semiannually on August and February. The president gives a briefing on business overview, financial summary, new products and other topics.	Yes
Regular briefings for overseas investors	We visit Europe, North America, and Asia to meet with overseas institutional investors every year, in principle, and give a briefing on business overview, financial summary, new products and other topics.	Yes
Posting of IR materials on website	President's message, financial results summary, IR schedule, stock price information, and disclosure materials are available on our website. There is also a space on the website where general shareholders can ask questions about IR.	
Having a department (individual) in charge of IR	In addition to having a Director in charge of IR, we have a department that performs IR-related tasks (Corporate Planning Office).	
Others	We conduct interviews with analysts and institutional investors.	

3. Status of measures to ensure that stakeholders are treated with respect

	Supplementary information
Having internal rules and others to ensure that stakeholders are treated with respect	Lasertec Action Guidelines state our action guidelines towards stakeholders including shareholders, customers, local communities, and employees.
Engaging in environmental protection, CSR and other activities	Our basic views and CSR activities are described in "Sustainability and CSR" page on our website.
Establishing a policy and others concerning information disclosure to stakeholders	We have a policy of timely, accurate and fair information disclosure. We make disclosure in accordance with the rules of information release set by the stock exchange. We also use our website to announce news release widely.
Others	We are actively engaged in efforts to make our workplace more hospitable to working mothers and to make it easier for employees to take childcare and nursing-care leaves so that women can play a more active role in society.

IV. Matters related to internal controls

1. **Basic policy on the establishment of internal control system and the status of establishment**

I. Internal control system that ensures proper conduct of business

Pursuant to the Companies Act of Japan and the Ordinance for Enforcement of Companies Act, we establish internal controls to ensure that the execution of duties by Directors complies with laws, regulations and the Articles of Incorporation and that the conduct of business by the Company as a stock corporation is proper.

1. Internal controls to ensure that the execution of duties by Directors and employees complies with laws, regulations and the Articles of Incorporation

(1) Matters of importance regarding the Company's management shall be discussed at monthly and special meetings of the Board of Directors in accordance with laws, regulations and the Articles of Incorporation.
(2) The Company's rules on Management Meeting, an advisory organ for the President, shall guarantee the right of Audit & Supervisory Board Members and Outside Directors to attend the Meeting and to state opinions on items on the agenda.
(3) In addition to audits mandated by laws, Auditing Office shall conduct internal audits pursuant to the Company's internal audit rules and shall report its findings directly to the President. In case the findings call for corrective action, the President shall direct the head of relevant department(s) to take corrective action and to report the result to him.
(4) Pursuant to the Company's rules on compliance management, the Company shall designate one of its Directors as executive officer in charge of compliance and clearly state its basic compliance policy. Besides, the Company shall clarify the basic duties of Directors and employees upon their encounter with compliance issues and establish management principles and a code of conduct which Directors and employees can refer to as a guideline of fair judgment and action when performing duties. The Company shall also establish a system to ensure compliance at the organization level and put in place a whistleblower protection system.
(5) The Company shall keep its internal controls updated on matters related directly or indirectly to accounting and financial reporting to prevent mistakes and misconduct that may jeopardize the credibility of the Company's financial reports.

2. Internal controls for proper recordkeeping and information management concerning the execution of duties by Directors

(1) To maintain proper records of decision making and reporting related to the execution of duties by Directors, the Company shall take minutes of the proceedings of the Board of Directors meetings and Management Meeting in accordance with the Company's rules on these meetings and shall keep each record for a period in accordance with laws and the Company's rules. Business decisions not discussed at these meetings but requiring management approval shall be made in accordance with the Company's approval procedure rules and their records shall be kept for a period in accordance with the Company's rules.
(2) The Company shall prepare, maintain, store and dispose of business documents in accordance with its document administration rules and shall keep them in good order and available for review by Directors and Audit & Supervisory Board Members and for auditing by the Financial Auditor.
(3) The Company shall protect its important information assets such as documents, digital records and information systems in accordance with its information security rules.

3. Internal controls to manage the risk of losses that may be incurred by Lasertec Corporation or by its subsidiaries

(1) The Company shall, at the time of its business planning and budget making, properly assess the risk of losses that may be incurred in operation and shall review the status of materialized risks and the extent of losses at its monthly Board of Directors meeting and Management Meeting as necessary to discuss and decide on necessary action. The Company shall manage its financial resources properly in accordance with its accounting and other rules and shall report the status of financial positions to the Board of Directors regularly.
(2) In response to a crisis such as loss of corporate assets and danger to its personnel in natural disaster, epidemic or any other event of force majeure, the Company shall promptly form a crisis response team headed by the President, gather information on the extent of losses, and take measures to contain and minimize losses in accordance with the Company's crisis management rules.

4. Internal controls to ensure efficiency in the execution of duties by Directors

(1) The Company shall appoint Outside Directors to the Board of Directors to enhance the decision-making and oversight functions of the Board. At the same time, the Company shall give more responsibilities to Executive Directors and shall streamline the decision-making process in execution of duties to respond quickly to changes in the business environment to achieve sustainable growth.
(2) The Company shall clearly define the scope of responsibilities for each department in accordance with its organization structure rules and its rules on the division and sharing of authorities and duties between departments and shall define responsibilities and authorities for each position in accordance with its executive authority rules and its approval procedure rules to ensure effective and efficient business operations.

5. Internal controls to ensure proper business operation of the Lasertec Group as a whole including subsidiaries

(1) The Company shall appoint a manager in charge of the oversight of subsidiary administration in accordance with its rules of subsidiary administration. This oversight manager shall perform the oversight of subsidiary administration in cooperation with other relevant departments of the Company.
(2) The status of important matters listed in the subsidiary administration rules shall be reported to the Board of Directors regularly either by the subsidiary's representative officer or by an executive of the subsidiary designated by the oversight manager.
(3) The Company's whistleblower protection system shall be applied to its subsidiaries as well.

6. Matters concerning employees who are tasked to assist the execution of duties by the Audit & Supervisory Board Members, matters concerning their independence from Directors, and matters concerning insurance of effectiveness of instructions to them

(1) If there is a request from Audit & Supervisory Board Member(s) to provide an assistant, the Company shall promptly provide one to meet their need. The appointment, change and appraisal of the assistant shall be subject to the prior consent of the Audit & Supervisory Board.
(2) Audit & Supervisory Board Members shall be free to give the assistant instructions they deem necessary for auditing. The assistant shall not be subject to the command and control of Directors in contradiction to instructions from the Audit & Supervisory Board Members.

7. Internal controls to safeguard voluntary and other reporting by Directors, officers and employees to Audit & Supervisory Board Members and to ensure that those who gave a report will not receive unfavorable treatment because of their reporting

(1) A Director, officer or employee of the Company or its subsidiaries who has found a matter that has caused or may cause serious damage to the Company or who has found an

illegal act or misconduct by an officer or employee shall report such matter, act or misconduct to the Audit & Supervisory Board immediately.

(2) Audit & Supervisory Board Members shall have the right to attend the Board of Directors meeting and other important meetings of the Company, including Management Meeting, to stay informed of decision-making processes and the status of operations related to important matters. They shall be authorized to review documents related to important management decisions and to request a report from Directors, officers and employees on their execution of duties.

(3) The whistleblower protection provided in the Company's compliance management rules shall be applicable to the act of whistleblowing to Audit & Supervisory Board Members. The Company shall not make dismissal, termination of employment contract or any other unfavorable treatment against the Director, officer or employee of the Company or its subsidiaries who gave a whistleblowing report because of their act of whistleblowing.

8. Matters concerning policy on advance payment or reimbursement of expenses for execution of duties by Audit & Supervisory Board Members and other procedures on treatment of expenses and debts for execution of their duties

The Company shall set aside a budget for expenses associated with the execution of duties by Audit & Supervisory Board Members. When an Audit & Supervisory Board Member requests a payment, including advance payment, for expenses or debts incurred for the execution of his/her duties, the Company shall make a timely payment.

9. Other internal controls to ensure effective auditing by Audit & Supervisory Board Members

(1) Audit & Supervisory Board Members shall have regular meetings for exchanging opinions with the Representative Directors of the Company and shall maintain proper communication with them and perform effective audits.

(2) Audit & Supervisory Board Members shall work in coordination with Financial Auditor and Auditing Office and shall maintain proper communication with them and perform effective audits.

2. Basic principles for exclusion of anti-social forces and establishment of internal controls for this purpose

As part of our effort to ensure proper business operation, the Company has adopted the following basic principles for the exclusion of anti-social forces and shall establish internal controls for this purpose:

1. The Company shall have no relationship with any anti-social forces endangering the safety and order of society and shall prohibit its Directors and employees from making use of, paying, supporting, aiding or having a relationship of any kind with such forces and with individuals and groups associated with such forces.

2. General Affairs Department shall oversee affairs related to anti-social forces and shall cooperate with attorneys and the police in the Company's response.

   1) In case the Company is approached by an anti-social force, it shall notify the police and other relevant authorities immediately. In case the Company receives a demand from such a force, it shall stand firmly against it, respond as an organization, and take legal action.

   2) The Company shall continue to be a member of the league of corporate defense against anti-social forces and shall stay informed of the current situations concerning anti-social forces in anticipation of an unexpected encounter with them.

V. Others

1. Defensive measures against acquisition attempts

Do you have any defensive measures against acquisition attempts?	No

Supplementary information

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2. Other information related to corporate governance structure

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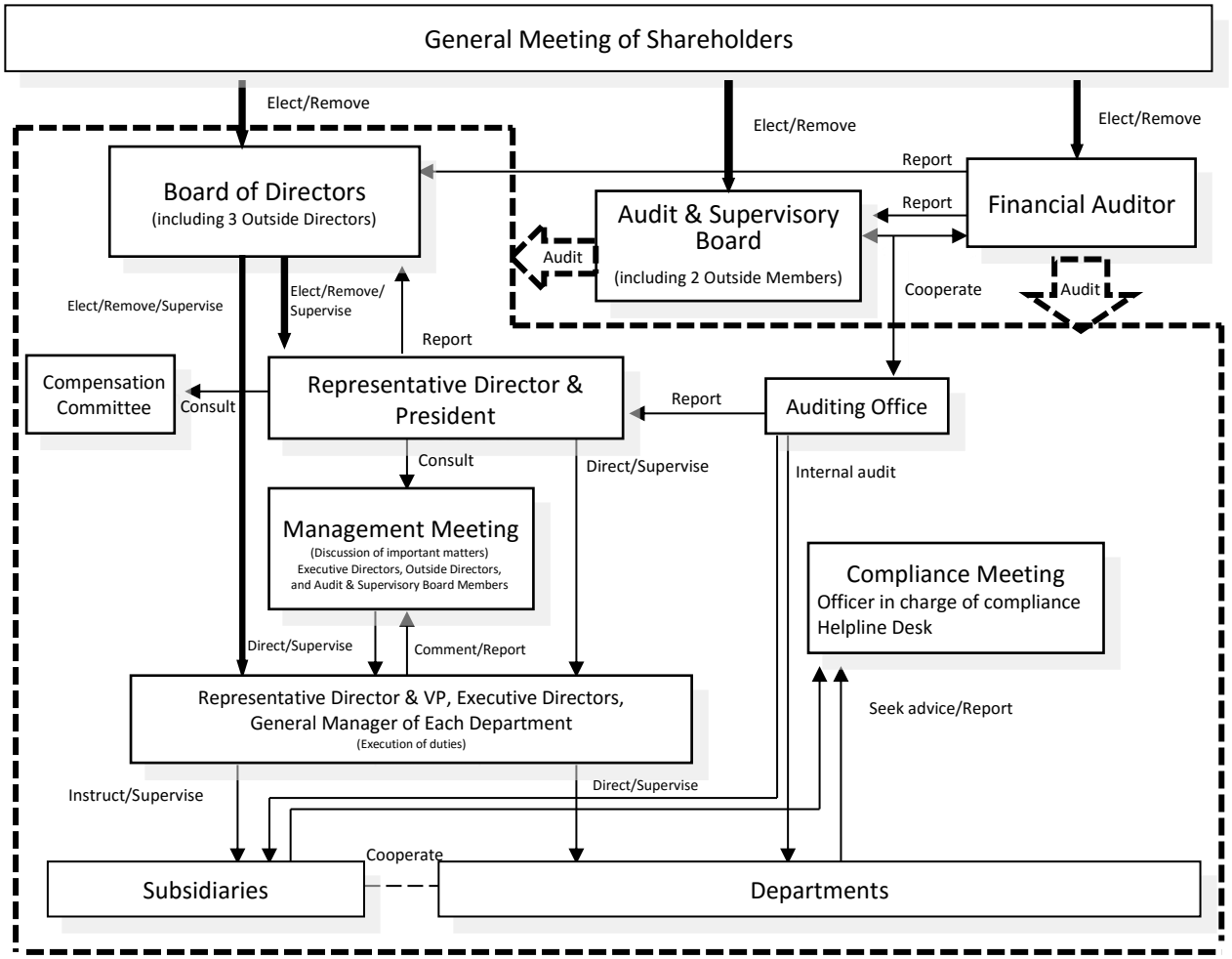
Governance Structure Diagram



Information Release Process Flows

