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Corporate Governance Report

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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 continuously developing 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]

<Principle 2.6 Roles of corporate pension funds as asset owners>

Our corporate pension plan is a defined-benefit plan, and the management of our pension fund is contracted out to outside asset management companies. We have put in place an asset management policy and entrusted the management of the fund to the outside companies in accordance with this policy, while our own staff are tasked to check the market value of the fund periodically.

We will enhance the skills of our staff by having them attend various training programs and monitor the status of fund management regularly to maintain an appropriate fund management environment. In this manner, we will enable our corporate pension fund to play the role expected of asset owners.

<Supplementary Principle 4.1.3 Succession plan for chief executive officer and other top executives>

The President engages in the training of his own successor and the successors of other top executives through daily business discussions with Executive Directors. Each Executive Director reports the status of his activities in Management Meeting and the Board of Directors meetings,

answers questions from other Directors, including Outside Directors, and from Audit & Supervisory Board Members, and participates in discussions. We believe this is a type of successor training, and the Board of Directors is fulfilling its supervisory role over successor training in this manner.

<Supplementary Principle 4.2.1 Percentage of executive remunerations determined by the mid- to long-term performance and proper balance of cash and stock compensations>

The remunerations of Directors are currently comprised of baseline pay and performance-based bonus and stock option. If it is deemed necessary, we will study whether to pay any remuneration determined by the mid- to long-term performance of the Company and what its percentage should be. We will also study the proper balance of cash and stock compensations as necessary.

<Supplementary Principle 4.10.1 Supervisory committee with a majority of its members comprised of independent outside directors>

We have 3 Independent Outside Directors on the Board of Directors. Although Independent Outside Directors do not constitute a majority of the Board members, they constitute a majority of the Compensation Committee, which is established as an advisory body for the President to ensure that the remunerations of Directors are determined in a transparent and objective process. The Committee members consist of 3 Independent Outside Directors, Senior Audit & Supervisory Board Member, and the President.

All the Independent Outside Directors actively participate in the nomination of Director candidates and give appropriate advice. The independence and objectivity of the Board of Directors on this matter are thereby ensured.

[Disclosure pursuant to the principles of 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. The Board of Directors will annually review the purpose and cost effectiveness of each cross-shareholding to judge whether it is appropriate to continue the cross-shareholding.

We also see the exercise of our voting rights to a cross-shareholding stock as an important tool to increase the enterprise value of the subject company. We carefully review all the proposals at the shareholder meeting and exercise our voting rights 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 our rules concerning 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 body for the President. Stock options are granted by the resolution of the Board of Directors.

(iv) Board policies and procedures in the appointment of 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 carefully review candidates’ personality, acumen and other traits without regard to their gender, age or nationality, and choose the right people who are capable of fulfilling the duties and responsibilities. Under this policy, the President proposes nominees to the Board of Directors, and the Board resolves on the proposal.

If a Director or Audi & Supervisory Board Member is found incapable of fulfilling the duties and responsibilities, the dismissal of the Director or Audit & Supervisory Board Member will be proposed at the Board of Directors meeting. Once the Board resolves on the dismissal, it will be proposed for approval at the General Meeting of Shareholders.

The appointment and dismissal of General Manager and higher ranks are subject to approval by the Board of Directors.

(v) Explanation with respect to the Board’s individual appointment or dismissal of senior management and/or the nomination of each Director or Audit & Supervisory Board Member candidate

The reason for the nomination of each Director or Audit & Supervisory Board Member candidate or for the dismissal of a 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 concerning the Board of Directors provide a list of matters that are subject to approval by the Board. These matters must be approved by the Board either because it is required by law or because it is 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 meetings.

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 4.9 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 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 creditor of 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 maintain 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.

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 2019 to analyze and evaluate the effectiveness of the Board of Directors during the fiscal year ended June 2019. 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 2019.

<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 material, 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 has an adequate size, composition and diversity to play its roles and fulfill its 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 adequate.
- The Board of Directors conducts thorough discussion 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 fulfill its responsibility of supervision over individual Directors and the Company's 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 contents and results of audits conducted by Audit & Supervisory Board Members are properly reported and discussed at the Board of Directors meetings.
- The opinions of investors and shareholders about the Company are reported and analyzed properly at the Board of Directors meetings.

<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. Outside Directors and Outside Audit & Supervisory Board Members are individually briefed on management strategies, business operation, financial conditions, and others.

<Principle 5.1 Policy for constructive dialogue with shareholders>

We communicate our management policy and the status of business clearly to facilitate the understanding of shareholders. We actively engage in constructive dialogue with shareholders to achieve sustainable growth and to increase our enterprise value in the mid to long term.

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

Corporate Planning Office is tasked to communicate with shareholders and investors on a daily basis and schedule financial results briefing meetings and interviews with investors and analysts. General Affairs Department is the point of contact for matters concerning the general meeting of shareholders, working in coordination and cooperation with Treasury & Accounting Department.

We keep in mind to make our disclosure materials informative and give accurate and unbiased information to shareholders and investors. We also keep the management informed of feedback from shareholders and investors.

When conducting dialogue, we adhere to our internal rules and manage insider information properly. To prevent insider information leaks, we regularly educate our 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 (%)
Japan Trustee Services Bank, Ltd. (trust account)	2,305,400	5.11
The Master Trust Bank of Japan (trust account)	2,018,900	4.47
Yasuko Uchiyama	2,003,200	4.44
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	1,855,272	4.11
Hiroshi Uchiyama	1,741,600	3.86
MUFG Bank, Ltd.	1,504,000	3.33
Shu Uchiyama	1,394,000	3.09
Setsuko Maeda	1,293,600	2.86
MLI FOR CLIENT GENERAL OMNI NON COLATERAL NON TREATY-PB	981,400	2.17
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 2,054,196 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 sales 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 3 fiscal years. 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 companies that have no	Mr. Shimoyama has years of experience in finance and overall management at financial institutions and business entities. We expect his experience and wide-ranging knowledge to be

		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.	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 body 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.

The President determines the monthly pay and bonus of each Director under the authority delegated by the Board of Directors. The President submits a remuneration plan to the Compensation Committee and hears its opinion before making a final decision.

In the last fiscal year, the Compensation Committee meetings were held twice. All the Committee members attended both meetings.

[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 regularly meet 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

may request a report from the internal auditing department as necessary and stay in touch with them closely to minimize 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.
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- 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	Mr. Saito has years of experience in the business of electrical equipment and electronics and in the

		Electronics Corporation. Lasertec has sales to Mitsubishi Electric in the last fiscal year, but the percentage of the sales to Mitsubishi Electric over the total sales of Lasertec is insignificant, less than 0.001%. 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.	management of such business. We expect him to carry out objective and neutral audits from a 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	Adoption of performance-based compensation system and stock options

Supplementary information

Performance-based compensation system:
Our performance-based bonus and stock option are clearly linked to our business performance. We determine performance-based compensations for Directors based on their contribution to the Company's management and performance, thereby encouraging them to achieve better performance and higher enterprise value. The primary metric we use to measure our performance is ordinary profit, which we believe reflects the performance of current operation. The compensation of each Director is determined based on his/her position and responsibilities, contribution to the Company's performance, and achievement of goals. The percentage of performance-based compensation is set for each Director to suit his/her position and responsibilities while our unique situation and industry practices concerning such compensation are taken into consideration. Outside Directors are paid only fixed compensation because of their independence from business execution.

Stock options:
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	Partial disclosure of individual remunerations

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), for Outside Directors, 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

a. Fixed compensation

We determine fixed monthly compensations for Directors based on their position and responsibilities after reviewing social trends, business environment, industry practices, and other factors. The percentage of fixed compensation is set for each Director to suit his/her position and responsibilities while our unique situation and industry practices concerning such compensation are taken into consideration.

b. Performance-based compensation

Our performance-based bonus and stock option are clearly linked to our business performance. We determine performance-based compensations for Directors based on their contribution to the Company's management and performance, thereby encouraging them to achieve better performance and higher enterprise value. The primary metric we use to measure our performance is ordinary profit, which we believe reflects the performance of current operation. The compensation of each Director is determined based on his/her position and responsibilities, contribution to the Company's performance, and achievement of goals. The percentage of performance-based compensation is set for each Director to suit his/her position and responsibilities while our unique situation and industry practices concerning such compensation are taken into consideration.

For this fiscal year, our goal of performance metric was 6,500 million yen. Against this goal, we achieved 7,834 million yen (20.5% higher than the goal and 37.3% YoY increase from last fiscal year). The total amount of bonus to Directors is subject to approval at the General Meeting of Shareholders each year.

c. How the amount of compensation is determined

The President determines the amount of compensation for each Director, under authority delegated by the Board of Directors, after hearing the opinion of the Compensation Committee, an advisory body for the President, the majority of which consists of outside Board members. Stock options are granted by the resolution of the Board of Directors.

[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 body 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 body 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 office 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 policy	Our disclosure policy is available on our website.	
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 financial results, business environment, financial forecast, 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 financial results, business environment, financial forecast, and other topics.	Yes
Posting of IR materials on website	We have created a website where various IR-related materials are made available for shareholders and investors. On the website, we describe our business strategy, business operation, corporate governance and other topics. There is also a space on the website where shareholders can ask IR-related questions.	
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 guidelines on action towards stakeholders including shareholders, customers, local communities, and employees. Lasertec Action Guidelines are posted on our website.
Engaging in environmental protection, CSR and other activities	Our basic views and CSR activities are described in “Sustainability and CSR” page on our website. We have established an environmental management system, and ISO14001: 2015 certification was awarded in September 2018.
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 information release rules 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 control system

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 Company conducts business properly as a stock corporation.

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

(1) The Board of Directors discusses matters of importance regarding the Company's management at its monthly meetings and, if necessary, by holding special meetings in accordance with laws, regulations and the Articles of Incorporation.
(2) Audit & Supervisory Board Members and Outside Directors are guaranteed the right to attend Management Meeting, an advisory body for the President, and state opinions on items on the agenda under our Management Meeting rules.
(3) In addition to audits mandated by laws, Auditing Office conducts internal audits pursuant to our internal audit rules and reports its findings directly to the President. If the findings call for corrective actions, the President directs the manager of relevant department(s) to take the actions and report the result to him.
(4) Pursuant to our own compliance rules, we take the following measures for overall compliance management: designate a Director as executive officer in charge of compliance matters; clearly state our basic compliance policy; elucidate the basic obligations of Directors and employees upon their encounter with compliance issues; establish the principles and code of conduct Directors and employees should follow as a guideline of fair judgment and action when performing duties; establish systems that ensure organization-level compliance; and put in place a whistleblower protection system. We will make sure that these measures are implemented properly.
(5) We keep updating our internal controls on matters related directly or indirectly to accounting and financial reporting to prevent mistakes and misconduct that may jeopardize the integrity of our financial reports.

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

(1) We keep proper records of decision making and reporting related to Directors' execution of duties by taking the minutes of the Board of Directors meetings and Management Meeting in accordance with our rules on these meetings and archiving them for a legally or internally mandated period. We keep records of other decision making by documenting them on our internal forms and archiving them for an internally mandated period.
(2) We prepare, maintain, store and dispose of business documents in accordance with our document administration rules. We keep documents in good order and make them available for review by Directors and Audit & Supervisory Board Members and for auditing by the Financial Auditor.
(3) We protect important information assets such as documents, digital records and information systems in accordance with our information security rules.

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

(1) At the time of business planning and budget making, we properly assess the risk of losses that may be incurred in operation. At monthly Board of Directors meetings and

Management Meeting, we review the status of materialized risks and the extent of losses and discuss and decide on necessary actions. We invest financial resources properly in accordance with our accounting rules and report the status of investment to the Board of Directors regularly.

(2) We make a proper crisis response in the event of natural disaster, epidemic or any other case of force majeure causing losses of corporate assets or dangers to personnel by promptly forming a crisis response team headed by the President, gathering information on the extent of losses, and taking measures to contain and minimize losses in accordance with our crisis management rules.

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

(1) We appoint Outside Directors to the Board of Directors to enhance the decision-making and oversight functions of the Board. At the same time, we give more responsibilities to Executive Directors to streamline our decision-making process so that we can respond quickly to changes in the business environment and achieve sustainable growth.

(2) We clearly define the scope of responsibility for each department in accordance with our rules concerning organization and the division of authority and duties. We also define responsibility and authority for each position in accordance with our executive authority and approval procedure rules to operate business efficiently and effectively.

5. Internal controls to ensure the proper operation of the entire Lasertec Group including subsidiaries

(1) We appoint a manager in charge of the oversight of subsidiary administration in accordance with our subsidiary administration rules. This oversight manager oversees subsidiary administration in cooperation with other relevant departments.

(2) The status of important matters listed in our subsidiary administration rules is 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 whistleblower protection system of the Company applies to all of its subsidiaries.

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) We provide an assistant to Audit & Supervisory Board Members in a timely manner upon receiving a request from them. Prior consent of the Audit & Supervisory Board is required for appointment, replacement and appraisal of the assistant.

(2) Audit & Supervisory Board Members are free to give audit-related instructions to the assistant. The assistant will not be obliged to follow the order of Directors that contradict the instructions of Audit & Supervisory Board Members.

7. Internal controls to safeguard the act of whistleblowing by Directors, officers and employees to Audit & Supervisory Board Members and to ensure that whistleblowers will not be treated unfavorably for their act

(1) If a Director, officer or employee of the Company or its subsidiaries find a matter where serious damage has been or may have been made to the Company or if he/she witnesses an illegal act or misconduct of a Director, officer or employee, he/she must report it to the Audit & Supervisory Board immediately.

(2) Audit & Supervisory Board Members attend Board of Directors meetings 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 are authorized to review documents related to important management decisions and 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 applies to the act of whistleblowing to Audit & Supervisory Board Members. No Director,

officer or employee of the Company or its subsidiaries will be dismissed, have his/her employment contract terminated, or be treated unfavorably in any manner for his/her act of whistleblowing.

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

The Company sets aside a budget for the execution of duties by Audit & Supervisory Board Members. When there is a request for payment, including advance payment, concerning expenses or debts incurred by Audit & Supervisory Board Members for their execution of duties, it will be paid in a timely manner.

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

(1) Audit & Supervisory Board Members meet with Representative Directors regularly to exchange opinions and maintain proper communication to perform audits effectively.
(2) Audit & Supervisory Board Members coordinate with Financial Auditor and Auditing Office and maintain proper communication to perform audits effectively.

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

We have adopted the following basic principles for the exclusion of anti-social forces and established internal controls for this purpose to ensure proper business conduct:

1. We are resolved to have no relationship with any anti-social forces that pose a threat to the safety and order of society. Our Directors and employees are prohibited 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 is tasked to handle the matter related to anti-social forces and take necessary actions with assistance from attorneys and police.

   1) In case we are approached by an anti-social force, we will contact the police and other authorities immediately. We will stand firmly against their demand, respond as an organization, and act lawfully.

   2) We are and will be a member of the league of corporate defense against anti-social forces to keep us informed of the current situation and ready to respond to an unexpected encounter.

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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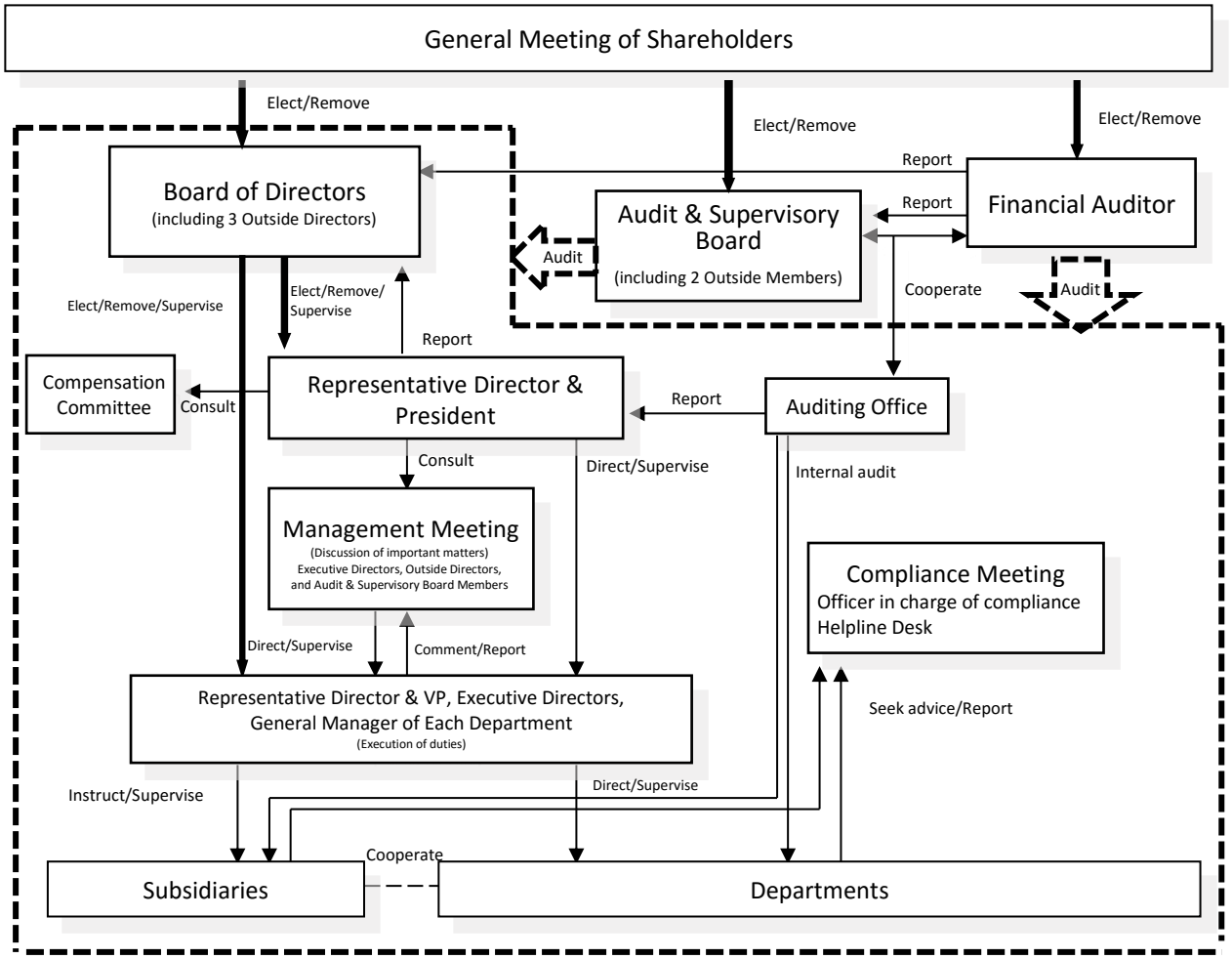
Governance Structure Diagram



Information Release Process Flows

