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## Corporate Governance Report

Last updated on September 29, 2021

### **Lasertec Corporation**

Osamu Okabayashi  
Representative Director & President

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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.” We are striving to increase our enterprise value in the mid to long term by establishing a solid relationship with customers globally and continuously developing advanced products that contribute to the progress of society. We recognize that the efforts to enhance corporate governance are essential to meet the expectations of shareholders and all other stakeholders since higher transparency, soundness, and efficiency in management will help us achieve more competitive edge and, ultimately, sustainable growth.

#### **[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 serves as a type of

successor training, and the Board of Directors is fulfilling its supervisory role over successor training in this manner.

## **[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:

Corporate philosophy: <https://www.lasertec.co.jp/en/company/philosophy.html>

More Information (Corporate strategy): <https://www.lasertec.co.jp/en/ir/individuals/>

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

Our basic views on corporate governance are described in our website at the following link:  
Governance: <https://www.lasertec.co.jp/en/sustainability/governance.html>

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

As of July 1, 2021, we revised our compensation scheme for Directors in accordance with the Board of Directors resolution dated June 28, 2021. The main difference from the old compensation scheme is the introduction of non-monetary compensation in the form of restricted stock.

- (a) Basic policy

Our basic policy on the remuneration of Directors is to have a compensation scheme that gives Directors a strong incentive to achieve sustainable growth and higher enterprise value in line with shareholder interests and to set the compensation of individual Directors properly for their responsibilities. Specifically, the compensation consists of monthly fixed pay as well as

performance-based bonus and stock compensation, each of which is determined independently by its own standard. Outside Directors are paid only fixed compensation because of their independence from business execution.

(b) Policy on determination of basic compensation of individual Directors (including the timing and conditions of compensation payment)

We pay the basic compensation of Directors as monthly fixed pay and set its amount to fit each Director's position and responsibilities after taking into consideration social trends, business environment, executive pay at comparable companies in the industry, and other factors. We set the weight of basic compensation for each Director to suit his/her position and responsibilities after taking our unique situation and industry practice into consideration.

(c) Policy on determination of performance-based compensation, non-monetary compensation and others as well as determination of their value or quantities (including the timing and conditions of compensation payment)

We pay the performance-based bonus of Directors based on the Company's overall performance and the evaluation of each Director's contribution in order to give Directors strong motivation to achieve good 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, and we refer to the growth rate of ordinary profit and the level of achievement of our goals. We start by setting the compensation of each Director based on his/her position and responsibilities and then make an adjustment after reviewing each Director's contribution to the Company's performance. We set the weight of performance-based bonus for each Director to suit his/her position and responsibilities after taking our unique situation and industry practice into consideration. The non-monetary compensation of Directors will be granted in the form of restricted stock. We grant each Director the same number of shares of restricted stock uniformly to have all Directors share the common interest with shareholders and give them an incentive to achieve higher enterprise value. The value of grant will be determined each year based on the total compensation of the President in the preceding year. We set forth the standard of restricted stock grant after taking our unique situation and industry practice into consideration.

The bonus payment and non-monetary compensation granted in the form of restricted stock will be made at a fixed time of the year every year.

(d) Policy on determination of the weight of monetary compensation, performance-based compensation and non-monetary compensation for each Director

The Nomination and Compensation Committee deliberates over the value of compensation and the weight of each type of compensation using the examples of other companies of comparable size in the same industry or doing a similar business as a benchmark. The Board of Directors (and the President, to whom the Board delegates the authority to decide on item (e) below) honors the recommendation of the Nomination and Compensation Committee and decides on the compensation of each Director based on the weight of each type of compensation as recommended by the Committee.

(e) Matters related to determination of individual compensation for each Director

The President has the delegated authority to decide on a part of the specific compensation of each Director in accordance with resolutions by the Board of Directors. His authority is limited to the determination of the amount of basic compensation for each Director and the weight of bonus, which is determined based on the performance of business in his/her area of responsibility. The Board of Directors asks the Nomination and Compensation Committee to make a recommendation to ensure that the President exercises his delegated authority properly, and the President must make a decision in accordance with the recommendation.

Because of the adoption of this basic policy, we will terminate the grant of stock options.

- (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, with the consent of Audit & Supervisory Board in the case of nominees for Audit & Supervisory Board Members, and the Board resolves on the proposal.

If a Director or Audit & 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) Relationship with Lasertec Corporation:

The candidate is not serving or has no history of serving as an executive (executive director 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, if the major shareholder is a company, not an executive of it);

- (3) Relationship with major trading partner:

The candidate is not an executive of a major trading partner of Lasertec or any of those listed below and has no history of serving as an executive 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 an executive (excluding an insignificant one) 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. At the General Meeting of Shareholders in September 2021, the maximum number of the members of the Board of Directors stipulated in the Articles of Incorporation was increased from 10 to 15 to provide room for a further increase to enhance the independence and effectiveness of the Board of Directors as well as to strengthen our corporate governance.

<Supplementary Principle 4.11.2 Status of directors and audit & supervisory board members serving on the board of other companies>

Our board members who are concurrently serving on the board of other listed companies are asked to reserve the time necessary to fulfill their duties for us and limit their other engagements to a reasonable extent. The status of their other major engagements is reported in the Reference Documents for General Meeting of Shareholders attached to our annual convocation notice.

<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 and July 2021 to analyze and evaluate the effectiveness of the Board of Directors during the fiscal year ended June 2021. 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 August 2021.

<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 engage in dialogue with institutional investors. Such dialogue is conducted mainly by the President and the Director in charge of investor relations.

The department in charge of corporate planning is tasked to communicate with shareholders and investors on a daily basis, schedule financial results briefings and interviews with investors and analysts, and serves as the point of contact for matters concerning the general meeting of shareholders.

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
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### [Major shareholders]

Name of shareholder	Number of shares owned	Ratio (%)
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The Master Trust Bank of Japan, Ltd. (trust account)	6,692,800	7.42
Yasuko Uchiyama	4,006,400	4.44
Custody Bank of Japan, Ltd. (trust account)	3,752,600	4.16
CITIBANK, N.A.-NY, AS DEPOSITARY BANK FOR DEPOSITARY SHARE HOLDERS	3,696,471	4.09
Hiroshi Uchiyama	3,483,200	3.86
BBH FOR UMB BANK, NA – WCM FOCUSED INTERNATIONAL GROWTH FUND	3,420,200	3.79
MUFG Bank, Ltd.	3,008,000	3.33
Shu Uchiyama	2,788,000	3.09
Setsuko Maeda	2,587,200	2.86
SSBTC CLIENT OMNIBUS ACCOUNT	2,118,212	2.34

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

#### Supplementary information

We have 4,108,486 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 500 to fewer than 1,000
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
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#### **[Members of the Board of Directors]**

Maximum number of directors allowed by the articles of incorporation	15
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Term of director under the articles of incorporation	1 year
Chairman of the board of directors	President
Number of directors	9
Do you have any outside director?	Yes
Number of outside directors	4
Number of outside directors filed as independent directors	4

#### Outside Directors' relationship with the Company (1)

Name of Outside Director	Attribute	Relationship with the Company <sup>(Notes)</sup>											
		a	b	c	d	e	f	g	h	i	j	k	
Minoru Ebihara	Former executive of a third-party company									△			
Takayuki Shimoyama	Former executive of a third-party company									△			
Koji Mihara	Former executive of a third-party company									△			
Kunio Kamide	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
Minoru Ebihara	Yes	Minoru Ebihara worked for current Hewlett-Packard Japan, Ltd. and Agilent Technologies more than 10	Mr. Ebihara has years of experience in the business of measurement and analysis equipment



		<p>years ago. The volume and frequency of business Lasertec conducts with either of these companies are not so significant as to affect our decisions on business and other matters. Mr. Ebihara is considered an independent outside director based on the criteria set by the Tokyo Stock Exchange and our own criteria.</p>	<p>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 a conflict of interest with general shareholders arises from his appointment.</p>
Takayuki Shimoyama	Yes	<p>Takayuki Shimoyama retired from current MUFG Bank, Ltd., with which Lasertec has a business relationship, more than 20 years ago. Since then, he has worked for other 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.</p>	<p>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 reflected in the management of the Company. No special interest exists between Mr. Shimoyama and Lasertec. It is unlikely that a conflict of interest with general shareholders arises from his appointment.</p>
Koji Mihara	Yes	<p>Koji Mihara worked for Sony Corporation more than 15 years ago. The volume and frequency of business Lasertec conducts with Sony are not so significant as to affect our decisions on business and other matters. Lasertec has no business with MYNUAGE Co., Ltd., for which Mr. Mihara is serving as a representative director. He is therefore considered an independent outside director based on the criteria set by the Tokyo</p>	<p>Mr. Mihara has years of experience in planning management, factory operation, and other fields at business enterprises. Mr. Mihara is currently engaged in education in the field of management system engineering. We expect his experience and wide-ranging knowledge to be reflected in the management of the Company. No special interest exists between Mr. Mihara and Lasertec.</p>

		Stock Exchange and our own criteria.	It is unlikely that a conflict of interest with general shareholders arises from his appointment.
Kunio Kamide	Yes	The Company has business with JEOL Ltd., and Kunio Kamide serves as an advisor to one of its subsidiaries, but the volume and frequency of business Lasertec conducts with JEOL Ltd. are not so significant as to affect our decisions on business and other matters. Mr. Kamide is therefore considered an independent outside director based on the criteria set by the Tokyo Stock Exchange and our own criteria.	Mr. Kamide has years of experience in semiconductor business at business enterprises. He is highly knowledgeable and well versed in the industry and has experience of managing overseas business entities in Taiwan and China. The Company expects his expert knowledge and abundant experience to be reflected in its management. No special interest exists between Mr. Kamide and Lasertec. It is unlikely that a conflict of interest with general shareholders arises from his appointment.

Do you have any voluntary committee that is an equivalent of nomination committee or compensation committee?	Yes
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#### 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	Nomination and Compensation Committee	6	0	2	4	0	0	Outside Director
Equivalent of compensation committee	Nomination and Compensation Committee	6	0	2	4	0	0	Outside Director

#### Supplementary information

As of July 1, 2021, we revised our compensation scheme for Directors in accordance with the Board of Directors resolution dated June 28, 2021. The Compensation Committee was renamed the Nomination and Compensation Committee and given expanded functions due to this revision. As a nomination committee, the Committee is tasked to propose the removal of individual Directors and to examine the evaluation process of individual Directors. In the future, we will discuss whether it should be given advisory authority about the nomination of Directors to enhance its functions. As a compensation committee, it is tasked to check our compensation calculation process for Directors. The Committee members consist of all 4 Outside Directors, Chairman of the Board, and the President. The chair of the Committee is selected from the

Outside Directors.

In the last fiscal year, the Compensation Committee meetings were held 4 times, and all members were present in all of them.

**[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 <sup>(Notes)</sup>												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Miyuki Ishiguro	Lawyer													
Eiichi Izumo	Certified public accountant										△			

(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 f, g nor h 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
Miyuki Ishiguro		Miyuki 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 audit & supervisory board member of Benesse Holdings Inc. Lasertec has no business relationship with 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 experience of supervising corporate management as an outside director. We expect her to ensure the lawful execution of objective and impartial audits based on these experiences. No special interest exists between Ms. Ishiguro and Lasertec. It is unlikely that a conflict of interest with general shareholders arises from her appointment.
Eiichi Izumo	Yes	Eiichi Izumo belonged to Deloitte Touche Tohmatsu LLC, which served as our financial auditor until the fiscal year ended June 30, 2018. However, Mr. Izumo retired from Deloitte Touche Tohmatsu in 2015 and was never in charge of auditing	Mr. Izumo has abundant experience as a certified public accountant of many years and considerable knowledge of finance and accounting. He also has experience of serving as an outside director and as

		Lasertec Corporation while working for Deloitte Touche Tohmatsu. Mr. Izumo is currently an outside audit & supervisory board member of Benesse Holdings, Inc. and of Torii Pharmaceutical Co., Ltd., but Lasertec has no business with either company. Lasertec has no business relationship with Izumo CPA Office, where Mr. Izumo serves as a representative. He is therefore considered an independent outside member based on the criteria set by the Tokyo Stock Exchange and our own criteria.	an outside audit & supervisory board member at different companies. We expect him to carry out objective and impartial audits from a broad perspective based on these experiences. No special interest exists between Mr. Izumo and Lasertec. It is unlikely that a conflict of interest with general shareholders arises from his appointment.
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**[Status concerning independent members of the board]**

Number of independent members of the board	5
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Other matters related to independent members of the board

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**[Status concerning incentives]**

Status of adopted measures of incentives for directors	Adoption of performance-based bonus and restricted stock
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Supplementary information

Performance-based compensation system:

a. Bonus

We pay the performance-based bonus of Directors based on the Company's overall performance and the evaluation of each Director's contribution in order to give Directors strong motivation to achieve good 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, and we refer to the growth rate of ordinary profit and the level of achievement of our goals. We start by setting the compensation of each Director based on his/her position and responsibilities and then make an adjustment after reviewing each Director's contribution to the Company's performance. We set the weight of performance-based bonus for each Director to suit his/her position and responsibilities after taking our unique situation and industry practice into consideration.

b. Restricted stock

We grant each Director the same number of shares of restricted stock uniformly to have all Directors share the common interest with shareholders and give them an incentive to achieve higher enterprise value. In addition to the compensation described above, the maximum amount

of annual compensation to be awarded to Directors (excluding Outside Directors) in the form of restricted stock is set at 300 million yen, and the maximum number of shares of restricted stock allocated in each fiscal year is 30,000 shares. Approval for this compensation has been given at the Ordinary General Meeting of Shareholders held in September 2021.

c. Miscellaneous

The description above pertains to the compensation scheme for Directors as revised as of July 1, 2021 in accordance with the Board of Directors resolution dated June 28, 2021. Because of this revision, we have terminated the grant of stock options, except for the rights already granted, and will not exercise it in the future.

Grantee of stock options	Executive Directors
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Supplementary information

We revised our compensation scheme for Directors as of July 1, 2021 and terminated the grant of stock options in accordance with the Board of Directors resolution dated June 28, 2021.

**[Status concerning remunerations for Directors]**

Status of disclosure (of individual director remunerations)	Partial disclosure of individual remunerations
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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 Audit & Supervisory Board Members. 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
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Disclosure of policy concerning the determination of remunerations or the method of remuneration calculation

Please refer to the description of <Principle 3-1 Full disclosure> in [Disclosure pursuant to the principles of Corporate Governance Code].

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

General Affairs Department serves as a liaison for Outside Directors and 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
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Total number of former presidents and representative directors who are servicing as advisors and others	0
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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 and Outside Directors 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.

As of July 1, 2021, we revised our compensation scheme for Directors in accordance with the Board of Directors resolution dated June 28, 2021. The Compensation Committee was renamed the Nomination and Compensation Committee and given expanded functions due to this revision. As a nomination committee, the Committee is tasked to propose the removal of individual Directors and to examine the evaluation process of individual Directors. In the future, we will discuss whether it should be given advisory authority about the nomination of Directors to enhance its functions. As a compensation committee, it is tasked to check our compensation calculation process for Directors. The Committee members consist of all 4 Outside Directors, Chairman of the Board, and the President. The chair of the Committee is selected from the Outside Directors.

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. However, due to the COVID-19 pandemic, we held	Yes



	online meetings in the last two fiscal years.	
Regular briefings for overseas investors	Prior to the COVID-19 pandemic, we visited Europe, North America, and Asia to meet with overseas institutional investors every year, in principle, and gave a briefing on financial results, business environment, financial forecast, and other topics. Currently, we participate in online IR conferences for overseas investors to give briefings.	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	We discuss our material issues, policies and actions on the “Sustainability” page of our corporate website. We have established an environmental management system, and have been certified ISO14001 since 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**

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#### **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.

#### **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
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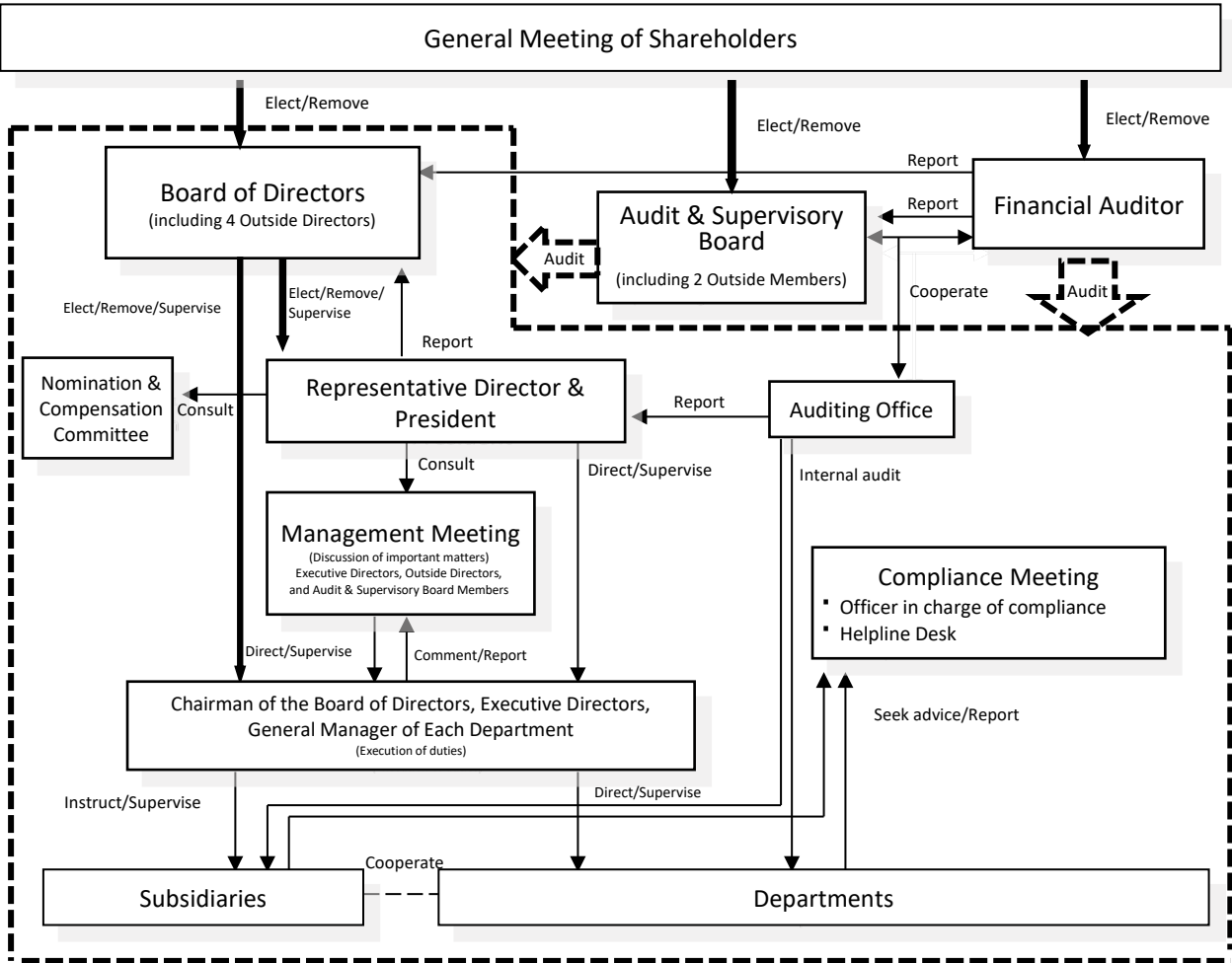
Supplementary information

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### **2. Other information related to corporate governance structure**

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# Governance Structure Diagram



Information Release Process Flows

