

FY2009 Financial Results

DISCO CORPORATION

May 14, 2010

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Today's Agenda

1. FY2009 Financial Results and FY2010 Full Year Forecast

Manager, Investor Relations
Shinichiro Ozawa

2. Operating Environment and Management Policy

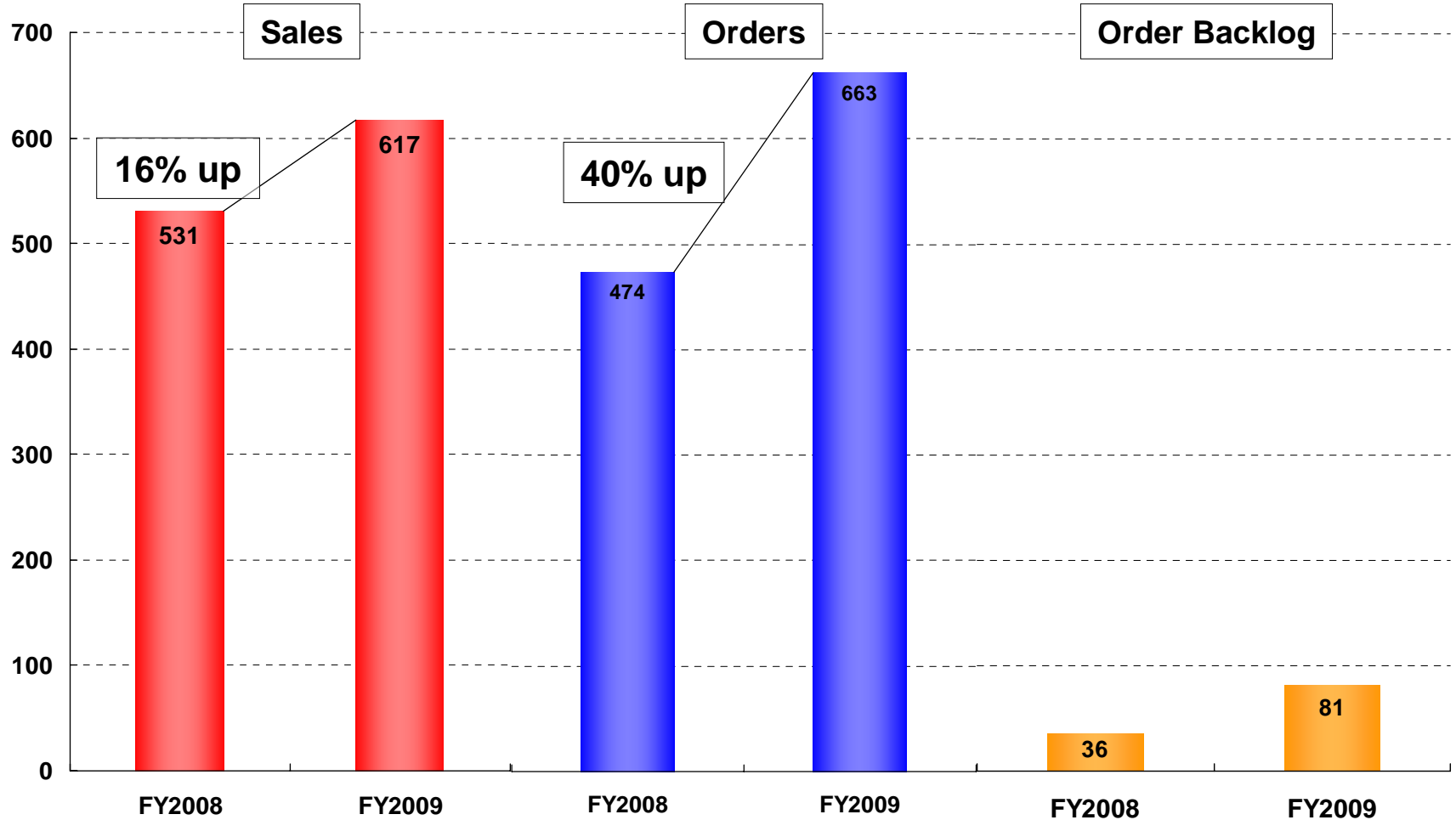
Chairman and CEO
Hitoshi Mizorogi

FY 2009 Financial Results and FY2010 Forecast

Presentation by the Manager, Investor Relations,
Shinichiro Ozawa

Consolidated Sales, Orders, Order Backlog

100 million yen (Oku yen)

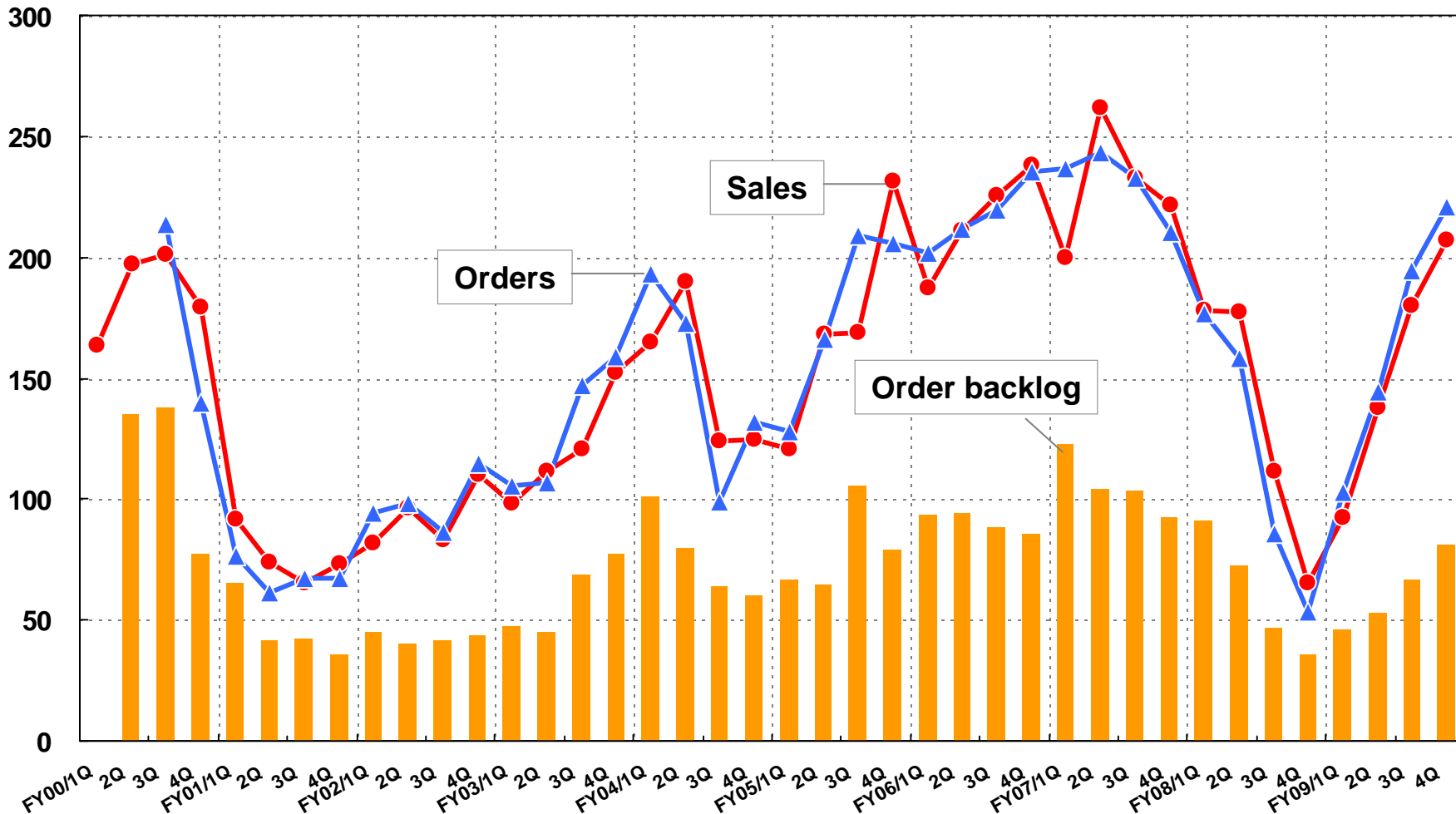


- Consolidated orders grew by 40%, whose growth rate surpassed sales growth, driven by the rapid market recovery.

Quarterly Sales/Orders

100 million yen (Oku yen)

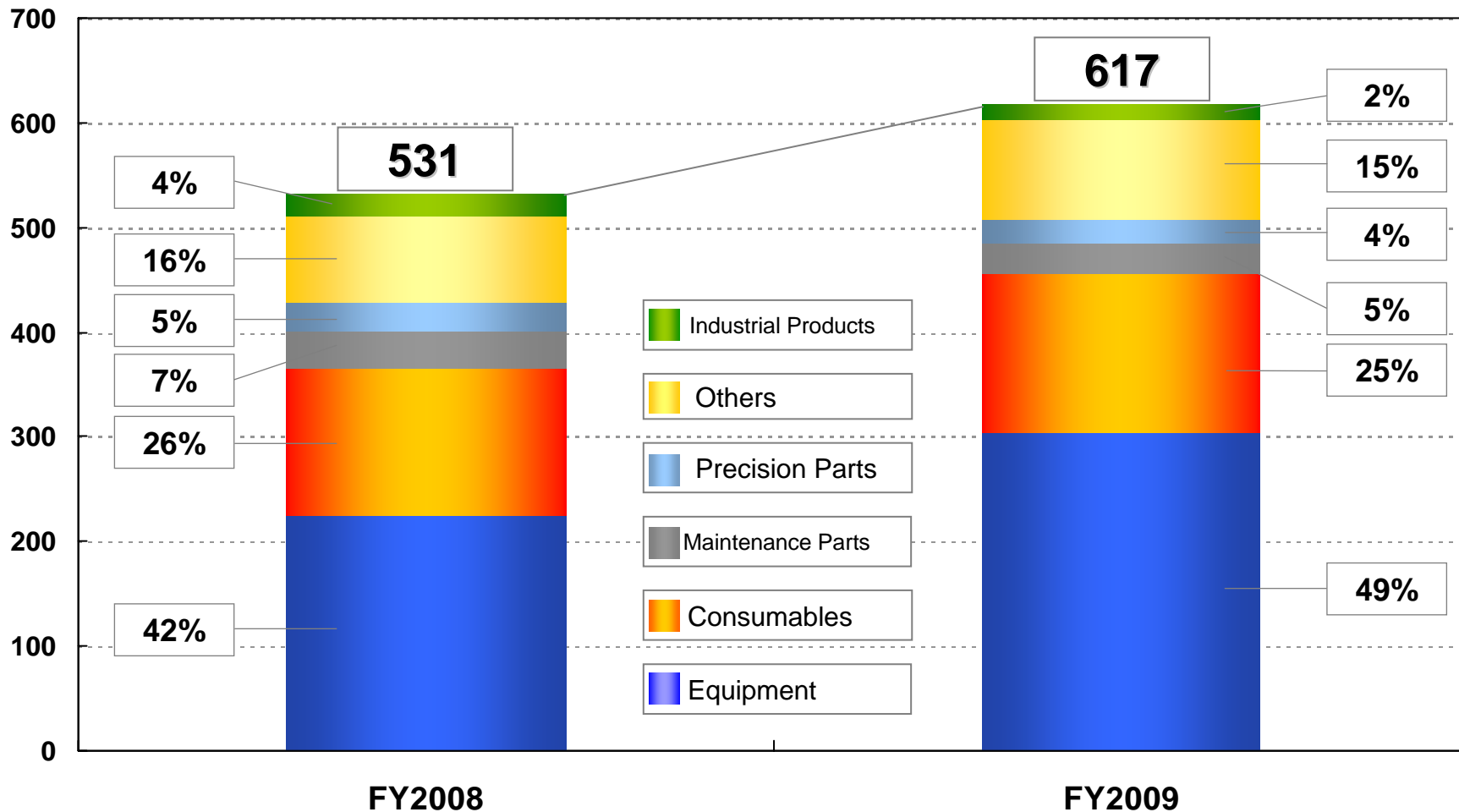
Note: Quarterly disclosure started from 3Q of FY2000



- Both sales and orders bottomed out in the 4Q of FY08, orders exceeded sales in four-consecutive quarters from the 1Q of FY09.

Consolidated Sales Breakdown by Product

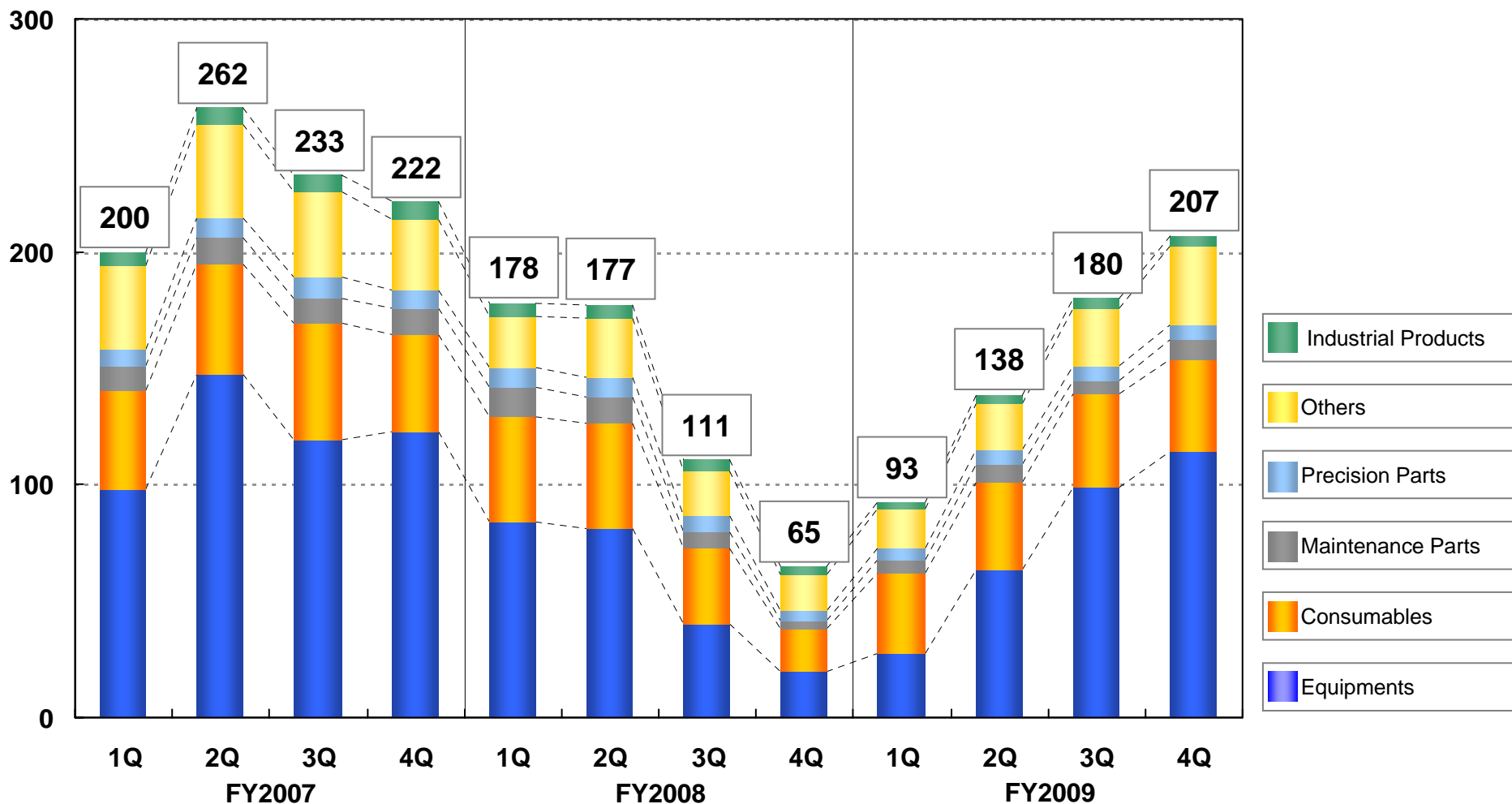
100 million yen (Oku yen)



- Equipment sales were 49% of total consolidated sales which was a 7 point growth from the previous year.
- Precision parts and industrial products experienced stagnated sales due to global recession.

Consolidated Quarterly Sales Breakdown by Product

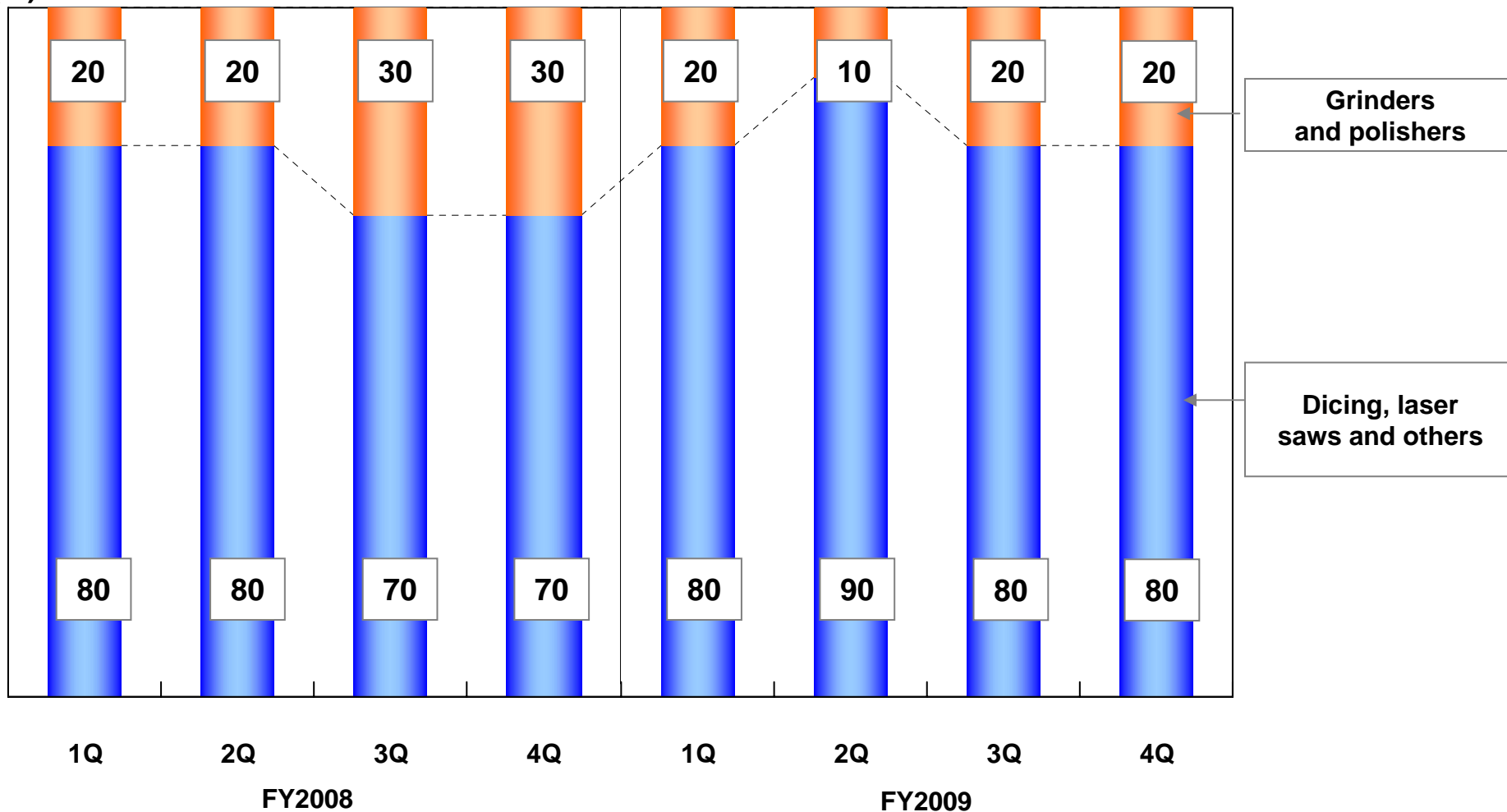
100 million yen (Oku yen)



- Consolidated sales rapidly grew especially in the 4Q supported by the growing demand for LEDs and the recovery of semiconductor market.
- Sales of consumables recovered from the 1Q and recorded robust sales through the whole fiscal year.

Quarterly Equipment Sales Breakdown

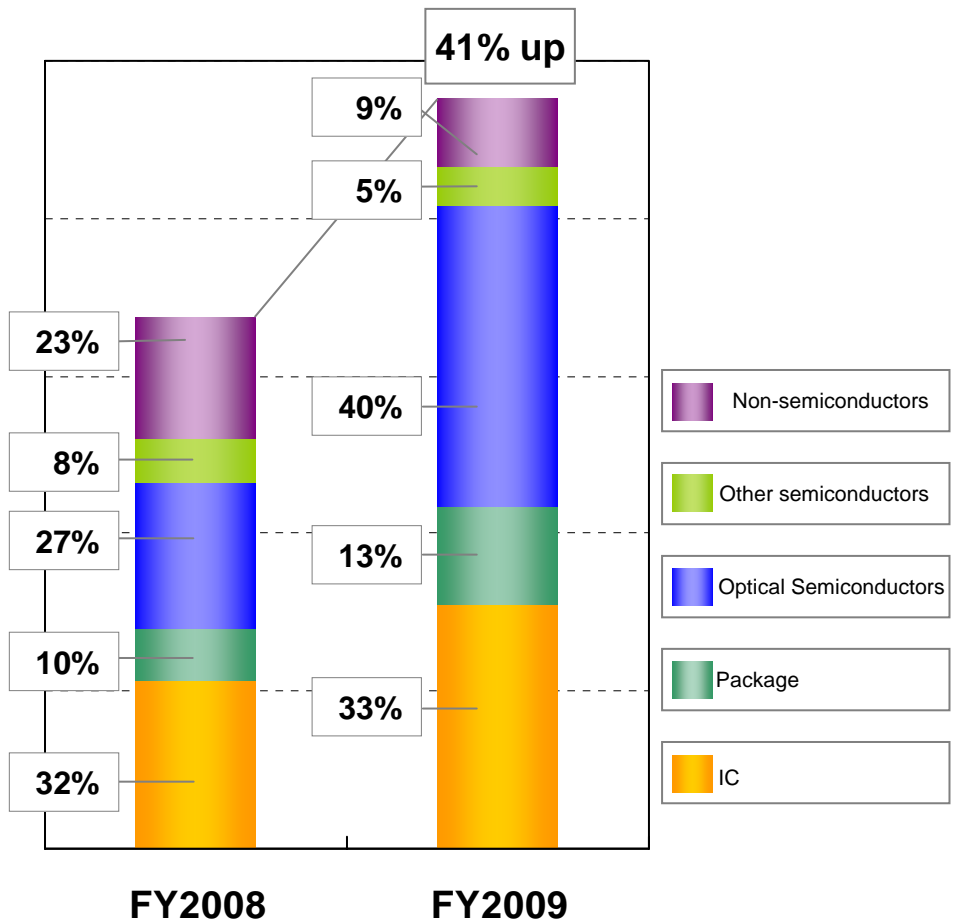
(%)



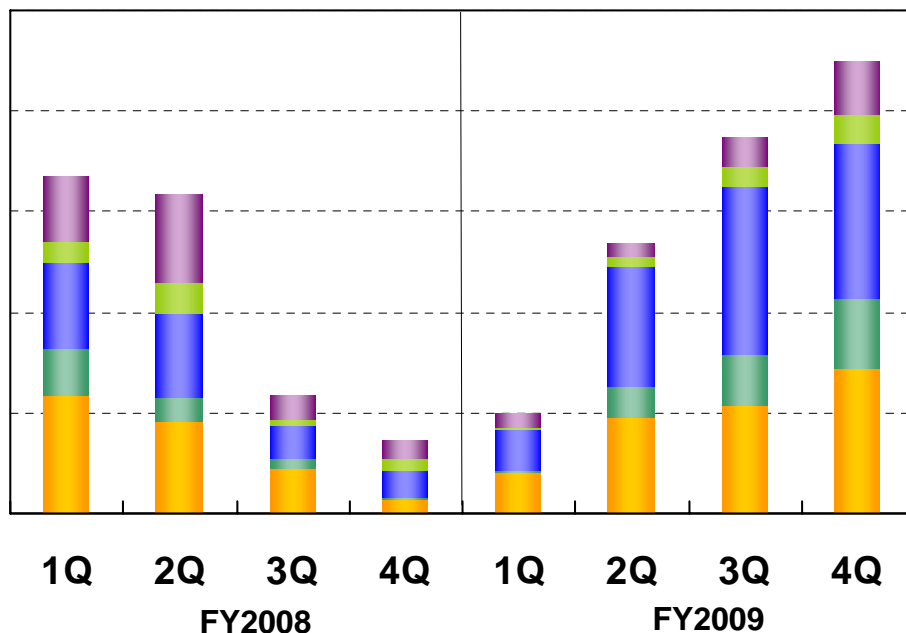
- Supported by an earlier recovery of the market, the share of dicing equipment increased in FY2009.

Cutting and Dicing Saws* Sales Breakdown by Application 9/27

*Cutting and dicing saws include blade dicers and laser saws



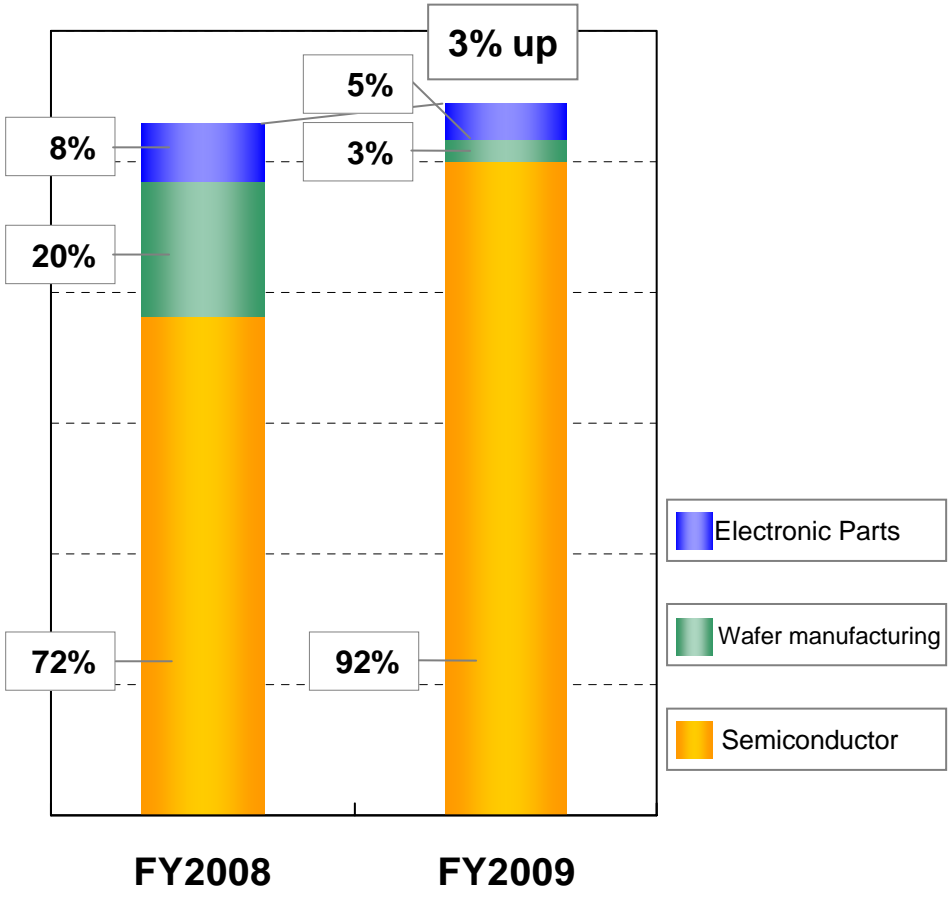
Quarterly Movement



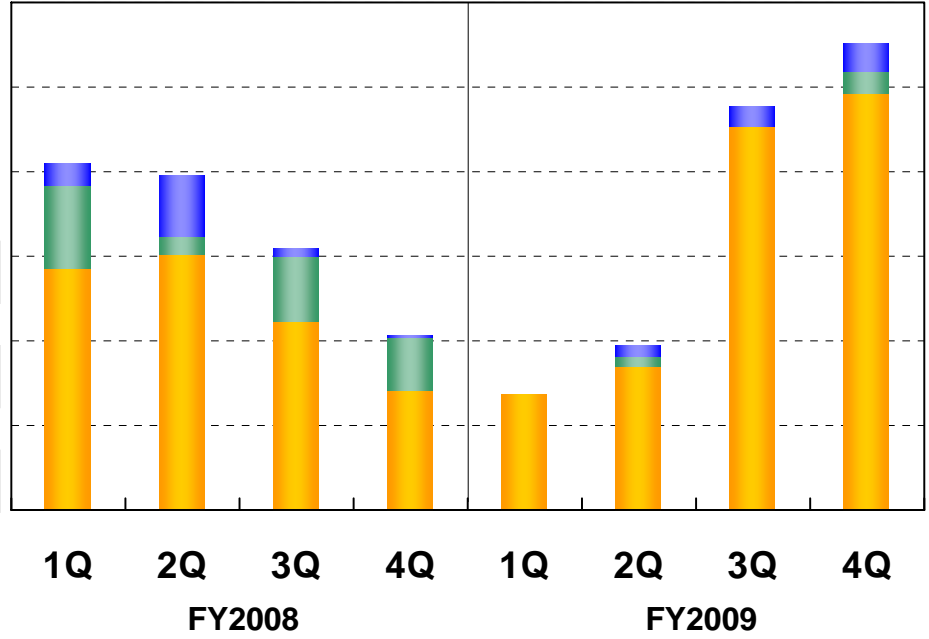
- Sales of dicing equipment increased by 41% from the previous year driven by the applications such as optical semiconductor, ICs and package singulations.
- Laser saws for LED manufacturing grew significantly supported by robust demand by LED manufacturers. Laser saw sales grew by 2.5 times from the previous year.

Equipment, Non-consolidated Grinders and Polishers* Sales Breakdown by Application

*Grinders and polishers also include surface planers and grinder/polishers

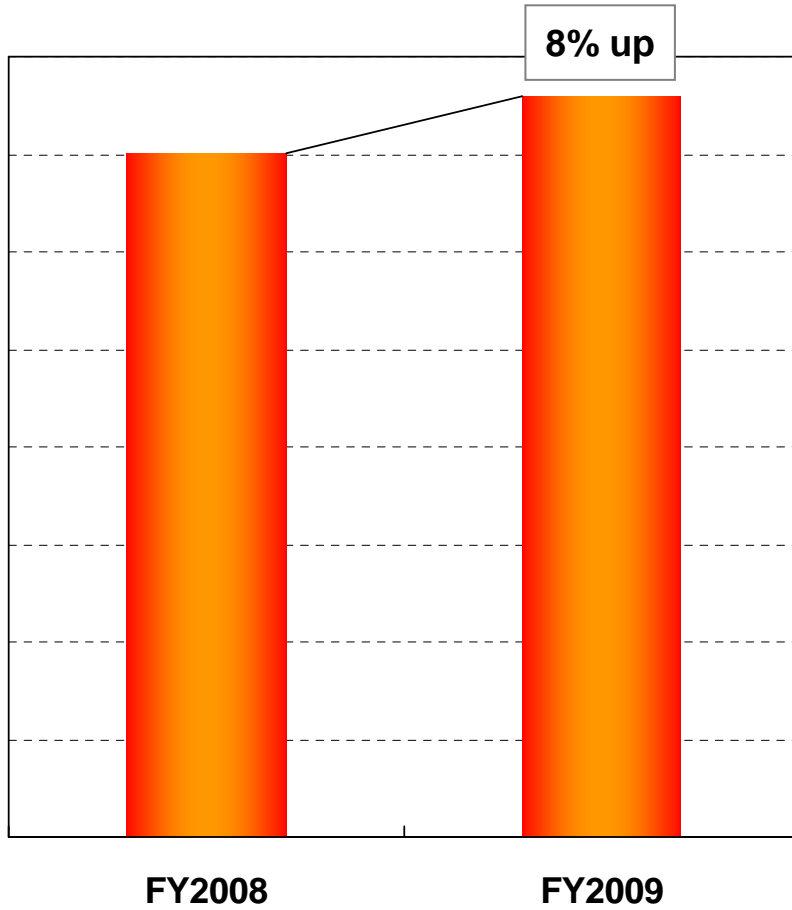


Quarterly Movement



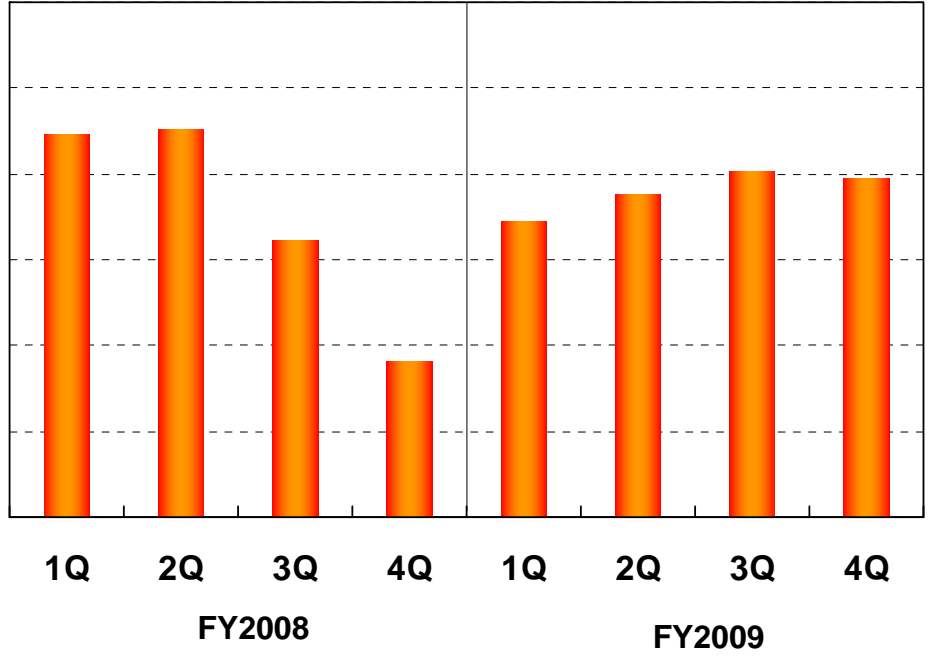
- Grinder sales extremely stagnated in the 1H, however, shipment for ICs increased significantly from the 3Q.
- Grinders for wafer manufacturing dropped in sales by 17 points from the previous year.

Consumables* Sales



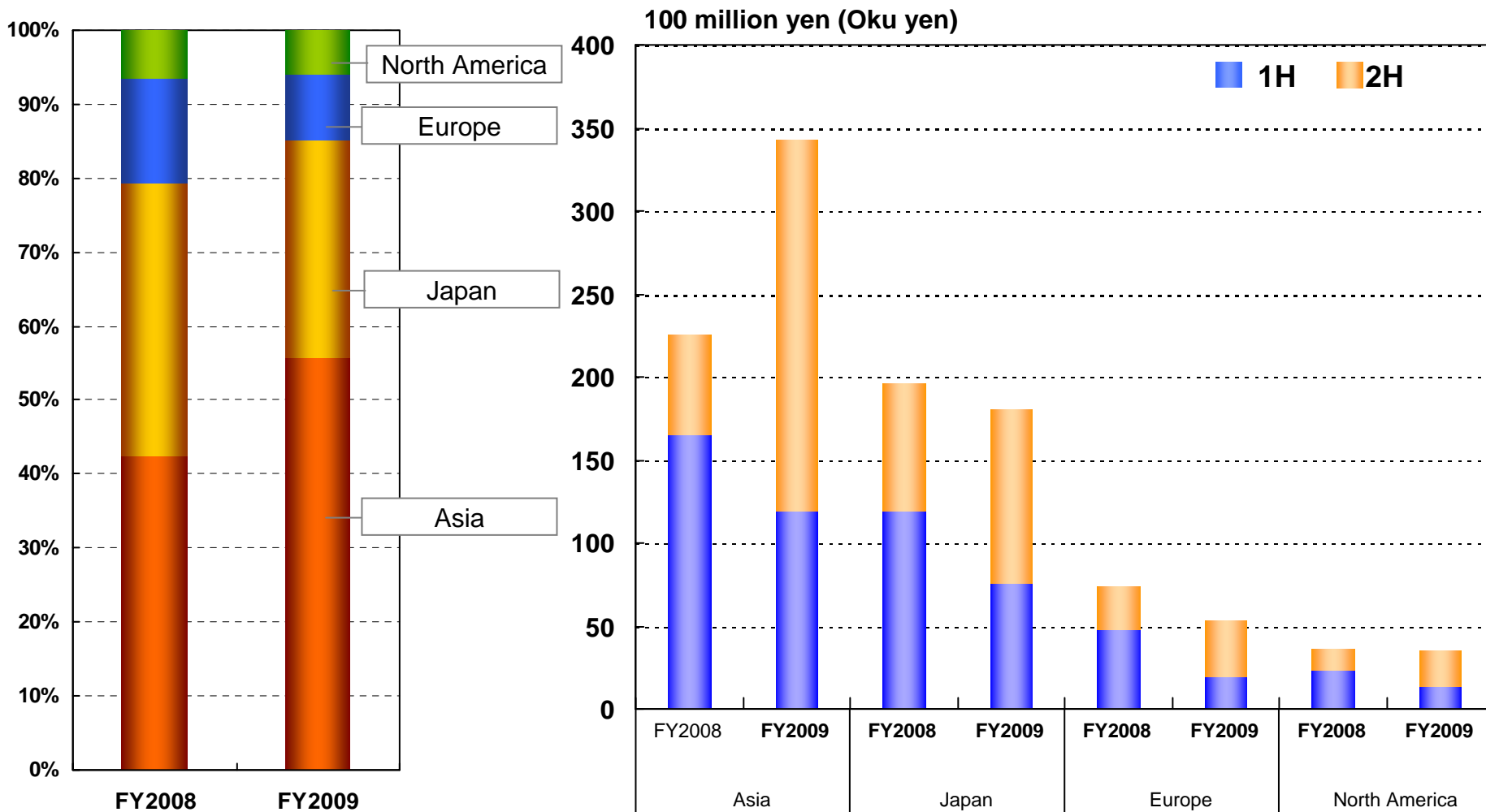
*Consumables include dicing blades, grinding wheels, and dry polishing parts, etc.

Quarterly Movement



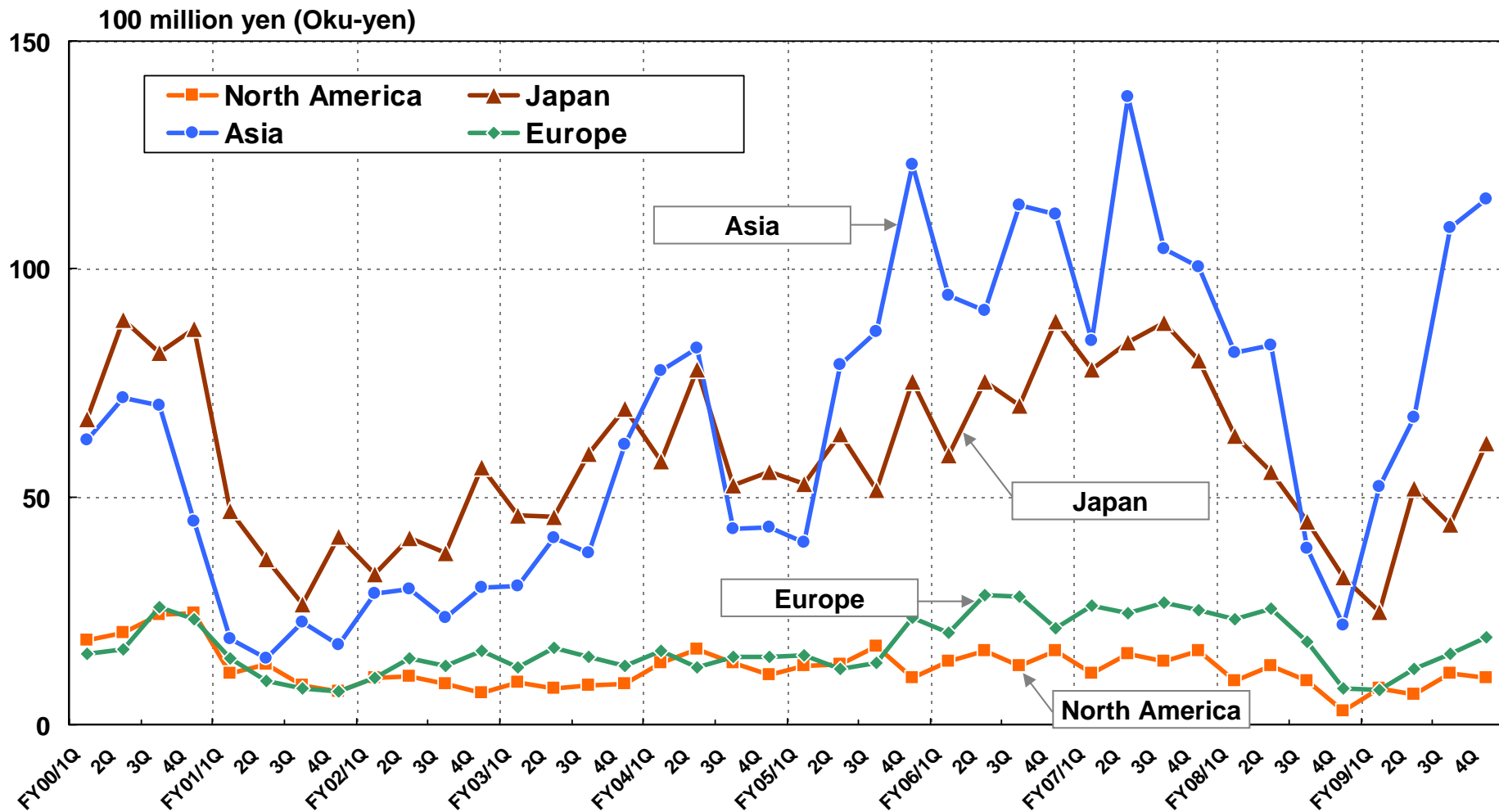
- Associated with the recovery of the customers' capacity utilization, shipment quantity recovered from the 1Q.
- Influenced by the yen appreciation, the sales amount remained at 80% of peak annual sales.

Sales Breakdown by Region



- Sales to Asia reached a record share, especially driven by the sales to Taiwan and Korea.

Quarterly Regional Sales



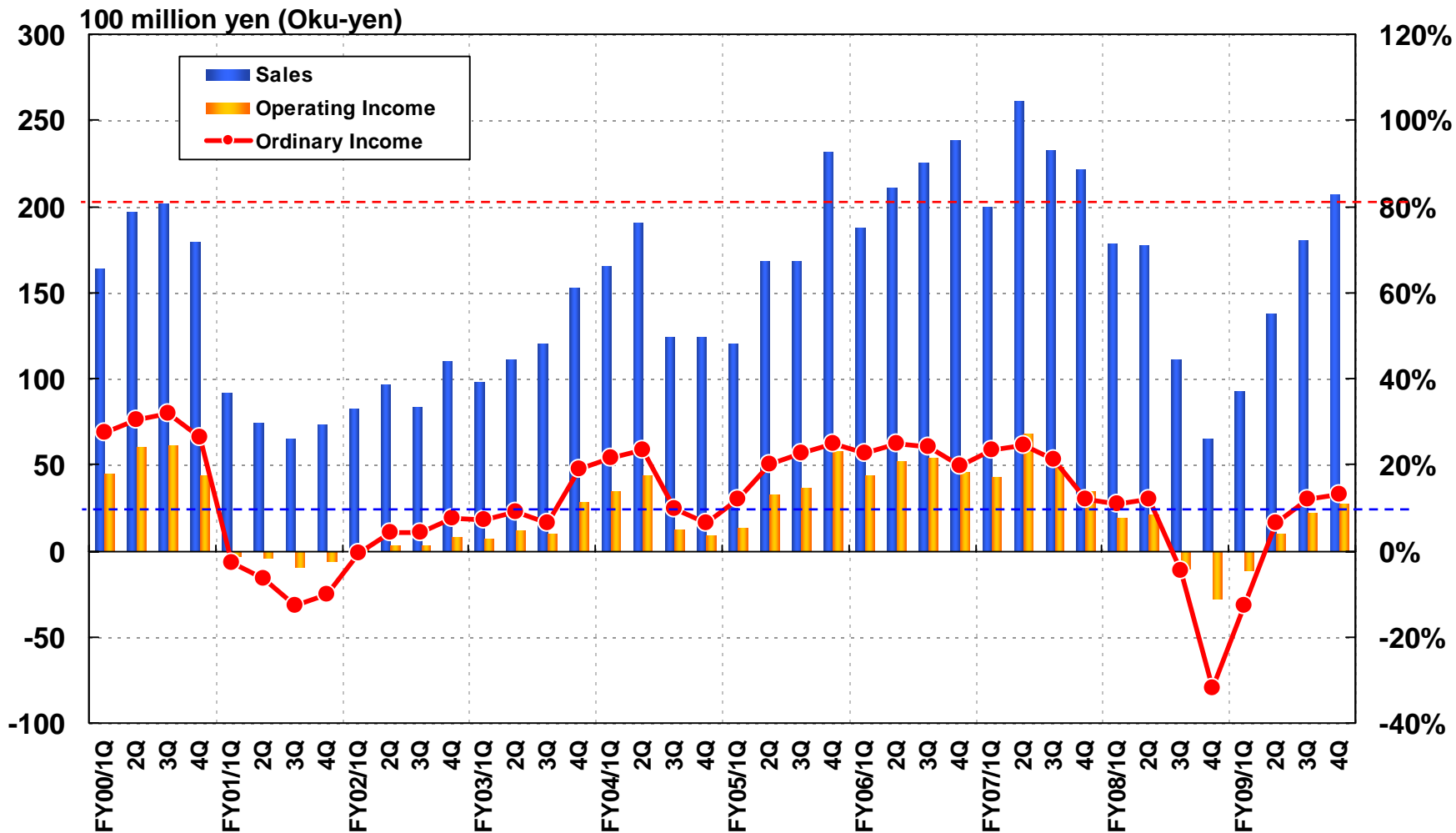
- Sales to subcontractors and for package singulation grew rapidly in the 2H among sales to Asia region.
- Sales recovery momentum was weaker among the market in developed countries' due to weak investment demand.

FY2009 Earnings Results

Millions of yen (Oku-en)	FY2008	FY2009	△	
			Amount	(%)
Sales	53,108	61,730	8,622	16.2%
Gross profit	25,073	28,691	3,617	14.4%
Gross profit margin	47.2%	46.5%	-0.7p	-
SGA	24,997	24,023	△ 973	-3.9%
Operating Income	76	4,667	4,591	-
Ordinary Income	1,460	4,560	3,100	212.2%
Ordinary Income Margin	2.8%	7.4%	4.6p	-
Net Income before Tax	770	4,046	3,275	425.0%
Net Income	251	2,470	2,219	883.6%
EPS (yen)	7.41	73.51	66.1	892.0%
Depreciation	4,656	5,364	708	15.2%
R&D expense	8,532	7,767	765	△ 9.0%

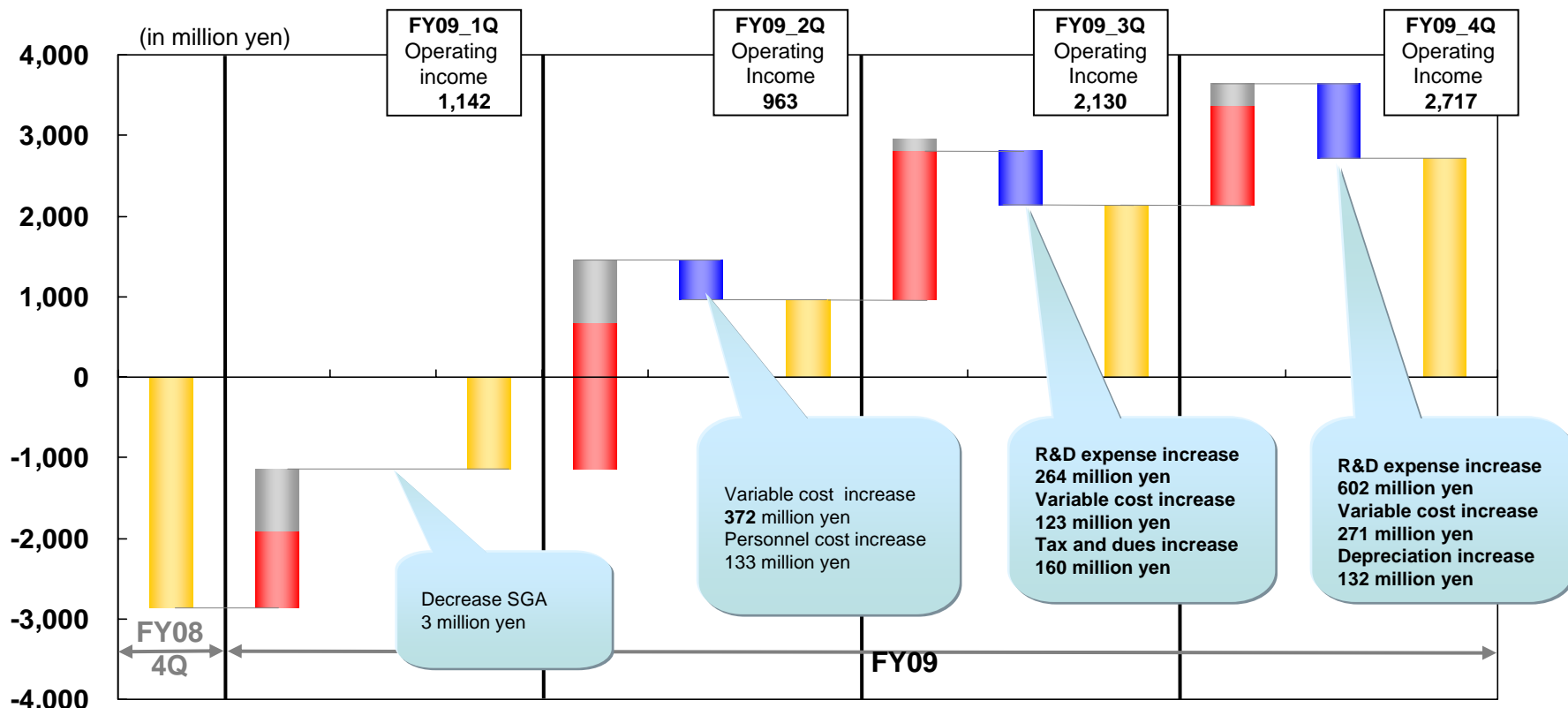
- Profitability in fiscal year 2009 significantly improved with the recovery of sales.
- Main factors for the deterioration in gross profit margin were the yen appreciation and increased transactions in US dollars.

Quarterly Consolidated Financial Results



- Increased R&D spending for equipment manufacturing in the 4Q held down profitability improvement.

Operating Income Factorial Analysis



■ Operating income
 ■ Effect of sales increase/decrease
 ■ Improvement/deterioration of GP Margin
■ Effect of increase/decrease in SGA

FY08.4Q→FY09.1Q

Sales recovery

SGA stayed flat due to cost reduction efforts such as furloughs.

FY09.1Q→2Q

Increase variable costs in SGA due to sales increase: 0.5 billion yen

FY09.2Q→3Q

1.5 billion yen decrease in OP due to GP margin deterioration

Approx. 0.7 billion yen increase in R&D and variable cost

FY09.3Q→4Q

2.3 point improvement in GP margin contributed to 0.27 billion yen OP increase

0.9 billion yen increase in SGA

Balance Sheet (Summary)

Millions of Yen	FY2008	FY2009	Δ
	March 31, 2009	March 31, 2010	Previous year
Current Assets	66,306	62,926	Δ 3,380
Cash and cash equivalents	33,418	18,247	Δ 15,171
Notes and account receivable	10,963	23,087	12,124
Inventories	18,777	18,539	Δ 238
Fixed Assets	57,598	61,364	3,766
Tangible fixed assets and Non-tangible fixed assets	49,324	54,435	5,111
Total Assets	123,925	124,313	388
Current Liabilities	37,596	36,221	Δ 1,375
Long term Liabilities	11,871	22,784	10,913
Fixed Liabilities, etc.	25,725	13,437	Δ 12,288
Net assets	86,328	88,091	1,763
Shareholders' Equity ratio (%)	69.2%	70.3%	1.1p
Liabilities and shareholders' Equity	123,925	124,313	388

- Cash and cash equivalents decreased by 15.2 billion yen due to the repayment of loans ahead of schedule
- Fixed assets increased by the capital expenditure for the Kuwabata plant

Cash Flow (Summary)

Millions of Yen		FY2008	FY2009	Δ
Cash flows from operating activities		4,605	11,017	6,413
	Net income before tax	770	4,046	3,276
	Depreciation	4,656	5,364	708
	Trade receivables, inventories and buying debt	7,432	Δ 2,609	Δ 9,923
	Others	Δ 5,335	4,225	9,443
Cash flow from investing activities		Δ 13,586	Δ 13,950	Δ 364
	Purchase of property, plant and equipment	Δ 13,677	Δ 10,644	3,033
	Increase (decrease) of time deposits and others	92	Δ 3,304	Δ 3,396
Cash flow from financing activities		24,363	Δ 15,411	Δ 39,774
	Proceeds from short and long-term debt, debenture redemption and others	27,092	9,903	Δ 17,189
	Repayment of long-term loans payable	Δ 95	Δ 24,651	Δ 24,556
	Cash dividend paid for minority shareholders	Δ 1,833	Δ 673	1,160
Free cash flow		Δ 8,981	Δ 2,932	6,049
Change of cash and cash equivalents		15,355	Δ 18,170	Δ 33,525
Balance of cash and cash equivalents		33,418	15,247	Δ 18,171

- Free cash flow was a negative 2.9 billion yen due to equipment investment in the recessionary period for future demand growth.
- Net cash used for financing activities was 15.4 billion yen; outflow by repayment of long-term loans and inflow by a convertible bond issue.

FY2010 Full-Year Earning Forecast

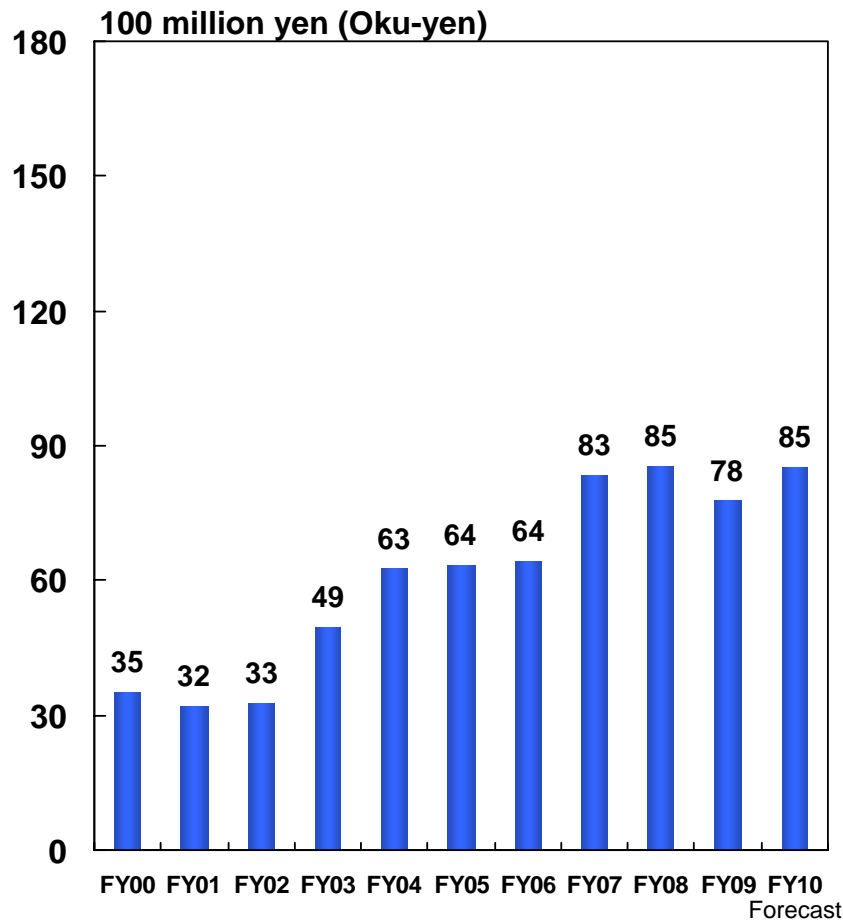
100 million yen (Oku-yen)

	FY2010 Forecast			Preference	
	1H	2H	Full Year	FY2009 Full year Actual	△
Sales	453	412	865	617	248
Operating Profit	71	50	121	47	74
Ordinary Income	72	60	132	46	86
Ordinary Income ratio	15.9%	14.6%	15.3%	7.4%	
Net Income	46	38	84	25	59
Depreciation			61	54	7
CAPEX			77	116	39
R&D Expense			85	78	7

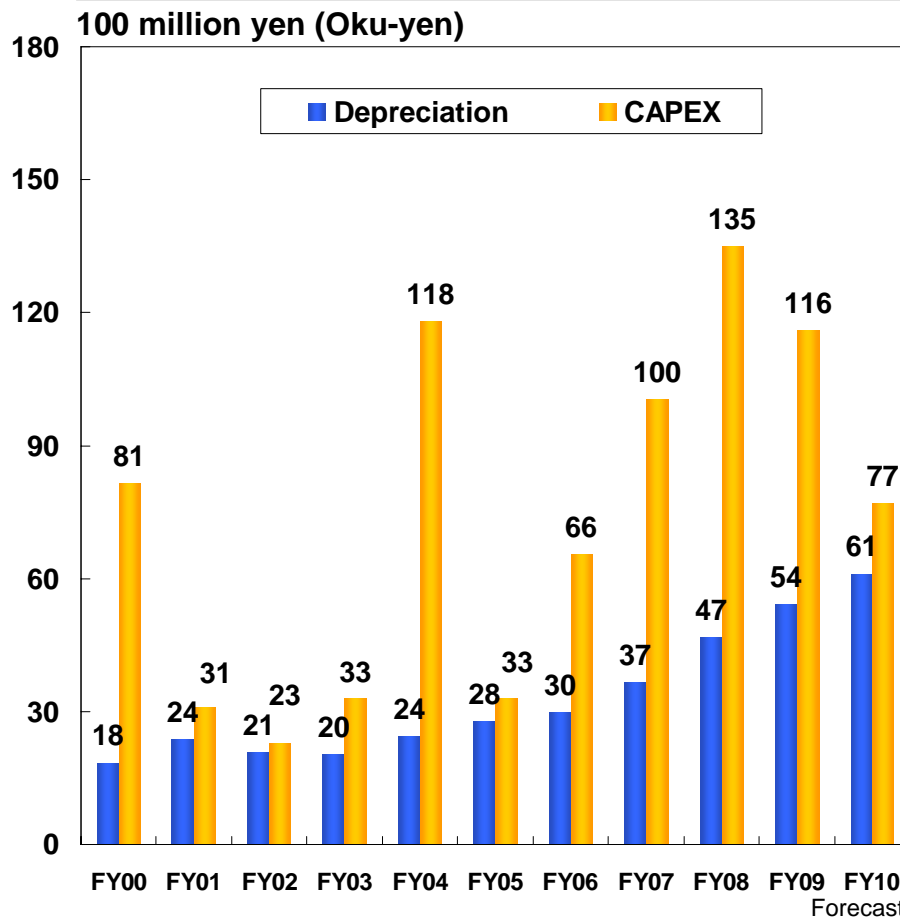
- Expect a sales growth supported by sound semiconductor market movement and active capital investment.
- Consumable sales are expected to increase by 10% from the previous term.
- Equipment sales are expected to grow by 60-70%, especially led by laser saw demand
- Assumed exchange rate: US\$: 90 yen, Euro: 120 yen
- Effective amount change per 1 yen: US\$: 252.2 million yen (full year), Euro: 17.9 million yen

Consolidated R&D/CAPEX Forecast

R&D Expense



Depreciation/CAPEX



- The R&D expense is expected to increase due to the increased number of equipment production and engineers.
- A depreciation increase due to the start of new plant operation.

Dividend Policy and Dividend Payment

(yen)	Intermediate dividend	Year-end dividend	Annual dividend
FY2009 (Actual)	10	10	20
FY2010 (Forecast)	25	25	50

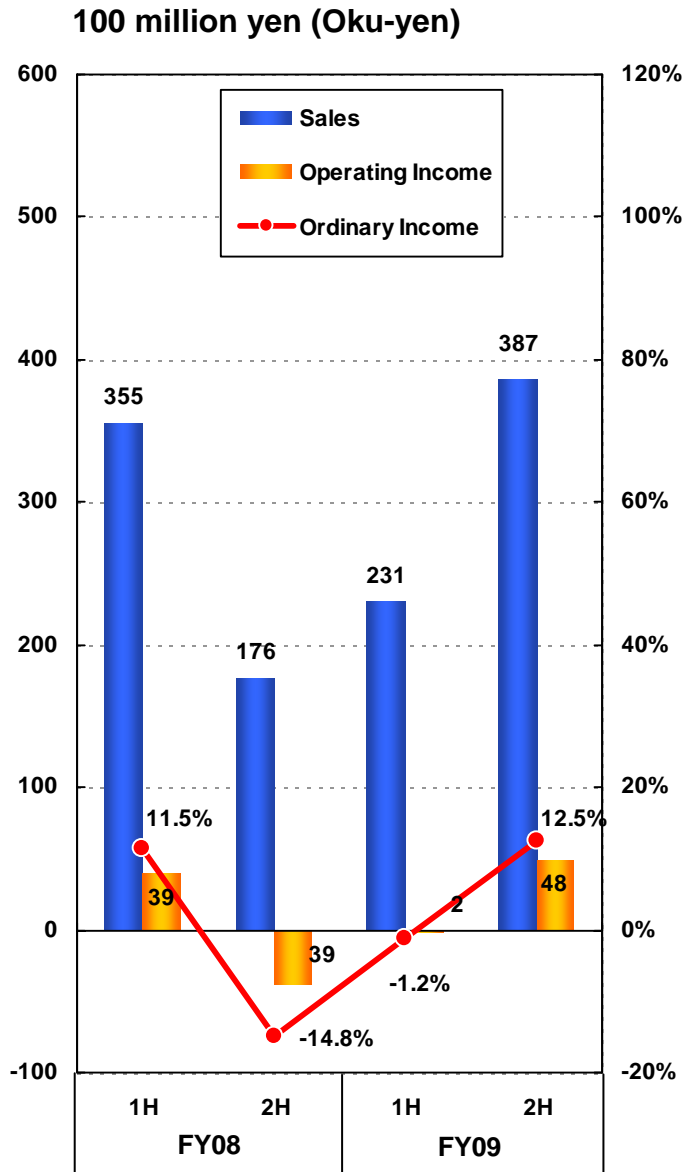
Dividend Policy

1. Payout ratio is set at 20% of the consolidated net income.
2. Maintaining an annual dividend payment of not less than 20 yen per share as a stable base dividend excluding the case where a consolidated net loss was recorded in three consecutive fiscal years.
3. If the consolidated ordinary income margin exceeds 20%, averaged over four years, the dividend payout will be increased from 20% to 24%.
4. Furthermore, with the exception of fiscal years in which a net loss is recorded, in fiscal years where the Company's cash balance, after the payment of dividends and income taxes, exceeds the amount necessary for such uses as a technology acquisition reserve, including the purchase of intellectual property and investments in start-up firms, plant and equipment expansion, and planned repayment of interest-bearing debt, approximately one-third of the excess cash will be allocated as additional dividends.

Operating Environment and Management Policy

Hitoshi Mizorogi
Chairman and CEO

Operating Environment and Our Business: FY2009



Operating Environment: FY2009 2H

- Semiconductor demand grew driven by final products for emerging markets and new products such as smartphones and Windows 7
 - Rising memory price → Improved demand to invest
 - Subcontractors started to invest
 - Very active capacity investment in LEDs
- ⇒ **Semiconductor industry moves to recovery phase lead by Asia**

Our Business

- Dramatic change in our operating environment
- Demand for dicing equipment recovered and 2H profitability significantly improved.
- Growing laser business
 - 2H: Sales 38,672 million yen (67.7% increase from 1H)
 - Operating income 4,847 million yen (283 million yen deficit in 1H)

Both sales and profit improved from the previous term

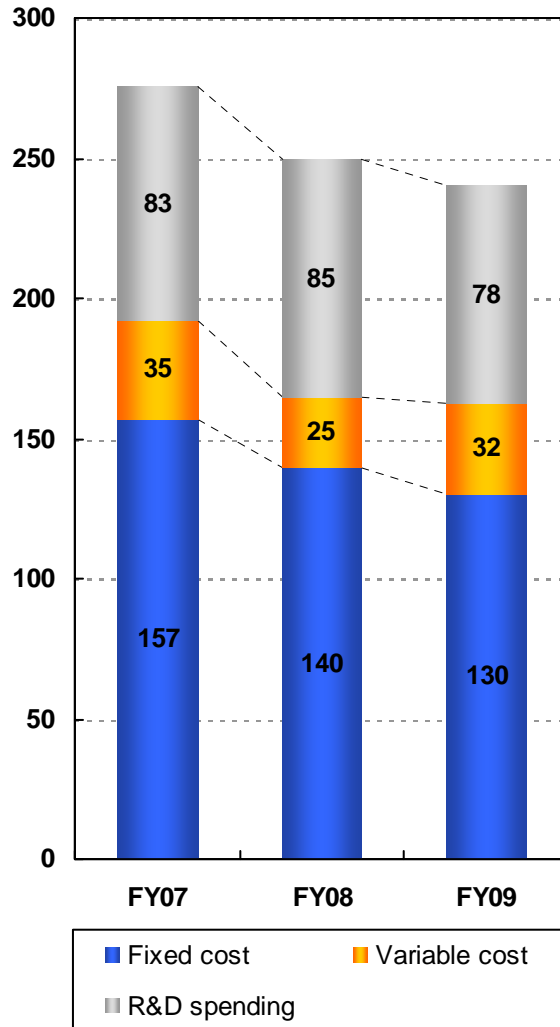
Sales 61,730 million yen (YoY +16.2%)

Operating Income 4,667 million yen (YoY +6,008%)

Handling Operating Environment Changes

Movement of consolidated SGA Cost

Millions of Yen



Anti-recession measures

- ❑ Implemented furloughs and various anti-recession measures
- ❑ Thoroughly reduced “Will expenses”
- ❑ Set financial management level “F”
⇒Rapidly handled the changing operating environment

2H

- ❑ Continued R&D activities for future opportunities at the same time as reducing fixed costs.
⇒R&D spending increased in every quarter in response to the operating environment
- ❑ Restarted the suspended capital expenditure for future growing demand and expanded resources according to increased sales volume

Note: Fixed costs includes personnel costs, welfare costs, depreciation and traveling and transportation costs.

Operating Environment for FY2009

FY2010 Forecast

Operating environment

- ❑ Demand for equipment will be extremely robust driven by increasing inquiries from overseas customers

- ❑ Very strong momentum has been seen especially in the north east Asia region (Taiwan, Korea, China)
 - Dicing saws for mass production: Subcontractors, package singulation, etc.,
 - Grinder: memory manufacturers
 - Laser saws: Strong demand for LEDs and other applications

- ❑ Approx. 10% growth in consumable sales is expected
- ❑ Low visibility for the 2H, we will work flexibly toward market needs.

**Very robust investment activities especially among Asian customers,
we will flexibly handle this growing demand**

Strengthen production capabilities

- Kuwabata plant's new building A (Completed in January 2010)
- Chino plant new building (planned to be completed in June 2010)
- Kure plant (planned to be completed in November 2011)

Seek possibilities for *Kiru, Kezuru and Migaku* technologies

Strengthen organizational advancement

- PIM activities: Driving force for innovation
- **Anchoring DISCO Values: Strengthen unity as one organization**

Aim to improve all corporate activities through working on current challenges and future agendas.

DISCO

Kiru · Kezuru · Migaku Technologies

