FY2010 1Q Financial Results and FY2010 Forecasts

DISCO CORPORATION

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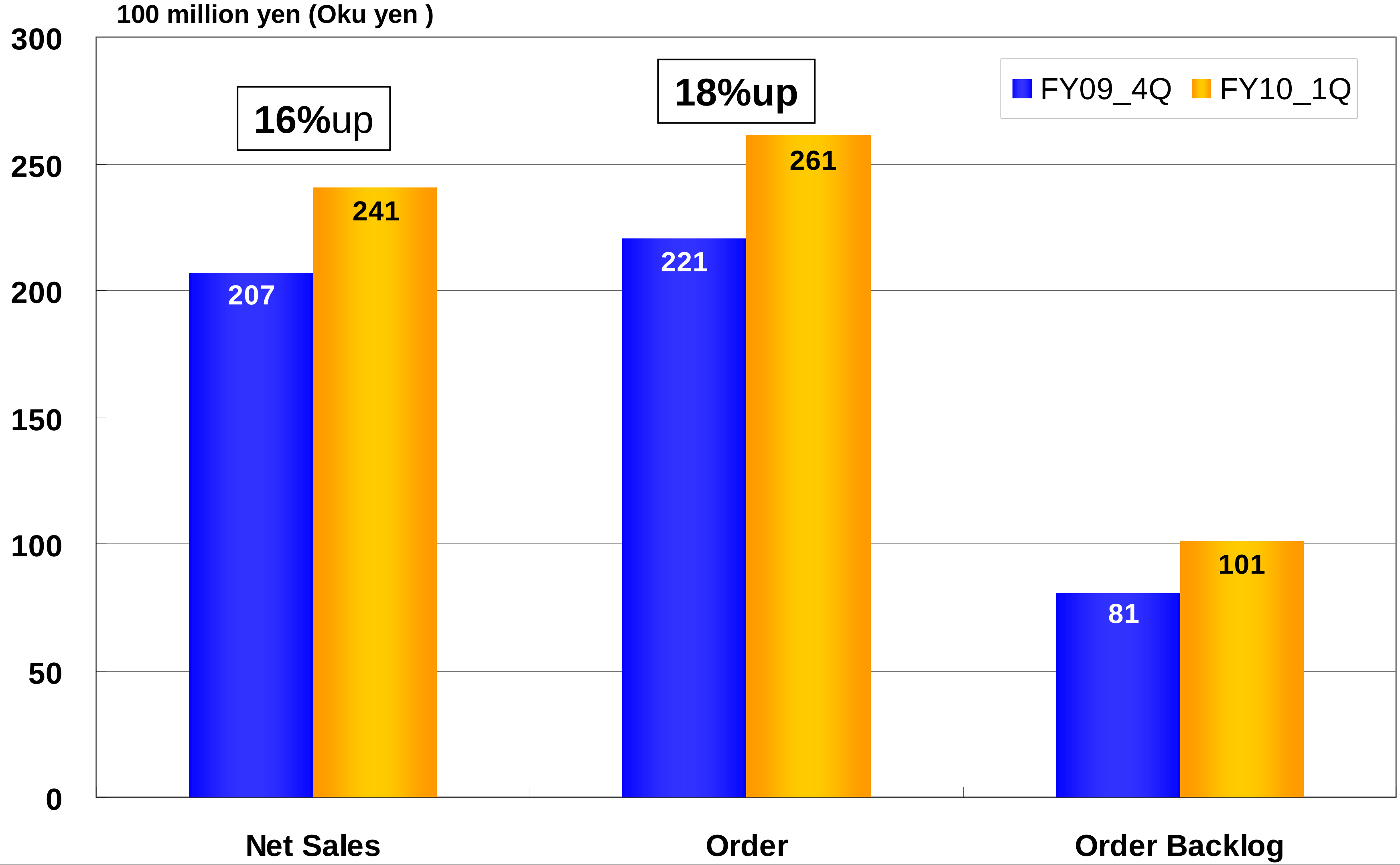
1. FY2010 1Q Financial Results and FY2010 Full-year Forecasts

Presentation by the Manager, Investor Relations,

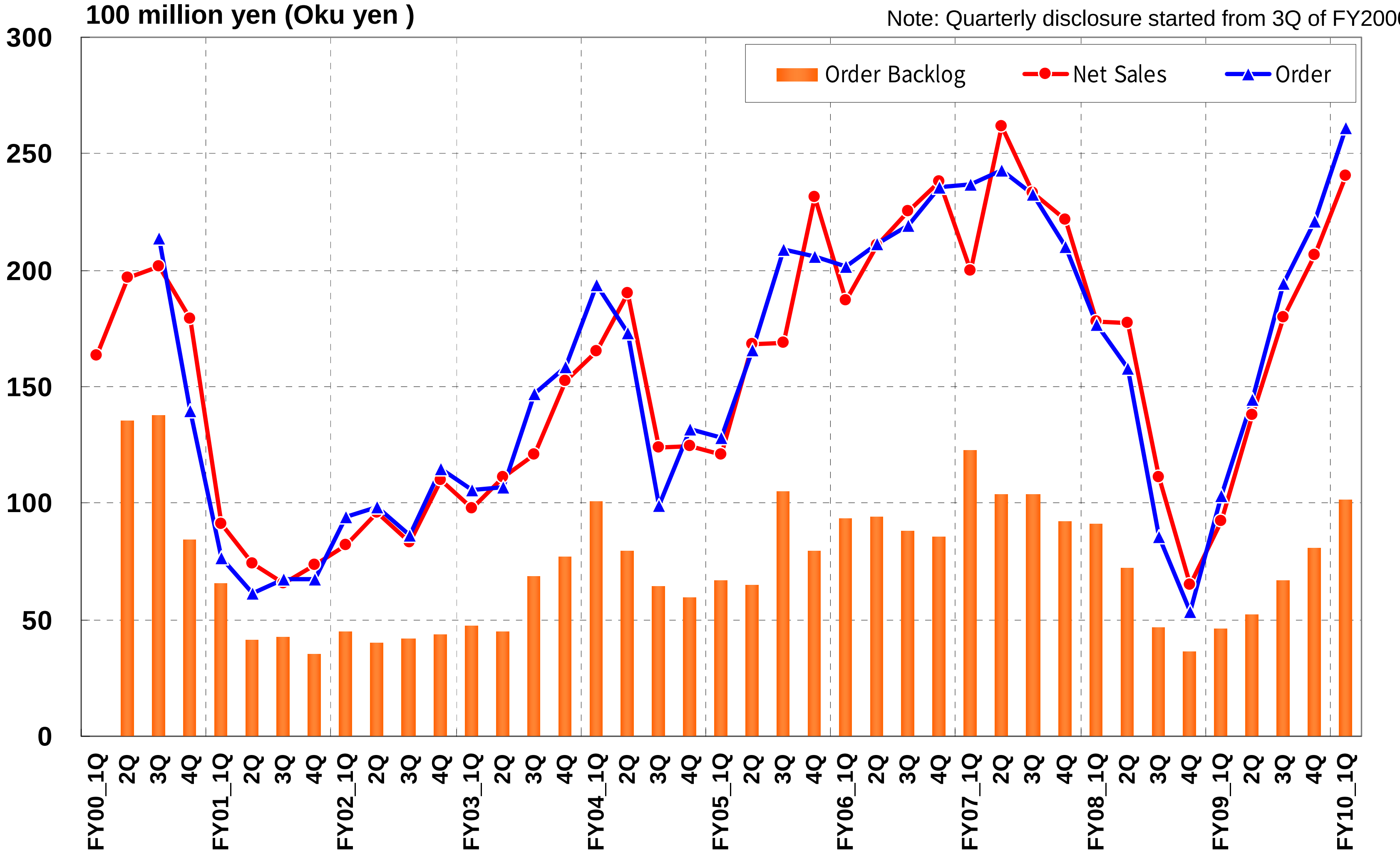
Shinichiro Ozawa

Consolidated Sales, Orders, Order Backlog



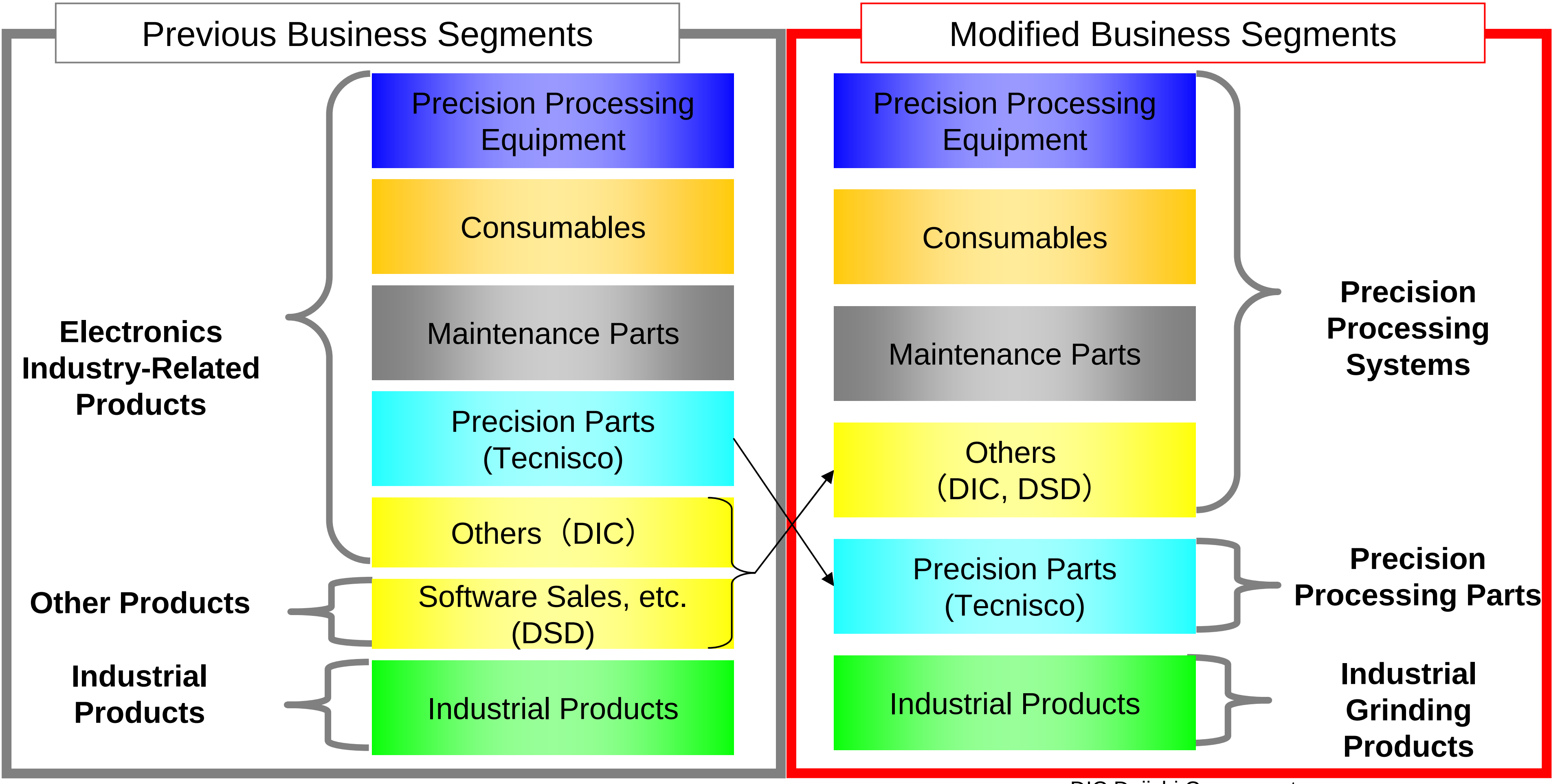
- Sales and orders reached historical levels, rising nearly 20% from the previous quarter.

Quarterly Sales/Orders



- Orders also reached a record high, exceeding net sales for the fifth consecutive quarter.

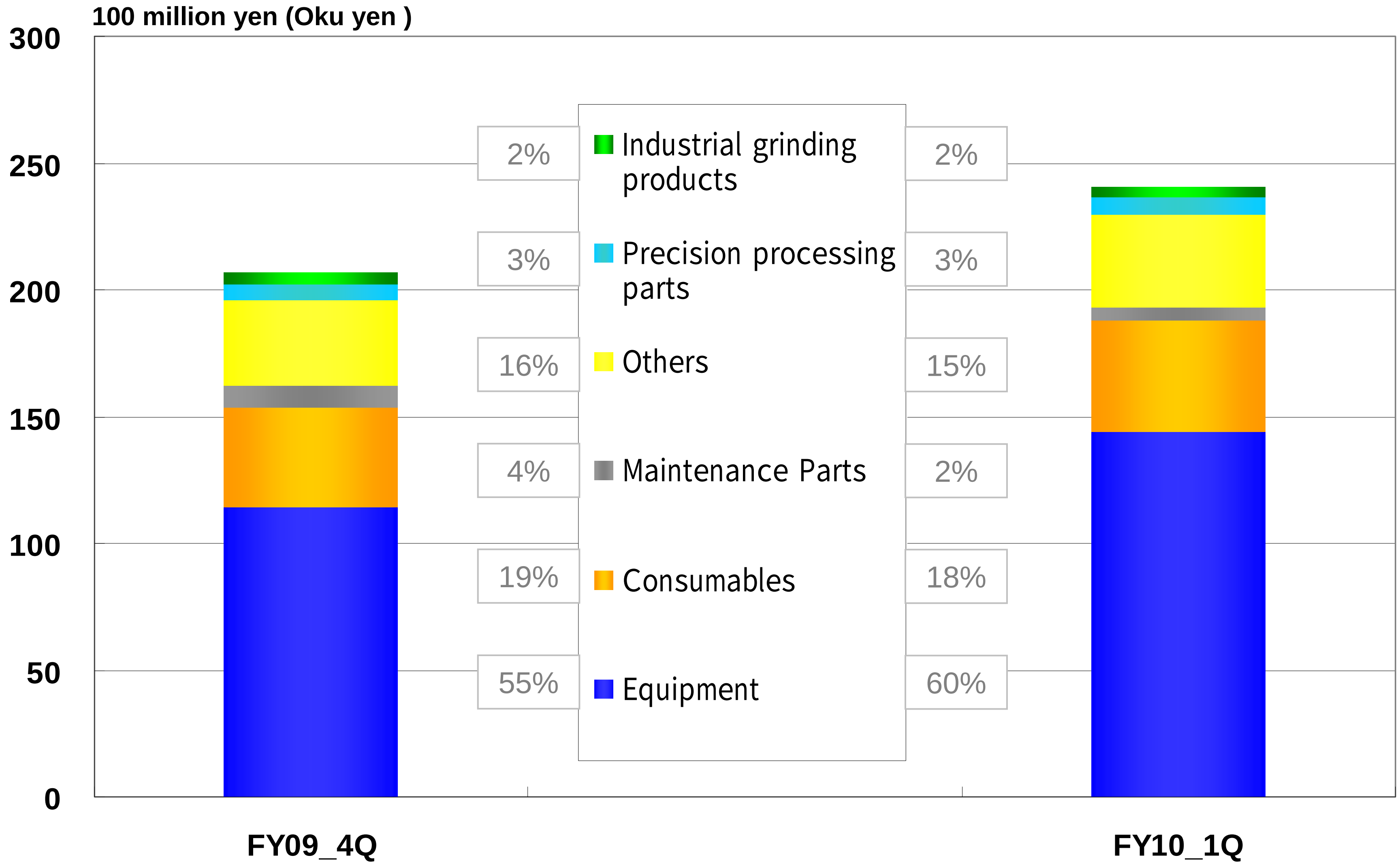
Changes in Business Segments



DIC:Daiichi Components

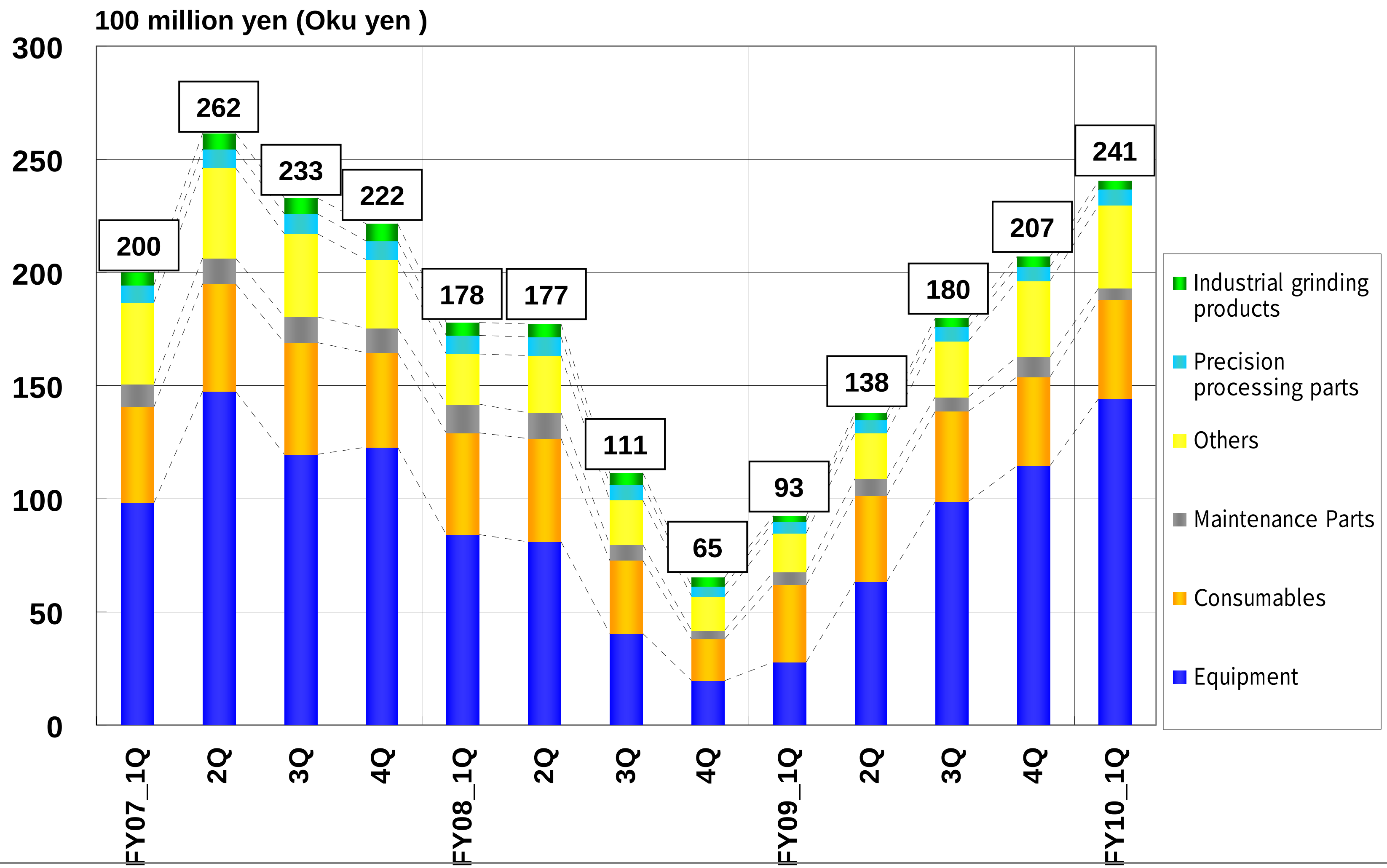
- For legal disclosure purposes, segment names and segment aggregation were changed, attendant on introduction of the “management approach” to segment reporting.
- Precision processing systems and the precision processing parts have been classified as separate segments.

Consolidated Sales Breakdown by Product



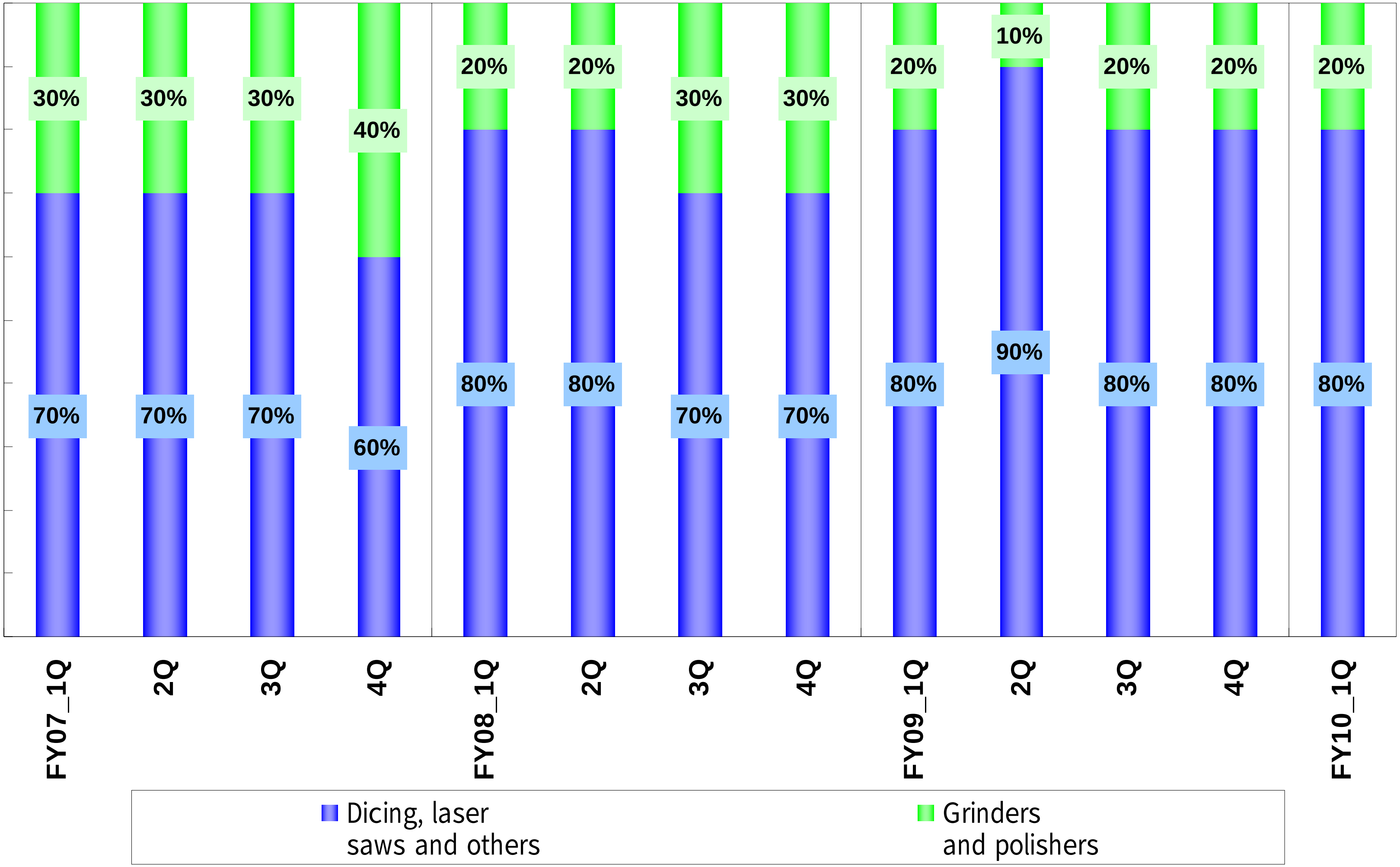
- The sales contribution increased due to continued robust shipments of precision processing equipment.
- Although the sales contribution of precision blades and wheels (consumables) decreased slightly, sales value increased steadily.

Consolidated Quarterly Sales Breakdown by Product



- Fueled by a powerful recovery in sales of precision processing equipment, sales rose to the second-highest level ever, ranking after sales in FY2007 2Q.
- Sales of precision blades and wheels (consumables) developed solidly, accompanying an increase in capacity utilization at customers' production facilities.

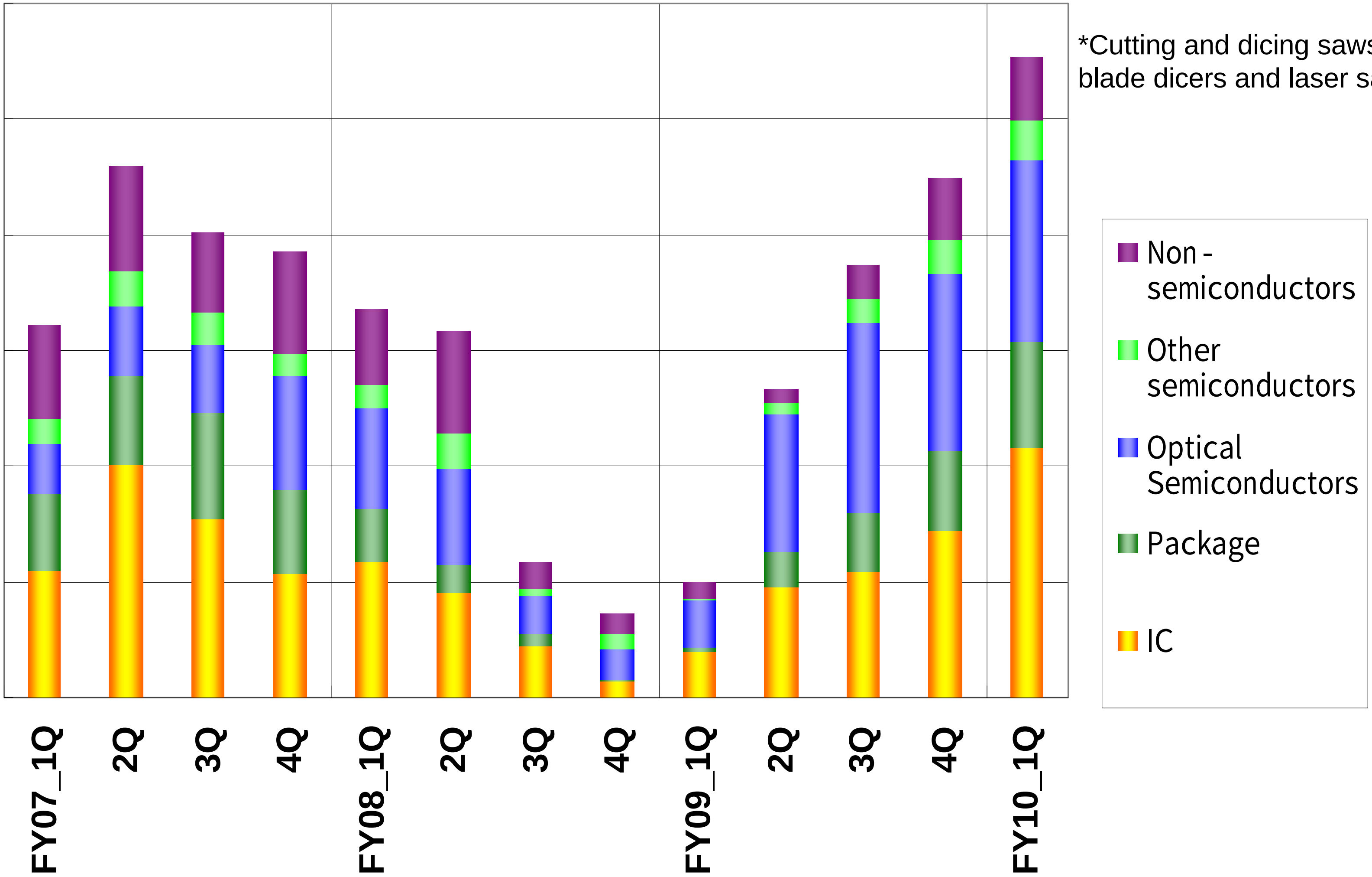
Quarterly Equipment Sales Breakdown



- Since shipments of grinders and polishers* increased together with the increase in sales of cutting and dicing saws*, there was no change in the sales contribution.

*Cutting and dicing saws include blade dicers and laser saws.
*Grinders and polishers also include surface planers and grinder/polishers.

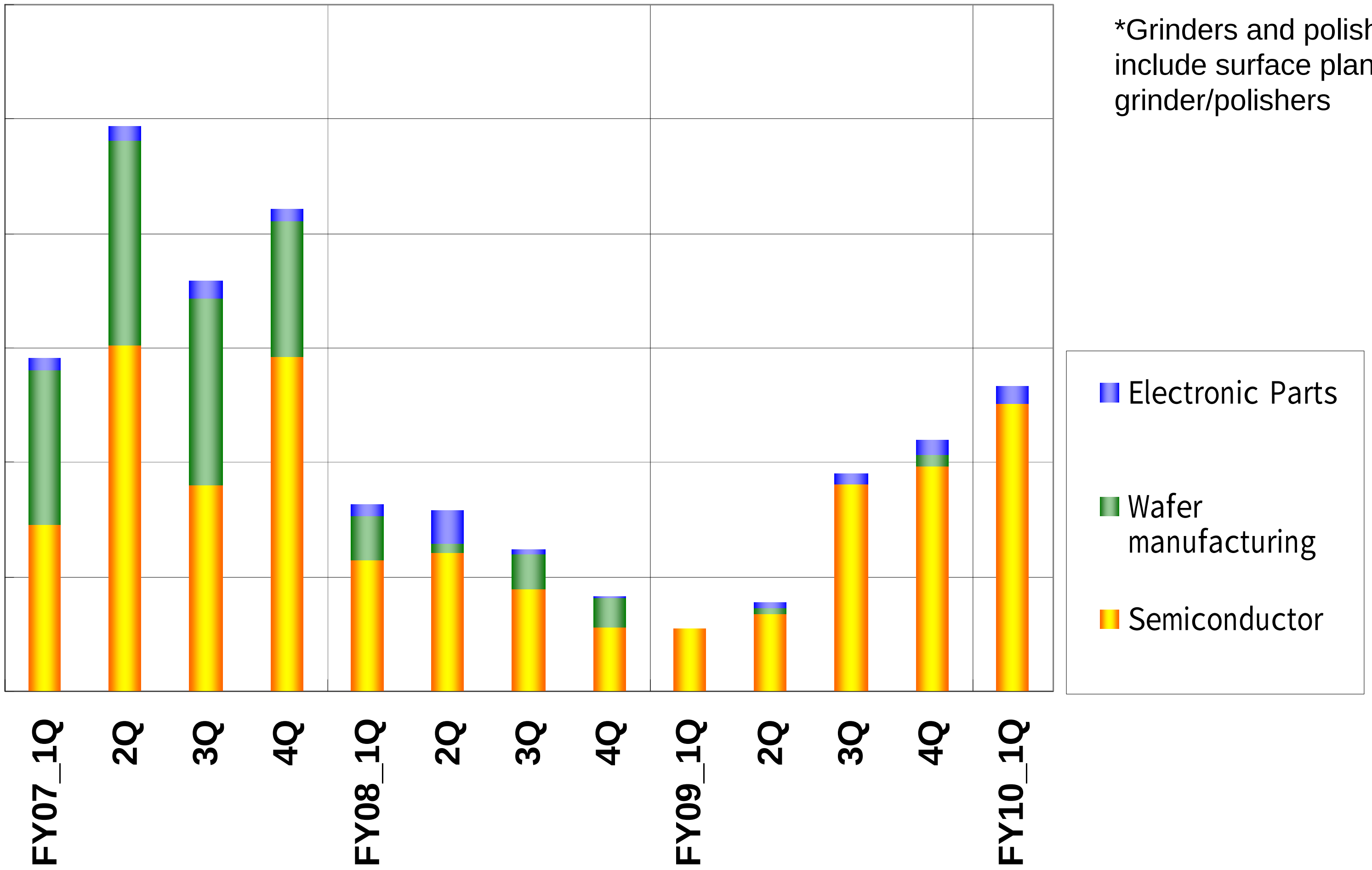
Cutting and Dicing Saws* Sales Breakdown by Application



*Cutting and dicing saws include blade dicers and laser saws

- Quarterly sales were the highest ever, increasing 456% YoY.
- Whereas shipments to the semiconductor market in the quarter increased only slightly from the previous quarter, shipments to the package and integrated circuit markets rose sharply.
- Shipments of laser saws for Low-K materials increased substantially, and sales for LED applications were also robust.

Grinders and Polishers* Sales Breakdown by Application



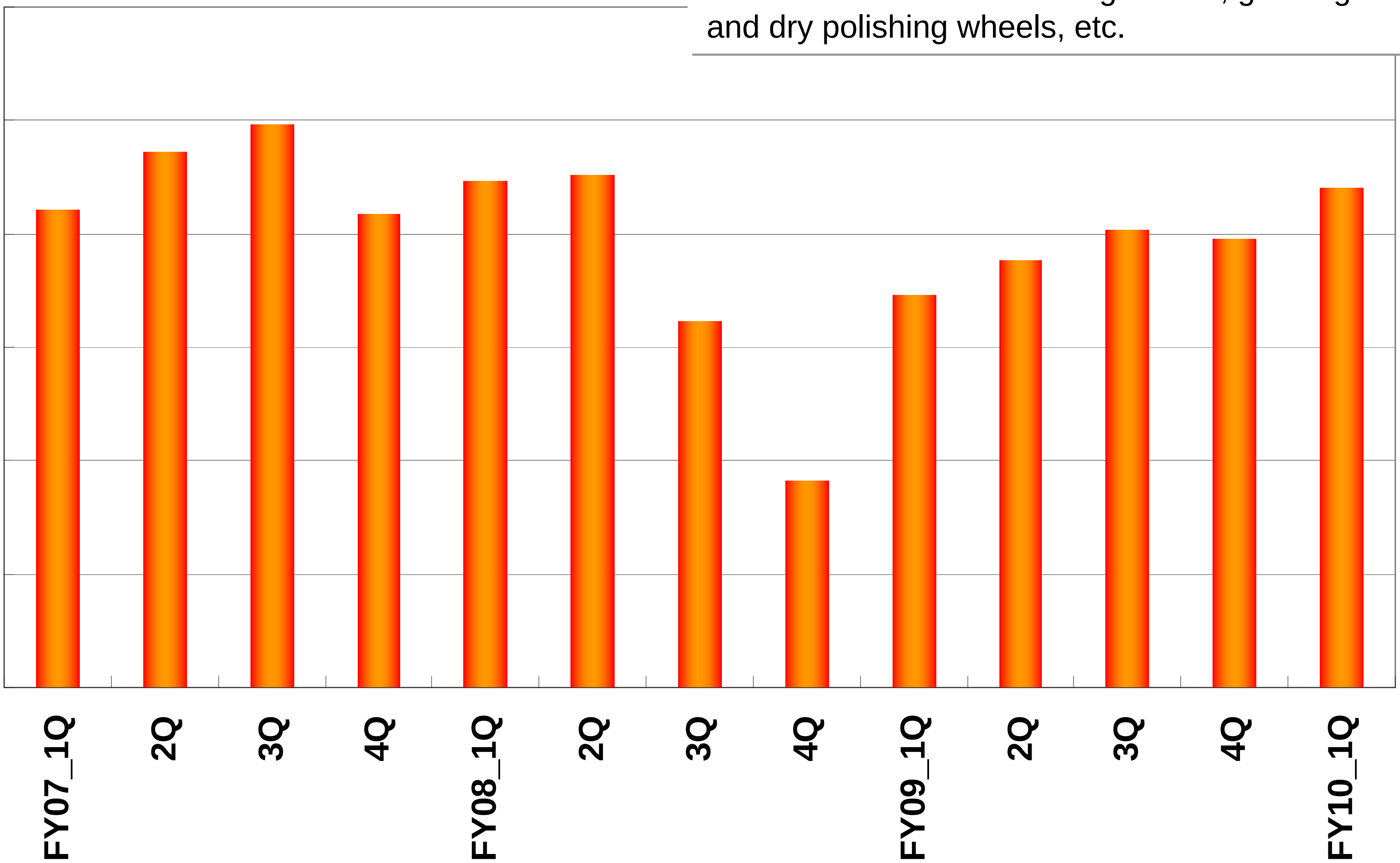
*Grinders and polishers also include surface planers and grinder/polishers

- Although sales did not reach an historical peak, they are on a recovery track.
- Demand for grinders and polishers for memory was robust, and shipments of DBG* equipment contributed substantially to sales.

*DBG is an abbreviation of Dicing Before Grinding, a chip separation method that involves making a half cut before grinding, thus reversing the conventional process of grinding before dicing.

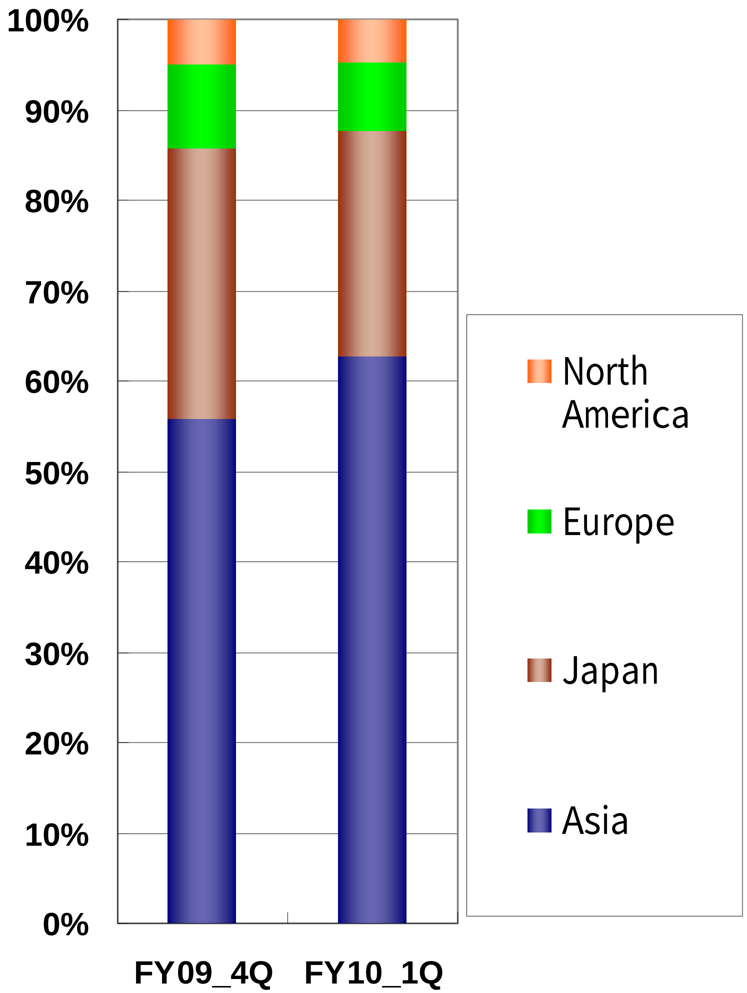
Consumables* Sales

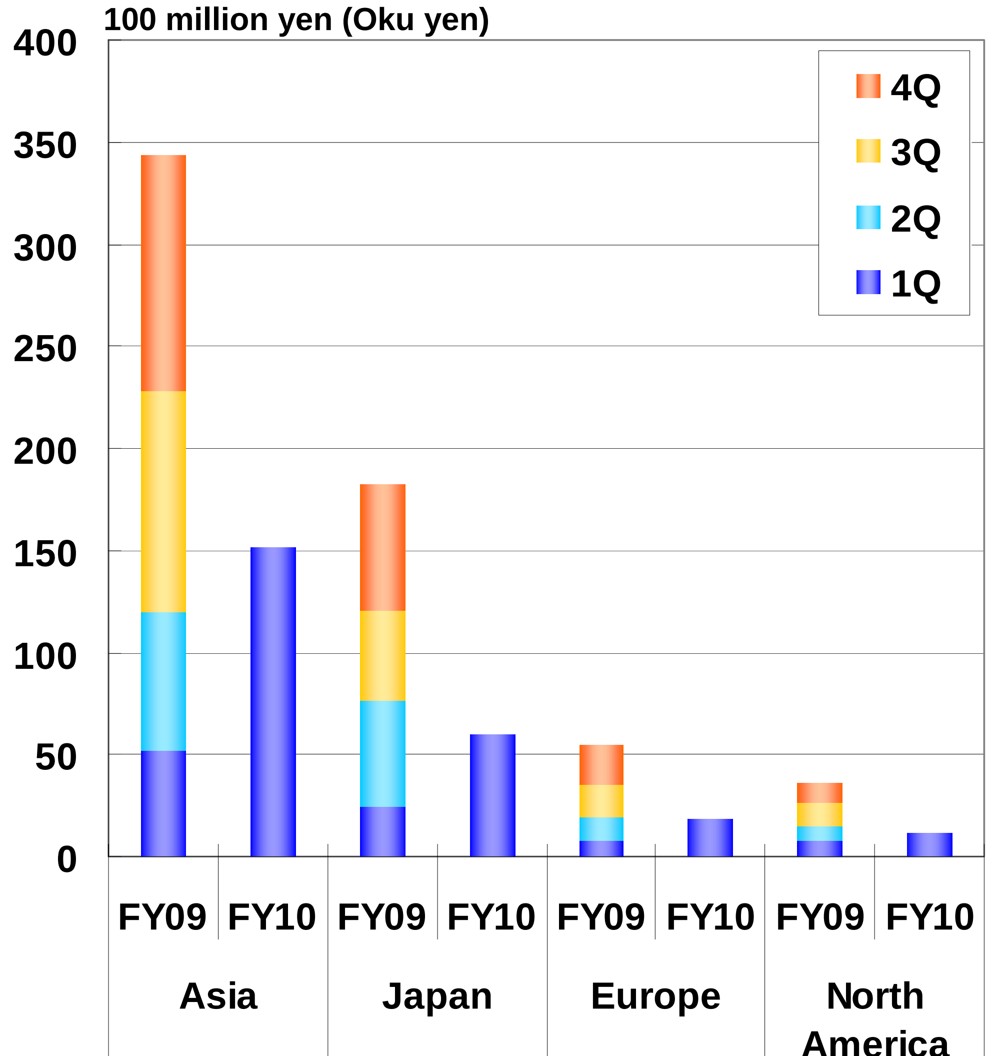
*Consumables include dicing blades, grinding wheels, and dry polishing wheels, etc.



- Although production by customers was extremely brisk and production volumes set new records, sales were at the same level as FY2007 4Q due to the impact of the strong yen.

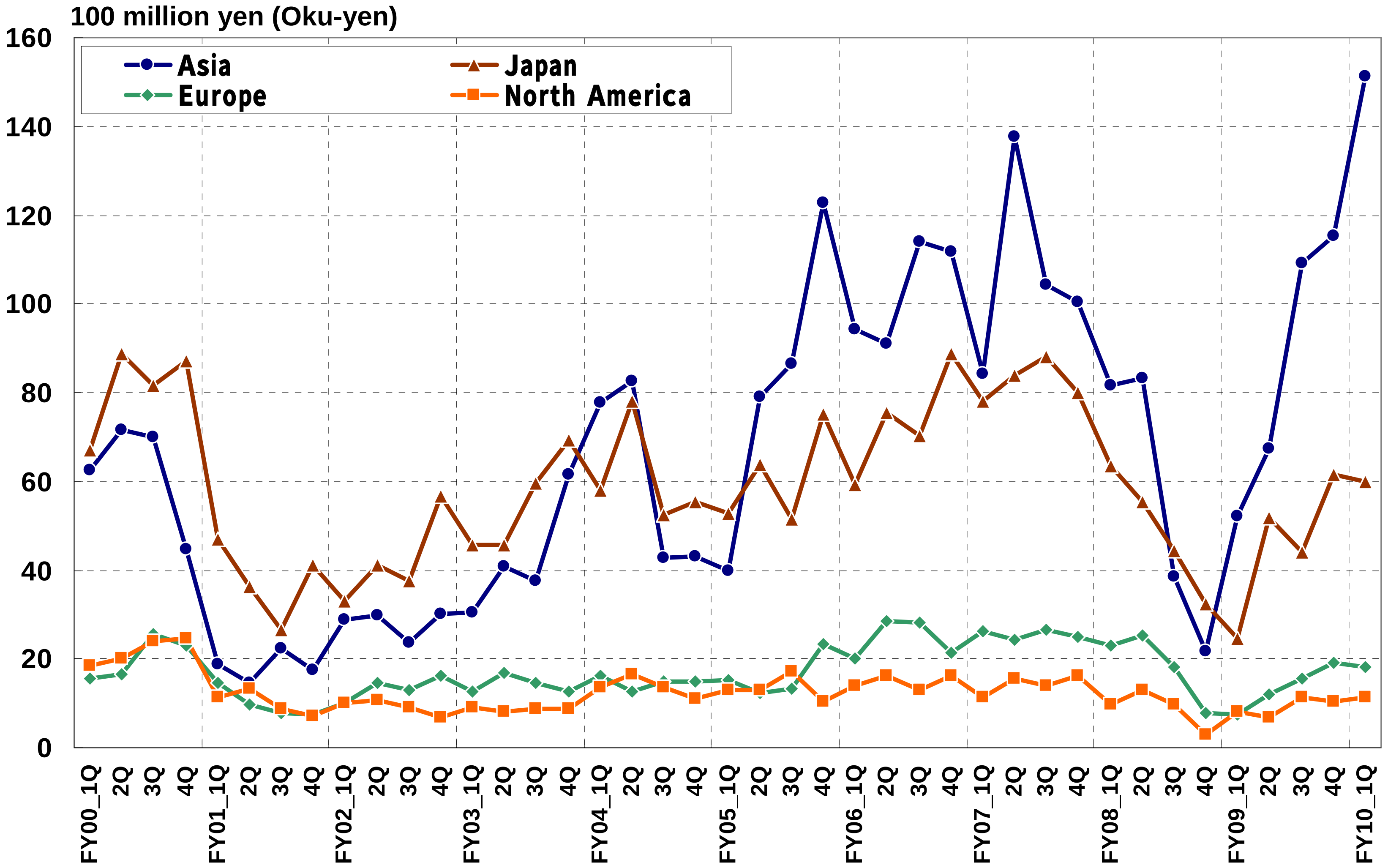
Sales Breakdown by Region





- Sales to Asia, where business is booming, surged 30% from the previous quarter, and the sales contribution exceeded 60%.
- In areas other than Asia, business recovery lacked strength and sales remained at the same level as the previous quarter.

Quarterly Regional Sales



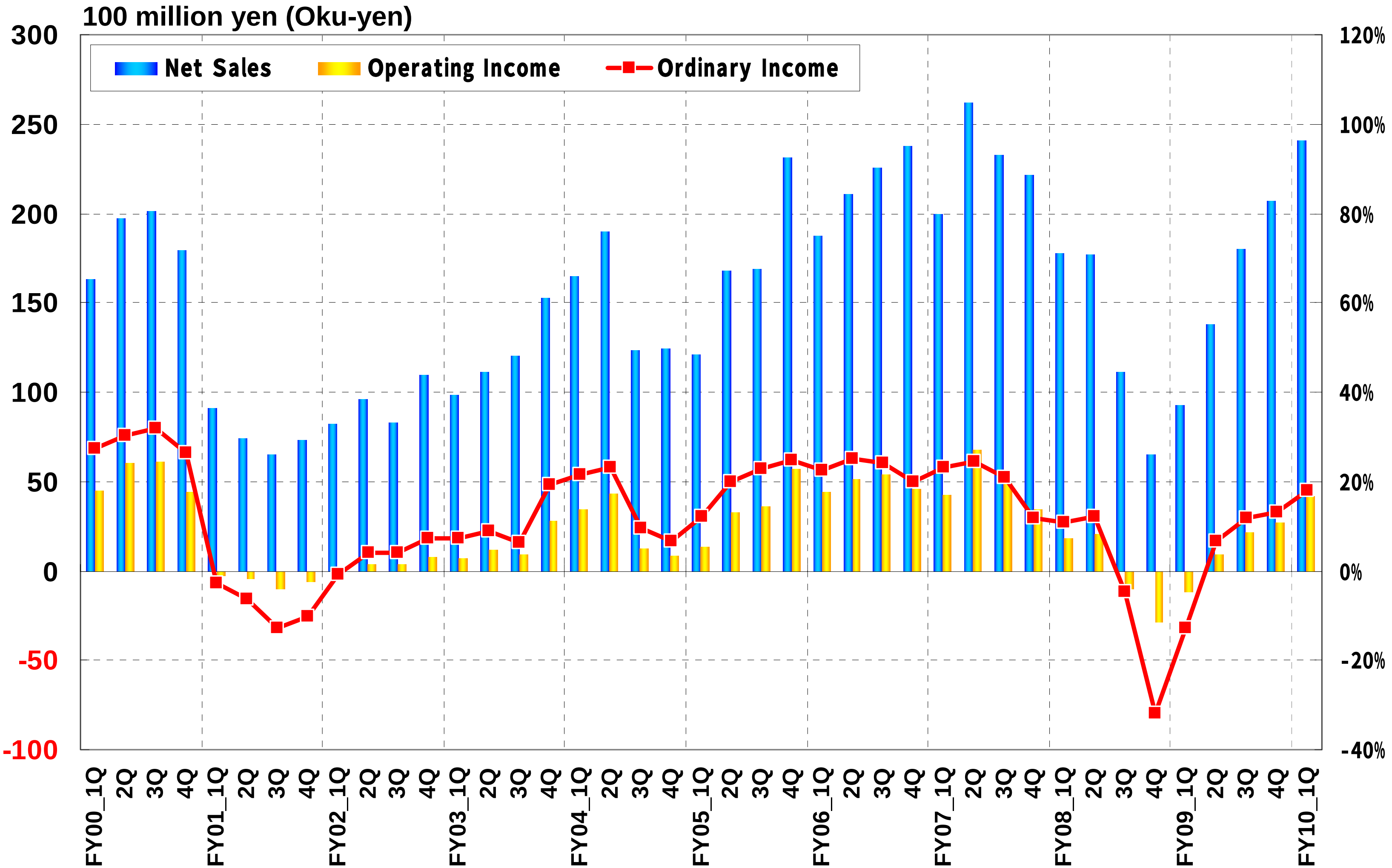
- Sales to Asia exceeding ¥15.0 billion, surpassing the previous record set in FY2007 2Q.
- Mainly attributable to increased large-scale investment at subcontractors in South Korea and Taiwan.

FY2010 1Q Earnings Results

Millions of Yen	FY2009 4Q	FY2010 1Q	Amount	(%)
Sales	20,676	24,057	3,381	16.4%
Gross profit	9,878	11,308	1,430	14.5%
Gross profit margin	47.8%	47.0%	-0.8p	-
SGA	7,161	7,172	11	0.2%
Operating Income	2,717	4,136	1,419	52.2%
Ordinary Income	2,728	4,338	1,610	59.0%
Ordinary Income Margin	13.2%	18.0%	4.8p	-
Net Income before Tax	2,320	4,275	1,955	84.3%
Net Income	1,288	2,841	1,553	120.6%
Depreciation	1,562	1,358	-204	-13.1%
R&D expense	2,506	2,092	-414	-16.5%

- Although the gross profit margin fell by 0.8 points, operating income increased 52% QoQ as a result of sales growth and flat SGA.
- The ordinary income margin increased 4.8 points to 18%.
- The decrease in R&D expense is due to the absence in 1Q of an increase charged at the end of the previous fiscal year.

Quarterly Consolidated Financial Results



- Consolidated sales reached the second-highest level ever (ranking after the ¥26.2 billion in FY2007 2Q).
- Profits reached only the level of FY2007 as a result of deterioration in the gross profit margin and an increase in SG&A (such as R&D expense, depreciation, and commissions due to rising distributor sales).

Balance Sheet (Summary)

Millions of Yen	FY2009 4Q	FY2010 1Q	Amount
Current Assets	**62,926**	**66,078**	3,152
Cash and cash equivalents	18,247	16,997	-1,250
Notes and account receivable	23,087	25,594	2,507
Inventories	18,540	20,471	1,931
Fixed Assets	**61,364**	**62,026**	662
Tangible fixed assets and Non-tangible fixed assets	54,435	55,092	657
Total Assets	**124,313**	**128,126**	3,813
Total Liabilities	**36,221**	**38,036**	1,815
Current Liabilities	22,784	26,497	3,713
Fixed Liabilities	13,437	11,538	-1,899
Net assets	**88,091**	**90,090**	1,999
Shareholders' Equity ratio (%)	**70.3%**	**69.7%**	-0.6p
Liabilities and shareholders' Equity	**124,313**	**128,126**	3,813

- Current assets rose, mainly due to increases in notes and accounts receivable attendant on higher product sales.
- Similarly, current liabilities rose due to increases in notes and accounts payable.
- Fixed liabilities fell as a result of repayment of loans at the end of June. (There were no borrowings at the end of 1Q.)

Cash Flow (Summary)

Millions of Yen	FY2009 1Q	FY2010 1Q	Amount
Cash flows from operating activities	**659**	**4,918**	4,259
Net income before tax	-1,447	4,275	5,722
Depreciation	1,189	1,358	169
Trade receivables, inventories and buying debt	521	-2,072	-2,593
Others	396	1,357	961
Cash flows from investing activities	**-13,532**	**627**	14,159
Purchase of property, plant and equipment	-4,170	-2,336	1,834
Others	-9,362	2,963	12,325
Cash flows from financing activities	**-336**	**-3,332**	-2,996
Repayment of long-term loans payable	0	-3,000	-3,000
Cash dividend paid for minority shareholders	-336	-336	0
Free cash flow	**-12,873**	**5,545**	18,418
Net change in of cash and cash equivalents	-13,223	1,750	14,973
Balance of cash and cash equivalents, end of 1Q	20,194	16,997	-3,197

- Cash flows from investing activities turned positive as a result of maturing time deposits, despite the purchase of property, plant and equipment.
- Proceeds from maturities in time deposits were applied to the repayment of long-term debt in cash flow from financing activities.
- Although free cash flow was a positive ¥5.5 billion as a result of the above, the increase in cash and cash equivalents from the beginning of the fiscal year was ¥1.7 billion.

FY2010 Full-Year Earning Forecast

100 million yen (Oku-yen)	FY2010					Reference	
	1Q Actual	2Q Forecast	1H Forecast	2H Forecast	Full Year Forecast	Previous forecast (Full Year) 2010/5/13	⊿
Net Sales	241	299	540	480	1,020	865	155
Operating Income	41	65	106	82	188	121	67
Ordinary Income	43	65	108	92	200	132	68
Ordinary Income Margin	18.0%	21.6%	20.0%	19.2%	19.6%	15.3%	4.3p
Net Income	28	41	69	57	126	84	42
CAPEX					77	77	0
Depreciation	14				61	61	0
R&D expense	21				85	85	0

- DISCO revised the earning forecast for 1H and full-year 2010 mainly due to very active market situation in Asia region.
- Very strong demand for our dicing saws, especially blade dicer.
- Precision processing equipment expected to grow twice from the last year (expected 60~70% growth in last forecast announced on May)
- Revised exchange rate: **US$：85 yen from 90 yen, Euro: 120 yen to 110 yen**
- Effective amount per 1 yen: US$ 274 million yen, Euro: 10 million yen

Dividend Policy and Dividend Payment

(Yen)

FY2010	Intermediate dividend	Year-end dividend	Annual dividend
Previous forecast	25	25	50
Revised forecast	35	40	75
Δ	10	15	25

(Reference)

FY2009	Intermediate dividend	Year-end dividend	Annual dividend
Actual	10	10	20

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.

DISCO

Kiru・Kezuru・Migaku Technologies