

FY2010 3Q Financial Results and FY2010 Forecasts

DISCO CORPORATION

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DISCO cautions you that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements, and you should not make decision on your investment thoroughly based on these statements. Such factors include, but not limited to, (i) general economic conditions and levels of demand in DISCO's markets; (ii) developments in technology and resulting changes in semiconductor and/or electronic component manufacturing process; (iii) levels of capital investment for manufacturing semiconductors and/or electronic components; (iv) expansions of the area for products and technologies using semiconductors and/or electronic components and its expanding speed; (v) DISCO's ability to continue to offer products and services corresponding to developments of new semiconductors and/or electronic components and new technologies for manufacturing them; (vi) exchange rates, particularly between the yen, the U.S. dollar, and the euro, and other currencies.

FY 2010 3Q Financial Results

FY2010 Earnings Results (April 1st, 2010 through December 31, 2010)

Millions of Yen	FY2009	FY2010		
	1-3Q	1-3Q	Amount	(%)
Sales	41,053	74,660	33,606	81.9%
Gross profit	18,812	34,942	16,130	85.7%
Gross profit margin	45.8%	46.8%	+1.0p	-
SGA	16,862	22,771	5,910	35.0%
Operating Income	1,950	12,170	10,220	524.0%
Ordinary Income	1,832	12,387	10,555	575.9%
Ordinary Income Margin	4.5%	16.6%	+12.1p	-
Net Income before Tax	1,725	12,151	10,426	604.1%
Net Income	1,182	7,990	6,809	575.9%
EPS (yen)	35.18	237.77	202.58	-

- Cumulative figures for the nine-month period show substantial increases in both sales and income compared with the same period in the previous year, resulting from the expansion of emerging markets and increased demand for end products, notably smartphones.
- Selling, general and administrative expenses increased by 35% compared with the same period in the previous year. This reflects higher variable selling costs, such as sales commissions, as well as an increase in R&D expenditure.

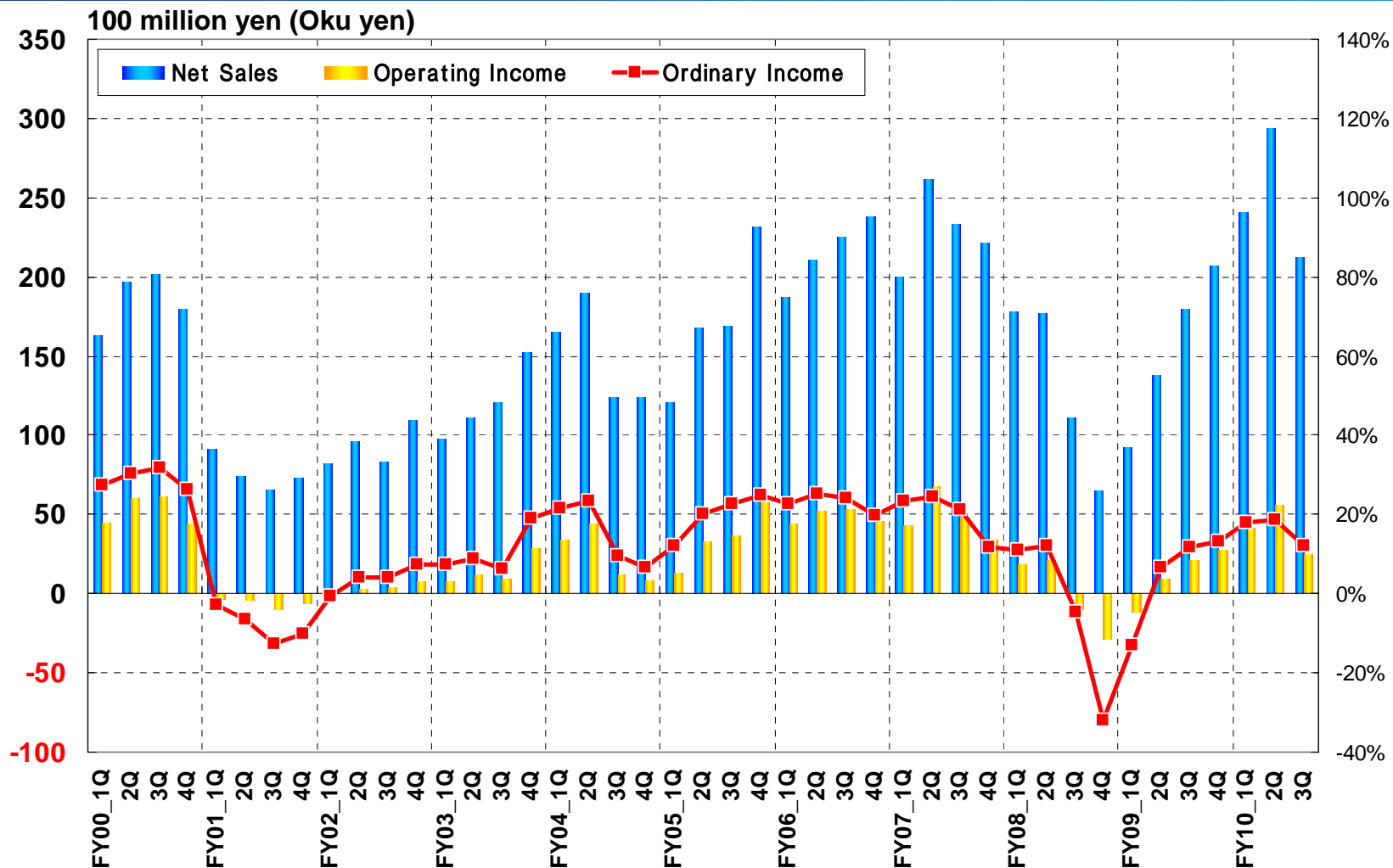
FY2010 Quarterly Earnings Results

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Millions of Yen	FY2010 2Q	FY2010 3Q	Amount	(%)
Sales	29,348	21,254	-8,094	-27.6%
Gross profit	13,641	9,992	-3,649	-26.8%
Gross profit margin	46.5%	47.0%	0.5p	-
SGA	8,106	7,493	-613	-7.6%
Operating Income	5,535	2,498	-3,037	-54.9%
Ordinary Income	5,440	2,608	-2,832	-52.1%
Ordinary Income Margin	18.5%	12.3%	-6.3p	-
Net Income before Tax	5,314	2,561	-2,753	-51.8%
Net Income	3,545	1,604	-1,941	-54.8%
Depreciation	1,471	1,729	258	17.5%
R&D expense	2,921	2,584	-337	-11.5%

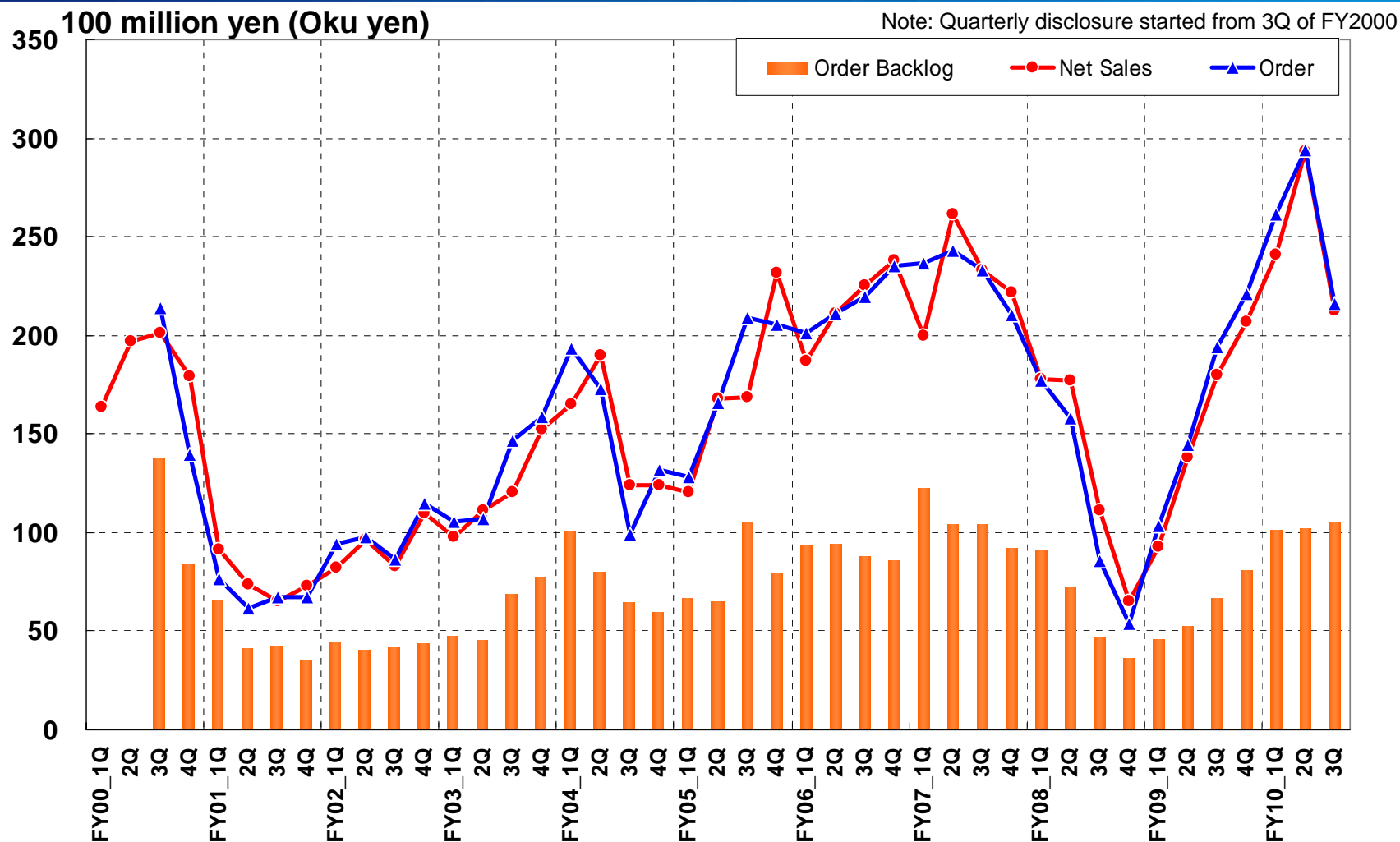
- Capital investment by manufacturers leveled off, and net sales for the third quarter were 27% lower compared with the second quarter.
- Though the results were affected by the exchange rate, the gross profit margin recovered by 0.5 points compared with the second quarter, in part because of changes in the sales mix.
- Despite efforts to curb costs, the ordinary income margin fell by 6.3 points because of factors that included aggressive R&D activities.

Quarterly Consolidated Financial Results



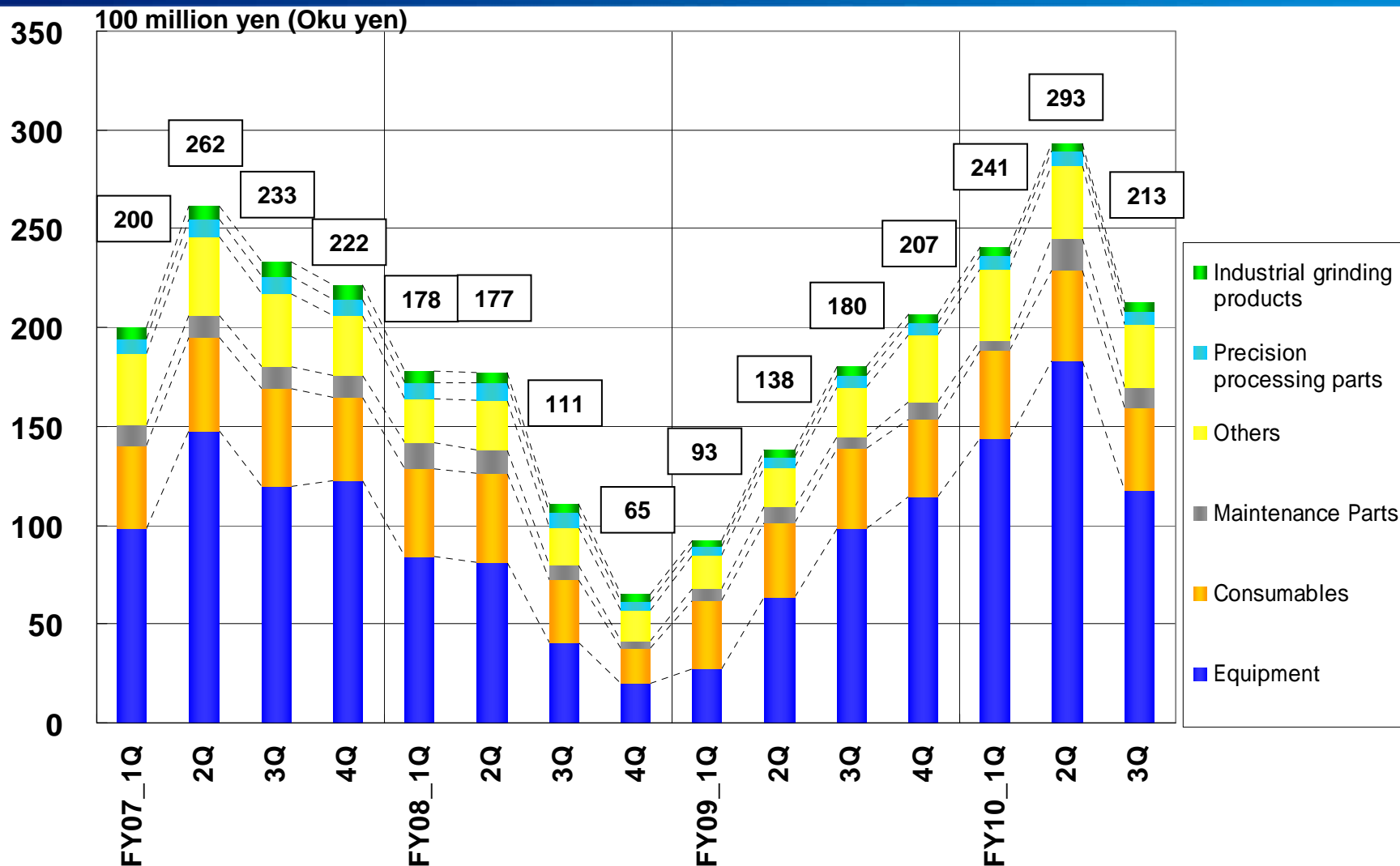
- Earnings came under pressure from the rising value of the yen. There was also an increase in selling, general and administrative expenses, especially R&D expenditure. As a result, the ordinary income margin for the third quarter of FY10 was only 12.3%.

Quarterly Sales/Orders



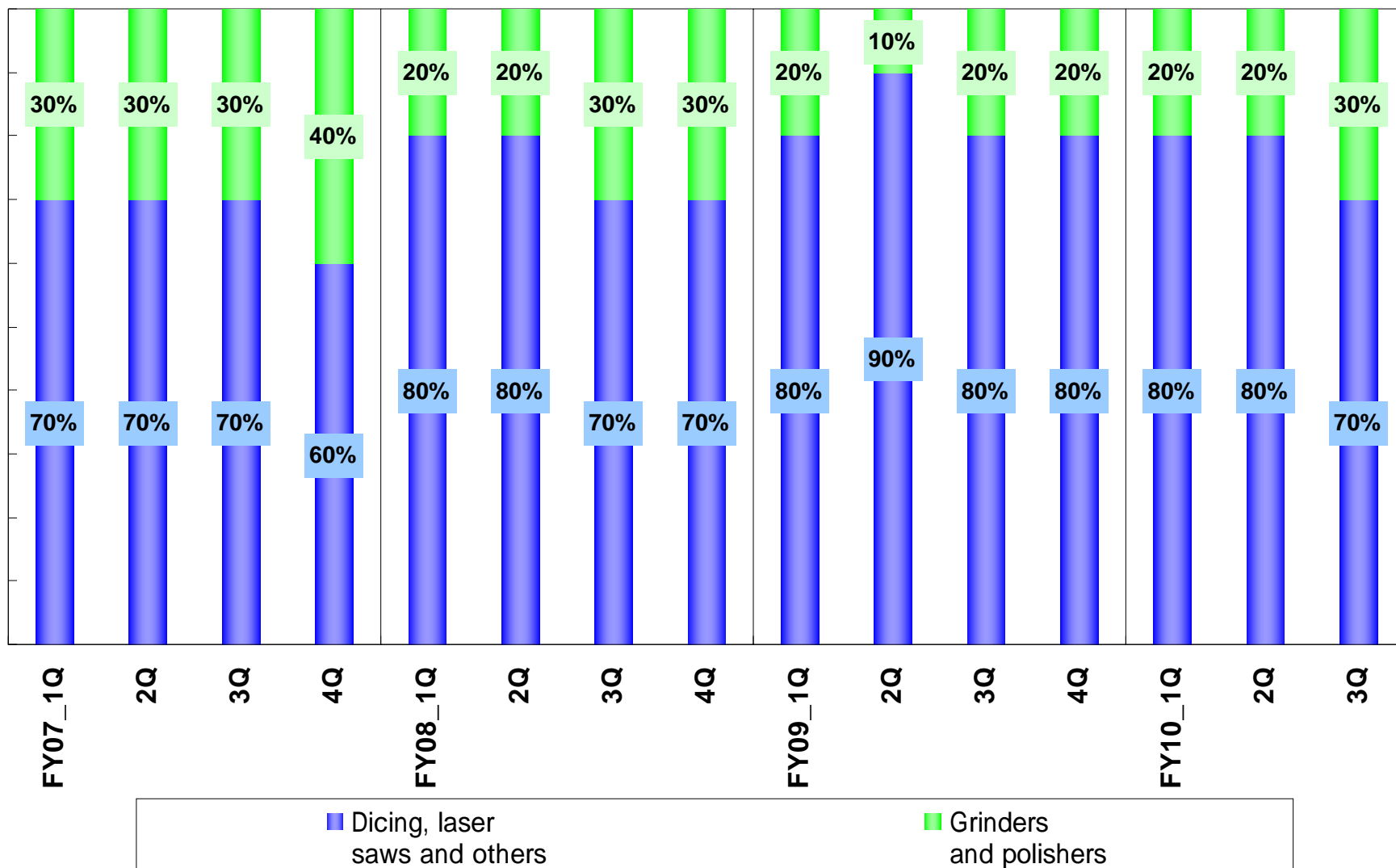
- Both net sales and orders declined after setting new records in the previous quarter and were around the same levels as in the 4th quarter of FY09.
- The order backlog remained high at ¥10,500 million in the third quarter of FY10.

Consolidated Quarterly Sales Breakdown by Product



- Sales of precision processing equipment declined sharply, and there was a 7-point quarterly decline in this category's percentage of total sales.

Quarterly Equipment Sales Breakdown

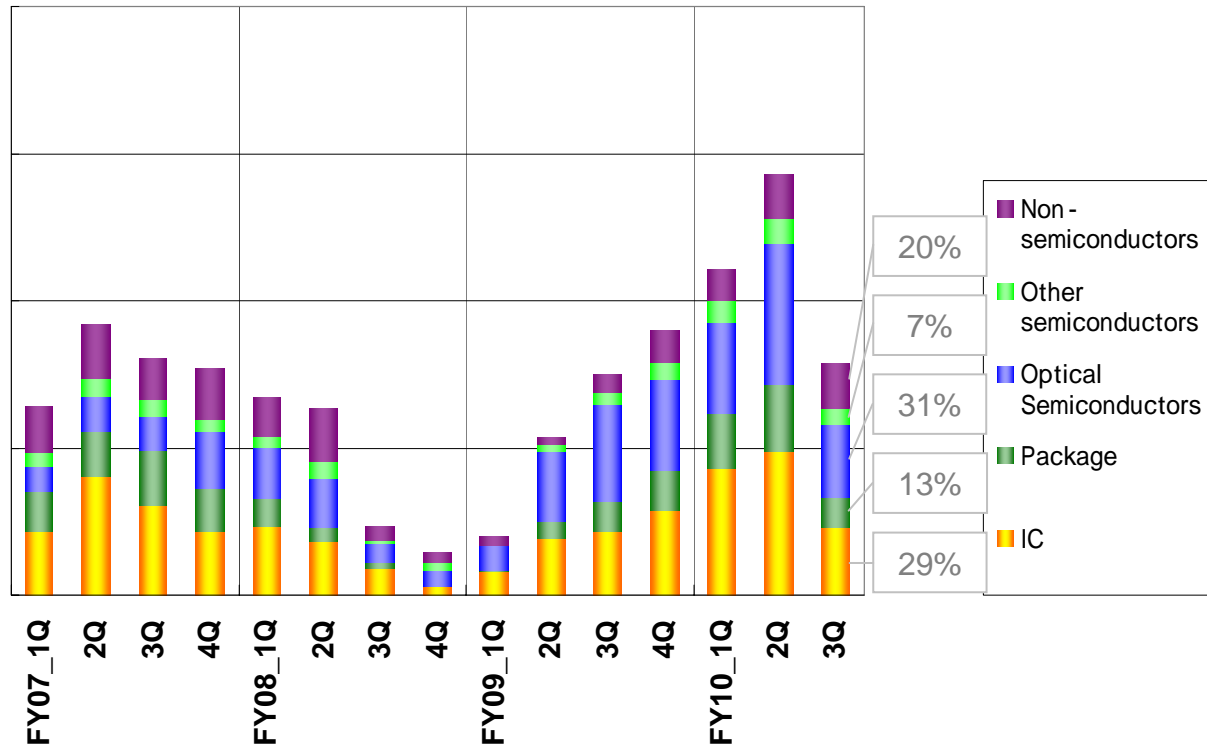
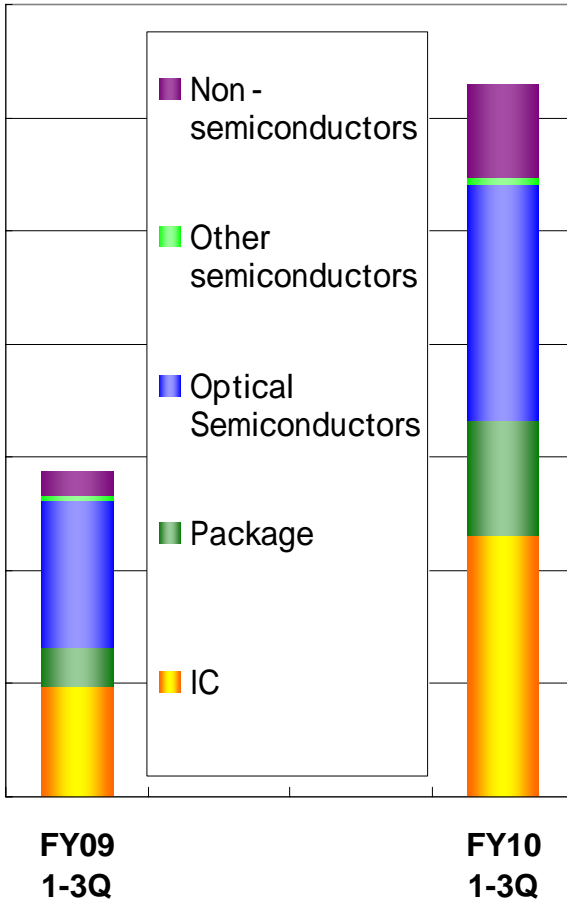


- Sales of precision grinders and polishers remained firm, and the contribution to total sales reached 30% for the first time in seven quarters.
- Sales of precision cutting equipment were divided 7:3 between dicing saws and laser saws.

Cutting and Dicing Saws* Sales Breakdown by Application

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*Cutting and dicing saws include blade dicers and laser saws

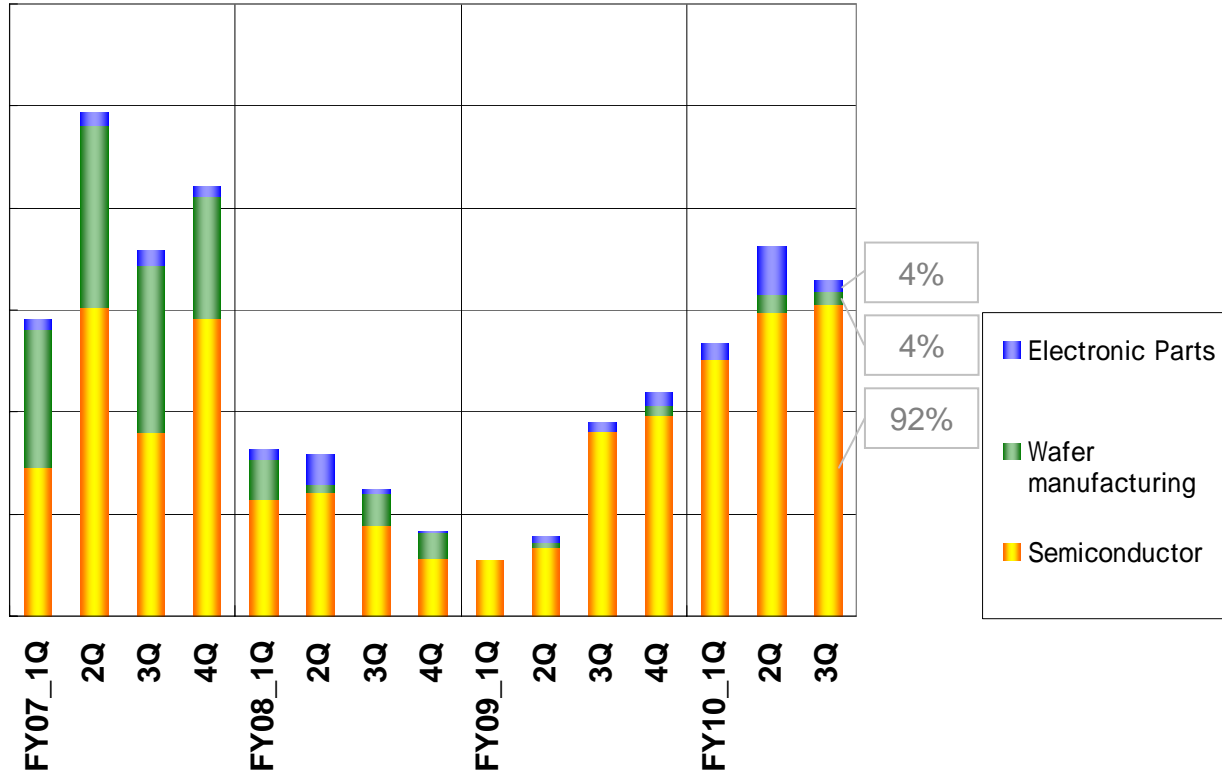
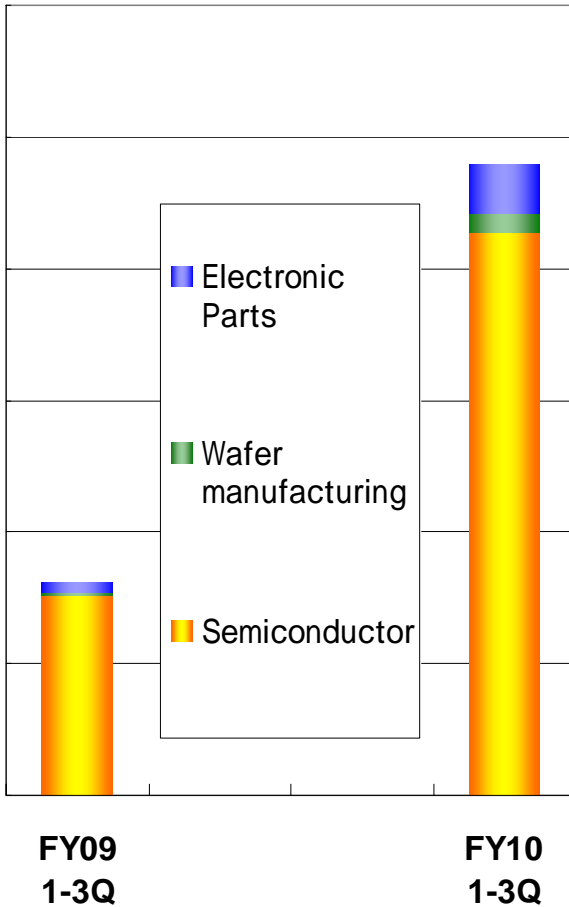


- **Cumulative comparison of first three quarters: Shipments of products for packages and LEDs increased, and total shipments increased by 124% compared with the same period in the previous year.**
- **Quarterly trends: Sales volumes for the DFD6000 Series and DFL7000 Series were significantly lower on a quarterly basis.**

Grinders and Polishers* Sales Breakdown by Application

YoY

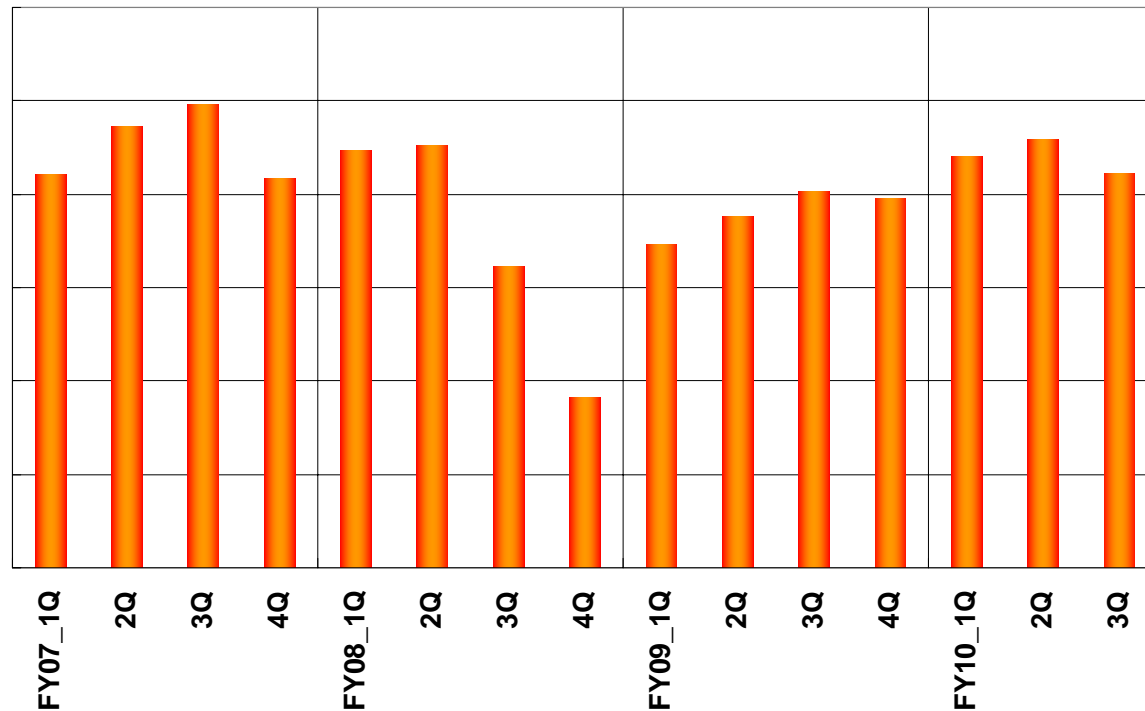
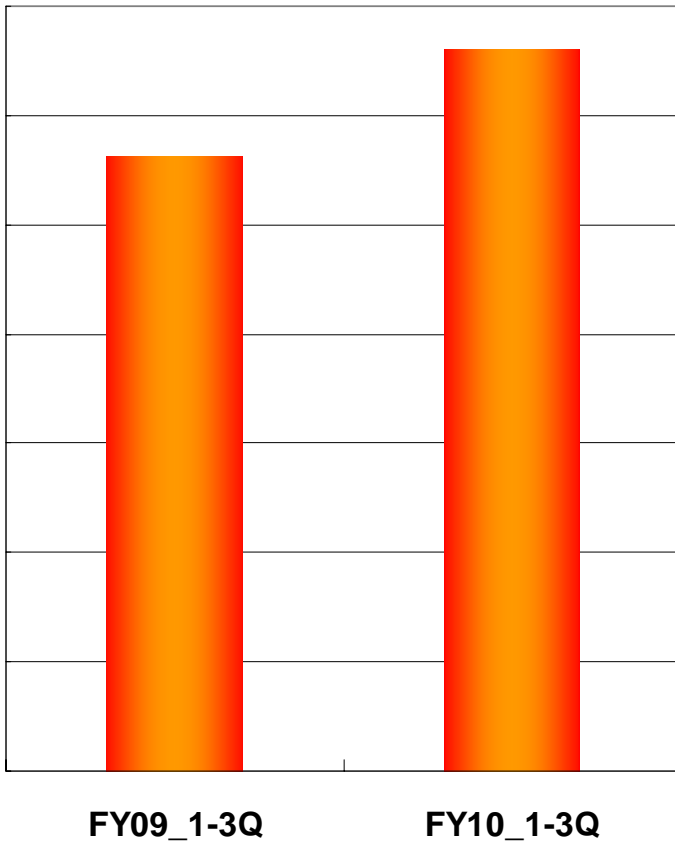
*Grinders and polishers also include surface planers and grinder/polishers



- Cumulative comparison of first three quarters: Shipments of high-end equipment to Taiwan and South Korea increased, and total shipments were 195% higher compared with the same period in the previous year.
- Quarterly trends: Investment in technology for ultra-thin wafers continued, and shipments to semiconductor manufacturers remained high.

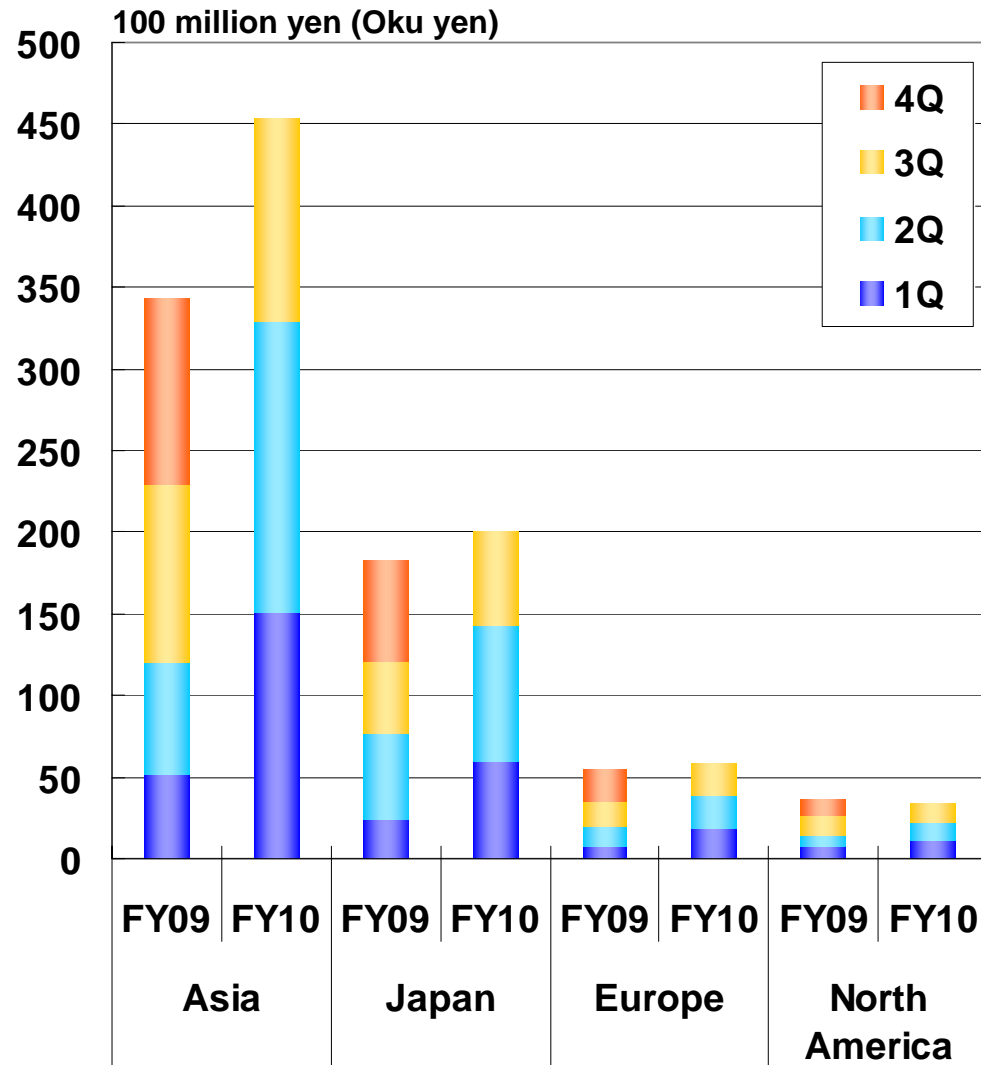
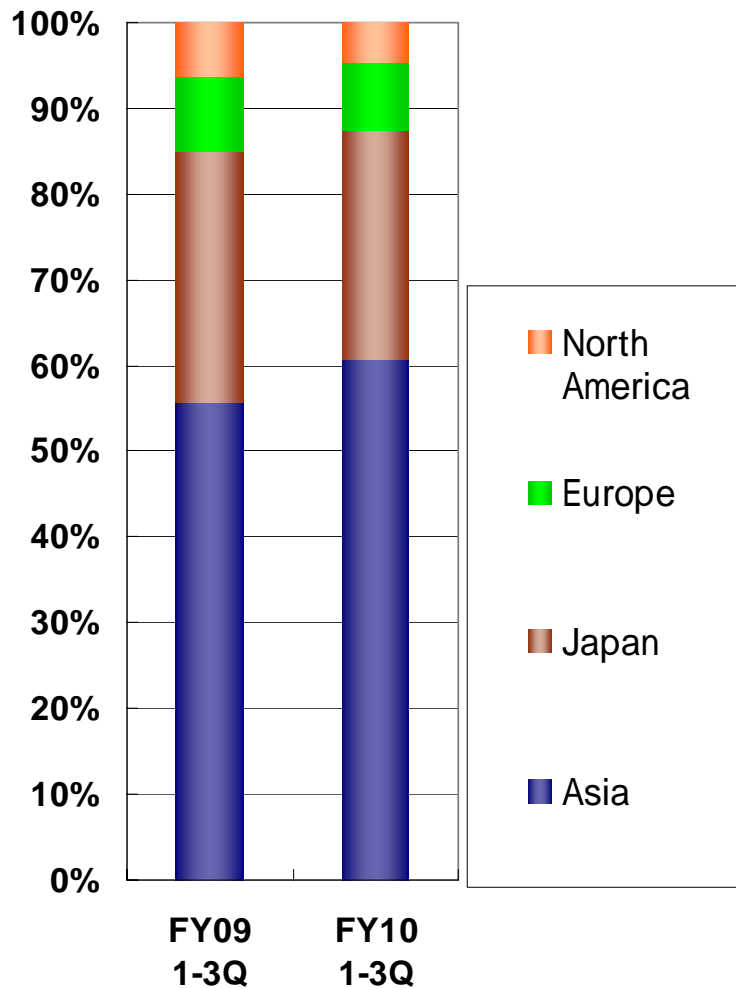
YoY

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



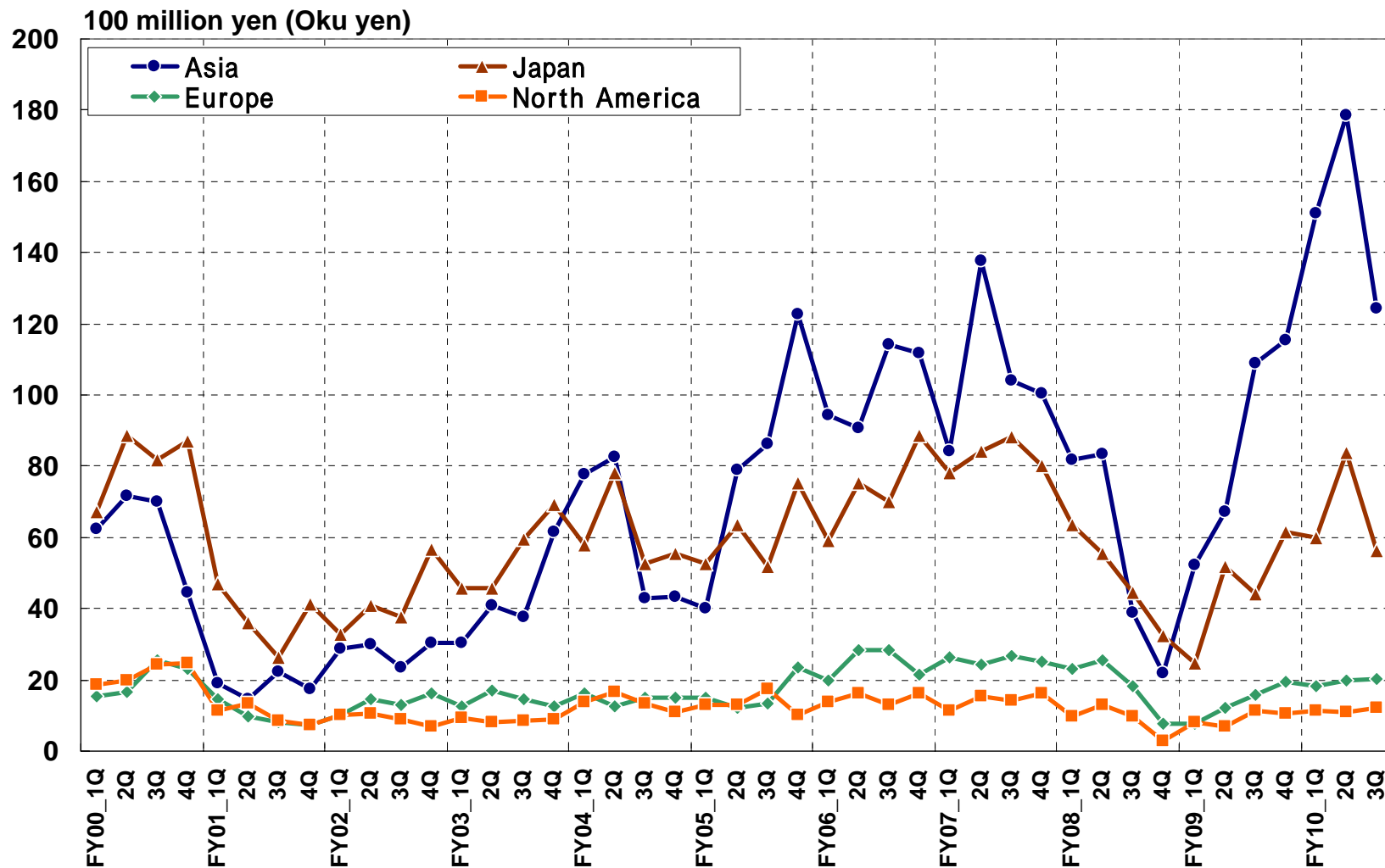
- **Cumulative comparison of first three quarters: Strong demand for semiconductors boosted production volumes, and there was a 17% increase compared with the same period in the previous year.**
- **Quarterly trends: There was an 8% quarterly decline resulting from the adjustment of end-product inventories and the impact of the higher yen.**

Sales Breakdown by Region



- The share of cumulative net sales to Asia rose sharply to over 60% in the first three quarters.

Quarterly Regional Sales



- After increasing sharply in the first half of the year, sales in Asia, especially Taiwan, fell substantially lower in the third quarter as subcontractors became more cautious about capital investment.

Balance Sheet (Summary)

Millions of yen	FY2010 2Q	FY2010 3Q	Amount
Current Assets	76,460	76,118	-342
Cash and cash equivalents	20,122	21,710	1,588
Notes and account receivable	30,042	26,938	-3,104
Inventories	22,009	23,713	1,704
Fixed Assets	60,985	60,752	-233
Tangible fixed assets and Non - tangible fixed assets	54,154	53,439	-715
Total Assets	137,466	136,890	-576
Total Liabilities	44,138	42,962	-1,176
Current Liabilities	32,234	30,647	-1,587
Fixed Liabilities	11,904	12,315	411
Net assets	93,327	93,927	600
Shareholders Equity ratio (%)	67.3%	68.0%	0.7p
Liabilities and shareholders Equity	137,466	136,890	-576

- With the decline in sales, inventories increased, while notes and accounts receivable decreased.
- There were increases in some liability items, such as accrued expenses, but others, including accounts payable, were lower.

Cash Flow (Summary)

Millions of Yen

	FY2009 1-3Q	FY2010 1-3Q	Amount
Cash flows from operating activities	8,451	13,338	4,887
Net income before tax	1,725	12,151	10,426
Depreciation	3,802	4,409	607
Trade receivables, inventories and accounts payable	-517	-5,674	-5,157
Others	3,441	2,452	-989
Cash flows from investing activities	-9,895	-2,832	7,063
Purchase of property, plant and equipment	-6,649	-5,008	1,641
Others	-3,246	2,176	5,422
Cash flows from financing activities	-5,233	-3,254	1,979
Repayment of long - term loans payable	-14,547	-3,000	11,547
Cash dividend paid for minority shareholders	-673	-1,177	-504
Others	9,987	923	-9,064
Free cash flow	-1,444	10,505	11,949
Net change in of cash and cash equivalents	-6,517	5,963	12,480
Balance of cash and cash equivalents, end of 3Q	26,901	21,211	-5,690

- **Cash flows from operating activities:** Despite the impact of higher inventories, cash increased because of the rise in before-tax income.
- **Cash flows from investing activities:** Cash was reduced by ongoing capital investment despite income from withdrawals of time deposits, which are included in "others."
- **Cash flows from financing activities:** Dividend payments were higher, but there was a substantial reduction in debt repayment and other items.
- **Free cash flows were substantially positive, and the balance of cash and cash equivalents at the end of the period was ¥21,200 million.**

Details of FY2010 Full-year Forecasts

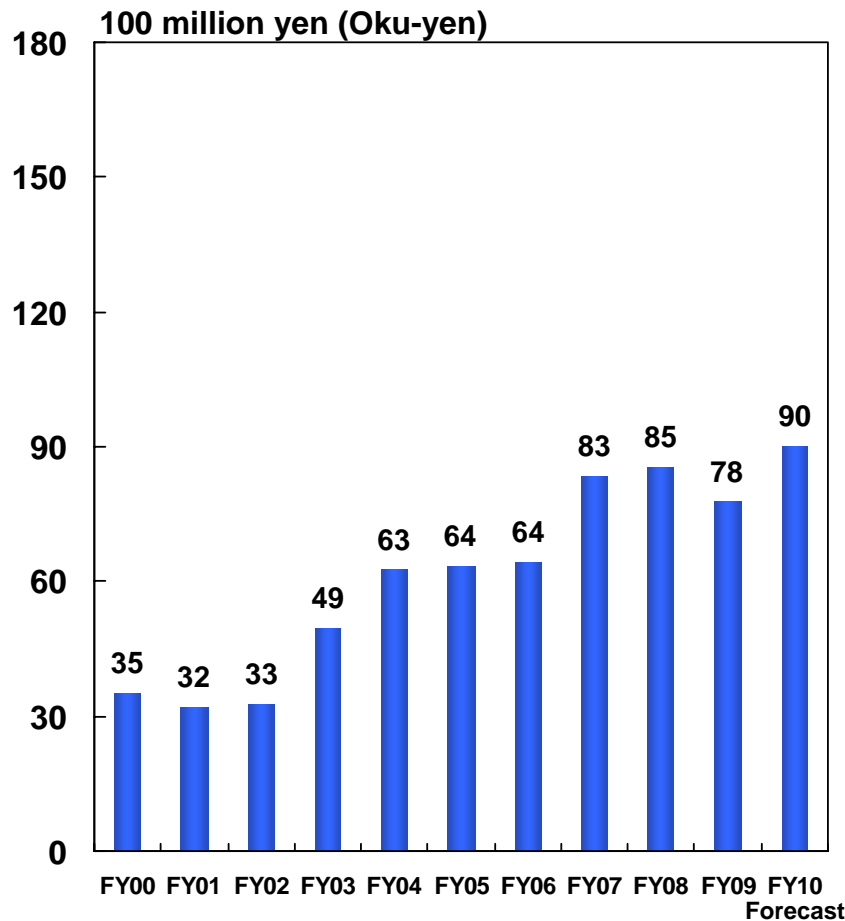
FY2010 Full-Year Earning Forecast

100 million yen (Oku-yen)	FY2010							Reference	
	1Q	2Q	1H	3Q	4Q	2H	Full Year	Previous forecast (Full Year)	
	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast		
Net Sales	241	293	534	213	230	443	977	980	-3
Operating Income	41	55	97	24	29	54	151	145	6
Ordinary Income	43	54	98	26	40	66	164	157	7
Ordinary Income	18.0%	18.5%	18.3%	12.3%	17.4%	14.9%	16.8%	16.0%	+0.8p
Net Income	28	35	64	16	21	37	101	95	6

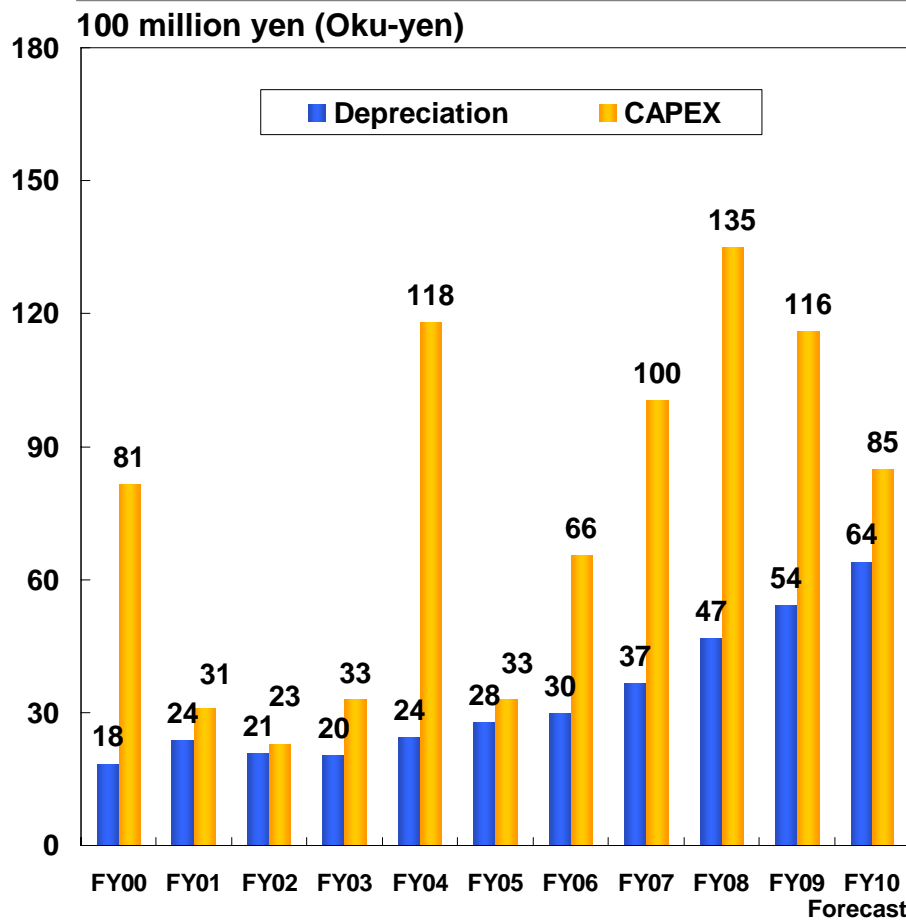
- The financial forecasts issued on November 11, 2010 have been partially amended.
- In the third quarter of FY2010, semiconductor demand leveled out, resulting in lower sales. However, the forecasts were again revised to reflect the fact that orders are now on a recovery trend.
- Forecasts are based on projected exchange rates of US\$/¥80 and euro/¥110 (unchanged).
- The fourth quarter results will vary by ¥92.8 million and ¥4.1 million respectively for every ¥1 movement in the US\$ and euro exchange rates.

Consolidated R&D/CAPEX Forecast

R&D Expense



Depreciation/CAPEX



- R&D expenses are expected to increase from previous year because of the continuation of research themes and staffing increases.
- Depreciation is expected to rise in fiscal 2010 compared to FY09, mainly because of the start-up of operations in a new factory building.

Capital Investment



New "C" Building Project at Kure Plant

Production facility for precision processing tools

Total investment	¥2,500 million
Start of construction	November 2010
Scheduled completion date	November 2011
Purpose	<ul style="list-style-type: none"> • To increase production capacity for precision blades and wheels in anticipation of growth in production of semiconductors • Consolidation of aging facilities
Building structure	Six-story building with seismic isolation system



New Singapore office construction project

DISCO HI-TEC Singapore One-Stop Solution Center

Total investment	¥2,000 million
Start of construction	March 2011
Scheduled completion date	March 2012
Purpose	<ul style="list-style-type: none"> • To expand and improve application facilities, R&D facilities and training facilities • To meet all these requirements in a single location by integrating the above facilities • To achieve a six-fold increase in the floor area of the office
Building structure	Six-story RC

Dividend Policy and Dividend Payment

(Yen)

FY2010	Intermediate dividend	Year - end dividend	Annual dividend
Previous forecast		32	57
Revised forecast		36	61
		4	4
Actual	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.

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