

FY2010 Financial Results and FY2011 Forecasts

DISCO CORPORATION

DISCLAIMER

Statements in this PowerPoint with respect to DISCO's current strategies, plans, estimates, and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of DISCO. These statements are based on management's assumptions and beliefs in light of the information currently available to it and therefore you should not place undue reliance on them.

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 Financial Results

FY2010 Earnings Results (April 1, 2010 through March 31, 2011)

Millions of Yen

	FY2009	FY2010		
	1-4Q	1-4Q	Amount	(%)
Sales	61,730	99,700	37,970	61.5%
Gross profit	28,691	46,925	18,233	63.5%
Gross profit margin	46.5%	47.1%	+0.6p	-
SGA	24,023	31,009	6,986	29.1%
Operating Income	4,667	15,915	11,247	241.0%
Ordinary Income	4,560	17,190	12,630	276.9%
Ordinary Income Margin	7.4%	17.2%	+9.9p	-
Net Income before Tax	4,046	16,569	12,523	-78.5%
Net Income	2,470	10,945	8,475	343.1%
EPS (yen)	73.51	325.59	252.08	-

Annual net sales reached a record high, thanks to expanding demand for tablet PCs, smartphones and other end products, and a strong trend in shipments of laser saws for use in LED production.

Higher net sales were reflected in operating income of ¥15,900 million, while the ordinary income margin rose by 9.9 points year on year to 17.2%.

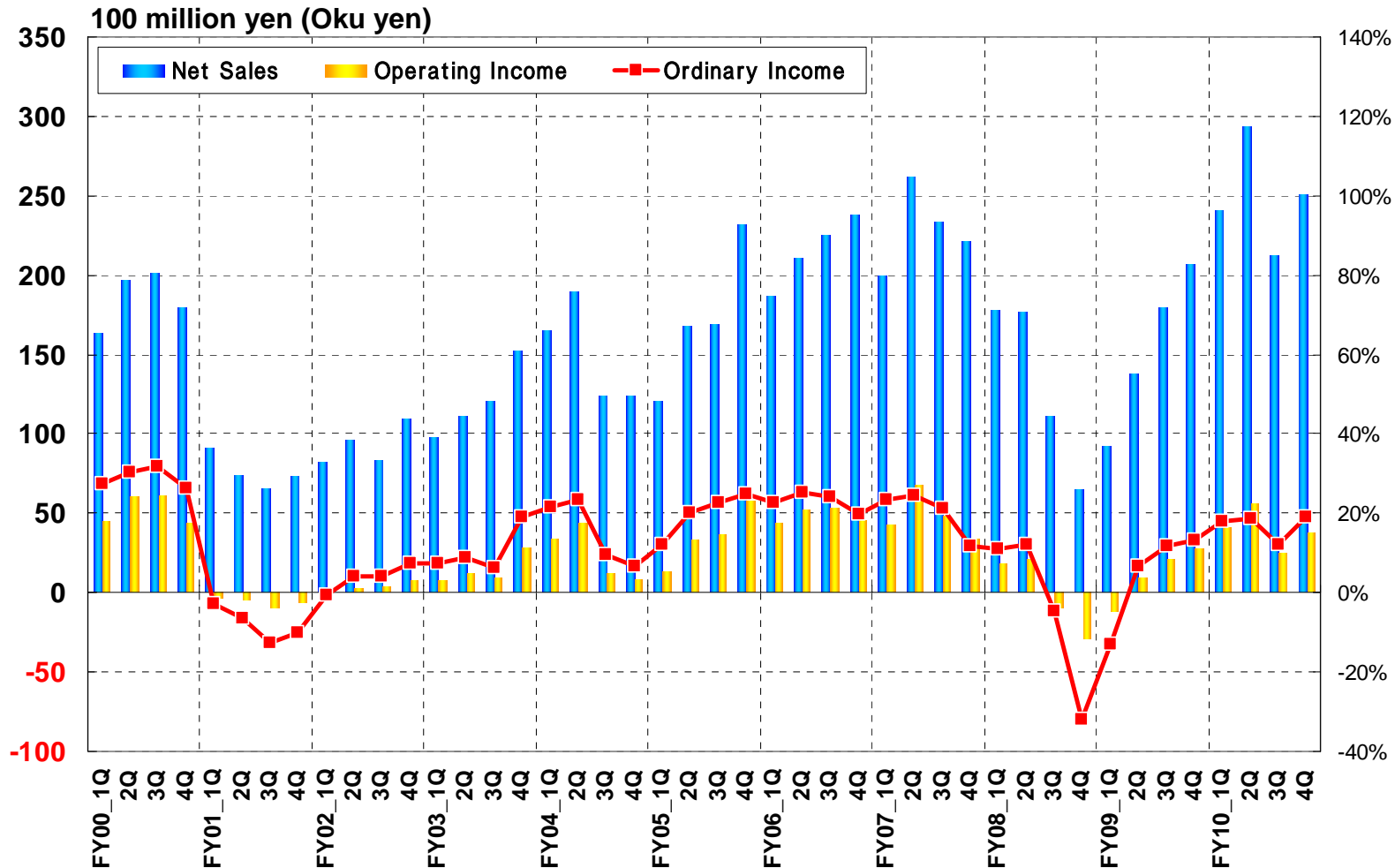
FY2010 Quarterly Earnings Results

Millions of Yen	FY2010	FY2010		
	3Q	4Q	Amount	(%)
Sales	21,254	25,040	3,786	17.8%
Gross profit	9,992	11,982	1,990	19.9%
Gross profit margin	47.0%	47.9%	+0.8p	-
SGA	7,493	8,237	744	9.9%
Operating Income	2,498	3,744	1,246	49.9%
Ordinary Income	2,608	4,802	2,194	84.1%
Ordinary Income Margin	12.3%	19.2%	6.9p	-
Net Income before Tax	2,561	4,417	1,856	72.5%
Net Income	1,604	2,954	1,350	84.2%
Depreciation	1,729	1,488	-241	-13.9%
R&D expense	2,584	2,173	-411	-15.9%

In the fourth quarter, net sales increased by 17.8% over the result for the previous quarter to ¥25,000 million, reflecting improved market conditions.

Other income and expenses included a subsidy relating a new building completion at the Kuwabata Plant. This helped to lift ordinary income to ¥4,800 million, an increase of 84.1% compared with the result for the previous quarter.

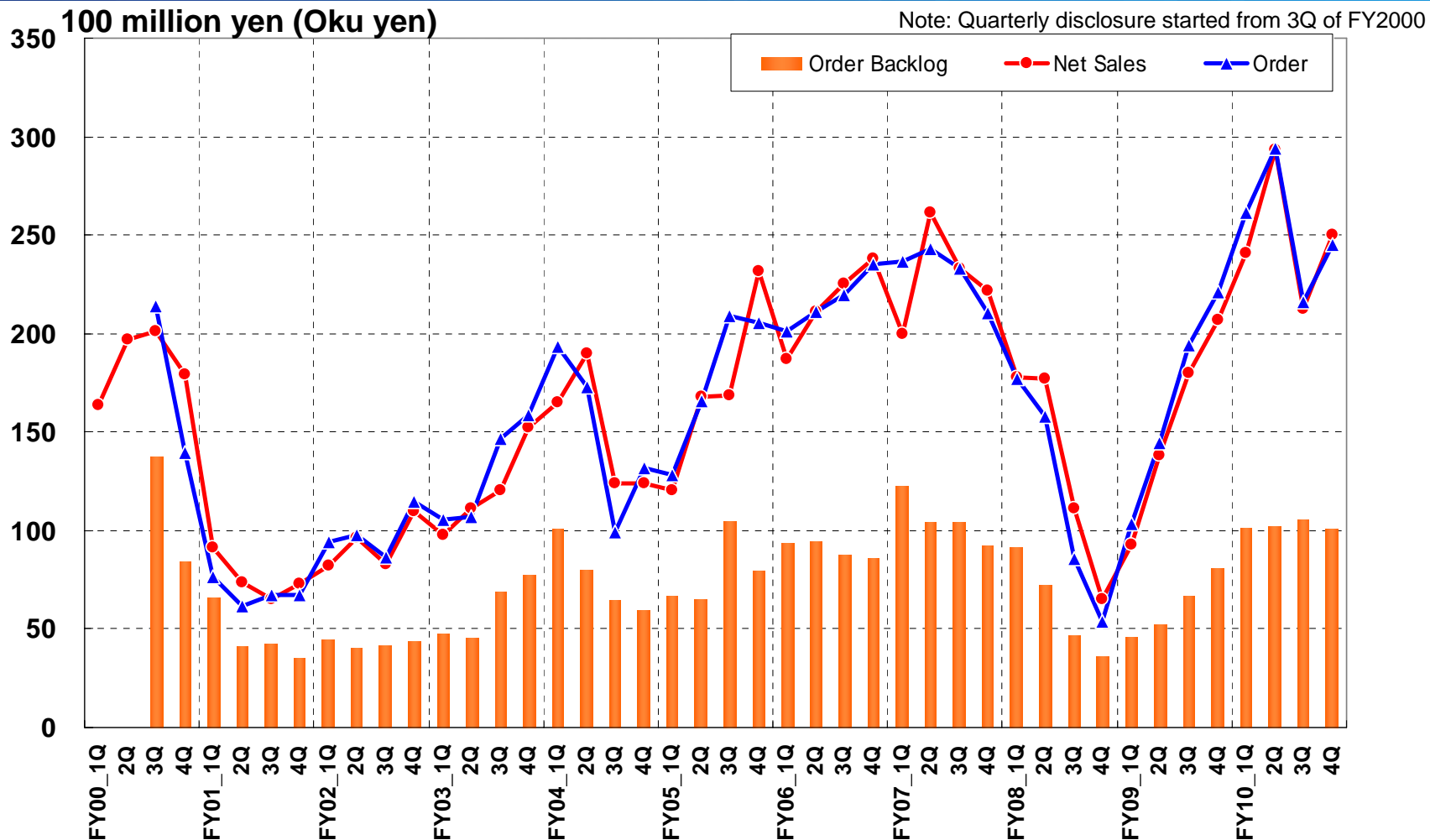
Quarterly Consolidated Financial Results



Quarterly net sales dipped temporarily in the third quarter because of inventory corrections in the semiconductor market. However, they recovered in the fourth quarter to the third highest level on record.

The fourth quarter ordinary income margin was 19.2%. This figure reflects the recovery of net sales and income from subsidies.

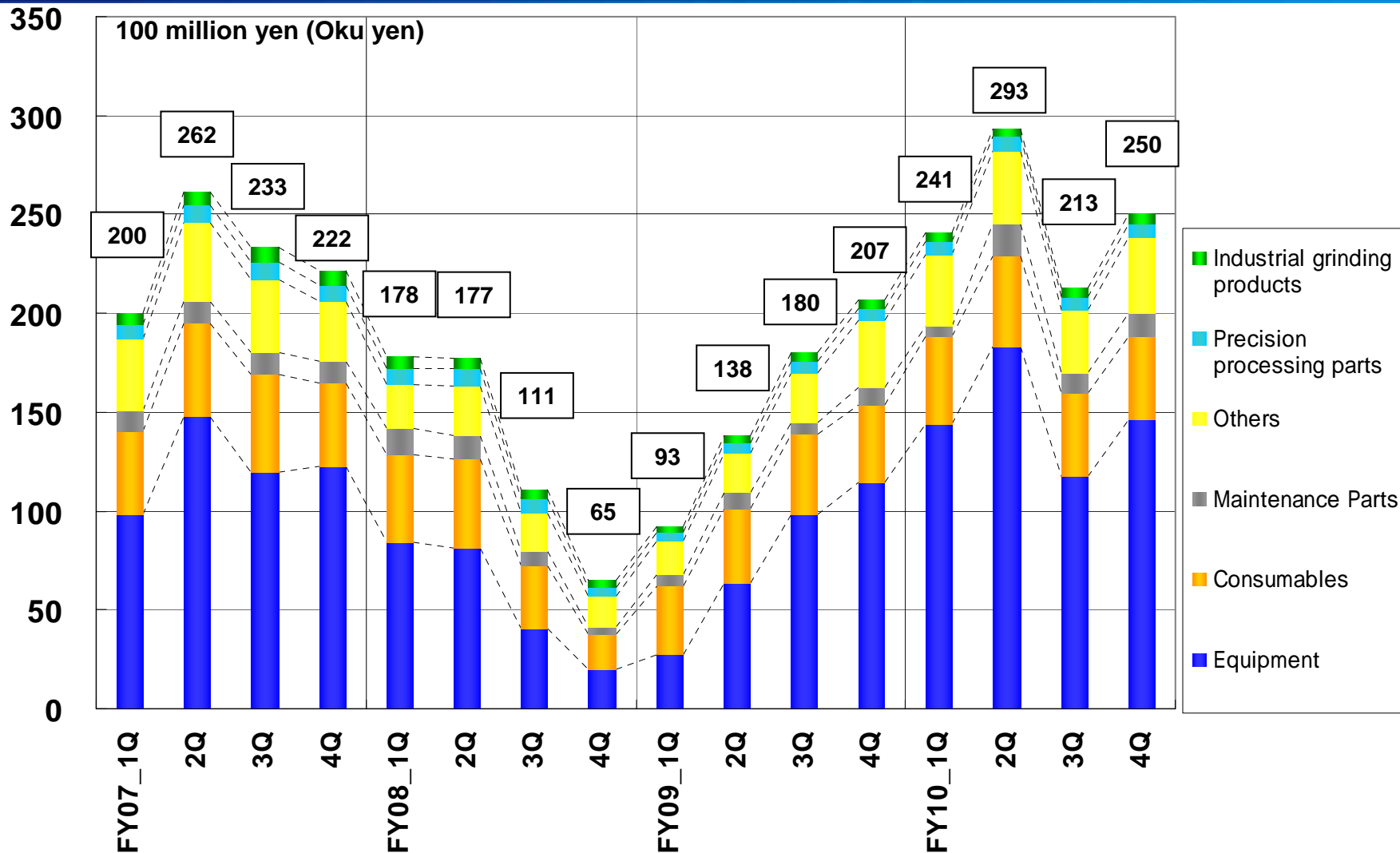
Quarterly Sales/Orders



Orders and net sales fell sharply in the third quarter because of a temporary correction, but in the fourth quarter we expanded production ceilings and increased output.

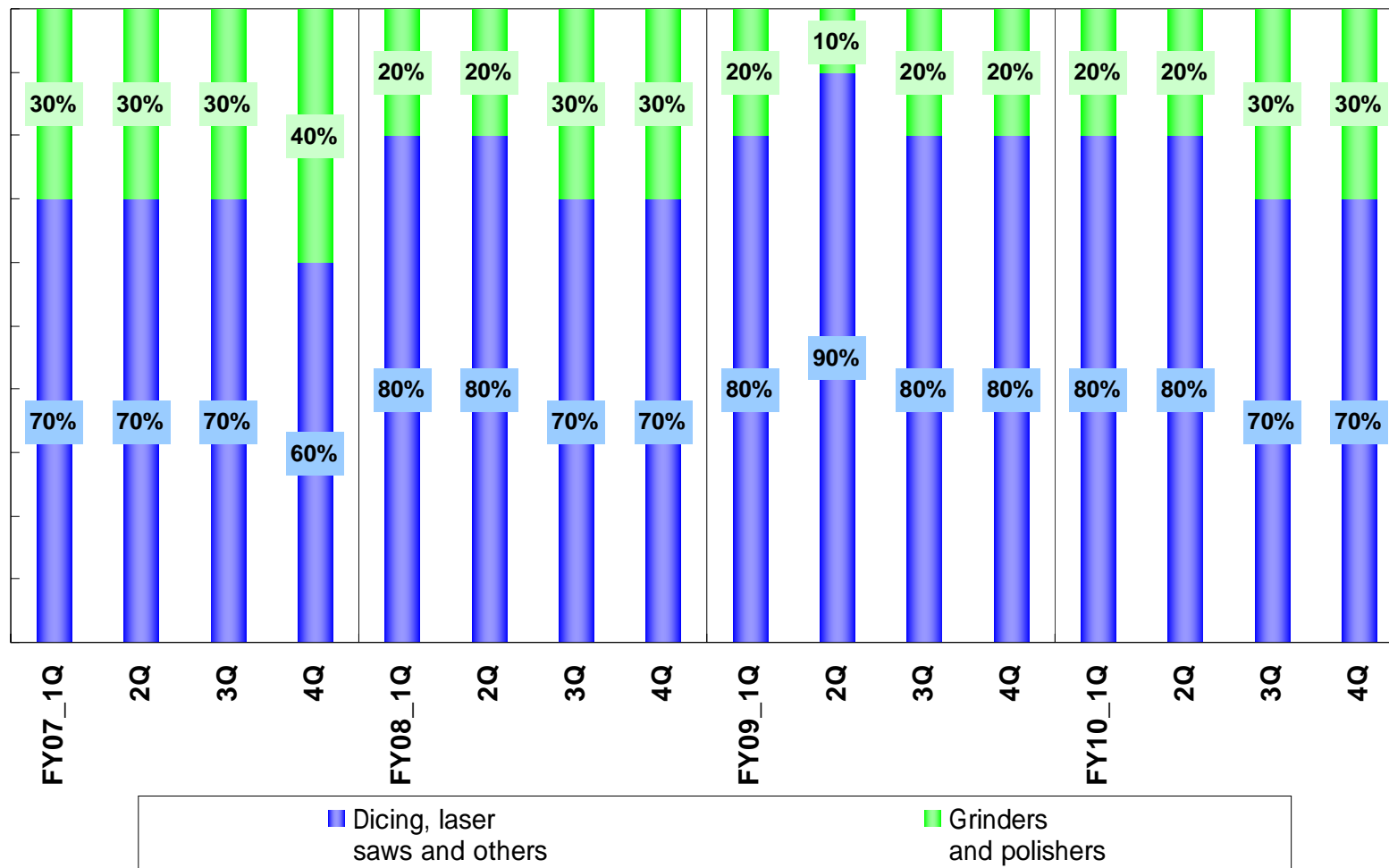
Although total orders started to decline in the fourth quarter, orders for smartphone-related products and equipment for LED manufacturers remained strong.

Consolidated Quarterly Sales Breakdown by Product



After falling sharply in the third quarter, sales of precision processing equipment subsequently recovered in step with improving market conditions and contributed about 60% of total sales.

Quarterly Equipment Sales Breakdown

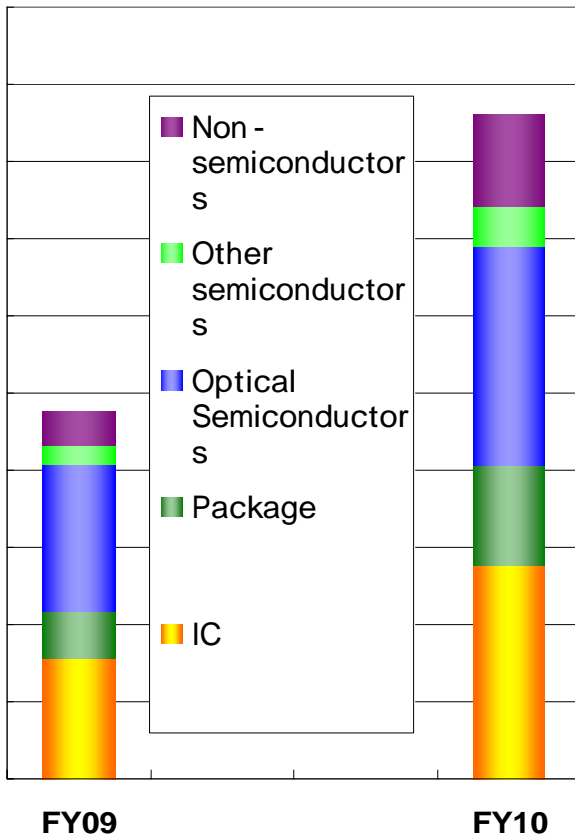


As in the previous quarter, shipments of precision grinding and polishing equipment remained strong and accounted for 30% of total shipments.

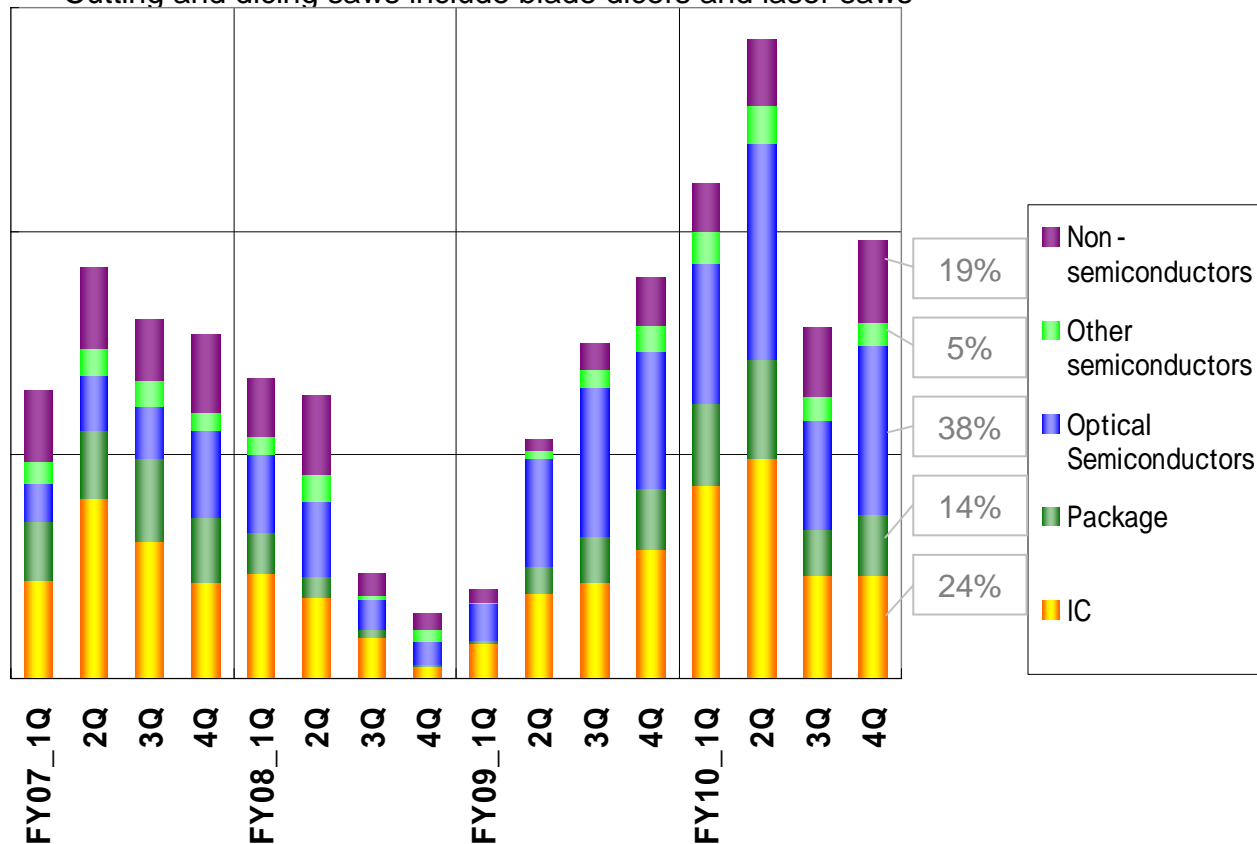
In the precision cutting equipment category, dicing saws and laser saws accounted for 70% and 30% respectively of category shipments, both in the fourth quarter and over the whole year.

Cutting and Dicing Saws* Sales Breakdown by Application

YoY



*Cutting and dicing saws include blade dicers and laser saws



Sales of precision cutting equipment showed strong growth with a year-on-year increase of 80%.

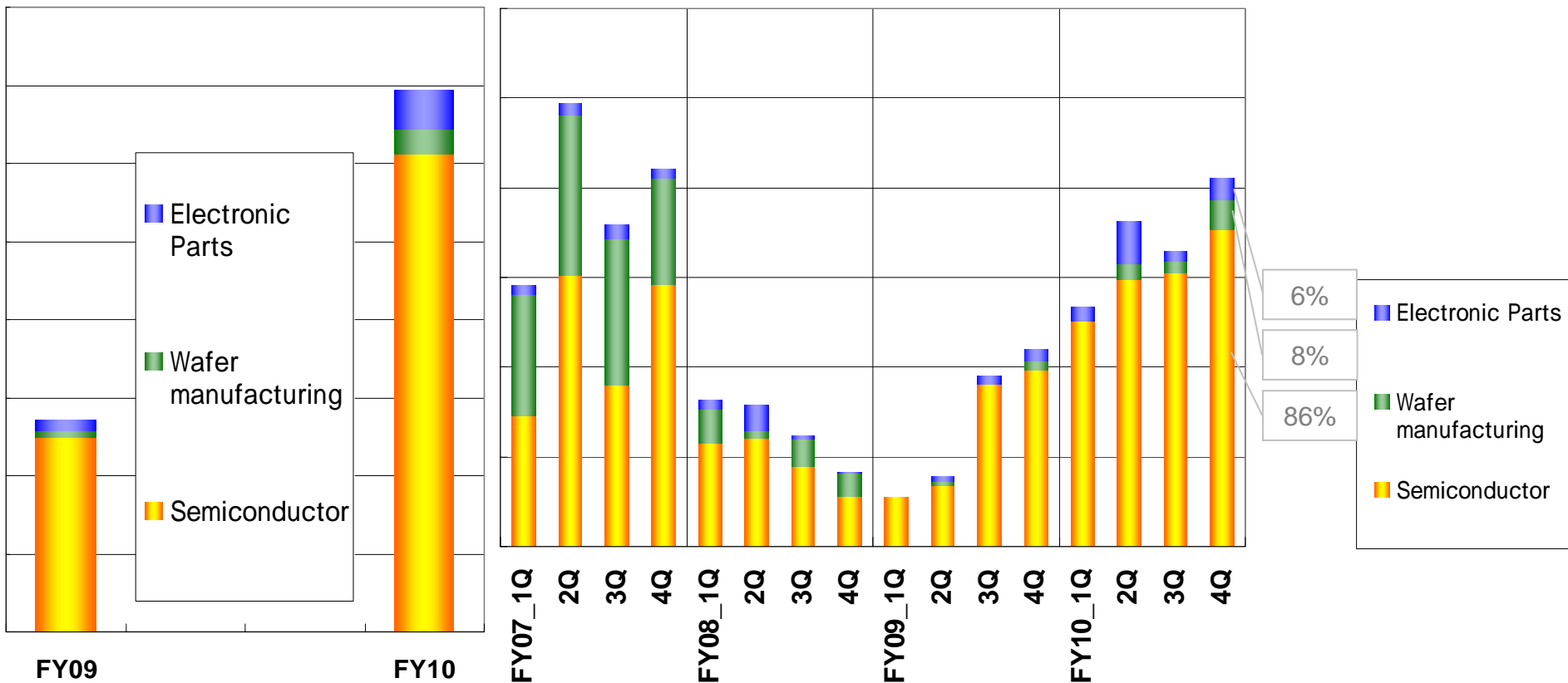
Shipments of laser saws for use in LED production remained strong throughout the year.

The second half of the year brought an encouraging trend in shipments of dicing saws used to process electronic parts for smartphones.

Grinders and Polishers* Sales Breakdown by Application

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

YoY

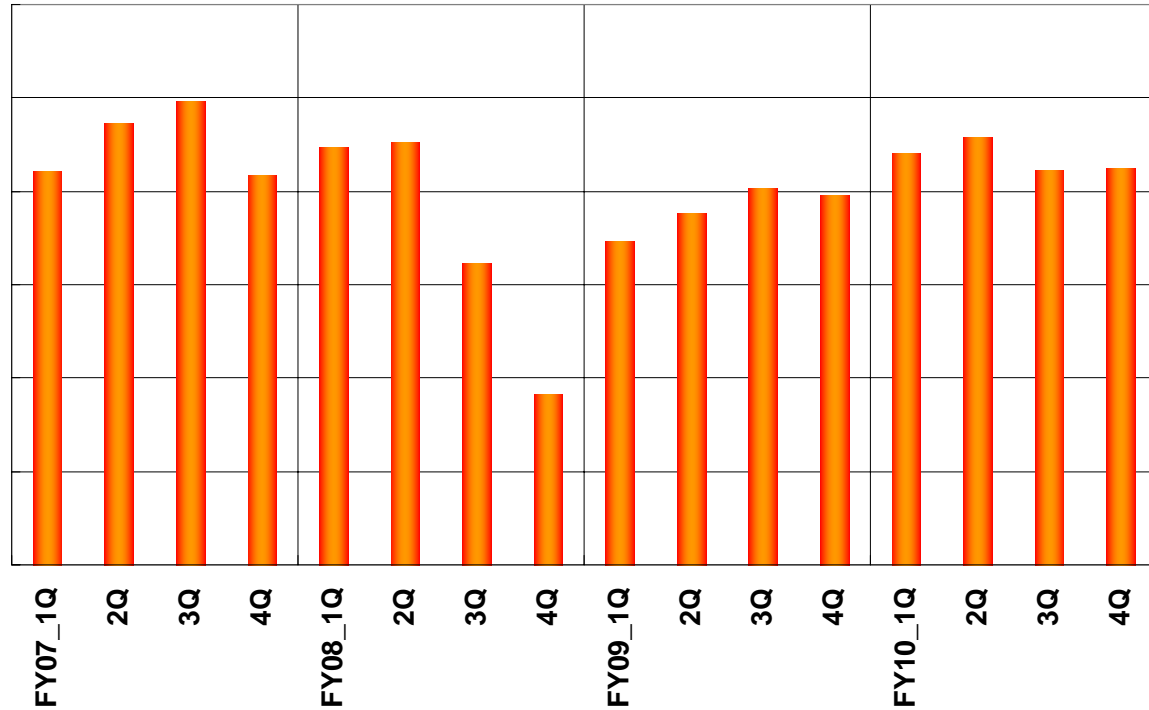
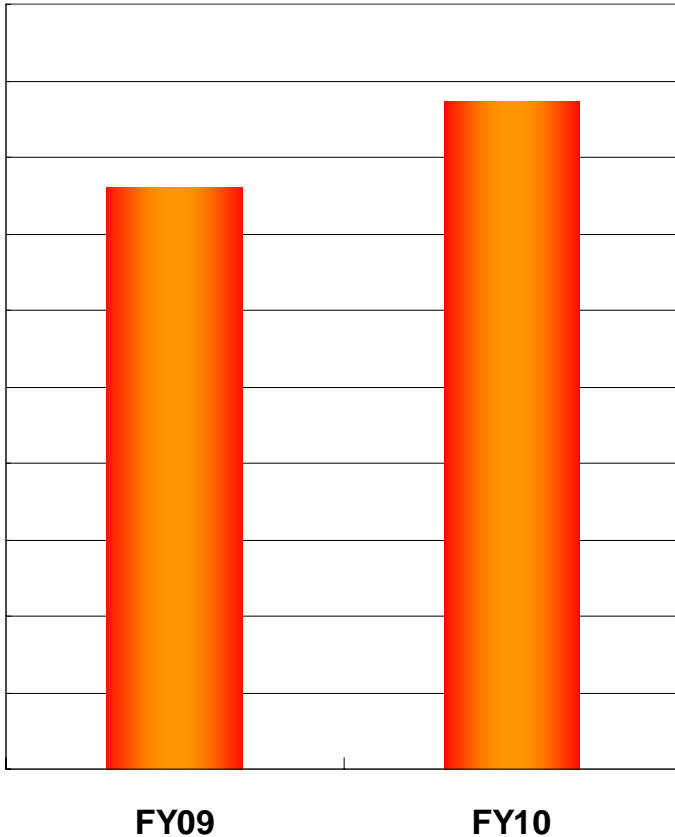


Capital investment by subcontract manufacturers, especially in South Korea and Taiwan, which had remained slow since FY2008 because of the memory slump, helped to drive a 2.5-fold year-on-year increase in net sales, particularly of high-end products, in FY2010.

Higher sales of ultra-thin grinding applications resulted in further diversification of the product mix.

YoY

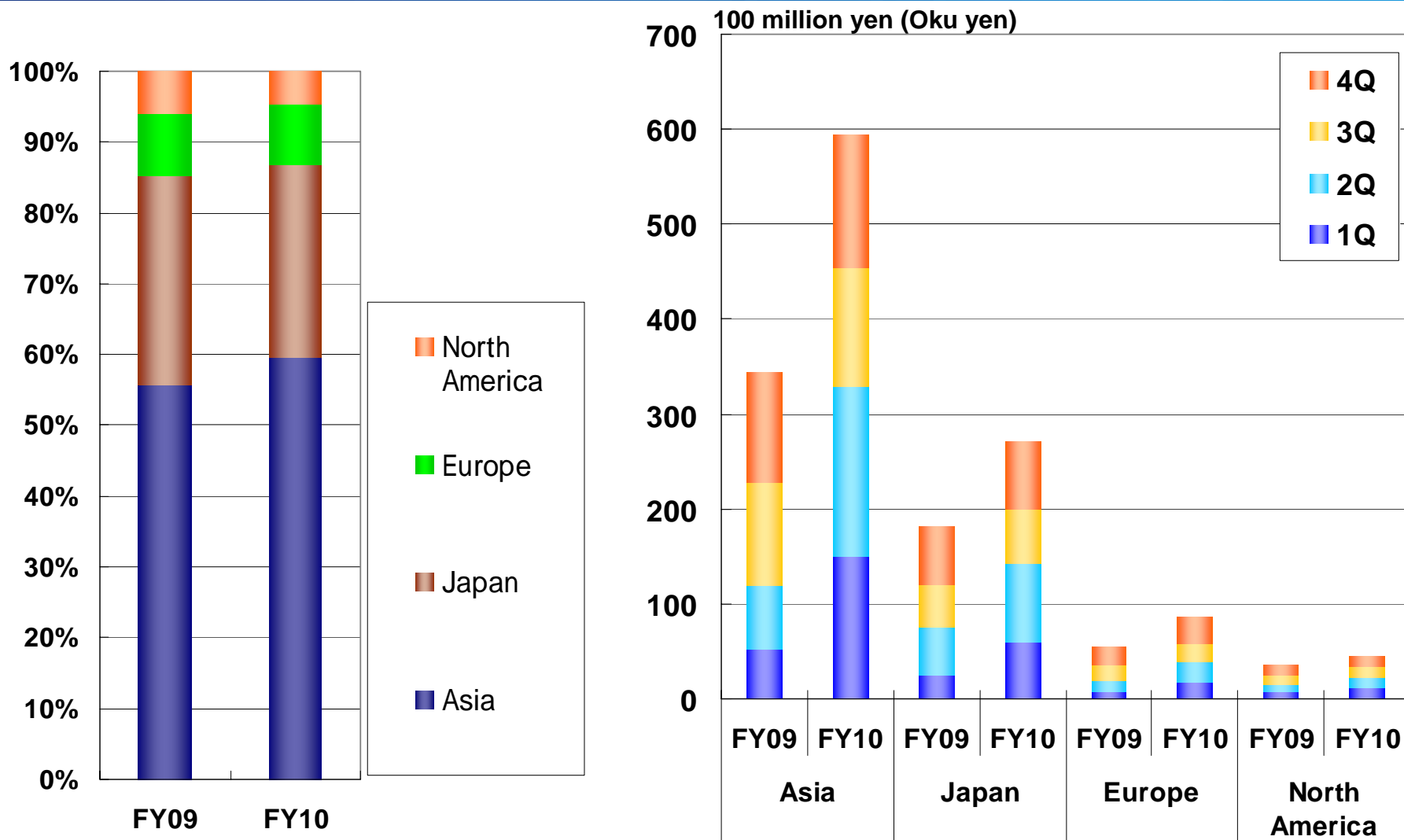
*Consumables include dicing blades, grinding wheels, and dry polishing wheels, etc.



Although the high yen affected performance, strong demand for semiconductors helped us to set a new record for yearly production volumes.

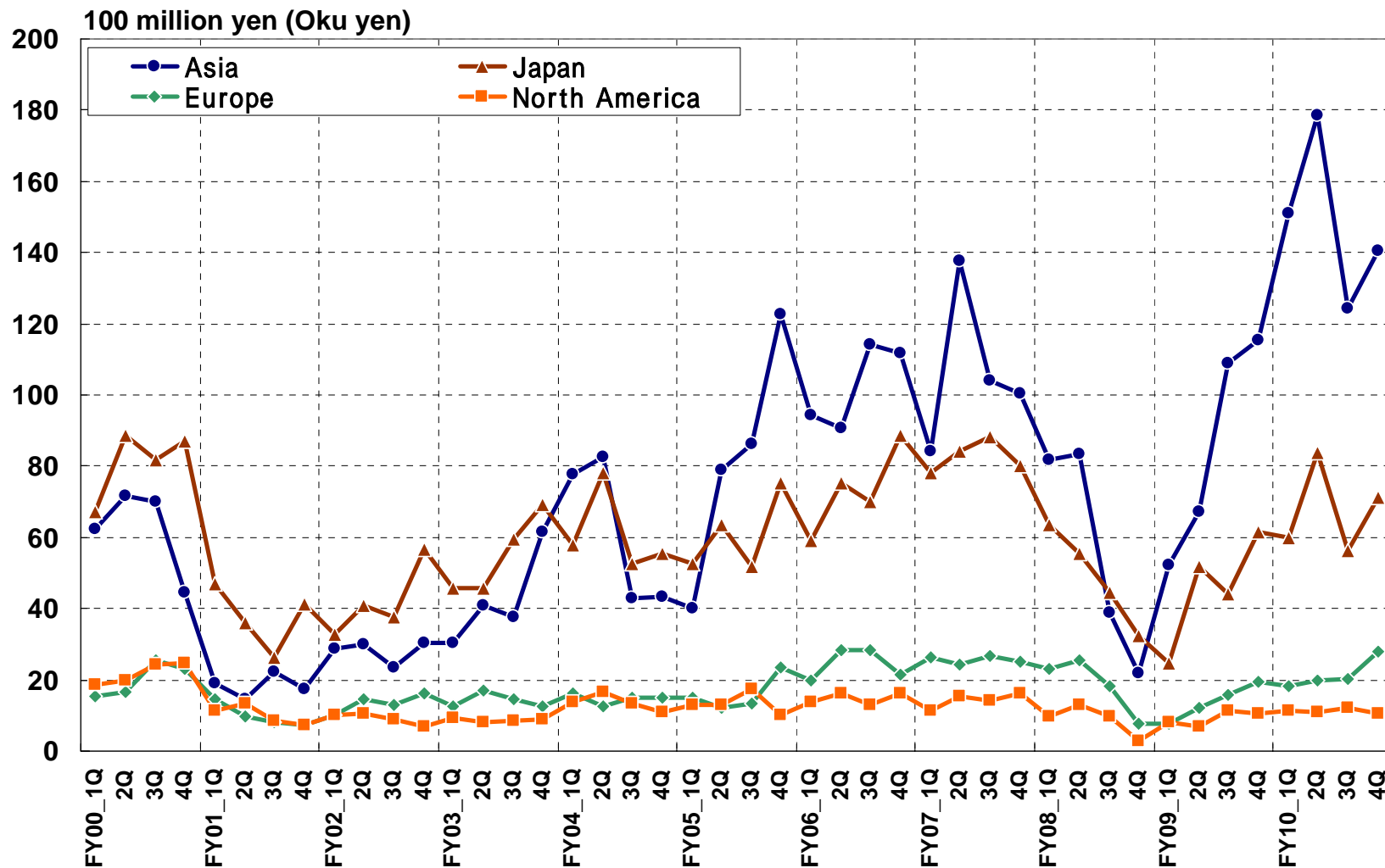
Inventory corections caused a 7.7% quarter-on-quarter decline in the third quarter, but the level of production remained high in the fourth quarter, despite further gains by the yen.

Sales Breakdown by Region



Net sales in Asia increased by 73% year on year and contributed 60% to total net sales.

Quarterly Regional Sales



Demand for semiconductor products rallied to a recovery trend in the fourth quarter in all regions except North America. The recovery included Asia, where demand had fallen sharply in the third quarter, especially in Taiwan.

Balance Sheet (Summary)

Millions of yen	FY2009	FY2010	Amount
Current Assets	62,926	77,778	14,852
Cash and cash equivalents	18,247	20,314	2,067
Notes and account receivable	23,087	28,322	5,235
Inventories	18,540	23,777	5,237
Fixed Assets	61,364	61,444	80
fixed assets	54,435	54,283	-152
Total Assets	124,313	139,240	14,927
Total Liabilities	36,221	41,606	5,385
Current Liabilities	22,784	29,355	6,571
Fixed Liabilities	13,437	12,251	-1,186
Net assets	88,091	97,633	9,542
Shareholders Equity ratio (%)	70.3%	69.4%	-0.9p
Liabilities and shareholders Equity	124,313	139,240	14,927

Higher net sales resulted in a ¥14,900 million year-on-year increase in total assets, which reached ¥139,200 million.

Total current assets increased by ¥14,800 million to ¥77,700 million. Reasons for this growth include an increase in bills and accounts receivable resulting from higher product demand, as well as the expansion of inventories in response to a rapid increase in demand for equipment.

Total current liabilities increased by ¥6,500 million to ¥29,300 million. This resulted mainly from a rise in bills and accounts payable because of increased procurement of raw materials.

Cash Flow (Summary)

Millions of Yen	FY2009	FY2010	Amount
Cash flows from operating activities	11,017	14,506	3,489
Net income before tax	4,046	16,569	12,523
Depreciation	5,364	6,066	702
Trade receivables, inventories and buying debt	-2,609	-9,067	-6,458
Others	4,216	938	-3,278
Cash flows from investing activities	-13,950	-5,551	8,399
Purchase of property, plant and equipment	-10,644	-7,612	3,032
Others	-3,306	2,061	5,367
Cash flows from financing activities	-15,411	-3,044	12,367
Repayment of long - term loans payable	-24,724	-3,112	21,612
Cash dividend paid for minority shareholders	-673	-1,175	-502
Others	9,986	1,243	-8,743
Free cash flow	-2,932	8,955	11,887
Net change in of cash and cash equivalents	-18,170	4,582	22,752
Balance of cash and cash equivalents, end of period	15,247	19,830	4,583

Cash flows from operating activities : Despite increases in receivables and inventories, cash provided by operating activities was higher because of an increase in net income before provision for income taxes.

Cash flows from investing activities : There was a net outflow resulting from the acquisition of tangible fixed assets following the construction of new buildings at the Chino and Kure Plants.

Cash flows from financing activities : There was a net outflow resulting from debt retirement and the payment of dividends.

Free cash flows were substantially positive, and the balance of cash and cash equivalents as of March 31, 2011 was ¥19,800 million.

FY2011 Full-Year Earning Forecast

100 million yen (Oku-yen)	FY2011			Reference	
	1H Forecast	2H Forecast	Full Year Forecast	FY2010 Full Year Actual	Amount
Net Sales	532	505	1,037	997	40
Operating Income	92	80	172	159	13
Ordinary Income	93	80	173	172	1
Ordinary Income Margin	17.5%	15.8%	16.7%	17.2%	-0.6p
Net Income	61	50	111	109	2
CAPEX			84	73	11
Depreciation			65	60	5
R&D expense			104	98	6

Capital investment by manufacturers is expected to remain high because of strong demand for semiconductors and electronic components.

We expect demand for end products to provide the impetus for continued strong sales of precision processing equipment.

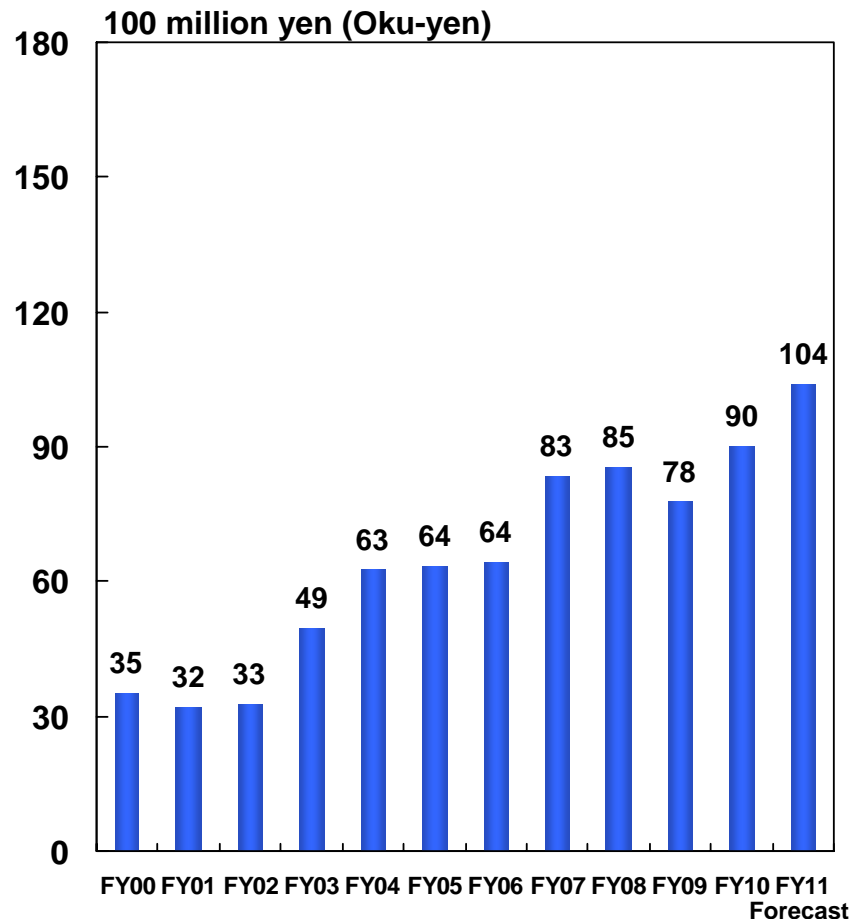
Sales of precision blades and wheels are projected to grow by around 10% year on year.

Projected exchange rates: US\$1/¥80, 1 euro/¥110

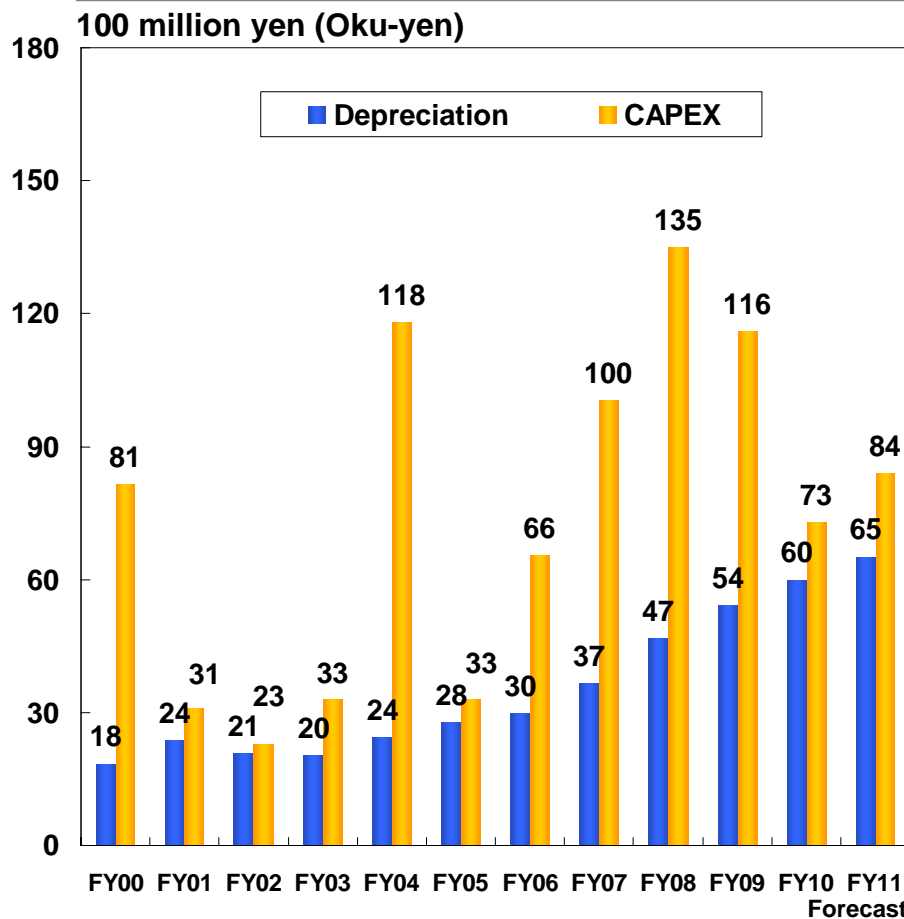
Effect per ¥1 movement in exchange rates (non-consolidated, whole year) US\$: ¥382.3 million Euro: ¥16.0 million

Consolidated R&D/CAPEX Forecast

R&D Expense



Depreciation/CAPEX



R&D expenses are expected to be higher than the result for FY2010 because of the continuation of research projects and an increase in the number of personnel.

Depreciation in FY2011 is likely to be higher than in FY2010 because of the start-up of operations in new plant buildings.

Dividend Policy and Dividend Payment

(Yen)

FY2011	Intermediate dividend	Year - end dividend	Annual dividend
Revised forecast	37	30	67

FY2010	Intermediate dividend	Year - end dividend	Annual dividend
Actual	25	40	65

Dividend Policy

Partial changes resulting from decisions taken by the Board of Directors at a meeting held on February 23, 2011

1. There will be interim and final dividends, each of which will be equivalent to 20% of half-yearly consolidated net income.
2. The stable dividend will remain at ¥10 per half-year (¥20 per year), unless there have been consolidated net losses in three successive years.
3. If the consolidated ordinary income margin reaches 20% on a four-year cumulative basis, a dividend payout ratio of 24% of consolidated net income will be applied, and the difference from the interim dividend will be adjusted through the final dividend.
4. Except when there is a loss, if the year-end balance of cash and deposits after payment of dividends and income taxes is greater than projected funding requirements*, we aim to add one-third of that surplus to dividends, in addition to Item 1 above.

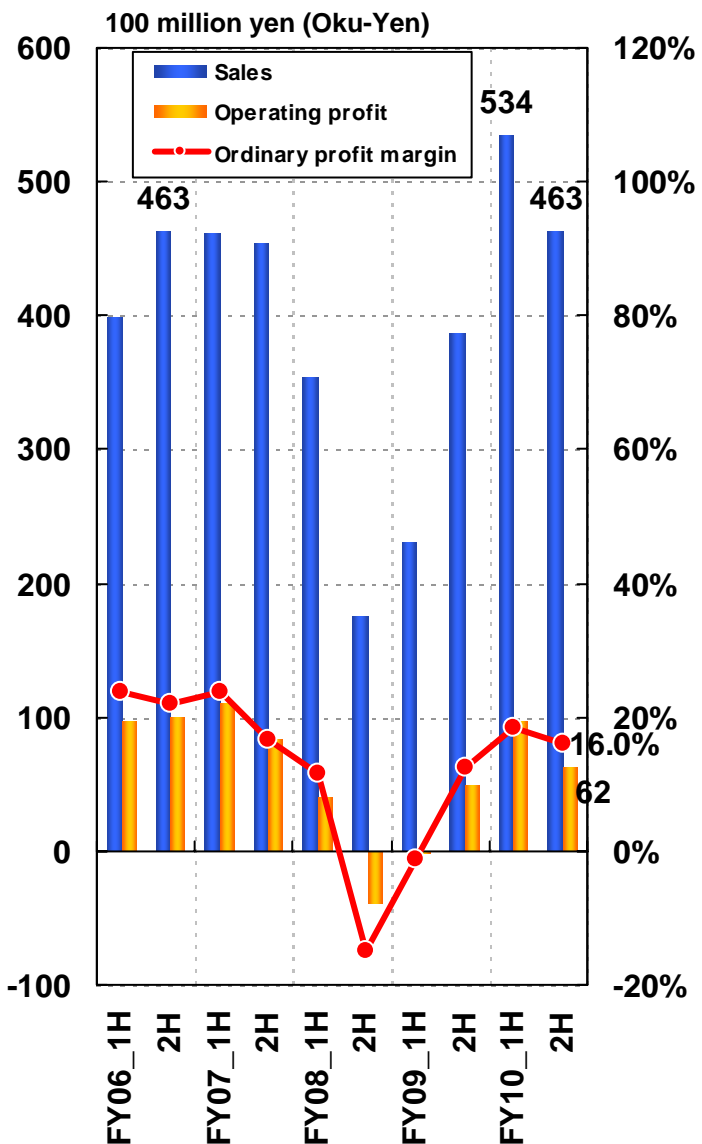
*The amount required for the acquisition of technology resources, such as through patent purchases and investment in venture businesses, facility expansion, the retirement of interest-bearing debt and other purposes.

Operating Environment and Management Policy

Hitoshi Mizorogi
Chairman and CEO

Operating Environment and Our Business: FY2010(1/2)

Business Activities in FY2010



- Record yearly consolidated net sales (¥99,700 million)
- Extremely high sales of both precision processing equipment and precision blades and wheels, despite pressure on earnings due to the high yen
- Shift in main focus of business to Asia, reflecting structural changes in the semiconductor and electronic component industries
- Organization strengthened to cope with major market expansion

Operating Environment and Our Business: FY2010(2/2)

《The Business Environment 》 The Great East Japan Earthquake

- Impact on the Disco Group's performance minimal so far
- Impact on DISCO products

Precision processing equipment

No problems with systems scheduled for shipment up until June

Every effort will be made with regard to shipments in and after July.

Precision blades and wheels

As always, raw materials for six months stockpiled under the business continuity plan (BCP)

Production and shipments currently continuing without the need to reduce raw material stockpiles

A temporary increase in orders resulting from earthquake-related factors, such as stockpiling by customers, was anticipated and dealt with.

Forecasted Operating Environment

Outlook for FY2011

The Business Environment

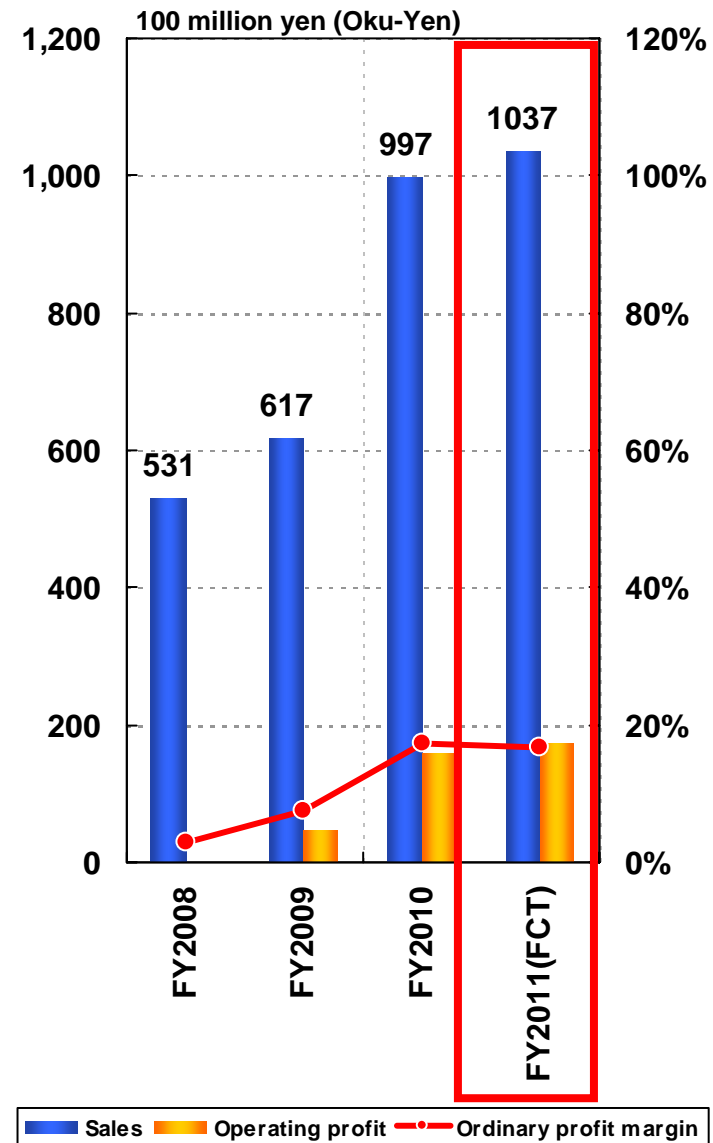
- Strong capital investment intentions, especially in Asia
 - Smartphones
 - Lighting LEDs
 - Package singulation
 - Power devices

- The effects of the Earthquake will not be significant in the short term, but will need to be monitored.

- We will maintain a high level of capacity to meet current demand

- Yearly net sales:
 ¥103,700 million (4.0% increase over FY2010)

- Yearly operating income
 ¥17,200 million (8.1% increase over FY2010)



Management Policy: DISCO VISION

DISCO VISION 2010

DISCO VISION—launched in 1997 with 2010 as the target year

Progress toward targets: Targets achieved for 16 of 24 tracking indicators

Achievement ratio: 66.7%

DISCO VISION 2020

DISCO VISION 2020—a vision for further evolution

Goals for 2020 defined from two perspectives

- ① **The elements that make up the DISCO Group**
- ② **Relationships with our stakeholders**

In Conclusion

DISCO will become a company with an exceptional level of vitality that allows it to survive in any environment.

Strengthening our BCM structure

- Completion of seismic strengthening work on key buildings
- Reinforcement of supply chains

Realizing our Economic Vision

(Consolidated)

- Maintenance of the ordinary income margin of at least 20% on a four-year cumulative basis

In the current fiscal year we have launched initiatives targeted toward the realization of DISCO Vision 2020.



Details of Financial Results and Performance Forecasts

FY2011 Full-Year Sales Forecast

		Year on year increases (decreases) in FY2010 results	Year on year increases (decreases) in FY2011 forecasts	Qualitative comments
Total		+62%	Approx. +5%	We anticipate marginal growth in net sales over the new record set in the previous year.
Systems		Approx. +95%	Approx. +5%	Strong demand for final products, such as LED lighting and smartphones, is reflected in sustained capital investment.
Dicers		Approx. +80%	Approx. ± 0%	Projected year on year movement has been set at 0% because we are not yet able to predict trends, especially for the fourth quarter.
	Laser	Approx. +50%	Approx. +20%	Sales of LED-related products remain strong in both the SD and ablation categories. Ablation applications are expected to expand.
	Non-laser	Approx. +95%	Just under -10%	Inquiry levels remain high, especially in the area of products for electronic component manufacturing. We are projecting a year on year decline of just under 10% over the whole year because we are not yet able to predict trends in the fourth quarter.
Grinders		Approx. +150%	Approx. +10%	Demand for ultra-thin grinding equipment is buoyant, and we also anticipate shipments for various other applications.
Precision blades and wheels		Approx. +15%	Approx. +10%	Continued strong growth
Other products, subsidiaries		Approx. +20%	Approx. +5%	We anticipate sales growth for the precision parts business.

DISCO

Kiru · Kezuru · Migaku Technologies

