

FY2012 3Q Financial Results and FY2012 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.

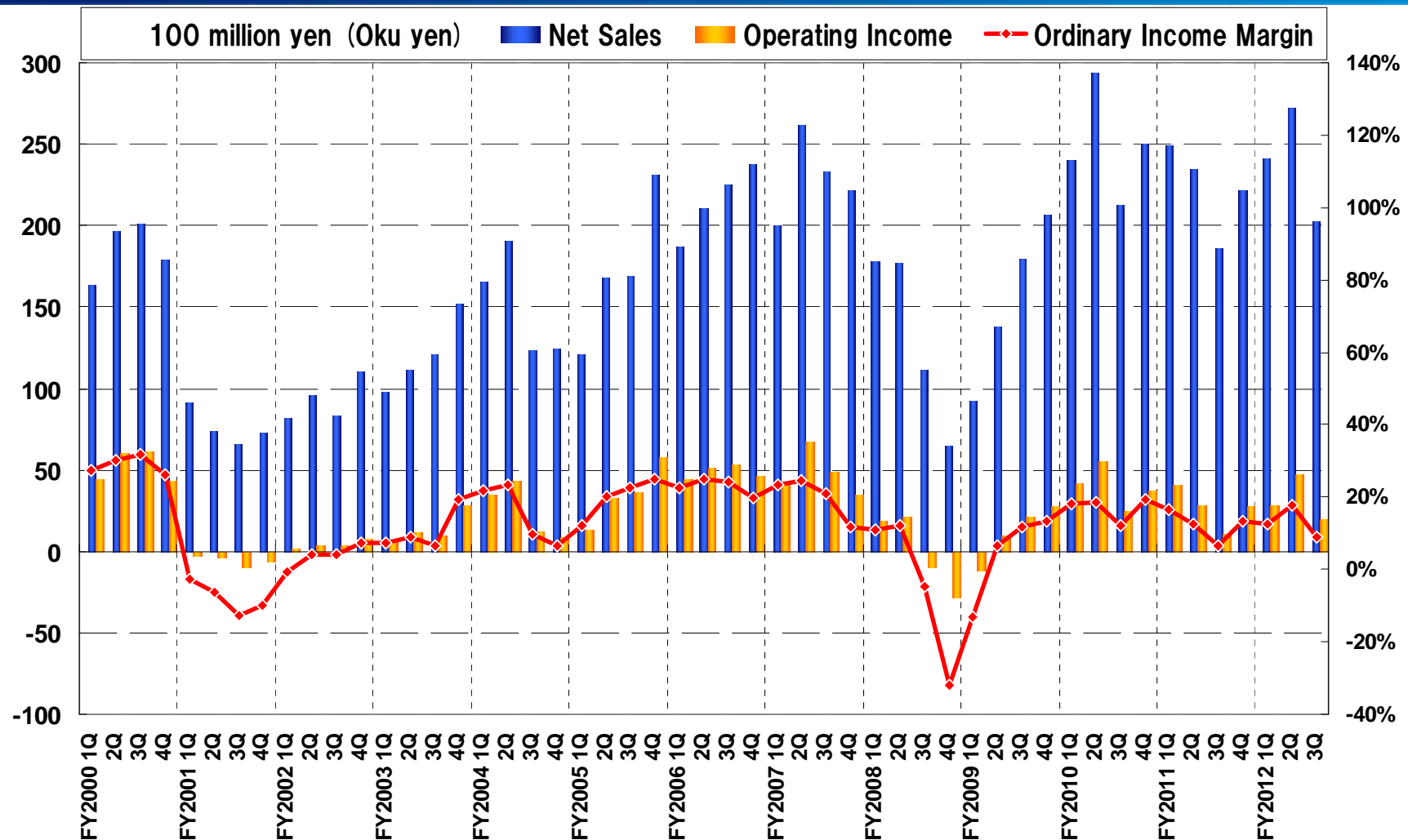
DISCO cautions you that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements, and you should not make decision on your investment thoroughly based on these statements. Such factors include, but not limited to, (i) general 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.

FY2012 3Q Earnings Results

Millions of Yen	FY2012 3Q	FY2012 2Q	QoQ	
			Amount	(%)
Net Sales	20,250	27,215	-6,966	-25.6%
Gross Profit	10,017	12,991	-2,974	-22.9%
Gross Profit Margin	49.5%	47.7%	1.8p	-
SG&A	8,039	8,335	-297	-3.6%
Operating Income	1,978	4,655	-2,677	-57.5%
Ordinary Income	1,832	4,791	-2,959	-61.7%
Ordinary Income Margin	9.1%	17.6%	-8.5p	-
Income before income taxes and minority interests	1,775	4,739	-2,964	-62.5%
Net Income	1,070	3,385	-2,316	-68.4%

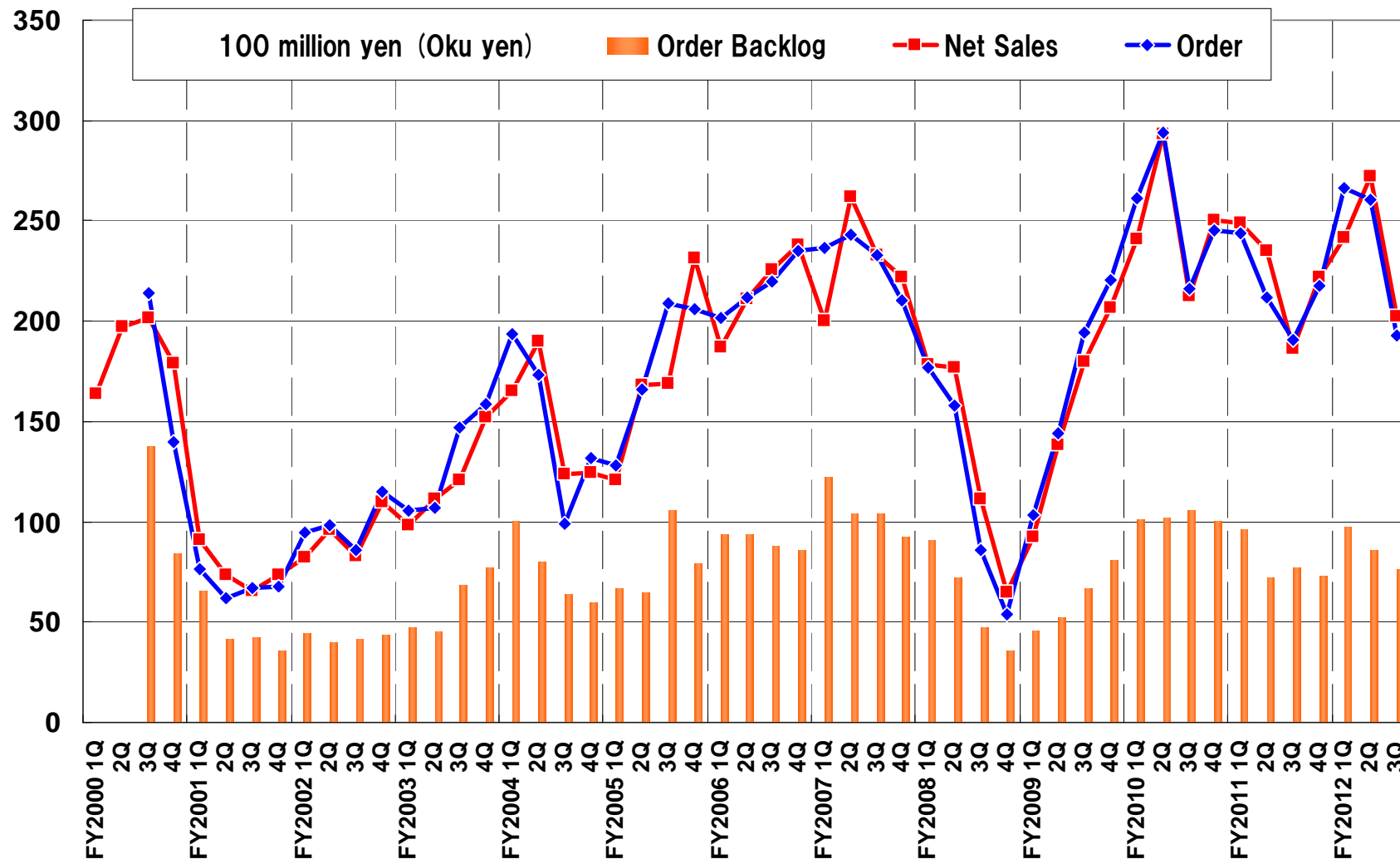
- FY12 3Q sales fell sharply QoQ, affected by a quick slowdown in capital expenditure of the semiconductor manufacturers.
- While SG&A remained at a high level, GP improved to 49.5% (+1.8 % QoQ) due to the modified product composition.
- Operating profit decreased to ¥ 1.9 billion (-57.5% QoQ) due to the sluggish sales.

Quarterly Consolidated Financial Results



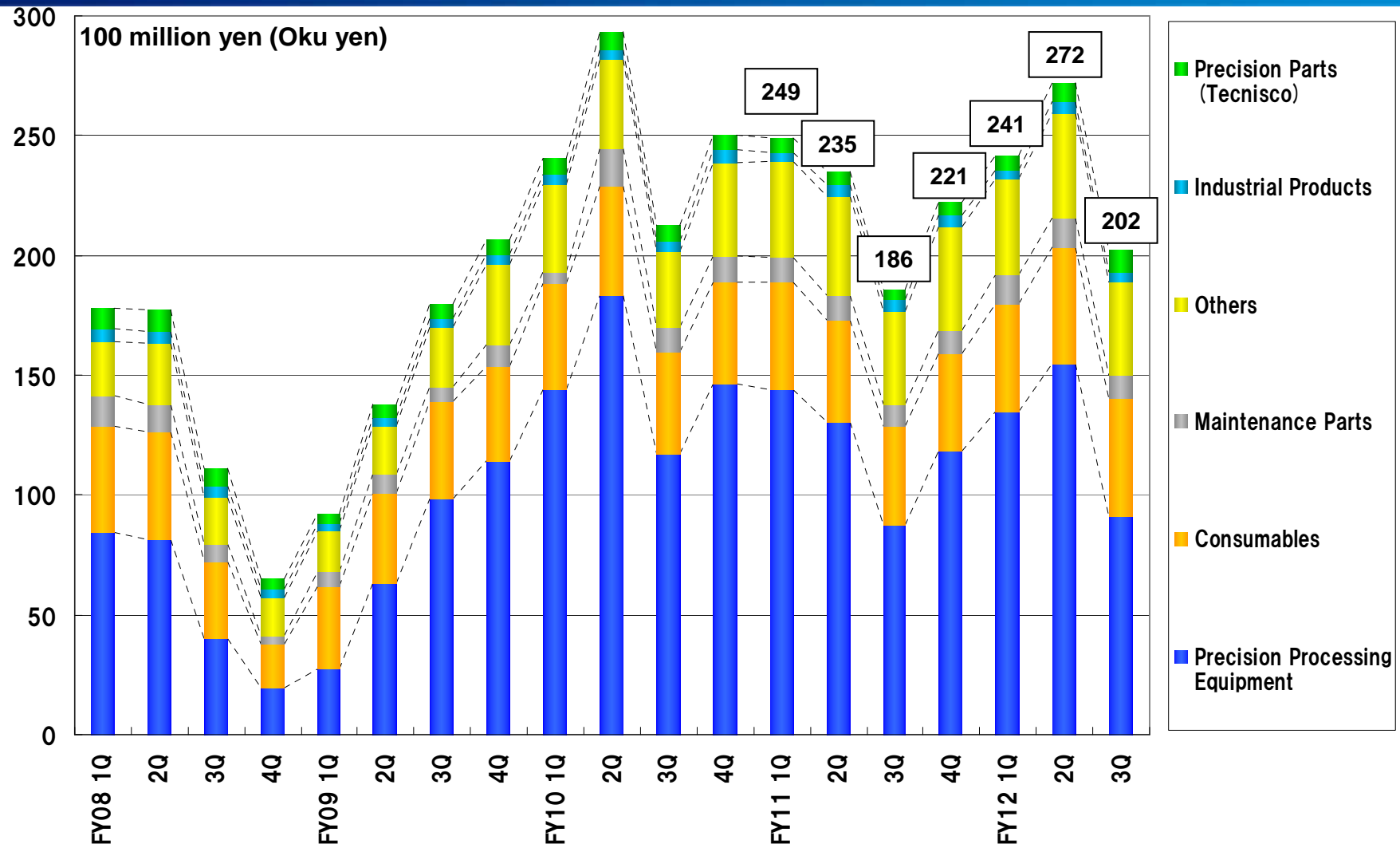
- FY12 3Q sales fell QoQ indicating the same pattern (robust sales for 1H and sluggish sales for 2H since FY10) .
- FY12 3Q results (YoY) showed an increase in both sales and profit due to the robust sales of consumables.

Quarterly Sales/Orders



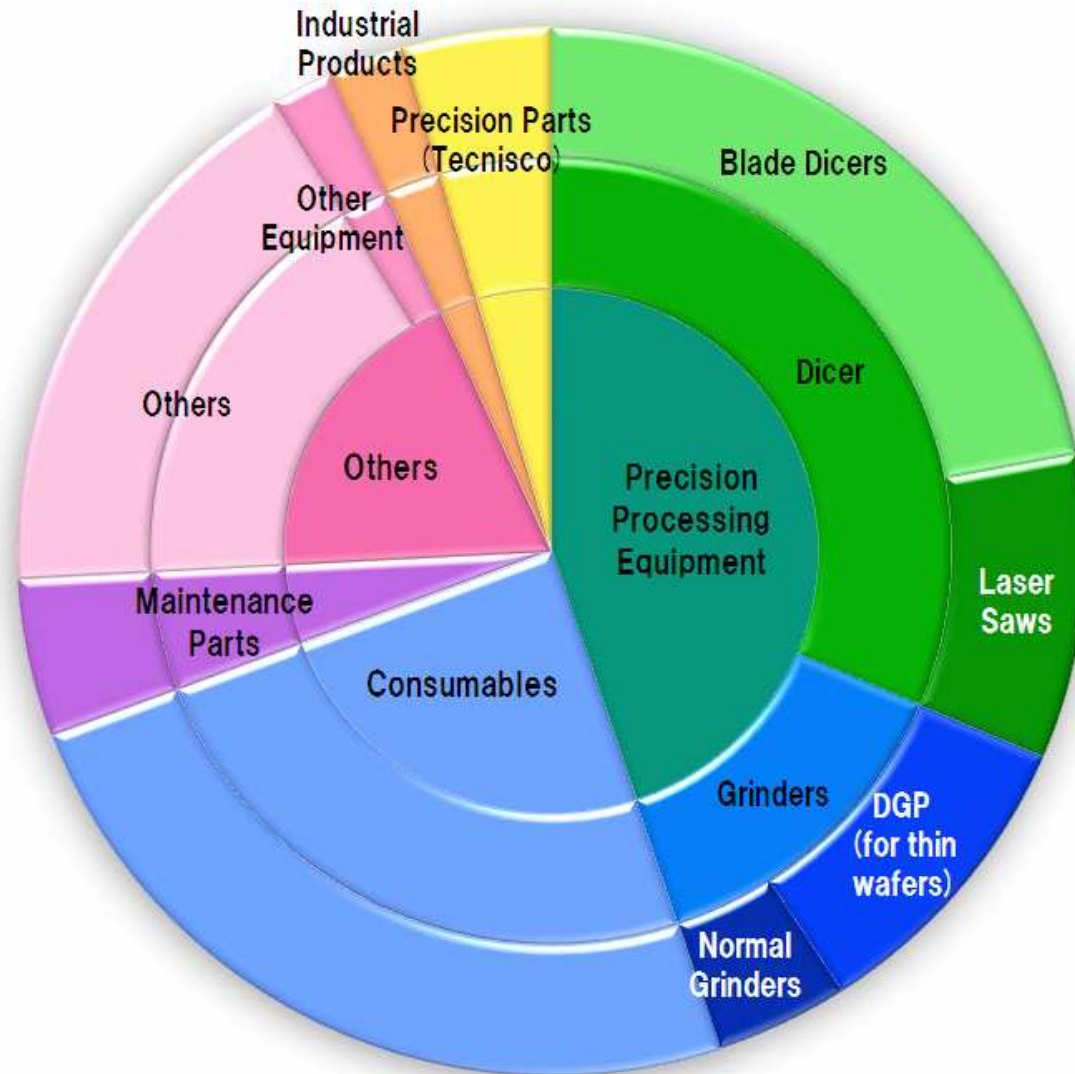
- FY12 3Q orders amounted to ¥19,300 million by -25% QoQ (lower than sales following the trend of the last quarter).
- The order backlog, at ¥7,600 million, was down from the last quarter.

Consolidated Quarterly Sales Breakdown by Product



- Compared to the sales of the previous quarter, 3Q sales of precision equipment declined by 40% and representation in the total sales was reduced to 45% (QoQ -12%)
- Sales of consumables remained at a high level, their representation in sales increased to 24% (+6% QoQ).

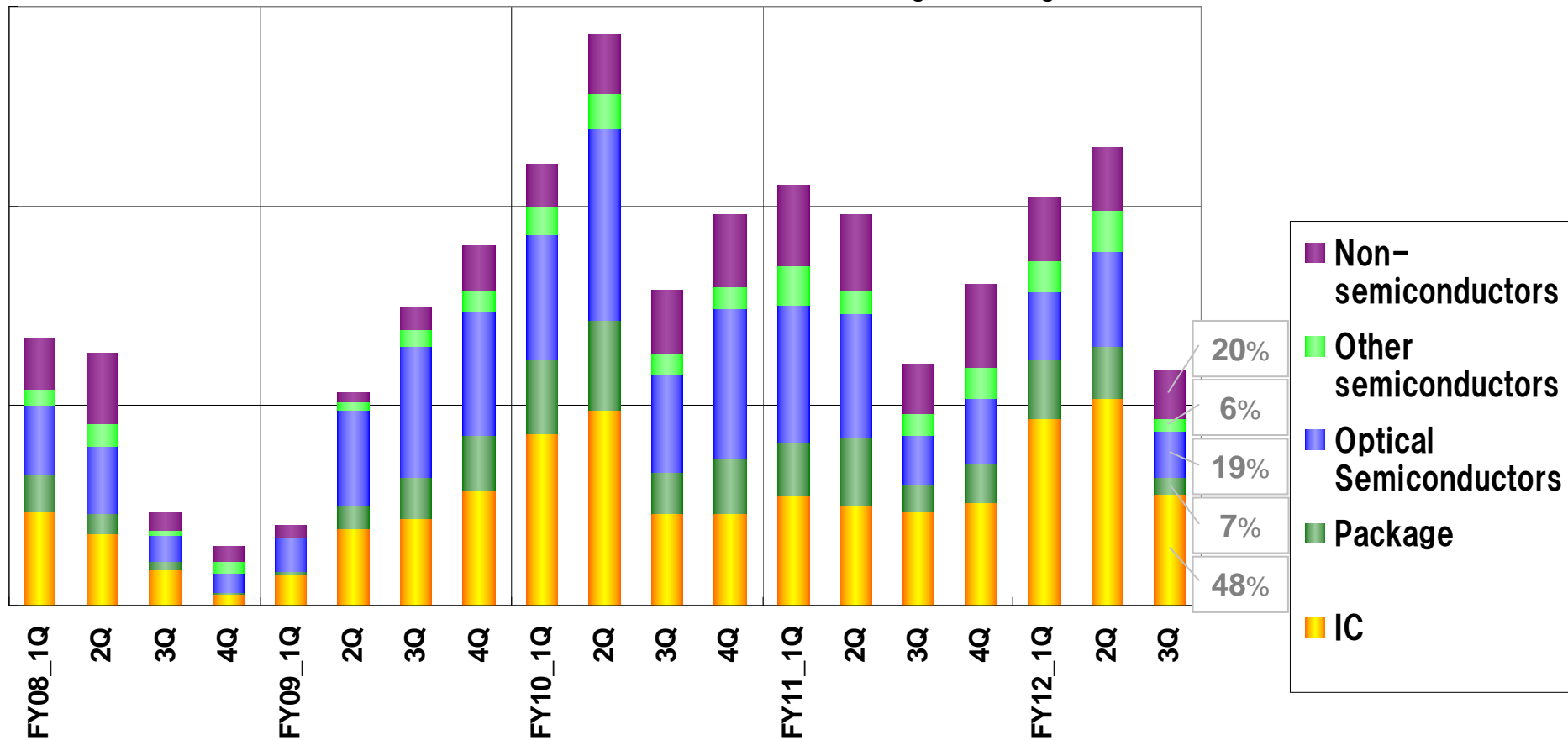
Product and Equipment Sales Breakdown



FY2012 3Q	
[Product Sales Breakdown]	
Precision Processing Equipment	45%
Consumables	24%
Maintenance Parts	5%
Others	19%
Industrial Products	2%
Precision Parts (Tecnisco)	4%
[Precision Processing Equipment Breakdown]	
Dicing Saws	70%
Grinders	30%
[Dicing Saws Breakdown]	
Blade Dicers	70%
Laser Saws	30%
[Grinders Breakdown]	
DGP (for thin wafers)	70%
Normal Grinders	30%

Equipment, Non-consolidated Cutting and Dicing Saws* Sales Breakdown by Application

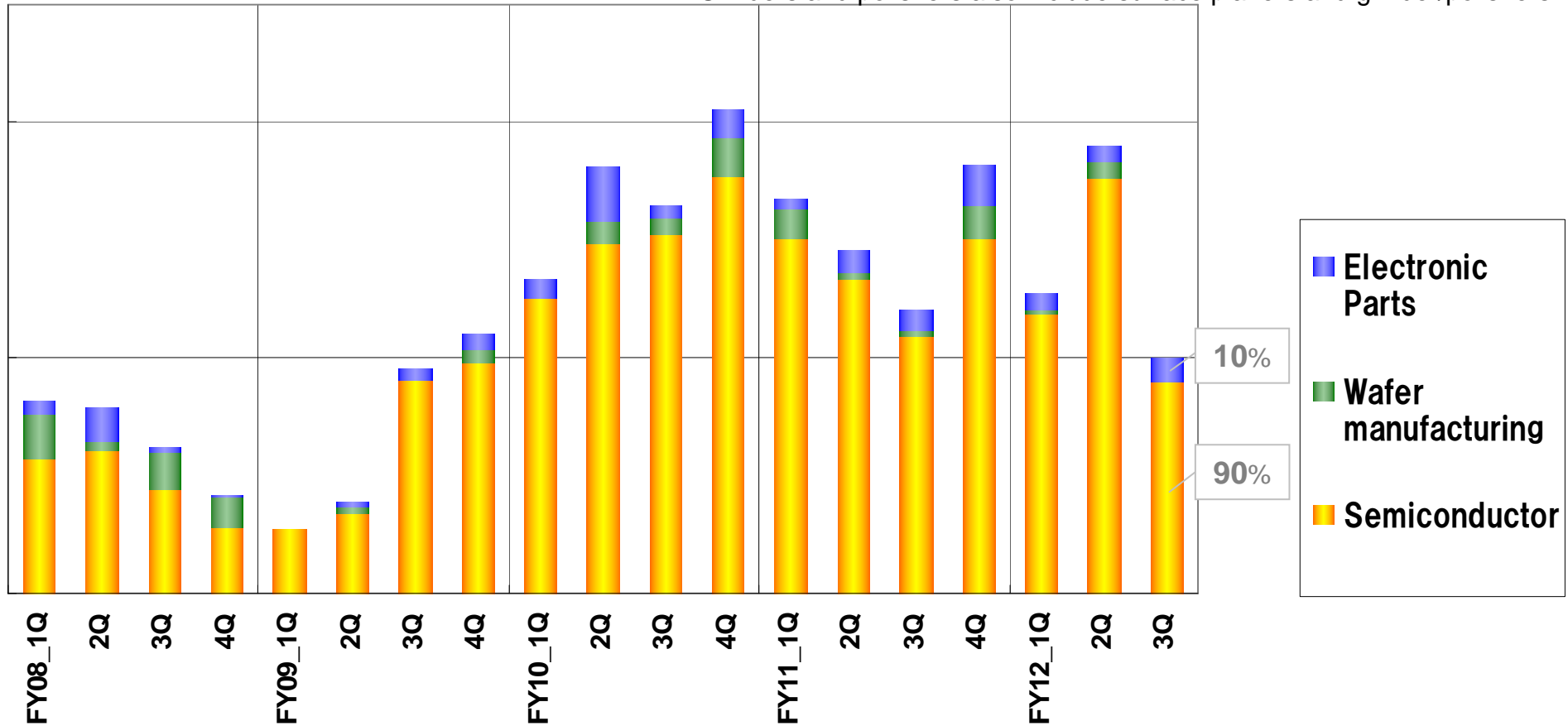
*Cutting and dicing saws include blade dicers and laser saws



- Total capital expenditure for semiconductor manufacturers ran its course in FY12 1H and dicer sales dipped sharply regardless of applications for both IDM and OSAT customers.
- The demand for laser saws for LED applications continued to be sluggish, while sales for Low-k processing remained relatively firm throughout the quarter.

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

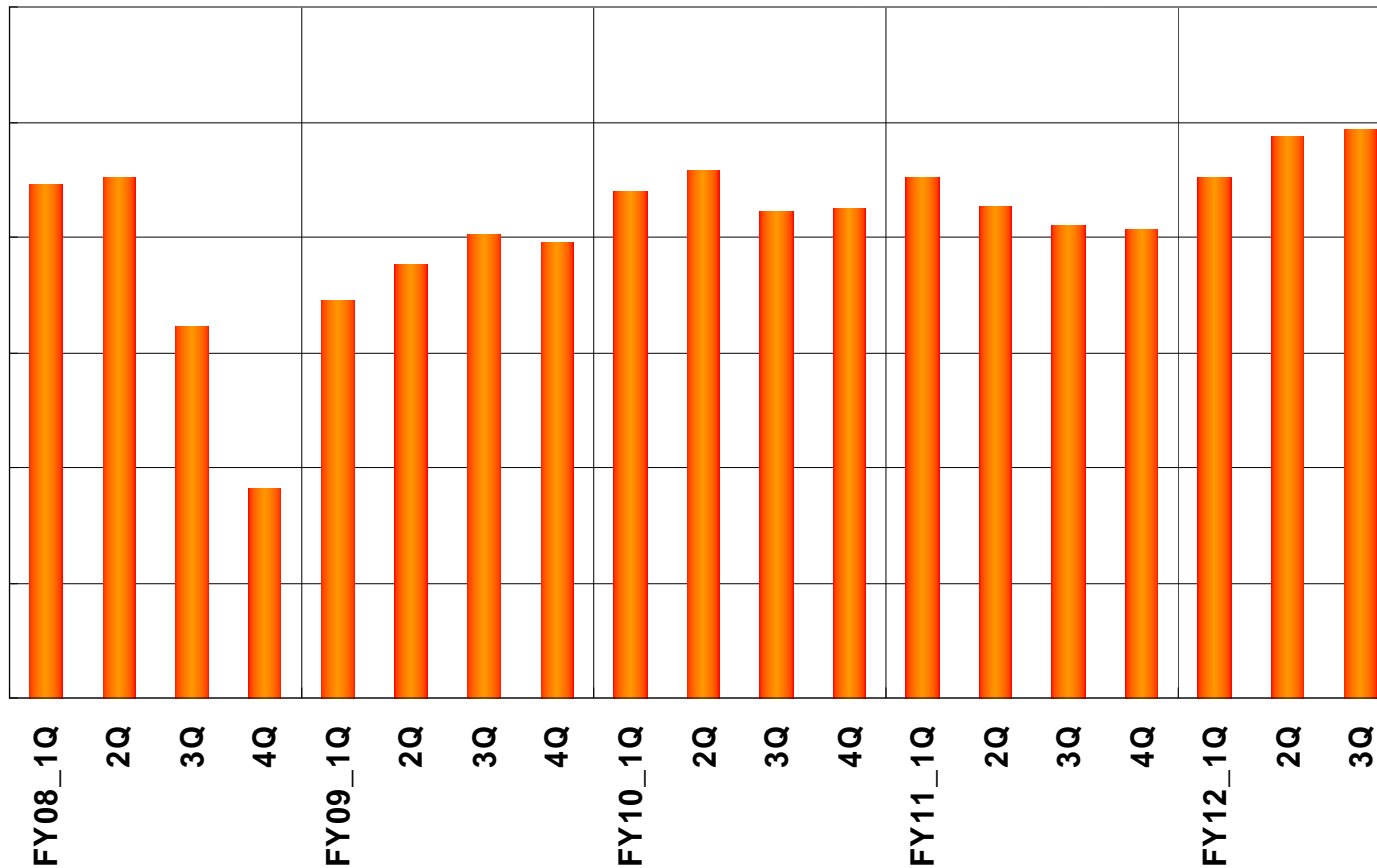
*Grinders and polishers also include surface planers and grinder/polishers



- While there was demand for grinders for R&D purposes, overall due to the sluggish market conditions, grinder sales were weak, particularly for memory.
- Grinder sales for smartphone-related electronic components remained strong and increased by 46% QoQ (10% of total sales).
- There are no grinder sales for wafer manufacturing in this 3Q.

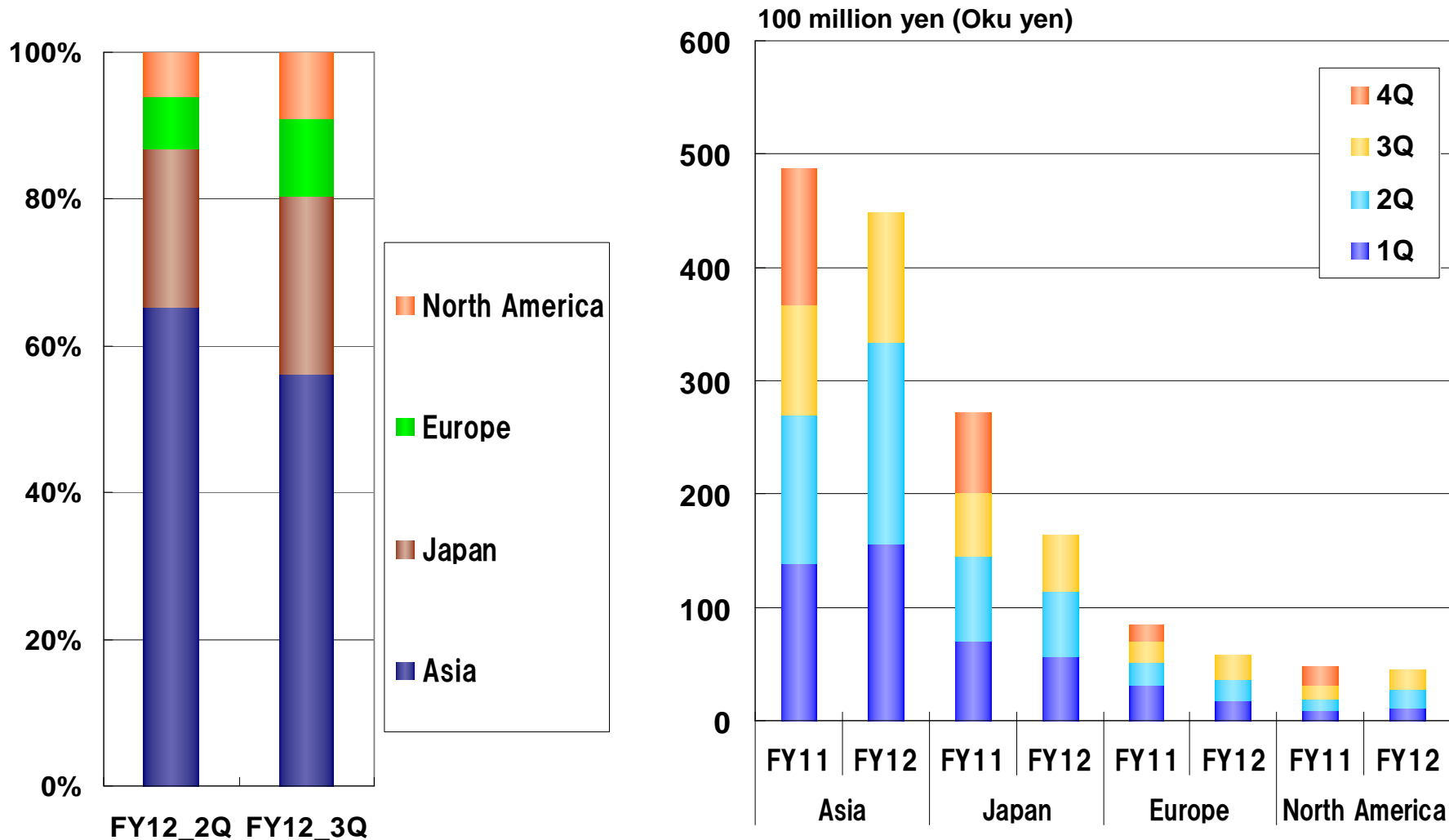
Consolidated Consumables* Sales

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



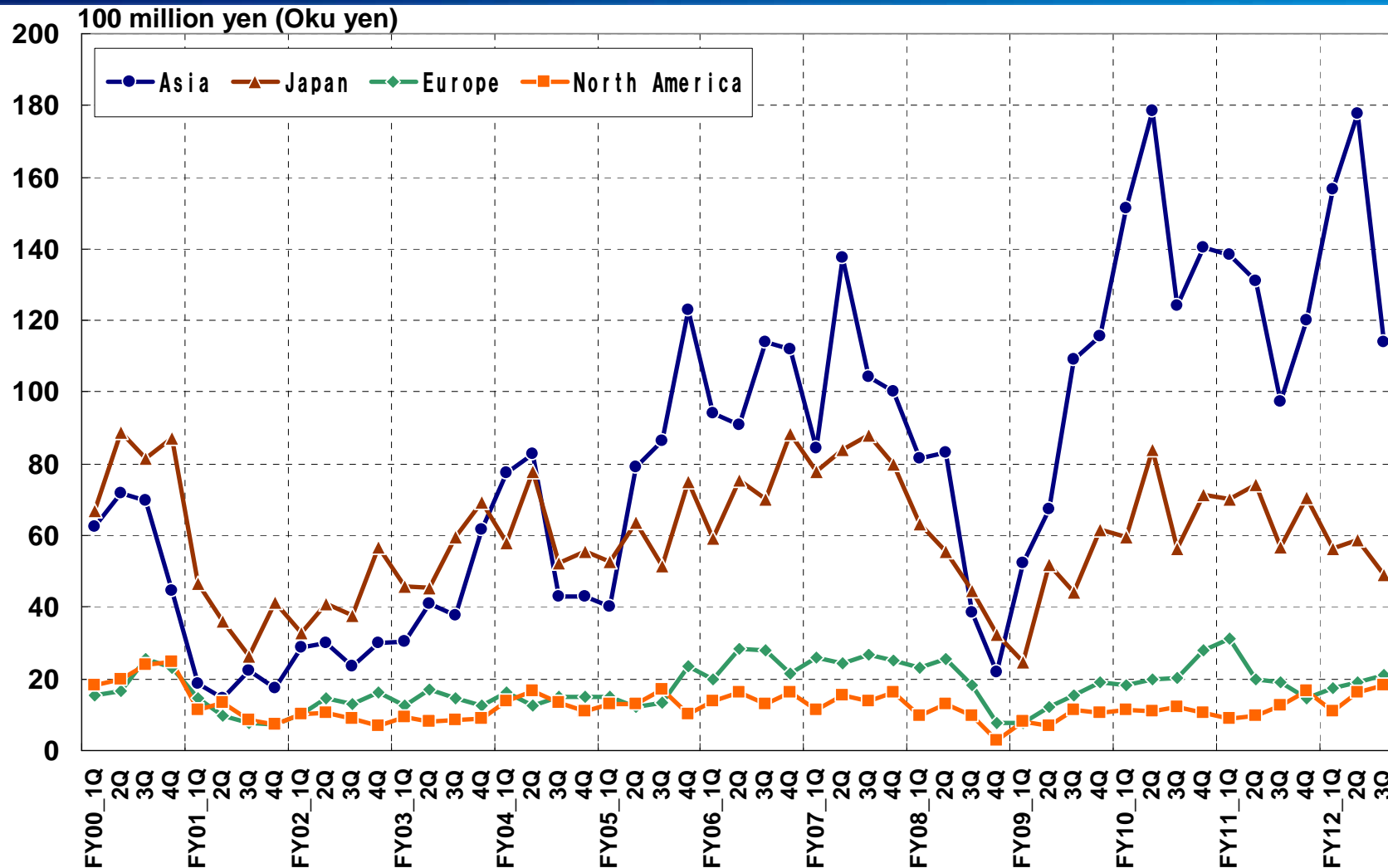
- Contrary to equipment sales, sales of consumables remained at an extraordinarily high level (+1% QoQ).
- The main contributing factor was the high utilization rate of equipment for certain end-user applications (such as smartphones) leading to higher shipments of related parts and consumables.
- Although US\$ denominated sales of consumables made up a large share of sales, we expect to see the effect of yen's depreciation after FY 4Q.

Sales Breakdown by Region



- After the robust sales for FY12 1H in the Asia region, sales fell in FY12 3Q and their representation in the total sales decreased to 56% (by -9p QoQ). In all other regions, sales remained relatively firm.
- Sales composition: North America 9%, Europe 10%, and Japan 24%.

Quarterly Regional Sales



- 3Q Sales in the Asian region fell sharply following the same sales trend in FY10.
- Conversely, sales in Europe and North America increased for R&D and cutting edge technology. Sales in Europe showed 10% increase QoQ, and for North America sales showed 12% increase QoQ.

Balance Sheet (Summary)

Millions of Yen	FY2012 3Q	FY2012 2Q	Amount
Cash and deposits	35,106	37,089	-1,983
Notes and account receivable	23,062	28,325	-5,263
Inventories	29,453	29,244	209
Total current assets	90,873	98,377	-7,504
Property, plant and equipment	55,981	55,738	244
Total noncurrent assets	65,188	64,899	289
Total assets	156,070	163,287	-7,217
Current liabilities	26,651	34,265	-7,614
Noncurrent liabilities	21,209	22,067	-858
Total liabilities	47,861	56,333	-8,472
Total net assets	108,209	106,954	1,255
Total liabilities and net assets	156,070	163,287	-7,217
Equity Ratio	68.2%	64.5%	3.7p

[Comparison with the end of September 2012]

- **Assets:** Total assets decreased by ¥7,200 million QoQ due to a decrease of account receivables as well as a decrease of cash and deposits due to a payment of corporate taxes and a redemption of Yen convertible bonds.
- **Liabilities:** Current Liabilities: Decreased by ¥7,600 million mainly in account payables, corporate tax payables and an allowance for bonuses.
- **Noncurrent Liabilities:** Decreased by ¥800 million mainly due to the redemption of a part of Yen convertible bonds.
- **Net assets:** Equity capital-asset ratio rose due to the increase of net assets ¥1,200 million and the decrease of the weight of liabilities.

Cash Flow (Summary)

Millions of Yen	FY2012 1-3Q	FY2011 1-3Q	Amount
Net cash provided by (used in) operating activities	16,722	4,750	11,973
Income before income taxes and minority interests	9,529	8,196	1,333
Depreciation and amortization	4,310	4,321	-11
Decrease (increase) in notes and accounts receivable-trade	4,633	3,340	1,293
Decrease (increase) in inventories	-3,997	-2,261	-1,736
Increase (decrease) in notes and accounts payable-trade	6,131	-1,004	7,136
Income taxes (paid) refund	-1,988	-7,997	6,009
Net cash provided by (used in) investing activities	-11,563	-8,850	-2,712
Purchase of property, plant and equipment	-4,163	-5,403	1,241
Others	-7,399	-3,446	-3,953
Free cash flow	5,159	-4,100	9,260
Net cash provided by (used in) financing activities	7,364	-2,436	9,801
Cash dividends paid	-1,989	-2,323	334
Others	9,354	-112	9,467
Net change in of cash and cash equivalents	12,926	-7,348	20,275
Cash and cash equivalents at beginning of period	12,038	19,830	-7,792
Cash and cash equivalents at end of period	24,964	12,482	12,483

Cash flows FY2012 1-3Q:

- **Cash flows from operating activities:** Increased by ¥16,700 million in comparison with the previous year due to an increase in account payables and a decrease in the payment of corporate taxes.
- **Cash flows from investing activities:** Decreased by ¥11,500 million. There was a net outflow resulting from acquisition of fixed assets and a transfer of a large sum to the time deposit account.
- **Cash flows from financial activities:** Increased by ¥7,300 million. In addition to the payment of dividends, bank loans of ¥10,000 million were made for the construction of the building at the Kuwabata Plant.
- **Free cash flows were a positive ¥5,100 million, and the balance of cash and cash equivalents as of the end of December of 2012 was ¥24,900 million.**

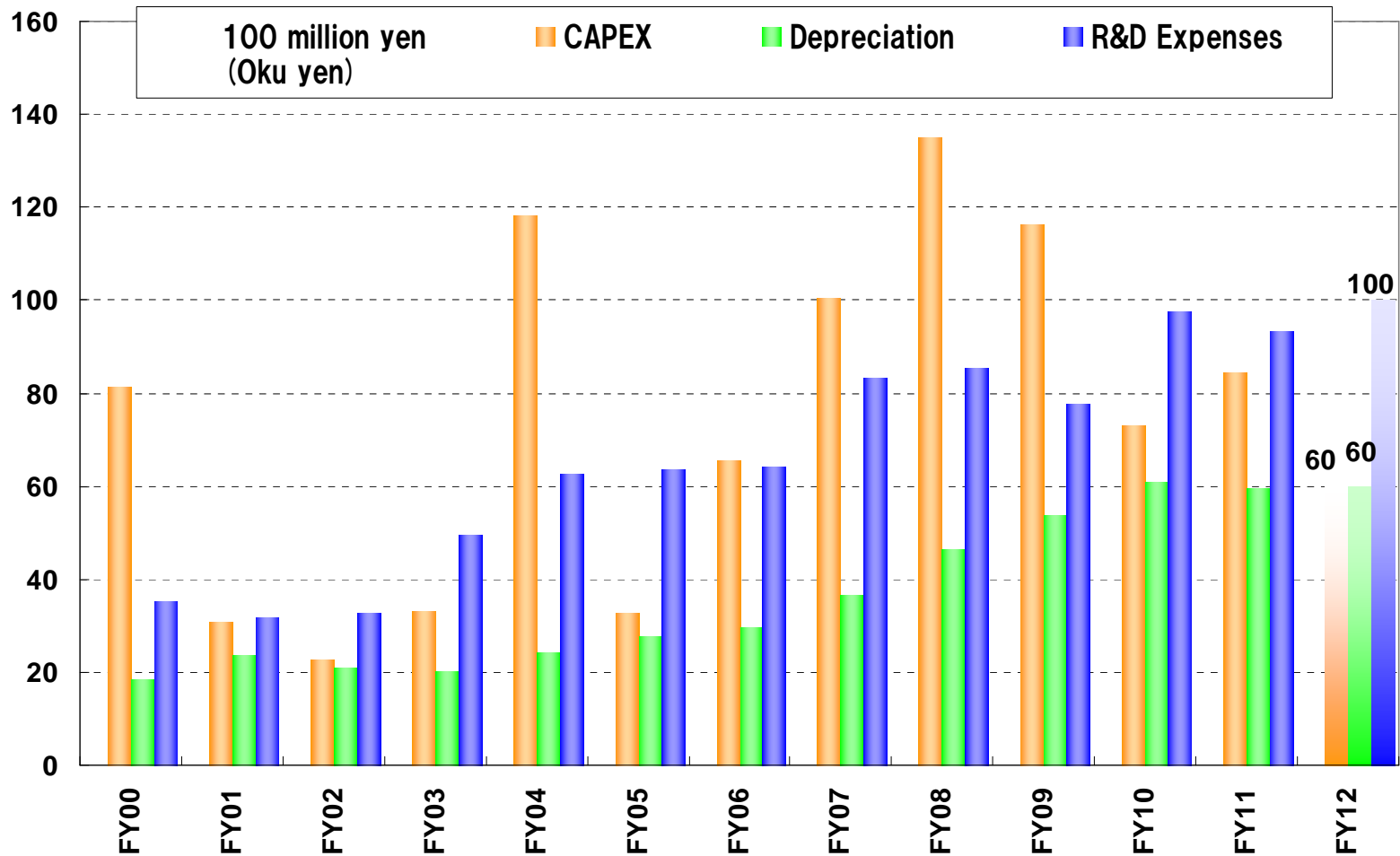
FY2012 Full-Year Earning Forecast

Earning Forecast

100 million yen (Oku yen)	1H	2H	Full Year	Reference Previous year's results	Amount	YoY
Net Sales	514	401	915	892	23	2.5%
Operating Income	75	25	100	107	-7	-6.2%
Ordinary Income	78	28	106	112	-6	-5.7%
Net Income	54	14	68	72	-4	-5.5%
Operating Income Margin	14.6%	6.2%	10.9%	11.9%		
Ordinary Income Margin	15.2%	6.9%	11.6%	12.6%		
Net Income Margin	10.4%	3.6%	7.4%	8.1%		

- We maintain the full year forecast released on Nov 8th last year.
- Despite the growing anticipation in the recovery of the global economy, lackluster demand for smartphones casts a shadow on the semiconductor markets.
- We will watch further market trends carefully and respond flexibly to the needs of semiconductor manufacturers.
- Projected exchange rates: US\$1/¥90 , 1€/¥120
- Effect per ¥1 fluctuation in exchange rates (non- consolidated, whole year)
US\$: ¥352 million, Euro: ¥15 million

Consolidated R&D/CAPEX Forecast



- Capital spending (capex) for facilities is progressing as planned, and other capex is decreased from the original forecast. Total capex will be changed from 8 billion yen to 6 billion yen accordingly.
- After the revision of capex, depreciation will be changed from 6.5 to more than 6 billion yen.
- Despite the current severe economic environment, we are maintaining high levels of R&D expenses for the development of next-generation technologies (R&D expenses remain at 10 billion yen) .

Dividend Policy and Dividend Payment

(Yen)					(Reference)
FY2012	Previous forecast	Forecast	Δ	Actual	FY2011 Actual
Intermediate dividend				40	29
Year-end dividend	11	11	0		19
Annual dividend	51	51	0		48

Dividend Policy

At a meeting held on May 10, 2012, the Board of Directors adopted the new dividend policy.

1. There will be interim and final dividends, each of which will be equivalent to 25%* of half-yearly consolidated net income.

* This new policy will be applied from the second half of the year ending March 2012.

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. 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.

[Remarks]

The company deleted the following term "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."

DISCO

Kiru · Kezuru · Migaku Technologies

