

# FY2009 1H Financial Results and FY2009 Forecasts

## DISCO CORPORATION

November 12, 2009

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# Today's Agenda

## 1. **FY2009 2Q Financial Results and FY2009 Forecasts**

Presentation by Manager, Investor Relations,  
Shinichiro Ozawa

## 2. **Operating Environment and Management Policy**

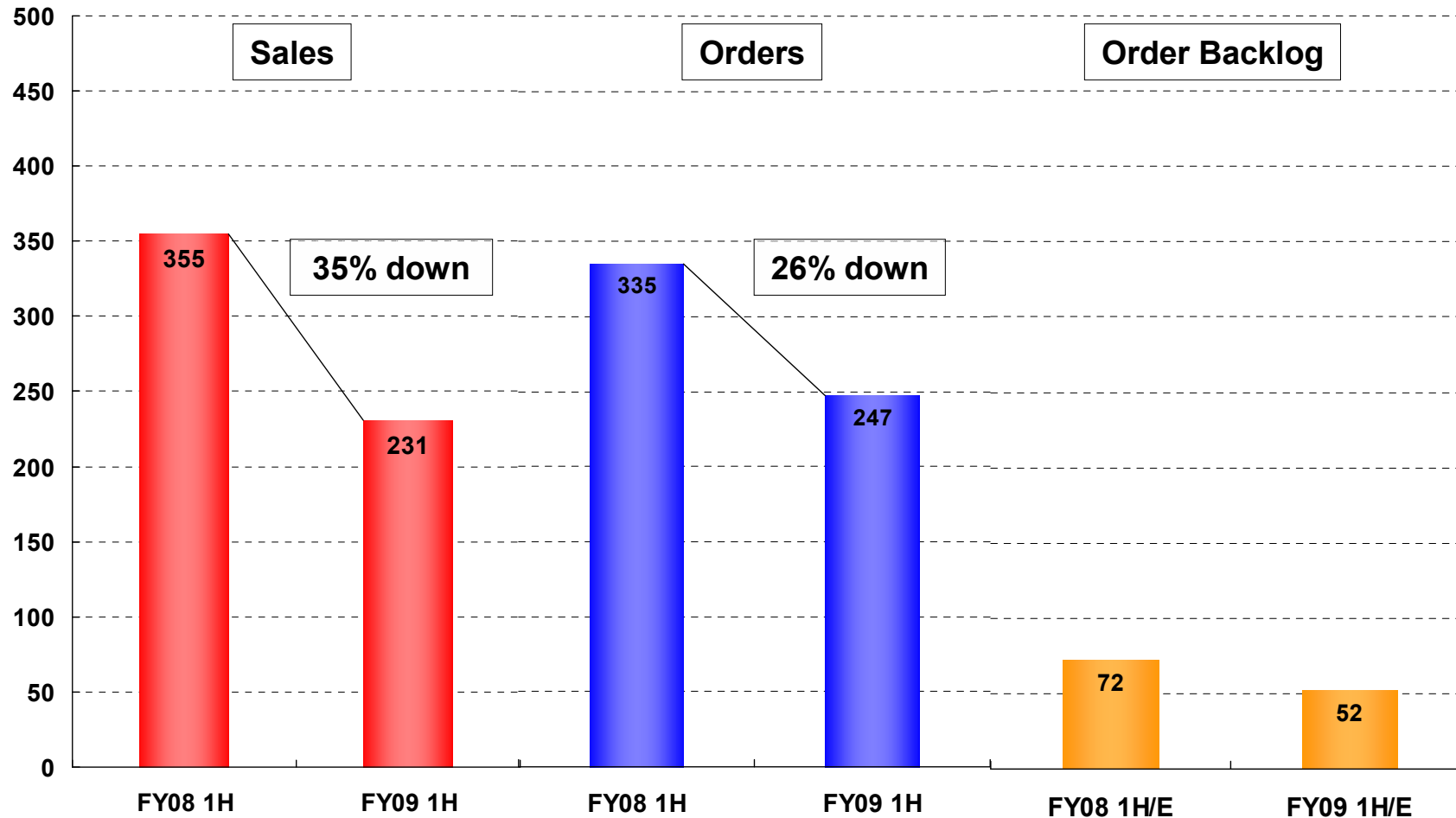
Presentation by Chairman and CEO,  
Hitoshi Mizorogi

# **FY2009 1H Financial Results and FY2009 Forecasts**

Presentation by Manager, Investor Relations,  
Shinichiro Ozawa

# Consolidated Sales, Orders, Order Backlog

100 million yen (Oku yen )

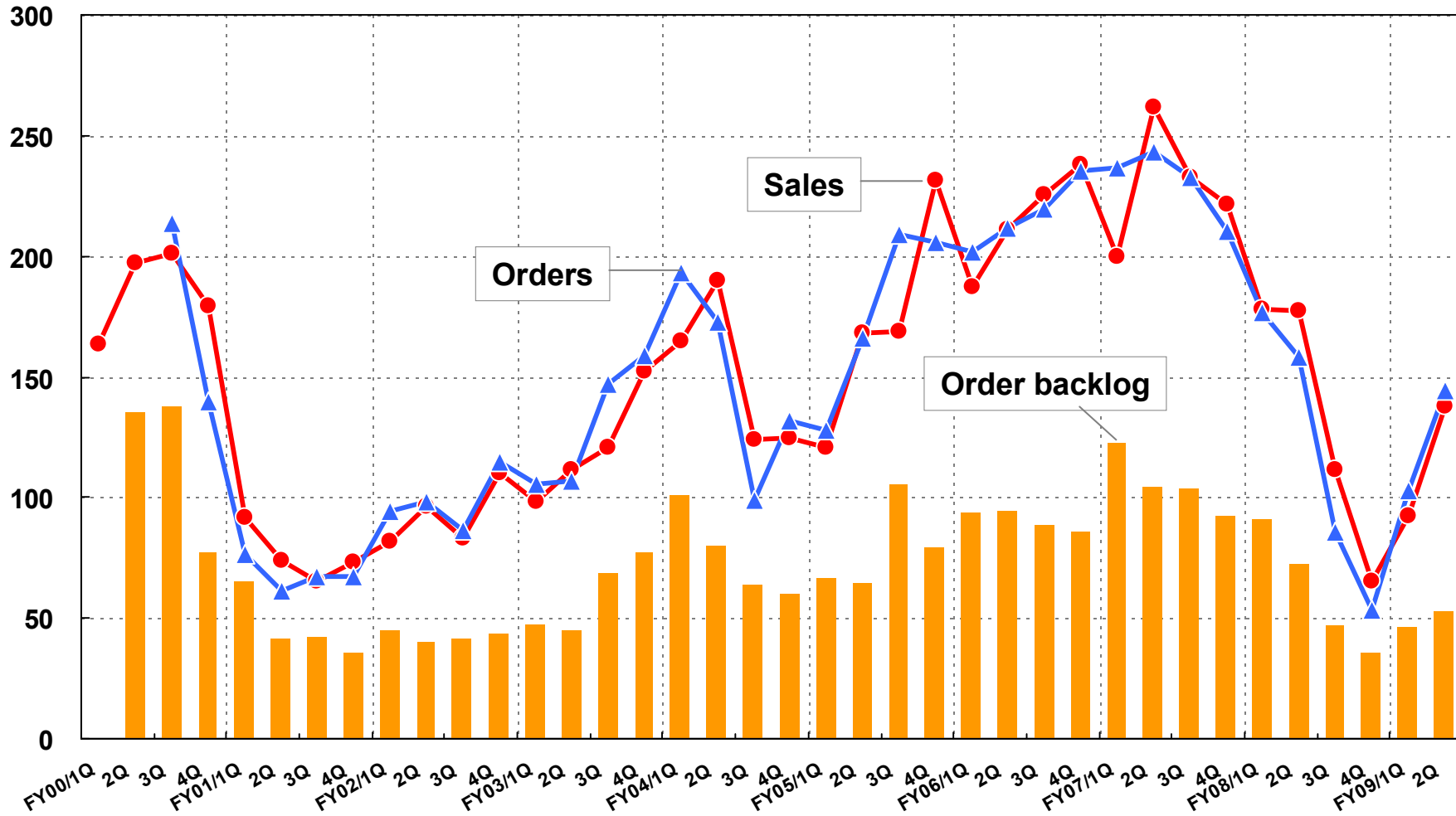


- Sales in 1H was 23,100 mil yen, 35% down from previous term which recorded comparatively strong sales.
- Orders proceeded sales, resulting in 26% down from previous term.

# Quarterly Sales/Orders

100 million yen (Oku yen)

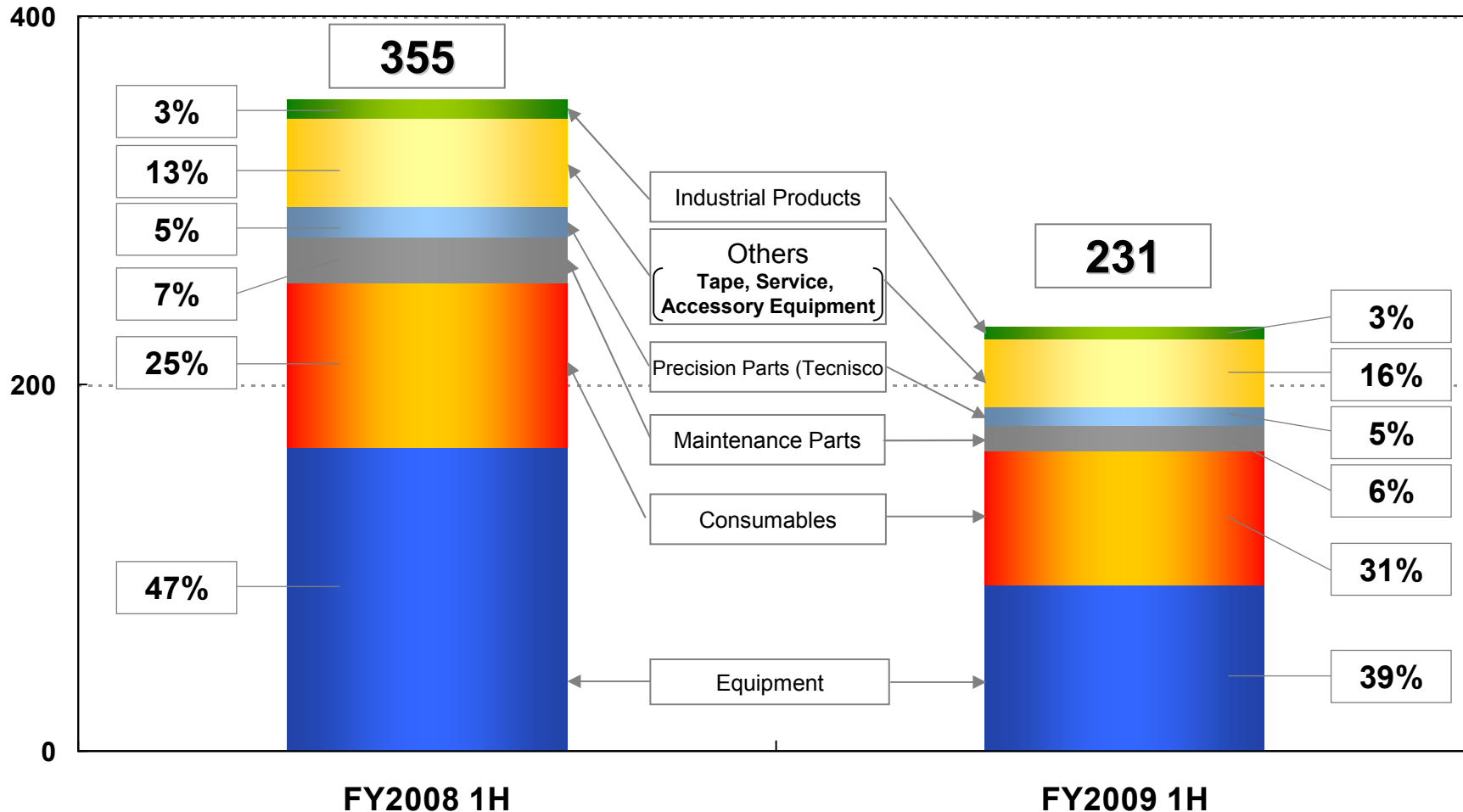
Note: Quarterly disclosure started since 3Q of FY2000



- Sales and orders dropped below at the level of IT bubble burst in 4Q of FY08 after global financial crisis, they recovered steadily in FY09.
- Orders exceeded sales for two consecutive quarters thanks to the recovery of operating environment.

# Consolidated Sales Breakdown by Product

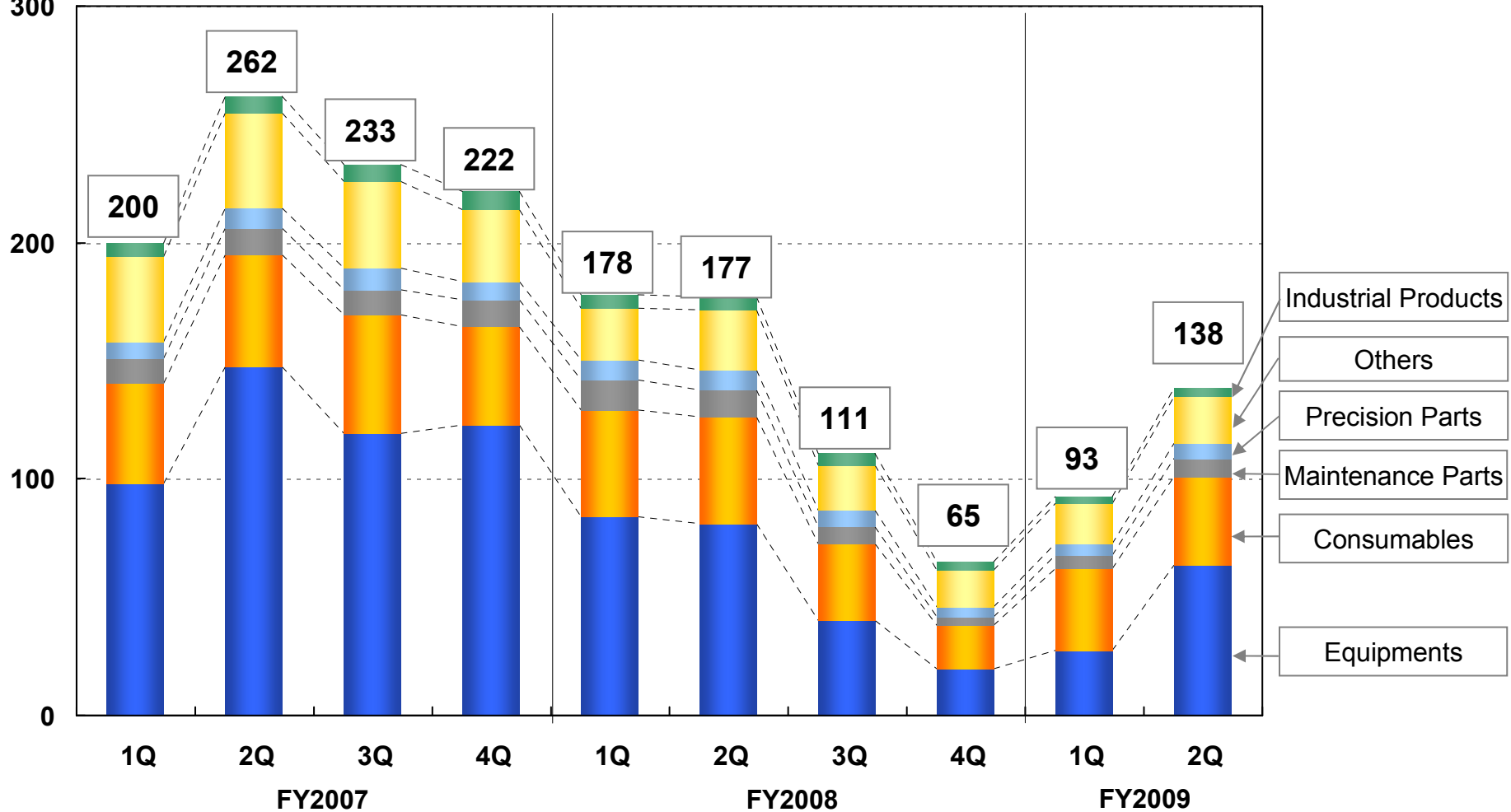
100 million yen (Oku yen)



- Sales of consumables recovered faster than other products and its share in total sales increased by 6 points compared with pervious term.
- Sales of equipment dropped by 45% from last year, and its share in total sales declined in 40%.

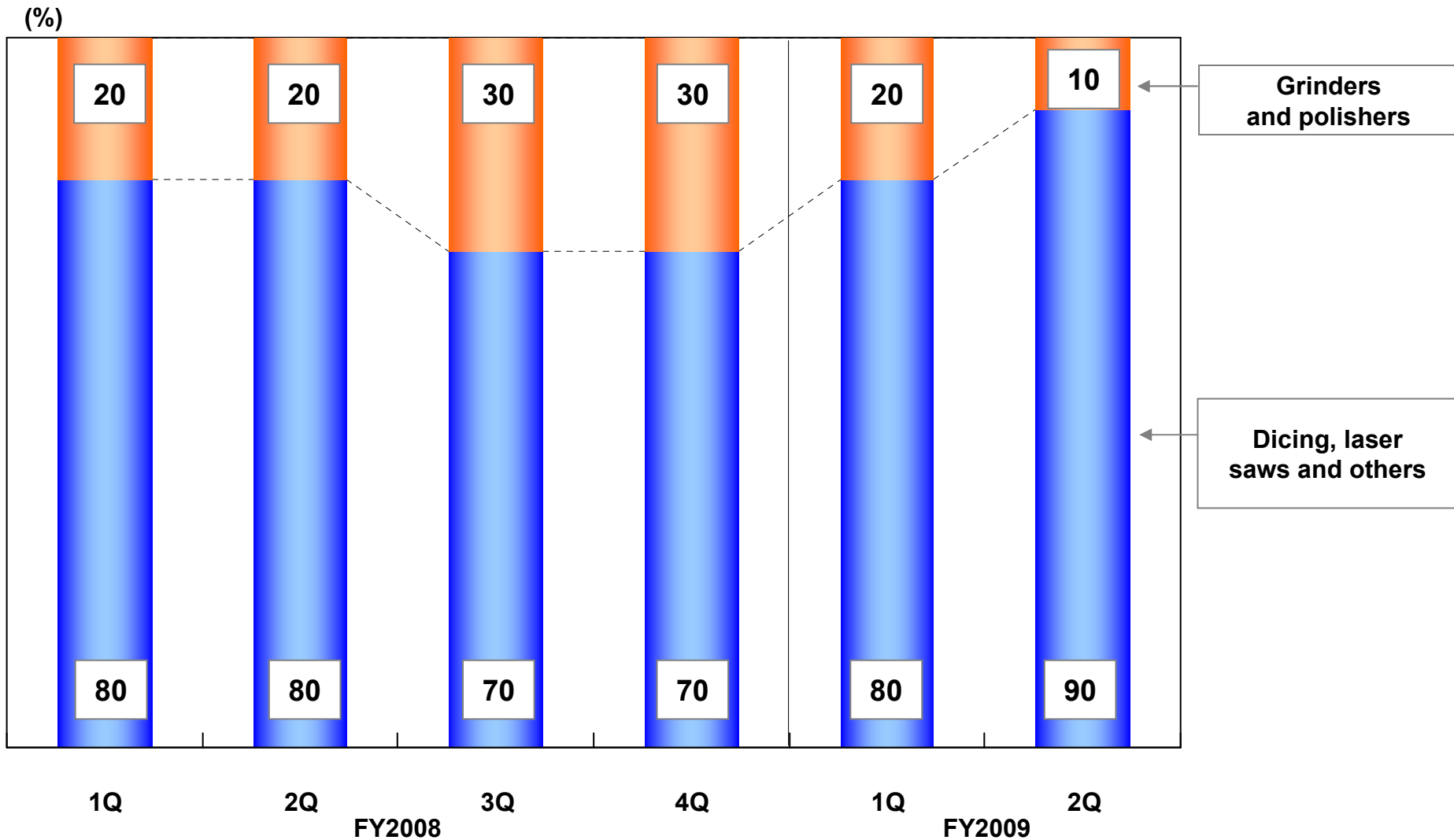
# Consolidated Quarterly Sales Breakdown by Product

100 million yen (Oku yen )  
300



- Although sales of consumables recovered steadily from the beginning of the term, it stayed 70% of its historical high sales.
- Sales of equipment increased from 2Q driven by the strong capital expenditure mainly in Taiwan and Korea.

# Quarterly Equipment Sales Breakdown



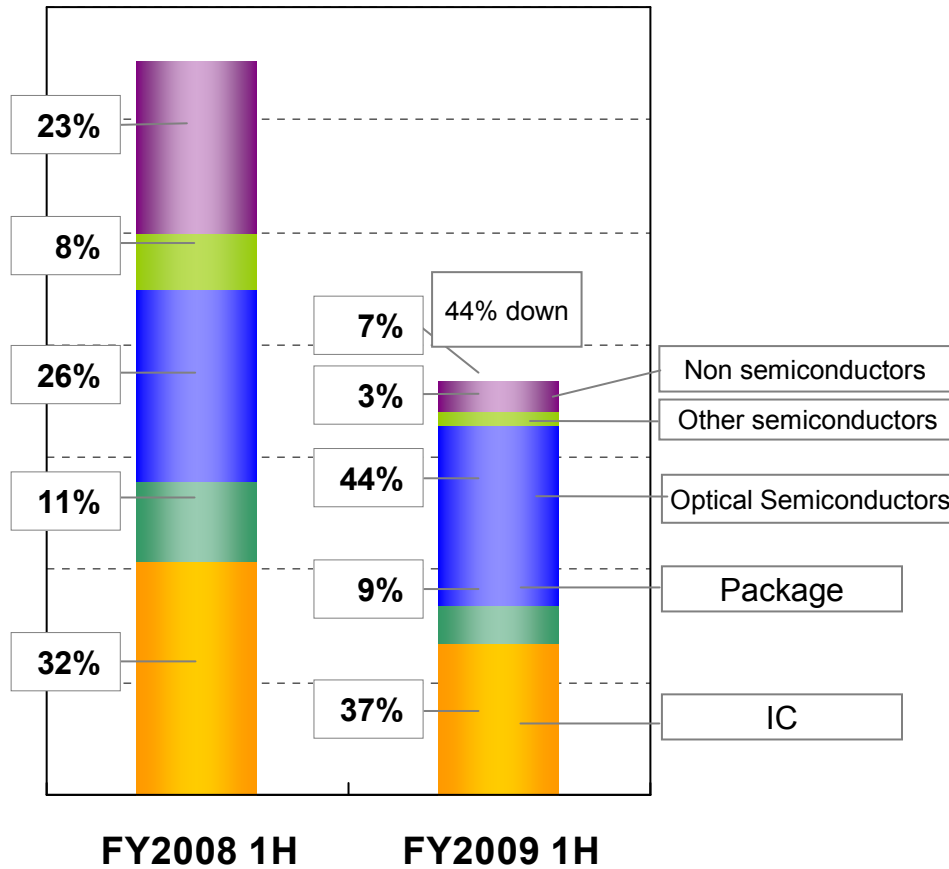
- Percentage distribution of dicing equipment increased due to robust shipment of dicing equipment for LED manufacturing and stagnant sales of grinding equipment.



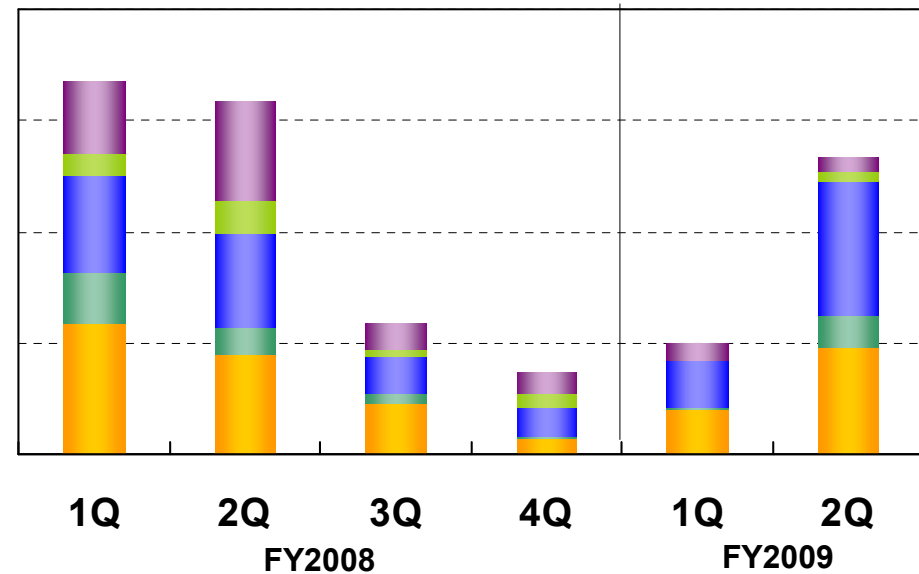
**[Equipment, Non-consolidated]**

# Cutting, Dicing Saws\* Sales Breakdown by Application

\*Note: Cutting, dicing saws include blade dicer and laser saws



## Quarterly Movement

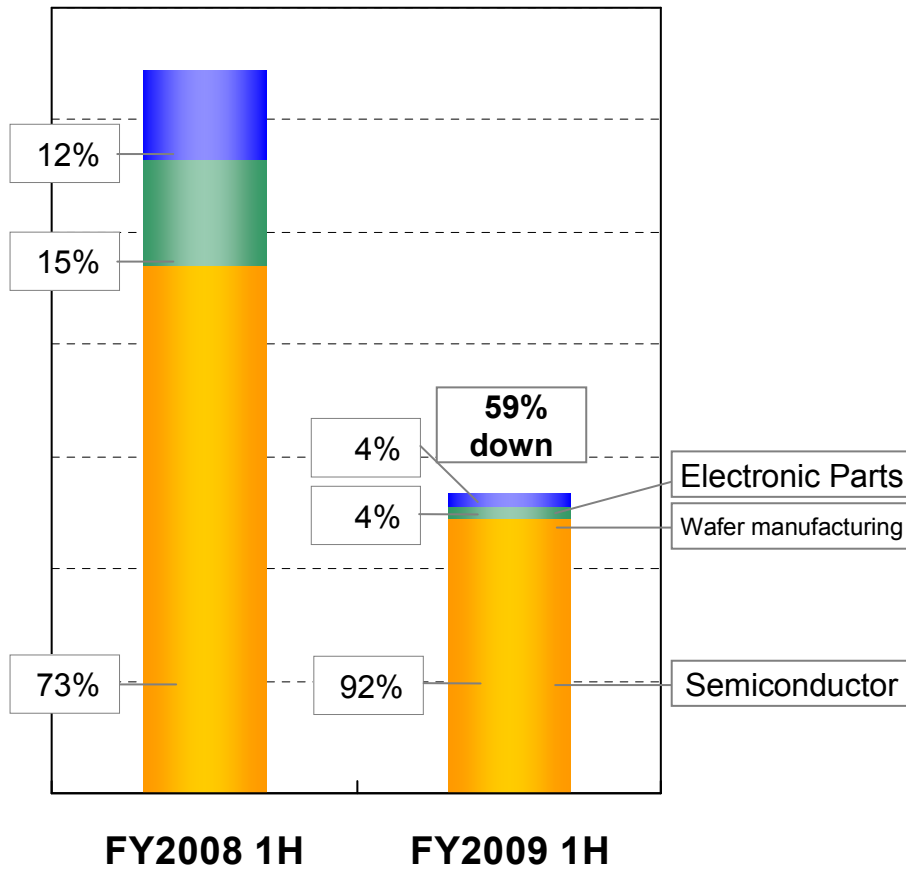


- Laser saws contributed to the sales due to increased demands for LED manufacturing in Taiwan, Korea and Japan.
- Sales extremely stagnated for non-semiconductors purpose, such as electric components, however, sales to LCD driver and mass production purpose among IC application recovered instantaneously.
- Shipment to package singulation became active in 2Q of FY2009.

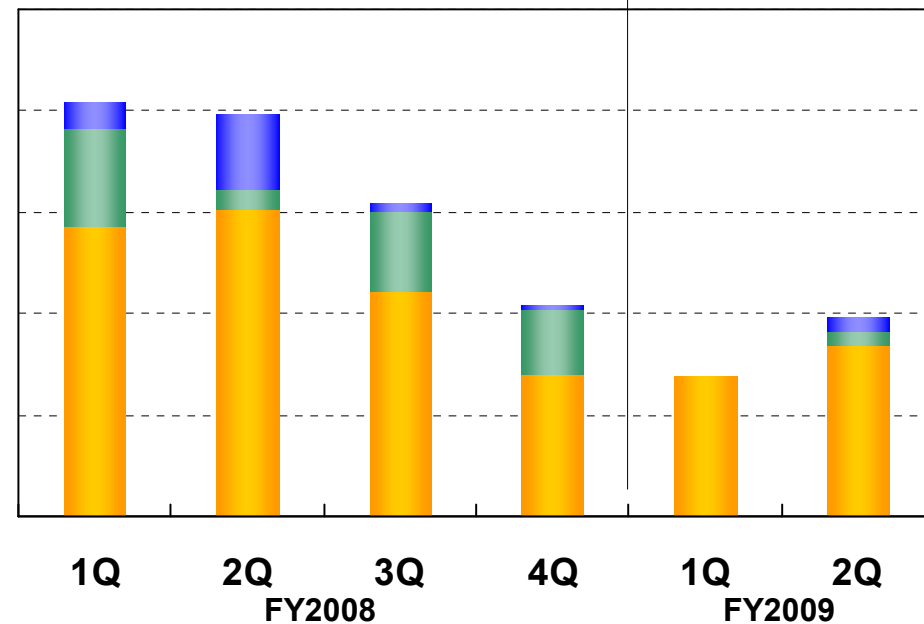
【Equipment, Non-consolidated】

# Grinders, Polishers\* Sales Breakdown by Application

\*Note; Grinders, polishers also include surface planer and Grinder/Polisher

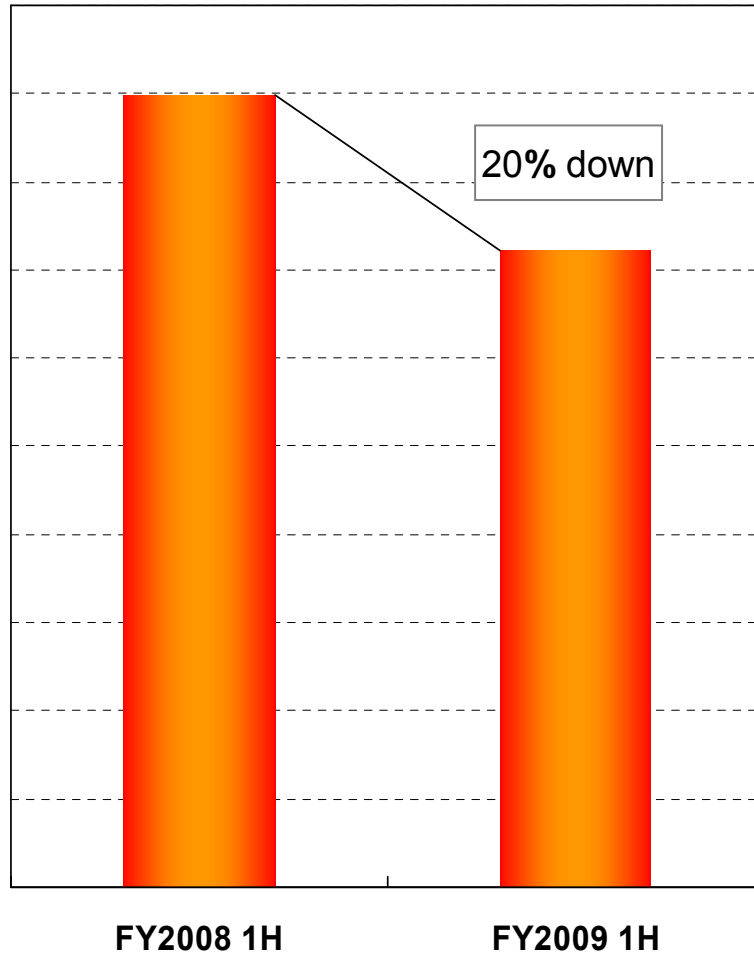


## Quarterly Movement



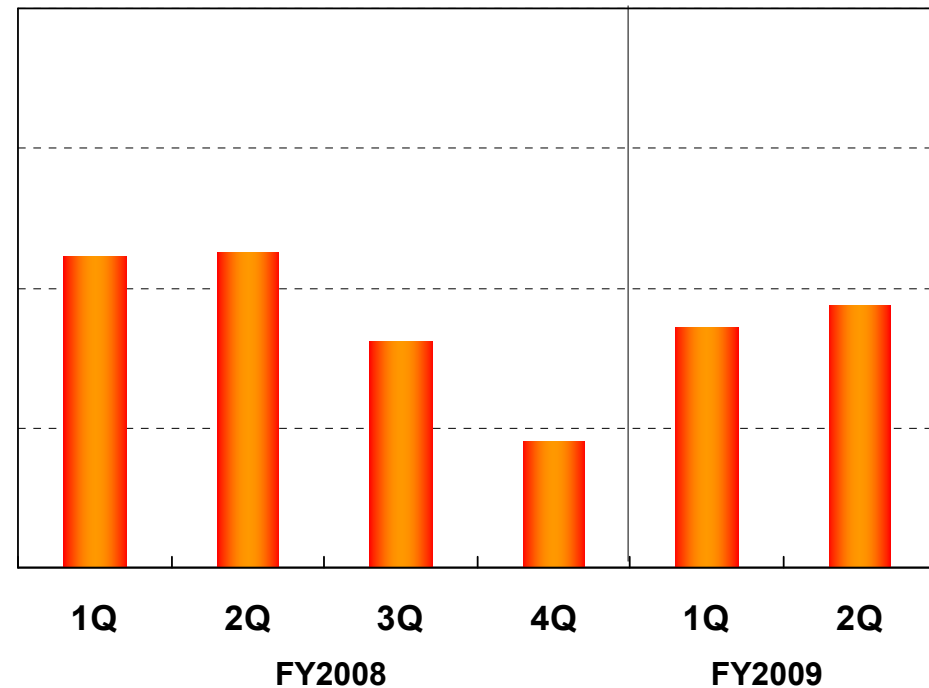
- Sales in 1H of FY08 was robust especially for memory application but grinder sales after global financial crisis stagnated.
- In FY09, grinder sales remained at low level, although there are few shipments for CMOS image sensor and flash memory.

# Consumables\* Sales



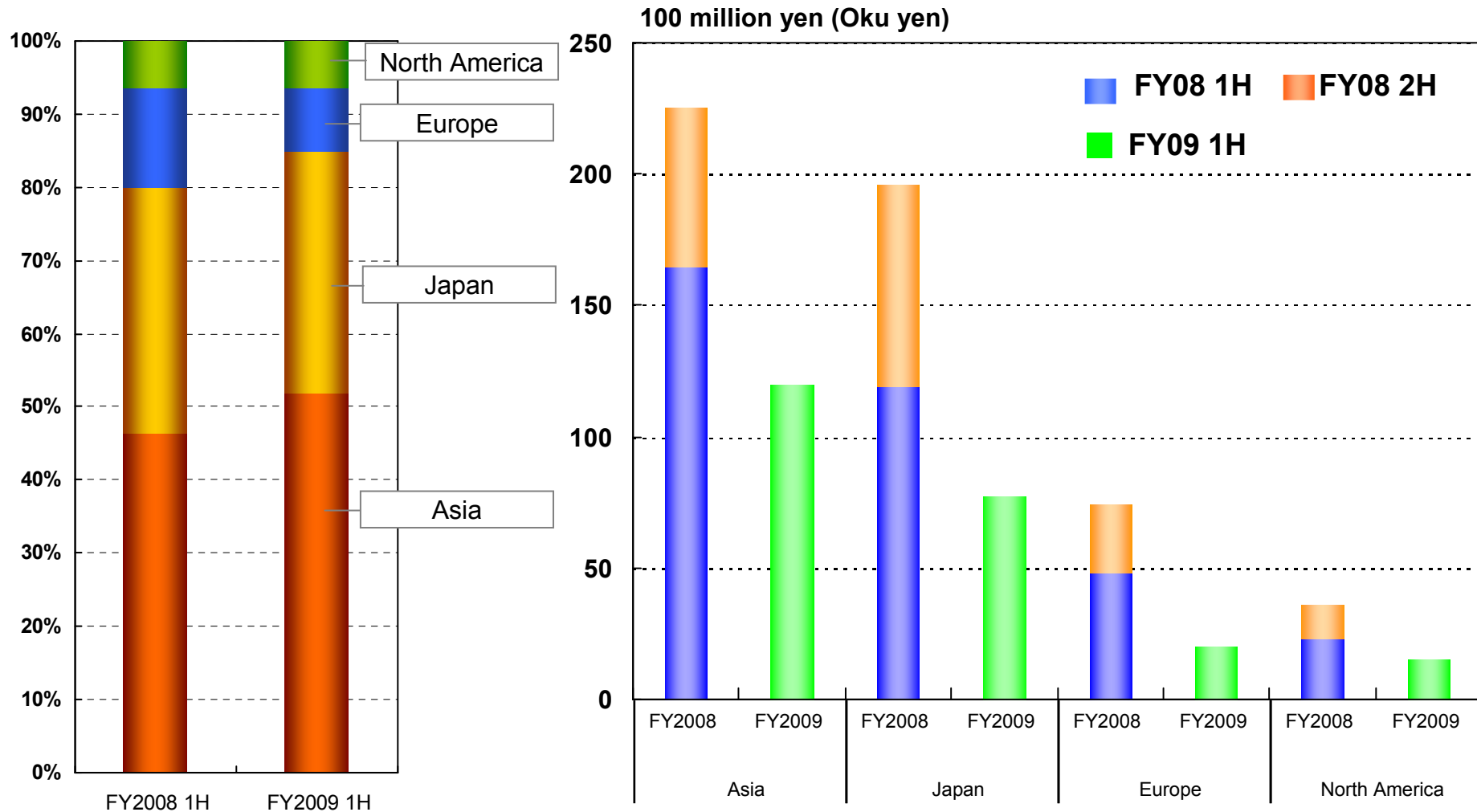
\*Note; Consumables include dicing blade, grinding wheel, and dry polishing, etc.

## Quarterly Movement



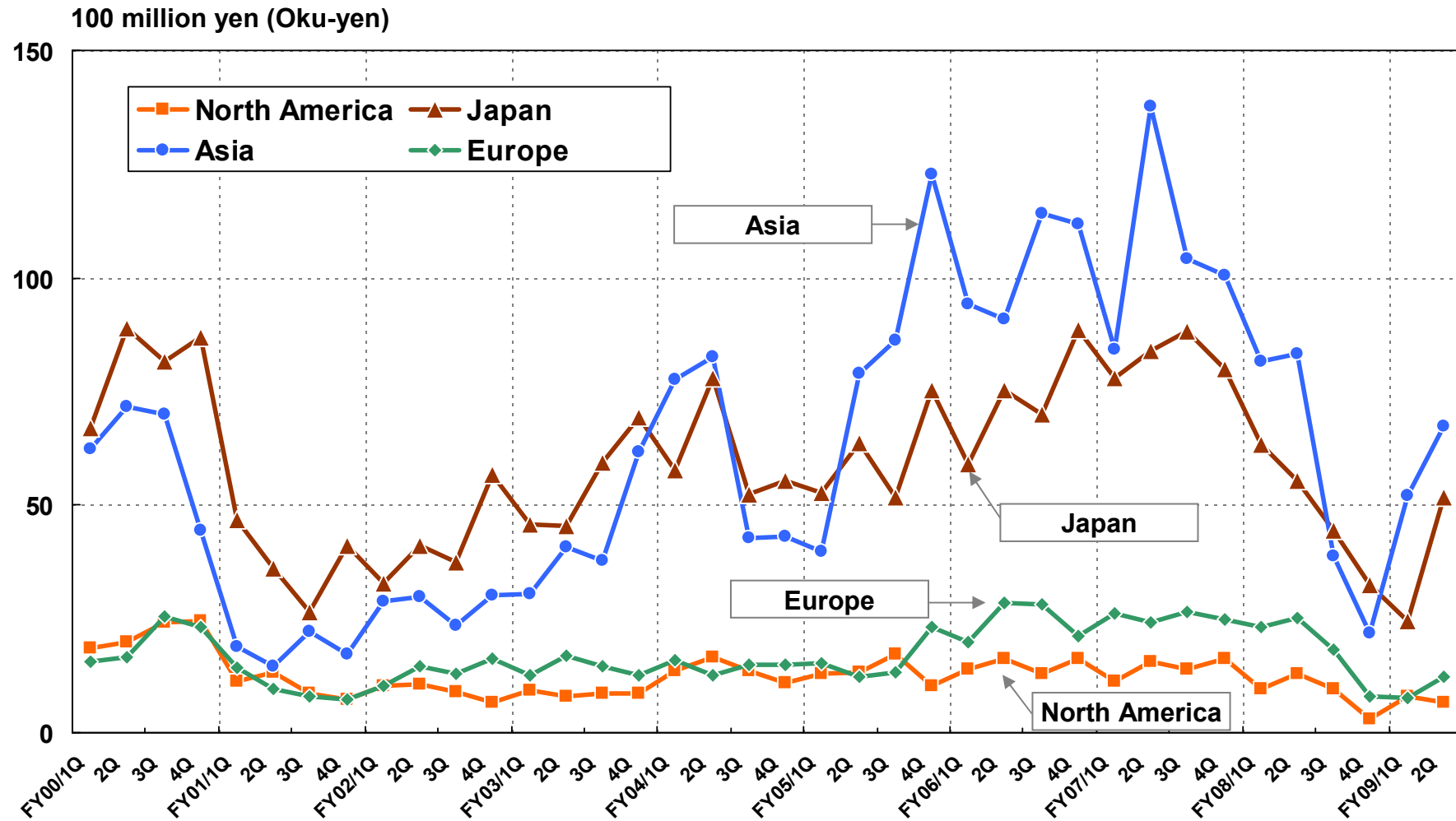
- Consumables sales recovered rapidly according to improved facility utilization, sales amount stayed at 70% of its peak sales due to yen appreciation.

# Sales Breakdown by Region



- Sales to Asia exceeded 50% because both equipment and consumables sales was robust especially in Taiwan and Korea.

# Quarterly Regional Sales



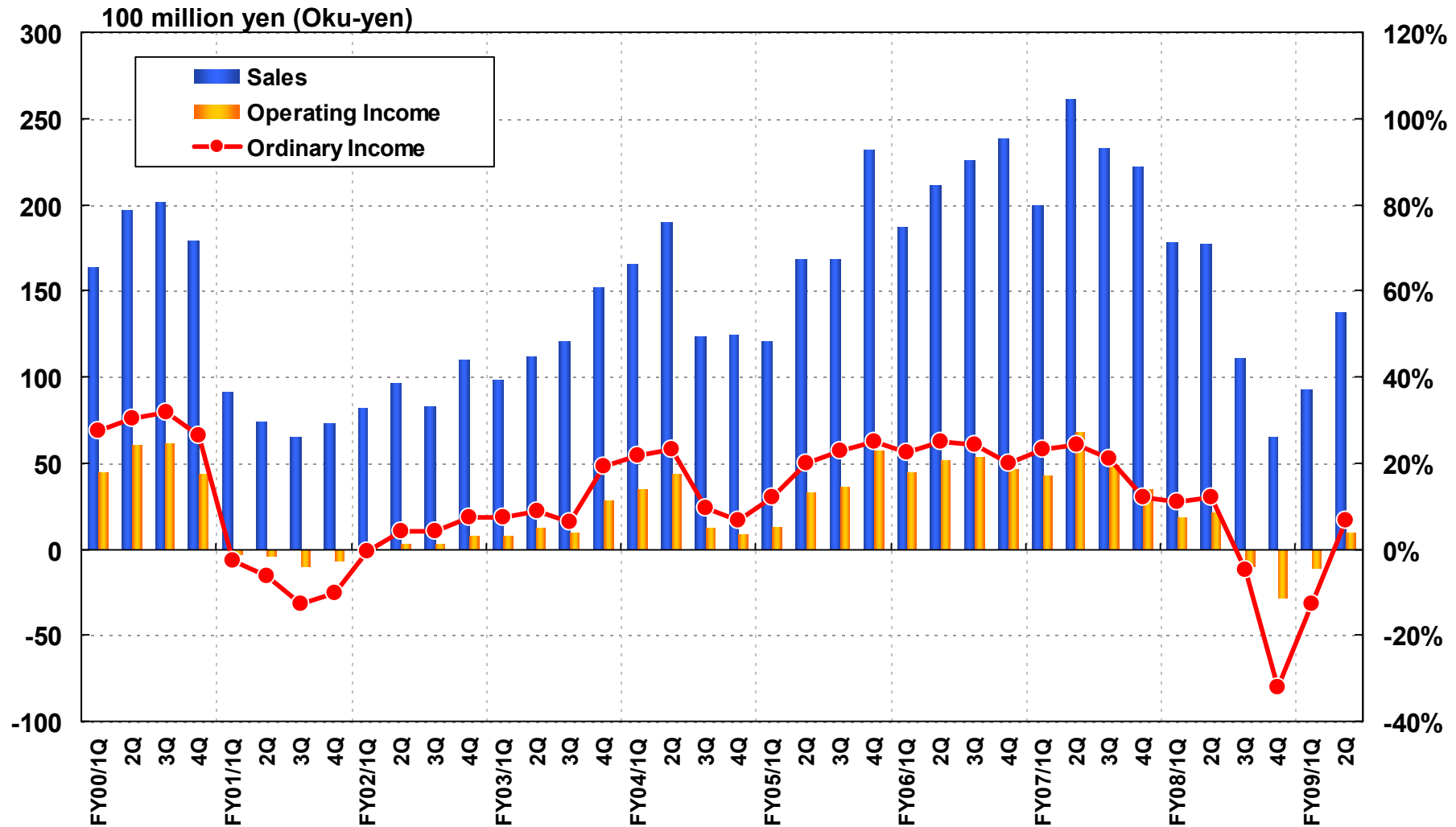
- Sales to Asia turned to increase in 1Q because Taiwanese and Korean manufacturers started to invest assertively.
- Sales to Japan continued to decrease in 1Q, shipment to LED related equipment started to be active.

# FY2009 1H Earnings Results

Millions of yen (Oku-en)	FY2008 1H	FY2009 1H	△	
			Amount	(%)
<b>Sales</b>	<b>35,497</b>	<b>23,058</b>	△12,439	-35.0%
Gross Profit	17,496	10,448	△7,048	-40.3%
Gross Profit Margin	49.3%	45.3%	-	-
SGA	<b>13,546</b>	<b>10,628</b>	△2,918	-21.5%
Operating Income	<b>3,949</b>	<b>△ 179</b>	△4,130	-104.5%
Ordinary Income	<b>4,066</b>	<b>△ 283</b>	△4,350	-107.0%
Ordinary Income Margin	11.5%	-1.2%	-	-
Net Income Before Tax	3,681	△ 362	△4,044	-109.8%
Net Income	<b>2,659</b>	<b>△ 95</b>	△2,755	-103.6%
EPS (Yen)	78.36	△2.84	△81.20	-103.6%
Depreciation	1,970	2,458	488	24.8%
CAPEX	6,898	5,013	△1,885	-27.3%
R&D Expense	4,129	3,354	△775	-18.8%

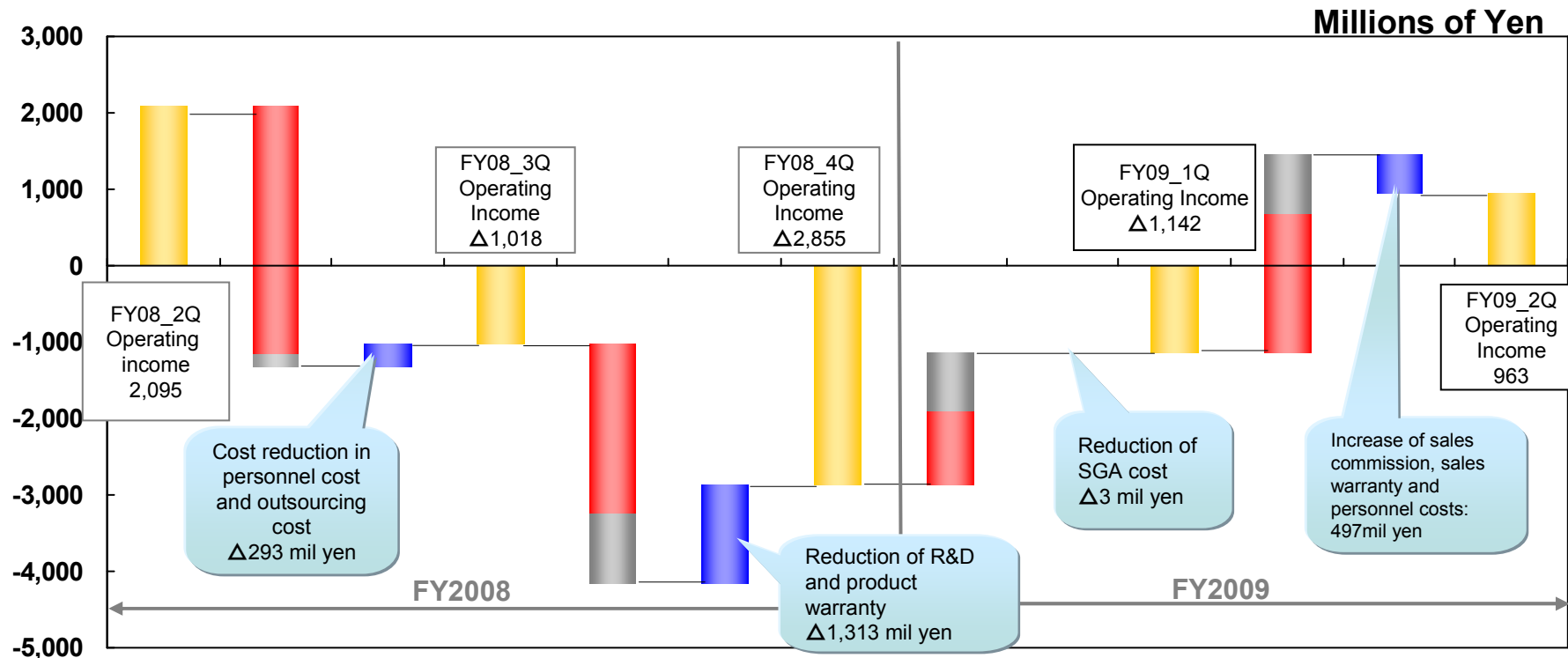
- Sales dropped by 35% compared with FY08 1H. Operating and ordinary income resulted in red ink although implementing cost reduction measures.
- Factors to deteriorate profitability was decreased gross profit margin due to decreased sales volume, increase of sales commissions, and increased depreciation.

# Quarterly Consolidated Financial Results



• Operating loss continued for three consecutive quarter, however, operating income moved in black in the second quarter of FY2009 thanks to recovery in sales.

# Operating Income Factorial Analysis



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

<p><b>FY08.2Q→3Q</b></p> <p>Substantial decrease of sales Financial management level "F" <b>(End of Oct., 2008)</b></p>	<p><b>FY08.3Q→4Q</b></p> <p>Sales declined, however, counter measure against recession brought 1,300million yen profitability improvement</p>	<p><b>FY08.4Q→FY09.1Q</b></p> <p>Sales turned to recovery phase. SGA cost remained at the same level of 4Q by furlough and through financial management and others</p>	<p><b>FY09.1Q→2Q</b></p> <p>0.5 billion yen profitability deterioration brought by increase of variable cost in SGA *Financial management level changed from F to E on July, 2009</p>
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# Balance Sheet (Summary)

Millions of Yen	FY2008	FY2009		△
	March 31, 2009	June 30, 2009	September 30, 2009	Previous year
<b>Current Assets</b>	<b>66,306</b>	<b>60,126</b>	<b>52,320</b>	<b>△13,986</b>
Cash and cash equivalents	33,418	29,594	18,986	△14,432
Notes and account receivable	10,963	10,968	14,563	3,600
Inventories	18,777	17,473	16,840	△1,937
Others	3,148	2,091	1,931	△1,217
<b>Fixed Assets</b>	<b>57,598</b>	<b>60,892</b>	<b>59,895</b>	<b>2,297</b>
Tangible fixed assets and Non-tangible fixed assets	49,324	51,888	51,369	2,045
Other fixed assets	8,274	9,003	8,526	252
<b>Total Assets</b>	<b>123,925</b>	<b>121,036</b>	<b>112,233</b>	<b>△11,692</b>
<b>Current Liabilities</b>	<b>37,596</b>	<b>35,927</b>	<b>26,620</b>	<b>△10,976</b>
Long term Liabilities	11,871	10,187	12,172	301
Fixed Liabilities, etc.	25,725	25,739	14,448	△11,277
(Interest bearing debt)	27,722	27,718	15,175	△12,547
<b>Net assets</b>	<b>86,328</b>	<b>85,109</b>	<b>85,612</b>	<b>△716</b>
Shareholders' Equity ratio (%)	<b>69.2%</b>	<b>69.8%</b>	75.7%	<b>6.5pt</b>
<b>Liabilities and shareholders' Equity</b>	<b>123,925</b>	<b>121,036</b>	<b>112,233</b>	<b>△11,692</b>

- Equity ratio improved 75.7% thanks to advanced payment of long-term loan implemented in 2H of FY09

# Cash Flow (Summary)

Millions of Yen	FY2008 1H	FY2009 1H	△	(Preference) FY09 Full Year Actual
<b>Cash flows from operating activities</b>	<b>3,264</b>	<b>4,097</b>	<b>833</b>	<b>4,605</b>
Net income before tax	3,681	△362	△4,043	770
Depreciation	1,970	2,458	488	4,656
Trade receivables, inventories and buying debt	2,012	△246	△2,258	7,432
Corporate tax and others	△1,875	388	2,263	△2,918
Others	△2,524	1,859	4,383	△5,335
<b>Cash flows from investing activities</b>	<b>△8,632</b>	<b>△14,793</b>	<b>△6,161</b>	<b>△13,586</b>
Purchase of property, plant and equipment	△8,018	△5,423	2,595	△13,677
Increase (decrease) of time deposits and others	△614	△9,370	△8,756	91
<b>Cash flows from financing activities</b>	<b>△1,472</b>	<b>△12,889</b>	<b>△11,417</b>	<b>24,363</b>
Proceeds from short and long-term debt, debenture redemption and others	21	△150	△171	27,092
Repayment of long-term loans payable	—	△12,402	△12,402	△95
Cash dividend paid for minority shareholders	△1,492	△337	1,155	△1,833
Others	△1	0	1	△801
<b>Free cash flows</b>	<b>△5,368</b>	<b>△10,696</b>	<b>△5,328</b>	<b>△8,981</b>
Change of cash and cash equivalents	△6,414	△23,832	△17,417	15,355
Balance of cash and cash equivalents	11,648	9,586	△2,062	33,418

Cash flows from investing activities

Expenditure for purchase of property, plant and equipment was for payment for Kuwabata new plant construction (3.1 billion yen), other

Cash flows from financing activities

12.4 billion yen repayment was mainly advance payment of long-term loans (12 billion yen).

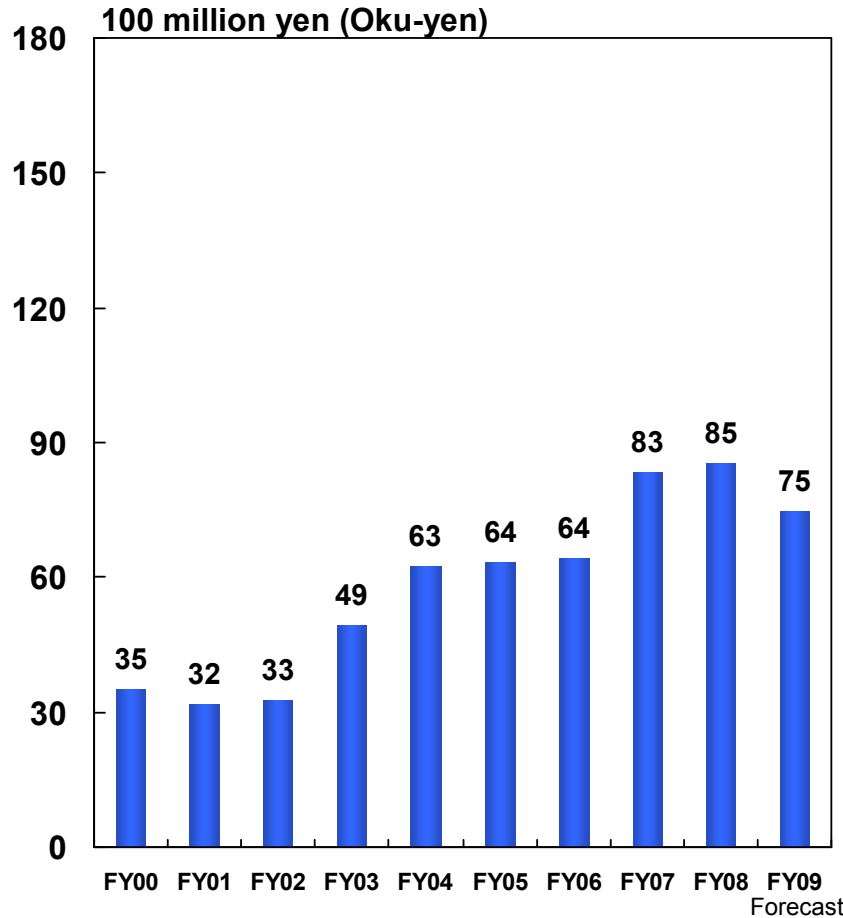
# FY2009 Full-Year Earning Forecast

	FY2009 Forecast					Preference	
	1Q Actual	2Q Actual	1H Actual	2H Forecast	Full year Forecast	FY2008 Full year Actual	△
100 million yen (Oku-yen)							
<b>Sales</b>	93	138	231	354	<b>585</b>	531	54
<b>Operating Profit</b>	△11	10	△2	34	<b>32</b>	1	31
<b>Ordinary Income</b>	△12	9	△3	35	<b>32</b>	15	17
Ordinary Income ratio	-12.9%	6.6%	-1.2%	9.8%	<b>5.5%</b>	2.8%	2.7pt
<b>Net Income</b>	△9	8	△1	15	<b>14</b>	3	11
<b>Depreciation</b>			25	30	<b>55</b>	47	8
<b>CAPEX</b>			50	60	<b>110</b>	135	△25
<b>R&amp;D Expense</b>			34	41	<b>75</b>	85	△10

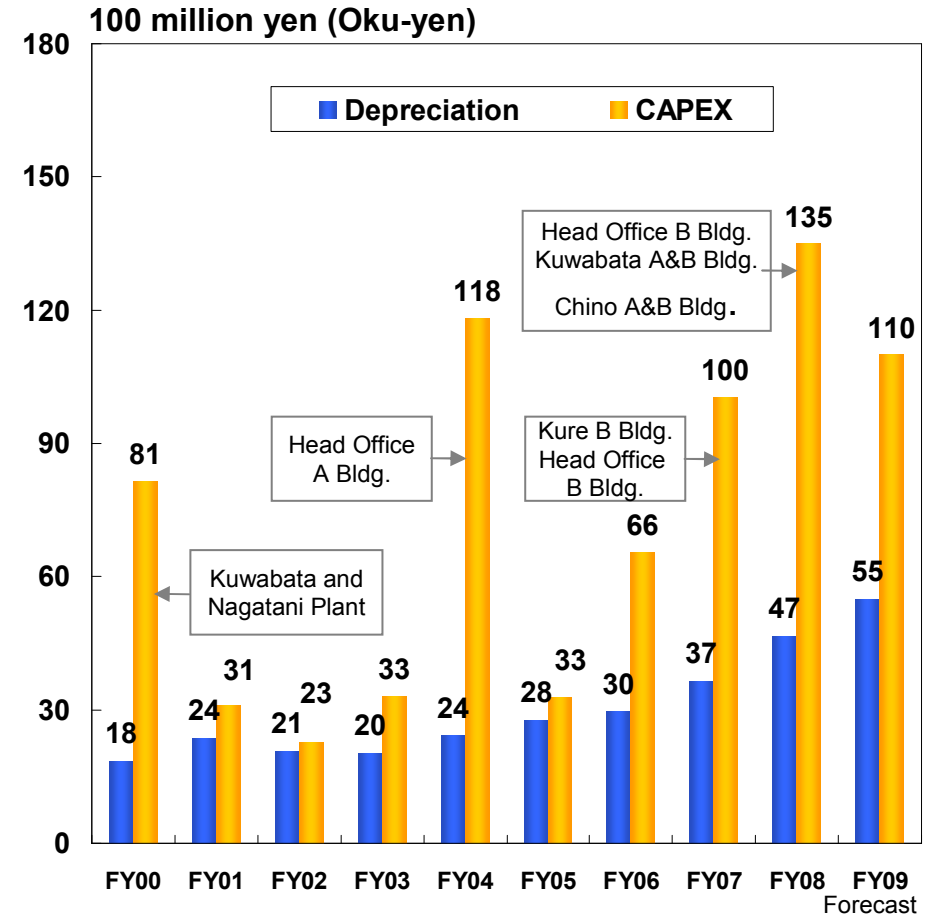
- Forecast world economy will show gradual recovery even though it lacks strong momentum.
  - Forecast 58.5 billion yen sales, exceeding last year sales and profitability will also improve although SGA cost will increase accordingly.
  - Equipment sales will expect to increase by 20-30%, demand for LED manufacturing and particular equipment for assembly is robust
  - Laser saw will increase by three times from last year, on the other hand, grinder sales will drop 10%.
  - Consumable sales will slightly increase from last year.
- 
- Assumed exchange rate : US\$ 90 yen, Euro 125 yen
  - Effective amount change per 1 yen: US\$: 87 million yen, Euro:10 million yen

# Consolidated R&D/CAPEX Forecast

## R&D Expense



## Depreciation/CAPEX



- R&D expense increase to 7.5 billion yen from 6.8 billion yen in order to correspond increased demand for development.
- Capital expenditure increase to 11 billion yen from 9.1 billion yen due to increased budget for R&D activities.
- Depreciation increased 0.1 billion yen from the previous forecast.

# Dividend Policy and Dividend Payment

(Yen)	Intermediate dividend	Year-end dividend	Annual dividend
<b>FY2008</b> (Actual)	<b>10</b>	<b>10</b>	<b>20</b>
<b>FY2009</b> (Forecast)	<b>10</b>	<b>10</b>	<b>20</b>

- Earning forecasts revised upward 1.4 billion net income from net loss, which announced at the beginning of the fiscal year
- According to the dividend policy, annual dividend forecast is 20 yen per share.

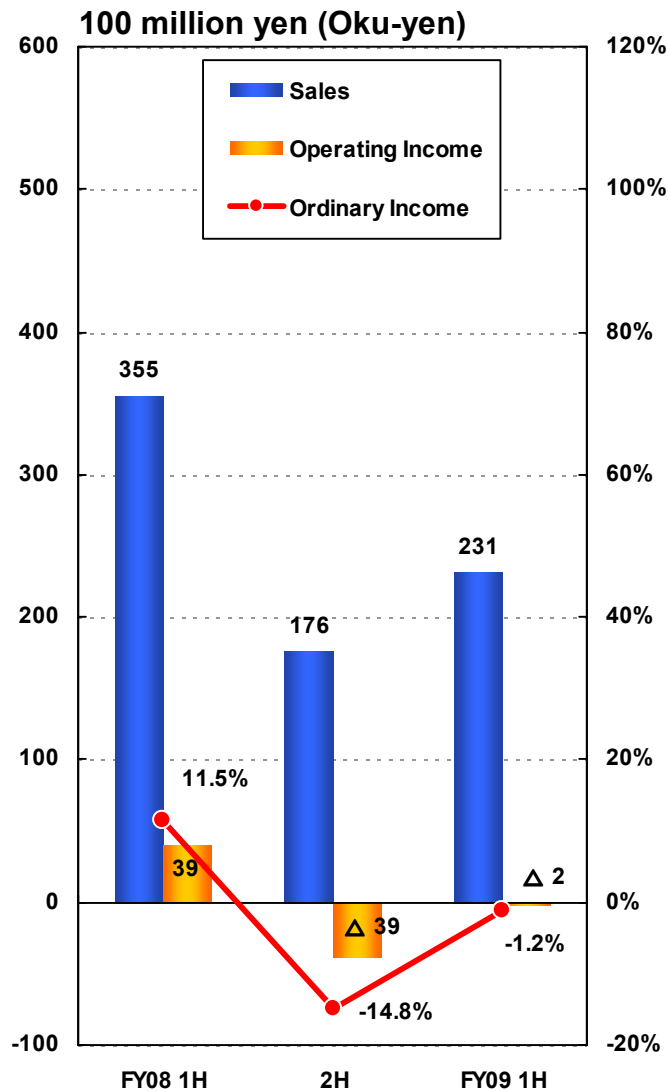
## Dividend Policy

1. Payout ratio is set at 20% of the consolidated net income.
2. Maintain 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 is 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 1H

### Operating Environment

- Pump-priming measures by each government and appearance of new product (LED TV, netbook, iPhone, etc.,)
- Semiconductor industry experienced early recovery of its utilization after drastic production adjustment
- Capital investment is active among Korean and Taiwanese manufacturers

### Our Business

#### □ Improved from 2H of FY08

#### FY2009 1H

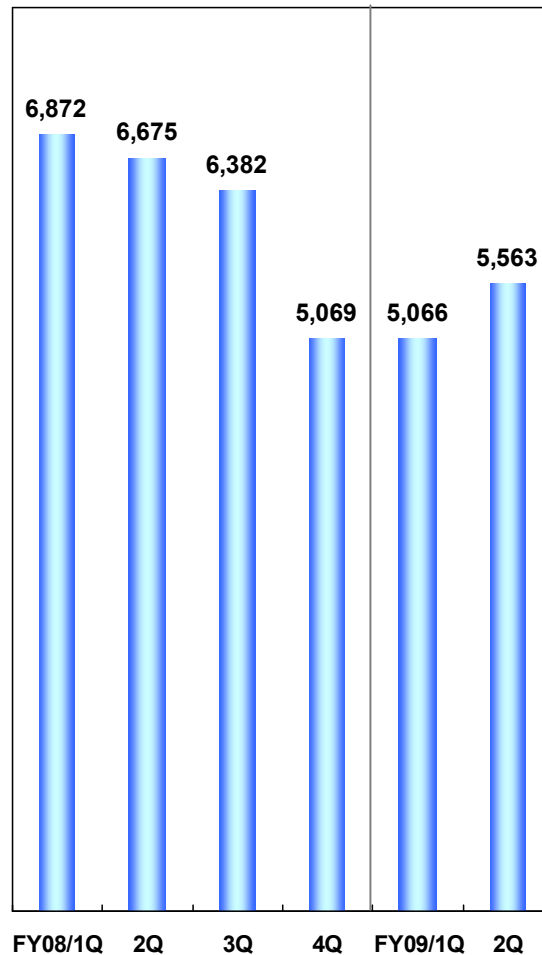
- ◆ Sales 231mil yen (30% up from FY08 2H)
- ◆ Operating loss 2mil yen (39 mil yen loss in FY08 2H)
  - Consumable recovered from 1Q of FY09 (Shipment volume to China and Taiwan was record high)
  - New application (LED) contributed to the sales.

⇒ Operating income returned to profitability in 2Q.

# Financial Management

## Quarterly movement of consolidated SGA Cost

Millions of Yen



### □ Continuous implementation of anti-recession measures in 1H

- Revised capital investment plans (suspending factory construction and restricted furnishing of welfare facilities)
- Implement financial management level F (the lowest level of our financial control)
- Labor cost saving (Implementing furloughs, controlling over-time work, and reducing executive bonuses)
- Prioritize research and development activities

### ⇒Appease part of measures according to business environment recovery

- Change financial control level E from F (in July, 2009)
- Remove reduced managers' salary, alleviate over-time work control
- Re-start new facility construction in Chino Plant (Nagano Prefecture) (October 2009)

**Deal with change of operating environment quickly and flexibly**



# Operating Environment for FY2009

## ●FY2009 Forecast

### Operating Environment

- ❑ Bottoming out from the worst period and started to recover supported by expansion of LED market
- ❑ Rapidly improving order accuracy
  - ❑ Strong demand from North-East Asia region (Taiwan, Korea)
    - ❑ Dicing saw for mass production: Major assembly house and handler manufacturers (for package singulation application)
    - ❑ Laser saw for LED: continue current robust shipment
- ❑ Consumables will continue robust shipment
  
- ❑ Keep cautious attitude although expecting recovery of capital investment in January 2010 or later

Although uncertainty of business environment will continue, capital investment is going to re-start and industry will grow again mainly in Asia.

### Unlimited market potential of Kiru • Kezuru • Migaku technology

• Widening end product applications :LED backlight TV, LCD driver, expanding market opportunities

Our business performance is improving; however,

- Enhancing operating process efficiency
- Thorough cost reduction
- Activities for overcoming vulnerability against business cycle

Under such uncertain environment, work considerably on these “urgent issues” and “future challenges,”

- Continue intensive research and development
- PIM activities → Driving force for innovation
- Anchoring DISCO VALUES → Enhance organizational ties

**DISCO**

Kiru • Kezuru • Migaku Technologies

