

FY2010 2Q Financial Results and FY2010 Forecasts

DISCO CORPORATION

DISCLAIMER

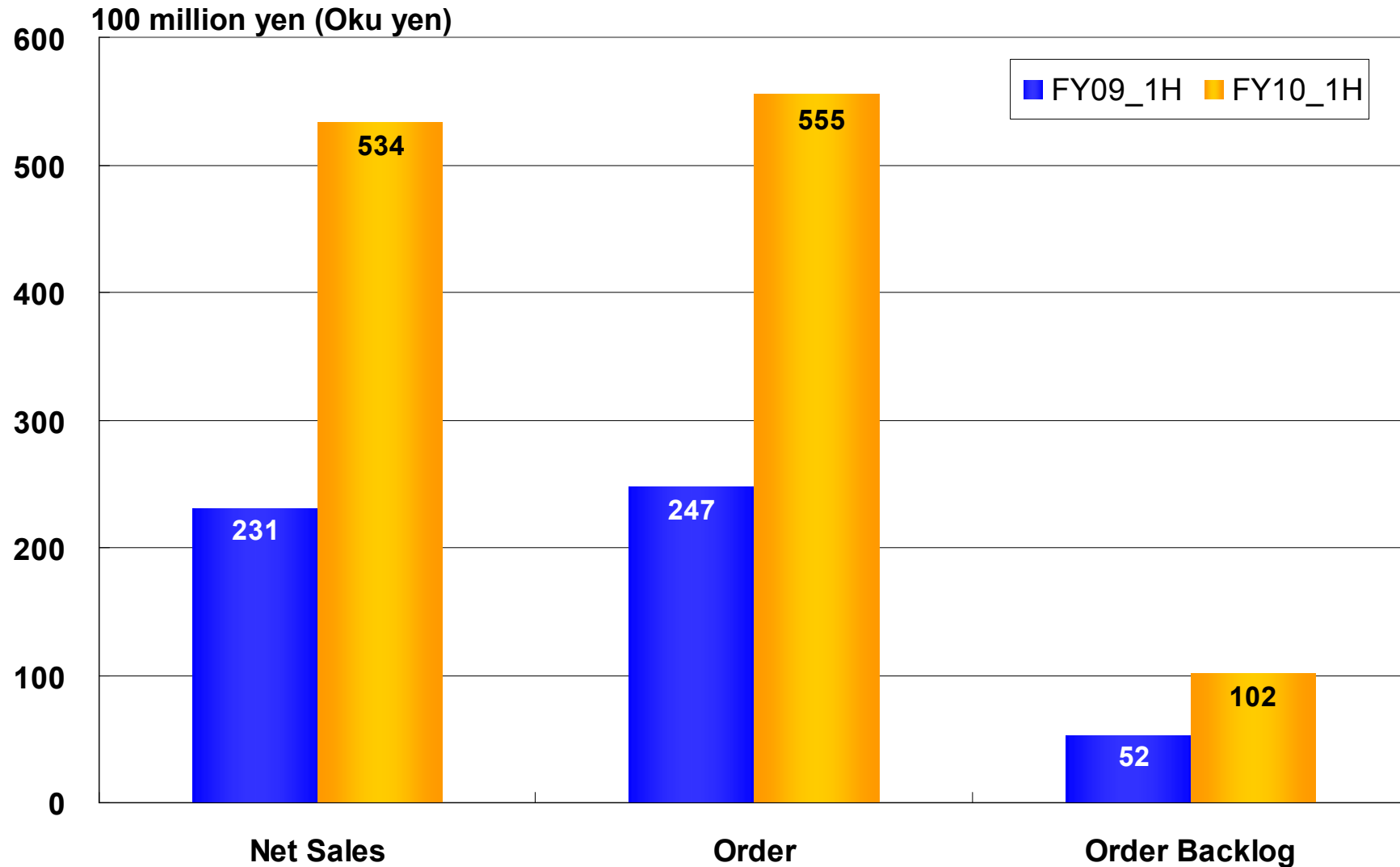
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FY 2010 2Q Financial Results and FY2010 Forecast

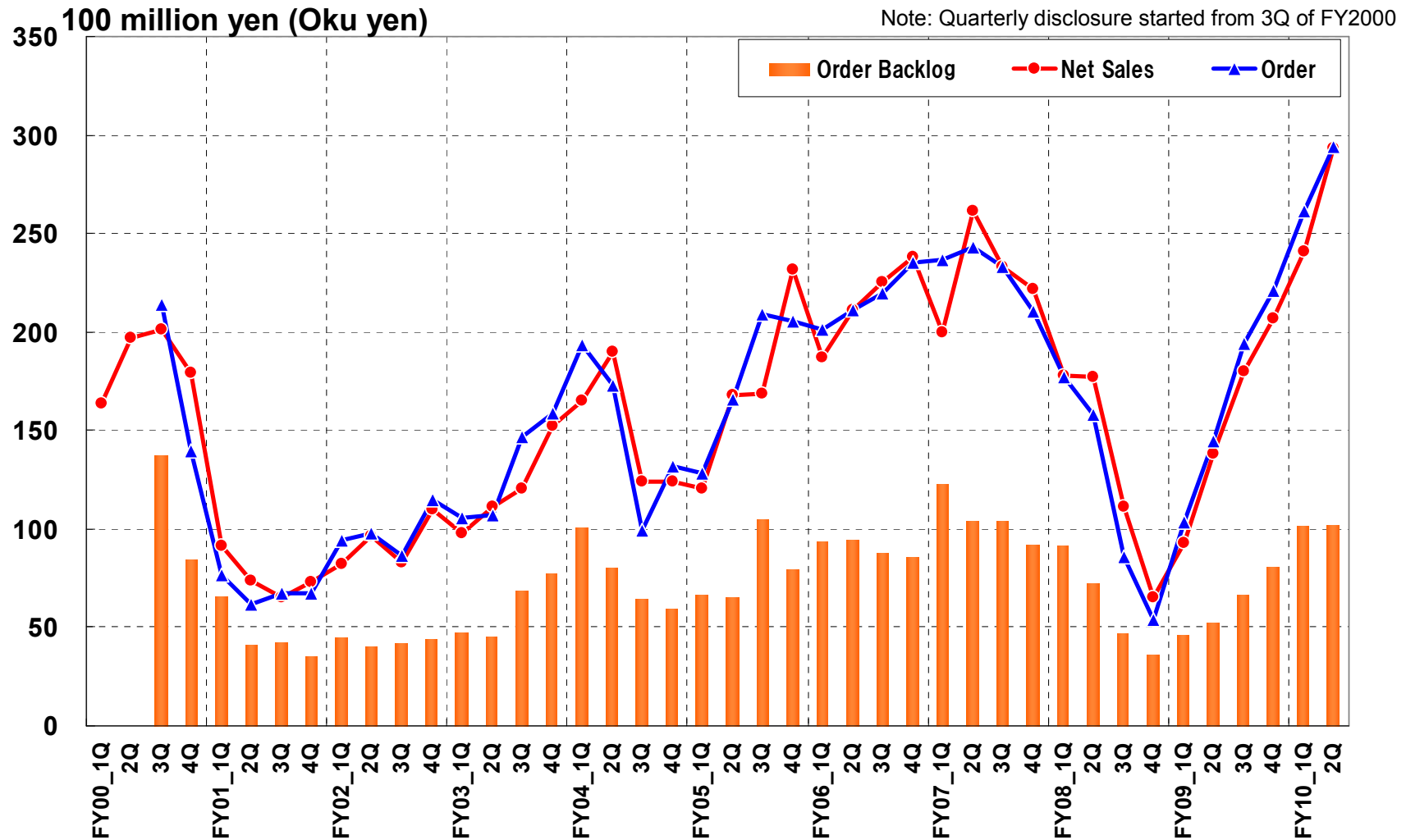
Presentation by the Manager, Investor Relations,
Shinichiro Ozawa

Consolidated Sales, Orders, Order Backlog



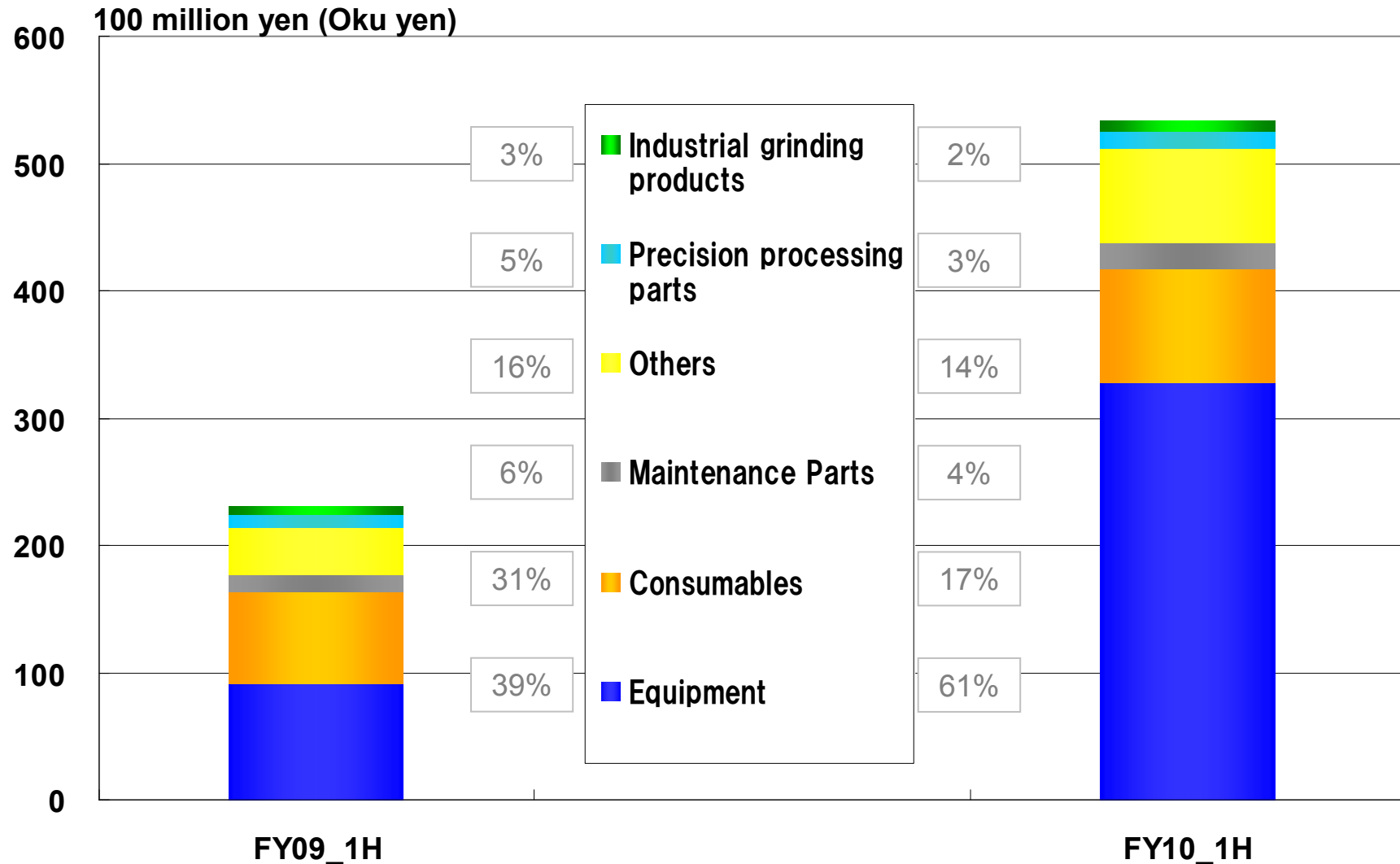
Sales and orders in the first half rose sharply year on year.
 Sales and orders reached historical levels on a half-year basis, fueled by robust demand for equipment.

Quarterly Sales/Orders



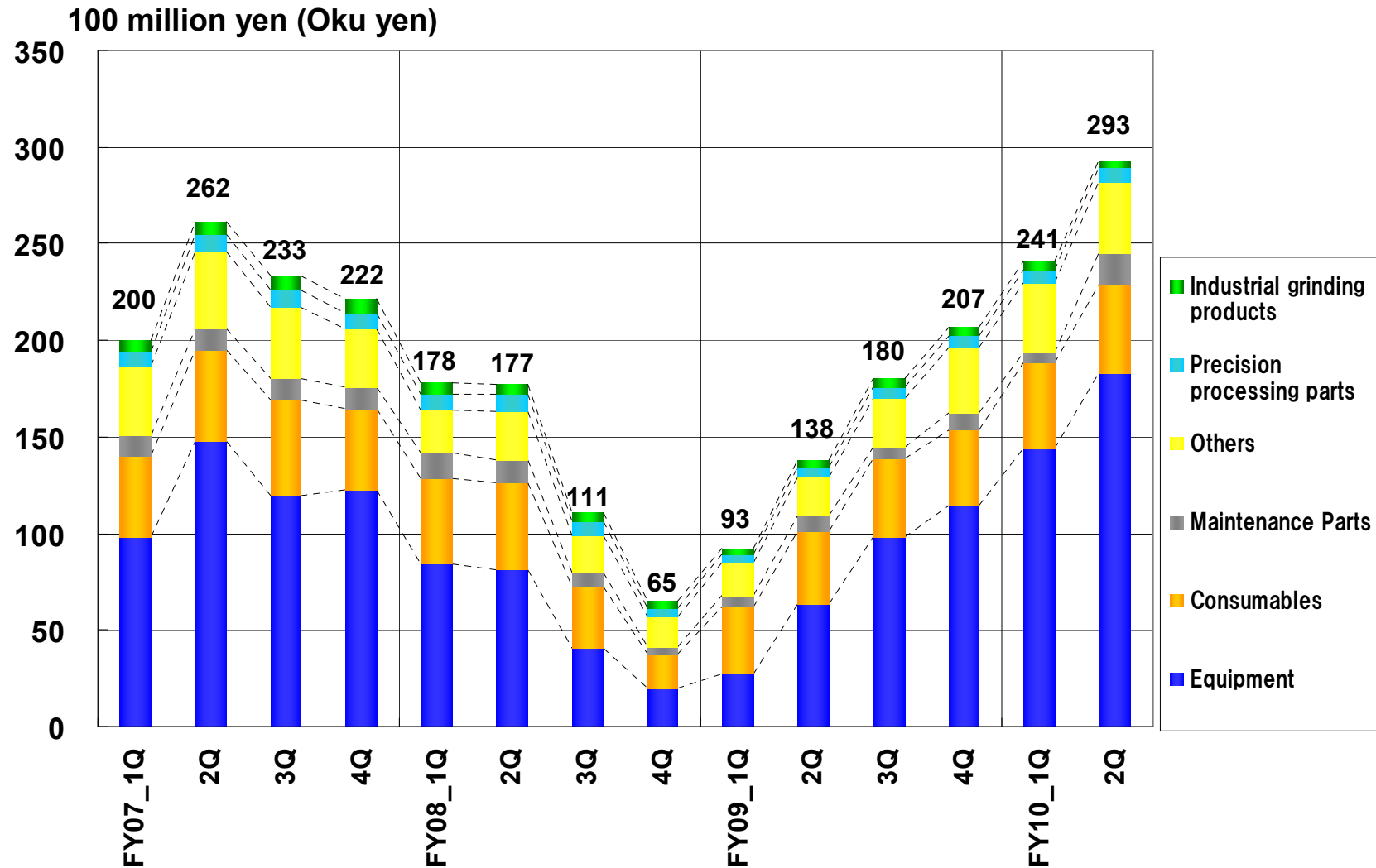
Quarterly sales reached a record high due to extremely robust capital investment mood by companies, mainly in Asia. Although orders slowed down following a peak in July, quarterly orders reached a record high of nearly the same level as sales.

Consolidated Sales Breakdown by Product



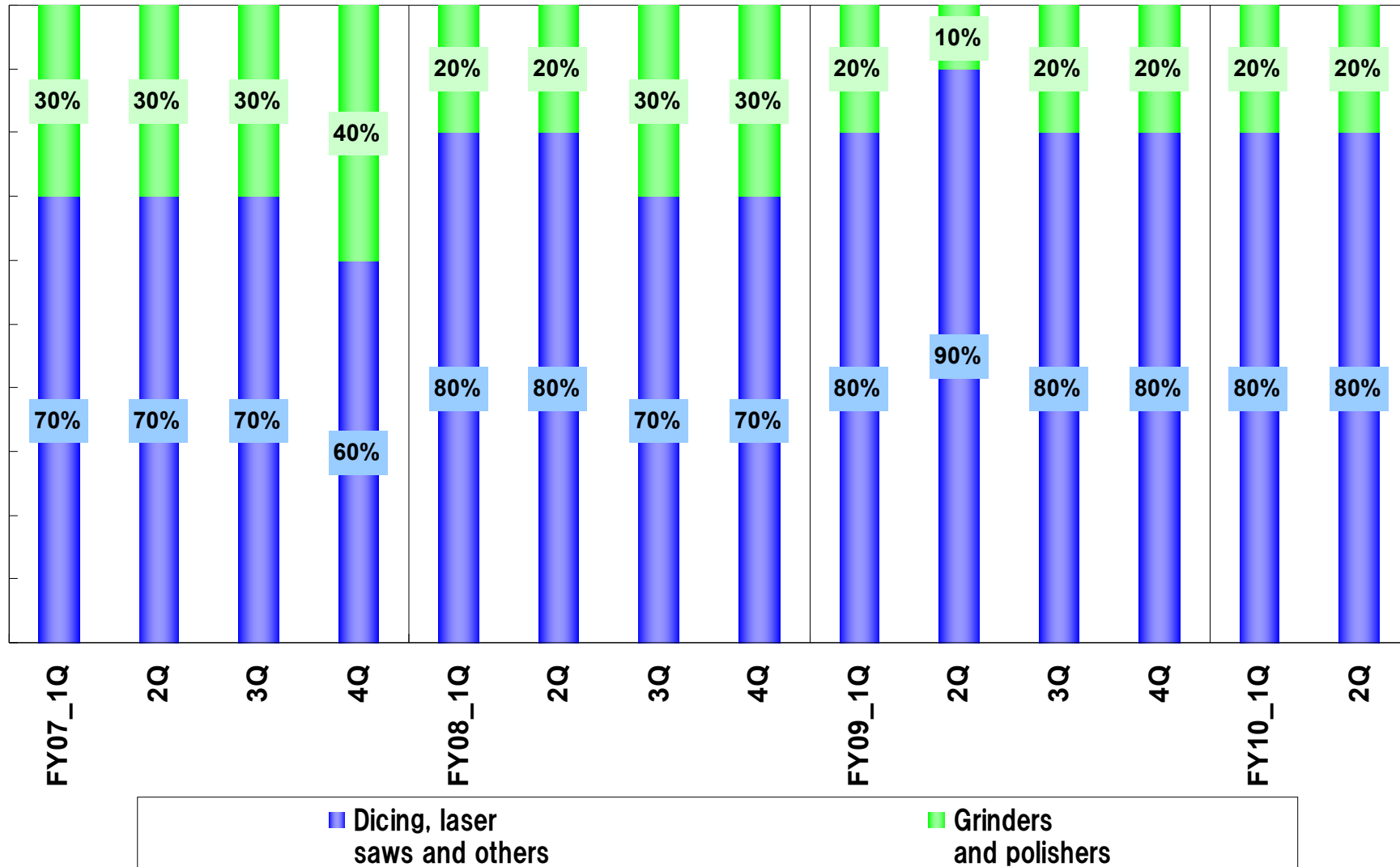
Due to robust demand for equipment for wide-ranging applications, including the memory, package and LED markets, the sales contribution from precision processing equipment exceeded 60%.
 Sales in the "Others" category also increased, fueled by higher sales of peripheral equipment for memory (tape mounters) and other products.

Consolidated Quarterly Sales Breakdown by Product



Overall sales reached a record high as sales of cutting and dicing saws rose to 1.5 times the level of FY2007 2Q, the previous peak, on strong sales of equipment for memory and wafer making and sales of precision grinding equipment recovered.

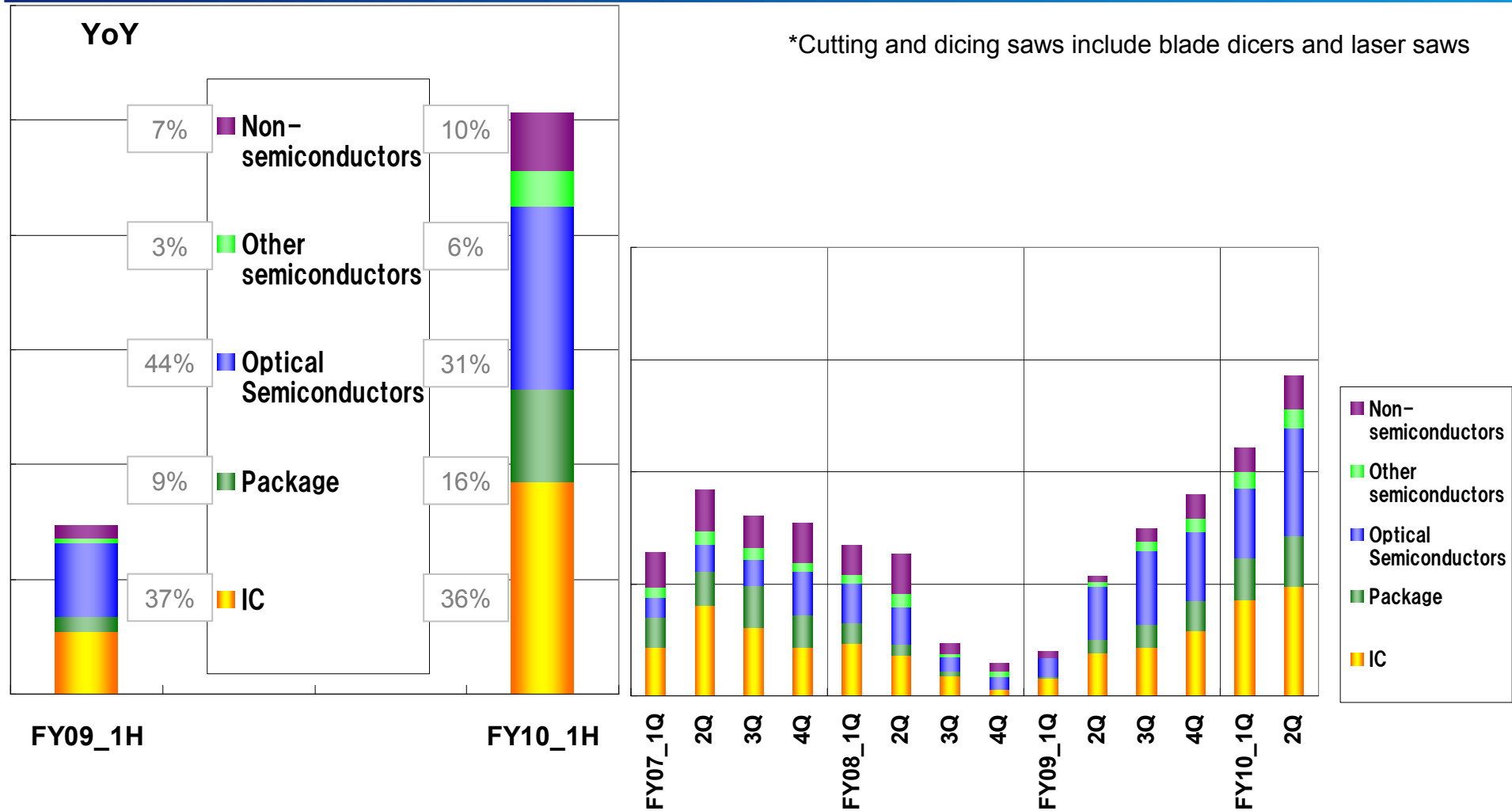
Quarterly Equipment Sales Breakdown



The sales contributions from cutting and dicing saws and precision grinders and polishers were unchanged. In the cutting and dicing saws category, the proportion of dicers to laser saws was 7 to 3.

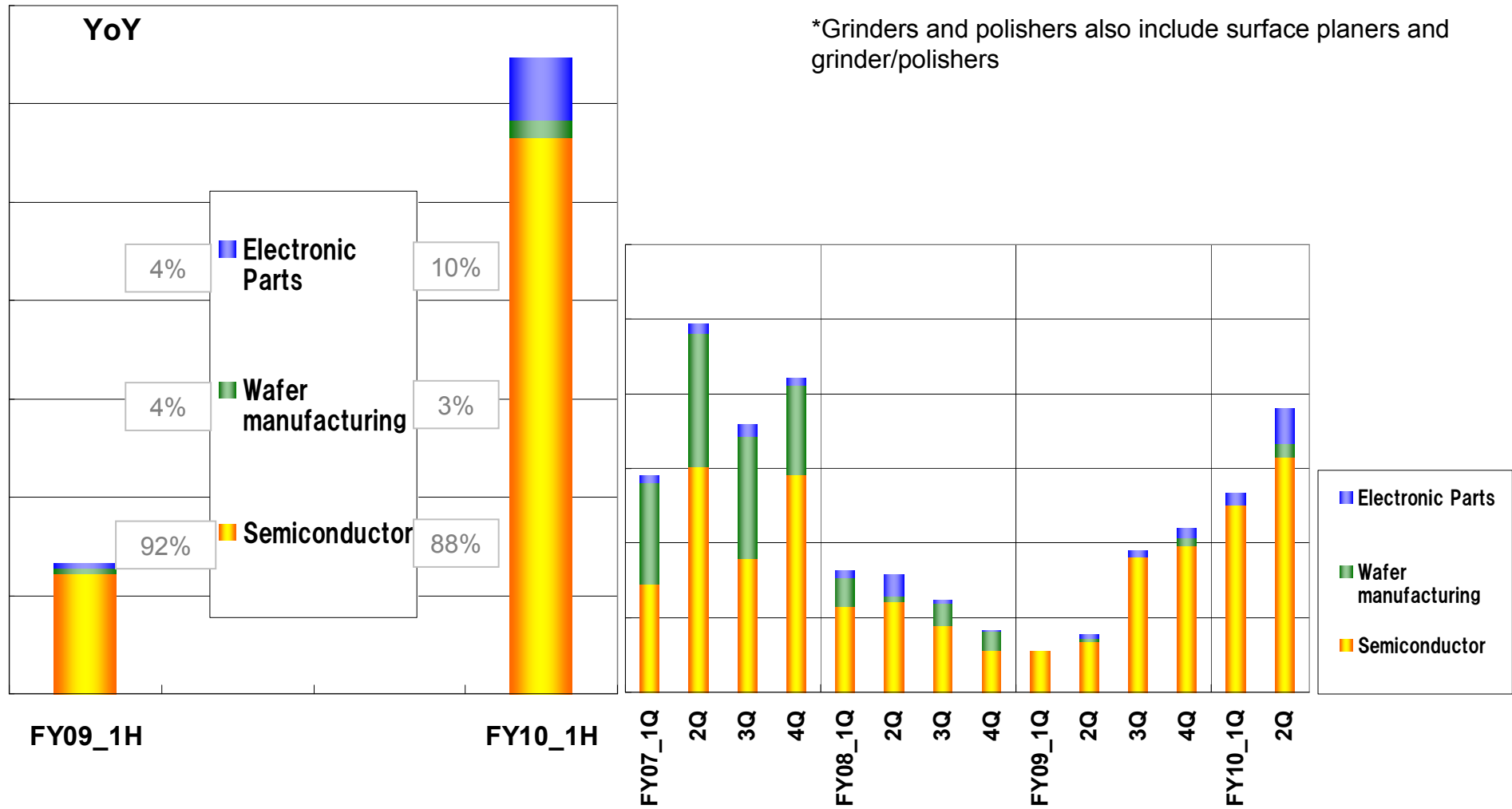
Equipment, Non-consolidated Cutting and Dicing Saws* Sales Breakdown by Application

*Cutting and dicing saws include blade dicers and laser saws



First-half comparison: Companies made investments in mass production in response to expansion of demand for finished products, and sales in the integrated circuit and package markets rose sharply.
 Quarterly change: Shipments to the semiconductor market (particularly the LED market) were extremely strong and contributed greatly to overall sales.

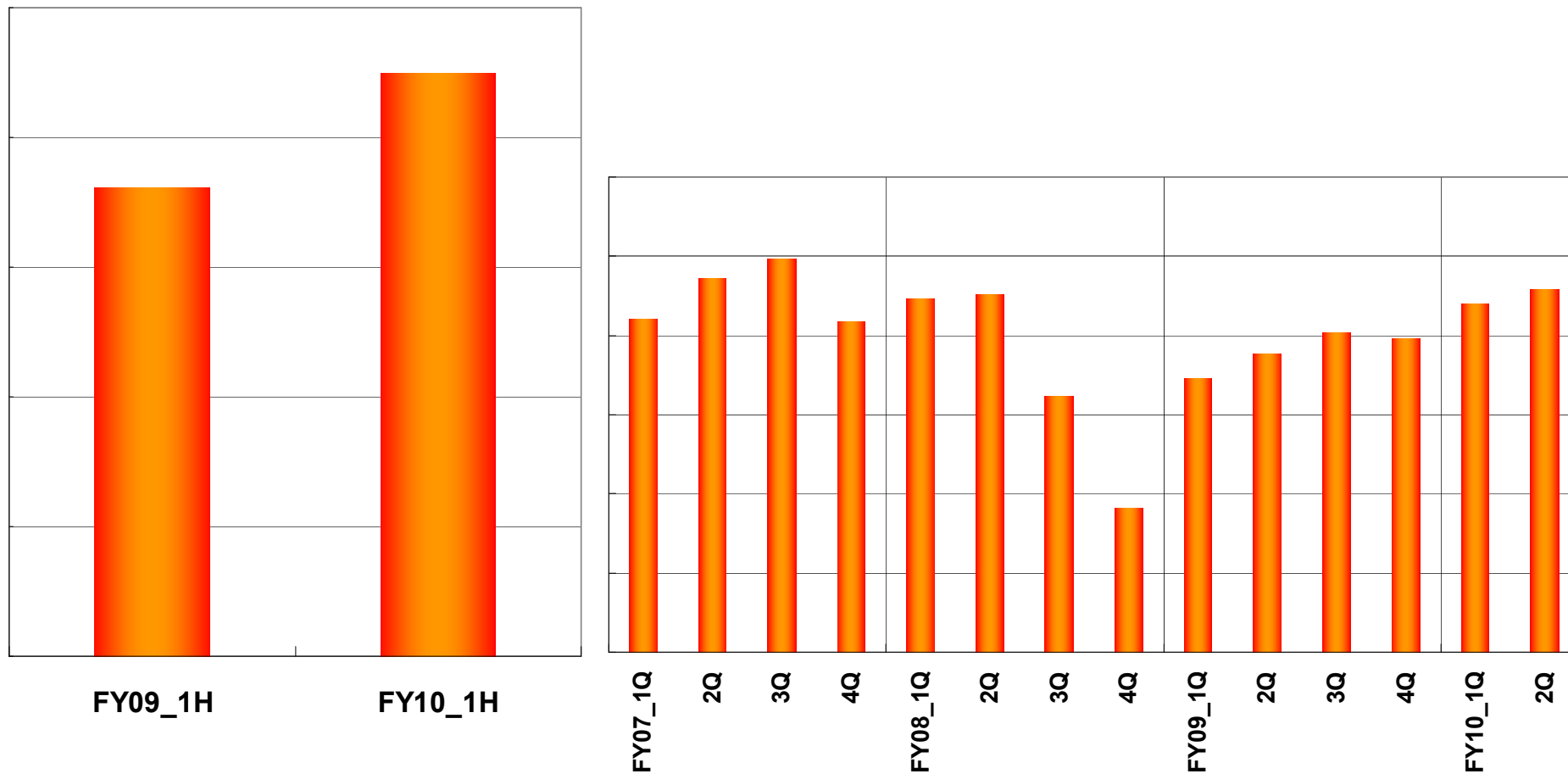
Equipment, Non-consolidated Grinders and Polishers* Sales Breakdown by Application



First-half comparison: Sales of wafer grinder polisher equipment for the memory market recovered strongly, especially sales to Taiwan and South Korea.
 Quarterly change: Although sales didn't surpass the previous quarterly record due to a continuing slump in sales to the wafer manufacturing market, sales to the semiconductor market came in at an extremely high level.

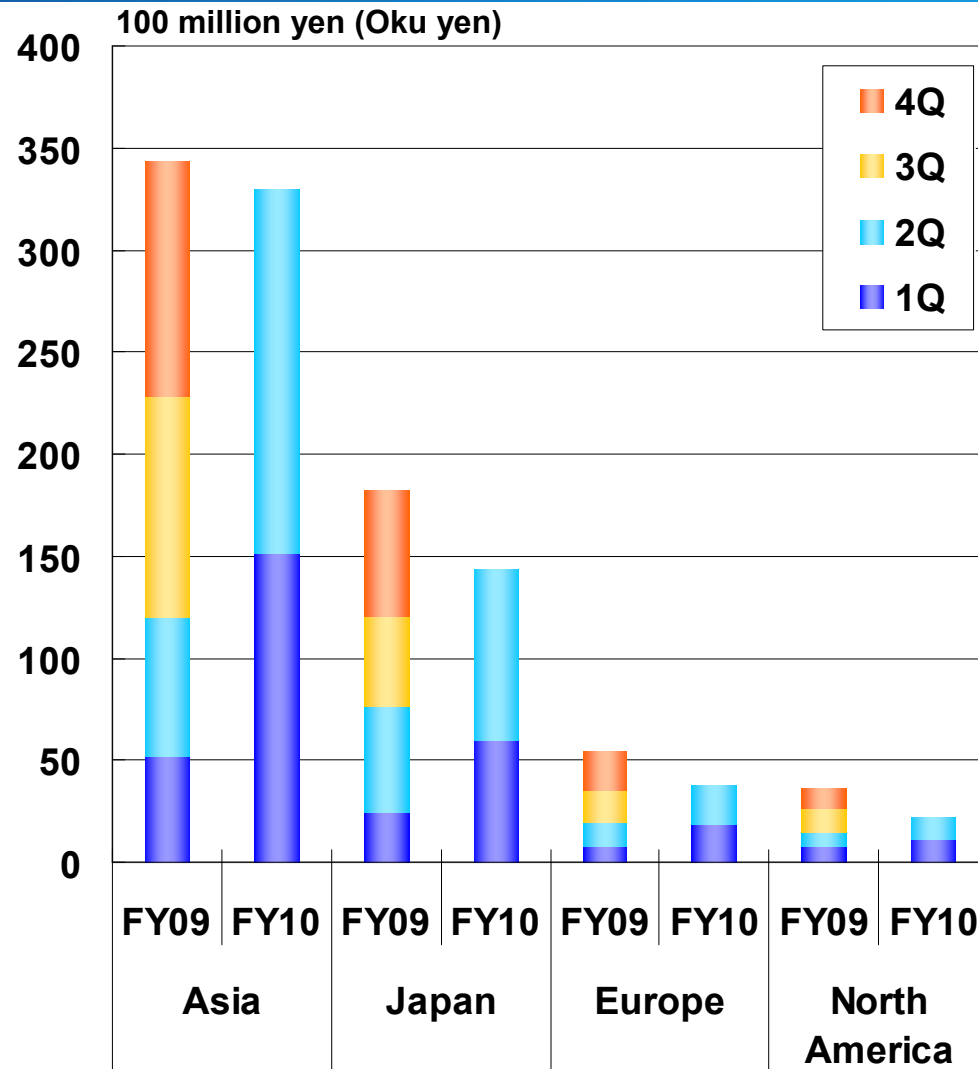
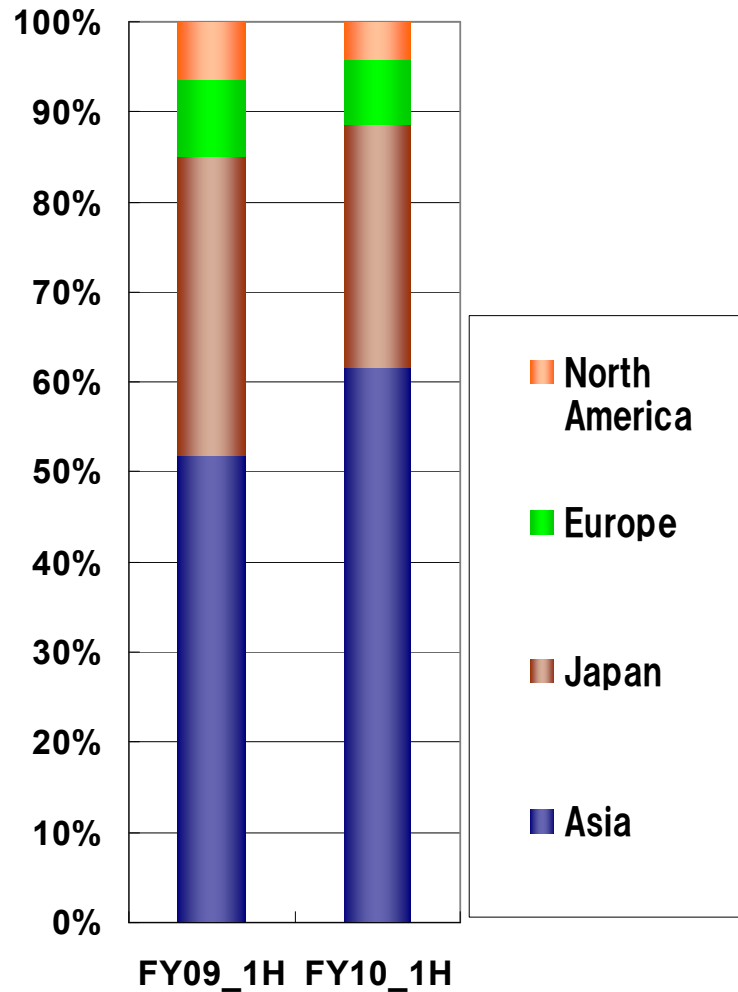
Consolidated Consumables* Sales

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



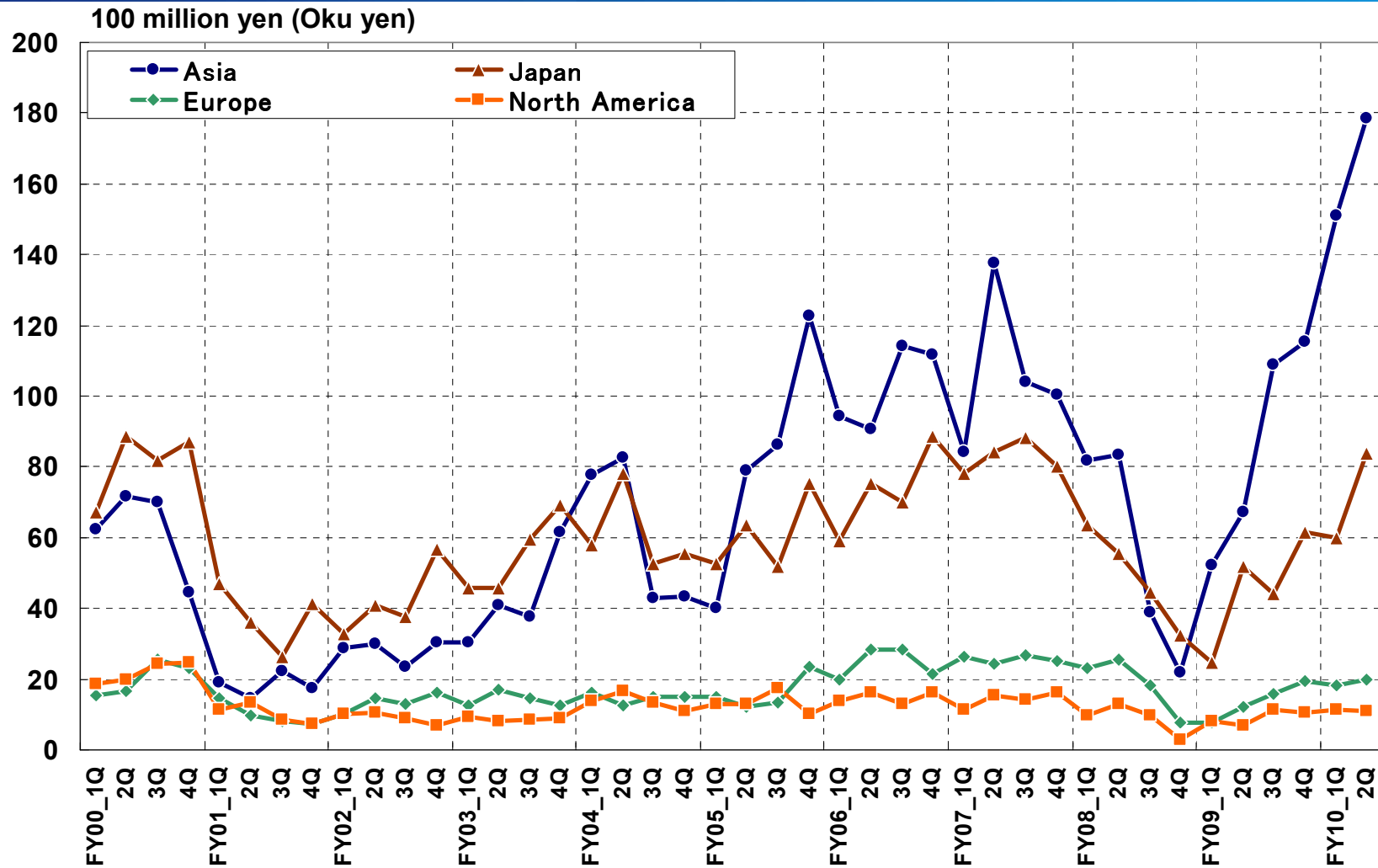
Volumes of precision blades and wheels (consumables) set new records, and sales reached an extremely high level. Sales did not reach the previous peak level of FY2007 3Q due to the impact of the strong yen.

Sales Breakdown by Region



The contribution of sales to Asia increased sharply and exceeded 60%.
 Sales to Asia were extremely high, and first-half sales were comparable to FY2009 full-year sales.

Quarterly Regional Sales



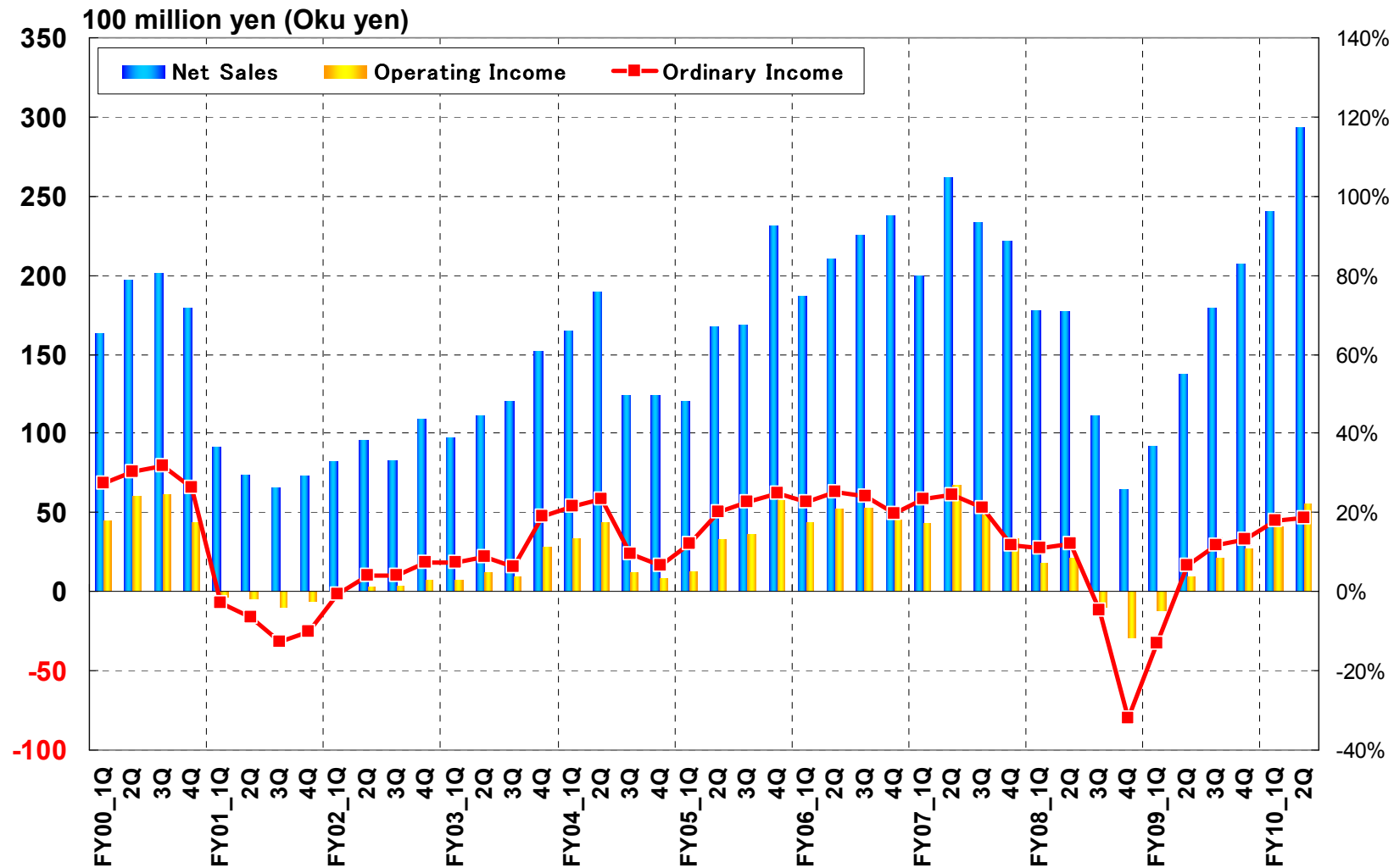
Sales in Asia rose dramatically in 1Q and 2Q to a level that far exceeded sales in the other regions.
 In a breakdown of sales in Asia by country, Taiwan, South Korea and China accounted for more than half of total sales.
 Sales in Japan were comparatively high due to capital investment for the manufacturing of LEDs and some types of electronic components.

FY2010 Quarterly Earnings Results

Millions of Yen	FY2010 1Q	FY2010 2Q	Amount	(%)
Sales	24,057	29,348	5,291	22.0%
Gross profit	11,308	13,641	2,333	20.6%
Gross profit margin	47.0%	46.5%	-0.5p	-
SGA	7,172	8,106	934	13.0%
Operating Income	4,136	5,535	1,399	33.8%
Ordinary Income	4,338	5,440	1,102	25.4%
Ordinary Income Margin	18.0%	18.5%	0.5p	-
Net Income before Tax	4,275	5,314	1,039	24.3%
Net Income	2,841	3,545	704	24.8%
Depreciation	1,358	1,471	113	8.3%
R&D expense	2,092	2,921	829	39.6%

The gross profit margin fell by 0.5 points from the previous quarter due to a change in the model sales mix and the impact of exchange rates. In the results for SG&A, although variable costs (such as sales commissions) did increase, more significant was the impact of the higher R&D expense.

Quarterly Consolidated Financial Results



Quarterly sales reached the highest level ever, nearly ¥30.0 billion.
 Despite factors including a personnel increase and higher depreciation, operating income rose to a high level that approached previous peaks.

Balance Sheet (Summary)

Millions of yen	FY2010 1Q	FY2010 2Q	Amount
Current Assets	66,078	76,460	10,382
Cash and cash equivalents	16,997	20,122	3,125
Notes and account receivable	25,594	30,042	4,448
Inventories	20,471	22,009	1,538
Fixed Assets	62,026	60,985	-1,041
Tangible fixed assets and Non-tangible fixed assets	55,092	54,154	-938
Total Assets	128,126	137,466	9,340
Total Liabilities	38,036	44,138	6,102
Current Liabilities	26,497	32,234	5,737
Fixed Liabilities	11,538	11,904	366
Net assets	90,090	93,327	3,237
Shareholders' Equity ratio (%)	69.7%	67.3%	-2.4p
Liabilities and shareholders' Equity	128,126	137,466	9,340

Notes and accounts receivable, cash and cash equivalents, and inventories increased attendant on higher sales.
Under liabilities, notes and accounts payable increased for the same reason.
Although total assets increased, the shareholders' equity ratio fell slightly by 2.4 points.

Cash Flow (Summary)

Millions of Yen	FY2009 1H	FY2010 1H	Amount
Cash flows from operating activities	4,097	9,295	5,198
Net income before tax	-362	9,589	9,951
Depreciation	2,458	2,830	372
Trade receivables, inventories and buying debt	-246	-5,942	-5,696
Others	2,247	2,818	571
Cash flows from investing activities	-14,793	-1,700	13,093
Purchase of property, plant and equipment	-5,423	-3,989	1,434
Others	-9,370	2,289	11,659
Cash flows from financing activities	-12,889	-2,832	10,057
Repayment of long-term loans payable	-12,552	-3,000	9,552
Cash dividend paid for minority shareholders	-337	-337	0
Others	0	505	505
Free cash flow	-10,696	7,594	18,290
Net change in of cash and cash equivalents	-23,832	4,371	28,203
Balance of cash and cash equivalents, end of 1H	9,586	19,618	10,032

Cash provided by operating activities rose sharply due to net income before tax, depreciation and other items, despite a decrease in trade receivables. Cash flows from investing activities were negative as a result of the completion of construction of a new building at the Chino Plant and the purchase of equipment and materials for R&D. (Income from maturing time deposits was the reason for the positive cash flow for Others.) In cash flows from financing activities, while repayment of loans resulted in a decrease in cash, funds were borrowed from the Development Bank of Japan. There was a large positive free cash flow, and cash and cash equivalents reached approximately ¥20.0 billion.

FY2010 Full-Year Earning Forecast

100 million yen (Oku-yen)	FY2010					Reference	
	1Q Actual	2Q Actual	1H Actual	2H Forecast	Full Year Forecast	Previous forecast (Full Year) 2010.8.9	△
Net Sales	241	293	534	446	980	1,020	-40
Operating Income	41	55	97	48	145	188	-43
Ordinary Income	43	54	98	59	157	200	-43
Ordinary Income Margin	18.0%	18.5%	18.3%	13.3%	16.0%	19.6%	-3.6p
Net Income	28	35	64	31	95	126	-31
CAPEX			34	53	87	77	10
Depreciation	14	15	28	36	64	61	3
R&D expense	21	29	50	40	90	85	5

The full-year earnings forecast was revised in consideration of current business performance trends. The sales forecast for precision processing equipment was reviewed, and exchange rate assumptions were revised. Despite the abovementioned profit-impacting factors, SG&A expenses, principally R&D expense, are forecast to increase. The profit forecast has been revised down from the previous forecast.
 Revised exchange rates: US\$: ¥80 from ¥85, euro: ¥110 (unchanged)
 Impact of change of 1 yen in exchange rate (second half): for US\$: ¥165 million, for euro: ¥6 million

Dividend Policy and Dividend Payment

(Yen)

FY2010	Intermediate dividend	Year-end dividend	Annual dividend
Previous forecast	35	40	75
Revised forecast		32	57
Δ	-10	-8	-18
Actual	25	-	-

(Reference)

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

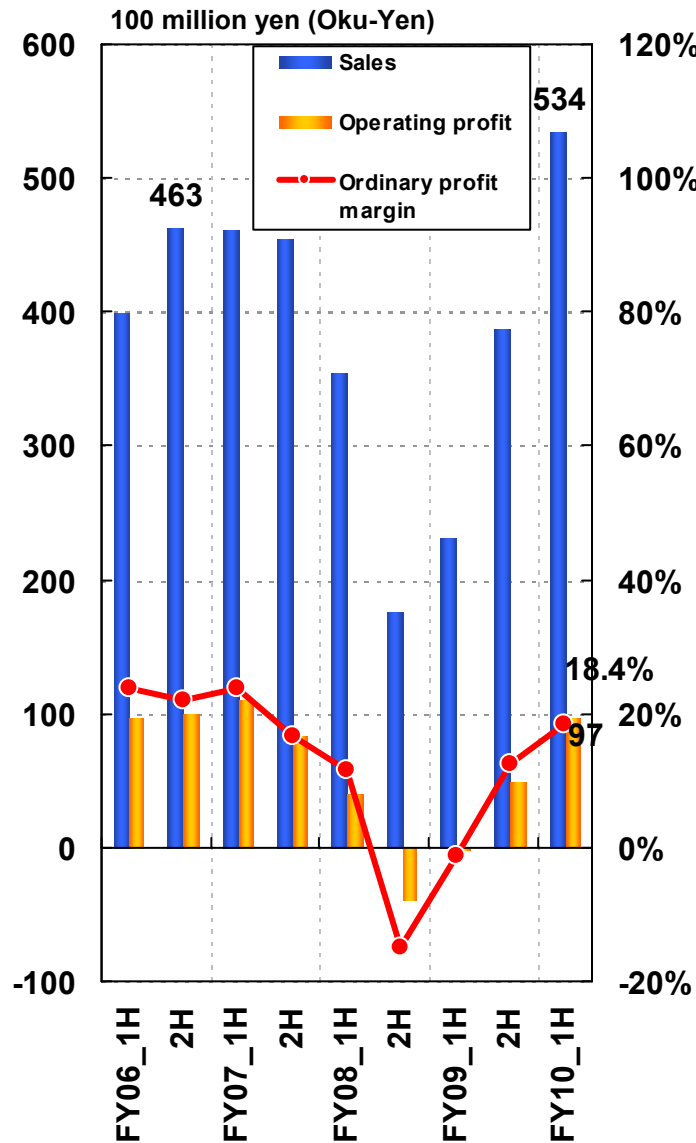
Dividend Policy

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.

Operating Environment and Management Policy

Hitoshi Mizorogi
Chairman and CEO

Operating Environment and Our Business: FY2010 1H



FY2010 First-half Business Environment

- Market expansion in developing countries and new products such as smartphones and tablet PCs drove semiconductor demand.
- Capital investment in semiconductor manufacturing was active in Asia.
- Capital investment in LED manufacturing remained strong.

DISCO's Business

- Dicer sales reached a record high (half-year basis).
- Sales of grinders for memory recovered.
- Sales of precision blades and wheels (consumables) were also strong.
- Although consolidated six-month sales reached a record high, profitability was negatively affected by the strong yen.
 - First-half results :Net sales: ¥53.4 billion (38.1% increase from the FY2009 second half)
 - Operating income: ¥9.7 billion (99.2% increase from the FY2009 second half)

Forecasted Operating Environment

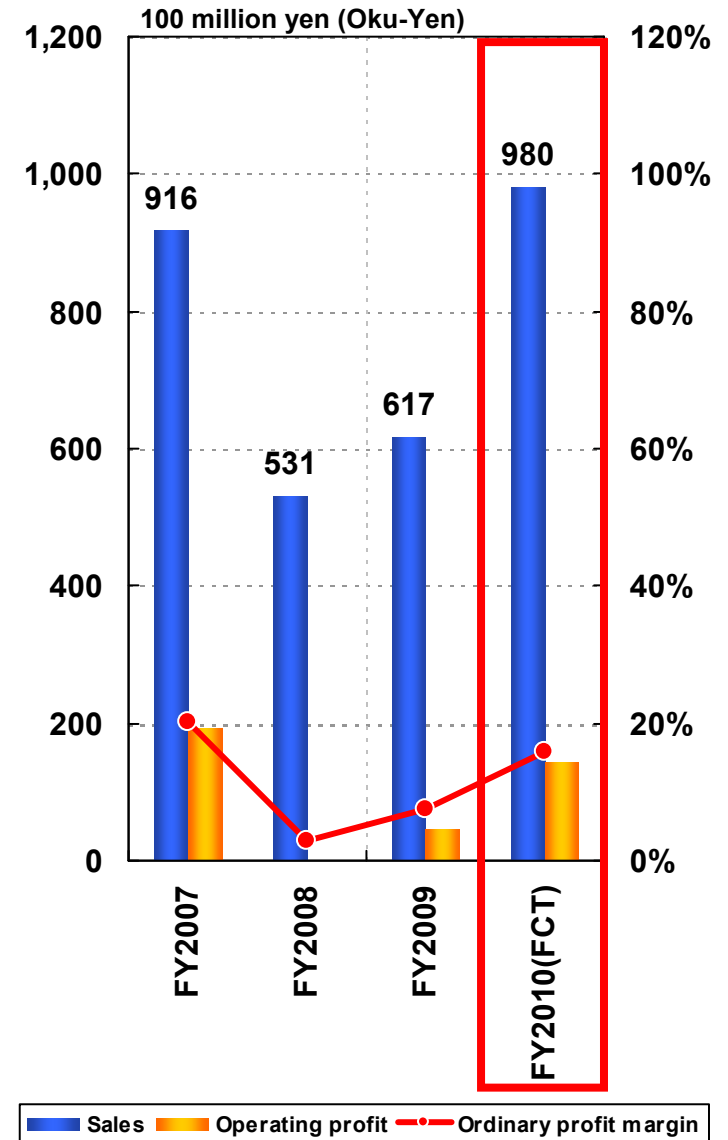
Business Environment

- There is currently a lull in capital investment, and close observation of the future trend is required.
- The sense of overheating in capital investment demand for mass production has disappeared.
- However, strategic investment on the part of companies continues.
- The US dollar exchange rate assumption was changed from 85 to 80 yen.
- DISCO will closely observe and respond to changes in market conditions and the business environment.
- DISCO has revised the operating forecast for the second half taking into account the current situation.

Full-year forecast

Sales: ¥98.0 billion (4% decrease from the previous forecast)

Operating income: ¥14.5 billion (23% decrease from the previous forecast)



Closely watch and respond flexibly to trends in Asia, a region that showed dramatic growth in the first half.

- **Establish expense control level C.**
- **Continue reinforcement of the consumables supply structure.**
 - **New building at the Kure Plant (completion of construction scheduled for November 2011)**
- **Pursue Kiru • Kezuru • Migaku (Cutting/Grinding/Polishing) technologies.**
- **Engage in R&D while controlling expenses.**
- **Put the finishing touches on activities to achieve the business vision and Start activities to achieve a new business vision.**

DISCO

Kiru · Kezuru · Migaku Technologies

