

# FY2011 3Q 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.

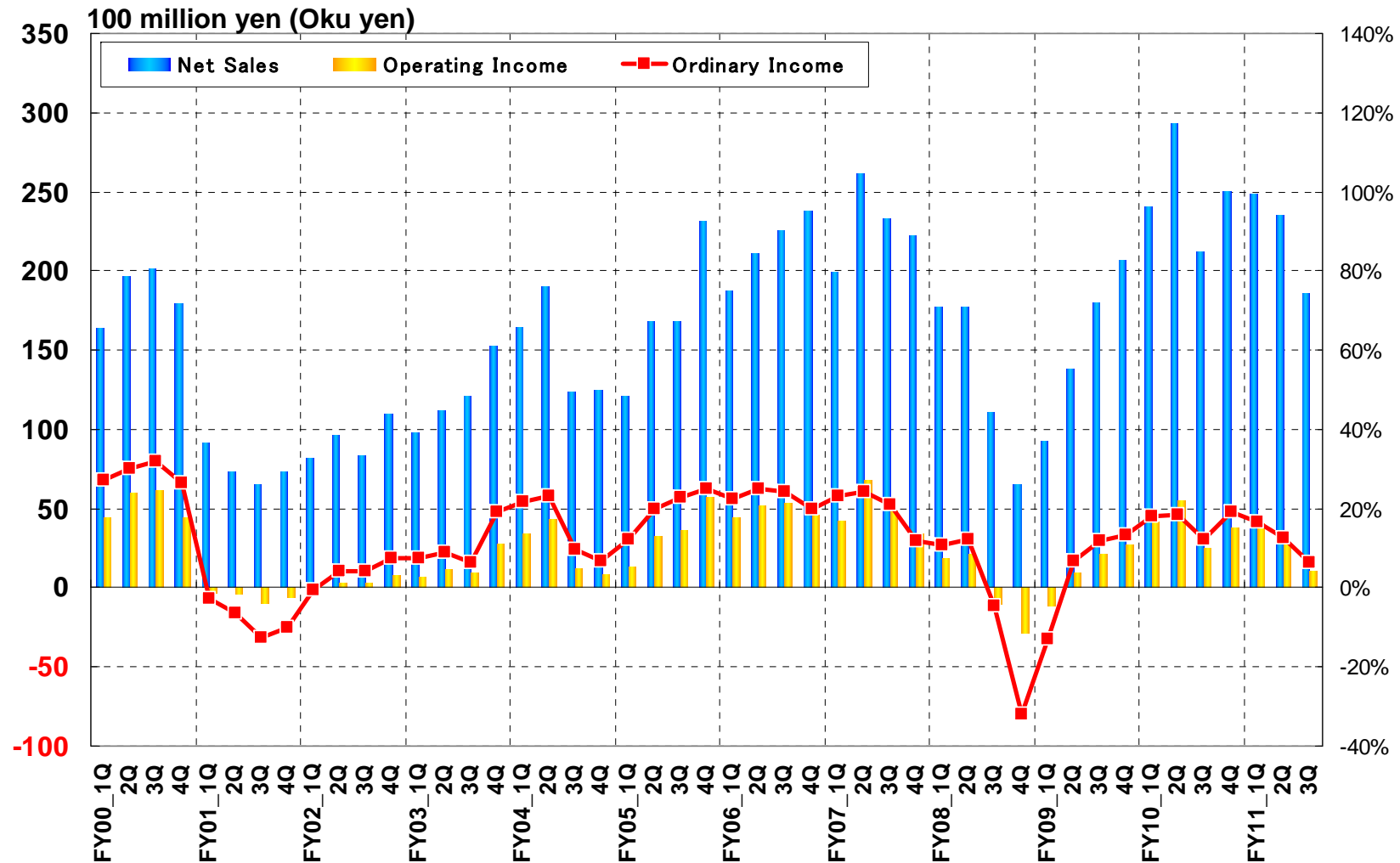
DISCO cautions you that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements, and you should not make decision on your investment thoroughly based on these statements. Such factors include, but not limited to, (i) general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

# FY2011 3Q Earnings Results

Millions of Yen	FY2011 2Q	FY2011 3Q	Amount	(%)
Sales	23,529	18,605	-4,924	-20.9%
Gross profit	10,770	8,444	-2,326	-21.6%
Gross profit margin	45.8%	45.4%	-0.4p	-
SGA	7,946	7,438	-508	-6.4%
Operating Income	2,824	1,005	-1,819	-64.4%
Ordinary Income	2,954	1,206	-1,748	-59.2%
Ordinary Income Margin	12.6%	6.5%	-6.1p	-
Net Income before Tax	2,917	1,114	-1,803	-61.8%
Net Income	2,216	497	-1,719	-77.6%
Depreciation	1,443	1,522	79	5.5%
R&D expense	2,531	2,133	-398	-15.7%

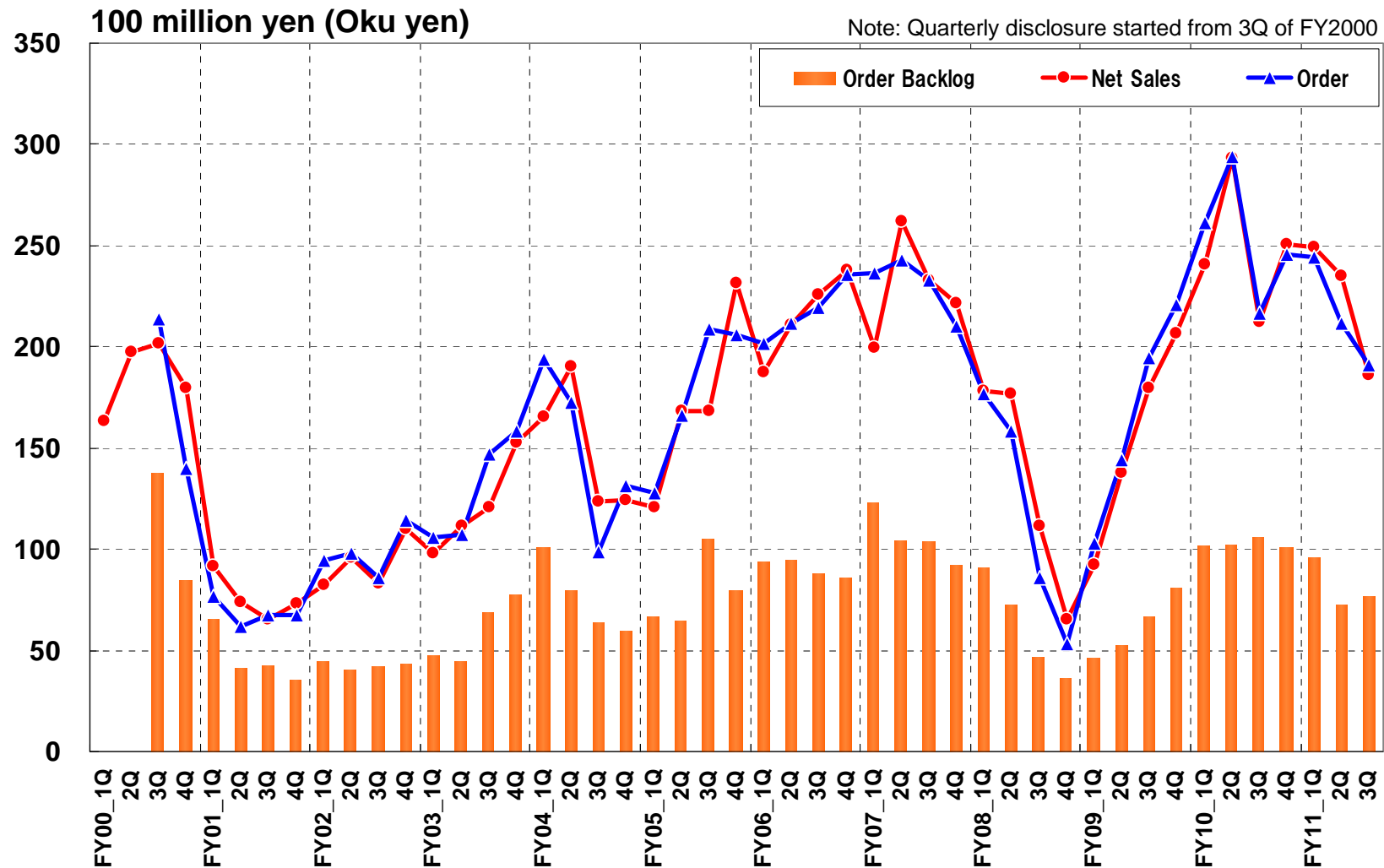
- Sales were lower by 21% QoQ, affected by a slowdown in capital expenditure in the semiconductor market.

# Quarterly Consolidated Financial Results



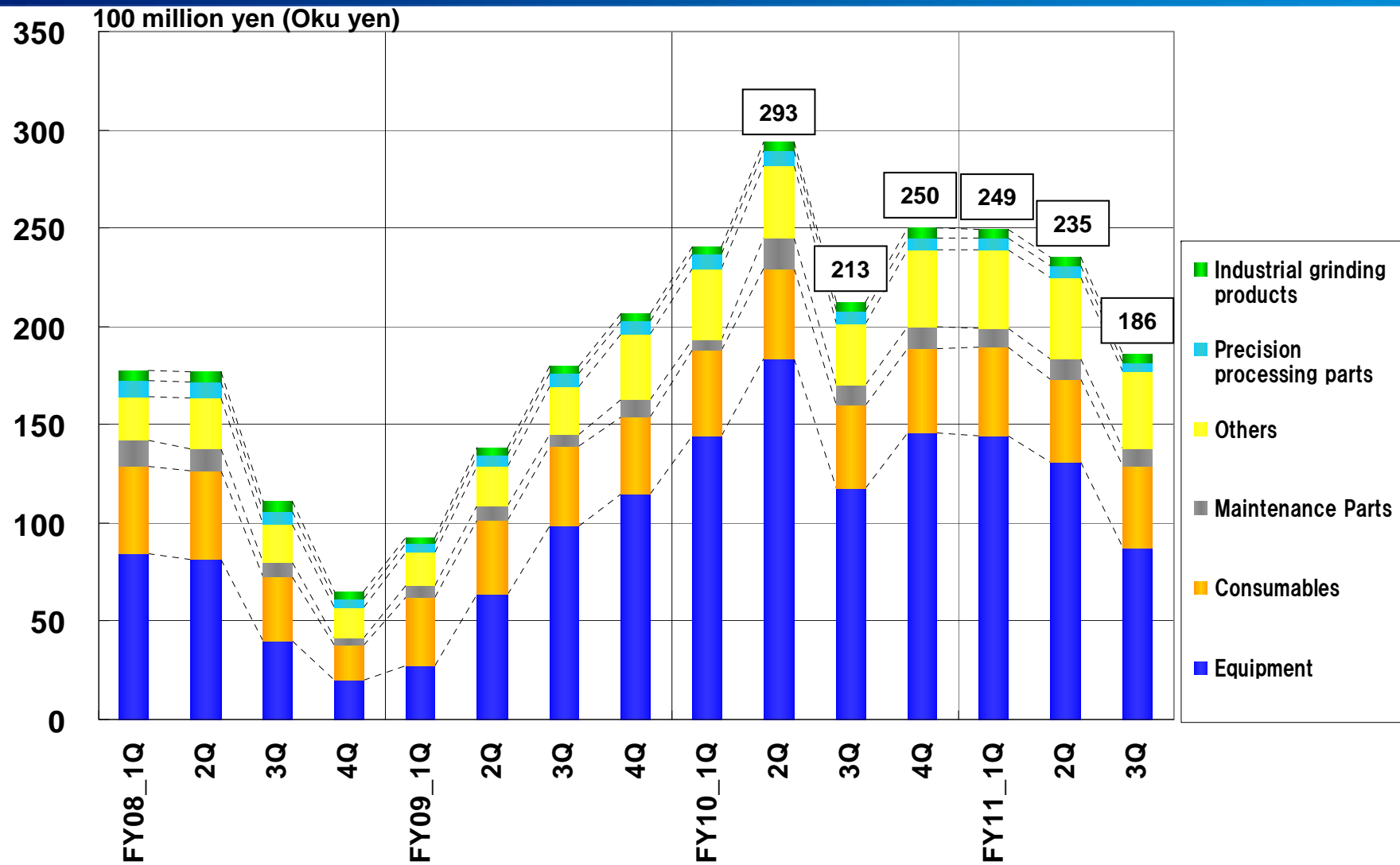
- Quarterly sales showed a marked downward trend in the third quarter of fiscal year 2011.

# Quarterly Sales/Orders



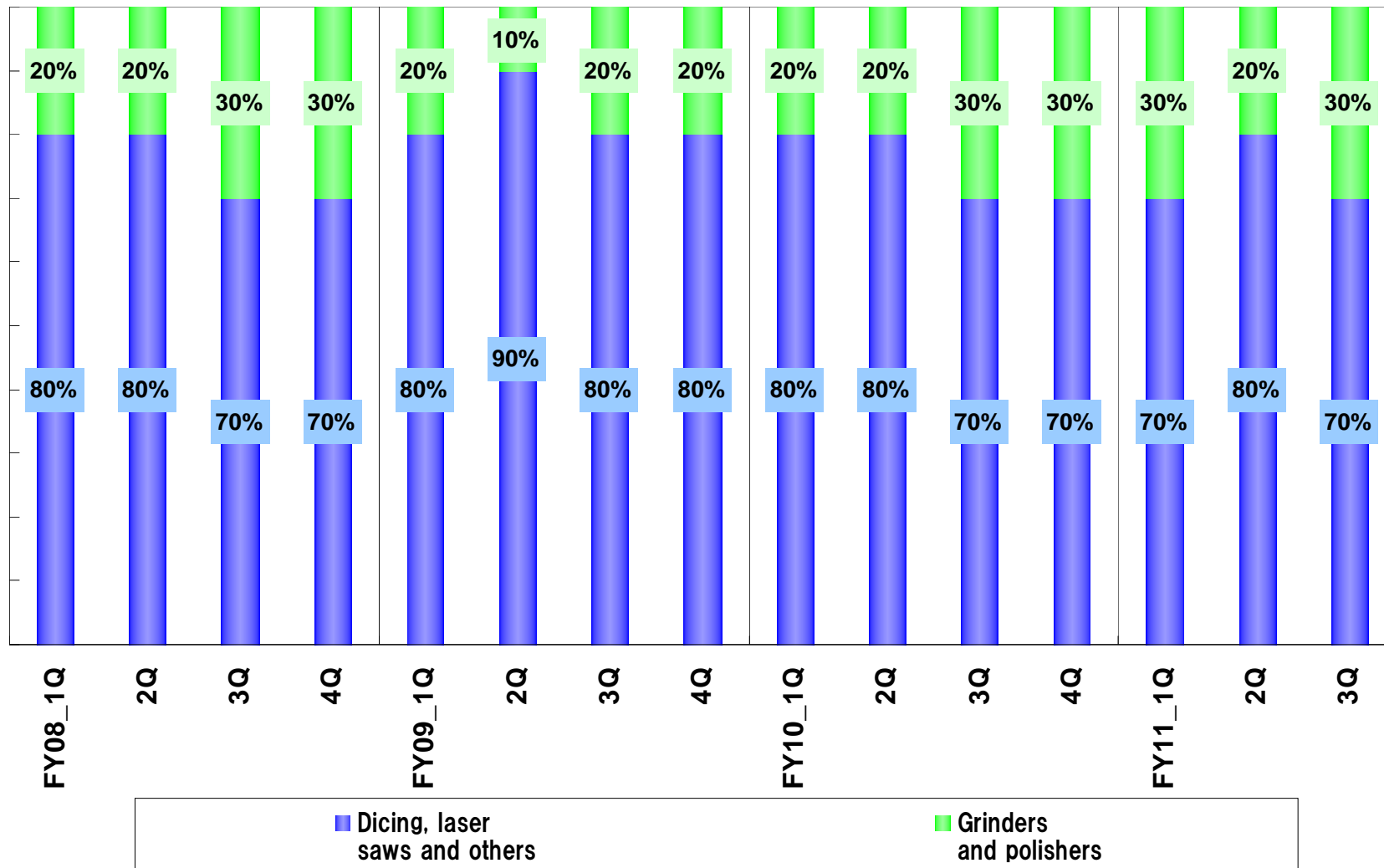
- 3Q orders amounted to ¥19.1bn, down by 10% (QoQ).

# Consolidated Quarterly Sales Breakdown by Product



- Equipment sales decreased by about 30% (QoQ) accounting for less than 50% of total sales.

# Quarterly Equipment Sales Breakdown

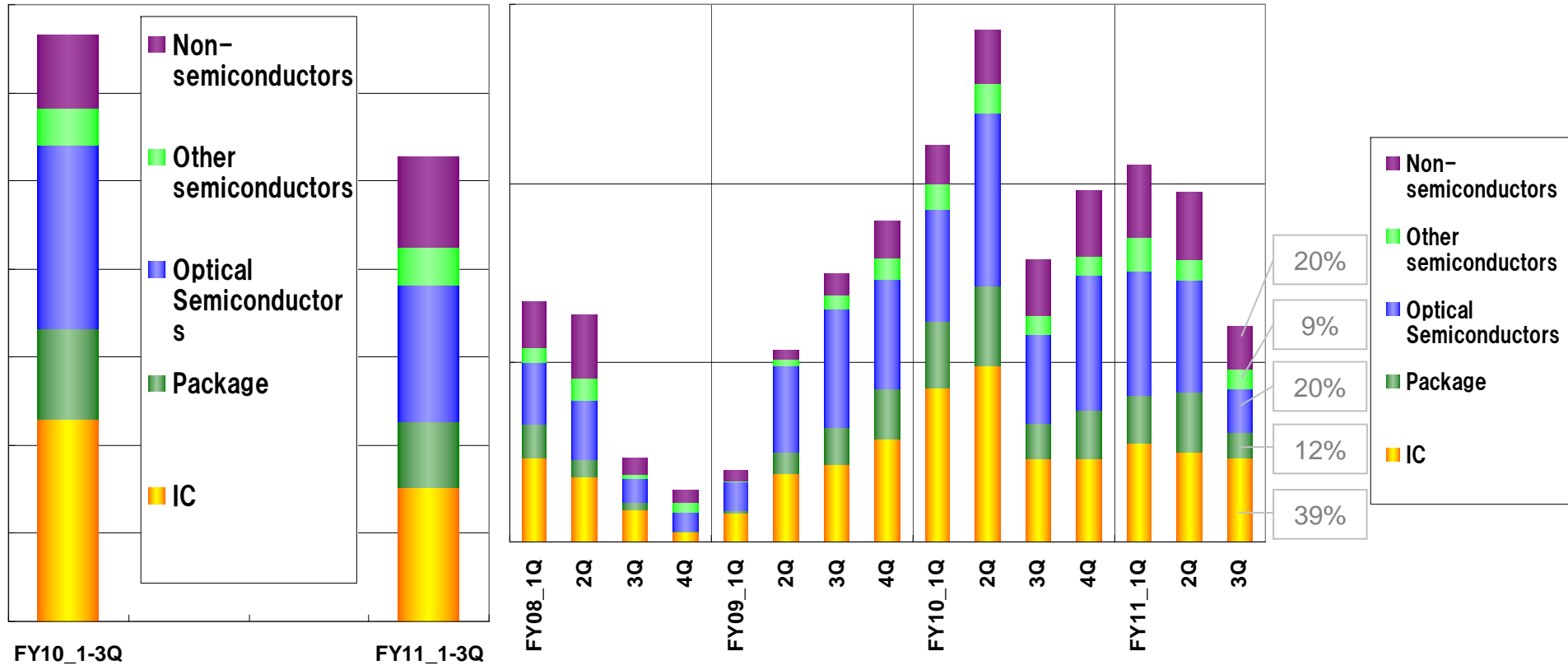


- The equipment sales ratio for dicers and grinders changed 7:3 (8:2 in Q2) owing to lower dicer sales.

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

\*Cutting and dicing saws include blade dicers and laser saws

YoY

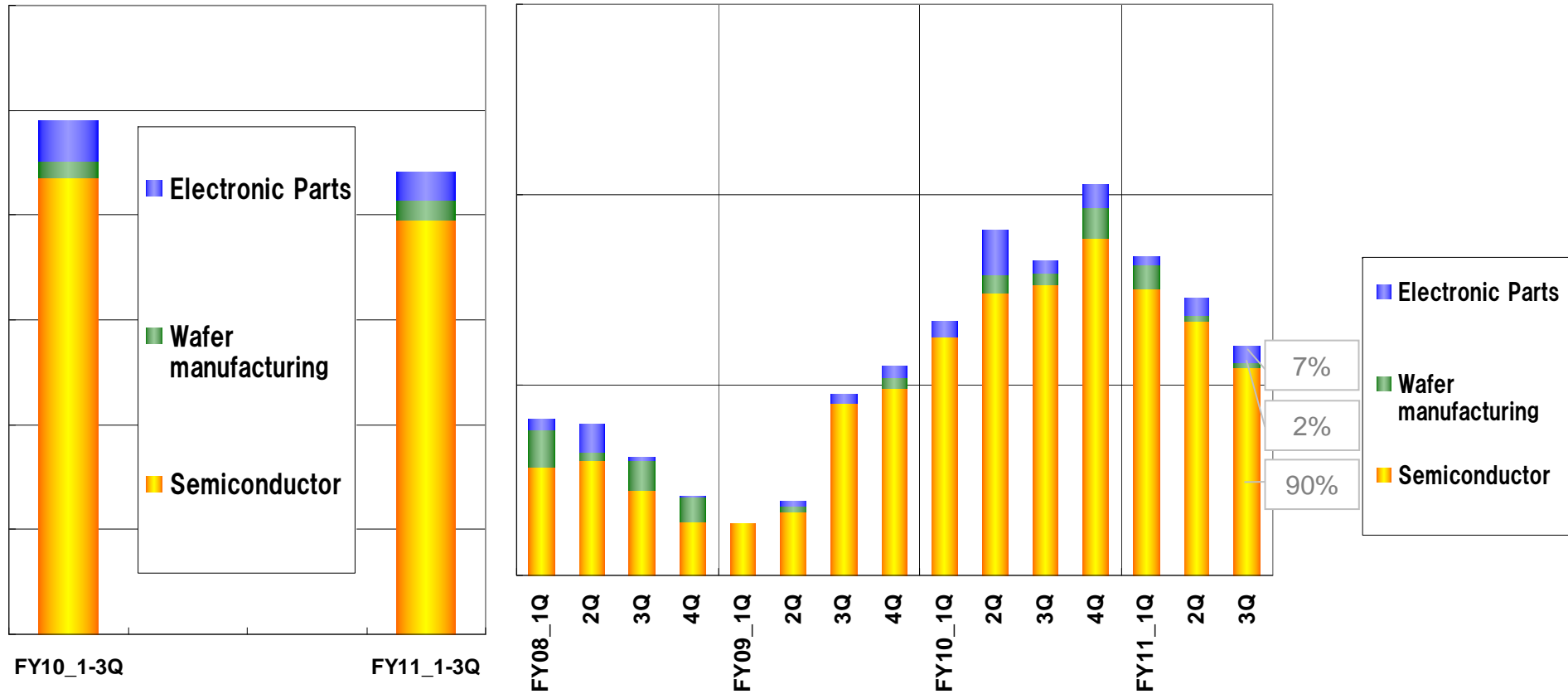


- Despite steady sales of dicers for IC processing applications, total dicer sales (incl. laser saws) reduced by about 40% (QoQ).
- Sales for optical semiconductor and package dicing reduced by half (QoQ).

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

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

YoY

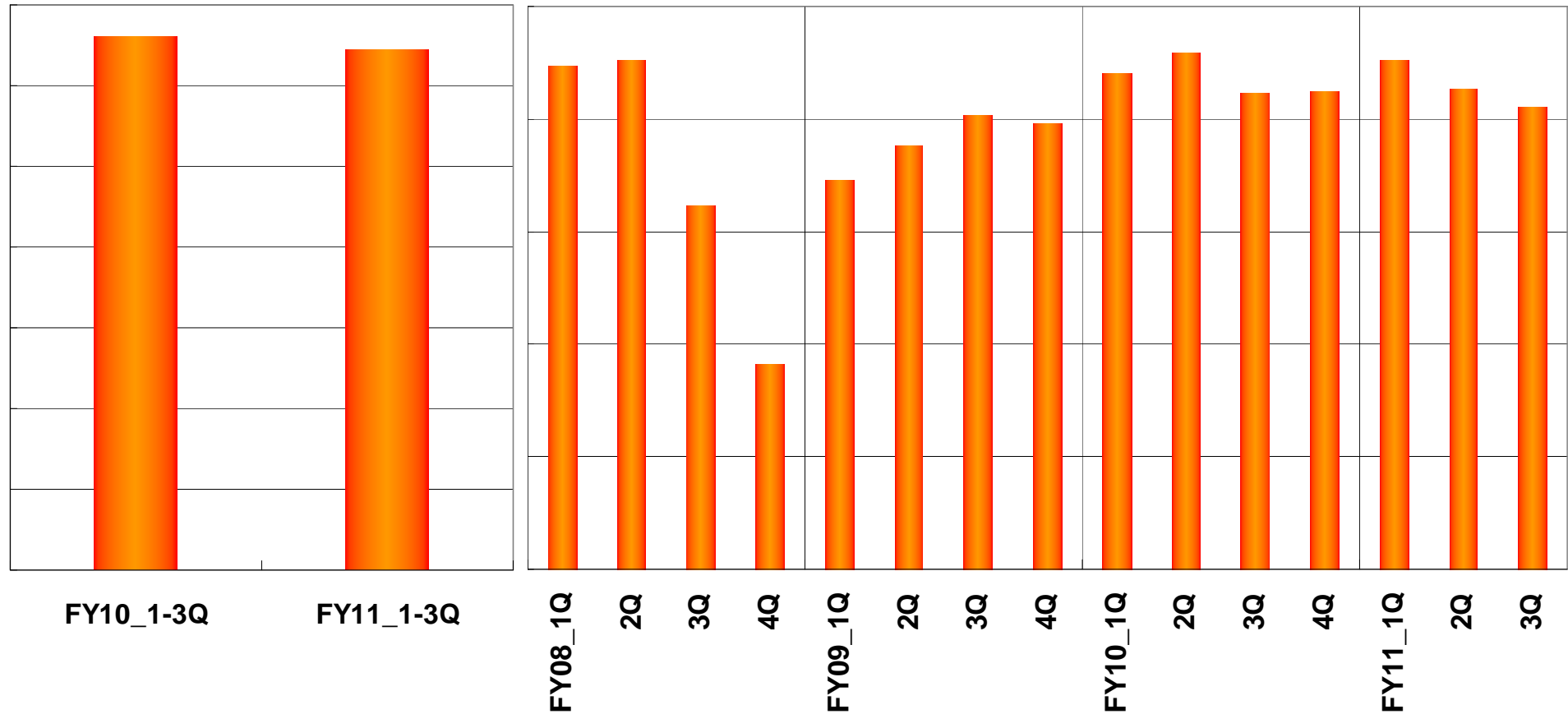


- Grinder sales declined by 20% (QoQ) though sales of high-end grinders for ultra-thinning were steady.

Consolidated  
Consumables\* Sales

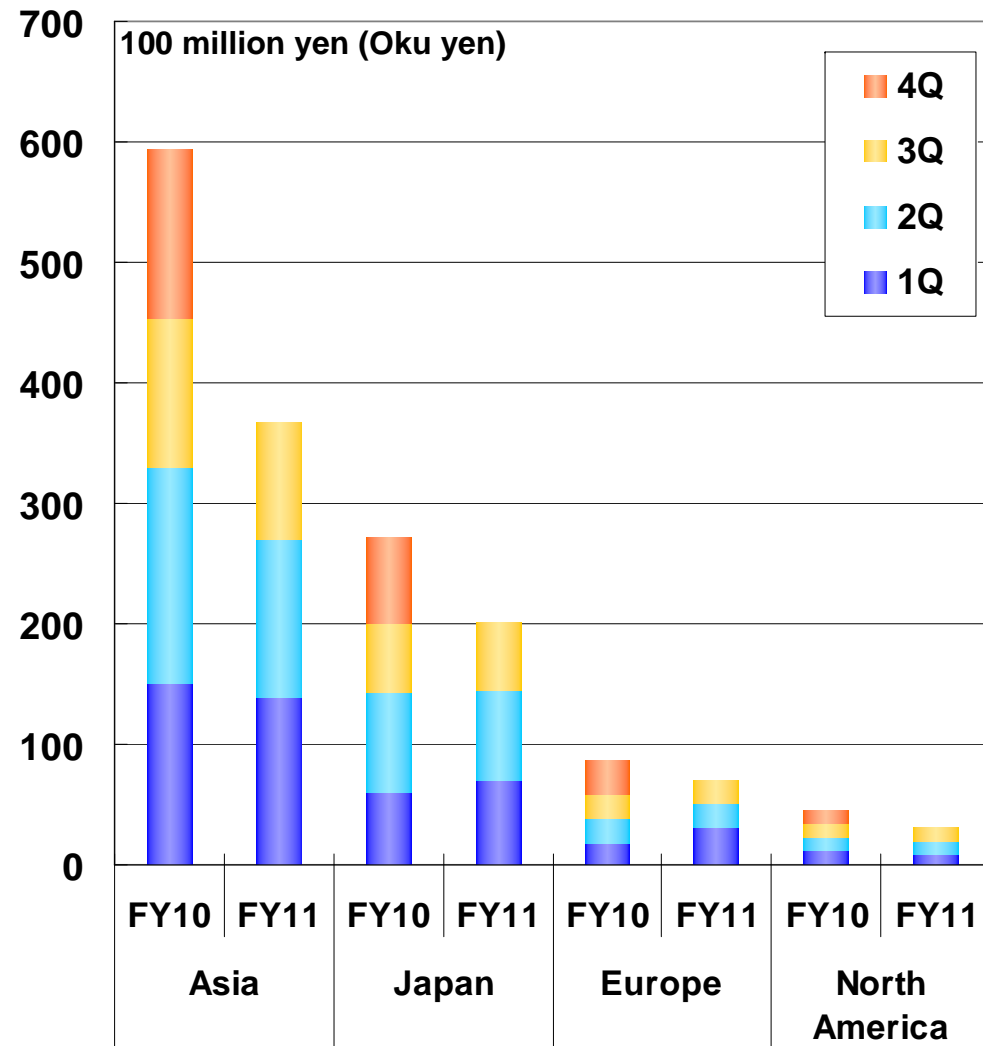
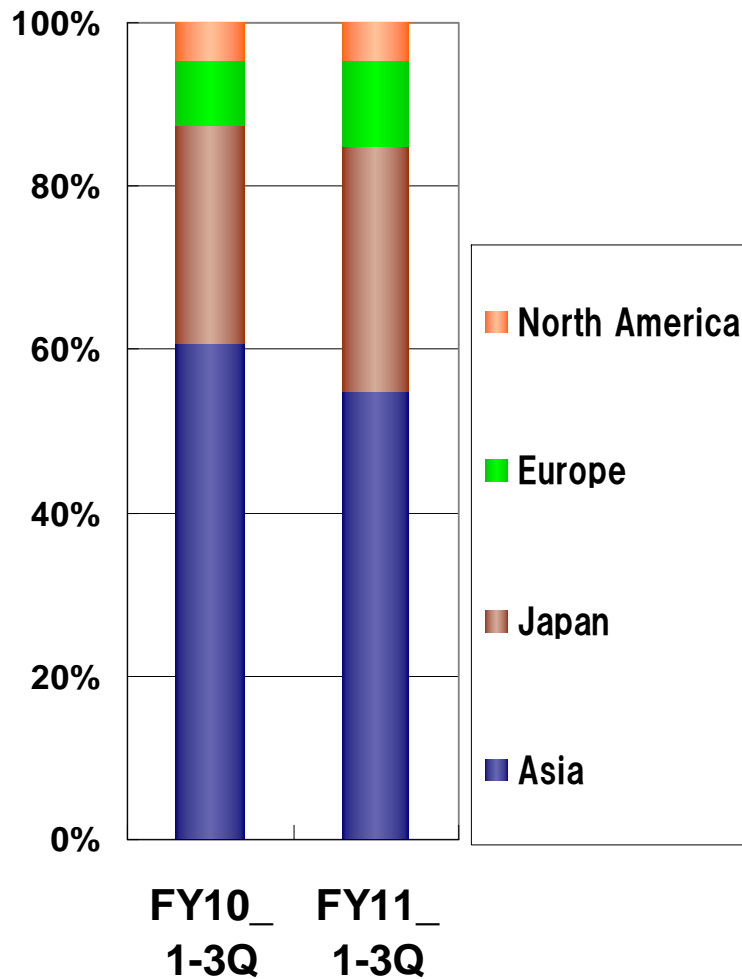
\*Consumables include dicing blades, grinding wheels, and dry polishing wheels, etc.

YoY



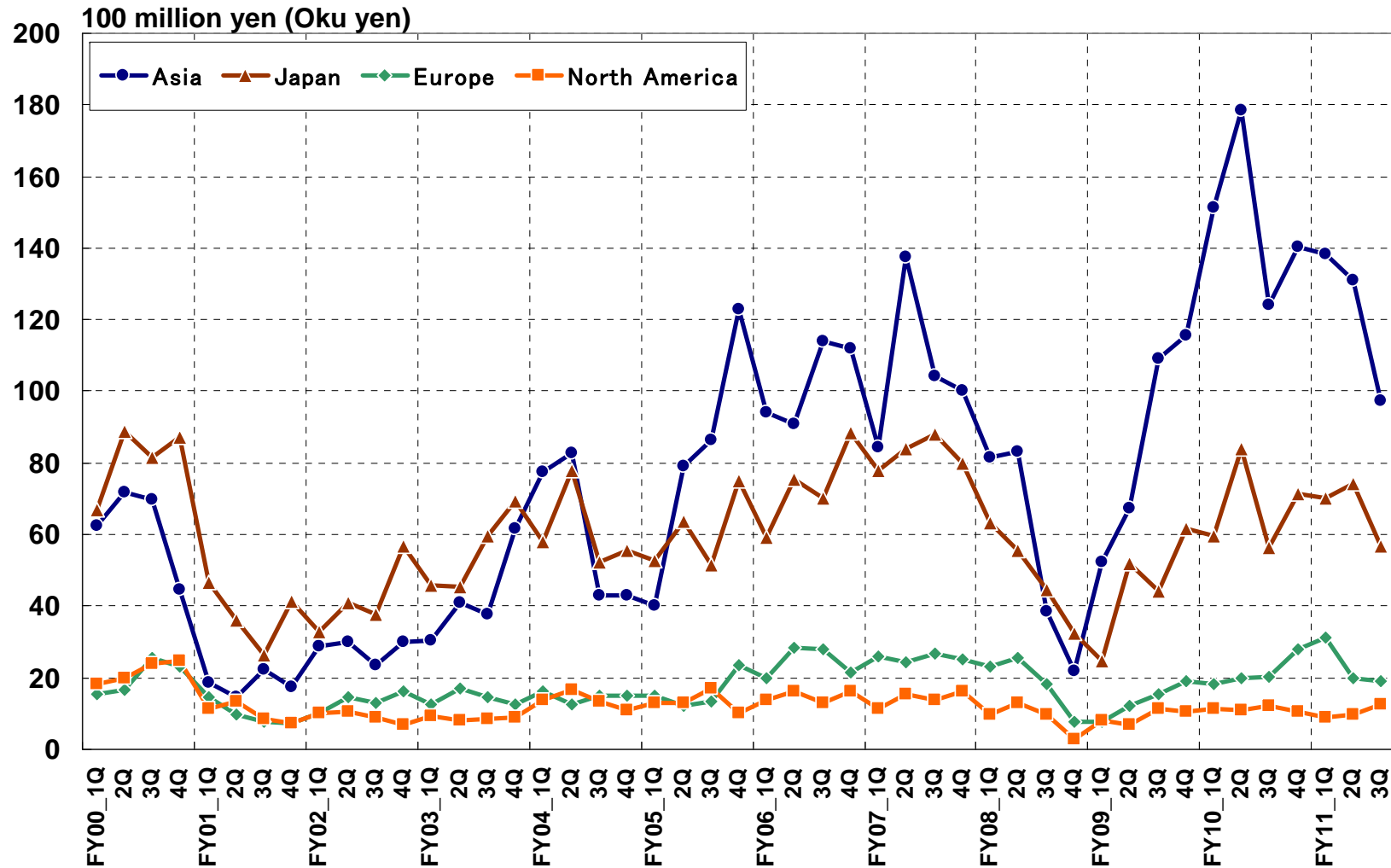
- Consumables sales remained relatively high.

# Sales Breakdown by Region



- Sales from Asian regions fell by 6%, contributing to 55% of total sales (YoY)

# Quarterly Regional Sales



- Sales for Asia and Japan fell by more than 20% (QoQ).

# Balance Sheet (Summary)

Millions of Yen	FY2011 2Q	FY2011 3Q	Amount
<b>Current Assets</b>	<b>77,945</b>	<b>70,560</b>	<b>-7,385</b>
Cash and cash equivalents	22,368	15,607	-6,761
Notes and account receivable	25,456	24,325	-1,131
Inventories	26,832	26,413	-419
<b>Fixed Assets</b>	<b>62,073</b>	<b>62,750</b>	<b>677</b>
Tangible fixed assets and Non-tangible fixed assets	53,929	54,751	822
<b>Total Assets</b>	<b>140,034</b>	<b>133,329</b>	<b>-6,705</b>
<b>Total Liabilities</b>	<b>39,731</b>	<b>33,649</b>	<b>-6,082</b>
Current Liabilities	27,507	21,322	-6,185
Fixed Liabilities	12,224	12,326	102
<b>Net assets</b>	<b>100,303</b>	<b>99,680</b>	<b>-623</b>
Shareholders' Equity ratio (%)	70.9%	73.9%	+3.0p
<b>Liabilities and shareholders' Equity</b>	<b>140,034</b>	<b>133,329</b>	<b>-6,705</b>

Assets: Construction of Kure Plant Building C and the Singapore Office.

Decrease of cash position: taxes and bonuses payment.

# Cash Flow (Summary)

Millions of Yen	FY2010 1-3Q	FY2011 1-3Q	Amount
<b>Cash flows from operating activities</b>	<b>8,268</b>	<b>4,750</b>	<b>-3,518</b>
Net income before tax	7,081	8,196	1,115
Depreciation	2,799	4,321	1,522
Trade receivables, inventories and buying debt	1,497	74	-1,423
Others	-3,109	-7,841	-4,732
<b>Cash flows from investing activities</b>	<b>-3,887</b>	<b>-8,850</b>	<b>-4,963</b>
Purchase of property, plant and equipment	-3,120	-5,403	-2,283
Others	-767	-3,447	-2,680
<b>Cash flows from financing activities</b>	<b>-1,449</b>	<b>-2,436</b>	<b>-987</b>
Repayment of long-term loans payable	-124	-137	-13
Cash dividend paid for minority shareholders	-1,345	-2,323	-978
Others	20	24	4
<b>Free cash flow</b>	<b>4,381</b>	<b>-4,100</b>	<b>-8,481</b>
<b>Net change in of cash and cash equivalents</b>	<b>2,097</b>	<b>-7,348</b>	<b>-9,445</b>
<b>Balance of cash and cash equivalents, end of 3Q</b>	<b>21,928</b>	<b>12,482</b>	<b>-9,446</b>

- Free cash flows  $\Delta$ 4.1Bn.
- Tax payments and outstanding account of the construction.

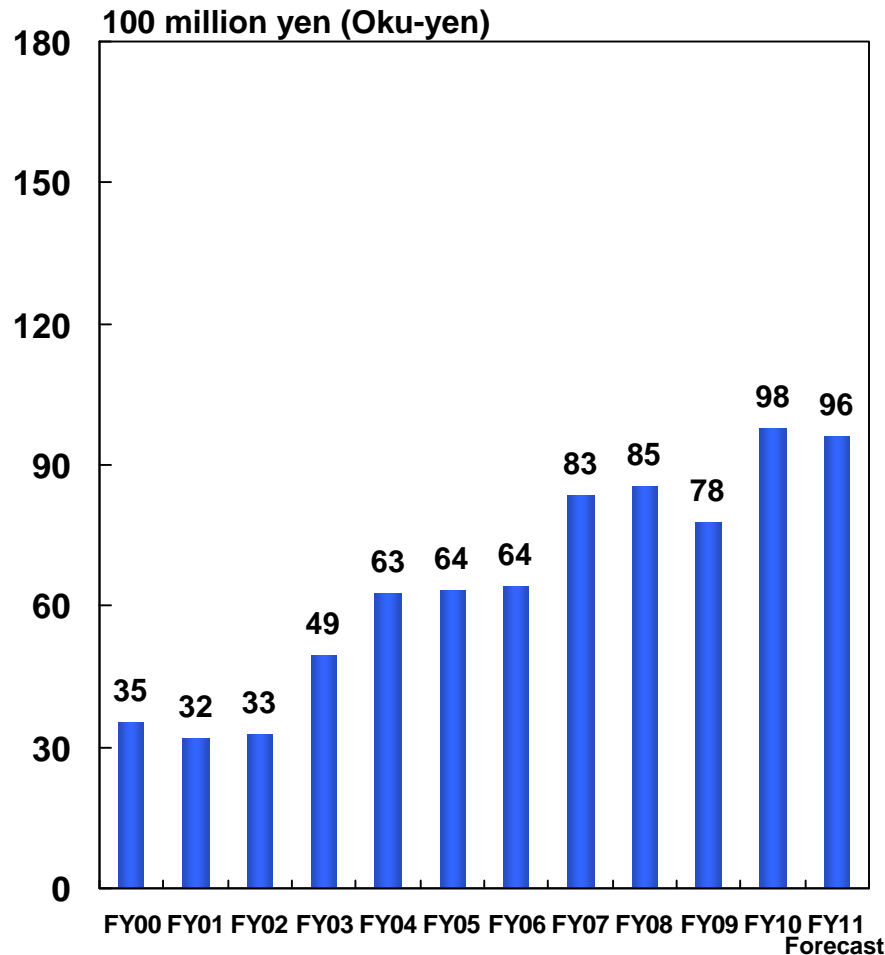
# FY2011 Full-Year Earning Forecast

100 million yen (Oku-yen)	FY2011							Reference	
	1Q Actual	2Q Actual	1H Actual	3Q Actual	4Q Forecast	2H Forecast	Full Year Forecast	Previous forecast (Full Year)	△
Net Sales	249	235	484	186	205	391	875	893	-18
Operating Income	41	28	69	10	13	23	92	101	-9
Ordinary Income	42	30	71	12	13	25	96	103	-7
Ordinary Income Margin	16.7%	12.6%	14.7%	6.5%	6.3%	6.4%	11.0%	11.5%	-0.5p
Net Income	25	22	47	5	9	14	61	63	-2

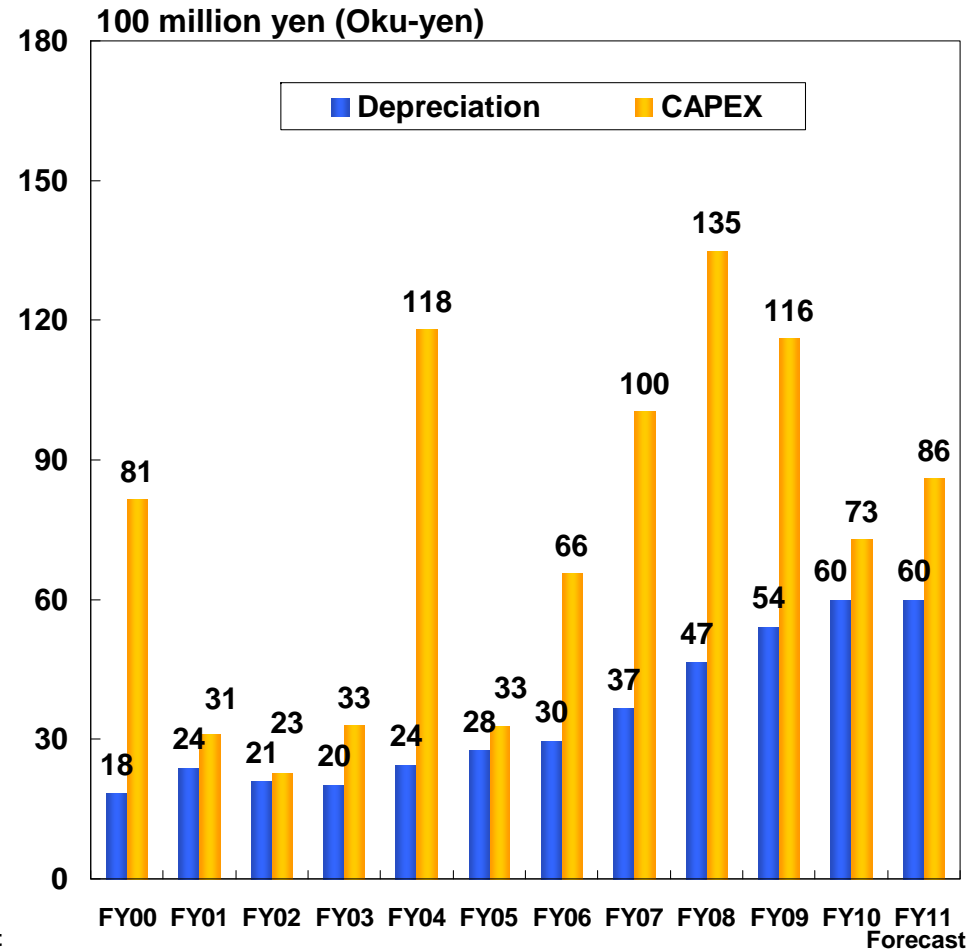
- We revised the forecast of sales and profits due to the slowdown of capital investment mainly from Asia.

# Consolidated R&D/CAPEX Forecast

## R&D Expense



## Depreciation/CAPEX



- Despite the uncertain environment, we maintain a high level of R&D investment.

# Dividend Policy and Dividend Payment

(Yen)

FY2011	Intermediate dividend	Year-end dividend	Annual dividend
Previous forecast	-	10	39
Revised forecast	-	10	39
Δ		0	0
Actual	29	-	-

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.

**DISCO**

Kiru · Kezuru · Migaku Technologies

