

FY2012 2Q Financial Results and FY2012 Forecasts

DISCO CORPORATION

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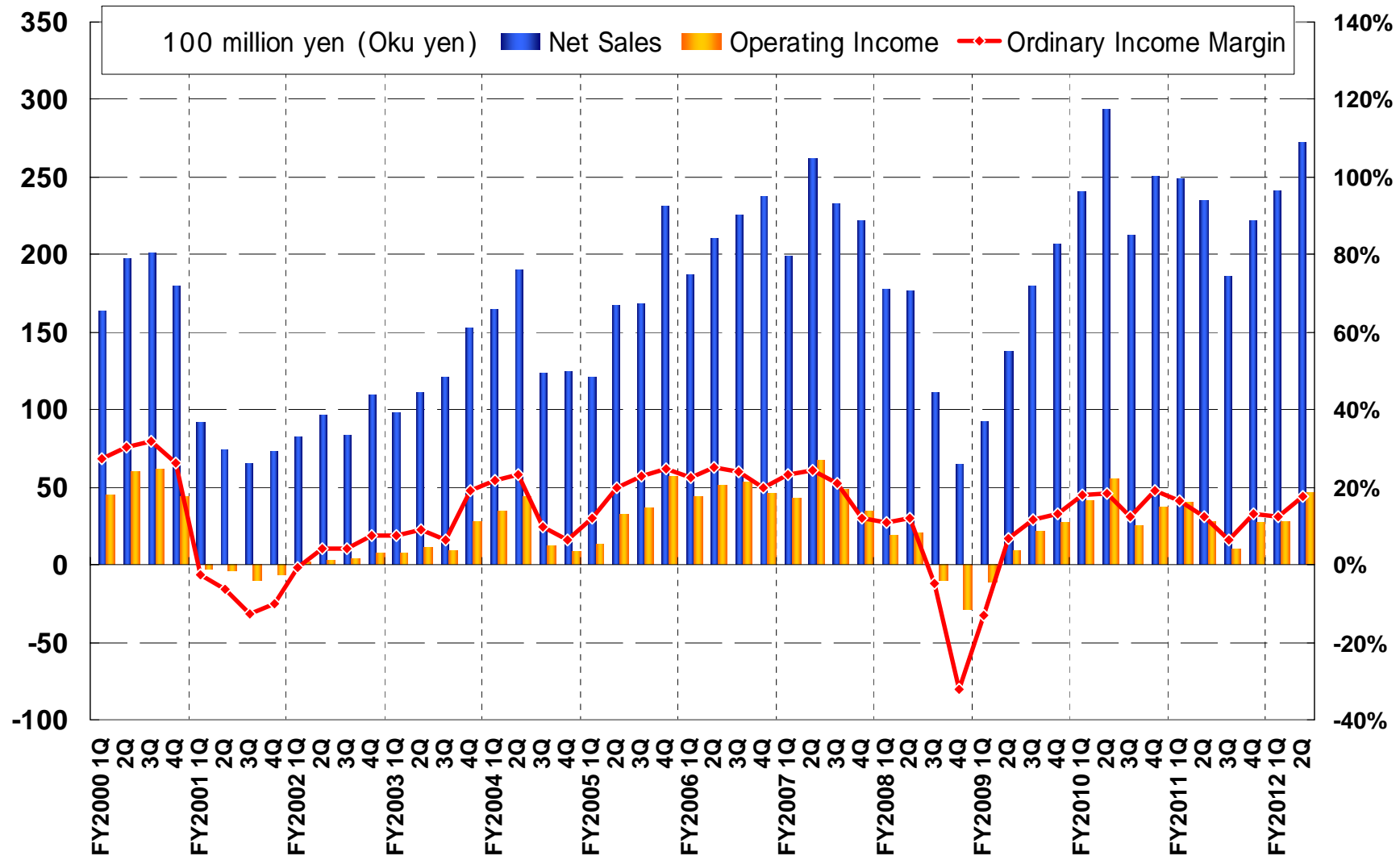
FY 2012 2Q Financial Results

FY2012 2Q Earnings Results

Millions of Yen	FY2012	FY2012	QoQ	
	2Q	1Q	Amount	(%)
Net Sales	27,215	24,152	3,064	12.7%
Gross Profit	12,991	11,153	1,838	16.5%
Gross Profit Margin	47.7%	46.2%	1.5p	-
SG&A	8,335	8,315	20	0.2%
Operating Income	4,655	2,838	1,818	64.0%
Ordinary Income	4,791	3,024	1,767	58.4%
Ordinary Income Margin	17.6%	12.5%	5.1p	-
Income before income taxes and minority interests	4,739	3,013	1,726	57.3%
Net Income	3,385	1,972	1,413	71.6%

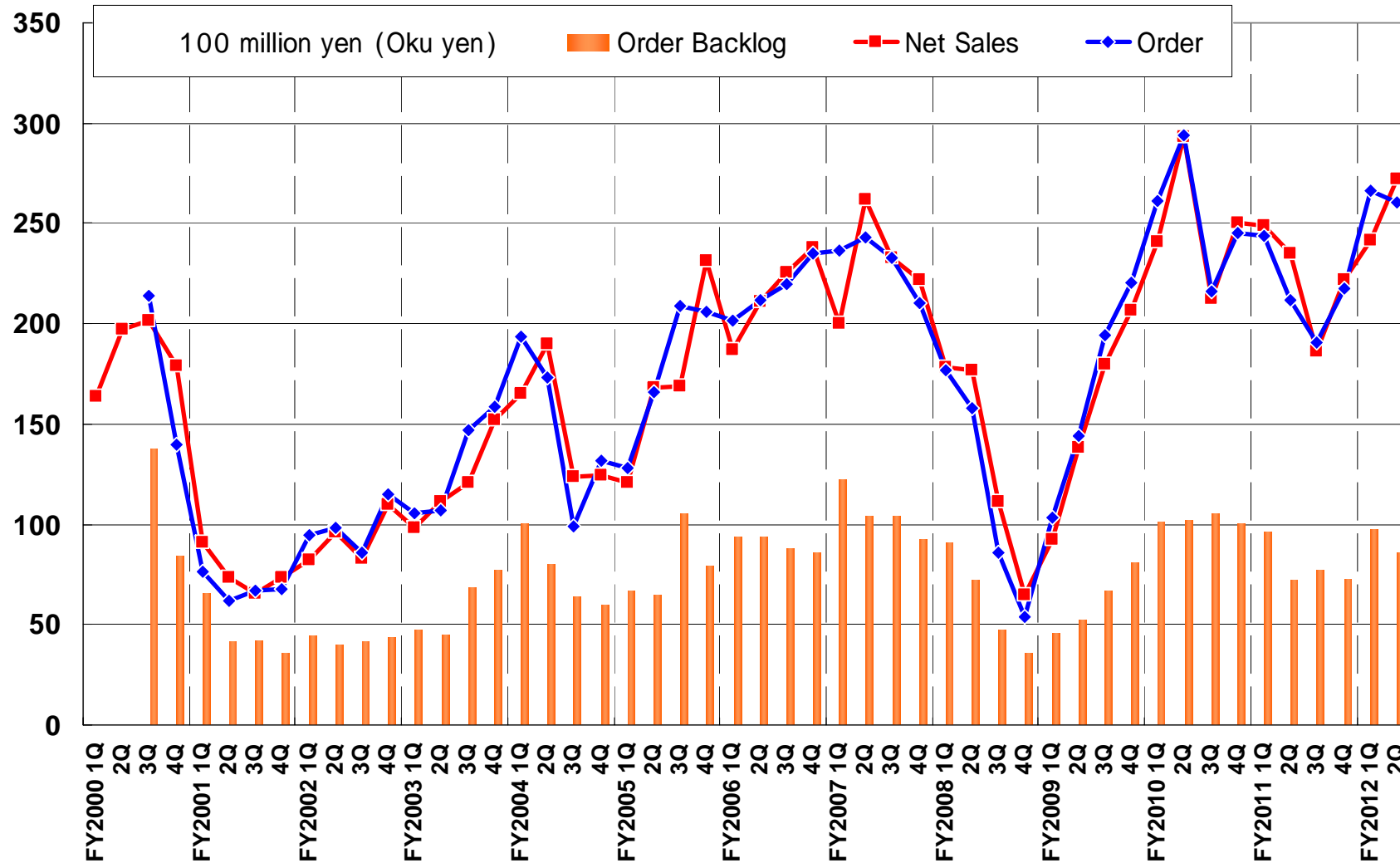
- FY12 2Q sales remained firm due to active investment by semiconductor manufacturers in Asia following the previous quarter.
- Despite the high yen, GP improved due to the modified product composition (QoQ +1.5%).
- SG&A remained at a high level but operating income increased thanks to robust sales (QoQ +64.0%).

Quarterly Consolidated Financial Results



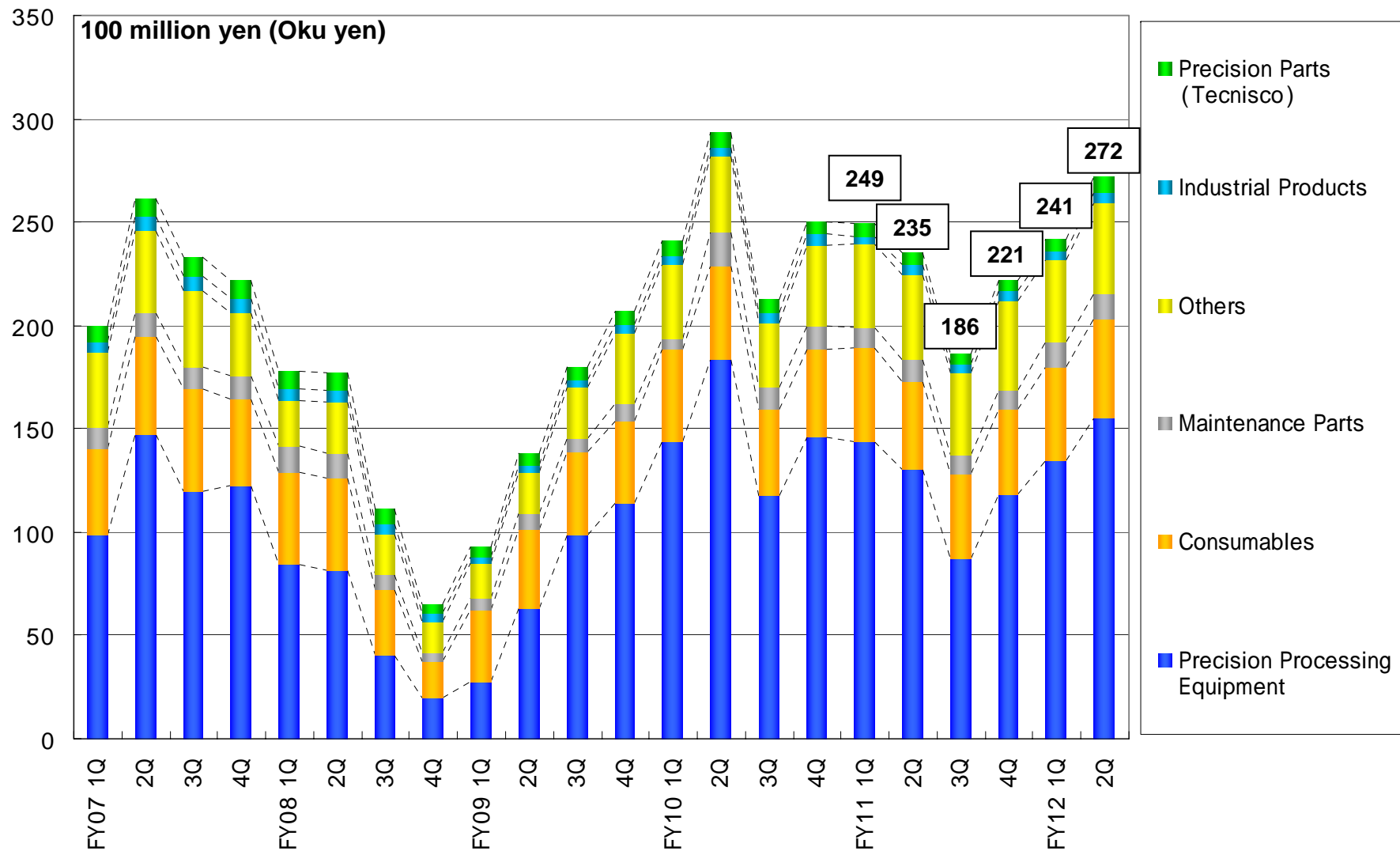
- Operating income increased to the 2nd highest level after Lehman Shock.
- Ordinary income rose over 15% after 5 consecutive quarters despite the yen's appreciation trend.

Quarterly Sales/Orders



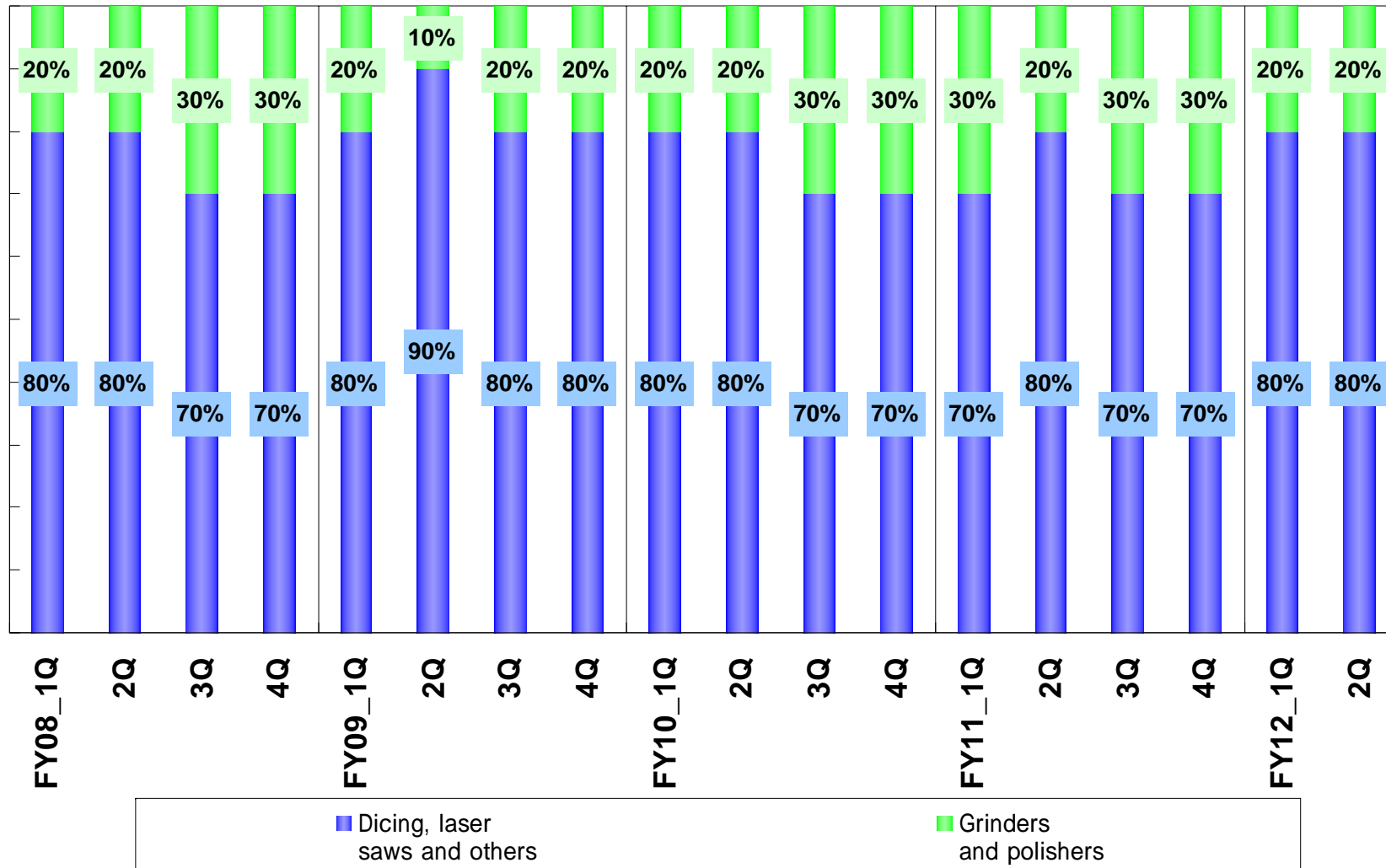
- FY12 2Q orders, amounting to ¥26,000 million (lower than sales), remained at the same level as the previous quarter.
- The order backlog, at ¥8,600 million, was down from the last quarter.

Consolidated Quarterly Sales Breakdown by Product



- 2Q sales breakdown by product was mostly unchanged, with increased sales in almost each product segment.
- Sales of equipment and consumables grew steadily, reaching the 2nd highest level.

Quarterly Equipment Sales Breakdown

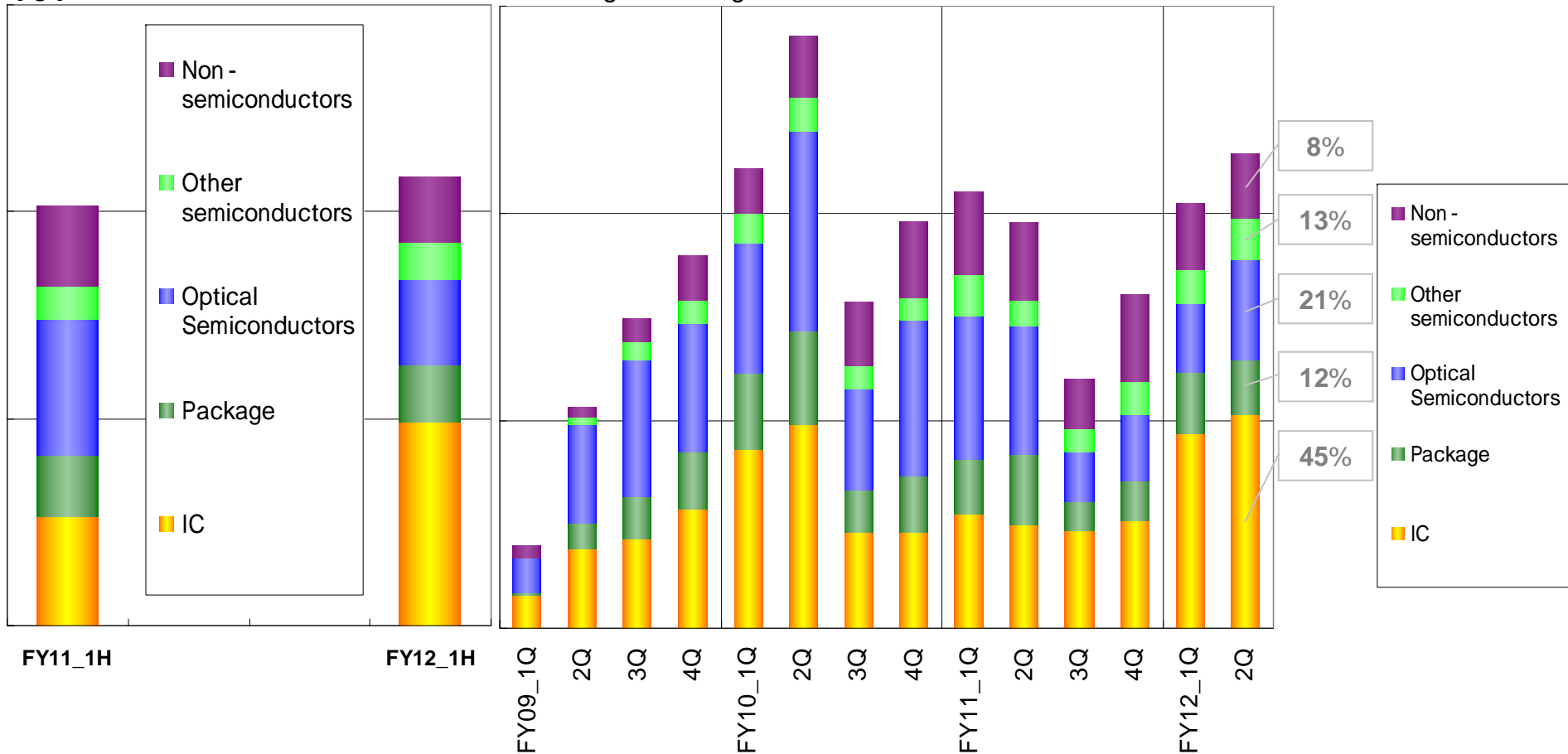


- Because both dicing saws and grinders sales increased in FY12 2Q, dicing saws and grinders accounted for 80% and 20% respectively.
- Among dicers, the composition ratio for blade and laser dicing saws remained 70% and 30% respectively.

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

YoY

*Cutting and dicing saws include blade dicers and laser saws

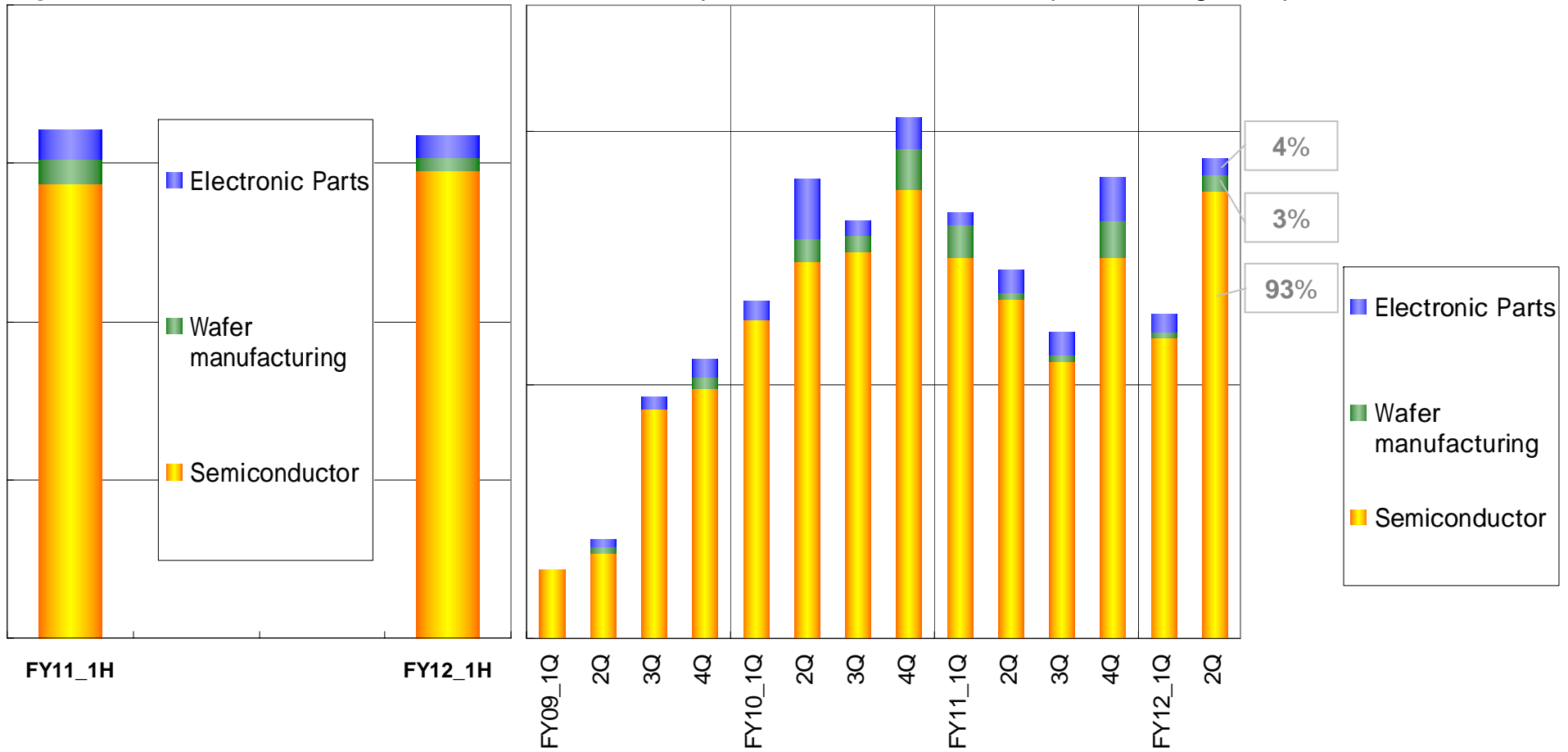


- Total dicing saw sales for FY12 1H showed an increase of around 10% YoY mainly due to improved sales for ICs.
- FY12 2Q manual dicer sales in China decreased but full auto dicer sales in Asia increased as a whole due to strong demands from OSAT customers.
- Demand for laser saws for LED applications continued to be sluggish, while sales for Low-k processing remained brisk throughout the quarter.

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

YoY

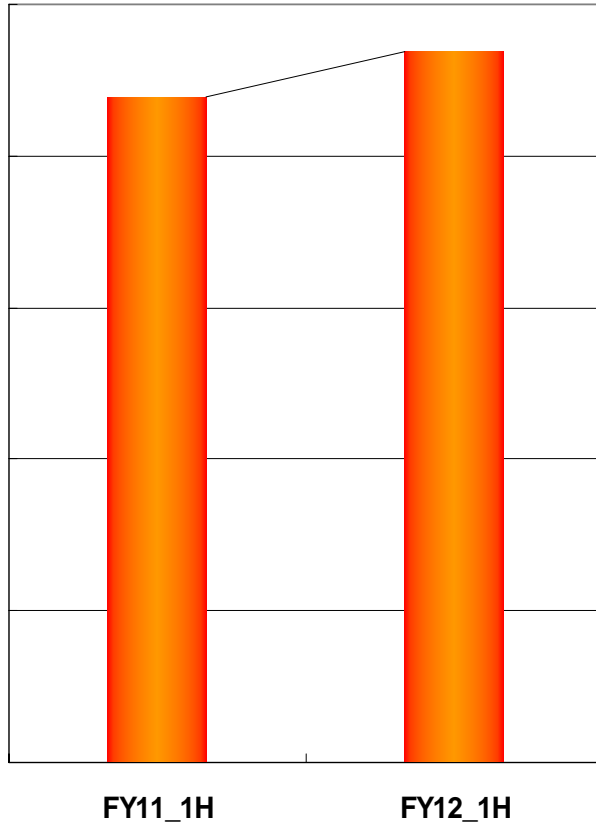
*Grinders and polishers also include surface planers and grinder/polishers



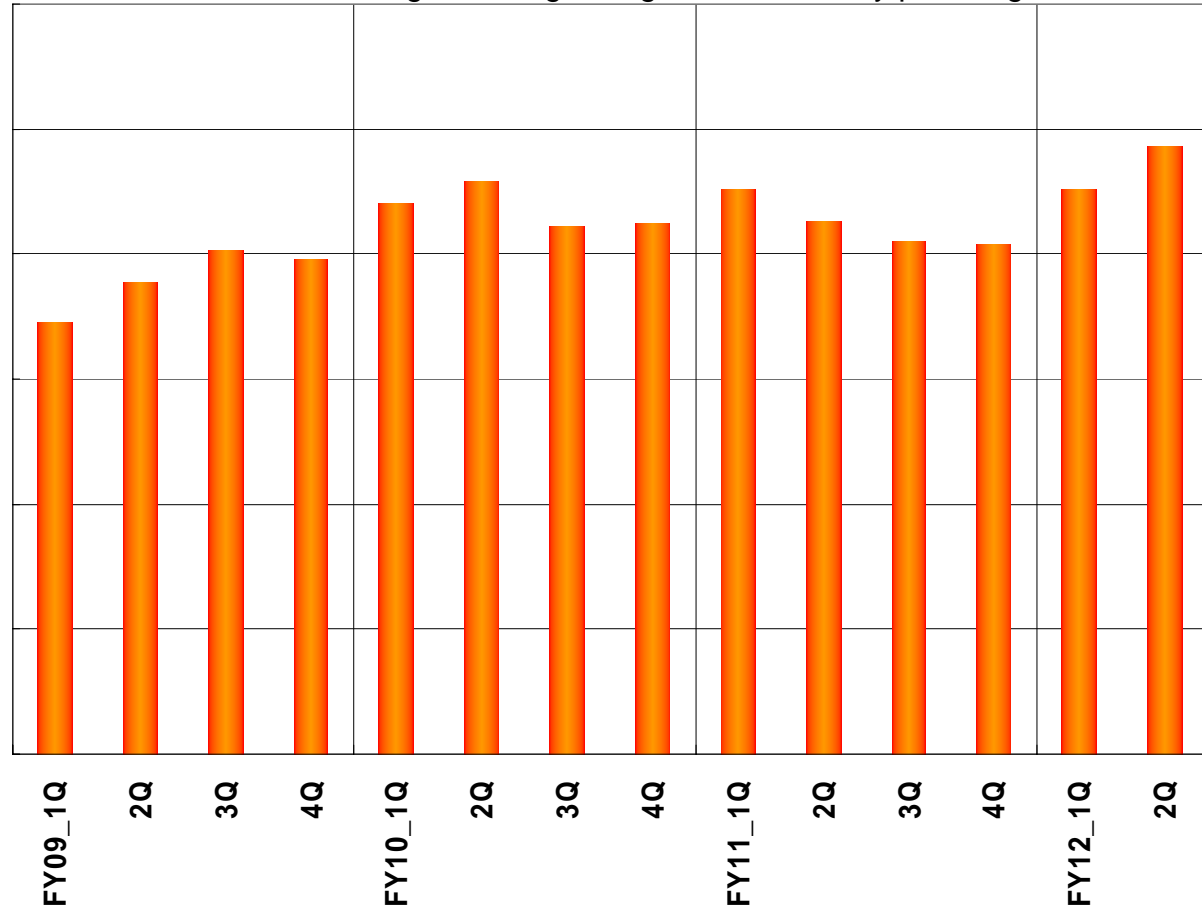
- The shipments of grinder for semiconductors showed a healthy transition in the Asian region thanks to the expansion in applications.
- FY12 2Q saw record sales of high-end grinders and an increase in total grinder sales by around 50% QoQ.

Consolidated Consumables* Sales

YoY

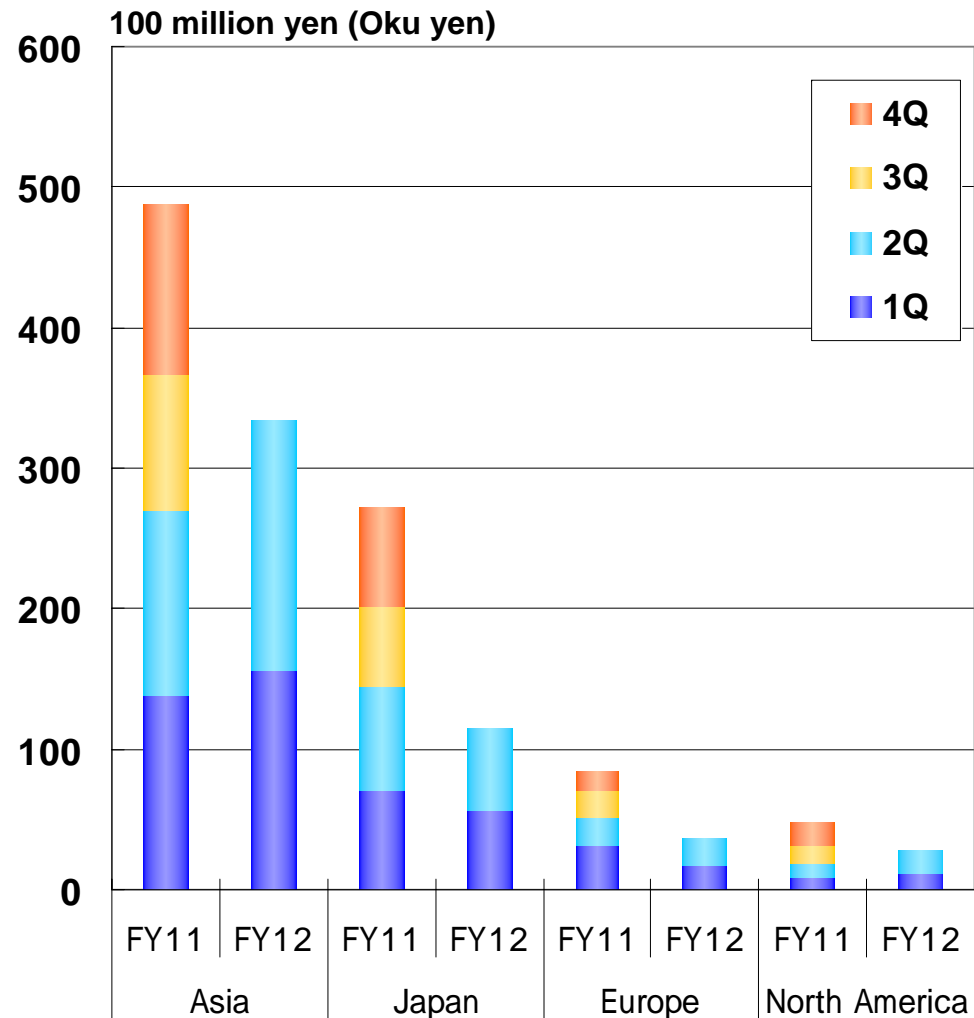
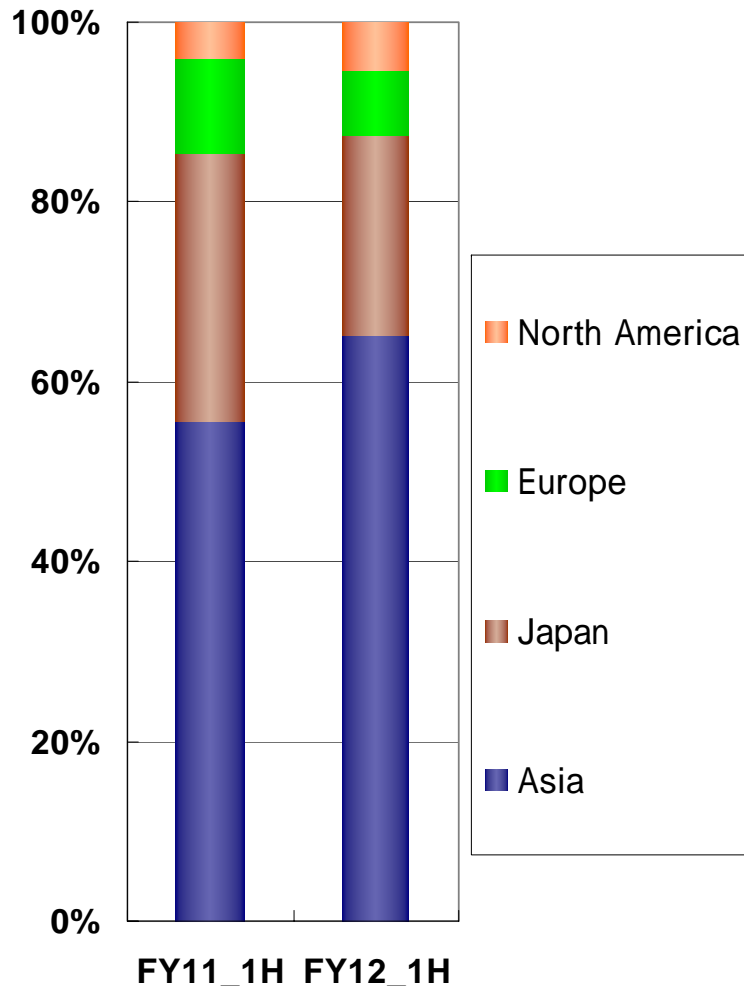


*Consumables include dicing blades, grinding wheels, and dry polishing wheels, etc.



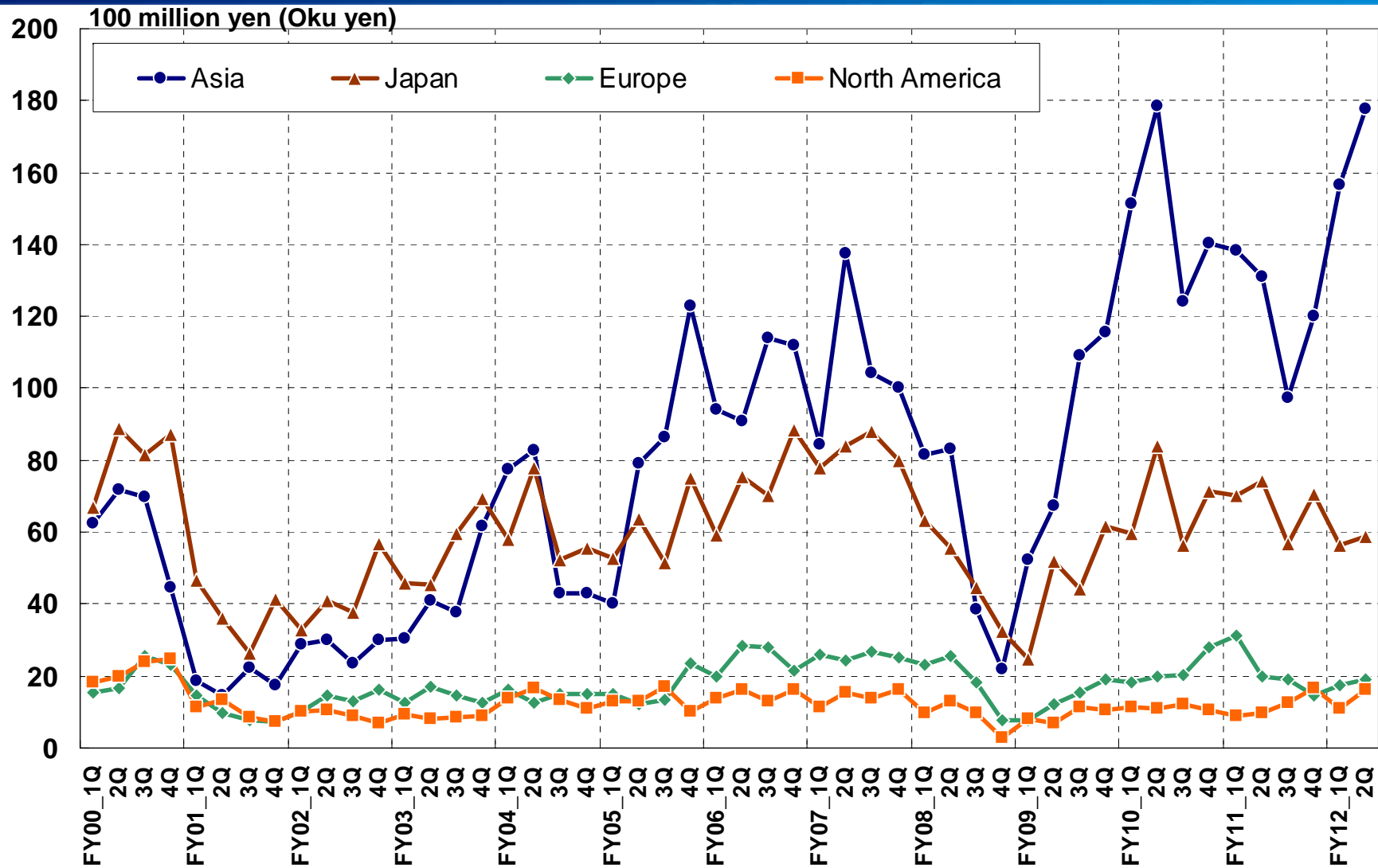
- Sales of consumables were strong to meet production ramp-ups for smartphone-related semiconductors and electronic components, reaching the 2nd highest level.
- Active investment from customers for ultra-thinning processes resulted in higher shipments of grinding wheels.

Sales Breakdown by Region



- Although FY12 1H sales for Japan did not grow as much as anticipated, the global sales composition ratio reached its highest ever level at 78% of total sales.
- FY12 2Q sales in the Asia region: Taiwan fell by around 20% QoQ, Korea grew by around 20% QoQ, China grew by around 30% QoQ.

Quarterly Regional Sales



- The main semiconductor production hubs are concentrated in the Asian region, mainly in Taiwan, Korea and China. Sales for this region were equal to the record sales level achieved in FY10 2Q.

Balance Sheet (Summary)

Millions of Yen	FY2012 2Q	FY2011 4Q	Amount
Cash and deposits	37,089	15,170	21,919
Notes and account receivable	28,325	27,074	1,251
Inventories	29,244	25,764	3,481
Total current assets	98,377	71,834	26,543
Property, plant and equipment	55,738	55,189	548
Total noncurrent assets	64,899	63,942	958
Total assets	163,287	135,789	27,498
Current liabilities	34,265	20,792	13,473
Noncurrent liabilities	22,067	12,460	9,607
Total liabilities	56,333	33,253	23,080
Total net assets	106,954	102,536	4,418
Total liabilities and net assets	163,287	135,789	27,498
Equity Ratio	64.5%	74.5%	-10.0p

[Comparison with the end of March 2012]

Assets: Total assets increased by ¥27,500 million HoH due to borrowing for the construction of a new building at the Kuwabata Plant as well as an increase in current assets in cash, account receivables and inventories.

Liabilities: Increased by ¥23,000 million mainly in loan payable, account payables and corporate tax payables.

Net assets: Equity capital-asset ratios fell to 64.5 % due to the increase of liabilities.

Cash Flow (Summary)

Millions of Yen	FY2012 1H	FY2011 1H	Amount
Net cash provided by (used in) operating activities	15,581	8,268	7,313
Income before income taxes and minority interests	7,753	7,081	671
Depreciation and amortization	2,762	2,799	-37
Decrease (increase) in notes and accounts receivable - trade	-1,702	2,186	-3,889
Decrease (increase) in inventories	-3,802	-2,751	-1,051
Increase (decrease) in notes and accounts payable - trade	11,762	2,062	9,700
Income taxes (paid) refund	-705	-5,367	4,662
Net cash provided by (used in) investing activities	-3,182	-3,887	705
Purchase of property, plant and equipment	-2,870	-3,120	251
Free cash flow	12,399	4,381	8,018
Net cash provided by (used in) financing activities	9,672	-1,449	11,122
Cash dividends paid	-640	-1,345	705
Others	10,312	-104	10,417
Net change in of cash and cash equivalents	21,926	2,097	19,828
Cash and cash equivalents at beginning of period	12,038	19,830	-7,792
Cash and cash equivalents at end of period	33,964	21,928	12,036

Cash flows FY2012 1H:

Cash flows from operating activities:

Increased by ¥15,500 million in comparison with the previous year due to an increase in depreciation, account payables and a decrease in income before income taxes.

Cash flows from investing activities:

Decreased by ¥3,100 million. There was a net outflow resulting from investing activities increased by expenditures for the acquisition of tangible fixed assets related to the new Singapore office.

Cash flows from financial activities:

Apart from dividend payments, increased by ¥9,600 million mainly in loans ¥10,000 million for the construction of the building at the Kuwabata Plant.

➔ Free cash flows were a positive ¥12,300 million, and the balance of cash and cash equivalents as of the end of September 2012 was ¥33,900 million.

FY2012 Full-Year Earning Forecast

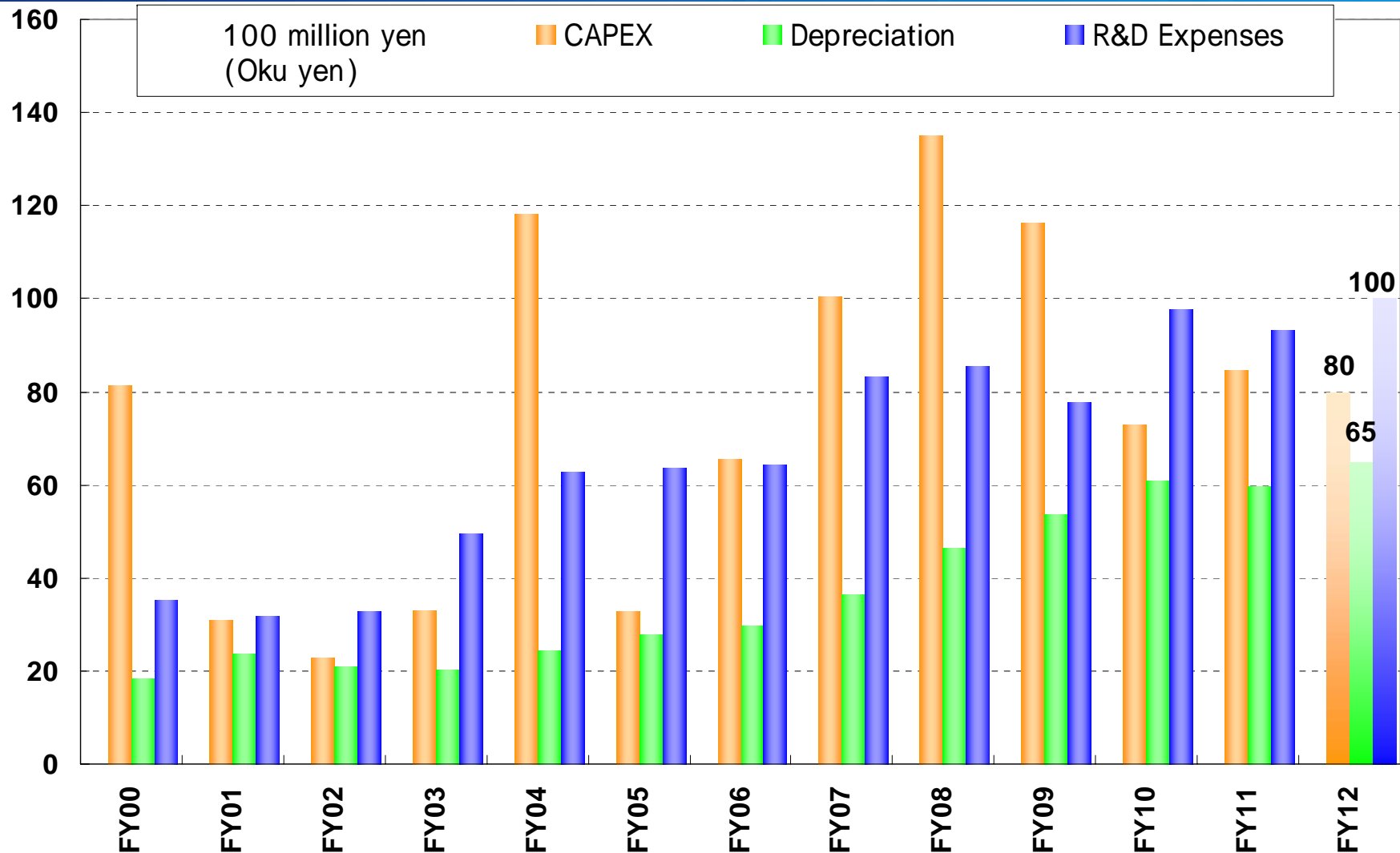
100 million yen (Oku yen)	1H	2H	Full Year	Reference Previous forecast (Full Year)	Amount
Net Sales	514	401	915	957	-42
Operating Income	75	25	100	136	-36
Ordinary Income	78	28	106	138	-32
Net Income	54	14	68	94	-26
Operating Income Margin	14.6%	6.2%	10.9%	14.2%	
Ordinary Income Margin	15.2%	6.9%	11.6%	14.4%	
Net Income Margin	10.4%	3.6%	7.4%	9.8%	

- The full year forecast revision , released on May 10th this year , was revised.
- Due to the slowdown of the global economy, major semiconductor manufacturers are taking a precautionary policy for investment.
- 2H sales will be ¥40.1 billion, around 20% less than the 1H sales, with ordinary income at ¥10.6 billion (ordinary income ratio 11.6%).

Projected exchange rates: US\$1/¥78 , 1€/¥95

Effect per ¥1 fluctuation in exchange rates (non- consolidated, whole year) US\$: ¥363 million, Euro: ¥17 million

Consolidated R&D/CAPEX Forecast



- 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 will be 10 billion yen, capital spending is expected to be around 8 billion yen, and depreciation at 6.5 billion yen.

Capital Investment



Conceptual image: The left-half of the tall building is the new building.



Conceptual image: The right-most building is the extension.

New Kuwabata Plant Building B Manufacturing Facility for Precision Processing Equipment and Precision Processing Tools	
Construction start	July 2013
Construction completion	October 2014
Total investment	¥11,000 million
Purpose	<ul style="list-style-type: none"> To increase production capacity for precision blades and wheels in anticipation of growth in production of semiconductors. To enhance BCM* readiness Some consumables have been produced at a non-seismic base isolation structure plant. ➔ After completion all Precision Processing Tools and Precision Processing Equipment will be produced at seismic isolation structure sites.
Building structure	Seven-story building with seismic isolation system Total floor area "B" is about 60,000 m ² (Building A: 55,000 m ²)

New European office construction DISCO HI-TEC EUROPE GmbH	
Construction completion	January 2013
Total investment	About 450 million Euros (Expenses for acquisition of the expansion site and construction)
Purpose	<ul style="list-style-type: none"> To meet R&D needs in the European market for high value-added devices. Furthermore, increasing demand for the Dicing and Grinding Service has required DISCO to further enhance our support framework. DISCO will construct a new building adjacent to the existing one to expand the process testing booths and clean rooms. This will triple the space.
Building structure	Three story RC

Dividend Policy and Dividend Payment

(Yen)					(Reference)
FY2012	Previous forecast	Forecast		Actual	FY2011 Actual
Intermediate dividend	36		4	40	29
Year - end dividend	35	11	-24		19
Annual dividend	71	51	-20		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.

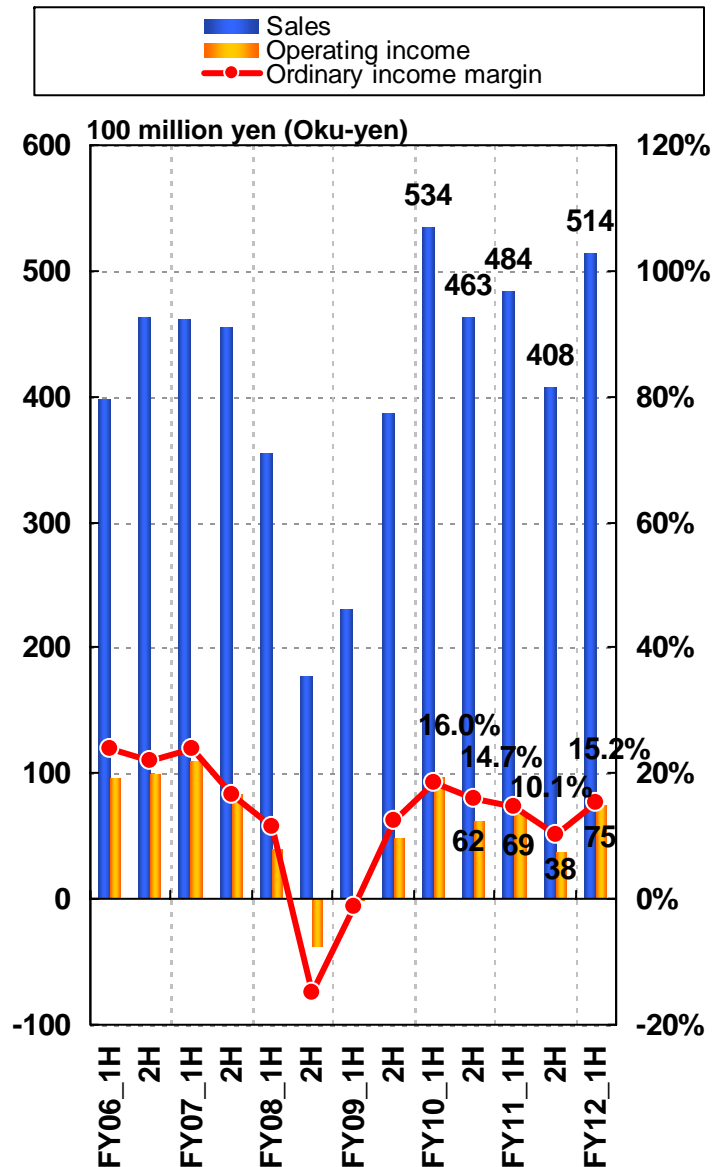
[Remarks]

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."

Operating Environment and Management Policy

Kazuma Sekiya
President and COO

Operating Environment and Our Business: FY2012 1H



Business Activities in FY2012 1H

- DISCO achieved our second highest consolidated sales record, reaching 102% of the previously forecasted ¥50,000 million.
- High demand for semiconductors and electronic components for smartphones and tablet PCs, mainly focused on Asia.
- Strong sales of high-end equipment such as laser saws for Low-K, DAF Cutting* and grinders for wafer thinning.
*DAF: Die attach film
- Consumable sales reached their highest ever level for a half year period, supported by increased output by customers.

Forecasted Operating Environment

Outlook for FY2012 -The Business Environment-

- ❑ 2H sales will decline compared to 1H sales due to suspension and revision of customers' investment plans.
 - ➔ A slowdown is expected in smartphone-related capital expenditure.
 - ➔ Demand for LED device-related equipment for general lighting applications will remain sluggish.
 - ➔ Some major manufacturers will continue to monitor the economic situation before committing to investments for advanced technologies.

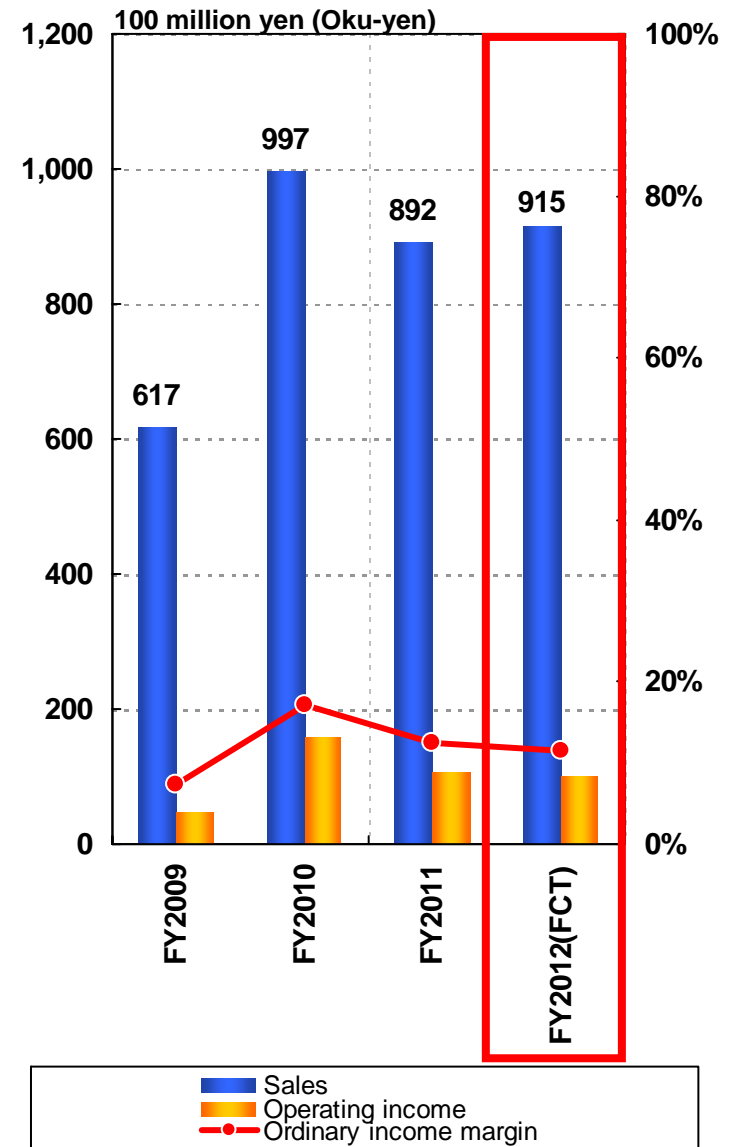
❑ DISCO will maintain the high level of investments to meet the various needs of the customers.

❑ We will also continue to control SG&A expenses, and maintain high levels of employee and customer satisfaction to further strengthen our business structure.

❑ Our revised forecast for FY12 shows anticipated increased sales and decreased profit.

❑ FY12 forecast:

		vs FY11
Sales	¥91.5bn	plus 2.5%
OP	¥10bn	minus 6.2%



DISCO

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