FY2008
Financial Results

DISCO Corporation

May 18, 2009

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Today's Agenda

1. **FY2008 Financial Results and FY2009 Full Year Forecast**

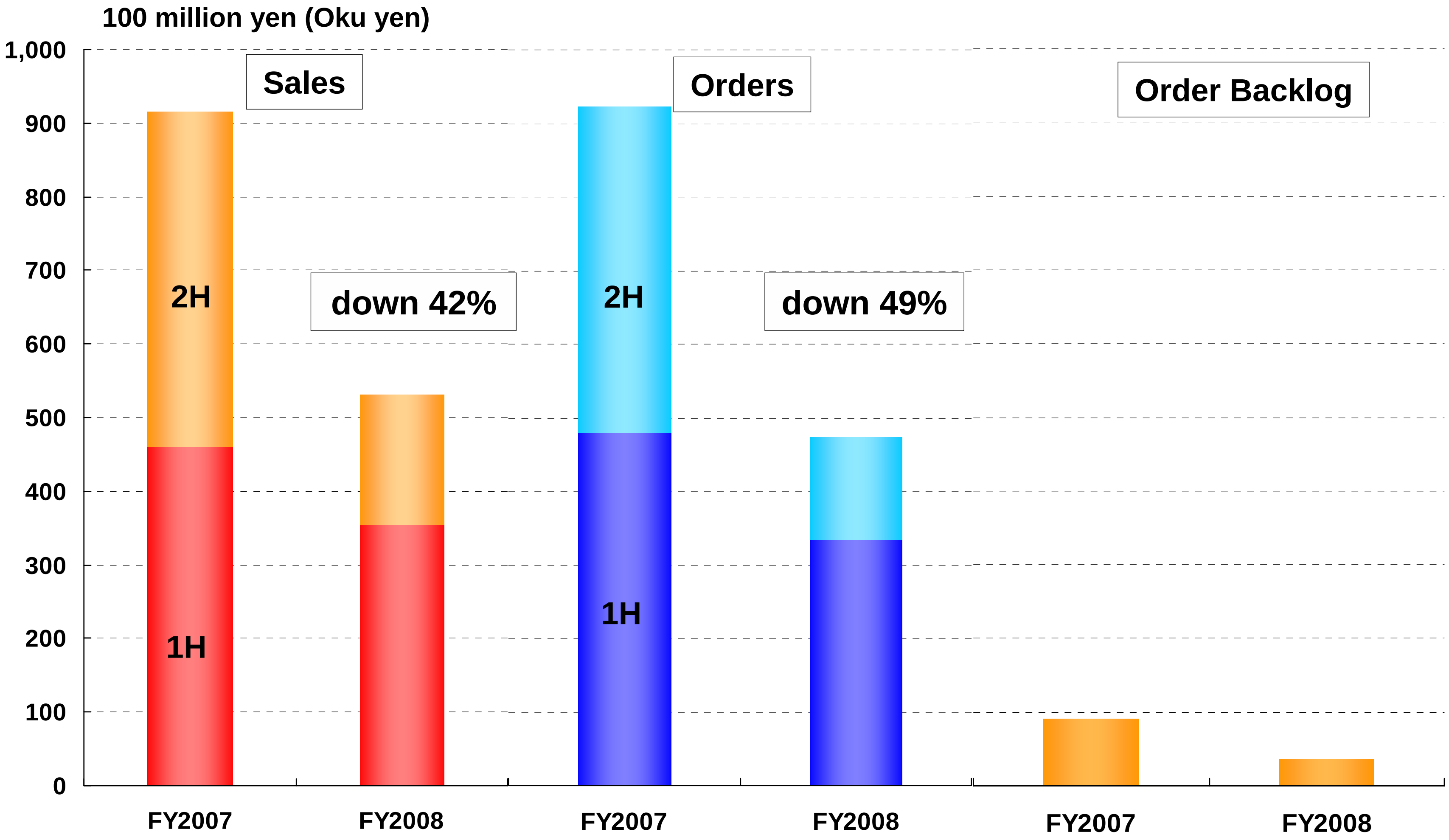
   Manager, Investor Relations Shinichiro Ozawa

2. **Operating Environment and Management Policy**

   Chairman and CEO　Hitoshi Mizorogi

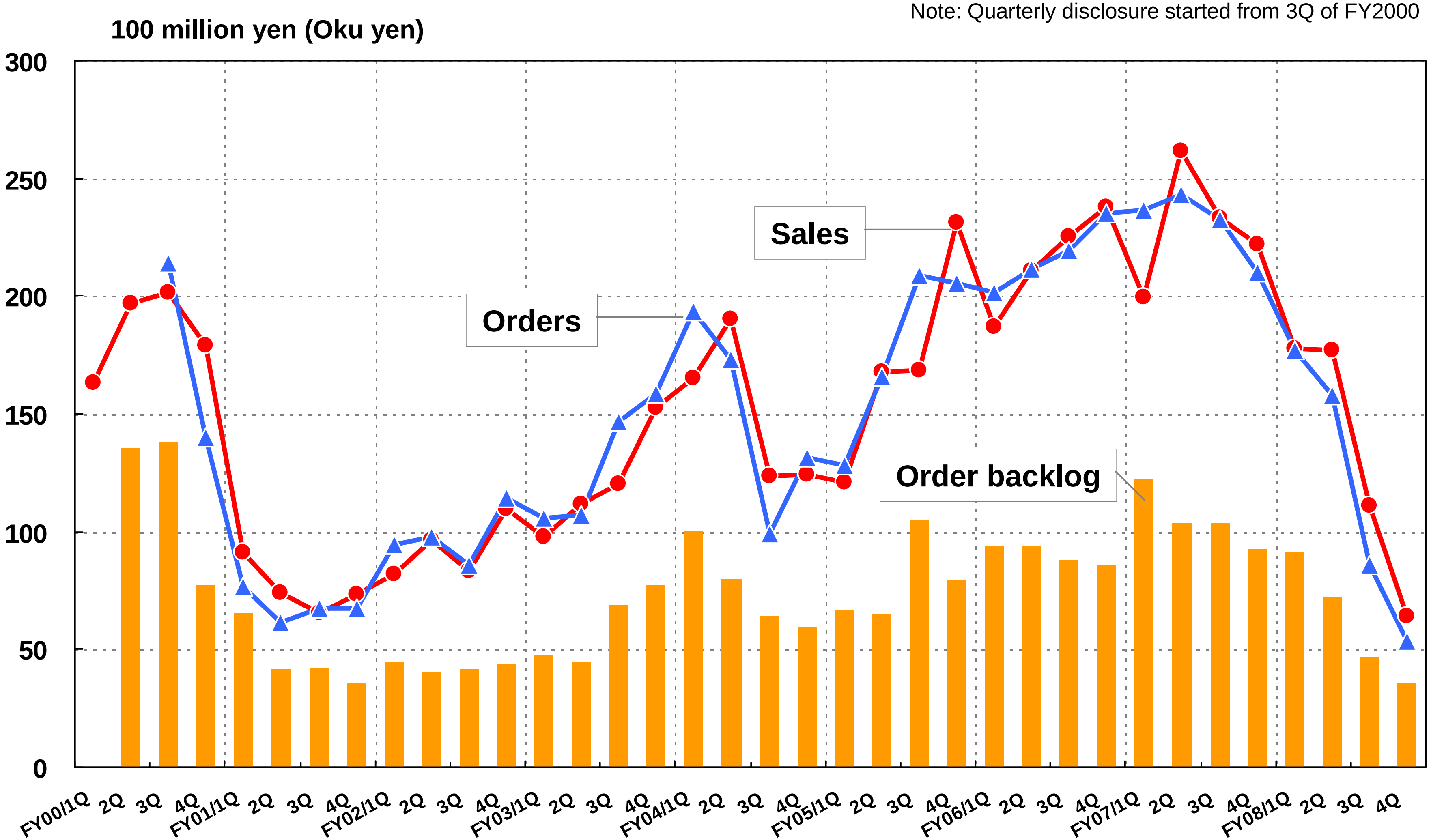
FY 2008 Financial Results and FY2009 Forecast

Consolidated Sales, Orders, Order Backlog



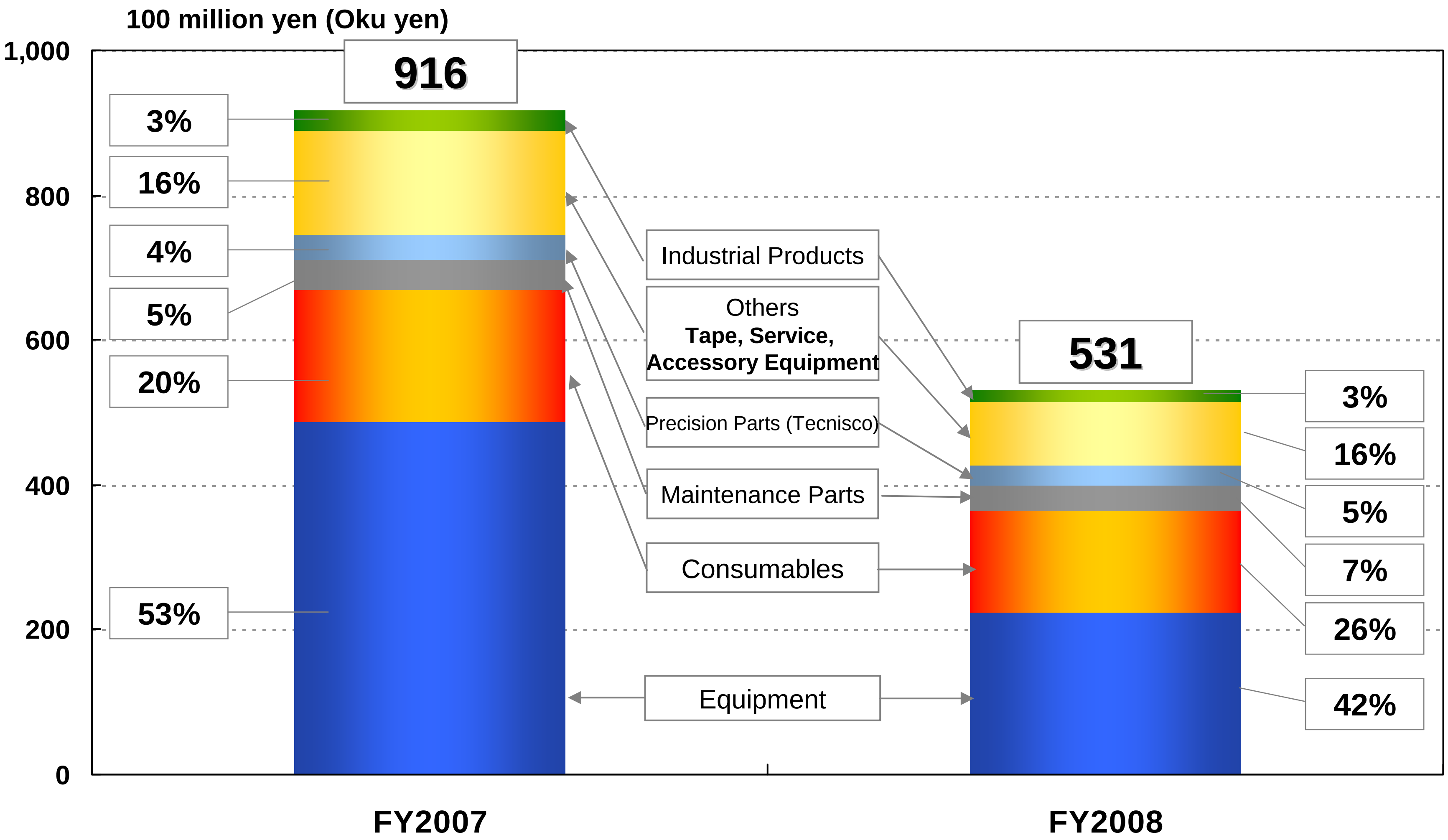
- Both sales and orders dropped significantly for the first time in the six years since FY2001.
- Influenced not only by the downturn of the silicon cycle but also by large scale production adjustments starting from the middle of 3Q.

Quarterly Sales/Orders



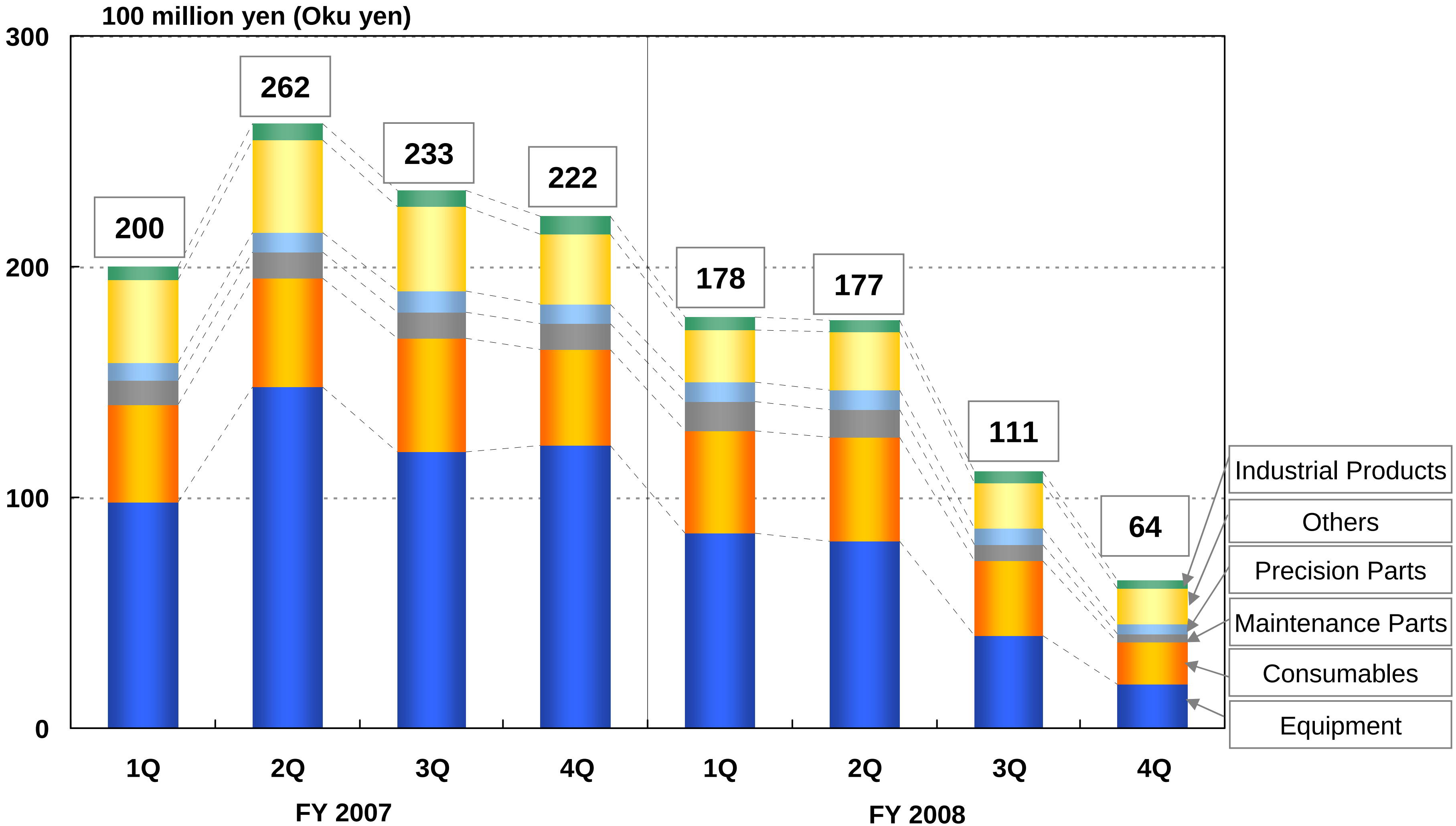
- Sales in 3Q and 4Q declined by 40% from the previous quarter due to being hit by the global recession.
- Sales and orders for the 4Q dropped to the same bottom level in FY2001 because of stagnated capacity utilization.

Consolidated Sales Breakdown by Product



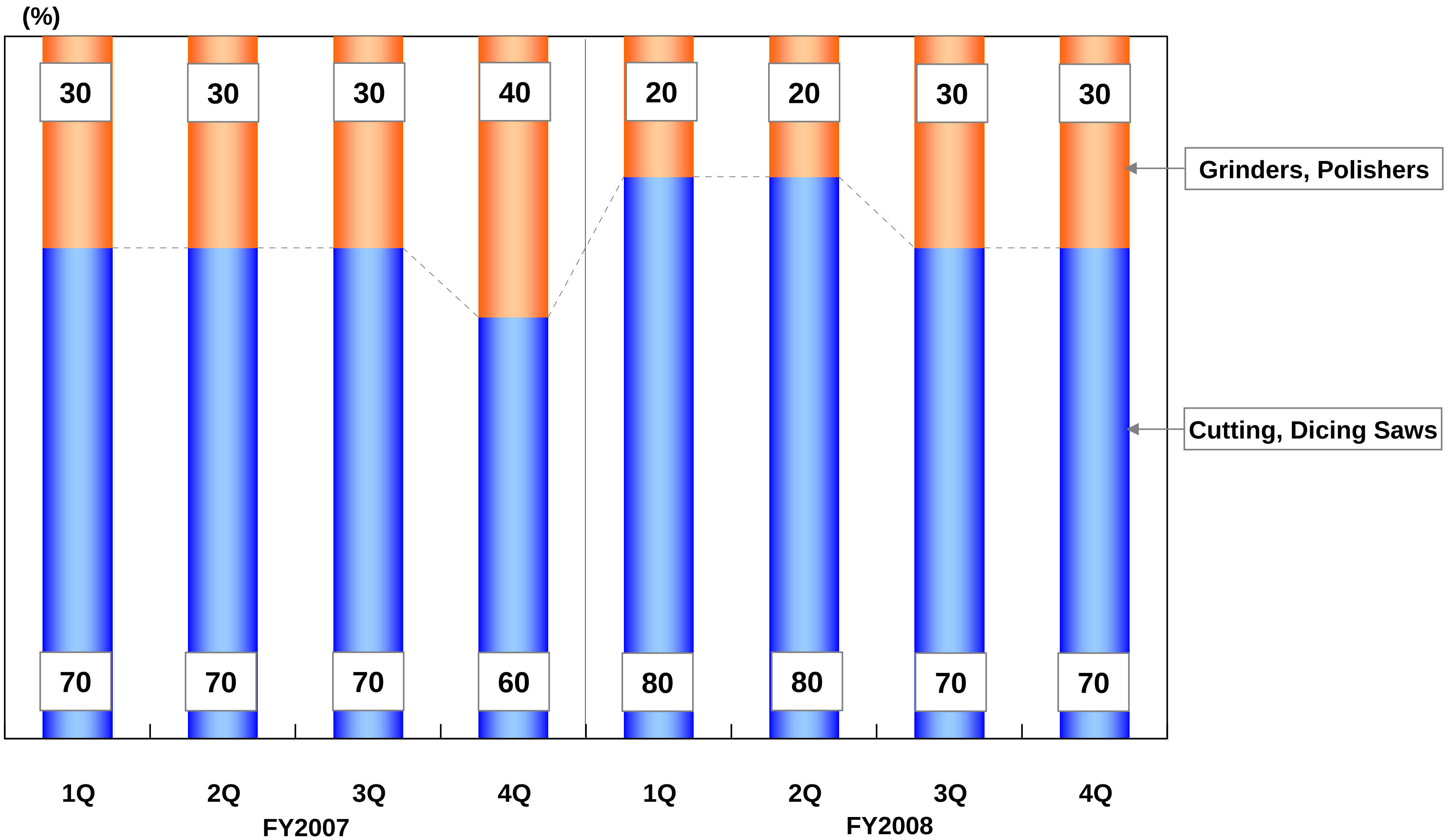
- Sales decreased in all product segments, but equipment sales especially dropped by 54% from FY2007.
- Sales of consumables, which had grown by 16% every year (CAGR base) in past six years dropped by 22%.

Consolidated Quarterly Sales Breakdown by Product



- Sales of equipment were affected by a downturn in the business cycle from 1Q.
- Consumable sales in the 2H dropped by 44% from the 1H, which was the biggest drop in our history. (38% down in in FY01)

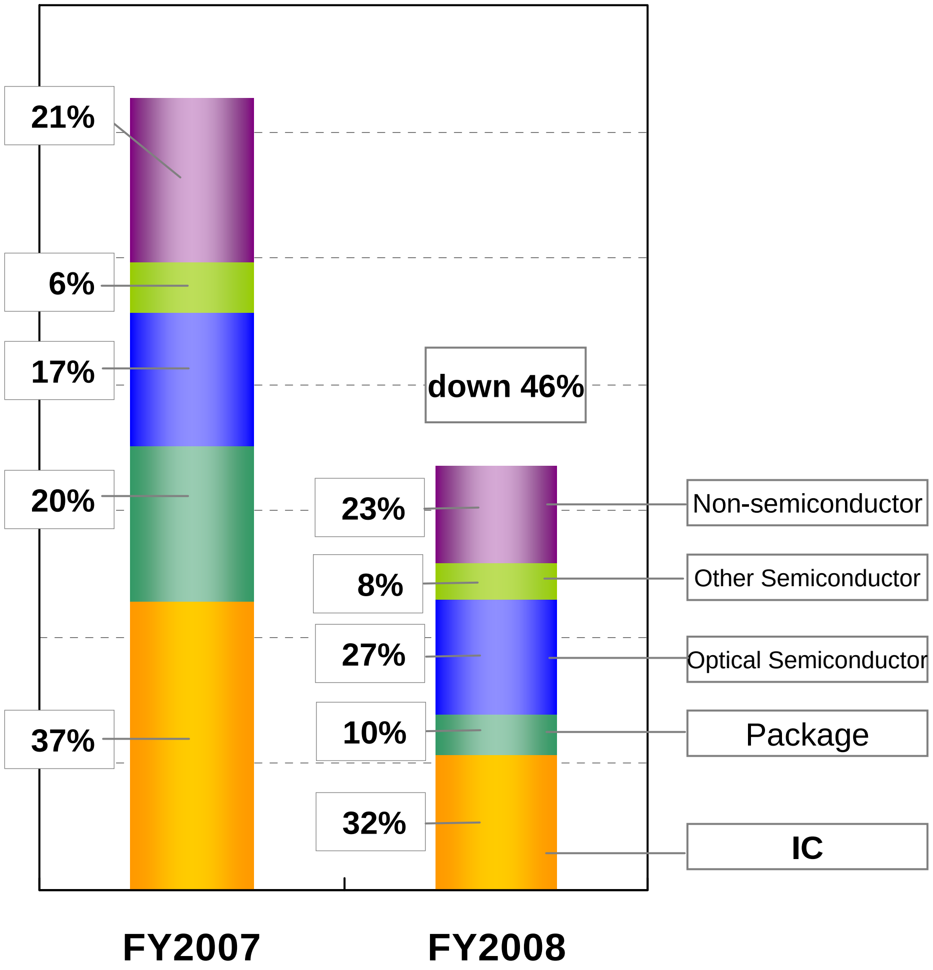
Quarterly Equipment Sales Breakdown



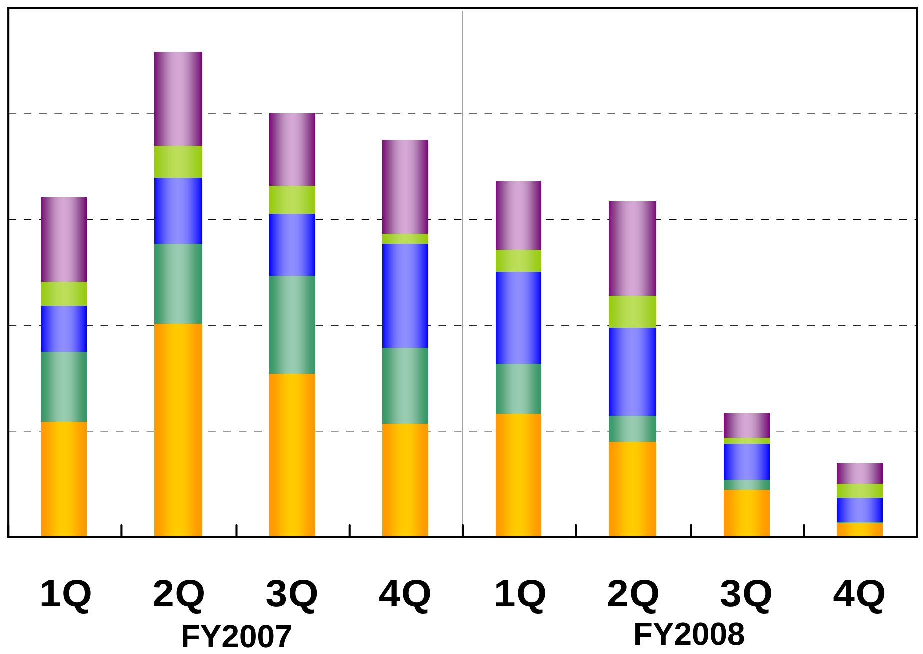
- The ratio of grinder and polisher sales shrank as a result of the slowdown in memory as well as wafer-manufacturing investments.

Cutting, Dicing Saws* Sales Breakdown by Application

*Note: Cutting, dicing saws include blade dicers and laser saws



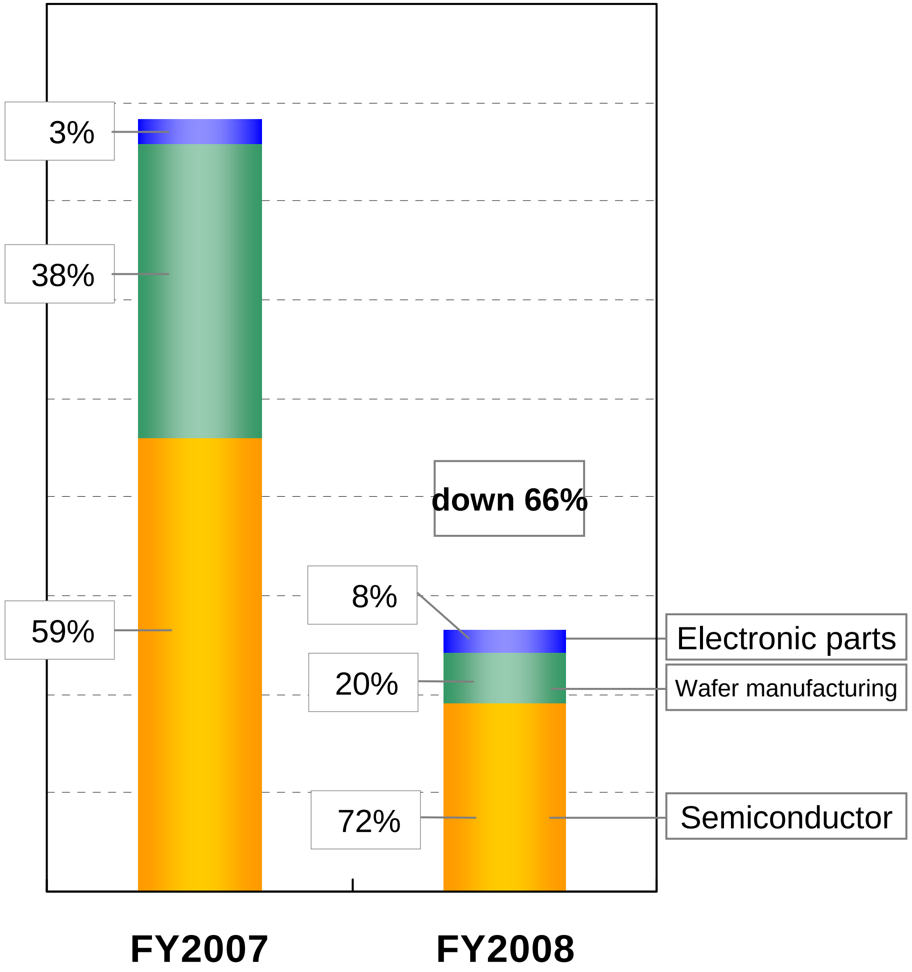
Quarterly Movement



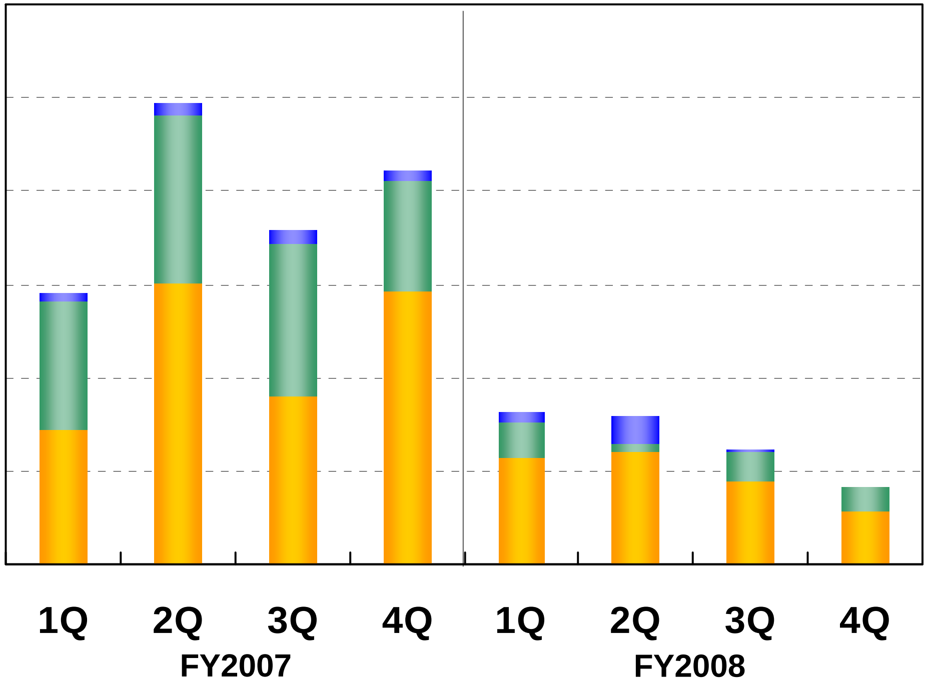
- Laser saw sales used for LED cutting were strong, and supported dicing saw sales.
- Demand for investment in mass production equipment suddenly stagnated beginning in November 2008.

Grinders, Polishers* Sales Breakdown by Application

Notes: Grinders, polishers also include surface planers and Grinder/Polishers



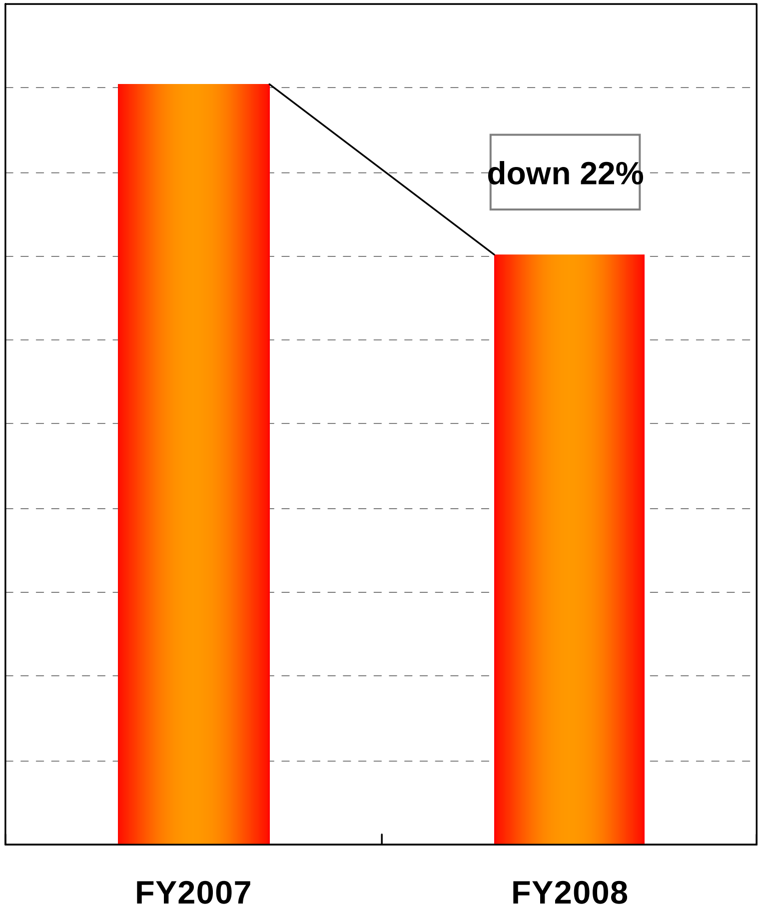
Quarterly Movement



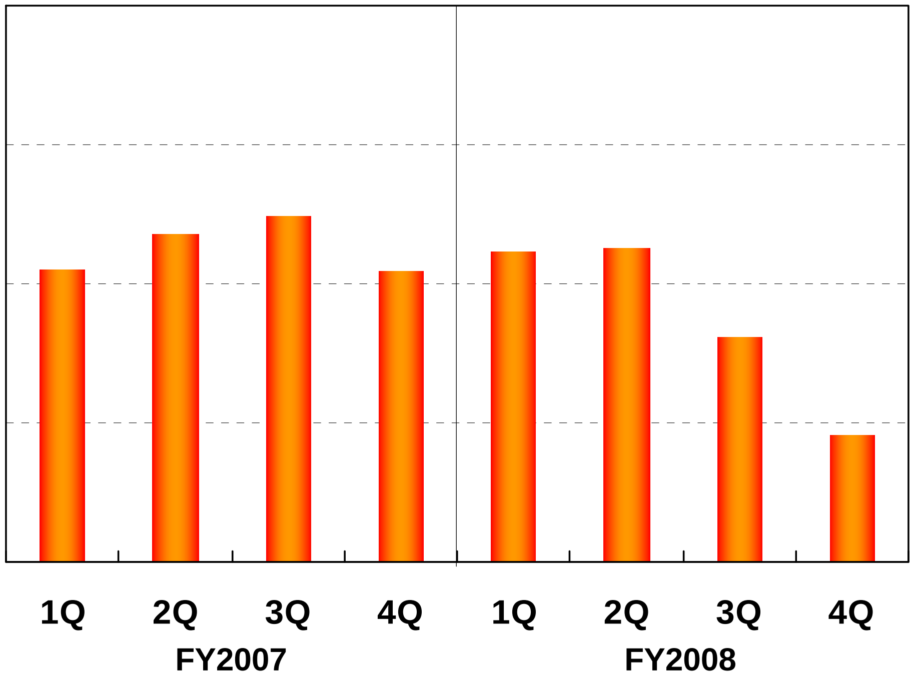
- Shipments of ultra-thinning grinders stayed at a low level except for a particular sub-contract assembler impacted by the stagnated investment among memory manufacturers.
- Grinders for wafer manufacturing drastically dropped from FY2007 when we recorded historically high sales.

Consumables* Sales

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

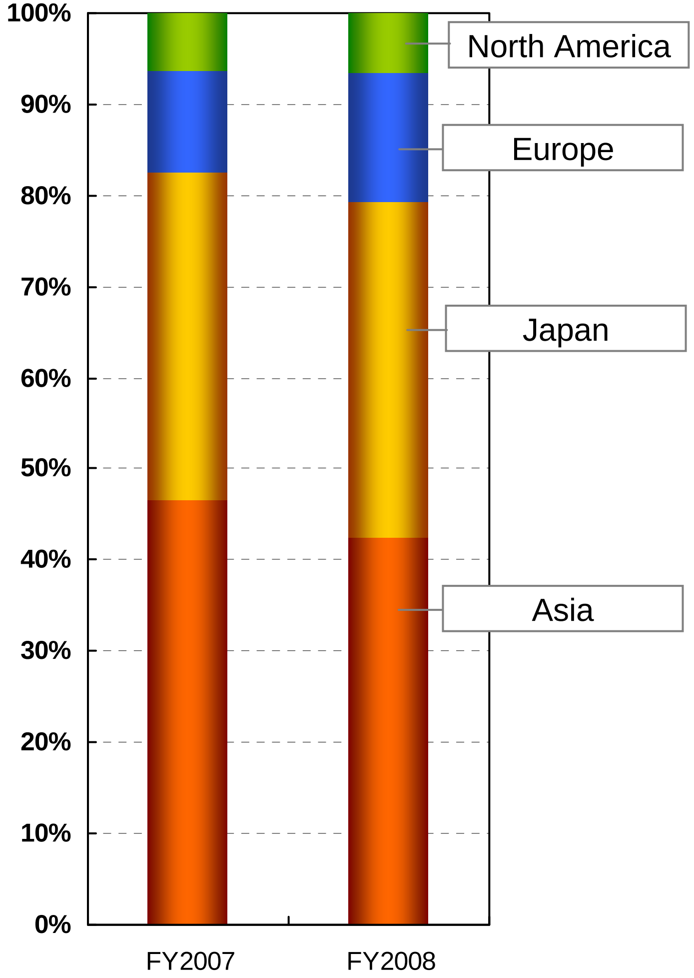


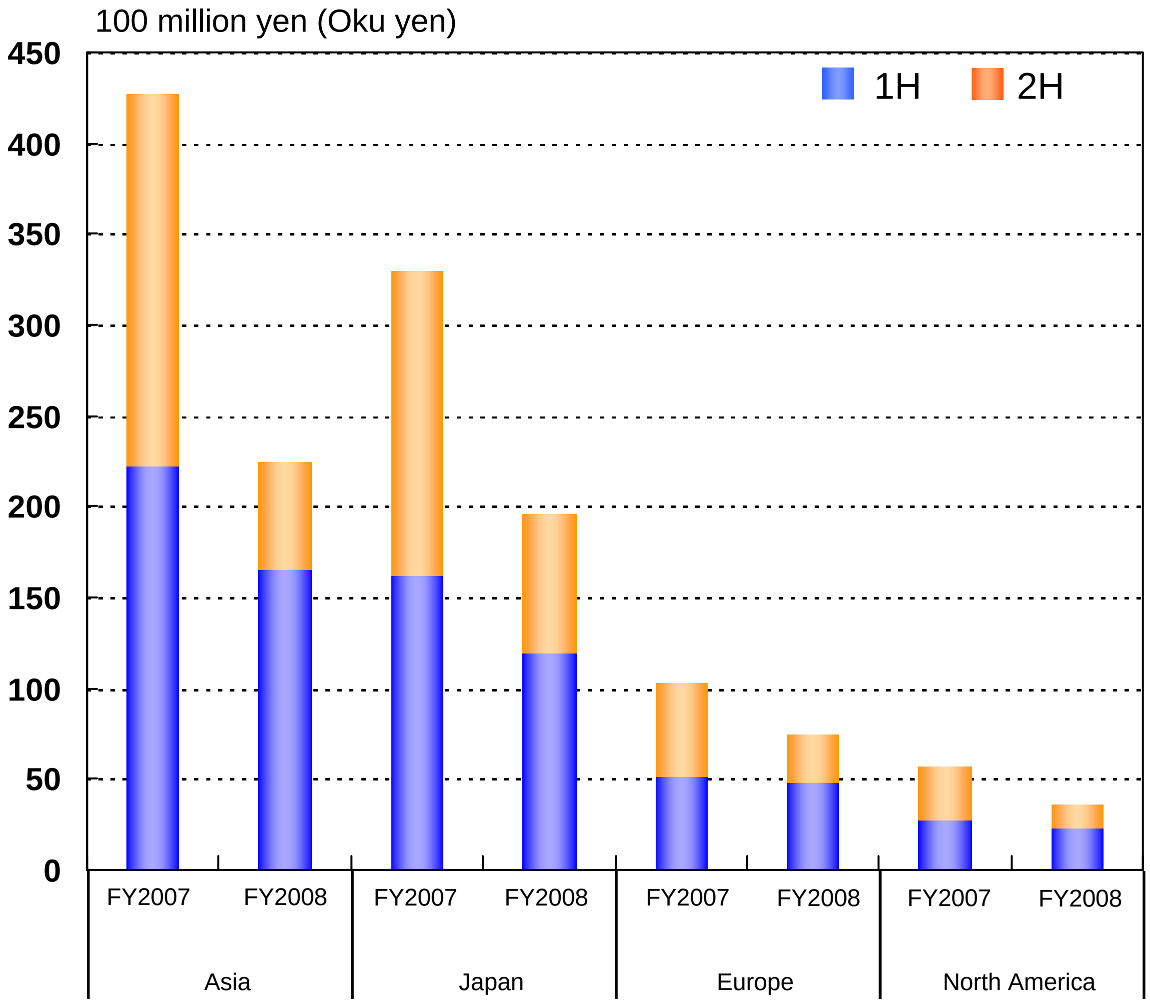
Quarterly Movement



- Consumable sales were robust during the 1H from a favorable capacity utilization, however, monthly sales decreased month by month after November 2008.
- Consumable orders slightly increased at the end of fiscal year 2008 due to improvement in capacity utilization.

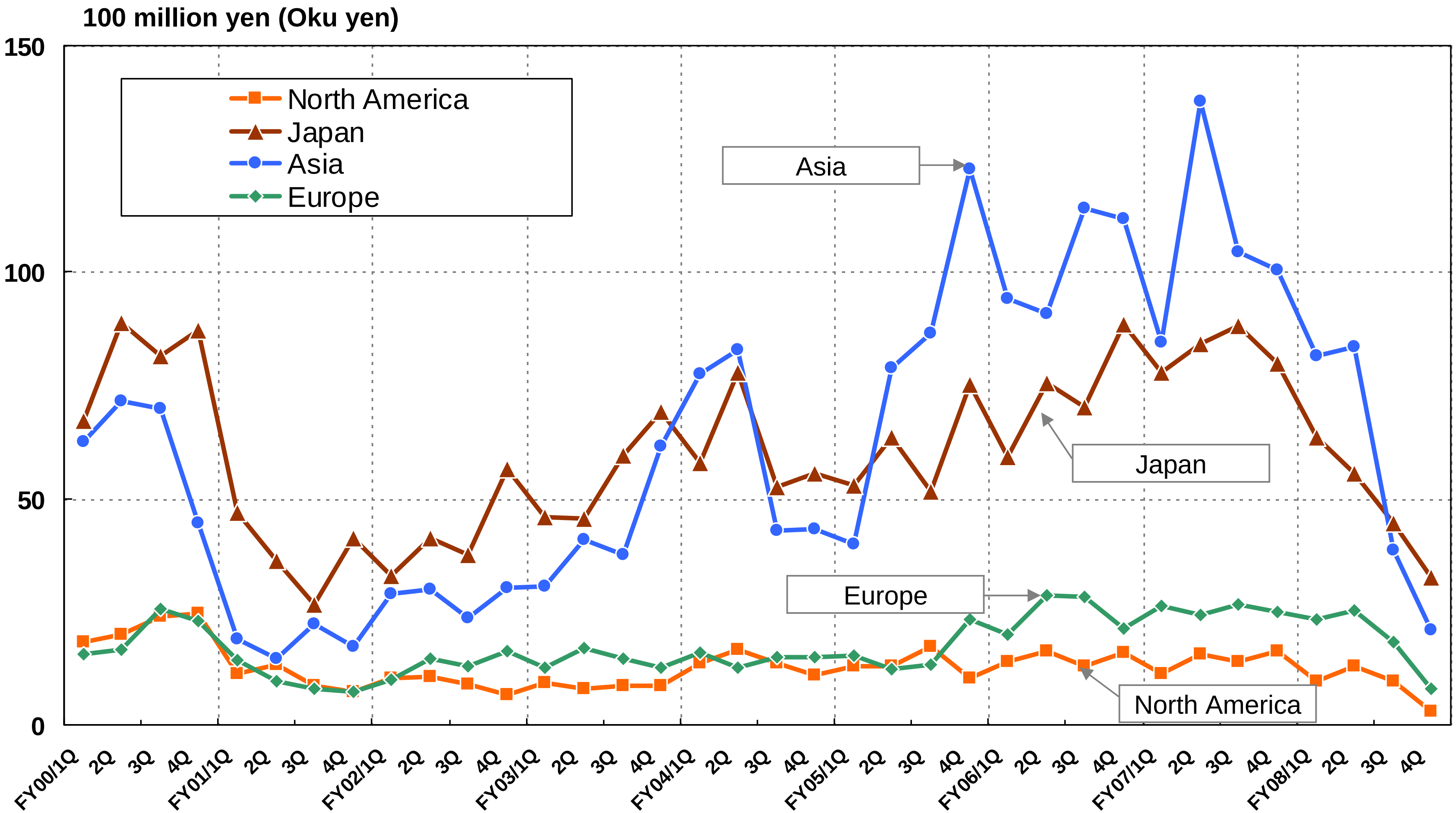
Sales Breakdown by Region





- The percentage for Europe, where high-value-added products are sold, increased notwithstanding drastically decreased net sales.
- Sales for Asia and Japan, where commercial production sites are located, were strongly affected by the worldwide recession in the 2H.

Quarterly Regional Sales



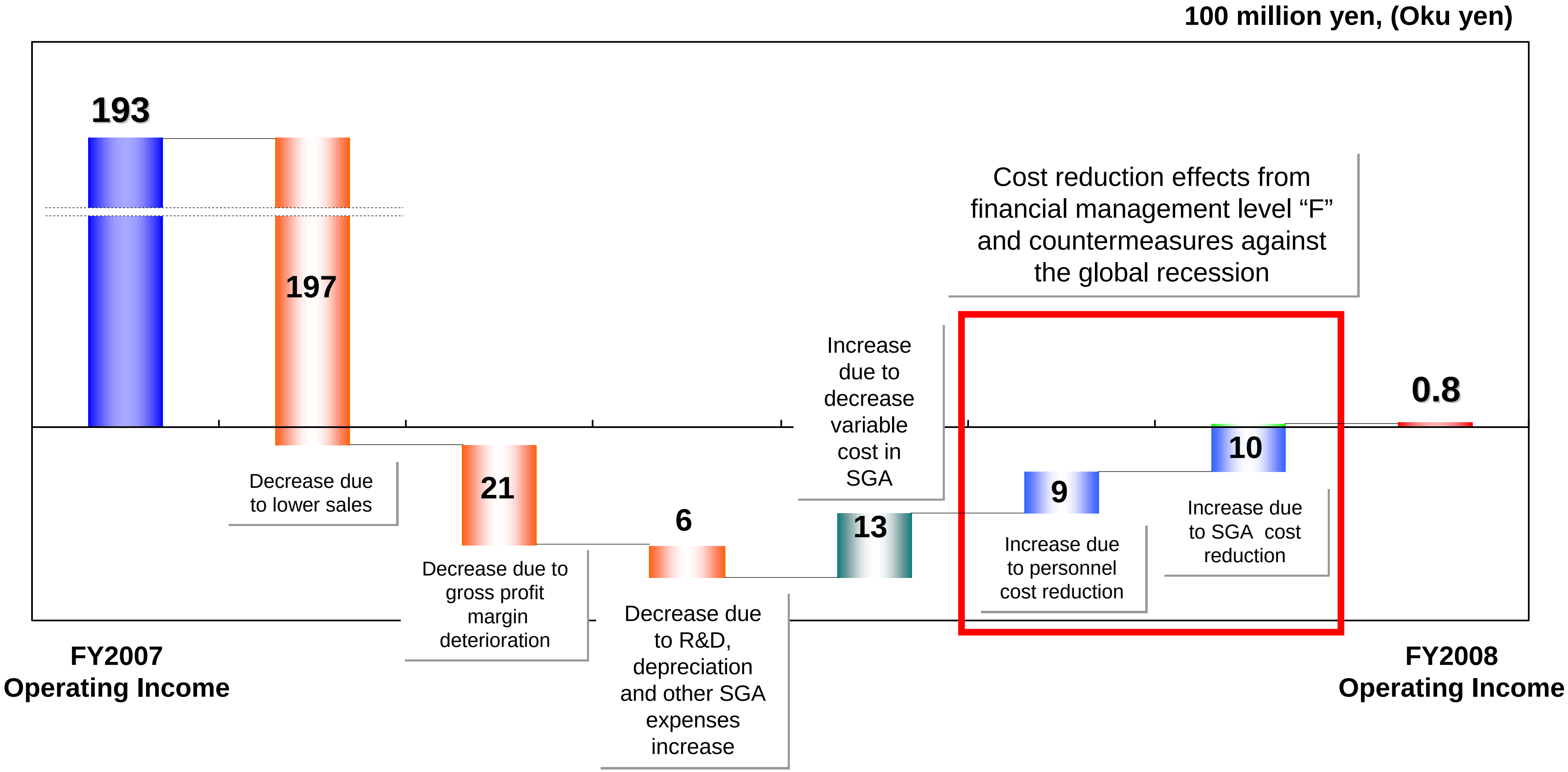
- Among Asian sales, sales to South Korea dropped most significantly on a YOY base, on the other hand, sales to Taiwan were relatively robust in FY2008.

FY2008 Earning Results

100 million yen, (Oku yen)	FY2007	FY2008	⊿ Amount	⊿ (%)
Sales	**916**	**531**	△385	-42.1%
Gross Profit	**469**	**251**	△218	-46.5%
Gross Profit Margin	51.1%	**47.2%**	-	-
SGA	**275**	**250**	△25	-9.2%
Operating Income	**193**	**0.8**	△193	-99.6%
Ordinary Income	**186**	**15**	△171	-92.1%
Ordinary Income Margin	20.3%	**2.8%**	-	-
Net Income Before Tax	**185**	**8**	△177	-95.8%
Net Income	**111**	**3**	△109	-97.7%
EPS (Yen)	**327.07**	**6.74**	**△320.33**	**-97.9%**
Depreciation	37	**47**	**10**	**27.5%**
CAPEX	100	**135**	**35**	**34.5%**
R&D Expense	83	**85**	**2**	**2.4%**

- Although sales declined significantly in FY2008, net income stayed in the black thanks to various countermeasures against the global recession and gains from foreign exchange, etc.
- Gross profit margin deteriorated in FY2008 as the result of low capacity utilization due to a sharp decline in production volume.

Operating Income Factorial Analysis



- Operating income declined significantly due to a drastic sales decrease and deteriorated gross profit margin.
- 1.9 billion yen cost reduction was achieved by thorough expense control, restriction of overtime work and other countermeasures against the global recession.
- Consolidated operating profit was 76 million yen.

Balance Sheet

100 million yen (Oku yen)	FY2007 March 31, 2008	FY2008 September 30, 2008	FY2008 March 31, 2009	⊿ Previous year
Current Assets	699	557	**663**	△36
Cash and cash equivalents	191	126	**334**	144
Notes and account receivable	271	204	**110**	△161
Inventories	199	192	**188**	△12
Others	38	34	**31**	△6
Fixed Assets	487	531	**576**	89
Tangible fixed assets and Non-tangible fixed assets	421	462	**493**	72
Other fixed assets	66	68	**83**	17
Total Assets	1,186	1,088	**1,239**	53
Current Liabilities	289	183	**376**	87
Long term liabilities	264	159	**119**	△145
Fixed liabilities, etc.	26	24	**257**	232
(Interest bearing debt)	(6)	(7)	(277)	(271)
Net assets	897	905	**863**	△33
Shareholders' equity ratio (%)	75.0%	82.7%	**69.2%**	-
Liabilities and shareholders' equity	1,186	1,088	**1,239**	53

- Financing of 27.1 billion enables stable business operation under recessionary period.
  (Interest bearing debt = Short-term borrowings, long-term borrowings within 1 year, long-term borrowings, 1 year corporate bond, and corporate bond)
- Equity ratio dropped from 75.0% to 69.2% in FY2008.

Cash Flow

100 million yen, (Oku yen)	FY2007	FY2008	⊿
Cash flow from operating activities	93	**46**	△47
Net income before tax	185	**8**	△177
Depreciation	37	**47**	10
Trade receivables, inventories and buying debt	△36	**74**	110
Corporate tax and others	△89	**△29**	60
Others	△3	**△54**	△50
Cash flow from investing activities	△118	**△136**	△18
Purchase of property, plant and equipment	△94	**△137**	△42
Increase (decrease) of time deposits and others	△24	**1**	25
Cash flow from financing activities	△32	**244**	276
Proceeds from short and long-term debt, debenture redemption and others	4	**271**	267
Cash dividend paid for minority shareholders	△27	**△18**	9
Others	△8	**△9**	△1

Free cash flow	△25	**△90**	△65
Change of cash and cash equivalents	△60	**154**	213
Balance of cash and cash equivalents	181	**334**	154

- Operating cash flow was 4.6 billion yen from an increase in receivables though income before taxes was 0.8 billion yen.
- Investment cash flow was 13.6 billion yen, due to expansion of the Headquarter R&D Center and payment of construction for new buildings in Kuwabata and Chino plants.
- Financing cash flow was 24.4 billion yen due to borrowing a total of 2.7 billion yen as up-front financing.

FY2009 Full-Year Earning Forecast

(100 million yen)

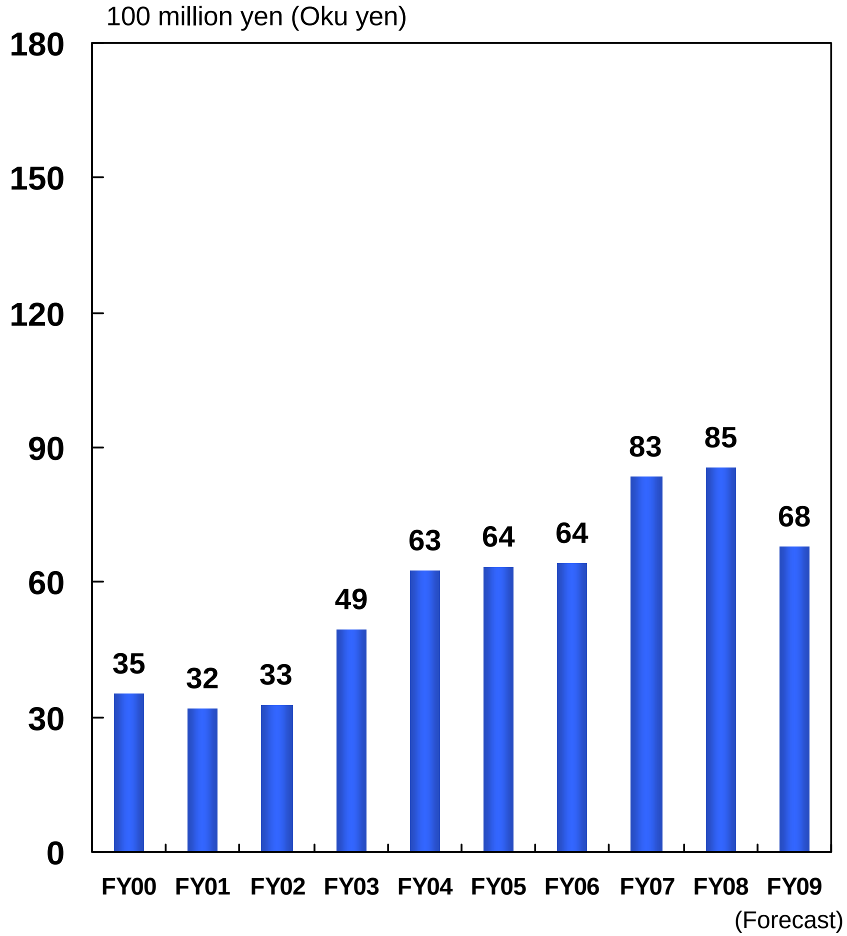
	FY2009 Forecast			Preference	
	1H	2H	Full Year	FY2008 Full Year actual	⊿
Sales	193	247	440	531	△91
Operating Profit	△19	7	△12	0.8	△11
Ordinary Income	△21	5	△15	15	△29
Ordinary Income Ratio	-10.7%	2.2%	-3.5%	2.8%	-
Net Income	△15	1	△14	3	△17
Depreciation			54	47	△7
CAPEX			91	135	△44
R&D Expense			68	85	△17

- Forecast severe operating environment continues to be affected by the global recession
- Assumes a gradual improvement in production and investment activities toward the 2H
  => Forecasts 4.4 billion yen in consolidated sales which is down by 17.2% from FY2008.
- Equipment sales are expected to decrease by approx. 30%, consumables also will decrease by approx. 10%.

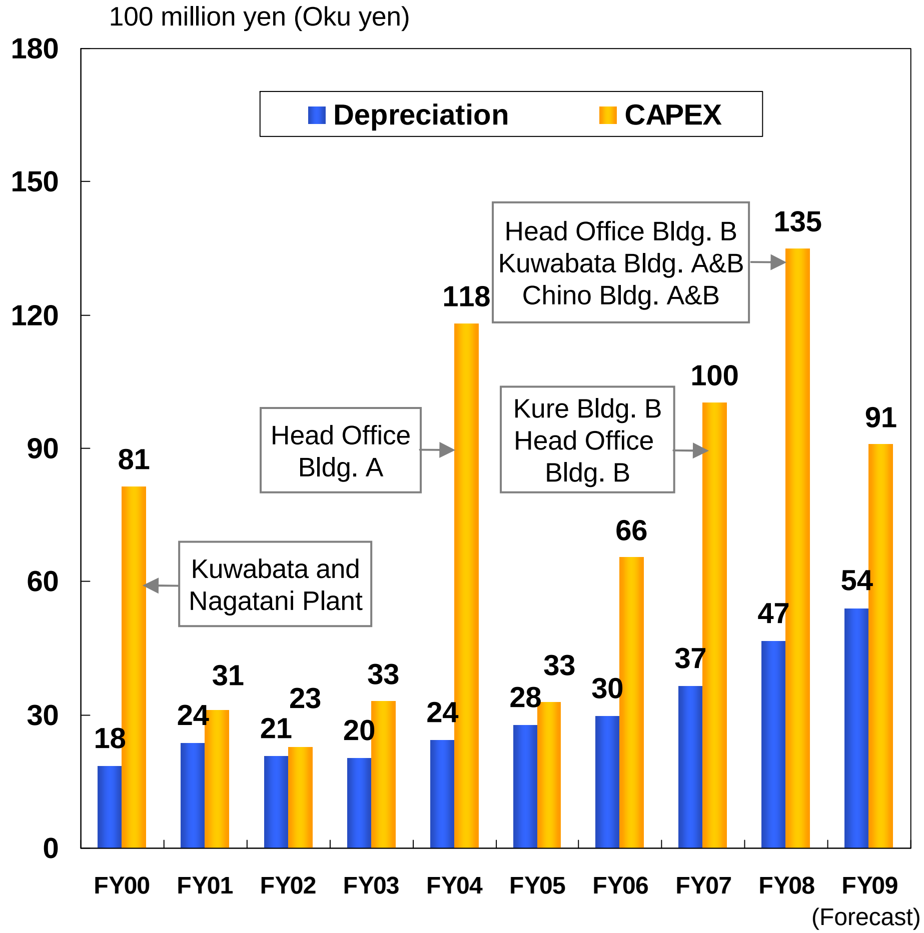
- Assumed exchange rate US$:95 yen/Euro:125 yen/SGP$:60 yen
- Effective amount of change per 1 yen (Full year) US$/109.5 million yen Euro/17.9 million yen

Consolidated R&D/CAPEX Forecast

R&D Expenses



Depreciation/CAPEX



- R&D expenses and CAPEX are controlled and prioritized compared to FY2008.
- Depreciation will increase by 700 million yen.

Dividend Policy and Dividend Payment

	Intermediate dividend	Year-end dividend	Annual dividend
FY2008	**10 yen**	**10 yen**	**20 yen**
FY2009 (Forecast)	**10 yen**	**10 yen**	**20 yen**

- The 20 yen stable base dividend will apply according to our dividend policy because consolidated net loss is expected for FY2009.

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 ①

●FY2008

Business Environment in the 2H of FY2008

- Sharp decline of end-product demand due to the global recession
- Industry confronts a severer operating environment → Proceeding with reorganization of the industry
  - Decrease in sales
  - Increase in inventories
  - Deteriorating finance position

→

- Freeze capacity expansion
- Large-scale production control, etc

Our Operating Results

- Our operating results were extremely severe
  - Consolidated sales 53.1 billion yen (down by 42%), net income 0.3 billion yen (down by 98%)
  - Sales and orders recorded a historically sharp drop which we experienced since the IT bubble burst in FY2001.
    - More seriously impacted than the burst IT bubble

Operating Environment and Our Business ②

●FY2008

Our Operating Results

- ☐ Consumables
  - ◆ Maintained robust sales in the 1H
  - ◆ Experienced historically high production adjustment after November, 2008
  - ◆ Orders bottomed out in March 2009, then showed recovery

- ☐ Laser saw business
  - ◆ Growing segment under a recessionary period
  - ◆ Robust sales for the LED application
  - ◆ Continued aggressive research and development activities

Consolidated results for FY2008 stayed in the black thanks to immediate countermeasures against the global recession and thorough cost reduction efforts.

Financial Management Levels

Applied timing (FY2008)	Financial management level	Guideline
In April	A	• Approve spending except for expenses which are obviously unnecessary • Always keep cost reduction in mind
↓	B	• Pay attention to reduce costs aiming to achieve an ordinary income margin of 20% or more. (ex.) Request for managerial decision required in case of an overseas trip with more than 1 person.
In July	C	• Pay attention to reducing costs and reviewing the quality and frequency of operational activities. (ex.) Restrict travel in business class during overseas business trips.
↓	D	• Examine thoroughly every expense in all divisions. (ex.) A managerial approval is required in case of a domestic business trip with more than 1 person.
In early October ↓	E	• Examine thoroughly every expense in all divisions. All expenses request the division manager approval. (ex.) The president's approval is required in case of a domestic trip with more than 1 person.
In late October	F	• in addition to level "E," examine thoroughly every expense except for product and service-related costs.

• SG&A FY2007 27.5 billion yen → FY2008 25 billion yen (2.5 billion yen down)

Quarterly FY2008 1Q 6.9 billion yen→ 2Q 6.7 billion yen → 3Q 6.4 billion yen → 4Q 5.1 billion yen

Operating Environment for FY2009

●FY 2009 Forecast

Operating Environment

- **Global recession: coming out of its catastrophic status, however recovery in demand for end-use products is still uncertain.**

- **Excess capacity in the industry is still unresolved.**
  - **Investment for additional capacity in mass production can hardly be expected.**
  - **There are several investment actions in new fields and technologies.**
    - ◆**TSV**
    - ◆**Ecology-related (LED, etc), environment-related (TAIKO, DWR1720)**
    - ◆**Others**

- **Progress in inventory adjustments → Improvement of customer's capacity utilization → Recovery trend in our consumables**
- Necessary to wait and see how much they recover

●FY2009 Forecast

Expect a severe and uncertain business environment in FY2009

- Consolidated sales: 44 billion yen, Operating loss: 1.2 billion yen

Good opportunity to pursue organizational strength and efficiency in order to prepare for the coming recovery period

- Implementing the annual management policy based on anchoring corporate ideals and PIM activities*
  - Accelerate activities to achieve our VISION
  - Items to be strengthened
    - ◆Challenges to realize the VISION
    - ◆Operational challenges for each division
    - ◆Selective implementation of countermeasures against the recession (Continue overtime work control, cost reduction)
    - ◆Continue 5% structural cost reduction activities
  - Continue to invest in the KKM area R&D and enhance efficiency
  - Prompt reaction to the market, continue implementing counter-recession policies

Note: Performance Innovation Management activity is DISCO's unique activity for continuously innovating operational processes. This activity is practiced in all divisions

Semiconductor and electronic component industries are seriously affected by the end-product demand decrease due to the global recession.

Under such uncertain operational environment, continue our principle activities:

- Anchoring DISCO VALUES → Enhance organizational ties
- PIM activities → Driving force for innovation

- Implement necessary research and development
- Pursue operational efficiencies

Work considerably on these “urgent issues” and “future challenges”

DISCO

Kiru・Kezuru・Migaku Technologies