

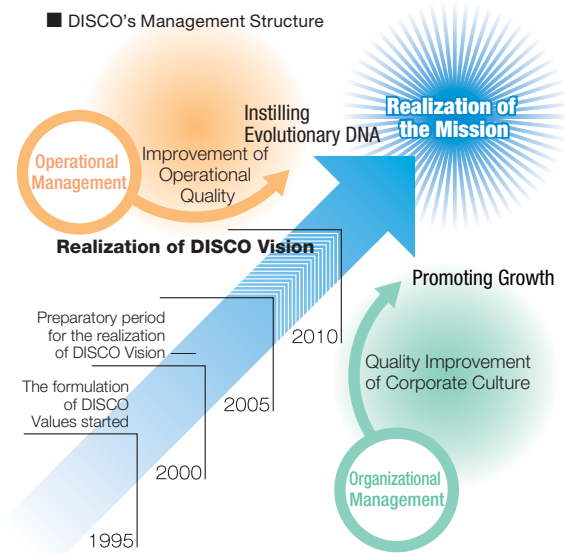
Principle-Based Organizational Management

Corporate management at DISCO consists of operational management, which promotes efficient business activities, and organizational management, which involves constantly communicating and continuously improving a corporate culture and set of values in support of business management. DISCO is committed to operational management as a matter of course, but we also put significant effort into organizational management, starting with initiatives to promote our corporate philosophy.

DISCO Vision

DISCO Vision sets forth a vision of the company DISCO aspires to become by the year 2010, which is to say it lays out goals for us to achieve by 2010. DISCO Vision paints a qualitative picture of DISCO's future without placing undue emphasis on numerical targets like sales figures and profit ratios. It is made up of six aspects: Business Vision, Economic Vision, Organization Vision, Human Resources Vision, Corporate Culture Vision and Social Valuation Vision. To achieve the goals for 2010, indicators have been created for each of these visions and progress is reconfirmed every year. The indicators incorporate the results of our Customer Satisfaction Survey, Supplier Satisfaction Survey and Employee Satisfaction Survey to help us clearly grasp the degree of qualitative improvement our corporate activities have achieved.

DISCO's Management Structure



Corporate Governance

Corporate management must have four functions: a societal (monitoring) function, a meaningful (purpose) function, a growth (strategy) function and a realization (execution) function. At DISCO, the societal (monitoring) function is handled by outside corporate auditors under a corporate auditor-based system of corporate governance. We have seven directors, a relatively small number, to ensure flexible, agile decision making on managerial matters. The Compensation Advisory Committee is in charge of remuneration

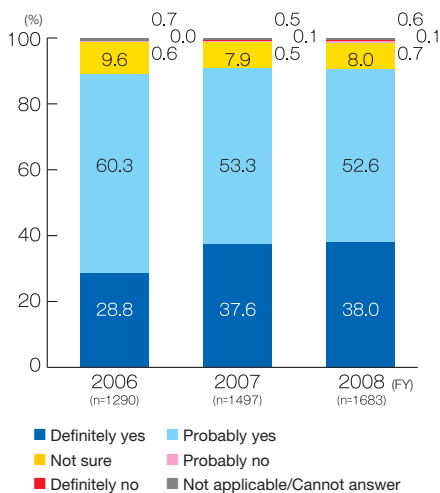
for directors and corporate auditors.

The Compensation Advisory Committee is made up of internal directors and former directors. The committee is guided by the first principle of our system of compensation, which stipulates that directors are to share profits with shareholders. Upholding this principle, the committee deliberates in a fair and impartial manner on remuneration for directors and corporate auditors and makes appropriate recommendations.

WEB Corporate Governance
<http://www.disco.co.jp/eg/csr/management/governance.html>

Results of the FY2007 Employee Satisfaction Survey

Question: Are my actions based on DISCO's ethical ideals?



Corporate Ethics

DISCO's Code of Ethics has been established due to our strong desire not only to obey the law, but also to never become involved in matters considered to be unethical by society at large. In order to assess whether our approach to ethics has penetrated the mindset of each and every employee, we include questions about ethics in the Employee Satisfaction Survey that is administered each year.

Continuing from the previous year, the fiscal 2008 ES survey also maintained more than 90% of affirmative responses to ethics questions. But this is still not enough. We plan to continue to develop our corporate culture until every single employee answers "definitely yes" to such questions.

Investor Relations Activities

At DISCO, we believe that exchange of value with shareholders and investors is accomplished by being an effective investment vehicle for capital. Through our investor relations activities, we work to provide accurate, straightforward information on DISCO's ever-changing corporate activities and create better lines of communication with shareholders and investors.

Two analyst briefings are held every year, one in May and the other in November. In addition, we issue a twice-yearly Business Report for shareholders and an Annual Report for institutional investors located overseas. In fiscal 2008, we held small meetings with executives, gave tours of our booth at SEMICON Japan, as well as renewed a portion of IR website.

WEB Corporate Ethics
<http://www.disco.co.jp/eg/csr/management/ethics.html>

Focus

■ Building a Stable Supply System for Precision Processing Tools

DISCO's precision processing tools are consumed everyday at our customers' production plants. Their production operations would be affected if DISCO were to be damaged in an earthquake, disrupting the supply of these tools. In order to prevent this from happening, we have worked to build a system for ensuring the stable supply of consumable blades and wheels.

Ensuring the stable supply of these tools requires that production plants be reinforced to prevent their facilities from being damaged in an earthquake. This is why we adopted a seismic base isolation structure* for the new building at the Kure Plant, where precision processing tooling is manufactured. We transferred dicing blade production lines over to the new building.

Other actions we are taking to prepare for emergencies include stockpiling raw materials for precision processing tooling, contracting additional suppliers, and building alternate production systems at other plants. In December 2008, we obtained "BS25999-2:2007", the British Standard for BCM.



Seismic base isolation structure of the new Kure Plant building, as seen from the basement parking lot



Seismic base isolation bearings

* Seismic Base Isolation
Seismic isolators such as laminated rubber or steel balls are placed between the building and its foundation to separate the building from the ground and prevent it from bearing the brunt of an earthquake.

■ Withstanding Earthquakes

In fiscal 2008, the new building construction was completed at the Head Office/R&D Center that incorporates seismic base isolation. We also completed the earthquake-resistant new buildings at the Kuwabata Plant in Hiroshima Prefecture and the Chino Plant in Nagano Prefecture, which belongs to Daiichi Components, a DISCO Group company.

In addition, we are steadily transferring domestic offices with sales and service employees over to earthquake-resistant buildings. Thus, we began preparation for unexpected occurrences and concentrated on establishing a system able to continue operations and quickly recover in the event that an earthquake occurs.



Drawing of the new Kuwabata Plant building slated for completion in 2009

■ Reinforcing the Computer System Backup

We are working on reinforcing a backup system for our computer system in order to prevent information from being lost in the event the main system is damaged. In fiscal 2008, a server room was set up in the new seismic base isolation building at the head office R&D center and the network system relocated there from the existing building (earthquake-resistance). A backup system was set up at the Kure Plant in Hiroshima and mechanisms were put into place for switching over in emergency situations. Data is continuously backed up between Tokyo and Hiroshima, so if a problem occurs at one site, we can quickly switchover to a functioning system at the other site.



This backup computer system will be used in emergency situations