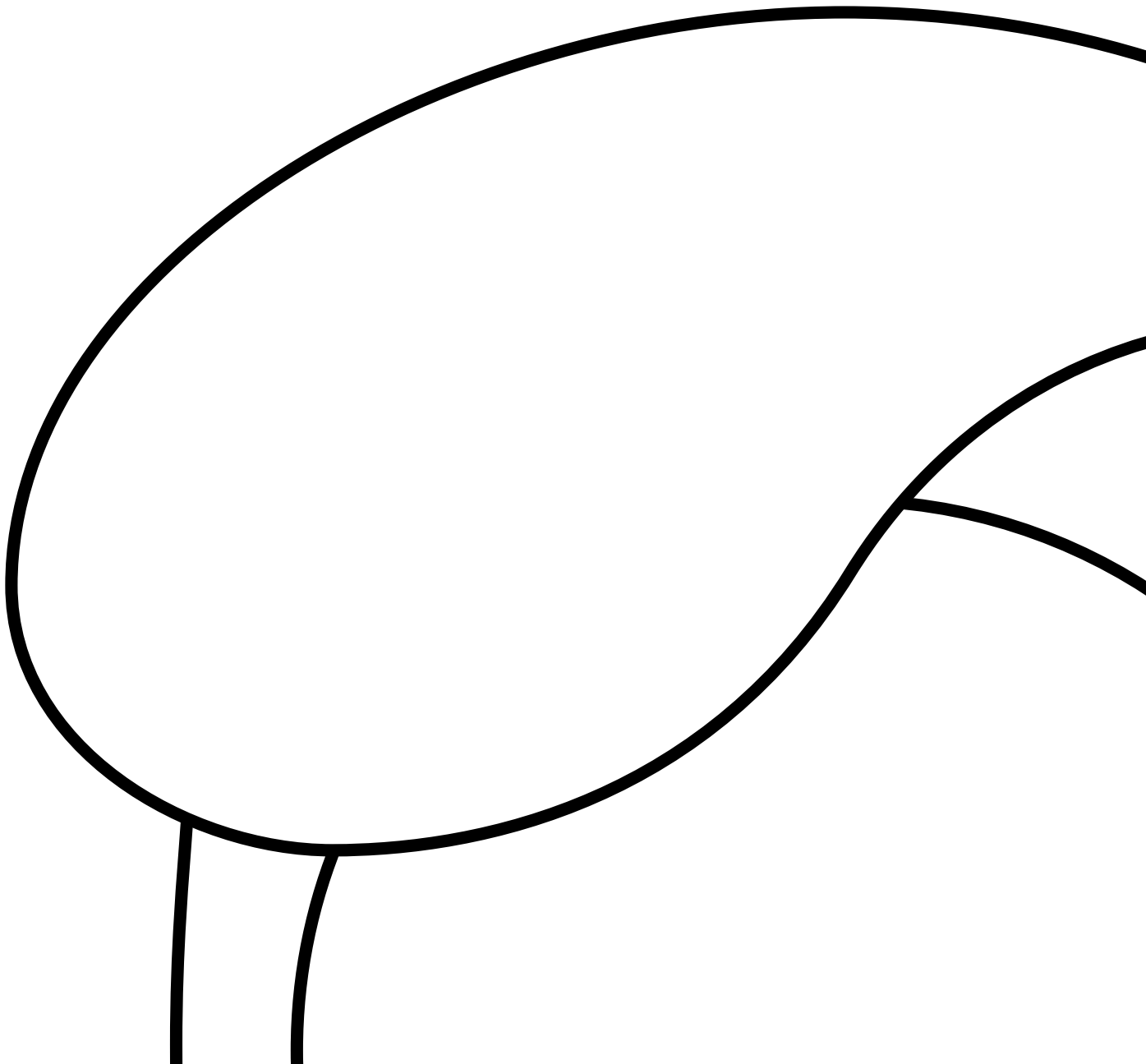




DISCO Corporate Report 2011



Aiming for excellence in corporate activities

Business conditions in economic and global environments as well as in science and technology have been recently changing at a dizzying pace. The expected content and quality of the corporate activities and the social responsibilities that companies are being called upon to fulfill are continually evolving. DISCO has established “DISCO Values” – an ethos intended for application throughout the organization. The aim in so doing is to clarify the future direction of the corporation under rapidly changing conditions, without being sidetracked by superficial changes.

DISCO Values clearly states: “By achieving excellence in all of our corporate activities, our existence will be welcomed by our stakeholders and society.” This indicates that DISCO is a corporation which aspires for technology and services regarded as an international standard. As such, we must show strong determination to respond flexibly to changes in society and to enhance every aspect of our corporate activities which meets our corporate values.

Since 2003, DISCO has been introducing activities known as Performance Innovation Management (PIM). These activities involve setting target values on the basis of a desired future state formulated individually by different units and for different types of work, and then reflecting at brief intervals to see whether these values have in fact been achieved. The aim of these reviews is to ensure that the organization as a whole is able to evolve through a process of self-awareness concerning matters such as how improvements can be made. In order to achieve “excellence in corporate activities,” (a target of DISCO Values) it is indispensable that each individual employee act to ensure that improvements can be made by reflecting on and learning from these activities. Our everyday PIM activities has allowed us to streamline operations throughout the corporation, making DISCO a dynamic, evolving organization.

DISCO intends to continue to evolve by aiming for true excellence in all our corporate activities. We look forward to your continued support and cooperation.



Kazuma Sekiya

President and COO

DISCO Values

DISCO Values represent the corporate philosophy that identifies the ideal from various perspectives, including the direction in which the company should progress, the basic approach of management, and the manner in which each and every employee works. DISCO Values stipulate over 200 items, systematically organized so they may be reflected in actual activities. Specifically, they document general corporate social responsibility (CSR) concepts by which we aim to exchange value with our stakeholders, all the while fulfilling the company's social mission. DISCO strives to conduct all of our activities from management decisions to day-to-day business in line with DISCO Values.

The following are examples of DISCO Values:

Bringing science to comfortable living through advanced *Kiru*, *Kezuru* and *Migaku* technologies

"Advanced *Kiru*, *Kezuru* and *Migaku* technologies" is DISCO's business domain. In other words, DISCO will never deviate from the three technology fields of *Kiru*, *Kezuru* and *Migaku* in our business activities. The company's social mission is to connect the ever-advancing science to bountiful and comfortable lifestyles via these core technologies.

Our growth is defined as the increase in Mission-achievability and Value-exchangability

The management of a company can significantly change depending on how it defines its growth. DISCO does not think of growth in terms of expansion of sales, scale or market share. For DISCO, growth is measured by how close we come to achieving our Mission and by the increase in our exchange of value with and satisfaction for our stakeholders, such as the customers, employees, stockholders, and suppliers.

Always the best, Always fun

DISCO's motto is "Always the best, Always fun." We feel that, as professionals, it is a given that we thoroughly pursue the highest level of quality in the performance of our work. Also, it is just as important that we enjoy our work. These do not contradict each other, but rather we feel that their compatibility contributes to a fulfilling work experience.



Structure of DISCO Values

Value and Solutions Provided by DISCO

The precision processing equipment, consumable products and application know-how provided by DISCO enable *Kiru*, *Kezuru*, *Migaku* solutions.



DISCO processing

Kiru, *Kezuru* and *Migaku* - our three technologies, essential for craftsmanship.

DISCO's consumable products

Abrasive wheels attached to equipment for processing.

DISCO equipment

Equipment that processes the workpiece through fine control of size and thickness.

What is processed ?

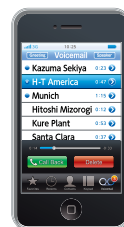
A wide variety of materials are processed, such as silicon, sapphire, or gallium arsenide wafers. These can be found in the semiconductors and electronic components inside a multitude of end-use products such as cell phones, computers, IC cards, flat-screen TVs, and automobiles.

Processed for what ?

In order to manufacture smaller and thinner digital products such as cell phones and computers, the components that are found inside must also be made smaller and thinner. This allows for many components in the same space as well as enhanced functionality. DISCO contributes to the advancement of digital products, contributing to comfort in people's lives.



Lighter
Thinner
Smaller
Enhanced functionality



How is it processed ?

Fine cutting



DISCO can finely cut material to micrometer accuracy (1/1000 of a millimeter). This is precision to the point of being able to groove a human hair crosswise 30 times.

Thin grinding to the point of transparency



We are able to thinly grind material to 5 micrometers (copier paper is 100 micrometers thick). In addition, we are able to maintain the thickness variance in a 300 mm-diameter wafer under 1.5 micrometers.

Polishing like a mirror



A mirror polish greatly improves the strength of the material.

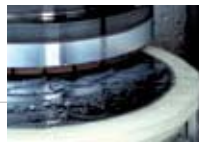
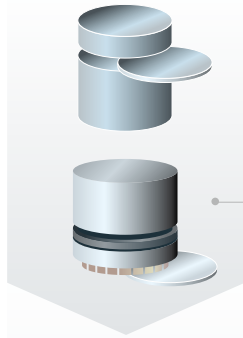
The Relationship between the Semiconductor Manufacturing Process and DISCO Products

The majority of DISCO products, which incorporate a broad number of engineering disciplines, such as mechanical, electrical, physical, chemical and IT, are currently used for manufacturing high-value-added semiconductors.

Semiconductor Manufacturing Process	DISCO's Processing Technology
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Wafer manufacturing process

Process of manufacturing silicon wafers, the substrate material used in manufacturing semiconductors



Grinders are used to thin wafers cut from silicon ingots. As semiconductors have become thinner with enhanced functionality, the precision of flatness in the thinning process has become more important.

Semiconductor manufacturing front-end process

Process of making semiconductor die by forming transistors on the substrate wafer



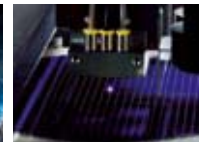
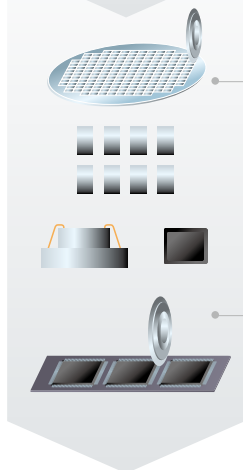
The backside of the wafer is ground (in a process called backgrinding) in order to thin it while protecting the circuit on the front side. End products like cell phones and computers have become even thinner thanks to this process.



Depth of damage may be removed using a process called stress relief to improve the strength of the thinned wafers. The requirement for thinner products has increased the demand for stress relief.

Semiconductor manufacturing final assembly process

Process of assembling semiconductor die via wiring and packaging



Semiconductor die are cut from the thinned wafers in a process called dicing. In addition to conventional blade dicing, there has recently been an increase in the use of laser cutting.



DISCO equipment is also used in the package singulation process after the die have been encapsulated in resin.

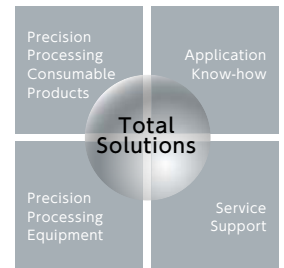


Semiconductors are used in the latest digital equipment that facilitate our comfortable lifestyles.



Four Business Fields, Our Unique Total Solutions

DISCO's greatest strength lies in our four distinct business fields, each interwoven to provide total solutions.



Precision Processing Consumable Products

Cutting-edge technology honed for over 70 years

Our consumable products can be characterized by our abrasive blades and wheels made with synthetic diamonds. When installed on the equipment and rotated at high speed, they cut, grind and polish materials. We manufacture various consumable products including dicing blades and grinding/polishing wheels. Users can make different selections in terms of shape, thickness, bonding material, and diamond size, according to their processing needs.

DISCO was originally established as a manufacturer of abrasive cutting wheels. Ever since our first year in 1937, we have continued to develop these to find solutions for the needs of our customers. In fact, DISCO now can boast tens of thousands of blades and grinding/polishing wheels in our inventory.



Precision Processing Equipment

Limitless innovation and application of advanced *Kiru*, *Kezuru* and *Migaku* technologies

Precision processing equipment is the general term we use to describe the machines that perform our *Kiru*, *Kezuru* and *Migaku* technologies. DISCO has primarily been involved in the development of equipment such as dicing saws and grinders mounted with blades and wheels. However, the processing methods have expanded significantly in recent years beyond our original abrasive equipment, to include laser saws and plasma etchers. Most DISCO equipment is customized to meet our customers' wide ranging requirements regarding not only device quality and equipment productivity, but also effective use of space and low environmental impact.

DISCO will continue to evolve our core technologies of *Kiru*, *Kezuru* and *Migaku* to help create comfort for people.



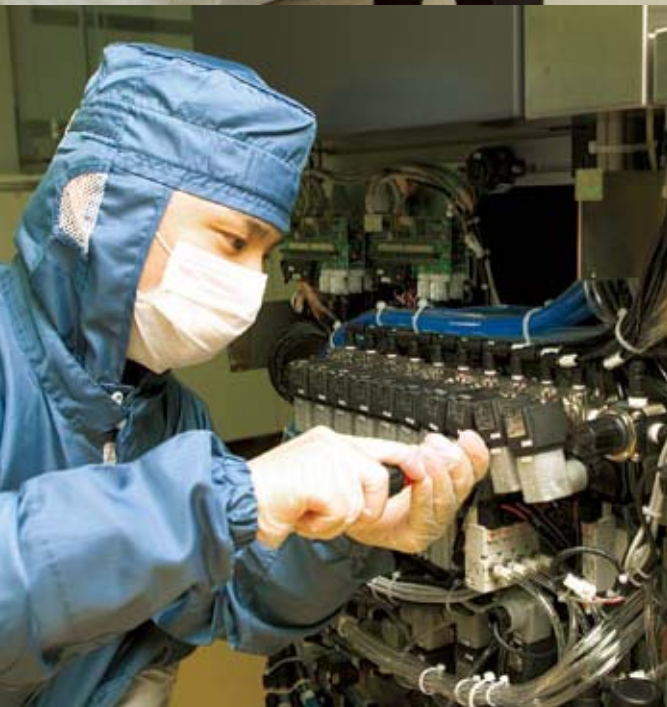


Application Know-how

Solutions that truly meet our customers needs

Precision equipment, consumable products and processing parameters can be combined in a myriad of ways. This can make it difficult for our customers to make equipment selections that are best for them. The facilities in our application laboratory can solve this problem as our application engineers perform test cuts with the materials provided by the customer in order to recommend solutions that will produce the best processing results.

Providing the best processing results in the form of our processing solutions, is the core element offered by DISCO. In an effort to provide free application testing close to our customers, we have application laboratories in our domestic and overseas offices, in addition to the Application Laboratory at our Head Office/R&D center in Tokyo with its 70-plus private test booths.



Service Support

Our enthusiasm for craftsmanship is embodied in our service

DISCO consider the services we provide after product delivery to be an essential aspect of our business. Our service support is primarily comprised of after-sales service, which may involve regular equipment spot checks or repairs, as well as training services to provide our users with opportunities to acquire the necessary operation/maintenance skills. We have created a six-level in-company certification program for our Customer Engineers who are in charge of after-sales service allowing us to provide uniform global service support. When it comes to our training service, we put into practice feedback obtained via questionnaires filled out by the participants in an effort to provide service and support that delight our customers.

The very thing that defines the DISCO spirit is our belief that the care we put into the craftsmanship of our equipment and consumable products must also be fully reflected in our application know-how and service support.

DISCO's *Kiru*, *Kezuru*, *Migaku* Products that Create Comfortable Living

We at DISCO want to use our advanced *Kiru*, *Kezuru* and *Migaku* technologies to create comfort in the lives of people. Let us take a look at some of the DISCO products that allow us to do this.

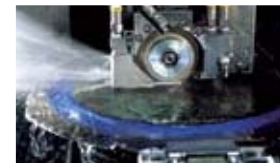


Kiru



Dicing Saws

Equipment that cut materials with an abrasive blade. They are categorized into two types: a compact semi-automatic dicing saw for specialized applications and a fully automatic dicing saw, which is a high-productivity model that includes automatic handling, alignment and cleaning.



Dicing Blades

These are thin abrasive wheels used for cutting, created by molding synthetic diamond grains with bonding materials such as phenolic resin.



Kezuru



Grinders

Equipment that grind materials with a grinding wheel. We offer semi-automatic grinders for specialized applications and fully automatic grinders, which is a high-productivity model that includes automatic handling and cleaning.



Grinding Wheels

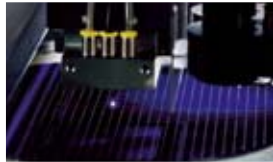
Used in the grinding process and come in different configurations

Kezuru • Migaku



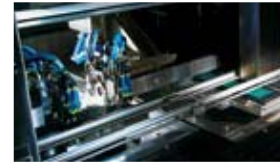
Grinder-Polishers

Largest equipment we offer. They are configured for both grinding and polishing in one integrated unit and can offer a selection of specific polishing methods, including dry polishing or chemical mechanical polishing (CMP).



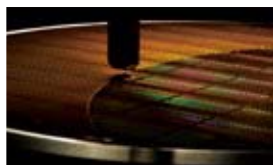
Laser Saws

Equipment that cut material using a laser. Depending on the material, it can be more productive than a dicing saw. We offer both semi-automatic and fully automatic models.



Dicing Engines

These are dicing sub-systems that are integrated with a handling system, and cut chip scale packages covered with resin in order to protect the semiconductor die from contamination and water.



Surface Planers

Equipment that use a hard milling bit to flatten material. Effective in planarizing bumps and insulating layers as well as resins used in LED, which stabilized LED color.



Migaku



Dry Polishers

Equipment used for polishing materials. They do not use any chemicals or water during the processing, thus minimizing the impact on the environment.



Dry Polishing Pads

Used with the polishing equipment. Some pads can be up to 45 cm in diameter.



Plasma Etchers

Equipment that use plasma gas to remove damage from the wafer surface.

R&D: Creating Future Value

We continue to push the boundaries into uncharted areas of our *Kiru*, *Kezuru* and *Migaku* technologies by actively utilizing original and creative ideas.



Major R&D Center in Tokyo

DISCO's Head Office/R&D Center is located in the Omori region of Tokyo, which has easy access to Haneda Airport as well as Shinagawa Station, where the Shinkansen stops. The site was chosen for our R&D center to be more convenient for our customers to visit us for technological discussions. The content of these early engagements provides a major source of ideas for DISCO's next generation of R&D, and represents a valuable asset to our company.



An R&D Environment that Places Importance on Inspiration and a Challenge

Building B in the Head Office/R&D Center is primarily our R&D facility. This places our engineers' desks adjacent to the area where the R&D equipment is located. The creation of an environment that allows for an immediate examination of the engineers' inspiration using close-by equipment enables DISCO to continue to provide invaluable creative solutions and products even in the rapidly changing semiconductor industry.



Turning Customer Needs into Innovation

What our customers want is not the product itself, but the processing solutions, and we at DISCO place great importance on this approach. Testing helps determine whether the solutions required by our customers can be realized. This testing takes place in the application laboratories of not only our Head Office/R&D Center, but also in our branch, affiliate and agent offices worldwide, which create stronger relationships of trust with our customers. The cycle that contributes to the processing results provides DISCO with a high level of expertise and know-how, and the accumulation of this knowledge helps us to respond to even more complex requirements.





Continually Evolving *Monozukuri*

The spirit of *monozukuri* that has been with us from the very beginning is evident throughout our manufacturing process.

DISCO's Origin is in *Monozukuri**

DISCO was established as a grinding wheel manufacturer originally named Dai-Ichi Seitoshō in the city of Kure, Hiroshima Prefecture in 1937. Although our products have evolved, our stance regarding *monozukuri* to respond to customers' needs and continue to provide them with true and lasting satisfaction has continued unchanged since the first day. DISCO works out of four different production sites including three in its city of inception, Kure, and one in Chino City in Nagano Prefecture.

* Craftsmanship, pride in manufacturing



Producing Custom-built Products

Although DISCO's equipment comes with standard specifications, most customers require customization for their specific processing needs. Several of DISCO's departments and divisions, such as sales, engineering, purchasing, manufacturing and applications, collaborate to ensure that the specifications requested by the customers are precisely reflected in our products. Particularly when it comes to the important components that directly affect the processing results, we at DISCO make continuing efforts to increase the in-house manufacturing ratio to allow us to provide our customers with a more reliable product.



Creating Customer Delight via Our Evolving Activities

Even at the manufacturing site, we actively utilize PIM* activities that are being developed and expanded throughout the company. Our zero defect activities in blade manufacturing and reduction of assembly man-hours in equipment manufacturing have directly contributed to customer satisfaction in terms of faster delivery of products and a stable supply.

* PIM: Performance Innovation Management

This specifically refers to a program where each department or division sets targets based on the desired future state. The group subsequently looks back over short periods of time to detect any gaps between the targets and the current state in an effort to obtain *Kizuki* ("lightbulb" moment) for the end purpose of evolving. Visibility of the targets and current state via the abundant use of notices, posters, and Post-it notes encourages all of us to increase our awareness in our daily activities.



What Can Be Done to Provide Peace of Mind

BCM – Business Continuity Management

DISCO has established a system that allows us to readily respond when faced with unforeseen circumstances. In so doing we strive to be a company where our customers can feel reassured in doing business with us and where our employees can work without risk. We believe that such peace of mind will foster a feeling of trust in our abilities as a company and add value to our products.



Building to Withstand Disasters

The Kuwabata Plant, one of DISCO's manufacturing bases, is a seismic base isolation structure, designed to minimize any damage that may occur in the event of an earthquake. In addition, efforts have been made to allow for accurate decisions on escape routes. Each floor has been built with different color flooring materials and the columns in the manufacturing areas are indicated with letters and numbers, enabling individuals to ascertain their location even in an emergency.

DISCO is making strides in strengthening our BCM, by ensuring that all new buildings are seismic base isolation structures as standard. We have also incorporated seismic base isolation in the Head Office/R&D Center's Building B as well as the Kure Plant's Building B, the Chino Plant Building A, and the Kure Plant Building C due for completion in November, 2011.

Moreover, we have made concentrated efforts to digitalize and duplicate information/data, with the core systems set up in both Tokyo and Hiroshima in seismic base isolated structures.



CG image of the Kure Plant Building C (rightmost building)

Company-wide Disaster Training

In addition to the tangible aspects that pertain to earthquakes such as buildings, DISCO also places great importance on employees taking safe actions based on our philosophy that their behavior and actions are paramount in the event of an earthquake. We have repeatedly conducted training sessions and exercises, all the while thoroughly studying a number of aspects including ideal evacuation methods, the approach to be taken during evacuations, positioning of the body to best withstand earthquakes, and utilizing state-of-the-art earthquake simulators.

In each of our locations, we have appointed disaster response personnel whose official job is to assist establishing an emergency disaster headquarters in the event of disasters and to provide emergency care for those injured. As a rule, all employees residing in the dormitory adjoining the Head Office/R&D Center are designated as disaster response personnel because in an emergency they are able to promptly get to the required locations before anybody else.

On the day of the Great East Japan Earthquake all employees at the Head Office/R&D Center were able to evacuate promptly and give appropriate guidance to visitors. Our thorough disaster preparedness ensured that we were able to calmly confirm the extent of damage as well as offer shelter at the Head Office and transportation via company cars to employees unable to return home by public transport.



The new Kuwabata Plant Building A, a seismic base isolation structure, was completed in 2010

Efforts to Address Pandemic Disease

DISCO considers pandemic influenza a very serious threat to business continuity. The DISCO Group has established a rigid framework to deal with all possible scenarios to ensure continuation of our business activities even when faced with such a threat.

■ Examples of Actions Taken

<p>Creation of DISCO's pandemic levels</p>	<p>We have, in greater detail, determined the risk levels that take into consideration even highly-virulent influenza as well as the corresponding actions.</p>
<p>Utilization of colored masks</p>	<p>Those who are in close contact with infected individuals and those in poor condition are obligated to wear pink masks to help visualize the respective risk.</p>
<p>Thorough body temperature management</p>	<p>Each employee is sent an e-mail to her/his cell phone every morning (including weekends) as a reminder to input that day's body temperature.</p>
<p>Establishing a telecommuting program</p>	<p>DISCO has established a program and conducted corresponding exercises that allow for telecommuting equivalent to working in the office.</p>

Industry-wide recognition for DISCO's BCM

In December 2008, DISCO received the international standard certification "BS25999-2:2007" for BCMS (Business Continuity Management Systems) which exists in order to maintain and continuously improve BCM. The certification gauges the expected risk from earthquakes and infections, and DISCO is the first company in the Japanese semiconductor industry to obtain it.

In July, 2010 DISCO was highly praised by the Development Bank of Japan for our innovative BCM initiatives, and was awarded with the high-ranking disaster preparedness rating and access to funding.



Development Bank of Japan award ceremony



BS25999-2:2007 Certificate

Aiming for Customer and Supplier Satisfaction

DISCO strives for essential customer satisfaction (CS) in an effort to delight our customers. We are also committed to establishing strong relationships of trust with our suppliers.

Improving Customer Satisfaction

DISCO has adopted a Customer Satisfaction Charter, and we are moving forward with the creation of a corporate culture that allows the company to actively engage in activities to improve CS. An organization-level system of improvement must be established along with the efforts of each and every employee to take actions that are customer oriented.

In terms of our organization-level system of improvement, DISCO has established the CS Committee comprised of the heads of major departments such as Sales, Engineering, and Service, and chaired by the President of the company. The CS Committee convenes five times a year to establish a CS policy, and discuss methods to develop this policy. In fiscal 2010, under the CS policy, "Further strengthen the "Customer-oriented" Customer Satisfaction (CS) activities to realize the desired future state of CS in 2010," we especially focused on three points; "Controlling the speed of response to the customer", "Study and practice of replying from a

true customer standpoint" and "Enhancing the ability to understand the customer."

The CS Committee is also involved in CS Surveys, evaluating opinions from customers relayed via the "One Month Feedback" obtained after delivery of our equipment, discussing improvement measures that reflect these opinions, and the role of once again reflecting these in products and services.

The committee, in addition, engages in a number of activities to gain better insight into our customers by disseminating their opinions/thoughts via an in-house e-mail newsletter and conducting CS training that also targets the departments indirectly involved with the customers.



CS Committee meeting

Customer Satisfaction Survey

We at DISCO believe that "understanding the needs of our customers" represents the origin for activities to improve CS. Toward this end, we listen to what the customer has to say via all the ways that we come in contact, including daily transactions and the services we provide.

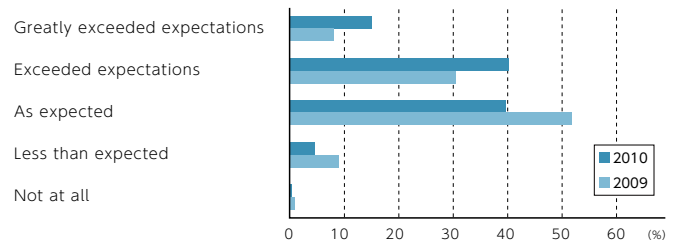
The Customer Satisfaction Survey, in particular, is an important tool in ascertaining the needs of our customers.

It is a regular questionnaire-based survey that DISCO has undertaken on a yearly basis since fiscal 1999. The questionnaire uses a 9-language dedicated website that allows us to request responses from customers via e-mail and fax. In fiscal 2010, we obtained some 2,200 responses. The findings and opinions obtained via the survey represent important information that we use to deliberate on a number of issues including new product development, improvement of existing products, and provision of new services.

The survey findings also are used to examine whether the current activities to improve CS are functioning as planned. The examination findings are subsequently fed back to the related departments such as Sales, Engineering, and Service in order to allow for more precise CS-improvement activities.

■ Excerpt from the 2010 Customer Satisfaction Survey Findings

Q. Has DISCO met your expectations in the past year?



One Month Feedback

The majority of DISCO's precision processing equipment is made to order and delivered to the customer after pre-shipment testing. This is done to ensure the equipment provides the processing results desired by the customer. After the equipment is delivered to the customer's production site, it must be checked to make sure it is providing satisfactory processing results, and if adjustments are needed, they must be made quickly. DISCO has launched the One Month Feedback system that addresses the individuality of the equipment delivered to each customer.

Under the system, a questionnaire is sent to customers immediately after the equipment is delivered. The questionnaire asks about equipment usage, quality of support by sales staff or the agent, and other related matters. The views and comments of customers who respond to the questionnaire are shared with relevant employees within the company, and, as necessary, a coordinated

response is provided by the Sales, Engineering, and Service Departments as well as other divisions.

Aspiring toward true customer satisfaction **VOICE**

As a salesperson, I always keep in mind that selling a product is not the goal but the start. As well as continuing follow-ups so that the delivered product operates without a problem, I quickly and carefully respond to each requirement that arises from the customer while using the product. Responding as required is not always the best solution. So, I try to give the most suitable proposal by grasping the background of the requirement. If our relationship with the customer is win-win at all times, ongoing relationships of trust will be built. That will lead to true customer satisfaction, I believe.



Go Kanesaka
Sales Division, Global Sales Department

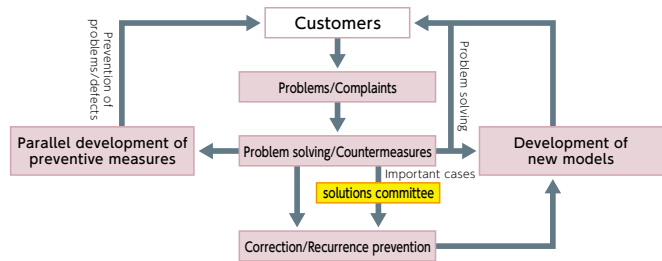
Thorough Quality Control

Quality control (QC) is imperative to deliver essential satisfaction to customers. DISCO establishes an annual quality policy and, in order to ensure that it is achieved, we have acquired ISO 9001 certification (an international standard for quality management systems). The organizations to which the certification applies do not only include the departments directly involved with the products, but also the indirectly-related departments that support these departments. Our overseas affiliates have also acquired ISO 9001 certification in their effort to make improvements on a sustained basis.

We are attempting to create a comprehensive system to prevent any quality issues. But, in the event a problem does arise, we are also forging a system that allows for a prompt investigation of the causes and resolution of the issue. With regard to particularly important

issues, we form a solutions committee, which consists of the president and the managers of each relative department such as the Engineering and Sales Departments, to deliberate on radical solutions.

■ System to Respond to Quality Issues



Export Management System

DISCO's products are used by customers all over the world, so we are always working toward compliance with various export-related laws and regulations as well as developing a system for security trade control. In fiscal 2007, our internal regulations stipulating compliance with laws were submitted to and accepted by the Ministry of Economy, Trade and Industry.

We also have a system within the company that allows for the rapid issuance of a "parameter sheet" (Product Status Sheet for Customs Clearance for Export Compliance in Japan) in the event a decision has been passed on by the customer as to whether the export items apply to the regulations regarding security trading practices.

In fiscal 2009, our system for security control and legal compliance was approved by Tokyo Customs, as DISCO was certified as an Authorized Exporter. Companies certified as Authorized Exporters are provided with the benefits of easier review and inspection, including individual customs procedures. We pledge to continue not only to comply with the law, but also to maintain efficient logistics.



Authorized Exporter Certification Ceremony

Suppliers Day

In June 2010, Suppliers Day was held at the Kuwabata Plant. DISCO invited approximately 400 suppliers to the manufacturing site and shared our manufacturing situation and such. In the new building, completed in January 2010, the suppliers had a chance to take a tour and see the automatic warehouse parts control system as well as the manufacturing process. Thus, they could feel more familiar with our equipment production.



A scene from Suppliers Day

TOPICS

Receiving the Intel Corporation SCQI Award for 11 Consecutive Years

DISCO was honored by Intel Corporation in fiscal 2010 with the company's Supplier Continuous Quality Improvement award. The honor is given to companies that achieve an outstanding track record and level of quality in

the supply of products and services that contribute to Intel's success. This year marks DISCO's 11th consecutive award for our efforts in supplying high-precision dicing saws, laser saws, grinders and polishers.



Photo provided by: Dan Agulian

Aiming for a Pleasant Work Environment

We at DISCO strive to implement policies and develop the work environment so that each and every employee can work actively and comfortably, as well as provide them with opportunities for growth.

Provision of Opportunity to Diverse Personnel

Regardless of gender, age, nationality, ethnicity, religion, or academic record, DISCO actively employs individuals who empathize with DISCO Values and wish to utilize their own individuality to realize DISCO's mission together.

For example, we established a formal reemployment system in 2006 for people who have passed the mandatory retirement age of 60 and would like to continue working. The program matches the individual's preferences with the job and has resulted in reemployment every year since its inception.

We also hold life-planning seminars as an opportunity to think about post-retirement work arrangements and lifestyle choices.

For those employees who do not wish to be reemployed, DISCO also provides counseling at facilities that specialize in new employment opportunities as well as special paid holidays.

DISCO actively hires people with disabilities and strives to improve the work environment. In fiscal 2010, our employment rate for people with disabilities was 1.95%, which is above the statutory rate. Also in fiscal 2010, one of our employees at the Kure Plant was recognized by the Japanese Vocational Center for the Elderly and

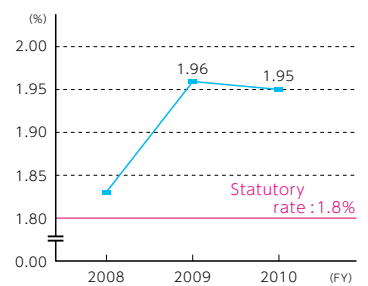
Persons with Disabilities in Hiroshima for his excellent work. This is the admirable achievement with high marks in the Abilitympics Hiroshima and outstanding working conditions in the company.

Moreover, at the Head Office/R&D Center, DISCO makes an active effort to employ people of different origins and create a work environment where it is easy to work regardless of nationality.



Employee being honored

Hiring of People with Disabilities



Support for Skill Development

In an ever-changing society, the company as well as each employee is required to adapt to these changes. At DISCO, we have established a basic policy with regard to skill development. As part of the policy, we have created various skill development programs according to specific job content and established opportunities to select them.

In fiscal 2010, DISCO held employee well-being seminars. These are mental training opportunities based on applied sports psychology to find the state of mind where we can maximize our performance. In addition to these programs, we have also undertaken the planning and implementation of various training programs created according to the needs of our employees, including our Logical Training Program where employees learn convincing communication and writing skills, Relationship Buildup Skills Training in which employees study how to build relationships of trust with the people around them, their bosses, colleagues and customers along with our program called Facilitation Training in which we study methods of leading meetings effectively.

Basic Policies for Skill Development

1. Responsibility to society and the customers
2. Duty as an employee
 - Duty as a DISCO constituent member
 - Duty as a manager
3. Support of career formation via selections and self-responsibility
4. Strategic early development



Relationship Building Skills Training



Logical Training

TOPICS

Career Discovery Program (CDP)

The Career Discovery Program (CDP) takes place between the primary and second interviews in the hiring process for students expressing a desire to be employed by DISCO. The students are allowed to collect information on their own by freely touring the company and talking with employees in the departments they are interested in. The

program provides them with the opportunity to learn what the employees really think and experience the company in a way that is not possible merely via information on a website or talking with an interviewer. In fiscal 2010, 318 students, increased by 1.6 times compared to fiscal 2009, participated in the CDP.



Support for Balance between Child-Rearing and Work

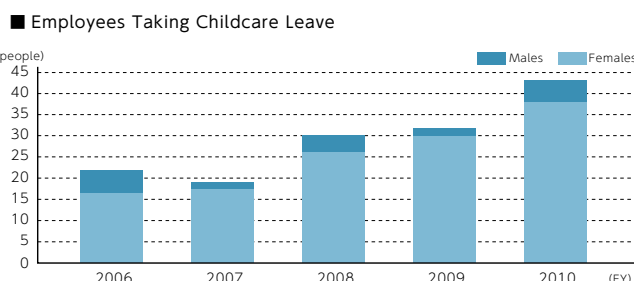
We are committed to promoting a balance between work and life so that our employees are able to demonstrate their abilities while balancing their jobs with their private lives. As part of these efforts, we introduced the Child-Rearing Assistance Program based on the concept of "creating an environment where employees with different ways of thinking can work with confidence while balancing their work and child-rearing commitments."

The program and all related support measures have resulted in an increase in the number of employees taking childcare leave (a total of 43 with both males and females in fiscal 2010).

■ Aspects of the Child-Rearing Assistance Program

- Maternity Leave
(Can be taken prior to childbirth)
- Leave to support the balance between child-rearing and work
(100% of the normal salary is paid during the leave in combination with other programs)
- Childcare leave until the child is 3 years of age
- Shortened work hours until the child is in the 4th grade of elementary school
- Nursing care leave program
- Daycare center inside the company

DISCO has expanded its definition of childcare support to extend the scope of child-rearing assistance measures. In fiscal 2007, we introduced a program to subsidize the cost of fertility treatments for employees who would like children but are having difficulty conceiving. Assistance in the form of 100,000 yen (max.) payments is provided up to twice a year for a total of 5 years.



Comments from an employee who took paternity leave

VOICE

When our first child was born, I wanted to help my wife with child-rearing and learn about childcare methods. This led me to take 9-day paternity leave.

There were many unexpected difficulties when I was helping to take care of our child. Through the paternity leave, I realized how much my wife had gone through a difficult time, and it was a good chance to show my appreciation to her. Moreover, spending the close time with our child increased my affection, and these encouraged me in work after my return.

Upon taking the paternity leave, it was a big push for me to hear the experiences in advance from those who had already taken childcare leave and to be supported by the company and my colleagues.

I would strongly recommend childcare leave to any man who is contemplating it. I also would like to contribute in making an environment where those who are interested can readily take the childcare leave.



Shunichiro Hiroswawa
Dicing Group,
Application Department

Commendation of Employees

DISCO has established an awards program to recognize the exceptional accomplishments of employees. The Mission Award is given for major contributions to the realization of DISCO's mission. The Value Exchange Award recognizes noteworthy achievements in raising value exchange with the company. Other awards are also given for various contributions to the company. The scope of these awards has been expanded to include group companies and overseas affili-

ates. In fiscal 2010, 233 employees received awards. There were also 15 individuals who received an award for eight separate inventions in our Invention Contest.



Commendation of Employees Ceremony

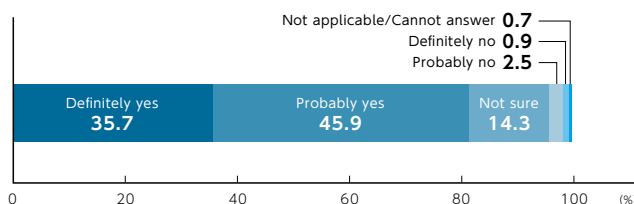
Employee Satisfaction Survey

DISCO has administered its Employee Satisfaction Survey every year since fiscal 2003 in order to translate the views and feelings of the employees into the creation of an even better work environment. In fiscal 2010, some 2,800 employees, junior employees, part-time workers, and employees of overseas affiliates took the survey. The response rate was 97.5%, and 81.6% of the respondents gave a positive response to the question on overall satisfaction. The Employee Satisfaction Committee, which is made up of members of management, discusses company-wide issues raised by the survey and works to make related improvements.

The findings from the survey are fed back to all employees.

■ Results from Employee Satisfaction Survey (FY 2010)

Q. Do I feel content working for the company.



Efforts Related to Health and Safety

One of the priorities at DISCO is the health and safety of our employees. As such, we extend our efforts to create a safe and comfortable work environment while maintaining or improving the mental and physical health of our employees.

Creating a Safe Workplace

In order to create a workplace that allows all to work with peace of mind, we at DISCO put a great deal of effort into not only facilities and equipment, but also disaster contingency planning in terms of individual actions and dissemination of information.

We have concentrated on efforts to eliminate all accidents in an effort to establish health and safety as part of our corporate culture and create an environment void of accidents. DISCO proactively provides employees with opportunities to think about safety by means of safety education/training when joining the company, danger prediction training, and discussions about zero accidents.

In addition, DISCO convenes monthly committee meetings globally in each office that work toward safe and comfortable work environment. The committee members patrol the workplace, noting exceptional safety innovations and areas requiring improvements and report these to the committee.

DISCO has incorporated globally the unifying structure of the Occupational Health and Safety Management System (OHSAS)

as well as having implemented a system based on OHSAS 18001 at our Head Office/R&D Center to continue our efforts without being influenced by individual interpretation.

In fiscal 2010, we conducted "safety meetings" throughout the company in which unsafe conditions close to us were discussed as further-developed measures to realize a zero-accident workplace. What we discussed here was handled at each section on a weekly basis in addition to thorough identification of risk sources and formulation of countermeasures. Especially for cutters, which easily lead to injuries, replacement with other safer tools has been promoted and as a rule their use is prohibited. In this way, we are exhaustively engaged in activities to eliminate the seeds of anxiety.



Health and safety patrol

Employee Health and Well-being

DISCO provides a number of facilities and programs so that all of our employees may maintain/improve their health and live happily each and every day.

We have built a fitness gym, yoga studio, pool, and massage area at the Head Office/R&D Center as well as a golf center, gymnasium and yoga studio at the Hiroshima Works. The fitness gym allows us to support employee efforts to make themselves healthier with on-site yoga/aerobic exercise instructors and nutritionists, who can devise exercise and dietary programs suited to the individual. DISCO opened a clinic at its Head Office/R&D Center, allowing employees to see and consult a doctor in-house. These efforts are of such a high standard that DISCO has been appraised as a model for other companies. In fact, it was given an incentive award for health and safety by the director of the Tokyo Labour Bureau.

In fiscal 2010, a space where employees can nap freely during the lunch break or during work time, a nap room, was newly established in the Head Office / R&D center. This space has been setup in consideration of the effects where taking a high-quality short nap rather than working while fighting sleepiness, revitalizes the brain so that the employees can demonstrate their utmost performance.



Pool at the Head Office/R&D Center



Nap room

TOPICS

Measurement of Physical Fitness

In fiscal 2010, at DISCO, one part of the health promotion among employees, the physical fitness of about 1,000 employees among those working at the Head Office / R&D center, was measured. The measurement items were three: grip (muscle), trunk bending (flexibility), and sit-ups (muscle durability). Based on the

results, DISCO provides fitness programs suitable for individual employees so that they can promote their health condition. As "motivation for exercise" through knowing their own physical condition, we will also continue this program after FY2011.



Activities that Contribute to the Local Community

Based on the belief that good social relations starts with good corporate citizenship, DISCO strives to create better relationships with the general public.

Outreach Classes

The Hiroshima Works provides outreach classes for elementary and junior high schools in the city of Kure where the Kure, Kuwabata, and Nagatani Plants are in operation.

DISCO aims to contribute to the local community in a DISCO-like manner. Employees visit elementary and junior high schools and conduct classes on three areas in which DISCO is actively involved: *Kiru*, *Kezuru* and *Migaku*, Health and safety issues, and environmental problems in everyday life.

Since the beginning of the program in fiscal 2006, 1,092 elementary and junior high school students from a total of 17 schools have taken classes in the outreach program.



Outreach classes



Students participating in the program

Participation in Forest Improvement and Reforestation Activities

The Hiroshima Works participates in the Hiroshima Forestation Forum as part of its efforts to ensure that the forests of Hiroshima are passed on to the following generations.

As of fiscal 2010, in addition to the forest improvement/maintenance activities in Hiroshima Prefecture continued from FY2008, the "Forest of DISCO" was created in collaboration with Kure City. After cutting, weeding, and artificial pruning, DISCO's employees and their families planted 130 trees and put up bird feeders.



Employees putting up bird feeders



Participating employees and their families

Participation in Food Drives

One of our overseas affiliates, DISCO HI-TEC AMERICA, has participated in food bank activities from FY2008 via efforts to bring non-perishables and deliver them to those in need via local charities.

In fiscal 2010, these activities were expanded to all the DISCO branches in the US and we made contributions while adding donation money in the form where the company agrees with the passion of the employees. Activities to collect money from the employees were also conducted and food materials weighing about 390 kilograms and about \$1,190 were contributed. These efforts were recognized and DISCO HI-TEC AMERICA received the

Gold Award from one of the management organizations, the Second Harvest Food Bank.



Nonperishables collected



Gold Award Certificate

TOPICS

Participation in the Parade of Fire Brigades

For safety and disaster prevention measures that DISCO believes, close cooperation with local communities is essential, so we at DISCO further our exchange with the local populace via actively attending neighborhood association meetings near the company offices. We are actively engaged in various disaster prevention activities in local communities, such as participation in the private fire brigade training contest by our private

firefighter team and joint fire prevention exercises as well as AED training sessions at the Head Office/R&D Center for those in the neighborhood.

In fiscal 2010, DISCO was recognized for these efforts and under the recommendations from the Omori Fire Department, DISCO participates in the Tokyo Parade of Fire Brigades as a representative of the Second Firefighting Division in charge of the two cities of Shinagawa and Ota.



Environmental Activities

We at DISCO fully recognize that preservation of nature and the global ecosystem is vital, and we are dedicated to creating a sustainable business that is appropriate for a member of a sound material-cycle society.

Environmental Vision

DISCO is continuously pursuing initiatives aimed at reducing our environmental footprint and has established a mid-and-long term roadmap in the form of our Environmental Vision.

The Environmental Vision 2020 is an evolution of the original

Environmental Vision, which outlined the desired state for 2010. The Environmental Vision 2020 sets out four main goals to be achieved, namely, Reduction of CO₂ Emissions, Resource Saving Activities, Pollution Prevention, and Conservation of Biodiversity.

■ Environmental Vision 2020

Achieving Environmental Corporate Excellence by FY2020

Reduction of CO₂ Emissions

- 25% reduction in DISCO's CO₂ emissions for business activities by FY2020 compared to FY2010 levels.

Resource Saving Activities

- Elimination of all forms of *mottainai* from all business activities

Elimination of *mottainai* means not wasting finite and valuable resources such as water, electricity, gas, paper and waste used or emitted by the business activities, and using them wisely, not only subjectively but objectively.

Pollution Prevention

- Continued preservation of zero environmental accidents.
- Forward-looking collection of information regarding hazard substances, and taking prompt, appropriate action.

Conservation of Biodiversity

- Contribution to local nature conservation activities.
- Obtaining green certification for each DISCO site.
- Implement the Satoyama Initiative at each DISCO site.

Note: Targets may be revised or amended as necessary every fiscal year based on the situation.

Environmental Considerations in Business Activities

DISCO has implemented various measures to reduce environmental burden and to realize a sustainable business.

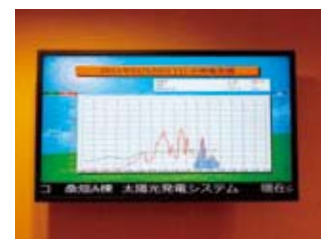
In order to effectively use limited water resources, we have installed water recycling unit at the Head Office/R&D Center and the Hiroshima Works to process drainage water from the manufacturing process. This has allowed us to minimize the amount of clean water used. In fact, the adoption of this equipment has enabled DISCO as a whole to reduce the amount of clean water used by approximately 30%. The manufacturing process for precision consumables and equipment uses a great deal of clean water, so minimizing its use not only has an effect in terms of costs but also contributes to community drought management.

In addition, in 2010 we installed a solar power generation system at the Kuwabata Plant capable of producing up to 400

kWh of electricity. This has allowed for a maximum power generation of 40 kWh at the Head Office/R&D Center and 600 kWh at the Kuwabata Plant. The power generated is used for some of the power required in our operations.



Kuwabata Plant solar panels



Power generation monitor screen

Environmental Considerations in Products

DISCO follows our Green Product Guidelines when designing and developing products to reduce the environmental burden during their life cycle.

Based on the Green Procurement List of DISCO Restricted Substances prepared in 2003, we preferentially procure raw materials and parts that do not contain 15 hazardous substances including the 6 substances specified by the RoHS Directive. Although precision processing equipment (or large-scale stationary industrial tools) falls outside the scope of the RoHS Directive, DISCO has carried out green procurement since fiscal 2006. We consider this one of our social responsibilities as a corporation. Moreover, in fiscal 2007, we developed several models containing 100% green procured parts. In fiscal 2010, all DISCO dicing saws complied with green procurement protocols (excluding some particular parts in both models).

With regard to accessory equipment, in 2010 DISCO developed and released the DWR1721 Deionized Water Recycling Unit that is used in tandem with dicing saws. By utilizing a high-performance filter, the DWR1720 recycles all water used during the dicing

process that would previously have been disposed of. The unit also integrates deionized water production, filtering, constant temperature water supply and waste liquid disposal into one device. This has allowed us to configure an ultrapure water circulation system with a minimum investment in equipment, minimizing material use, and also helps protect the environment by saving precious water.

DISCO is also engaged in efforts to reduce the environmental burden of our consumable products. The conventional method of polishing wafers to remove damage caused by backgrinding involved a chemical mechanical polishing process, which has enabled the production of thinner wafers and IC amidst the miniaturization and increasing functionality of electronic devices. This method however, by essence has proven harmful to the environment. Our existing dry polishing wheel lineup, which included the DP08 Series, was expanded in 2009 with the release of the DPEG Series. Both of these products meet the requirements of increased processing needs while also being kinder to our environment.



CC Filter



DWR1721
Deionized Water Recycling Unit



DPEG Series
Dry Polishing Wheel

TOPICS

Actively introducing low-emission vehicles

DISCO is promoting the introduction of low-emission vehicles to reduce the impact of our business activities on the environment.

We have opted for hybrid vehicles as company vehicles, which emit less CO₂ and atmospheric pollutants and use fewer natural resources.

In fiscal 2010 electric vehicles were introduced for use at the Hiroshima Works,

which are even more environmentally friendly than hybrid vehicles.

These electric vehicles are used to transport employees and visitors around the various sites at the Hiroshima Works.

DISCO also offers a subsidy for employees who choose to purchase an eco-car, in an effort to support those aiming to reduce their carbon footprint.



Principle based Organizational Management

DISCO is devoted to organizational management in order to continuously communicate and improve our corporate culture and values.

Corporate Governance

DISCO has adopted a corporate auditor-based system of corporate governance by which we have established a board of directors and board of auditors within the company. All five* are external, independent auditors, ensuring fairness and neutrality.

We have six directors*, a relatively small number, to ensure flexible, agile decision making on managerial matters. We have established the Compensation Committee in order to deliberate on and make appropriate recommendations regarding the remuneration for directors. The committee is made up of current and former directors and guided by the first principle of our system of compensation, which stipulates that directors are to share profits with shareholders. In fiscal 2006, we established an internal control system and since then have continued to make improvements ahead of starting internal control over financial reporting under the Japanese Financial Instruments and Exchange Act introduced in March 2009.

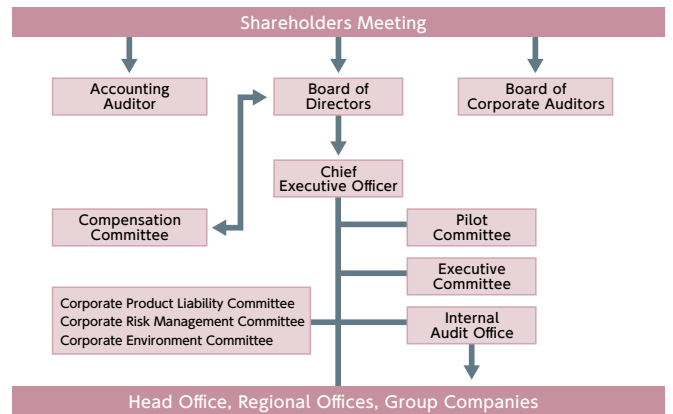
DISCO's internal control aims at "compliance with the law and improvement of efficiency" in addition to the legal obligation of "ensuring reliability of financial reporting." To accomplish these aims, we set up an inter-departmental task force. The task force has made assessments and builds support concerning internal

control for domestic and international affiliates.

Additionally, in fiscal 2010 we built a dedicated organization which supervised the internal control activities and promoted activities that disseminate the concept and significance of internal control as well as highlights of internal control evaluation.

*As of the end of March 2011

■ Corporate Governance Structure



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. The Code of Ethics clarifies our actions from an ethical viewpoint in DISCO operations and is distributed the Code of Ethics with commentary to every employee. DISCO goes to great lengths to ensure that employees comply with the Code of Ethics in their activities representing DISCO as well as their everyday actions and behavior.

In order to assess whether our approach to ethics has been fully imbedded in the mindset of each employee, the Employee Satisfaction Survey includes questions on ethics. Additionally, we provide counseling for employees facing difficult ethical decisions.

■ Ethics Support System



Investor Relations Activities

Our investor relations activities provide accurate, straightforward, timely information to shareholders and investors to give a better understanding of corporate activities and direction.

In fiscal 2010, the analyst briefings, which were conducted twice a year, were increased to four times a year and documents, such as the quarterly briefing notes, were reexamined so as to

enhance our disclosed information. We also sponsored plant tours for institutional investors, meetings between investors and officers as well as booth tours at SEMICON Japan. In the future, we will make efforts to deepen the understanding of our investors about the management and strengths of DISCO based on DISCO Values through our IR activities.

Activities Disseminating Corporate Philosophy

To enable all of our employees to understand DISCO Values, our corporate philosophy, and to implement/realize them in their daily activities, DISCO has initiated shared activities within the company. We engage in a number of activities, large and small, ranging from level-based training in which all officers/employees participate, to study sessions conducted on a departmental basis.

Each and every one of the employees participates in discussions, case studies, and the like so they may gain an essential understanding of the meaning of DISCO Values, allowing them all to share ways of thinking that prove to be helpful in their work at DISCO. We have been taking part in such dissemination

activities for over ten years as an important business base supporting our operations, endeavoring to link them to stronger organizational capabilities. These efforts are not only limited to Japan, as we have also established activities to disseminate DISCO Values among our overseas affiliates.



Discussion

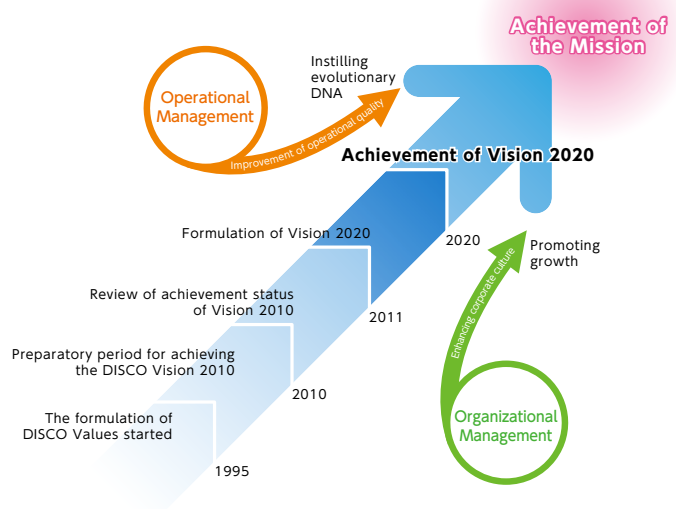
DISCO Vision

The DISCO Vision plays the role of a milestone to specifically define what we want to be or what we should aim at as a goal for the future in achieving our mission.

The DISCO Vision was established in 1997 and we started our activities aiming at 2010. In 2010, when we reached the achievement year, we reviewed our progress and established DISCO Vision 2020 for where we want to be in the future aiming at further evolution.

The DISCO Vision 2020 was drawn from a future perspective as was the previous vision and also provides quantitative targets such as sales and profits along with qualitative targets. This new Vision defines the goals for 2020 from multiple angles. The Element Angle elucidates what the corporation is based on its main elements, such as the business, organization and human resources, while the Stakeholder Angle focuses on the relationship between DISCO and our predominant stakeholders.

DISCO's Management Structure



PIM (Performance Innovation Management)

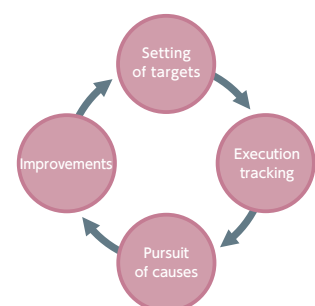
In order to improve the operational capabilities as a company and to make progress, it is essential to not only execute a strategy based on our corporate philosophy and vision, but also increase the capability to achieve such.

At DISCO, we have actively promoted PIM activities throughout the entire DISCO group including overseas affiliates to increase DISCO's operational performance.

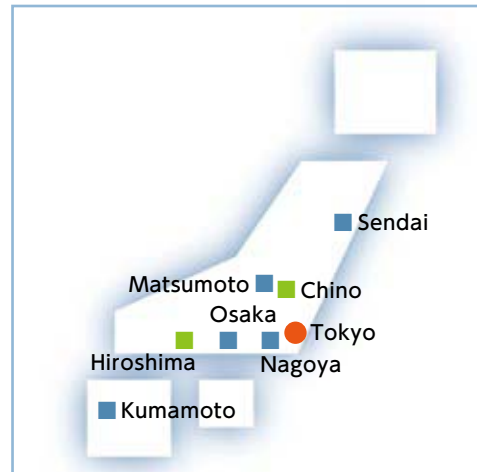
In PIM, we repeat the following cycle: the team managers quantify targets (Plan), the targets are executed by the team as a whole (Do), the causes of any gaps between the ideal and current state are clarified (Check), and improvements are made (Action). In order to promote this PDCA cycle, we visualize the progress with Post-it notes and graphs, submit ideas with regard to what has been noticed and what needs improvement

according to the weekly and daily confirmations of progress, and share these ideas. Following through with these activities systematically instills employees with a positive stance toward improving and reforming their actions. We aim to be an organization that enables employees to notice the triggers for improvement by themselves.

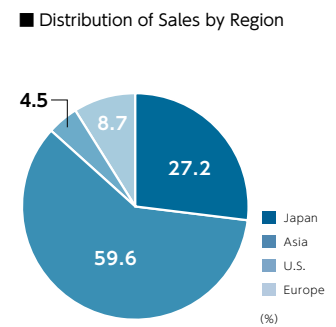
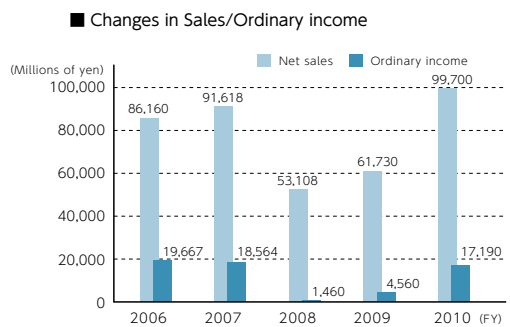
PIM Activities Chart



Company Data

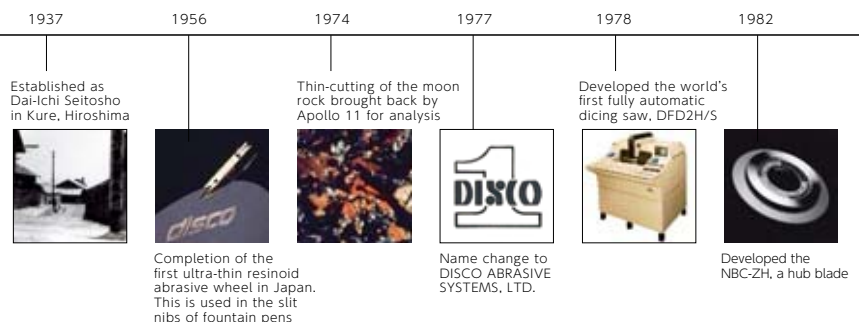


Financial Status (Consolidated)



DISCO Timeline

DISCO, a company that started as an abrasive wheel manufacturer, has increased its engineering capabilities over the years via the development of ultra-thin grinding blades and wheels. It subsequently began to develop its own lineup of equipment, ultimately realizing processing technology via non-grinding stone methodologies such as laser and plasma.





Company Name : DISCO Corporation

Head Office : 13-11 Omori-Kita2-chome,
Ota-ku, Tokyo 143-8580, Japan

Founded : May 5, 1937

Incorporated : March 2, 1940

Capitalization : 14,517,469,520 yen (as of March 31, 2011)

Shares Issued : 34,004,418 (as of March 31, 2011)
 Tokyo Stock Exchange, First Section
 Stock ID: 6146

Lines of Business

1. Manufacturing and sales of precision processing equipment
2. Maintenance services for precision processing equipment
3. Training services for the operation and maintenance of precision processing equipment
4. Disassembly and recycling of precision processing equipment
5. Lease of new precision processing equipment and sales of used equipment
6. Manufacture and sales of precision processing tooling (consumables)
7. Contract processing of precision parts

Main Business Sites and Offices

《Asia》

- DISCO Corporation
- TECNISCO, LTD.
- DISCO ABRASIVE SYSTEMS K.K.
- DAIICHI COMPONENTS, LTD.
- DISCO HI-TEC (SINGAPORE) PTE LTD
- DISCO HI-TEC (THAILAND) CO., LTD.
- DISCO HI-TEC (MALAYSIA) SDN. BHD.
- DISCO HI-TEC CHINA CO., LTD.
- DISCO HI-TEC TAIWAN CO., LTD.

《North America》

- DISCO HI-TEC AMERICA, INC.

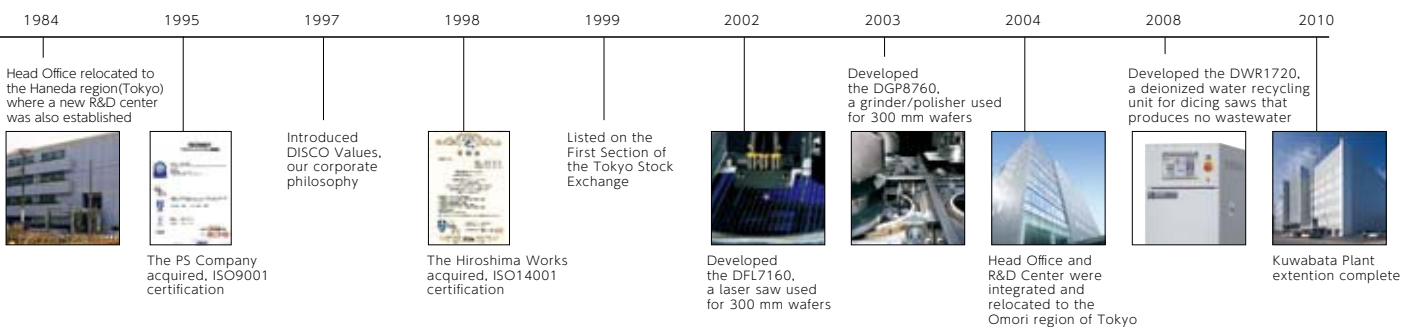
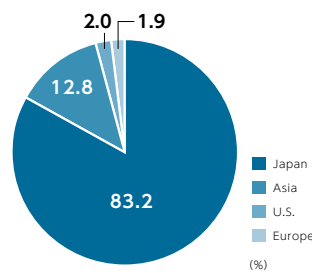
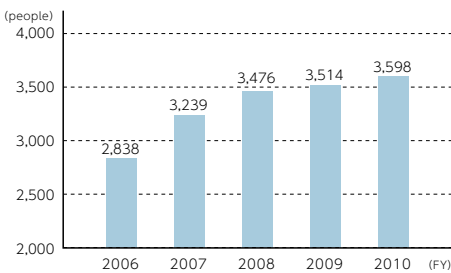
《Europe》

- DISCO HI-TEC EUROPE GmbH
- DISCO HI-TEC FRANCE SARL
- DISCO HI-TEC U.K. LTD.
- DISCO HI-TEC MOROCCO SARL

Employment Status (Consolidated)

■ Changes in Number of Employees

■ Distribution of Employees by Region



This CSR information applies to fiscal 2010 (April 1, 2010 to March 31, 2011).

DISCO CORPORATION

Inquiries to:

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