



Social Environmental Report 2004

Always eco-active

Overview

| | | |
|-----------------------------------|--|---|
| Profile | Used throughout the semiconductor and electronic components industries, Disco's Kiru, Kezuru, and Migaku solutions comprise four elements: precision machines (dicers, grinders, and polishers), precision processing-point technologies (blades, grinding wheels, and laser systems), applications, and services. These solutions help companies around the globe produce the world's most advanced industrial and consumer products. | |
| Basic information | Name | Disco Corporation |
| | Location of Head Office | 14-3, Higashi Kojiya 2-chome, Ota-ku Tokyo, Japan 144-8650 |
| | Date founded | May 5, 1937 |
| | Date incorporated | March 2, 1940 |
| | Capital | ¥ 9,795,677,111 (as of March 31, 2004) |
| | Total number of shares issued | 32,130,711 shares (as of March 31, 2004) Listed on Tokyo Stock Exchange, First Section Securities Identification Code: 6146 |
| | Number of employees | 1,171 (as of March 31, 2004) |
| | Products | Precision grinding and cutting equipment: Dicing saws, cutting saws, laser saws, grinders, polishers, Dicing Before Grinding (DBG) in-line systems, etc. Precision diamond blades: Blades, grinding wheels, dry polishing wheels, etc. |
| Report concept | In 2003 the Environmental Report became the Social Environmental Report, reflecting a greater emphasis on social issues. This year's report gives nearly equal space to social and environmental areas and places further emphasis on sustainability. Unlike financial statements and reports, which present Disco's fiscal results, the Social Environmental Report is intended to detail the results of social and environmental practices and initiatives. In preparing this report, the following guidelines have been taken into consideration: <ul style="list-style-type: none">• Environmental Report guidelines (2003 edition).• GRI (Global Reporting Initiative) guidelines.• Japan Association of Corporate Executives: Criteria for Corporate Assessment. | |
| Period covered by this report | April 1, 2003, to March 31, 2004 | |
| Month issued | June 2003 | |
| Facilities covered in this report | <ul style="list-style-type: none">• Head Office (Ota-ku, Tokyo)• Kure Plant (Kure-shi, Hiroshima)• Kuwabata Plant (Kure-shi, Hiroshima)• Nagatani Plant (Kure-shi, Hiroshima) | |

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GRI Guideline Guide

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| | PR8. Description of policy, procedures/management systems, and compliance mechanisms related to customer satisfaction, including results of surveys measuring customer satisfaction | 6 |

Japan Association of Corporate Executives: Criteria for Corporate Assessment

| Category | Subcategory | Indicator | Page |
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| Corporate Governance | Principles and Leadership | Setting our management philosophy clearly, and disseminating it throughout the company | 4 |
| | Compliance | Establishment of compliance structure | 4 |

Message from the President

In recent years, the world has experienced unending international conflict, new infectious diseases, economic uncertainty, and rapid social change. With increasingly complex and varied values in both the public and private spheres, it is truly a time of great change for societies everywhere.

Amidst this change, corporations have been implicated in a wide variety of legal and ethical scandals. Their antisocial behavior has even caused the public to question whether corporations are capable of a fair exchange of value with society, which is their true purpose.

All Disco activities have as their foundation “Disco Values,” a system of ethical principles whose chief aim is the fostering of an equitable exchange of value between Disco and society. To realize this goal, Disco must not only attend to its own economic success, but also must pay equal attention to social responsibility, environmental preservation and occupational health and safety.

The Social Environmental Report serves to detail these activities. We look forward to the public’s continued support of and advice regarding the contents of this report, and we are committed also to the continuous improvement and development of the social and environmental aspects of our business.



Hitoshi Mizorogi
President and COO

Social activities

As the economy and society change rapidly, companies have more and more social influence. Further, in light of recent corporate scandals, it is important for companies to take social responsibility more seriously and talk about it more openly.

Because at Disco our goal is to realize the highest level of corporate governance, we aim to set management philosophy clearly and establish a firm compliance structure. Further, Disco values not only its holders of debt and stock, but all stakeholders by providing true value to customers and creating an employee-friendly workplace. Finally, Disco is working hard to make direct contributions to society and be a good corporate citizen.

Clear management philosophy

At Disco, effective management includes the creation of a supportive corporate culture and values shared by management and all employees. As the social responsibility of companies is now being questioned, companies need to invent special structures to promote values and ethics. For this reason, Disco maintains a structure not only for enterprise management, but also one for organizational management, the qualitative and values-based dimension of the company.

The foundation of organizational management at Disco is Disco Values, a system of ethics and values that shapes decision-making by management and the activities of all employees. The ultimate goal of Disco Values is participation in a revitalized world business culture—a virtuous circle of shared values and corporate compliance with them. Disco feels that these shared values and a positive business culture are the best ways to sustain continuous long-term growth.

Establishment of compliance structure

Compliance at Disco

Compliance at Disco includes not only obedience to the letter of all applicable laws and regulations, but also to its spirit. It is a concept that includes values, ethics, fair and appropriate management, and creative growth in balance with the social and physical environment.

Legal Compliance

Disco works proactively to release company data, to increase transparency of financial information, and to comply with all export regulations through the of understanding of laws and regulations on the part of management and employees.

Specifically, Disco has worked to educate employees about the “Act Against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors” and the use of third-party intellectual property, has created an internal system of Company stock trade notices to prevent illicit insider trading, has held seminars about information security, and is strengthening efforts to protect the personal information of individual employees.

Creating an employee-friendly working environment

Philosophy of equal opportunity

Disco does not evaluate persons on the basis of gender, age, nationality, race, religion, or educational background.

Employing the disabled

To date, Disco's employment of the disabled has not been adequate. In October 2003, however, Disco for the first time met the hiring quota established by law, and top management continues to sponsor new hiring initiatives for the physically and mentally disabled. Further, in July 2002 a Disco employee was recognized as an "Excellent Disabled Worker" by the Tokyo Metropolitan Government, and in September 2003 a Disco employee at the Hiroshima Works was similarly recognized by Ministry of Health, Labor, and Welfare.

Respecting human rights

Disco does not tolerate human rights violations and makes this position clear in internal literature. Each employee must attend a seminar dealing with identifying, preventing, and handling this serious problem.

Internship system

Since 1999 Disco has supported two sessions of Head Office internships a year—one each in spring and summer—focused on college students. These internships provide an opportunity for young persons to learn about the industry in general, Disco in particular, and what it is like to join the workforce. These internships are offered in a wide variety of departments, and students also have an opportunity to talk with managers at special lunches and other events. The Hiroshima Works offers similar internship opportunities to local high school students.



Promoting employee satisfaction

"Disco Values" is one of the most important elements of management policy and employee education at Disco. In the internal literature supporting and explaining these values, it is held that "A corporation is a social system which helps people to acquire happiness and amenities of life." Disco employees, as members of this social system, should be able to fulfill social needs therein. The growth of both the company and the individual employee are important goals of this system, as well as an equitable exchange of value between the two.

To help promote this mutual exchange of value, in FY 2004 Disco introduced the Disco Employee Satisfaction Survey, which included 100 questions regarding one's work environment, supervisor, performance assessment, and other topics related to workplace satisfaction. Disco plans to continue to implement this survey, which is answered anonymously, once per fiscal year. A related initiative is the recently established Employee Satisfaction Committee, which aims to foster a transparent and positive exchange of views between employees and management.

Providing value to customers

Disco declares our philosophy of customer satisfaction in this Customer Satisfaction Charter

Disco Customer Satisfaction Charter Disco strives to be a true partner to our customers by supplying the most advanced, effective, and reliable Kuru(Cutting), Kezuru(Grinding) and Migaku(Polishing) technologies possible.

In doing so....

- We always listen to the voice of the customer
- We provide first-class quality products and services that truly satisfy our customers` needs.
- We, as individuals and collectively, always act sincerely and honestly.
- We are not satisfied with the status quo and always strive to improve.
- We regard our mission with excitement and enthusiasm and seek to convey this positive energy to our customers.

April 1, 2003

Hitoshi Mizorogi
President and COO

Fostering of activities to contribute to society

Local promotion of ISO 14001

As a member of the ISO 14001 Promotion Committee organized by the Hiroshima Eco-Forum, in March 2003 Disco began to help small businesses in Hiroshima Prefecture achieve ISO 14001 certification. To this end, Disco held seminars in October and December 2003. In February 2004 Disco also provided an instructor to assist in the "ISO 14001 Seminar" sponsored by the Kure City Chamber of Commerce.

Supporting global environmental efforts

Disco has also been active in JICA (Japan International Cooperation Agency), which serves as a bridge between Japan and developing countries. In July 2003 Disco supplied an instructor for a JICA course dealing with waste management technology, and in November 2003 for a course dealing with pollution prevention policies in Southwest Asia.



JICA training at Higashihiroshima City, Hiroshima Prefecture

Volunteer activities

In FY 2004 Disco ramped up efforts to support employee volunteerism in cooperation with Kankyo Gakushu Kenkyukai, a nonprofit organization. Activities included support of environmental research and participation in an eco-products exhibition.

Greening

In support of a workplace appealing not only to Disco employees but also those living near Disco facilities, Disco makes its facilities as green and beautiful as possible. Both the Head Office and Hiroshima Works have grounds full of trees, shrubs, and flowers, and the Head Office facilities feature several roof-top gardens as well.



The gardens outside of cafeteria (Head Office)



Cherry blossoms at the Kuwabata Plant (Hiroshima Works)

Towards leadership in environmental management

Facing the sea and surrounded by mountains, from the distant past Kure City, Hiroshima Prefecture, has been famed as a natural fortress and harbor for vessels both commercial and military. Here at the Hiroshima Works, on a sunny day, when the mountains shine green in every direction, one is reminded of the true value of nature.

But mountains sometimes contain unpleasant secrets. In another part of Japan, far to the north, an illegal landfill was discovered on the border of Aomori and Iwate Prefectures: used solvents, discarded food products, and many other kinds of waste were buried in the lush hills. It will take decades to repair this damage fully.

The incident was also a reminder of the importance of selecting ethical and reputable waste disposal firms. Further, I realized that by reducing our output of landfill-bound waste, ideally to zero, we could reduce for others the temptation to cut corners.

I am proud, however, that Disco continues to engage in concrete activities to promote reuse and recycling. For example, we have received qualification from the Ministry of the Environment as a Nationwide Recycler of Designated Industrial Refuse, a first among Japanese machine tool manufacturers. This qualification allows us to collect our used machines, disassemble them, and reuse the spare parts and recycle the materials.

We are also planning to receive ISO 14001 certification for all Disco group companies, whether they are involved in production or not, and we have implemented a Green Products Guideline to make our products more energy- and resource-efficient, thereby helping our customers to conserve. Through such measures Disco is making gradual but steady progress toward its goal of a true leadership position in environmental management.

Hideyuki Sekiya
Executive Director,
Environmental Management
General Manager, Hiroshima Works

Disco Corporation Environmental Charter

Environmental philosophy

We recognize that the preservation of nature and the global ecosystem is essential for the future happiness and survival of humanity.

We will therefore ensure that ample resources are available for creating a sustainable business that is appropriate for a member of a recycling-based society.

Basic environmental policy

1. We will continually evaluate the environmental effect of our business activities and work to improve them.
2. We will endeavor to provide products whose negative impact on the environment is kept to a minimum throughout their life cycles.
3. We will give maximum consideration to the health of our customers, suppliers, employees, and members of the local community.
4. We will conduct continuing environmental education programs for our employees.
5. We will endeavor to design our products to comply with the most stringent of laws and regulations from the countries where our products are used.
6. As a good corporate citizen, we will actively engage in community activities at the local level to help improve the environment.
7. We will openly share information concerning the environment in a timely manner.

Our environmental action guideline

“Always eco-active”

At all times and in all places, concern for the environment will guide our actions.

Published January 1, 1997
Revised October 16, 2000

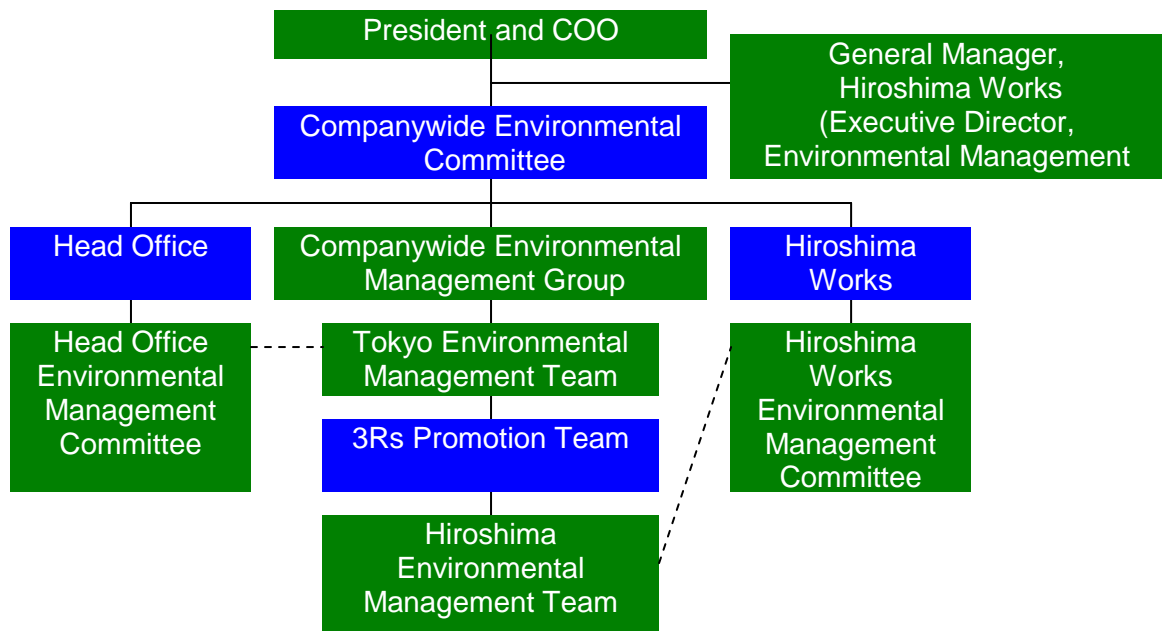
Hitoshi Mizorogi
President and COO

Environmental activities thus far

| | |
|---------------|--|
| January 1997 | Disco Corporation Environmental Charter announced. |
| February 1997 | Environmental Management Section established at Hiroshima Works. |
| April 1997 | Environmental Management Committee established at Hiroshima Works; activities for reducing environmental impact initiated. |
| May 1997 | Environmental management policy formulated at Hiroshima Works. |
| July 1997 | Environment and Safety Office established at Head Office. |
| December 1997 | Waste output measurement system (43 classifications) introduced at Hiroshima Works. |
| February 1998 | ISO 14001 certification acquired for environmental management system at Hiroshima Works (Kure and Kuwabata Plants). |
| July 1999 | Ice thermal storage air-conditioning system (eco-ice) installed at Hiroshima Works. |
| August 1999 | LCA (Life Cycle Assessment) Project initiated at Head Office. |
| April 2000 | Companywide Environmental Committee and Head Office Environmental Management Committee established. |
| October 2000 | Disco Corporation Environmental Charter revised. |
| April 2001 | Environmental Goal Management System initiated at Head Office. |
| July 2001 | Circulation system for wastewater (including silicon cutting water) introduced at Hiroshima Works. |
| August 2001 | ISO 14001 certification for environmental management system updated at Hiroshima Works. |
| March 2002 | Material Safety Data Sheets (MSDS) for blades, wheels, and dresser boards made available on Disco website. |
| June 2002 | Report in compliance with the Pollutant Release and Transfer Register (PRTR) Law compiled at Hiroshima Works. |
| July 2002 | Environmental policy revised at Hiroshima Works. |
| October 2002 | Recycling service for certain used products started. Environmental Report 2002 (first in series of yearly reports) issued. |
| March 2003 | Participated in ISO 14001 Promotion Committee organized by Hiroshima Eco-Forum. |
| August 2003 | Qualification as Nationwide Recycler of Designated Industrial Refuse received from Ministry of the Environment. |
| January 2004 | Functions of Environmental Management Section (Hiroshima Works), Corporate Environment and Safety Department (Head Office), and 3Rs Promotion Team (Head Office) harmonized under new companywide Environmental Management Department. |
| February 2004 | Award received from chief of Kanto Bureau of Economy, Trade, and Industry in recognition of efforts to rationalize use of electricity. |

Organization and roles

Disco's environmental organization is as follows with the Companywide Environmental Committee and Environmental Management Department (established January 2004) in key leadership roles.



| Organization | Role | Chairman etc. | Base of operations |
|---|---|--|---|
| Companywide Environmental Committee | Makes decisions regarding companywide environmental management, including environmental strategies for products | Hideyuki Sekiya General Manager, Hiroshima Works; Executive Director, Environmental Management | Tokyo Environmental Management Team |
| Head Office Environmental Management Committee | Makes decisions regarding environmental preservation and minimization of environmental impact at the Head Office | Takao Tamura Director | Tokyo Environmental Management Team |
| Hiroshima Works Environmental Management Committee | Makes decisions regarding environmental preservation and minimization of environmental impact at the Hiroshima Works; administers ISO 14001 | Hideyuki Sekiya General Manager, Hiroshima Works; Executive Director, Environmental Management | Hiroshima Environmental Management Team |
| Nationwide Recycler of Designated Industrial Refuse | Advancement of recycling and management of recycling initiatives | Hitoshi Mizorogi, President and COO; Hiroyuki Sekiya | 3Rs Promotion Team |

Disco and the environment

Disco products and environmental impact

Disco's products can be divided into two main categories.

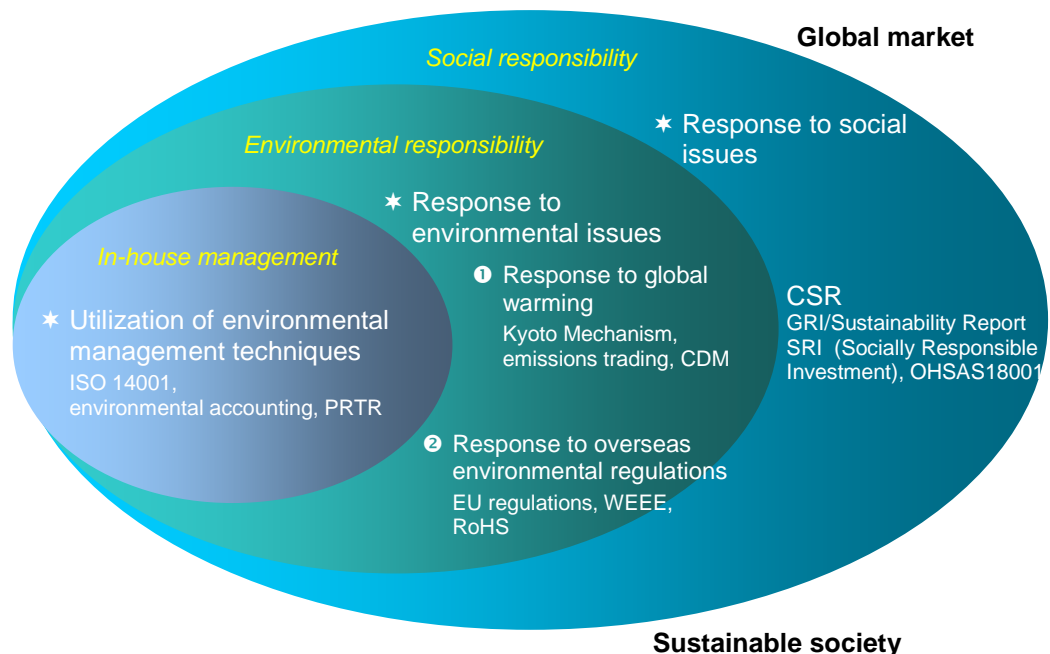
1. Precision machinery: dicing saws, cutting saws, laser saws, grinders, polishers, Dicing Before Grinding (DBG) in-line systems, etc.

These are machines for processing semiconductors and electronic components. The total energy used in producing a machine, including its many subcomponents, is large. Further, machine lifespan is long; therefore each product generation must be designed with conservation in mind, as considerable amounts of air, water, and electricity are used during the cutting and grinding processes. Water is used to cool both the processing point and the spindles. Hence, machine operation tends to have more environmental impact than the manufacture of the machine itself.

2. Precision diamond (and other) abrasives: blades, grinding wheels, dry polishing wheels, etc.

These are consumables used for the precision processing of semiconductors and electronic components, typically with Disco precision machinery. Lifespan is an important design issue. Further, the handling and proper disposal of the chemicals used in manufacturing these products are issues for continuous attention and examination.

Extension of environmental activities



CDM: Clean Development Mechanism
A system in which a developed country conducts activities in a developing country that reduce or avoid emissions and claims credit for that reduced amount for itself.

CSR: Corporate Social Responsibility
Corporate behavior that meets or exceeds the ethical, legal, commercial and public expectations of society.

GRI: Global Reporting Initiative
An independent institution that develops and disseminates the internationally applicable Sustainability Reporting Guidelines, which have economic, environmental, and social dimensions.

(Based on materials provided by JMA Consultants Inc.)

Environmental Conscious Product

Green Products Guideline

In March 2004, Disco established its Green Products Guideline for precision machines to reduce environmental impact throughout the lifecycle of each product. Product designers are able to refer to this guideline to comply with both national and Disco's own standards for the use of harmful materials and reduce their use as much as possible. Further, the guideline intends to create transparency in the product development and design processes so that the "greenness" of the product can be assessed at every stage.



DFD6240

Energy-saving design of dicers

LCA (life cycle assessment) is an important concept at Disco. Through LCA Disco learned that the best way to reduce the environmental impact of Disco dicers was to reduce energy consumption at the time of use. Feedback from LCA has been employed in the design of DFD6240, DFD6340 and DFD6361.

Water Temperature Control Unit DTU162

This water temperature control unit, which employs circulation technology, is connected to a dicer designed primarily for the electronic parts industry. Its wheel coolant circulation system lessens environmental impact by reducing water use. It is CE and SEMI compliant and uses as refrigerant R407C—a completely non-ozone-depleting gas.



DTU162

Fully Automatic Dry Polisher DFP8160

Most approaches to stress relief, which removes grinding damage from wafers, employ slurry, chemical, or solvents. Disco, however, has developed an environmentally friendly process that uses none of these—in fact, Disco's unique dry polishing process doesn't even require water. Instead, a non-diamond abrasive pad engages in a solid-phase reaction with silicon and other materials to provide exceptional stress relief. DFP8140 and DFP8160 are the machines that deliver this solution.



DFP8160

Precision diamond blade packaging

Polypropylene, a recyclable material, has been adopted for the following two precision diamond product packages (including labels), and new items will be added as feasible.

- NBC-ZH dicing blades
- Grinding wheels



Equipment Recycling Initiative

Disco Corporation, to further its industry leadership in the 3R's (reduce, reuse, recycle), has received qualification from the Ministry of the Environment as a Nationwide Recycler of Designated Industrial Refuse and will begin the collection and recycling of its used machines—a first in the production machinery industry.



What is a Nationwide Recycler of Designated Industrial Refuse?

As established in the "Law Regarding the Disposal and Cleanup of Refuse," a Nationwide Recycler of Designated Industrial Refuse is a company permitted to collect and recycle equipment it has manufactured or sold ("designated" refuse). A company wishing to become a Nationwide Recycler must submit to the Ministry of the Environment details of the proposed collection process, recycling processes, and subcontractors to be employed. Once qualified by the Ministry, a company may perform collection and recycling throughout Japan without having to obtain qualification as either Collector and Transporter of Industrial Refuse or Processor of Industrial Refuse. This special qualification, however, limits a company to the collection and recycling of used equipment that it itself has manufactured or sold.

Diagram of recycling process

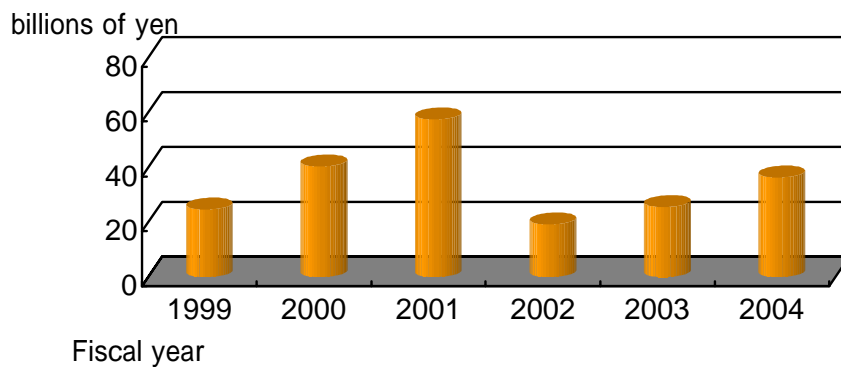


Energy, resources, and waste

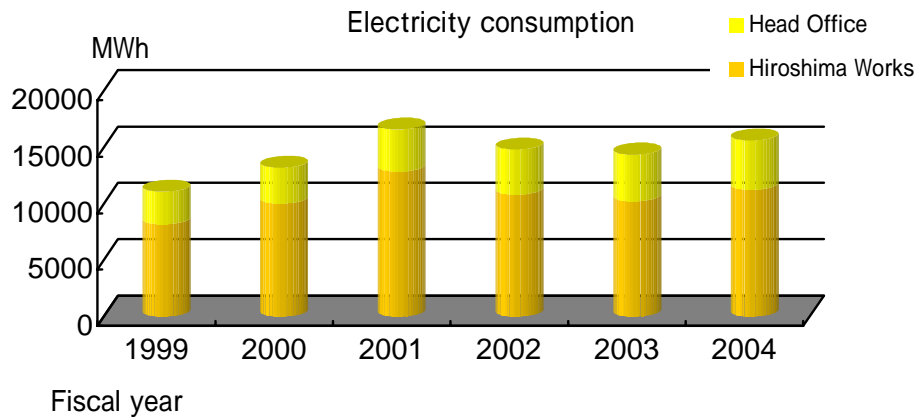
Below are statistics regarding Disco's consumption of resources and output of waste. These activities are influenced by sales levels and the construction of new facilities. Accurate measurements are the first step in conserving resources and reducing waste.

| | |
|------|---|
| 1999 | Building E expanded at Kuwabata Plant, Hiroshima Works. |
| 2000 | Buildings C', G, H, I and K added to Kuwabata Plant, Hiroshima Works. Building E added to Head Office complex. |
| 2001 | Nagatani Plant added to Hiroshima Works. Use of Building C2 initiated at Head Office complex. |
| 2002 | Use of Building C2 ceased and use of Building F initiated at Head Office. |
| 2003 | PS-A Building added to Kure Plant, Hiroshima Works |

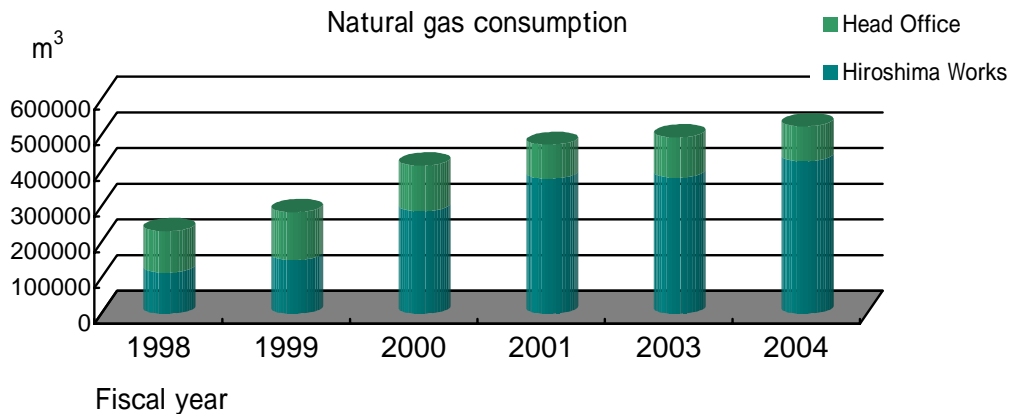
Sales performance



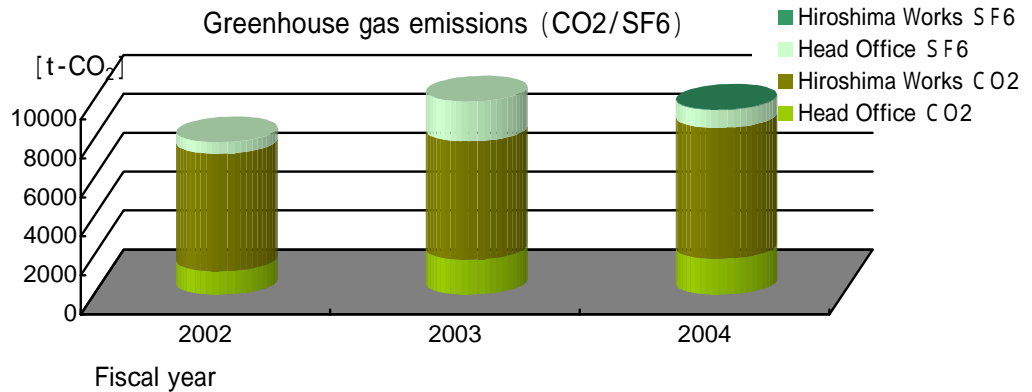
Electricity consumption



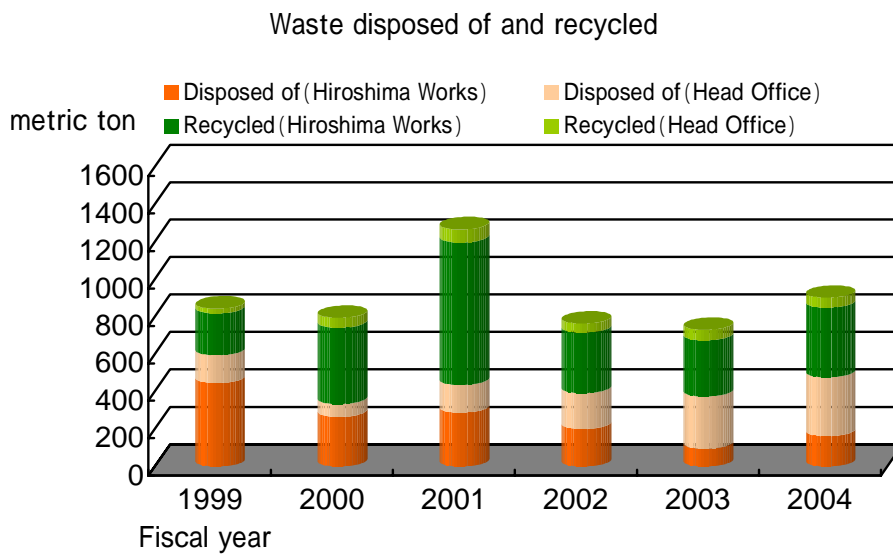
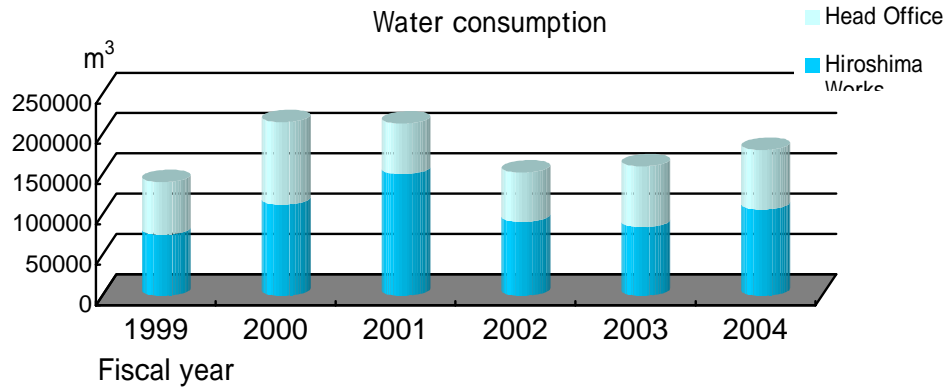
Natural gas consumption



The following graph expresses Disco's greenhouse gas emissions in terms of equivalent tons of carbon dioxide. In addition to carbon dioxide itself, since 2001 Disco has been releasing to the atmosphere sulfur hexafluoride, which is used in a Disco process. Sulfur hexafluoride has approximately 23,900 times the heat trapping potential of carbon dioxide.



The figures for carbon dioxide include amounts emitted through the use of electricity, gas, and company cars. In accordance with standard accounting procedures, the amounts emitted through waste disposal or the use of city water are not included.



Management of environmental impact

FY 2004
water quality
management
activities

At Disco, a strict system of wastewater content measurement and management is in force. The Head Office discharges wastewater to the sewer system and strictly follows the laws pertaining to such use. In fact, at the Head Office wastewater content is measured four times a year, and only up to 90% of the substance amounts permitted by law are allowed to be present in the water.

The Hiroshima Works (which comprises the Kure, Kuwabata, and Nagatani Plants) releases no water to rivers or other natural bodies of water; rather, all wastewater is discharged to the sewer system in strict compliance with the pertinent laws. The Hiroshima works measures wastewater content once per week and allows only 80% of the substance amounts permitted by law to be present in the water.

The figures below are the largest amounts recorded in FY 2004.

| Item | Unit | Value permitted by law | Measurement results | | | |
|--------------------------|------|------------------------|---------------------|------------|----------------|----------------|
| | | | Head Office | Kure Plant | Kuwabata Plant | Nogatani Plant |
| pH | | 5 to 9 | 7.6 | 8.2 | 8.5 | 7.9 |
| BOD | mg/L | 600 | 9 | 220 | 110 | 88 |
| Suspended solids | mg/L | 600 | 55 | 440 | 190 | 190 |
| N-hexane extracts | mg/L | 5 | 4.2 | 3.8 | 1.3 | 2.4 |
| Iodine consumption | mg/L | 220 | 2.5 | - | - | - |
| Cadmium | mg/L | 0.1 | - | Undetected | Undetected | Undetected |
| Cyanogens | mg/L | 1 | - | Undetected | Undetected | Undetected |
| Lead | mg/L | 0.1 | 0.02 | Undetected | Undetected | Undetected |
| Chromium | mg/L | 2 | Undetected | - | - | - |
| Hexavalent chromium | mg/L | 0.5 | Undetected | Undetected | Undetected | Undetected |
| Arsenic | mg/L | 0.1 | Undetected | Undetected | Undetected | Undetected |
| Mercury | mg/L | 0.005 | - | Undetected | Undetected | Undetected |
| Polychlorinated biphenyl | mg/L | 0.003 | - | Undetected | Undetected | Undetected |
| Trichloroethylene | mg/L | 0.3 | - | Undetected | Undetected | Undetected |
| Tetrachloroethylene | mg/L | 0.1 | - | Undetected | Undetected | Undetected |
| Carbon tetrachloride | mg/L | 0.02 | - | Undetected | Undetected | Undetected |
| Benzene | mg/L | 0.1 | - | Undetected | Undetected | Undetected |
| Phenol | mg/L | 5 | - | Undetected | Undetected | Undetected |
| Copper | mg/L | 3 | 0.4 | Undetected | Undetected | Undetected |
| Zinc | mg/L | 5 | 0.08 | 1.6 | 4 | Undetected |
| Soluble iron | mg/L | 10 | - | Undetected | Undetected | Undetected |
| Soluble manganese | mg/L | 10 | - | Undetected | Undetected | Undetected |
| Fluorine compounds | mg/L | 15 | 1 | 1.7 | 1.8 | 0.3 |
| Boron | mg/L | 230 | - | 20 | 35 | 0.04 |
| Total nitrogen | mg/L | 240 | - | 37 | 56 | 41 |

Note: A hyphen indicates an item not measured.

FY 2004 noise
and vibration
management
activities

Disco measures noise and vibration once per fiscal year; the figures below are the highest levels recorded in FY 2004.

| Unit: dB | | Kure Plant | Kuwabata Plant | Nogatani Plant |
|------------------------------------|---------------------|---------------------------------------|---------------------------------------|--|
| Time of day division for noise | | Morning, afternoon, and evening/night | Morning, afternoon, and evening/night | Morning, and evening / afternoon/night |
| Time of day division for vibration | | Afternoon / night | | |
| Noise | Regulatory standard | 70 / 60 | 70 / 60 | 50 / 55 / 45 |
| | Measurement results | 64 / 58 | 55 / 46 | 48 / 48 / 44 |
| Vibration | Regulatory standard | 65 / 60 | 65 / 60 | 60 / 55 |
| | Measurement results | 44 / 37 | 33 / < 30 | <30 / <30 |

Environmental management: Hiroshima Works

Hiroshima Works Environmental Policy

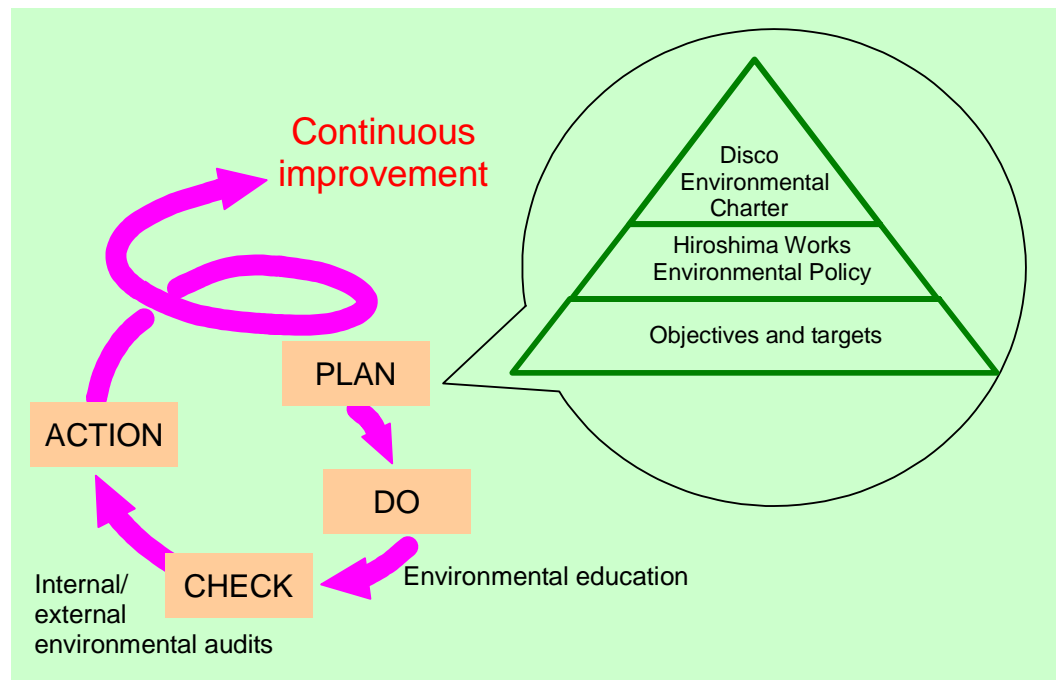
1. At the Hiroshima Works, we consider the impact of every business activity on the environment. We establish environmental goals and targets as well as autonomous management standards and, based on these, we engage in continuous environmental protection activities.
2. We not only strictly comply with the relevant laws and regulations but also seek to prevent pollution and improve the environment within the limits of economic and technological feasibility.
3. Mindful of the 3Rs of Reduce, Reuse, and Recycle, we seek to minimize environmental impact by conserving energy and resources, reducing industrial waste, and preventing the discharge of hazardous chemicals. We also work to minimize the impact on the environment from the facilities, processes, and materials that we employ.
4. As an important part of our business activities, we implement a thorough program of environmental education so that employees can increase their understanding both of our environmental policy and the environment itself. We conduct environmental audits to maintain and improve our environmental management system.
5. We monitor and seek to reduce the discharge of substances having a negative impact on the environment. By monitoring and managing our impact on the immediate environment (e.g., noise, vibration, odor, and appearance), we seek to earn the trust of our community.

This policy is for both internal and external distribution.

Published May 1, 1997
Revised July 1, 2002

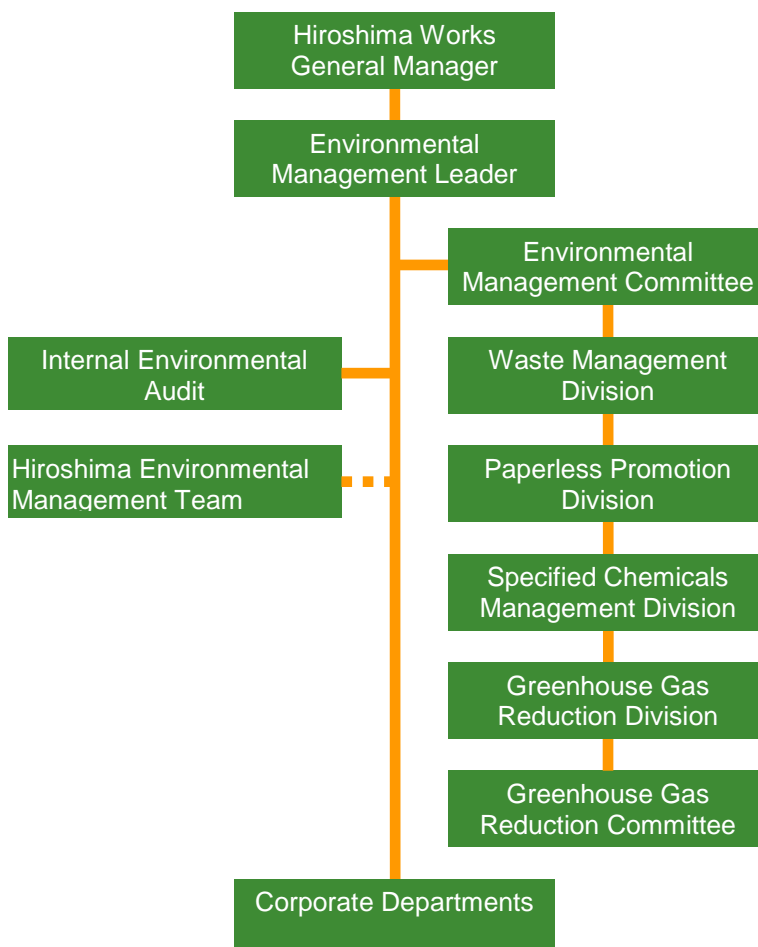
Hideyuki Sekiya
General Manager, Hiroshima Works
Director, Disco Corporation

Mechanism of environmental management



Environmental organization chart

The environmental organization of the Hiroshima Works is headed by the General Manager and has the following structure.



| Element | Role | Person responsible | Base of operations |
|------------------------------------|--|--|---|
| Hiroshima Works General Manager | As Executive Director of Environmental Strategy, provides comprehensive leadership for ISO 14001 at the Hiroshima Works | - | - |
| Environmental Management Leader | As delegated by the Hiroshima Works General Manager, promotes environmental management activities under ISO 14001 | Hiroshima Environmental Management Team Leader | - |
| Environmental Management Committee | As highest governing body of environmental management at the Hiroshima Works, establishes divisions to promote environmental management activities under ISO 14001 | Hiroshima Works General Manager | Hiroshima Environmental Management Team |
| Internal Environmental Audit | Comprises 17 internal auditors to verify activities performed under ISO 14001 | Environmental Management Leader | Hiroshima Environmental Management Team |

Environmental activities in FY 2003

The Hiroshima Works changed the name of the Energy Conservation Measures Division to the Greenhouse Gas Reduction Division. Further, through the Waste Management Division, the Specified Chemicals Management Division, and the Paperless Promotion Division, the works has sought to strengthen environmental management activity in a wide variety of areas.

Measures to reduce greenhouse gas output

This Greenhouse Gas Reduction Division, along with the Greenhouse Gas Reduction Committee, seeks to reduce output of greenhouse gases, including CO₂. To this end, these organizations calculate greenhouse gas output from Disco facilities and consider the implementation of such countermeasures as fuel cell use and cogeneration systems. Concurrently, they are responsible for general energy conservation initiatives.



New circulating water system

- General initiatives
- FY 1998
 - Environmental education program implemented.
 - FY 1999
 - Energy Conservation Committee, responsible for effective long-term conservation strategies, established.
 - Aging air conditioners replaced with gas air conditioners.
 - FY 2000
 - Air leakage checked and solution implemented.
 - Air conditioner filters and fins of outdoor units cleaned.
 - Switching off of unnecessary lighting promoted.
 - Ice thermal storage air-conditioning system (eco-ice) installed.
 - FY 2001
 - Each section/team tasked with proposing and implementing at least one unique energy conservation activity.
 - Regular energy conservation patrols begun by the Energy Conservation Committee of each plant. Temperature settings and cleanliness of air conditioners checked and educational activities implemented.
 - Air pipe bores standardized to reduce air loss.
 - FY 2002
 - Individual energy conservation targets established and implemented at Kure, Kuwabata and Nagatani Plants.
 - Air conditioner operation standards established for all plants.
 - Energy conservation patrols begun in FY 2001 continued.
 - FY 2003
 - Greenhouse Gas Reduction Committee established and regular meetings to determine countermeasures initiated.
 - Fuel cell facilities reviewed and introduction considered.
 - FY 2004
 - Measurement of greenhouse gas output extended to domestic sales offices and overseas Disco Group companies.

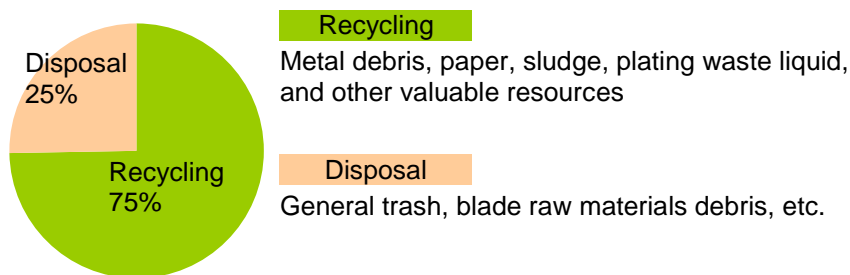
Waste management initiatives

An important Disco waste management initiative was to cut in half the amount of landfill waste generated in 1996, 680 metric tons, by fiscal year 2002. In fact, however, the result for that year was a mere 199 tons. The five year plan beginning in fiscal year 2003 contains the goal of further reducing this amount by 20%.

- FY 1998 • Recycling of paper, plastic, and other materials begun.
- FY 1999 • Aluminum sludge reduced by half; use begun of neutralization waste liquid and strong alkali as raw materials for cement.
- FY 2000 • Recycling of waste plastics begun.
- FY 2001 • Material recycling of sludge (for which material Disco is paid a fee) initiated at Kuwabata Plant.
- FY 2002 • Total waste reduced and recycling increased (wood scraps, carbon debris, lead, fluorescent lights, etc.).
- FY 2003 • Further separation of waste plastics increased for material recycling.
- FY 2004 • For-fee outsourced recycling of sludge begun at Kure Plant.

Disco continues to utilize outside assessors of waste management companies and performs a yearly check of their business practices, finances, and credit. Further, Disco thoroughly sorts wastes into 47 categories and endeavors to reduce the waste amount consigned for disposal while increasing the recycling amount. Through the recycling of metal debris, the use of waste liquid for cement raw material, the sorting and thermal recycling of plastics, For-fee outsourced recycling of NaOH sludge and other initiatives, Disco has raised its percentage of material recycled to well over 75%.

FY 2004 recycling/disposal ratio



Waste output measurement system

The waste output measurement system was implemented at the Kure Plant in December 1996, at the Kuwabata Plant in January 1997, and at the Nagatani Plant in April 2001 (upon completion of plant construction). This system, which employs sophisticated information technology, is used by the Environmental Management Section to measure and handle waste output at the Hiroshima Works. It allows Disco to respond quickly to new directives from local and national government.



Waste output measurement system

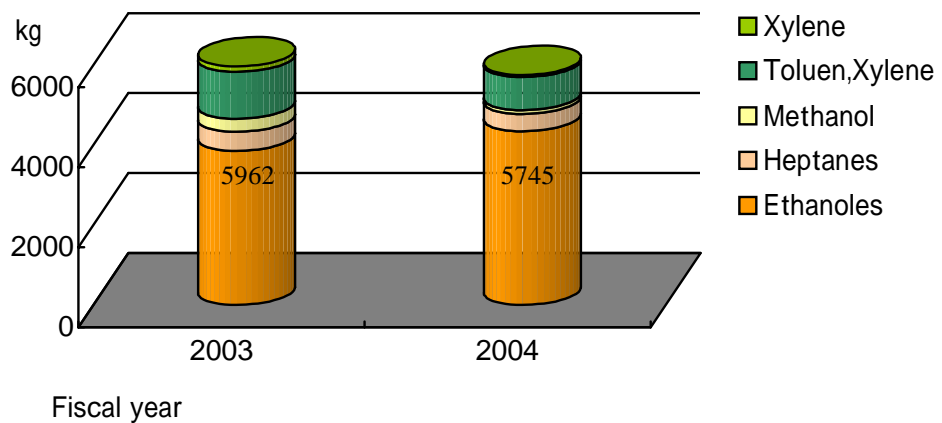
Specified chemicals management initiatives

1. Disco has completely discontinued the use of government-specified chemicals as cleaning agents.
2. Disco has continued to introduce CFC substitutes. Ozone-depleting HCFC-141b was used to clean machine parts as late as March 1998, but thereafter a switch was made to a mixture of HCFC-225ca and HCFC-225cb, which has a low ozone impact; a further change was later made to a 1-bromopropane solvent. In FY 1999 Disco switched to a fluorinated mold lubricant (a mixture of HCFC134a and HCFC141b) and continues to investigate chemicals that have little or no ozone-depleting potential.
3. Disco has greatly reduced its use of organic solvents by both reducing the amount used and by implementing a recycling system that reduces the amount of new solvent ordered. In the past fiscal year, Disco has reduced the total amount purchased of five specified organic solvents that it employs.



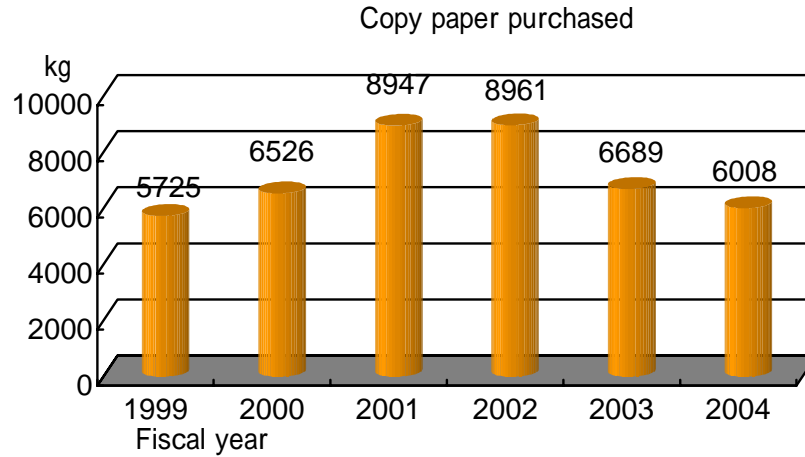
Solvent recovery and recycling system

Amount purchased or used of specified organic solvents



Paperless promotion activities

In FY 2004, the amount of paper used was reduced by introducing electronic media for various internal documents and encouraging the use of both sides of copy paper. Further, the use of various other types of paper was rationalized. These measures will be continued in FY 2005.



Environmental preservation initiatives

- | | |
|---------|--|
| FY 1998 | <ul style="list-style-type: none"> • Noise standards stricter than those required by law introduced. • New waste management system introduced; waste management facilities added and expanded. |
| FY 1999 | <ul style="list-style-type: none"> • Tank walls doubled and reserve tanks installed to prevent leakage. |
| FY 2000 | <ul style="list-style-type: none"> • Stoppers installed in plant run-off troughs to prevent accidental effluents. • Rainwater drainage system updated. |
| FY 2001 | <ul style="list-style-type: none"> • Kuwabata plant updated with new waste compression system, improved garbage disposal system, and new monitoring system for electricity consumption. |
| FY 2002 | <ul style="list-style-type: none"> • Noise management systems updated at Kure and Nagatani Plants. • Sludge management system updated at Kure plant. |
| FY 2003 | <ul style="list-style-type: none"> • Basic facilities largely unchanged. |
| FY 2004 | <ul style="list-style-type: none"> • Sludge processor added to new Kure Plant building to promote efficient use of drainage: water taken from blade production sludge increased by 30% reused as toilet water, etc. |

Current status of initiatives

| | |
|--------------------------------|--|
| Greenhouse gas reduction | In accordance with Kyoto Protocol, which seeks to reduce greenhouse gas emissions from 1990 levels by 6%, Disco is also working to reduce emission levels as much as possible by utilizing a variety of energy-saving techniques, and is formulating a medium-term plan to effect change throughout the Disco Group. |
| Waste management | As landfill space continues to diminish, Disco is working to reduce landfill waste. Further, it is working to reduce liquid waste to its constituent components. |
| Specified chemicals management | Solvent recovery efforts have reached fruition and the recycling rate essentially maximized. Disco will continue its efforts to reduce or eliminate regulated and hazardous chemicals, and has replaced methanol with ethanol as much as possible in its processes. |

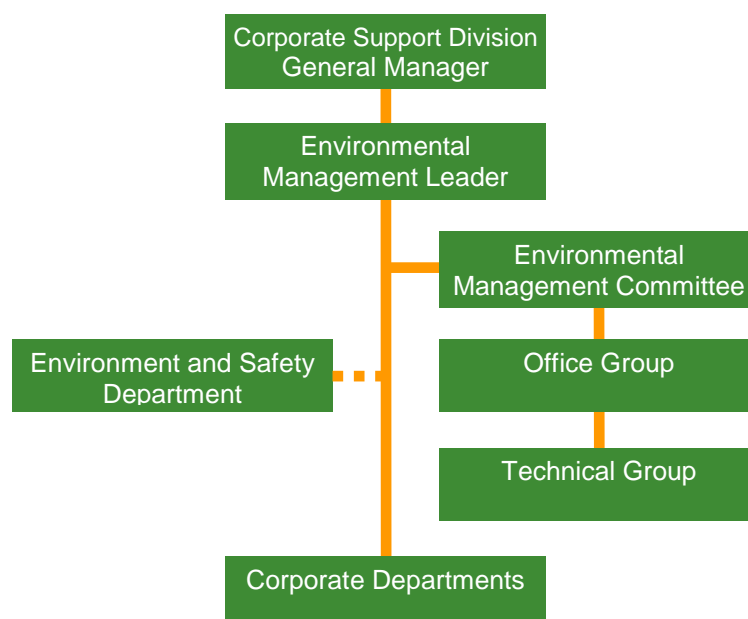
Environmental risk management structure

In accordance with ISO 14001, the Hiroshima Works has established a structure to respond to environmental crises, including an emergency communications network. Procedures for dealing with various environmental situations have also been documented.

Environmental management: Head Office

Environmental organization chart

The environmental organization of the Head Office is headed by the General Manager of the Corporate Support Division and has the following structure.



as of December 1, 2003

| Element | Role | Person responsible | Base of operations |
|-----------------|--|--|---|
| Office Group | Environmental preservation and impact reduction in office area | Corporate Support Division General Manager | Corporate Environment and Safety Department |
| Technical Group | Environmental preservation and impact reduction in R&D and prototyping areas | Corporate Support Division General Manager | Corporate Environment and Safety Department |

Summary

In addition to standard office areas, the Head Office also comprises R&D and prototyping facilities. For all these facilities, Disco has implemented initiatives to monitor and reduce the consumption of electricity, gas, and water.

Disco first established concrete environmental goals in FY 2002. In FY 2003, because of increases in production and the installation of new equipment, the target for energy use was not met, and the use of water increased by 28%. In FY 2004 Disco sought to establish goals for both office and R&D areas that could take into account improvements in the economy and increased production, and use of the following ratios for electricity, gas, and water was begun on a trial basis.

| Resource | Ratio for office area | Ratio for R&D area |
|-------------|---|---|
| Electricity | Amount used in office area/ Total hours worked | Total amount – amount used in office area/ Total R&D hours worked |
| Gas | Gas air conditioners amount used/ Total hours worked by persons in buildings using gas air conditioners | <i>No ratio established</i> |
| Water | Amount used in office area/ Total hours worked | Total amount – amount used in office area/ Total R&D hours worked |

Reduction of electricity and gas consumption

In FY 2004 Disco continued to employ methods to conserve electricity first implemented in FY 2003: the auto-operating time of heating and air-conditioning units in toilets and hallways was shortened, and a seasonal temperature setting system was also used. Lighting was reduced in areas when it was not required, and hot water was not used in bathroom sinks from May to September.

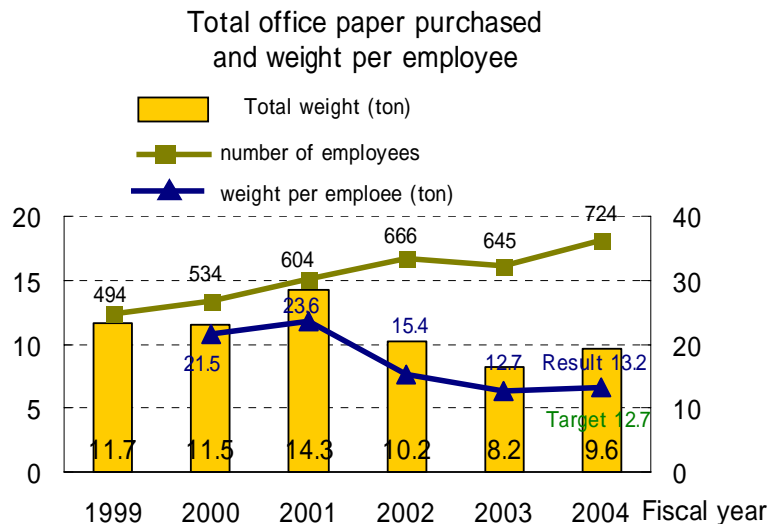
Reduction of water consumption

At the Head Office water is used in machines for R&D, is used to produce purified water, and is used in toilets, for drinking water, etc. The water used in machines for R&D is recycled for other uses, and other consumption reduction measures have been implemented.

In FY 2002 Disco introduced water circulation equipment to certain furnaces and in FY 2003 implemented the reuse of a portion of this circulated water in toilets and elsewhere. Overall, a reduction in water consumption of 12,960 m³ per year has been realized. In FY 2004 Disco continued to reuse the coolant water used in machines.

Reduction of paper consumption

Efforts were made to maintain the FY 2003 office paper consumption level of 12.7 kg per person by such means as using the reverse side of printouts. The result for the year, however, was 13.2 kg per person. Disco also makes efforts to source eco-friendly paper products, such as toilet paper made from 100% recycled material and business cards made from kenaf, a plant related to cotton and okra.



Special container for paper recycling

Waste
reduction
initiatives

To do its part to promote an environmentally sustainable society, Disco has implemented a strict program of sorting and recycling waste. The following are all sorted into separate categories for proper disposal or recycling: plastic, metal, wood, used equipment, cardboard, fluorescent lighting tubes, and scrap silicon.

Also, special garbage cans have been placed on each floor for sorting the following types of office waste: combustible garbage, incombustible garbage, plastic, cans, and bottles.

The following are examples of ways Disco recycles the waste it produces:

- Certain waste plastics are treated for use as blast-furnace reducing agents and RDF (refuse derived fuel).
- Silicon wafers are reused as a reducing agent in iron manufacturing.
- PET plastic bottles are collected by the vending machine company and recycled.

Chemical management

System for purchasing and managing chemicals All chemicals purchased are assigned a control number and registered in a database that contains MSDS information viewable by employees from any network PC. When an entirely new substance is to be purchased for use in research or manufacture, an approval process is required to make sure that the chemical is safe and appropriate for the intended use.

Compliance with the PRTR Law In Compliance with the Pollutant Release and Transfer Register Law, Disco carefully tracks the purchase and movements of all designated chemicals and submits all reports required by law. In FY 2004, because the reporting requirements for Type 1 substances became more stringent (a report is necessary for 1 t or more, whereas 5 t was the previous cutoff), the number of categories reported increased, and a report regarding nickel compounds also became necessary for the Head Office.

| Name of Designated Chemical Substance | | Soluble zinc compounds | 1,1-dichloro-1-fluoroethane | Nickel | Boron and boron compounds | Nickel compounds | |
|---|---|------------------------|-----------------------------|--------|---------------------------|------------------|-------------|
| Control number of Designated Chemical Substance | | 1 | 132 | 231 | 304 | 232 | |
| Type of Designated Chemical Substance | | Type1 | Type1 | Type1 | Type1 Special | Type1Special | |
| | | | | | | Hiroshima Works | Head Office |
| Amount handled (kg) | | 1053 | 1048 | 1590 | 1545 | 12349 | 688 |
| Amount discharged | a. To the atmosphere (kg) | 0 | 1048 | 0 | 0 | 0 | 0 |
| | b. To public waters | 0 | 0 | 0 | 0 | 0 | 0 |
| | c. To facility soil (other than d) | 0 | 0 | 0 | 0 | 0 | 0 |
| | d. To facility landfill | 0 | 0 | 0 | 0 | 0 | 0 |
| Amount transferred | a. To sewage system (kg) | 34 | 0 | 18 | 786 | 139 | 18 |
| | b. Outside facility (other than a) (kg) | 79 | 0 | 9 | 1 | 71 | 670 |

Compliance with local environmental ordinances As a part of the Ohta Ward, Tokyo, community, Disco complies with all of the regulations of the Tokyo metropolitan government, and has reported the following to the Tokyo government since FY 2003.

| Name of substance/ Amount handled (kg) | FY 2003 | FY 2004 |
|--|---------|---------|
| Acetone | 126 | 153 |
| Nickel | 170 | 115 |
| Nickel compounds | 499 | 688 |
| Sulfuric acid | 169 | 193 |

Disclosure of product MSDS As a service to our customers and other concerned parties, Disco discloses on the company homepage the MSDS for precision diamond products (dicing blades and grinding wheels) and peripheral accessories (dresser boards, etc.).

Introduction of CFC substitutes In FY 1996 Disco ceased using CFCs in molding processes. Further, in FY 1997 Disco switched from air conditioners using R22 to those using R407C, a non-ozone-depleting gas.

Environmental accounting

Introduction of environmental accounting

Disco introduced its environmental accounting system in FY 2002 and produced its first set of environmental accounting statistics in FY 2004. The statistics below are calculated in compliance with the guidelines specified by the Ministry of the Environment.

FY 2004 environmental preservation costs (1 April 2003 to 31 March 2004)

Unit: ¥1,000

| Category | Major activities | Investment | Costs |
|---|---|------------|---------|
| 1) Costs incurred within the business itself | | 125,471 | 119,034 |
| 1. Pollution prevention costs | <ul style="list-style-type: none"> • Activities to prevent air pollution and water pollution • Maintenance of anti-pollution equipment • Measurement and analysis of air and water quality | 115,951 | 61,123 |
| 2. Global environmental preservation costs | <ul style="list-style-type: none"> • Prevention of ozone layer depletion • Energy conservation activities | 5,994 | 8,802 |
| 3. Recycling costs | <ul style="list-style-type: none"> • Plant waste recycling • Activities to promote recycling • Introduction of waste treatment equipment | 3,526 | 49,109 |
| 2) Costs to minimize upstream and downstream environmental impact | <ul style="list-style-type: none"> • Promotion and support of recycling • Green purchasing | 31,606 | 31,606 |
| 3) Managerial costs | <ul style="list-style-type: none"> • Acquisition and maintenance of ISO 14001 certification • Implementation of environmental audits • Implementation of environmental education | 0 | 73,219 |
| 4) R&D costs | <ul style="list-style-type: none"> • Development of environmentally friendly prototypes | 102,750 | 47,905 |
| 5) Costs incurred in socially responsible activities | <ul style="list-style-type: none"> • Nature preservation and greening | 1,537 | 5,812 |
| 6) Costs incurred in amending environmental damages | | 0 | 0 |
| Total | | 261,364 | 277,576 |

Regarding the calculation of costs

- Scope: Head Office and Hiroshima Works.
- In those cases in which production goals and environmental preservation goals overlapped or were identical, the contribution rate (to environmental preservation costs) was calculated by a Disco rule of thumb.
- Personnel expenses were calculated based on the time personnel dedicated to environmental issues multiplied by applicable wages.
- Green purchasing was calculated based on applicable products.
- Reported costs: Difference calculated.
- R&D costs were calculated based on their applicability to environmental themes and Disco's rule-of-thumb contribution rates.
- Other environmental preservation costs were fully costed.

Environmental Related Investment Ratio

| | Disco total (yen) | Environment related (yen) | Rate |
|-----------------------------------|-------------------|---------------------------|-------|
| Total investment amount | 3,277,588,000 | 261,365,000 | 7.97% |
| Total labor costs | 10,667,016,000 | 90,349,000 | 0.85% |
| Total costs | 22,159,615,000 | 227,576,000 | 1.25% |
| Net sales vs. environmental costs | 36,439,772,000 | 227,576,000 | 0.76% |

Effectiveness of environmental preservation efforts

Only those items were calculated for which concrete numbers were available. In principle items calculated based on empirical reasoning were included. Deemed effects and avoided costs (effects after deducting costs such as the current environmental preservation from anticipated loss) were not included as calculation basis was hard to prove.

| Effectiveness of environmental measures | | | | | | | | |
|---|---|--|--------|--|--------|--|---------|--------------------|
| Category | Item | Economic effect | | Environmental preservation effect | | | | |
| | | Activity | ¥1,000 | Amount by which environmental impact reduced | | Amount of environmental impact generated | | Reduction rate (%) |
| Reduction | Electricity | Promotion of energy conservation | 8,856 | Reduced (MWh) | 742 | Total used (MWh) | 15,634 | 4.5 |
| | Water | | 28,396 | Reduced (m ³) | 47,702 | Total used (m ³) | 180,857 | 20.8 |
| | Gas (LPG) | | 884 | Reduced (m ³) | 6,904 | Total used (m ³) | 427,748 | 1.6 |
| | Gas (LNG) | | 1,721 | Reduced (m ³) | 50,624 | Total used (m ³) | 97,622 | 34.1 |
| | Plating waste liquid | Minimizing of waste generation | 31,459 | Reduced (m ³) | 1,258 | Total discharged (m ³) | 31.8 | 97.5 |
| | Sludge | | 3,367 | Reduced (t) | 124 | Total discharged (t) | 11.3 | 91.6 |
| | CO ₂ within business area | Control of global warming | - | Reduced (t) | 444 | Total discharged (t) | 8,580 | 4.9 |
| | NOx | Prevention of air pollution | - | Reduced (t) | 0.06 | Total discharged (t) | 1.9 | 3.1 |
| | CFC substitutes | Protection of ozone layer | - | Reduced (t) | 0 | Total used (t) | 2.3 | 0.0 |
| Reuse | Cleaning agents | Minimizing and reuse of waste | 1,311 | Reduced (kL) | 3.1 | Total discharged (kL) | 3.3 | 48.8 |
| | Copy paper | | 572 | Reduced (t) | | | | |
| Recycling | Metal debris | Amount saved by selling or not disposing of valuable resources | 7,071 | Recycled (t) | 72.0 | Total generated (t) | - | - |
| | Other valuable resources | | 2,997 | Recycled (t) | 54.1 | Total generated (t) | - | - |
| | Used paper | Amount saved by not disposing of waste | 341 | Recycled (t) | 69.6 | Total generated (t) | - | - |
| | Other wastes | | 7,667 | Recycled (t) | 72.8 | Total generated (t) | - | - |
| Proper disposal | Industrial waste | Amount saved by not disposing of waste | - | - | - | Total generated (t) | 422.1 | - |
| | General waste | | - | - | - | Total generated (t) | 34.0 | - |
| | Industrial waste subject to special control | | - | - | - | Total generated (t) | 8.4 | - |
| Total | | | 95,053 | | | | | |

Regarding effectiveness calculations

- Calculations of environmental economic and preservation effects were based entirely upon concrete data.
- No estimated effects were calculated.
- Effects were categorized by the 3R's: Reduce, Reuse and Recycle.
- The statistics cover the Head Office and Hiroshima Works.
- The reduction rate was calculated with the following formula: Environmental impact reduced / (environmental impact reduced + environmental impact generated) x 100.
- CO₂ reduced was calculated based upon reductions in waste and the consumption of electricity, water, and gas.
- The calculation period for effect is based on the depreciation period of the equipment.

Reasons for positive changes

Hiroshima Works

- Reduction in water use through full utilization of recycling equipment
- In-house management of electroplating waste water through introduction of new water treatment equipment (Kure and Kuwabata Plants)
- Initiation of sludge recycling

Head Office

- Recirculation begun of coolant water in Building C furnace

Environmental education and awareness activities

Head Office Disco greatly values environmental education and requires all employees to attend seminars dealing with such environmental issues as industrial waste and energy conservation. In FY 2004 Disco introduced the EHS (Environment, Health, and Safety) Seminar. Environmental seminars are also held at overseas subsidiaries.

Basic Seminar

- One session series held per year
- Required of all employees
- 86 participants in FY 2004
- Topics include company rules pertaining to the environment and issues awareness

EHS seminar.

- Topics include environment, health, and safety
- Participation by 95% or more of employees



Basic Environmental Seminar

Hiroshima Works Environmental training is especially important at the Hiroshima Works, and Disco has implemented a full range of education programs to respond to various levels of potential environmental impact. For example, an on-the-job training course lasting six months has been implemented for those employees who have the greatest potential impact.

| Type of Employees | Type of Education |
|---|--|
| All employees | General education |
| Workers engaged in environmentally relevant labor | General education and specialized training |
| Workers operating environmentally related equipment | General education, specialized training, and on-the-job training |

Environmental public relations

Environmental communication The Environmental and Safety Department responds to stakeholder inquiries regarding the environment and health and safety concerns. For example, requests for issuing MSDS and inquiries regarding the chemicals substances contained in Disco products have recently increased. In response, Disco has begun to post applicable MSDS (material safety data sheets) on the Disco website.

Awards On February 15, 2004, Disco's results in conserving electricity in FY 2001 – 2003 were recognized by the Kanto Electricity Rationalization Committee, and Disco was awarded the Shield of the Bureau Chief of the Kanto Bureau of Economy, Trade, and Industry.

This award is given to factories, business divisions, or individuals who have contributed significantly to electricity conservation, reduction of power grid strain, etc., within the Kanto Region (a portion of Eastern Japan that includes Tokyo, Yokohama, and Kawasaki).



The Shield of the Bureau Chief of the Kanto Bureau of Economy, Trade, and Industry

Participation in environmental associations Disco is active in the following environmental associations:

- Japan Environmental Management Association for Industry (JEMAI)
- Hiroshima Eco-Forum
- Semiconductor Equipment Association of Japan (SEAJ)
Environmental Information Committee
Environmental Issues Working Group
- Nippon Environment Club

Because environment, health, and safety (EHS) are issues that affect and inform every aspect of Disco operations, since April 2003 the Hiroshima Works has maintained an Occupational Health and Safety Management System that seeks to eliminate both accidents and the hazards that cause them. In addition, throughout the company Disco is taking measures to ensure the health and safety of employees, visitors, and all stakeholders.

OHSAS18001 Certification

On February 5, 2004, Disco received internationally recognized OHSAS 18001 (Occupational Health and Safety Assessment Specification) certification for the Hiroshima Works, which comprises the Kure, Kuwabata, and Nagatani Plants. BVQI Japan, the independent certifying body of Bureau Veritas, performed the certification, which, as part of Disco's EHS Initiative (Environment, Health, and Safety), complements Disco's certifications for ISO 9001 (quality management) and ISO 14001 (environmental management).

The OHSAS 18001 certification of Hiroshima Works, Disco's main production center, covers the following activities: the design, development, and production of precision machines; the production of parts for precision machines; the production of precision diamond products (dicing blades and grinding wheels); the production of molds; the cutting of lead frames; and the performance of a variety of precision processing services. Starting in FY2006, Disco intends further to expand OHSAS 18001 certification to the Head Office and all Disco locations within Japan.



Management of occupational health and safety

Disco Hiroshima Works Occupational Health and Safety Policy

The Disco Hiroshima Works has established the following policy regarding occupational health and safety in order to eliminate accidents and protect the health and safety of all employees and stakeholders.

The following policy has been communicated to all Disco employees by means of the company magazine, cards to be carried by Hiroshima Works employees, and posters placed in the Hiroshima Works.

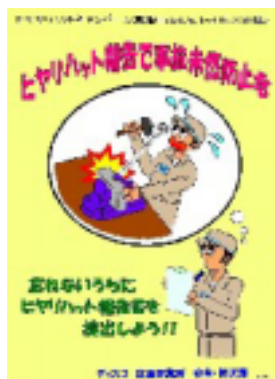
1. We conduct risk assessments for all business activities, engage in continuous risk reduction, and aim for "zero hazards" rather than "zero accidents."
2. We comply with all relevant laws and regulations.
3. We allocate appropriate resources to realize policies and objectives.
4. We promote the health and safety awareness of all employees through scheduled educational and training activities.

This policy is for both internal and external distribution.

Published August 1, 2003

Hideyuki Sekiya
General Manager, Hiroshima Works
Director, Disco Corporation

| | |
|-------------------------------|--|
| Initiation of risk Assessment | Disco began a complete risk assessment within the company grounds that included family companies and partners. Currently, the risk levels of 1,500 separate items are being evaluated, and strategies for reducing them developed. |
| Initiation of RAT | A program called RAT (Risk Anticipation Training) was also begun. In this program each employee is trained to “smell a rat,” or situations that pose risks to health and safety. |
| Near miss reports | In November 2003, Disco began an internal system of near miss reporting to help identify potential risks and prevent accidents. |



| | |
|--|--|
| Employee Satisfaction Survey | Disco has begun an Employee Satisfaction Survey to gauge satisfaction with every aspect of the workplace, including such factors as health, safety, and programs to promote employee welfare. |
| Safe driving Activities | Hiroshima Works employees participate yearly in a local program to promote safe driving and prevent accidents. Teams of ten persons attempt to go 150 days without an accident or traffic citation. |
| Excellence in hazardous materials management | On May 5, 2003, the Hiroshima Works was recognized by the Kure City Disaster Prevention Association as a 2002 Excellent Company for Hazardous Materials Management. In particular, Disco was recognized for its excellent hazardous materials storage facilities, constant presence of qualified personnel, and regular inspection of key areas. |
| Award from Tokyo Kamata Fire Department | On November 10, 2003, the chief of the Tokyo Kamata Fire Department awarded Disco a Certificate of Recognition for Fire Prevention Activities. This award recognized Disco's formation and education of an internal firefighting force and such activities as fire drills and fire prevention policies. |

Blood donation

In July 2003, Disco was recognized by the governor of Hiroshima Prefecture for its efforts to promote blood donation among employees. Disco regularly cooperates with the Hiroshima Red Cross and other local organizations to promote blood donations among employees.

Forklift safety education

Disco has initiated special seminars at the Head Office and Hiroshima Works for those employees qualified to operate a forklift. Seminar content is based upon an assessment of the various risk factors involved forklift operation and aims to increase awareness of dangers and prevent accidents.



Disaster prevention activities

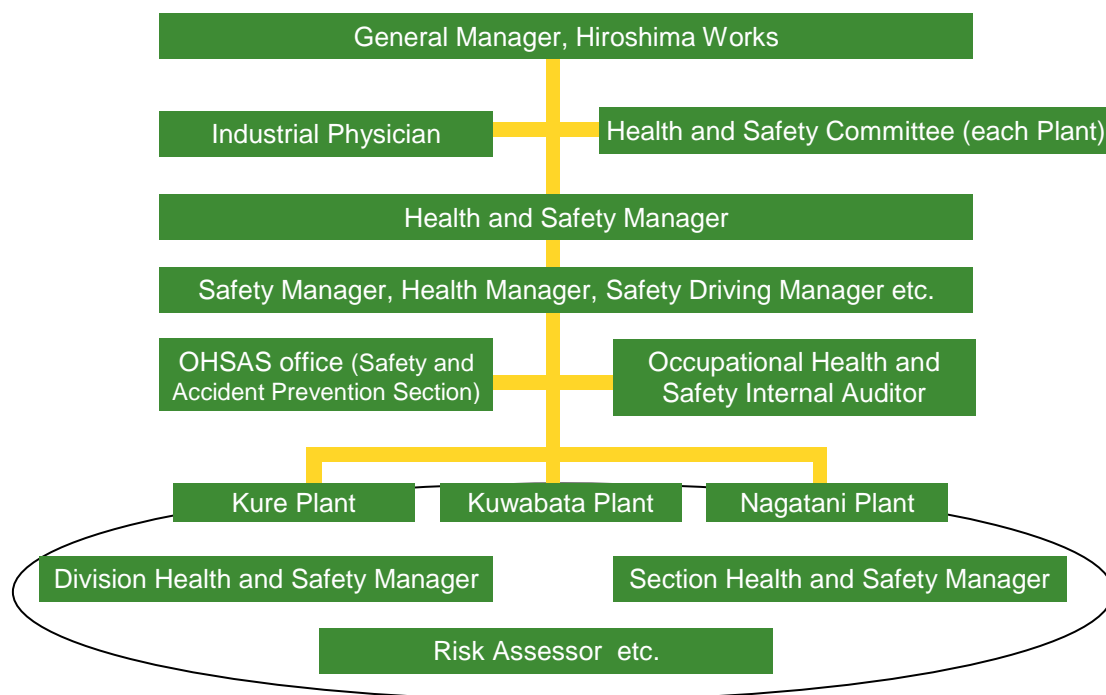
In FY2004 Disco engaged in several disaster prevention activities in addition to regular fire drills. At the Head Office, the local fire department sponsored several demonstrations (ladder truck rescue) and experiences (fire hydrant and fire extinguisher practice, light and dark smoke-filled rooms, and earthquakes of various magnitudes). At the Hiroshima Works, employees performed fire drills and early fire extinguishing.

To increased disaster preparedness, Disco developed a Disaster Management Manual, received by all employees, and established a system whereby employees and families could confirm each other's safety in the event of an emergency.

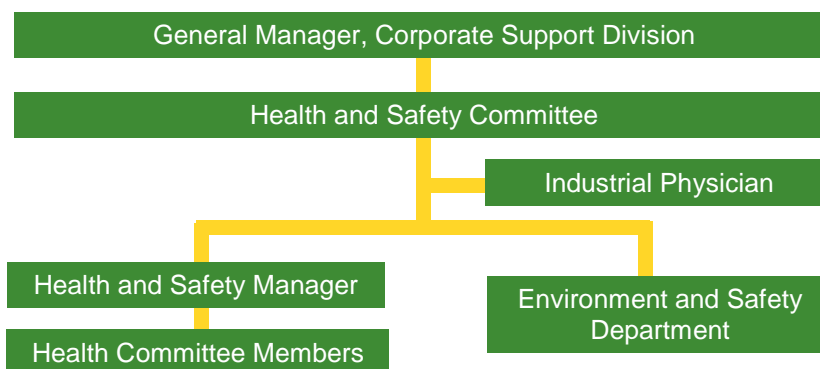


Organizational structure for occupational health and safety

Hiroshima Works



Head Office



as of December 1, 2003

Occupational health and safety education

At Disco, occupational health and safety education is promoted at all levels, from safety training for new employees to in-depth programs for managers. Special seminars are held to promote safety in work involving cranes, forklifts, slinging, and abrasive products. Further, the Disco intranet includes such educational content as a weekly one-point safety lesson, and the company magazine includes information about OHSAS and other topics of interest.

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