

# FY2014 3Q Financial Results and FY2014 Forecasts

## DISCO CORPORATION

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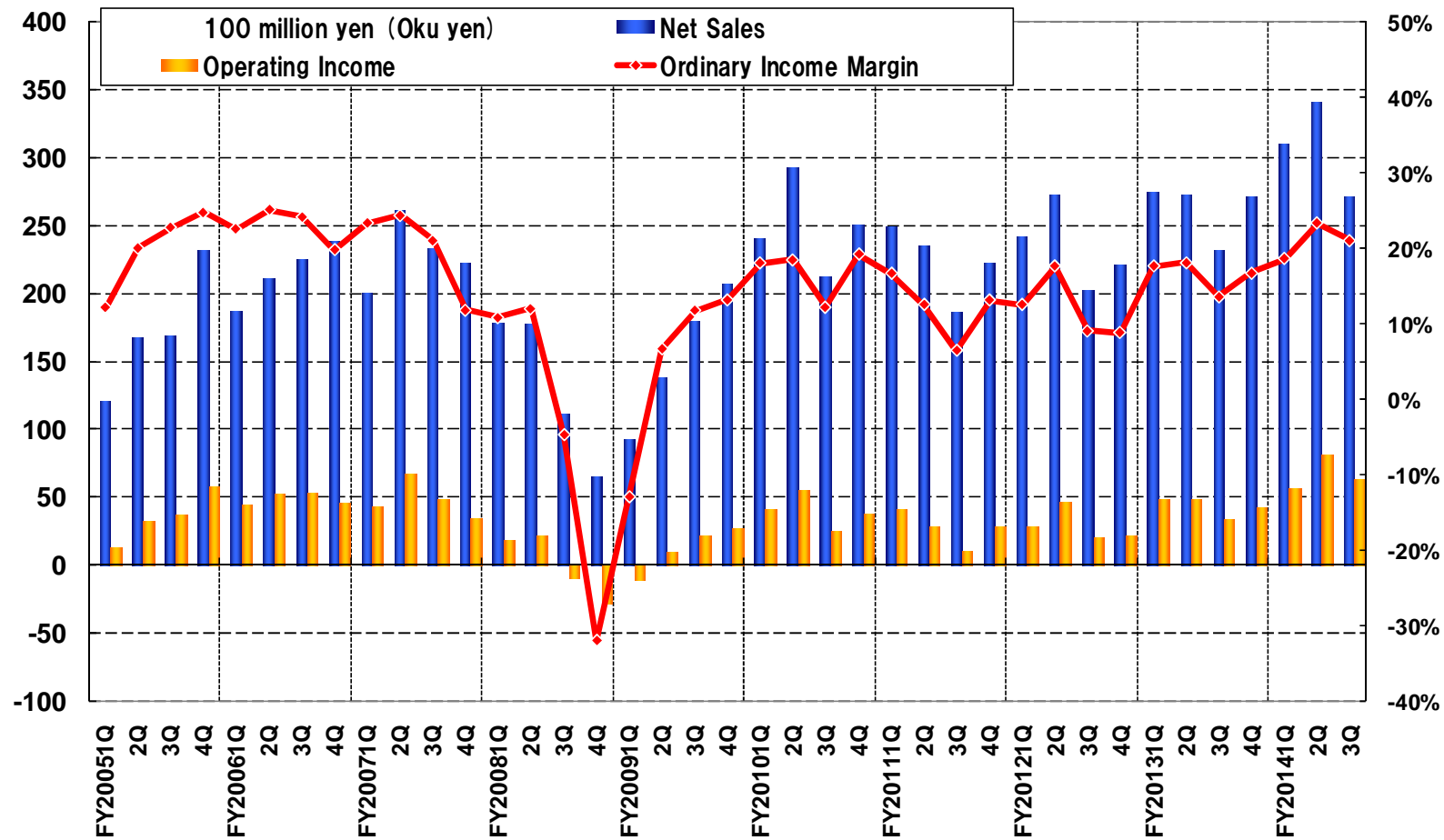
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# FY20143QEarningsResults

Millions of Yen	FY2014 3Q	FY2014 2Q	QoQ		FY2013 3Q	YoY	
			Amount	(%)		Amount	(%)
Net Sales	27,122	34,117	-6,995	-20.5%	23,199	3,923	16.9%
Gross Profit	15,749	18,298	-2,548	-13.9%	12,283	3,467	28.2%
<b>Gross Profit Margin</b>	<b>58.1%</b>	<b>53.6%</b>	<b>4.5p</b>	-	<b>52.9%</b>	<b>5.2p</b>	-
SG&A	9,505	10,175	-670	-6.6%	8,952	553	6.2%
Operating Income	6,244	8,122	-1,879	-23.1%	3,330	2,914	87.5%
Ordinary Income	5,726	7,956	-2,230	-28.0%	3,162	2,565	81.1%
<b>Ordinary Income Margin</b>	<b>21.1%</b>	<b>23.3%</b>	<b>-2.2p</b>	-	<b>13.6%</b>	<b>7.5p</b>	-
Income before income taxes and minority interests	6,457	8,385	-1,928	-23.0%	3,095	3,362	108.6%
Net Income	4,367	5,702	-1,335	-23.4%	2,060	2,307	111.9%

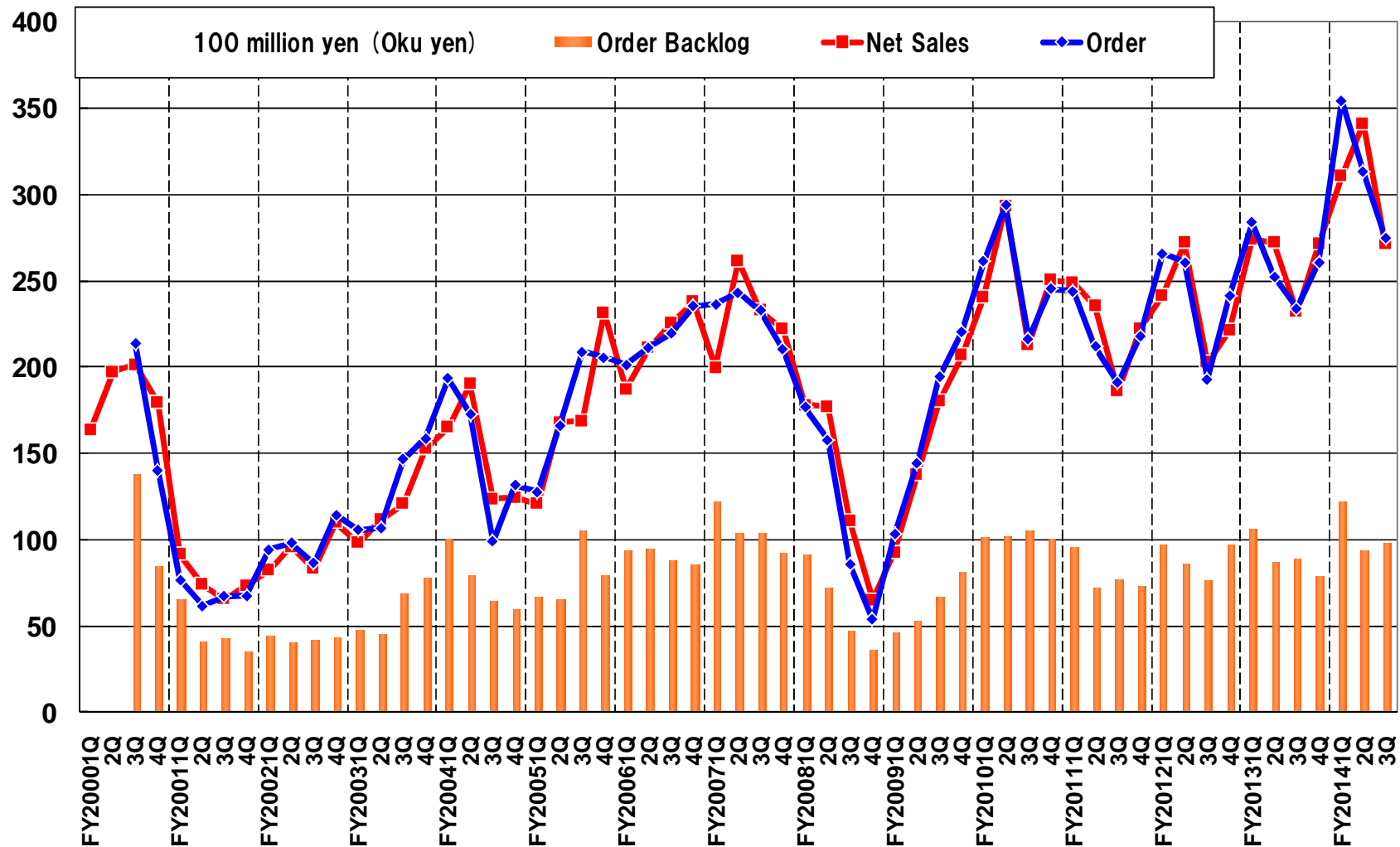
- FY143Q sales fell QoQ, due to a slowdown in capital expenditure for smartphones.
- The GP ratio improved significantly both QoQ and YoY, thanks to the mixture of the products and the positive effect of the weakened yen.
- While SG&A expenses remained at a high level (SG&A ratio 35%) due to active R&D activity, operating income increased to 23.0% thanks to the high GP ratio.

# Quarterly Consolidated Financial Results



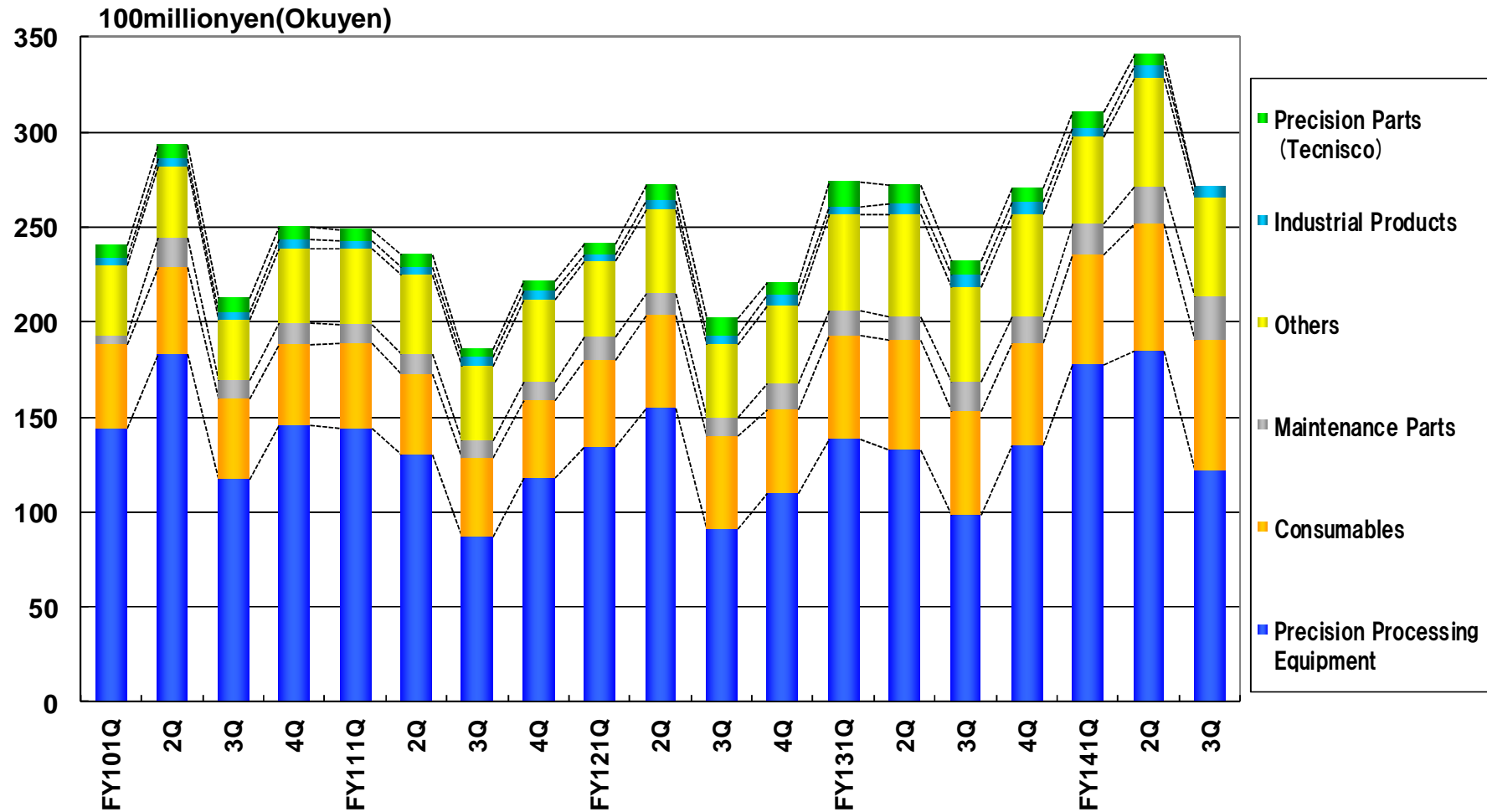
- Although there has been a trend for companies to perform corrections during the 3Q in recent years, FY143Q is the second consecutive quarter where an ordinary income margin of 20% was achieved thanks to the relatively high sales level and the high GPratio.
- The FY143Q (Oct-Dec period) results mark the first time the ordinary income margin has exceeded 20% since FY07 3Q.

# Quarterly Sales/Orders



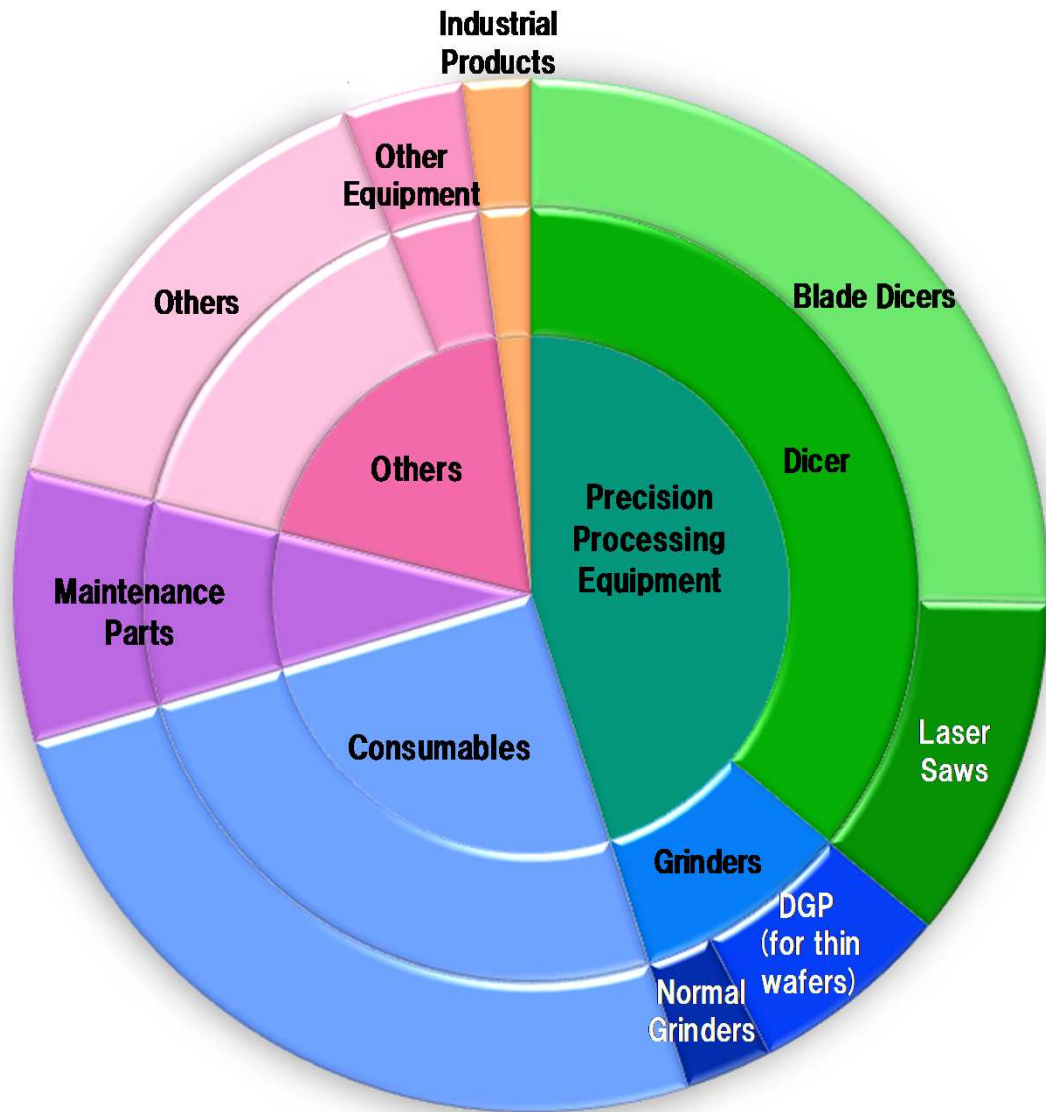
- FY143Q orders were at roughly the same level as sales, amounting to ¥27,500 million, which is -12.1% QoQ.
- The 3Q order backlog, at ¥9,800 million, increased slightly from last September.

# Consolidated Quarterly Sales Breakdown by Product



- 3Q sales of equipment decreased QoQ, but were still higher YoY.
- Thanks to the robust sales of consumables and sales of parts and services, 3Q total sales reached the highest level on record for a 3Q.
- Precision Parts (Technisco) results will be excluded from the e2H results due to the transfer of business.

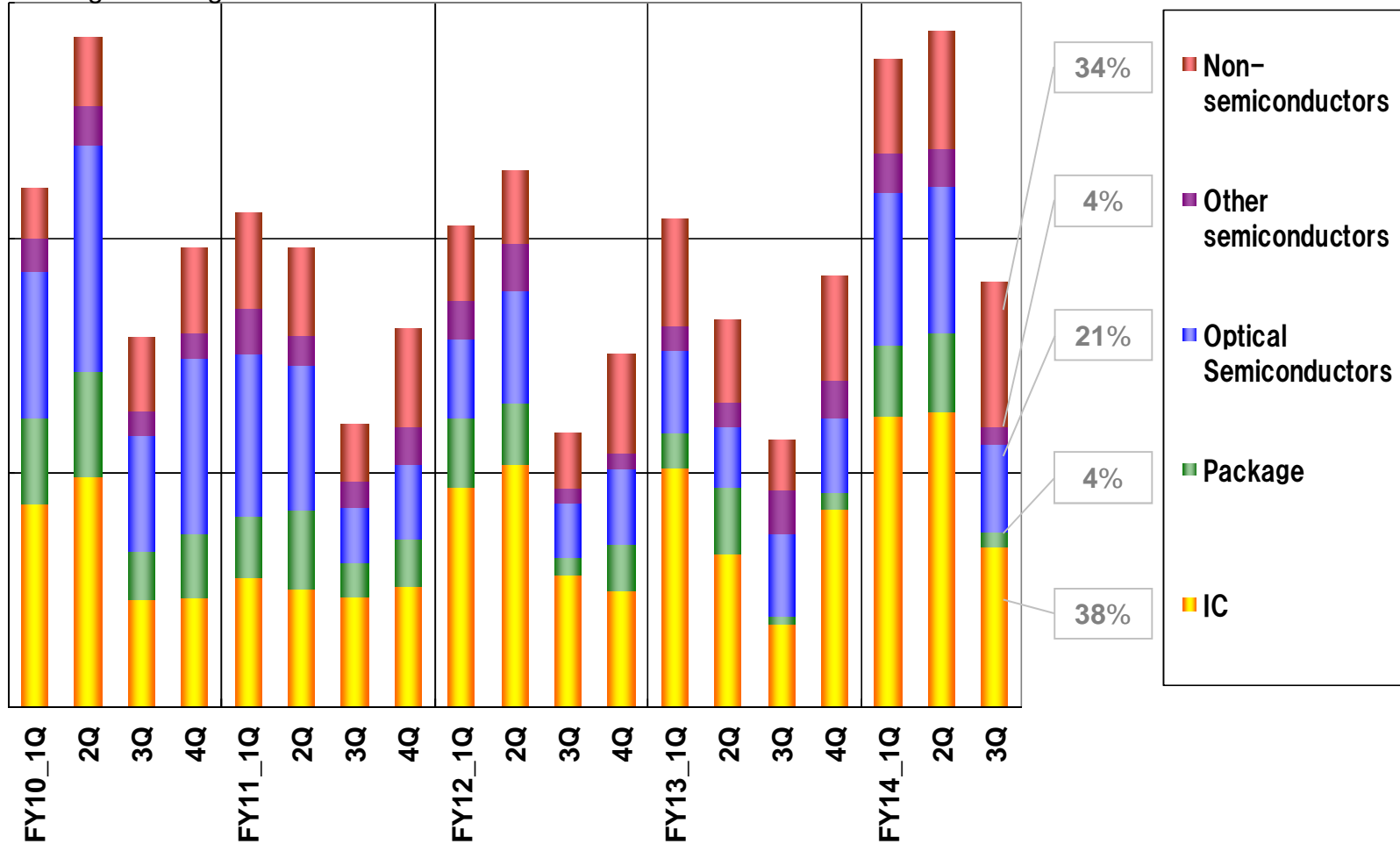
# Product and Equipment Sales Breakdown



<b>FY2014 3Q</b>	
<b>【Product Sales Breakdown】</b>	
Precision Processing Equipment	45%
Consumables	25%
Maintenance Parts	8%
Others	19%
Industrial Products	2%
Precision Parts (Technisco)	0%
<b>【Precision Processing Equipment Breakdown】</b>	
Dicing Saws	80%
Grinders	20%
<b>【Dicing Saws Breakdown】</b>	
Blade Dicers	70%
Laser Saws	30%
<b>【Grinders Breakdown】</b>	
DGP (for thin wafers)	70%
Normal Grinders	30%

# Cutting and Dicing Saws\* Sales Breakdown by Application

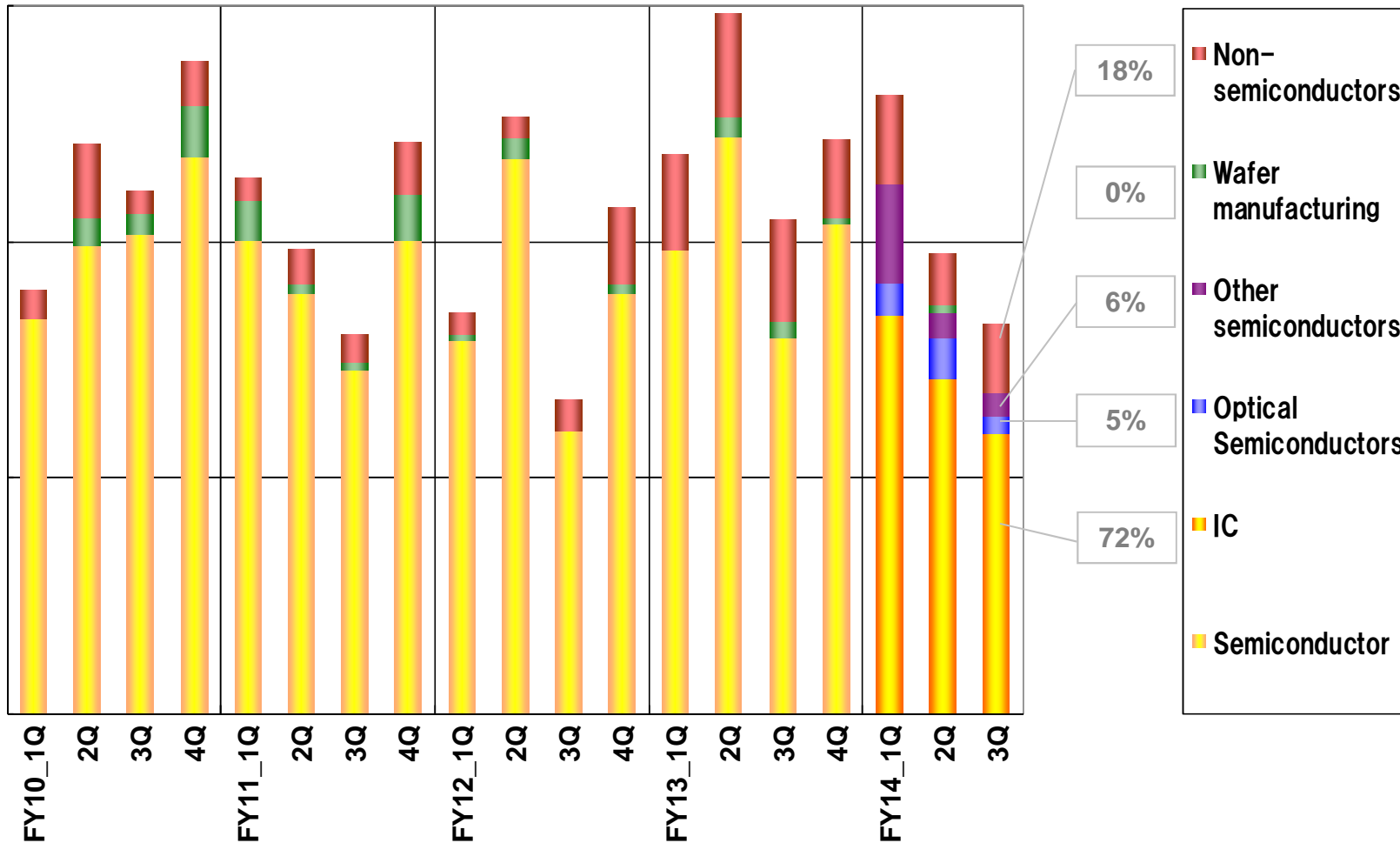
\*Cutting and dicing saws include blade dicers and laser saws



- Compared to the previous quarter, sales fell by about 40% QoQ, affected by a slowdown in dicing saw sales for ICs, package and optical Semiconductors.
- On the other hand, demand for dicing saws for ICs (mainly memory) and non-semiconductors (electronic components) remained robust and sales increased about 60% YoY.

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

\*Grinders and polishers also includes surface planers and grinder/polishers

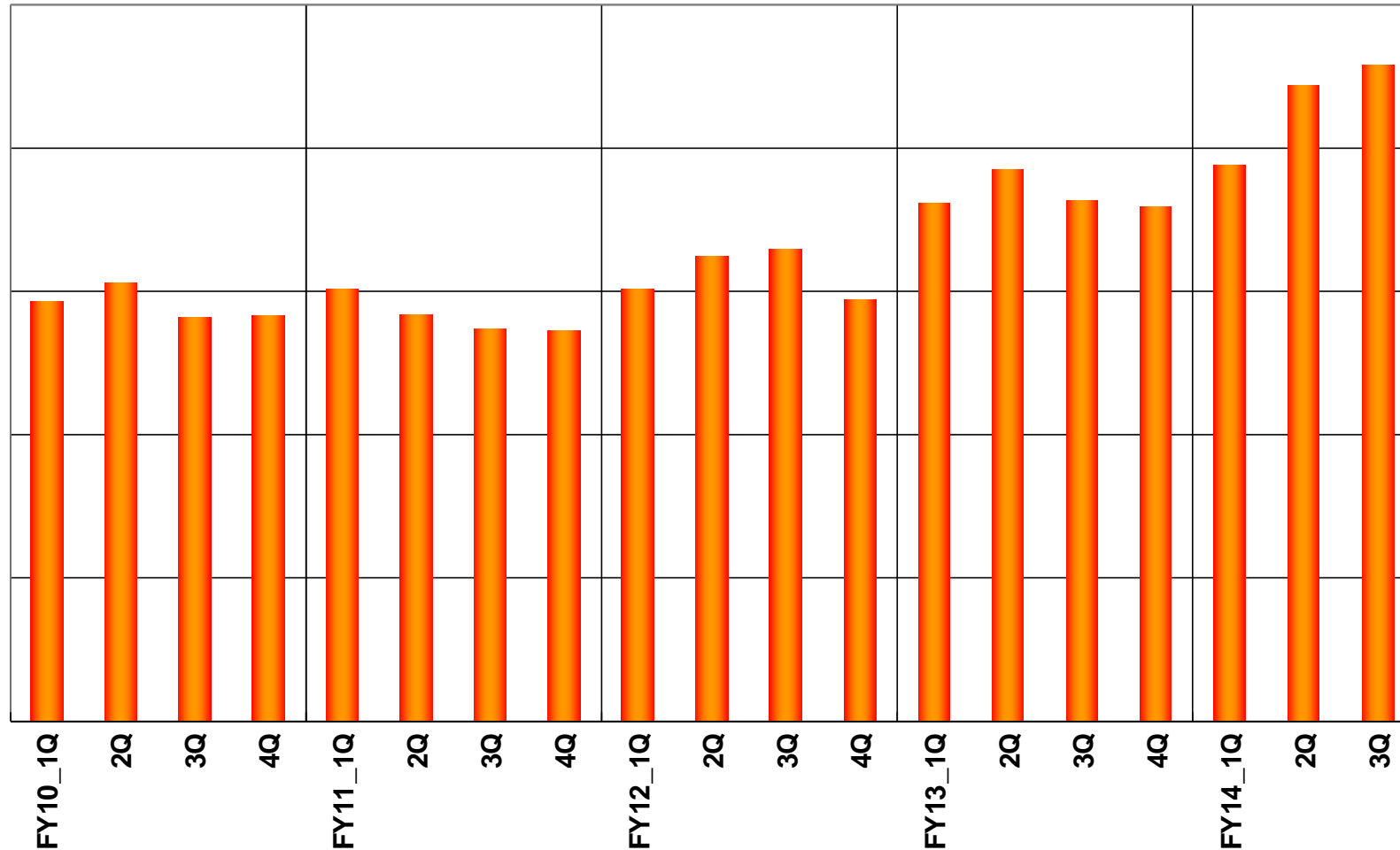


- While FY14 3Q grinders sales for ICs showed a decreasing trend, sales for ultra-thinning applications remained firm.
- However, total sales of grinders decreased about 20% YoY because of sluggish sales for discrete semiconductors.



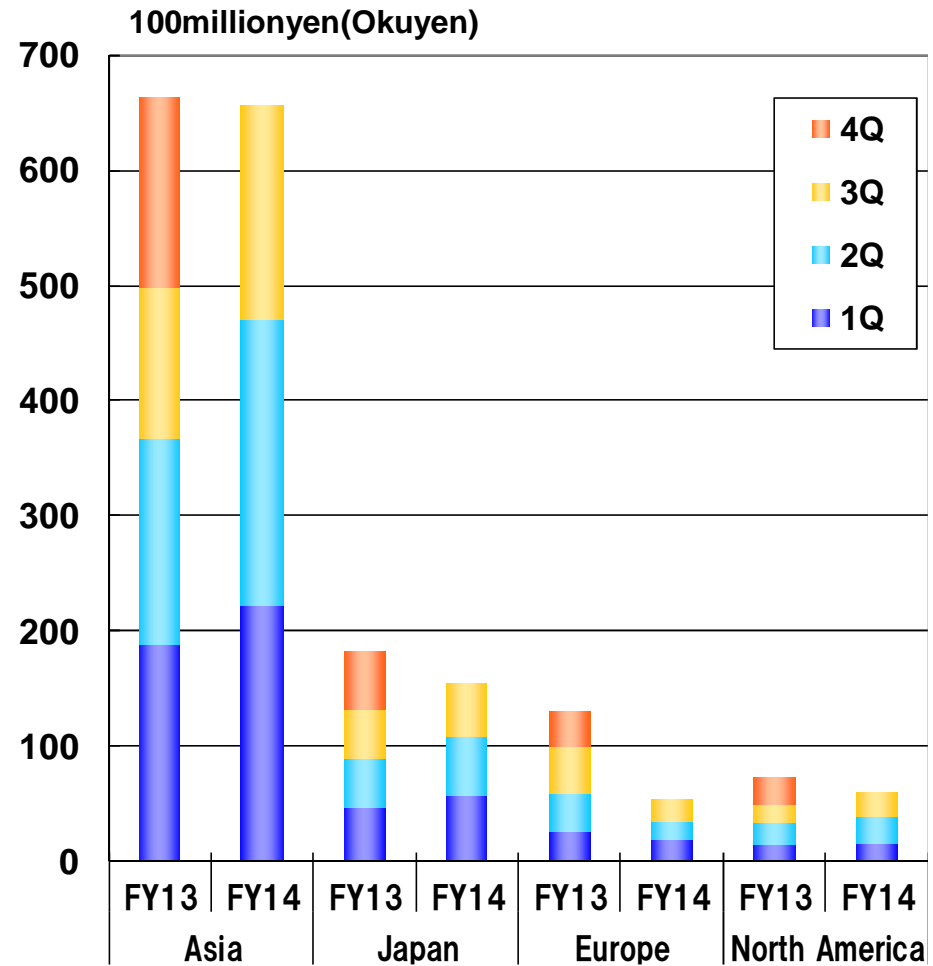
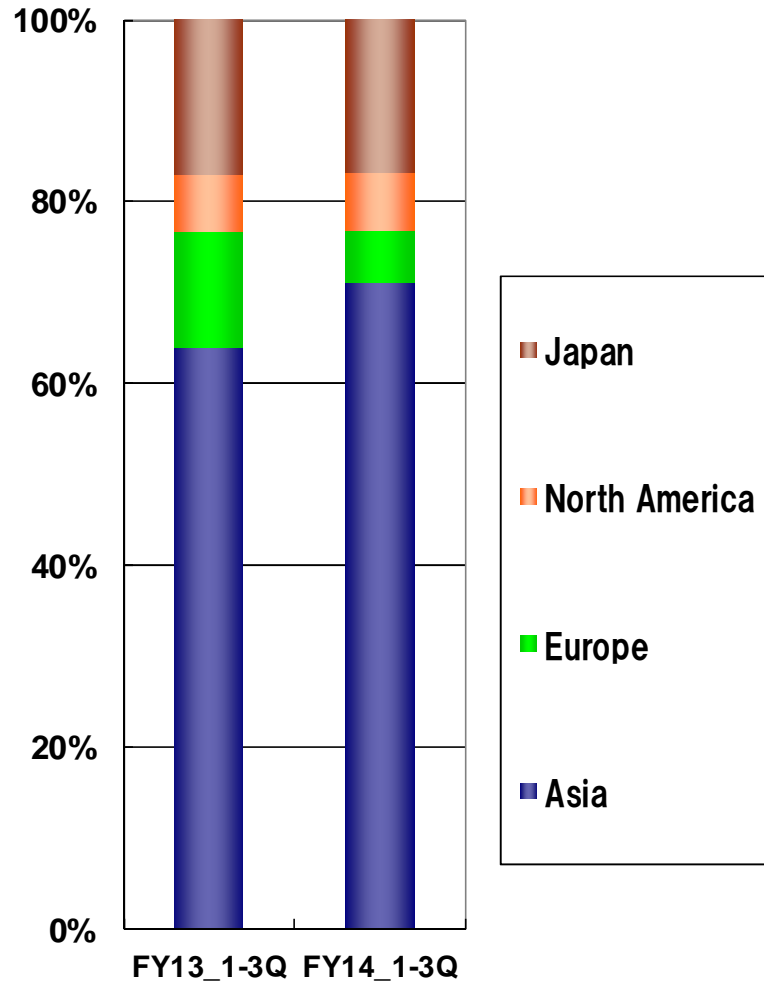
# Consolidated Consumables\*Sales

\*Consumables includedicing blades, grinding wheels, and dry polishing wheels, etc.



- Shipments of consumables remained firm due to the high capacity utilization at many semiconductor and electronic component manufacturers.
- Sailing with the tailwinds of a weakened yen, FY14 3Q sales of consumables set a new record for the third consecutive quarter.

# Sales Breakdown by Region



- Although sales in Asian regions decreased about 25% QoQ, sales for China and Singapore remained at a high level.
- For regions other than Asia, shipments of high value products to North America showed a firm trend.

# Balance Sheet (Summary)

Millions of Yen	FY2014 3Q	FY2014 2Q	Amount
Cash and deposits	49,967	40,330	9,637
Notes and account receivable	34,387	39,274	-4,888
Inventories	31,563	27,889	3,675
Total current assets	123,786	114,682	9,104
Property, plant and equipment	67,437	65,301	2,136
Total noncurrent assets	75,333	75,424	-91
Total assets	199,119	190,107	9,012
Current liabilities	41,464	45,988	-4,524
Noncurrent liabilities	11,797	9,729	2,067
Total liabilities	53,262	55,718	-2,456
Total net assets	145,857	134,389	11,468
Total liabilities and net assets	199,119	190,107	9,012
Equity Ratio	72.8%	69.6%	3.2p

[ Comparison with the end of September 2014 ]

- Assets: Total assets increased by about ¥9,000 million due to an increase of cash, inventories as well as fixed tangible assets, while accounts receivable decreased.
- Liabilities: Decreased about ¥2,400 million. While accounts payable for capex increased, there was a decrease in current liabilities due to the full conversion of CB (at the end of September ¥8,300 million).
- Total assets: Shareholder equity ratio increased by 3.2 points to 72.8%.

# CashFlow(Summary)

Millions of Yen	FY2014 1-3Q	FY2013 1-3Q	Amount
Net cash provided by (used in) operating activities	19,463	12,818	6,645
Income before income taxes and minority interests	20,631	12,802	7,829
Depreciation and amortization	4,346	4,354	-8
Decrease (increase) in notes and accounts receivable-trade	25	-2,776	2,801
Decrease (increase) in inventories	-3,861	1,635	-5,498
Increase (decrease) in notes and accounts payable-trade	9,807	1,187	8,620
Income taxes (paid) refund	-5,732	-4,263	-1,468
Net cash provided by (used in) investing activities	-459	-8,697	8,237
Purchase of property, plant and equipment	-5,106	-8,533	3,427
Others	4,646	-163	4,810
Free cash flow	19,003	4,121	14,882
Net cash provided by (used in) financing activities	-1,740	-2,305	565
Cash dividends paid	-3,811	-2,233	-1,577
Others	2,070	-71	2,142
Net change in of cash and cash equivalents	18,922	2,157	16,765
Cash and cash equivalents at beginning of period	21,016	21,544	-529
Cash and cash equivalents at end of period	39,938	23,702	16,236

## CashflowsFY20141-3Q:

Cashflowsfromoperatingactivities:Increasedby about¥19,400million.

Incomparisonwiththepreviousyear,cashflowsfrom operatingactivitiesincreasedduetoanincreasein Incomebeforeincometaxesandaccountspayable.

Cashflowsfrominvestingactivities:Decreasedby about¥400million.

Thisexpendituredecreasedsignificantlyfromthe previousyear.Thismainlyreflectsexpenditureon theacquisitionoftangiblefixedassets,saleof subsidiarysharesandwithdrawaloftimedeposits.

## CashFlowsfromFinancingActivities:

NetCashflowsdecreasedtoabout¥1,700million.This consistedmainlyofpaymentsindividends.

Freecashflowsshowedanetinflowofabout¥19,000 million.

Thebalanceofcashandcashequivalentsasofthe endofDecember2014was¥39,900million.

# FY2014 Full-Year Earning Forecast

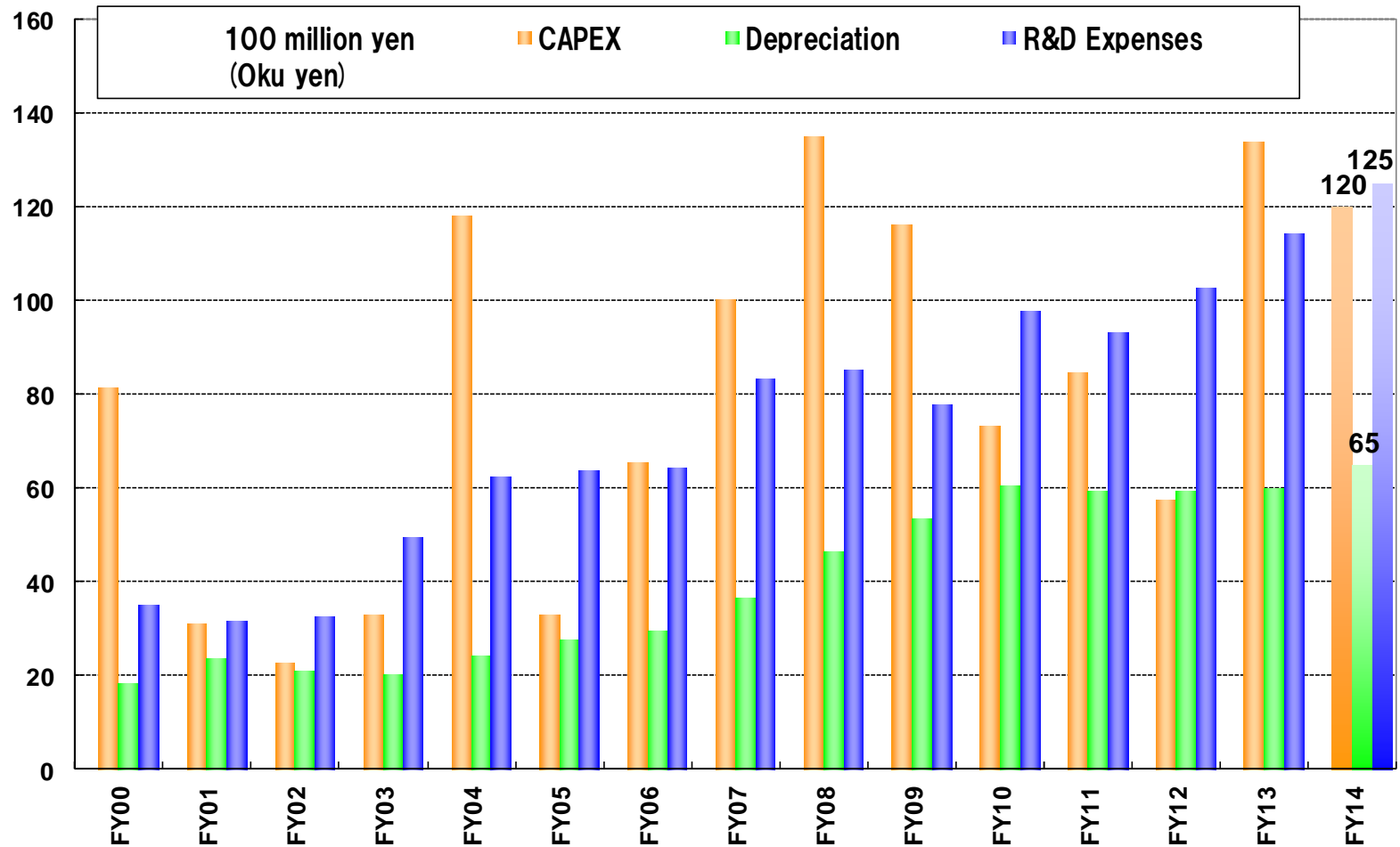
	Earning Forecast				
	Actual	Forecast		Reference Previous forecast (Full Year)	Amount
	1H	2H	Full Year		
100 million yen (Oku yen)					
Net Sales	652	554	1,206	1,195	11
Operating Income	137	115	252	232	20
Ordinary Income	137	110	247	234	13
Net Income	98	84	182	172	10
Operating Income Margin	21.1%	20.7%	20.9%	19.4%	
Ordinary Income Margin	21.1%	19.8%	20.5%	19.6%	
Net Income Margin	15.0%	15.2%	15.1%	14.4%	

The full year forecast announced on Nov 6th, 2014 has been revised.  
 Projected exchange rates are: US\$1/¥115.1    € / ¥130  
 Effect per ¥1 fluctuation in exchange rates (consolidated, whole year)  
 US\$: about ¥500 million, Euro: about ¥20 million

# FY2014 Full-Year Sales Forecast

	Year on year increases (decreases) in FY2013 results	Year on year increases (decreases) in FY2014 previous forecasts	Year on year increases (decreases) in FY2014 forecasts
<b>Total</b>	<b>+12%</b>	<b>+14%</b>	<b>+15%</b>
<b>Systems</b>	<b>+3%</b>	<b>Approx. +30%</b>	<b>Approx. +20%</b>
<b>Dicers</b>	<b>Approx. -5%</b>	<b>Approx. +40%</b>	<b>Approx. +40%</b>
<b>Laser</b>	<b>Approx. ±0%</b>	<b>Approx. +30%</b>	<b>Approx. +20%</b>
<b>Non-laser</b>	<b>Approx. -10%</b>	<b>Approx. +50%</b>	<b>Approx. +50%</b>
<b>Grinders</b>	<b>Approx. +30%</b>	<b>Approx. -5%</b>	<b>Approx. -10%</b>
<b>DGP (for thin wafers)</b>	<b>Approx. +20%</b>	<b>Approx. -5%</b>	<b>Approx. -10%</b>
<b>Normal Grinders</b>	<b>Approx. +60%</b>	<b>Slight increase</b>	<b>Approx. -10%</b>
<b>Precision blades and wheels</b>	<b>+18%</b>	<b>Approx. +10%</b>	<b>Approx. +20%</b>
<b>Other products, subsidiaries</b>	<b>+25%</b>	<b>Decrease</b>	<b>Approx. ±0%</b>

# Consolidated R&D/CAPEX Forecast



We are maintaining high levels of R&D expenses (R&D expenses will be changed from 12 billion yen to 12.5 billion yen).  
 Excluding the new Kuwabata building, we have revised capital spending (capex). (Total capex will be changed from 10 billion yen to 12 billion yen).  
 Depreciation: 6.5 billion yen will be unchanged.

# Dividend Policy and Dividend Payment

(Yen)	FY2014				(Reference)
	Previous forecast	Forecast	Δ	Actual	FY2013
Intermediate dividend				72	50
Year-end dividend	55	60	5		40
Annual dividend	127	132	5		90

## Dividend Policy

Decisions concerning the distribution of surpluses are made by the general meeting of shareholders, in the case of the final dividend, and by the Board of Directors, in the case of the interim dividend.

1. Adopting a performance-linked dividend policy and aiming at giving clearer priority to shareholder returns, our target dividend payout ratio is 25% of the consolidated half-yearly net income. There will be interim and final dividends, each of which will be equivalent to 25% of the half-yearly consolidated net income.

2. Irrespective of the level of income, we will maintain a reliable dividend of ¥10 per half-year. This means that the minimum yearly dividend will be ¥20.

3. Except when there is a loss, if the year-end balance of cash and deposits after payment of dividends and income taxes is greater than projected funding requirements for the acquisition of technology resources, such as through patent purchases and investment in venture businesses, facility expansion, the retirement of interest-bearing debt and other purposes, one-third of that surplus will be added to dividends.

[Remarks]

The ¥20 payout stipulated in our stable dividend policy may be reviewed if there are consolidated net losses in three consecutive years.



# DISCO

Kiru · Kezuru · Migaku Technologies

