

FY2014 Financial Results and FY2015 Forecasts

DISCO CORPORATION

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FY2014 4Q Earnings Results

Millions of Yen	FY2014 4Q
Net Sales	33,598
Gross Profit	18,695
Gross Profit Margin	55.6%
SG&A	11,904
Operating Income	6,791
Ordinary Income	7,031
Ordinary Income Margin	20.9%
Income before income taxes and minority interests	6,865
Net Income	5,944

FY2014 3Q	QoQ	
	Amount	(%)
27,122	6,476	23.9%
15,749	2,946	18.7%
58.1%	-2.5p	-
9,505	2,399	25.2%
6,244	547	8.8%
5,726	1,304	22.8%
21.1%	-0.2p	-
6,457	408	6.3%
4,367	1,578	36.1%

FY2013 4Q	YoY	
	Amount	(%)
27,111	6,488	23.9%
14,106	4,589	32.5%
52.0%	3.6p	-
9,889	2,015	20.4%
4,217	2,574	61.0%
4,530	2,501	55.2%
16.7%	4.2p	-
4,503	2,362	52.4%
3,364	2,580	76.7%

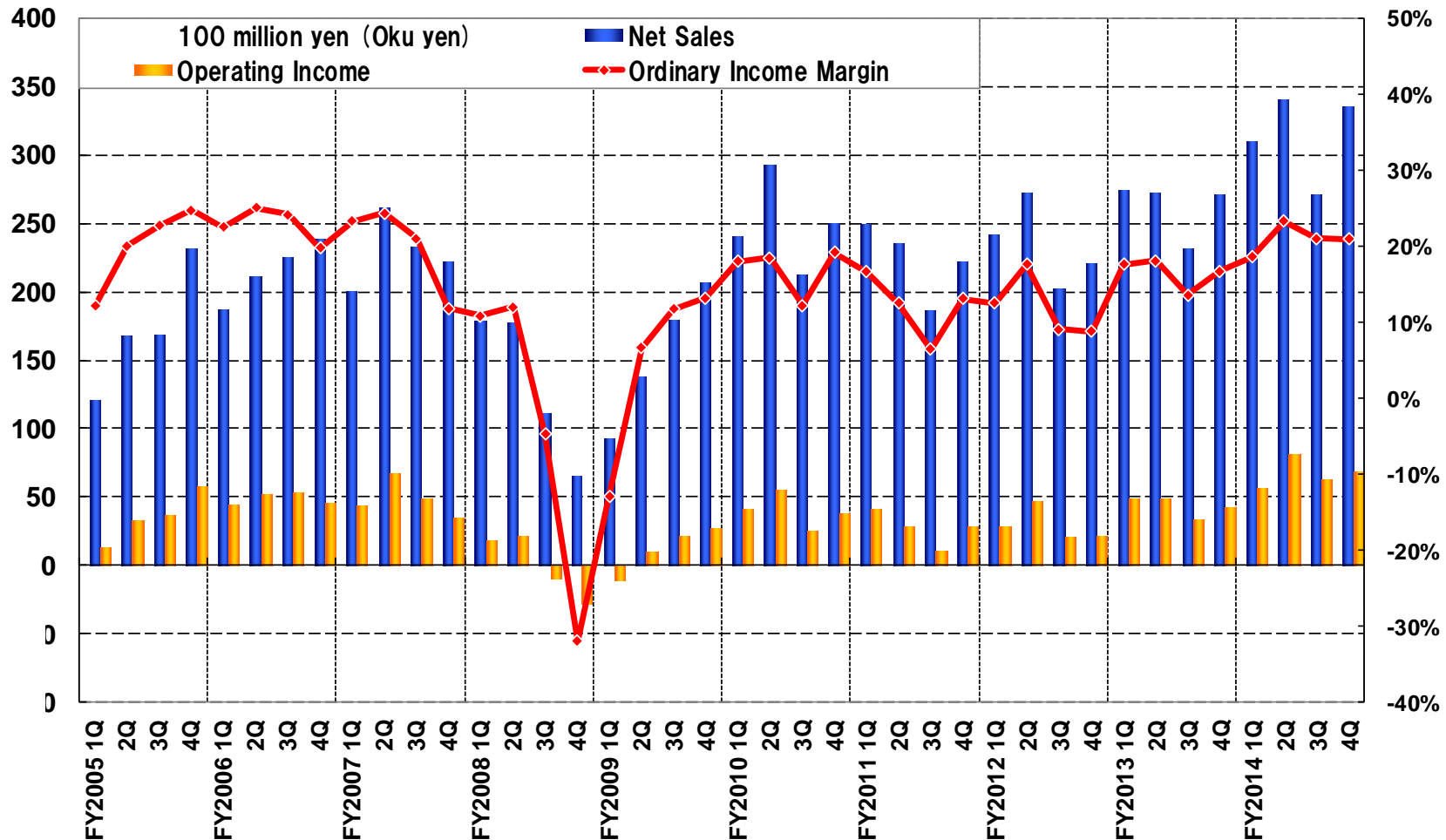
- FY14 4Q sales increased sharply in the QoQ due to the active capital expenditure by semiconductor manufacturers.
- The GP rate decreased in the QoQ due to the mixture of the products, but improved in the YoY thanks to the positive impact of the weakened yen.
- SG&A remained high, (SG&A rate: 35.5%) due to active R&D activity.
- The 4Q (Jan. - Mar. period) operating income rate exceeded 20% for the first time since FY05 4Q.

FY2014 Earnings Results (April 1, 2014 through March 31, 2015)

Millions of Yen	FY2014 Full Year	FY2013 Full Year	YoY	
			Amount	(%)
Net Sales	125,920	104,920	21,000	20.0%
Gross Profit	68,081	54,102	13,979	25.8%
Gross Profit Margin	54.1%	51.6%	2.5p	-
SG&A	41,321	36,749	4,572	12.4%
Operating Income	26,760	17,353	9,407	54.2%
Ordinary Income	26,489	17,447	9,042	51.8%
Ordinary Income Margin	21.0%	16.6%	4.4p	-
Income before income taxes and minority interests	27,497	17,306	10,191	58.9%
Net Income	20,067	12,088	7,979	66.0%
EPS (Yen)	580.71	357.55	-	-

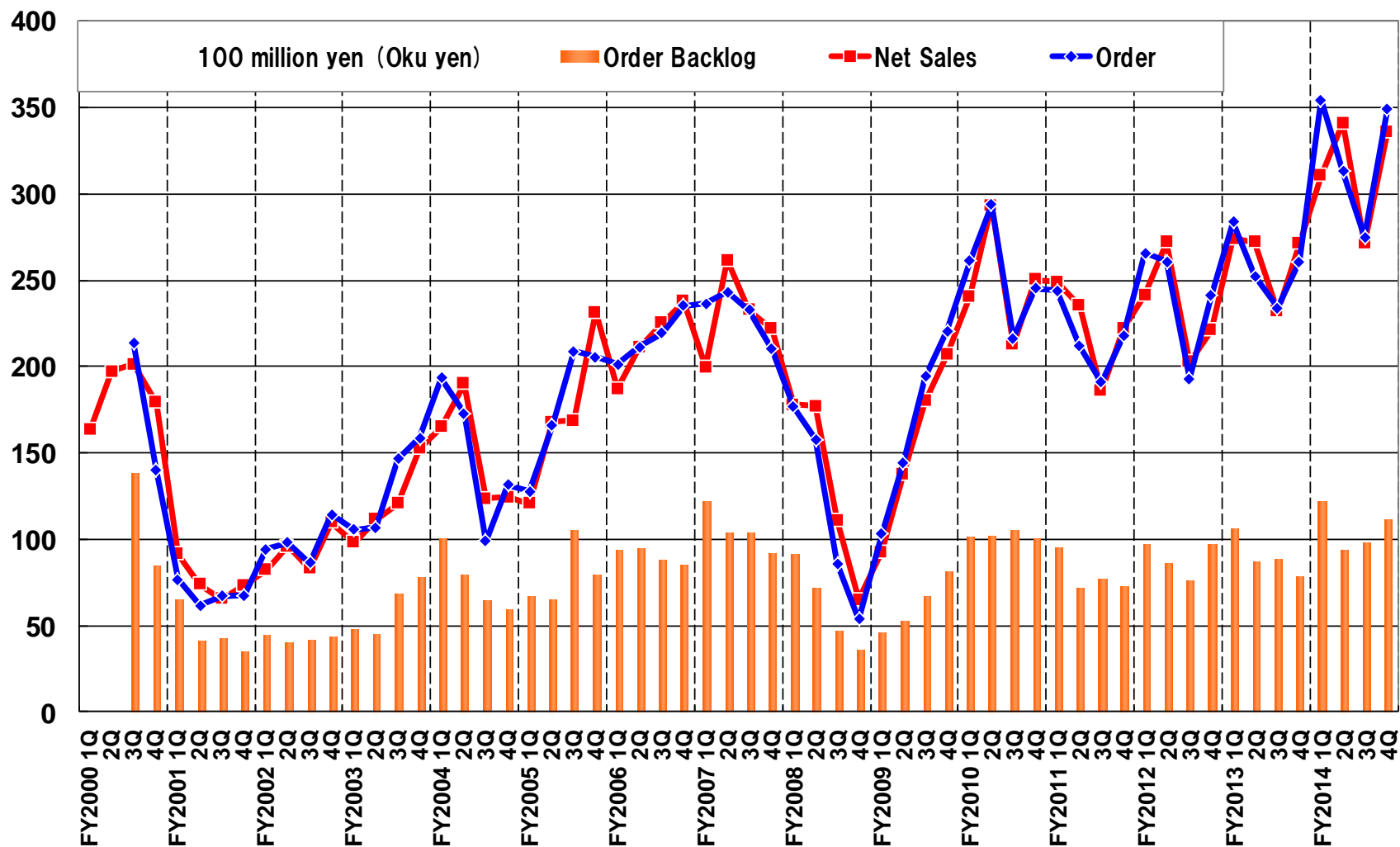
- High precision processing equipment tools sales showed a firm growth in FY14 4Q and reached the highest it has ever been for two consecutive quarters.
- The FY14 4Q GP rate improved to 54.1% due to the positive effect of the exchange rate.
- Each profit (operating income, ordinary income and net income) marked an all-time high.
- Operating income (21.3%) and ordinary income (21.0%) exceeded the 20% level for the first time since FY07.

Quarterly Consolidated Financial Results



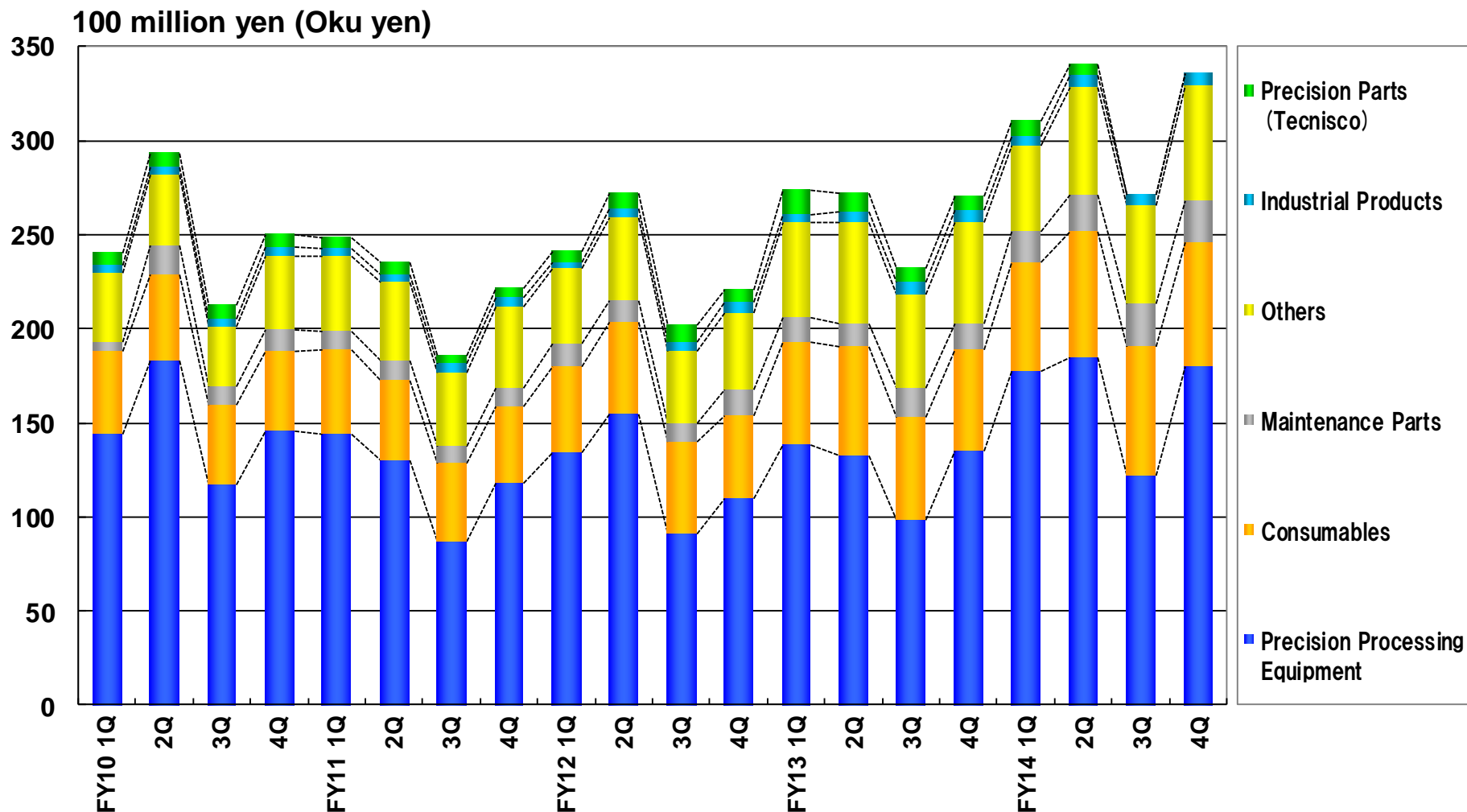
- 4Q sales for FY14 reached an extremely high level and were almost equal to the peak sales in FY14 2Q.
- Thanks to the high level in sales and GP rate, the ordinary income margin exceeded 20% for 3 consecutive quarters.

Quarterly Sales/Orders



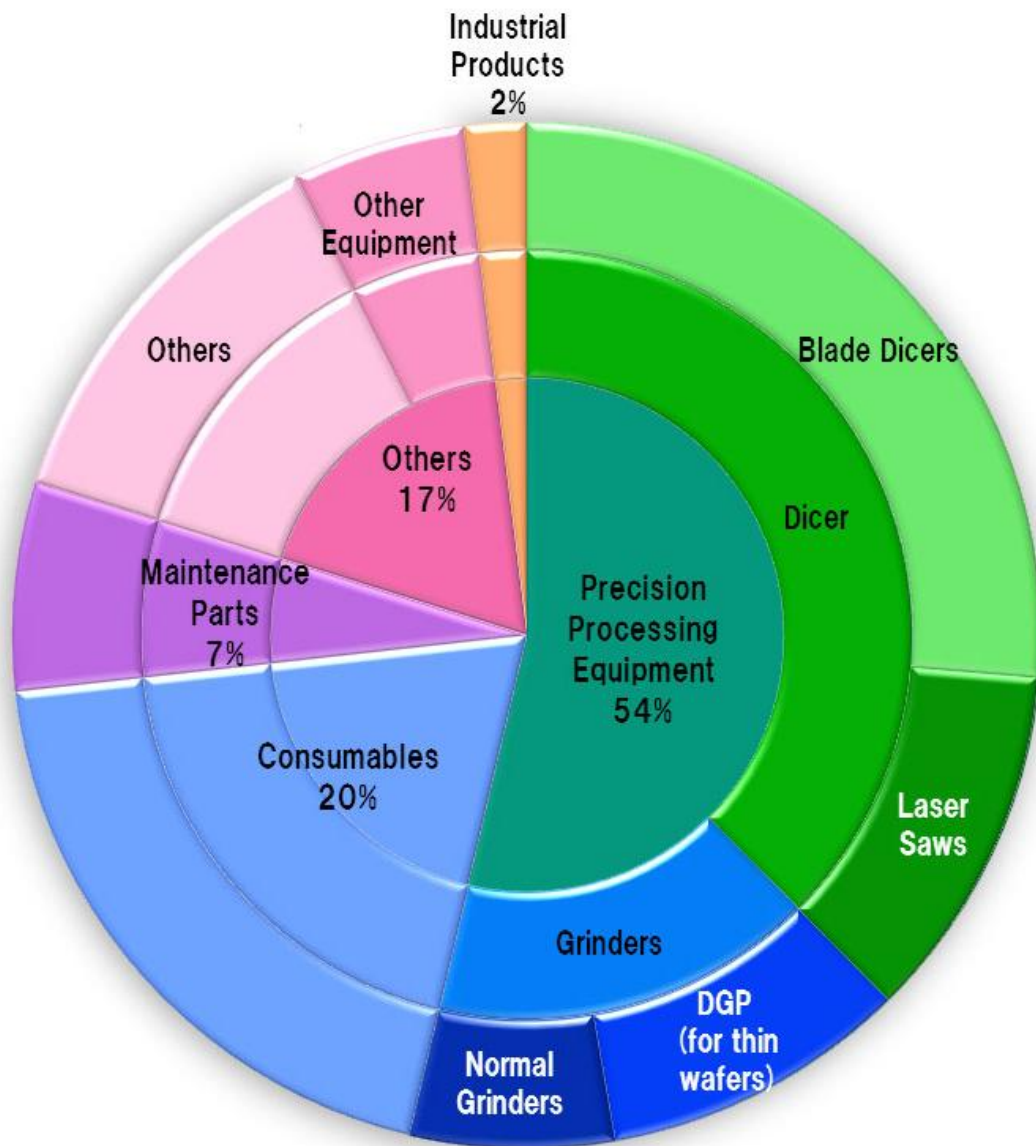
- Thanks to the robust inquiries by OSAT (subcontractors), the amount of orders received for FY14 4Q increased sharply.
- While FY14 4Q orders were at roughly the same levels as orders in FY14 1Q, the orders backlog decreased accordingly in comparison to the FY14 1Q and amounted to approx. ¥11.1 billion at the end of march FY2014.

Consolidated Quarterly Sales Breakdown by Product



- Sales increased dramatically for both dicers and grinders in the QoQ. “High precision processing tools”, and “miscellaneous” sales (e.g. services etc.) also showed firm growth.

Product and Equipment Sales Breakdown

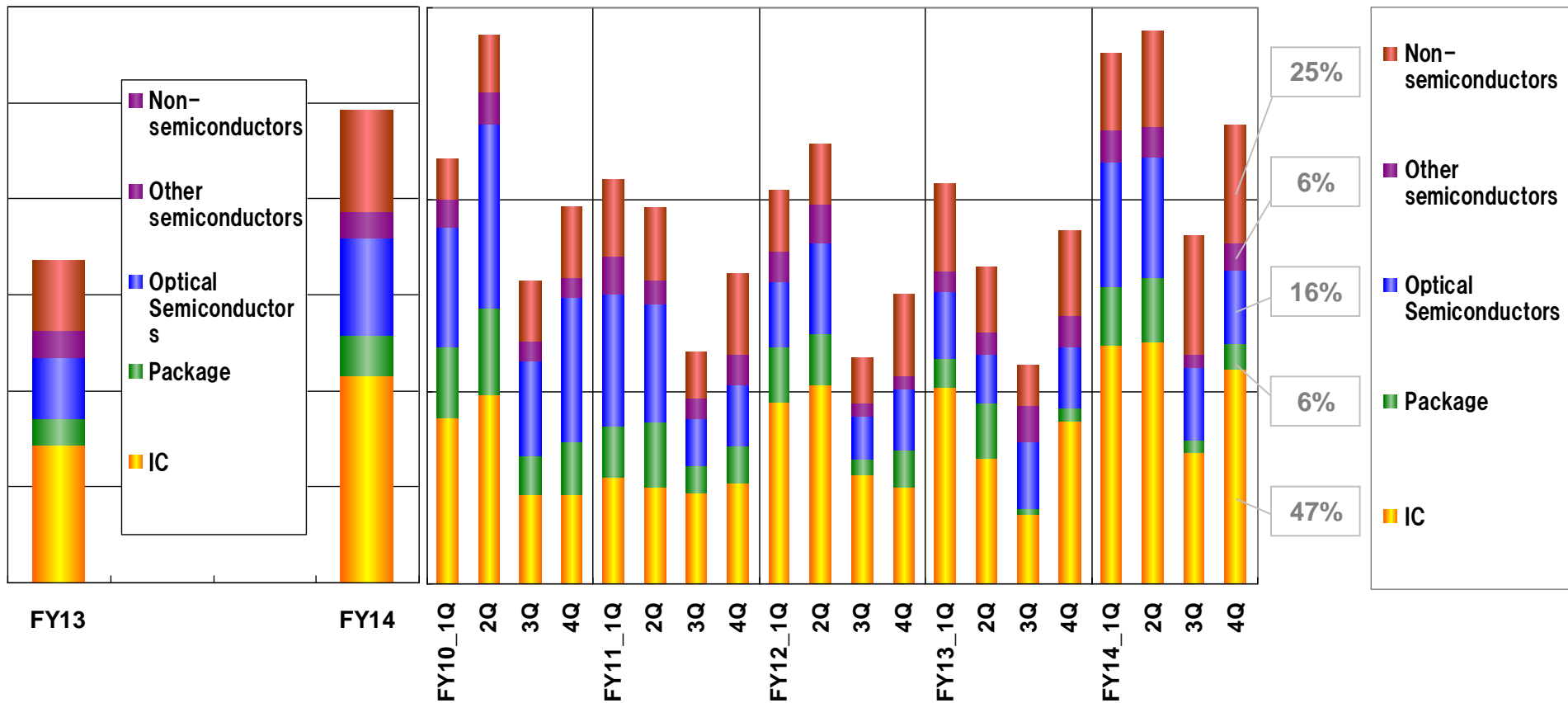


FY2014 4Q	
【Product Sales Breakdown】	
Precision Processing Equipment	54%
Consumables	20%
Maintenance Parts	7%
Others	17%
Industrial Products	2%
Precision Parts (Technisco)	0%
【Precision Processing Equipment Breakdown】	
Dicing Saws	70%
Grinders	30%
【Dicing Saws Breakdown】	
Blade Dicers	70%
Laser Saws	30%
【Grinders Breakdown】	
DGP (for thin wafers)	60%
Normal Grinders	40%

Equipment, Non-consolidated Cutting and Dicing Saws* Sales Breakdown by Application

*Cutting and dicing saws include blade dicers and laser saws

YoY



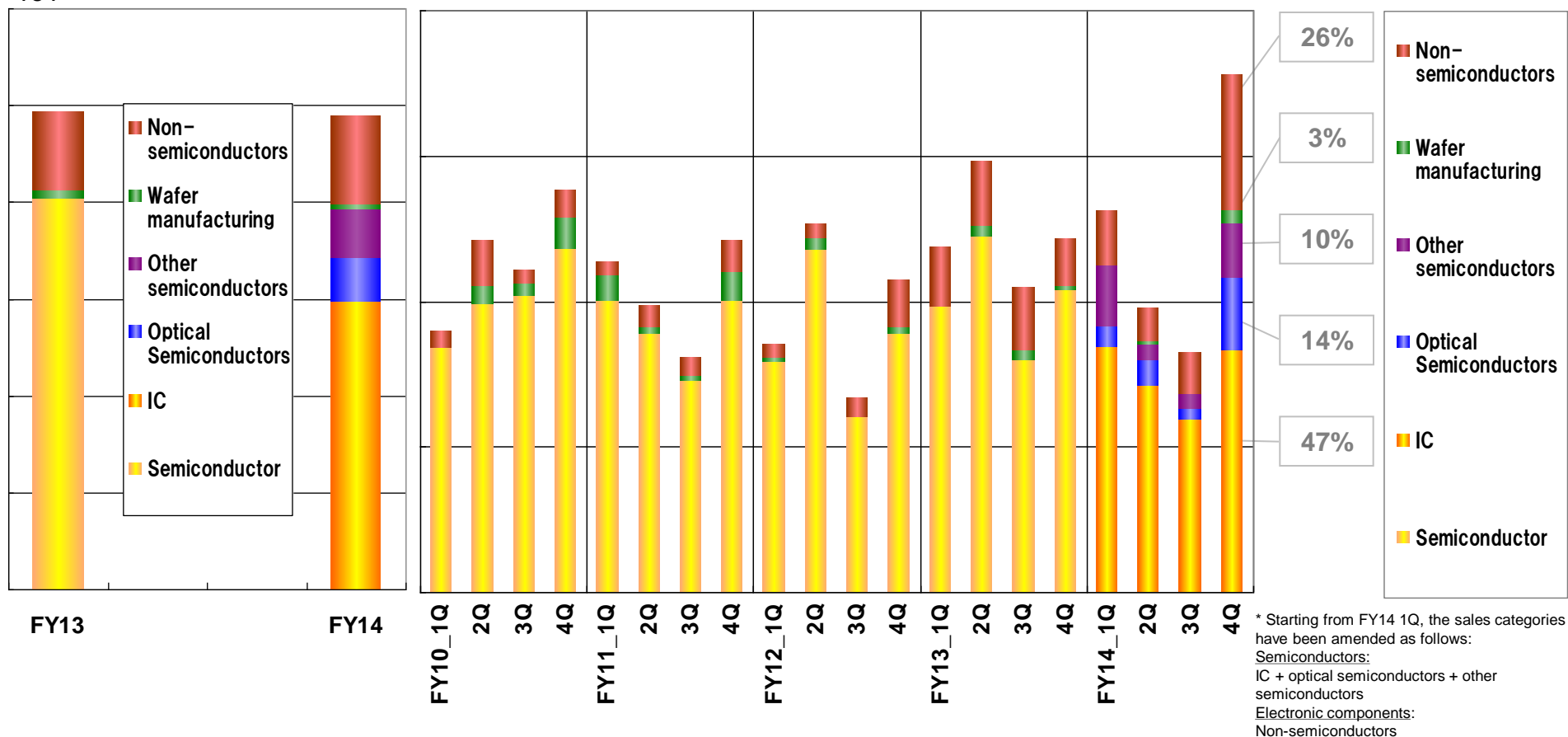
FY14 Total dicing saw sales increased by approx. 50 % in the YoY in almost all fields of application.

4Q Demand for dicing saws for ICs increased, particularly in OSAT in the Asia region, and both laser saw and blade dicer sales increased by approx. 30 % in the QoQ.

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

*Grinders and polishers also include surface planers and grinder/polishers

YoY

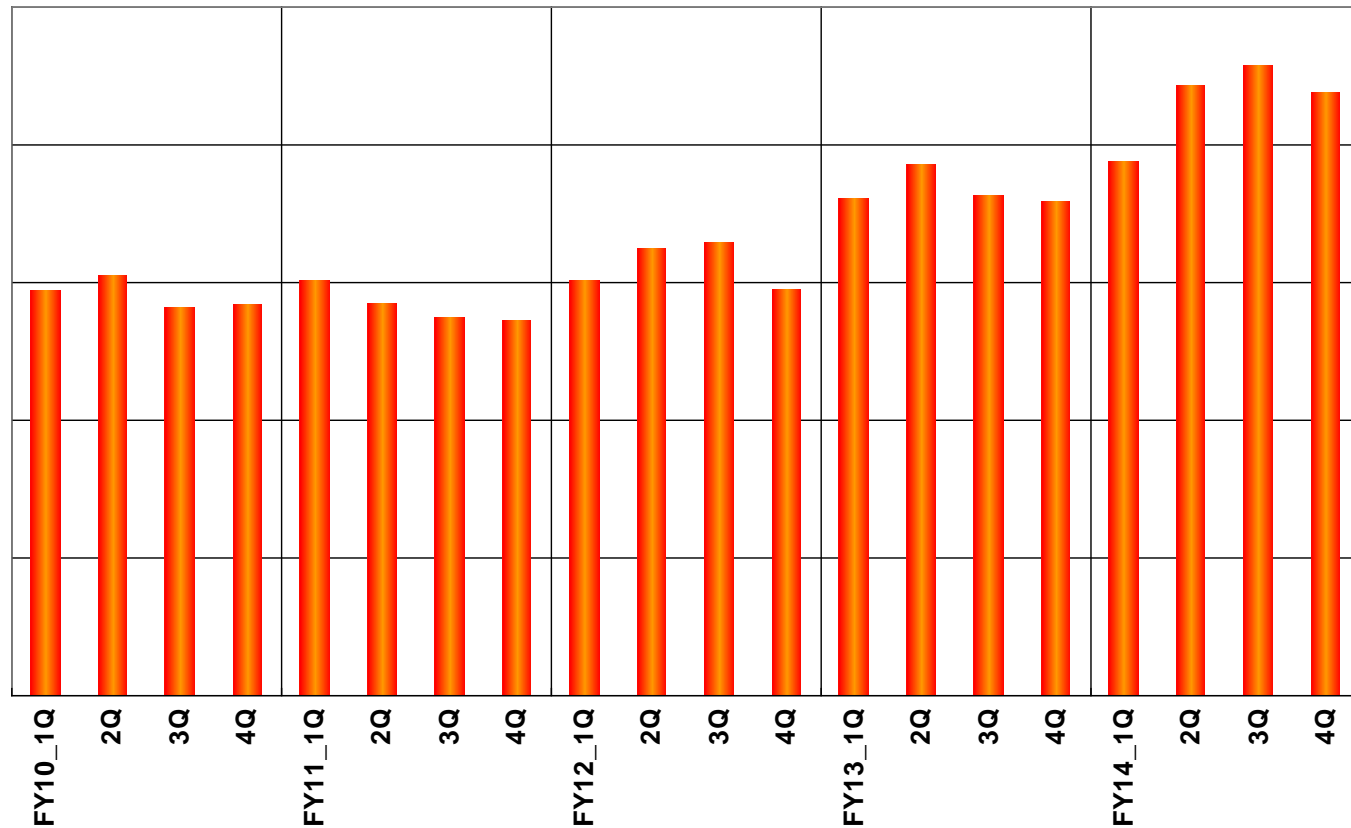
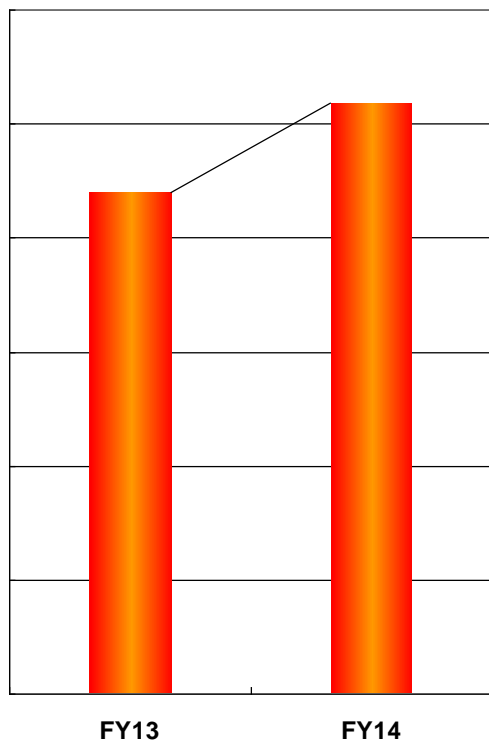


FY14 Demand for ultra-thinning application grinders remained firm in other regions, excluding Asia, and sales remained around the same level it was last year.

4Q Grinder sales increased approx. 100% in the QoQ due to an increase in capital investment for mass production of ICs (mainly memory) as well as in a wide range of other applications.

Consolidated Consumables* Sales

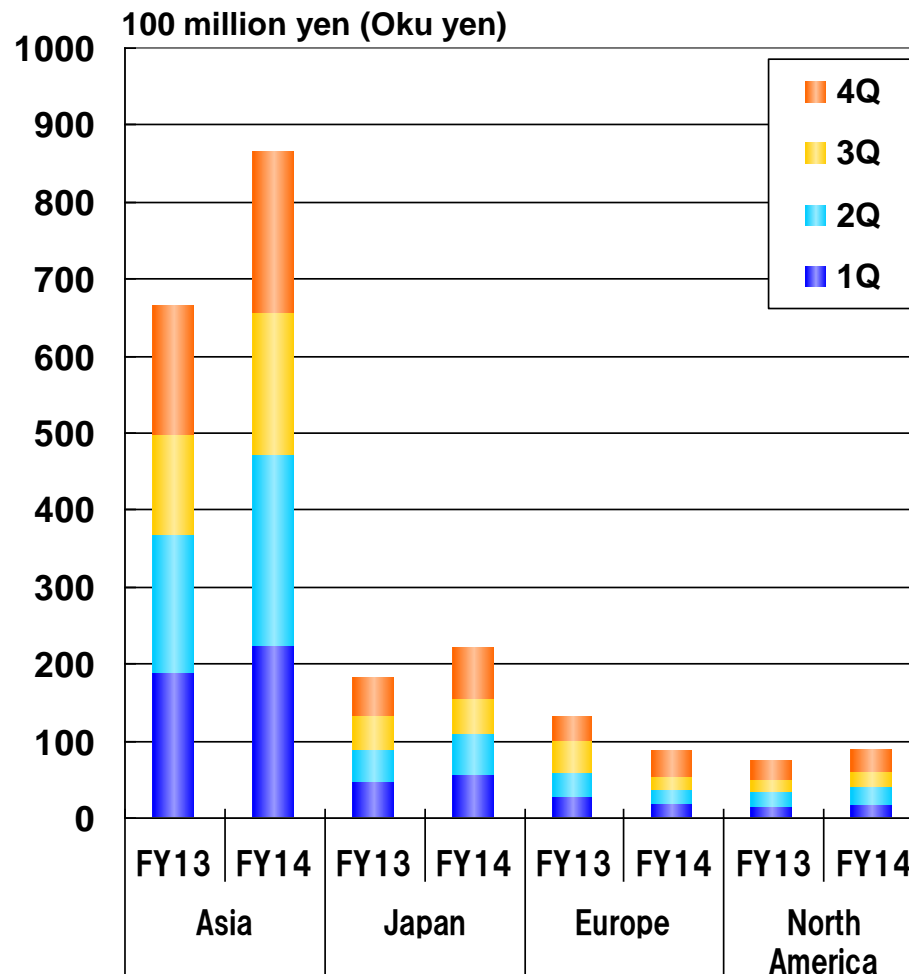
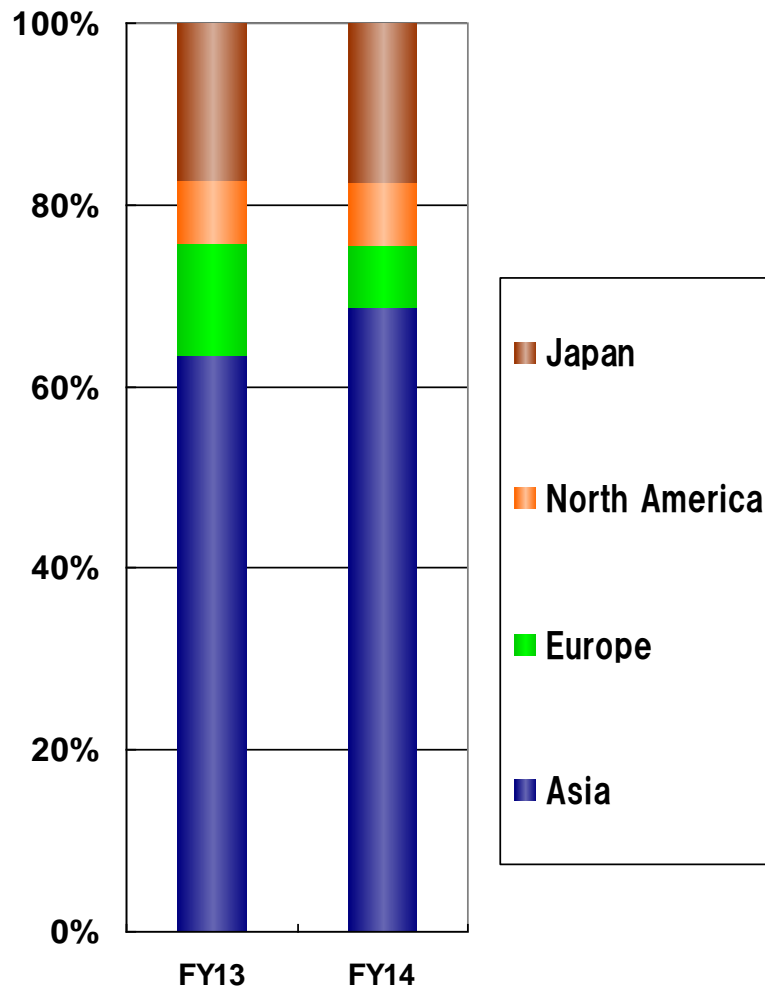
*Consumables include dicing blades, grinding wheels, and dry polishing wheels, etc.



FY14 Consumable sales increased approx. 20% in the YoY thanks to the increase in the number of shipments and the positive impact of the exchange rate.

4Q While we were still experiencing the effects of the weakened yen, 2014 4Q sales of consumables decreased slightly from the previous quarter due to the Chinese New year holidays.

Consolidated Sales Breakdown by Region



FY14 While sales trends had been sluggish in Japan, sales turned around and increased. Sales in North America were also steady.

FY14 The total sales in Asia reached approx. 70%. In China, sales increased approx. 50% in the YoY, exceeding the sales level in Taiwan.

Balance Sheet (Summary)

Millions of Yen	FY2014 4Q	FY2013 4Q	Amount
Cash and deposits	52,208	31,577	20,631
Notes and account receivable	35,132	32,390	2,742
Inventories	33,495	26,740	6,755
Total current assets	129,622	96,809	32,813
Property, plant and equipment	66,194	63,063	3,132
Total noncurrent assets	72,352	73,348	-996
Total assets	201,975	170,161	31,814
Current liabilities	38,992	35,235	3,757
Noncurrent liabilities	11,063	11,469	-405
Total liabilities	50,056	46,704	3,351
Total net assets	151,918	123,456	28,462
Total liabilities and net assets	201,975	170,161	31,814
Equity Ratio	74.8%	71.4%	3.4p

[Comparison with Previous Quarter]

- Assets: While the amount of fixed assets in inventory and tangible fixed assets increased, a sharp increase in cash and deposits led to an increase in total assets by approx. ¥31.8 billion.
- Liabilities: While yen denominated convertible bonds have been fully converted, an increase in accounts payable and accrued tax payable led to an increase in total liabilities by approx. ¥ 3.3 billion
- Net Assets: The shareholder equity ratio increased by 3.4 points to 74.8%.

Cash Flow (Summary)

Millions of Yen	FY2014 Full Year	FY2013 Full Year	Amount
Net cash provided by (used in) operating activities	25,192	14,877	10,315
Income before income taxes and minority interests	27,497	17,306	10,191
Depreciation and amortization	6,067	5,995	72
Decrease (increase) in notes and accounts receivable-trade	-1,227	-5,917	4,690
Decrease (increase) in inventories	-5,724	2,034	-7,759
Increase (decrease) in notes and accounts payable-trade	8,023	-737	8,761
Income taxes (paid) refund	-6,153	-4,840	-1,312
Net cash provided by (used in) investing activities	-3,938	-13,101	9,164
Purchase of property, plant and equipment	-10,644	-12,725	2,080
Others	6,706	-376	7,083
Free cash flow	21,254	1,775	19,479
Net cash provided by (used in) financing activities	-1,467	-2,198	731
Cash dividends paid	-3,809	-2,231	-1,578
Others	2,341	32	2,309
Net change in of cash and cash equivalents	20,625	7	20,618
Cash and cash equivalents at beginning of period	21,552	21,544	7
Cash and cash equivalents at end of period	42,177	21,552	20,626

Cash Flow from Operating Activities:

Net cash provided by operating activities amounted to ¥25,200 million.

Income before income taxes increased significantly from the same period last year and accounts payable also increased.

Cash Flow from Investing Activities:

Net cash provided by investing activities sharply decreased by approx. ¥3,900 million. This mainly reflects expenditure on the acquisition of tangible fixed assets, sales of subsidiary shares and withdrawal of time deposits.

Cash Flow from Financing Activities:

Net cash flow decreased by approx. ¥1,500 million. This consisted mainly of payments in dividends.

Free Cash Flow:

Free cash flow showed a net inflow of about ¥21,300 million.

The balance for cash and cash equivalents as of the end of March 2015 was ¥42,200 million.

FY2015 Earning Forecast

100 million yen (Oku yen)	Earning Forecast	Reference			
	1H	FY2014_1H	Amount	YoY	Previous year's results
Net Sales	711	652	59	9%	1,259
Operating Income	184	137	47	34%	268
Ordinary Income	185	137	48	35%	265
Net Income	133	98	35	36%	201
Operating Income Margin	25.9%	21.1%	4.8p		21.3%
Ordinary Income Margin	26.0%	21.1%	4.9p		21.0%
Net Income Margin	18.7%	15.0%	3.7p		15.9%

Our customers, semiconductor and electronic components manufacturers, have been suffering considerable fluctuation in their business results.

It has been very difficult to set a long-term business plan for the company.

Based on this observation, we will set the new earnings forecast only for the 1st half of FY15 (April-September period).

Expected exchange rates:

US\$1/¥115; 1Euro/¥125

Effect per ¥1 fluctuation in exchange rates (consolidated, whole year)

US\$: approx. ¥500 million; Euro: approx. ¥30 million

Dividend Policy and Dividend Payment

(Yen)	FY2015	FY2014
	Forecast	Actual
Intermediate dividend	94	72
Year-end dividend	-	88
Annual dividend	-	160

- FY2014 end-of-year dividend: ¥88
Breakdown
Performance-linked dividend: ¥73
(Based on dividend policy clause 1)
One-third of surplus: ¥15
(Based on dividend policy clause 3)
- FY2015
Intermediate dividend: ¥94
(Based on FY2015 half-year earnings forecast)
(End-of-year dividend N/A)

Dividend Policy

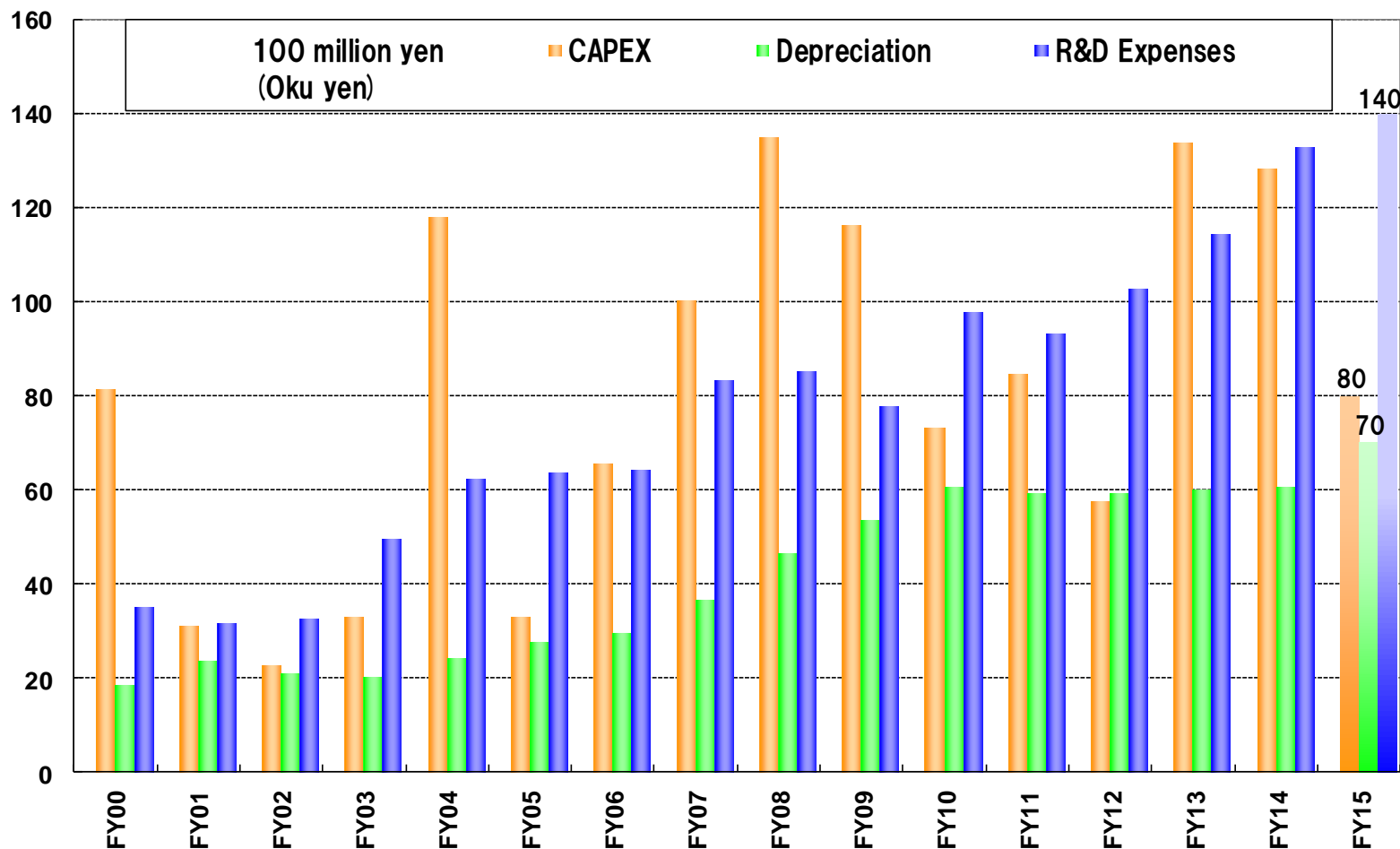
Decisions concerning the distribution of surpluses are made by the general meeting of shareholders, in the case of the final dividend, and by the Board of Directors, in the case of the interim dividend.

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.

Consolidated R&D/CAPEX Forecast



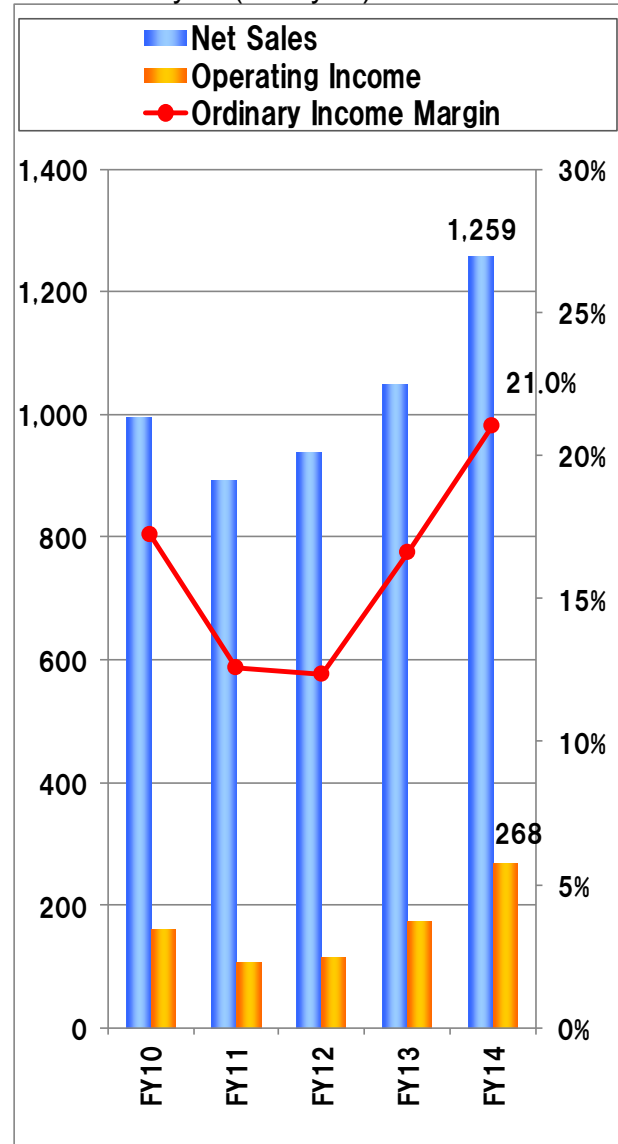
- R&D: We are maintaining high levels of R&D expenses. FY14: ¥13.3 billion. Prediction for FY15: Approx. ¥14 billion.
- Capital spending is expected to decrease in the YoY after the completion of a series of large investments. FY14: ¥12.8 billion. FY15: Approx. ¥8 billion.
- Depreciation is expected to increase due to the construction of the new Kuwabata plant. FY14: ¥6.1 billion. Prediction for FY15: Approx. ¥7 billion.

FY2015 1H Sales Forecast

	Year on year increases (decreases) in FY2014 results	Segment Contribution to Consolidated Net Sales FY2014 1H	Year on year increases (decreases) in FY2015 1H FC
Total	+20%	65,200 million yen	+9%
Systems	+32%	56%	+10%
Dicers	+50%	80%	-10%
Laser	+30%	30%	-10%
Non-laser	+60%	70%	-10%
Grinders	-5%	20%	+100%
DGP (for thin wafers)	-5%	70%	+140%
Normal Grinders	-5%	30%	+70%
Precision blades and wheels	+18%	19%	+10%
Other products, subsidiaries	+3%	25%	+10%

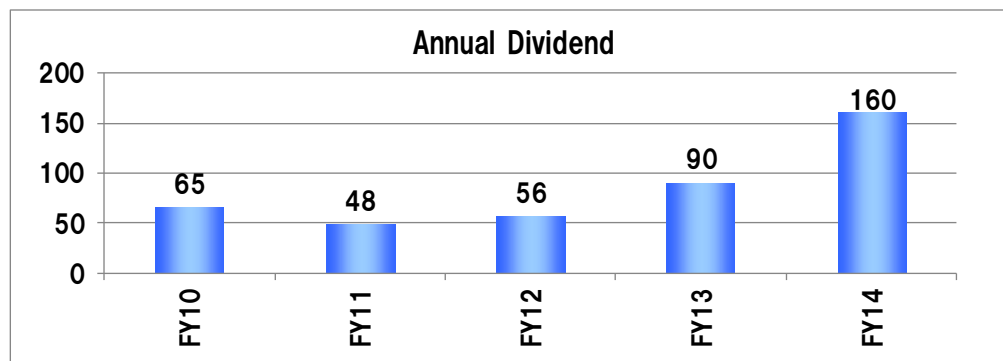
Operating Environment and Our Business: FY2014

100 million yen (Oku yen)



Business Activities for FY2014

- Demand for DISCO's products increased in almost all fields of application e.g. ICs, electronic components, LED packaging etc.
 - Sales reached the highest it has ever been for two consecutive years.
- SG&A remained high due to active R&D activity. The GP rate remained at a high level thanks to the positive impact of the weakened yen.
 - Each profit (operating income, ordinary income and net income) marked an all-time high.
- Capital spending is expected to decrease in the YoY after the completion of the large investment in the new B-Zone at Kuwabata Plant.
 - Taking account of necessary cash, one-third of surplus will be added to the dividend based on the dividend policy.
 - FY2014 full year dividend: ¥160 (Intermediate dividend: ¥72, end-of-year dividend: ¥88) YoY increase: ¥70



Forecasted Operating Environment

● Outlook for FY2015

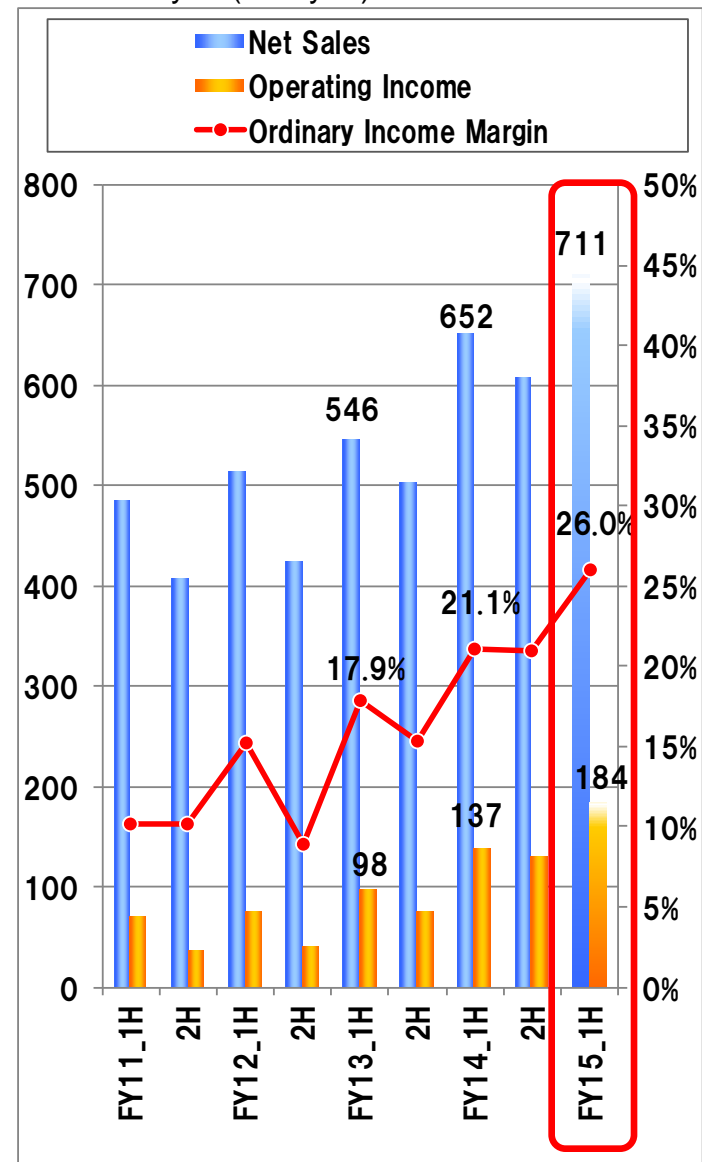
- ▣ Sales for the 1st half of FY2015 are expected to remain robust due to the active capital expenditure by semiconductor and electronic component manufacturers (OSATs in the Asian area and other manufacturers in Japan, Europe and North America).

100 million yen (Oku yen)			
Net Sales	FY15 Forecast	FY14 results	YoY
1H	711	652	109%
2H	N/A	607	—

*we will set the new earnings forecast only for the 1st half of FY15 (April-September period).

- ▣ Smartphones continue to be the driving force and we see good demand for them derived from a diverse range of applications.
 - The evolution of packaging technology advances and we see good demand for DISCO's cutting edge Kiru, Kezuru, Migaku technologies.
- ▣ Increasing the competitiveness of the company:
 - To prevent the organization from becoming rigid, DISCO will move agilely in response to changes in the market.
 - In order to meet the processing needs of expanding customers, we will push forward proactively with R&D .
 - The construction of the new Kuwabata plant has been completed, and we will strengthen the production system.

100 million yen (Oku yen)



DISCO

Kiru · Kezuru · Migaku Technologies

