

# FY2015 3Q Financial Results and FY2015 Forecasts

DISCO CORPORATION

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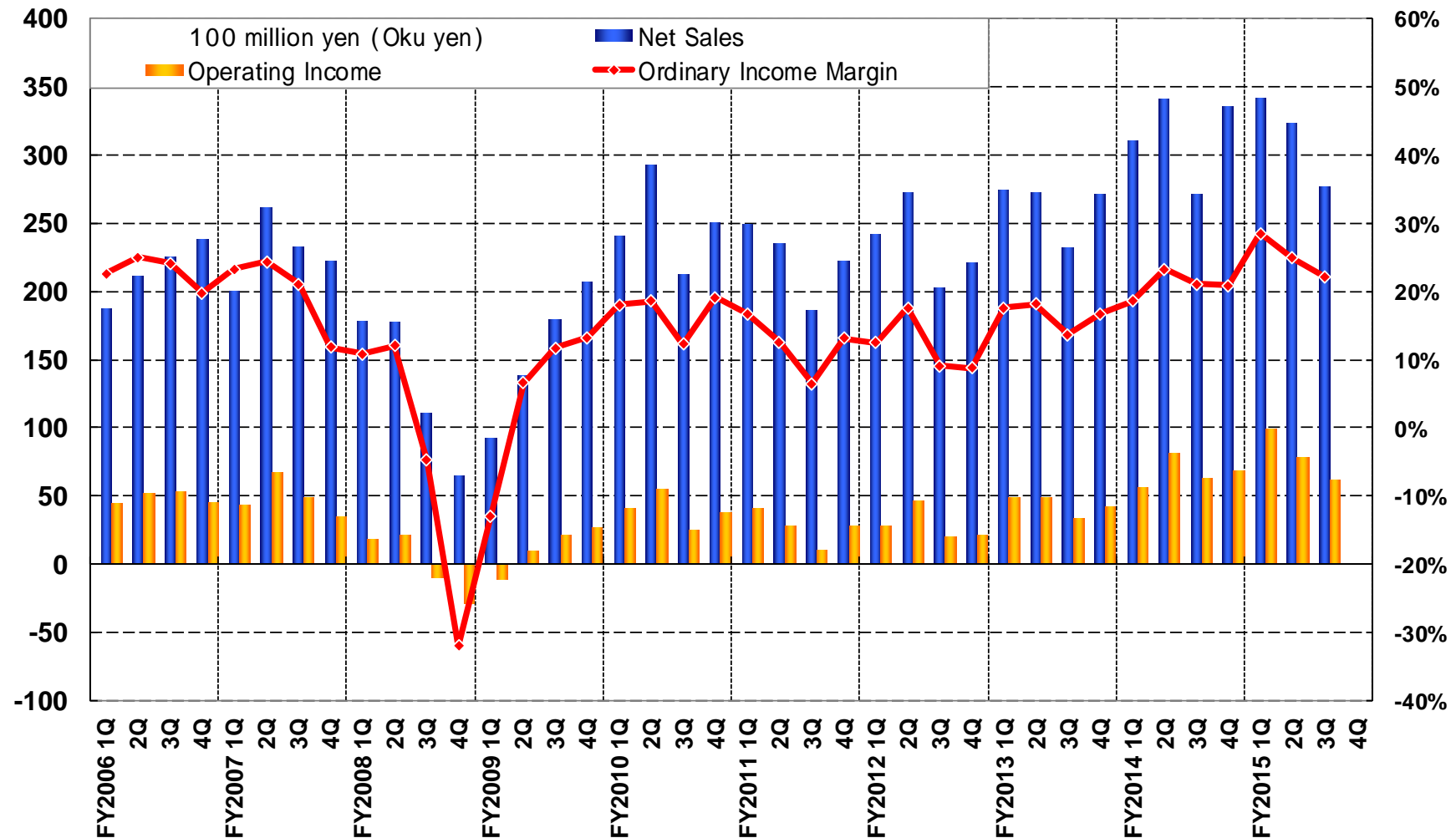
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# FY2015 3Q Earnings Results

Millions of Yen	FY2015 3Q	FY2015 2Q	QoQ		FY2014 3Q	YoY	
			Amount	(%)		Amount	(%)
Net Sales	27,692	32,402	-4,710	-14.5%	27,122	570	2.1%
Gross Profit	15,971	18,517	-2,546	-13.7%	15,749	222	1.4%
Gross Profit Margin	57.7%	57.1%	0.6p	-	58.1%	-0.4p	-
SG&A	9,850	10,675	-825	-7.7%	9,505	345	3.6%
Operating Income	6,121	7,841	-1,721	-21.9%	6,244	-123	-2.0%
Ordinary Income	6,138	8,064	-1,927	-23.9%	5,726	411	7.2%
Ordinary Income Margin	22.2%	24.9%	-2.7p	-	21.1%	1.1p	-
Income before income taxes and minority interests	6,258	7,900	-1,641	-20.8%	6,457	-199	-3.1%
Net Income	4,403	5,554	-1,151	-20.7%	4,367	36	0.8%

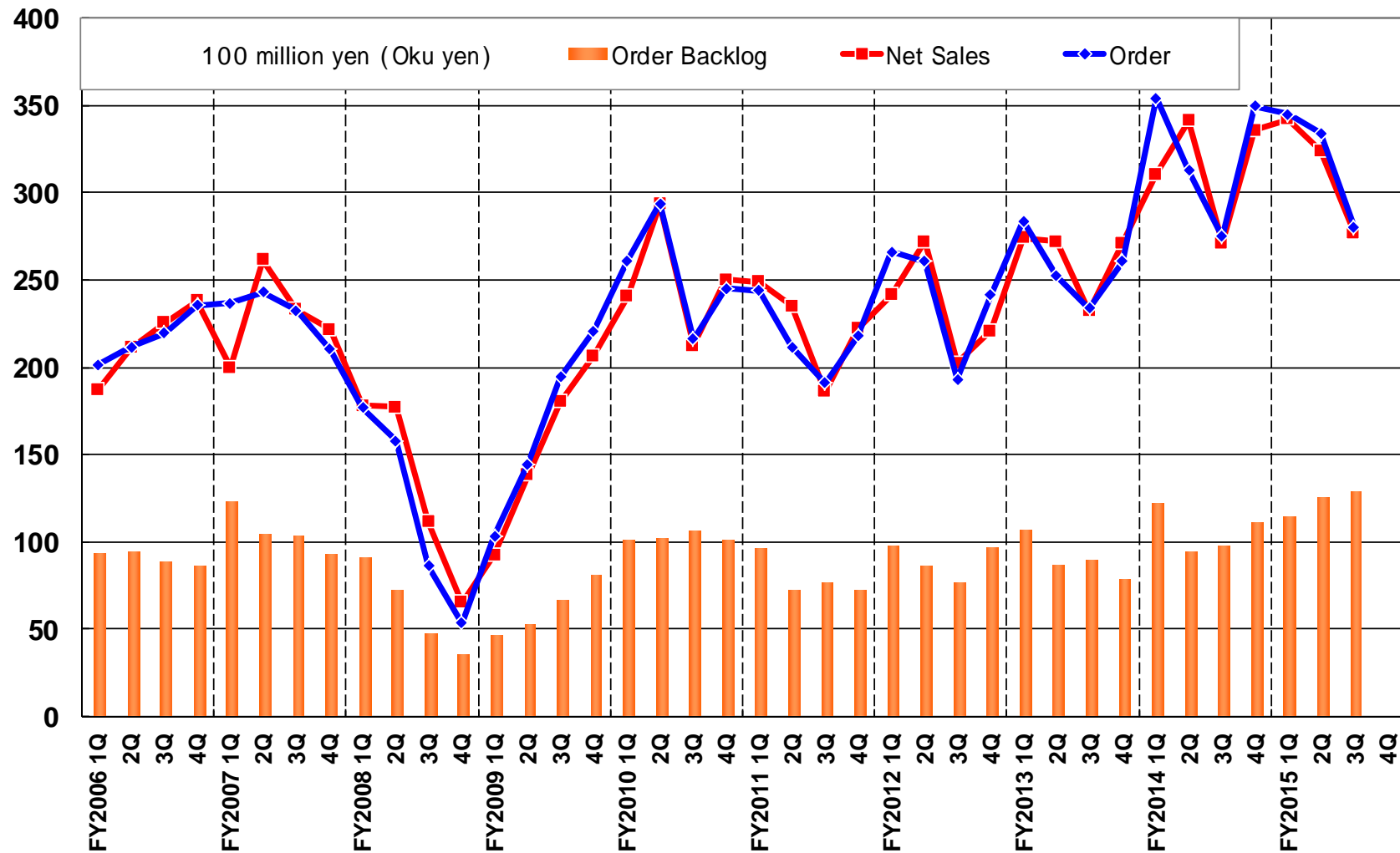
- FY15 3Q sales increased slightly QoQ, thanks to firm shipments in equipment and robust sales in consumables, particularly in Japan.
- The GP ratio improved significantly QoQ mainly due to changing the product range, but it did not reach the high level achieved in FY15 3Q.
- SG&A expenses decreased QoQ but increased YoY due to active R&D activity.
- The operating income decreased to 22.1%. The margin of decrease in operating income was small compared to the decrease in sales.

# Quarterly Consolidated Financial Results



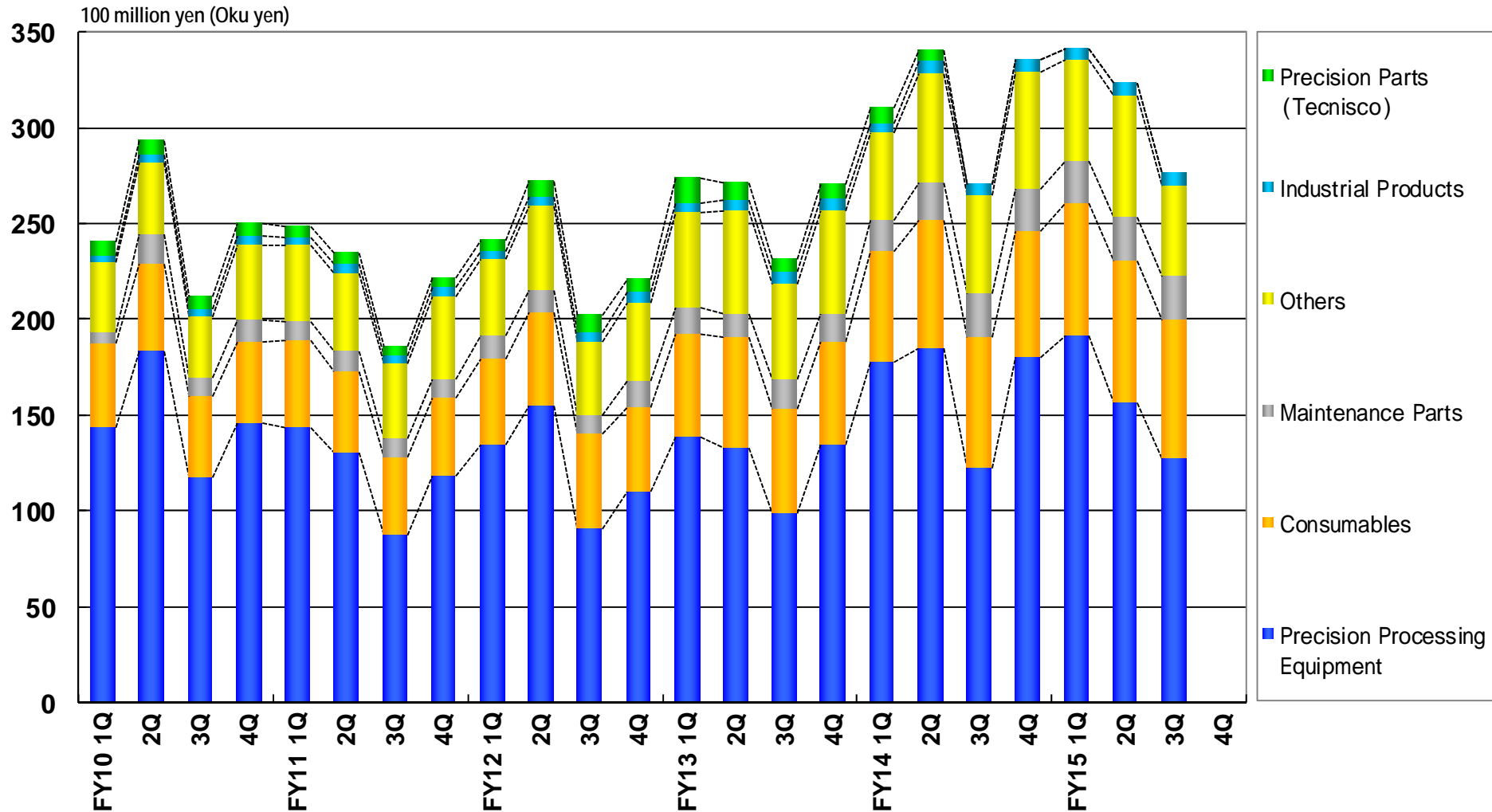
- Sailing with the tailwinds of a weakened yen, FY15 3Q is the sixth consecutive quarter since FY14 2Q where an ordinary income margin of 20% was achieved.

# Quarterly Consolidated Sales/Orders



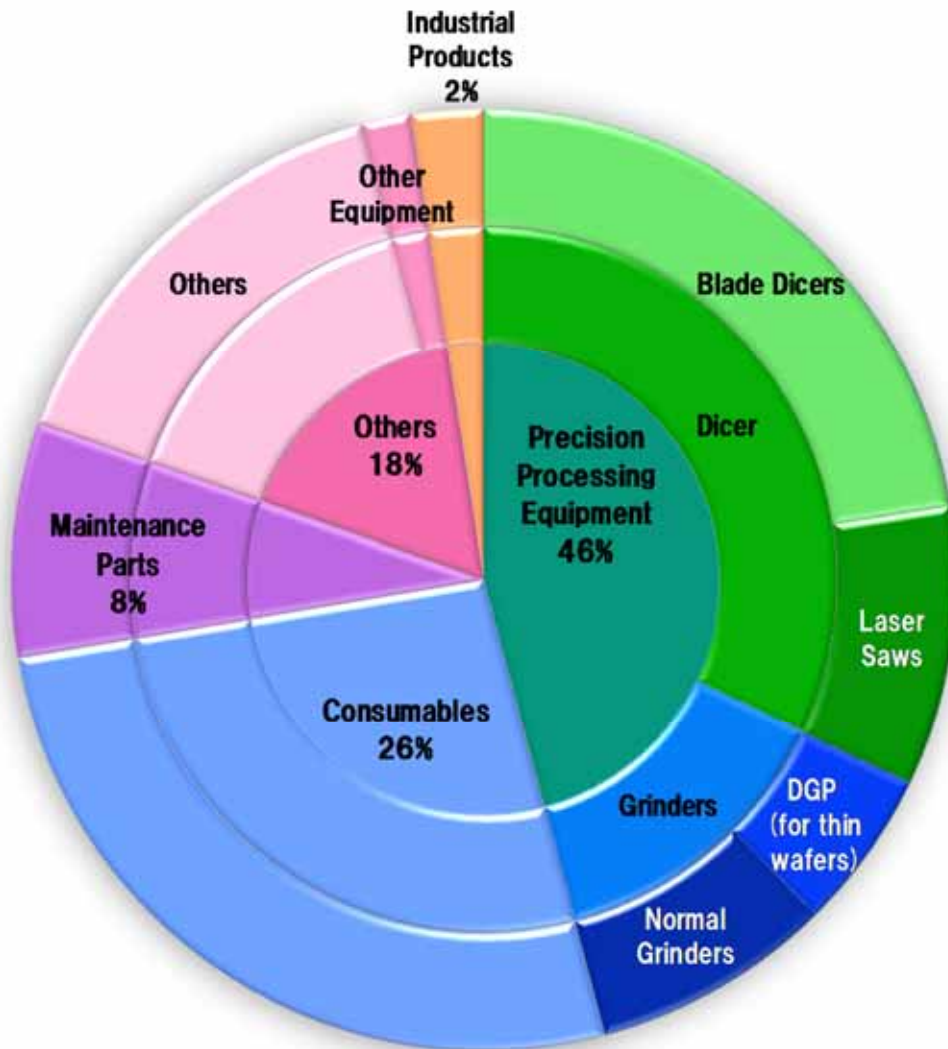
- FY15 3Q orders decreased QoQ.
- The 3Q order backlog (end of December), was at a high level with ¥12,800 million due to the robust increase in inquiries.

# Quarterly Consolidated Sales Breakdown by Product



- 3Q equipment sales decreased approx. 20% QoQ due to a shrinking capital expenditure at many semiconductor manufacturers.
- While the sales of other products decreased QoQ, 3Q consumables sales remained high, and its sales composition increased accordingly.

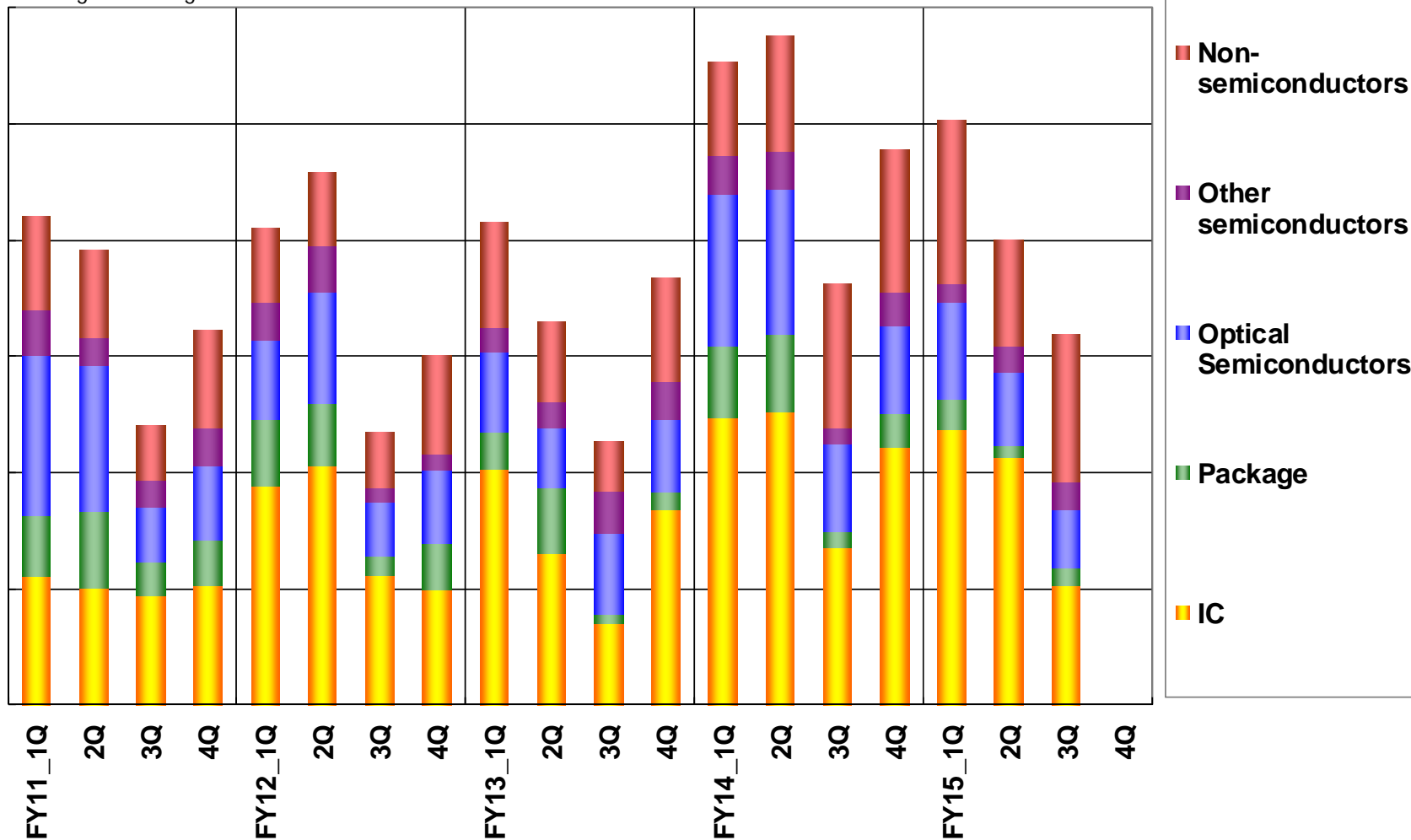
# Product and Equipment Sales Breakdown



<b>FY15_3Q</b>	
<b>【Product Sales Breakdown】</b>	
Precision Processing Equipment	46%
Consumables	26%
Maintenance Parts	8%
Others	18%
Industrial Products	2%
<b>【Precision Processing Equipment Breakdown】</b>	
Dicing Saws	70%
Grinders	30%
<b>【Dicing Saws Breakdown】</b>	
Blade Dicers	70%
Laser Saws	30%
<b>【Grinders Breakdown】</b>	
DGP (for thin wafers)	40%
Normal Grinders	60%

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

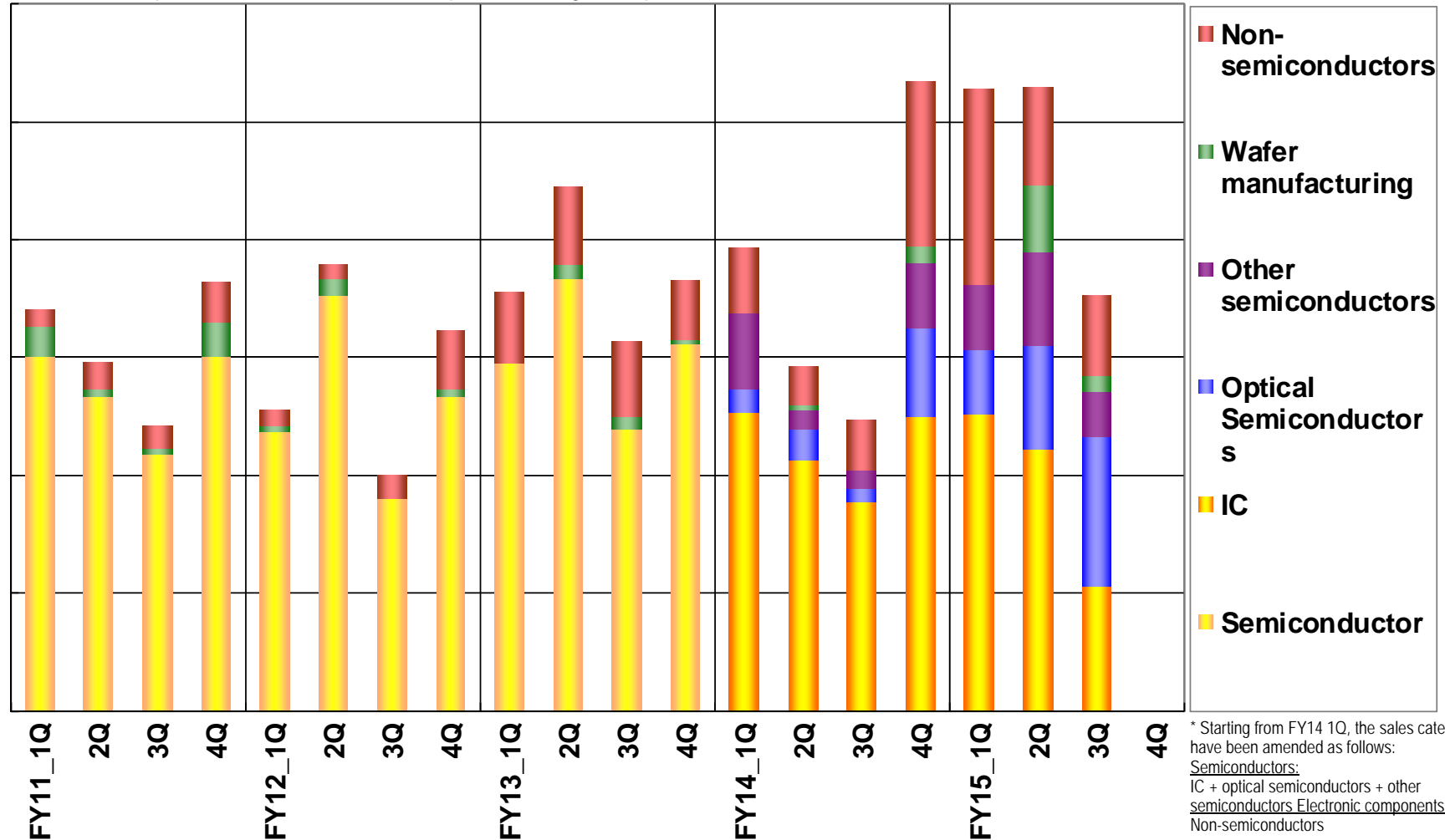
\*Cutting and dicing saws include blade dicers and laser saws



- Compared to the previous quarter, both blade dicer and laser saw sales decreased QoQ, affected by a slowdown in capital expenditure at IC manufacturers (memory manufacturers in particular).
- On the other hand, demand for dicing saws for non-semiconductor applications remained firm (particularly in electronic component applications), and sales increased QoQ.

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

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



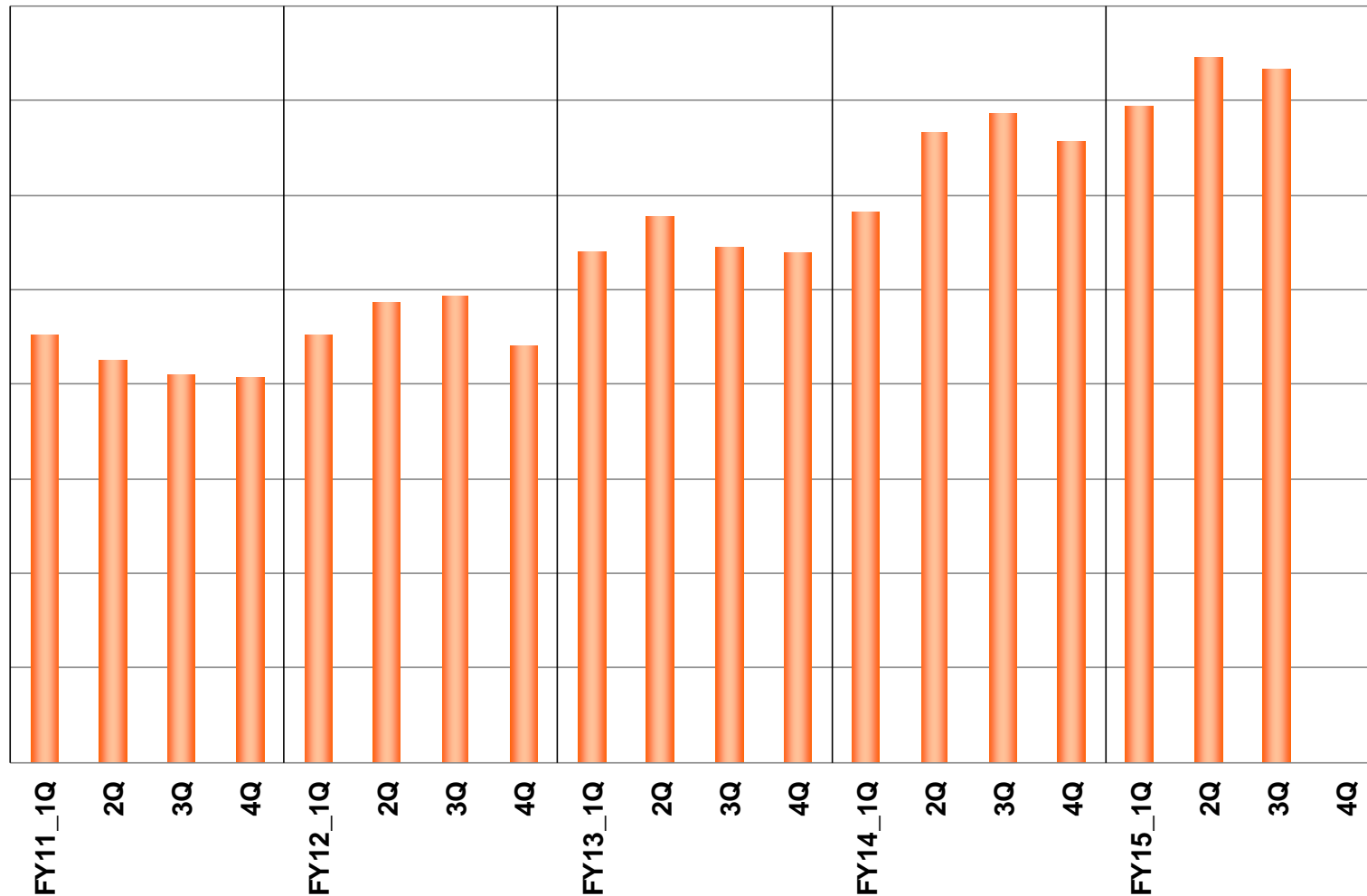
\* Starting from FY14 1Q, the sales categories have been amended as follows:  
Semiconductors:  
 IC + optical semiconductors + other semiconductors  
Electronic components:  
 Non-semiconductors

- Grinder shipments for ultra-thinning applications showed a decreasing trend due to a break in capital expenditure at IC manufacturers, particularly at memory manufacturers.
- Total grinder sales decreased QoQ but increased significantly YoY, supported primarily by demands for grinders from optical semiconductor manufacturers.



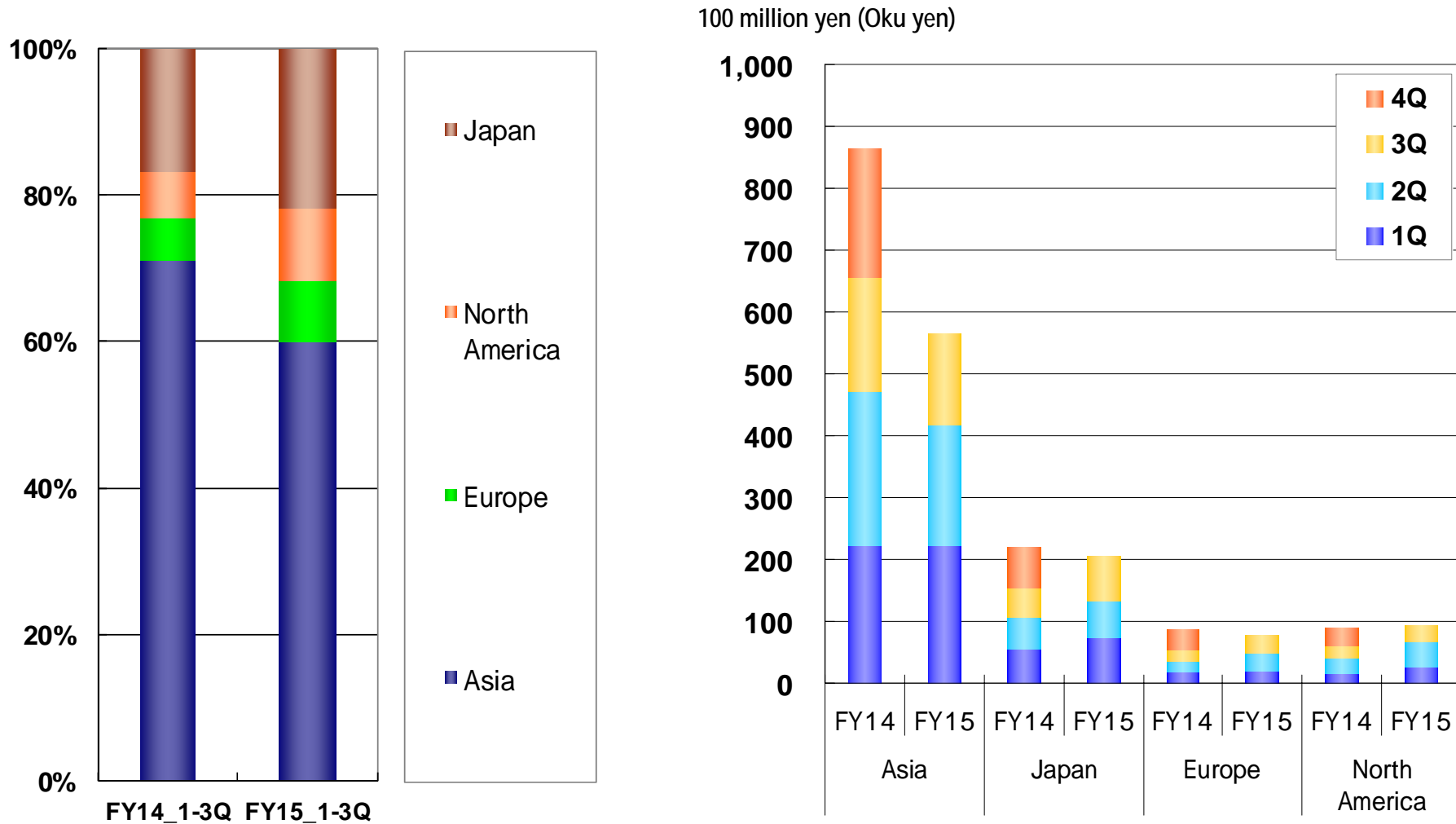
# Consolidated Consumables\* Sales

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



- Consumable shipments remained relatively high.
- Consumable sales decreased slightly QoQ but had just less than a 10% increase YoY due to the positive effect of the weakened Yen.

# Sales Breakdown by Region Consolidated



- Despite that sales in Taiwan and China have been increasing in the last few years and remained at a high level in FY15, the total sales in Asia decreased YoY.
- In Japan, Europe, and the United States, sales increased significantly YoY, affected by an increase in the capital expenditure of manufacturers in each region, particularly electronic component manufacturers.

## Balance Sheet (Summary)

Millions of Yen	FY2015 3Q	FY2015 2Q	Amount
Cash and deposits	62,239	55,425	6,814
Notes and account receivable	29,338	37,582	-8,244
Inventories	32,898	33,597	-699
Total current assets	130,898	132,932	-2,034
Property, plant and equipment	66,872	66,561	311
Total noncurrent assets	71,777	71,527	251
Total assets	202,675	204,459	-1,784
Current liabilities	28,398	32,665	-4,267
Noncurrent liabilities	11,956	10,663	1,293
Total liabilities	40,354	43,328	-2,974
Total net assets	162,321	161,131	1,190
Total liabilities and net assets	202,675	204,459	-1,784
Equity Ratio	79.7%	78.4%	1.3p

[Comparison with the End of September]

Assets: While accounts receivables were collected, the total assets decreased by approx. ¥1,800 million due to the payment of corporate tax and bonuses.

Liabilities: Corporate tax payables and provision for bonuses decreased, causing liabilities to decrease by approx. ¥3,000 million.

Net assets: The shareholders equity ratio increased by 1.3 points to 79.7%.

# Earning Forecast

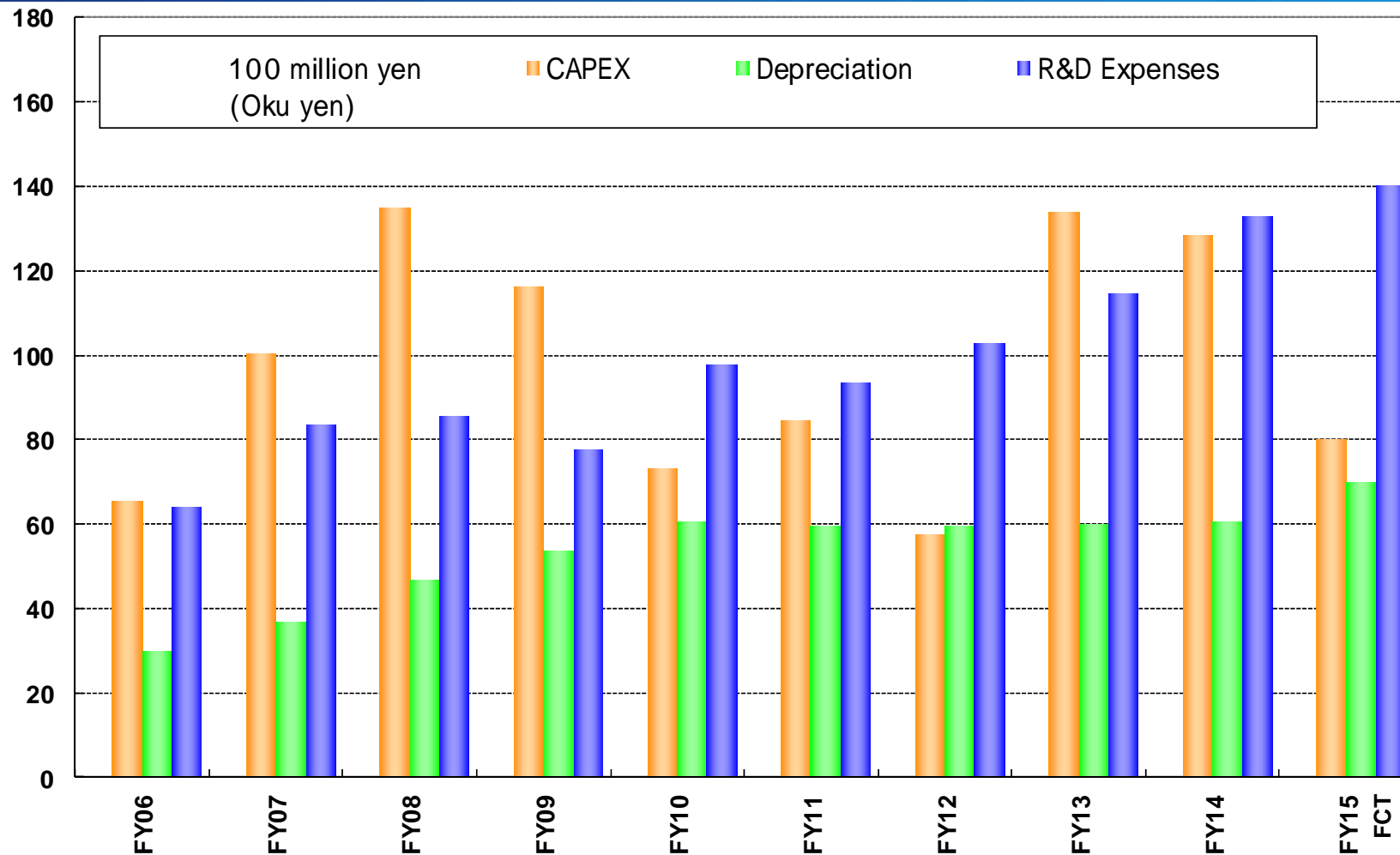
100 million yen (Oku yen)

FY2015	Earning Forecast						FY2016_1Q
	1Q	2Q	3Q	4Q	Full Year	YoY	
Net Sales	342	324	277	314	1,257	-0.2%	309
Operating Income	99	78	61	62	301	12.5%	69
Ordinary Income	98	81	61	63	303	14.4%	68
Net Income	65	56	44	49	214	6.6%	47
Operating Income Margin	29.0%	24.2%	22.1%	19.8%	23.9%		22.3%
Ordinary Income Margin	28.5%	24.9%	22.2%	20.2%	24.1%		22.0%
Net Income Margin	19.0%	17.1%	15.9%	15.7%	17.0%		15.2%

FY2014	(Reference) Previous year's results				
	1Q	2Q	3Q	4Q	Full Year
Net Sales	311	341	271	336	1,259
Operating Income	56	81	62	68	268
Ordinary Income	58	80	57	70	265
Net Income	41	57	44	59	201
Operating Income Margin	18.0%	23.8%	23.0%	20.2%	21.3%
Ordinary Income Margin	18.6%	23.3%	21.1%	20.9%	21.0%
Net Income Margin	13.0%	16.7%	16.1%	17.7%	15.9%

- Predicted exchange rate US\$1 = 115 yen, 1 Euro = 130 yen
- Impact of 1-yen fluctuations to the exchange rate (consolidated, annualized) US\$: Approx. 500 million yen, Euro: Approx. 30 million yen

# Consolidated R&D/CAPEX Forecast



**Same as previous forecast**

- R&D: A large amount of R&D will be conducted. Forecast for FY2015: Approx. 14 billion yen
- Capital expenditure: There will be a decrease in capital expenditure compared to the previous fiscal year, due to the completion of the large-scale investment. Forecast for FY2015: Approx. 8 billion yen
- Depreciation expenses: There will be an increase in depreciation due to completion of the new plant. Forecast for FY2015: Approx. 7 billion yen

# Dividend Policy and Dividend Payment

(Yen)	FY2015			FY2014
	Previous forecast	Forecast	Actual	Actual
Intermediate dividend			85	72
Year-end dividend	133	190		88
Annual dividend	218	275		160

FY2015 Year-end dividend: ¥190 Breakdown Performance-linked dividend: ¥66 (Based on dividend policy clause 1) One-third of the surplus: ¥124 (Based on dividend policy clause 3)

**Note:**

-The year-end dividend is based on the current FY2015 Half-Year Earnings Forecast.

-The FY2015 year-end dividend will be calculated after the end of March 2016 based on the financial results and projected funding requirements of dividend policy clause 3.

## 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.

# FY2015 Sales Forecast

	YoY FY2014 Actual	YoY FY2015 Previous forecast	YoY FY2015 Revised forecast
Total	+20%	-6%	<b>± 0%</b>
Systems	+32%	-10%	<b>± 0%</b>
Dicers	+50%	Approx.-20%	<b>Approx.-10%</b>
Laser	Approx.+30%	± 0%	<b>± 0%</b>
Non-laser	+60%	Approx.-30%	<b>Approx.-20%</b>
Grinders	-5%	Approx.+20%	<b>Approx. + 30%</b>
DGP ( for thin wafers )	Approx.-5%	-10%	<b>+10%</b>
Normal Grinders	Approx.-5%	+60%	<b>+70%</b>
Precision blades and wheels	+18%	+10%	<b>+ 10%</b>
Other products, subsidiaries	+3%	-10%	<b>-5%</b>

# DISCO

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