

FY2018 First Quarter Financial Results

2018.07.26

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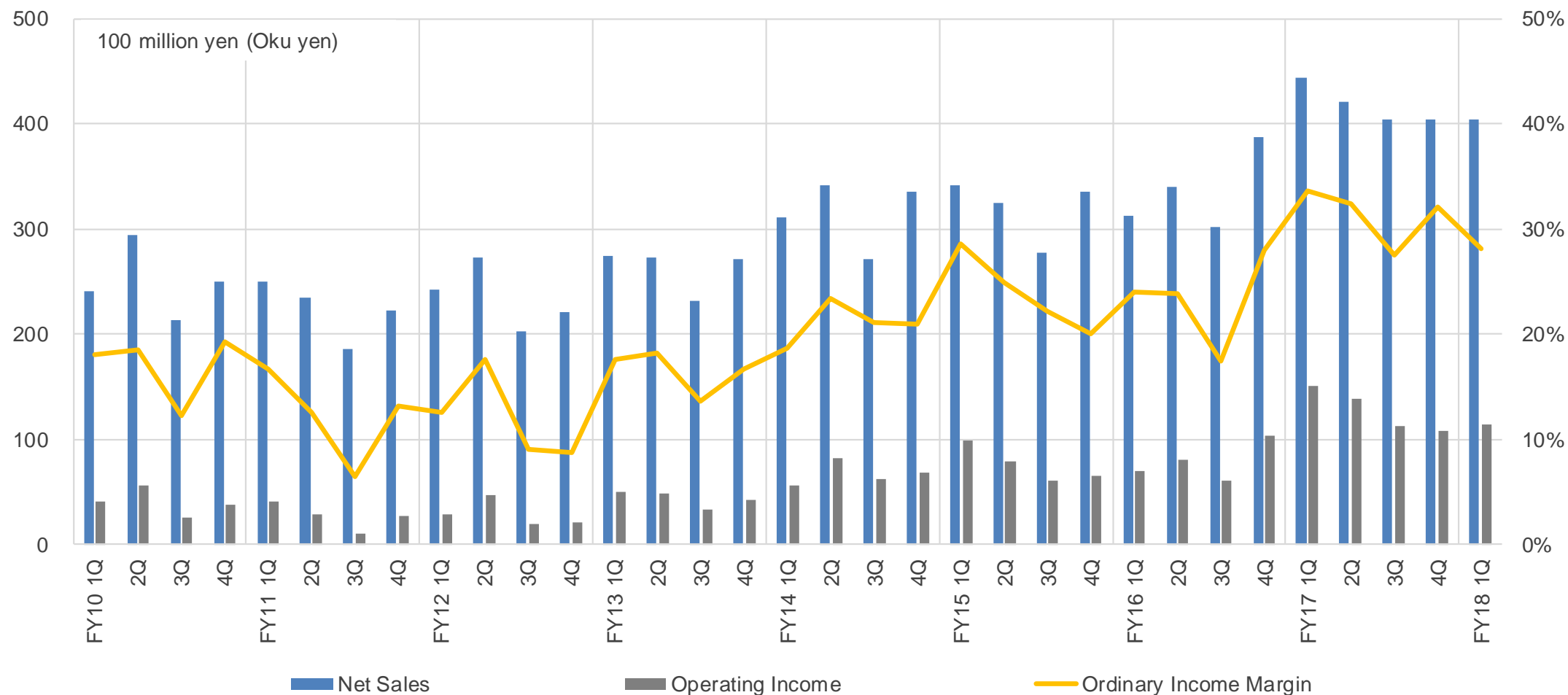
FY2018 1Q Earnings Results (Consolidated)



Millions of Yen	FY2018 1Q	FY2017 4Q	QoQ		FY2017 1Q	YoY	
			Amount	(%)		Amount	(%)
Net Sales	40,353	40,383	-31	-0.1%	44,414	-4,061	-9.1%
Gross Profit	23,269	23,434	-165	-0.7%	26,142	-2,873	-11.0%
Gross Profit Margin	57.7%	58.0%	-0.3p	-	58.9%	-1.2p	-
SG&A	11,828	12,619	-791	-6.3%	11,035	793	7.2%
Operating Income	11,441	10,815	626	5.8%	15,107	-3,666	-24.3%
Ordinary Income	11,337	12,971	-1,634	-12.6%	14,929	-3,593	-24.1%
Ordinary Income Margin	28.1%	32.1%	-4.0p	-	33.6%	-5.5p	-
Income before income taxes and minority interests	11,332	12,248	-916	-7.5%	15,005	-3,673	-24.5%
Net Income	8,318	9,779	-1,462	-14.9%	10,672	-2,354	-22.1%

Sales: YoY Sales declined due to a shortage of large investment projects.
 GP Margin: YoY GP margin decreased due to the deterioration of sales composition.
 SG&A: YoY SG&A expenses increased YoY, mainly in personal expenses.

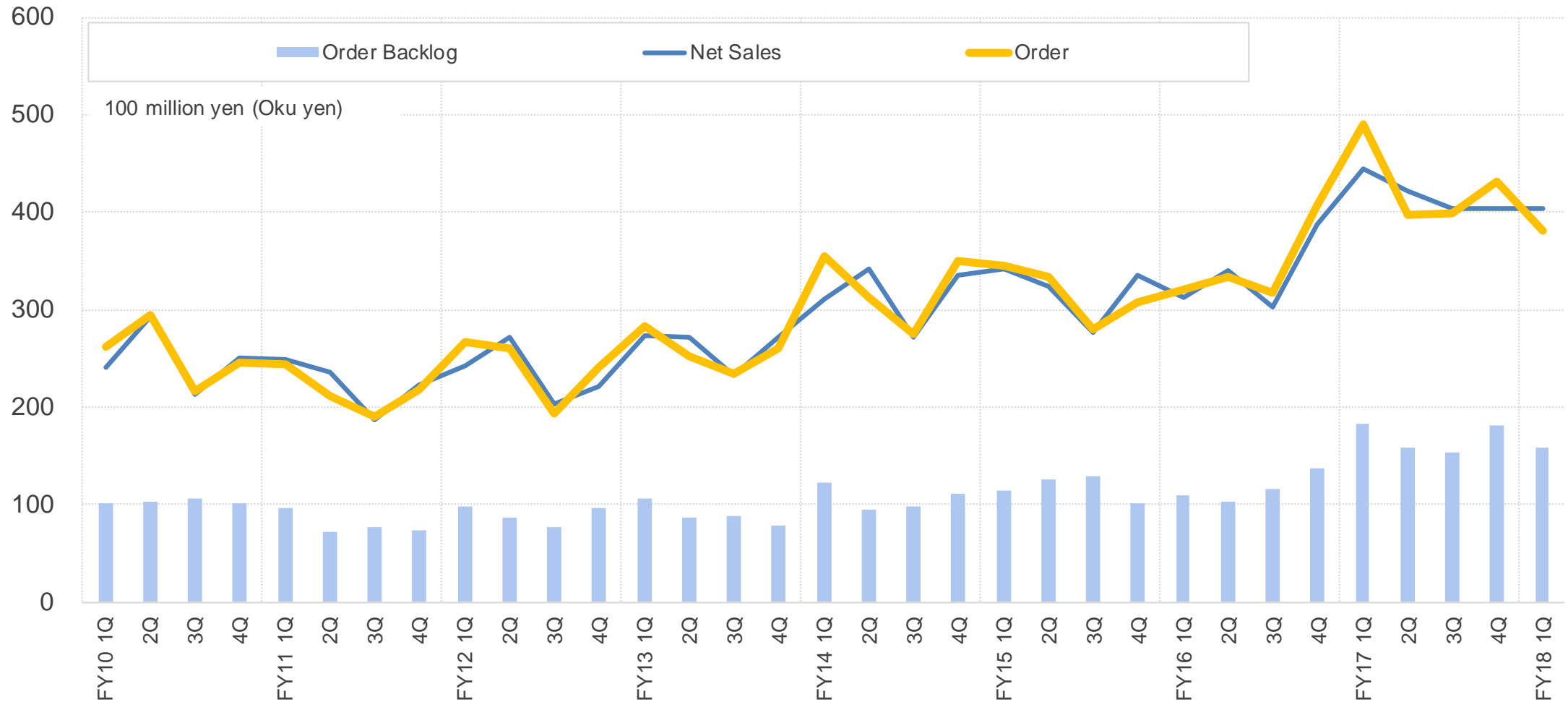
Quarterly Consolidated Financial Results



Sales have exceeded JPY 40,000 million for five consecutive quarters and operating income has exceeded JPY 10,000 million for six consecutive quarters.

(FY18 1Q Operating income margin: 28.4%, Ordinary income margin: 28.1%, Net income margin: 20.6%)

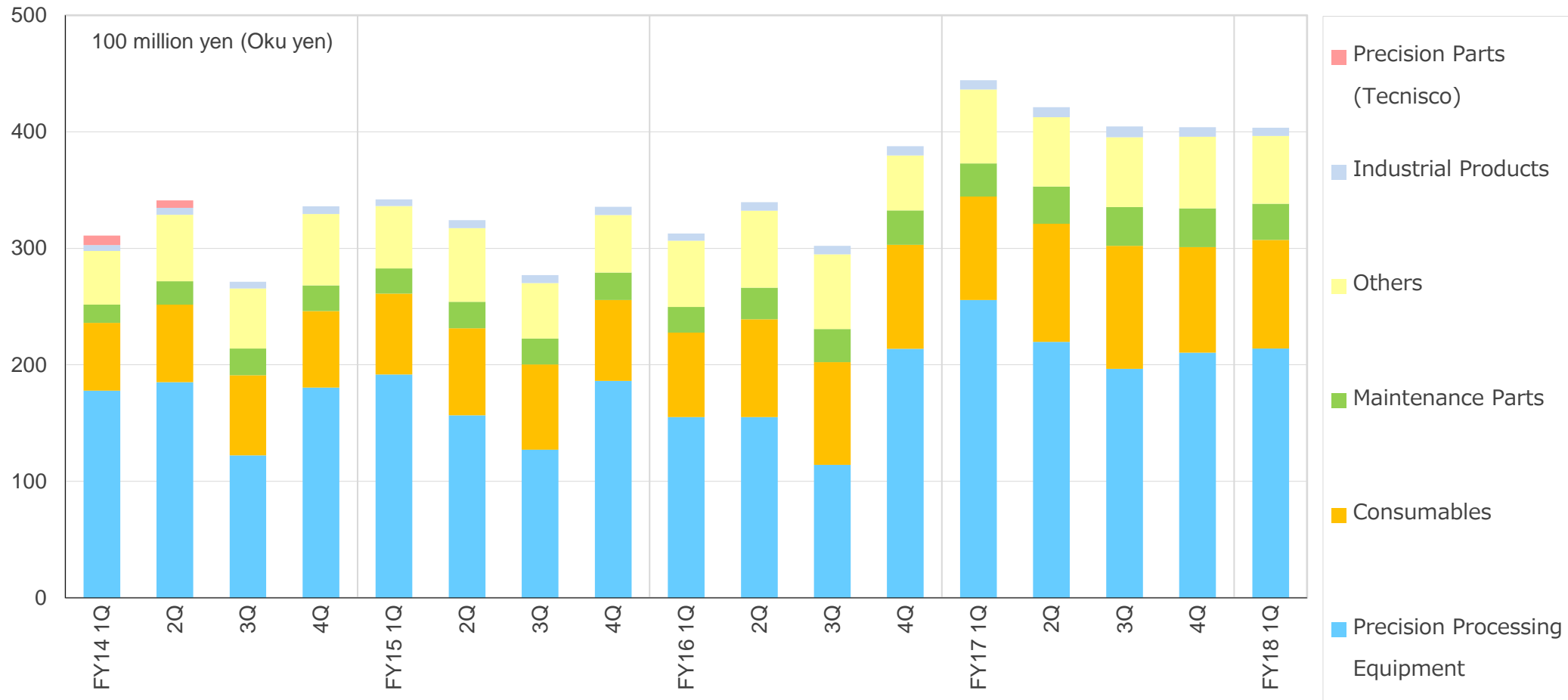
Quarterly Consolidated Sales/Orders



Orders for 1Q: JPY 38,000 million, Order backlog: JPY 15,800 million

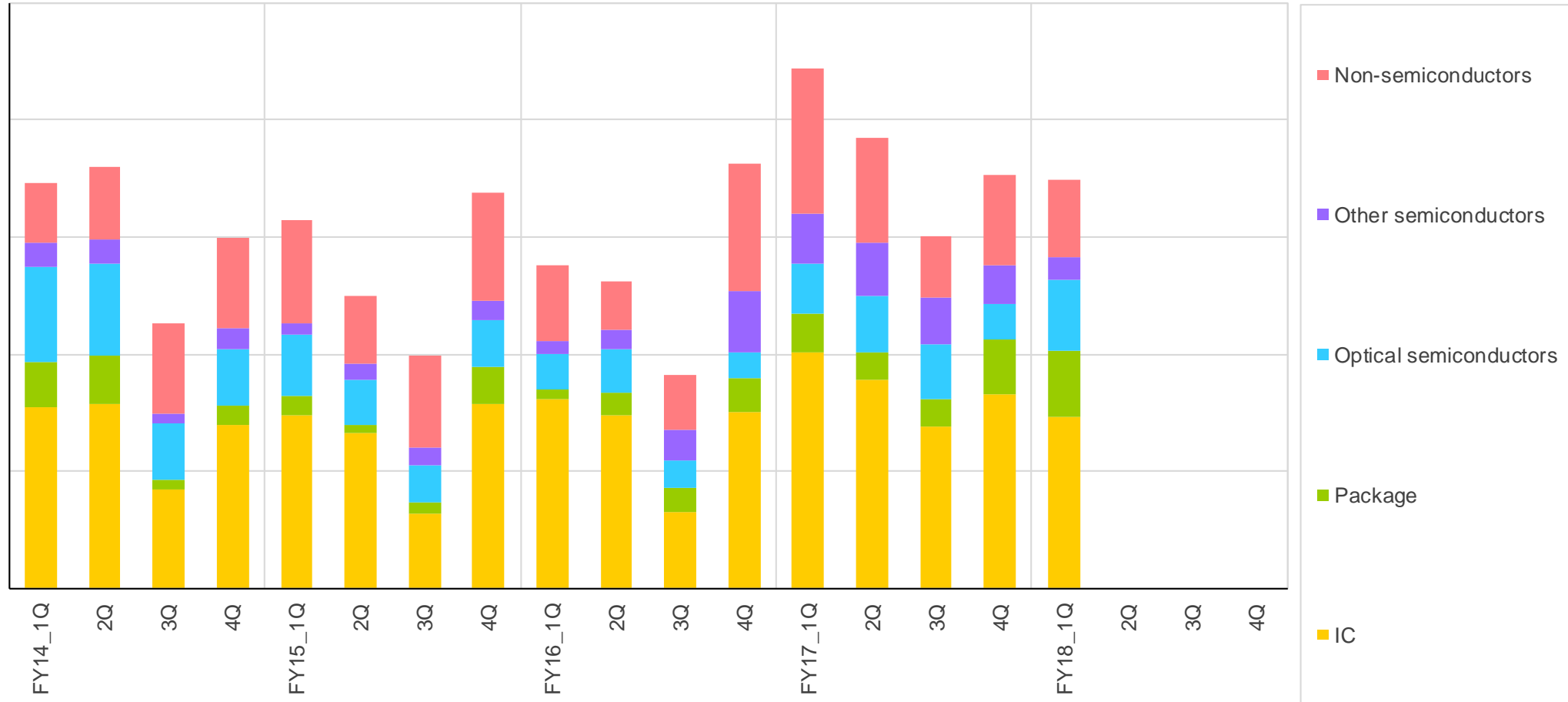
The backlog from the previous quarter was liquidated. The number of inquiries remained high and customers' desire to invest was stable.

Quarterly Consolidated Sales Breakdown by Product



Equipment sales increased slightly QoQ. Dicing saw sales increased and grinder sales decreased. Consumables sales increased QoQ thanks to customers' high capacity utilization rate. Note: Composition percentages are listed as additional information on the web site.

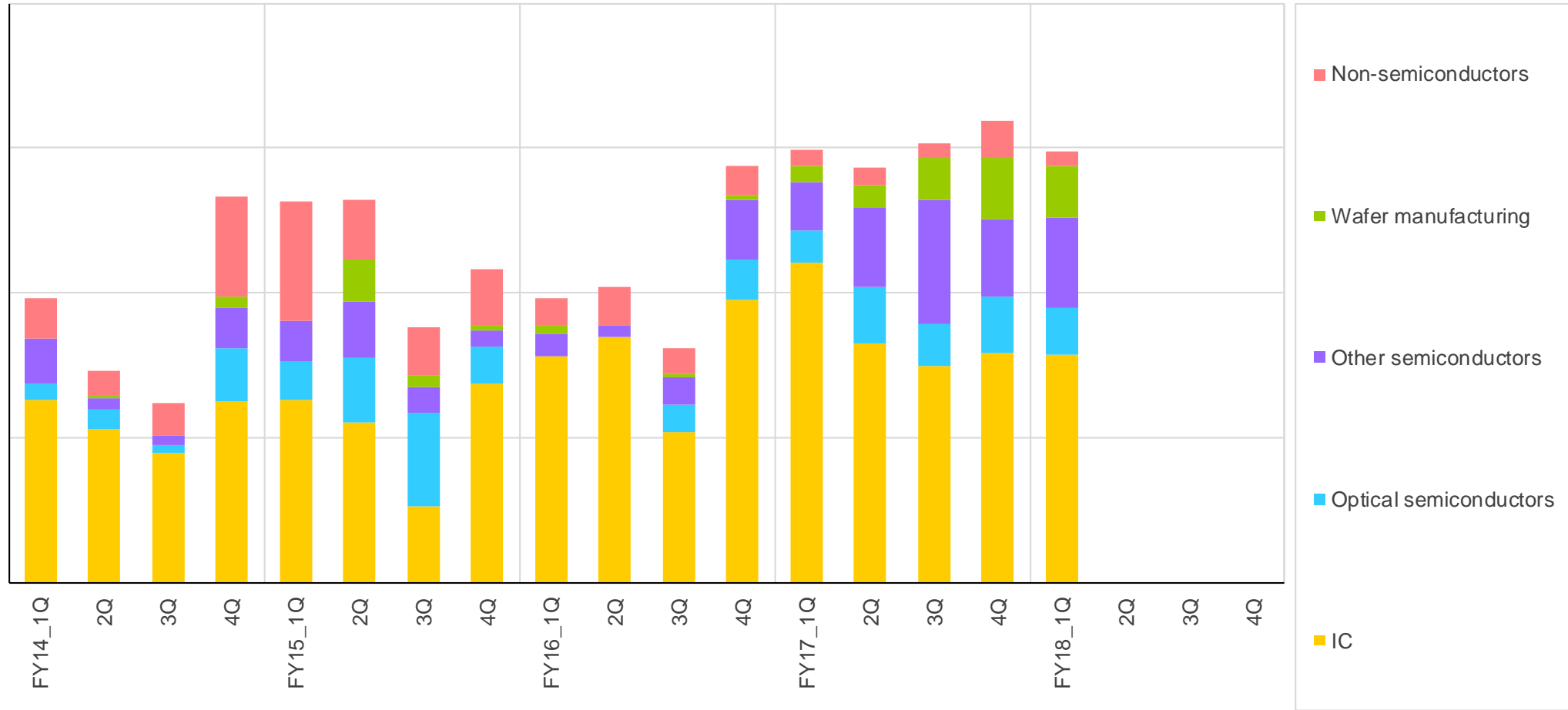
Non-consolidated Sales by Usage of Dicing Saws



YoY: Blade dicing saw sales decreased due to the shortage of large investment projects.

QoQ: The sales remained consistent at high levels due to customers' capital investment for a wide range of IC applications.

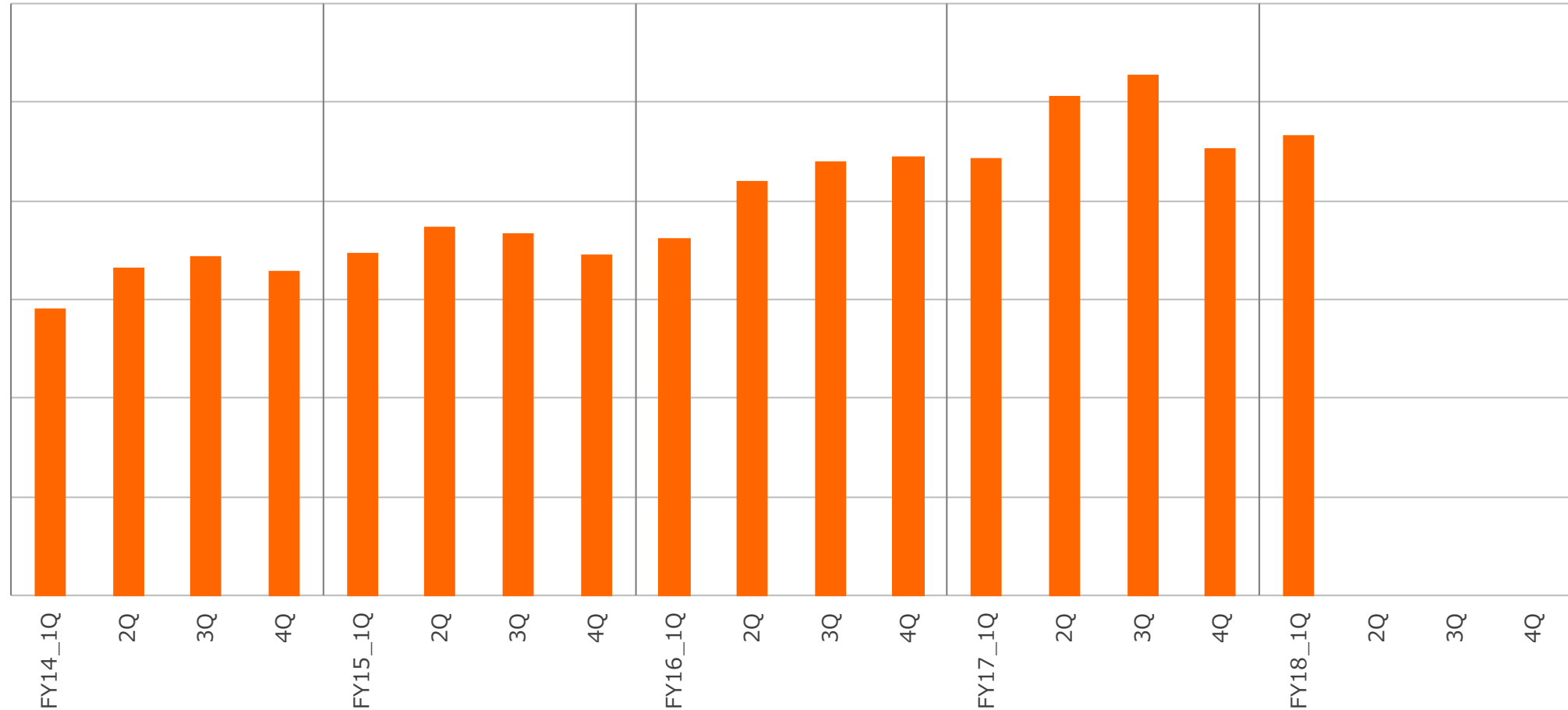
Non-consolidated Sales by Usage of Grinders



YoY: Grinder sales for IC decreased due to the shortage of large investment projects, but sales for other applications increased. Sales remained high overall.

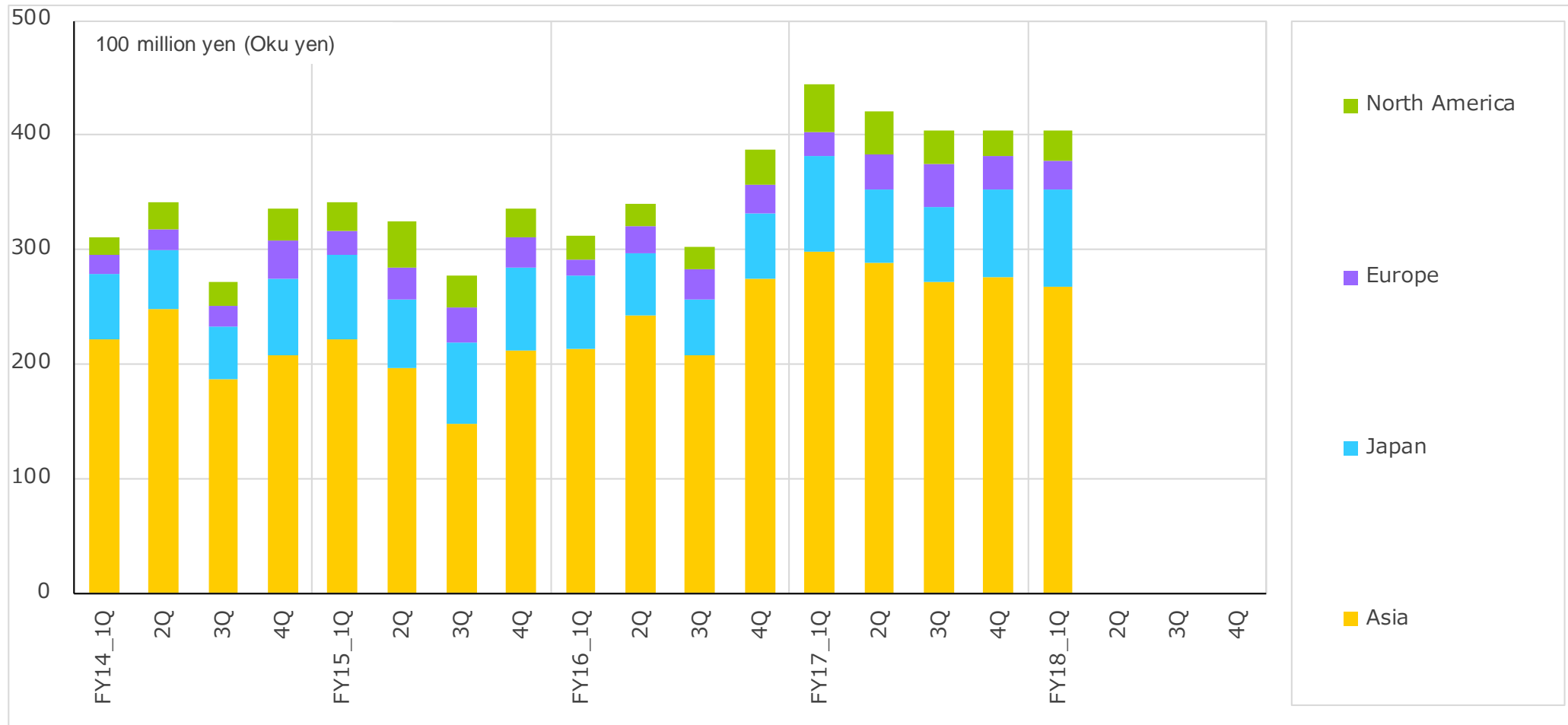
QoQ: Grinder sales remained high due to customers' capital investment for a wide range of demands and applications.

Consolidated Consumable* Sales



There has been a continuous high demand due to customers' high capacity utilization rate. Consumables sales remained high.

Consolidated Sales Breakdown by Region



YoY: Customers in Asia and North America which actively invested last year have not been active this year.

Sales for these regions have declined accordingly.

QoQ: Sales to Taiwan have been low, but sales to Asia as a whole are stable.

Overseas sales are 78.6% of total sales. (The same quarter in the previous year was 81.1%.)

Balance Sheet (Summary)

Millions of Yen	FY2018 1Q	FY2017 4Q	Amount
Cash and deposits	83,274	91,574	-8,300
Notes and account receivable	44,581	43,647	933
Inventories	35,983	33,693	2,289
Total current assets	166,323	174,673	-8,350
Property, plant and equipment	70,079	69,264	815
Total noncurrent assets	80,912	81,673	-761
Total assets	247,236	256,347	-9,111
Current liabilities	42,184	50,306	-8,122
Noncurrent liabilities	793	776	17
Total liabilities	42,978	51,082	-8,104
Total net assets	204,258	205,264	-1,007
Total liabilities and net assets	247,236	256,347	-9,111
Equity Ratio	82.2%	79.7%	2.5p

Assets: Cash and deposits decreased due to tax payments.

Liabilities: Income tax payable decreased accordingly.

Net assets: Fluctuations in regard to retained earnings and dividend payments

Earning Forecast 2Q FY2018



100 million yen (Oku yen)	FY17				FY18		Forecast
	1Q	2Q	3Q	4Q	1Q	2Q	
Net Sales	444	421	405	404	404	382	
Operating Income	151	138	113	108	114	101	
Ordinary Income	149	137	111	130	113	102	
Net Income	107	95	72	98	83	72	
Operating Income Margin	34.0%	32.7%	27.9%	26.8%	28.4%	26.3%	
Ordinary Income Margin	33.6%	32.5%	27.5%	32.1%	28.1%	26.6%	
Net Income Margin	24.0%	22.5%	17.9%	24.2%	20.6%	18.8%	

Assumed exchange rate:
Foreign exchange sensitivity:
(Consolidated, annual calculation)

USD: JPY 100
USD: JPY approx. 700 million

Euro: JPY 120
Euro: JPY approx. 30 million

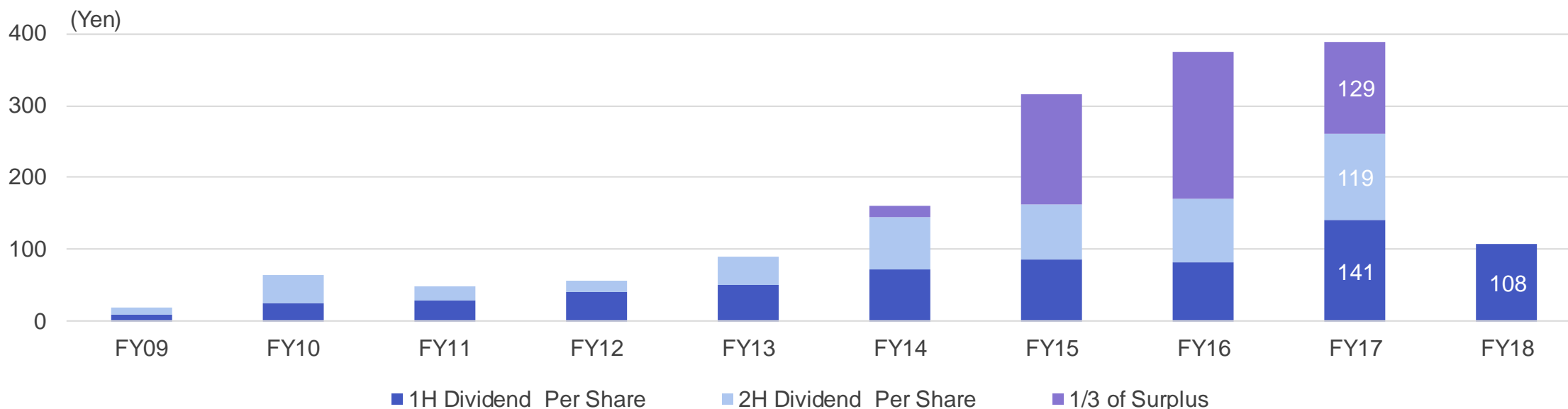
Dividend Policy and Dividend Payments

Dividend Policy

- Decisions concerning the distribution of surpluses are made at the general shareholders meetings, in the case of final dividends, and by the Board of Directors, in the case of interim dividends.
- 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, a reliable dividend of ¥10 per half-year will be maintained. This means that the minimum yearly dividend will be ¥20.
- 3. Unless there is a loss, if the year-end balance of cash and deposits after payment of dividends and income taxes is greater than the projected funding requirements for the acquisition of technology resources, such as through patent purchases and investments 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]

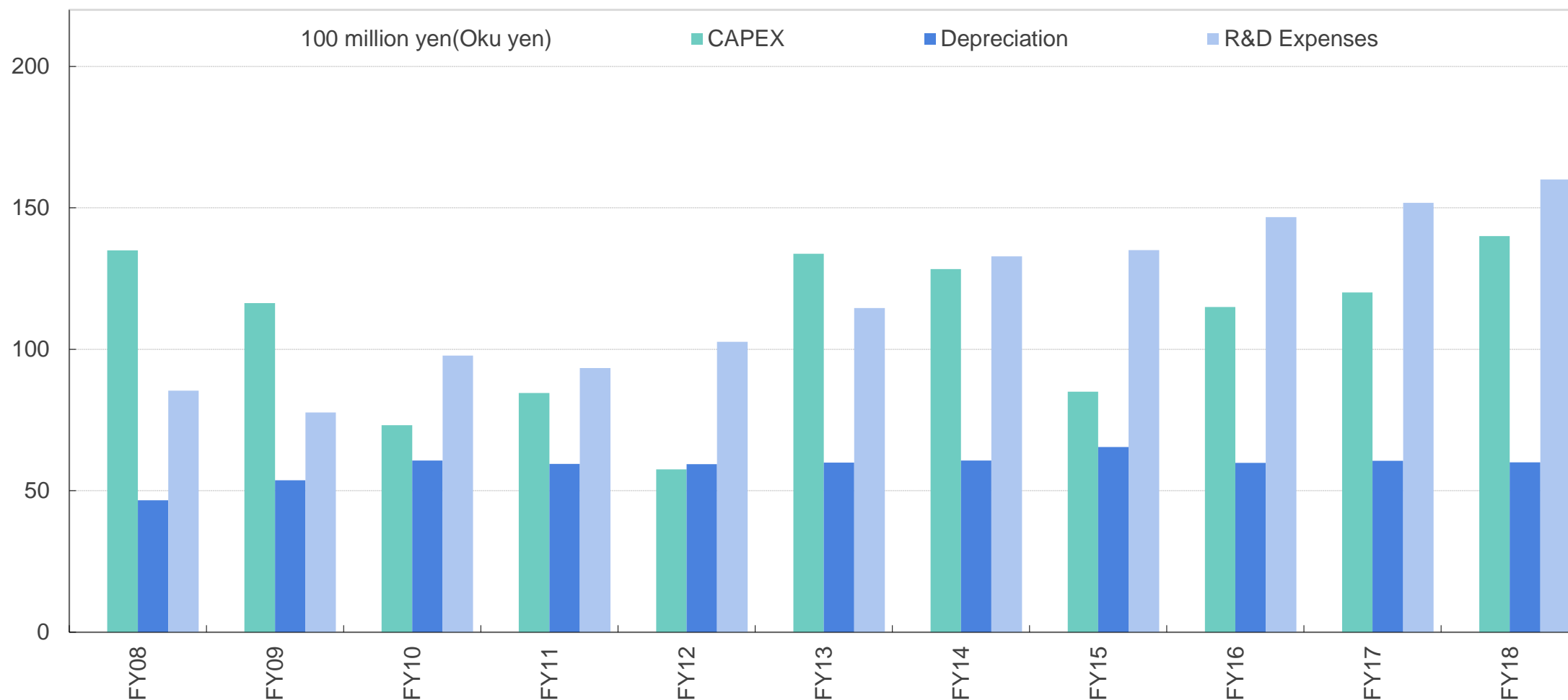
The ¥20 payout stipulated in our stable dividend policy may be reviewed if there are consolidated net losses for three consecutive years.



Current forecast: FY18 interim → JPY 108, FY18 year-end → Undetermined

Results from the previous year: FY17 interim → JPY 141, FY17 year-end → JPY 248 (Additional dividends: JPY 129)

Consolidated R&D/CAPEX Forecast



FY18 forecast: About JPY 14,000 million is intended for capital investments, including new factory building construction and the expansion of affiliate offices (FY17: JPY 12,000 million). A depreciation of JPY 6,000 million, the same as in FY17, is assumed (FY17: JPY 6,000 million). Active R&D investment is expected this year and the forecast for R&D investment will be about JPY 16,000 million (FY17: JPY 15,100 million).

Sales Forecast by Product (YoY Comparison)

YoY		FY18_1H	
Precision Processing Equipment	Grinders	DGP (for thin wafers)	-20%
		Normal Grinders	30%
			-5%
	Dicer	Blade Dicers	-20%
		Laser Saws	0%
			-20%
Precision Processing Equipment		-10%	
Consumables		0%	
Others		-10%	

Sales composition values are listed as additional information on the web site.