

FY2018

Third Quarter Financial Results

Jan. 30, 2019

DISCLAIMER

Statements in this PowerPoint with respect to DISCO's current strategies, plans, estimates, and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of DISCO. These statements are based on management's assumptions and beliefs in light of the information currently available to it and therefore you should not place undue reliance on them. DISCO cautions you that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements, and you should not make decisions on your investment based solely on these statements. Such factors include, but are not limited to, (i) general economic conditions and levels of demand in DISCO's markets; (ii) developments in technology and resulting changes in the semiconductor and/or electronic component manufacturing processes; (iii) levels of capital investment for manufacturing semiconductors and/or electronic components; (iv) expansions of the area for products and technologies using semiconductors and/or electronic components and its expanding speed; (v) DISCO's ability to continue to offer products and services corresponding to developments of new semiconductors and/or electronic components and new technologies for manufacturing them; (vi) exchange rates, particularly between the yen, the U.S. dollar, and the euro, as well as other currencies.

FY2018 3Q Earnings Results (Consolidated)



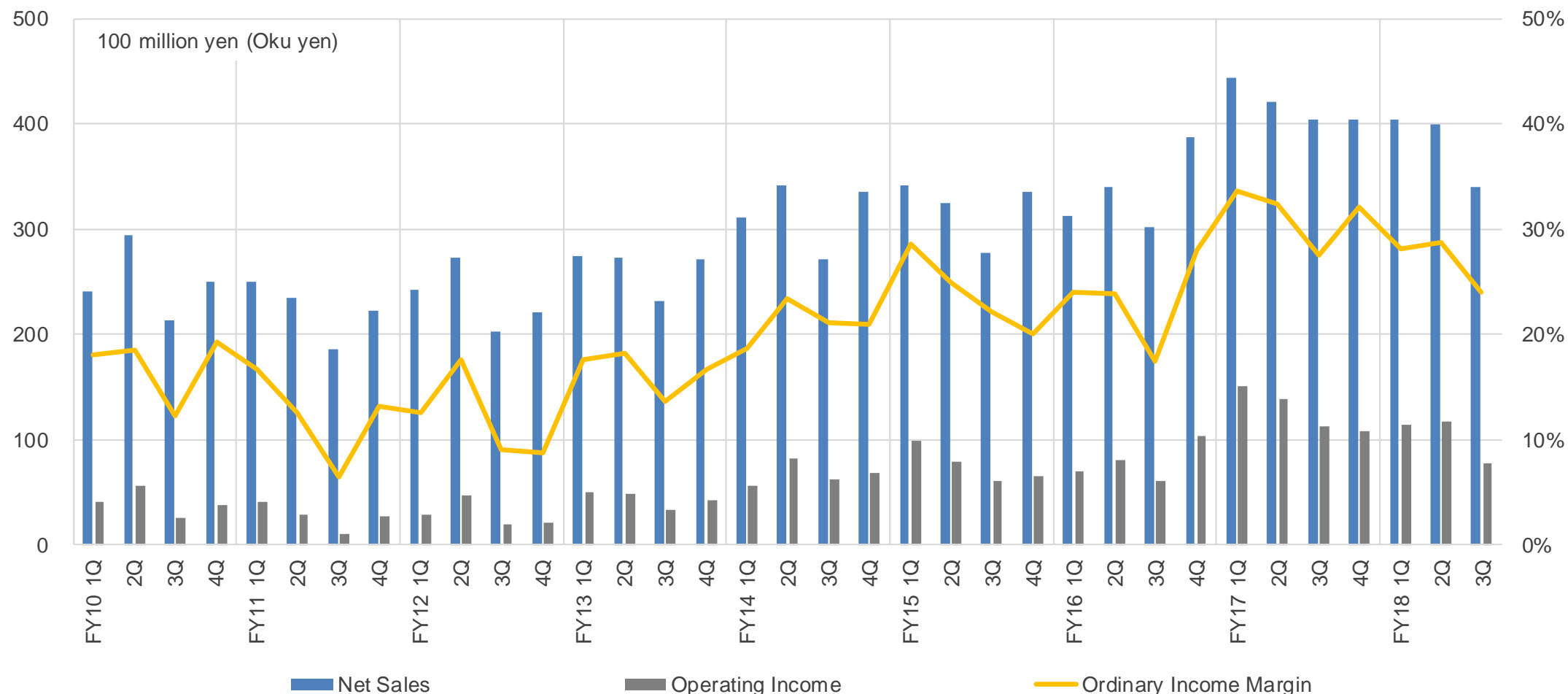
Millions of Yen	FY2018 3Q	FY2018 2Q	QoQ		FY2017 3Q	YoY	
			Amount	(%)		Amount	(%)
Net Sales	34,006	39,953	-5,947	-14.9%	40,451	-6,445	-15.9%
Gross Profit	20,193	23,746	-3,553	-15.0%	24,309	-4,116	-16.9%
Gross Profit Margin	59.4%	59.4%	0.0p	-	60.1%	-0.7p	-
SG&A	12,454	12,005	449	3.7%	13,029	-574	-4.4%
Operating Income	7,738	11,740	-4,002	-34.1%	11,280	-3,542	-31.4%
Ordinary Income	8,161	11,467	-3,306	-28.8%	11,118	-2,957	-26.6%
Ordinary Income Margin	24.0%	28.7%	-4.7p	-	27.5%	-3.5p	-
Income before income taxes and minority interests	7,831	11,172	-3,340	-29.9%	9,913	-2,082	-21.0%
Net Income	6,225	8,044	-1,820	-22.6%	7,248	-1,023	-14.1%

Sales: Equipment sales declined both YoY and QoQ due to a decrease in customers' willingness to invest and seasonal factors.

GP Margin: The GP margin declined YoY but remained high.

SG&A: YoY SG&A decreased mainly due to a decline in personal expenses.

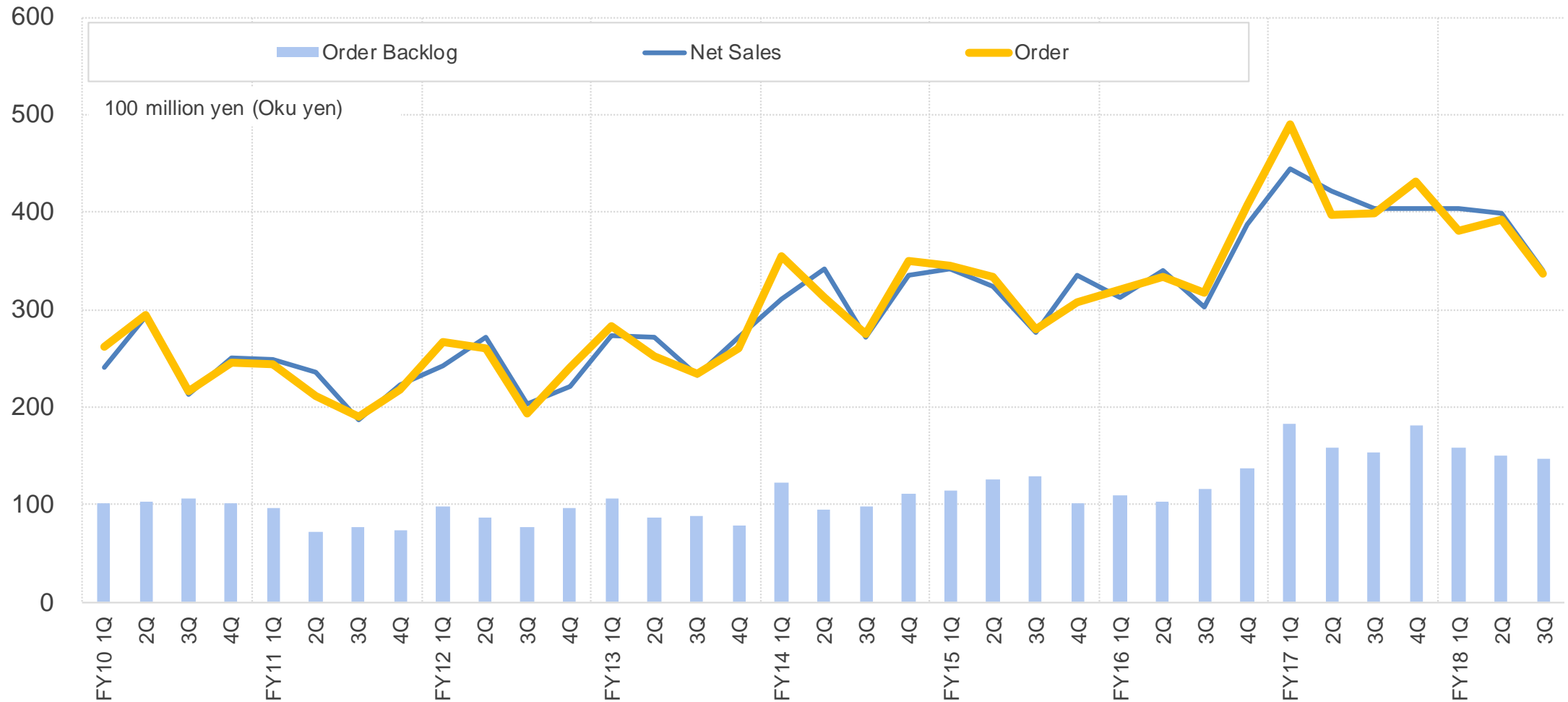
Quarterly Consolidated Financial Results



Operating income dipped below JPY 10,000 million for the first time in eight quarters due to a decrease in sales, but the ordinary income margin was maintained at over 20%.

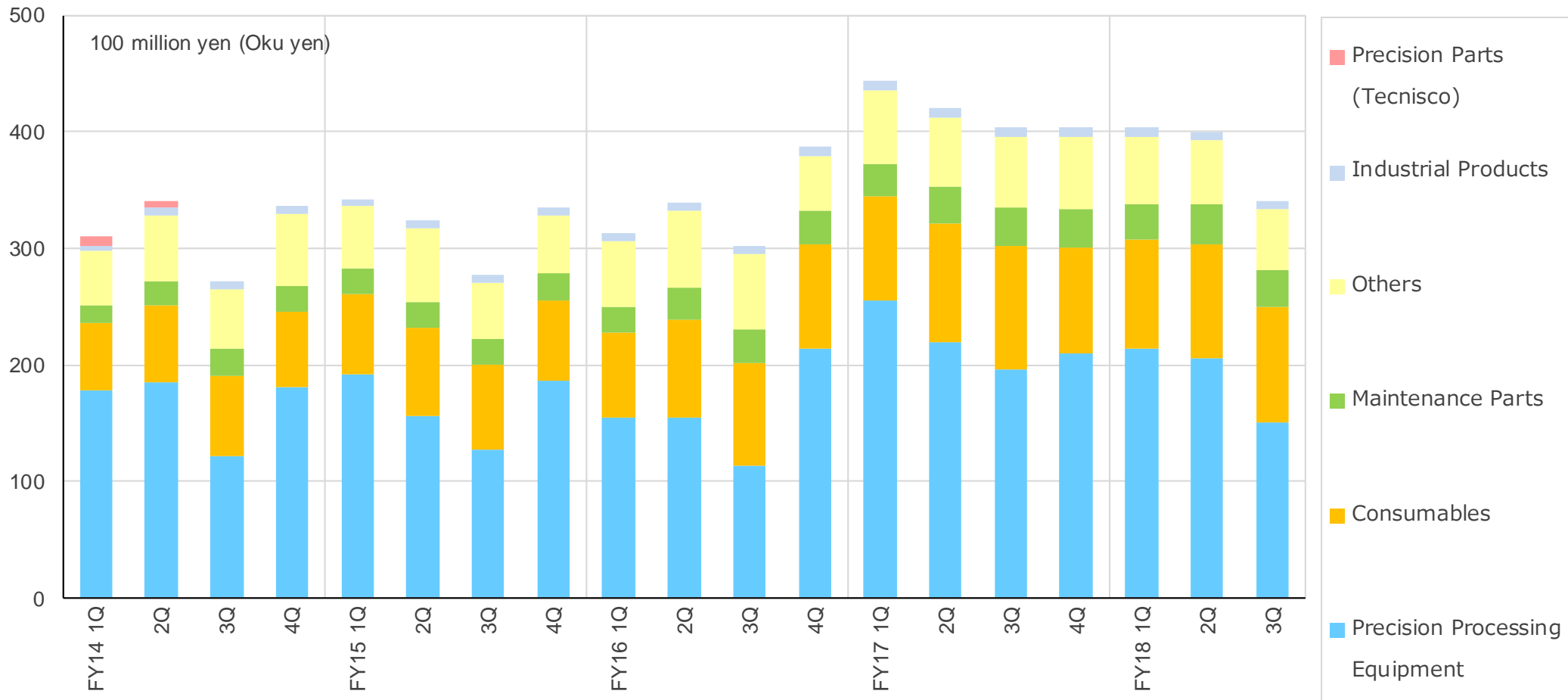
(FY18 3Q Operating income margin: 22.8%, Ordinary income margin: 24.0%, Net income margin: 18.3%)

Quarterly Consolidated Sales/Orders



Orders for 3Q in FY18: Approx. JPY 33,700 million, Order backlog: Approx. JPY 14,700 million
 Customers' willingness to invest has declined due to seasonal factors, and both sales and orders decreased.

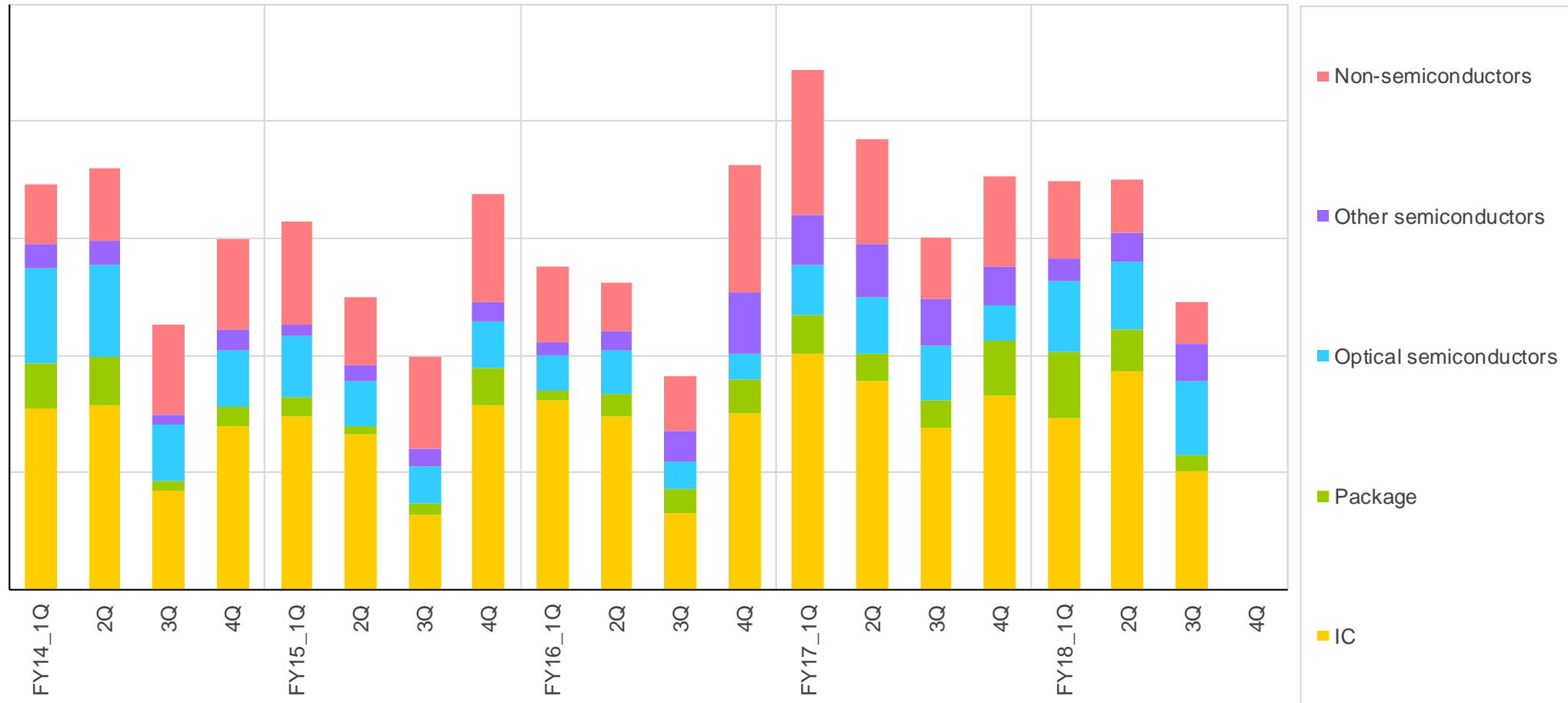
Quarterly Consolidated Sales Breakdown by Product



Both dicing saw and grinder equipment sales decreased QoQ.
Consumable shipments remained high along with the customer's capacity utilization rate.

Note: Composition percentages are listed as additional information on the DISCO web site.

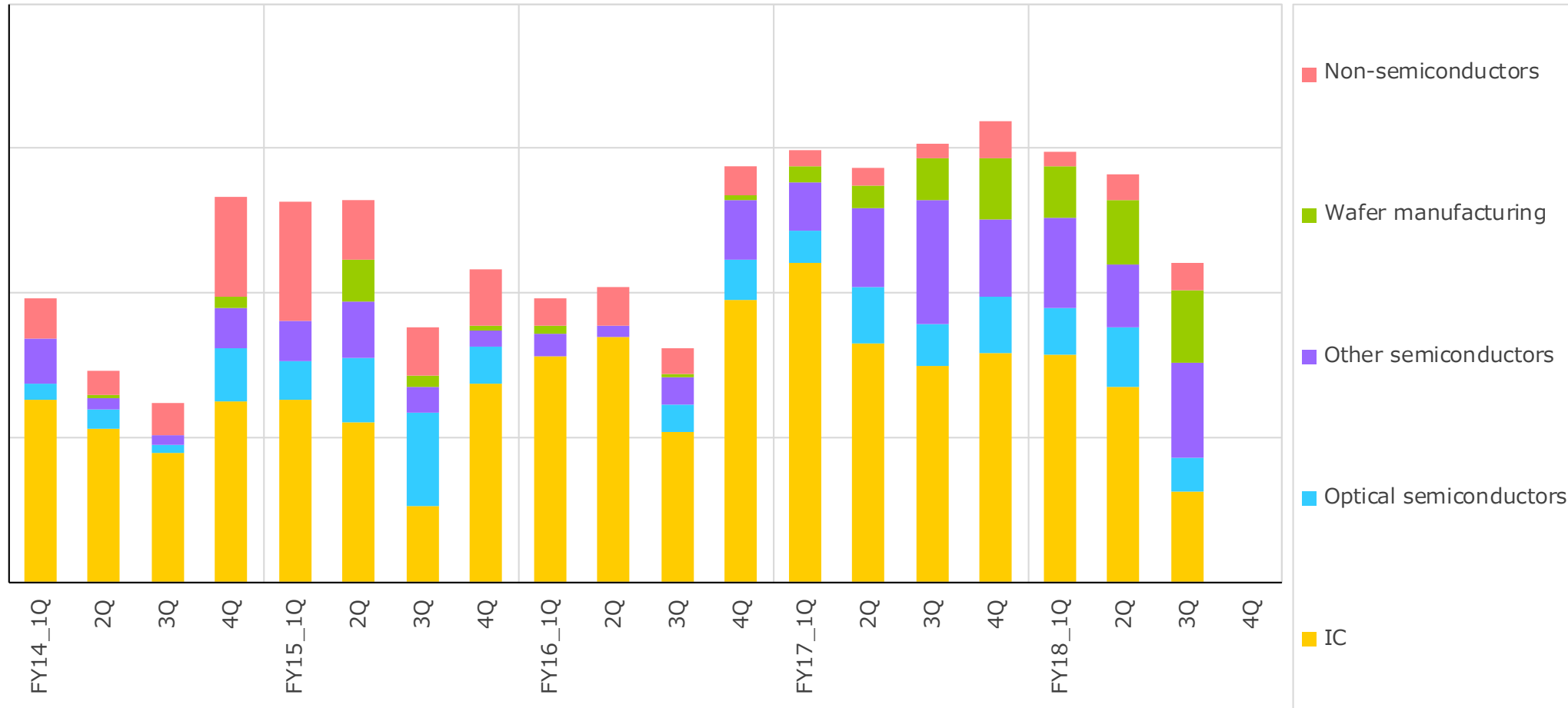
Non-consolidated Sales by Usage of Dicing Saws



QoQ: Sales for optical semiconductors including LED are stable as the willingness to invest decreases due to seasonal factors.

YoY: Sales for IC declined compared to a high level in the previous year. However, they remained stable in the 3Q (October - December), despite it being a low season.

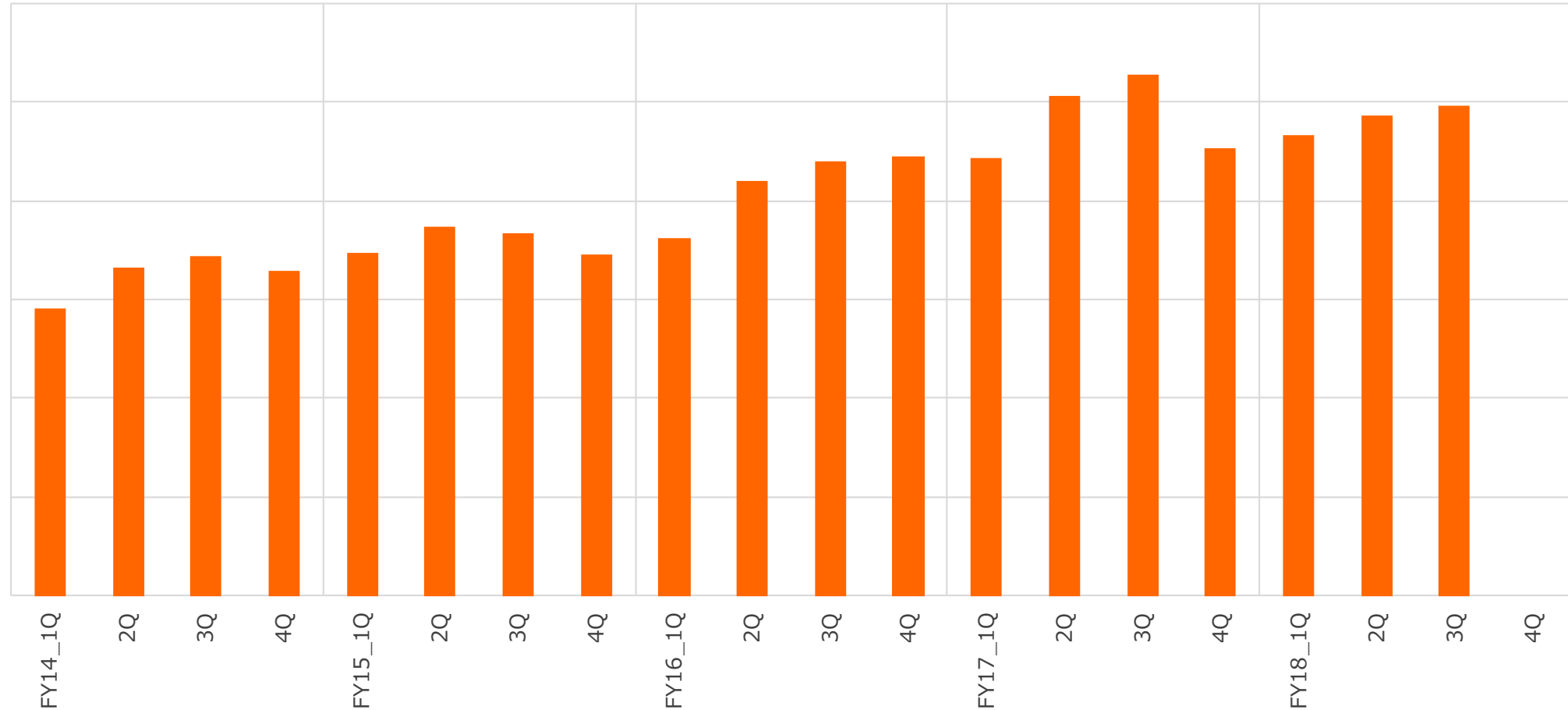
Non-consolidated Sales by Usage of Grinders



QoQ: As with dicing saw sales, grinder sales for IC decreased, but sales for other semiconductors and wafer manufacturing were supported.

YoY: Similar to the QoQ results, sales for non-IC usage were supported.

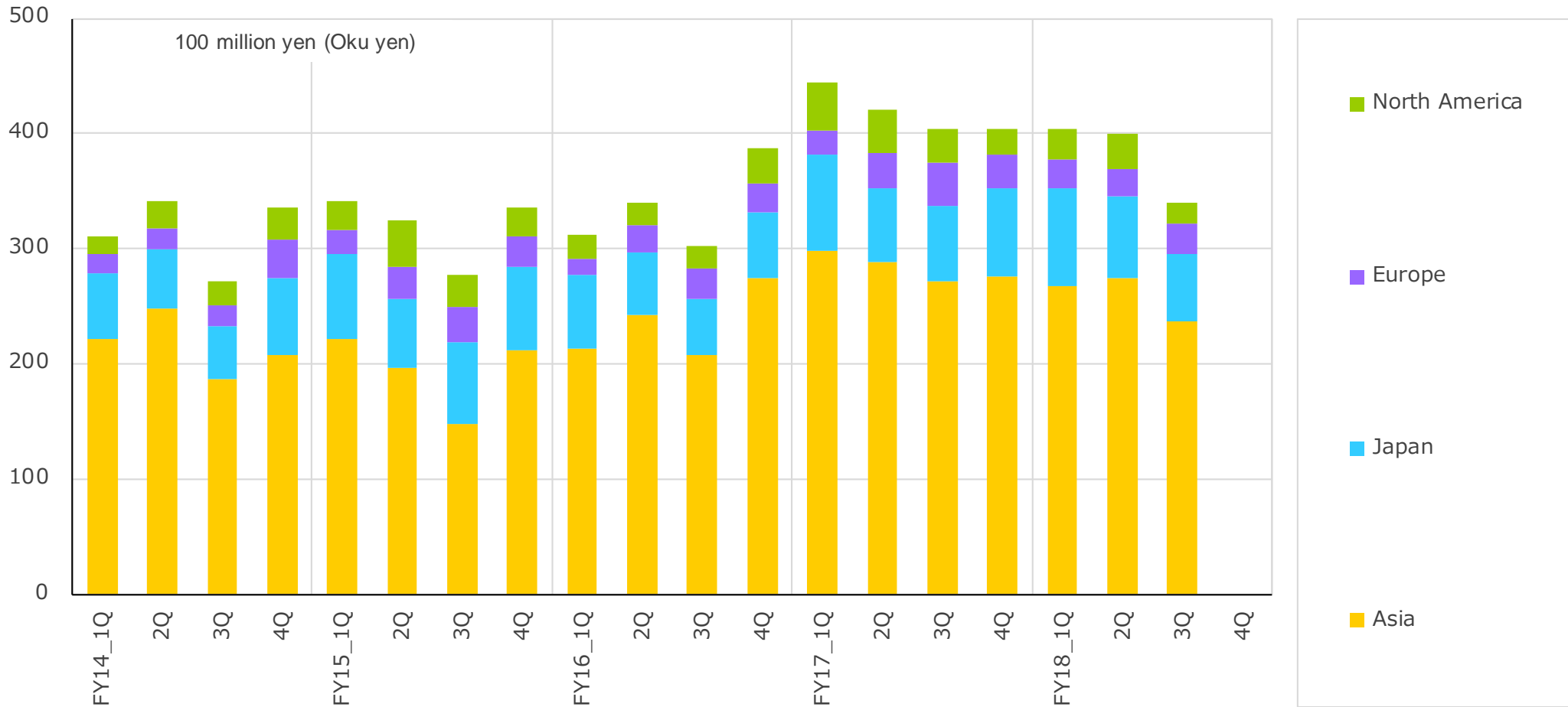
Consolidated Consumable* Sales



Consumable sales increased QoQ.

The demand for consumables increased along with the increase in customers' capacity utilization rates. Thus, precision processing tool sales remained high.

Consolidated Sales Breakdown by Region



YoY: Sales decreased in all areas compared to last year's aggressive investments. However, sales remained high.
 QoQ: Due to the effect of seasonal factors, the willingness to invest declined mainly in Asian and North American.
 Overseas sales account for 82.6% of the total sales. (Overseas sales for the same quarter in the previous year were 83.9%.)

Balance Sheet (Summary)

Millions of Yen	FY2018 3Q	FY2018 2Q	Amount
Cash and deposits	88,269	90,643	-2,374
Notes and account receivable	37,981	45,398	-7,418
Inventories	38,327	36,756	1,571
Total current assets	168,997	175,926	-6,929
Property, plant and equipment	70,265	70,288	-24
Total noncurrent assets	82,008	81,821	187
Total assets	251,006	257,747	-6,741
Current liabilities	36,077	44,295	-8,218
Noncurrent liabilities	763	812	-49
Total liabilities	36,840	45,107	-8,268
Total net assets	214,165	212,639	1,526
Total liabilities and net assets	251,006	257,747	-6,741
Equity Ratio	84.8%	82.1%	2.7p

Assets: In addition to a decrease in accounts receivable, cash and deposits decreased due to various expenditures including corporate taxes.

Liabilities: Accrued corporate tax and accounts payable decreased.

Net assets: Retained earnings increased.

Earning Forecast 3Q FY2018



100 million yen (Oku yen)	FY17				FY18			Forecast
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net Sales	444	421	405	404	404	399	340	323
Operating Income	151	138	113	108	114	117	77	65
Ordinary Income	149	137	111	130	113	114	82	68
Net Income	107	95	72	98	83	80	62	51
Operating Income Margin	34.0%	32.7%	27.9%	26.8%	28.4%	29.4%	22.8%	20.1%
Ordinary Income Margin	33.6%	32.5%	27.5%	32.1%	28.1%	28.7%	24.0%	21.2%
Net Income Margin	24.0%	22.5%	17.9%	24.2%	20.6%	20.1%	18.3%	15.8%

Assumed exchange rate: USD: JPY 100 Euro: JPY 115

Foreign exchange sensitivity: USD: JPY approx. 700 million Euro: JPY approx. 30 million

(Consolidated, annual calculation)

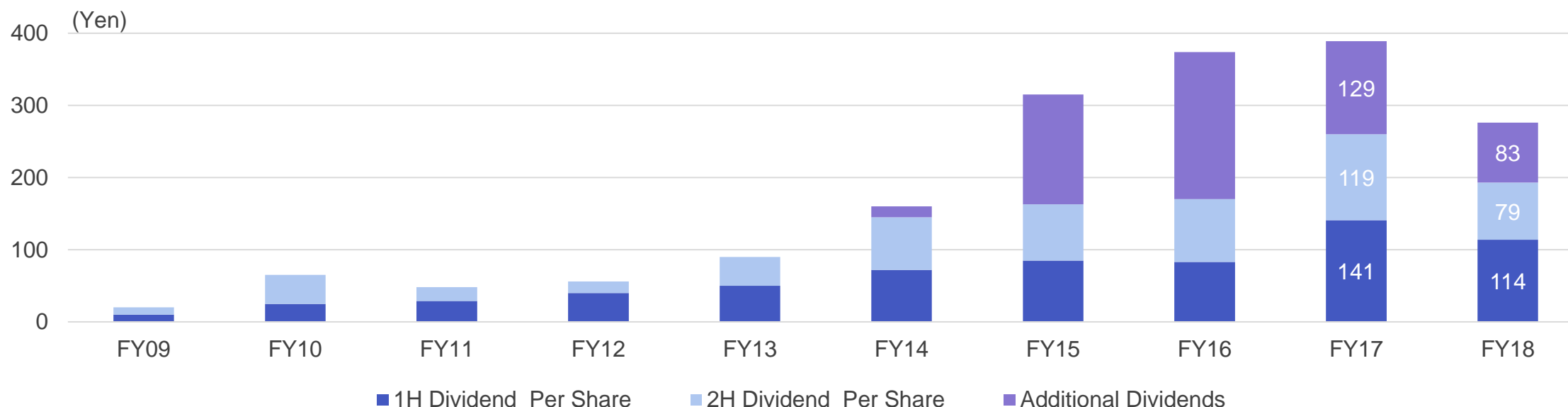
Dividend Policy and Dividend Payments

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 114, FY18 year-end (forecast) JPY 162 (Additional dividends: JPY 83)
 Results from the previous year: FY17 interim JPY 141, FY17 year-end JPY 248 (Additional dividends: JPY 129)

Current Forecast

Expected Year-end
balance of cash and
deposits

**¥ 85,700
million**

Necessary funds

Linked to financial results and financial conditions

Working capital
(two months' sales)

**24,400
million**

Retirement of
interest-bearing
debt

-

Projected funding
requirements for the
acquisition of
technology resources
(including M&A)

**14,000
million**

Payment of
dividends, income
taxes, and others

**5,300
million**

Based on the current investment plan

Facility expansion
(Kuwabata plant
D zone, etc.)

**33,100
million**

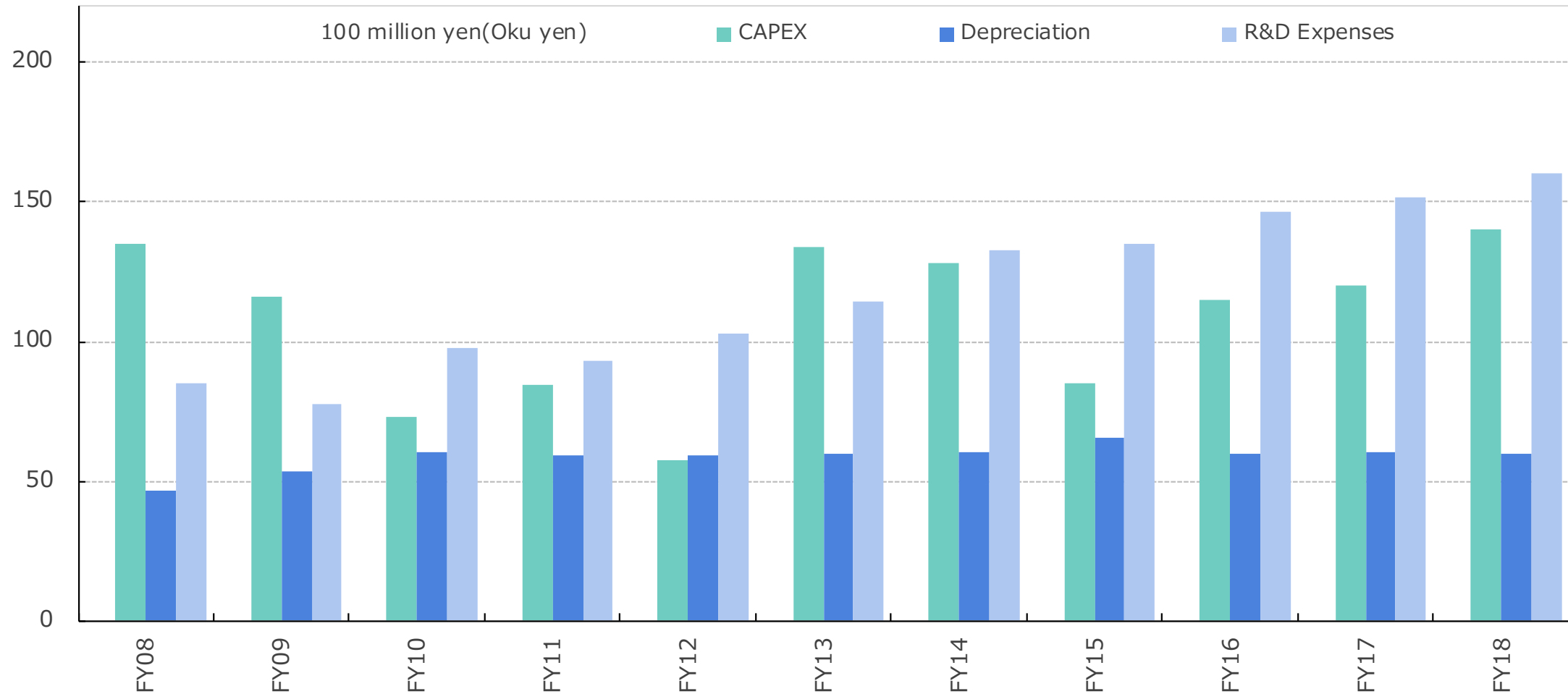
Total ¥76,800 million

Excess cash:

**¥8,800
million**

One third of the Excess cash above will be added to the normal dividend.

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. 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 Full Year	
	Grinders	DGP (for thin wafers)	-20%
		Normal Grinders	Slight increase
	Dicers	Blade Dicers	-25%
		Laser Saws	-10%
			-20%
	Precision Processing Equipment		-20%
Consumables		Slight decrease	
Others		-10%	

Forecast

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