

# FY2019

# First Quarter Financial Results

## Jul. 25, 2019

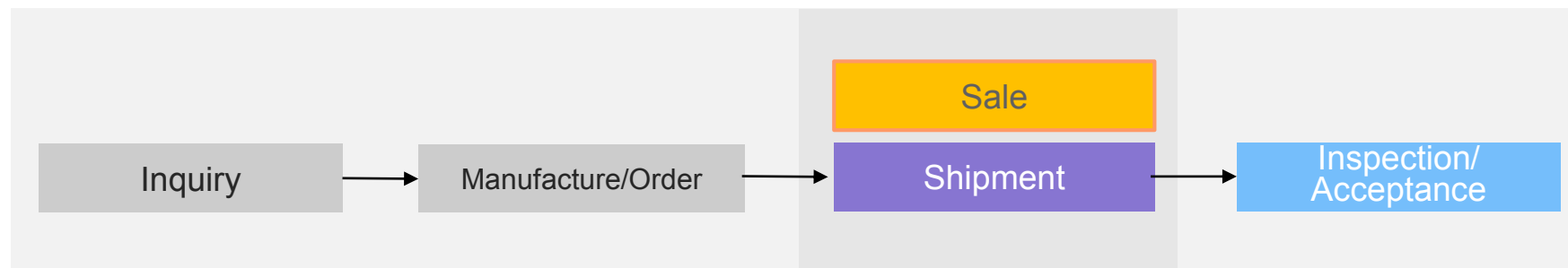
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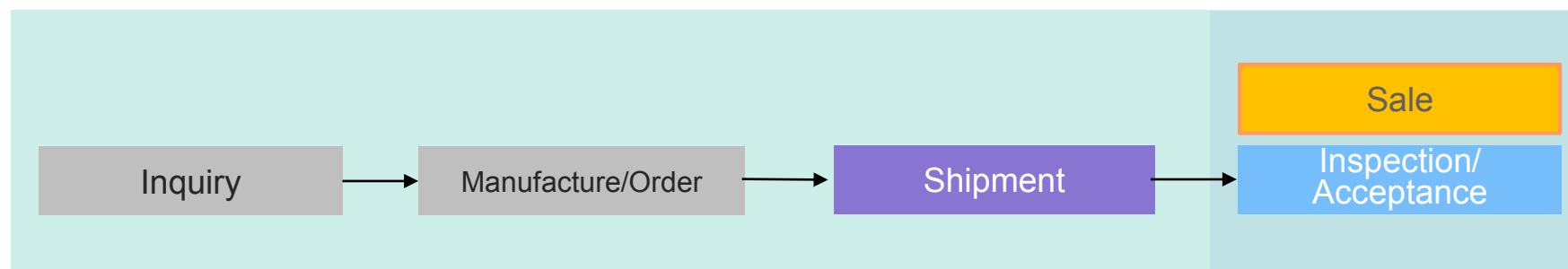
# Change in Accounting Policy

Due to change in accounting policy, starting from FY2019, the timing of revenue recognition has been changed to Inspection/Acceptance Basis.

Before



After



# FY2019 1Q Earnings Results (Consolidated)



Millions of Yen	FY2019	FY2018	QoQ		FY2018	YoY	
	1Q	4Q	Amount	(%)	1Q	Amount	(%)
Net Sales	32,760	33,186	-	-	40,353	-	-
Gross Profit	18,967	19,700	-	-	23,269	-	-
Gross Profit Margin	57.9%	59.4%	-	-	57.7%	-	-
SG&A	11,842	11,975	-	-	11,828	-	-
Operating Income	7,124	7,725	-	-	11,441	-	-
Ordinary Income	8,085	8,008	-	-	11,337	-	-
Ordinary Income Margin	24.7%	24.1%	-	-	28.1%	-	-
Income before income taxes and minority	7,904	7,920	-	-	11,332	-	-
Net Income	5,748	6,236	-	-	8,318	-	-

Note: Due to the change in accounting policy, QoQ and YoY percent changes are not listed.

# Reference: Quarterly Results Overview based on Previous Accounting Policy

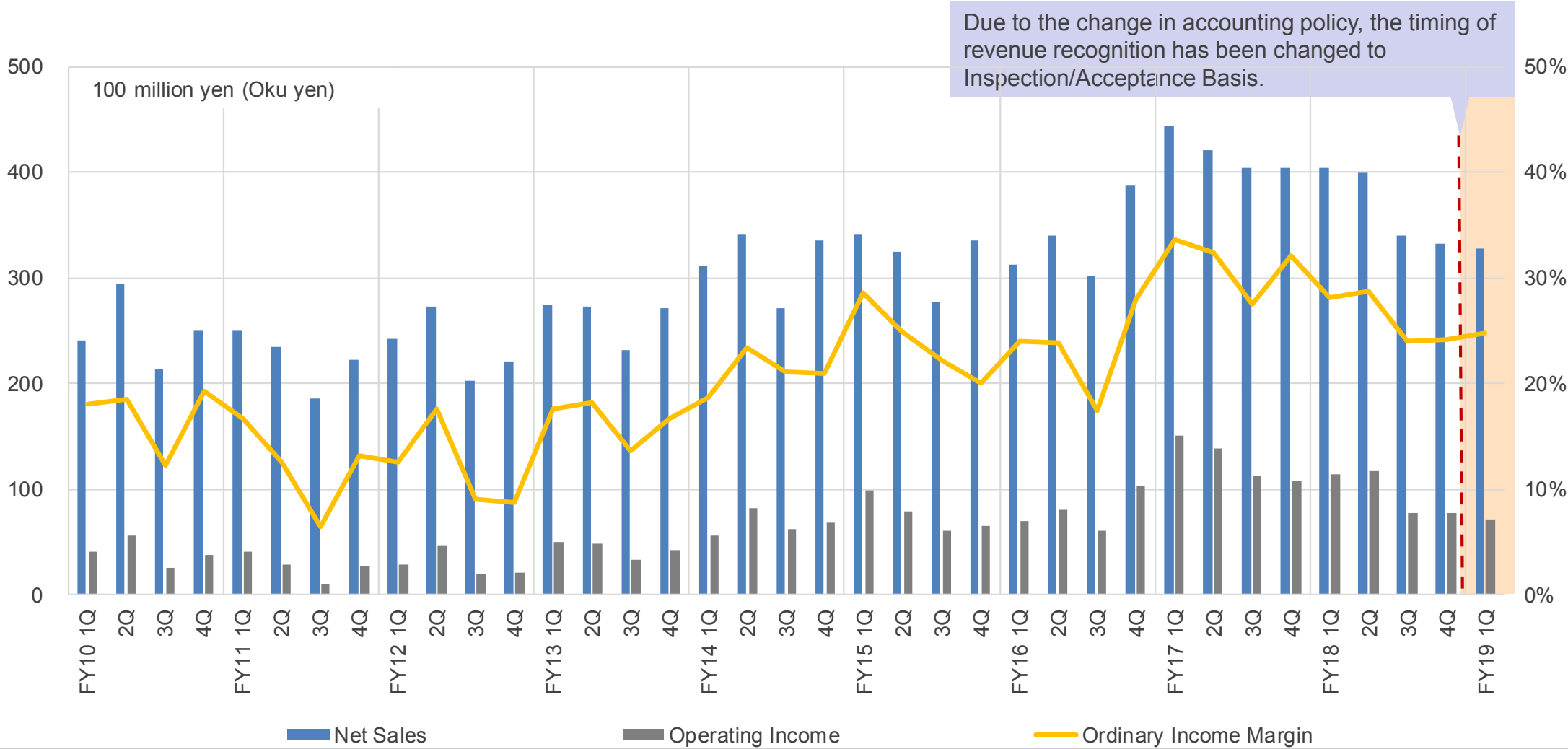
## Shipment Basis

Millions of Yen	FY2019	FY2018	QoQ		FY2018	YoY	
	1Q	4Q	Amount	(%)	1Q	Amount	(%)
Net Sales	32,155	33,186	-1,031	-3.1%	40,353	-8,197	-20.3%
Gross Profit	19,218	19,700	-482	-2.4%	23,269	-4,051	-17.4%
Gross Profit Margin	59.8%	59.4%	0.4p	-	57.7%	2.1p	-
SG&A	11,902	11,975	-73	-0.6%	11,828	74	0.6%
Operating Income	7,316	7,725	-409	-5.3%	11,441	-4,125	-36.1%
Ordinary Income	8,095	8,008	87	1.1%	11,337	-3,242	-28.6%
Ordinary Income Margin	25.2%	24.1%	1.0p	-	28.1%	-2.9p	-

According to previous accounting policy

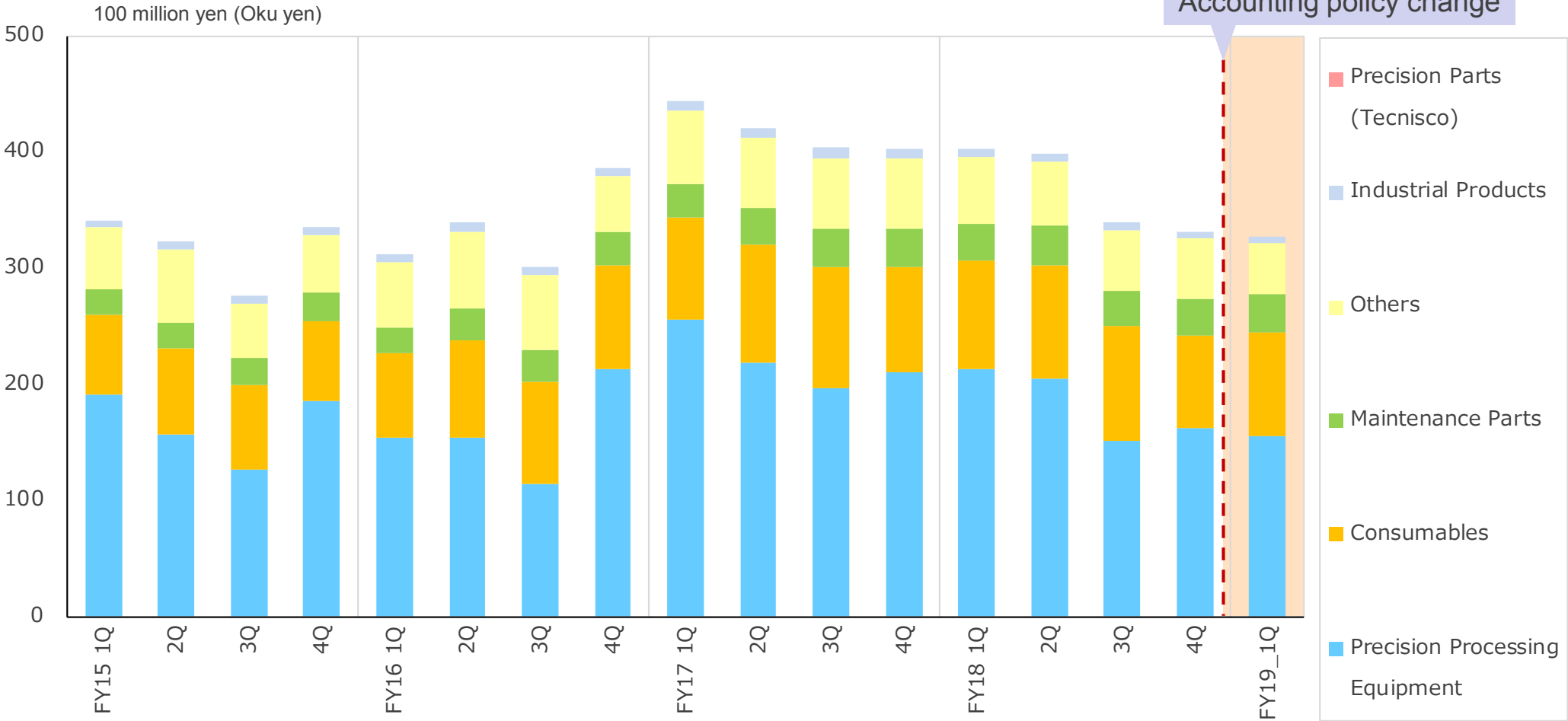
- Sales: YoY Equipment sales declined significantly compared to those during the same quarter in the previous year, which were at a relatively high level.
- GP Margin: YoY GP margin increased due to improved sales composition, etc.
- SG&A: YoY SG&A, especially R&D expenses, remained high.

# Quarterly Consolidated Financial Results



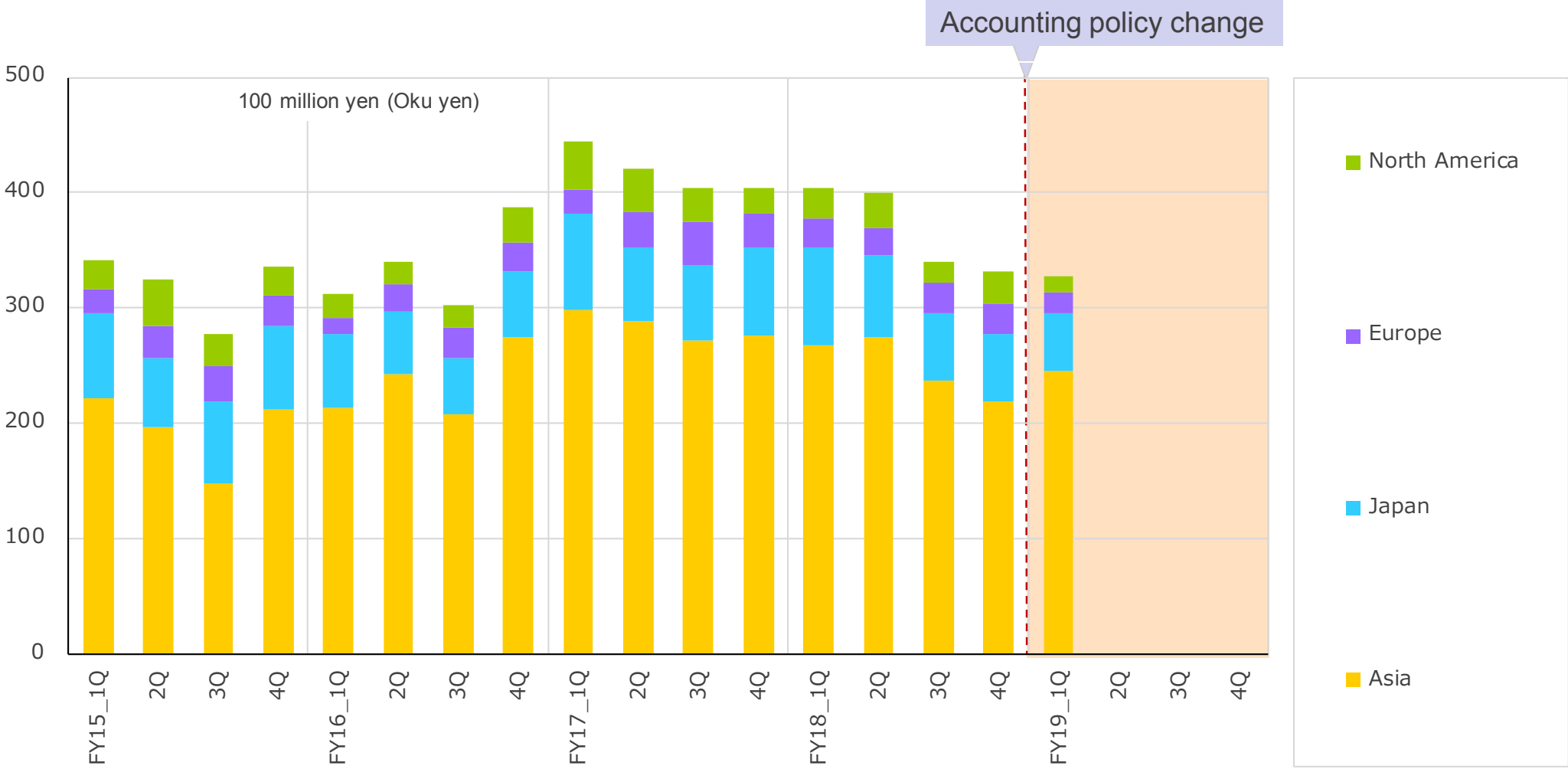
Financial performance was consistently robust, and the ordinary income margin was maintained at over 20%.  
 (FY19 1Q Operating income margin: 21.7%, Ordinary income margin: 24.7%, Net income margin: 17.5%)

# Quarterly Consolidated Sales Breakdown by Product



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

# Consolidated Sales Breakdown by Region

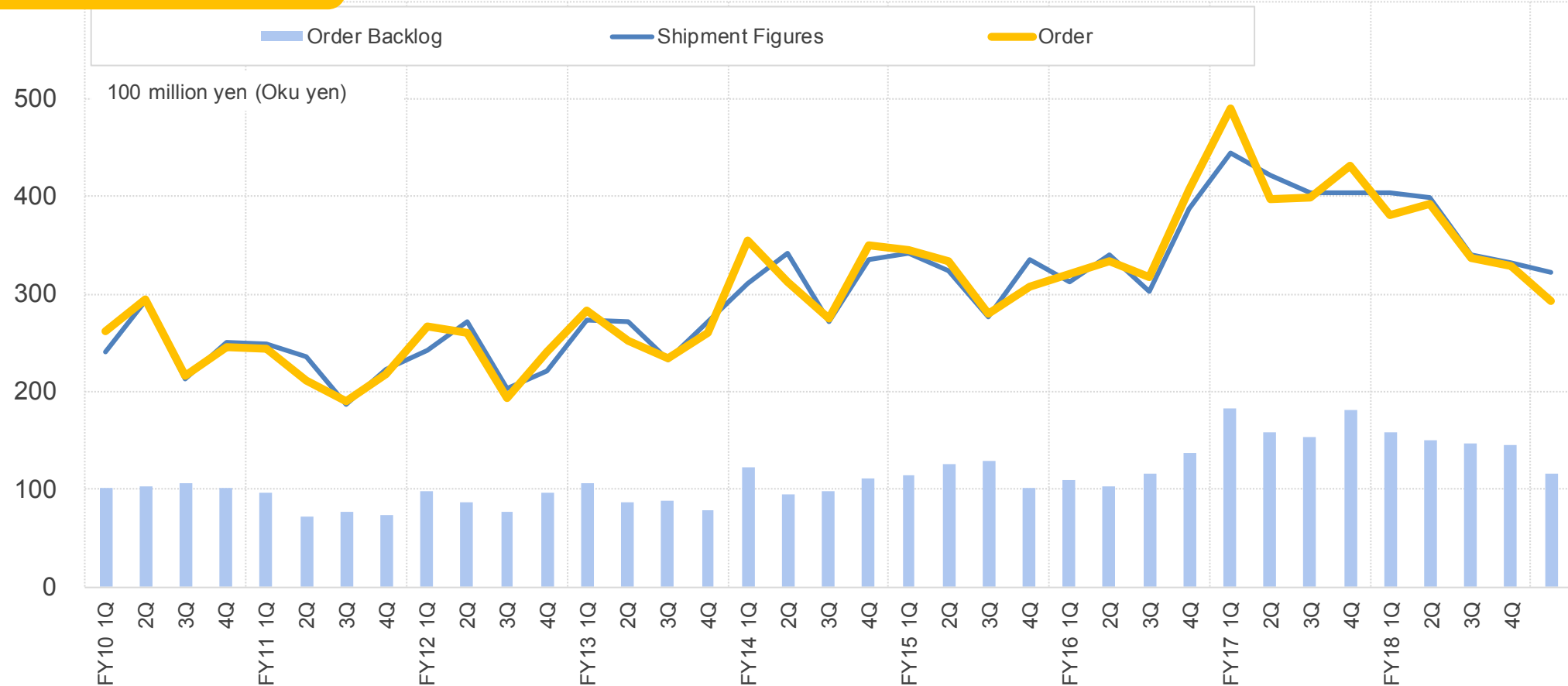


Overseas sales account for 84.7% of the total sales.  
 (Overseas sales for the same quarter in the previous year were 78.6%.)

# Quarterly Consolidated Shipment/Orders



## Shipment Basis



Orders for 1Q in FY19: Approx. JPY 29,200 million, Shipment: Approx. JPY 32,100 million, Order backlog: Approx. JPY 11,500 million (Shipped amount excluded)

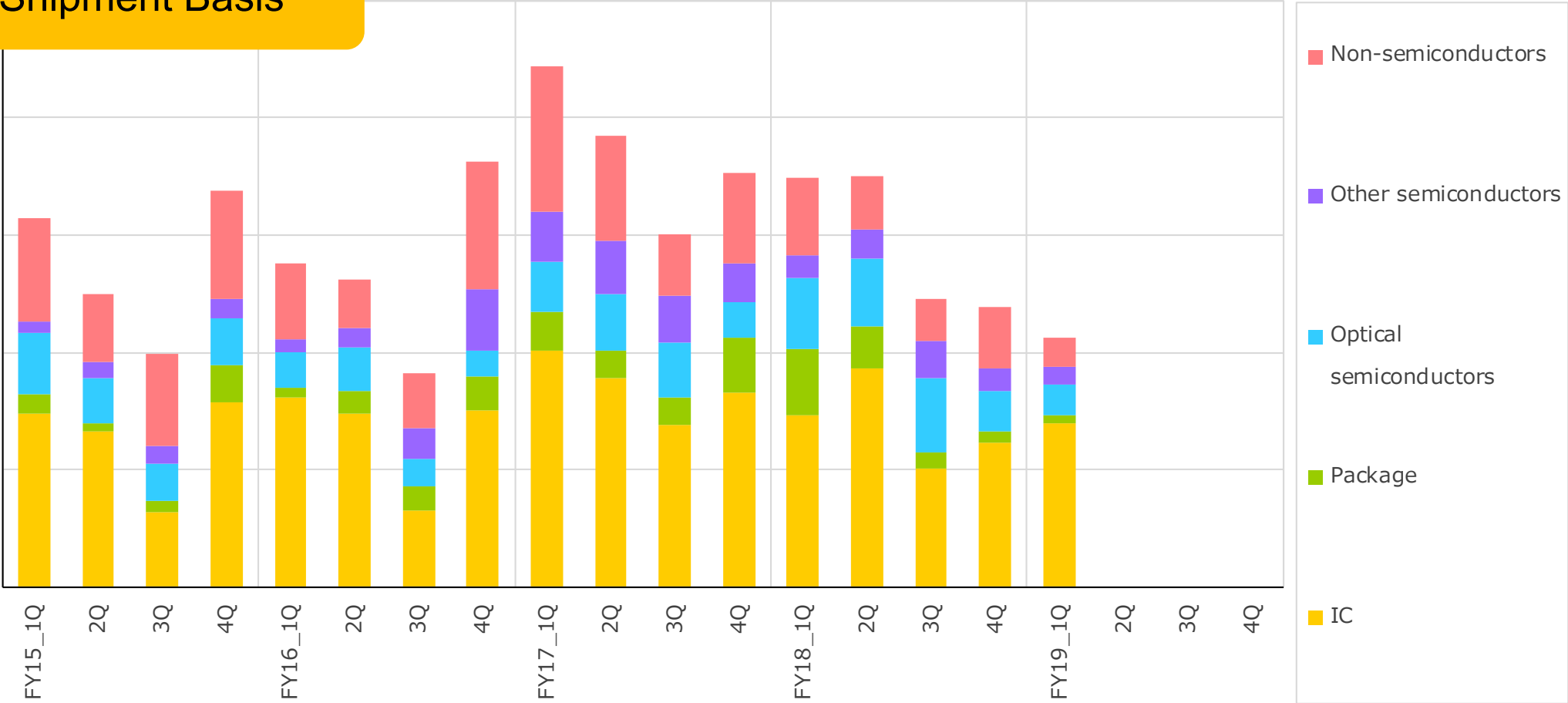
Shipment/orders remained at a relatively steady level for specific applications and cases, but current inquiry is weak.



# Non-consolidated Sales by Usage of Dicing Saws



Shipment Basis

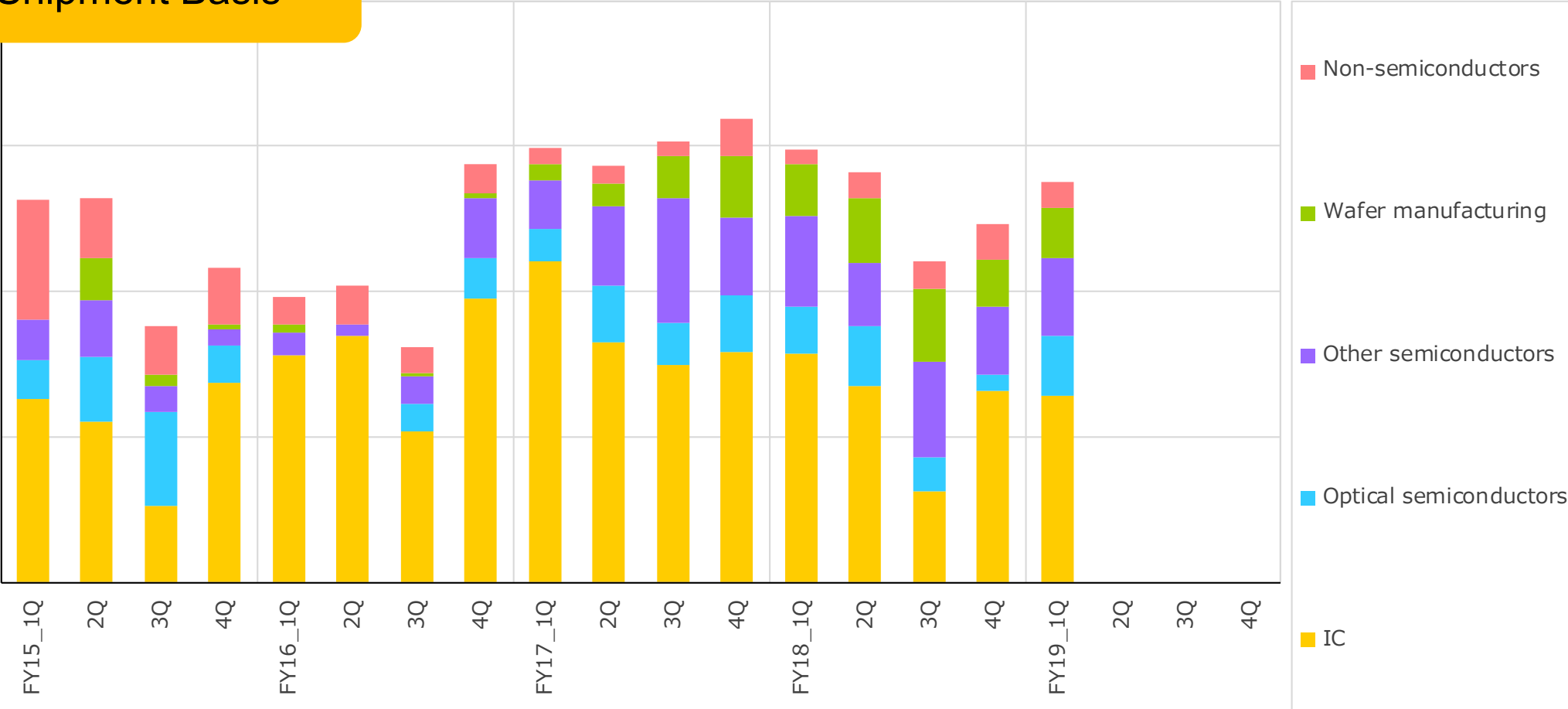


QoQ: IC sales increased, supported by investments in specific applications.  
 YoY: OSAT sales have been weak, unlike the average year, during which inquiries have been increasing.

# Non-consolidated Sales by Usage of Grinders



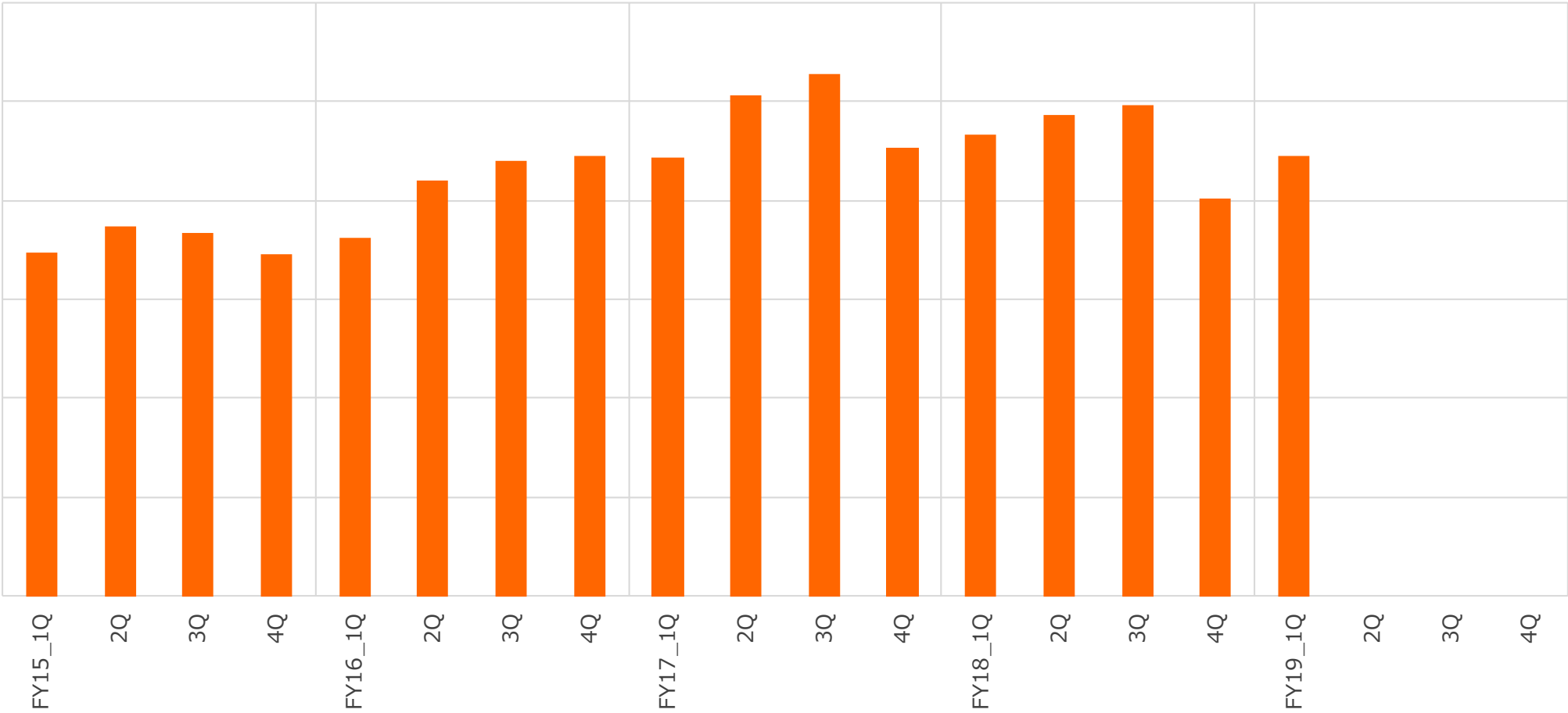
Shipment Basis



QoQ: IC remained at a relatively steady level for specific applications, and other semiconductors remained flat for a wide range of applications.

YoY: OSAT sales have been weak, but the level has been kept steady by a wide range of applications.

# Consolidated Consumable\* Sales



YoY sales decreased, but QoQ sales increased due to improvement in capacity utilization of some regions and customers.

# Balance Sheet (Summary)



	A		B- After adjustment	C	
	FY2018 4Q	FY2019 1Q	A-B Amount	FY2019 1Q	B-C Amount
Millions of Yen	March 31, 2019	April 1, 2019		June 30, 2019	
Cash and deposits	91,380	91,380	-	89,883	-1,497
Notes and account receiv	34,900	20,794	-14,106	21,001	206
Inventories	38,593	48,823	10,230	47,176	-1,646
Total current assets	169,795	165,920	-3,875	160,443	-5,476
Property, plant and equip	76,868	76,868	-	78,018	1,149
Total noncurrent assets	88,384	92,305	3,920	91,072	-1,232
Total assets	258,180	258,225	45	251,515	-6,709
Current liabilities	37,616	46,953	9,336	42,503	-4,450
Noncurrent liabilities	454	454	-	380	-73
Total liabilities	38,071	47,407	9,336	42,883	-4,523
Total net assets	220,109	210,818	-9,291	208,632	-2,185
Total liabilities and net ass	258,180	258,225	45	251,515	-6,709

**B- After adjustment:** Reflects the impact of the change in accounting policy.

Total assets: Cash and deposits decreased due to corporate tax payment.  
 Liability: Decreased due to corporate tax payment.  
 Net assets: Retained earnings decreased.



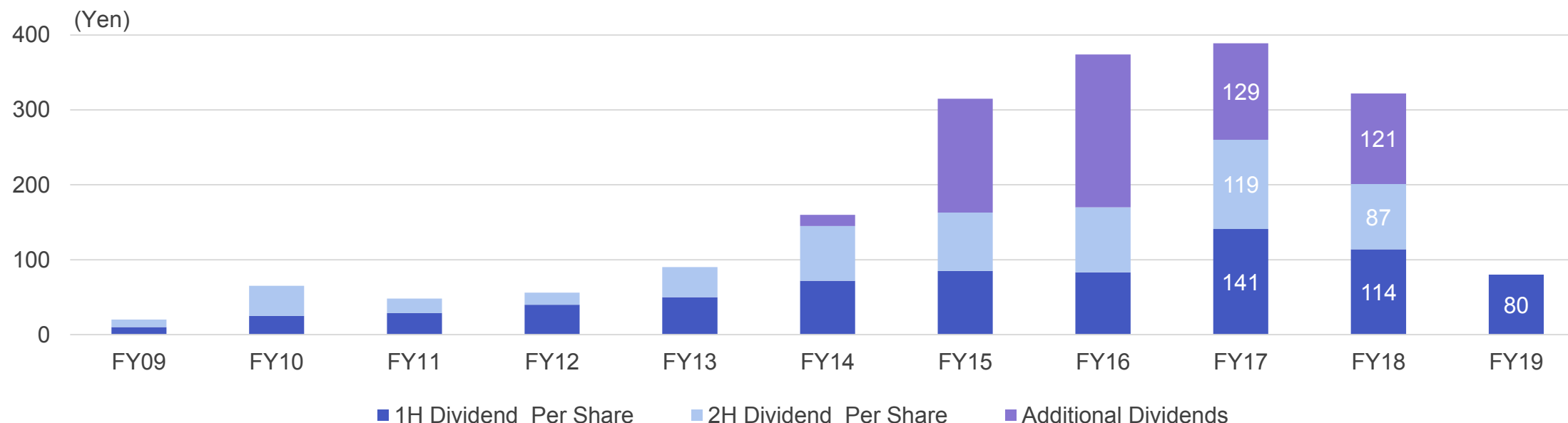
# Dividend Policy and Dividend Payments

## 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:

Results from the previous year:

FY19 interim JPY 80,

FY18 interim JPY 114,

FY19 year-end Yet-to-be-determined

FY18 year-end JPY 208 (Additional dividend: JPY 121)

# Earnings Forecast 2Q FY2019



100 million yen (Oku yen)

Forecast

	FY18 1Q	2Q	3Q	4Q	FY19 1Q	2Q
Net Sales	404	399	340	332	328	357
Operating Income	114	117	77	77	71	78
Ordinary Income	113	114	82	80	81	81
Net Income	83	80	62	62	57	56
Operating Income Margin	28.4%	29.4%	22.8%	23.3%	21.7%	21.8%
Ordinary Income Margin	28.1%	28.7%	24.0%	24.1%	24.7%	22.7%
Net Income Margin	20.6%	20.1%	18.3%	18.8%	17.5%	15.7%
Shipment Figures	404	399	340	332	322	299

Note: From FY2019, the timing of revenue recognition has been changed to Inspection/Acceptance Basis.

Assumed exchange rate:

USD: JPY 100

Euro: JPY 115

Foreign exchange sensitivity:

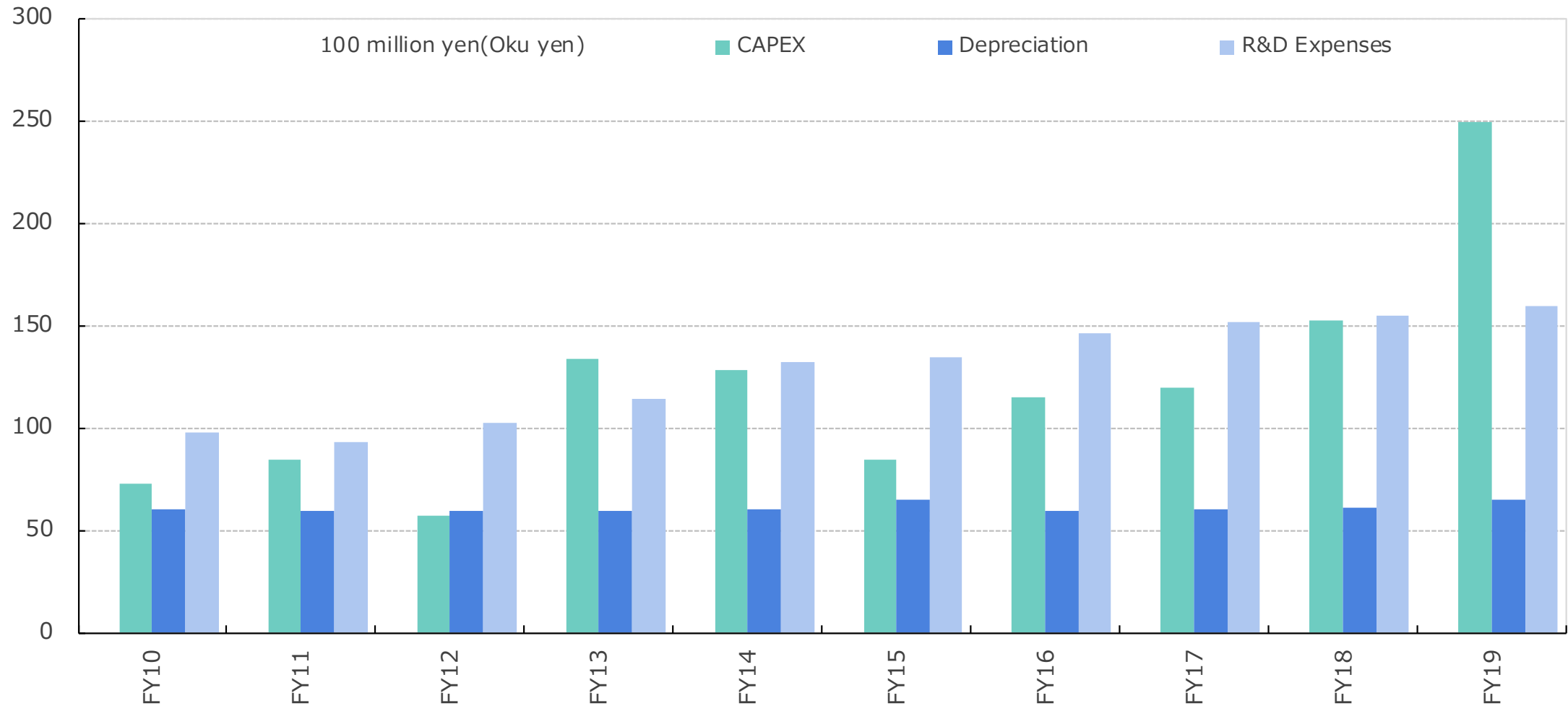
USD: JPY approx. 700 million

Euro: JPY approx. 30 million

(Consolidated, annual calculation)

## Shipment Basis

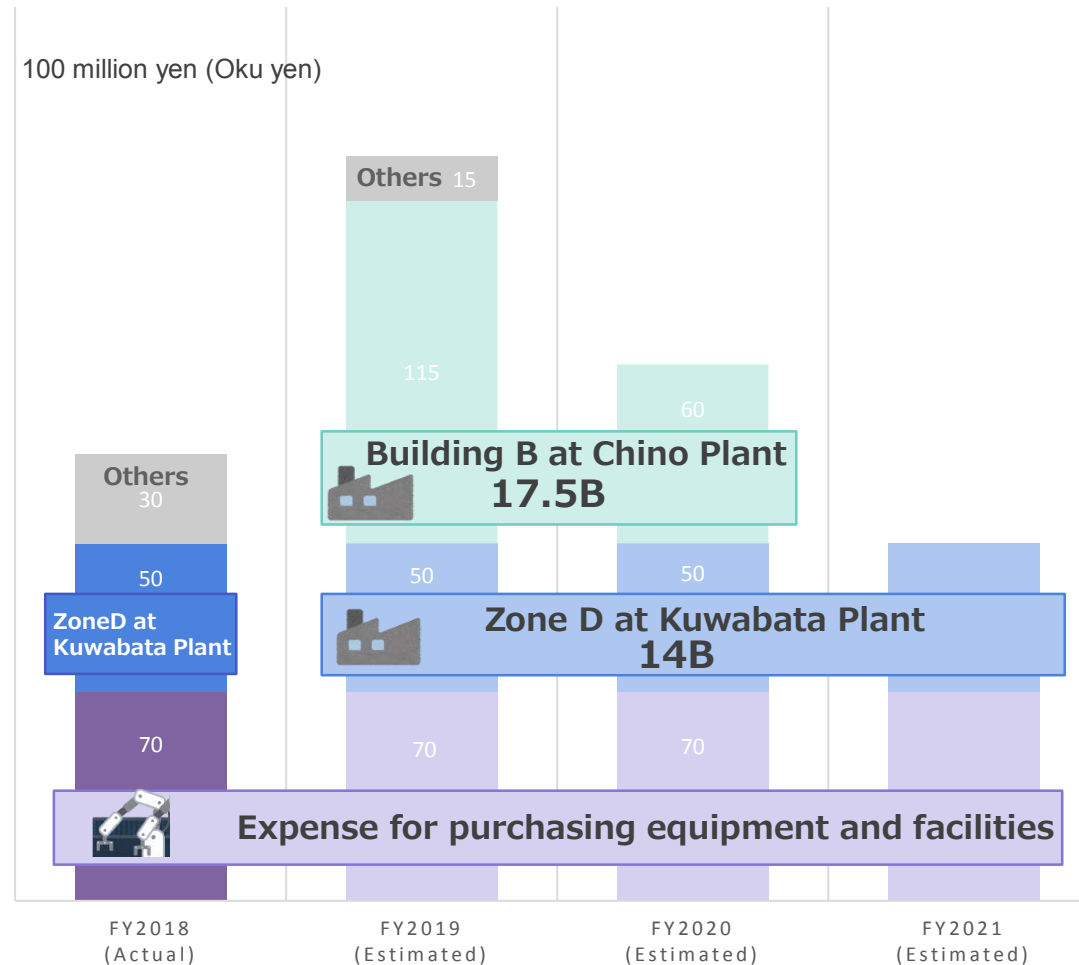
QoQ		FY19 2Q	
Grinders	DGP (for thin wafers)	-10%	
	Normal Grinders	Slight increase	
	Grinders		Slight decrease
	Dicers	Blade Dicers	Slight decrease
Laser Saws		-20%	
Dicers		-10%	
Precision Processing Equipment		-10%	
Consumables		0%	
Others		-10%	



## Forecast for FY19:

- Facilities investments: Approx. JPY 25 B, including construction of new buildings in Kuwabata and Chino (JPY 15.3 B in FY18).
- Depreciation: Approx. JPY 6.5 B. Depreciation increased slightly due to completion of the new building (JPY 6 B in FY18).
- R&D: Approx. JPY 16 B. We plan to invest proactively in R&D (JPY 15.4 B in FY18).





- Forecast for FY19 · Expense for purchasing equipment and facilities Approx. 7 B
- Zone D at Kuwabata Plant : Plan to pay 1/3 of cost depending on construction period Approx. 5 B
- Building B at Chino Plant : Plan to pay 2/3 of cost depending on construction period Approx. 11.5 B