

FY2019

Second Quarter Financial Results

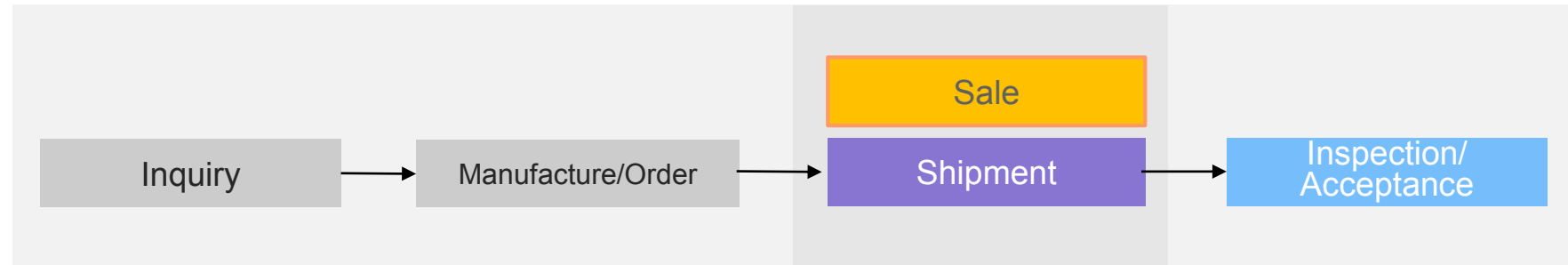
2019.10.24

DISCLAIMER

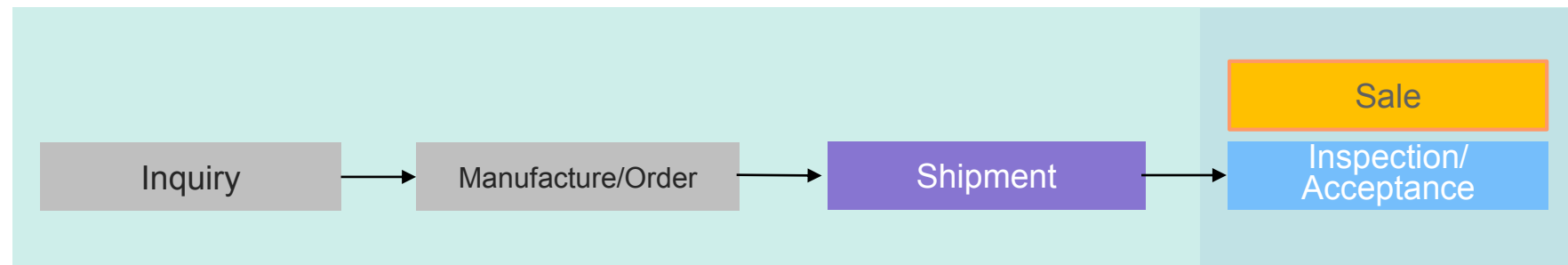
Statements in this PowerPoint with respect to DISCO's current strategies, plans, estimates, and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of DISCO. These statements are based on management's assumptions and beliefs in light 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 decision on your investment thoroughly based on these statements. Such factors include, but not limited to, (i) general economic conditions and levels of demand in DISCO's markets; (ii) developments in technology and resulting changes in semiconductor and/or electronic component manufacturing process; (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, and other currencies.

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

Before



After



FY2019 2Q Earnings Results (Consolidated)



Millions of Yen	FY2019	FY2019	QoQ		FY2018	YoY	
	2Q		1Q	Amount		(%)	2Q
Net Sales	35,103	32,760	2,343	7.2%	39,953	-	-
Gross Profit	21,743	18,967	2,776	14.6%	23,746	-	-
Gross Profit Margin	61.9%	57.9%	4.0p	-	59.4%	-	-
SG&A	11,635	11,842	-207	-1.7%	12,005	-	-
Operating Income	10,107	7,124	2,983	41.9%	11,740	-	-
Ordinary Income	10,439	8,085	2,353	29.1%	11,467	-	-
Ordinary Income Margin	29.7%	24.7%	5.0p	-	28.7%	-	-
Income before income taxes and minority	10,370	7,904	2,466	31.2%	11,172	-	-
Net Income	7,296	5,748	1,548	26.9%	8,044	-	-

Sales: QoQ Increased compared to the previous quarter, mainly in precision processing tools.
 GP Margin: QoQ Increased due to the change in the product mix.
 SG&A: QoQ Remained high with a focus on R&D.

FY2019 1H Earnings Results



Millions of Yen	FY2019 1H	FY2018 1H	YoY	
			Amount	(%)
Net Sales	67,863	80,306	-	-
Gross Profit	40,710	47,016	-	-
Gross Profit Margin	60.0%	58.5%	-	-
SG&A	23,478	23,834	-	-
Operating Income	17,231	23,181	-	-
Ordinary Income	18,525	22,804	-	-
Ordinary Income Margin	27.3%	28.4%	-	-
Income before income taxes and minority interests	18,274	22,504	-	-
Net Income	13,044	16,363	-	-

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

Shipment Basis

Millions of Yen	FY2019 2Q	FY2019 1Q	QoQ		FY2018 2Q	YoY	
			Amount	(%)		Amount	(%)
Net Sales	32,513	32,155	357	1.1%	39,953	-7,441	-18.6%
Gross Profit	19,765	19,218	546	2.8%	23,746	-3,981	-16.8%
Gross Profit Margin	60.8%	59.8%	1.0p	-	59.4%	1.4p	-
SG&A	11,516	11,902	-386	-3.2%	12,005	-489	-4.1%
Operating Income	8,248	7,316	932	12.7%	11,740	-3,492	-29.7%
Ordinary Income	8,383	8,095	288	3.6%	11,467	-3,083	-26.9%
Ordinary Income Margin	25.8%	25.2%	0.6p	-	28.7%	-2.9p	-

Sales: YoY Equipment sales decreased compared to the previous quarter, which was relatively high.

GP Margin: YoY Increased due to the change in the product mix.

SG&A: YoY Remained high with a focus on R&D.

Shipment Basis

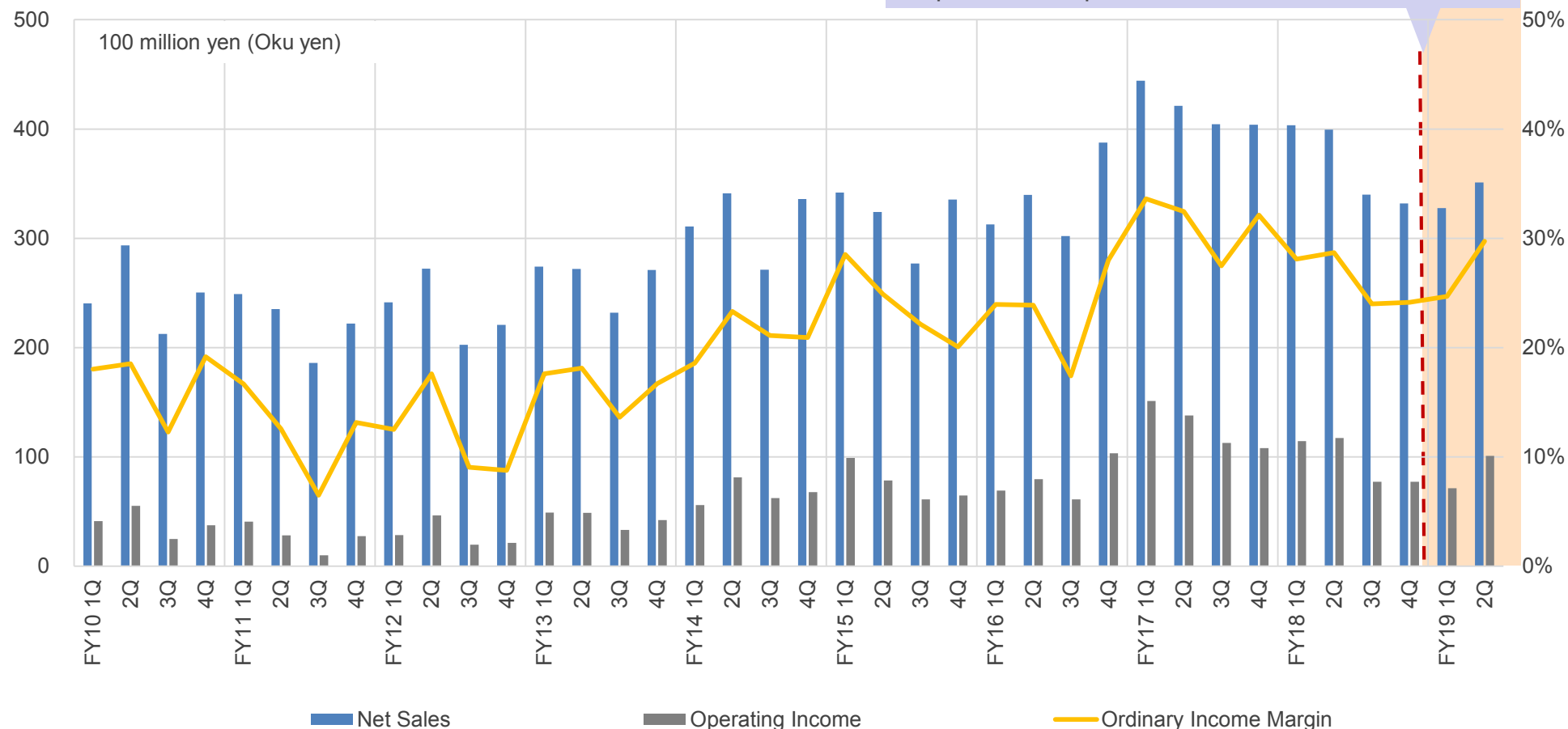
Millions of Yen	FY2019 1H	FY2018 1H	HoH	
			Amount	(%)
Net Sales	64,669	80,306	-15,638	-19.5%
Gross Profit	38,984	47,016	-8,032	-17.1%
Gross Profit Margin	60.3%	58.5%	1.8p	-
SG&A	23,418	23,834	-415	-1.7%
Operating Income	15,565	23,181	-7,617	-32.9%
Ordinary Income	16,479	22,804	-6,325	-27.7%
Ordinary Income Margin	25.5%	28.4%	-2.9p	-

Sales: YoY Equipment sales decreased due to a decline in customers' willingness to invest.
 GP Margin: YoY Increased due to the change in the product mix.
 SG&A: YoY Remained high with a focus on R&D.

Quarterly Consolidated Financial Results

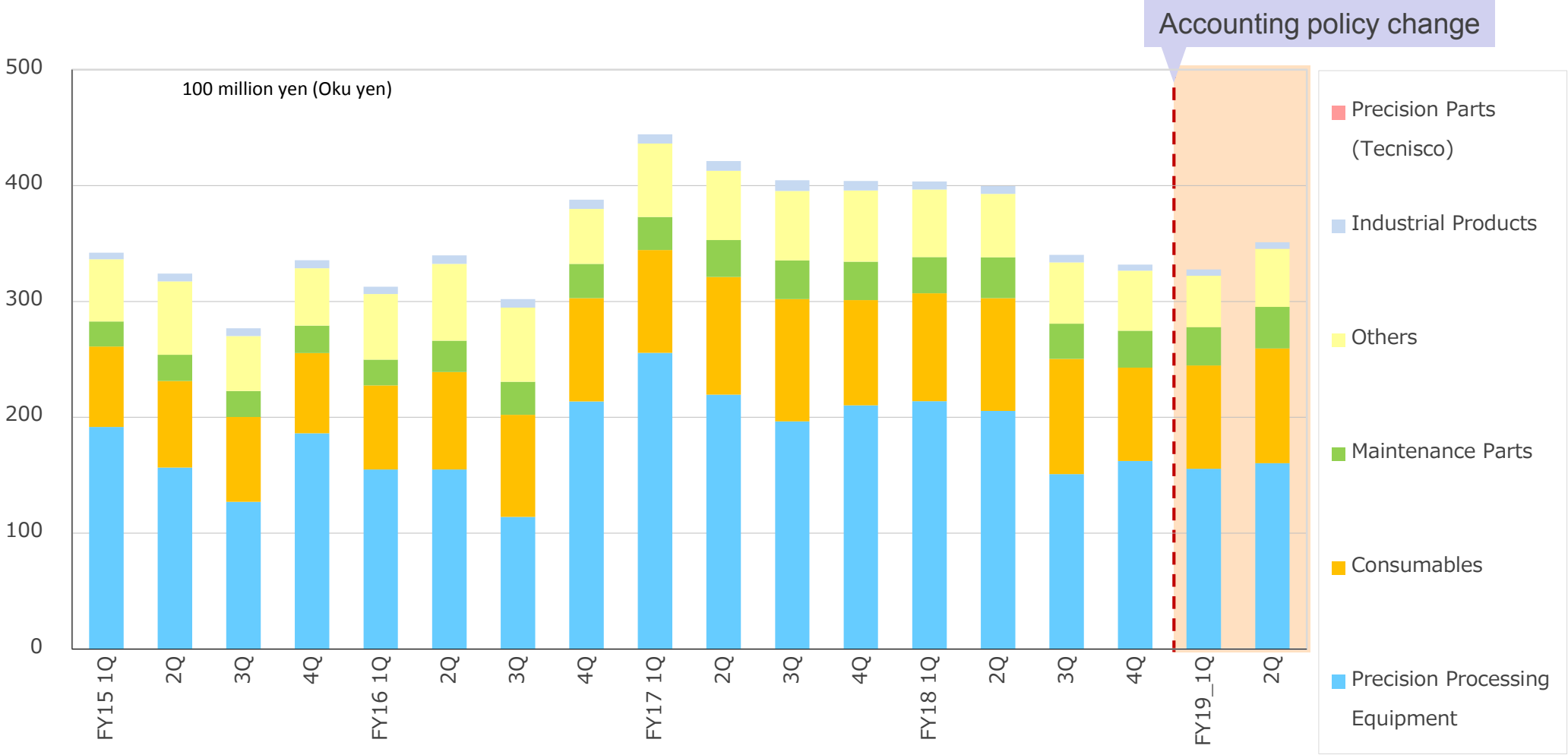


Due to the change in accounting policy, the timing of revenue recognition has been changed to Inspection/Acceptance Basis.



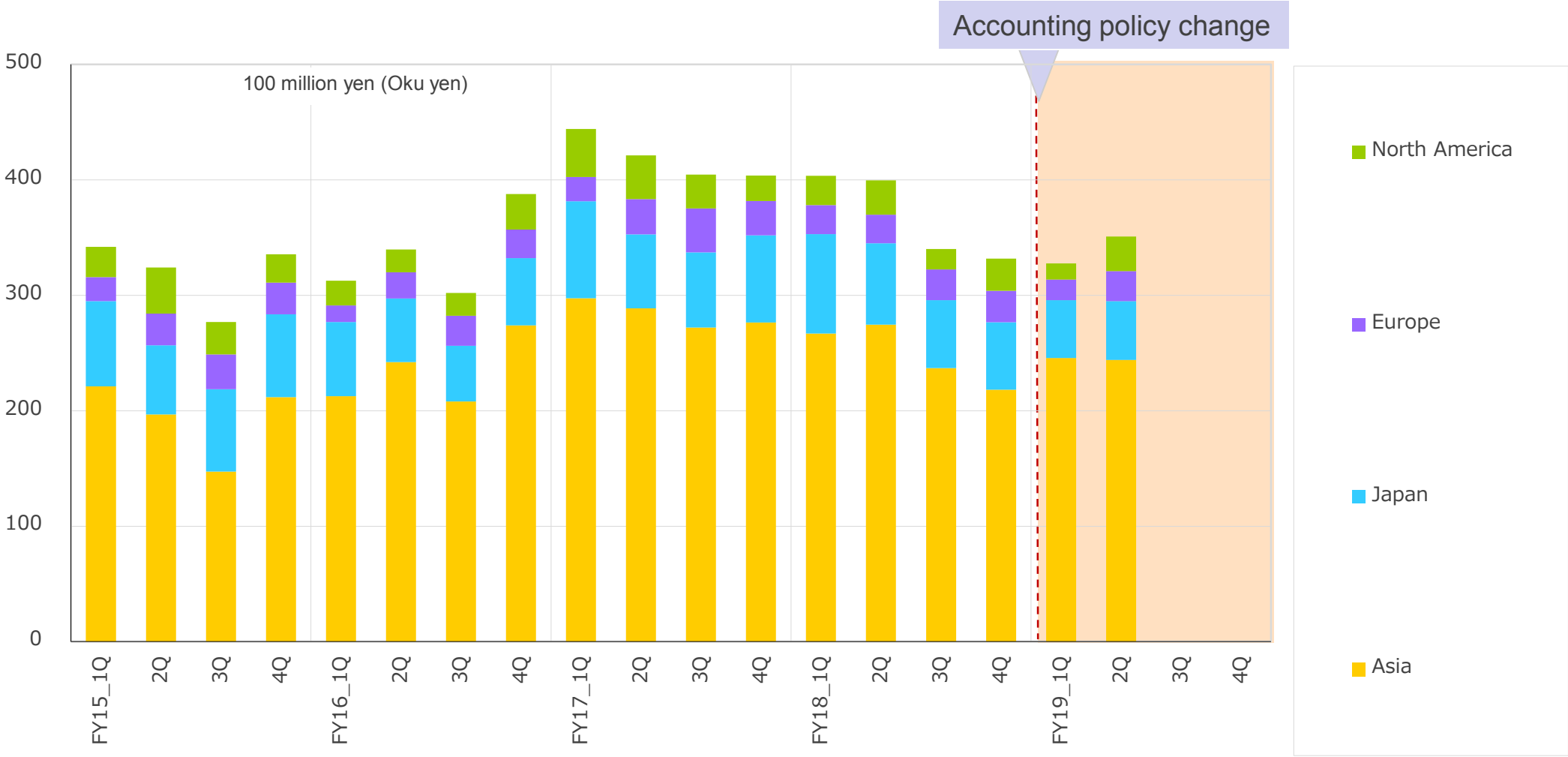
Financial performance was consistently robust, and the ordinary income margin was maintained at over 20%.
(FY19 2Q Operating income margin: 28.8%, Ordinary income margin: 29.7%, Net income margin: 20.8%)

Quarterly Consolidated Sales Breakdown by Product



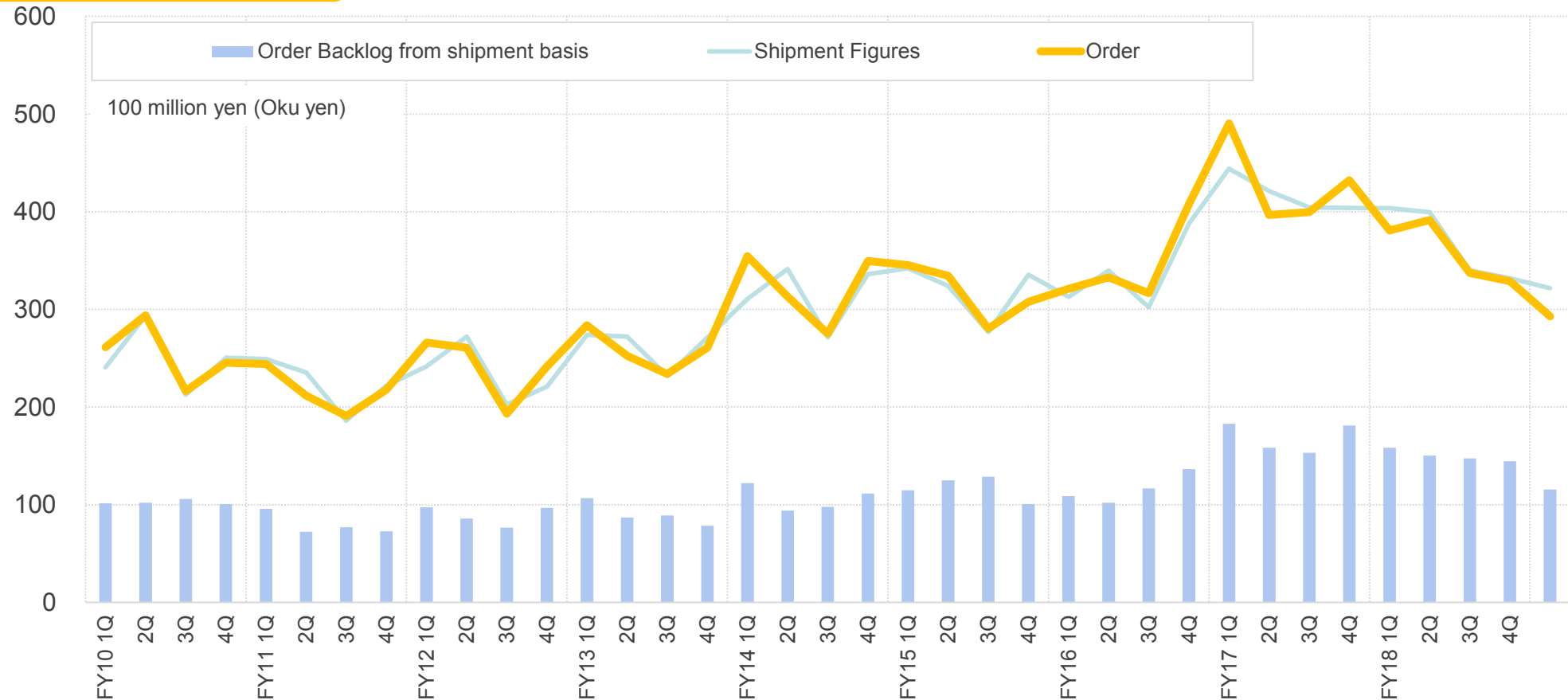
Note: Composition percentages are listed as additional information on the web site.

Consolidated Sales Breakdown by Region



Overseas sales account for 85.5% of the total sales.
 (Overseas sales for the same quarter in the previous year were 82.3%.)

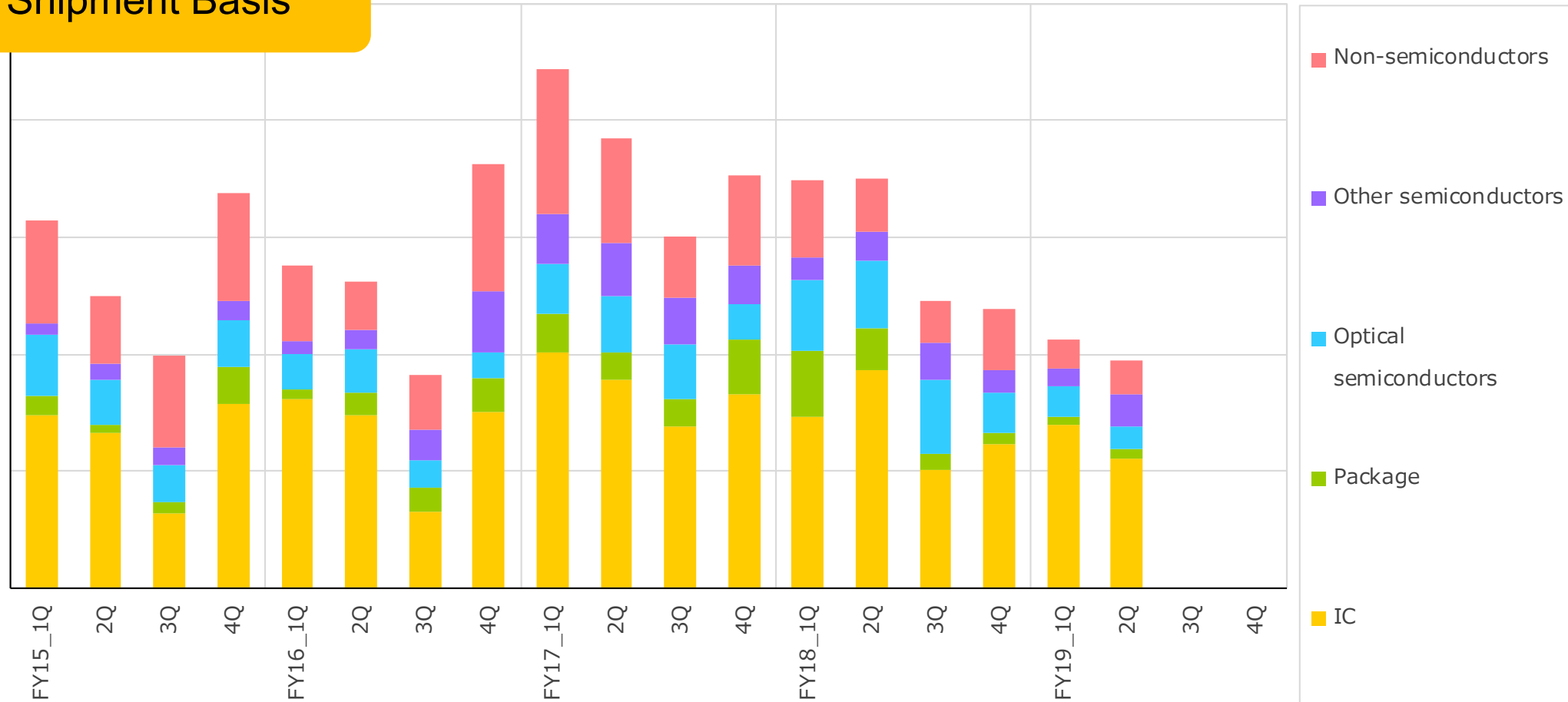
Shipment Basis



Orders for 2Q FY19: Approx. JPY 35.1B, Shipments: Approx. JPY 32.5B, Order backlog from shipment basis: Approx. JPY 14.2B (Completed shipments excluded)
 Although there have been some inquiries, as a whole, a recovery trend has not been observed.

Non-consolidated Sales by Usage of Dicing Saws

Shipment Basis

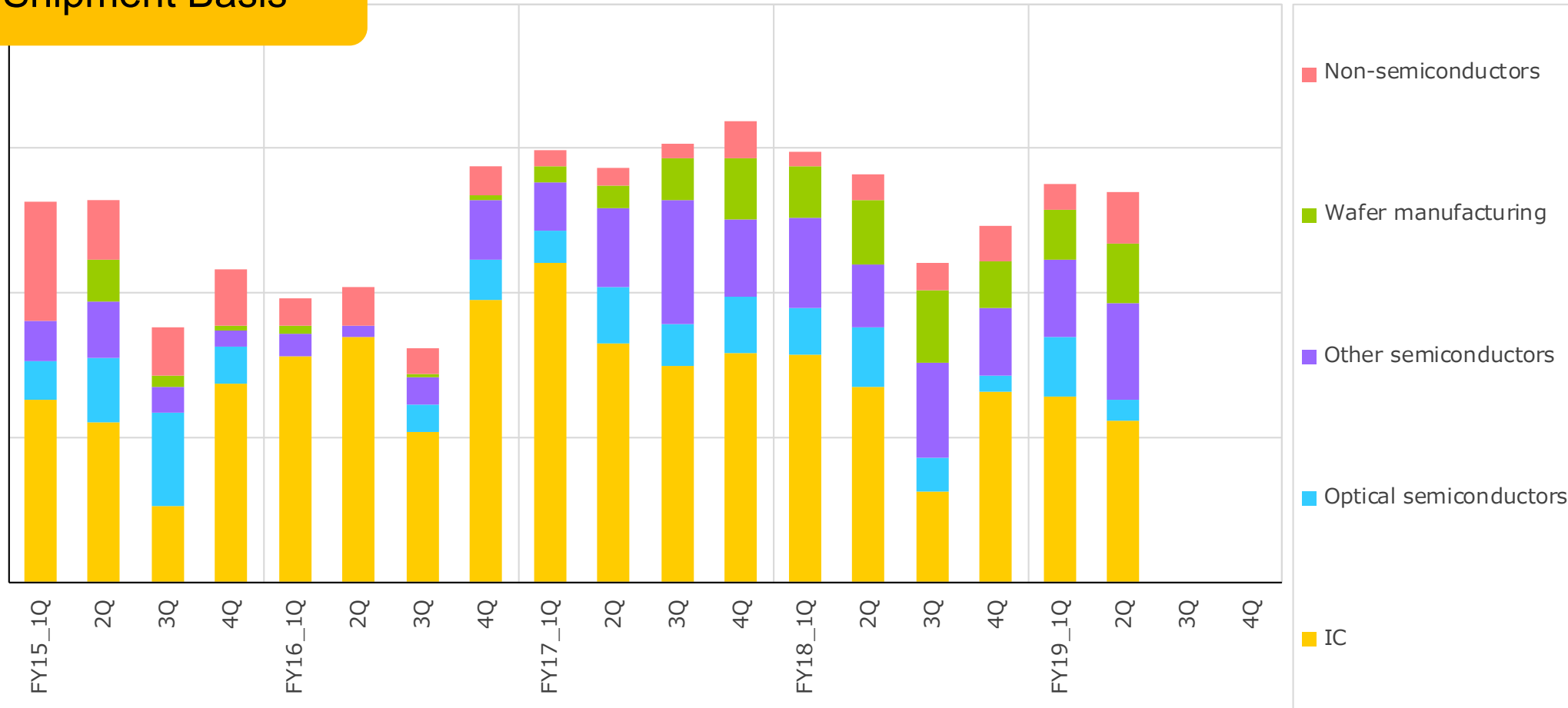


QoQ: IC declined, as a specific inquiry fell through.

YoY: Starting with Memory, willingness to invest declined for Semiconductors in general, as well as all other uses.

Non-consolidated Sales by Usage of Grinders

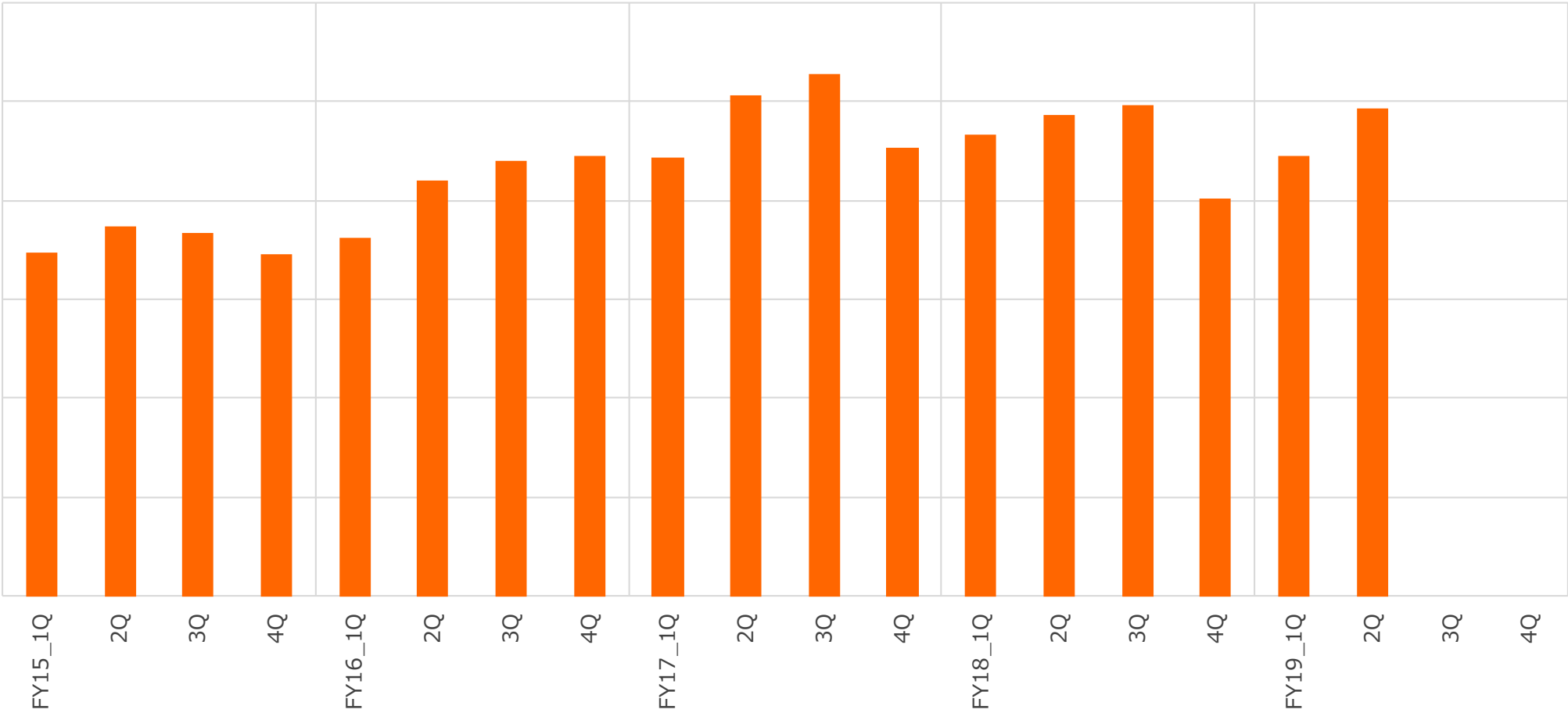
Shipment Basis



QoQ
YoY

Some IC use remained steady. Sales for various other semiconductor used is also unchanged. Inquiries for various uses continued and remained high.

Consolidated Consumable* Sales



QoQ increased due to the increase in customers' facility operation rates as a result of seasonal effects for some customers in some areas.

Balance Sheet (Summary)



Millions of Yen	FY2019 2Q	FY2019 1Q	Amount
Cash and deposits	78,562	89,883	-11,321
Notes and account receivable	22,465	21,001	1,464
Inventories	45,401	47,176	-1,775
Total current assets	149,334	160,443	-11,109
Property, plant and equipment	88,527	78,018	10,509
Total noncurrent assets	99,655	91,072	8,583
Total assets	248,989	251,515	-2,526
Current liabilities	33,274	42,503	-9,229
Noncurrent liabilities	429	380	49
Total liabilities	33,704	42,883	-9,179
Total net assets	215,285	208,632	6,653
Total liabilities and net assets	248,989	251,515	-2,526
Equity Ratio	85.9%	82.4%	3.5p

Total assets: Cash and deposits declined due to payments for the new factory buildings.

Liability: Accounts payable declined.

Net assets: Retained earnings increased.

Cash Flow (Summary)

Millions of Yen	FY2019 1H	FY2018 1H	Amount
Net cash provided by (used in) operating activities	10,655	11,401	-746
Income before income taxes and minority interests	18,274	22,504	-4,230
Depreciation and amortization	2,993	2,803	190
Decrease (increase) in notes and accounts receivable-trade	-2,232	-1,323	-909
Decrease (increase) in inventories	3,503	-2,563	6,067
Increase (decrease) in notes and accounts payable-trade	-6,718	-402	-6,315
Income taxes (paid) refund	-1,366	-10,139	8,773
Others	-3,799	523	-4,323
Net cash provided by (used in) investing activities	-15,325	-3,617	-11,708
Purchase of property, plant and equipment	-15,563	-3,782	-11,781
Free cash flow	-4,670	7,784	-12,455
Net cash provided by (used in) financing activities	-7,455	-8,898	1,443
Cash dividends paid	-7,469	-8,905	1,436
Net change in of cash and cash equivalents	-12,790	-931	-11,859
Cash and cash equivalents at beginning of period	85,351	85,545	-194
Cash and cash equivalents at end of period	72,560	84,613	-12,053

- Cash Flow from Operating Activities:

Increased by approx. ¥10,600 million.
Although decline due to accounts payable,
increase due to the increase in profit before taxes.

- Cash Flow from Investing Activities:

Decreased by approx. ¥15,300 million.
Payments for new factory buildings.

- Cash Flow from Financial Activities:

Decreased by approx. ¥7,400 million.
Mainly due to the payment of dividends.

- Free Cash Flow

Decreased by approx. ¥4,600 million

→The balance of cash and cash equivalents as of
September 30 was about ¥72,500 million.

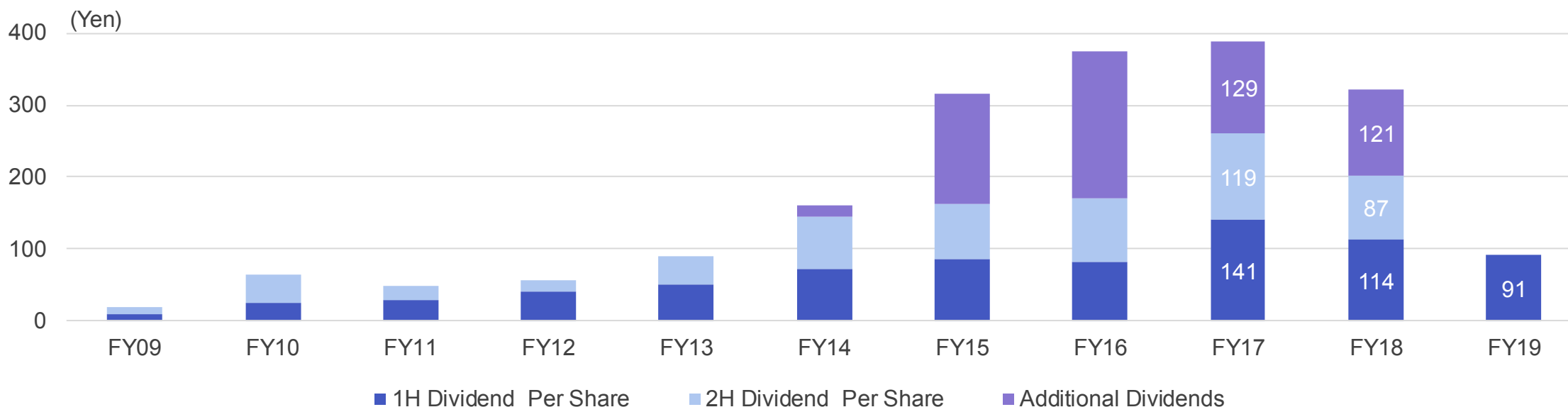
Dividend Policy and Dividend Payments

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: FY19 interim JPY 91 (Actual), FY19 year-end Undetermined
 Results from the previous year: FY18 interim JPY 114, FY18 year-end JPY 208 (Additional dividends: JPY 121)

100 million yen (Oku yen)

Forecast

	FY18 1Q	2Q	3Q	4Q	FY19 1Q	2Q	3Q
Net Sales	404	399	340	332	328	351	296
Operating Income	114	117	77	77	71	101	51
Ordinary Income	113	114	82	80	81	104	52
Net Income	83	80	62	62	57	73	40
Operating Income Margin	28.4%	29.4%	22.8%	23.3%	21.7%	28.8%	17.1%
Ordinary Income Margin	28.1%	28.7%	24.0%	24.1%	24.7%	29.7%	17.5%
Net Income Margin	20.6%	20.1%	18.3%	18.8%	17.5%	20.8%	13.3%
Shipment Figures	404	399	340	332	322	325	349

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

Assumed exchange rate:

USD: JPY 100

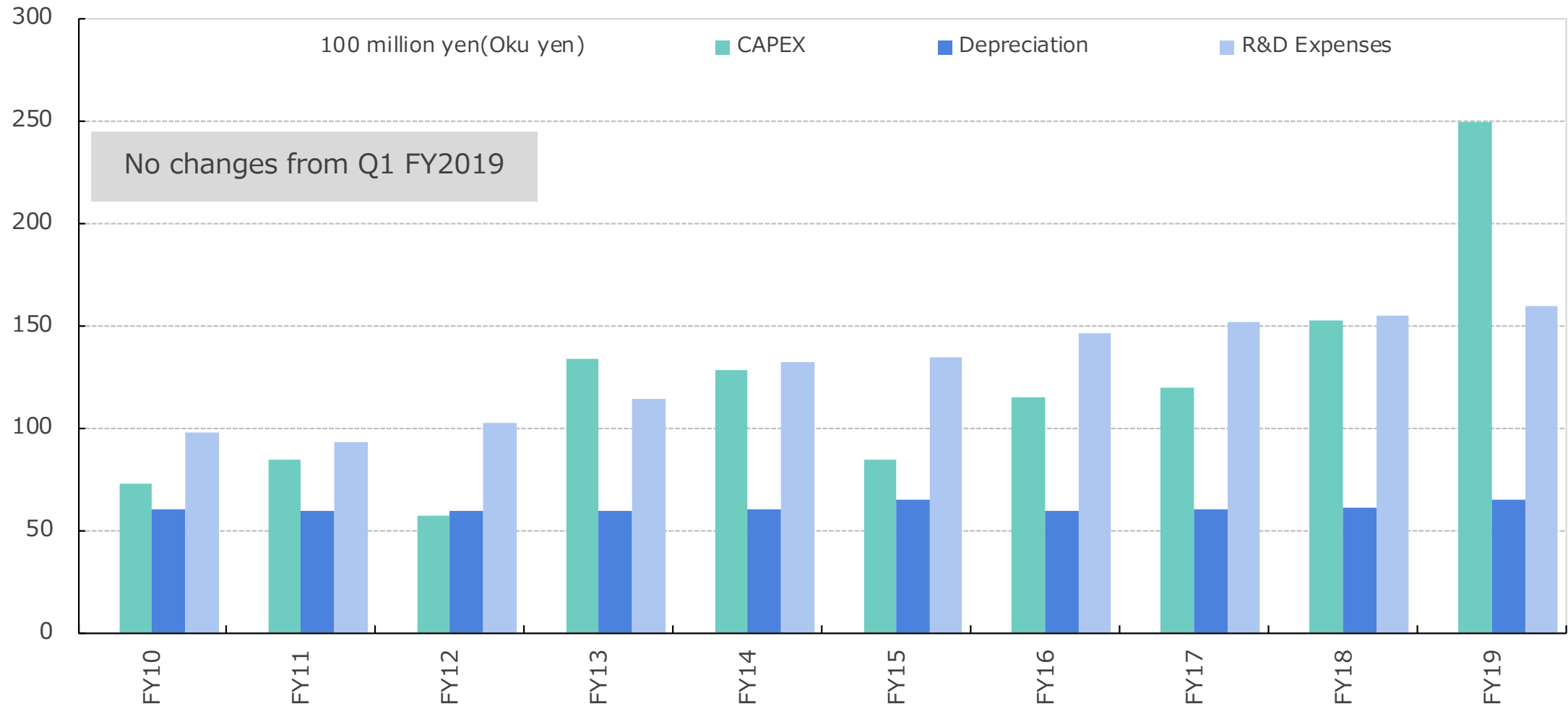
Euro: JPY 110

Foreign exchange sensitivity:

USD: JPY approx. 600-700 million Euro: JPY approx. 30 million

Shipment Basis

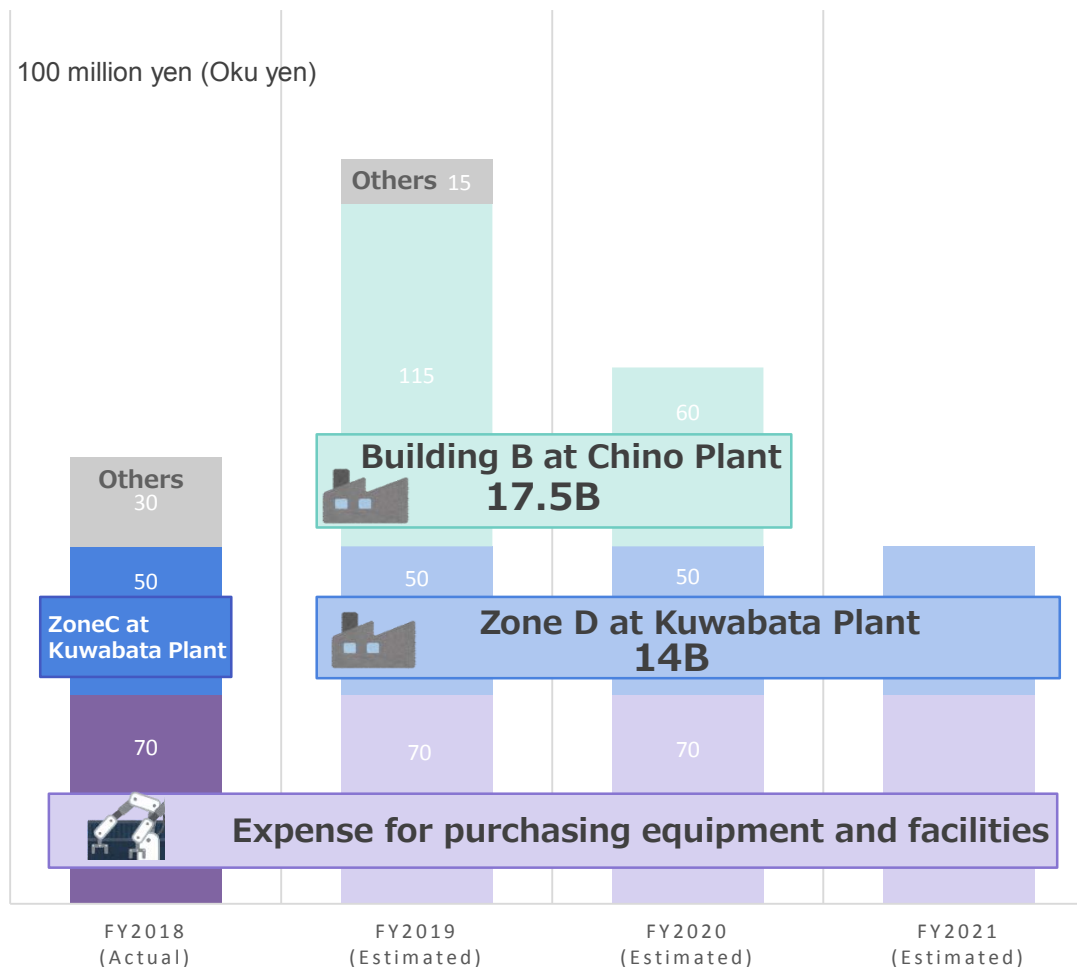
QoQ		FC FY19_3Q
	DGP (for thin wafers)	20%
	Normal Grinders	50%
	Grinders	30%
	Blade Dicers	20%
	Laser Saws	20%
	Dicers	20%
Precision Processing Equipment		30%
Consumables		-5%
Others		-10%



Forecast for FY19:

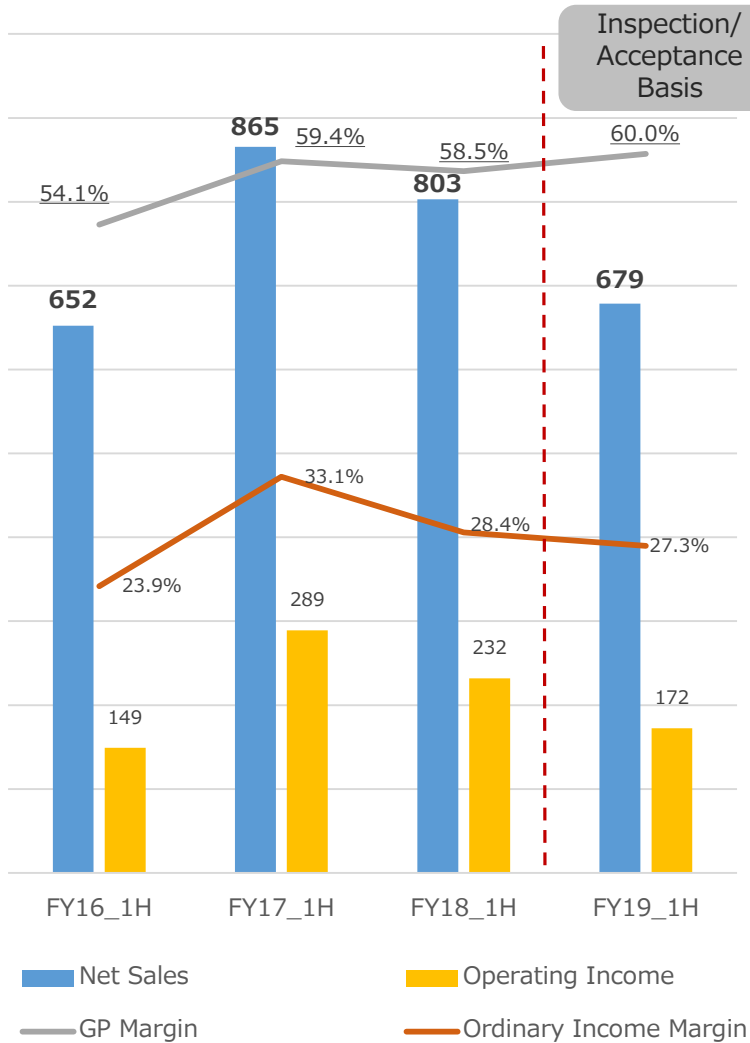
- Facilities investments: Approx. JPY 25 B, including construction of new buildings in Kuwabata and Chino (JPY 15.3 B in FY18).
- Depreciation: Approx. JPY 6.5 B. Depreciation increased slightly due to completion of the new building (JPY 6 B in FY18).
- R&D: Approx. JPY 16 B. We plan to invest proactively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

No changes from Q1 FY2019



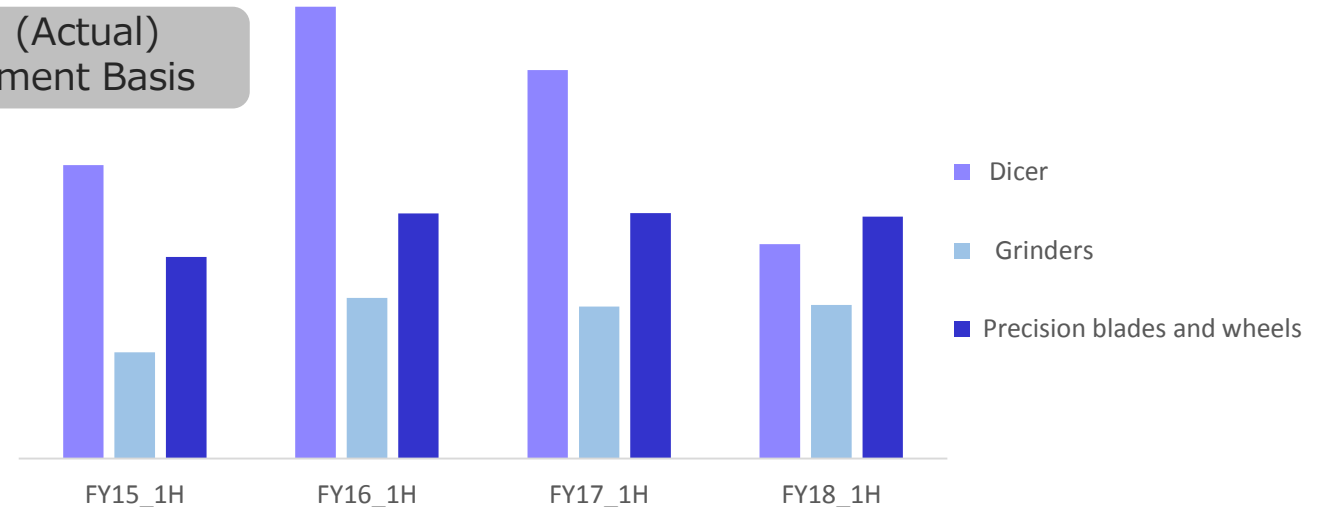
- Forecast for FY19 · Expense for purchasing equipment and facilities Approx. 7 B
- Zone D at Kuwabata Plant : Plan to pay 1/3 of cost depending on construction period Approx. 5 B
- Building B at Chino Plant : Plan to pay 2/3 of cost depending on construction period Approx. 11.5 B

1H Trends 100million yen (Oku yen)



- Due to the impact of the trade friction between U.S. and China, semiconductor manufacturers remain cautious in regards to CAPEX.
- Shipments of blade dicing saws, a major product, are low.
- Facility operation rates for some customers is increasing. Consumable shipments are firm.

1H (Actual) Shipment Basis



- Although the shipment trend is relatively low, profitability increased due to steady improvement activities (GP margin in 1st H: 60%).
- Midterm dividends are JPY 91 from performance-based compensation (JPY 114 in the previous year).

- ❑ Inquires from some customers in some areas increased. Consumable shipments remain relatively steady.
3Q: The shipment amount is expected to increase slightly. Equipment inquiries hereafter need to be monitored.
- ❑ Disaster correspondence (BMC) and production space / capabilities will be improved in the mid to long term without being influenced by the current market situation.

 - Expansion of Kuwabata Factory Zone D: Broke ground in September 2019 (Scheduled to be completed in August 2021)

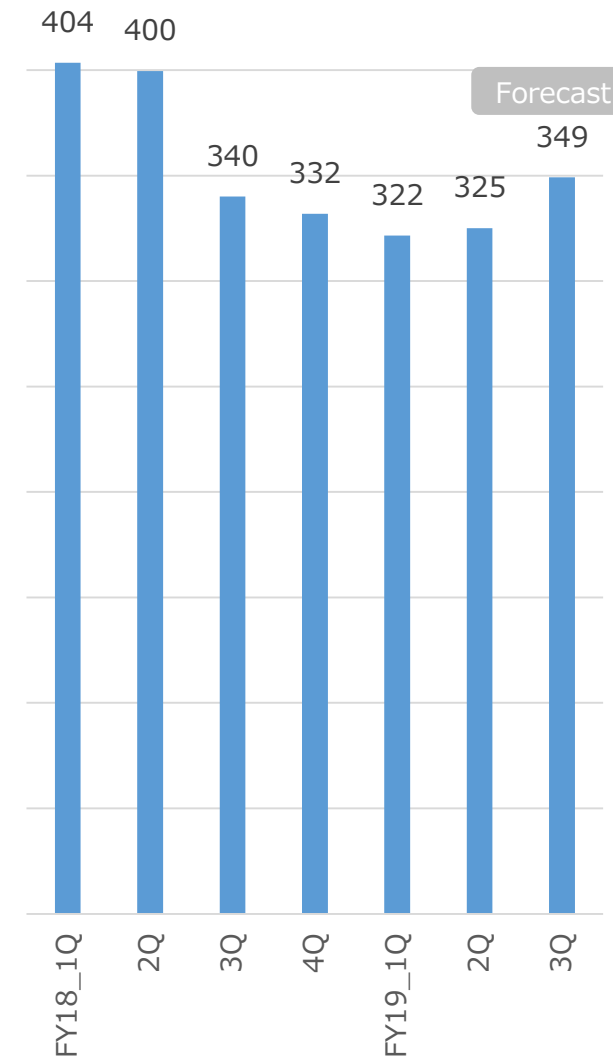
Enhancement of production capabilities for precision processing tools and precision processing equipment

 - Expansion of Chino Factory: Broke ground in July 2019 (Scheduled to be completed in December 2020)

Continue to hire new employees and enhance production capability of dicing saw and such products.
- ❑ Focus on organizational management and business management to strengthen the company.

“Will accounting” and “PIM” with “DISCO Values” at the core.

Quarterly Shipment figures Trends
100million yen(Oku yen)

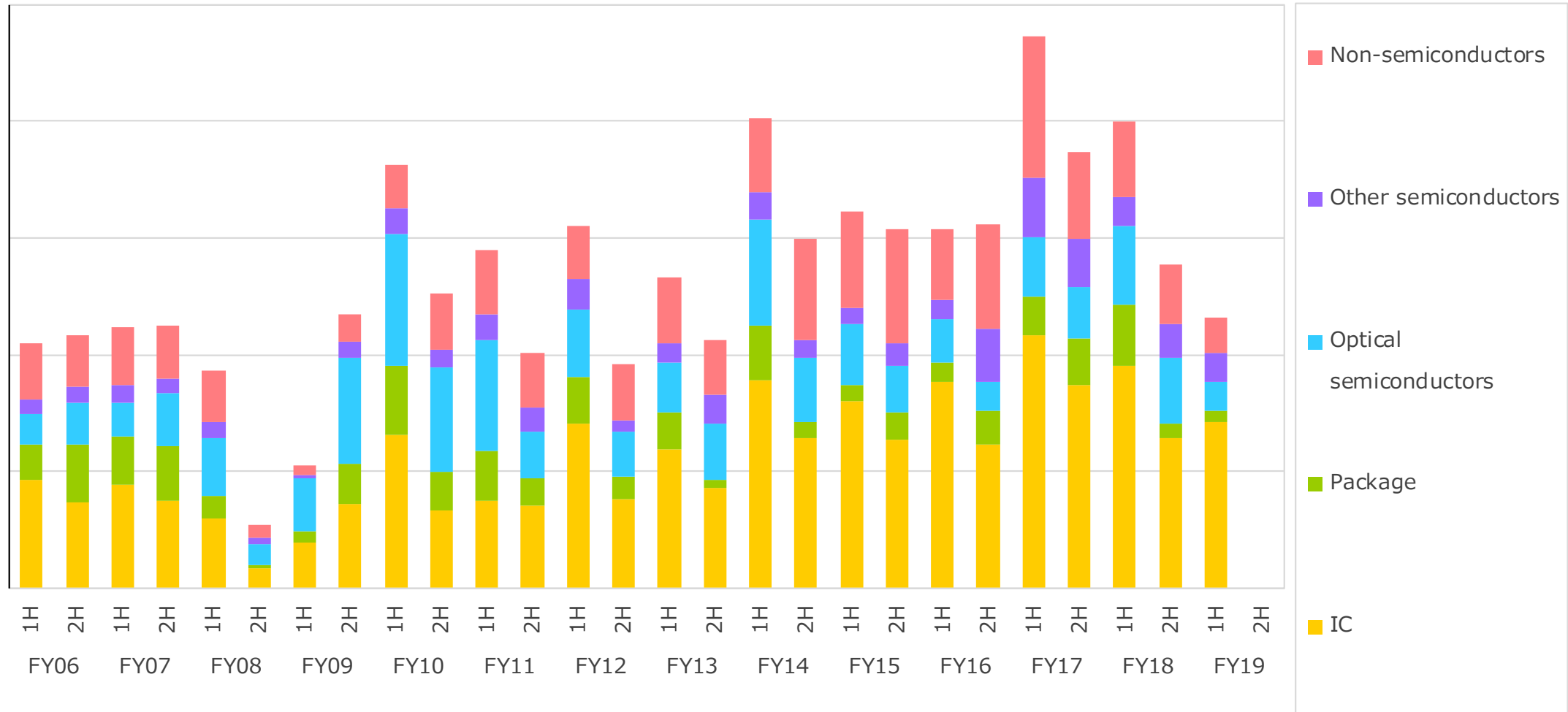


[Reference]
Graph of the Overall Trends for the Half-Year

Non-consolidated Sales by Usage of Dicing Saws

Shipment Basis

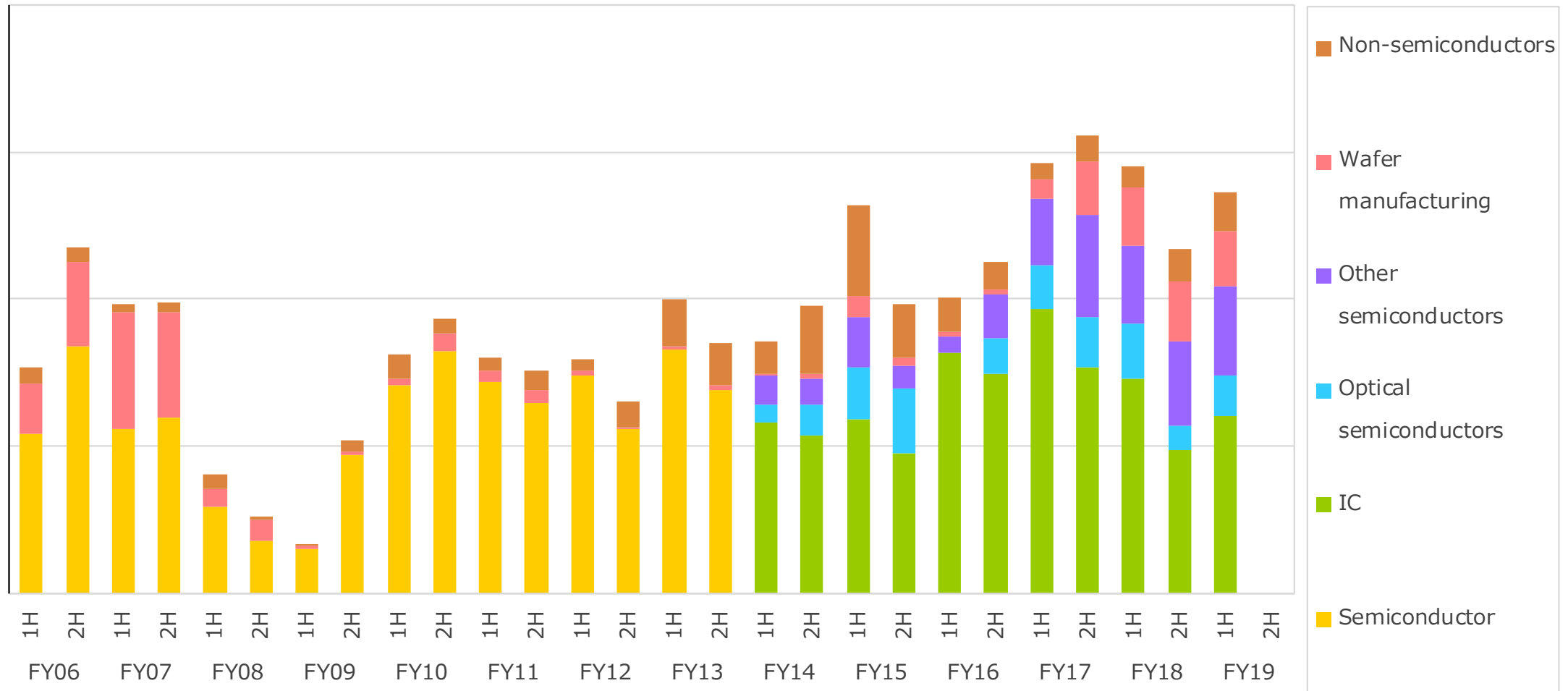
Half-Year



Non-consolidated Sales by Usage of Grinders

Shipment Basis

Half-Year



Consolidated Consumable* Sales



Half-Year

