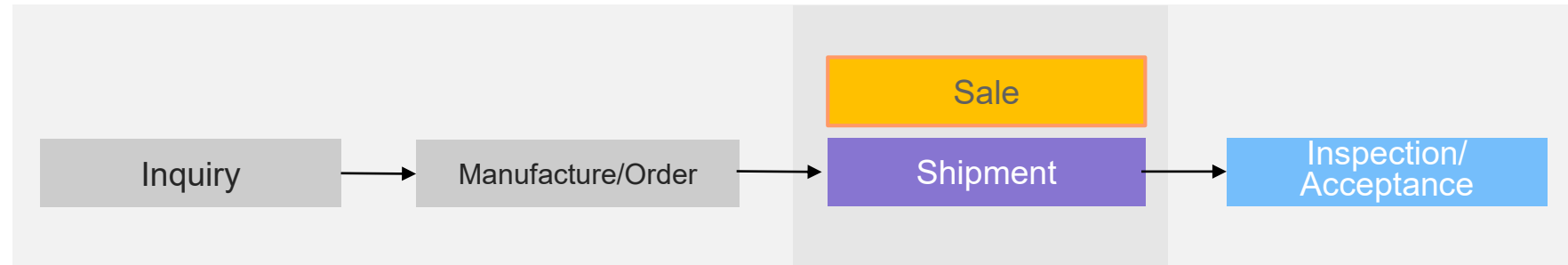


2019 Third Quarter Financial Results

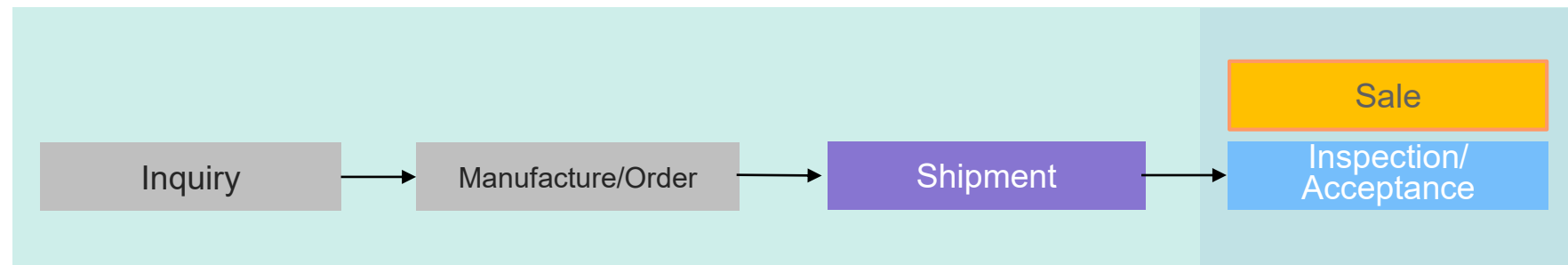
Jan. 23, 2020

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

Before



After



FY2019 3Q Earnings Results (Consolidated)



Inspection/Acceptance basis

Millions of Yen	FY2019 3Q	FY2019 2Q	QoQ		FY2018 3Q	YoY	
			Amount	(%)		Amount	(%)
Net Sales	34,435	35,103	-668	-1.9%	34,006	-	-
Gross Profit	21,036	21,743	-706	-3.2%	20,193	-	-
Gross Profit Margin	61.1%	61.9%	-0.8p	-	59.4%	-	-
SG&A	12,598	11,635	963	8.3%	12,454	-	-
Operating Income	8,438	10,107	-1,669	-16.5%	7,738	-	-
Ordinary Income	8,492	10,439	-1,947	-18.6%	8,161	-	-
Ordinary Income Margin	24.7%	29.7%	-5.0p	-	24.0%	-	-
Income before income taxes and minority interests	8,734	10,370	-1,636	-15.8%	7,831	-	-
Net Income	6,333	7,296	-963	-13.2%	6,225	-	-

Sales: QoQ Increased for precision processing tools(Consumables), but decreased for precision processing equipment.
GP Margin: QoQ Decreased slightly due to changes in product composition but remained at a steady level.
SG&A: QoQ Increased slightly due to seasonal cost increases.

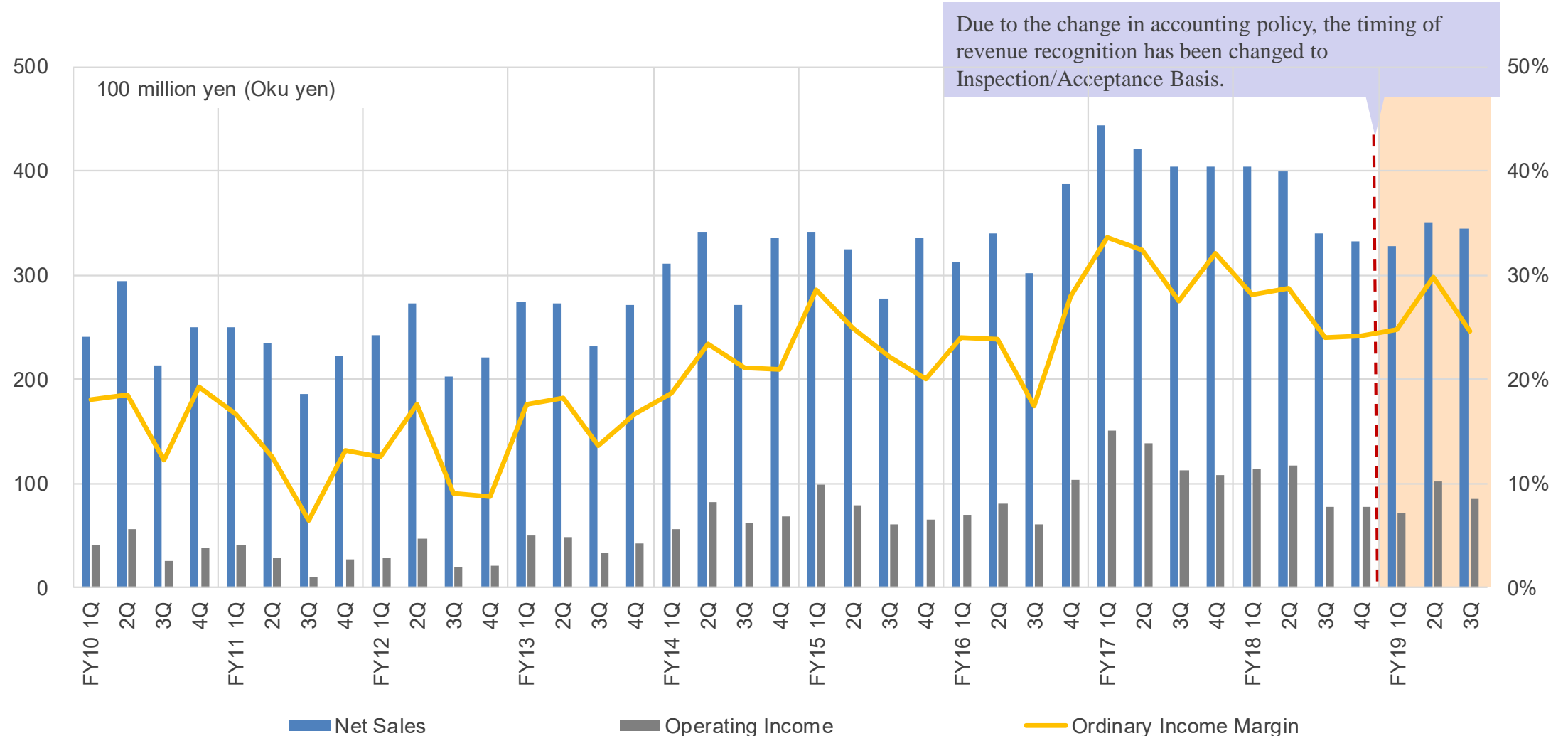
Shipment Basis

Millions of Yen	FY2019	FY2019	QoQ		FY2018	YoY	
	3Q	2Q	Amount	(%)	3Q	Amount	(%)
Net Sales	35,194	32,013	3,181	9.9%	34,006	1,188	3.5%
Gross Profit	21,812	19,265	2,547	13.2%	20,193	1,619	8.0%
Gross Profit Margin	62.0%	60.2%	1.8p	-	59.4%	2.6p	-
SG&A	12,610	11,516	1,094	9.5%	12,454	155	1.2%
Operating Income	9,201	7,748	1,453	18.8%	7,738	1,463	18.9%
Ordinary Income	9,152	7,883	1,269	16.1%	8,161	992	12.2%
Ordinary Income Margin	26.0%	24.6%	1.4p	-	24.0%	2.0p	-

Reference information; According to previous accounting policy, shipment basis.

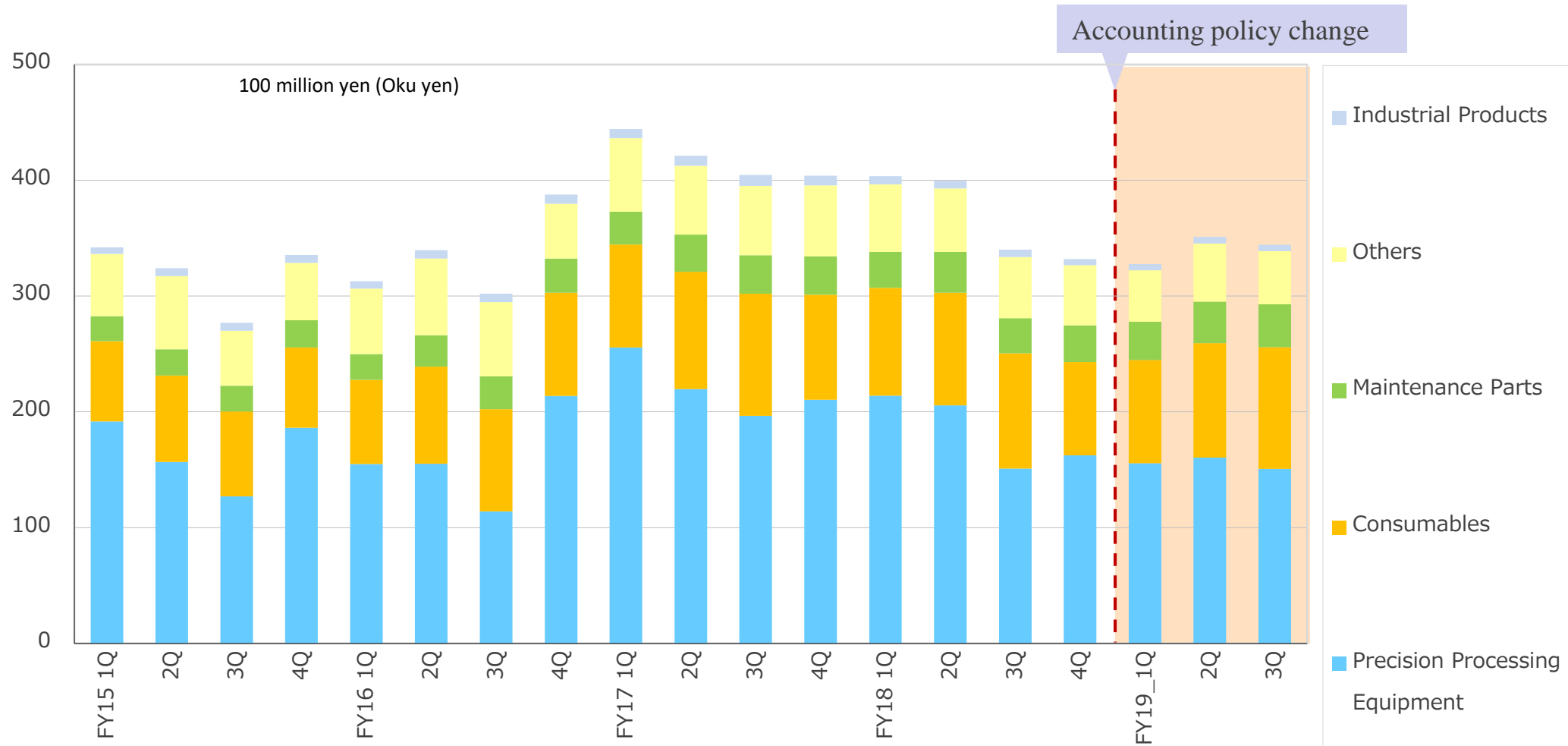
Sales: YoY Increased for both precision processing equipment and precision processing tools(consumables).
 GP Margin: YoY Increased due to changes in sales composition.
 SG&A: YoY Remained high, especially R&D expenses.

Quarterly Consolidated Financial Results



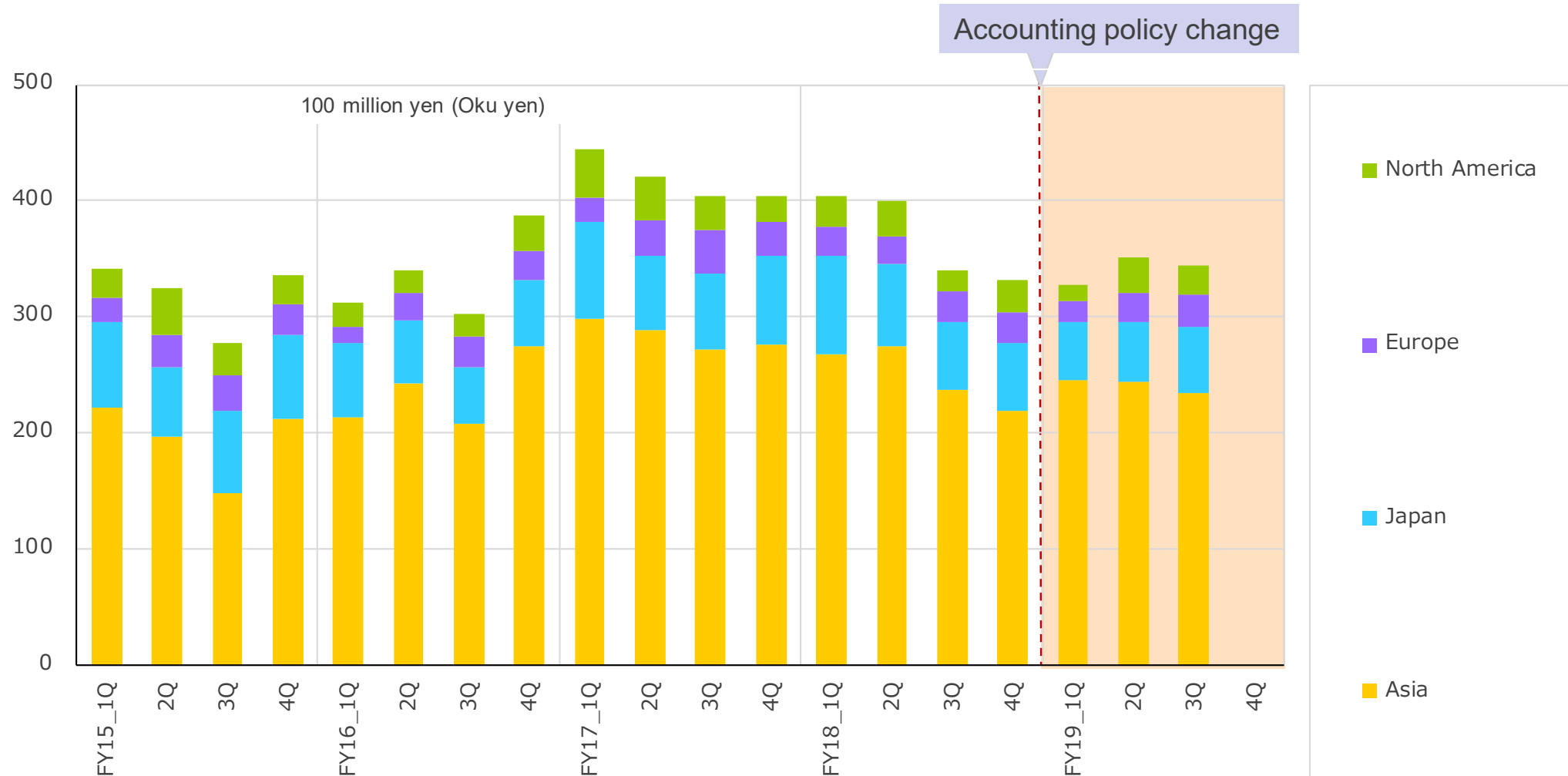
Financial performance was consistently robust, and the ordinary income margin was maintained at over 20%.
 (FY19 3Q operating income margin: 24.5%, Ordinary income margin: 24.7%, Net income margin: 18.4%)

Quarterly Consolidated Sales Breakdown by Product



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

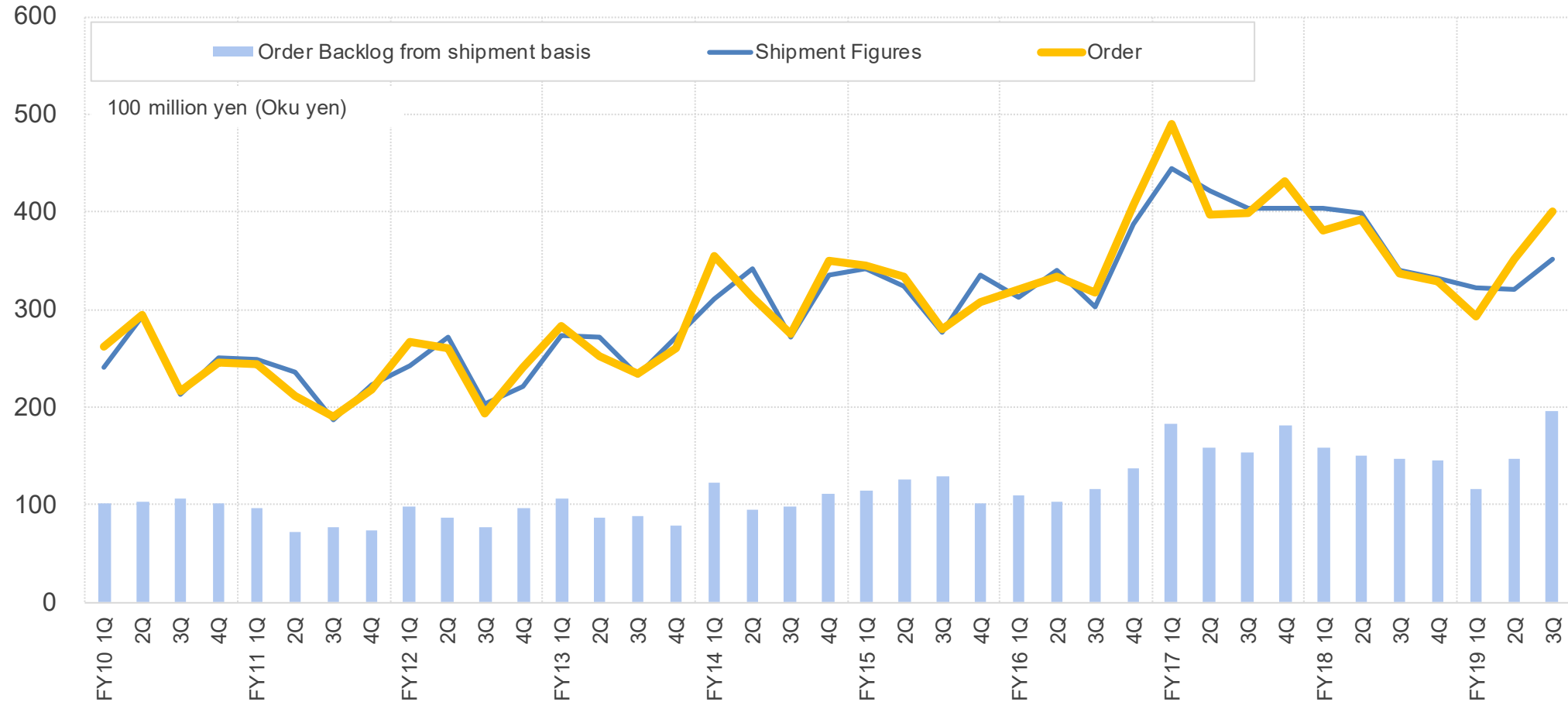
Consolidated Sales Breakdown by Region



Overseas sales accounted for 83.4% of the total sales.
 (Overseas sales for the same quarter in the previous year were 82.6%.)

Quarterly Consolidated Shipment/Orders

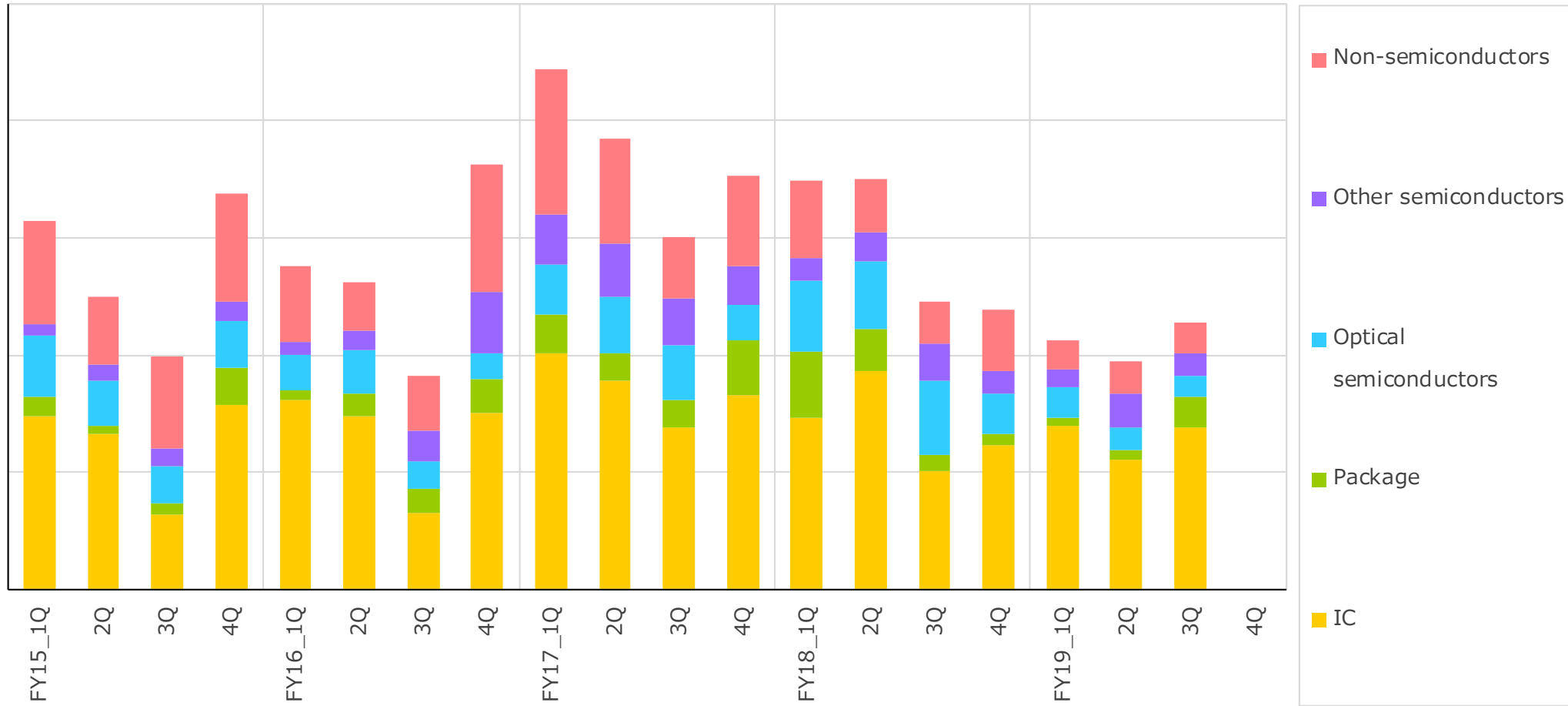
Shipment Basis



Orders during 3Q of FY19: Approx. JPY 40,000 million, Shipments: Approx. JPY 35,200 million, Unshipped balance: Approx. JPY 19,600 million
 Customer investment resumed particularly for some mass-production applications, boosting orders.

Non-consolidated Sales by Usage of Dicing Saws

Shipment Basis

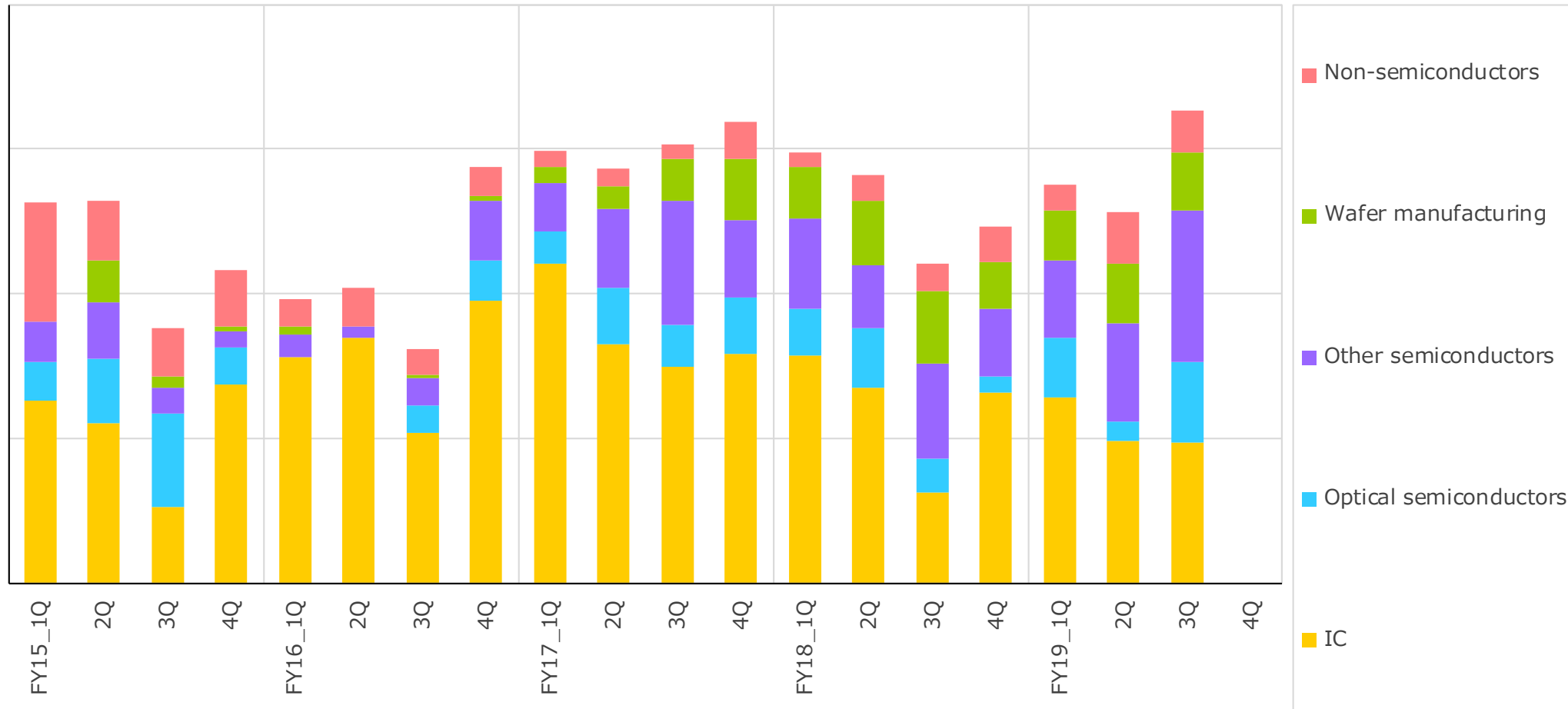


QoQ: IC demand increased, particularly for OSATs.

YoY: Investment in LED, which was robust during the same quarter in the previous year, was weak.

Non-consolidated Sales by Usage of Grinders

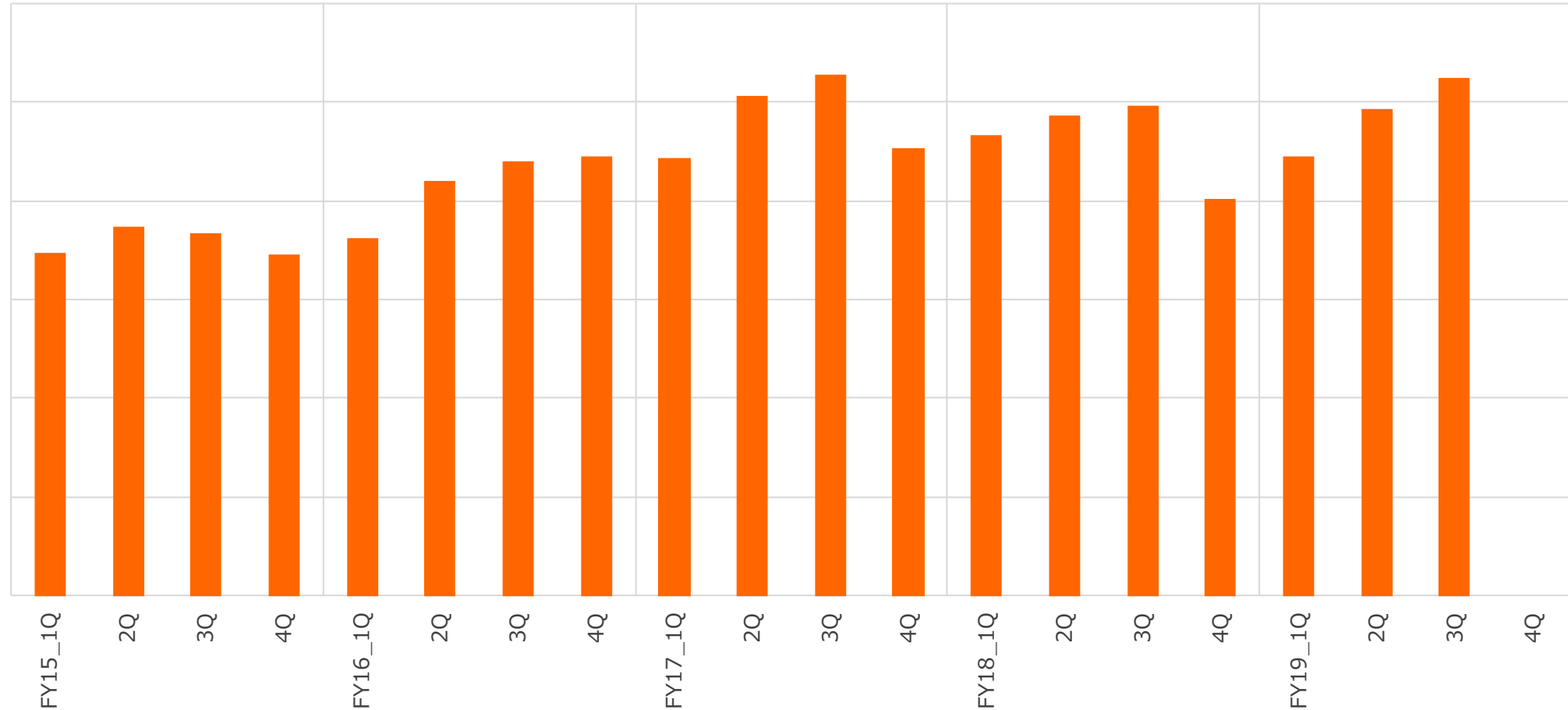
Shipment Basis



QoQ: Increased demand for power semiconductors and optical semiconductors boosted sales.

YoY: The level has been kept high by a wide variety of applications, including optical semiconductors, wafers manufacturing, etc.

Consolidated Consumable* Sales



Remained high due to continued high operating rates of customer facilities, particularly in the Asia-Pacific region.

Balance Sheet (Summary)

Millions of Yen	FY2019 3Q	FY2019 2Q	Amount
Cash and deposits	84,862	78,562	6,300
Notes and account receivable	23,570	22,465	1,105
Inventories	46,842	45,401	1,441
Total current assets	160,197	149,334	10,863
Property, plant and equipment	88,890	88,527	363
Total noncurrent assets	98,680	99,655	-975
Total assets	258,878	248,989	9,888
Current liabilities	39,686	33,274	6,412
Noncurrent liabilities	497	429	68
Total liabilities	40,183	33,704	6,479
Total net assets	218,694	215,285	3,409
Total liabilities and net assets	258,878	248,989	9,888
Equity Ratio	84.0%	85.9%	-1.9p

Total assets: Equipment inspection/acceptance is steady, resulting in an increase in cash and deposits.

Liabilities: Current liabilities increased due to increase in accounts payable and bill payable.

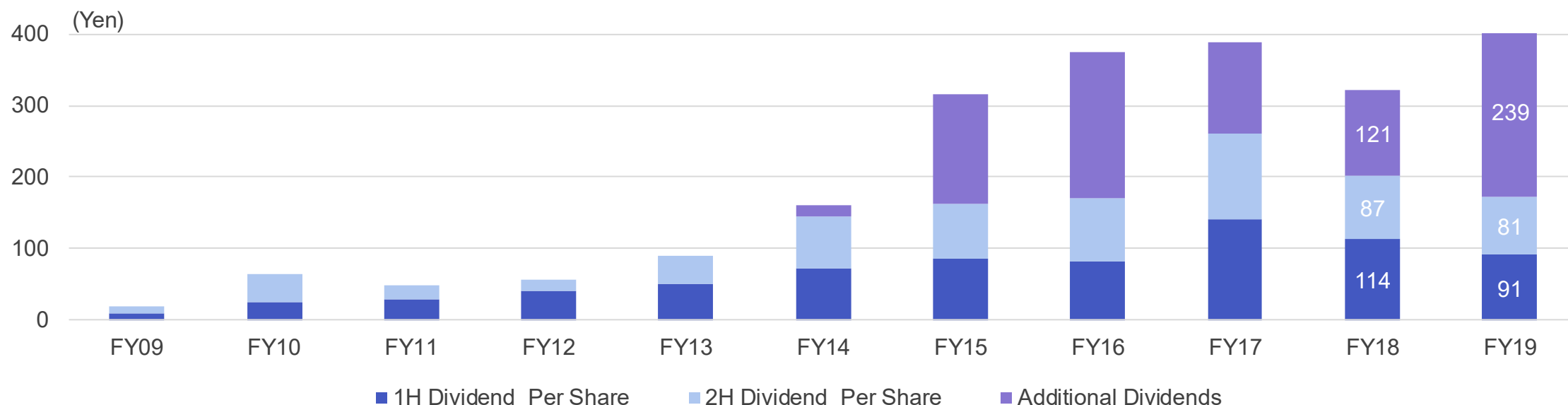
Net assets: Retained earnings increased.

Dividend Policy

- 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.
- DISCO considers the main point of our BCM to be “Everyone being able to protect themselves.” Thus, we strive to predict risks such as natural disasters and epidemics, educate our employees, and promote activities for employees to be able to protect themselves. For example, for a seasonal flu and other infectious diseases, the most important thing is preventing it from infecting others, even more so than treating it. DISCO is also strengthening its infection and epidemic countermeasures, one of its many daily activities in being prepared for a pandemic, and part of an effort to raise awareness.

[Remarks]

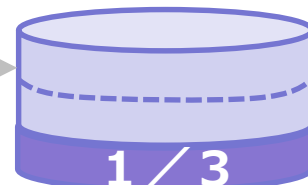
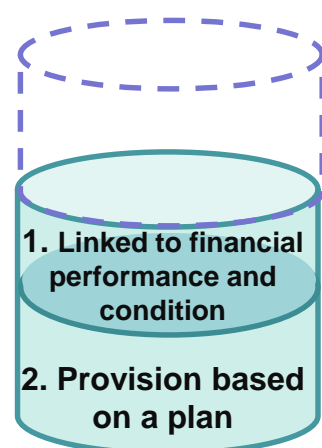
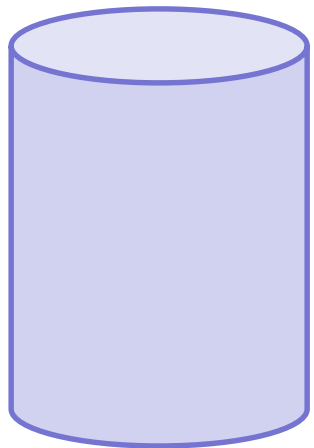
The ¥20 payout stipulated in our stable dividend policy may be reviewed if there are consolidated net losses for three consecutive years.



Current forecast: FY19 interim JPY 91 (actual), FY19 year-end JPY 320 (Additional dividend: JPY 239)
 Results from the previous year: FY18 interim JPY 114, FY18 year-end JPY 208 (Additional dividend: JPY 121)

Current Forecast

Year-end balance JPY 84.0 B	-	Necessary funds JPY 58.4 B	=	Surplus funds JPY 25.6 B
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JPY **8.5** B
Additional dividends

Contents of necessary funds:

Operating funds		JPY 22.5 B
Previous year Consolidated sales ÷ 12 months x 2		
1	Technical purchases (including M&A)	JPY 14.0 B
	Consolidated sales Average of past 3 years x 10%	
Refund of interest bearing debt		-
Taxes and dividends		JPY 4.6 B
2	Facility expansion	JPY 17.3 B
	D zone in Kuwabata plant B building in Nagano plant	

Earnings Forecast 4Q FY2019



100 million yen (Oku yen)

Forecast

	FY18 1Q	2Q	3Q	4Q	FY19 1Q	2Q	3Q	4Q
Net Sales	404	399	340	332	328	351	344	330
Operating Income	114	117	77	77	71	101	84	68
Ordinary Income	113	114	82	80	81	104	85	72
Net Income	83	80	62	62	57	73	63	52
Operating Income Margin	28.4%	29.4%	22.8%	23.3%	21.7%	28.8%	24.5%	20.7%
Ordinary Income Margin	28.1%	28.7%	24.0%	24.1%	24.7%	29.7%	24.7%	21.8%
Net Income Margin	20.6%	20.1%	18.3%	18.8%	17.5%	20.8%	18.4%	15.8%
Shipment Figures	404	399	340	332	322	320	352	412

Note: From FY19, the timing of revenue recognition has been changed to Inspection/Acceptance Basis.

Assumed exchange rates:

USD: JPY 100,

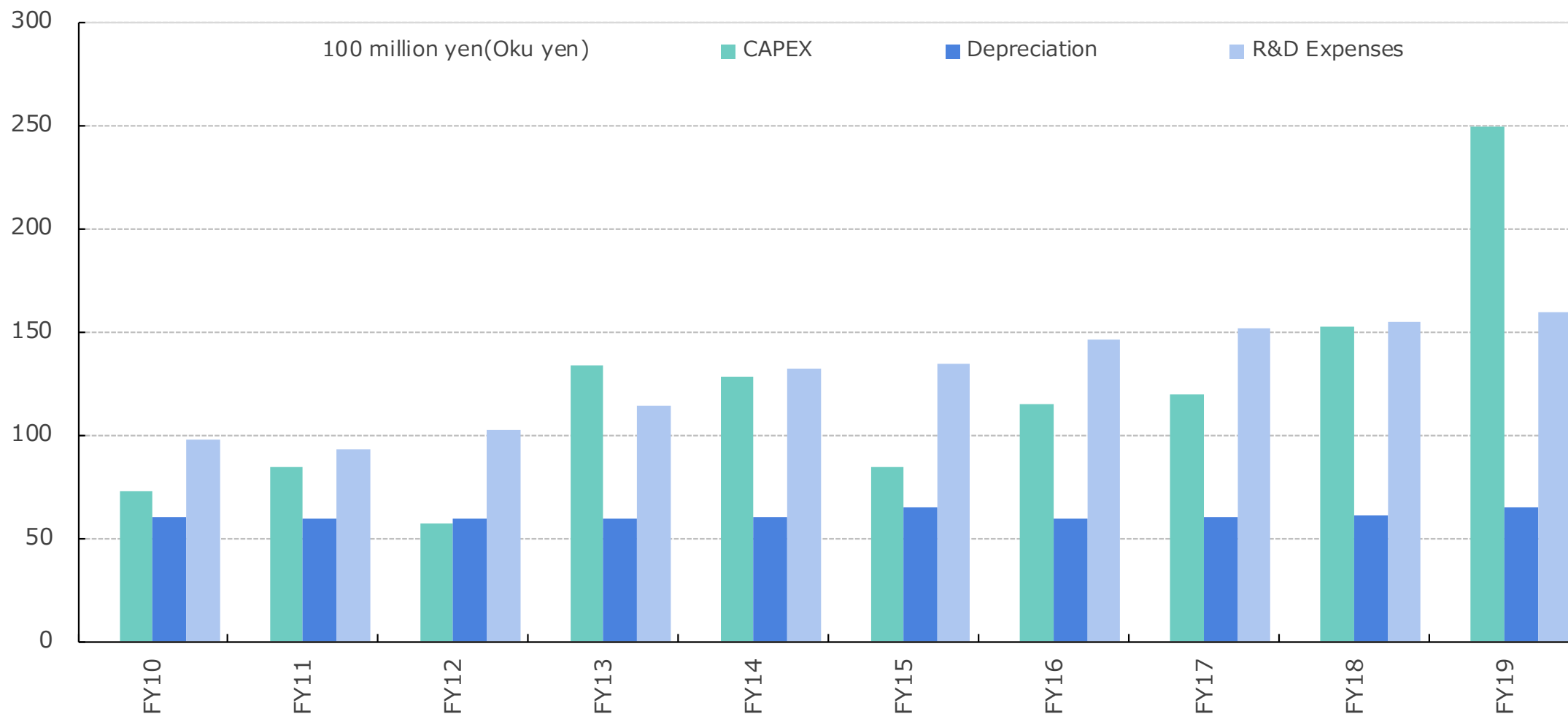
EUR: JPY 115

Foreign exchange sensitivity (consolidated and annualized): USD: Approx. JPY 600 million – 700 million EUR: Approx. JPY 30 million

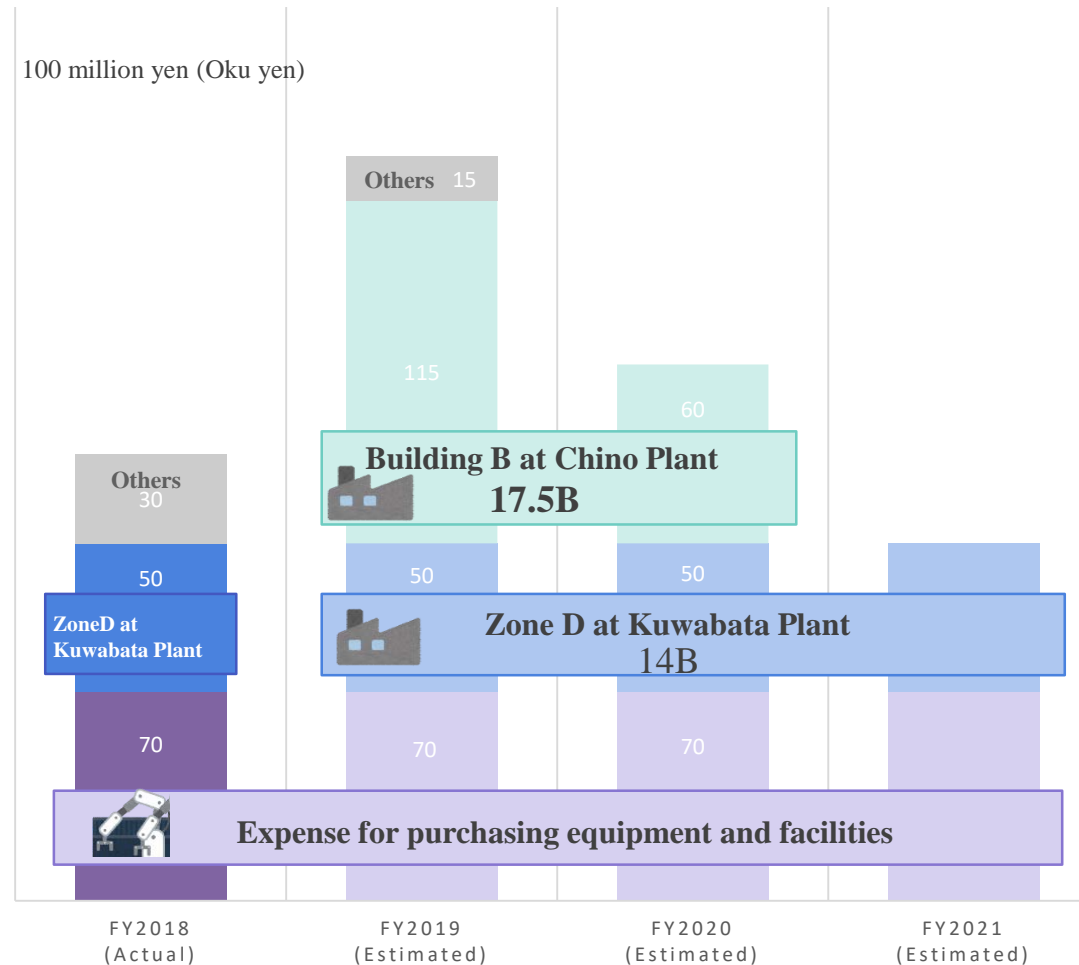
Sales Forecast By Product

Shipment Basis

QoQ		FC FY19_4Q
	DGP (for thin wafers)	10%
	Normal Grinders	50%
	Grinders	30%
	Blade Dicers	30%
	Laser Saws	70%
	Dicers	50%
Precision Processing Equipment		40%
Consumables		-10%
Others		10%



- 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