

FY2023

Third Quarter Financial Results

January 24, 2024

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.

FY2023 3Q Earnings Results



Billions of Yen	FY2023	FY2023	QoQ		FY2022	YoY	
	3Q	2Q	Amount	(%)	3Q	Amount	(%)
Net Sales	77.0	72.3	4.7	6.5%	65.8	11.2	16.9%
Gross Profit	52.7	49.5	3.2	6.4%	43.1	9.6	22.2%
Gross Profit Margin	68.4%	68.4%	0.0p	-	65.5%	2.9p	-
SG&A	22.3	21.4	0.9	4.0%	18.8	3.5	18.4%
Operating Income	30.4	28.0	2.3	8.3%	24.3	6.1	25.1%
Ordinary Income	29.4	28.1	1.3	4.7%	22.6	6.8	30.3%
Ordinary Income Margin	38.2%	38.9%	-0.7p	-	34.3%	3.9p	-
Income before income taxes and minority interests	21.9	28.1	-6.2	-22.2%	22.5	-0.6	-2.9%
Net Income	16.1	20.0	-4.0	-19.7%	16.5	-0.5	-2.9%

Sales: Both YoY and QoQ increased due to progress in equipment acceptance.

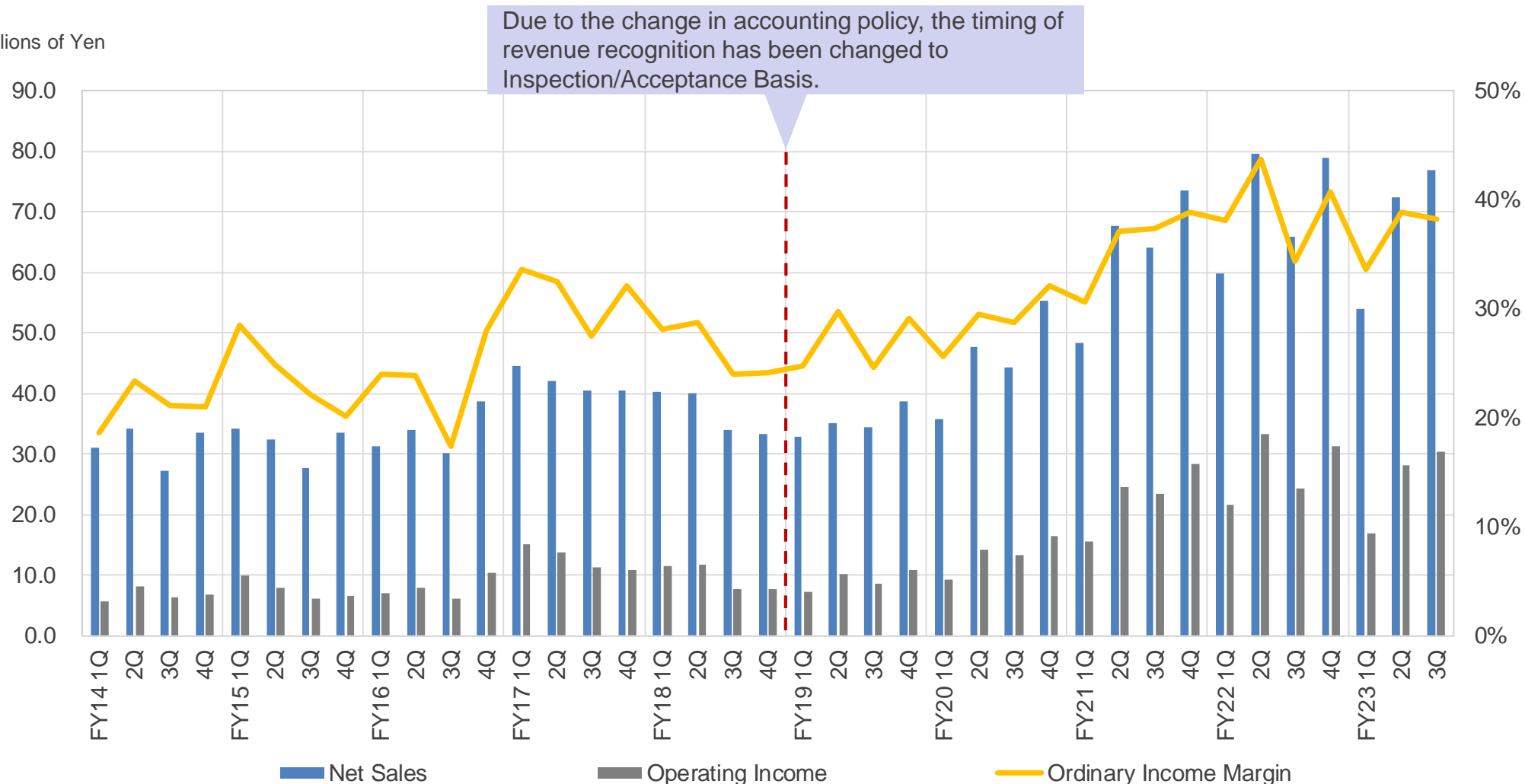
GP margin: YoY increased due to high-added value cases, improvement activities, exchange rate, etc.

SG&A: YoY increased mainly due to personnel and R&D expenses.

Quarterly Financial Results

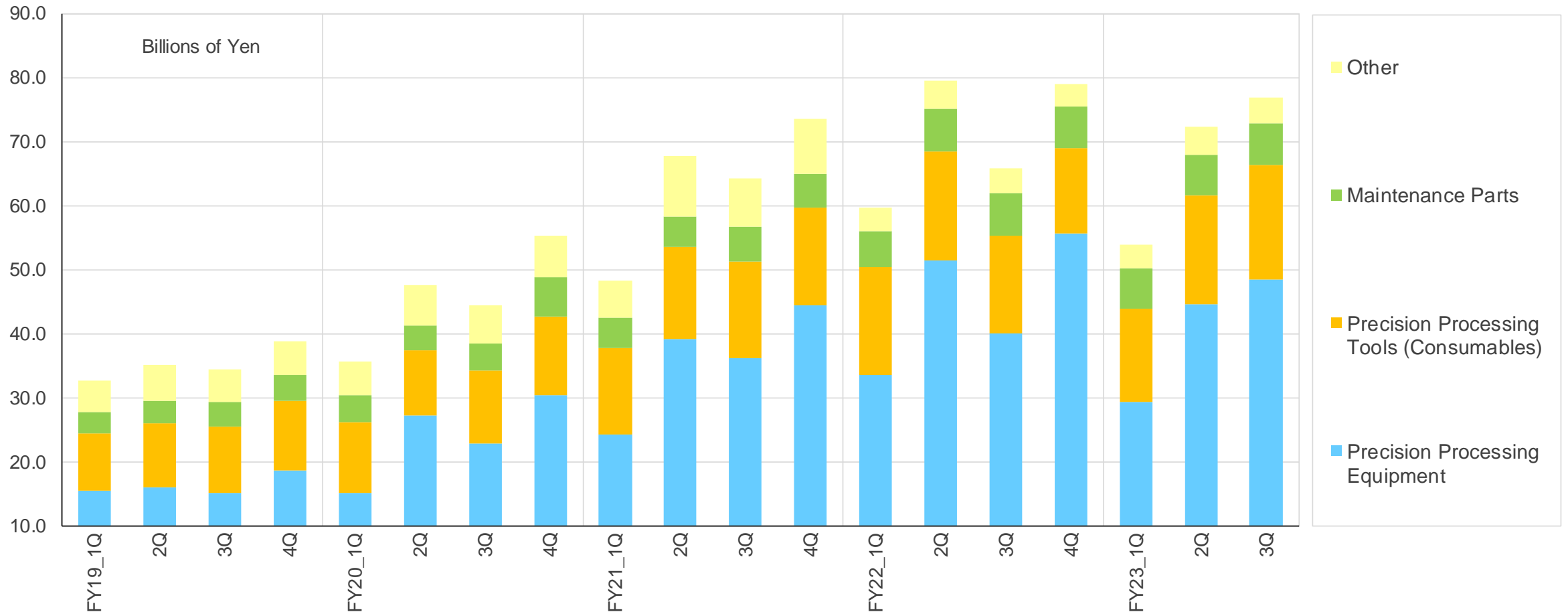


Billions of Yen



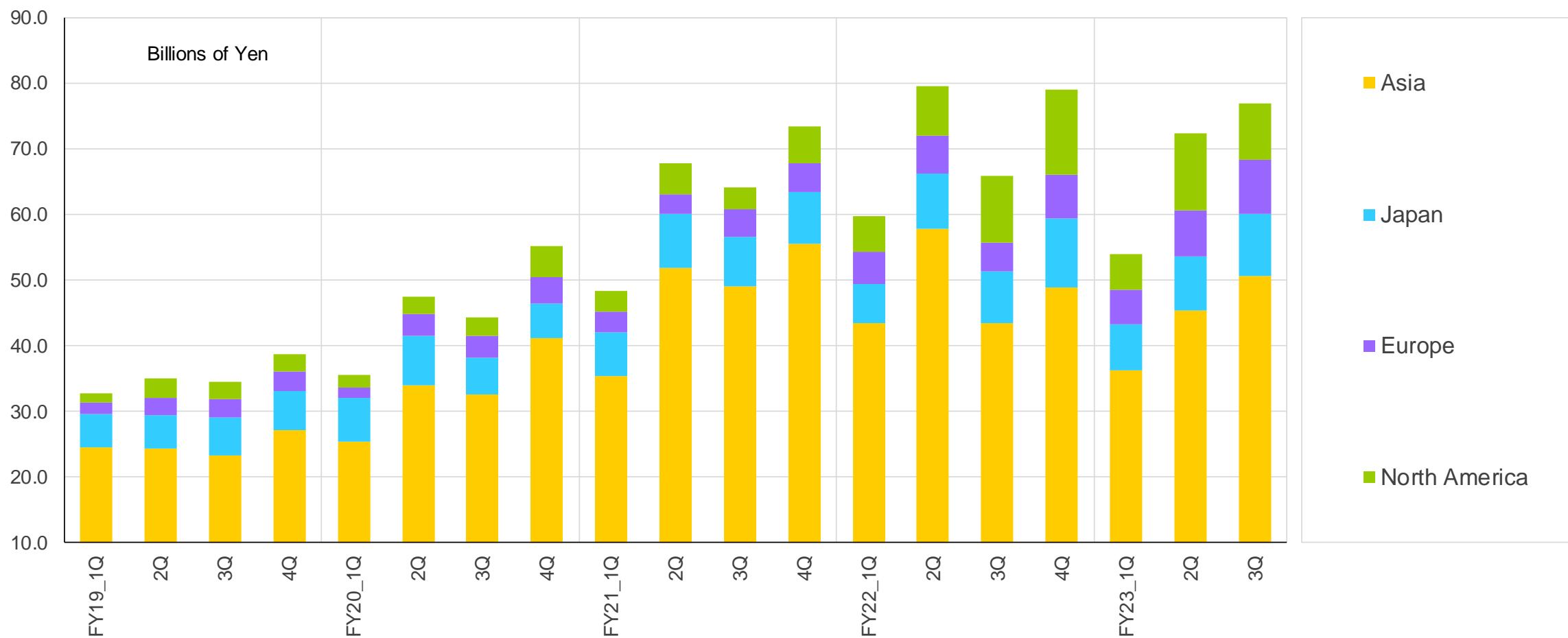
As the sales and GP margin were high, the operating profit margin remained high.
 (FY23_3Q Operating profit margin 39.4%, Ordinary profit 38.2%, Net income 20.9%)

Quarterly Sales Breakdown by Product



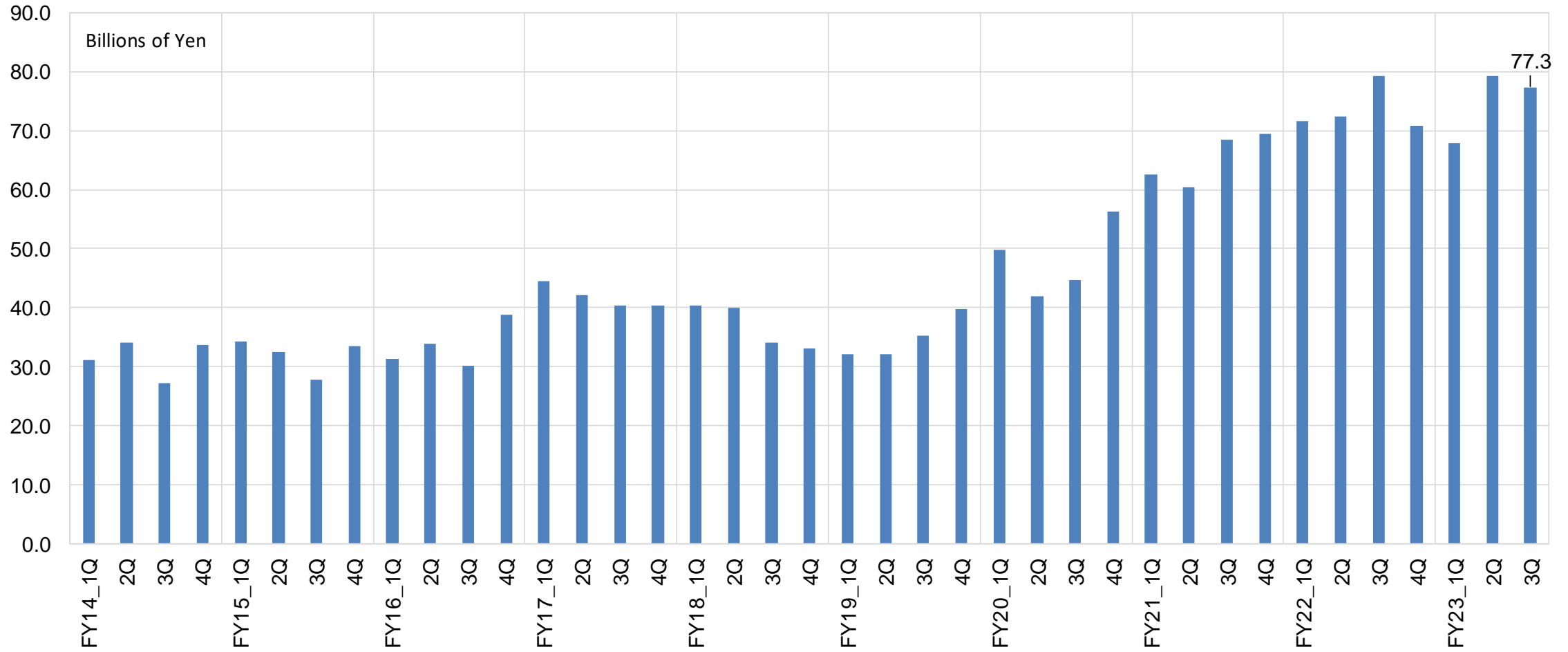
Note: Composition percentages are listed as additional information on the DISCO website.

Quarterly Sales Breakdown by Region



FY23_3Q Overseas sales ratio:87.6%

Quarterly Shipment



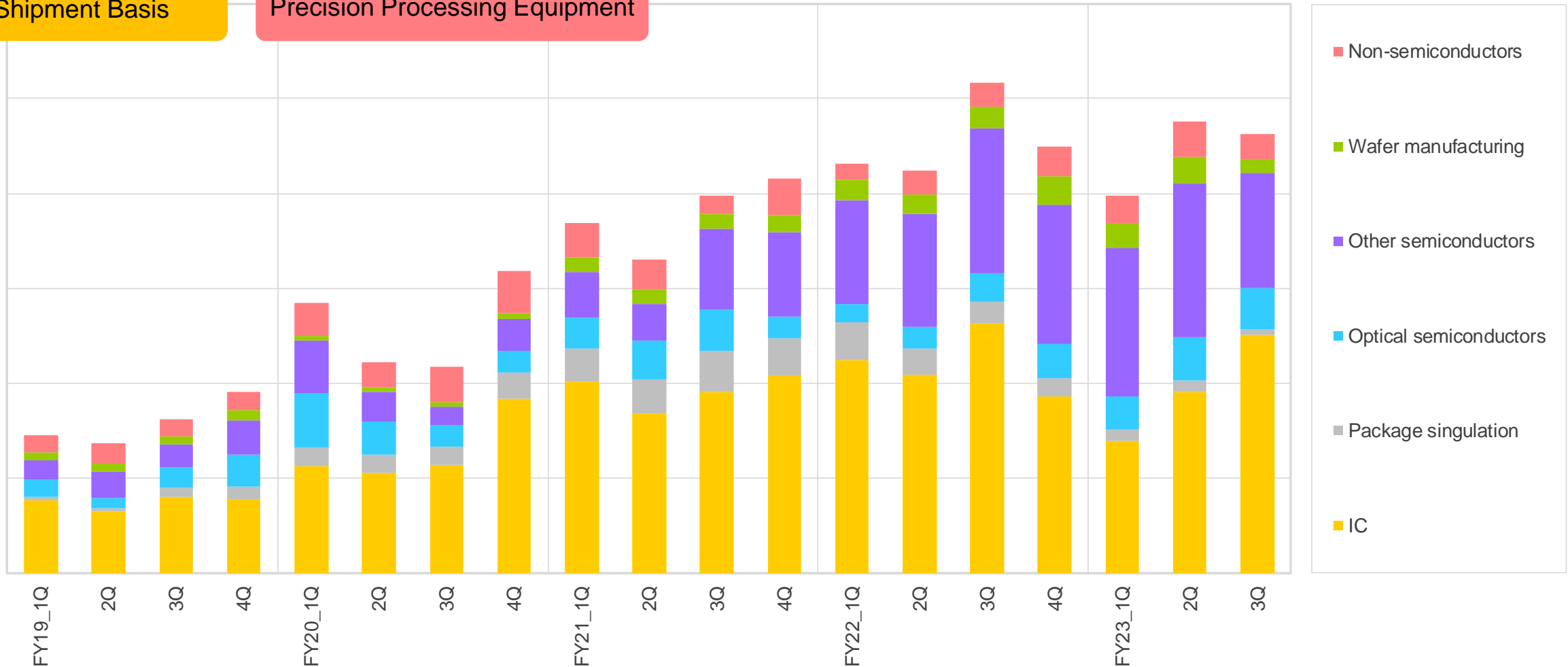
FY23_3Q Shipment volume: approx. JPY 77.3 B

Precision Processing Equipment: Sales by Application



Shipment Basis

Precision Processing Equipment

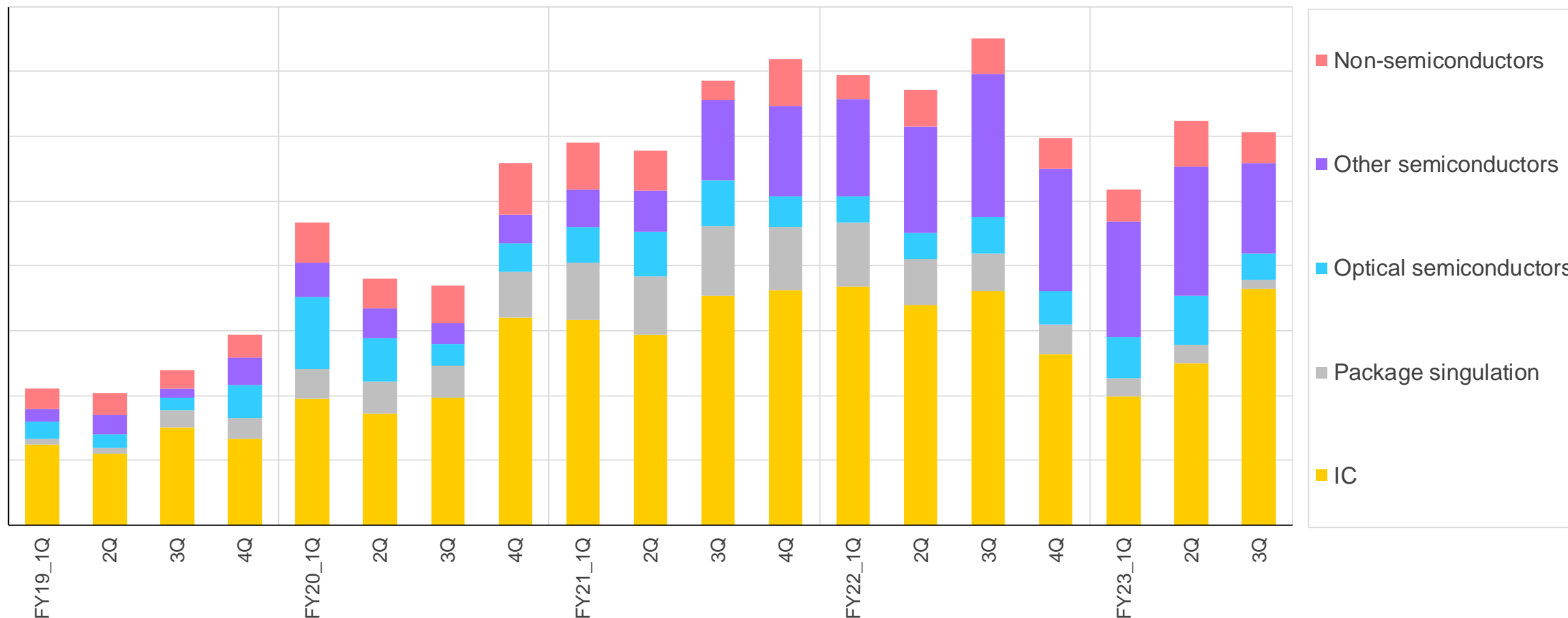


QoQ: An increase in sales for IC offset the decrease in sales for power semiconductors (under “Other semiconductors”).
 YoY: Decreased for all applications except optical semiconductors.

Dicer: Sales by Application

Shipment Basis

Dicer

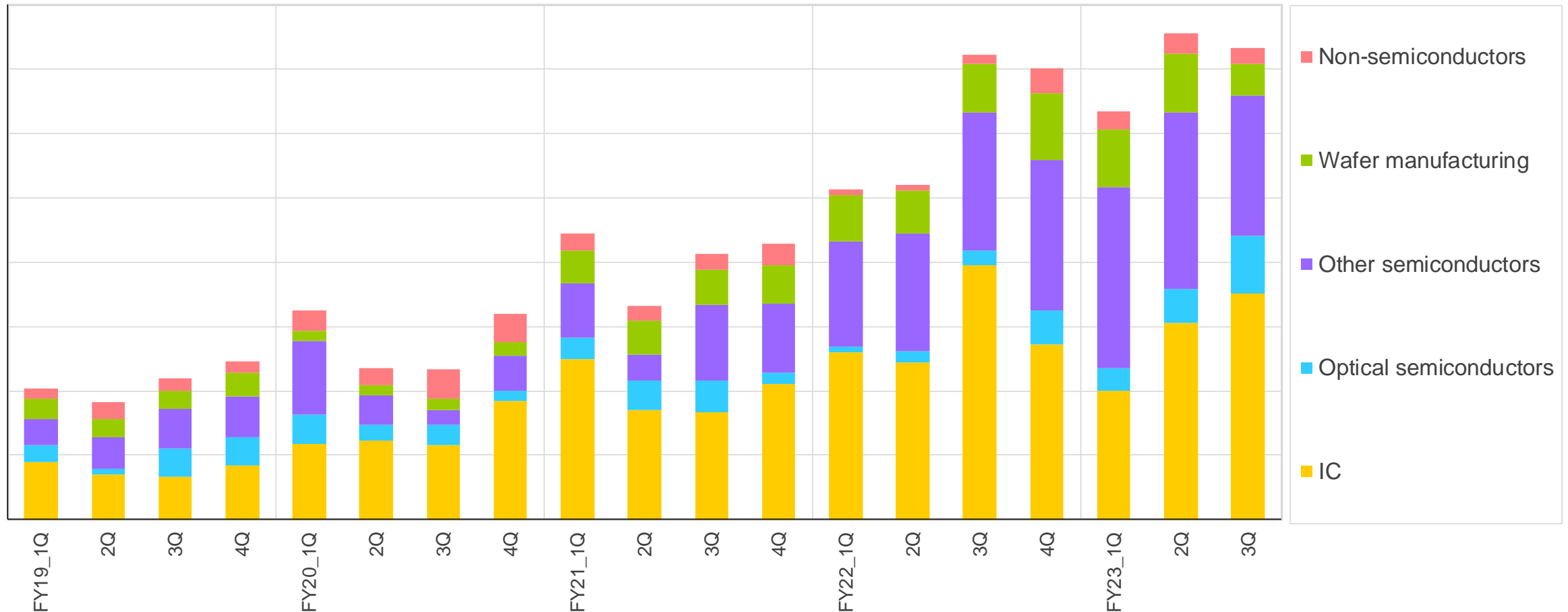


QoQ: An increase in sales for IC offset the decrease in sales for power semiconductors (under “Other semiconductors”).
 YoY: Decreased for power semiconductors (under “Other semiconductors”).

Grinder: Sales by Application

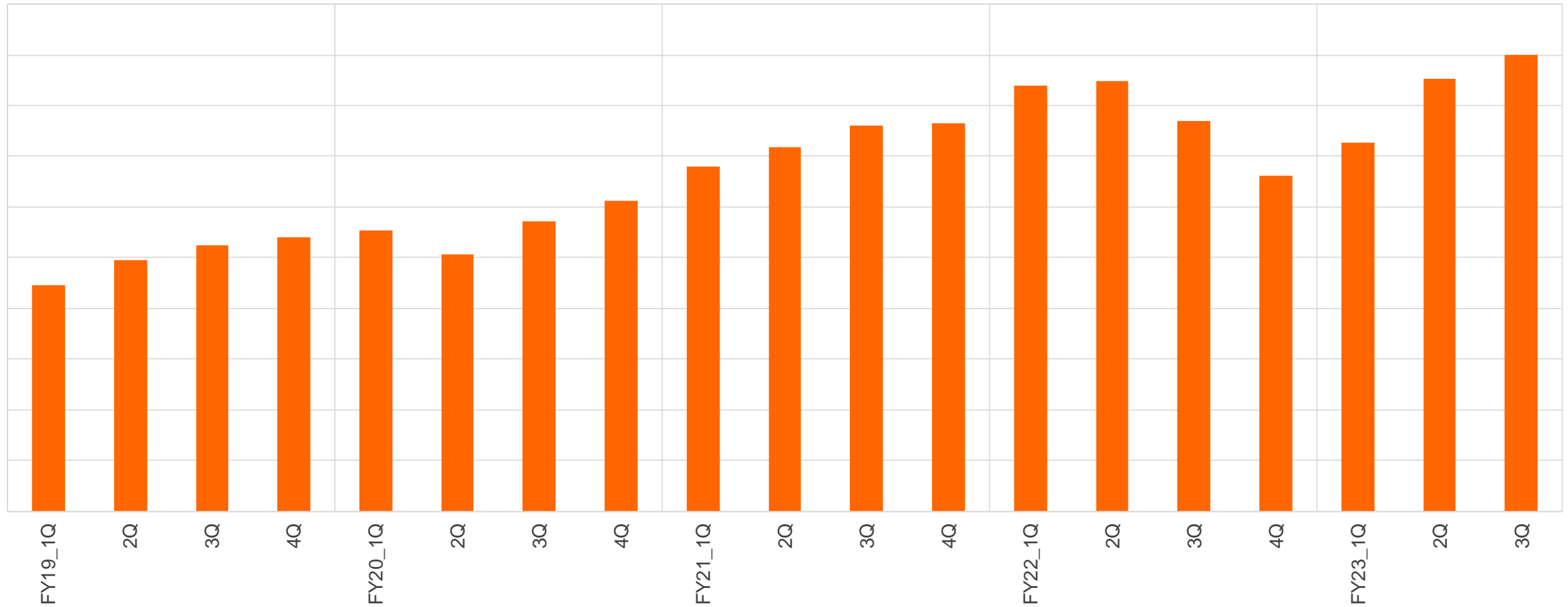
Shipment Basis

Grinder



QoQ: Increased for IC supported by the increase in demand for generative AI.
 YoY: Increased for optical semiconductors (mainly for CMOS image sensors).

Precision Processing Tools Sales (Consumables)



A QoQ increase was seen for precision processing tool (consumables) shipments. Reached a record high linked to an upward trend in customer facility operation rates.

Balance Sheet (Summary)

Billions of Yen	FY2023 3Q	FY2023 2Q	Amount
Cash and deposits	172.2	175.8	-3.6
Notes and account receivable	38.9	38.4	0.5
Inventories	113.7	105.7	8.0
Total current assets	333.1	325.0	8.1
Property, plant and equipment	145.4	151.8	-6.4
Total noncurrent assets	163.0	166.7	-3.7
Total assets	496.1	491.7	4.4
Current liabilities	125.6	130.6	-5.0
Noncurrent liabilities	0.8	0.9	0.0
Total liabilities	126.4	131.5	-5.0
Total net assets	369.7	360.2	9.4
Total liabilities and net assets	496.1	491.7	4.4
Equity Ratio	74.3%	73.0%	1.3p

Total assets: Decrease in fixed assets (loss due to reconstruction of the Haneda R&D Center) and increase in inventories.

Liabilities: Decrease in outstanding corporate taxes and contract liabilities due to progress in acceptance.

Net assets: Increased mainly in earned surplus.

Earnings Forecast 4Q FY2023



Billions of Yen

Forecast

	FY22 1Q	2Q	3Q	4Q	FY23 1Q	2Q	3Q	4Q
Net Sales	59.7	79.5	65.8	79.0	54.0	72.3	77.0	84.5
Operating Income	21.6	33.3	24.3	31.3	17.0	28.0	30.4	33.2
Ordinary Income	22.8	34.8	22.6	32.2	18.2	28.1	29.4	33.4
Net Income	16.0	24.6	16.5	25.7	12.7	20.0	16.1	25.5
Operating Income Margin	36.1%	41.8%	36.8%	39.6%	31.5%	38.8%	39.4%	39.3%
Ordinary Income Margin	38.1%	43.8%	34.3%	40.7%	33.7%	38.9%	38.2%	39.5%
Net Income Margin	26.8%	31.0%	25.1%	32.5%	23.5%	27.7%	20.9%	30.2%
Shipment Figures	71.7	72.5	79.2	70.9	67.8	79.4	77.3	85.9

A loss of profit amounting to approximately JPY 7.5 B due to the reconstruction of the Haneda R&D Center will be included for the third quarter (October to December).

Assumed exchange rate in Q4 (Jan-Mar): USD 1 = JPY 135, EUR 1 = JPY 150

Currency sensitivity (consolidated, annualized) USD: Approx. JPY 1.2 B, EUR: Approx. JPY 0.08 B

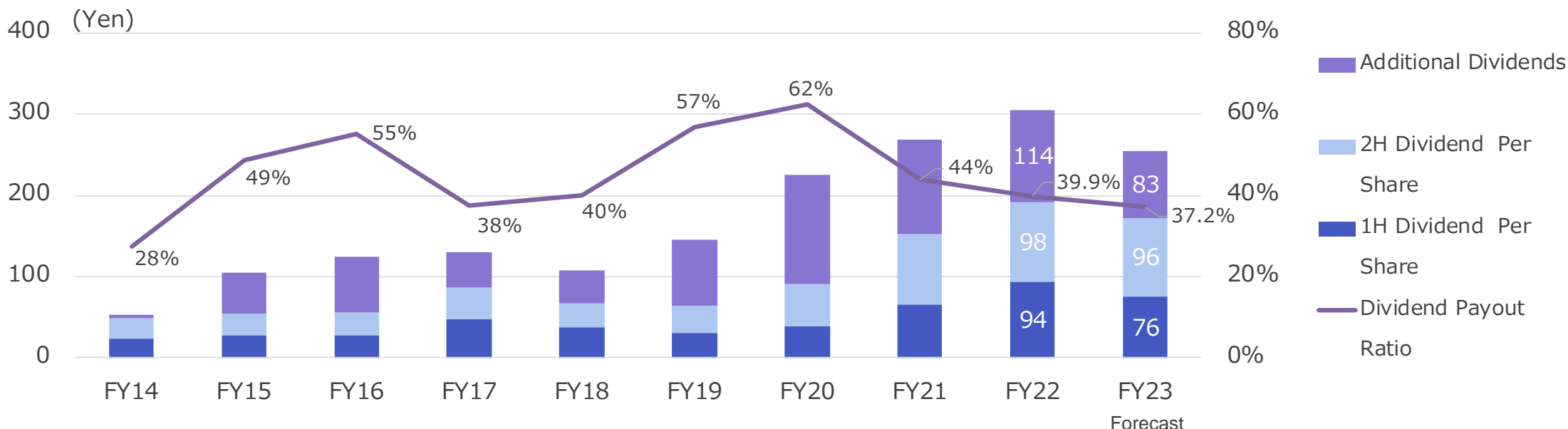
Dividend Policy and Dividend Payments

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.

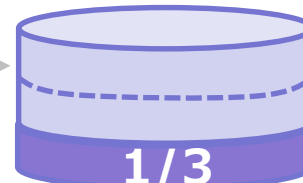
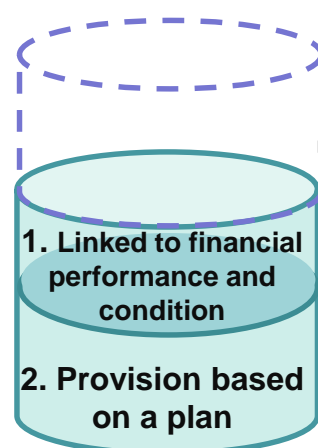
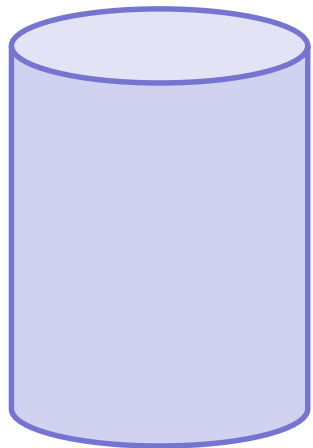


FY23 Interim dividends (actual) JPY 76 Year-end (forecast): JPY 179

*The Company implemented a stock split in the proportion of 1 share into 3 shares effective as of April 1, 2023
(The dividend trend before FY22 has been represented under the assumption that the applicable stock split has been done)

Current Forecast

* Year-end balance JPY 133.0 B	-	Necessary funds JPY 106.2 B	=	Surplus funds JPY 26.8 B
--	---	---------------------------------------	---	------------------------------------



JPY 8.9 B

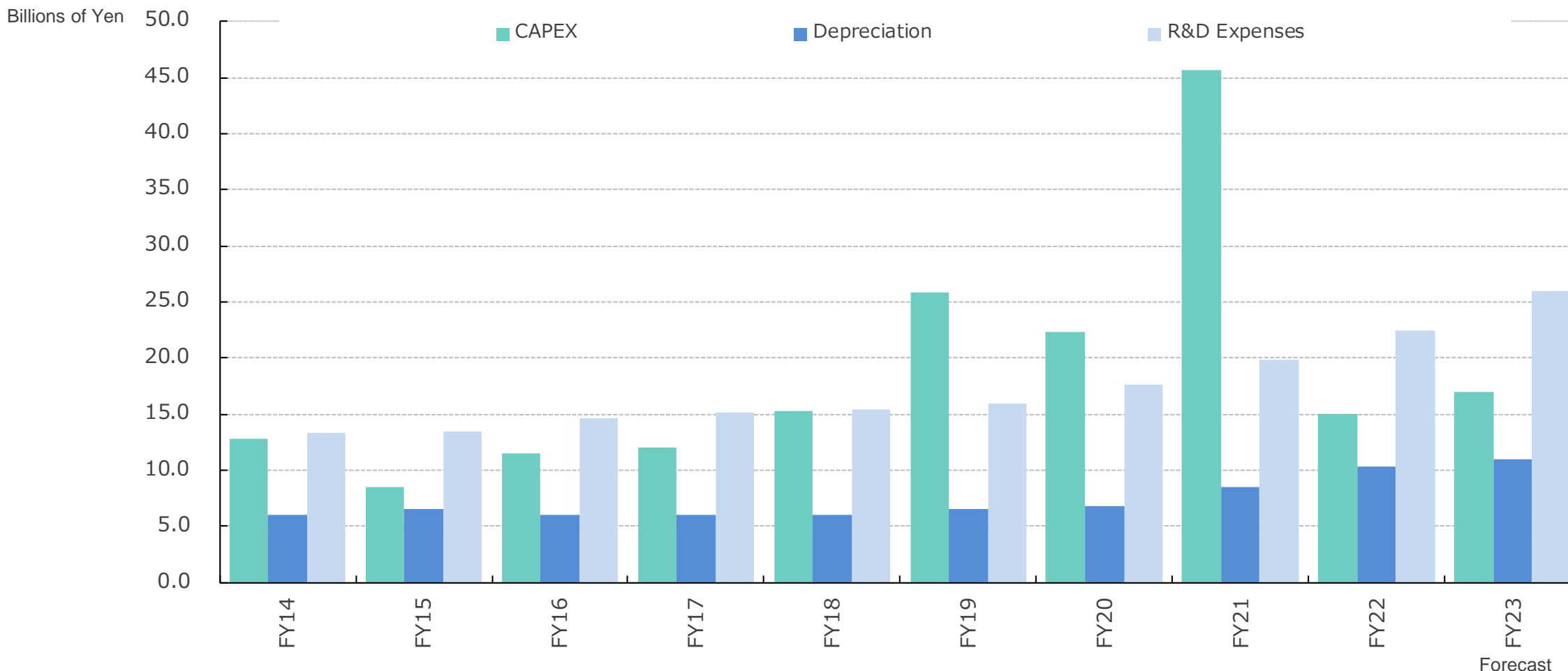
Additional dividends

Contents of necessary funds:

1	Operating funds	JPY 48.0 B
	[Previous year Consolidated sales ÷ 12 months x 2]	
	Technical purchases (including M&A)	JPY 24.0 B
	[Consolidated sales Average of past 3 years x 10%]	
	Refund of interest bearing debt	-
	Taxes and dividends	JPY 19.7 B
2	Facility expansion	JPY 14.5 B
	[Reconstruction of the Haneda R&D Center]	

*Contract liabilities (advances received) are taken into account.

R&D/CAPEX Forecast



FY23 Forecast

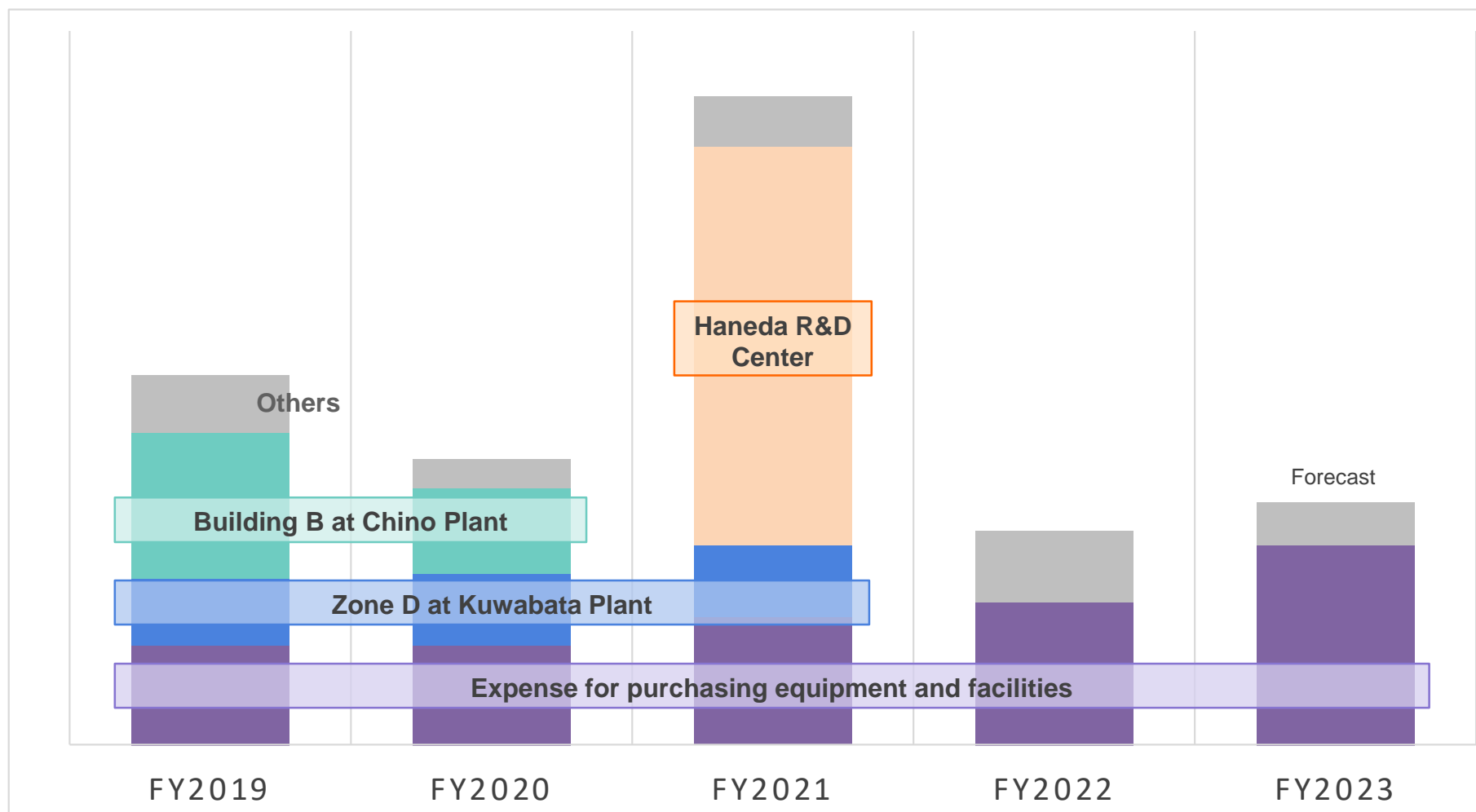
Capital investment: Approx. JPY 17 B; mainly investment for rationalization.

(Facility investment for a new building at the Haneda R&D Center will be after next term)

Depreciation: Approx. JPY 11 B; expected to be equal to or a slight increase compared to the previous fiscal year.

Research and Development: Approx. JPY 26 B; proactive research and development is continuing.

Breakdown of CAPEX



FY23 Forecast

Purchase of machines and facilities: Approx. JPY 14 B

Others (expansion of offices, etc.): Approx. JPY 3 B

(Construction of a new building at the Haneda R&D Center is scheduled to begin in April 2025.)

Sales Forecast By Product

Shipment Basis

Product		Forecast FY23_4Q (QoQ)
	Blade dicers	25%
	Laser Saws	40%
	Dicers	30%
	DGP (for thin wafers)	0%
	Other Grinders	50%
	Grinders	20%
	Accessory Equipment	-10%
	Precision Processing Equipment	25%
	Precision Processing Tools (Consumables)	-10%
	Others	-10%

- Reference data

Shipment Basis

Product	Composition	QoQ	YoY
	3Q	3Q	3Q
Precision Processing Equipment	63%	-5%	-11%
Dicers	31%	-3%	-19%
Blade Dicers	17%	-2%	-18%
Laser Saws	14%	-3%	-21%
Grinders	28%	-3%	1%
DGP (for thin wafers)	17%	20%	6%
Other Grinders	11%	-24%	-5%
Accessory Equipment	3%	-27%	-13%
Precision Processing Tools	24%	7%	17%
Others	13%	-9%	15%
Total	100%	-3%	-2%

Composition by Application

Shipment Basis

		FY22				FY23		
Product	Application	22-1Q	22-2Q	22-3Q	22-4Q	23-1Q	23-2Q	23-3Q
Dicers	IC	53%	51%	48%	44%	38%	40%	60%
	Package singulation	14%	10%	8%	8%	6%	4%	2%
	Optical semiconductors	6%	6%	8%	9%	12%	12%	7%
	Other semiconductors	22%	24%	29%	32%	34%	32%	23%
	Non-semiconductors	5%	8%	7%	8%	10%	11%	8%
Dicers		100%	100%	100%	100%	100%	100%	100%
Grinders	IC	51%	47%	55%	39%	32%	41%	48%
	Optical semiconductors	2%	3%	3%	8%	5%	7%	12%
	Other semiconductors	32%	35%	29%	33%	45%	36%	30%
	Wafer manufacturing	14%	13%	11%	15%	14%	12%	7%
	Non-semiconductors	2%	2%	2%	5%	5%	4%	3%
Grinders		100%	100%	100%	100%	100%	100%	100%

YoY by Application

Shipment Basis

		FY22				FY23		
Product	Application	22-1Q	22-2Q	22-3Q	22-4Q	23-1Q	23-2Q	23-3Q
Dicers	IC	16%	16%	2%	-27%	-46%	-27%	1%
	Package singulation	11%	-23%	-47%	-53%	-71%	-60%	-76%
	Optical semiconductors	-25%	-38%	-20%	8%	55%	81%	-28%
	Other semiconductors	161%	152%	79%	36%	18%	23%	-37%
	Non-semiconductors	-50%	-9%	87%	-36%	40%	24%	-15%
Dicers		18%	16%	10%	-17%	-25%	-7%	-19%
Grinders	IC	4%	44%	136%	28%	-23%	25%	-11%
	Optical semiconductors	-71%	-63%	-51%	227%	253%	207%	267%
	Other semiconductors	92%	360%	82%	117%	74%	50%	3%
	Wafer manufacturing	41%	24%	40%	77%	24%	37%	-37%
	Non-semiconductors	-62%	-59%	-41%	13%	198%	244%	74%
Grinders		16%	56%	75%	64%	24%	45%	1%

Shipment Basis

		FY22				FY23		
Product	Application	22-1Q	22-2Q	22-3Q	22-4Q	23-1Q	23-2Q	23-3Q
Dicers	IC	1%	-7%	6%	-27%	-25%	26%	46%
	Package singulation	3%	-31%	-17%	-20%	-37%	-5%	-50%
	Optical semiconductors	-15%	4%	36%	-10%	22%	22%	-46%
	Other semiconductors	8%	8%	36%	-14%	-6%	12%	-30%
	Non-semiconductors	-51%	55%	-2%	-15%	7%	38%	-33%
Dicers		-4%	-3%	12%	-21%	-13%	20%	-3%
Grinders	IC	23%	-6%	61%	-31%	-26%	53%	15%
	Optical semiconductors	-41%	78%	42%	119%	-36%	55%	70%
	Other semiconductors	51%	12%	17%	10%	21%	-3%	-20%
	Wafer manufacturing	22%	-7%	14%	36%	-15%	3%	-48%
	Non-semiconductors	-71%	-7%	57%	166%	-23%	8%	-21%
Grinders		20%	1%	39%	-3%	-9%	19%	-3%

Composition by Region

Inspection/Acceptance Basis.

Composition by Region	FY2022				FY2023		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Japan	10%	10%	12%	13%	13%	12%	12%
North America	9%	9%	15%	16%	10%	16%	11%
Asia	73%	73%	66%	62%	67%	63%	66%
Singapore	11%	10%	10%	9%	8%	9%	7%
Taiwan	17%	18%	13%	14%	15%	11%	10%
Korea	14%	10%	7%	9%	8%	5%	9%
China (Note 1)	29%	34%	34%	28%	35%	36%	38%
Other	2%	1%	1%	2%	1%	2%	1%
Europe	8%	7%	7%	8%	10%	10%	11%
Total	100%	100%	100%	100%	100%	100%	100%

Note 1: Including sales to local factories of foreign manufacturers

This material

Below are the answers to questions asked during the one-on-one meeting with analysts and investors after presentation of the financial results. Although close attention is paid to the written contents, if there are any mistakes in the information and/or data tampering by a third party, DISCO does not take any responsibility. In addition, the purpose of this document is not for soliciting investment. Please invest based on your judgement.

Disclaimer

Statements in this document 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 world and domestic business trends and steep exchange rate fluctuations, as well as war, terrorism, natural disasters, and epidemics.

Intellectual Property Rights

All material on this website is protected under international copyright laws, treaty provisions, and other applicable laws. Except for personal, non-commercial internal use, you need to obtain DISCO's prior explicit approval to use (including copying, modifying, reproducing in whole or in part, uploading, transmitting, distributing, licensing, selling and publishing) any of the materials on this website.

Software that is made available from this website is the copyrighted work of the respective rightful owner, and is protected under international copyright laws, treaty provisions, and other applicable laws. Use of such software is subject to the terms and conditions of the software usage agreement.

The trademarks, product names, service names or logos of DISCO or any third party used in this website are protected under trademark law, anti-competitive practices law, and other laws. You need to obtain DISCO's or such third party's prior explicit approval for their use.

<https://www.disco.co.jp/eg/>