

FY2013 Financial Results and FY2014 Forecasts

DISCO CORPORATION

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FY2013 4Q Earnings Results

Millions of Yen	FY2013	QoQ	
	4Q	FY2013 3Q	Amount (%)
Net Sales	27,111	23,199	3,912 16.9%
Gross Profit	14,106	12,283	1,824 14.8%
Gross Profit Margin	52.0%	52.9%	-0.9p -
SG&A	9,889	8,952	937 10.5%
Operating Income	4,217	3,330	887 26.6%
Ordinary Income	4,530	3,162	1,368 43.3%
Ordinary Income Margin	16.7%	13.6%	3.1p -
Income before income taxes and minority interests	4,503	3,095	1,408 45.5%
Net Income	3,364	2,060	1,304 63.3%

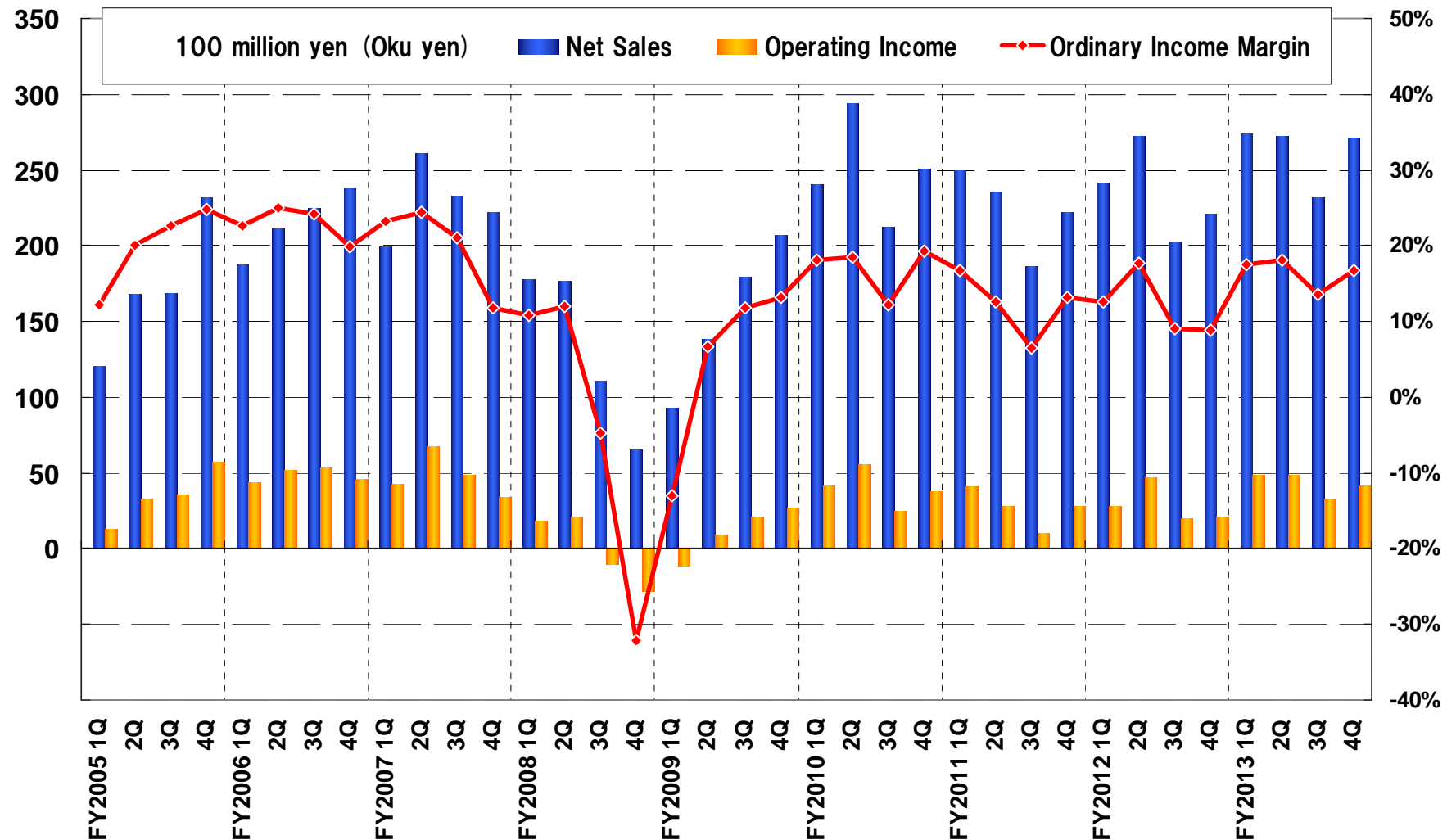
- Compared to the previous quarter, which was during the adjustment phase, capital investment for smartphone and tablet related devices intensified rapidly from March, net sales reached a very high level for 4Q, totaling 27.1 billion yen, which is an increase QoQ by 16.9%.
- SG&A expenses increased due to end-of-year related factors, but operating income increased by QoQ 26.6% due to the relatively high GP ratio.

FY2013 Earnings Results (April 1, 2013 through March 31, 2014)

Millions of Yen	FY2013 Full Year	YoY	
		Amount	(%)
Net Sales	104,920	93,707	11,213 12.0%
Gross Profit	54,102	44,692	9,410 21.1%
Gross Profit Margin	51.6%	47.7%	3.9p -
SG&A	36,749	33,090	3,658 11.1%
Operating Income	17,353	11,601	5,752 49.6%
Ordinary Income	17,447	11,586	5,861 50.6%
Ordinary Income Margin	16.6%	12.4%	4.2p -
Income before income taxes and minority interests	17,306	10,825	6,481 59.9%
Net Income	12,088	7,473	4,616 61.8%

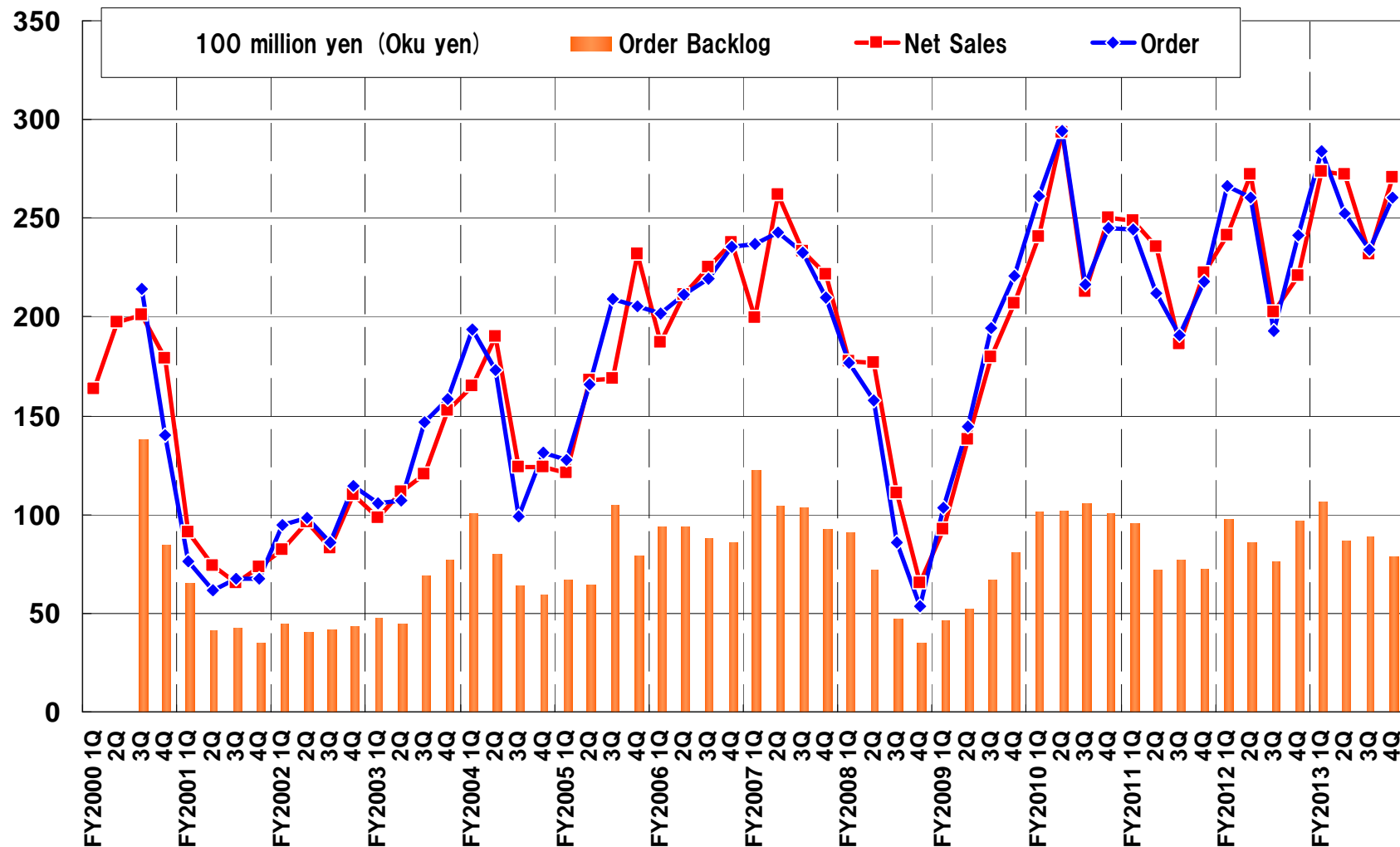
- Net sales achieved the highest sales level on record, due to aggressive investments into mass production facilities by OSATs in the Asia region (subcontractors) and research and development activities centered primarily in Europe and the United States.
- SG&A expenses increased to focus on R&D expenses and labor costs, but due to the impact of foreign exchange and product structure, the GP ratio was improved, and the operating income and ordinary income also increased significantly.
- Net income, mainly due to a decrease in the tax rate, achieved the highest level on record of 12 billion yen.

Quarterly Consolidated Financial Results



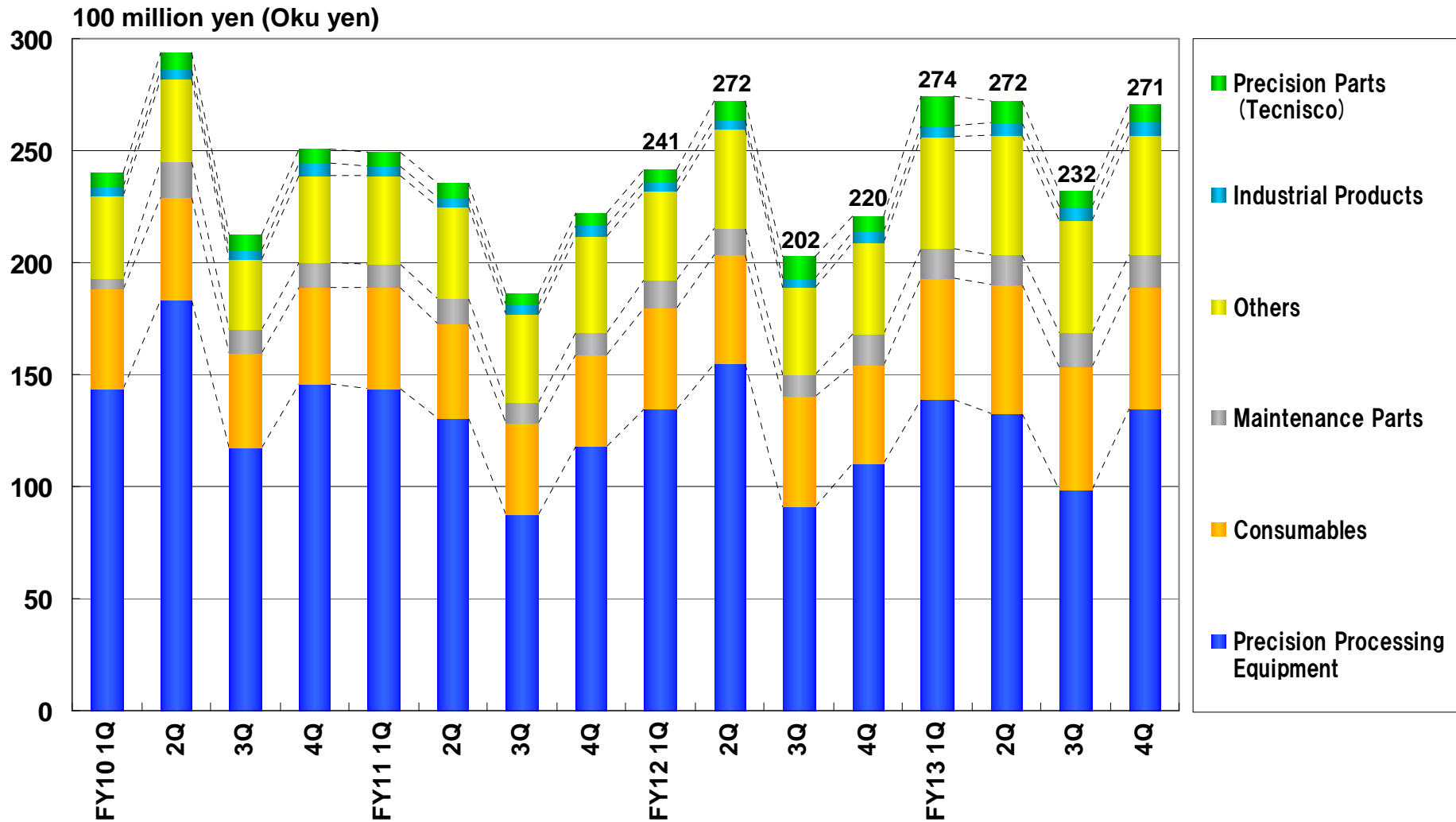
- Regarding sales in FY13 2H, 3Q sales decreased only slightly compared to previous years, and the high level of 4Q sales (almost equal to FY13 2Q), amounted to 50.3 billion yen of the highest record ever for the second half sales.

Quarterly Sales/Orders



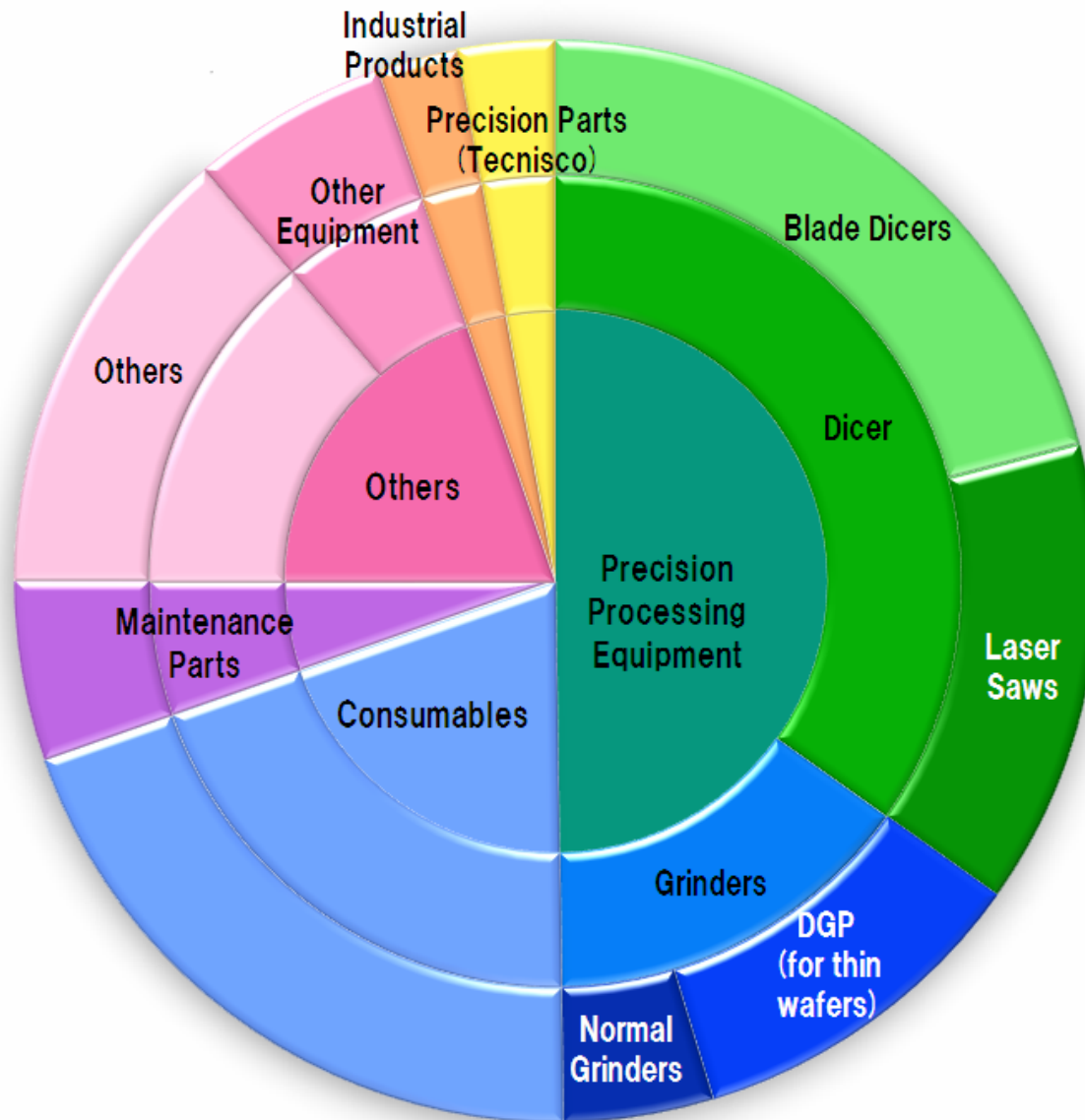
- While as usual, the amount of orders received for FY13 4Q increased in a reversal from the previous quarter, the order backlog amounted to 7.8 billion yen, which is down from the previous quarter.
- Particularly in the Asia region, conditions where inquiries are made before an order is intensifying, and momentum has increased.

Consolidated Quarterly Sales Breakdown by Product



- Since the recovery period for full-scale capital investment demand was early, compared to the 4Q of the previous year, total sales of precision processing equipment in FY13 4Q as a percentage of total sales increased by 7 points to 50%.

Product and Equipment Sales Breakdown



FY2013 4Q

【Product Sales Breakdown】

Precision Processing Equipment	50%
Consumables	20%
Maintenance Parts	5%
Others	20%
Industrial Products	2%
Precision Parts (Technisco)	3%

【Precision Processing Equipment Breakdown】

Dicing Saws	70%
Grinders	30%

【Dicing Saws Breakdown】

Blade Dicers	60%
Laser Saws	40%

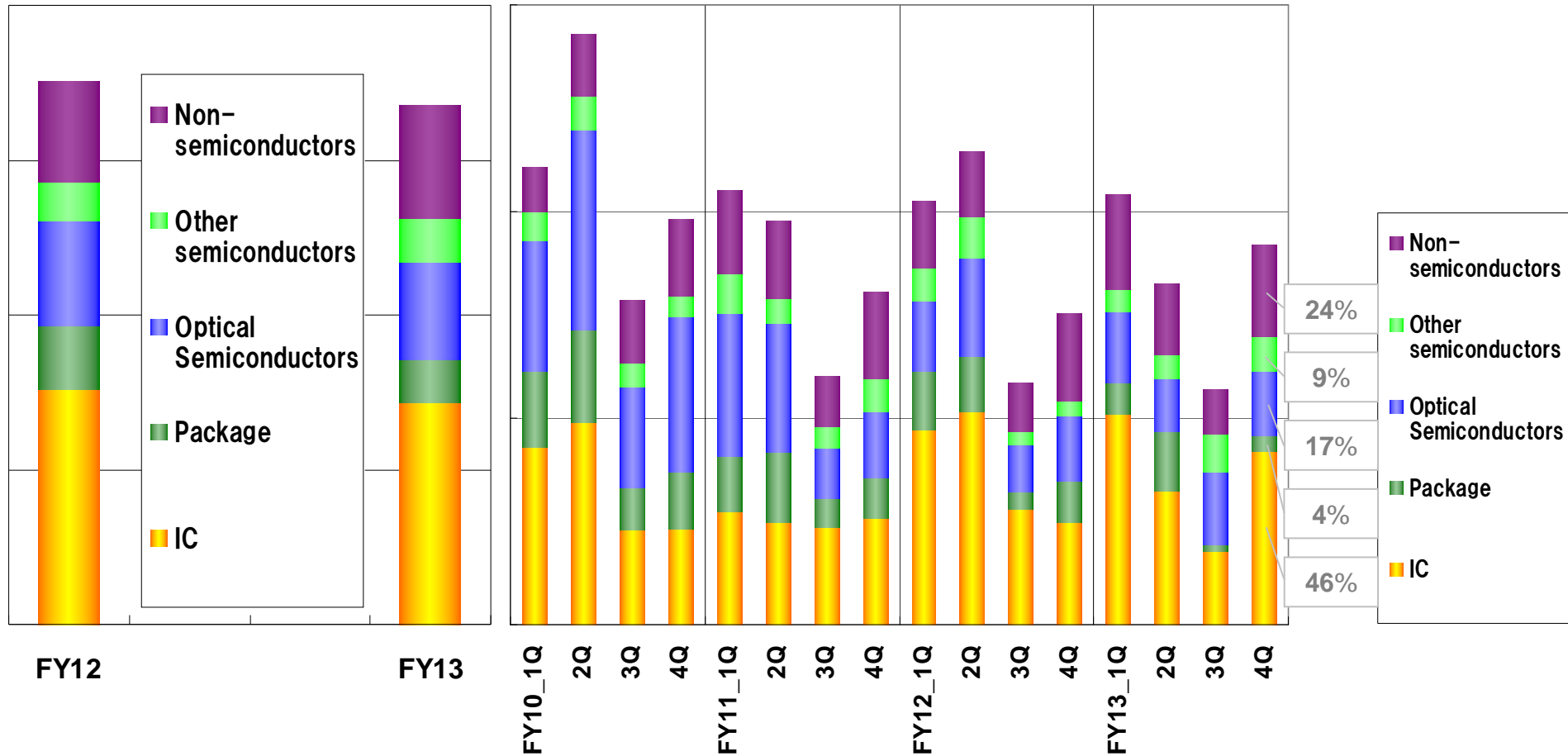
【Grinders Breakdown】

DGP (for thin wafers)	70%
Normal Grinders	30%

Equipment, Non-consolidated Cutting and Dicing Saws* Sales Breakdown by Application

*Cutting and dicing saws include blade dicers and laser saws

YoY



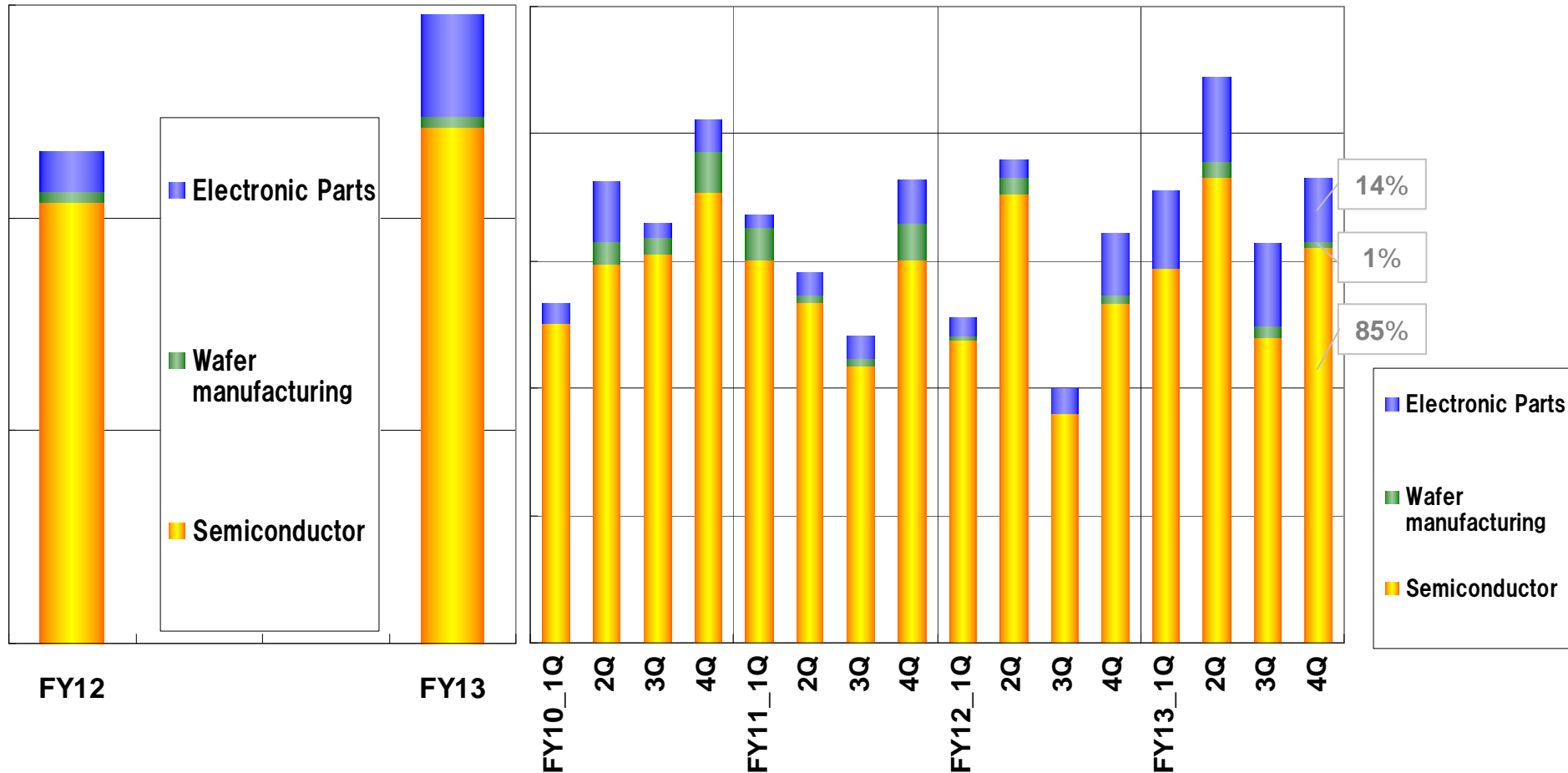
FY2013 Total dicing saw sales for the FY13 4Q decreased by about 5% YoY. Though laser saw sales increased by about 5% YoY due to an increase in the range of applications, sales of blade dicers for package processing remained sluggish.

4Q Dicer sales increased by about 60% QoQ because manufacturers made significant capital investments for ICs (Logic and Memory) and Non-ICs (electronic components).

Equipment, Non-consolidated Grinders and Polishers* Sales Breakdown by Application

*Grinders and polishers also include surface planers and grinder/polishers

YoY

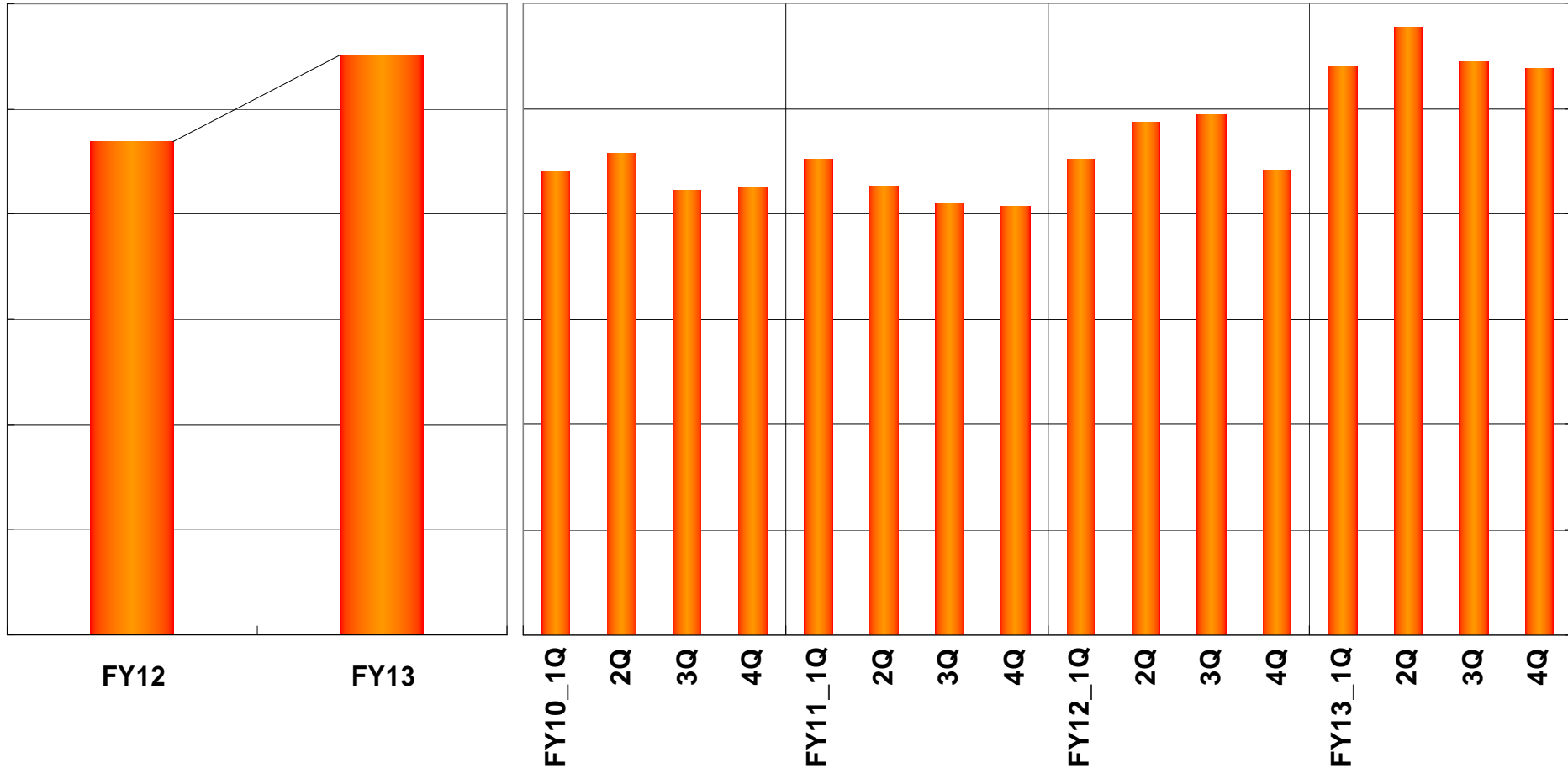


- FY2013** Sales of grinders for the manufacture of electronic components increased by 2.5 times YoY in tune with market expansion and the increasing demand for high-performance mobile devices.
- 4Q** Grinder sales for semiconductors increased approximately 30% QoQ due to an increase in capital investment for mass production of memory in the Asia region including Taiwan.

Consolidated
Consumables* Sales

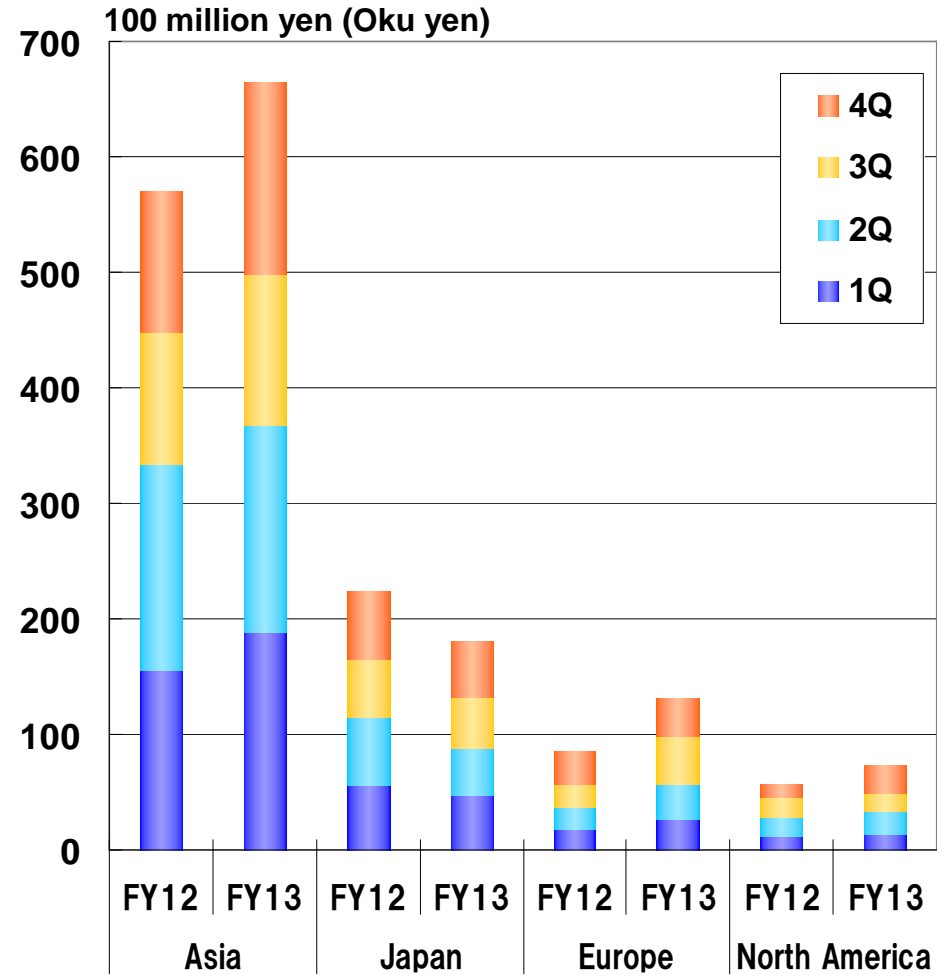
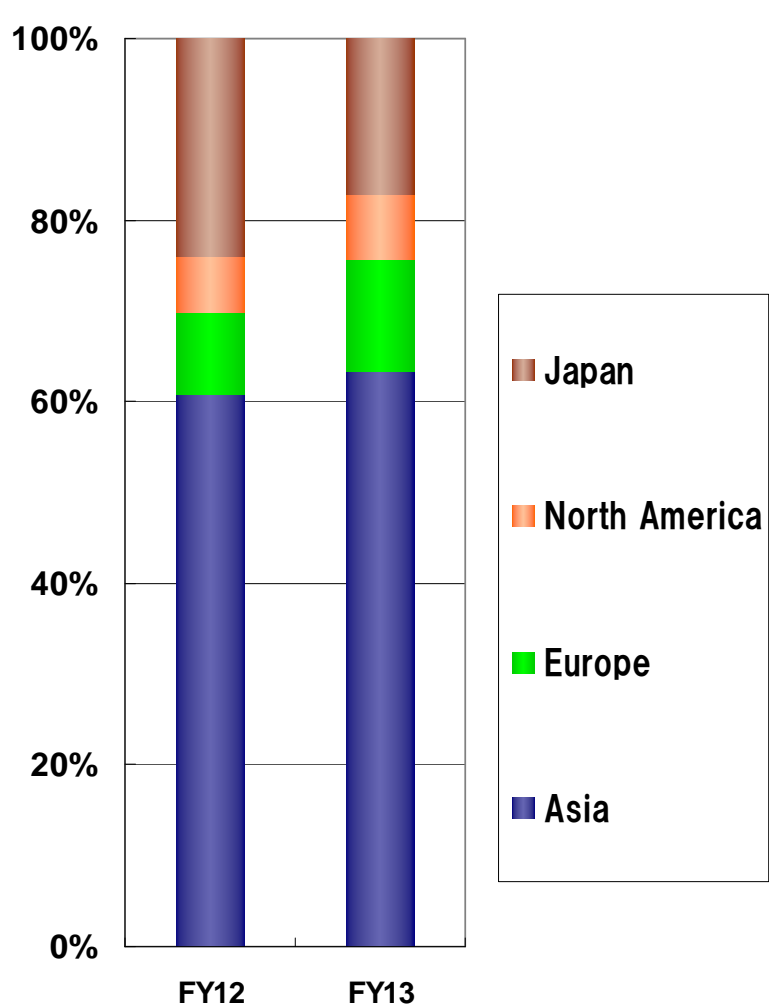
*Consumables include dicing blades, grinding wheels, and dry polishing wheels, etc.

YoY



FY2013 In addition to the impact of foreign exchange, sales of consumables for the mass production of electronic components and IC were strong throughout the year, and FY13 sales increased YoY18%.
(Dollar sales ratio: about 60%, average exchange rate during the period: FY12: 82.1 yen/\$, FY13: 99.7 yen/\$)

Consolidated Sales Breakdown by Region



FY2013 While shipments remained at a high level in Asia, the rapid reduction of the domestic semiconductor market led to 7P decrease to 17% for domestic sales as a percentage of total sales.

FY2013 In Europe, strong sales for high value-added products continued, and sales for FY13 amounted to 13 billion yen, which is the highest sales level on record (increased 50% YoY).

Balance Sheet (Summary)

Millions of Yen	FY2013 4Q	FY2012 4Q	Amount
Cash and deposits	31,577	31,699	-122
Notes and account receivable	32,390	25,272	7,118
Inventories	26,740	28,475	-1,735
Total current assets	96,809	89,556	7,254
Property, plant and equipment	63,063	55,515	7,548
Total noncurrent assets	73,348	66,102	7,245
Total assets	170,161	155,667	14,494
Current liabilities	35,235	23,896	11,339
Noncurrent liabilities	11,469	21,214	-9,745
Total liabilities	46,704	45,110	1,594
Total net assets	123,456	110,556	12,900
Total liabilities and net assets	170,161	155,667	14,494
Equity Ratio	71.4%	69.8%	1.6p

[Comparison with the end of March 2014]

Assets: While the amount of fixed assets in inventory decreased, the construction of the new Kuwabata plant and an increase in account receivables led to an increase in total assets by about ¥14.5 billion.

Liabilities: Increased by about ¥1.6 billion due to an increase in bonus payments and income taxes payable (Changes in non-current liabilities and current liabilities were mainly due to the transfer of CB to be redeemed within 1 year)

Net Assets: The shareholder equity ratio increased by 1.6 points to 71.4%.

Cash Flow (Summary)

Millions of Yen	FY2013 Full Year	FY2012 Full Year	Amount
Net cash provided by (used in) operating activities	14,877	15,305	-428
Income before income taxes and minority interests	17,306	10,825	6,481
Depreciation and amortization	5,995	5,939	56
Decrease (increase) in notes and accounts receivable-trade	-5,917	3,154	-9,072
Decrease (increase) in inventories	2,034	-2,810	4,846
Increase (decrease) in notes and accounts payable-trade	-737	1,856	-2,593
Income taxes (paid) refund	-4,840	-2,236	-2,604
Net cash provided by (used in) investing activities	-13,101	-13,779	677
Purchase of property, plant and equipment	-12,725	-5,432	-7,292
Others	-376	-8,346	7,970
Free cash flow	1,775	1,526	249
Net cash provided by (used in) financing activities	-2,198	7,407	-9,606
Cash dividends paid	-2,231	-1,987	-244
Others	32	9,394	-9,362
Net change in of cash and cash equivalents	7	9,506	-9,499
Cash and cash equivalents at beginning of period	21,544	12,038	9,507
Cash and cash equivalents at end of period	21,552	21,544	7

Cash flows from Operating Activities:

Net cash provided by operating activities amounted to ¥14,800 million.

Income before income taxes increased significantly from the same period last year.

While there was a capital increase due to a decrease in inventory, capital expenditures, such as corporate tax payments and accounts receivable increased.

Operating CF was slightly decreased compared to the same period last year.

Cash Flows from Investment Activities:

Net cash used for investment activities amounted to 13,100 million.

This reflects expenditure on the acquisition of tangible fixed assets such as the construction of the B zone of the new Kuwabata plant.

Cash Flows from Financial Activities:

Net cash flows increased to ¥2,200 million.

This consists mainly of payments of dividends (Capital increased due to bank loans in the same period of the previous year)

For free cash flow, there was a net inflow of ¥1,700 million.

➔ The balance of cash and cash equivalents as of March 31, 2014 was ¥21,500 million.

FY2014 Full-Year Earning Forecast

Earning Forecast

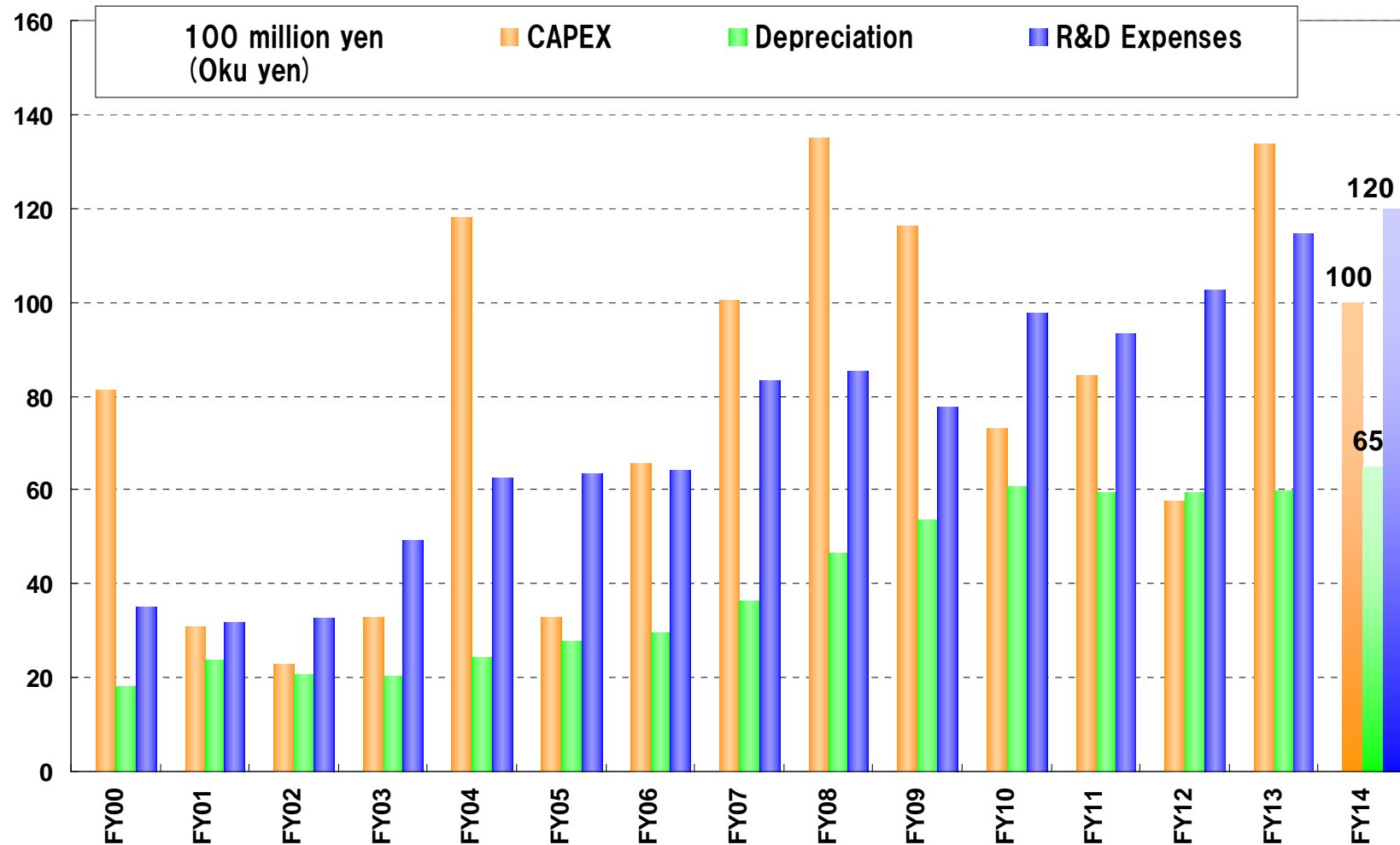
100 million yen (Oku yen)	1H	2H	Full Year	Reference Previous year's results	Amount
Net Sales	602	475	1,077	1,049	28
Operating Income	128	60	188	174	14
Ordinary Income	128	63	191	174	17
Net Income	90	46	136	121	15
Operating Income Margin	21.3%	12.6%	17.5%	16.5%	
Ordinary Income Margin	21.3%	13.3%	17.7%	16.6%	
Net Income Margin	15.0%	9.7%	12.6%	11.5%	

Expected exchanges rates: US\$1/¥100, 1Euro/¥135
 Effect per ¥1 fluctuation in exchange rates (consolidated, whole year) US\$: about ¥400 million, Euro: about ¥30 million

FY2014 Full-Year Sales Forecast

	Year on year increases (decreases) in FY2013 results	Year on year increases (decreases) in FY2014 forecasts
Total	+ 12%	+ 3 %
Equipment	+ 3 %	Approx. + 10%
Dicers	Approx. - 5 %	Approx. + 20%
Laser	Approx. ± 0 %	Approx. + 50%
Non-laser	Approx. - 10%	Approx. + 10%
Grinders	Approx. + 30%	Approx. - 5 %
DGP (for thin wafers)	Approx. + 20%	Approx. - 20%
Normal Grinders	Approx. + 60%	Approx. + 20%
Precision blades and wheels	+ 18%	Approx. + 10%
Other products, subsidiaries	+25%	Decrease

Consolidated R&D/CAPEX Forecast



- R&D: We are maintaining high levels of R&D expenses. We expect FY14 R&D expenses to be ¥12 billion.
- Capital spending is expected to be around ¥10 billion due to the construction of the new Kuwabata plant.
- Depreciation is expected to be within ¥6.5 billion.

Dividend Policy and Dividend Payment

(Yen)	FY2014	(Reference)
	Forecast	FY2013 Actual
Intermediate dividend	67	50
Year-end dividend	34	40
Annual dividend	101	90

Dividend Policy

Decisions concerning the distribution of surpluses are made by the general meeting of shareholders, in the case of the final dividend, and by the Board of Directors, in the case of the interim dividend.

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.

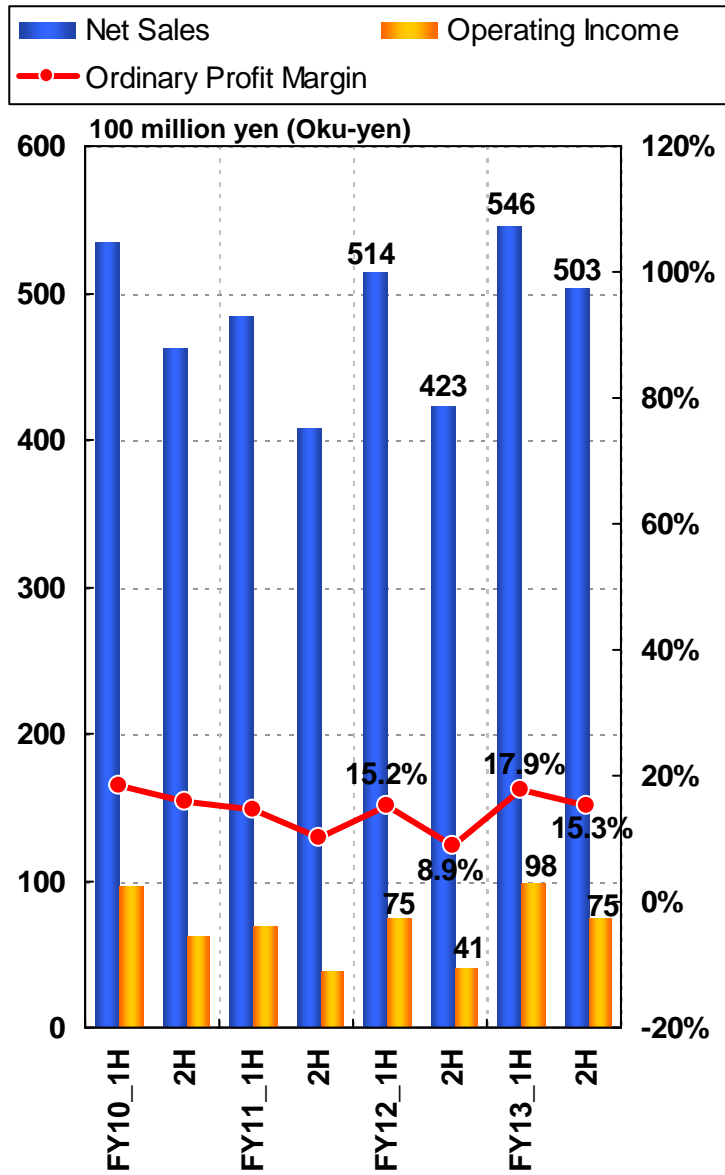
2. Irrespective of the level of income, we will maintain a reliable dividend of ¥10 per half-year. This means that the minimum yearly dividend will be ¥20.

3. Except when there is a loss, if the year-end balance of cash and deposits after payment of dividends and income taxes is greater than projected funding requirements for the acquisition of technology resources, such as through patent purchases and investment 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 in three consecutive years.

Operating Environment and Our Business: FY2013

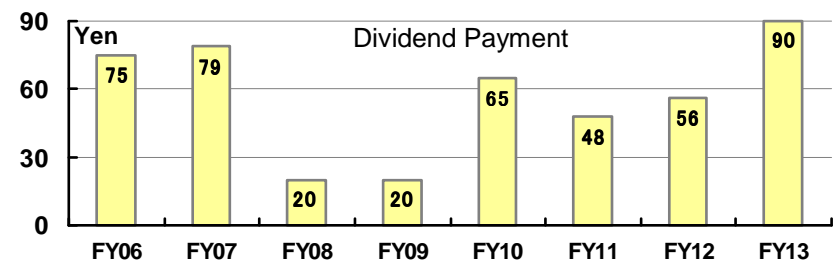


Business Activities in FY2013

- Net annual sales of 100 billion yen for the first time (104.9 billion yen)
- The difference between robust sales in the 1st H and sluggish sales during the 2nd H was slight compared to previous years.
 - Robust sales driven by the demand for semiconductors and electronic components for mobile devices
 - Shipments of high value-added products supported the typically sluggish and low demand 3Q.
- Improvement of GP rate and product structure, even with an increase of SG&A expenses
 → Operating income, ordinary income increased significantly

	FY13	FY12	
Gross Profit Margin	51.6%	47.7%	+3.9P

- Net income achieved an all-time record → The annual dividend per share reached ¥90, which is the highest on record.



Forecasted Operating Environment

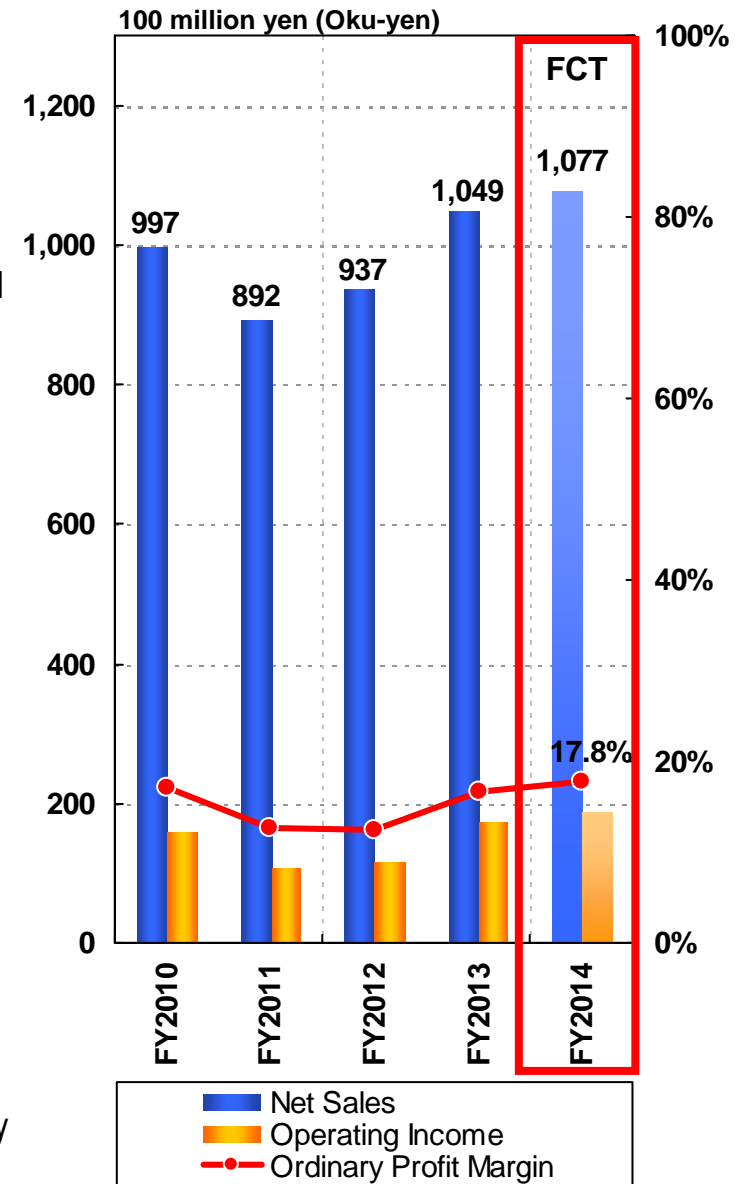
Outlook for FY2014 The Business Environment

- Net sales of 107.7 billion yen, which increased 3% year-on-year
 - Sales are expected to remain robust and centered primarily around mobile devices.
 - Intense changes in market conditions mean the outlook is uncertain for 2nd H

100 million yen (Oku yen)

Net Sales	FY14 Forecast	FY13 results	YoY
1H	602	546	110%
2H	475	503	94%

- Smartphones and tablets continue to be the driving force.
 - Diversification of applications, such as the evolution of packaging technology, continues.
 - Production of parts with high added value is strong in areas outside of Asia
- Increasing the competitiveness of the company
 - To prevent the organization from becoming rigid, DISCO will move agilely in response to changes in the market.
 - In order to meet the processing needs of expanding customers, we will push forward proactively with R&D.
 - The construction of the new Kuwabata new plant will be completed in January 2015 (tentative) and will boost our production capacity.



DISCO

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