

FY2015 Financial Results and FY2016 Forecasts

DISCO CORPORATION

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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.

FY2015 4Q Earnings Results

Millions of Yen	FY2015 4Q	FY2015 3Q	QoQ		FY2014 4Q	YoY	
			Amount	(%)		Amount	(%)
Net Sales	33,557	27,692	5,866	21.2%	33,598	-41	-0.1%
Gross Profit	18,011	15,971	2,040	12.8%	18,695	-684	-3.7%
Gross Profit Margin	53.7%	57.7%	-4.0p	-	55.6%	-1.9p	-
SG&A	11,542	9,850	1,692	17.2%	11,904	-362	-3.0%
Operating Income	6,469	6,121	348	5.7%	6,791	-322	-4.7%
Ordinary Income	6,733	6,138	595	9.7%	7,031	-298	-4.2%
Ordinary Income Margin	20.1%	22.2%	-2.1p	-	20.9%	-0.8p	-
Income before income taxes and minority interests	6,711	6,258	452	7.2%	6,865	-154	-2.2%
Net Income	6,636	4,403	2,234	50.7%	5,944	692	11.6%

- Net sales were higher QoQ, thanks to increased capital investment in some Asian markets.
- The GP ratio worsened due to sudden exchange rate fluctuations, one-off cost increases, and other factors.
- SG&A expenses were higher QoQ because of seasonal factors, but lower YoY because of the large amount of R&D expenditure included in the previous year's results.
- Overall, operating income was marginally higher QoQ.

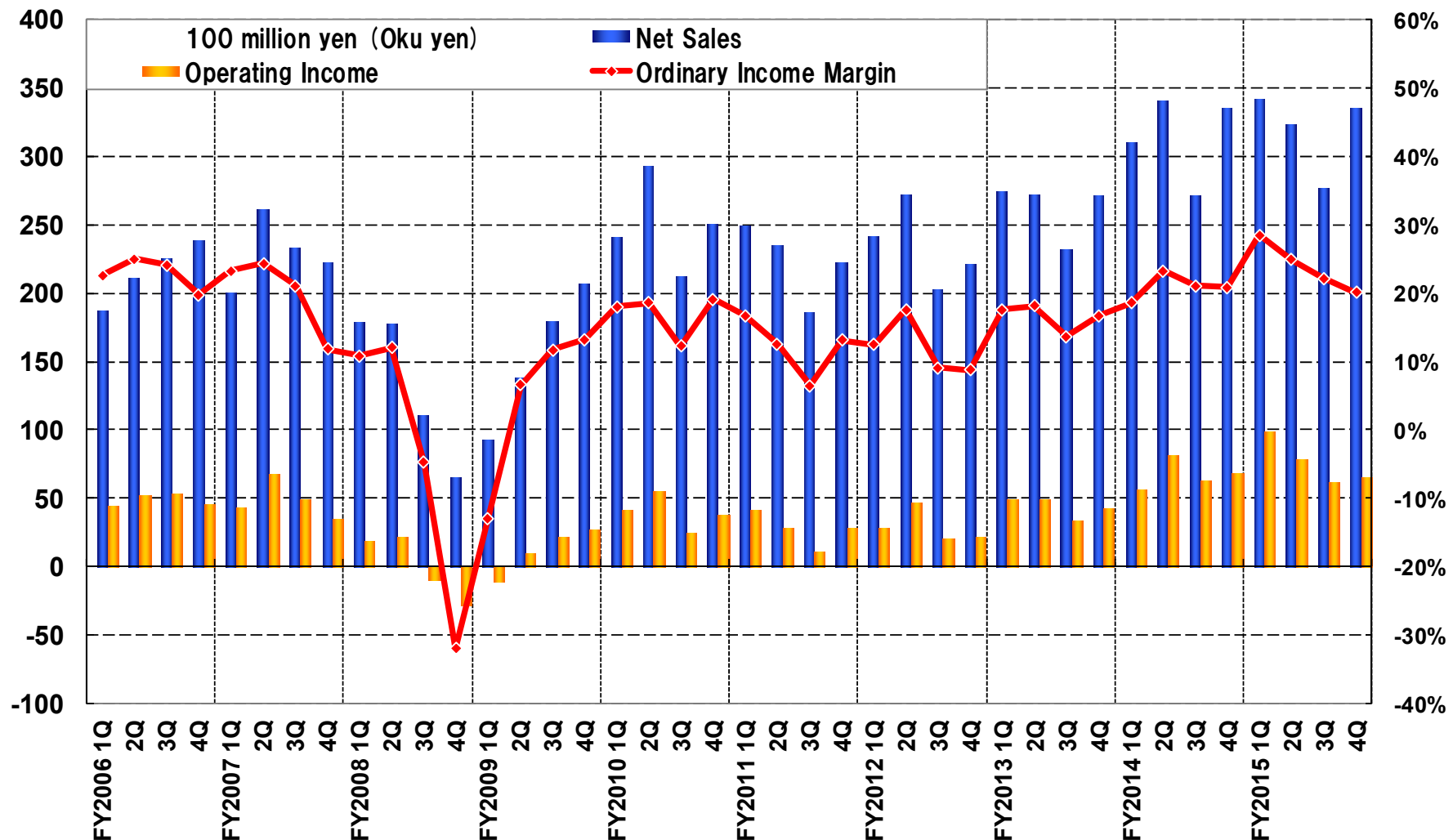
FY2015 Earnings Results

(April 1, 2015 through March 31, 2016)

Millions of Yen	FY2015 Full Year	FY2014 Full Year	YoY	
			Amount	(%)
Net Sales	127,850	125,920	1,930	1.5%
Gross Profit	72,298	68,081	4,217	6.2%
Gross Profit Margin	56.5%	54.1%	2.4p	-
SG&A	41,959	41,321	638	1.5%
Operating Income	30,338	26,760	3,579	13.4%
Ordinary Income	30,690	26,489	4,201	15.9%
Ordinary Income Margin	24.0%	21.0%	3.0p	-
Income before income taxes and minority interests	30,612	27,497	3,115	11.3%
Net Income	23,096	20,067	3,028	15.1%
EPS (Yen)	646.09	580.71	-	-

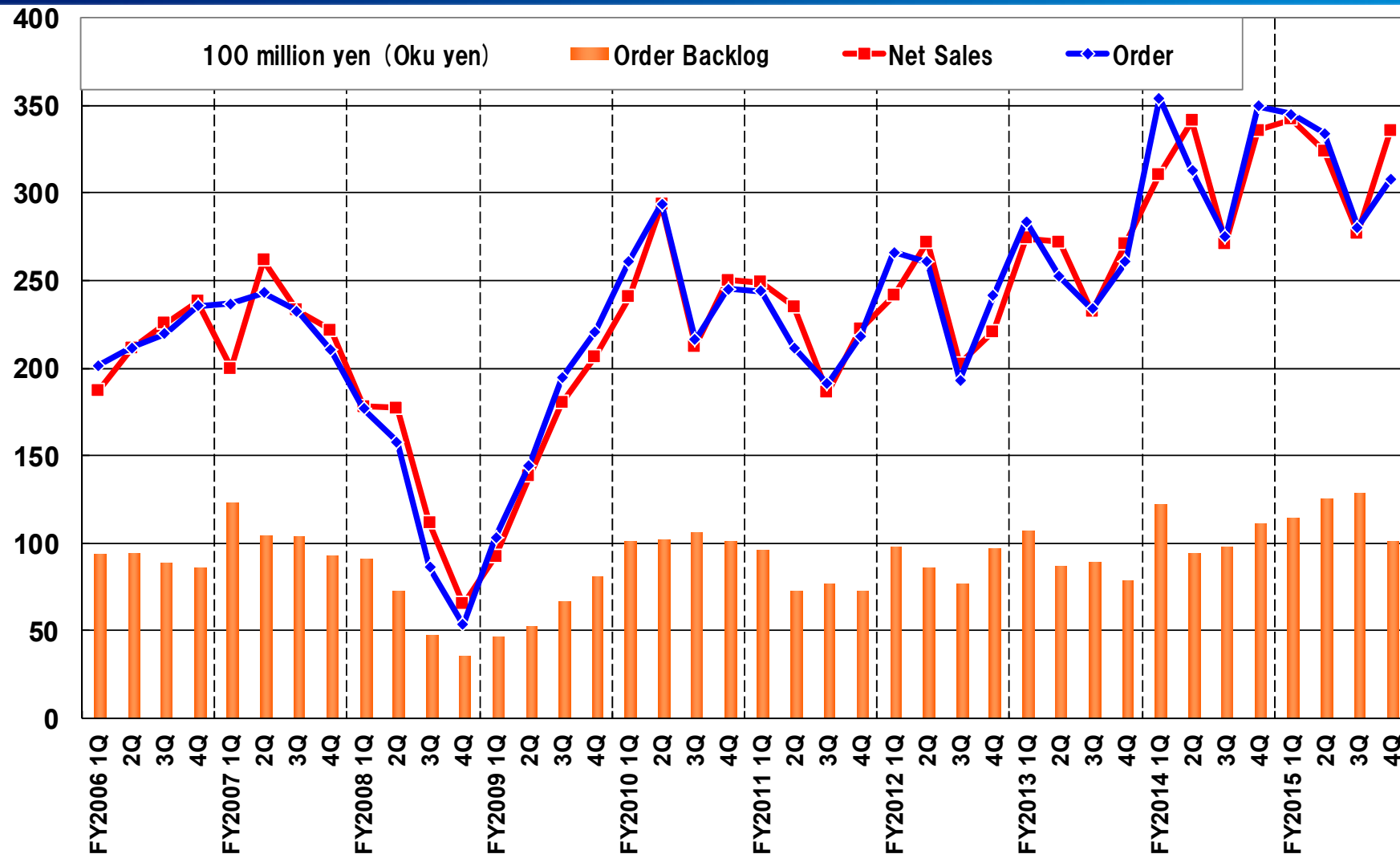
- Strong capital investment intentions by manufacturers of semiconductors and electronic components resulted in record net sales for the third consecutive year.
- The GP ratio was higher despite a rise in one-off costs toward the end of the period. This resulted mainly from exchange rate movements and product mix changes.
- Although commissions and other items were lower, SG&A expenses were slightly higher YoY. Most of the increase occurred in the area of labor costs.
- Operating income and ordinary income set a new record for the second straight year, and net income for the third straight year.

Quarterly Consolidated Financial Results



- Exchange rate movements have had a mainly positive effect on earnings since the second quarter of FY2014. As a result, the ordinary income margin has remained above 20% for seven straight quarters.

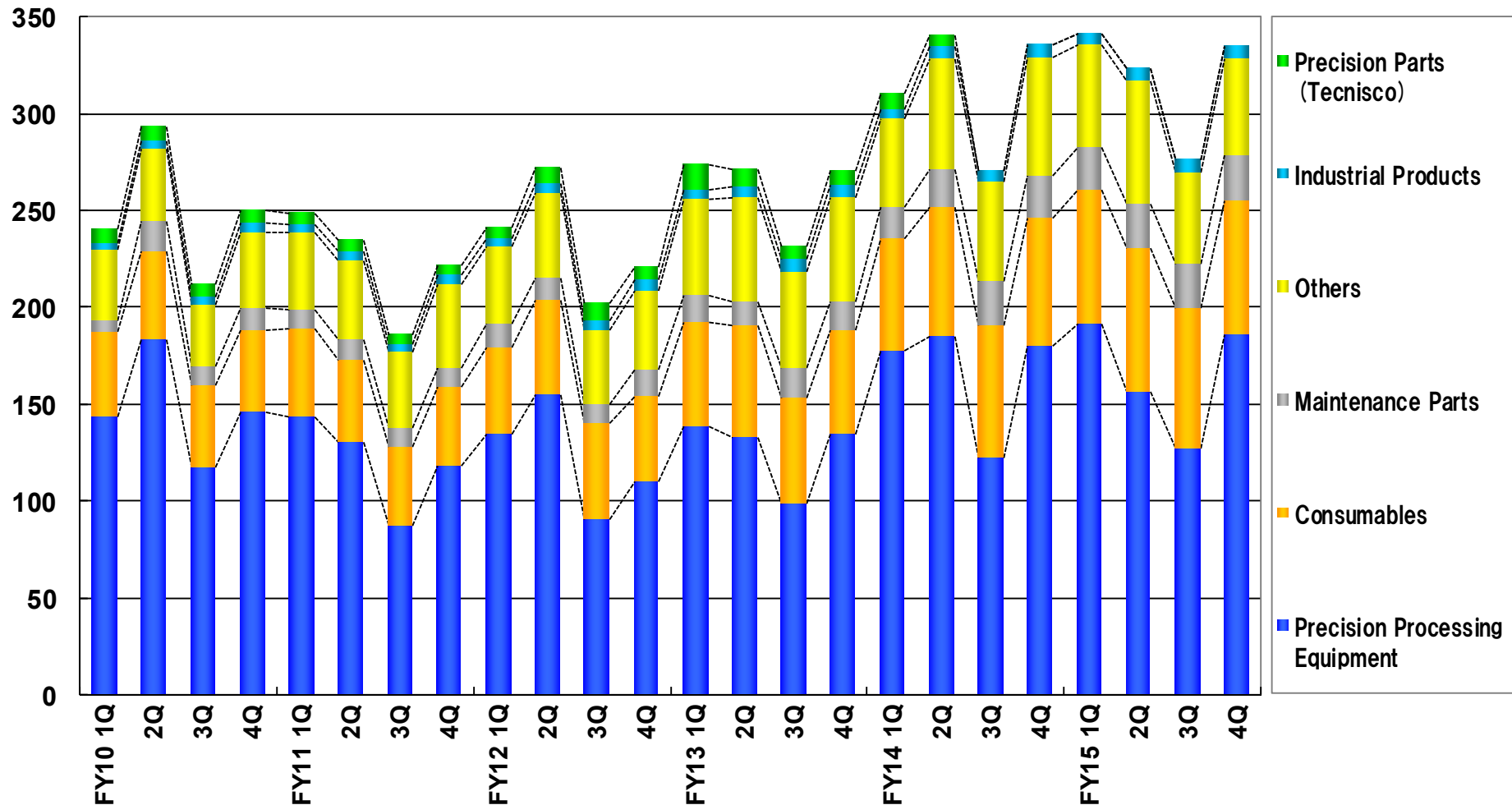
Quarterly Sales/Orders



- Orders were higher QoQ, but the level of inquiries was less buoyant than normal.
- The order backlog has stabilized at around ¥31,500 million due to reduced orders from Japan, Europe and North America compared with the same quarter a year earlier.

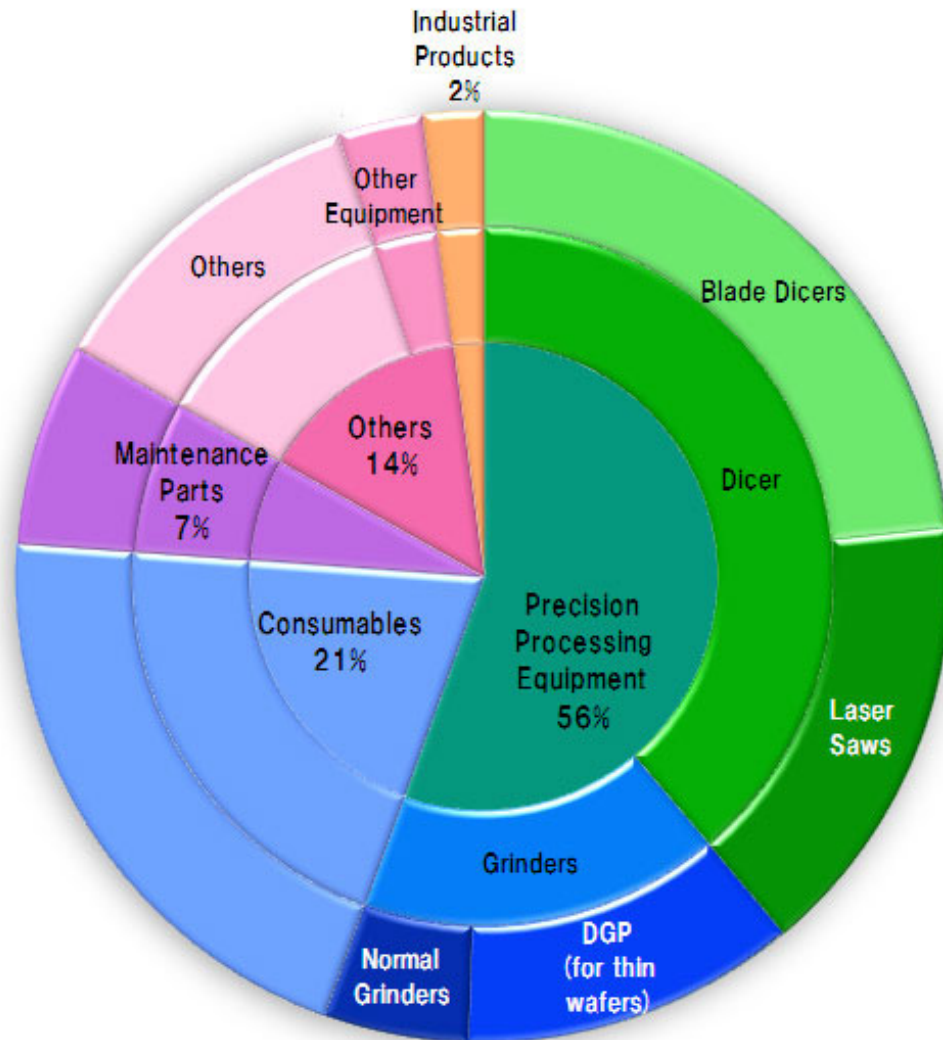
Consolidated Quarterly Sales Breakdown by Product

100 million yen (Oku yen)



- An increase in the capital expenditure by manufacturers of semiconductors in some Asian regions lifted sales of precision processing equipment by around 50% QoQ.
- The only category in which sales were lower QoQ was consumables, which were affected by seasonal factors. There were QoQ increases in other product categories.

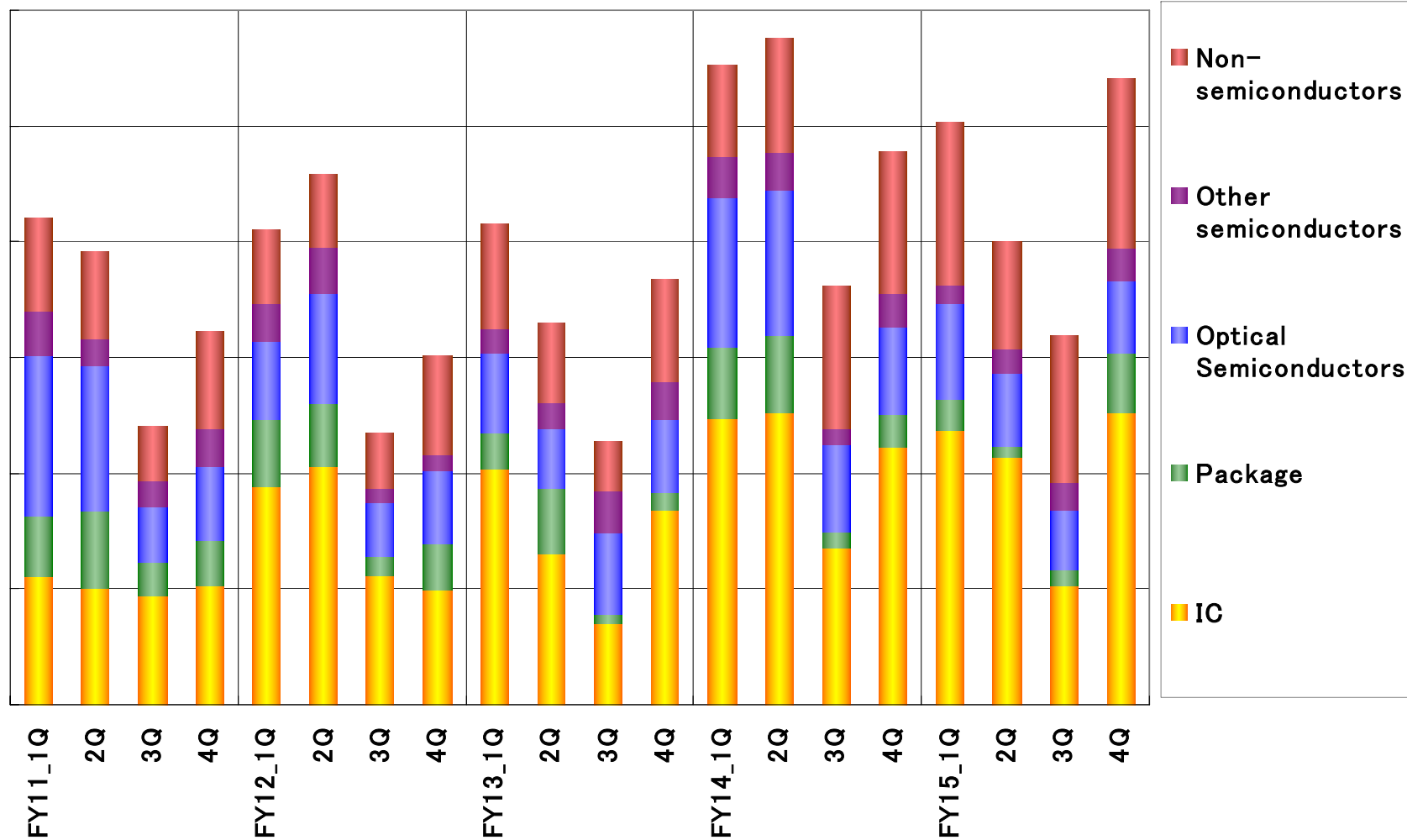
Product and Equipment Sales Breakdown



FY15_4Q	
[Product Sales Breakdown]	
Precision Processing Equipment	56%
Consumables	21%
Maintenance Parts	7%
Others	14%
Industrial Products	2%
[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

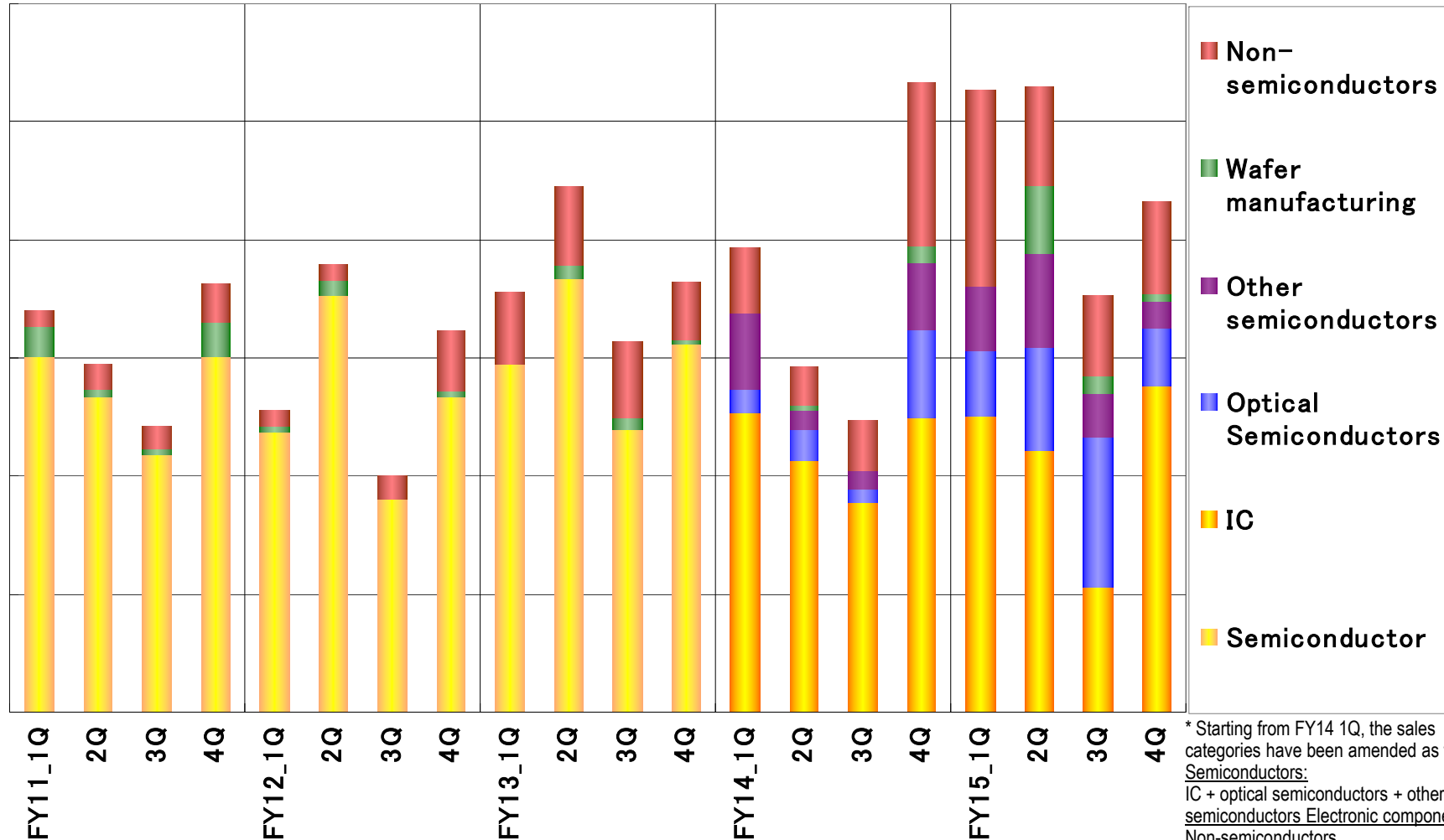
*Cutting and dicing saws include blade dicers and laser saws



- Sales of products for all applications were higher QoQ, but there was major growth in sales for ICs, especially those used for logic ICs.
- Sales of laser saws were substantially higher, and the ratio between blade dicers and laser saws moved to 6:4.

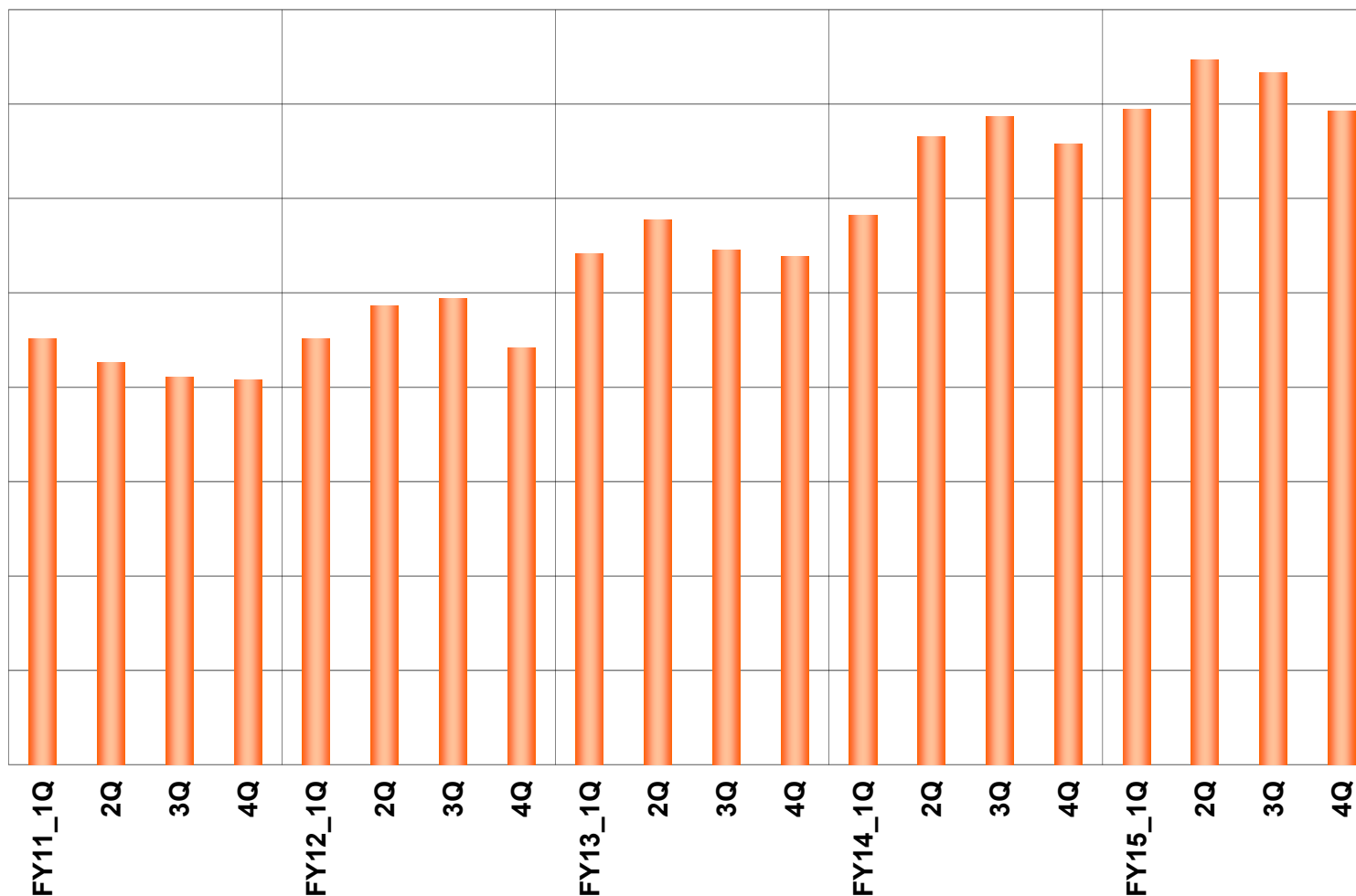
Equipment, Non-consolidated Grinders and Polishers* Sales Breakdown by Application

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



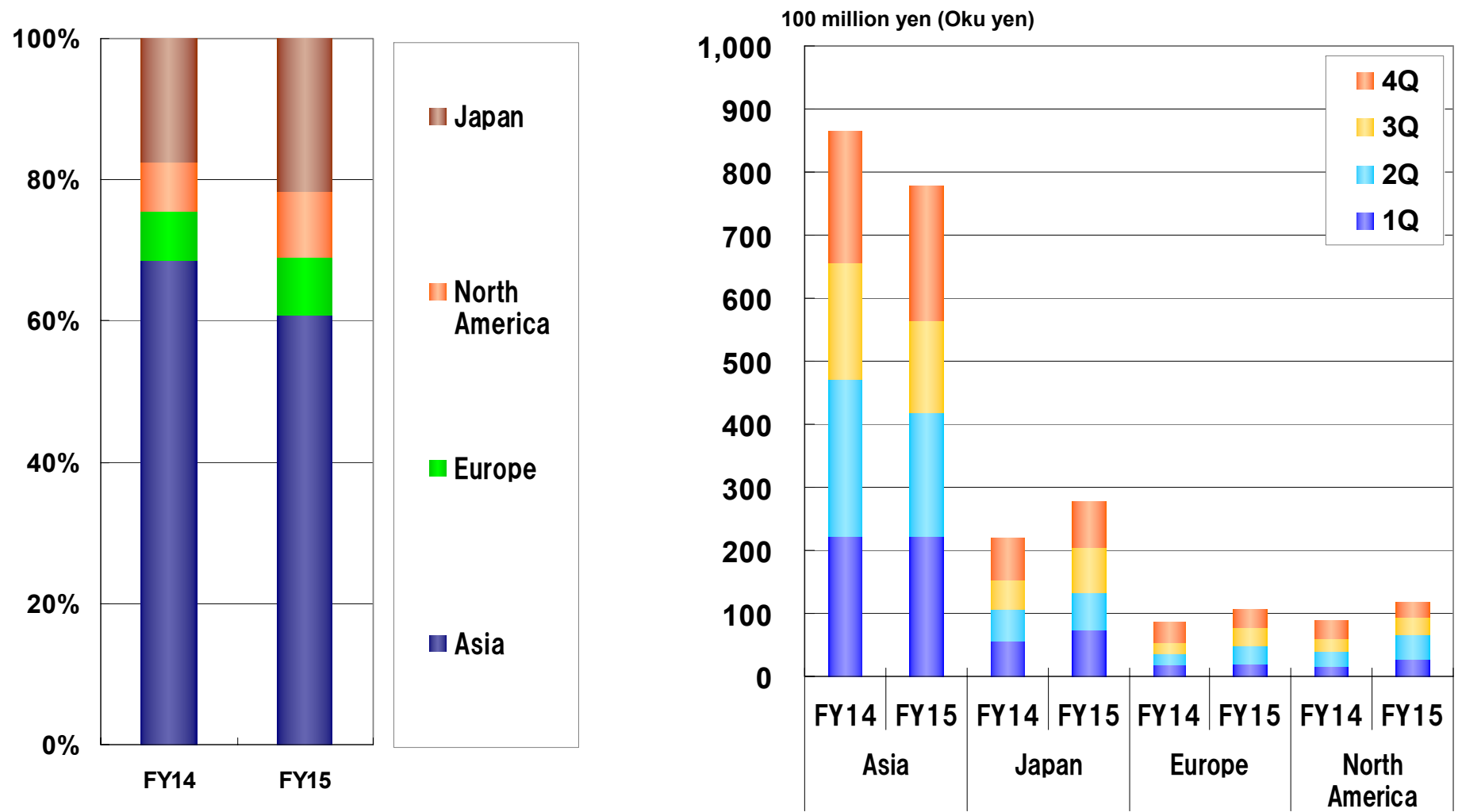
* Starting from FY14 1Q, the sales categories have been amended as follows:
Semiconductors:
 IC + optical semiconductors + other semiconductors
Electronic components:
 Non-semiconductors

- As with dicers, there was a major increase in sales of ICs, especially those designed for logic ICs.
- Sales of systems for use with non-semiconductor electronic components remained steady, but there were QoQ declines in other usage categories, including systems for use with optical semiconductors.



- Shipments of consumables remained relatively high, despite slow YoY growth.
- Net sales declined QoQ because of seasonal factors, notably the Chinese New Year holiday.

Sales Breakdown by Region Consolidated



4Q There was surge of investment by manufacturing of ICs, especially logic ICs, toward the end of the quarter. This was reflected in substantial QoQ sales growth in the Asian region.

FY15 Year to date: Lively capital expenditure by manufacturers of semiconductor and electronic components in Japan, Europe and North America caused Asia's share of net sales to decline compared with the previous fiscal year.

Balance Sheet (Summary)

Millions of Yen	FY2015 4Q	FY2014 4Q	Amount
Cash and deposits	67,188	52,208	14,980
Notes and account receivable	33,465	35,114	-1,649
Inventories	30,692	33,495	-2,802
Total current assets	138,333	129,622	8,711
Property, plant and equipment	64,834	66,194	-1,361
Total noncurrent assets	69,619	72,352	-2,733
Total assets	207,953	201,975	5,978
Current liabilities	30,246	38,992	-8,746
Noncurrent liabilities	9,671	11,063	-1,392
Total liabilities	39,917	50,056	-10,138
Total net assets	168,035	151,918	16,117
Total liabilities and net assets	207,953	201,975	5,978
Equity Ratio	80.4%	74.8%	5.6p

Comparison with Position at the End of FY2014 (March 31, 2015)

Assets: Cash and deposits were substantially higher, but total assets increased by only about ¥5.9 billion because of reduced inventories and depreciation of noncurrent assets.

Liabilities: Total liabilities were approximately ¥10.1 billion lower. This resulted mainly from reductions in accounts payable and interest-bearing debt.

Net assets: Shareholder equity ratio rose by 5.6 points to 80.4%.

Cash Flow (Summary)

Millions of Yen	FY2015 Full Year	FY2014 Full Year	Amount
Net cash provided by (used in) operating activities	29,316	25,192	4,125
Income before income taxes and minority interests	30,612	27,497	3,115
Depreciation and amortization	6,545	6,067	478
Decrease (increase) in notes and accounts receivable-	347	-1,227	1,574
Decrease (increase) in inventories	3,456	-5,724	9,180
Increase (decrease) in notes and accounts payable-trade	-6,764	8,023	-14,788
Income taxes (paid) refund	-8,724	-6,153	-2,572
Others	3,845	-3,290	7,137
Net cash provided by (used in) investing activities	-7,174	-3,938	-3,236
Purchase of property, plant and equipment	-8,380	-10,644	2,264
Others	1,206	6,706	-5,500
Free cash flow	22,142	21,254	888
Net cash provided by (used in) financing activities	-6,734	-1,467	-5,267
Cash dividends paid	-6,179	-3,809	-2,369
Others	-555	2,341	-2,898
Net change in of cash and cash equivalents	14,984	20,625	-5,641
Cash and cash equivalents at beginning of period	42,177	21,552	20,626
Cash and cash equivalents at end of period	57,162	42,177	14,984

Cash flows from operating activities:

→Net cash increased to about ¥29,300 million.

- Increase in net income before income taxes compared with the same period a year earlier
- Major increase in cash outflows over the same period a year earlier due to the reduction of accounts payable.

Cash flows from investing activities:

→Net cash decreased to about ¥ 7,100 million.

- This consists mainly of the acquisition of tangible fixed assets

Cash flows from financing activities:

→Net cash decreased to about ¥ 6,700 million, mainly due to dividend payments

Free cash flows:

→Net inflow of about ¥ 22,100 million.
Balance of cash and cash equivalents as of March 31, 2015 was about ¥ 57,100 million

Earning Forecast FY2016 1H

100 million yen (Oku yen)

FY2016	Earning Forecast			Amount YoY		
	1Q	2Q	1H	1Q	2Q	1H
Net Sales	286	266	552	-56	-58	-114
Operating Income	58	44	102	-41	-34	-75
Ordinary Income	58	45	103	-40	-36	-75
Net Income	45	32	77	-20	-24	-44
Operating Income Margin	20.3%	16.5%	18.5%			
Ordinary Income Margin	20.3%	16.9%	18.7%			
Net Income Margin	15.7%	12.0%	13.9%			

FY2015	(Reference) Previous year's results						
	1Q	2Q	1H	3Q	4Q	2H	Full Year
Net Sales	342	324	666	277	336	613	1,279
Operating Income	99	78	177	61	65	126	303
Ordinary Income	98	81	178	61	67	129	307
Net Income	65	56	121	44	66	110	231
Operating Income Margin	29.0%	24.2%	26.6%	22.1%	19.3%	20.6%	23.7%
Ordinary Income Margin	28.5%	24.9%	26.8%	22.2%	20.1%	21.0%	24.0%
Net Income Margin	19.0%	17.1%	18.1%	15.9%	19.8%	18.0%	18.1%

- Predicted exchange rate US\$1 = 105 yen, 1 Euro = 120 yen
- Impact of 1-yen fluctuations to the exchange rate (consolidated, annualized)
US\$: Approx. 500 million yen, Euro: Approx. 30 million yen

Dividend Policy and Dividend Payment

	FY2016	FY2015
(Yen)	Forecast	Actual
Intermediate dividend	54	85
Year-end dividend		230
Annual dividend		315

FY2015 end-of-year dividend: ¥230
Breakdown

Performance-linked dividend: ¥78

(Based on dividend policy clause 1)

One-third of surplus: ¥152

(Based on dividend policy clause 3)

FY2016 Intermediate dividend: ¥54
(Based on FY2016 half-year earnings forecast)
(End-of-year dividend N/A)

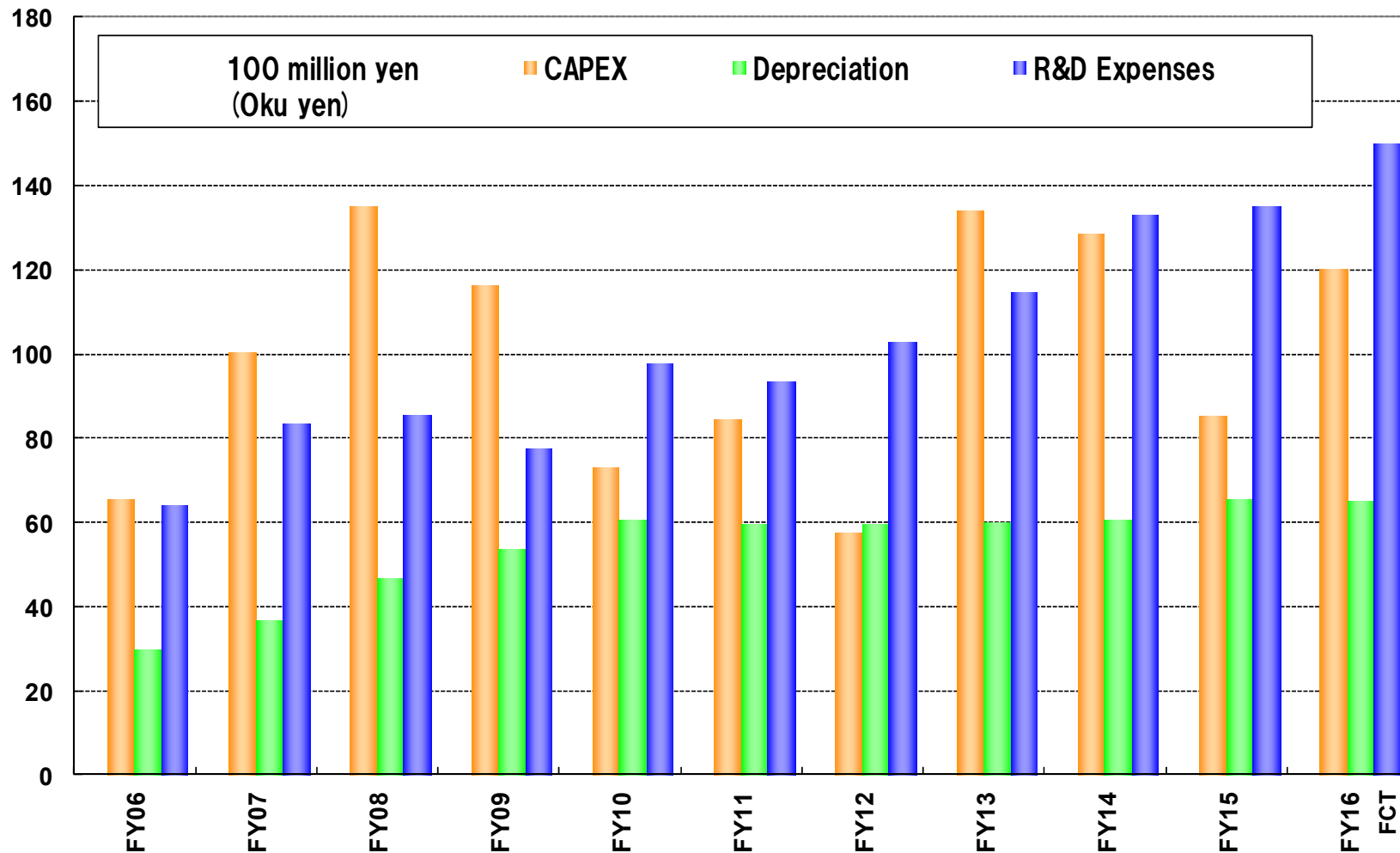
Dividend Policy

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.

Consolidated R&D/CAPEX Forecast



Outlook for FY2016

R&D: We plan to invest aggressively in R&D. Expenditure will increase from ¥13,500 million in FY2015 to around ¥15,000 million.

Capital spending: We plan to invest around ¥12,000 million, compared with ¥8,500 million due to the construction of a new factory building.

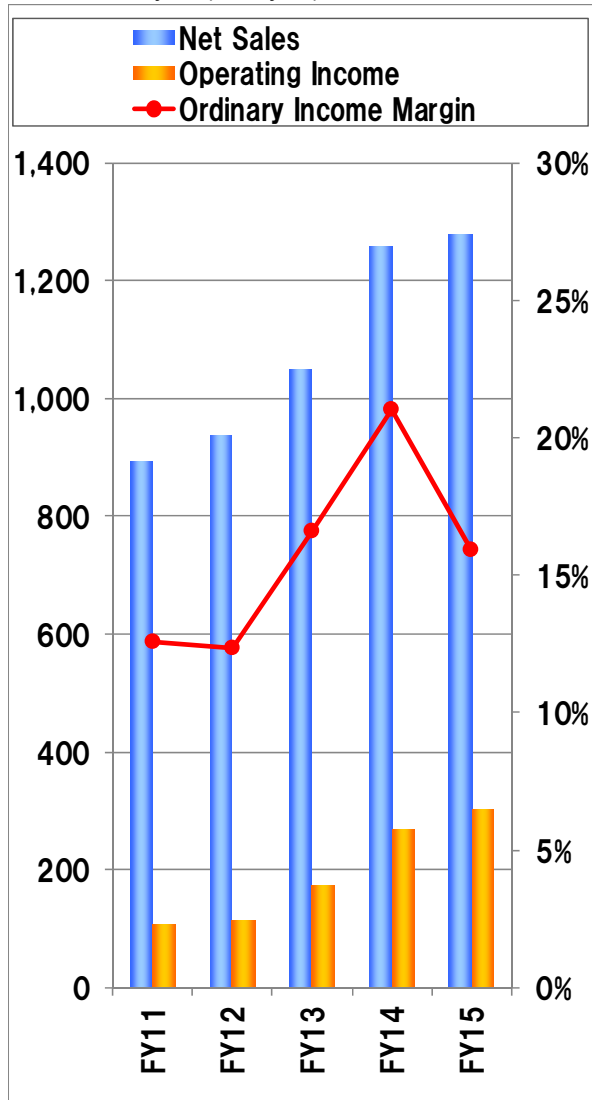
Depreciation: As in the previous year, depreciation expenses are expected to be less than ¥7,000 million (¥6,500 million in FY2015).

FY2016 1H Sales Forecast Breakdown by Product

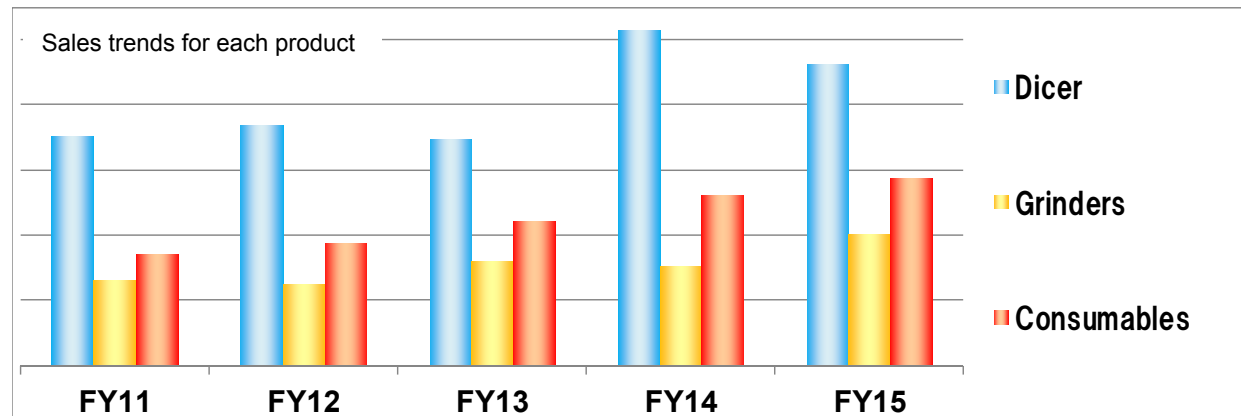
	FY15 Full Year YoY		FY15 1H YoY	FY16 1H YoY
Precision Processing Equipment	-1%		-4%	-20%
Dicers	-10%		-20%	-10%
Laser	10%		-10%	-5%
Non-laser	-20%		-20%	-20%
Grinders	30%		60%	-30%
DGP (for thin wafers)	20%		30%	-30%
Normal Grinders	60%		110%	-30%
Precision blades and wheels	10%		20%	-5%
Other products, subsidiaries	Slight decrease		10%	-30%

Summary for FY2015 : Business Environment and Financial Results

100 million yen (Oku yen)



- Increase in demand for KKM services for manufacturing semiconductor and electronic components
→ Proactive investment in a wide variety of applications including flash memory, high-frequency devices, and image sensors
- Demand for consumables remained steady due to the use of grinders in memory and electronic component applications



- Favorable exchange rates contributed to record breaking sales and profits
- Substantial increase in dividends due to the distribution of surplus funds (315 yen/annual, YoY +155yen)

Prospects for the first half of the fiscal year 2016

- Capital expenditure for mass production from each customer is expected to be low compared to previous years, but investments from certain customers and from specific areas will support the business.
- Due to the appreciation of yen, both sales and profits for the first half of the year will decrease.

	FY16 Forecast	FY15 results	YoY
1H	552	666	-17%
2H	—	612	—

•DISCO discloses the financial forecast for the next two quarters.

- From a medium- to long-term point of view, we will push forward proactively with R&D and capital expenditure.
 - R&D expenditure will be maintained at a high level in order to meet increasing demand for Kuru •Kezuru •Migaku technologies.
 - To meet expected future increases in demand for equipment and consumables, we will construct a New Kuwabata C zone (total investment amount is about ¥12 billion).
- We continue to focus on strengthening both organizational and operational management through "Will Accounting", and Performance Innovation Management (PIM) systems.

100 million yen (Oku yen)

