

FY2017 3Q Financial Results and FY2017 Forecasts

DISCO CORPORATION

DISCLAIMER

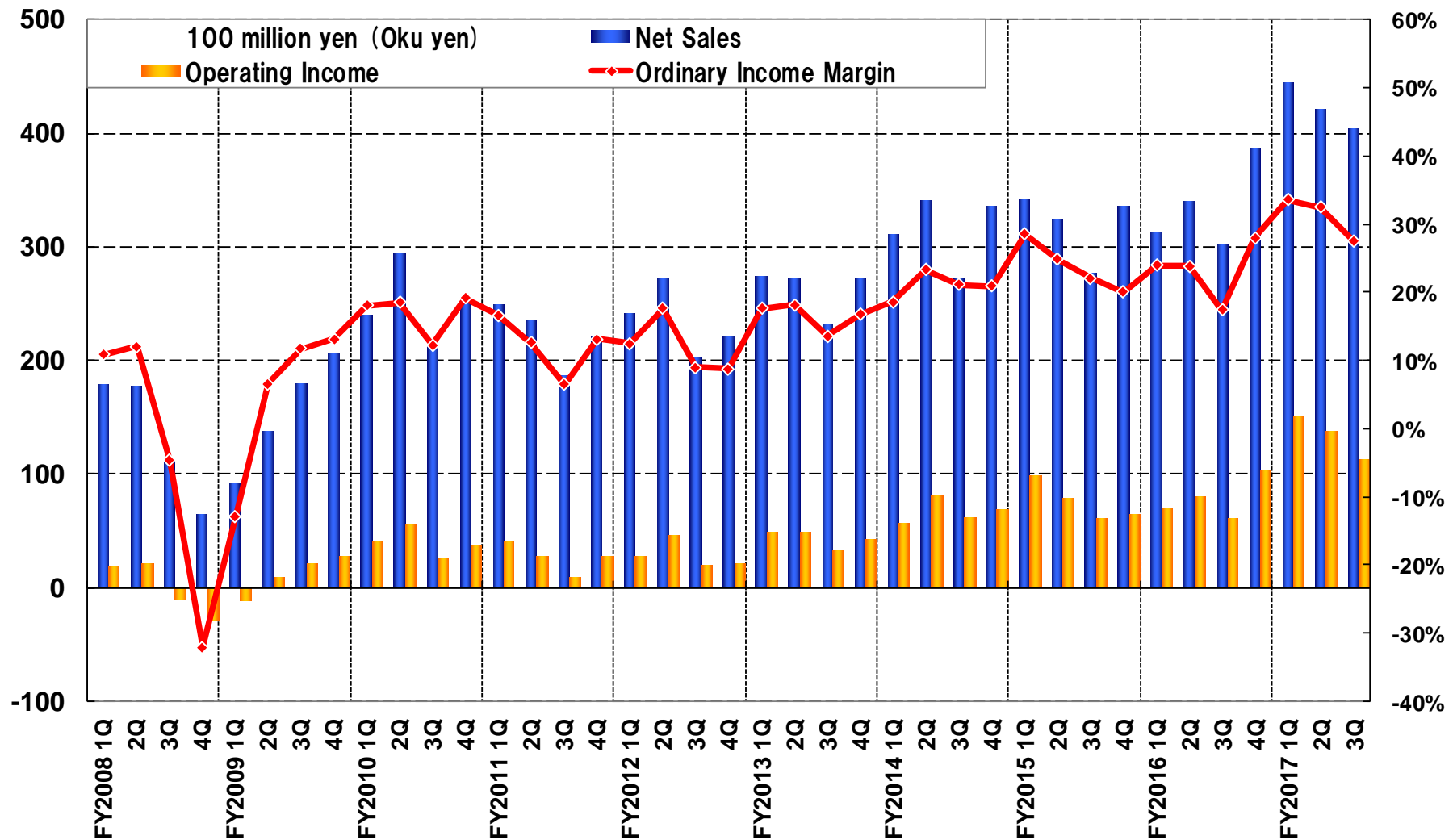
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FY2017 3Q Earnings Results

Millions of Yen	FY2017 3Q	FY2017 2Q	QoQ		FY2016 3Q	YoY	
			Amount	(%)		Amount	(%)
Net Sales	40,451	42,115	-1,663	-3.9%	30,198	10,253	34.0%
Gross Profit	24,309	25,238	-929	-3.7%	17,121	7,188	42.0%
Gross Profit Margin	60.1%	59.9%	0.2p	-	56.7%	3.4p	-
SG&A	13,029	11,446	1,583	13.8%	11,012	2,016	18.3%
Operating Income	11,280	13,792	-2,512	-18.2%	6,108	5,172	84.7%
Ordinary Income	11,118	13,670	-2,553	-18.7%	5,261	5,857	111.3%
Ordinary Income Margin	27.5%	32.5%	-5.0p	-	17.4%	10.1p	-
Income before income taxes and minority interests	9,913	13,557	-3,644	-26.9%	5,069	4,844	95.6%
Net Income	7,248	9,471	-2,223	-23.5%	3,610	3,638	100.7%

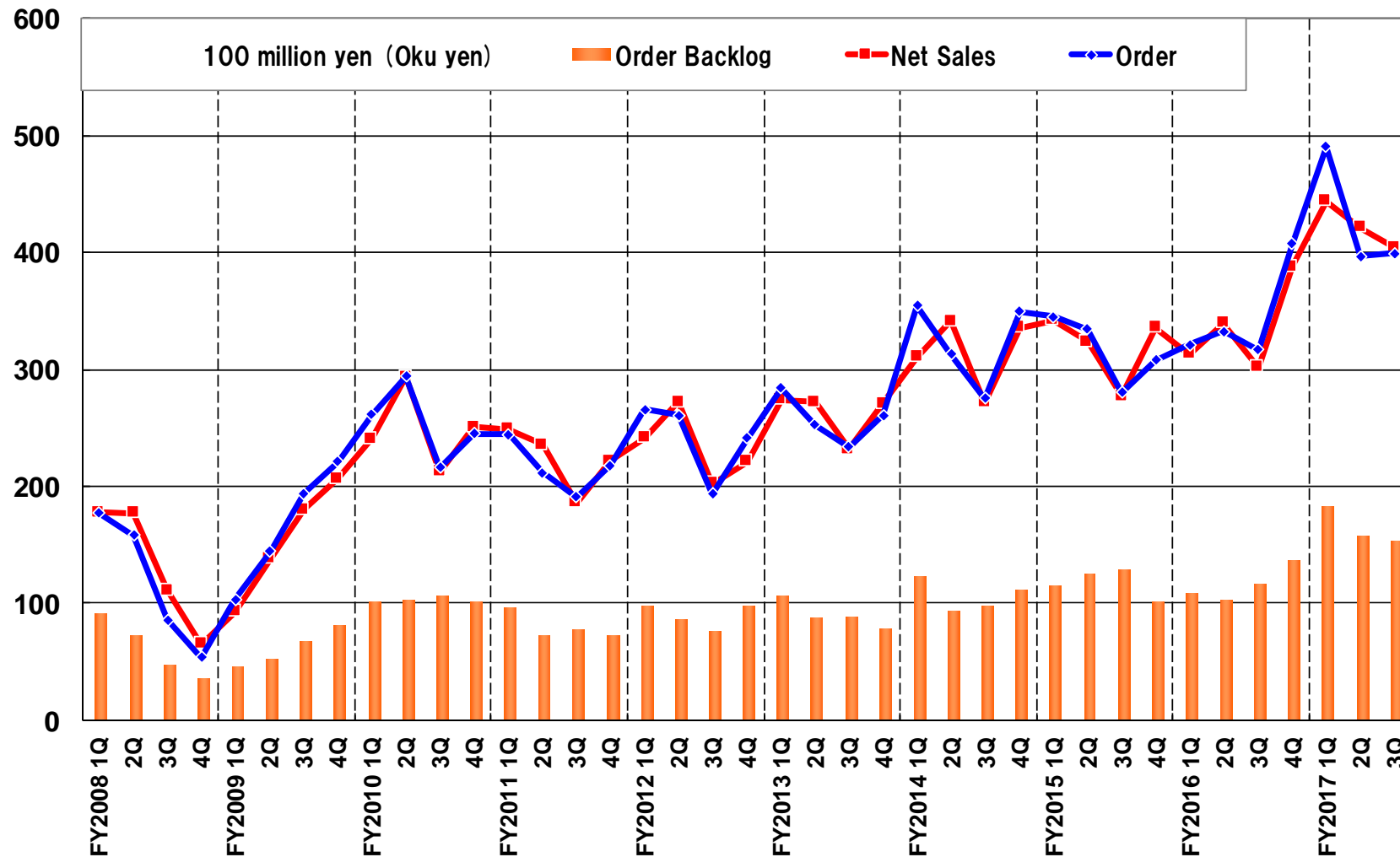
- Sales: Despite the QoQ decrease in equipment sales, total sales exceeded ¥40,000 million for the third consecutive quarter.
- GP Rate: The GP ratio increased slightly due to several factors such as changes in sales composition, and set a new record for the quarter.
- SG&A: SG&A expenses increased from the previous quarter mainly due to personnel expenses. As a result, the SG&A ratio rose to 32%.
- Operating income: Despite the QoQ decrease in operating income due to a decrease in sales and an increase in costs, the operating income increased significantly YoY due to factors such as an increase in sales.
- Income before income taxes and minority interests: Extraordinary losses of approx. ¥1,100 million were recorded (declare impairment of old buildings for the planning of a new factory building).

Quarterly Consolidated Financial Results



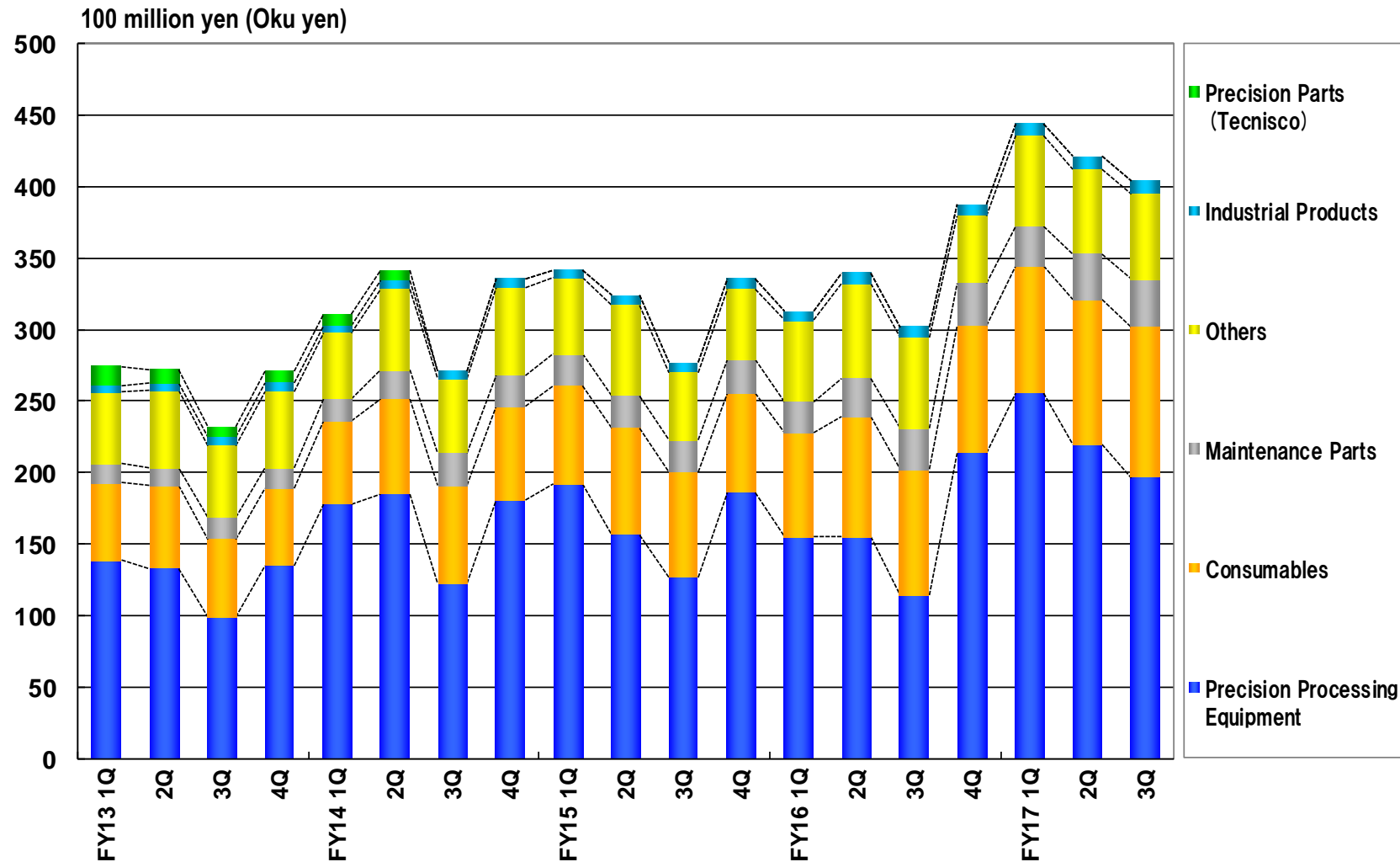
- The operating income exceeded ¥10,000 million for four consecutive-quarters. Although the ordinary income margin declined QoQ, it remained high at 27.5%.

Quarterly Consolidated Sales/Orders



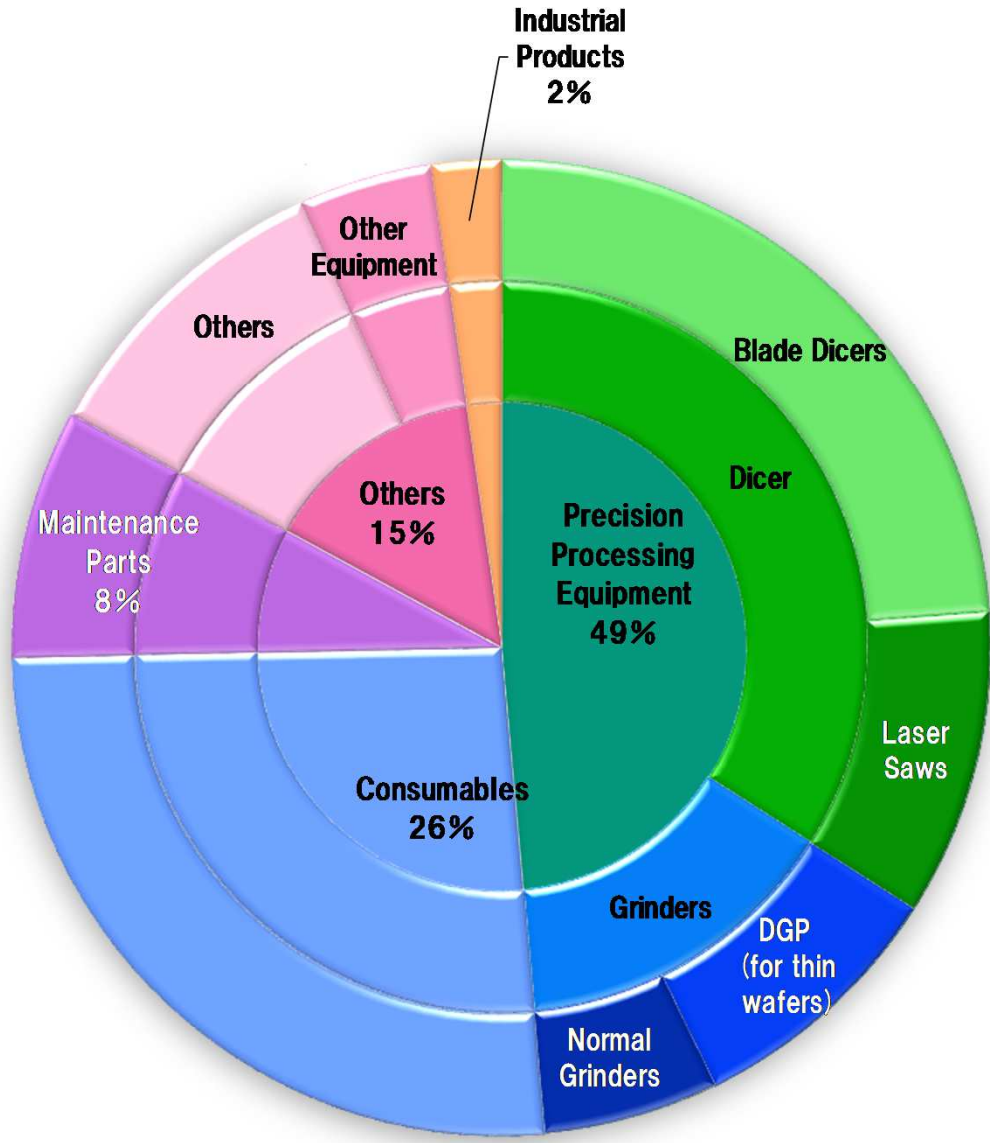
- Even for the third quarter, in which there are usually a lower number of inquiries, the amount of received orders was high. (Orders for 3Q: ¥39,900 million, Order Backlog: ¥15,300 million)

Quarterly Consolidated Sales Breakdown by Product



- Equipment shipment decreased QoQ, but increased by approx. 70% YoY. (Grinder sales were particularly high.)
- Sales of precision processing tools (consumables) slightly increased QoQ, with a YoY increase of approx. 20%.

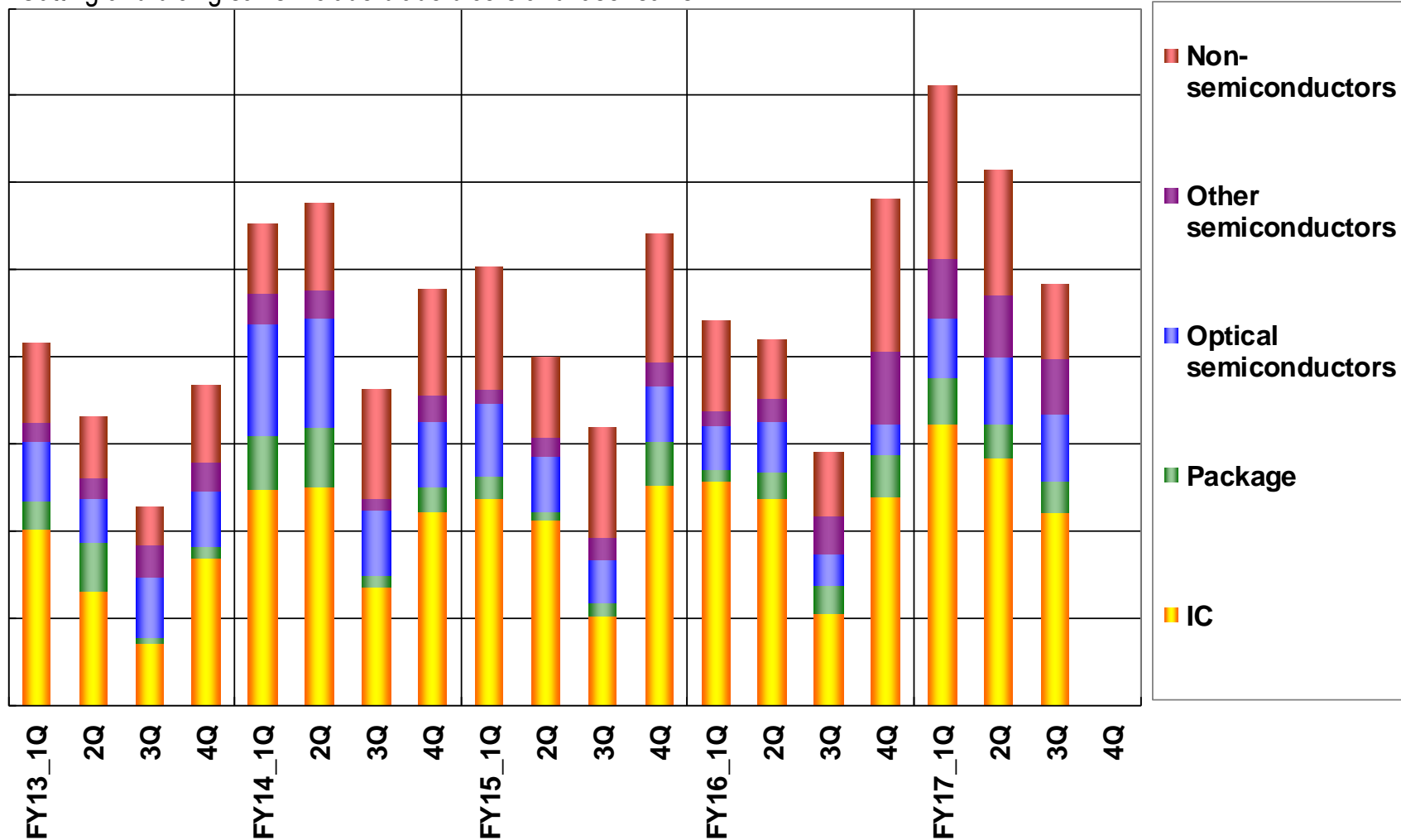
Product and Equipment Sales Breakdown FY17 3Q



FY17_3Q	
【Product Sales Breakdown】	
Precision Processing Equipment	49%
Consumables	26%
Maintenance Parts	8%
Others	15%
Industrial Products	2%
【Precision Processing Equipment Breakdown】	
Dicing Saws	70%
Grinders	30%
【Dicing Saws Breakdown】	
Blade Dicers	70%
Laser Saws	30%
【Grinders Breakdown】	
DGP (for thin wafers)	60%
Normal Grinders	40%

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

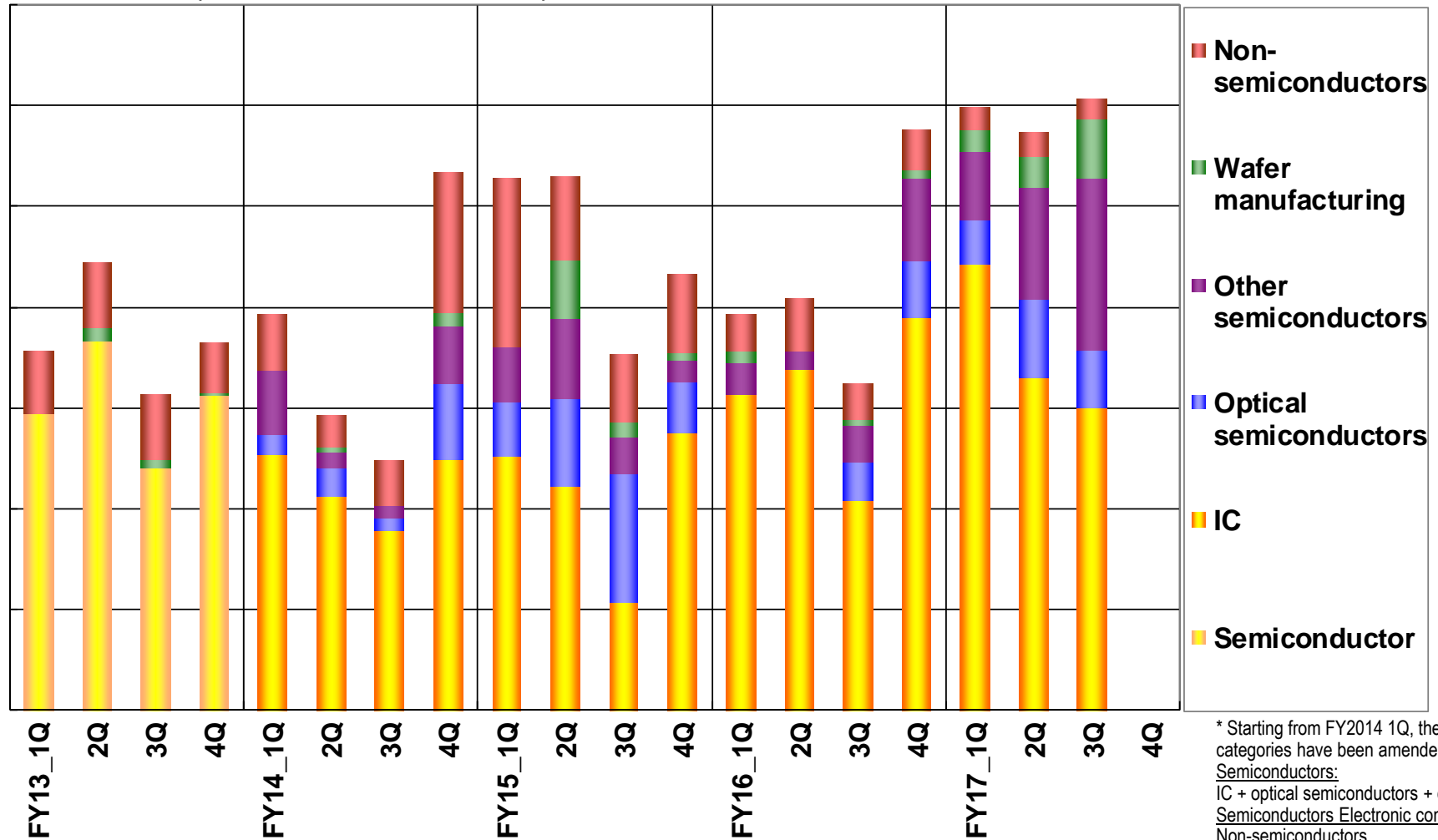
*Cutting and dicing saws include blade dicers and laser saws



- QoQ: Cutting and dicing saw sales decreased due to normal seasonality. However, shipments remained firm in a wide range of applications, particularly in memory applications.
- YoY: Both blade dicer and laser saw sales increased and remained firm in all applications.

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

*Grinders and polishers also include surface planers

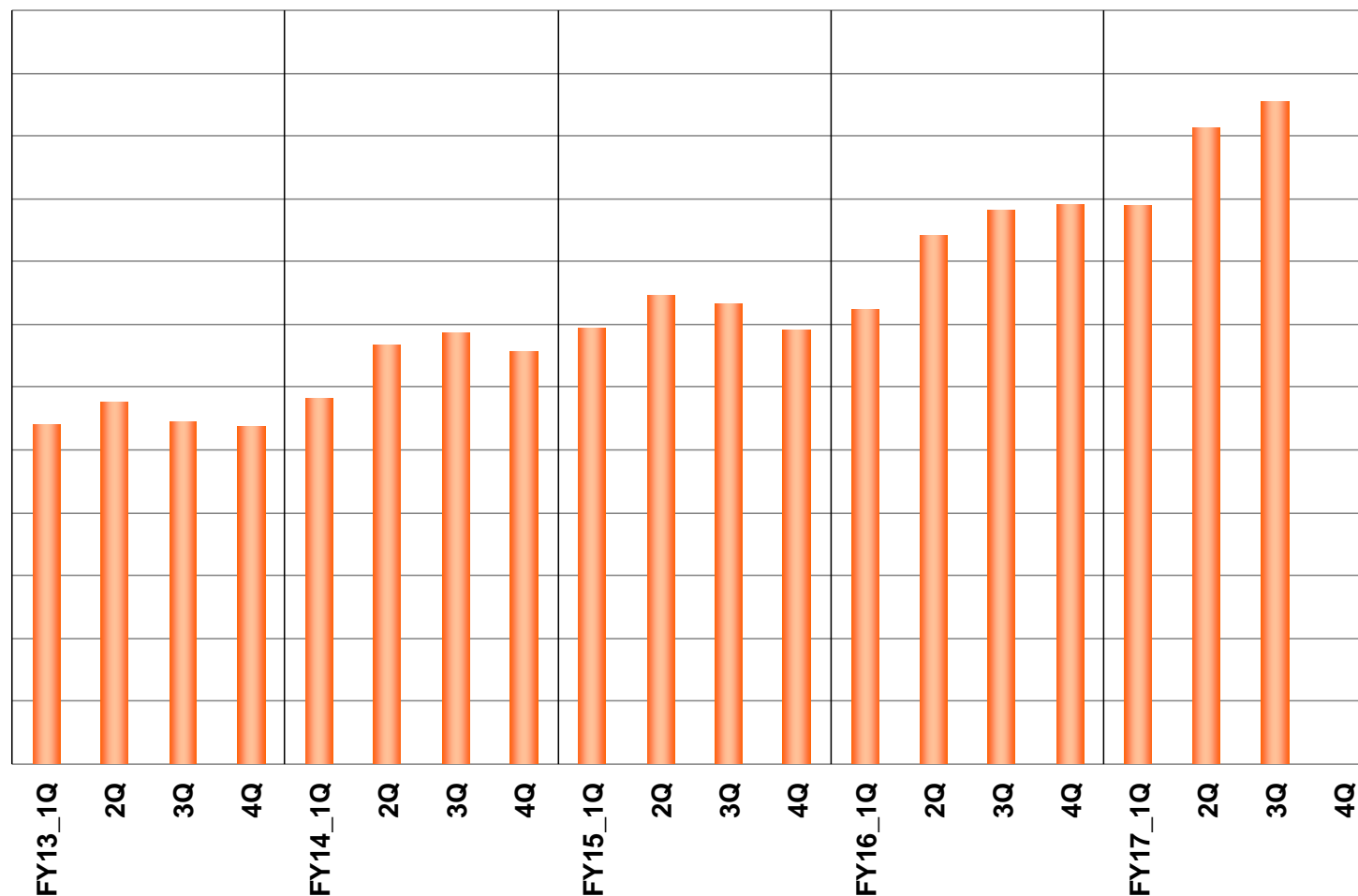


* Starting from FY2014 1Q, the sales categories have been amended as follows:
Semiconductors:
 IC + optical semiconductors + other
Semiconductors Electronic components:
 Non-semiconductors

- QoQ: Grinder shipments also maintained high level for all applications including grinders for wafer thinning.
- YoY: In addition to memory, demand increased for “other semiconductors” including discreet semiconductors and “Wafer manufacturing”.

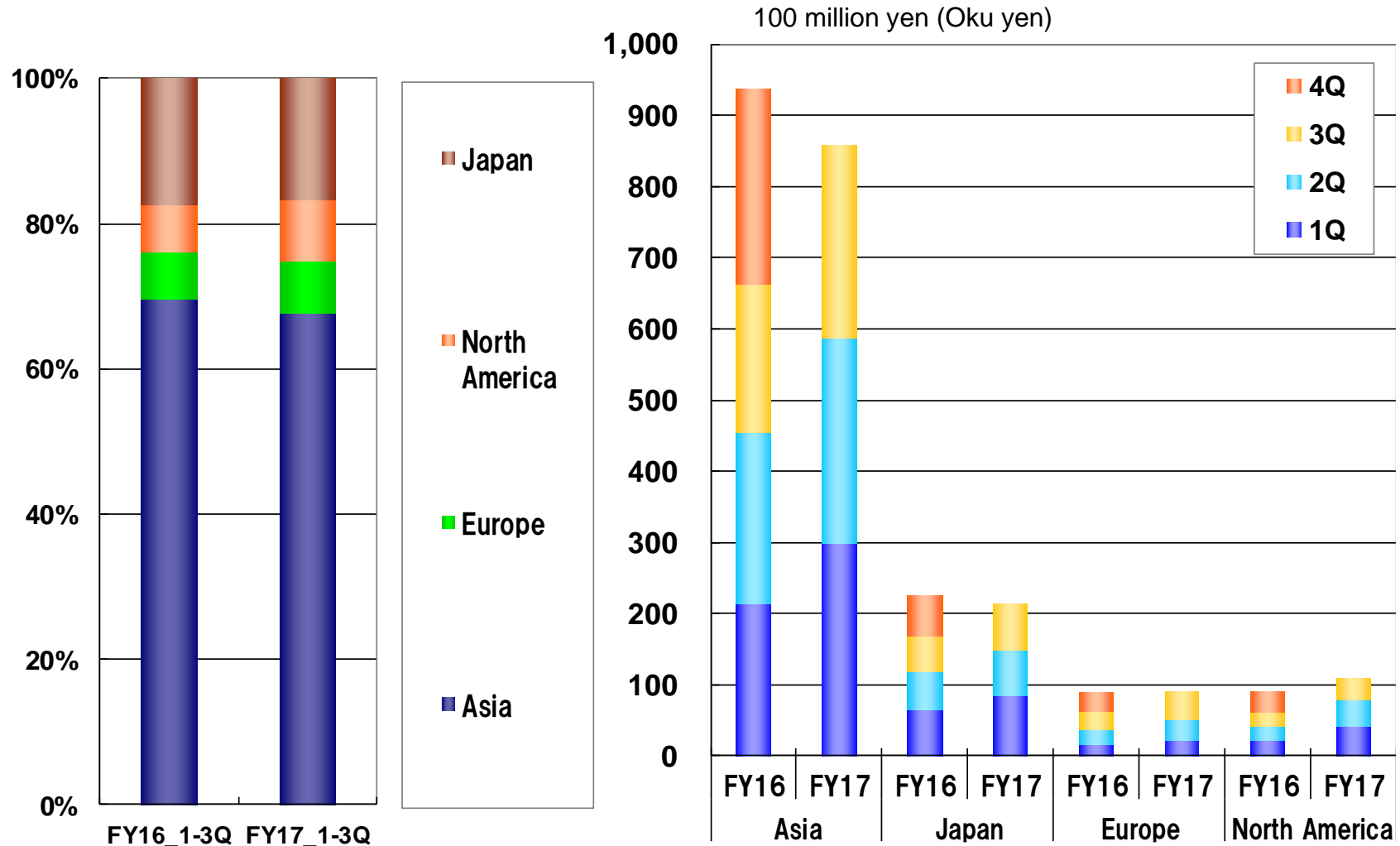
Consumables* Sales

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



- Consumables sales set a new record for the second consecutive quarter.
- Due to the active production activities of all manufacturers in semiconductor and non-semiconductor applications, the volume of shipments remained firm.

Sales Breakdown by Region Consolidated



- 1-3Q sales composition: Due to more active investment activities of the customers in Japan, Europe and US regions compared to last year, the sales composition for the Asia region was slightly lower.
- 1-3Q sales amount: Cumulative 3Q sales exceeded that of last year, especially in the US and Europe regions.

Balance Sheet (Summary)

Millions of Yen	FY2017 3Q	FY2017 2Q	Amount
Cash and deposits	84,491	81,640	2,851
Notes and account receivable	43,986	44,670	-683
Inventories	31,356	30,633	723
Total current assets	167,253	163,065	4,188
Property, plant and equipment	69,902	66,576	3,326
Total noncurrent assets	76,439	73,028	3,411
Total assets	243,692	236,093	7,599
Current liabilities	47,271	42,642	4,629
Noncurrent liabilities	673	729	-56
Total liabilities	47,945	43,372	4,573
Total net assets	195,747	192,721	3,026
Total liabilities and net assets	243,692	236,093	7,599

Equity Ratio	79.9%	81.2%	-1.3p
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Comparison with End of Previous Quarter (End of September)

- Assets: Increased by approx. ¥7,500 million due to increases in cash and deposits, and fixed assets including construction in progress.
- Liabilities: Increased by approx. ¥4,600 million mainly due to an increase in accounts payable.
- Net assets: The equity ratio decreased by 1.3 points to 79.9%.

FY2017 Earning Forecast

100 million yen (Oku yen)

FY2017	Actual				Earning Forecast			FY2018_1Q
	1Q	2Q	1H	3Q	4Q	2H	Full Year	
Net Sales	444	421	865	405	373	778	1,643	471
Operating Income	151	138	289	113	99	212	501	158
Ordinary Income	149	137	286	111	105	216	502	159
Net Income	107	95	201	72	77	150	351	111
Operating Income Margin	34.0%	32.7%	33.4%	27.9%	26.6%	27.3%	30.5%	33.5%
Ordinary Income Margin	33.6%	32.5%	33.1%	27.5%	28.1%	27.8%	30.6%	33.8%
Net Income Margin	24.0%	22.5%	23.3%	17.9%	20.7%	19.2%	21.4%	23.6%

FY2016	(Reference) Previous year's results						
	1Q	2Q	1H	3Q	4Q	2H	Full Year
Net Sales	313	340	652	302	388	690	1,342
Operating Income	69	80	149	61	103	164	313
Ordinary Income	75	81	156	53	109	161	317
Net Income	58	61	119	36	87	123	242
Operating Income Margin	22.2%	23.4%	22.8%	20.2%	26.7%	23.9%	23.4%
Ordinary Income Margin	24.0%	23.9%	23.9%	17.4%	28.0%	23.4%	23.6%
Net Income Margin	18.5%	17.9%	18.2%	12.0%	22.5%	17.9%	18.0%

Predicted exchange rates: USD 1 = JPY 105, EUR 1 = JPY 125

Effect of 1-yen fluctuations to the exchange rate (consolidated and annualized): Approx. ¥700 million for USD, and approx. ¥30 million for EUR.

Dividend Policy and Dividend Payment

(Yen)	FY2017		
	Previous forecast	Forecast	Actual
Interim dividend			141
Year-end dividend	157	191	
Annual dividend	298	332	

(Reference)
FY2016
Actual
83
291
374

FY2017 Intermediate dividend ¥141

FY2017 Year-end dividend: ¥191
Breakdown

Performance-linked dividend: ¥105
(Based on dividend policy clause 1)

One-third of the surplus: ¥86
(Based on dividend policy clause 3)

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.

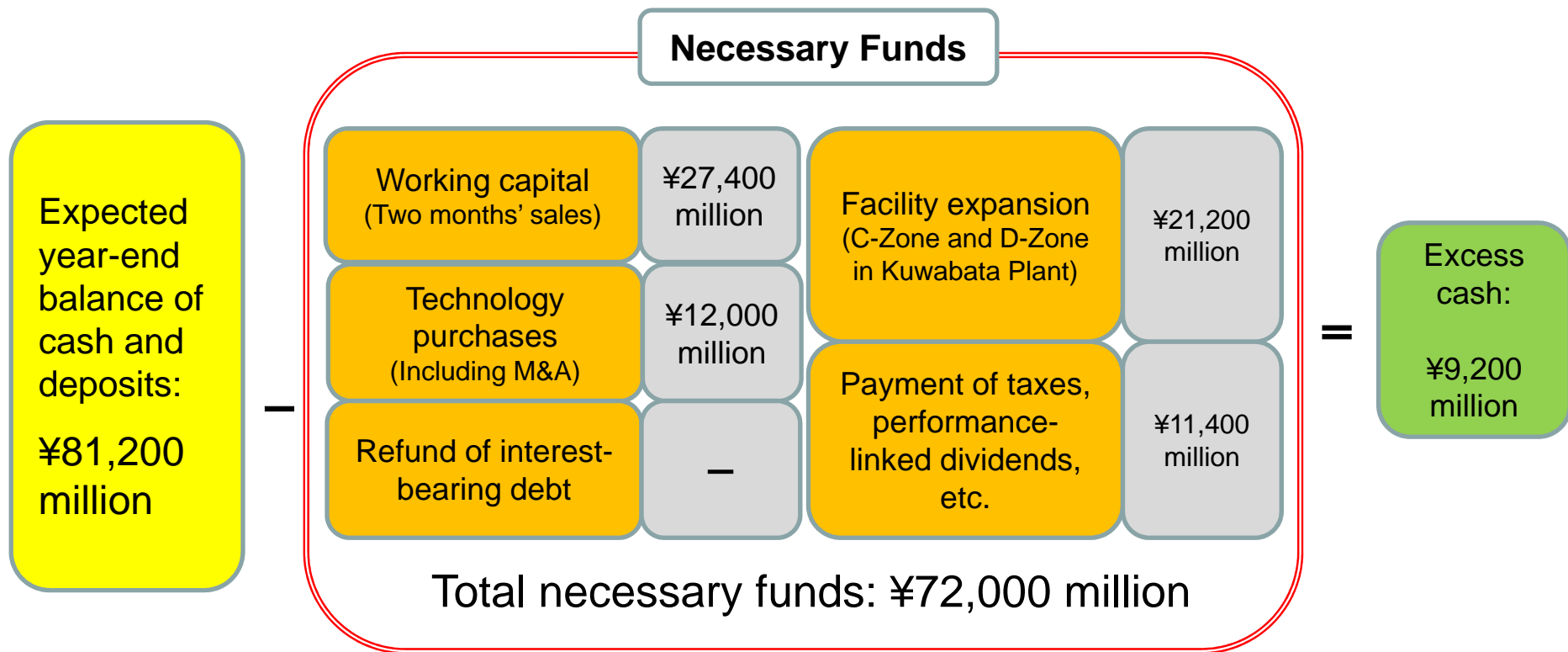
1. Adopting a performance linked dividend policy and aiming at giving clearer priority to shareholder returns, our target dividend payout ratio is 25% of the consolidated half-yearly net income. There will be interim and final dividends, each of which will be equivalent to 25% of the half-yearly consolidated 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.

[Reference]
Calculation of Surplus Distribution as Additional Dividends

Additional dividends:

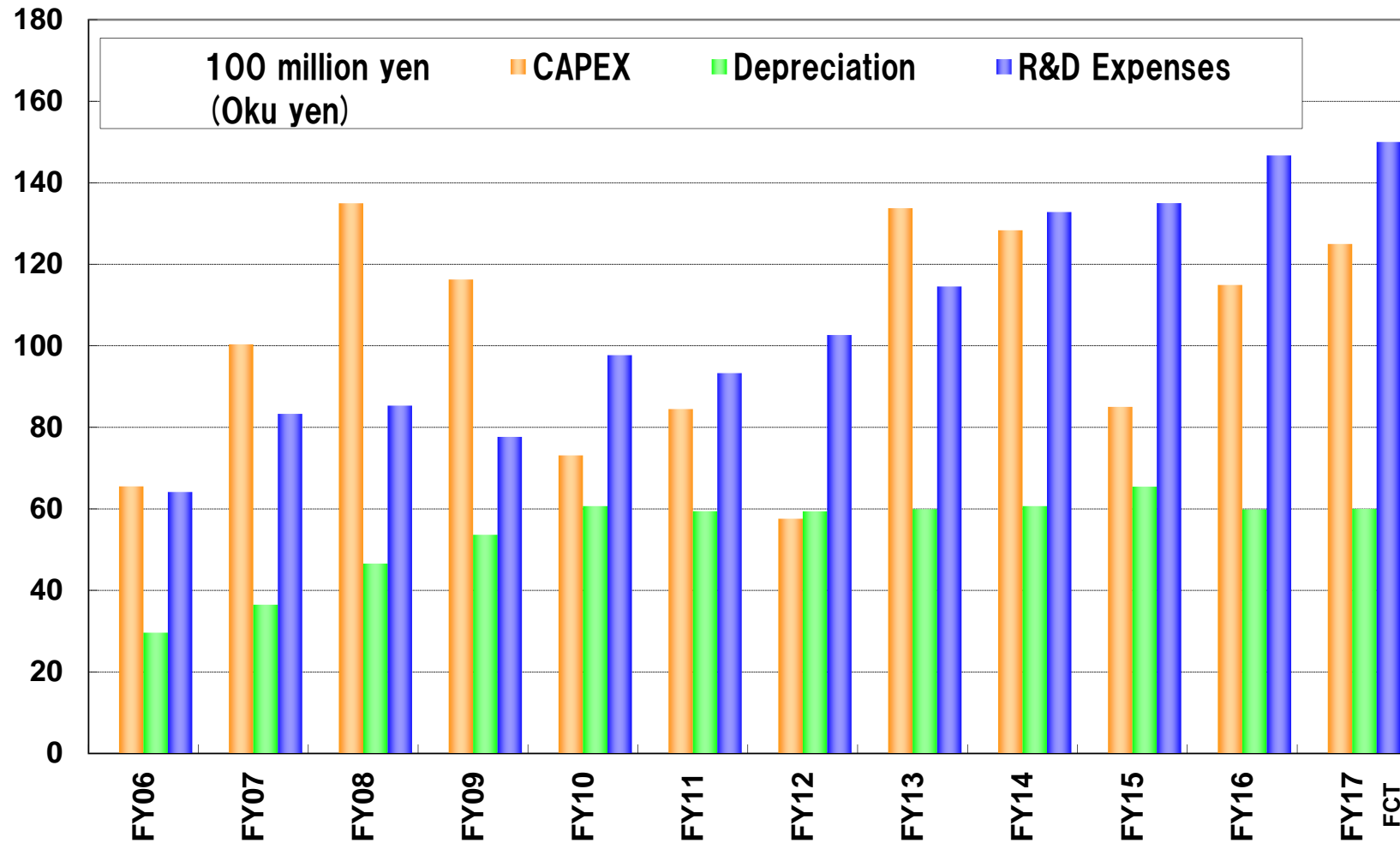
One third of the surplus will be added to the performance-linked dividends.



Expected additional dividends:

Excess cash of ¥9,200 million ÷ 3 ÷ number of shares = ¥86 per share

Consolidated R&D/CAPEX Forecast



Investment Forecast in FY2017

- R&D: Investments of around ¥15,000 million are planned in order to proactively conduct R&D (around ¥14,600 million in FY2016).
- Capital spending: Investments of around ¥12,500 million are planned for the construction of new factory buildings (¥11,500 million in FY2016).
- Depreciation: As in the previous year, depreciation expenses are expected to be around ¥6,000 million (¥5,900 million in FY2016).

FY2017 Full Year Sales Forecast Breakdown by Product

	YoY FY16 Full Year Actual	YoY FY17 Full Year Previous forecast	YoY FY17 Full Year Revised forecast	YoY FY18 1Q Forecast
Precision processing equipment	-4%	30%	40%	5%
Grinders	-13%	50%	40%	30%
DGP (for thin wafers)	7%	30%	30%	Slight increase
Non-DGP (Area besides thinning)	-40%	90%	80%	Slight increase Double
Dicing saws	1%	20%	30%	-5%
Non-laser	3%	30%	40%	-20%
Laser	-3%	10%	20%	40%
Precision blades and wheels	16%	20%	20%	10%
Other products, subsidiaries	12%	-5%	Slight increase	5%

DISCO

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