

FY2020

Third Quarter Financial Results

Jan. 26, 2021

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.

FY2020 3Q Earnings Results (Consolidated)



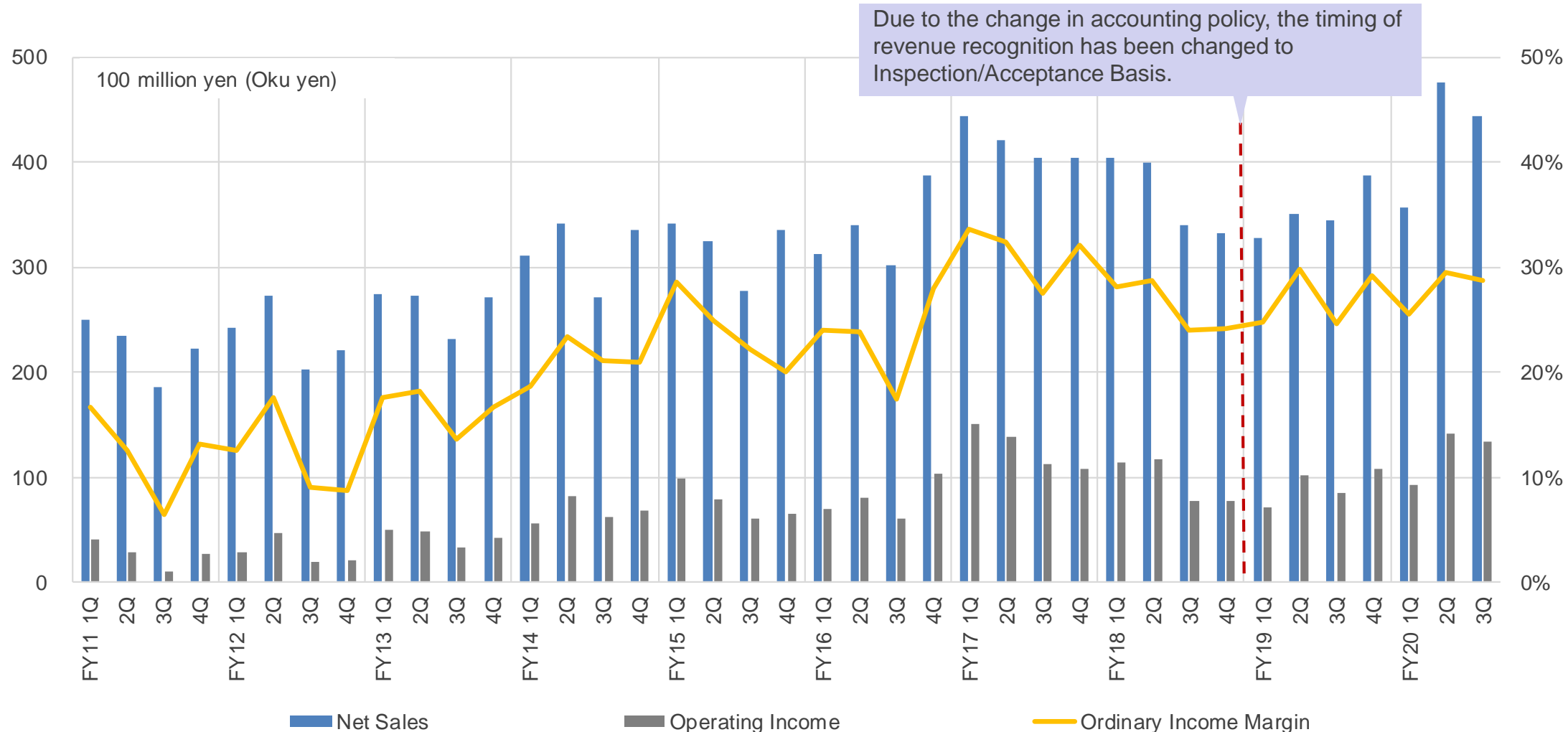
Millions of Yen	FY2020 3Q	FY2020 2Q	QoQ		FY2019 3Q	YoY	
			Amount	(%)		Amount	(%)
Net Sales	44,393	47,561	-3,168	-6.7%	34,435	9,958	28.9%
Gross Profit	26,646	27,418	-772	-2.8%	21,036	5,609	26.7%
Gross Profit Margin	60.0%	57.6%	2.4p	-	61.1%	-1.1p	-
SG&A	13,333	13,342	-9	-0.1%	12,598	735	5.8%
Operating Income	13,313	14,076	-763	-5.4%	8,438	4,875	57.8%
Ordinary Income	12,761	14,008	-1,247	-8.9%	8,492	4,269	50.3%
Ordinary Income Margin	28.7%	29.5%	-0.8p	-	24.7%	4.0p	-
Income before income taxes and minority interests	12,652	14,007	-1,355	-9.7%	8,734	3,918	44.9%
Net Income	9,026	10,127	-1,101	-10.9%	6,333	2,693	42.5%

Net sales: QoQ Declined for equipment and increased for consumables.
YoY Increased drastically for equipment and increased for consumables.

GP margin: QoQ Increased due to changes in sales composition. YoY Declined.

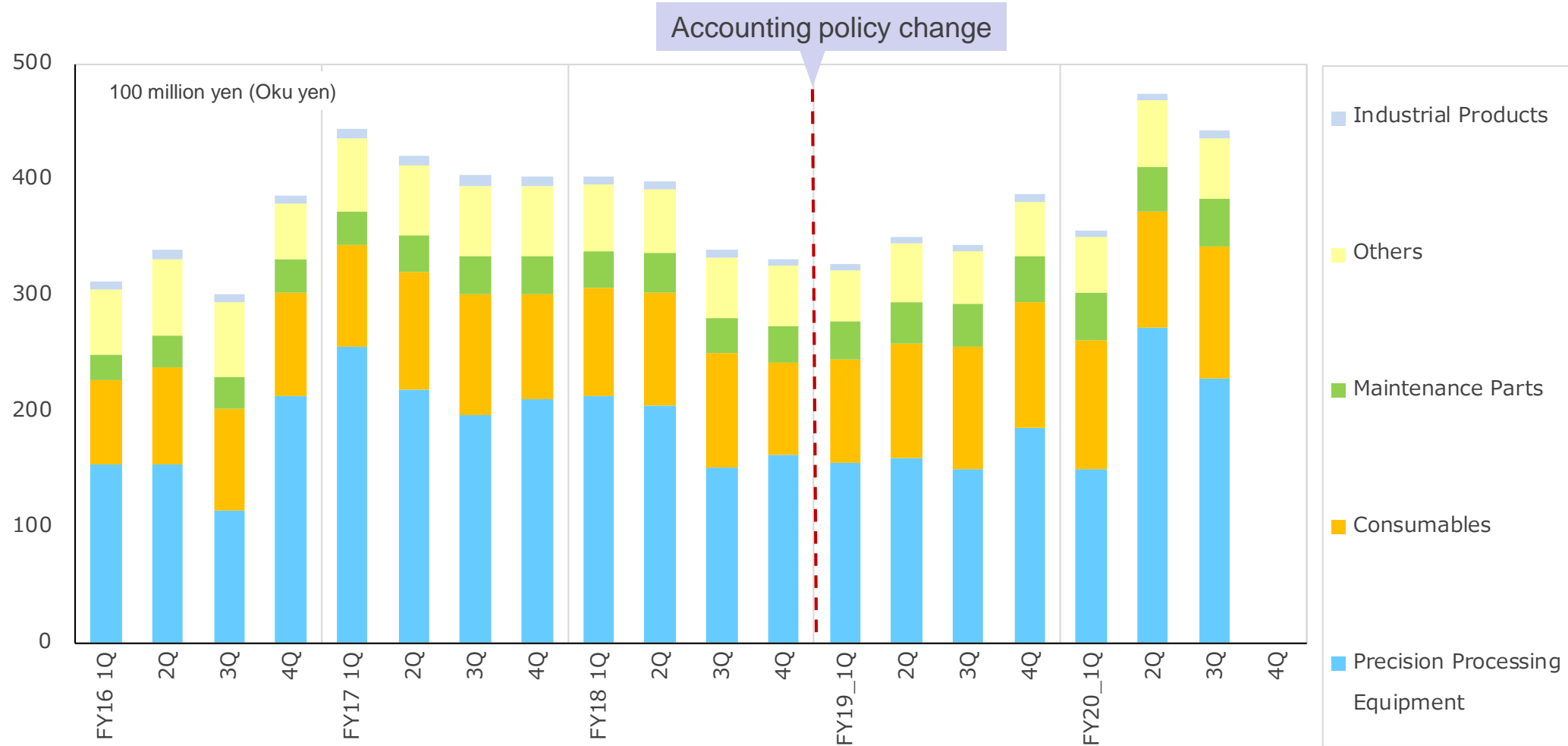
SG&A: QoQ Remained at a high level for personnel and R&D expenses.

Quarterly Consolidated Financial Results



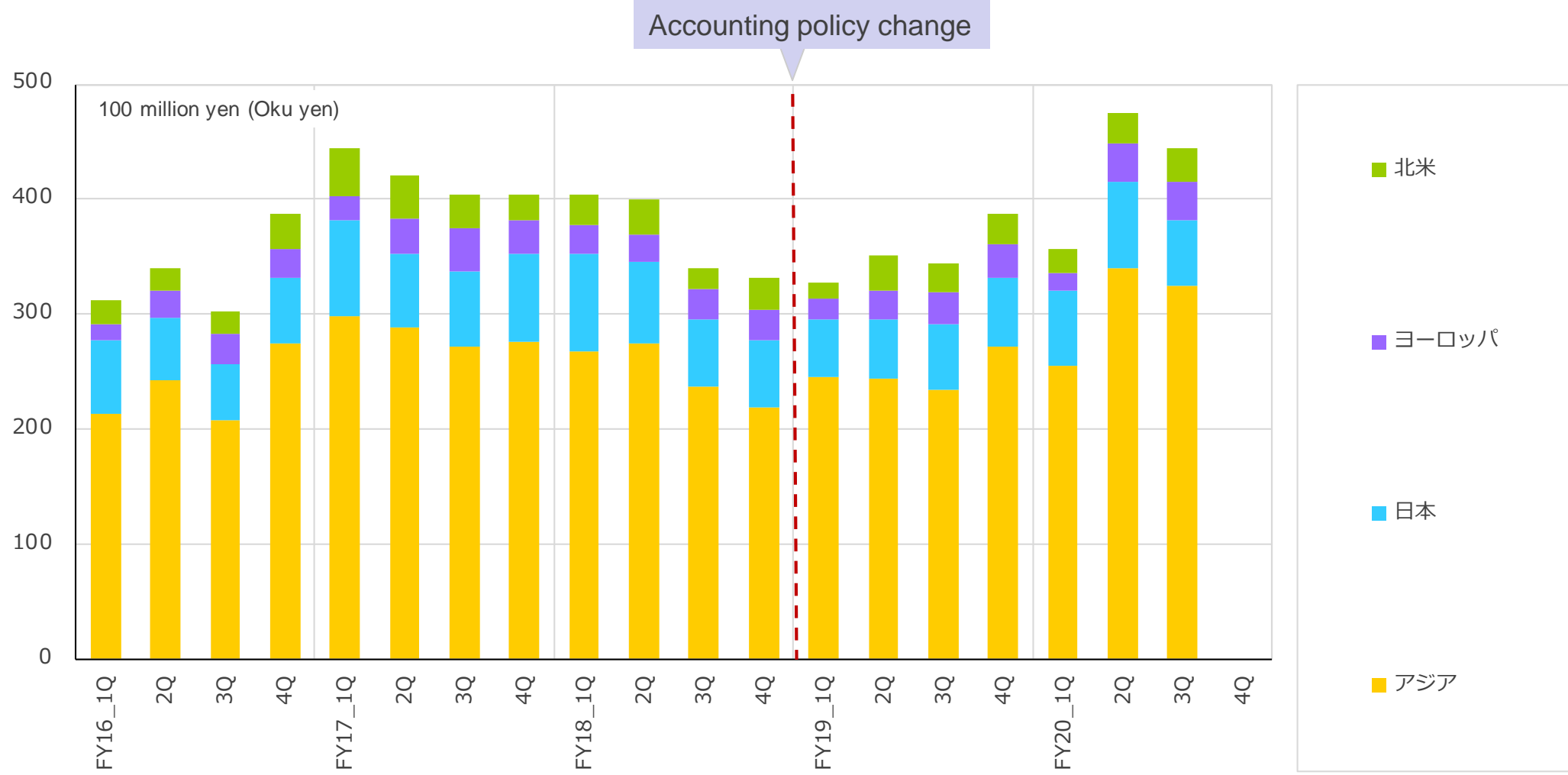
FY20 3Q Operating income margin: 30.0%, Ordinary income margin: 28.7%, Net income margin: 20.3%

Quarterly Consolidated Sales Breakdown by Product



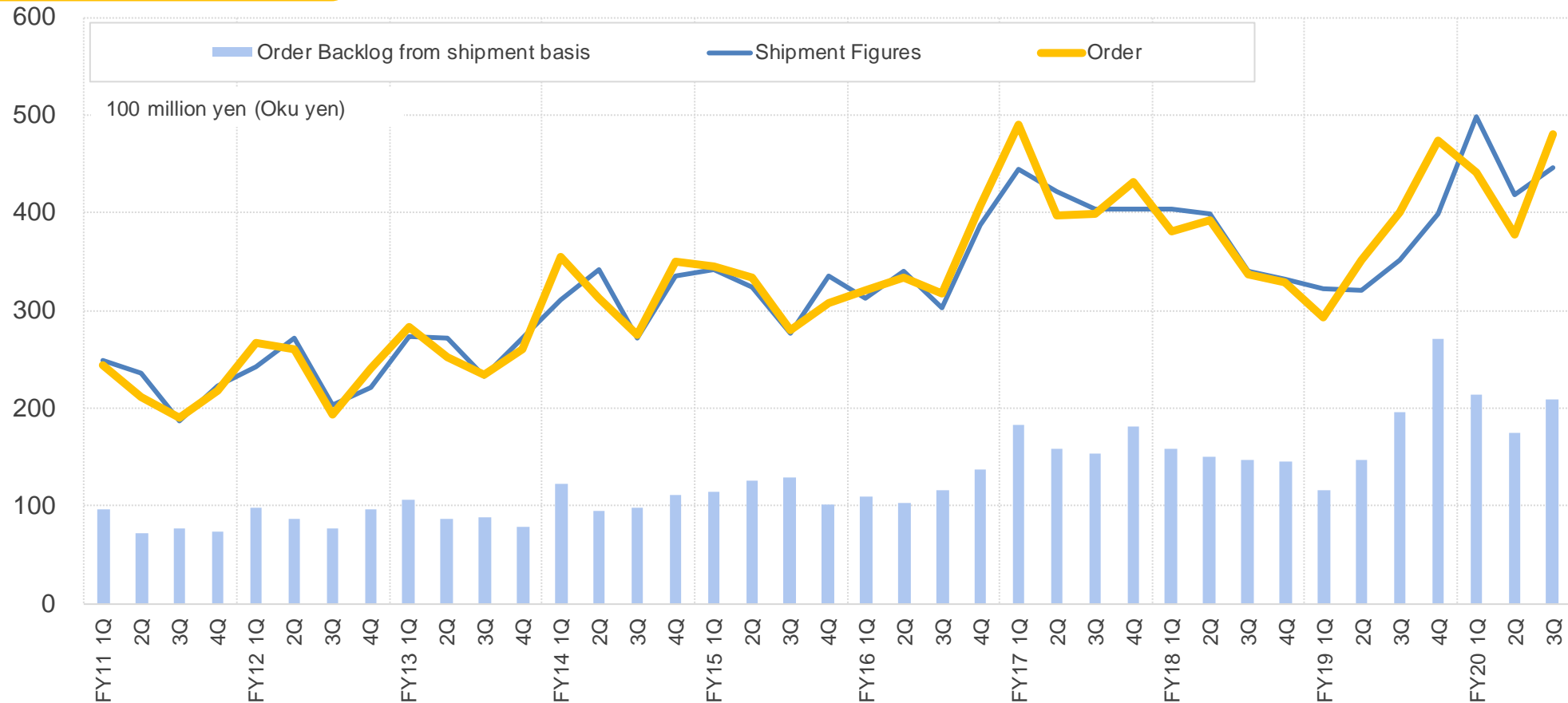
Note: Composition percentages are listed as additional information on the website.

Consolidated Sales Breakdown by Region



Overseas sales accounted for 87.4% of the total sales.

Shipment Basis

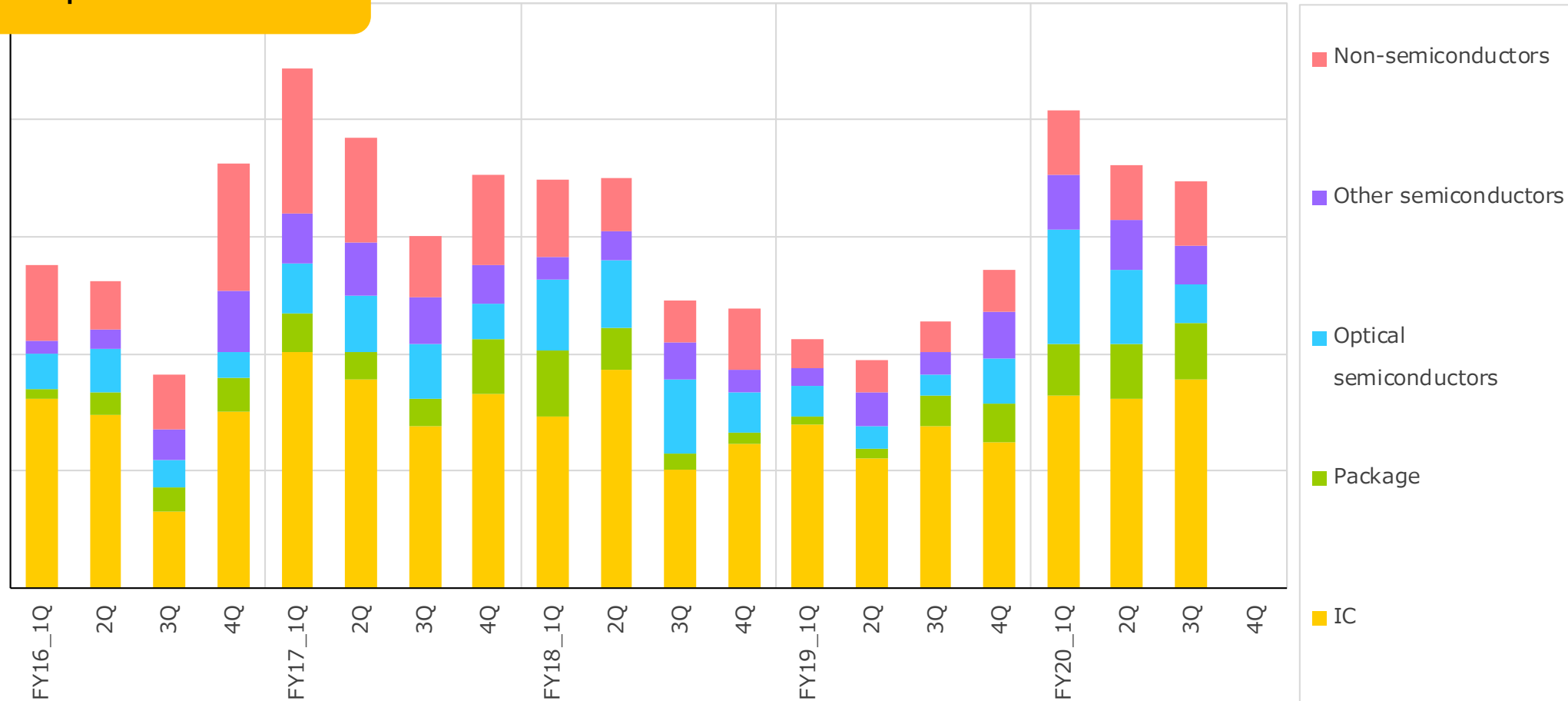


Orders for 3Q in FY20:
Shipments:
Order backlog:

Approx. JPY 48,000 million,
Approx. JPY 44,600 million,
Approx. JPY 20,900 million (shipped amount excluded)

Non-consolidated Sales by Usage of Dicing Saws

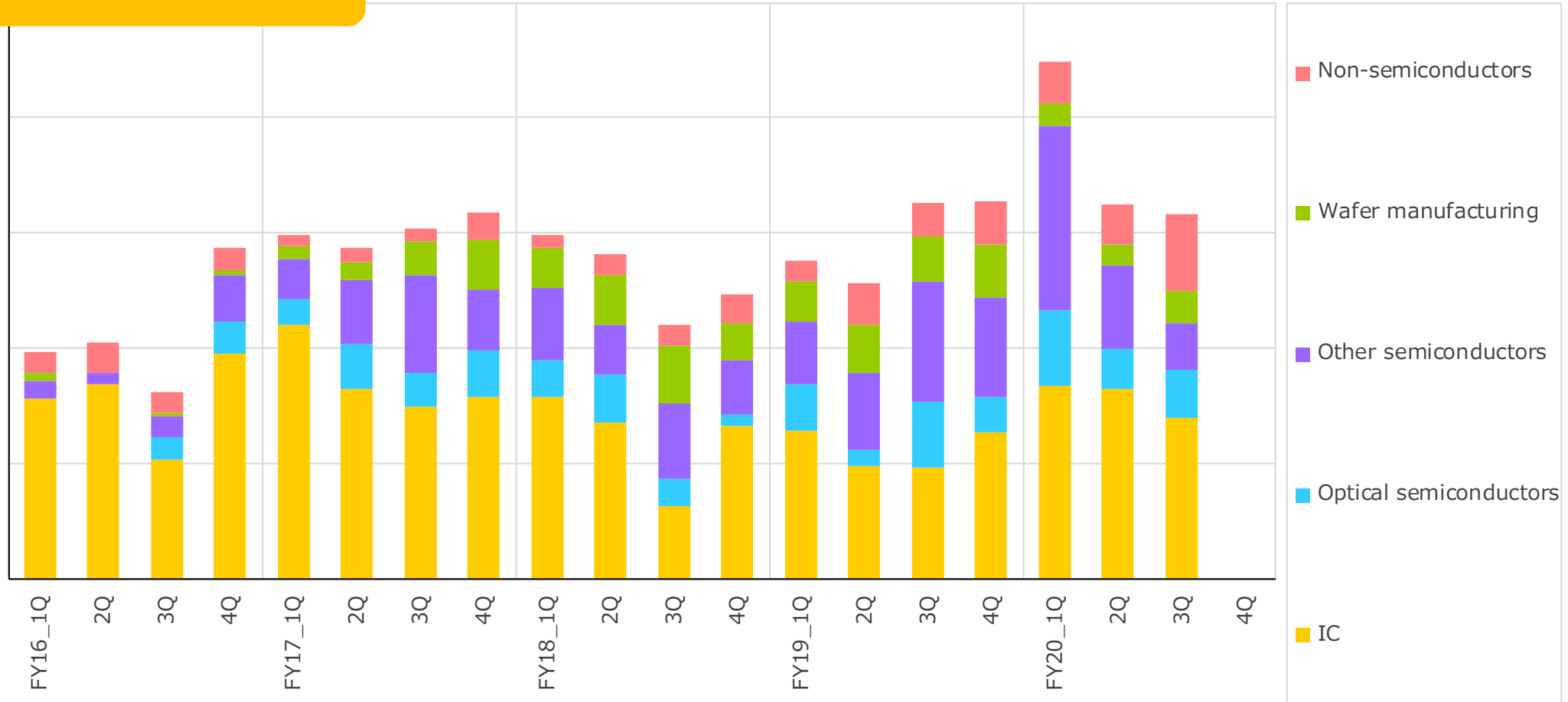
Shipment Basis



QoQ: In addition to steady demand for IC, growth in non-semiconductor fields supported the whole.
 YoY: With expansion of 5G-related demand, mass production focused on IC remained at a high level.

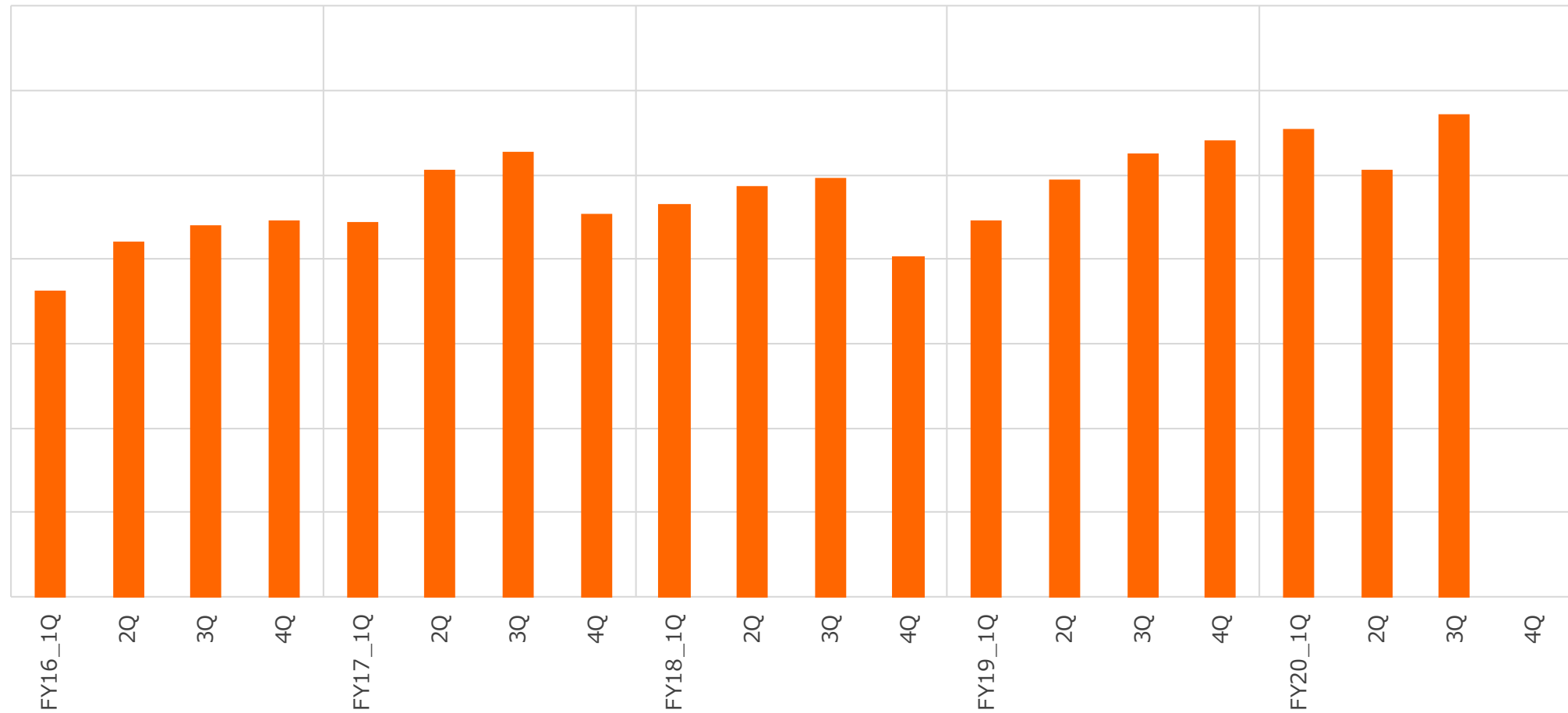
Non-consolidated Sales by Usage of Grinders

Shipment Basis



QoQ: Increased non-semiconductor demand focused on high frequency devices supported the whole.
 YoY: Increased in almost all applications, with the expansion of thinning demand.

Consolidated Consumable* Sales



Consumable shipment remained steady, supported by high facility operation rates at customers.

Balance Sheet (Summary)

Millions of Yen	FY2020 3Q	FY2020 2Q	Amount
Cash and deposits	90,947	90,256	691
Notes and account receivable	30,114	30,273	-159
Inventories	55,454	53,168	2,286
Total current assets	184,292	179,231	5,061
Property, plant and equipment	105,086	99,090	5,997
Total noncurrent assets	115,185	109,492	5,693
Total assets	299,478	288,723	10,754
Current liabilities	62,098	56,850	5,248
Noncurrent liabilities	549	555	-6
Total liabilities	62,648	57,405	5,243
Total net assets	236,829	231,317	5,512
Total liabilities and net assets	299,478	288,723	10,754
Equity Ratio	78.7%	79.7%	-1.0p

Total assets: Increase in inventory to meet large number of inquiries. Increase in fixed assets with construction of new building at plants.

Liabilities: Increase in current liabilities, mainly in accounts payable

Net assets: Increase in mainly earned surplus

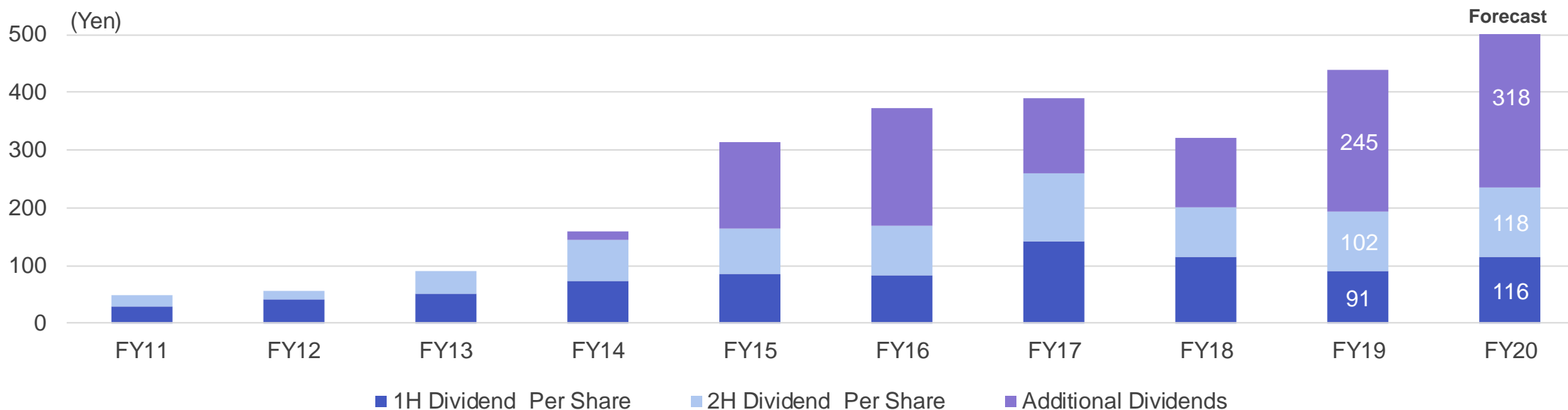
Dividend Policy and Dividend Payments

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]

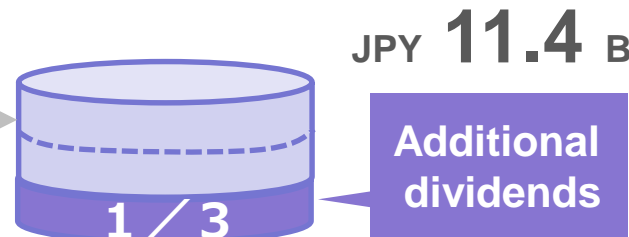
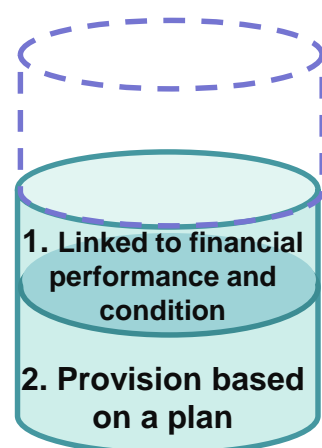
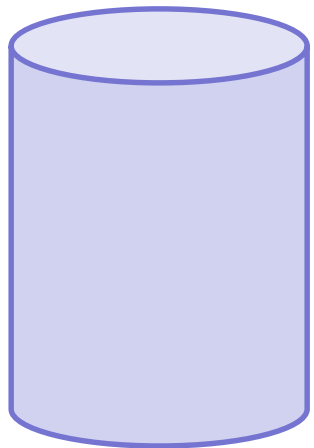
The ¥20 payout stipulated in our stable dividend policy may be reviewed if there are consolidated net losses for three consecutive years.



Current forecast: FY20 interim JPY 116 (actual), FY20 year-end JPY 436 (Additional dividend: JPY 318)
 Results from the previous year: FY19 interim JPY 91, FY19 year-end JPY 347 (Additional dividend: JPY 245)

Current Forecast

Year-end balance JPY 91.9 B	-	Necessary funds JPY 57.6 B	=	Surplus funds JPY 34.3 B
---------------------------------------	---	--------------------------------------	---	------------------------------------



Contents of necessary funds:

Operating funds		JPY 28.5 B
Previous year Consolidated sales ÷ 12 months x 2		
1	Technical purchases (including M&A)	JPY 15.0 B
Consolidated sales Average of past 3 years x 10%		
Refund of interest bearing debt		-
Taxes and dividends		JPY 8.3 B
2	Facility expansion	JPY 5.8 B
D zone in Kuwabata plant, other		

Earnings Forecast 4Q FY2020



100 million yen (Oku yen)

Forecast

	FY19 1Q	2Q	3Q	4Q	FY20 1Q	2Q	3Q	4Q
Net Sales	328	351	344	388	357	476	444	437
Operating Income	71	101	84	108	93	141	133	107
Ordinary Income	81	104	85	113	91	140	128	110
Net Income	57	73	63	83	65	101	90	80
Operating Income Margin	21.7%	28.8%	24.5%	27.8%	26.0%	29.6%	30.0%	24.6%
Ordinary Income Margin	24.7%	29.7%	24.7%	29.1%	25.6%	29.5%	28.7%	25.2%
Net Income Margin	17.5%	20.8%	18.4%	21.3%	18.2%	21.3%	20.3%	18.2%
Shipment Figures	322	320	352	399	499	418	446	494

Note: From FY2019, the timing of revenue recognition has been changed to Inspection/Acceptance Basis.

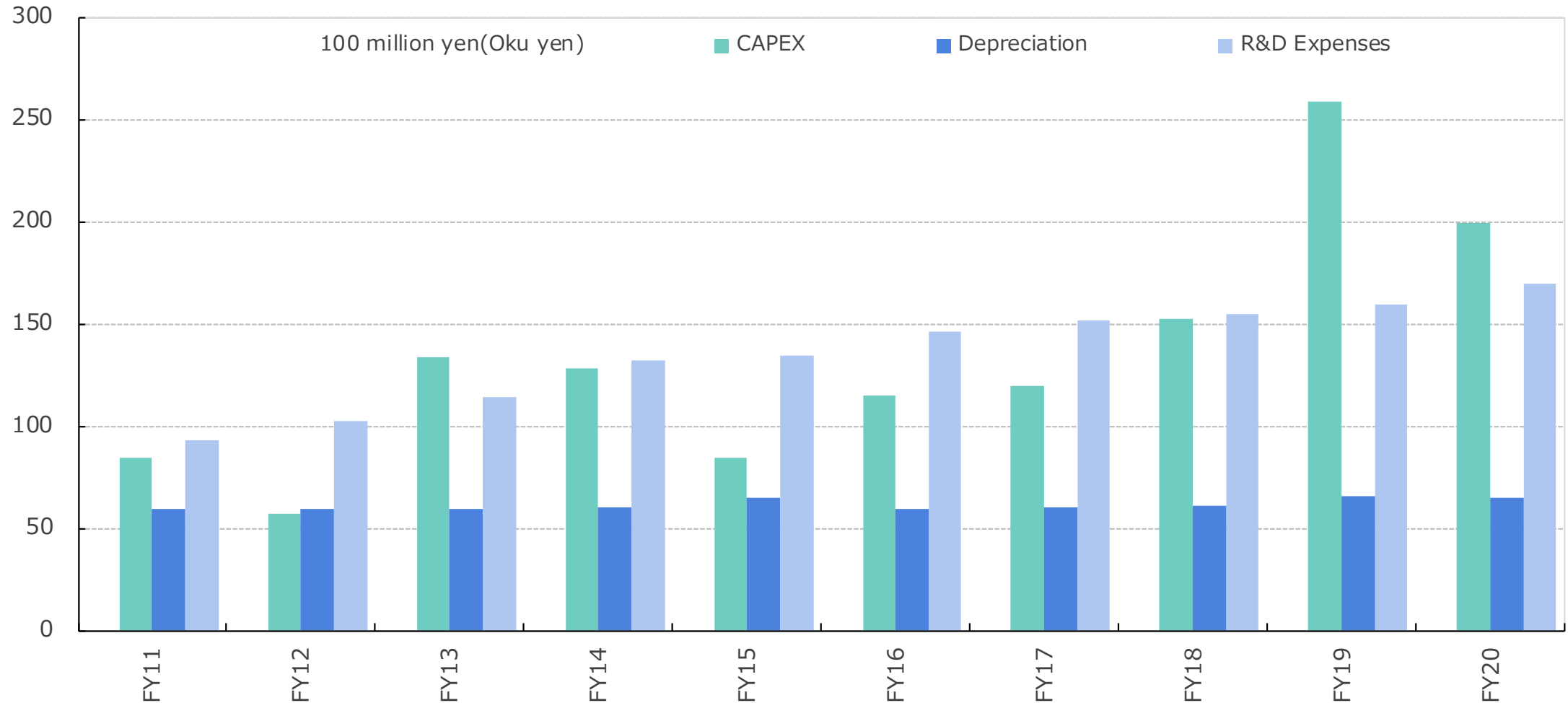
Assumed exchange rate: USD: JPY 95 Euro: JPY 120

Foreign exchange sensitivity (consolidated and annualized): USD: Approx. JPY 700 – 800 million Euro: Approx. JPY 30 million

Sales Forecast By Product

Shipment Basis

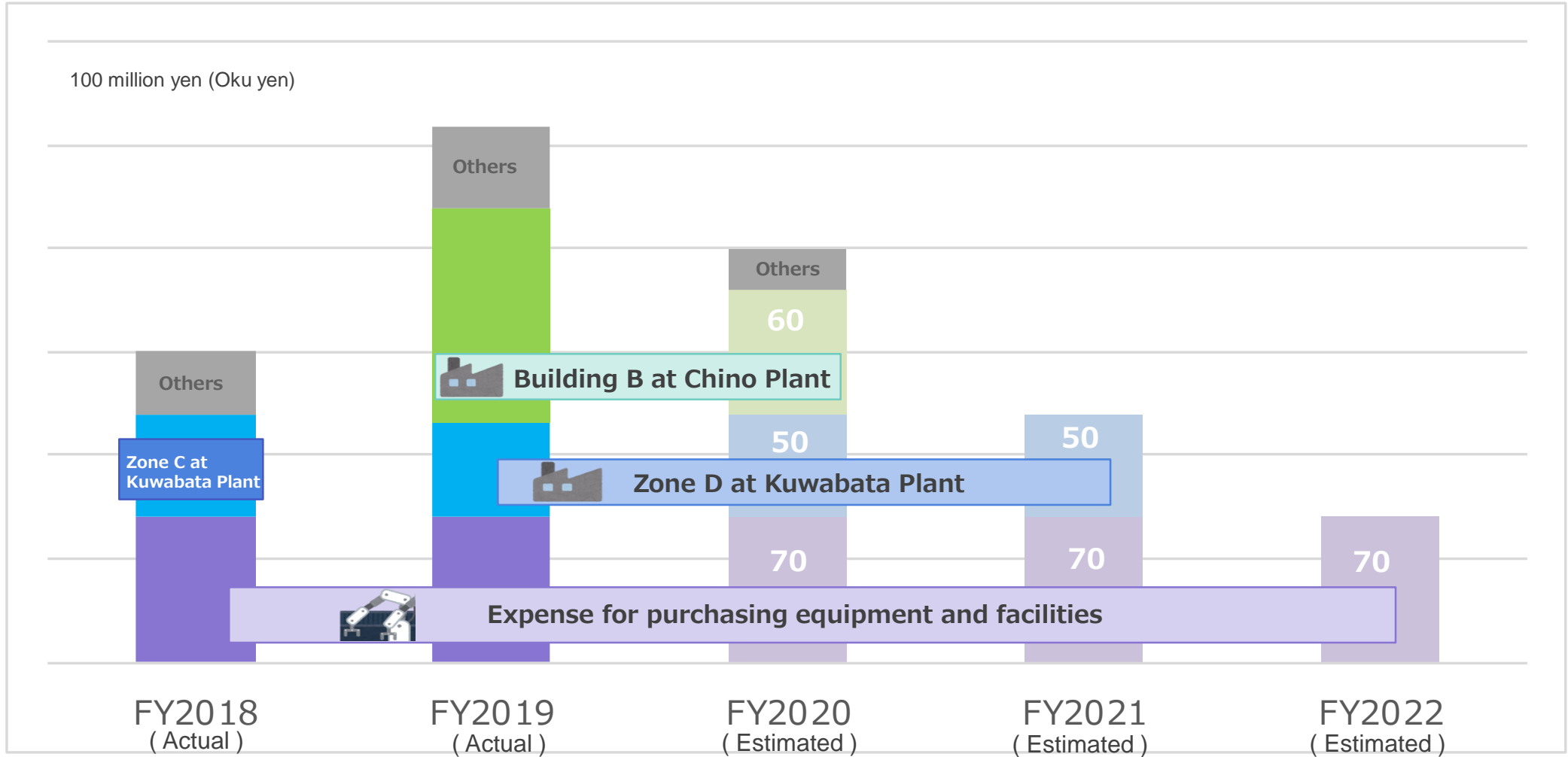
QoQ		FC FY20_4Q
	DGP (for thin wafers)	20%
	Other Grinders	40%
	Grinders	30%
	Blade Dicers	30%
	Laser Saws	50%
	Dicers	40%
Precision Processing Equipment		40%
Consumables		-10%
Others		-20%



Forecast for FY20:

- Facilities investments: Approx. JPY 20B, including construction of new buildings at Kuwabata and Chino (JPY 25.9 B in FY19).
- Depreciation: Approx. JPY 6.5 B. Expected to be similar to last year (JPY 6.6 B in FY19).
- R&D: Approx. JPY 17.0 B. We plan to invest proactively in R&D (JPY 15.9 B in FY19).

CAPEX Expenses



Forecast for FY20 Expenses related to equipment and facility purchases: Approx. JPY 7 B
 Zone D at Kuwabata Plant: Payment in thirds corresponding to construction period Approx. JPY 5 B
 Building B at Chino Plant: Final payment at completion Approx. JPY 6 B