

D I S C O

C O R P O R A T E R E P O R T

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English



Aiming for Excellence in Corporate Activities

Business conditions in economic and global environments as well as in science and technology have been recently changing at a dizzying pace. The expected content and quality of the corporate activities and the social responsibilities that companies are being called upon to fulfill are continually evolving. DISCO has established "DISCO Values" – an ethos intended for application throughout the organization. The aim in so doing is to clarify the future direction of the corporation under rapidly changing conditions, without being sidetracked by superficial changes.

DISCO Values clearly states: "By achieving excellence in all of our corporate activities, our existence will be welcomed by our stakeholders and society." This indicates that DISCO is a corporation which aspires for technology and services regarded as an international standard. As such, we must show strong determination to respond flexibly to changes in society and to enhance every aspect of our corporate activities which meets our corporate values.

Since 2003, DISCO has been introducing activities known as Performance Innovation Management (PIM). These activities involve setting target values on the basis of a desired future state formulated individually by different units and for different types of work, and then reflecting at brief intervals to see whether these values have in fact been achieved. The aim of these reviews is to ensure that the organization as a whole is able to evolve through a process of self-awareness concerning matters such as how improvements can be made. In order to achieve "Excellence in corporate activities," (a target of DISCO Values) it is indispensable that each individual employee act to ensure that improvements can be made by reflecting on and learning from these activities. Our everyday PIM activities have allowed us to streamline operations throughout the corporation, making DISCO a dynamic, evolving organization.

Since implementing our original management accounting system, Personal Will, throughout the company, the work performance of individuals has become visible, and it is being used to manage profits and expenditures. Employees are able to choose the work that they want to do through this system, and their job satisfaction is increasing. Furthermore, employees are able to think and make decisions for themselves by refining their ability to make logical decisions in order to make a profit. As a result, DISCO is becoming an even stronger organization than it has been in the past.

DISCO intends to continue to evolve by aiming for true excellence in all our corporate activities. We look forward to your continued support and cooperation.

Kazuma Sekiya

President, CEO and COO

DISCO Values

DISCO Values represent the corporate philosophy that identifies the ideal from various perspectives, including the direction in which the company should progress, the basic approach of management, and the manner in which each and every employee works. DISCO Values stipulate over 200 items, systematically organized so they may be reflected in actual activities. Specifically, they document general corporate social responsibility (CSR) concepts by which we aim to exchange value with our stakeholders, all the while fulfilling the company's social mission. DISCO strives to conduct all of our activities from management decisions to day-to-day business in line with DISCO Values.

The following are examples of DISCO Values:

Bringing science to comfortable living through advanced *Kiru, Kezuru* and *Migaku* technologies

"Advanced *Kiru, Kezuru* and *Migaku* technologies" is DISCO's business domain. In other words, DISCO will never deviate from the three technology fields of *Kiru* (*cutting*), *Kezuru* (*grinding*) and *Migaku* (*polishing*) in our business activities. The company's social mission is to connect the ever-advancing science to bountiful and comfortable lifestyles via these core technologies.

Our growth is defined as our increase in mission-achievability and value-exchangeability

The management of a company can significantly change depending on how it defines its growth. DISCO does not think of growth in terms of expansion of sales, scale, or market share. For DISCO, growth is measured by how close we come to achieving our Mission and by the increase in our exchange of value with and satisfaction for our stakeholders, such as the customers, employees, stockholders, and suppliers.

Always the best, always fun

DISCO's motto is "Always the best, always fun." We feel that, as professionals, it is a given that we thoroughly pursue the highest level of quality in the performance of our work. Also, it is just as important that we enjoy our work. These do not contradict each other, but rather we feel that their compatibility contributes to a fulfilling work experience.

Sonzai no Akashi

Foundation of Values

Basic Ideals

DISCO's Goals and Objectives

Management Ideals

Basic Approach of Management

Management Guidelines

Forms and Principles
for Actual Business Administration

Behavior Identity

Action Guidelines for DISCO Employees

Structure of DISCO Values

Value and Solutions Provided by DISCO

The precision processing equipment, consumable products and applications know-how provided by DISCO enable *Kiru, Kezuru, Migaku* solutions.



DISCO Processes

Kiru, Kezuru and Migaku – our three core technologies.



DISCO Consumable Products

Abrasive blades and wheels attached to equipment for processing.



DISCO Equipment

Equipment that processes the workpiece through fine control of size and thickness.

What is processed?

We mainly process silicon, sapphire, gallium arsenide, and other raw materials which become the materials used for semiconductors and electronic components. There are many various types of these raw materials. However, the majority are round disks called "wafers," such as silicon wafers and sapphire wafers. Semiconductors and electronic components function inside devices including smartphones and also computers, IC cards, medical devices, and automotives. All of the essential products around us are processed with DISCO's technology.



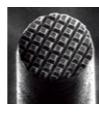
Processed for what?

In order to manufacture smaller and thinner digital products such as smartphones and PCs, the components that are found inside must also be made smaller and thinner. This allows for many components in the same space as well as enhanced functionality. DISCO contributes to the advancement of digital products, contributing to comfort in people's lives.

Lighter
Thinner
Smaller
Higher functionality

How is it processed?

Fine Cutting



DISCO can finely cut material to micrometer accuracy (1/1000 of a millimeter). This is precision to the point of being able to groove a human hair crosswise 30 times.

Thin Grinding to the Point of Transparency



We are able to thinly grind material to 5 micrometers (copy paper is 100 micrometers thick). In addition, we are able to maintain a thickness variation less than 1.5 micrometers in a 300 mm diameter wafer.

Mirror-Like Polishing



A mirror polish greatly improves the strength of the material.

Relationship between Semiconductor Manufacturing Process and DISCO's Technologies

The majority of DISCO products, which incorporate a broad number of engineering disciplines, such as mechanical, electrical, physical, chemical and IT, are currently used for manufacturing high-value-added semiconductors.

Wafer Manufacturing and Semiconductor Manufacturing Processes

DISCO's Processing Technology

Wafer Manufacturing Process

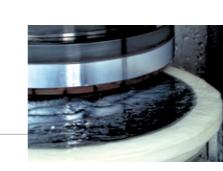
The process of manufacturing silicon wafers, the substrate material used in manufacturing semiconductors



Grinders are used to thin wafers cut from silicon ingots. As semiconductors have become thinner with enhanced functionality, the precision of flatness in the thinning process has become more important.

Semiconductor Manufacturing: Front-End Process

The process of making semiconductor die by forming transistors on the substrate wafer



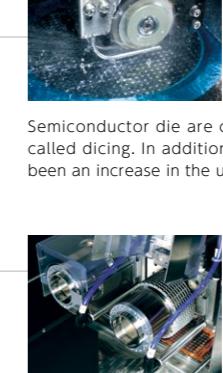
The backside of the wafer is ground (in a process called backgrinding) in order to thin it while protecting the circuit on the front side. End products like smartphones and computers have become even thinner thanks to this process.

Semiconductor Manufacturing: Final-Assembly Process

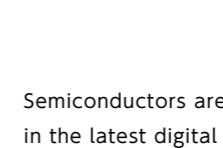
The process of assembling semiconductor die via wiring and packaging



The damage layer is removed for the purpose of improving the strength of the thinned wafer (stress relief). As the thinning of end-products progresses, demand for stress relief is increasing.
Semiconductor die are cut from the thinned wafers in a process called dicing. In addition to conventional blade dicing, there has been an increase in the use of laser cutting.



DISCO's equipment is also used to cut the package after it is enclosed in resin.



Semiconductors are used in the latest digital equipment that facilitates our comfortable lifestyles.



Four Business Fields, Our Unique Total Solutions

DISCO's greatest strength lies in our four distinct business fields, each interwoven to provide total solutions.



Precision Processing Consumable Products

Cutting-Edge Technology Honed Since our Founding in 1937

Our consumable products can be characterized by our abrasive blades and wheels made with synthetic diamonds. When installed on the equipment and rotated at high speeds, they cut, grind, and polish materials. We manufacture various consumable products including dicing blades and grinding/polishing wheels. Users can make different selections in terms of shape, thickness, bonding material, and diamond size according to their processing needs.

DISCO was originally established in 1937 as a manufacturer of abrasive cutting wheels. Ever since, we have continued to develop these products to find solutions for the needs of our customers, and we now have tens of thousands of high-precision processing tools in our line-up.



Precision Processing Equipment

Limitless Innovation and Application of Advanced *Kiru*, *Kezuru* and *Migaku* Technologies

Precision Processing Equipment is the general term we use to describe the machines that perform our *Kiru*, *Kezuru* and *Migaku* technologies. DISCO has primarily been involved in the development of equipment such as dicing saws and grinders mounted with blades and wheels. However, the processing methods have expanded significantly in recent years beyond our original abrasive equipment to include dicing saws that cut using lasers, and surface planers that employ a diamond bit. Most DISCO equipment is customized to meet our customers' wide-ranging requirements regarding not only device quality and equipment productivity, but also effective use of space and low environmental impact.

DISCO will continue to evolve our core technologies of *Kiru*, *Kezuru* and *Migaku* to contribute to comfort in peoples' lives.



Application Know-How

Solutions that Truly Meet Our Customers' Needs

Precision equipment, consumable products, and processing parameters can be combined in a myriad of ways. This can make it difficult for our customers to make equipment selections that are best for them. The facilities in our application laboratory can solve this problem as our application engineers perform test cuts with the materials provided by the customer in order to recommend solutions that will produce the best processing results.

Providing processing solutions, namely, in achieving the best processing results, is the core element offered by DISCO. In an effort to provide free application testing close to our customers, we have application laboratories in our domestic and overseas offices, in addition to the Application Laboratory at our Head Office/R&D center in Tokyo with its 70-plus private test booths.

Service Support

Enthusiasm for Craftsmanship Embodied in Our Service

We at DISCO consider the services we provide after product delivery to be a very important aspect of our business. Our service is primarily comprised of after-sales service which may involve regular equipment spot checks or repairs, as well as training services to provide our users with opportunities to acquire the necessary operation/maintenance skills. We have created a six-level in-company certification program for our Customer Engineers who are in charge of after-sales service allowing us to provide uniform global service support. When it comes to our training service, we put into practice feedback obtained via questionnaires filled out by the participants in an effort to provide service and support that delight our customers.

The very thing that defines the DISCO spirit is our belief that the care we put into the craftsmanship of our equipment and consumable products must also be fully reflected in our application know-how and service support.

DISCO's *Kiru*, *Kezuru*, *Migaku* Products That Create Comfortable Living

We at DISCO want to use our advanced *Kiru*, *Kezuru* and *Migaku* technologies to create comfort in the lives of people. Let us take a look at some of the DISCO products that allow us to do this.



Kiru



Dicing Saws

Equipment that cuts materials with an abrasive blade. They are categorized into two types: compact semi-automatic dicing saws for specialized applications and fully-automatic dicing saws, which are high-productivity models that include automatic handling, alignment and cleaning.



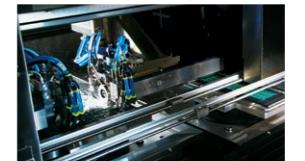
Dicing Blades

These are thin abrasive wheels used for cutting, created by molding synthetic diamond grains with bonding materials such as phenolic resin.



Laser Saws

Equipment that cuts material using a laser. Depending on the material, it can be more productive than a blade dicing saw. We offer both manual and fully automatic models.



Dicing Engines

These are dicing sub-systems that are integrated with a handling system, and cut chip scale packages (CSP) covered with resin in order to protect the semiconductor die from external impact, contamination and water.



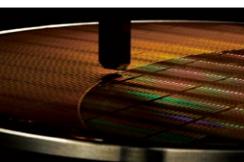
Kezuru



Grinders

Equipment that grinds materials with a grinding wheel. We offer semi-automatic grinders for specialized applications and high-productivity fully automatic models that include automatic handling and cleaning.

Kezuru & Migaku



Grinding Wheels

Grinding wheels used for kezuru processes. These products are used to make wafers and other workpieces thin and flat.

Grinder-Polishers

Equipment configured for both grinding and polishing in one integrated unit which also offers a selection of specific polishing methods, including dry polishing and chemical mechanical polishing (CMP).



Migaku



Surface Planers

Equipment that uses a diamond bit to flatten the material. These products are used to cut the surface of malleable materials (such as gold and copper) and LED resins, planarizing with high precision.

Dry Polishers

Equipment used for polishing materials. They do not use any chemicals or water during processing, thus minimizing the impact on the environment.

Dry Polishing Wheels

Used with polishing pads for dry polish to produce a mirror finish on the processed surface.

R&D: Creating Future Value

We continue to push the boundaries into uncharted areas of our *Kiru*, *Kezuru* and *Migaku* technologies by actively utilizing original and creative ideas.



Major R&D Center in Tokyo

DISCO's Head Office/R&D Center is located in the Omori region of Tokyo, which has easy access to Haneda Airport as well as Shinagawa Station, where the Shinkansen stops. The site was chosen for our R&D center to be more convenient for our customers to visit us for technological discussions. The content of these early engagements provides a major source of ideas for DISCO's next generation of R&D, and represents a valuable asset to our company.



An R&D Environment that Places Importance on Inspiration and Challenges

Building B in the Head Office/R&D Center is primarily our R&D facility. This places our engineers' desks adjacent to the area where the R&D equipment is located. The creation of an environment that allows for an immediate examination of the engineers' inspiration using close-by equipment enables DISCO to continue to provide invaluable creative solutions and products even in the rapidly changing semiconductor industry.



Turning Customer Needs into Innovation

What our customers want is not the product itself, but the processing solutions, and we at DISCO place great importance on this approach. Testing helps determine whether the solutions required by our customers can be realized. This testing takes place in the application laboratories of not only our Head Office/R&D Center, but also in our branch, affiliate, and agent offices worldwide, which create stronger relationships of trust with our customers. The cycle that contributes to the processing results provides DISCO with a high level of expertise and know-how, and the accumulation of this knowledge helps us to respond to even more complex requirements.





Continually Evolving *Monozukuri*

The spirit of *monozukuri* that has been with us from the very beginning is evident throughout our manufacturing process.

***Monozukuri** in Pursuit of Customer Satisfaction**

DISCO was established as a grinding wheel manufacturer originally named Dai-Ichi Seitoshō in the city of Kure, Hiroshima Prefecture in 1937. Although our products have evolved, our stance regarding *monozukuri* to respond to customers' needs and continue to provide them with true and lasting satisfaction has continued unchanged since the first day. DISCO works out of three different production sites including two in its city of inception, Kure, and one in Chino City in Nagano Prefecture.

* Craftsmanship, pride in manufacturing



Producing Custom-Built Products

Although DISCO's equipment comes with standard specifications, most customers require customization for their specific processing needs. Several of DISCO's departments and divisions, such as Sales, Engineering, Purchasing, Manufacturing, and Applications, collaborate to ensure that the specifications requested by the customers are precisely reflected in our products. Particularly when it comes to the important components that directly affect the processing results, we at DISCO make continuing efforts to increase the in-house manufacturing ratio to allow us to provide our customers with a more reliable product.



Creating Customer Delight via Our Evolving Activities

Even at the manufacturing site, we actively utilize PIM* activities that are being developed and expanded throughout the company in our affiliate offices throughout the world. Our zero defect activities in blade manufacturing and reduction of assembly man-hours in equipment manufacturing have directly contributed to customer satisfaction in terms of faster delivery of products and a stable supply.



* PIM: Performance Innovation Management

This specifically refers to a program where each department or division sets targets based on the desired future state. The group subsequently looks back over short intervals to detect any gaps between the targets and the current state in an effort to obtain *Kizuki* ("lightbulb" moment) for the end purpose of evolving. Visibility of the targets and current state via the abundant use of notices, posters, and Post-it notes encourages all of us to increase our awareness in our daily activities.

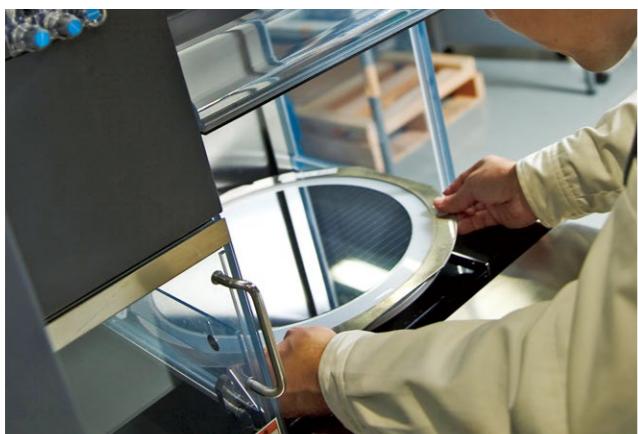
Aiming for Thorough Application Solutions to Achieve Optimal Processing Results

■ Applications: Part of DISCO's DNA

Applications at DISCO are defined as techniques for making full use of the precision processing equipment and precision processing tools (consumable products). "Making a full use" of the equipment and tools means that we maximize the performance of DISCO products and lead our customers to the point where we can confidently say that we will achieve the optimal processing results. We have thus accumulated knowledge through the process of achieving these optimal processing results. This knowledge provides clues for processing materials that have never been processed and leads to solutions to new challenges, giving back to our customers.

We are committed to pursuing applications that lead to customer satisfaction at a fundamental level. DISCO has been pursuing this commitment since its establishment, even as the subjects of processing have changed from consumer products, such as the slit in fountain pen nibs and parts for electric meters, to products in high-tech areas, such as electric component materials, and even as our processing methods have expanded from only blades and wheels to laser and plasma. This commitment has been one of DISCO's greatest strengths.

From 2012, it has been made mandatory for all of our new employees to acquire application know-how. In this way, applications are part of DISCO's DNA.



Application Examples

Memory Devices DBG/SDBG



The demand for ultra-thin ø300 mm wafers has been increasing as part of memory devices production. DBG has been adopted by many of our customers because the risk of wafer breakage can theoretically be reduced by separating die through the process of grinding the backside of the wafer. To achieve improved die strength, SDBG, which uses stealth dicing, has also been adopted by our customers.

Memory Devices Stress Relief DP/CMP/Dry Etching



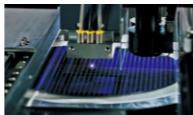
For thin wafers after grinding, microscopic damage needs to be removed and die strength needs to be improved. There are a variety of stress relief processes in the lineup, such as dry polishing, CMP, and dry etching, which makes it possible to select a process according to the required die strength, cost, or other requirements.

Memory Devices Die Separation



The die separator separates die on a wafer with a modified layer formed by stealth dicing through expansion. The die separator makes it possible to separate DAF (Die Attach Film) at the same time as the die.

Logic Device Laser Grooving



Low-k film used for advanced logic devices has a low mechanical strength, making it difficult to process using a blade. Removing low-k film using non-contact processing (laser grooving) enables blade dicing to be used to process the device in the same manner as other devices.

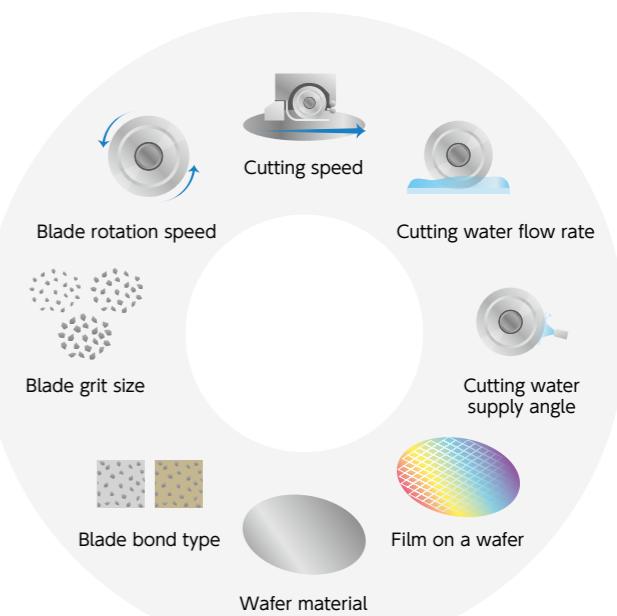
■ Test Cuts Leading to Optimal Processing Results with Various Elements

Pursuing an application solution is mainly conducted through test cuts (processing tests) with the workpieces (processing materials) provided by our customers. A test cut is conducted by selecting the equipment according to the required productivity, installation space, budget, etc. and selecting the precision processing tools while considering the workpiece material, required quality, and other factors. Through test cuts, the processing conditions that best satisfy customer requirements will be selected from a myriad of items, such as processing tool rotation speeds, processing table operation speeds, the cutting water feed rate and temperature for cooling and removing processing particles, water supply angle, workpiece securing material and method, etc. In general, these processing conditions optimized through test cuts are adopted.

However, subtle environmental differences, such as workpiece condition, cumulative number of wafers processed, equipment installation conditions, etc., may affect the processing results. Thus, test cuts are conducted both when a customer is considering purchasing DISCO equipment as well as in other situations as appropriate, such as when a new device is under development or when a customer requests improvements in productivity and/or processing quality of the installed products. If it is difficult for the existing products to achieve the desired results, test cuts will be conducted by making prototype processing tools and/or parts.

In recent years, requirements related to processing have become more advanced due to complex device structures, ultra-thinning for die stacking, and other factors. Thus, we are also committed to proposing combined process solutions with multiple methods, such as blade dicing, laser processing, and grinding, using our application know-how.

Image of Application Configurations (Dicing)



Approximately 260 application engineers are performing more than 5,000 test cuts every year worldwide so that we can respond to our customers' expectation that they can count on DISCO to respond to their needs.

Power Device TAIKO



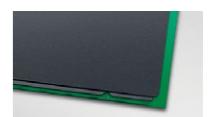
For some power devices, the thinned wafer needs to go through processes such as vapor deposition. The TAIKO process leaves an edge on the outer circumference of the wafer. This outer support ring allows the thinned wafer to maintain mechanical strength, making it possible to achieve safe handling without a support system.

Power Device KABRA



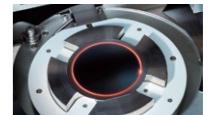
The existing methods for slicing SiC wafers from single-crystal ingots mostly use a wire saw. However, slicing SiC wafers using a wire saw produces a large amount of material loss and requires a large amount of time, causing an increase in cost. The KABRA process separates wafers from ingots using a laser, making it possible to slice wafers from ingots with less material loss and in less time compared to the existing wire processing.

Package Package Singulation



Blade dicing has been adopted for package singulation in place of pressing die (trimming and forming), while at the same time semiconductor package terminals have been seeing a shift from lead frames to resin substrate. Composites such as mold resin and epoxy glass substrate can be singulated at the same time, and die no longer need to be replaced. Thus, the process contributes to multi-type, small-quantity production of semiconductor packages.

LED Laser Lift-Off (LLO)



In the high-brightness LED manufacturing process, the light emitting layer formed on the sapphire substrate is detached (lift-off). In general, a chemical or gas laser was used in the conventional detaching process. However, DISCO's LLO equipment employs a solid-state laser to achieve more stable processing quality while reducing cost and maintenance time.

Aiming towards a Greater Exchange of Value with DISCO Customers and Suppliers

DISCO strives for essential customer satisfaction (CS) in an effort to delight our customers.
We are also committed to establishing strong relationships of trust with our suppliers.

Improving Customer Satisfaction

DISCO has established a customer satisfaction (CS) charter and facilitates the development of a corporate culture in which activities to improve CS can be proactively deployed.

In order to improve CS, an internal support system for responding to customers' true needs is required, and all employees must endeavor to act with an awareness for the customer.

For this reason, the opinions and comments we receive from customers through the CS survey results, the activities which adopt those results, and the Short Interval Feedback conducted after delivering equipment to customers is shared not just with the sales departments, but also with the departments that play a supporting role.

Customer Satisfaction Survey

We believe that advice and suggestions from our customers provide us with the opportunity to evolve so that we can better respond to their expectations.

The CS survey is a questionnaire we have been conducting since 1999 and is one of the most important tools for knowing our customers' opinions. In 2014, the content in our CS survey was changed from content shared across all DISCO affiliates throughout the world to individual content suited to the business style of each region. Since the change, the CS survey has been helping each of our affiliates to grow, and uncovers customer needs which remained unnoticed.

The results and opinions acquired through the survey play an important role when investigating how to improve existing products and develop new ones, provide new services, etc. The survey findings also are used to examine whether the current activities to improve CS are functioning as planned. The examination findings are subsequently fed back to the related departments such as Sales, Engineering, and Service in order to allow for more precise

Furthermore, DISCO strives to implement company-wide activities to improve CS from a variety of perspectives, such as requiring all supporting departments to receive training in CS.



CS-improvement activities. Furthermore, the thoughts and opinions of our customers are passed onto our employees through applications on their iPhones (which are used for internal communications), successfully achieving high CS awareness, including in our administrative departments.

■ Uses for the CS Survey Results



Short Interval Feedback

A majority of DISCO's precision processing equipment is made to order and delivered to the customer after pre-shipment testing. This is done to ensure the equipment provides the processing results desired by the customer. After the equipment is delivered to the customer's production site, it must be checked to make sure it is providing satisfactory processing results, and if adjustments are needed, they must be made quickly. DISCO has launched the Short Interval Feedback system that assesses the individuality of the equipment delivered to each customer.

Under the system, a questionnaire is sent to customers immediately after the equipment is delivered. The questionnaire asks about equipment usage, quality of support by sales staff or agents, and other related matters. The views and comments of customers who respond to the questionnaire are shared with relevant employees within the company, and, as necessary, a coordinated response is

provided by the Sales, Engineering, and Service Departments as well as other divisions.

Excellence in Understanding Customers **VOICE**

Customers who mass produce devices everyday make time for test cuts and negotiations despite their busy schedules. Since a late response can adversely affect the customer's production schedule, I always try to respond with speed more than anything else. In order to do this, I engage in close communication to quickly and correctly grasp the customers' needs and the hidden intention of their inquiry.

I would like to understand the customer better than anyone else by finding a solution to the problem, together with the customer, no matter how difficult the problem is.



Domestic Sales Department
Sales Division

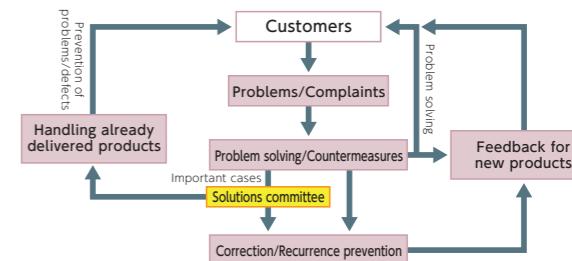
Thorough Quality Control

Quality control is essential to deliver true satisfaction to customers. DISCO establishes an annual quality policy and, in order to ensure that it is achieved, we have acquired ISO 9001 certification (an international standard for quality management systems). The organizations to which the certification applies do not only include the departments directly involved with the products, but also the indirectly-related departments that support these departments. Our overseas affiliates have also acquired ISO 9001 certification in their effort to make improvements on a sustained basis.

We are attempting to create a comprehensive system to prevent any quality issues. But, in the event a problem does arise, we are also forging a system that allows for a prompt investigation of the causes and resolution of the issue. With regard to particularly important

issues, we form a solutions committee, which consists of the president and the managers of each relevant department such as the Engineering and Sales Departments, to deliberate on radical solutions.

■ System to Respond to Quality Issues



Export Control System

In order to quickly ship our equipment to our customers, DISCO is making efforts to realize effective distribution.

For example, customs clearance is generally outsourced to a company specializing in export. However, DISCO made it possible to process export customs clearance within the company, receiving the approval of the authorized exporter under the AEO system (Authorized Economic Operator).

Using this system, we can deliver the equipment directly to air carriers, and leadtime is reduced not only under normal circumstances but also during disasters.

When flights from Kansai International Airport were canceled due to Typhoon Hagibis in October 2019, DISCO switched shipment from Kansai International Airport to Kitakyushu Airport while preventing delivery delays. DISCO had previously shipped our equipment via Kansai International Airport or Kobe Port, but we began using Kitakyushu Airport for regular shipments from January 2020. This switch was made because this airport is the only airport that operates 24

hours in the Kyushu area and is able to carry out immediate delivery to Asia and East Asia, which has enabled DISCO to reduce the risks during a disaster.



AEO (Authorized Economic Operator) Label.



Activities to Improve Suppliers' Satisfaction

Our suppliers are our valued business partners which we could not do without. The ideal method with which DISCO should pursue purchasing activities is contained within the Buyer's Oath. Every employee who comes in contact with a supplier must sign the Oath.

Also, in order to build a better partnership with all of our suppliers, every year we undertake a supplier satisfaction survey. For items which we receive many requests for improvement for, we will investigate the root cause and carry out activities to correct any problems.

In the future, we will continue to put our best efforts into being a good partner to our suppliers by making best use of the survey.

■ Buyer's Oath

1. Buyers are the face of the company.
2. Suppliers are equal partners.
3. I will not accept gifts.
4. I will refuse business entertainment as much as possible.
5. I will determine the validity of the price.
6. I will strive to take transparent and honest business endeavors.
7. I will not conduct any behavior that may result in my dismissal by a supplier.
8. I will always end all business interactions with a smile and in a friendly mood, regardless of how rigorous the preceding negotiations were.

Aiming for a Pleasant Work Environment

We at DISCO strive to implement policies and develop the work environment so that each and every employee can work actively and comfortably, as well as provide them with opportunities for growth.

Provision of Opportunities to Diverse Personnel

Regardless of gender, age, nationality, ethnicity, religion, or academic record, DISCO actively employs individuals who empathize with DISCO Values and wish to utilize their own individuality to realize DISCO's mission together.

For example, DISCO holds life-plan seminars which provide employees with the opportunity to think about how they will work and their lifestyle once they have retired. Healthy employees over 60 years of age who wish to keep working at DISCO can use the re-employment system until the age of 65. We also offer counseling

services from re-employment specialist agencies and special paid leave even for employees who do not wish to continue working at DISCO.

DISCO is recruiting people with disabilities from the Recruit Support Center for People with Disabilities, special support schools, etc.

With the increasing globalization of our business activities, we are also proactively seeking to hire foreign employees, and we are putting great effort into building an environment in which workers of all nationalities will find it easy to work.

Supporting Skill Development

In this ever-changing society, both companies and individual employees must adapt to change. Within this context, displays of originality and capability are the products of personal determination. In order to support that determination, DISCO has established various educational opportunities. In recent years, not only have the educational program (DISCO Career Academy) and online courses and classes intended for all employees expanded, but the number of skill improvement opportunities have also increased, e.g., employees proactively planning and conducting training in communication or programming, or inviting well-known figures to give seminars.

In addition, to improve "the quality of relationships" among employees,



Training session

DISCO introduced a new system that enables each department to use company-owned lodges for study sessions. In 2019, not only was Tateshina Lodge in Nagano made available as before but also Warahino Lodge in Hiroshima. Through discussions and study sessions at the lodges, a total of 987 employees exchanged ideas and deepened their mutual understanding of one other.

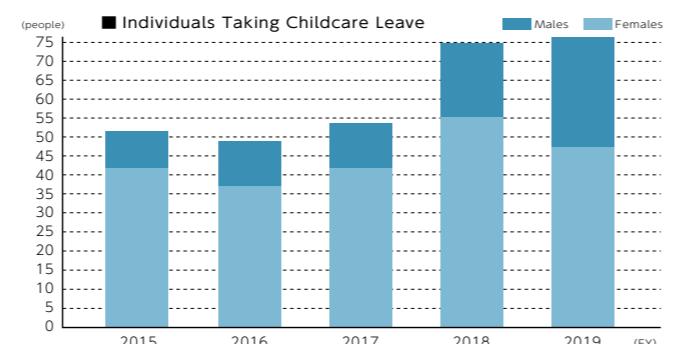
Support for Balance between Child-Rearing and Work

We are committed to promoting a work-life balance so that our employees are able to demonstrate their abilities while balancing their jobs with their private lives. As part of these efforts, we introduced the Child-Rearing Assistance Program based on the concept of "Creating an environment where employees with different ways of thinking can work with confidence while balancing their work and child-rearing commitments." Since the introduction of the program in 2005, use of the program is being aggressively promoted as it is continually improved.

As a result of this, 76 employees, both men and women, were able to take childcare leave in 2019.

■ Aspects of the Child-Rearing Assistance Program

- Maternity leave
(Can be taken prior to childbirth)
- Childcare leave support
- Childcare leave until the child is 3 years of age
- Shortened work hours until the child graduates from elementary school
- Nursing leave
- Daycare center inside the company
- Working from home while required to provide nursing care



Comments from a father taking childcare leave

VOICE

I took a nine-month paternity leave out of consideration for my wife, who wanted to continue working after giving birth. My coworkers were very understanding, which allowed me to focus on raising my child and to take an active part in watching my child's growth. In a back-to-work seminar afterward, I was not only given tips about returning to work but was also connected with other employees who were returning to the office around the same period, which was encouraging. At my workplace, I feel my coworkers are always careful when dividing tasks to make sure that we can have a good balance between work and family. In addition, I don't need to worry about who will take care of my child while we are at work because there is a childcare facility within the DISCO Head Office. I can come directly to the office without having to stop on the way, which allows me to use my time effectively and focus on my work. I hope more employees decide to take childcare leave.



Corporate Support Division

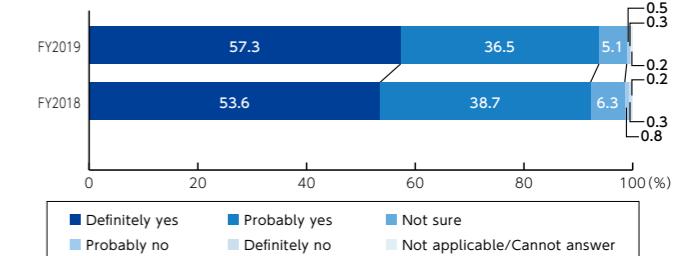
DISCO has expanded our definition of childcare support to extend the scope of child-rearing assistance measures. In fiscal 2007, we introduced a program to subsidize the cost of fertility treatments for employees who would like children but are having difficulty conceiving. Assistance of 100,000 yen (max.) is provided up to twice a year for a total of 5 years.

Employee Satisfaction Survey

DISCO has conducted the Employee Satisfaction Survey anonymously every year since fiscal 2003 in order to translate the views and feelings of employees into the creation of an even better work environment. In 2019, 4,700 associate employees, part-time employees, and employees in overseas offices were surveyed. The response rate was 96.9%, and the percentage of those who responded positively of the overall satisfaction was 91.2%. The Employee Satisfaction Committee, which is made up of members of management, discusses company-wide issues raised by the survey and works to make related improvements.

■ Some Results from Employee Satisfaction Survey

Q. Do I feel content working for the company?



Creating a Safe Workplace for Employees

In order to create a workplace where everyone can work comfortably, DISCO puts a great deal of effort into not only tangible factors, such as facilities and equipment, but also intangible factors, such as disaster contingency planning in terms of individual actions and dissemination of information.

In particular, we have focused on eliminating all accidents in an effort to establish health and safety as part of our corporate culture and to create a "zero accident" environment. DISCO proactively provides employees with opportunities to think about safety, such as safety education and training for new employees called KYT (Kiken Yochi [Danger Prediction] Training) and discussions on the creation of an accident-free workplace.

In addition, Health and Safety Committee (HSC) meetings are held every month at all DISCO affiliates, both in Japan and overseas, to realize a safe and comfortable working environment. Committee members patrol each workplace, recording processes contributing to excellent safety and areas for improvement, and then report back to the HSC. When a work-related accident

occurs, after a countermeasure has been proposed by the applicable departments, the HSC discusses the validity of the countermeasure and the logistics of applying it across all departments. All of the committee members are thorough in sharing accident details and implementing countermeasures, regardless of how large or small the accident was.

Since April 2016, DISCO has also implemented a "company driver's license system." Even if an employee possesses a public driver's license, an in-house driver's license is also required to drive for work purposes. From FY2019, regular renewal of the in-house driver's license has become mandatory, and an original in-class test is conducted to raise each employee's safety awareness while reviewing driving behavior.



Internal driver's license test

Employee Health and Well-Being

DISCO provides a number of facilities and programs so that all employees can maintain and improve their health and live happily each and every day.

We have implemented "Excellence in Health" activities company-wide since FY2013, and the departments that manage employee health do so in cooperation with the Health Insurance Society. In FY2019, employees participated in the health promotion activity "Health BINGO" using a smartphone application that was developed in-house. Employees can fill in the bingo squares by calculating their BMI, counting their monthly steps, uploading a certain number of meal photos, etc. to achieve each goal, and incentives are given to each employee who achieves a "bingo." Employees become more motivated to take care of their health when it is presented in the form of a bingo game.



Smartphone application

The Head Office and R&D Center is equipped with a fitness center, yoga studio, swimming pool, and massage area, and Hiroshima Works is equipped with a futsal court, swimming pool, yoga studio, and tennis courts. The fitness center allows us to support employee efforts to improve both their mental and physical health in an environment developed to allow each employee to casually ask dedicated instructors about suitable fitness programs. A medical treatment room was established inside the company, allowing employees to receive counseling from an industrial physician and company nurses.

"Health and Productivity Stock Selection" Two Years in a Row.

In continuation from the previous fiscal year, DISCO has again been selected in the "Health and Productivity Stock Selection" program, jointly managed by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. In FY2019, DISCO set "Excellence in Dental Health" as a company-wide theme. As part of this program, all employees learned about the "health risks caused by poor dental health," and received an in-office dental health check by qualified dentists that also included

instruction on effective tooth-brushing techniques.

In addition, a dedicated smartphone application was developed for receiving notifications about recommended dental treatment, registering treatment evidence, and managing reexaminations. Through this program, DISCO devised and implemented steps for making dental health more integrated into the daily lives of employees.



What We Can Do to Improve Safety

DISCO always aims to be a company which customers trust and feel secure doing business with. Disasters are not just thought of as emergencies, but events that could happen at any time, and DISCO continues to make efforts to create a system that minimizes their impact on our business.

Establishing Plants and Offices That Can Withstand Disasters

Japan is a country that experiences many earthquakes. Thus, DISCO has enhanced BCM (Business Continuity Management), including the adoption of seismically-isolated structures at the Head Office/R&D Center and every production site. With the completion of Zone B, which includes a seismically-isolated structure, at Kuwabata Plant in January 2015, all systems for production of precision processing tools (consumable products) and precision processing equipment are now housed in buildings with seismically-isolated structures. In order to continue production and shipping during power outages, an elevator for transferring equipment that operates using a private power generator was constructed in the new building. In addition to Zone C, which was completed in January 2019 to achieve an enhanced production framework for precision processing tools, construction will begin on Zone D in August 2021.

As a result, BCM support capabilities will be further improved. Kure Plant, where precision processing tools are produced, is located on the coast of the Seto Inland Sea. Thus, DISCO has implemented measures to minimize damage from tsunamis and storm surges. As a flooding countermeasure, production, product shipment, and inspection areas are located on the upper floor, and to prevent damage due to tsunamis, seawalls and vertical damp proof barriers

have been built around the factory.

In addition, Nagano Works Chino Plant opened in April 2018, and production has already begun within its completed buildings. Construction of a new building (with a seismically-isolated structure) will start December 2020, which will expand Chino Plant by approximately 7.5 times its current size. Currently, most of the main products are manufactured at Kure and Kuwabata Plants in Hiroshima. However, the production framework accompanying the completion of the new building at Chino Plant will further diversify the risks associated with disasters.



Creating Disaster-Resistant People

DISCO considers the main point of BCM to be "Everyone being able to protect themselves." Thus, we strive to predict risks such as natural disasters and epidemics, educate our employees, and promote activities that encourage employees to be able to protect themselves.

As an example, the most important part of minimizing the effect of the seasonal flu or other infectious diseases, even more so than treating them, is preventing infection. DISCO is also working to strengthen its infection and epidemic countermeasures, one of its many daily activities aimed at pandemic prevention, and part of an effort to raise awareness.

■ Examples of Risk Countermeasures

Implementing risk countermeasures in our daily routines	Our employees are obligated to register their temperature on a daily basis and report when they are not feeling well. This enhances our employees' health management so that seasonal flu or stomach flu will not be brought into the company.
Utilization of color-coded masks	Those who have recovered from an infectious disease, such as influenza, those who have been in close contact with infected individuals, and those who are feeling unwell are obligated to wear pink masks when they come into work in order to make the respective risk visible.
Establishing a remote work program	DISCO has established a program and conducted corresponding exercises to enable remote work equivalent to onsite work in case employees are unable to commute via public transportation due to a pandemic or other reasons.
Support for employees unable to return home	DISCO has developed a support system in which essential provisions and supplies required for overnight stay are stored at the company for employees who are unable to return home after a disaster.

Business Continuity Management Seminars

TOPICS

In line with our desire to contribute to local business and society in a uniquely DISCO way, DISCO holds BCM-related seminars for neighboring companies. The first seminars were held in FY2019 in Tokyo, Nagano, and Kumamoto, with a total of 58 companies and organizations participating. During these seminars, we shared our BCM know-how through specific examples and workshops.

We received positive feedback from participants such as, "We gained the knowledge needed to form our own BCP," and "It helped relieve the vague anxieties I'd had."



Photograph taken during the seminar

Activities that Contribute to the Local Community

Based on the belief that good social relations starts with good corporate citizenship, DISCO strives to create better relationships with the general public.

Restoring Ecosystem of Fireflies

Hiroshima Works Kuwabata Plant continues to implement activities that protect biodiversity with the aim of working in harmony with the regional natural environment. In 2019, they focused on restoring the ecosystem of fireflies, which are often considered a symbol of a rich natural environment, in cooperation with local residents and Gohara Junior High School in Kure City.

They began by collecting and protecting the larvae of native fireflies and raising them on plant grounds. The stages of firefly growth were introduced at a cultural workshop held at Gohara Junior High School, and grown fireflies were test-released into the biotope at Kuwabata Plant.

Kuwabata Plant will continue working toward becoming a plant surrounded by fireflies in the summer while also deepening the relationship with local residents.



Collecting fireflies



exhibition at Gohara Junior High School

Beach Cleaning

DISCO HI-TEC TAIWAN CO., LTD. (DHT), DISCO's overseas affiliate office in Taiwan, started its beach cleaning project in 2018. This activity was initiated by employees who enjoy diving and thus wanted to clean up the beaches, which were littered with trash. In 2019, a total of 33 people, DHT employees and their family members, joined this activity.

What surprised them was the amount of trash and that most of the trash in the ocean was plastic. Prompted by this experience, they also started using reusable shopping bags, stopped using plastic straws, and integrated other simple eco-friendly behaviors into their lives.



DHT members and their families cleaning the beach

Programming Contests at Hiroshima and Nagano

Excellent programmers are essential for realizing the future of society, such as IoT, AI, and self-driving automobiles. To discover and support excellent programmers, DISCO has held programming contests at Hiroshima and Nagano Works since 2017. A total of 119 people, ranging in age from 16 to 66 years old, gathered in both areas, and prizes were awarded to the winners. Supporting the further improvement of these skills will lead to the cultivation of human resources who will create the future.



D P C

DISCO PROGRAMMING CONTEST
@NAGANO 2019

Minister's Commendation for Donation through Corporate Version of Furusato Nozei (Hometown Tax Donation Program)

TOPICS

Due to heavy rain in Western Japan in July 2018, Kure City, the location of Hiroshima Works, was significantly affected by sudden flooding and experienced long-term water outages. DISCO worked in cooperation with the city and local government to deliver drinking water and water for household use to residents in the area. In addition, DISCO offered a donation to Kure City utilizing the corporate version of the Furusato Nozei program (Hometown Tax Donation Program). This donation was held up as a model case of a company contributing to a

devastated area. In addition, DISCO received a Minister's Commendation from the Minister of State for Regional Revitalization in February 2020 for being the first to utilize this program toward recovery and reconstruction in a disaster area.

The donation was used for the following purposes: operating temporary ferries and school buses in Kure, providing rental housing for those affected, issuing grants for existing-housing acquisition, repairing sightseeing facilities, and holding reconstruction events.



Principle-Based Organizational Management

We at DISCO fully recognize that preservation of nature and the global ecosystem is vital, and we are dedicated to creating a sustainable business that is appropriate for a member of a recycling-based society.

Environmental Vision

DISCO established its "Environmental Vision," designed as a mid-to long-term plan, for the purpose of continuous reduction of its environmental load. Environmental Vision.

2020, created April 2011, defines the ideal within the

environmental scope to achieve by the end of March 2020. To achieve Environmental Vision 2020, DISCO is engaged in the following four areas: CO₂ reduction, resource conservation, contamination prevention, and conservation of biodiversity.

■ Environmental Vision 2020

Achieving Environmental Corporate Excellence by FY2020

Reduction of CO₂ Emissions

- 3.8% reduction in DISCO's CO₂ emissions for business activities by FY2020 compared to FY2010 levels (sales basis).

Resource Saving Activities

- Elimination of all forms of *mottainai* from all business activities

Elimination of *mottainai* means not wasting finite and valuable resources such as water, electricity, gas, paper and waste used or emitted by business activities, and using them wisely, not only subjectively but objectively.

Pollution Prevention

- Continued preservation of zero environmental accidents
- Forward-looking collection of information regarding hazardous substances and related requirements, and taking prompt and appropriate action

Conservation of Biodiversity

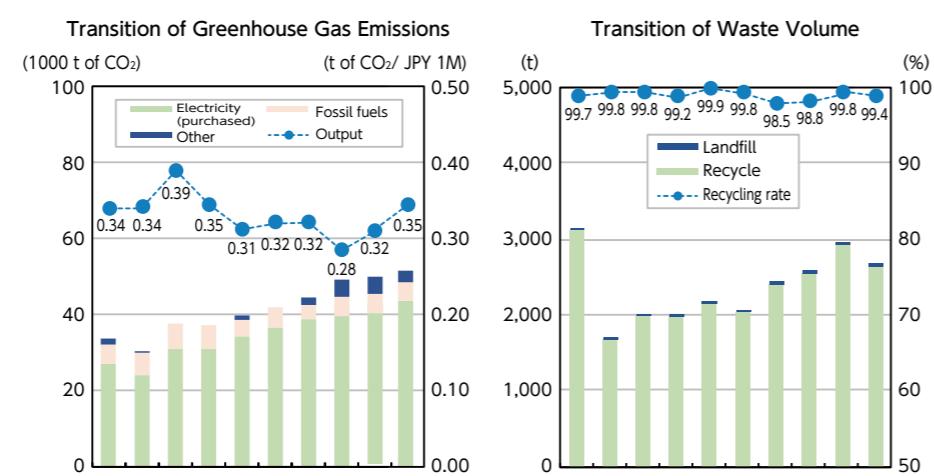
- Contribution to local nature conservation activities

Note: Targets may be revised or amended as necessary every fiscal year based on the circumstances.

Environmental Performance Data

DISCO engages in CO₂ reduction and resource conservation activities as part of its "Environmental Vision." In recent years, energy consumption (amount of CO₂ emissions) has increased in proportion to the construction of new buildings and increase in human resources. In response, the entire company, including administrative divisions, has started making efforts to reduce CO₂ emissions.

In addition, waste volume, which had been increasing in recent years, started to decrease in 2019 as a result of activities focused on bringing waste volume down. With the continued promotion of recycling, the recycling rate has remained high (99% or more).



Electricity (purchased): Electricity purchased from power companies.
Fossil fuels: Fuels such as city gas, gasoline, lamp oil, etc.
Other: Non-energy such as Freon.
Output: Total amount of greenhouse gas emission divided by consolidated net sales
Recycle: Reusable, non-buried waste.
Landfill: Waste to be disposed as landfill.
*Recycling rate: recycled waste divided by the total amount of waste disposed

8th Green Social Contribution Award

TOPICS

The Green Social Contribution Award is granted by the Organization for Landscape and Urban Green Infrastructure in recognition of significant contributions to society and the environment made through sustained corporate greening activities.

DISCO received this award for contributions to society through continuous greening activities on the grounds of Hiroshima

Works Kuwabata Plant and through local "satoyama" (forest) conservation activities. The plant will continue to conduct these activities in cooperation with local government in order to provide biologically diverse forests for the next generation.



Hiroshima Works Kuwabata Plant

Environmental Considerations in Business Activities

DISCO engages in various activities to reduce its environmental load and realize a sustainable business. For example, aimed at efficient utilization of water resources, DISCO has installed facilities which can reproduce and circulate drainage generated during the production process in the Head Office R&D Center and Hiroshima Works. The reproduced water covers more than 40% of the water usage volume for the entire company, including branch offices and regional offices. (Recycle ratio in FY 2019: 36%) Because a large amount of clean water is used in the manufacturing of precision processing tools and equipment, this activity not only reduces the financial impact, but also contributes to regional drought management.

Furthermore, DISCO proactively adopts solar power generation and uses the generated power to conduct business activities, helping us to contribute to greenhouse gas reduction. (Power generated in FY 2019: 1,972 MWh) In addition, DISCO is also working on continued environmental performance improvement, such as making its production process efficient and conducting production activities with an awareness for saving resources.



Solar power system (Kuwabata Plant)



Waste water recycling equipment

Location	Maximum output
Head Office/R&D Center	40 kW
Kuwabata Plant	1,200 kW
Kure Plant	315 kW
Chino Plant	140 kW
DISCO HI-TEC Singapore	75 kW
DISCO HI-TEC EUROPE	39 kW

Maximum solar output

Expansion of Environmentally Friendly Products

When designing and developing new products, DISCO considers methods to reduce the environmental burden for each product life cycle. Additionally, we use the Green Product Guideline as the core tenet of our standards to avoid the use of chemicals or materials harmful to the environment or human health.

Compared to other processes which require the use of chemicals, the dry polish process has a much smaller impact on the environment. We currently offer the DP08 series and the DPEG series dry polishing wheels as part of our product lineup, and we promote more environmentally friendly processing methods to our customers.

Precision Processing Equipment

When purchasing parts and raw materials for our products, based on the Green Procurement List of DISCO Restricted Substances prepared in 2003, we preferentially procure raw materials and parts that do not contain 15 hazardous substances, including the 6 substances specified by the RoHS Directive.

Although precision processing equipment (or large-scale stationery industrial tools) falls outside the scope of the RoHS Directive, we consider this to be part of the social responsibility of a corporation, and arrangements for green procurement have been completed for almost all of our products.

Precision Processing Tools

DISCO is also engaged in efforts to reduce the environmental burden of our consumable products. For example, we have introduced our own unique dry polishing process as a stress relief process used to remove damage caused by backgrinding.



DPEG series dry polishing wheel



DWR1722

Principle-Based Organizational Management

DISCO is also devoted to organizational management in order to continuously communicate and improve our corporate culture and values.

Instilling the Corporate Philosophy

To enable all of our employees to understand DISCO Values (our corporate philosophy) and to implement and realize them in their daily activities, DISCO has initiated shared activities within the company. We engage in a number of activities, large and small, ranging from level-based training, in which all officers and employees participate in study sessions conducted on a departmental basis.

Each of the employees participates in activities such as discussions and case studies so that they may gain an essential understanding of the meaning of the DISCO Values, allowing them all to share ways of thinking that prove to be helpful in their work at

DISCO. We have been taking part in these activities for over twenty years as a fundamental aspect of our management operations, endeavoring to link them to stronger organizational capabilities. The shared activities of DISCO Values has been established at our affiliates in Japan as well as overseas.



Discussion

DISCO Vision

The DISCO Vision plays the role of a milestone to specifically define what we want to be or what we should aim for in achieving our mission.

The DISCO Vision was established in 1997 when we started our activities aiming at 2010. In 2010, when we reached the achievement year, aiming at further evolution, we reviewed our progress and established DISCO Vision 2020 for where we want to be in the future.

As with the original DISCO Vision, DISCO Vision 2020 provides quantitative targets such as sales and profits along with qualitative targets. In addition, this new Vision defines the goals for 2020 from multiple angles. The Element Angle elucidates what the corporation is based on its main elements, such as the business, organization and human resources, while the Stakeholder Angle focuses on the relationship between DISCO and our predominant stakeholders.

In 2020, the last year of DISCO Vision 2020, DISCO will accelerate activities for achieving further evolution in order to realize the high goal that has been set.



through commands or orders, because all tasks are offered by supervisors, coworkers, or members of other departments, who also establish the price.

The development of Personal Will improves job satisfaction and performance, accelerates the speed of decision making, and eventually leads to increased productivity.

DISCO will continue enhancing organizational management by utilizing Will Accounting in the future.

Will Accounting

Will Accounting, which is a unique managerial accounting system, was implemented in 2003. With Department Will accounting, prices are set for all items related to jobs (including income generated through internal jobs and expenditures such as labor and equipment costs) using Will price values. Each department utilizes this system to manage their own income and expenditures.

Since 2011, the managerial accounting system was expanded to individual employees as Personal Will. Using these systems, tasks are chosen and performed by means of employees' intentions, not

PIM (Performance Innovation Management)

In order to increase the strength of our organization, we must not only execute strategies based on our corporate philosophy and vision, but also strengthen our ability to take action.

Since 2003, DISCO has promoted routine business improvement activities called PIM in all of its offices, including overseas offices, to increase our operational performance and to enhance our potential for improvement on a daily basis. We perform PIM activities by producing improvement plans (method changes) based on ideas obtained through work and executing the plans so that DISCO can continuously evolve.

Since 2012, we have been holding PIM matches to present our

method changes. The presenters compete by utilizing their presentation materials in a limited time in a dedicated space called "PIM Coliseum." Then, management and the employees vote for the better method change. Presenters cultivate their ability to think of high-quality method changes in order to win the PIM matches and polish their presentation skills to gain more votes. Audiences also polish their ability to judge whether a method change is good or not by voting on the presentations using Will. Continuous PIM activities makes the employees devise better ideas every day. Polishing everyone's ability helps us to become a stronger organization, resulting in evolution as a company.

Corporate Governance

DISCO has adopted a corporate auditor and director-based system of corporate governance. The boards consist of four internal board members* and six independent board members* (two external directors* and four external auditors).

The board of directors contains a limited number of members (internal members as well as six external members) in order to make prompt corporate decisions. The external directors have the right to vote, ensuring the effectiveness of corporate management. The board of auditors is comprised exclusively of external members, ensuring fairness and neutrality of audits. By actively implementing an external perspective, we aim to ensure validity from multiple perspectives and improve the transparency of our corporate decisions.

DISCO has appointed a board of executive officers consisting of three members* who make decisions as members of management and are officially responsible for the continued improvement of management operations. Furthermore, the company president supervises and directs the board of executive officers, and the board of directors oversees the board of executive officers.

A "Nomination and Compensation Advisory Committee" has been established as an advisory body to the Board of Directors. The committee consists of the President, Outside Directors, Outside Corporate Auditors, and Former Directors, and discusses and reports on member appointments and dismissals and compensation for each candidate for the Board of Directors and company executive officers. In addition, they provide advice regarding appointment and dismissal for candidate for auditor, as well as compensation.

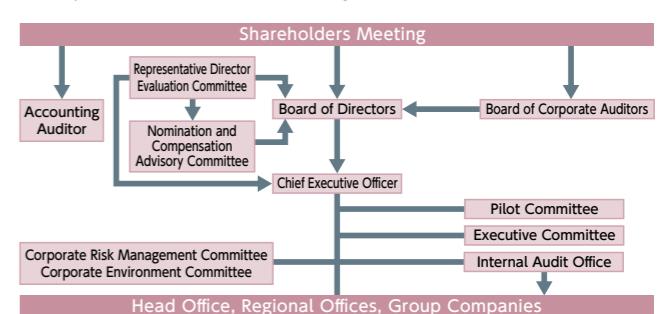
Since fiscal 2018, DISCO has appointed a "Representative Director Evaluation

Committee" which evaluates the appropriateness of the representative directors' management of operations. The committee consists solely of independent members, ensuring objectivity, fairness, and transparency when dismissing a representative director based on the results of an evaluation.

Furthermore, DISCO has established a "Basic Policy on Internal Control" designed to maintain and improve internal control. DISCO's internal control also aims to comply with laws and improve the effectiveness and efficiency of operations in addition to achieving the legal obligation of ensuring reliability of financial reporting. To accelerate the accomplishment of these aims, a team dedicated to supervising internal control guides the company in promoting activities to internally disseminate the concept and significance of internal control and the keypoints regarding the evaluation of internal control, while also conducting internal control evaluations and supporting the establishment of internal control systems for the DISCO Group worldwide.

*As of May 31,2020

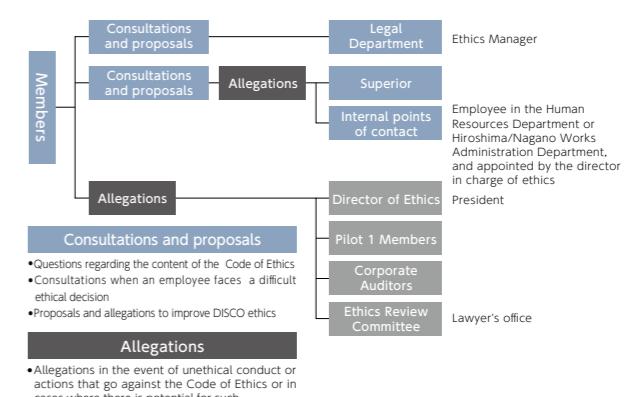
■ Corporate Governance Model Diagram



Corporate Ethics

DISCO's Code of Ethics has been established due to our strong desire not only to obey the law, but also to never become involved in matters considered to be unethical by society at large. The Code of Ethics clarifies what must not be done from an ethical standpoint. The Code is explained and distributed to all employees, and all employees are obligated to follow the Code in all activities and in their everyday behavior. In order to assess whether our approach to ethics has been fully embedded in the mindset of each employee, the Employee Satisfaction Survey includes questions on ethics. Additionally, we provide counseling for employees facing difficult ethical decisions.

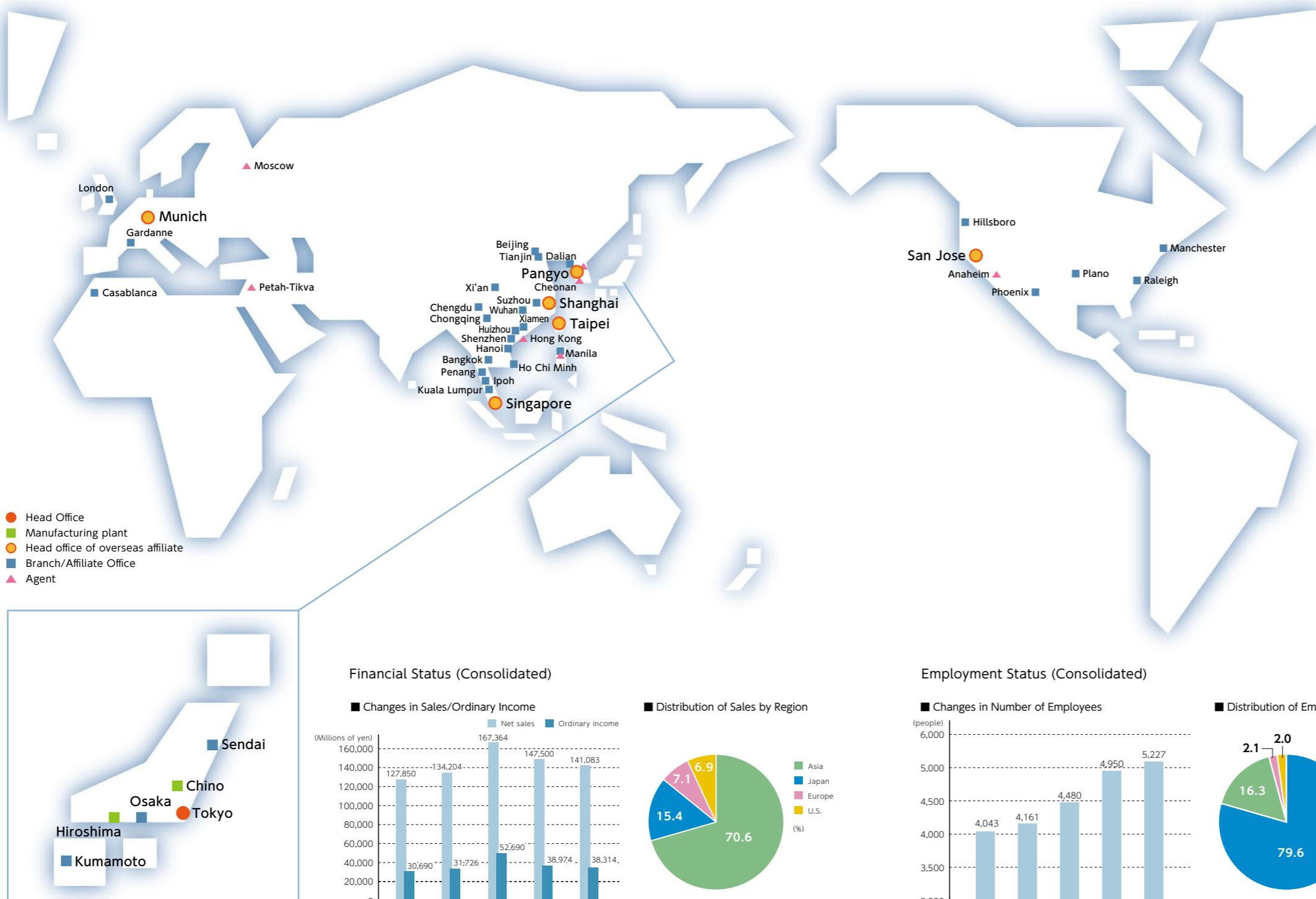
■ Ethics System



Company Data



Please visit the DISCO website for more detailed information.
<http://www.disco.co.jp/eg/csr/>



DISCO Timeline

1937	1956	1974	1977	1978	1982	1984	1995	1997	1999	2002	2004	2008	2011	2012	2013	2016	2018	2019	2020
Established as Dai-Ichi Seitosho in Kure, Hiroshima		Thin-cutting of the moon rock brought back by Apollo 11 for analysis		Developed the world's first fully automatic dicing saw, DFD2H/S	Head Office relocated to the Haneda region (Tokyo) where a new R&D center was also established	Introduced DISCO Values, our corporate philosophy	Listed on the First Section of the Tokyo Stock Exchange		Head Office and R&D Center were integrated and relocated to the Omori region of Tokyo	Kure Plant expansion completed	New Singapore facility constructed				Kyushu Branch Office constructed (January)	Completion of Building Construction at Kuwabata Plant (Zone C, A-Building)	Completion of Building Construction at Chino Plant		
Completion of the first ultra-thin resinoid abrasive wheel in Japan. This is used in the silt nibs of fountain pens		Name change to DISCO ABRASIVE SYSTEMS, LTD.		Developed the NBC-ZH, a hub blade	PS company acquired product quality management system ISO 9001		Developed the DFL7160, a laser saw used for 300 mm wafers		Developed the DWR1720, a deionized water recycling unit for dicing saws that produces no wastewater	BCMS International Standard ISO22301:2012 certification obtained (Head office/R&D center, Kuwabata Plant and Kure Plant)	New building in Germany completed	Realized high-speed production of SiC wafers and significant reduction in material loss Developed KABRA® process-new laser slicing technology					Completion of Building Construction at Chino Plant	Completion of Building Construction at Chino Plant	
																Published and developed the JSA standards and specification, "Employee Satisfaction Standards JSA-S1001"			

Company Name:DISCO Corporation

Head Office : 13-11 Omori-Kita2-chome,
Ota-ku, Tokyo 143-8580, Japan
Founded : May 5, 1937
Incorporated : March 2, 1940
Capitalization : 20,926,438,820yen(as of May 31, 2020)
Shares Issued : 36,010,671(as of May 31,2020)
Tokyo Stock Exchange, First Section
Stock ID:6146

Lines of Business

1. Manufacturing and sales of precision processing equipment
2. Maintenance services for precision processing equipment
3. Training services for the operation and maintenance of precision processing equipment
4. Disassembly and recycling of precision processing equipment
5. Lease of new precision processing equipment and sales of used equipment
6. Manufacture and sales of precision processing tooling (consumables)
7. Contract processing of precision parts

Main Business Sites and Offices

«Asia»

DISCO Corporation
DAIICHI COMPONENTS, LTD.
DISCO HI-TEC (SINGAPORE) PTE LTD
DISCO HI-TEC (THAILAND) CO., LTD.
DISCO HI-TEC (MALAYSIA) SDN. BHD.
DISCO HI-TEC CHINA CO., LTD.
DISCO HI-TEC TAIWAN CO., LTD.
DISCO HI-TEC (VIETNAM) CO., LTD.

DISCO HI-TEC PHILIPPINES, INC.
DISCO HI-TEC KOREA Corporation

«North America»

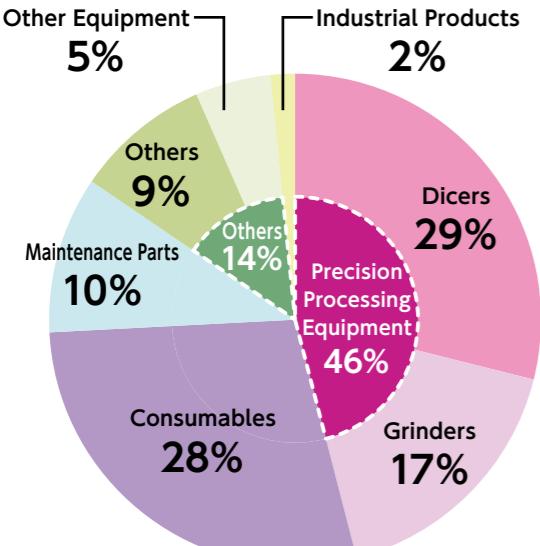
DISCO HI-TEC AMERICA, INC.

«Europe»

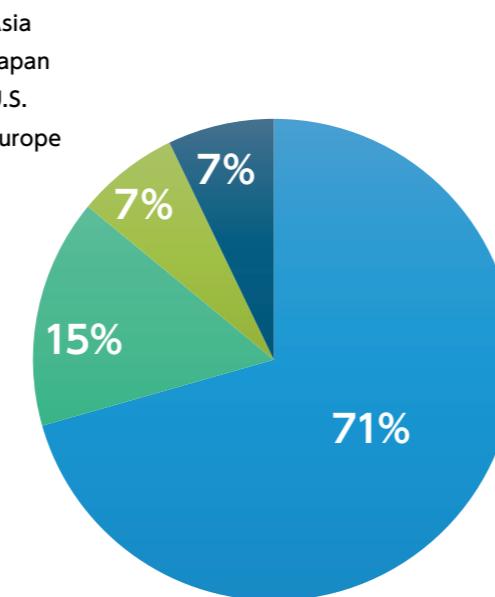
DISCO HI-TEC EUROPE GmbH
DISCO HI-TEC FRANCE SARL
DISCO HI-TEC U.K. LTD.
DISCO HI-TEC MOROCCO SARL

Financial Data

■ Product Sales Breakdown



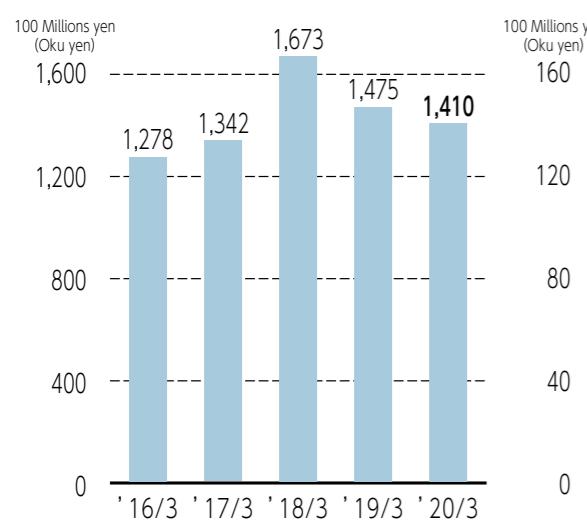
■ Regional Sales Breakdown



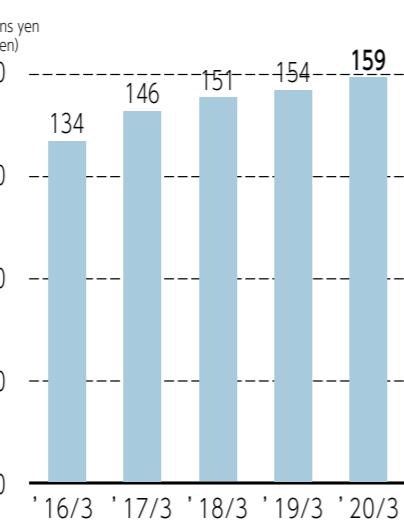
■ Summary

	FY2015	FY2016	FY2017	FY2018	100 millions yen (Oku yen) FY2019
Net Sales	1,278	1,342	1,673	1,475	1,410
Operating Income	303	313	509	386	364
Ordinary Income	306	317	526	389	383
Net Income	230	242	371	288	276
Capital Expenditures	85	114	120	153	259
Depreciation	65	59	60	60	66
R&D Expenses	134	146	151	154	159
Total assets	2,079	2,257	2,563	2,581	2,743
Total liabilities	399	444	510	380	474
Total net assets	1,680	1,813	2,052	2,201	2,268
Gross Profit Margin	56.5%	55.5%	59.2%	58.9%	60.1%
Operating Income Margin	23.7%	23.4%	30.5%	26.2%	25.8%
Ordinary Income Margin	24.0%	23.6%	31.5%	26.4%	27.2%
Net Income Margin	18.1%	18.0%	22.2%	19.5%	19.6%
4-year accumulated ordinary income margin	19.1%	21.6%	25.5%	26.7%	27.4%
ROE	14.5%	13.9%	19.3%	13.6%	12.7%
Equity Ratio	80.4%	79.9%	79.7%	84.8%	82.2%

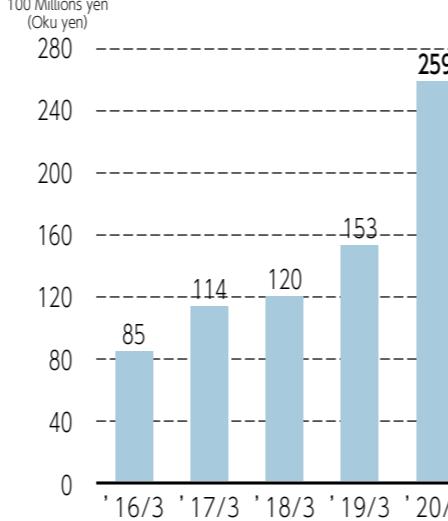
■ Net Sales



■ R&D Expenses



■ Capital Expenditures



Financial Data

■ Consolidated Balance Sheets

	FY2018	FY2019
Assets		
Current assets		
Cash and deposits	91,380	87,909
Notes and accounts receivable-trade	34,900	25,614
Merchandise and finished goods	6,940	17,318
Work in process	12,585	14,373
Raw materials and supplies	19,066	18,677
Other	4,979	6,153
Allowance for doubtful accounts	(57)	(56)
Total current assets	169,795	169,990
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	45,584	47,334
Machinery, equipment and vehicles, net	8,630	8,672
Tools, furniture and fixtures, net	787	755
Land	14,610	14,855
Construction in progress	7,256	21,796
Total property, plant and equipment	76,868	93,415
Intangible assets	400	319
Investments and other assets		
Investment securities	2,875	2,107
Deferred tax assets	4,122	5,052
Net defined benefit asset	821	910
Other	3,314	2,546
Allowance for doubtful accounts	(17)	(16)
Total investments and other assets	11,116	10,599
Total non-current assets	88,384	104,334
Total assets	258,180	274,325

(Millions of yen)

	FY2018	FY2019
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,368	5,726
Electronically recorded obligations-operating	13,178	10,301
Income taxes payable	1,782	3,509
Provision for bonuses	7,790	9,861
Provision for directors' bonuses	177	131
Provision for product warranties	453	338
Asset retirement obligations	27	25
Other	10,838	17,009
Total current liabilities	37,616	46,905
Non-current liabilities		
Asset retirement obligations	207	280
Other	247	249
Total non-current liabilities	454	529
Total liabilities	38,071	47,435
Net assets		
Shareholders' equity		
Capital stock	20,663	20,793
Capital surplus	22,651	22,781
Retained earnings	173,739	181,239
Treasury shares	(25)	(29)
Total shareholders' equity	217,029	224,785
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	476	368
Foreign currency translation adjustment	1,320	366
Remeasurements of defined benefit plans	26	18
Total accumulated other comprehensive income	1,823	754
Share acquisition rights	1,108	1,212
Non-controlling interests	148	138
Total net assets	220,109	226,890
Total liabilities and net assets	258,180	274,325

■ Consolidated Statements of Income

	FY2018	FY2019
Net sales	147,500	141,083
Cost of sales	60,589	56,290
Gross profit	86,910	84,792
Selling, general and administrative expenses	48,264	48,341
Operating profit	38,645	36,451
Non-operating income		
Interest income	93	68
Share of profit of entities accounted for using equity method	293	698
Foreign exchange gains	—	833
Rental income	63	71
Subsidy income	490	374
Other	215	226
Total non-operating income	1,156	1,972
Non-operating expenses		
Sales discounts	52	51
Foreign exchange losses	751	—
Depreciation	9	46
Other	14	12
Total non-operating expenses	828	110
Ordinary profit	38,974	38,314
Extraordinary income		
Gain on sales of non-current assets	19	1
Gain on reversal of share acquisition rights	2	0
Insurance claim income	208	—
Gain on sales of shares of subsidiaries and associates	—	268
Total extraordinary income	229	271
Extraordinary losses		
Loss on sales and retirement of non-current assets	63	70
Impairment loss	58	—
Loss on valuation of investment securities	0	—
Extra retirement payments	88	51
Loss on disaster	533	—
Demolition cost	202	186
Total extraordinary losses	946	308
Profit before income taxes	38,256	38,277
Income taxes - current	9,355	7,656
Income taxes - deferred	36	2,916
Total income taxes	9,392	10,572
Profit	28,864	27,704
Profit attributable to non-controlling interests	40	50
Profit attributable to owners of parent	28,824	27,653

■ Consolidated Statements of Cash Flows

	FY2018	FY2019
Cash flows from operating activities	27,311	31,299
Profit before income taxes	38,256	38,277
Depreciation	6,095	6,612
Decrease (increase) in trade receivables	8,695	(5,202)
Decrease (increase) in inventories	(3,744)	(33)
Increase (decrease) in trade payables	(3,785)	(466)
Income taxes (paid) refund	(17,204)	(5,425)
Other	(1,001)	(2,461)
Cash flows from investing activities	(14,513)	(25,660)
Purchase of property, plant and equipment	(14,436)	(24,868)
Cash flows from financing activities	(12,982)	(10,580)
Cash dividends paid	(13,001)	(10,741)
Net increase (decrease) in cash and cash equivalents	(193)	(5,568)
Cash and cash equivalents at beginning of period	85,545	85,351
Cash and cash equivalents at end of period	85,351	79,782

This CSR information applies to fiscal 2019 (April 1, 2019 to March 31, 2020)



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