

Reference: Explanation of the Terms Used in the Material Issues and Tracking Indices

No	Tracking Indices	Explanation
(1)	Consolidated RORA averaged over a four-year period	<p>In order to aim at fundamentally improving the capital efficiency of business, instead of simply focusing on capital efficiency, DISCO has chosen RORA (Return on Risk Assets) as a tracking index, as it outlines the efficiency of assets that have low liquidity such as inventories or fixed assets. In addition, in order to accurately understand the financial situation and trends in this rapidly changing high-tech industry, evaluations are performed in designated periods of four years instead of simply every fiscal year. DISCO is of the understanding that improving the consolidated RORA averaged over a four-year period will as a result lead to capital efficiency that exceeds capital costs. The calculation formula is as shown below.</p> $\frac{\text{Ordinary income}}{\text{Inventories} + \left(\text{Fixed assets} - \text{Marketable securities} - \text{Deferred tax assets} \right) + \text{Lease balance}}$
(2)	Yearly structural cost reduction from improvement activities (compared to previous fiscal year)	<p>"Structural cost reduction" refers to DISCO's company-wide activity where employees aim at reducing the invariable expenses that occur within the company by making improvements to their daily work. The characteristic feature of this activity is that only reductions where the effect continues even after the reduction activity is performed are counted, and temporary reductions are not applicable. Every year, the administrative team sets a 5% reduction goal based on each division's previous fiscal year's annual expenses, and each division makes various improvements in order to cut costs. This initiative has been in place since 2004, and is a system that ensures profit despite the rapidly fluctuating external environment.</p>
(3)	Percentage of divisions that have a Division Will Productivity (ordinary income ÷ total labor costs) of 1.0 or above	<p>This index indicates the productivity of each division using the Will Accounting System to see whether they are producing value proportionate to their personnel expenses. The personnel expenses per hour is set based on each employee's employment level, rank, and affiliate office, and the "personnel expenses per hour × number of working hours (including overtime work)" of all division members is totaled to calculate the division's total personnel expenses. Under the Will Accounting System, the total personnel expenses is included when calculating income and expenditure, so if the "income and expenditure ÷ total personnel expenses" is 1.0 or higher, it expresses that that division's income is higher than their personnel expenses and that their productivity is high. Therefore, all divisions are constantly aware of their profits, and are putting in effort to further promote a corporate culture that is constantly evolving.</p>
(4)	Percentage of attendance in training workshops for DISCO VALUES	<p>In order to fundamentally instill DISCO VALUES (DISCO's corporate philosophy) in all employees and build a strong organization with a sense of unity, education programs are held for all employees in the form of workshops. The workshops are designed according to the employee hierarchical structure, and have been held every year since 1998. Continuously implementing activities to instill a good corporate culture in all employees creates an organization that has shared values and experiences throughout the entire DISCO group.</p>

No	Tracking Indices	Explanation
(5)	No. of new unique processes released	<p>The development of technology with high added value is essential in order to respond to our customers' needs, which are growing more and more complex. In order to continue to evolve, and to pursue even more advanced Kiru, Kezuru, Migaku technologies, the number of new unique processes released that can only be provided by DISCO has been chosen as a tracking index.</p> <p>It is difficult for these unique processes to end up in a price competition with competitors, and they contribute to the company's profit margin.</p>
(6)	Percentage of sustainability issues recognized between FY2022 and FY2029 that have already been resolved	<p>The dedicated department that is in charge of promoting sustainability is constantly choosing domestic and international sustainability issues that involve the DISCO group. DISCO aims for 100% of the sustainability issues that are recognized by the end of FY2029 to be resolved by the end of FY2030.</p>
(7)	Percentage of amount paid to suppliers with whom we have shared our sustainability procurement policy (out of overall amount)	<p>In order to realize a sustainable society, DISCO thinks it is important to promote sustainable initiatives throughout the entire supply chain, including suppliers. DISCO has formulated a "Sustainability Procurement Policy" in order to carry out procurement that is considerate of various societal requests such as climate change countermeasures or respecting human rights, and we notify our suppliers of this policy. The goal is to share this policy with 95% or more of our suppliers on a procurement amount basis by the end of FY2030.</p>
(8)	Percentage of amount paid to suppliers who have agreed to our sustainability procurement policy (out of overall amount)	<p>Upon sharing our thoughts and initiatives regarding the "Sustainability Procurement Policy" with our suppliers, DISCO requests each supplier to submit a letter of agreement to the policy. The goal is to receive this letter of agreement from 90% or more of our suppliers on a procurement amount basis by the end of FY2030.</p>