

Unaudited translation, provided for reference only



November 6, 2014

## Consolidated Financial Results for the Second Quarter of Fiscal Year 2014

Company name: DISCO Corporation  
 Stock code number: 6146 (Tokyo Stock Exchange 1st Section)  
 URL: <http://www.disco.co.jp>  
 Telephone number: 81-3-4590-1099

(Amounts are rounded down to the nearest million yen)

### 1. Consolidated Results of FY2014 1H(April 1, 2014 though September 30, 2014)

#### 1) Operating results (Accumulated)

|                            | Six months ended   |                    |        |
|----------------------------|--------------------|--------------------|--------|
|                            | September 30, 2013 | September 30, 2014 | YoY(%) |
| Net sales                  | 54,610             | 65,198             | 19.4%  |
| Operating income           | 9,806              | 13,724             | 40.0%  |
| Ordinary income            | 9,754              | 13,730             | 40.8%  |
| Net income                 | 6,663              | 9,755              | 46.4%  |
| Net income per share (yen) | 197.44             | 287.51             | —      |

#### 2) Financial position

|                  | As of<br>March 31, 2014 | As of<br>September 30, 2014 |
|------------------|-------------------------|-----------------------------|
| Total assets     | 170,161                 | 190,107                     |
| Net assets       | 123,456                 | 134,389                     |
| Equity ratio (%) | 71.4%                   | 69.6%                       |

(Reference) Equity (defined as shareholders' equity plus valuation and translation adjustments) :

132,247 million yen (as of September 30, 2014)  
 121,415 million yen (as of March 31, 2014)

### 2. Dividends

|                                   | Fiscal Year 2013 | Fiscal Year 2014<br>Actual | Fiscal Year 2014<br>Forecast |
|-----------------------------------|------------------|----------------------------|------------------------------|
| 1Q-end dividend per share (yen)   | —                | —                          | —                            |
| 2Q-end dividend per share (yen)   | 50.00            | 72.00                      | —                            |
| 3Q-end dividend per share (yen)   | —                | —                          | —                            |
| Year-end dividend per share (yen) | 40.00            | —                          | 55.00                        |
| Annual dividend per share (yen)   | 90.00            | —                          | 127.00                       |

Note: Revision of dividends forecast for during this period: Yes

### 3. Earnings Forecasts for FY2014

(Millions of yen)

|                            | Year ending<br>March 31, 2015 | YoY (%) |
|----------------------------|-------------------------------|---------|
| Net sales                  | 119,500                       | 13.9    |
| Operating income           | 23,200                        | 33.7    |
| Ordinary income            | 23,400                        | 34.1    |
| Net income                 | 17,200                        | 42.3    |
| Net income per share (yen) | 504.92                        | —       |

Note: Revision of earnings forecast for during this period: Yes

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#### 4. Others

- 1) Important changes in subsidiaries: None
- 2) Changes in principles, procedures and display of accounting method concerning consolidated statement policies.
  1. Changes in accounting policies: Yes
  2. Other changes: None
- 3) Number of shares outstanding (common stock)
  - ① Number of shares issued (include treasury stocks)
 

|                           |                   |
|---------------------------|-------------------|
| As of September 30, 2014: | 34,132,055 shares |
| As of March 31, 2014:     | 34,004,418 shares |
  - ② Number of shares of treasury stock
 

|                           |               |
|---------------------------|---------------|
| As of September 30, 2014: | 67,473 shares |
| As of March 31, 2014:     | 87,493 shares |
  - ③ Average number of shares
 

|                           |                   |
|---------------------------|-------------------|
| As of September 30, 2014: | 33,932,021 shares |
| As of September 30, 2013: | 33,750,474 shares |

#### Explanations on the appropriate use of earnings forecasts:

The performance forecasts and estimates stated in this Financial Review are based on certain assumptions judged to be reasonable at the present time in light of information currently available. Consequently, actual operating results may differ substantially from the projections in the Financial Review.

#### (Reference) Non-consolidated Earnings Forecasts of FY2014

(Millions of yen)

|                            | Year ending<br>March 31, 2015 | YoY (%) |
|----------------------------|-------------------------------|---------|
| Net sales                  | 101,700                       | 18.7    |
| Operating income           | 17,200                        | 45.7    |
| Ordinary income            | 20,000                        | 36.6    |
| Net income                 | 14,400                        | 34.5    |
| Net income per share (yen) | 422.73                        | -       |

Note: Revision of earnings forecast for during this period: Yes

## 5. Consolidated quarterly balance sheets (Millions of yen)

|  | As of<br>31-Mar-14 | As of<br>30-Sep-14 |
|--|--------------------|--------------------|
| <b>Assets</b>                              |                    |                    |
| <b>Current assets</b>                      |                    |                    |
| Cash and deposits                          | 31,577             | 40,330             |
| Notes and accounts receivable - trade      | 32,390             | 39,274             |
| Merchandise and finished goods             | 7,072              | 8,118              |
| Work in process                            | 7,894              | 8,054              |
| Raw materials and supplies                 | 11,772             | 11,716             |
| Other                                      | 6,291              | 7,361              |
| Allowance for doubtful accounts            | (189)              | (173)              |
| <b>Total current assets</b>                | <b>96,809</b>      | <b>114,682</b>     |
| <b>Non-current assets</b>                  |                    |                    |
| <b>Property, plant and equipment</b>       |                    |                    |
| Buildings and structures, net              | 28,759             | 28,639             |
| Land                                       | 13,088             | 13,518             |
| Other, net                                 | 21,215             | 23,143             |
| <b>Total property, plant and equipment</b> | <b>63,063</b>      | <b>65,301</b>      |
| Intangible assets                          | 874                | 839                |
| Investments and other assets               |                    |                    |
| Other                                      | 9,465              | 9,328              |
| Allowance for doubtful accounts            | (54)               | (45)               |
| <b>Total investments and other assets</b>  | <b>9,410</b>       | <b>9,283</b>       |
| <b>Total non-current assets</b>            | <b>73,348</b>      | <b>75,424</b>      |
| Deferred assets                            | 3                  | 1                  |
| <b>Total assets</b>                        | <b>170,161</b>     | <b>190,107</b>     |

|  | (Millions of yen)  |                    |
|--|--------------------|--------------------|
|  | As of<br>31-Mar-14 | As of<br>30-Sep-14 |
| <b>Liabilities</b>   |                    |                    |
| Current liabilities  |                    |                    |
| Notes and accounts payable - trade                                 | 5,269              | 5,982              |
| Electronically recorded obligations - operating                    | 6,762              | 13,931             |
| Current portion of long-term loans payable                         | 864                | 825                |
| Current portion of convertible bonds with stock acquisition rights | 9,085              | 8,305              |
| Income taxes payable   | 3,052              | 5,317              |
| Provision for bonuses  | 2,994              | 3,640              |
| Other provision  | 612                | 760                |
| Other  | 6,594              | 7,225              |
| Total current liabilities  | <u>35,235</u>      | <u>45,988</u>      |
| Non-current liabilities  |                    |                    |
| Long-term loans payable  | 8,858              | 8,237              |
| Net defined benefit liability                                      | 1,970              | 139                |
| Provision for directors' retirement benefits                       | 49                 | 53                 |
| Other  | 590                | 1,298              |
| Total non-current liabilities                                      | <u>11,469</u>      | <u>9,729</u>       |
| Total liabilities  | <u>46,704</u>      | <u>55,718</u>      |
| <b>Net assets</b>  |                    |                    |
| Shareholders' equity   |                    |                    |
| Capital stock  | 14,517             | 14,907             |
| Capital surplus  | 16,190             | 16,651             |
| Retained earnings  | 89,203             | 98,469             |
| Treasury shares  | (235)              | (182)              |
| Total shareholders' equity   | <u>119,675</u>     | <u>129,845</u>     |
| Accumulated other comprehensive income                             |                    |                    |
| Valuation difference on available-for-sale securities              | 17                 | 22                 |
| Foreign currency translation adjustment                            | 1,864              | 2,475              |
| Remeasurements of defined benefit plans                            | (142)              | (95)               |
| Total accumulated other comprehensive income                       | <u>1,740</u>       | <u>2,401</u>       |
| Subscription rights to shares                                      | 1,219              | 1,264              |
| Minority interests   | 821                | 877                |
| Total net assets   | <u>123,456</u>     | <u>134,389</u>     |
| Total liabilities and net assets                                   | <u>170,161</u>     | <u>190,107</u>     |

| 6. Consolidated quarterly statements of (comprehensive) income                    | (Millions of yen) |              |
|---|-------------------|--------------|
|   | FY2013<br>1H      | FY2014<br>1H |
| Net sales   | 54,610            | 65,198       |
| Cost of sales   | 26,897            | 31,563       |
| Gross profit  | 27,712            | 33,635       |
| Selling, general and administrative expenses                                      | 17,906            | 19,911       |
| Operating income  | 9,806             | 13,724       |
| Non-operating income  |                   |              |
| Interest income   | 36                | 35           |
| Share of profit of entities accounted for using equity method                     | 19                | 6            |
| Royalty income  | 100               | -            |
| Subsidy income  | 17                | 59           |
| Other   | 113               | 120          |
| Total non-operating income  | 287               | 223          |
| Non-operating expenses  |                   |              |
| Interest expenses   | 27                | 24           |
| Sales discounts   | 15                | 22           |
| Depreciation  | 30                | 28           |
| Foreign exchange losses   | 254               | 129          |
| Other   | 10                | 11           |
| Total non-operating expenses  | 338               | 216          |
| Ordinary income   | 9,754             | 13,730       |
| Extraordinary income  |                   |              |
| Gain on sales of non-current assets   | 0                 | 56           |
| Gain on sales of investment securities  | 0                 | -            |
| Gain on reversal of subscription rights to shares                                 | 0                 | 1            |
| Compensation income   | -                 | 415          |
| Total extraordinary income  | 1                 | 473          |
| Extraordinary losses  |                   |              |
| Loss on sales and retirement of non-current assets                                | 31                | 4            |
| Special retirement expenses   | 16                | 26           |
| Total extraordinary losses  | 48                | 30           |
| Income before income taxes and minority interests                                 | 9,707             | 14,174       |
| Income taxes - current  | 3,114             | 5,677        |
| Income taxes - deferred   | (137)             | (1,274)      |
| Total income taxes  | 2,977             | 4,402        |
| Income before minority interests  | 6,729             | 9,771        |
| Minority interests in income  | 66                | 15           |
| Net income  | 6,663             | 9,755        |
| Minority interests in income  | 66                | 15           |
| Income before minority interests  | 6,729             | 9,771        |
| Other comprehensive income  |                   |              |
| Valuation difference on available-for-sale securities                             | 4                 | 4            |
| Foreign currency translation adjustment   | 832               | 631          |
| Remeasurements of defined benefit plans, net of tax                               | -                 | 46           |
| Share of other comprehensive income of entities accounted for using equity method | 89                | 3            |
| Total other comprehensive income  | 925               | 685          |
| Comprehensive income  | 7,655             | 10,456       |
| Comprehensive income attributable to  |                   |              |
| Comprehensive income attributable to owners of                                    | 7,565             | 10,417       |
| Comprehensive income attributable to minority                                     | 89                | 39           |

## 7. Consolidated quarterly statements of cash flows

(Millions of yen)

|  | FY2013<br>1H   | FY2014<br>1H   |
|--|----------------|----------------|
| <b>Cash flows from operating activities</b>  |                |                |
| Income before income taxes and minority interests  | 9,707          | 14,174         |
| Depreciation   | 2,777          | 2,862          |
| Share of (profit) loss of entities accounted for using equity method                             | (19)           | (6)            |
| Increase (decrease) in allowance for doubtful  | 123            | (35)           |
| Increase (decrease) in provision for bonuses   | 1,042          | 638            |
| Loss (gain) on sales of investment securities  | 0              | -              |
| Loss (gain) on sales and retirement of property, plant and equipment                             | 31             | (51)           |
| Subsidy income   | (17)           | (59)           |
| Compensation income  | -              | (415)          |
| Interest and dividend income   | (39)           | (36)           |
| Interest expenses  | 27             | 24             |
| Decrease (increase) in notes and accounts receivable - trade                                     | (4,275)        | (5,543)        |
| Decrease (increase) in inventories   | 672            | (745)          |
| Increase (decrease) in notes and accounts payable - Other, net                                   | 1,993          | 7,690          |
|  | (559)          | (1,489)        |
| <b>Subtotal</b>  | <b>11,464</b>  | <b>17,004</b>  |
| Interest and dividend income received  | 43             | 23             |
| Interest expenses paid   | (19)           | (21)           |
| Income taxes (paid) refund   | (2,461)        | (3,393)        |
| Proceeds from subsidy income   | 17             | 59             |
| Proceeds from compensation   | -              | 415            |
| <b>Net cash provided by (used in) operating activities</b>                                       | <b>9,044</b>   | <b>14,088</b>  |
| <b>Cash flows from investing activities</b>  |                |                |
| Purchase of property, plant and equipment  | (6,230)        | (4,306)        |
| Proceeds from sales of property, plant and equipment   | 4              | 330            |
| Purchase of intangible assets  | (64)           | (57)           |
| Purchase of investment securities  | -              | (15)           |
| Proceeds from sales of investment securities   | 200            | -              |
| Payments for investments in capital of subsidiaries and associates                               | -              | (25)           |
| Net decrease (increase) in short-term loans receivable   | (401)          | (2)            |
| Payments of long-term loans receivable   | -              | 0              |
| Collection of long-term loans receivable   | 4              | 4              |
| Payments into time deposits  | (611)          | -              |
| Proceeds from withdrawal of time deposits  | 771            | -              |
| Other, net   | 44             | 33             |
| <b>Net cash provided by (used in) investing activities</b>                                       | <b>(6,281)</b> | <b>(4,039)</b> |
| <b>Cash flows from financing activities</b>  |                |                |
| Net increase (decrease) in short-term loans payable  | (173)          | -              |
| Repayments of long-term loans payable  | (638)          | (660)          |
| Purchase of treasury shares  | 0              | 0              |
| Proceeds from sales of treasury shares   | 326            | 96             |
| Cash dividends paid  | (542)          | (1,357)        |
| Repayments to minority shareholders  | (5)            | -              |
| <b>Net cash provided by (used in) financing activities</b>                                       | <b>(1,033)</b> | <b>(1,922)</b> |
| Effect of exchange rate change on cash and cash equivalents                                      | 397            | 293            |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                      | <b>2,127</b>   | <b>8,419</b>   |
| Cash and cash equivalents at beginning of period   | 21,544         | 21,552         |
| Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation | -              | 331            |
| <b>Cash and cash equivalents at end of period</b>  | <b>23,671</b>  | <b>30,303</b>  |