



May 8, 2019

Consolidated Financial Results of Fiscal Year 2018

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 FY2018 (April 1, 2018 though March 31, 2019)

1) Operating results (Accumulated)

	Fiscal year ended		
	March 31, 2018	March 31, 2019	YoY(%)
Net sales	167,364	147,500	(11.9)
Operating income	50,995	38,645	(24.2)
Ordinary income	52,690	38,974	(26.0)
Net income	37,171	28,824	(22.5)
Net income per share (yen)	1,035.67	802.35	—
Fully diluted net income per share (yen)	1,029.56	798.11	—

2) Financial position

	As of March 31, 2018	As of March 31, 2019
Total assets	256,347	258,180
Net assets	205,264	220,109
Equity ratio (%)	79.7%	84.8%
Net assets per share (yen)	5,685.97	6,091.72

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

218,852 million yen (as of March 31, 2019)
 204,254 million yen (as of March 31, 2018)

3) Cash Flow

	As of March 31, 2018	As of March 31, 2019
Cash Flow from Operating Activities	50,731	27,311
Cash Flow from Investing Activities	(12,673)	(14,513)
Cash Flow from Financial Activities	(24,053)	(12,982)
The balance of cash and cash equivalents	85,545	85,351

2. Dividends

(yen)

	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020 Forecast
1Q-end dividend per share (yen)	—	—	—
2Q-end dividend per share (yen)	141.00	114.00	—
3Q-end dividend per share (yen)	—	—	—
Year-end dividend per share (yen)	248.00	208.00	—
Annual dividend per share (yen)	389.00	322.00	—

3. Earnings Forecasts of FY2019 1Q

	(Millions of yen)	
	Three month ending June 30, 2019	YoY (%)
Net sales	35,800	—
Operating income	8,700	—
Ordinary income	8,800	—
Net income	6,300	—
Net income per share (yen)	175.36	—

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: None
 2. Other changes: None
- 3) Number of shares outstanding (common stock)
 - ① Number of shares issued (include treasury stocks)

As of March 31, 2019:	35,931,071 shares
As of March 31, 2018:	35,927,471 shares
 - ② Number of shares of treasury stock

As of March 31, 2019:	4,823 shares
As of March 31, 2018:	4,823 shares
 - ③ Average number of shares

As of March 31, 2019:	35,924,564 shares
As of March 31, 2018:	35,891,618 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 FY2019 1Q

	(Millions of yen)	
	Three month ending June 30, 2019	YoY (%)
Net sales	29,300	—
Operating income	6,100	—
Ordinary income	9,300	—
Net income	7,500	—
Net income per share (yen)	208.76	—

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5. Business Performance Overview

Business Performance Overview in This Term

This consolidated fiscal year (hereinafter referred to as “this year”), even though facilities investment for a wide range of applications including memory were observed in the first half, customers’ willingness to invest declined in all semiconductor industries in the second half.

In addition, sales for precision processing equipment such as blade dicing saws, grinders, and laser saws decreased by a little under 20%, as there were no large-scale investment as in the previous year. Moreover, even though precision processing tools (consumables) continued to be shipped at a high level, the sales amount was lower compared to the previous year, as customers’ facility operation rates dropped toward the end of the year.

As a result of these situations, the consolidated sales amount was the second highest ever, even though it dropped compared to the previous year.

While there was a decrease in gross profit margin due to changes in the sales composition and an increase in sales administrative expenses for R&D activities, profits decreased mainly due to the decrease in sales. However, the profit level was the second highest ever, similar to the sales amount.

Business performance this year was as follows:

Sales amount: JPY 147.5 B (Decreased by 11.9% compared to the previous year.)

Operating income: JPY 38.645 B (Decreased by 24.2% compared to the previous year); Operating income margin: 26.2%

Ordinary income: JPY 38.974 B (Decreased by 26.0% compared to the previous year); Ordinary income margin: 26.4%

Net income: JPY 28.824 B (Decreased by 22.5% compared to the previous year); Net income margin: 19.5%

Four-year cumulative ordinary income margin: 26.7% (Previous year: 25.5%)

Overview of Financial Condition for This Year

Total assets at the end of this year amount to JPY 258.18 B, an increase of JPY 1.833 B compared to the end of the previous consolidated accounting fiscal year (hereinafter referred to as “the previous year”.) This was a result of increase in assets due to the construction of C Zone in Building A in Kuwabata factory while accounts receivable decreased along with the drop in the sales amount.

Liabilities decreased to JPY 38.071 B, JPY 13.011 B less than the previous year. This is mainly due to the decrease in unpaid corporate taxes.

The total for net assets was JPY 220.109 B, a JPY 14.844 B decrease compared to the end of the previous period.

Indices as a result of these capital composition are shown below.

Return on assets (ROA): 11.2% (4.2 points decrease compared to the previous year)

Return on equity (ROE): 13.6% (5.7 points decrease compared to the previous year)

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Four-year cumulative return on risk assets (RORA): 36.3% (1.9 points decrease compared to the previous year)

Capital adequacy ratio: 84.8% (5.1 points increase compared to the previous year)

Cash Flow Overview for This Year

The cash flow from operating activities was income of JPY 27.311 B (46.2% decrease compared to the previous year).

This was mainly caused by an increase in net income before taxes and corporate tax payments.

The cash flow from investment activities was an expenditure of JPY 14.513 B (14.5% increase compared to the previous year).

This is mainly from acquiring tangible fixed assets such as C Zone in Building A in Kuwabata factory.

The cash flow from financial activities was an expenditure of JPY 12.982 B (46.0% decrease compared to the previous year).

This is mainly from paying dividends.

As a result of these cash flows, the balance of cash and cash equivalents this year was JPY 85.351 B (decreased by JPY 194 M compared to the previous year). Moreover, “free cash flow,” which is the combination of “cash flow from operating activities” and “cash flow from investment activities,” was JPY 12.798 M.

Forecast:

Because of the difficulty of forecasting demand due to the drastic fluctuation of customers' willingness to invest short term in semiconductor and electronic component industries, our business forecasts are disclosed as far as one quarter in advance.

Because the demand for a wide range of applications centered on memory is expected to continue steadily, the following are expected for consolidated business performance in the first quarter in March 2020: Sales amount = JPY 35.8 B; Operating income = JPY 8.7 B; Ordinary income = JPY 8.8 B; Quarterly net income = JPY 6.3 B.

In addition, we plan to adopt “accounting standards for revenue recognition” at the beginning of the term in March 2020. As a result, sales of equipment, mainly precision processing equipment, will be recorded at the time of acceptance. The forecast for the first quarter in March 2020 takes these relevant changes into account.

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6. Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	91,574	91,380
Notes and accounts receivable - trade	43,647	34,900
Merchandise and finished goods	7,093	6,940
Work in process	9,656	12,585
Raw materials and supplies	16,943	19,066
Other	5,809	4,979
Allowance for doubtful accounts	(52)	(57)
Total current assets	174,673	169,795
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	33,129	45,584
Machinery, equipment and vehicles, net	9,383	8,630
Tools, furniture and fixtures, net	706	787
Land	13,797	14,610
Construction in progress	12,248	7,256
Total property, plant and equipment	69,264	76,868
Intangible assets	511	400
Investments and other assets		
Investment securities	3,746	2,875
Deferred tax assets	4,262	4,122
Retirement benefit asset	612	821
Other	3,300	3,314
Allowance for doubtful accounts	(23)	(17)
Total investments and other assets	11,897	11,116
Total non-current assets	81,673	88,384
Total assets	256,347	258,180

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	(Millions of yen)	
	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,286	3,368
Electronically recorded obligations - operating	14,230	13,178
Income taxes payable	10,209	1,782
Provision for bonuses	8,651	7,790
Provision for bonuses for directors (and other officers)	159	177
Provision for product warranties	487	453
Asset retirement obligations	-	27
Other	10,280	10,838
Total current liabilities	50,306	37,616
Non-current liabilities		
Asset retirement obligations	215	207
Other	560	247
Total non-current liabilities	776	454
Total liabilities	51,082	38,071
Net assets		
Shareholders' equity		
Capital stock	20,651	20,663
Capital surplus	22,639	22,651
Retained earnings	157,919	173,739
Treasury shares	(25)	(25)
Total shareholders' equity	201,184	217,029
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,498	476
Foreign currency translation adjustment	1,619	1,320
Remeasurements of defined benefit plans	(47)	26
Total accumulated other comprehensive income	3,070	1,823
Share acquisition rights	899	1,108
Non-controlling interests	110	148
Total net assets	205,264	220,109
Total liabilities and net assets	256,347	258,180

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7. Consolidated statements of (comprehensive) income

(Millions of yen)

	Fiscal year ended 31-Mar-18	Fiscal year ended 31-Mar-19
Net sales	167,364	147,500
Cost of sales	68,239	60,589
Gross profit	99,125	86,910
Selling, general and administrative expenses	48,130	48,264
Operating income	50,995	38,645
Non-operating income		
Interest income	57	93
Share of profit of entities accounted for using equity method	177	293
Rent income	71	63
Subsidy income	1,629	490
Other	173	215
Total non-operating income	2,110	1,156
Non-operating expenses		
Interest expenses	22	3
Sales discounts	63	52
Foreign exchange losses	260	751
Depreciation	49	9
Other	19	11
Total non-operating expenses	415	828
Ordinary income	52,690	38,974
Extraordinary income		
Gain on sales of non-current assets	16	19
Gain on reversal of share acquisition rights	1	2
Insurance income	87	208
Total extraordinary income	105	229
Extraordinary losses		
Loss on sales and retirement of non-current assets	85	63
Impairment loss	1,191	58
Loss on sales of investment securities	1	-
Loss on valuation of investment securities	26	0
Loss on sales of shares of subsidiaries and associates	680	-
Special retirement expenses	86	88
Loss on disaster	-	533
Demolition cost	-	202
Total extraordinary losses	2,070	946
Profit before income taxes	50,724	38,256
Income taxes - current	13,794	9,355
Income taxes - deferred	(293)	36
Total income taxes	13,501	9,392
Profit	37,223	28,864
Profit attributable to		
Profit attributable to owners of parent	37,171	28,824
Profit attributable to non-controlling interests	51	40

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	(Millions of yen)	
	Fiscal year ended 31-Mar-18	Fiscal year ended 31-Mar-19
Other comprehensive income		
Foreign currency translation adjustment	46	(160)
Remeasurements of defined benefit plans, net of tax	(36)	74
Share of other comprehensive income of entities accounted for using equity method	1,644	(1,163)
Total other comprehensive income	<u>1,654</u>	<u>(1,249)</u>
Comprehensive income	<u>38,877</u>	<u>27,615</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	38,824	27,577
Comprehensive income attributable to non-controlling interests	53	37

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8. Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended 31-Mar-18	Fiscal year ended 31-Mar-19
Cash flows from operating activities		
Profit before income taxes	50,724	38,256
Depreciation	6,053	6,095
Impairment loss	1,191	58
Loss (gain) on sales of investment securities	1	-
Loss (gain) on valuation of investment securities	26	0
Share of loss (profit) of entities accounted for using equity method	(177)	(293)
Increase (decrease) in allowance for doubtful accounts	(2)	1
Increase (decrease) in provision for bonuses	3,389	(858)
Increase (decrease) in provision for bonuses for directors (and other officers)	(278)	18
Increase (decrease) in provision for product warranties	39	(33)
Increase (decrease) in net defined benefit asset and liability-OpeCF	(81)	(209)
Loss (gain) on sales of shares of subsidiaries and associates	680	-
Loss (gain) on sales and retirement of property, plant and equipment	68	44
Subsidy income	(1,629)	(490)
Insurance income	(87)	(208)
Interest and dividend income	(57)	(93)
Interest expenses	22	3
Loss on disaster	-	407
Decrease (increase) in notes and accounts receivable - trade	(4,974)	8,695
Decrease (increase) in inventories	(2,981)	(3,744)
Increase (decrease) in notes and accounts payable - trade	2,714	(3,785)
Increase (decrease) in accounts payable - other	2,216	672
Other, net	650	(939)
Subtotal	57,510	43,595
Proceeds from subsidy income	57	1,028
Proceeds from insurance income	87	203
Interest and dividend income received	53	98
Interest expenses paid	(23)	(3)
Payments for loss on disaster	-	(407)
Income taxes (paid) refund	(6,952)	(17,204)
Net cash provided by (used in) operating activities	50,731	27,311
Cash flows from investing activities		
Purchase of property, plant and equipment	(11,494)	(14,436)
Proceeds from sales of property, plant and equipment	31	51
Purchase of intangible assets	(111)	(79)
Proceeds from sales of investment securities	3	-
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(254)	-
Net decrease (increase) in short-term loans receivable	0	-
Payments of long-term loans receivable	(799)	(287)
Collection of long-term loans receivable	9	9
Payments into time deposits	(6,001)	(6,000)
Proceeds from withdrawal of time deposits	6,000	6,000
Other, net	(57)	229
Net cash provided by (used in) investing activities	(12,673)	(14,513)

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(Millions of yen)

	Fiscal year ended 31-Mar-18	Fiscal year ended 31-Mar-19
Cash flows from financing activities		
Repayments of long-term loans payable	(9,000)	-
Proceeds from issuance of common shares	445	18
Purchase of treasury shares	(6)	-
Cash dividends paid	(15,492)	(13,001)
Net cash provided by (used in) financing activities	(24,053)	(12,982)
Effect of exchange rate change on cash and cash equivalents	(149)	(9)
Net increase (decrease) in cash and cash equivalents	13,854	(193)
Cash and cash equivalents at beginning of period	71,690	85,545
Cash and cash equivalents at end of period	85,545	85,351