



April 23, 2020

Consolidated Financial Results of Fiscal Year 2019

Company name: DISCO Corporation
 Stock code number: 6146 (Tokyo Stock Exchange 1st Section)
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 Telephone number: 81-3-4590-1099

- Notes: 1. The accompanying financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan.
 2. Amounts are rounded down to the nearest million yen.

1. Consolidated Results of FY2019 (April 1, 2019 through March 31, 2020)

1) Operating results (Accumulated)

	Fiscal year ended		
	March 31, 2019	March 31, 2020	YoY(%)
Net sales	147,500	141,083	—
Operating income	38,645	36,451	—
Ordinary income	38,974	38,314	—
Net income	28,824	27,653	—
Net income per share (yen)	802.35	769.56	—

Note: Due to the change in accounting policy, starting from FY2019, the timing of revenue recognition has been changed to Inspection Basis. Therefore, the percentage changes are not shown.

2) Financial position

	As of March 31, 2019	As of March 31, 2020
Total assets	258,180	274,325
Net assets	220,109	226,890
Equity ratio (%)	84.8%	82.2%

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

225,539 million yen (as of March 31, 2020)
 218,852 million yen (as of March 31, 2019)

2. Dividends

	Fiscal Year 2018	Fiscal Year 2019 Actual	Fiscal Year 2020 Forecast
1Q-end dividend per share (yen)	—	—	—
2Q-end dividend per share (yen)	114.00	91.00	—
3Q-end dividend per share (yen)	—	—	—
Year-end dividend per share (yen)	208.00	347.00	—
Annual dividend per share (yen)	322.00	438.00	—

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

3. Earnings Forecasts of FY2020 1Q

(Millions of yen)		
	Three month ending June 30,2020	YoY (%)
Net sales	33,700	—
Operating income	7,600	—
Ordinary income	7,700	—
Net income	5,500	—
Net income per share (yen)	152.99	—
Shipment figures	49,100	—

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

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 along with changes in accounting standards: None
 2. Other changes: Yes
- 3) Number of shares outstanding (common stock)
 - ① Number of shares issued (include treasury stocks)

As of March 31, 2020:	35,955,771 shares
As of March 31, 2019:	35,931,071 shares
 - ② Number of shares of treasury stock

As of March 31, 2020:	5,000 shares
As of March 31, 2019:	4,823 shares
 - ③ Average number of shares

As of March 31, 2020:	35,934,473 shares
As of March 31, 2019:	35,924,564 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 FY2020 1Q

(Millions of yen)		
	Three month ending June 30,2020	YoY (%)
Net sales	28,600	—
Operating income	5,900	—
Ordinary income	9,100	—
Net income	7,300	—
Net income per share (yen)	203.06	—

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

(Reference) Consolidated Orders/Shipment of Fiscal Year 2019

(Millions of yen)		
1) Orders		
	Orders	Order Backlog
Fiscal Year 2019 (Year ending March 31,2020)	151,869	48,996
2) Shipment		
	Shipment	Order Backlog from shipment basis *
Fiscal Year 2019 (Year ending March 31,2020)	139,220	27,093

* Shipped amount excluded

5. Business Performance Overview

(1) Overview of Business Performance for the Current Period

DISCO group adopted accounting standards based on revenue recognition at the start of this year (hereafter “revenue recognition”).

As a result of adopting this change, revenue recognition between the previous year (April 1, 2018 – March 31, 2019) and this year (April 1, 2019 – March 31, 2020) is different. Thus, the percent change from the previous year was not included in the business performance details.

Semiconductor manufacturers, DISCO’s customers, maintained a conservative approach for capital investment during the first half. However, based on investments for some mass production, shipments of precision processing equipment remained stable in the second half. In addition, shipments of precision processing tools (consumables including blades and wheels) were high due to customer facility operating rate recovery. In these circumstances, sales for the fiscal year were JPY141,083 million.

For profits and losses, the GP margin remained high due to changes in the product composition. However, the profit and profitability results were as follows due to a slight decrease in sales.

Sales – JPY141,083 million (JPY147,500 million in previous period)

Operating income – JPY36,451 million, Operating income margin: 25.8% (JPY38,645 million in previous period)

Ordinary income – JPY38,314 million, Ordinary income margin: 27.2% (JPY38,974 million in previous period)

Net income returning to parent company shareholders – JPY 27,653 billion, Net income margin: 19.6% (JPY28,824 million in previous period)

Four-year cumulative ordinary income margin – 27.4% (26.7% in previous period)

Furthermore, the four-year cumulative ordinary income margin as in this period was 27.4% (26.7% in previous period), achieving the company’s goal of a “Four-year cumulative ordinary income margin of 20% or more” for 4 consecutive years.

(2) Overview of Financial Position for the Current Period

The total for assets of the current consolidated financial year was JPY274,325 million, an increase of JPY16,145 million compared to the end of the previous consolidated financial year (hereafter “end of the previous period”). This was mainly caused by an increase in tangible fixed assets, including acquisition of D Zone in the A-Building in Kuwabata Plant and a new building in Chino Plant. In addition, due to the change in accounting policy in accordance with adoption of revenue recognition, inventory based on products has increased and accounts receivable have decreased.

Liabilities were JPY47,435 million, with an increase of JPY9,364 million compared to the end of the previous period. This was mainly caused by an increase in the sales deposits included in the current liabilities due to the change in the accounting policy in accordance with the adoption of revenue recognition.

The total for net assets was JPY226.890 million, an increase of JPY6,781 million compared to the end of the previous period. The capital adequacy ratio was 82.2%, a decrease of 2.6% compared to the end of the previous period.

As a result of this capital composition, each of the indices are as follows:

Return on assets (ROA) – 10.4% (11.2% in previous period)

Return on equities (ROE) – 12.7% (13.6% in previous period)

Four-year cumulative return on risk assets (RORA) – 35.3% (36.3% in previous period)

Capital adequacy ratio – 82.2% (84.8% in previous period)

(3) Overview of Cash Flow for the Current Period

The cash flow due to business operations was a profit of JPY31,299 million (14.6% increase compared to previous period).

This was mainly caused by an increase in expenditures due to the payment of net income before taxes, depreciation, and corporate taxes.

The cash flow due to investment activities was a loss of JPY25,660 million (76.8% increase compared to previous period).

This was mainly caused by an increase in expenditures due to payments for tangible fixed assets, including acquisition of D Zone in the A-Building in Kuwabata Plant and a new building in Chino Plant.

The cash flow from financial activities was a loss of JPY10,580 million (18.5% decrease compared to previous period).

This was mainly caused by an increase in expenditures due to the payment of dividends.

As a result of these factors, the balance for cash and cash equivalents at the end of the period was JPY79,782 million (JPY5,568 million decrease compared to previous period). Furthermore, free cash flow (the combined total of "Cash flow from business operations" and "Cash flow from investment activities") was an inflow of JPY5,639 million.

(4) Forecast

Due to the difficulty in predicting demand in the semiconductor and electronic component industries as a result of drastic fluctuations in customers' willingness to invest over short periods, business forecasts will now be released one quarter in advance.

The consolidated business forecast for the first quarter of the fiscal year ending March 2021 is sales of JPY33,700 million, an operating income of JPY7,600 million, and an ordinary income of JPY7,700 million, with an estimated quarterly net income of JPY5,500 million returning to parent company shareholders.

The shipment forecast for the first quarter of the fiscal year ending March 2021 is JPY49,100 million.

6. Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
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	<u>169,795</u>	<u>169,990</u>
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	<u>76,868</u>	<u>93,415</u>
Intangible assets	400	319
Investments and other assets		
Investment securities	2,875	2,107
Deferred tax assets	4,122	5,052
Retirement benefit asset	821	910
Other	3,314	2,546
Allowance for doubtful accounts	(17)	(16)
Total investments and other assets	<u>11,116</u>	<u>10,599</u>
Total non-current assets	<u>88,384</u>	<u>104,334</u>
Total assets	<u>258,180</u>	<u>274,325</u>

	(Millions of yen)	
	As of March 31, 2019	As of March 31, 2020
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 bonuses for directors (and other officers)	177	131
Provision for product warranties	453	338
Asset retirement obligations	27	25
Other	10,838	17,009
Total current liabilities	<u>37,616</u>	<u>46,905</u>
Non-current liabilities		
Asset retirement obligations	207	280
Other	247	249
Total non-current liabilities	<u>454</u>	<u>529</u>
Total liabilities	<u>38,071</u>	<u>47,435</u>
Net assets		
Shareholders' equity		
Share capital	20,663	20,793
Capital surplus	22,651	22,781
Retained earnings	173,739	181,239
Treasury shares	(25)	(29)
Total shareholders' equity	<u>217,029</u>	<u>224,785</u>
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	<u>1,823</u>	<u>754</u>
Share acquisition rights	1,108	1,212
Non-controlling interests	148	138
Total net assets	<u>220,109</u>	<u>226,890</u>
Total liabilities and net assets	<u>258,180</u>	<u>274,325</u>

7. Consolidated quarterly statements of (comprehensive) income

(Millions of yen)

	Fiscal year ended 31-Mar-19	Fiscal year ended 31-Mar-20
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	398
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		
Profit attributable to owners of parent	28,824	27,653
Profit attributable to non-controlling interests	40	50
Other comprehensive income		
Foreign currency translation adjustment	(160)	(880)
Remeasurements of defined benefit plans, net of tax	74	(7)
Share of other comprehensive income of entities accounted for using equity method	(1,163)	(317)
Total other comprehensive income	(1,249)	(1,206)
Comprehensive income	27,615	26,498
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	27,577	26,461
Comprehensive income attributable to non-controlling interests	37	37

8.Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended 31-Mar-19	Fiscal year ended 31-Mar-20
Cash flows from operating activities		
Profit before income taxes	38,256	38,277
Depreciation	6,095	6,612
Impairment loss	58	-
Loss (gain) on valuation of investment securities	0	-
Share of loss (profit) of entities accounted for using equity method	(293)	(398)
Increase (decrease) in allowance for doubtful accounts	1	0
Increase (decrease) in provision for bonuses	(858)	2,125
Increase (decrease) in provision for bonuses for directors (and other officers)	18	(46)
Increase (decrease) in provision for product warranties	(33)	(110)
Increase (decrease) in net defined benefit asset and liability-OpeCF	(209)	(89)
Loss (gain) on sales of shares of subsidiaries and associates	-	(268)
Loss (gain) on sales and retirement of property, plant and equipment	44	69
Subsidy income	(490)	(374)
Insurance claim income	(208)	-
Interest and dividend income	(93)	(68)
Loss on disaster	407	-
Decrease (increase) in trade receivables	8,695	(5,202)
Decrease (increase) in inventories	(3,744)	(33)
Increase (decrease) in trade payables	(3,785)	(466)
Increase (decrease) in accounts payable - other	672	(1,863)
Other, net	(939)	(2,181)
Subtotal	43,592	35,980
Proceeds from subsidy income	1,028	670
Proceeds from insurance income	203	-
Interest and dividends received	98	73
Payments associated with disaster loss	(407)	-
Income taxes (paid) refund	(17,204)	(5,425)
Net cash provided by (used in) operating activities	27,311	31,299
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,436)	(24,868)
Proceeds from sales of property, plant and equipment	51	4
Purchase of intangible assets	(79)	(94)
Proceeds from sales of shares of subsidiaries and associates	-	1,117
Long-term loan advances	(287)	(20)
Collection of long-term loans receivable	9	328
Payments into time deposits	(6,000)	(8,125)
Proceeds from withdrawal of time deposits	6,000	6,000
Other, net	229	(2)
Net cash provided by (used in) investing activities	(14,513)	(25,660)
Cash flows from financing activities		
Proceeds from issuance of shares	18	210
Purchase of treasury shares	-	(4)
Dividends paid	(13,001)	(10,741)
Dividends paid to non-controlling interests	-	(44)
Net cash provided by (used in) financing activities	(12,982)	(10,580)
Effect of exchange rate change on cash and cash equivalents	(9)	(628)
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