



May 9, 2018

Consolidated Financial Results of Fiscal Year 2017

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 FY2017 (April 1, 2017 though March 31, 2018)

1) Operating results (Accumulated)

	Fiscal year ended		
	March 31, 2017	March 31, 2018	YoY(%)
Net sales	134,204	167,364	24.7
Operating income	31,341	50,995	62.7
Ordinary income	31,726	52,690	66.1
Net income	24,203	37,172	53.6
Net income per share (yen)	675.82	1,035.68	—
Fully diluted net income per share (yen)	671.99	1,029.57	—

2) Financial position

	As of March 31, 2017	As of March 31, 2018
Total assets	225,748	256,555
Net assets	181,318	205,265
Equity ratio (%)	79.9%	79.6%
Net assets per share (yen)	5,029.38	5,685.97

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

204,255 million yen (as of March 31, 2018)
 180,383 million yen (as of March 31, 2017)

3) Cash Flow

	As of March 31, 2017	As of March 31, 2018
Cash Flow from Operating Activities	32,905	50,731
Cash Flow from Investing Activities	(6,342)	(12,673)
Cash Flow from Financial Activities	(11,956)	(24,053)
The balance of cash and cash equivalents	71,690	85,545

2. Dividends

	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019 Forecast
1Q-end dividend per share (yen)	—	—	—
2Q-end dividend per share (yen)	83.00	141.00	—
3Q-end dividend per share (yen)	—	—	—
Year-end dividend per share (yen)	291.00	248.00	—
Annual dividend per share (yen)	374.00	389.00	—

3. Earnings Forecasts of FY2018 1Q

(Millions of yen)

	Three month ending June 30, 2018	YoY (%)
Net sales	37,900	(14.7)
Operating income	9,800	(35.1)
Ordinary income	10,000	(33.0)
Net income	6,800	(36.3)
Net income per share (yen)	189.30	-

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, 2018:	35,927,471 shares
As of March 31, 2017:	35,870,471 shares
 - ② Number of shares of treasury stock

As of March 31, 2018:	4,823 shares
As of March 31, 2017:	4,523 shares
 - ③ Average number of shares

As of March 31, 2018:	35,891,618 shares
As of March 31, 2017:	35,812,910 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 FY2018 1Q

(Millions of yen)

	Three month ending June 30, 2018	YoY (%)
Net sales	32,700	(13.1)
Operating income	8,100	(28.9)
Ordinary income	17,800	35.1
Net income	15,300	56.8
Net income per share (yen)	425.92	-

5. Business Results

Overview of Financial Results for Fiscal Year 2017

Due to the strong demand for semiconductors and electronic components in smartphone and data center applications, capital investment was very active for the consolidated financial year (henceforth “the period”) from the start of the year.

In addition to the Asia Pacific region, where investment is active most years, investment was also proactive in Japan, the US, and Europe. Precision processing needs also increased in a variety of applications, such as memory and logic in semiconductor applications, and ceramic capacitors and glass components in non-semiconductor applications. This led to a large increase in the amount of orders received compared to the previous period.

Due to this, DISCO achieved the highest value of shipments on record for precision processing equipment (including blade dicing saws, grinders, and laser saws). Furthermore, because of the continued high operation-rate of customers' facilities, there was also a significant increase in the value of shipments for precision processing tools (consumables). As a result of these factors, DISCO set a new record in the highest amount of sales for the fifth consecutive period.

In regard to profits, despite the increase in sales, general, and administrative expenses (SG&A) mainly in personnel expenses, the GP margin increased due to the large increase in sales, as well as an increase in the shipments of high added-value products and fluctuations in the product sales composition, causing a significantly large increase of approximately 60% in the operating income.

As a result of the above factors, the business results for the period are as follows:

Sales – JPY 167,364 million (24.7% increase compared to previous period)

Operating income – JPY 50,995 million (62.7% increase compared to previous period)

Ordinary income – JPY 52,690 million (66.1% increase compared to previous period)

Net income returning to holders of shares in parent company – JPY 37,172 million (53.6% increase compared to previous period)

New records have been set in each type of income, exceeding the previous records by a significant amount.

Furthermore, the four-year cumulative ordinary income margin as of this period is 25.5%, achieving the company's goal of a “Four-year cumulative ordinary income margin of 20% or more” for the second consecutive period.

Overview of Financial Condition for Fiscal Year 2017

The total for assets at the end of the period was JPY 256,555 million, with an increase of JPY 30,807 million compared to the end of the previous period. This was a result of increases in cash and deposits, accounts receivable, and inventory assets due to the expansion of operations, as well as an increase in the construction-in-progress account due to the construction of the C Zone in Kuwabata Plant.

Liabilities were JPY 51,290 million, with an increase of JPY 6,860 million compared to the end of the previous period. This was due to an increase in unpaid taxes (such as corporate taxes) and an increase in provision for salary bonuses, despite the debt repayment.

The total for net assets was JPY 205,265 million, with an increase of JPY 23,947 million 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) – 15.4% (4.2 point increase compared to previous period)

Return on equities (ROE) – 19.3% (5.4 point increase compared to previous period)

Four-year cumulative return on risk assets (RORA) – 34.4% (8.1 point increase compared to previous period)

Capital adequacy ratio – 79.6% (0.3 point decrease compared to previous period)

Overview of Cash Flows for Fiscal Year 2017

Cash flow from operating activities was an income of JPY 50,731 million (54.2% increase compared to previous period). This was mainly caused by a significant increase in net income before taxes.

Cash flow from investment activities was an expenditure of JPY 12,673 million (99.8% increase compared to previous period). This was mainly caused by an increase in expenditure due to the acquisition of fixed assets, such as the construction of the C Zone in Kuwabata Plant.

Cash flow from financial activities was an expenditure of JPY 24,053 million (101.2% increase from previous period). This caused by an increase in expenditure due to the payment of dividends and the repayment of loans. As a result of these factors, the balance for cash and cash equivalents at the end of the period was JPY 85,545 million (increase of JPY 13,854 million from the end of the 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 JPY 38,058 million.

Outlook for FY2018 1Q

Due to the difficulty to forecast customer demand in the semiconductor and electronic component industries because of drastic fluctuations over short periods in customers' willingness to invest, the business forecasts will now be released one quarter in advance, as opposed to the previous method of two quarters in advance. Based on the current forecast for demand to continue to be firm in a wide range of applications, particularly in memory, the consolidated business forecast for the first quarter of the fiscal year ending March 2019 is sales of JPY 37,900 million, an operating income of JPY 9,800 million, and an ordinary income of JPY 10,000 million, with an estimated quarterly net income of JPY 6,800 million returning to holders of shares in the parent company.

Unaudited translation, provided for reference only

6. Consolidated balance sheets

	(Millions of yen)	
	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	77,718	91,574
Notes and accounts receivable - trade	38,895	43,647
Merchandise and finished goods	6,832	7,093
Work in process	10,394	9,656
Raw materials and supplies	13,108	16,943
Deferred tax assets	3,734	4,361
Other	4,027	5,809
Allowance for doubtful accounts	(71)	(52)
Total current assets	<u>154,639</u>	<u>179,034</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	35,113	33,129
Machinery, equipment and vehicles, net	9,180	9,383
Tools, furniture and fixtures, net	671	706
Land	13,802	13,797
Construction in progress	7,455	12,248
Total property, plant and equipment	<u>66,223</u>	<u>69,264</u>
Intangible assets	588	511
Investments and other assets		
Investment securities	1,936	3,746
Deferred tax assets	267	109
Net defined benefit asset	530	612
Other	1,591	3,300
Allowance for doubtful accounts	(30)	(23)
Total investments and other assets	<u>4,296</u>	<u>7,744</u>
Total non-current assets	<u>71,108</u>	<u>77,520</u>
Total assets	<u>225,748</u>	<u>256,555</u>

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	(Millions of yen)	
	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,897	6,286
Electronically recorded obligations - operating	11,931	14,230
Current portion of long-term loans payable	8,989	-
Income taxes payable	3,323	10,209
Provision for bonuses	5,300	8,651
Provision for directors' bonuses	437	159
Provision for product warranties	446	487
Other	7,395	10,332
Total current liabilities	<u>43,722</u>	<u>50,357</u>
Non-current liabilities		
Provision for directors' retirement benefits	14	-
Asset retirement obligations	117	215
Other	575	717
Total non-current liabilities	<u>707</u>	<u>932</u>
Total liabilities	<u>44,430</u>	<u>51,290</u>
Net assets		
Shareholders' equity		
Capital stock	20,374	20,651
Capital surplus	22,362	22,639
Retained earnings	136,247	157,919
Treasury shares	(18)	(25)
Total shareholders' equity	<u>178,965</u>	<u>201,184</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	40	1,498
Foreign currency translation adjustment	1,388	1,619
Remeasurements of defined benefit plans	(10)	(47)
Total accumulated other comprehensive income	<u>1,418</u>	<u>3,070</u>
Share acquisition rights	840	899
Non-controlling interests	93	110
Total net assets	<u>181,318</u>	<u>205,265</u>
Total liabilities and net assets	<u>225,748</u>	<u>256,555</u>

Unaudited translation, provided for reference only

7. Consolidated statements of (comprehensive) income

(Millions of yen)

	Fiscal year ended 31-Mar-17	Fiscal year ended 31-Mar-18
Net sales	134,204	167,364
Cost of sales	59,709	68,239
Gross profit	74,495	99,125
Selling, general and administrative expenses	43,153	48,129
Operating profit	31,341	50,995
Non-operating income		
Interest income	47	57
Share of profit of entities accounted for using equity method	94	177
Rent income	83	71
Subsidy income	230	1,629
Other	155	173
Total non-operating income	610	2,110
Non-operating expenses		
Interest expenses	42	22
Sales discounts	45	63
Foreign exchange losses	72	260
Depreciation	53	49
Other	11	19
Total non-operating expenses	226	415
Ordinary profit	31,726	52,690
Extraordinary income		
Gain on sales of non-current assets	7	16
Gain on reversal of share acquisition rights	1	1
Insurance income	-	87
Total extraordinary income	9	105
Extraordinary losses		
Loss on sales and retirement of non-current assets	117	85
Impairment loss	514	1,191
Loss on sales of investment securities	-	1
Loss on valuation of investment securities	273	26
Loss on sales of shares of subsidiaries and associates	-	680
Special retirement expenses	35	86
Loss on disaster	90	-
Demolition cost	136	-
Total extraordinary losses	1,169	2,070
Profit before income taxes	30,566	50,725
Income taxes - current	6,788	13,794
Income taxes - deferred	(463)	(293)
Total income taxes	6,325	13,501
Profit	24,241	37,223
Profit attributable to		
Profit attributable to owners of parent	24,203	37,172
Profit attributable to non-controlling interests	37	51

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	(Millions of yen)	
	Fiscal year ended	Fiscal year ended
	31-Mar-17	31-Mar-18
Other comprehensive income		
Foreign currency translation adjustment	(347)	46
Remeasurements of defined benefit plans, net of tax	(27)	(36)
Share of other comprehensive income of entities accounted for using equity method	(86)	1,644
Total other comprehensive income	(460)	1,654
Comprehensive income	23,780	38,878
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	23,742	38,824
Comprehensive income attributable to non-controlling interests	37	53

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8. Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended 31-Mar-17	Fiscal year ended 31-Mar-18
Cash flows from operating activities		
Profit before income taxes	30,566	50,725
Depreciation	5,987	6,053
Impairment loss	514	1,191
Loss (gain) on sales of investment securities	-	1
Loss (gain) on valuation of investment securities	273	26
Share of loss (profit) of entities accounted for using equity method	(94)	(177)
Increase (decrease) in allowance for doubtful accounts	(126)	(2)
Increase (decrease) in provision for bonuses	1,093	3,389
Increase (decrease) in provision for directors' bonuses	140	(278)
Increase (decrease) in provision for product warranties	(62)	39
Increase (decrease) in net defined benefit asset and liability-OpeCF	(112)	(81)
Loss (gain) on sales of shares of subsidiaries and associates	-	680
Loss (gain) on sales and retirement of property, plant and equipment	109	68
Subsidy income	(230)	(1,629)
Insurance income	-	(87)
Interest and dividend income	(47)	(57)
Interest expenses	42	22
Decrease (increase) in notes and accounts receivable - trade	(5,536)	(4,974)
Decrease (increase) in inventories	1,502	(2,981)
Increase (decrease) in notes and accounts payable - trade	4,530	2,714
Increase (decrease) in accounts payable - other	587	2,216
Other, net	1,448	650
Subtotal	40,586	57,510
Interest and dividend income received	54	53
Interest expenses paid	(39)	(23)
Income taxes (paid) refund	(7,910)	(6,952)
Proceeds from subsidy income	215	57
Proceeds from insurance income	-	87
Net cash provided by (used in) operating activities	32,905	50,731
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,091)	(11,494)
Proceeds from sales of property, plant and equipment	43	31
Purchase of intangible assets	(272)	(111)
Purchase of investment securities	0	-
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	32	0
Payments of long-term loans receivable	(295)	(799)
Collection of long-term loans receivable	222	9
Payments into time deposits	(6,000)	(6,001)
Proceeds from withdrawal of time deposits	10,000	6,000
Other, net	18	(57)
Net cash provided by (used in) investing activities	(6,342)	(12,673)

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	(Millions of yen)	
	Fiscal year ended	Fiscal year ended
	31-Mar-17	31-Mar-18
Cash flows from financing activities		
Repayments of long-term loans payable	(1,247)	(9,000)
Purchase of treasury shares	(3)	(6)
Cash dividends paid	(11,198)	(15,492)
Proceeds from issuance of common shares	493	445
Net cash provided by (used in) financing activities	(11,956)	(24,053)
Effect of exchange rate change on cash and cash equivalents	(78)	(149)
Net increase (decrease) in cash and cash equivalents	14,528	13,854
Cash and cash equivalents at beginning of period	57,162	71,690
Cash and cash equivalents at end of period	71,690	85,545