



May 10, 2017

Consolidated Financial Results of Fiscal Year 2016

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 FY2016 (April 1, 2016 though March 31, 2017)

1) Operating results (Accumulated)

	Fiscal year ended		
	March 31, 2016	March 31, 2017	YoY(%)
Net sales	127,850	134,204	5.0
Operating income	30,338	31,341	3.3
Ordinary income	30,690	31,726	3.4
Net income	23,096	24,203	4.8
Net income per share (yen)	646.09	675.82	—
Fully diluted net income per share (yen)	642.24	671.99	—

2) Financial position

	As of March 31, 2016	As of March 31, 2017
Total assets	207,953	225,748
Net assets	168,035	181,318
Equity ratio (%)	80.4%	79.9%
Net assets per share (yen)	4,673.00	5,029.38

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

180,383 million yen (as of March 31, 2017)
 167,223 million yen (as of March 31, 2016)

3) Cash Flow

	As of March 31, 2016	As of March 31, 2017
Cash Flow from Operating Activities	29,316	32,905
Cash Flow from Investing Activities	(7,174)	(6,342)
Cash Flow from Financial Activities	(6,734)	(11,956)
The balance of cash and cash equivalents	57,162	71,690

2. Dividends

	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017 Forecast
1Q-end dividend per share (yen)	—	—	—
2Q-end dividend per share (yen)	85.00	83.00	109.00
3Q-end dividend per share (yen)	—	—	—
Year-end dividend per share (yen)	230.00	291.00	—
Annual dividend per share (yen)	315.00	374.00	—

3. Earnings Forecasts of FY2017 1Q and 1H

(Millions of yen)

	Three month ending June 30, 2017	YoY (%)	Six month ending September 30, 2017	YoY (%)
Net sales	43,300	38.5	80,100	22.8
Operating income	12,300	77.5	21,300	43.0
Ordinary income	12,500	66.8	21,600	38.4
Net income	8,900	53.6	15,500	30.7
Net income per share (yen)	248.15	-	432.16	-

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 March 31, 2017:	35,870,471 shares
As of March 31, 2016:	35,789,271 shares
 - ② Number of shares of treasury stock

As of March 31, 2017:	4,523 shares
As of March 31, 2016:	4,273 shares
 - ③ Average number of shares

As of March 31, 2017:	35,812,910 shares
As of March 31, 2016:	35,747,967 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 FY2017 1Q and 1H

(Millions of yen)

	Three month ending June 30, 2017	YoY (%)	Six month ending September 30, 2017	YoY (%)
Net sales	37,600	37.7	69,100	5.9
Operating income	9,700	81.2	16,400	10.1
Ordinary income	11,300	103.2	18,100	16.0
Net income	8,400	96.3	13,300	12.1
Net income per share (yen)	234.21	-	370.83	-

5. Business Results

Overview of Financial Results for Fiscal Year 2016

In the consolidated accounting year ended March 31, 2017 (FY2016), advances in higher-functioning servers for data center and smartphones resulted in active capital investment by semiconductor manufacturers, centered on memory devices.

While the sales of dicing saws and grinders for memory devices showed a strong trend, there was a decrease in sales for electronic components and optical semiconductors, which showed a positive trend in the previous fiscal year, resulting in a decrease of approx. 4% in the sales of precision processing equipment.

In proportion to the expanding needs for thinning memory devices and customers' increasing equipment utilization rates, shipment volumes in consumables increased substantially, especially grinding wheels. As a result, consumable sales set a new record.

Despite a decrease in sales due to the effects of the exchange rate, consolidated sales set a new record for the fourth consecutive year.

While there was a decrease in gross profits due to the effects of the exchange rate and an increase in administrative expenses (including R&D expenses and personnel costs), an increase in sales and improvements to the product mix resulted in a slight increase in the operating income.

These trends were reflected in the consolidated financial results, with a 5.0% YoY increase in consolidated net sales to ¥134,240 million. Operating income was 3.3% higher YoY at ¥31,341 million, while ordinary income rose by 3.4% YoY to ¥31,726 million. Net income was 4.8% higher YoY at ¥24,230 million. All the results were at an all-time high.

Overview of Financial Condition for Fiscal Year 2016

Total assets amounted to ¥225,748 million as of March 31, 2017 – an increase of ¥17,794 million from the position at the end of the previous fiscal year. The main factors were increases in cash, deposits, and account receivables.

Liabilities increased by ¥4,512 million YoY to ¥44,430 million due to an increase in accounts payable, while net assets were ¥13,282 million higher YoY at ¥181,318 million. As a result of these changes, the shareholders' equity ratio decreased by 0.5 points YoY to 79.9%.

Overview of Cash Flows for Fiscal Year 2016

Cash flows from operating activities increased by 12.2% YoY to ¥32,950 million. This total reflects cash items, including net income before income taxes and minority interests of ¥30,566 million, and an increase in depreciation and accounts payable, as well as cash outflows resulting from an increase in notes and accounts receivable-trade and payment items, such as corporate income taxes.

Cash outflows for investing activities was 11.6% lower YoY at ¥6,342 million. This was due to the acquisition of tangible fixed assets, such as the expansion of Kuwabata Plant.

Cash outflows for financial activities increased by 77.5% YoY to ¥11,956 million. This amount consisted mainly of dividend payments.

The balance of cash and cash equivalents as of March 31, 2017 was ¥71,690 million, an increase of ¥14,528 million from the position at the end of the previous fiscal year. Free cash flows, which are the sum of cash flows from operating activities and cash flows from investing activities, amounted to an inflow of ¥26,563 million.

Outlook for FY2017 1Q and 1H

The volatility of trends in the market environment of the semiconductor and electronic component industries in DISCO's main business sector have made long-term financial forecasting impossible, and we have decided to disclose consolidated financial forecasts for the period up to the end of the second quarter of the next fiscal year.

Based on recent business performance, DISCO Corporation has decided to revise the company's business forecast for the first quarter of the year ending March 31, 2018 (which was announced on February 6, 2017) and to disclose the forecast for April to September (the first half of the fiscal year ending March 31, 2018), which has not been disclosed before.

6. Consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	67,188	77,718
Notes and accounts receivable - trade	33,465	38,895
Merchandise and finished goods	7,982	6,832
Work in process	10,366	10,394
Raw materials and supplies	12,343	13,108
Deferred tax assets	3,806	3,734
Other	3,387	4,027
Allowance for doubtful accounts	(208)	(71)
Total current assets	138,333	154,639
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	37,378	35,113
Machinery, equipment and vehicles, net	9,925	9,180
Tools, furniture and fixtures, net	680	671
Land	13,815	13,802
Construction in progress	3,034	7,455
Total property, plant and equipment	64,834	66,223
Intangible assets	509	588
Investments and other assets		
Investment securities	2,202	1,936
Deferred tax assets	91	267
Net defined benefit asset	418	530
Other	1,611	1,591
Allowance for doubtful accounts	(47)	(30)
Total investments and other assets	4,276	4,296
Total non-current assets	69,619	71,108
Total assets	207,953	225,748

	(Millions of yen)	
	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,602	5,897
Electronically recorded obligations - operating	8,692	11,931
Current portion of long-term loans payable	1,676	8,989
Income taxes payable	4,272	3,323
Provision for bonuses	4,190	5,300
Provision for directors' bonuses	297	437
Provision for product warranties	518	446
Provision for environmental measures	50	-
Provision for demolition cost	15	-
Other	5,930	7,395
Total current liabilities	<u>30,246</u>	<u>43,722</u>
Non-current liabilities		
Long-term loans payable	8,583	-
Provision for directors' retirement benefits	13	14
Asset retirement obligations	115	117
Other	959	575
Total non-current liabilities	<u>9,671</u>	<u>707</u>
Total liabilities	<u>39,917</u>	<u>44,430</u>
Net assets		
Shareholders' equity		
Capital stock	20,063	20,374
Capital surplus	22,051	22,362
Retained earnings	123,245	136,247
Treasury shares	(15)	(18)
Total shareholders' equity	<u>165,344</u>	<u>178,965</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14	40
Foreign currency translation adjustment	1,847	1,388
Remeasurements of defined benefit plans	16	(10)
Total accumulated other comprehensive income	<u>1,878</u>	<u>1,418</u>
Subscription rights to shares	755	840
Non-controlling interests	56	93
Total net assets	<u>168,035</u>	<u>181,318</u>
Total liabilities and net assets	<u>207,953</u>	<u>225,748</u>

	(Millions of yen)	
	Fiscal year March 31, 2016	Fiscal year March 31, 2017
7. Consolidated statements of (comprehensive) income		
Net sales	127,850	134,204
Cost of sales	55,552	59,709
Gross profit	72,298	74,495
Selling, general and administrative expenses	41,959	43,153
Operating profit	30,338	31,341
Non-operating income		
Interest income	59	47
Share of profit of entities accounted for using equity method	-	94
Foreign exchange gains	79	-
Rent income	84	83
Subsidy income	211	230
Other	139	155
Total non-operating income	574	610
Non-operating expenses		
Interest expenses	52	42
Sales discounts	55	45
Share of loss of entities accounted for using equity method	12	-
Foreign exchange losses	-	72
Depreciation	60	53
Provision of allowance for doubtful accounts	27	-
Other	12	11
Total non-operating expenses	222	226
Ordinary profit	30,690	31,726
Extraordinary income		
Gain on sales of non-current assets	11	7
Gain on reversal of subscription rights to shares	22	1
Insurance income	117	-
Total extraordinary income	150	9
Extraordinary losses		
Loss on sales and retirement of non-current assets	56	117
Impairment loss	56	514
Loss on valuation of investment securities	-	273
Special retirement expenses	46	35
Loss on disaster	-	90
Demolition cost	53	136
Provision of reserve for demolition cost	15	-
Total extraordinary losses	228	1,169
Profit before income taxes	30,612	30,566
Income taxes - current	8,145	6,788
Income taxes - deferred	(625)	(463)
Total income taxes	7,519	6,325
Profit	23,092	24,241
Profit attributable to		
Profit attributable to owners of parent	23,096	24,203
Profit (loss) attributable to non-controlling interests	(3)	37

	(Millions of yen)	
	Fiscal year March 31, 2016	Fiscal year March 31, 2017
Other comprehensive income		
Foreign currency translation adjustment	(1,283)	(347)
Remeasurements of defined benefit plans, net of tax	74	(27)
Share of other comprehensive income of entities accounted for using equity method	(98)	(86)
Total other comprehensive income	(1,307)	(460)
Comprehensive income	21,785	23,780
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	21,792	23,742
Comprehensive income attributable to non-controlling	(7)	37

8. Consolidated statements of cash flows

(Millions of yen)

	Fiscal year March 31, 2016	Fiscal year March 31, 2017
Cash flows from operating activities		
Profit before income taxes	30,612	30,566
Depreciation	6,545	5,987
Impairment loss	56	514
Loss (gain) on valuation of investment securities	-	273
Share of (profit) loss of entities accounted for using equity	12	(94)
Increase (decrease) in allowance for doubtful accounts	8	(126)
Increase (decrease) in provision for bonuses	593	1,093
Increase (decrease) in provision for directors' bonuses	55	140
Increase (decrease) in provision for product warranties	10	(62)
Increase (decrease) in net defined benefit asset and liability-OpeCF	(219)	(112)
Loss (gain) on sales and retirement of property, plant and equipment	44	109
Subsidy income	(211)	(230)
Insurance income	(117)	-
Interest and dividend income	(59)	(47)
Interest expenses	52	42
Decrease (increase) in notes and accounts receivable -	347	(5,536)
Decrease (increase) in inventories	3,456	1,502
Increase (decrease) in notes and accounts payable - trade	(6,764)	4,530
Increase (decrease) in accounts payable - other	(1,075)	587
Other, net	4,350	1,448
Subtotal	<u>37,698</u>	<u>40,586</u>
Interest and dividend income received	58	54
Interest expenses paid	(43)	(39)
Income taxes (paid) refund	(8,724)	(7,910)
Proceeds from subsidy income	211	215
Proceeds from insurance income	117	-
Net cash provided by (used in) operating activities	<u>29,316</u>	<u>32,905</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,380)	(10,091)
Proceeds from sales of property, plant and equipment	38	43
Purchase of intangible assets	(116)	(272)
Purchase of investment securities	(19)	(0)
Proceeds from sales of investment securities	0	-
Net decrease (increase) in short-term loans receivable	(37)	32
Payments of long-term loans receivable	(195)	(295)
Collection of long-term loans receivable	328	222
Payments into time deposits	(10,000)	(6,000)
Proceeds from withdrawal of time deposits	11,201	10,000
Other, net	6	18
Net cash provided by (used in) investing activities	<u>(7,174)</u>	<u>(6,342)</u>

	(Millions of yen)	
	Fiscal year	Fiscal year
	March 31, 2016	March 31, 2017
Cash flows from financing activities		
Proceeds from long-term loans payable	1,227	-
Repayments of long-term loans payable	(2,175)	(1,247)
Purchase of treasury shares	(4)	(3)
Cash dividends paid	(6,179)	(11,198)
Proceeds from issuance of common shares	396	493
Net cash provided by (used in) financing activities	(6,734)	(11,956)
Effect of exchange rate change on cash and cash equivalents	(423)	(78)
Net increase (decrease) in cash and cash equivalents	14,984	14,528
Cash and cash equivalents at beginning of period	42,177	57,162
Cash and cash equivalents at end of period	57,162	71,690