Brief Statement on Consolidated Financial Results for the First Quarter (ended March 31, 2016) of Fiscal Year 2016 (ending December 31, 2016) [Japanese Accounting Standards]

May 12, 2016

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Scheduled date of filing of quarterly security report: May 13, 2016
Scheduled date of commencement of dividend payment: －
Supplementary materials for quarterly financial results: Yes
Quarterly results briefing: Yes (For institutional investors and security analysts)

(Amounts smaller than one million yen are rounded down)

1. Consolidated Business Results for the First Quarter (January 1, 2016 – March 31, 2016) of Fiscal Year 2016 (ending December 31, 2016)

(1) Consolidated Financial and Operating Results (fiscal year-to-date)

(Percentage figures represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
1Q of FY2016	51,779	(14.3)	3,612	(59.2)	2,675	(64.2)	1,576	(69.4)
1Q of FY2015	60,415	18.6	8,855	74.9	7,471	85.3	5,148	83.3

(Note) Comprehensive income
1Q of FY2016: (2,655) million yen (—%); 1Q of FY2015: 7,464 million yen (769.1%)

	Net income per share for quarter (yen)	Diluted net income per share for quarter (yen)
1Q of FY2016	5.37	—
1Q of FY2015	18.90	18.10

(2) Consolidated Financial Position

	Total assets (millions of yen)	Equity (millions of yen)	Shareholders' equity ratio (%)
1Q of FY2016	493,587	238,952	42.0
FY2015	489,842	244,540	43.2

(Reference) Shareholders' equity: 1Q of FY2016: 207,122 million yen; FY2015: 211,682 million yen

2. Dividend Payments

	Yearly dividend per share				
	First quarter (yen)	Second quarter (yen)	Third quarter (yen)	Year-end (yen)	Full year (yen)
FY2015	—	10.00	—	10.00	20.00
FY2016	—				
FY2016 (Forecast)		—	—	—	—

Note: (1) Revisions to dividend forecasts made during the quarter under review: No
(2) Dividends per share for the fiscal year-ending December 31, 2016 are not determined.

3. Consolidated Business Forecasts for the Second Quarter of Fiscal Year 2016 (January 1, 2016 – June 30, 2016)

(Percentage figures represent changes from previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(yen)
Second Quarter (6 months)	103,200	(16.1)	5,600	(69.5)	3,600	(76.5)	2,000	(81.7)	6.82

Note: (1) Revisions to consolidated business forecasts made during the quarter under review: Yes
(2) SUMCO discloses forecasts for the forthcoming quarter only. Please see "(2) Explanation of Business Forecasts" on page 2 of Supplementary Materials.

* Notes

(1) Changes in important subsidiaries during the quarter under review: No
New Company: ― Exclusion: ―

(2) Application of accounting methods specific to the preparation of quarterly consolidated financial statement: No

(3) Changes in accounting policies, changes in accounting estimates and corrections of prior-period errors
[1] Changes in accounting policies applied with revisions of accounting standards: Yes
[2] Changes in accounting policies other than [1]: No
[3] Changes in accounting estimates: No
[4] Corrections of prior-period errors: No
(Note) Please see "(1) Changes in Accounting Policies, Changes in Accounting Estimates and Corrections of Prior-Periods Errors" on page 3 of Supplementary Materials.

(4) Number of issued shares (common stock)
[1] Issued shares as of the end of period (including treasury stock):
293,285,539 shares as of the end of first quarter of FY2016; 293,285,539 shares as of the end of FY2015
[2] Treasury stock as of the end of period:
6,826 shares as of the end of first quarter of FY2016; 6,766 shares as of the end of FY2015
[3] Average number of shares during period (fiscal year-to-date):
293,278,747 shares during the first quarter of FY2016; 257,745,319 shares during the first quarter of FY2015

* Note on implementation of quarterly review procedures:
This Brief Statement on Consolidated Financial Results is not subject to quarterly review procedures pursuant to the Financial Instruments and Exchange Act. Review procedures for quarterly financial statements pursuant to the Financial Instruments and Exchange Act had been completed at the time of the disclosure of this Brief Statement on Consolidated Financial Results.

* Explanations regarding appropriate use of business forecasts and other special instructions:
Business forecasts and other forward-looking statements contained in this Brief Statement on Consolidated Financial Results are based on information currently available to the Company and on certain assumptions that the Company considers to be reasonable, and do not constitute guarantees of future performance. Actual results may differ significantly from those projected in the forward-looking statements as a result of various factors. Regarding the assumptions underlying business forecasts, please see "(2) Explanation of Business Forecasts" on page 2 of Supplementary Materials.

Dividends per share for the fiscal year-ending December 31, 2016 are not determined, and a forecast will be disclosed as soon as the disclosure becomes possible.

Quarterly results briefing for institutional investors and security analysts are scheduled on May 12, 2016. Supplementary materials for quarterly financial results are available in our website after starting the briefing.

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1. Qualitative Information for the First Quarter of Fiscal Year 2016

(1) Explanation of Business Results

During the first quarter of fiscal year 2016 (January 1, 2016 - March 31, 2016), the market for semiconductor silicon wafers remained in a correction phase that began in the second half of the previous year.

Demand for 300 mm wafers for logic was affected by sluggish PC sales and inventory adjustment in smartphones. On the other hand, demand for memory remained relatively firm due to demand for data centers and increased memory capacity for smartphones.

Demand for small-diameter wafers of 200 mm or less experienced weak demand, mainly from sluggishness in consumer and industrial applications reflecting the global economic slowdown.

In this environment, following the direction set by the SUMCO Vision, the SUMCO Group has strived to bolster its market presence by developing technologies that meet customers' demands for high levels of precision and product differentiation, while simultaneously reducing costs to lower its break-even point.

As a result, for the period under review, the Group registered consolidated net sales of 51,779 million yen, operating income of 3,612 million yen, ordinary income of 2,675 million yen and net income attributable to owners of the parent of 1,576 million yen.

(2) Explanation of Business Forecasts

During the second quarter of fiscal year 2016 (April 1, 2016 - June 30, 2016), the market for semiconductor silicon wafers is expected to recover at a mild pace. However, strong yen may affect the Group's results. While certain customers were affected by the Kumamoto Earthquake, the impact of the earthquake on the SUMCO Group is limited

In this market environment, the Group will continue to pursue the development of cutting-edge technologies and to strengthen its profit base through cost rationalization.

It is difficult for the SUMCO Group to formulate reasonable business forecasts for full-year, since the semiconductor industry to which the SUMCO Group belongs is characterized by drastic and short-term changes in the business environment. Therefore, SUMCO has adopted the policy of disclosing business forecasts for the forthcoming quarter only.

SUMCO announces its consolidated business forecasts for the second quarter of fiscal year 2016 as follows.

Consolidated Business Forecasts for the Second Quarter of FY2016 (January 1, 2016 – June 30, 2016)

	Net sales (millions of yen)	Operating income (millions of yen)	Ordinary income (millions of yen)	Net income attributable to owners of the parent (millions of yen)	Net income per share (yen)
Previous Forecasts (A)	—	—	—	—	—
Revised Forecasts (B)	103,200	5,600	3,600	2,000	6.82
Changes (B-A)	—	—	—	—	—
Rate of changes (%)	—	—	—	—	—
(Reference) Results for 2Q of FY2015 (6 months)	123,074	18,350	15,339	10,913	40.38

(Notes) (1) Business forecasts and other forward-looking statements contained in this Brief Statement on Consolidated Financial Results are based on information currently available to the Company and on certain assumptions that the Company considers to be reasonable, and do not constitute guarantees of future performance. Actual results may differ significantly from those projected in the forward-looking statements as a result of various factors.

(2) The above forecasts for the second quarter of fiscal year 2016 (April 1, 2016 – June 30, 2016) was made assuming translation rates of one U.S. dollar to 110 yen.

2. Matters regarding Summary Information (Notes)

(1) Changes in Accounting Policies, Changes in Accounting Estimates and Corrections of Prior-Period Errors

Changes in Accounting Policies

(Adoption of Accounting Standard for Business Combinations, etc.)

The Company has applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013), etc. effective from the first quarter under review. As a result, the method of recording the amount of difference caused by changes in the Company's ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the first quarter under review, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the tentative accounting treatment is reflected in the quarterly consolidated financial statements for the quarterly period in which the business combination occurs. Additionally the presentation method of net income was amended and the reference to "Minority interests" was changed to "Non-controlling interests". To reflect these changes in presentation, the quarterly consolidated financial statements and consolidated financial statements in the previous fiscal year have been reclassified.

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. Accordingly, these changes are effective from the beginning of the first quarter under review.

Those changes had no impact on operating income, ordinary income and income before income taxes for the first quarter under review. Also those changes had no impact on capital surplus for the end of the first quarter period.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(millions of yen)

	End of FY2015 (December 31, 2015)	End of 1Q of FY2016 (March 31, 2016)
Assets		
Current assets		
Cash and time deposits	41,913	43,031
Notes and accounts receivable – trade	41,002	38,166
Marketable securities	5,000	4,000
Finished products	16,158	15,620
Work in process	13,229	12,972
Raw materials and supplies	134,224	144,236
Other	7,301	7,706
Allowance for doubtful accounts	(11)	(10)
Total current assets	258,818	265,722
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	82,800	80,811
Machinery, equipment and vehicles, net	49,362	48,702
Land	20,286	20,255
Construction in progress	5,077	6,227
Other, net	1,057	1,083
Total property, plant and equipment	158,585	157,080
Intangible assets		
Goodwill	10,063	9,657
Other	3,896	4,158
Total intangible assets	13,959	13,815
Investments and other assets		
Investment securities	81	81
Long-term advance payments	47,370	46,480
Deferred income tax assets	6,494	6,038
Other	4,917	4,740
Allowance for doubtful accounts	(385)	(372)
Total investments and other assets	58,479	56,968
Total non-current assets	231,024	227,864
Total assets	489,842	493,587

(millions of yen)

	End of FY2015 (December 31, 2015)	End of 1Q of FY2016 (March 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	22,884	31,874
Short-term borrowings	70,235	63,162
Current portion of long-term lease obligations	1,254	1,654
Accrued income taxes	1,451	1,120
Reserve for bonuses	1,231	2,109
Other	14,493	14,712
Total current liabilities	111,550	114,633
Long-term liabilities		
Long-term debt	105,988	111,017
Long-term lease obligations	2,887	4,163
Net defined benefit liability	20,058	20,212
Other	4,817	4,607
Total long-term liabilities	133,751	140,000
Total liabilities	245,301	254,634
Equity		
Shareholders' equity		
Capital stock	138,718	138,718
Capital surplus	23,384	23,384
Retained earnings	48,502	47,145
Treasury stock	(11)	(11)
Total shareholders' equity	210,594	209,238
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	0	0
Deferred loss on derivatives under hedge accounting	(0)	(0)
Land revaluation surplus	2,816	2,886
Foreign currency translation adjustments	1,753	(1,658)
Remeasurements of defined benefit plans	(3,481)	(3,344)
Total accumulated other comprehensive (loss) income	1,088	(2,116)
Non-controlling interests	32,857	31,830
Total equity	244,540	238,952
Total liabilities and equity	489,842	493,587

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

(Consolidated Statement of Income)

(millions of yen)

	1Q of FY2015 (January 1, 2015– March 31, 2015)	1Q of FY2016 (January 1, 2016– March 31, 2016)
Net sales	60,415	51,779
Cost of sales	45,361	42,254
Gross profit	15,053	9,525
Selling, general and administrative expenses	6,198	5,912
Operating income	8,855	3,612
Non-operating income		
Interest income	23	20
Insurance income	2	286
Other	240	128
Total non-operating income	265	434
Non-operating expenses		
Interest expense	876	736
Foreign exchange loss	—	440
Other	773	195
Total non-operating expenses	1,650	1,372
Ordinary income	7,471	2,675
Income before income taxes and minority interests	7,471	2,675
Income taxes	1,207	547
Net income	6,263	2,127
Net income attributable to non-controlling interests	1,114	551
Net income attributable to owners of the parent	5,148	1,576

(Consolidated Statement of Comprehensive Income)

(millions of yen)

	1Q of FY2015 (January 1, 2015– March 31, 2015)	1Q of FY2016 (January 1, 2016– March 31, 2016)
Net income	6,263	2,127
Other comprehensive income		
Net unrealized gain on available-for-sale securities	0	0
Deferred gain on derivatives under hedge accounting	0	0
Revaluation reserve for land	145	70
Foreign currency translation adjustments	954	(5,004)
Remeasurements of defined plans, net of tax	99	149
Total other comprehensive (loss) income	1,200	(4,783)
Comprehensive (loss) income	7,464	(2,655)
Total comprehensive income attributable to:		
Owners of the parent	5,827	(1,628)
Non-controlling interests	1,636	(1,027)

(3) Notes on Consolidated Financial Statements

(Notes regarding Going Concern Assumption)

Not applicable

(Notes regarding Significant Changes in Shareholders' Equity)

Not applicable