Brief Statement on Consolidated Financial Results for the Second Quarter (ended June 30, 2016) of Fiscal Year 2016 (ending December 31, 2016) [Japanese Accounting Standards]

August 5, 2016

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Scheduled date of filing of quarterly security report: August 12, 2016
Scheduled date of commencement of dividend payment: September 28, 2016
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 Second Quarter (January 1, 2016 – June 30, 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)	(%)
2Q of FY2016	103,215	(16.1)	6,193	(66.3)	4,306	(71.9)	2,307	(78.9)
2Q of FY2015	123,074	12.9	18,350	45.6	15,339	48.2	10,913	39.5

(Note) Comprehensive income
2Q of FY2016: (9,001) million yen (—%); 2Q of FY2015: 16,817 million yen (165.7%)

	Net income per share for quarter (yen)	Diluted net income per share for quarter (yen)
2Q of FY2016	7.87	—
2Q of FY2015	40.38	37.70

(2) Consolidated Financial Position

	Total assets (millions of yen)	Equity (millions of yen)	Shareholders' equity ratio (%)
2Q of FY2016	475,339	231,213	42.7
FY2015	489,842	244,540	43.2

(Reference) Shareholders' equity: 2Q of FY2016: 202,944 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	—	5.00			
FY2016 (Forecast)			—	—	—

Note: (1) Revisions to dividend forecasts made during the quarter under review: Yes
(2) Year-end dividend per share for the fiscal year-ending December 31, 2016 is not determined.

3. Consolidated Business Forecasts for the Third Quarter of Fiscal Year 2016 (January 1, 2016 – September 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)
Third Quarter (9 months)	154,200	(15.3)	8,100	(68.3)	5,300	(76.2)	2,800	(82.2)	9.55

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 second 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 second quarter of FY2016; 6,766 shares as of the end of FY2015
[3] Average number of shares during period (fiscal year-to-date):
293,278,730 shares during the second quarter of FY2016; 270,253,877 shares during the second 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 not 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.

Year-end dividend per share for the fiscal year-ending December 31, 2016 is 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 August 5, 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 Second Quarter of Fiscal Year 2016

(1) Explanation of Business Results

During the second quarter of fiscal year 2016 (April 1, 2016 - June 30, 2016), the market for semiconductor silicon wafers saw an end to the demand correction that began in the second half of the previous year and entered a recovery stage. With the end to inventory adjustment in smartphones, demand for 300mm wafers for logic began to recover, mainly in sales to foundries, despite continued sluggishness of PC and tablet sales. Demand for 300mm wafers for memory remained firm due to demand for data centers and increased memory capacity for smartphones. Small-diameter wafers of 200 mm or less, in addition to solid demand for automobile-related applications, saw a recovery for consumer products and industrial applications.

At the same time, however, the surging yen had a major impact on the Group's results.

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 103,215 million yen, operating income of 6,193 million yen, ordinary income of 4,306 million yen and net income attributable to owners of the parent of 2,307 million yen.

(2) Explanation of Business Forecasts

During the third quarter of fiscal year 2016 (July 1, 2016 - September 30, 2016), the market for semiconductor silicon wafers is expected to continue recovering, but there are concerns that a further rise in the current yen exchange rate will have a major impact on the Group with its high ratio of exports.

In this market environment, the Group will continue to pursue the development of cutting-edge technologies to pursue product differentiation 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 third quarter of fiscal year 2016 as follows.

Consolidated Business Forecasts for the Third Quarter of FY2016 (January 1, 2016 – September 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)	154,200	8,100	5,300	2,800	9.55
Changes (B-A)	—	—	—	—	—
Rate of changes (%)	—	—	—	—	—
(Reference) Results for 3Q of FY2015 (9 months)	181,989	25,525	22,294	15,725	56.56

(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 third quarter of fiscal year 2016 (July 1, 2016 – September 30, 2016) was made assuming translation rates of one U.S. dollar to 105 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 second quarter under review. Also those changes had no impact on capital surplus for the end of the second quarter period.

(Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)

Accompanying tax reform, the Company and its domestic subsidiaries have applied "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016" (PITF No. 32, June 17, 2016) in its consolidated financial statements beginning with the second quarter under review. As a result, the Company and its domestic subsidiaries have changed their method of depreciation for facilities attached to buildings and structures acquired on and after April 1, 2016 from the declining-balance method to the straight-line method.

The effect of this change in accounting principles on the quarterly consolidated financial statements for the second quarter of fiscal 2016 was not material.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(millions of yen)

	End of FY2015 (December 31, 2015)	End of 2Q of FY2016 (June 30, 2016)
Assets		
Current assets		
Cash and time deposits	41,913	31,430
Notes and accounts receivable – trade	41,002	34,932
Marketable securities	5,000	10,400
Finished products	16,158	14,646
Work in process	13,229	12,617
Raw materials and supplies	134,224	142,986
Other	7,301	6,792
Allowance for doubtful accounts	(11)	(8)
Total current assets	258,818	253,796
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	82,800	78,842
Machinery, equipment and vehicles, net	49,362	46,415
Land	20,286	20,206
Construction in progress	5,077	6,126
Other, net	1,057	1,045
Total property, plant and equipment	158,585	152,635
Intangible assets		
Goodwill	10,063	9,250
Other	3,896	4,340
Total intangible assets	13,959	13,591
Investments and other assets		
Investment securities	81	81
Long-term advance payments	47,370	45,723
Deferred income tax assets	6,494	5,275
Other	4,917	4,592
Allowance for doubtful accounts	(385)	(357)
Total investments and other assets	58,479	55,315
Total non-current assets	231,024	221,542
Total assets	489,842	475,339

(millions of yen)

	End of FY2015 (December 31, 2015)	End of 2Q of FY2016 (June 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	22,884	22,635
Short-term borrowings	70,235	62,318
Current portion of long-term lease obligations	1,254	1,658
Accrued income taxes	1,451	837
Reserve for bonuses	1,231	491
Other	14,493	15,695
Total current liabilities	111,550	103,636
Long-term liabilities		
Long-term debt	105,988	112,157
Long-term lease obligations	2,887	3,760
Net defined benefit liability	20,058	20,320
Other	4,817	4,251
Total long-term liabilities	133,751	140,489
Total liabilities	245,301	244,125
Equity		
Shareholders' equity		
Capital stock	138,718	138,718
Capital surplus	23,384	23,384
Retained earnings	48,502	47,876
Treasury stock	(11)	(11)
Total shareholders' equity	210,594	209,969
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	0	0
Deferred loss on derivatives under hedge accounting	(0)	(5)
Land revaluation surplus	2,816	2,886
Foreign currency translation adjustments	1,753	(6,718)
Remeasurements of defined benefit plans	(3,481)	(3,188)
Total accumulated other comprehensive (loss) income	1,088	(7,024)
Non-controlling interests	32,857	28,269
Total equity	244,540	231,213
Total liabilities and equity	489,842	475,339

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

(Consolidated Statement of Income)

(millions of yen)

	2Q of FY2015 (January 1, 2015– June 30, 2015)	2Q of FY2016 (January 1, 2016– June 30, 2016)
Net sales	123,074	103,215
Cost of sales	92,082	84,938
Gross profit	30,991	18,277
Selling, general and administrative expenses	12,641	12,084
Operating income	18,350	6,193
Non-operating income		
Interest income	47	36
Dividend income	—	18
Insurance income	1	286
Other	199	144
Total non-operating income	248	485
Non-operating expenses		
Interest expense	1,720	1,440
Foreign exchange loss	144	589
Other	1,394	342
Total non-operating expenses	3,259	2,372
Ordinary income	15,339	4,306
Income before income taxes	15,339	4,306
Income taxes	2,357	813
Net income	12,982	3,492
Net income attributable to non-controlling interests	2,068	1,185
Net income attributable to owners of the parent	10,913	2,307

(Consolidated Statement of Comprehensive Income)

(millions of yen)

	2Q of FY2015 (January 1, 2015– June 30, 2015)	2Q of FY2016 (January 1, 2016– June 30, 2016)
Net income	12,982	3,492
Other comprehensive income		
Net unrealized (loss) gain on available-for-sale securities	0	(0)
Deferred (loss) gain on derivatives under hedge accounting	0	(4)
Revaluation reserve for land	145	70
Foreign currency translation adjustments	3,493	(12,885)
Remeasurements of defined plans, net of tax	196	325
Total other comprehensive (loss) income	3,835	(12,494)
Comprehensive (loss) income	16,817	(9,001)
Total comprehensive income attributable to:		
Owners of the parent	13,172	(5,805)
Non-controlling interests	3,645	(3,196)

(3) Notes on Consolidated Financial Statements

(Notes regarding Going Concern Assumption)

Not applicable

(Notes regarding Significant Changes in Shareholders' Equity)

Not applicable