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

November 10, 2016

Company name: SUMCO Corporation TSE First Section
Code: 3436 URL: http://www.sumcosi.com/
Representative: Mayuki Hashimoto, Representative Director, Chairman & Chief Executive Officer
Contact person: Hiroshi Shibuya, Executive Officer, General Manager of Public Relations & IR Department
(Tel: +81-3-5444-3915)
Scheduled date of filing of quarterly security report: November 14, 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 Third Quarter (January 1, 2016 – September 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)	(%)
3Q of FY2016	155,416	(14.6)	8,591	(66.3)	5,626	(74.8)	3,423	(78.2)
3Q of FY2015	181,989	8.7	25,525	28.6	22,294	32.7	15,725	23.3

(Note) Comprehensive income
3Q of FY2016: (7,147) million yen (—%); 3Q of FY2015: 16,573 million yen ((2.8)%)

	Net income per share for quarter (yen)	Diluted net income per share for quarter (yen)
3Q of FY2016	11.67	—
3Q of FY2015	56.56	54.08

(2) Consolidated Financial Position

	Total assets (millions of yen)	Equity (millions of yen)	Shareholders' equity ratio (%)
3Q of FY2016	474,658	231,566	42.7
FY2015	489,842	244,540	43.2

(Reference) Shareholders' equity: 3Q of FY2016: 202,600 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)				5.00	10.00

Note: Revisions to dividend forecasts made during the quarter under review: Yes

3. Consolidated Business Forecasts for the Fiscal Year 2016 (January 1, 2016 – December 31, 2016)

(Percentage figures represent changes from previous year)

	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)
Full year	208,500	(12.0)	12,500	(57.6)	9,000	(64.8)	6,000	(69.6)	20.46

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 third quarter of FY2016; 293,285,539 shares as of the end of FY2015
[2] Treasury stock as of the end of period:
6,846 shares as of the end of third quarter of FY2016; 6,766 shares as of the end of FY2015
[3] Average number of shares during period (fiscal year-to-date):
293,278,723 shares during the third quarter of FY2016; 278,013,231 shares during the third 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.

Quarterly results briefing for institutional investors and security analysts are scheduled on November 10, 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 Third Quarter of Fiscal Year 2016

(1) Explanation of Business Results

During the third quarter of fiscal year 2016 (July 1, 2016 - September 30, 2016), the market for semiconductor silicon wafers grew steadily as demand rose further.

Production of 300 mm wafers continued at full capacity. Along with solid demand for memory use, there was strong logic demand, driven mainly by smartphone applications. 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 to last year's peak levels.

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 155,416 million yen, operating income of 8,591 million yen, ordinary income of 5,626 million yen and net income attributable to owners of the parent of 3,423 million yen.

(2) Explanation of Business Forecasts

During the fourth quarter of fiscal year 2016 (October 1, 2016 - December 31, 2016), the market for semiconductor silicon wafers is unlikely to encounter an inventory adjustment like that in a typical year, as the market especially for memory is enjoying remarkable growth and customers are showing strong buying intention. Favorable demand is therefore expected to continue.

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 long-term, 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 fiscal year 2016 as follows.

Consolidated Business Forecasts for the fiscal year 2016 (January 1, 2016 – December 31, 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)	208,500	12,500	9,000	6,000	20.46
Changes (B-A)	—	—	—	—	—
Rate of changes (%)	—	—	—	—	—
(Reference) Results for FY2015	236,826	29,447	25,538	19,747	70.06

(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 fourth quarter of fiscal year 2016 (October 1, 2016 – December 31, 2016) was made assuming translation rates of one U.S. dollar to 104 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 third quarter under review. Also those changes had no impact on capital surplus for the end of the third 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 third 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 3Q of FY2016 (September 30, 2016)
Assets		
Current assets		
Cash and time deposits	41,913	29,107
Notes and accounts receivable – trade	41,002	37,221
Marketable securities	5,000	12,900
Finished products	16,158	13,561
Work in process	13,229	13,022
Raw materials and supplies	134,224	145,108
Other	7,301	6,497
Allowance for doubtful accounts	(11)	(8)
Total current assets	258,818	257,409
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	82,800	77,743
Machinery, equipment and vehicles, net	49,362	46,643
Land	20,286	20,207
Construction in progress	5,077	3,973
Other, net	1,057	1,010
Total property, plant and equipment	158,585	149,578
Intangible assets		
Goodwill	10,063	8,844
Other	3,896	4,407
Total intangible assets	13,959	13,251
Investments and other assets		
Investment securities	81	81
Long-term advance payments	47,370	44,864
Deferred income tax assets	6,494	5,134
Other	4,917	4,692
Allowance for doubtful accounts	(385)	(354)
Total investments and other assets	58,479	54,417
Total non-current assets	231,024	217,248
Total assets	489,842	474,658

(millions of yen)

	End of FY2015 (December 31, 2015)	End of 3Q of FY2016 (September 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	22,884	24,356
Short-term borrowings	70,235	50,714
Current portion of long-term lease obligations	1,254	1,662
Accrued income taxes	1,451	633
Reserve for bonuses	1,231	2,433
Other	14,493	11,566
Total current liabilities	111,550	91,367
Long-term liabilities		
Long-term debt	105,988	124,002
Long-term lease obligations	2,887	3,349
Net defined benefit liability	20,058	20,531
Other	4,817	3,840
Total long-term liabilities	133,751	151,724
Total liabilities	245,301	243,091
Equity		
Shareholders' equity		
Capital stock	138,718	138,718
Capital surplus	23,384	23,384
Retained earnings	48,502	47,526
Treasury stock	(11)	(11)
Total shareholders' equity	210,594	209,619
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	0	0
Deferred loss on derivatives under hedge accounting	(0)	—
Land revaluation surplus	2,816	2,886
Foreign currency translation adjustments	1,753	(6,857)
Remeasurements of defined benefit plans	(3,481)	(3,048)
Total accumulated other comprehensive (loss) income	1,088	(7,018)
Non-controlling interests	32,857	28,966
Total equity	244,540	231,566
Total liabilities and equity	489,842	474,658

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

(Consolidated Statement of Income)

(millions of yen)

	3Q of FY2015 (January 1, 2015– September 30, 2015)	3Q of FY2016 (January 1, 2016– September 30, 2016)
Net sales	181,989	155,416
Cost of sales	137,357	128,840
Gross profit	44,632	26,575
Selling, general and administrative expenses	19,106	17,983
Operating income	25,525	8,591
Non-operating income		
Interest income	69	59
Dividend income	26	18
Insurance income	1	287
Other	567	174
Total non-operating income	664	539
Non-operating expenses		
Interest expense	2,529	2,138
Foreign exchange loss	—	925
Other	1,365	440
Total non-operating expenses	3,895	3,505
Ordinary income	22,294	5,626
Income before income taxes	22,294	5,626
Income taxes	3,437	594
Net income	18,856	5,032
Net income attributable to non-controlling interests	3,131	1,608
Net income attributable to owners of the parent	15,725	3,423

(Consolidated Statement of Comprehensive Income)

(millions of yen)

	3Q of FY2015 (January 1, 2015– September 30, 2015)	3Q of FY2016 (January 1, 2016– September 30, 2016)
Net income	18,856	5,032
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	(2,750)	(12,720)
Remeasurements of defined plans, net of tax	320	469
Total other comprehensive loss	(2,283)	(12,180)
Comprehensive (loss) income	16,573	(7,147)
Total comprehensive (loss) income attributable to:		
Owners of the parent	14,768	(4,683)
Non-controlling interests	1,804	(2,464)

(3) Notes on Consolidated Financial Statements

(Notes regarding Going Concern Assumption)

Not applicable

(Notes regarding Significant Changes in Shareholders' Equity)

Not applicable