Brief Statement on Consolidated Financial Results for the First Quarter (ended March 31, 2017) of Fiscal Year 2017 (ending December 31, 2017) [Japanese Accounting Standards]

May 11, 2017

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, General Manager, Public Relations & IR Department
(Tel: +81-3-5444-3915)
Scheduled date of filing of quarterly security report: May 15, 2017
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, 2017 – March 31, 2017) of Fiscal Year 2017 (ending December 31, 2017)

(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 FY2017	60,195	16.3	8,067	123.3	5,516	106.2	3,613	129.3
1Q of FY2016	51,779	(14.3)	3,612	(59.2)	2,675	(64.2)	1,576	(69.4)

(Note) Comprehensive income
1Q of FY2017: 7,095 million yen (―%); 1Q of FY2016: (2,655) million yen (－%)

	Net income per share for quarter (yen)	Diluted net income per share for quarter (yen)
1Q of FY2017	12.32	―
1Q of FY2016	5.37	―

(2) Consolidated Financial Position

	Total assets (millions of yen)	Equity (millions of yen)	Shareholders' equity ratio (%)
1Q of FY2017	495,942	248,465	43.1
FY2016	493,243	242,836	42.5

(Reference) Shareholders' equity: 1Q of FY2017: 213,814 million yen; FY2016: 209,829 million yen

2. Dividend Payments

	Yearly dividend per share				
	First quarter (yen)	Second quarter (yen)	Third quarter (yen)	Year-end (yen)	Full year (yen)
FY2016	―	5.00	―	5.00	10.00
FY2017	―				
FY2017 (Forecast)		10.00	―	―	―

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, 2017 is not determined.

3. Consolidated Business Forecasts for the Second Quarter of Fiscal Year 2017 (January 1, 2017 – June 30, 2017)

(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)	124,100	20.2	17,000	174.5	13,000	201.9	9,100	294.4	31.03

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: No
[2] Changes in accounting policies other than [1]: No
[3] Changes in accounting estimates: No
[4] Corrections of prior-period errors: No

(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 FY2017; 293,285,539 shares as of the end of FY2016
[2] Treasury stock as of the end of period:
7,150 shares as of the end of first quarter of FY2017; 7,046 shares as of the end of FY2016
[3] Average number of shares during period (fiscal year-to-date):
293,278,404 shares during the first quarter of FY2017; 293,278,747 shares during the first quarter of FY2016

* This Brief Statement on Consolidated Financial Results is not subject to quarterly review procedures.

* 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, 2017 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 is scheduled on May 11, 2017. Supplementary materials for quarterly financial results are available in our website after starting the briefing.

Table of Contents of Supplementary Materials

1. Qualitative Information for the first Quarter of Fiscal Year 2017
(1) Explanation of Business Results ..... p. 2
(2) Explanation of Business Forecasts ..... p. 2

2. Consolidated Financial Statements
(1) Consolidated Balance Sheet ..... p. 3
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income ..... p. 5
(3) Notes on Consolidated Financial Statements
(Notes regarding Going Concern Assumption) ..... p. 6
(Notes regarding Significant Changes in Shareholders' Equity) ..... p. 6

1. Qualitative Information for the First Quarter of Fiscal Year 2017

(1) Explanation of Business Results

During the first quarter of fiscal year 2017 (January 1, 2017 - March 31, 2017), the market for silicon wafers for semiconductors showed no seasonal adjustments, unlike in usual years, and, supported by brisk semiconductor demand, strong demand for wafers was maintained.

The market for 300mm wafers grew as a result of the increasing multi-functions of smartphones as well as demand from data center due to an increase in data communication volumes, and this resulted continuous tightness in supply-demand situation. The market for small-diameter wafers of 200mm or less is also, in the same manner as for 300mm wafers, experiencing a tighter supply-demand balance as the macroeconomic recovery has led to increased demand for these products from not only the automobile industry, which was previously driving growth, but also from other industries including consumer, communications and IoT.

In this environment, following the direction set by the SUMCO Vision, the SUMCO Group sought to raise its presence among customers through technology development to meet needs for leading-edge, distinctive products, SUMCO strives to improve profitability by production efficiency and further optimizing pricing under the tight supply-demand balance.

As a result, for the period under review, the SUMCO Group registered consolidated net sales of 60,195 million yen, operating income of 8,067 million yen, ordinary income of 5,516 million yen and net income attributable to owners of the parent of 3,613 million yen.

(2) Explanation of Business Forecasts

During the second quarter of fiscal year 2017 (April 1, 2017 - June 30, 2017), the market for silicon wafers for semiconductors is expected to show an even tighter supply-demand balance, driven by strong demand for semiconductors.

In this market environment, our group will continue working to set its products apart from the competition through further ongoing progress in the development of leading-edge technology and aim to establish a solid profitability structures through further productivity improvements.

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 2017 as follows.

Consolidated Business Forecasts for the second quarter of fiscal year 2017 (January 1, 2017 – June 30, 2017)

	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)	124,100	17,000	13,000	9,100	31.03
Changes (B-A)	—	—	—	—	
Rate of changes (%)	—	—	—	—	
(Reference) Results for 2Q-FY2016 (6 months)	103,215	6,193	4,306	2,307	7.87

(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 2017 (April 1, 2017 – June 30, 2017) was made assuming translation rates of one U.S. dollar to 112 yen.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(millions of yen)

	End of FY2016 (December 31, 2016)	End of 1Q of FY2017 (March 31, 2017)
Assets		
Current assets		
Cash and time deposits	39,065	38,426
Notes and accounts receivable – trade	44,927	46,047
Marketable securities	6,500	10,900
Finished products	13,272	12,384
Work in process	13,689	14,503
Raw materials and supplies	151,410	151,316
Other	6,165	7,663
Allowance for doubtful accounts	(10)	(10)
Total current assets	275,019	281,231
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	77,968	76,746
Machinery, equipment and vehicles, net	48,198	48,015
Land	20,272	20,266
Construction in progress	3,255	2,272
Other, net	1,075	1,062
Total property, plant and equipment	150,771	148,364
Intangible assets		
Goodwill	8,438	8,031
Other	4,868	5,171
Total intangible assets	13,306	13,202
Investments and other assets		
Investment securities	82	81
Long-term advance payments	44,032	43,200
Deferred income tax assets	5,842	5,575
Other	4,568	4,657
Allowance for doubtful accounts	(378)	(371)
Total investments and other assets	54,145	53,143
Total non-current assets	218,224	214,711
Total assets	493,243	495,942

(millions of yen)

	End of FY2016 (December 31, 2016)	End of 1Q of FY2017 (March 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	27,764	26,980
Short-term borrowings	55,847	56,336
Current portion of long-term lease obligations	1,665	1,646
Accrued income taxes	1,053	1,576
Reserve for bonuses	1,154	2,593
Other	17,706	13,531
Total current liabilities	105,191	102,665
Long-term liabilities		
Long-term debt	116,637	116,412
Long-term lease obligations	2,935	2,532
Net defined benefit liability	21,523	21,706
Other	4,118	4,160
Total long-term liabilities	145,215	144,811
Total liabilities	250,407	247,477
Equity		
Shareholders' equity		
Capital stock	138,718	138,718
Capital surplus	23,384	23,384
Retained earnings	50,691	52,839
Treasury stock	(11)	(11)
Total shareholders' equity	212,783	214,931
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	0	0
Deferred loss on derivatives under hedge accounting	(2,484)	(532)
Land revaluation surplus	2,886	2,885
Foreign currency translation adjustments	236	(31)
Remeasurements of defined benefit plans	(3,593)	(3,439)
Total accumulated other comprehensive loss	(2,954)	(1,116)
Non-controlling interests	33,007	34,650
Total equity	242,836	248,465
Total liabilities and equity	493,243	495,942

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

(Consolidated Statement of Income)

(millions of yen)

	1Q of FY2016 (January 1, 2016– March 31, 2016)	1Q of FY2017 (January 1, 2017– March 31, 2017)
Net sales	51,779	60,195
Cost of sales	42,254	45,904
Gross profit	9,525	14,290
Selling, general and administrative expenses	5,912	6,223
Operating income	3,612	8,067
Non-operating income		
Interest income	20	35
Reward income	21	46
Other	393	54
Total non-operating income	434	136
Non-operating expenses		
Interest expense	736	589
Foreign exchange loss	440	1,992
Other	195	106
Total non-operating expenses	1,372	2,687
Ordinary income	2,675	5,516
Income before income taxes	2,675	5,516
Income taxes	547	1,085
Net income	2,127	4,430
Net income attributable to non-controlling interests	551	816
Net income attributable to owners of the parent	1,576	3,613

(Consolidated Statement of Comprehensive Income)

(millions of yen)

	1Q of FY2016 (January 1, 2016– March 31, 2016)	1Q of FY2017 (January 1, 2017– March 31, 2017)
Net income	2,127	4,430
Other comprehensive income		
Net unrealized (loss) gain on available-for-sale securities	0	(0)
Deferred gain on derivatives under hedge accounting	0	1,952
Revaluation reserve for land	70	—
Foreign currency translation adjustments	(5,004)	556
Remeasurements of defined plans, net of tax	149	156
Total other comprehensive income (loss)	(4,783)	2,664
Comprehensive income (loss)	(2,655)	7,095
Total comprehensive income (loss) attributable to:		
Owners of the parent	(1,628)	5,452
Non-controlling interests	(1,027)	1,643

(3) Notes on Consolidated Financial Statements

(Notes regarding Going Concern Assumption)

Not applicable

(Notes regarding Significant Changes in Shareholders' Equity)

Not applicable