Brief Statement on Consolidated Financial Results for the Second Quarter (ended June 30, 2017) of Fiscal Year 2017 (ending December 31, 2017) [Japanese Accounting Standards]

August 8, 2017

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Scheduled date of filing of quarterly security report: August 10, 2017
Scheduled date of commencement of dividend payment: September 28, 2017
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, 2017 – June 30, 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)	(%)
2Q of FY2017	123,994	20.1	17,320	179.7	13,736	219.0	9,634	317.5
2Q of FY2016	103,215	(16.1)	6,193	(66.3)	4,306	(71.9)	2,307	(78.9)

(Note) Comprehensive income
2Q of FY2017: 14,817 million yen (—%); 2Q of FY2016: (9,001) million yen (－%)

	Net income per share for quarter (yen)	Diluted net income per share for quarter (yen)
2Q of FY2017	32.85	—
2Q of FY2016	7.87	—

(2) Consolidated Financial Position

	Total assets (millions of yen)	Equity (millions of yen)	Shareholders' equity ratio (%)
2Q of FY2017	499,484	255,931	44.2
FY2016	493,243	242,836	42.5

(Reference) Shareholders' equity: 2Q of FY2017: 220,912 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	—	10.00			
FY2017 (Forecast)			—	—	—

Note: (1) Revisions to dividend forecasts made during the quarter under review: No
(2) Year-end dividend per share for the fiscal year-ending December 31, 2017 is not determined.

3. Consolidated Business Forecasts for the Third Quarter of Fiscal Year 2017 (January 1, 2017 – September 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)
Third Quarter (9 months)	189,900	22.2	27,800	223.6	23,200	312.3	16,100	370.3	54.90

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 second 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 second quarter of FY2017; 7,046 shares as of the end of FY2016
[3] Average number of shares during period (fiscal year-to-date):
293,278,396 shares during the second quarter of FY2017; 293,278,730 shares during the second 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 August 8, 2017. 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 2017

(1) Explanation of Business Results

During the second quarter of fiscal year 2017 (April 1, 2017 - June 30, 2017), the market for silicon wafers for semiconductors saw further growth for all wafer sizes, supported by robust demand for semiconductors.

Demand for 300mm wafers continued to driven by increasing multi-functions of smartphones and by data center needs from surging data traffic. Small-diameter wafers of 200mm or less is also trended favorably, with the main demand being for automobiles, industry, and IoT. Demand growth was especially strong for 200 mm wafers, leading to supply tightness.

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 123,994 million yen, operating income of 17,320 million yen, ordinary income of 13,736 million yen and net income attributable to owners of the parent of 9,634 million yen.

(2) Explanation of Business Forecasts

During the third quarter of fiscal year 2017 (July 1, 2017 - September 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.

We have decided to invest, from our own cash, in a capacity expansion by 110,000 wafers a month, aiming for the first half of 2019. This decision is premised on long-term sales contracts with customers, and is in line with our responsibility as a supplier of 300mm leading-edge wafers.

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 2017 as follows.

Consolidated Business Forecasts for the third quarter of fiscal year 2017 (January 1, 2017 – September 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)	189,900	27,800	23,200	16,100	54.90
Changes (B-A)	—	—	—	—	
Rate of changes (%)	—	—	—	—	
(Reference) Results for 3Q-FY2016 (9 months)	155,416	8,591	5,626	3,423	11.67

(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 2017 (July 1, 2017 – September 30, 2017) was made assuming translation rates of one U.S. dollar to 110 yen.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(millions of yen)

	End of FY2016 (December 31, 2016)	End of 2Q of FY2017 (June 30, 2017)
Assets		
Current assets		
Cash and time deposits	39,065	42,915
Notes and accounts receivable – trade	44,927	49,621
Marketable securities	6,500	12,800
Finished products	13,272	11,549
Work in process	13,689	15,020
Raw materials and supplies	151,410	151,473
Other	6,165	6,696
Allowance for doubtful accounts	(10)	(10)
Total current assets	275,019	290,064
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	77,968	75,392
Machinery, equipment and vehicles, net	48,198	45,884
Land	20,272	20,265
Construction in progress	3,255	2,104
Other, net	1,075	1,024
Total property, plant and equipment	150,771	144,671
Intangible assets		
Goodwill	8,438	7,625
Other	4,868	5,132
Total intangible assets	13,306	12,758
Investments and other assets		
Investment securities	82	81
Long-term advance payments	44,032	42,368
Deferred income tax assets	5,842	5,299
Other	4,568	4,612
Allowance for doubtful accounts	(378)	(371)
Total investments and other assets	54,145	51,989
Total non-current assets	218,224	209,419
Total assets	493,243	499,484

(millions of yen)

	End of FY2016 (December 31, 2016)	End of 2Q of FY2017 (June 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	27,764	23,780
Short-term borrowings	55,847	50,482
Current portion of long-term lease obligations	1,665	1,581
Accrued income taxes	1,053	2,060
Reserve for bonuses	1,154	1,082
Other	17,706	13,687
Total current liabilities	105,191	92,675
Long-term liabilities		
Long-term debt	116,637	122,600
Long-term lease obligations	2,935	2,193
Net defined benefit liability	21,523	21,897
Other	4,118	4,185
Total long-term liabilities	145,215	150,876
Total liabilities	250,407	243,552
Equity		
Shareholders' equity		
Capital stock	138,718	138,718
Capital surplus	23,384	23,903
Retained earnings	50,691	58,860
Treasury stock	(11)	(11)
Total shareholders' equity	212,783	221,471
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	0	0
Deferred gain (loss) on derivatives under hedge accounting	(2,484)	2
Land revaluation surplus	2,886	2,885
Foreign currency translation adjustments	236	(168)
Remeasurements of defined benefit plans	(3,593)	(3,279)
Total accumulated other comprehensive loss	(2,954)	(558)
Non-controlling interests	33,007	35,019
Total equity	242,836	255,931
Total liabilities and equity	493,243	499,484

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

(Consolidated Statement of Income)

(millions of yen)

	2Q of FY2016 (January 1, 2016– June 30, 2016)	2Q of FY2017 (January 1, 2017– June 30, 2017)
Net sales	103,215	123,994
Cost of sales	84,938	93,897
Gross profit	18,227	30,097
Selling, general and administrative expenses	12,084	12,776
Operating income	6,193	17,320
Non-operating income		
Interest income	36	92
Dividend income	18	19
Reward income	21	46
Other	409	68
Total non-operating income	485	226
Non-operating expenses		
Interest expense	1,440	1,124
Foreign exchange loss	589	2,479
Other	342	207
Total non-operating expenses	2,372	3,811
Ordinary income	4,306	13,736
Income before income taxes	4,306	13,736
Income taxes	813	2,063
Net income	3,492	11,673
Net income attributable to non-controlling interests	1,185	2,038
Net income attributable to owners of the parent	2,307	9,634

(Consolidated Statement of Comprehensive Income)

(millions of yen)

	2Q of FY2016 (January 1, 2016– June 30, 2016)	2Q of FY2017 (January 1, 2017– June 30, 2017)
Net income	3,492	11,673
Other comprehensive income		
Net unrealized loss on available-for-sale securities	(0)	(0)
Deferred gain (loss) on derivatives under hedge accounting	(4)	2,487
Revaluation reserve for land	70	—
Foreign currency translation adjustments	(12,885)	334
Remeasurements of defined plans, net of tax	325	321
Total other comprehensive income (loss)	(12,494)	3,143
Comprehensive income (loss)	(9,001)	14,817
Total comprehensive income (loss) attributable to:		
Owners of the parent	(5,805)	12,034
Non-controlling interests	(3,196)	2,782

(3) Notes on Consolidated Financial Statements

(Notes regarding Going Concern Assumption)

Not applicable

(Notes regarding Significant Changes in Shareholders' Equity)

Not applicable