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

November 9, 2017

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Scheduled date of filing of quarterly security report: November 14, 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 Third Quarter (January 1, 2017 – September 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)	(%)
3Q of FY2017	190,405	22.5	28,799	235.2	24,228	330.6	16,621	385.5
3Q of FY2016	155,416	(14.6)	8,591	(66.3)	5,626	(74.8)	3,423	(78.2)

(Note) Comprehensive income
3Q of FY2017: 24,064 million yen (—%); 3Q of FY2016: (7,147) million yen (—%)

	Net income per share for quarter (yen)	Diluted net income per share for quarter (yen)
3Q of FY2017	56.68	—
3Q of FY2016	11.67	—

(2) Consolidated Financial Position

	Total assets (millions of yen)	Equity (millions of yen)	Shareholders' equity ratio (%)
3Q of FY2017	513,521	266,373	44.5
FY2016	493,243	242,836	42.5

(Reference) Shareholders' equity: 3Q of FY2017: 228,490 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)				16.00	26.00

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

3. Consolidated Business Forecasts for the Fiscal Year 2017 (January 1, 2017 – December 31, 2017)

(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	258,400	22.3	40,700	189.8	35,200	254.9	24,600	273.4	83.88

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 third quarter of FY2017; 293,285,539 shares as of the end of FY2016
[2] Treasury stock as of the end of period:
7,230 shares as of the end of third quarter of FY2017; 7,046 shares as of the end of FY2016
[3] Average number of shares during period (fiscal year-to-date):
293,278,381 shares during the third quarter of FY2017; 293,278,723 shares during the third 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.

Quarterly results briefing for institutional investors and security analysts is scheduled on November 9, 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 third 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 Third Quarter of Fiscal Year 2017

(1) Explanation of Business Results

During the third quarter of fiscal year 2017 (July 1, 2017 - September 30, 2017), the market for silicon wafers for semiconductors saw continued strong demand for all wafer sizes, supported by robust demand for semiconductors.

Demand for 300mm wafers continued to be driven by increasing multi-functions of smartphones and data center needs from surging data traffic. Small-diameter wafers of 200mm or less were boosted by demand for use in automobiles, industry, and IoT, exacerbating the tight supply situation especially for 200mm wafers.

In this environment, following the direction set by the SUMCO Vision, the SUMCO Group sought to maintain our strong presence with customers through technology development aimed at meeting their needs for leading-edge, distinctive products, SUMCO strives to improve profitability by production efficiency and further optimizing pricing under the tight supply-demand conditions.

As a result, for the period under review, the SUMCO Group registered consolidated net sales of 190,405 million yen, operating income of 28,799 million yen, ordinary income of 24,228 million yen and net income attributable to owners of the parent of 16,621 million yen.

(2) Explanation of Business Forecasts

During the fourth quarter of fiscal year 2017 (October 1, 2017 - December 31, 2017), the market for silicon wafers for semiconductors is expected to continue the tight supply-demand conditions, driven by strong demand for semiconductors, unaffected by seasonal corrections.

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 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 2017 as follows.

Consolidated Business Forecasts for the fiscal year 2017 (January 1, 2017 – December 31, 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)	258,400	40,700	35,200	24,600	83.88
Changes (B-A)	—	—	—	—	
Rate of changes (%)	—	—	—	—	
(Reference) Results for FY2016	211,361	14,046	9,919	6,588	22.46

(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 2017 (October 1, 2017 – December 31, 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 3Q of FY2017 (September 30, 2017)
Assets		
Current assets		
Cash and time deposits	39,065	51,440
Notes and accounts receivable – trade	44,927	54,322
Marketable securities	6,500	13,890
Finished products	13,272	12,779
Work in process	13,689	15,580
Raw materials and supplies	151,410	150,485
Other	6,165	7,473
Allowance for doubtful accounts	(10)	(10)
Total current assets	275,019	305,961
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	77,968	74,135
Machinery, equipment and vehicles, net	48,198	43,949
Land	20,272	20,268
Construction in progress	3,255	4,861
Other, net	1,075	984
Total property, plant and equipment	150,771	144,199
Intangible assets		
Goodwill	8,438	7,219
Other	4,868	5,341
Total intangible assets	13,306	12,560
Investments and other assets		
Investment securities	82	81
Long-term advance payments	44,032	41,533
Deferred income tax assets	5,842	5,012
Other	4,568	4,458
Allowance for doubtful accounts	(378)	(286)
Total investments and other assets	54,145	50,800
Total non-current assets	218,224	207,560
Total assets	493,243	513,521

(millions of yen)

	End of FY2016 (December 31, 2016)	End of 3Q of FY2017 (September 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	27,764	22,518
Short-term borrowings	55,847	41,255
Current portion of long-term lease obligations	1,665	1,486
Accrued income taxes	1,053	3,949
Reserve for bonuses	1,154	3,503
Other	17,706	15,191
Total current liabilities	105,191	87,904
Long-term liabilities		
Long-term debt	116,637	130,990
Long-term lease obligations	2,935	1,882
Net defined benefit liability	21,523	22,144
Other	4,118	4,225
Total long-term liabilities	145,215	159,243
Total liabilities	250,407	247,147
Equity		
Shareholders' equity		
Capital stock	138,718	138,718
Capital surplus	23,384	26,924
Retained earnings	50,691	62,914
Treasury stock	(11)	(11)
Total shareholders' equity	212,783	228,546
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	0	0
Deferred loss on derivatives under hedge accounting	(2,484)	(1)
Land revaluation surplus	2,886	2,885
Foreign currency translation adjustments	236	177
Remeasurements of defined benefit plans	(3,593)	(3,118)
Total accumulated other comprehensive loss	(2,954)	(55)
Non-controlling interests	33,007	37,882
Total equity	242,836	266,373
Total liabilities and equity	493,243	513,521

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

(Consolidated Statement of Income)

(millions of yen)

	3Q of FY2016 (January 1, 2016– September 30, 2016)	3Q of FY2017 (January 1, 2017– September 30, 2017)
Net sales	155,416	190,405
Cost of sales	128,840	142,414
Gross profit	26,575	47,991
Selling, general and administrative expenses	17,983	19,192
Operating income	8,591	28,799
Non-operating income		
Interest income	59	171
Dividend income	18	19
Other	461	129
Total non-operating income	539	321
Non-operating expenses		
Interest expense	2,138	1,630
Foreign exchange loss	925	2,733
Other	440	529
Total non-operating expenses	3,505	4,892
Ordinary income	5,626	24,228
Income before income taxes	5,626	24,228
Income taxes	594	4,035
Net income	5,032	20,192
Net income attributable to non-controlling interests	1,608	3,571
Net income attributable to owners of the parent	3,423	16,621

(Consolidated Statement of Comprehensive Income)

(millions of yen)

	3Q of FY2016 (January 1, 2016– September 30, 2016)	3Q of FY2017 (January 1, 2017– September 30, 2017)
Net income	5,032	20,192
Other comprehensive income		
Net unrealized (loss) income on available-for-sale securities	0	(0)
Deferred gain on derivatives under hedge accounting	0	2,482
Revaluation reserve for land	70	—
Foreign currency translation adjustments	(12,720)	904
Remeasurements of defined plans, net of tax	469	484
Total other comprehensive income (loss)	(12,180)	3,871
Comprehensive income (loss)	(7,147)	24,064
Total comprehensive income (loss) attributable to:		
Owners of the parent	(4,683)	19,550
Non-controlling interests	(2,464)	4,513

(3) Notes on Consolidated Financial Statements

(Notes regarding Going Concern Assumption)

Not applicable

(Notes regarding Significant Changes in Shareholders' Equity)

Not applicable