# Brief Statement on Consolidated Financial Results for the First Quarter (ended March 31, 2018) of Fiscal Year 2018 (ending December 31, 2018) [ Japanese Accounting Standards ]

May 10, 2018

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Scheduled date of filing of quarterly security report: May 15, 2018
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, 2018 – March 31, 2018) of Fiscal Year 2018 (ending December 31, 2018)

(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 FY2018 | 77,289 | 28.4 | 19,590 | 142.8 | 18,275 | 231.3 | 12,766 | 253.3 |
| 1Q of FY2017 | 60,195 | 16.3 | 8,067 | 123.3 | 5,516 | 106.2 | 3,613 | 129.3 |

(Note) Comprehensive income
1Q of FY2018: 8,038 million yen (13.3%); 1Q of FY2017: 7,095 million yen (－%)

| | Net income per share for quarter (yen) | Diluted net income per share for quarter (yen) |
|---|---|---|
| 1Q of FY2018 | 43.53 | ― |
| 1Q of FY2017 | 12.32 | ― |

(2) Consolidated Financial Position

| | Total assets (millions of yen) | Equity (millions of yen) | Shareholders' equity ratio (%) |
|---|---|---|---|
| 1Q of FY2018 | 527,679 | 284,382 | 46.1 |
| FY2017 | 530,906 | 281,623 | 45.4 |

(Reference) Shareholders' equity: 1Q of FY2018: 243,041 million yen; FY2017: 241,228 million yen

## 2. Dividend Payments

| | Yearly dividend per share | | | | |
|---|---|---|---|---|---|
| | First quarter (yen) | Second quarter (yen) | Third quarter (yen) | Year-end (yen) | Full year (yen) |
| FY2017 | ― | 10.00 | ― | 18.00 | 28.00 |
| FY2018 | ― | | | | |
| FY2018 (Forecast) | | 28.00 | ― | ― | ― |

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, 2018 is not determined.

## 3. Consolidated Business Forecasts for the Second Quarter of Fiscal Year 2018 (January 1, 2018 – June 30, 2018)

(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) |
|---|---|---|---|---|---|---|---|---|---|
| Second Quarter (6 months) | 157,200 | 26.8 | 39,500 | 128.1 | 37,700 | 174.4 | 26,700 | 177.1 | 91.04 |

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 FY2018; 293,285,539 shares as of the end of FY2017
[2] Treasury stock as of the end of period:
7,430 shares as of the end of first quarter of FY2018; 7,390 shares as of the end of FY2017
[3] Average number of shares during period (fiscal year-to-date):
293,278,136 shares during the first quarter of FY2018; 293,278,404 shares during the first quarter of FY2017

* This Brief Statement on Consolidated Financial Results is not subject to quarterly review procedures by certified public accountants or auditing companies.

* 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, 2018 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 10, 2018. Supplementary materials for quarterly financial results are available in our website after starting the briefing.

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## 1. Qualitative Information for the First Quarter of Fiscal Year 2018

(1) Explanation of Business Results

During the first quarter of fiscal year 2018 (January 1, 2018 - March 31, 2018), the market for silicon wafers for semiconductors saw continued strong demand for all diameters, supported by robust demand for semiconductors.

Demand for 300mm wafers was driven especially by data center needs, as data traffic grew with the increase in terminal equipment, so that demand continued to exceed supply capacity. Small-diameter wafers of 200mm or less were boosted by demand for use in automobiles, industry, and IoT, resulting in an ongoing tight supply situation for these wafers as well.

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. The Group also strived 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 Group registered consolidated net sales of 77,289 million yen, operating income of 19,590 million yen, ordinary income of 18,275 million yen and net income attributable to owners of the parent of 12,766 million yen.

(2) Explanation of Business Forecasts

During the second quarter of fiscal year 2018 (April 1, 2018 - June 30, 2018), the market for silicon wafers for semiconductors is expected to continue the tight supply-demand conditions, driven by strong demand for semiconductors.

In this market environment, the Group will continue developing leading-edge technologies that differentiate its products from the competition, while strengthening the earnings base through further optimization of wafer prices and ongoing productivity improvements.

It is difficult for the Group to formulate reasonable business forecasts for full year, since the semiconductor industry to which the Group belongs is characterized by drastic and short-term changes in the business environment. Therefore, the Group 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 2018 as follows.

Consolidated Business Forecasts for the Second Quarter of Fiscal Year 2018 (January 1, 2018 – June 30, 2018)

| | 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) | 157,200 | 39,500 | 37,700 | 26,700 | 91.04 |
| Changes (B-A) | — | — | — | — | |
| Rate of changes (%) | — | — | — | — | |
| (Reference) Results for 2Q-FY2017 (6 months) | 123,994 | 17,320 | 13,736 | 9,634 | 32.85 |

(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 2018 (April 1, 2018 – June 30, 2018) was made assuming translation rates of one U.S. dollar to 108 yen.

## 2. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(millions of yen)

| | End of FY2017 (December 31, 2017) | End of 1Q of FY2018 (March 31, 2018) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and time deposits | 55,040 | 53,682 |
| Notes and accounts receivable – trade | 52,858 | 52,599 |
| Marketable securities | 19,600 | 19,600 |
| Finished products | 13,287 | 12,949 |
| Work in process | 16,450 | 16,514 |
| Raw materials and supplies | 152,875 | 151,539 |
| Other | 6,708 | 7,905 |
| Allowance for doubtful accounts | (10) | (9) |
| Total current assets | 316,811 | 314,780 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 73,560 | 72,102 |
| Machinery, equipment and vehicles, net | 47,125 | 47,544 |
| Land | 20,266 | 20,277 |
| Construction in progress | 9,240 | 10,340 |
| Other, net | 1,022 | 1,026 |
| Total property, plant and equipment | 151,214 | 151,292 |
| Intangible assets | | |
| Goodwill | 6,812 | 6,406 |
| Other | 5,445 | 5,745 |
| Total intangible assets | 12,258 | 12,151 |
| Investments and other assets | | |
| Investment securities | 82 | 102 |
| Long-term advance payments | 40,728 | 40,051 |
| Deferred income tax assets | 5,714 | 5,396 |
| Other | 4,383 | 4,183 |
| Allowance for doubtful accounts | (286) | (278) |
| Total investments and other assets | 50,621 | 49,455 |
| Total non-current assets | 214,095 | 212,898 |
| Total assets | 530,906 | 527,679 |

(millions of yen)

| | End of FY2017 (December 31, 2017) | End of 1Q of FY2018 (March 31, 2018) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable – trade | 26,321 | 27,071 |
| Short-term borrowings | 39,731 | 42,099 |
| Current portion of long-term lease obligations | 1,331 | 1,183 |
| Accrued income taxes | 4,273 | 2,994 |
| Reserve for bonuses | 1,859 | 3,348 |
| Other | 21,915 | 21,437 |
| Total current liabilities | 95,432 | 98,135 |
| Long-term liabilities | | |
| Long-term debt | 126,705 | 115,491 |
| Long-term lease obligations | 1,626 | 1,367 |
| Net defined benefit liability | 21,188 | 23,811 |
| Other | 4,329 | 4,491 |
| Total long-term liabilities | 153,850 | 145,161 |
| Total liabilities | 249,282 | 243,297 |
| Equity | | |
| Shareholders' equity | | |
| Capital stock | 138,718 | 138,718 |
| Capital surplus | 26,969 | 26,969 |
| Retained earnings | 73,309 | 80,796 |
| Treasury stock | (12) | (12) |
| Total shareholders' equity | 238,986 | 246,473 |
| Accumulated other comprehensive income | | |
| Net unrealized gain on available-for-sale securities | 0 | 0 |
| Deferred loss on derivatives under hedge accounting | (1) | (0) |
| Land revaluation surplus | 2,885 | 2,885 |
| Foreign currency translation adjustments | 1,089 | (2,212) |
| Remeasurements of defined benefit plans | (1,731) | (4,104) |
| Total accumulated other comprehensive loss (income) | 2,242 | (3,431) |
| Non-controlling interests | 40,394 | 41,341 |
| Total equity | 281,623 | 284,382 |
| Total liabilities and equity | 530,906 | 527,679 |

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

(Consolidated Statement of Income)

(millions of yen)

| | 1Q of FY2017 (January 1, 2017– March 31, 2017) | 1Q of FY2018 (January 1, 2018– March 31, 2018) |
|---|---|---|
| Net sales | 60,195 | 77,289 |
| Cost of sales | 45,904 | 50,742 |
| Gross profit | 14,290 | 26,547 |
| Selling, general and administrative expenses | 6,223 | 6,956 |
| Operating income | 8,067 | 19,590 |
| Non-operating income | | |
| Interest income | 35 | 100 |
| Other | 101 | 25 |
| Total non-operating income | 136 | 126 |
| Non-operating expenses | | |
| Interest expense | 589 | 429 |
| Foreign exchange loss | 1,992 | 485 |
| Loss on sales and disposal of fixed assets | 39 | 478 |
| Other | 66 | 48 |
| Total non-operating expenses | 2,687 | 1,441 |
| Ordinary income | 5,516 | 18,275 |
| Income before income taxes | 5,516 | 18,275 |
| Income taxes | 1,085 | 2,970 |
| Net income | 4,430 | 15,304 |
| Net income attributable to non-controlling interests | 816 | 2,538 |
| Net income attributable to owners of the parent | 3,613 | 12,766 |

(Consolidated Statement of Comprehensive Income)

(millions of yen)

| | 1Q of FY2017 (January 1, 2017 March 31, 2017) | 1Q of FY2018 (January 1, 2018– March 31, 2018) |
|---|---|---|
| Net income | 4,430 | 15,304 |
| Other comprehensive income | | |
| Net unrealized loss on available-for-sale securities | (0) | (0) |
| Deferred gain on derivatives under hedge accounting | 1,952 | 0 |
| Foreign currency translation adjustments | 556 | (4,917) |
| Remeasurements of defined plans, net of tax | 156 | (2,349) |
| Total other comprehensive loss (income) | 2,664 | (7,266) |
| Comprehensive income | 7,095 | 8,038 |
| Total comprehensive income attributable to: | | |
| Owners of the parent | 5,452 | 7,091 |
| Non-controlling interests | 1,643 | 946 |

(3) Notes on Consolidated Financial Statements

(Notes regarding Going Concern Assumption)

Not applicable

(Notes regarding Significant Changes in Shareholders' Equity)

Not applicable