Brief Statement on Consolidated Financial Results for the Second Quarter (ended June 30, 2018) of Fiscal Year 2018 (ending December 31, 2018) [Japanese Accounting Standards]

August 8, 2018

Company name: SUMCO Corporation TSE First Section
Code: 3436 URL: http://www.sumcosi.com/
Representative: Mayuki Hashimoto, Representative Director, CEO & Chairman of the Board
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: August 10, 2018
Scheduled date of commencement of dividend payment: September 28, 2018
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, 2018 – June 30, 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)	(%)
2Q of FY2018	159,023	28.3	41,192	137.8	40,092	191.9	28,151	192.2
2Q of FY2017	123,994	20.1	17,320	179.7	13,736	219.0	9,634	317.5

(Note) Comprehensive income
2Q of FY2018: 27,393 million yen (84.9%); 2Q of FY2017: 14,817 million yen (－%)

	Net income per share for quarter (yen)	Diluted net income per share for quarter (yen)
2Q of FY2018	95.99	―
2Q of FY2017	32.85	―

(2) Consolidated Financial Position

	Total assets (millions of yen)	Equity (millions of yen)	Shareholders' equity ratio (%)
2Q of FY2018	545,779	304,183	48.1
FY2017	530,906	281,623	45.4

(Reference) Shareholders' equity: 2Q of FY2018: 262,339 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	―	30.00			
FY2018 (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, 2018 is not determined.

3. Consolidated Business Forecasts for the Third Quarter of Fiscal Year 2018 (January 1, 2018 – September 30, 2018)

(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)	245,000	28.7	63,100	119.1	61,000	151.8	42,600	156.3	145.25

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 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 second quarter of FY2018; 7,390 shares as of the end of FY2017
[3] Average number of shares during period (fiscal year-to-date):
293,278,122 shares during the second quarter of FY2018; 293,278,396 shares during the second 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 August 8, 2018. 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 Second Quarter of Fiscal Year 2018
(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 Second Quarter of Fiscal Year 2018

(1) Explanation of Business Results

During the second quarter of fiscal year 2018 (April 1, 2018 - June 30, 2018), the market for silicon wafers for semiconductors saw continued strong demand for all diameters, supported by robust demand for semiconductors.

Major drivers of 300 mm wafer demand included data centers, coping with continued growth in data traffic, and high-end logic devices. As bit supply growth from scaling has not been able to keep up with overall bit growth, leading to increased wafer use, demand continued to exceed supply capability. 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 market environment, in line with the policies of 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, while endeavoring also to improve our profitability by optimizing pricing. Meanwhile, in response to customer requests for production increases in the tight supply/demand situation, we took measures to raise our productivity and have been implementing phased capacity increases.

As a result, for the period under review (January 1, 2018 - June 30, 2018), the Group registered consolidated net sales of 159,023 million yen, operating income of 41,192 million yen, ordinary income of 40,092 million yen and net income attributable to owners of the parent of 28,151 million yen.

(2) Explanation of Business Forecasts

During the third quarter of fiscal year 2018 (July 1, 2018 - September 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. In response to requests for production increases in the tight supply/demand situation, in addition to raising our productivity, we will seek to meet customer needs through phased augmenting of equipment capacity premised on optimization of price levels.

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 third quarter of fiscal year 2018 as follows.

Consolidated Business Forecasts for the Third Quarter of Fiscal Year 2018 (Jan. 1, 2018 – Sep. 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)	245,000	63,100	61,000	42,600	145.25
Changes (B-A)	—	—	—	—	
Rate of changes (%)	—	—	—	—	
(Reference) Results for 3Q-FY2017 (9 months)	190,405	28,799	24,228	16,621	56.68

(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 2018 (July 1, 2018 – September 30, 2018) 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 FY2017 (December 31, 2017)	End of 2Q of FY2018 (June 30, 2018)
Assets		
Current assets		
Cash and time deposits	55,040	66,752
Notes and accounts receivable – trade	52,858	56,068
Marketable securities	19,600	17,700
Finished products	13,287	13,408
Work in process	16,450	16,679
Raw materials and supplies	152,875	150,504
Other	6,708	9,631
Allowance for doubtful accounts	(10)	(12)
Total current assets	316,811	330,732
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	73,560	71,037
Machinery, equipment and vehicles, net	47,125	48,694
Land	20,266	20,278
Construction in progress	9,240	13,583
Other, net	1,022	1,015
Total property, plant and equipment	151,214	154,610
Intangible assets		
Goodwill	6,812	6,000
Other	5,445	5,748
Total intangible assets	12,258	11,748
Investments and other assets		
Investment securities	82	102
Long-term advance payments	40,728	39,419
Deferred income tax assets	5,714	5,266
Other	4,383	4,182
Allowance for doubtful accounts	(286)	(283)
Total investments and other assets	50,621	48,687
Total non-current assets	214,095	215,046
Total assets	530,906	545,779

(millions of yen)

	End of FY2017 (December 31, 2017)	End of 2Q of FY2018 (June 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	26,321	26,098
Short-term borrowings	39,731	43,427
Current portion of long-term lease obligations	1,331	1,097
Accrued income taxes	4,273	4,820
Reserve for bonuses	1,859	1,103
Other	21,915	23,986
Total current liabilities	95,432	100,532
Long-term liabilities		
Long-term debt	126,705	111,722
Long-term lease obligations	1,626	1,109
Net defined benefit liability	21,188	23,875
Other	4,329	4,355
Total long-term liabilities	153,850	141,063
Total liabilities	249,282	241,595
Equity		
Shareholders' equity		
Capital stock	138,718	138,718
Capital surplus	26,969	29,811
Retained earnings	73,309	96,181
Treasury stock	(12)	(12)
Total shareholders' equity	238,986	264,700
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	0	0
Deferred loss on derivatives under hedge accounting	(1)	(4)
Land revaluation surplus	2,885	2,885
Foreign currency translation adjustments	1,089	(1,313)
Remeasurements of defined benefit plans	(1,731)	(3,930)
Total accumulated other comprehensive loss (income)	2,242	(2,361)
Non-controlling interests	40,394	41,844
Total equity	281,623	304,183
Total liabilities and equity	530,906	545,779

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

(Consolidated Statement of Income)

(millions of yen)

	2Q of FY2017 (January 1, 2017– June 30, 2017)	2Q of FY2018 (January 1, 2018– June 30, 2018)
Net sales	123,994	159,023
Cost of sales	93,897	103,440
Gross profit	30,097	55,583
Selling, general and administrative expenses	12,776	14,390
Operating income	17,320	41,192
Non-operating income		
Interest income	92	241
Dividend income	19	40
Foreign exchange gain	—	110
Other	115	53
Total non-operating income	226	445
Non-operating expenses		
Interest expense	1,124	787
Loss on sales and disposal of fixed assets	90	638
Other	2,595	120
Total non-operating expenses	3,811	1,546
Ordinary income	13,736	40,092
Income before income taxes	13,736	40,092
Income taxes	2,063	6,133
Net income	11,673	33,958
Net income attributable to non-controlling interests	2,038	5,806
Net income attributable to owners of the parent	9,634	28,151

(Consolidated Statement of Comprehensive Income)

(millions of yen)

	2Q of FY2017 (January 1, 2017 June 30, 2017)	2Q of FY2018 (January 1, 2018– June 30, 2018)
Net income	11,673	33,958
Other comprehensive income		
Net unrealized gain (loss) on available-for-sale securities	(0)	0
Deferred loss (gain) on derivatives under hedge accounting	2,487	(2)
Foreign currency translation adjustments	334	(4,393)
Remeasurements of defined plans, net of tax	321	(2,169)
Total other comprehensive loss (income)	3,143	(6,565)
Comprehensive income	14,817	27,393
Total comprehensive income attributable to:		
Owners of the parent	12,034	23,543
Non-controlling interests	2,782	3,849

(3) Notes on Consolidated Financial Statements

(Notes regarding Going Concern Assumption)

Not applicable

(Notes regarding Significant Changes in Shareholders' Equity)

Not applicable