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

November 7, 2018
TSE First Section

Company name: SUMCO Corporation
Code: 3436 URL: https://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: November 14, 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 Third Quarter (January 1, 2018 – September 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)	(%)
3Q of FY2018	242,456	27.3	64,252	123.1	62,702	158.8	42,663	156.7
3Q of FY2017	190,405	22.5	28,799	235.2	24,228	330.6	16,621	385.5

(Note) Comprehensive income
3Q of FY2018: 48,439 million yen (101.3%); 3Q of FY2017: 24,064 million yen (－%)

	Net income per share for quarter (yen)	Diluted net income per share for quarter (yen)
3Q of FY2018	145.47	—
3Q of FY2017	56.68	—

(2) Consolidated Financial Position

	Total assets (millions of yen)	Equity (millions of yen)	Shareholders' equity ratio (%)
3Q of FY2018	563,380	310,007	48.1
FY2017	530,906	281,623	45.4

(Reference) Shareholders' equity: 3Q of FY2018: 271,126 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)				30.00	60.00

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

3. Consolidated Business Forecasts for the Fiscal Year 2018 (January 1, 2018 – December 31, 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)
Full year	326,400	25.2	85,200	102.4	82,700	125.3	57,100	111.4	194.70

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 FY2018; 293,285,539 shares as of the end of FY2017
[2] Treasury stock as of the end of period:
7,450 shares as of the end of third quarter of FY2018; 7,390 shares as of the end of FY2017
[3] Average number of shares during period (fiscal year-to-date):
293,278,113 shares during the third quarter of FY2018; 293,278,381 shares during the third 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.

Quarterly results briefing for institutional investors and security analysts is scheduled on November 7, 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 Third 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 Third Quarter of Fiscal Year 2018

(1) Explanation of Business Results

During the third quarter of fiscal year 2018 (July 1, 2018 - September 30, 2018), the market for semiconductor silicon wafers remained strong for all diameters. Major drivers of 300mm wafer demand included data centers coping with continued growth in data traffic, and high-end logic devices, with demand continued to exceed supply capability. Demand for Small-diameter wafers of 200mm or less was driven by automotive, industrial, and IoT applications, 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.

While our Chitose Plant was temporarily shut down by the 2018 Hokkaido Eastern Iburi Earthquake, which struck the area in the early hours of September 6, 2018, normal operations were restored in October.

As a result, for the period under review (January 1, 2018 - September 30, 2018), the Group registered consolidated net sales of 242,456 million yen, operating income of 64,252 million yen and ordinary income of 62,702 million yen. As the Group registered loss on disaster of 865 million yen in the extraordinary loss section, net income attributable to owners of the parent came to 42,663 million yen.

(2) Explanation of Business Forecasts

During the fourth quarter of fiscal year 2018 (October 1, 2018 - December 31, 2018), the market for semiconductor silicon wafers is expected to see continued solid demand for both 300mm and 200mm wafers, despite a drop in request to increase in production exceeding long-term agreements.

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 long-term, 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 fiscal year 2018 as follows.

Consolidated Business Forecasts for the Fiscal Year 2018 (Jan. 1, 2018 – Dec. 31, 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)	326,400	85,200	82,700	57,100	194.70
Changes (B-A)	—	—	—	—	
Rate of changes (%)	—	—	—	—	
(Reference) Results for FY2017	260,627	42,085	36,709	27,016	92.12

(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 2018 (October 1, 2018 – December 31, 2018) was made assuming translation rates of one U.S. dollar to 113 yen.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(millions of yen)

	End of FY2017 (December 31, 2017)	End of 3Q of FY2018 (September 30, 2018)
Assets		
Current assets		
Cash and time deposits	55,040	55,364
Notes and accounts receivable – trade	52,858	61,768
Marketable securities	19,600	23,000
Finished products	13,287	15,208
Work in process	16,450	17,287
Raw materials and supplies	152,875	151,629
Other	6,708	8,125
Allowance for doubtful accounts	(10)	(12)
Total current assets	316,811	332,371
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	73,560	70,361
Machinery, equipment and vehicles, net	47,125	50,933
Land	20,266	20,395
Construction in progress	9,240	28,738
Other, net	1,022	1,033
Total property, plant and equipment	151,214	171,463
Intangible assets		
Goodwill	6,812	5,593
Other	5,445	5,957
Total intangible assets	12,258	11,551
Investments and other assets		
Investment securities	82	102
Long-term advance payments	40,728	38,786
Deferred income tax assets	5,714	5,231
Other	4,383	4,160
Allowance for doubtful accounts	(286)	(287)
Total investments and other assets	50,621	47,993
Total non-current assets	214,095	231,008
Total assets	530,906	563,380

(millions of yen)

	End of FY2017 (December 31, 2017)	End of 3Q of FY2018 (September 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	26,321	28,369
Short-term borrowings	39,731	30,354
Current portion of long-term lease obligations	1,331	1,040
Accrued income taxes	4,273	6,408
Reserve for bonuses	1,859	4,198
Other	21,915	30,615
Total current liabilities	95,432	100,987
Long-term liabilities		
Long-term debt	126,705	122,678
Long-term lease obligations	1,626	855
Net defined benefit liability	21,188	24,083
Other	4,329	4,767
Total long-term liabilities	153,850	152,384
Total liabilities	249,282	253,372
Equity		
Shareholders' equity		
Capital stock	138,718	138,718
Capital surplus	26,969	30,763
Retained earnings	73,309	101,895
Treasury stock	(12)	(12)
Total shareholders' equity	238,986	271,366
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	0	0
Deferred loss on derivatives under hedge accounting	(1)	(9)
Land revaluation surplus	2,885	2,885
Foreign currency translation adjustments	1,089	646
Remeasurements of defined benefit plans	(1,731)	(3,763)
Total accumulated other comprehensive loss (income)	2,242	(239)
Non-controlling interests	40,394	38,881
Total equity	281,623	310,007
Total liabilities and equity	530,906	563,380

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

(Consolidated Statement of Income)

(millions of yen)

	3Q of FY2017 (January 1, 2017– September 30, 2017)	3Q of FY2018 (January 1, 2018– September 30, 2018)
Net sales	190,405	242,456
Cost of sales	142,414	156,582
Gross profit	47,991	85,874
Selling, general and administrative expenses	19,192	21,621
Operating income	28,799	64,252
Non-operating income		
Interest income	171	437
Dividend income	19	40
Other	129	197
Total non-operating income	321	676
Non-operating expenses		
Interest expense	1,630	1,124
Loss on sales and disposal of fixed assets	118	861
Other	3,143	240
Total non-operating expenses	4,892	2,226
Ordinary income	24,228	62,702
Extra ordinary loss		
Loss on disaster	—	865
Total extraordinary loss	—	865
Income before income taxes	24,228	61,836
Income taxes	4,035	10,198
Net income	20,192	51,638
Net income attributable to non-controlling interests	3,571	8,974
Net income attributable to owners of the parent	16,621	42,663

(Consolidated Statement of Comprehensive Income)

(millions of yen)

	3Q of FY2017 (January 1, 2017– September 30, 2017)	3Q of FY2018 (January 1, 2018– September 30, 2018)
Net income	20,192	51,638
Other comprehensive income		
Net unrealized gain (loss) on available-for-sale securities	(0)	0
Deferred loss (gain) on derivatives under hedge accounting	2,482	(7)
Foreign currency translation adjustments	904	(1,191)
Remeasurements of defined plans, net of tax	484	(2,001)
Total other comprehensive loss (income)	3,871	(3,199)
Comprehensive income	24,064	48,439
Total comprehensive income attributable to:		
Owners of the parent	19,550	40,186
Non-controlling interests	4,513	8,252

(3) Notes on Consolidated Financial Statements

(Notes regarding Going Concern Assumption)

Not applicable

(Notes regarding Significant Changes in Shareholders' Equity)

Not applicable