Brief Statement on Consolidated Financial Results for the Second Quarter (ended June 30, 2020) of Fiscal Year 2020 (ending December 31, 2020) [Japanese Accounting Standards]

August 6, 2020
TSE First Section

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Scheduled date of filing of quarterly security report: August 12, 2020
Scheduled date of commencement of dividend payment: September 4, 2020
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, 2020–June 30, 2020) of Fiscal Year 2020 (ending December 31, 2020)

(1) Consolidated Business 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 FY2020	147,142	(6.0)	23,170	(30.9)	22,650	(30.8)	16,821	(26.8)
2Q of FY2019	156,487	(1.6)	33,543	(18.6)	32,719	(18.4)	22,979	(18.4)

(Note) Comprehensive income
2Q of FY2020: 18,706 million yen ((19.9%)); 2Q of FY2019: 23,343 million yen ((14.8%))

	Net income per share for quarter (yen)	Diluted net income per share for quarter (yen)
2Q of FY2020	57.62	—
2Q of FY2019	78.35	—

(2) Consolidated Financial Position

	Total assets (millions of yen)	Equity (millions of yen)	Shareholders' equity ratio (%)
2Q of FY2020	592,637	350,919	52.8
FY2019	578,511	341,149	52.2

(Reference) Shareholders' equity: 2Q of FY2020: 312,625 million yen; FY2019: 302,191 million yen

2. Dividend Payments

	Yearly dividend per share				
	First quarter (yen)	Second quarter (yen)	Third quarter (yen)	Year-end (yen)	Full year (yen)
FY2019	—	25.00	—	10.00	35.00
FY2020	—	18.00			
FY2020 (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, 2020 is not determined.

3. Consolidated Business Forecasts for the Third Quarter of Fiscal Year 2020 (January 1, 2020–September 30, 2020)

(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)	220,100	(3.7)	31,100	(26.8)	29,600	(28.2)	21,300	(24.3)	73.03

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):
291,181,239 shares as of the end of second quarter of FY2020; 293,285,539 shares as of the end of FY2019
[2] Treasury stock as of the end of period:
7,695 shares as of the end of second quarter of FY2020; 7,635 shares as of the end of FY2019
[3] Average number of shares during period (fiscal year-to-date):
291,921,253 shares during the second quarter of FY2020; 293,277,947 shares during the second quarter of FY2019

* 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, 2020 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 6, 2020. Supplementary materials for quarterly financial results are available in our website after starting the briefing.

(Supplementary Materials)

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1. Qualitative Information for the Second Quarter of Fiscal Year 2020

(1) Explanation of Business Results

During the second quarter of fiscal year 2020 (April 1, 2020–June 30, 2020), the market for semiconductor silicon wafers saw strong demand in the first half, despite geopolitical risks including US-China trade friction and the slowdown in the global economy resulting from the COVID-19 pandemic. Wafers of 200 mm and smaller also saw gradual recovery during this period.

In this environment, in line with 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 cost reduction.

As a result, for the period under review, the Group registered consolidated net sales of 147,142 million yen, operating income of 23,170 million yen, ordinary income of 22,650 million yen and net income attributable to owners of the parent of 16,821 million yen.

(2) Explanation of Business Forecasts

The third quarter outlook for the 300 mm semiconductor silicon wafer market is for overall stable, buoyed by growth of 5G communications service and the spread of teleworking, even though short-term adjustments are expected. As for wafers of 200 mm and smaller, softening of demand is seen, especially for consumer and automotive, impacted by sluggish growth of the global economy.

Given this market environment, the Group will continue seeking a competitive edge by developing technologies for state-of-the-art wafers for which continued demand growth is expected, while endeavoring to meet customer demands for these products through ongoing augmenting of equipment capacity. At the same time, we will be paying close attention to changes in the market environment amid concerns about COVID-19 impact.

It is difficult for the Group to formulate reasonable business forecasts for the 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 2020 as follows.

Consolidated Business Forecasts for the Third Quarter of Fiscal Year 2020 (Jan. 1, 2020–Sep. 30, 2020)

	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)	220,100	31,100	29,600	21,300	73.03
Changes (B-A)	—	—	—	—	
Rate of changes (%)	—	—	—	—	
(Reference) Results for 3Q-FY2019 (9 months)	228,511	42,459	41,209	28,132	95.92

(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 2020 (Jul. 1, 2020–Sep. 30, 2020) was made assuming translation rates of one U.S. dollar to 106 yen.

2. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(millions of yen)

	End of FY2019 (December 31, 2019)	End of 2Q of FY2020 (June 30, 2020)
Assets		
Current assets		
Cash and time deposits	50,220	74,247
Notes and accounts receivable – trade	57,416	60,363
Marketable securities	19,800	—
Finished products	17,032	17,068
Work in process	17,938	19,768
Raw materials and supplies	149,446	145,632
Other	7,386	7,209
Allowance for doubtful accounts	(10)	(10)
Total current assets	319,230	324,279
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	70,841	69,914
Machinery, equipment and vehicles, net	71,746	83,640
Land	20,316	20,316
Construction in progress	32,167	31,801
Other, net	1,711	1,743
Total property, plant and equipment	196,782	207,416
Intangible assets		
Goodwill	3,562	2,749
Other	7,332	7,875
Total intangible assets	10,894	10,625
Investments and other assets		
Investment securities	102	101
Long-term advance payments	35,835	34,661
Deferred income tax assets	11,634	11,201
Other	4,314	4,631
Allowance for doubtful accounts	(282)	(280)
Total investments and other assets	51,603	50,315
Total non-current assets	259,280	268,357
Total assets	578,511	592,637

(millions of yen)

	End of FY2019 (December 31, 2019)	End of 2Q of FY2020 (June 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	23,511	22,811
Short-term borrowings	30,234	35,695
Current portion of long-term lease obligations	591	399
Accrued income taxes	2,753	3,413
Reserve for bonuses	1,600	1,025
Other	28,278	33,044
Total current liabilities	86,970	96,390
Long-term liabilities		
Long-term debt	120,864	115,763
Long-term lease obligations	336	185
Retirement benefit liability	24,495	24,687
Other	4,694	4,692
Total long-term liabilities	150,391	145,328
Total liabilities	237,361	241,718
Equity		
Shareholders' equity		
Capital stock	138,718	138,718
Capital surplus	30,763	27,463
Retained earnings	134,228	148,117
Treasury stock	(12)	(12)
Total shareholders' equity	303,698	314,287
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	0	0
Deferred loss on derivatives under hedge accounting	(0)	(2)
Land revaluation surplus	2,885	2,885
Foreign currency translation adjustments	(1,639)	(2,003)
Remeasurements of defined benefit plans	(2,753)	(2,541)
Total accumulated other comprehensive loss	(1,507)	(1,661)
Non-controlling interests	38,958	38,293
Total equity	341,149	350,919
Total liabilities and equity	578,511	592,637

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

(Consolidated Statement of Income)

(millions of yen)

	2Q of FY2019 (January 1, 2019– June 30, 2019)	2Q of FY2020 (January 1, 2020– June 30, 2020)
Net sales	156,487	147,142
Cost of sales	108,944	110,443
Gross profit	47,543	36,699
Selling, general and administrative expenses	13,999	13,528
Operating income	33,543	23,170
Non-operating income		
Interest income	381	225
Dividend income	32	52
Subsidy income	2	618
Other	146	141
Total non-operating income	562	1,037
Non-operating expenses		
Interest expense	543	483
Foreign exchange loss	194	739
Other	649	333
Total non-operating expenses	1,386	1,556
Ordinary income	32,719	22,650
Extraordinary income		
Gain on revision of retirement benefit plan	917	—
Total extraordinary income	917	—
Income before income taxes	33,637	22,650
Income taxes	7,036	4,039
Net income	26,600	18,611
Net income attributable to non-controlling interests	3,621	1,790
Net income attributable to owners of the parent	22,979	16,821

(Consolidated Statement of Comprehensive Income)

(millions of yen)

	2Q of FY2019 (January 1, 2019– June 30, 2019)	2Q of FY2020 (January 1, 2020– June 30, 2020)
Net income	26,600	18,611
Other comprehensive income		
Net unrealized loss on available-for-sale securities	(0)	(0)
Deferred loss (gain) on derivatives under hedge accounting	0	(2)
Foreign currency translation adjustments	(3,740)	(131)
Remeasurements of defined plans, net of tax	482	229
Total other comprehensive income (loss)	(3,257)	94
Comprehensive income	23,343	18,706
Total comprehensive income attributable to:		
Owners of the parent	21,213	16,666
Non-controlling interests	2,129	2,039

(3) Notes on Consolidated Financial Statements

(Notes regarding Going Concern Assumption)

Not applicable

(Notes regarding Significant Changes in Shareholders' Equity)

As resolved at the February 18, 2020 Board of Directors Meeting, the Company repurchased and cancelled 2,104,300 shares of treasury stock.

Total amount of repurchase of treasury stock	3,299 million yen
Total amount of cancellation of treasury stock	3,300 million yen
Treasury stock at the end of second quarter of fiscal year 2020	(12) million yen