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

November 5, 2020
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 13, 2020
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, 2020–September 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)	(%)
3Q of FY2020	218,745	(4.3)	29,794	(29.8)	28,508	(30.8)	20,209	(28.2)
3Q of FY2019	228,511	(5.8)	42,459	(33.9)	41,209	(34.3)	28,132	(34.1)

(Note) Comprehensive income
3Q of FY2020: 21,939 million yen ((24.4%)); 3Q of FY2019: 29,003 million yen ((40.1%))

	Net income per share for quarter (yen)	Diluted net income per share for quarter (yen)
3Q of FY2020	69.29	—
3Q of FY2019	95.92	—

(2) Consolidated Financial Position

	Total assets (millions of yen)	Equity (millions of yen)	Shareholders' equity ratio (%)
3Q of FY2020	584,401	348,977	53.1
FY2019	578,511	341,149	52.2

(Reference) Shareholders' equity: 3Q of FY2020: 310,135 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)				9.00	27.00

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

3. Consolidated Business Forecasts for the Fiscal Year 2020 (January 1, 2020–December 31, 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)
Full year	291,200	(2.8)	37,200	(26.5)	35,500	(26.5)	25,200	(23.9)	86.44

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 third 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 third quarter of FY2020; 7,635 shares as of the end of FY2019
[3] Average number of shares during period (fiscal year-to-date):
291,670,197 shares during the third quarter of FY2020; 293,277,933 shares during the third 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.

Quarterly results briefing for institutional investors and security analysts is scheduled on November 5, 2020. Supplementary materials for quarterly financial results are available in our website after starting the briefing.

(Supplementary Materials)

Contents

1. Qualitative Information for the Third Quarter of Fiscal Year 2020
(1) Explanation of Business Results 2
(2) Explanation of Business Forecasts 2

2. Consolidated Financial Statements and Notes
(1) Consolidated Balance Sheet 3
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income 5
(3) Notes on Consolidated Financial Statements
(Notes regarding Going Concern Assumption) 6
(Notes regarding Significant Changes in Shareholders' Equity) 6

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

(1) Explanation of Business Results

During the third quarter of fiscal year 2020 (July 1, 2020–September 30, 2020), the market for 300 mm semiconductor silicon wafers saw strong demand for logic and a recovery trend for memory, despite fears of a demand slowdown due to US-China trade friction and other concerns. For wafers of 200 mm and smaller, demand softened, especially for consumer and automotive, with the slowing of the global economy due to the COVID-19 pandemic, etc.

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 218,745 million yen, operating income of 29,794 million yen, ordinary income of 28,508 million yen and net income attributable to owners of the parent of 20,209 million yen.

(2) Explanation of Business Forecasts

The fourth quarter outlook for the 300 mm semiconductor silicon wafer market is for continued stable demand, buoyed by growth of 5G communications service and the spread of teleworking. Demand for small diameter wafers of 200 mm and smaller, meanwhile, is recovering rapidly, mainly for automotive. While much will depend on how well COVID-19 is contained, we expect demand to recover in earnest in the coming fiscal year, including for consumer.

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 in the midst of concerns such as the impact of COVID-19 and US-China trade friction.

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 2020 as follows.

Consolidated Business Forecasts for the Fiscal Year 2020 (Jan. 1, 2020–Dec. 31, 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)	291,200	37,200	35,500	25,200	86.44
Changes (B-A)	—	—	—	—	
Rate of changes (%)	—	—	—	—	
(Reference) Results for FY2019	299,460	50,636	48,310	33,112	112.90

(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 2020 (Oct. 1, 2020–Dec. 31, 2020) was made assuming translation rates of one U.S. dollar to 105 yen.

2. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(millions of yen)

	End of FY2019 (December 31, 2019)	End of 3Q of FY2020 (September 30, 2020)
Assets		
Current assets		
Cash and time deposits	50,220	74,791
Notes and accounts receivable – trade	57,416	56,872
Marketable securities	19,800	—
Finished products	17,032	17,670
Work in process	17,938	18,897
Raw materials and supplies	149,446	143,001
Other	7,386	7,328
Allowance for doubtful accounts	(10)	(9)
Total current assets	319,230	318,552
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	70,841	68,613
Machinery, equipment and vehicles, net	71,746	79,111
Land	20,316	20,260
Construction in progress	32,167	36,190
Other, net	1,711	1,913
Total property, plant and equipment	196,782	206,089
Intangible assets		
Goodwill	3,562	2,343
Other	7,332	7,883
Total intangible assets	10,894	10,226
Investments and other assets		
Investment securities	102	101
Long-term advance payments	35,835	34,086
Deferred income tax assets	11,634	11,075
Other	4,314	4,546
Allowance for doubtful accounts	(282)	(277)
Total investments and other assets	51,603	49,532
Total non-current assets	259,280	265,848
Total assets	578,511	584,401

(millions of yen)

	End of FY2019 (December 31, 2019)	End of 3Q of FY2020 (September 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	23,511	22,486
Short-term borrowings	30,234	42,595
Current portion of long-term lease obligations	591	293
Accrued income taxes	2,753	2,610
Reserve for bonuses	1,600	3,477
Other	28,278	25,193
Total current liabilities	86,970	96,656
Long-term liabilities		
Long-term debt	120,864	108,989
Long-term lease obligations	336	164
Retirement benefit liability	24,495	24,860
Other	4,694	4,752
Total long-term liabilities	150,391	138,766
Total liabilities	237,361	235,423
Equity		
Shareholders' equity		
Capital stock	138,718	138,718
Capital surplus	30,763	27,463
Retained earnings	134,228	146,264
Treasury stock	(12)	(12)
Total shareholders' equity	303,698	312,434
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	0	0
Deferred loss on derivatives under hedge accounting	(0)	(0)
Land revaluation surplus	2,885	2,885
Foreign currency translation adjustments	(1,639)	(2,755)
Remeasurements of defined benefit plans	(2,753)	(2,429)
Total accumulated other comprehensive loss	(1,507)	(2,298)
Non-controlling interests	38,958	38,841
Total equity	341,149	348,977
Total liabilities and equity	578,511	584,401

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

(Consolidated Statement of Income)

(millions of yen)

	3Q of FY2019 (January 1, 2019– September 30, 2019)	3Q of FY2020 (January 1, 2020– September 30, 2020)
Net sales	228,511	218,745
Cost of sales	165,105	168,886
Gross profit	63,405	49,859
Selling, general and administrative expenses	20,945	20,065
Operating income	42,459	29,794
Non-operating income		
Interest income	537	265
Dividend income	32	52
Subsidy income	5	623
Other	181	162
Total non-operating income	756	1,103
Non-operating expenses		
Interest expense	800	727
Foreign exchange loss	403	1,112
Other	802	548
Total non-operating expenses	2,006	2,388
Ordinary income	41,209	28,508
Extraordinary income		
Gain on revision of retirement benefit plan	917	—
Total extraordinary income	917	—
Income before income taxes	42,126	28,508
Income taxes	9,684	5,867
Net income	32,441	22,641
Net income attributable to non-controlling interests	4,309	2,431
Net income attributable to owners of the parent	28,132	20,209

(Consolidated Statement of Comprehensive Income)

(millions of yen)

	3Q of FY2019 (January 1, 2019– September 30, 2019)	3Q of FY2020 (January 1, 2020– September 30, 2020)
Net income	32,441	22,641
Other comprehensive income		
Net unrealized loss on available-for-sale securities	(0)	(0)
Deferred loss (gain) on derivatives under hedge accounting	0	(0)
Foreign currency translation adjustments	(4,038)	(1,052)
Remeasurements of defined plans, net of tax	599	351
Total other comprehensive loss	(3,438)	(701)
Comprehensive income	29,003	21,939
Total comprehensive income attributable to:		
Owners of the parent	26,366	19,418
Non-controlling interests	2,636	2,521

(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 third quarter of fiscal year 2020	(12) million yen