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May 11, 2021

Consolidated Financial Results for the Three Months Ended March 31, 2021 (Under Japanese GAAP)

Company name: SUMCO Corporation
Listing: Tokyo Stock Exchange (First Section)
Securities code: 3436
URL: https://www.sumcosi.com
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Scheduled date to file quarterly securities report: May 14, 2021
Scheduled date to commence dividend payments: —
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results briefing: Yes (for institutional investors and security analysts)

(Yen amounts are rounded down to millions.)

1. Consolidated financial results for the three months ended March 31, 2021 (from January 1, 2021 to March 31, 2021)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Mar. 31, 2021	75,939	5.1	9,370	(19.5)	9,472	(20.6)	7,375	(13.1)
Mar. 31, 2020	72,244	(12.0)	11,644	(41.2)	11,934	(37.5)	8,490	(35.4)

Note: Comprehensive income For the three months ended Mar. 31, 2021: ¥14,510 million [68.8%]
For the three months ended Mar. 31, 2020: ¥8,597 million [(47.1%)]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
Mar. 31, 2021	25.35	—
Mar. 31, 2020	29.01	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
Mar. 31, 2021	602,197	364,334	53.4
Dec. 31, 2020	593,443	355,003	53.1

Reference: Equity
As of Mar. 31, 2021: ¥321,504 million
As of Dec. 31, 2020: ¥315,114 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Dec. 31, 2020	—	18.00	—	9.00	27.00
Fiscal year ending Dec. 31, 2021	—				
Fiscal year ending Dec. 31, 2021 (Forecast)		16.00	—	—	—

Note: (1) Revisions to the forecast of cash dividends most recently announced: Yes

(2) Year-end dividend per share for the fiscal year ending Dec. 31, 2021 is not determined.

3. Consolidated financial forecasts for the six months ending June 30, 2021 (from January 1, 2021 to June 30, 2021)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Basic earnings per share
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Jun. 30, 2021	156,900	6.6	20,800	(10.2)	20,400	(9.9)	15,300	(9.0)	52.66

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 significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: —

Excluded: —

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

Note: Please see "(3) Notes on Consolidated Financial Statements (Changes in Accounting Policies)" on page 7 of Supplementary Materials.

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of Mar. 31, 2021	291,181,239 shares
As of Dec. 31, 2020	291,181,239 shares

(ii) Number of treasury shares at the end of the period

As of Mar. 31, 2021	1,013,875 shares
As of Dec. 31, 2020	7,715 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended Mar. 31, 2021	290,886,711 shares
Three months ended Mar. 31, 2020	292,668,962 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

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 Dec. 31, 2021 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 11, 2021. Supplementary materials for quarterly financial results are available in our website before starting the briefing.

(Supplementary Materials)

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1. Qualitative Information for the First Quarter of Fiscal Year 2021

(1) Explanation of Business Results

During the first quarter of fiscal year 2021 (January 1, 2021–March 31, 2021), the supply of 300 mm wafers for logic continued to fall short of the strong demand driven by PC, smartphone, and data center, while wafers for DRAM saw ongoing demand recovery. Supply and demand tightness continued also for wafers of 200 mm and smaller with expanding demand for automotive and consumer.

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 75,939 million yen, operating income of 9,370 million yen, ordinary income of 9,472 million yen, and net income attributable to owners of the parent of 7,375 million yen.

(2) Explanation of Business Forecasts

The second quarter outlook for the 300 mm semiconductor silicon wafer market is for expanding growth, marked by increasing supply and demand tightness for logic and, in the memory segment, expected recovery for NAND in addition to wafers for DRAM. Supply and demand balance is forecast to be increasingly tight for wafers of 200 mm and smaller, driven by automotive, consumer and industrial.

In this market environment, the Group will continue seeking to enhance the competitive advantage of our products by developing technologies for state-of-the-art wafers for which continued demand growth is expected, while endeavoring to meet customer needs for these products through productivity improvements making greater use of AI, and through ongoing augmenting of equipment capacity in line with this demand. We will also be paying close attention to changes in the market environment including the impact of COVID-19 and US-China trade friction.

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 six months ending June 30, 2021 as follows.

Consolidated Business Forecasts for the six months ending Jun. 30, 2021 (from Jan. 1, 2021 to Jun. 30, 2021)

	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)	156,900	20,800	20,400	15,300	52.66
Changes (B-A)	—	—	—	—	
Rate of changes (%)	—	—	—	—	
(Reference) Results for six months ended Jun. 30, 2020	147,142	23,170	22,650	16,821	57.62

(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 three months ending June 30, 2021 (from April 1, 2021 to June 30, 2021) was made assuming translation rates of one U.S. dollar to 109 yen.

2. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(millions of yen)

	As of Dec. 31, 2020	As of Mar. 31, 2021
Assets		
Current assets		
Cash and time deposits	82,968	88,934
Notes and accounts receivable – trade	60,405	62,421
Finished products	18,645	17,090
Work in process	19,642	20,591
Raw materials and supplies	142,185	140,393
Other	7,222	8,374
Allowance for doubtful accounts	(9)	(10)
Total current assets	331,061	337,796
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	68,443	70,132
Machinery, equipment and vehicles, net	82,693	85,643
Land	20,261	20,293
Construction in progress	30,732	28,120
Other, net	1,921	2,036
Total property, plant and equipment	204,052	206,226
Intangible assets		
Goodwill	1,936	1,530
Other	8,183	8,106
Total intangible assets	10,120	9,636
Investments and other assets		
Investment securities	101	102
Long-term advance payments	33,511	32,903
Deferred income tax assets	10,468	11,452
Other	4,403	4,347
Allowance for doubtful accounts	(275)	(268)
Total investments and other assets	48,209	48,538
Total non-current assets	262,381	264,401
Total assets	593,443	602,197

(millions of yen)

	As of Dec. 31, 2020	As of Mar. 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable – trade	25,615	27,193
Short-term borrowings	38,180	52,338
Current portion of long-term lease obligations	192	89
Accrued income taxes	3,392	2,652
Reserve for bonuses	1,308	3,071
Other	28,491	26,982
Total current liabilities	97,180	112,327
Long-term liabilities		
Long-term debt	111,383	95,094
Long-term lease obligations	141	128
Retirement benefit liability	24,851	25,092
Other	4,882	5,221
Total long-term liabilities	141,259	125,535
Total liabilities	238,439	237,863
Equity		
Shareholders' equity		
Capital stock	138,718	138,718
Capital surplus	27,463	27,463
Retained earnings	151,559	156,256
Treasury stock	(12)	(2,512)
Total shareholders' equity	317,729	319,926
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	(3,224)	869
Remeasurements of defined benefit plans	(2,277)	(2,177)
Total accumulated other comprehensive loss	(2,615)	1,578
Non-controlling interests	39,888	42,830
Total equity	355,003	364,334
Total liabilities and equity	593,443	602,197

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

(millions of yen)

	Three months ended Mar. 31, 2020 (from Jan. 1, 2020 to Mar. 31, 2020)	Three months ended Mar. 31, 2021 (from Jan. 1, 2021 to Mar. 31, 2021)
Net sales	72,244	75,939
Cost of sales	54,209	60,230
Gross profit	18,034	15,709
Selling, general and administrative expenses	6,389	6,338
Operating income	11,644	9,370
Non-operating income		
Interest income	140	30
Subsidy income	612	460
Other	30	76
Total non-operating income	782	567
Non-operating expenses		
Interest expense	246	229
Loss on retirement of non-current assets	103	224
Other	143	11
Total non-operating expenses	493	465
Ordinary income	11,934	9,472
Income before income taxes	11,934	9,472
Income taxes	2,451	1,311
Net income	9,482	8,161
Net income attributable to non-controlling interests	992	785
Net income attributable to owners of the parent	8,490	7,375

(Consolidated Statement of Comprehensive Income)

(millions of yen)

	Three months ended Mar. 31, 2020 (from Jan. 1, 2020 to Mar. 31, 2020)	Three months ended Mar. 31, 2021 (from Jan. 1, 2021 to Mar. 31, 2021)
Net income	9,482	8,161
Other comprehensive income		
Net unrealized gain (loss) on available-for-sale securities	(0)	0
Deferred gain (loss) on derivatives under hedge accounting	(0)	0
Foreign currency translation adjustments	(1,004)	6,246
Remeasurements of defined plans, net of tax	120	102
Total other comprehensive income (loss)	(884)	6,349
Comprehensive income	8,597	14,510
Total comprehensive income attributable to:		
Owners of the parent	8,018	11,568
Non-controlling interests	578	2,941

(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 19, 2021 Board of Directors Meeting, the Company acquired 1,006,100 shares of treasury stock. As a result, treasury stock in the first quarter consolidated cumulative period increased by 2,499 million yen, to 2,512 million yen as of the end of the first quarter consolidated accounting term.

As further resolved at the February 19, 2021 Board of Directors Meeting, on April 14, 2021 the Company disposed of the acquired 1,006,100 shares of treasury stock.

(Changes in Accounting Policies)

(Adoption of Accounting Standard for Revenue Recognition, etc.)

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 of March 30, 2018) (hereinafter, "Revenue Recognition Standard") and Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30 of March 30, 2018) having become applicable to a consolidated fiscal year starting prior to March 31, 2021, we have applied this Revenue Recognition Standard and Guidance from the beginning of the first quarter of the current fiscal year, recognizing as revenue the amount expected to be received in exchange for goods or services at the time control of the good or service is transferred to the customer.

Accordingly, the Company and its Japanese consolidated subsidiaries, with the exception of consignment products, has changed recognizing revenue as follows, deeming our performance obligation to have been fulfilled at that time.

- In the case of domestic sales, at the time of shipment to at the time of arrival at the customer's
- In the case of export sales, at the time of export clearance to at the time of arrival at the place where the Company and customer agreed

In the case of sales to certain customers where the transfer of assets to the customer takes place over a fixed period of time, the time of revenue recognition is changed to the fixed period of time based on manufacturing progress.

In addition, sales commissions and other consideration payable to a customer were accounted for as selling, general and administrative expenses, but the accounting method has been changes to one that deducts them from the transaction price.

Implementation of the Revenue Recognition Standard and Guidance is in line with the transitional measures provided in the proviso to Article 84 of the Revenue Recognition Standard. Accordingly, the cumulative impact of the change when the new accounting policy is applied retroactively prior to the beginning of the first quarter is reflected in retained earnings at the beginning of the first quarter, while the new policy is not retroactively applied to contracts for which all or most revenue was recognized prior to the beginning of the first quarter in accordance with the previous policy.

The method specified in Paragraph 86 paragraph (1) of the Revenue Recognition Standard is applied for contract changes made prior to the beginning of the first quarter, such that accounting is performed based on the contract provisions after all changes have been reflected, and the cumulative impact is reflected in retained earnings at the beginning of the first quarter.

As a result, the impact on the retained earnings balance at the beginning of the first quarter of the current fiscal year and that on the quarterly consolidated financial statements in the first quarter are minor.