

Quarterly Securities Report

(As required by Article 24-4-7, paragraph 1, of the Financial
Instruments and Exchange Act)

For the third quarter of the fiscal year ending December 31, 2020
(July 1, 2020–September 30, 2020)

SUMCO Corporation

1-2-1 Shibaura, Minato-ku, Tokyo

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Relevant legislation:	Article 24-4-7, paragraph 1, of the Financial Instruments and Exchange Act
Submitted to:	Director-General, Kanto Local Finance Bureau
Date of submission:	November 13, 2020
Quarterly accounting period:	Third quarter of fiscal year ending December 31, 2020 (July 1, 2020–September 30, 2020)
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Place for public inspection:	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

Section 1: Corporate Information

I. Overview of the Company

1. Trends in major management indicators

Term	3Q-2019 (9 months)	3Q-2020 (9 months)	FY2019 (12 months)
Accounting period	January 1, 2019 to September 30, 2019	January 1, 2020 to September 30, 2020	January 1, 2019 to December 31, 2019
Net sales (million yen)	228,511	218,745	299,460
Ordinary income (million yen)	41,209	28,508	48,310
Net income attributable to owners of the parent (million yen)	28,132	20,209	33,112
Comprehensive income (million yen)	29,003	21,939	38,701
Total equity (million yen)	331,452	348,977	341,149
Total assets (million yen)	568,940	584,401	578,511
Net income per share (yen)	95.92	69.29	112.90
Diluted net income per share (yen)	—	—	—
Shareholders' equity ratio (%)	51.8	53.1	52.2

Term	3Q-2019 (3 months)	3Q-2020 (3 months)
Accounting period	July 1, 2019 to September 30, 2019	July 1, 2020 to September 30, 2020
Net income per share (yen)	17.57	11.64

Notes: 1. Since the Company publishes quarterly consolidated financial statements, trends in major management indicators are not shown for the reporting company.
 2. Net sales do not include consumption tax or other taxes collected.
 3. Diluted net income per share is not described since dilutive shares did not exist.

2. Scope of business

In the third quarter of fiscal year 2020 (January 1, 2020–September 30, 2020), there were no significant changes in the scope of business of the Group (the Company and its affiliates) and no changes in the Company's major affiliates.

II. State of Business

1. Business and other risks

In the third quarter of fiscal year 2020 (January 1, 2020–September 30, 2020), no new business and other risks emerged.

There were no significant changes in the business and other risks described in the annual securities report for the fiscal year 2019.

Regarding the impact on our business from the COVID-19 pandemic, we will continue paying close attention to changes in the market environment.

2. Analysis of financial position, business results, and cash flow from the viewpoint of business managers

(1) Financial Position and Business Results Status

(i) 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 (January 1, 2020–September 30, 2020), the Group registered consolidated net sales of 218,745 million yen (down 4.3% year on year), operating income of 29,794 million yen (down 29.8% year on year), ordinary income of 28,508 million yen (down 30.8% year on year) and net income attributable to owners of the parent of 20,209 million yen (down 28.2% year on year).

Segment information is not described since the Group has only one segment.

(ii) Financial position

At the end of the third quarter of fiscal year 2020 (September 30, 2020), total assets came to 584,401 million yen (up 5,889 million yen from the end of fiscal year 2019), total liabilities came to 235,423 million yen (down 1,937 million yen from the end of fiscal year 2019), and total equity came to 348,977 million yen (up 7,827 million yen from the end of fiscal year 2019).

(2) Management policies, the business environment, and issues requiring management attention

In the third quarter of fiscal year 2020 (January 1, 2020–September 30, 2020), there were no significant changes in the Group's management policies, in the business environment, or in issues requiring management attention.

(3) Research and development activities

In the third quarter of fiscal year 2020 (January 1, 2020–September 30, 2020), research and development expenses totaled 3,359 million yen, equivalent to 1.5% of consolidated net sales. There were no significant changes in the Group's research and development activities during the period.

(4) Major facilities

Between the end of fiscal year 2019 and the end of the third quarter of fiscal year 2020, there were no significant changes to the construction of major facilities and other plans.

3. Important business contracts, etc.

In the third quarter of fiscal year 2020 (July 1, 2020–September 30, 2020), no new important business contracts, etc. were agreed to or concluded.

III. Status of the Reporting Company

1. Shares

(1) Total number of shares, etc.

(i) Total number of shares

Class	Total number of authorized shares
Common stock	804,000,000
Total	804,000,000

(ii) Shares issued

Class	Number of shares issued as of the end of third quarter (September 30, 2020)	Number of shares issued as of the date of submission of this report (November 13, 2020)	Name of listing financial instruments exchange or name of authorized financial instruments firms association registered	Details
Common stock	291,181,239	291,181,239	Tokyo Stock Exchange, Inc. (First Section)	Share trading unit: 100 shares
Total	291,181,239	291,181,239	—	—

(2) Share options, etc.

(i) Stock option

Not applicable.

(ii) Other share option, etc.

Not applicable

(3) Conversion of moving strike convertible bonds, etc.

Not applicable.

(4) Trends in total number of shares issued, changes in capital stock, etc.

Period	Change in total number of shares issued	Total number of shares outstanding	Change in capital stock (million yen)	Capital stock balance (million yen)	Change in legal capital surplus (million yen)	Legal capital surplus balance (million yen)
July 1, 2020–September 30, 2020	—	291,181,239	—	138,718	—	3,611

(5) Major shareholders

Since the reporting period is the third quarter of the fiscal year, there are no matters for reporting.

(6) Voting rights

Regarding voting rights as of the last day of the third quarter of fiscal year 2020, details of the shareholder registry cannot be ascertained and therefore cannot be reported here; accordingly, the following is based on the shareholder registry as of the immediately prior base date (June 30, 2020).

(i) Shares issued

As of September 30, 2020

Category	Number of shares	Number of votes	Details
Nonvoting shares	—	—	—
Shares with restricted voting rights (treasury stock, etc.)	—	—	—
Shares with restricted voting rights (others)	—	—	—
Shares with full voting rights (treasury stock, etc.)	Common stock 7,600	—	Share trading unit: 100 shares
Shares with full voting rights (others)	Common stock 291,093,600	2,910,936	Same as above
Shares less than one unit	Common stock 80,039	—	Same as above
Total number of shares issued	291,181,239	—	—
Voting rights of all shareholders	—	2,910,936	—

- Notes: 1. Common stock under “Shares with full voting rights (others)” includes 200 shares in the name of Japan Securities Depository Center, Incorporated. “Number of votes” includes two votes attributable to shares with full voting rights in the name of Japan Securities Depository Center, Incorporated.
2. Common stock in “Shares less than one unit” includes 95 shares in the name of the Company.

(ii) Treasury stock, etc.

As of September 30, 2020

Name or title of shareholder	Shareholder address	Number of shares held in own name	Number of shares held in other names	Total number of shares held	Percentage of total number of shares issued
SUMCO Corporation	1-2-1 Shibaura, Minato-ku, Tokyo	7,600	—	7,600	0.00
Total	—	7,600	—	7,600	0.00

2. Directors

There were no changes in directors as of September 30, 2020 from the date of submission of the annual securities report for the fiscal year 2019.

IV. Accounting

1. Method of preparing quarterly consolidated financial statements

The Company's quarterly consolidated financial statements have been prepared in compliance with the Order on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Order No. 64 of 2007).

2. Audit certification

As required by provisions of Article 193-2, paragraph1, of the Financial Instruments and Exchange Act, the Company's consolidated financial statements for the third quarter of fiscal year 2020 (July 1, 2020–September 30, 2020) and for the third quarter consolidated cumulative period (January 1, 2020–September 30, 2020) have undergone quarterly review by Deloitte Touche Tohmatsu LLC.

1. Quarterly consolidated financial statements

(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	*37,386	*37,328
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	*230,234	*242,595
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	*1120,864	*1108,989
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
3Q-FY2020 (9 months)

(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
3Q-FY2020 (9 months)

(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

Notes

Additional information

(Accounting Estimates)

While the spread of COVID-19 may impact the Group's financial performance in subsequent quarters, in making accounting estimates for the third quarter (July 1, 2020–September 30, 2020), accounting was carried out on the assumption, based on the current situation and other factors, that there would be no major impact.

Note, however, that in case of changes in the COVID-19 situation and its impact on the economy, impact on the profit and loss situation is possible.

Notes to consolidated balance sheet

- *1. The Company's borrowings from financial institutions have financial covenants that require the Company to maintain certain levels of equity on its consolidated and nonconsolidated balance sheets. Relevant outstanding borrowings are as shown in the table below.

	(millions of yen)	
	FY2019 (December 31, 2019)	3Q of FY2020 (September 30, 2020)
Long-term debt	2,500	2,500
(of which, current portion)	(—)	(—)

- *2. In order to allow flexible procurement of working capital, the Company has entered into commitment line agreements with financial institutions. These agreements include financial covenants that require the Company to maintain certain levels of equity on its consolidated and nonconsolidated balance sheets and of net cash provided by operating activities on its consolidated statement of cash flows. Unexercised borrowing under commitment line agreements is as shown in the table below.

	(millions of yen)	
	FY2019 (December 31, 2019)	3Q of FY2020 (September 30, 2020)
Total available commitment lines	30,000	30,000
Actual borrowings	3,000	2,400
Difference	27,000	27,600

- *3. In order to procure polycrystalline silicon, the main raw material for silicon wafer production, the Company has entered into long-term purchase contracts with polycrystalline silicon producers and made advance payments for some purchases in accordance with these contracts.

Notes to consolidated statement of cash flows

No consolidated statement of cash flows was prepared for the third quarter of fiscal year 2020. Depreciation and amortization (including amortization of non-goodwill intangible assets) and amortization of goodwill for the third quarter of fiscal years 2019 and that of fiscal year 2020 were as follows:

	(millions of yen)	
	3Q of FY2019 (January 1, 2019 to September 30, 2019)	3Q of FY2020 (January 1, 2020 to September 30, 2020)
Depreciation and amortization	29,500	32,202
Amortization of goodwill	1,219	1,219

Notes to shareholders' equity, etc.

I. Third quarter of FY2019 (January 1, 2019–September 30, 2019)

1. Dividends paid

Resolution	Class of shares	Total dividend (¥million)	Per-share dividend (¥)	Base date	Effective date	Source of dividends
Board of Directors Meeting of February 19, 2019	Common stock	9,384	32.00	December 31, 2018	March 8, 2019	Retained earnings
Board of Directors Meeting of August 6, 2019	Common stock	7,331	25.00	June 30, 2019	September 6, 2019	Retained earnings

II. Third quarter of FY2020 (January 1, 2020–September 30, 2020)

1. Dividends paid

Resolution	Class of shares	Total dividend (¥million)	Per-share dividend (¥)	Base date	Effective date	Source of dividends
Board of Directors Meeting of February 18, 2020	Common stock	2,932	10.00	December 31, 2019	March 6, 2020	Retained earnings
Board of Directors Meeting of August 6, 2020	Common stock	5,241	18.00	June 30, 2020	September 4, 2020	Retained earnings

2. 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

Segment information, etc.

Segment information

I. Third quarter of FY2019 (January 1, 2019–September 30, 2019)

Segment information is not described since the Group has only one segment, "Crystalline silicon."

II. Third quarter of FY2020 (January 1, 2020–September 30, 2020)

Segment information is not described since the Group has only one segment, "Crystalline silicon."

Per-share information

Net income per share and the basis for its calculation are as follows:

	3Q-FY2019 (9 months) (January 1, 2019 to September 30, 2019)	3Q-FY2020 (9 months) (January 1, 2020 to September 30, 2020)
Net income per share (yen)	95.92	69.29
<i>Basis for calculation</i>		
Net income attributable to owners of the parent (million yen)	28,132	20,209
Amount not attributable to common stockholders (million yen)	—	—
Net income attributable to owners of the parent related to common stock (million yen)	28,132	20,209
Average number of shares of common stock during period	293,277,933	291,670,197

Note: Diluted net income per share is not described since dilutive shares did not exist.

Significant subsequent events

Not applicable.

2. Others

The Board of Directors Meeting held on August 6, 2020, passed a resolution that the interim dividend for the fiscal year 2020 be paid as follows:

(a) Total dividends 5,241 million yen

(b) Per-share dividend..... 18.00 yen

(c) Effective date of payment request and start date of payment..... September 4, 2020

Note: Dividends were payable to shareholders entered or recorded on the shareholder registry as of June 30, 2020.

Section 2: Information about Guarantors of the Reporting Company

Not applicable.