

Brief Statement on Consolidated Financial Results for the First Quarter (ended March 31, 2019) of Fiscal Year 2019 (ending December 31, 2019) [Japanese Accounting Standards]

May 8, 2019
TSE First Section

Company name: SUMCO Corporation

Code: 3436 URL: <https://www.sumcosi.com/>

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Scheduled date of filing of quarterly security report: May 15, 2019

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 First Quarter (January 1, 2019–March 31, 2019) of Fiscal Year 2019 (ending December 31, 2019)

(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)	(%)
1Q of FY2019	82,103	6.2	19,816	1.2	19,085	4.4	13,133	2.9
1Q of FY2018	77,289	28.4	19,590	142.8	18,275	231.3	12,766	253.3

(Note) Comprehensive income

1Q of FY2019: 16,239 million yen (102.0%); 1Q of FY2018: 8,038 million yen (13.3%)

	Net income per share for quarter (yen)	Diluted net income per share for quarter (yen)
1Q of FY2019	44.78	—
1Q of FY2018	43.53	—

(2) Consolidated Financial Position

	Total assets (millions of yen)	Equity (millions of yen)	Shareholders' equity ratio (%)
1Q of FY2019	592,892	332,421	48.9
FY2018	588,250	325,545	48.4

(Reference) Shareholders' equity: 1Q of FY2019: 289,678 million yen; FY2018: 284,997 million yen

2. Dividend Payments

	Yearly dividend per share				
	First quarter (yen)	Second quarter (yen)	Third quarter (yen)	Year-end (yen)	Full year (yen)
FY2018	—	30.00	—	32.00	62.00
FY2019	—				
FY2019 (Forecast)		25.00	—	—	—

Note: (1) Revisions to dividend forecasts made during the quarter under review: Yes

(2) Year-end dividend per share for the fiscal year-ending December 31, 2019 is not determined.

3. Consolidated Business Forecasts for the Second Quarter of Fiscal Year 2019 (January 1, 2019–June 30, 2019)

(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)
Second Quarter (6 months)	158,100	△0.6	34,300	△16.7	33,000	△17.7	23,600	△16.2	80.47

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: Yes

[2] Changes in accounting policies other than [1]: No

[3] Changes in accounting estimates: No

[4] Corrections of prior-period errors: No

Note: Please see “(3) Notes on Consolidated Financial Statements (Changes in Accounting Policies)” on page 6 of Supplementary Materials.

(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 first quarter of FY2019; 293,285,539 shares as of the end of FY2018

[2] Treasury stock as of the end of period:

7,575 shares as of the end of first quarter of FY2019; 7,575 shares as of the end of FY2018

[3] Average number of shares during period (fiscal year-to-date):

293,277,964 shares during the first quarter of FY2019; 293,278,136 shares during the first quarter of FY2018

* 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, 2019 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 8, 2019. 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 First Quarter of Fiscal Year 2019

(1) Explanation of Business Results

During the first quarter of fiscal year 2019 (January 1, 2019–March 31, 2019), the market for 300 mm silicon wafers saw a cooling off of the previous strong demand exceeding capacity, with the semiconductor market entering a correction phase as smartphone sales volume declined and companies scaled back their investment in data centers. As for small-diameter wafers of 200 mm or less, while automotive applications remained solid, demand for industrial and consumer product softened.

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 optimizing pricing.

Plans to increase production capacity of high-precision 300 mm wafers for leading-edge semiconductors by 110,000 wafers per month, as announced in August 2017, continue to proceed on schedule.

As a result, for the period under review, the Group registered consolidated net sales of 82,103 million yen, operating income of 19,816 million yen, ordinary income of 19,085 million yen and net income attributable to owners of the parent of 13,133 million yen.

(2) Explanation of Business Forecasts

Looking at the second quarter outlook for the worldwide semiconductor silicon wafer market, while steady demand is seen for automotive applications, a correction phase is expected due to sluggish sales of high-end smartphones and reduced spending on data centers.

In this market environment, the Group will continue developing leading-edge technologies that differentiate its products from the competition. Since demand growth continues to be expected in the medium term, 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 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 second quarter of fiscal year 2019 as follows.

Consolidated Business Forecasts for the Second Quarter of Fiscal Year 2019 (January 1, 2019–June 30, 2019)

	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)	158,100	34,300	33,000	23,600	80.47
Changes (B-A)	—	—	—	—	
Rate of changes (%)	—	—	—	—	
(Reference) Results for 2Q-FY2018 (6 months)	159,023	41,192	40,092	28,151	95.99

(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 second quarter of fiscal year 2019 (April 1, 2019–June 30, 2019) was made assuming translation rates of one U.S. dollar to 111 yen.

2. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(millions of yen)

	End of FY2018 (December 31, 2018)	End of 1Q of FY2019 (March 31, 2019)
Assets		
Current assets		
Cash and time deposits	57,900	50,451
Notes and accounts receivable – trade	64,979	66,114
Marketable securities	21,000	21,200
Finished products	15,562	16,914
Work in process	18,812	18,642
Raw materials and supplies	153,145	153,023
Other	8,483	9,446
Allowance for doubtful accounts	(12)	(12)
Total current assets	339,872	335,782
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	72,316	72,865
Machinery, equipment and vehicles, net	63,335	75,004
Land	20,314	20,313
Construction in progress	22,597	19,869
Other, net	1,073	1,606
Total property, plant and equipment	179,636	189,658
Intangible assets		
Goodwill	5,187	4,781
Other	6,342	6,803
Total intangible assets	11,529	11,584
Investments and other assets		
Investment securities	102	102
Long-term advance payments	38,153	37,513
Deferred income tax assets	15,130	14,166
Other	4,109	4,370
Allowance for doubtful accounts	(284)	(284)
Total investments and other assets	57,212	55,868
Total non-current assets	248,378	257,110
Total assets	588,250	592,892

(millions of yen)

	End of FY2018 (December 31, 2018)	End of 1Q of FY2019 (March 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	27,932	28,699
Short-term borrowings	33,107	26,566
Current portion of long-term lease obligations	1,022	1,014
Accrued income taxes	6,493	4,681
Reserve for bonuses	2,043	3,820
Other	43,117	40,763
Total current liabilities	113,716	105,546
Long-term liabilities		
Long-term debt	118,598	124,924
Long-term lease obligations	643	577
Net defined benefit liability	24,939	24,422
Other	4,807	5,001
Total long-term liabilities	148,988	154,925
Total liabilities	262,704	260,471
Equity		
Shareholders' equity		
Capital stock	138,718	138,718
Capital surplus	30,763	30,763
Retained earnings	117,812	121,581
Treasury stock	(12)	(12)
Total shareholders' equity	287,282	291,052
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	0	0
Deferred gain (loss) on derivatives under hedge accounting	(0)	4
Land revaluation surplus	2,885	2,885
Foreign currency translation adjustments	(1,227)	(1,304)
Remeasurements of defined benefit plans	(3,944)	(2,960)
Total accumulated other comprehensive loss	(2,285)	(1,373)
Non-controlling interests	40,548	42,742
Total equity	325,545	332,421
Total liabilities and equity	588,250	592,892

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

(Consolidated Statement of Income)

(millions of yen)

	1Q of FY2018 (January 1, 2018– March 31, 2018)	1Q of FY2019 (January 1, 2019– March 31, 2019)
Net sales	77,289	82,103
Cost of sales	50,742	55,270
Gross profit	26,547	26,832
Selling, general and administrative expenses	6,956	7,016
Operating income	19,590	19,816
Non-operating income		
Interest income	100	221
Other	25	21
Total non-operating income	126	243
Non-operating expenses		
Interest expense	429	283
Commission for syndicate loan	—	360
Foreign exchange loss	485	184
Other	527	145
Total non-operating expenses	1,441	973
Ordinary income	18,275	19,085
Income before income taxes	18,275	19,085
Income taxes	2,970	3,671
Net income	15,304	15,414
Net income attributable to non-controlling interests	2,538	2,281
Net income attributable to owners of the parent	12,766	13,133

(Consolidated Statement of Comprehensive Income)

(millions of yen)

	1Q of FY2018 (January 1, 2018– March 31, 2018)	1Q of FY2019 (January 1, 2019– March 31, 2019)
Net income	15,304	15,414
Other comprehensive income		
Net unrealized loss on available-for-sale securities	(0)	0
Deferred gain on derivatives under hedge accounting	0	5
Foreign currency translation adjustments	(4,917)	(173)
Remeasurements of defined plans, net of tax	(2,349)	993
Total other comprehensive income (loss)	(7,266)	825
Comprehensive income	8,038	16,239
Total comprehensive income attributable to:		
Owners of the parent	7,091	14,045
Non-controlling interests	946	2,194

(3) Notes on Consolidated Financial Statements

(Notes regarding Going Concern Assumption)

Not applicable

(Notes regarding Significant Changes in Shareholders' Equity)

Not applicable

(Changes in Accounting Policies)

- Overseas subsidiaries adopting the US-GAAP have started to apply ASC 606, Revenue From Contracts With Customers as of the first quarter consolidated accounting term.

As a result of this change, revenue is recognized at the time the promised goods or services are transferred to the customer, in an amount that reflects the consideration expected to be received in exchange for the goods or services.

As a permitted transitional measure in applying this accounting standard, a method is adopted of recognizing on the starting date of application the cumulative effects of applying this standard, adjusting retained earnings at the beginning of the first quarter consolidated accounting term.

As a result, "Retained earnings" balance at the beginning of the first quarter consolidated accounting term increased by 27 million yen. The impact on profit and loss in the first quarter is minor.

- At overseas subsidiaries adopting IFRS, the leases standard (IFRS 16) is applied from the first quarter consolidated accounting term.

With this change, all leases are in principle recognized as right-of-use assets indicating the right to use the underlying assets, and as lease liabilities representing the obligation to make lease payments. After recognizing right-of-use assets and lease liabilities, the depreciation and amortization costs of the right-of-use assets and the interest costs of the lease liabilities are booked.

On the consolidated balance sheet, the right-of-use assets are shown as "Property, plant and equipment: other-net" and lease liabilities are included in "Long-term lease obligations."

As a permitted transitional measure in applying this accounting standard, a method is adopted of recognizing on the starting date of application the cumulative effects of applying this standard, adjusting "Retained earnings" at the beginning of the first quarter consolidated accounting term.

As a result, "Retained earnings" at the beginning of the first quarter consolidated accounting term declined by 6 million yen. The impact on profit and loss in the first quarter is minor.