

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

August 4, 2022

Consolidated Financial Results for the Six Months Ended June 30, 2022 (Under Japanese GAAP)

Company name: SUMCO Corporation
 Listing: Tokyo Stock Exchange
 Securities code: 3436
 URL: <https://www.sumcosi.com>
 Representative: Mayuki Hashimoto, Representative Director, CEO & Chairman of the Board
 Inquiries: Hiroshi Shibuya, Executive Officer, General Manager of Public Relations & IR Department
 Telephone: +81-3-5444-3915
 Scheduled date to file quarterly securities report: August 10, 2022
 Scheduled date to commence dividend payments: September 2, 2022
 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 six months ended June 30, 2022 (from January 1, 2022 to June 30, 2022)

(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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
Jun. 30, 2022	207,412	31.5	49,751	129.0	50,929	142.9	31,324	91.3
Jun. 30, 2021	157,778	7.2	21,720	(6.3)	20,964	(7.4)	16,373	(2.7)

Note: Comprehensive income For the six months ended Jun. 30, 2022: ¥53,162 million [105.7%]
 For the six months ended Jun. 30, 2021: ¥25,850 million [38.2%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
Jun. 30, 2022	89.46	—
Jun. 30, 2021	56.36	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
Jun. 30, 2022	850,353	565,444	60.0
Dec. 31, 2021	764,821	522,842	62.3

Reference: Equity
 As of Jun. 30, 2022: ¥510,414 million
 As of Dec. 31, 2021: ¥476,148 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, 2021	—	17.00	—	24.00	41.00
Fiscal year ending Dec. 31, 2022	—	36.00			
Fiscal year ending Dec. 31, 2022 (Forecast)			—	—	—

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, 2022 is not determined.

3. Consolidated financial forecasts for the nine months ending September 30, 2022 (from January 1, 2022 to September 30, 2022)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Nine months ended Sep. 30, 2022	322,400	31.9	77,200	111.3	77,900	121.4	47,800	77.2	136.51

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 Jun. 30, 2022	350,175,139 shares
As of Dec. 31, 2021	350,175,139 shares

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

As of Jun. 30, 2022	7,900 shares
As of Dec. 31, 2021	7,855 shares

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

Six months ended Jun. 30, 2022	350,167,244 shares
Six months ended Jun. 30, 2021	290,525,050 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, 2022 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 4, 2022. Supplementary materials for quarterly financial results are available in our website before starting the briefing.

(Supplementary Materials)

Contents

1. Qualitative Information for the Second Quarter of Fiscal Year 2022	
(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)	7
(Notes regarding Significant Changes in Shareholders' Equity)	7
(Changes in Accounting Policies).....	7

1. Qualitative Information for the Second Quarter of Fiscal Year 2022

(1) Explanation of Business Results

During the second quarter of fiscal year 2022 (January 1, 2022–June 30, 2022), the market for 300 mm semiconductor silicon wafers continued to see demand for both logic and memory applications greatly exceed supply capacity, driven by expanding data center needs and growth in automotive use.

In the market for wafers of 200 mm and smaller, as well, supply-demand tightness continued due to strong needs for automotive and industrial uses.

In this environment the Group, on the way to realizing the SUMCO Vision, has endeavored to maintain our high market share in leading-edge products through technology development, aimed at meeting customer demands for higher precision and making distinctive products, while seeking also to improve our profit-and-loss fundamentals by raising productivity with the use of AI and becoming more cost-competitive.

As a result, for the period under review, the Group registered consolidated net sales of 207,412 million yen, operating income of 49,751 million yen, ordinary income of 50,929 million yen, and net income attributable to owners of the parent of 31,324 million yen.

(2) Explanation of Business Forecasts

Looking at the third quarter outlook for the 300 mm semiconductor silicon wafer market, while the PC and smartphone end-product markets are in a correction phase, demand remains strong for data center and automotive needs as those markets are robust. Given also the limits to supply capacity of the silicon wafers used as semiconductor materials, demand is expected to continue exceeding supply. In the case of 300 mm epitaxial wafers for leading-edge logic chips, which are a special focus of SUMCO, the inability of supply to keep up with demand is seen as continuing for an extended period.

Strong demand is forecast to continue also in the 200 mm wafer market, mainly for automotive needs.

As for wafers of 150 mm and smaller, the ongoing supply-demand tightness should ease somewhat.

In this market environment, the Group will go ahead with capital investment, as decided last year, in new plant building, utility equipment, and manufacturing equipment. We will further enhance the distinctive advantage of our products by developing technologies for state-of-the-art wafers for which continued strong demand growth is expected, while steadily carrying out productivity improvements making greater use of AI, so that we can meet customer needs.

At the same time, we will be paying close attention to the impacts on the global economy from a COVID-19 resurgence, geopolitical risks including the Russian invasion of Ukraine, monetary policy tightening by countries to curb inflation, and other factors.

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 nine months ending Sep. 30, 2022 as follows.

Consolidated Business Forecasts for the nine months ending Sep. 30, 2022 (from Jan. 1, 2022 to Sep. 30, 2022)

	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)	322,400	77,200	77,900	47,800	136.51
Changes (B-A)	—	—	—	—	
Rate of changes (%)	—	—	—	—	
(Reference) Results for nine months ended Sep. 30, 2021	244,463	36,533	35,184	26,979	92.90

- (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 three months ending Sep. 30, 2022 (from Jul. 1, 2022 to Sep. 30, 2022) was made assuming translation rates of one U.S. dollar to 135 yen.

2. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(millions of yen)

	As of Dec. 31, 2021	As of Jun. 30, 2022
Assets		
Current assets		
Cash and time deposits	218,173	273,324
Notes and accounts receivable – trade	75,590	–
Notes and accounts receivable - trade, and contract assets	–	87,379
Marketable securities	6,500	5,300
Finished products	18,038	19,073
Work in process	21,768	23,137
Raw materials and supplies	134,987	135,258
Other	7,060	6,212
Allowance for doubtful accounts	(11)	(12)
Total current assets	482,108	549,673
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	68,789	70,808
Machinery, equipment and vehicles, net	97,710	99,800
Land	20,185	20,335
Construction in progress	37,399	55,774
Other, net	2,416	3,367
Total property, plant and equipment	226,502	250,086
Intangible assets		
Goodwill	471	314
Other	8,183	8,018
Total intangible assets	8,655	8,333
Investments and other assets		
Investment securities	88	88
Long-term advance payments	31,082	29,803
Deferred income tax assets	12,500	8,377
Other	4,136	4,267
Allowance for doubtful accounts	(252)	(276)
Total investments and other assets	47,555	42,260
Total non-current assets	282,712	300,680
Total assets	764,821	850,353

(millions of yen)

	As of Dec. 31, 2021	As of Jun. 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable – trade	30,743	36,947
Short-term borrowings	32,534	29,963
Current portion of long-term lease obligations	82	223
Accrued income taxes	5,244	7,441
Reserve	2,741	1,565
Other	32,448	64,456
Total current liabilities	103,793	140,596
Long-term liabilities		
Long-term debt	108,349	110,740
Long-term lease obligations	101	160
Retirement benefit liability	24,228	23,984
Other	5,505	9,428
Total long-term liabilities	138,184	144,312
Total liabilities	241,978	284,909
Equity		
Shareholders' equity		
Capital stock	199,034	199,034
Capital surplus	85,285	85,285
Retained earnings	185,069	207,988
Treasury stock	(19)	(19)
Total shareholders' equity	469,370	492,289
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	0	0
Deferred loss on derivatives under hedge accounting	(1)	(9)
Land revaluation surplus	2,885	2,885
Foreign currency translation adjustments	4,941	16,133
Remeasurements of defined benefit plans	(1,048)	(885)
Total accumulated other comprehensive loss	6,778	18,124
Non-controlling interests	46,694	55,030
Total equity	522,842	565,444
Total liabilities and equity	764,821	850,353

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

(millions of yen)

	Six months ended Jun. 30, 2021 (from Jan. 1, 2021 to Jun. 30, 2021)	Six months ended Jun. 30, 2022 (from Jan. 1, 2022 to Jun. 30, 2022)
Net sales	157,778	207,412
Cost of sales	122,517	141,667
Gross profit	35,261	65,745
Selling, general and administrative expenses	13,540	15,994
Operating income	21,720	49,751
Non-operating income		
Interest income	57	153
Dividend income	46	44
Exchange gain	—	1,883
Other	503	146
Total non-operating income	608	2,227
Non-operating expenses		
Interest expense	434	384
Loss on retirement of non-current assets	441	642
Other	488	22
Total non-operating expenses	1,364	1,049
Ordinary income	20,964	50,929
Income before income taxes	20,964	50,929
Income taxes	3,152	14,253
Net income	17,812	36,675
Net income attributable to non-controlling interests	1,439	5,351
Net income attributable to owners of the parent	16,373	31,324

(Consolidated Statement of Comprehensive Income)

(millions of yen)

	Six months ended Jun. 30, 2021 (from Jan. 1, 2021 to Jun. 30, 2021)	Six months ended Jun. 30, 2022 (from Jan. 1, 2022 to Jun. 30, 2022)
Net income	17,812	36,675
Other comprehensive income		
Net unrealized gain on available-for-sale securities	0	0
Deferred loss on derivatives under hedge accounting	(0)	(8)
Foreign currency translation adjustments	7,821	16,333
Remeasurements of defined plans, net of tax	216	161
Total other comprehensive income	8,038	16,486
Comprehensive income	25,850	53,162
Total comprehensive income attributable to:		
Owners of the parent	21,375	42,670
Non-controlling interests	4,475	10,491

(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)

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30 of July 4, 2019; hereinafter, "Fair Value Measurement Standard") having become applicable from the first quarter of fiscal year 2022, the accounting policies stipulated in the Fair Value Measurement Standard will be applied prospectively in accordance with the transitional procedure stipulated in paragraph 19 of the Fair Value Measurement Standard and in paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10 of July 4, 2019). This change will have no impact on the quarterly consolidated financial statements.

(Application of lease accounting standard ASC 842 of the U.S. Financial Accounting Standards Board (FASB))

Overseas subsidiaries adopting the US-GAAP accounting standard have begun to apply lease accounting standard ASC 842 from the first quarter of fiscal year 2022.

With this change, if an overseas subsidiary leases assets (lessee), in principle all the leases must be represented on the balance sheet as a liability and as a right-of-use asset.

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.

As a result, as of the start of the first quarter of fiscal year 2022, right-of-use assets are presented as "Other" under "Property, plant and equipment" and lease liabilities are presented as "Other" under "Current liabilities" and "Other" under "Long-term liabilities"; accordingly, there is a minor impact on the "Retained earnings" balance at the beginning of the first quarter.

The impact on the quarterly consolidated statement of income for the Six months ended June 30, 2022 is not material.