Results for Second Quarter of FY2013 (Ended July 31, 2013)

September 6, 2013

SUMCO Corporation

Notes Regarding the Forecasts

This material is prepared for the purpose of continuous disclosure to general shareholders and investors and will not constitute an offer or solicitation of securities of the Company in any states or jurisdictions.

The estimate, expectation, forecast and other future information is prepared based on the information which is available for the Company as of today and on certain assumptions and qualifications and the actual financial performance or result may be substantially different from such future information contained in the material due to risk factors including domestic and global economic conditions, trend of semiconductor market and foreign exchanges.



Contents

- Market Environment and Business Reorganization Plan
- 2Q-FY2013 Consolidated Business Results
  1. Summary of Consolidated Business Results
  2. Analysis of Changes in Operating Income
  3. Balance Sheet
  4. Cash-Flow
- FY2013 Consolidated Business Forecasts
  1. FY2013 Consolidated Business Forecasts
  2. Analysis of Changes in Operating Income
  3. Cash-Flow Forecasts
- Reference Materials



Market Environment Business Reorganization Plan

Mayuki Hashimoto
President and CEO

Market Environment

■ Silicon wafer market in 1H-FY2013

✓ Silicon wafer market has recovered as expected

■ 2H-FY2013 Outlook

✓ PC demand will decrease about 10% YoY
✓ Tablet PC demand continues to grow YoY
✓ SMP demand shifts from high-end products to Low-ends
✓ Volume adjustment by Foundry will start

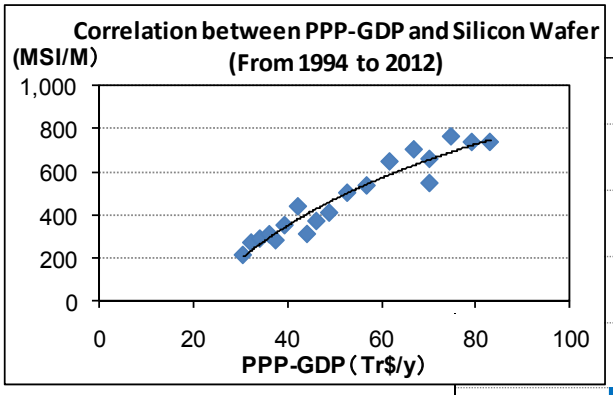
⇒ SUMCO revises FY2013 Business Forecast

■ 2014 Outlook

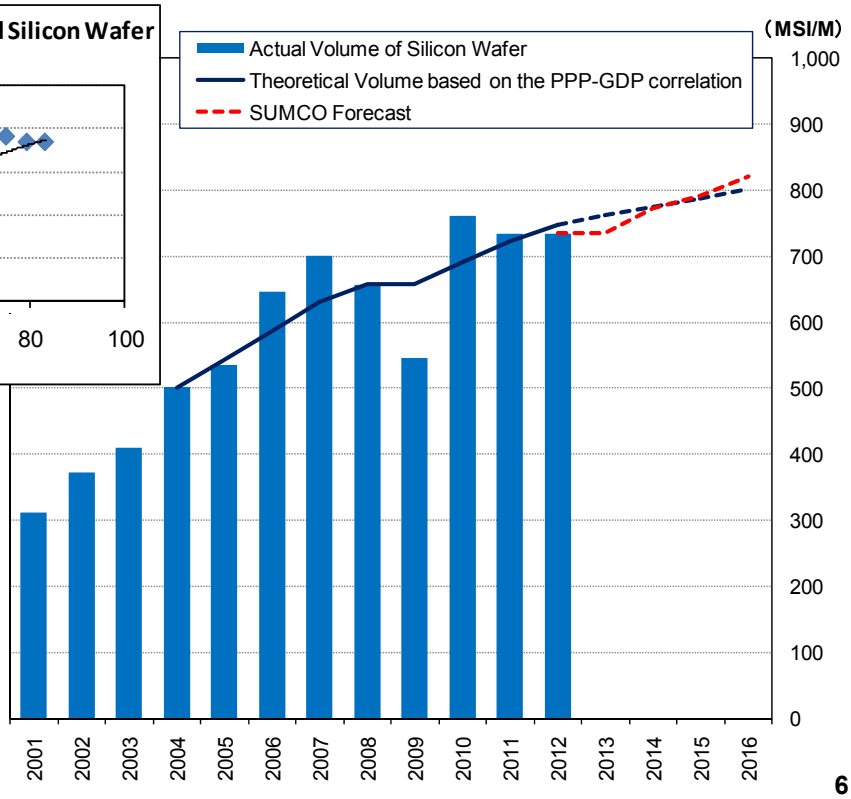
✓ Based on the information of major customers, adjustment phase will be a short term and silicon wafer demand will bottom out from the end of 1Q-2014
✓ Silicon wafer market growth correlates with PPP-GDP ratio in the long-term

Mid-term Forecast of Silicon Wafer Market

✔ Silicon wafer demand stays flat in 2013, and will grow in 2014

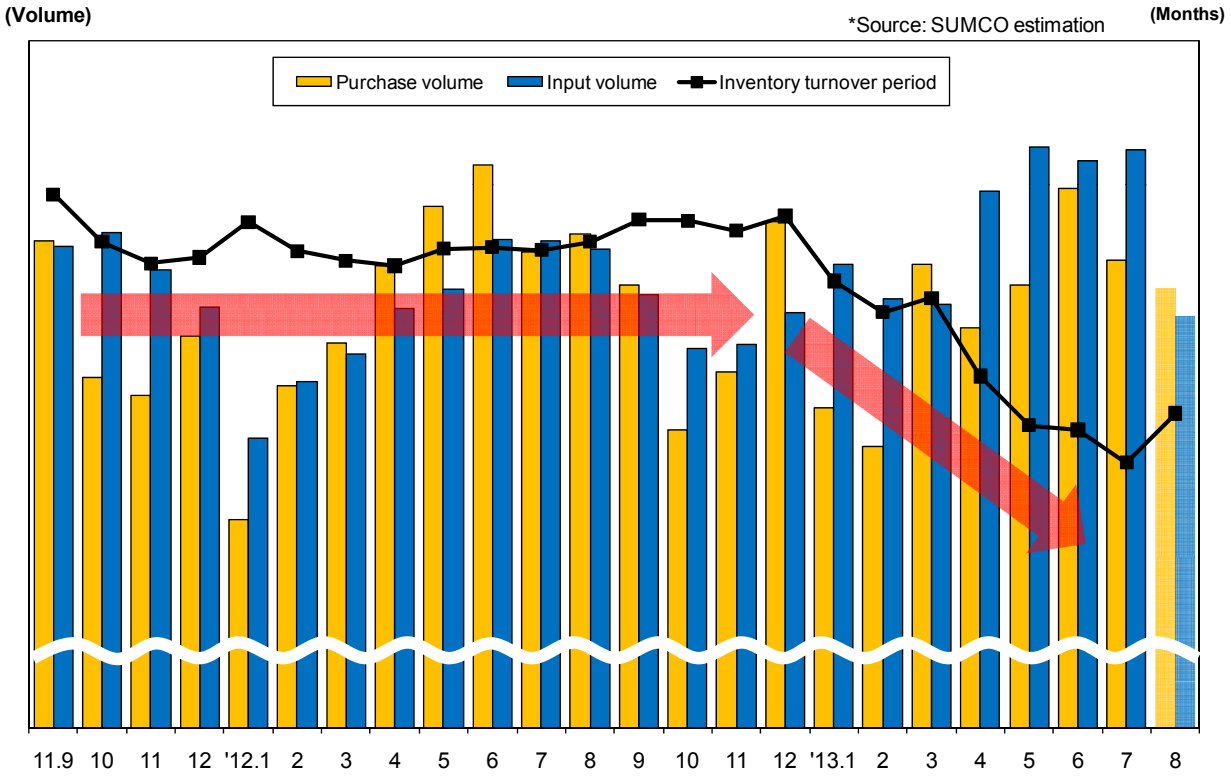


(1) PPP-GDP and Silicon wafer correlates.
(2) Extrapolate PPP-GDP to be 2.5% beyond 2013
(3) 2013 is inventory adjustment phase due to excess shipments in 2010



(Est.) Silicon Wafer Inventory

✔ Inventory adjustment phase continues until 2H-2013

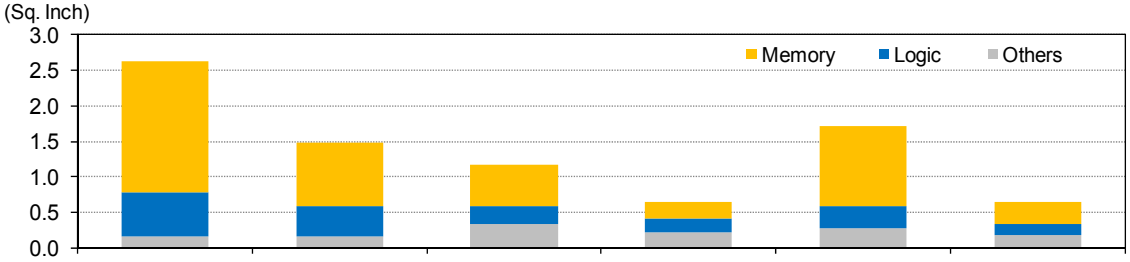


Consumption of Silicon wafer by Products

✔ Silicon area for non-memory SMP is similar for both low- and high-end
⇒ Area grows with volume
✔ Area for memory varies upon products

Source : SUMCO estimation

Products	PC		Smartphone		Tablet PC	
						
Silicon Wafer Sq. Inch (Index)	Desktop	Notebook	High-end	Low-end	High-end	Low-end
	2.6 (100)	1.5 (55)	1.2 (45)	0.7 (25)	1.7 (65)	0.7 (25)



Demand Forecast for Mobile Handsets

✔ Hypothesize : No technology scaling for SMP and Tablet PC

Products	Type	Usage (Sq. Inch)	Shipment Volume (millions unit / year)				
			2012	2013	Growth	2014	Growth
PC	Desktop	2.6	34	34	0%	34	0%
	Notebook	1.5	324	300	(7)%	293	(2)%
	Total		358	334	(7)%	327	(2)%
	MSI/M		62	58	(6)%	57	(2)%
Smart-phone	High-end	1.2	424	424	0%	424	0%
	Low-end	0.7	298	406	+36%	531	+31%
	Total		722	830	+15%	955	+15%
	MSI/M		76	83	+10%	92	+11%
Tablet PC	High-end	1.7	83	83	0%	83	0%
	Low-end	0.7	46	125	+171%	251	+102%
	Total		129	208	+61%	334	+61%
	MSI/M		19	24	+30%	33	+37%
Grand Total(MSI/M)			156	165	+6%	182	+10%

Source : SUMCO estimation

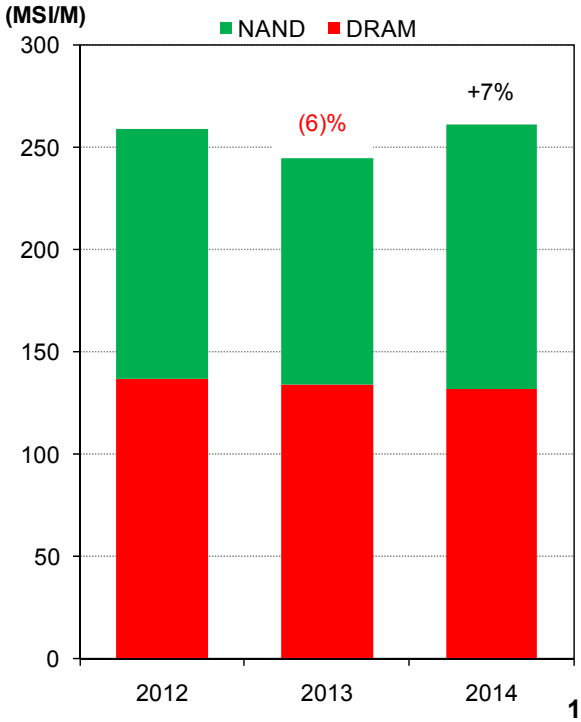
Silicon Wafer Forecast for Memory

✔ CY2013, Area decreases due to scaling and SMP shift to low-end products
✔ CY2014, Recovering SMP, Bit growth exceeds scaling, that remains area growth

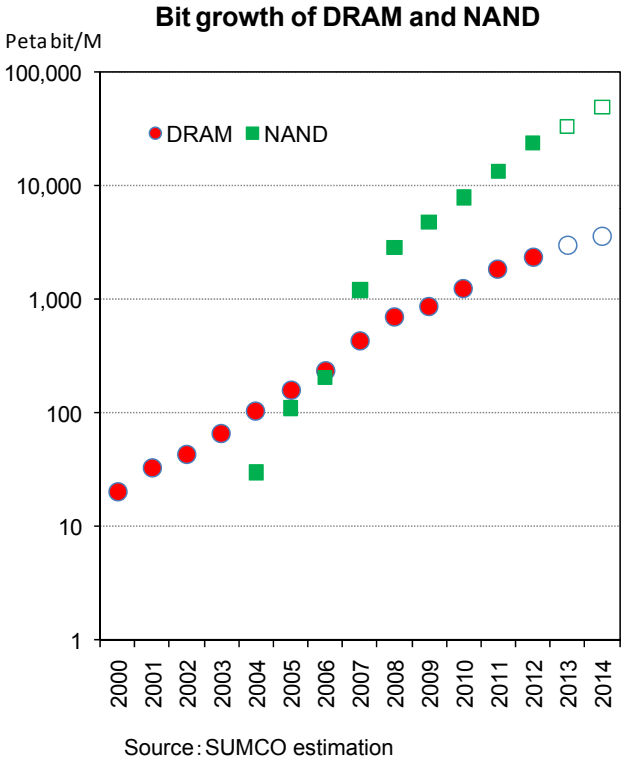
■ Silicon Wafer Forecast for Memory

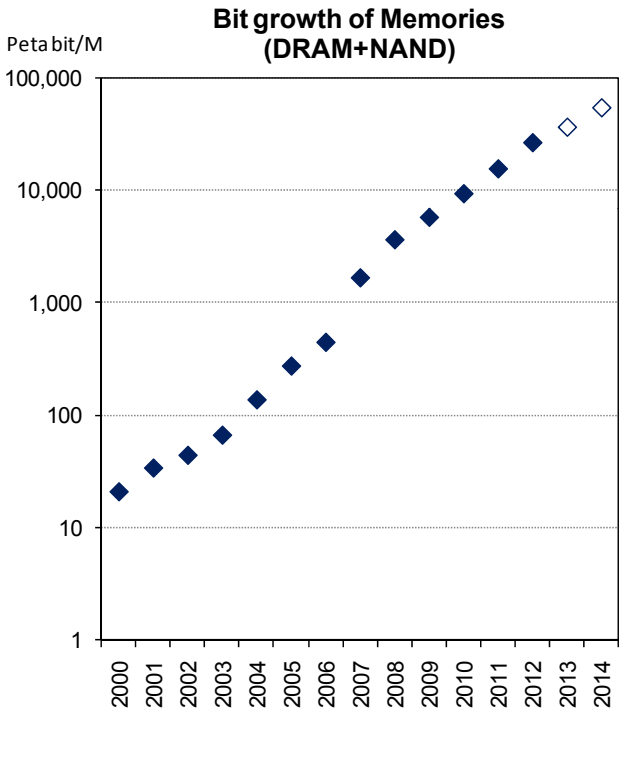
		2012	2013	2014
DRAM	Silicon (MSI/M)	137	134	132
	300mm (ks/M)	1,249	1,225	1,201
NAND	Silicon (MSI/M)	122	110	129
	300mm (ks/M)	1,113	1,007	1,180
Total	Silicon (MSI/M)	259	245	261
	300mm (ks/M)	2,362	2,232	2,381
Growth Rate		—	(6)%	+7%

Source : SUMCO estimation



Bit Growth of DRAM and NAND Memories





Source：SUMCO estimation

Silicon Wafer Forecast for Handsets (Non-memory)

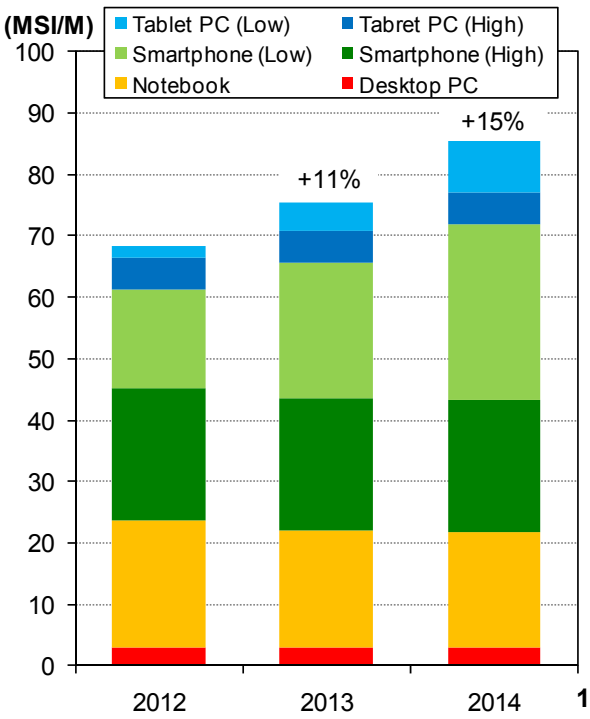
✔ CY2013, Despite weakness in PC sales, non-memory demand growth is driven by mobile handsets

✔ CY2014, Demand structure remains, Mobile handsets is driver for growth

■ Silicon Wafer Forecast for Non-memory

(MSI/M)	2012	2013	2014
Desktop PC	3	3	3
Notebook	21	19	19
Smartphone (High)	21	21	21
Smartphone (Low)	16	22	29
Tabret PC (High)	5	5	5
Tablet PC (Low)	2	5	9
Total	68	76	86
Growth Rate		+11%	+15%

Source：SUMCO estimation



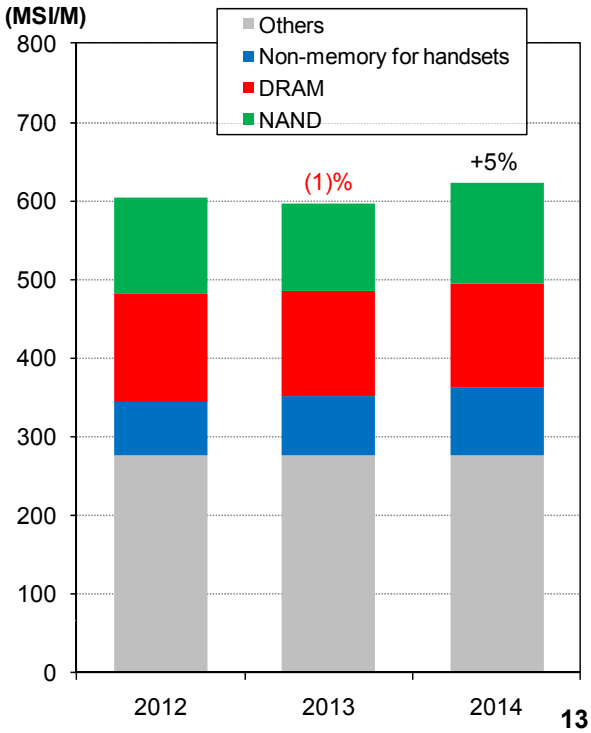
Silicon Wafer Forecast

✔ CY2013, Total area is flat ((1)%) though memory decreases
✔ CY2014, Mobile handsets is driver for growth

■ Silicon Wafer Forecast by Applications (exclude test wafer)

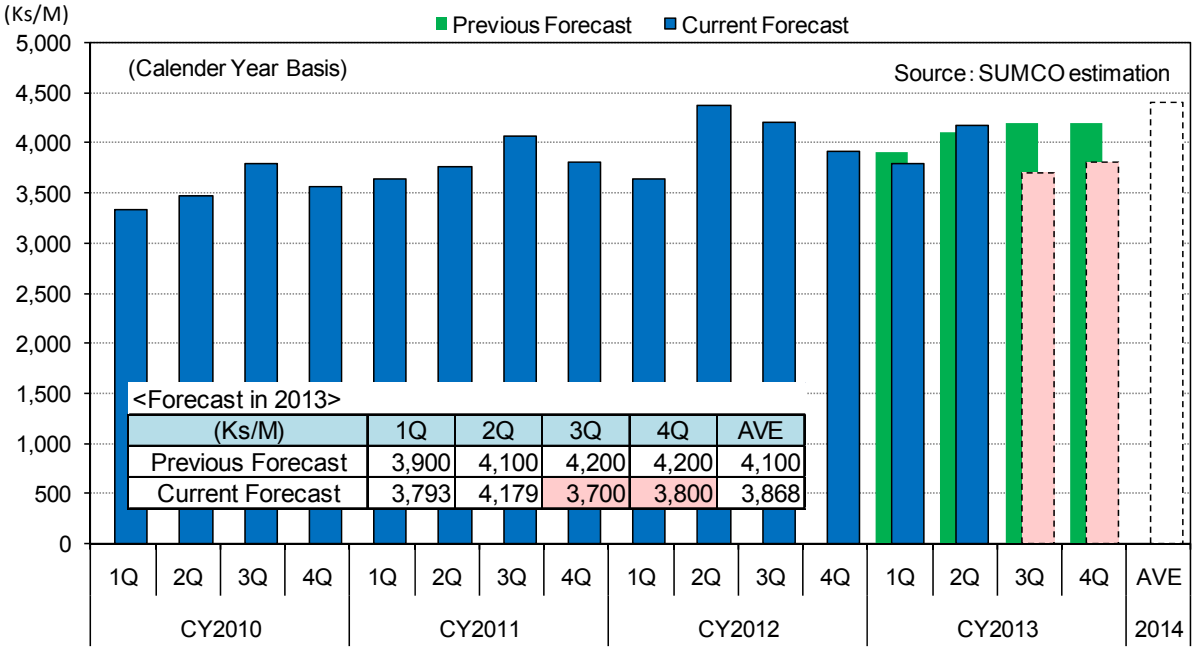
(MSI/M)	2012	2013	2014
DRAM	137	134	132
NAND	122	110	129
Non-memory for	68	76	86
Others	276	276	276
Total	603	596	623
Growth Rate		(1)%	+5%

Source：SUMCO estimation



300mm Silicon Wafer Demand

✔ Inventory adjustment occurs in 2H-2013, due to scaling and unexpected shift to low-end products
✔ Silicon wafer demand will recover rapidly in 2014. Adjustment seems a short term and Handsets is still a driver for growth



<Forecast in 2013>

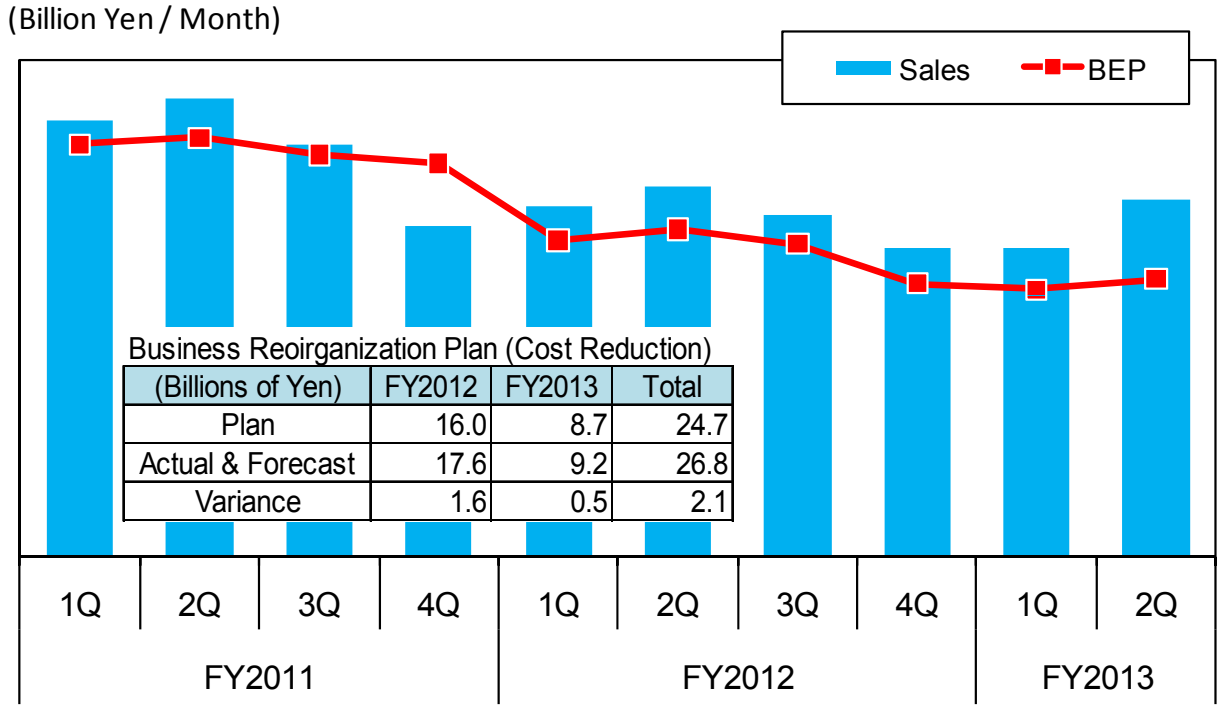
(Ks/M)	1Q	2Q	3Q	4Q	AVE
Previous Forecast	3,900	4,100	4,200	4,200	4,100
Current Forecast	3,793	4,179	3,700	3,800	3,868

Business Reorganization Plan

	Actual	Differences
Solar Business	Withdrawal at the end of January 2012	Completed
300mm Business	Postpone Nagasaki 300mm Line Closure due to expected Growth of EPI demand	Postponed
200mm Business	Closure of Ikuno Plant at the end of July 2013	Completed
150mm Business	Closure of Imari 150mm Line at the end of July 2013	Completed
Personnel Plan	Early retirement in 2012: 691 Closure of small diameter Plants: 264 Subtotal 955 Attrition: 102 Temporary Transfer 164 Total: 1,221	–

Break-even Point

✔ BEP is improved more than 30% from 2011



Business Reoirganization Plan (Cost Reduction)

(Billions of Yen)	FY2012	FY2013	Total
Plan	16.0	8.7	24.7
Actual & Forecast	17.6	9.2	26.8
Variance	1.6	0.5	2.1

2Q-FY2013 Consolidated Results

Michiharu Takii,
Executive Vice President. COO & CFO

1. Summary of Consolidated Business Results

- Net Sales: 100.6 billion yen, Operating Income: 11.8 billion yen, Net Income: 0.1 billion yen

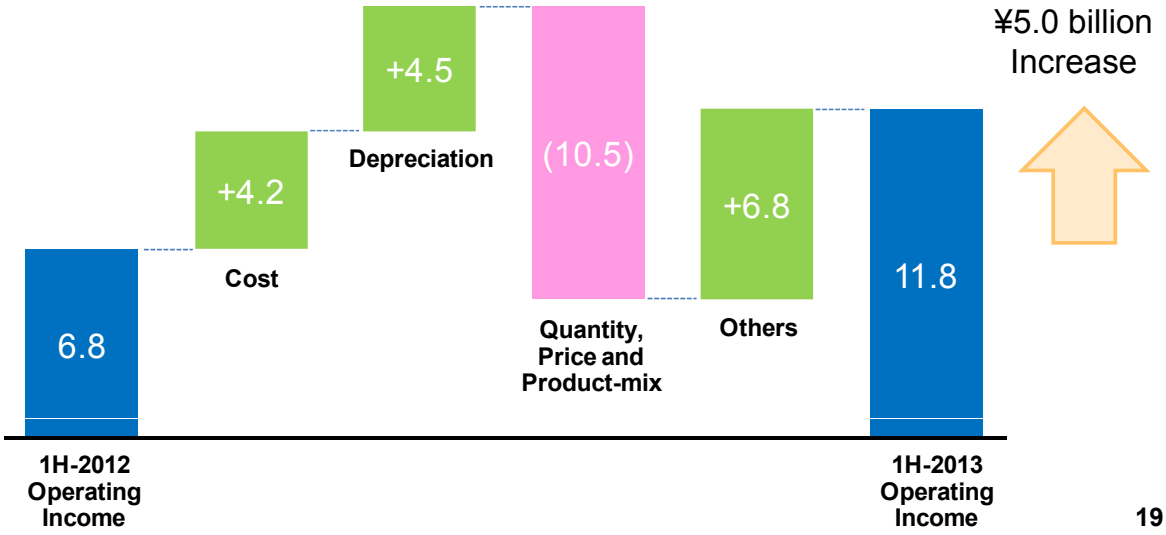
(Billions of yen)	1H-2012	1H-FY2013			Change
		1Q	2Q	Total	
Net Sales	108.6	46.6	54.0	100.6	(8.0)
Operating Income	6.8	4.1	7.7	11.8	+5.0
Non-operating Income and Expenses	(1.6)	(2.9)	(5.2)	(8.1)	(6.5)
Ordinary Income	5.2	1.2	2.5	3.7	(1.5)
Extraordinary Income and Expenses (Note 1) / (Note 2)	0.5	(0.1)	(2.0)	(2.1)	(2.6)
Income Taxes and Minority Interests	(0.8)	(0.6)	(0.9)	(1.5)	(0.7)
Net Income	4.9	0.5	(0.4)	0.1	(4.8)
Capital Expenditure (Acceptance basis)	6.5	1.5	2.7	4.2	(2.3)
Depreciation	15.6	5.5	5.6	11.1	(4.5)
EBITDA (Note 3)	23.1	9.9	13.7	23.6	+0.5
Exchange Rate (¥/US$)	79.9	92.7	99.2	95.9	+16.0

(Note 1) Compensation income from solar business
(Note 2) Loss incurred from business restructuring
(Note 3) EBITDA = Operating Profit + Depreciation + Amortization of Goodwill

2-1. Analysis of Changes in Operating Income (1H-FY2012 Actual → 1H-FY2013 Actual)

(Billions of Yen)	1H-2012 Actual	1H-2013 Actual	Change
Net Sales	108.6	100.6	(8.0)
Operating Income	6.8	11.8	+5.0
Exchange Rate (¥/$)	79.9	95.9	+16.0

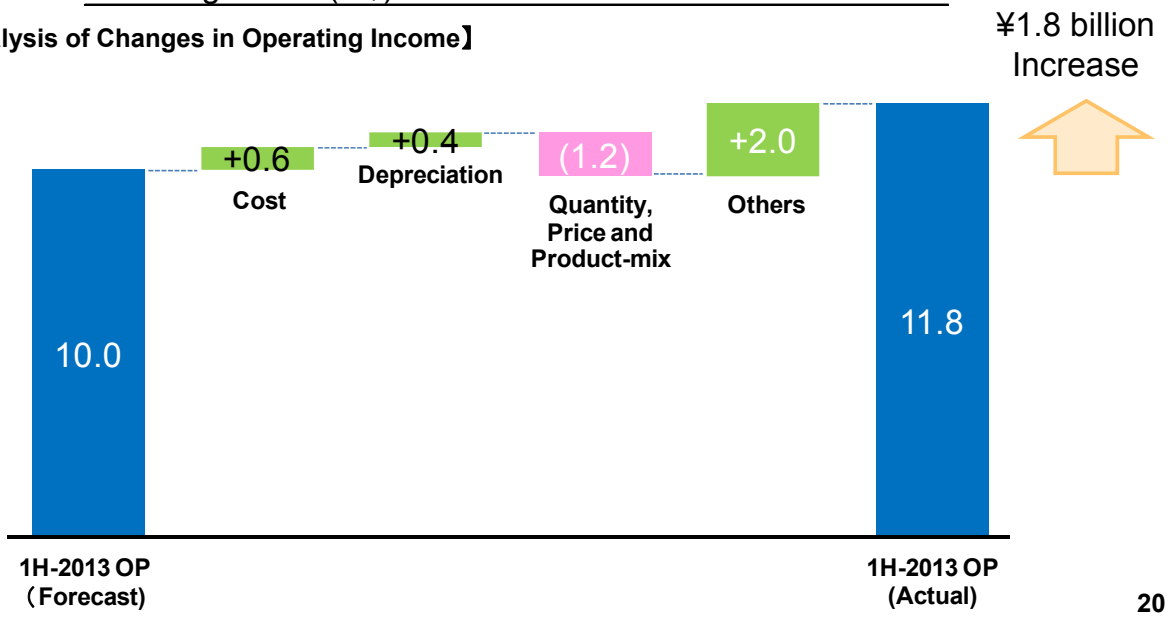
【Analysis of Changes in Operating Income】



2-2. Analysis of Changes in Operating Income (1H-FY2013 Forecast → 1H-FY2013 Actual)

(Billions of Yen)	1H-2012 Forecast	1H-2013 Actual	Change
Net Sales	100.0	100.6	+0.6
Operating Income	10.0	11.8	+1.8
Exchange Rate (¥/$)	90.0	95.9	+5.9

【Analysis of Changes in Operating Income】

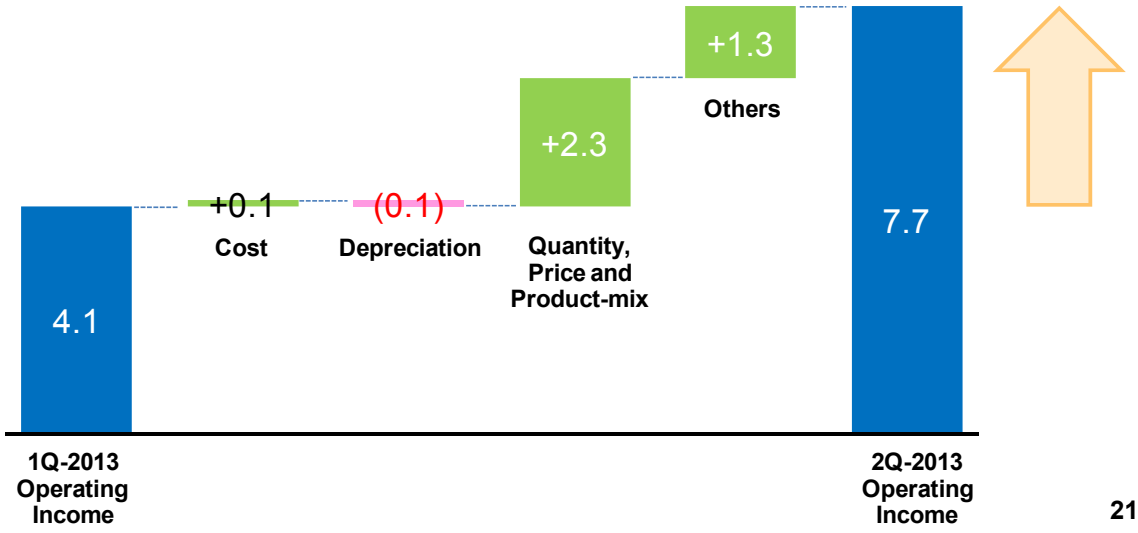


2-3. Analysis of Changes in Operating Income (1Q-FY2013 Actual → 2Q-FY2013 Actual)

(Billions of Yen)	1Q-2013 Actual	2Q-2013 Actual	Change
Net Sales	46.6	54.0	+7.4
Operating Income	4.1	7.7	+3.6
Exchange Rate (¥/$)	92.7	99.2	+6.5

【Analysis of Changes in Operating Income】

¥3.6 billion Increase



3. Consolidated Balance Sheet

■ Total Assets decreased 6.9 billion yen, Liabilities decreased 15.1 billion yen

(Billions of yen)	End of Jan-2013	End of Apr-2013	Change
Cash and time deposits	72.1	51.0	(21.1)
Inventories	113.0	132.6	+19.6
Tangible and intangible assets	197.2	194.1	(3.1)
Deferred income tax assets	6.0	6.3	+0.3
Other assets	105.0	102.4	(2.6)
Total Assets	493.3	486.4	(6.9)
Debt and borrowings	239.9	231.0	(8.9)
Other liabilities	73.1	66.9	(6.2)
Liabilities	313.0	297.9	(15.1)
Capital stock	136.6	136.6	-
Capital surplus	15.6	15.6	-
Retained earnings	16.8	15.3	(1.5)
Others	11.3	21.0	+9.7
Equity	180.3	188.5	+8.2
Shareholder's equity ratio	32.2%	33.8%	+1.6%
Equity per share (¥)	436.9	460.7	+23.8
D/E ratio (gross)	1.5	1.4	(0.1)
D/E ratio (net)	1.1	1.1	0.0

4. Consolidated Cash-Flow

- Net cash used in operating activities: 4.8 billion yen, Net cash used in investing activities: 4.7 billion yen, Free cash-flow: (9.5) billion yen

(Billions of yen)	1H-2013
IBITMI (Note)	1.6
Depreciation	11.1
Subtotal	12.7
Increase in inventories	(16.2)
Change in working capital, etc.	(1.3)
Net cash used in operating activities	(4.8)
Capital expenditure (Acceptance basis)	(4.2)
Others, net	(0.5)
Net cash used in investing activities	(4.7)
Free cash-flow	(9.5)

(Note) Income before income taxes and minority interests

FY2013 Consolidated Business Forecasts

1. FY2013 Consolidated Business Forecasts

■ Forecasts is adjusted downward due to changes in markets

(Billions of yen)	FY2013 Previous Forecast			FY2013 Revised Forecast			Change
	1H (6 months)	2H (5 months)	Total (11 months)	1H (6 months)	2H (5 months)	Total (11 months)	
Net Sales	100.0	92.0	192.0	100.6	79.4	180.0	(12.0)
Operating Income	10.0	14.0	24.0	11.8	3.2	15.0	(9.0)
Non-operating Income and Expenses	(5.0)	(3.0)	(8.0)	(8.1)	(1.9)	(10.0)	(2.0)
Ordinary Income	5.0	11.0	16.0	3.7	1.3	5.0	(11.0)
Extraordinary Income and Expenses (Note 1)	(3.0)	0.0	(3.0)	(2.1)	(0.6)	(2.7)	+0.3
Income Taxes and Minority Interests	(1.0)	(2.0)	(3.0)	(1.5)	(0.3)	(1.8)	+1.2
Net Income	1.0	9.0	10.0	0.1	0.4	0.5	(9.5)
Capital Expenditure (Acceptance basis)	4.0	5.0	9.0	4.2	4.3	8.5	(0.5)
Depreciation	11.5	10.0	21.5	11.1	9.9	21.0	(0.5)
EBITDA (Note 2)	21.5	24.0	45.5	23.6	13.9	37.5	(8.0)
Exchange Rate (¥/US$)	90.0	90.0	90.0	95.9	95.0	95.5	+5.5

(Note 1) Loss incurred from business restructuring
(Note 2) EBITDA = Operating Profit + Depreciation + Amortization of Goodwill

2. Analysis of Changes in Operating Income (FY2013 Previous Forecast → Revised Forecast)

(Billions of Yen)	Previous Forecast	Revised Forecast	Change
Net Sales	192.0	180.0	(12.0)
Operating Income	24.0	15.0	(9.0)
Exchange Rate (¥/$)	90.0	95.5	+5.5

【Analysis of Changes in Operating Income】



3. Consolidated Cash-Flow

- Net cash provided by operating activities: 0.5 billion yen, Net cash used in investing activities: 8.5 billion yen, Free cash-flow: (8.0) billion yen

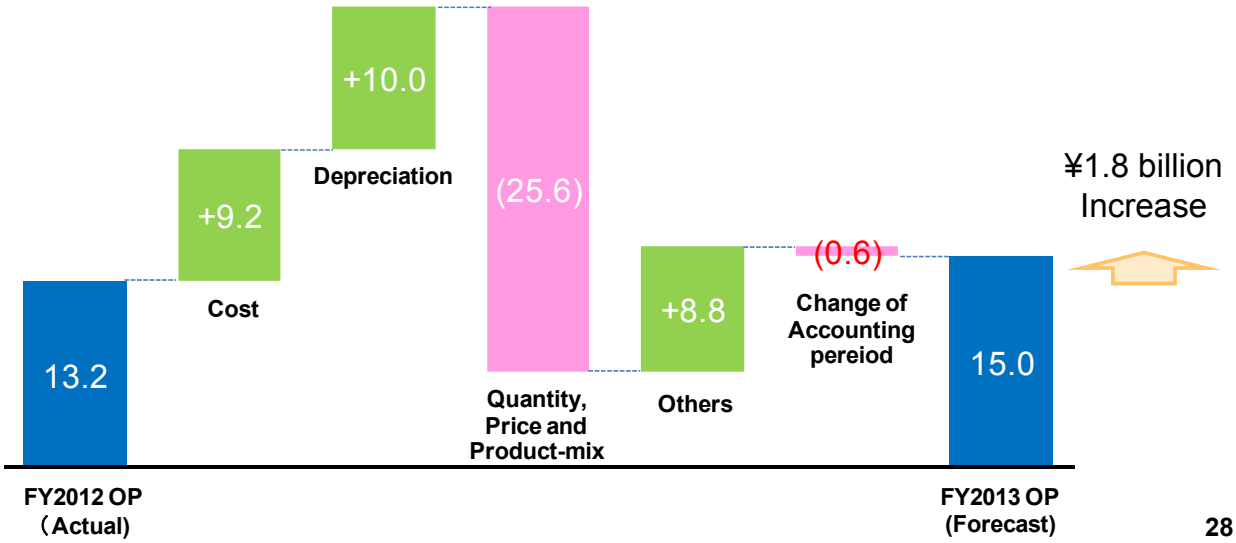
(Billions of yen)	FY2013 Previous Forecast (11 months)	FY2013 Revised Forecast (11 months)	Change
IBITMI (Note)	13.0	2.3	(10.7)
Depreciation	21.5	21.0	(0.5)
Subtotal	34.5	23.3	(11.2)
Increase in inventories	(22.0)	(26.0)	(4.0)
Change in working capital, etc.	(4.0)	3.2	7.2
Net cash provided by operating activities	8.5	0.5	(8.0)
Capital expenditure (Acceptance basis)	(9.0)	(8.5)	0.5
Others, net	1.5	0.0	(1.5)
Net cash used in investing activities	(7.5)	(8.5)	(1.0)
Free cash-flow	1.0	(8.0)	(9.0)

(Note) Income before income taxes and minority interests

4. Analysis of Changes in Operating Income (FY2012 Actual → FY2013 Revised Forecast)

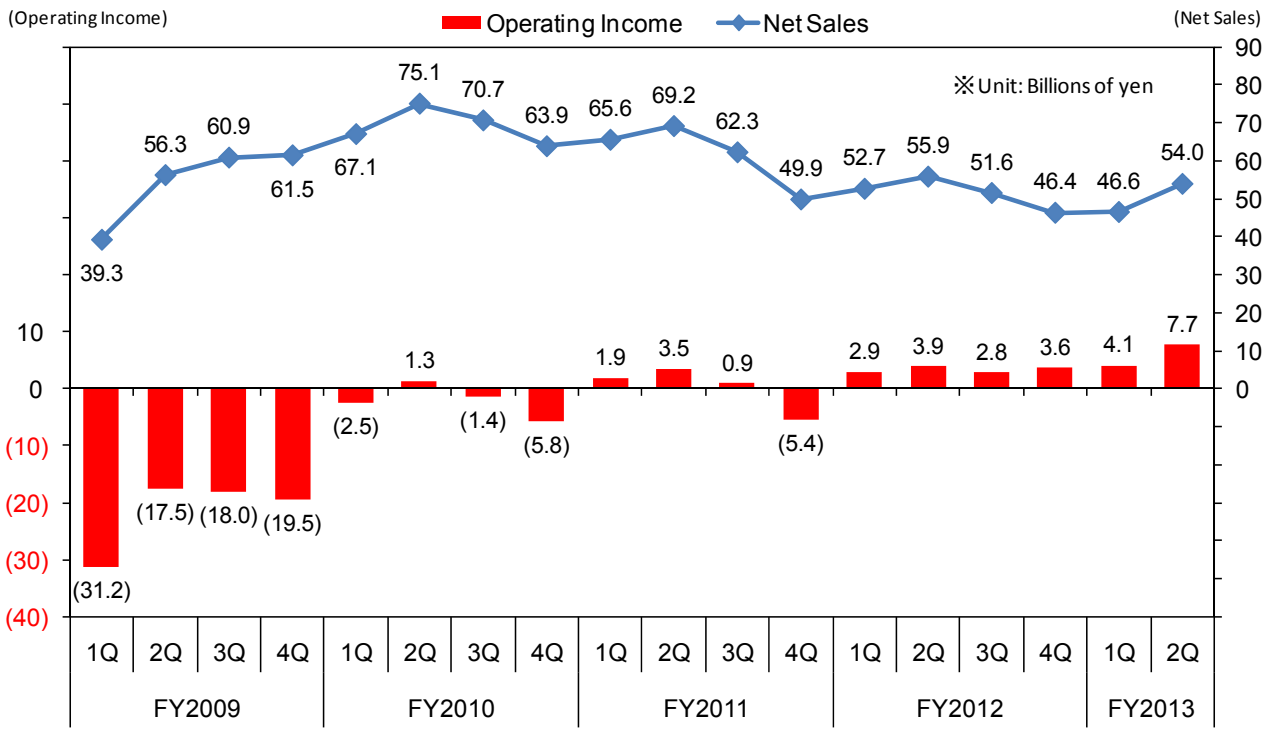
(Billions of Yen)	FY2012 Actual	FY2013 Forecast	Change
Net Sales	206.6	180.0	(26.6)
Operating Income	13.2	15.0	+1.8
Exchange Rate (¥/$)	80.1	95.5	+15.4

【Analysis of Changes in Operating Income】

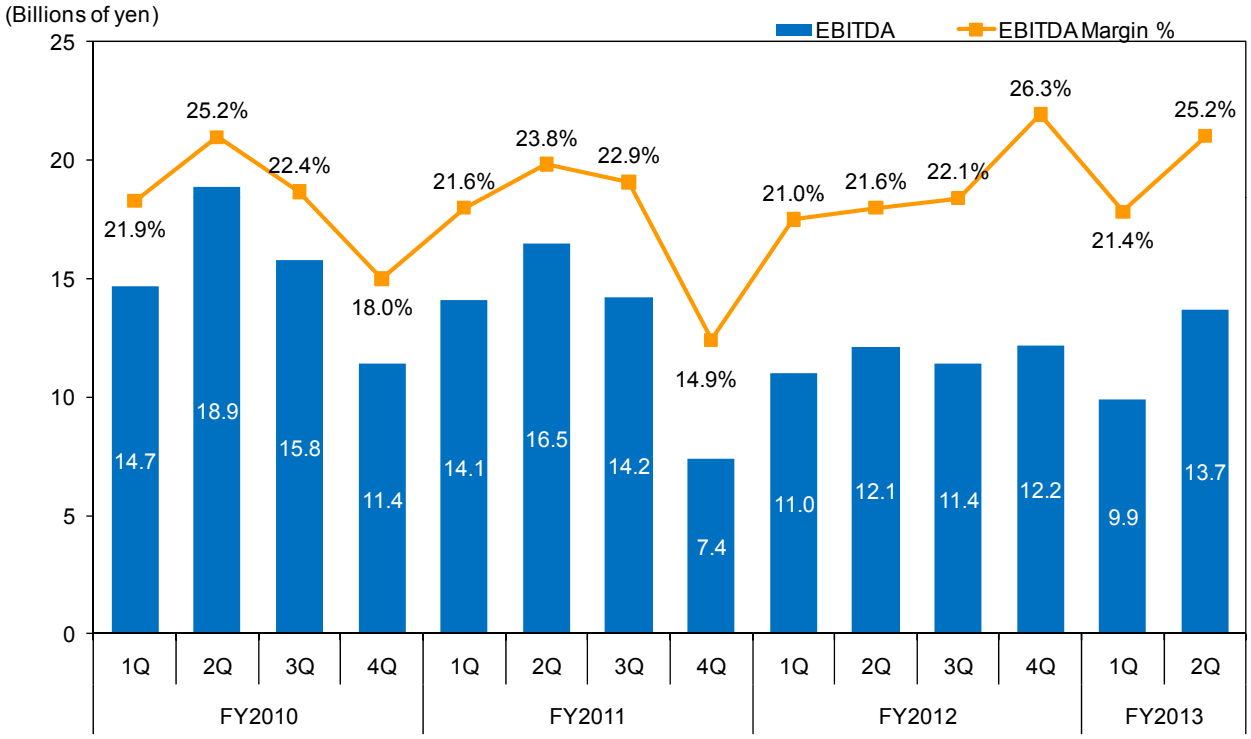


Reference Materials

Reference Materials: Quarterly Results



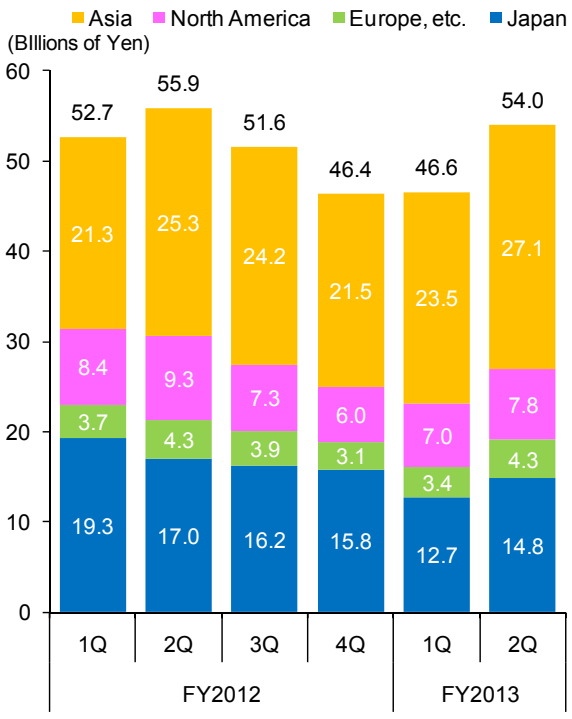
Reference Materials: EBITDA



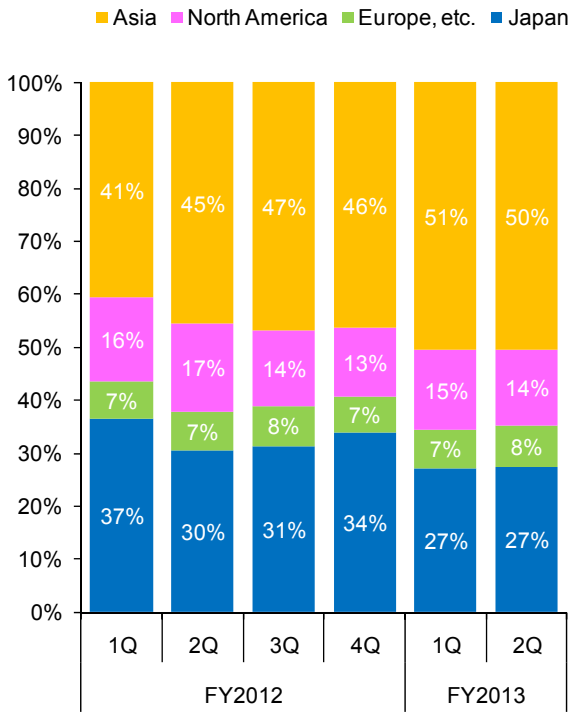
（Note）EBITDA = Operating Profit + Depreciation + Amortization of goodwill

Reference Materials: Sales Results

Changes of Sales



Sales by Region





Developing Technology to Create the Future