Results for Second Quarter of FY2014 (Ended June 30, 2014)

August 8, 2014
SUMCO Corporation
(Code: 3436)

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.



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Summary and Market Environment

Mayuki Hashimoto,
President and CEO

1. Summary

2Q-FY2014 Consolidated Business Results

(Billions of Yen)	1H-2013 Actual (Feb - Jul)	1H-2014 Actual (Jan - Jun)	Change
Net Sales	100.6	109.0	+8.4
Operating Income	11.8	12.6	+0.8
Ordinary Income	3.7	10.3	+6.6
Net Income	0.1	7.8	+7.7

3Q-FY2014 Consolidated Business Forecasts

(Billions of Yen)	3Q-2014 Actual (Feb - Oct)	3Q-2014 Forecast (Jan - Sep)	Change
Net Sales	147.3	164.0	+16.7
Operating Income	15.5	18.5	+3.0
Ordinary Income	5.6	15.0	+9.4
Net Income	0.3	11.0	+10.7

2-1. Market Environment

Market Environment in 1H-2014

✔ Demand for silicon wafers bottomed out in 3Q of FY2013 and has since been increasing. Manufacture of 300 mm and small diameter wafers was at full capacity in 2Q of FY2014.

300mm wafers

- Smartphone demand continued to grow
  - Shift from low- to mid-end products (high function, medium price)
- PCs sales bottomed out
- Demand was firm for game equipment
- Demand from data centers expanded with growing cloud computing

Smaller diameter (200mm or less)

- Demand for automotive, industrial and consumer applications was firm

Outlook

✔ 3Q demand will decrease from 2Q, but will be still firm

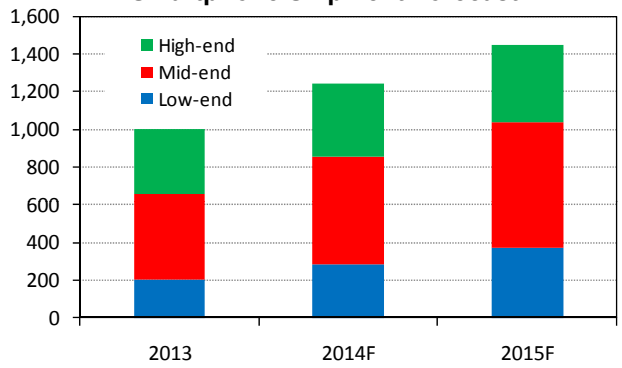
✔ Next quarter (4Q) will be monitored closely for possibility of adjustment due to seasonal fluctuation

2-2. Smartphone:

Expansion of high function and medium price range

Million units/Year

Smartphone Shipment Forecast



(Reference)

300mm Wafer Consumption for Smartphone

	2013	2014F	2015F
Million pieces / Month	1.05	1.30	1.50

300mm wafer consumption will increase to 1.5 times from 2013 to 2015. About one third of 300mm wafer is used for smartphone

・High-end (high function, high price)
- Functions continue to improve (64 bit)
- Growth rate is down but total wafer area is expanding

・New Mid-end Products

Progress of medium price range products with high functions
- Higher function requires more memory (Android4.x and later OS require DRAM:1GB, NAND:8GB)
- Increased number of Core in AP
- Equipped with main- and sub- cameras
- LTE enabled
- Wafer consumption for mid-end products is approaching high-end products

・Low-end (low function, low price)
- Limiting functions reduces wafers per unit. But consumption is up due to growing number of units sold

(Source: SUMCO estimation)

2-3. Silicon Wafer Usage for Automotive Devices

1) Silicon wafer usage for a HV/EV vehicle
About 30 square inches (average)
*1. It is greatly different by vehicle (about 15-60 square inches)
*2. Almost one third to two third of silicon wafer is used for IGBT/Diode

2) Silicon wafer usage for an internal-combustion vehicle
About 5-30 square inches
*3. It is greatly different by vehicle

Usage of 200mm or less silicon wafer

Product	Consumption (square inch / unit)	Shipment in 2013 (million unit / year)	Ratio among 200mm or less
HV/EV	30	1.8	22%
Internal-combustion	10	78	
Smartphone	0.3	1,010	8%

(Source: SUMCO estimation)

⇒ All of top 25 semiconductor companies for automotive devices are customer of SUMCO

2-4. Increase of Automotive Devices

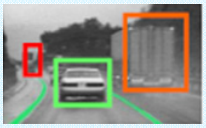
Apple CarPlay
Google OAA
Nokia Mirror Link

Starting alliance among vehicle and smartphone

Multimedia
MOSFET, Analog IC, Power IC
Navigation System
ETC System
Audio System

Body Control
MOSFET, IGBT, Power IC
Air-conditioning Sys.
Air-bag System
Acceleration Sensor
Lamp Control
Security System

Advanced Driver Assistance System





Power-train Control
Pressure Sensor, Power IC
Engine Control System
Gas & Diesel Vehicle
HEV Motor Control
IGBT Module, IPM, Drive IC
Transmission Control Sys.
Power IC

ECU
(Electronic Control Unit)

Safety Control
Pressure Sensor, MOSFET, Power IC
Antiskid Brake System
Power Steering Control System
Electronic Brake Control System
Traction Control System

・Integrated control
・Higher reliability standards following stricter safety standards

Micro-computer power consumption has become an issue with growing use in cars
→Lowering power consumption:
Miniaturization and shift to 300mm wafers

2Q-FY2014
Consolidated Business Results

Michiharu Takii,
Executive Vice President and CFO

1. Summary of Consolidated Business Results

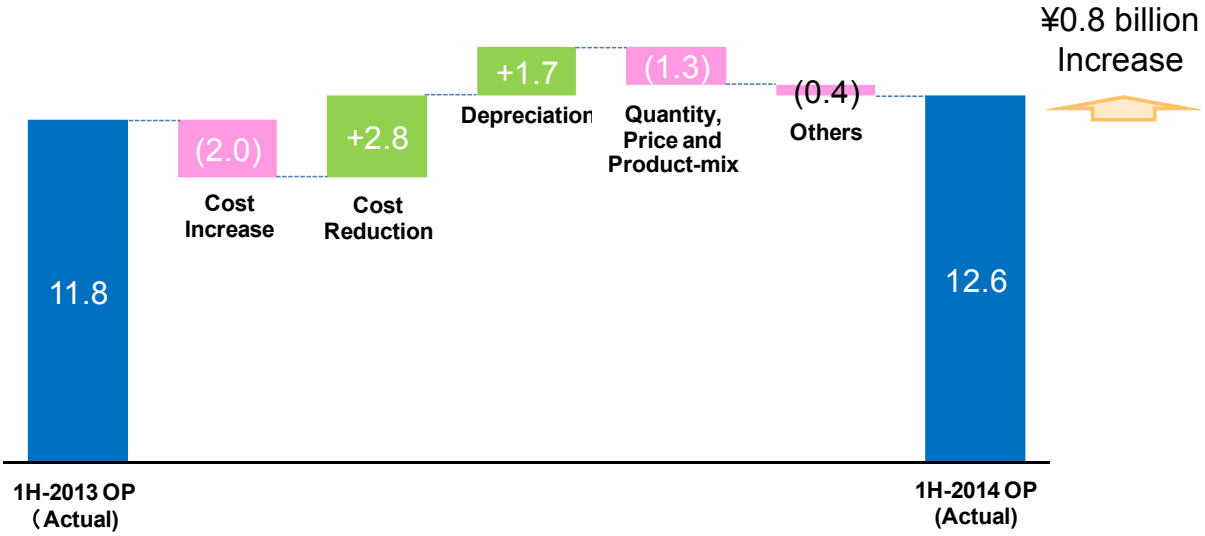
(Billions of yen)	1H-2013 (Feb-Jul)	1H-2014 1Q	1H-2014 2Q	1H-2014 Total (Jan-Jun)	Change
Net Sales	100.6	50.9	58.1	109.0	+8.4
Operating Income	11.8	5.0	7.6	12.6	+0.8
Non-operating Income and Expenses	(8.1)	(1.0)	(1.3)	(2.3)	+5.8
Ordinary Income	3.7	4.0	6.3	10.3	+6.6
Extraordinary Income and Expenses (Note 1)	(2.1)	-	-	-	+2.1
Income Taxes and Minority Interests	(1.5)	(1.2)	(1.3)	(2.5)	(1.0)
Net Income	0.1	2.8	5.0	7.8	+7.7
Capital Expenditure (Acceptance basis)	4.2	2.5	2.0	4.5	+0.3
Depreciation	11.1	4.7	4.5	9.2	(1.9)
EBITDA (Note 2)	23.6	10.1	12.5	22.6	(1.0)
Exchange Rate (¥/US$)	95.9	103.2	102.4	102.7	+6.8

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

2. Analysis of Changes in Operating Income (1H-FY2013 → 1H-FY2014)

(Billions of Yen)	1H-2013 (Feb-Jul)	1H-2014 (Jan-Jun)	Change
Net Sales	100.6	109.0	+8.4
Operating Income	11.8	12.6	+0.8
Exchange Rate (¥/$)	95.9	102.7	+6.8

【Analysis of Changes in Operating Income】



3. Consolidated Balance Sheet

(Billions of yen)	End of Dec-2013	End of Jun-2014	Change
Cash and time deposits	62.8	62.5	(0.3)
Inventories	142.6	141.9	(0.7)
Tangible and intangible assets	189.6	181.9	(7.7)
Deferred income tax assets	5.7	4.8	(0.9)
Other assets	97.8	96.4	(1.4)
Total Assets	498.5	487.5	(11.0)
Debt and borrowings	238.8	232.0	(6.8)
Other liabilities	64.9	56.0	(8.9)
Liabilities	303.7	288.0	(15.7)
Capital stock	136.6	136.6	-
Capital surplus	15.6	15.6	-
Retained earnings	15.9	22.4	+6.5
Others	26.7	24.9	(1.8)
Equity	194.8	199.5	+4.7
Shareholders' equity ratio	33.7%	35.5%	+1.8%
Equity per share (¥)	473.4	494.0	+20.6
D/E ratio (gross)	1.4	1.3	(0.1)
D/E ratio (net)	1.0	1.0	0.0

4. Consolidated Cash-Flow

(Billions of yen)	1H-FY2014 Actual
Income before income taxes and minority interests	10.3
Depreciation	9.2
Subtotal	19.5
Increase in inventories	1.7
Changes in working capital, etc.	(9.5)
Net cash provided by operating activities	11.7
Capital expenditure (Acceptance basis)	(4.5)
Others, net	0.8
Net cash used in investing activities	(3.7)
Free cash-flow	8.0

3Q-FY2014
Consolidated Business Forecasts

1. 3Q-FY2014 Consolidated Business Forecasts

(Billions of yen)	3Q-2013 (Feb-Oct)	3Q-2014 1Q Actual	3Q-2014 2Q Actual	3Q-2014 3Q FCST	3Q-2014 Total (Jan-Sep)	Change
Net Sales	147.3	50.9	58.1	55.0	164.0	+16.7
Operating Income	15.5	5.0	7.6	5.9	18.5	+3.0
Non-operating Income and Expenses	(9.9)	(1.0)	(1.3)	(1.2)	(3.5)	+6.4
Ordinary Income	5.6	4.0	6.3	4.7	15.0	+9.4
Extraordinary Income and Expenses (Note 1)	(2.6)	-	-	-	-	+2.6
Income Taxes and Minority Interests	(2.7)	(1.2)	(1.3)	(1.5)	(4.0)	(1.3)
Net Income	0.3	2.8	5.0	3.2	11.0	+10.7
Capital Expenditure (Acceptance basis)	5.9	2.5	2.0	3.0	7.5	+1.6
Depreciation	16.7	4.7	4.5	4.8	14.0	(2.7)
EBITDA (Note 2)	33.3	10.1	12.5	10.9	33.5	+0.2
Exchange Rate (¥/US$)	96.5	103.2	102.4	102.0	102.5	+6.0

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

2. Analysis of Changes in Operating Income (2Q-FY2014 Actual → 3Q-FY2014 Forecast)

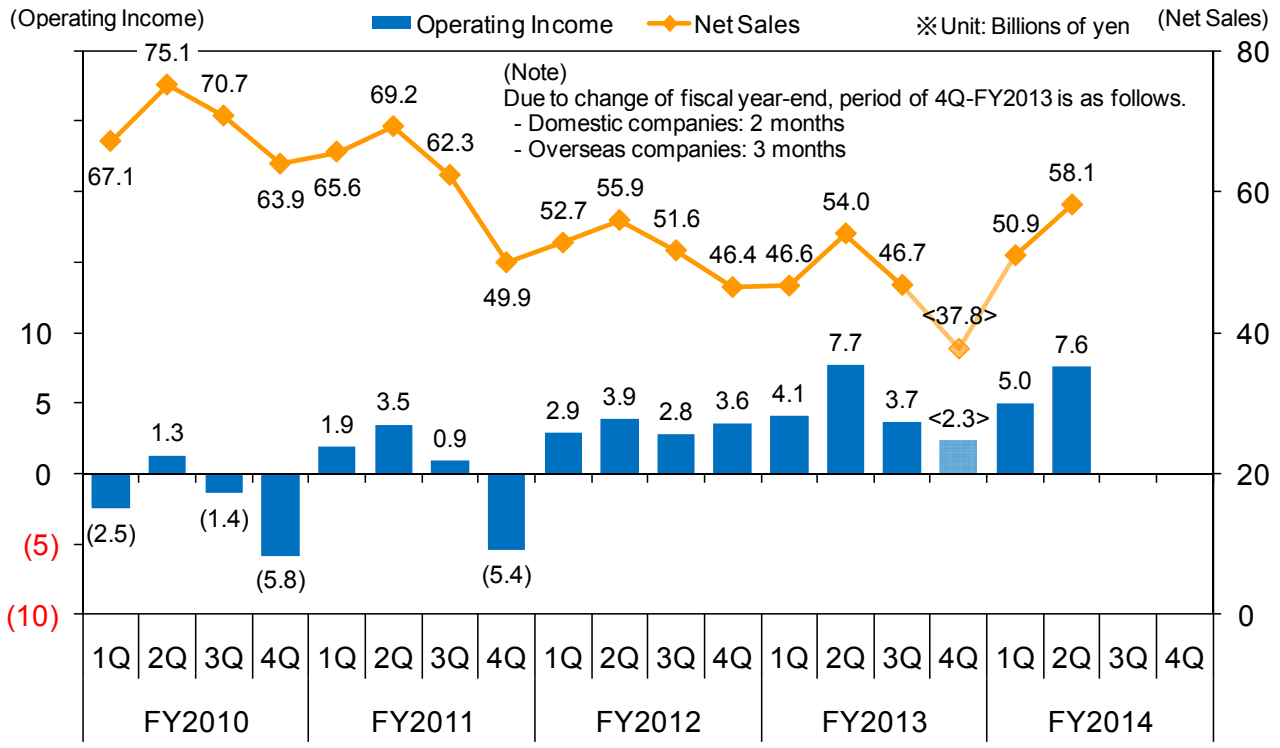
(Billions of Yen)	2Q-FY2014 Actual	3Q-FY2014 Forecast	Change
Net Sales	58.1	55.0	(3.1)
Operating Income	7.6	5.9	(1.7)
Exchange Rate (¥/$)	102.4	102.0	(0.4)

【Analysis of Changes in Operating Income】

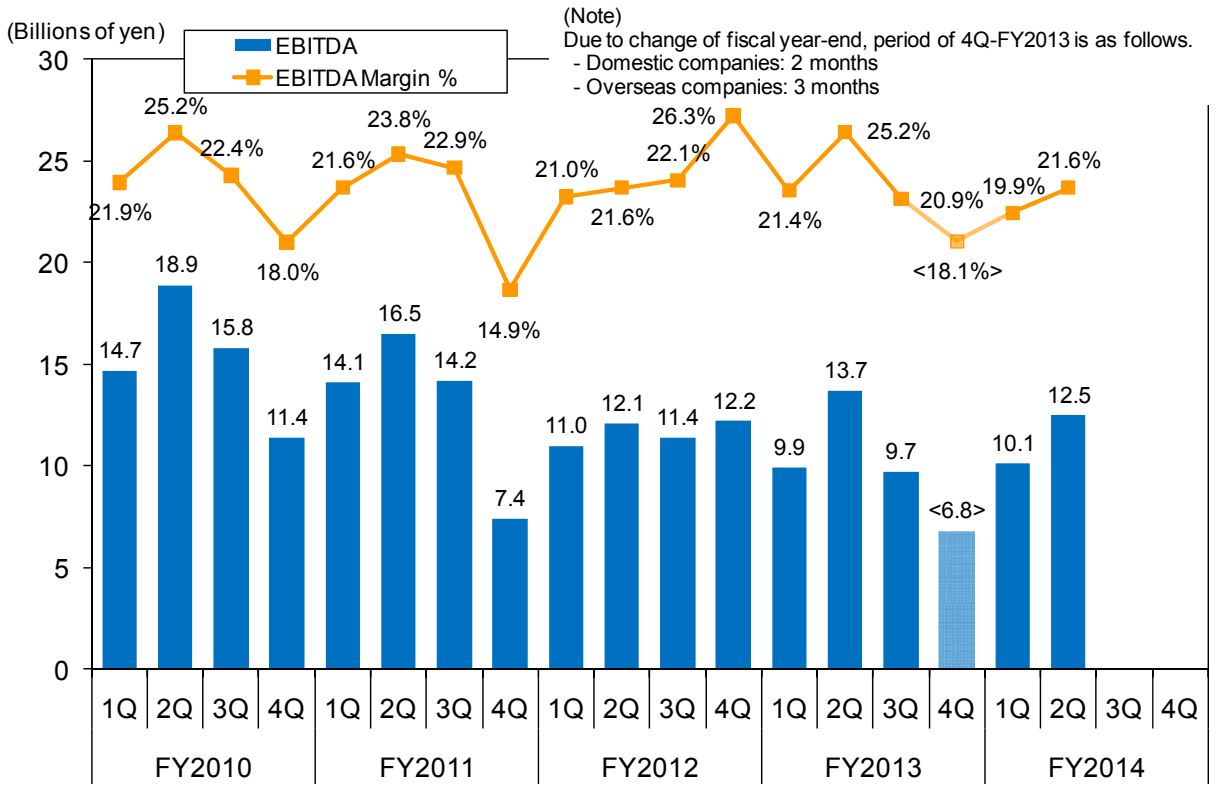


Reference Materials

Reference Materials: Quarterly Results



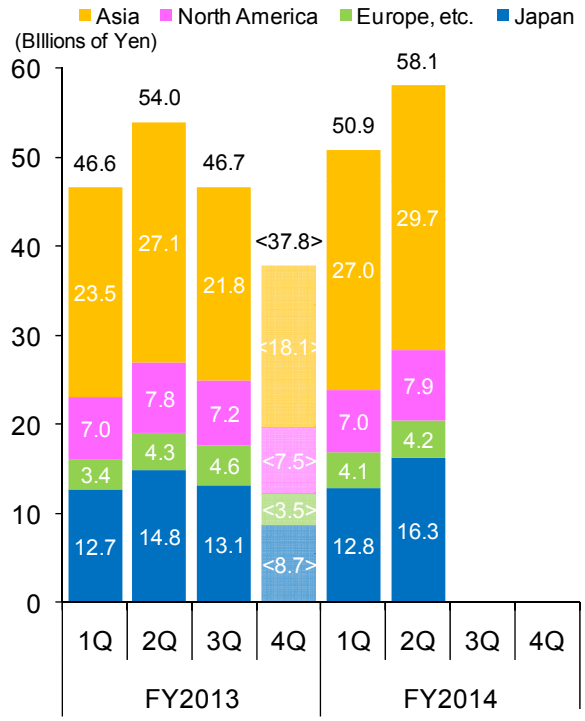
Reference Materials: EBITDA



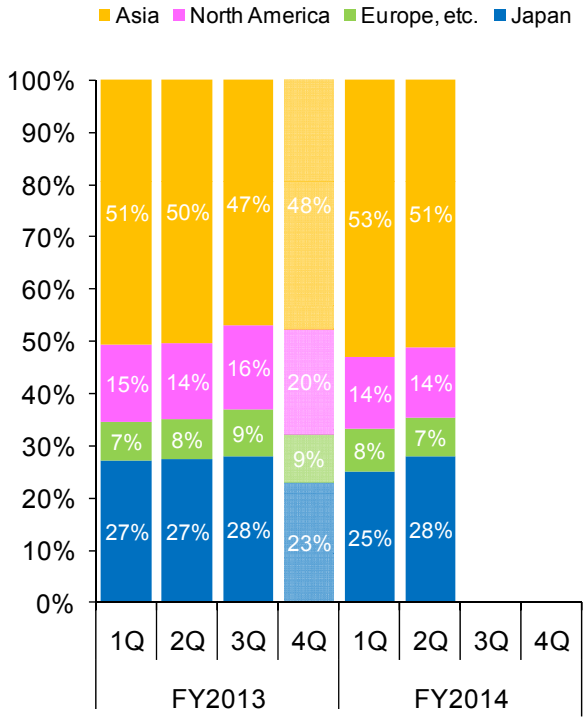
（Note）EBITDA = Operating Income + Depreciation + Amortization of goodwill

Reference Materials: Sales Results

Changes of Sales



Sales by Region



(Note) Due to change of fiscal year-end, period of 4Q-FY2013 is as follows.
- Domestic companies: 2 months
- Overseas companies: 3 months

URL http://www.sumcosi.com/