Results for Third Quarter of FY2016 (Ended September 30, 2016)

November 10, 2016
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 (which includes our subjective judgment) 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
Representative Director,
Chairman & CEO

1-1. Summary

3Q-2016 Consolidated Business Results

(Billions of Yen)

	2Q-2016 Actual	3Q-2016 Actual	Change
Net Sales	51.5	52.2	+0.7
Operating Income	2.5	2.4	(0.1)
Ordinary Income	1.7	1.3	(0.4)
Net Income (Note)	0.8	1.1	+0.3
Exchange Rate (Yen/US$)	111.1	103.5	(7.6)

4Q-2016 Consolidated Business Forecasts

(Billions of Yen)

	3Q-2016 Actual	4Q-2016 Forecast	Change
Net Sales	52.2	53.1	+0.9
Operating Income	2.4	4.0	+1.6
Ordinary Income	1.3	3.4	+2.1
Net Income (Note)	1.1	2.6	+1.5
Exchange Rate (Yen/US$)	103.5	104.0	+0.5

(Note) Net income attributable to owners of the parent

1-2. Dividend Payments (Forecast)

		FY2012 (Jan 13)	FY2013 (Dec 13) (11 months)	FY2014 (Dec 14)	FY2015 (Dec 15)	FY2016 (Dec 16)
Dividends per share for common stocks (Yen)	Interim	-	-	-	10.0	**5.0**
	Year-end	2.0	1.0	4.0	10.0	(FCST) **5.0**
	Total	2.0	1.0	4.0	20.0	(FCST) **10.0**
Dividends payments (Billions of Yen)	Common stock	0.5	0.2	1.0	5.8	(FCST) **2.9**
	Class A share	1.1	1.0	1.1	(Note 2) -	**-**
	Total	1.6	1.2	2.1	5.8	(FCST) **2.9**
Dividend ratio (%)		22.4%	(Note 1) -	6.8%	28.5%	(FCST) **48.9%**

(Note 1) Dividend ratio in FY2013 is not described due to net loss per share for common stocks.

(Note 2) Since Class A shares were canceled in May 2015, no dividend for class A shares occurred in FY2015 and after.

2-1. Market Environment

3Q-2016

✔ 300mm: Operated at full capacity (requested customers for delivery date extension)
Continued strong demand mainly for smartphone and data centers

✔ 200mm and smaller: Automobile-related demand solid; recovery for consumer and industrial to last year's peak levels

4Q-2016 OUTLOOK

With customers showing stronger buying intention than in 3Q, inventory adjustment not expected

✔ 300mm: Full-capacity operation to continue (further adjustments being made to order volume, as will be difficult to meet demands even by delaying scheduled maintenance)

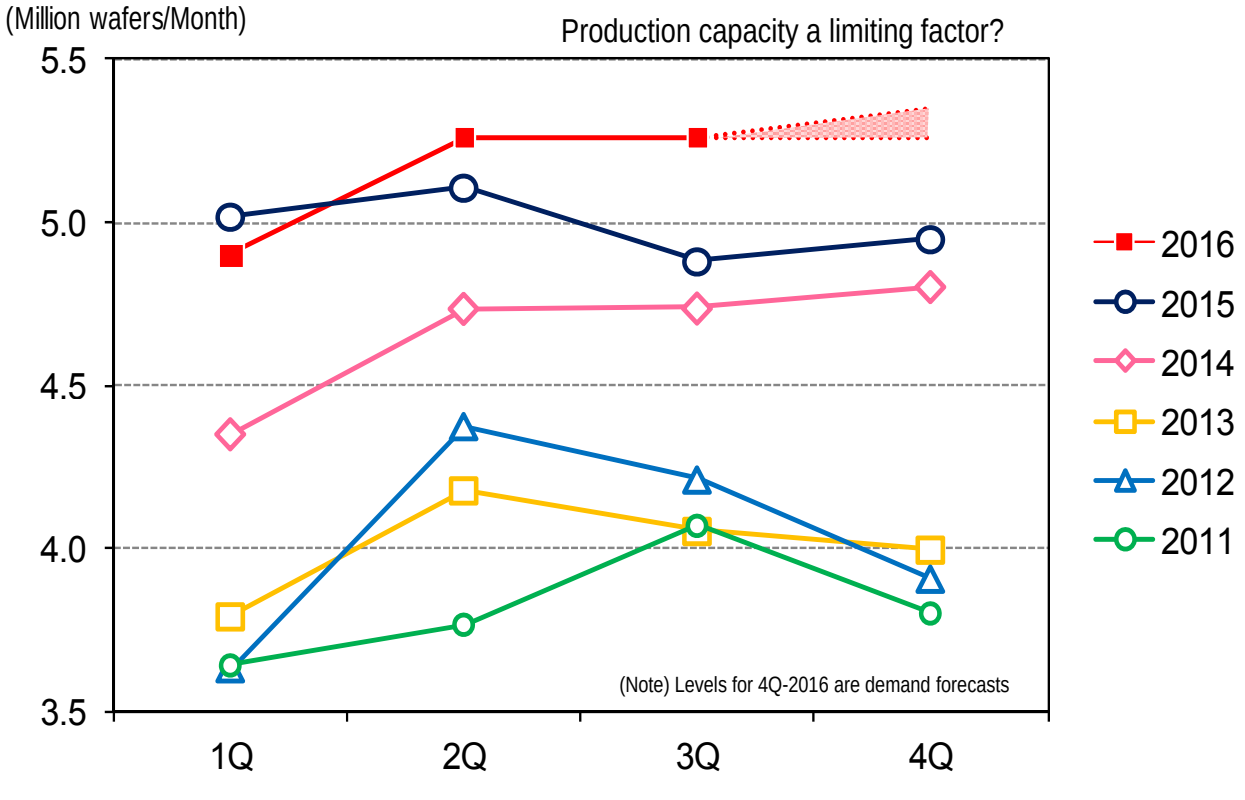
✔ 200mm and smaller: On a growth trajectory, as not only automobile-related demand but applications to IoT, etc. are rising (200 mm production at full capacity)

PRICING

✔ 300mm: 2H prices stable
(We have begun talks with customers on volume adjustment and price recovery for 2017, which are gradually finding acceptance)

✔ 200mm and smaller: Prices stable

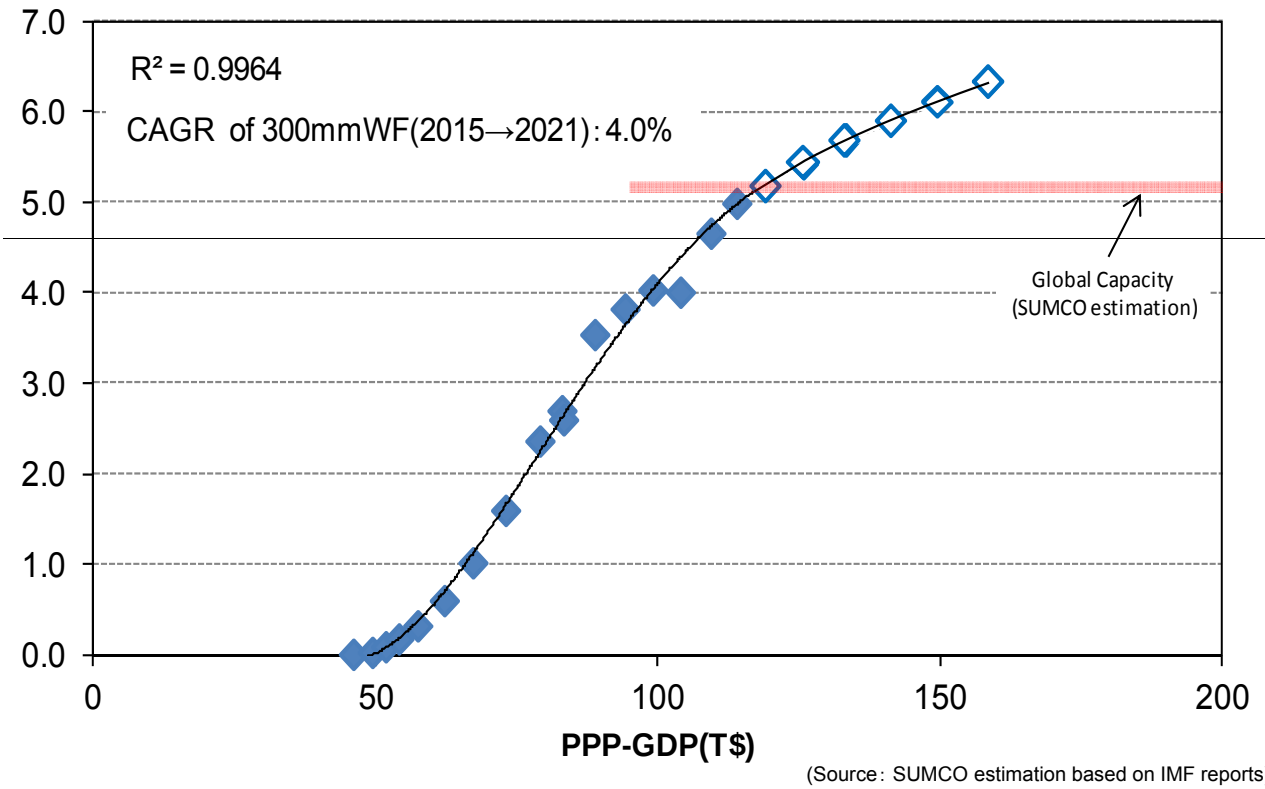
2-2. 300mm Wafer Trend Forecast



(Source: SUMCO estimation)

2-3. 300mm Wafer Forecast based on PPP-GDP

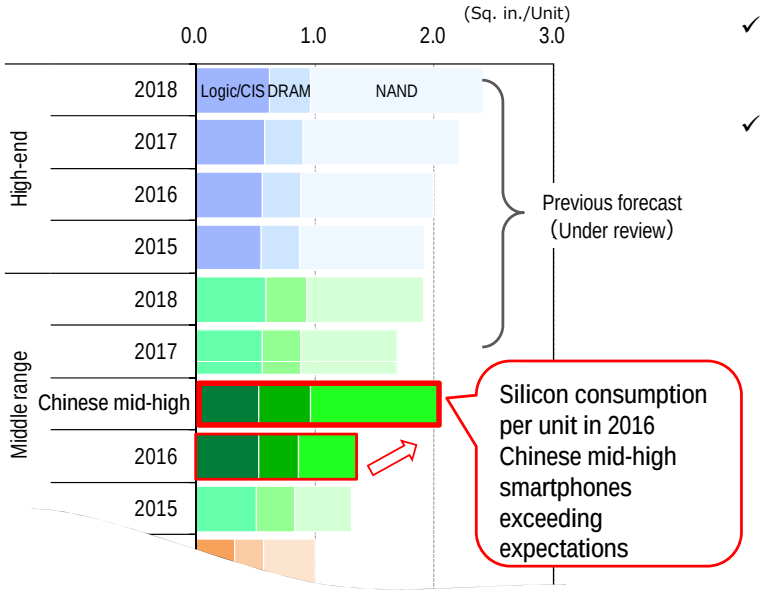
(Million wafers/Month)



(Source: SUMCO estimation based on IMF reports)

3-1. Rise in Wafer Demand

< Silicon Consumption for Chinese Smartphone >



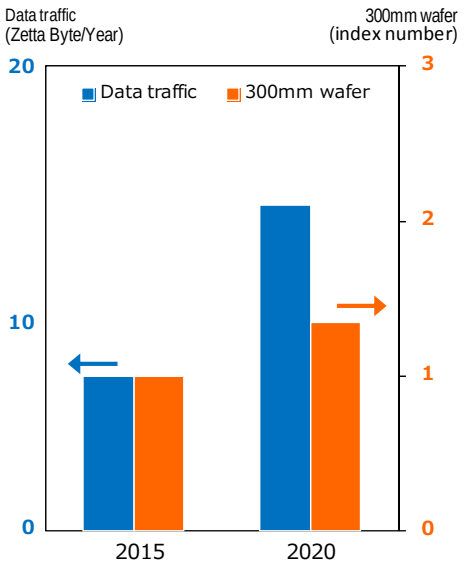
Changes in Previous Forecast (Sq.in./Unit)

Silicon Area	Logic/CIS	DRAM	NAND	Total
Previous forecast	0.5	0.3	**0.5**	**1.4**
Current forecast	0.5	0.4	**1.1**	**2.0**
Ratio	—	1.4x	**2.1x**	**1.5x**

Big increase in memory size with 4GB DRAM and 128GB NAND adoption

< Increase in Wafer demand for NAND >

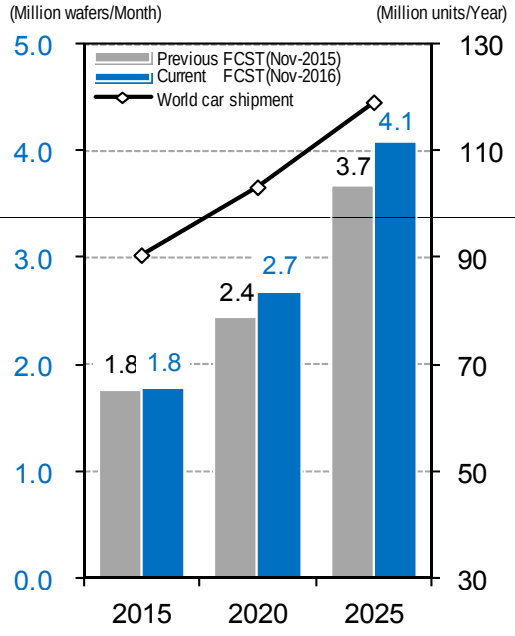
- ✓ Increased communication volume
  - More Communication Application and Faster Networks
  - Storage; HDD to NAND
- ✓ 300mm wafer demand growth



(Source: SUMCO estimation based on research reports)

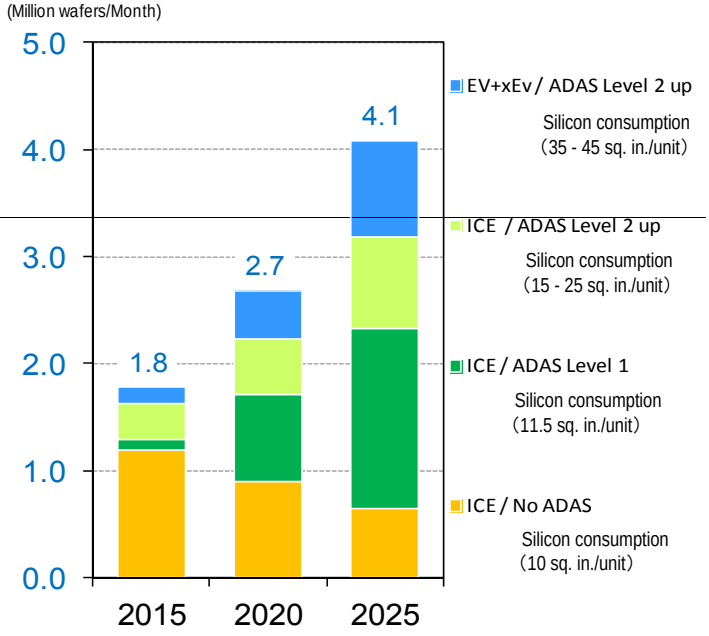
3-2. Demand Forecast for Automotive

1. Wafer Forecast (200mm equivalent)



(Note 1) Source: SUMCO estimation based on car shipment numbers given in IEA / ETP 2012

2. Breakdown by Engine Type/ADAS Level



(Note 2) ADAS / Automation Level 1 : Execution of Acceleration or Steering or Breaking
ADAS / Automation Level 2 up : 2: Combined functions,
3: Semi-automation, 4: Full automation

(Source: SUMCO estimation based on research reports)

3Q-2016
Consolidated Business Results

Michiharu Takii
Representative Director,
President & COO

4-1. Summary of Consolidated Business Results

(Billions of Yen)

	3Q-2015 Actual	3Q-2016 Actual				Change
		1Q	2Q	3Q	Total	
Net sales	181.9	51.7	51.5	52.2	155.4	(26.5)
Operating income	25.5	3.6	2.5	2.4	8.5	(17.0)
Non-operating income and expenses	(3.3)	(1.0)	(0.8)	(1.1)	(2.9)	+0.4
Ordinary income	22.2	2.6	1.7	1.3	5.6	(16.6)
Extraordinary income and expenses	-	-	-	-	-	-
Income taxes	(6.5)	(1.1)	(0.9)	(0.2)	(2.2)	+4.3
Net income attributable to owners of the parent	15.7	1.5	0.8	1.1	3.4	(12.3)
Capital expenditure (Acceptance basis)	10.4	6.2	4.6	2.4	13.2	+2.8
Depreciation	16.0	5.0	5.2	5.7	15.9	(0.1)
EBITDA (Note)	42.7	9.0	8.2	8.5	25.7	(17.0)
Exchange rate (Yen/US$)	120.9	118.3	111.1	103.5	110.7	(10.2)
Operating margin (%)	14.0%	7.0%	5.0%	4.6%	5.5%	(8.5%)
EBITDA margin (%)	23.5%	17.4%	16.0%	16.2%	16.5%	(7.0%)
ROE (%)	10.7%	3.0%	1.4%	2.2%	2.2%	(8.5%)
Net income per share (Yen)	56.56	5.37	2.49	3.81	11.67	(44.89)

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

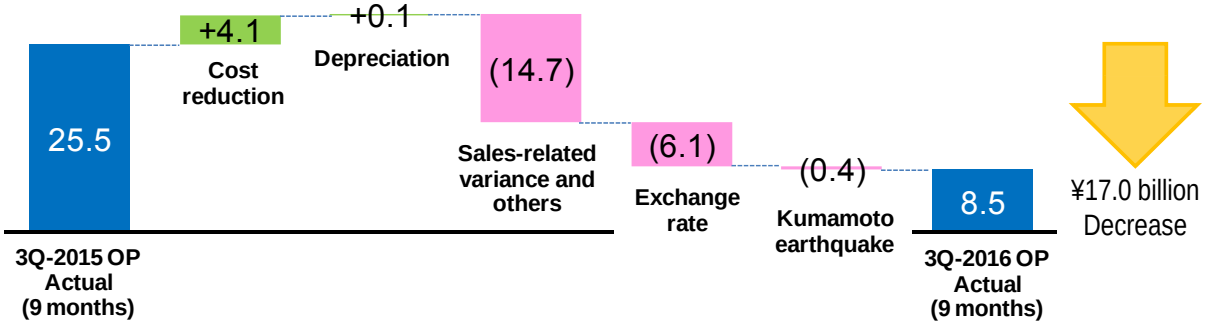
4-2. Analysis of Changes in Operating Income

■ 3Q-2015 Actual → 3Q-2016 Actual

(Billions of Yen)

	3Q-2015 ACT (9 months)	3Q-2016 ACT (9 months)	Change
Net Sales	181.9	155.4	(26.5)
Operating Income	25.5	8.5	(17.0)
Exchange Rate (Yen/US$)	120.9	110.7	(10.2)

【Analysis of Changes in Operating Income】



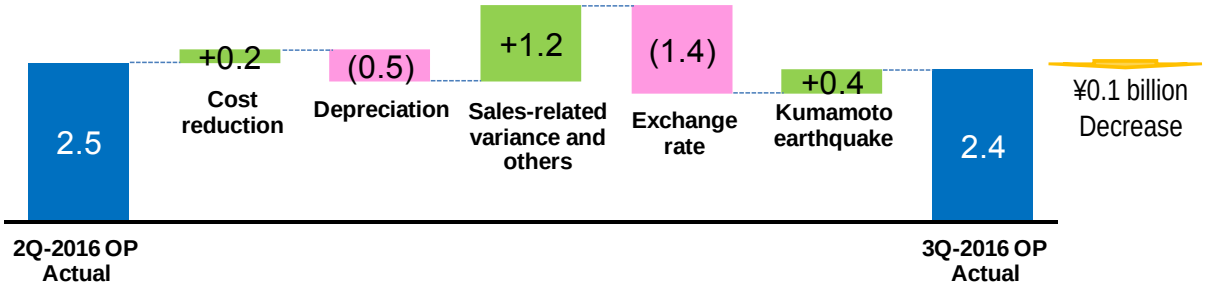
4-3. Analysis of Changes in Operating Income

■ 2Q-2016 Actual → 3Q-2016 Actual

(Billions of Yen)

	2Q-2016 Actual	3Q-2016 Actual	Change
Net Sales	51.5	52.2	+0.7
Operating Income	2.5	2.4	(0.1)
Exchange Rate (Yen/US$)	111.1	103.5	(7.6)

【Analysis of Changes in Operating Income】



4-4. Consolidated Balance Sheet

(Billions of Yen)

	End of Dec-2015	End of Sep-2016	Change
Cash and time deposits	46.9	42.0	(4.9)
Finished products and WIP	29.4	26.5	(2.9)
Raw materials and supplies	134.2	145.1	+10.9
Tangible and intangible assets	172.5	162.8	(9.7)
Deferred income tax assets	6.7	5.2	(1.5)
Other assets	100.1	93.0	(7.1)
Total Assets	489.8	474.6	(15.2)
Debt and borrowings	180.3	179.7	(0.6)
Other liabilities	65.0	63.4	(1.6)
Liabilities	245.3	243.1	(2.2)
Capital stock	138.7	138.7	-
Capital surplus	23.3	23.3	-
Retained earnings	48.5	47.5	(1.0)
Others	34.0	22.0	(12.0)
Equity	244.5	231.5	(13.0)
Shareholders' equity ratio	43.2%	42.7%	(0.5%)
Equity per share (Yen)	721.8	690.8	(31.0)
D/E ratio (gross)	0.9x	0.9x	0.0x
D/E ratio (net)	0.6x	0.7x	0.1x

4-5. Consolidated Cash-Flow

(Billions of Yen)

	3Q-2016 (9 months)
Income before income taxes	5.6
Depreciation	15.9
Subtotal	21.5
Increase in inventories	(7.6)
Changes in working capital, etc.	7.4
Net cash provided by operating activities	21.3
Capital expenditure (Acceptance basis)	(13.2)
Others, net	(1.4)
Net cash used in investing activities	(14.6)
Free cash-flow	6.7

FY2016
Consolidated Business Forecasts

5-1. FY2016 Consolidated Business Forecasts

(Billions of Yen)

	FY2015 Actual	FY2016 Forecast					Change
		1Q Actual	2Q Actual	3Q Actual	4Q FCST	Total	
Net sales	236.8	51.7	51.5	52.2	53.1	208.5	(28.3)
Operating income	29.4	3.6	2.5	2.4	4.0	12.5	(16.9)
Non-operating income and expenses	(3.9)	(1.0)	(0.8)	(1.1)	(0.6)	(3.5)	+0.4
Ordinary income	25.5	2.6	1.7	1.3	3.4	9.0	(16.5)
Extraordinary income and expenses	(1.7)	-	-	-	-	-	+1.7
Income taxes	(4.1)	(1.1)	(0.9)	(0.2)	(0.8)	(3.0)	+1.1
Net income attributable to owners of the parent	19.7	1.5	0.8	1.1	2.6	6.0	(13.7)
Capital Expenditure (Acceptance basis)	15.7	6.2	4.6	2.4	4.8	18.0	+2.3
Depreciation	21.7	5.0	5.2	5.7	6.1	22.0	+0.3
EBITDA (Note)	52.8	9.0	8.2	8.5	10.3	36.0	(16.8)
Exchange Rate (Yen/US$)	121.0	118.3	111.1	103.5	104.0	109.0	(12.0)
Operating Margin (%)	12.4%	7.0%	5.0%	4.6%	7.5%	6.0%	(6.4%)
EBITDA Margin (%)	22.3%	17.4%	16.0%	16.2%	19.4%	17.3%	(5.0%)
ROE (%)	10.0%	3.0%	1.4%	2.2%	5.1%	2.9%	(7.1%)
Net Income per Share (Yen)	70.06	5.37	2.49	3.81	8.79	20.46	(49.60)

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

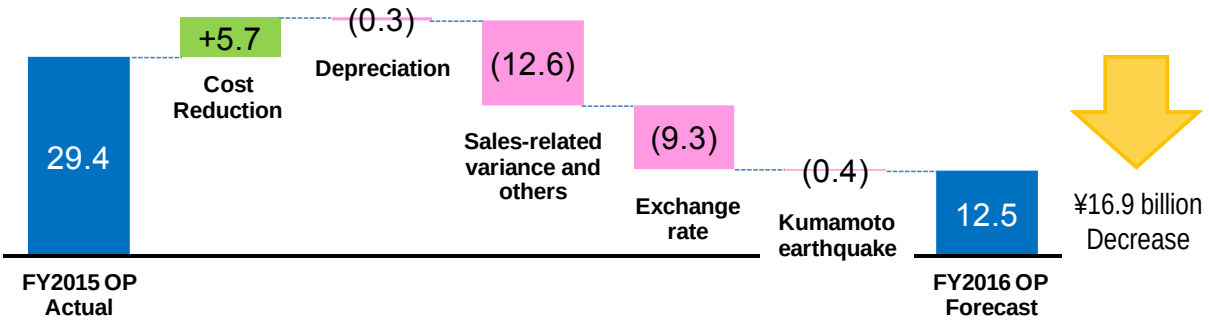
5-2. Analysis of Changes in Operating Income

■ FY2015 Actual → FY2016 Forecast

(Billions of Yen)

	FY2015 Actual	FY2016 Forecast	Change
Net Sales	236.8	208.5	(28.3)
Operating Income	29.4	12.5	(16.9)
Exchange Rate (Yen/US$)	121.0	109.0	(12.0)

【Analysis of Changes in Operating Income】



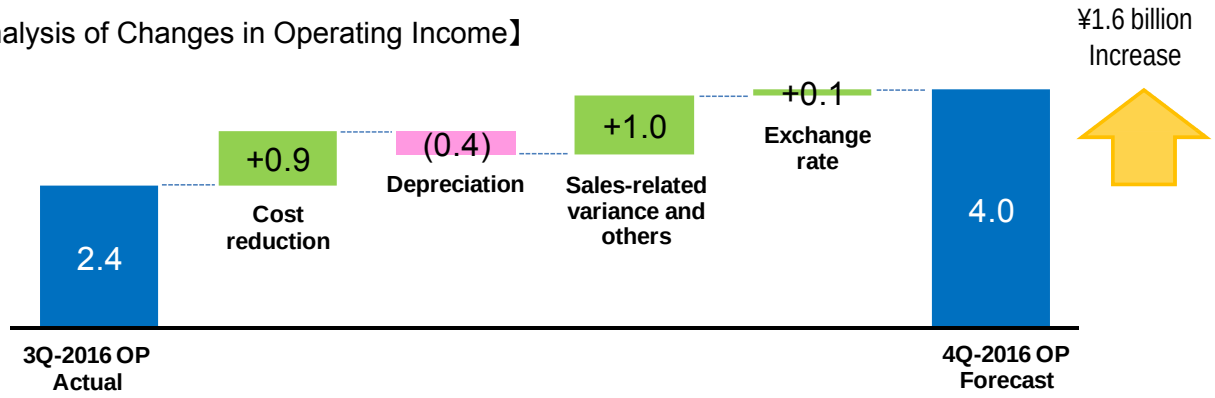
5-3. Analysis of Changes in Operating Income

■ 3Q-2016 Actual → 4Q-2016 Forecast

(Billions of Yen)

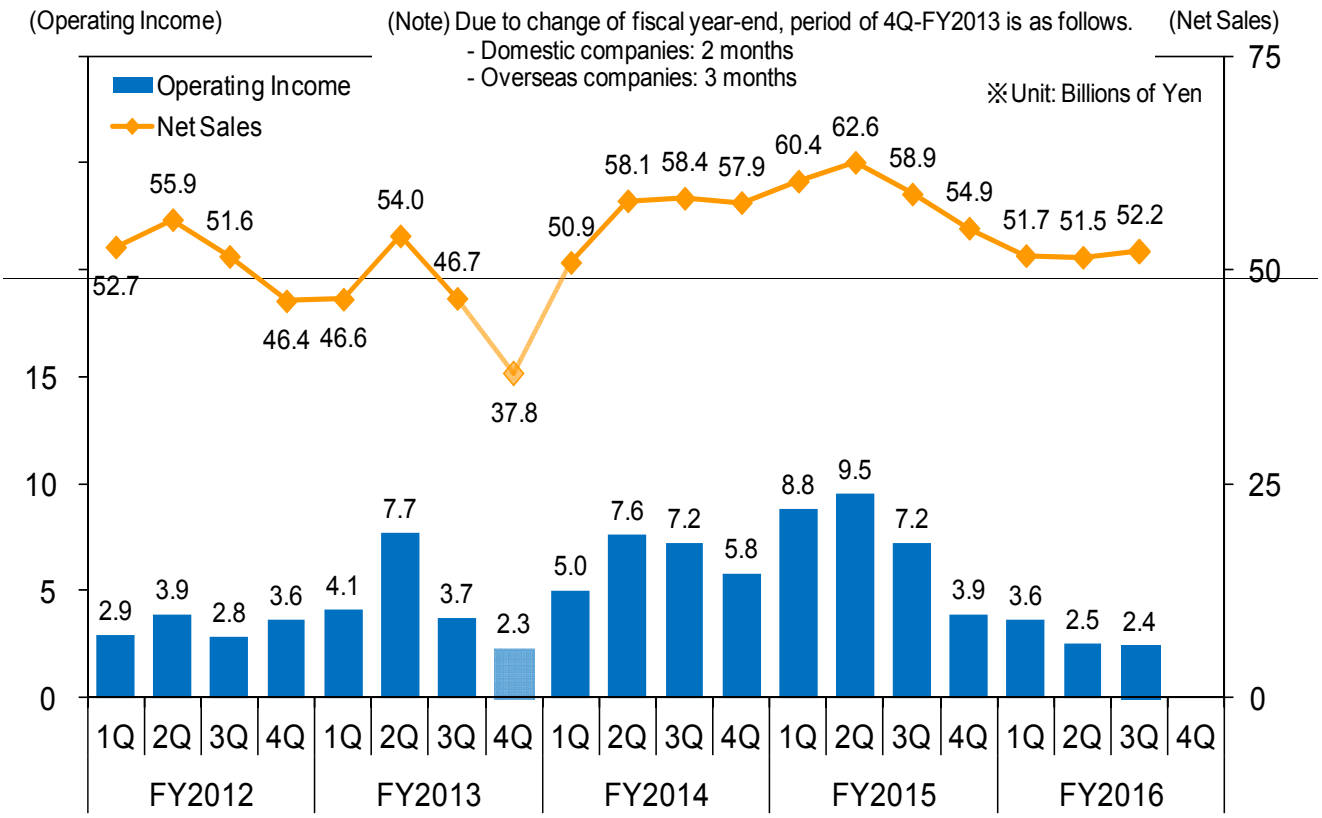
	3Q-2016 Actual	4Q-2016 Forecast	Change
Net Sales	52.2	53.1	+0.9
Operating Income	2.4	4.0	+1.6
Exchange Rate (Yen/US$)	103.5	104.0	+0.5

【Analysis of Changes in Operating Income】

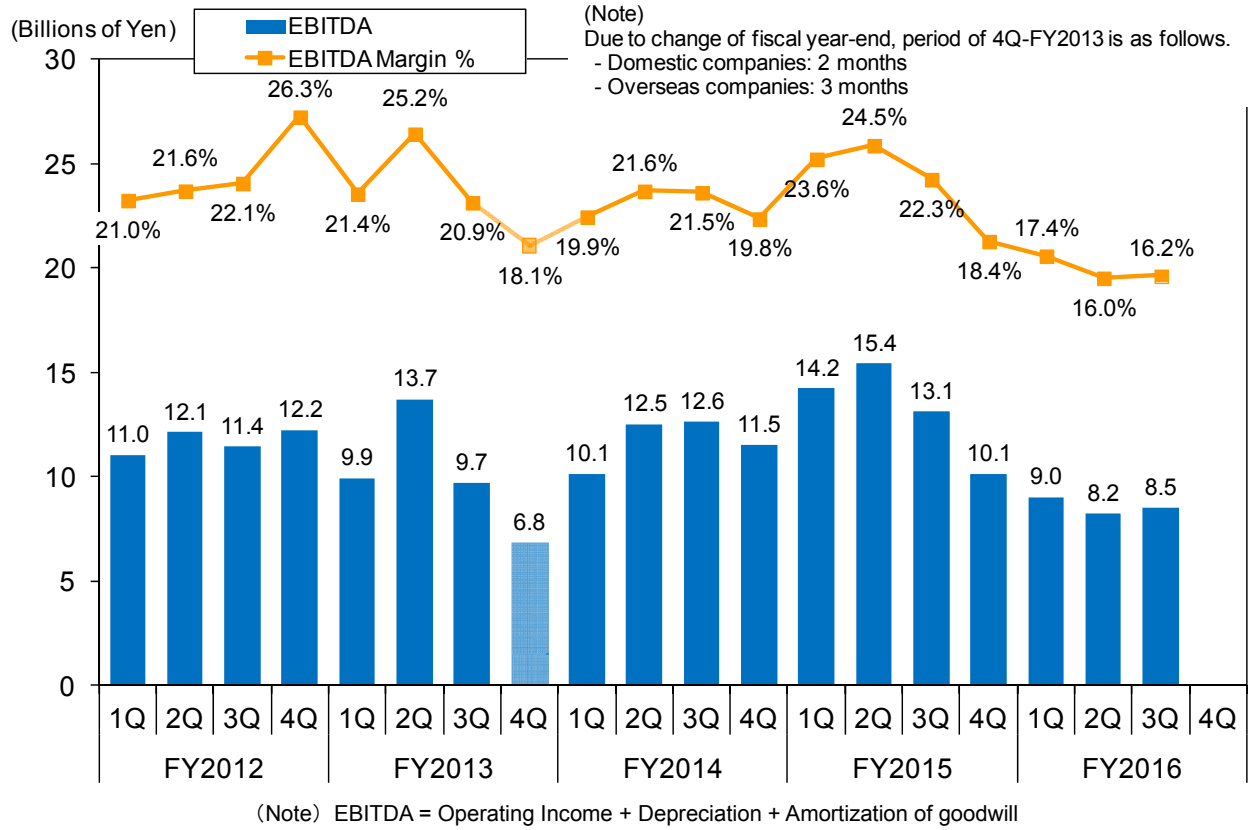


Reference Materials

Reference Materials: Quarterly Trend



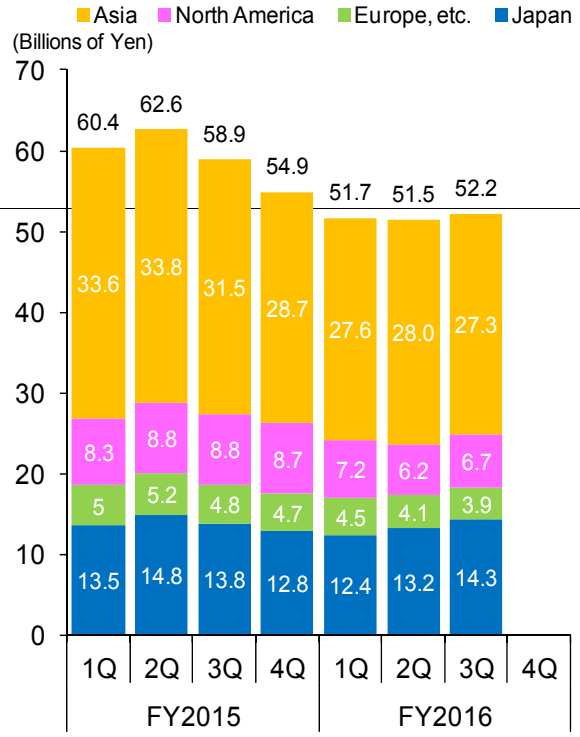
Reference Materials: EBITDA



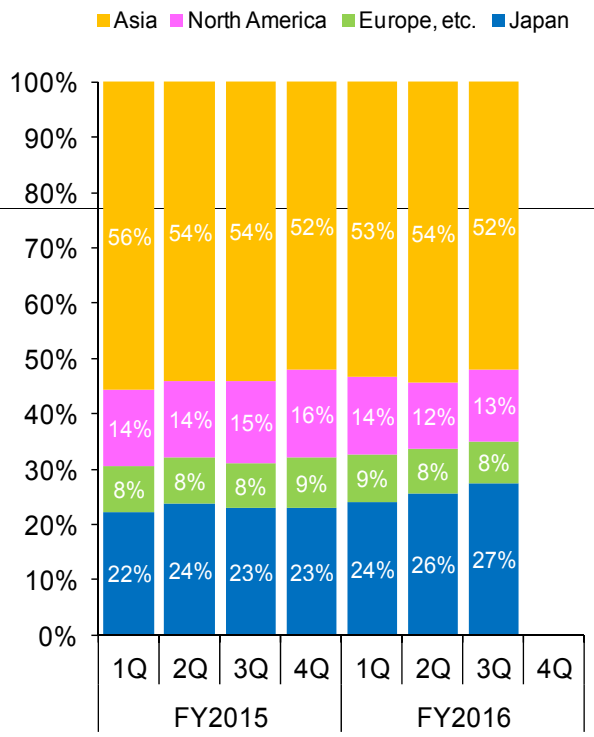
（Note） EBITDA = Operating Income + Depreciation + Amortization of goodwill

Reference Materials: Sales Results

Changes in Sales



Sales by Region



URL http://www.sumcosi.com/