Results for Fiscal Year 2016 (Ended December 31, 2016)

February 8, 2017
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

FY2016 Consolidated Business Results

(Billions of Yen)

	FY2015 Actual	FY2016 Actual	Change
Net Sales	236.8	211.3	(25.5)
Operating Income	29.4	14.0	(15.4)
Ordinary Income	25.5	9.9	(15.6)
Net Income (Note)	19.7	6.5	(13.2)
Exchange Rate (Yen/US$)	121.0	109.5	(11.5)

1Q-2017 Consolidated Business Forecasts

(Billions of Yen)

	4Q-2016 Actual	1Q-2017 Forecast	Change
Net Sales	55.9	59.0	+3.1
Operating Income	5.5	7.0	+1.5
Ordinary Income	4.3	4.5	+0.2
Net Income (Note)	3.1	3.0	(0.1)
Exchange Rate (Yen/US$)	106.2	114.0	+7.8

FY2016 Dividend

Year-end Dividend: 5 yen per share
(Annual Dividend: 10 yen per share)

(Note) Net income attributable to owners of the parent

2-1. Market Environment

4Q-2016

✓ Overall demand remained strong ; no seasonal adjustments in either 300 mm or 200 mm wafers

Allocation was carried out as orders outpaced production

1Q-2017 OUTLOOK

✓ As in 4Q, no seasonal adjustments expected in 300 mm or 200 mm wafers
Allocation is being carried out as orders outpace production due to continued overall strong demand

✓ Inventory of both 300 mm and 200 mm wafers is falling sharply (tight supply)

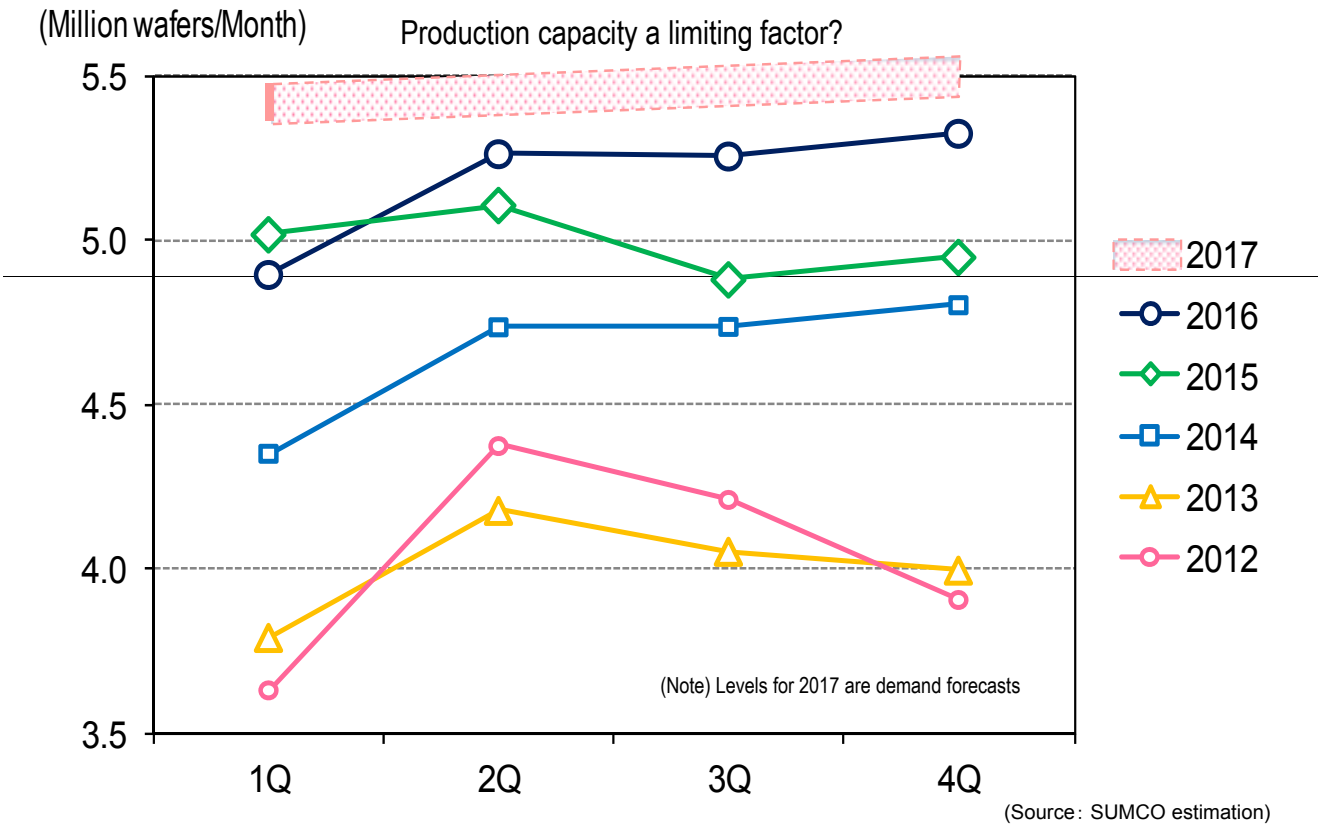
Shortage of 300 mm wafers is becoming especially notable

PRICING

✓ 300mm Start of price recovery in 1Q, progressing further in 2Q

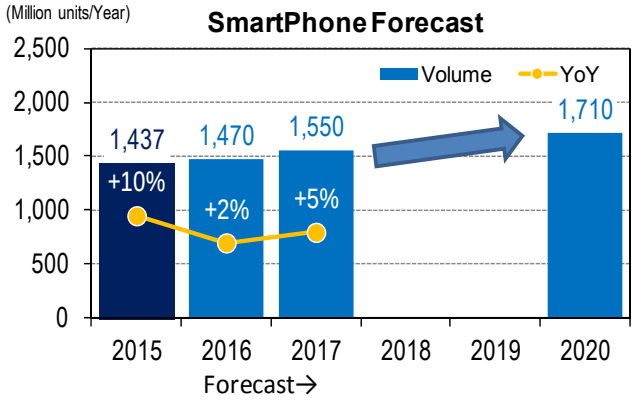
✓ 200mm Start of price recovery in 2Q

2-2. 300mm Wafer Trend Forecast



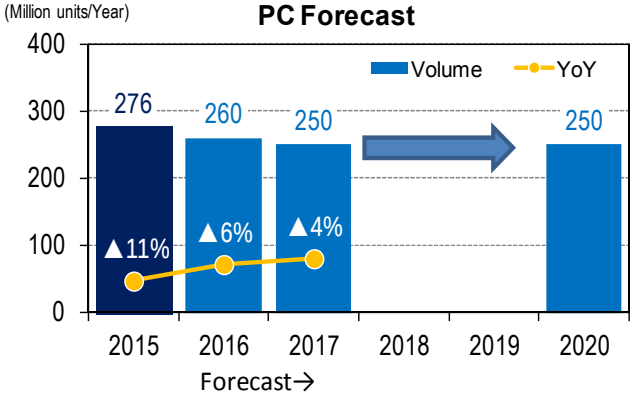
(Source: SUMCO estimation)

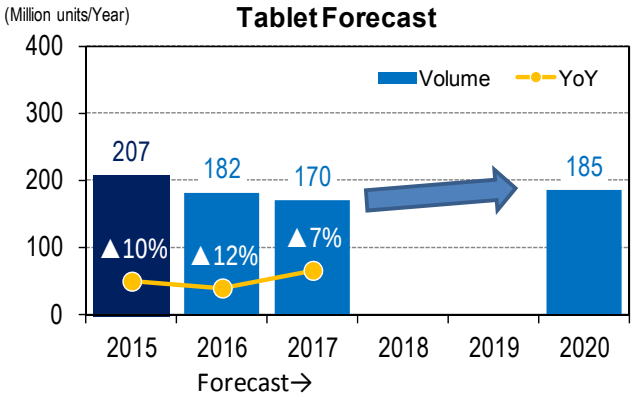
3-1. Smartphone, PC, Tablet and Data Center



Data Center



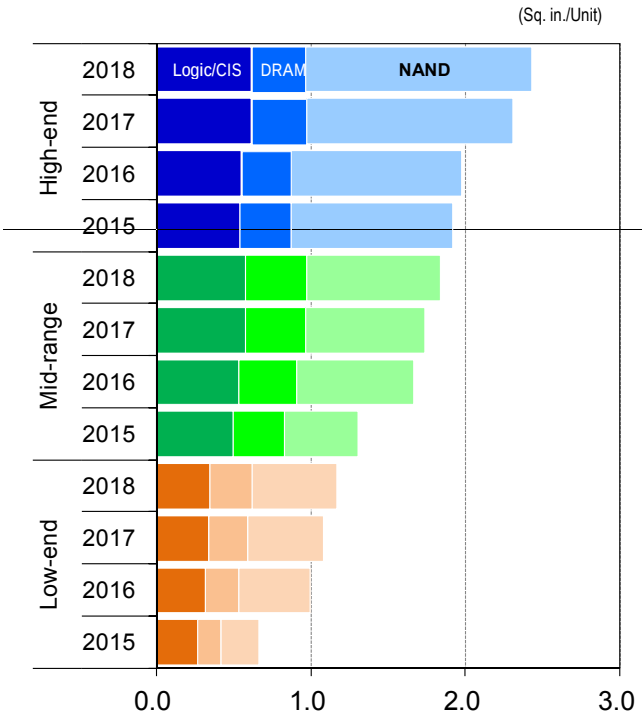




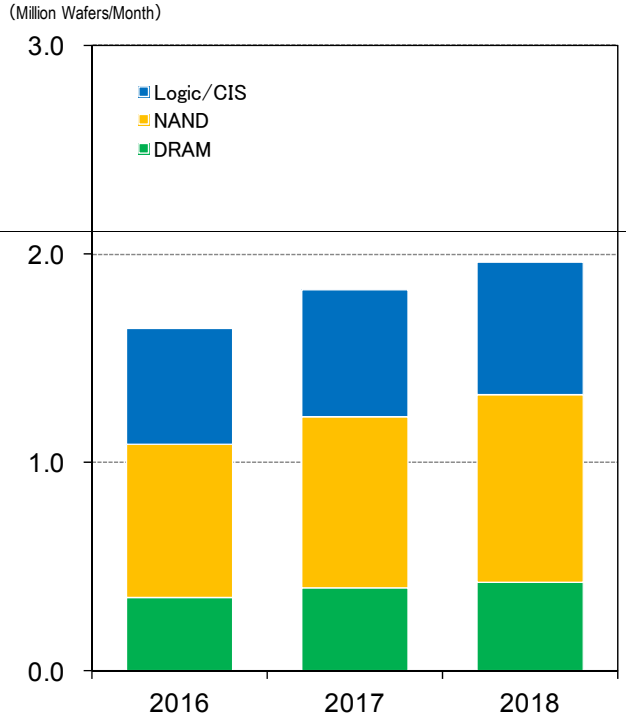
(Source: IDC and SUMCO estimation)

3-2. 300mm Wafer Demand for Smartphone

Silicon Consumption for Smartphone



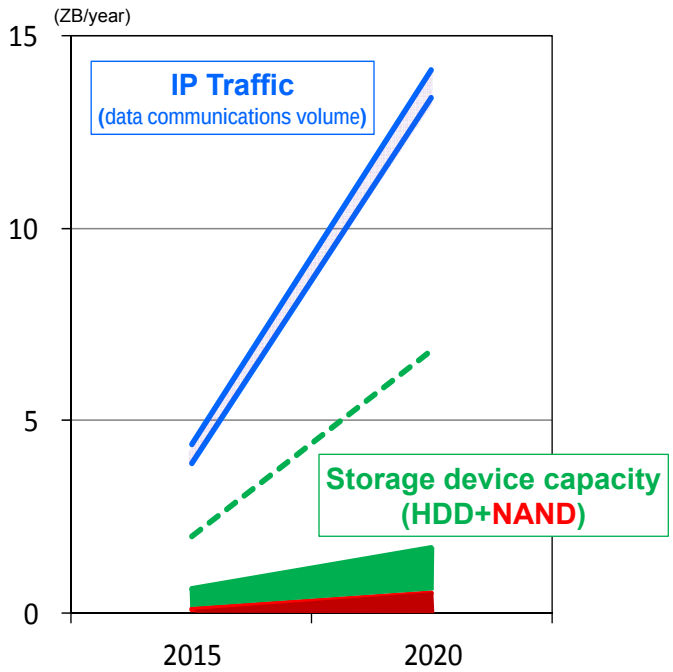
300mm Wafer demand for Smartphone



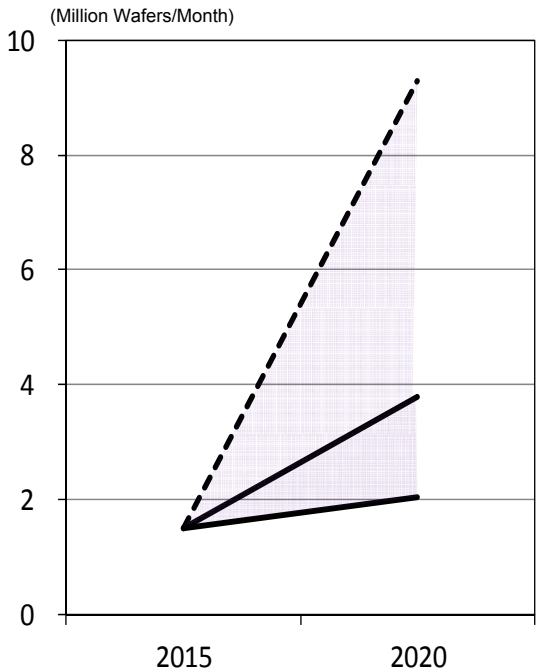
(Source: SUMCO estimation based on research reports)

3-3. IP traffic, stored data volume, 300 mm for NAND

Worldwide IP Traffic (data communications volume) & Data Stored in SSD/NAND

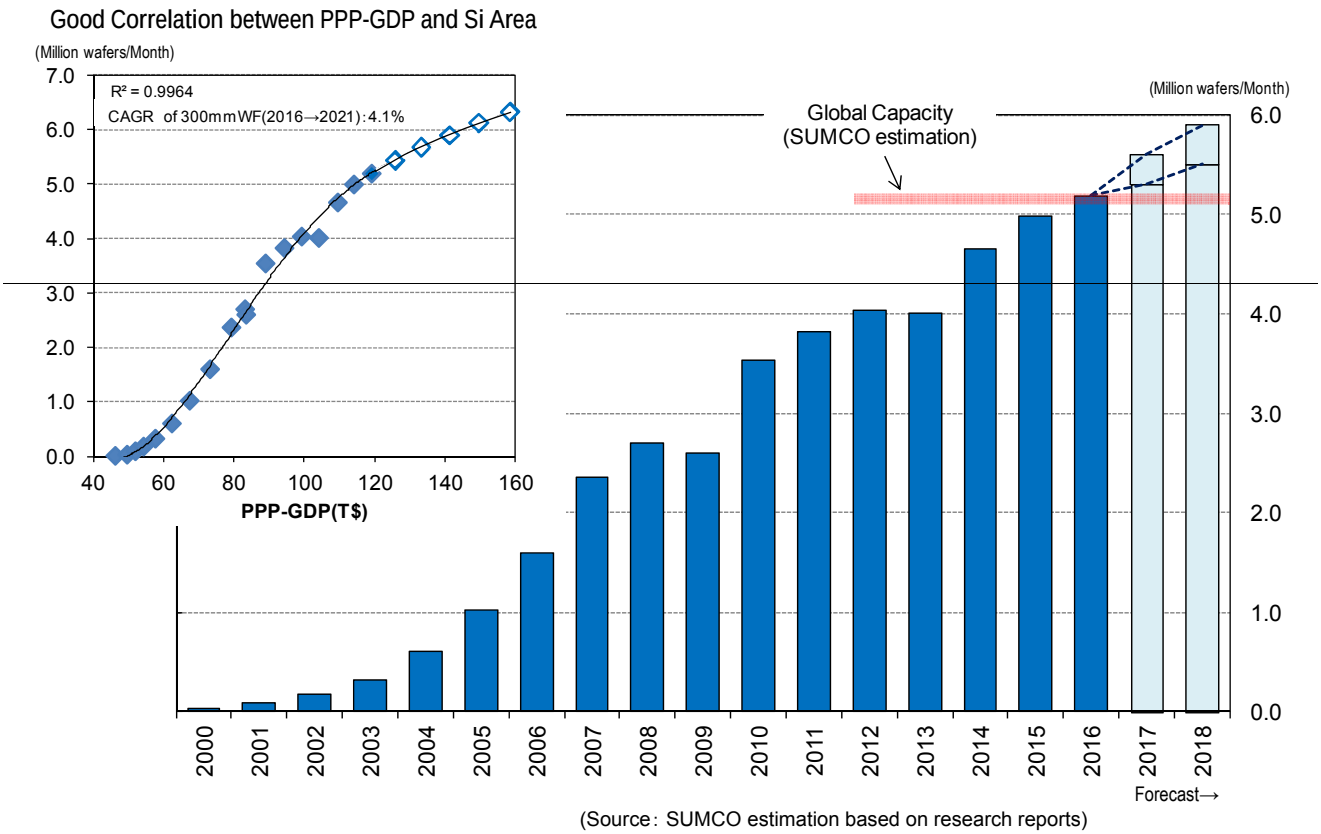


300 mm wafers FCST for NAND with increase in IP Traffic



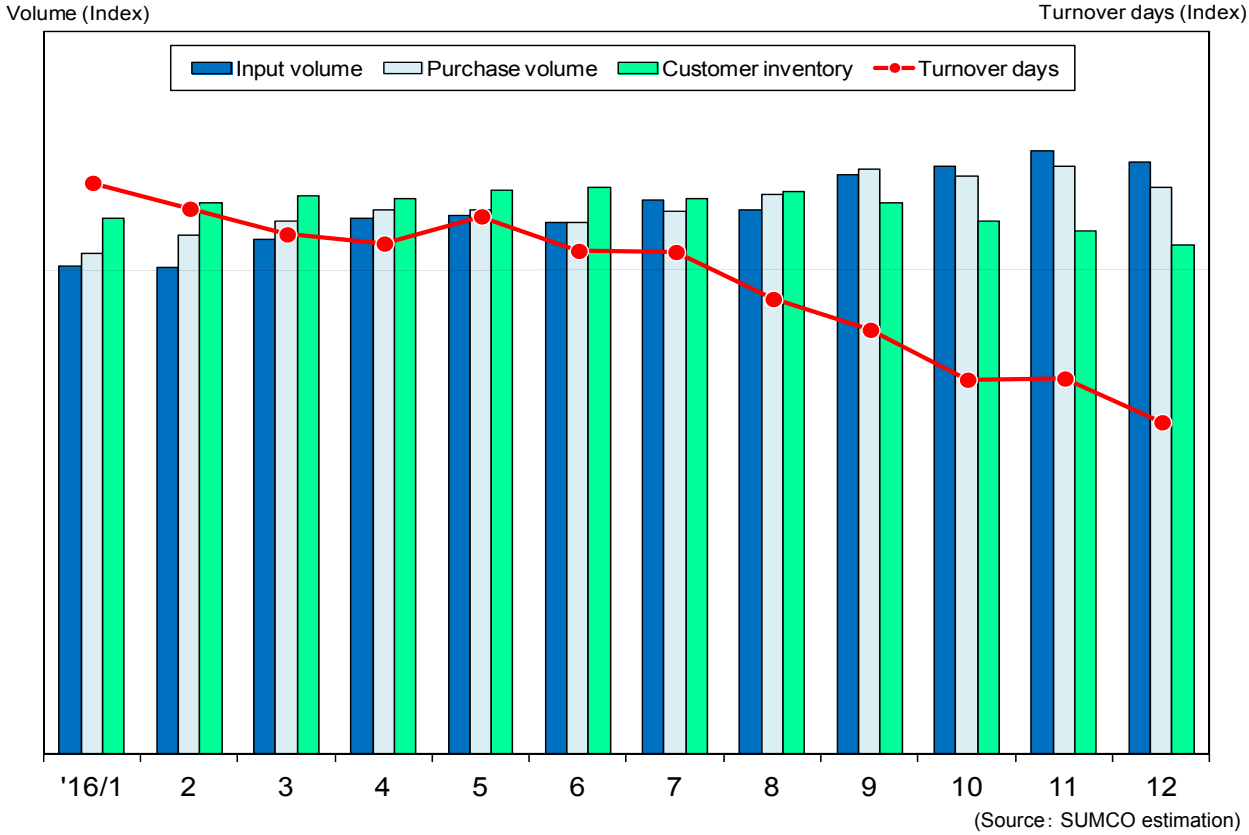
(Source: SUMCO estimation based on research reports)

3-4. Forecast 300mm Wafer Demand



(Source: SUMCO estimation based on research reports)

3-5. Customer 300mm Wafer Inventory Level



(Source: SUMCO estimation)

3-6. Expansion Plans of 300 mm Customers (to 2020)

	Customer	Location	Fab	Device	Design Rule	Planned Capacity (K wfr/Month) 2016	2017	2018	2019	2020	'16-'20 Total
Japan,S.Korea,Taiwan	Sony	Kumamoto,Nagasaki,Oita		CIS/Logic	N/A	Gradual expansion					N/A
	TSMC	Taichung	Fab15 P5-7	Logic	10-7 nm		120				120
	TSMC	Tainan	Fab14 P8/9	Logic	5 nm				75		75
	UMC	Tainan	Fab2A P7/8	Logic	28-14 nm	50					50
	Intel	Dalian	Fab68	3D-NAND	-	50	← Switchover Logic to 3D-NAND				50
	Samsung	Hwaseong	Line17 P2	3D-NAND	-		45				45
	Samsung	Pyeongtaek	Line18	3D-NAND	-			120			120
	SK Hynix	Icheon	M14	3D-NAND	-	N/A					N/A
	SK Hynix	Cheongju	N/A	3D-NAND	-		2019/6 Building completion due →			N/A	N/A
	Toshiba	Yokkaichi	Y6	3D-NAND	-			N/A	← Building completion due in Summer 2018		N/A
	Total Planned Capacity in Japan, S.Korea, Taiwan										460 + α
China	UMC	Xiamen	Fab1	Logic	55-40 nm	50	← 2016/11 Opening marked				50
	SMIC	Beijing	B2-B, B3	Logic	28-14 nm		70				70
	SMIC	Shanghai	SN1	Logic	14 nm			70			70
	SMIC	Shenzhen	N/A	Logic	N/A		40	← Planning to introduce used equipment			40
	TSMC	Nanjing	N/A	Logic	28-16 nm			20			20
	Shanghai Huali	Shanghai	Fab2	Logic	28-20 nm			40			40
	Nexchip	Hefei	N/A	Logic	90-65 nm			40	← Joint funding by city and Powerchip		40
	SK Hynix	Wuxi	N/A	3D-NAND	-		30	← Expansion			30
	XMC	Wuhan	N/A	3D/DRAM	-		100	← Yangtze River Storage Tech. under Tsinghua Unigroup Planning Max.300-1000			100
	JHICC (Fujian)	Quanzhou	N/A	DRAM	25-20 nm		60	← echnology transfer by UMC			60
	Tsinghua Unigroup	Nanjing	N/A	3D/DRAM	-			approx. 10 B$ invested in phase 1→		100	100
	Total Planned Capacity in China										620 + α
	Total Planned New and Expannded Capacity W.W.										1,080 + α

3-7. Price Improvement to Justify Investment

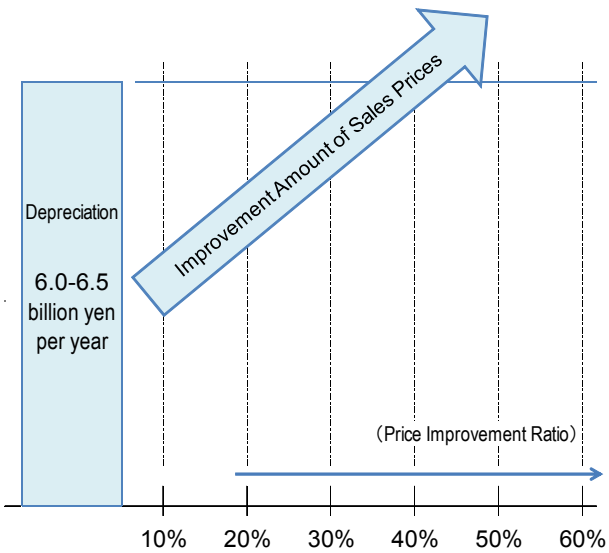
Brown Field Investments

(100k wafer/month increase in production volume)

【Assumptions】

・Estimated investment	30.0-35.0 billion yen
・Depreciation in five year (per year)	6.0-6.5 billion yen

* Depreciation Method
Building: 31 years, straight-line method
Machinery and equipment: 5 years, declining-balance method

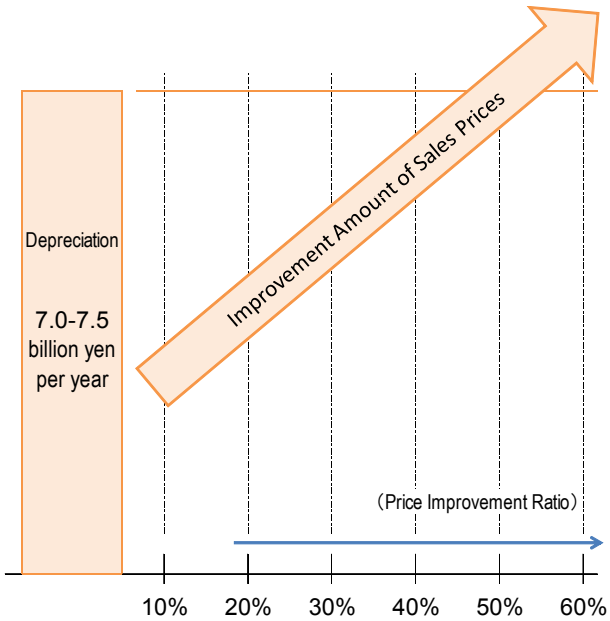


Green Field Investments

(100k wafer/month increase in production volume)

【Assumptions】

・Estimated investment	40.0-45.0 billion yen
・Depreciation in five year (per year)	7.0-7.5 billion yen



FY2016
Consolidated Business Results

Michiharu Takii
Representative Director,
President & COO

4-1. Summary of Consolidated Business Results

(Billions of Yen)

	FY2015 Actual	FY2016 Actual 1Q	2Q	3Q	4Q	Total	Change
Net sales	236.8	51.7	51.5	52.2	55.9	211.3	(25.5)
Operating income	29.4	3.6	2.5	2.4	5.5	14.0	(15.4)
Non-operating income and expenses	(3.9)	(1.0)	(0.8)	(1.1)	(1.2)	(4.1)	(0.2)
Ordinary income	25.5	2.6	1.7	1.3	4.3	9.9	(15.6)
Extraordinary income and expenses	(1.7)	-	-	-	-	-	+1.7
Income taxes	(4.1)	(1.1)	(0.9)	(0.2)	(1.2)	(3.4)	+0.7
Net income attributable to owners of the parent	19.7	1.5	0.8	1.1	3.1	6.5	(13.2)
Capital expenditure (Acceptance basis)	15.7	6.2	4.6	2.4	3.3	16.5	+0.8
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	11.9	37.6	(15.2)
Exchange rate (Yen/US$)	121.0	118.3	111.1	103.5	106.2	109.5	(11.5)
Operating margin (%)	12.4%	7.0%	5.0%	4.6%	9.8%	6.6%	(5.8%)
EBITDA margin (%)	22.3%	17.4%	16.0%	16.2%	21.3%	17.8%	(4.5%)
ROE (%)	10.0%	3.0%	1.4%	2.2%	6.1%	3.1%	(6.9%)
Net income per share (Yen)	70.06	5.37	2.49	3.81	10.79	22.46	(47.60)

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

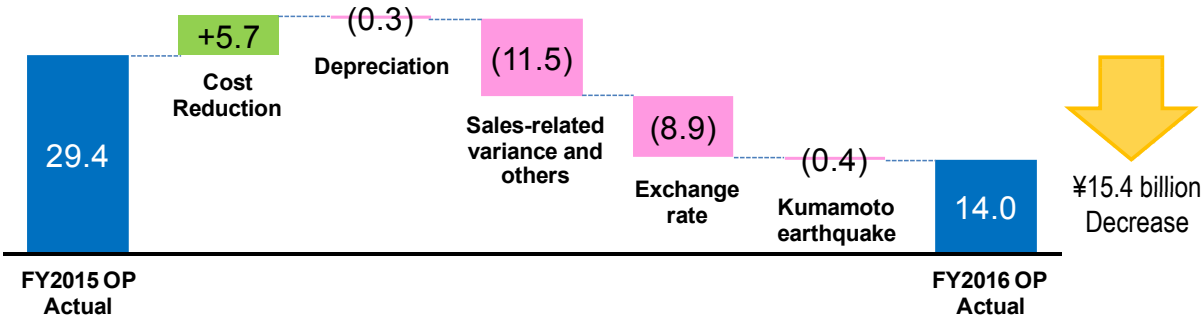
4-2. Analysis of Changes in Operating Income

■ FY2015 Actual → FY2016 Actual

(Billions of Yen)

	FY2015 Actual	FY2016 Actual	Change
Net Sales	236.8	211.3	(25.5)
Operating Income	29.4	14.0	(15.4)
Exchange Rate (Yen/US$)	121.0	109.5	(11.5)

【Analysis of Changes in Operating Income】



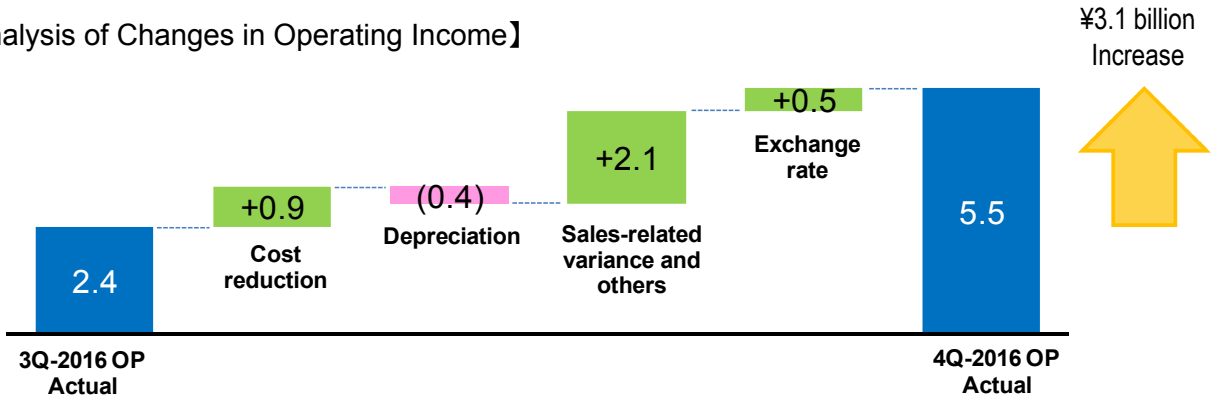
4-3. Analysis of Changes in Operating Income

■ 3Q-2016 Actual → 4Q-2016 Actual

(Billions of Yen)

	3Q-2016 Actual	4Q-2016 Actual	Change
Net Sales	52.2	55.9	+3.7
Operating Income	2.4	5.5	+3.1
Exchange Rate (Yen/US$)	103.5	106.2	+2.7

【Analysis of Changes in Operating Income】



4-4. Consolidated Balance Sheet

(Billions of Yen)

	End of Dec-2015	End of Dec-2016	Change
Cash and time deposits	46.9	45.5	(1.4)
Finished products and WIP	29.4	26.9	(2.5)
Raw materials and supplies	134.2	151.4	+17.2
Tangible and intangible assets	172.5	164.0	(8.5)
Deferred income tax assets	6.7	5.8	(0.9)
Other assets	100.1	99.6	(0.5)
Total Assets	489.8	493.2	+3.4
Debt and borrowings	180.3	177.0	(3.3)
Other liabilities	65.0	73.4	+8.4
Liabilities	245.3	250.4	+5.1
Capital stock	138.7	138.7	-
Capital surplus	23.3	23.3	-
Retained earnings	48.5	50.6	+2.1
Others	34.0	30.2	(3.8)
Equity	244.5	242.8	(1.7)
Shareholders' equity ratio	43.2%	42.5%	(0.7%)
Equity per share (Yen)	721.8	715.5	(6.3)
D/E ratio (gross)	0.9x	0.8x	(0.1)x
D/E ratio (net)	0.6x	0.6x	0.0x

4-5. Consolidated Cash-Flow

(Billions of Yen)

	FY2016
Income before income taxes	9.9
Depreciation	22.0
Subtotal	31.9
Increase in inventories	(11.5)
Changes in working capital, etc.	6.9
Net cash provided by operating activities	27.3
Capital expenditure (Acceptance basis)	(16.5)
Others, net	(1.5)
Net cash used in investing activities	(18.0)
Free cash-flow	9.3

1Q-2017
Consolidated Business Forecasts

5-1. 1Q-2017 Consolidated Business Forecasts

(Billions of Yen)

	1Q-2016 Actual	4Q-2016 Actual	1Q-2017 Forecast	Change YoY	Change QoQ
Net sales	51.7	55.9	59.0	+7.3	+3.1
Operating income	3.6	5.5	7.0	+3.4	+1.5
Non-operating income and expenses	(1.0)	(1.2)	(2.5)	(1.5)	(1.3)
Ordinary income	2.6	4.3	4.5	+1.9	+0.2
Extraordinary income and expenses	-	-	-	-	-
Income taxes	(1.1)	(1.2)	(1.5)	(0.4)	(0.3)
Net income attributable to owners of the parent	1.5	3.1	3.0	+1.5	(0.1)
Capital Expenditure (Acceptance basis)	6.2	3.3	4.0	(2.2)	+0.7
Depreciation	5.0	6.1	5.5	+0.5	(0.6)
EBITDA (Note)	9.0	11.9	13.0	+4.0	+1.1
Exchange Rate (Yen/US$)	118.3	106.2	114.0	(4.3)	+7.8
Operating Margin (%)	7.0%	9.8%	11.9%	+4.9%	+2.1%
EBITDA Margin (%)	17.4%	21.3%	22.0%	+4.6%	+0.7%
ROE (%)	3.0%	6.1%	5.7%	+2.7%	(0.4%)
Net Income per Share (Yen)	5.37	10.79	10.23	+4.86	(0.56)

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

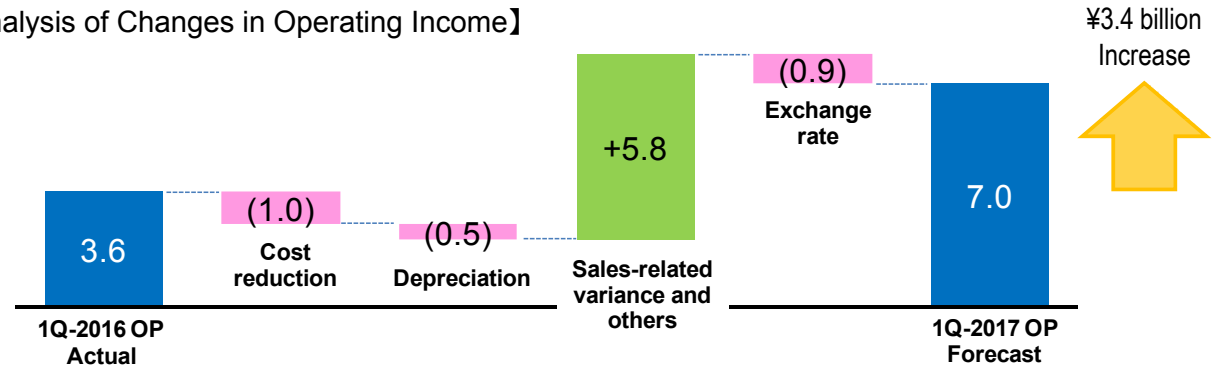
5-2. Analysis of Changes in Operating Income

■ 1Q-2016 Actual → 1Q-2017 Forecast

(Billions of Yen)

	1Q-2016 Actual	1Q-2017 Forecast	Change
Net Sales	51.7	59.0	+7.3
Operating Income	3.6	7.0	+3.4
Exchange Rate (Yen/US$)	118.3	114.0	(4.3)

【Analysis of Changes in Operating Income】



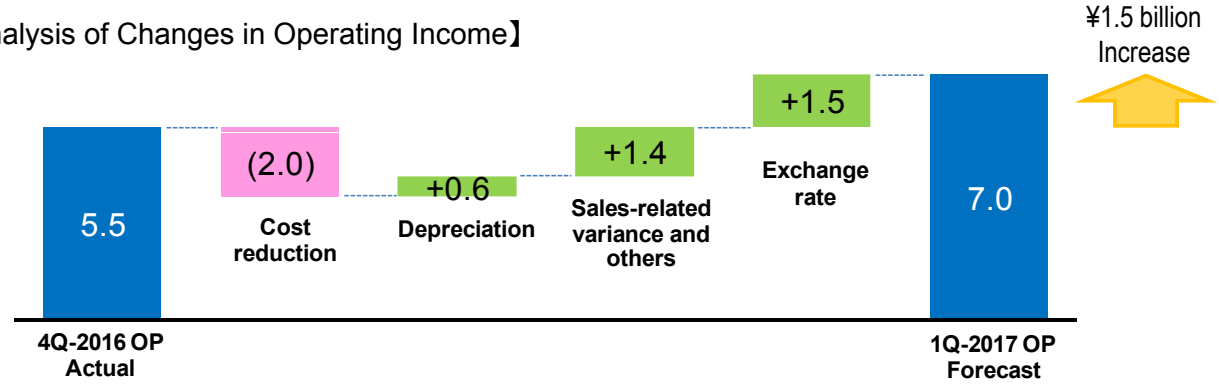
5-3. Analysis of Changes in Operating Income

■ 4Q-2016 Actual → 1Q-2017 Forecast

(Billions of Yen)

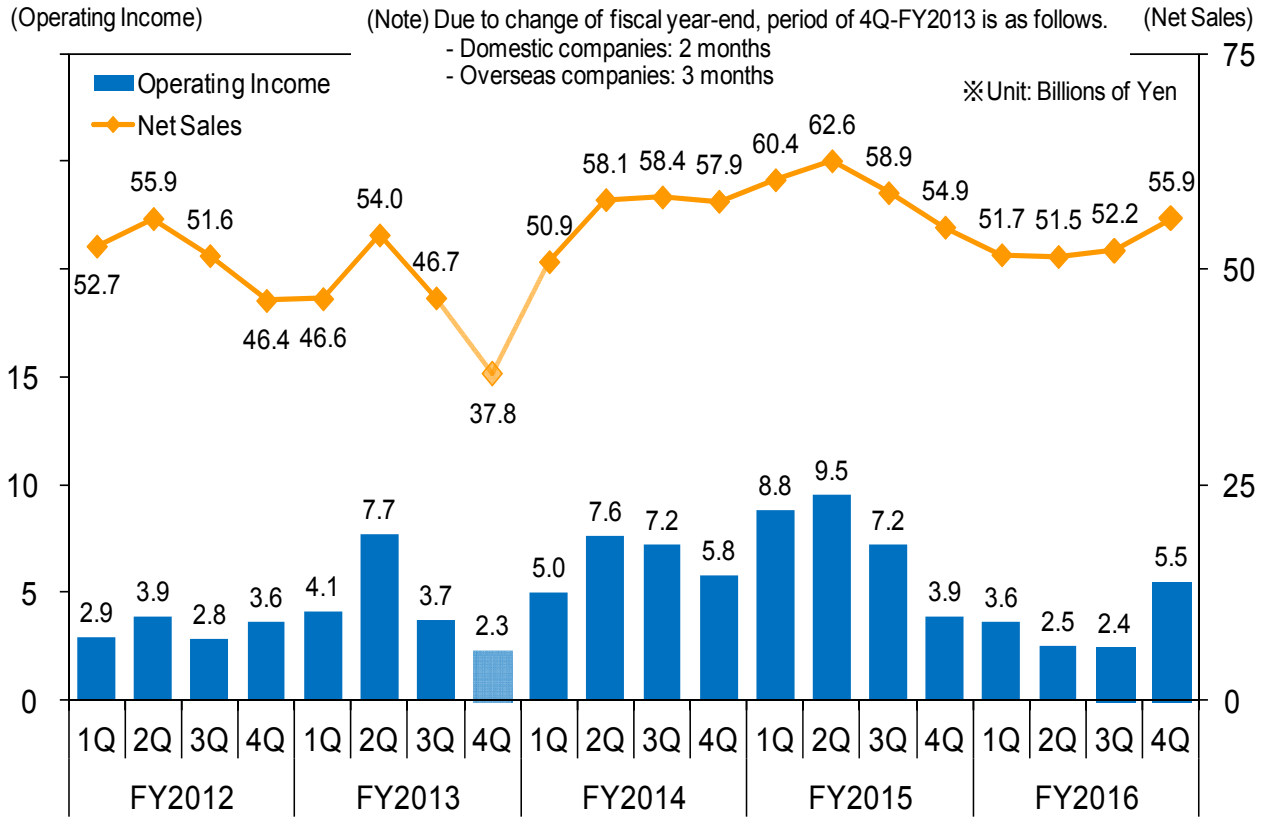
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Net Sales	55.9	59.0	+3.1
Operating Income	5.5	7.0	+1.5
Exchange Rate (Yen/US$)	106.2	114.0	+7.8

【Analysis of Changes in Operating Income】

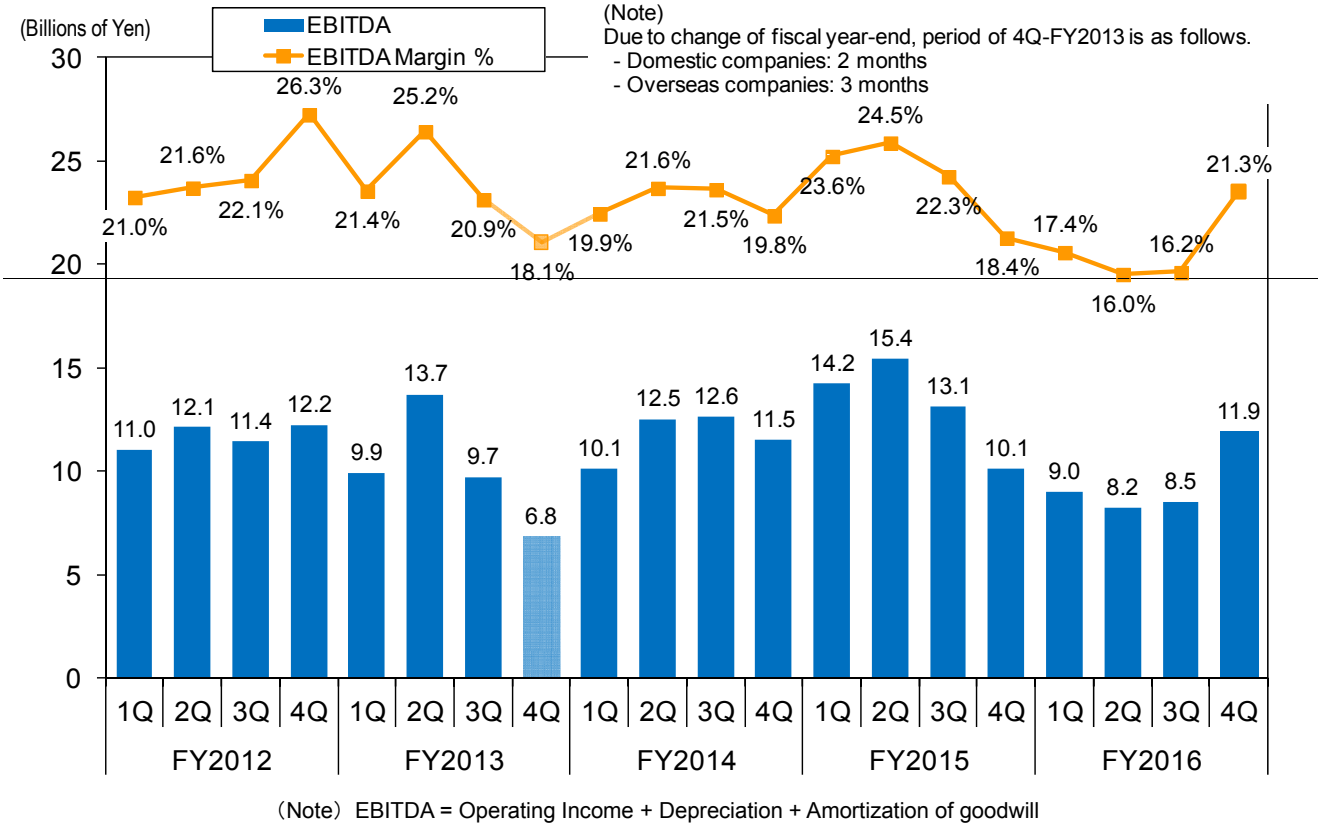


Reference Materials

Reference Materials: Quarterly Trend



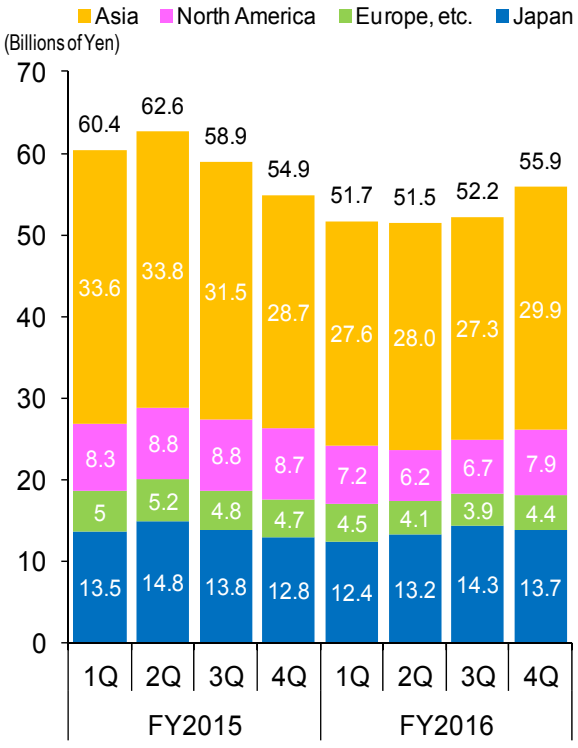
Reference Materials: EBITDA



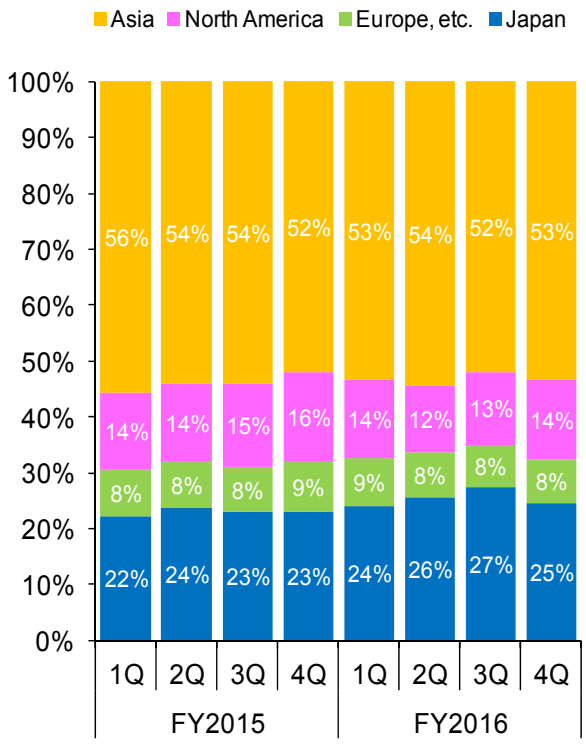
（Note） EBITDA = Operating Income + Depreciation + Amortization of goodwill

Reference Materials: Sales Results

Changes in Sales



Sales by Region





URL http://www.sumcosi.com/