Results for First Quarter of FY2017 (Ended March 31, 2017)

May 11, 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

1Q-2017 Consolidated Business Results

(Billions of Yen)

	4Q-2016 Actual	1Q-2017 Actual	Change
Net Sales	55.9	60.1	+4.2
Operating Income	5.5	8.0	+2.5
Ordinary Income	4.3	5.5	+1.2
Net Income (Note)	3.1	3.6	+0.5
Exchange Rate (Yen/US$)	106.2	114.2	+8.0

2Q-2017 Consolidated Business Forecasts

(Billions of Yen)

	1Q-2017 Actual	2Q-2017 Forecast	Change
Net Sales	60.1	64.0	+3.9
Operating Income	8.0	9.0	+1.0
Ordinary Income	5.5	7.5	+2.0
Net Income (Note)	3.6	5.5	+1.9
Exchange Rate (Yen/US$)	114.2	112.0	(2.2)

(Note) Net income attributable to owners of the parent

1-2. Dividend

		FY2013 (Dec 13) (11 months)	FY2014 (Dec 14)	FY2015 (Dec 15)	FY2016 (Dec 16)	FY2017 (Dec 17)
Dividends per share for common stocks (Yen)	Interim	-	-	10.0	5.0	(FCST) **10.0**
	Year-end	1.0	4.0	10.0	5.0	(Note 1) -
	Total	1.0	4.0	20.0	10.0	(Note 1) -
Dividends payment (Billions of Yen)	Interim	-	-	2.9	1.4	(FCST) **2.9**
	Year-end	0.2	1.0	2.9	1.4	(Note 1) -
	Total	0.2	1.0	5.8	2.9	(Note 1) -
Dividend ratio	(%)	-	6.8%	28.5%	44.5%	(Note 2) **32.2%**

(Note 1) Year-end dividend for FY2017 is not determined.

(Note 2) Dividend ratio for FY2017 is calculated by interim dividend basis.

2-1. Market Environment

1Q-2017

- ✓ There were no seasonal adjustments to the demand for 300mm and 200mm wafers, and strong overall demand was continued

  Production could not keep pace with orders and products had to be allocated

- ✓ The inventory for both 300mm and 200mm wafers continued to shrink

  ~~In addition to the shortage of 300mm wafers, 200mm wafers is also in short of supply~~

2Q-2017 OUTLOOK

- ✓ Allocations of 300mm and 200mm wafers will continue

  Supply-demand balance for 150mm is expected to become tighter

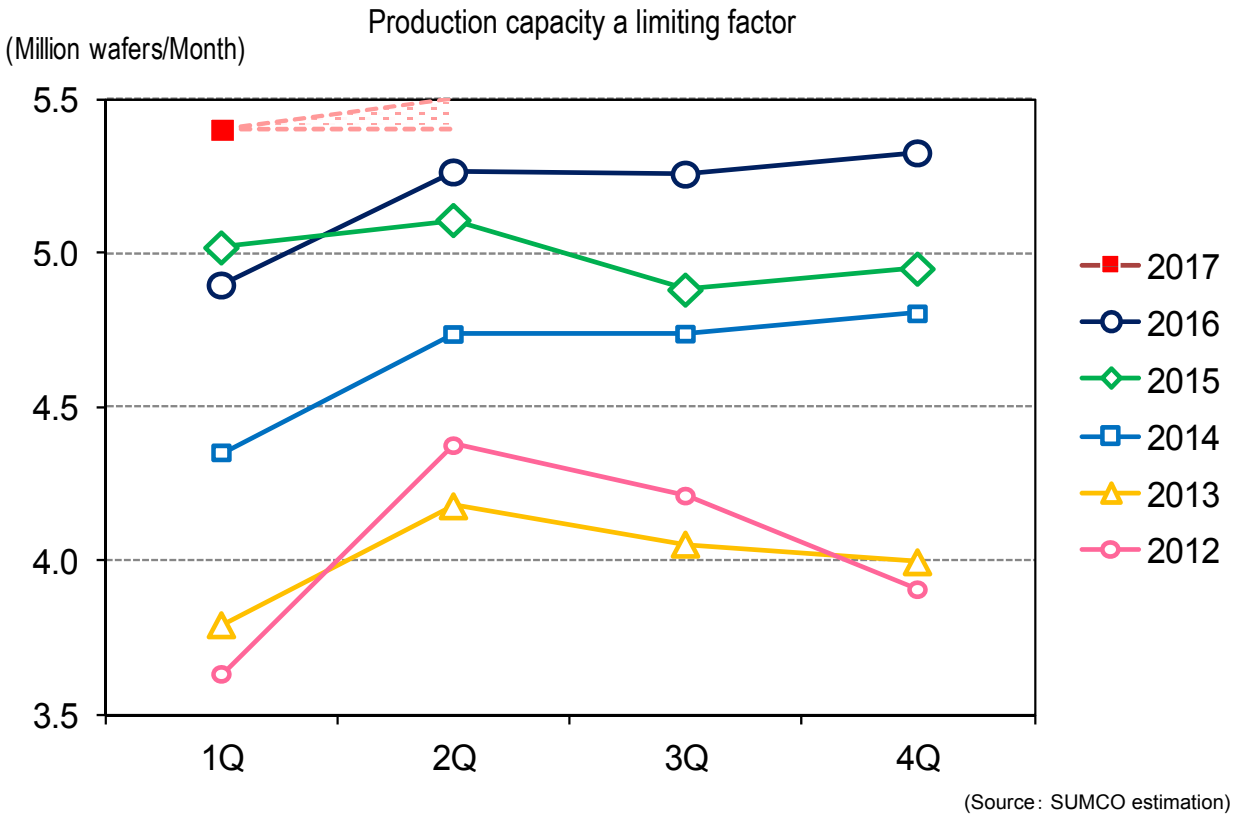
- ✓ Customers increase concerns over wafer procurements

  Negotiations for next fiscal year commences with request of major customers

PRICING

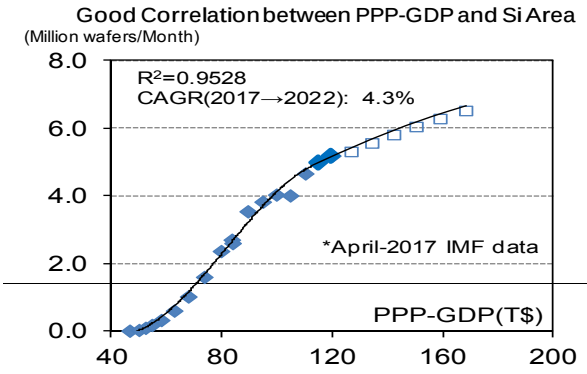
- ✓ 300mm — As planned, price recovery is expected to continue in 2Q onwards
- ✓ 200mm — Recovery of collapsed prices is expected to begin in 2Q and carry over momentum to 3Q

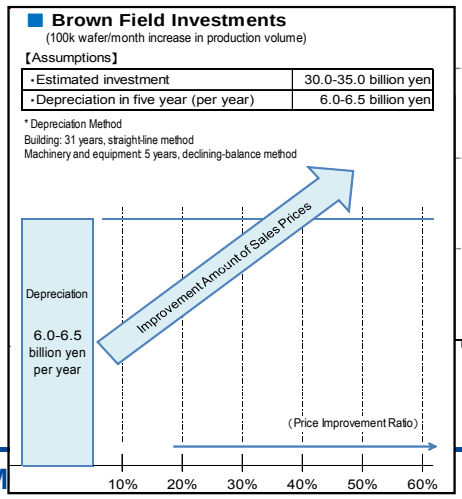
3-1. 300mm Wafer Trend Forecast

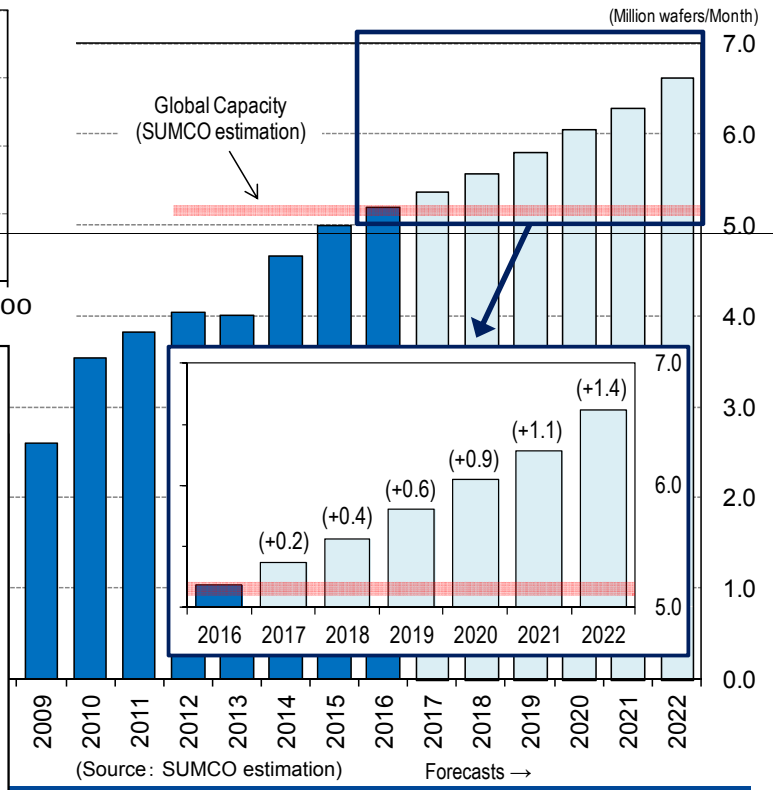


(Source: SUMCO estimation)

3-2. Demand-Supply Gap for 300mm Wafer







3-3. Expansion Plans of 300mm Customers (Update)

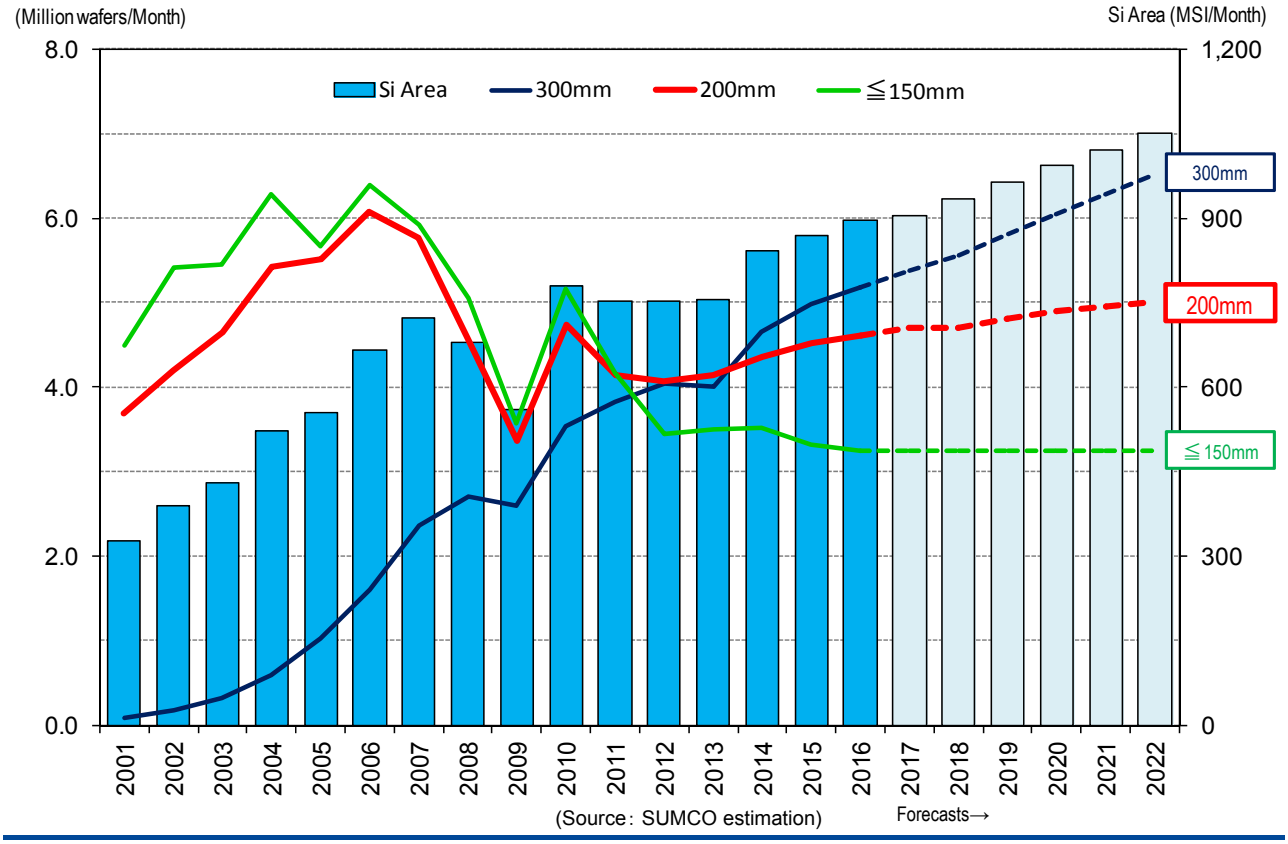
Region		Customer	Location	Fab	Device	Design Rule	Planned Capacity (K wfr/Month) 2016	2017	2018	2019	2020	'16–'20 Total
Japan,S.Korea,Taiwan		Sony	Kumamoto,Nagasaki,Oita		CIS/Logic	N/A	Gradual expansion					(40)
		TSMC	Taichung	Fab15 P5–7	Logic	10–7 nm		120				120
			Tainan	Fab14 P8/9		5 nm				75		75
		UMC	Tainan	Fab2A P7/8		28–14 nm	50					50
		Samsung	Hwaseong	Line17 P2	3D–NAND	–		45				45
			Pyeongtaek	Line18		–			120			120
		SK Hynix	Icheon	M14		–		60				60
			Cheongju	–		–					60	60
		Toshiba	Yokkaichi	Y6		–			N/A			N/A
		Total Planned Capacity in Japan, S.Korea, Taiwan										570 ＋α
China	Foreign–affiliated Customers	UMC	Xiamen	Fab12X	Logic	55–40 nm	50					50
		TSMC	Nanjing	–		28–16 nm			20			20
		Nexchip	Hefei	–		90–65 nm			40			40
		Intel	Dalian	Fab68	3D–NAND	–	50					50
		SK Hynix	Wuxi	–		–		30				30
		Total Planned Capacity of Foreign–affiliated Companiese in China										190
	Existing Customer	SMIC	Beijing	B2–B, B3	Logic	28–14 nm		70				70
			Shanghai	SN1		14 nm			70			70
			Shenzhen	–		N/A		40				40
		Total Planned Capacity of Exisisting Customer in China										180
Total Planned Capacity in JPN, S.KR, TWN and Foreign–affiliated & Exisiting Customer in China												940 ＋α
China	New Customers	Shanghai Huali	Shanghai	Fab2	Logic	28–20 nm			40			40
		XMC	Wuhan	–	3D–NAND /DRAM	–		100	Yangtze River Storage Tech. under Tsinghua Unigroup Planning Max.300–1000			100
		Tsinghua Unigroup	Nanjing	–		–					100	100
		JHICC (Fujian)	Quanzhou	–	DRAM	25–20 nm		60				60
		Total Planned Capacity of New Customers in China										300 ＋α
Total Planned New and Expannded Capacity W.W.												1,240 ＋α

(Source: SUMCO estimation based on research reports)

3-4. 300mm Wafer Expansion from Brown Field Investment

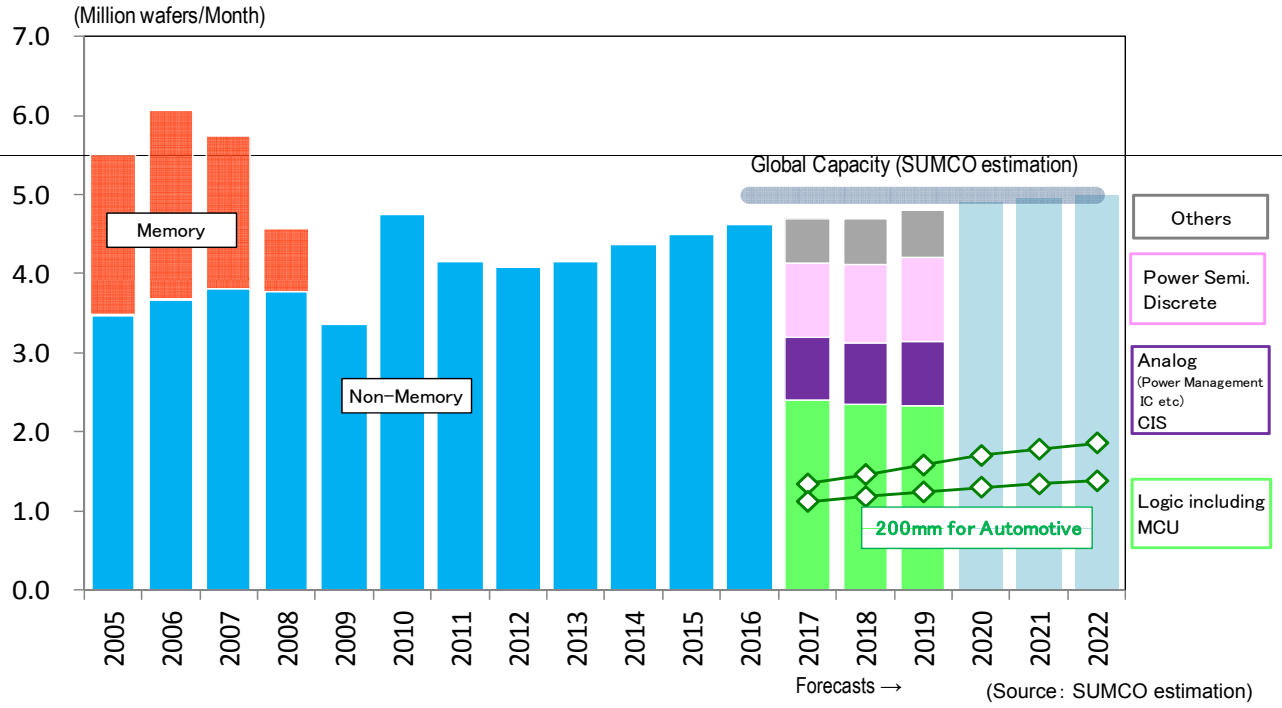
1. Demand for 300mm wafers is expected to reach more than 6,000K per month by 2020. This will produce a shortfall of 900K per month according to macro-analysis, and 1,000K per month according to micro-analysis
2. Brownfield capacity is expected to be maximum 1,000K per month globally. Lead time is around 18 months
3. Price rises that will justify brown field investment will be achieved in 2018
4. The best case scenario, Supply-Demand will be par in 2020
5. Increased production from 2021 onwards will be through green field investment, which requires a huge amount of investment and a 24 month lead time
6. From 2021 onwards, the supply-demand balance is expected to grow tight again

3-5. Forecast 200mm Wafer Demand (1)



3-6. Forecast 200mm Wafer Demand (2)

- ✓ The 200mm memory is being switched over to 300mm.
- ✓ Demand is expanding as products are required for on-board vehicle applications, other industrial applications and IoT as well as demand for power semiconductors.



(Source: SUMCO estimation)

1Q-2017 Consolidated Business Results

Michiharu Takii
Representative Director, President & COO

4-1. Summary of Consolidated Business Results

(Billions of Yen)

	1Q-2016 Actual	4Q-2016 Actual	1Q-2017 Actual	Change YoY	Change QoQ
Net sales	51.7	55.9	60.1	+8.4	+4.2
Operating income	3.6	5.5	8.0	+4.4	+2.5
Non-operating income and expenses	(1.0)	(1.2)	(2.5)	(1.5)	(1.3)
Ordinary income	2.6	4.3	5.5	+2.9	+1.2
Extraordinary income and expenses	-	-	-	-	-
Income taxes	(1.1)	(1.2)	(1.9)	(0.8)	(0.7)
Net income attributable to owners of the parent	1.5	3.1	3.6	+2.1	+0.5
Capital Expenditure (Acceptance basis)	6.2	3.3	2.7	(3.5)	(0.6)
Depreciation	5.0	6.1	5.5	+0.5	(0.6)
EBITDA (Note)	9.0	11.9	13.9	+4.9	+2.0
Exchange Rate (Yen/US$)	118.3	106.2	114.2	(4.1)	+8.0
Operating Margin (%)	7.0%	9.8%	13.4%	+6.4%	+3.6%
EBITDA Margin (%)	17.4%	21.3%	23.2%	+5.8%	+1.9%
ROE (%)	3.0%	6.1%	6.8%	+3.8%	+0.7%
Net Income per Share (Yen)	5.37	10.79	12.32	+6.95	+1.53

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

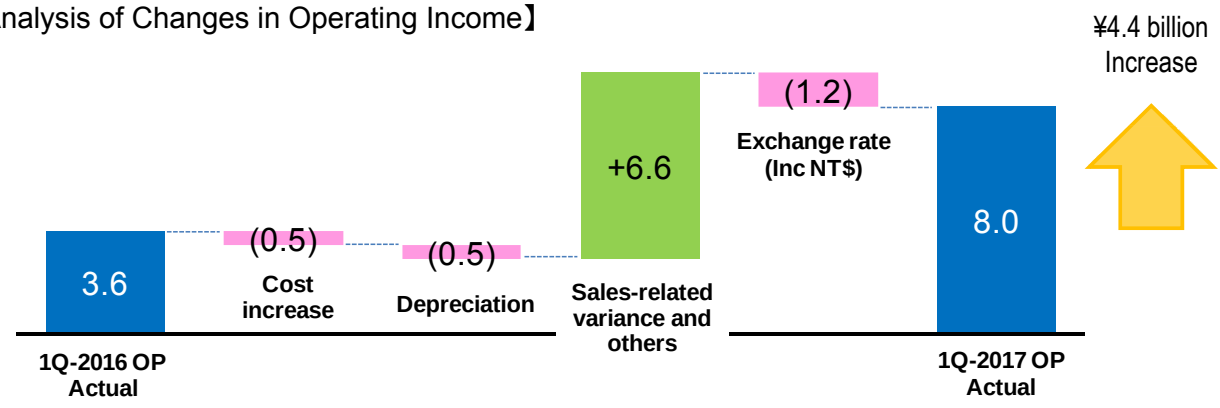
4-2. Analysis of Changes in Operating Income

■ 1Q-2016 Actual → 1Q-2017 Actual

(Billions of Yen)

	1Q-2016 Actual	1Q-2017 Actual	Change
Net Sales	51.7	60.1	+8.4
Operating Income	3.6	8.0	+4.4
Exchange Rate (Yen/US$)	118.3	114.2	(4.1)

【Analysis of Changes in Operating Income】



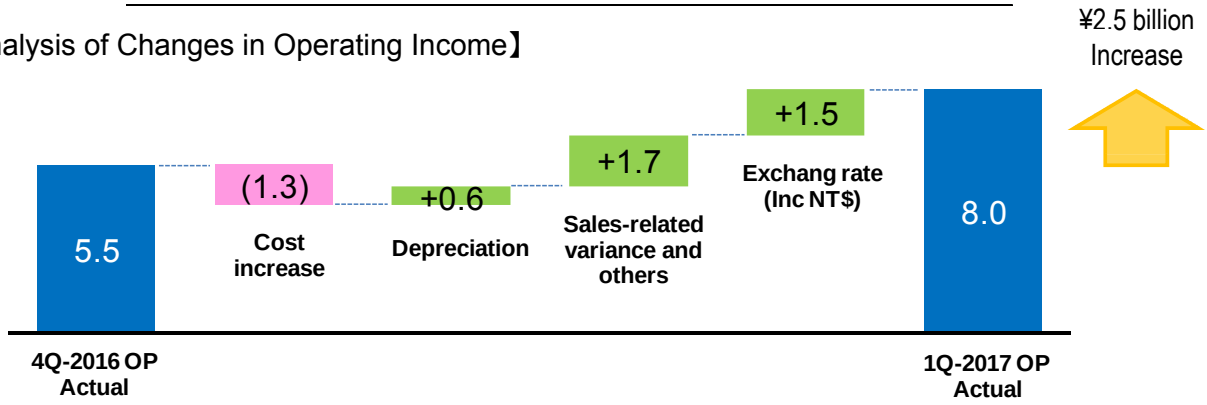
4-3. Analysis of Changes in Operating Income

■ 4Q-2016 Actual → 1Q-2017 Actual

(Billions of Yen)

	4Q-2016 Actual	1Q-2017 Actual	Change
Net Sales	55.9	60.1	+4.2
Operating Income	5.5	8.0	+2.5
Exchange Rate (Yen/US$)	106.2	114.2	+8.0

【Analysis of Changes in Operating Income】



4-4. Consolidated Balance Sheet

(Billions of Yen)

	End of Dec-2016	End of Mar-2017	Change
Cash and time deposits	45.5	49.3	+3.8
Finished products and WIP	26.9	26.9	+0.0
Raw materials and supplies	151.4	151.3	(0.1)
Tangible and intangible assets	164.0	161.5	(2.5)
Deferred income tax assets	5.8	5.7	(0.1)
Other assets	99.6	101.2	+1.6
Total Assets	493.2	495.9	+2.7
Debt and borrowings	177.0	176.9	(0.1)
Other liabilities	73.4	70.6	(2.8)
Liabilities	250.4	247.5	(2.9)
Capital stock	138.7	138.7	-
Capital surplus	23.3	23.3	-
Retained earnings	50.6	52.8	+2.2
Others	30.2	33.6	+3.4
Equity	242.8	248.4	+5.6
Shareholders' equity ratio	42.5%	43.1%	+0.6%
Equity per share (Yen)	715.5	729.1	+13.6
D/E ratio (gross)	0.8x	0.8x	0.0x
D/E ratio (net)	0.6x	0.6x	0.0x

4-5. Consolidated Cash-Flow

(Billions of Yen)

	1Q-2017
Income before income taxes	5.5
Depreciation	5.5
Subtotal	11.0
Decrease in inventories	0.2
Changes in working capital, etc.	(2.7)
Net cash provided by operating activities	8.5
Capital expenditure (Acceptance basis)	(2.7)
Others, net	(0.2)
Net cash used in investing activities	(2.9)
Free cash-flow	5.6

2Q-2017
Consolidated Business Forecasts

5-1. 2Q-2017 Consolidated Business Forecasts

(Billions of Yen)

	2Q-2016 Actual (6 months)	2Q-2017 Forecast 1Q ACT	2Q-2017 Forecast 2Q FCST	2Q-2017 Forecast Total	Change
Net sales	103.2	60.1	64.0	124.1	+20.9
Operating income	6.1	8.0	9.0	17.0	+10.9
Non-operating income and expenses	(1.8)	(2.5)	(1.5)	(4.0)	(2.2)
Ordinary income	4.3	5.5	7.5	13.0	+8.7
Extraordinary income and expenses	-	-	-	-	-
Income taxes	(2.0)	(1.9)	(2.0)	(3.9)	(1.9)
Net income attributable to owners of the parent	2.3	3.6	5.5	9.1	+6.8
Capital expenditure (Acceptance basis)	10.8	2.7	3.0	5.7	(5.1)
Depreciation	10.2	5.5	5.6	11.1	+0.9
EBITDA (Note)	17.2	13.9	15.0	28.9	+11.7
Exchange rate (Yen/US$)	114.6	114.2	112.0	113.1	(1.5)
Operating margin (%)	6.0%	13.4%	14.1%	13.7%	+7.7%
EBITDA margin (%)	16.7%	23.2%	23.4%	23.3%	+6.6%
ROE (%)	2.2%	6.8%	10.1%	8.5%	+6.3%
Net income per share (Yen)	7.87	12.32	18.71	31.03	+23.16

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

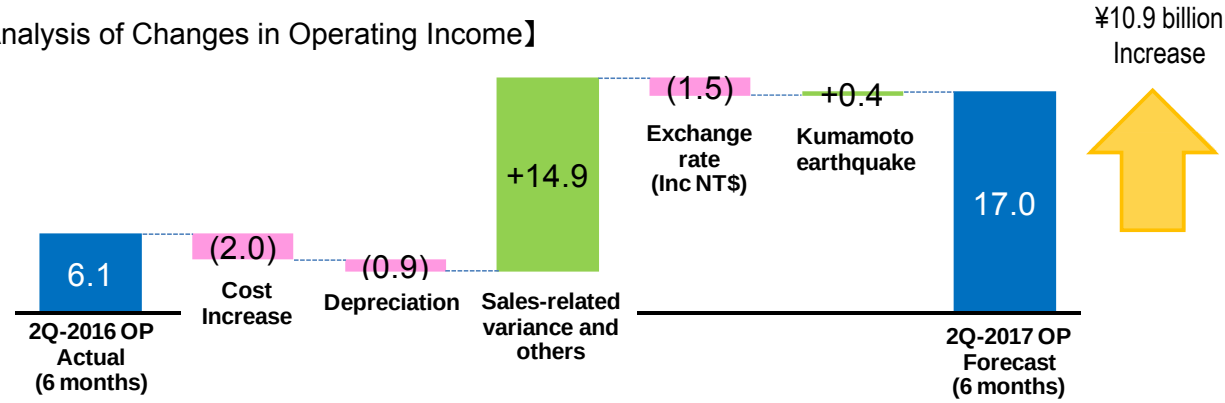
5-2. Analysis of Changes in Operating Income

■ 2Q-2016 Actual → 2Q-2017 Forecast

(Billions of Yen)

	2Q-2016 ACT (6 months)	2Q-2017 FCST (6 months)	Change
Net Sales	103.2	124.1	+20.9
Operating Income	6.1	17.0	+10.9
Exchange Rate (Yen/US$)	114.6	113.1	(1.5)

【Analysis of Changes in Operating Income】



5-3. Analysis of Changes in Operating Income

■ 1Q-2017 Actual → 2Q-2017 Forecast

(Billions of Yen)

	1Q-2017 Actual	2Q-2017 Forecast	Change
Net Sales	60.1	64.0	+3.9
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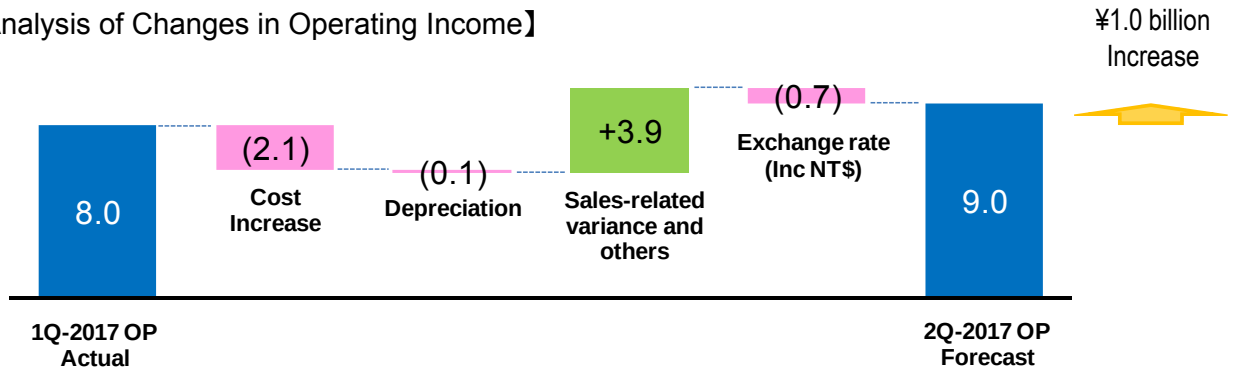
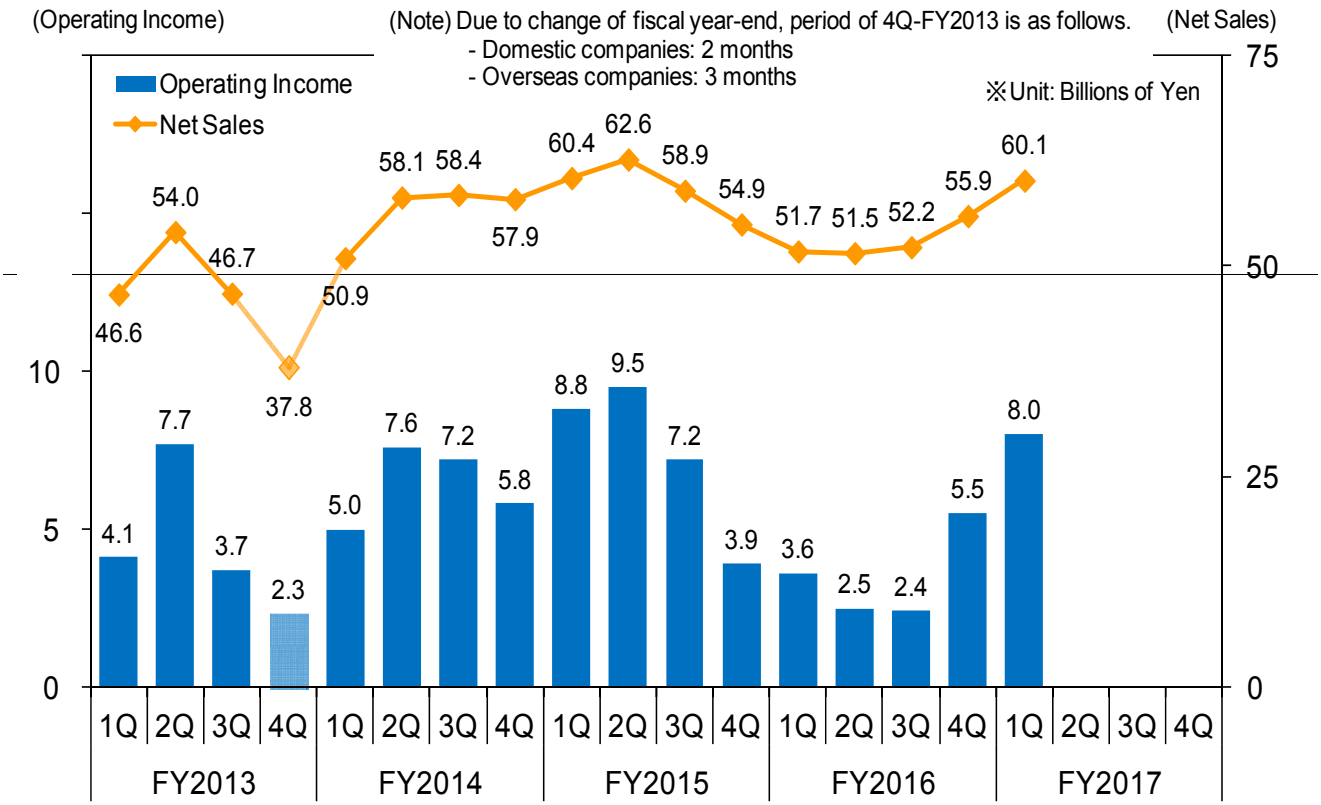
【Analysis of Changes in Operating Income】

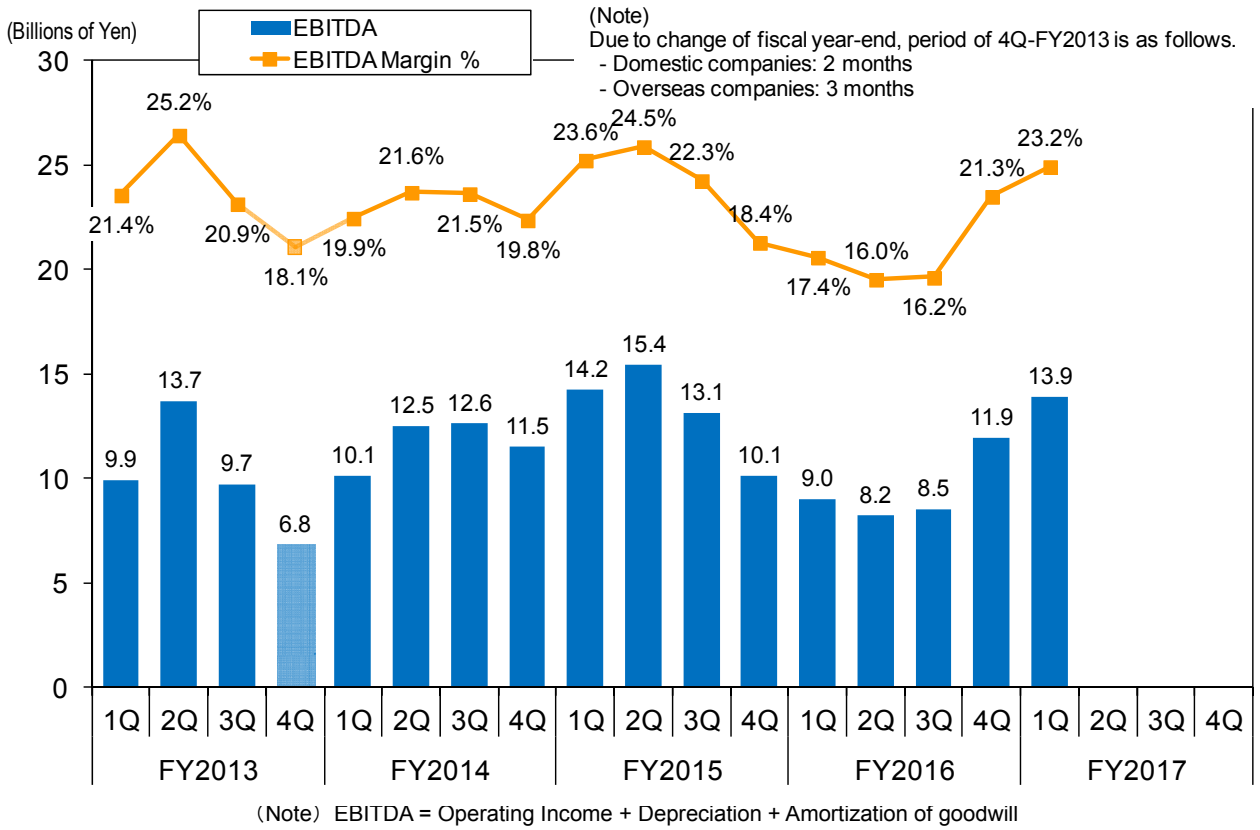


Reference Materials

Reference Materials: Quarterly Trend



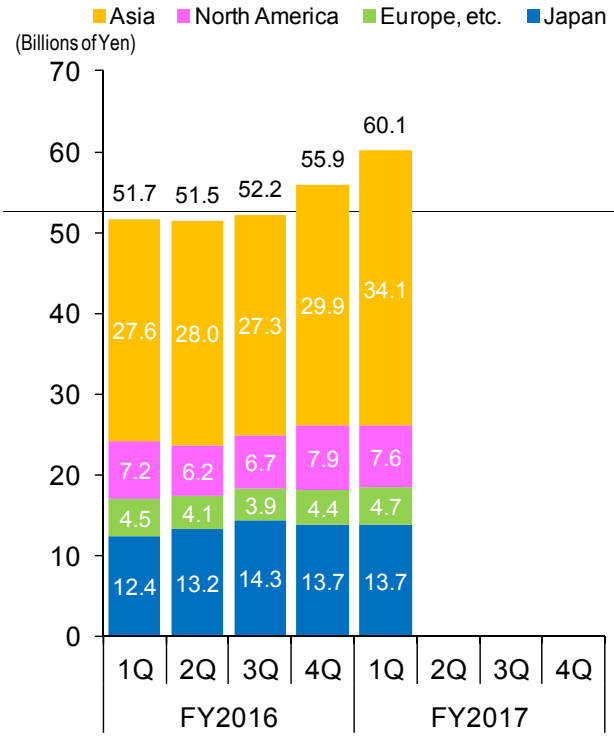
Reference Materials: EBITDA



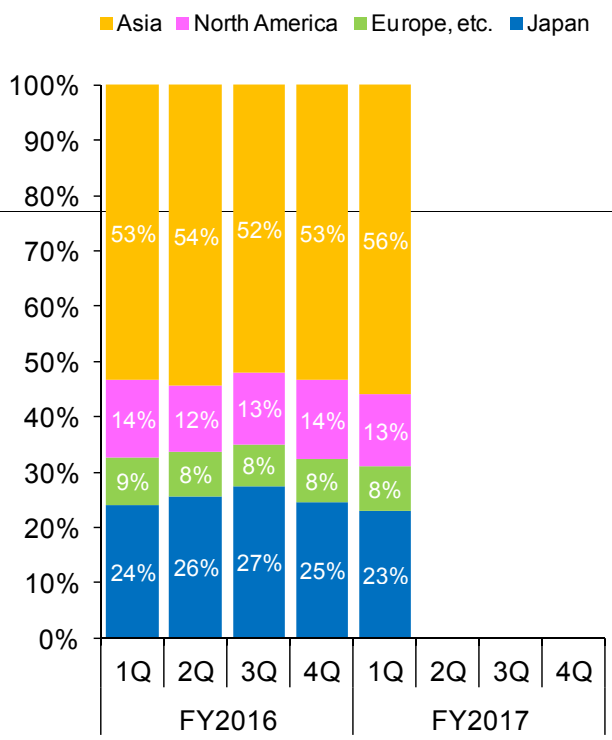
（Note） EBITDA = Operating Income + Depreciation + Amortization of goodwill

Reference Materials: Sales Results

Changes in Sales



Sales by Region



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