Results for Second Quarter of FY2017 (Ended June 30, 2017)

August 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

1-1. Summary

2Q-2017 Consolidated Business Result

(Billions of Yen)

	1Q-2017 Actual	2Q-2017 Actual	Change
Net Sales	60.1	63.8	+3.7
Operating Income	8.0	9.3	+1.3
Ordinary Income	5.5	8.2	+2.7
Net Income (Note)	3.6	6.0	+2.4
Exchange Rate (Yen/US$)	114.2	111.5	(2.7)

FY2017 Dividends

Interim: 10 yen per share (Dividend ratio: 30.4%)
Year-end: Not yet determined

3Q-2017 Consolidated Business Forecast

(Billions of Yen)

	2Q-2017 Actual	3Q-2017 Forecast	Change
Net Sales	63.8	66.0	+2.2
Operating Income	9.3	10.5	+1.2
Ordinary Income	8.2	9.5	+1.3
Net Income (Note)	6.0	6.5	+0.5
Exchange Rate (Yen/US$)	111.5	110.0	(1.5)

(Note) Net income attributable to owners of the parent

2-1. Market Environment

2Q-2017

✓ Volume
Strong demand continued for 300mm/200mm wafers
Supply of 150mm wafers have also tightened
Allocation was implemented for all wafer sizes
Customer concerns about wafer procurement spread further

✓ Price
Recovery continued for 300mm wafers
Drop in 200mm wafer prices started correction

3Q-2017 Outlook

✓ Volume
Vigorous demand for all sizes, allocation to continue

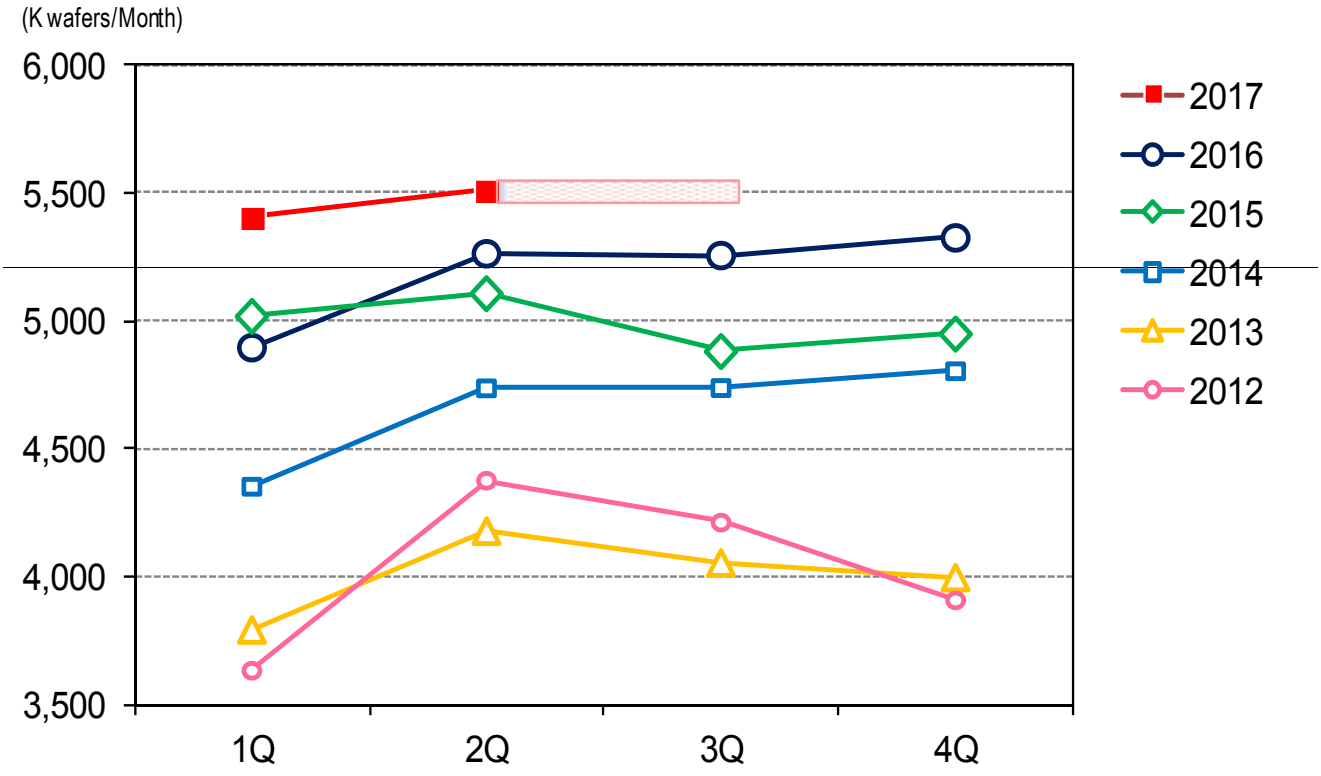
✓ Price
Recovery to continue for 300mm wafers
Correction of collapsed 200mm wafer prices should be nearly complete

Status of Price Negotiations

✓ 300mm
More than 20% price improvement in 4Q 2017 year-on-year
Customer concerns about medium- to long-term procurement grew stronger, and multiple long-term contracts were made

✓ 200mm
Due to customer plans for capacity expansion next year and after, supply will be even tighter than for 300mm wafers, making customers eager to obtain volume and sign long-term contracts
Price recovery has begun for next fiscal year contracts

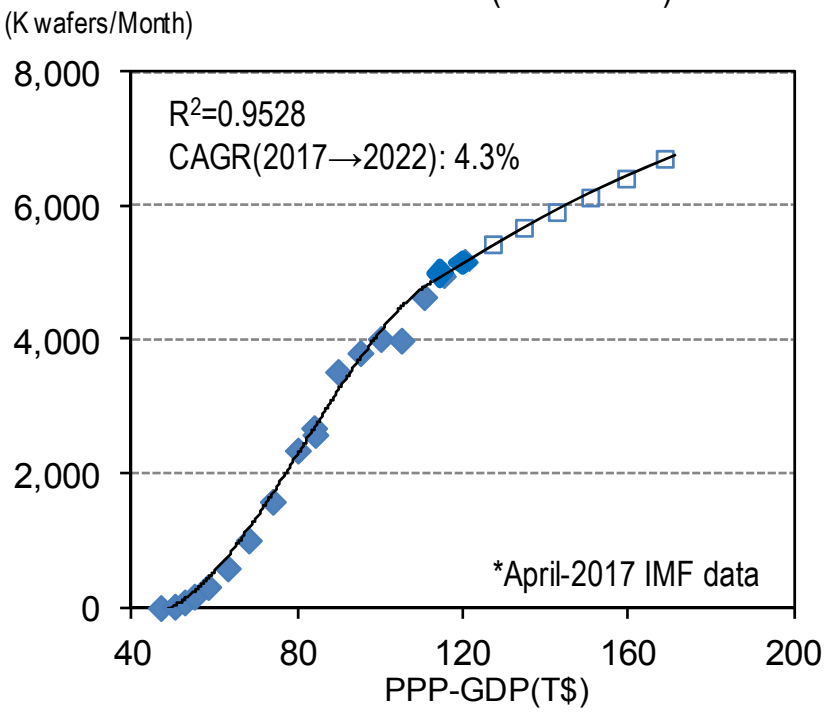
2-2. 300mm Wafer Trend Forecast



(Source: SUMCO estimation)

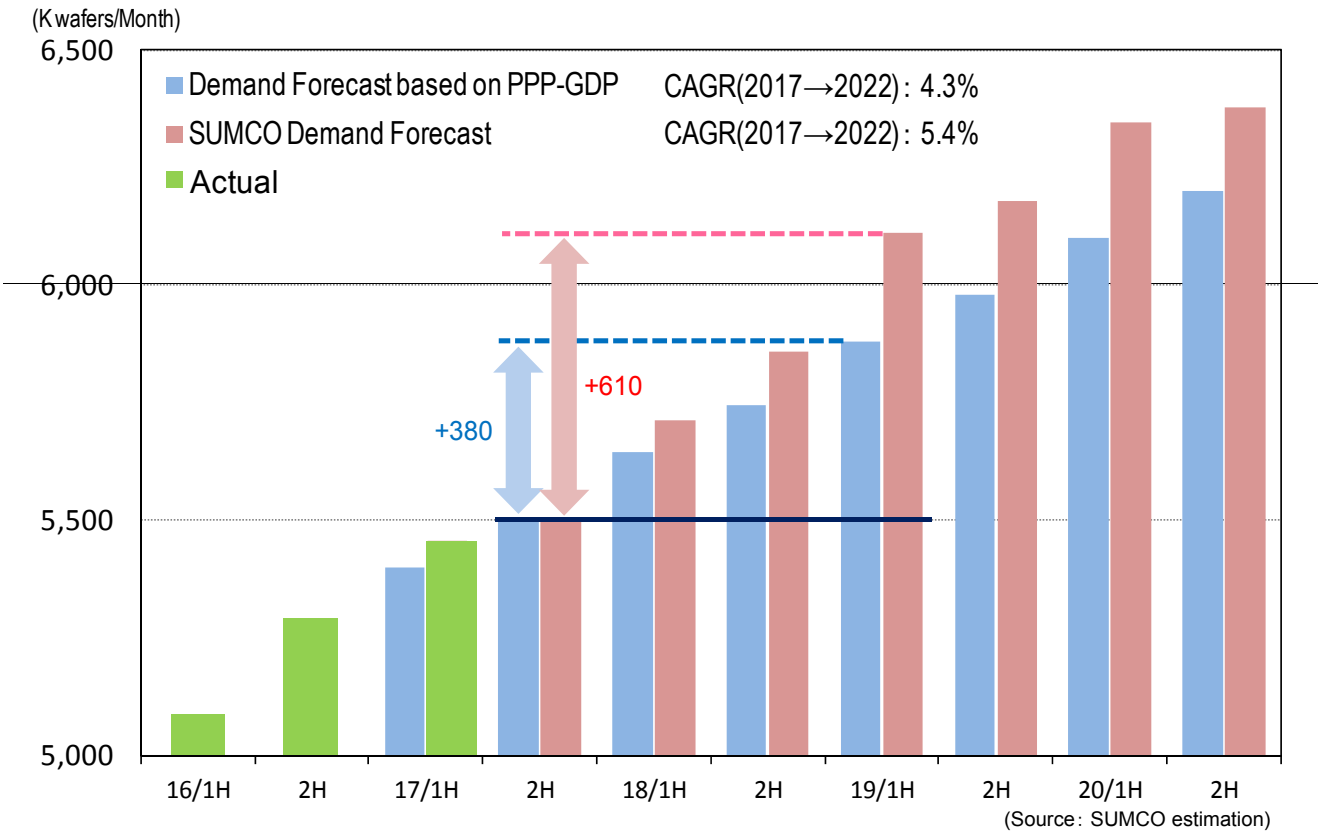
3-1. Forecast 300mm Demand based on PPP-GDP

Good Correlation between Purchasing Power Parity GDP and 300mm wafer (2000-2022)



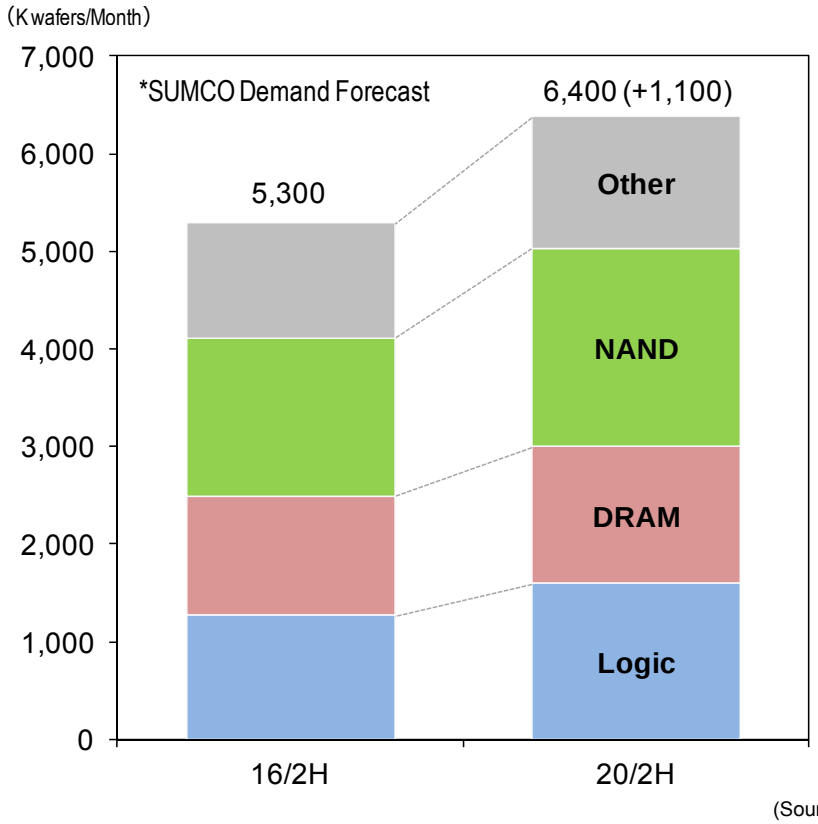
(Source: SUMCO estimation)

3-2. Forecast 300mm Wafer Demand



(Source: SUMCO estimation)

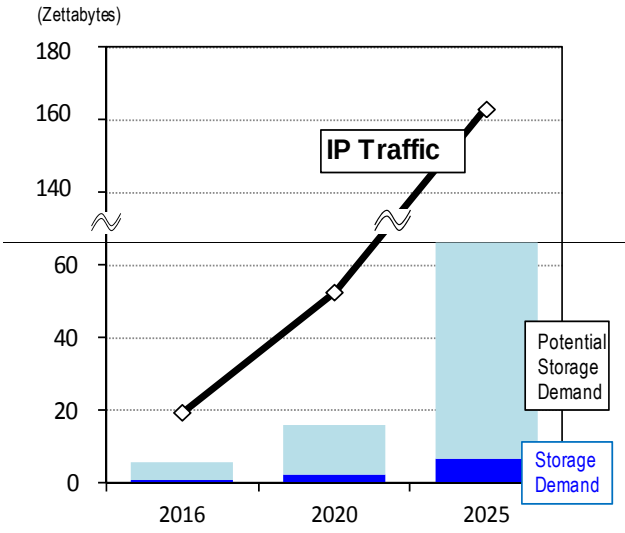
3-3. Forecast 300mm Wafer Demand by Devices



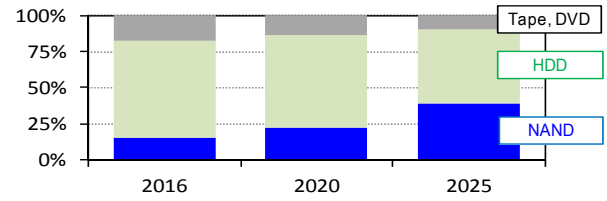
(Source: SUMCO estimation)

3-4. Forecast 300mm Wafer Demand for NAND

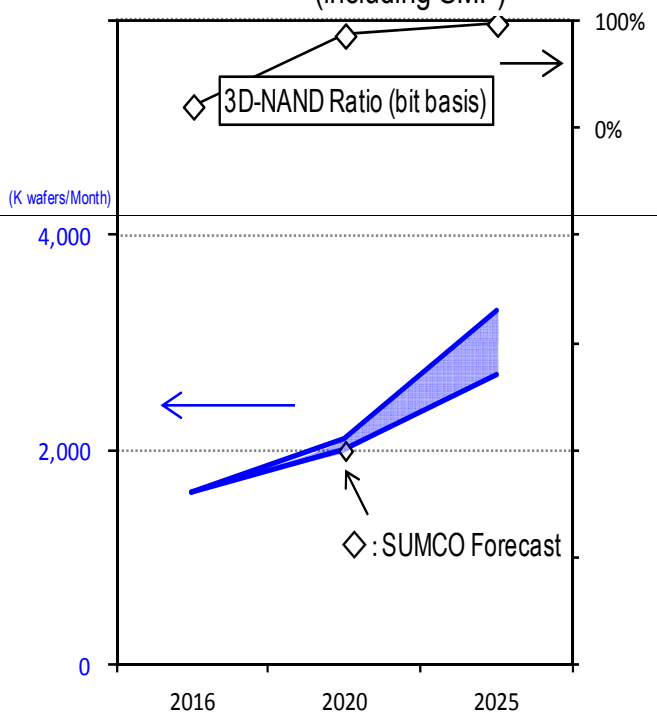
(1) IP Traffic and Data Volume to be stored



(2) Byte Shipment Share by Storage Media Type



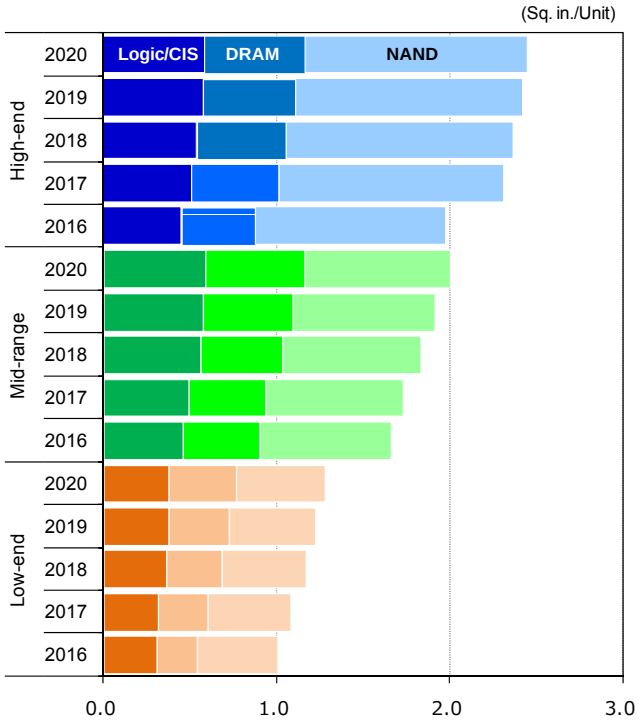
(3) 300mm Wafer Demand for All NAND (including SMP)



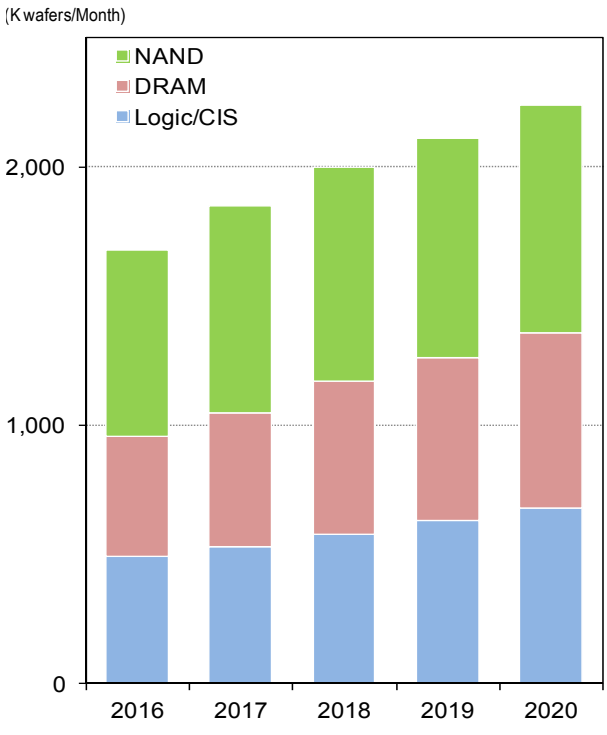
(Source: SUMCO estimation based on research reports)

3-5. Forecast 300mm Wafer Demand for Smartphone

Silicon Consumption for SMP



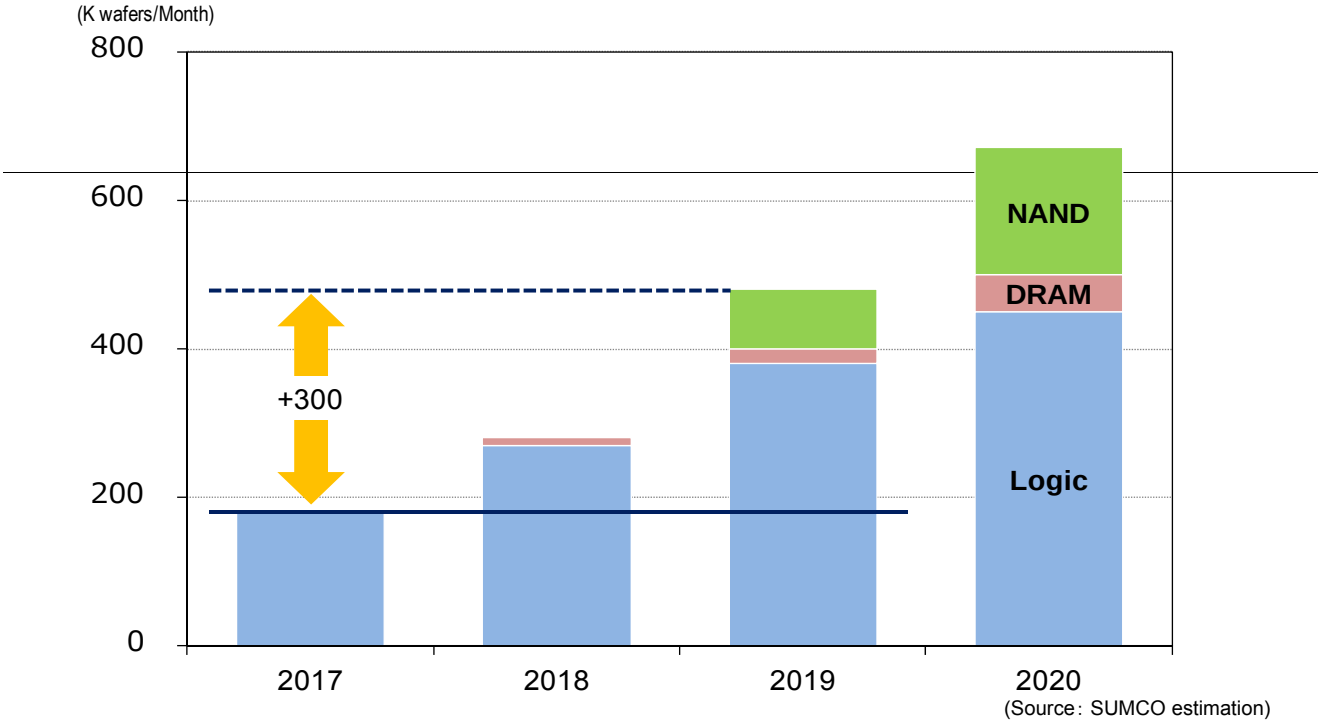
300mm Wafer Demand for SMP



(Source: SUMCO estimation based on research reports)

3-6. Forecast 300mm Leading-edge Wafer Demand

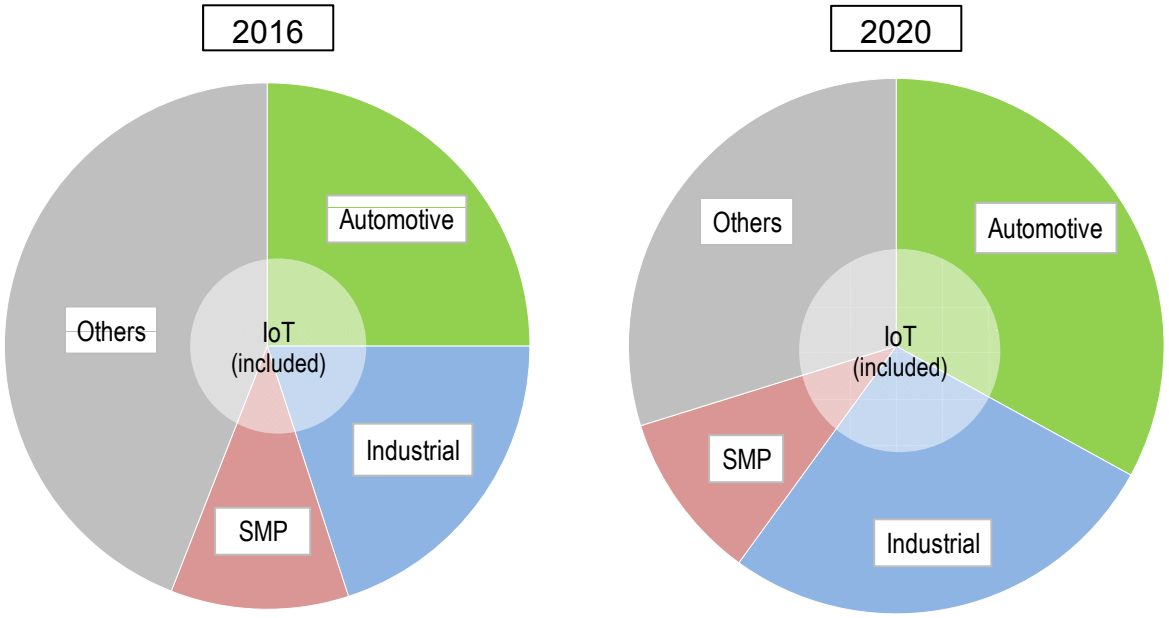
✓ We have decided to invest, from our own cash, in a capacity expansion by 110,000 wafers a month, aiming for the first half of 2019. This decision is premised on long-term sales contracts with customers, and is in line with our responsibility as a supplier of 300mm leading-edge wafers.



(Source: SUMCO estimation)

3-7. Forecast 200mm Wafer Demand by Application

✓ Demand Driver, Automotive, Industrial and IoT

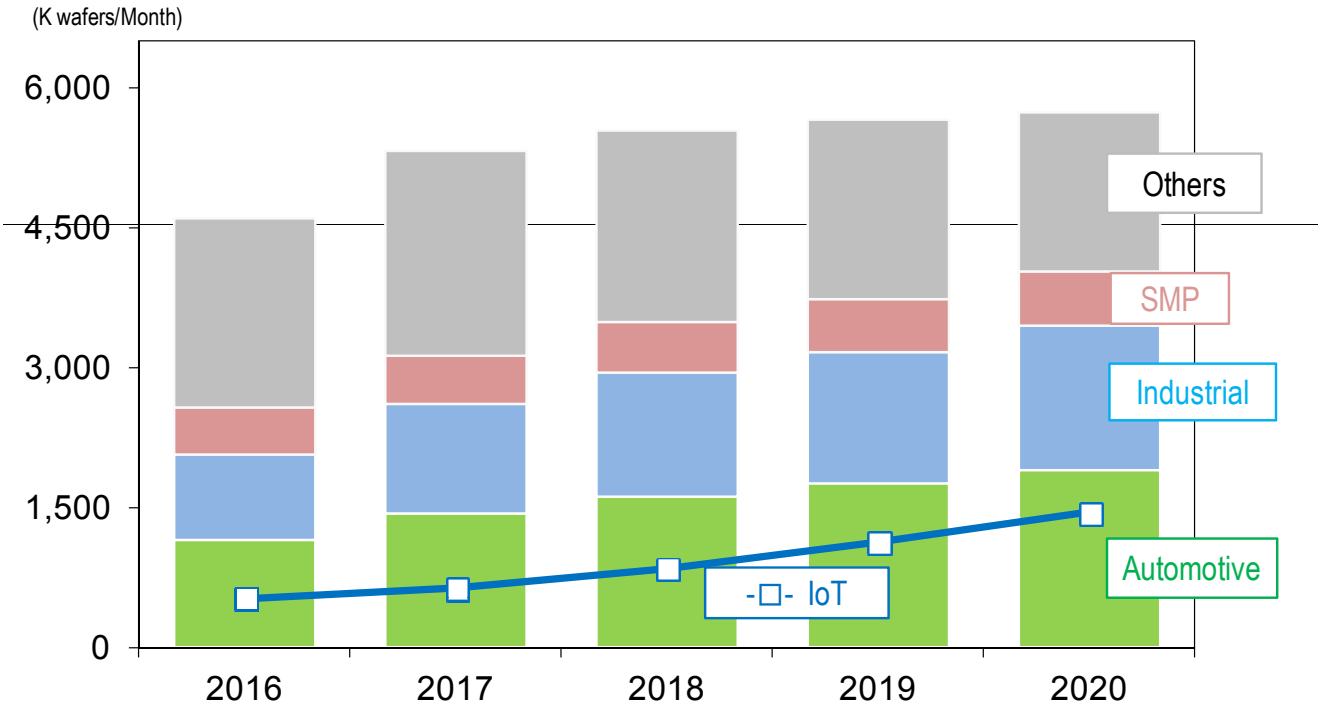


(Note) "Others" includes for consumer (white appliances, digital appliances, etc.), PC, tablet, digital still camera, etc.

(Source: SUMCO estimation based on research reports)

3-8. Forecast 200mm Wafer Demand

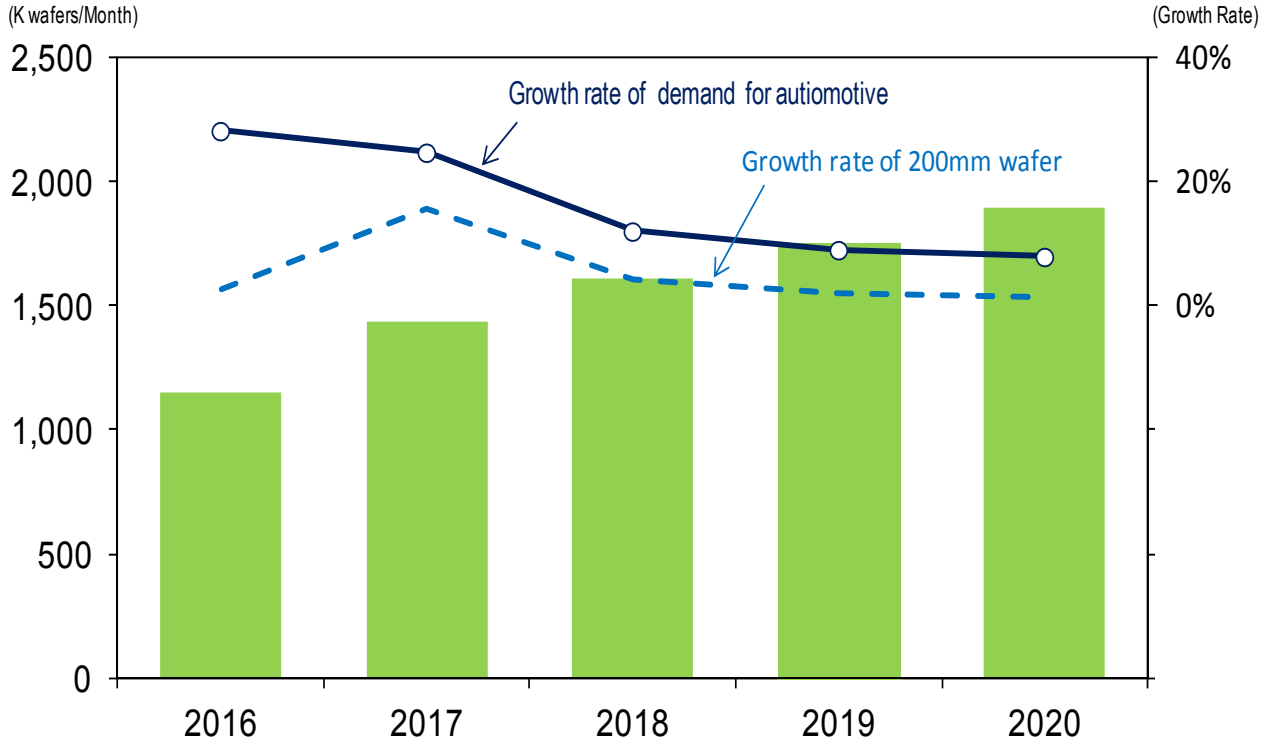
✓ 200mm annual wafer demand by segments



(Source: SUMCO estimation based on research reports)

3-9. Forecast 200mm Wafer Demand for Automotive

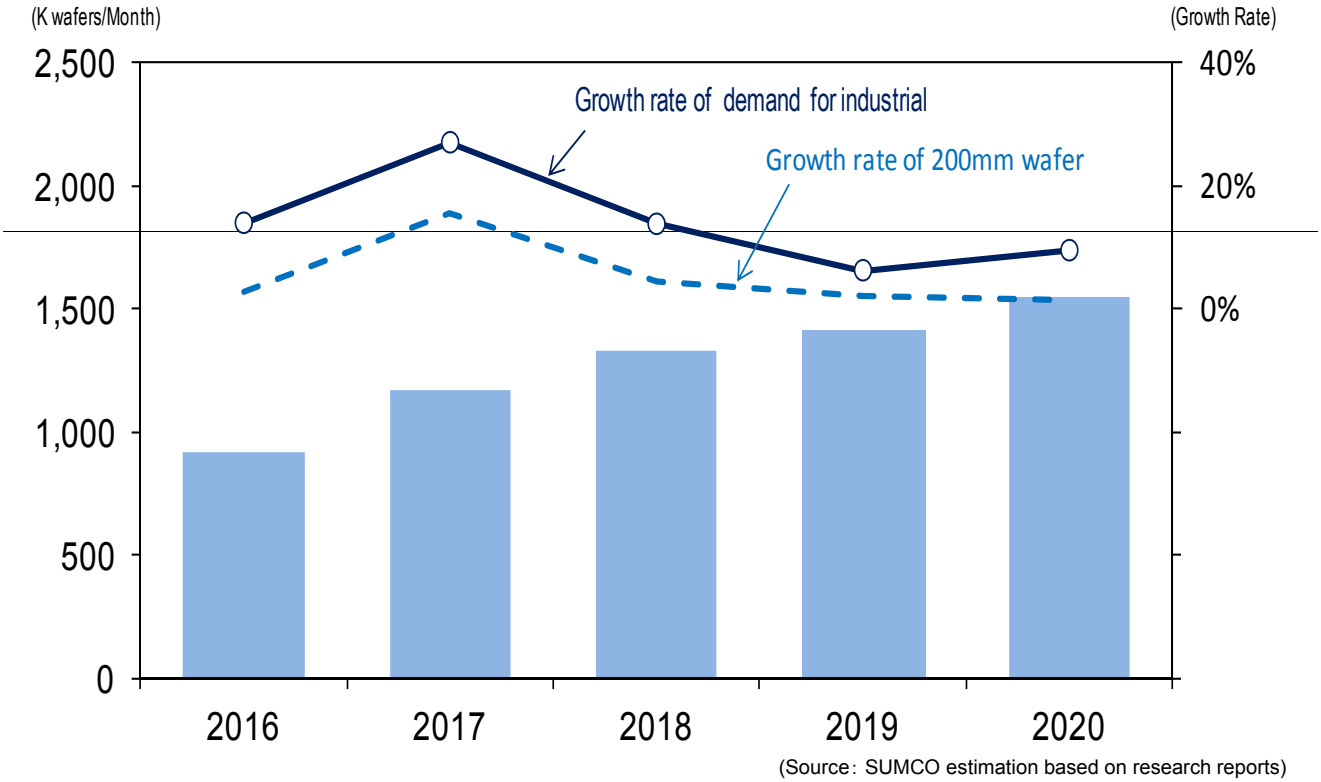
✓ Demand for Automotive: Electrical Equipments, ADAS/Autonomous Driving, xEV



(Source: SUMCO estimation based on research reports)

3-10. Forecast 200mm Wafer Demand for Industrial

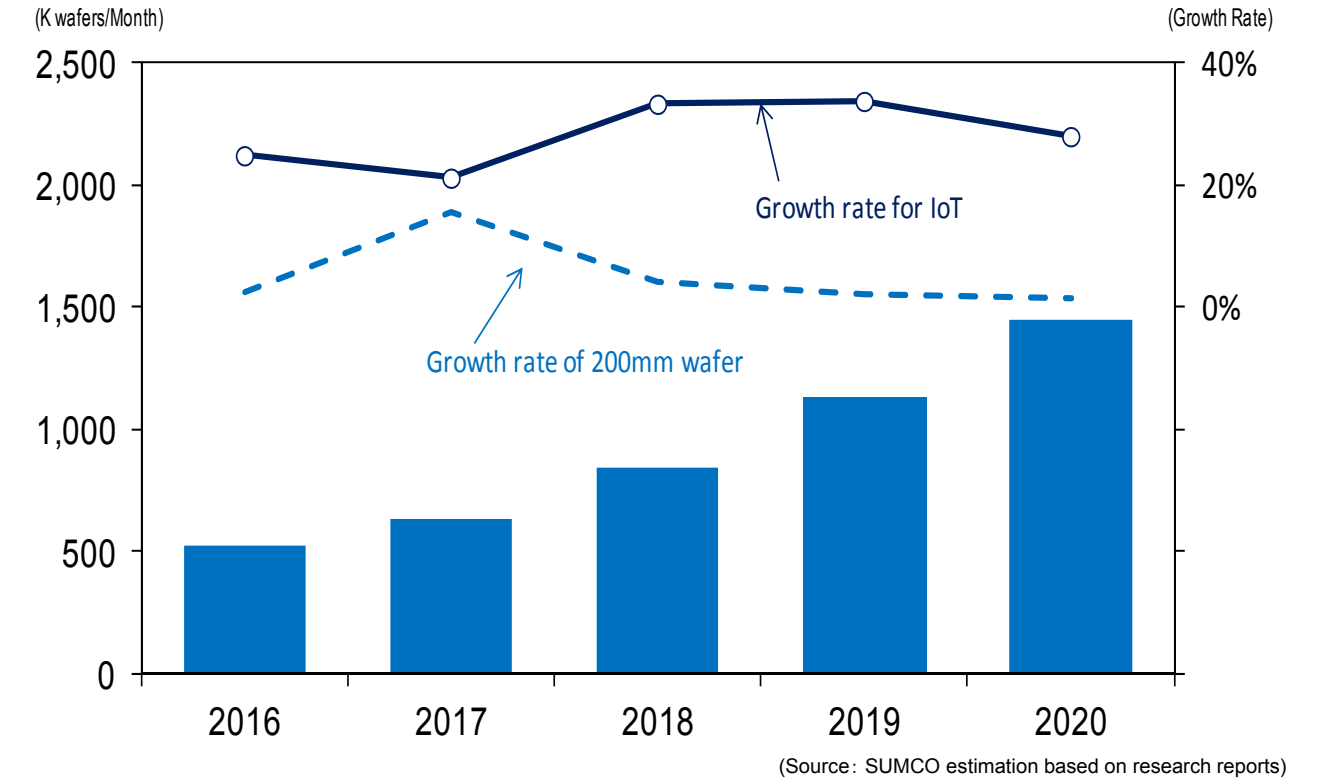
✓ Demand for Industrial: Smart Factory, Smart City, Automation



(Source: SUMCO estimation based on research reports)

3-11. Forecast 200mm Wafer Demand for IoT

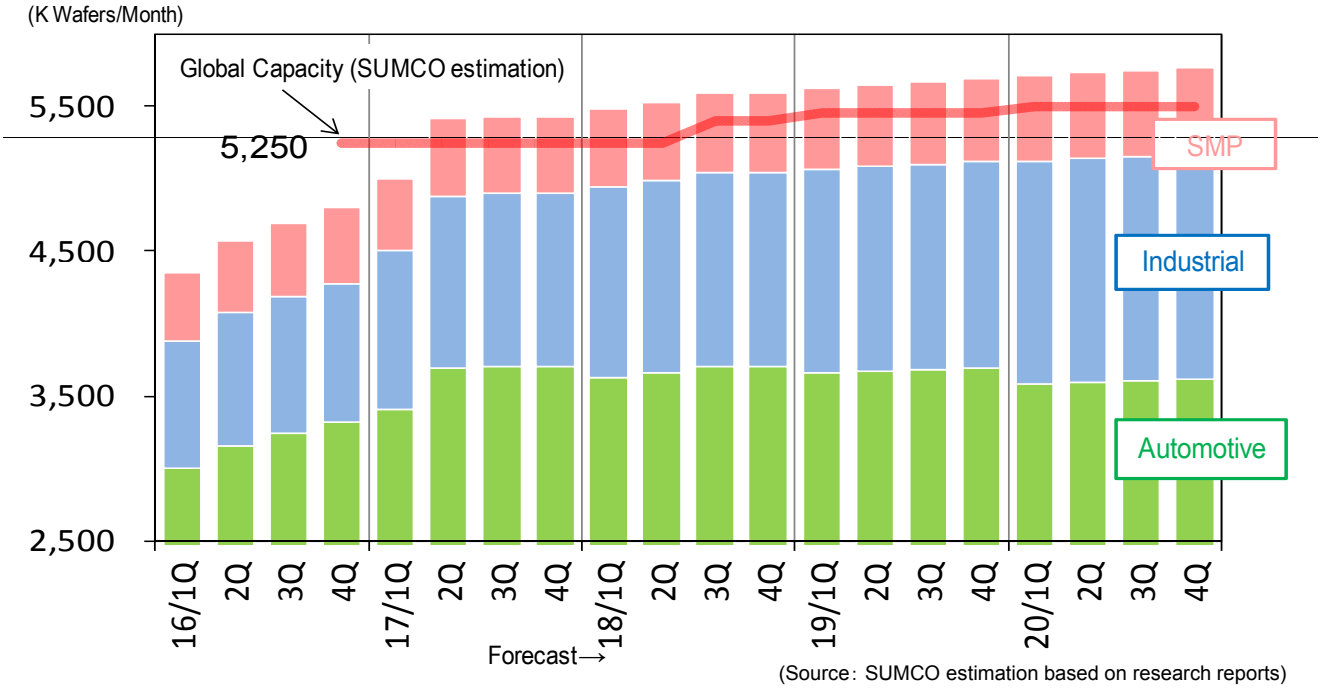
✓ Demand for IoT:



(Source: SUMCO estimation based on research reports)

3-12. Forecast　Quarterly 200mm Wafer Demand

- ✓ No Capacity Expansion, Significant Supply Shortage Continues
- ✓ Long-term contracts with customers who share roadmaps
- ✓ Profitability



(Source: SUMCO estimation based on research reports)

2Q-2017
Consolidated Business Result

4-1. Summary of Consolidated Business Result

(Billions of Yen)

	2Q-2016 Actual (6 months)	2Q-2017 Actual 1Q ACT	2Q-2017 Actual 2Q ACT	2Q-2017 Actual Total	Change
Net sales	103.2	60.1	63.8	123.9	+20.7
Operating income	6.1	8.0	9.3	17.3	+11.2
Non-operating income and expenses	(1.8)	(2.5)	(1.1)	(3.6)	(1.8)
Ordinary income	4.3	5.5	8.2	13.7	+9.4
Extraordinary income and expenses	-	-	-	-	-
Income taxes	(2.0)	(1.9)	(2.2)	(4.1)	(2.1)
Net income attributable to owners of the parent	2.3	3.6	6.0	9.6	+7.3
Capital expenditure (Acceptance basis)	10.8	2.7	2.1	4.8	(6.0)
Depreciation	10.2	5.5	5.7	11.2	+1.0
EBITDA (Note)	17.2	13.9	15.4	29.3	+12.1
Exchange rate (Yen/US$)	114.6	114.2	111.5	112.8	(1.8)
Operating margin (%)	6.0%	13.4%	14.5%	14.0%	+8.0%
EBITDA margin (%)	16.7%	23.2%	24.0%	23.6%	+6.9%
ROE (%)	2.2%	6.8%	11.1%	8.9%	+6.7%
Net income per share (Yen)	7.87	12.32	20.53	32.85	+24.98

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

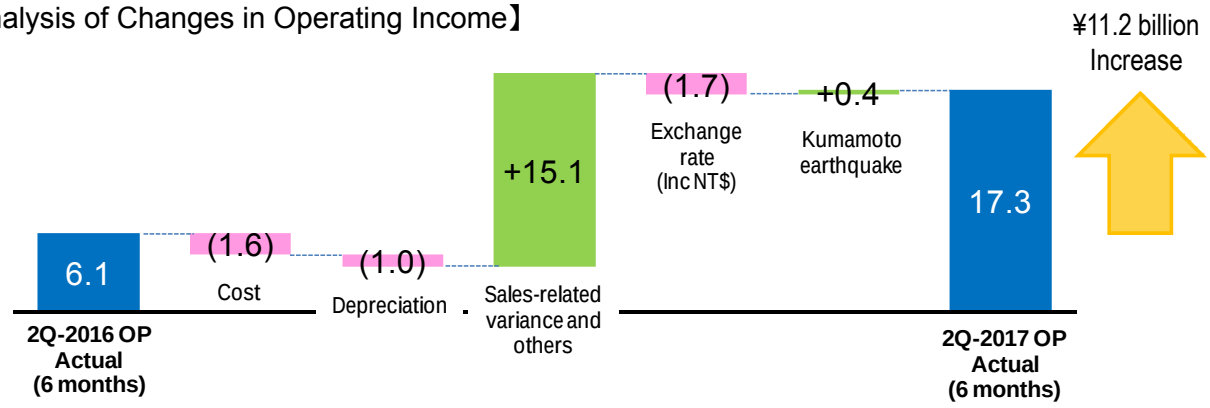
4-2. Analysis of Changes in Operating Income

■ 2Q-2016 ACT (6 months) → 2Q-2017 ACT (6 months)

(Billions of Yen)

	2Q-2016 ACT (6 months)	2Q-2017 ACT (6 months)	Change
Net Sales	103.2	123.9	+20.7
Operating Income	6.1	17.3	+11.2
Exchange Rate (Yen/US$)	114.6	112.8	(1.8)

【Analysis of Changes in Operating Income】



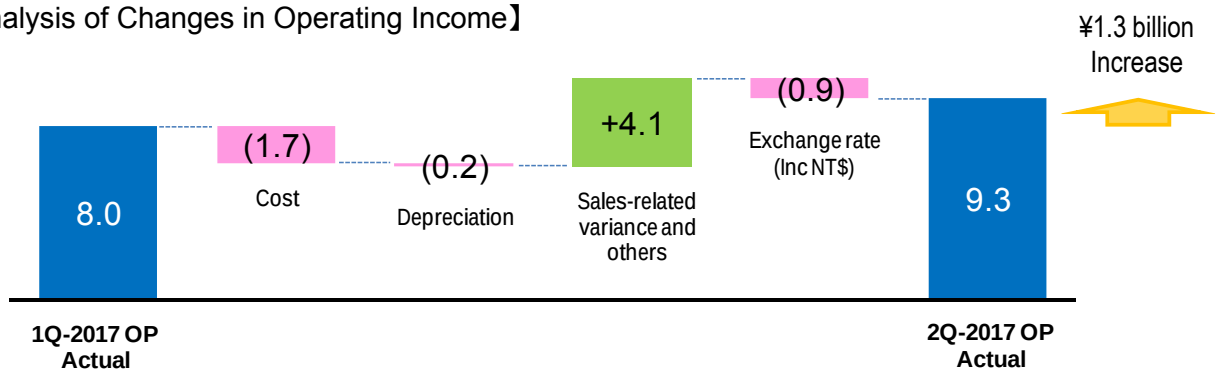
4-3. Analysis of Changes in Operating Income

■ 1Q-2017 Actual → 2Q-2017 Actual

(Billions of Yen)

	1Q-2017 Actual	2Q-2017 Actual	Change
Net Sales	60.1	63.8	+3.7
Operating Income	8.0	9.3	+1.3
Exchange Rate (Yen/US$)	114.2	111.5	(2.7)

【Analysis of Changes in Operating Income】



4-4. Consolidated Balance Sheet

(Billions of Yen)

	End of Dec-2016	End of Jun-2017	Change
Cash and time deposits	45.5	55.7	+10.2
Finished products and WIP	26.9	26.6	(0.3)
Raw materials and supplies	151.4	151.4	0.0
Tangible and intangible assets	164.0	157.4	(6.6)
Deferred income tax assets	5.8	5.4	(0.4)
Other assets	99.6	102.9	+3.3
Total Assets	493.2	499.4	+6.2
Debt and borrowings	177.0	176.8	(0.2)
Other liabilities	73.4	66.7	(6.7)
Liabilities	250.4	243.5	(6.9)
Capital stock	138.7	138.7	-
Capital surplus	23.3	23.9	+0.6
Retained earnings	50.6	58.8	+8.2
Others	30.2	34.5	+4.3
Equity	242.8	255.9	+13.1
Shareholders' equity ratio	42.5%	44.2%	+1.7%
Equity per share (Yen)	715.5	753.3	+37.8
D/E ratio (gross)	0.8x	0.8x	0.0x
D/E ratio (net)	0.6x	0.5x	(0.1)x

4-5. Consolidated Cash-Flow

(Billions of Yen)

	2Q-2017 (6 months)
Income before income taxes	13.7
Depreciation	11.2
Subtotal	24.9
Decrease in inventories	1.4
Changes in working capital, etc.	(9.0)
Net cash provided by operating activities	17.3
Capital expenditure (Acceptance basis)	(4.8)
Others, net	(1.2)
Net cash used in investing activities	(6.0)
Free cash-flow	11.3

3Q-2017
Consolidated Business Forecast

5-1. 3Q-2017 Consolidated Business Forecast

(Billions of Yen)

	3Q-2016 Actual (9 months)	3Q-2017 Forecast 1Q ACT	2Q ACT	3Q FCST	Total	Change
Net sales	155.4	60.1	63.8	66.0	189.9	+34.5
Operating income	8.5	8.0	9.3	10.5	27.8	+19.3
Non-operating income and expenses	(2.9)	(2.5)	(1.1)	(1.0)	(4.6)	(1.7)
Ordinary income	5.6	5.5	8.2	9.5	23.2	+17.6
Extraordinary income and expenses	-	-	-	-	-	-
Income taxes	(2.2)	(1.9)	(2.2)	(3.0)	(7.1)	(4.9)
Net income attributable to owners of the parent	3.4	3.6	6.0	6.5	16.1	+12.7
Capital expenditure (Acceptance basis)	13.2	2.7	2.1	6.0	10.8	(2.4)
Depreciation	15.9	5.5	5.7	6.0	17.2	+1.3
EBITDA (Note)	25.7	13.9	15.4	17.0	46.3	+20.6
Exchange rate (Yen/US$)	110.7	114.2	111.5	110.0	111.8	+1.1
Operating margin (%)	5.5%	13.4%	14.5%	15.9%	14.6%	+9.1%
EBITDA margin (%)	16.5%	23.2%	24.0%	25.8%	24.4%	+7.9%
ROE (%)	2.2%	6.8%	11.1%	11.6%	9.9%	+7.7%
Net income per share (Yen)	11.67	12.32	20.53	22.05	54.90	+43.23

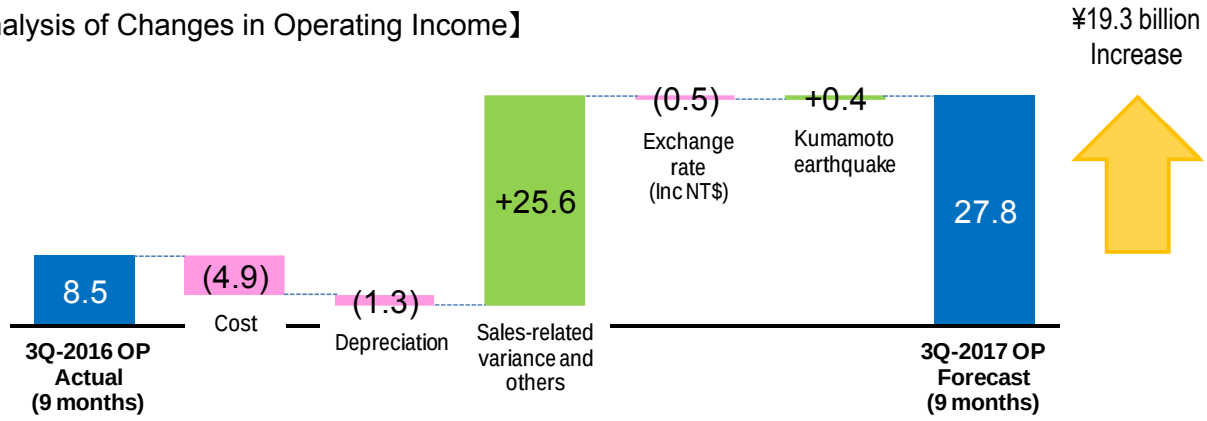
(Note) EBITDA = Operating Income + Depreciation + Amortization of Goodwill

5-2. Analysis of Changes in Operating Income

■ 3Q-2016 ACT (9 months) → 3Q-2017 FCST (9months) (Billions of Yen)

	3Q-2016 ACT (9 months)	3Q-2017 FCST (9 months)	Change
Net Sales	155.4	189.9	+34.5
Operating Income	8.5	27.8	+19.3
Exchange Rate (Yen/US$)	110.7	111.8	+1.1

【Analysis of Changes in Operating Income】



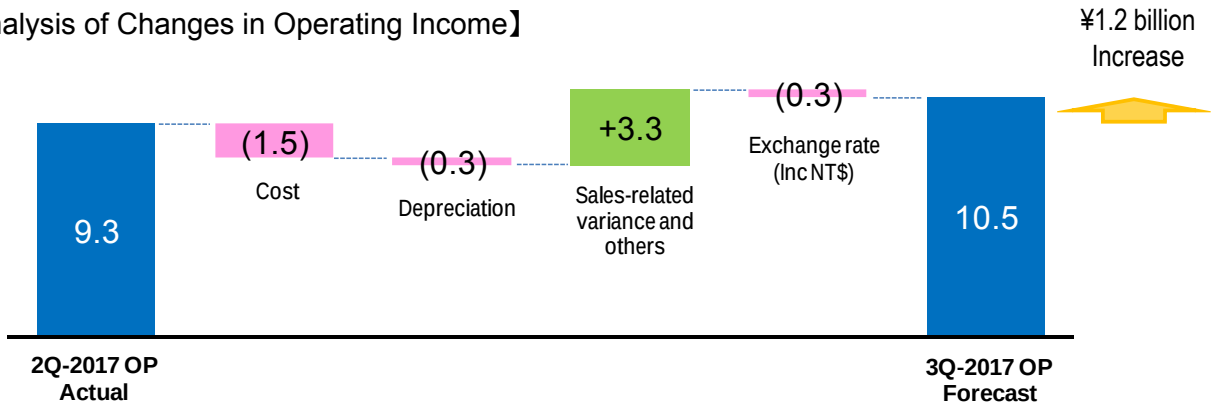
5-3. Analysis of Changes in Operating Income

■ 2Q-2017 Actual → 3Q-2017 Forecast

(Billions of Yen)

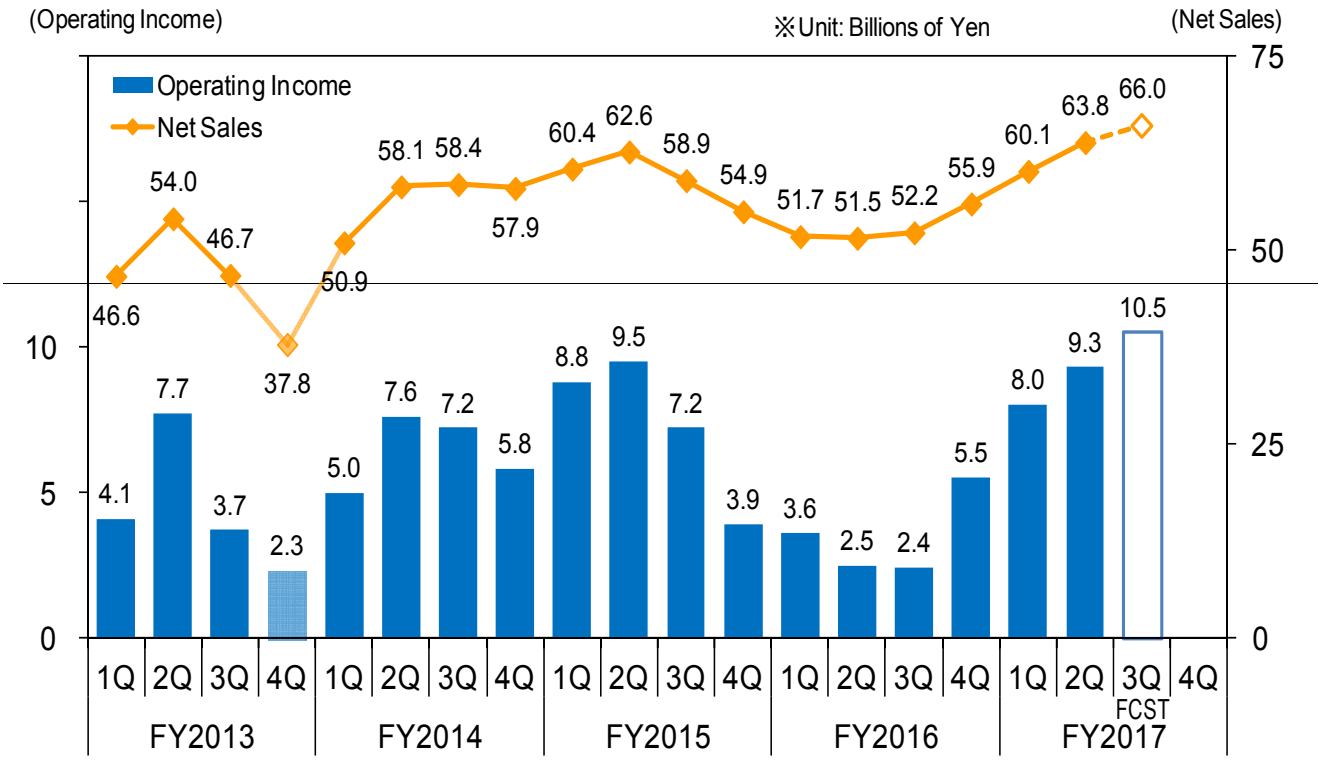
	2Q-2017 Actual	3Q-2017 Forecast	Change
Net Sales	63.8	66.0	+2.2
Operating Income	9.3	10.5	+1.2
Exchange Rate (Yen/US$)	111.5	110.0	(1.5)

【Analysis of Changes in Operating Income】



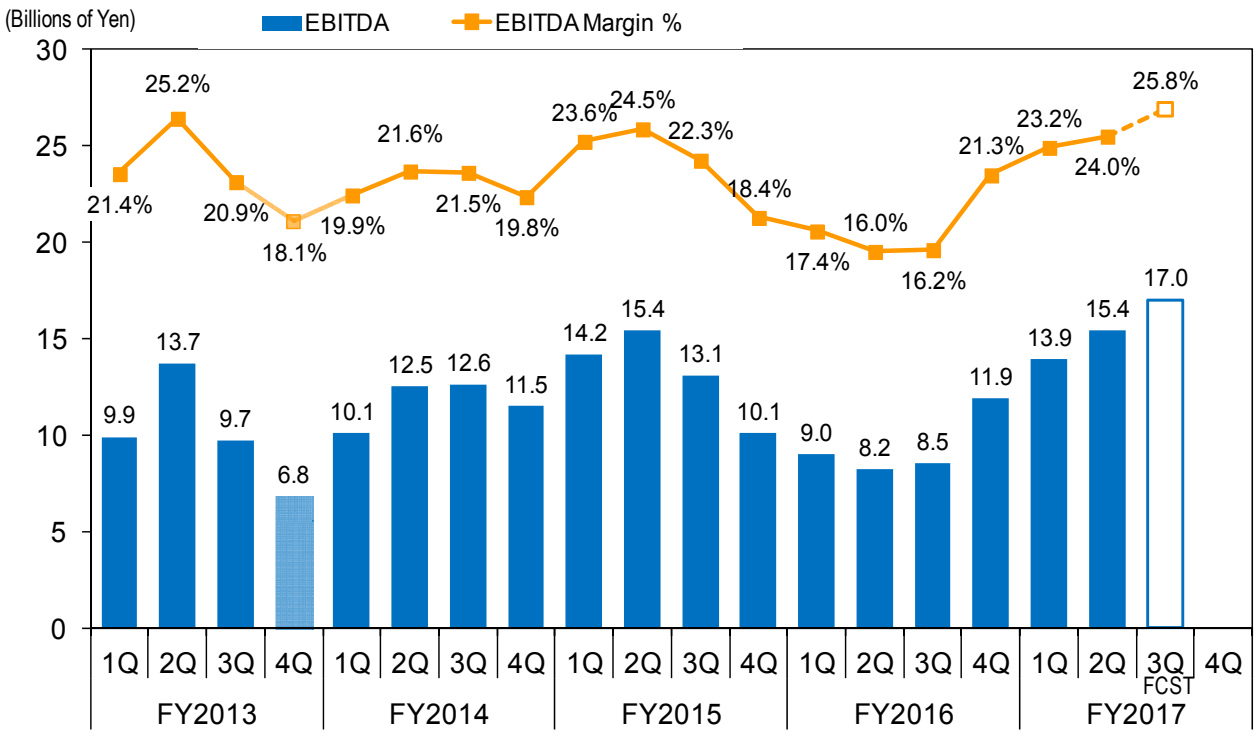
Reference Materials

Reference Materials: Quarterly Trend



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

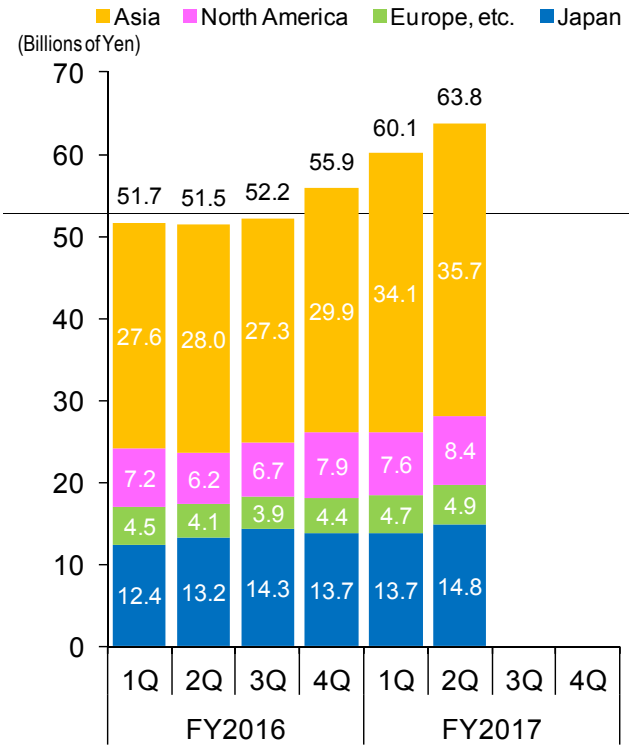
Reference Materials: EBITDA



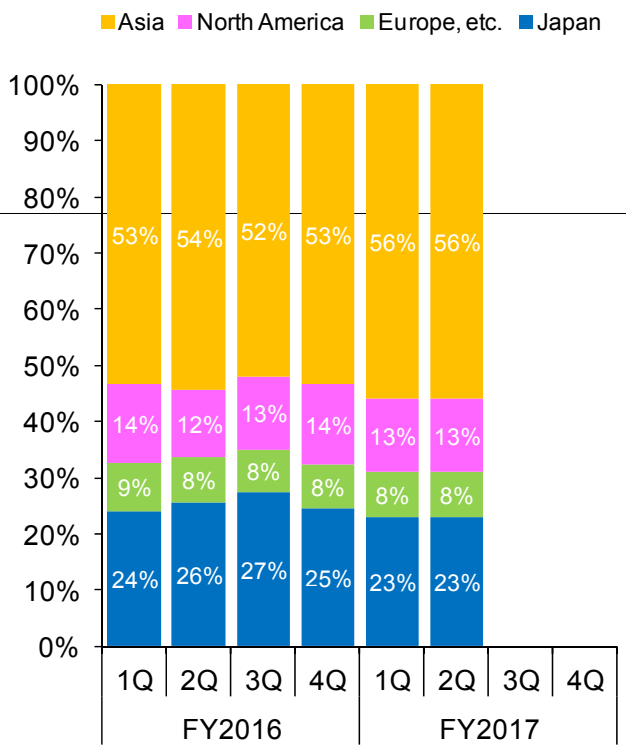
(Notes) 1. Due to change of fiscal year-end, period of 4Q-FY2013 is as follows.
- Domestic companies: 2 months; Overseas companies: 3 months
2. EBITDA = Operating Income + Depreciation + Amortization of goodwill

Reference Materials: Sales Results

Changes in Sales



Sales by Region



URL http://www.sumcosi.com/