Results for Third Quarter of FY2017 (Ended September 30, 2017)

November 9, 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

3Q-2017 Consolidated Business Result

(Billions of Yen)

	3Q-2017 FCST (3 months)	3Q-2017 ACT (3 months)	Change
Net Sales	66.0	66.5	+0.5
Operating Income	10.5	11.4	+0.9
Ordinary Income	9.5	10.5	+1.0
Net Income (Note)	6.5	7.0	+0.5
Exchange Rate (Yen/US$)	110.0	110.9	+0.9

4Q-2017 Consolidated Business Forecast

(Billions of Yen)

	3Q-2017 Actual	4Q-2017 Forecast	Change
Net Sales	66.5	68.0	+1.5
Operating Income	11.4	12.0	+0.6
Ordinary Income	10.5	11.0	+0.5
Net Income (Note)	7.0	8.0	+1.0
Exchange Rate (Yen/US$)	110.9	112.0	+1.1

(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	**10.0**
	Year-end	1.0	4.0	10.0	5.0	(FCST) **16.0**
	Total	1.0	4.0	20.0	10.0	(FCST) **26.0**
Dividends payment (Billions of Yen)	Interim	-	-	2.9	1.4	**2.9**
	Year-end	0.2	1.0	2.9	1.4	(FCST) **4.6**
	Total	0.2	1.0	5.8	2.9	(FCST) **7.6**
Dividend ratio	(%)	(Note) -	6.8%	28.5%	44.5%	(FCST) **31.0%**

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

2-1. Market Environment

3Q-2017

✓ Volume
Strong demand for all diameters; allocation continued
Customer concerns about wafer procurement grew further

✓ Price
Recovery continued for both 300mm and 200mm

4Q-2017 Outlook

✓ Volume
All diameters will be unaffected by customer seasonal adjustments, allocation to continue
Customer inventories will continue to decline
300mm volume will be reduced by around 5% due to periodic maintenance

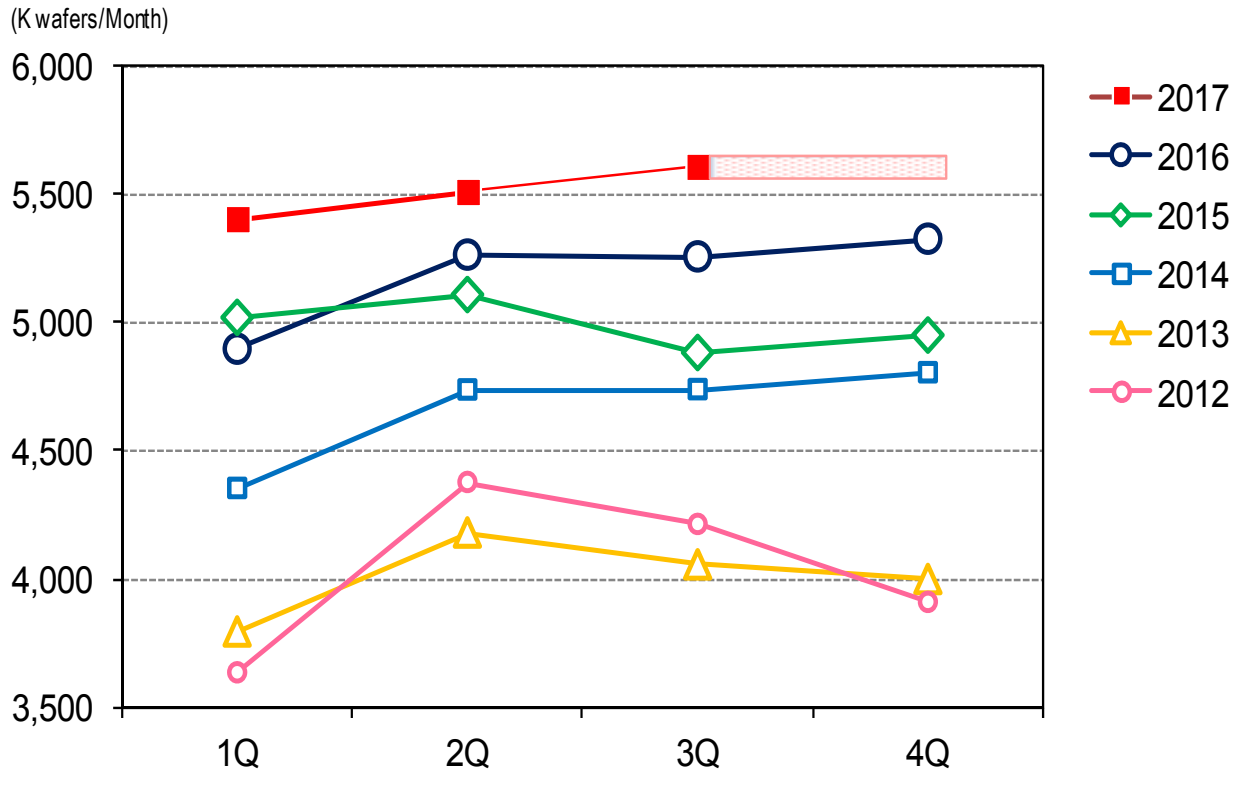
✓ Price
Recovery by more than 20% YoY for 300mm
Small price recovery factored in for 200mm

UPDATE

✓ 300mm
Further price recovery of around 20% seen in 2018 (40%+ recovery in 4Q18 over 4Q16)
Additional price recovery expected in 2019
Ratio of long-term contracts to increase further

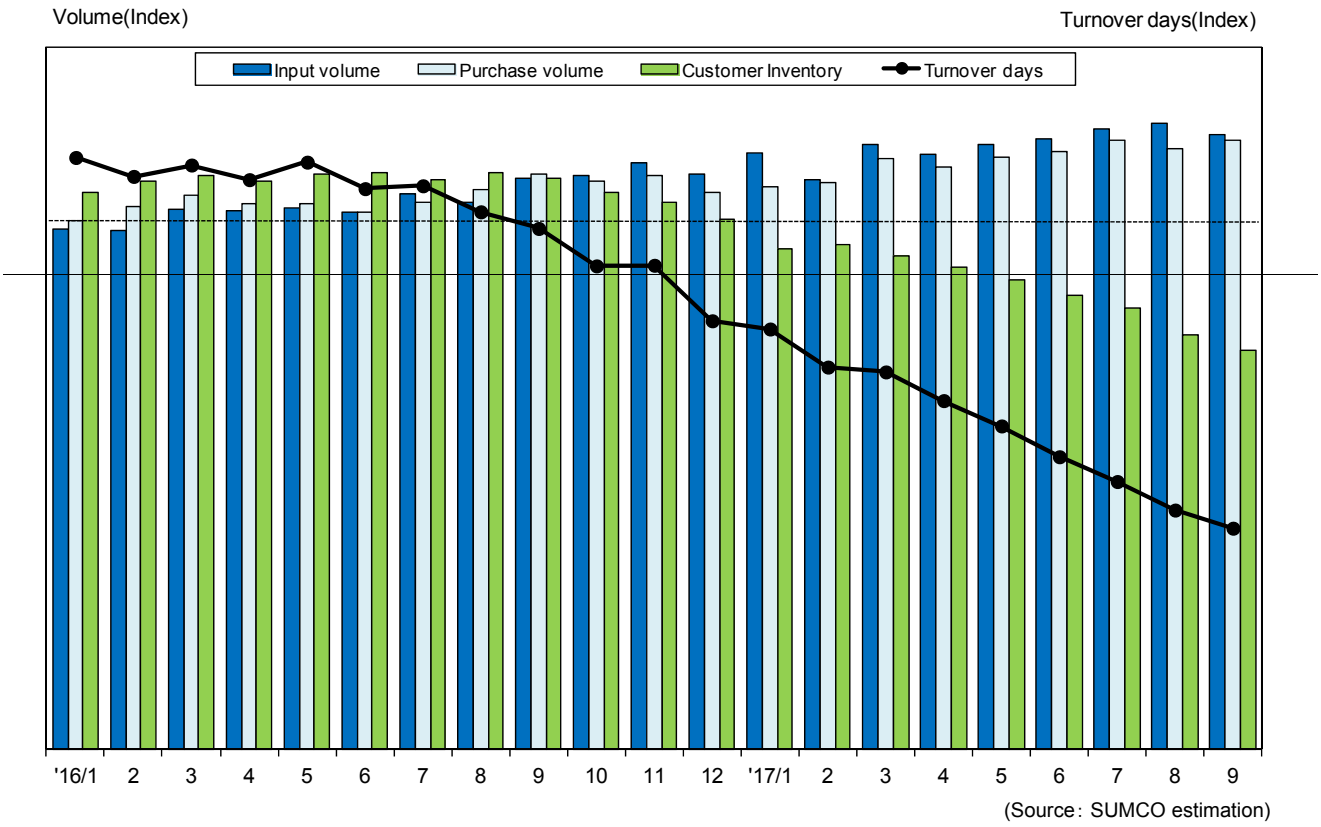
✓ 200mm
While customers are raising their production capacity, wafer supply increase is limited due to extreme difficulty of procuring equipment and high price for additional capacity
Customer wafer procurement risk is even stronger than for 300mm
There are fears the tight supply-demand situation may continue well into the future
Many customers strongly desire long-term contracts of three years or more to ensure adequate volume
Significant price recovery is expected for each product with contracts from the next year

2-2. 300mm Wafer Trend Forecast



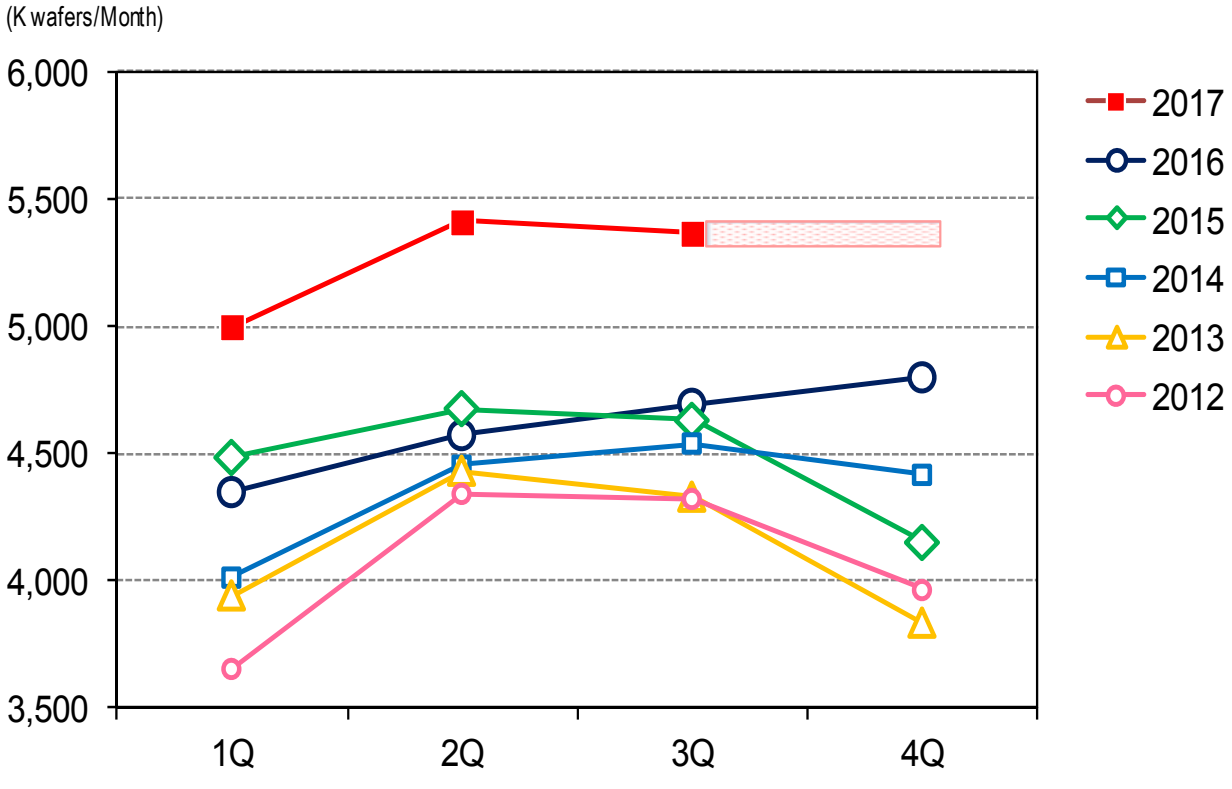
(Source: SUMCO estimation)

2-3. Customer 300mm Wafer Inventory Level



(Source: SUMCO estimation)

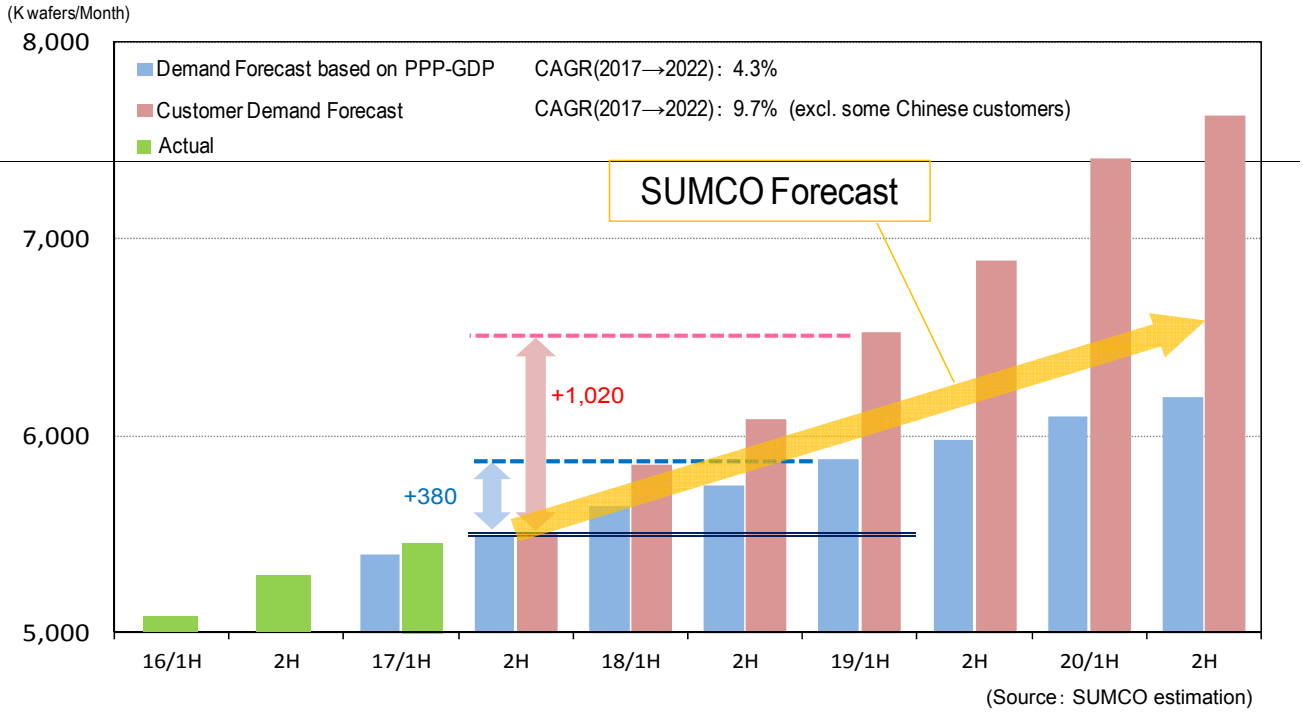
2-4. 200mm Wafer Trend Forecast



(Source: SUMCO estimation)

3-1. Forecast 300mm Wafer Demand

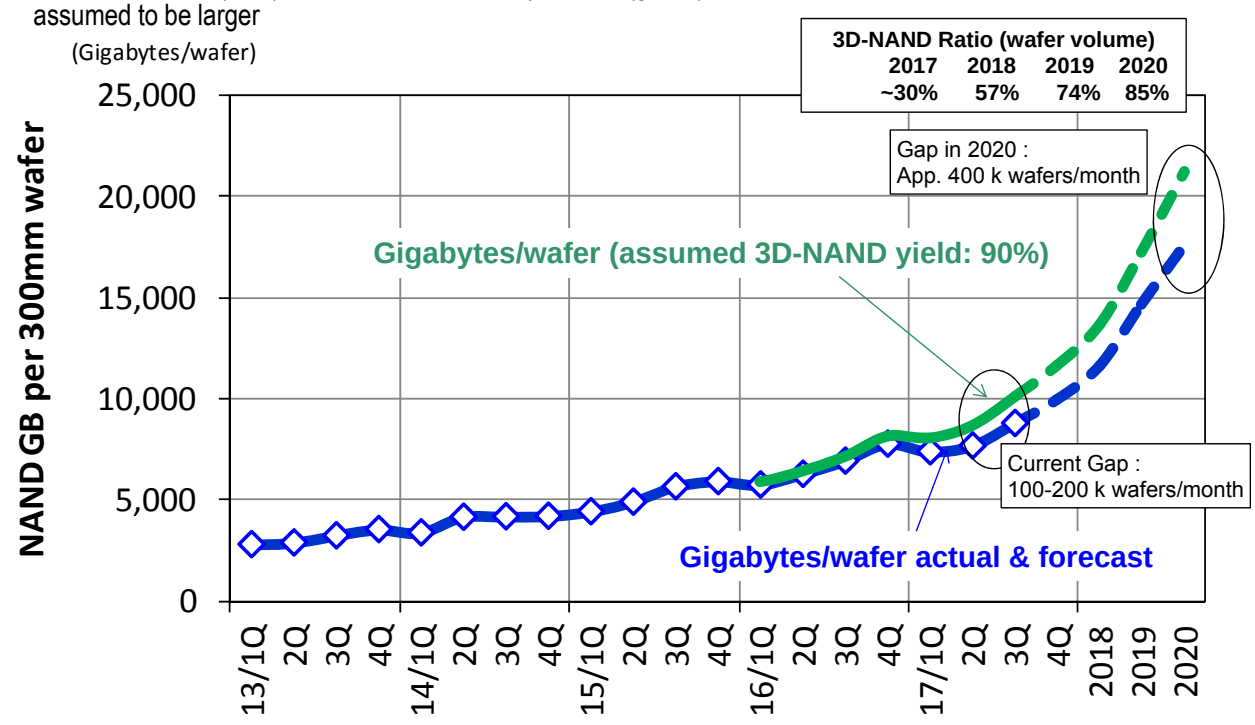
- ✓ Although customer demand forecast is strong, SUMCO will gradually boost production in line with demand forecast based on PPP-GDP, aimed at maintaining current worldwide share
- ✓ Capture leading-edge wafer demand for high-end applications (→Raise proportion of leading-edge products)



(Source: SUMCO estimation)

3-2. Gigabytes/wafer estimates for 300mm wafers for NAND

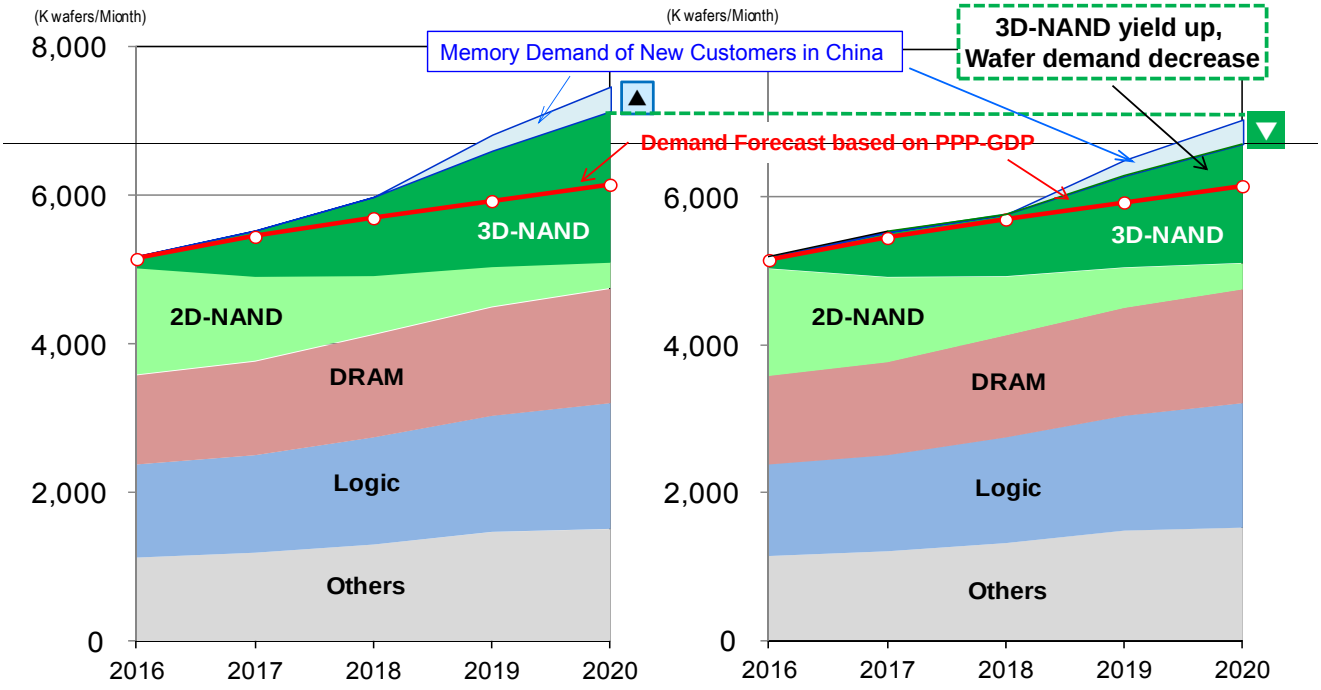
- ✓ Assumptions: Volume of 300mm wafers for NAND estimated by SUMCO, Gigabytes (GB) estimated referring to research company data
- ✓ Actual & forecast (blue) line is lower than 90% yield line (green) for 3D-NAND, and current wafer consumption assumed to be larger



(Source: SUMCO estimation)

3-3. Forecast 300mm Customer Demand by Device

- ✓ Additional demand for memory could arise from new customers in China
- ✓ Short-term demand for NAND likely to see consumption increase due to low 3D-NAND yield?
- ✓ Possible decline in demand as 3D-NAND yield improves
- ✓ Keep the policy of gradual capacity increase by monitoring the demand trend



(Source: SUMCO estimation)

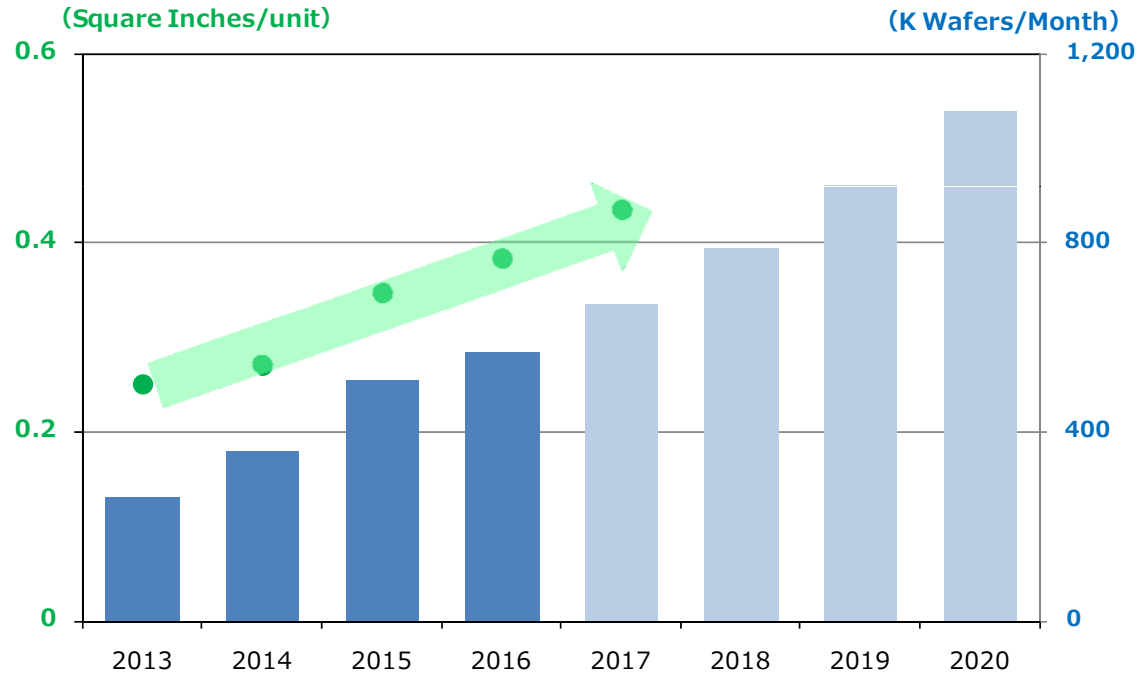
3-4. Expansion Plans of 300mm Customers (Update)

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	—	Gradual Expansion →				40	40
		TSMC	Taichung Tainan	Fab15 P5,6,7 Fab14 P8/9	Logic	10-7nm 5nm	→	→	→	→	170	170
		UMC	Tainan	Fab2A P7/8		28-14nm			50			50
		Samsung	Hwaseong Pyeongtaek	Line17 P2 Line18	3D-NAND	—	→	→	→	→	165	165
		SK Hynix	Icheon Cheongju	M14 —			→	→	→	→	120	120
		Toshiba	Yokkaichi Iwate	Y6 —					—		— —	— —
		Winbond	Taichung Tainan	Fab C —	DRAM NOR/NAND	2Xnm 3Xnm	→	→	→	→	50	50
		Total Planned Capacity in Japan, S. Korea, Taiwan										595 + α
China	Foreign-affiliated Customers	UMC	Xiamen	Fab12X	Logic	55-40nm	→	→	→	50		50
		TSMC	Nanjing	—		28-16nm			20			20
		Nexchip	Hefei	—		90-65nm	JV with Powerchip and Hefei City →			40		40
		Global Foundries	Chengdu	—		22nm		→	→	20		20
		Intel	Dalian	Fab68	3D-NAND		Convert from Logic and Capacity up →				70	70
		SK Hynix	Wuxi	—			→	→	→	→	60	60
		Samsung	Xi'an	Fab2			→	→	→	→	100	100
		Total Planned Capacity of Foreign-affiliated Customers in China										360
	Existing Customers	SMIC	Beijing Shanghai Shenzhen	B2-B, B3 SN1 —	Logic	28-14nm 14nm 90-65nm			→	→	70 70 40	70 70 40
		Shanghai Huali	Shanghai	Fab2		28-20nm		→	→	→	20	20
		XMC	Wuhan	—	Logic,CIS,Flash	>40nm						-
		Total Planned Capacity of Foreign-affiliated Customers in China										200
		Total Planned Capacity in Japan, S. Koria, Taiwan and Foreign-affiliated & Existing Customers in China										1,155 + α
China	New Customers	Yangtze Riv. Storage	Wuhan	—	3D-NAND	-	Yangtze River Storage Tech. under Tsinghua Unigroup Planning Max.1000 →				200-300	200-300
		Innotron	Hefei	—	DRAM	19nm	→	→	→	→	60	60
		JHICC	Quanzhou	—		25-20nm	→	→	→	→	60	60
		Total Planned Capacity of New Customers in China										320→420
Total Planned New and Expanded Capacity W.W.												1,475 + α

(Source: SUMCO estimation based on companies announcements)

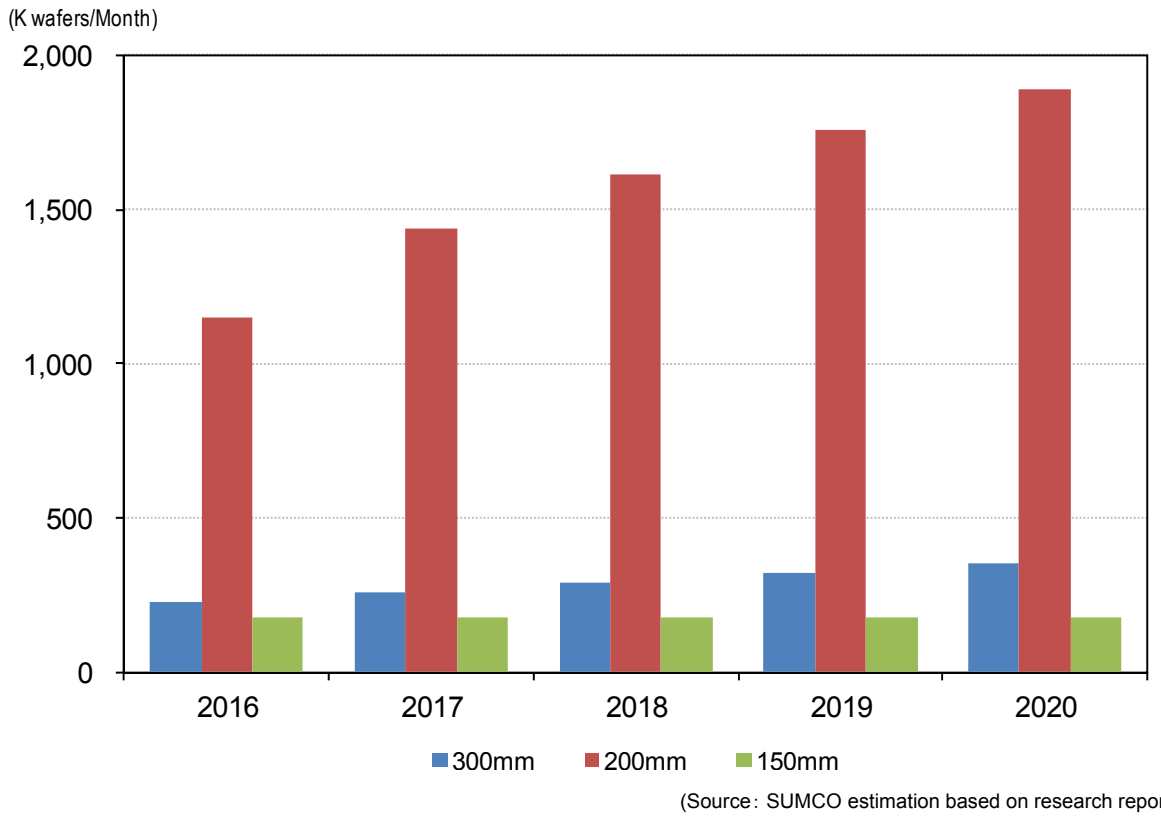
3-5. Forecast 200mm Wafer Demand for Smartphone

✓ Increase in silicon area mainly for power management ICs (0.25→0.45 SqIn)



(Source: SUMCO estimation based on research reports)

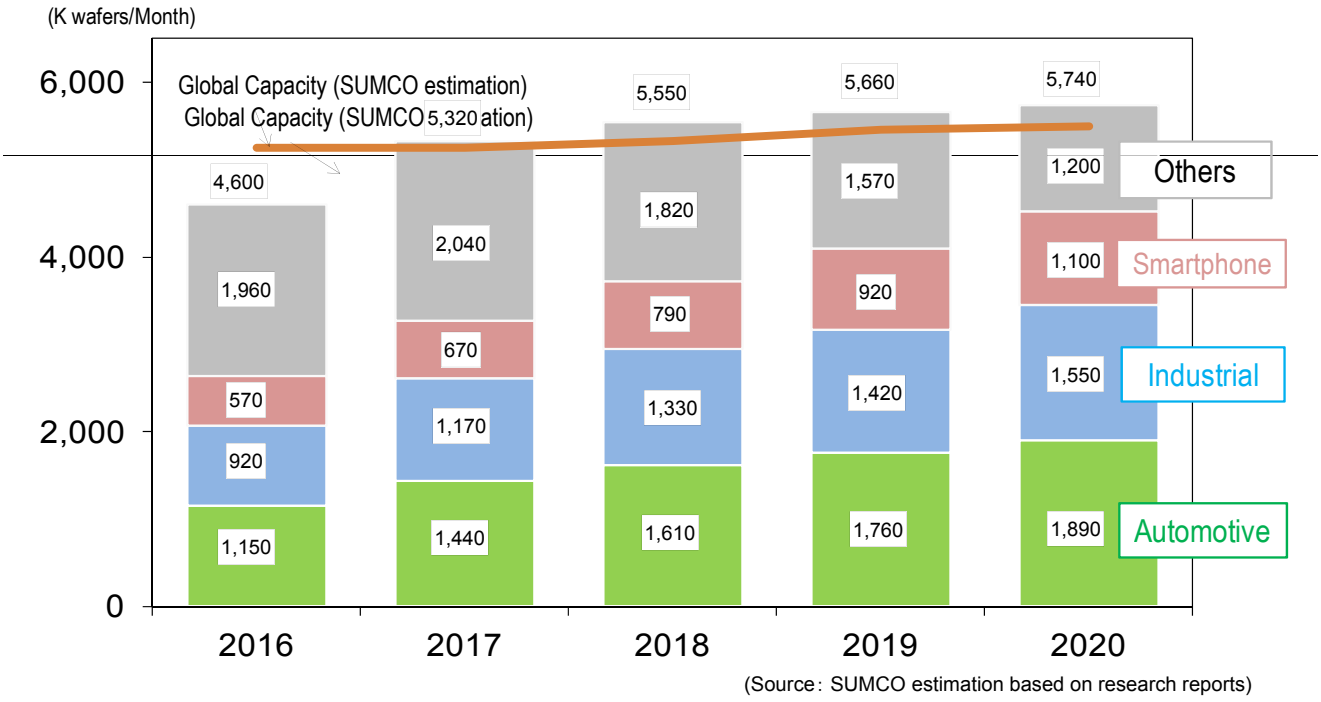
3-6. Forecast 200mm Wafer Demand for Automotive



(Source: SUMCO estimation based on research reports)

3-7. Forecast 200mm Wafer Demand (Update)

- ✓ Unable to expand capacity due to difficulty of procuring equipment
- ✓ Supply shortage to continue
- ✓ Will give priority to customers in long-term relationships with whom joint R&D is possible



(Source: SUMCO estimation based on research reports)

3Q-2017
Consolidated Business Result

4-1. Summary of Consolidated Business Result

(Billions of Yen)

	3Q-2016 Actual (9 months)	3Q-2017 Actual 1Q ACT	2Q ACT	3Q ACT	Total	Change
Net sales	155.4	60.1	63.8	66.5	190.4	+35.0
Operating income	8.5	8.0	9.3	11.4	28.7	+20.2
Non-operating income and expenses	(2.9)	(2.5)	(1.1)	(0.9)	(4.5)	(1.6)
Ordinary income	5.6	5.5	8.2	10.5	24.2	+18.6
Extraordinary income and expenses	-	-	-	-	-	-
Income taxes	(2.2)	(1.9)	(2.2)	(3.5)	(7.6)	(5.4)
Net income attributable to owners of the parent	3.4	3.6	6.0	7.0	16.6	+13.2
Capital expenditure (Acceptance basis)	13.2	2.7	2.1	5.4	10.2	(3.0)
Depreciation	15.9	5.5	5.7	5.8	17.0	+1.1
EBITDA (Note)	25.7	13.9	15.4	17.7	47.0	+21.3
Exchange rate (Yen/US$)	110.7	114.2	111.5	110.9	112.1	+1.4
Operating margin (%)	5.5%	13.4%	14.5%	17.3%	15.1%	+9.6%
EBITDA margin (%)	16.5%	23.2%	24.0%	26.7%	24.7%	+8.2%
ROE (%)	2.2%	6.8%	11.1%	12.4%	10.1%	+7.9%
Net income per share (Yen)	11.67	12.32	20.53	23.82	56.68	+45.01

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

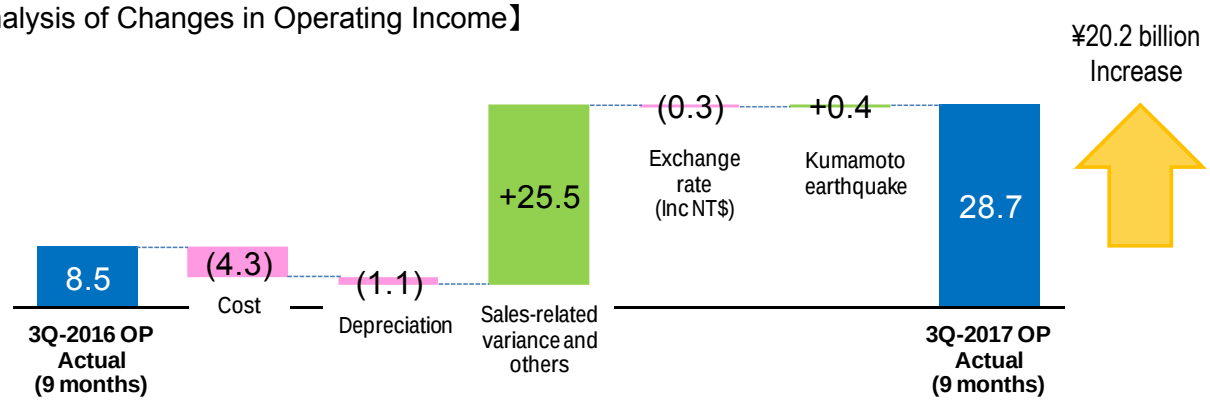
4-2. Analysis of Changes in Operating Income

■ 3Q-2016 ACT (9 months) → 3Q-2017 ACT (9 months)

(Billions of Yen)

	3Q-2016 ACT (9 months)	3Q-2017 ACT (9 months)	Change
Net Sales	155.4	190.4	+35.0
Operating Income	8.5	28.7	+20.2
Exchange Rate (Yen/US$)	110.7	112.1	+1.4

【Analysis of Changes in Operating Income】



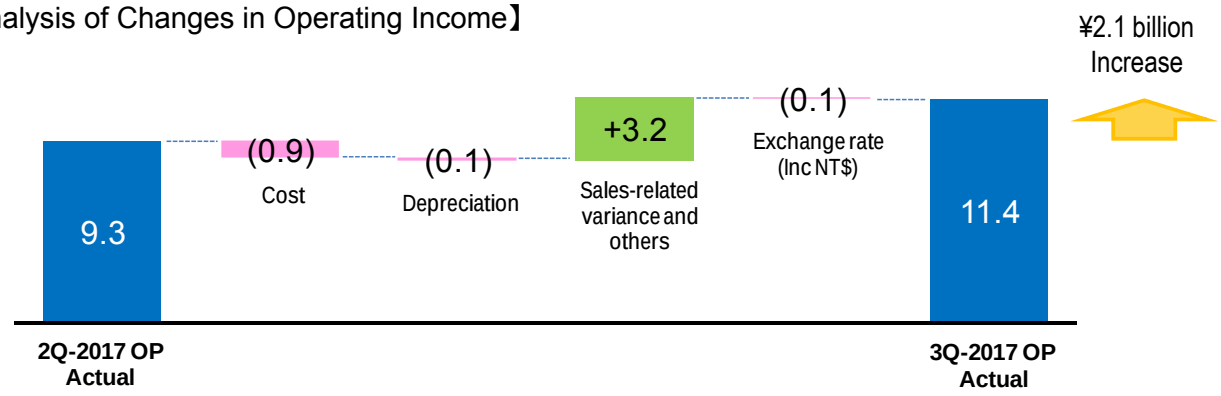
4-3. Analysis of Changes in Operating Income

■ 2Q-2017 Actual → 3Q-2017 Actual

(Billions of Yen)

	2Q-2017 Actual	3Q-2017 Actual	Change
Net Sales	63.8	66.5	+2.7
Operating Income	9.3	11.4	+2.1
Exchange Rate (Yen/US$)	111.5	110.9	(0.6)

【Analysis of Changes in Operating Income】



4-4. Consolidated Balance Sheet

(Billions of Yen)

	End of Dec-2016	End of Sep-2017	Change
Cash and time deposits	45.5	65.3	+19.8
Finished products and WIP	26.9	28.4	+1.5
Raw materials and supplies	151.4	150.4	(1.0)
Tangible and intangible assets	164.0	156.7	(7.3)
Deferred income tax assets	5.8	5.2	(0.6)
Other assets	99.6	107.5	+7.9
Total Assets	493.2	513.5	+20.3
Debt and borrowings	177.0	175.6	(1.4)
Other liabilities	73.4	71.5	(1.9)
Liabilities	250.4	247.1	(3.3)
Capital stock	138.7	138.7	-
Capital surplus	23.3	26.9	+3.6
Retained earnings	50.6	62.9	+12.3
Others	30.2	37.9	+7.7
Equity	242.8	266.4	+23.6
Shareholders' equity ratio	42.5%	44.5%	+2.0%
Equity per share (Yen)	715.5	779.1	+63.6
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)

	3Q-2017 (9 months)
Income before income taxes	24.2
Depreciation	17.0
Subtotal	41.2
Decrease in inventories	1.7
Changes in working capital, etc.	(12.1)
Net cash provided by operating activities	30.8
Capital expenditure (Acceptance basis)	(10.2)
Others, net	1.3
Net cash used in investing activities	(8.9)
Free cash-flow	21.9

FY2017
Consolidated Business Forecast

5-1. FY2017 Consolidated Business Forecast

(Billions of Yen)

	FY2016 Actual	FY2017 Forecast					Change
		1Q ACT	2Q ACT	3Q ACT	4Q FCST	Total	
Net sales	211.3	60.1	63.8	66.5	68.0	258.4	+47.1
Operating income	14.0	8.0	9.3	11.4	12.0	40.7	+26.7
Non-operating income and expenses	(4.1)	(2.5)	(1.1)	(0.9)	(1.0)	(5.5)	(1.4)
Ordinary income	9.9	5.5	8.2	10.5	11.0	35.2	+25.3
Extraordinary income and expenses	-	-	-	-	-	-	-
Income taxes	(3.4)	(1.9)	(2.2)	(3.5)	(3.0)	(10.6)	(7.2)
Net income attributable to owners of the parent	6.5	3.6	6.0	7.0	8.0	24.6	+18.1
Capital expenditure (Acceptance basis)	16.5	2.7	2.1	5.4	11.5	21.7	+5.2
Depreciation	22.0	5.5	5.7	5.8	6.0	23.0	+1.0
EBITDA (Note)	37.6	13.9	15.4	17.7	18.5	65.5	+27.9
Exchange rate (Yen/US$)	109.5	114.2	111.5	110.9	112.0	112.1	+2.6
Operating margin (%)	6.6%	13.4%	14.5%	17.3%	17.6%	15.8%	+9.2%
EBITDA margin (%)	17.8%	23.2%	24.0%	26.7%	27.2%	25.3%	+7.5%
ROE (%)	3.1%	6.8%	11.1%	12.4%	13.7%	11.0%	+7.9%
Net income per share (Yen)	22.46	12.32	20.53	23.82	27.21	83.88	+61.42

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

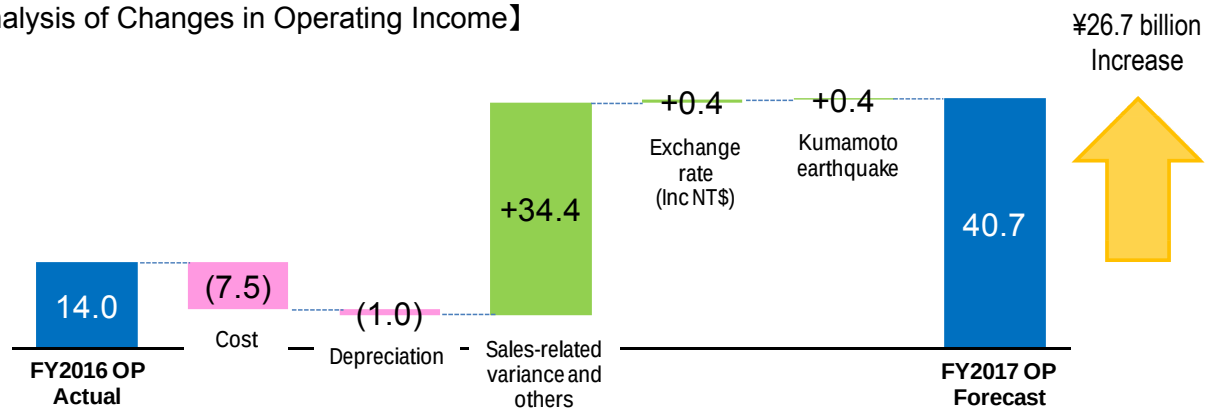
5-2. Analysis of Changes in Operating Income

■ FY2016 Actual → FY2017 Forecast

(Billions of Yen)

	FY2016 Actual	FY2017 Forecast	Change
Net Sales	211.3	258.4	+47.1
Operating Income	14.0	40.7	+26.7
Exchange Rate (Yen/US$)	109.5	112.1	+2.6

【Analysis of Changes in Operating Income】



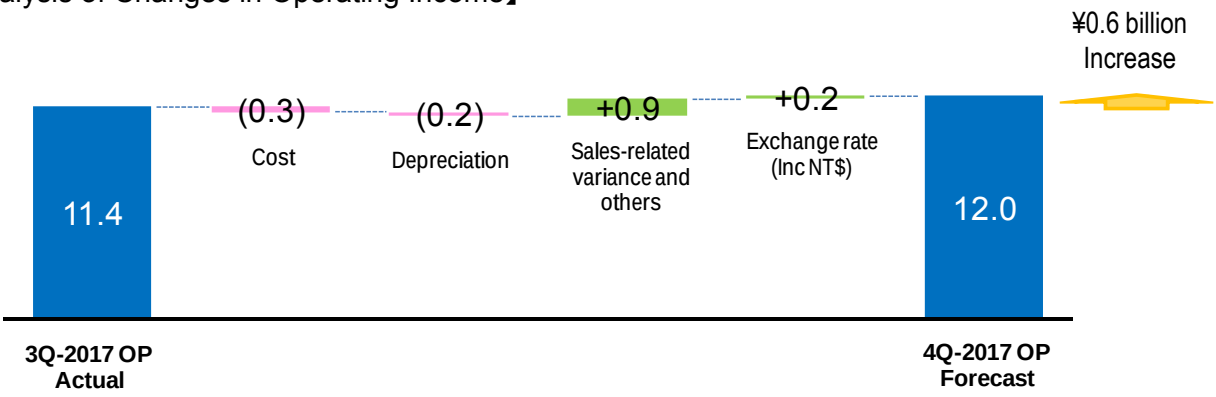
5-3. Analysis of Changes in Operating Income

■ 3Q-2017 Actual → 4Q-2017 Forecast

(Billions of Yen)

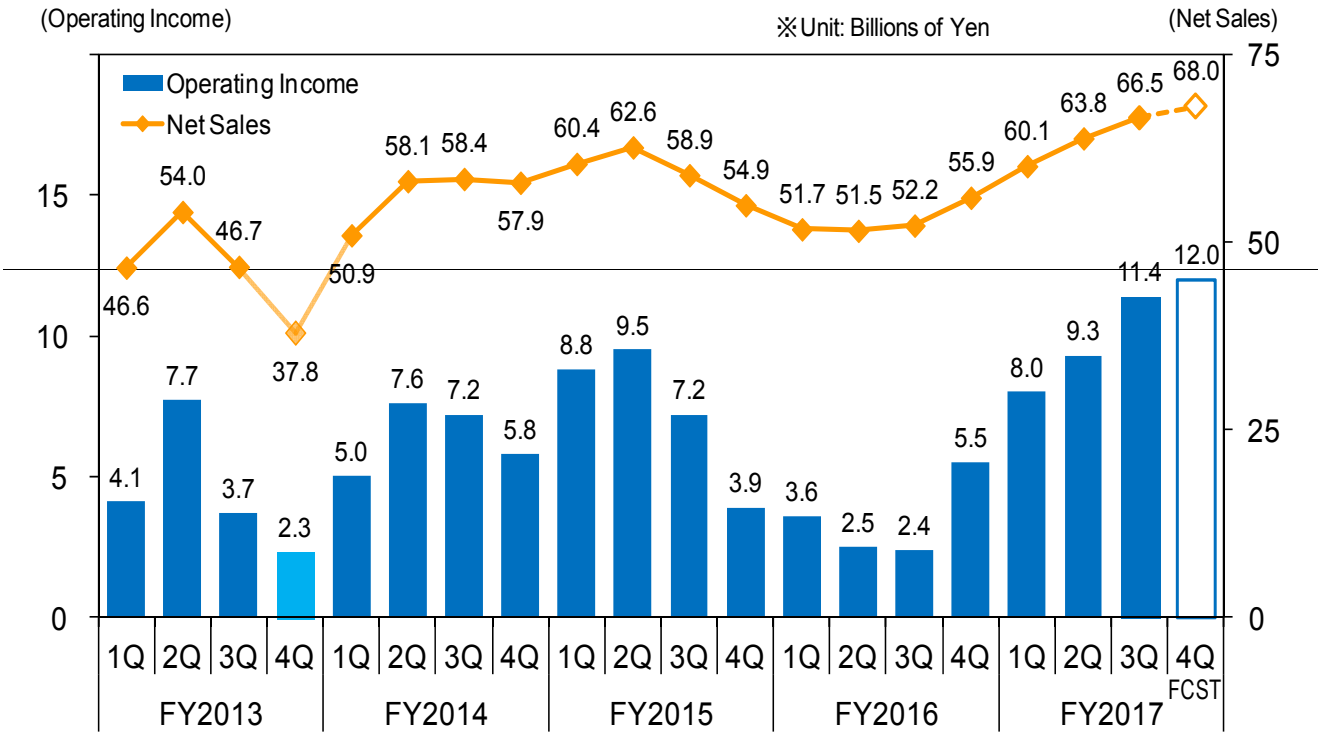
	3Q-2017 Actual	4Q-2017 Forecast	Change
Net Sales	66.5	68.0	+1.5
Operating Income	11.4	12.0	+0.6
Exchange Rate (Yen/US$)	110.9	112.0	+1.1

【Analysis of Changes in Operating Income】



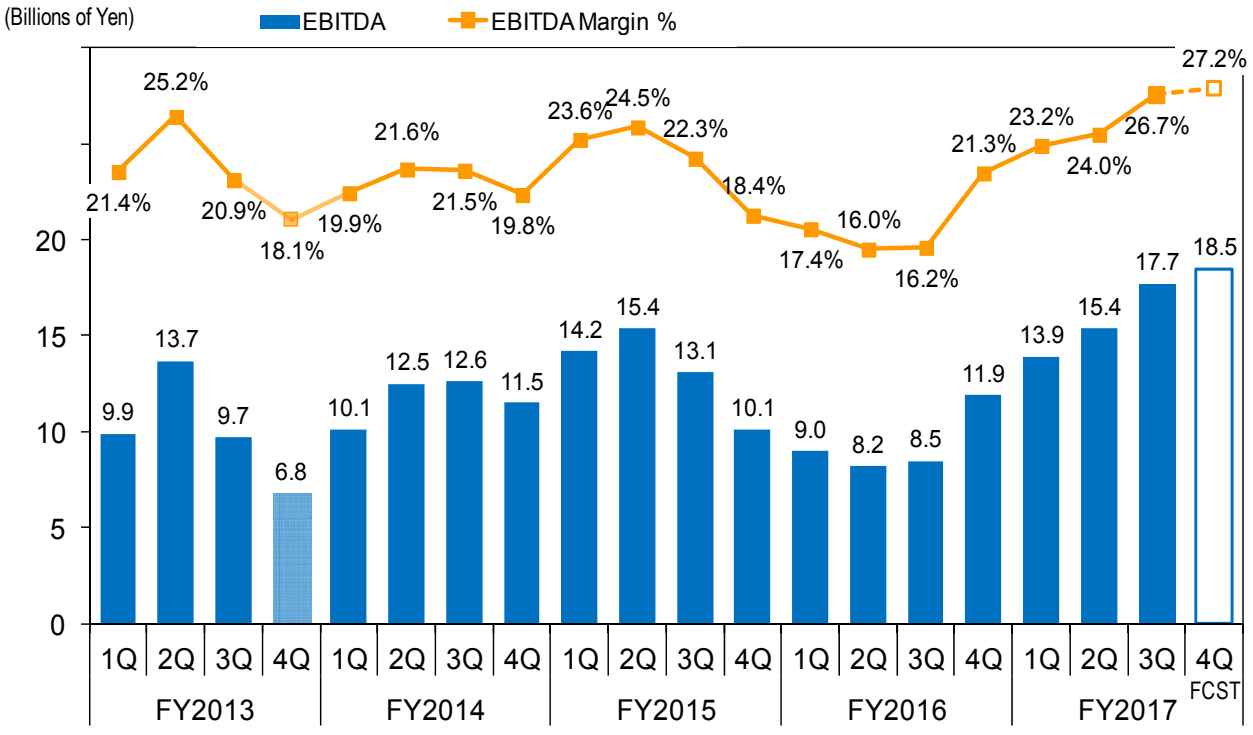
Reference Materials

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

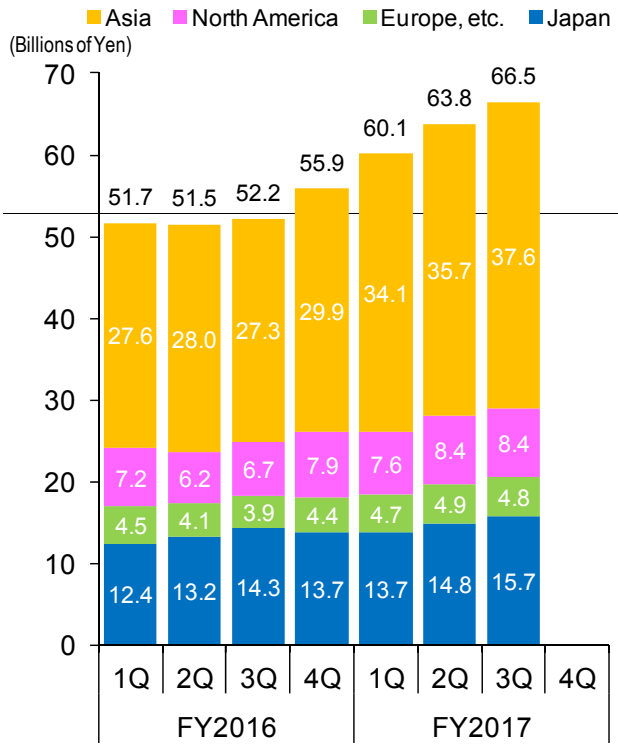
Reference Materials: EBITDA



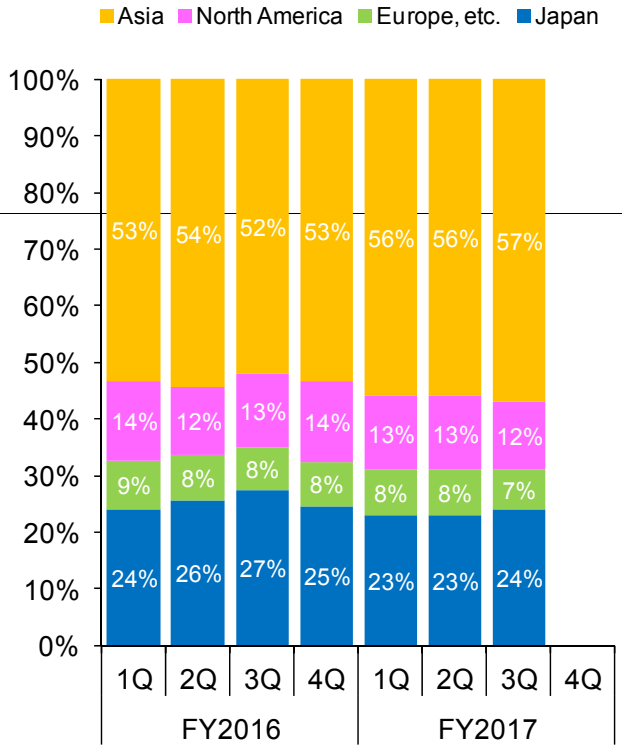
(Notes) 1. Due to change of fiscal year-end, period of 4Q-FY2013 is as follows.
- Domestic companies: 2 months; Overseas companies: 3 months
2. EBITDA = Operating Income + Depreciation + Amortization of goodwill

Reference Materials: Sales Results

Changes in Sales



Sales by Region



URL http://www.sumcosi.com/