Results for Fiscal Year 2017 (Ended December 31, 2017)

February 6, 2018
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,
CEO & Chairman of the Board

1-1. Summary

4Q-2017 Consolidated Business Result

(Billions of Yen)

	4Q-2017 FCST (3 months)	4Q-2017 ACT (3 months)	Change
Net Sales	68.0	70.2	+2.2
Operating Income	12.0	13.3	+1.3
Ordinary Income	11.0	12.5	+1.5
Net Income (Note)	8.0	10.4	+2.4
Exchange Rate (Yen/US$)	112.0	112.6	+0.6

1Q-2018 Consolidated Business Forecast

(Billions of Yen)

	4Q-2017 Actual	1Q-2018 Forecast	Change
Net Sales	70.2	79.0	+8.8
Operating Income	13.3	19.0	+5.7
Ordinary Income	12.5	18.0	+5.5
Net Income (Note)	10.4	12.0	+1.6
Exchange Rate (Yen/US$)	112.6	110.0	(2.6)

(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) **18.0**
	Total	1.0	4.0	20.0	10.0	(FCST) **28.0**
Dividends payment (Billions of Yen)	Interim	-	-	2.9	1.4	**2.9**
	Year-end	0.2	1.0	2.9	1.4	(FCST) **5.2**
	Total	0.2	1.0	5.8	2.9	(FCST) **8.2**
Dividend ratio	(%)	(Note) -	6.8%	28.5%	44.5%	(FCST) **30.4%**

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

2-1. Market Environment

4Q-2017

✓ Volume
- Smartphone inventory adjustment and NAND memory price weakening have begun, but silicon wafer demand still exceeds supply, and allocation continued for all diameters
- Customer inventories are at low levels

✓ Price
- Recovery by more than 20% YoY for 300 mm wafers
- 200 mm prices will be recovered in contracts for 2018 and later

1Q-2018 Outlook

✓ Volume
- Customer purchasing appetite appears unchanged, as allocation will continue in the face of strong demand for all diameters

✓ Price
- Recovery will continue for 300 mm
- Recovery will begin in earnest for 200 mm and 150 mm wafers as well

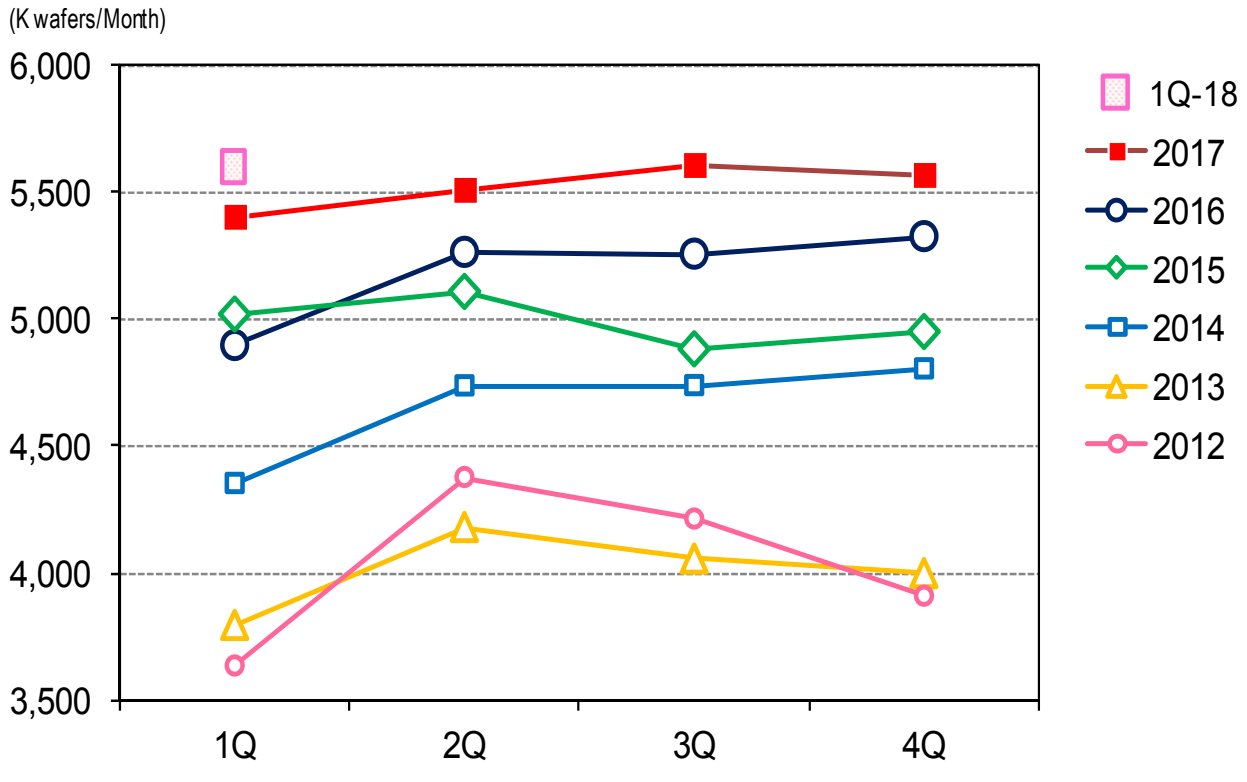
Medium-term Outlook

✓ 300mm
- Further price recovery of around 20% seen in 2018 (40%+ recovery in 4Q18 over 4Q16Q)
- Additional price recovery expected in 2019
- Customer concern is shifting to acquisition of sufficient volume in 2020 and after

✓ 200mm
- Wafer capacity cannot be raised by adding new equipment due to extreme difficulty of procuring equipment and high price. Any supply increase will therefore be limited, raising concerns of long-term supply tightness
- Customer wafer procurement risk is even stronger than for 300 mm
- Ratio of long-term contracts to increase markedly

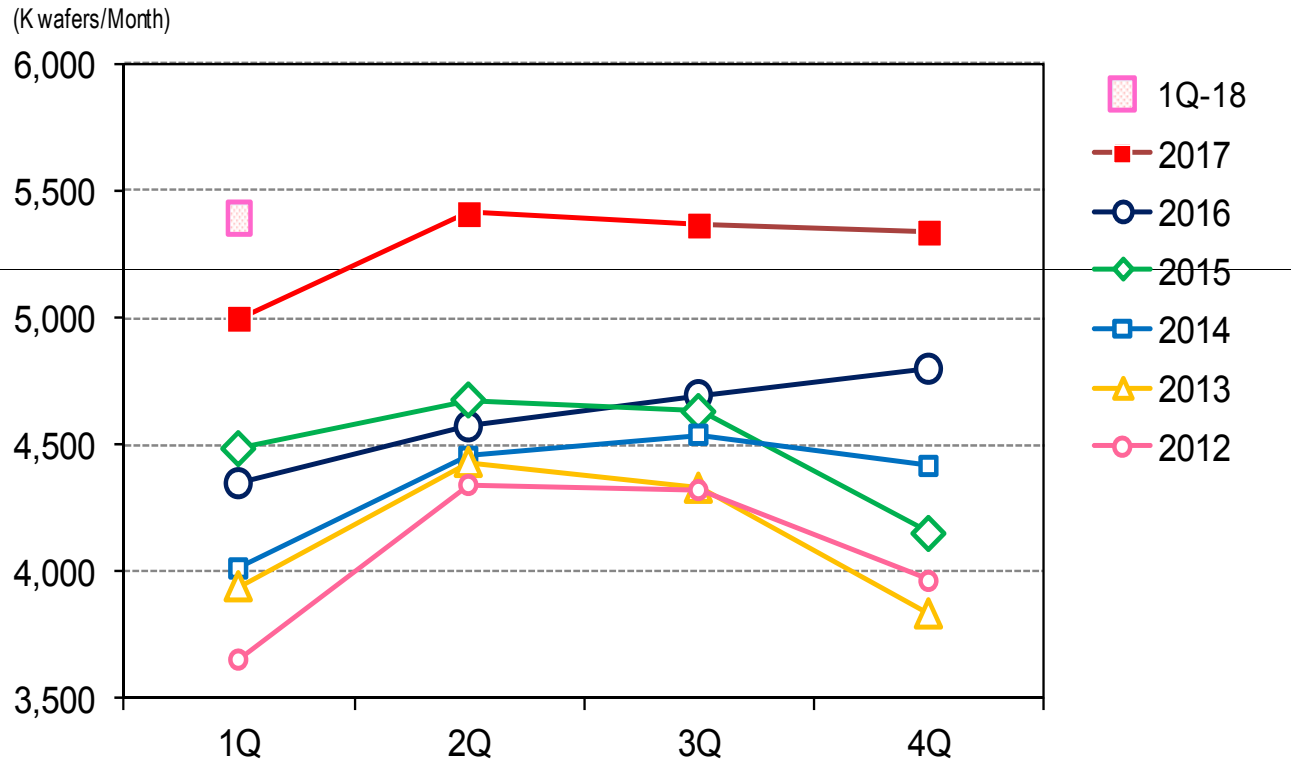
✓ 150mm
- While current signs point to a supply shortage, the outlook is uncertain

2-2. 300mm Wafer Trend Forecast



(Source: SUMCO estimation)

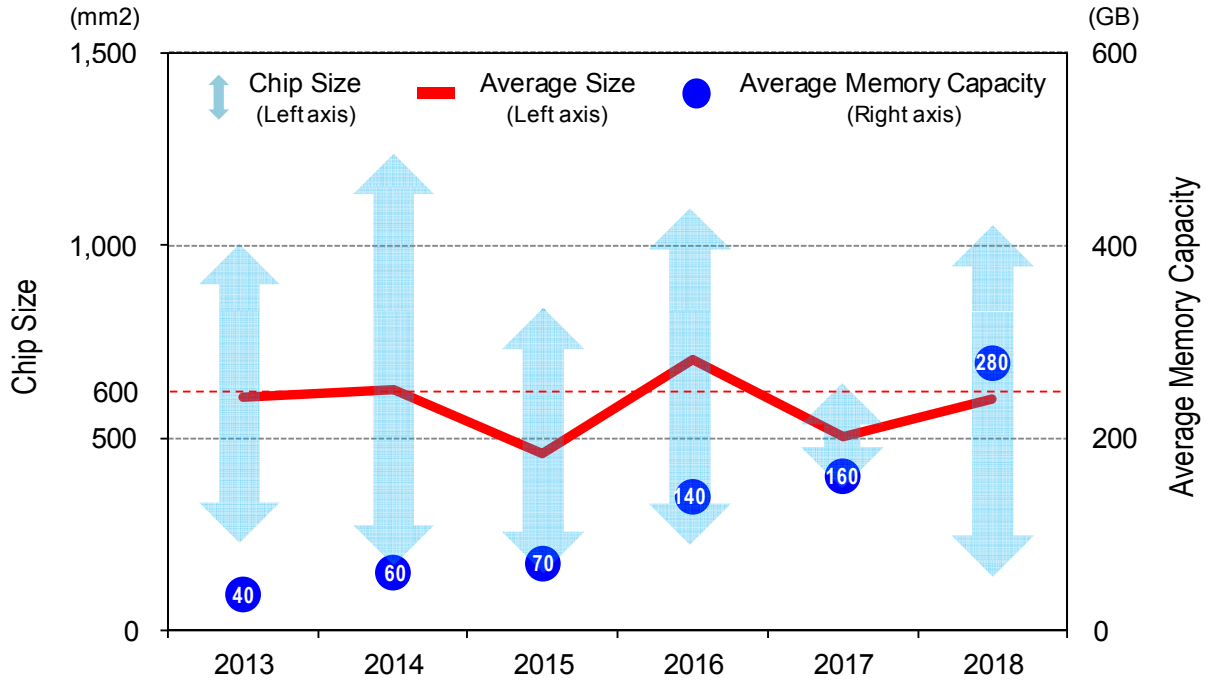
2-3. 200mm Wafer Trend Forecast



(Source: SUMCO estimation)

3-1. NAND Chip Size for High-end Smartphone

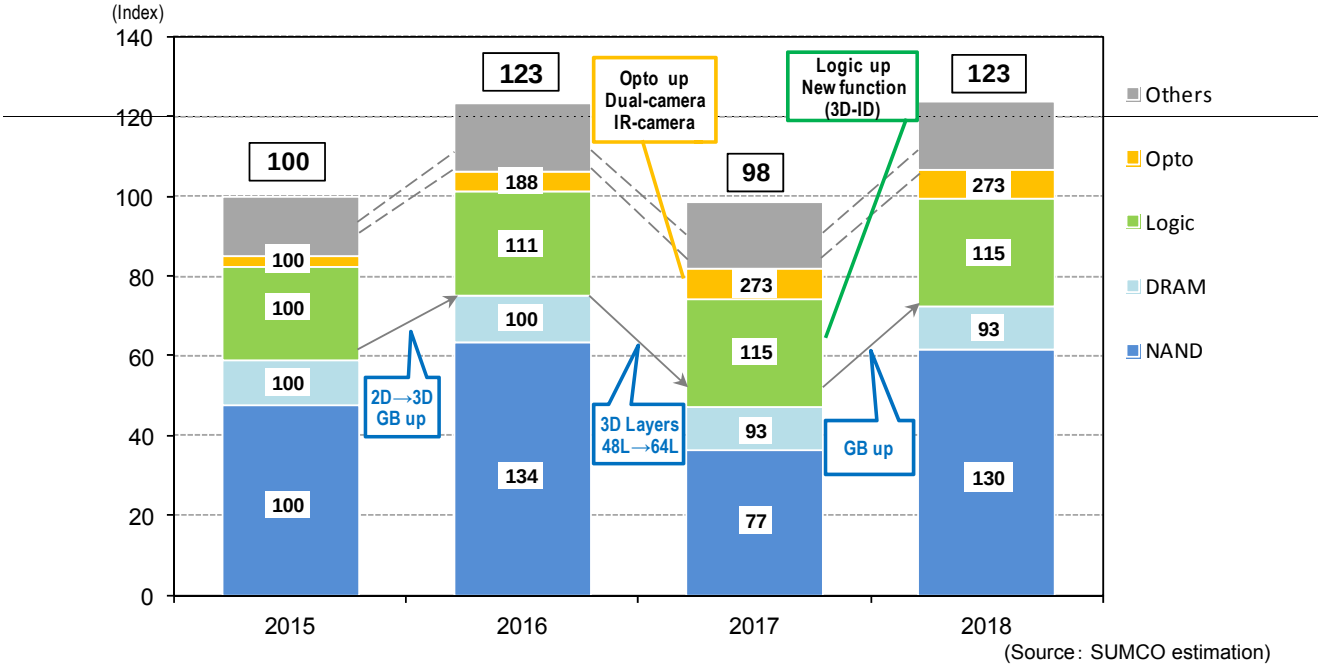
✓ While NAND chip size changes with each generation due to scaling and capacity increases, the average is mostly unchanged at around 600mm^2



(Source: SUMCO estimation)

3-2. Silicon Content for High-end Smartphone

- ✓ Silicon wafer demand for memory depends on scaling progress and memory capacity
- ✓ 3D-NAND varies with number of layers and yield
- ✓ DRAM varies with progress in scaling
- ✓ Demand is trending higher for Opto and Logic as function advanced



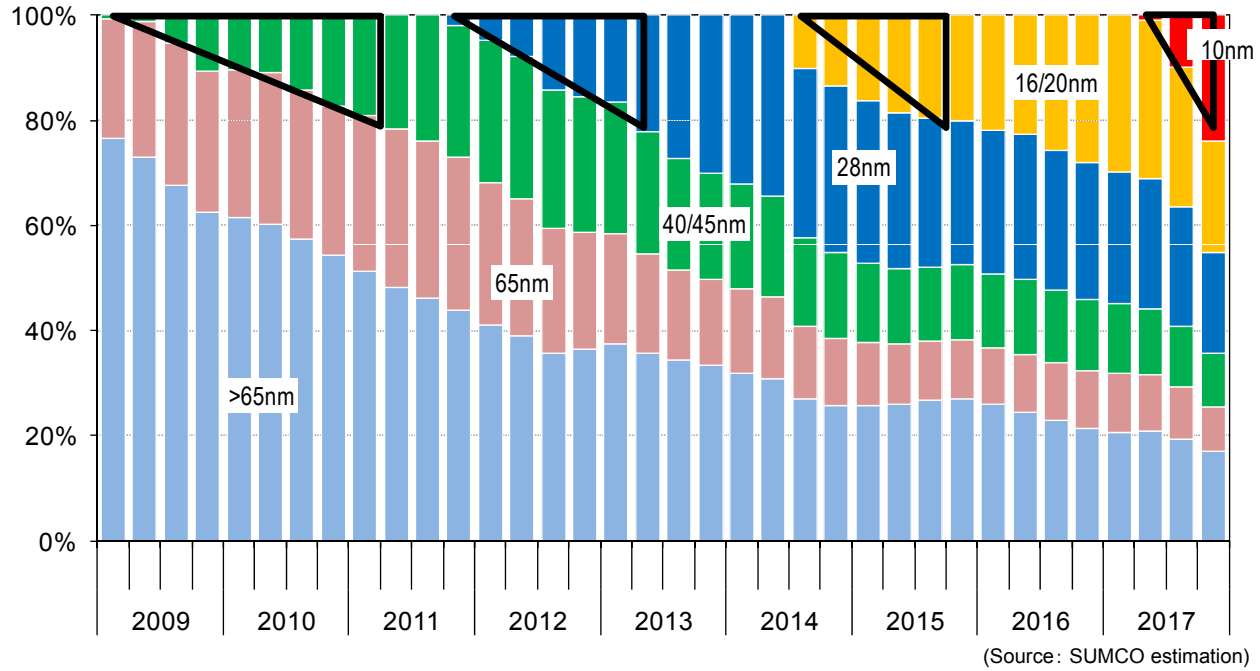
(Source: SUMCO estimation)

3-3. Why invest in Leading-edge Products?

<Ratio of Logic by Technology Node>

- ✓ New Leading-edge products appear every 2 and a half years
- ✓ Start-up period for leading-edge products becomes shorter

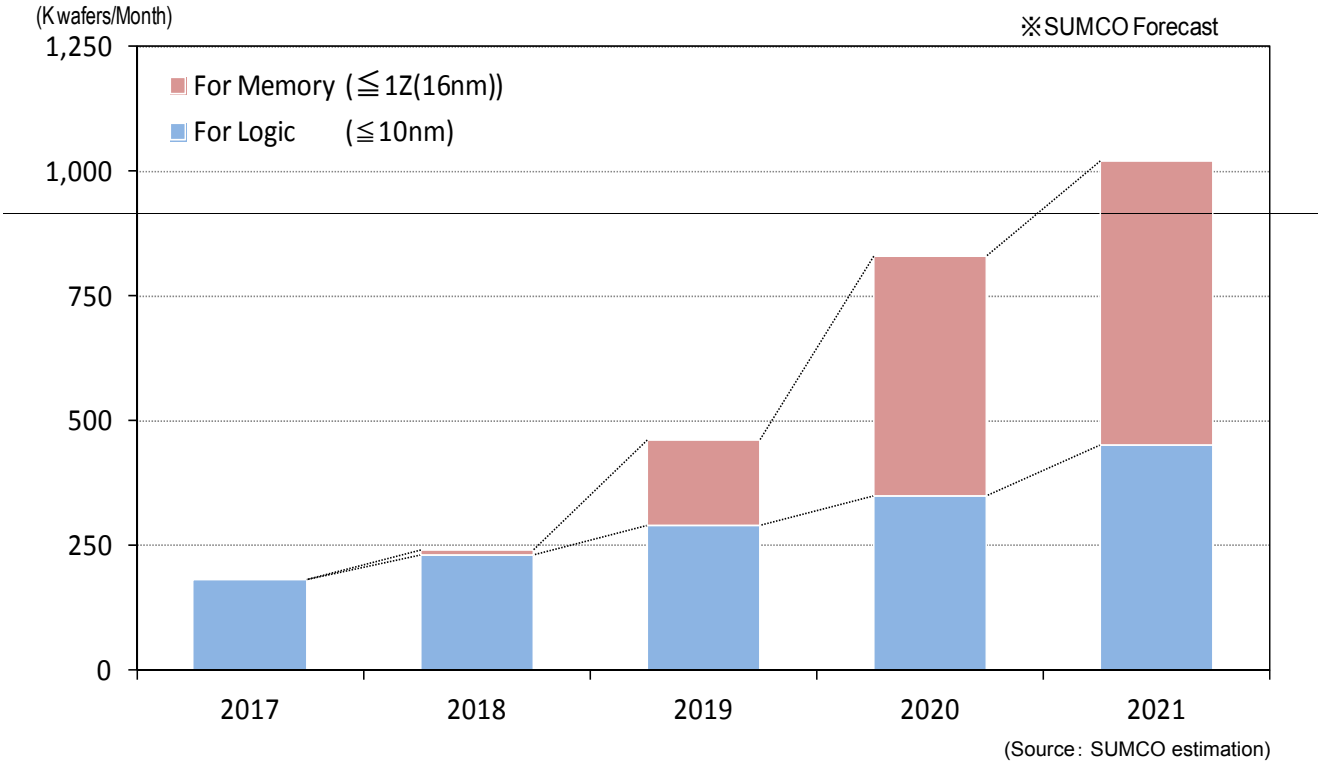
→Our technical advantage is the source of competitiveness



(Source: SUMCO estimation)

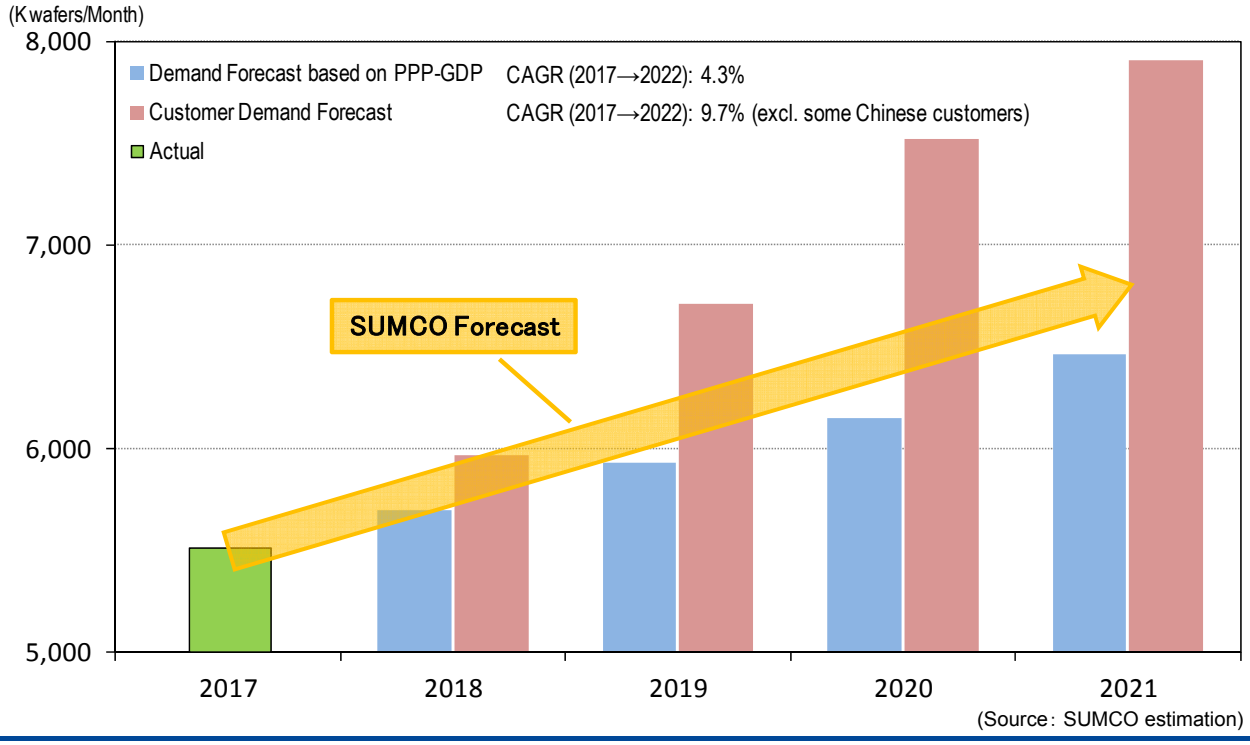
3-4. Forecast 300mm Leading-edge Wafer Demand

✓ Leading-edge wafer demand for Logic and DRAM is driven by Server / Big Data



3-5. Forecast 300mm Wafer Demand

✓ **SUMCO will gradually raise leading-edge capacity in line with annual market growth of 5-6%**



FY2017
Consolidated Business Result

Michiharu Takii
Representative Director,
COO & President

4-1. Summary of Consolidated Business Result

(Billions of Yen)

	FY2016 Actual	FY2017 Actual 1Q	2Q	3Q	4Q	Total	Change
Net sales	211.3	60.1	63.8	66.5	70.2	260.6	+49.3
Operating income	14.0	8.0	9.3	11.4	13.3	42.0	+28.0
Non-operating income and expenses	(4.1)	(2.5)	(1.1)	(0.9)	(0.8)	(5.3)	(1.2)
Ordinary income	9.9	5.5	8.2	10.5	12.5	36.7	+26.8
Extraordinary income and expenses	-	-	-	-	-	-	-
Income taxes	(3.4)	(1.9)	(2.2)	(3.5)	(2.1)	(9.7)	(6.3)
Net income attributable to owners of the parent	6.5	3.6	6.0	7.0	10.4	27.0	+20.5
Capital expenditure (Acceptance basis)	16.5	2.7	2.1	5.4	12.6	22.8	+6.3
Depreciation	22.0	5.5	5.7	5.8	6.4	23.4	+1.4
EBITDA (Note)	37.6	13.9	15.4	17.7	20.0	67.0	+29.4
Exchange rate (Yen/US$)	109.5	114.2	111.5	110.9	112.6	112.3	+2.8
Operating margin (%)	6.6%	13.4%	14.5%	17.3%	18.9%	16.1%	+9.5%
EBITDA margin (%)	17.8%	23.2%	24.0%	26.7%	28.4%	25.7%	+7.9%
ROE (%)	3.1%	6.8%	11.1%	12.4%	17.7%	12.0%	+8.9%
Net income per share (Yen)	22.46	12.32	20.53	23.82	35.44	92.12	+69.66

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

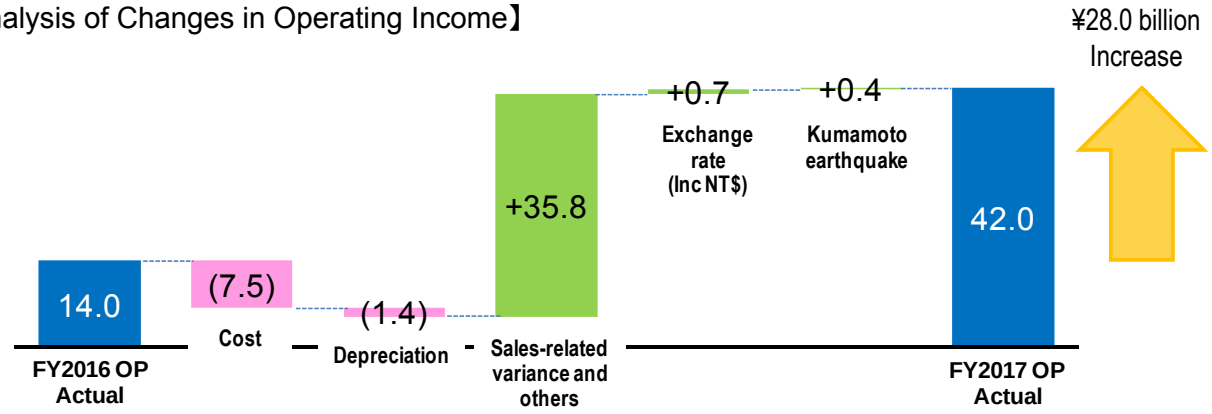
4-2. Analysis of Changes in Operating Income

■ FY2016 Actual → FY2017 Actual

(Billions of Yen)

	FY2016 Actual	FY2017 Actual	Change
Net Sales	211.3	260.6	+49.3
Operating Income	14.0	42.0	+28.0
Exchange Rate (Yen/US$)	109.5	112.3	+2.8

【Analysis of Changes in Operating Income】



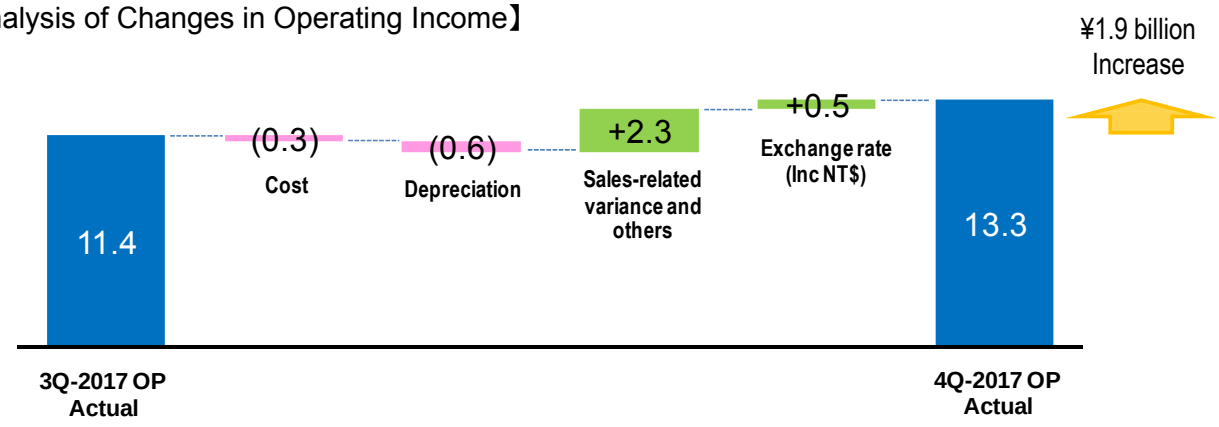
4-3. Analysis of Changes in Operating Income

■ 3Q-2017 Actual → 4Q-2017 Actual

(Billions of Yen)

	3Q-2017 Actual	4Q-2017 Actual	Change
Net Sales	66.5	70.2	+3.7
Operating Income	11.4	13.3	+1.9
Exchange Rate (Yen/US$)	110.9	112.6	+1.7

【Analysis of Changes in Operating Income】



4-4. Consolidated Balance Sheet

(Billions of Yen)

	End of Dec-2016	End of Dec-2017	Change
Cash and time deposits	45.5	74.6	+29.1
Finished products and WIP	26.9	29.8	+2.9
Raw materials and supplies	151.4	152.8	+1.4
Tangible and intangible assets	164.0	163.4	(0.6)
Deferred income tax assets	5.8	5.8	+0.0
Other assets	99.6	104.5	+4.9
Total Assets	493.2	530.9	+37.7
Debt and borrowings	177.0	169.3	(7.7)
Other liabilities	73.4	80.0	+6.6
Liabilities	250.4	249.3	(1.1)
Capital stock	138.7	138.7	-
Capital surplus	23.3	26.9	+3.6
Retained earnings	50.6	73.3	+22.7
Others	30.2	42.7	+12.5
Equity	242.8	281.6	+38.8
Shareholders' equity ratio	42.5%	45.4%	+2.9%
Equity per share (Yen)	715.5	822.5	+107.0
D/E ratio (gross)	0.8x	0.7x	(0.1)x
D/E ratio (net)	0.6x	0.4x	(0.2)x

4-5. Consolidated Cash-Flow

(Billions of Yen)

	FY2017
Income before income taxes	36.7
Depreciation	23.4
Subtotal	60.1
Decrease in inventories	(0.8)
Changes in working capital, etc.	(7.5)
Net cash provided by operating activities	51.8
Capital expenditure (Acceptance basis)	(22.8)
Others, net	7.1
Net cash used in investing activities	(15.7)
Free cash-flow	36.1

1Q-2018
Consolidated Business Forecast

5-1. 1Q-2018 Consolidated Business Forecast

(Billions of Yen)

	1Q-2017 Actual	4Q-2017 Actual	1Q-2018 Forecast	Change YoY	Change QoQ
Net sales	60.1	70.2	79.0	+18.9	+8.8
Operating income	8.0	13.3	19.0	+11.0	+5.7
Non-operating income and expenses	(2.5)	(0.8)	(1.0)	+1.5	(0.2)
Ordinary income	5.5	12.5	18.0	+12.5	+5.5
Extraordinary income and expenses	-	-	-	-	-
Income taxes	(1.9)	(2.1)	(6.0)	(4.1)	(3.9)
Net income attributable to owners of the parent	3.6	10.4	12.0	+8.4	+1.6
Capital expenditure (Acceptance basis)	2.7	12.6	8.0	+5.3	(4.6)
Depreciation	5.5	6.4	6.0	+0.5	(0.4)
EBITDA (Note)	13.9	20.0	25.5	+11.6	+5.5
Exchange rate (Yen/US$)	114.2	112.6	110.0	(4.2)	(2.6)
Operating margin (%)	13.4%	18.9%	24.1%	+10.7%	+5.2%
EBITDA margin (%)	23.2%	28.4%	32.3%	+9.1%	+3.9%
ROE (%)	6.8%	17.7%	19.6%	+12.8%	+1.9%
Net income per share (Yen)	12.32	35.44	40.92	+28.60	+5.48

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

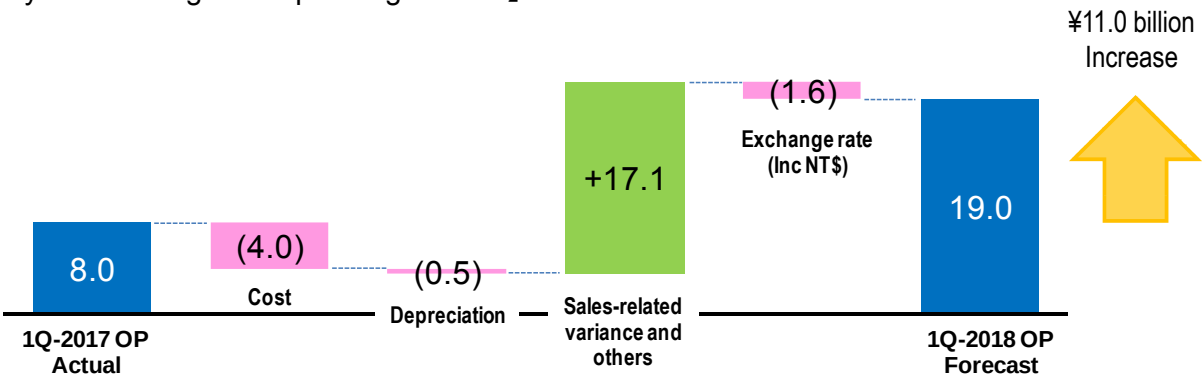
5-2. Analysis of Changes in Operating Income

■ 1Q-2017 Actual → 1Q-2018 Forecast

(Billions of Yen)

	1Q-2017 Actual	1Q-2018 Forecast	Change
Net Sales	60.1	79.0	+18.9
Operating Income	8.0	19.0	+11.0
Exchange Rate (Yen/US$)	114.2	110.0	(4.2)

【Analysis of Changes in Operating Income】



5-3. Analysis of Changes in Operating Income

■ 4Q-2017 Actual → 1Q-2018 Forecast

(Billions of Yen)

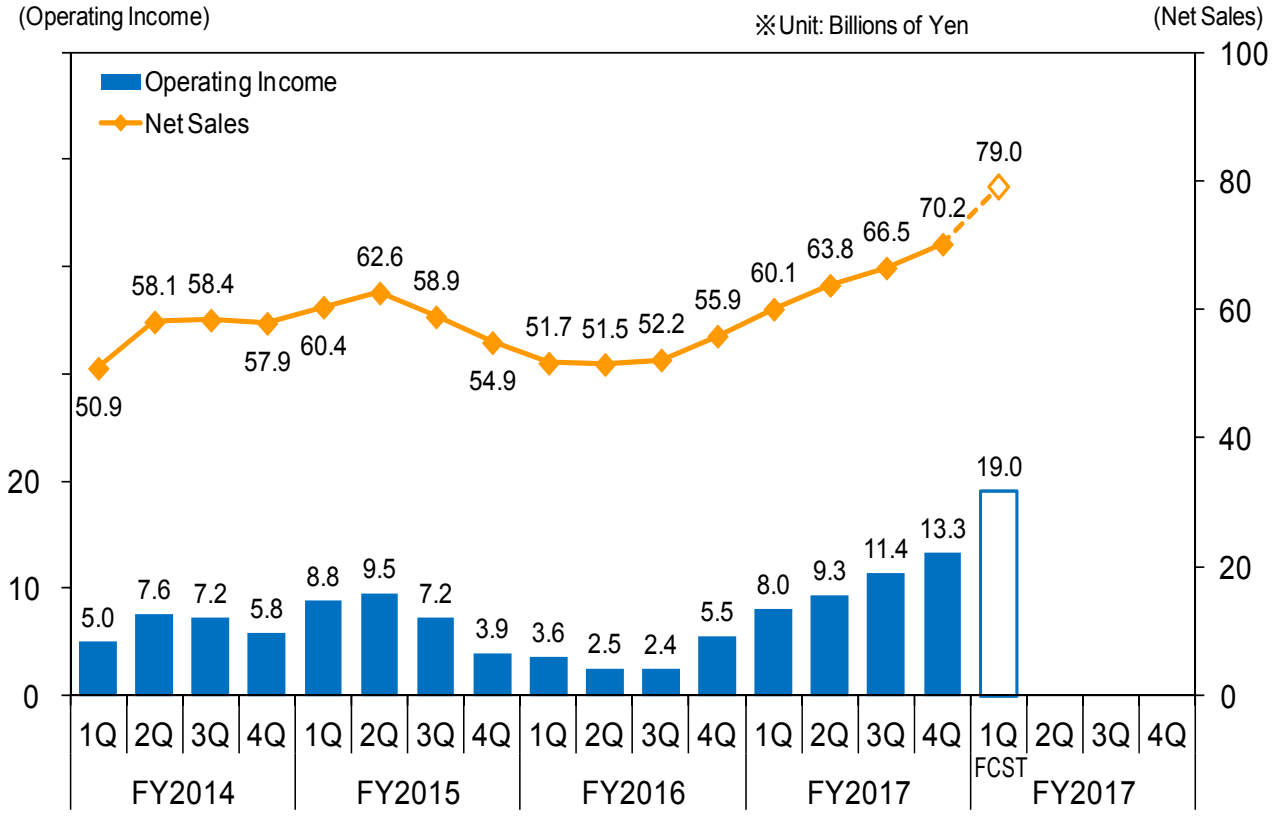
	4Q-2017 Actual	1Q-2018 Forecast	Change
Net Sales	70.2	79.0	+8.8
Operating Income	13.3	19.0	+5.7
Exchange Rate (Yen/US$)	112.6	110.0	(2.6)

【Analysis of Changes in Operating Income】

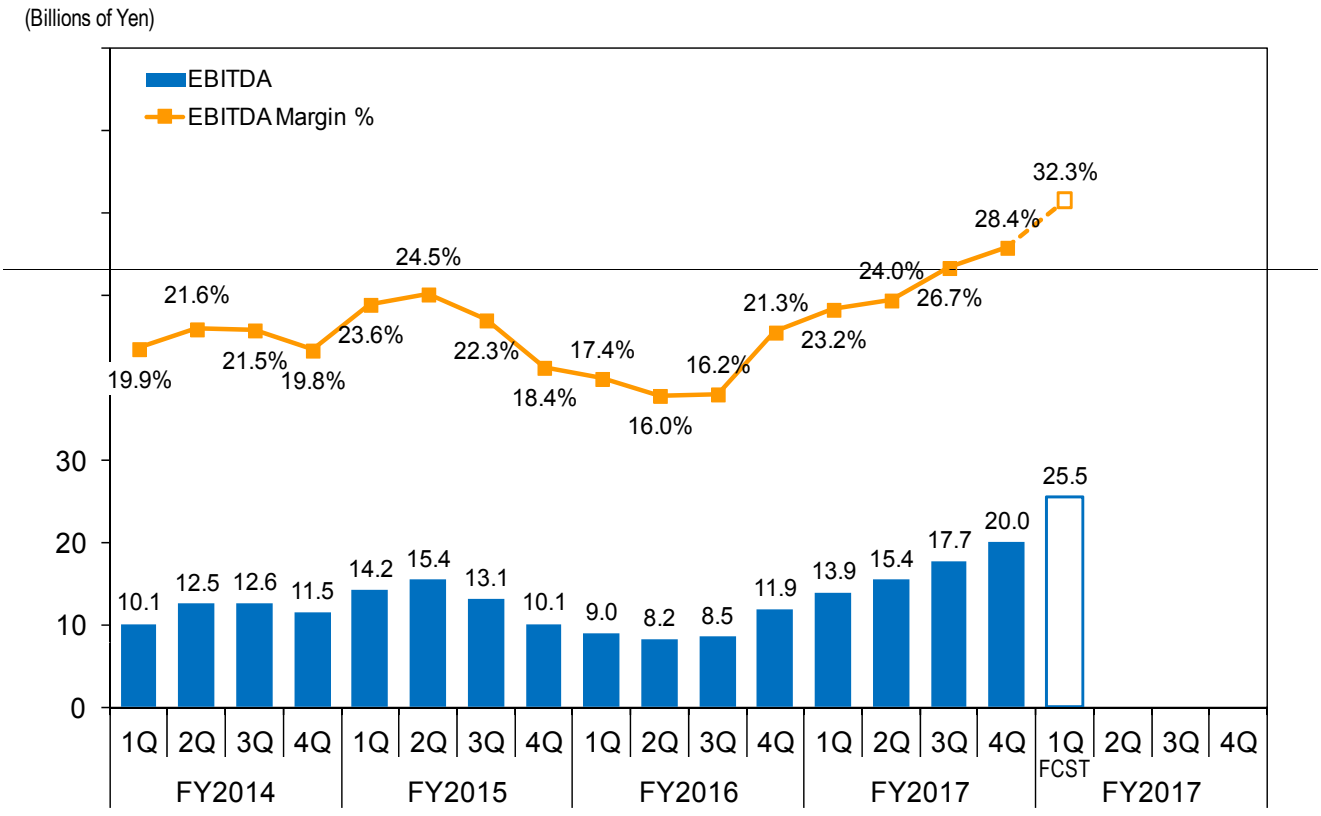


Reference Materials

Reference Materials: Quarterly Trend

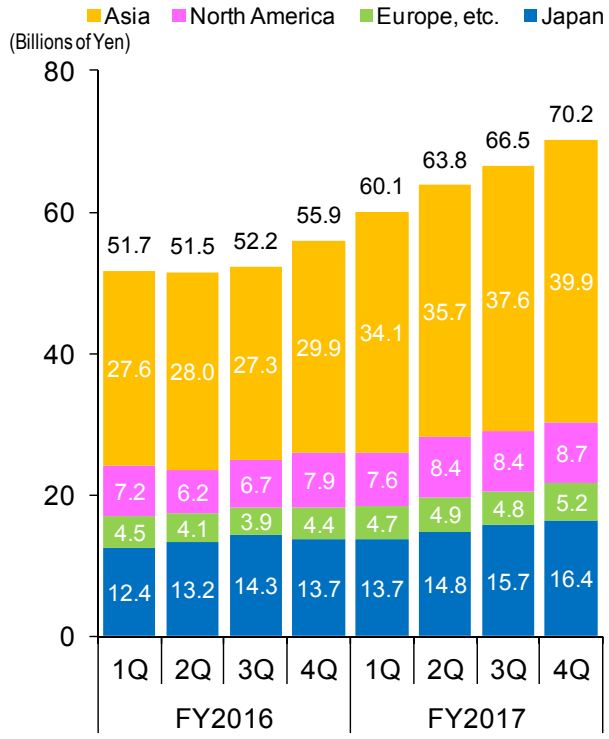


Reference Materials: EBITDA

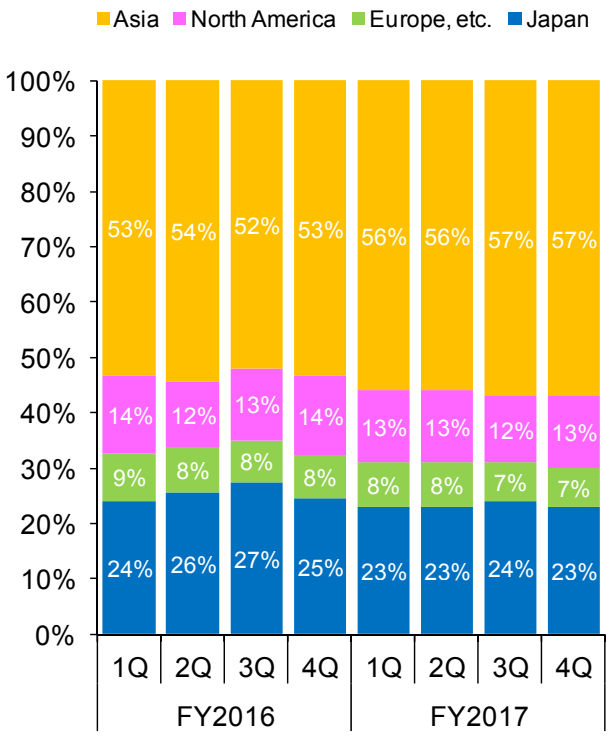


Reference Materials: Sales Results

Changes in Sales



Sales by Region





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