Results for First Quarter of FY2018 (Ended March 31, 2018)

May 10, 2018
SUMCO Corporation
（Code：3436）
（LEI：353800SUSRUOM0V6KU92）

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

1Q-2018 Consolidated Business Result

(Billions of Yen)

	1Q-2018 FCST (3 months)	1Q-2018 ACT (3 months)	Change
Net Sales	79.0	77.2	(1.8)
Operating Income	19.0	19.5	+0.5
Ordinary Income	18.0	18.2	+0.2
Net Income (Note)	12.0	12.7	+0.7
Exchange Rate (Yen/US$)	110.0	109.7	(0.3)

2Q-2018 Consolidated Business Forecast

(Billions of Yen)

	1Q-2018 Actual	2Q-2018 Forecast	Change
Net Sales	77.2	80.0	+2.8
Operating Income	19.5	20.0	+0.5
Ordinary Income	18.2	19.5	+1.3
Net Income (Note)	12.7	14.0	+1.3
Exchange Rate (Yen/US$)	109.7	108.0	(1.7)

(Note) Net income attributable to owners of the parent

1-2. Dividend

		FY2014 (Dec 14)	FY2015 (Dec 15)	FY2016 (Dec 16)	FY2017 (Dec 17)	FY2018 (Dec 18)
Dividends per share for common stocks (Yen)	Interim	-	10.0	5.0	**10.0**	(FCST) **28.0**
	Year-end	4.0	10.0	5.0	**18.0**	(Note 1) -
	Total	4.0	20.0	10.0	**28.0**	(Note 1) -
Dividends payment (Billions of Yen)	Interim	-	2.9	1.4	**2.9**	(FCST) **8.2**
	Year-end	1.0	2.9	1.4	**5.2**	(Note 1) -
	Total	1.0	5.8	2.9	**8.2**	(Note 1) -
Dividend ratio	(%)	6.8%	28.5%	44.5%	**30.4%**	(Note 2) **30.8%**

(Note 1) Year-end dividend for FY2018 is not determined.

(Note 2) Dividend ratio for FY2018 is calculated by interim dividend basis.

2-1. Market Environment

1Q-2018

✓ Volume
- Despite smartphone adjustment and NAND memory price weakening, 300mm wafer demand still exceeds supply, and allocation continued
- Allocation continued also for 200mm or less diameters, which enjoyed ongoing strong demand for use in automobiles, industry, IoT and other areas

✓ Price
- Recovery was achieved for all diameters in line with plans, based on long-term agreements with customers

2Q-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 all diameters

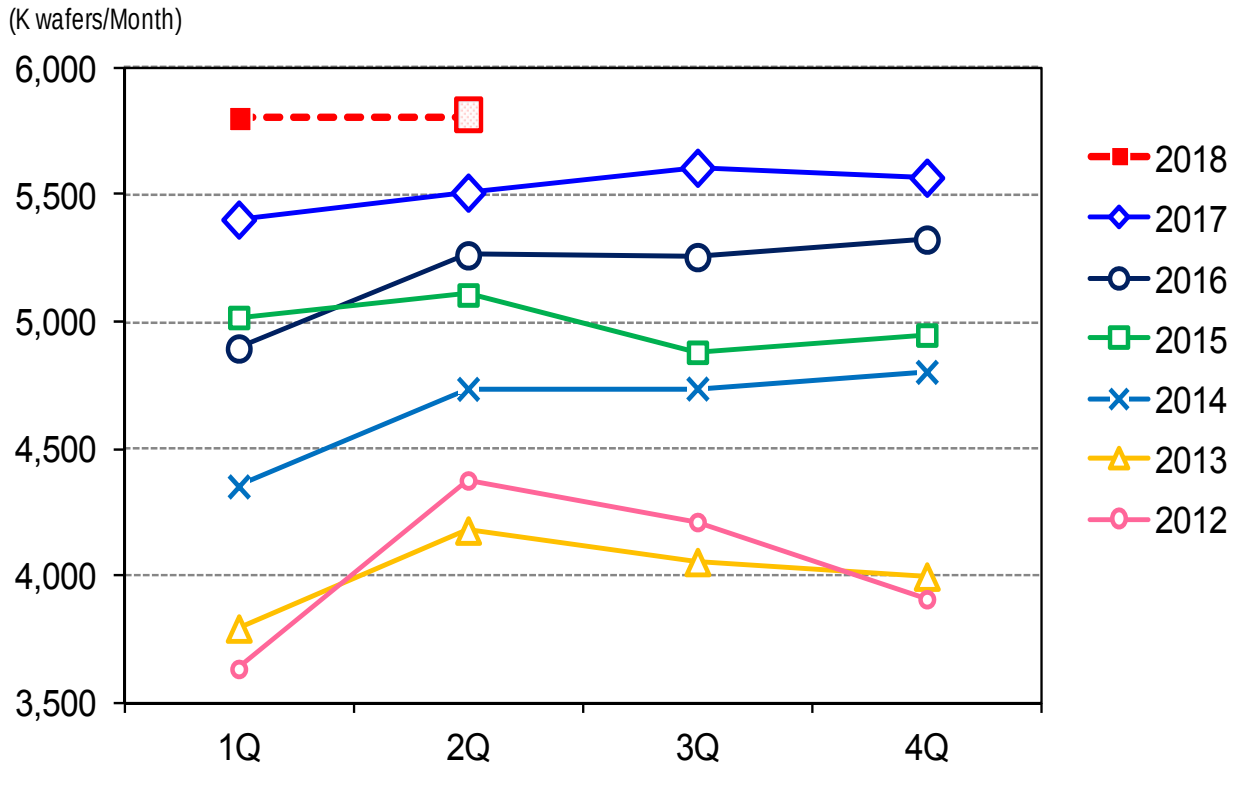
Medium-term Outlook

✓ 300mm
- In line with estimates, further price recovery of around 20% is seen in 2018 (40%+ recovery in 4Q18 over 4Q16)
- Additional price recovery expected in 2019
- Customers are concerned with being able to acquire sufficient future volume, and contract negotiations for 2021 and after have already begun

✓ 200mm
- The tight supply/demand situation may continue in the long-term due to the limited increase in supply
- Customer wafer procurement risk is even stronger than for 300mm

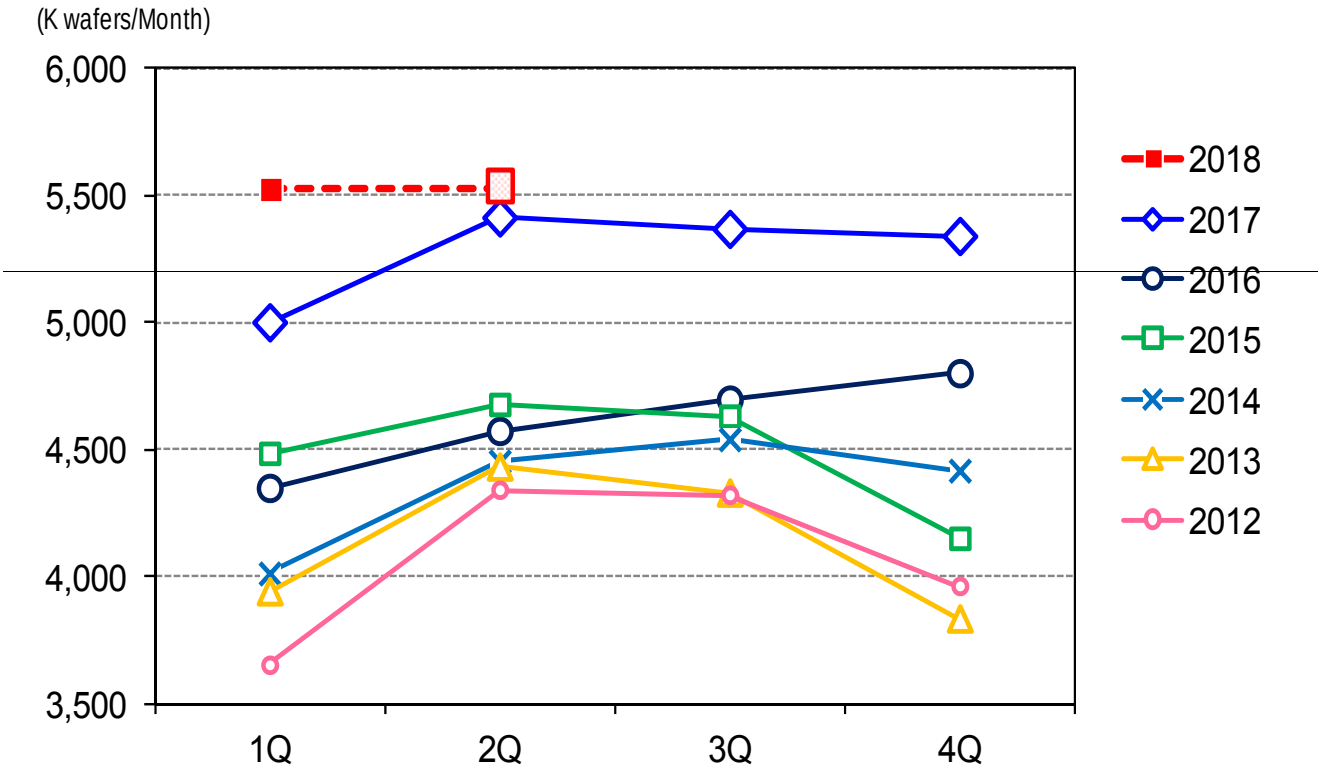
✓ 150mm
- There are currently signs of a supply shortage, and price recovery is proceeding; but the mid- to long-term outlook is uncertain

2-2. 300mm Wafer Trend Forecast



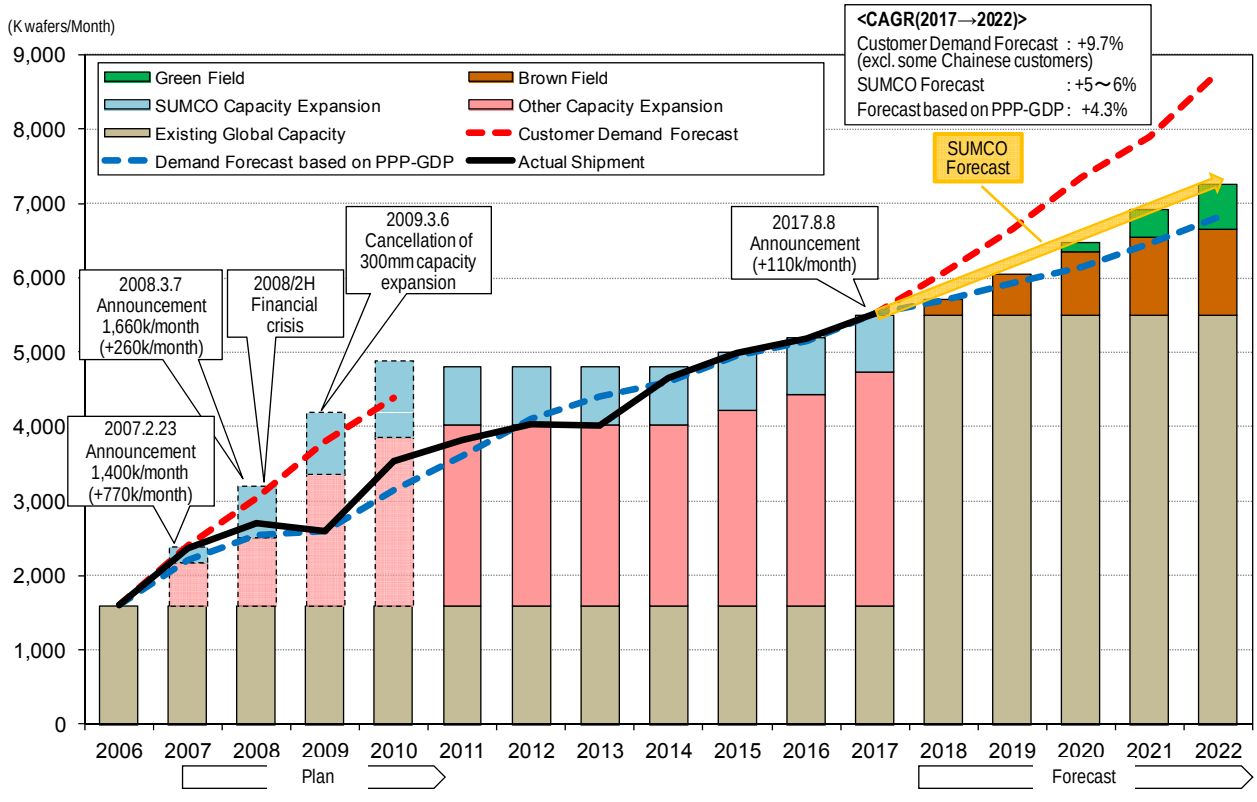
(Source: SUMCO estimation)

2-3. 200mm Wafer Trend Forecast



(Source: SUMCO estimation)

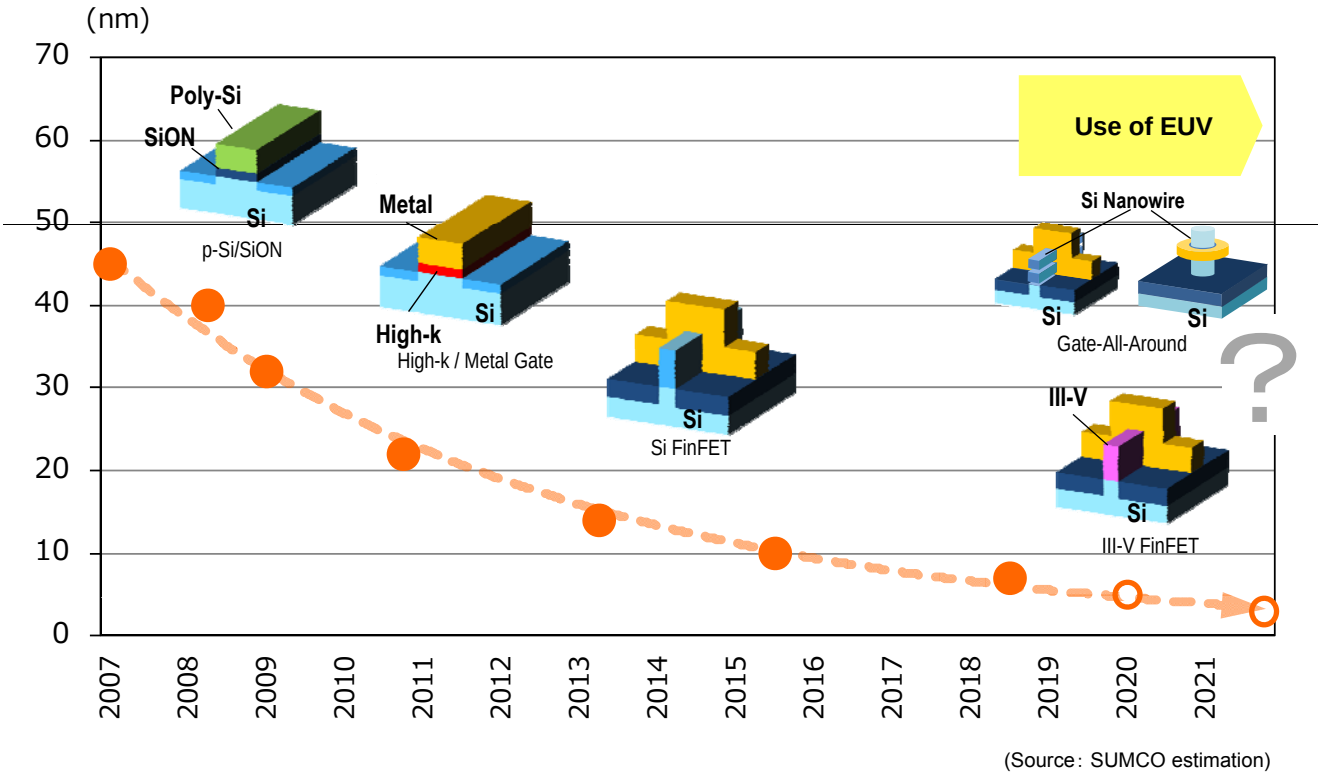
3-1. Forecast Global Capacity of 300mm Wafer



(Source: SUMCO estimation)

3-2. Leading-edge Logic Scaling

✓ Scaling progresses by changing gate structure

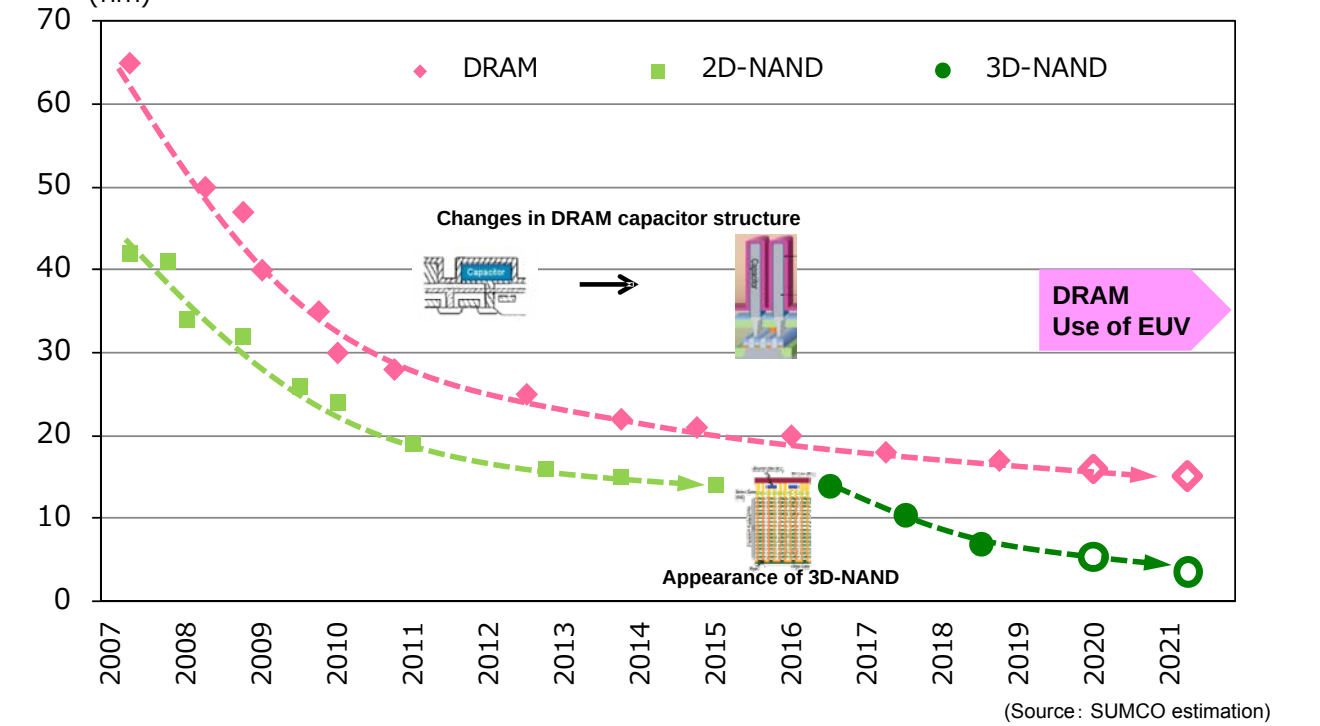


(Source: SUMCO estimation)

3-3. Leading-edge Memory Scaling

✓ DRAM: Scaling slows down from 20nm and beyond

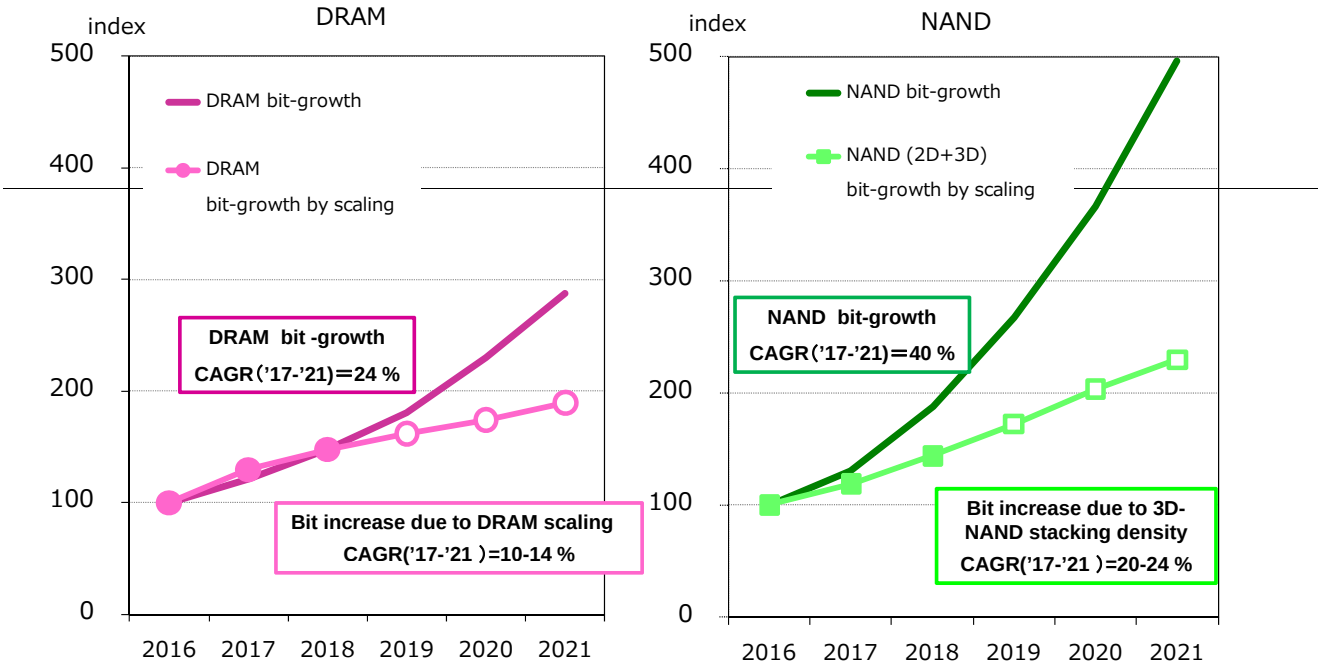
✓ NAND: End of scaling progress for 2D; Scaling is lead by 3D Technology



(Source: SUMCO estimation)

3-4. Memory bit-growth and Scaling

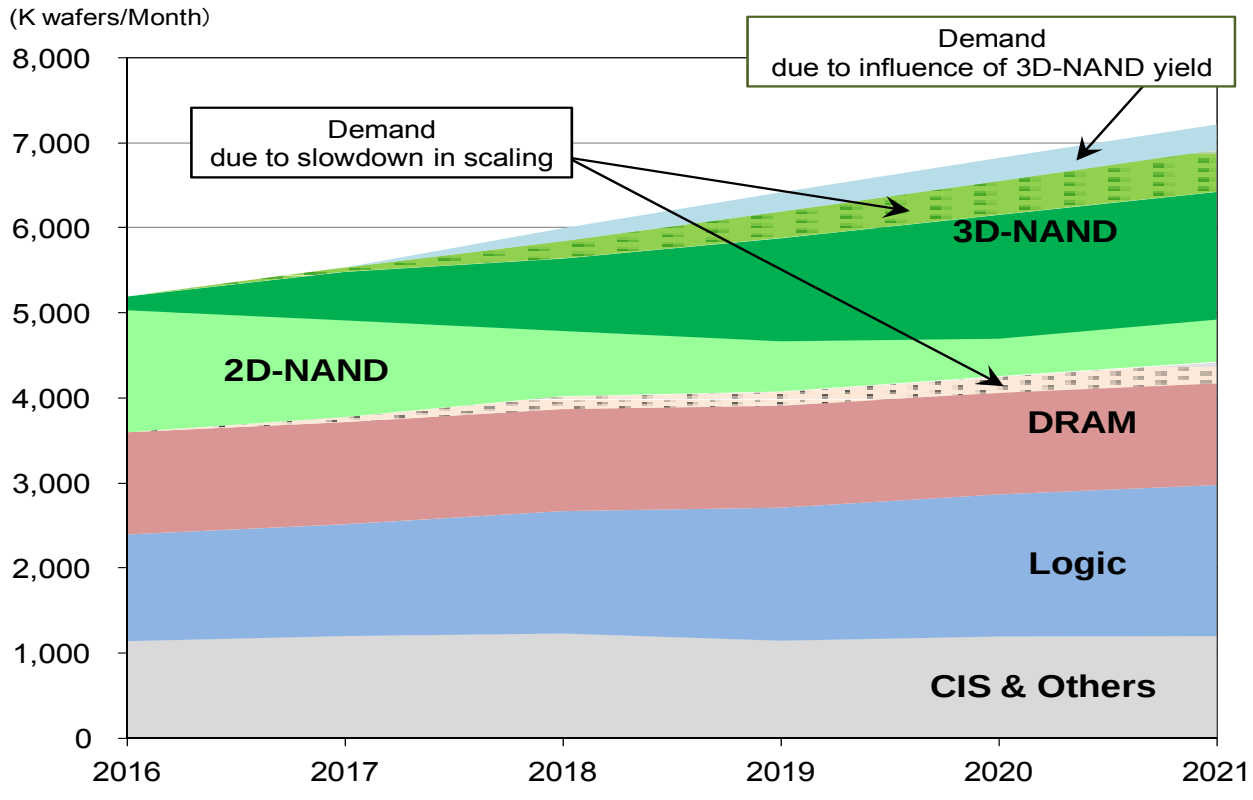
- ✓ DRAM: Scaling slows down, NAND: 3D stacking density grows
- ✓ Bit-growth is not able to covered by scaling, Gaps are fulfilled with wafer.



(Note) Comparison of memory bit-growth and capacity increase per unit area due to scaling at average design rule, with 2016 as base year=100.

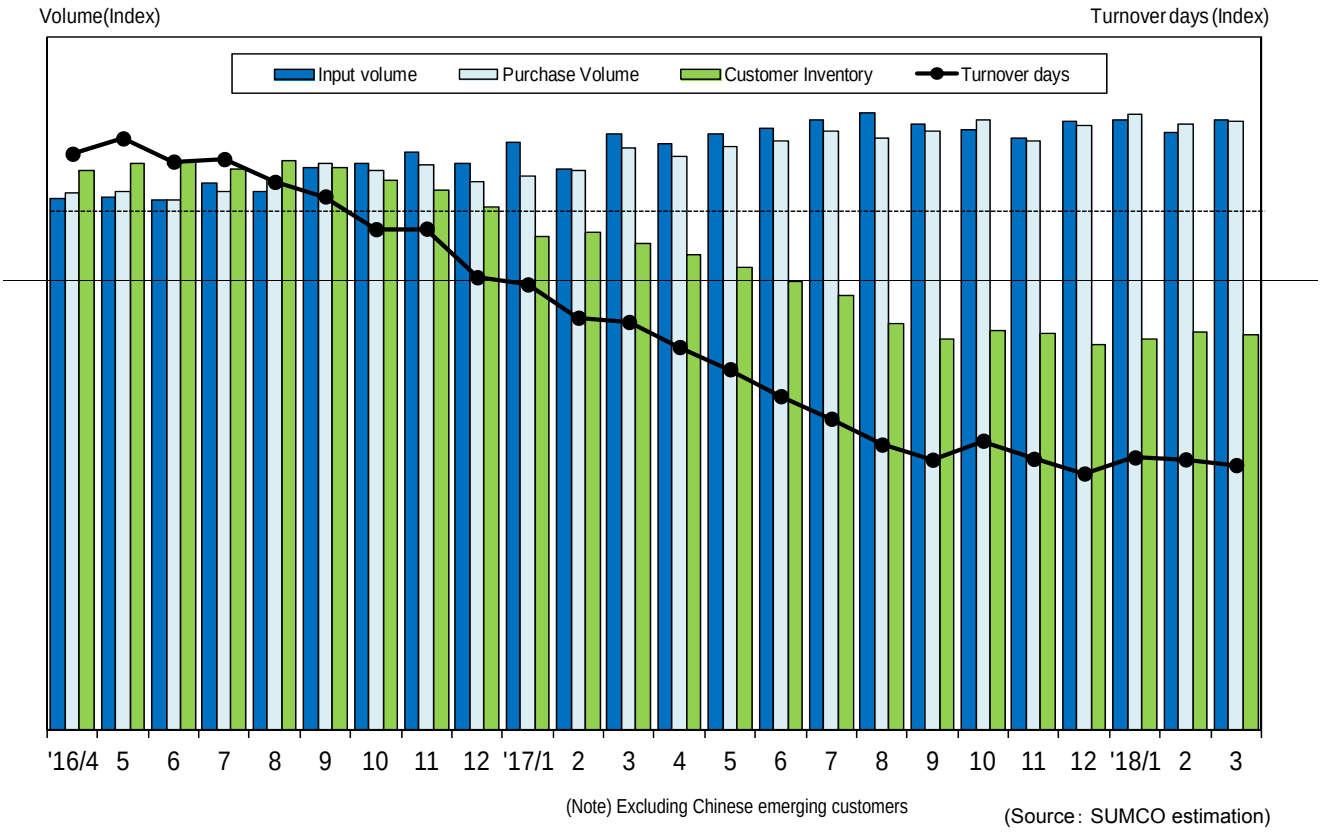
(Source: SUMCO estimation)

3-5. 300mm Wafer Demand (by Devices)



(Source: SUMCO estimation)

3-6. Customer 300mm Wafer Inventory Level



(Note) Excluding Chinese emerging customers

(Source: SUMCO estimation)

1Q-2018
Consolidated Business Result

Michiharu Takii
Representative Director,
Vice Chairman

4-1. Summary of Consolidated Business Result

(Billions of Yen)

	1Q-2017 Actual	4Q-2017 Actual	1Q-2018 Actual	Change YoY	Change QoQ
Net sales	60.1	70.2	77.2	+17.1	+7.0
Operating income	8.0	13.3	19.5	+11.5	+6.2
Non-operating income and expenses	(2.5)	(0.8)	(1.3)	+1.2	(0.5)
Ordinary income	5.5	12.5	18.2	+12.7	+5.7
Extraordinary income and expenses	-	-	-	-	-
Income taxes	(1.9)	(2.1)	(5.5)	(3.6)	(3.4)
Net income attributable to owners of the parent	3.6	10.4	12.7	+9.1	+2.3
Capital expenditure (Acceptance basis)	2.7	12.6	8.0	+5.3	(4.6)
Depreciation	5.5	6.4	5.9	+0.4	(0.5)
EBITDA (Note 1)	13.9	20.0	25.9	+12.0	+5.9
Exchange rate (Yen/US$) (Note 2)	114.2	112.6	109.7	(4.5)	(2.9)
Operating margin (%)	13.4%	18.9%	25.3%	+11.9%	+6.4%
EBITDA margin (%)	23.2%	28.4%	33.6%	+10.4%	+5.2%
ROE (%)	6.8%	17.7%	21.1%	+14.3%	+3.4%
Net income per share (Yen)	12.32	35.44	43.53	+31.21	+8.09

(Note 1) EBITDA = Operating Income + Depreciation + Amortization of Goodwill
(Note 2) If the yen appreciate by 1 yen against the US dollar, operating income of SUMCO will decrease by 1.0-1.1 billion yen per year.

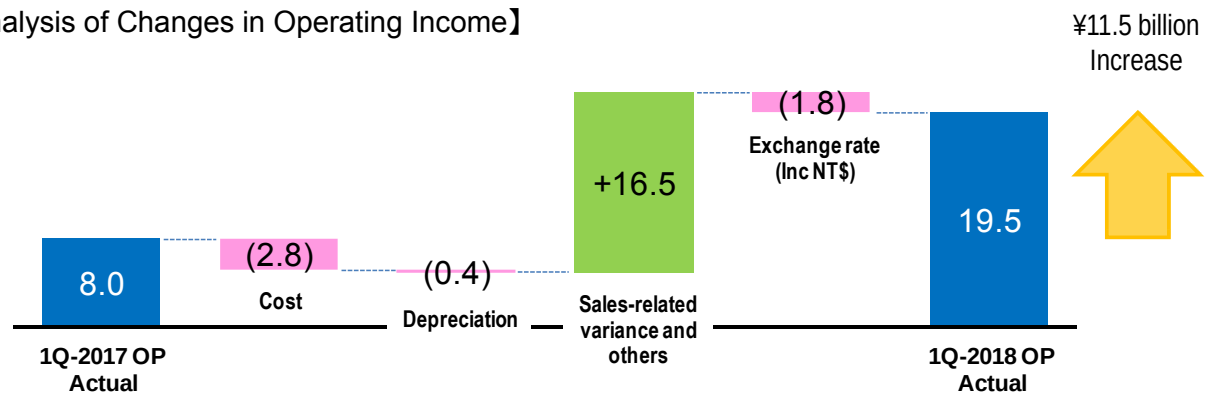
4-2. Analysis of Changes in Operating Income

■ 1Q-2017 Actual → 1Q-2018 Actual

(Billions of Yen)

	1Q-2017 Actual	1Q-2018 Actual	Change
Net Sales	60.1	77.2	+17.1
Operating Income	8.0	19.5	+11.5
Exchange Rate (Yen/US$)	114.2	109.7	(4.5)

【Analysis of Changes in Operating Income】



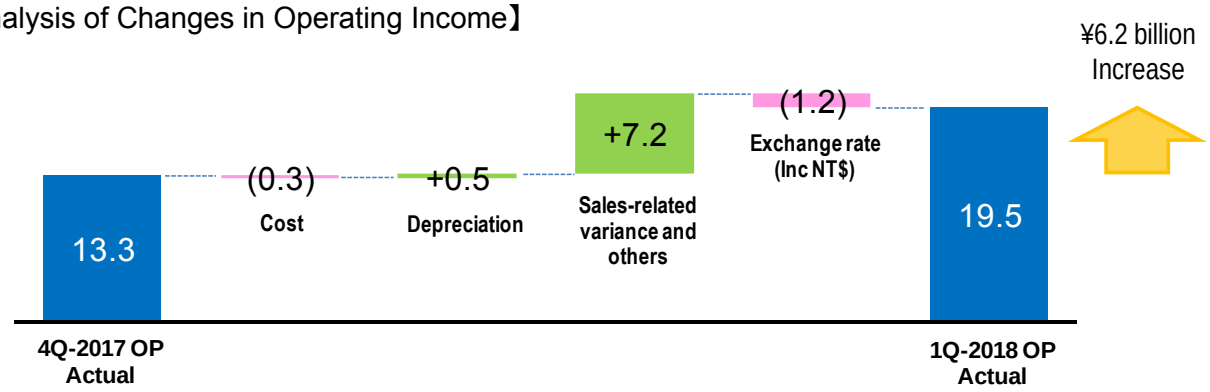
4-3. Analysis of Changes in Operating Income

■ 4Q-2017 Actual → 1Q-2018 Actual

(Billions of Yen)

	4Q-2017 Actual	1Q-2018 Actual	Change
Net Sales	70.2	77.2	+7.0
Operating Income	13.3	19.5	+6.2
Exchange Rate (Yen/US$)	112.6	109.7	(2.9)

【Analysis of Changes in Operating Income】



4-4. Consolidated Balance Sheet

(Billions of Yen)

	End of Dec-2017	End of Mar-2018	Change
Cash and time deposits	74.6	73.2	(1.4)
Finished products and WIP	29.8	29.5	(0.3)
Raw materials and supplies	152.8	151.5	(1.3)
Tangible and intangible assets	163.4	163.4	+0.0
Deferred income tax assets	5.8	5.7	(0.1)
Other assets	104.5	104.3	(0.2)
Total Assets	530.9	527.6	(3.3)
Debt and borrowings	169.3	160.1	(9.2)
Other liabilities	80.0	83.2	+3.2
Liabilities	249.3	243.3	(6.0)
Capital stock	138.7	138.7	-
Capital surplus	26.9	26.9	-
Retained earnings	73.3	80.7	+7.4
Others	42.7	38.0	(4.7)
Equity	281.6	284.3	+2.7
Shareholders' equity ratio	45.4%	46.1%	+0.7%
Equity per share (Yen)	822.5	828.7	+6.2
D/E ratio (gross)	0.7x	0.7x	0.0x
D/E ratio (net)	0.4x	0.4x	0.0x

4-5. Consolidated Cash-Flow

(Billions of Yen)

	1Q-2018
Income before income taxes	18.2
Depreciation	5.9
Subtotal	24.1
Decrease in inventories	1.1
Changes in working capital, etc.	(0.2)
Net cash provided by operating activities	25.0
Capital expenditure (Acceptance basis)	(8.0)
Others, net	(1.6)
Net cash used in investing activities	(9.6)
Free cash-flow	15.4

2Q-2018
Consolidated Business Forecast

5-1. 2Q-2018 Consolidated Business Forecast

(Billions of Yen)

	2Q-2017 Actual (6 months)	2Q-2018 Forecast 1Q ACT	2Q-2018 Forecast 2Q FCST	2Q-2018 Forecast Total (6 months)	Change
Net sales	123.9	77.2	80.0	157.2	+33.3
Operating income	17.3	19.5	20.0	39.5	+22.2
Non-operating income and expenses	(3.6)	(1.3)	(0.5)	(1.8)	+1.8
Ordinary income	13.7	18.2	19.5	37.7	+24.0
Extraordinary income and expenses	-	-	-	-	-
Income taxes	(4.1)	(5.5)	(5.5)	(11.0)	(6.9)
Net income attributable to owners of the parent	9.6	12.7	14.0	26.7	+17.1
Capital expenditure (Acceptance basis) (Note 1)	4.8	8.0	13.0	21.0	+16.2
Depreciation (Note 1)	11.2	5.9	6.5	12.4	+1.2
EBITDA (Note 2)	29.3	25.9	27.0	52.9	+23.6
Exchange rate (Yen/US$) (Note 3)	112.8	109.7	108.0	108.8	(4.0)
Operating margin (%)	14.0%	25.3%	25.0%	25.1%	+11.1%
EBITDA margin (%)	23.6%	33.6%	33.8%	33.7%	+10.1%
ROE (%)	8.9%	21.1%	22.3%	21.4%	+12.5%
Net income per share (Yen)	32.85	43.53	47.51	91.04	+58.19

(Note 1) FY2018 Forecasts; capital expenditure of app. 65 billion yen, depreciation of app. 30 billion yen
(Note 2) EBITDA = Operating Income + Depreciation + Amortization of Goodwill
(Note 3) If the yen appreciate by 1 yen against the US dollar, operating income of SUMCO will decrease by 1.0-1.1 billion yen per year.

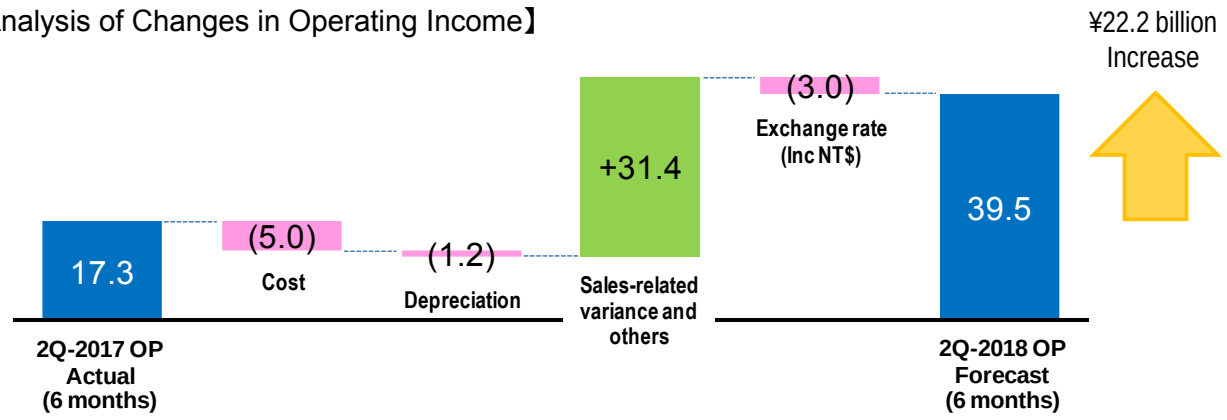
5-2. Analysis of Changes in Operating Income

■ 2Q-2017 Actual → 2Q-2018 Forecast

(Billions of Yen)

	2Q-2017 ACT (6 months)	2Q-2018 FCST (6 months)	Change
Net Sales	123.9	157.2	+33.3
Operating Income	17.3	39.5	+22.2
Exchange Rate (Yen/US$)	112.8	108.8	(4.0)

【Analysis of Changes in Operating Income】



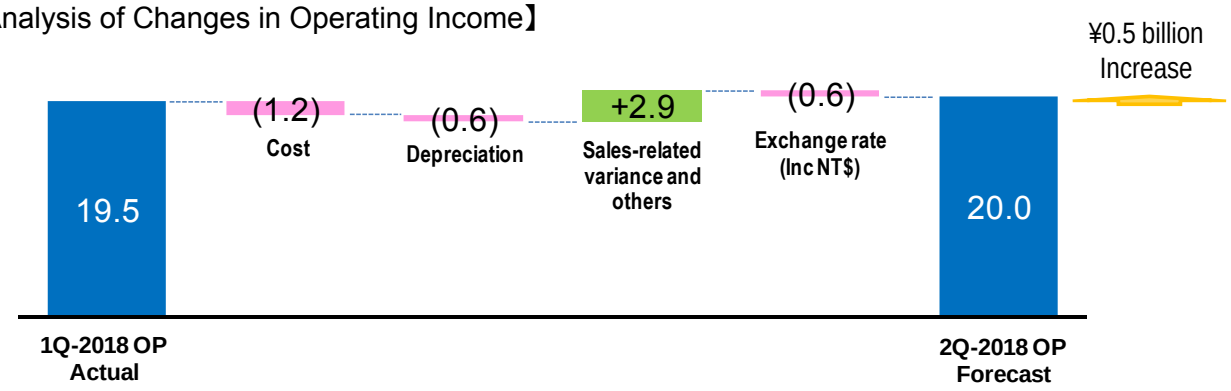
5-3. Analysis of Changes in Operating Income

■ 1Q-2018 Actual → 2Q-2018 Forecast

(Billions of Yen)

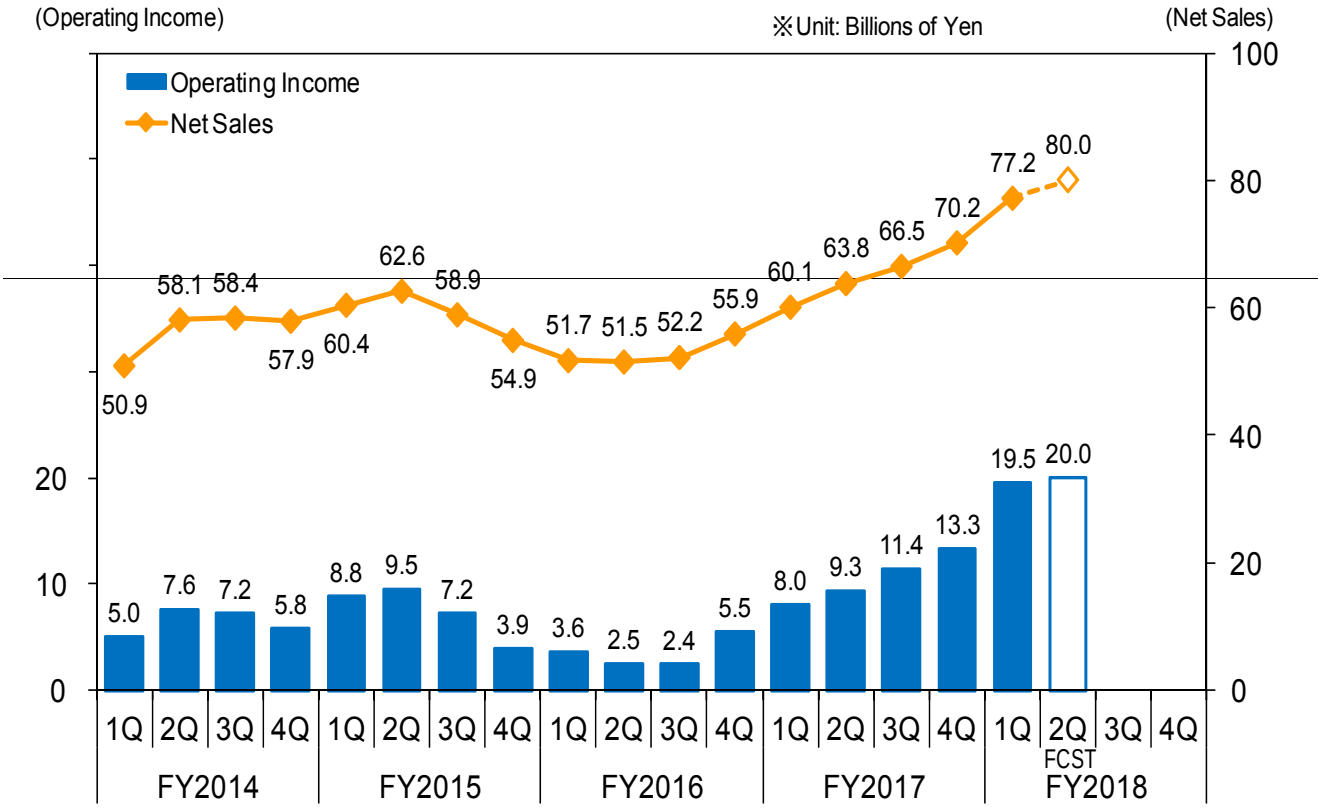
	1Q-2018 Actual	2Q-2018 Forecast	Change
Net Sales	77.2	80.0	+2.8
Operating Income	19.5	20.0	+0.5
Exchange Rate (Yen/US$)	109.7	108.0	(1.7)

【Analysis of Changes in Operating Income】

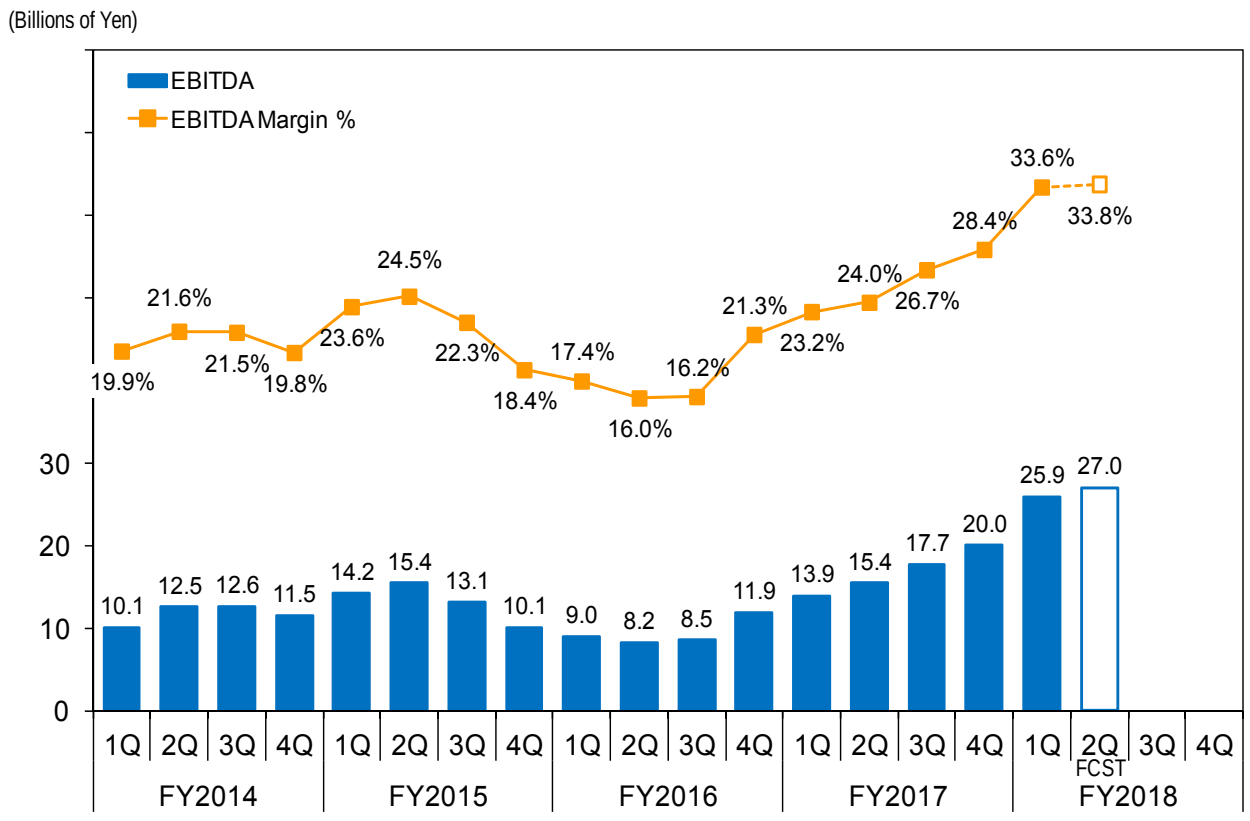


Reference Materials

Reference Materials: Quarterly Trend

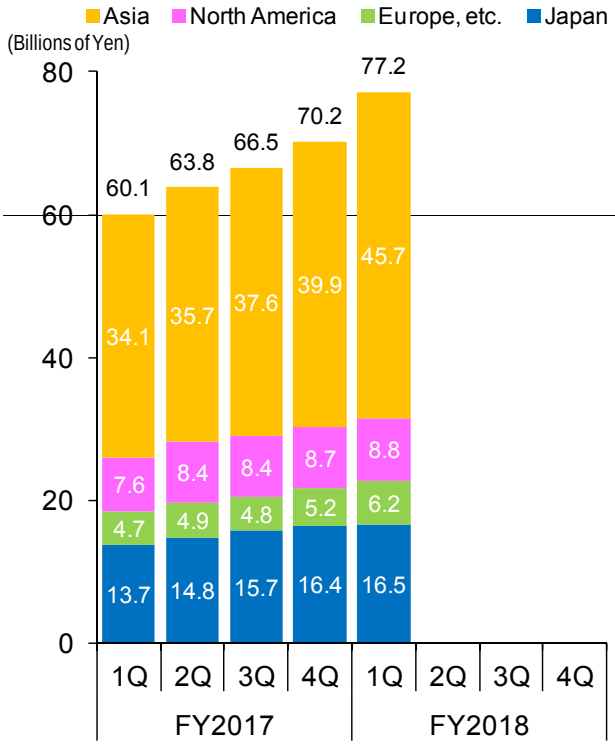


Reference Materials: EBITDA

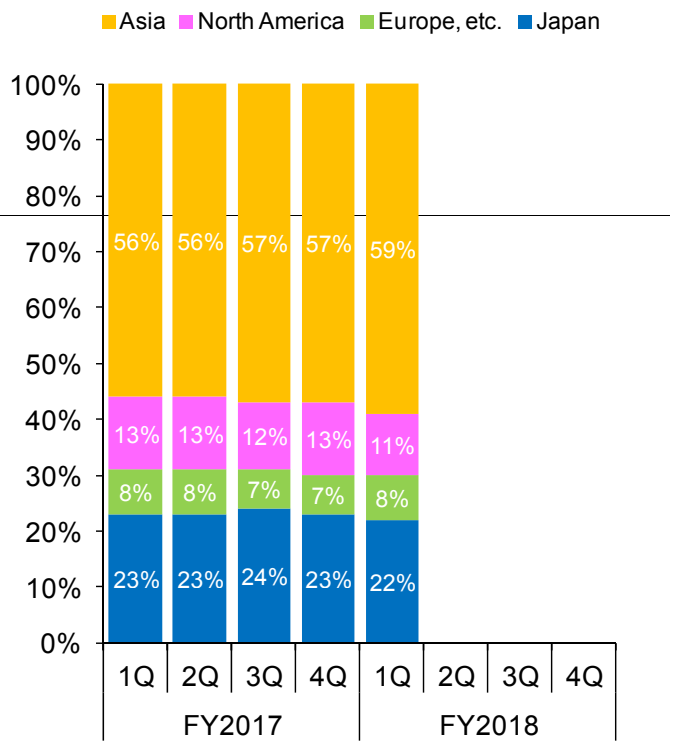


Reference Materials: Sales Results

Changes in Sales



Sales by Region



URL http://www.sumcosi.com/