Results for Second Quarter of FY2018 (Ended June 30, 2018)

August 8, 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

2Q-2018 Consolidated Business Result

(Billions of Yen)

	2Q-2018 Forecast	2Q-2018 Actual	Change
Net Sales	80.0	81.8	+1.8
Operating Income	20.0	21.6	+1.6
Ordinary Income	19.5	21.8	+2.3
Net Income (Note)	14.0	15.4	+1.4
Exchange Rate (Yen/US$)	108.0	108.1	+0.1

3Q-2018 Consolidated Business Forecast

(Billions of Yen)

	2Q-2018 Actual	3Q-2018 Forecast	Change
Net Sales	81.8	86.0	+4.2
Operating Income	21.6	22.0	+0.4
Ordinary Income	21.8	21.0	(0.8)
Net Income (Note)	15.4	14.5	(0.9)
Exchange Rate (Yen/US$)	108.1	110.0	+1.9

(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**	(Note 1) **30.0**
	Year-end	4.0	10.0	5.0	**18.0**	(Note 2) -
	Total	4.0	20.0	10.0	**28.0**	(Note 2) -
Dividends payment (Billions of Yen)	Interim	-	2.9	1.4	**2.9**	**8.7**
	Year-end	1.0	2.9	1.4	**5.2**	(Note 2) -
	Total	1.0	5.8	2.9	**8.2**	(Note 2) -
Dividend ratio	(%)	6.8%	28.5%	44.5%	**30.4%**	(Note 3) **31.3%**

(Note 1) 2 yen per share increase from FY2018 interim dividend forecast of 28 yen.
(Note 2) Year-end dividend for FY2018 is not determined.
(Note 3) Dividend ratio for FY2018 is calculated by interim dividend basis.

2-1. Market Environment

2Q-2018

✓ Volume
- Despite moves by customers to postpone their memory expansion plans partially, 300mm wafer demand remained above supply, and allocation continued
- Requests for additional supply in long-term contracts were strong also for 200mm or less wafers, due to growth for automobiles, industrial and IoT; Allocation continued

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

3Q-2018 Outlook

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

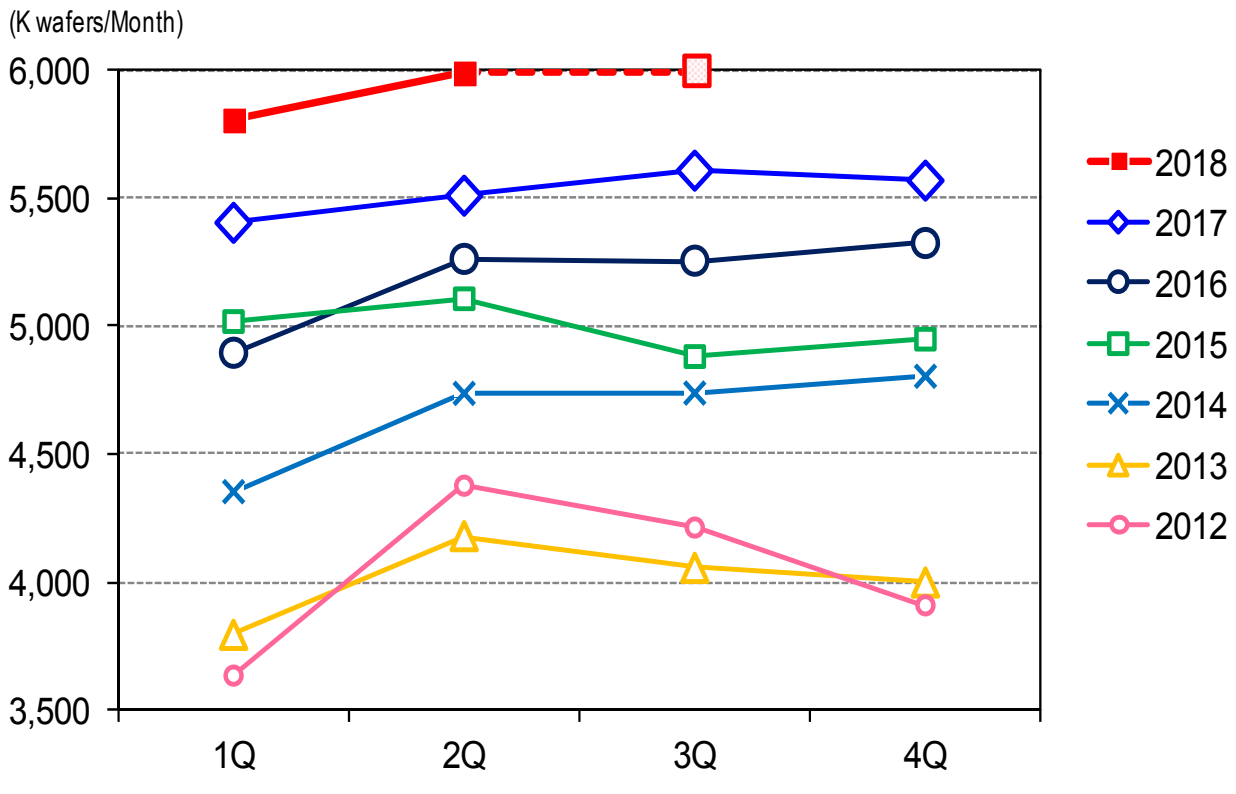
✓ Pricing
- Recovery will continue as expected for all diameters

Medium-term Outlook

✓ 300mm
- YoY price recovery of about 20% seen in 2018 (45% recovery in 4Q18 from 4Q16 levels)
- Price recovery will continue progressing in 2019
- Execution of long-term agreements for 2021 and after begins, and volume requests are strong in the medium-term

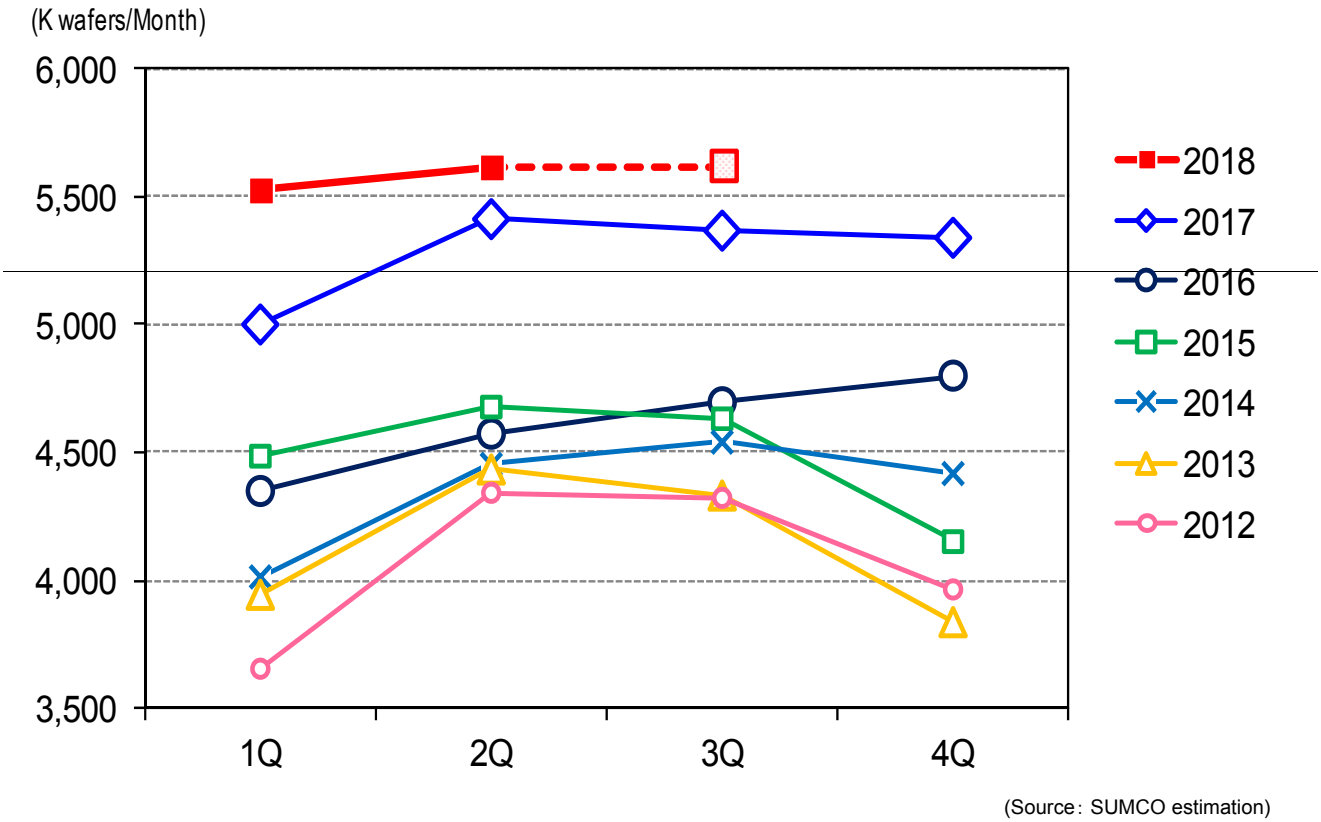
✓ 200mm
- There are concerns the tight supply/demand situation may continue well into the future
- Many clients, mainly for automotive, are seeking long-term contracts
- A future switch to 300mm is gradually coming into view

2-2. 300mm Wafer Trend Forecast



(Source: SUMCO estimation)

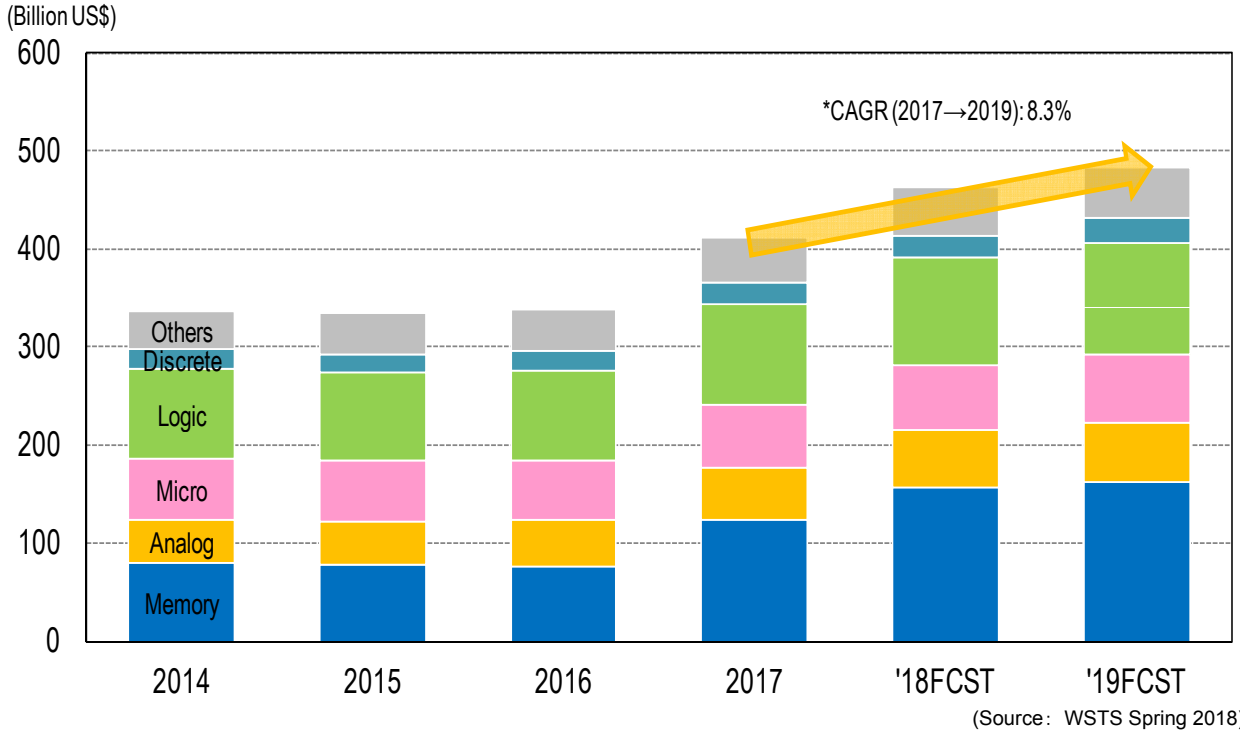
2-3. 200mm Wafer Trend Forecast



(Source: SUMCO estimation)

3-1. Semiconductor Market Forecast

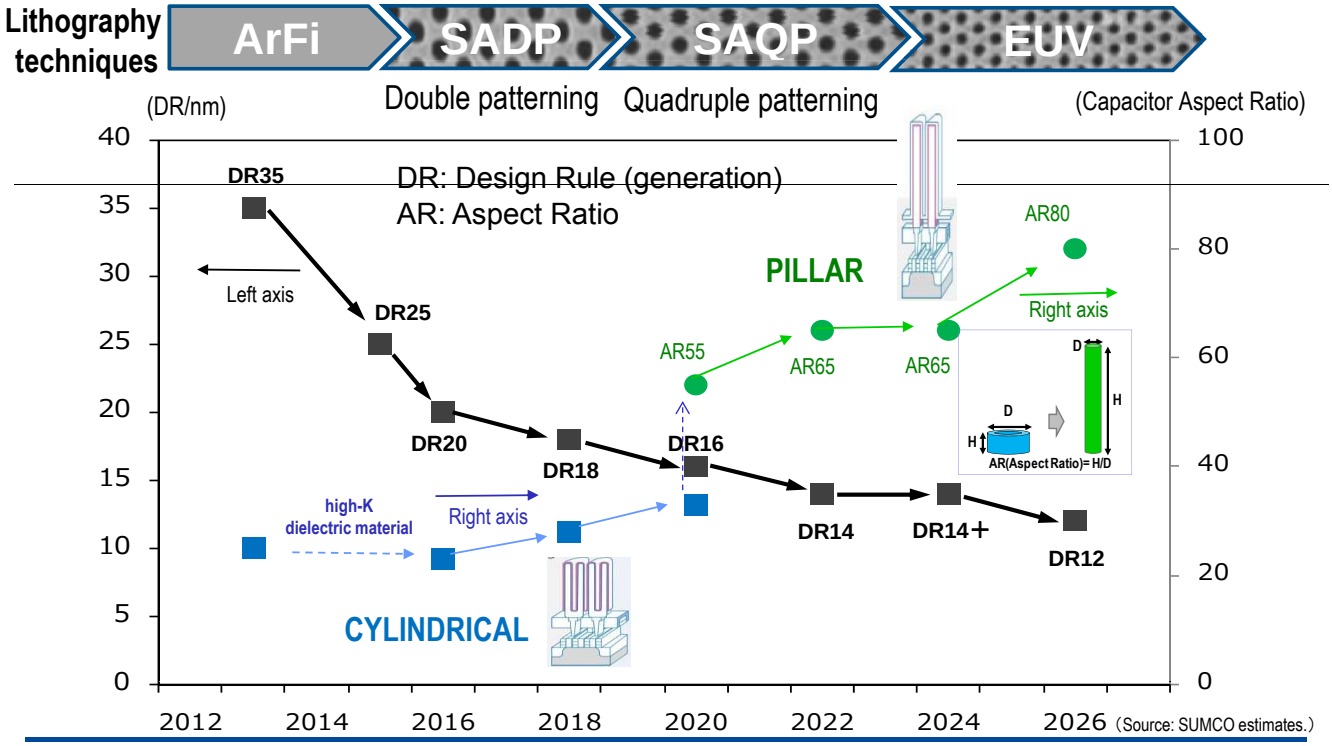
✓ Although there are news such as postponement of DRAM investment, NAND price softening and smartphone inventory adjustments, Semiconductor growth is CAGR 8.3%



(Source: WSTS Spring 2018)

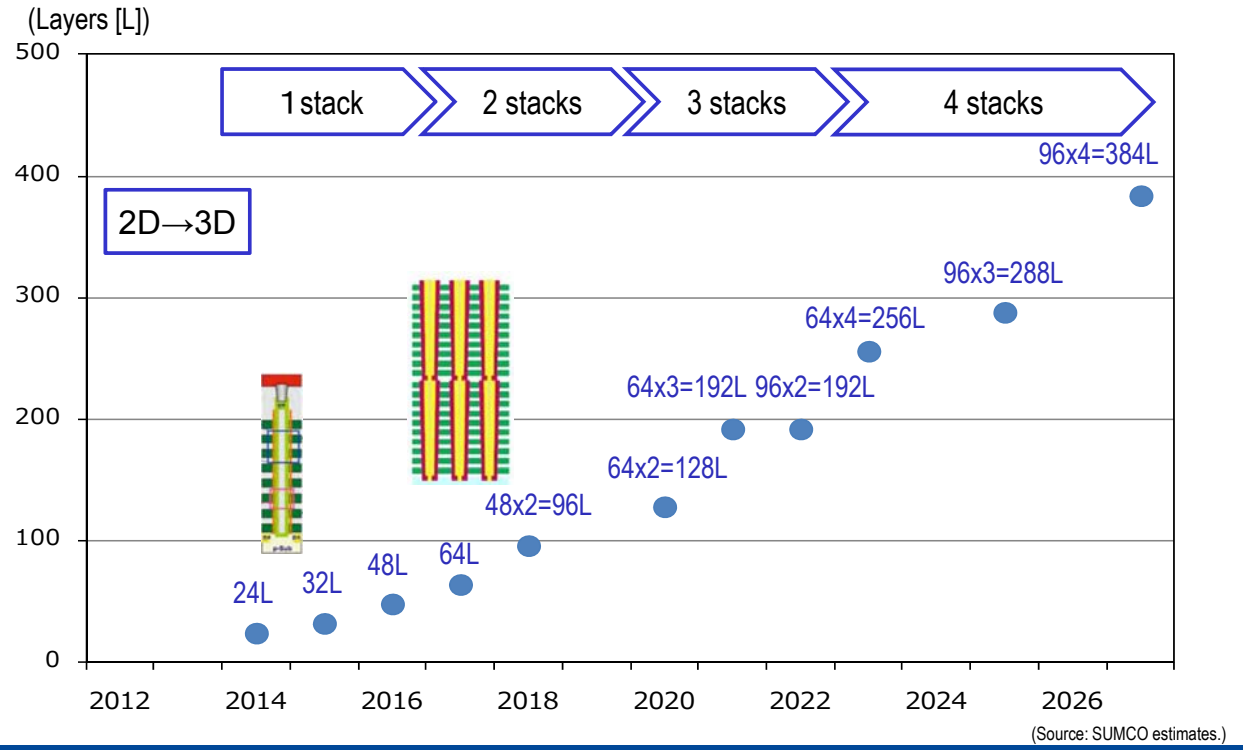
3-2. Leading-edge DRAM Technologies

✓ Scaling continues even as technical difficulty increases



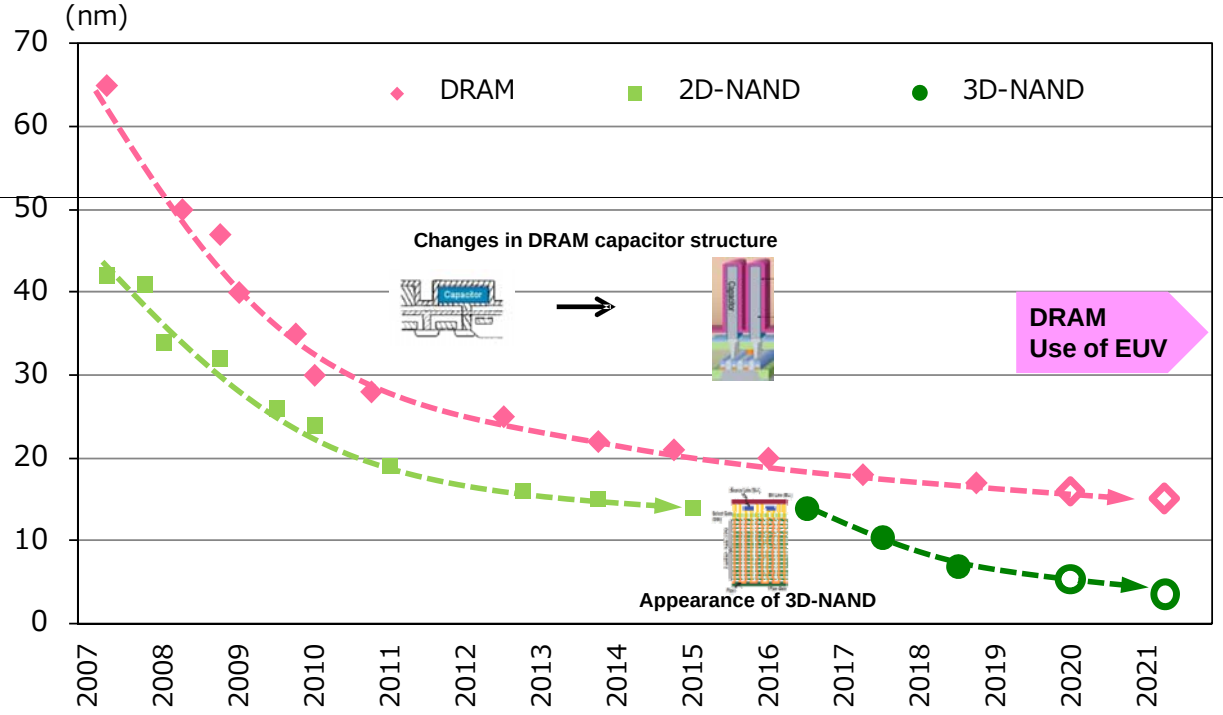
3-3. Leading-edge NAND Technologies

✓ Multiple stacks leads 3D technology



3-4. Leading-edge Memory Scaling

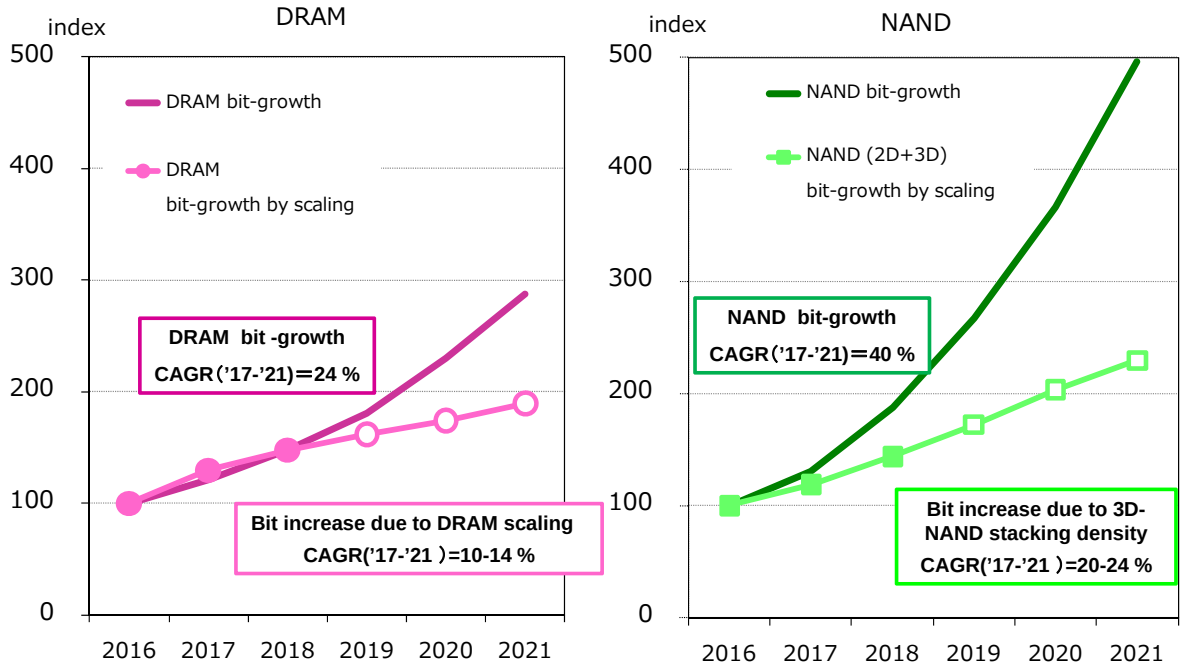
✓ DRAM: Scaling slows down from 20nm and beyond
✓ NAND: End of scaling progress for 2D; Scaling is lead by 3D Technology



(Source: SUMCO estimation)

3-5. Memory bit-growth and Scaling

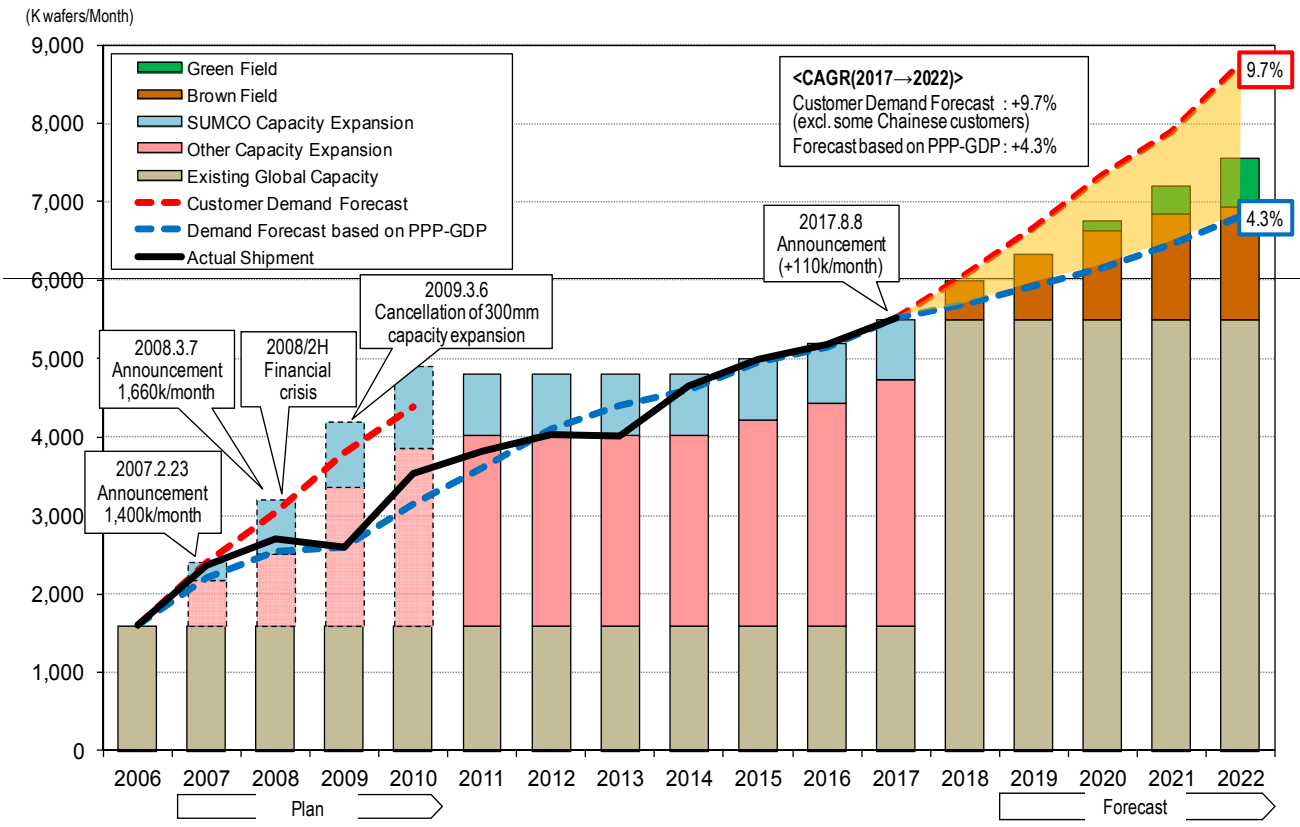
✓ DRAM: Scaling slows down, NAND: 3D stacking density grows
✓ Bit-growth is not able to covered by scaling, Gaps are fulfilled with wafer.



(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)

3-6. 300mm Wafer Global Capacity and Demand



(Source: SUMCO estimation)

2Q-2018
Consolidated Business Result

Michiharu Takii
Representative Director,
Vice Chairman

4-1. Summary of Consolidated Business Result

(Billions of Yen)

	2Q-2017 Actual (6 months)	2Q-2018 Actual 1Q ACT	2Q-2018 Actual 2Q ACT	2Q-2018 Actual Total (6 months)	Change
Net sales	123.9	77.2	81.8	159.0	+35.1
Operating income	17.3	19.5	21.6	41.1	+23.8
Non-operating income and expenses	(3.6)	(1.3)	0.2	(1.1)	+2.5
Ordinary income	13.7	18.2	21.8	40.0	+26.3
Extraordinary income and expenses	-	-	-	-	-
Income taxes	(4.1)	(5.5)	(6.4)	(11.9)	(7.8)
Net income attributable to owners of the parent	9.6	12.7	15.4	28.1	+18.5
Capital expenditure (Acceptance basis)	4.8	8.0	9.9	17.9	+13.1
Depreciation	11.2	5.9	6.6	12.5	+1.3
EBITDA (Note 1)	29.3	25.9	28.5	54.4	+25.1
Exchange rate (Yen/US$) (Note 2)	112.8	109.7	108.1	108.9	(3.9)
Operating margin (%)	14.0%	25.3%	26.4%	25.9%	+11.9%
EBITDA margin (%)	23.6%	33.6%	34.9%	34.3%	+10.7%
ROE (%)	8.9%	21.1%	24.4%	22.4%	+13.5%
Net income per share (Yen)	32.85	43.53	52.46	95.99	+63.14

(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.

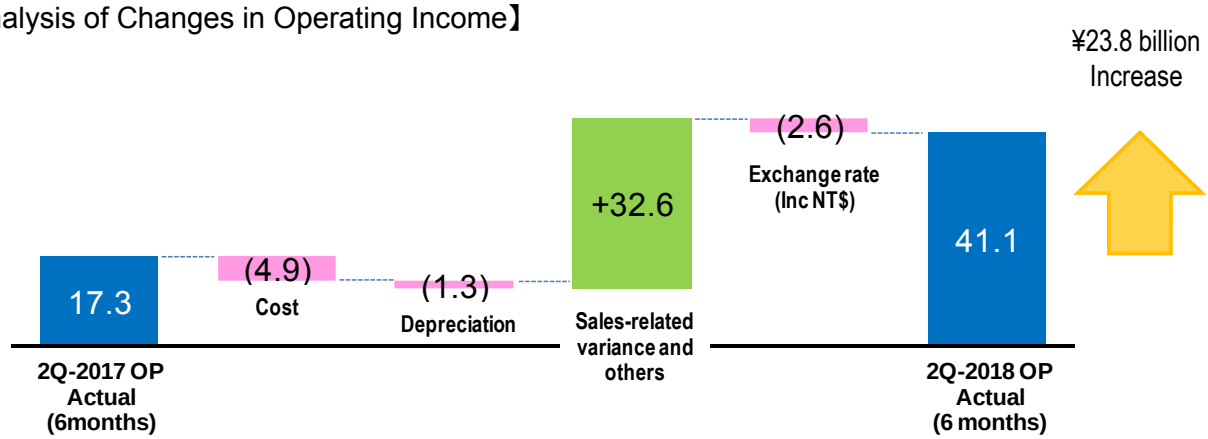
4-2. Analysis of Changes in Operating Income

■ 2Q-2017 ACT (6 months) → 2Q-2018 ACT (6 months)

(Billions of Yen)

	2Q-2017 ACT (6 months)	2Q-2018 ACT (6 months)	Change
Net Sales	123.9	159.0	+35.1
Operating Income	17.3	41.1	+23.8
Exchange Rate (Yen/US$)	112.8	108.9	(3.9)

【Analysis of Changes in Operating Income】



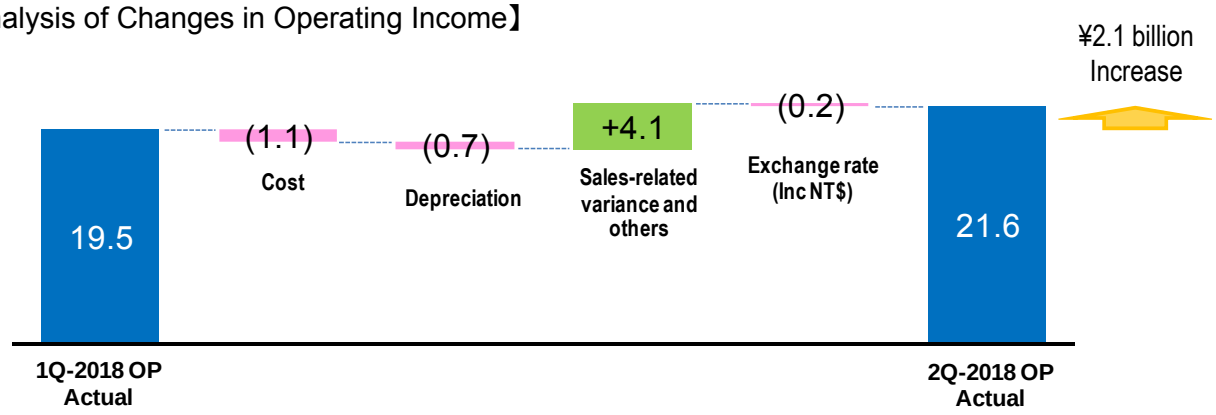
4-3. Analysis of Changes in Operating Income

■ 1Q-2018 Actual → 2Q-2018 Actual

(Billions of Yen)

	1Q-2018 Actual	2Q-2018 Actual	Change
Net Sales	77.2	81.8	+4.6
Operating Income	19.5	21.6	+2.1
Exchange Rate (Yen/US$)	109.7	108.1	(1.6)

【Analysis of Changes in Operating Income】



4-4. Consolidated Balance Sheet

(Billions of Yen)

	End of Dec-2017	End of Jun-2018	Change
Cash and time deposits	74.6	84.4	+9.8
Finished products and WIP	29.8	30.0	+0.2
Raw materials and supplies	152.8	150.5	(2.3)
Tangible and intangible assets	163.4	166.3	+2.9
Deferred income tax assets	5.8	5.5	(0.3)
Other assets	104.5	109.0	+4.5
Total Assets	530.9	545.7	+14.8
Debt and borrowings	169.3	157.3	(12.0)
Other liabilities	80.0	84.3	+4.3
Liabilities	249.3	241.6	(7.7)
Capital stock	138.7	138.7	-
Capital surplus	26.9	29.8	+2.9
Retained earnings	73.3	96.1	+22.8
Others	42.7	39.5	(3.2)
Equity	281.6	304.1	+22.5
Shareholders' equity ratio	45.4%	48.1%	+2.7%
Equity per share (Yen)	822.5	894.5	+72.0
D/E ratio (gross)	0.7x	0.6x	(0.1)x
D/E ratio (net)	0.4x	0.3x	(0.1)x

4-5. Consolidated Cash-Flow

(Billions of Yen)

	2Q-2018 (6 months)
Income before income taxes	40.0
Depreciation	12.5
Subtotal	52.5
Decrease in inventories	2.7
Changes in working capital, etc.	(5.5)
Net cash provided by operating activities	49.7
Capital expenditure (Acceptance basis)	(17.9)
Others, net	(7.0)
Net cash used in investing activities	(24.9)
Free cash-flow	24.8

3Q-2018
Consolidated Business Forecast

5-1. 3Q-2018 Consolidated Business Forecast

(Billions of Yen)

	3Q-2017 Actual (9 months)	3Q-2018 Forecast 1Q ACT	2Q ACT	3Q FCST	Total (9 months)	Change
Net sales	190.4	77.2	81.8	86.0	245.0	+54.6
Operating income	28.7	19.5	21.6	22.0	63.1	+34.4
Non-operating income and expenses	(4.5)	(1.3)	0.2	(1.0)	(2.1)	+2.4
Ordinary income	24.2	18.2	21.8	21.0	61.0	+36.8
Extraordinary income and expenses	-	-	-	-	-	-
Income taxes	(7.6)	(5.5)	(6.4)	(6.5)	(18.4)	(10.8)
Net income attributable to owners of the parent	16.6	12.7	15.4	14.5	42.6	+26.0
Capital expenditure (Acceptance basis) (Note 1)	10.2	8.0	9.9	28.0	45.9	+35.7
Depreciation (Note 1)	17.0	5.9	6.6	7.0	19.5	+2.5
EBITDA (Note 2)	47.0	25.9	28.5	29.5	83.9	+36.9
Exchange rate (Yen/US$) (Note 3)	112.1	109.7	108.1	110.0	109.3	(2.8)
Operating margin (%)	15.1%	25.3%	26.4%	25.6%	25.8%	+10.7%
EBITDA margin (%)	24.7%	33.6%	34.9%	34.3%	34.2%	+9.5%
ROE (%)	10.1%	21.1%	24.4%	21.8%	22.3%	+12.2%
Net income per share (Yen)	56.68	43.53	52.46	49.26	145.25	+88.57

(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.

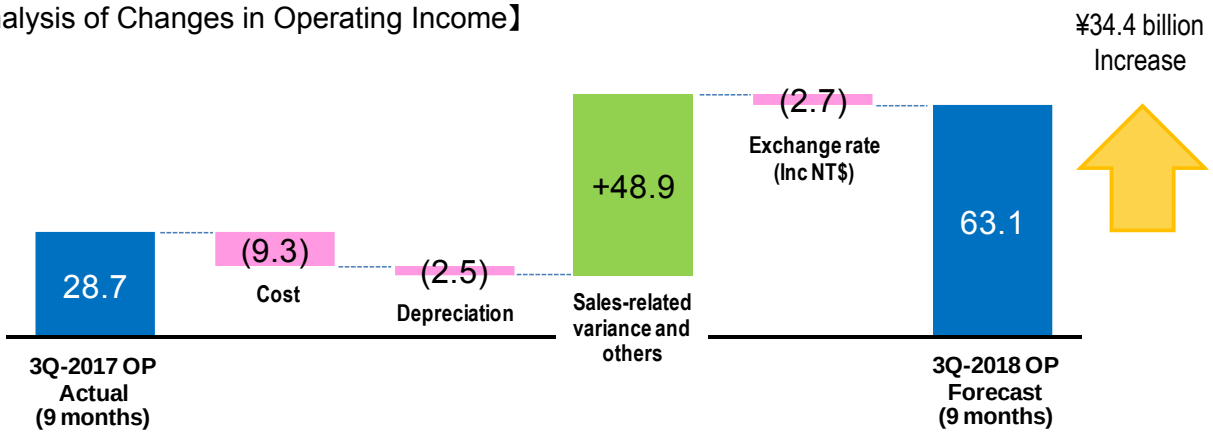
5-2. Analysis of Changes in Operating Income

■ 3Q-2017 ACT (9 months) → 3Q-2018 FCST (9 months)

(Billions of Yen)

	3Q-2017 ACT (9 months)	3Q-2018 FCST (9 months)	Change
Net Sales	190.4	245.0	+54.6
Operating Income	28.7	63.1	+34.4
Exchange Rate (Yen/US$)	112.1	109.3	(2.8)

【Analysis of Changes in Operating Income】



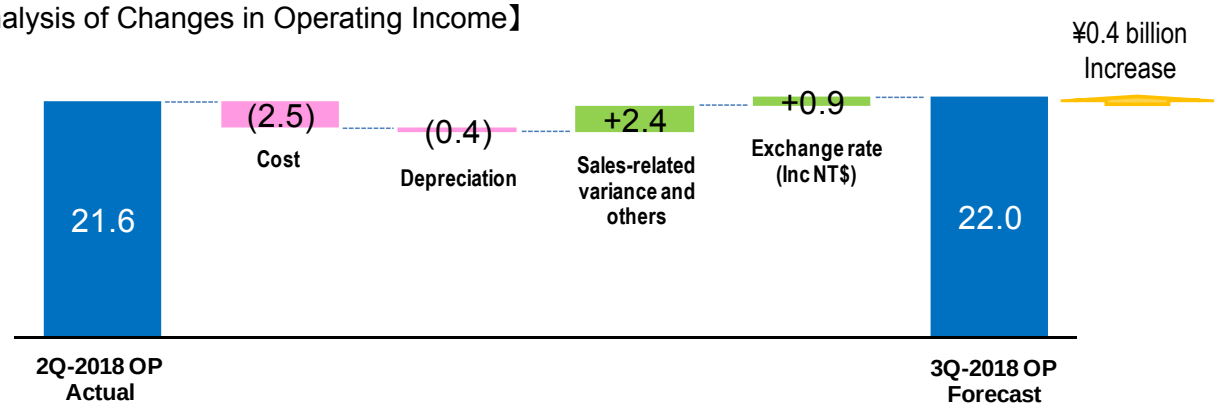
5-3. Analysis of Changes in Operating Income

■ 2Q-2018 Actual → 3Q-2018 Forecast

(Billions of Yen)

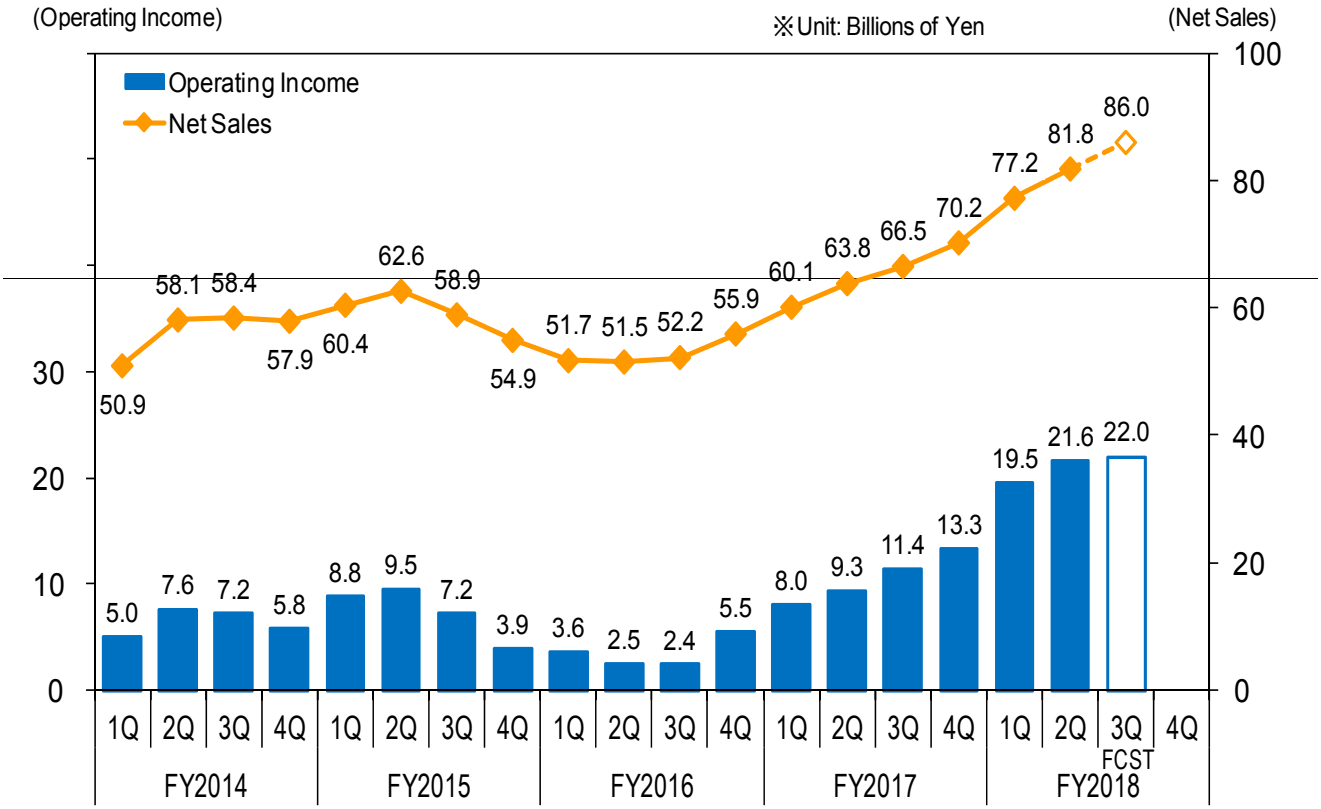
	2Q-2018 Actual	3Q-2018 Forecast	Change
Net Sales	81.8	86.0	+4.2
Operating Income	21.6	22.0	+0.4
Exchange Rate (Yen/US$)	108.1	110.0	+1.9

【Analysis of Changes in Operating Income】

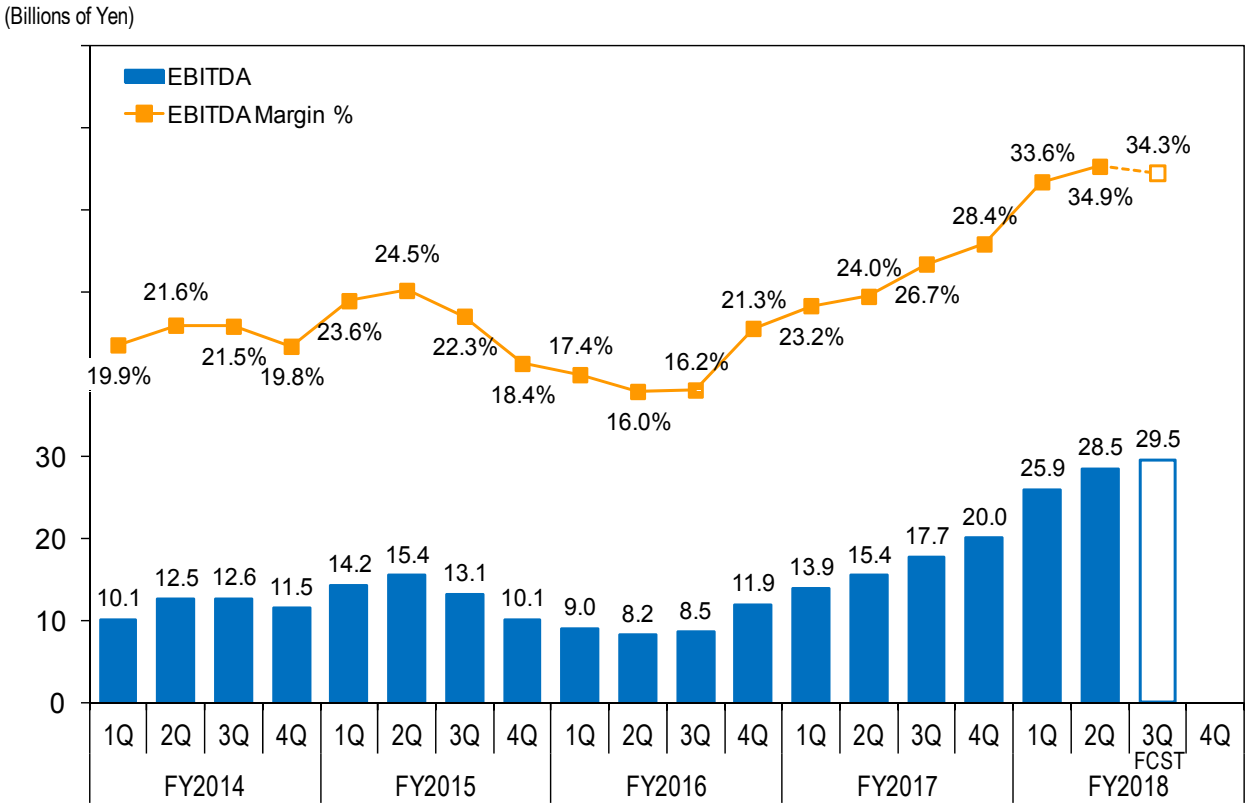


Reference Materials

Reference Materials: Quarterly Trend

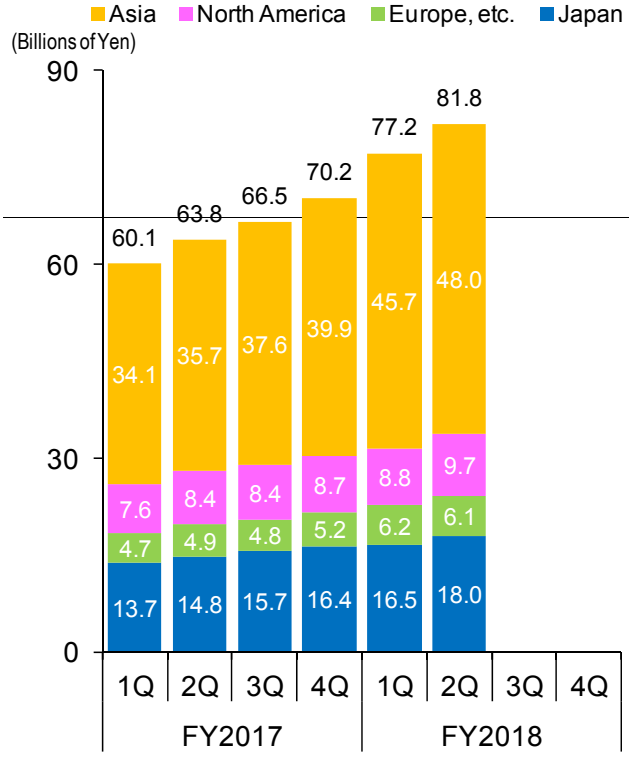


Reference Materials: EBITDA

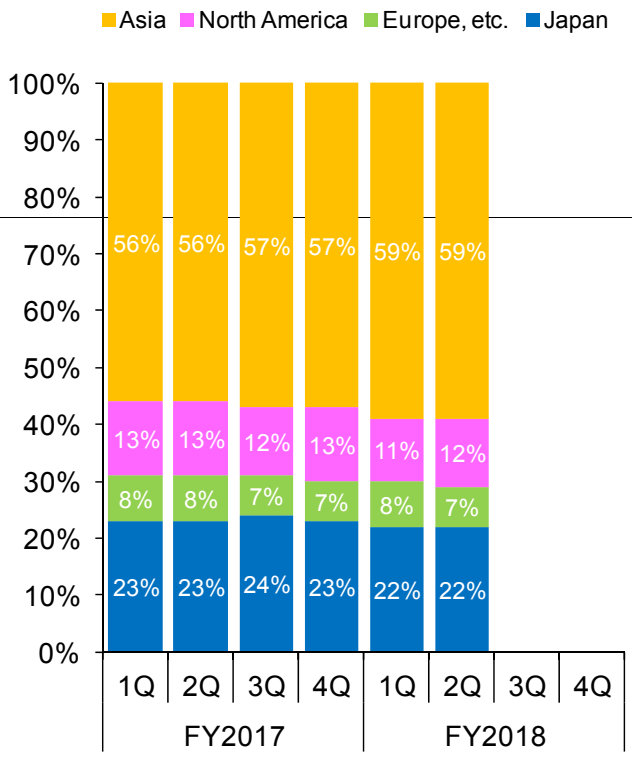


Reference Materials: Sales Results

Changes in Sales



Sales by Region



URL http://www.sumcosi.com/