Results for Third Quarter of FY2018 (Ended September 30, 2018)

November 7, 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

3Q-2018 Consolidated Business Result

(Billions of Yen)

	3Q-2018 Forecast	3Q-2018 Actual	Change
Net Sales	86.0	83.4	(2.6)
Operating Income	22.0	23.1	+1.1
Ordinary Income	21.0	22.7	+1.7
Net Income (Note)	14.5	14.5	0.0
Exchange Rate (Yen/US$)	110.0	110.9	+0.9

4Q-2018 Consolidated Business Forecast

(Billions of Yen)

	3Q-2018 Actual	4Q-2018 Forecast	Change
Net Sales	83.4	84.0	+0.6
Operating Income	23.1	21.0	(2.1)
Ordinary Income	22.7	20.0	(2.7)
Net Income (Note)	14.5	14.5	0.0
Exchange Rate (Yen/US$)	110.9	113.0	+2.1

(Note) Net income attributable to owners of the parent

1-2. Dividend

		FY2014 (Dec-2014)	FY2015 (Dec-2015)	FY2016 (Dec-2016)	FY2017 (Dec-2017)	FY2018 (Dec-2018)
Dividends per share for common stocks (Yen)	Interim	-	10.0	5.0	10.0	**30.0**
	Year-end	4.0	10.0	5.0	18.0	(FCST) **30.0**
	Total	4.0	20.0	10.0	28.0	(FCST) **60.0**
Dividends payment (Billions of Yen)	Interim	-	2.9	1.4	2.9	**8.7**
	Year-end	1.0	2.9	1.4	5.2	(FCST) **8.7**
	Total	1.0	5.8	2.9	8.2	(FCST) **17.5**
Dividend ratio	(%)	6.8%	28.5%	44.5%	30.4%	(FCST) **30.8%**

2-1. Market Environment

3Q-2018

✓ Volume
- 300mm wafer demand remained strong
- Allocation remained in effect for 200mm wafers. Strong demand continued for automotive, industrial and IoT applications

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

4Q-2018 Forecast

✓ Volume
- The market for semiconductor silicon wafers is expected to see continued solid demand for both 300mm and 200mm wafers, despite a drop in request to increase in production exceeding long-term agreements

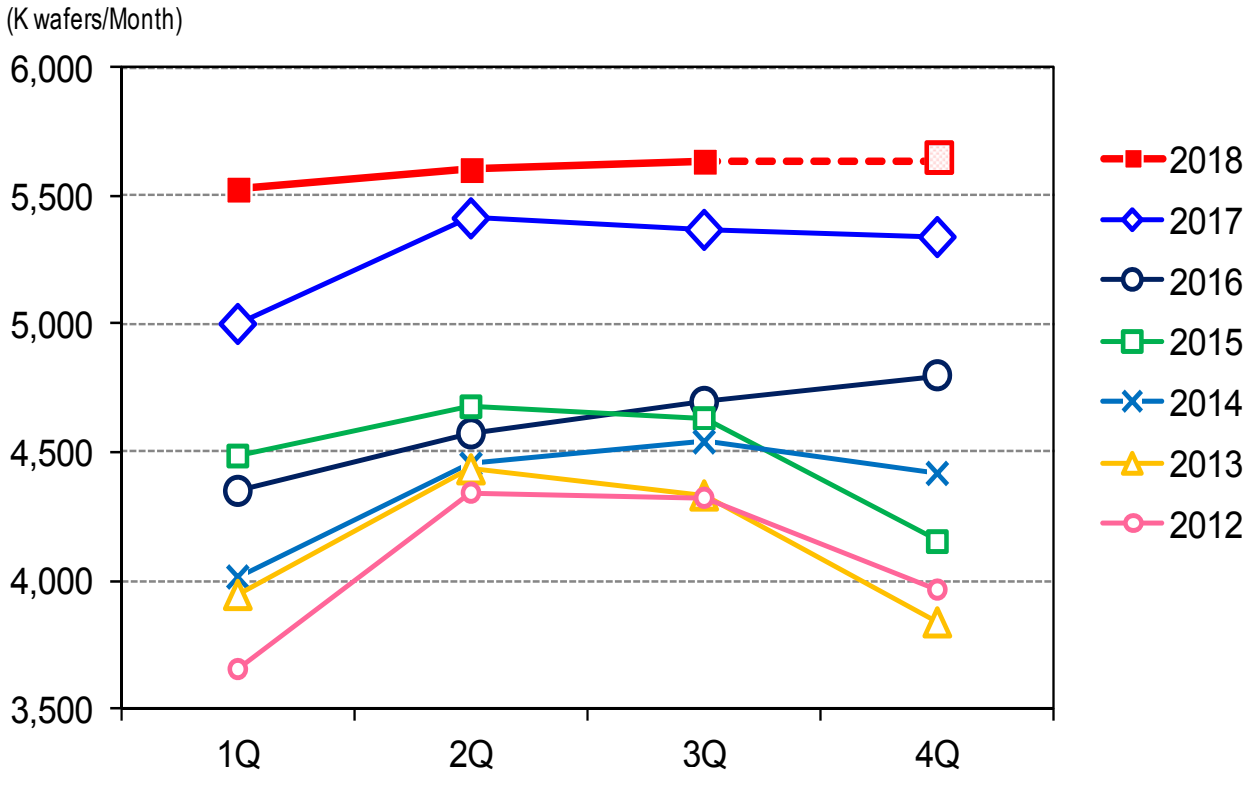
✓ Pricing
- Recovery will continue as expected for all diameters based on long-term agreements (45% recovery in 300mm from 4Q16 levels)

Outlook

✓ 300mm
- Memory demand, after customers deferred their capacity expansion plans, request for rapid increase in production are dropping. However, demand for Logic and CIS should remain strong, and medium-term outlook for overall demand including memory will be solid
- Price recovery will continue progressing in 2019
- Signing of long-term agreements for 2021 and after is coming to an end as prices recover

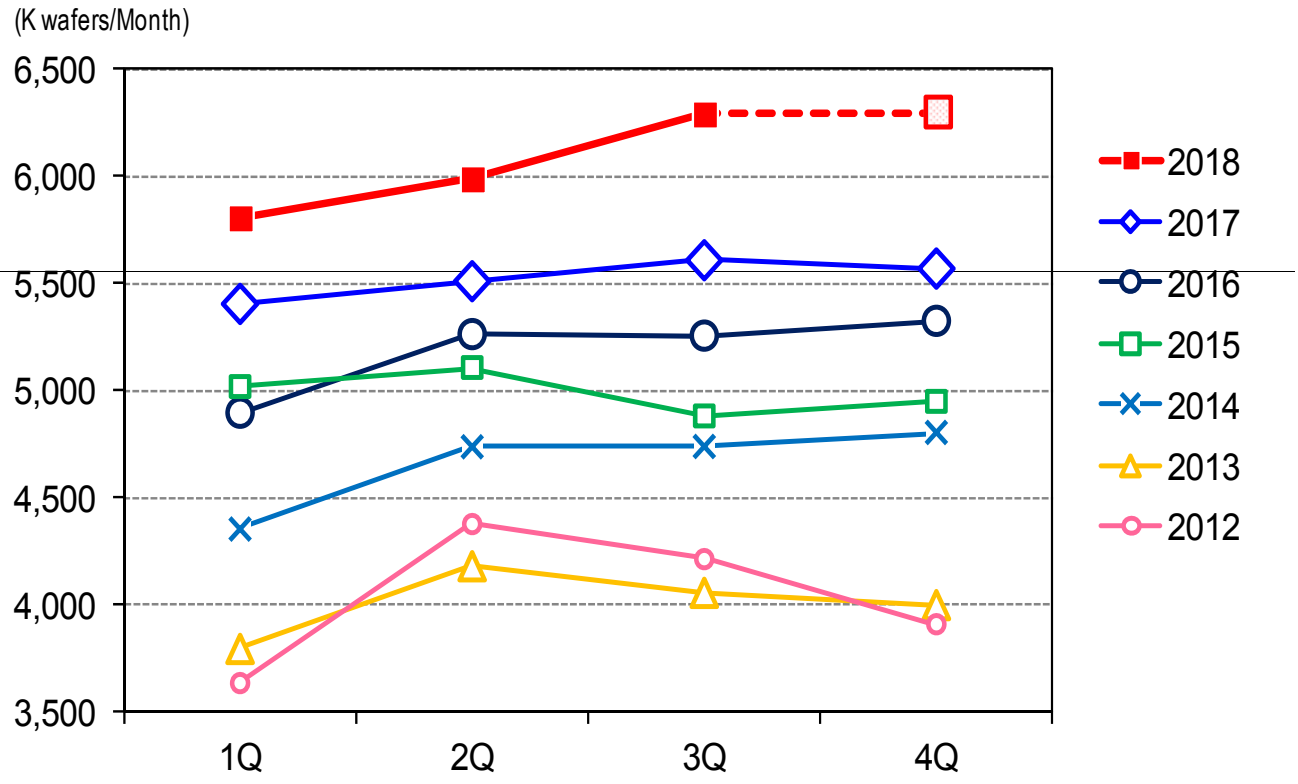
✓ 200mm
- Stable demand growth should continue mainly for automotive applications
- Full-capacity operation will continue as demand exceeds supply, regardless of foundry seasonal adjustments

3-1. 200mm Wafer Trend Forecast



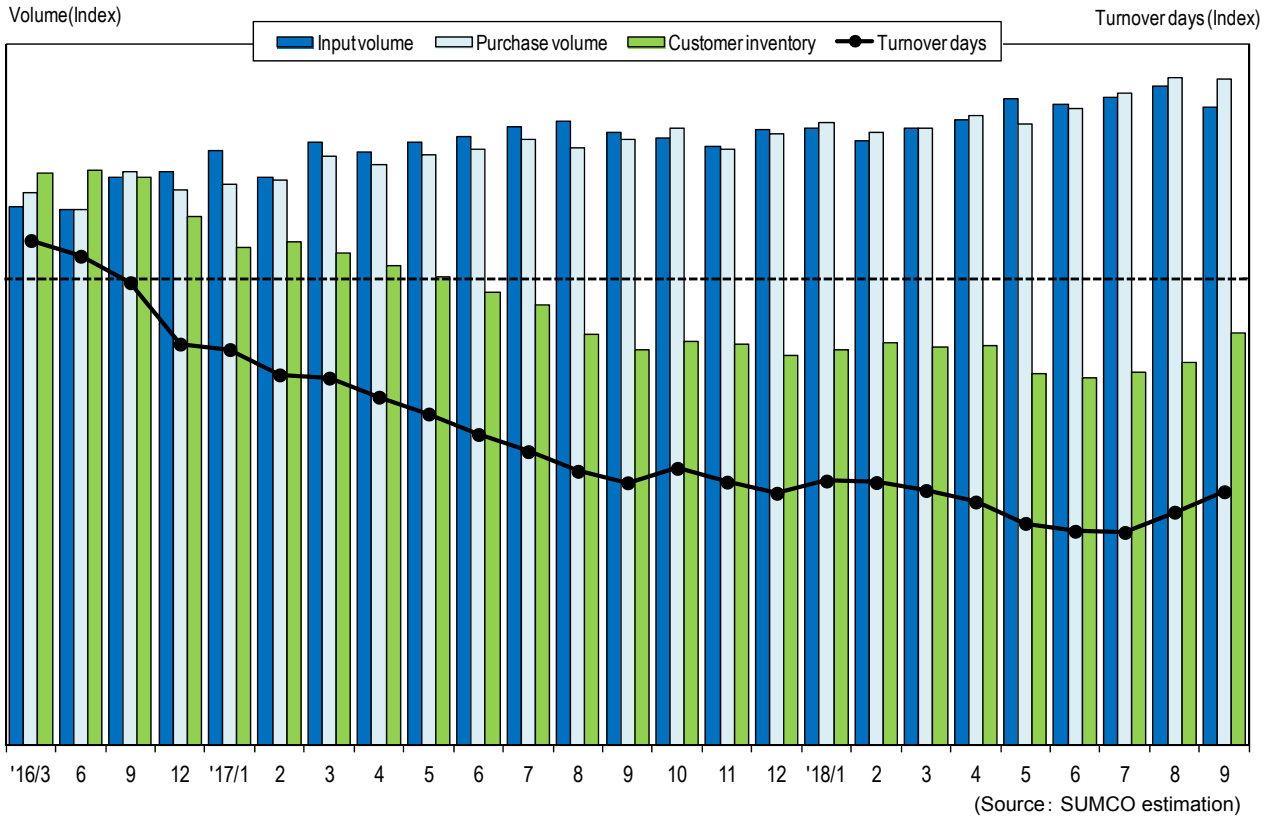
(Source: SUMCO estimation)

3-2. 300mm Wafer Trend Forecast



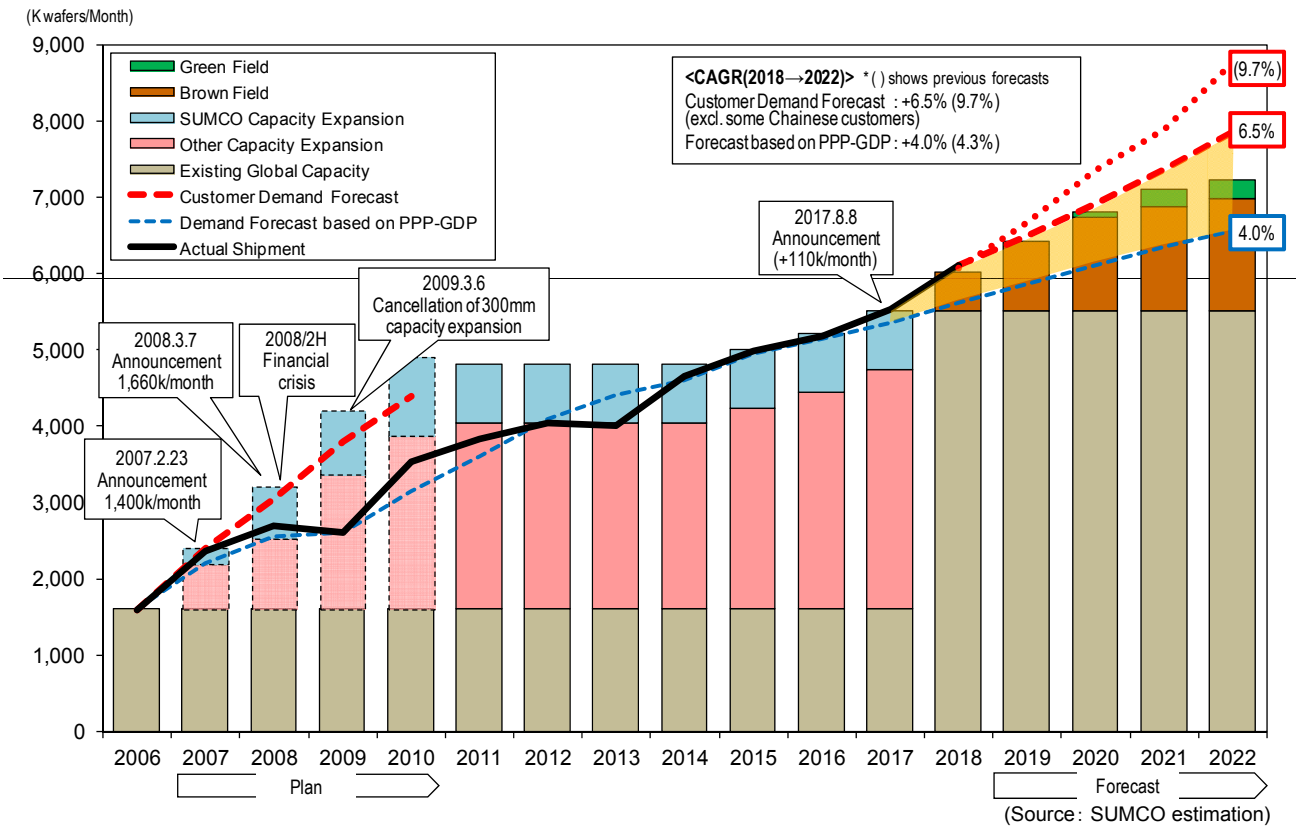
(Source: SUMCO estimation)

3-3. Customer 300mm Wafer Inventory Level



(Source: SUMCO estimation)

3-4. 300mm Wafer Global Capacity and Demand



3Q-2018
Consolidated Business Result

Michiharu Takii
Representative Director,
Vice Chairman

4-1. Summary of Consolidated Business Result

(Billions of Yen)

	3Q-2017 Actual (9 months)	3Q-2018 Actual 1Q	2Q	3Q	Total (9 months)	Change
Net sales	190.4	77.2	81.8	83.4	242.4	+52.0
Operating income	28.7	19.5	21.6	23.1	64.2	+35.5
Non-operating income and expenses	(4.5)	(1.3)	0.2	(0.4)	(1.5)	+3.0
Ordinary income	24.2	18.2	21.8	22.7	62.7	+38.5
Extraordinary income and expenses	-	-	-	(0.8)	(0.8)	(0.8)
Income taxes	(4.0)	(3.0)	(3.1)	(4.2)	(10.3)	(6.3)
Net income attributable to non-controlling interests	(3.6)	(2.5)	(3.3)	(3.2)	(9.0)	(5.4)
Net income attributable to owners of the parent	16.6	12.7	15.4	14.5	42.6	+26.0
Capital expenditure (Acceptance basis)	10.2	8.0	9.9	23.0	40.9	+30.7
Depreciation	17.0	5.9	6.6	7.0	19.5	+2.5
EBITDA (Note 1)	47.0	25.9	28.5	30.5	84.9	+37.9
Exchange rate (Yen/US$) (Note 2)	112.1	109.7	108.1	110.9	109.5	(2.6)
Operating margin (%)	15.1%	25.3%	26.4%	27.6%	26.5%	+11.4%
EBITDA margin (%)	24.7%	33.6%	34.9%	36.5%	35.1%	+10.4%
ROE (%)	10.1%	21.1%	24.4%	21.8%	22.2%	+12.1%
Net income per share (Yen)	56.68	43.53	52.46	49.48	145.47	+88.79

(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.

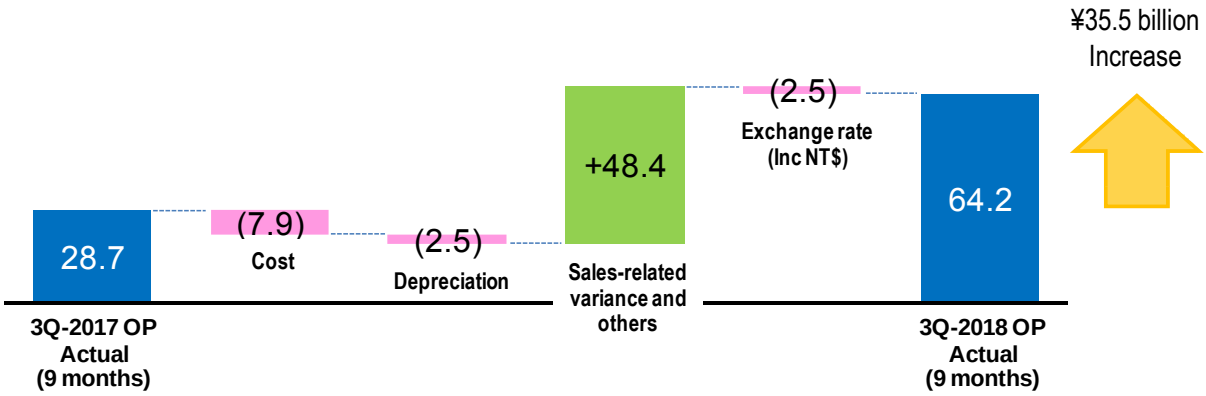
4-2. Analysis of Changes in Operating Income

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

(Billions of Yen)

	3Q-2017 ACT (9 months)	3Q-2018 ACT (9 months)	Change
Net Sales	190.4	242.4	+52.0
Operating Income	28.7	64.2	+35.5
Exchange Rate (Yen/US$)	112.1	109.5	(2.6)

【Analysis of Changes in Operating Income】



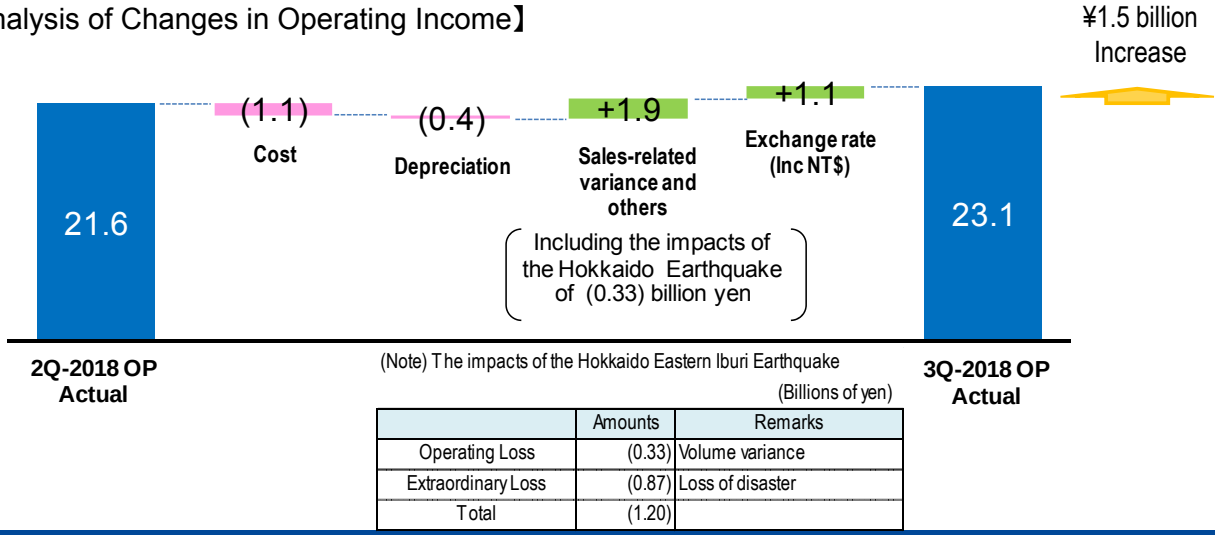
4-3. Analysis of Changes in Operating Income

■ 2Q-2018 Actual → 3Q-2018 Actual

(Billions of Yen)

	2Q-2018 Actual	3Q-2018 Actual	Change
Net Sales	81.8	83.4	+1.6
Operating Income	21.6	23.1	+1.5
Exchange Rate (Yen/US$)	108.1	110.9	+2.8

【Analysis of Changes in Operating Income】



(Note) The impacts of the Hokkaido Eastern Iburi Earthquake

(Billions of yen)

	Amounts	Remarks
Operating Loss	(0.33)	Volume variance
Extraordinary Loss	(0.87)	Loss of disaster
Total	(1.20)	

4-4. Consolidated Balance Sheet

(Billions of Yen)

	End of Dec-2017	End of Sep-2018	Change
Cash and time deposits	74.6	78.3	+3.7
Finished products and WIP	29.8	32.5	+2.7
Raw materials and supplies	152.8	151.6	(1.2)
Tangible and intangible assets	163.4	183.0	+19.6
Deferred income tax assets	5.8	5.6	(0.2)
Other assets	104.5	112.3	+7.8
Total Assets	530.9	563.3	+32.4
Debt and borrowings	169.3	154.9	(14.4)
Other liabilities	80.0	98.4	+18.4
Liabilities	249.3	253.3	+4.0
Capital stock	138.7	138.7	-
Capital surplus	26.9	30.7	+3.8
Retained earnings	73.3	101.8	+28.5
Others	42.7	38.8	(3.9)
Equity	281.6	310.0	+28.4
Shareholders' equity ratio	45.4%	48.1%	+2.7%
Equity per share (Yen)	822.5	924.5	+102.0
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)

	3Q-2018 (9 months)
Income before income taxes	61.9
Depreciation	19.5
Subtotal	81.4
Decrease in inventories	0.8
Changes in working capital, etc.	(8.1)
Net cash provided by operating activities	74.1
Capital expenditure (Acceptance basis)	(40.9)
Others, net	4.6
Net cash used in investing activities	(36.3)
Free cash-flow	37.8

FY2018
Consolidated Business Forecast

5-1. FY2018 Consolidated Business Forecast

(Billions of Yen)

	FY2017 Actual	FY2018 Forecast 1Q ACT	2Q ACT	3Q ACT	4Q FCST	Total	Change
Net sales	260.6	77.2	81.8	83.4	84.0	326.4	+65.8
Operating income	42.0	19.5	21.6	23.1	21.0	85.2	+43.2
Non-operating income and expenses	(5.3)	(1.3)	0.2	(0.4)	(1.0)	(2.5)	+2.8
Ordinary income	36.7	18.2	21.8	22.7	20.0	82.7	+46.0
Extraordinary income and expenses	-	-	-	(0.8)	-	(0.8)	(0.8)
Income taxes	(4.5)	(3.0)	(3.1)	(4.2)	(2.5)	(12.8)	(8.3)
Net income attributable to non-controlling interests	(5.2)	(2.5)	(3.3)	(3.2)	(3.0)	(12.0)	(6.8)
Net income attributable to owners of the parent	27.0	12.7	15.4	14.5	14.5	57.1	+30.1
Capital expenditure (Acceptance basis)	22.8	8.0	9.9	23.0	24.1	65.0	+42.2
Depreciation	23.4	5.9	6.6	7.0	9.0	28.5	+5.1
EBITDA (Note 1)	67.0	25.9	28.5	30.5	30.5	115.4	+48.4
Exchange rate (Yen/US$) (Note 2)	112.3	109.7	108.1	110.9	113.0	110.5	(1.8)
Operating margin (%)	16.1%	25.3%	26.4%	27.6%	25.0%	26.1%	+10.0%
EBITDA margin (%)	25.7%	33.6%	34.9%	36.5%	36.3%	35.4%	+9.7%
ROE (%)	12.0%	21.1%	24.4%	21.8%	20.7%	21.7%	+9.7%
Net income per share (Yen)	92.12	43.53	52.46	49.48	49.23	194.70	+102.58

(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.

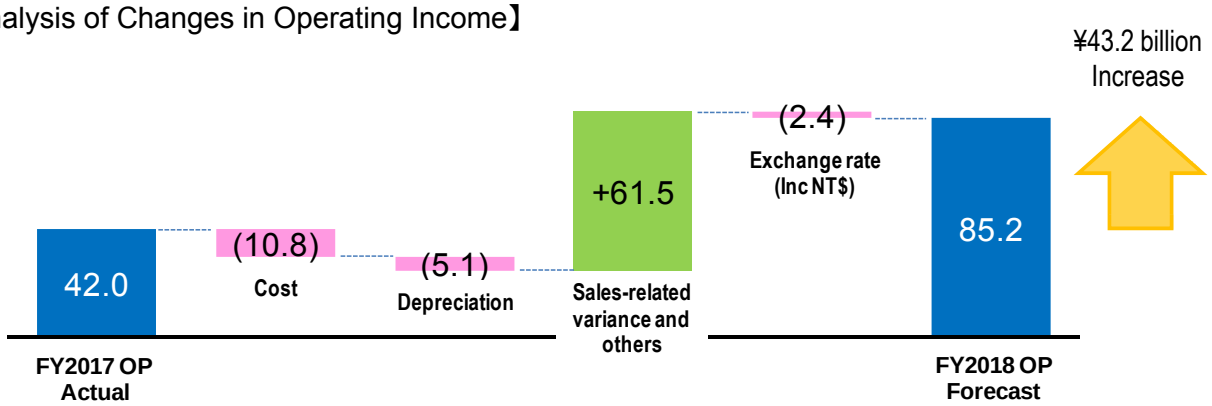
5-2. Analysis of Changes in Operating Income

■ FY2017 Actual → FY2018 Forecast

(Billions of Yen)

	FY2017 Actual	FY2018 Forecast	Change
Net Sales	260.6	326.4	+65.8
Operating Income	42.0	85.2	+43.2
Exchange Rate (Yen/US$)	112.3	110.5	(1.8)

【Analysis of Changes in Operating Income】



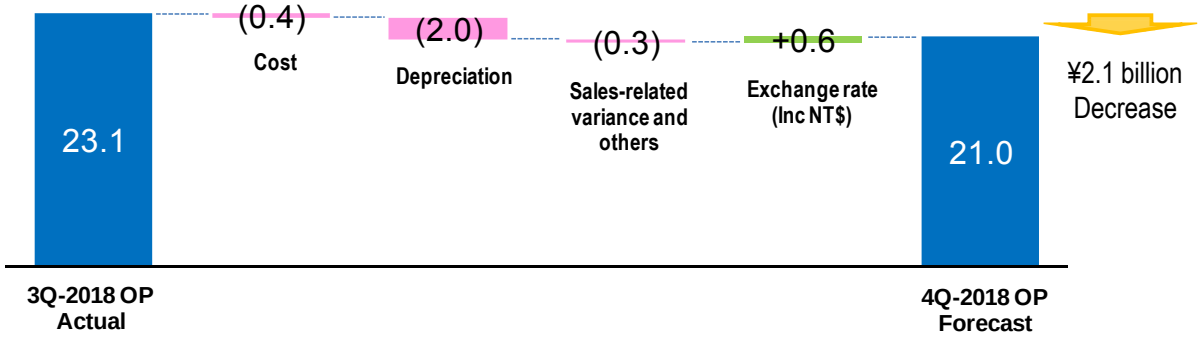
5-3. Analysis of Changes in Operating Income

■ 3Q-2018 Actual → 4Q-2018 Forecast

(Billions of Yen)

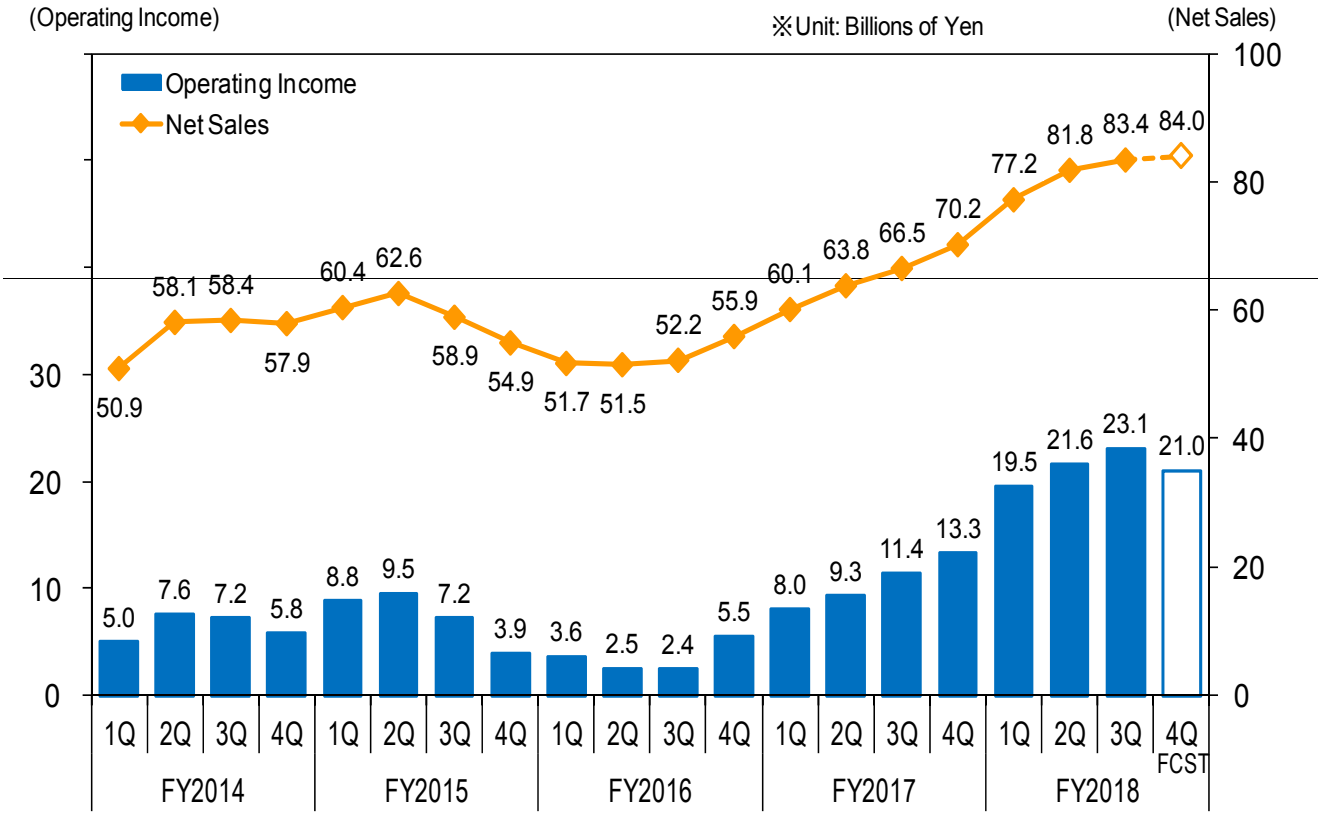
	3Q-2018 Actual	4Q-2018 Forecast	Change
Net Sales	83.4	84.0	+0.6
Operating Income	23.1	21.0	(2.1)
Exchange Rate (Yen/US$)	110.9	113.0	+2.1

【Analysis of Changes in Operating Income】

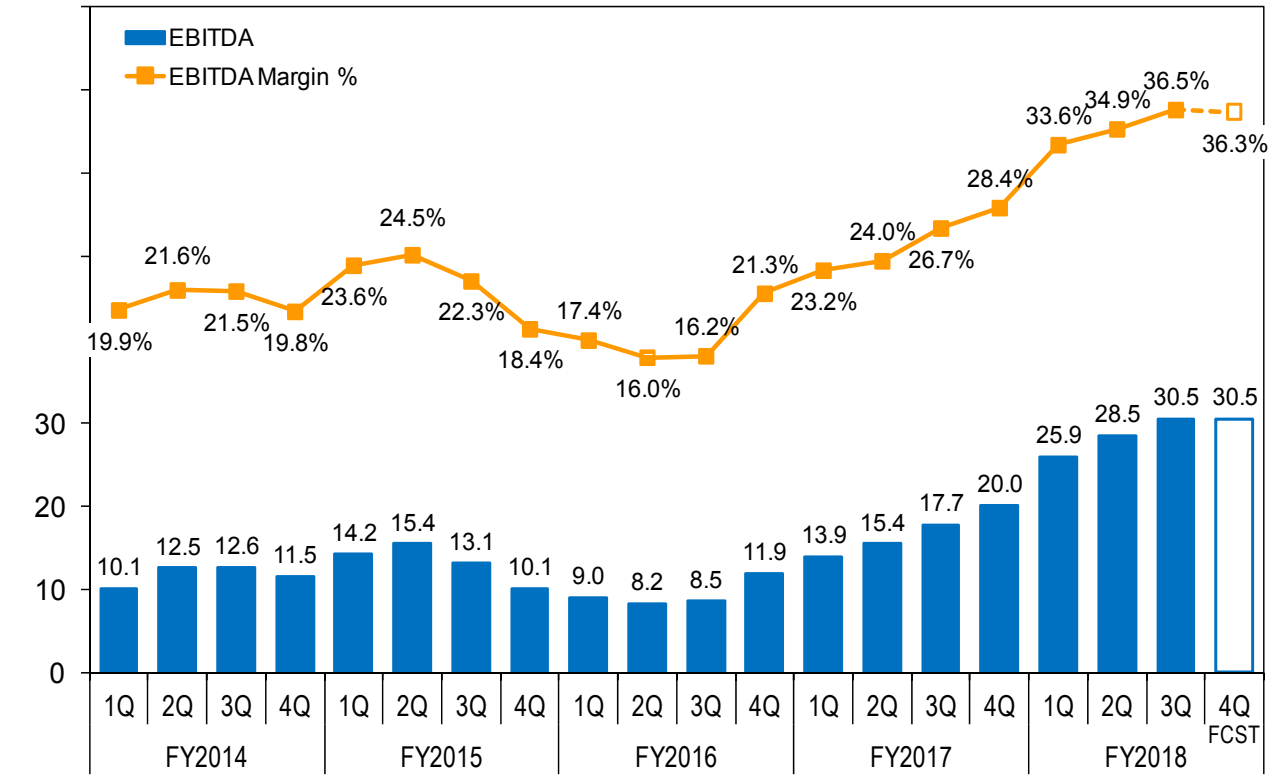


Reference Materials

Reference Materials: Quarterly Trend

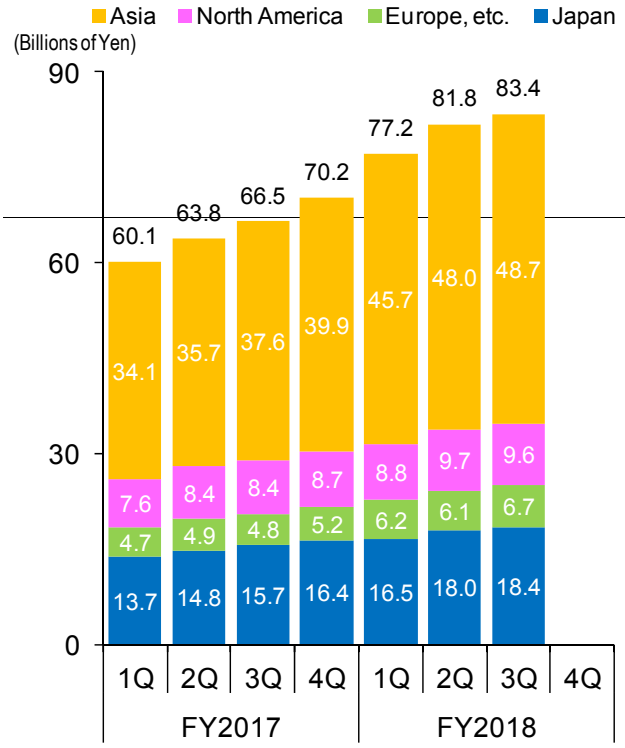


Reference Materials: EBITDA

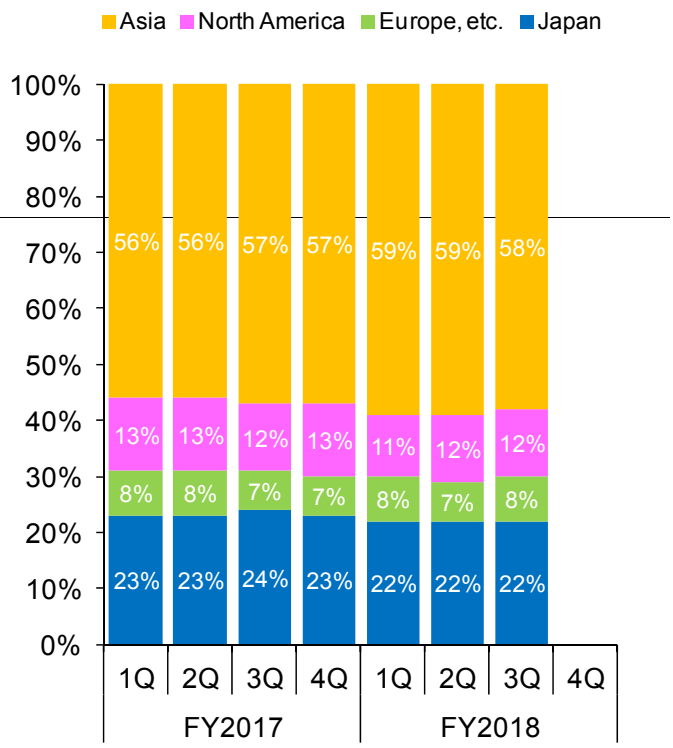


Reference Materials: Sales Results

Changes in Sales



Sales by Region



URL https://www.sumcosi.com/