Results for Second Quarter of FY2019 (Ended June 30, 2019)

August 6, 2019
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-2019 Consolidated Business Result

(Billions of Yen)

	2Q-2019 Forecast	2Q-2019 Actual	Change
Net Sales	76.0	74.3	(1.7)
Operating Income	14.5	13.7	(0.8)
Ordinary Income	14.0	13.7	(0.3)
Net Income (Note)	10.5	9.8	(0.7)
Exchange Rate (Yen/US$)	111.0	110.7	(0.3)

3Q-2019 Consolidated Business Forecast

(Billions of Yen)

	2Q-2019 Actual	3Q-2019 Forecast	Change
Net Sales	74.3	72.0	(2.3)
Operating Income	13.7	8.0	(5.7)
Ordinary Income	13.7	7.5	(6.2)
Net Income (Note)	9.8	5.0	(4.8)
Exchange Rate (Yen/US$)	110.7	108.0	(2.7)

(Note) Net income attributable to owners of the parent

1-2. Dividend

		FY2015 (Dec-2015)	FY2016 (Dec-2016)	FY2017 (Dec-2017)	FY2018 (Dec-2018)	FY2019 (Dec-2019)
Dividends per share for common stocks (Yen)	Interim	10.0	5.0	10.0	30.0	**25.0**
	Year-end	10.0	5.0	18.0	32.0	(Note 1) -
	Total	20.0	10.0	28.0	62.0	(Note 1) -
Dividends payment (Billions of Yen)	Interim	2.9	1.4	2.9	8.7	**7.3**
	Year-end	2.9	1.4	5.2	9.3	(Note 1) -
	Total	5.8	2.9	8.2	18.1	(Note 1) -
Dividend ratio	(%)	28.5%	44.5%	30.4%	31.0%	(Note 2) **31.9%**

(Note 1) Year-end dividend for FY2019 is not determined.

(Note 2) Dividend ratio for FY2019 is calculated by interim dividend basis.

2-1. Market Environment

2Q-2019

✓ Volume - Volume correction began for both 300 mm and 200 mm wafers

✓ Pricing - Long-term agreement prices to hold steady

3Q-2019 Forecast

✓ Volume - 300 mm for logic is stronger than initial expectations
Correction continuing for memory as customer wafer inventories are slow to improve

- 200 mm demand for automotive steady for self-driving and EV, but sluggish for internal combustion vehicles; overall soft demand including industrial and consumer

✓ Pricing - Long-term agreement prices are holding steady. While the majority of the market is covered by long-term agreements, spot prices for the remaining products are weak

Outlook

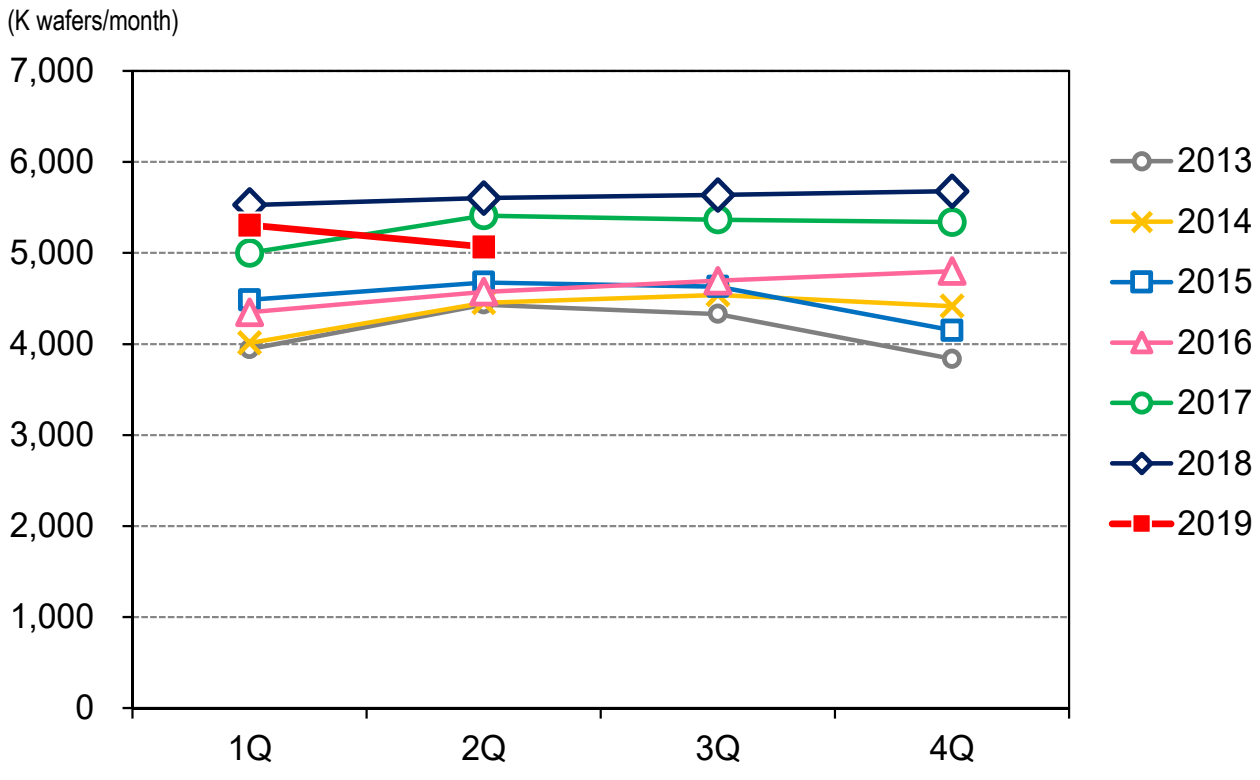
✓ Even though logic (especially leading-edge) is seen to recover earlier than initially expected, memory correction will take longer than forecast

✓ There are concerns about sluggish growth in the semiconductor industry due to the negative effects of US-China trade war on the world economy

✓ The Huawei issues will have a major impact on smartphones and 5G base stations. The worldwide transition to 5G may be delayed as a result.

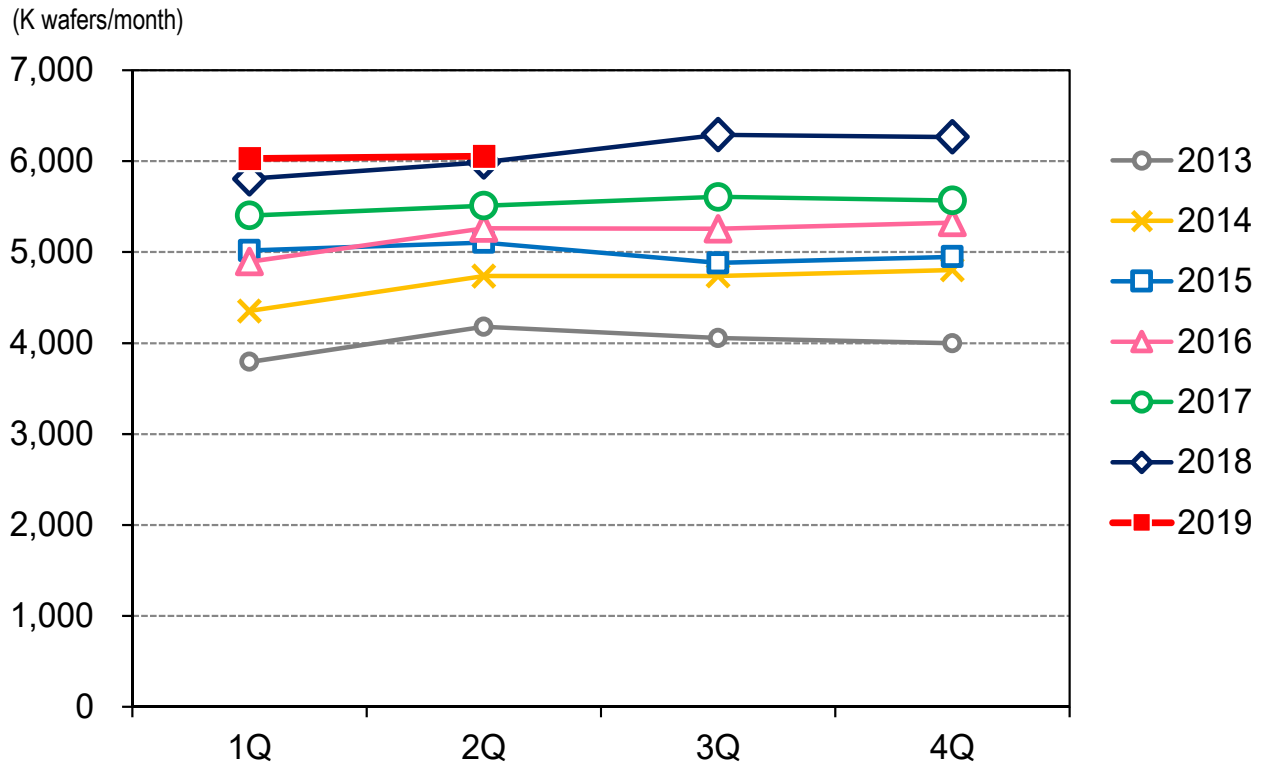
✓ Japan's export controls on South Korea are not expected at this point to directly impact wafer sales

2-2. 200mm Wafer Trend



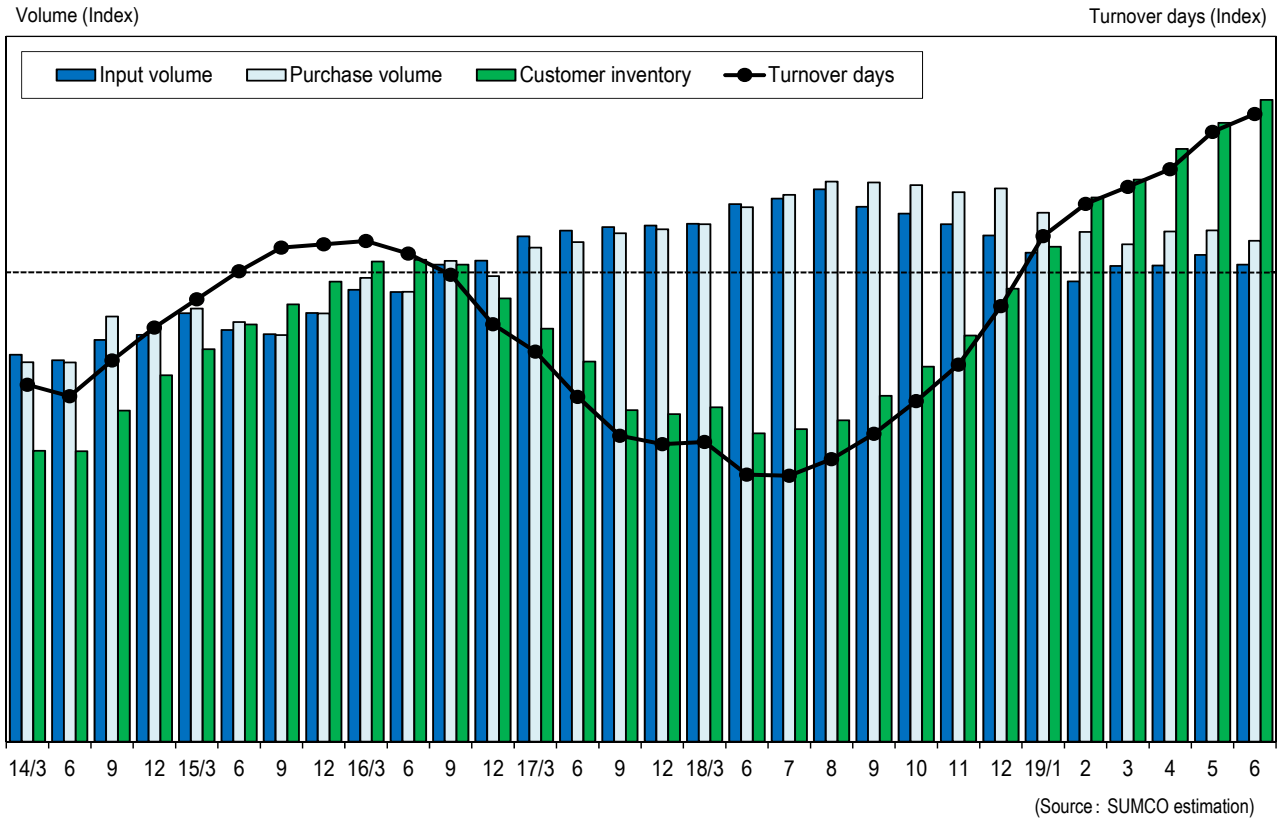
(Source : SUMCO estimation)

2-3. 300mm Wafer Trend



(Source : SUMCO estimation)

2-4. Customer 300mm Wafer Inventory Level

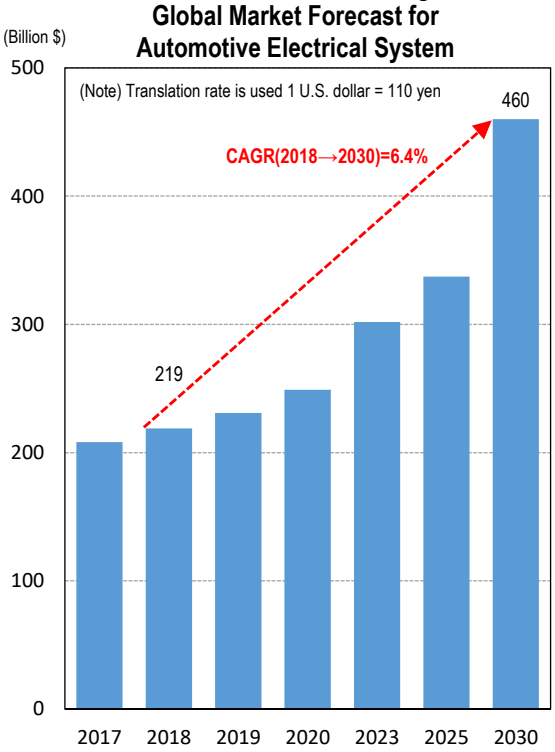


(Source : SUMCO estimation)

3-1. Forecast　Automotive

✓ Level 3 Autonomous Driving to start in 2020 (conditional automation on highways)

Global Market Forecast for Automotive Electrical System



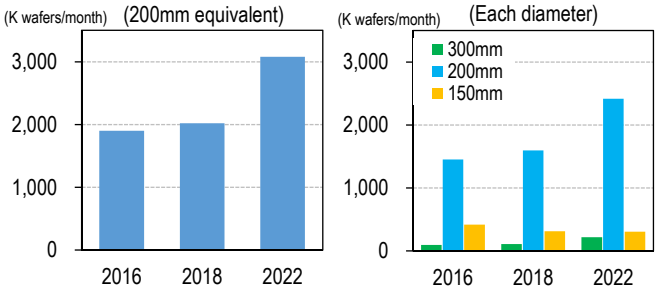
(Source: SUMCO estimation based on Fuji Chimera Research)

Roadmap toward implementation of automated driving vehcles (SAE J3016)

Level		Monitoring Responsibility	Expected date of completion
1	Driver assistance	Human driver (assistance with single tasks)	Complete
2	Partial automation	Human driver (assistance with multiple tasks)	Complete
3	Conditional automation	Automated system (human driver in emergency)	2020
4	High automation	Automated system (within limited specific conditions)	2020-25
5	Full automation	Automated system	Unknown

(Note) On May 28, 2019, amendments to the Road Traffic Act came into effect allowing automated driving cars to be used on public roads. (Level 3 automated driving is expected to be implemented on restricted areas such as highways by 2020)

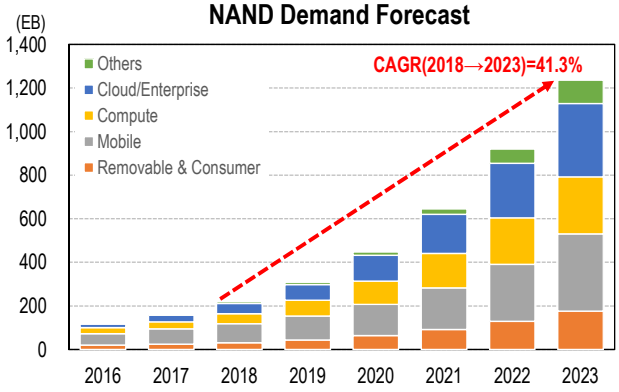
Wafer demand forecast for automotive



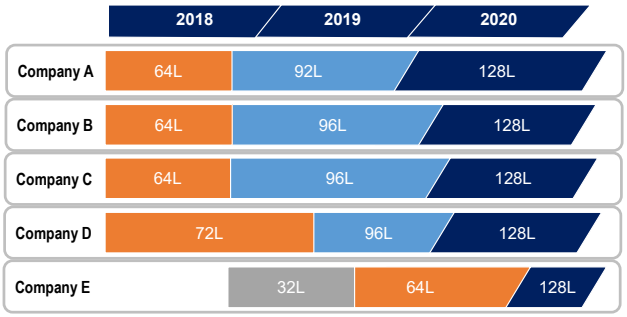
(Source: SUMCO estimation)

3-2. Forecast　NAND

NAND Demand Forecast

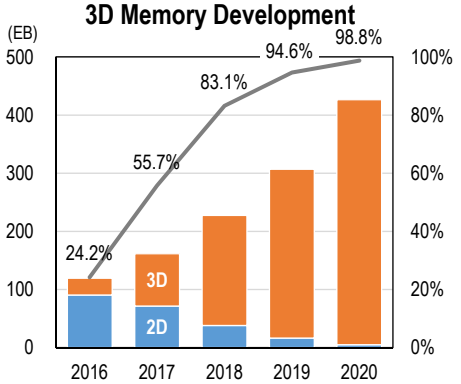


Mass Production Schedules of Major NAND Flash Players



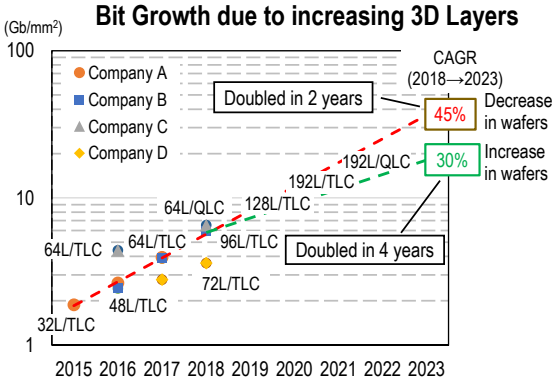
(Source: SUMCO estimation based on TREND FORCE)

3D Memory Development



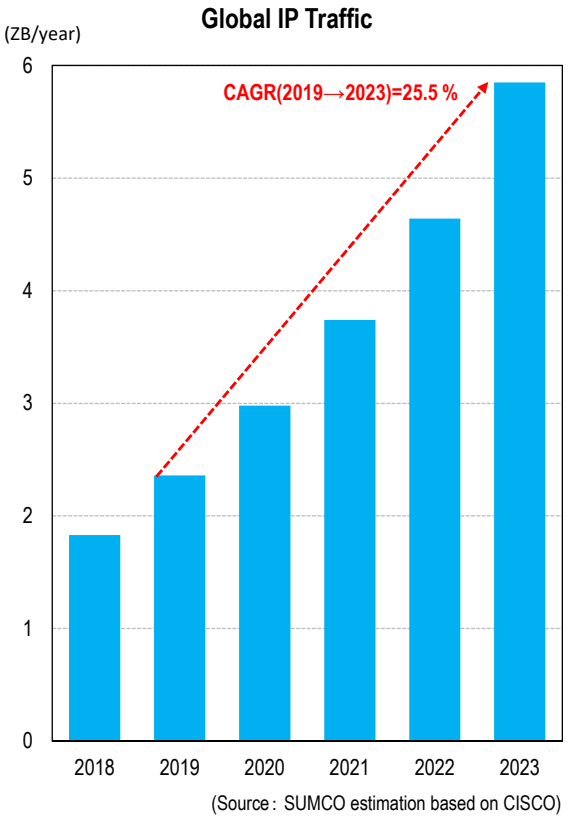
(Source: SUMCO estimation based on Research Reports)

Bit Growth due to increasing 3D Layers

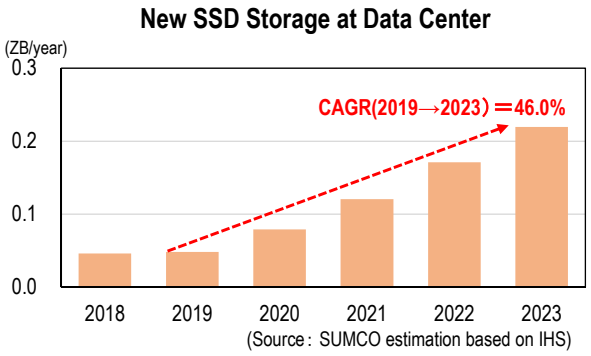


(Source: SUMCO estimation based on Research Reports)

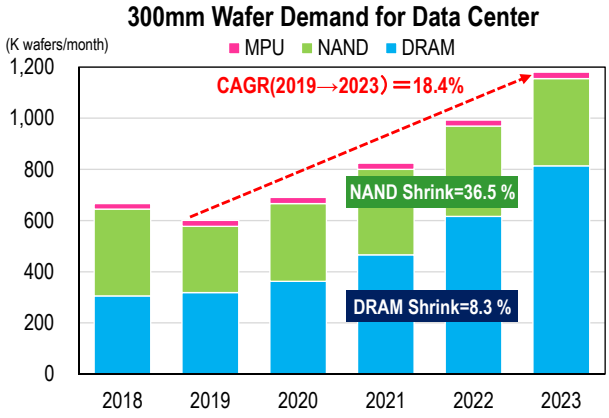
3-3. Forecast Data Center



(Source: SUMCO estimation based on CISCO)

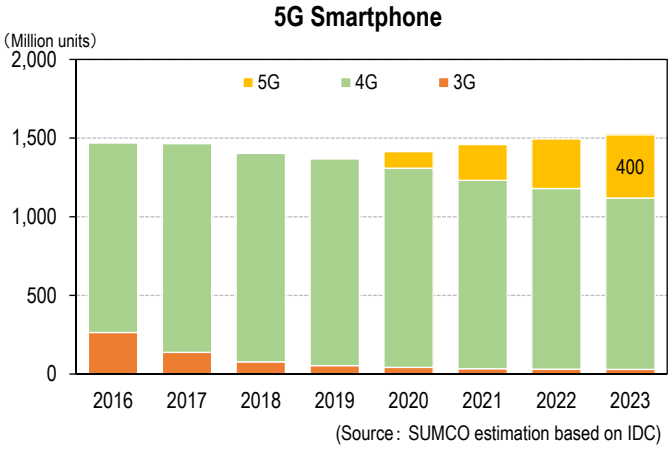


(Source: SUMCO estimation based on IHS)

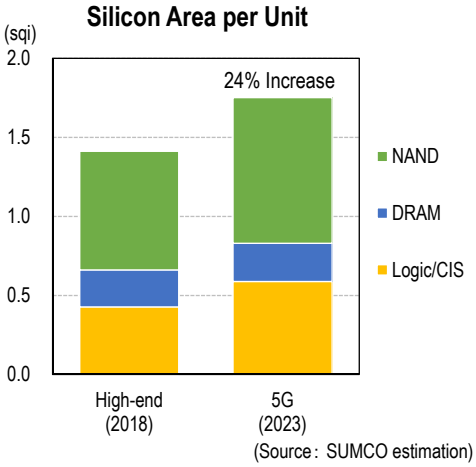


(Source: SUMCO estimation)

3-4. Forecast 5G Smartphone



(Source: SUMCO estimation based on IDC)



(Source: SUMCO estimation)

✓ 5G smartphones increase from 2020, reaching 400 million units by 2023
- High speed, high capacity communications
- 4K high definition video
- Large-capacity storage

✓ Estimation for Main Specs

	Highend (2018)	5G (2023)	
DRAM (GB)	3-4	6-8	2X
NAND (GB)	64-128	512-1T	8X
Camera	2-3	3-5	2X
AP	6-8Core	8-10Core	

(Source: SUMCO estimation)

✓ Wafer Demand (300mm equivalent)

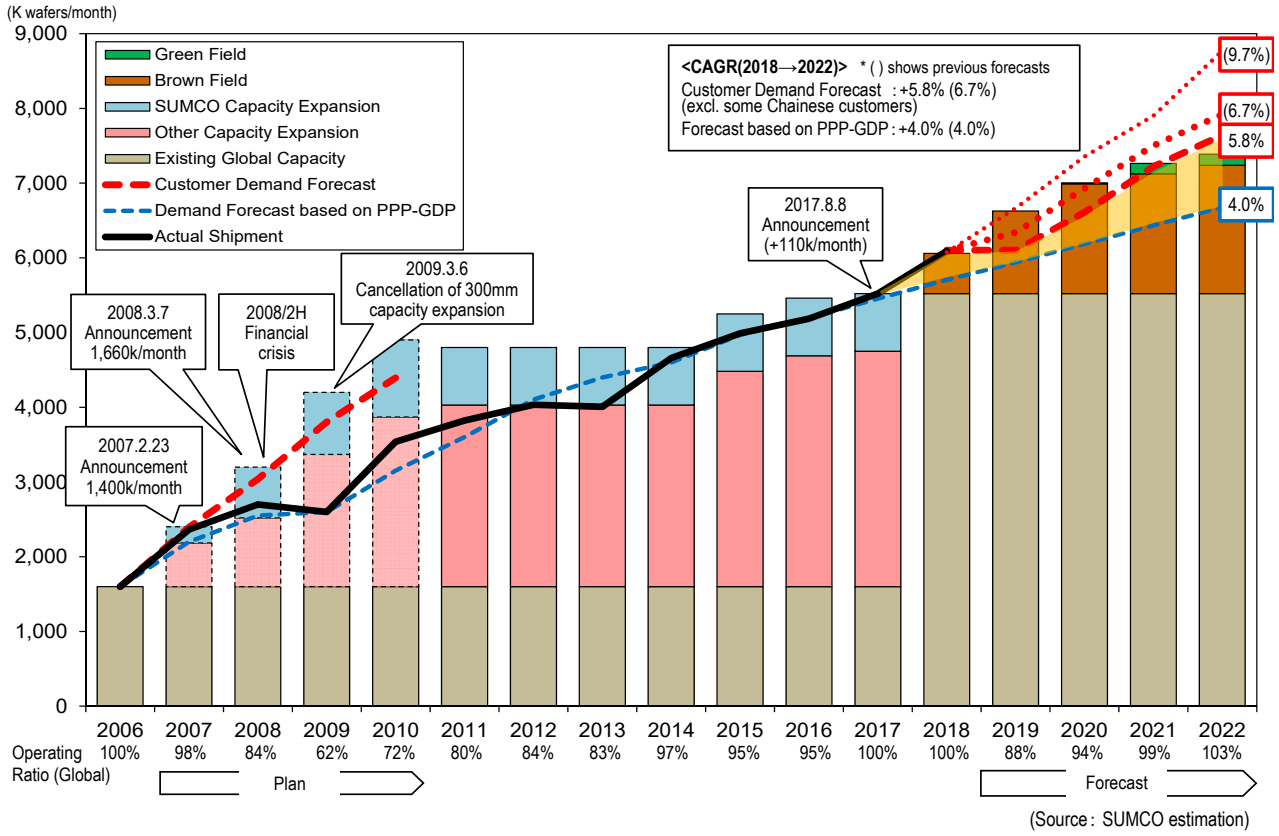
(K wafers/month)

	Volume
High-end (2018)	430
5G (2023)	533
Change	+103

(Note) Calculation based on 400 million units

(Source: SUMCO estimation)

3-5. 300mm Wafer Global Capacity and Demand



(Source : SUMCO estimation)

2Q-2019
Consolidated Business Result

Michiharu Takii
Representative Director,
Vice Chairman

4-1. Summary of Consolidated Business Result

(Billions of Yen)

	2Q-2018 Actual (6 months)	2Q-2019 Actual 1Q ACT	2Q-2019 Actual 2Q ACT	2Q-2019 Actual Total (6 months)	Change
Net sales	159.0	82.1	74.3	156.4	(2.6)
Operating income	41.1	19.8	13.7	33.5	(7.6)
Non-operating income and expenses	(1.1)	(0.8)	0.0	(0.8)	+0.3
Ordinary income	40.0	19.0	13.7	32.7	(7.3)
Extraordinary income and expenses	-	-	0.9	0.9	+0.9
Income taxes	(6.1)	(3.6)	(3.4)	(7.0)	(0.9)
Net income attributable to non-controlling interests	(5.8)	(2.3)	(1.4)	(3.7)	+2.1
Net income attributable to owners of the parent	28.1	13.1	9.8	22.9	(5.2)
Capital expenditure (Acceptance basis)	17.9	18.8	10.9	29.7	+11.8
Depreciation	12.5	8.6	10.2	18.8	+6.3
EBITDA (Note 1)	54.4	28.8	24.3	53.1	(1.3)
Exchange rate (Yen/US$) (Note 2)	108.9	110.3	110.7	110.5	+1.6
Operating margin (%)	25.9%	24.1%	18.5%	21.4%	(4.5%)
EBITDA margin (%)	34.3%	35.2%	32.7%	34.0%	(0.3%)
ROE (%)	22.4%	18.3%	13.4%	15.8%	(6.6%)
Net income per share (Yen)	95.99	44.78	33.57	78.35	(17.64)

(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 0.9-1.0 billion yen per year.

4-2. Analysis of Changes in Operating Income

■ 2Q-2018 Actual (6 months)→ 2Q-2019 Actual (6 months)

(Billions of Yen)

	2Q-2018 ACT (6 months)	2Q-2019 ACT (6 months)	Change
Net Sales	159.0	156.4	(2.6)
Operating Income	41.1	33.5	(7.6)
Exchange Rate (Yen/US$)	108.9	110.5	+1.6

【Analysis of Changes in Operating Income】



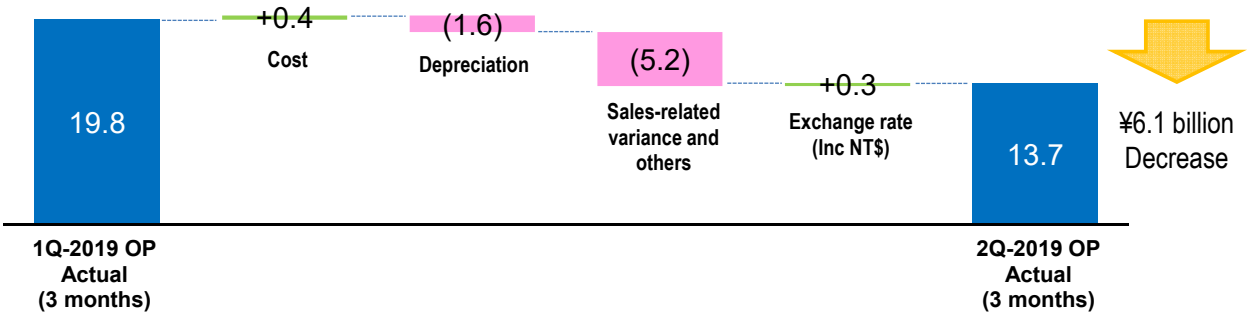
4-3. Analysis of Changes in Operating Income

■ 1Q-2019 Actual → 2Q-2019 Actual

(Billions of Yen)

	1Q-2019 Actual	2Q-2019 Actual	Change
Net Sales	82.1	74.3	(7.8)
Operating Income	19.8	13.7	(6.1)
Exchange Rate (Yen/US$)	110.3	110.7	+0.4

【Analysis of Changes in Operating Income】



4-4. Consolidated Balance Sheet

(Billions of Yen)

	End of Dec-2018	End of Jun-2019	Change
Cash and time deposits	78.9	71.7	(7.2)
Finished products and WIP	34.4	36.0	+1.6
Raw materials and supplies	153.1	151.9	(1.2)
Tangible and intangible assets	191.1	200.2	+9.1
Deferred income tax assets	15.1	12.8	(2.3)
Other assets	115.6	109.3	(6.3)
Total Assets	588.2	581.9	(6.3)
Debt and borrowings	153.3	153.0	(0.3)
Other liabilities	109.4	96.0	(13.4)
Liabilities	262.7	249.0	(13.7)
Capital stock	138.7	138.7	-
Capital surplus	30.7	30.7	-
Retained earnings	117.7	131.4	+13.7
Others	38.4	32.1	(6.3)
Equity	325.5	332.9	+7.4
Shareholders' equity ratio	48.4%	51.0%	+2.6%
Equity per share (Yen)	971.8	1,012.2	+40.4
D/E ratio (gross)	0.54x	0.52x	(0.02)x
D/E ratio (net)	0.26x	0.27x	0.01x

4-5. Consolidated Cash-Flow

(Billions of Yen)

	2Q-2019 (6 months)
Income before income taxes	33.6
Depreciation	18.8
Subtotal	52.4
Increase in inventories	0.2
Cancellation Fee	(10.0)
Changes in working capital, etc.	(7.3)
Net cash provided by operating activities	35.3
Capital expenditure (Acceptance basis)	(29.7)
Others, net	(7.8)
Net cash used in investing activities	(37.5)
Free cash-flow	(2.2)

3Q-2019
Consolidated Business Forecast

5-1. 3Q-2019 Consolidated Business Forecast

(Billions of Yen)

	3Q-2018 Actual (9 months)	3Q-2019 Forecast 1Q ACT	2Q ACT	3Q FCST	Total (9 months)	Change
Net sales	242.4	82.1	74.3	72.0	228.4	(14.0)
Operating income	64.2	19.8	13.7	8.0	41.5	(22.7)
Non-operating income and expenses	(1.5)	(0.8)	0.0	(0.5)	(1.3)	+0.2
Ordinary income	62.7	19.0	13.7	7.5	40.2	(22.5)
Extraordinary income and expenses	(0.8)	-	0.9	-	0.9	+1.7
Income taxes	(10.3)	(3.6)	(3.4)	(2.0)	(9.0)	+1.3
Net income attributable to non-controlling interests	(9.0)	(2.3)	(1.4)	(0.5)	(4.2)	+4.8
Net income attributable to owners of the parent	42.6	13.1	9.8	5.0	27.9	(14.7)
Exchange rate (Yen/US$) (Note)	109.5	110.3	110.7	108.0	109.7	+0.2
Operating margin (%)	26.5%	24.1%	18.5%	11.1%	18.2%	(8.3%)
ROE (%)	22.2%	18.3%	13.4%	6.7%	12.8%	(9.4%)
Net income per share (Yen)	145.47	44.78	33.57	16.78	95.13	(50.34)

(Note) If the yen appreciate by 1 yen against the US dollar, operating income of SUMCO will decrease by 0.9-1.0 billion yen per year.

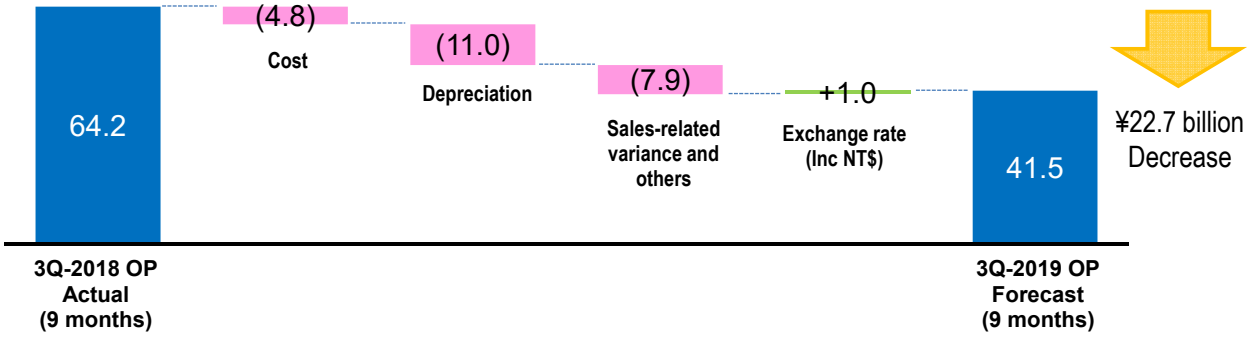
5-2. Analysis of Changes in Operating Income

■ 3Q-2018 Actual (9 months)→ 3Q-2019 Forecast (9 months)

(Billions of Yen)

	3Q-2018 ACT (9 months)	3Q-2019 FCST (9 months)	Change
Net Sales	242.4	228.4	(14.0)
Operating Income	64.2	41.5	(22.7)
Exchange Rate (Yen/US$)	109.5	109.7	+0.2

【Analysis of Changes in Operating Income】



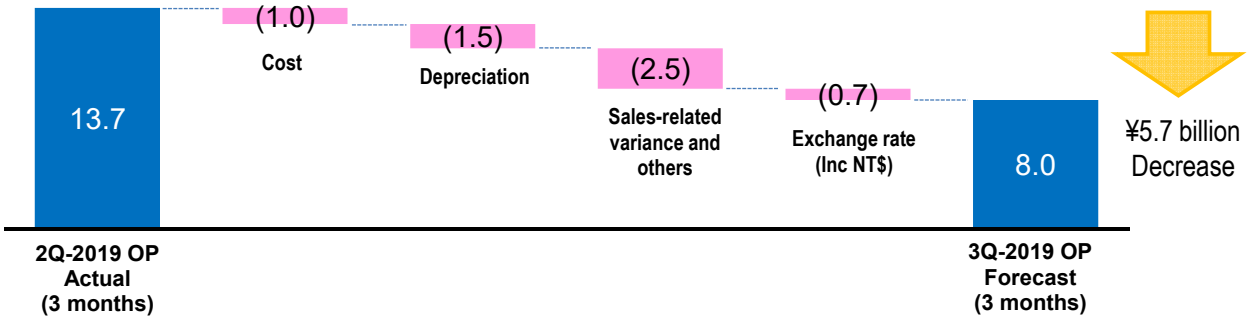
5-3. Analysis of Changes in Operating Income

■ 2Q-2019 Actual → 3Q-2019 Forecast

(Billions of Yen)

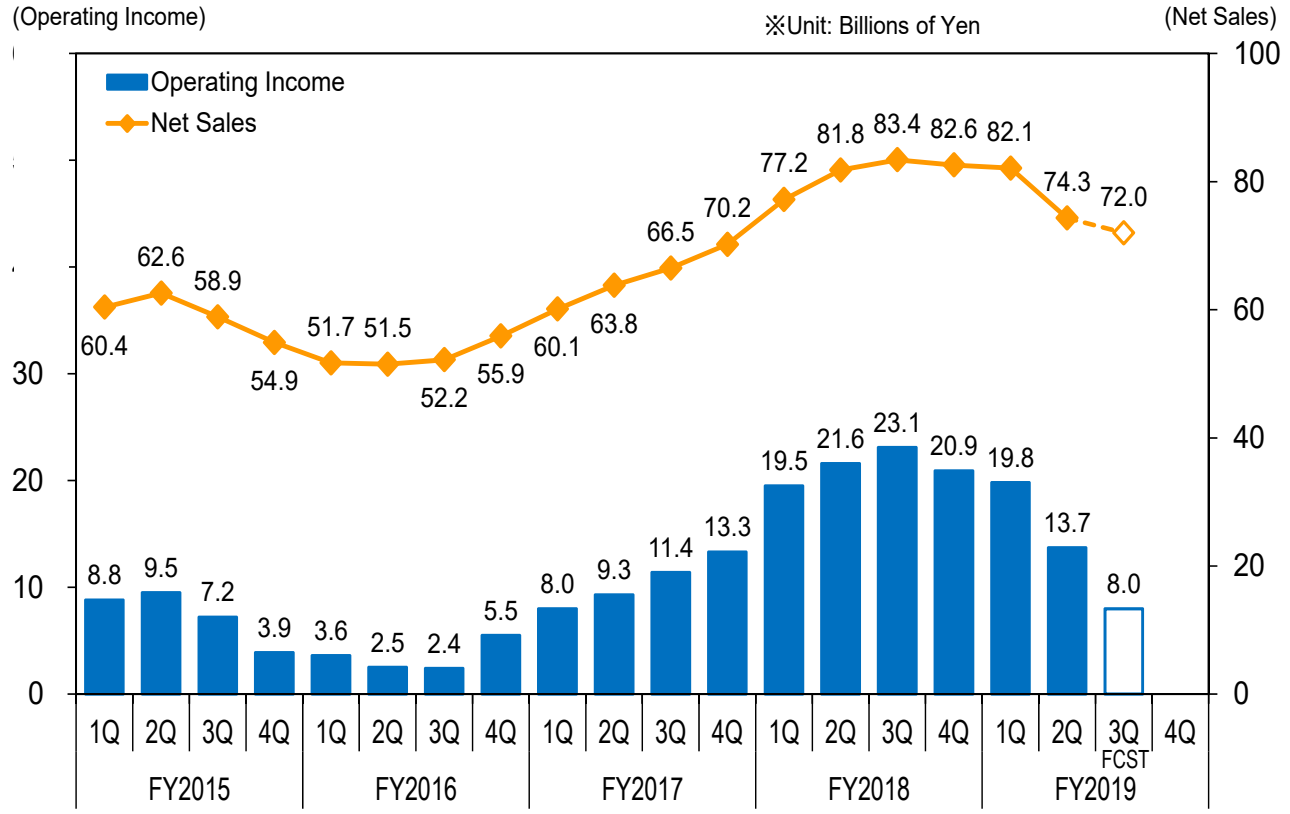
	2Q-2019 Actual	3Q-2019 Forecast	Change
Net Sales	74.3	72.0	(2.3)
Operating Income	13.7	8.0	(5.7)
Exchange Rate (Yen/US$)	110.7	108.0	(2.7)

【Analysis of Changes in Operating Income】

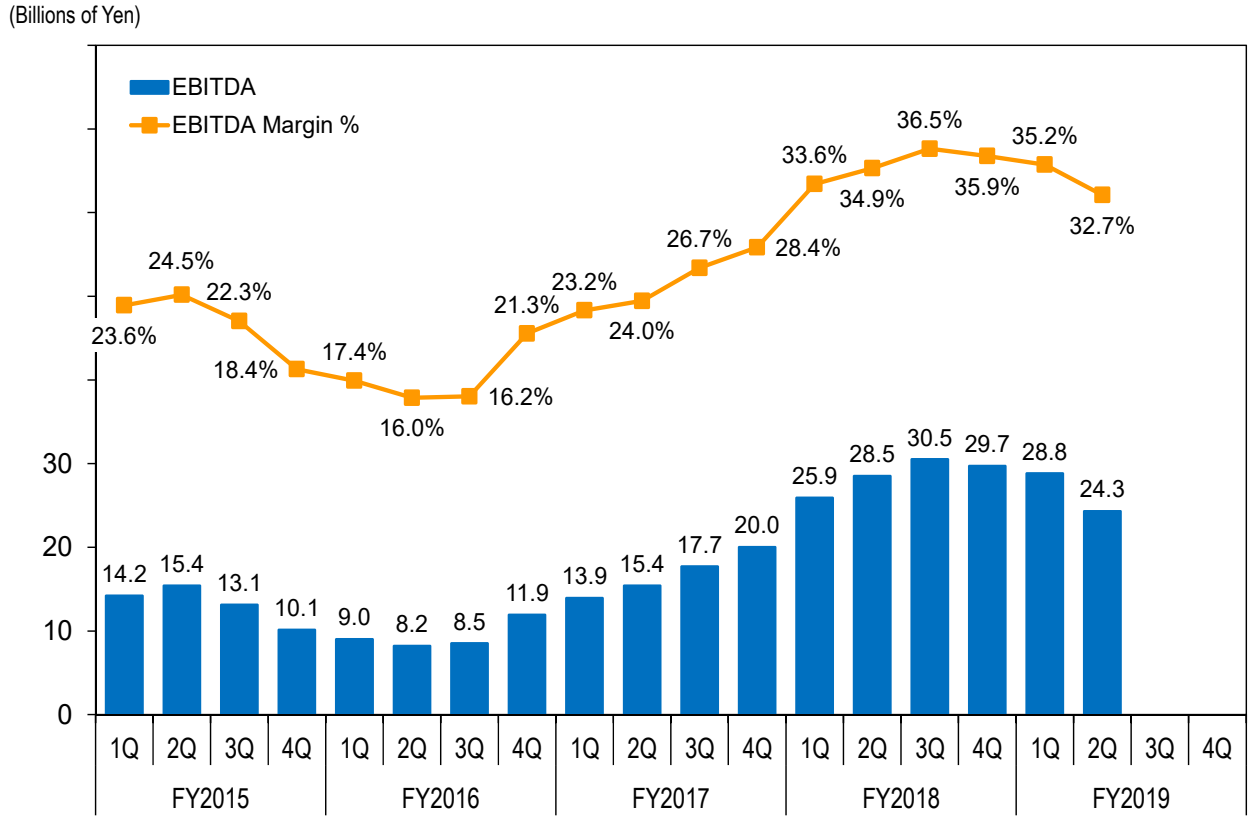


Reference Materials

Reference Materials: Quarterly Trend

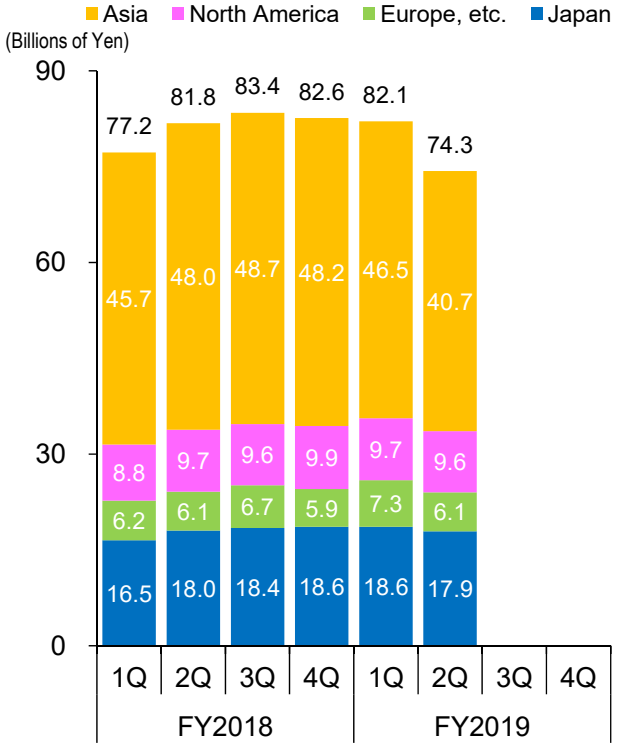


Reference Materials: EBITDA

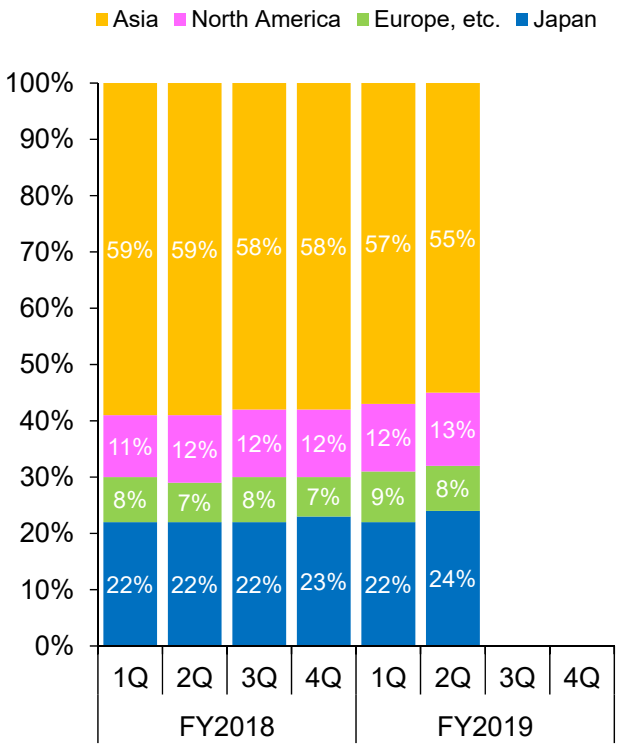


Reference Materials: Sales Results

Changes in Sales



Sales by Region



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