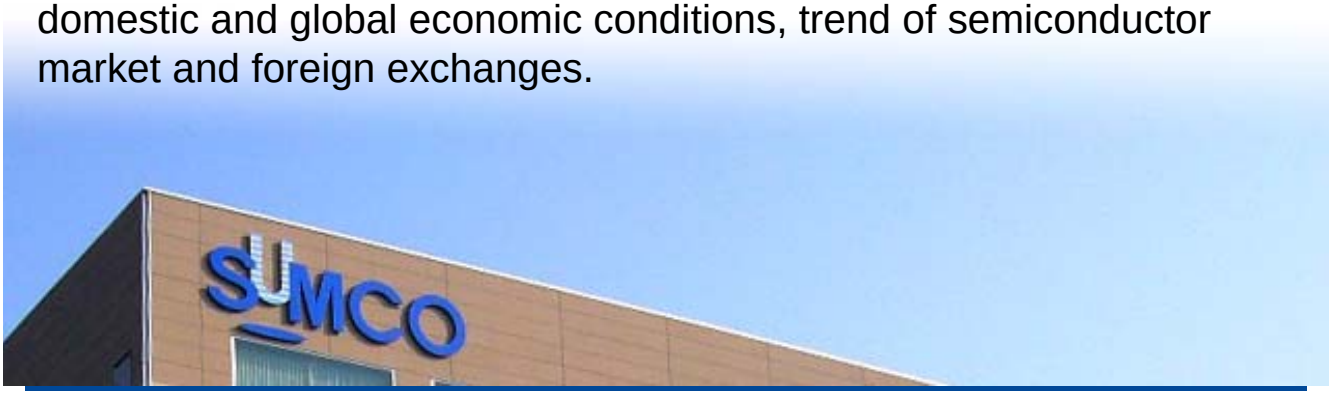
Results for First Quarter of FY2020 (Ended March 31, 2020)

May 8, 2020
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-2020 Consolidated Business Result

(Billions of Yen)

	1Q-2020 Forecast	1Q-2020 Actual	Change
Net Sales	71.0	72.2	+1.2
Operating Income	9.0	11.6	+2.6
Ordinary Income	8.0	11.9	+3.9
Net Income (Note)	5.5	8.4	+2.9
Exchange Rate (Yen/US$)	110.0	109.3	(0.7)

2Q-2020 Consolidated Business Forecast

(Billions of Yen)

	1Q-2020 Actual	2Q-2020 Forecast	Change
Net Sales	72.2	77.0	+4.8
Operating Income	11.6	12.0	+0.4
Ordinary Income	11.9	11.5	(0.4)
Net Income (Note)	8.4	8.5	+0.1
Exchange Rate (Yen/US$)	109.3	108.0	(1.3)

(Note) Net income attributable to owners of the parent

1-2. Shareholder Return

		FY2016 (Dec-2016)	FY2017 (Dec-2017)	FY2018 (Dec-2018)	FY2019 (Dec-2019)	FY2020 (Dec-2020)
Dividends per share for common stocks (Yen)	Interim	5	10	30	25	18
	Year-end	5	18	32	10	(*1) -
	Total	10	28	62	35	(*1) -
Dividends payment (Billions of Yen)	Interim	1.4	2.9	8.7	7.3	5.2
	Year-end	1.4	5.2	9.3	2.9	(*1) -
	Total	2.9	8.2	18.1	10.2	(*1) -
Dividend ratio (%)	Total	44.5%	30.4%	31.0%	31.0%	(*2) 31.1%
Share Buyback						
Amount (Billions of Yen)	Total	-	-	-	33	(*1) -
Ratio (%)	Total	-	-	-	10.0%	(*1) -
Total Return Ratio (%)	Total	44.5%	30.4%	31.0%	41.0%	(*1) -

*1. Year-end dividend and share buyback for FY2020 are not determined.

*2. Dividend ratio for FY2020 is calculated by interim dividend basis.

2-1. Market Environment

1Q-2020

✓ Volume
- Demand recovered steadily for both 300 and 200 mm wafers after a 4Q bottom
- Demand for logic was solid; inventory adjustment continued for memory
- Customers moved to increase their safety (emergency) stock amid COVID-19 impact concerns

✓ Pricing
- Long-term agreement prices holding steady, spot prices weak

2Q-2020 Forecast

✓ Volume
- Modest recovery is expected to continue for both 300 and 200 mm wafers
- The spread of teleworking is driving demand for PCs, tablets, and data centers; but COVID-19 has impacted global supply chain, and it is uncertain how this will affect wafer demand in the later half of 2Q

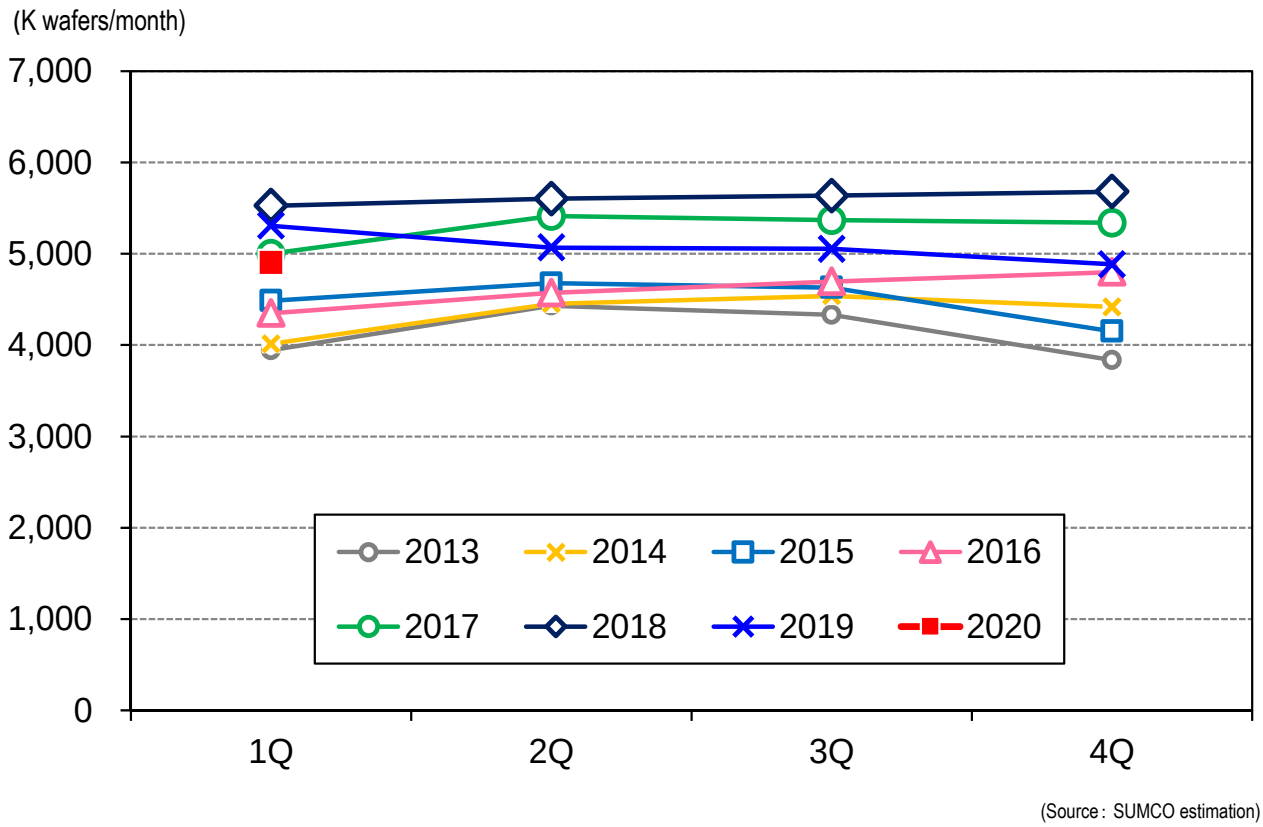
✓ Pricing
- Long-term agreement prices to hold firm, spot prices relatively stable

Outlook (Effects of COVID-19)

✓ Growth in demand for 300 mm wafers is expected to remain relatively strong as greater use of teleworking is driving demand for PCs, tablets, and data centers. However, the outlook for 200 mm and smaller is difficult to forecast given uncertain prospects for recovery of demand in the automotive and industrial, which has fallen sharply due to the spread of COVID-19

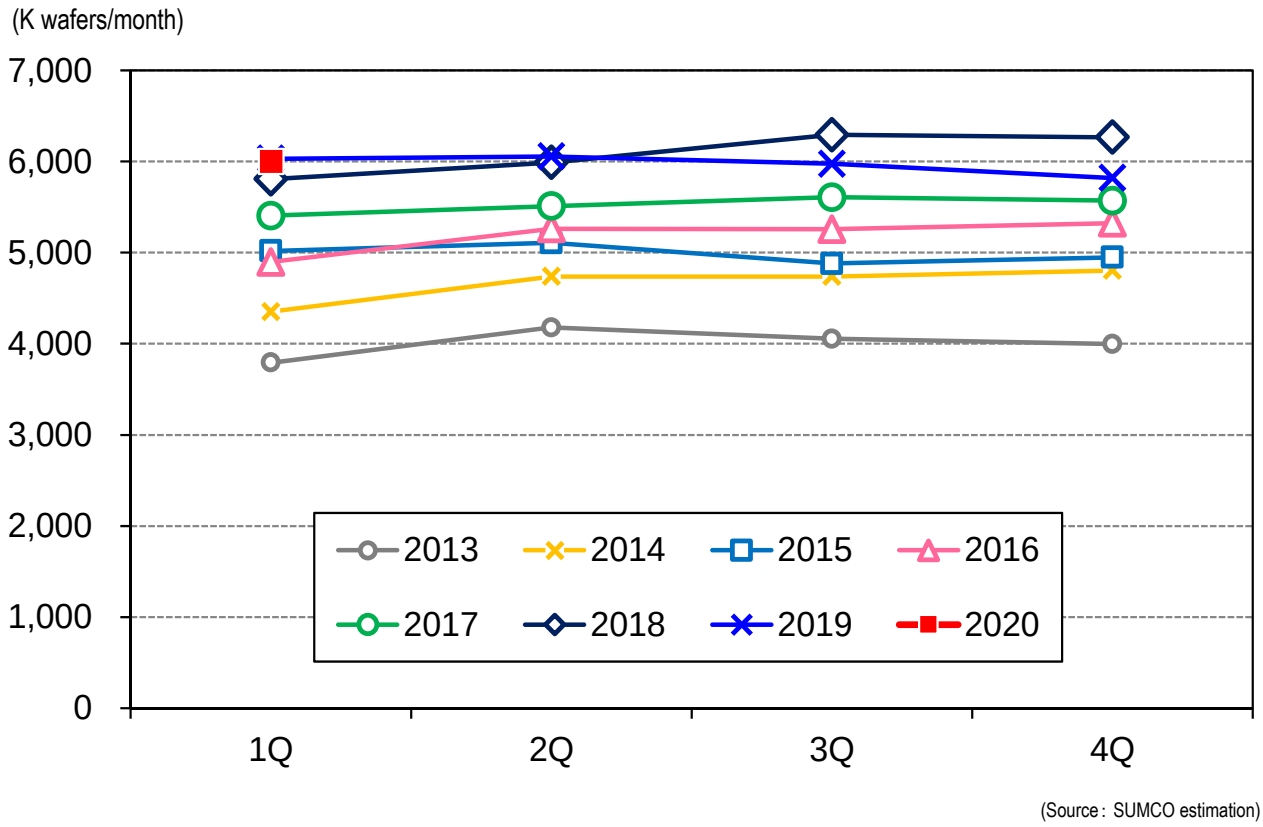
✓ Once COVID-19 subsides, strong demand is seen, as along with the previously expected spread of 5G, and teleworking, automotive and industrial demand should recover as well

2-2. 200mm Wafer Trend



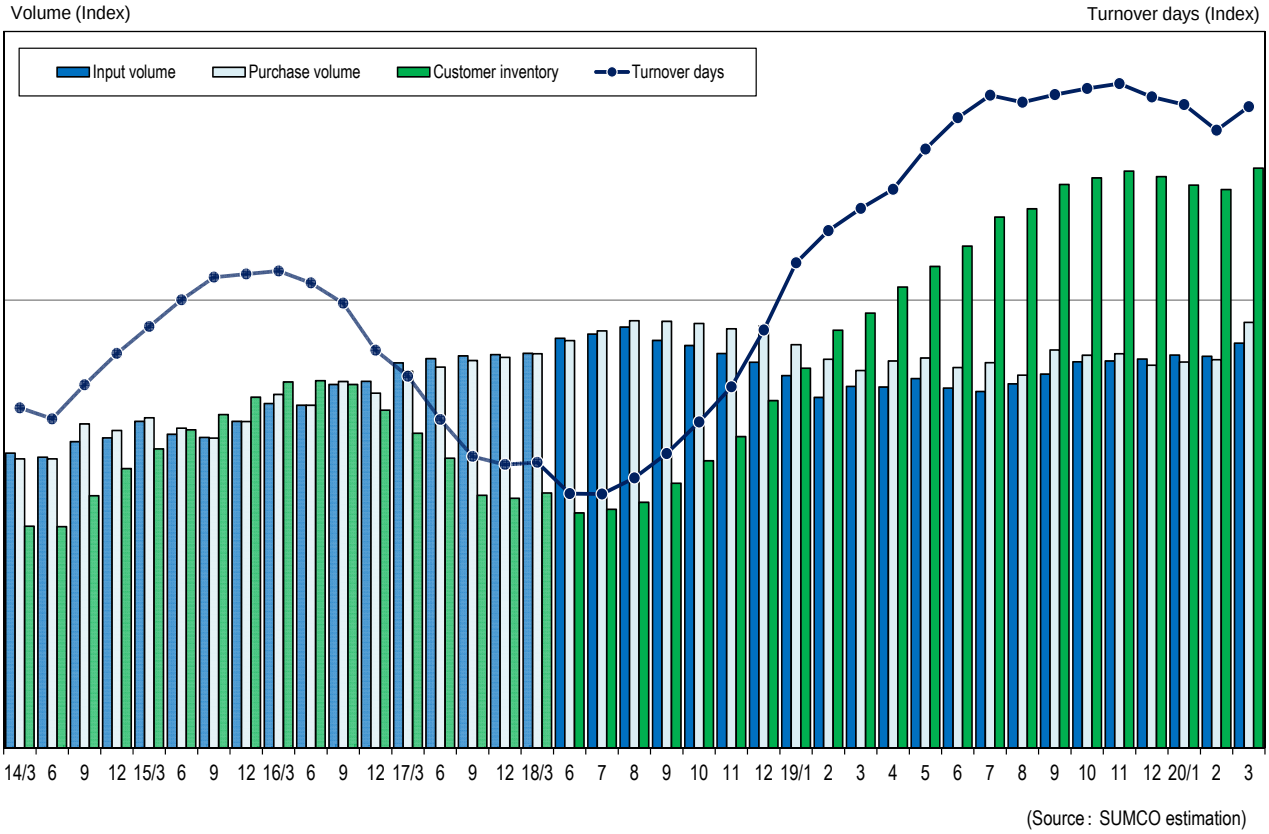
(Source : SUMCO estimation)

2-3. 300mm Wafer Trend



(Source : SUMCO estimation)

2-4. Customer 300mm Wafer Inventory Level



(Source : SUMCO estimation)

3-1. Telework / Work at Home New PC Demand

1. Population

World population : 7.79 billion
Working population : 3.93 billion (50.4% of total population)
White-collar workers: 1.94 billion (49% of working population)

(Sources : United Nations "2020 World Population Prospects"
; labour statistics by International Labour Organization)

2. Teleworking population

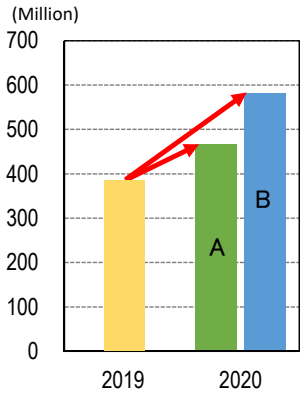
Teleworking population
: 390 million (20% of white-collar workers)

(Source: Estimated by SUMCO based on various data)

3. Case trial calculation

Of total teleworking population, (A) Additional 20% purchase new PC
(B) Additional 50% purchase new PC

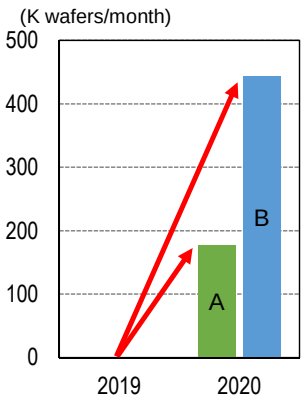
(1) Teleworking population forecasts



(A) 20% increase
→ Increase by 80 million people (PCs)

(B) 50% increase
→ Increase by 190 million people (PCs)

(2) New wafer demand forecast (PS; SSDs, 3 sq. in./PC)



300 mm wafer equivalent
(A) +180K wafers/month
(B) +440K wafers/month

(Source: Estimated by SUMCO)

3-2. Increase of IP Traffic (Remote work is new normal)

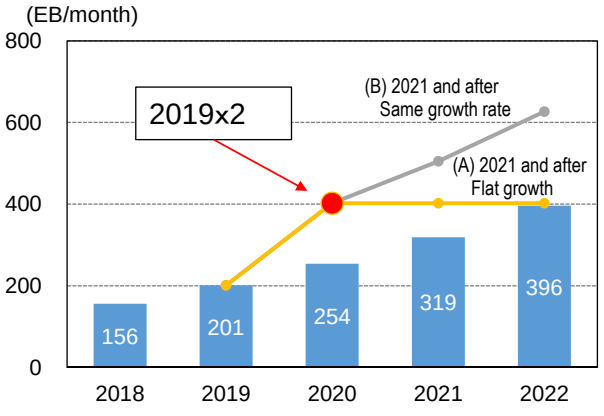
1. Media Information

Date	Media	Information
3/23	Akamai website	More than doubling of network traffic year on year
4/2	CISCO president's blog	Web conferences in March 3x in Asia-Pacific, 4x in Europe, Mideast, Africa, 5x in the Americas; 350 million Webex meeting users
4/3	ITmedia	Teams users doubled
4/10	Kyodo News	More than 300 million teleworking users in China, traffic hitting maximum network capacity
4/29	Nihon Keizai Shimbun	Zoom users increased from 10 million at the end of 2019 to 300 million in April 2020
5/1	Nihon Keizai Shimbun	Microsoft Teams users increased four times from 5 months ago "We've seen two years' worth of digital transformation in two months." (Comment from CEO Nadella)

2. Case trial calculation

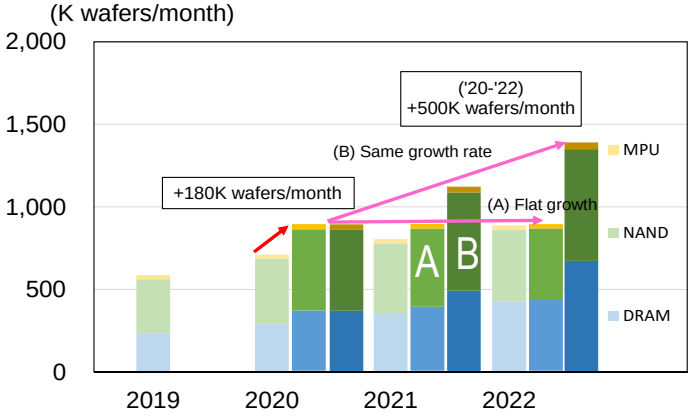
1. IP traffic in 2020 is twice that of 2019.
⇒ Potential demand for infrastructure and terminal devices is anticipated 2 years in advance.
(A) Flat growth in IP traffic from 2021 and after
(B) IP traffic growth rate maintained in 2021 and after

3. World IP Traffic forecast



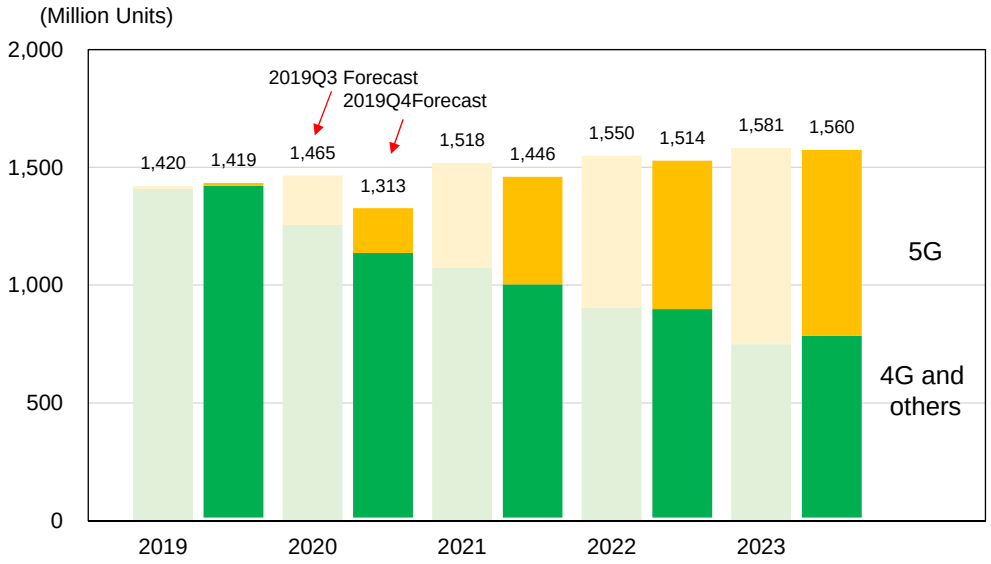
(Source: SUMCO estimates based on CISCO VNI 2018 IP Traffic forecasts adjusted to reflect Akamai actual data)

4. Demand forecast for silicon for server equip.



(Source: SUMCO estimates)

3-3. Smartphone Shipment Forecast



Q4-Q3 Change in units (million units)

	2019	2020	2021	2022	2023
Q4 3 companies ave.	1,419	1,313	1,446	1,514	1,560
Q3 3 companies ave.	1,420	1,465	1,518	1,550	1,581
difference	(1)	(153)	(73)	(35)	(21)

Q4-Q3 Change in 5G ratio

	2019	2020	2021	2022	2023
Q4 2 companies ave.	0.8%	14.5%	31.6%	41.6%	50.6%
Q3 3 companies ave.	0.8%	14.3%	29.2%	41.7%	52.6%
difference	0.0%	0.1%	2.3%	(0.1%)	(2.0%)

(Source: Gartner, IDC, Omdia; 3 companies data)

3-4. 5G Smartphone and Silicon area

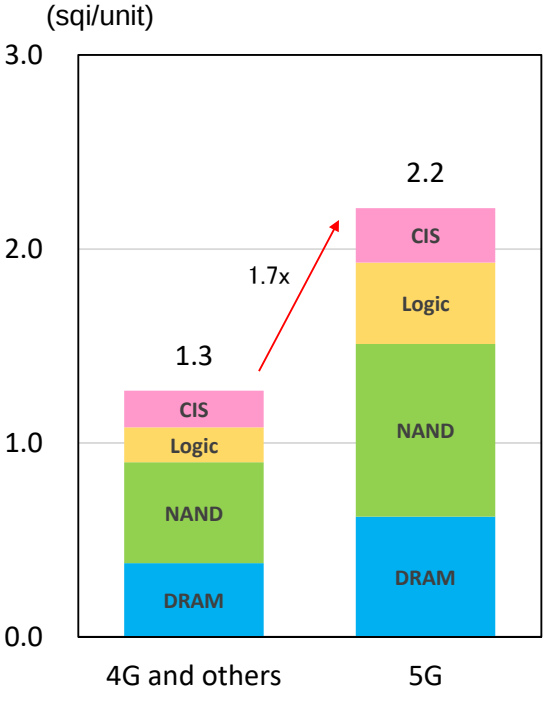
1. High-performance 5G smartphone

- ✓ High speed, high capacity communications
- ✓ 4K high definition video
- ✓ Large-capacity storage

2019～2020 Sales model specifications

	4G and others	5G
DRAM(GB)	1～12	6~13
NAND(GB)	8～512	128～512
Camera(N)	1～7	4～7
AP(Core)	4～8	8
5G Modem chip	0	1

2. 300 mm silicon area



(Source: SUMCO estimates based on TechInsights chip data)

1Q-2020
Consolidated Business Result

Michiharu Takii
Representative Director,
Vice Chairman

4-1. Summary of Consolidated Business Result

(Billions of Yen)

	1Q-2019 Actual	4Q-2019 Actual	1Q-2020 Actual	Change YoY	Change QoQ
Net sales	82.1	70.9	72.2	(9.9)	+1.3
Operating income	19.8	8.2	11.6	(8.2)	+3.4
Non-operating income and expenses	(0.8)	(1.1)	0.3	+1.1	+1.4
Ordinary income	19.0	7.1	11.9	(7.1)	+4.8
Extraordinary income and expenses	-	-	-	-	-
Income taxes	(3.6)	(1.6)	(2.5)	+1.1	(0.9)
Net income attributable to non-controlling interests	(2.3)	(0.5)	(1.0)	+1.3	(0.5)
Net income attributable to owners of the parent	13.1	5.0	8.4	(4.7)	+3.4
Capital expenditure (Acceptance basis)	18.8	13.5	20.2	+1.4	+6.7
Depreciation	8.6	11.2	9.5	+0.9	(1.7)
EBITDA (*1)	28.8	19.9	21.6	(7.2)	+1.7
Exchange rate (Yen/US$) (*2)	110.3	108.8	109.3	(1.0)	+0.5
Operating margin (%)	24.1%	11.5%	16.1%	(8.0%)	+4.6%
EBITDA margin (%)	35.2%	28.0%	29.9%	(5.3%)	+1.9%
ROE (%)	18.3%	6.7%	11.2%	(7.1%)	+4.5%
Net income per share (Yen)	44.78	16.98	29.01	(15.77)	+12.03

*1. EBITDA = Operating Income + Depreciation + Amortization of Goodwill
*2. If the yen appreciate by 1 yen against the US dollar, operating income of SUMCO will decrease by 0.8-0.9 billion yen per year.

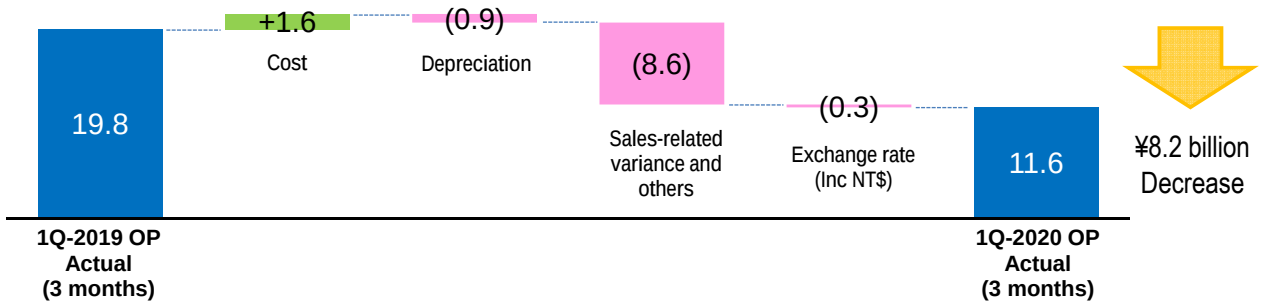
4-2. Analysis of Changes in Operating Income

■ 1Q-2019 Actual → 1Q-2020 Actual

(Billions of Yen)

	1Q-2019 Actual	1Q-2020 Actual	Change
Net Sales	82.1	72.2	(9.9)
Operating Income	19.8	11.6	(8.2)
Exchange Rate (Yen/US$)	110.3	109.3	(1.0)

【Analysis of Changes in Operating Income】



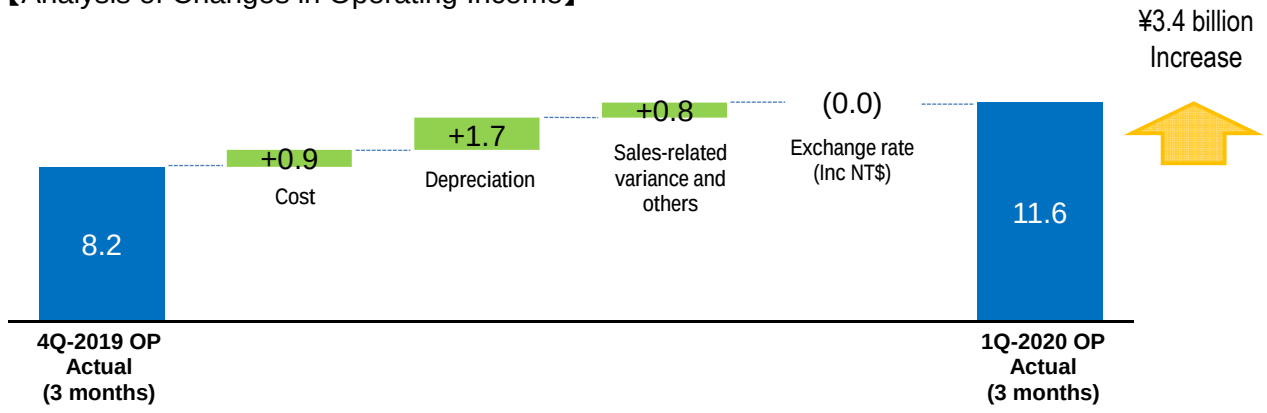
4-3. Analysis of Changes in Operating Income

■ 4Q-2019 Actual → 1Q-2020 Actual

(Billions of Yen)

	4Q-2019 Actual	1Q-2020 Actual	Change
Net Sales	70.9	72.2	+1.3
Operating Income	8.2	11.6	+3.4
Exchange Rate (Yen/US$)	108.8	109.3	+0.5

【Analysis of Changes in Operating Income】



4-4. Consolidated Balance Sheet

(Billions of Yen)

	End of Dec-2019	End of Mar-2020	Change
Cash and time deposits	70.0	67.7	(2.3)
Finished products and WIP	35.0	36.2	+1.2
Raw materials and supplies	149.4	146.7	(2.7)
Tangible and intangible assets	207.6	217.5	+9.9
Deferred income tax assets	11.6	11.5	(0.1)
Other assets	104.9	107.9	+3.0
Total Assets	578.5	587.5	+9.0
Debt and borrowings	152.0	152.0	0.0
Other liabilities	85.4	92.0	+6.6
Liabilities	237.4	244.0	+6.6
Capital stock	138.7	138.7	-
Capital surplus	30.7	30.7	-
Retained earnings	134.2	139.7	+5.5
Others	37.5	34.4	(3.1)
Equity	341.1	343.5	+2.4
Shareholders' equity ratio	52.2%	51.7%	(0.5%)
Equity per share (Yen)	1,030.4	1,044.0	+13.6
D/E ratio (gross)	0.50x	0.50x	0.00x
D/E ratio (net)	0.27x	0.28x	+0.01x

4-5. Consolidated Cash-Flow

(Billions of Yen)

	1Q-2020 (3 months)
Income before income taxes	11.9
Depreciation	9.5
Subtotal	21.4
Decrease in inventories	1.9
Changes in working capital, etc.	(3.1)
Net cash provided by operating activities	20.2
Capital expenditure (Acceptance basis)	(20.2)
Others, net	4.3
Net cash used in investing activities	(15.9)
Free cash-flow	4.3

2Q-2020
Consolidated Business Forecast

5-1. 2Q-2020 Consolidated Business Forecast

(Billions of Yen)

	2Q-2019 Actual (6 months)	2Q-2020 Forecast 1Q ACT	2Q FCST	Total (6 months)	Change
Net sales	156.4	72.2	77.0	149.2	(7.2)
Operating income	33.5	11.6	12.0	23.6	(9.9)
Non-operating income and expenses	(0.8)	0.3	(0.5)	(0.2)	+0.6
Ordinary income	32.7	11.9	11.5	23.4	(9.3)
Extraordinary income and expenses	0.9	-	-	-	-
Income taxes	(7.0)	(2.5)	(2.0)	(4.5)	+2.5
Net income attributable to non-controlling interests	(3.7)	(1.0)	(1.0)	(2.0)	+1.7
Net income attributable to owners of the parent	22.9	8.4	8.5	16.9	(6.0)
Exchange rate (Yen/US$) (*1)	110.5	109.3	108.0	108.6	(1.9)
Operating margin (%)	21.4%	16.1%	15.6%	15.8%	(5.6%)
ROE (%)	15.8%	11.2%	10.9%	11.0%	(4.8%)
Net income per share (Yen)	78.35	29.01	28.88	57.89	(20.46)

*1. If the yen appreciate by 1 yen against the US dollar, operating income of SUMCO will decrease by 0.8-0.9 billion yen per year.

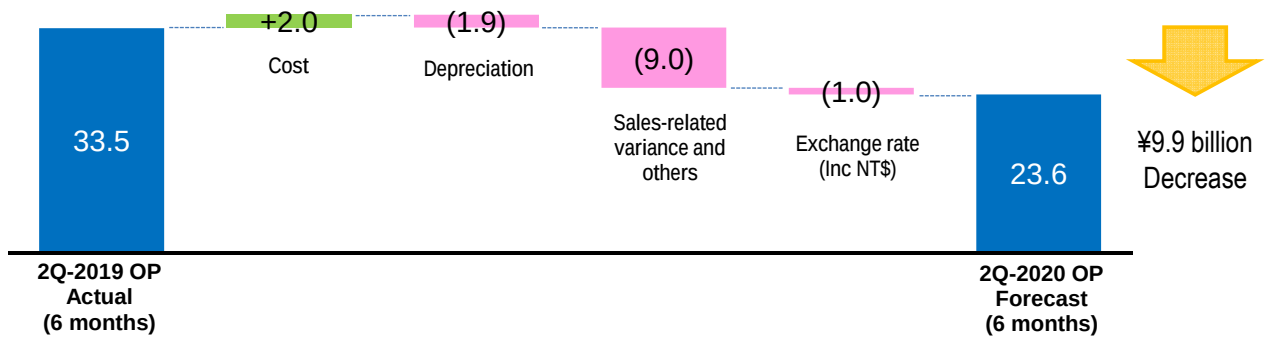
5-2. Analysis of Changes in Operating Income

■ 2Q-2019 Actual (6 months)→ 2Q-2020 Forecast (6 months)

(Billions of Yen)

	2Q-2019 ACT (6 months)	2Q-2020 FCST (6 months)	Change
Net Sales	156.4	149.2	(7.2)
Operating Income	33.5	23.6	(9.9)
Exchange Rate (Yen/US$)	110.5	108.6	(1.9)

【Analysis of Changes in Operating Income】



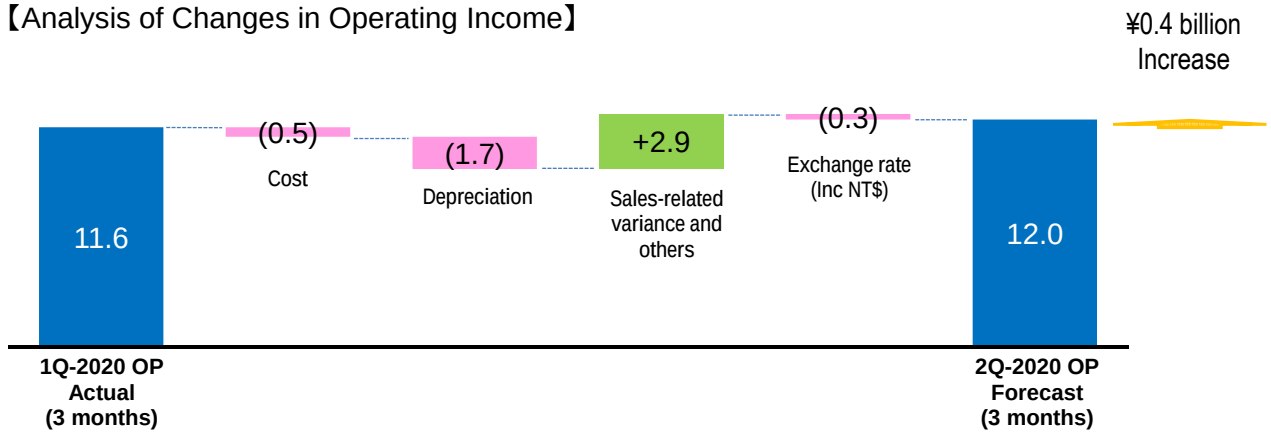
5-3. Analysis of Changes in Operating Income

■ 1Q-2020 Actual → 2Q-2020 Forecast

(Billions of Yen)

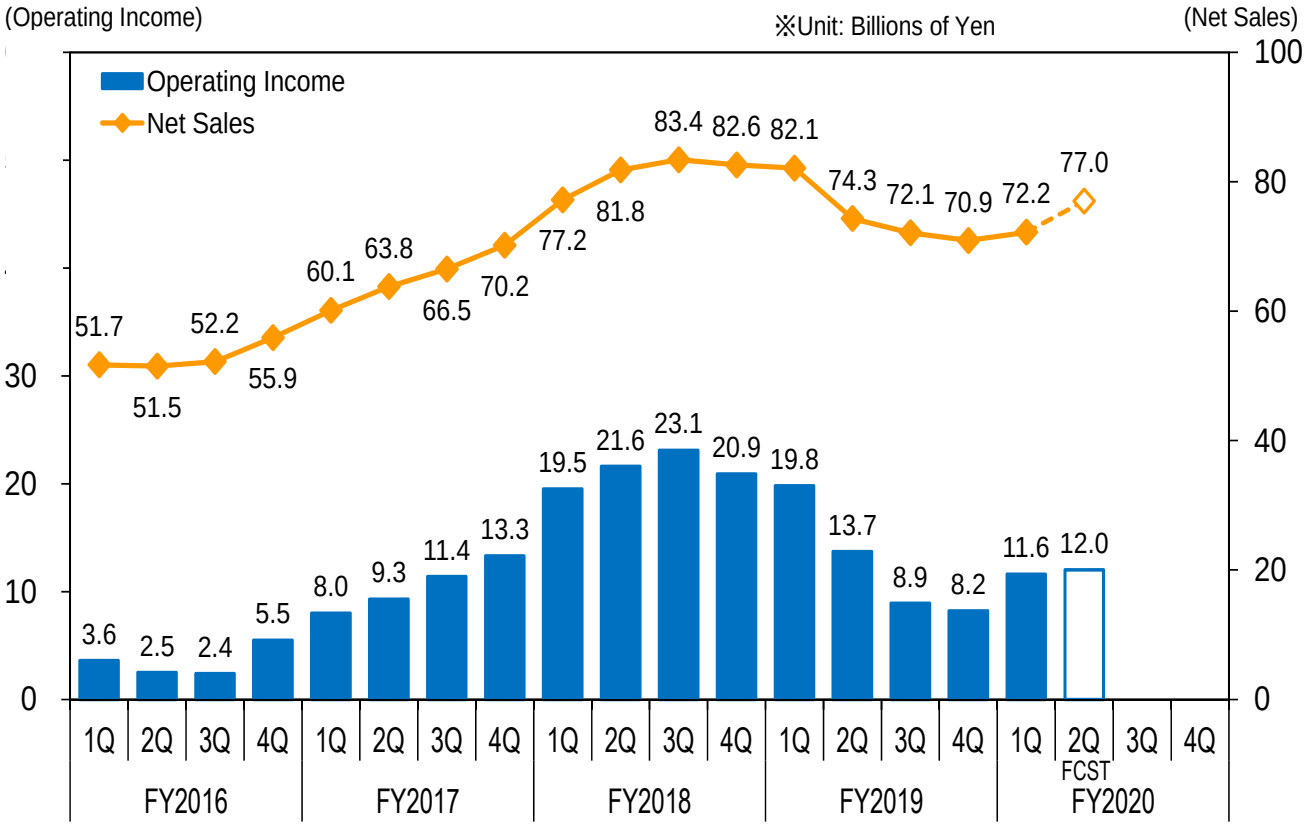
	1Q-2020 Actual	2Q-2020 Forecast	Change
Net Sales	72.2	77.0	+4.8
Operating Income	11.6	12.0	+0.4
Exchange Rate (Yen/US$)	109.3	108.0	(1.3)

【Analysis of Changes in Operating Income】

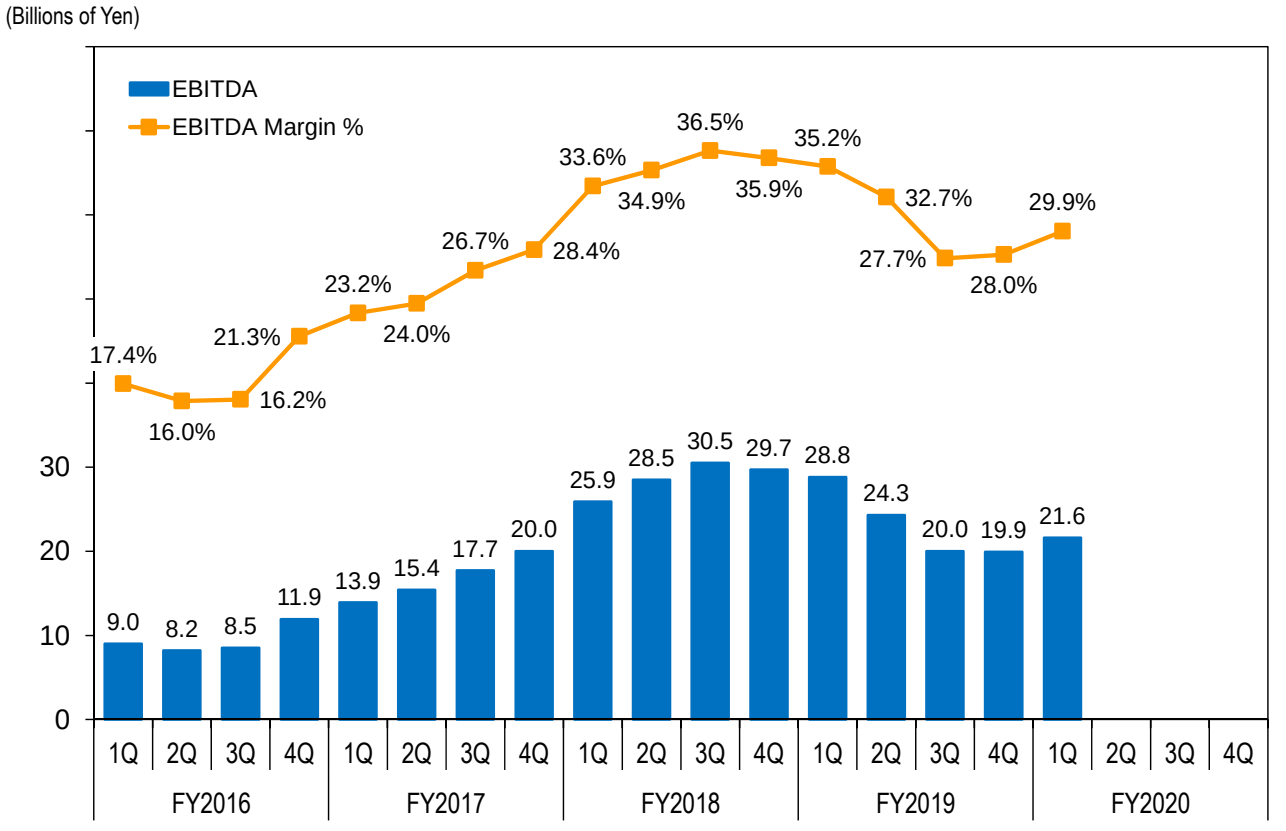


Reference Materials

Reference Materials: Quarterly Trend

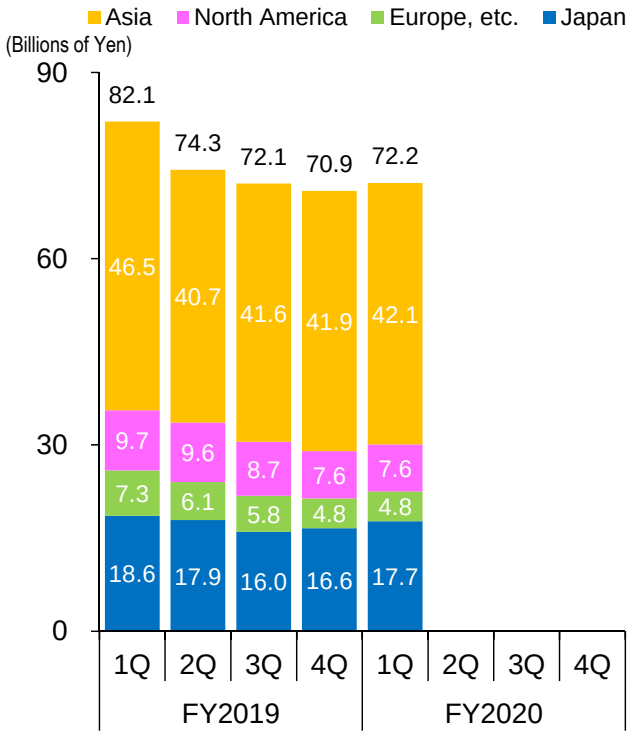


Reference Materials: EBITDA

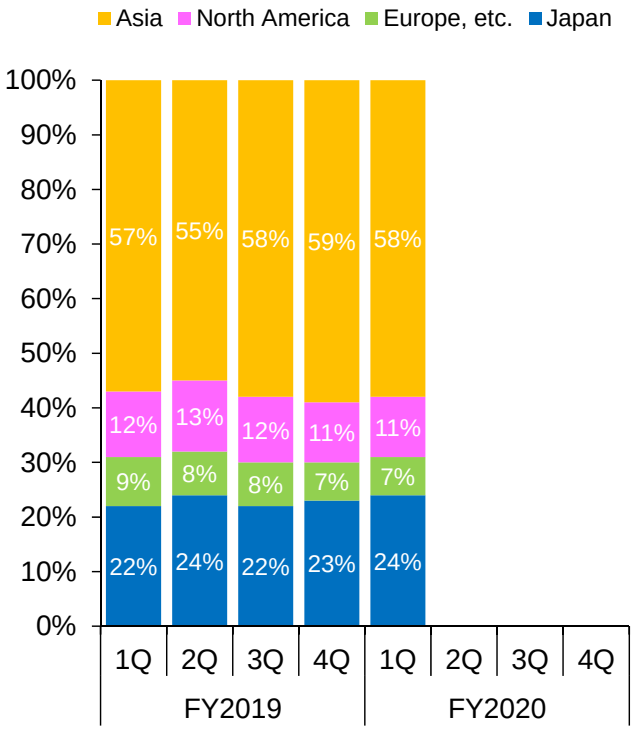


Reference Materials: Sales Results

Changes in Sales



Sales by Region





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