

Results for Third Quarter of FY2022 (Ended September 30, 2022)

November 8, 2022
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.



- Summary and Market Environment
- 3Q-2022 Consolidated Business Result
 1. Summary of Consolidated Business Result
 2. Analysis of Changes in Operating Income
 3. Consolidated Balance Sheet and Consolidated Cash-Flow
- 4Q-2022 Consolidated Business Forecast
 1. Consolidated Business Forecast
 2. Analysis of Changes in Operating Income
- Reference Materials



Summary and Market Environment

Mayuki Hashimoto

Representative Director,
CEO & Chairman of the Board

3Q-2022 Consolidated Business Result

(Billions of Yen)

	3Q-2022 Forecast	3Q-2022 Actual	Change
Net Sales	115.0	116.2	+1.2
Operating Income	27.5	30.2	+2.7
Ordinary Income	27.0	32.5	+5.5
Net Income (Note)	16.5	20.4	+3.9
Exchange Rate (Yen/US\$)	135.0	136.6	+1.6

4Q-2022 Consolidated Business Forecast

(Billions of Yen)

	3Q-2022 Actual	4Q-2022 Forecast	Change
Net Sales	116.2	115.5	(0.7)
Operating Income	30.2	28.5	(1.7)
Ordinary Income	32.5	27.0	(5.5)
Net Income (Note)	20.4	16.0	(4.4)
Exchange Rate (Yen/US\$)	136.6	145.0	+8.4

(Note) Net income attributable to owners of the parent

1-2. Shareholder Return

		FY2017 (Dec-2017)	FY2018 (Dec-2018)	FY2019 (Dec-2019)	FY2020 (Dec-2020)	FY2021 (Dec-2021)	FY2022 (Dec-2022)
Dividends per share for common stocks (Yen)	Interim	10	30	25	18	17	36
	Year-end	18	32	10	9	24	42
	Total	28	62	35	27	41	78
Dividends payment (Billions of Yen)	Interim	2.9	8.7	7.3	5.2	4.9	12.6
	Year-end	5.2	9.3	2.9	2.6	8.4	14.7
	Total	8.2	18.1	10.2	7.8	13.3	27.3
Dividend ratio (%)	Total	30.4%	31.0%	31.0%	30.9%	30.2%	(※) 40.3%
Share Buyback							
Amount (Billions of Yen)	Total	-	-	3.3	2.5	-	-
	Ratio (%)	-	-	10.0%	9.8%	-	-
Total Return Ratio (%)	Total	30.4%	31.0%	41.0%	40.7%	30.2%	40.3%

※. In place of share buyback, the dividend payout ratio will be raised by 10% to 40%.

3Q-2022

- ✓ Volume - Continued strong demand for 300 mm wafers, exceeding supply capacity
 - Full production also of 200 mm wafers
 - Supply/demand tightness eased for 150 mm wafers
- ✓ Pricing - For both 300 mm and 200 mm wafers, in line with contract prices, while rising on the spot market

4Q-2022 Forecast

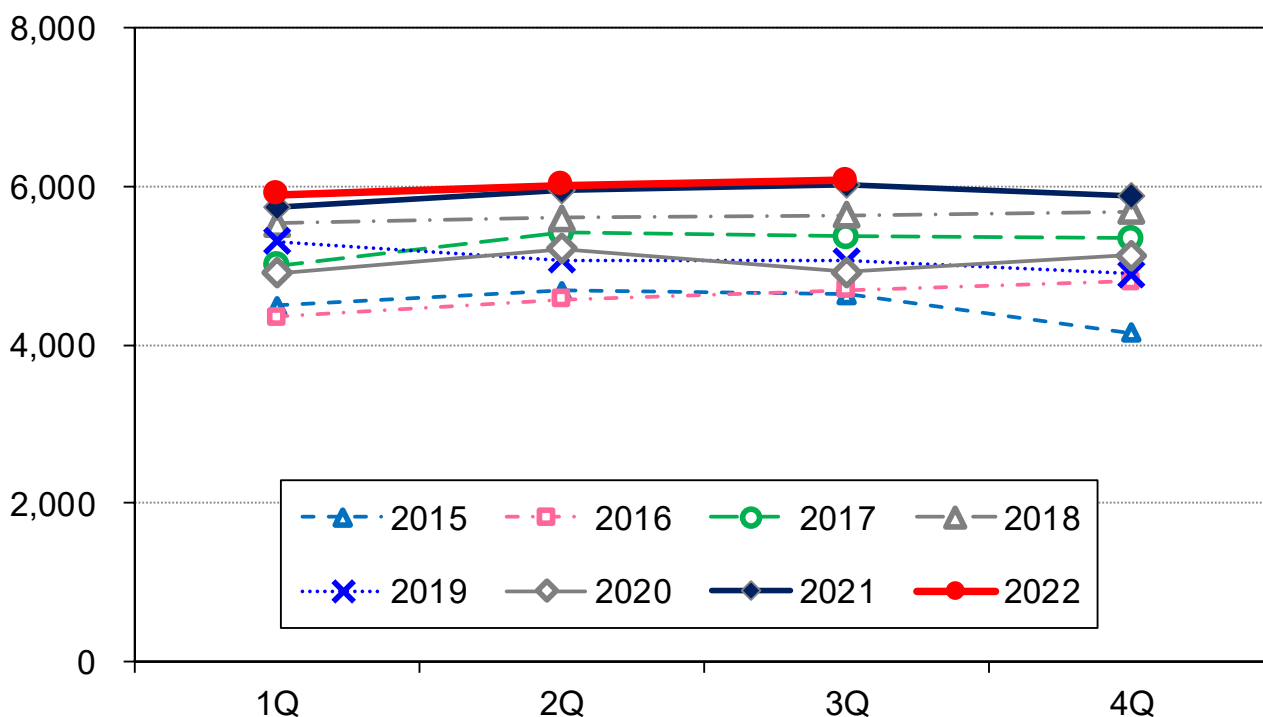
- ✓ Volume - Varying demand for 300 mm wafers depending on the customer, but continuing to exceed supply capacity
 - Full production of 200 mm wafers to continue due to solid automotive and industrial demand
 - Correction phase to continue for 150 mm wafers, mainly for consumer needs
- ✓ Pricing - For both 300 mm and 200 mm wafers, in line with contract prices, while unchanged on the spot market

Outlook

- ✓ For 300 mm wafers, production adjustments have begun due to softening of demand in the PC and smartphone end-product markets, whereas strong demand is continuing for automotive and data center needs. As a result, while we may see higher or lower orders depending on the customer, full production is expected to continue.
- ✓ High operating rates will continue for 200 mm wafers to meet automotive and industrial needs.
- ✓ A correction phase will continue for 150 mm wafers.

2-2. 200mm Wafer Trend

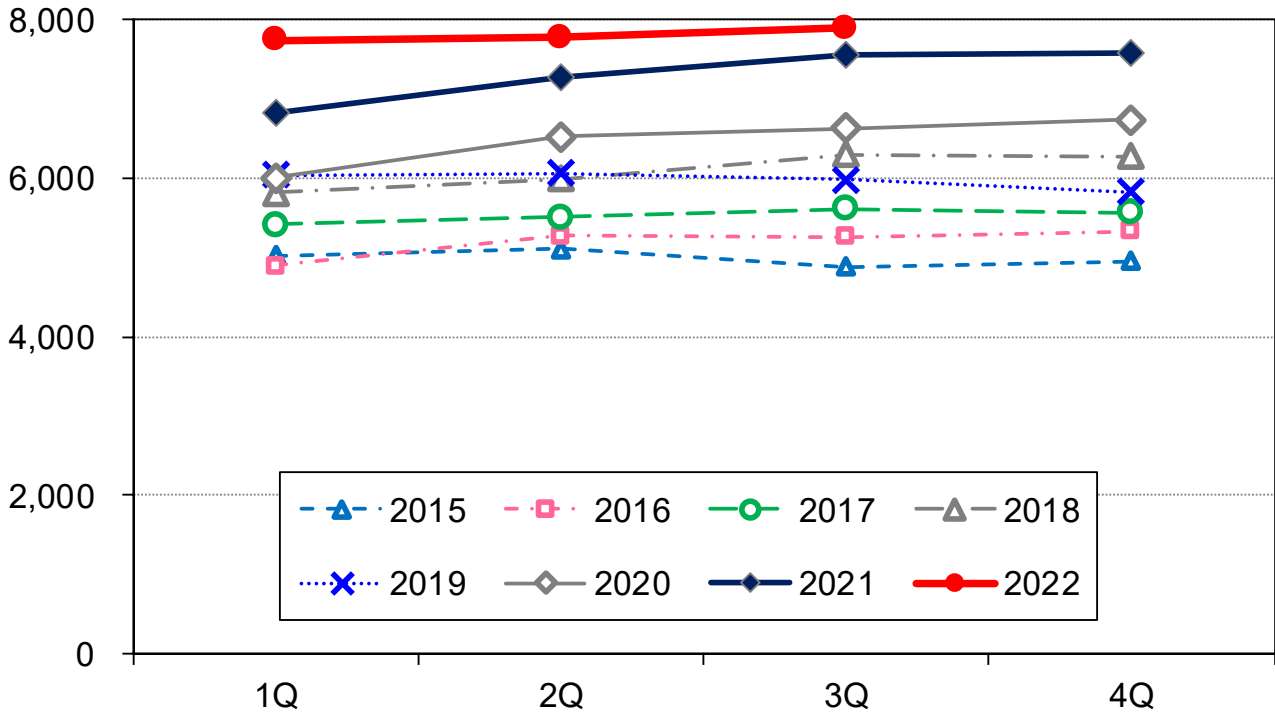
(K wafers/month)



(Source: SUMCO's estimation)

2-3. 300mm Wafer Trend

(K wafers/month)

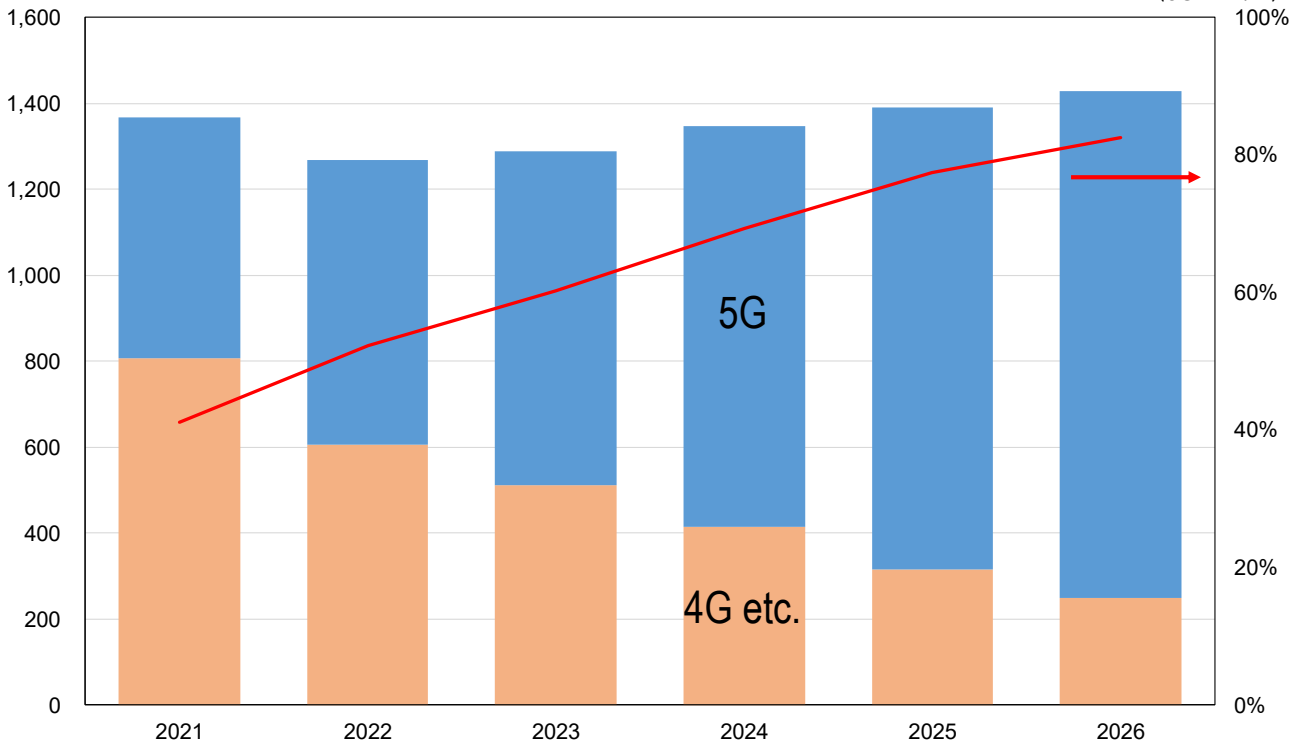


(Source: SUMCO's estimation)

3-1. Smartphone Shipment Forecast

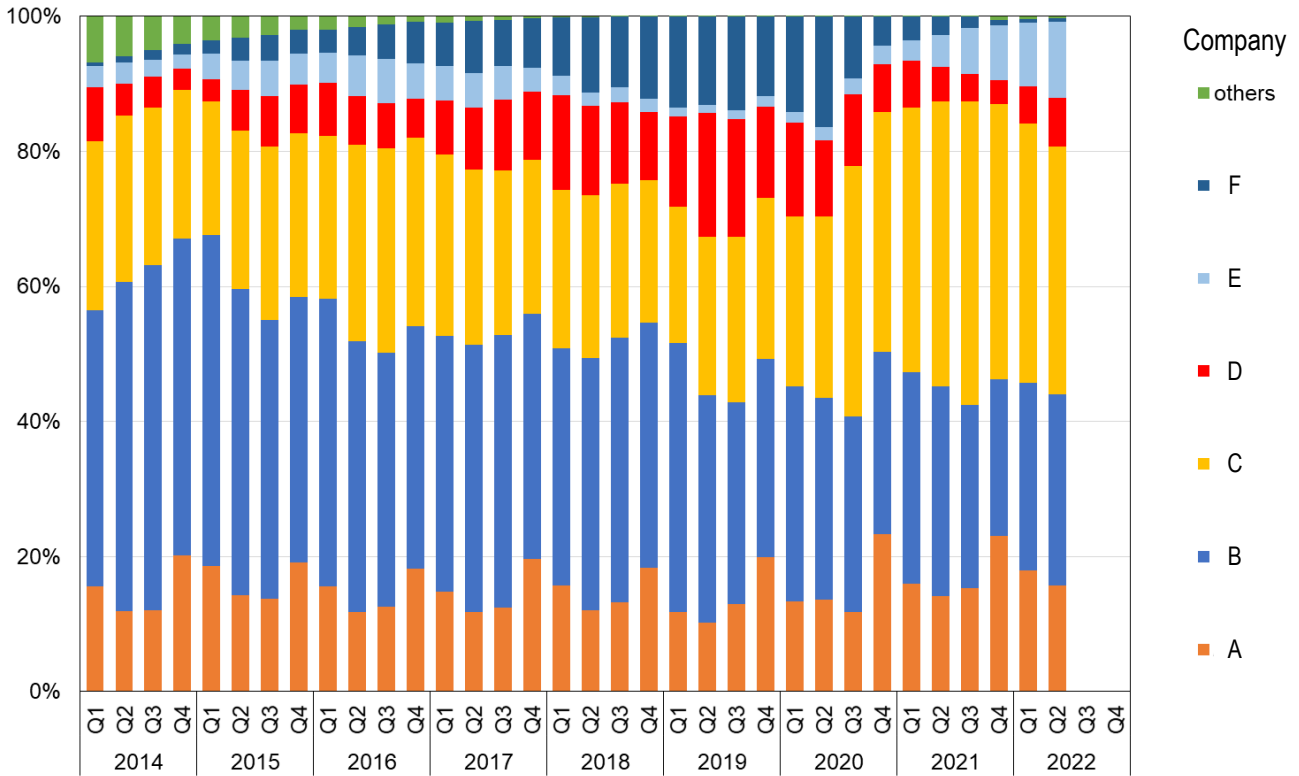
(million units)

(5G ratio/%)

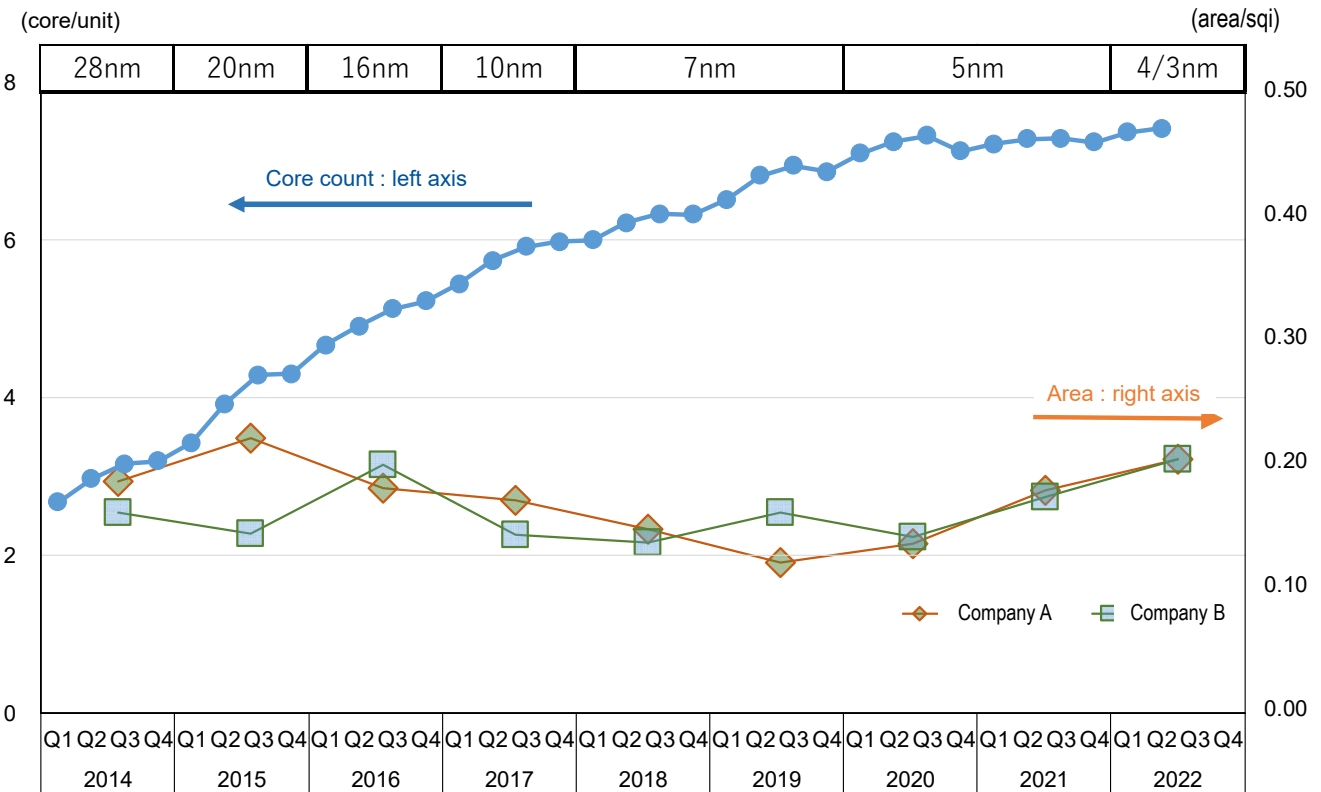


(Source: SUMCO's estimation based on research companies data)

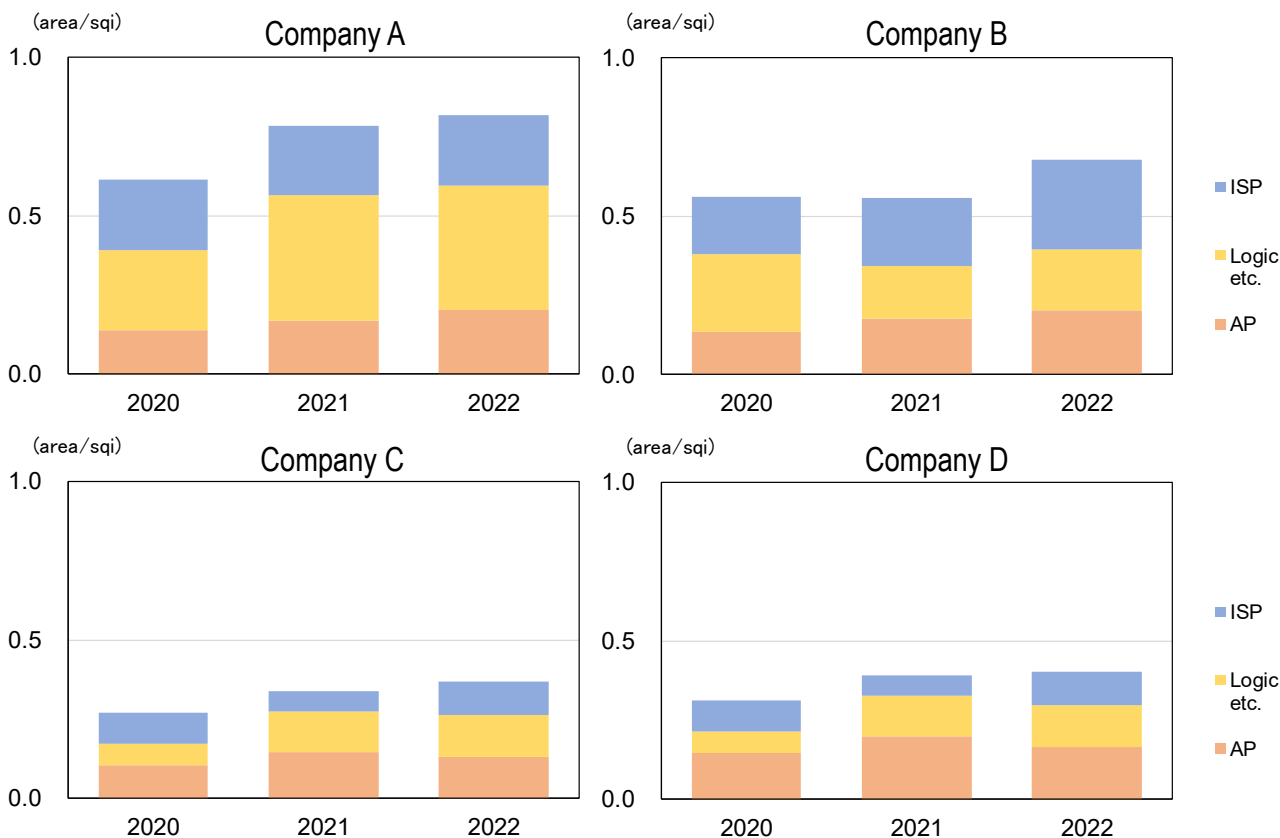
3-2. High-end Smartphone AP Composition Ratio by Manufacturer



3-3. Core Count and Area Trends for Application Processor



3-4. High-end Smartphone Application Processor Si Area Trends

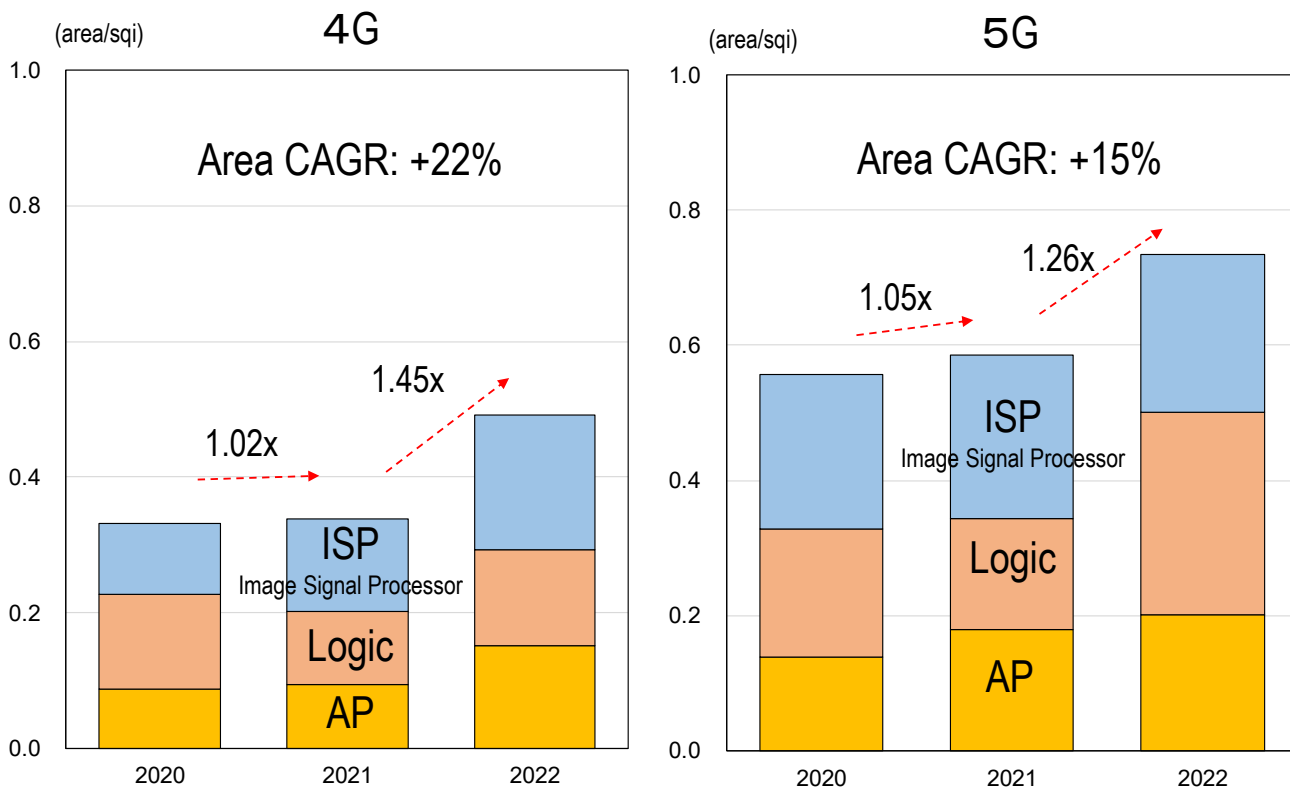


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3Q-2022 Results
Nov. 8, 2022

(Source: SUMCO's estimation)

3-5. Logic/Epi Area Trend for Smartphones (per Unit)



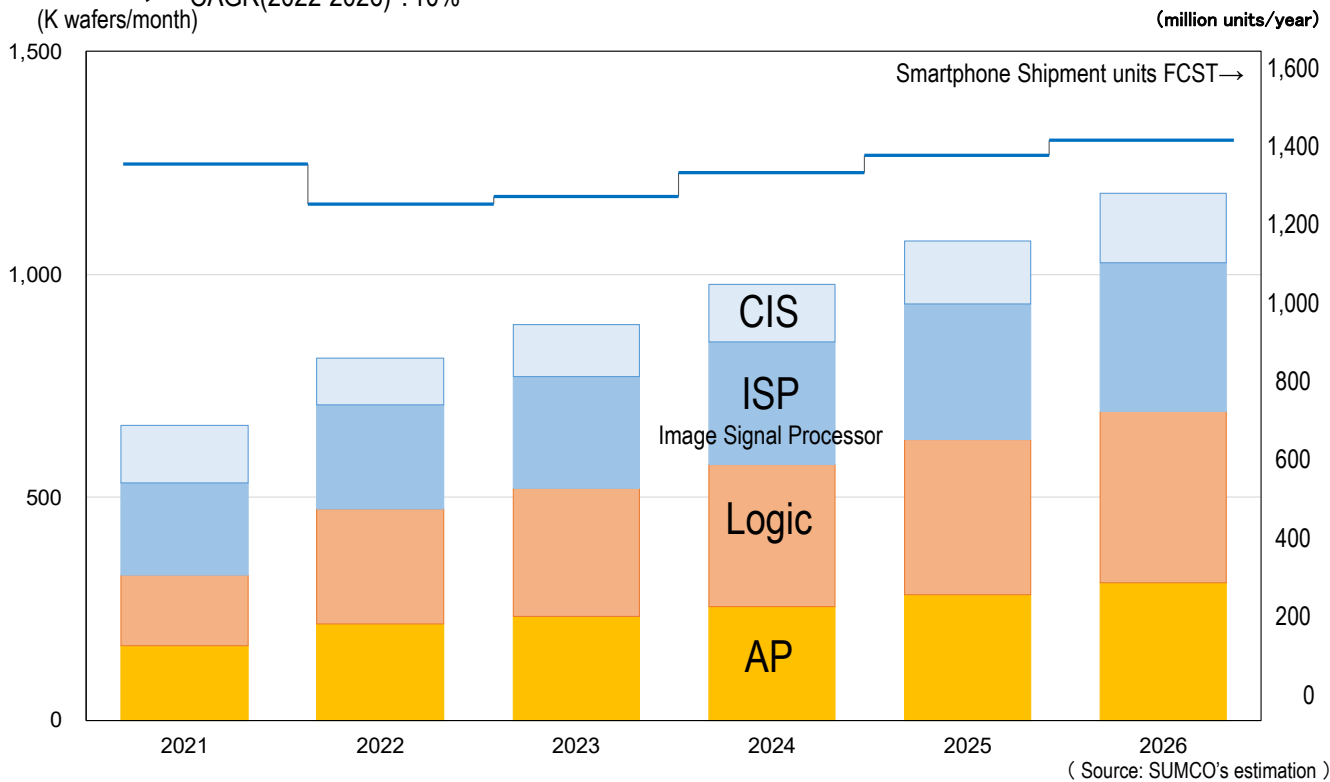
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3Q-2022 Results
Nov. 8, 2022

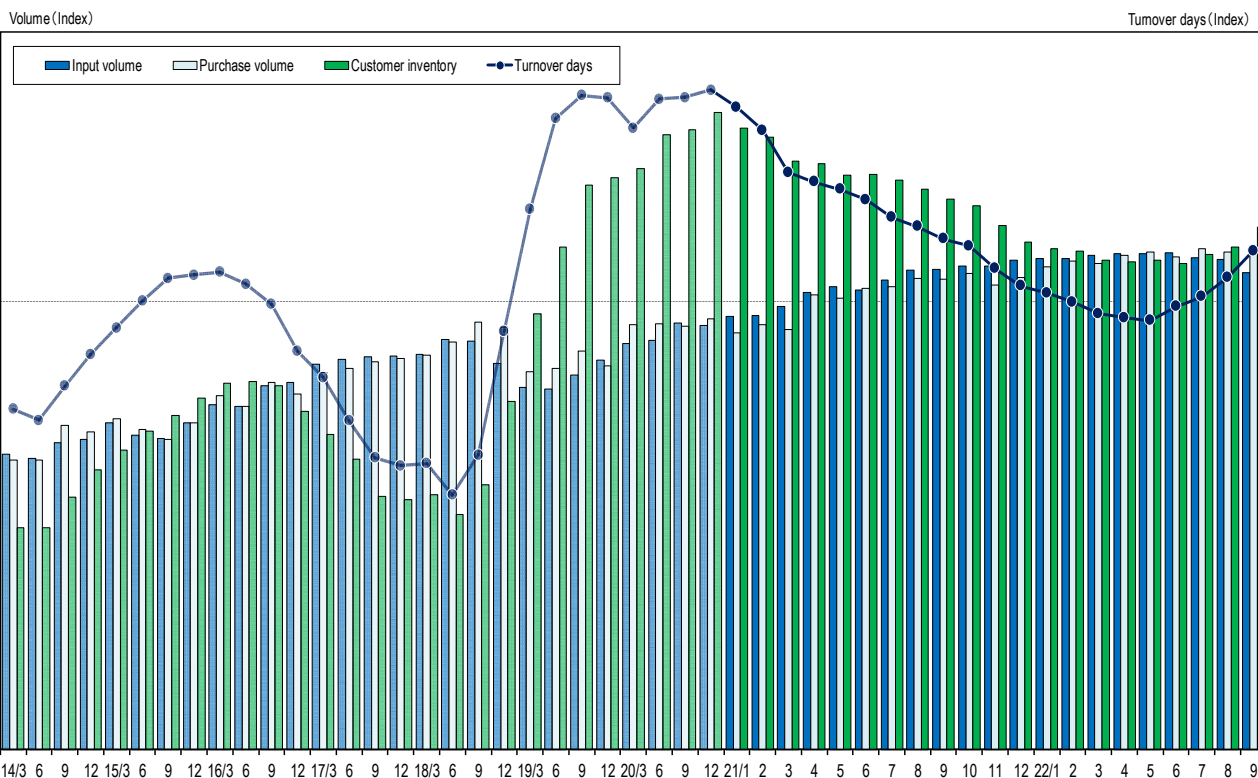
(Source: SUMCO's estimation)

3-6. 300mm Epitaxial Wafer Demand Forecast for Smartphones (ex. Memory)

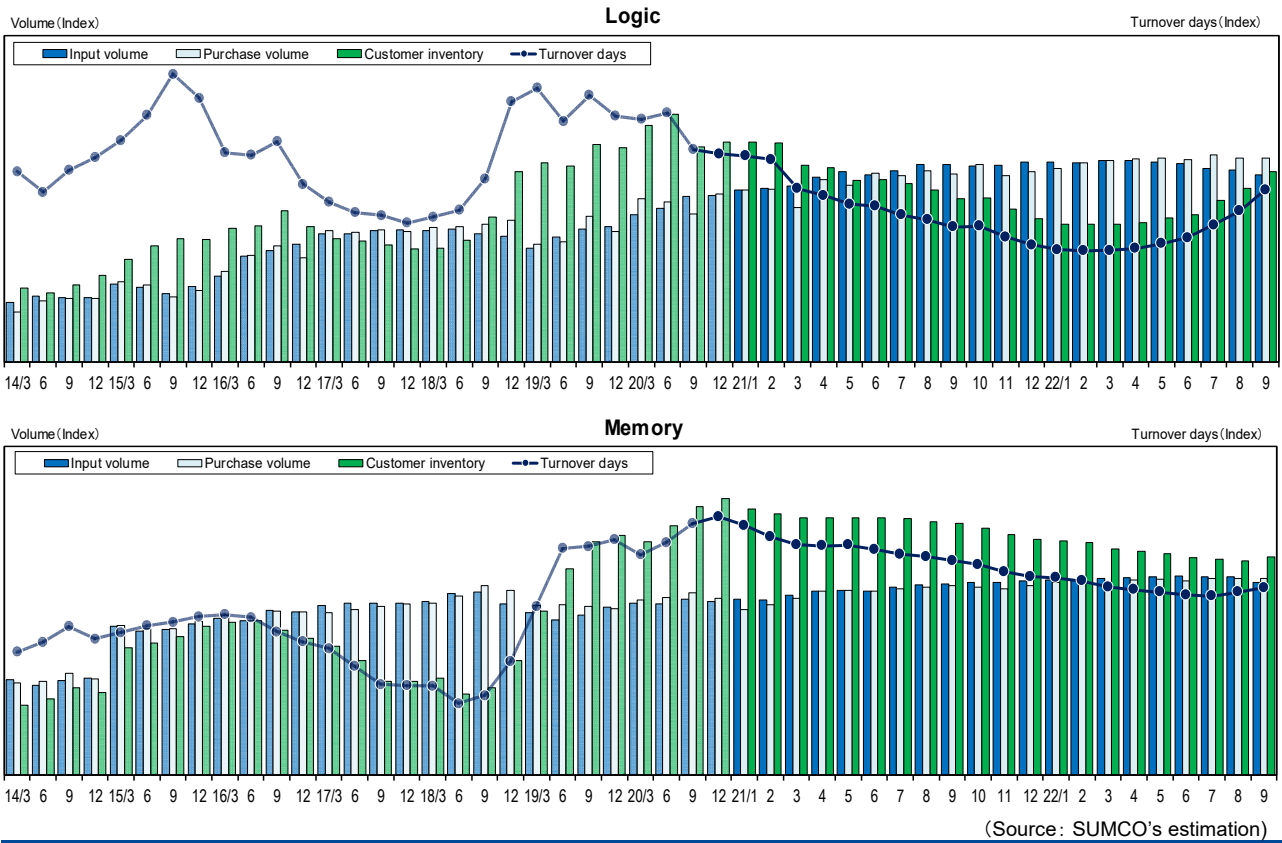
- ✓ Decrease in smartphone shipments overcome by improved performance, increase in silicon content
- ✓ CAGR(2022-2026) : 10%



4-1. Customer 300mm Wafer Inventory Trend



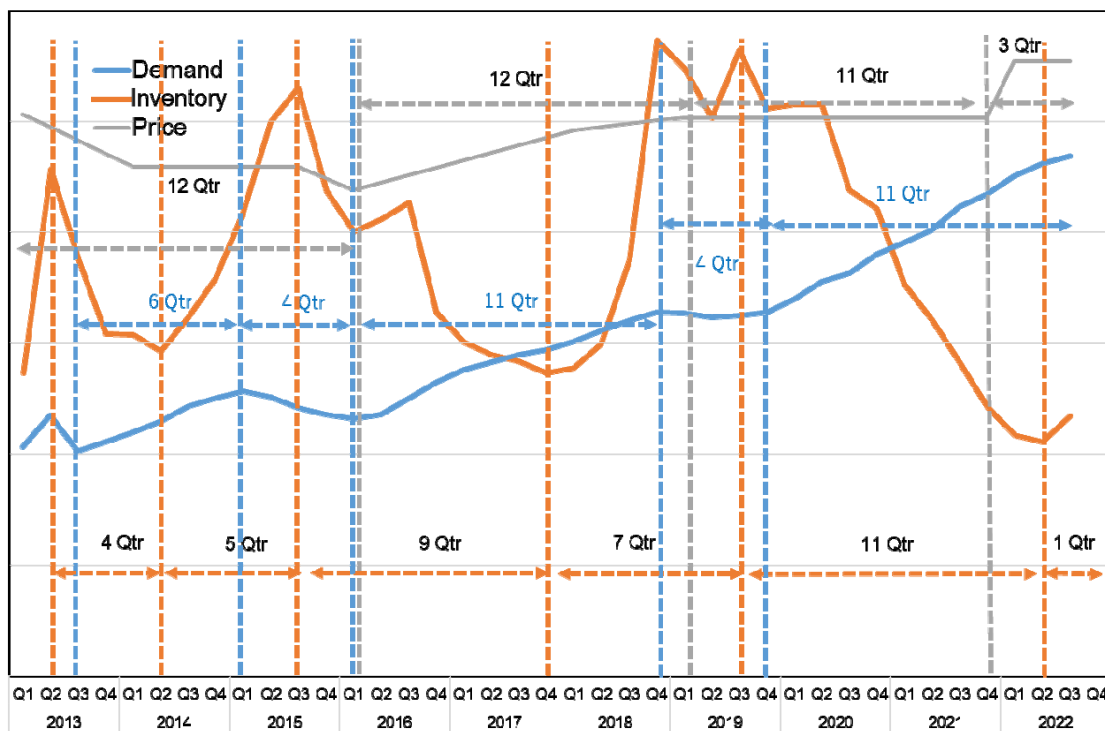
4-2. Customer 300mm Wafer Inventory (Logic/Memory)



5-1. 300mm Epi Wafer Demand, Inventory and Price Trend

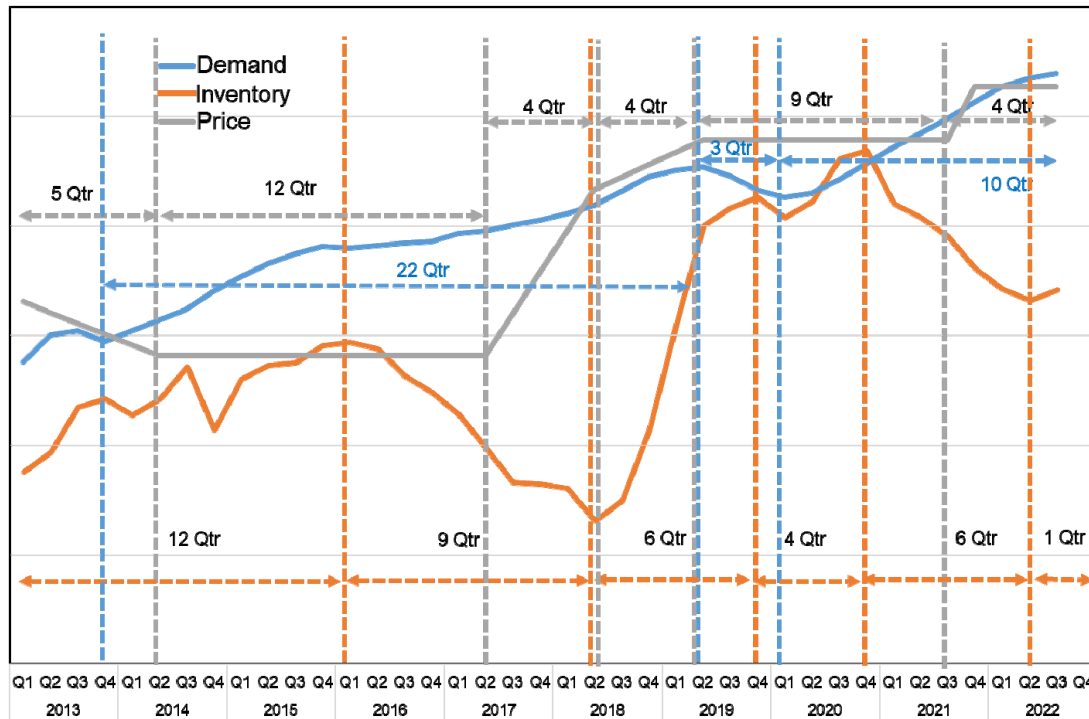


- Demand: Adjusted in '15, increased from '16 to 11Qtr, flat from '18Q4, increased from '20Q1
- Inventory change cycle: decrease 9~11Qtr, increase 5~7Qtr
- Demand increases even as inventories increase



5-2. 300mm Polished Wafer Demand, Inventory and Price Trend

- Demand: Increased 22Qtr from '13Q4 to '19Q2, decreased from '19Q2 to '20Q1, and increased thereafter
- Inventories: Increased 12 Qtr from '13 to '16Q1, decreased 9 Qtr from '1Q 16 to '18Q2, increased 10 Qtr by '20Q4, decreased thereafter. Inventory change cycle is longer than Epi Wafer.



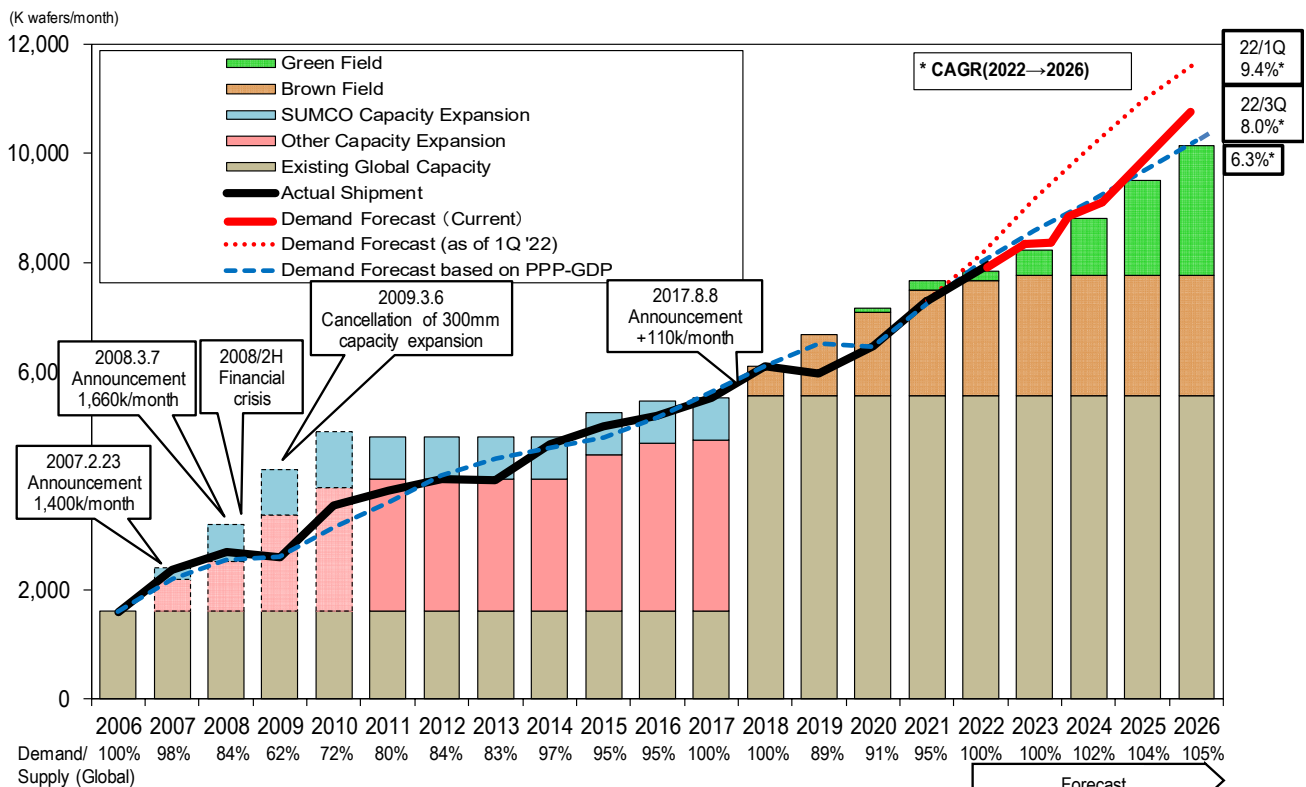
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3Q-2022 Results
Nov. 8, 2022

(Source: SUMCO's estimation)

19

6. 300 mm Wafer Global Capacity and Demand FCST



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3Q-2022 Results
Nov. 8, 2022

(Source: SUMCO's estimation)

20

Purpose of the acquisition

By acquiring the business for manufacturing semiconductor polysilicon, an essential and important raw material for the silicon wafer business, and trichlorosilane essential for making epitaxial wafers for logic semiconductors, a mainstay product, SUMCO will gain the ability to carry out total manufacturing from raw materials to the final products, an advantage it can leverage to raise the corporate value of the Group in the medium term.

Details of the acquisition arrangement

After (1) to (3) below have been transferred to a new company to be established by Mitsubishi Materials, SUMCO will acquire the shares of the new company.

- (1) The semiconductor polysilicon business of Mitsubishi Materials Corporation
- (2) The shares held by Mitsubishi Materials in Mitsubishi Polycrystalline Silicon America Corporation
- (3) The shares held by Mitsubishi Materials in NIPPON AEROSIL CO., LTD.

The name planned for the new company is High Purity Silicon Co., Ltd.

It is planned to rename Mitsubishi Polycrystalline Silicon America Corporation following the transfer of its shares.

Date of execution of share transfers: Scheduled for March 31, 2023

3Q-2022 Consolidated Business Result

Michiharu Takii
Representative Director,
Vice Chairman,
Chief Financial Officer

7-1. Summary of Consolidated Business Result



(Billions of Yen)

	3Q-2021 (9 months)	3Q-2022 Actual (9 months)				Change
		1Q	2Q	3Q	Total	
Net sales	244.4	100.4	107.0	116.2	323.6	+79.2
Operating income	36.5	23.4	26.3	30.2	79.9	+43.4
Non-operating income and expenses	(1.4)	0.3	0.9	2.3	3.5	+4.9
Ordinary income	35.1	23.7	27.2	32.5	83.4	+48.3
Income taxes	(5.8)	(6.2)	(8.0)	(8.2)	(22.4)	(16.6)
Net income attributable to non-controlling interests	(2.4)	(2.3)	(3.1)	(3.9)	(9.3)	(6.9)
Net income attributable to owners of the parent	26.9	15.2	16.1	20.4	51.7	+24.8
Capital expenditure (Acceptance basis)	48.7	16.5	28.5	34.2	79.2	+30.5
Depreciation	36.4	13.3	14.2	15.5	43.0	+6.6
EBITDA (*1)	74.0	36.8	40.6	45.7	123.1	+49.1
Exchange rate (Yen/US\$) (*2)	108.3	115.3	126.6	136.6	126.4	+18.1
Operating margin (%)	14.9%	23.3%	24.6%	26.0%	24.7%	+9.8%
EBITDA margin (%)	30.3%	36.7%	37.9%	39.4%	38.1%	+7.8%
ROE (%)	11.0%	12.6%	12.9%	15.9%	13.9%	+2.9%
Net income per share (Yen)	92.91	43.42	46.04	58.46	147.92	+55.01

*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 1.3 billion yen per year.

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3Q-2022 Results
Nov. 8, 2022

23

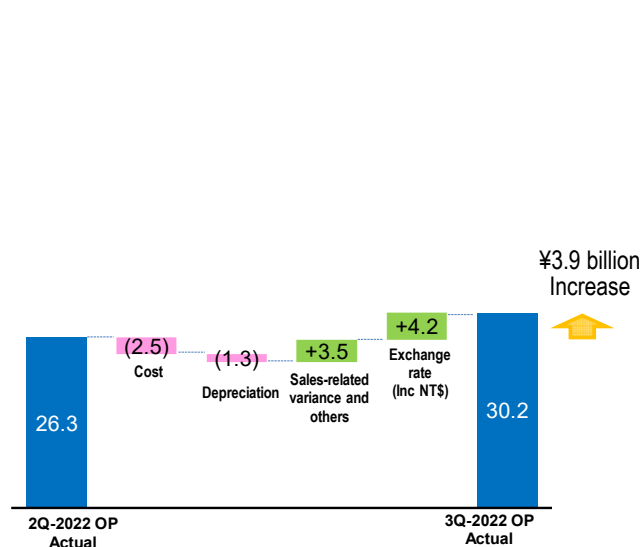
7-2. Analysis of Changes in Operating Income



1. 2Q-2022 Actual → 3Q-2022 Actual

(Billions of Yen)

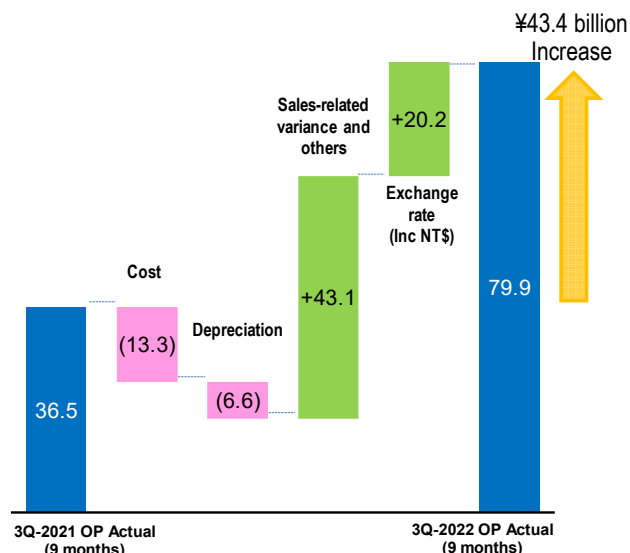
	2Q-2022 Actual	3Q-2022 Actual	Change
Net Sales	107.0	116.2	+9.2
Operating Income	26.3	30.2	+3.9
Exchange Rate (Yen/US\$)	126.6	136.6	+10.0



2. 3Q-2021 Actual → 3Q-2022 Actual

(Billions of Yen)

	3Q-2021 ACT (9 months)	3Q-2022 ACT (9 months)	Change
Net Sales	244.4	323.6	+79.2
Operating Income	36.5	79.9	+43.4
Exchange Rate (Yen/US\$)	108.3	126.4	+18.1



SUMCO CORPORATION

3Q-2022 Results
Nov. 8, 2022

24

7-3. Balance Sheet and Cash-Flow(Consolidated)

1. Consolidated Balance Sheet

	(Billions of Yen)		
	End of Dec-2021	End of Sep-2022	Change
Cash and time deposits	224.6	277.5	+52.9
Notes and accounts receivable	75.8	90.1	+14.3
Finished products and WIP	39.8	45.2	+5.4
Raw materials and supplies	134.9	134.2	(0.7)
Inventories	174.7	179.4	+4.7
Tangible and intangible assets	235.1	277.1	+42.0
Deferred income tax assets	12.5	9.9	(2.6)
Other assets	42.1	40.8	(1.3)
Total Assets	764.8	874.8	+110.0
Debt and borrowings	141.0	141.2	+0.2
Other liabilities	101.0	154.5	+53.5
Liabilities	242.0	295.7	+53.7
Capital stock	199.0	199.0	-
Capital surplus	85.2	85.2	-
Retained earnings	185.0	215.8	+30.8
Non-controlling interests etc.	53.6	79.1	+25.5
Equity	522.8	579.1	+56.3
Shareholders' equity ratio	62.3%	59.5%	(2.8%)
Equity per share (Yen)	1,359.8	1,486.6	+126.8
D/E ratio (gross)	0.30x	0.27x	(0.03)x
D/E ratio (net)	(0.18)x	(0.26)x	(0.08)x

2. Consolidated Cash-Flow

	(Billions of Yen)	
		3Q-2022 (9 months)
Income before income taxes		83.4
Depreciation		43.0
Subtotal		126.4
Decrease in inventories		0.6
Changes in working capital, etc.		16.4
Net cash provided by operating activities		143.4
Capital expenditure (Acceptance basis)		(79.2)
Others, net		1.1
Net cash used in investing activities		(78.1)
Free cash-flow		65.3
Cash flow from financing activities:		
Dividends paid		(23.1)
Repayments of debt		(0.1)
Foreign currency translation adjustments and others		10.8
Net increase in cash and time deposits		52.9

SUMCO CORPORATION

3Q-2022 Results
Nov. 8, 2022

25



4Q-2022 Consolidated Business Forecast

SUMCO CORPORATION

3Q-2022 Results
Nov. 8, 2022

26

8-1. 4Q-2022 Consolidated Business Forecast



(Billions of Yen)

	FY2021 Actual	FY2022 Forecast					Total	Change
		1Q ACT	2Q ACT	3Q ACT	4Q FCST			
Net sales	335.6	100.4	107.0	116.2	115.5	439.1	+103.5	
Operating income	51.5	23.4	26.3	30.2	28.5	108.4	+56.9	
Non-operating income and expenses	(0.4)	0.3	0.9	2.3	(1.5)	2.0	+2.4	
Ordinary income	51.1	23.7	27.2	32.5	27.0	110.4	+59.3	
Income taxes	(6.7)	(6.2)	(8.0)	(8.2)	(8.5)	(30.9)	(24.2)	
Net income attributable to non-controlling interests	(3.3)	(2.3)	(3.1)	(3.9)	(2.5)	(11.8)	(8.5)	
Net income attributable to owners of the parent	41.1	15.2	16.1	20.4	16.0	67.7	+26.6	
Depreciation	51.4	13.3	14.2	15.5	16.7	59.7	+8.3	
EBITDA	104.3	36.8	40.6	45.7	45.3	168.4	+64.1	
Exchange rate (Yen/US\$)	(*1)	109.6	115.3	126.6	136.6	145.0	130.9	+21.3
Operating margin (%)	15.4%	23.3%	24.6%	26.0%	24.7%	24.7%	+9.3%	
EBITDA margin (%)	31.1%	36.7%	37.9%	39.4%	39.2%	38.4%	+7.3%	
ROE (%)	10.4%	12.6%	12.9%	15.9%	12.0%	13.4%	+3.0%	
Net income per share (Yen)	135.86	43.42	46.04	58.46	45.42	193.34	+57.48	

*1. If the yen appreciate by 1 yen against the US dollar, operating income of SUMCO will decrease by 1.3 billion yen per year.

SUMCO CORPORATION

3Q-2022 Results
Nov. 8, 2022

27

8-2. Analysis of Changes in Operating Income



1. 3Q-2022 Actual → 4Q-2022 Forecast

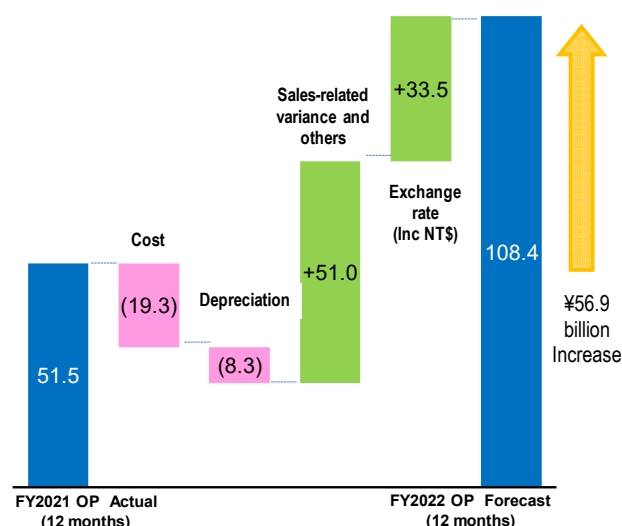
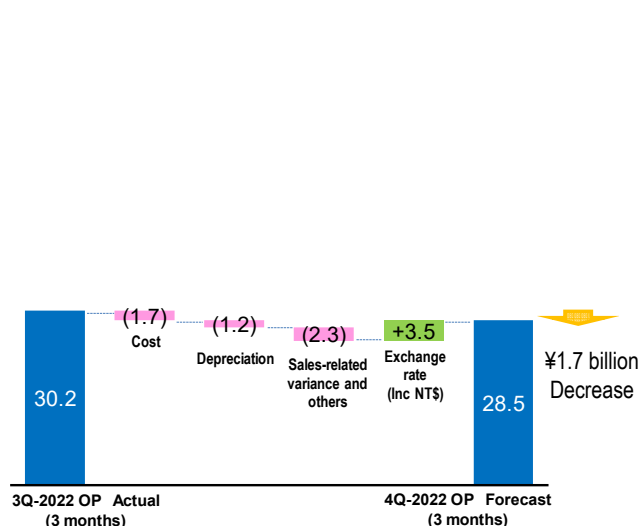
2. 2021 Actual (12 months) → 2022 Forecast (12 months)

(Billions of Yen)

	3Q-2022 Actual	4Q-2022 Forecast	Change
Net Sales	116.2	115.5	(0.7)
Operating Income	30.2	28.5	(1.7)
Exchange Rate (Yen/US\$)	136.6	145.0	+8.4

(Billions of Yen)

	FY2021 ACT (12 months)	FY2022 FCST (12 months)	Change
Net Sales	335.6	439.1	+103.5
Operating Income	51.5	108.4	+56.9
Exchange Rate (Yen/US\$)	109.6	130.9	+21.3



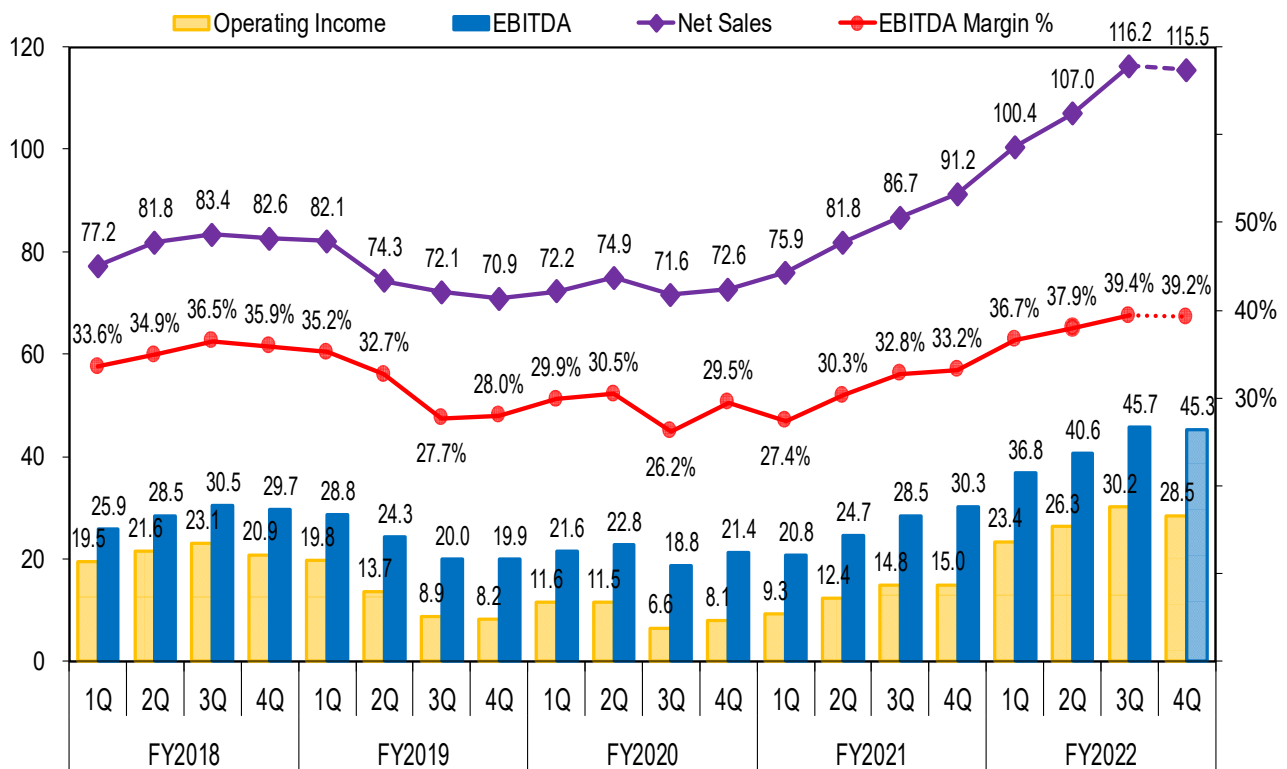
SUMCO CORPORATION

3Q-2022 Results
Nov. 8, 2022

28

Reference Materials

Quarterly Trend





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