

Results for Third Quarter of FY2023 (Ended September 30, 2023)

November 8, 2023
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

3Q-2023 Consolidated Business Result

(Billions of Yen)

| | 3Q-2023 Forecast | 3Q-2023 Actual | Change |
|--------------------------|---------------------|-------------------|--------|
| Net Sales | 101.0 | 100.2 | (0.8) |
| Operating Income | 11.0 | 15.1 | +4.1 |
| Ordinary Income | 11.0 | 15.4 | +4.4 |
| Net Income (Note) | 7.0 | 9.3 | +2.3 |
| Exchange Rate (Yen/US\$) | 138.0 | 144.1 | +6.1 |

4Q-2023 Consolidated Business Forecast

(Billions of Yen)

| | 3Q-2023 Actual | 4Q-2023 Forecast | Change |
|--------------------------|-------------------|---------------------|--------|
| Net Sales | 100.2 | 101.0 | +0.8 |
| Operating Income | 15.1 | 6.5 | (8.6) |
| Ordinary Income | 15.4 | 5.0 | (10.4) |
| Net Income (Note) | 9.3 | 2.5 | (6.8) |
| Exchange Rate (Yen/US\$) | 144.1 | 145.0 | +0.9 |

(Note) Net income attributable to owners of the parent

1-2. Shareholder Return

| | | FY2018 (Dec-2018) | FY2019 (Dec-2019) | FY2020 (Dec-2020) | FY2021 (Dec-2021) | FY2022 (Dec-2022) | FY2023 (Dec-2023) |
|--|-----------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Dividends per share for common stocks (Yen) | Interim | 30 | 25 | 18 | 17 | 36 | 42 |
| | Year-end | 32 | 10 | 9 | 24 | 45 | 10 |
| | Total | 62 | 35 | 27 | 41 | 81 | 52 |
| Dividends payment (Billions of Yen) | Interim | 8.7 | 7.3 | 5.2 | 4.9 | 12.6 | 14.7 |
| | Year-end | 9.3 | 2.9 | 2.6 | 8.4 | 15.7 | 3.5 |
| | Total | 18.1 | 10.2 | 7.8 | 13.3 | 28.3 | 18.2 |
| Dividend ratio (%) | Total | 31.0% | 31.0% | 30.9% | 30.2% | 40.4% | ^(*) 30.5% |
| Share Buyback | | | | | | | |
| Amount (Billions of Yen) | Total | - | 3.3 | 2.5 | - | - | - |
| | Ratio (%) | Total | - | 10.0% | 9.8% | - | - |
| Total Return Ratio (%) | Total | 31.0% | 41.0% | 40.7% | 30.2% | 40.4% | 30.5% |

*1. 1.7 billion yen of Subsidy income after tax is excluded from dividends.

3Q-2023

- ✓ Volume - As customers continued adjusting production, shipment of 300 mm wafers declined for both memory and logic
 - Market conditions for 200 mm and smaller wafers being weak overall, the correction phase continued and shipments declined
- ✓ Pricing - Long-term contract prices are being honored for both 300 mm and 200 mm wafers

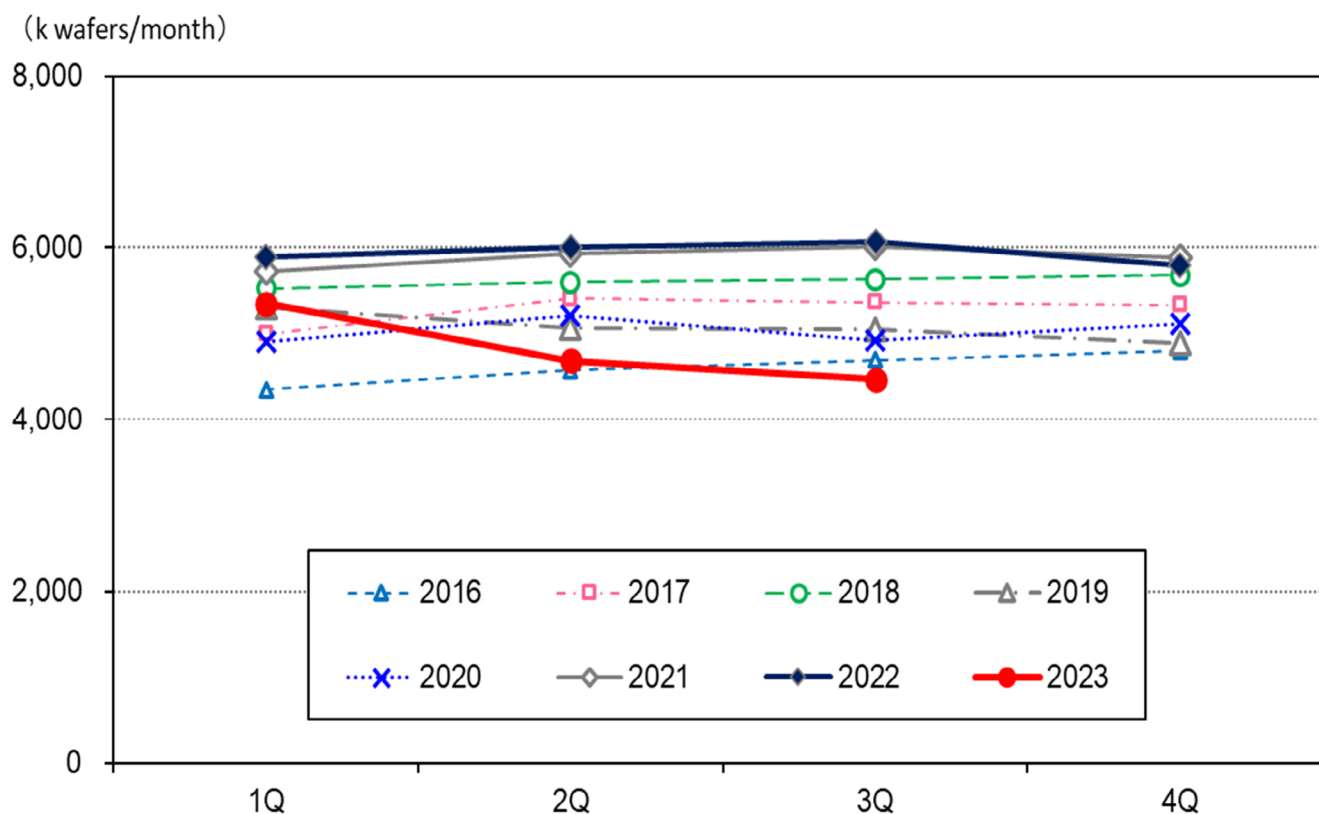
4Q-2023 Forecast

- ✓ Volume - Customer production adjustments are expected to continue for applications of 300 mm wafers
 - For wafers of 200 mm and smaller as well, shipments are expected to decline as production adjustments by customers continue
- ✓ Pricing - Long-term contract prices are being honored for both 300 mm and 200 mm wafers
 - Spot prices for smaller diameters are showing weakness

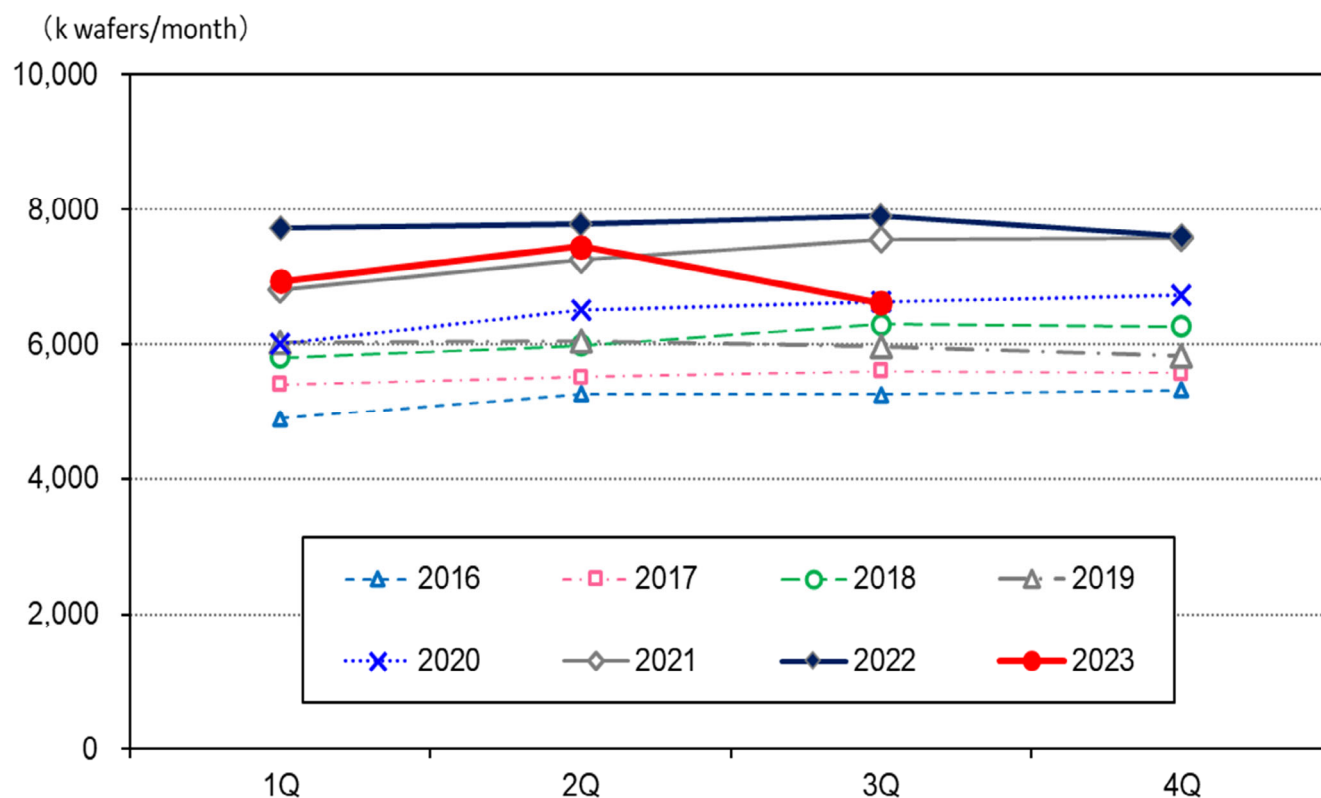
Outlook

- ✓ Semiconductor production is expected to recover in 2024, as in addition to strong investment in data centers, and continuing strong demand in the EV and energy fields, demand should bottom out for personal computers and smartphones, which had been trending weakly for some time. On the other hand, since customers are faced with excess wafer inventories, additional time will be needed before order volumes recover, and silicon wafer demand is expected to recover in the second half of 2024.

2-2. 200mm Wafer Trend



(Source: SUMCO's estimation)



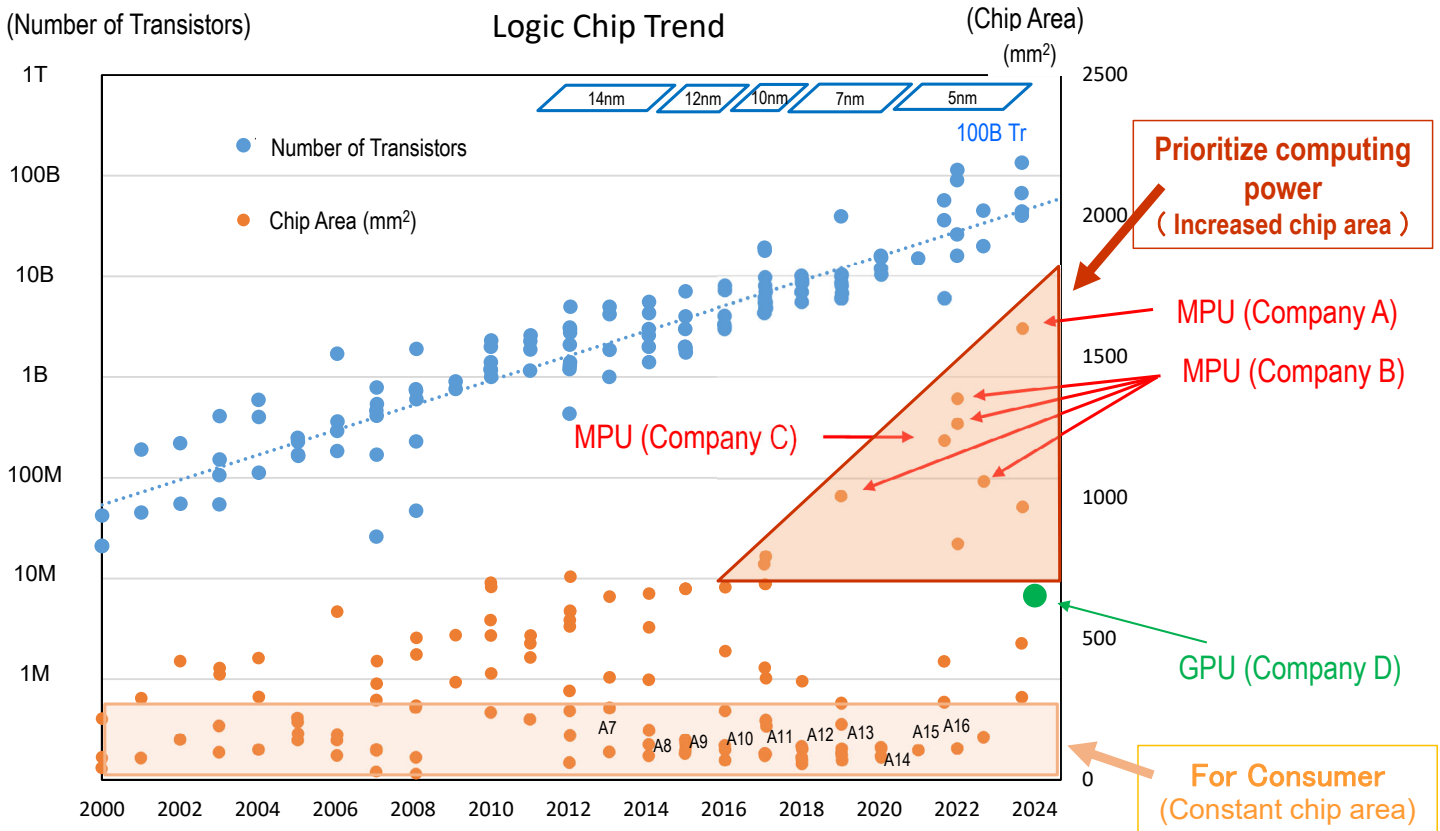
(Source: SUMCO's estimation)

3. Improving Device Functionality and Increasing Chip Area

- 1-1. Increasing Logic Transistor Count and Impact on Chip Area
(Functional Enhancement)
- 1-2. Combining Subdivided Chips (Increase in Silicon Area)
2. Image Sensor Chip stacking
3. 3D DRAM stacking
4. Improvement in 3D-NAND performance
5. Changes in Structure of Leading-edge Packages (multi-chip modules)

3-1-1. Increasing Logic Transistor Count and Impact on Chip Area

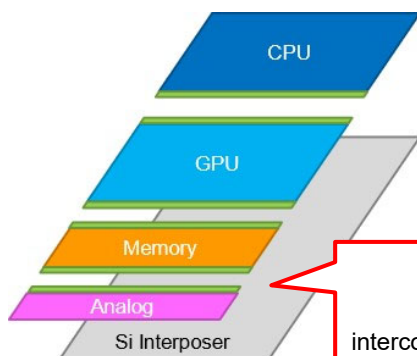
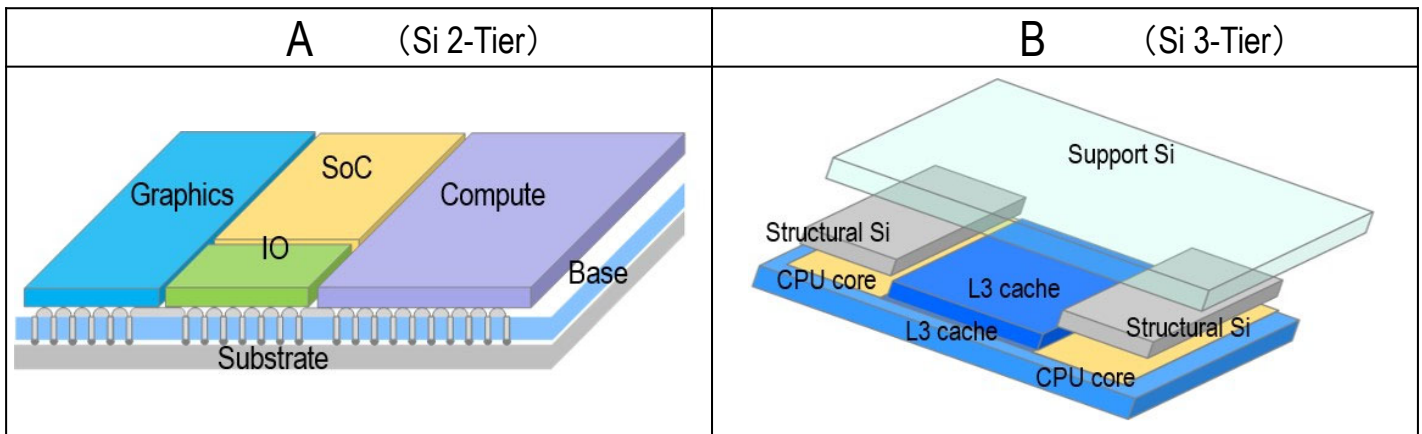
(Functional Enhancement)



(Source: Prepared by SUMCO from data announced by each company and publicly available information)

3-1-2. Combining Subdivided Chips (Increase in Silicon Area)

Higher Functionality by Connecting Various Chips



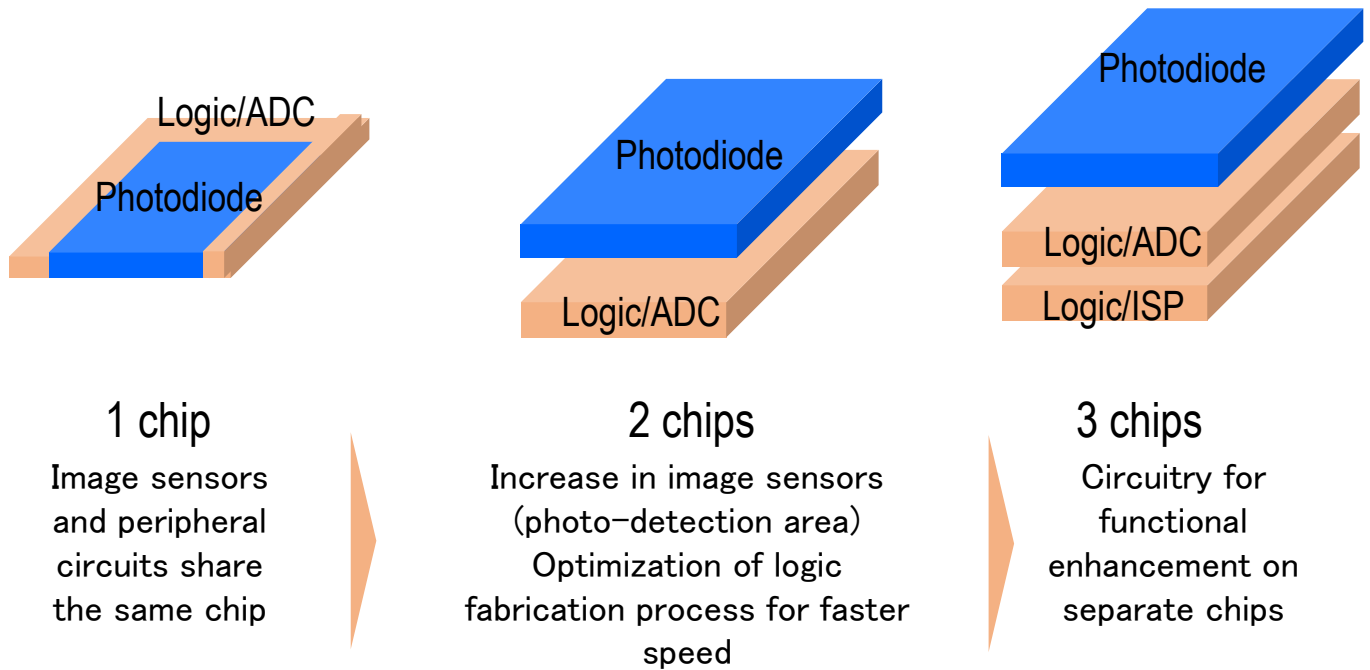
Silicon interposer:
A thin substrate used for interconnection between multiple chips.

Silicon area more than doubles
due to use of silicon interposers, etc. for connections between chips

(Source: Prepared by SUMCO from publicly available information)

3-2. Image Sensor Chip stacking

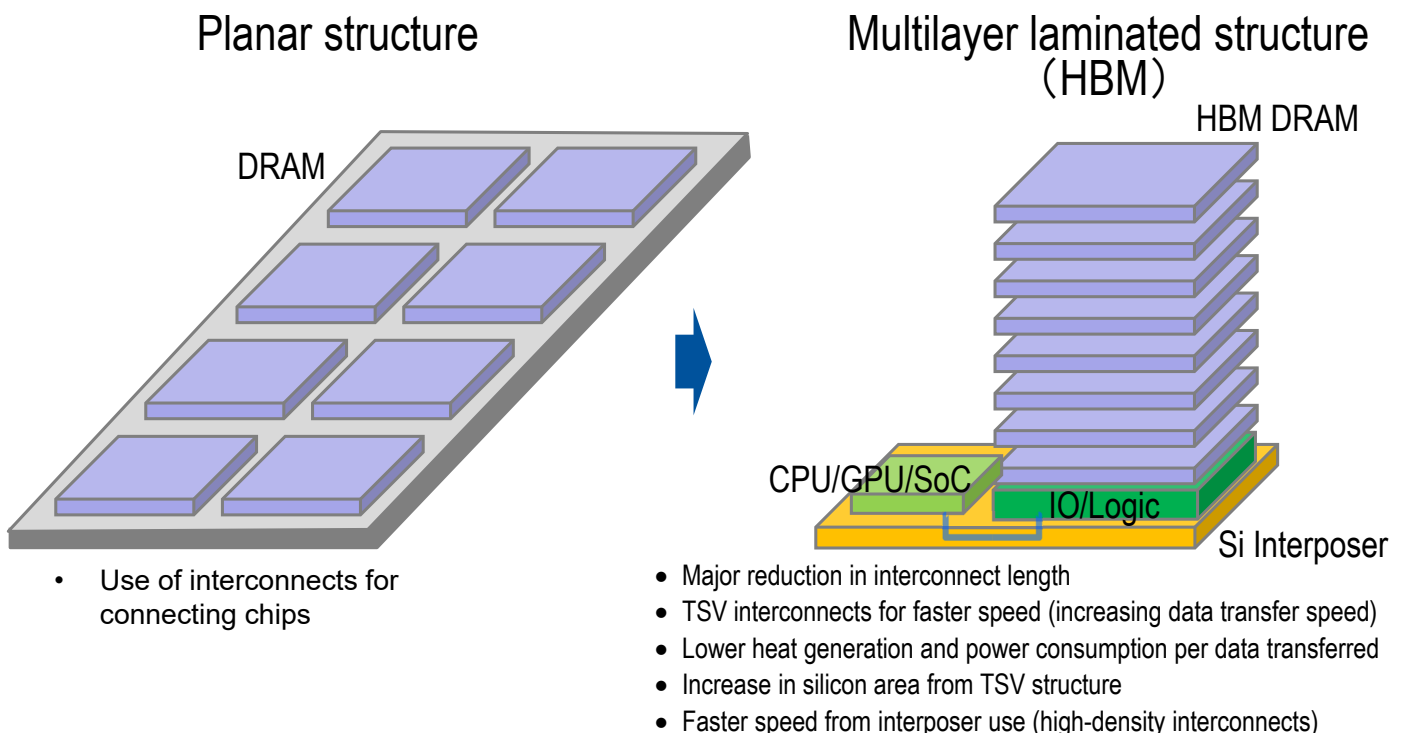
- ✓ Analog/digital conversion (ADC), logic and interconnects deployed in lower layers
- ✓ Image signal processors (ISP) installed virtually, made faster



(Source: Prepared by SUMCO from publicly available information)

3-3. 3D DRAM stacking

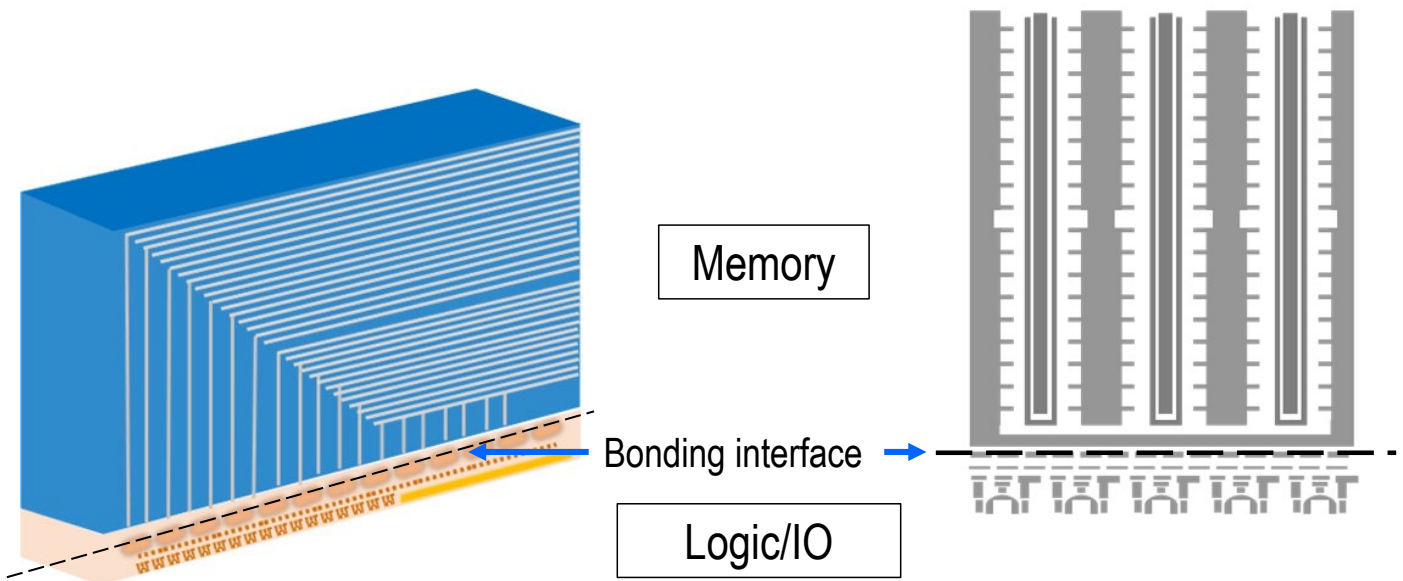
With advances in generative AI, etc., processing of large volumes of data at high speed
→ Reduced latency of interconnects, etc. (use of HBM=High Bandwidth Memory)



(Source: Prepared by SUMCO from publicly available information)

3-4. Improvement in 3D-NAND performance

Greater bit density and faster transfer speed are achieved by bonding together peripheral circuitry and memory array wafers.



Uses 2 silicon wafers

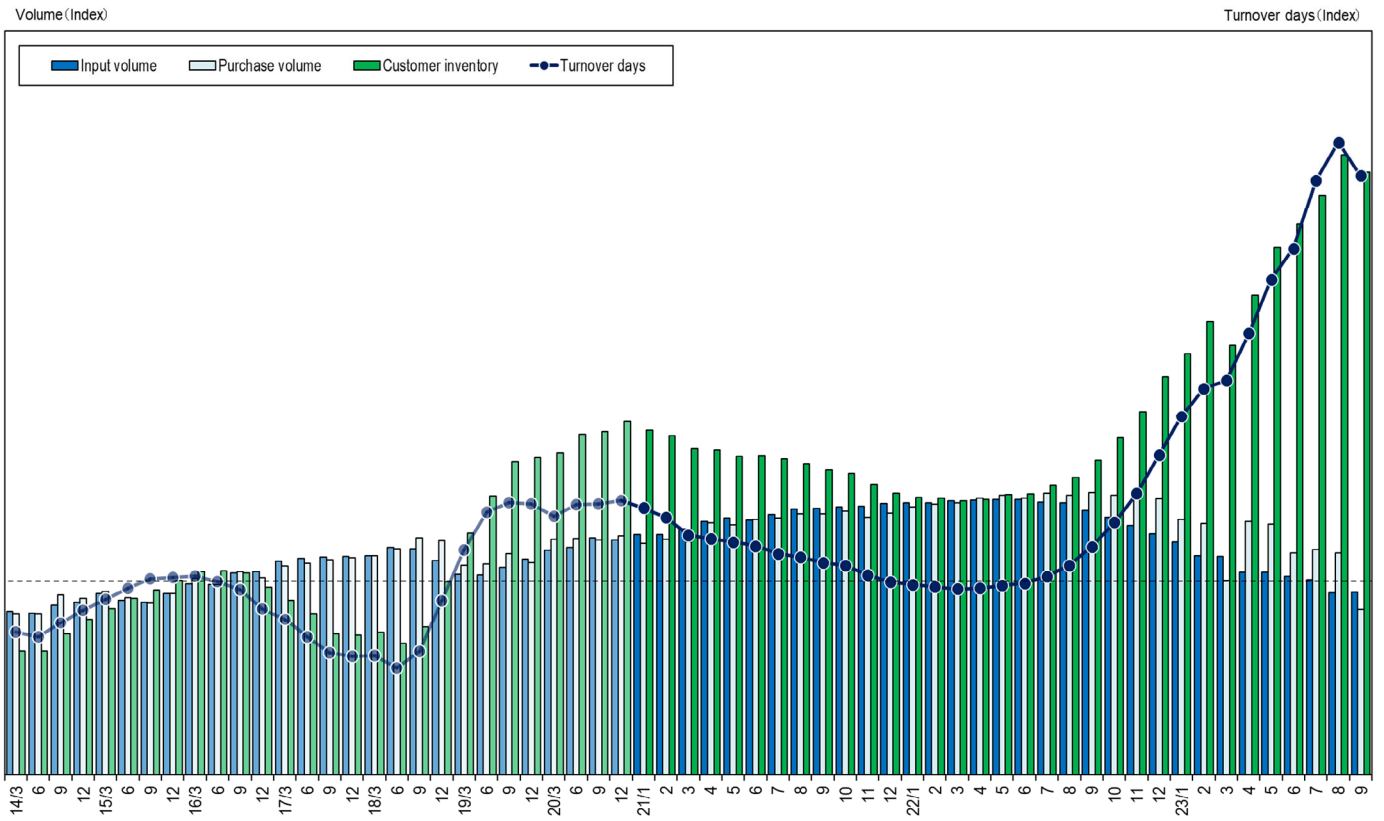
(Source: Prepared by SUMCO from publicly available information)

3-5. Changes in Structure of Leading-edge Packages (multi-chip modules)

Structures combining multiple chips are necessary for achieving advanced functionality, resulting in greater silicon wafer area consumption.

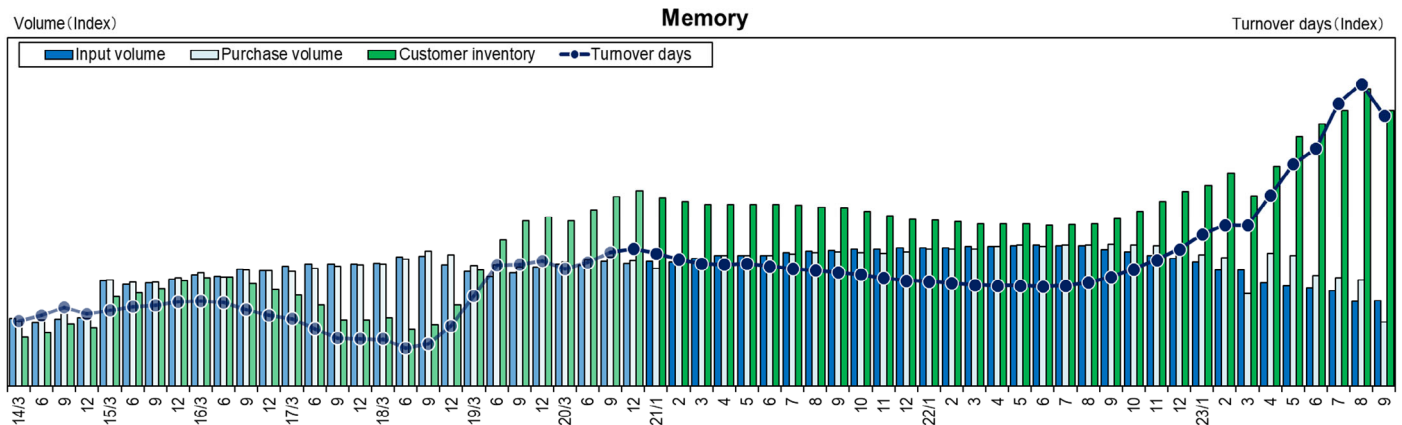
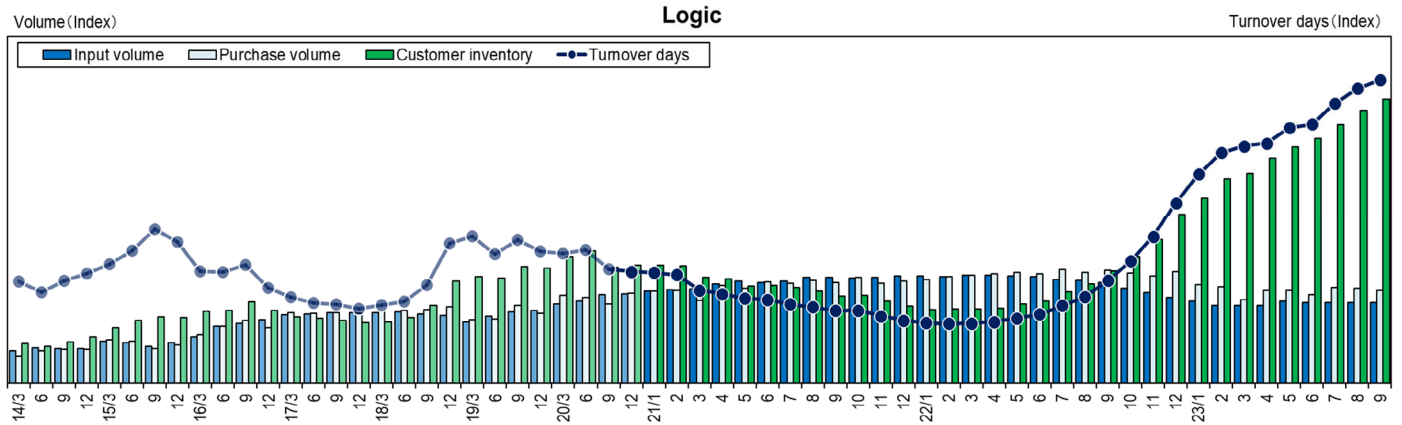
1. Logic Increase in silicon wafer consumption from use of chiplets for achieving both higher functionality and productivity
2. CIS Increase in silicon wafer consumption from 3D stacking for increasing photo-detection area and image processing speed
3. DRAM Increase in silicon wafer consumption from 3D stacking for faster processing of large amounts of data
4. NAND Increase in silicon wafer consumption from fabricating separate wafers using optimized processes for memory stacking and faster peripheral circuitry, respectively, and bonding them together

4-1. Customer 300mm Wafer Inventory Trend



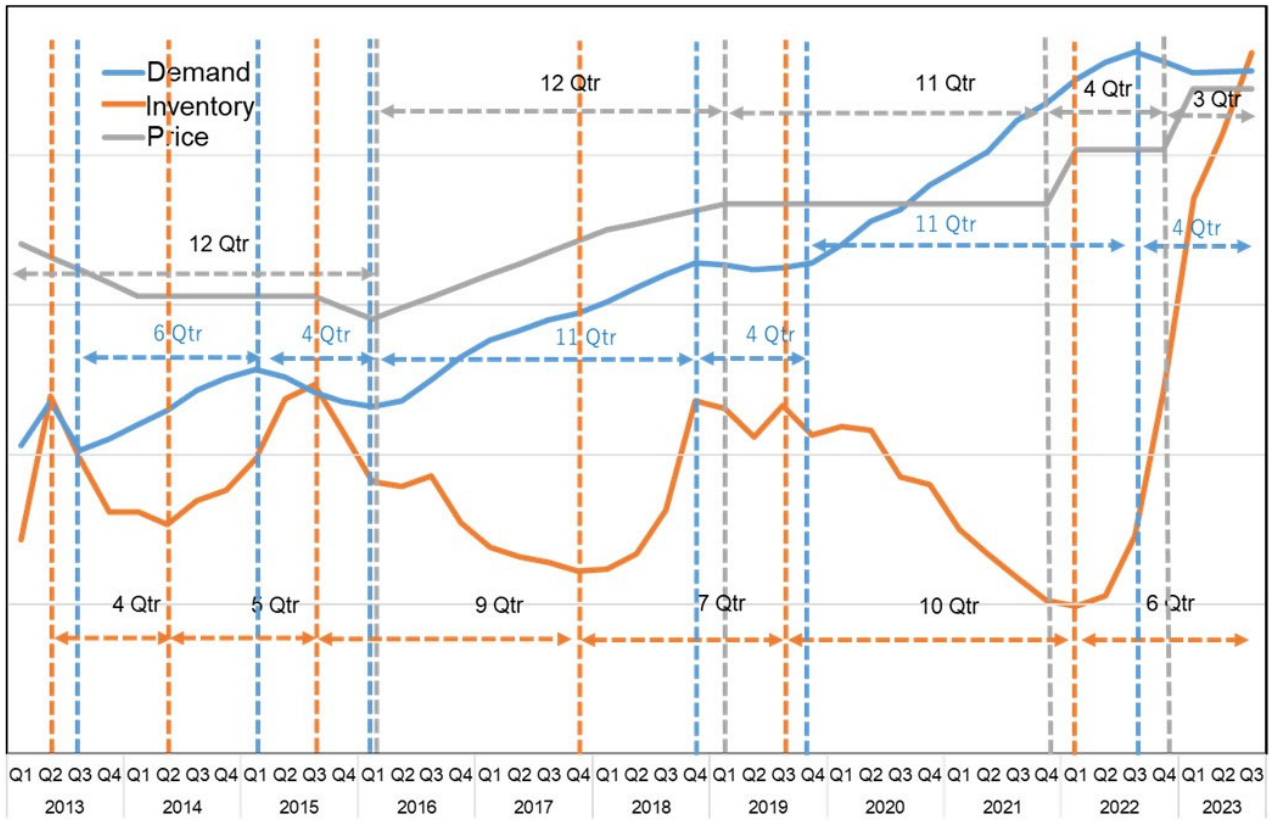
(Source: SUMCO's estimation)

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



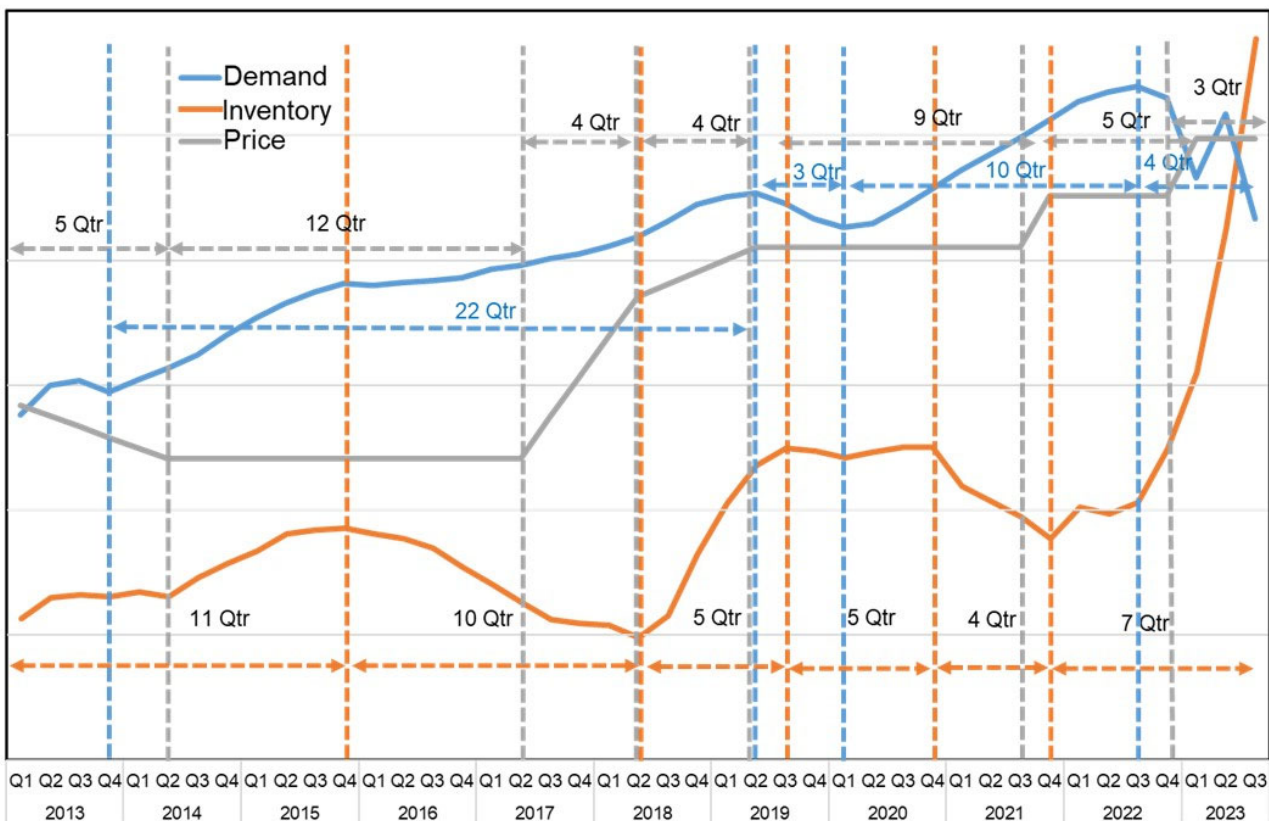
(Source: SUMCO's estimation)

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

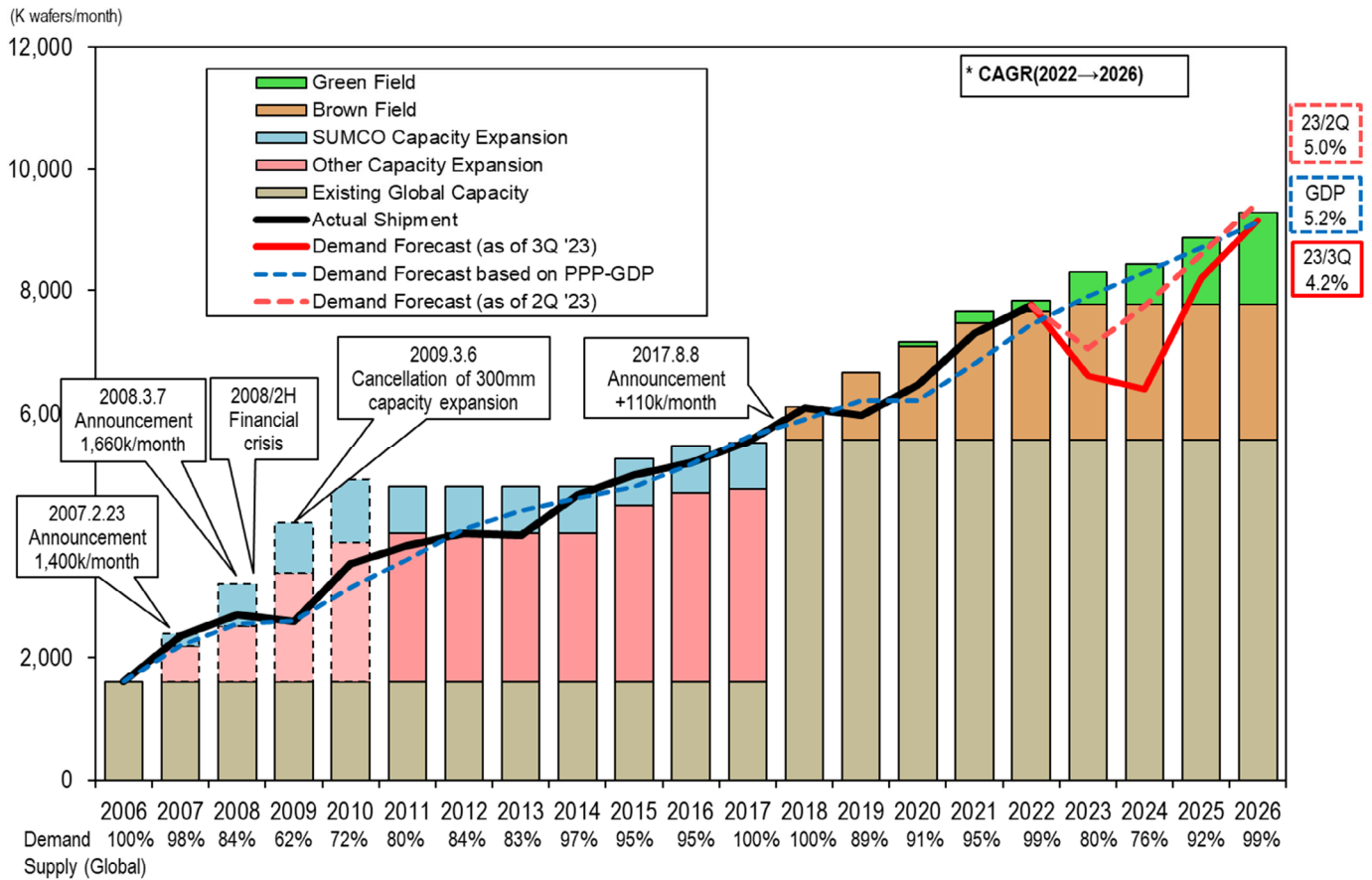


(Source: SUMCO's estimation)

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



(Source: SUMCO's estimation)



(Source: SUMCO's estimation)

3Q-2023 Consolidated Business Result

Michiharu Takii
Representative Director,
Vice Chairman,
Chief Financial Officer

7-1. Summary of Consolidated Business Result

(Billions of Yen)

| | 3Q-2022 (9 months) | 3Q-2023 Actual (9 months) | | | | Change QoQ |
|--|-----------------------|---------------------------|-------|-------|--------|---------------|
| | | 1Q | 2Q | 3Q | Total | |
| Net sales | 323.6 | 109.9 | 110.7 | 100.2 | 320.8 | (2.8) |
| Operating income | 79.9 | 25.9 | 20.8 | 15.1 | 61.8 | (18.1) |
| Non-operating income and expenses | 3.5 | 1.4 | 0.4 | 0.3 | 2.1 | (1.4) |
| Ordinary income | 83.4 | 27.3 | 21.2 | 15.4 | 63.9 | (19.5) |
| Extraordinary income | - | 20.1 | - | - | 20.1 | +20.1 |
| Income taxes | (22.4) | (7.7) | (6.7) | (3.9) | (18.3) | +4.1 |
| Net income attributable to non-controlling interests | (9.3) | (2.1) | (2.5) | (2.2) | (6.8) | +2.5 |
| Net income attributable to owners of the parent | 51.7 | 37.6 | 12.0 | 9.3 | 58.9 | +7.2 |
| Capital expenditure (Acceptance basis) | 79.2 | 91.6 | 55.3 | 78.4 | 225.3 | +146.1 |
| Depreciation | 43.0 | 14.0 | 16.5 | 19.2 | 49.7 | +6.7 |
| EBITDA (*) | 123.1 | 40.1 | 37.4 | 34.2 | 111.7 | (11.4) |
| Exchange rate (Yen/US\$) (*2) | 126.4 | 133.2 | 135.9 | 144.1 | 137.3 | +10.9 |
| Operating margin (%) | 24.7% | 23.6% | 18.8% | 15.0% | 19.3% | (5.4%) |
| EBITDA margin (%) | 38.1% | 36.5% | 33.8% | 34.2% | 34.8% | (3.3%) |
| ROE (%) | 13.9% | 15.8% | 8.5% | 6.5% | 12.9% | (1.0%) |
| Basic Earnings per share (Yen) | 147.91 | 107.66 | 34.14 | 26.57 | 168.42 | +20.51 |

*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

7-2. Analysis of Changes in Operating Income

1. 2Q-2023 Actual → 3Q-2023 Actual

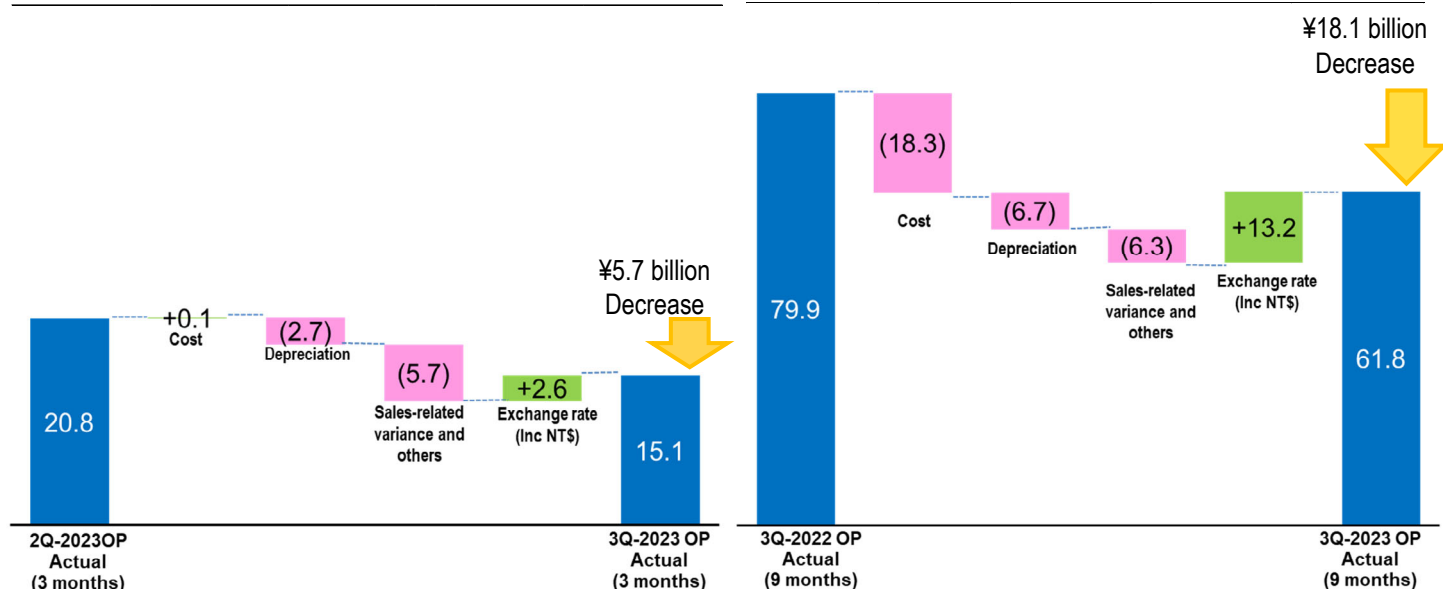
(Billions of Yen)

| | 2Q-2023 Actual | 3Q-2023 Actual | Change |
|--------------------------|-------------------|-------------------|--------|
| Net Sales | 110.7 | 100.2 | (10.5) |
| Operating Income | 20.8 | 15.1 | (5.7) |
| Exchange Rate (Yen/US\$) | 135.9 | 144.1 | +8.2 |

2. 3Q-2022 Actual → 3Q-2023 Actual

(Billions of Yen)

| | 3Q-2022 Act (9 months) | 3Q-2023 Act (9 months) | Change |
|--------------------------|---------------------------|---------------------------|--------|
| Net Sales | 323.6 | 320.8 | (2.8) |
| Operating Income | 79.9 | 61.8 | (18.1) |
| Exchange Rate (Yen/US\$) | 126.4 | 137.3 | +10.9 |



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

1. Consolidated Balance Sheet

(Billions of Yen)

| | End of Dec-2022 | End of Sep-2023 | Change |
|--------------------------------|--------------------|--------------------|---------------|
| Cash and time deposits | 259.3 | 182.9 | (76.4) |
| Notes and accounts receivable | 89.9 | 80.3 | (9.6) |
| Finished products and WIP | 46.9 | 58.8 | +11.9 |
| Raw materials and supplies | 135.4 | 159.0 | +23.6 |
| Tangible and intangible assets | 308.6 | 492.9 | +184.3 |
| Deferred income tax assets | 8.3 | 8.4 | +0.1 |
| Other assets | 44.1 | 47.6 | +3.5 |
| Total Assets | 892.5 | 1,029.9 | +137.4 |
| Debt and borrowings | 141.3 | 191.0 | +49.7 |
| Other liabilities | 159.8 | 206.7 | +46.9 |
| Liabilities | 301.1 | 397.7 | +96.6 |
| Capital stock | 199.0 | 199.0 | - |
| Capital surplus | 85.2 | 85.2 | +0 |
| Retained earnings | 234.3 | 262.8 | +28.5 |
| Non-controlling interests etc. | 72.9 | 85.2 | +12.3 |
| Equity | 591.4 | 632.2 | +40.8 |
| Shareholders' equity ratio | 59.8% | 55.4% | (4.4%) |
| Equity per share (Yen) | 1,523.7 | 1,630.5 | +106.8 |
| D/E ratio (gross) | 0.26x | 0.34x | +0.08x |
| D/E ratio (net) | (0.22)x | +0.01x | +0.23x |

2. Consolidated Cash-Flow

(Billions of Yen)

| | 3Q-2023 (9 months) |
|---|-----------------------|
| Income before income taxes | 84.0 |
| Extraordinary income | (20.1) |
| Depreciation | 49.7 |
| Subtotal | 113.6 |
| Increase in inventories | (16.4) |
| Others, net | (22.3) |
| Net cash provided by operating activities | 74.9 |
| Capital expenditure (Acceptance basis) | (225.3) |
| Proceeds from purchase of shares of subsidiaries | 9.9 |
| Others, net | 46.5 |
| Net cash used in investing activities | (168.9) |
| Free cash-flow | (94.0) |
| Cash flow from financing activities, etc. | |
| Dividends paid | (37.4) |
| Proceeds from debt | 49.0 |
| Foreign currency translation adjustments and others | 6.0 |
| Net decrease in cash and time deposits | (76.4) |

4Q-2023 Consolidated Business Forecast

8-1. 4Q-2023 Consolidated Business Forecast



(Billions of Yen)

| | FY2022 Actual | FY2023 Forecast | | | | Total | Change |
|--|---------------|-----------------|--------|--------|---------|--------|---------|
| | | 1Q ACT | 2Q ACT | 3Q ACT | 4Q FCST | | |
| Net sales | 441.0 | 109.9 | 110.7 | 100.2 | 101.0 | 421.8 | (19.2) |
| Operating income | 109.6 | 25.9 | 20.8 | 15.1 | 6.5 | 68.3 | (41.3) |
| Non-operating income and expenses | 1.7 | 1.4 | 0.4 | 0.3 | (1.5) | 0.6 | (1.1) |
| Ordinary income | 111.3 | 27.3 | 21.2 | 15.4 | 5.0 | 68.9 | (42.4) |
| Extraordinary income and expenses | - | 20.1 | - | - | - | 20.1 | +20.1 |
| Income taxes | (29.5) | (7.7) | (6.7) | (3.9) | (1.0) | (19.3) | +10.2 |
| Net income attributable to non-controlling interests | (11.6) | (2.1) | (2.5) | (2.2) | (1.5) | (8.3) | +3.3 |
| Net income attributable to owners of the parent | 70.2 | 37.6 | 12.0 | 9.3 | 2.5 | 61.4 | (8.8) |
| Depreciation | 59.5 | 14.0 | 16.5 | 19.2 | 22.1 | 71.8 | +12.3 |
| EBITDA | 169.5 | 40.1 | 37.4 | 34.2 | 28.6 | 140.3 | (29.2) |
| Exchange rate (Yen/US\$) (*1) | 131.0 | 133.2 | 135.9 | 144.1 | 145.0 | 139.5 | +8.5 |
| Operating margin (%) | 24.9% | 23.6% | 18.8% | 15.0% | 6.4% | 16.2% | (8.7%) |
| EBITDA margin (%) | 38.4% | 36.5% | 33.8% | 34.2% | 28.3% | 33.3% | (5.1%) |
| ROE (%) | 13.9% | 15.8% | 8.5% | 6.5% | 1.8% | 11.1% | (2.8%) |
| Basic Earnings per share (Yen) | 200.49 | 107.66 | 34.14 | 26.57 | 7.15 | 175.60 | (24.89) |

*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.

8-2. Analysis of Changes in Operating Income

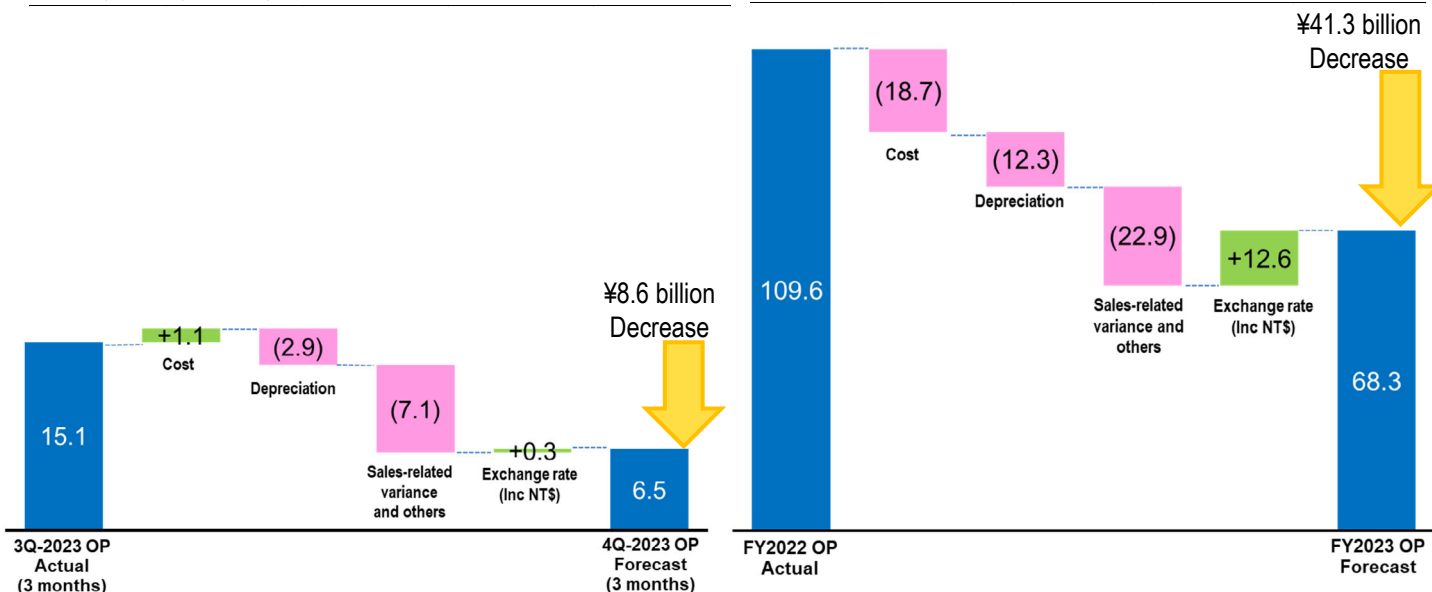


1. 3Q-2023 Actual → 4Q-2023 Forecast

2. 2022 Actual (12 months) → 2023 Forecast (12 months)

| | 3Q-2023 Actual | 4Q-2023 Forecast | Change |
|--------------------------|----------------|------------------|--------|
| Net Sales | 100.2 | 101.0 | +0.8 |
| Operating Income | 15.1 | 6.5 | (8.6) |
| Exchange Rate (Yen/US\$) | 144.1 | 145.0 | +0.9 |

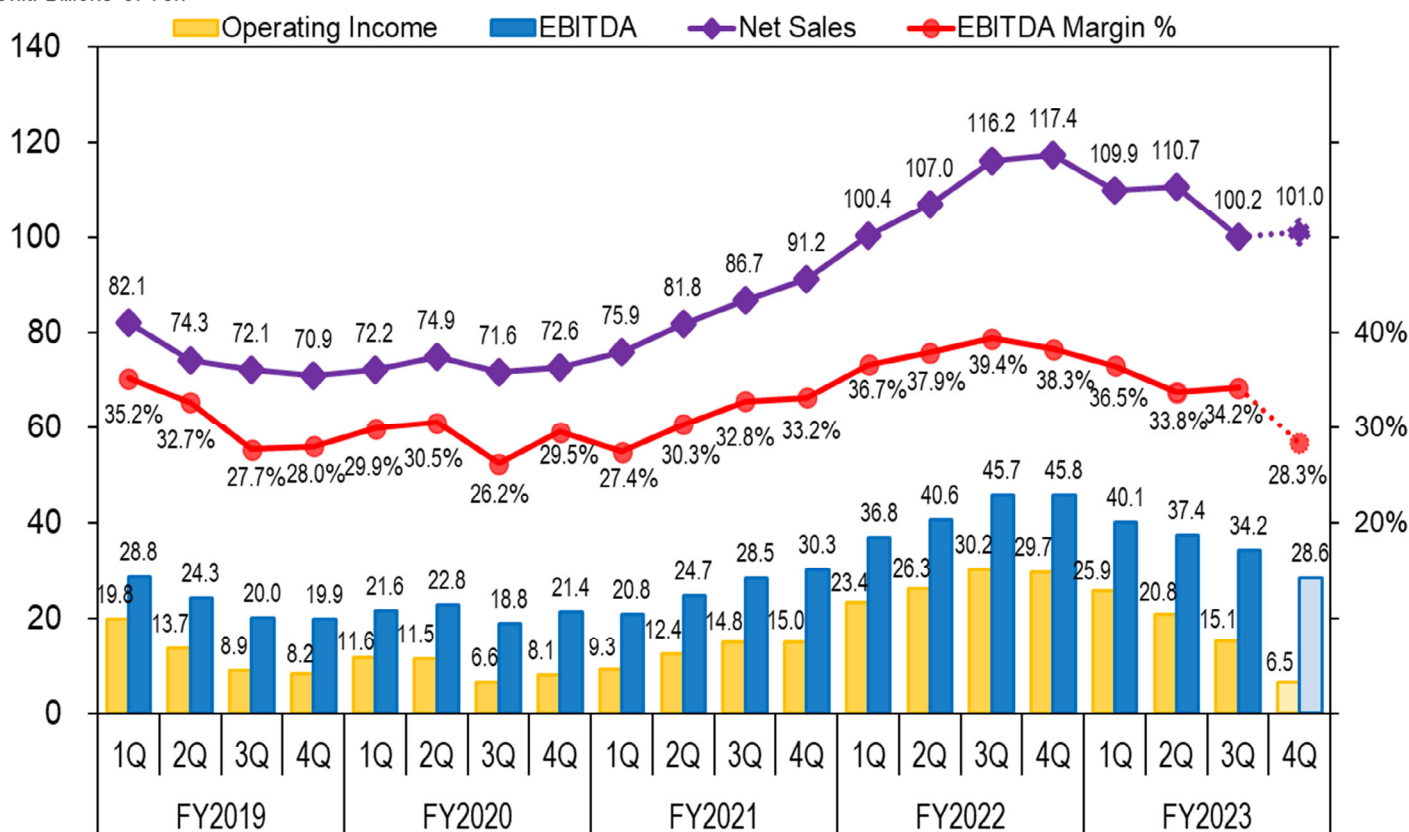
| | FY2022 Actual | FY2023 Forecast | Change |
|--------------------------|---------------|-----------------|--------|
| Net Sales | 441.0 | 421.8 | (19.2) |
| Operating Income | 109.6 | 68.3 | (41.3) |
| Exchange Rate (Yen/US\$) | 131.0 | 139.5 | +8.5 |



Reference Materials

Quarterly Trend

Unit: Billions of Yen





URL <https://www.sumcosi.com/>