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Japan Chemicals

Interview with Sumco president, Shin-Etsu's new Mimasu Semiconductor facilities

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CITI'S TAKE

On July 27, Nikkei Crosstech published an interview with Sumco President Tatsuda. The main points were as follows. 1) Inventory adjustment effects still remain in the overall wafer market; however, the market is recovering heading into 2026 H2. 2) The wafer market has historically repeated a cycle where companies implement capacity expansion when demand grows, leading to oversupply and market deterioration. This is why Sumco emphasizes quality over quantity. The company decided in March 2026 to postpone new plant construction in Yoshinogari and prioritize upgrades to existing plants.

- **Implications** — While the timing of the interview remains unclear, we find the comments in 1) conservative compared to Shin-Etsu Chemical's earnings briefing comments (July 24) stating that wafer demand expanded rapidly from June, that July 300mm shipment volume hit a record high, and that it believes all companies are currently operating at full capacity. Also, we had thought based on Shin-Etsu's comments that Sumco might be considering resuming construction of the new Yoshinogari plant. Based on the article, however, Sumco appears to prioritize upgrading existing plants for now, consistent with their March 2026 policy.

- **Shin-Etsu** — We understand Shin-Etsu Chemical did not rule out the possibility of a 50% price hike should it invest in large-scale capacity expansion. However, the company has always been cautious about such investment. Neither SUMCO nor Shin-Etsu are actively pursuing large-scale capacity expansion currently, suggesting we can expect supply/demand discipline. However, without significant capacity expansion price hike expectations will also recede. Mimasu Semiconductor (a company handling reclaimed wafers and prime wafers that Shin-Etsu Chemical made a wholly owned subsidiary in 2025) announced in July 2023 an investment of ¥77bn (buildings and utilities only) for construction of new state-of-the-art 300mm prime wafer manufacturing facilities, with completion scheduled for July 2025 (SUMCO's investment for buildings and utilities at the new Imari plant announced in 2021 was ¥78.6bn). When we met with Mimasu Semiconductor at that time, management explained operation would begin about one year after completion (2026). Shin-Etsu Chemical may have remaining capacity expansion potential through brownfield development, which we intend to confirm in a meeting scheduled for July 29.

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