

## Equity Investment Products Investment Ideas



### Japan Semis: Building Blocks of Innovation – Auto-callable Recovery Coupon Performance Note and EKI

Semiconductor prices should remain elevated given the supply shortage is expected to persist for at least another year or so. Longer-term trends are also supportive, given the rise of new and improving technologies including 5G/IoT, increasingly electrified vehicles, higher-spec smartphones, and data centre investment. In Japan, beneficiaries include companies that manufacture silicon wafers and semiconductor production equipment (SPE) companies.

Shin-Etsu Chemical's (4063 JP) semiconductor wafer business accounts for about a third of operating profits and benefits from rising demand for semiconductors. The wafer business has a high ratio of long-term contracts (~90%), which provides high visibility on demand. Meanwhile the PVC business is heavily skewed towards the US, and should benefit from the savings glut which would push up building permit and housing start numbers.

SUMCO (3436 JP) is the second-largest semiconductor wafer manufacturer globally (after Shin-Etsu). While it is a pure-play on silicon wafer manufacturing, and thus is a key beneficiary of long-term growth in demand for semiconductor wafers, it is also more exposed to spot price movements, with long-term contract ratio at ~50%. That may be an advantage given the current upcycle.

Tokyo Electron (8035 JP), as the largest Semiconductor Production Equipment (SPE) company in Japan by market cap, is a well-rounded semiconductor company with a geographically dispersed customer base. Its field solutions (i.e. after-sales maintenance) business provides a steady and growing recurring income base.

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## Investment Objectives

Investor who wishes to enjoy potentially higher returns on their funds.

Investor who is expecting a neutral to slightly positive performance in the underlying equities, and is comfortable investing for the entire tenor and are willing and able to accept the potential delivery of underlying at the strike price at maturity.

**For further enquiries, please contact your relationship manager.**

## Investment Risks

### Market Risks

Investing in this product involves market risk. Changes in price, level or value of the underlying equity can be unpredictable, sudden and large. Such changes may result in the price or value of the note moving adversely to the interests of the investor and negatively impacting upon the return on, or redemption of, the note. In extreme circumstances, the investor may lose all, or a significant proportion of the original investment.

### Currency Risks

Where the investor has converted amounts from another currency into the specified currency in order to make the investment in the note, the investor should bear in mind the risk of exchange rate fluctuations that may cause a loss on conversion of the specified currency back into such other currency.

### Liquidity Risks

The investor should note that if he/she requests for the market agent to buy back the note, the buy-back price quoted will be determined by the market agent in its absolute discretion and will likely be substantially less than the original amount invested in respect of each note.

### Credit Risks

The note is subject to the credit risk of the Issuer bank. In the worst-case scenario, where the issuer becomes insolvent, the investor will lose his original investment amount.

## Shin-Etsu Chemical Co Ltd

Shin-Etsu Chemical Co., Ltd. produces and distributes synthetic resins and other chemical products such as fertilizers. The Company also manufactures electronic materials such as semiconductor silicon, synthetic, and rare earth quartz. Shin-Etsu Chemical operates in Japan and overseas.

|                    | LAST FY ACTUAL | CURRENT FY ESTIMATE | NEXT FY ESTIMATE |
|--------------------|----------------|---------------------|------------------|
| PRICE / EPS        | 23.55          | 19.99               | 18.95            |
| PRICE / BOOK       | 2.57           | 2.44                | 2.25             |
| DIVIDEND YIELD (%) | 1.38           | 1.66                | 1.81             |

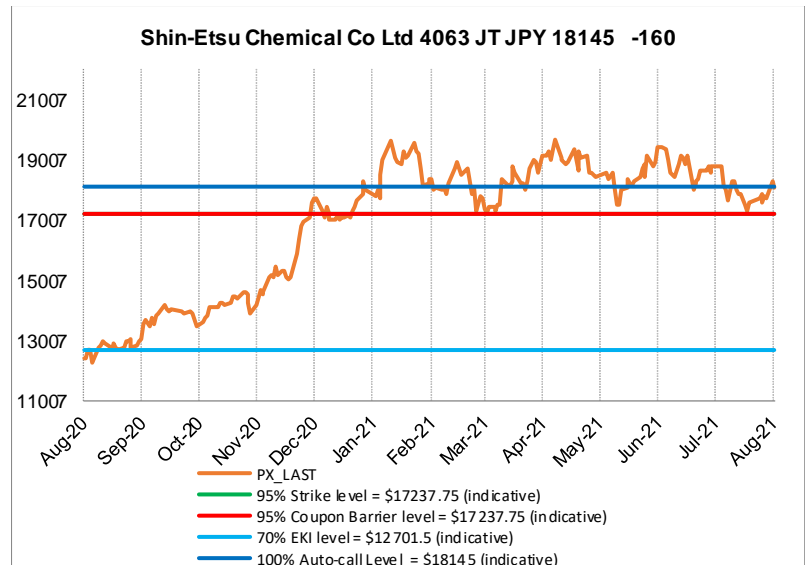
Source: Bloomberg

### MSCI ESG Ratings:



Source: MSCI as of 3 August 2021

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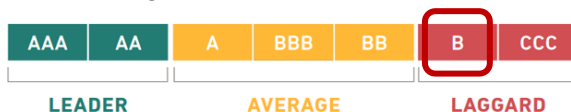
## SUMCO Corp

SUMCO Corporation manufactures silicon wafers for the semiconductor industry. The Company produces silicon wafers used to produce solar batteries as well as ultra-high purity quartz used to produce vessels for silicon manufacturing process. SUMCO markets its products worldwide.

|                    | LAST FY ACTUAL | CURRENT FY ESTIMATE | NEXT FY ESTIMATE |
|--------------------|----------------|---------------------|------------------|
| PRICE / EPS        | 30.64          | 23.43               | 16.23            |
| PRICE / BOOK       | 2.32           | 2.21                | 2                |
| DIVIDEND YIELD (%) | 0.97           | 1.27                | 1.78             |

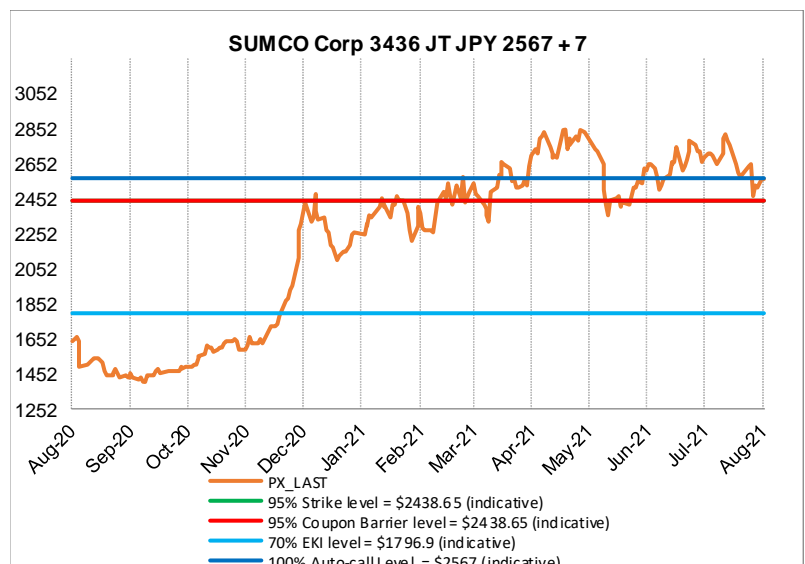
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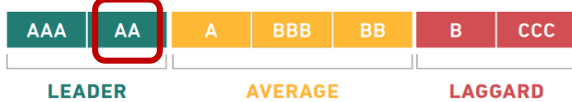
# Tokyo Electron Ltd

Tokyo Electron Limited manufactures and sells industrial electronics products, such as semiconductor manufacturing machines, flat panel display (FPD) manufacturing machine, photo voltaic (PV) manufacturing machine, and electronic components. The Company products are sold in US, Taiwan, and others as well as in Japan.

|                    | LAST FY ACTUAL | CURRENT FY ESTIMATE | NEXT FY ESTIMATE |
|--------------------|----------------|---------------------|------------------|
| PRICE / EPS        | 29.69          | 21.09               | 18.72            |
| PRICE / BOOK       | 7.04           | 6.2                 | 5.26             |
| DIVIDEND YIELD (%) | 1.68           | 2.3                 | 2.63             |

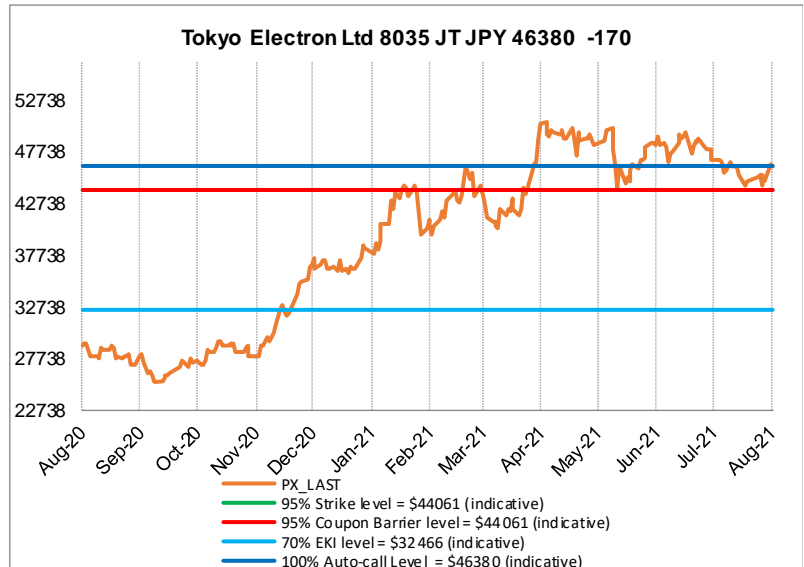
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**Product Summary (Indicative Terms)**

|                            |   |
|----------------------------|---|
| <b>Product Type</b>        | <b>Recovery Coupon Performance Note</b>   |
| <b>Issuer</b>              | Goldman Sachs International   |
| <b>Tenor</b>               | 6 Months  |
| <b>Currency</b>            | JPY   |
| <b>Underlying(s)</b>       | Shin-Etsu Chemical Co Ltd (4063 JT)<br>SUMCO Corp (3436 JT)<br>Tokyo Electron Ltd (8035 JT) |
| <b>Strike Level</b>        | 95%   |
| <b>Coupon Barrier</b>      | 95%   |
| <b>Recovery Coupon</b>     | 18.13% (p.a.)   |
| <b>Auto-call Level</b>     | 100%  |
| <b>Auto-call Frequency</b> | Monthly, Excluding Maturity   |
| <b>Barrier Type</b>        | EKI   |
| <b>Barrier Level</b>       | 70%   |
| <b>Product Risk Rating</b> | 4 (1 to 5, 5 being the highest)   |

## Product Description

|   |   |
|---|---|
| <b>Product Name</b>                         | Auto-callable Recovery Coupon Performance Note and EKI  |
| <b>Description</b>                          | <p>Early Redemption Event - The Note will be early redeemed if, on any observation date (the last day of each coupon period excluding the Final Valuation Date), the closing price / level of the laggard Underlying is at or above its Call Level. Upon the occurrence of an Early Redemption Event, the Note will be early redeemed and the investor will receive their investment amount together with the Recovery Coupon calculated until the Early Redemption Date.</p> <p>The redemption amount on the Maturity Date will depend on the closing price / level of the laggard Underlying on the Final Valuation Date and whether a Knock-In Event has been triggered.</p> <p>i) If the closing price / level of the laggard Underlying on the Final Valuation Date is at or above its Coupon Barrier, the investor will receive back their investment amount together with the higher of the Recovery Coupon calculated until the Maturity Date or the return of the laggard Underlying.</p> <p>ii) If the closing price / level of the laggard Underlying on the Final Valuation Date is below its Coupon Barrier but at or above its Knock-In Barrier (i.e. Knock-In Event has not been triggered), the investor will receive back their investment amount.</p> <p>iii) If the closing price / level of the laggard Underlying on the Final Valuation Date is below its Knock-In Barrier (i.e. Knock-In Event has been triggered), the investor will receive physical delivery of the laggard Underlying at its Strike Level.</p> |
| <b>Worst Case</b>                           | In a falling market, if the Knock-In Event has been triggered and the closing price / level of the laggard Underlying on the Final Valuation Date is below its Strike Level, the investor will suffer a mark-to-market loss as they will receive the laggard Underlying which will be worth less than the initial investment amount. In the worst-case scenario, where the closing price / level of the laggard Underlying is zero, the investor may lose their entire investment amount as the shares / units of the laggard Underlying they receive will be worthless.  |
| <b>Principal at Risk</b>                    | Yes   |
| <b>Issuer Risk</b>                          | Yes   |
| Please refer to term sheet for full details |   |

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