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Security Code: 3436

April 8, 2011

Dear Shareholders,

1-2-1 Shibaura, Minato-ku, Tokyo

## **SUMCO CORPORATION**

Yoichi Taguchi,

President

### **Notice of Convocation of the 12th Ordinary General Meeting of Shareholders**

We express our heartfelt sympathy to our shareholders who have been devastated by the earthquake that struck the Tohoku (northeast) region of Japan.

You are cordially invited to attend the 12th Ordinary General Meeting of Shareholders of SUMCO CORPORATION. The meeting will be held as described below.

If you are unable to attend the meeting in person, you may exercise your voting rights by postal voting or via the Internet. Prior to voting, please examine the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights as outlined on the following page.

#### **Details**

- 1. Date and Time:** Wednesday, April 27, 2011, at 10 a.m. (reception starts at 9 a.m.)
- 2. Place:** Mielparque Hall  
2-5-20, Shibakouen, Minato-ku, Tokyo
- 3. Objectives of the Meeting**  
**Matters to be reported:**
  1. Business Report and Consolidated Financial Statements for the 12th Fiscal Year (from February 1, 2010 to January 31, 2011), as well as the Audit Reports of the Accounting Auditor and the Board of Corporate Auditors for Consolidated Financial Statements
  2. Non-consolidated Financial Statements for the 12th Business Year (from February 1, 2010 to January 31, 2011)

#### **Agenda for resolutions:**

**Proposal 1:** Election of One (1) Director

**Proposal 2:** Election of One (1) Corporate Auditor

## **Exercising Voting Rights**

### **(Exercising voting rights by postal voting)**

Shareholders are requested to indicate for or against each proposal by filling in the enclosed Form for Exercising Voting Rights, and post it to us by mail so that your vote is received by 5:45 p.m. on Tuesday, April 26, 2011.

Please attach the enclosed information protection sticker on the Form for Exercising Voting Rights when returning it to us.

### **(Exercising voting rights via the Internet)**

Shareholders are requested to review the Procedures for the Exercise of Voting Rights via the Internet on pages 46 and 47, and exercise their voting rights by 5:45 p.m. on Tuesday, April 26, 2011.

If you vote multiple times via the Internet, the final vote shall be deemed to be valid.

If a vote is duplicated by being exercised both by postal voting and via the Internet, the vote received via the Internet shall be deemed to be valid.

You are kindly requested to present the enclosed Form for Exercising Voting Rights to the receptionist when you attend the meeting.

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\* If any changes have been made to items in the Reference Documents for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements, or Non-consolidated Financial Statements which need to be amended by the day before the General Meeting of Shareholders, such changes will be posted to you by mail or on the Company's website. (<https://www.sumcosi.com/>)

## **Business Report**

(For the fiscal year from February 1, 2010 to January 31, 2011)

### 1. Business Progress and Achievement of the Corporate Group

#### (1) Business activities and results

The economy during the current fiscal year followed a trend of recovery led by the growth in China and other emerging economies. The developed nations, on the other hand, were stuck in slow recovery; fiscal crisis became a public issue in certain European countries and there was a lingering insecurity concerning the financial and employment situation.

In the semiconductor market, there was significant growth not only from increased demand for PCs and home electric appliances in the emerging economies, but also an expansion of the market for new electronic devices such as smartphones and tablet PCs<sup>(Note)</sup>. In the second half of the current fiscal year, however, demand for electronic devices, mainly PCs, slowed, causing an increase in semiconductor inventories and a weakening of the market.

Supported by a firm semiconductor market, demand for silicon wafers for semiconductors recovered steadily but then entered an adjustment phase from autumn onwards. Demand for silicon wafers for use in solar energy cells expanded throughout the year.

In this business environment, the SUMCO Group benefited from the market recovery and its sales at first grew. However, from the autumn onwards, in addition to the adjustment phase, the SUMCO Group was also affected by the strong yen, and sales weakened in the second half of the current fiscal year.

As a result of the above, for the current fiscal year, the SUMCO Group posted net sales of 276,962 million yen (up 26.9% from the previous fiscal year), operating loss of 8,431 million yen, and ordinary loss of 26,158 million yen.

In order to construct a strong business base to ensure we return to profit from the next fiscal year onwards and secure stable revenue, we have formulated and are executing our “Profit-Base Enhancement Measures.” The thrust of this plan is to reduce fixed costs, and its initiatives include the construction of an efficient production system for 300 mm wafers, the reorganization and concentration of domestic and overseas production bases for small-diameter wafers 200 mm and less, and the revision of our personnel requirements including the call for early retirement. As a result, we recognized extraordinary loss of 23,000 million yen in the current fiscal year as the cost incurred from these measures.

In addition, in the third quarter, as a result of reviewing the recoverability of deferred tax assets and reversing a portion amounting to 18,075 million yen, a net loss of 65,587 million yen was posted.

Note, the Company recognized impairment losses concerning the stock of a consolidated subsidiary that suffered a significant decrease in real value and posted loss on valuation of stocks of subsidiaries and affiliates of 35,099 million yen. As a result, the Company posted a net loss of 83,210 million yen.

With sincere apologies, the Company has decided not to pay a year-end dividend in light of the current earnings situation of the Company.

Operations of the Yonezawa Plant are currently suspended as a result of the earthquake that struck the Tohoku region of Japan. Looking to recommence operations, we are presently assessing the condition of facilities and equipment, conducting safety inspections and confirming that there are no problems concerning materials and infrastructure. As soon as these inspection and confirmation processes are complete, we will recommence operations while always putting safety first.

(Note) Tablet PCs refer to mobile PCs that possess touch-panel input systems or the like, and devices used to read electronic books.

#### (2) Status of capital investments

Capital investment for the corporate group executed during the current fiscal year totaled 10,395 million yen. Significant components of this investment were 3,079 million yen for manufacturing facilities for 300 mm wafers and 2,083 million yen for manufacturing facilities for wafers for use in solar energy cells, of the SUMCO Group. With the aim of starting operation earlier, the Company decided to move part of manufacturing facilities for 300 mm wafers to FORMOSA SUMCO TECHNOLOGY CORPORATION, a consolidated subsidiary of the Company, and make investments to strengthen its production capacity for 300 mm wafers.

(3) Status of financing

There was no significant financing during the current fiscal year.

(4) Issues to be dealt with

1) Strengthening of cost competitiveness and recovery of profitability

In the business of silicon wafers for semiconductors, we aim to lower the break-even point by reducing fixed costs while boosting our cost competitiveness, and we are constructing an optimized production system through clarifying the functions of each production base to make production more efficient. Through these measures, we are strengthening the Group's integrated business, which includes strengthening the overseas production bases. In addition, we are continuing measures to improve wafer prices.

In the business of silicon wafers for use in solar energy cells, we aim to achieve well-balanced revenue and expenses as early as possible by improving productivity and further improving costs.

By steadily implementing the above initiatives, we aim to construct a resilient corporate foundation whereby it will be possible to ensure stable revenues even in stringent business environments.

2) Further enhancement of technological strengths to fortify business base

In our 300 mm wafer business, which is continuing to grow, we will accurately and speedily respond to the high-precision and high-quality requirements of our customers in our response to expanding demand. As for our small-diameter wafers of 200 mm and less, we aim to differentiate our products by focusing on areas of products whose demand is expected to expand in the future such as discrete devices<sup>(Note)</sup> for energy conservation applications. In addition, we are continuing next-generation wafer research and development and other future-oriented technological challenges. In our response to the continuing growth in demand for wafers for use in solar energy cells, we aim to recover and strengthen our profitability by continuing to address technological challenges in order to be able to supply thinner products and products with higher conversion rates, which take advantage of our superior and original technology.

(Note) Discrete devices are one kind of semiconductor device. The demand for these products is growing for electric power control devices in home electric appliances and hybrid vehicles.

**(5) Status of consolidated assets and operating results for the last 3 business years**

Category	9th business year (year ended January 31, 2008)	10th business year (year ended January 31, 2009)	11th fiscal year (year ended January 31, 2010)	12th fiscal year (year ended January 31, 2011)
Net sales (millions of yen)	474,951	391,928	218,217	276,962
Ordinary profit (loss) (millions of yen)	133,028	39,371	(114,797)	(26,158 )
Net income (loss) (millions of yen)	74,879	18,886	(100,472)	(65,587)
Net income (loss) per share (yen)	294.34	74.36	(389.81)	(254.46)
Total assets (millions of yen)	710,495	733,897	662,882	561,777
Net assets (millions of yen)	415,510	389,521	284,923	216,143
Net assets per share (yen)	1,409.59	1,419.24	1,025.35	761.97

(Note) ( ) signifies a loss.

**(6) Status of significant parent company and subsidiaries****1) Relation to parent company**

N/A

**2) Major subsidiaries**

Company name	Capital	Equity ownership (includes indirect holdings)	Main business activities
SUMCO TECHXIV CORPORATION	11,636 million yen	100.00%	Manufacture of silicon wafers for semiconductor
Japan Super Quartz Corporation	300 million yen	100.00%	Manufacture and sales of high-purity quartz crucibles
SUMCO Solar Corporation	450 million yen	85.00%	Manufacture of silicon wafers for use in solar energy cells
SUMCO Phoenix Corporation	483 million US dollars	100.00%	Manufacture and sales of silicon wafers for semiconductor
FORMOSA SUMCO TECHNOLOGY CORPORATION	7,756 million NT dollars	48.85%	Manufacture and sales of silicon wafers for semiconductor

**(7) Main business activities (as of January 31, 2011)**

Manufacture and sales of silicon wafers

**(8) Main offices and plants (as of January 31, 2011)**

The Company	Head Office	Minato-ku, Tokyo
	Offices	Minato-ku, Tokyo Yodogawa-ku, Osaka Hakata-ku, Fukuoka
	Factories and Plants	Imari Factory (Imari-shi, Saga) Saga Factory (Kohoku-machi, Kishima-gun, Saga) Kansai Factory, Ikuno Plant (Asago-shi, Hyogo) Kansai Factory, Amagasaki Plant (Amagasaki-shi, Hyogo) Yonezawa Factory (Yonezawa-shi, Yamagata) Chitose Factory (Chitose-shi, Hokkaido)
Subsidiaries	Domestic Manufacturing Bases	SUMCO TECHXIV CORPORATION (Omura-shi, Nagasaki, etc.) Japan Super Quartz Corporation (Akita-shi, Akita) SUMCO Solar Corporation (Kainan-shi, Wakayama)
	Overseas Manufacturing Bases	SUMCO Phoenix Corporation (USA) FORMOSA SUMCO TECHNOLOGY CORPORATION (Taiwan)

**(9) Status of employees (as of January 31, 2011)****1) Employees of the corporate group**

Number of employees	Increase (decrease) from the previous year-end
9,459	Decreased by 260

(Note) The number of employees does not include temporary workers.

**2) Employees of the Company**

Number of employees	Increase (decrease) from the previous year-end	Average age	Average service years
4,629	Decreased by 302	39.2 years old	15.1 years

(Note) The number of employees does not include temporary workers.

**(10) Major creditors (as of January 31, 2011)**

Creditor	Balance of borrowings
	millions of yen
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	27,662
Sumitomo Mitsui Banking Corporation	25,662
Development Bank of Japan Inc.	23,765
Mizuho Corporate Bank, Ltd.	18,300
The Sumitomo Trust and Banking Co., Ltd.	18,300
Mitsubishi UFJ Trust and Banking Corporation	18,300

## 2. Status of the Company's Shares (as of January 31, 2011)

- (1) Total number of authorized shares: 804,000,000
- (2) Total number of issued shares: 257,751,739 (including 4,426 shares of treasury stock)
- (3) Number of shareholders: 60,264 (decrease of 4,499 from the previous year-end)

### (4) Major shareholders (Top 10)

Name of shareholder	Number of shares held	Equity ownership
	thousand shares	%
Sumitomo Metal Industries, Ltd.	71,700	27.82
Mitsubishi Materials Corporation	71,700	27.82
MELLON BANK TREATY CLIENTS OMNIBUS	7,314	2.84
THE BANK OF NEW YORK — JASDECTREATY ACCOUNT	7,072	2.74
Japan Trustee Services Bank, Ltd. (Trust account)	4,529	1.76
The Master Trust Bank of Japan, Ltd. (Trust account)	4,182	1.62
Komatsu Ltd.	3,961	1.54
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	3,716	1.44
TAM TWO	2,542	0.99
THE BANK OF NEW YORK EUROPE LIMITED 131705	1,685	0.65

(Note) The equity ownership is calculated after deducting treasury stock (4,426 shares).

## 3. Directors and Corporate Auditors of the Company

### (1) Directors and corporate auditors (as of January 31, 2011)

Position	Name	Status of significant concurrent occupations or positions
* Director and President	Yoichi Taguchi	
* Director	Yoshinari Ishizuka	
Director	Takashi Abe	
Director	Kazufumi Yanaga	
Director	Kimihito Matsuo	
Director	Yukihiro Saeki	
Director	Kazumasa Shoji	
Director	Mayuki Hashimoto	Managing Director (Representative Director), Mitsubishi Materials Corporation
Director	Kenji Takahashi	Managing Executive Officer Sumitomo Metal Industries, Ltd.

Full-time Corporate Auditor	Katsutoshi Fukushima	
Full-time Corporate Auditor	Tamio Kobayashi	
Corporate Auditor	Hitoshi Tanaka	Attorney at law
Corporate Auditor	Kitaro Yoshida	Standing Corporate Auditor, Sumitomo Metal Industries, Ltd.
Corporate Auditor	Keisuke Yamanobe	Managing Director (Representative Director), Mitsubishi Materials Corporation

- (Notes)
1. The directors marked with \* are the Representative Directors.
  2. Directors Mayuki Hashimoto and Kenji Takahashi are outside directors.
  3. Corporate auditors Hitoshi Tanaka, Kitaro Yoshida and Keisuke Yamanobe are outside corporate auditors.
  4. Corporate auditor Tamio Kobayashi, who acquired experiences in corporate accounting and finance over many years at the Company, Mitsubishi Materials Corporation and its corporate group, has considerable knowledge in finance and accounting.
  5. Corporate auditor Keisuke Yamanobe, who acquired experiences in corporate accounting and finance over many years at Mitsubishi Materials Corporation and its corporate group, has considerable knowledge in finance and accounting.
  6. The Company has appointed corporate auditor Hitoshi Tanaka as independent corporate auditor as provided for in the regulations of the Tokyo Stock Exchange, Inc. and notified the Exchange to that effect.
  7. Directors and corporate auditor who retired during the current business year are as follows

Position and areas of responsibility in the Company, and significant concurrent occupations or positions	Name	Date of retirement	Reason of retirement
Director, Executive Vice President	Yutaka Hirose	April 28, 2010	Expiration of term of office
Director Director, Senior Managing Executive Officer, Sumitomo Metal Industries, Ltd. Outside Corporate Auditor, Kyoei Steel Ltd.	Michiharu Takii	April 28, 2010	Expiration of term of office
Director Managing Director (Representative Director), Mitsubishi Materials Corporation	Hiroshi Kanemoto	April 28, 2010	Expiration of term of office
Corporate Auditor Managing Director (Representative Director), Mitsubishi Materials Corporation	Mayuki Hashimoto	April 28, 2010	Resignation

(Note) "Position," "areas of responsibility" and "significant concurrent occupations or positions" are those as of the time of retirement.



8. The Company adopts an executive officer system. The following is the list of executive officers as of January 31, 2011.

Title	Name	Area(s) of responsibility
* President	Yoichi Taguchi	
* Executive Vice President	Yoshinari Ishizuka	Assistant to the President Head of Public Relations & IR, Corporate Controller & Group Companies Management, Finance & Accounting and Information Systems
* Executive Vice President	Takashi Abe	Assistant to the President, General Manager of Sales & Marketing Div. Head of Solar Planning and Customer Product Engineering
* Senior Managing Executive Officer	Kimihito Matsuo	General Manager of Production & Technology Div. Head of Production Planning & Control
* Senior Managing Executive Officer	Kazufumi Yanaga	Head of General Affairs, Personnel & Industrial Relations, Safety, Environment & Disaster Prevention Management and SCP Center and Purchasing Chief Compliance Officer
* Managing Executive Officer	Yukihiro Saeki	Deputy General Manager of Production & Technology Div. General Manager of Imari Factory, Production & Technology Div. In charge of Saga Factory, Kansai Factory, Yonezawa Factory, Chitose Factory and Productivity Promotion & TPM Steering Dept., Production & Technology Div.
Managing Executive Officer	Harumitsu Endo	Deputy General Manager of Sales & Marketing Div. In charge of Sales Planning & Administration Dept., Domestic Sales & Marketing Dept. and International Sales & Marketing Dept., Sales & Marketing Div.
*Managing Executive Officer	Kazumasa Shoji	In charge of SUMCO Phoenix Corporation
Managing Executive Officer	Shigeo Sumita	Deputy General Manager of Production & Technology Div. In charge of Customer Product Engineering Dept., Quality Assurance Dept., Engineering Planning Dept., Intellectual Property Dept., Analysis & Characterization Technology Dept., Crystal Engineering Dept., Wafer Engineering Dept. I, Wafer Engineering Dept. II, Epitaxial Engineering Dept., Wafer Technology Development Dept., Product Development Dept., and Advanced Technology Development Dept., Production & Technology Div.
Executive Officer	Yoichi Tsuchiya	General Manager of General Affairs Dept. In charge of Safety, Environment & Disaster Prevention Management Dept.
Executive Officer	Hisashi Furuya	Chief Officer of Solar Div. In charge of Solar Planning Dept., Solar Sales & Marketing Dept., Sales & Marketing Div. and Solar Technology Dept., Production & Technology Div.
Executive Officer	Kazuo Hiramoto	In charge of Purchasing Dept. and Plant Engineering Dept., Production & Technology Div.

Title	Name	Area(s) of responsibility
Executive Officer	Hideki Inaba	General Manager of Chitose Factory, Production & Technology Div.

Executive officers marked with \* are also directors of the Company.

## (2) Remuneration and other payments to directors and corporate auditors

Category	Number of persons paid	Amount paid
		thousands of yen
Directors (including Outside Directors)	12 (3)	241,140 (10,500)
Corporate Auditors (including Outside Corporate Auditors)	6 (4)	68,776 (18,000)
Total (including Outside Directors and Corporate Auditors)	18 (7)	309,916 (28,500)

- (Notes) 1. The upper limit of the total remuneration for all the directors is 500 million yen annually (excluding employee salary) pursuant to the resolution at a general meeting of shareholders (resolution adopted by the 8th Ordinary General Meeting of Shareholders held on April 26, 2007).
2. The upper limit of the total remuneration for all the corporate auditors is 5.9 million yen monthly pursuant to the resolution at a general meeting of shareholders (resolution adopted by the 6th Ordinary General Meeting of Shareholders held on April 26, 2005).
3. The above-stated number of persons and amount paid include those of three (3) directors (of whom one is an outside director) who retired from their posts upon completing their term of office, which expired at the conclusion of the 11th Ordinary General Meeting of Shareholders held on April 28, 2010 and one (1) corporate auditor (of whom one is an outside corporate auditor) who resigned his post as of the same date. In addition, the above-stated number of persons and amount paid include those of one (1) resigned outside corporate auditor who assumed a post of outside director at the same time as the time of resignation. Accordingly, those during his term of office as outside corporate auditor are stated under the category of outside corporate auditor, and those during his term of office as outside director are stated under the category of outside director.
4. As of the end of the current business year, there were nine (9) directors and five (5) corporate auditors.
5. The Company decided not to pay directors' bonuses for the current business year in light of the operating results of the current business year.
6. In addition to the above, 43,630 thousand yen was paid to one (1) director who retired during the current business year as a final payment of retirement bonuses to a director due to the termination of the retirement bonus plan for directors and corporate auditors, pursuant to the resolution at the 10th Ordinary General Meeting of Shareholders held on April 28, 2009.

(3) Matters concerning outside directors and corporate auditors

**1) Status of significant concurrent occupations or positions at other organizations and the Company's relationship with them**

Category	Name	Company where concurrent service is provided	Concurrent position	Relationship
Outside Director	Mayuki Hashimoto	Mitsubishi Materials Corporation	Managing Director (Representative Director)	Mitsubishi Materials Corporation is one of the major shareholders of the Company and has business relations with the Company such as our purchasing of raw materials, etc. It is also a competitor of the Company in the area of manufacturing and sales of polycrystalline silicon for use in solar energy cells.
Outside Director	Kenji Takahashi	Sumitomo Metal Industries, Ltd.	Managing Executive Officer	Sumitomo Metal Industries, Ltd. is one of the major shareholders of the Company.
Outside Corporate Auditor	Kitaro Yoshida	Sumitomo Metal Industries, Ltd.	Standing Corporate Auditor	Sumitomo Metal Industries, Ltd. is one of the major shareholders of the Company.
Outside Corporate Auditor	Keisuke Yamanobe	Mitsubishi Materials Corporation	Managing Director (Representative Director)	Mitsubishi Materials Corporation is one of the major shareholders of the Company and has business relations with the Company such as our purchasing of raw materials, etc. It is also a competitor of the Company in the area of manufacturing and sales of polycrystalline silicon for use in solar energy cells.

**2) Major activities during the current business year**

Category	Name	Status of major activities
Outside Director	Mayuki Hashimoto	Having attended all 11 of the Board of Directors meetings held since assuming his post on April 28, 2010, Mayuki Hashimoto speaks as a director possessing knowledge mainly on the business of the Company and insight about management in general.
Outside Director	Kenji Takahashi	Having attended all 11 of the Board of Directors meetings held since assuming his post on April 28, 2010, Kenji Takahashi speaks as a director possessing knowledge mainly on the business of the Company and insight about management in general.

Outside Corporate Auditor	Hitoshi Tanaka	Having attended all 14 of the Board of Directors meetings and all 10 of the Board of Corporate Auditors meetings held during the current business year, Hitoshi Tanaka speaks as a corporate auditor possessing specialized knowledge mainly on laws and regulations.
Outside Corporate Auditor	Kitaro Yoshida	Having attended all 14 of the Board of Directors meetings and all 10 of the Board of Corporate Auditors meetings held during the current business year, Kitaro Yoshida speaks as a corporate auditor possessing knowledge mainly on the business of the Company.
Outside Corporate Auditor	Keisuke Yamanobe	Having attended all 11 of the Board of Directors meetings and all 8 of the Board of Corporate Auditors meetings held since assuming his post on April 28, 2010, Keisuke Yamanobe speaks as a corporate auditor possessing knowledge mainly on the business of the Company and insight about finance and accounting.

### 3) Overview of contracts for limitation of liability

Pursuant to Article 427, Paragraph 1 of the Corporation Law, it is prescribed in the Articles of Incorporation in effect that the Company may enter into contracts with outside directors and outside corporate auditors with regards to limitation of liability for damages to the Company in an effort to attract competent individuals to said posts and encourage them to perform their duties to the best of their ability. In accordance with the said provision, the Company has entered into contracts with two (2) outside director and three (3) outside corporate auditors to limit their liabilities. The outline of the contract is as follows:

If outside directors and outside corporate auditors are without knowledge and are not grossly negligent in performing their duties, the liability for damages of the outside directors and outside corporate auditors pursuant to Article 423, Paragraph 1 of the Corporation Law shall be limited to the amount specified in Article 425, Paragraph 1 of said Law and same shall not be liable to the Company for any amount exceeding this limit.

## 4. Accounting Auditor

### (1) Name of accounting auditor (Independent Auditor)

Deloitte Touche Tohmatsu LLC

### (2) Amount of compensation, etc.

Item	Total payment
	millions of yen
(1) Total compensation and other payments for the current business year	79
(2) Total of monies and other property benefits, which the Company and subsidiaries should pay to the accounting auditors (including the above (1))	149

(Notes)1. The audit contract between the Company and the accounting auditor does not differentiate audit compensation based on the Corporation Law from that based on the Financial Instruments and Exchange Law, and the two types of compensation cannot be differentiated, therefore, the total agreement amount is shown in the figure (1) above.

2. SUMCO Phoenix Corporation and FORMOSA SUMCO TECHNOLOGY CORPORATION, major subsidiaries of the Company, are audited by different accounting auditors than that of the Company.

**(3) Non-audit services**

Consultative and advisory businesses regarding International Financial Reporting Standards (IFRS).

**(4) Policy for making decisions regarding the dismissal or non-reappointment of accounting auditors**

In the event of the non-reappointment of an accounting auditor by the Company or should circumstances arise placing serious doubt on the fulfillment of duties on a continual basis, a proposal for dismissal or non-reappointment shall be put on the agenda of the General Meeting of Shareholders under approval of or by the request of the Board of Corporate Auditors.

Please note that in the event circumstances arise rendering an accounting auditor applicable to the provisions established in Article 340, Paragraph 1 of the Corporation Law resulting in the dismissal of same by the Board of Corporate Auditors, the Board of Corporate Auditors selects a corporate auditor to submit a report containing the purport and reason of the said dismissal to the first subsequent General Meeting of Shareholders.

**5. Matters Relating to the Formulation of a System to Ensure Appropriate Corporate Actions**

**(1) System to ensure compliance with laws and regulations and the Articles of Incorporation of the Company by officers and employees when executing their duties**

- 1) The Company has enacted the “SUMCO CHARTER” as the supreme code of conduct for officers and employees to ensure that their activities comply with laws and regulations and the Company’s Articles of Incorporation and that the Company’s actions are appropriate as a good corporate citizen. It has also been educating officers and employees to familiarize them with the “SUMCO CHARTER.”
- 2) The Chief Compliance Officer is assigned as the supreme officer responsible for supervising compliance with the “SUMCO CHARTER.” Each General Manager who is the head of an organization in the Company supervises compliance in his or her organization and submits regular reports in compliance with the CHARTER to the Chief Compliance Officer.
- 3) The Company has established and is implementing a hotline for reporting violations or alleged violations of laws and regulations or the Articles of Incorporation as well as suspicious activities.
- 4) The Internal Auditing Department shall perform periodic audits to verify compliance in each department.
- 5) The Company shall further disseminate to its officers and employees the understanding of not having any connections with antisocial forces and refuse their improper solicitations as clearly stated in the “SUMCO CHARTER.”

**(2) System for the preservation and management of information regarding the execution of duties by directors**

The Company shall appropriately preserve and manage information regarding the execution of duties by directors, in accordance with laws, regulations, the Articles of Incorporation and internal regulations under a system that enables the access and duplication of the said information by directors, corporate auditors, accounting auditors, etc.

**(3) Regulations and other systems for managing the risk of loss**

- 1) The Company shall establish the “Risk Management Basic Rules” that stipulate basic issues on risk management, and based on them, the Company shall set up an information distribution route

to be used upon occurrence of major risks and develop a system for installing Emergency Headquarters.

- 2) To manage overall risks, the Company shall establish a “Business Security Committee (BSC)” to formulate a cross-sectional risk management policy and confirm the progress in addressing risks.
- 3) The Company shall establish internal regulations to appropriately manage individual risks related to information leakage, financial markets and product quality based on the Risk Management Basic Rules.

**(4) System to ensure the effective execution of duties by directors**

- 1) The Company shall employ the executive officer system under which management decision-making and supervisory functions are separated from executive functions and whereby the Board of Directors carries out decision-making on important matters such as management policy while monitoring the execution of duties by directors as well as the performance of executive officers, whose duties are delegated by the Board of Directors.
- 2) Important matters relating to management shall be deliberated at Management Conference whose members shall consist of individuals holding the position of managing executive officer or higher.
- 3) The Company shall stipulate and clarify the criteria for submitting proposals to the Board of Directors and stipulate the authority of executive officers in internal regulations clarifying the responsibilities and authority of same.
- 4) The Board of Directors shall formulate medium-term management plans and annual budgets and the executive officers shall execute duties aimed at achieving the objectives set forth in same. Directors also serving as executive officers shall periodically report on their duties to the Board of Directors.

**(5) System to ensure proper business practices by the corporate group comprised of the Company, its parent company, and its subsidiaries**

- 1) By making every subsidiary of the Company establish its own CHARTER as the supreme code of conduct equivalent to the “SUMCO CHARTER,” compliance in each subsidiary shall be established as a member of the corporate group.
- 2) The Company shall assign a department to manage subsidiaries and clarify subsidiary management standards in internal regulations in an effort to improve the soundness and effectiveness of management both in each subsidiary and in the SUMCO Group as a whole.
- 3) The Internal Auditing Department shall perform periodic internal audits of the subsidiaries.

**(6) System for employees requested by corporate auditors to assist in their duties and matters regarding the independence of those employees from directors**

- 1) The Company shall establish the position of “Staff for Corporate Auditor” for employees assisting corporate auditors in their duties.
- 2) In order to ensure the independence of the aforementioned staff for corporate auditor, prior approval of the Board of Corporate Auditors is required for personnel changes with performance appraisals conducted by a full-time corporate auditor.

**(7) System for reporting to corporate auditors by directors and employees and other systems for reporting to corporate auditors**

Directors shall stipulate in internal regulations matters to be reported to corporate auditors, such as matters that significantly affect the management and results of the Company, and do so appropriately.

**(8) Other systems for ensuring effective audits by corporate auditors**

1) Corporate auditors and the President shall exchange opinions periodically or whenever necessary.

2) The Company shall proactively create opportunities for corporate auditors to attend Board of Directors meetings and other important gatherings.

## Consolidated Balance Sheet

(As of January 31, 2011)

(Millions of yen)

Category	Amount	Category	Amount
<b>( Assets )</b>		<b>( Liabilities )</b>	
<b>Current assets</b>	<b>184,688</b>	<b>Current liabilities</b>	<b>146,358</b>
Cash and time deposits	53,876	Notes payable and accounts payable	24,081
Notes receivable and accounts receivable	48,954	Short-term borrowings	88,221
Merchandise and finished goods	19,726	Lease liabilities	9,439
Work in process	17,625	Income taxes, etc. payable	915
Raw materials and supplies	33,730	Allowance for employee bonuses	2,925
Deferred income tax assets	3,783	Facilities related notes payable and accounts payable	1,613
Others	7,157	Others	19,160
Allowance for doubtful accounts	(166)	<b>Fixed liabilities</b>	<b>199,275</b>
<b>Fixed assets</b>	<b>377,088</b>	Long-term borrowings	146,155
<b>Tangible fixed assets</b>	<b>256,342</b>	Lease liabilities	21,063
Buildings and structures	117,440	Deferred income tax liabilities	47
Machinery and transport equipment	99,140	Deferred tax liabilities for land revaluation	1,784
Land	20,418	Allowance for employee retirement benefits	19,297
Construction in progress	17,926	Others	10,927
Others	1,416	<b>Total liabilities</b>	<b>345,633</b>
<b>Intangible fixed assets</b>	<b>35,538</b>	<b>( Net assets )</b>	
Goodwill	30,251	<b>Shareholders' equity</b>	<b>205,274</b>
Software	5,099	Capital	114,107
Others	186	Capital surplus	89,291
<b>Investments and other assets</b>	<b>85,208</b>	Retained earnings	1,883
Investment securities	1,806	Treasury stock	(8)
Long-term advances	48,732	<b>Variance of valuation/translation etc.</b>	<b>(8,878)</b>
Long-term prepaid expenses	5,291	Net unrealized gain on available-for-sale securities	852
Deferred income tax assets	28,175	Deferred gains losses on hedges	29
Others	2,118	Revaluation reserve for land	2,252
Allowance for doubtful accounts	(916)	Foreign currency translation adjustments	(12,012)
		<b>Minority interests</b>	<b>19,748</b>
		<b>Total net assets</b>	<b>216,143</b>
<b>Total assets</b>	<b>561,777</b>	<b>Total liabilities and net assets</b>	<b>561,777</b>



## Consolidated Statement of Income

(Year ended January 31, 2011)

(Millions of yen)

Category	Amount	
<b>Net sales</b>		<b>276,962</b>
<b>Cost of sales</b>		<b>254,490</b>
<b>Gross Profit</b>		<b>22,471</b>
<b>Selling, general and administrative expenses</b>		<b>30,903</b>
<b>Operating loss</b>		<b>(8,431)</b>
Non-operating profit		
Interest and dividends income	112	
Subsidies received	105	
Reversal of allowance for doubtful accounts	273	
Others	379	871
Non-operating expenses		
Interest expense	4,717	
Foreign-exchange losses	1,217	
Depreciation charges	11,793	
Loss on sales and disposals on fixed assets	406	
Others	461	18,597
<b>Ordinary loss</b>		<b>(26,158)</b>
Extraordinary loss		
Business restructuring expense		23,000
<b>Net loss before taxes and minority interests</b>		<b>(49,158)</b>
Corporate income tax, local resident tax and business tax	864	
Adjustment of corporate income tax, etc	15,979	16,844
Minority interests in loss		(415)
<b>Net loss</b>		<b>(65,587)</b>

## Consolidated Statement of Changes in Net Assets

(Year ended January 31, 2011)

(Millions of yen)

Shareholders' equity	
Capital	
Balance as of January 31, 2010	114,107
Changes during fiscal year	
Total changes during fiscal year	—
Balance as of January 31, 2011	114,107
Capital surplus	
Balance as of January 31, 2010	89,291
Changes during fiscal year	
Total changes during fiscal year	—
Balance as of January 31, 2011	89,291
Retained earnings	
Balance as of January 31, 2010	67,492
Changes during fiscal year	
Net loss	(65,587)
Change of scope of consolidation	(20)
Total changes during fiscal year	(65,608)
Balance as of January 31, 2011	1,883
Treasury stock	
Balance as of January 31, 2010	(7)
Changes during fiscal year	
Acquisition of treasury stock	(0)
Total changes during fiscal year	(0)
Balance as of January 31, 2011	(8)
Total shareholders' equity	
Balance as of January 31, 2010	270,883
Changes during fiscal year	
Net loss	(65,587)
Change of scope of consolidation	(20)
Acquisition of treasury stock	(0)
Total changes during fiscal year	(65,609)
Balance as of January 31, 2011	205,274

(Millions of yen)

Variance of valuation/translation etc.	
Net unrealized gain (loss) on available-for-sale securities	
Balance as of January 31, 2010	1,079
Changes during fiscal year	
Changes (net) in items other than shareholders' equity during fiscal year	(226)
Total changes during fiscal year	(226)
Balance as of January 31, 2011	852
Gains (losses) of deferred hedge	
Balance as of January 31, 2010	—
Changes during fiscal year	
Changes (net) in items other than shareholders' equity during fiscal year	29
Total changes during fiscal year	29
Balance as of January 31, 2011	29
Revaluation reserve for land	
Balance as of January 31, 2010	2,252
Changes during fiscal year	
Changes (net) in items other than shareholders' equity during fiscal year	—
Total changes during fiscal year	—
Balance as of January 31, 2011	2,252
Foreign currency translation adjustments	
Balance as of January 31, 2010	(9,934)
Changes during fiscal year	
Changes (net) in items other than shareholders' equity during consolidated fiscal year	(2,078)
Total changes during fiscal year	(2,078)
Balance as of January 31, 2011	(12,012)
Total variance of valuation/translation etc.	
Balance as of January 31, 2010	(6,602)
Changes during fiscal year	
Changes (net) in items other than shareholders' equity during consolidated fiscal year	(2,276)
Total changes during fiscal year	(2,276)
Balance as of January 31, 2011	(8,878)
Minority interests	
Balance as of January 31, 2010	20,642
Changes during fiscal year	
Changes (net) in items other than shareholders' equity during consolidated fiscal year	(894)
Total changes during fiscal year	(894)
Balance as of January 31, 2011	19,748

(Millions of yen)

Total net assets	
Balance as of January 31, 2010	284,923
Changes during fiscal year	
Net loss	(65,587)
Change of scope of consolidation	(20)
Acquisition of treasury stock	(0)
Changes (net) in items other than shareholders' equity during consolidated fiscal year	(3,170)
Total changes during fiscal year	<u>(68,779)</u>
Balance as of January 31, 2011	<u>216,143</u>

## **I. Basic Matters of Importance for Preparing Consolidated Financial Statements**

### **1. Scope of consolidation**

**(1) Number of consolidated subsidiaries:** 16

Names of major consolidated subsidiaries:

SUMCO TECHXIV CORPORATION  
Japan Super Quartz Corporation  
SUMCO Solar Corporation  
SUMCO Phoenix Corporation  
SUMCO Europe Sales Plc  
PT. SUMCO Indonesia  
FORMOSA SUMCO TECHNOLOGY CORPORATION

SUMCO TECHXIV EUROPE N.V., which was a consolidated subsidiary in the previous fiscal year, is currently undergoing liquidation and is no longer material to the SUMCO Group, and was therefore removed from consolidation.

**(2) Number of non-consolidated subsidiaries:** 6

All of these non-consolidated subsidiaries are exempt, as they are small in scale and none of the total of their total assets, net sales, net income (appropriate amount to equity) and retained earnings (appropriate amount to equity) will significantly affect the consolidated financial statements.

### **2. Application of the equity method**

We do not have any non-consolidated subsidiary or affiliate to which the equity method is applied.

The number of non-consolidated subsidiaries and affiliates to which the equity method is not applied is 6. All 6 companies are exempt from application as their influences on net income (appropriate amount to equity) and their combined retained earnings (appropriate amount to equity) are minor, and basically insignificant as a whole.

### **3. Consolidated subsidiaries' business year-end, etc.**

The balance sheet date of 9 overseas consolidated subsidiaries is December 31, which is different from the date used in the consolidated accounting.

Financial data as of the above balance sheet date is used for the preparation of consolidated financial statements for those companies.

However, necessary adjustments required for consolidation are made to data relating to business transactions of significance that have taken place between the two balance sheet dates.

### **4. Standards for accounting treatments**

**(1) Standards for and method of evaluation of major assets**

**(a) Securities**

Other securities

Securities with market value:

We employ the market value method (using the "net assets" method of accounting for valuation differences, and working out the cost by the "moving average cost" method) based on the market price, etc. at the balance sheet date.

Securities without market value:

We mainly employ the cost method based on the "moving average cost" method.

**(b) Derivatives**

Market value method

**(c) Inventories**

Mainly employ the cost method based on the periodic average method. (Balance sheet values are calculated using the devaluating book value method based on decreases in profitability.)

**(2) Method of depreciation of major depreciable assets**

**(a) Tangible fixed assets (excluding lease assets)**

SUMCO and its consolidated domestic subsidiaries mainly employ the straight-line method for buildings and the constant percentage method for other fixed assets.

Service life for buildings and structures is mainly set at 31 years and for machinery and transport equipment mainly at 5 years.

**(b) Intangible fixed assets (excluding lease assets)**

As for software, we employ the straight-line method based on the usable period (5 years) set within the company.

**(c) Lease assets**

For assets leased under finance lease transactions that are not deemed to transfer ownership, we employ the straight-line method in which the lease period is used as the service life and residual value of the relevant asset falls to zero at the end of the leased period.

However, finance lease transactions executed on or before January 31, 2008 that are not deemed to transfer ownership are accounted for using the same method as operating leases.

**(3) Standard for provision of major allowances**

**(a) Allowance for doubtful accounts**

In anticipation of potential losses from bad debts, the estimated irrecoverable amount is provided in accordance with the loan loss ratio for general credits and through the individual examination of recoverability for particular credits such as claims to obligors with high possibility of business failure.

**(b) Allowance for employee bonuses**

At SUMCO and its consolidated domestic subsidiaries, allowance for employee bonuses is provided for payment of bonuses to employees in the amount of estimated bonuses, which is attributable to the current period.

**(c) Allowance for director bonuses**

To provide for bonuses to be paid to directors, the estimated obligatory amount is posted.

**(d) Allowance for employee retirement benefits**

Allowance for employee retirement benefits is provided for payment of retirement benefits to employees in the amount deemed accrued at the current period, based on the projected retirement benefit obligation and the fair value of plan assets at the current fiscal year end. Past service liability is amortized from the time of accrual using the straight-line method over a fixed number of years (10 years) within the employees' average remaining service period at incurrence.

Actuarial difference is amortized using the straight-line method over a fixed number of years (10 years) within the employees' average remaining service period at incurrence,

commencing from the next fiscal year of incurrence.

**(4) Standards for translation of major foreign currency-denominated assets and liabilities into Japanese yen**

Values of assets and liabilities of foreign subsidiaries are translated into Japanese yen at the spot rates of foreign exchange markets on the closing dates of accounting for the respective companies, revenues and expenses are converted to Japanese yen at the average market rates during the periods. Translation differences are inclusively posted in the foreign currency translation adjustments account and minority interests in the net assets section.

**(5) Major hedge accounting**

**(a) Method of hedge accounting**

Deferred hedge processing is performed. Special processing is adopted for interest rate swaps that meet the requirements for special processing.

**(b) Hedging instrument and hedged item**

Interest rate swaps are used to avert a risk of fluctuations in market interest rates for borrowed funds and the currency forward is used to avert a risk of currency fluctuations associated with anticipated transactions denominated in foreign currencies.

**(c) Hedging policy**

Based on our own risk management policy, we hedge against market interest rate risk and currency risk. As for market interest rate risk, we maintain the ratio of borrowings with fixed interest rates to total borrowings above a certain level. Also, as for a risk of currency fluctuations, we arrange currency forward contracts within the scope of anticipated sales.

**(d) Method of assessment of effectiveness of hedges**

In terms of hedging instruments and hedged items, we verify the effectiveness of the hedges based on individual transactions. However, the effectiveness assessment process is curtailed when important conditions such as the principal, interest rate, period and currency are identical in the hedging instrument and the hedged item as, in such a case, it is obvious that the particular hedge is highly effective.

**(6) Other significant matters for the preparation of consolidated financial statements**

The tax exclusion method is adopted for accounting for consumption taxes.

**5. Matters concerning the evaluation of assets and liabilities of consolidated subsidiaries**

Assets and liabilities of consolidated subsidiaries are evaluated at market value as of the respective date of acquisition.

**6. Matters concerning amortization of goodwill and negative goodwill**

Goodwill is evenly amortized over a period of between 15 and 20 years.

**7. Changes in accounting policies**

Effective from fiscal year 2010, Partial Amendments to Accounting Standard for Retirement Benefits (Part 3) (ASBJ Statement No. 19; July 31, 2008) has been applied.

Note that application of the above had no effect on profit or loss.

## 8. Changes to presentations

“Reversal of allowance for doubtful accounts,” which was included in “Others” of “Non-operating profit” in the Consolidated Statement of Income for the previous fiscal year, is separately presented because of its increased materiality in the current fiscal year.

The amount of “Reversal of allowance for doubtful accounts,” which was included in “Others” for the previous fiscal year, was 41 million yen.

## II. Notes to Consolidated Balance Sheet

### 1. Hypothecated assets and corresponding liabilities

#### (1) Hypothecated assets

Buildings and structures	5,117 million yen
Machinery and transport equipment	3,103 million yen
Total	8,221 million yen

#### (2) Corresponding liabilities

Long-term borrowings	5,282 million yen
(Repayment of above scheduled within one year)	(480 million yen)

2. Accumulated depreciation of tangible fixed assets 752,187 million yen

3. Guarantee obligation 1,275 million yen

### 4. Land revaluation

We carried out a revaluation of the land owned by the merged company for business use based on the Land Revaluation Law (March 31, 1998, Law No. 34) and posted the tax equivalent amount on the relevant revaluation difference to the liabilities section as ‘deferred tax liabilities for land revaluation,’ and at the same time posted the amount with the tax equivalent portion deducted to the net assets section as ‘revaluation reserve for land.’

Method of revaluation:

A revaluation was carried out with a reasonable adjustment made for the assessed value of fixed assets tax as stipulated in Article 2, Item 3 of the Enforcement Order for the Land Revaluation Law (March 31, 1998, Cabinet Order No. 119).

Date of revaluation: March 31, 2000

Difference between market value of land at end of year of revaluation and book value after revaluation: (3,369) million yen

## III. Notes to Consolidated Statement of Income

### 1. Detail of depreciation charges included in non-operating expenses

Machinery, especially 300 mm wafer manufacturing facilities, that was able to be operated but was not operated was depreciated.

### 2. Detail of business restructuring expense included in extraordinary loss

Business restructuring expenses are mainly expenses incurred as a result of the implementation of the Profit-Base Enhancement Measures consisting of the following: impairment losses due chiefly to reorganization of production systems, amounting to 8,735 million yen; special retirement benefits related to the early retirement program, amounting to 5,603 million yen; amortization of goodwill,



amounting to 3,989 million yen; and disposal of supplies, etc., amounting to 4,671 million yen. Details of impairment losses are as follows.

(1) Outline of groups of assets that have recorded impairment losses

Company	Place	Use	Category
SUMCO CORPORATION	Kishima-gun, Saga	Idle assets	Buildings and structures Machinery and transport equipment Land Software Others
	Asago-shi, Hyogo		
	Amagasaki-shi, Hyogo		
SUMCO TECHXIV CORPORATION	Omura-shi, Nagasaki		
SUMCO Phoenix Corporation	Cincinnati, Ohio, USA		
SUMCO CORPORATION	Yonezawa-shi, Yamagata	Manufacturing facilities for silicon wafers for use in solar energy cells	
	Imari-shi, Saga		

(2) Background for posting of impairment losses

The business assets of the SUMCO Group are grouped in accordance with classification for management accounting, and each idle asset is treated as a group.

The idle assets have been rendered idle as a result of the reorganization of production systems and other measures, and the book value has been written down to recoverable value.

The book value of manufacturing facilities for silicon wafers for solar energy cells has been written down to recoverable value based on a review of future profitability.

The recoverable value of each asset is measured by its use value or its net sales price.

The recoverable value of idle real estate is measured by net sales price as computed based mainly on land value for tax purposes. The recoverable value of other idle assets is measured by its use value; however, because future cash flows are not expected from these idle assets, the recoverable value is deemed to be zero.

The recoverable value of manufacturing facilities for silicon wafers for solar energy cells is measured by its use value obtained by discounting future cash flows at a rate of 5.2 percent.

(3) Amount of impairment loss

Category	Impairment loss (million yen)
Buildings and structures	2,405
Machinery and transport equipment	4,945
Land	1,301
Software	65
Others	17

Amortization of goodwill is posted as a result of the write-down of shares in SUMCO TECHXIV CORPORATION on a nonconsolidated basis.

#### IV. Notes to Consolidated Statement of Changes in Net Assets

##### 1. Particulars concerning total number of shares issued

Class of shares	Number of shares as of January 31, 2010 (thousand shares)	Increase in the number of shares during the current fiscal year (thousand shares)	Decrease in the number of shares during the current fiscal year (thousand shares)	Number of shares as of January 31, 2011 (thousand shares)
Common stock	257,751	–	–	257,751

#### V. Notes Regarding Financial Instruments

##### 1. Status of financial instruments

###### (1) Policy for measures relating to financial instruments

The Group limits the fund investments to short-term deposits at financial institutions or the like. It raises funds through borrowings from banks, in particular. It uses derivatives to avert the below-mentioned risk and does not conduct speculative transactions.

###### (2) Detail of financial instruments and associated risk and risk management system

Notes receivable and accounts receivable are exposed to customer credit risk. For such risk, the Group has systems enabling the management of due dates and balances of each trading partner as well as the constant monitoring of operating status thereof. Such accounts denominated in foreign currencies are exposed to currency fluctuation risk. In order to mitigate such risk, we use currency forward contracts as a hedging instrument. Investment securities are primarily the shares in companies with which we have business relationships, and are exposed to market price fluctuation risk. We consistently review the holding status of such shares taking into account the market condition and the relationships with each trading partner.

Most of notes payable and accounts payable have due dates arriving within 6 months. Borrowings with floating interest rates are exposed to interest rate fluctuation risk in accordance with the future interest rate hike in the interest rate market. In order to avert such risk and fix interest expenses, we use interest rate swaps for each of a portion of long-term borrowings as a hedging instrument.

The execution and management of derivative transactions are conducted by the department responsible for financing upon approval of approval authority, pursuant to the internal rules governing authority and maximum amounts of such transactions. In order to mitigate relevant credit risk, counterparties of derivative transactions are limited to financial institutions with high credit ratings. The outline of hedge accounting is as shown in “4. Standards for accounting treatments (5) Major hedge accounting” under “Basic Matters of Importance for Preparing Consolidated Financial Statements.”

We manage liquidity risk in association with the payment of operating liabilities and repayment of borrowings by means of preparing financial plan every month or by other means.

###### (3) Supplementary explanation about fair values of financial instruments

The fair values of financial instruments include values based on market prices, or, if there are no market prices, they include reasonably estimated values. Because estimations of such values incorporate changeable factors, applying different assumptions can in some cases change such values. The contracted amounts of derivatives referred to in “2. Fair values of financial instruments” below should not be in themselves considered indicative of the volume of market risk associated with the derivative transactions.

## 2. Fair values of financial instruments

Amounts on consolidated balance sheet and fair values as of January 31, 2011, and the differences thereof are as follows.

Items whose fair value is deemed to be extremely difficult to determine are not included in the following table (Please refer to Note 2.).

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and time deposits	53,876	53,876	–
(2) Notes receivable and accounts receivable	48,954	48,954	–
(3) Investment securities	1,544	1,544	–
Total assets	104,375	104,375	–
(1) Notes payable and accounts payable	24,081	24,081	–
(2) Short-term borrowings (*1)	61,300	61,300	–
(3) Facilities related notes payable and accounts payable	1,613	1,613	–
(4) Long-term borrowings	173,076	174,153	1,077
(5) Lease liabilities	30,503	30,692	189
Total liabilities	290,574	291,841	1,267
Derivative transactions (*2)			
(i) Those to which hedge accounting is not applied	165	165	–
(ii) Those to which hedge accounting is applied	49	49	–
Total derivative transactions	214	214	–

(\*1) Current portion of long-term borrowings is not included in (2) Short-term borrowings, but included in (4) Long-term borrowings.

(\*2) Receivables and payables arising out from derivative transactions are shown on the net basis. The items that are net debt in total are shown in parentheses.

(Notes)1. Measurement of fair values of financial instruments

### Assets

(1) Cash and time deposits, and (2) Notes receivable and accounts receivable

Because, the settlement periods of the above items are short and their fair values are almost the same as their book values, the relevant book values are used.

(3) Investment securities

The fair values of stocks included in investment securities are based on the prices on stock exchanges.

### Liabilities

(1) Notes payable and accounts payable, (2) Short-term borrowings, and (3) Facilities related notes payable and accounts payable

Because, the settlement periods of the above items are short and their fair values are almost the same as their book values, the relevant book values are used.

(4) Long-term borrowings, and (5) Lease liabilities

The fair values of these items are measured based on the present value of future cash flows of the total of principal and interest for the residual period, discounted at an interest rate that would be charged for a new similar borrowing or lease.

### Derivative transactions

Currency forward contracts are used for currency-related transactions and interest rate swaps are used for interest-rate-related transactions.

The fair value of derivatives is based on the assessed value presented to the Company by counterparty financial institutions. Because interest rate swaps that are accounted for by the special processing are incorporated, when accounting, with long-term borrowings that are the hedged items, the fair value of such items is included in the fair value of such long-term borrowings.

2. Because unlisted stocks etc. (amount on consolidated balance sheet: 261 million yen) have no market prices and their fair values are deemed to be extremely difficult to determine, the amount is not included in “Assets (3) Investment securities.”

(Additional information)

From the current fiscal year, “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, March 10, 2008) and “Guidance on Disclosures about Fair Values of Financial Instruments” (ASBJ Guidance No. 19, March 10, 2008) are applied.

## **VI. ‘Per Share’ Information**

- |                          |              |
|--------------------------|--------------|
| 1. Net assets per share: | 761.97yen    |
| 2. Net loss per share:   | (254.46) yen |

## **VII. Significant Subsequent Events**

N/A

## Non-consolidated Balance Sheet

(As of January 31, 2011)

(Millions of yen)

Category	Amount	Category	Amount
<b>( Assets )</b>		<b>( Liabilities )</b>	
<b>Current assets</b>	<b>200,084</b>	<b>Current liabilities</b>	<b>138,182</b>
Cash and time deposits	45,153	Accounts payable	21,512
Accounts receivable	47,499	Short-term borrowings	92,654
Merchandise and finished goods	8,395	Lease liabilities	8,779
Work in process	10,791	Accrued liabilities	9,176
Raw materials and supplies	18,490	Accrued expenses	1,455
Advances	3,340	Guarantee deposited	2,163
Prepaid expenses	659	Allowance for employee bonuses	1,734
Deferred income tax assets	3,548	Facilities related notes payable and accounts payable	851
Short-term loans	59,736	Others	483
Accounts receivable - other	1,862	<b>Fixed liabilities</b>	<b>184,472</b>
Others	758	Long-term borrowings	141,353
Allowance for doubtful accounts	(152)	Lease liabilities	20,394
<b>Fixed assets</b>	<b>331,191</b>	Long-term guarantee deposited	8,767
<b>Tangible fixed assets</b>	<b>179,673</b>	Deferred tax liabilities for land revaluation	1,784
Buildings	89,017	Allowance for employee retirement benefits	12,068
Structures	3,390	Others	103
Machinery	61,766	<b>Total liabilities</b>	<b>323,284</b>
Motor vehicles and transport equipment	115		
Tools, appliances and furniture	508	<b>( Net assets )</b>	
Land	14,496	<b>Shareholders' equity</b>	<b>204,841</b>
Lease assets	333	<b>Capital</b>	<b>114,107</b>
Construction in progress	10,044	<b>Capital surplus</b>	<b>89,292</b>
<b>Intangible fixed assets</b>	<b>4,176</b>	Capital reserves	86,046
Software	3,998	Others	3,245
Others	178	<b>Retained earnings</b>	<b>1,450</b>
<b>Investments and other assets</b>	<b>147,341</b>	Other retained earnings	1,450
Investment securities	1,503	Retained earnings carried forward	1,450
Stocks of subsidiaries and affiliates	74,697	<b>Treasury stock</b>	<b>(8)</b>
Investments in subsidiaries and affiliates	55	<b>Variance of valuation/translation etc.</b>	<b>3,148</b>
Long-term advances	43,155	<b>Net unrealized gain on available-   for-sale securities</b>	<b>866</b>
Long-term prepaid expenses	4,632	<b>Deferred gains and losses on   hedges</b>	<b>29</b>
Deferred income tax assets	22,461	<b>Revaluation reserve for land</b>	<b>2,252</b>
Others	1,065	<b>Total net assets</b>	<b>207,990</b>
Allowance for doubtful accounts	(230)		
<b>Total assets</b>	<b>531,275</b>	<b>Total liabilities and net assets</b>	<b>531,275</b>

## Non-consolidated Statement of Income

(Year ended January 31, 2011)

(Millions of yen)

Category	Amount	
<b>Net sales</b>		<b>232,649</b>
<b>Cost of sales</b>		<b>216,136</b>
<b>Gross Profit</b>		<b>16,513</b>
<b>Selling, general and administrative expenses</b>		<b>21,161</b>
<b>Operating loss</b>		<b>(4,647)</b>
<b>Non-operating profit</b>		
Interest and dividends income	964	
Others	417	1,382
<b>Non-operating expenses</b>		
Interest expense	4,529	
Loss on sales and disposals on fixed assets	308	
Foreign-exchange losses	961	
Depreciation charges	7,988	
Others	179	13,968
<b>Ordinary loss</b>		<b>(17,233)</b>
<b>Extraordinary loss</b>		
Loss on valuation of stocks of subsidiaries and affiliates	35,099	
Business restructuring expense	15,001	50,100
<b>Net income(loss) before taxes</b>		<b>(67,334)</b>
Corporate income tax, local resident tax and business tax	37	
Adjustment of corporate income tax, etc	(15,838)	(15,875)
<b>Net loss</b>		<b>(83,210)</b>

## Non-consolidated Statement of Changes in Net Assets

(Year ended January 31, 2011)

(Millions of yen)

Shareholders' equity	
Capital	
Balance as of January 31, 2010	114,107
Changes during business year	
Total changes during business year	—
Balance as of January 31, 2011	<u>114,107</u>
Capital surplus	
Capital reserves	
Balance as of January 31, 2010	86,046
Changes during business year	
Total changes during business year	—
Balance as of January 31, 2011	<u>86,046</u>
Others	
Balance as of January 31, 2010	3,245
Changes during business year	
Total changes during business year	—
Balance as of January 31, 2011	<u>3,245</u>
Total capital surplus	
Balance as of January 31, 2010	89,292
Changes during business year	
Total changes during business year	—
Balance as of January 31, 2011	<u>89,292</u>
Retained earnings	
Other retained earnings	
Retained earnings carried forward	
Balance as of January 31, 2010	84,661
Changes during business year	
Net loss	(83,210)
Total changes during business year	<u>(83,210)</u>
Balance as of January 31, 2011	<u>1,450</u>

(Millions of yen)

Treasury stock	
Balance as of January 31, 2010	(7)
Changes during business year	
Acquisition of treasury stock	(0)
Total changes during business year	(0)
Balance as of January 31, 2011	(8)
Total shareholders' equity	
Balance as of January 31, 2010	288,053
Changes during business year	
Net loss	(83,210)
Acquisition of treasury stock	(0)
Total changes during business year	(83,211)
Balance as of January 31, 2011	204,841
Variance of valuation/translation etc.	
Net unrealized gain (loss) on available-for-sale securities	
Balance as of January 31, 2010	1,072
Changes during business year	
Changes (net) in items other than shareholders' equity during business year	(206)
Total changes during business year	(206)
Balance as of January 31, 2011	866
Gains (losses) of deferred hedge	
Balance as of January 31, 2010	—
Changes during business year	
Changes (net) in items other than shareholders' equity during business year	29
Total changes during business year	29
Balance as of January 31, 2011	29
Revaluation reserve for land	
Balance as of January 31, 2010	2,252
Changes during business year	
Changes (net) in items other than shareholders' equity during business year	—
Total changes during business year	—
Balance as of January 31, 2011	2,252
Total variance of valuation/translation etc.	
Balance as of January 31, 2010	3,325
Changes during business year	
Changes (net) in items other than shareholders' equity during business year	(176)
Total changes during business year	(176)
Balance as of January 31, 2011	3,148



(Millions of yen)

Total net assets	
Balance as of January 31, 2010	291,378
Changes during business year	
Net loss	(83,210)
Acquisition of treasury stock	(0)
Changes (net) in items other than shareholders' equity during business year	(176)
Total changes during business year	<u>(83,388)</u>
Balance as of January 31, 2011	<u>207,990</u>

## **I. Summary of Major Accounting Policies**

### **1. Standards for and method of evaluation of securities**

#### **(1) Stocks of subsidiaries and affiliates**

We employ the cost method based on the “moving average cost” method.

#### **(2) Other securities**

Securities with market value:

We employ the market value method (using the “net assets” method of accounting for valuation differences, and working out the cost by the “moving average cost” method) based on the market price at the balance sheet date, etc.

Securities without market value:

We employ the cost method based on the “moving average cost” method.

### **2. Standards for and method of evaluation of derivatives**

Market value method

### **3. Standards for and method of evaluation of inventories**

We employ the cost method based on the periodic average method. (Balance sheet values are calculated using the devaluating book value method based on decreases in profitability)

### **4. Method of depreciation of fixed assets**

#### **(1) Tangible fixed assets (excluding lease assets)**

Buildings: straight-line method (usable period is mainly 31 years)

Other tangible fixed assets: constant percentage method (usable period is mainly 5 years)

#### **(2) Intangible fixed assets (excluding lease assets)**

Software: straight-line method based on the usable period (5 years) set within the company.

Other intangible fixed assets: straight-line method

#### **(3) Lease assets**

For assets leased under finance lease transactions that are not deemed to transfer ownership, we employ the straight-line method in which the lease period is used as the service life and residual value of the relevant asset falls to zero at the end of the leased period.

However, finance lease transactions executed on or before January 31, 2008 that are not deemed to transfer ownership are accounted for using the same method as operating leases.

### **5. Standard for provision of allowances**

#### **(1) Allowance for doubtful accounts**

In anticipation of potential losses from bad debts, the estimated irrecoverable amount is provided in accordance with the loan loss ratio for general credits and through the individual examination of recoverability for particular credits such as claims to obligors with high possibility of business failure.

#### **(2) Allowance for employee bonuses**

Allowance for employee bonuses is provided for payment of bonuses to employees in the amount of estimated bonuses, which is attributable to the current business year.

**(3) Allowance for director bonuses**

To provide for bonuses to be paid to directors, the estimated obligatory amount is posted.

**(4) Allowance for employee retirement benefits**

Allowance for employee retirement benefits is provided for payment of retirement benefits to employees in the amount deemed accrued at the current business year, based on the projected retirement benefit obligation and the fair value of plan assets at the current business year end.

Past service liability is amortized from the time of accrual using the straight-line method over a fixed number of years (10 years) within the employees' average remaining service period at incurrence.

Actuarial difference is amortized using the straight-line method over a fixed number of years (10 years) within the employees' average remaining service period at incurrence, commencing from the next business year of incurrence.

**6. Hedge accounting**

**(1) Method of hedge accounting**

Deferred hedge processing is performed. Special processing is adopted for interest rate swaps that meet the requirements for special processing.

**(2) Hedging instrument and hedged item**

Interest rate swaps are used to avert a risk of fluctuations in market interest rates for borrowed funds and the currency forward is used to avert a risk of currency fluctuations associated with anticipated transactions denominated in foreign currencies.

**(3) Hedging policy**

Based on our own risk management policy, we hedge against market interest rate risk and currency risk. As for market interest rate risk, we maintain the ratio of borrowings with fixed interest rates to total borrowings above a certain level. Also, as for a risk of currency fluctuations, we arrange currency forward contracts within the scope of anticipated sales.

**(4) Method of assessment of effectiveness of hedges**

In terms of hedging instruments and hedged items, we verify the effectiveness of the hedges based on individual transactions. However, the effectiveness assessment process is curtailed when important conditions such as the principal, interest rate, period and currency are identical in the hedging instrument and the hedged item as, in such a case, it is obvious that the particular hedge is highly effective.

**7. Other important matters for the preparation of non-consolidated financial statements**

The tax exclusion method is adopted for accounting for consumption taxes.

**8. Changes in accounting policies**

Effective from fiscal year 2010, Partial Amendments to Accounting Standard for Retirement Benefits (Part 3) (ASBJ Statement No. 19; July 31, 2008) has been applied.

Note that application of the above had no effect on profit or loss.

**9. Changes to presentations**

"Subsidies received," which was presented under "Non-operating profit" in the Non-consolidated Statement of Income for the previous business year, is included in "Others" in the current business year because of its lower materiality.

The amount of “Subsidies received” included in “Others” for the current business year is 2 million yen.

## II. Notes to Non-consolidated Balance Sheet

**1. Accumulated depreciation of tangible fixed assets** 428,485million yen

### 2. Guarantee obligation

SUMCO Phoenix Corporation	1,205 million yen
Employees	1,275 million yen
<b>Total</b>	<b>2,481 million yen</b>

### 3. Accounts receivable from and payable to subsidiaries and affiliates

Short-term accounts receivable	73,019 million yen
Short-term accounts payable	14,520 million yen

### 4. Land revaluation

We carried out a revaluation of the land owned by the merged company for business use based on the Land Revaluation Law (March 31, 1998, Law No. 34) and posted the tax equivalent amount on the relevant revaluation difference to the liabilities section as ‘deferred tax liabilities for land revaluation,’ and at the same time posted the amount with the tax equivalent portion deducted to the net assets section as ‘revaluation reserve for land.’

Method of revaluation:

A revaluation was carried out with a reasonable adjustment made for the assessed value of fixed assets as stipulated in Article 2, Item 3 of the ‘Enforcement Order for the Land Revaluation Law (March 31, 1998, Cabinet Order No. 119).

Date of revaluation: March 31, 2000

Difference between market value of land at end of year of revaluation and book value after revaluation: (3,369) million yen

## III. Notes to Non-consolidated Statement of Income

### 1. Volume of transactions with subsidiaries and affiliates

Amount of sales	49,219 million yen
Amount of purchase	81,312 million yen
Transactions other than operational transactions	1,021 million yen

### 2. Detail of depreciation charges included in non-operating expenses

Machinery, especially 300 mm wafer manufacturing facilities, that was able to be operated but was not operated was depreciated.

### 3. Detail of extraordinary loss

#### (1) Loss on valuation of stocks of subsidiaries and affiliates

“Loss on valuation of stocks of subsidiaries and affiliates” shows the devaluation of the shares in SUMCO TECHXIV CORPORATION, a consolidated subsidiary of the Company.

## (2) Business restructuring expenses

Business restructuring expenses are expenses incurred as a result of the implementation of the Profit-Base Enhancement Measures consisting of the following: impairment losses due chiefly to reorganization of production systems, amounting to 7,059 million yen; special retirement benefits related to the early retirement program, amounting to 4,347 million yen; and disposal of supplies, etc., amounting to 3,594 million yen.

Details of impairment losses are as follows.

### ( i ) Outline of groups of assets that have recorded impairment losses

Place	Use	Category
Kishima-gun, Saga	Idle assets	Buildings; structures; machinery and equipment; vehicles; tools, furniture, and fixtures; land; and software
Asago-shi, Hyogo		
Amagasaki-shi, Hyogo		
Yonezawa-shi, Yamagata	Manufacturing facilities for silicon wafers for use in solar energy cells	
Imari-shi, Saga		

### ( ii )Background for posting of impairment losses

The business assets of SUMCO CORPORATION are grouped in accordance with classification for management accounting, and each idle asset is treated as a group.

The idle assets have been rendered idle as a result of the reorganization of production systems and other measures, and the book value has been written down to recoverable value.

The book value of manufacturing facilities for silicon wafers for solar energy cells has been written down to recoverable value based on a review of future profitability.

The recoverable value of each asset is measured by its use value or its net sales price.

The recoverable value of idle real estate is measured by net sales price as computed based mainly on land value for tax purposes. The recoverable value of other idle assets is measured by its use value; however, because future cash flows are not expected from these idle assets, the recoverable value is deemed to be zero.

The recoverable value of manufacturing facilities for silicon wafers for solar energy cells is measured by its use value obtained by discounting future cash flows at a rate of 5.2 percent.

### (iii)Amount of impairment loss

Category	Impairment loss (million yen)
Buildings	2,121
Structures	31
Machinery and equipment	3,581
Vehicles	7
Tools, furniture, and fixtures	12
Land	1,256
Software	50

#### IV. Note to Non-consolidated Statement of Changes in Net Assets

##### Particulars concerning total number of treasury shares

Class of shares	Number of shares as of January 31, 2010 (thousand shares)	Increase in the number of shares during the current business year (thousand shares)	Decrease in the number of shares during the current business year (thousand shares)	Number of shares as of January 31, 2011 (thousand shares)
Common stock	3	0	–	4

(Note) The increase of 0 thousand shares (meaning amount less than one thousand) in the number of common shares held as treasury stock is due to purchases of shares less than one unit.

#### V. Notes Regarding Deferred Tax Accounting

##### 1. Details on main causes of deferred income tax assets and deferred income tax liabilities

###### Deferred income tax assets

Loss carried forward	33,217	million yen
Stocks of subsidiaries and affiliates	16,918	million yen
Fixed assets	14,287	million yen
Allowance for employee retirement benefits	4,839	million yen
Inventories	1,209	million yen
Others	2,904	million yen
<hr/>		
Subtotal deferred income tax assets	73,376	million yen
Valuation allowance	(46,108)	million yen
<hr/>		
Total deferred income tax assets	27,268	million yen

###### Deferred income tax liabilities

Stocks of subsidiaries and affiliates	(1,114)	million yen
Others	(143)	million yen
<hr/>		
Total deferred income tax liabilities	(1,258)	million yen
<hr/>		
Net deferred income tax assets	26,009	million yen
Deferred tax liabilities for land revaluation	(1,784)	million yen

**2. Details of main items caused a difference between the legal effective tax rate and the contribution rate for corporation tax, etc., after the application of deferred tax accounting**

Legal effective tax rate (Adjustment)	(40.1) %
Allowance account	63.6%
Others	0.1%
Contribution rate for corporation tax, etc., after the application of deferred tax accounting	23.6%

**VI. Notes Regarding Fixed Assets Used as Lease Assets**

**1. Finance leases excluding those that are not deemed to transfer ownership**

**(1) Acquisition cost equivalent, accumulated depreciation equivalent and present value equivalent of leased property**

	Acquisition cost equivalent	Accumulated depreciation equivalent	Present value equivalent
Machinery	509 million yen	415 million yen	93 million yen
Motor vehicles and transport equipment	17million yen	14 million yen	3 million yen
Tools, appliances and furniture	1,723 million yen	1,343 million yen	380 million yen
Total	2,250 million yen	1,773 million yen	477 million yen

(Note) The above amounts are calculated by the inclusion of interest expenses method as the ratio of present value of future minimum lease payments at end of period to tangible fixed assets at end of period is low.

**(2) Present value of future minimum lease payments**

Within one year	363 million yen
Over one year	113 million yen
Total	477 million yen

(Note) The above amounts are calculated by the inclusion of interest expenses method as the ratio of present value of future minimum lease payments at end of period to tangible fixed assets at end of period is low.

**(3) Lease payments and depreciation equivalent**

Lease payment	490 million yen
Depreciation	490 million yen

**(4) Calculation of depreciation equivalent**

We employ the straight-line method in which the lease period is used as the service life and residual value of the relevant asset falls to zero at the end of the leased period.

**2. Operating lease transactions**

Future minimum lease payments	
Within one year	29 million yen
Over one year	44 million yen
Total	74 million yen

## VII. Note Regarding Related Party Transactions

### Subsidiaries

Attribution	Company name	Their voting interest (%)	Business relationship	Transaction contents	Transaction amount (millions of yen)	Account title	Balance at end of fiscal year (millions of yen)
Subsidiary	SUMCO TECHXIV CORPORATION	100 (direct ownership)	Manufacturer of products purchased	Purchase of products	49,818	Accounts payable	3,898
				Recovery of funds	10,274	Short-term loans	59,726

(Notes) 1. Transaction amount excludes consumption taxes.

2. Trade conditions and policy on decision-making of trade conditions

Product purchase prices with SUMCO TECHXIV CORPORATION are determined under the same conditions as general trades taking market prices into consideration.

Interest rates for the lending of funds to SUMCO TECHXIV CORPORATION are reasonably determined taking market interest rates into consideration.

### VIII. 'Per Share' Information

- |                          |              |
|--------------------------|--------------|
| 1. Net assets per share: | 806.95yen    |
| 2. Net loss per share:   | (322.84) yen |

### IX. Significant Subsequent Events

N/A



**Accounting audit report on Consolidated Financial Statements**

**Independent Auditors' Report**

March 18, 2011

SUMCO CORPORATION

The Board of Directors

**Deloitte Touche Tohmatsu LLC**

Designated Limited  
Partner and  
Engagement Partner

Certified Public Accountant Yasuyoshi Ichikawa (Seal)

Designated Limited  
Partner and  
Engagement Partner

Certified Public Accountant Tetsuo Yamamoto (Seal)

We have audited the consolidated financial statements, that is, the Consolidated Balance Sheet, the Consolidated Statement of Income, the Consolidated Statement of Changes in Net Assets of SUMCO CORPORATION for the fiscal year from February 1, 2010 to January 31, 2011, in accordance with Article 444, Paragraph 4 of the Corporation Law. The consolidated financial statements is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require us to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit is performed on a test basis and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and the results of operations of SUMCO CORPORATION and consolidated subsidiaries for the period for which the consolidated financial statements are prepared, in conformity with accounting principles generally accepted in Japan.

Our firm and engagement partners have no interest in SUMCO CORPORATION which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

**Accounting audit report on Non-consolidated Financial Statements**

**Independent Auditors' Report**

March 18, 2011

SUMCO CORPORATION

The Board of Directors

**Deloitte Touche Tohmatsu LLC**

Designated Limited Partner and <u>Engagement Partner</u>	Certified Public Accountant Yasuyoshi Ichikawa (Seal)
Designated Limited Partner and <u>Engagement Partner</u>	Certified Public Accountant Tetsuo Yamamoto (Seal)

We have audited the non-consolidated financial statements, that is, the Non-consolidated Balance Sheet, the Non-consolidated Statement of Income, the Non-consolidated Statement of Changes in Net Assets, and its supporting schedules of SUMCO CORPORATION for the 11th business year from February 1, 2010 to January 31, 2011, in accordance with Article 436, Paragraph 2, Item 1 of the Corporation Law. The non-consolidated financial statements and its supporting schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the non-consolidated financial statements and its supporting schedules based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require us to obtain reasonable assurance about whether the non-consolidated financial statements and its supporting schedules are free of material misstatement. An audit is performed on a test basis and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and its supporting schedules. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements and its supporting schedules referred to above present fairly, in all material respects, the financial position and the results of operations of SUMCO CORPORATION for the period for which the non-consolidated financial statements and its supporting schedules are prepared, in conformity with accounting principles generally accepted in Japan.

Our firm and engagement partners have no interest in SUMCO CORPORATION which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

<Audit report of the Board of Corporate Auditors>

**AUDIT REPORT**

Regarding the execution of duties by the directors for the 12th business year from February 1, 2010 to January 31, 2011, the Board of Corporate Auditors hereby submits its audit report, which has been prepared through discussions based on the audit report prepared by each corporate auditor.

**1. Auditing Methods Employed by the corporate auditors and Board of Corporate Auditors and Details of Such Methods**

The Board of Corporate Auditors established auditing policies, auditing plan, and other relevant matters, and received reports from each corporate auditor regarding his or her audits and results thereof, as well as received reports from the directors, other relevant personnel, and accounting auditors regarding performance of their duties, and sought explanations as necessary.

Each corporate auditor complied with the auditing standards of corporate auditors established by the Board of Corporate Auditors, followed the auditing policies, auditing plan, and other relevant matters, communicated with the directors, the internal auditing department, other employees, and any other relevant personnel, and made efforts to optimize the environment for information collection and audit, and participated in the Board of Directors meetings and other important meetings, received reports from the directors, employees, and other relevant personnel regarding performance of their duties, sought explanations as necessary, examined important authorized documents and associated information, and studied the operations and financial positions at the head office and principal offices.

In addition, we periodically received reports from directors and employees or other personnel, sought explanations as necessary, and expressed our opinions regarding the contents of resolutions by the Board of Directors concerning developments of the system stipulated in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Corporation Law, necessary to ensure that directors' performance of their duties as described in the Business Report is in conformity with laws and regulations and the Articles of Incorporation of the Company and to otherwise ensure the appropriateness of operations of a stock company, as well as the status of the building and management of the system developed pursuant to such resolutions (internal control system). With respect to subsidiaries, we communicated and exchanged information with directors, corporate auditors, and other relevant personnel of the subsidiaries, and received business reports from the subsidiaries as necessary. Based on the above methods, we examined the business report and supporting schedules related to the relevant business year.

Furthermore, we monitored and verified whether the accounting auditors maintained their independence and implemented appropriate audits, and we received reports from the accounting auditors regarding the performance of their duties and sought explanations as necessary. In addition, we received notice from the accounting auditors that "the system for ensuring that duties are performed properly" (matters set forth in each Item of Article 131 of the Accounting Rules) is organized in accordance with the "product quality management standards regarding audits" (Business Accounting Council, October 28, 2005) and other relevant standards, and sought explanations as necessary. Based on the above methods, we examined the Non-consolidated Financial Statements (Non-consolidated Balance Sheet, Non-consolidated Statement of Income, Non-consolidated Statement of Changes in Net Assets) and its supporting schedules, as well as Consolidated Financial Statements (Consolidated Balance Sheet, Consolidated

## **2. Audit Results**

### **(1) Results of Audit of Business Report and Other Relevant Documents**

- I. In our opinion, the business report and its supporting schedules are in accordance with the related laws and regulations and Articles of Incorporation, and fairly represent the Company's condition.
- II. With regard to the performance of duties by the directors, we have found no evidence of wrongful action or material violation of related laws and regulations, nor of any violation with respect to the Articles of Incorporation.
- III. In our opinion, resolutions of the Board of Directors for internal control system are fair and reasonable. Moreover, we have found no matters that needed to be raised concerning the performance of duties by directors or items in the internal control system section of the Business Report.

### **(2) Results of Audit of Non-consolidated Financial Statements and its Supporting Schedules**

In our opinion, the methods and results employed and rendered by the accounting auditors, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

### **(3) Results of Audit of Consolidated Financial Statements**

In our opinion, the methods and results employed and rendered by the accounting auditors, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

March 24, 2011

#### Board of Corporate Auditors, SUMCO CORPORATION

Full-time Corporate Auditor	Katsutoshi Fukushima	(Seal)
Full-time Corporate Auditor	Tamio Kobayashi	(Seal)
Outside Corporate Auditor	Hitoshi Tanaka	(Seal)
Outside Corporate Auditor	Mayuki Hashimoto	(Seal)
Outside Corporate Auditor	Kitaro Yoshida	(Seal)

## Reference Documents for the General Meeting of Shareholders

### Proposal 1: Election of One (1) Director

Director Kimihito Matsuo will resign at the conclusion of this Ordinary General Meeting of Shareholders. Therefore, it is proposed that One (1) Director be elected as his substitute. .

The candidate for director is as follows:

No.	Name (Date of birth)	Career summary, position and areas of responsibility in the Company, and significant concurrent occupations or positions	Number of the Company's shares held
1	Kazuo Hiramoto (September 13, 1956)	<p>Apr. 2005      General Manager of Wafer Engineering Dept., the Company</p> <p>Apr. 2007      General Manager of Kansai Factory, Production &amp; Technology Div., the Company</p> <p>Apr. 2008      Executive Officer, General Manager of Kansai Factory, Production &amp; Technology Div., the Company</p> <p>Feb. 2011      Executive Officer, Deputy General Manager of Production &amp; Technology Div., the Company (incumbent)</p>	2,000 shares

(Note) The candidate for director has no special interests in the Company.

### Proposal 2: Election of One (1) Corporate Auditor

Corporate Auditor Katsutoshi Fukushima will resign at the conclusion of this Ordinary General Meeting of Shareholders. Therefore, it is proposed that one (1) Corporate Auditor be elected as his substitute.

The Board of Corporate Auditors has consented to this proposal.

The candidate for corporate auditor is as follows:

Name (Date of birth)	Career summary, position in the Company, and significant concurrent occupations or positions	Number of the Company's shares held
Hiroshi Yoshikawa (October 11, 1954)	<p>Oct. 2002      General Manager of Sales Planning Dept., the Company</p> <p>Apr. 2004      General Manager of Sales Administration Dept., Sales &amp; Marketing Div., the Company</p> <p>Apr. 2005      General Manager of International Sales &amp; Marketing Dept II., Sales &amp; Marketing Div., the Company</p> <p>Jan. 2007      Assistant General Manager of Sales &amp; Marketing Div., the Company</p> <p>Oct. 2007      General Manager of Solar Planning Dep., Solar Div., the Company (incumbent)</p>	300 shares

(Note) The candidate for corporate auditor has no special interests in the Company.

## **Procedures for the Exercise of Voting Rights via the Internet**

### **1. Procedures for the Exercise of Voting Rights via the Internet**

If you prefer to exercise your voting rights via the Internet, please accept the following conditions before exercising your voting rights.

- (1) Shareholders exercising their voting rights via the Internet can only do so via the website designated by the Company (shown below). They can also exercise their voting rights online by mobile phone.  
(Website URL for the exercise of voting rights)     <http://www.webdk.net>
- (2) If you are exercising your voting rights via the Internet, please enter the code and the password for the exercise of voting rights indicated in the enclosed Form for Exercising Voting Rights and follow the instructions on the screen to register whether you are for or against each proposal.
- (3) Please acknowledge that, the password indicated in the enclosed Form for Exercising Voting Rights is temporary, and that, in order to prevent illegal online access by non-shareholders and vote tampering, you will be asked to change the temporary password to the password of your choice. The code and temporary password (including the new password selected by shareholders) will only be valid for this Ordinary General Meeting of Shareholders.
- (4) Exercise of voting rights via the Internet is accepted until 5:45 p.m. on Tuesday, April 26, 2011. Please note, however, that we would like to ask you to exercise your voting rights as soon as possible to ensure that we have sufficient time for tallying the votes.
- (5) Connection fees payable to the providers and communication expenses payable to telecommunication carriers (including telephone charges) when accessing the website for the exercise of voting rights will be borne by the shareholders.
- (6) If you exercise your voting rights via the Internet, it is not necessary to return the enclosed Form for Exercising Voting Rights.

### **2. System Environment for the Exercise of Voting Rights via the Internet**

The following system environment is required for the use of the website to exercise voting rights.

- (1) If you are exercising your voting rights using your personal computer, Microsoft® Internet Explorer 6.0 (or above) must be installed as your browser. Any PC hardware capable of supporting these browsers will be adequate.
- (2) If you are exercising your voting rights by mobile phone, the device must be capable of 128bit SSL telecommunication (encrypted communication). (For security reasons, the website is only configured to support 128bit SSL telecommunications (encrypted communication). Consequently, certain devices cannot be used).

\* Microsoft is a registered trademark of U.S. Microsoft Corporation in the U.S. and other countries.

### **3. TSE Platform for the Electronic Exercise of Voting Rights**

If you apply in advance to use the “Electronic Voting Platform for Institutional Investors” (the “TSE Platform”) managed by ICJ Inc., you may use the TSE Platform as an alternative to the conventional method of online voting described above.

#### **Inquiries about the Exercise of Voting Rights via the Internet**

The Sumitomo Trust and Banking Co., Ltd.  
Stock Transfer Agency Department (Shareholder registry administrator of the Company)  
Dedicated line:  
0120-186-417 (toll-free and available from 9 a.m. - 5 p.m.; within Japan only)

Other inquiries:  
0120-176-417 (toll-free and available from 9 a.m. - 5 p.m. on weekdays; within Japan only)