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Securities Code: 3436

April 11, 2012

Dear Shareholders,

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

SUMCO CORPORATION

Yoichi Taguchi,

President

Notice of Convocation of the 13th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 13th 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, etc. 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:** Thursday, April 26, 2012, 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 13th Fiscal Year (from February 1, 2011 to January 31, 2012), 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 13th Business Year (from February 1, 2011 to January 31, 2012)

Agenda for resolutions:

- Proposal 1:** Reduction in Amount of Capital Reserves and Appropriation of Surplus
- Proposal 2:** Partial Amendments to the Articles of Incorporation
- Proposal 3:** Issuance of Class A Shares by Third-Party Allotment
- Proposal 4:** Appropriation of Surplus
- Proposal 5:** Election of Nine (9) Directors
- Proposal 6:** Election of Two (2) Corporate Auditors

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 Wednesday, April 25, 2012.

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, etc.)

Shareholders are requested to review the Procedures for the Exercise of Voting Rights via the Internet, etc. on page 83, and exercise their voting rights by 5:45 p.m. on Wednesday, April 25, 2012.

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.

* 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, 2011 to January 31, 2012)

1. Business Progress and Achievement of the Corporate Group

(1) Business activities and results

During the current fiscal year, the semiconductor market fared strongly in the first half not only because of demand arising from companies wishing to increase their inventory stockpile amid heightened supply concerns caused by the Great East Japan Earthquake, but also because of the boost that was received from the strong demand for mobile electronic devices such as smartphones and tablet devices. However, in the second half, the semiconductor market was impacted by the European financial crisis, concerns over slowing growth in the emerging countries, and the flood damage in Thailand. As a result, the market, excluding certain products, entered a phase of inventory adjustments. In the semiconductor market in Japan, production continued to be shifted overseas because of the earthquake disaster and the prolongation of the strong yen.

In this market environment, the business of silicon wafers for semiconductors of the SUMCO Group enjoyed sales volume growth in the first half of the fiscal year as a result of us implementing the united group-wide response to meet the urgent demand while making full-scale efforts to restore the Yonezawa Plant that was damaged by the Great East Japan Earthquake. However, in the second half, we experienced a decline in sales volume, particularly with respect to small-diameter wafers, due to a slowdown in the global economy and the impact of substantial production adjustments for semiconductors.

In the business of silicon wafers for use in solar energy cells, there has been a trend since spring 2011 of rapid deterioration in the supply and demand environment and of continuous large-scale price drops.

As a result of the above, for the current fiscal year, the SUMCO Group posted net sales of 247,177 million yen (down 10.8% from the previous fiscal year), operating profit of 967 million yen (compared with an operating loss of 8,431 million yen in the previous fiscal year), and an ordinary loss of 5,695 million yen (compared with an ordinary loss of 26,158 million yen in the previous fiscal year).

Considering the deterioration of the operating results, the Company has deemed it a matter of urgency to rebuild the corporate structure so that the SUMCO Group can earn stable profits even when operating in a severe business environment. It has therefore formulated the Business Reorganization Plan. The gist of this plan is to (1) withdraw from the business of silicon wafers for use in solar energy cells, (2) restructure and consolidate manufacturing bases for the business of silicon wafers for semiconductors, and (3) revise personnel numbers in connection with re-establishment of the manufacturing structure.

The SUMCO Group recorded 58,115 million yen in Business Reorganization Plan related costs under extraordinary loss. Also, in light of the uncertain market environment, the Group also reversed 27,268 million yen of deferred income tax assets. As a result, the SUMCO Group posted net loss of 84,369 million yen (compared with a net loss of 65,587 million yen in the previous fiscal year).

On a non-consolidated basis, the Company recorded 29,983 million yen in Business Reorganization Plan related costs and 49,122 million yen in loss on valuation of stocks of subsidiaries and affiliates, etc. under extraordinary loss and reversed 27,268 million yen of deferred income tax assets to post a net loss of 97,359 million yen (compared with a net loss of 83,210 million yen in the previous fiscal year).

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

(2) Status of capital investments

Capital investment for the corporate group executed during the current fiscal year totaled 22,041 million yen. A significant component of this investment was used at the Company's consolidated subsidiary FORMOSA SUMCO TECHNOLOGY CORPORATION to expand and improve the manufacturing facility for 300 mm wafers.

(3) Status of financing

There was no significant financing during the current fiscal year. Due to the recording of a net loss, an existing syndicate loan agreement was revised on February 29, 2012.

(4) Issues to be dealt with

The SUMCO Group's earnings situation has become extremely serious as a result of sudden changes in the business environment and the ongoing appreciation of the yen. While working to overcome this situation as early as possible and improve our ability to respond to environmental changes, we are strengthening our revenue base to transform into a company that is able to achieve sustained growth.

In order to realize this, the Company has formulated the Business Reorganization Plan. The gist of this plan is to (1) withdraw from the business of silicon wafers for use in solar energy cells because considerable improvement is considered unlikely in the current business circumstances, (2) improve cost competitiveness in the 300 mm wafer business by closing the Nagasaki Plant's 300 mm line and concentrating production at the two bases of Imari Plant and FORMOSA SUMCO TECHNOLOGY CORPORATION in Taiwan while executing measures to respond to demand for leading-edge, ultra scaling products, (3) improve cost competitiveness in the 200 mm wafer business by closing the Ikuno Plant and further restructuring of production bases while building an integrated manufacturing system for power semiconductors, (4) execute measures in the 150 mm and smaller wafer business to respond to structural demand change such as closing or reorganizing the production lines at Imari Plant, and (5) adjust personnel numbers for optimal workforce allocation in these manufacturing systems.

By surely implementing this plan, we will firmly establish a strong revenue base that will secure profit even in periods of weak demand. We will provide a stable supply of high-precision silicon wafers for semiconductors, and by doing so, boost our corporate value.

Regarding polycrystalline silicon, an important raw material, there is now a disparity between the level of demand that was forecasted at the time of entering into contracts, and present consumption estimates following the sudden changes in the market. Due to this disparity and also the withdrawal from the business of silicon wafers for use in solar energy cells, we expect that our inventory of this raw material will increase. Based on current calculations, the impact on cash flows by an increase in inventories is forecasted to be cash outflows of approximately 22,400 million yen, 18,500 million yen and 15,500 million yen in fiscal years 2012, 2013, and 2014, respectively. Although we expect the inventory level to recover to an appropriate level in the medium- to long-term, we intend to continue negotiating with suppliers in order to recover to an appropriate inventory level as soon as possible.

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

Category	10th fiscal year (year ended January 31, 2009)	11th fiscal year (year ended January 31, 2010)	12th fiscal year (year ended January 31, 2011)	13th fiscal year (year ended January 31, 2012)
Net sales (millions of yen)	391,928	218,217	276,962	247,177
Ordinary profit (loss) (millions of yen)	39,371	(114,797)	(26,158)	(5,695)
Net income (loss) (millions of yen)	18,886	(100,472)	(65,587)	(84,369)
Net income (loss) per share (yen)	74.36	(389.81)	(254.46)	(327.33)
Total assets (millions of yen)	733,897	662,882	561,777	436,420
Net assets (millions of yen)	389,521	284,923	216,143	126,773
Net assets per share (yen)	1,419.24	1,025.35	761.97	424.47

(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 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

(Note) The Company decided by a resolution at the Board of Directors meeting held February 2, 2012 to dissolve consolidated subsidiary SUMCO Solar Corporation effective March 31, 2012.

(7) Main business activities (as of January 31, 2012)

Manufacture and sales of silicon wafers

(8) Main offices and plants (as of January 31, 2012)

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

(Note) The Company decided by a resolution at the Board of Directors meeting held February 2, 2012 to dissolve consolidated subsidiary SUMCO Solar Corporation effective March 31, 2012.

(9) Status of employees (as of January 31, 2012)**1) Employees of the corporate group**

Number of employees	Increase (decrease) from the previous year-end
8,328	Decreased by 1,131

(Notes) 1. The number of employees does not include temporary workers.

2. Compared with the previous year-end, the number of employees decreased by 1,131. This number is mostly comprised of employees who undertook voluntary retirement or were seconded from the Group.

2) Employees of the Company

Number of employees	Increase (decrease) from the previous year-end	Average age	Average service years
4,045	Decreased by 584	39.7 years old	15.7 years

(Notes) 1. The number of employees does not include temporary workers.

2. Compared with the previous year-end, the number of employees decreased by 584. This number is mostly comprised of employees who undertook voluntary retirement or were seconded from the Company.

(10) Major creditors (as of January 31, 2012)

Creditor	Balance of borrowings
	millions of yen
Sumitomo Mitsui Banking Corporation	24,799
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	24,151
Development Bank of Japan Inc.	21,870
The Sumitomo Trust and Banking Co., Ltd.	17,200
Mizuho Corporate Bank, Ltd.	16,450
Mitsubishi UFJ Trust and Banking Corporation	16,450

(Note) In order to obtain flexible financing for operating funds, the Company has entered into commitment line agreements that provide a borrowing limit of 30,000 million yen in total with the banks with which it does business.

2. Status of the Company's Shares (as of January 31, 2012)

(1) Total number of authorized shares: 804,000,000

(2) Total number of issued shares: 257,751,739 (including 4,866 shares of treasury stock)

(3) Number of shareholders: 56,936 (decrease of 3,328 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
The Master Trust Bank of Japan, Ltd. (Trust account)	6,709	2.60
MELLON BANK TREATY CLIENTS OMNIBUS	5,817	2.26
THE BANK OF NEW YORK — JASDECTREATY ACCOUNT	5,414	2.10
Japan Trustee Services Bank, Ltd. (Trust account)	4,465	1.73
Komatsu Ltd.	3,961	1.54
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	2,889	1.12
STATE STREET BANK AND TRUST COMPANY 505103	2,101	0.82
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS	1,721	0.67

(Note) The equity ownership is calculated after deducting treasury stock (4,866 shares).

3. Directors and Corporate Auditors of the Company

(1) Directors and corporate auditors (as of January 31, 2012)

Position	Name	Significant concurrent occupations or positions
* Director and President	Yoichi Taguchi	
* Director	Yoshinari Ishizuka	
Director	Takashi Abe	
Director	Kazufumi Yanaga	
Director	Yukihiro Saeki	
Director	Kazumasa Shoji	
Director	Kazuo Hiramoto	
Director	Mayuki Hashimoto	Executive Vice President (Representative Director), Mitsubishi Materials Corporation
Director	Kenji Takahashi	Managing Executive Officer Sumitomo Metal Industries, Ltd.
Full-time Corporate Auditor	Tamio Kobayashi	
Full-time Corporate Auditor	Hiroshi Yoshikawa	
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. Director 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, Senior Managing Executive Officer	Kimihito Matsuo	April 27, 2011	Resignation
Full-time Corporate Auditor	Katsutoshi Fukushima	April 27, 2011	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, 2012.

Title	Name	Area(s) of responsibility
* President	Yoichi Taguchi	
* Executive Vice President	Yoshinari Ishizuka	Assistant to the President Head of Corporate Strategy Dept., Public Relations & IR, Corporate Controller & Group Companies Management, Finance & Accounting and Information Systems
* Executive Vice President	Takashi Abe	Assistant to the President
* Senior Managing Executive Officer	Kazufumi Yanaga	Head of General Affairs & HR, Safety, Environment & Disaster Prevention Management and Purchasing Chief Compliance Officer
* Senior Managing Executive Officer	Yukihiro Saeki	General Manager of Production & Technology Div. General Manager of Kyushu Factory, Production & Technology Div.
* Senior Managing Executive Officer	Kazumasa Shoji	President of SUMCO Phoenix Corporation
Managing Executive Officer	Harumitsu Endo	General Manager of Sales & Marketing Div.
Managing Executive Officer	Shigeo Sumita	Deputy General Manager of Production & Technology Div. In charge of Quality Assurance Dept., Customer Product Engineering Dept., Engineering Planning Dept., Analysis & Characterization Technology Dept. and Advanced Technology Development Dept., Production & Technology Div.
Managing Executive Officer	Yoichi Tsuchiya	General Manager of General Affairs & HR Dept. In charge of Information Systems Dept. and Safety, Environment & Disaster Prevention Management Dept.
Managing Executive Officer	Hisashi Furuya	General Manager of Solar Div.
* Managing Executive Officer	Kazuo Hiramoto	In charge of Purchasing Dept. Deputy General Manager of Production & Technology Div. In charge of Plant Engineering Dept., Crystal Engineering Dept., Wafer Engineering Dept. and Epitaxial Engineering Dept., Production & Technology Div.
Executive Officer	Hisashi Katahama	In charge of Engineering Planning Dept. and Advanced Technology Development Dept., Production & Technology Div.
Executive Officer	Fumio Inoue	General Manager of Corporate Strategy Dept. and Corporate Controller & Group Companies Management Dept.
Executive Officer	Yoshio Murakami	Deputy General Manager of Solar Div.
Executive Officer	Kenji Oiso	General Manager of Finance & Accounting Dept. In charge of Public Relations & IR Dept.

(Note) 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)	10 (2)	241,098 (12,000)
Corporate Auditors (including Outside Corporate Auditors)	6 (3)	66,928 (18,000)
Total (including Outside Directors and Corporate Auditors)	16 (5)	308,026 (30,000)

- (Notes) 1. The upper limit of the total remuneration for all the directors is 500,000 thousand 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 5,900 thousand 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 one (1) director and one (1) corporate auditor who resigned from their posts as of the conclusion of the 12th Ordinary General Meeting of Shareholders held on April 27, 2011.
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 its current earnings situation.
6. In addition to the above, 12,000 thousand yen was paid to one (1) corporate auditor 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) 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	Executive Vice President (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.
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.

2) Major activities during the current business year

Category	Name	Status of major activities
Outside Director	Mayuki Hashimoto	Having attended 13 of the 14 Board of Directors meetings held during the current business year, 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 14 of the Board of Directors meetings held during the current business year, 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 12 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 13 of the 14 Board of Directors meetings and all 12 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 14 of the Board of Directors meetings and all 12 of the Board of Corporate Auditors meetings held during the current business year, 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 directors 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	78
(2) Total of monies and other property benefits, which the Company and subsidiaries should pay to the accounting auditors (including the above (1))	118

(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) and auditing of English financial statements, etc.

(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, 2012)

(Millions of yen)

Category	Amount	Category	Amount
(Assets)		(Liabilities)	
Current assets	150,906	Current liabilities	154,521
Cash and time deposits	25,464	Notes payable and accounts payable	26,661
Notes receivable and accounts receivable	36,181	Short-term borrowings	95,693
Merchandise and finished goods	15,530	Lease liabilities	9,545
Work in process	14,527	Income taxes, etc. payable	484
Raw materials and supplies	47,095	Allowance for employee bonuses	2,452
Deferred income tax assets	215	Facilities related notes payable and accounts payable	6,229
Others	12,008	Others	13,454
Allowance for doubtful accounts	(116)		
Fixed assets	285,513	Fixed liabilities	155,126
Tangible fixed assets	192,104	Long-term borrowings	118,298
Buildings and structures	98,568	Lease liabilities	11,485
Machinery and transport equipment	50,619	Deferred income tax liabilities	1,332
Land	20,178	Deferred tax liabilities for land revaluation	1,559
Construction in progress	21,769	Allowance for employee retirement benefits	18,844
Others	967	Others	3,606
Intangible fixed assets	20,348		
Goodwill	16,868	Total liabilities	309,647
Software	3,266		
Others	213	(Net assets)	
Investments and other assets	73,060	Shareholders' equity	120,697
Investment securities	897	Capital	114,107
Long-term advances	62,051	Capital surplus	89,291
Long-term prepaid expenses	4,030	Retained earnings	(82,692)
Deferred income tax assets	4,893	Treasury stock	(8)
Others	1,541	Accumulated other comprehensive income	(11,290)
Allowance for doubtful accounts	(353)	Net unrealized gain on available-for-sale securities	149
		Gains of deferred hedge	10
		Revaluation reserve for land	2,671
		Foreign currency translation adjustments	(14,121)
		Minority interests	17,366
		Total net assets	126,773
Total assets	436,420	Total liabilities and net assets	436,420

Consolidated Statement of Income

(Year ended January 31, 2012)

(Millions of yen)

Category	Amount	
Net sales		247,177
Cost of sales		218,097
Gross Profit		29,079
Selling, general and administrative expenses		28,112
Operating profit		967
Non-operating profit		
Interest and dividends income	89	
Foreign-exchange gains	170	
Subsidies received	171	
Gain on sales of fixed assets	462	
Others	499	1,393
Non-operating expenses		
Interest expense	3,751	
Depreciation charges	3,353	
Others	951	8,056
Ordinary loss		(5,695)
Extraordinary income		
Compensation income	10,003	10,003
Extraordinary loss		
Business restructuring expense	58,115	
Loss on adjustment for changes of accounting standard for asset retirement obligations	560	
Loss on disaster	1,269	59,945
Net loss before taxes and minority interests		(55,637)
Corporate income tax, local resident tax and business tax	657	
Adjustment of corporate income tax, etc	27,790	28,448
Net loss before minority interests		(84,085)
Minority interests in income		283
Net loss		(84,369)

Consolidated Statement of Changes in Net Assets

(Year ended January 31, 2012)

(Millions of yen)

Shareholders' equity	
Capital	
Balance as of January 31, 2011	114,107
Changes during fiscal year	
Total changes during fiscal year	—
Balance as of January 31, 2012	<u>114,107</u>
Capital surplus	
Balance as of January 31, 2011	89,291
Changes during fiscal year	
Total changes during fiscal year	—
Balance as of January 31, 2012	<u>89,291</u>
Retained earnings	
Balance as of January 31, 2011	1,883
Changes during fiscal year	
Net loss	(84,369)
Reversal of revaluation reserve for land	(206)
Total changes during fiscal year	<u>(84,576)</u>
Balance as of January 31, 2012	<u>(82,692)</u>
Treasury stock	
Balance as of January 31, 2011	(8)
Changes during fiscal year	
Acquisition of treasury stock	(0)
Total changes during fiscal year	<u>(0)</u>
Balance as of January 31, 2012	<u>(8)</u>
Total shareholders' equity	
Balance as of January 31, 2011	205,274
Changes during fiscal year	
Net loss	(84,369)
Reversal of revaluation reserve for land	(206)
Acquisition of treasury stock	(0)
Total changes during fiscal year	<u>(84,577)</u>
Balance as of January 31, 2012	<u>120,697</u>

(Millions of yen)

Accumulated other comprehensive income	
Net unrealized gain (loss) on available-for-sale securities	
Balance as of January 31, 2011	852
Changes during fiscal year	
Changes (net) in items other than shareholders' equity during fiscal year	(702)
Total changes during fiscal year	(702)
Balance as of January 31, 2012	149
Gains (losses) of deferred hedge	
Balance as of January 31, 2011	29
Changes during fiscal year	
Changes (net) in items other than shareholders' equity during fiscal year	(19)
Total changes during fiscal year	(19)
Balance as of January 31, 2012	10
Revaluation reserve for land	
Balance as of January 31, 2011	2,252
Changes during fiscal year	
Reversal of revaluation reserve for land	206
Changes (net) in items other than shareholders' equity during fiscal year	212
Total changes during fiscal year	419
Balance as of January 31, 2012	2,671
Foreign currency translation adjustments	
Balance as of January 31, 2011	(12,012)
Changes during fiscal year	
Changes (net) in items other than shareholders' equity during fiscal year	(2,109)
Total changes during fiscal year	(2,109)
Balance as of January 31, 2012	(14,121)
Total accumulated other comprehensive income	
Balance as of January 31, 2011	(8,878)
Changes during fiscal year	
Reversal of revaluation reserve for land	206
Changes (net) in items other than shareholders' equity during fiscal year	(2,618)
Total changes during fiscal year	(2,411)
Balance as of January 31, 2012	(11,290)

(Millions of yen)

Minority interests	
Balance as of January 31, 2011	19,748
Changes during fiscal year	
Changes (net) in items other than shareholders' equity during fiscal year	(2,381)
Total changes during fiscal year	<u>(2,381)</u>
Balance as of January 31, 2012	<u>17,366</u>
Total net assets	
Balance as of January 31, 2011	216,143
Changes during fiscal year	
Net loss	(84,369)
Reversal of revaluation reserve for land	–
Acquisition of treasury stock	(0)
Changes (net) in items other than shareholders' equity during fiscal year	(5,000)
Total changes during fiscal year	<u>(89,370)</u>
Balance as of January 31, 2012	<u>126,773</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
FORMOSA SUMCO TECHNOLOGY CORPORATION

The Company decided by a resolution at the Board of Directors meeting held February 2, 2012, to dissolve SUMCO Solar Corporation and Minamata Denshi Co., Ltd. effective March 31, 2012.

(2) Number of non-consolidated subsidiaries: 5

Name of major non-consolidated subsidiary:

SUMCO Korea Corporation

[Reason for exclusion from the scope of consolidation]

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 5. All 5 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 for those companies using the above balance sheet date is used for the preparation of consolidated financial statements.

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 at the balance sheet date, etc.

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 foreign currency-denominated receivables and liabilities are translated into Japanese yen at the spot rates of foreign exchange markets on the closing dates of accounting for the respective companies, and translation differences are charged to income. 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

Mainly Based on our own risk management policy, we hedge against a risk of fluctuations in market interest rates and a risk of currency fluctuations. As for a risk of fluctuations in market interest rates, 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. Method and period for amortization of goodwill

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

6. Changes in accounting policies

Effective from the current fiscal year, the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008) have been applied.

As a result, net loss before taxes and minority interests increased by 560 million yen.

7. Changes to presentations

- (1) “Reversal of allowance for doubtful accounts,” which was separately presented in the Consolidated Statement of Income for the previous fiscal year is included in “Others” of “Non-operating profit” because of its decreased materiality. The amount of “Reversal of allowance for doubtful accounts,” included in the Consolidated Statement of Income for the current fiscal year was 80 million yen.
- (2) Effective from the current fiscal year, based on the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008, the Ministerial Ordinance for Partial Revision of the Ordinance for Enforcement of the Corporation Law, the Corporate Accounting Rules, etc. (Ordinance of the Ministry of Justice No.7 of 2009, issued on March 27, 2009) has been applied and an accounting item of “Net loss before minority interests” is presented. In the previous fiscal year, net loss before minority interests was 66,003 million yen.

8. Additional information

Effective from the current fiscal year, the “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, June 30, 2010) has been applied. However, for the previous fiscal year, the amounts of “Accumulated other comprehensive income” and “Total accumulated other comprehensive income” are presented as the amounts of “Variance of valuation/translation etc.” and “Total variance of valuation/translation etc.,” respectively.

(Effect of changes in corporate income tax rate)

The “Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures” (Act No. 114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No. 117 of 2011) were promulgated on December 2, 2011. For the fiscal years beginning on or after April 1, 2012, the corporate income tax rate will be lowered and a surtax for reconstruction funding after the Great East Japan Earthquake will be imposed. In line with these changes, the effective statutory tax rate used to measure deferred income tax assets and deferred income tax liabilities will be changed from 40.1% to 37.8% for temporary differences expected to be eliminated in the period from the fiscal year beginning on or after February 1, 2013 until the fiscal year beginning on or after February 1, 2015 and to 35.3% for temporary differences expected to be eliminated in the period from the fiscal year beginning on or after February 1, 2016.

As a result, deferred income tax liabilities (the amount after the deferred income tax asset amount has been deducted) decreased by 122 million yen and adjustment of corporate income tax, etc decreased by the same amount. Deferred tax liabilities for land revaluation decreased by 212 million yen and revaluation reserve for land increased by the same amount.

II. Notes to Consolidated Balance Sheet

1. Hypothecated assets and corresponding liabilities

(1) Hypothecated assets

Buildings and structures	4,428million yen
Machinery and transport equipment	2,152million yen
Total	6,581 million yen

(2) Corresponding liabilities

Long-term borrowings	4,439million yen
(Repayment of above scheduled within one year)	(887million yen)

2. Accumulated depreciation of tangible fixed assets 756,237 million yen

3. Guarantee obligation

1,030 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:

(3,440) million yen

5. Financial covenants

- (1) The Company and consolidated subsidiary FORMOSA SUMCO TECHNOLOGY CORPORATION have entered into syndicate loan agreement with financial institutions. Certain financial covenants are attached to the agreement.

Loans payable as part of syndicate loan agreement as of January 31, 2012 are as follows.

Long-term borrowings	34,439million yen
(Repayment of above scheduled within one year)	(887million yen)

- (2) In order to obtain flexible financing for operating funds, the Company has entered into commitment line agreements with financial institutions. Certain financial covenants are attached to these agreements.

Outstanding loan commitments associated with commitment line agreements as of January 31, 2012 are as follows.

Total loan commitments	30,000million yen
Used commitments	–million yen
Outstanding loan commitments	30,000million 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

The business restructuring expense refers to the expenses incurred through execution of the Business Reorganization Plan. The details of expenses incurred from the withdrawal of the business of silicon wafers for use in solar energy cells and the restructuring and consolidation of manufacturing bases for the business of silicon wafers for semiconductors are as follows: impairment losses of 33,159 million yen, amortization of goodwill of 10,662 million yen, loss on abandonment of inventories of 9,234 million yen and cost of removal, etc. of 5,059 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; Construction in progress; Software; Others; Long-term prepaid expenses
	Imari-shi, Saga		
	Asago-shi, Hyogo		
	Kainan-shi, Wakayama		
SUMCO TECHXIV CORPORATION	Omura-shi, Nagasaki		
SUMCO Solar Corporation	Kainan-shi, Wakayama		
Minamata Denshi Co., Ltd.	Minamata-shi, Kumamoto		
SUMCO Phoenix Corporation	Albuquerque, New Mexico, USA		

(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 above-mentioned idle assets were made idle as a result of the withdrawal from the business of silicon wafers for use in solar energy cells and the restructuring and consolidation of manufacturing bases for the business of silicon wafers for semiconductors, and their book value has been written down to their recoverable value.

The land among idle assets is measured by net sales price as computed based on the assessed value of fixed assets. 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.

(3) Amount of impairment losses

Category	Impairment loss amount (million yen)
Buildings and structures	11,084
Machinery and transport equipment	14,527
Land	143
Construction in progress	6,022
Software	624
Others	276
Long-term prepaid expenses	478

Amortization of goodwill is posted as a result of the write-down of shares in SUMCO TECHXIV CORPORATION, SUMCO Solar Corporation, and Minamata Denshi Co., Ltd. on a nonconsolidated basis.

3. Detail of loss on disaster

Loss on disaster refers to loss incurred from the earthquake that struck the Tohoku region of Japan on March 11, 2011.

The details of this loss are as follows: loss on abandonment of inventories of 736 million yen, fixed costs during the suspension of operations of 364 million yen, and restoration costs of 169 million yen.

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, 2011 (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, 2012 (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, as well as facilities related 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 financing (risk of failure to execute payment on due date) 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, 2012 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	25,464	25,464	–
(2) Notes receivable and accounts receivable	36,181	36,181	–
(3) Investment securities	783	783	–
Total assets	62,429	62,429	–
(1) Notes payable and accounts payable	26,661	26,661	–
(2) Short-term borrowings (*1)	66,019	66,019	–
(3) Facilities related notes payable and accounts payable	6,229	6,229	–
(4) Long-term borrowings (*1)	147,972	149,263	1,290
(5) Lease liabilities	21,031	21,181	150
Total liabilities	267,914	269,355	1,441
Derivative transactions (*2)			
(i) Those to which hedge accounting is not applied	170	170	–
(ii) Those to which hedge accounting is applied	10	10	–
Total derivative transactions	180	180	–

(*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: 114 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.”

VI. ‘Per Share’ Information

1. Net assets per share: 424.47 yen
2. Net loss per share: (327.33) yen

VII. Significant Subsequent Events

1. Revision of personnel numbers (including the offering of voluntary retirement) as part of the execution of the Business Reorganization Plan

The Company decided by a resolution at the Board of Directors meeting held February 2, 2012 to execute the Business Reorganization Plan.

As part of the Business Reorganization Plan, the Company plans to:

- (1) Withdraw from the business of silicon wafers for use in solar energy cells.
- (2) Restructure and consolidate manufacturing bases for the business of silicon wafers for semiconductors.
- (3) Revise personnel numbers in connection with re-establishment of the manufacturing structure.

Concerning losses associated with the above measures, those on measures (1) and (2) were recorded as business restructuring expense under extraordinary loss in the current fiscal year. However, losses on measure (3) will be posted in the following fiscal year and subsequent fiscal years as the details become concrete.

2. Breach of financial covenants

By recording a net loss for the current fiscal year, the Company breached the financial covenants attached to a syndicate loan agreement. However, the Company resolved the issue by concluding a revised version of the aforementioned agreement on February 29, 2012.

3. Issuance of class shares

The Company decided by a resolution at the Board of Directors meeting held March 8, 2012 to issue class shares.

The details of the class share issuance are as follows.

- (1) Method of issuance: Third party allotment
- (2) Class of shares: Class A Shares
- (3) Total issue price: 45,000 million yen
(included in stated capital: 22,500 million yen)
(included in capital reserves: 22,500 million yen)
- (4) Allottees:
 - Sumitomo Metal Industries, Ltd.
 - Mitsubishi Materials Corporation
 - Japan Industrial Solutions Fund I
(15,000 million yen each)
- (5) Payment date: May 11, 2012 or any other day during the period from May 12, 2012 to July 11, 2012 otherwise determined by the Board of Directors of the Company

Non-consolidated Balance Sheet

(As of January 31, 2012)

(Millions of yen)

Category	Amount	Category	Amount
(Assets)		(Liabilities)	
Current assets	111,980	Current liabilities	137,986
Cash and time deposits	19,340	Accounts payable	25,746
Accounts receivable	35,143	Short-term borrowings	92,148
Merchandise and finished goods	5,429	Lease liabilities	8,939
Work in process	8,682	Accrued liabilities	5,153
Raw materials and supplies	34,334	Accrued expenses	1,179
Advances	2,722	Guarantee deposited	753
Prepaid expenses	604	Allowance for employee bonuses	1,369
Short-term loans	2,387	Facilities related notes payable and accounts payable	2,230
Accounts receivable-other	3,727	Others	465
Others	1,140		
Allowance for doubtful accounts	(1,533)	Fixed liabilities	142,163
Fixed assets	278,276	Long-term borrowings	114,747
Tangible fixed assets	132,927	Lease liabilities	11,455
Buildings	76,189	Long-term guarantee deposited	1,071
Structures	2,746	Deferred income tax liabilities	1,117
Machinery	33,972	Deferred tax liabilities for land revaluation	1,559
Motor vehicles and transport equipment	43	Allowance for employee retirement benefits	11,595
Tools, appliances and furniture	318	Asset retirement obligations	538
Land	14,389	Others	78
Lease assets	209		
Construction in progress	5,057	Total liabilities	280,150
Intangible fixed assets	3,207		
Software	2,998	(Net assets)	
Others	208	Shareholders' equity	107,274
Investments and other assets	142,141	Capital	114,107
Investment securities	750	Capital surplus	89,292
Stocks of subsidiaries and affiliates	30,136	Capital reserves	86,046
Investments in subsidiaries and affiliates	55	Others	3,245
Long-term loans receivable from subsidiaries and affiliates	52,140	Retained earnings	(96,115)
Long-term advances	57,020	Other retained earnings	(96,115)
Long-term prepaid expenses	3,534	Retained earnings carried forward	(96,115)
Others	1,079	Treasury stock	(8)
Allowance for doubtful accounts	(2,575)	Variance of valuation/translation etc.	2,831
		Net unrealized gain on available- for-sale securities	149
		Gains of deferred hedge	10
		Revaluation reserve for land	2,671
		Total net assets	110,106
Total assets	390,256	Total liabilities and net assets	390,256

Non-consolidated Statement of Income

(Year ended January 31, 2012)

(Millions of yen)

Category	Amount	
Net sales		207,337
Cost of sales		185,289
Gross Profit		22,048
Selling, general and administrative expenses		19,537
Operating profit		2,510
Non-operating profit		
Interest received	424	
Dividends received	3,411	
Others	658	4,494
Non-operating expenses		
Interest expense	3,676	
Foreign-exchange losses	104	
Depreciation charges	2,078	
Loss on sales and disposals on fixed assets	195	
Others	290	6,345
Ordinary profit		660
Extraordinary income		
Compensation income	10,003	10,003
Extraordinary loss		
Loss on valuation of stocks of subsidiaries and affiliates	45,350	
Provision of allowance for doubtful accounts for subsidiaries and affiliates	3,771	
Business restructuring expense	29,983	
Loss on adjustment for changes of accounting standard for asset retirement obligations	538	
Loss on disaster	1,206	80,850
Net loss before taxes		(70,186)
Corporate income tax, local resident tax and business tax	33	
Adjustment of corporate income tax, etc	27,139	27,173
Net loss		(97,359)

Non-consolidated Statement of Changes in Net Assets

(Year ended January 31, 2012)

(Millions of yen)

Shareholders' equity	
Capital	
Balance as of January 31, 2011	114,107
Changes during business year	
Total changes during business year	—
Balance as of January 31, 2012	<u>114,107</u>
Capital surplus	
Capital reserves	
Balance as of January 31, 2011	86,046
Changes during business year	
Total changes during business year	—
Balance as of January 31, 2012	<u>86,046</u>
Others	
Balance as of January 31, 2011	3,245
Changes during business year	
Total changes during business year	—
Balance as of January 31, 2012	<u>3,245</u>
Total capital surplus	
Balance as of January 31, 2011	89,292
Changes during business year	
Total changes during business year	—
Balance as of January 31, 2012	<u>89,292</u>
Retained earnings	
Other retained earnings	
Retained earnings carried forward	
Balance as of January 31, 2011	1,450
Changes during business year	
Net loss	(97,359)
Reversal of revaluation reserve for land	(206)
Total changes during business year	<u>(97,566)</u>
Balance as of January 31, 2012	<u>(96,115)</u>

(Millions of yen)

Treasury stock	
Balance as of January 31, 2011	(8)
Changes during business year	
Acquisition of treasury stock	(0)
Total changes during business year	(0)
Balance as of January 31, 2012	(8)
Total shareholders' equity	
Balance as of January 31, 2011	204,841
Changes during business year	
Net loss	(97,359)
Reversal of revaluation reserve for land	(206)
Acquisition of treasury stock	(0)
Total changes during business year	(97,566)
Balance as of January 31, 2012	107,274
Variance of valuation/translation etc.	
Net unrealized gain (loss) on available-for-sale securities	
Balance as of January 31, 2011	866
Changes during business year	
Changes (net) in items other than shareholders' equity during business year	(717)
Total changes during business year	(717)
Balance as of January 31, 2012	149
Gains (losses) of deferred hedge	
Balance as of January 31, 2011	29
Changes during business year	
Changes (net) in items other than shareholders' equity during business year	(19)
Total changes during business year	(19)
Balance as of January 31, 2012	10
Revaluation reserve for land	
Balance as of January 31, 2011	2,252
Changes during business year	
Reversal of revaluation reserve for land	206
Changes (net) in items other than shareholders' equity during business year	212
Total changes during business year	419
Balance as of January 31, 2012	2,671

(Millions of yen)

Total variance of valuation/translation etc.	
Balance as of January 31, 2011	3,148
Changes during business year	
Reversal of revaluation reserve for land	206
Changes (net) in items other than shareholders' equity during business year	(524)
Total changes during business year	<u>(317)</u>
Balance as of January 31, 2012	<u>2,831</u>
Total net assets	
Balance as of January 31, 2011	207,990
Changes during business year	
Net loss	(97,359)
Reversal of revaluation reserve for land	–
Acquisition of treasury stock	(0)
Changes (net) in items other than shareholders' equity during business year	(524)
Total changes during business year	<u>(97,884)</u>
Balance as of January 31, 2012	<u>110,106</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 a risk of fluctuations in market interest rates and a risk of currency fluctuations. As for a risk of fluctuations in market interest rates, 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 the current business year, the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008) have been applied.

As a result, net loss before taxes increased by 538 million yen.

9. Changes to presentations

“Interest and dividends income,” which was presented as one accounting item under non-operating profit in the Non-consolidated Statement of Income for the previous business year, is now separately presented as “Interest received” and “Dividends received” because of their increased materiality.

The amounts of “Interest received” and “Dividends received” included in the previous business year were 624 million yen and 339 million yen, respectively.

II. Notes to Non-consolidated Balance Sheet

1. **Accumulated depreciation of tangible fixed assets** 454,262 million yen

2. Guarantee obligation

SUMCO Phoenix Corporation	725 million yen
Employees	1,030 million yen
Total	1,755 million yen

3. Accounts receivable from and payable to subsidiaries and affiliates

Short-term accounts receivable	12,604 million yen
Long-term accounts receivable	52,140 million yen
Short-term accounts payable	10,374 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: (3,440) million yen

5. Financial covenants

(1) The Company has entered into a syndicate loan agreement with financial institutions. Financial Covenants are attached to the agreement that require net assets in the Company’s consolidated and non-consolidated balance sheets and the cash flows from operating activities in the Company’s consolidated and non-consolidated statements of cash flows to be kept within certain levels.

Loans payable as part of the syndicate loan agreement as of January 31, 2012 are as follows.

Long-term borrowings	30,000 million yen
(Repayment of above scheduled within one year)	(–million yen)

- (2) In order to obtain flexible financing for operating funds, the Company has entered into commitment line agreements with financial institutions. Financial covenants are attached to these agreements that require the net assets of the Company's consolidated and non-consolidated balance sheets and the cash flows from operating activities of the Company's consolidated statement of cash flows to be kept within certain levels.

Outstanding loan commitments associated with commitment line agreements as of January 31, 2012 are as follows.

Total loan commitments	30,000million yen
Used commitments	–million yen
Outstanding loan commitments	30,000million yen

III. Notes to Non-consolidated Statement of Income

1. Volume of transactions with subsidiaries and affiliates

Amount of sales	45,227 million yen
Amount of purchase	72,008 million yen
Transactions other than operational transactions	3,831 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, SUMCO Solar Corporation, and Minamata Denshi Co., Ltd., consolidated subsidiaries of the Company.

(2) Provision of allowance for doubtful accounts for subsidiaries and affiliates

Provision of allowance for doubtful accounts for subsidiaries and affiliates is related to loans receivable from the Company's consolidated subsidiaries SUMCO TECHXIV CORPORATION, SUMCO Solar Corporation, and Minamata Denshi Co., Ltd.

(3) Business restructuring expense

The business restructuring expense refers to the expenses incurred through execution of the Business Reorganization Plan. The details of expenses incurred from the withdrawal of the business of silicon wafers for use in solar energy cells and the restructuring and consolidation of manufacturing bases for the business of silicon wafers for semiconductors are as follows: impairment losses of 19,571 million yen and loss on abandonment of inventories of 10,411 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; Motor vehicles and transport equipment; Tools, appliances and furniture; Land; Construction in progress; Software; Others; Long-term prepaid expenses
Imari-shi, Saga		
Asago-shi, Hyogo		
Kainan-shi, Wakayama		

(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 above-mentioned idle assets were made idle as a result of the withdrawal from the business of silicon wafers for use in solar energy cells and the restructuring and consolidation of manufacturing bases for the business of silicon wafers for semiconductors, and their book value has been written down to their recoverable value.

The land among idle assets is measured by net sales price as computed based on the assessed value of fixed assets. 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.

(iii) Amount of impairment losses

Category	Impairment loss amount (million yen)
Buildings	7,799
Structures	436
Machinery	7,129
Motor vehicles and transport equipment	27
Tools, appliances and furniture	44
Land	100
Construction in progress	3,343
Software	191
Others	20
Long-term prepaid expenses	478

4. Detail of loss on disaster

Loss on disaster refers to loss incurred from the earthquake that struck the Tohoku region of Japan on March 11, 2011.

The details of this loss are as follows: loss on abandonment of inventories of 678 million yen, fixed costs during the suspension of operations of 364 million yen, and restoration costs of 162 million yen.

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, 2011 (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, 2012 (thousand shares)
Common stock	4	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	31,504	million yen
Stocks of subsidiaries and affiliates	30,902	million yen
Fixed assets	17,758	million yen
Inventories	4,945	million yen
Allowance for employee retirement benefits	4,093	million yen
Others	3,566	million yen
Subtotal deferred income tax assets	92,769	million yen
Valuation allowance	(92,769)	million yen
Total deferred income tax assets	–	million yen

Deferred income tax liabilities

Stocks of subsidiaries and affiliates	(980)	million yen
Others	(136)	million yen
Total deferred income tax liabilities	(1,117)	million yen

Net deferred income tax liabilities (1,117) million yen

Deferred tax liabilities for land revaluation (1,559) million yen

2. Details of main items causing a difference between the effective statutory tax rate and the actual effective tax rate for corporate income tax, etc., after the application of deferred tax accounting

Effective statutory tax rate	(40.1)%
(Adjustment)	
Allowance account	66.1 %
Revision of year-end deferred income tax assets due to change in tax rate	14.6 %
Others	(1.9)%
Actual effective tax rate for corporate income tax, etc., after the application of deferred tax accounting	38.7 %

3. Revisions to amounts of deferred income tax assets and deferred income tax liabilities due to changes in the corporate income tax rates, etc.

The “Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures” (Act No. 114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No. 117 of 2011) were promulgated on December 2, 2011. For the business years beginning on or after April 1, 2012, the corporate income tax rate will be lowered and a surtax for reconstruction funding after the Great East Japan Earthquake will be imposed. In line with these changes, the effective statutory tax rate used to measure deferred income tax assets and deferred income tax liabilities will be changed from 40.1% to 37.8% for temporary differences expected to be eliminated in the period from the business year beginning on or after February 1, 2013 until the business year beginning on or after February 1, 2015 and to 35.3% for temporary differences expected to be eliminated in the period from the business year beginning on or after February 1, 2016.

As a result, deferred income tax liabilities decreased by 151 million yen and adjustment of corporate income tax, etc decreased by the same amount. Deferred tax liabilities for land revaluation decreased by 212 million yen and revaluation reserve for land increased by the same amount.

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
Motor vehicles and transport equipment	6 million yen	6 million yen	0 million yen
Tools, appliances and furniture	992 million yen	879 million yen	112 million yen
Total	999 million yen	885 million yen	113 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	105 million yen
Over one year	7 million yen
Total	113 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	196 million yen
Depreciation	196 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	28 million yen
Over one year	19 million yen
Total	47 million yen

VII. Note Regarding Related Party Transactions

Major shareholders, etc.

Category	Company name	Voting interest (%)	Business relationship	Transaction contents	Transaction amount (millions of yen)	Account title	Balance at end of business year (millions of yen)
Other associated company	Mitsubishi Materials Corporation	28 (owned; direct ownership)	Supplier of raw materials	Purchase of raw materials	11,470	Accounts payable	2,636
						Long-term advances	4,600
						(current portion)	(1,200)

(Notes) 1. Transaction amount excludes consumption taxes.

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

Prices of trades with Mitsubishi Materials Corporation are determined under the same conditions as general trades taking market prices into consideration.

Subsidiaries

Category	Company name	Voting interest (%)	Business relationship	Transaction contents	Transaction amount (millions of yen)	Account title	Balance at end of business year (millions of yen)
Subsidiary	SUMCO TECHXIV CORPORATION	100 (direct ownership)	Manufacturer of products purchased	Purchase of products	47,580	Accounts payable	3,061
				Recovery of funds	7,586	Long-term loans receivable from subsidiaries and affiliates	52,140
Subsidiary	SUMCO Phoenix Corporation	100 (direct ownership)	Sales destination of the Company's products	Selling of the Company's products	23,099	Accounts receivable	3,196

(Notes) 1. Transaction amount excludes consumption taxes.

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

Prices of trades with SUMCO TECHXIV CORPORATION and SUMCO Phoenix 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.

3. Allowance for doubtful accounts of 2,345 million yen is provided for the long-term loans receivable related to SUMCO TECHXIV CORPORATION.

Provision of allowance for doubtful accounts of 2,345 million yen is also posted under extraordinary loss in the current business year.

VIII. 'Per Share' Information

- | | |
|--------------------------|--------------|
| 1. Net assets per share: | 427.19 yen |
| 2. Net loss per share: | (377.73) yen |

IX. Significant Subsequent Events

1. Revision of personnel numbers (including the offering of voluntary retirement) as part of the execution of the Business Reorganization Plan

The Company decided by a resolution at the Board of Directors meeting held February 2, 2012 to execute the Business Reorganization Plan.

As part of the Business Reorganization Plan, the Company plans to:

- (1) Withdraw from the business of silicon wafers for use in solar energy cells.
- (2) Restructure and consolidate manufacturing bases for the business of silicon wafers for semiconductors.
- (3) Revise personnel numbers in connection with re-establishment of the manufacturing structure.

Concerning losses associated with the above measures, those on measures (1) and (2) were recorded as business restructuring expense under extraordinary loss in the current business year. However, losses on measure (3) will be posted in the following business year and subsequent business years as the details become concrete.

2. Breach of financial covenant

By recording a net loss for the current business year, the Company breached the financial covenant attached to a syndicate loan agreement. However, the Company resolved the issue by concluding a revised version of the aforementioned agreement on February 29, 2012.

3. Issuance of class shares

The Company decided by a resolution at the Board of Directors meeting held March 8, 2012 to issue class shares.

The details of the class share issuance are as follows.

- | | |
|--------------------------------|--|
| (1) Method of issuance: | Third party allotment |
| (2) Class of shares: | Class A Shares |
| (3) Total issue price: | 45,000 million yen |
| (included in stated capital: | 22,500 million yen) |
| (included in capital reserves: | 22,500 million yen) |
| (4) Allottees: | <ul style="list-style-type: none">• Sumitomo Metal Industries, Ltd.• Mitsubishi Materials Corporation• Japan Industrial Solutions Fund I
(15,000 million yen each) |
| (5) Payment date: | May 11, 2012 or any other day during the period from May 12, 2012 to July 11, 2012 otherwise determined by the Board of Directors of the Company |

Accounting audit report on Consolidated Financial Statements

Independent Auditors' Report

March 19, 2012

SUMCO CORPORATION

The Board of Directors

Deloitte Touche Tohmatsu LLC

<u>Designated Limited Partner and Engagement Partner</u>	Certified Public Accountant Yasuyoshi Ichikawa (Seal)
<u>Designated Limited Partner and Engagement Partner</u>	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, 2011 to January 31, 2012, in accordance with Article 444, Paragraph 4 of the Corporation Law. The consolidated financial statements are 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.

Additional information

1. As described in the Significant Subsequent Events, the Company decided by a resolution at the Board of Directors meeting held February 2, 2012 to revise personnel numbers as part of the execution of Business Reorganization Plan.
2. As described in the Significant Subsequent Events, the Company breached the financial covenants attached to a syndicate loan agreement. However, the Company resolved the issue by concluding a revised version of the aforementioned agreement on February 29, 2012.

3. As described in the Significant Subsequent Events, the Company decided by a resolution at the Board of Directors meeting held March 8, 2012 to issue class shares.

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 19, 2012

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 13th business year from February 1, 2011 to January 31, 2012, 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.

Additional information

1. As described in the Significant Subsequent Events, the Company decided by a resolution at the Board of Directors meeting held February 2, 2012 to revise personnel numbers as part of the

execution of Business Reorganization Plan.

2. As described in the Significant Subsequent Events, the Company breached the financial covenants attached to a syndicate loan agreement. However, the Company resolved the issue by concluding a revised version of the aforementioned agreement on February 29, 2012.
3. 6. As described in the Significant Subsequent Events, the Company decided by a resolution at the Board of Directors meeting held March 8, 2012 to issue class shares.

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 13th business year from February 1, 2011 to January 31, 2012, 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 the development of systems 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 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 described in the Business Report, 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 Corporate 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 the Consolidated Financial Statements (Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Changes in Net Assets) related to the relevant business year.

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 22, 2012

Board of Corporate Auditors, SUMCO CORPORATION

Full-time Corporate Auditor	Tamio Kobayashi	(Seal)
Full-time Corporate Auditor	Hiroshi Yoshikawa	(Seal)
Outside Corporate Auditor	Hitoshi Tanaka	(Seal)
Outside Corporate Auditor	Kitaro Yoshida	(Seal)
Outside Corporate Auditor	Keisuke Yamanobe	(Seal)

Reference Documents for the General Meeting of Shareholders

Proposal 1: Reduction in Amount of Capital Reserves and Appropriation of Surplus

1. Reason for reduction in amount of capital reserves

The Company recorded a net loss in the year ended January 31, 2012 due to such factors as a sharp decrease in demand for silicon wafers resulting from a slowdown in the global economy and substantial production adjustments for semiconductors, the entrenchment of the yen's value at record high levels, as well as rapid deterioration in the supply and demand environment and continuous large-scale price drops in the business of silicon wafers for use in solar energy cells. A net loss was also recorded in the years ended January 31, 2010 and January 31, 2011. As a result, the Company recorded a negative 96,115,711,285 yen in retained earnings carried forward on a non-consolidated basis. Against this backdrop, deeming it a matter of urgency to rebuild the corporate structure so as to earn stable profits even if the current difficult business environment continues, the Company formulated a Business Reorganization Plan (the "Business Reorganization Plan"). The Company assumes that about 45.0 billion yen is necessary for capital investments, research and development investments and operating funds required to execute the Business Reorganization Plan. Through this series of measures, the Company will firmly establish a strong revenue base that will secure profit even in periods of weak demand. Accordingly, the Company seeks the approval of shareholders for a reduction in its amount of capital reserves and an appropriation of surplus to provide cover for losses in order to quickly regain a sound financial structure and prepare for the execution of agile and flexible capital policy going forward.

2. Outline of implementation

(1) Details of reduction in amount of capital reserves

The Company proposes to reduce its 86,046,254,601 yen of capital reserves by 86,046,254,601 yen and transfer this amount to other capital surplus based on the provisions of Article 448, Paragraph 1 of the Corporation Law.

(i) Item and amount of reserves to be reduced

Capital reserves 86,046,254,601 yen out of 86,046,254,601 yen

(ii) Effective date of reduction in amount of capital reserves

April 27, 2012

(2) Details of appropriation of surplus

The Company proposes to transfer 89,292,248,419 yen of other capital surplus to retained earnings carried forward based on the provisions of Article 452 of the Corporation Law, conditional on the above-mentioned transfer.

(i) Item and amount of surplus to be reduced

Other capital surplus 89,292,248,419 yen

(ii) Item and amount of surplus to be increased

Retained earnings carried forward 89,292,248,419 yen

Proposal 2: Partial Amendments to the Articles of Incorporation

With this proposal, the Company seeks the approval of shareholders through an extraordinary resolution for partial amendments to the Articles of Incorporation as stated in the proposed text in “2. Details of the amendments” below.

1. Reasons for the amendments

The SUMCO Group has formulated the Business Reorganization Plan in order to firmly establish a strong revenue base that will secure profit even in periods of weak demand. The gist of the Business Reorganization Plan is as follows.

- (A) Withdraw from the business of silicon wafers for use in solar energy cells
- (B) Restructure and consolidate manufacturing bases for the business of silicon wafers for semiconductors
- (C) Revise personnel numbers in connection with re-establishment of the manufacturing structure

In conjunction with the Company’s implementation of the Business Reorganization Plan, the Company recorded an extraordinary loss of 58.1 billion yen in the form of business restructuring expense in its consolidated results for the year ended January 31, 2012. In its nonconsolidated results, the Company recorded an extraordinary loss of 29.9 billion yen in the form of business restructuring expense. Also, due to a decline in the real value of its holdings of shares of consolidated subsidiaries, such as SUMCO TECHXIV CORPORATION, the Company recognized impairment losses and posted an extraordinary loss of 49.1 billion yen in the form of loss on valuation of stocks of subsidiaries and affiliates, etc.

Also, in light of the uncertain market environment, the Company reversed 27.2 billion yen of deferred income tax assets in its consolidated and nonconsolidated results for the year ended January 31, 2012, resulting in a significant decrease in the SUMCO Group’s own capital.

Based on these financial circumstances, the Company decided that issuing Class A shares (the “Class A Shares”) to Sumitomo Metal Industries, Ltd. and Mitsubishi Materials Corporation, the Company’s major shareholders, and to Japan Industrial Solutions Fund I, an investor which understands the Company’s current state, business purpose, and management policies (collectively, the “Allottees”), will help stabilize the Company’s financial structure and lead to the maintenance or improvement of its trading partners’ trust, which will in turn contribute to the maintenance or improvement of the Company’s shareholder value over the long term. As a result, the Company has decided to issue the Class A Shares to the Allottees.

The Company has also entered into a subscription agreement with the Allottees with respect to matters relating to their contributions to the Company (the “Subscription Agreement”), an overview of which is set out below.

- (1) Matters the Company must comply with

The Company has made a commitment to the Allottees that the Company will, among other things,

- submit at this Ordinary General Meeting of Shareholders agendas for resolutions of the general meeting of shareholders containing a proposal to reduce the Company’s capital reserves,
- make reasonable efforts to achieve the Business Reorganization Plan,
- submit certain documents periodically to the Allottees,
- report to the Allottees if any certain important facts arise,
- consult in advance with the Allottees if the Company is to issue shares, pay dividends from surplus, or undertake any other such important actions, and
- consult with the Allottees with respect to taking measures necessary to securing profits that the Company can distribute.

- (2) Granting of right to nominate a candidate for outside director and a candidate for outside corporate auditor

Japan Industrial Solutions Fund I is entitled to nominate one (1) candidate for outside director

and one (1) candidate for outside corporate auditor of the Company, and the Company is obligated to submit to a general meeting of shareholders an agenda item and proposal to elect such candidates.

(3) Establishment of conference to monitor the Business Reorganization Plan

On or after the payment date, the Company will establish, as an advisory council of the Board of Directors, a Business Reorganization Plan monitoring conference for undertaking a broad review of matters directly and indirectly relating to the implementation of the Business Reorganization Plan, and the Company is obligated to keep holding this conference as long as the Allottees hold a certain number or more of the Class A Shares.

(4) Restriction on exercising put option

If an Allottee wishes to exercise either (i) a put option attached to the Class A Shares for which the consideration is common shares of the Company, or (ii) a put option attached to Class B shares (the “Class B Shares”) for which the consideration is common shares of the Company, it must give written notice to the Company and the other Allottees no later than before a certain period before the acquisition request date. The Class B Shares will be delivered by exercising the put option attached to the Class A Shares the consideration for which is cash and Class B Shares.

However, if the total number of common shares of the Company issued upon exercise of put options attached to the Class A Shares and Class B Shares exceeds 64,285,713, none of the Allottees may exercise put options attached to the Class A Shares or the Class B Shares in respect of that excess portion.

With this proposal, the Company seeks the approval of shareholders for the following amendments to the Articles of Incorporation in order to issue the Class A Shares, and handle Japan Industrial Solutions Fund I’s exercising of its right to nominate a candidate for outside corporate auditor as granted in the Subscription Agreement.

2. Details of the amendments

The details of the amendments are as follows:

(Underlining denotes change)

Current Text	Proposed Text
<p style="text-align: center;">Chapter 2. Shares</p> <p>Article 6. (Total number of authorized shares)</p> <p style="padding-left: 40px;">The total number of shares authorized to be issued by the Company shall be <u>804,000,000</u> shares.</p> <p>Article 7. (Number of shares constituting one share unit)</p> <p style="padding-left: 40px;">The number of shares constituting one share unit of the Company shall be <u>one hundred (100)</u>.</p> <p>Article 8. to Article 10.</p> <p style="padding-left: 40px;">(Provisions omitted)</p> <p style="padding-left: 40px;">(Newly added)</p> <p style="padding-left: 40px;">(Newly added)</p> <p style="padding-left: 40px;">(Newly added)</p>	<p style="text-align: center;">Chapter 2. Shares</p> <p>Article 6. (Total number of authorized shares)</p> <p style="padding-left: 40px;">The total number of shares authorized to be issued by the Company shall be <u>804,000,000</u> shares, and the total numbers of shares of each class authorized to be issued by the Company shall be <u>803,999,100 common shares, 450 Class A Shares, and 450 Class B Shares</u>.</p> <p>Article 7. (Number of shares constituting one share unit)</p> <p style="padding-left: 40px;">The number of shares constituting one share unit of the Company shall be <u>one hundred (100) for common shares, one (1) for Class A Shares, and one (1) for Class B Shares</u>.</p> <p>Article 8. to Article 10.</p> <p style="padding-left: 40px;">(Unchanged)</p> <p style="padding-left: 40px;"><u>Chapter 2-2. Class A Shares</u></p> <p><u>Article 10-2.(Class A Shares)</u></p> <p style="padding-left: 40px;"><u>The details of the Class A Shares issued by the Company shall be as follows.</u></p> <p style="padding-left: 40px;"><u>1. Dividends from surplus</u></p> <p style="padding-left: 80px;"><u>(1) Class A Year-End Dividend</u></p> <p style="padding-left: 120px;"><u>If the Company is to pay a year-end dividend from surplus, it shall pay the dividend to shareholders who hold Class A Shares and registered pledgees of the Class A Shares entered or recorded in the final shareholder registry as at the record date pertaining to the dividend from surplus (such shareholders, the “Class A Shareholders”; the Class A Shareholders and such pledgees</u></p>

Current Text	Proposed Text
	<p><u>collectively, the “Class A Shareholders, Etc.”) before paying any dividend to shareholders who hold common shares (in this chapter, the “Common Shareholders”), registered pledgees of common shares (together with the Common Shareholders, in this chapter, the “Common Shareholders, Etc.”), and shareholders who hold Class B Shares and registered pledgees of Class B Shares (collectively, in this chapter, the “Class B Shareholders, Etc.”) in the cash amount for each Class A Share held calculated by multiplying the amount equal to the amount to be paid in for each Class A Share (however, if the Class A Shares have been subject to a share split, gratis allotment, share consolidation, or any other similar event, that amount is to be appropriately adjusted) by the annual dividend rate provided for in Item (2) below (the “Preferred Annual Dividend Rate”; the amount to be so paid, the “Class A Year-End Dividend”). Any fraction of a yen that arises in the amount calculated by multiplying the Class A Year-End Dividend by the number of Class A Shares held by a Class A Shareholder, Etc., is to be disregarded.</u></p> <p><u>(2) Preferred Annual Dividend Rate</u></p> <p><u>The Preferred Annual Dividend Rate shall be 2.50%.</u></p> <p><u>(3) Nonparticipation clause</u></p> <p><u>Dividends from surplus exceeding the amount of Class A Year-End Dividend shall not be paid to Class A Shareholders, Etc.</u></p> <p><u>(4) Accumulation clause</u></p> <p><u>If in a business year the amount of dividends from surplus paid to Class A Shareholders, Etc., does not reach the amount of the Class A Year-End Dividend, the amount</u></p>

Current Text	Proposed Text
<p>(Newly added)</p>	<p><u>of the shortfall shall be carried over into subsequent business years. The Company shall pay the shortfall amounts so accumulated (the accumulated unpaid dividend per share, the “Amount Equal to Class A Accumulated Unpaid Dividends”) to Class A Shareholders, Etc., in the next or subsequent business years before paying any Class A Year-End Dividend or dividend from surplus to Common Shareholders, Etc., and Class B Shareholders, Etc.</u></p> <p><u>2. Distribution of residual assets</u></p> <p><u>(1) Distribution of residual assets</u></p> <p><u>If the Company is to distribute residual assets, it shall pay, for each Class A Share, the cash amount calculated by adding the Amount Equal to Class A Accumulated Unpaid Dividends and the Amount Equal to Accrued Class A Dividends provided for in Item (3) below to the amount equal to the amount to be paid in for each Class A Share (however, if the Class A Shares have been subject to a share split, gratis allotment, share consolidation, or any other similar event, the amount equal to the amount to be paid in for each Class A Share is to be adjusted to a value that the Company judges appropriate) (the “Class A Residual Assets Distribution Amount”) to Class A Shareholders, Etc. before Common Shareholders, Etc. and Class B Shareholders, Etc. Any fraction of a yen that arises in the amount calculated by multiplying the Class A Residual Assets Distribution Amount by the number of Class A Shares held by a Class A Shareholder is to be disregarded.</u></p> <p><u>(2) Nonparticipation clause</u></p> <p><u>No distribution of residual assets shall be made to Class A Shareholders, Etc. other than as</u></p>

Current Text	Proposed Text
<p>(Newly added)</p> <p>(Newly added)</p>	<p><u>provided for in Item (1) above.</u></p> <p><u>(3) Amount Equal to Accrued Class A Dividends</u></p> <p><u>The Amount Equal to Accrued Class A Dividends for each Class A Share means the amount, as at the day when the residual assets are distributed (the “Distribution Date”), calculated by multiplying the amount of the Class A Year-End Dividend by the number of days in the period from the first day (inclusive) of the business year of the Distribution Date to the Distribution Date (inclusive) and then dividing that product by 365.</u></p> <p><u>3. Voting rights</u></p> <p><u>Class A Shareholders do not have voting rights at general meetings of shareholders.</u></p> <p><u>4. Put option the consideration for which is common shares</u></p> <p><u>(1) Stock-consideration put option</u></p> <p><u>Each Class A Shareholder is entitled to request the Company any date on or after May 11, 2015 (the “Put Option Exercise Period Start Date”) to acquire, in accordance with laws and regulations, all or some of the Class A Shares held by the Class A Shareholder in exchange for delivery of the number of common shares provided for in Item (2) below (the “Common Shares Subject to Acquisition”; such request, in this paragraph, the “Stock-Consideration Acquisition Request”). If a Stock-Consideration Acquisition Request is made, the Company shall deliver to the requesting Class A Shareholder the Common Shares Subject to Acquisition to the extent permissible under laws and regulations in exchange for the Company’s acquiring the Class A Shares subject to the</u></p>

Current Text	Proposed Text
	<p><u>Stock-Consideration Acquisition Request.</u></p> <p>(2) <u>Number of common shares to be delivered in exchange for acquiring the Class A Shares</u></p> <p><u>The number of common shares to be delivered in exchange for the Company’s acquiring the Class A Shares shall be the number calculated by multiplying the number of Class A Shares subject to the Stock-Consideration Acquisition Request by the aggregate of the amount equal to the amount to be paid in (however, if the Class A Shares have been subject to a share split, gratis allotment, share consolidation, or any other similar event, that amount is to be adjusted to a value that the Company judges appropriate), the Amount Equal to Class A Accumulated Unpaid Dividends and the Amount Equal to Accrued Class A Dividends, and then dividing that product by the acquisition price provided for in Items (3) through (5) below. In this Item (2), the Amount Equal to Accrued Class A Dividends is to be calculated by reading both “day when the residual assets are distributed” and “Distribution Date” in the calculation of the Amount Equal to Accrued Class A Dividends provided for in 2. (3) above as “day when the Stock-Consideration Acquisition Request took effect” (the “Stock-Consideration Acquisition Request Date”). Any fraction of a share that arises in the total number of common shares to be delivered in exchange for the Company’s acquiring the Class A Shares subject to the Stock-Consideration Acquisition Request is to be disregarded, and if such a case occurs, there shall be no payment of money as provided for in Article 167, Paragraph 3 of the Corporation Law.</u></p>

Current Text	Proposed Text
	<p data-bbox="933 255 1273 288"><u>(3) Initial acquisition price</u></p> <p data-bbox="992 320 1406 797"><u>The acquisition price shall initially be the average VWAP (calculated to the second decimal place and then rounded to the first decimal place) of the Company’s common shares in regular trading published by the Tokyo Stock Exchange, Inc. (“TSE”) over the period of twenty (20) consecutive Trading Days preceding the Put Option Exercise Period Start Date (in this Item (3), the “Initial Acquisition Price Calculation Period”) (in this paragraph, such average price, the “Initial Acquisition Price”).</u></p> <p data-bbox="992 797 1406 1245"><u>However, if the Initial Acquisition Price falls below the Minimum Acquisition Price provided for in Item (4) below, then the Initial Acquisition Price shall be the Minimum Acquisition Price. If during the Initial Acquisition Price Calculation Period an event provided for in Item (5) below occurs, then the average VWAP above shall be adjusted to a value that the Company judges appropriate in accordance with Item (5) below.</u></p> <p data-bbox="992 1263 1406 1453"><u>“Trading Day” means a day on which regular trade in the Company’s common shares is conducted on the TSE, and it does not include days where there is no VWAP (the same applies below).</u></p> <p data-bbox="933 1485 1350 1518"><u>(4) Revising the acquisition price</u></p> <p data-bbox="992 1550 1406 1998"><u>On and after the Put Option Exercise Period Start Date, the acquisition price shall be revised to an amount equal to the Market Price on the Stock-Consideration Acquisition Request Date (defined below) (such acquisition price so revised, in this Item (4), the “Revised Acquisition Price”).</u> <u>However, if the Revised Acquisition Price falls below 700 yen (in this paragraph, the “Minimum Acquisition Price”), then the Revised Acquisition Price</u></p>

Current Text	Proposed Text
	<p><u>shall be the Minimum Acquisition Price.</u></p> <p><u>“Market Price on the Stock-Consideration Acquisition Request Date” means the average VWAP (calculated to the second decimal place and then rounded to the first decimal place) of the Company’s common shares in regular trading published by the TSE over the period of twenty (20) consecutive Trading Days preceding a Stock-Consideration Acquisition Request Date (in this Item (4), the “Acquisition Price Calculation Period”). If during the Acquisition Price Calculation Period an event provided for in Item (5) below occurs, then the average VWAP above shall be adjusted to a value that the Company judges appropriate in accordance with Item (5) below.</u></p> <p><u>(5) Adjustment of acquisition price</u></p> <p><u>(i) If the common shares of the Company are subject to a share split or gratis allotment, (ii) if the common shares of the Company are subject to a share consolidation, (iii) if the Company issues common shares, or disposes of common shares held by the Company, (iv) if the Company issues or disposes of shares that, by causing the Company to acquire or by being acquired by the Company, entitle their holder to receive delivery of common shares, (v) if the Company issues share acquisition rights that, by being exercised or by being acquired by the Company, entitle their holder to receive delivery of common shares, (vi) if adjustment to the acquisition price becomes necessary because of a merger; share exchange; acquisition of all issued shares of another company through a share exchange; share transfer; absorption-type split; succession to all or some of the rights and obligations held by another company in relation to that company’s business through</u></p>

Current Text	Proposed Text
<p>(Newly added)</p>	<p><u>an absorption-type split; or incorporation-type split, (vii) if two or more events necessitating an adjustment to the acquisition price occur in connection with each other and in calculating the acquisition price after adjustment because of one of the events, and it becomes necessary to consider the effect of the other event on the market price that ought to be used in that calculation, or (viii) if it otherwise becomes necessary to adjust the acquisition price because of the occurrence of an event that changes or has the possibility of changing the number of issued common shares (however, this shall be limited to certain cases determined by resolution of the Board of Directors on the issuance of Class A Shares for any of the items from (i) through (viii)), the acquisition price (which includes the Minimum Acquisition Price) shall be adjusted by a calculation method determined by resolution of the Board of Directors on the issuance of Class A Shares.</u></p> <p><u>(6) Condition for exercising the put options</u></p> <p><u>If the acquisition price is revised in accordance with Item (4) above during the six-month period before the Stock-Consideration Acquisition Request Date, then that Stock-Consideration Acquisition Request shall not be permitted.</u></p> <p><u>5. Put option the consideration for which is cash and Class B Shares</u></p> <p><u>(1) Cash-and-stock-consideration put option</u></p> <p><u>Each Class A Shareholder is entitled to request the Company any date on or after the Put Option Exercise Period Start Date to acquire, in accordance with laws and regulations, all or some of the Class A Shares held by the Class</u></p>

Current Text	Proposed Text
	<p><u>A Shareholder in exchange for a cash payment and Class B Shares (that request, the “Cash-and-Stock-Consideration Acquisition Request”), and if a Cash-and-Stock-Consideration Acquisition Request is made, the Company shall, to the extent permissible under laws and regulations, deliver to the requesting Class A Shareholder (i) the amount calculated by multiplying the number of Class A Shares subject to the Cash-and-Stock-Consideration Acquisition Request by the aggregate of the amount equal to the amount to be paid in (however, if the Class A Shares have been subject to a share split, gratis allotment, share consolidation, or any other similar event, that amount is to be adjusted to a value that the Company judges appropriate), the Amount Equal to Class A Accumulated Unpaid Dividends, and the Amount Equal to Accrued Class A Dividends and (ii) the number of Class B Shares provided for in Item (2) below in exchange for the Company’s acquiring the Class A Shares subject to the Cash-and-Stock-Consideration Acquisition Request by the Class A Shareholder. In this Item (1), the Amount Equal to Accrued Class A Dividends is to be calculated by reading both “day when the residual assets are distributed” and “Distribution Date” in the calculation of the Amount Equal to Accrued Class A Dividends provided for in 2. (3) above as “day when the Cash-and-Stock-Consideration Acquisition Request took effect” (the “Cash-and-Stock-Consideration Acquisition Request Date”).</u></p> <p><u>However, if the cash payment to be made in exchange for acquiring the Class A Shares subject to the Cash-and-Stock-Consideration Acquisition Request might exceed the distributable amount (which means the amount provided for in</u></p>

Current Text	Proposed Text
<p>(Newly added)</p>	<p><u>Article 461, Paragraph 2 of the Corporation Law; the same applies below) on the Cash-and-Stock-Consideration Acquisition Request Date, then the Company shall acquire a pro rated number of the Class A Shares subject to the Cash-and-Stock-Consideration Acquisition Request or shall acquire some of the Class A Shares subject to the Cash-and-Stock-Consideration Acquisition Request in accordance with another method determined by the Company's Board of Directors, and the Class A Shares that are not so acquired shall be deemed not to have been subject to the Cash-and-Stock-Consideration Acquisition Request.</u></p> <p>(2) <u>Number of Class B Shares to be delivered in exchange for acquiring the Class A Shares</u></p> <p><u>The number of Class B Shares to be delivered in exchange for the Company's acquiring the Class A Shares shall be the number calculated by multiplying the number of Class A Shares subject to the Cash-and-Stock-Consideration Acquisition Request by 1.0. Any fraction of a share that arises in the total number of Class B Shares to be delivered in exchange for the Company's acquiring the Class A Shares subject to the Cash-and-Stock-Consideration Acquisition Request is to be disregarded, and if such a case occurs, there shall be no payment of money as provided for in Article 167, Paragraph 3 of the Corporation Law.</u></p> <p>6. <u>Call option the consideration for which is cash</u></p> <p><u>At any date on and after May 11, 2016, the Company may, by giving public notice at least sixty (60) Trading Days in advance of the Compulsory Redemption Date (defined below), acquire in</u></p>

Current Text	Proposed Text
	<p><u>accordance with laws and regulations all or some of the Class A Shares to the extent permissible under laws and regulations on the coming of the day to be separately determined by the Company’s Board of Directors (in this paragraph, the “Compulsory Redemption Date”), and if it is to do so, then for each Class A Share the Company shall in exchange for acquiring the Class A Shares pay the cash amount calculated by adding the Amount Equal to Class A Accumulated Unpaid Dividends and the Amount Equal to Accrued Class A Dividends to the cash amount equal to the amount to be paid in for each Class A Share (however, if the Class A Shares have been subject to a share split, gratis allotment, share consolidation, or any other similar event, the amount equal to the amount to be paid in for each Class A Share is to be adjusted to a value that the Company judges appropriate). However, if the Company is to acquire only some of the Class A Shares, the Company’s Board of Directors shall determine the Class A Shares to be acquired using a pro-rata method. In this paragraph, the Amount Equal to Accrued Class A Dividends is to be calculated by reading both “day when the residual assets are distributed” and “Distribution Date” in the calculation of the Amount Equal to Accrued Class A Dividends provided for in 2. (3) above as “Compulsory Redemption Date.”</u></p>
(Newly added)	<p><u>7. Restrictions on assignment</u></p>
(Newly added)	<p><u>Any acquisition of Class A Shares by assignment requires the approval of the Company’s Board of Directors.</u></p>
(Newly added)	<p><u>Chapter 2-3. Class B Shares</u></p>
(Newly added)	<p><u>Article 10-3.(Class B Shares)</u></p>
(Newly added)	<p><u>The details of the Class B Shares issued by the Company shall be as follows.</u></p>
(Newly added)	<p><u>1. Dividends from surplus</u></p>

Current Text	Proposed Text
	<p data-bbox="933 255 1326 286"><u>(1) Class B Year-End Dividend</u></p> <p data-bbox="992 322 1406 1816"><u>If the Company is to pay a year-end dividend from surplus, it shall pay the dividend to shareholders who hold Class B Shares and registered pledgees of the Class B Shares entered or recorded in the final shareholder registry as at the record date pertaining to the dividend from surplus (such shareholders, in this chapter, the “Class B Shareholders”; the Class B Shareholders and such pledgees collectively, in this chapter, the “Class B Shareholders, Etc.”; such record date, the “Class B Year-End Dividend Record Date”) at the same priority as shareholders who hold common shares (in this chapter, the “Common Shareholders”) and registered pledgees of common shares (together with the Common Shareholders, in this chapter, the “Common Shareholders, Etc.”) in the cash amount for each Class B Share held calculated by multiplying the Class B Residual Assets Distribution Amount provided for in 2. (1) below (however, if the Class A Shares or the Class B Shares have been subject to a share split, gratis allotment, share consolidation, or any other similar event, that amount is to be appropriately adjusted) by the annual dividend rate provided for in Item (2) below (the “Class B Annual Dividend Rate”; the amount to be so paid, the “Class B Year-End Dividend”). Any fraction of a yen that arises in the amount calculated by multiplying the Class B Year-End Dividend by the number of Class B Shares held by a Class B Shareholder, Etc., is to be disregarded.</u></p> <p data-bbox="933 1852 1362 1883"><u>(2) Class B Annual Dividend Rate</u></p> <p data-bbox="992 1919 1406 2007"><u>The Class B Annual Dividend Rate shall be the rate calculated by taking a day in the business year</u></p>

Current Text	Proposed Text
(Newly added)	<p><u>in which the Class B Year-End Dividend Record Date falls as the record date and dividing the total amount of the dividend from surplus per common share to be paid on each common share by the average VWAP (calculated to the second decimal place and then rounded to the first decimal place) of the Company's common shares in regular trading published by the TSE over the period of twenty (20) consecutive Trading Days preceding the day (inclusive) that is three (3) Trading Days before the Class B Year-End Dividend Record Date (in this Item (2), the "Class B Annual Dividend Rate Calculation Period"). If during the Class B Annual Dividend Rate Calculation Period an event provided for in 4. (5) below occurs, then the average VWAP above shall be adjusted to a value that the Company judges appropriate in accordance with 4. (5) below.</u></p> <p><u>(3) Nonparticipation clause</u></p> <p><u>Dividends from surplus exceeding the amount of Class B Year-End Dividend shall not be paid to Class B Shareholders, Etc.</u></p> <p><u>(4) Nonaccumulation clause</u></p> <p><u>If in a business year the amount of dividends from surplus paid to Class B Shareholders, Etc., does not reach the amount of the Class B Year-End Dividend, the amount of the shortfall shall not be carried over into subsequent business years.</u></p> <p><u>2. Distribution of residual assets</u></p> <p><u>(1) Distribution of residual assets</u></p> <p><u>If the Company is to distribute residual assets, it shall pay 20,000,000 yen for each Class B Share (however, if the Class A Shares or the Class B Shares have been subject to a share split, gratis</u></p>

Current Text	Proposed Text
	<p><u>allotment, share consolidation, or any other similar event, that amount is to be adjusted to a value that the Company judges appropriate) (the “Class B Residual Assets Distribution Amount”) to Class B Shareholders, Etc., at the same priority as Common Shareholders, Etc. Any fraction of a yen that arises in the amount calculated by multiplying the Class B Residual Assets Distribution Amount by the number of Class B Shares held by a Class B Shareholder, Etc., is to be disregarded.</u></p> <p><u>(2) Nonparticipation clause</u></p> <p><u>No distribution of residual assets shall be made to Class B Shareholders, Etc. other than as provided for in Item (1) above.</u></p> <p><u>3. Voting rights</u></p> <p><u>Class B Shareholders do not have voting rights at general meetings of shareholders.</u></p> <p><u>4. Put option the consideration for which is common shares</u></p> <p><u>(1) Stock-consideration put option</u></p> <p><u>Each Class B Shareholder is entitled to request the Company any date to acquire, in accordance with laws and regulations, all or some of the Class B Shares held by the Class B Shareholder in exchange for delivery of the number of common shares provided for in Item (2) below (the “Common Shares Subject to Acquisition”; such request, in this paragraph, the “Stock-Consideration Acquisition Request”). If a Stock-Consideration Acquisition Request is made, the Company shall deliver to the requesting Class B Shareholder the Common Shares Subject to Acquisition to the extent permissible under laws and regulations in exchange for</u></p>
(Newly added)	
(Newly added)	

Current Text	Proposed Text
	<p><u>the Company's acquiring the Class B Shares subject to the Stock-Consideration Acquisition Request.</u></p> <p>(2) <u>Number of common shares to be delivered in exchange for acquiring the Class B Shares</u></p> <p><u>The number of common shares to be delivered in exchange for the Company's acquiring the Class B Shares shall be the number calculated by multiplying the number of Class B Shares subject to the Stock-Consideration Acquisition Request by the Class B Residual Assets Distribution Amount (however, if the Class A Shares or the Class B Shares have been subject to a share split, gratis allotment, share consolidation, or any other similar event, that amount is to be adjusted to a value that the Company judges appropriate) and then dividing that product by the acquisition price provided for in Items (3) through (5) below. Any fraction of a share that arises in the total number of common shares to be delivered in exchange for the Company's acquiring the Class B Shares subject to the Stock-Consideration Acquisition Request is to be disregarded, and if such a case occurs, there shall be no payment of money as provided for in Article 167, Paragraph 3 of the Corporation Law.</u></p> <p>(3) <u>Initial acquisition price</u></p> <p><u>The acquisition price shall initially be the average VWAP (calculated to the second decimal place and then rounded to the first decimal place) of the Company's common shares in regular trading published by the TSE over the period of twelve (12) consecutive Trading Days preceding May 11, 2012 (in this Item (3), the "Initial Acquisition Price Calculation Period") (in this paragraph, such average price, the "Initial</u></p>

Current Text	Proposed Text
	<p><u>Acquisition Price</u>”). However, if the <u>Initial Acquisition Price</u> falls below the <u>Minimum Acquisition Price</u> provided for in <u>Item (4)</u> below, then the <u>Initial Acquisition Price</u> shall be the <u>Minimum Acquisition Price</u>. If during the <u>Initial Acquisition Price Calculation Period</u> an event provided for in <u>Item (5)</u> below occurs, then the average VWAP above shall be adjusted to a value that the <u>Company</u> judges appropriate in accordance with <u>Item (5)</u> below.</p> <p>(4) <u>Revising the acquisition price</u></p> <p><u>On and after the Class B Shares issuance date</u>, the acquisition price shall be revised to an amount equal to the <u>Market Price on the Stock-Consideration Acquisition Request Date</u> (defined below) (in this <u>Item (4)</u>, such acquisition price so revised, the “<u>Revised Acquisition Price</u>”). However, if the <u>Revised Acquisition Price</u> falls below <u>200 yen</u> (in this paragraph, the “<u>Minimum Acquisition Price</u>”), then the <u>Revised Acquisition Price</u> shall be the <u>Minimum Acquisition Price</u>.</p> <p>“<u>Market Price on the Stock-Consideration Acquisition Request Date</u>” means the average VWAP (calculated to the second decimal place and then rounded to the first decimal place) of the <u>Company’s common shares in regular trading</u> published by the <u>TSE</u> over the period of <u>twelve (12) consecutive Trading Days</u> preceding a <u>Stock-Consideration Acquisition Request Date</u> (in this <u>Item (4)</u>, the “<u>Acquisition Price Calculation Period</u>”). If during the <u>Acquisition Price Calculation Period</u> an event provided for in <u>Item (5)</u> below occurs, then the average VWAP above shall be adjusted to a value that the <u>Company</u> judges appropriate in accordance with <u>Item (5)</u> below.</p>

Current Text	Proposed Text
	<p data-bbox="933 255 1372 288"><u>(5) Adjustment of acquisition price</u></p> <p data-bbox="992 320 1406 2007"><u>(i) If the common shares of the Company are subject to a share split or gratis allotment, (ii) if the common shares of the Company are subject to a share consolidation, (iii) if the Company issues common shares, or disposes of common shares held by the Company, (iv) if the Company issues or disposes of shares that, by causing the Company to acquire or by being acquired by the Company, entitle their holder to receive delivery of common shares, (v) if the Company issues share acquisition rights that, by being exercised or by being acquired by the Company, entitle their holder to receive delivery of common shares, (vi) if adjustment to the acquisition price becomes necessary because of a merger; share exchange; acquisition of all issued shares of another company through a share exchange; share transfer; absorption-type split; succession to all or some of the rights and obligations held by another company in relation to that company's business through an absorption-type split; or incorporation-type split, (vii) if two or more events necessitating an adjustment to the acquisition price occur in connection with each other and in calculating the acquisition price after adjustment because of one of the events, and it becomes necessary to consider the effect of the other event on the market price that ought to be used in that calculation, or (viii) if it otherwise becomes necessary to adjust the acquisition price because of the occurrence of an event that changes or has the possibility of changing the number of issued common shares (however, this shall be limited to certain cases determined by resolution of the Board of Directors on the issuance of Class B Shares for any of the items from</u></p>

Current Text	Proposed Text
<p>(Newly added)</p>	<p><u>(i) through (viii)), the acquisition price shall be adjusted by a calculation method determined by resolution of the Board of Directors on the issuance of Class B Shares. However, if an event provided for in this Item (5) occurs on or after May 11, 2012, the Minimum Acquisition Price shall be adjusted.</u></p> <p><u>(6) Condition for exercising the put options</u></p> <p><u>If the acquisition price is revised in accordance with Item (4) above during the six-month period before the Stock-Consideration Acquisition Request Date, then that Stock-Consideration Acquisition Request shall not be permitted.</u></p> <p><u>5. Call option the consideration for which is cash</u></p> <p><u>At any date on and after May 11, 2016, the Company may, by giving public notice at least sixty (60) Trading Days in advance of the Compulsory Redemption Date (defined below), acquire in accordance with laws and regulations all or some of the Class B Shares to the extent permissible under laws and regulations on the coming of the day to be separately determined by the Company’s Board of Directors (in this paragraph, the “Compulsory Redemption Date”), and if it is to do so, then for each Class B Share the Company shall in exchange for acquiring the Class B Shares pay the Class B Residual Assets Distribution Amount for each Class B Share (however, if the Class A Shares or the Class B Shares have been subject to a share split, gratis allotment, share consolidation, or any other similar event, that amount is to be adjusted to a value that the Company judges appropriate). However, if a partial acquisition is to be made, then the number of Class B Shares to be acquired shall be determined by the Company’s Board of Directors.</u></p>

Current Text	Proposed Text
<p>(Newly added)</p> <p>Chapter 3. General Meeting of Shareholders</p> <p>Article 11. to Article 16.</p> <p>(Provisions omitted)</p> <p>(Newly added)</p> <p>(Newly added)</p> <p>(Newly added)</p> <p>(Newly added)</p> <p>Article 17. to Article 24.</p> <p>(Provisions omitted)</p> <p>Chapter 5. Corporate Auditors and Board of Corporate Auditors</p> <p>Article 25. (Number of corporate auditors)</p> <p>The Company shall have <u>five (5)</u> or less corporate auditors.</p> <p>Article 26. to Article 32.</p> <p>(Provisions omitted)</p>	<p><u>6. Restrictions on assignment</u></p> <p><u>Any acquisition of Class B Shares by assignment requires the approval of the Company’s Board of Directors.</u></p> <p>Chapter 3. General Meeting of Shareholders</p> <p>Article 11. to Article 16.</p> <p>(Unchanged)</p> <p><u>Article 16-2. (General Meeting of Class Shareholders)</u></p> <p><u>1. The provisions of Articles 13, 14 and 16 hereof shall apply <i>mutatis mutandis</i> to the General Meeting of Class Shareholders.</u></p> <p><u>2. The provisions of Article 15, Paragraph 1 hereof shall apply <i>mutatis mutandis</i> to resolutions of the General Meeting of Class Shareholders to be made pursuant to the provisions of Article 324, Paragraph 1 of the Corporation Law.</u></p> <p><u>3. The provisions of Article 15, Paragraph 2 hereof shall apply <i>mutatis mutandis</i> to resolutions of the General Meeting of Class Shareholders to be made pursuant to the provisions of Article 324, Paragraph 2 of the Corporation Law.</u></p> <p>Article 17. to Article 24.</p> <p>(Unchanged)</p> <p>Chapter 5. Corporate Auditors and Board of Corporate Auditors</p> <p>Article 25. (Number of corporate auditors)</p> <p>The Company shall have <u>six (6)</u> or less corporate auditors.</p> <p>Article 26. to Article 32.</p> <p>(Unchanged)</p>

Current Text	Proposed Text
<p style="text-align: center;">Chapter 7. Accounting</p> <p>Article 35. to Article 36.</p> <p style="text-align: center;">(Provisions omitted)</p> <p style="text-align: center;">(Newly added)</p> <p style="text-align: center;">(Newly added)</p>	<p style="text-align: center;">Chapter 7. Accounting</p> <p>Article 35. to Article 36.</p> <p style="text-align: center;">(Unchanged)</p> <p><u>Article 36-2. (Period of exclusion for Class A Year-End Dividend)</u></p> <p style="text-align: center;"><u>The provisions of Article 36 shall apply <i>mutatis mutandis</i> to payment of Class A Year-End Dividend.</u></p> <p><u>Article 36-3. (Period of exclusion for Class B Year-End Dividend)</u></p> <p style="text-align: center;"><u>The provisions of Article 36 shall apply <i>mutatis mutandis</i> to payment of Class B Year-End Dividend.</u></p>

Proposal 3: Issuance of Class A Shares by Third-Party Allotment

With this proposal, the Company seeks the approval of shareholders through an extraordinary resolution for the issuance of the Class A Shares by third-party allotment, as stated in “1. Outline of offering” below.

Regarding “1. Outline of offering (3) Payment date” below, the date will be determined at the Board of Directors meeting of the Company held separately, including in the case that the payment date is determined to be May 11, 2012.

Furthermore, the validity of approval at the General Meeting of Shareholders for this proposal is conditional on the approval and adoption of Proposal 2 as proposed.

1. Outline of offering

- (1) Class and number of shares offered for subscription
Class A Shares 450 shares
(For the details of the Class A Shares, please refer to Proposal 2 “Partial Amendments to the Articles of Incorporation”).
- (2) Amount to be paid in
100,000,000 yen per share
- (3) Payment date
May 11, 2012 or any other day during the period from May 12, 2012 to July 11, 2012 otherwise determined by the Board of Directors of the Company.
- (4) Capital and capital reserves to be increased
Capital 22,500,000,000 yen (50,000,000 yen per share)
Capital reserves 22,500,000,000 yen (50,000,000 yen per share)
- (5) Method of offering
Allotment as stated below, to the following allottees, by third-party allotment
Sumitomo Metal Industries, Ltd. 150 shares
Mitsubishi Materials Corporation 150 shares
Japan Industrial Solutions Fund I 150 shares

2. Reason for issuing shares offered for subscription by third-party allotment

As stated in “Proposal 2: Partial Amendments to the Articles of Incorporation 1. Reasons for the amendments,” the Company recorded an extraordinary loss and other losses in conjunction with its implementation of the Business Reorganization Plan, while its reversal of deferred income tax assets resulted in a significant decrease in the SUMCO Group’s own capital. Based on these financial circumstances, the Company decided that issuing the Class A Shares to Sumitomo Metal Industries, Ltd. and Mitsubishi Materials Corporation, the Company’s major shareholders, and to Japan Industrial Solutions Fund I, an investor which understands the Company’s current state, business purpose, and management policies, will help stabilize the Company’s financial structure and lead to the maintenance or improvement of its trading partners’ trust, which will in turn contribute to the maintenance or improvement of the Company’s shareholder value over the long term. As a result, the Company has decided to issue the Class A Shares to the Allottees.

The Company set the amount to be paid in for each share at 100,000,000 yen after considering share prices and share price volatility, the terms and conditions of dividends for the Class A Shares and the Class B Shares, the credit costs to be borne by class A shareholders, the put option the consideration for which is the Company’s common shares, the put option the consideration for which is cash and the Class B Shares, the call option the consideration for which is cash, and other such various terms and conditions that affect the value of the Class A Shares and comprehensively taking into account the business environment, financial circumstances, etc. that the Company is faced with and with reference as well to the results of the calculations set out below made using the trinomial lattice

model, which is the general pricing model used, and as a result of numerous best-efforts negotiations with the Allottees for the purpose of funds procurement. The Company believes that the amount to be paid in for the Class A Shares is of a fair level considering that the full amount of the funds necessary for capital enhancement and growth strategy investment are anticipated to be secured by the issuance of Class A Shares by third-party allotment, and considering the environment and other various circumstances facing the Company and the current financial and economic state, etc., of Japan as mentioned above.

In order to ensure fairness in deciding the amount to be paid in for the Class A Shares, the Company decided it was necessary to obtain an objective and quantitative calculation of the value of the Class A Shares. Accordingly, it retained Mizuho Securities Co., Ltd. as a third party calculation institution independent from the Company to calculate the share value of the Class A Shares taking as a premise the Business Reorganization Plan prepared by the Company, and the Company obtained from that company a valuation report on the Class A Shares dated March 8, 2012. According to the valuation report, the price of the Class A Shares as a result of calculations based on certain premises in accordance with the trinomial lattice model, which is the general pricing model used, should be 109,530,845 yen (109.53%) per share.

The Company believes that the amount to be paid in for the Class A Shares is reasonable and fair based on the result of the valuation report discussed above and other factors, but because, among other things, calculating a fair value for preferred shares, which do not have an objective market price, is extremely complicated and difficult and different opinions on the value estimation are possible, the Company thinks it is appropriate to confirm the wishes of its shareholders. To be sure of this, the Company seeks to obtain the approval of its shareholders through an extraordinary resolution for the issuance of the Class A Shares at this Ordinary General Meeting of Shareholders.

Proposal 4: Appropriation of Surplus

The Company resolved at the Board of Directors meeting held on March 28, 2012 to reduce its capital reserves by 12,000,000,000 yen and transfer this amount to other capital surplus based on Article 448, Paragraph 3 of the Corporation Law, conditional on the validity of the issuance of the Class A Shares, on the day of such issuance of Class A Shares, as stated in “Reference” below.

The Company proposes to transfer 6,823,462,866 yen of the 12,000,000,000 yen in other capital surplus to retained earnings carried forward based on the provisions of Article 452 of the Corporation Law, conditional on the above-mentioned transfer.

- (i) Item and amount of surplus to be reduced
 - Other capital surplus 6,823,462,866 yen
- (ii) Item and amount of surplus to be increased
 - Retained earnings carried forward 6,823,462,866 yen

Reference

The Company resolved at the Board of Directors meeting held on March 28, 2012 to reduce its capital reserves and transfer this amount to other capital surplus based on Article 448, Paragraph 3 of the Corporation Law, conditional on the validity of the issuance of the Class A Shares, on the day of such issuance of Class A Shares, as described below.

- (1) Details of reduction in amount of capital reserves
 - The Company proposes to reduce its 22,500,000,000 yen of capital reserves by 12,000,000,000 yen and transfer this amount to other capital surplus based on the provisions of Article 448, Paragraph 3 of the Corporation Law.
 - (i) Item and amount of reserves to be reduced
 - Capital reserves 12,000,000,000 yen out of 22,500,000,000 yen
 - (ii) Effective date of reduction in amount of capital reserves
 - May 11, 2012
 - (However, if the issuance of Class A Shares is to occur on another day during the period from May 12, 2012 to July 11, 2012 otherwise determined by the Board of Directors of the Company, the effective date will be changed to such issuance date).
- (2) Schedule
 - (i) Date of resolution of the Board of Directors
 - March 28, 2012
 - (ii) Public notice on reporting of objections by creditors
 - April 9, 2012
 - (iii) Last day for reporting of objections by creditors
 - May 10, 2012 (planned)
 - (iv) Effective date
 - May 11, 2012
 - (However, if the issuance of Class A Shares is to occur on another day during the period from May 12, 2012 to July 11, 2012 otherwise determined by the Board of Directors of the Company, the effective date will be changed to such issuance date).

Proposal 5: Election of Nine (9) Directors

The term of office of all nine (9) Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. Therefore, it is proposed that nine (9) Directors be elected.

The candidates for directors are as follows. Effect of election of the candidate for director Masahiro Sumita is based on the premise that the issuance of the Class A Shares by third-party allotment becomes effective, and he will assume office on the payment date (May 11, 2012 or any other day during the period from May 12, 2012 to July 11, 2012 determined by the Board of Directors of the Company).

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	Mayuki Hashimoto (January 10, 1951)	<p>Apr. 2005 General Manager of Silicon Div., Electronic Materials & Components Company, Mitsubishi Materials Corporation</p> <p>Jun. 2005 Executive Officer, General Manager of Corporate Strategy Dept., Mitsubishi Materials Corporation</p> <p>Jun. 2006 Senior Executive Officer, President of Electronic Materials & Components Company, Mitsubishi Materials Corporation</p> <p>Jun. 2007 Managing Director (Representative Director), President of Electronic Materials & Components Company, Mitsubishi Materials Corporation</p> <p>Apr. 2010 Director of the Company (incumbent)</p> <p>Jun. 2011 Executive Vice President (Representative Director), Mitsubishi Materials Corporation (incumbent)</p> <p>Apr. 2012 Advisor of the Company (incumbent)</p>	4,000 shares
2	Michiharu Takii (February 10, 1950)	<p>Apr. 2005 Managing Executive Officer, Assistant General Manager of Wakayama Steel Works, Sumitomo Metal Industries, Ltd.</p> <p>Oct. 2005 Managing Executive Officer, General Manager of Corporate Planning Dept., Sumitomo Metal Industries, Ltd.</p> <p>Apr. 2006 Director of the Company</p> <p>Apr. 2009 Senior Managing Executive Officer, Sumitomo Metal Industries, Ltd.</p> <p>Jun. 2009 Director, Senior Managing Executive Officer, Sumitomo Metal Industries, Ltd.</p> <p>Apr. 2012 Advisor of the Company (incumbent)</p>	3,000 shares

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
3	Yukihiro Saeki (October 27, 1951)	<p>Apr. 2005 Executive Officer, General Manager of Kyushu Plant, Production & Technology Div., the Company</p> <p>Apr. 2008 Managing Executive Officer, General Manager of Imari Factory, Production & Technology Div., General Manager of Imari Plant I, Imari Factory, Production & Technology Div., the Company</p> <p>Apr. 2009 Director, Managing Executive Officer, Deputy General Manager of Production & Technology Div., the Company</p> <p>Feb. 2011 Director, Managing Executive Officer, General Manager of Production & Technology Div., General Manager of Kyushu Plant, Production & Technology Div., the Company</p> <p>Apr. 2011 Director, Senior Managing Executive Officer, General Manager of Production & Technology Div., General Manager of Kyushu Plant, Production & Technology Div., the Company (incumbent)</p> <p>< Areas of responsibility in the Company > General Manager of Production & Technology Div. General Manager of Kyushu Factory, Production & Technology Div.</p>	3,100 shares
4	Yoichi Tsuchiya (April 15, 1951)	<p>Jul. 2004 General Manager of Personnel & Industrial Relations Dept., the Company</p> <p>May 2006 General Manager of General Affairs Dept., the Company</p> <p>Apr. 2007 Executive Officer, General Manager of General Affairs Dept., the Company</p> <p>Feb. 2009 Executive Officer, General Manager of General Affairs & HR Dept., the Company</p> <p>Apr. 2011 Managing Executive Officer, General Manager of General Affairs & HR Dept., the Company (incumbent)</p> <p>< Areas of responsibility in the Company > General Manager of General Affairs & HR Dept. In charge of Information Systems Dept. and Safety, Environment & Disaster Prevention Management Dept.</p>	4,700 shares

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
5	Harumitsu Endo (January 12, 1953)	<p>Apr. 2004 General Manager of Chitose Plant, Production & Technology Div., the Company</p> <p>Nov. 2005 General Manager of Sales & Marketing Dept. II, Sales & Marketing Div., the Company</p> <p>Mar. 2006 Executive Officer, General Manager of Sales & Marketing Dept. I, Sales & Marketing Div., the Company</p> <p>Apr. 2008 Managing Executive Officer, Deputy General Manager of Sales & Marketing Div., the Company</p> <p>Jan. 2012 Managing Executive Officer, General Manager of Sales & Marketing Div., the Company (incumbent)</p> <p>< Areas of responsibility in the Company > General Manager of Sales & Marketing Div.</p>	3,500 shares
6	Kazuo Hiramoto (September 13, 1956)	<p>Apr. 2005 General Manager of Wafer Engineering Dept., Production & Technology Div., the Company</p> <p>Apr. 2007 General Manager of Kansai Factory, Production & Technology Div., the Company</p> <p>Apr. 2008 Executive Officer, General Manager of Kansai Factory, Production & Technology Div., the Company</p> <p>Feb. 2011 Executive Officer, Deputy General Manager of Production & Technology Div., the Company</p> <p>Apr. 2011 Director, Managing Executive Officer, Deputy General Manager of Production & Technology Div., the Company (incumbent)</p> <p>< Areas of responsibility in the Company > In charge of Purchasing Dept. Deputy General Manager of Production & Technology Div. In charge of Plant Engineering Dept., Crystal Engineering Dept., Wafer Engineering Dept. and Epitaxial Engineering Dept., Production & Technology Div.</p>	2,600 shares

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
7	Hironori Miyahara (November 25, 1956)	<p>Apr. 2007 General Manager of Technology & Administration Dept., Electronic Components Div., Electronic Materials & Components Company, Mitsubishi Materials Corporation</p> <p>Dec. 2009 Deputy General Manager of Electronic Components Div., Electronic Materials & Components Company, Mitsubishi Materials Corporation</p> <p>Jun. 2011 Executive Officer, Vice President of Electronic Materials & Components Company, Mitsubishi Materials Corporation</p> <p>Nov. 2011 Executive Officer, Vice President, General Manager of Silicon Div., Electronic Materials & Components Company, Mitsubishi Materials Corporation (incumbent)</p>	—
8	Makoto Nakaoka (September 22, 1959)	<p>Apr. 2002 Business Group II, Corporate Planning Dept., Sumitomo Metal Industries, Ltd.</p> <p>Jun. 2003 Corporate Planning Dept., Steel Sheet, Plate & Structural Steel Company, Sumitomo Metal Industries, Ltd.</p> <p>Apr. 2007 General Manager of Business Group II, Corporate Planning Dept., Sumitomo Metal Industries, Ltd.</p> <p>Oct. 2008 General Manager of Related Business Group, Corporate Planning Dept., Sumitomo Metal Industries, Ltd. (incumbent)</p>	—
9	Masahiro Sumita (January 19, 1952)	<p>Apr. 1979 Registered as Attorney at law</p> <p>Nov. 1993 Partner, Century Law Office (incumbent)</p> <p>Sep. 2002 Managing Executive Officer, The Resolution and Collection Corporation</p> <p>Sep. 2010 Chairman and Representative Director, Japan Industrial Solutions Co., Ltd. (incumbent)</p> <p><Significant concurrent occupations or positions> Chairman and Representative Director, Japan Industrial Solutions Co., Ltd.</p>	—

- (Notes) 1. Special interests between the Company and candidates for directors
- (1) Hironori Miyahara is an executive officer of Mitsubishi Materials Corporation. The Company has business relations with the company such as purchasing raw materials, etc.
 - (2) The other candidates for directors have no special interests in the Company.
2. Hironori Miyahara, Makoto Nakaoka and Masahiro Sumita are candidates for outside directors.
3. Notes concerning the candidates for outside directors are as below:
- (1) Reason for nomination

Although both Hironori Miyahara and Makoto Nakaoka have never been directly involved in corporate management, because they possess knowledge on the business of the Company and have excellent insight about management in general, their election as outside directors is proposed.

It is proposed that Masahiro Sumita be elected as outside director in the expectation that he will fully exercise his ability to monitor management based on his expert knowledge as an attorney at law.

(2) Contract 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 with regard 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. Based on this, the Company will enter into contracts for limitation of liability with the candidates for outside directors, Hironori Miyahara, Makoto Nakaoka and Masahiro Sumita.

The outline of the contract is as follows:

If the outside directors are without knowledge and are not grossly negligent in performing their duties, the liability for damages of the outside directors 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.

Proposal 6: Election of Two (2) Corporate Auditors

Corporate Auditor Tamio Kobayashi will resign at the conclusion of this Ordinary General Meeting of Shareholders. Therefore, it is proposed that a total of two (2) Corporate Auditors be elected, one as his substitute, and the other to strengthen and enhance the audit system by increasing the number of Corporate Auditors by one (1), conditional on the approval and adoption of Proposal 2: Partial Amendments to the Articles of Incorporation as proposed.

The Board of Corporate Auditors has consented to this proposal.

The candidates for corporate auditors are as follows. It is proposed that the candidate for corporate auditor Hidemasa Hosaka be elected as a substitute of Corporate Auditor Tamio Kobayashi. In addition, effect of election of the candidate for corporate auditor Shoichi Oka is based on the premise that the issuance of the Class A Shares by third-party allotment becomes effective, and he will assume office on the payment date (May 11, 2012 or any other day during the period from May 12, 2012 to July 11, 2012 determined by the Board of Directors of the Company).

No.	Name (Date of birth)	Career summary, position in the Company, and significant concurrent occupations or positions	Number of the Company's shares held
1	Hidemasa Hosaka (August 23, 1953)	<p>Apr. 2003 Manager of Accounting Group, Finance & Accounting Dept., Finance & Accounting Div., Mitsubishi Materials Corporation</p> <p>Apr. 2004 Manager of Administration Group, Finance & Accounting Dept., Finance & Accounting Div., Mitsubishi Materials Corporation</p> <p>Jun. 2005 Assistant General Manager of Internal Audit Dept., Mitsubishi Materials Corporation</p> <p>Jun. 2007 Director, Onahama Smelting and Refining Co., Ltd.</p> <p>Jun. 2010 Managing Director, Onahama Smelting and Refining Co., Ltd. (incumbent)</p>	—
2	Shoichi Oka (August 9, 1954)	<p>May 1982 Certified Public Accountant in the State of California</p> <p>Aug. 2002 CEO, PwC Advisory Co., Ltd. (the current PricewaterhouseCoopers Co., Ltd.)</p> <p>Mar. 2008 Representative Executive Officer, PricewaterhouseCoopers Aarata</p> <p>Sep. 2010 President and Representative Director, Japan Industrial Solutions Co., Ltd. (incumbent)</p> <p><Significant concurrent occupations or positions> President and Representative Director, Japan Industrial Solutions Co., Ltd.</p>	—

(Notes) 1. The candidates for corporate auditors have no special interests in the Company.

2. Shoichi Oka is a candidate for outside corporate auditor.

3. Notes concerning the candidate for outside corporate auditor are as below:

(1) Reason for nomination

It is proposed that Shoichi Oka, who is a Certified Public Accountant in the State of California, be elected as outside corporate auditor in the expectation that he will fully exercise his ability to monitor management based on his long-standing experience at accounting firms.

(2) Contract 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 corporate auditors with regard 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. Based on this, the Company will enter into a contract for limitation of liability with the candidate for outside corporate auditor, Shoichi Oka.

The outline of the contract is as follows:

If the outside corporate auditor is without knowledge and is not grossly negligent in performing his duties, the liability for damages of the outside corporate auditor 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.

Procedures for the Exercise of Voting Rights via the Internet, etc.

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. Please acknowledge that, the code and the password indicated in the enclosed Form for Exercising Voting Rights (including the new password selected by shareholders) will only be valid for this Ordinary General Meeting of Shareholders. As this password is important for authenticating the identity of shareholders, please keep this password safe and secure until the conclusion of this Ordinary General Meeting of Shareholders.
3. 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.
4. 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.

* Microsoft is a registered trademark of U.S. Microsoft Corporation in the U.S. and other countries.
5. 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).
6. 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

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