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Securities Code: 3436

March 13, 2014

Dear Shareholders,

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

SUMCO CORPORATION

Mayuki Hashimoto,

President

Notice of Convocation of the 15th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 15th 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:** Friday, March 28, 2014, at 10 a.m. (reception starts at 9 a.m.)
The day of the meeting is several weeks earlier than the corresponding day of the previous Ordinary General Meeting of Shareholders (April 25, 2013). This is because, from the 15th business year, the Company changed the last day of its business year from January 31 to December 31.
- 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 15th Fiscal Year (from February 1, 2013 to December 31, 2013), as well as the Audit Reports of the Accounting Auditor and the Audit & Supervisory Board for Consolidated Financial Statements
 2. Non-consolidated Financial Statements for the 15th Fiscal Year (from February 1, 2013 to December 31, 2013)

Agenda for resolutions:

Proposal 1: Dividends from Surplus

Proposal 2: Election of Nine (9) Directors

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 Thursday, March 27, 2014.

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 53, and exercise your voting rights by 5:45 p.m. on Thursday, March 27, 2014.

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 that 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 (<http://www.sumcosi.com/>).

Business Report

(From February 1, 2013 to December 31, 2013)

1. Business Progress and Achievement of the Corporate Group

(1) Business activities and results

During the consolidated fiscal year under review, the market for silicon wafers for semiconductors was affected by slumping demand for personal computers. Driven by expanding demand for smartphones and tablet devices, however, the market bottomed out in February and then headed for recovery.

Nevertheless, in the second half of the fiscal year, demand for 300 mm wafers, our main product, was influenced by the production adjustment of foundries that was caused by the sharp shift in the smartphone market from high-end to low-end products. In addition, small-diameter wafers underwent a seasonal adjustment in areas such as power semiconductors and liquid crystal display drivers, which are their main uses.

In this environment, based on the “SUMCO Vision,” by carrying out technology development for product differentiation as well as cost reductions, the SUMCO Group implemented business-structure reformation to enable it to respond flexibly to abrupt changes in the market environment.

The SUMCO Vision

1. No. 1 in World Technology
2. Maintain Profitability, Even During Economic Downturns
3. Employees with a Passion for Their Job and the Company, and a Keen Understanding and Awareness of Profit
4. Competitiveness in Overseas Markets

As a result of the above, for the consolidated fiscal year under review, the SUMCO Group posted net sales of 185,105 million yen, operating income of 17,801 million yen, and ordinary income of 7,065 million yen. In addition, the Group recorded 2,672 million yen of loss incurred from business restructuring under extraordinary loss. This resulted in net income of 715 million yen.

(2) Status of capital investments

Capital investment for the SUMCO Group executed during the consolidated fiscal year under review totaled 7,294 million yen.

The principal items are attributed to investments related to 300 mm wafers and investments in the maintenance and renewal of facilities.

(3) Status of financing

During the consolidated fiscal year under review, the SUMCO Group raised a total of 97,650 million yen in long-term debt from multiple financial institutions (including syndicated loans for 51,150 million yen) in order to procure necessary funds for the SUMCO Group and stabilize its financial base.

(4) Issues to be dealt with

The SUMCO Group successfully concluded the Business Reorganization Plan that it had announced in February 2012. The essential features of the plan were to a) withdraw from the solar wafer business; b) maintain and improve cost competitiveness by further restructuring manufacturing bases that mainly produced smaller-diameter wafers, which were expected to see a drop in demand; and c) in line with the manufacturing structure optimizations, carry out a reallocation of workforce primarily by calling for voluntary retirement. In addition to those efforts, the Group pressed on with rationalization, mainly by improving investment efficiencies and further reducing indirect costs. Thus, in the consolidated fiscal year under review, the Group followed on from the previous year by recording a profit for the second consecutive year.

Nevertheless, the future prospects for the business environment are unclear, mainly because the world economy remains beset by uncertainties. Under these circumstances, by properly implementing measures that respond to changes in the business environment, we will continue to transform our business with the aim of further strengthening our revenue base and achieving sustained growth.

Furthermore, with regard to polycrystalline silicon, which is the main raw material of silicon wafers, due to abrupt changes in the market, a disparity now exists between the demand forecasts upon entering into long-term purchase contracts and the near-term consumption forecasts. Consequently, we are now holding excess inventory, and the balance of “raw materials and supplies,” including raw materials inventory, has increased 30.9 billion yen from the end of the previous fiscal year to 115.7 billion yen.

We expect that, by the end of the fiscal year ending December 2014, the balance of “raw materials and supplies” will have increased to approximately more than 130.0 billion yen. However, in the future, since the expirations of the long-term purchase contracts will gradually be reached, the yearly increase is on a downward trend. After reaching a peak around fiscal year 2016, the balance is expected to start to decrease.

Although we expect the raw materials inventory to recover to an appropriate level in the medium to long term, we will continue to strive toward having the inventory recover to an appropriate level as early as possible.

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

Category	12th fiscal year (year ended January 31, 2011)	13th fiscal year (year ended January 31, 2012)	14th fiscal year (year ended January 31, 2013)	15th fiscal year (year ended December 31, 2013)
Net sales (millions of yen)	276,962	247,177	206,691	185,105
Ordinary income (loss) (millions of yen)	(26,158)	(5,695)	9,464	7,065
Net income (loss) (millions of yen)	(65,587)	(84,369)	3,426	715
Net income (loss) per share (yen)	(254.46)	(327.33)	8.93	(1.22)
Total assets (millions of yen)	561,777	436,420	493,334	498,522
Net assets (millions of yen)	216,143	126,773	180,325	194,836
Net assets per share (yen)	761.97	424.47	436.94	473.42

(Notes) 1. () signifies a loss.

2. Due to the change of the last day of the fiscal year, the 15th fiscal year (the consolidated fiscal year under review) is the 11-month period from February 1, 2013 to December 31, 2013.

3. Regarding the calculation of net loss per share for the 15th fiscal year (the consolidated fiscal year under review), please refer to page 29, "VI. 'Per Share' Information."

(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	100 million yen	100.00%	Manufacture of silicon wafers for semiconductor
SUMCO Phoenix Corporation	483 million US dollars	100.00%	Manufacture and sales of silicon wafers for semiconductor
FORMOSA SUMCO TECHNOLOGY CORPORATION	7,756 million NT dollars	48.85%	Manufacture and sales of silicon wafers for semiconductor

(7) Main business activities (as of December 31, 2013)

Manufacture and sales of silicon wafers for semiconductor

(8) Main offices and plants (as of December 31, 2013)

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

(Note) Effective July 31, 2013, the Company closed the Ikuno Plant, which was in Asago-shi, Hyogo.

(9) Status of employees (as of December 31, 2013)

1) Employees of the corporate group

Number of employees	Increase (decrease) from the previous consolidated fiscal year-end
7,277	Decreased by 602

(Notes) 1. The number of employees represents the number of employees working in the SUMCO group, but does not include temporary workers.

2. While the number of employees has decreased by 602 persons since the end of the previous consolidated fiscal year, this decrease is mainly due to implementation of voluntary early retirement.

2) Employees of the Company

Number of employees	Increase (decrease) from the previous fiscal year-end	Average age	Average service years
3,455	Decreased by 425	40.2 years old	16.3 years

(Notes) 1. The number of employees represents the number of employees working in the Company, but does not include temporary workers.

2. While the number of employees has decreased by 425 persons since the end of the previous fiscal year, this decrease is mainly due to implementation of voluntary early retirement.

(10) Major creditors (as of December 31, 2013)

Creditor	Balance of borrowings
	millions of yen
Syndicated loan (1)	38,700
Syndicated loan (2)	31,800
Development Bank of Japan Inc.	24,490
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	15,000
Sumitomo Mitsui Trust Bank, Limited	14,000
Mitsubishi UFJ Trust and Banking Corporation	13,750
Mizuho Bank, Ltd.	13,750
Sumitomo Mitsui Banking Corporation	13,612

- (Notes) 1. The syndicated loan (1) is joint-financing from The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Sumitomo Mitsui Banking Corporation as the lead managers as well as 11 other banks. Please note that, in this syndicated loan, a commitment line agreement with a borrowing limit of 19,350 million yen is included (executed amount: 19,350 million yen).
2. The syndicated loan (2) is joint-financing from The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Sumitomo Mitsui Banking Corporation as the lead managers as well as 16 other banks.
3. In order to stabilize its financial base, other than the amounts noted above, the Company has entered into a commitment line agreement with a borrowing limit of 10,300 million yen with multiple financial institutions (executed amount: 10,300 million yen). Furthermore, in order to raise operating funds in a flexible manner, other than the amounts noted above, the Company has entered into a commitment line agreement with a borrowing limit of 30,000 million yen with multiple financial institutions (executed amount: none).

2. Status of the Company's Shares (as of December 31, 2013)

(1) Total number of authorized shares:	Common shares	803,999,100
	Class A shares	450
	Class B shares	450
(2) Total number of issued shares:	Common shares	257,751,739
	(including 5,826 shares of treasury stock)	
	Class A shares	450
(3) Number of shareholders:	Common shares	46,453
	(decrease of 6,109 from the previous fiscal year-end)	
	Class A shares	3

(4) Major shareholders (Top 10)

Name of shareholder	Number of shares held		Equity ownership
	Common shares	Class A shares	
	thousand shares	shares	%
NIPPON STEEL & SUMITOMO METAL CORPORATION	71,700	150	27.82
Mitsubishi Materials Corporation	71,700	150	27.82
STATE STREET BANK AND TRUST COMPANY	6,395	—	2.48
THE BANK OF NEW YORK 133522	5,305	—	2.06
STATE STREET BANK AND TRUST COMPANY 505223	4,314	—	1.67
The Master Trust Bank of Japan, Ltd. (Trust account)	4,272	—	1.66
THE BANK OF NEW YORK — JASDECTREATY ACCOUNT	4,225	—	1.64
Japan Trustee Services Bank, Ltd. (Trust account)	4,165	—	1.62
STATE STREET BANK AND TRUST COMPANY 505225	2,789	—	1.08
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	2,780	—	1.08

(Note) The equity ownership is calculated after deducting treasury stock (5,826 shares).

3. Directors and Audit & Supervisory Board Members of the Company

(1) Status of directors and audit & supervisory board members (as of December 31, 2013)

Position	Name	Significant concurrent occupations or positions
* Director and President	Mayuki Hashimoto	
* Director	Michiharu Takii	
Director	Yoichi Tsuchiya	
Director	Harumitsu Endo	
Director	Kazuo Hiramoto	
Director	Hisashi Furuya	
Director	Hironori Miyahara	Executive Officer, Vice President of Electronic Materials & Components Company, Mitsubishi Materials Corporation
Director	Makoto Nakaoka	General Manager of Group Companies Planning Div., NIPPON STEEL & SUMITOMO METAL CORPORATION Outside Audit & Supervisory Board Member, KYOEI STEEL, Ltd.
Director	Masahiro Sumita	Attorney at law Chairman and Director, Japan Industrial Solutions, Ltd.
Full-time Audit & Supervisory Board Member	Hiroshi Yoshikawa	
Full-time Audit & Supervisory Board Member	Hidemasa Hosaka	
Audit & Supervisory Board Member	Hitoshi Tanaka	Attorney at law
Audit & Supervisory Board Member	Kitaro Yoshida	Executive Advisor, NIPPON STEEL & SUMITOMO METAL CORPORATION
Audit & Supervisory Board Member	Keisuke Yamanobe	Full-time Audit & Supervisory Board Member, Mitsubishi Materials Corporation
Audit & Supervisory Board Member	Kazuomi Fukazawa	Director, Japan Industrial Solutions, Ltd. Senior Manager, Sumitomo Mitsui Banking Corporation

- (Notes) 1. The directors marked with * are the Representative Directors.
2. Directors Hironori Miyahara, Makoto Nakaoka and Masahiro Sumita are outside directors.
3. Audit & Supervisory Board Members Hitoshi Tanaka, Kitaro Yoshida, Keisuke Yamanobe and Kazuomi Fukazawa are outside audit & supervisory board members.
4. Audit & Supervisory Board Members Hidemasa Hosaka and Keisuke Yamanobe, who acquired experience in corporate accounting and finance over many years at Mitsubishi Materials Corporation and its corporate group, have considerable knowledge in finance and accounting.
5. The Company has appointed Audit & Supervisory Board Member Hitoshi Tanaka as an independent director/audit & supervisory board member as provided for in the regulations of the Tokyo Stock Exchange and notified the Exchange to that effect.

6. Directors and audit & supervisory board member who retired during the business year under review are as follows.

Position and areas of responsibility in the Company and significant concurrent occupations or positions	Name	Date of retirement	Reason for retirement
Director and Senior Managing Executive Officer	Yukihiro Saeki	April 25, 2013	Resignation
Audit & Supervisory Board Member President and Representative Director, Japan Industrial Solutions, Ltd.	Shoichi Oka	April 25, 2013	Resignation

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

7. The Company adopts an executive officer system. The following is the list of executive officers as of December 31, 2013.

Title	Name	Area(s) of responsibility
* President	Mayuki Hashimoto	Overall control
* Executive Vice President	Michiharu Takii	Assistant to the President (all areas) General Manager of Corporate Strategy Div. Head of Public Relations & IR and Information Systems
* Senior Managing Executive Officer	Yoichi Tsuchiya	Head of General Affairs, Personnel & Industrial Relations, and Safety, Environment & Disaster Prevention Management In charge of Information Systems Dept. Chief Compliance Officer
* Senior Managing Executive Officer	Harumitsu Endo	General Manager of Sales & Marketing Div.
* Managing Executive Officer	Hisashi Furuya	General Manager of Technology Div.
* Managing Executive Officer	Kazuo Hiramoto	General Manager of Production Div. General Manager of Kyushu Factory; General Manager of Production Planning & Control Dept.
Managing Executive Officer	Hosaku Shibuya	In charge of General Affairs Dept., Personnel & Industrial Relations Dept. and Safety, Environment & Disaster Prevention Management Dept.
Managing Executive Officer	Takeo Sasaki	General Manager of JSQ Div.
Executive Officer	Fumio Inoue	General Manager of Corporate Planning Dept.
Executive Officer	Kenji Oiso	General Manager of Finance Dept. In charge of Accounting & Budget Control Dept.
Executive Officer	Keiichi Tanaka	Deputy General Manager of Technology Div. In charge of the Customer Product Engineering Dept., the Quality Assurance Dept., and special assignments (promotion of solutions to technology issues, including customer-related issues, in the Technology Div.)

Title	Name	Area(s) of responsibility
Executive Officer	Seiji Miyachi	Deputy General Manager of Production Div. Deputy General Manager of Kyushu Factory In charge of Kyushu General Affairs Dept., Imari Plant I, Imari Plant II, and Kyushu Equipment & Facility Engineering Dept. (in charge of purchasing and production planning & control at Kyushu Factory)
Executive Officer	Makoto Itoh	Chief Executive Officer and Director, FORMOSA SUMCO TECHNOLOGY CORPORATION
Executive Officer	Kazuhiro Ikezawa	General Manager of Yonezawa Plant

(Note) Executive officers marked with * are also directors of the Company.

(2) Remuneration and other payments to directors and audit & supervisory board members

Category	Number of persons paid	Amount paid
Directors	10	thousands of yen 164,613
(Outside Directors (inclusive in the above))	(3)	(2,500)
Audit & Supervisory Board Members	7	45,506
(Outside Audit & Supervisory Board Members (inclusive in the above))	(5)	(8,000)
Total	17	210,119
(Outside Directors and Audit & Supervisory Board Members (inclusive in the above))	(8)	(10,500)

- (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 at the 8th Ordinary General Meeting of Shareholders held on April 26, 2007).
2. The upper limit of the total remuneration for all the audit & supervisory board members is 5,900 thousand yen monthly pursuant to the resolution at a general meeting of shareholders (resolution adopted at the 6th Ordinary General Meeting of Shareholders held on April 26, 2005).
3. The aforementioned numbers of persons and amounts paid include one (1) director and one (1) audit & supervisory board member who both resigned from their posts as of the conclusion of the 14th Ordinary General Meeting of Shareholders, which was held on April 25, 2013.
4. As of the end of the business year under review, there were nine (9) directors and six (6) audit & supervisory board members.
5. The Company decided not to pay directors' bonuses for the business year under review, in light of its current earnings situation.

(3) Matters concerning outside directors and audit & supervisory board members

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	Hironori Miyahara	Mitsubishi Materials Corporation	Executive Officer, Vice President of Electronic Materials & Components Company	Mitsubishi Materials Corporation is one of the major shareholders of the Company and holds Class A shares of the Company. Furthermore, the Company has a transactional relationship, which includes purchasing raw materials, with the Mitsubishi Materials Group.
Outside Director	Makoto Nakaoka	NIPPON STEEL & SUMITOMO METAL CORPORATION	General Manager of Group Companies Planning Div.	NIPPON STEEL & SUMITOMO METAL CORPORATION is one of the major shareholders of the Company and holds Class A shares of the Company.
		KYOEI STEEL, Ltd.	Outside Audit & Supervisory Board Member	-
Outside Director	Masahiro Sumita	Japan Industrial Solutions, Ltd.	Chairman and Director	Japan Industrial Solutions, Ltd. holds Class A shares of the Company.
Outside Audit & Supervisory Board Member	Kitaro Yoshida	NIPPON STEEL & SUMITOMO METAL CORPORATION	Executive Advisor	NIPPON STEEL & SUMITOMO METAL CORPORATION is one of the major shareholders of the Company and holds Class A shares of the Company.
Outside Audit & Supervisory Board Member	Keisuke Yamanobe	Mitsubishi Materials Corporation	Full-time Audit & Supervisory Board Member	Mitsubishi Materials Corporation is one of the major shareholders of the Company and holds Class A shares of the Company. Furthermore, the Company has a transactional relationship, which includes purchasing raw materials, with the Mitsubishi Materials Group.
Outside Audit & Supervisory Board Member	Kazuomi Fukazawa	Japan Industrial Solutions, Ltd.	Director	Japan Industrial Solutions, Ltd. holds Class A shares of the Company.
		Sumitomo Mitsui Banking Corporation	Senior Manager	Sumitomo Mitsui Banking Corporation is a main financing bank of the Company.

2) Major activities during the business year under review

Category	Name	Status of major activities
Outside Director	Hironori Miyahara	Having attended all 15 meetings of the Board of Directors held in the business year under review, Hironori Miyahara speaks as a director who possesses knowledge mainly on the Company's business and insight into general management.
Outside Director	Makoto Nakaoka	Having attended all 15 meetings of the Board of Directors held in the business year under review, Makoto Nakaoka speaks as a director who possesses knowledge mainly on the Company's business and insight into general management.
Outside Director	Masahiro Sumita	Having attended all 15 meetings of the Board of Directors held in the business year under review, Masahiro Sumita speaks as a director who possesses expert knowledge mainly on business management and laws and regulations.
Outside Audit & Supervisory Board Member	Hitoshi Tanaka	Having attended 14 of the 15 meetings of the Board of Directors and 12 of the 13 meetings of the Audit & Supervisory Board held in the business year under review, Hitoshi Tanaka speaks as an audit & supervisory board member who possesses expert knowledge mainly on laws and regulations.
Outside Audit & Supervisory Board Member	Kitaro Yoshida	Having attended all 15 meetings of the Board of Directors and all 13 meetings of the Audit & Supervisory Board held in the business year under review, Kitaro Yoshida speaks as an audit & supervisory board member who possesses knowledge mainly on the Company's business and insight into general management.
Outside Audit & Supervisory Board Member	Keisuke Yamanobe	Having attended all 15 meetings of the Board of Directors and 12 of the 13 meetings of the Audit & Supervisory Board held in the business year under review, Keisuke Yamanobe speaks as an audit & supervisory board member who possesses knowledge mainly on the Company's business and finance and accounting.
Outside Audit & Supervisory Board Member	Kazuomi Fukazawa	Having attended all 12 meetings of the Board of Directors and all 10 meetings of the Audit & Supervisory Board held since assuming his post on April 25, 2013, Kazuomi Fukazawa speaks as an audit & supervisory board member who possesses knowledge mainly on general banking business and corporate management.

3) Overview of contracts for limitation of liability

Pursuant to Article 427, Paragraph 1 of the Companies Act, it is prescribed in the Articles of Incorporation of the Company in effect that the Company may enter into contracts with outside directors and outside audit & supervisory board members with regard to limitation of liability for damages to the Company in an effort to attract competent individuals to the 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 three (3) outside directors and four (4) outside audit & supervisory board members to limit their liabilities. The outline of the contract is as follows.

- If outside directors and outside audit & supervisory board members are in good faith and without gross negligence in performing their duties, the liability for damages of the outside directors and outside audit & supervisory board members pursuant to Article 423, Paragraph 1 of the Companies Act shall be limited to the total amount specified in Article 425, Paragraph 1 of the said Act and they shall not be liable to the Company for any amount exceeding such limit.

4. Accounting Auditor

(1) Name of accounting auditor (Independent Auditor)

Deloitte Touche Tohmatsu LLC

(2) Amount of compensation, etc.

Contents of compensation	Amount paid
	millions of yen
(1) Total amount of compensation and other payments for the business year under review	75
(2) Total amount of monies and other property benefits payable by the Company and its subsidiaries to the accounting auditors (including the above (1))	104

- (Notes) 1. In the audit contract between the Company and the accounting auditor, it is not possible to make a reasonable differentiation between audit compensation based on the Companies Act and that based on the Financial Instruments and Exchange Act. 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 accounting auditors other than that of the Company.

(3) Contents of non-audit services

The contents of the non-audit services are the service of preparing proofs of earnings for employees seconded to overseas subsidiaries.

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

If an event that raises significant doubt about an accounting auditor's continuing to fulfill its duties occurs, or if, for reasons on the part of the Company, the Company does not reappoint an accounting auditor, a proposal regarding dismissal or non-reappointment shall be put on the agenda of the General Meeting of Shareholders with the consent or at the request of the Audit & Supervisory Board. In addition, in the event an accounting auditor becomes subject to the provisions established in Article 340, Paragraph 1 of the Companies Act resulting in the dismissal of the same by the Audit & Supervisory Board, an audit & supervisory board member selected by the Audit & Supervisory Board shall submit a report containing the purpose and reason of the dismissal to the General Meeting of Shareholders immediately following such dismissal.

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 shall enact 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. The Company shall also educate officers and employees to familiarize them with the "SUMCO CHARTER."
- 2) The Chief Compliance Officer shall be 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 shall supervise compliance in his or her organization and submit regular reports on compliance with the CHARTER to the Chief Compliance Officer.

- 3) The Company shall establish an internal 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 refusing 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 and regulations, the Articles of Incorporation and internal regulations under a system that enables the access to and duplication of the said information by directors, audit & supervisory board members, 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. Under the system the Board of Directors shall carry out decision-making on important matters such as management policy and monitor the execution of duties by directors as well as the performance of duties by executive officers, while the executive officers shall perform their duties delegated by the Board of Directors.
 - 2) Important matters relating to management shall be deliberated at Management Conferences 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 the 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 the 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 as a member of the corporate group shall be established.
 - 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 audit & supervisory board members 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 Audit & Supervisory Board Member” for employees assisting audit & supervisory board members in their duties.
 - 2) In order to ensure the independence of the aforementioned staff for audit & supervisory board members, prior approval of the Audit & Supervisory Board shall be required for personnel changes, and performance appraisals shall be conducted by a full-time audit & supervisory board member.
- (7) System for reporting to audit & supervisory board members by directors and employees and other systems for reporting to audit & supervisory board members**

Directors shall stipulate in internal regulations matters to be reported to audit & supervisory board members, 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 audit & supervisory board members**
 - 1) Audit & supervisory board members and the President shall exchange opinions periodically or whenever necessary.
 - 2) The Company shall proactively create opportunities for audit & supervisory board members to attend Board of Directors meetings and other important meetings.

Consolidated Balance Sheet

(As of December 31, 2013)

(Millions of yen)

Category	Amount	Category	Amount
(Assets)		(Liabilities)	
Current assets	244,259	Current liabilities	135,238
Cash and time deposits	31,363	Notes and accounts payable	29,952
Notes and accounts receivable	30,806	Short-term borrowings	89,110
Short-term investment securities	31,500	Lease obligations	3,727
Finished products	14,750	Accrued income taxes	477
Work in process	12,189	Reserve for bonuses	2,016
Raw materials and supplies	115,719	Notes and accounts payable – Construction	1,259
Deferred tax assets	149	Others	8,696
Others	7,791		
Allowance for doubtful accounts	(11)	Long-term liabilities	168,447
Fixed assets	254,263	Long-term debt	143,841
Tangible fixed assets	173,794	Long-term lease obligations	2,159
Buildings and structures	92,804	Deferred tax liabilities	895
Machinery and transport equipment	51,976	Deferred tax liabilities for land revaluation reserve	1,559
Land	20,279	Liability for employee retirement benefits	17,505
Construction in progress	8,133	Others	2,486
Others	600		
Intangible fixed assets	15,862	Total liabilities	303,686
Goodwill	13,573	(Net assets)	
Software	2,090	Shareholders' equity	168,198
Others	198	Capital stock	136,607
Investments and other assets	64,606	Capital surplus	15,676
Investment securities	119	Retained earnings	15,924
Long-term advance payments	54,306	Treasury stock	(9)
Long-term prepaid expenses	3,434	Accumulated other comprehensive income (loss)	(147)
Deferred tax assets	5,623	Net unrealized gain on available-for- sale securities	0
Others	1,519	Land revaluation surplus	2,671
Allowance for doubtful accounts	(396)	Foreign currency translation adjustments	(2,675)
		Post retirement liability adjustments for foreign consolidated subsidiaries	(143)
		Minority interests	26,785
		Total equity	194,836
Total assets	498,522	Total liabilities and equity	498,522

Consolidated Statement of Income

(From February 1, 2013 to December 31, 2013)

(Millions of yen)

Category	Amount	
Net sales		185,105
Cost of sales		147,965
Gross profit		37,140
Selling, general and administrative expenses		19,338
Operating income		17,801
Non-operating income		
Interest and dividend income	46	
Gain on sales of fixed assets	41	
Subsidy income	449	
Others	276	813
Non-operating expenses		
Interest expense	3,168	
Foreign exchange loss	6,064	
Commission for syndicate loan	1,490	
Others	826	11,550
Ordinary income		7,065
Extraordinary loss		
Loss incurred from business restructuring	2,672	2,672
Income before taxes and minority interests		4,392
Income taxes - current	395	
Income taxes - deferred	1,715	2,111
Net income before minority interests		2,281
Minority interests		1,566
Net income		715

Consolidated Statement of Changes in Net Assets

(From February 1, 2013 to December 31, 2013)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	136,607	15,676	16,849	(8)	169,124
Changes during period					
Dividends from surplus			(1,640)		(1,640)
Net income			715		715
Reversal of land revaluation surplus			0		0
Increase due to purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes during period	—	—	(925)	(0)	(925)
Balance at end of period	136,607	15,676	15,924	(9)	168,198

	Accumulated other comprehensive income						Minority interests	Total equity
	Net unrealized gain (loss) on available-for-sale securities	Deferred loss on derivative under hedge accounting	Land revaluation surplus	Foreign currency translation adjustments	Post retirement liability adjustments for foreign consolidated subsidiaries	Total accumulated other comprehensive income		
Balance at beginning of period	0	(3,431)	2,671	(9,618)	—	(10,378)	21,579	180,325
Changes during period								
Dividends from surplus								(1,640)
Net income								715
Reversal of land revaluation surplus			(0)			(0)		—
Increase due to purchase of treasury stock								(0)
Net changes of items other than shareholders' equity	0	3,431		6,943	(143)	10,231	5,205	15,436
Total changes during period	0	3,431	(0)	6,943	(143)	10,230	5,205	14,510
Balance at end of period	0	—	2,671	(2,675)	(143)	(147)	26,785	194,836

I. Notes on Basic Matters of Importance for Preparing Consolidated Financial Statements

1. Scope of consolidation

(1) Number and names of consolidated subsidiaries

Number of consolidated subsidiaries: 14

Names of major consolidated subsidiaries:

SUMCO TECHXIV CORPORATION

SUMCO Phoenix Corporation

FORMOSA SUMCO TECHNOLOGY CORPORATION

Please note that, in the consolidated fiscal year under review, the Company newly established SUMCO Insurance Service Corp., which is included in the scope of consolidation.

(2) Number and names of non-consolidated subsidiaries

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 (loss) (appropriate amount corresponding to equity ownership) and retained earnings (appropriate amount corresponding to equity ownership) significantly affect the consolidated financial statements.

2. Application of the equity method

(1) Number and names of non-consolidated subsidiaries and affiliates to which the equity method is applied

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

(2) Names of non-consolidated subsidiaries and affiliates to which the equity method is not applied

Name of major non-consolidated subsidiary or affiliate:

SUMCO Korea Corporation

[Reason for non-application of the equity method]

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 of the equity method as their influences on net income (appropriate amount corresponding to equity ownership) and retained earnings (appropriate amount corresponding to equity ownership) are minor, and basically insignificant as a whole.

3. Change of the consolidated closing date

The Company's business year had been from February 1 of every year to January 31 of the following year. However, it was necessary for the Company to unify its accounting period with those of its overseas subsidiaries, to increase efficiencies in management and business operations through means such as budget management and performance management, and to respond to the necessity of unifying the accounting periods of consolidated subsidiaries as prescribed in the International Financial Reporting Standards (IFRS), which is under consideration for future application. Consequently, at the 14th Ordinary General Meeting of Shareholders, which was held on April 25, 2013, a resolution was adopted to partially amend the Articles of Incorporation, and we thereby changed the closing date of the Company from January 31 to December 31. Likewise, we also changed the closing date of our domestic consolidated subsidiaries from January 31 to December 31.

As a result of this change, the period of the consolidated fiscal year under review, which is a transitional period of the accounting period change, is the 11-month period from February 1, 2013 to December 31, 2013. The overseas consolidated subsidiaries, however, are incorporated into the consolidated statements of income for the consolidated fiscal year under review on the basis of the 12-month period from January 1, 2013 to December 31, 2013.

Please note that effect of the overseas consolidated subsidiaries' one-month period from January 1, 2013 to January 31, 2013 on the consolidated statements of income is minor.

4. Consolidated subsidiaries' business year-end, etc.

The last day of the business year of all the consolidated subsidiaries coincides with the consolidated closing date.

5. Standards for accounting treatments

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

(a) Securities

Available-for-sale 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

We employ the market value method.

(c) Inventories

We 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 pertaining to non-ownership-transfer finance lease transactions)

We 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 service life for machinery and transport equipment is mainly set at 5 years.

(b) Intangible fixed assets (excluding lease assets pertaining to non-ownership-transfer finance lease transactions)

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

(c) Lease assets (lease assets pertaining to non-ownership-transfer finance lease transactions)

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 service life.

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) Reserve for bonuses

Reserve for bonuses is provided for payment of bonuses to employees in the amount of estimated bonuses, which is attributable to the current fiscal year.

(c) Allowance for director bonuses

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

(d) Liability for employee retirement benefits

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

Past service liability is mainly amortized from the time of accrual using the straight-line method over a fixed number of years (10 years) within the employee's 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 employee's average remaining service period at incurrence, commencing from the next fiscal year of incurrence.

(4) Other important matters for the preparation of consolidated financial statements

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

Values of foreign currency-denominated receivables and payables 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 overseas 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.

(b) Major hedge accounting

(Method of hedge accounting)

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

(Hedging instrument and hedged item)

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

(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.

(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.

(c) Method and period for amortization of goodwill

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

(d) Accounting for consumption taxes

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

6. Changes to presentations

- (1) Since the materiality of the items that had been presented separately as “Depreciation” under non-operating expenses on the consolidated statements of income for the previous consolidated fiscal year decreased in the consolidated fiscal year under review, they are now included in “Others.”

Please note that “Depreciation” included in “Others” in the consolidated fiscal year under review is 307 million yen.

- (2) Since the materiality of the items that had been presented separately as “Compensation expenses” under non-operating expenses on the consolidated statements of income for the previous consolidated fiscal year decreased in the consolidated fiscal year under review, they are now included in “Others.”

Please note that “Compensation expenses” included in “Others” in the consolidated fiscal year under review is 8 million yen.

- (3) Since the materiality of “Commission for syndicate loan,” which had been included in “Others” under non-operating expenses on the consolidated statements of income for the previous consolidated fiscal year, increased in the consolidated fiscal year under review, it is now presented separately.

Please note that “Commission for syndicate loan” included in “Others” in the previous consolidated fiscal year is 14 million yen.

II. Notes to Consolidated Balance Sheet

1. Hypothecated assets and corresponding liabilities

(1) Hypothecated assets

Buildings and structures	5,820 million yen
Machinery and transport equipment	2,612 million yen
Total	8,433 million yen

(2) Corresponding liabilities

Long-term debt	3,648 million yen
(Repayment of above scheduled within one year)	(1,216 million yen)

2. Accumulated depreciation of tangible fixed assets 769,749 million yen

3. Guarantee obligation

Guarantee for employee borrowings from financial institution	652 million yen
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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 (Law No. 34 of March 31, 1998) and posted the tax equivalent amount on the relevant revaluation difference to the liabilities section as “Deferred tax liabilities for land revaluation reserve,” and at the same time posted the amount with the tax equivalent portion deducted to the net assets section as “Land revaluation surplus.”

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 (Cabinet Order No. 119 of March 31, 1998).

Date of revaluation: March 31, 2000

Difference between market value of land at end of year of revaluation and book value after revaluation: (3,692) million yen

5. Long- and short-term borrowings

(1) The Company and its consolidated subsidiary FORMOSA SUMCO TECHNOLOGY CORPORATION have borrowings, which are subject to certain financial covenants, from financial institutions. The amount borrowed as of the end of the consolidated fiscal year under review is as follows.

Long-term debt	72,998 million yen
(Repayment of above scheduled within one year)	(1,216 million yen)

(2) In order to obtain flexible financing for operating funds, the Company has entered into a commitment line 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 statement of cash flows to be maintained at certain levels.

The unexecuted loan commitment associated with the commitment line agreement as of December 31, 2013 is as follows.

Total loan commitment	59,650 million yen
Used commitment	29,650 million yen
Unexecuted loan commitment	30,000 million yen

6. Others

- (1) In order for the Company and some of its consolidated subsidiaries to secure polycrystalline silicon, which is the main raw material of silicon wafers, they entered into long-term purchase contracts with polycrystalline silicon producers. In accordance with the contracts, the Company and some of its consolidated subsidiaries have made advance payments to some of the producers.
- (2) In order to control the growth of its polycrystalline silicon inventory and diversify its financing, for some of the long-term purchase contracts for polycrystalline silicon, within a maximum amount of 10,000 million yen, the Company has entered into contracts, etc. (hereinafter, transfer contracts, etc.) to transfer to the transferees the Company's status as purchaser in those long-term contracts.

Under these transfer contracts, etc., in either of the following cases, the Company will pay the remaining amount (the amount equivalent to the unsold inventory held by the transferee) to the transferees and, at the same time, take back the inventory.

The first case is where, within a given period, the transferee cannot dispose of the inventory purchased under the transfer contracts, etc. by selling it to the Company or a third party. The second case is where the Company violates a cancellation clause such as violating certain financial covenants.

Please note that, in accordance with the transfer contracts, etc., the amount equivalent to the remaining amount as of the end of the consolidated fiscal year under review is 1,031 million yen.

III. Notes to Consolidated Statement of Income

Details of loss incurred from business restructuring included in extraordinary loss

The expenses incurred through execution of the Business Reorganization Plan mainly consist of special extra payments due to the offering of voluntary early retirement, etc.

IV. Notes to Consolidated Statement of Changes in Net Assets

1. Class and total number of shares issued as of December 31, 2013

Common stock	257,751,739 shares
Class A shares	450 shares

2. Particulars concerning dividends from surplus

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on April 25, 2013	Common shares	515	2.00	January 31, 2013	April 26, 2013
Ordinary General Meeting of Shareholders on April 25, 2013	Class A shares	1,125	2,500,000.00	January 31, 2013	April 26, 2013

(2) Dividends with the record date in the current fiscal year, and effectiveness of which falls in the next fiscal year

Resolution expected	Dividend resource	Class of shares	Total amount of dividends (millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on March 28, 2014	Retained earnings	Common shares	257	1.00	December 31, 2013	March 31, 2014
Ordinary General Meeting of Shareholders on March 28, 2014	Retained earnings	Class A shares	1,029	2,287,671.23	December 31, 2013	March 31, 2014

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 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. Short-term investment securities consist of negotiable certificates of deposit with maturities of within three months that are readily convertible into cash and have an immaterial risk of price fluctuation. 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.

Basically, notes and accounts payable, as well as notes and accounts payable – Construction, 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 “5. Standards for accounting treatments, (4) Other important matters for the preparation of consolidated financial statements, (b) Major hedge accounting” under “I. Notes on 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 plans 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 December 31, 2013 and the differences between them 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	31,363	31,363	–
(2) Notes and accounts receivable	30,806	30,806	–
(3) Short-term investment securities and investment securities	31,506	31,506	–
Total assets	93,675	93,675	–
(1) Notes and accounts payable	29,952	29,952	–
(2) Short-term borrowings (*1)	31,781	31,781	–
(3) Notes and accounts payable – Construction	1,259	1,259	–
(4) Long-term debt (*1)	201,170	201,331	161
(5) Lease obligations	5,887	5,872	(14)
Total liabilities	270,049	270,196	146
Derivative transactions (*2)			
(i) Those to which hedge accounting is not applied	(427)	(427)	–
(ii) Those to which hedge accounting is applied	(–)	(–)	–
Total derivative transactions	(427)	(427)	–

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

(*2) Receivables and payables arising out of 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 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) Short-term investment securities and investment securities

Short-term investment securities consist of negotiable certificates of deposit. Because their settlement periods are short and their fair values are almost the same as their book values, the relevant book values are used. Investment securities consist of stocks. Their fair values are based on the prices on stock exchanges.

Liabilities

(1) Notes and accounts payable, (2) Short-term borrowings, and (3) Notes and accounts payable – Construction

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 debt, and (5) Lease obligations

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 special processing are incorporated, when accounting, with long-term debt that are the hedged items, the fair value of such items is included in the fair value of such long-term debt.

2. Because unlisted stocks, etc. (amount on consolidated balance sheet: 113 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) Short-term investment securities and investment securities.”

VI. ‘Per Share’ Information

1. Net assets per share: 473.42 yen

2. Net loss per share: (1.22) yen

(Note) The calculation basis of net loss per share is as follows.

Net income (millions of yen)	715
Amount not attributed to common shareholders (millions of yen)	1,029
Net loss attributed to common shareholders (millions of yen)	(314)
Average number of common shares outstanding during the period (shares)	257,746,136

Non-consolidated Balance Sheet

(As of December 31, 2013)

(Millions of yen)

Category	Amount	Category	Amount
(Assets)		(Liabilities)	
Current assets	211,338	Current liabilities	139,792
Cash and time deposits	28,218	Accounts payable	34,029
Accounts receivable	31,780	Short-term borrowings	94,945
Short-term investment securities	31,500	Lease obligations	3,715
Finished products	4,884	Accrued liabilities	4,078
Work in process	8,116	Accrued expenses	774
Raw materials and supplies	99,299	Reserve for bonuses	827
Advance payments	3,235	Notes and accounts payable – Construction	767
Prepaid expenses	492	Forward exchange contracts	427
Short-term loans	184	Others	225
Accounts receivable-other	1,766		
Others	1,859	Long-term liabilities	155,987
		Long-term debt	141,409
Fixed assets	245,306	Long-term lease obligations	2,151
Tangible fixed assets	109,489	Deferred tax liabilities	136
Buildings	69,425	Deferred tax liabilities for land revaluation reserve	1,559
Structures	2,500	Liability for employee retirement benefits	10,180
Machinery	15,279	Asset retirement obligations	512
Motor vehicles and transport equipment	29	Others	38
Tools, appliances and furniture	251		
Land	15,330	Total liabilities	295,780
Lease assets	20		
Construction in progress	6,651	(Net assets)	
		Shareholders' equity	158,193
Intangible fixed assets	2,176	Capital stock	136,607
Software	1,985	Capital surplus	15,676
Others	190	Capital reserves	10,500
		Others	5,176
Investments and other assets	133,641	Retained earnings	5,919
Investment securities	3	Retained earnings reserve	164
Stocks of subsidiaries and affiliates	27,057	Other retained earnings	5,755
Investments in subsidiaries and affiliates	55	Retained earnings carried forward	5,755
Long-term loans receivable from subsidiaries and affiliates	52,926	Treasury stock	(9)
Long-term advance payments	50,745		
Long-term prepaid expenses	2,670	Variance of valuation/translation etc.	2,671
Others	1,149	Land revaluation surplus	2,671
Allowance for doubtful accounts	(964)		
		Total equity	160,864
Total assets	456,645	Total liabilities and equity	456,645

Non-consolidated Statement of Income

(From February 1, 2013 to December 31, 2013)

(Millions of yen)

Category	Amount	
Net sales		139,434
Cost of sales		116,701
Gross profit		22,733
Selling, general and administrative expenses		13,084
Operating income		9,648
Non-operating income		
Interest income	350	
Dividend income	16	
Subsidy income	282	
Others	304	953
Non-operating expenses		
Interest expense	3,124	
Foreign exchange loss	5,655	
Loss on sales and disposals of fixed assets	249	
Commission for syndicate loan	1,490	
Others	463	10,983
Ordinary loss		(380)
Extraordinary income		
Reversal of allowance for doubtful accounts for subsidiaries and affiliates	1,610	1,610
Extraordinary loss		
Loss incurred from business restructuring	2,672	2,672
Net loss before taxes		(1,442)
Income taxes - current	36	
Income taxes - deferred	(0)	36
Net loss		(1,479)

Non-consolidated Statement of Changes in Net Assets

(From February 1, 2013 to December 31, 2013)

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings			Treasury stock	Total shareholders' equity
		Capital reserves	Other capital surplus	Total capital surplus	Retained earnings reserve	Others retained earnings Retained earnings carried forward	Total retained earnings		
Balance at beginning of period	136,607	10,500	5,176	15,676	–	9,039	9,039	(8)	161,314
Changes during period									
Accumulation of retained earnings reserve					164	(164)	–		–
Dividends from surplus						(1,640)	(1,640)		(1,640)
Net loss						(1,479)	(1,479)		(1,479)
Reversal of land revaluation surplus						0	0		0
Increase due to purchase of treasury stock								(0)	(0)
Net changes of items other than shareholders' equity									
Total changes during period	–	–	–	–	164	(3,283)	(3,119)	(0)	(3,120)
Balance at end of period	136,607	10,500	5,176	15,676	164	5,755	5,919	(9)	158,193

	Variance of valuation/translation, etc.			Total equity
	Deferred loss on derivative under hedge accounting	Land revaluation surplus	Total variance of valuation/translation, etc.	
Balance at beginning of period	(3,431)	2,671	(759)	160,554
Changes during period				
Accumulation of retained earnings reserve				–
Dividends from surplus				(1,640)
Net loss				(1,479)
Reversal of land revaluation surplus		(0)	(0)	–
Increase due to purchase of treasury stock				(0)
Net changes of items other than shareholders' equity	3,431		3,431	3,431
Total changes during period	3,431	(0)	3,430	310
Balance at end of period	–	2,671	2,671	160,864

I. Notes on Major Accounting Policies

1. Standards for and method of evaluation of assets

(1) Securities

(a) Stocks of subsidiaries and affiliates

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

(b) Available-for-sale 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) Derivatives

We employ the market value method.

(3) 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.)

2. Method of depreciation of fixed assets

(1) Tangible fixed assets (excluding lease assets pertaining to non-ownership-transfer finance lease transactions)

We employ the straight-line method (service life is mainly set at 31 years) for buildings and the constant percentage method (service life is mainly set at 5 years) for other tangible fixed assets.

(2) Intangible fixed assets (excluding lease assets pertaining to non-ownership-transfer finance lease transactions)

Software

We employ the straight-line method based on the usable period (5 years) set within the Company.

Other intangible fixed assets

We employ the straight-line method.

(3) Lease assets (lease assets pertaining to non-ownership-transfer finance lease transactions)

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 service life.

3. 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) Reserve for bonuses

Reserve for 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) Liability for employee retirement benefits

Liability for employee retirement benefits is provided for payment of retirement benefits to employees in the amount deemed accrued at the current business year-end, 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 employee's 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 employee's average remaining service period at incurrence, commencing from the next business year of incurrence.

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

(1) Hedge accounting

(Method of hedge accounting)

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

(Hedging instrument and hedged item)

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

(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.

(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.

(2) Accounting for consumption taxes

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

(3) Change of closing date

The Company's business year had been from February 1 of every year to January 31 of the following year. However, it was necessary for the Company to unify its accounting period with those of its overseas subsidiaries, to increase efficiencies in management and business operations through means such as budget management and performance management, and to respond to the necessity of unifying the accounting periods of consolidated subsidiaries as prescribed in the International Financial Reporting Standards (IFRS), which is under consideration for future application. Consequently, at the 14th Ordinary General Meeting of Shareholders, which was held on April 25, 2013, a resolution was adopted to partially amend the Articles of Incorporation, and we thereby changed the closing date from January 31 to December 31. As a result of this change, the period of the business year under review, which is a transitional period of the accounting period change, is the 11-month period from February 1, 2013 to December 31, 2013.

5. Changes to presentations

- (1) Since the materiality of the items that had been presented separately as "Depreciation" under non-operating expenses on the non-consolidated statement of income for the previous business year decreased in the business year under review, they are now included in "Others." Please note that "Depreciation" included in "Others" in the business year under review is 305 million yen.
- (2) Since the materiality of the items that had been presented separately as "Compensation expenses" under non-operating expenses on the non-consolidated statement of income for the previous business year decreased in the business year under review, they are now included in "Others." Please note that "Compensation expenses" included in "Others" in the business year under review is 8 million yen.
- (3) Since the materiality of "Commission for syndicate loan," which had been included in "Others" under non-operating expenses on the non-consolidated statement of income for the previous business year, increased in the business year under review, it is now presented separately. Please note that "Commission for syndicate loan" included in "Others" in the previous business year is 14 million yen.

II. Notes to Non-consolidated Balance Sheet

1. **Accumulated depreciation of tangible fixed assets** 450,791 million yen

2. **Guarantee obligation**

Guarantee for employee borrowings from
financial institution 652 million yen

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

Short-term accounts receivable 12,346 million yen
Long-term accounts receivable 52,926 million yen
Short-term accounts payable 20,452 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 (Law No. 34 of March 31, 1998) and posted the tax equivalent amount on the relevant revaluation difference to the liabilities section as “Deferred tax liabilities for land revaluation reserve,” and at the same time posted the amount with the tax equivalent portion deducted to the net assets section as “Land revaluation surplus.”

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 (Cabinet Order No. 119 of March 31, 1998).

Date of revaluation: March 31, 2000

Difference between market value of land at end of year of revaluation and book value after revaluation: (3,692) million yen

5. **Long- and short-term borrowings**

(1) The Company has borrowings from financial institutions that are subject to financial covenants. These covenants require that the net assets on the Company’s consolidated and non-consolidated balance sheets, as well as the cash flows from operating activities on the Company’s consolidated statements of cash flows, be maintained at certain levels. The amount borrowed as of the end of the business year under review is as follows.

Long-term debt 69,350 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 a commitment line 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 statement of cash flows to be maintained at certain levels.

The unexecuted loan commitment associated with the commitment line agreement as of December 31, 2013 is as follows.

Total loan commitment 59,650 million yen
Used commitment 29,650 million yen

Unexecuted loan commitment 30,000 million yen

6. Others

- (1) In order for the Company to secure polycrystalline silicon, which is the main raw material of silicon wafers, it entered into long-term purchase contracts with polycrystalline silicon producers. In accordance with the contracts, the Company has made advance payments to some of the producers.
- (2) In order to control the growth of its polycrystalline silicon inventory and diversify its financing, for some of the long-term purchase contracts for polycrystalline silicon, within a maximum amount of 10,000 million yen, the Company has entered into contracts, etc. (hereinafter, transfer contracts, etc.) to transfer to the transferees the Company's status as purchaser in those long-term contracts.

Under these transfer contracts, etc., in either of the following cases, the Company will pay the remaining amount (the amount equivalent to the unsold inventory held by the transferee) to the transferees and, at the same time, take back the inventory. The first case is where, within a given period, the transferee cannot dispose of the inventory purchased under the transfer contracts, etc. by selling it to the Company or a third party. The second case is where the Company violates a cancellation clause such as violating certain financial covenants.

Please note that, in accordance with the transfer contracts, etc., the amount equivalent to the remaining amount as of the end of the business year under review is 1,031 million yen.

III. Notes to Non-consolidated Statement of Income

1. Volume of transactions with subsidiaries and affiliates

Amount of sales	39,500 million yen
Amount of purchase	39,192 million yen
Transactions other than operational transactions	481 million yen

2. Details of loss incurred from business restructuring included in extraordinary loss

The expenses incurred through execution of the Business Reorganization Plan mainly consist of special extra payments due to the offering of voluntary early retirement, etc.

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

Class and total number of treasury shares as of December 31, 2013

Common stock	5,826 shares
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V. Notes Regarding Deferred Tax Accounting

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

Deferred tax assets

Loss carried forward	45,455	million yen
Stocks of subsidiaries and affiliates	30,320	million yen
Fixed assets	11,212	million yen
Liability for employee retirement benefits	3,593	million yen
Inventories	1,618	million yen
Others	2,092	million yen
<hr/>		
Subtotal deferred tax assets	94,293	million yen
Valuation allowance	(94,293)	million yen
<hr/>		
Total deferred tax assets	–	million yen

Deferred tax liabilities

Fixed assets	(136)	million yen
<hr/>		
Total deferred tax liabilities	(136)	million yen

Net deferred tax liabilities (136) million yen

Deferred tax liabilities for land revaluation reserve (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	37.8%
(Adjustment)	
Valuation allowance	(36.3)%
Others	(4.0)%
<hr/>	
Actual effective tax rate for corporate income tax, etc. after the application of deferred tax accounting	(2.5)%

VI. Note Regarding Related Party Transactions

Major corporate shareholders, etc.

Category	Company name	Voting interest (%)	Relationship with the party	Transaction contents	Transaction amount (millions of yen)	Account title	Balance at end of business year (millions of yen)
Subsidiary of other associated company	Ryoko Sangyo Corporation	-	Seller of raw materials, etc.	Purchase of raw materials, etc.	14,092	Accounts payable	8,608
						Long-term advance payments	3,498
						(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 Ryoko Sangyo Corporation are determined under the same conditions as general trades taking market prices into consideration.

Subsidiaries

Category	Company name	Voting interest (%)	Relationship with the party	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, etc.	Purchase of products, etc.	31,013	Accounts payable	9,941
				Collection of funds	691	Long-term loans receivable from subsidiaries and affiliates	52,926
Subsidiary	SUMCO Phoenix Corporation	100 (direct ownership)	Sales destination of products, etc.	Selling of products	19,694	Accounts receivable	4,156
				Borrowing of funds	2,076	Short-term borrowings	7,166

(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 and for the borrowing of funds from SUMCO Phoenix Corporation are determined rationally by taking market interest rates into consideration.
3. Allowance for doubtful accounts of 734 million yen is provided for the long-term loans receivable from SUMCO TECHXIV CORPORATION.
Furthermore, in the business year under review, in extraordinary income, we recorded 1,610 million yen of reversal of allowance for doubtful accounts.

VII. 'Per Share' Information

1. Net assets per share: 445.54 yen
2. Net loss per share: (9.73) yen

(Note) The calculation basis of net loss per share is as follows.

Net loss (millions of yen)	(1,479)
Amount not attributed to common shareholders (millions of yen)	1,029
Net loss attributed to common shareholders (millions of yen)	(2,508)
Average number of common shares outstanding during the period (shares)	257,746,136

Accounting audit report on Consolidated Financial Statements

Independent Auditors' Report

February 17, 2014

SUMCO CORPORATION

The Board of Directors

Deloitte Touche Tohmatsu LLC

Designated Limited Liability Partner and Engagement Partner	Certified Public Accountant	Mitsuru Hirano	(Seal)
Designated Limited Liability Partner and Engagement Partner	Certified Public Accountant	Tetsuo Yamamoto	(Seal)

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the consolidated financial statements, namely, the Consolidated Balance Sheet, the Consolidated Statement of Income, the Consolidated Statement of Changes in Net Assets, Notes on Basic Matters of Importance for Preparing Consolidated Financial Statements and Other Notes of SUMCO CORPORATION (“the Company”) for the fiscal year from February 1, 2013 to December 31, 2013.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of

accounting policies used, the method of their application and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of December 31, 2013, and the results of their operations for the fiscal year then ended in conformity with accounting principles generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

Accounting audit report on Non-consolidated Financial Statements

Independent Auditors' Report

February 17, 2014

SUMCO CORPORATION

The Board of Directors

Deloitte Touche Tohmatsu LLC

Designated Limited
Liability Partner and Certified Public Accountant Mitsuru Hirano (Seal)
Engagement Partner

Designated Limited
Liability Partner and Certified Public Accountant Tetsuo Yamamoto (Seal)
Engagement Partner

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the non-consolidated financial statements, namely, the Non-consolidated Balance Sheet, the Non-consolidated Statement of Income, the Non-consolidated Statement of Changes in Net Assets, Notes on Major Accounting Policies and Other Notes, and their supporting schedules of SUMCO CORPORATION ("the Company") for the 15th business year from February 1, 2013 to December 31, 2013.

Management's Responsibility for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements and their supporting schedules in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation and fair presentation of non-consolidated financial statements and their supporting schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements and their 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 that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and their supporting schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and their supporting schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements and their supporting schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation and fair presentation of the non-consolidated financial statements and their supporting schedules in order

to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and their supporting schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the non-consolidated financial statements and their supporting schedules referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2013 and the results of its operations for the business year then ended in conformity with accounting principles generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

<Audit report of the Audit & Supervisory Board>

AUDIT REPORT

Regarding the execution of duties by the directors for the 15th business year from February 1, 2013 to December 31, 2013, the Audit & Supervisory Board hereby submits its audit report, which has been prepared through discussions based on the audit reports prepared by each audit & supervisory board member.

1. Auditing Methods Employed by the Audit & Supervisory Board Members and Audit & Supervisory Board and Details of Such Methods

The Audit & Supervisory Board established auditing policies, auditing plan, and other relevant matters, and received reports from each audit & supervisory board member 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 audit & supervisory board member complied with the auditing standards of audit & supervisory board members established by the Audit & Supervisory Board, 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 the directors, employees and other relevant personnel, sought explanations as necessary, and expressed our opinions regarding the contents of resolutions by the Board of Directors concerning the development of systems 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 other systems stipulated in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act necessary to 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 the directors, audit & supervisory board members, 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 its 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 their 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 the 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 the internal control system are fair and reasonable. Moreover, we have found no matters that need to be raised regarding items in the internal control system section of the business report or the performance of duties by directors.

(2) Results of Audit of Non-consolidated Financial Statements and their 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.

February 19, 2014

Audit & Supervisory Board, SUMCO CORPORATION

Full-time Audit & Supervisory Board Member	Hiroshi Yoshikawa	(Seal)
Full-time Audit & Supervisory Board Member	Hidemasa Hosaka	(Seal)
Outside Audit & Supervisory Board Member	Hitoshi Tanaka	(Seal)
Outside Audit & Supervisory Board Member	Kitaro Yoshida	(Seal)
Outside Audit & Supervisory Board Member	Keisuke Yamanobe	(Seal)
Outside Audit & Supervisory Board Member	Kazuomi Fukazawa	(Seal)

Reference Documents for the General Meeting of Shareholders

Proposal 1: Dividends from Surplus

Having comprehensively taken into account the Company's performance in the relevant business year and the prospects for the business environment, the Company proposes the year-end dividend for the relevant business year as below.

- (1) Type of dividend property:

Money

- (2) Dividend property allotment and total amount thereof:

For common shares, the Company proposes to pay a dividend of 1.00 yen per share.

For Class A shares, the Company proposes to pay a dividend of 2,287,671.23 yen per share in accordance with the provision of the Articles of Incorporation.

	Dividend per share	Total amount of dividends
Common shares	1.00 yen	257,745,913 yen
Class A shares	2,287,671.23 yen	1,029,452,052 yen
Total	-	1,287,197,965 yen

- (3) Effective date for the payment of dividends from surplus:

March 31, 2014

Proposal 2: Election of nine (9) Directors

Since the terms of office of all nine (9) directors will expire as of the conclusion of this Ordinary General Meeting of Shareholders, the Company proposes the election of nine (9) directors.

The candidates for directors are as follows.

No.	Name (Date of birth)	Career summary, position and areas of responsibility in the Company, and significant concurrent occupations or positions	Number of the Company's common shares held
1	Mayuki Hashimoto (January 10, 1951)	<p>Apr. 1976 Joined Mitsubishi Metal Corporation (the current Mitsubishi Materials Corporation)</p> <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</p> <p>Jun. 2011 Executive Vice President (Representative Director), Mitsubishi Materials Corporation</p> <p>Apr. 2012 President (Representative Director), the Company (present post)</p> <p><Areas of responsibility in the Company> Overall control</p>	6,500 shares
2	Michiharu Takii (February 10, 1950)	<p>Apr. 1974 Joined Sumitomo Metal Industries, Ltd. (the current NIPPON STEEL & SUMITOMO METAL CORPORATION)</p> <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 Executive Vice President (Representative Director), the Company (present post)</p> <p><Areas of responsibility in the Company> Assistant to the President (all areas) General Manager of Corporate Strategy Div. Head of Public Relations & IR and Information Systems</p>	5,500 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 common shares held
3	Yoichi Tsuchiya (April 15, 1951)	<p>Apr. 1975 Joined Sumitomo Metal Industries, Ltd. (the current NIPPON STEEL & SUMITOMO METAL CORPORATION)</p> <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</p> <p>Apr. 2012 Director, Senior Managing Executive Officer, the Company (present post)</p> <p><Areas of responsibility in the Company> Head of General Affairs, Personnel & Industrial Relations and Safety, Environment & Disaster Prevention Management In charge of Information Systems Dept. Chief Compliance Officer</p>	8,500 shares
4	Harumitsu Endo (January 12, 1953)	<p>Apr. 1975 Joined Mitsubishi Metal Corporation (the current Mitsubishi Materials Corporation)</p> <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</p> <p>Apr. 2012 Director, Senior Managing Executive Officer, General Manager of Sales & Marketing Div., the Company (present post)</p> <p><Areas of responsibility in the Company> General Manager of Sales & Marketing Div.</p>	6,500 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 common shares held
5	Hisashi Furuya (October 30, 1954)	<p>Apr. 1983 Joined Mitsubishi Metal Corporation (the current Mitsubishi Materials Corporation)</p> <p>Apr. 2005 General Manager of Crystal Engineering Dept., Production & Technology Div., the Company</p> <p>Apr. 2007 General Manager of Yonezawa Plant, Production & Technology Div., the Company</p> <p>Apr. 2008 Executive Officer, General Manager of Yonezawa Plant, Production & Technology Div., the Company</p> <p>Apr. 2011 Managing Executive Officer, General Manager of Solar Div., the Company</p> <p>Apr. 2012 Managing Executive Officer, Deputy General Manager of Production & Technology Div., the Company</p> <p>Oct. 2012 Managing Executive Officer, General Manager of Technology Div., the Company</p> <p>Apr. 2013 Director, Managing Executive Officer, General Manager of Technology Div., the Company (present post)</p> <p><Areas of responsibility in the Company> General Manager of Technology Div.</p>	3,600 shares
6	Kazuo Hiramoto (September 13, 1956)	<p>Apr. 1982 Joined Sumitomo Metal Industries, Ltd. (the current NIPPON STEEL & SUMITOMO METAL CORPORATION)</p> <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</p> <p>Oct. 2012 Director, Managing Executive Officer, General Manager of Production Div., the Company (present post)</p> <p><Areas of responsibility in the Company> General Manager of Production Div. General Manager of Kyushu Factory, General Manager of Production Planning & Control Dept.</p>	3,200 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 common shares held
7	Makoto Nakaoka (September 22, 1959)	<p>Apr. 1982 Joined Sumitomo Metal Industries, Ltd. (the current NIPPON STEEL & SUMITOMO METAL CORPORATION)</p> <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.</p> <p>Apr. 2012 Director of the Company (present post)</p> <p>Oct. 2012 General Manager of Group Companies Planning Division, NIPPON STEEL & SUMITOMO METAL CORPORATION (present post)</p> <p>Jun. 2013 Outside Audit & Supervisory Board Member, KYOEI STEEL, Ltd. (present post)</p> <p><Significant concurrent occupations or positions> General Manager of Group Companies Planning Div., NIPPON STEEL & SUMITOMO METAL CORPORATION Outside Audit & Supervisory Board Member, KYOEI STEEL, Ltd.</p>	-
*8	Hirotake Ohta (February 5, 1961)	<p>Jul. 1986 Joined Mitsubishi Mining & Cement Co., Ltd. (the current Mitsubishi Materials Corporation)</p> <p>Apr. 2005 Assistant Manager of Strategy Planning Department, Silicon Division, Electronic Materials & Components Company, Mitsubishi Materials Corporation</p> <p>May 2005 Deputy General Manager of Strategy Planning Department, Silicon Division, Electronic Materials & Components Company, Mitsubishi Materials Corporation</p> <p>Jun. 2006 Deputy General Manager of Technology & Planning Department, Silicon Division, Electronic Materials & Components Company, Mitsubishi Materials Corporation</p> <p>Oct. 2006 President, Mitsubishi Polycrystalline Silicon America Corp.</p> <p>Jan. 2009 Assistant Manager of Technology & Planning Department, Silicon Division, Electronic Materials & Components Company, Mitsubishi Materials Corporation</p> <p>Apr. 2009 General Manager of Poly-silicon Technology & Planning Department, Silicon Division, Electronic Materials & Components Company, Mitsubishi Materials Corporation (present post)</p> <p><Significant concurrent occupations or positions> General Manager of the Poly-silicon Technology & Planning Department, Silicon Division, Electronic Materials & Components Company, Mitsubishi Materials Corporation</p>	-

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 common shares held
*9	Masahiro Mitomi (February 13, 1964)	<p>Oct. 1987 Joined the Tokyo office of Arthur Andersen</p> <p>Mar. 1991 Registered as a certified public accountant</p> <p>Sep. 1991 Senior staff, San Francisco office, Arthur Andersen</p> <p>Sep. 1994 Manager, Seattle office, Arthur Andersen</p> <p>Mar. 1996 Senior Manager, Atlanta office, Arthur Andersen</p> <p>May 2001 Representative Director, Value Create Inc. (present post)</p> <p>Apr. 2009 Part-time Lecturer, Keio Business School (present post)</p> <p><Significant concurrent occupations or positions> Representative Director, Value Create Inc.</p>	-

(Notes) 1. * indicates candidates for new directors.

2. Special interests between the director candidates and the Company

(1) Hirotake Ohta is the General Manager of the Poly-silicon Technology & Planning Department, Silicon Division, Electronic Materials & Components Company, Mitsubishi Materials Corporation. The Company has a business relationship with Mitsubishi Materials Corporation group, which includes purchasing of raw materials.

(2) The other candidates for director have no special interests with the Company.

3. Each of Makoto Nakaoka, Hirotake Ohta, and Masahiro Mitomi is a candidate for outside director.

4. Special notes regarding the candidates for outside directors are as follows.

(1) Reasons for nomination as a candidate for outside director and years in the post

a) Although Makoto Nakaoka has no past experience directly associated with company management, he has knowledge of the Company's business as well as excellent insight into general management. Therefore, since the Company can expect him to be able to show his management oversight ability to the fullest, it proposes his election as outside director. In addition, Makoto Nakaoka's tenure as outside director will be one year and 11 months as of the conclusion of this Ordinary General Meeting of Shareholders.

b) Hirotake Ohta has knowledge of the Company's business as well as excellent insight into general management. Therefore, since the Company can expect him to be able to show his management oversight ability to the fullest, it proposes his election as outside director.

c) Masahiro Mitomi has a high degree of expertise as a certified public accountant as well as experience as a management consultant. Therefore, since the Company can expect him to be able to show his management oversight ability to the fullest, it proposes his election as outside director. Please note that Masahiro Mitomi satisfies the requirements for independent director prescribed by Tokyo Stock Exchange, and the Company intends to register him as an independent director with the said stock exchange.

(2) Limited liability contracts

Pursuant to Article 427, Paragraph 1 of the Companies Act, 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 the said posts and encourage them to perform their duties to the best of their ability. Consequently, the Company plans to continue its limited liability contract with Makoto Nakaoka, who is a candidate for outside director. Furthermore, it plans to conclude limited liability contracts with both Hirotake Ohta and Masahiro Mitomi.

The outline of the contract is as follows:

- If the outside directors are in good faith and without gross negligence in performing their duties, the liability for damages of the outside directors pursuant to Article 423, Paragraph 1 of the Companies Act shall be limited to the total amount specified in Article 425, Paragraph 1 of the said Act and they shall not be liable to the Company for any amount exceeding such 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 via Internet by mobile phone.

(Website URL for the exercise of voting rights) <http://www.web54.net>

* You may also access the website for the exercise of voting rights by using a mobile phone with a barcode reading function to read the “QR code®” to the right. Please refer to your mobile phone manual for your phone’s detailed operating instructions.

* QR code is a registered trademark of DENSO WAVE INCORPORATED.



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 a new password you have selected) 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 PC, Microsoft® Internet Explorer 5.01 SP2 (or later) 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). You may also exercise your voting rights by using a mobile phone, including a smartphone, equipped with full browser function. Depending on the model of your mobile phone, however, you may not be able to use this method.
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 voting via the Internet described above.
7. Contact for inquiries on the exercise of voting rights via the Internet, etc.
 - (1) If you have any inquiries about the operation of your PC, mobile phone, or similar device regarding the exercise of voting rights via the website, please direct your inquiry to the following contact point:
Sumitomo Mitsui Trust Bank, Limited
Stock Transfer Agency Web Support
Dedicated line:
[Tel] 0120-652-031 (toll-free and available from 9 a.m. - 9 p.m.; within Japan only)
 - (2) Please direct any other inquiries to the following contact points:
 - (a) Shareholders with an account at a securities company
Please contact the securities company with which you trade.
 - (b) Shareholders without an account at a securities company (shareholders with a special account)
Sumitomo Mitsui Trust Bank, Limited
Stock Transfer Agency Center
[Tel] 0120-782-031 (toll-free and available from 9 a.m. - 5 p.m. except for Saturdays, Sundays and Japanese national holidays; within Japan only)