

Dear Shareholders,

Other Matters Provided Electronically for
the 27th Ordinary General Meeting of Shareholders
(Information Omitted from Written Documents Delivered)

1) Matters Relating to the Formulation of a System to Ensure Appropriate Corporate Actions.....	1
2) Overview of the State of the Operations of a System to Ensure Appropriate Corporate Actions.....	4
3) Consolidated Statement of Changes in Net Assets	5
4) Notes on Consolidated Financial Statements.....	6
5) Non-consolidated Statement of Changes in Net Assets	22
6) Notes on Non-consolidated Financial Statements	23

SUMCO CORPORATION

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 Directors 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 duties comply with laws and regulations, and the Articles of Incorporation of the Company and fulfill their social responsibility. 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, 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 Response Team.
- 2) The Company shall establish a “Business Security Committee (BSC)” that supervises overall risk management, 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 a 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 a 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 a Board of Directors and stipulate the authority of executive officers in internal regulations clarifying the responsibilities and authority of them.
- 4) A Board of Directors shall formulate management strategies and management plans and the executive officers shall execute duties aimed at achieving the objectives set forth in them. Directors also serving as executive officers shall periodically report on their duties to a 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. Respective subsidiaries are requested to periodically report on their compliance with their CHARTERS.
- 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 of them and in the SUMCO Group as a whole. In addition, respective subsidiaries are requested to report on violations of laws and regulations and Articles of Incorporation or a probability of such violations, or matters that can cause serious losses to them, besides the performance, financial conditions and other important management information, etc.
- 3) Respective subsidiaries are requested to formulate basic policies related to risk management and promote their response to risks. They are requested to report on the state of the implementation of risk management at the "Business Security Committee (BSC)." In addition, respective subsidiaries are requested to establish a communication route in case that a serious risk occurs.
- 4) The Company shall establish an internal hotline which is independent from the executive office of the Company to allow employees of the subsidiaries to directly report violations or alleged violations of laws and regulations or the Articles of Incorporation as well as suspicious activities, etc.
- 5) The Internal Auditing Department shall perform periodic internal audits of the subsidiaries.

(6) Matters regarding employees requested by an Audit and Supervisory Committee to assist their duties, matters regarding the independence of those employees from other Directors (excluding Directors who are Audit and Supervisory Committee Members) of the Company, and matters relating to ensuring the effectiveness of instructions of an Audit and Supervisory Committee to such employees

- 1) The Company shall establish an Audit and Supervisory Committee Office and deploy staff as employees assisting the Audit and Supervisory Committee in their duties.
- 2) In order to ensure the independence of the staff for an Audit and Supervisory Committee Office, prior approval of the Audit and Supervisory Committee shall be required for personnel changes, and performance appraisals shall be conducted by full-time Audit and Supervisory Committee Members.
- 3) The staff for an Audit and Supervisory Committee Office shall follow only the instructions of Audit and Supervisory Committee Members and the Audit and Supervisory Committee when executing their duties.

(7) System for reporting to an Audit and Supervisory Committee

- 1) Directors (excluding Directors who are Audit and Supervisory Committee Members) shall stipulate in internal regulations matters to be reported to an Audit and Supervisory Committee, such as matters that significantly affect the management and results of the Company, and do so appropriately.
- 2) Subsidiaries shall establish a system for reporting in which Directors or employees of subsidiaries report to the department responsible for the management of subsidiaries and an Audit and Supervisory Committee of the Company in case that a violation of laws and regulations and Articles of Incorporation or a probability of such a violation, or a matter that can cause a serious loss to subsidiaries occurs in subsidiaries. In addition, the department responsible for the management of subsidiaries that received reports from Directors or employees of the subsidiary shall report to an Audit and Supervisory Committee.
- 3) Directors (excluding Directors who are Audit and Supervisory Committee Members) and employees of the Company, and Directors, Corporate Auditors and employees of subsidiaries may report to an Audit and Supervisory Committee of the Company, if they recognize the necessity.
- 4) An Audit and Supervisory Committee of the Company may directly request reports from Directors (excluding Directors who are Audit and Supervisory Committee Members) and employees of the Company, and Directors, Corporate Auditors and employees of subsidiaries, if it recognizes the necessity.
- 5) The Company shall clearly stipulate in the regulations, etc., that employees will not be subject to disadvantageous treatment for their reporting to an Audit and Supervisory Committee.

(8) Matters relating to the procedure for advance payment or redemption of the cost incurred by the execution of duties by Audit and Supervisory Committee Members (limited to that regarding the execution of duties by an Audit and Supervisory Committee), and other policies for treating the costs or liabilities incurred by the execution of the said duties

When Audit and Supervisory Committee Members claim the advance payment of the costs incurred by the execution of their duties or its redemption and others (limited to that regarding the execution of duties by an Audit and Supervisory Committee), the Company shall respond to the said claim without delay.

(9) Other systems for ensuring effective audits by an Audit and Supervisory Committee

- 1) The Audit and Supervisory Committee shall exchange opinions with Chairman & Chief Executive Officer and President periodically or whenever necessary.
- 2) The Company shall proactively create opportunities for Audit and Supervisory Committee Members to attend the Management Conference and other important meetings.

Overview of the State of the Operations of a System to Ensure Appropriate Corporate Actions

The outline of the state of the operations of a system to ensure appropriate corporate actions executed during the consolidated fiscal year under review is as below.

- 1) During the consolidated fiscal year under review, meetings of the Board of Directors were held 16 times, in which the Board determined matters stipulated by laws and regulations and other important matters regarding management including the formulation of the budget. Directors who serve as executive officers concurrently reported on the state of execution of their duties regularly.
- 2) During the consolidated fiscal year under review, meetings of the Audit and Supervisory Committee were held 13 times to discuss and determine audit policies and audit plans. Full-time Audit and Supervisory Committee Members reported on the state of execution of duties and compliance with laws and regulations by Directors (excluding Directors who are Audit and Supervisory Committee Members), which they understood through attending important internal meetings and auditing the state of duties and properties.
- 3) With regard to the “SUMCO CHARTER,” which was established as the supreme code of conduct to ensure that the execution of duties by officers and employees complies with laws and regulations and Articles of Incorporation and fulfills social responsibilities, the Company conducted training throughout the Company itself and each subsidiary to familiarize them with the CHARTER. In addition, the Company confirmed the state of compliance in the corporate group as a whole during the consolidated fiscal year under review.
- 4) The progress of the management of risks that may affect the business continuity of the Company and subsidiaries was confirmed in the “Business Security Committee (BSC)” that supervises all risk management.
- 5) In order to confirm the initial response system and the communication system in case of a large-scale disaster such as an earthquake, trainings were held at each base based on the respective disaster response manuals.

Consolidated Statement of Changes in Net Assets

(From January 1, 2025 to December 31, 2025)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital Surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	199,034	85,543	277,812	(923)	561,467
Changes during period					
Dividends from surplus			(5,602)		(5,602)
Loss attributable to owners of parent			(11,751)		(11,751)
Disposal of treasury shares				8	8
Change in ownership interest of parent due to transactions with non-controlling interests		617			617
Other		0			0
Net changes of items other than shareholders' equity					
Total changes during period	—	618	(17,354)	8	(16,727)
Balance at end of period	199,034	86,161	260,458	(914)	544,739

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	0	(1,170)	2,885	28,988	(56)	30,647	65,121	657,236
Changes during period								
Dividends from surplus								(5,602)
Loss attributable to owners of parent								(11,751)
Disposal of treasury shares								8
Change in ownership interest of parent due to transactions with non-controlling interests								617
Other								0
Net changes of items other than shareholders' equity	0	228	(39)	297	2,505	2,991	4,284	7,276
Total changes during period	0	228	(39)	297	2,505	2,991	4,284	(9,451)
Balance at end of period	0	(942)	2,846	29,286	2,448	33,639	69,406	647,785

Notes on Consolidated Financial Statements

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

1. Scope of consolidation

(1) Number and names of consolidated subsidiaries

Number of consolidated subsidiaries: 16

Names of major consolidated subsidiaries:

SUMCO TECHXIV CORPORATION

SUMCO Phoenix Corporation

FORMOSA SUMCO TECHNOLOGY CORPORATION

(2) Number and names of non-consolidated subsidiaries

Number of non-consolidated subsidiaries: 3

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, profit (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

Number of equity method affiliates: 1

Names of major equity method affiliates:

NIPPON AEROSIL CO., LTD.

(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 3. All 3 companies are exempt from application of the equity method as their influences on profit (appropriate amount corresponding to equity ownership) and retained earnings (appropriate amount corresponding to equity ownership) are minor, and basically insignificant as a whole.

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

The business year of all the consolidated subsidiaries coincides with the Company's consolidated fiscal year.

4. Summary of significant accounting policies

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

(a) Securities

Available-for-sale securities

Securities other than shares, etc. that do not have a market price:

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). Shares, etc. that do not have a market price:

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) Property, plant and equipment (excluding lease assets pertaining to non-ownership-transfer finance lease transactions)

We mainly employ the straight-line method for buildings and structures, and the constant percentage method for other property, plant and equipment; however, we mainly employ the constant percentage method for structures which were acquired before March 31, 2016.

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 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 the residual value of the relevant asset falls to zero at the end of the service life.

(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) Provision for bonuses

Provision 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) Provision for share-based payments

The Company and some of its consolidated subsidiaries have recorded the estimated amount of share-based payment obligations at the end of the consolidated fiscal year under review in preparation for the delivery of the Company’s shares to its Directors and presidents of major domestic subsidiaries, along with the Company’s executive officers, etc., based on the share delivery regulations.

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

(a) Accounting method for retirement benefits

As net defined benefit liability, the difference between retirement benefit obligations and plan assets is recorded based on the estimated amounts as of the end of the consolidated fiscal year under review to provide for payment of retirement benefits to employees. If the amount of plan assets exceeds retirement benefit obligations, the difference is recorded as net defined benefit asset.

In the calculation of retirement benefit obligations, the benefit formula basis is principally used to attribute the estimated amount of retirement benefits to the period up to the end of the consolidated fiscal year under review.

Past service cost 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 mainly 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.

Unrecognized actuarial difference and unrecognized past service cost are recorded as remeasurements of defined benefit plans under accumulated other comprehensive income in Net assets after adjusting for tax effects.

(b) Standards for recording major revenues and expenses

The Company and its consolidated subsidiaries in Japan have applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021), and thereby recognizes revenue when control of promised goods or services has been transferred to customers at the amount expected to be received in exchange for those goods or services.

(c) 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 foreign subsidiaries are translated into Japanese yen at the spot rates of foreign exchange markets on the closing dates of accounting for the respective companies; revenues and expenses are converted to Japanese yen at the average market rates during the periods. Translation differences are inclusively posted in the foreign currency translation adjustments account and non-controlling interests in Net assets.

(d) Major hedge accounting

(Method of hedge accounting)

Deferred hedge processing is performed.

(Hedging instrument and hedged item)

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 currency fluctuations. 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.

5. Changes in accounting policies

Application of the "Accounting Standard for Current Income Taxes," etc.

The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereinafter, the "Revised Accounting Standard 2022"), etc. from the beginning of the consolidated fiscal year under review.

As for the revision to categories in which to record income taxes (taxes on other comprehensive income), the Company has followed the transitional treatment set forth in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment set forth

in the proviso of paragraph 65-2 (2) of the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022; hereinafter, the “Revised Guidance 2022”). This change has no impact on the consolidated financial statements.

As for the revision related to changes in the accounting treatment for consolidated financial statements in the case where gains or losses on sales of shares of subsidiaries, etc. from transactions between the consolidated companies are deferred for tax purposes, the Company has applied the Revised Guidance 2022 from the beginning of the consolidated fiscal year under review. This change has no impact on the consolidated financial statements.

Application of the “Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules,” etc.

The Company has applied the “Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules” (ASBJ Practical Solution No. 46, March 22, 2024), etc. from the beginning of the consolidated fiscal year under review. This change has no impact on the consolidated financial statements.

6. Changes to presentations

Consolidated statement of income

- (1) Since the materiality of “Share of profit of entities accounted for using equity method” (407 million yen in the previous consolidated fiscal year) that had been included in “Other” under “Non-operating income” in the previous consolidated fiscal year increased in the consolidated fiscal year under review, it is presented separately.
- (2) Since the materiality of “Loss on sales and retirement of non-current assets” (638 million yen in the consolidated fiscal year under review) that had been presented separately under “Non-operating expenses” in the previous consolidated fiscal year decreased in the consolidated fiscal year under review, it is included in “Other.”

7. Significant accounting estimates

Valuation of polycrystalline silicon

- (1) Amounts recorded in the consolidated financial statements for the consolidated fiscal year under review

(Millions of yen)

	Consolidated fiscal year under review	Polycrystalline silicon inclusive in the left
Raw materials and supplies	192,466	120,807
Advance payments	4,249	3,963
Long-term advance payments	17,919	17,919

With regard to polycrystalline silicon, which is the main raw material of silicon wafers, due to abrupt changes in the market, a disparity existed between the demand forecasts upon entering into long-term purchase contracts and the current consumption forecasts. Consequently, we have held excess inventories.

The inventory balance has been declining since 2017 in step with the production increase at the Company, but it still remains at a high level.

Polycrystalline silicon is a material that does not deteriorate over time due to its very stable physical properties.

In order for the Company and some of its consolidated subsidiaries to secure polycrystalline silicon, 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) Information about the contents of significant accounting estimates for the identified item

For the valuation of inventories, the Group mainly applies 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.)

The business environment surrounding silicon wafers that the Group manufactures is heavily reliant on the market demand for semiconductor devices. Accordingly, demand for silicon wafers is affected by factors intrinsic to the semiconductor and its peripheral industries, such as rapid progress in technological innovations, obsolescence of products, rapid changes in product mix and declines in product prices.

Although subject to short-term variable factors, the market for silicon wafers for semiconductors is expected to grow in the medium-to-long term along with the growth of the semiconductor market due to technological innovations such as increasing data communication volume, the development of generative AI technologies, progress in automated driving, digital transformation (DX), and the spread of HEVs and EVs. Nonetheless, if the net realizable value as of a fiscal year-end has fallen below the book value, or the inventories have become stagnant and obsolete as a result of unexpected decline of market prices, weakening in demand, and other factors, loss on valuation of inventories may be recorded.

Recoverability of deferred tax assets

- (1) Amount recorded in the consolidated financial statements for the consolidated fiscal year under review

(Millions of yen)

	Consolidated fiscal year under review
Deferred tax assets	5,392

- (2) Information about the contents of significant accounting estimates for the identified item

In the recording of deferred tax assets, the Group determines which company category the

Company falls into based primarily on the requirements as provided for in ASBJ Guidance No. 26 “Implementation Guidance on Recoverability of Deferred Tax Assets,” and in accordance with this category, determines an amount of deferred tax assets expected to be recovered.

Recoverability of deferred tax assets for future deductible temporary differences and tax loss carried forward is recognized to the extent that it is offset against the amount of estimated taxable income before adjustment for temporary differences, etc. based on future earning power and the estimated amount of future taxable temporary differences to be eliminated and that it is considered probable that it reduces the amount of tax burden.

The Company and SUMCO TECHXIV CORPORATION have recorded amounts that are expected to be recovered in the next fiscal year, and the deferred tax assets balance as of December 31, 2025 both amounted to zero.

Future business forecast, which serves as a basis for estimating taxable income before adjustment for temporary differences, etc. based on earning power, is formulated with certain factors taken into account, including the projected sales prices and sales volume in the next fiscal year and the effect of exchange rates. These factors have taken into consideration the trend of semiconductor silicon wafers market and trends in demand of end products, manufacturing capacity and operation rates of each factory, as well as the status of long-term sales contracts signed with customers. With regard to the market environment, which serves as a basis for the business forecast, in the silicon wafer market, 300 mm wafers should see strong demand for leading-edge logic and DRAM use in AI data centers, while demand for NAND use is also projected to rise in sync with the growth of server SSDs. Regarding wafers for non-leading-edge logic use, customers plan to conduct full-scale inventory drawdown and we anticipate that the customers will adjust their purchase volumes accordingly. As for wafers of 200 mm and smaller, while some demand growth is seen related to AI data centers, the demand is expected to remain at the current level.

Impairment loss of non-current assets

- (1) Amounts recorded in the consolidated financial statements for the consolidated fiscal year under review

(Millions of yen)

	Consolidated fiscal year under review
Property, plant and equipment	663,425
Intangible assets	7,231

- (2) Information about the contents of significant accounting estimates for the identified item

The Group groups its property, plant and equipment and intangible assets into the smallest identifiable unit that generates cash flows that are largely independent of cash flows of other assets or other asset groups.

When an indication of impairment of an asset group is identified such as consecutive operating losses, an impairment loss is recognized if the total undiscounted future cash flows estimated to result from the asset group falls below its book value, and the book value is reduced to the recoverable value. Such reduction is recorded as an “impairment loss” under “extraordinary loss” for the fiscal year.

In the calculation of recoverable amounts, as a general rule, a net realizable value is used for idle assets, and the higher of either a value in use or a net realizable value for other assets.

A value in use is a present value calculated by discounting future cash flows with a discount rate. The future cash flows are estimated in light of the current usage status and reasonable plans for the use of each asset or asset group, based on information on external factors such as the business environment and internal information.

In the consolidated fiscal year under review, an indication of impairment was identified for certain asset groups. Accordingly, the Company examined the necessity of recognizing an impairment loss. The calculation of future cash flows is based on the figures including the

forecast for the forthcoming quarter that are approved by the Board of Directors. With regard to the market environment, which serves as a basis for the business forecast, in the silicon wafer market, 300 mm wafers should see strong demand for leading-edge logic and DRAM use in AI data centers, while demand for NAND use is also projected to rise in sync with the growth of server SSDs. As for wafers of 200 mm and smaller, while some demand growth is seen related to AI data centers, the demand is expected to remain at the current level. Based on the above, the following key assumptions are used for the calculation of these figures: Net sales take into account market prospects from external research institutions, in addition to the current market conditions; cost of sales is projected by taking into account the improved efficiency and other factors based on the current cost structure; and exchange rates are estimated based on the current exchange rates by referring to market forecasts from financial institutions.

As a result of the examination based on the above calculation, since the total undiscounted future cash flows estimated to result from the relevant asset groups exceed their book value, the Company has determined that the recognition of an impairment loss is not necessary.

Although subject to short-term variable factors, the market for silicon wafers for semiconductors is expected to grow in the medium-to-long term along with the growth of the semiconductor market due to technological innovations such as increasing data communication volume, the development of generative AI technologies, progress in automated driving, digital transformation (DX), and the spread of HEVs and EVs. Nonetheless, an impairment loss may be recorded in the consolidated financial statements for the next consolidated fiscal years in the event of a substantial decline in operating profit due to significant deterioration in the economic environment and others.

8. Additional information

Stock ownership plan trust for officers and employees

The Company has introduced a performance-linked stock remuneration plan for the Company's Directors and presidents of major domestic subsidiaries, as well as the Company's executive officers, etc., with the aim of boosting their motivation to contribute to the medium-to-long term improvement of business performance and increase in corporate value.

The accounting treatment related to this plan is in accordance with the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No. 30, March 26, 2015).

(1) Outline of the transaction

This plan is a stock remuneration plan in which a trust set up by the Company through money contributions (hereinafter, the "Trust") acquires shares of the Company, and the number of shares of the Company corresponding to the number of points granted to each Director, etc. by the Company will be distributed to each Director, etc. through the Trust.

In principle, the time when shares of the Company will be distributed to Directors, etc. is when the Company's Directors, etc. retire.

(2) The Company's shares remaining in the trust

The Company's shares remaining in the trust are recorded as Treasury shares under Net assets at their book value in the trust. The number of these treasury shares at the end of the consolidated fiscal year under review is 454,600 shares and their book value is 894 million yen.

II. Notes to Consolidated Balance Sheet

1. Accumulated depreciation of property, plant and equipment

1,292,004 million yen

2. Guarantee obligation

Guarantee for employee borrowings from financial institution 29 million yen

3. 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 on revaluation reserve for land,” and at the same time posted the amount with the tax equivalent portion deducted to the net assets section as “Revaluation reserve for land.”

Method of revaluation

A revaluation was carried out with a reasonable adjustment made for the assessed value of non-current 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 the end of the consolidated fiscal year under review and book value after revaluation: (2,645) million yen

4. Long- and short-term borrowings

- (1) The Company and some of its consolidated subsidiaries have borrowings from financial institutions that are subject to financial covenants. These covenants require that the net assets on the consolidated and non-consolidated balance sheet be maintained at certain levels.

The amount borrowed as of the end of the consolidated fiscal year under review is as follows.

Long-term borrowings	107,345 million yen
[Current portion (inclusive in the above)]	[- 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 consolidated and non-consolidated balance sheet and the cash flows from operating activities in the consolidated statement of cash flows to be maintained at certain levels.

The unexecuted loan commitment associated with the commitment line agreement as of the end of the consolidated fiscal year under review, etc. is as follows.

Total loan commitment	50,000 million yen
Used commitment	- million yen
Unexecuted loan commitment	50,000 million yen

5. Others

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.

III. Notes to Consolidated Statement of Changes in Net Assets

1. Class and total number of issued shares and class and total number of treasury shares

(Shares)

	Number of shares as of the beginning of the consolidated fiscal year under review	Increase during the consolidated fiscal year under review	Decrease during the consolidated fiscal year under review	Number of shares as of the end of the consolidated fiscal year under review
Issued shares				
Common shares	350,175,139	—	—	350,175,139
Total	350,175,139	—	—	350,175,139
Treasury shares				
Common shares (Notes) 1. 2.	467,118	—	4,400	462,718
Total	467,118	—	4,400	462,718

(Notes) 1. The number of treasury shares at the beginning and end of the consolidated fiscal year under review includes 459,000 and 454,600 shares, respectively, held in a trust account related to the performance-linked stock remuneration plan for the Company's Directors and presidents of major domestic subsidiaries, along with the Company's executive officers, etc.

2. The decrease of 4,400 shares in the number of treasury shares is due to the distribution of shares from the trust to persons eligible according to the performance-linked stock remuneration plan for the Company's Directors and presidents of major domestic subsidiaries, along with the Company's executive officers, etc.

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
Board of Directors Meeting on February 20, 2025	Common shares	2,101	6.00	December 31, 2024	March 7, 2025
Board of Directors Meeting on August 7, 2025	Common shares	3,501	10.00	June 30, 2025	September 4, 2025

(Notes) 1. The total amount of dividends resolved at the Board of Directors Meeting on February 20, 2025 includes 2 million yen of dividends on the Company's shares held in the trust account related to the performance-linked stock remuneration plan for the Company's Directors and presidents of major domestic subsidiaries, along with the Company's executive officers, etc.

2. The total amount of dividends resolved at the Board of Directors Meeting on August 7, 2025 includes 4 million yen of dividends on the Company's shares held in the trust account related to the performance-linked stock remuneration plan for the Company's Directors and presidents of major domestic subsidiaries, along with the Company's executive officers, etc.

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

The following proposal will be submitted to the Board of Directors Meeting scheduled for February 19, 2026.

Resolution expected	Dividend resource	Class of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors Meeting on February 19, 2026	Retained earnings	Common shares	3,501	10.00	December 31, 2025	March 9, 2026

(Note) The total amount of dividends resolved at the Board of Directors Meeting on February 19, 2026 includes 4 million yen of dividends on the Company's shares held in the trust account related to the performance-linked stock remuneration plan for the Company's Directors and presidents of major domestic subsidiaries, along with the Company's executive officers, etc.

IV. 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. Marketable 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 and accrued income taxes, as well as notes and accounts payable – construction, have due dates arriving within six months. For borrowings at variable interest rates, although there is a risk of fluctuation due to future interest rate increases in the interest rate market, we raise funds while paying attention to market interest rate trends.

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 “I. Notes on Basic Matters of Importance for Preparing Consolidated Financial Statements, etc., 4. Summary of significant accounting policies, (4) Other important matters for the preparation of consolidated financial statements, (d) Major hedge accounting.”

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

Because estimations of the fair values of financial instruments incorporate variable 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, 2025 and the differences between them are as follows.

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
Long-term borrowings (*2)	353,453	349,137	(4,315)
Total liabilities	353,453	349,137	(4,315)
Derivative transactions (*3)			
(i) Those to which hedge accounting is not applied	(1,001)	(1,001)	–
(ii) Those to which hedge accounting is applied	(942)	(942)	–
Total derivative transactions	(1,943)	(1,943)	–

(*1) “Cash and time deposits” are omitted because they are cash, and “Notes and accounts receivable – trade,” “Securities,” “Notes and accounts payable – trade,” “Short-term borrowings,” “Income taxes payable,” and “Notes and accounts payable – construction” are omitted because they are settled in short periods and their fair values approximate their book value.

(*2) Current portion of long-term borrowings are included in Long-term borrowings.

(*3) 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.

(*4) Stocks, etc. without a market price are not included in the table above. The amount on the consolidated balance sheet of the relevant financial instruments is as follows.

Category	Consolidated balance sheet amount (millions of yen)
Stocks of subsidiaries Unlisted stocks	40
Stocks of affiliates Unlisted stocks	2,827
Available-for-sale securities Unlisted stocks	44

3. Breakdown of fair value of financial instruments by level

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure the fair value.

Level 1 fair value: Fair value calculated based on (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 fair value: Fair value calculated using directly or indirectly observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value calculated using important and unobservable inputs

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is classified to the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

(1) Financial assets and financial liabilities stated on the consolidated balance sheet at fair value

Category	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Derivative transactions currency-related	—	(1,943)	—	(1,943)
Total liabilities	—	(1,943)	—	(1,943)

(2) Financial assets and financial liabilities not stated on the consolidated balance sheet at fair value

Category	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Long-term borrowings	—	349,137	—	349,137
Total liabilities	—	349,137	—	349,137

(Notes) Explanations of the evaluation techniques and inputs used to calculate fair value

Derivative transactions

The fair value of currency forward contracts is calculated using the discounted cash flow method based on observable inputs, such as interest rates and exchange rates, and is classified as Level 2.

Long-term borrowings

The fair value is calculated using the discounted cash flow method, taking into consideration the sum of principal and interest, the residual period of the liability in question and the credit risk, and is classified as Level 2 fair value.

V. Notes to Revenue Recognition

1. Disaggregation of revenue from contracts with customers

(Millions of yen)

Japan	USA	China	Taiwan	South Korea	Europe and other	Total
79,562	36,345	51,976	153,232	40,492	48,061	409,670

(Note) Net sales are based on the customer's location and categorized by country or region.

2. Basic information for understanding revenue

The main business of the Group is the manufacture and sales of silicon wafers for semiconductor manufacturers. With regard to the sales of products, the Group mainly recognizes revenue at the time when products arrive at customers for domestic sales, at the time when products arrive at a point agreed with customers for export sales, and at the time of the acceptance by customers for sales of consignment goods, deeming that performance obligations have been fulfilled at these points of time.

As to sales for certain customers, control over assets is transferred to customers over a certain period of time, and therefore the Group recognizes revenue over a certain period of time according to the progress of manufacturing.

The consideration for the transactions is generally received within five months of the fulfillment of performance obligations.

3. Information for understanding the amounts of revenue for the consolidated fiscal year under review and next consolidated fiscal years

(1) Contract asset and contract liability balances, etc.

(Millions of yen)

	Consolidated fiscal year under review
Receivables from contracts with customers (beginning balance)	
Notes receivable	—
Accounts receivable	91,134
	91,134
Receivables from contracts with customers (ending balance)	
Notes receivable	—
Accounts receivable	88,433
	88,433
Contract assets (beginning balance)	1,415
Contract assets (ending balance)	1,560
Contract liabilities (beginning balance)	13,790
Contract liabilities (ending balance)	13,162

Contract assets relate to the right of the Group to consideration for performance obligations that have been completed but for which an invoice has not yet been issued as of the end of the fiscal period for sales contracts with certain customers. Once the Group has an unconditional right to consideration, it reclassifies contract assets to receivables from contracts with customers.

Contract liabilities relate to the advances received from customers before the fulfillment of performance obligations, with respect to the sales contracts with said customers. Contract liabilities are reversed as revenue is recognized. Revenue recognized in the consolidated fiscal year under review that was included in the contract liability balance as of the beginning of the period was 628 million yen. The main reason for the decrease in contract liabilities in the consolidated fiscal year under review is the recognition of revenue resulting in the reversal of advances (decrease in contract liabilities).

Receivables from contracts with customers and contract assets have been included under “Notes and accounts receivable - trade, and contract assets” on the consolidated balance sheet. In addition, contract liabilities have been included in “Other” under Current liabilities.

(2) Transaction price allocated to the remaining performance obligations

The total transaction price allocated to unfulfilled performance obligations for the consolidated fiscal year under review amounts to 13,161 million yen. This amount is expected to be recognized as revenue within six years from the next consolidated fiscal year.

The Group has applied the practical expedient to the notes on transaction prices allocated to the remaining performance obligations, and does not include contracts with an original expected duration of one year or less in the notes.

VI. ‘Per Share’ Information

- 1. Net assets per share: 1,653.87 yen
- 2. Basic loss per share: (33.60) yen

(Notes) 1. The Company’s shares held in the trust related to the stock remuneration plan are included in treasury shares deducted in the calculation of the average number of shares outstanding during the period for the calculation of basic loss per share, and are also included in treasury shares deducted from the total number of issued shares at the end of the period for the calculation of net assets per share.

Number of such treasury shares at the end of the period: 454,600 shares

Average number of such treasury shares during the period: 456,126 shares

2. The calculation basis of basic loss per share is as follows.

Loss attributable to owners of parent (millions of yen)	(11,751)
Average number of common shares outstanding during the period (shares)	349,710,894

VII. Other Notes

Corporate merger, etc.

Transactions under common control

SUMCO TECHXIV CORPORATION, a consolidated subsidiary of the Company, sold a portion of its shareholdings in FORMOSA SUMCO TECHNOLOGY CORPORATION, which is also a consolidated subsidiary of the Company.

1. Outline of the transaction

(1) Name and business description of the subsidiary

Name of the subsidiary: FORMOSA SUMCO TECHNOLOGY CORPORATION

Business description: Manufacture and sales of silicon wafers for semiconductor

(2) Date of share transfer

May 26, 2025, September 1, 2025, and December 18, 2025

(3) Legal form of corporate merger

Partial sale of subsidiary shares to non-controlling shareholders without change in the scope of consolidation

(4) Outline of the transaction including purpose of the transaction

The purpose is to improve the liquidity of the said shares on the Taiwan Stock Exchange.

2. Outline of accounting treatment

Accounting treatment is in accordance with transactions under common control based on the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019).

3. Matters pertaining to changes in ownership interest of the Company related to transactions with non-controlling shareholders

(1) Main cause of change in capital surplus

Partial sale of subsidiary shares without change in the scope of consolidation

(2) Amount of capital surplus increased as a result of transactions with non-controlling shareholders

617 million yen

Non-consolidated Statement of Changes in Net Assets

(From January 1, 2025 to December 31, 2025)

(Millions of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Capital reserve	Other capital surplus	Total capital surplus	Retained earnings reserve	Other retained earnings Retained earnings carried forward	Total retained earnings		
Balance at beginning of period	199,034	63,927	13,979	77,906	6,333	202,784	209,117	(923)	485,136
Changes during period									
Dividends from surplus						(5,602)	(5,602)		(5,602)
Loss						(5,051)	(5,051)		(5,051)
Disposal of treasury shares								8	8
Net changes of items other than shareholders' equity									
Total changes during period	—	—	—	—	—	(10,654)	(10,654)	8	(10,645)
Balance at end of period	199,034	63,927	13,979	77,906	6,333	192,130	198,463	(914)	474,490

	Variance of valuation/translation, etc.			Total net assets
	Deferred gains or losses on hedges	Revaluation reserve for land	Total variance of valuation/translation, etc.	
Balance at beginning of period	(1,170)	2,885	1,715	486,851
Changes during period				
Dividends from surplus				(5,602)
Loss				(5,051)
Disposal of treasury shares				8
Net changes of items other than shareholders' equity	228	(39)	188	188
Total changes during period	228	(39)	188	(10,456)
Balance at end of period	(942)	2,846	1,904	476,394

Notes on Non-consolidated Financial Statements

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 other than shares, etc. that do not have a market price:

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).

Shares, etc. that do not have a market price:

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 non-current assets

(1) Property, plant and equipment (excluding lease assets pertaining to non-ownership-transfer finance lease transactions)

We employ the straight-line method for buildings and structures, and the constant percentage method for other property, plant and equipment; however, we employ the constant percentage method for structures which were acquired before March 31, 2016.

Service life for buildings is mainly set at 31 years and service life for other property, plant and equipment is mainly set at 5 years.

(2) Intangible 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 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 the 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) Liability for retirement benefits

Liability for 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. If the amount of plan assets exceeds retirement benefit obligations after adjusting for any unrecognized actuarial gain or loss, the difference is recorded as prepaid pension cost.

Past service cost 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.

(3) Provision for share-based payments

The estimated amount of share-based payment obligations at the end of the business year under review has been recorded in preparation for the delivery of the Company's shares, etc. to its Directors, executive officers, and others, based on the share delivery regulations.

4. Standards for recording revenue and expenses

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021), and thereby recognizes revenue when control of promised goods or services has been transferred to customers at the amount expected to be received in exchange for those goods or services.

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

(1) Hedge accounting

(Method of hedge accounting)

Deferred hedge processing is performed.

(Hedging instrument and hedged item)

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 currency fluctuations. 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.

(2) Accounting for retirement benefits

The accounting method for the remaining amounts of unrecognized actuarial difference and unrecognized past service cost in relation to retirement benefits is different from the accounting method for those amounts in the consolidated financial statements.

6. Changes in accounting policies

Application of the “Accounting Standard for Current Income Taxes,” etc.

The Company has applied the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; hereinafter, the “Revised Accounting Standard 2022”), etc. from the beginning of the business year under review.

As for the revision to categories in which to record, the Company has followed the transitional treatment set forth in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022. This change has no impact on the non-consolidated financial statements.

Application of the “Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules,” etc.

The Company has applied the “Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules (ASBJ Practical Solution No. 46, March 22, 2024), etc. from the beginning of the business year under review. This change has no impact on the non-consolidated financial statements.

7. Changes to presentations

Non-consolidated statement of income

Since the materiality of “Subsidy income” (300 million yen in the previous business year) that had been included in “Other” under “Non-operating income” in the previous business year increased in the business year under review, it is now presented separately.

8. Significant accounting estimates

Valuation of polycrystalline silicon

- (1) Amounts recorded in the non-consolidated financial statements for the business year under review

(Millions of yen)

	Business year under review	Polycrystalline silicon inclusive in the left
Raw materials and supplies	149,298	108,882
Advance payments	4,131	3,924
Long-term advance payments	17,919	17,919

With regard to polycrystalline silicon, which is the main raw material of silicon wafers, due to abrupt changes in the market, a disparity existed between the demand forecasts upon entering into long-term purchase contracts and the current consumption forecasts. Consequently, we have held excess inventories.

The inventory balance has been declining since 2017 in step with the production increase at the Company, but it still remains at a high level.

Polycrystalline silicon is a material that does not deteriorate over time due to its very stable physical properties.

In order for the Company to secure polycrystalline silicon, 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) Information about the contents of significant accounting estimates for the identified item

For the valuation of inventories, the Company mainly applies 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.)

The business environment surrounding silicon wafers that the Company manufactures is heavily

reliant on the market demand for semiconductor devices. Accordingly, demand for silicon wafers is affected by factors intrinsic to the semiconductor and its peripheral industries, such as rapid progress in technological innovations, obsolescence of products, rapid changes in product mix and declines in product prices.

Although subject to short-term variable factors, the market for silicon wafers for semiconductors is expected to grow in the medium-to-long term along with the growth of the semiconductor market due to technological innovations such as increasing data communication volume, the development of generative AI technologies, progress in automated driving, digital transformation (DX), and the spread of HEVs and EVs. Nonetheless, if the net realizable value as of a business year-end has fallen below the book value, or the inventories have become stagnant and obsolete as a result of unexpected decline of market prices, weakening in demand, and other factors, loss on valuation of inventories may be recorded.

Recoverability of deferred tax assets

- (1) Amount recorded in the non-consolidated financial statements for the business year under review

(Millions of yen)

	Business year under review
Deferred tax assets	—

- (2) Information about the contents of significant accounting estimates for the identified item

In the recording of deferred tax assets, the Company determines which company category the Company falls into based on the requirements as provided for in ASBJ Guidance No. 26 “Implementation Guidance on Recoverability of Deferred Tax Assets,” and in accordance with this category, determines an amount of deferred tax assets expected to be recovered.

Recoverability of deferred tax assets for future deductible temporary differences and tax loss carried forward is recognized to the extent that it is offset against the amount of estimated taxable income before adjustment for temporary differences, etc. based on future earning power and the estimated amount of future taxable temporary differences to be eliminated and that it is considered probable that it reduces the amount of tax burden.

The Company has recorded amounts that are expected to be recovered in the next fiscal year, and the deferred tax assets balance as of December 31, 2025 amounted to zero.

Future business forecast, which serves as a basis for estimating taxable income before adjustment for temporary differences, etc. based on earning power, is formulated with certain factors taken into account, including the projected sales prices and sales volume in the next fiscal year and the effect of exchange rates. These factors have taken into consideration the trend of semiconductor silicon wafers market and trends in demand of end products, manufacturing capacity and operation rates of each factory, as well as the status of long-term sales contracts signed with customers. With regard to the market environment, which serves as a basis for the business forecast, in the silicon wafer market, 300mm wafers should see strong demand for leading-edge logic and DRAM use in AI data centers, while demand for NAND use is also projected to rise in sync with the growth of server SSDs. Regarding wafers for non-leading-edge logic use, customers plan to conduct full-scale inventory drawdown and we anticipate that the customers will adjust their purchase volumes accordingly. As for wafers of 200 mm and smaller, while some demand growth is seen related to AI data centers, the demand is expected to remain at the current level.

Impairment loss of non-current assets

- (1) Amounts recorded in the non-consolidated financial statements for the business year under review

(Millions of yen)

	Business year under review
Property, plant and equipment	376,804
Intangible assets	5,817

- (2) Information about the contents of significant accounting estimates for the identified item

The Company groups its property, plant and equipment and intangible assets into the smallest identifiable unit that generates cash flows that are largely independent of cash flows of other assets or other asset groups.

When an indication of impairment of an asset group is identified such as consecutive operating losses, an impairment loss is recognized if the total undiscounted future cash flows estimated to result from the asset group falls below its book value, and the book value is reduced to the recoverable value. Such reduction is recorded as an “impairment loss” under “extraordinary loss” for the business year.

In the calculation of recoverable amounts, as a general rule, a net realizable value is used for idle assets, and the higher of either a value in use or a net realizable value for other assets.

A value in use is a present value calculated by discounting future cash flows with a discount rate. The future cash flows are estimated in light of the current usage status and reasonable plans for the use of each asset or asset group, based on information on external factors such as the business environment and internal information.

In the business year under review, an indication of impairment was identified for a certain asset group. Accordingly, the Company examined the necessity of recognizing an impairment loss. The calculation of future cash flows is based on the figures including the forecast for the forthcoming quarter that are approved by the Board of Directors. With regard to the market environment, which serves as a basis for the business forecast, in the silicon wafer market, 300 mm wafers should see strong demand for leading-edge logic and DRAM use in AI data centers, while demand for NAND use is also projected to rise in sync with the growth of server SSDs. As for wafers of 200 mm and smaller, while some demand growth is seen related to AI data centers, the demand is expected to remain at the current level. Based on this outlook, the following key assumptions are used for the calculation of these figures: Net sales take into account market prospects from external research institutions, in addition to the current market conditions; cost of sales is projected by taking into account the improved efficiency and other factors based on the current cost structure; and exchange rates are estimated based on the current exchange rates by referring to market forecasts from financial institutions.

As a result of the examination based on the above calculation, since the total undiscounted future cash flows estimated to result from the relevant asset group exceed their book value, the Company has determined that the recognition of an impairment loss is not necessary.

Although subject to short-term variable factors, the market for silicon wafers for semiconductors is expected to grow in the medium-to-long term along with the growth of the semiconductor market due to technological innovations such as increasing data communication volume, the development of generative AI technologies, progress in automated driving, digital transformation (DX), and the spread of HEVs and EVs. Nonetheless, an impairment loss may be recorded in the non-consolidated financial statements for the next business years in the event of a substantial decline in operating profit due to significant deterioration in the economic environment and others.

9. Additional information

Stock ownership plan trust for officers and employees

The Company has introduced a performance-linked stock remuneration plan for the Company’s

Directors and presidents of major domestic subsidiaries, as well as the Company's executive officers, etc., with the aim of boosting their motivation to contribute to the medium-to-long term improvement of business performance and increase in corporate value.

The accounting treatment related to this plan is in accordance with the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No. 30, March 26, 2015).

(1) Outline of the transaction

This plan is a stock remuneration plan in which a trust set up by the Company through money contributions (hereinafter, the "Trust") acquires shares of the Company, and the number of shares of the Company corresponding to the number of points granted to each Director, etc. by the Company will be distributed to each Director, etc. through the Trust.

In principle, the time when shares of the Company will be distributed to Directors, etc. is when the Company's Directors, etc. retire.

(2) The Company's shares remaining in the trust

The Company's shares remaining in the trust are recorded as Treasury shares under Net assets at their book value in the trust. The number of these treasury shares at the end of the business year under review is 454,600 shares and their book value is 894 million yen.

II. Notes to Non-consolidated Balance Sheet

1. Accumulated depreciation of property, plant and equipment

773,564 million yen

2. Guarantee obligation

Guarantee for employee borrowings from
financial institution 29 million yen

3. Accounts receivable from and payable to subsidiaries and affiliates

Short-term accounts receivable	55,087 million yen
Long-term accounts receivable	50,957 million yen
Short-term accounts payable	56,293 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 on revaluation reserve for land,” and at the same time posted the amount with the tax equivalent portion deducted to the net assets section as “Revaluation reserve for land.”

Method of revaluation:

A revaluation was carried out with a reasonable adjustment made for the assessed value of non-current 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 the end of the business year under review and book value after revaluation: (2,645) 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 consolidated and non-consolidated balance sheet be maintained at certain levels.

The amount borrowed as of the end of the business year under review is as follows.

Long-term borrowings	30,000 million yen
[Current portion (inclusive in the above)]	[– 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 consolidated and non-consolidated balance sheet and the cash flows from operating activities in the consolidated statement of cash flows to be maintained at certain levels.

The unexecuted loan commitment associated with the commitment line agreement as of the end of the business year under review, etc. is as follows.

Total loan commitment	50,000 million yen
Used commitment	– million yen
Unexecuted loan commitment	50,000 million yen

6. Others

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.

III. Notes to Non-consolidated Statement of Income

Volume of transactions with subsidiaries and affiliates

Amount of sales	67,644 million yen
Amount of purchase	98,467 million yen
Transactions other than operational transactions	3,790 million yen

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

Class and total number of treasury shares

	(Shares)			
	Number of shares as of the beginning of the business year under review	Increase during the business year under review	Decrease during the business year under review	Number of shares as of the end of business year under review
Treasury shares				
Common shares (Notes) 1. 2.	467,118	–	4,400	462,718
Total	467,118	–	4,400	462,718

- (Notes) 1. The number of treasury shares at the beginning and end of the business year under review includes 459,000 and 454,600 shares, respectively, held in a trust account related to the performance-linked stock remuneration plan for the Company's Directors and presidents of major domestic subsidiaries, along with the Company's executive officers, etc.
2. The decrease of 4,400 shares in the number of treasury shares is due to the distribution of shares from the trust to persons eligible according to the performance-linked stock remuneration plan for the Company's Directors and presidents of major domestic subsidiaries, along with the Company's executive officers, etc.

V. Notes Regarding Tax Effect Accounting

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

Deferred tax assets

Stocks of subsidiaries and affiliates	26,884 million yen
Liability for retirement benefits	4,021 million yen
Inventories	2,045 million yen
Non-current assets	1,235 million yen
Loss carried forward (Note)	965 million yen
Other	1,665 million yen
Subtotal deferred tax assets	36,818 million yen
Valuation allowance for tax loss carried forward (Note)	(965) million yen
Valuation allowance for total of future deductible temporary differences, etc.	(35,853) million yen
Subtotal valuation allowance	(36,818) million yen
Total deferred tax assets	– million yen

Deferred tax liabilities

Prepaid pension cost	(190) million yen
Non-current assets	(121) million yen
Total deferred tax liabilities	(311) million yen

Net deferred tax assets (liabilities) (311) million yen

Deferred tax liabilities for land revaluation reserve (1,381) million yen

(Note) Amounts of tax loss carried forward and related deferred tax assets by expiration period

Business year under review (as of December 31, 2025)

(Millions of yen)

	Within 1 year	Over 1 year, within 2 years	Over 2 years, within 3 years	Over 3 years, within 4 years	Over 4 years, within 5 years	Over 5 years	Total
Tax loss carried forward (*)	–	–	–	–	–	965	965
Valuation allowance	–	–	–	–	–	(965)	(965)
Deferred tax assets	–	–	–	–	–	–	–

(*) Tax loss carried forward is the amount multiplied by the effective statutory tax rate.

2. Details of main items causing a difference between the effective statutory tax rate and the actual effective tax rate for income taxes after the application of tax effect accounting

Effective statutory tax rate	30.4 %
(Adjustment)	
Valuation allowance	(34.3)%
Other	2.9 %
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Actual effective tax rate for income taxes after the application of tax effect accounting	(1.0)%

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

The “Act for Partial Amendment to the Income Tax Act, etc.” (Act No. 13 of 2025) was enacted by the Diet on March 31, 2025, and the “Special Income Tax for National Defense” will be imposed from the business years starting on and after April 1, 2026.

In response, the Company changed the effective statutory tax rate from the conventional rate, 30.4%, to 31.3% in the calculation of deferred tax assets and liabilities pertaining to temporary differences that are expected to reverse in the business years starting on and after January 1, 2027.

As a result of this change in the tax rate, deferred tax liabilities increased by 8 million yen, and income taxes – deferred increased by the same amount for the business year under review. Deferred tax liabilities for land revaluation increased by 39 million yen, and revaluation reserve for land decreased by the same amount.

VI. Note Regarding Related Party Transactions

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	65,540	Accounts payable	18,581
				Lending of funds	672	Short-term loans	9,858
				Lending of funds Collection of funds	10,800 19,708	Long-term loans receivable from subsidiaries and affiliates (current portion)	71,037 (20,080)
Subsidiary	SUMCO Phoenix Corporation	100 (direct ownership)	Sales destination of products, etc.	Repayment of funds	2,501	Short-term borrowings	18,004
Subsidiary	SUMCO Europe Sales Plc	100 (direct ownership)	Sales destination of products, etc.	Sales of products	32,179	Accounts receivable	11,006

(Note) Trade conditions and policy on decision-making of trade conditions

Prices of trades with the subsidiaries above 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.

VII. Notes to Revenue Recognition

Basic information for understanding revenue has been omitted, as the same content has been described in “Notes on Consolidated Financial Statements, V. Notes to Revenue Recognition.”

VIII. ‘Per Share’ Information

- Net assets per share: 1,362.25 yen
- Basic loss per share: (14.44) yen

(Notes) 1. The Company’s shares held in the trust related to the stock remuneration plan are included in treasury shares deducted in the calculation of the average number of shares outstanding during the period for the calculation of basic loss per share, and are also included in treasury shares deducted from the total number of issued shares at the end of the period for the calculation of net assets per share.

Number of such treasury shares at the end of the period: 454,600 shares

Average number of such treasury shares during the period: 456,126 shares

2. The calculation basis of basic loss per share is as follows.

Loss (millions of yen)	(5,051)
Average number of common shares outstanding during the period (shares)	349,710,894