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Securities Code: 3436

April 10, 2013

Dear Shareholders,

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

## **SUMCO CORPORATION**

Mayuki Hashimoto,

President

### **Notice of Convocation of the 14th Ordinary General Meeting of Shareholders**

You are cordially invited to attend the 14th Ordinary General Meeting of Shareholders of SUMCO CORPORATION. The meeting will be held as described below.

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

#### **Details**

- 1. Date and Time:** Thursday, April 25, 2013, at 10 a.m. (reception starts at 9 a.m.)
- 2. Place:** Mielparque Hall  
2-5-20 Shibakouen, Minato-ku, Tokyo
- 3. Objectives of the Meeting**  
**Matters to be reported:**
  1. Business Report and Consolidated Financial Statements for the 14th Fiscal Year (from February 1, 2012 to January 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 14th Business Year (from February 1, 2012 to January 31, 2013)

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

- Proposal 1:** Dividends from Surplus
- Proposal 2:** Partial Amendments to the Articles of Incorporation
- Proposal 3:** Election of One (1) Director
- Proposal 4:** Election of Six (6) Audit & Supervisory Board Members

## Exercising Voting Rights

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

Shareholders are requested to indicate for or against each proposal by filling in the enclosed Form for Exercising Voting Rights, and post it to us by mail so that your vote is received by 5:45 p.m. on Wednesday, April 24, 2013.

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 61, and exercise your voting rights by 5:45 p.m. on Wednesday, April 24, 2013.

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

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

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

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

## **Business Report**

(For the fiscal year from February 1, 2012 to January 31, 2013)

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

#### **(1) Business activities and results**

During the current fiscal year, although demand for PCs stagnated, the silicon wafer market was firm in the first half, particularly for 300 mm wafers, because of a boost from demand for products including smartphones and tablet devices. In the second half, however, the silicon wafer market entered a phase of inventory adjustments. This reflected the impact of production adjustments in the semiconductor market resulting from weak demand for leading-edge devices, which had previously been a demand driver.

Under these circumstances, the SUMCO Group proceeded with the Business Reorganization Plan announced on February 2, 2012. In light of the changes in the business environment mentioned above, the Group also worked to further reduce indirect costs and rationalize expenses in order to secure profits by improving its profitability break-even point for sales.

As a result of the above, for the current fiscal year, the SUMCO Group posted net sales of 206,691 million yen, operating profit of 13,215 million yen, and ordinary profit of 9,464 million yen. In addition, the Group recorded 7,271 million yen of business restructuring expense under extraordinary loss, related to voluntary early retirement. This resulted in net income of 3,426 million yen.

For the year-end dividend from common shares, the Company has taken the decision to propose a dividend of 2 yen per share.

The SUMCO Group aims to become a group of excellent companies through the efforts of all its employees. To realize this, it has formulated the “SUMCO Vision.”

#### **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

#### **(2) Status of capital investments**

Capital investment for the SUMCO Group executed during the current fiscal year totaled 12,204 million yen.

A significant component of this consisted of investments in the maintenance and renewal of facilities and investments related to 300 mm wafers.

### (3) Status of financing

#### 1) Issuance of shares offered for subscription (Class A shares) by third-party allotment

The Company raised a total of 45,000 million yen in financing through the issuance of Class A shares by third-party allotment with a payment date of May 11, 2012.

Company name	Category	Number of issued shares	Issue price per share	Amount raised
Sumitomo Metal Industries, Ltd.	Third-party allotment	Class A shares 150 shares	100,000,000 yen	15,000 million yen
Mitsubishi Materials Corporation	Third-party allotment	Class A shares 150 shares	100,000,000 yen	15,000 million yen
Japan Industrial Solutions, Ltd., an unlimited liability partner of Japan Industrial Solutions Fund I	Third-party allotment	Class A shares 150 shares	100,000,000 yen	15,000 million yen

(Note) On October 1, 2012, Sumitomo Metal Industries, Ltd. merged with Nippon Steel Corporation and became NIPPON STEEL & SUMITOMO METAL CORPORATION.

#### 2) Execution of long-term borrowing

During the current fiscal year, the Company raised 39,000 million yen in a long-term borrowing from financial institutions for necessary funds for the SUMCO Group.

### (4) Material organizational restructuring

- 1) The Company decided by a resolution at the Board of Directors meeting held on February 2, 2012 to dissolve its consolidated subsidiary SUMCO Solar Corporation effective March 31, 2012.
- 2) The Company decided by a resolution at the Board of Directors meeting held on September 7, 2012 to conduct an absorption-type merger with its consolidated subsidiary Japan Super Quartz Corporation effective November 1, 2012. The merger was carried out on November 1, 2012.

### (5) Issues to be dealt with

The SUMCO Group has been carrying out the Business Reorganization Plan announced in February 2012. The gist of the plan is to (a) withdraw from the solar wafer business, (b) maintain and improve cost competitiveness by further restructuring manufacturing bases that mainly produce smaller-diameter wafers, for which demand is expected to drop, and (c) review workforce allocation in line with this manufacturing structure optimization primarily by soliciting applicants for voluntary early retirement. While making these efforts, the Group also strengthened rationalization measures mainly through investment efficiencies and further reductions in indirect costs, and as a result the Group recorded net income in the current fiscal year for the first time in four years.

Nevertheless, despite recent depreciation in the yen, 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.

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approximately 22,000 million yen in the fiscal year ending December 31, 2013. We have implemented thorough measures to bring the inventory down to an appropriate level, including revising contracts with suppliers. Since the pace of inventory increases is forecasted to weaken from now, we expect the inventory level to recover to an appropriate level in the medium to long term. We intend to achieve this recovery as soon as possible by negotiating with suppliers on an ongoing basis.

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

Category	11th fiscal year (year ended January 31, 2010)	12th fiscal year (year ended January 31, 2011)	13th fiscal year (year ended January 31, 2012)	14th fiscal year (year ended January 31, 2013)
Net sales (millions of yen)	218,217	276,962	247,177	206,691
Ordinary profit (loss) (millions of yen)	(114,797)	(26,158)	(5,695)	9,464
Net income (loss) (millions of yen)	(100,472)	(65,587)	(84,369)	3,426
Net income (loss) per share (yen)	(389.81)	(254.46)	(327.33)	8.93
Total assets (millions of yen)	662,882	561,777	436,420	493,334
Net assets (millions of yen)	284,923	216,143	126,773	180,325
Net assets per share (yen)	1,025.35	761.97	424.47	436.94

(Note) ( ) signifies a loss.

**(7) 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

(Notes) 1. On December 18, 2012, SUMCO TECHXIV CORPORATION, which is a consolidated subsidiary of the Company, reduced the amount of its stated capital from 11,636 million yen to 100 million yen.

2. On November 1, 2012, the Company absorbed its consolidated subsidiary Japan Super Quartz Corporation in an absorption-type merger.

**(8) Main business activities (as of January 31, 2013)**

Manufacture and sales of silicon wafers for semiconductor

**(9) Main offices and plants (as of January 31, 2013)**

The Company	Head Office	Minato-ku, Tokyo
	Offices	Minato-ku, Tokyo Yodogawa-ku, Osaka Hakata-ku, Fukuoka
	Factories and Plants	Kyushu Factory (Imari-shi, Saga and Kohoku-machi, Kishima-gun, Saga) Ikuno Plant (Asago-shi, Hyogo) Yonezawa Plant (Yonezawa-shi, Yamagata) Chitose Plant (Chitose-shi, Hokkaido) 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) On November 1, 2012, the Company absorbed its consolidated subsidiary Japan Super Quartz Corporation in an absorption-type merger.

**(10) Status of employees (as of January 31, 2013)****1) Employees of the corporate group**

Number of employees	Increase (decrease) from the previous year-end
7,879	Decreased by 449

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

**2) Employees of the Company**

Number of employees	Increase (decrease) from the previous year-end	Average age	Average service years
3,880	Decreased by 165	39.9 years old	15.9 years

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

**(11) Major creditors (as of January 31, 2013)**

Creditor	Balance of borrowings
	millions of yen
Syndicate loan	30,000
Sumitomo Mitsui Banking Corporation	24,985
Development Bank of Japan Inc.	24,030
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	24,000
Sumitomo Mitsui Trust Bank, Limited	17,300
Mizuho Corporate Bank, Ltd.	16,600
Mitsubishi UFJ Trust and Banking Corporation	16,600

- (Notes) 1. The syndicate loan is joint financing from The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Sumitomo Mitsui Banking Corporation as the lead managers as well as 14 other banks.
2. In order to obtain flexible financing for operating funds, the Company has entered into commitment line agreements that provide a borrowing limit of 30,000 million yen in total with the banks with which it does business.
3. On April 1, 2012, The Sumitomo Trust and Banking Company, Limited merged with The Chuo Mitsui Trust and Banking Company, Limited and Chuo Mitsui Asset Trust and Banking Company, Limited, forming Sumitomo Mitsui Trust Bank, Limited.

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

<b>(1) Total number of authorized shares:</b>	Common shares	803,999,100
	Class A shares	450
	Class B shares	450
<b>(2) Total number of issued shares:</b>	Common shares	257,751,739
	(including 5,166 shares of treasury stock)	
<b>(3) Number of shareholders:</b>	Common shares	52,562
	(decrease of 4,374 from the previous 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
Japan Trustee Services Bank, Ltd. (Trust account)	6,726	—	2.61
THE BANK OF NEW YORK — JASDECTREATY ACCOUNT	6,294	—	2.44
The Master Trust Bank of Japan, Ltd. (Trust account)	5,548	—	2.15
MELLON BANK TREATY CLIENTS OMNIBUS	4,169	—	1.62
Komatsu Ltd.	3,961	—	1.54
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	2,705	—	1.05
STATE STREET BANK AND TRUST COMPANY 505103	2,146	—	0.83
STATE STREET BANK AND TRUST COMPANY 505223	1,940	—	0.75

(Notes) 1. The equity ownership is calculated after deducting treasury stock (5,166 shares).

2. On October 1, 2012, Sumitomo Metal Industries, Ltd. merged with Nippon Steel Corporation and became NIPPON STEEL & SUMITOMO METAL CORPORATION.

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

#### (1) Directors and audit & supervisory board members (as of January 31, 2013)

Position	Name	Significant concurrent occupations or positions
* Director and President	Mayuki Hashimoto	
* Director	Michiharu Takii	
Director	Yukihiro Saeki	
Director	Yoichi Tsuchiya	
Director	Harumitsu Endo	
Director	Kazuo Hiramoto	
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
Director	Masahiro Sumita	Attorney at law Chairman and Representative 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	Shoichi Oka	President and Representative Director, Japan Industrial Solutions, Ltd.

- (Notes) 1. The directors marked with \* are the Representative Directors.
- Directors Hironori Miyahara, Makoto Nakaoka and Masahiro Sumita are outside directors.
  - Audit & Supervisory Board Members Hitoshi Tanaka, Kitaro Yoshida, Keisuke Yamanobe and Shoichi Oka are outside audit & supervisory board members.
  - Audit & Supervisory Board Members Hidemasa Hosaka and Keisuke Yamanobe, who acquired experiences in corporate accounting and finance over many years at Mitsubishi Materials Corporation and its corporate group, have considerable knowledge in finance and accounting.
  - Audit & Supervisory Board Member Shoichi Oka, who is a Certified Public Accountant in the State of California and acquired long-standing experience at accounting firms, has considerable knowledge in finance and accounting.
  - The Company has appointed Audit & Supervisory Board Member Hitoshi Tanaka as an independent director/auditor as provided for in the regulations of the Tokyo Stock Exchange, Inc. and notified the Exchange to that effect.

7. Directors and audit & supervisory board member who retired during the current business year are as follows.

Position and areas of responsibility in the Company and significant concurrent occupations or positions	Name	Date of retirement	Reason of retirement
Director and President (Representative Director)	Yoichi Taguchi	April 26, 2012	Expiration of term of office
Director and Executive Vice President (Representative Director)	Yoshinari Ishizuka	April 26, 2012	Expiration of term of office
Director and Executive Vice President	Takashi Abe	April 26, 2012	Expiration of term of office
Director and Senior Managing Executive Officer	Kazufumi Yanaga	April 26, 2012	Expiration of term of office
Director and Senior Managing Executive Officer	Kazumasa Shoji	April 26, 2012	Expiration of term of office
Director	Kenji Takahashi	April 26, 2012	Expiration of term of office
Full-time Audit & Supervisory Board Member	Tamio Kobayashi	April 26, 2012	Resignation

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

8. The Company adopts an executive officer system. The following is the list of executive officers as of January 31, 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	Yukihiro Saeki	Assistant to the President (in charge of special assignment)
* Senior Managing Executive Officer	Yoichi Tsuchiya	Head of General Affairs, Personnel & Industrial Relations, SCP Center 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. In charge of Customer Product Engineering Dept., Plant Engineering Dept., Crystal Engineering Dept., Wafer Engineering Dept., Epitaxial Engineering Dept., Quality Assurance Dept., Advanced Evaluation & Technology Development Dept., Engineering Planning Dept. and Intellectual Property Dept., Technology Div.
* Managing Executive Officer	Kazuo Hiramoto	General Manager of Production Div. General Manager of Kyushu Factory, Production Div. In charge of Ikuno Plant, Yonezawa Plant, Chitose Plant, Productivity Promotion & TPM Steering Dept. and Production Planning & Control Dept., Production Div.
Managing Executive Officer	Hosaku Shibuya	General Manager of SCP Center 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	Hisashi Katahama	In charge of special assignment (handling of issues involving sales, technology and manufacturing at Production Div. and promotion of technology assistance at overseas subsidiaries, etc.)
Executive Officer	Fumio Inoue	General Manager of Corporate Planning Dept.
Executive Officer	Yoshio Murakami	General Manager of Intellectual Property Dept.
Executive Officer	Kenji Oiso	General Manager of Finance Dept. In charge of Accounting & Budget Control Dept.
Executive Officer	Seiichi Kameoka	General Manager of Purchasing Dept.
Executive Officer	Keiichi Tanaka	In charge of Customer Product Engineering Dept. and special assignment (promotion of solutions to technology issues including those of customers at Technology Div., etc.)

(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
		thousands of yen
Directors	15	178,900
(including Outside Directors)	(5)	(5,700)
Audit & Supervisory Board Members	7	51,592
(including Outside Audit & Supervisory Board Members)	(4)	(11,700)
Total	22	230,492
(including Outside Directors and Audit & Supervisory Board Members)	(9)	(17,400)

- (Notes) 1. The upper limit of the total remuneration for all the directors is 500,000 thousand yen annually (excluding employee salary) pursuant to the resolution at a general meeting of shareholders (resolution adopted by the 8th Ordinary General Meeting of Shareholders held on April 26, 2007).
2. The upper limit of the total remuneration for all the audit & supervisory board members is 5,900 thousand yen monthly pursuant to the resolution at a general meeting of shareholders (resolution adopted by the 6th Ordinary General Meeting of Shareholders held on April 26, 2005).
3. The above-stated number of persons and amount paid include those of six (6) directors who retired from their posts upon completing their term of office, which expired at the conclusion of the 13th Ordinary General Meeting of Shareholders held on April 26, 2012 and one (1) audit & supervisory board member who resigned from his post as of the same date. Furthermore, because Outside Director Mayuki Hashimoto assumed the post of executive director on April 26, 2012, for number of persons and amount paid, those during his term of office as outside director are stated under the category of outside directors.
4. As of the end of the current business year, there were nine (9) directors and six (6) audit & supervisory board members.
5. The Company decided not to pay directors' bonuses for the current business year in light of its current earnings situation.
6. In addition to the above, 13,500 thousand yen was paid to one (1) director who retired during the current business year as a final payment of retirement bonuses due to the termination of the retirement bonus plan for directors and audit & supervisory board members, pursuant to the resolution at the 10th Ordinary General Meeting of Shareholders held on April 28, 2009.

**(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, holds Class A shares of the Company, and has business relations with the Company such as our purchasing of raw materials, etc.
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.
Outside Director	Masahiro Sumita	Japan Industrial Solutions, Ltd.	Chairman and Representative 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, holds Class A shares of the Company, and has business relations with the Company such as our purchasing of raw materials, etc.
Outside Audit & Supervisory Board Member	Shoichi Oka	Japan Industrial Solutions, Ltd.	President and Representative Director	Japan Industrial Solutions, Ltd. holds Class A shares of the Company.

## 2) Major activities during the current business year

Category	Name	Status of major activities
Outside Director	Hironori Miyahara	Having attended all 12 of the Board of Directors meetings held since assuming his post on April 26, 2012, Hironori Miyahara speaks as a director possessing knowledge mainly on the business of the Company and insight about management in general.
Outside Director	Makoto Nakaoka	Having attended all 12 of the Board of Directors meetings held since assuming his post on April 26, 2012, Makoto Nakaoka speaks as a director possessing knowledge mainly on the business of the Company and insight about management in general.
Outside Director	Masahiro Sumita	Having attended all 11 of the Board of Directors meetings held since assuming his post on May 11, 2012, Masahiro Sumita speaks as a director possessing specialized knowledge on corporate management and laws and regulations.
Outside Audit & Supervisory Board Member	Hitoshi Tanaka	Having attended all 16 of the Board of Directors meetings and all 11 of the Audit & Supervisory Board meetings held during the current business year, Hitoshi Tanaka speaks as an audit & supervisory board member possessing specialized knowledge mainly on laws and regulations.
Outside Audit & Supervisory Board Member	Kitaro Yoshida	Having attended 13 of the 16 Board of Directors meetings and 9 of the 11 Audit & Supervisory Board meetings held during the current business year, Kitaro Yoshida speaks as an audit & supervisory board member possessing knowledge mainly on the business of the Company.
Outside Audit & Supervisory Board Member	Keisuke Yamanobe	Having attended all 16 of the Board of Directors meetings and all 11 of the Audit & Supervisory Board meetings held during the current business year, Keisuke Yamanobe speaks as an audit & supervisory board member possessing knowledge mainly on the business of the Company and finance and accounting.
Outside Audit & Supervisory Board Member	Shoichi Oka	Having attended all 11 of the Board of Directors meetings and all 6 of the Audit & Supervisory Board meetings held since assuming his post on May 11, 2012, Shoichi Oka speaks as an audit & supervisory board member possessing knowledge on corporate management and finance and accounting.

## 3) Overview of contracts for limitation of liability

Pursuant to Article 427, Paragraph 1 of the Corporation Law, it is prescribed in the Articles of Incorporation currently 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 without knowledge and are not grossly negligent 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 Corporation Law shall be limited to the total amount specified in Article 425, Paragraph 1 of the said Law and they shall not be liable to the Company for any amount exceeding this limit.

#### 4. Accounting Auditor

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

Deloitte Touche Tohmatsu LLC

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

Item	Total payment
	millions of yen
(1) Total compensation and other payments for the current business year	75
(2) Total of monies and other property benefits, which the Company and its subsidiaries should pay to the accounting auditors (including the above (1))	111

(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 Corporation Law and that based on the Financial Instruments and Exchange Law. 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) Policy for making decisions regarding the dismissal or non-reappointment of accounting auditors**

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

Please note that in the event an accounting auditor becomes subject to the provisions established in Article 340, Paragraph 1 of the Corporation Law 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 said dismissal to the first subsequent General Meeting of Shareholders.

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

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

- 1) The Company has enacted the “SUMCO CHARTER” as the supreme code of conduct for officers and employees to ensure that their activities comply with laws and regulations and the Company’s Articles of Incorporation and that the Company’s actions are appropriate as a good corporate citizen. The Company has also been educating officers and employees to familiarize them with the “SUMCO CHARTER.”
- 2) The Chief Compliance Officer is assigned as the supreme officer responsible for supervising compliance with the “SUMCO CHARTER.” Each General Manager who is the head of an organization in the Company supervises compliance in his or her organization and submits regular reports on compliance with the CHARTER to the Chief Compliance Officer.
- 3) The Company has established and is implementing a hotline for reporting violations or alleged violations of laws and regulations or the Articles of Incorporation as well as suspicious activities.
- 4) The Internal Auditing Department shall perform periodic audits to verify compliance in each department.

- 5) The Company shall further disseminate to its officers and employees the understanding of not having any connections with antisocial forces and refuse their improper solicitations as clearly stated in the “SUMCO CHARTER.”
- (2) System for the preservation and management of information regarding the execution of duties by directors**
- The Company shall appropriately preserve and manage information regarding the execution of duties by directors, in accordance with laws 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 and whereby the Board of Directors carries out decision-making on important matters such as management policy while monitoring the execution of duties by directors as well as the performance of executive officers, whose duties are delegated by the Board of Directors.
  - 2) Important matters relating to management shall be deliberated at Management Conference whose members shall consist of individuals holding the position of managing executive officer or higher.
  - 3) The Company shall stipulate and clarify the criteria for submitting proposals to the Board of Directors and stipulate the authority of executive officers in internal regulations clarifying the responsibilities and authority of 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 member, prior approval of the Audit & Supervisory Board is required for personnel changes, and performance appraisals are 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 January 31, 2013)

(Millions of yen)

Category	Amount	Category	Amount
<b>( Assets )</b>		<b>( Liabilities )</b>	
<b>Current assets</b>	<b>226,741</b>	<b>Current liabilities</b>	<b>185,287</b>
Cash and time deposits	35,103	Notes payable and accounts payable	28,658
Notes receivable and accounts receivable	32,457	Short-term borrowings	125,308
Short-term investment securities	37,000	Lease liabilities	9,074
Merchandise and finished goods	17,030	Income taxes, etc. payable	236
Work in process	11,229	Allowance for employee bonuses	2,171
Raw materials and supplies	84,798	Facilities related notes payable and accounts payable	2,332
Deferred income tax assets	161	Others	17,506
Others	9,091		
Allowance for doubtful accounts	(131)		
<b>Fixed assets</b>	<b>266,592</b>	<b>Fixed liabilities</b>	<b>127,721</b>
<b>Tangible fixed assets</b>	<b>179,360</b>	Long-term borrowings	103,150
Buildings and structures	95,488	Lease liabilities	2,410
Machinery and transport equipment	46,549	Deferred income tax liabilities	512
Land	20,235	Deferred tax liabilities for land revaluation	1,559
Construction in progress	16,328	Allowance for employee retirement benefits	17,544
Others	759	Others	2,542
<b>Intangible fixed assets</b>	<b>17,844</b>		
Goodwill	15,231		
Software	2,365		
Others	248		
<b>Investments and other assets</b>	<b>69,387</b>	<b>Total liabilities</b>	<b>313,008</b>
Investment securities	118		
Long-term advances	58,094	<b>( Net assets )</b>	
Long-term prepaid expenses	3,991	<b>Shareholders' equity</b>	<b>169,124</b>
Deferred income tax assets	5,925	<b>Capital</b>	<b>136,607</b>
Others	1,628	<b>Capital surplus</b>	<b>15,676</b>
Allowance for doubtful accounts	(370)	<b>Retained earnings</b>	<b>16,849</b>
		<b>Treasury stock</b>	<b>(8)</b>
		<b>Accumulated other comprehensive income</b>	<b>(10,378)</b>
		<b>Net unrealized gain on available-for-sale securities</b>	<b>0</b>
		<b>Losses of deferred hedge</b>	<b>(3,431)</b>
		<b>Revaluation reserve for land</b>	<b>2,671</b>
		<b>Foreign currency translation adjustments</b>	<b>(9,618)</b>
		<b>Minority interests</b>	<b>21,579</b>
		<b>Total net assets</b>	<b>180,325</b>
<b>Total assets</b>	<b>493,334</b>	<b>Total liabilities and net assets</b>	<b>493,334</b>

## Consolidated Statement of Income

(From February 1, 2012 to January 31, 2013)

(Millions of yen)

Category	Amount	
<b>Net sales</b>		<b>206,691</b>
<b>Cost of sales</b>		<b>169,895</b>
<b>Gross profit</b>		<b>36,795</b>
<b>Selling, general and administrative expenses</b>		<b>23,579</b>
<b>Operating profit</b>		<b>13,215</b>
<b>Non-operating profit</b>		
Interest and dividends income	176	
Gain on sales of fixed assets	80	
Subsidies received	941	
Others	570	1,768
<b>Non-operating expenses</b>		
Interest expense	3,237	
Foreign-exchange losses	680	
Depreciation charges	417	
Compensation expenses	614	
Others	570	5,520
<b>Ordinary profit</b>		<b>9,464</b>
<b>Extraordinary income</b>		
Compensation income	1,391	
Gain on contribution of securities to retirement benefit trust	319	1,711
<b>Extraordinary loss</b>		
Business restructuring expense	7,271	7,271
<b>Net income before taxes and minority interests</b>		<b>3,903</b>
Corporate income tax, local resident tax and business tax	302	
Adjustment of corporate income tax, etc	(1,066)	(763)
Net income before minority interests		4,667
Minority interests in income		1,240
<b>Net income</b>		<b>3,426</b>

## Consolidated Statement of Changes in Net Assets

(From February 1, 2012 to January 31, 2013)

(Millions of yen)

Shareholders' equity	
Capital	
Balance as of February 1, 2012	114,107
Changes during fiscal year	
Issuance of preferred stock	22,500
Total changes during fiscal year	22,500
Balance as of January 31, 2013	136,607
Capital surplus	
Balance as of February 1, 2012	89,291
Changes during fiscal year	
Issuance of preferred stock	22,500
Disposed deficit	(96,115)
Total changes during fiscal year	(73,615)
Balance as of January 31, 2013	15,676
Retained earnings	
Balance as of February 1, 2012	(82,692)
Changes during fiscal year	
Disposed deficit	96,115
Net income	3,426
Reversal of revaluation reserve for land	0
Total changes during fiscal year	99,542
Balance as of January 31, 2013	16,849
Treasury stock	
Balance as of February 1, 2012	(8)
Changes during fiscal year	
Acquisition of treasury stock	(0)
Total changes during fiscal year	(0)
Balance as of January 31, 2013	(8)
Total shareholders' equity	
Balance as of February 1, 2012	120,697
Changes during fiscal year	
Issuance of preferred stock	45,000
Disposed deficit	-
Net income	3,426
Reversal of revaluation reserve for land	0
Acquisition of treasury stock	(0)
Total changes during fiscal year	48,427
Balance as of January 31, 2013	169,124

(Millions of yen)

Accumulated other comprehensive income

Net unrealized gain (loss) on available-for-sale securities

Balance as of February 1, 2012

149

Changes during fiscal year

(Millions of yen)

Minority interests	
Balance as of February 1, 2012	17,366
Changes during fiscal year	
Changes (net) in items other than shareholders' equity during fiscal year	4,213
Total changes during fiscal year	4,213
Balance as of January 31, 2013	21,579
Total net assets	
Balance as of February 1, 2012	126,773
Changes during fiscal year	
Issuance of preferred stock	45,000
Disposed deficit	–
Net income	3,426
Reversal of revaluation reserve for land	–
Acquisition of treasury stock	(0)
Changes (net) in items other than shareholders' equity during fiscal year	5,125
Total changes during fiscal year	53,552
Balance as of January 31, 2013	180,325

## **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: 13

Names of major consolidated subsidiaries:

SUMCO TECHXIV CORPORATION

SUMCO Phoenix Corporation

FORMOSA SUMCO TECHNOLOGY CORPORATION

In the current fiscal year, because Minamata Denshi Co., Ltd. was liquidated, SUMCO Solar Corporation is currently in the process of liquidation and it no longer has overall materiality, and Japan Super Quartz Corporation was absorbed by the Company in an absorption-type merger, each of those companies have been excluded from the scope of consolidation.

#### **(2) Number and names of non-consolidated subsidiaries**

Number of non-consolidated subsidiaries: 6

Name of major non-consolidated subsidiary:

SUMCO Korea Corporation

[Reason for exclusion from the scope of consolidation]

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

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

#### **(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) Number and 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 6. All 6 companies are exempt from application as their influences on net income (appropriate amount to equity) and retained earnings (appropriate amount to equity) are minor, and basically insignificant as a whole.

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

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

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

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

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

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

###### **(a) Securities**

Other securities

Securities with market value:

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

Securities without market value:

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

###### **(b) Derivatives**

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)**

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 for machinery and transport equipment mainly at 5 years.

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

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

###### **(c) Lease assets**

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

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

**(c) Allowance for director bonuses**

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

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

Allowance for employee retirement benefits is provided for payment of retirement benefits to employees in the amount deemed accrued at the current 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 employees' average remaining service period at incurrence.

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

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

**(a) Accounting for major deferred assets**

Stock issuance cost is fully charged to expenses at the time of payment.

**(b) 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.

**(c) Major hedge accounting**

**(Method of hedge accounting)**

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

**(d) Method and period for amortization of goodwill**

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

**(e) Accounting for consumption taxes**

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

**5. Changes in accounting policies**

**(Change in depreciation method for tangible fixed assets)**

- (a)** In line with changes to the Corporation Tax Act (the Act for Partial Revision of the Income Tax Act, etc., for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures (Act No. 114 of 2011) and the Cabinet Order for Partial Revision of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 379 of 2011)), the Company and its consolidated subsidiaries in Japan have employed a new depreciation method for tangible fixed assets acquired on or after April 1, 2012 based on the revised Act.

As a result, operating profit has increased by 198 million yen, and ordinary profit and net income before taxes and minority interests have increased by 208 million yen compared to figures calculated using the previous method.

- (b)** Until the end of the previous fiscal year, consolidated subsidiary FORMOSA SUMCO TECHNOLOGY CORPORATION employed the constant percentage method for the depreciation on its machinery, however, from the current fiscal year it has changed to the straight-line method.

Based on the Business Reorganization Plan decided by a resolution at its February 2012 Board of Directors meeting, the SUMCO Group has decided to restructure manufacturing bases for the business of silicon wafers for semiconductors. In addition, increased production capacity will gradually come on line in the current fiscal year at FORMOSA SUMCO TECHNOLOGY CORPORATION, which has prompted the Company to examine depreciation methods based on demand forecasts for its products. Since it anticipates longer-term and more stable utilization of equipment, it has changed to the straight-line method of depreciation from the current fiscal year.

As a result, operating profit, ordinary profit, and net income before taxes and minority interests for the current fiscal year have each increased by 1,762 million yen compared to figures calculated using the previous constant percentage method.

**6. Changes to presentations**

“Compensation expenses,” which was included in “Others” under non-operating expenses in the Consolidated Statement of Income for the previous fiscal year, is now separately presented because of its increased materiality.

The amount of “Compensation expenses” included in “Others” in the previous fiscal year was 135 million yen.

## 7. Changes in accounting estimates

### (Change in depreciation period of tangible fixed assets)

Until the end of the previous fiscal year, consolidated subsidiary FORMOSA SUMCO TECHNOLOGY CORPORATION calculated depreciation on machinery based on a depreciation period of eight years. However, in line with the restructuring of manufacturing bases associated with implementation of measures set out in the Business Reorganization Plan during the current fiscal year, the Company has changed the depreciation period of machinery to 12 years.

As a result, operating profit, ordinary profit, and net income before taxes and minority interests for the current fiscal year have each increased by 1,439 million yen compared to figures calculated using the previous depreciation period.

## 8. Additional information

For accounting changes and past error corrections made on and after the beginning of the current fiscal year, the “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24, December 4, 2009) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24, December 4, 2009) have been applied.

## II. Notes to Consolidated Balance Sheet

### 1. Hypothecated assets and corresponding liabilities

#### (1) Hypothecated assets

Buildings and structures	4,985 million yen
Machinery and transport equipment	2,424 million yen
Total	7,409 million yen

#### (2) Corresponding liabilities

Long-term borrowings	4,131 million yen
(Repayment of above scheduled within one year)	(1,032 million yen)

2. Accumulated depreciation of tangible fixed assets 784,742 million yen

### 3. Guarantee obligation

Guarantee for uncollected claim of trading company	2,327 million yen
Guarantee for employee borrowings from financial institution	812 million yen
Total	3,140 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,” and at the same time posted the amount with the tax equivalent portion deducted to the net assets section as “Revaluation reserve for land.”

Method of revaluation:

A revaluation was carried out with a reasonable adjustment made for the assessed value of fixed assets as stipulated in Article 2, Item 3 of the Enforcement Order for the Land Revaluation Law (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: (3,606) million yen

#### 5. Financial covenants

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

Loans payable as part of the syndicate loan agreements as of January 31, 2013 are as follows.

Long-term borrowings	42,031 million yen
(Repayment of above scheduled within one year)	(31,032 million yen)

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

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

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

### III. Notes to Consolidated Statement of Income

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

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

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

The expenses incurred through execution of the Business Reorganization Plan. The expenses 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 January 31, 2013

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

##### 2. Particulars concerning dividends from surplus

###### (1) Dividends paid

No dividends from surplus were paid during the current fiscal year.

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

Dividends from surplus shall be put on the agenda of the 14th Ordinary General Meeting of Shareholders to be held on April 25, 2013, as described below:

▪ Dividends from common shares

Total amount of dividends	515 million yen
Source of dividends	Retained earnings
Dividend per share	2 yen
Record date	January 31, 2013
Effective date	April 26, 2013

▪ Dividends from Class A shares

Total amount of dividends	1,125 million yen
Source of dividends	Retained earnings
Dividend per share	2,500,000 yen
Record date	January 31, 2013
Effective date	April 26, 2013

## **V. Notes Regarding Financial Instruments**

### **1. Status of financial instruments**

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

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

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

Notes receivable and accounts receivable are exposed to customer credit risk. For such risk, the Group has systems enabling the management of due dates and balances of each trading partner as well as the constant monitoring of operating status thereof. Such accounts denominated in foreign currencies are exposed to currency fluctuation risk. In order to mitigate such risk, we use currency forward contracts as a hedging instrument. Short-term investment securities consist of negotiable certificates of deposit with maturities of less than three months which 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 payable and accounts payable, as well as facilities related notes payable and accounts payable, have due dates arriving within 6 months. Borrowings with floating interest rates are exposed to interest rate fluctuation risk in accordance with the future interest rate hike in the interest rate market. In order to avert such risk and fix interest expenses, we use interest rate swaps for each of a portion of long-term borrowings as a hedging instrument.

The execution and management of derivative transactions are conducted by the department responsible for financing upon approval of approval authority, pursuant to the internal rules governing authority and maximum amounts of such transactions. In order to mitigate relevant credit risk, counterparties of derivative transactions are limited to financial institutions with high credit ratings. The outline of hedge accounting is as shown in “4. Standards for accounting treatments (4) Other important matters for the preparation of consolidated financial statements (c) 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 plan every month or by other means.

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

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

## 2. Fair values of financial instruments

Amounts on consolidated balance sheet and fair values as of January 31, 2013 and the differences thereof are as follows.

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

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and time deposits	35,103	35,103	–
(2) Notes receivable and accounts receivable	32,457	32,457	–
(3) Short-term investment securities and investment securities	37,004	37,004	–
Total assets	104,565	104,565	–
(1) Notes payable and accounts payable	28,658	28,658	–
(2) Short-term borrowings (*1)	70,580	70,580	–
(3) Facilities related notes payable and accounts payable	2,332	2,332	–
(4) Long-term borrowings (*1)	157,878	158,192	314
(5) Lease liabilities	11,485	11,480	(4)
Total liabilities	270,935	271,244	309
Derivative transactions (*2)			
(i) Those to which hedge accounting is not applied	(1,937)	(1,937)	–
(ii) Those to which hedge accounting is applied	(3,431)	(3,431)	–
Total derivative transactions	(5,368)	(5,368)	–

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

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

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

### Assets

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

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

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

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

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

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

#### Derivative transactions

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

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

2. Because unlisted stocks etc. (amount on consolidated balance sheet: 114 million yen) have no market prices and their fair values are deemed to be extremely difficult to determine, the amount is not included in “Assets (3) Short-term investment securities and investment securities.”

## **VI. ‘Per Share’ Information**

- |                          |            |
|--------------------------|------------|
| 1. Net assets per share: | 436.94 yen |
| 2. Net income per share: | 8.93 yen   |

## **VII. Other Notes**

(Business combination)

Common control transaction, etc.

The Company decided by a resolution at the Board of Directors meeting held September 7, 2012 to conduct an absorption-type merger with its consolidated subsidiary Japan Super Quartz Corporation effective November 1, 2012. The merger was carried out on November 1, 2012.

### **1. Summary of transaction**

#### **(1) Name of the business merged and content of such business**

Name:	Japan Super Quartz Corporation
Business:	Manufacture and sales of high-purity quartz crucibles

#### **(2) Legal form of business combination**

Absorption-type merger whereby the Company is the surviving company.

## Non-consolidated Balance Sheet

(As of January 31, 2013)

(Millions of yen)

Category	Amount	Category	Amount
<b>( Assets )</b>		<b>( Liabilities )</b>	
<b>Current assets</b>	<b>199,015</b>	<b>Current liabilities</b>	<b>181,009</b>
Cash and time deposits	32,640	Accounts payable	33,400
Accounts receivable	33,811	Short-term borrowings	121,601
Short-term investment securities	37,000	Lease liabilities	9,056
Merchandise and finished goods	8,311	Accrued liabilities	5,782
Work in process	7,005	Accrued expenses	950
Raw materials and supplies	71,680	Allowance for employee bonuses	1,320
Advances	3,079	Facilities related notes payable and	
Prepaid expenses	642	accounts payable	1,632
Short-term loans	70	Forward exchange contracts	5,368
Accounts receivable-other	1,855	Others	1,897
Others	3,040		
Allowance for doubtful accounts	(122)		
<b>Fixed assets</b>	<b>257,808</b>	<b>Fixed liabilities</b>	<b>115,260</b>
<b>Tangible fixed assets</b>	<b>119,223</b>	Long-term borrowings	100,052
Buildings	73,392	Lease liabilities	2,398
Structures	2,689	Deferred income tax liabilities	136
Machinery	20,182	Deferred tax liabilities for land	
Motor vehicles and transport		revaluation	1,559
equipment	42	Allowance for employee retirement	
Tools, appliances and furniture	309	benefits	10,539
Land	15,373	Asset retirement obligations	512
Lease assets	87	Others	61
Construction in progress	7,145		
<b>Intangible fixed assets</b>	<b>2,503</b>	<b>Total liabilities</b>	<b>296,270</b>
Software	2,262		
Others	241	<b>( Net assets )</b>	
<b>Investments and other assets</b>	<b>136,081</b>	<b>Shareholders' equity</b>	<b>161,314</b>
Investment securities	3	<b>Capital</b>	<b>136,607</b>
Stocks of subsidiaries and affiliates	27,057	<b>Capital surplus</b>	<b>15,676</b>
Investments in subsidiaries and		Capital reserves	10,500
affiliates	55	Others	5,176
Long-term loans receivable from		<b>Retained earnings</b>	<b>9,039</b>
subsidiaries and affiliates	53,617	Other retained earnings	9,039
Long-term advances	53,698	Retained earnings carried forward	9,039
Long-term prepaid expenses	3,102	<b>Treasury stock</b>	<b>(8)</b>
Others	1,122	<b>Variance of valuation/translation etc.</b>	<b>(759)</b>
Allowance for doubtful accounts	(2,575)	<b>Losses of deferred hedge</b>	<b>(3,431)</b>
		<b>Revaluation reserve for land</b>	<b>2,671</b>
		<b>Total net assets</b>	<b>160,554</b>
<b>Total assets</b>	<b>456,824</b>	<b>Total liabilities and net assets</b>	<b>456,824</b>

## Non-consolidated Statement of Income

(From February 1, 2012 to January 31, 2013)

(Millions of yen)

Category	Amount	
<b>Net sales</b>		<b>169,467</b>
<b>Cost of sales</b>		<b>142,851</b>
<b>Gross profit</b>		<b>26,615</b>
<b>Selling, general and administrative expenses</b>		<b>16,864</b>
<b>Operating profit</b>		<b>9,751</b>
<b>Non-operating profit</b>		
Interest received	358	
Dividends received	1,051	
Subsidies received	511	
Others	362	2,284
<b>Non-operating expenses</b>		
Interest expense	3,203	
Foreign-exchange losses	198	
Depreciation charges	413	
Loss on sales and disposals on fixed assets	114	
Compensation expenses	614	
Others	403	4,947
<b>Ordinary profit</b>		<b>7,087</b>
<b>Extraordinary income</b>		
Compensation income	1,391	
Gain on contribution of securities to retirement benefit trust	319	
Gain on extinguishment of tie-in shares	4,828	6,539
<b>Extraordinary loss</b>		
Business restructuring expense	5,111	5,111
<b>Net income before taxes</b>		<b>8,515</b>
Corporate income tax, local resident tax and business tax	58	
Adjustment of corporate income tax, etc	(582)	(523)
<b>Net income</b>		<b>9,038</b>

## Non-consolidated Statement of Changes in Net Assets

(From February 1, 2012 to January 31, 2013)

(Millions of yen)

Shareholders' equity	
Capital	
Balance as of February 1, 2012	114,107
Changes during business year	
Issuance of preferred stock	22,500
Total changes during business year	22,500
Balance as of January 31, 2013	136,607
Capital surplus	
Capital reserves	
Balance as of February 1, 2012	86,046
Changes during business year	
Issuance of preferred stock	22,500
Transfer to other capital surplus from capital reserves	(98,046)
Total changes during business year	(75,546)
Balance as of January 31, 2013	10,500
Others	
Balance as of February 1, 2012	3,245
Changes during business year	
Transfer to other capital surplus from capital reserves	98,046
Disposed deficit	(96,115)
Total changes during business year	1,930
Balance as of January 31, 2013	5,176
Total capital surplus	
Balance as of February 1, 2012	89,292
Changes during business year	
Issuance of preferred stock	22,500
Transfer to other capital surplus from capital reserves	-
Disposed deficit	(96,115)
Total changes during business year	(73,615)
Balance as of January 31, 2013	15,676
Retained earnings	
Other retained earnings	
Retained earnings carried forward	
Balance as of February 1, 2012	(96,115)
Changes during business year	
Disposed deficit	96,115
Net income	9,038
Reversal of revaluation reserve for land	0
Total changes during business year	105,155
Balance as of January 31, 2013	9,039

(Millions of yen)

Treasury stock	
Balance as of February 1, 2012	(8)
Changes during business year	
Acquisition of treasury stock	(0)
Total changes during business year	(0)
Balance as of January 31, 2013	(8)
Total shareholders' equity	
Balance as of February 1, 2012	107,274
Changes during business year	
Issuance of preferred stock	45,000
Transfer to other capital surplus from capital reserves	–
Disposed deficit	–
Net income	9,038
Reversal of revaluation reserve for land	0
Acquisition of treasury stock	(0)
Total changes during business year	54,039
Balance as of January 31, 2013	161,314
Variance of valuation/translation etc.	
Net unrealized gain (loss) on available-for-sale securities	
Balance as of February 1, 2012	149
Changes during business year	
Changes (net) in items other than shareholders' equity during business year	(149)
Total changes during business year	(149)
Balance as of January 31, 2013	–
Gains (losses) of deferred hedge	
Balance as of February 1, 2012	10
Changes during business year	
Changes (net) in items other than shareholders' equity during business year	(3,441)
Total changes during business year	(3,441)
Balance as of January 31, 2013	(3,431)
Revaluation reserve for land	
Balance as of February 1, 2012	2,671
Changes during business year	
Reversal of revaluation reserve for land	(0)
Total changes during business year	(0)
Balance as of January 31, 2013	2,671

(Millions of yen)

Total variance of valuation/translation etc.	
Balance as of February 1, 2012	2,831
Changes during business year	
Reversal of revaluation reserve for land	(0)
Changes (net) in items other than shareholders' equity during business year	(3,590)
Total changes during business year	<u>(3,590)</u>
Balance as of January 31, 2013	<u>(759)</u>
Total net assets	
Balance as of February 1, 2012	110,106
Changes during business year	
Issuance of preferred stock	45,000
Transfer to other capital surplus from capital reserves	—
Disposed deficit	—
Net income	9,038
Reversal of revaluation reserve for land	—
Acquisition of treasury stock	(0)
Changes (net) in items other than shareholders' equity during business year	(3,590)
Total changes during business year	<u>50,448</u>
Balance as of January 31, 2013	<u>160,554</u>

## **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) Other securities**

Securities with market value:

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

Securities without market value:

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

#### **(2) 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)**

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)**

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**

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

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

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

**(2) Allowance for employee bonuses**

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

**(3) Allowance for director bonuses**

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

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

Allowance for employee retirement benefits is provided for payment of retirement benefits to employees in the amount deemed accrued at the current business year 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 employees' average remaining service period at incurrence.

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

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

**(1) Accounting for deferred assets**

Stock issuance cost is fully charged to expenses at the time of payment.

**(2) Hedge accounting**

**(Method of hedge accounting)**

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

**(3) Accounting for consumption taxes**

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

## **5. Changes in accounting policies**

(Change in depreciation method for tangible fixed assets)

In line with changes to the Corporation Tax Act (the Act for Partial Revision of the Income Tax Act, etc., for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures (Act No. 114 of 2011) and the Cabinet Order for Partial Revision of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 379 of 2011)), the Company has employed a new depreciation method for tangible fixed assets acquired on or after April 1, 2012 based on the revised Act.

As a result, operating profit has increased by 172 million yen, and ordinary profit and net income before taxes have increased by 182 million yen compared to figures calculated using the previous method.

## **6. Changes to presentations**

- (1) “Subsidies received,” which was included in “Others” under non-operating profit in the Non-consolidated Statement of Income for the previous business year, is now separately presented because of its increased materiality.

The amount of “Subsidies received” included in “Others” in the previous business year was 19 million yen.

- (2) “Compensation expenses,” which was included in “Others” under non-operating expenses in the Non-consolidated Statement of Income for the previous business year, is now separately presented because of its increased materiality.

The amount of “Compensation expenses” included in “Others” in the previous business year was 78 million yen.

## **7. Additional information**

For accounting changes and past error corrections made on and after the beginning of the current business year, the “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24, December 4, 2009) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24, December 4, 2009) have been applied.

## II. Notes to Non-consolidated Balance Sheet

1. **Accumulated depreciation of tangible fixed assets** 482,253 million yen

### 2. **Guarantee obligation**

Guarantee for uncollected claim of trading company 2,327 million yen

Guarantee for employee borrowings from  
financial institution 812 million yen

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Total 3,140 million yen

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

Short-term accounts receivable 12,497 million yen

Long-term accounts receivable 53,617 million yen

Short-term accounts payable 21,863 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,” and at the same time posted the amount with the tax equivalent portion deducted to the net assets section as “Revaluation reserve for land.”

Method of revaluation:

A revaluation was carried out with a reasonable adjustment made for the assessed value of fixed assets as stipulated in Article 2, Item 3 of the Enforcement Order for the Land Revaluation Law (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: (3,606) million yen

### 5. **Financial covenants**

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

Loans payable as part of the syndicate loan agreements as of January 31, 2013 are as follows.

Long-term borrowings 37,900 million yen

(Repayment of above scheduled within one year) (30,000 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 kept within certain levels.

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

Total loan commitment	30,000 million yen
Used commitment	– million yen
<hr/> Outstanding loan commitment	<hr/> 30,000 million yen

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

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

Amount of sales	46,641 million yen
Amount of purchase	58,786 million yen
Transactions other than operational transactions	1,578 million yen

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

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

## V. Notes Regarding Deferred Tax Accounting

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

#### Deferred income tax assets

Loss carried forward	37,902	million yen
Stocks of subsidiaries and affiliates	30,741	million yen
Fixed assets	13,395	million yen
Allowance for employee retirement benefits	3,720	million yen
Inventories	1,449	million yen
Others	4,959	million yen
<hr/>		
Subtotal deferred income tax assets	92,169	million yen
Valuation allowance	(92,169)	million yen
<hr/>		
Total deferred income tax assets	–	million yen

#### Deferred income tax liabilities

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

Net deferred income tax liabilities (136) million yen

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

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

Effective statutory tax rate	40.1%
(Adjustment)	
Gain on extinguishment of tie-in shares	(22.7)%
Reversal of deferred income tax liabilities for stocks of subsidiaries and affiliates	(11.5)%
Valuation allowance	(10.9)%
Others	(1.1)%
<hr/>	
Actual effective tax rate for corporate income tax, etc., after the application of deferred tax accounting	(6.1)%

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

### 1. Finance leases excluding those that are deemed to transfer ownership

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

	Acquisition cost equivalent	Accumulated depreciation equivalent	Present value equivalent
Tools, appliances and furniture	95 million yen	87 million yen	7 million yen

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

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

Within one year	7 million yen
Over one year	– million yen
Total	7 million yen

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

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

Lease payment	105 million yen
Depreciation equivalent	105 million yen

#### (4) Calculation of depreciation equivalent

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

### 2. Operating lease transactions

Future minimum lease payments	
Within one year	17 million yen
Over one year	2 million yen
Total	19 million yen

## VII. 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)
Other associated company	Mitsubishi Materials Corporation	28 (owned; direct ownership)	Purchase of raw materials and interlocking of officers, etc.	Purchase of raw materials, etc. (Note 2)	16,953	Accounts payable	5,967
						Long-term advances (current portion)	4,400
			Subscription for capital increase (Note 3)	15,000	—	—	
	Sumitomo Metal Industries, Ltd. (Note 4)	28 (owned; direct ownership)	Interlocking of officers, etc.	Subscription for capital increase (Note 3)	15,000	—	—

(Notes) 1. Transaction amount excludes consumption taxes.

- Trade conditions and policy on decision-making of trade conditions  
Prices of trades with Mitsubishi Materials Corporation are determined under the same conditions as general trades taking market prices into consideration.
- Subscription for third-party allotment capital increase carried out by the Company.
- On October 1, 2012, Sumitomo Metal Industries, Ltd. merged with Nippon Steel Corporation and became NIPPON STEEL & SUMITOMO METAL CORPORATION.

### 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.	34,787	Accounts payable	7,362
				Lending of funds	1,477	Long-term loans receivable from subsidiaries and affiliates	53,617
Subsidiary	SUMCO Phoenix Corporation	100 (direct ownership)	Sales destination of products, etc.	Selling of products	25,119	Accounts receivable	3,874

(Notes) 1. Transaction amount excludes consumption taxes.

- Trade conditions and policy on decision-making of trade conditions  
Prices of trades with SUMCO TECHXIV CORPORATION and SUMCO Phoenix Corporation are determined under the same conditions as general trades taking market prices into consideration.  
Interest rates for the lending of funds to SUMCO TECHXIV CORPORATION are reasonably determined taking market interest rates into consideration.
- Allowance for doubtful accounts of 2,345 million yen is provided for the long-term loans receivable from SUMCO TECHXIV CORPORATION.

**VIII. 'Per Share' Information**

- |                          |            |
|--------------------------|------------|
| 1. Net assets per share: | 443.96 yen |
| 2. Net income per share: | 30.70 yen  |

**IX. Other Notes**

(Business combination)

This note is omitted because it is provided in "VII. Other Notes" in the Consolidated Financial Statements.

## Accounting audit report on Consolidated Financial Statements

### Independent Auditors' Report

March 15, 2013

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, 2012 to January 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 January 31, 2013, and the results of their operations for the fiscal year then ended in conformity with accounting principles generally accepted in Japan.

### **Matters for Emphasis**

As described in 5. Changes in accounting policies (b) of Notes on Basic Matters of Importance for Preparing Consolidated Financial Statements, consolidated subsidiary FORMOSA SUMCO TECHNOLOGY CORPORATION previously employed the constant percentage method for the depreciation on its machinery; however, from the current fiscal year it has changed to the straight-line method. As described in 7. Changes in accounting estimates of Notes on Basic Matters of Importance for Preparing Consolidated Financial Statements, consolidated subsidiary FORMOSA SUMCO TECHNOLOGY CORPORATION previously calculated depreciation on machinery based on a depreciation period of eight (8) years; however, from the current fiscal year it has changed the depreciation period of machinery to twelve (12) years.

These matters do not have an impact on our opinion.

### **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**

March 15, 2013

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 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 its supporting schedules of SUMCO CORPORATION (“the Company”) for the 14th business year from February 1, 2012 to January 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 its 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 its 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 its supporting schedules based on our audit as independent auditors. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and its 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 its 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 its 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 its 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 its 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 its supporting schedules referred to above present fairly, in all material respects, the financial position of the Company as of January 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 14th business year from February 1, 2012 to January 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 Corporation Law 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 its supporting schedules,

as well as the Consolidated Financial Statements (Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Changes in Net Assets) related to the relevant business year.

## **2. Audit Results**

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

- I. In our opinion, the business report and its supporting schedules are in accordance with the related laws and regulations and 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 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 its Supporting Schedules**

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

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

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

March 18, 2013

#### **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	Shoichi Oka	(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 current business year and the prospects for the business environment, the Company proposes the year-end dividend for the current 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 2 yen per share.

For Class A shares, the Company proposes to pay a dividend of 2,500,000 yen per share in accordance with the provision of the Articles of Incorporation.

	Dividend per share	Total amount of dividends
Common shares	2 yen	515,493,146 yen
Class A shares	2,500,000 yen	1,125,000,000 yen
Total	—	1,640,493,146 yen

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

April 26, 2013

## Proposal 2: Partial Amendments to the Articles of Incorporation

### 1. Reasons for the proposal

While the Company's business year is currently the period from February 1 each year to January 31 of the following year, the Company intends to change its business year to the period from January 1 each year to December 31 of the same year. The goals behind the change are to unify the accounting period of the Company with those of its overseas subsidiaries, to increase efficiencies in management and business operations through such means as budget and earnings management, and to meet the requirement for a company's accounting period to be the same as those of its consolidated subsidiaries as stipulated in International Financial Reporting Standards (IFRS), the future application of which is under consideration in Japan. Accordingly, the Company proposes to carry out the necessary amendments to Articles 11, 12, 33 and 34 of the Articles of Incorporation currently in effect.

In accordance with the change in the business year, the accounting period for the 15th business year will consist of the 11 months from February 1, 2013 to December 31, 2013. The Company proposes to establish the Supplementary Provisions to provide for provisional measures relating to the change.

### 2. Details of the amendments

The details of the amendments are as follows:

(Underlining denotes change)

Current Text	Proposed Text
Chapter 3. General Meeting of Shareholders	Chapter 3. General Meeting of Shareholders
Article 11. (Record date)	Article 11. (Record date)
Shareholders who may exercise their rights at the Ordinary General Meeting of Shareholders shall be defined as shareholders recorded in the shareholder registry as of <u>January 31</u> each year.	Shareholders who may exercise their rights at the Ordinary General Meeting of Shareholders shall be defined as shareholders recorded in the shareholder registry as of <u>December 31</u> each year.
Article 12. (Convocation)	Article 12. (Convocation)
1. The Ordinary General Meeting of Shareholders shall be convened in <u>April</u> each year, and extraordinary general meetings of shareholders shall be convened when necessary.	1. The Ordinary General Meeting of Shareholders shall be convened in <u>March</u> each year, and extraordinary general meetings of shareholders shall be convened when necessary.
2. (Provision omitted)	2. (Unchanged)
Article 13. to Article 32.	Article 13. to Article 32.
(Provisions omitted)	(Unchanged)

Current Text	Proposed Text
<p style="text-align: center;">Chapter 7. Accounting</p> <p>Article 33. (Business year)</p> <p>The business year of the Company shall be the period <u>from February 1</u> each year <u>to January 31 of the following year.</u></p> <p>Article 34. (Dividends from surplus)</p> <ol style="list-style-type: none"> <li>1. (Provision omitted)</li> <li>2. In addition to the matters prescribed in the preceding paragraph, the Company may pay interim dividends to shareholders recorded in the shareholder registry as of <u>July 31</u> each year, or registered pledgees, pursuant to the resolution at the Board of Directors' meeting.</li> </ol> <p style="text-align: center;">(Newly added)</p>	<p style="text-align: center;">Chapter 7. Accounting</p> <p>Article 33. (Business year)</p> <p>The business year of the Company shall be the period <u>from January 1</u> each year <u>to December 31 of the same year.</u></p> <p>Article 34. (Dividends from surplus)</p> <ol style="list-style-type: none"> <li>1. (Unchanged)</li> <li>2. In addition to the matters prescribed in the preceding paragraph, the Company may pay interim dividends to shareholders recorded in the shareholder registry as of <u>June 30</u> each year, or registered pledgees, pursuant to the resolution at the Board of Directors' meeting.</li> </ol> <p style="text-align: center;"><u>Supplementary Provisions</u></p> <p><u>Article 1. (15th business year)</u></p> <p><u>Notwithstanding the provision of Article 33, the 15th business year shall be the period from February 1, 2013 to December 31, 2013.</u></p> <p><u>Article 2. (Record date of interim dividends for the 15th business year)</u></p> <p><u>Notwithstanding the provision of Article 34, Paragraph 2, the record date of interim dividends for the 15th business year shall be July 31, 2013.</u></p> <p><u>Article 3. (Effective period of Supplementary Provisions)</u></p> <p><u>These Supplementary Provisions shall be effective until December 31, 2013, after which date they shall no longer be effective and shall be deleted.</u></p>

### Proposal 3: Election of One (1) Director

Director Yukihiro Saeki will resign at the conclusion of this Ordinary General Meeting of Shareholders. Therefore, it is proposed that one (1) director be elected as his substitute.

The candidate for director is as follows.

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
Hisashi Furuya (October 30, 1954)	Apr. 1983      Joined Mitsubishi Metal Corporation (the current Mitsubishi Materials Corporation)	3,300 shares
	Apr. 2005      General Manager of Crystal Engineering Dept., Production & Technology Div., the Company	
	Apr. 2007      General Manager of Yonezawa Plant, Production & Technology Div., the Company	
	Apr. 2008      Executive Officer, General Manager of Yonezawa Plant, Production & Technology Div., the Company	
	Apr. 2011      Managing Executive Officer, General Manager of Solar Div., the Company	
	Apr. 2012      Managing Executive Officer, Deputy General Manager of Production & Technology Div., the Company	
	Oct. 2012      Managing Executive Officer, General Manager of Technology Div., the Company (incumbent)	
	<Areas of responsibility in the Company> General Manager of Technology Div.	

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

#### Proposal 4: Election of Six (6) Audit & Supervisory Board Members

The term of office of Audit & Supervisory Board Members Hiroshi Yoshikawa, Hidemasa Hosaka, Hitoshi Tanaka, Kitaro Yoshida and Keisuke Yamanobe will expire at the conclusion of this Ordinary General Meeting of Shareholders, and Audit & Supervisory Board Member Shoichi Oka will resign at the conclusion of this Ordinary General Meeting of Shareholders. Therefore, it is proposed that a total of six (6) Audit & Supervisory Board Members be elected.

The Audit & Supervisory Board has consented to this proposal.

The candidates for audit & supervisory board members are as follows. It is proposed that the candidate for audit & supervisory board member Kazuomi Fukazawa be elected as a substitute of Audit & Supervisory Board Member Shoichi Oka.

No.	Name (Date of birth)	Career summary, position in the Company, and significant concurrent occupations or positions	Number of the Company's common shares held
1	Hiroshi Yoshikawa (October 11, 1954)	<p>Apr. 1977    Joined Sumitomo Metal Industries, Ltd. (the current NIPPON STEEL &amp; SUMITOMO METAL CORPORATION)</p> <p>Oct. 2002    General Manager of Sales Planning Dept., the Company</p> <p>Apr. 2004    General Manager of Sales Administration Dept., Sales &amp; Marketing Div., the Company</p> <p>Apr. 2005    General Manager of International Sales &amp; Marketing Dept. II, Sales &amp; Marketing Div., the Company</p> <p>Jan. 2007    Assistant General Manager of Sales &amp; Marketing Div., the Company</p> <p>Oct. 2007    General Manager of Solar Planning Dept., Solar Div., the Company</p> <p>Apr. 2011    Full-time Audit &amp; Supervisory Board Member of the Company (incumbent)</p>	1,600 shares
2	Hidemasa Hosaka (August 23, 1953)	<p>Apr. 1977    Joined Mitsubishi Metal Corporation (the current Mitsubishi Materials Corporation)</p> <p>Apr. 2003    Manager of Accounting Group, Finance &amp; Accounting Dept., Finance &amp; Accounting Div., Mitsubishi Materials Corporation</p> <p>Apr. 2004    Manager of Administration Group, Finance &amp; Accounting Dept., Finance &amp; Accounting Div., Mitsubishi Materials Corporation</p> <p>Jun. 2005    Deputy General Manager of Internal Audit Dept., Mitsubishi Materials Corporation</p> <p>Jun. 2007    Director of Onahama Smelting and Refining Co., Ltd.</p> <p>Jun. 2010    Managing Director of Onahama Smelting and Refining Co., Ltd.</p> <p>Apr. 2012    Full-time Audit &amp; Supervisory Board Member of the Company (incumbent)</p>	400 shares

No.	Name (Date of birth)	Career summary, position in the Company, and significant concurrent occupations or positions	Number of the Company's common shares held
3	Hitoshi Tanaka (July 28, 1950)	<p>Apr. 1976 Registered as Attorney at Law Joined Narutomi Law Office (the current Marunouchi Minami Law Office)</p> <p>Oct. 2003 Representative of Narutomi Law Office (the current Marunouchi Minami Law Office) (incumbent)</p> <p>Apr. 2005 Audit &amp; Supervisory Board Member of the Company (incumbent)</p>	-
4	Kitaro Yoshida (January 16, 1949)	<p>Jul. 1971 Joined Sumitomo Metal Industries, Ltd. (the current NIPPON STEEL &amp; SUMITOMO METAL CORPORATION)</p> <p>Aug. 1999 Deputy General Manager of Kokura Steel Works, Sumitomo Metal Industries, Ltd. (the current NIPPON STEEL &amp; SUMITOMO METAL CORPORATION)</p> <p>Apr. 2000 Director, Senior Operation Manager of Sumitomo Metals (Kokura), Ltd.</p> <p>Apr. 2002 Representative Director and President of Sumitomo Metals (Kokura), Ltd.</p> <p>Apr. 2008 Audit &amp; Supervisory Board Member of the Company (incumbent)</p> <p>Jun. 2008 Standing Audit &amp; Supervisory Board Member of Sumitomo Metal Industries, Ltd. (the current NIPPON STEEL &amp; SUMITOMO METAL CORPORATION)</p> <p>Oct. 2012 Executive Advisor of NIPPON STEEL &amp; SUMITOMO METAL CORPORATION (incumbent)</p> <p>&lt;Significant concurrent occupations or positions&gt; Executive Advisor of NIPPON STEEL &amp; SUMITOMO METAL CORPORATION</p>	300 shares

No.	Name (Date of birth)	Career summary, position in the Company, and significant concurrent occupations or positions	Number of the Company's common shares held
		<p>Apr. 1975    Joined Mitsubishi Mining &amp; Cement Co., Ltd. (the current Mitsubishi Materials Corporation)</p> <p>Oct. 2005    General Manager of Finance Dept., Finance &amp; Accounting Div., Mitsubishi Materials Corporation</p> <p>Apr. 2008    General Manager of Finance &amp; Accounting Div., Mitsubishi Materials Corporation</p> <p>Jun. 2008    Executive Officer of Mitsubishi Materials Corporation</p> <p>Apr. 2010    Audit &amp; Supervisory Board Member of the</p>	

- (4) It is proposed that Kazuomi Fukazawa be elected as outside audit & supervisory board member in the expectation that he will fully exercise his ability to monitor management based on his many years of experience in banking in general, as well as company management.
5. The numbers of years in office of the candidates for outside audit & supervisory board members as of the conclusion of this Ordinary General Meeting of Shareholders are eight (8) years for Hitoshi Tanaka, five (5) years for Kitaro Yoshida, and three (3) years for Keisuke Yamanobe.
6. As indicated in the above career summary, the candidate for outside audit & supervisory board member Kazuomi Fukazawa was an executive at Sumitomo Mitsui Banking Corporation, which is a main bank of the Company, in the past five (5) years.
7. Pursuant to Article 427, Paragraph 1 of the Corporation Law, it is prescribed in the Articles of Incorporation currently in effect that the Company may enter into contracts with 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. Accordingly, the Company will continue the contracts for limitation of liability entered into with the candidates for outside audit & supervisory board members Hitoshi Tanaka, Kitaro Yoshida and Keisuke Yamanobe, and will enter into a contract for limitation of liability with the candidate for outside audit & supervisory board member Kazuomi Fukazawa.

The outline of the contract is as follows:

If the outside audit & supervisory board members are without knowledge and are not grossly negligent in performing their duties, the liability for damages of the outside audit & supervisory board members pursuant to Article 423, Paragraph 1 of the Corporation Law shall be limited to the total amount specified in Article 425, Paragraph 1 of the said Law and they shall not be liable to the Company for any amount exceeding this limit.

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

1. Shareholders exercising their voting rights via the Internet can only do so via the website designated by the Company (shown below). They can also exercise their voting rights online by mobile phone.  
(Website URL for the exercise of voting rights)     <http://www.web54.net>
2. If you are exercising your voting rights via the Internet, please enter the code and the password for the exercise of voting rights indicated in the enclosed Form for Exercising Voting Rights and follow the instructions on the screen to register whether you are for or against each proposal. Please acknowledge that, the code and the password indicated in the enclosed Form for Exercising Voting Rights (including 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 6.0 (or above) must be installed as your browser. Any PC hardware capable of supporting these browsers will be adequate.  
  
\* Microsoft is a registered trademark of U.S. Microsoft Corporation in the U.S. and other countries.
5. If you are exercising your voting rights by mobile phone, the device must be capable of 128bit SSL telecommunication (encrypted communication). (For security reasons, the website is only configured to support 128bit SSL telecommunication (encrypted communication). Consequently, certain devices cannot be used).
6. If you apply in advance to use the “Electronic Voting Platform for Institutional Investors” (the “TSE Platform”) managed by ICJ Inc., you may use the TSE Platform as an alternative to the conventional method of online voting described above.
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)