Brief Statement on Consolidated Financial Results for Fiscal Year 2012 (ended January 31, 2013) [Japanese Accounting Standards]

March 8, 2013
TSE First Section

Company name: SUMCO Corporation
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Scheduled date of ordinary general meeting of shareholders: April 25, 2013
Scheduled date of commencement of dividend payment: April 26, 2013
Scheduled date of filing of annual security report: April 25, 2013
Supplementary materials for financial results: Yes
Results briefing: Yes (For institutional investors and security analysts)

(Amounts smaller than one million yen are rounded down)

1. Consolidated Business Results for Fiscal Year ended January 31, 2013 (February 1, 2012 - January 31, 2013)

(1) Consolidated Business Results

(Percentage figures represent year-on-year changes)

	Net sales (millions of yen)	(%)	Operating income (millions of yen)	(%)	Ordinary income (millions of yen)	(%)	Net income (millions of yen)	(%)
Year ended January 31, 2013	206,691	(16.4)	13,215	—	9,464	—	3,426	—
Year ended January 31, 2012	247,177	(10.8)	967	—	(5,695)	—	(84,369)	—

(Note) Comprehensive income Year ended January 31, 2013: 8,552 million yen (—%)
Year ended January 31, 2012: (88,126) million yen (—%)

	Net income per share (yen)	Diluted net income per share (yen)	Net income / Shareholders' equity (%)	Ordinary income / Total assets (%)	Operating income / Net sales (%)
Year ended January 31, 2013	8.93	—	2.6	2.0	6.4
Year ended January 31, 2012	(327.33)	—	(55.2)	(1.1)	0.4

(Reference) Equity in earnings of affiliates Year ended January 31, 2013: — million yen
Year ended January 31, 2012: — million yen

(2) Consolidated Financial Position

	Total assets (millions of yen)	Equity (millions of yen)	Shareholders' equity ratio (%)	Shareholders' equity per share (Yen)
Year ended January 31, 2013	493,334	180,325	32.2	436.94
Year ended January 31, 2012	436,420	126,773	25.1	424.47

(Reference) Shareholders' equity Year ended January 31, 2013: 158,746 million yen
Year ended January 31, 2012: 109,406 million yen

(3) Consolidated Cash Flow

	Operating activities (millions of yen)	Investment activities (millions of yen)	Financing Activities (millions of yen)	Cash and cash equivalents (millions of yen)
Year ended January 31, 2013	16,308	(15,228)	47,502	72,103
Year ended January 31, 2012	18,916	(17,472)	(29,583)	25,464

2. Dividend Payments

	Dividends per share					Total dividend (Annual)	Dividend ratio (Consolidated)	Dividend / Net assets (Consolidated)
	First quarter (yen)	Second quarter (yen)	Third quarter (yen)	Year-end (yen)	Total (yen)	(millions of yen)	(%)	(%)
Year ended January 31, 2012	—	0.00	—	0.00	0.00	0	0.0	0.0
Year ended January 31, 2013	—	0.00	—	2.00	2.00	515	22.4	0.5
Year ending January 31, 2014 (Forecast)	—	—	—	—	—		—	

(Notes) (1) Dividends per share for the fiscal year-ending January 31, 2014 are not determined.
(2)The above "Dividend Payments" is the status of dividend related to common stock. As for the status of dividend for class shares (unlisted) with different rights from those of the company's common stock, please see "(Reference) Dividend Payments for class A shares" on page 5.

3. Consolidated Business Forecasts for Fiscal Year ending January 31, 2014 (February 1, 2013 - January 31, 2014)

(Percentage figures represent changes from previous year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(yen)
Six months ending Jul. 31, 2013	100,000	(8.0)	10,000	45.0	5,000	(5.6)	1,000	(79.9)	1.70
Year ending Jan. 31, 2014	210,000	1.6	26,000	96.7	18,000	90.2	12,000	250.2	42.19

* Notes

(1) Changes in important subsidiaries during the fiscal year: No
New Company: Not applicable Exclusion: Not Applicable
(Note) For more information, please see "Situation of the Corporate Group" on page 7 of Supplementary Materials.

(2) Changes in accounting policies, changes in accounting estimates and corrections of prior-period errors
[1] Changes in accounting policies applied with revisions of accounting standards: Yes
[2] Changes in accounting policies other than [1]: Yes
[3] Changes in accounting estimates: Yes
[4] Corrections of prior-period errors: No
(Note) For more information, please see "Changes in accounting policies" and "Changes in accounting estimates" on page 16 of Supplementary Materials.

(3) Number of issued shares (common stock)
[1] Issued shares as of the end of period (including treasury stock):
257,751,739 shares for the fiscal year 2012, ended January 31, 2013
257,751,739 shares for the fiscal year 2011, ended January 31, 2012
[2] Treasury stock as of the end of period:
5,166 shares for the fiscal year 2012, ended January 31, 2013
4,866 shares for the fiscal year 2011, ended January 31, 2012
[3] Average number of shares during period:
257,746,762 shares for the fiscal year 2012, ended January 31, 2013
257,746,974 shares for the fiscal year 2011, ended January 31, 2012
(Note) For the number of shares forming the basis of calculation of the current fiscal year (Consolidated), please see "Per-share information" on page 19 of Supplementary Materials.

(Reference) Summary of Nonconsolidated Business Results

Nonconsolidated Business Results for Fiscal Year ended January 31, 2013 (February 1, 2012 - January 31, 2013)

(1) Nonconsolidated Business Results (Percentage figures represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
Year ended January 31, 2013	169,467	(18.3)	9,751	288.4	7,087	973.5	9,038	—
Year ended January 31, 2012	207,337	(10.9)	2,510	—	660	—	(97,359)	—

	Net income per share	Diluted net income per share
	(yen)	(yen)
Year ended January 31, 2013	30.70	30.40
Year ended January 31, 2012	(377.73)	—

(2) Nonconsolidated Financial Position

	Total assets	Equity	Shareholders' equity ratio	Shareholders' equity per share
	(millions of yen)	(millions of yen)	(%)	(Yen)
Year ended January 31, 2013	456,824	160,554	35.1	443.96
Year ended January 31, 2012	390,256	110,106	28.2	427.19

(Reference) Shareholders' equity Year ended January 31, 2013: 160,554 million yen
Year ended January 31, 2012: 110,106 million yen

* Information regarding audit procedures:

This Brief Statement on Consolidated Financial Results is unaudited. Audit procedures for financial statements pursuant to the Financial Instruments and Exchange Act had not been completed at the time of the disclosure of this Brief Statement on Consolidated Financial Results.

* Explanations regarding appropriate use of business forecasts and other special instructions:

Business forecasts and other forward-looking statements contained in this Brief Statement on Consolidated Financial Results are based on information currently available to the Company and on certain assumptions that the Company considers to be reasonable. Actual results may differ significantly from those projected in the forward-looking statements as a result of various factors. Regarding the assumptions underlying business forecasts, please see "Analysis of Business Results" on page 2 of Supplementary Materials.

Dividends per share for the fiscal year-ending January 31, 2014 are not to be determined, and a forecast will be disclosed as soon as the disclosure becomes possible. For details, please see "Basic Policy on Profit Distribution and Dividends for the current term and the next term" on page 3 of Supplementary Materials.

Results briefing for institutional investors and security analysts are scheduled on March 8, 2013. Supplementary materials for financial results are available in our web site after starting the briefing.

(Reference) Dividend Payments for class A shares

Dividend per share related to class shares (unlisted) with different rights from those of the company's common stock

Class A shares	Dividends per share				
	First quarter (yen)	Second quarter (yen)	Third quarter (yen)	Year-end (yen)	Total (yen)
Year ended Jan. 31, 2012	—	—	—	—	—
Year ended Jan. 31, 2013	—	—	—	2,500,000.00	2,500,000.00
Year ending Jan. 31, 2014 (Forecast)	—	—	—	—	—

(Note) Dividends per share for the fiscal year-ending January 31, 2014 are not determined.

(Supplementary Materials)

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1. Analysis of Business Results and Financial Position

(1) Analysis of Business Results

① Business Results for Fiscal Year 2012

The semiconductor silicon wafer market has rallied in the first half of FY2012 due to strong demand for devices such as smartphones and tablet computers. However, the market is getting into an adjustment phase from the second half due to weak demand for leading-edge devices.

The SUMCO Group has been proceeding with the Business Reorganization Plan announced on February 2, 2012. In light of this business environment, the SUMCO Group is also proceeding to reduce additional indirect costs and other business expenses to improve its break-even sales point for its profitability.

As a result, for fiscal year 2012 (February 1, 2012 – January 31, 2013), the SUMCO Group registered consolidated net sales of 206,691 million yen, operating income of 13,215 million yen, and ordinary income of 9,464 million yen. As the SUMCO Group registered loss incurred from business restructuring of 7,271 million yen relating to early retirement in the extraordinary loss section, net income came to 3,426 million yen.

② Outlook for Fiscal Year 2013

Inventory adjustment of semiconductor silicon wafers, which began in the second half of FY2012, has proved severer than anticipated however SUMCO Corporation expects that a recovery phase will start late in the first half.

Continued growth is expected for products used in smartphones, tablet computers, and other advanced devices however taking technology scaling into consideration, growth of 300 mm silicon wafers will become more gradual. Smaller-diameter wafers will continue grow negatively due to changes in the demand mix and the shift toward large-diameter wafers. As a result, growth in silicon wafer demand as a whole is expected to be sluggish.

In light of this business environment, the SUMCO Group promotes additional cost reduction to improve profitability.

The Group's consolidated business forecasts for fiscal year 2013 (ending January 31, 2014) is shown in the "3. Consolidated Business Forecasts for Fiscal Year ending January 31, 2014" of the Brief Statement on Consolidated Financial Results for Fiscal Year 2012.

(2) Analysis of Financial Position

① Analysis of Assets, Liabilities and Equity

Consolidated assets at the end of fiscal year 2012 increased by 56,913 million yen from the end of the previous fiscal year, to 493,334 million yen. The main factors of this change were 12,743 million yen decrease in tangible fixed assets due to cut-down of capital expenditures and progression of depreciation, 37,000 million yen increase in short-term investment securities and 37,703 million yen increase in raw materials and supplies due to purchasing raw materials based on long-term contracts.

Consolidated liabilities at the end of fiscal year 2012 increased by 3,360 million yen from the end of the previous fiscal year, to 313,008 million yen. The main factors were 4,921 million yen increase in short-term borrowings, long-term debt and lease obligations.

Consolidated equity at the end of fiscal year 2012 increased by 53,552 million yen from the end of the previous fiscal year, to 180,325 million yen. The main factor was issuance of preferred stock of 45,000 million yen, registration of net income of 3,426 million yen and increase of minority interests by 4,213 million yen.

② Analysis of Cash Flow

Consolidated cash and cash equivalents at the end of fiscal year 2012 increased by 46,639 million yen from the end of the previous fiscal year, to 72,103 million yen. This increase reflects the fact that net cash provided by operating activities was 16,308 million yen, net cash used in investing activities was 15,228 million yen and net cash provided by financing activities was 47,502 million yen.

The situation for each type of each cash flow for fiscal year 2012 and contributing factors are as follows.

(Cash flow from operating activities)

Net cash provided by operating activities for fiscal year 2012 decreased by 2,608 million yen from the previous fiscal year, to 16,308 million yen. The favorable reason was improvement of net income, and unfavorable reasons were decrease in depreciation and amortization and increase in inventories.

(Cash flow from investing activities)

Net cash used in investing activities for fiscal year 2012 decreased by 2,244 million yen from the previous fiscal year, to 15,228 million yen. This was mainly caused by decreased expenditures on acquisition of tangible and intangible fixed assets.

(Cash flow from financing activities)

Net cash provided by financing activities for fiscal year 2012 was 47,502 million yen. The main factor was issuance of preferred stock of 44,766 million yen.

(Reference) Trends in cash flow indices

	Year ended Jan. 31, 2009	Year ended Jan. 31, 2010	Year ended Jan. 31, 2011	Year ended Jan. 31, 2012	Year ended Jan. 31, 2013
Equity ratio (%)	49.8	39.9	35.0	25.1	32.2
Market-value based equity ratio (%)	41.9	60.6	57.4	38.6	49.6
Cash flow to interest-bearing debt ratio (Yr)	2.2	38.9	9.1	12.4	14.7
Interest coverage ratio (Times)	47.2	1.9	6.1	4.9	4.9

Equity ratio: Shareholders' equity / Total assets
Market-value based equity ratio: Total market value of shares / Total assets
Cash flow to interest-bearing debt ratio: Interest-bearing debt / Cash flows
Interest coverage ratio: Cash flows/ Interest paid

(Note 1) All figures are calculated using consolidated financial basis.
(Note 2) Total market value of shares was calculated using the number of outstanding shares excluding treasury stock.
(Note 3) Cash flows from operating activities are referred to as "Cash flows"
(Note 4) Interest-bearing debts cover all debts out of liabilities posted in consolidated balance sheets that are subject to interest payment.

(3) Basic Policy on Profit Distribution and Dividends for the current term and the next term

SUMCO's basic policy on distribution of surplus is determined through overall consideration of profit levels for each fiscal year, the outlook for subsequent terms, financial requirements for capital expenditures, the status of internal reserves and other factors.

The year-end dividend for common stocks for the current period has been set 2.00 yen per share.

The dividends for the fiscal year ending January 31, 2014 are not determined.

(4) Business Risks

The following is a list of factors that, in SUMCO's opinion, represent current and potential risks to the Group's management and the conduct of its business activities. The Group is taking measures to prevent the realization of these risks and to respond as required in the event that a problem occurs. All of these factors may have a significant effect on the Group's business or operating results.

Readers are advised that in the factors listed below, statements concerning matters that pertain to the future are based on the Group's judgment as of the date of issue of this document. Actual results may differ due to inherent uncertainty.

① Operating Environment

The silicon wafers that the SUMCO Group manufactures and sells are used to produce a variety of semiconductor devices. As a result, its business is vulnerable to a number of factors related to the semiconductor and associated industries. Among these factors are the rapid deterioration of market conditions in the semiconductor industry; the dizzying pace of technological progress in the semiconductor and associated industries; the tendency for products to become obsolete; dramatic shifts in product lineups; declines in product prices; reliance on a limited number of customers for a large percentage of sales; volatility in the volume of orders from such customers; changes in the Group's competitive advantage due to a shift in its standing in comparison with peer companies; large fluctuations in demand from customers; and other factors. All of the aforementioned have the potential to significantly affect the Group's business or operating results.

Moreover, the Group was formed by combining the silicon wafer operations of Sumitomo Metals group (now Nippon Steel & Sumitomo Metal group) and the Mitsubishi Materials group. These two companies remain major shareholders of the Group. Any change in the relationship between the Group and these two companies may have a major impact on the Group's business or operating results.

② Group Products

In general, the prices of semiconductors that use products manufactured by the SUMCO Group tend to decline after their release in the market due to widespread application and growth in sales volumes. The Group from time to time establishes business plans that incorporate measures to offset expected declines in the prices of its products. These measures include efforts to expand manufacturing capacity to increase sales volumes and to improve manufacturing processes to raise production yields. However, if prices decline significantly more than expected due to a sudden deterioration in market conditions or because of some other event, such price declines could have a significant effect on the Group's business or operating results.

In addition to the above factors, problems related to product quality can arise. Specifically, a product supplied to a customer may not meet the required specifications or may be incompatible with the customer's own products. A problem of its nature may result in a serious complaint and give rise to claims for damages related to product quality. There may also be problems involving the in ability to improve productivity. For example, earnings may be reduces if the Group is unable to consistently increase manufacturing efficiency by improving manufacturing yields. There is also a risk of an interruption or significant delay in manufacturing processes due to an accident involving manufacturing equipment or other causes. Such events could reduce the manufacturing capabilities of the entire Group and make it difficult to supply customers with certain products. There events could have a significant effect on the Group's business or operating results.

③ Ability to Procure Raw Materials

The raw material of silicon wafers is extremely high-purity polycrystalline silicon of which the manufactures are limited, so a risk of supply shortage exists. The SUMCO Group concluded long-term purchase agreements with the world's major manufacturers of polycrystalline silicon for supply of fixed quantities over fixed time periods, in an attempt to achieve stable procurement of raw material. Due to sudden market fluctuations, however, our current consumption outlook is no longer in line with the demand expectations at the time the long-term purchase agreements were entered into; and this along with the withdrawal from the solar wafer business leaves us with excessive inventory at present, which is likely to continue growing in the future. The effects of this increase in inventories on cash flows are as indicated under "Challenges Facing SUMCO Group"; but in case of changes in consumption amount due to notable changes in the business environment or other factors, or if accounting measures become necessary, a major impact on the Group's business results or financial position is possible.

④ Ability to Key Manufacturing Equipment

The key manufacturing equipment used by the Company includes such specialized machinery as the double-side mirror polishing machine developed jointly with a manufacturing equipment manufacturer. Taking this into consideration, SUMCO may not be able to find an alternative supplier of such equipment. Any problems affecting the smooth procurement of such manufacturing equipment may have a major impact on the Group's business or operating results.

⑤ Risks Related to Customers and Suppliers (Business Failure, Work Stoppage, etc.)

The SUMCO Group carefully monitors the creditworthiness of its customers. However, the business failure resulting in substantial amounts of receivables rendered uncollectable could have a significant effect on the business, operating results or financial condition of the Group. To avoid risks of disruption of procurement, the Group has concluded supply contracts with multiple numbers of suppliers of various materials. However, a supplier's work stoppage due to an accident involving manufacturing equipment, business failure or other causes resulting in difficulty in procurement of various materials could have a significant effect on the Group's business, operating results or financial condition.

⑥ Capital Investment

The SUMCO Group undertakes capital investment based on its view of future demand from both the medium- and long-term perspectives. Economic trends as well as changes in the operating environments of the semiconductor industries that result in substantial shifts in projected demand could have a significant effect on the Group's business or operating results.

⑦ Ability to Procure Funds

If marked deterioration in the Group's financial position caused a breach of financial covenants set out in syndicated and other loan contracts and resulted in a demand for repayment of the relevant loan, such an event could cause the Group to forfeit the benefit of time and affect its ability to procure funds.

⑧ Technology and R&D

The semiconductor industry is characterized by rapid advances in technology. Process takes the form of higher circuit densities, finer lines, new applications for semiconductors, greater precision and higher manufacturing efficiency. Customers have a broad range of technological demands with regard to silicon wafers supplied by the Group and are constantly demanding the achievement of even higher specifications. In order to meet customer's requests, the Group is engaged in R&D activities with an emphasis on technologies for 300 mm wafers, an area where demand is expected to grow over the medium- and long-terms. By product category, emphasis being placed on technologies related to epitaxial wafers, annealed wafers and other high value-added products, as well as to technologies pertaining to next generation wafer products.

However, R&D activities may not produce the expected benefits due to difficulties in responding to technological advances in the semiconductor industry, the Group's inability to comply with customer demands, or other problems. These events could have major repercussions on the Group's business or operating results.

⑨ Intellectual Property

The Group is aware that accumulating patents and other forms of intellectual property is vital to its ability to compete with other silicon wafer manufacturers. The Group holds a large number of patents in Japan and other countries and has many patent applications pending. In addition, the Group holds fundamental patents concerning the manufacture of crystals grown from larger charge sizes and low-defect crystals, high precision double-sided polishing and other items.

The Group is also working on applying for patents involving technologies and peripheral technologies associated with existing patents. However, the Group may infringe on the intellectual property rights of a third party if such party already holds a patent of which the Group is unaware. If such an infringement occurs, the Group may become a defendant in litigation seeking an injunction to cease its operations, damages or other actions. These events may have a significant effect on the Group's business or operating results.

⑩ Overseas Operations

The SUMCO Group sells silicon wafers to major semiconductor manufacturers worldwide and has manufacturing and sales operations in North America, Europe and Asia, as well as in Japan. As a result, and in addition to exchange rate risk, the Group's production and marketing activities may be affected by national and regional economic and political developments; changes in regulations, taxation or currency conversion restrictions; wars and acts of terrorism or epidemics or natural disasters; differences in social or labor customs; and the state of social infrastructure.

⑪ Environmental Regulations

The Group must comply with laws and regulations in Japan and other countries concerning the environment, particularly with regard to regulations applicable to major manufacturing facilities. Such laws and regulations cover energy consumption; atmospheric emissions and effluents; the use and handling of harmful chemical substances; the disposal of industrial waste materials; investigations of soil and groundwater pollution and remediation as needed; as well as numerous other items. The Group may be found legally responsible for the payment of certain expenses and damages or may be required to take other action. Furthermore, in recent years, there has been the general tendency for governments to tighten their environmental laws and regulations. Looking ahead, the Group may become subject to new environmental laws and regulations in Japan and other countries. In such cases, the Group may incur additional expenses for complying with these laws and regulations. Any of these events may have a significant effect on the Group's business or operating results.

⑫ Natural Disasters and Accidents

The manufacturing bases of the Group are vulnerable to natural disasters, such as typhoons, rainstorms, earthquakes, tsunamis and volcanic activities, as well as to accidents, fires, acts of terrorism and other contingencies and crises. Any of these events could interrupt manufacturing activities, damage equipment,

disrupt access to water and electricity, and cause other problems that could have a significant effect on the Group's business or operating results.

In particular, in case the Group's facilities housing its manufacturing processes of the 300 mm wafer, the main product of the Group, are damaged by natural disasters, accidents, fires or other events, this could have a serious impact on the Group's ability to manufacture and sell 300 mm wafers. Such an event could have a major impact on the Group's business or operating results.

⑬ Acquisition of Other Companies

When considering the acquisition of another company, SUMCO attempts to minimize risks by performing due diligence concerning the financial conditions and other aspects of the relevant company under consideration. However, such acquisitions could have a significant effect on the Group's business or operating results in unexpected situations, such as drastic changes in market conditions.

⑭ Other Risks

The following events resulting from changes in market conditions and other developments could have a sizeable impact on the Group's business results or financial condition.

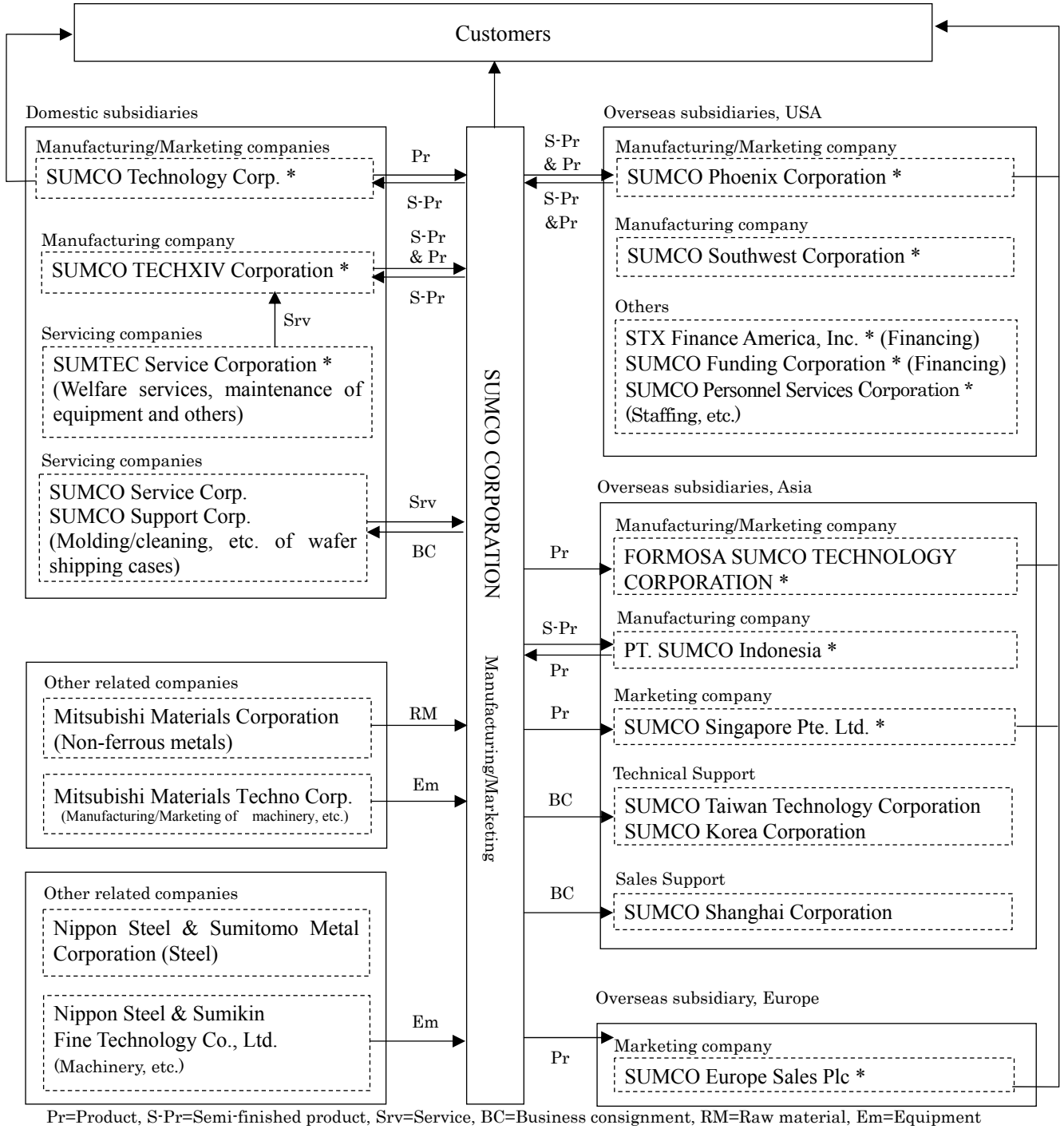
a. Major changes in market conditions, which necessitate that certain business and organizational restructuring or other actions be taken;
b. With regard to liabilities for retirement benefits, a decline in the market value of SUMCO's pension fund assets or a decline in the return on these assets, or significant changes in the assumptions pertaining to the calculation of liabilities for retirement benefits;
c. Significant changes in projections of future profits caused by a serious deterioration in economic conditions, which necessitate that certain accounting measures be taken;
d. Changes in the operating environment or other events resulting in a greater demand for funds than previously anticipated by the Group, or the occurrence of events of default under agreements with financial institutions; an inability to procure funds at the desired time and under the desired terms due to a change in market interest rates, market conditions or other factors.

2. Situation of the Corporate Group

SUMCO has 7 domestic subsidiaries (4 consolidated and 3 unconsolidated), 12 overseas subsidiaries (9 consolidated and 3 unconsolidated). Two other companies related to SUMCO are Nippon Steel & Sumitomo Metal Corporation and Mitsubishi Materials Corporation. SUMCO belongs to each group of those two companies. SUMCO and its subsidiaries (the "SUMCO Group") conduct business that relates solely to "high-purity silicon".

(Business Structure)

The business structure of the SUMCO Group is as follows: ("*" indicates consolidated subsidiaries)



Pr=Product, S-Pr=Semi-finished product, Srv=Service, BC=Business consignment, RM=Raw material, Em=Equipment

Minamata Denshi Co., Ltd. was dissolved and Japan Super Quartz Corporation was merged with SUMCO Corporation in the fiscal year ended January 31, 2013. SUMCO Solar Corporation is working to be dissolved.

3. Management Policies

(1) Basic policies of Corporate Management

The SUMCO Group strives to contribute to the development of society by ensuring a stable supply of high quality silicon wafers used in semiconductor devices, an objective it is committed to achieving through the maximum utilization of its product development and technological capabilities in a broad range of large-diameter and small-diameter silicon wafer manufacturing activities. In particular, the SUMCO Group is focused on constantly improving its technological capabilities in order to successfully respond to the extremely demanding quality and cost requirements of customers, and to thereby maintain and improve its position in the silicon wafer industry. These commitments are underscored in the mission statement of the SUMCO Group, which is "To be the world's No. 1 silicon wafer supplier by exceeding the expectation of our customers and stockholders, by recognizing the value of our employees and by being good neighbors in communities."

Guided by these basic policies, the SUMCO Group will continue to strengthen its business foundations, aim to achieve sustained growth, and respond to the expectations of its stakeholders.

(2) Medium- to Long-term Management Strategies

Although factors resulting in fluctuation will remain, the market for 300 mm wafers is expected to continue growing in line with the expansion of the market for silicon wafers for semiconductors. On the other hand, demand for 200 mm and smaller diameter silicon wafers is expected to gradually decline as the market shifts to 300 mm wafers.

Under these conditions, the SUMCO Group will pursue the following direction with regard to 300 mm wafers, its main product. While responding appropriately to growth in demand and flatness and fineness requirements, constant efforts will be made to rectify and improve the price level of our products. In the area of small-diameter silicon wafers of 200 mm and less, the production system will be reorganized to optimize the scale of facilities and to realize centralized and highly efficient operations. Continued efforts will also be made in improving profitability by strengthening our cost competitiveness and responding to higher quality requirements.

(3) Challenges Facing SUMCO Group

The SUMCO Group has been carrying out the Business Reorganization Plan announced in February of last year, involving (a) withdrawal from the solar wafer business, (b) maintaining and improving cost competitiveness by further restructuring of production bases that mainly manufacture smaller-diameter wafers, for which demand is dropping, and (c) reviewing our workforce allocation in line with this optimization of our production structure primarily by asking for voluntary early retirement. As a result, for fiscal year 2012, the Group registered net income in the black.

In spite of the recent exchange rate trend toward a cheaper yen, the world economy is beset by uncertainties, and the business environment will be in the difficulties. We will transform our business to boost its capacity for responding to changes in the business environment, enhance its profit base, and achieve sustainable growth.

Due to sudden market fluctuations, our current consumption outlook of polycrystalline silicon is no longer in line with the demand expectations at the time the long-term purchase agreements were entered into, which leaves us with excessive inventory at present and is likely to continue growing in the future.

A negative impact on cash flow by increasing inventories was 30.5 billion yen in fiscal year 2012 (ended January 31, 2013), and is expected 24.0 billion yen in fiscal year 2013 (ending January 31, 2014). We expect to bring inventories down to appropriate levels, and we will negotiate with suppliers on an ongoing basis to achieve this goal as quickly as possible.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(millions of yen)

	End of FY2011 (January 31, 2012)	End of FY2012 (January 31, 2013)
Assets		
Current assets		
Cash and time deposits	25,464	35,103
Notes and accounts receivable	36,181	32,457
Short-term investment securities	—	37,000
Finished products	15,530	17,030
Work in process	14,527	11,229
Raw materials and supplies	47,095	84,798
Differed tax assets	215	161
Others	12,008	9,091
Allowance for doubtful accounts	(116)	(131)
Total current assets	150,906	226,741
Fixed assets		
Tangible fixed assets		
Buildings and structures	187,076	190,304
Accumulated depreciation	(88,507)	(94,815)
Buildings and structures (net)	98,568	95,488
Machinery and transportation equipment	706,005	723,436
Accumulated depreciation	(655,386)	(676,887)
Machinery and transportation equipment (net)	50,619	46,549
Land	20,178	20,235
Construction in progress	21,769	16,328
Others	13,311	13,798
Accumulated depreciation	(12,343)	(13,039)
Others (net)	967	759
Total tangible fixed assets	192,104	179,360
Intangible fixed assets		
Goodwill	16,868	15,231
Software	3,266	2,365
Others	213	248
Total intangible fixed assets	20,348	17,844
Investments and other assets		
Investment securities	897	118
Long-term advance payments	62,051	58,094
Long-term prepaid expenses	4,030	3,991
Deferred tax assets	4,893	5,925
Others	1,541	1,628
Allowance for doubtful accounts	(353)	(370)
Total investments and other assets	73,060	69,387
Total fixed assets	285,513	266,592
Total assets	436,420	493,334

(millions of yen)

	End of FY2011 (January 31, 2012)	End of FY2012 (January 31, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable	26,661	28,658
Short-term borrowings	95,693	125,308
Lease obligations	9,545	9,074
Accrued income taxes	484	236
Reserve for bonuses	2,452	2,171
Notes and accounts payable – Construction	6,229	2,332
Others	13,454	17,506
Total current liabilities	154,521	185,287
Long-term liabilities		
Long-term debt	118,298	103,150
Long-term lease obligations	11,485	2,410
Deferred tax liabilities	1,332	512
Deferred tax liabilities for land on revaluation reserve	1,559	1,559
Liability for employee retirement benefits	18,844	17,544
Others	3,606	2,542
Total long-term liabilities	155,126	127,721
Total liabilities	309,647	313,008
Equity		
Shareholders' equity		
Capital stock	114,107	136,607
Capital surplus	89,291	15,676
Retained earnings	(82,692)	16,849
Treasury stock	(8)	(8)
Total shareholders' equity	120,697	169,124
Accumulated other comprehensive loss		
Net unrealized gain on available-for-sale securities	149	0
Deferred gain on derivatives under hedge accounting	10	(3,431)
Land revaluation surplus	2,671	2,671
Foreign currency translation adjustments	(14,121)	(9,618)
Total accumulated other comprehensive loss	(11,290)	(10,378)
Minority interests	17,366	21,579
Total equity	126,773	180,325
Total liabilities and equity	436,420	493,334

(2) Consolidated Statements of Operations and Consolidated Statement of Comprehensive Income

[1] Consolidated Statements of Operations

(millions of yen)

	FY2011 (February 1, 2011– January 31, 2012)	FY2012 (February 1, 2012– January 31, 2013)
Net sales	247,177	206,691
Cost of sales	218,097	169,895
Gross profit	29,079	36,795
Selling, general and administrative expenses	28,112	23,579
Operating income	967	13,215
Non-operating income		
Interest income	47	34
Dividend income	41	141
Foreign exchange gain	170	—
Gain on sales of fixed assets	462	80
Subsidy income	171	941
Others	499	570
Total non-operating income	1,393	1,768
Non-operating expenses		
Interest expense	3,751	3,237
Foreign exchange loss	—	680
Depreciation	3,353	417
Loss on sales and disposal of fixed assets	403	133
Compensation expenses	135	614
Others	412	437
Total non-operating expenses	8,056	5,520
Ordinary income (loss)	(5,695)	9,464
Extraordinary income		
Compensation income	10,003	1,391
Gain on contribution of securities to retirement benefit trust	—	319
Total extraordinary income	10,003	1,711
Extraordinary loss		
Loss incurred from business restructuring	58,115	7,271
Loss on adjustment for changes of accounting standard for asset retirement obligations	560	—
Loss from a natural disaster	1,269	—
Total extraordinary loss	59,945	7,271
Income (loss) before income taxes and minority interests	(55,637)	3,903
Income taxes - current	657	302
Income taxes - deferred	27,790	(1,066)
Total income taxes	28,448	(763)
Net income (loss) before minority interests	(84,085)	4,667
Minority interests	283	1,240
Net income (loss)	(84,369)	3,426

[2] Consolidated Statement of Comprehensive Income

(millions of yen)

	FY2011 (February 1, 2011– January 31, 2012)	FY2012 (February 1, 2012– January 31, 2013)
Net income (loss) before minority interests	(84,085)	4,667
Other comprehensive income		
Net unrealized loss on available-for-sale securities	(702)	(149)
Deferred loss on derivatives under hedge accounting	(19)	(3,441)
Land revaluation surplus	212	—
Foreign currency translation adjustments	(3,531)	7,475
Total other comprehensive income (loss)	(4,040)	3,885
Comprehensive income (loss)	(88,126)	8,552
Total comprehensive income (loss) attributable to		
Owners of the parent	(86,988)	4,339
Minority interests	(1,138)	4,213

(3) Consolidated Statements of Changes in Equity

(millions of yen)

	FY2011 (February 1, 2011– January 31, 2012)	FY2012 (February 1, 2012– January 31, 2013)
Shareholder's equity		
Capital stock		
Balance at beginning of period	114,107	114,107
Changes during period		
Issuance of preferred stock	—	22,500
Total changes during period	—	22,500
Balance at end of period	114,107	136,607
Capital surplus		
Balance at beginning of period	89,291	89,291
Changes during period		
Issuance of preferred stock	—	22,500
Disposed deficit	—	(96,115)
Total changes during period	—	(73,615)
Balance at end of period	89,291	15,676
Retained earnings		
Balance at beginning of period	1,883	(82,692)
Changes during period		
Net income (loss)	(84,369)	3,426
Reversal of revaluation reserves for land	(206)	0
Disposed deficit	—	96,115
Total changes during of period	(84,576)	99,542
Balance at end of period	(82,692)	16,849
Treasury stock		
Balance at beginning of period	(8)	(8)
Changes during period		
Increase due to purchase of treasury stock	(0)	(0)
Total changes during period	(0)	(0)
Balance at end of period	(8)	(8)
Total shareholders' equity		
Balance at beginning of period	205,274	120,697
Changes during period		
Issuance of preferred stock	—	45,000
Net income (loss)	(84,369)	3,426
Reversal of revaluation reserves for land	(206)	0
Increase due to purchase of treasury stock	(0)	(0)
Total changes during period	(84,577)	48,427
Balance at end of period	120,697	169,124
Accumulated other comprehensive income (loss)		
Net unrealized gain on available-for-sale securities		
Balance at beginning of period	852	149
Changes during period		
Net change of items other than shareholders' equity	(702)	(149)
Total changes during period	(702)	(149)
Balance at end of period	149	0

(millions of yen)

	FY2011 (February 1, 2011– January 31, 2012)	FY2012 (February 1, 2012– January 31, 2013)
Deferred gains (losses)on derivatives under hedge accounting		
Balance at beginning of period	29	10
Changes during period		
Net change of items other than shareholders' equity	(19)	(3,441)
Total changes during of period	(19)	(3,441)
Balance at end of period	10	(3,431)
Land reservation surplus		
Balance at beginning of period	2,252	2,671
Changes during period		
Reversal of revaluation reserves for land	206	(0)
Net change of items other than shareholders' equity	212	—
Total changes during period	419	(0)
Balance at end of period	2,671	2,671
Foreign currency translation adjustments		
Balance at beginning of period	(12,012)	(14,121)
Changes during period		
Net change of items other than shareholders' equity	(2,109)	4,503
Total changes during period	(2,109)	4,503
Balance at end of period	(14,121)	(9,618)
Total accumulated other comprehensive income (loss)		
Balance at beginning of period	(8,878)	(11,290)
Changes during period		
Reversal of revaluation reserves for land	206	(0)
Net change of items other than shareholders' equity	(2,618)	912
Total changes during period	(2,411)	912
Balance at end of period	(11,290)	(10,378)
Minority interests		
Balance at beginning of period	19,748	17,366
Changes during period		
Net change of items other than shareholders' equity	(2,381)	4,213
Total changes during period	(2,381)	4,213
Balance at end of period	17,366	21,579
Total equity		
Balance at beginning of period	216,143	126,773
Changes during period		
Issuance of preferred stock	—	45,000
Net income (loss)	(84,369)	3,426
Increase due to purchase of treasury stock	(0)	(0)
Net change of items other than shareholders' equity	(5,000)	5,125
Total changes during period	(89,370)	53,552
Balance at end of period	126,773	180,325

(4) Consolidated Statements of Cash Flows

(millions of yen)

	FY2011 (February 1, 2011– January 31, 2012)	FY2012 (February 1, 2012– January 31, 2013)
Operating activities:		
Income (loss) before income taxes and minority interests	(55,637)	3,903
Depreciation and amortization	51,998	32,333
Amortization of goodwill	2,717	1,636
Compensation income	(10,003)	(1,391)
Loss incurred from business restructuring	58,115	2,765
Decrease in allowance for doubtful accounts	(594)	(41)
Decrease in reserve for bonuses	(430)	(329)
Decrease in liabilities for employee retirement benefits	(423)	(438)
Interest and dividend	(89)	(176)
Interest expense	3,751	3,237
Net loss (gain) on sales and disposal of fixed assets	(59)	52
Decrease in notes and accounts receivable, trade	12,110	4,973
Increase in inventories	(16,069)	(34,383)
Decrease (increase) in other current assets	(2,927)	3,005
Increase in notes and accounts payable, trade	3,177	784
Increase (decrease) in other current liabilities	(10,203)	149
Other, net	(11,617)	3,737
Subtotal	23,814	19,820
Interest and dividends received	89	151
Interest paid	(3,893)	(3,301)
Income taxes paid	(1,093)	(361)
Net cash provided by operating activities	18,916	16,308
Investing activities:		
Payments for purchases of fixed assets	(17,260)	(16,276)
Proceeds from sales of fixed assets	500	67
Purchase of investments in subsidiaries	(810)	(5)
Other, net	97	985
Net cash used in investing activities	(17,472)	(15,228)
Financing activities:		
Increase in short-term borrowings, net	4,995	3,015
Proceeds from long-term debt	3,000	39,000
Repayments of long-term debt	(27,724)	(29,718)
Repayments of lease obligations	(9,424)	(9,560)
Payments for purchases of treasury stock	(0)	(0)
Dividends paid to minority shareholders	(430)	—
Proceeds from issuance of preferred stock	—	44,766
Net cash provided by (used in) financing activities	(29,583)	47,502
Foreign currency transaction adjustment on cash and cash equivalents	(272)	367
Net increase (decrease) in cash and cash equivalents	(28,411)	48,950
Cash and cash equivalents decreased by elimination of consolidated subsidiaries	—	(2,310)
Cash and cash equivalents at beginning of period	53,876	25,464
Cash and cash equivalents at end of period	25,464	72,103

(5) Notes regarding Going Concern Assumption

Not applicable

(6) Changes in Accounting Policies

(Change in depreciation method for tangible fixed assets)

In conjunction with changes to the Corporation Tax Act (the Act for Partial Revision of the Income Tax Act, Etc., in Order to Construct a Tax System Addressing Changes in the Socio-Economic Structure [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 adopted a new depreciation method for tangible fixed assets acquired on or after April 1, 2012 based on the revised law. As a result, operating income has increased by 198 million yen, and ordinary income and income before income taxes and minority interests have increased by 208 million yen compared to figures calculated using the previous method.

(Change in depreciation method for tangible fixed assets)

Until the end of the previous fiscal year, consolidated subsidiary FORMOSA SUMCO TECHNOLOGY CORPORATION used the declining-balance method of calculating depreciation for its machinery, but from fiscal year 2012 it has changed to the straight-line method.

Based on the Business Reorganization Plan approved at its February 2012 board of directors meeting, the SUMCO Group has decided to reorganize production bases in its semiconductor silicon wafer business. In addition, increased production capacity will gradually come on line this 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 beginning from fiscal year 2012.

As a result, operating income, ordinary income, and income before income taxes and minority interests for fiscal year 2012 have each increased by 1,762 million yen compared to figures calculated using the previous declining-balance method.

(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, the company has taken the reorganization of production bases associated with implementation of measures set out in the Business Reorganization Plan during the fiscal year 2012 as an opportunity to change the depreciation period of machinery to 12 years.

As a result, operating income, ordinary income, and income before income taxes and minority interests for fiscal year 2012 have each increased by 1,439 million yen compared to figures calculated using the previous eight-year method.

(Additional information) Application of accounting standard and guidance for accounting changes and error corrections

For accounting changes and error corrections made on and after the beginning of fiscal year 2012, the Company is applying 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).

(8) Notes to Consolidated Financial Statements

(Segment information)

a. Segment information

For the year ended January 31, 2012 (February 1, 2011 – January 31, 2012) and the year ended January 31, 2013 (February 1, 2012 – January 31, 2013)

Segment information is not provided because the SUMCO Group has only one segment which is "Crystalline silicon."

b. Related information

For the year ended January 31, 2012 (February 1, 2011 – January 31, 2012)

1. Information about products and services

Information about products and services is omitted since the sales of one segment is more than ninety percent of total sales.

2. Information about geographical areas

(1) Net sales

(millions of yen)

Japan	North America	Asia	Others	Total
87,895	38,682	102,645	17,954	247,177

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

(2) Tangible fixed assets

(millions of yen)

Japan	Asia	Others	Total
154,002	34,081	4,019	192,104

3. Information about major customers

(millions of yen)

Customer name	Net sales	Relevant segment
Samsung Electronics Co., Ltd.	39,932	Crystalline silicon
Sumitomo Corporation	35,624	Crystalline silicon

For the year ended January 31, 2013 (February 1, 2012 – January 31, 2013)

1. Information about products and services
   Information about products and services is omitted since the sales of one segment is more than ninety percent of total sales.

2. Information about geographical areas
   (1) Net sales

(millions of yen)

Japan	North America	Asia	Others	Total
68,395	31,152	92,497	14,645	206,691

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

(2) Tangible fixed assets

(millions of yen)

Japan	Asia	Others	Total
134,320	40,866	4,173	179,360

3. Information about major customers

(millions of yen)

Customer name	Net sales	Relevant segment
Samsung Electronics Co., Ltd.	29,656	Crystalline silicon
Sumitomo Corporation	28,642	Crystalline silicon

c. Information about impairment loss
For the year ended January 31, 2012 (February 1, 2011 – January 31, 2012) and the year ended January 31, 2013 (February 1, 2012 – January 31, 2013)

Segment information is omitted since the SUMCO Group has only one segment which is "Crystalline silicon."

d. Information about amortization of goodwill
For the year ended January 31, 2012 (February 1, 2011 – January 31, 2012) and the year ended January 31, 2013 (February 1, 2012 – January 31, 2013)

Segment information is omitted since the SUMCO Group has only one segment which is "Crystalline silicon."

e. Information about negative goodwill
For the year ended January 31, 2012 (February 1, 2011 – January 31, 2012) and the year ended January 31, 2013 (February 1, 2012 – January 31, 2013)

Segment information is omitted since the SUMCO Group has only one segment which is "Crystalline silicon."

(Per-share information)

Year ended January 31, 2012 (February 1, 2011 – January 31, 2012)		Year ended January 31, 2013 (February 1, 2012 – January 31, 2013)	
Equity per share	424.47 yen	Equity per share	436.94 yen
Net loss per share	(327.33) yen	Net income per share	8.93 yen

(Note) 1. Diluted net loss per share for year ended January 31, 2013 is not described since dilutive effect did not exist, and that for year ended January 31, 2012 is not described since a net loss was posted and no diluted shares existed.

2. The following is the basis for calculation of net income per share.

	Year ended January 31, 2012 (Feb. 1, 2011 – Jan. 31, 2012)	Year ended January 31, 2013 (Feb. 1, 2012 – Jan. 31, 2013)
Net income (loss) per share		
Net income (loss) (millions of yen)	(84,369)	3,426
Amount not belonging to common shareholders (millions of yen)	―	1,125
(Preferred divided (millions of yen))	(―)	(1,125)
Net income (loss) for common stock (millions of yen)	(84,369)	2,301
Average number of shares during the period (shares)	257,746,974	257,746,762
Net income per diluted share		
Adjustment of net income (millions of yen)	―	1,125
(Preferred divided (millions of yen))	(―)	(1,125)
Increase of common share (shares)	―	39,541,673
(Preferred stock (shares))	(―)	(39,541,673)
Summary of residual securities not included in calculation of current net income per share after dilution due to lack of dilutive effect	―	Class A shares (450 shares)

(Subsequent event)

Not applicable