Brief Statement on Consolidated Financial Results for Fiscal Year 2013 (Ended December 31, 2013) [Japanese Accounting Standards]

February 14, 2014

Company name: SUMCO Corporation — TSE First Section
Code: 3436 URL: http://www.sumcosi.com/
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Scheduled date of ordinary general meeting of shareholders: March 28, 2014
Scheduled date of commencement of dividend payment: March 31, 2014
Scheduled date of filing of annual security report: March 28, 2014
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 December 31, 2013 (February 1, 2013 - December 31, 2013)

(1) Consolidated 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 Dec. 31, 2013	185,105	—	17,801	—	7,065	—	715	—
Year ended Jan. 31, 2013	206,691	(16.4)	13,215	—	9,464	—	3,426	—

(Note) Comprehensive income Year ended Dec. 31, 2013: 16,281 million yen (—%)
Year ended Jan. 31, 2013: 8,552 million yen (—%)

	Net income per share	Diluted net income per share	Net income / Shareholders' equity	Ordinary income / Total assets	Operating income / Net sales
	(yen)	(yen)	(%)	(%)	(%)
Year ended Dec. 31, 2013	(1.22)	—	0.4	1.4	9.6
Year ended Jan. 31, 2013	8.93	—	2.6	2.0	6.4

(Reference) Equity in earnings of affiliates Year ended Dec. 31, 2013: — million yen
Year ended Jan. 31, 2013: — million yen

(Note) SUMCO changed its fiscal year-end from January 31 to December 31 because "Proposal for Partial amendment to Article of Incorporation" was approved at its general meeting of shareholders on April 25, 2013. Fiscal year ended December 31, 2013 was the eleven months transitional period (February 1, 2013 – December 31, 2013), so year-on-year changes are not shown.

(2) Consolidated Financial Position

	Total assets	Equity	Shareholders' equity ratio	Shareholders' equity per share
	(millions of yen)	(millions of yen)	(%)	(Yen)
Year ended Dec. 31, 2013	498,522	194,836	33.7	473.42
Year ended Jan. 31, 2013	493,334	180,325	32.2	436.94

(Reference) Shareholders' equity Year ended Dec. 31, 2013: 168,050 million yen
Year ended Jan. 31, 2013: 158,746 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 Dec. 31, 2013	2,341	(8,735)	(4,513)	62,863
Year ended Jan. 31, 2013	16,308	(15,228)	47,502	72,103

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 Jan. 31, 2013	—	0.00	—	2.00	2.00	515	22.4	0.5
Year ended Dec. 31, 2013	—	0.00	—	1.00	1.00	257	—	0.2
Year ending Dec. 31, 2014 (Forecast)	—	—	—	—	—		—	

(Notes) (1) Dividends per share for the fiscal year-ending December 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 December 31, 2014 (January 1, 2014 - December 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 Jun. 30, 2014	102,000	—	9,000	—	6,500	—	4,500	—	15.28
Year ending Dec. 31, 2014	—	—	—	—	—	—	—	—	—

(Notes) (1) SUMCO will make an announcement of the full-year business forecast as soon as the disclosure becomes possible. Please see "Outlook for Fiscal Year 2014" on page 2 of Supplementary Materials.
(2) The period of first half of fiscal year 2014 (January 1, 2014 – June 30, 2014) is changed from that of first half of fiscal year 2013 (February 1, 2013 – July 31, 2013). Therefore changes from previous year are not shown.

*** Notes**

(1) Changes in important subsidiaries during the fiscal year: No
New Company: None Exclusion: None
(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: No
[2] Changes in accounting policies other than [1]: No
[3] Changes in accounting estimates: No
[4] Corrections of prior-period errors: No

(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 2013, ended December 31, 2013
257,751,739 shares for the fiscal year 2012, ended January 31, 2013
[2] Treasury stock as of the end of period:
5,826 shares for the fiscal year 2013, ended December 31, 2013
5,166 shares for the fiscal year 2012, ended January 31, 2013
[3] Average number of shares during period:
257,746,136 shares for the fiscal year 2013, ended December 31, 2013
257,746,762 shares for the fiscal year 2012, ended January 31, 2013

(Reference) Summary of Nonconsolidated Business Results

Nonconsolidated Business Results for Fiscal Year ended December 31, 2013 (Feb. 1, 2013 – Dec. 31, 2013)

(1) Nonconsolidated Business Results (Percentage figures represent changes from previous year)

	Net sales		Operating income		Ordinary income		Net income	
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
Year ended Dec. 31, 2013	139,434	—	9,648	—	(380)	—	(1,479)	—
Year ended Jan. 31, 2013	169,467	(18.3)	9,751	288.4	7,087	973.5	9,038	—

	Net income per share	Diluted net income per share
	(yen)	(yen)
Year ended Dec. 31, 2013	(9.73)	—
Year ended Jan. 31, 2013	30.70	30.40

(Note) SUMCO changed its fiscal year-end from January 31 to December 31 due to the "Proposal for Partial amendment to Article of Incorporation" was approved at its general meeting of shareholders on April 25, 2013. Fiscal year ended December 31, 2013 was the eleven months transitional period (February 1, 2013 – December 31, 2013), therefore year-on-year changes are not shown.

(2) Nonconsolidated Financial Position

	Total assets	Equity	Shareholders' equity ratio	Shareholders' equity per share
	(millions of yen)	(millions of yen)	(%)	(Yen)
Year ended Dec. 31, 2013	456,645	160,864	35.2	445.54
Year ended Jan. 31, 2013	456,824	160,554	35.1	443.96

(Reference) Shareholders' equity Year ended Dec. 31, 2013: 160,864 million yen
Year ended Jan. 31, 2013: 160,554 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, and do not constitute guarantees of future performance. 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.

SUMCO changed its fiscal year-end from January 31 to December 31 because "Proposal for Partial amendment to Article of Incorporation" was approved at its general meeting of shareholders on April 25, 2013. Fiscal year 2013 was the eleven months transitional period (February 1, 2013 – December 31, 2013).

Dividends per share for the fiscal year-ending December 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 February 14, 2014. 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, 2013	—	—	—	2,500,000.00	2,500,000.00
Year ended Dec. 31, 2013	—	—	—	2,287,671.23	2,287,671.23
Year ending Dec. 31, 2014 (Forecast)	—	—	—	—	—

(Note) Dividends per share for the fiscal year-ending December 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 2013

During FY2013, the market for silicon wafers for semiconductors was affected by sluggish demand for personal computers. However, after bottoming out in February, the market started to recover due to growing demand for smartphones and tablet PCs.

However, during the second half of FY2013, demand for 300mm wafers, the main product of the SUMCO Group, was impacted as foundries adjusted their output in response to the sharp shift in demand from high-end to low-end smartphones. Demand for small-diameter wafers underwent seasonal adjustment in their main markets for power semiconductors and LCD drivers.

In this environment, following the direction set by the SUMCO Vision, the SUMCO Group has strived to develop technologies that will differentiate from current products, reduce costs and worked on corporate structural reform to allow the Group to respond with greater flexibility for unforeseeable sudden changes in market.

<SUMCO Vision>

1. World's best in technology
2. Deficit-resistant even during economic downturns
3. Lively, vigorous business activities with a keen awareness of profit
4. Competitiveness in overseas market

As a result, for fiscal year 2013 (February 1, 2013 – December 31, 2013), the SUMCO Group registered consolidated net sales of 185,105 million yen, operating income of 17,801 million yen, and ordinary income of 7,065 million yen. As the SUMCO Group registered loss incurred from business restructuring of 2,672 million yen in the extraordinary loss section, net income came to 715 million yen.

② Outlook for Fiscal Year 2014

Driven by demand for smartphones and tablet PCs, the silicon wafer market is expected to enter a recovery phase during the first half of FY2014 as the adjustment that started in the second half of the previous year comes to an end.

In light of this market outlook, the SUMCO Group is committed to capturing the growth in demand, and to strengthening its revenue base by continuing to lower costs.

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

The semiconductor industry to which the SUMCO Group belongs is characterized by drastic and short-term changes in the business environment. At the present time, it is difficult to reasonably forecast business results for FY2014. Therefore, forecasts for the fiscal year ending December 2014 will remain indeterminate, but will be disclosed as soon as reasonable forecasts for FY2014 can be formulated.

(2) Analysis of Financial Position

① Analysis of Assets, Liabilities and Equity

Consolidated assets at the end of fiscal year 2013 increased by 5,188 million yen from the end of the previous fiscal year, to 498,522 million yen. The main factors of this change were 12,329 million yen decrease in fixed assets due to progression of depreciation and usage of long-term advanced payments, 5,500 million yen decrease in short-term investment securities due to redemption of negotiable deposit and 30,920 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 2013 decreased by 9,322 million yen from the end of the previous fiscal year, to 303,686 million yen. The main factors were 40,690 million yen increase in long-term debt, 36,198 million yen decrease in short-term borrowings, 5,597 million yen decrease in lease obligation and 8,809 million yen decrease in other current liabilities.

Consolidated equity at the end of fiscal year 2013 increased by 14,510 million yen from the end of the previous fiscal year, to 194,836 million yen. The main factors were 6,943 million yen increase in foreign currency translation adjustment and 5,205 million yen increase in minority interests by weaker yen.

② Analysis of Cash Flow

Consolidated cash and cash equivalents at the end of fiscal year 2013 decreased by 9,240 million yen from the end of the previous fiscal year, to 62,863 million yen. This decrease mainly reflects the fact that net

cash provided by operating activities was 2,341 million yen, net cash used in investing activities was 8,735 million yen and net cash used in financing activities was 4,513 million yen.

The situation for each type of each cash flow for fiscal year 2013 and contributing factors are as follows.

(Cash flow from operating activities)

Net cash provided by operating activities for fiscal year 2013 decreased by 13,966 million yen from the previous fiscal year, to 2,341 million yen. The favorable reason was improvement of income before income taxes and minority interests, and unfavorable reasons were decrease in depreciation and amortization.

(Cash flow from investing activities)

Net cash used in investing activities for fiscal year 2013 decreased by 6,492 million yen from the previous fiscal year, to 8,735 million yen. This was mainly caused by decreased payments for purchases of fixed assets.

(Cash flow from financing activities)

Net cash used in financing activities for fiscal year 2013 was 4,513 million yen. The main factors were Proceeds from long-term debt of 97,650 million yen, repayments of long-term debt of 55,011 million yen, decrease in short term debt, net of 39,769 million yen and repayments of lease obligation of 8,640 million yen.

(Reference) Trends in cash flow indices

	Year ended Jan. 31, 2010	Year ended Jan. 31, 2011	Year ended Jan. 31, 2012	Year ended Jan. 31, 2013	Year ended Dec. 31, 2013
Equity ratio (%)	39.9	35.0	25.1	32.2	33.7
Market-value based equity ratio (%)	60.6	57.4	38.6	49.6	48.0
Cash flow to interest-bearing debt ratio (Yr)	38.9	9.1	12.4	14.7	102.0
Interest coverage ratio (Times)	1.9	6.1	4.9	4.9	0.7

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.
(Note 5) Fiscal year ended December 31, 2013 was the eleven months transitional period (February 1, 2013 – December 31, 2013) due to change of fiscal year-end.

(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 1.00 yen per share.

The dividends for the fiscal year ending December 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.

② Group Products

In general, the prices of semiconductor chips that use products manufactured by the SUMCO Group tend to have price elasticity 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 cost reduction measures to offset expected declines in the prices of its products. These measures include efforts to increase production efficiency to increase sales volumes and to improve production yields. However, if prices deteriorate significantly more than expected due to a sudden crush in market conditions or because of some other event, such price declines could have a significant effect on the Group's business or its 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 signed. As a result, inventory of raw materials is increasing. The outlook for increase in "Raw materials and supplies" is as indicated under "3. Management Policies (3) Challenges Facing SUMCO Group"; 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.

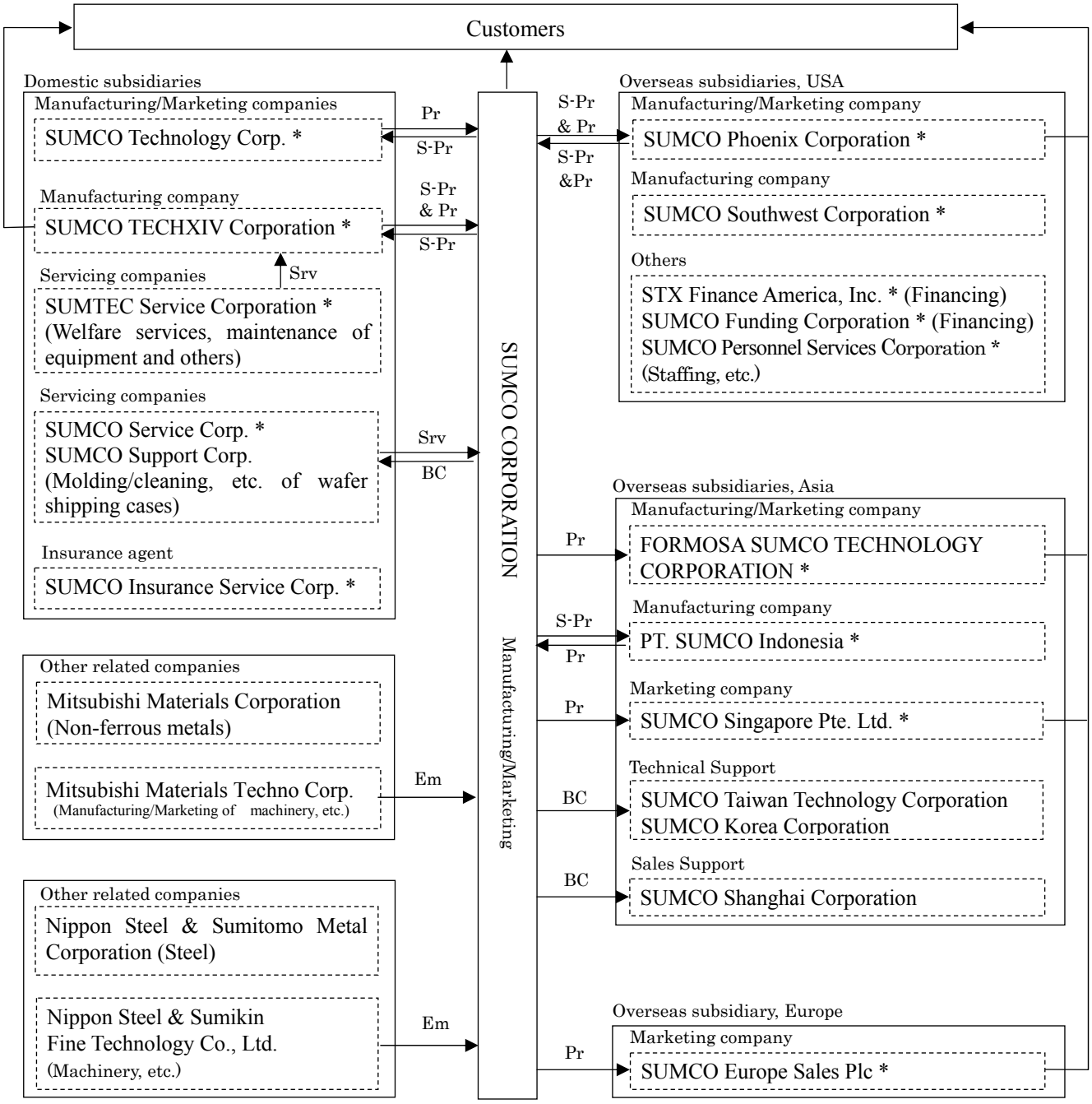
a. Major changes in market conditions, which necessitate that certain business and organizational restructuring or other actions be taken;
b. With regard to liabilities for retirement benefits, a decline in the market value of SUMCO's pension fund assets or a decline in the return on these assets, or 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 (5 consolidated and 2 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 "Crystalline 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

In the fiscal year ended December 31, 2013, SUMCO Solar Corporation was dissolved and SUMCO Insurance Service Corporation was established.

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 flatness and fineness requirements and growth in demand, constant efforts will be made to rectify. 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 by strengthening the products for power semiconductor whose demand will be expected to expand.

(3) Challenges Facing SUMCO Group

The SUMCO Group completed the Business Reorganization Plan announced in February 2012, 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 2013, the Group has registered net income in the black for two years in a row.

However, the world economy is beset by uncertainties, and the business environment will be in the difficulties. We will transform our business accordingly to enhance its profit base, and achieve sustainable growth.

Due to dramatic changes in the market for polycrystalline silicon, the principal raw material for silicon wafers, a significant disparity has emerged between demand forecasts at time of conclusion of long-term purchase agreements and current outlook for consumption, as a result of which we are currently holding excess inventory. "Raw materials and supplies," which includes the inventory of raw materials, amounted to 115.7 billion yen as of the end of FY2013, up 30.9 billion yen from the previous year-end.

"Raw materials and supplies" is projected to increase to about 130 billion yen by the end of FY2014. However, as long-term contracts are gradually expiring, the annual increase in inventory level is slowing down, and is projected to follow a downward trend after peaking around FY2016.

While inventory is expected to recover to appropriate levels over the medium- to long-terms, we are making various efforts to bring down the inventory of raw materials.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(millions of yen)

	End of FY2012 (January 31, 2013)	End of FY2013 (December 31, 2013)
Assets		
Current assets		
Cash and time deposits	35,103	31,363
Notes and accounts receivable	32,457	30,806
Short-term investment securities	37,000	31,500
Finished products	17,030	14,750
Work in process	11,229	12,189
Raw materials and supplies	84,798	115,719
Deferred tax assets	161	149
Others	9,091	7,791
Allowance for doubtful accounts	(131)	(11)
Total current assets	226,741	244,259
Fixed assets		
Tangible fixed assets		
Buildings and structures	190,304	193,796
Accumulated depreciation	(94,815)	(100,992)
Buildings and structures (net)	95,488	92,804
Machinery and transportation equipment	723,436	707,616
Accumulated depreciation	(676,887)	(655,640)
Machinery and transportation equipment (net)	46,549	51,976
Land	20,235	20,279
Construction in progress	16,328	8,133
Others	13,798	13,717
Accumulated depreciation	(13,039)	(13,116)
Others (net)	759	600
Total tangible fixed assets	179,360	173,794
Intangible fixed assets		
Goodwill	15,231	13,573
Software	2,365	2,090
Others	248	198
Total intangible fixed assets	17,844	15,862
Investments and other assets		
Investment securities	118	119
Long-term advance payments	58,094	54,306
Long-term prepaid expenses	3,991	3,434
Deferred tax assets	5,925	5,623
Others	1,628	1,519
Allowance for doubtful accounts	(370)	(396)
Total investments and other assets	69,387	64,606
Total fixed assets	266,592	254,263
Total assets	493,334	498,522

(millions of yen)

	End of FY2012 (January 31, 2013)	End of FY2013 (December 31, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable	28,658	29,952
Short-term borrowings	125,308	89,110
Lease obligations	9,074	3,727
Accrued income taxes	236	477
Reserve for bonuses	2,171	2,016
Notes and accounts payable – Construction	2,332	1,259
Others	17,506	8,696
Total current liabilities	185,287	135,238
Long-term liabilities		
Long-term debt	103,150	143,841
Long-term lease obligations	2,410	2,159
Deferred tax liabilities	512	895
Deferred tax liabilities for land on revaluation reserve	1,559	1,559
Liability for employee retirement benefits	17,544	17,505
Others	2,542	2,486
Total long-term liabilities	127,721	168,447
Total liabilities	313,008	303,686
Equity		
Shareholders' equity		
Capital stock	136,607	136,607
Capital surplus	15,676	15,676
Retained earnings	16,849	15,924
Treasury stock	(8)	(9)
Total shareholders' equity	169,124	168,198
Accumulated other comprehensive loss		
Net unrealized gain on available-for-sale securities	0	0
Deferred loss on derivatives under hedge accounting	(3,431)	—
Land revaluation surplus	2,671	2,671
Foreign currency translation adjustments	(9,618)	(2,675)
Post retirement liability adjustments for foreign consolidated subsidiaries	—	(143)
Total accumulated other comprehensive loss	(10,378)	(147)
Minority interests	21,579	26,785
Total equity	180,325	194,836
Total liabilities and equity	493,334	498,522

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

[1] Consolidated Statements of Operations

(millions of yen)

	FY2012 (February 1, 2012– January 31, 2013)	FY2013 (February 1, 2013– December 31, 2013)
Net sales	206,691	185,105
Cost of sales	169,895	147,965
Gross profit	36,795	37,140
Selling, general and administrative expenses	23,579	19,338
Operating income	13,215	17,801
Non-operating income		
Interest income	34	29
Dividend income	141	16
Gain on sales of fixed assets	80	41
Subsidy income	941	449
Others	570	276
Total non-operating income	1,768	813
Non-operating expenses		
Interest expense	3,237	3,168
Foreign exchange loss	680	6,064
Loss on sales and disposal of fixed assets	133	278
Commission for syndicate loan	14	1,490
Others	1,454	548
Total non-operating expenses	5,520	11,550
Ordinary income	9,464	7,065
Extraordinary income		
Compensation income	1,391	—
Gain on contribution of securities to retirement benefit trust	319	—
Total extraordinary income	1,711	—
Extraordinary loss		
Loss incurred from business restructuring	7,271	2,672
Total extraordinary loss	7,271	2,672
Income before income taxes and minority interests	3,903	4,392
Income taxes - current	302	395
Income taxes - deferred	(1,066)	1,715
Total income taxes	(763)	2,111
Net income before minority interests	4,667	2,281
Minority interests	1,240	1,566
Net income	3,426	715

[2] Consolidated Statement of Comprehensive Income

(millions of yen)

	FY2012 (February 1, 2012– January 31, 2013)	FY2013 (February 1, 2013– December 31, 2013)
Net income before minority interests	4,667	2,281
Other comprehensive income		
Net unrealized income (loss) on available-for-sale securities	(149)	0
Deferred income (loss) on derivatives under hedge accounting	(3,441)	3,431
Foreign currency translation adjustments	7,475	10,848
Post retirement liability adjustments for foreign consolidated subsidiaries	—	(279)
Total other comprehensive income	3,885	14,000
Comprehensive income	8,552	16,281
Total comprehensive income attributable to		
Owners of the parent	4,339	10,946
Minority interests	4,213	5,335

(3) Consolidated Statements of Changes in Equity

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

(millions of yen)

	Shareholder's equity				
	Capital stock	Capital Surplus	Retained earnings	Treasury stock	Total shareholder's equity
Balance at beginning of period	114,107	89,291	(82,692)	(8)	120,697
Changes during period					
Issuance of preferred stock	22,500	22,500			45,000
Disposed deficit		(96,115)	96,115		—
Dividends of surplus					
Net income			3,426		3,426
Reversal of revaluation reserves for land			0		0
Increase due to purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes during of period	22,500	(73,615)	99,542	(0)	48,427
Balance at end of period	136,607	15,676	16,849	(8)	169,124

	Accumulated other comprehensive income						Minority interests	Total equity
	Net unrealized gain on available-for-sale securities	Deferred loss on derivative under hedge accounting	Land reservation surplus	Foreign currency transaction adjustments	Post retirement liability adjustments for foreign consolidated subsidiaries	Total accumulated other comprehensive loss		
Balance at beginning of period	149	10	2,671	(14,121)	—	(11,290)	17,366	126,773
Changes during period								
Issuance of preferred stock								45,000
Disposed deficit								—
Dividends of surplus								
Net income								3,426
Reversal of revaluation reserves for land			(0)			(0)		—
Increase due to purchase of treasury stock								(0)
Net changes of items other than shareholders' equity	(149)	(3,441)		4,503		912	4,213	5,125
Total changes during of period	(149)	(3,441)	(0)	4,503	—	912	4,213	53,552
Balance at end of period	0	(3,431)	2,671	(9,618)	—	(10,378)	21,579	180,325

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

(Millions of yen)

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

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

(4) Consolidated Statements of Cash Flows

(millions of yen)

	FY2012 (February 1, 2012– January 31, 2013)	FY2013 (February 1, 2013– December 31, 2013)
Operating activities:		
Income before income taxes and minority interests	3,903	4,392
Depreciation and amortization	32,333	21,024
Amortization of goodwill	1,636	1,657
Compensation income	(1,391)	—
Loss incurred from business restructuring	2,765	2,672
Decrease in allowance for doubtful accounts	(41)	(125)
Decrease in reserve for bonuses	(329)	(250)
Decrease in liabilities for employee retirement benefits	(438)	(537)
Interest and dividend income	(176)	(46)
Interest expense	3,237	3,168
Net loss on sales and disposal of fixed assets	52	236
Decrease in notes and accounts receivable, trade	4,973	3,678
Increase in inventories	(34,383)	(27,055)
Decrease in other current assets	3,005	1,807
Decrease (increase) in notes and accounts payable, trade	784	(1,208)
Decrease (increase) in other current liabilities	149	(5,513)
Other, net	3,737	1,904
Subtotal	19,820	5,806
Interest and dividends received	151	46
Interest paid	(3,301)	(3,289)
Income taxes paid	(361)	(222)
Net cash provided by operating activities	16,308	2,341
Investing activities:		
Payments for purchases of fixed assets	(16,276)	(8,399)
Proceeds from sales of fixed assets	67	147
Purchase of investments in subsidiaries	(5)	—
Other, net	985	(483)
Net cash used in investing activities	(15,228)	(8,735)
Financing activities:		
Decrease (increase) in short-term borrowings, net	3,015	(39,769)
Proceeds from long-term debt	39,000	97,650
Repayments of long-term debt	(29,718)	(55,011)
Proceeds from sale and leaseback	—	3,029
Repayments of lease obligations	(9,560)	(8,640)
Payments for purchases of treasury stock	(0)	(0)
Dividends paid	—	(1,640)
Dividends paid to minority shareholders	—	(130)
Proceeds from issuance of preferred stock	44,766	—
Net cash used in (provided by) financing activities	47,502	(4,513)
Foreign currency transaction adjustment on cash and cash equivalents	367	1,668
Net decrease (increase) in cash and cash equivalents	48,950	(9,240)
Cash and cash equivalents decreased by elimination of consolidated subsidiaries	(2,310)	—
Cash and cash equivalents at beginning of period	25,464	72,103
Cash and cash equivalents at end of period	72,103	62,863

(5) Notes to Consolidated Financial Statements

(Notes regarding Going Concern Assumption)

Not applicable

(Segment information)

a. Segment information

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

For the year ended December 31, 2013 (February 1, 2013 – December 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
49,356	29,595	90,522	15,630	185,105

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

(2) Tangible fixed assets

(millions of yen)

Japan	Asia	Others	Total
123,885	45,347	4,560	173,794

3. Information about major customers

(millions of yen)

Customer name	Net sales	Relevant segment
Samsung Electronics Co., Ltd.	20,884	Crystalline silicon
Sumitomo Corporation	19,690	Crystalline silicon

c. Information about impairment loss

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

Not applicable

d. Information about amortization of goodwill

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

Not applicable

(Per-share information)

Year ended January 31, 2013 (February 1, 2012 – January 31, 2013)		Year ended December 31, 2013 (February 1, 2013 – December 31, 2013)	
Equity per share	436.94 yen	Equity per share	473.42 yen
Net income per share	8.93 yen	Net loss per share	(1.22) yen

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

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

	Year ended Jan. 31, 2013 (Feb. 1, 2012 – Jan. 31, 2013)	Year ended Dec. 31, 2013 (Feb. 1, 2013 – Dec. 31, 2013)
Net income (loss) per share		
Net income (millions of yen)	3,426	715
Amount not belonging to common shareholders (millions of yen)	1,125	1,029
(Preferred divided (millions of yen))	(1,125)	(1,029)
Net income (loss) for common stock (millions of yen)	2,301	(314)
Average number of shares during the period (shares)	257,746,762	257,746,136
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

5. Others

(1) Changes in officers

① Changes of Representative Directors

Not applicable

② Other Changes

・Outside Directors to be newly nominated

(New Position)	(Name)	(Current Position)
Outside Director	Hirotake Ota	General Manager, Poly-silicon Technology & Planning Department Silicon Division Electronic Materials & Components Company, Mitsubishi Materials Corporation
Outside Director	Masahiro Mitomi	Representative Director, Value Create Inc.

・Members of the Board of Directors to retire

(Current Position)	(Name)
Outside Director	Hironori Miyahara
Outside Director	Masahiro Sumita

・Outside Corporate Auditor to retire

(Current Position)	(Name)
Outside Corporate Audotir	Kazuomi Fukazawa

③ Scheduled Date of Changes

March 28, 2014