March 8, 2016

Dear Shareholders,

Matters Disclosed on the Internet Related to the Notice of Convocation of the 17th Ordinary General Meeting of Shareholders

1) Consolidated Statement of Changes in Equity.....2
2) Notes on Consolidated Financial Statements.....3
3) Non-consolidated Statement of Changes in Equity 16
4) Notes on Non-Consolidated Financial Statements.....18

In accordance with the laws and regulations and Article 14 Articles of Incorporation of the Company, matters above are deemed to be provided to the shareholders by being available on the Company's website (http://www.sumcosi.com).

SUMCO CORPORATION

Consolidated Statement of Changes in Equity

(From January 1, 2015 to December 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital Surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	136,607	15,676	30,946	(10)	183,220
Cumulative effects of changes in accounting policies			2,896		2,896
Restated balance	136,607	15,676	33,843	(10)	186,116
Changes during period					
Issuance of new shares	32,111	32,111			64,223
Transfer to other capital surplus from capital stock	(30,000)	30,000			-
Dividends of surplus			(5,088)		(5,088)
Net income			19,747		19,747
Purchase of treasury stock				(54,404)	(54,404)
Retirement of treasury stock		(54,403)		54,403	-
Net changes of items other than shareholders' equity					
Total changes during period	2,111	7,708	14,658	(0)	24,478
Balance at end of period	138,718	23,384	48,502	(11)	210,594

	Accumulated other comprehensive income						Minority interests	Total equity
	Net unrealized gain on available-for-sale securities	Deferred loss on derivatives under hedge accounting	Land revaluation surplus	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	0	(1)	2,670	2,600	(3,488)	1,781	31,723	216,725
Cumulative effects of changes in accounting policies								2,896
Restated balance	0	(1)	2,670	2,600	(3,488)	1,781	31,723	219,622
Changes during period								
Issuance of new shares								64,223
Transfer to other capital surplus from capital stock								-
Dividends of surplus								(5,088)
Net income								19,747
Purchase of treasury stock								(54,404)
Retirement of treasury stock								-
Net changes of items other than shareholders' equity	0	0	145	(847)	7	(693)	1,134	440
Total changes during period	0	0	145	(847)	7	(693)	1,134	24,918
Balance at end of period	0	(0)	2,816	1,753	(3,481)	1,088	32,857	244,540

Notes on Consolidated Financial Statements

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

1. Scope of consolidation

(1) Number and names of consolidated subsidiaries

Number of consolidated subsidiaries: 16

Names of major consolidated subsidiaries:

SUMCO TECHXIV CORPORATION

SUMCO Phoenix Corporation

FORMOSA SUMCO TECHNOLOGY CORPORATION

Please note that, in the consolidated fiscal year under review, the Company newly established Japan Formosa SUMCO Technology Corporation, which is included in the scope of consolidation.

(2) Number and names of non-consolidated subsidiaries

Number of non-consolidated subsidiaries: 4

Name of major non-consolidated subsidiary:

SUMCO Korea Corporation

[Reason for exclusion from the scope of consolidation]

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

2. Application of the equity method

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

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

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

Name of major non-consolidated subsidiary or affiliate:

SUMCO Korea Corporation

[Reason for non-application of the equity method]

The number of non-consolidated subsidiaries and affiliates to which the equity method is not applied is 4. All 4 companies are exempt from application of the equity method as their influences on net income (appropriate amount corresponding to equity ownership) and retained earnings (appropriate amount corresponding to equity ownership) are minor, and basically insignificant as a whole.

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

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

4. Standards for accounting treatments

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

(a) Marketable securities

Available-for-sale securities

Securities with market value:

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

Securities without market value:

We mainly employ the cost method based on the "moving average cost" method.

(b) Derivatives

We employ the market value method.

(c) Inventories

We mainly employ the cost method based on the periodic average method. (Balance sheet values are calculated using the devaluating book value method based on decreases in profitability.)

(2) Method of depreciation of major depreciable assets

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

We mainly employ the straight-line method for buildings and the constant percentage method for other non-current assets.

Service life for buildings and structures is mainly set at 31 years and service life for machinery and transport equipment is mainly set at 5 years.

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

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

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

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

(3) Standard for provision of major allowances

(a) Allowance for doubtful accounts

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

(b) Reserve for bonuses

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

(c) Allowance for director bonuses

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

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

(a) Accounting for deferred assets

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

(b) Accounting method for retirement benefits

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

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

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

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

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

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

Values of foreign currency-denominated receivables and payables are translated into Japanese yen at the spot rates of foreign exchange markets on the closing dates of accounting for the respective companies, and translation differences are charged to income. Values of assets and liabilities of overseas subsidiaries are translated into Japanese yen at the spot rates of foreign exchange markets on the closing dates of accounting for the respective companies; revenues and expenses are converted to Japanese yen at the average market rates during the periods. Translation differences are inclusively posted in the foreign currency translation adjustments account and minority interests in the equity section.

(d) Major hedge accounting

(Method of hedge accounting)

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

(Hedging instrument and hedged item)

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

(Hedging policy)

Mainly based on our own risk management policy, we hedge against a risk of fluctuations in market interest rates and a risk of currency fluctuations. As for a risk of fluctuations in market interest rates, we maintain the ratio of borrowings with fixed interest rates to total borrowings above a certain level. Also, as for a risk of currency fluctuations, we arrange currency forward contracts within the scope of anticipated sales.

(Method of assessment of effectiveness of hedges)

In terms of hedging instruments and hedged items, we verify the effectiveness of the hedges based on individual transactions. However, the effectiveness assessment process is curtailed when important conditions such as the principal, interest rate, period and currency are identical in the hedging instrument and the hedged item as, in such a case, it is obvious that the particular hedge is highly effective.

(e) Method and period for amortization of goodwill

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

(f) Accounting for consumption taxes

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

5. Changes in accounting policies

Adoption of Accounting Standard for Retirement Benefits

Regarding the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015), effective from the consolidated fiscal year under review, the Company has adopted the provisions of the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of Guidance on Accounting Standard for Retirement Benefits, reviewed its calculation method for retirement benefit obligations and current service costs, and changed its method of attributing expected benefits to periods from mainly the straight-line basis to the benefit formula basis. In addition, the Company has changed the method for determining the discount rate from one that uses a discount rate based on a period of the expected average remaining working lives of employees, to one that uses a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

Adoption of the Accounting Standard for Retirement Benefits and Guidance on Accounting Standard for Retirement Benefits is in line with the transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits, and the effect of the revision to the calculation method for retirement benefit obligations and current service costs has been added to or deducted from retained earnings as of January 1, 2015.

As a result, as of January 1, 2015, net defined benefit liability decreased by 2,896 million yen and retained earnings increased by 2,896 million yen. In addition, the effect of this adoption on operating income, ordinary income and income before income taxes and minority interests for the consolidated fiscal year under review is immaterial.

Net assets per share increased by 9.88 yen, and the effect of this adoption on net income per share is immaterial.

6. Changes to presentations

(1) Since the materiality of "Subsidy income," which had been included in "Other" under non-operating income on the consolidated statement of income for the previous consolidated fiscal year, increased in the consolidated fiscal year under review, it is now presented separately. Please note that "Subsidy income" included in "Other" in the previous consolidated fiscal year is 6 million yen.

(2) Since the materiality of "Compensation income ," which had been included in "Other" under non-operating income on the consolidated statement of income for the previous consolidated fiscal year, increased in the consolidated fiscal year under review, it is now presented separately. Please note that "Compensation income " included in "Other" in the previous consolidated fiscal year is 44 million yen.

(3) Since the materiality of the items that had been presented separately as "Gain on sales of materials" under non-operating income on the consolidated statement of income for the previous consolidated fiscal year decreased in the consolidated fiscal year under review, they are now included in "Other."

Please note that "Gain on sales of materials" included in "Other" in the consolidated fiscal year under review is 11 million yen.

(4) Since the amount of the items that had been presented separately as "Foreign exchange gain" under non-operating income on the consolidated statement of income for the previous consolidated fiscal year was zero in the consolidated fiscal year under review, they are not included.

(5) Since the materiality of the items that had been presented separately as "Insurance income" under non-operating income on the consolidated statement of income for the previous consolidated fiscal year decreased in the consolidated fiscal year under review, they are now included in "Other."

Please note that "Insurance income" included in "Other" in the consolidated fiscal year under review is 2 million yen.

(6) Since the materiality of the items that had been presented separately as "Loss on sales and retirement of non-current assets" under non-operating expenses on the consolidated statement of income for the previous consolidated fiscal year decreased in the consolidated fiscal year under review, they are now included in "Other."

Please note that "Loss on sales and retirement of non-current assets" included in "Other" in the consolidated fiscal year under review is 207 million yen.

II. Notes to Consolidated Balance Sheet

1. Accumulated depreciation of property, plant and equipment

802,986 million yen

2. Guarantee obligation

Guarantee for employee borrowings from financial institution	452 million yen

3. Land revaluation

We carried out a revaluation of the land owned by the merged company for business use based on the Land Revaluation Law (Law No. 34 of March 31, 1998) and posted the tax equivalent amount on the relevant revaluation difference to the liabilities section as "Deferred income tax liabilities on revaluation reserve for land," and at the same time posted the amount with the tax equivalent portion deducted to the net assets section as "Land revaluation surplus."

Method of revaluation

A revaluation was carried out with a reasonable adjustment made for the assessed value of non-current assets as stipulated in Article 2, Item 3 of the Enforcement Order for the Land Revaluation Law (Cabinet Order No. 119 of March 31, 1998).

Date of revaluation: March 31, 2000

Difference between market value of land at end of year of revaluation and book value after revaluation: (3,625) million yen

4. Long- and short-term borrowings

(1) The Company has borrowings from financial institutions that are subject to financial covenants. These covenants require that the net assets on the Company's consolidated and non-consolidated balance sheet, as well as the cash flows from operating activities on the Company's consolidated statements of cash flows, be maintained at certain levels.

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

Long-term debt	31,768 million yen
(Repayment of above scheduled within one year)	(13,232 million yen)

(2) In order to obtain flexible financing for operating funds, the Company has entered into a commitment line agreement with financial institutions. Financial covenants are attached to the agreement that require net assets in the Company's consolidated and non-consolidated balance sheet and the cash flows from operating activities in the Company's consolidated statement of cash flows to be maintained at certain levels.

The unexecuted loan commitment associated with the commitment line agreement as of December 31, 2015 is as follows.

Total loan commitment	89,300 million yen
Used commitment	21,874 million yen
Unexecuted loan commitment	67,425 million yen

5. Others

(1) In order for the Company and some of its consolidated subsidiaries to secure polycrystalline silicon, which is the main raw material of silicon wafers, they entered into long-term purchase contracts with polycrystalline silicon producers. In accordance with the contracts, the Company and some of its consolidated subsidiaries have made advance payments to some of the producers.

(2) In order to control the growth of its polycrystalline silicon inventory and diversify its financing, for some of the long-term purchase contracts for polycrystalline silicon, within a maximum amount of 20,000 million yen, the Company has entered into contracts, etc. (hereinafter, transfer contracts, etc.) to transfer to the transferees the Company's status as purchaser in those long-term contracts.

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

Please note that, in accordance with the transfer contracts, etc., the amount equivalent to the remaining amount as of the end of the consolidated fiscal year under review is 7,814 million yen.

III. Notes to Consolidated Statement of Income

1. Impairment loss

(1) Outline of groups of assets that have recorded impairment loss

(Millions of yen)

Company Name	Location	Use	Category	Impairment loss amount
SUMCO CORPORATION	Imari-shi, Saga	Idle assets	Construction in progress	881
SUMCO TECHXIV CORPORATION	Omura-shi, Nagasaki	Idle assets	Construction in progress	66
PT. SUMCO Indonesia	Cikarang Barat, INDONESIA	Business assets	Buildings and structures	278
			Machinery, equipment and vehicles	313
			Construction in progress	282
			Other	26
		–	Goodwill	194
Total				2,043

(2) Background for posting of impairment loss

The SUMCO Group groups its business assets is based on classifications for management accounting whereby the group units are the smallest identifiable unit that generates cash flows that are largely independent of the cash flows of other assets, and each idle asset is treated as one group.

The above idle assets became unused due to specification changes by customers, response to a shift to high precision and others, and their book values were reduced to the recoverable value. The facility for manufacture of silicon wafers for semiconductors was impaired to the recoverable value because the economic outcome of the asset was expected to deteriorate in PT. SUMCO Indonesia due to changes in the market conditions. Regarding the goodwill that was attributable to such company, the whole undepreciated amount of the said goodwill was impaired as the extra earning power was lost.

The recoverable value of idle assets is deemed to be zero because future cash flows are not expected from these idle assets. Regarding the facility for manufacture of silicon wafers for semiconductors, the recoverable value was measured by the net realizable value in the relevant asset group based on examples of actual transactions.

(3) Amount of impairment loss

(Millions of yen)

Category	Impairment loss amount
Buildings and structures	278
Machinery, equipment and vehicles	313
Construction in progress	1,230
Other	26
Goodwill	194
Total	2,043

IV. Notes to Consolidated Statement of Changes in Equity

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

(Shares)

	Number of shares as of the beginning of consolidated fiscal year under review	Increase during the consolidated fiscal year under review	Decrease during the consolidated fiscal year under review	Number of shares as of the end of consolidated fiscal year under review
Issued shares				
Common shares (Note 1)	257,751,739	35,533,800	–	293,285,539
Class A shares (Note 2)	450	–	450	–
Class B shares (Note 3)	–	450	450	–
Total	257,752,189	35,534,250	900	293,285,539
Treasury stock				
Common shares (Note 4)	6,246	520	–	6,766
Class A shares (Note 5)	–	450	450	–
Class B shares (Note 6)	–	450	450	–
Total	6,246	1,420	900	6,766

(Notes)
1. The 35,533,800-share increase in the total number of issued common shares is comprised of a 33,903,800-share increase due to issuance of new shares by a public equity offering, and a 1,630,000-share increase due to issuance of new shares by a capital increase through a third-party allotment.
2. The 450-share decrease in the total number of issued Class A shares is a decrease owing to the retirement of treasury stock.
3. The 450-share increase in the total number of issued Class B shares is an increase owing to their delivery in exchange for the acquisition of Class A shares. The 450-share decrease in the total number of issued Class B shares is a decrease owing to the retirement of treasury stock.
4. The 520-share increase in the number of shares of common treasury stock is due to the purchase of shares less than one unit.
5. The 450-share increase in the number of Class A treasury stock is an increase owing to purchase. Moreover the 450-share decrease in the number of Class A treasury stock is a decrease owing to the retirement of treasury stock.
6. The 450-share increase in the number of Class B treasury stock is an increase owing to purchase. Moreover the 450-share decrease in the number of Class B treasury stock is a decrease owing to the retirement of treasury stock.

2. Particulars concerning dividends from surplus

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on March 25, 2015	Common shares	1,030	4.00	December 31, 2014	March 26, 2015
Ordinary General Meeting of Shareholders on March 25, 2015	Class A shares	1,125	2,500,000.00	December 31, 2014	March 26, 2015
Board of Directors Meeting on August 6, 2015	Common shares	2,932	10.00	June 30, 2015	September 28, 2015

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

Resolution expected	Dividend resource	Class of shares	Total amount of dividends (millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on March 29, 2016	Retained earnings	Common shares	2,932	10.00	December 31, 2015	March 30, 2016

V. Notes Regarding Financial Instruments

1. Status of financial instruments

(1) Policy for measures relating to financial instruments

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

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

Notes and accounts receivable are exposed to customer credit risk. For such risk, the Group has systems enabling the management of due dates and balances of each trading partner as well as the constant monitoring of operating status thereof. Such accounts denominated in foreign currencies are exposed to currency fluctuation risk. In order to mitigate such risk, we use currency forward contracts as a hedging instrument. Marketable securities consist of negotiable certificates of deposit with maturities of within three months that are readily convertible into cash and have an immaterial risk of price fluctuation. Investment securities are primarily the shares in companies with which we have business relationships, and are exposed to market price fluctuation risk. We consistently review the holding status of such shares taking into account the market condition and the relationships with each trading partner.

Basically, notes and accounts payable and accrued income taxes, as well as notes and accounts payable – construction, have due dates arriving within six months. Borrowings with floating interest rates are exposed to interest rate fluctuation risk in accordance with the future interest rate hike in the interest rate market. In order to avert such risk and fix interest expenses, we use interest rate swaps for each of a portion of long-term borrowings as a hedging instrument.

The execution and management of derivative transactions are conducted by the department responsible for financing upon approval of approval authority, pursuant to the internal rules governing authority and maximum amounts of such transactions. In order to mitigate relevant credit risk, counterparties of derivative transactions are limited to financial institutions with high credit ratings. The outline of hedge accounting is as shown in “4. Standards for accounting treatments, (4) Other important matters for the preparation of consolidated financial statements, (d) Major hedge accounting” under “I. Notes on Basic Matters of Importance for Preparing Consolidated Financial Statements, etc.”

We manage liquidity risk in association with financing (risk of failure to execute payment on due date) by means of preparing financial plans every month or by other means.

(3) Supplementary explanation about fair values of financial instruments

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

2. Fair values of financial instruments

Amounts on consolidated balance sheet and fair values as of December 31, 2015 and the differences between them are as follows.

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

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and time deposits	41,913	41,913	–
(2) Notes and accounts receivable – trade	41,002	41,002	–
(3) Marketable securities and investment securities	5,000	5,000	–
Total assets	87,917	87,917	–
(1) Notes and accounts payable – trade	22,884	22,884	–
(2) Short-term borrowings (*1)	21,874	21,874	–
(3) Accrued income taxes	1,451	1,451	–
(4) Notes and accounts payable – construction	5,708	5,708	–
(5) Long-term debt (*1)	154,349	154,505	156
(6) Lease obligations	4,142	4,089	(53)
Total liabilities	210,409	210,512	103
Derivative transactions (*2)			
(i) Those to which hedge accounting is not applied	135	135	–
(ii) Those to which hedge accounting is applied	(0)	(0)	–
Total derivative transactions	134	134	–

(*1) Current portion of long-term debt is not included in (2) Short-term borrowings, but included in (5) Long-term debt.

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

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

Assets

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

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

(3) Marketable securities and investment securities

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

Liabilities

(1) Notes and accounts payable – trade, (2) Short-term borrowings, (3) Accrued income taxes and (4) Notes and accounts payable – construction

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

(5) Long-term debt, and (6) Lease obligations

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

Derivative transactions

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

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

2. Because unlisted stocks, etc. (amount on consolidated balance sheet: 80 million yen) have no market prices and their fair values are deemed to be extremely difficult to determine, the amount is not included in "Assets (3) Marketable securities and investment securities."

VI. 'Per Share' Information

1. Net assets per share: 721.78 yen
2. Net income per share: 70.06 yen

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

Net income (millions of yen)	19,747
Average number of common shares outstanding during the period (shares)	281,860,998

Non-consolidated Statement of Changes in Equity

(From January 1, 2015 to December 31, 2015)

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings			Treasury stock	Total shareholders' equity
		Capital reserve	Others	Total capital surplus	Retained earnings reserve	Other retained earnings Retained earnings carried forward	Total retained earnings		
Balance at beginning of period	136,607	10,500	5,176	15,676	292	14,052	14,345	(10)	166,618
Cumulative effects of changes in accounting policies						3,542	3,542		3,542
Restated balance	136,607	10,500	5,176	15,676	292	17,594	17,887	(10)	170,160
Changes during period									
Issuance of new shares	32,111	32,111		32,111					64,223
Transfer to other capital surplus from capital stock	(30,000)	(30,000)	60,000	30,000					–
Reversal of capital reserve		(9,000)	9,000	–					–
Accumulation of retained earnings reserve					508	(508)	–		–
Dividends of surplus						(5,088)	(5,088)		(5,088)
Net income						11,448	11,448		11,448
Purchase of treasury stock								(54,404)	(54,404)
Retirement of treasury stock			(54,403)	(54,403)				54,403	–
Net changes of items other than shareholders' equity									
Total changes during period	2,111	(6,888)	14,596	7,708	508	5,850	6,359	(0)	16,178
Balance at end of period	138,718	3,611	19,772	23,384	801	23,445	24,247	(11)	186,339

(Millions of yen)

	Variance of valuation/translation, etc.			Total equity
	Deferred loss on derivatives under hedge accounting	Land revaluation surplus	Total variance of valuation/translation, etc.	
Balance at beginning of period	(1)	2,670	2,669	169,288
Cumulative effects of changes in accounting policies				3,542
Restated balance	(1)	2,670	2,669	172,830
Changes during period				
Issuance of new shares				64,223
Transfer to other capital surplus from capital stock				–
Reversal of capital reserve				–
Accumulation of retained earnings reserve				–
Dividends of surplus				(5,088)
Net income				11,448
Purchase of treasury stock				(54,404)
Retirement of treasury stock				–
Net changes of items other than shareholders' equity	0	145	146	146
Total changes during period	0	145	146	16,324
Balance at end of period	(0)	2,816	2,815	189,155

Notes on Non-Consolidated Financial Statements

I. Notes on Major Accounting Policies

1. Standards for and method of evaluation of assets

(1) Marketable securities

(a) Stocks of subsidiaries and affiliates

We employ the cost method based on the "moving average cost" method.

(b) Available-for-sale securities

Securities with market value:

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

Securities without market value:

We employ the cost method based on the "moving average cost" method.

(2) Derivatives

We employ the market value method.

(3) Inventories

We employ the cost method based on the periodic average method. (Balance sheet values are calculated using the devaluating book value method based on decreases in profitability.)

2. Method of depreciation of non-current assets

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

We employ the straight-line method (service life is mainly set at 31 years) for buildings and the constant percentage method (service life is mainly set at 5 years) for other property, plant and equipment.

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

Software

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

Other intangible assets

We employ the straight-line method.

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

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

3. Standard for provision of allowances

(1) Allowance for doubtful accounts

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

(2) Reserve for bonuses

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

(3) Allowance for director bonuses

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

(4) Liability for retirement benefits

Liability for retirement benefits is provided for payment of retirement benefits to employees in the amount deemed accrued at the current business year-end, based on the projected retirement benefit obligation and the fair value of plan assets at the current business year-end. Fair value of plan assets is recorded as prepaid pension cost in the balance sheet in the current business year as it exceeds the amount to/from which unrecognized actuarial gains/losses are added/subtracted in retirement benefit obligation.

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

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

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

(1) Accounting for deferred assets

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

(2) Hedge accounting

(Method of hedge accounting)

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

(Hedging instrument and hedged item)

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

(Hedging policy)

Based on our own risk management policy, we hedge against a risk of fluctuations in market interest rates and a risk of currency fluctuations. As for a risk of fluctuations in market interest rates, we maintain the ratio of borrowings with fixed interest rates to total borrowings above a certain level. Also, as for a risk of currency fluctuations, we arrange currency forward contracts within the scope of anticipated sales.

(Method of assessment of effectiveness of hedges)

In terms of hedging instruments and hedged items, we verify the effectiveness of the hedges based on individual transactions. However, the effectiveness assessment process is curtailed when important conditions such as the principal, interest rate, period and currency are identical in the hedging instrument and the hedged item as, in such a case, it is obvious that the particular hedge is highly effective.

(3) Accounting for retirement benefits

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

(4) Accounting for consumption taxes

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

5. Changes in accounting policies

Adoption of Accounting Standard for Retirement Benefits

Effective from the business year under review, the Company has adopted the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015), reviewed its calculation method for retirement benefit obligations and current service costs, and changed its method of attributing expected benefits to periods from mainly the straight-line basis to the benefit formula basis. In addition, the Company has changed the method for determining the discount rate from one that uses a discount rate based on a period of the expected average remaining working lives of employees, to one that uses a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

Adoption of the Accounting Standard for Retirement Benefits and Guidance on Accounting Standard for Retirement Benefits is in line with the transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits, and the effect of the revision to the calculation method for retirement benefit obligations and current service costs has been added to or deducted from retained earnings carried forward as of January 1, 2015.

As a result, as of January 1, 2015, prepaid pension cost increased by 383 million yen, liability for retirement benefits decreased by 3,158 million yen and retained earnings carried forward increased by 3,542 million yen. In addition, the effect of this adoption on operating income, ordinary income and net income before taxes for the business year under review is immaterial.

Net assets per share increased by 12.08 yen, and the effect of this adoption on the amount of net income per share is immaterial.

6. Changes to presentations

(1) Since the materiality of "Subsidy income" which had been included in "Other" under non-operating income on the non-consolidated statement of income for the previous business year, increased in the business year under review, it is now presented separately.

Please note that "Subsidy income" included in "Other" in the previous business year is 0 million yen.

(2) Since the materiality of the items that had been presented separately as "Gain on sales of fixed assets" under non-operating income on the non-consolidated statement of income for the previous business year decreased in the business year under review, they are now included in "Other."

Please note that "Gain on sales of fixed assets" included in "Other" in the business year under review is 42 million yen.

II. Notes to Non-consolidated Balance Sheet

1. Accumulated depreciation of property, plant and equipment

464,179 million yen

2. Guarantee obligation

Guarantee for employee borrowings from financial institution	452 million yen

3. Accounts receivable from and payable to subsidiaries and affiliates

Short-term accounts receivable	18,227 million yen
Long-term accounts receivable	38,760 million yen
Short-term accounts payable	26,189 million yen

4. Land revaluation

We carried out a revaluation of the land owned by the merged company for business use based on the Land Revaluation Law (Law No. 34 of March 31, 1998) and posted the tax equivalent amount on the relevant revaluation difference to the liabilities section as "Deferred income tax liabilities revaluation reserve for land," and at the same time posted the amount with the tax equivalent portion deducted to the net assets section as "Land revaluation surplus."

Method of revaluation:

A revaluation was carried out with a reasonable adjustment made for the assessed value of non-current assets as stipulated in Article 2, Item 3 of the Enforcement Order for the Land Revaluation Law (Cabinet Order No. 119 of March 31, 1998).

Date of revaluation: March 31, 2000

Difference between market value of land at end of year of revaluation and book value after revaluation: (3,625) million yen

5. Long- and short-term borrowings

(1) The Company has borrowings from financial institutions that are subject to financial covenants. These covenants require that the net assets on the Company's consolidated and non-consolidated balance sheet, as well as the cash flows from operating activities on the Company's consolidated statements of cash flows, be maintained at certain levels.

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

Long-term debt	31,768 million yen
(Repayment of above scheduled within one year)	(13,232 million yen)

(2) In order to obtain flexible financing for operating funds, the Company has entered into a commitment line agreement with financial institutions. Financial covenants are attached to the agreement that require net assets in the Company's consolidated and non-consolidated balance sheet and the cash flows from operating activities in the Company's consolidated statement of cash flows to be maintained at certain levels.

The unexecuted loan commitment associated with the commitment line agreement as of December 31, 2015 is as follows.

Total loan commitment	89,300 million yen
Used commitment	21,874 million yen
Unexecuted loan commitment	67,425 million yen

6. Others

(1) In order for the Company to secure polycrystalline silicon, which is the main raw material of silicon wafers, it entered into long-term purchase contracts with polycrystalline silicon producers. In accordance with the contracts, the Company has made advance payments to some of the producers.

(2) In order to control the growth of its polycrystalline silicon inventory and diversify its financing, for some of the long-term purchase contracts for polycrystalline silicon, within a maximum amount of 20,000 million yen, the Company has entered into contracts, etc. (hereinafter, transfer contracts, etc.) to transfer to the transferees the Company's status as purchaser in those long-term contracts.

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

Please note that, in accordance with the transfer contracts, etc., the amount equivalent to the remaining amount as of the end of the business year under review is 7,814 million yen.

III. Notes to Non-consolidated Statement of Income

1. Volume of transactions with subsidiaries and affiliates

Amount of sales	56,384	million yen
Amount of purchase	50,325	million yen
Transactions other than operational transactions	2,902	million yen

2. Impairment loss

(1) Outline of groups of assets that have recorded impairment loss

(millions of yen)

Location	Use	Category	Impairment loss amount
Imari-shi, Saga	Idle assets	Construction in progress	881
Total			881

(2) Background for posting of impairment losses

The Company groups its business assets based on classifications for management accounting whereby the group units are the smallest identifiable unit that generates cash flows that are largely independent of the cash flows of other assets, and each idle asset is treated as one group.

The above idle assets became unused due to specification changes by customers, response to a shift to high precision and others, and their book values were reduced to the recoverable value.

The recoverable value of idle assets is deemed to be zero because future cash flows are not expected from these idle assets.

(3) Amount of impairment losses

Category	Impairment loss amount (millions of yen)
Construction in progress	881
Total	881

IV. Note to Non-consolidated Statement of Changes in Equity

Class and total number of shares of treasury stock

(Shares)

	Number of Shares as of the beginning of the business year under review	Increase during the business year under review	Decrease during the business year under review	Number of Shares as of the end of business year under review
Treasury stock				
Common shares (Note 1)	6,246	520	—	6,766
Class A shares (Note 2)	—	450	450	—
Class B shares (Note 3)	—	450	450	—
Total	6,246	1,420	900	6,766

(Notes) 1. The 520-share increase in the number of common treasury shares is due to the purchase of shares less than one unit.
2. The 450-share increase in the number of Class A treasury stock is an increase owing to purchase. Moreover the 450-share decrease in the number of Class A treasury stock is a decrease owing to the retirement of treasury stock.
3. The 450-share increase in the number of Class B treasury stock is an increase owing to purchase. Moreover the 450-share decrease in the number of Class B treasury stock is a decrease owing to the retirement of treasury stock.

V. Notes Regarding Deferred Tax Accounting

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

Deferred tax assets

Loss carried forward	40,625	million yen
Stocks of subsidiaries and affiliates	27,486	million yen
Non-current assets	5,166	million yen
Liability for retirement benefits	2,608	million yen
Inventories	186	million yen
Other	1,401	million yen
Subtotal deferred tax assets	77,475	million yen
Valuation allowance	(77,475)	million yen
Total deferred tax assets	−	million yen

Deferred tax liabilities

Non-current assets	(123)	million yen
Total deferred tax liabilities	(123)	million yen
Net deferred tax liabilities	(123)	million yen
Deferred tax liabilities for land revaluation reserve	(1,413)	million yen

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

Effective statutory tax rate	35.3%
(Adjustment)	
Valuation allowance	(32.1)%
Other	0.3%
Actual effective tax rate for corporate income tax, etc. after the application of deferred tax accounting	3.5%

3. Correction of the amounts of deferred tax assets and deferred tax liabilities following the revision to the corporate income tax rate

The "Act for Partial Amendment of Income Tax, etc." (2015 Act No. 9) and the "Act for Partial Amendment of Local Tax Act, etc." (2015 Act No. 2) were promulgated on March 31, 2015 and the reduction in corporate tax rate, etc. is to be carried out from the business year starting from April 1, 2015 or later. Following this revision, a normal effective statutory tax rate which is used in the calculation of deferred tax assets and deferred tax liabilities will change from the current 35.3% to 32.8% for a temporary actuarial difference, which is expected to be expensed in the business year starting from April 1, 2016, and to 32.0% for that in the business year starting from April 1, 2017 or later.

As a result of this change in the tax rate, the amount of deferred tax liabilities decreased by 12 million yen and the amount of deferred income taxes decreased by the same amount. Deferred income tax liabilities on revaluation reserve for land decreased by 145 million yen and land revaluation surplus increased by the same amount.

VI. Note Regarding Related Party Transactions

Major corporate shareholders, etc.

Category	Company name	Voting interest (%)	Relationship with the party	Transaction contents	Transaction amount (millions of yen)	Account title	Balance at end of business year (millions of yen)
Other associated company	NIPPON STEEL & SUMITOMO METAL CORPORATION	18 (owned; direct ownership)	Interlocking of officers, etc.	Acquisition of treasury stock (Note 2)	18,134	–	–
Other associated company	Mitsubishi Materials Corporation	18 (owned; direct ownership)	Interlocking of officers, etc.	Acquisition of treasury stock (Note 2)	18,134	–	–
Subsidiary of other associated company	MITSUBISHI MATERIALS TRADING CORPORATION	–	Seller of raw materials, etc.	Purchase of raw materials, etc. (Note 3)	6,977	Accounts payable Long-term advance payments [current portion]	4,040 1,909 [705]

(Notes) 1. Transaction amount excludes consumption taxes.
2. Class A shares were acquired on May 11, 2015 and Class B shares were acquired on the same day.
3. Trade conditions and policy on decision-making of trade conditions
Prices of trades with MITSUBISHI MATERIALS TRADING CORPORATION are determined under the same conditions as general trades taking market prices into consideration.

Subsidiaries

Category	Company name	Voting interest (%)	Relationship with the party	Transaction contents	Transaction amount (millions of yen)	Account title	Balance at end of business year (millions of yen)
Subsidiary	SUMCO TECHXIV CORPORATION	100 (direct ownership)	Manufacturer of products, etc.	Purchase of products, etc. Collection of funds	43,001 6,141	Accounts payable Long-term loans receivable from subsidiaries and affiliates (current portion)	10,741 42,474 (4,000)
Subsidiary	SUMCO Phoenix Corporation	100 (direct ownership)	Sales destination of products, etc.	Selling of products Borrowing of funds	24,884 1,703	Accounts receivable Short-term borrowings	3,930 11,337
Subsidiary	JAPAN FORMOSA SUMCO TECHNOLOGY CORPORATION	49 (indirect ownership)	Sales destination of fixed assets	Sales of fixed assets Proceeds from sale of fixed assets Gain on sales	2,036 764	Accounts receivable – other Advances received	82 483

(Notes) 1. Transaction amount excludes consumption taxes.
2. Trade conditions and policy on decision-making of trade conditions
Prices of trades with the subsidiaries above are determined under the same conditions as general trades taking market prices into consideration.
Interest rates for the lending of funds to SUMCO TECHXIV CORPORATION and for the borrowing of funds from SUMCO Phoenix Corporation are determined rationally by taking market interest rates into consideration.

VII. 'Per Share' Information

1. Net assets per share: 644.97 yen
2. Net income per share: 40.62 yen

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

Net income (millions of yen)	11,448
Average number of common shares outstanding during the period (shares)	281,860,998