

Message from the President



I would like to begin by expressing my sincere appreciation to our stockholders for their support and understanding.

With regard to the world economy during the past fiscal year, ending March 31, 2015, the U.S. economy continued to steadily recover, but the European economy turned out to be lacking strength. A sluggish tendency was seen in emerging countries, such as those in the Asian region. Although the economy in Japan was affected by the consumption tax rate increase in April 2014, it moved along a gradual recovery track.

In these circumstances, the Shin-Etsu Group continued to promote sales of its products to a wide range of customers worldwide and expanded its global manufacturing bases. At the same time, we assiduously worked to enhance our technologies and product quality. Also, we focused on building a strong business foundation by developing new products that have unique characteristics and by focusing on stably securing raw materials.

As a result, in fiscal year 2015 we achieved growth in sales and earnings for the fifth consecutive year. Compared with the previous fiscal year, net sales increased by 7.7% to ¥1,255 billion, operating income increased by 6.6% to ¥185 billion and ordinary income increased by 9.6% to ¥198 billion.

Business segment performances were as follows:

•PVC/Chlor-Alkali Business

In the PVC/Chlor-Alkali business, although our U.S. subsidiary Shintech was affected by the increase in the prices of raw materials, it captured demand in the U.S., where a recovery was seen in the housing market, and aggressively carried out sales to its worldwide customers. As a result, although PVC is commodity chemical products, Shintech maintained high profitability and made significant contributions to the Shin-Etsu Group's consolidated performance.

•Silicones Business

In the Silicones business, in Japan, sales of silicone products used in automobiles and cosmetics continued to be strong, while sales improved for electronics devices and continued to be firm in a wide range of fields. Overseas, the business also generally continued to do well in products for Europe, the U.S., Southeast Asia and China.

•Specialty Chemicals Business

In the Specialty Chemicals business, shipments of cellulose derivatives continued to be firm in Japan, mainly for use in pharmaceuticals. In addition, the business of

Simcoa Operations in Australia continued to perform well, aided by an upturn in the silicon metal market.

•Semiconductor Silicon Business

In the Semiconductor Silicon business, there was an increase in production of semiconductor devices to meet the expanding demand for applications, such as in smartphones and automobiles. We focused on stable supply of high-grade wafers and the business continued to perform strongly.

•Electronics & Functional Materials Business

In the Electronics & Functional Materials business, rare earth magnet sales were firm for automobiles, in particular hybrid cars. Sales for applications in large-capacity hard disk drives continued to be steady. In the photoresist products business, shipments of ArF resists and trilayer materials greatly expanded, aided by the progress in semiconductor device miniaturization.

•Diversified Business

In the Diversified business, Shin-Etsu Polymer Co., Ltd. Sales continued to be firm for input devices in automobiles and semiconductor wafer-related containers. At Shin-Etsu Engineering Co., Ltd., the engineering business remained steady.

Initiatives for sustained growth

The Shin-Etsu Group is dedicated to meeting the expectations of stockholders by increasing corporate value through sustained growth. To achieve this, we are proactively moving forward to strengthen the business foundations of our existing businesses.

In the PVC/Chlor-Alkali business, in order to cope with the global expansion in demand for PVC, Shintech is currently expanding its integrated manufacturing facilities from electrolysis through PVC. To further strengthen its integrated PVC manufacturing system, Shintech has decided to construct a plant to manufacture ethylene, a key raw material for PVC. By making good use of the advantageous raw

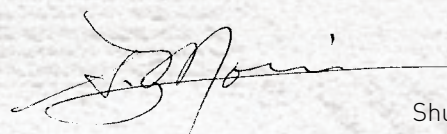
materials procurement in the U.S. and continuing to carry out its sales strategies that accurately grasp global trends in demand, Shintech will further solidify its position as the world's largest PVC manufacturer.

In the Silicones business, we are ambitiously carrying out our strategy of strengthening production and R&D for global business expansion. Overseas, we are carrying out a significant expansion and strengthening of production capacity at our plants in Thailand and we are establishing a new Technical Center in the U.S. Also, in Japan, we are expanding our Silicone-Electronics Materials Research Center. Through these measures, we will steadily capture the robust global demand for silicones and quickly respond to a wide range of customer requirements.

In the Rare Earth Magnets business, we will continue to utilize our raw materials plants in China and Vietnam to carry out stable procurement of materials. Furthermore, by making full use at an early stage of our new magnet manufacturing plant that is under construction in Vietnam, we will strive to build a stable supply system for rare earth magnets, and we will work to capture the expected growth, both in Japan and outside of Japan, of demand for these magnets, mainly for applications in automobiles.

In the Photoresist business, we have decided to construct a new plant in Taiwan, one of the areas where there is significant demand for photoresists. Operating a second photoresist plant in addition to the existing plant in Naoetsu, Japan, will enable us to achieve the dispersion of business risks, thereby strengthening the company's photoresists business. Furthermore, with the increase in demand that is coming as a result of the increase in amount of production of semiconductor devices and the progress being made in miniaturization.

The Shin-Etsu Group is making every effort to meet the expectations of stockholders through growth in corporate value. Going forward, we are determined to achieve sustained growth, and through the use of our materials and technologies, we will work to constantly contribute to the improvement of people's daily lives and the advancement of industry and society.



Shunzo Mori
President

Progress of Overseas Capital Investments

