

Chairman's Message

Striving to Strengthen Existing Businesses and Cultivate New Business to Maximize Corporate Value, Aiming to Build a Profit Structure Enabling the Realization of Stable Growth.

We are pleased to report our results for the fiscal year ended March 2018 to our shareholders.

We are pleased to report our results for the fiscal year ended March 2018 to our shareholders. We achieved record-high profits as well as our eighth consecutive year of income growth by making every effort across our businesses. Shintech Inc., a U.S. subsidiary, significantly contributed to the record-high profits. Additionally, the semiconductor silicon business notably boosted its results by capturing strong demand. The silicones business performed at a high level by focusing on growing sales worldwide.

Our basic dividend policy is to return the results of our businesses appropriately to our shareholders. We decided on a cash dividend of ¥140 per share for the fiscal year ended March 2018, which is a ¥20 increase from the previous year, and our third consecutive year of increased dividend payments.

The Shin-Etsu Group continues to exert every effort to maximize our corporate value, and among these efforts we have placed a top priority on profit growth. Currently, the global economic environment is undergoing dramatic changes and is becoming more and more uncertain. Therefore, to maintain stable growth, we shall continue reinforcing our existing businesses to build a profit structure not overly dependent on any specific sector.

We have focused on our core businesses, "PVC," "semiconductor silicon" and "silicones" as they have been our group's pillars of growth and have

continued to exhibit our strengths in each market. However, in order to achieve even greater growth going forward, we need to strengthen each and every business. To this end, we are committed to what we do best by maintaining our basic principles, including quick decision-making, aggressive investment and the dispersion of risks.

PVC is a general-purpose resin. It is considered very hard to differentiate in terms of profitability. However, Shintech has achieved remarkable profitability in the PVC industry and stable profit growth. This is due to the unceasing efforts made over many years, including innovation in manufacturing equipment, full production and full sales, a streamlined and lean organizational structure, punctual delivery and proactive expansions by capturing growing global demand of PVC. Now Shintech is building a new plant that will produce ethylene, one of the key raw materials of PVC. This will further reinforce Shintech's PVC integrated production process starting from raw materials, and will strengthen its position as the world's largest PVC manufacturer. As this case shows, we continue striving to reinforce our existing businesses to raise the level of profitability still further.

In addition to strengthening our existing businesses, it is also necessary to develop new businesses in order to ensure our future growth. We understand the importance of developing new businesses by effectively utilizing our resources. Therefore, we are developing new products in fields where we can apply our technologies and expertise that have been cultivated through our existing businesses and are focusing on commercializing such products.

Based on these efforts, our targets in all business fields shall be higher, and we aim to be the global leader in our respective businesses. We shall also endeavor to maximize our corporate value by structuring a balanced business portfolio and achieving the continuous growth of the Shin-Etsu Group.

We are grateful to you for your support and understanding of our businesses.



A handwritten signature in black ink that reads "C. Kanagawa". The signature is fluid and cursive.

Chairman
Chihiro Kanagawa