

Chemistry at Work

Shin-Etsu Chemical Co., Ltd.

ANNUAL REPORT 2015

For the year ended March 31, 2015

ShinEtsu

Contents

| | |
|----|--|
| 02 | Snapshot of Our Business |
| 04 | Message from the Chairman |
| 06 | Message from the President |
| 08 | Chemistry at Work in Our Business |
| 09 | Strong Sales and Marketing |
| 11 | Strong Manufacturing |
| 15 | Strong Research and Development |
| 18 | Our Achievements |
| 20 | Review of Operations |
| 26 | CSR |
| 26 | Board of Directors and Audit & Supervisory Board Members |
| 27 | Corporate Governance and Compliance |
| 29 | Investor Relations (IR) Activities |
| 30 | Corporate Social Responsibility (CSR) |
| 32 | Financial Section |
| 72 | Shin-Etsu's Worldwide Network |





For Better Lives

The Shin-Etsu Group's products play key roles in the lives of people around the world. They are at use in fields such as housing, infrastructures, automobiles and electronics. We are dedicated to maintaining a stable supply of products that contribute to progress in numerous industries while developing value-added materials that will drive future innovation.

Forward-Looking Statements

This annual report contains forward-looking statements regarding the Company's plans, outlook, strategies and results for the future. All forward-looking statements are based on judgments derived from the information available to the Company at the time of publication.

Certain risks and uncertainties could cause the Company's actual results to differ materially from any projections presented in this report. These risks and uncertainties include, but are not limited to, the economic circumstances surrounding the Company's businesses, competitive pressures, changes in related laws and regulations, status of product development programs, and changes in exchange rates.

Snapshot of Our Business

Research and development

Our R&D develops innovative technologies that differentiate the Shin-Etsu Group. We focus on “domain research,” which involves improving functions and developing more applications for current products. We also conduct “mission research” by using our technologies and knowledge to target next-generation needs in the markets.

A person wearing a white protective suit, mask, and gloves is operating a control panel with a keyboard and buttons. The background shows industrial machinery with vertical pipes and a blurred factory setting.

R&D



Manufacturing

Stable supply

The Shin-Etsu Group constantly works to maintain a stable supply of high-quality products. We are working hard to further improve the product quality and minimize the production cost with rationalized, efficient operations. Furthermore, we are reinforcing manufacturing operations for our core products by strengthening our integrated manufacturing process that involves raw materials, and through geographically diversified production location.

Sales and Marketing

Business model

U.S. subsidiary Shintech manufactures PVC, a commodity resin, yet its profitability is comparable to that of a specialty chemical company. Shintech established its highly profitable business model by using a lean workforce and has made continuous efforts to increase productivity.

Message from the Chairman



In fiscal 2015, the Shin-Etsu Group was faced with an uncertain economic environment. We were steadfast in addressing the various issues that impacted us, and achieved a 13% increase in net income—the Shin-Etsu Group's fifth consecutive year of earnings growth. In reporting these results to our stockholders, we would like to express our deepest appreciation for their continued support and understanding.

Strengthening Existing Businesses

My management target for the Shin-Etsu Group is to increase corporate value through stable growth.

In order to achieve such stable growth amid constantly changing economic conditions, we are further strengthening our existing core businesses on which we base our earnings. At the same time, we are working to develop promising new core businesses.

The current top three core businesses of the Shin-Etsu Group are polyvinyl chloride (PVC), semiconductor silicon, and silicones. The next two substantial contributors to earnings are the electronics and functional materials business and the specialty chemical business.

Looking back on the past five years, Shintech Inc., our wholly owned Group company in the U.S. that manufactures and sells PVC, has performed extremely well. Shintech attained record profits in fiscal 2014 and contributed substantially to the Group's performance. In fiscal 2015, it posted the largest profits among all the Shin-Etsu Group companies. In contrast, our semiconductor silicon business has continued to face with a difficult business environment during the same period. Nevertheless, despite having very little room to maneuver, the business has regularly earned the biggest profit in the industry. It has done so through persistent sales efforts and constant rationalization measures. These examples show that the Shin-Etsu Group's diverse business portfolio is the key to its stable growth. It covers a range of different markets, customers, and product characteristics. When one of our businesses experiences difficulties, the impact is offset by our other businesses, so the Shin-Etsu Group as a whole continues growing.

To expand an existing business, first, it is important to boost the operating rates of production facilities to the limit based on our sales and marketing force. Then, when it becomes likely that demand is going to exceed production capacity, rapidly deciding on and initiating capital investments to expand capacity is essential to expanding the business. Shintech is a good example of these measures in action—it has repeatedly implemented this cycle and continued to grow.

Shintech began operations in 1974 with annual production capacity of 100,000 tons of PVC. Over the following 40 years, it has completed 12 major capital investments and is currently expanding production facilities for the 13th time. When this ongoing plant expansion is finished, Shintech will have an annual PVC production capacity of 2.95 million tons, approximately 30 times its original capacity. Shintech has achieved tremendous growth along with expanding its sales channels worldwide. It is constantly selling out the capacities and steadily increasing profits from all of the capital investments.

In April 2015, along with the ongoing investment to increase PVC production capacity, Shintech made a decision to invest in the construction of a U.S. plant to produce ethylene, one of the key raw materials for its PVC production. This large-scale capital investment will total \$1.4 billion.

The Shin-Etsu Group is also strengthening other existing businesses. It is endeavoring to develop its global operations for the silicones and electronics & functional materials businesses. Going forward, the Shin-Etsu Group is committed to further strengthening and growing its existing businesses.

Fostering New Core Business

To achieve stable growth, it is also necessary to foster new core businesses for the future. The Shin-Etsu Group pursues R&D programs to achieve that objective. Research activities are focused on "domain research," which involves expanding existing businesses, and "mission research" for generating new businesses.

Domain research concentrates on improving the functionality of products and developing new applications. Silicones are a good example of success. With marketing, research, and production operations working together in unison, the silicones business has consistently developed new products that meet customer needs. As a result, the silicones business has grown and captured a large share of the domestic market.

In mission research, we are working on developing

products and technologies for next generation needs. We apply our technologies and knowledge by conducting original research.

Photoresists are representative of products generated by mission research. Also, our liquid fluoroelastomer, with its extremely superior features, and our state-of-the-art photomask blanks were also developed through mission research. We will continue it with a focus on development to match the Shin-Etsu Group's products and technologies with society's needs.

Sound Finance Underpins Growth

I believe that business growth and sound finance are like two sides of the same coin. Without a sound approach to finance, it is impossible to make the large-scale capital investments that drive growth.

For example, Shintech has made large-scale capital investments, and applied the generated profits to its next round of investments. To survive amid the extremely severe competition in the global PVC industry, it is imperative to make investments the instant that market conditions change. Therefore, Shintech's investments for growth and the strong financial position that enables those investments function together to assure stable growth. The same is true for our semiconductor silicon business. To achieve growth amid the rapid changes in market conditions in this business, it is essential to immediately recognize movement in demand and make the large-scale investments required.

If there are good business acquisition opportunities, we will pursue them to facilitate our growth and broaden our earning bases.

As a matter of fact, we worked on such opportunities recently although they did not materialize.

Global affairs continue to be unpredictable. The 2007 global financial crisis, the 2008 surge in oil prices, and rapid fluctuations in foreign exchange rates remain fresh in our minds. We can also add serious geopolitical risks throughout the world. In the face of these circumstances, to ensure the viability of operations well into the future, a company must develop the capacity to overcome crises.

To do that, a company has to have a solid financial structure. Looking at the past examples of Shintech and our semiconductor silicon business, we made timely future-oriented capital investments. When economic conditions are poor or financial markets are depressed, the company still must make investments for future growth and deliver the expected results if necessary.

To continue to grow in extremely competitive markets, it is essential to make investments speedily when opportunities present themselves. This is the principle that I learned from my experience in developing global business operations and managing companies overseas. To further enhance our global competitiveness and expand businesses, we will

continue to aggressively invest capital in our businesses.

At the same time, I place great importance on stably returning to stockholders the results of management efforts in the form of a dividend. For example, even following the global financial crisis in 2008, we did not reduce dividends. In fact, we increased dividends in the following fiscal year. Going forward, while concentrating on our main objective of increasing corporate value, the Shin-Etsu Group will continue to provide solid returns to its stockholders.

Sound Business Management

Conducting fair business practices in thorough compliance with laws is of utmost importance. We have been concentrating our efforts on strengthening corporate governance from an early stage in our operations. The most important element in corporate governance is for managers and employees alike to behave with self-discipline and be confident and unwavering in doing the right thing.

I also believe it is important to have management input from outside the Shin-Etsu Group—people who can contribute to management from an independent standpoint and from the perspective of stockholders. During the 1980s, former CEO of The Dow Chemical Company Ben Branch was a member of Shintech's Board of Directors. Similarly, Shin-Etsu Chemical invited Frank Peter Popoff, former Chairman of The Dow Chemical Company, to the Board as an outside director in 2001. Since then, we have steadily added outside directors and currently have five prominent outside directors participating in the management of the Shin-Etsu Group. The frank opinions of leaders of several sectors of society on our management policies and actions have assisted us in effectively managing the Shin-Etsu Group.

The ideas and principles I have expressed in this message have guided me in managing the Shin-Etsu Group. As we move forward, I expect there will be more situations where we find ourselves facing adverse headwinds. However, undaunted, even in a severe management environment, going forward, the Shin-Etsu Group will continue to endeavor to overcome the issues we may face and work to increase its corporate value.

As we strive to meet the challenges of the future, we would like to ask for your continued support and understanding.



Chihiro Kanagawa
Chairman

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

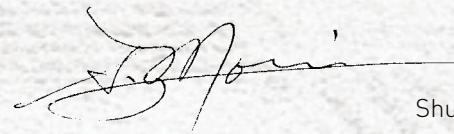
materials procurement in the U.S. and continuing to carry out its sales strategies that accurately grasp global trends in demand, Shintech will further solidify its position as the world's largest PVC manufacturer.

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

Japan

Construction of a new research building at **Silicone-Electronics Materials Research Center** is underway

Completion of construction:
Scheduled in the first half of 2016

Construction of **photomask blanks plant**

Completion of construction:
Scheduled at the end of 2016

Thailand

Increase of the production capacity for **silicone polymer plant** is underway

Completion of construction:
Scheduled in 2017

Increase of the production capacity for **silicone monomer plant** is underway

Completion of construction:
Scheduled in 2017

Vietnam

Construction of **rare earth magnets plant** is underway

Completion of construction: Scheduled in Sep. 2015 (first-phase) and in Sep. 2016 (second-phase)

China

Construction of **optical fiber preform plant** by a joint-venture

Completion of construction:
Scheduled at the end of 2016

Taiwan

Establishment of a new plant for **photoresist-related products** is underway

Construction period:
About a year

U.S. (New Jersey)

Establishment of a Technical Center for **silicone**

U.S. (Louisiana)

Construction of **hydroxyethyl cellulose (HEC) plant** is underway

Completion of construction:
Scheduled in the first half of 2015

U.S. (Louisiana)

Expansion of integrated **PVC production facility** is underway

Completion of construction:
Scheduled in 2015

Decided to establish a manufacturing plant for **ethylene**

Completion of construction:
Scheduled in the first half of 2018

■ PVC/Chlor-Alkali Business
■ Silicones Business
■ Specialty Chemicals Business
■ Electronics & Functional Materials Business

Chemistry at Work In Our Business



The Shin-Etsu Group holds the largest share of the global market for PVC, semiconductor silicon and other products. Starting in 1960 with the establishment of our first overseas subsidiary, we have built a manufacturing and sales network that gives us direct ties to markets worldwide. Our R&D bases have continuously upgraded technologies, developed new products and worked to improve productivity. Furthermore, our extensive, effective sales activities have reached a broad array of customers around the world. With these efforts, we have established the leading position in the world market for various products.

The Shin-Etsu Group will contribute to progress in our lives, industry and society through our materials and technologies. We base our actions on three guidelines: use strong R&D for more progress; build a strong business infrastructure based on secure, strong manufacturing; and perform strong sales and marketing activities in order to grow together with customers. We will continue to use these guidelines to achieve further growth in corporate value.

Strong Sales and Marketing



Interview with Key Person

Chihiro Kanagawa
Chairman

Growing together with Our Customers

I firmly believe that sales and marketing activities are more important than anything for our sustainable growth. Without sales and marketing, we cannot continue our business even if we have distinctive and unique products.

Today, our U.S. subsidiary, Shintech, has grown to be the world's largest manufacturer of PVC, with an annual production capacity of 2.63 million tons. When Shintech started operations in 1974, it was a small company, the 13th largest U.S. PVC manufacturer. At that time it had an annual production capacity of only 100,000 tons. Over the 40 years since then, Shintech has grown steadily, even in the face of intense competition. Shintech's strong sales and marketing ability enabled the growth. Even when facing large fluctuations in the market and the economic environment – through its sales and marketing efforts Shintech has constantly sold out its products and always has operated its plants at full capacity.

The most important keys to successful sales and marketing activities are to accurately grasp market conditions and sell out all products at appropriate prices.

Deepening the trust in our customer relationships has always been a Shin-Etsu Group priority. To earn our customers' trust, we must act with sincerity. The basics are critical – we make sure to keep our promises regarding delivery times, product quality and product volume. If a problem occurs, we act swiftly to get an accurate grasp of the situation and take appropriate actions to fix it.

When we can offer a solution that quickly solves the problem, we can build even stronger trust with our customers.

We are making every effort to grow together with our customers. To do this, it is critical to think from the customer's standpoint. As a manufacturer of key materials, it is important for us to offer products with value that contribute to the business growth of our customers. Of course, we respond to customer requests, but the Shin-Etsu Group seeks to go further. We are communicating in great depth with customers so as to find their potential needs, and we strive to offer products with new value that will meet those needs.

It takes more than strong sales and marketing to meet customers' needs. It is the trinity of strong sales, strong R&D and strong manufacturing that enables us to very effectively respond to customers' needs. Our sales, and R&D and manufacturing forces work together seamlessly to accomplish this goal.

I believe Shin-Etsu Group's growth is tied to customer's growth. Going forward, we will continue to work closely together with our customers.

Strong Sales and Marketing

Excellent Business Models

The Shin-Etsu Group uses strong sales activities to grow together with customers. One illustration of these activities is for PVC resin, a product where prices are volatile and competition is severe. We have maintained stable sales of PVC resin by earning the trust of customers, which we earned by working together to overcome tough situations.

Leading Global Markets

The Shin-Etsu Group meets the needs of customers by maintaining a stable supply of high-quality products while quickly developing products for new applications. Through these efforts, we hold the largest share of the respective worldwide markets for PVC, and semiconductor silicon and other products.

PVC is a commodity resin used in a wide range of applications from infrastructure construction projects to consumer products. Growth in PVC demand is expected to continue, primarily in emerging market countries. We are meeting the rising global demand for PVC by strengthening our integrated manufacturing infrastructure that begins with raw materials.

Semiconductor silicon is the most widely used material for semiconductor devices, which are used in PCs, smartphones, digital home appliances and automotive electronics. Demand for smaller electronic devices with more advanced performance continues to grow. In response, the Shin-Etsu Group is developing and producing wafers with outstanding quality using our advanced manufacturing technology.

Highest technology
Semiconductor Silicon Business



No.1 production capacity
PVC/Chlor-Alkali Business



Shintech Receives Award for Contributing to U.S. Export Growth

In 2014, Shintech received the President's "E" Award for Exports, from the United States Department of Commerce in recognition of the company's significant contributions to the expansion of exports. In 2012 and 2013, Shintech's volume of containerized cargo shipments through the Port of Houston was larger than any other companies. During a brief downturn in U.S. PVC demand, Shintech remained operating at a high level of utilization and continued to sell its entire production capacity by increasing exports. Under the leadership of Shin-Etsu Chairman Chihiro Kanagawa, Shintech has made large capital investments on numerous occasions. These investments have created jobs and supported consistent growth in earnings. Furthermore, Shintech's exports have made a large contribution to the U.S. trade balance.



Strong Manufacturing

Efficient Operations



Shintech Plaquemine plant (U.S.)

The Shin-Etsu Group strives for manufacturing efficiency and rationalization in order to supply customers with quality products while maintaining high profitability. When an economic downturn started in Japan in the early 1990s, we responded by forming the "G Committee." The committee's mission is to reduce costs by using advanced technology. Led by this committee, group companies proposed investment plans to make manufacturing more automated, labor-efficient and optimized, while putting their first priority on safety, which is one of the company's policies. Following the execution of these plans, we have lowered raw material cost and made technological innovations, such as optimizing production processes and boosting productivity.

In addition to cost savings, technological innovations also improved product quality consistency, which made the Shin-Etsu Group even more competitive.



Product quality audit in Naoetsu Plant (Japan)



Interview with Key Person

Fumio Akiya **Executive Vice President**

In charge of Semiconductors, Advanced Materials,
Technologies and Environmental Control & Safety

Providing Stable Supplies

As a manufacturer, the Shin-Etsu Group places priority on providing customers with a stable supply of high-quality products.

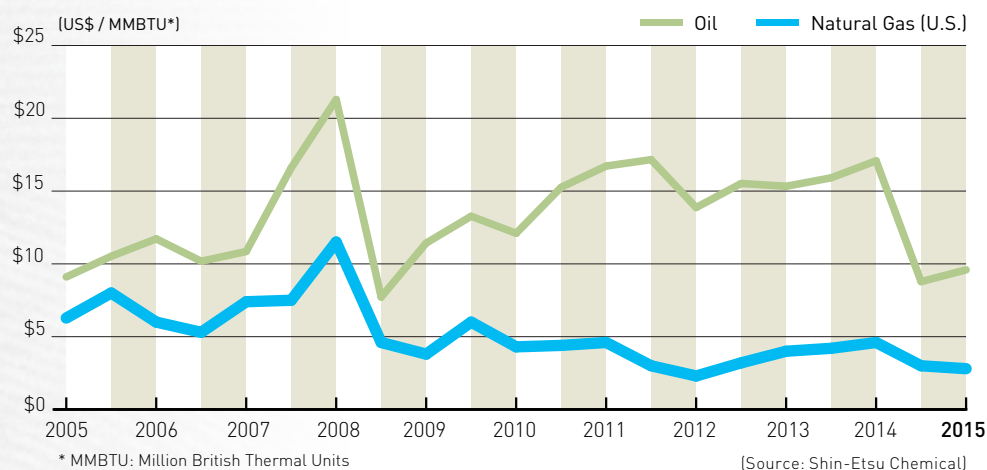
As a Group, we always strive to see things from the standpoint of our customers, as we manufacture high-quality products that meet our customers' requirements. In addition, we are endeavoring to earn the trust of our customers by developing these kinds of products ahead of other companies to differentiate ourselves from our competitors and by stably supplying products with consistent quality. With our "G Committee" taking lead, we are constantly working to make production stable and to increase productivity through minimizing the variations

in product quality.

Our numerous products with leading global market shares demonstrate the solid reputation that we have earned among customers worldwide through the G Committee activities.

We are determined to achieve further sustained growth in our sales and earnings. To accomplish this objective, the Shin-Etsu Group will continue to provide stable supplies of products that offer high-added-value to customers, and will aim for the world's No.1 quality in every product of the Group.

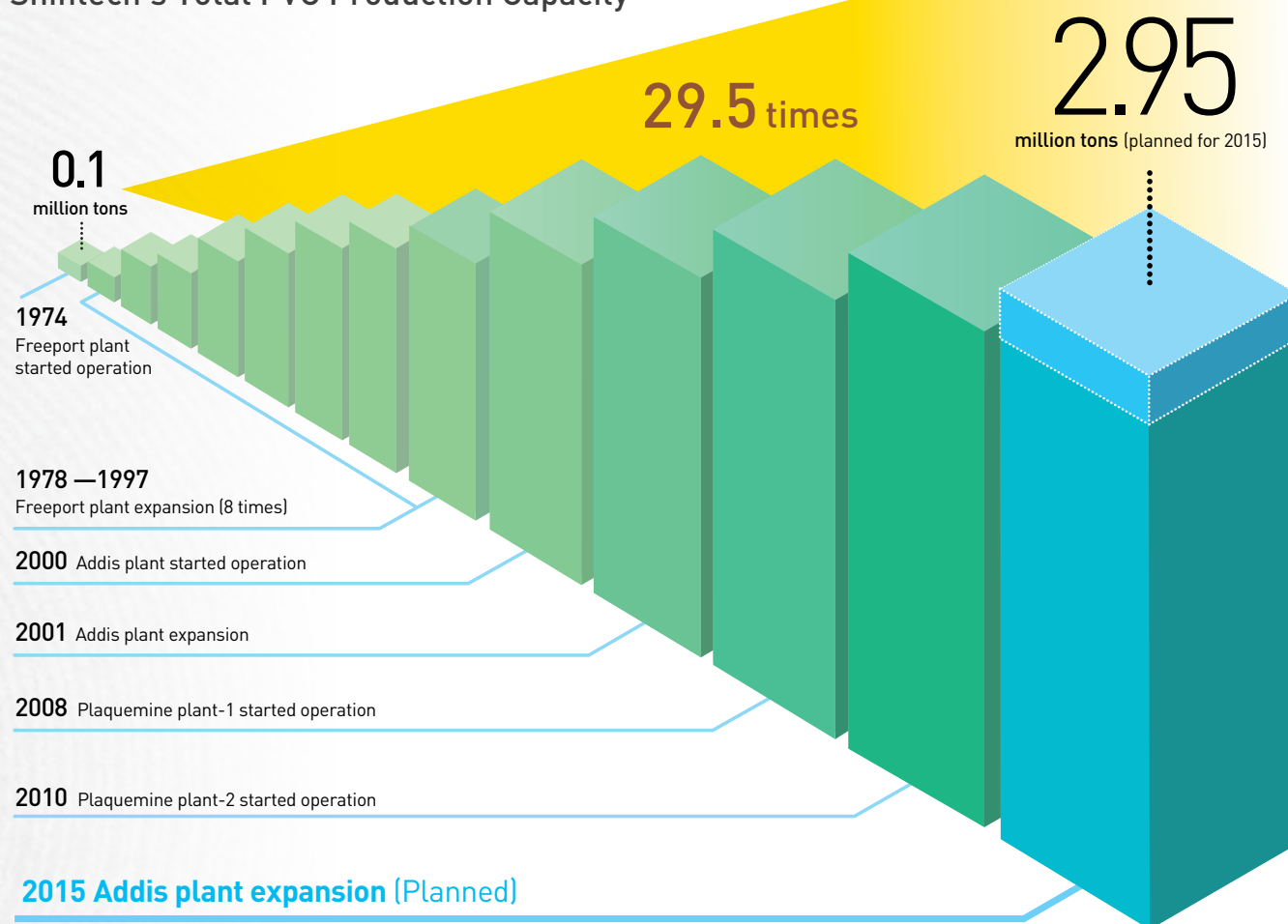
Comparison of Oil and Natural Gas Prices in U.S. (Converted to heat quantity)



The graph to the left shows the changes in oil and natural gas prices (converted to heat quantity) over ten years.

Ethylene made from natural gas is more cost-competitive than ethylene made from oil.

Shintech's Total PVC Production Capacity



Strong Manufacturing

Stable Supply



Diversified Production Bases

Maintaining a consistent supply of high-quality products for customers is one of the highest priorities of the Shin-Etsu Group. We manufacture our major products at more than one location, so that even if a natural disaster or other event disrupts operations at a facility, we can continue to supply a product from one or more other facilities. For PVC resin, semiconductor silicon and silicones—our major products—we have production facilities in Japan and elsewhere in Asia, the U.S. and Europe. These diversified production bases allow us to manufacture our products in areas where there is demand worldwide.

We also manufacture other products in other business divisions at multiple locations. For example, we have decided to build a new plant in Taiwan to manufacture lithography products such as photoresists which are vital to produce semiconductor devices. This investment will

reduce our risk exposure by giving us a second plant, along with the Naoetsu Plant. Also, the plant will position us to expand our photoresist business by targeting the strong demand in Taiwan, one of the world's biggest markets.

For rare earth magnets, which are used in a wide range of applications such as automobiles and hard disk drives, we are building a new plant in Vietnam that will include the sintering process for magnetization. Currently, we carried out this process only in Japan. The first-phase portion of the plant construction work is scheduled to be completed in September 2015 with a production capacity of 1,000 tons/year and the second-phase portion to be completed in September 2016 with another 1,000 tons/year of capacity. We will strive to capture the forecast expansion in demand, which is mainly in the automobile applications.



Increasing Production of Silicone Overseas

Silicone is a highly functional material with a wide range of applications, including electric and electronics products, automobiles, construction materials and cosmetics. Demand is increasing in developed countries like the U.S. as well as in emerging market countries. To meet this demand, we are expanding capacities in Thailand. Asia Silicones Monomer is boosting output of silicone monomer,

while Shin-Etsu Silicones (Thailand) is raising output of silicone polymer. Increases at both of these subsidiaries are scheduled for completion in 2017. Annual production capacity will rise by 50%, from 70,000 tons to 105,000 tons, for silicone monomer and by 40%, from 54,000 tons to 74,000 tons, for silicone polymer.

Silicone Production Process and Applications



Strong Research and Development

Consecutive Investment

Number of Patents by Region

● Number of patents acquired during the year ended March 31, 2015

| | |
|---------------|--------------|
| Japan | 671 |
| North America | 276 |
| Asia/Oceania | 600 |
| Europe | 266 |
| Other Areas | 10 |
| Total | 1,823 |

● Cumulative number of patents acquired as of the end of FY 2015

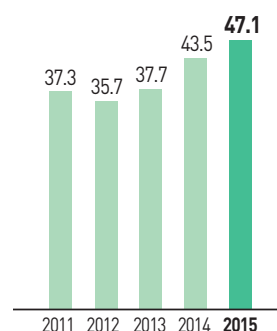
| | |
|---------------|---------------|
| Japan | 6,806 |
| North America | 2,674 |
| Asia/Oceania | 3,550 |
| Europe | 2,879 |
| Other Areas | 80 |
| Total | 15,989 |

The Shin-Etsu Group has two categories of R&D activities: “domain research” and “mission research.” For domain research, we improve product quality and create new applications for existing products. Mission research seeks to create the core products of the future. We select research themes based on market size, growth potential, profitability, and the relationship with our existing technologies and expertise. Once a theme is selected, we make progress toward commercialization. Furthermore, by increasing collaboration among Shin-Etsu Group research facilities, we use all of the Group’s resources to create products that incorporate our distinctive strengths.

Patents, technologies and other intellectual property are valuable assets for the Shin-Etsu Group. Our group companies submit many patent applications in order to protect our own technologies that originate from our research programs. Furthermore, since our overseas sales ratio is high, we energetically apply for patents in foreign countries while we expand our business overseas.

As of March 31, 2015, the Group had 6,806 patents in Japan and 9,183 overseas patents, including 276 patents newly registered in the U.S. in 2014. We are in the top class among Japanese chemical companies for patents in the U.S.

R&D Costs (Billions of yen)



Interview with Key Person

Toshinobu Ishihara

Senior Managing Director

In charge of New Functional Materials and Patents
General Manager, Research & Development Department

Priority Fields for R&D

The Shin-Etsu Group is concentrating its R&D efforts in five priority business fields: energy-related, semiconductor materials, substrate materials for power devices, healthcare-related and materials for optical communications. In each of these fields, we select R&D themes that allow us to take advantage of our core technologies, and in cooperation with our customers and external institutions as well, we intensively conduct our research and development activities. As a result, each one of our R&D programs is beginning to yield steady results.

In the energy-related field, we are using silicon-based materials to develop a negative electrode material for lithium-ion batteries that are applied in automobiles and mobile devices. We are also working on other applications for this electrode material that respond to society’s environmental needs,

including storage batteries.

In the semiconductor materials field, we are moving forward with the development of completely new next-generation materials and technologies, which we will suggest that our customers adopt as “total solutions” for their businesses.

In the healthcare field, we are developing high-quality functional polymers to be applied to new types of anti-cancer drugs. In optical communications, we are developing technologies for materials required for industrial applications such as laser processing.

In 2015, we will make great efforts in these five priority R&D fields, as we strive to produce fruitful results that will lead to new products and create new core businesses for the Shin-Etsu Group.

Strong Research and Development

Technologies for the Semiconductor Industry

In the semiconductor manufacturing sector, the Shin-Etsu Group supports the progress of the industry as a global supplier of a broad range of materials. Our product lineup extends from the raw material silicon metal to chief material silicon wafers, process

materials for electrical circuit printing, and materials for IC chip assembly. Through customers' evaluations of these products, the Shin-Etsu Group's technologies make a great contribution to further progress in the performance of semiconductors.

1. Silica and Silicon Metal

Simcoa Operations Pty. Ltd. of Australia has long-standing silica mining rights and produces silicon metal, a main raw material for semiconductor silicon, silicone and synthetic quartz. It provides key support to the Shin-Etsu Group by ensuring a stable, long-term supply of high-quality silicon metal.



3. Silicon Wafers

The Shin-Etsu Group was first to globally mass produce 300mm silicon wafers in 2001. Shin-Etsu Handotai Co., Ltd., established defect-free technology for single crystals and high-flatness processing technology for silicon wafers, gaining strong customer trust for its quality technologies and commercial production capabilities.



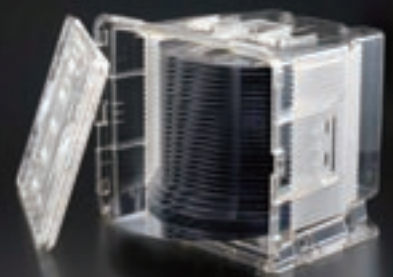
2. Silicon Carbide Products

The silicon carbide products of Shinano Electric Refining Co., Ltd., greatly contribute to improving precise processing of silicon wafers through their use as sawing materials and abrasives.



4. Wafer Containers

Group company Shin-Etsu Polymer Co., Ltd., has an excellent track record in front opening shipping boxes (FOSB) and front opening unified pods (FOUP).

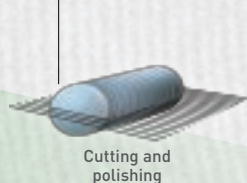


Process

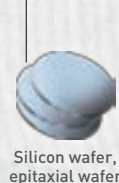
1. Silica and Silicon Metal



2. Silicon Carbide Products



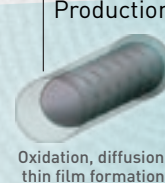
3. Silicon Wafers



4. Wafer Containers



5. Quartz Glass for Semiconductor Production Processes





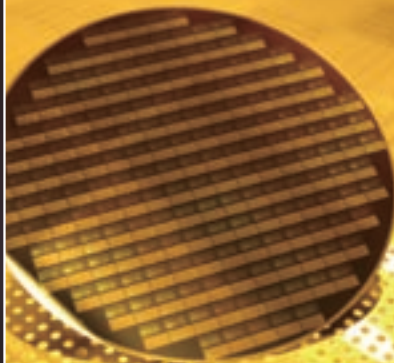
5. Quartz Glass for Semiconductor Production Processes

Wafers are fixed in a boat (right) and placed in a furnace tube made of quartz glass (left) for oxidation, diffusion and CVO processes. The quartz glass products of Shin-Etsu Quartz Products Co., Ltd., meet customers' needs for high-temperature processes.



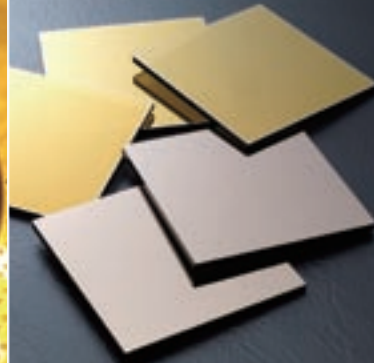
6. Photoresists

Shin-Etsu developed the first photoresist for use with the short wavelength excimer laser in 1996, and has become the leading manufacturer in this field. Sales have also begun for trilayer materials used in post-45nm generation refined processes.



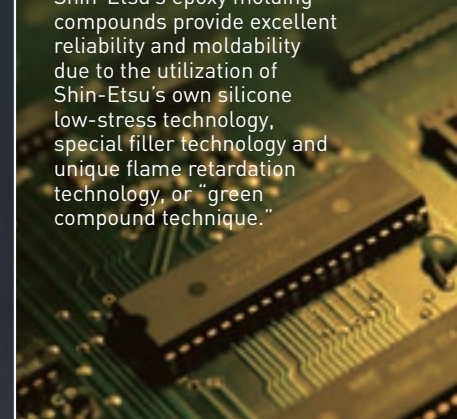
7. Photomask Blanks

Photomask blanks are photomask materials used for etching circuit patterns on silicon wafers. In fiscal 2009, Shin-Etsu began commercial production of cutting-edge photomask blanks, which are indispensable to the refining of semiconductors.



10. Epoxy Molding Compounds

Shin-Etsu's epoxy molding compounds provide excellent reliability and moldability due to the utilization of Shin-Etsu's own silicone low-stress technology, special filler technology and unique flame retardation technology, or "green compound technique."



8. Synthetic Quartz Photomask Substrates for LSIs

Used to transfer circuit patterns to semiconductor wafers, these photomask substrates have earned a reputation among customers for outstanding quality and consistency of supply. In recent years, these substrates are also being used as raw materials for photomask blanks.

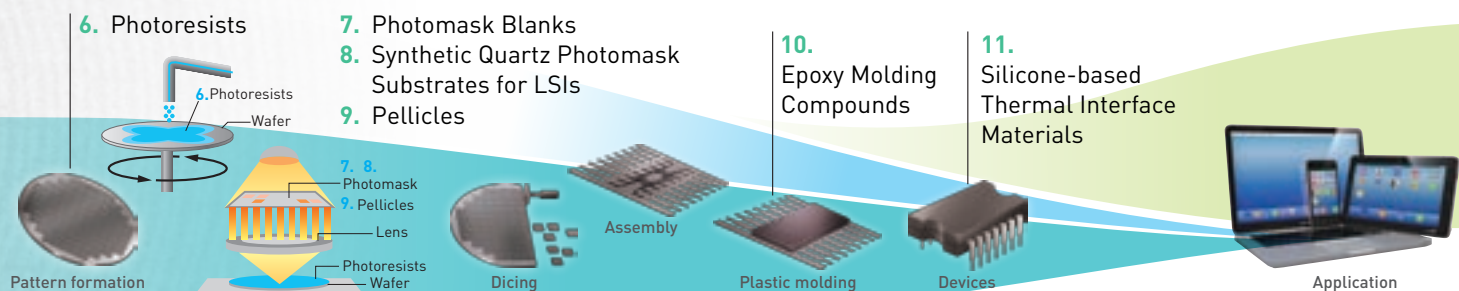


9. Pellicles

Shin-Etsu supplies high-quality pellicles for ArF and KrF excimer laser lithography. These products have high light-resistance and good transmission uniformity. In addition, Shin-Etsu has succeeded in the development of super large-size pellicles for the production of liquid crystal display (LCD) panels.

11. Silicone-based Thermal Interface Materials

Shin-Etsu offers various silicone-based thermal interface materials. These thermally conductive materials fill gaps between heat-generating units like CPUs and heat sinks.



Major Performance Indicators (Fiscal 2015)

Net Sales

1,256

billion yen

 **Up 7.7%**

FY 2014: 1,166 billion yen

FY 2013: 1,025 billion yen

Operating Income

185

billion yen

 **Up 6.6%**


FY 2014: 174 billion yen

FY 2013: 157 billion yen

Ordinary Income

198

billion yen

 **Up 9.6%**

FY 2014: 181 billion yen

FY 2013: 170 billion yen

Net Income

129

billion yen

 **Up 13.2%**

FY 2014: 114 billion yen

FY 2013: 106 billion yen

Overseas
Sales Ratio

72.0%

Capital
Expenditures

109.9
billion yen

Ordinary Income to
Net Sales Ratio

15.8%

Stockholders'
Equity Ratio

79.9%
Net Assets: 2,013 billion yen

Aa3

**The Highest Credit Rating among
the World's Publicly Owned Chemical Companies**

Shin-Etsu received an Aa3 credit rating from Moody's Japan K.K. in April 2007, and has retained this rating since then. It is the highest rating among all of the world's publicly owned chemical companies. Moody's states that Shin-Etsu has maintained strong financial profile and its strong balance sheets and excellent liquidity, including substantial earnings from overseas, will mitigate the weakened state of the domestic business environment.

| Ranking | Company | Long-term rating | Country |
|---------|---|------------------|---|
| 1. | Shin-Etsu Chemical Co., Ltd. | Aa3 | Japan |
| 2. | BASF (SE) | A1 | Germany |
| 3. | Air Products and Chemicals, Inc. Asahi Kasei Corporation Chevron Phillips Chemical Company LLC Linde AG Praxair, Inc. Sigma-Aldrich Corporation Syngenta AG | A2 | U.S.A. Japan U.S.A. Germany U.S.A. U.S.A. Switzerland |

As of June 30, 2015
Source: Shin-Etsu Chemical, based on Moody's data

Review of Operations

PVC Chlor-Alkali

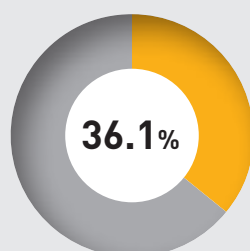
Main Products

- Polyvinyl chloride
- Caustic soda
- Chloromethane



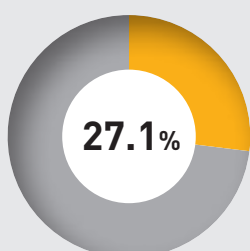
Polyvinyl chloride

Net Sales (Billions of yen)



| | | | |
|------|-------|---|------|
| 2015 | 452.7 | ↑ | Up |
| 2014 | 427.9 | | 5.8% |

Operating Income (Billions of yen)



| | | | |
|------|------|---|-------|
| 2015 | 50.3 | ↓ | Down |
| 2014 | 60.2 | | 16.4% |

Silicones

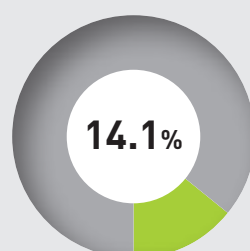
Main Product

- Silicones



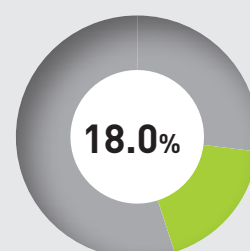
Silicone oil

Net Sales (Billions of yen)



| | | | |
|------|-------|---|-------|
| 2015 | 177.4 | ↑ | Up |
| 2014 | 156.4 | | 13.4% |

Operating Income (Billions of yen)



| | | | |
|------|------|---|------|
| 2015 | 33.4 | ↑ | Up |
| 2014 | 31.8 | | 5.1% |

Specialty Chemicals

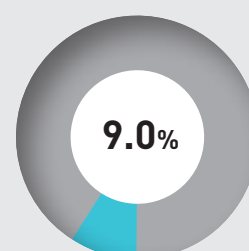
Main Products

- Cellulose derivatives
- Silicon metal
- Poval (Polyvinyl alcohol)
- Synthetic pheromones



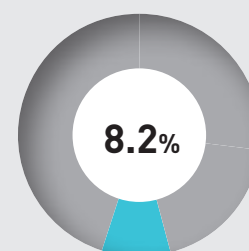
Cellulose derivatives powder

Net Sales (Billions of yen)



| | | | |
|------|-------|---|------|
| 2015 | 112.3 | ↑ | Up |
| 2014 | 103.2 | | 8.9% |

Operating Income (Billions of yen)



| | | | |
|------|------|---|-------|
| 2015 | 15.3 | ↑ | Up |
| 2014 | 12.8 | | 19.8% |

Semiconductor Silicon

Main Product

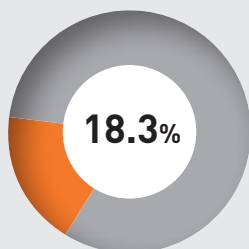
- Semiconductor silicon



Single crystal silicon ingot and wafers

Net Sales

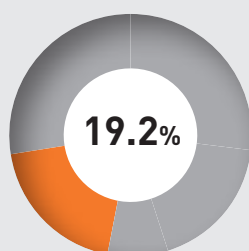
(Billions of yen)



| | | |
|------|-------|-----------|
| 2015 | 230.0 | ↑ Up 7.9% |
| 2014 | 213.2 | |

Operating Income

(Billions of yen)



| | | |
|------|------|------------|
| 2015 | 35.6 | ↑ Up 45.6% |
| 2014 | 24.5 | |

Electronics & Functional Materials

Main Products

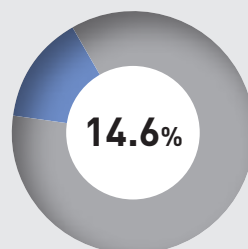
- Rare earth magnets
- Encapsulation materials
- Photoresists
- Photomask blanks
- Synthetic quartz products
- Epoxy molding compounds
- Pellicles



Rare earth magnets

Net Sales

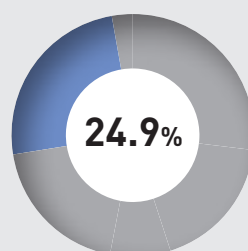
(Billions of yen)



| | | |
|------|-------|-----------|
| 2015 | 183.5 | ↑ Up 7.3% |
| 2014 | 171.0 | |

Operating Income

(Billions of yen)



| | | |
|------|------|------------|
| 2015 | 46.2 | ↑ Up 12.8% |
| 2014 | 41.0 | |

Diversified Business

Main Products and Services

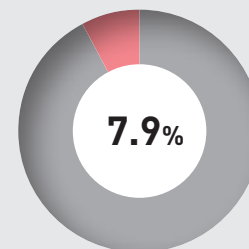
- Processed plastics
- Export of plant equipment
- International trading
- Engineering
- Information processing
- Wafer container



Switch device for power window

Net Sales

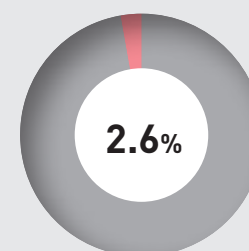
(Billions of yen)



| | | |
|------|------|-----------|
| 2015 | 99.6 | ↑ Up 5.8% |
| 2014 | 94.1 | |

Operating Income

(Billions of yen)



| | | |
|------|-----|------------|
| 2015 | 4.8 | ↑ Up 31.5% |
| 2014 | 3.7 | |

PVC/Chlor-Alkali Business



Business Profile

PVC is a commodity resin that is easy to process, environmentally friendly, easy to recycle, highly durable, and has other valuable properties. This material is used to make products that are vital to people's lives, including infrastructure components such as water and sewer pipes, and also housing, construction materials, and household products.

In 1960, the Shin-Etsu Group started manufacturing PVC in Europe. In 1973, we established Shintech, a U.S. subsidiary that has grown to become the world's largest PVC manufacturer. Now we have manufacturing bases in the U.S. and Europe as well as Japan. Today, we are the world's largest PVC manufacturer with an annual production capacity of 3.83 million tons. Demand for PVC is increasing worldwide. In emerging countries, demand is growing for use in infrastructure construction projects. In developed countries, rising interest in energy conservation is supporting the growing use of PVC products such as window profiles. In this manner, PVC demand is expanding globally.



Positive Environmental Impact

Chlorine accounts for about 60% of the raw materials used to make PVC. Chlorine is made from salt, a material in abundant supply worldwide. This differs from most other plastics, which use petroleum as their main feedstock. Therefore, PVC usage helps to conserve the world's limited fossil fuel resources.

PVC window frames have superior insulation properties, and are resistant to condensation, making them mainstays in the U.S. and Europe and their usage is also accelerating in Japan and in China. Also, PVC pipes help combat global warming, as they have lower life cycle carbon dioxide emissions* compared to ductile cast iron pipes, which consist of spheroidized graphite and iron.

* Life cycle carbon dioxide emissions: Total carbon dioxide emissions for a product life cycle, from the raw materials mining stage through the processes of manufacture, use, disposal and recycling stage



Polyvinyl chloride

Major Product and Applications

● PVC

- PVC pipes
- Window profiles
- Vinyl sidings
- Films and sheets
- Electrical wire covering

Silicones Business

Business Profile

Silicone is a highly functional material that has many kinds of characteristics and various physical forms, such as an oil, resin or rubber. Moreover, it is possible to add new functions to silicone's inherent properties as well as create combinations with the properties of other materials to achieve new degrees of functionality.

The Shin-Etsu Group constantly develops new products and technologies with know-how accumulated over 60 years. Currently, we supply more than 5,000 types of silicone products. Markets are diverse, including home appliances, automobiles, cosmetics, health care and housing. This diversity provides a sound base for consistent earnings.

Positive Environmental Impact

In 2012, silicone industry associations in Japan, the U.S. and Europe carried out a study of the entire silicone market, examining silicone greenhouse gas emissions and how much greenhouse gas emissions are curbed by the use of silicone. The study found that the use of silicone products in Japan, North America, and Europe has made it possible to reduce greenhouse gas emission by 54 million tons of carbon dioxide (CO₂) per year.

Source: "Silicone-Chemistry Carbon Balance," Silicone Industry Association of Japan.



Silicone oil

Major Product and Applications

● Silicones

- Electric and electronics products
- Cosmetics and toiletries
- Automobiles
- Construction and civil engineering

Specialty Chemicals Business

Business Profile

Cellulose derivatives are made from wood pulp used in a wide variety of applications. They are used in pharmaceutical coatings and binders for tablets and granules. They are also used in applications including construction and civil engineering materials. The Shin-Etsu Group has the world's top class shares of cellulose derivatives.

This segment also includes the manufacture of silicon metal in Australia, the primary raw material for semiconductor silicon, silicone and synthetic quartz, all of which are major products of the Shin-Etsu Group.

Positive Environmental Impact

Synthetic pheromones are revolutionary and environmentally friendly products for controlling agricultural pests. They have a lower risk for the environment and humans in comparison with that of conventional agricultural chemicals. Pest controls with synthetic pheromones have been accepted among apple and grape growers in Europe and apple growers in the U.S. due to concern about agricultural chemical residues on crops. Recently, growers in South America have started considering the use of synthetic pheromones to protect grapes.



Cellulose derivatives powder

Major Product and Applications

● Cellulose derivatives

- Pharmaceuticals (such as pills)
- Construction and civil engineering (such as paints)
- Industrial applications (such as honeycomb ceramics for exhaust gas filters of automobiles)

Semiconductor Silicon Business



Business Profile

Silicon wafers are essential for the production of semiconductor devices, which are used in products such as PCs, smartphones, digital home appliances and automotive electronics. High integration and advanced performance of these devices have made the miniaturization of electronic products possible, and led to the development of innovative products like tablet PCs and smartphones.

The Shin-Etsu Group is the world's foremost supplier of semiconductor silicon wafers with multiple production sites in Japan, Malaysia, Taiwan, the U.S. and the U.K. We have supported the evolution of semiconductor devices for decades through the supply of large diameter wafers and ultra-flat wafers. We produce 300 mm wafers, the most widely used size today, at four locations in Japan and the U.S., and maintain a stable supply of high quality wafers for our customers worldwide.



Positive Environmental Impact

Interest is growing in power semiconductors, a device which can cut electricity consumption to a minimum. Power semiconductors are structurally different from conventional semiconductor devices, and can accommodate high voltages and currents. They are mainly used to convert electricity to maintain a stable power supply for electrical equipment. Application examples include precise motor control from low to high speeds, and efficient electricity transfer from generators to transmission lines. These energy-conserving power transistors are one of the markets served by the Shin-Etsu Group's semiconductor wafer business.



Single crystal silicon ingot and wafers

Major Product and Applications

● Silicon wafers

- Information and communication equipment (including PCs and mobile phones)
- Home appliances (including digital cameras and televisions)

Electronics & Functional Materials Business

Business Profile

This business provides many types of products to a wide range of industries. Rare earth magnets are used in the motors of automobiles, home appliances and hard disk drives for PCs. This business includes a number of products that are essential for the semiconductor lithography process. Demand for our photoresists, photomask blanks and pellicles is growing in tandem with rising semiconductor device output and progress with miniaturization. SHIN-ETSU SIFEL®, a liquid fluoroelastomer, is another product in this business. For synthetic quartz products, major applications include preforms for optical fiber and large photomask substrates for LCD panels. Also, we supply LED packaging materials that meet the numerous requirements of high brightness LEDs. LED lights are attracting interest because of their energy efficiency.



Positive Environmental Impact

Rare earth magnets have a magnetic force of about 10 times stronger than conventional ferrite magnets. Even small rare earth magnets can exhibit powerful magnetic fields. In hybrid and electric vehicle motors, these magnets reduce size and weight while increasing power. Compressors of energy-efficient air conditioners also use rare earth magnets. The higher energy efficiency of these products lowers carbon dioxide emissions.



Rare earth magnets

Major Products and Applications

- **Rare earth magnets**
 - Motors (automobiles, home appliances, factory automation, hard disk drives)
- **Photoresists**
 - Semiconductor device production processes

Diversified Business

Business Profile

Shin-Etsu Polymer Co., Ltd., manufactures semiconductor-related containers, input/output devices for electronic products, construction materials, and other processed plastic products. Shin-Etsu Engineering Co., Ltd., provides services for expanding capital investment projects of the Shin-Etsu Group, automating equipment, and making other improvements. Shin-Etsu Engineering also receives many orders from companies outside the Group.



Switch device for power window

Major Applications

- **Shin-Etsu Polymer:**
 - Electric and electronic equipment
 - Automotive
 - Semiconductor-related containers
 - Medical and chemical
 - Packaging materials
 - Construction materials

Board of Directors and Audit & Supervisory Board Members

(As of June 26, 2015)

| CHAIRMAN | PRESIDENT | EXECUTIVE VICE PRESIDENTS | | SENIOR MANAGING DIRECTOR |
|---|---|---|--|---|
|  |  |  |  |  |
| Chihiro Kanagawa | Shunzo Mori | Fumio Akiya | Yasuhiko Saitoh | Toshinobu Ishihara |

CHAIRMAN

Chihiro Kanagawa

PRESIDENT

Shunzo Mori

EXECUTIVE VICE PRESIDENTS

Fumio Akiya

In charge of Semiconductors, Advanced Materials, Technologies and Environmental Control & Safety

Yasuhiko Saitoh

In charge of Office of the President, Public Relations, Finance & Accounting and Legal Affairs
General Manager, International Division

SENIOR MANAGING DIRECTOR

Toshinobu Ishihara

In charge of New Functional Materials and Patents
General Manager, Research & Development Department

MANAGING DIRECTORS

Kiichi Habata

Koji Takasugi

In charge of Purchasing
General Manager, Special Functional Products Department

Masahiko Todoroki

General Manager, Planning & Administration Department, Semiconductor Materials Division

Toshiya Akimoto

In charge of Finance & Accounting and Public Relations
General Manager, Office of the Secretariat and Office of the President

Fumio Arai

General Manager, Organic Chemicals Division

Yukihiro Matsui

General Manager and Magnet Department Manager of Electronics Materials Division

Susumu Ueno

General Manager, Silicone Division

DIRECTORS

Frank Peter Popoff*

Former Chairman, The Dow Chemical Company (US)

Masashi Kaneko*

Former Director & Chairman of the Board of Executive Officers, former Nikko Cordial Corporation

Tsuyoshi Miyazaki*

Advisor, Mitsubishi Logistics Corporation

Toshihiko Fukui*

Former Governor, the Bank of Japan

Hiroshi Komiyama*

Former President, the University of Tokyo

Masaki Miyajima

General Manager, PVC Division

Toshiyuki Kasahara

General Manager, Finance & Accounting Department

Hidenori Onezawa

In charge of Auditing
General Manager, Business Development Department

Kazumasa Maruyama

General Manager, New Functional Materials Department

Kenji Ikegami

In charge of General Affairs
General Manager, Personnel & Labor Relations Department

Toshio Shiobara

Deputy General Manager and Organic Electronics Materials Department Manager of Electronics Materials Division

FULL-TIME AUDIT & SUPERVISORY BOARD MEMBERS

Osamu Okada

Hiroaki Okamoto

AUDIT & SUPERVISORY BOARD MEMBERS

Taku Fukui**

Yoshihito Kosaka**

Kiyoshi Nagano**

* Outside director

** Outside audit & supervisory board member

Corporate Governance and Compliance

The basic management policy of the Group is to meet the expectations of stockholders by constantly increasing corporate value. To accomplish this, the Group has assembled an efficient organizational structure and numerous systems that can respond swiftly to changes in the operating environment. In addition, from the standpoint of improving transparency and supervisory functions, the Group's basic concept for corporate governance is to position the disclosure of timely and accurate information to stockholders and other investors as an important responsibility of management.

Corporate Governance System

The Shin-Etsu Board of Directors has 23 members, including five outside directors, and provides a framework to upgrade and reinforce supervision. The Managing Directors' Meeting and the Board of Directors fulfill the roles necessary to discuss issues involving business operations and to reach decisions. In principle, both hold meetings once each month. Shin-Etsu adopts the audit & supervisory board member system. There are five audit & supervisory board members including three outside audit & supervisory board members, a framework that provides for upgrading and reinforcing the auditing function.

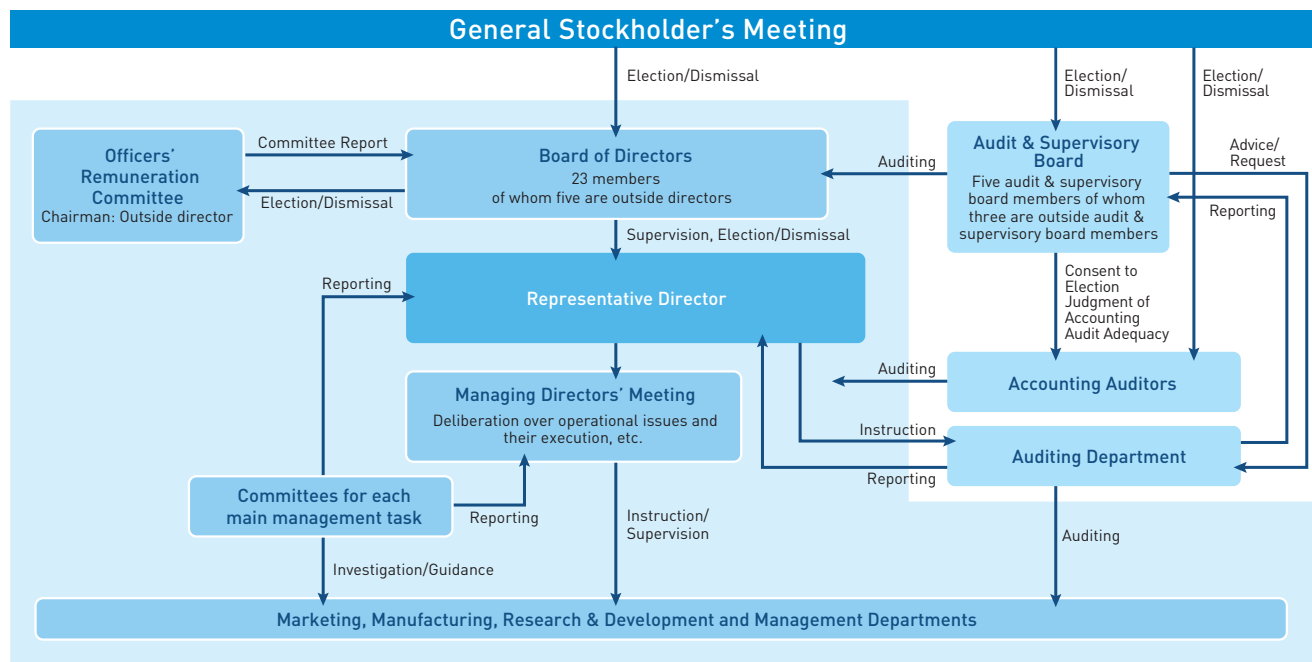
The Auditing Department is responsible for performing internal audits and for evaluating internal control systems for financial reports. This department audits business

activities across the entire organization in order to ensure that the Company is operating properly and in compliance with laws and regulations.

Shin-Etsu is dedicated to ensuring the reliability of financial reporting and improving the transparency of its management.

The Company implements strict internal controls in line with its policy based on the "Basic Policy on Internal Controls for Financial Reporting." These controls comply with the system of internal control over financial reporting based on the Financial Instruments and Exchange Law, which became effective in the fiscal year ended March 31, 2009.

Shin-Etsu's Corporate Governance Structure



Corporate Governance and Compliance

Selection and Roles of Outside Directors and Audit & Supervisory Board Members

Shin-Etsu's Board of Directors includes a number of prominent individuals from outside the Group. These outside directors include corporate executives and others who can use their wealth of experience and knowledge to offer advice and supervision to the Group's management. Outside directors attend board meetings and other important meetings. These individuals draw on their experience in corporate management and other fields to provide insights from a broad perspective and to perform a supervisory role from an independent standpoint. Shin-Etsu also has outside audit & supervisory board members. These individuals perform audits by utilizing their specialized knowledge and experience and their insight as corporate managers.

Outside audit & supervisory board members safeguard the compliance system by attending meetings of the Board of Directors and Audit & Supervisory Board and other important meetings. At these meetings, the outside audit & supervisory board members provide input that reflects know-how in their respective areas of expertise and a broad perspective in their experience as corporate managers.

The outside directors and outside audit & supervisory board members are not former members of the Group, major stockholders or major clients, and are highly independent of the Group.

Officers' Remuneration

The limit for aggregate remuneration of directors is determined by the stockholders' meeting. Remuneration for individual directors is determined by the Board of Directors based on examinations and evaluations performed by the Officers' Remuneration Committee, which is chaired by an outside director.

The limit for aggregate remuneration of corporate auditors is determined by stockholders' meeting and remuneration for individual corporate auditors is determined by these auditors. In fiscal 2015, total remuneration paid to officers was ¥1,550 million. Of this amount, ¥170 million was paid to outside directors and outside audit & supervisory board members. This remuneration does not include salaries (including bonuses) paid to the employee directors in return for serving as employees.

Basic Policy Concerning Compliance

The Group's corporate mission is to strictly comply with all laws and regulations, and to conduct fair business practices. A broad range of regulations regarding compliance have been established and all officers and employees observe these regulations as they perform their duties. Internal audits of the enforcement of these regulations are conducted by the Auditing Department along with other associated departments depending on the contents of the audit.

Strict Compliance

All officers and employees sign a Compliance Pledge in which they promise to perform their jobs every day in accordance with the principles of compliance. Moreover, to identify and rectify legal or regulatory violations quickly, we have established a Compliance Consultation Office that serves as a consultation and reporting channel.

Risk Management

The Group has established regulations associated with risk management. There is also a Risk Management Committee that oversees all risk management activities for the purpose of identifying risks associated with business operations and preventing problems from occurring. In the event of an emergency, based on the Disaster Response Headquarters Policy, a countermeasure headquarters is established and the situation is handled in accordance with the Shin-Etsu emergency response manual.

Shin-Etsu has formulated a Business Continuity Plan for all units, and has prescribed various associated countermeasures, including the preparation, implementation, and management of Business Continuity Plans.

To comply with the Act on the Protection of Personal Information, the Group established a personal information protection policy that is posted on the Company's website (Japanese only). Furthermore, we educate employees about this Act and take other steps to ensure that personal information is handled properly and thoroughly protected.

Investor Relations (IR) Activities

Basic Policy for IR Activities

Through our IR activities, we maintain dialogue with stockholders and other investors so that they may better understand our business operations and management policies. These activities are also a channel to receive input that we can reflect in how we manage business operations.

Disclosure Policy

The timely and proper disclosure of corporate information to stockholders and other investors plays an important role in the understanding of our company and appropriate market valuation. Our policy is to disclose information in a fair and transparent manner while complying with the Financial Instruments and Exchange Act and the Securities Listing Regulations of exchanges where the Company is listed.

Fiscal 2015 IR Activities

Earnings announcement meeting for analysts and institutional investors

- Explanation of first half and fiscal year results of operations

Earnings call for analysts and institutional investors

- Explanation of first quarter and third quarter results of operations

Conferences and small meetings held by securities companies

- 8 times a year

Briefings for individual investors

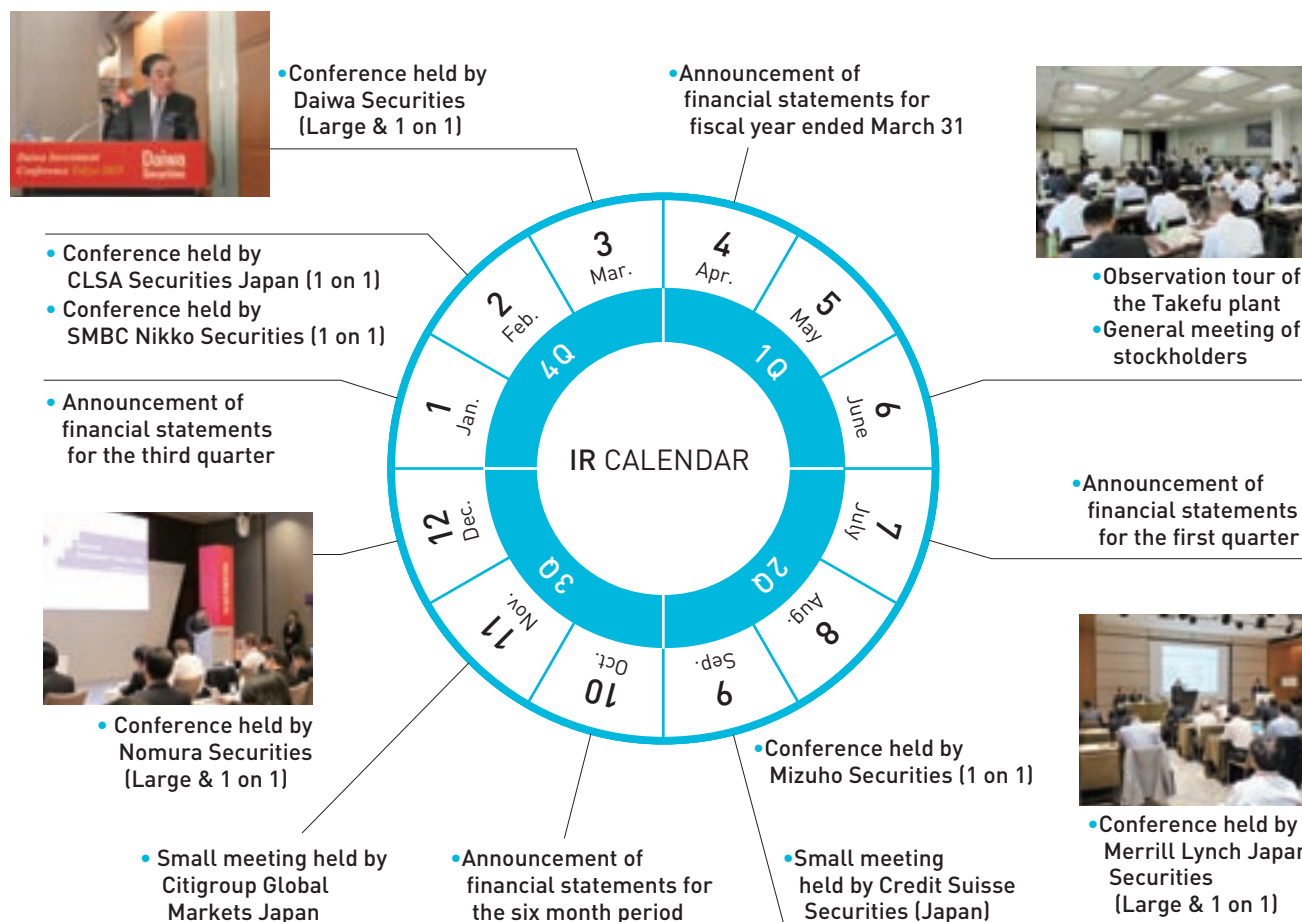
- 328 times a year

Plant observation tour

- Conducted an observation tour of the Takefu plant (1 tour is offered each year)

Major communication tools

- IR website
- Annual report
- Shin-Etsu Report for individual stockholders (only in Japanese)



Corporate Social Responsibility (CSR)

The Shin-Etsu Group is dedicated to contributing to the advancement of industry and society. We do this by supplying key materials that meet customers' demands through our global manufacturing network. Our basic policy for business activities is to make safety the first priority and to comply with laws and regulations. We also contribute to important social issues such as environmental protection. We will continue to support progress in our lives, industry and society through our business activities.

Our Corporate Mission Statement and Basic CSR Policy

The Shin-Etsu Group believes that its obligation to society is to adhere to the corporate mission and make contributions to stockholders and all other relevant parties. The following basic CSR policy provides concrete guidelines for fulfilling this obligation. This policy also serves as the framework for a variety of internal rules and regulations as well as all of the Group's activities.

Our Corporate Mission Statement

To comply strictly with all laws and regulations, conduct fair business practices, and contribute to people's daily lives.

Basic CSR Policy

The Shin-Etsu Group:

1. Will enhance the Group's corporate value through sustained growth and make multi-faceted contributions to society.
2. Will carry out our business activities by always making safety our highest priority.
3. Will constantly pursue energy saving, resource saving and reduction of our environmental burden, and seek to maintain harmony with the environment.
4. Will endeavor to use our cutting-edge technologies and products in order to contribute to combating global warming and protecting biodiversity.
5. Will respect human dignity, assure equal employment opportunities, and support the self-fulfillment of our employees.
6. Will disclose information that is timely and accurate.
7. Will perform transparent business activities that are sound and trustworthy in accordance with the highest ethical standards.

Participation in U.N. Global Compact

As a member of the global chemical industry, the Shin-Etsu Group signed the Responsible Care Global Charter of the International Council of Chemical Associations in 2006. Responsible Care covers worldwide activities involving environmental protection, safety and health. Shin-Etsu Chemical became a participant in the U.N. Global Compact in 2010. The compact encourages companies and organizations to support and follow 10 principles in the areas of human rights, labour, the environment and anti-corruption.



These activities are consistent with the Shin-Etsu Group's corporate philosophy and basic CSR policy. We will continue to do business in line with these principles to build even stronger relationships with the public.

Reinforcing Business Continuity

To ensure the continuity of business operations, the Shin-Etsu Group takes extensive safety measures to be prepared for any situation, from accidents to natural disasters.

Responses to Emergencies

Many of the Shin-Etsu Group's products have high global market shares and are used in specialized applications in high-tech industries. Any disruption in the supply of these products could have a serious impact on society.

We have formulated our company-wide Business Continuity Management Standards to fulfill our responsibility to supply important products even after a major disaster. These standards include the creation of a business continuity plan and the execution and oversight of this plan.

Safety Measures

Preventing serious accidents is a high priority for the Shin-Etsu Group. We take extensive safety and accident prevention measures to ensure the safety of production processes and to maintain equipment condition.

In addition, we conduct risk assessments to identify sources of potential problems at workplaces and press forward to improve safety. Employees who experienced close-call incidents submit reports so that we can improve unsafe locations and processes. Other safety programs include the distribution of manuals and required compliance with their instructions. We also create pleasant workplaces through measures such as performing regular assessments of the working environment.

Close-Call Incidents

<http://www.shinetsu.co.jp/en/company/csr.html>

Environmental Safety Audits

We perform environmental safety audits and special audits for specific purposes every year. The purpose is to examine and confirm that plants are conducting environmental protection, workplace health and safety, and safety and accident prevention as required.

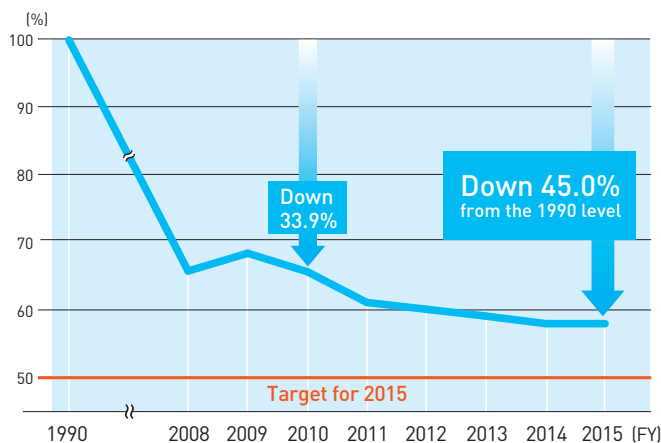
Environmental Initiatives

As a manufacturer of various materials, the Shin-Etsu Group takes actions to protect the environment, such as conserving energy, mitigating global warming and reducing the environmental impact of business activities.

In fiscal 2015, the Shin-Etsu Group's energy consumption (crude oil equivalent) was 2,491 million liters. This was 2.4% higher than in the previous fiscal year because of the growth in production volume. However, the Group's energy consumption intensity, which is based on monetary sales, decreased 4.9%. This improvement was the result of energy conservation programs at all Group companies.

Shin-Etsu has established two medium-term environmental targets. One is reducing unit greenhouse gas emissions intensity to 50% of the 1990 level by 2015. In fiscal 2015, greenhouse gas emissions intensity was 55.0% of the 1990 level. The second target is achieving zero emissions (landfill waste of 1% or less of all waste generated) by 2015. In fiscal 2015, 1.77% of waste at group companies in Japan went to landfills. However, the amount of waste that was reused was 14.2% higher than in the previous fiscal year. We will continue studying ways to make more progress in reusing waste materials in order to achieve zero emissions.

Shin-Etsu's Greenhouse Gas Emissions Intensity Relative to 1990 Levels



Respect for Human Rights

The Shin-Etsu Group respects human rights and implements a variety of approaches to create workplace that are conducive to work, and where each employees is healthy, fulfills his or her potential, and can build a career. As one of approaches, our Human Rights Enlightenment Promotion Committee holds regular human rights enlightenment training for directors and employees to promote the improvement of human rights awareness.

The Shin-Etsu Group conforms to international guidelines, and does not approve of child labor and forced labor of any type. We conduct a survey of Group companies, including overseas companies, each year.

Through this survey, we confirm that our employment conditions are based on the international labor standards of the International Labour Organization (ILO) and that no child or forced labor is taking place.

Diversity

The Shin-Etsu Group offers a full range of systems to support employees who give birth to and are raising children. In addition, as a group engaged in business operations around the world, our Group carries out employment at overseas Group companies and also promotes to employ foreign nationals in Japan.

The entire Group is also working to proactively employ disabled persons and create environments where it is easy for them to work.

Initiatives Aimed at Preventing Corruption

The Shin-Etsu Group has set rules for the prevention of bribery, and prohibits actions that involve unfair transfer or profit from or to parties such as civil servants and business partners. Moreover, executives and employees must submit a Compliance Pledge at their company in order to prevent unfair benefits or unfair demands respect to our customers and business partners. In addition, regular internal audits for corruption, embezzlement, and bribery are carried out, and the status of compliance with ethical standards is one item included in personnel evaluations.

Supply Chain Management

The Shin-Etsu Group promotes to equitable procurement practices and to incorporating environmental considerations into the supply chain.

Basic Procurement Policy has been formulated for the purchasing of supplies needed for production activities. The policy is ensured in the Group and posted on website. The policy urges our all business partners to fulfill their social obligations, including compliance with laws and regulations, environmental protection, workplace safety and accident prevention, and human rights. And they are expected to understand the Basic Procurement Policy and asked to incorporate the content of the Policy in to their supply contracts.

Before and after transactions, the business partner is asked to complete a procurement audit checklist, the results of which are used for evaluation. Additionally, we visit business partners in Japan and overseas whenever necessary to carry out audits.

We explain the Shin-Etsu Group's business continuity plan to business partners so that they can understand the effectiveness of our plan. We also ask them to establish business continuity plans of their own.

Basic Procurement Policy

<http://www.shinetsu.co.jp/en/company/procurement.html>

Eleven-Year Summary

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2005 through 2015

| | Millions of yen | | | | |
|--|-----------------|------------|------------|------------|------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| For the year: | | | | | |
| Net sales | ¥ 967,486 | ¥1,127,915 | ¥1,304,695 | ¥1,376,364 | ¥1,200,813 |
| Cost of sales | 715,143 | 831,333 | 933,199 | 946,940 | 853,433 |
| Selling, general and administrative expenses | 100,608 | 111,262 | 130,467 | 142,278 | 114,453 |
| Operating income | 151,734 | 185,320 | 241,028 | 287,145 | 232,927 |
| Ordinary income | 151,503 | 185,040 | 247,018 | 300,040 | 250,533 |
| Net income | 93,160 | 115,045 | 154,010 | 183,580 | 154,731 |
| Capital expenditures | 110,277 | 145,329 | 210,613 | 268,479 | 159,406 |
| R&D costs | 27,924 | 32,003 | 41,737 | 47,944 | 37,469 |
| Depreciation and amortization | 90,874 | 111,637 | 138,462 | 141,269 | 119,457 |
| At year-end: | | | | | |
| Total assets | ¥1,476,248 | ¥1,671,280 | ¥1,859,995 | ¥1,918,544 | ¥1,684,944 |
| Working capital | 444,935 | 572,205 | 628,986 | 638,806 | 606,632 |
| Common stock | 117,513 | 119,419 | 119,419 | 119,419 | 119,419 |
| Net assets | — | — | 1,360,315 | 1,483,669 | 1,407,353 |
| Stockholders' equity | 996,307 | 1,173,679 | — | — | — |
| Interest-bearing debt | 120,422 | 83,838 | 45,143 | 34,045 | 23,827 |
| Per share (Yen and U.S. dollars): | | | | | |
| Net income—basic | ¥ 219.10 | ¥ 266.63 | ¥ 357.78 | ¥ 426.63 | ¥ 362.39 |
| Net income—fully diluted ² | 216.11 | 266.07 | 357.32 | 426.35 | 362.35 |
| Cash dividends | 20.00 | 35.00 | 70.00 | 90.00 | 100.00 |
| Payout ratio (%) | 9.1 | 13.1 | 19.6 | 21.1 | 27.6 |
| Net assets | 2,329.47 | 2,730.94 | 3,065.80 | 3,344.17 | 3,218.28 |
| General: | | | | | |
| Operating income to net sales ratio (%) | 15.7 | 16.4 | 18.5 | 20.9 | 19.4 |
| Net income to net sales ratio (%) | 9.6 | 10.2 | 11.8 | 13.3 | 12.9 |
| ROE (%) ³ | 9.8 | 10.6 | 12.4 | 13.3 | 11.0 |
| ROA (%) | 10.6 | 11.8 | 14.0 | 15.9 | 13.9 |
| Equity ratio (%) | 67.5 | 70.2 | 71.0 | 75.0 | 81.1 |
| Number of employees | 18,151 | 18,888 | 19,177 | 20,241 | 19,170 |
| Number of shares issued (Thousands) | 430,118 | 432,106 | 432,106 | 432,106 | 432,106 |

Notes: 1. The U.S. dollar amounts represent conversion of yen, for convenience only, at the rate of ¥120 = US\$1, the approximate rate of exchange on March 31, 2015.

2. Diluted net income per share for the fiscal year ended March 31, 2012 is not presented as there were no securities with dilutive effect.

3. Stockholders' equity used for calculation of indices from the fiscal year ended March 31, 2007 consists of "stockholders' equity" and "accumulated other comprehensive income."

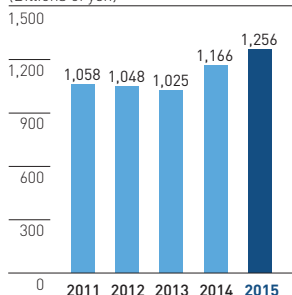
| Millions of yen | | | | | | Thousands of U.S. dollars ¹ |
|-----------------|------------|------------|------------|------------|------------|---|
| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2015 |
| ¥ 916,837 | ¥1,058,257 | ¥1,047,731 | ¥1,025,409 | ¥1,165,819 | ¥1,255,543 | \$10,462,864 |
| 700,902 | 803,574 | 798,592 | 769,427 | 873,879 | 940,399 | 7,836,665 |
| 98,718 | 105,460 | 99,505 | 98,938 | 118,130 | 129,814 | 1,081,787 |
| 117,215 | 149,221 | 149,632 | 157,043 | 173,809 | 185,329 | 1,544,411 |
| 127,019 | 160,338 | 165,237 | 170,207 | 180,605 | 198,025 | 1,650,208 |
| 83,852 | 100,119 | 100,643 | 105,714 | 113,617 | 128,606 | 1,071,720 |
| 123,793 | 119,884 | 87,165 | 86,841 | 83,155 | 109,903 | 915,861 |
| 33,574 | 37,321 | 35,725 | 37,671 | 43,546 | 47,165 | 393,049 |
| 87,722 | 93,732 | 82,868 | 80,961 | 91,445 | 96,918 | 807,651 |
| ¥1,769,139 | ¥1,784,166 | ¥1,809,841 | ¥1,920,903 | ¥2,198,912 | ¥2,452,306 | \$20,435,888 |
| 612,447 | 638,493 | 694,803 | 832,878 | 981,667 | 1,100,999 | 9,174,995 |
| 119,419 | 119,419 | 119,419 | 119,419 | 119,419 | 119,419 | 995,164 |
| 1,474,212 | 1,469,429 | 1,494,573 | 1,623,176 | 1,822,135 | 2,012,711 | 16,772,599 |
| — | — | — | — | — | — | — |
| 20,052 | 14,574 | 15,732 | 13,929 | 15,638 | 14,328 | 119,402 |
| ¥ 197.53 | ¥ 235.80 | ¥ 237.03 | ¥ 248.94 | ¥ 267.20 | ¥ 302.05 | \$ 2.517 |
| 197.50 | 235.80 | — | 248.92 | 267.07 | 301.98 | 2.517 |
| 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 0.833 |
| 50.6 | 42.4 | 42.2 | 40.2 | 37.4 | 33.1 | 33.1 |
| 3,370.56 | 3,360.39 | 3,422.93 | 3,709.19 | 4,165.28 | 4,602.80 | 38.357 |
| 12.8 | 14.1 | 14.3 | 15.3 | 14.9 | 14.8 | 14.8 |
| 9.1 | 9.5 | 9.6 | 10.3 | 9.7 | 10.2 | 10.2 |
| 6.0 | 7.0 | 7.0 | 7.0 | 6.8 | 6.9 | 6.9 |
| 7.4 | 9.0 | 9.2 | 9.1 | 8.8 | 8.5 | 8.5 |
| 80.9 | 80.0 | 80.3 | 82.0 | 80.6 | 79.9 | 79.9 |
| 16,955 | 16,302 | 16,167 | 17,712 | 17,892 | 18,276 | 18,276 |
| 432,106 | 432,106 | 432,106 | 432,106 | 432,106 | 432,106 | 432,106 |

Management's Discussion and Analysis

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

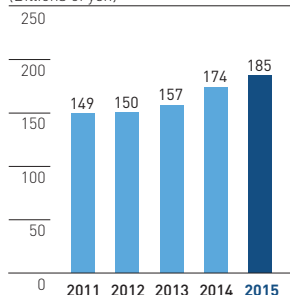
Net Sales

(Billions of yen)



Operating Income

(Billions of yen)

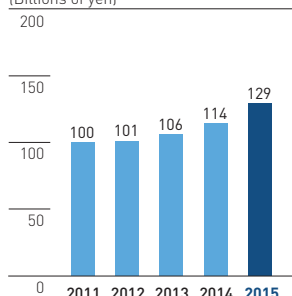


Overview of the Shin-Etsu Group

The Shin-Etsu Group (the "Group") was composed of Shin-Etsu Chemical Co., Ltd. (the "Company"), 124 subsidiaries and 14 affiliates as of March 31, 2015. There are six business segments: PVC/Chlor-Alkali Business, Silicones Business, Specialty Chemicals Business, Semiconductor Silicon Business, Electronics & Functional Materials Business and Diversified Business. The Group conducts business activities by dividing manufacturing and sales activities among Group companies and using mutual cooperation among all of these companies.

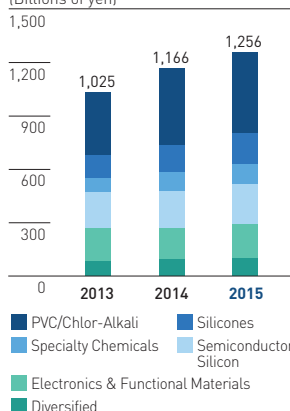
Net Income

(Billions of yen)



Net Sales by Business Segment

(Billions of yen)



Consolidated Operating Performance

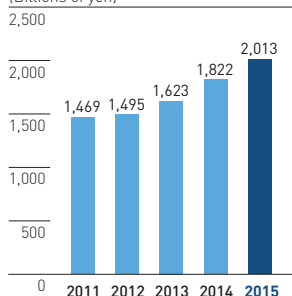
With regard to the world economy during fiscal 2015 (April 1, 2014 to March 31, 2015), although the steady recovery of the economy continued in the U.S., the European economy turned out to be lacking in strength, and a sluggish tendency was seen in the emerging economies, such as those in the Asian region. In Japan, although the economy was affected by the increase in the consumption tax, it moved along a gradual recovery track.

In these circumstances, the Group promoted sales to its wide range of customers around the world and expanded its global manufacturing bases. At the same time, we assiduously worked on the enhancement of our technologies and product quality.

In addition, we focused on building a strong business foundation by such means as developing new products that have special characteristics and focusing on stably securing raw materials.

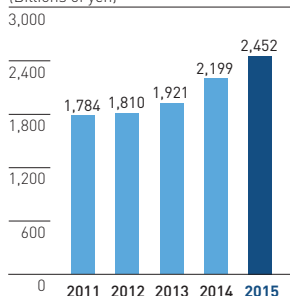
Total Net Assets

(Billions of yen)



Total Assets

(Billions of yen)



Net Sales

Net sales increased 7.7% (¥89,724 million) to ¥1,255,543 million compared with the previous fiscal year.

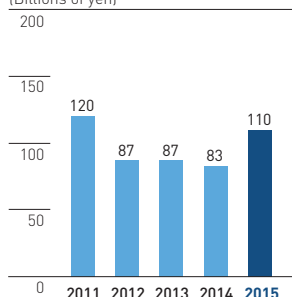
Cost of Sales and Selling, General and Administrative Expenses

Cost of sales increased 7.6% (¥66,520 million) to ¥940,399 million and the ratio of cost of sales to net sales was unchanged at 74.9%. Selling, general and administrative (SG&A) expenses increased 9.9% (¥11,684 million) to ¥129,814 million. The ratio of these expenses to sales was about the same as the previous fiscal year at 10.3%.

Research and development costs, which are included in manufacturing costs and SG&A expenses, increased 8.3% (¥3,619 million) to ¥47,165 million and the ratio of these costs to net sales was 3.8%.

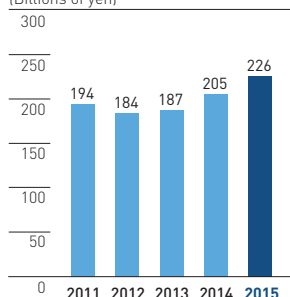
Capital Expenditures

(Billions of yen)



Net Cash Flow*

(Billions of yen)



* Net cash flow = Net income + Depreciation and amortization

Operating Income

Operating income increased 6.6% (¥11,520 million) to ¥185,329 million and the operating income to net sales ratio was about the same as the previous fiscal year at 14.8%.

Business Segment Overview

PVC/Chlor-Alkali Business

With regard to the PVC business, although Shintech in the U.S. was affected by the increase in prices of raw materials, Shintech's profit continued to be strong as a result of capturing the demand for PVC in the U.S., where a recovery was seen in the housing market, and aggressively carrying out sales to its worldwide customers. Shin-Etsu PVC in the Netherlands continued strong shipments; however, during the latter half of the fiscal term it was affected by facility problems that occurred at a raw materials supplier.

In Japan, domestic housing-related demand was slack, and a severe business situation continued.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 5.8% (¥24,811 million) to ¥452,656 million and operating income decreased by 16.4% (¥9,886 million) to ¥50,264 million.

Silicones Business

With regard to the silicones business, in Japan, in addition to sales of product applications for automobiles and cosmetics continuing to be strong, sales of product applications for electronics equipment improved and the business continued to be firm in a wide range of fields. Our silicones business outside of Japan also generally continued to do well in products for Europe and the U.S. as well as for Southeast Asia and China.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 13.4% (¥21,001 million) to ¥177,438 million and operating income increased by 5.1% (¥1,607 million) to ¥33,414 million.

Specialty Chemicals Business

With regard to cellulose derivatives, although sales continued to be firm in Japan, mainly for pharmaceutical-use products, the business of SE Tylose in Germany was affected by price competition. The business of Simcoa Operations in Australia continued to be firm, aided by the upturn in the silicon metal market.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 8.9% (¥9,143 million) to ¥112,347 million and operating income increased by 19.8% (¥2,521 million) to ¥15,278 million.

Semiconductor Silicon Business

With regard to semiconductor silicon, sales generally continued to do well because of the increase in production of semiconductor devices from the expanding demand for applications such as in smartphones and automobiles. As a result, compared with the previous fiscal year, net sales for this business segment increased by 7.9% (¥16,783 million) to ¥230,016 million and operating income increased by 45.6% (¥11,150 million) to ¥35,609 million.

Electronics & Functional Materials Business

With regard to the rare earth magnets business, in addition to shipments being good in terms of products for applications in automobiles, starting with hybrid cars, shipments of products for applications in large-capacity hard disk drives also continued to be steady. With regard to the photoresist products business, ArF resists and trilayer materials expanded aided by the progress in semiconductor device miniaturization. The business of materials for LED packaging also continued to be firm. Although the optical fiber preform business was affected by a sluggish market, shipments in the latter half of the fiscal year were strong.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 7.3% (¥12,519 million) to ¥183,505 million and operating income increased by 12.8% (¥5,239 million) to ¥46,208 million.

Diversified Business

Shin-Etsu Polymer Co., Ltd.'s business of input devices for automobiles and semiconductor wafer-related containers continued to be firm. In addition, the engineering business of Shin-Etsu Engineering Co., Ltd. also continued to be steady.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 5.8% (¥5,466 million) to ¥99,579 million and operating income increased by 31.5% (¥1,157 million) to ¥4,826 million.

Other Income and Expenses and Extraordinary Income and Losses

Other income, net was ¥12,696 million mainly because of a foreign exchange gain of ¥15,164 million. As a result, income before income taxes and minority interests increased 9.6% (¥17,420 million) to ¥198,025 million.

Net Income

Income taxes totaled ¥68,122 million. As a result, net income increased 13.2% (¥14,989 million) to ¥128,606 million and net income per share increased ¥34.85 to ¥302.05.

Analysis of Financial Position

Information on Assets, Liabilities and Net Assets

At the end of fiscal 2015, total assets increased by ¥253,394 million, compared with that at the end of the previous fiscal year to ¥2,452,306 million. This was mainly due to the impact of the depreciation of the yen on currency translations of foreign consolidated subsidiaries.

Total liabilities increased by ¥62,818 million from that at the end of the previous fiscal year, to ¥439,594 million.

Total net assets increased by ¥190,576 million, compared with that at the end of the previous fiscal year

to ¥2,012,711 million. This was mainly due to the increases in retained earnings resulting from net income of ¥128,606 million for fiscal 2015 and foreign currency translation adjustments as a result of the depreciation of the yen.

The stockholders' equity ratio was 79.9%, down 0.7 percentage points from 80.6% at the end of the previous fiscal year.

Cash Flows

Cash and cash equivalents at the end of fiscal 2015 totaled ¥423,846 million, up 16.9% (¥61,286 million) compared with the end of the previous fiscal year.

Operating Activities

Net cash provided by operating activities amounted to ¥243,459 million, a decrease of ¥16,275 million from the previous fiscal year. This consisted mainly of ¥198,025 million in income before income taxes, ¥96,918 million in depreciation and amortization, an increase of ¥13,990 million in accounts receivable-trade and ¥68,765 million for the payment of income taxes.

Investing Activities

Net cash used for investing activities was ¥167,142 million, a decrease of ¥79,752 million over the previous fiscal year, which consisted mainly of ¥86,709 million for purchases of property, plant and equipment, and a net increase of ¥46,294 million in marketable securities.

Financing Activities

Net cash used for financing activities increased by ¥2,184 million from the previous fiscal year to ¥43,545 million. This was mainly due to a cash dividend payment of ¥42,573 million.

Capital Expenditures

Capital expenditures totaled ¥109,903 million. The largest expenditures of ¥44,422 million were in the PVC/Chlor-Alkali Business because of projects to enlarge and strengthen the integrated manufacturing operations of Shintech. In the Specialty Chemicals Business, capital expenditures were ¥16,147 million because of the construction of a cellulose derivatives plant in the U.S. by SE Tylose. In other business segments, capital expenditures were ¥12,947 million in the Silicones Business, ¥15,889 million in the Semiconductor Silicon Business, ¥16,407 million in the Electronics & Functional Materials Business, and ¥4,516 million in the Diversified Business.

Basic Policy Concerning Profit-sharing

Taking a long-term perspective, the Company will focus on expanding company earnings and strengthening the make-

up of the Group's structure as well as on sharing the results of such successful management efforts. It is our basic policy to distribute dividends so as to appropriately reward all of our stockholders.

With regard to our financial reserves, we are making efforts to heighten the value of the Company by reinvesting them in such core business activities as facility investment, and research and development, and we will proactively utilize them for strengthening Shin-Etsu's global competitive power and future business development.

In line with our basic profit-sharing policy, the year-end dividend is ¥50 per share, the same amount as the interim dividend of ¥50 per share. Accordingly, the total annual dividend per share for fiscal 2015 is ¥100, the same amount as in the previous fiscal year.

Outlook for Fiscal 2016 (Ending March 2016)

With regard to business prospects going forward, although the world economy is expected to see a steady recovery in the U.S., there are uncertainties concerning the European economies, which continue to be soft, as well as concerning the future direction of emerging economies where a slowdown in growth can be seen. In Japan as well, although the Japanese economy is expected to continue along a recovery track, the situation is such that it does not allow for optimism because of such concerns as the effects of the world economy's downward movement.

Facing such a situation, the Group will carefully focus on developments in world markets and aggressively develop our sales activities while accurately capturing the growth in demand. At the same time, we will further accelerate the development of our global business by such means as constructing manufacturing bases at optimal locations and strengthening and expanding existing facilities. Furthermore, we will aim to build a strong business foundation by such means as further focusing on enhancing productivity and product quality and striving to assure the stable securing of raw materials.

Business Risks

This section discusses risk factors that could potentially influence such key business matters as the results of the Group's business operations, financial condition and cash flows. The Group reduces its vulnerability to business risks by taking measures to prevent, disperse or hedge these risks. However, if an unforeseeable situation should occur, it could have a significant impact on the Group's business results.

This section contains a list of significant items that the Group considers are current risk factors, but it is not intended to be a comprehensive list of all risks that could seriously impact the Group's business performance.

1) Influence of Economic Trends and Product Markets

Changes in the economic situation of countries or regions where the Group's key products are marketed can have a great impact on the results of the Group's business operations. In addition, among the Group's key products, some products could be affected by large price fluctuations due to the global supply and demand environment. The Group is hedging its risks by taking such strategies as diversifying and globalizing its businesses. However, a downturn in demand for certain of its products or escalating price competition could have a significant effect on the Group's business operations results.

2) Influence of Fluctuations in Foreign Exchange Rates

Overseas sales accounted for 72.0% of the consolidated net sales of the Group in fiscal 2015, and it is expected that this ratio will remain at a high level. The Japanese yen equivalent amounts of items in the financial statement items of overseas consolidated subsidiaries, which are included in the Group's consolidated financial statements, are influenced by fluctuations in foreign exchange rates.

A large movement in these rates could have a great impact on the business results of the entire Group. In addition, although we use forward-exchange contracts and other measures to reduce risk exposure associated with transactions in foreign currencies, a large movement in foreign exchange rates could have a similar serious effect on the Group's business operations results.

3) Influence of Natural Disasters and Disastrous Accidents

To minimize the damage that could result from an interruption of production activities, the Group performs regular disaster-prevention inspections, carries out a constant program of facility maintenance activities at its production facilities and makes facility investments to enhance safety and establish multiple manufacturing bases. However, if a natural disaster or disastrous accident or other unforeseen event damages production facilities or other areas, such circumstances could have a major impact on the Group's business operations results.

4) Influence of Public Regulations and Laws

In countries and regions where the Group is carrying out its business activities, we are bound by the approval processes and licensing requirements involving investment and import/export regulations as well as by various related laws concerning commercial transactions, labor, patents, taxes, foreign exchange and other items. Any changes in these regulations and laws could have a significant effect on the Group's business operations results.

5) Influence of Supply Factors on Procurement of Materials

The Group uses various raw materials in its production activities, and we strive to assure a stable supply of these materials by diversifying our supply sources. However, if supplies become tight or there are delays in procuring these materials, or if prices increase because of these events, there could be a great effect on the Group's business operations results.

6) Influence of the Development of New Products and Technologies

The pace of technological progress is rapid in the electronics industry, which is an important market for some of the Group's products. The Group is constantly working on developing the most advanced cutting-edge materials to meet needs associated with this technological innovation. However, if the Group is unable to take appropriate measures in response to changes in industries and/or markets despite its constant efforts, there could be a significant effect on the Group's business operations results.

7) Influence of Environmental Issues

The Group handles various types of chemical substances and complies strictly with various laws and regulations concerning the environment. In addition, the Group has been making efforts for energy-saving in order to help combat global warming and for eliminating or significantly reducing emissions of substances that are harmful to the environment. However, if regulations concerning the environment become more strict than presently anticipated and require large-scale capital expenditures and other investments as a result, there could be a significant effect on the Group's business operations results.

8) Influence of Product Liability

The Group uses a large number of measures to maintain the optimum quality of its products in accordance with the characteristics of each product. However, a problem involving product quality that occurs due to unforeseen circumstances could have a significant effect on the Group's business operations results.

Consolidated Balance Sheets

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
As of March 31, 2015 and 2014

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|-----------------|------------|---------------------------------------|
| | 2015 | 2014 | 2015 |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and time deposits (Note 20)..... | ¥ 461,489 | ¥ 363,339 | \$ 3,845,748 |
| Notes and accounts receivable—trade..... | 292,748 | 267,243 | 2,439,572 |
| Securities (Notes 5 and 20) | 304,180 | 274,282 | 2,534,837 |
| Merchandise and finished goods | 139,133 | 131,772 | 1,159,447 |
| Work in process..... | 12,533 | 13,844 | 104,442 |
| Raw materials and supplies..... | 125,243 | 127,519 | 1,043,697 |
| Deferred taxes, current (Note 18)..... | 36,721 | 33,105 | 306,008 |
| Other | 38,370 | 31,745 | 319,757 |
| Less: Allowance for doubtful accounts (Note 2 (5)) | (10,575) | (7,023) | (88,129) |
| Total current assets | 1,399,846 | 1,235,829 | 11,665,383 |
| Fixed Assets: | | | |
| Property, Plant and Equipment (Notes 2 (8) and 8): | | | |
| Buildings and structures, net | 175,857 | 177,828 | 1,465,477 |
| Machinery and equipment, net | 441,123 | 424,526 | 3,676,027 |
| Land | 79,679 | 76,283 | 663,993 |
| Construction in progress | 80,230 | 35,353 | 668,585 |
| Other, net | 7,519 | 6,806 | 62,661 |
| Total property, plant and equipment | 784,409 | 720,799 | 6,536,745 |
| Intangible Assets: | | | |
| Goodwill | 11,703 | 12,652 | 97,526 |
| Other | 6,309 | 6,755 | 52,576 |
| Total intangible assets | 18,012 | 19,408 | 150,103 |
| Investments and Other Assets: | | | |
| Investments in securities (Notes 5 and 7) | 145,726 | 124,003 | 1,214,384 |
| Long-term loans..... | 7,604 | 7,159 | 63,372 |
| Net defined benefit asset (Note 10) | 2,040 | 2,386 | 17,003 |
| Deferred taxes, non-current (Note 18)..... | 15,858 | 16,427 | 132,155 |
| Other (Note 7) | 80,203 | 73,313 | 668,362 |
| Less: Allowance for doubtful accounts (Note 2 (5)) | (1,394) | (414) | (11,623) |
| Total investments and other assets..... | 250,038 | 222,875 | 2,083,655 |
| Total fixed assets | 1,052,460 | 963,083 | 8,770,504 |
| Total Assets | ¥2,452,306 | ¥2,198,912 | \$20,435,888 |

The accompanying notes are an integral part of the consolidated financial statements.

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|-----------------|------------|---------------------------------------|
| | 2015 | 2014 | 2015 |
| LIABILITIES AND NET ASSETS | | | |
| Current Liabilities: | | | |
| Notes and accounts payable-trade..... | ¥ 120,694 | ¥ 109,401 | \$ 1,005,788 |
| Short-term borrowings (Note 9) | 6,825 | 7,524 | 56,875 |
| Accounts payable-other | 60,692 | 33,376 | 505,770 |
| Accrued expenses | 60,233 | 57,474 | 501,946 |
| Accrued income taxes | 33,554 | 32,118 | 279,617 |
| Accrued bonuses for employees..... | 2,721 | 2,356 | 22,680 |
| Accrued bonuses for directors | 513 | 439 | 4,283 |
| Other (Note 18) | 13,611 | 11,471 | 113,427 |
| Total current liabilities | 298,846 | 254,161 | 2,490,387 |
| Long-Term Liabilities: | | | |
| Long-term debt (Note 9) | 7,116 | 7,557 | 59,301 |
| Deferred taxes, non-current (Note 18) | 93,571 | 80,934 | 779,762 |
| Net defined benefit liability (Note 10) | 33,401 | 28,127 | 278,343 |
| Accrued retirement bonuses for directors..... | 266 | 258 | 2,222 |
| Other | 6,392 | 5,737 | 53,271 |
| Total long-term liabilities..... | 140,748 | 122,615 | 1,172,901 |
| Total Liabilities | 439,594 | 376,776 | 3,663,289 |
| Commitment and Contingent Liabilities (Note 11) | | | |
| Net Assets | | | |
| Stockholders' Equity: | | | |
| Common stock:..... | 119,419 | 119,419 | 995,164 |
| Authorized: 1,720,000,000 shares | | | |
| Issued: 432,106,693 shares as of March 31, 2015 | | | |
| and 2014, respectively | | | |
| Additional paid-in capital | 128,572 | 128,625 | 1,071,437 |
| Retained earnings (Note 12) | 1,626,873 | 1,541,127 | 13,557,282 |
| Less: Treasury stock, at cost | (33,837) | (34,954) | (281,975) |
| 6,207,027 shares and 6,413,086 shares as of March 31, 2015 | | | |
| and 2014, respectively | | | |
| Total stockholders' equity | 1,841,029 | 1,754,218 | 15,341,909 |
| Accumulated Other Comprehensive Income: | | | |
| Unrealized gains (losses) on available-for-sale securities (Note 2 (7)) | 22,349 | 10,439 | 186,242 |
| Deferred gains (losses) on hedges | (91) | 493 | (763) |
| Foreign currency translation adjustments..... | 100,425 | 9,451 | 836,876 |
| Remeasurements of defined benefit plans | (3,382) | (1,470) | (28,185) |
| Total accumulated other comprehensive income..... | 119,300 | 18,914 | 994,170 |
| Share Subscription Rights | 139 | 426 | 1,163 |
| Minority Interests in Consolidated Subsidiaries | 52,242 | 48,574 | 435,356 |
| Total net assets..... | 2,012,711 | 1,822,135 | 16,772,599 |
| Total Liabilities and Net Assets | ¥2,452,306 | ¥2,198,912 | \$20,435,888 |

Consolidated Statements of Income

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2015, 2014 and 2013

| | Millions of yen | | | Thousands of U.S. dollars (Note 3) |
|---|-------------------|------------|------------|---------------------------------------|
| | 2015 | 2014 | 2013 | 2015 |
| Net Sales (Note 21) | ¥1,255,543 | ¥1,165,819 | ¥1,025,409 | \$10,462,864 |
| Cost of Sales (Notes 10 and 16) | 940,399 | 873,879 | 769,427 | 7,836,665 |
| Gross profit | 315,143 | 291,939 | 255,981 | 2,626,199 |
| Selling, General and Administrative Expenses (Notes 10, 15 and 16).... | 129,814 | 118,130 | 98,938 | 1,081,787 |
| Operating income (Note 21) | 185,329 | 173,809 | 157,043 | 1,544,411 |
| Other Income (Expenses): | | | | |
| Interest income | 3,867 | 3,454 | 2,417 | 32,227 |
| Dividend income | 1,913 | 1,725 | 1,560 | 15,946 |
| Equity in earnings (losses) of affiliates | (383) | 1,499 | 6,430 | (3,194) |
| Interest expenses | (790) | (872) | (465) | 6,587 |
| Loss on disposal of property, plant and equipment | (976) | (1,386) | (690) | 8,140 |
| Loss on valuation of investment securities | (1,379) | (175) | (485) | 11,497 |
| Foreign exchange gain | 15,164 | 9,006 | 4,565 | 126,369 |
| Other, net | (4,719) | (6,454) | (168) | (39,328) |
| Ordinary income | 198,025 | 180,605 | 170,207 | 1,650,208 |
| Extraordinary Income (Losses): | | | | |
| Loss on sales of investments in securities | — | — | (6,137) | — |
| Income before income taxes and minority interests | 198,025 | 180,605 | 164,070 | 1,650,208 |
| Income Taxes (Note 18): | | | | |
| Current | 71,330 | 67,138 | 37,059 | 594,420 |
| Deferred | (3,207) | (1,370) | 19,696 | (26,729) |
| | 68,122 | 65,768 | 56,755 | 567,690 |
| Income before minority interests | 129,902 | 114,837 | 107,314 | 1,082,517 |
| Minority Interests in Earnings of Consolidated Subsidiaries | (1,295) | (1,219) | (1,599) | (10,797) |
| Net Income | ¥ 128,606 | ¥ 113,617 | ¥ 105,714 | \$ 1,071,720 |
| | | Yen | | U.S. dollars (Note 3) |
| Per Share (Note 2 (14)): | | | | |
| Net income—basic | ¥302.05 | ¥267.20 | ¥248.94 | \$2.517 |
| Net income—fully diluted | 301.98 | 267.07 | 248.92 | 2.516 |
| Cash dividends | 100.00 | 100.00 | 100.00 | 0.833 |
| Weighted-Average Number of Shares Outstanding (Thousands) | 425,784 | 425,222 | 424,651 | 425,784 |

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Comprehensive Income

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2015, 2014 and 2013

| | Millions of yen | | | Thousands of U.S. dollars (Note 3) |
|--|-----------------|----------|----------|---------------------------------------|
| | 2015 | 2014 | 2013 | 2015 |
| Income before Minority Interests | ¥129,902 | ¥114,837 | ¥107,314 | \$1,082,517 |
| Other Comprehensive Income (Note 19): | | | | |
| Unrealized gains (losses) on available-for-sale securities | 11,978 | (1,122) | 10,314 | 99,821 |
| Deferred gains (losses) on hedges | (585) | 309 | 238 | (4,878) |
| Foreign currency translation adjustments | 92,686 | 125,605 | 66,415 | 772,390 |
| Remeasurements of defined benefit plans | (1,936) | — | — | (16,140) |
| Share of other comprehensive income of affiliates accounted for using the equity method | 271 | 1,835 | 6,499 | 2,262 |
| Total other comprehensive income | 102,414 | 126,627 | 83,467 | 853,455 |
| Comprehensive Income | ¥232,316 | ¥241,465 | ¥190,782 | \$1,935,973 |
| (Breakdown) | | | | |
| Comprehensive income attributable to owners of the parent.... | ¥228,992 | ¥236,409 | ¥186,861 | \$1,908,267 |
| Comprehensive income attributable to minority interests | 3,324 | 5,056 | 3,920 | 27,706 |

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

| | Thousands | Millions of yen | | | | |
|---|-----------|----------------------|----------------------------|-------------------|-------------------------|------------|
| | | Stockholders' Equity | | | | |
| | | Common stock | Additional paid-in capital | Retained earnings | Treasury stock, at cost | Total |
| Balance at April 1, 2012 | 432,106 | ¥119,419 | ¥128,177 | ¥1,435,693 | ¥(40,925) | ¥1,642,365 |
| Cash dividends (Note 12)..... | | | | (42,459) | | (42,459) |
| Net income..... | | | | 105,714 | | 105,714 |
| Changes in scope of consolidation and equity method..... | | | | (28,932) | | (28,932) |
| Purchase of treasury stock..... | | | | | (11) | (11) |
| Disposal of treasury stock..... | | | 56 | | 1,769 | 1,825 |
| Net changes of items other than stockholders' equity..... | | | | | | |
| Balance at March 31, 2013 | 432,106 | ¥119,419 | ¥128,234 | ¥1,470,015 | ¥(39,167) | ¥1,678,502 |

| | Thousands | Millions of yen | | | | | |
|---|-----------|--|-----------------------------------|--|---------|---------------------------|---|
| | | Accumulated Other Comprehensive Income | | | | Share subscription rights | Minority interests in consolidated subsidiaries |
| | | Unrealized gains (losses) on available-for-sale securities | Deferred gains (losses) on hedges | Foreign currency translation adjustments | Total | | |
| Balance at April 1, 2012 | ¥ 1,212 | ¥ 25 | ¥(190,249) | ¥(189,011) | ¥ 3,491 | ¥37,727 | ¥1,494,573 |
| Cash dividends (Note 12)..... | | | | | | | (42,459) |
| Net income..... | | | | | | | 105,714 |
| Changes in scope of consolidation and equity method..... | | | | | | | (28,932) |
| Purchase of treasury stock..... | | | | | | | (11) |
| Disposal of treasury stock..... | | | | | | | 1,825 |
| Net changes of items other than stockholders' equity..... | 10,378 | 148 | 76,077 | 86,605 | (1,342) | 7,203 | 92,465 |
| Balance at March 31, 2013 | ¥11,591 | ¥174 | ¥(114,172) | ¥(102,406) | ¥ 2,149 | ¥44,931 | ¥1,623,176 |

| | Thousands | Millions of yen | | | | |
|---|-----------|----------------------|----------------------------|-------------------|-------------------------|------------|
| | | Stockholders' Equity | | | | |
| | | Common stock | Additional paid-in capital | Retained earnings | Treasury stock, at cost | Total |
| Balance at April 1, 2013 | 432,106 | ¥119,419 | ¥128,234 | ¥1,470,015 | ¥(39,167) | ¥1,678,502 |
| Cash dividends (Note 12)..... | | | | (42,505) | | (42,505) |
| Net income..... | | | | 113,617 | | 113,617 |
| Purchase of treasury stock..... | | | | | (150) | (150) |
| Disposal of treasury stock..... | | | 391 | | 4,362 | 4,754 |
| Net changes of items other than stockholders' equity..... | | | | | | |
| Balance at March 31, 2014 | 432,106 | ¥119,419 | ¥128,625 | ¥1,541,127 | ¥(34,954) | ¥1,754,218 |

| | Thousands | Millions of yen | | | | | | |
|---|-----------|--|-----------------------------------|--|---|---------|---------------------------|---|
| | | Accumulated Other Comprehensive Income | | | | | Share subscription rights | Minority interests in consolidated subsidiaries |
| | | Unrealized gains (losses) on available-for-sale securities | Deferred gains (losses) on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total | | |
| Balance at April 1, 2013 | ¥11,591 | ¥174 | ¥(114,172) | ¥ — | ¥(102,406) | ¥ 2,149 | ¥44,931 | ¥1,623,176 |
| Cash dividends (Note 12)..... | | | | | | | | (42,505) |
| Net income..... | | | | | | | | 113,617 |
| Purchase of treasury stock..... | | | | | | | | (150) |
| Disposal of treasury stock..... | | | | | | | | 4,754 |
| Net changes of items other than stockholders' equity..... | (1,152) | 319 | 123,624 | (1,470) | 121,321 | (1,722) | 3,643 | 123,242 |
| Balance at March 31, 2014 | ¥10,439 | ¥493 | ¥ 9,451 | ¥(1,470) | ¥ 18,914 | ¥ 426 | ¥48,574 | ¥1,822,135 |

| | Thousands | Millions of yen | | | | |
|---|----------------|----------------------|----------------------------|-------------------|-------------------------|-------------------|
| | | Stockholders' Equity | | | | |
| | | Common stock | Additional paid-in capital | Retained earnings | Treasury stock, at cost | Total |
| Balance at April 1, 2014 | 432,106 | ¥119,419 | ¥128,625 | ¥1,541,127 | ¥(34,954) | ¥1,754,218 |
| Cumulative effects of changes in accounting policies..... | | | | (287) | | (287) |
| Cash dividends (Note 12)..... | | | | (42,573) | | (42,573) |
| Net income..... | | | | 128,606 | | 128,606 |
| Purchase of treasury stock..... | | | | | (24) | (24) |
| Disposal of treasury stock..... | | | (53) | | 1,141 | 1,088 |
| Net changes of items other than stockholders' equity..... | | | | | | |
| Balance at March 31, 2015 | 432,106 | ¥119,419 | ¥128,572 | ¥1,626,873 | ¥(33,837) | ¥1,841,029 |

| | Millions of yen | | | | | | | |
|---|--|-----------------------------------|--|---|-----------------|---------------------------|---|-------------------|
| | Accumulated Other Comprehensive Income | | | | | Share subscription rights | Minority interests in consolidated subsidiaries | Total net assets |
| | Unrealized gains (losses) on available-for-sale securities | Deferred gains (losses) on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total | | | |
| Balance at April 1, 2014 | ¥10,439 | ¥ 493 | ¥ 9,451 | ¥(1,470) | ¥ 18,914 | ¥ 426 | ¥48,574 | ¥1,822,135 |
| Cumulative effects of changes in accounting policies..... | | | | | | | | (287) |
| Cash dividends (Note 12)..... | | | | | | | | (42,573) |
| Net income..... | | | | | | | | 128,606 |
| Purchase of treasury stock..... | | | | | | | | (24) |
| Disposal of treasury stock..... | | | | | | | | 1,088 |
| Net changes of items other than stockholders' equity..... | 11,909 | (585) | 90,973 | (1,912) | 100,385 | (287) | 3,667 | 103,766 |
| Balance at March 31, 2015 | ¥22,349 | ¥ (91) | ¥100,425 | ¥(3,382) | ¥119,300 | ¥ 139 | ¥52,242 | ¥2,012,711 |

| | Thousands | Thousands of U.S. dollars (Note 3) | | | | |
|---|----------------|------------------------------------|----------------------------|---------------------|-------------------------|---------------------|
| | | Stockholders' Equity | | | | |
| | | Common stock | Additional paid-in capital | Retained earnings | Treasury stock, at cost | Total |
| Balance at April 1, 2014 | 432,106 | \$995,164 | \$1,071,882 | \$12,842,732 | \$(291,289) | \$14,618,489 |
| Cumulative effects of changes in accounting policies..... | | | | (2,392) | | (2,392) |
| Cash dividends (Note 12)..... | | | | (354,777) | | (354,777) |
| Net income..... | | | | 1,071,720 | | 1,071,720 |
| Purchase of treasury stock..... | | | | | (202) | (202) |
| Disposal of treasury stock..... | | | (444) | | 9,516 | 9,071 |
| Net changes of items other than stockholders' equity..... | | | | | | |
| Balance at March 31, 2015 | 432,106 | \$995,164 | \$1,071,437 | \$13,557,282 | \$(281,975) | \$15,341,909 |

| | Thousands of U.S. dollars (Note 3) | | | | | | | |
|---|--|-----------------------------------|--|---|------------------|---------------------------|---|---------------------|
| | Accumulated Other Comprehensive Income | | | | | Share subscription rights | Minority interests in consolidated subsidiaries | Total net assets |
| | Unrealized gains (losses) on available-for-sale securities | Deferred gains (losses) on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total | | | |
| Balance at April 1, 2014 | \$ 86,993 | \$ 4,115 | \$ 78,765 | \$(12,251) | \$157,623 | \$ 3,557 | \$404,791 | \$15,184,460 |
| Cumulative effects of changes in accounting policies..... | | | | | | | | (2,392) |
| Cash dividends (Note 12)..... | | | | | | | | (354,777) |
| Net income..... | | | | | | | | 1,071,720 |
| Purchase of treasury stock..... | | | | | | | | (202) |
| Disposal of treasury stock..... | | | | | | | | 9,071 |
| Net changes of items other than stockholders' equity..... | 99,248 | (4,878) | 758,111 | (15,934) | 836,546 | (2,393) | 30,565 | 864,718 |
| Balance at March 31, 2015 | \$186,242 | \$ (763) | \$836,876 | \$(28,185) | \$994,170 | \$ 1,163 | \$435,356 | \$16,772,599 |

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2015, 2014 and 2013

| | Millions of yen | | | Thousands of U.S. dollars (Note 3) |
|---|------------------|------------------|------------------|---------------------------------------|
| | 2015 | 2014 | 2013 | 2015 |
| Cash Flows from Operating Activities: | | | | |
| Income before income taxes..... | ¥ 198,025 | ¥ 180,605 | ¥ 164,070 | \$ 1,650,208 |
| Adjustments to reconcile income before income taxes to net cash provided by operating activities: | | | | |
| Depreciation and amortization..... | 96,918 | 91,445 | 80,961 | 807,651 |
| Loss on impairment of fixed assets..... | 4,679 | — | — | 38,995 |
| Increase in accrued retirement benefits..... | — | — | 2,486 | — |
| Increase (decrease) in net defined benefit liability..... | (573) | 4,007 | — | (4,779) |
| (Gain) loss on sales of investments in securities..... | (45) | (1) | 6,039 | (382) |
| Loss on write-down of investments in securities..... | 1,379 | 175 | 485 | 11,497 |
| Increase (decrease) in allowance for doubtful accounts..... | 4,296 | (32) | (210) | 35,806 |
| Interest and dividend income..... | (5,780) | (5,180) | (3,977) | (48,174) |
| Interest expenses..... | 790 | 872 | 465 | 6,587 |
| Exchange (gain) loss..... | (2,152) | 660 | 323 | (17,935) |
| Equity in (earnings) losses of affiliates..... | 383 | (1,499) | (6,430) | 3,194 |
| Changes in assets and liabilities: | | | | |
| (Increase) decrease in notes and accounts receivable..... | (13,990) | (561) | 32,803 | (116,583) |
| (Increase) decrease in inventories..... | 7,967 | 18,246 | 17,708 | 66,393 |
| (Increase) decrease in long-term advance payment..... | 7,398 | 2,830 | 7,521 | 61,652 |
| Increase (decrease) in notes and accounts payable..... | 6,674 | 3,593 | (1,189) | 55,618 |
| Other, net..... | 507 | 1,081 | (5,700) | 4,228 |
| Subtotal..... | 306,477 | 296,245 | 295,355 | 2,553,978 |
| Proceeds from interest and dividends..... | 6,529 | 5,931 | 4,754 | 54,416 |
| Payments of interest..... | (782) | (887) | (482) | (6,523) |
| Payments of income taxes..... | (68,765) | (41,554) | (64,004) | (573,045) |
| Net cash provided by operating activities..... | 243,459 | 259,734 | 235,622 | 2,028,825 |
| Cash Flows from Investing Activities: | | | | |
| (Increase) decrease in time deposits..... | (15,278) | (15,019) | (2,134) | (127,324) |
| Purchases of securities..... | (216,654) | (450,429) | (66,030) | (1,805,454) |
| Proceeds from redemption of securities..... | 170,359 | 285,380 | 18,810 | 1,419,665 |
| Proceeds from sales of securities..... | — | 9,286 | 5,189 | — |
| Purchases of property, plant and equipment..... | (86,709) | (66,814) | (80,775) | (722,580) |
| Proceeds from sales of property, plant and equipment..... | 820 | 175 | 285 | 6,838 |
| Purchases of intangible fixed assets..... | (659) | (2,444) | (884) | (5,492) |
| Purchases of investments in securities..... | (7,528) | (3,836) | (7,581) | (62,737) |
| Proceeds from sales of investments in securities..... | 122 | 2,277 | 898 | 1,016 |
| Proceeds from redemption of investments in securities..... | 0 | 5,000 | 22,978 | 1 |
| Purchases of investments in subsidiaries resulting in change in scope of consolidation..... | — | (7,296) | — | — |
| Payments of loans..... | (333) | (5) | (5,368) | (2,775) |
| Proceeds from collection of loans..... | 462 | 561 | 327 | 3,854 |
| Other, net..... | (11,743) | (3,728) | (4,968) | (97,865) |
| Net cash used for investing activities..... | (167,142) | (246,894) | (119,254) | (1,392,854) |
| Cash Flows from Financing Activities: | | | | |
| Net increase (decrease) in short-term borrowings..... | (918) | (693) | (3,407) | (7,650) |
| Proceeds from long-term debt..... | 16 | 306 | 6,517 | 136 |
| Repayments of long-term debt..... | (244) | (1,203) | (5,482) | (2,034) |
| Purchases of treasury stock..... | (24) | (150) | (11) | (202) |
| Proceeds from sales of treasury stock..... | 920 | 3,806 | 1,490 | 7,668 |
| Cash dividends paid..... | (42,573) | (42,505) | (42,459) | (354,777) |
| Cash dividends paid to minority interests..... | (508) | (496) | (574) | (4,240) |
| Other, net..... | (213) | (425) | (84) | (1,781) |
| Net cash used for financing activities..... | (43,545) | (41,361) | (44,011) | (362,881) |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents .. | 28,515 | 28,052 | 16,899 | 237,632 |
| Net Increase (Decrease) in Cash and Cash Equivalents .. | 61,286 | (468) | 89,257 | 510,721 |
| Cash and Cash Equivalents at Beginning of Year .. | 362,560 | 363,028 | 270,321 | 3,021,336 |
| Increase (Decrease) in Cash and Cash Equivalents Resulting from Changes in Scope of Consolidation .. | — | — | 3,450 | — |
| Cash and Cash Equivalents at End of Year (Note 20) .. | ¥ 423,846 | ¥ 362,560 | ¥ 363,028 | \$ 3,532,057 |

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2015, 2014 and 2013

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared from accounts and records maintained by Shin-Etsu Chemical Co., Ltd. (the "Company") and its subsidiaries. The Company and its domestic consolidated subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Corporation Law of Japan and the Financial Instruments and Exchange Law and in conformity with generally accepted accounting principles prevailing in Japan. The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries. Before the fiscal year ended March 31, 2008, in general, no adjustments to the accounts of overseas consolidated subsidiaries were reflected in the accompanying consolidated financial statements to present them in compliance with Japanese accounting principles followed by the Company.

Effective from the fiscal year ended March 31, 2009, the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force No. 18, issued on May 17, 2006) has been applied, and accordingly some revisions have been made to the consolidated accounts as necessary.

The accompanying consolidated financial statements of the Company and its subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company, as required by the Financial Instruments and Exchange Law of Japan.

The presentation of the accompanying consolidated financial statements is made in conformity with the Consolidated Financial Statements Regulation (ordinance promulgated by the Ministry of Finance) and meets the requirements for disclosure of financial information of the Company on a consolidated basis. However, certain reclassifications have been made to the consolidated financial statements issued domestically to enable the presentation in a form which is more familiar to readers outside Japan.

The amounts in the accompanying consolidated financial statements are stated in millions of yen. Amounts less than ¥1 million are omitted, except where otherwise indicated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Principles of consolidation

The Company had 124 majority-owned subsidiaries as of March 31, 2015 (123 and 119 as of March 31, 2014 and 2013, respectively). The consolidated financial statements include the accounts of the Company and 87 (87 and 87 for 2014 and 2013, respectively) majority-owned subsidiaries (collectively, the "Companies"), of which the principal firms are listed on page 69 with their respective fiscal year-ends.

The remaining 37 (36 and 32 for 2014 and 2013, respectively) unconsolidated subsidiaries, including Shin-Etsu Electronics (Malaysia) Sdn. Bhd., whose total assets, net sales, net income and retained earnings in the aggregate are not material to the consolidated financial statements have been excluded from the scope of consolidation. For consolidation of subsidiaries whose fiscal year-ends are not the same as the Company, necessary adjustments are made for significant intercompany transactions occurring during the periods between the fiscal year-end of respective consolidated subsidiaries and that of the Company.

Unrealized intercompany profits and losses among the Companies are entirely eliminated, and the portion thereof attributable to minority interests is allocated to the minority interests.

Assets and liabilities of consolidated subsidiaries are measured at fair value at the time of acquisition.

Goodwill is amortized within 20 years on a straight-line basis.

(2) Accounting for investments in unconsolidated subsidiaries and affiliates

The Company had 37 (36 and 32 for 2014 and 2013, respectively) unconsolidated subsidiaries (majority-owned) and 14 (14 and 16 for 2014 and 2013, respectively) affiliates (meaning 20% to 50% ownership of a company's equity interest). The equity method is applied to the investments in 3 (3 and 4 for 2014 and 2013, respectively) major affiliates and investments in the remaining unconsolidated subsidiaries, including Shin-Etsu Electronics (Malaysia) Sdn. Bhd., and affiliates, including TATSUNO CHEMICAL INDUSTRIES INC., are stated at cost because they are not material to the consolidated financial statements.

The unconsolidated subsidiaries and affiliates accounted for by the equity method are listed below:

Mimasu Semiconductor Industry Co., Ltd.

Shin-Etsu Quartz Products Co., Ltd.

Admatechs Co., Ltd.

(3) Translation of foreign currency transactions

Foreign currency transactions are generally translated into yen at the rates prevailing at the respective transaction dates.

Foreign currency deposits, receivables and payables are translated into yen at the exchange rate prevailing at the respective balance sheet dates and the resulting translation gain or loss is included in the determination of net income for the year.

However, all of the overseas consolidated subsidiaries apply the current rate method to translate transactions and account balances in foreign currencies into their respective home currencies.

(4) Translation of foreign currency financial statements (accounts of overseas subsidiaries)

The balance sheet accounts of overseas consolidated subsidiaries are translated into yen at current exchange rates prevailing at the end of the fiscal year, except for equity, which is translated at the historical rate. Revenue and expense accounts are translated at the average exchange rates during the year. The resulting translation adjustments are shown as "Foreign currency translation adjustments" in the accompanying balance sheets as of March 31, 2015 and 2014.

(5) Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide an allowance for doubtful accounts using the historic percentage of bad debt loss against the balance of general receivables plus an amount deemed necessary to cover individual accounts estimated to be uncollectible.

(6) Inventories

Inventories are mainly stated at cost determined by the weighted-average method. Balance sheet amounts are written down based on any decline in profitability.

(7) Financial instruments

Securities:

Held-to-maturity debt securities are stated at amortized cost using the straight-line method. Available-for-sale securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate component of accumulated other comprehensive income at net-of-tax amounts. Other securities for which market quotations are unavailable are stated at cost, determined by the moving-average cost method.

Derivatives:

Derivatives are stated at fair value, with changes in fair value included in profit or loss in the same period in which they arise, except for derivatives that are designated as "hedging instruments."

The Company and consolidated subsidiaries enter into foreign exchange contracts, currency swaps, interest rate swaps and earthquake derivatives.

Hedge accounting:

Gains or losses arising from changes in the fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the Company are interest rate swaps, foreign exchange contracts and currency swaps. The related hedged items are interest rate transactions tied to funding activities, marketable securities and forecasted foreign currency transactions.

The Company has a policy to utilize the above hedging instruments in order to hedge the risk of fluctuations in interest rates and foreign currencies. Thus, the Company's purchases of the hedging instruments are limited to, at maximum, the amounts of the underlying hedged items. The Company does not enter into derivative transactions for trading or speculative purposes.

The Company evaluates the effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the corresponding hedged items from the commencement of the hedges.

(8) Property, plant and equipment

The Company and its domestic subsidiaries principally calculate depreciation by the declining-balance method, based on the estimated useful lives of the assets. Foreign subsidiaries principally calculate depreciation by the straight-line method over the estimated useful lives of the assets. The cost of property, plant and equipment retired or otherwise disposed of and accumulated depreciation are eliminated from the related accounts, and the resulting gain or loss is reflected in income.

Effective from the fiscal year ended March 31, 2013, due to a revision of the corporate tax law in Japan, the Company and certain domestic consolidated subsidiaries have applied a depreciation method based on the revised law for tangible fixed assets purchased on or after April 1, 2012. The impact of this change on operating income, ordinary income and income before income taxes and minority interests for the fiscal year ended March 31, 2013 is immaterial.

(9) Repairs and maintenance

Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(10) Accrued bonuses for employees

Certain consolidated subsidiaries recognize the estimated amount of employees' bonuses to be paid in the subsequent period that is attributable to the current fiscal year.

(11) Accrued bonuses for directors

The Company and its domestic consolidated subsidiaries recognize the estimated amount of directors' bonuses to be paid in the subsequent period that is attributable to the current fiscal year.

(12) Accrued retirement benefits

The Company applies the benefit formula basis to measure the pension obligations. The expected retirement benefit attributed to periods of service under the plan's benefit formula is deemed as arising in each period.

Actuarial differences are amortized over a five-year period, which is within the average remaining service period of employees, using the straight-line method from the fiscal year when the difference was generated. Prior service cost is amortized as incurred over ten-year period, which is within the average remaining service period of employees using the straight-line method from the time when the prior service cost was generated.

Effective from the beginning of FY 2015, the Company adopted the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No.26, issued May 17, 2012, hereinafter referred as the "Accounting Standards for Retirement Benefits") and its accompanying implementation guidance, "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, March 26, 2015.) with respect to certain provisions described in Section 35 of the standard and in Section 67 of the guidance.

In applying these accounting standards, there was a change from the straight-line basis to the benefit formula basis as the method for attributing the expected retirement benefit to periods of service for the calculation of the retirement benefit obligation and service costs. Also, the Company has changed the method for determining the discount rate from using a discount rate based on the number of years approximate to the average remaining service period of employees to using a single weighted average discount rate that reflects the estimated timing and amount of the retirement benefit payments.

Concerning the application of the Accounting Standards for Retirement Benefits, based on the provisional treatment set out in Section 37 of the accounting standards, the effects of such changes in FY 2015 have been adjusted in the beginning balance of retained earnings. The impact of these changes on assets, liabilities, net assets, operating income, ordinary income and income before income taxes and minority interests for FY 2015 is immaterial.

(13) Research and development costs

Research and development costs are charged to income as incurred.

(14) Income and dividends per share

Net income per share is based upon the weighted-average number of shares of common stock outstanding during each fiscal year.

Net income per share adjusted for dilution represents net income per share assuming full conversion of all convertible debentures of the Company outstanding with related reduction in interest expenses.

(15) Dividends

Dividends are proposed by the Board of Directors and approved by the stockholders at meetings held subsequent to the fiscal year to which the dividends are applicable, and registered stockholders as of the end of such fiscal year are entitled to the subsequently declared dividends. Interim cash dividends are also paid (see Note 12).

Dividends charged to retained earnings in the accompanying consolidated statements of changes in net assets represent dividends approved and paid during the year.

(16) Accrued retirement bonuses for directors

Certain domestic subsidiaries recognize the required amount of directors' retirement bonuses as of the end of the fiscal year based on an internal standard.

(17) Consumption tax

Consumption tax withheld by the Company and certain subsidiaries on sales of products and services is not included in the amount of net sales in the consolidated statements of income. Consumption tax borne by the Company and certain subsidiaries on purchases of goods and services and on expenses is also not included in the related amounts in the consolidated statements of income.

3. UNITED STATES DOLLAR AMOUNTS

The accompanying consolidated financial statements are prepared in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on a basis of ¥120 to US\$1, the approximate effective rate of exchange on March 31, 2015. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be readily converted, realized or settled in dollars at ¥120 to US\$1 or at any other rate.

4. FINANCIAL INSTRUMENTS

(1) Overview of financial instruments

Management policy

In principle, fund management is limited to deposits with financial institutions with high credit ratings and risk-free bonds, and financing is obtained primarily through borrowings from banks.

Financial instruments, risks and risk management

Notes and accounts receivable-trade are exposed to credit risk of customers. With regard to credit risk related to notes and accounts receivable-trade, each business department not only controls and manages account due dates and balances, but also confirms the credit standing of major customers periodically, making efforts to identify doubtful accounts as early as possible.

Securities and investments in securities are stocks in companies with which the Company has business relationships, held-to-maturity debt securities and also certificates of deposit. Regarding securities and investment securities, the Company regularly determines their fair value and the financial situation of the issuing companies. For stocks, the Company also continually reviews the stock holding status, considering its relationship with the issuing companies.

In order to hedge the foreign currency exchange risk associated with assets and liabilities denominated in foreign currencies and interest rate risk associated with financial assets and liabilities, derivative transactions such as interest rate swap transactions, currency swap transactions and foreign exchange forward contracts are utilized. All derivative transactions are entered into for the purpose of hedging risks arising in the ordinary course of business, and there are no derivative transactions entered into for trading or speculative purposes.

Supplementary explanation on the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair values.

[2] Fair value of financial instruments

As of March 31, 2015 and 2014, the book value, fair value and the difference between the two are as follows:

| | Millions of yen | | | Thousands of U.S. dollars | | |
|--|-------------------|-------------------|-----------------|---------------------------|--------------------|-------------------|
| | 2015 | | | 2015 | | |
| | Book value | Fair value | Difference | Book value | Fair value | Difference |
| Assets: | | | | | | |
| (1) Cash and time deposits..... | ¥ 461,489 | ¥ 461,489 | ¥ — | \$3,845,748 | \$3,845,748 | \$ — |
| (2) Notes and accounts receivable—trade | 292,748 | 292,748 | — | 2,439,572 | 2,439,572 | — |
| (3) Securities and investments in securities | | | | | | |
| i) Held-to-maturity debt securities | 8,895 | 8,938 | 43 | 74,130 | 74,491 | 361 |
| ii) Investments in and advances to unconsolidated subsidiaries and affiliates.. | 22,709 | 18,391 | (4,318) | 189,249 | 153,264 | (35,985) |
| iii) Available-for-sale securities | 379,508 | 379,508 | — | 3,162,570 | 3,162,570 | — |
| (4) Long-term loans | 7,604 | 7,742 | 138 | 63,372 | 64,524 | 1,151 |
| Total | ¥1,172,957 | ¥1,168,820 | ¥(4,136) | \$9,774,643 | \$9,740,171 | \$(34,472) |
| Liabilities: | | | | | | |
| (1) Notes and accounts payable—trade..... | ¥ 120,694 | ¥ 120,694 | ¥ — | \$1,005,788 | \$1,005,788 | \$ — |
| (2) Short-term borrowings | 6,825 | 6,825 | — | 56,875 | 56,875 | — |
| (3) Accounts payable—other | 60,692 | 60,692 | — | 505,770 | 505,770 | — |
| (4) Accrued expenses | 60,233 | 60,233 | — | 501,946 | 501,946 | — |
| (5) Accrued income taxes | 33,554 | 33,554 | — | 279,617 | 279,617 | — |
| (6) Long-term debt | 7,116 | 7,111 | (4) | 59,301 | 59,260 | (41) |
| Total | ¥ 289,115 | ¥ 289,110 | ¥ (4) | \$2,409,298 | \$2,409,257 | \$ (41) |
| Derivative transactions: | | | | | | |
| Hedge accounting not applied | ¥ (1,848) | ¥ (1,848) | ¥ — | \$ (15,402) | \$ (15,402) | \$ — |
| Hedge accounting applied | (136) | (136) | — | (1,136) | (1,136) | — |
| Total | ¥ (1,984) | ¥ (1,984) | ¥ — | \$ (16,538) | \$ (16,538) | \$ — |

| | Millions of yen | | |
|---|-----------------|------------|------------|
| | 2014 | | |
| | Book value | Fair value | Difference |
| Assets: | | | |
| (1) Cash and time deposits..... | ¥ 363,339 | ¥363,339 | ¥ — |
| (2) Notes and accounts receivable—trade | 267,243 | 267,243 | — |
| (3) Securities and investments in securities | | | |
| i) Held-to-maturity debt securities | 8,193 | 8,195 | 1 |
| ii) Investments in and advances to unconsolidated subsidiaries and affiliates..... | 22,367 | 12,951 | (9,415) |
| iii) Available-for-sale securities..... | 333,574 | 333,574 | — |
| (4) Long-term loans | 7,159 | 7,320 | 161 |
| Total | ¥1,001,877 | ¥992,625 | ¥(9,252) |
| Liabilities: | | | |
| (1) Notes and accounts payable—trade..... | ¥ 109,401 | ¥109,401 | ¥ — |
| (2) Short-term borrowings..... | 7,524 | 7,524 | — |
| (3) Accounts payable—other | 33,376 | 33,376 | — |
| (4) Accrued expenses | 57,474 | 57,474 | — |
| (5) Accrued income taxes..... | 32,118 | 32,118 | — |
| (6) Long-term debt | 7,557 | 7,542 | (15) |
| Total | ¥ 247,451 | ¥247,436 | ¥ (15) |
| Derivative transactions: | | | |
| Hedge accounting not applied | ¥ (671) | ¥ (671) | ¥ — |
| Hedge accounting applied..... | 552 | 552 | — |
| Total | ¥ (119) | ¥ (119) | ¥ — |

Notes: 1. Method for calculating fair value of financial instruments, and notes regarding securities and derivative transactions

Assets

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

These are settled within a short time, and their fair value and book value are nearly equal. Thus, the book value is listed as the fair value in the table above.

(3) Securities and investments in securities

These mainly consist of stocks and held-to-maturity debt securities. The fair value of stocks is based on prices quoted on stock exchanges, while the fair value of held-to-maturity debt securities is based on either a price quoted on the exchanges or prices provided by counterparty financial institutions. Negotiable certificates of deposit are settled within a short time, and the fair value and book value are nearly equal. Thus, the book value is listed as the fair value in the table above.

(4) Long-term loans

The fair value of long-term loans is calculated based on a future cash flow discounted at an appropriate rate such as mid-term and long-term interest rates with credit spreads, for all loans grouped by a certain period of time and credit rating under the Company's credit exposure management.

Liabilities

(1) Notes and accounts payable—trade, (2) Short-term borrowings, (3) Accounts payable—other, (4) Accrued expenses and (5) Accrued income taxes.

These are settled within a short time, and their fair value and book value are nearly equal. Thus, the book value is listed as the fair value in the table above.

(6) Long-term debt

The fair value for long-term debt is calculated based on a present value of principal and interest, discounted at the expected rate for new borrowings with the same terms.

Derivative transactions

Assets and liabilities arising from derivative transactions are presented in the table above. Total net payables are shown in parenthesis.

2. The following table summarizes financial instruments whose fair value is extremely difficult to estimate.

| Description | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------------|-----------------|---------|---------------------------|
| | 2015 | 2014 | 2015 |
| Non-listed equity securities..... | ¥33,482 | ¥28,755 | \$279,023 |
| Investments in securities, etc. | 5,309 | 5,394 | 44,248 |
| Total | ¥38,792 | ¥34,150 | \$323,271 |

Quoted market prices are not available for these securities. Since it is extremely difficult to estimate their fair value, the fair value is not disclosed.

3. Repayment schedule of time deposits, notes and accounts receivable-trade, securities and investments in securities, and long-term loans.

| Description | Millions of yen | | | | Thousands of U.S. dollars | | | |
|---|-------------------|---------------------------------|----------------------------------|----------------|---------------------------|---------------------------------|----------------------------------|-----------------|
| | 2015 | | | | 2015 | | | |
| | Within one year | Over one year within five years | Over five years within ten years | Over ten years | Within one year | Over one year within five years | Over five years within ten years | Over ten years |
| Time deposits | ¥ 461,454 | ¥ — | ¥ — | ¥ — | \$3,845,456 | \$ — | \$ — | \$ — |
| Notes and accounts receivable-trade | 292,748 | — | — | — | 2,439,572 | — | — | — |
| Securities and investments in securities | 304,180 | 3,045 | 5,123 | — | 2,534,837 | 25,380 | 42,693 | — |
| Long-term loans..... | — | 2,595 | 1,163 | 3,846 | — | 21,625 | 9,695 | 32,050 |
| Total | ¥1,058,383 | ¥5,640 | ¥6,286 | ¥3,846 | \$8,819,866 | \$47,006 | \$52,389 | \$32,050 |

| Description | Millions of yen | | | |
|--|-----------------|---------------------------------|----------------------------------|----------------|
| | 2014 | | | |
| | Within one year | Over one year within five years | Over five years within ten years | Over ten years |
| Time deposits | ¥363,296 | ¥ — | ¥ — | ¥ — |
| Notes and accounts receivable-trade | 267,243 | — | — | — |
| Securities and investments in securities | 274,289 | 3,130 | 5,000 | — |
| Long-term loans..... | — | 2,285 | 1,509 | 3,364 |
| Total | ¥904,829 | ¥5,415 | ¥6,509 | ¥3,364 |

4. Repayment schedule of short-term borrowings, long-term debt and lease obligations.

| Description | Millions of yen | | | | | |
|-----------------------------|-----------------|--------------------------------|-----------------------------------|------------------------------------|-----------------------------------|-----------------|
| | 2015 | | | | | |
| | Within one year | Over one year within two years | Over two years within three years | Over three years within four years | Over four years within five years | Over five years |
| Short-term borrowings | ¥6,371 | ¥ — | ¥ — | ¥— | ¥— | ¥— |
| Long-term debt | 453 | 1,594 | 5,395 | 68 | 6 | 50 |
| Lease obligations | 158 | 110 | 71 | 30 | 14 | 1 |
| Total | ¥6,983 | ¥1,705 | ¥5,467 | ¥99 | ¥21 | ¥51 |

| Description | Thousands of U.S. dollars | | | | | |
|-----------------------------|---------------------------|--------------------------------|-----------------------------------|------------------------------------|-----------------------------------|-----------------|
| | 2015 | | | | | |
| | Within one year | Over one year within two years | Over two years within three years | Over three years within four years | Over four years within five years | Over five years |
| Short-term borrowings | \$53,097 | \$ — | \$ — | \$ — | \$ — | \$ — |
| Long-term debt | 3,778 | 13,290 | 44,964 | 570 | 58 | 417 |
| Lease obligations | 1,321 | 918 | 597 | 257 | 121 | 9 |
| Total | \$58,196 | \$14,209 | \$45,561 | \$827 | \$179 | \$427 |

| Description | Millions of yen | | | | | |
|-----------------------------|-----------------|--------------------------------|-----------------------------------|------------------------------------|-----------------------------------|-----------------|
| | 2014 | | | | | |
| | Within one year | Over one year within two years | Over two years within three years | Over three years within four years | Over four years within five years | Over five years |
| Short-term borrowings | ¥7,133 | ¥ — | ¥ — | ¥ — | ¥— | ¥— |
| Long-term debt | 390 | 455 | 1,596 | 5,396 | 68 | 39 |
| Lease obligations | 217 | 194 | 87 | 47 | 8 | 1 |
| Total | ¥7,741 | ¥650 | ¥1,684 | ¥5,444 | ¥77 | ¥40 |

5. SECURITIES

Securities as of March 31, 2015 and 2014 consisted of the following:

(1) Held-to-maturity debt securities

| Description | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|--|-----------------|---------------|-------------|---------------|---------------|------------|---------------------------|-----------------|---------------|
| | 2015 | | | 2014 | | | 2015 | | |
| | Book value | Fair value | Difference | Book value | Fair value | Difference | Book value | Fair value | Difference |
| Securities with fair value that exceeds book value..... | ¥6,106 | ¥6,176 | ¥ 70 | ¥6,109 | ¥6,137 | ¥ 27 | \$50,886 | \$51,470 | \$ 584 |
| Securities with fair value that does not exceed book value | 2,789 | 2,762 | (26) | 2,083 | 2,058 | (25) | 23,243 | 23,020 | (223) |
| Total | ¥8,895 | ¥8,938 | ¥ 43 | ¥8,193 | ¥8,195 | ¥ 1 | \$74,130 | \$74,491 | \$ 361 |

(2) Available-for-sale securities

| Description | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|---|-----------------|------------------|----------------|-----------------|------------------|----------------|---------------------------|--------------------|------------------|
| | 2015 | | | 2014 | | | 2015 | | |
| | Book value | Acquisition cost | Difference | Book value | Acquisition cost | Difference | Book value | Acquisition cost | Difference |
| Securities with book value that exceeds acquisition cost..... | ¥ 72,945 | ¥ 37,755 | ¥35,190 | ¥ 47,151 | ¥ 26,660 | ¥20,490 | \$ 607,875 | \$ 314,625 | \$293,250 |
| Securities with book value that does not exceed acquisition cost..... | 306,563 | 306,667 | (104) | 286,422 | 288,192 | (1,769) | 2,554,694 | 2,555,563 | (869) |
| Total | ¥379,508 | ¥344,422 | ¥35,085 | ¥333,574 | ¥314,852 | ¥18,721 | \$3,162,570 | \$2,870,188 | \$292,381 |

Note: Non-listed equity securities, with a book value of ¥3,949 million (\$32,913 thousand) and ¥4,008 million, and other investment securities with a book value of ¥5,309 million (\$44,248 thousand) and ¥5,394 million, as of March 31, 2015 and 2014, respectively, whose fair value is extremely difficult to estimate are excluded from the above.

(3) Loss on impairment of securities

Impairment loss on available-for-sale securities of ¥1,379 million (\$11,497 thousand) was recognized for the fiscal year ended March 31, 2015. Impairment loss on available-for-sale securities for the fiscal year ended March 31, 2014 is not presented as the amount is immaterial.

6. DERIVATIVE TRANSACTIONS

(1) Derivative transactions to which hedge accounting is not applied:

1) Currency related:

As of March 31, 2015

| Description | Millions of yen | | | Thousands of U.S. dollars | | |
|------------------------------------|------------------|-----------------|------------------------|---------------------------|-------------------|------------------------|
| | Contract amounts | Fair value | Unrealized gain (loss) | Contract amounts | Fair value | Unrealized gain (loss) |
| Forward foreign exchange contracts | | | | | | |
| Sales contracts: | | | | | | |
| USD..... | ¥71,417 | ¥(1,412) | ¥(1,412) | \$595,148 | \$(11,773) | \$(11,773) |
| EUR..... | 3,538 | 94 | 94 | 29,489 | 786 | 786 |
| Other..... | 1,684 | 4 | 4 | 14,036 | 33 | 33 |
| Purchase contracts: | | | | | | |
| USD..... | 553 | (2) | (2) | 4,614 | (22) | (22) |
| Other..... | 7,761 | (530) | (530) | 64,677 | (4,421) | (4,421) |
| Total | ¥84,955 | ¥(1,847) | ¥(1,847) | \$707,966 | \$(15,395) | \$(15,395) |

As of March 31, 2014

| Description | Millions of yen | | |
|------------------------------------|------------------|------------|------------------------|
| | Contract amounts | Fair value | Unrealized gain (loss) |
| Forward foreign exchange contracts | | | |
| Sales contracts: | | | |
| USD..... | ¥ 7,377 | ¥ 39 | ¥ 39 |
| EUR..... | 4,100 | (194) | (194) |
| Other..... | 1,916 | 24 | 24 |
| Purchase contracts: | | | |
| USD..... | 600 | (4) | (4) |
| Other..... | 4,727 | (534) | (534) |
| Total | ¥18,721 | ¥(670) | ¥(670) |

Note: The fair value is provided by counterparty financial institutions.

2) Interest related:

As of March 31, 2015

| Description | Millions of yen | | | Thousands of U.S. dollars | | |
|----------------------------------|------------------|------------|------------------------|---------------------------|------------|------------------------|
| | Contract amounts | Fair value | Unrealized gain (loss) | Contract amounts | Fair value | Unrealized gain (loss) |
| Interest rate swap contracts | | | | | | |
| Receive floating, pay fixed..... | ¥91 | ¥(0) | ¥(0) | \$759 | \$(6) | \$(6) |
| Total | ¥91 | ¥(0) | ¥(0) | \$759 | \$(6) | \$(6) |

As of March 31, 2014

| Description | Millions of yen | | |
|----------------------------------|------------------|------------|------------------------|
| | Contract amounts | Fair value | Unrealized gain (loss) |
| Interest rate swap contracts | | | |
| Receive floating, pay fixed..... | ¥142 | ¥(1) | ¥(1) |
| Total | ¥142 | ¥(1) | ¥(1) |

Note: The fair value is provided by counterparty financial institutions.

[2] Derivative transactions to which hedge accounting is applied:

1) Currency related:

As of March 31, 2015

| Hedge accounting method | Transaction | Hedged items | Millions of yen | | | Thousands of U.S. dollars | | |
|---------------------------|-------------------------------------|---------------------------|------------------|--------------------------------|------------|---------------------------|--------------------------------|------------|
| | | | Contract amounts | Contract amounts over one year | Fair value | Contract amounts | Contract amounts over one year | Fair value |
| Deferral hedge accounting | Forward foreign exchange contracts: | | | | | | | |
| | Sales contracts: | | | | | | | |
| | USD | Accounts receivable-trade | ¥15,438 | ¥— | ¥(136) | \$128,650 | \$— | \$(1,136) |
| Total | | | ¥15,438 | ¥— | ¥(136) | \$128,650 | \$— | \$(1,136) |

As of March 31, 2014

| Hedge accounting method | Transaction | Hedged items | Millions of yen | | |
|---------------------------|-------------------------------------|---------------------------|------------------|--------------------------------|------------|
| | | | Contract amounts | Contract amounts over one year | Fair value |
| Deferral hedge accounting | Forward foreign exchange contracts: | | | | |
| | Sales contracts | | | | |
| | USD | Accounts receivable-trade | ¥19,950 | ¥— | ¥ 315 |
| | Purchase contracts | | | | |
| | EUR | Accounts payable-trade | 1,346 | — | 487 |
| Deferral hedge accounting | Foreign currency swap contracts: | | | | |
| | Receive USD | | | | |
| | pay THB | Long-term debt | 1,051 | — | (240) |
| Total | | | ¥22,349 | ¥— | ¥ 562 |

Note: The fair value is provided by counterparty financial institutions.

2) Interest related:
As of March 31, 2015
Not applicable.

As of March 31, 2014

| Hedge accounting method | Transaction | Hedged items | Millions of yen | | |
|---------------------------|---|----------------|------------------|--------------------------------|------------|
| | | | Contract amounts | Contract amounts over one year | Fair value |
| Deferral hedge accounting | Interest rate swap contracts: Receive floating, pay fixed | Long-term debt | ¥745 | ¥— | ¥(9) |
| Total | | | ¥745 | ¥— | ¥(9) |

Note: The fair value is provided by counterparty financial institutions.

7. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in unconsolidated subsidiaries and affiliates as of March 31, 2015 and 2014 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|---------|---------------------------|
| | 2015 | 2014 | 2015 |
| Investments in securities (Stocks)..... | ¥52,243 | ¥47,114 | \$435,358 |
| Other (Investments in capital)..... | 6,536 | 5,218 | 54,470 |

8. ACCUMULATED DEPRECIATION

Accumulated depreciation of property, plant and equipment as of March 31, 2015 and 2014 was ¥1,862,014 million (\$15,516,787 thousand) and ¥1,730,579 million, respectively.

9. SHORT-TERM BORROWINGS, LONG-TERM DEBT AND LEASE OBLIGATIONS

Short-term borrowings, long-term debt and lease obligations as of March 31, 2015 and 2014 consisted of the following:

| | Average interest rate | Due date | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------------|-------------------------------|-----------------|---------|---------------------------|
| | | | 2015 | 2014 | 2015 |
| Short-term borrowings | 1.0% | — | ¥ 6,371 | ¥ 7,133 | \$ 53,097 |
| Current portion of long-term debt | 1.1% | — | 453 | 390 | 3,778 |
| Current portion of lease obligations..... | — | — | 158 | 217 | 1,321 |
| Long-term debt, excluding current portion | 0.8% | January 2016 – May 2022 | 7,116 | 7,557 | 59,301 |
| Lease obligations, excluding current portion | — | January 2016 – September 2021 | 228 | 339 | 1,904 |
| Total | | | ¥14,328 | ¥15,638 | \$119,402 |

Notes: 1. Average interest rate is the weighted average rate based on the balance as of March 31, 2015.

2. Average interest rate of lease obligations is not shown as the balance includes the interest portion.

3. Repayment schedule subsequent to March 31, 2015 for long-term debt and lease obligations, excluding the current portion, is as follows:

| | Millions of yen | | Thousands of U.S. dollars | |
|------------------------|-----------------|-------------------|---------------------------|-------------------|
| | Long-term debt | Lease obligations | Long-term debt | Lease obligations |
| Years ending March 31, | | | | |
| 2016..... | ¥1,594 | ¥110 | \$13,290 | \$918 |
| 2017..... | 5,395 | 71 | 44,964 | 597 |
| 2018..... | 68 | 30 | 570 | 257 |
| 2019..... | 6 | 14 | 58 | 121 |

10. RETIREMENT AND PENSION PLANS

The Company and its domestic consolidated subsidiaries have defined contribution pension plans (DC pension plans) and lump-sum severance payment plans as their defined benefit pension plans.

Certain overseas consolidated subsidiaries have defined benefit pension plans while others have defined contribution pension plans.

Additionally, the Company has a "Retirement Benefit Trust."

Information on defined benefit pension plans for the fiscal years ended March 31, 2015 and 2014 is as follows:

1. Defined Benefit Pension Plans

(1) Changes in Benefit Obligations

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
| | 2015 | 2014 | 2015 |
| Beginning balance of benefit obligations..... | ¥47,551 | ¥40,595 | \$396,265 |
| Cumulative effects of changes in accounting policies | 563 | — | 4,696 |
| Restated balance..... | 48,115 | 40,595 | 400,962 |
| Service costs..... | 3,612 | 3,380 | 30,107 |
| Interest costs..... | 1,376 | 1,196 | 11,472 |
| Actuarial differences arising during the year..... | 5,494 | (1,335) | 45,783 |
| Retirement benefits paid..... | (2,379) | (1,525) | (19,831) |
| Other*..... | 5,588 | 5,240 | 46,567 |
| Ending balance of benefit obligations | ¥61,807 | ¥47,551 | \$515,061 |

*Mainly foreign currency translation adjustments

(2) Changes in Pension Assets

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|---------|---------------------------|
| | 2015 | 2014 | 2015 |
| Beginning balance of pension assets..... | ¥21,810 | ¥17,670 | \$181,754 |
| Expected return on pension assets | 1,020 | 831 | 8,502 |
| Actuarial differences arising during the year..... | 1,109 | 740 | 9,244 |
| Contributions made by the Company and consolidated subsidiaries | 2,873 | 764 | 23,948 |
| Retirement benefits paid..... | (795) | (791) | (6,633) |
| Other*..... | 4,428 | 2,593 | 36,905 |
| Ending balance of pension assets | ¥30,446 | ¥21,810 | \$253,721 |

*Mainly foreign currency translation adjustments

(3) Reconciliation of benefit obligations and pension assets with net defined benefit liability and asset on the Consolidated Balance Sheets

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
| | 2015 | 2014 | 2015 |
| Funded benefit obligations | ¥ 55,159 | ¥ 41,711 | \$ 459,663 |
| Pension assets | (30,446) | (21,810) | (253,721) |
| Net..... | 24,713 | 19,901 | 205,941 |
| Unfunded benefit obligations..... | 6,647 | 5,840 | 55,398 |
| Net amount of liability and asset on Consolidated Balance Sheets | ¥ 31,360 | ¥ 25,741 | \$ 261,339 |

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
| | 2015 | 2014 | 2015 |
| Net defined benefit liability | ¥33,401 | ¥28,127 | \$278,343 |
| Net defined benefit asset | (2,040) | (2,386) | (17,003) |
| Net amount of liability and asset on Consolidated Balance Sheets | ¥31,360 | ¥25,741 | \$261,339 |

(4) Retirement Benefit Expenses

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|--------|---------------------------|
| | 2015 | 2014 | 2015 |
| Service costs..... | ¥3,612 | ¥3,380 | \$30,107 |
| Interest costs..... | 1,376 | 1,196 | 11,472 |
| Expected return on pension assets..... | (1,020) | (831) | (8,502) |
| Amortization of actuarial differences..... | 1,464 | 485 | 12,205 |
| Amortization of prior service cost..... | 16 | (89) | 139 |
| Retirement benefit expenses for defined benefit pension plans..... | ¥5,450 | ¥4,141 | \$45,422 |

(5) Remeasurements of Defined Benefit Plans (Other Comprehensive Income)

Breakdown (before deduction of tax effects)

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------------|-----------------|-----------|---------------------------|
| | 2015 | 2014 | 2015 |
| Actuarial differences..... | ¥(2,913) | ¥— | \$(24,280) |
| Prior service cost, etc..... | 28 | — | 235 |
| Total..... | ¥(2,885) | ¥— | \$(24,044) |

(6) Remeasurements of Defined Benefit Plans (Accumulated Other Comprehensive Income)

Breakdown (before deduction of tax effects)

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|-----------------|---------------------------|
| | 2015 | 2014 | 2015 |
| Unrecognized actuarial differences..... | ¥(4,786) | ¥(1,873) | \$(39,891) |
| Unrecognized prior service cost, etc..... | (35) | (63) | (291) |
| Total..... | ¥(4,821) | ¥(1,936) | \$(40,182) |

(7) Pension Assets

Breakdown

| | Millions of yen | |
|-------------------|-----------------|-------------|
| | 2015 | 2014 |
| Bonds..... | 39% | 40% |
| Stocks..... | 34% | 32% |
| Other..... | 27% | 28% |
| Total..... | 100% | 100% |

[Note] 21% and 24% of total pension assets are in a "Retirement Benefit Trust" for lump-sum severance payment plans as of March 31, 2015 and 2014, respectively.

Rate of expected return on pension assets

The expected return on pension assets is determined based on the current and estimated future rates of return on various pension assets.

(8) Basic Assumptions for Calculating Benefit Obligations

| | Millions of yen | |
|--|-----------------|-------------|
| | 2015 | 2014 |
| Discount rate..... | Mainly 0.4% | Mainly 1.5% |
| Expected rate of return on pension assets..... | Mainly 2.0% | Mainly 2.0% |

2. Defined Contribution Pension Plans

Contributions to defined contribution pension plans by the Company and its consolidated subsidiaries

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|--------|---------------------------|
| | 2015 | 2014 | 2015 |
| | ¥2,186 | ¥2,078 | \$18,222 |

11. COMMITMENT AND CONTINGENT LIABILITIES

The Companies were contingently liable as guarantors of housing loans for employees and of loans by unconsolidated subsidiaries, affiliates and others as of March 31, 2015 and 2014 in the aggregate amounts of ¥324 million (\$2,701 thousand) and ¥393 million, respectively.

12. RETAINED EARNINGS

(1) Cash dividends from retained earnings represent dividends with an effective date during the fiscal year. Details of cash dividends paid during the fiscal years ended March 31, 2015, 2014 and 2013 are as follows:

| | | | | Millions of yen | Yen | Thousands of U.S. dollars | |
|--|----------------|--------------------|-------------------|---------------------------|--------------------------|---------------------------|--------------------------|
| Resolution | Type of shares | Record date | Effective date | Total amount of dividends | Cash dividends per share | Total amount of dividends | Cash dividends per share |
| Fiscal year ended March 31, 2015 | | | | | | | |
| Ordinary general meeting of shareholders held on June 27, 2014 | Common stock | March 31, 2014 | June 30, 2014 | ¥21,284 | ¥50.00 | \$177,372 | \$0.41 |
| Board of directors meeting held on October 28, 2014 | Common stock | September 30, 2014 | November 18, 2014 | 21,288 | 50.00 | 177,405 | 0.41 |
| Total | | | | ¥42,573 | | \$354,777 | |

| Resolution | Type of shares | Record date | Effective date | Millions of yen | Yen |
|--|----------------|--------------------|-------------------|---------------------------|--------------------------|
| | | | | Total amount of dividends | Cash dividends per share |
| Fiscal year ended March 31, 2014 | | | | | |
| Ordinary general meeting of shareholders held on June 27, 2013 | Common stock | March 31, 2013 | June 28, 2013 | ¥21,245 | ¥50.00 |
| Board of directors meeting held on October 24, 2013 | Common stock | September 30, 2013 | November 18, 2013 | 21,259 | 50.00 |
| Total | | | | ¥42,505 | |
| Fiscal year ended March 31, 2013 | | | | | |
| Ordinary general meeting of shareholders held on June 28, 2012 | Common stock | March 31, 2012 | June 29, 2012 | ¥21,229 | ¥50.00 |
| Board of directors meeting held on October 25, 2012 | Common stock | September 30, 2012 | November 19, 2012 | 21,229 | 50.00 |
| Total | | | | ¥42,459 | |

(2) Cash dividends for the fiscal years ended March 31, 2015 and 2014 with an effective date in the subsequent fiscal year are as follows:

| | | | | | Millions of yen | Yen | Thousands of U.S. dollars | U.S. dollars |
|--|----------------|---------------------|----------------|----------------|---------------------------|--------------------------|---------------------------|--------------------------|
| Resolution | Type of shares | Source of dividends | Record date | Effective date | Total amount of dividends | Cash dividends per share | Total amount of dividends | Cash dividends per share |
| Fiscal year ended March 31, 2015 | | | | | | | | |
| Ordinary general meeting of shareholders held on June 26, 2015 | Common stock | Retained earnings | March 31, 2015 | June 29, 2015 | ¥21,294 | ¥50.00 | \$177,458 | \$0.41 |

| Resolution | Type of shares | Source of dividends | Record date | Effective date | Millions of yen | Yen |
|--|----------------|---------------------|----------------|----------------|---------------------------|--------------------------|
| | | | | | Total amount of dividends | Cash dividends per share |
| Fiscal year ended March 31, 2014 | | | | | | |
| Ordinary general meeting of shareholders held on June 27, 2014 | Common stock | Retained earnings | March 31, 2014 | June 30, 2014 | ¥21,284 | ¥50.00 |

13. SHARE SUBSCRIPTION RIGHTS

Fiscal year ended March 31, 2015

| Issuer | Description | Type of shares subject to share subscription rights | Number of shares subject to share subscription rights | | | | Millions of yen | Thousands of U.S. dollars |
|-------------------------|---------------|---|---|----------|----------|----------------|---------------------------|---------------------------|
| | | | Beginning balance | Increase | Decrease | Ending balance | Balance at March 31, 2015 | Balance at March 31, 2015 |
| The Company | Stock options | Common stock | 347,000 | — | 244,500 | 102,500 | ¥ 81 | \$ 677 |
| Consolidated subsidiary | — | — | — | — | — | — | 58 | 485 |
| Total | | | | | | | ¥139 | \$1,163 |

Fiscal year ended March 31, 2014

| Issuer | Description | Type of shares subject to share subscription rights | Number of shares subject to share subscription rights | | | | Millions of yen |
|-------------------------|---------------|---|---|----------|-----------|----------------|---------------------------|
| | | | Beginning balance | Increase | Decrease | Ending balance | Balance at March 31, 2014 |
| The Company | Stock options | Common stock | 1,915,300 | — | 1,568,300 | 347,000 | ¥292 |
| Consolidated subsidiary | — | — | — | — | — | — | 133 |
| Total | | | | | | | ¥426 |

14. STOCK OPTIONS

(1) Shin-Etsu Chemical Co., Ltd.

There were no stock option expenses recorded for the fiscal years ended March 31, 2015 and 2014. Gains on forfeited stock options for the fiscal years ended March 31, 2015 and 2014 were ¥43 million (\$360 thousand) and ¥724 million, respectively.

Stock options as of March 31, 2015 were as follows:

| | 2011 | 2010 |
|--|--------------------------------------|---|
| Grantees | 75 employees of the Company | 68 employees of the Company |
| Number of stock options granted by category of stock (in shares) | 293,000 shares of common stock | 272,000 shares of common stock |
| Grant date | July 27, 2011 | October 29, 2010 |
| Vesting conditions | None | None |
| Exercise period | July 28, 2012 through March 31, 2016 | October 30, 2011 through March 31, 2015 |

Movement in stock options during the fiscal year ended March 31, 2015 was as follows:

| | Number of shares | | |
|--|------------------|---------|--------|
| | 2011 | 2010 | 2009 |
| Beginning balance (Stock options outstanding) | 210,000 | 102,000 | 35,000 |
| Granted | — | — | — |
| Exercised | 119,500 | 90,000 | — |
| Forfeited | — | — | 35,000 |
| Ending balance (Stock options outstanding) | 90,500 | 12,000 | — |
| | Yen | | |
| Exercise price | ¥4,423 | ¥4,352 | ¥— |
| Weighted average market value per share at the exercise date | 7,418 | 7,299 | — |
| Fair value per share at the grant date | 789 | 823 | — |
| | U.S. dollars | | |
| Exercise price | \$36.86 | \$36.27 | \$— |
| Weighted average market value per share at the exercise date | 61.82 | 60.83 | — |
| Fair value per share at the grant date | 6.58 | 6.86 | — |

(2) Shin-Etsu Polymer Co., Ltd.

There were no stock option expenses recorded for the fiscal years ended March 31, 2015 and 2014. Gains on forfeited stock options for the fiscal years ended March 31, 2015 and 2014 were ¥62 million (\$520 thousand) and ¥50 million, respectively.

Stock options as of March 31, 2015 were as follows:

| | 2012 | 2011 | 2010 |
|--|--|--|---|
| Grantees | 10 Directors 15 Employees 11 Directors of its subsidiaries | 9 Directors 13 Employees 8 Directors of its subsidiaries | 9 Directors 14 Employees 10 Directors of its subsidiaries |
| Number of stock options granted by category of stock (in shares) | 475,000 shares of common stock | 440,000 shares of common stock | 455,000 shares of common stock |
| Grant date | September 5, 2012 | October 5, 2011 | September 2, 2010 |
| Vesting conditions | None | None | None |
| Exercise period | December 1, 2012 through November 30, 2017 | December 1, 2011 through November 30, 2016 | December 1, 2010 through November 30, 2015 |

| | 2009 |
|--|---|
| Grantees | 9 Directors 12 Employees 13 Directors of its subsidiaries |
| Number of stock options granted by category of stock (in shares) | 445,000 shares of common stock |
| Grant date | September 2, 2009 |
| Vesting conditions | None |
| Exercise period | December 1, 2009 through November 30, 2014 |

Movement in stock options during the fiscal year ended March 31, 2015 was as follows:

| | Number of shares | | | |
|---|------------------|---------|---------|---------|
| | 2012 | 2011 | 2010 | 2009 |
| Beginning balance (Stock options outstanding) | 475,000 | 440,000 | 450,000 | 440,000 |
| Granted | — | — | — | — |
| Exercised | 180,000 | 102,800 | 28,700 | — |
| Forfeited | — | 10,000 | 10,000 | 440,000 |
| Ending balance (Stock options outstanding) | 295,000 | 327,200 | 411,300 | — |

| | Yen | | | |
|--|------|------|------|------|
| | 2012 | 2011 | 2010 | 2009 |
| Exercise price | ¥342 | ¥414 | ¥505 | ¥653 |
| Weighted average market value per share at the exercise date | 529 | 536 | 587 | — |
| Fair value per share at the grant date | 34 | 47 | 80 | 139 |

| | U.S. dollars | | | |
|--|--------------|--------|--------|--------|
| | 2012 | 2011 | 2010 | 2009 |
| Exercise price | \$2.85 | \$3.45 | \$4.21 | \$5.44 |
| Weighted average market value per share at the exercise date | 4.41 | 4.47 | 4.89 | — |
| Fair value per share at the grant date | 0.28 | 0.39 | 0.67 | 1.16 |

15. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the fiscal years ended March 31, 2015, 2014 and 2013 mainly consisted of the following:

| | Millions of yen | | | Thousands of U.S. dollars |
|--|-----------------|---------|---------|---------------------------|
| | 2015 | 2014 | 2013 | 2015 |
| Shipping expenses | ¥33,667 | ¥29,399 | ¥24,983 | \$280,562 |
| Salaries and allowances | 23,206 | 21,370 | 18,843 | 193,385 |
| Provision for bonuses for employees | 1,452 | 1,403 | 1,235 | 12,100 |
| Provision for bonuses for directors | 529 | 439 | 373 | 4,413 |
| Retirement benefit expenses | 441 | 517 | 582 | 3,678 |
| Provision for retirement bonuses for directors | 8 | 7 | 52 | 74 |
| Depreciation and amortization | 2,152 | 1,965 | 1,523 | 17,937 |
| Technical research expenses | 18,138 | 18,132 | 11,740 | 151,154 |
| <Including retirement benefit expenses> | <138> | <127> | <115> | <1,151> |
| Provision of allowance for doubtful accounts | 1,607 | 81 | 150 | 13,399 |

16. RESEARCH AND DEVELOPMENT COSTS

Research and development costs incurred and charged to income for the fiscal years ended March 31, 2015, 2014 and 2013 were ¥47,165 million (\$393,049 thousand), ¥43,546 million and ¥37,671 million, respectively.

17. LEASE TRANSACTIONS

Lease expenses on finance lease contracts under which ownership of the leased assets is not transferred to the lessee charged to income for the fiscal years ended March 31, 2015 and 2014 amounted to ¥3 million (\$25 thousand) and ¥19 million, respectively. Lease expenses corresponding to depreciation expenses, not charged to income, for the fiscal years ended March 31, 2015 and 2014, which were computed by the straight-line method over the terms of the relevant lease contracts with no residual value, amounted to ¥3 million (\$25 thousand) and ¥19 million, respectively.

Pro forma information regarding leased assets, such as acquisition cost and accumulated depreciation, as of March 31, 2015 and 2014 is as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------|-----------------|------------|---------------------------|
| | 2015 | 2014 | 2015 |
| Acquisition cost | ¥29 | ¥77 | \$245 |
| Accumulated depreciation | 29 | 55 | 245 |
| Net book value | ¥— | ¥22 | \$ — |

The portion of interest thereon, is summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-------------------------------|-----------------|------------|---------------------------|
| | 2015 | 2014 | 2015 |
| Future Lease Payments: | | | |
| Within one year | ¥— | ¥15 | \$— |
| Over one year | — | 6 | — |
| | ¥— | ¥22 | \$— |

The amounts of outstanding future lease payments due in respect of operating lease contracts at March 31, 2015 and 2014 are summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-------------------------------|-----------------|---------------|---------------------------|
| | 2015 | 2014 | 2015 |
| Future Lease Payments: | | | |
| Within one year | ¥1,662 | ¥1,482 | \$13,855 |
| Over one year | 3,651 | 2,247 | 30,428 |
| | ¥5,314 | ¥3,730 | \$44,283 |

18. INCOME TAXES

The Company and its domestic subsidiaries are subject to a number of Japanese income taxes, which, in the aggregate, resulted in statutory tax rates of approximately 35.4% and 37.8% for the fiscal years ended March 31, 2015 and 2014, respectively.

The tax effects of significant temporary differences and tax loss carry forwards that resulted in deferred tax assets or liabilities at March 31, 2015 and 2014 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-------------------|------------------|---------------------------|
| | 2015 | 2014 | 2015 |
| Deferred Tax Assets: | | | |
| Depreciation and amortization..... | ¥ 14,033 | ¥ 14,266 | \$ 116,943 |
| Net defined benefit liability | 9,946 | 8,405 | 82,890 |
| Unrealized profit | 6,107 | 4,927 | 50,895 |
| Maintenance costs..... | 4,818 | 4,798 | 40,154 |
| Accrued bonuses | 3,376 | 3,429 | 28,139 |
| Allowance for doubtful accounts | 2,734 | 1,784 | 22,788 |
| Unsettled accounts receivable and payable..... | 2,684 | 3,290 | 22,367 |
| Accrued enterprise taxes..... | 2,237 | 2,292 | 18,645 |
| Tax loss carry forwards..... | 985 | 868 | 8,213 |
| Unrealized gains/losses on available-for-sale securities | 99 | 61 | 826 |
| Other | 22,382 | 19,902 | 186,519 |
| Valuation allowance..... | (5,173) | (4,987) | (43,110) |
| Total | ¥ 64,233 | ¥ 59,039 | \$ 535,275 |
| Deferred Tax Liabilities: | | | |
| Depreciation and amortization..... | ¥ 89,729 | ¥ 79,489 | \$ 747,741 |
| Unrealized gains/losses on available-for-sale securities | 11,354 | 6,690 | 94,621 |
| Reserve for special depreciation | 112 | 157 | 938 |
| Other | 8,058 | 7,778 | 67,153 |
| Total | ¥109,254 | ¥ 94,116 | \$ 910,455 |
| Net deferred tax assets (liabilities) | ¥ (45,021) | ¥(35,077) | \$ (375,180) |

Net deferred tax assets (liabilities) are included in the following accounts:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
| | 2015 | 2014 | 2015 |
| Current assets: Deferred taxes, current..... | ¥ 36,721 | ¥ 33,105 | \$ 306,008 |
| Fixed assets: Deferred taxes, non-current..... | 15,858 | 16,427 | 132,155 |
| Current liabilities: Other | (4,029) | (3,675) | (33,581) |
| Long-term liabilities: Deferred taxes, non-current..... | (93,571) | (80,934) | (779,762) |

A reconciliation of the difference between the statutory tax rate and effective rate on taxable income for the fiscal years ended March 31, 2015 and 2014 is as follows:

| | 2015 | 2014 |
|--|-------------|-------------|
| Statutory tax rate..... | 35.4% | 37.8% |
| Rate difference from foreign subsidiaries | (1.3) | (2.8) |
| Equity in (earnings) losses of affiliates..... | 0.1 | (0.3) |
| Dividend and other non-taxable income | (2.1) | (2.3) |
| Elimination of intercompany dividend income..... | 2.1 | 2.2 |
| Tax deduction for research expenses | (1.6) | (1.2) |
| Entertainment and other non-deductible expenses..... | 0.2 | 0.2 |
| Adjustment on deferred tax assets due to change in income tax rate | 1.7 | 1.2 |
| Other, net..... | (0.2) | 1.6 |
| Effective tax rate | 34.4 | 36.4 |

Change in statutory effective tax rate

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 9 of 2015) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No. 2 of 2015) were promulgated on March 31, 2015 and, as a result, tax rates became or will become lower from fiscal years beginning on or after April 1, 2015.

As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 35.4% to 32.8% for the temporary differences expected to be realized or settled from the fiscal year beginning on April 1, 2015, and to 32.1% for the temporary differences expected to be realized or settled from fiscal years beginning on or after April 1, 2016.

The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets (after offsetting deferred tax liabilities) and deferred gains on hedges by ¥2,053 million (\$17,113 thousand) and ¥2 million (\$22 thousand), respectively, and increase unrealized gains on available-for-sale securities, remeasurements of defined benefit plans and deferred income taxes by ¥1,347 million (\$11,230 thousand), ¥21 million (\$177 thousand) and ¥3,419 million (\$28,499 thousand), respectively, as of and for the fiscal year ended March 31, 2015.

19. OTHER COMPREHENSIVE INCOME

Reclassification adjustments and tax effects of each component of other comprehensive income for the fiscal years ended March 31, 2015 and 2014 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|-----------------|---------------------------|
| | 2015 | 2014 | 2015 |
| Unrealized gains (losses) on available-for-sale securities | | | |
| Amount arising during the year | ¥15,616 | ¥ (918) | \$130,141 |
| Reclassification adjustment for gains and losses included in net income..... | 985 | (1) | 8,212 |
| Unrealized gains (losses) on available-for-sale securities before tax..... | 16,602 | (920) | 138,353 |
| Tax effect..... | (4,623) | (201) | (38,531) |
| Unrealized gains (losses) on available-for-sale securities | 11,978 | (1,122) | 99,821 |
| Deferred gains (losses) on hedges | | | |
| Amount arising during the year | (378) | 816 | (3,152) |
| Reclassification adjustment for gains and losses included in net income..... | (555) | (385) | (4,633) |
| Deferred gains (losses) on hedges before tax..... | (934) | 430 | (7,785) |
| Tax effect..... | 348 | (120) | 2,906 |
| Deferred gains (losses) on hedges | (585) | 309 | (4,878) |
| Foreign currency translation adjustments | | | |
| Amount arising during the year | 92,686 | 125,605 | 772,390 |
| Remeasurements of defined benefit plans | | | |
| Amount arising during the year | (4,391) | — | (36,595) |
| Reclassification adjustment for gains and losses included in net income..... | 1,481 | — | 12,345 |
| Remeasurements of defined benefit plans before tax..... | (2,910) | — | (24,250) |
| Tax effect..... | 973 | — | 8,109 |
| Remeasurements of defined benefit plans..... | (1,936) | — | (16,140) |
| Share of other comprehensive income of affiliates accounted for using the equity method | | | |
| Amount arising during the year | 259 | 1,835 | 2,159 |
| Reclassification adjustment for gains and losses included in net income..... | 12 | — | 102 |
| Share of other comprehensive income of affiliates accounted for using the equity method..... | 271 | 1,835 | 2,262 |
| Total other comprehensive income | ¥102,414 | ¥126,627 | \$853,455 |

20. SUPPLEMENTAL CASH FLOW INFORMATION

Cash and cash equivalents on the consolidated statements of cash flows consist of cash in hand, deposits that can be withdrawn on demand and liquid investments easily convertible into cash that mature within approximately three months from the acquisition date and that have insignificant risk exposure in terms of fluctuation in value.

Reconciliations between cash and cash equivalents and the related accounts shown in the consolidated balance sheets as of March 31, 2015, 2014 and 2013 are presented below:

| | Millions of yen | | | Thousands of U.S. dollars |
|---|-----------------|-----------------|-----------------|---------------------------|
| | 2015 | 2014 | 2013 | 2015 |
| Cash and time deposits..... | ¥461,489 | ¥363,339 | ¥252,881 | \$3,845,748 |
| Securities..... | 304,180 | 274,282 | 214,380 | 2,534,837 |
| Time deposits (maturities over three months)..... | (86,572) | (66,831) | (47,438) | (721,441) |
| Securities (maturities over three months) | (255,250) | (208,230) | (56,794) | (2,127,087) |
| Cash and cash equivalents | ¥423,846 | ¥362,560 | ¥363,028 | \$3,532,057 |

21. SEGMENT AND RELATED INFORMATION

1. Segment information

(1) Overview of reportable segments

The reportable segments in the Shin-Etsu Group are defined as individual units for which discrete financial information is available and that are subject to regular review to evaluate their operating results and allocate management resources by the highest decision making body of the Company, such as the Managing Directors' Meeting.

The Shin-Etsu Group conducts business through each business division and affiliated companies based on specific products and services, consisting of the following six segments: "PVC/Chlor-Alkali Business," "Silicones Business," "Specialty Chemicals Business," "Semiconductor Silicon Business," "Electronics & Functional Materials Business" and "Diversified Business." Consequently, these six businesses are specified as reportable segments.

The main products and services of each segment are as follows:

| Segment | Main products and services |
|---|--|
| PVC/Chlor-Alkali Business | Polyvinyl chloride, Caustic soda, Methanol, Chloromethane |
| Silicones Business | Silicones |
| Specialty Chemicals Business | Cellulose derivatives, Silicon metal, Polyvinyl alcohol, Synthetic pheromones |
| Semiconductor Silicon Business | Semiconductor silicon |
| Electronics & Functional Materials Business | Rare-earth magnets for electronics industry and general applications, Semiconductor encapsulating materials, Packaging materials for LEDs, Photoresists, Photomask blanks, Synthetic quartz products, Liquid fluoroelastomers, Pellicles |
| Diversified Business | Processed plastics, Export of plant equipment, Technology licensing, International trading, Engineering |

(2) Calculation of income, assets and liabilities of reportable segments

Segment income denotes operating income, and the accounting methods applied are identical to those stated in the "Basis of presenting consolidated financial statements." Internal revenues and transfers arising from transactions among the segments are based on market prices in general.

Assets and liabilities are not allocated to business segments.

(3) Information on sales, income (loss) and other items of reportable segments

| | Millions of yen | | | | | | | | |
|--|------------------|-----------------|---------------------|-----------------------|------------------------------------|-----------------|-------------------|---------------------------|--|
| | 2015 | | | | | | | | |
| | PVC/Chlor-Alkali | Silicones | Specialty Chemicals | Semiconductor Silicon | Electronics & Functional Materials | Diversified | Total | Adjustment ⁽¹⁾ | Figures in consolidated financial statements |
| Sales to outside customers..... | ¥452,656 | ¥177,438 | ¥112,347 | ¥230,016 | ¥183,505 | ¥ 99,579 | ¥1,255,543 | ¥ — | ¥1,255,543 |
| Intersegment sales | 3,906 | 5,859 | 12,582 | 2 | 7,058 | 71,725 | 101,135 | (101,135) | — |
| Total | ¥456,563 | ¥183,297 | ¥124,930 | ¥230,019 | ¥190,563 | ¥171,304 | ¥1,356,679 | ¥(101,135) | ¥1,255,543 |
| Segment income (Operating income) | ¥ 50,264 | ¥ 33,414 | ¥ 15,278 | ¥ 35,609 | ¥ 46,208 | ¥ 4,826 | ¥ 185,601 | ¥ (272) | ¥ 185,329 |
| Depreciation and amortization..... | ¥ 29,375 | ¥ 11,805 | ¥ 9,595 | ¥ 24,412 | ¥ 15,236 | ¥ 5,413 | ¥ 95,839 | ¥ (234) | ¥ 95,604 |
| Amortization of goodwill ... | ¥ — | ¥ 162 | ¥ 1,115 | ¥ — | ¥ — | ¥ 35 | ¥ 1,313 | ¥ — | ¥ 1,313 |
| Increase in property, plant and equipment and intangible assets..... | ¥ 44,422 | ¥ 12,947 | ¥ 16,147 | ¥ 15,889 | ¥ 16,407 | ¥ 4,516 | ¥ 110,331 | ¥ (427) | ¥ 109,903 |

| | Millions of yen | | | | | | | | |
|--|------------------|-----------|---------------------|-----------------------|------------------------------------|-------------|------------|---------------------------|--|
| | 2014 | | | | | | | | |
| | PVC/Chlor-Alkali | Silicones | Specialty Chemicals | Semiconductor Silicon | Electronics & Functional Materials | Diversified | Total | Adjustment ⁽¹⁾ | Figures in consolidated financial statements |
| Sales to outside customers..... | ¥427,845 | ¥156,437 | ¥103,204 | ¥213,233 | ¥170,986 | ¥ 94,113 | ¥1,165,819 | ¥ — | ¥1,165,819 |
| Intersegment sales | 3,814 | 5,045 | 9,942 | 14 | 4,411 | 56,909 | 80,138 | (80,138) | — |
| Total | ¥431,660 | ¥161,482 | ¥113,146 | ¥213,247 | ¥175,398 | ¥151,022 | ¥1,245,957 | ¥(80,138) | ¥1,165,819 |
| Segment income (Operating income) | ¥ 60,150 | ¥ 31,807 | ¥ 12,757 | ¥ 24,459 | ¥ 40,969 | ¥ 3,669 | ¥ 173,813 | ¥ (4) | ¥ 173,809 |
| Depreciation and amortization..... | ¥ 26,507 | ¥ 10,858 | ¥ 9,137 | ¥ 24,603 | ¥ 14,672 | ¥ 4,345 | ¥ 90,123 | ¥ (239) | ¥ 89,884 |
| Amortization of goodwill ... | ¥ — | ¥ 119 | ¥ 1,030 | ¥ 357 | ¥ — | ¥ 53 | ¥ 1,560 | ¥ — | ¥ 1,560 |
| Increase in property, plant and equipment and intangible assets ⁽²⁾ | ¥ 15,174 | ¥ 11,295 | ¥ 11,883 | ¥ 14,580 | ¥ 14,417 | ¥ 3,237 | ¥ 70,590 | ¥ (34) | ¥ 70,555 |

| | Millions of yen | | | | | | | | |
|--|------------------|-----------|---------------------|-----------------------|------------------------------------|-------------|------------|---------------------------|--|
| | 2013 | | | | | | | | |
| | PVC/Chlor-Alkali | Silicones | Specialty Chemicals | Semiconductor Silicon | Electronics & Functional Materials | Diversified | Total | Adjustment ⁽¹⁾ | Figures in consolidated financial statements |
| Sales to outside customers..... | ¥343,697 | ¥129,029 | ¥83,526 | ¥202,466 | ¥182,781 | ¥ 83,907 | ¥1,025,409 | ¥ — | ¥1,025,409 |
| Intersegment sales | 3,385 | 4,608 | 8,122 | 3 | 3,234 | 60,900 | 80,254 | (80,254) | — |
| Total | ¥347,082 | ¥133,638 | ¥91,649 | ¥202,470 | ¥186,015 | ¥144,808 | ¥1,105,663 | ¥(80,254) | ¥1,025,409 |
| Segment income (Operating income) | ¥ 45,552 | ¥ 28,643 | ¥14,467 | ¥ 21,937 | ¥ 40,863 | ¥ 5,601 | ¥ 157,065 | ¥ (22) | ¥ 157,043 |
| Depreciation and amortization..... | ¥ 20,416 | ¥ 8,245 | ¥ 8,105 | ¥ 26,193 | ¥ 13,754 | ¥ 3,708 | ¥ 80,424 | ¥ (284) | ¥ 80,139 |
| Amortization of goodwill ... | ¥ — | ¥ — | ¥ 815 | ¥ — | ¥ — | ¥ 6 | ¥ 822 | ¥ 0 | ¥ 822 |
| Increase in property, plant and equipment and intangible assets ⁽³⁾ | ¥ 18,478 | ¥ 15,374 | ¥12,193 | ¥ 14,828 | ¥ 18,209 | ¥ 4,161 | ¥ 83,245 | ¥ (226) | ¥ 83,018 |

| | Thousands of U.S. dollars | | | | | | | | |
|--|---------------------------|--------------------|---------------------|-----------------------|------------------------------------|--------------------|---------------------|---------------------------|--|
| | 2015 | | | | | | | | Figures in consolidated financial statements |
| | PVC/Chlor-Alkali | Silicones | Specialty Chemicals | Semiconductor Silicon | Electronics & Functional Materials | Diversified | Total | Adjustment ⁽¹⁾ | |
| Sales to outside customers..... | \$3,772,140 | \$1,478,651 | \$ 936,228 | \$1,916,804 | \$1,529,208 | \$ 829,830 | \$10,462,864 | \$ — | \$10,462,864 |
| Intersegment sales | 32,551 | 48,830 | 104,858 | 24 | 58,823 | 597,709 | 842,797 | (842,797) | — |
| Total | \$3,804,692 | \$1,527,482 | \$1,041,086 | \$1,916,828 | \$1,588,031 | \$1,427,540 | \$11,305,662 | \$(842,797) | \$10,462,864 |
| Segment income (Operating income) | \$ 418,872 | \$ 278,450 | \$ 127,323 | \$ 296,747 | \$ 385,067 | \$ 40,217 | \$ 1,546,680 | \$ (2,268) | \$ 1,544,411 |
| Depreciation and amortization..... | \$ 244,799 | \$ 98,377 | \$ 79,961 | \$ 203,440 | \$ 126,968 | \$ 45,114 | \$ 798,661 | \$ (1,954) | \$ 796,706 |
| Amortization of goodwill ... | \$ — | \$ 1,352 | \$ 9,295 | \$ — | \$ — | \$ 295 | \$ 10,944 | \$ — | \$ 10,944 |
| Increase in property, plant and equipment and intangible assets..... | \$ 370,183 | \$ 107,893 | \$ 134,566 | \$ 132,413 | \$ 136,731 | \$ 37,636 | \$ 919,426 | \$ (3,564) | \$ 915,861 |

Notes: [1] Elimination of intersegment transactions.

[2] During FY 2014, the Company acquired additional shares of Asia Silicones Monomer Limited (Silicones Business), which had been an equity-method affiliate until FY 2013. From FY 2014, it newly became a consolidated subsidiary. The expenditures (excluding goodwill) related to the additional acquisition of its shares of ¥12,600 million are not included in the table above. The total capital expenditures for FY 2014, including this acquisition, amounted to ¥83,155 million. (Capital expenditures for the Silicones Business amounted to ¥23,896 million.)

[3] During FY 2013, the Company made investments of ¥3,822 million in newly established unconsolidated subsidiaries: Shin-Etsu Electronics Materials Vietnam Co., Ltd., Shin-Etsu Magnetic Materials Vietnam Co., Ltd. and Shin-Etsu (Changting) Technology Co., Ltd. The expenditures related to the investments are not included in the table above. The total capital expenditures for the fiscal year ended March 31, 2013, including these investments, amounted to ¥86,841 million. (Capital expenditures for the Electronics & Functional Materials Business amounted to ¥22,031 million.)

2. Related information

Geographic information

(1) Net sales

| | Millions of yen | | | Thousands of U.S. dollars |
|---------------------------------------|-------------------|-------------------|-------------------|---------------------------|
| | 2015 | 2014 | 2013 | 2015 |
| Net sales | | | | |
| Japan | ¥ 351,203 | ¥ 335,632 | ¥ 334,288 | \$ 2,926,691 |
| U.S. | 271,742 | 236,805 | 190,433 | 2,264,520 |
| China | 122,897 | 115,862 | 100,109 | 1,024,147 |
| Asia / Oceania (excluding China)..... | 243,439 | 216,453 | 194,891 | 2,028,662 |
| Europe..... | 147,506 | 141,865 | 114,538 | 1,229,218 |
| Other | 118,754 | 119,200 | 91,147 | 989,623 |
| Total | ¥1,255,543 | ¥1,165,819 | ¥1,025,409 | \$10,462,864 |

(2) Property, plant and equipment

| | Millions of yen | | | Thousands of U.S. dollars |
|-------------------------------|-----------------|-----------------|-----------------|---------------------------|
| | 2015 | 2014 | 2013 | 2015 |
| Property, plant and equipment | | | | |
| Japan | ¥238,969 | ¥239,827 | ¥252,894 | \$1,991,409 |
| U.S. | 404,120 | 336,574 | 284,774 | 3,367,671 |
| Other | 141,319 | 144,397 | 111,981 | 1,177,664 |
| Total | ¥784,409 | ¥720,799 | ¥649,650 | \$6,536,745 |

3. Loss on impairment of fixed assets

| Millions of yen | | | | | | | | |
|--|------------------|-----------|---------------------|-----------------------|------------------------------------|-------------|-----------------------------|--------|
| 2015 | | | | | | | | |
| | PVC/Chlor-Alkali | Silicones | Specialty Chemicals | Semiconductor Silicon | Electronics & Functional Materials | Diversified | Elimination or common asset | Total |
| Loss on impairment of fixed assets | ¥— | ¥4,679 | ¥— | ¥— | ¥— | ¥— | ¥— | ¥4,679 |

| Thousands of U.S. dollars | | | | | | | | |
|--|------------------|-----------|---------------------|-----------------------|------------------------------------|-------------|-----------------------------|----------|
| 2015 | | | | | | | | |
| | PVC/Chlor-Alkali | Silicones | Specialty Chemicals | Semiconductor Silicon | Electronics & Functional Materials | Diversified | Elimination or common asset | Total |
| Loss on impairment of fixed assets | \$— | \$38,995 | \$— | \$— | \$— | \$— | \$— | \$38,995 |

Silicones Business segment:

Shin-Etsu Silicone (Nantong) Co., Ltd., a manufacturing and sales subsidiary in China, booked a ¥4,679 million (\$38,995 thousand) impairment loss as cost of sales in the consolidated statement of income.

4. Amortization of goodwill and unamortized balance

| Millions of yen | | | | | | | | |
|--------------------------------|------------------|-----------|---------------------|-----------------------|------------------------------------|-------------|-----------------------------|--|
| 2015 | | | | | | | | |
| | PVC/Chlor-Alkali | Silicones | Specialty Chemicals | Semiconductor Silicon | Electronics & Functional Materials | Diversified | Elimination or common asset | Figures in consolidated financial statements |
| Amortization of goodwill | ¥— | ¥ 162 | ¥1,115 | ¥— | ¥— | ¥35 | ¥— | ¥ 1,313 |
| Unamortized balance | ¥— | ¥2,070 | ¥9,633 | ¥— | ¥— | ¥— | ¥— | ¥11,703 |

| Millions of yen | | | | | | | | |
|--------------------------------|------------------|-----------|---------------------|-----------------------|------------------------------------|-------------|-----------------------------|--|
| 2014 | | | | | | | | |
| | PVC/Chlor-Alkali | Silicones | Specialty Chemicals | Semiconductor Silicon | Electronics & Functional Materials | Diversified | Elimination or common asset | Figures in consolidated financial statements |
| Amortization of goodwill | ¥— | ¥ 119 | ¥ 1,030 | ¥357 | ¥— | ¥53 | ¥— | ¥ 1,560 |
| Unamortized balance | ¥— | ¥1,965 | ¥10,687 | ¥ — | ¥— | ¥— | ¥— | ¥12,652 |

| Millions of yen | | | | | | | | |
|--------------------------------|------------------|-----------|---------------------|-----------------------|------------------------------------|-------------|-----------------------------|--|
| 2013 | | | | | | | | |
| | PVC/Chlor-Alkali | Silicones | Specialty Chemicals | Semiconductor Silicon | Electronics & Functional Materials | Diversified | Elimination or common asset | Figures in consolidated financial statements |
| Amortization of goodwill | ¥— | ¥— | ¥ 815 | ¥— | ¥— | ¥ 6 | ¥ 0 | ¥ 822 |
| Unamortized balance | ¥— | ¥— | ¥9,363 | ¥— | ¥— | ¥— | ¥— | ¥9,363 |

| Thousands of U.S. dollars | | | | | | | | |
|--------------------------------|------------------|-----------|---------------------|-----------------------|------------------------------------|-------------|-----------------------------|--|
| 2015 | | | | | | | | |
| | PVC/Chlor-Alkali | Silicones | Specialty Chemicals | Semiconductor Silicon | Electronics & Functional Materials | Diversified | Elimination or common asset | Figures in consolidated financial statements |
| Amortization of goodwill | \$— | \$ 1,352 | \$ 9,295 | \$— | \$— | \$295 | \$— | \$10,944 |
| Unamortized balance | \$— | \$17,250 | \$80,275 | \$— | \$— | \$ — | \$— | \$97,526 |

22. RELATED PARTY TRANSACTIONS

Transactions between the Company and related parties during the fiscal year ended March 31, 2015 are as follows:

| Type | Name | Percentage of voting rights | Relationship | Transaction | Millions of yen | | | Thousands of U.S. dollars |
|----------|-------------------|-----------------------------|--------------|----------------------------------|--|---------|--------------------------------|--|
| | | | | | Transaction amount (Thousands of shares) | Account | Balance at the fiscal year end | Transaction amount (Thousands of shares) |
| Director | Susumu Ueno | Direct Ownership 0.00% | Director | Exercise of stock options (Note) | ¥30 (7) | — | — | \$258 (7) |
| Director | Kazumasa Maruyama | Direct Ownership 0.00% | Director | Exercise of stock options (Note) | ¥13 (3) | — | — | \$110 (3) |

Note: Share subscription rights were approved at the board of directors meeting held on July 26, 2011 based on the resolution at the ordinary general meeting of shareholders held on June 29, 2011.

Transactions between the Company and related parties during the fiscal year ended March 31, 2014 are as follows:

| Millions of yen | | | | | | | |
|-----------------|--------------------|-----------------------------|--|------------------------------------|--|---------|--------------------------------|
| Type | Name | Percentage of voting rights | Relationship | Transaction | Transaction amount (Thousands of shares) | Account | Balance at the fiscal year end |
| Director | Chihiro Kanagawa | Direct Ownership 0.05% | Representative Director-Chairman | Exercise of stock options (Note 1) | ¥960 (200) | — | — |
| Director | Shunzo Mori | Direct Ownership 0.01% | Representative Director-President | Exercise of stock options (Note 1) | ¥24 (5) | — | — |
| Director | Fumio Akiya | Direct Ownership 0.00% | Representative Director-Executive Vice President | Exercise of stock options (Note 1) | ¥336 (70) | — | — |
| Director | Yasuhiko Saitoh | Direct Ownership 0.00% | Representative Director-Executive Vice President | Exercise of stock options (Note 1) | ¥203 (42.3) | — | — |
| Director | Toshinobu Ishihara | Direct Ownership 0.00% | Senior Managing Director | Exercise of stock options (Note 1) | ¥72 (15) | — | — |
| Director | Kiichi Habata | Direct Ownership 0.00% | Managing Director | Exercise of stock options (Note 1) | ¥72 (15) | — | — |
| Director | Koji Takasugi | Direct Ownership 0.00% | Managing Director | Exercise of stock options (Note 1) | ¥144 (30) | — | — |
| Director | Masahiko Todoroki | Direct Ownership 0.00% | Managing Director | Exercise of stock options (Note 1) | ¥33 (7) | — | — |
| Director | Toshiya Akimoto | Direct Ownership 0.00% | Managing Director | Exercise of stock options (Note 1) | ¥72 (15) | — | — |
| Director | Fumio Arai | Direct Ownership 0.00% | Managing Director | Exercise of stock options (Note 1) | ¥72 (15) | — | — |
| Director | Yukihiro Matsui | Direct Ownership 0.00% | Managing Director | Exercise of stock options (Note 1) | ¥48 (10) | — | — |
| Director | Masaki Miyajima | Direct Ownership 0.01% | Director | Exercise of stock options (Note 1) | ¥67 (14) | — | — |
| Director | Toshiyuki Kasahara | Direct Ownership 0.00% | Director | Exercise of stock options (Note 1) | ¥43 (9) | — | — |
| Director | Hidenori Onezawa | Direct Ownership 0.00% | Director | Exercise of stock options (Note 1) | ¥33 (7) | — | — |
| Director | Ken Nakamura | Direct Ownership 0.00% | Director | Exercise of stock options (Note 1) | ¥43 (9) | — | — |
| Director | Hiroaki Okamoto | Direct Ownership 0.00% | Director | Exercise of stock options (Note 1) | ¥72 (15) | — | — |
| Director | Susumu Ueno | Direct Ownership 0.00% | Director | Exercise of stock options (Note 2) | ¥33 (7) | — | — |
| Director | Kazumasa Maruyama | Direct Ownership 0.00% | Director | Exercise of stock options (Note 2) | ¥2 (0.5) | — | — |

Note 1: Share subscription rights were approved at the board of directors meeting held on July 22, 2009.

Note 2: Share subscription rights were approved at the board of directors meeting held on July 22, 2009 based on the resolution at the ordinary general meeting of shareholders held on June 26, 2009.

23. CHANGES IN THE METHOD OF PRESENTATION

Consolidated Statements of Income

"Loss on valuation of investment securities" had been included in "Other, net" for the fiscal years ended March 31, 2014 and 2013. For the fiscal year ended March 31, 2015, it is disclosed as an independent item as it is greater than ten percent of the total of other expenses. The Company reclassified the consolidated statements of income for the fiscal years ended March 31, 2014 and 2013.

As a result, the amounts of "Other, net" for the fiscal years ended March 31, 2014 and 2013 of ¥[6,630] million and ¥[653] million have been reclassified to ¥[175] million and ¥[485] million as "Loss on valuation of investment securities", and ¥[6,454] million and ¥[168] million as "Other, net", respectively.

The amounts in the accompanying consolidated financial statements and the notes thereto, including the amounts for prior fiscal years, are stated in millions of yen with amounts less than ¥1 million omitted.

Consolidated Subsidiaries

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
As of March 31, 2015

| Principal Consolidated Subsidiaries | Percentage of Voting Rights | Fiscal Year-End |
|--|-----------------------------|-----------------|
| Shintech Inc.* | 100.0 | December 31 |
| Shin-Etsu Handotai Co., Ltd. | 100.0 | March 31 |
| S.E.H. Malaysia Sdn. Bhd.* | 100.0 | December 31 |
| Shin-Etsu Handotai America, Inc.* | 100.0 | December 31 |
| Shin-Etsu PVC B.V.* | 100.0 | December 31 |
| Shin-Etsu Polymer Co., Ltd. | 52.8 | March 31 |
| SE Tylose GmbH & Co. KG* | 100.0 | December 31 |
| Shin-Etsu Astech Co., Ltd. | 99.6 | March 31 |
| Shin-Etsu Engineering Co., Ltd. | 100.0 | March 31 |
| Shin-Etsu Handotai Taiwan Co., Ltd.* | 70.0 | December 31 |
| Simcoa Operations Pty. Ltd.* | 100.0 | December 31 |
| Shin-Etsu Silicones (Thailand) Ltd.* | 100.0 | December 31 |
| Asia Silicones Monomer Limited* | 100.0 | December 31 |
| Nagano Electronics Industrial Co., Ltd. | 90.0 | February 28 |
| Shin-Etsu Handotai Europe, Ltd.* | 100.0 | December 31 |
| Naoetsu Electronics Co., Ltd. | 100.0 | February 28 |
| Kashima Vinyl Chloride Monomer Co., Ltd. | 70.6 | March 31 |
| S-E, Inc.* | 100.0 | December 31 |
| Shin-Etsu Electronics Materials Singapore Pte. Ltd.* | 100.0 | December 31 |
| Shin-Etsu Silicone International Trading (Shanghai) Co., Ltd.* | 100.0 | December 31 |
| Shin-Etsu Finetech Co., Ltd. | 100.0 | March 31 |
| JAPAN VAM & POVAL Co., Ltd. | 100.0 | March 31 |
| Shin-Etsu Magnetics Philippines., Inc.* | 100.0 | December 31 |
| CIRES, Lda.* | 100.0 | December 31 |
| Shin-Etsu Singapore Pte. Ltd.* | 100.0 | December 31 |
| Shin-Etsu Silicone Korea Co., Ltd.* | 100.0 | December 31 |
| Shinano Polymer Co., Ltd. | 100.0 | March 31 |
| Shin-Etsu (Malaysia) Sdn. Bhd.* | 100.0 | December 31 |
| Nissin Chemical Industry Co., Ltd. | 100.0 | February 28 |
| Shin-Etsu MicroSi, Inc.* | 100.0 | December 31 |
| Shin-Etsu Silicone Taiwan Co., Ltd.* | 93.3 | December 31 |
| Shin-Etsu Silicones of America, Inc.* | 100.0 | December 31 |
| Shin-Etsu Silicones Europe B.V.* | 100.0 | December 31 |
| Shin-Etsu Opto Electronic Co., Ltd.* | 80.0 | December 31 |
| Shin-Etsu Polymer (Malaysia) Sdn. Bhd.* | 100.0 | December 31 |

*Overseas subsidiary

| Principal Consolidated Subsidiaries | Percentage of Voting Rights | Fiscal Year-End |
|--|-----------------------------|-----------------|
| Shin-Etsu Polymer Europe B.V.* | 100.0 | December 31 |
| Shin-Etsu International Europe B.V.* | 100.0 | December 31 |
| Nihon Resin Co., Ltd. | 100.0 | December 31 |
| Naoetsu Precision Co., Ltd. | 100.0 | February 28 |
| Skyward Information System Co., Ltd. | 100.0 | March 31 |
| Shinano Electric Refining Co., Ltd. | 100.0 | March 31 |
| Fukui Environmental Analysis Center Co., Ltd. | 100.0 | February 28 |
| Shin-Etsu Film Co., Ltd. | 100.0 | March 31 |
| Shin-Etsu Technology Service Co., Ltd. | 76.9 | February 28 |
| Urawa Polymer Co., Ltd. | 100.0 | March 31 |
| Niigata Polymer Company Limited | 100.0 | March 31 |
| Shin-Etsu Polymer America, Inc.* | 100.0 | December 31 |
| Naoetsu Sangyo Limited | 100.0 | March 31 |
| San-Ace Co., Ltd. | 100.0 | March 31 |
| Shinken Total Plant Co., Ltd. | 100.0 | February 28 |
| Saitama Shinkoh Mold Co., Ltd. | 100.0 | March 31 |
| Shinkoh Mold Co., Ltd. | 100.0 | March 31 |
| Shin-Etsu Magnet Co., Ltd. | 100.0 | March 31 |
| Shin-Etsu Polymer India Pvt. Ltd.* | 100.0 | December 31 |
| PT. Shin-Etsu Polymer Indonesia* | 100.0 | December 31 |
| Shin-Etsu Polymer Singapore Pte. Ltd.* | 100.0 | December 31 |
| Shin-Etsu Polymer Shanghai Co., Ltd.* | 100.0 | December 31 |
| Shin-Etsu Polymer Hong Kong Co., Ltd.* | 100.0 | December 31 |
| Shin-Etsu Polymer Hungary Kft.* | 100.0 | December 31 |
| Dongguan Shin-Etsu Polymer Co., Ltd.* | 100.0 | December 31 |
| Human Create Co., Ltd. | 100.0 | March 31 |
| Suzhou Shin-Etsu Polymer Co., Ltd.* | 71.4 | December 31 |
| S.E.H. (Shah Alam) Sdn. Bhd.* | 100.0 | December 31 |
| SHIN-ETSU HANDOTAI SINGAPORE PTE. LTD.* | 100.0 | December 31 |
| K-Bin, Inc.* | 100.0 | December 31 |
| Shin-Etsu Silicone (Nantong) Co., Ltd.* | 100.0 | December 31 |
| Shin-Etsu (Jiangsu) Optical Preform Co., Ltd.* | 75.0 | December 31 |
| Kashima Chlorine & Alkali Co., Ltd. | 79.0 | March 31 |
| 19 other consolidated subsidiaries | | |

Report of Independent Auditors

The Board of Directors
Shin-Etsu Chemical Co., Ltd.

We have audited the accompanying consolidated financial statements of Shin-Etsu Chemical Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Shin-Etsu Chemical Co., Ltd. and its consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young Shin Nihon LLC

June 26, 2015
Tokyo, Japan

Investor Information As of March 31, 2015

Shin-Etsu Chemical Co., Ltd.

Head Office: 6-1, Ohtemachi 2-chome,
Chiyoda-ku, Tokyo 100-0004, Japan

Date of Establishment:

September 16, 1926

Capital:

¥119,419 million

Number of Employees:

18,276 (including 87 consolidated subsidiaries)

Number of Shares Authorized:

1,720,000,000

Number of Shares Issued:

432,106,693

Number of Stockholders:

45,643

Fiscal Year-End:

March 31

Stockholders' Meeting:

June

Stock Listings:

Tokyo, Nagoya (Ticker Code: 4063)

Transfer Agent:

Mitsubishi UFJ Trust and Banking Corporation

Auditor:

Ernst & Young ShinNihon

Please visit our website:

<http://www.shinetsu.co.jp>

(English, Japanese and Chinese)



Major Stockholders:

| Name | Number of Shares (Thousands) | Percentage of Total Equity (%) |
|--|------------------------------|--------------------------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 38,054 | 8.9 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 28,182 | 6.6 |
| Nippon Life Insurance Company | 21,933 | 5.1 |
| The Hachijuni Bank, Ltd. | 11,790 | 2.8 |
| Japan Trustee Services Bank, Ltd. (Trust Account 4) | 11,415 | 2.7 |
| Meiji Yasuda Life Insurance Company | 10,687 | 2.5 |
| THE BANK OF NEW YORK MELLON SA/NV 10 | 6,281 | 1.5 |
| STATE STREET BANK WEST CLIENT-TREATY 505234 | 5,524 | 1.3 |
| Sompo Japan Nipponkoa Insurance Inc. | 5,357 | 1.3 |
| STATE STREET BANK AND TRUST COMPANY 505225 | 5,328 | 1.3 |

Note: Shin-Etsu holds 6,207,027 shares of treasury stock, but is excluded from the above list of major stockholders. Stockholding percentages are calculated excluding treasury stock.

Information:

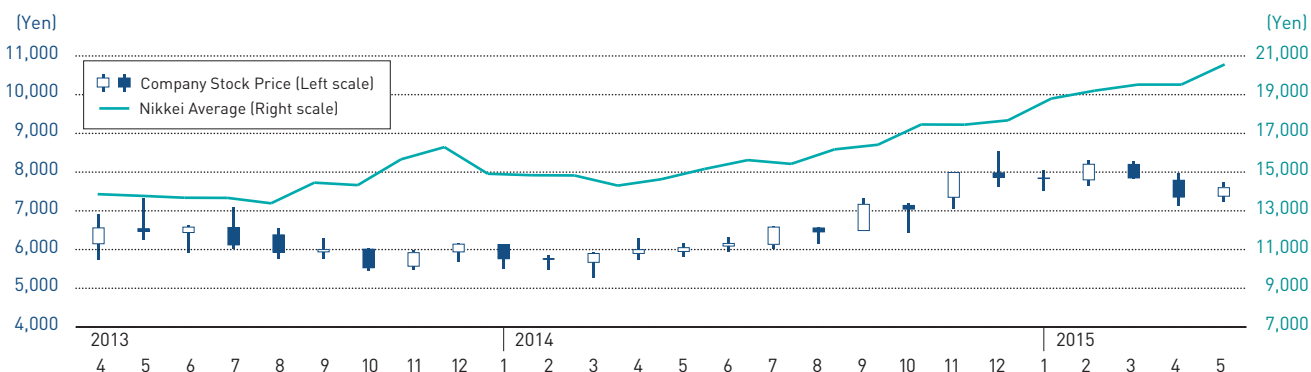
Public Relations Department

Phone: +81-3-3246-5091

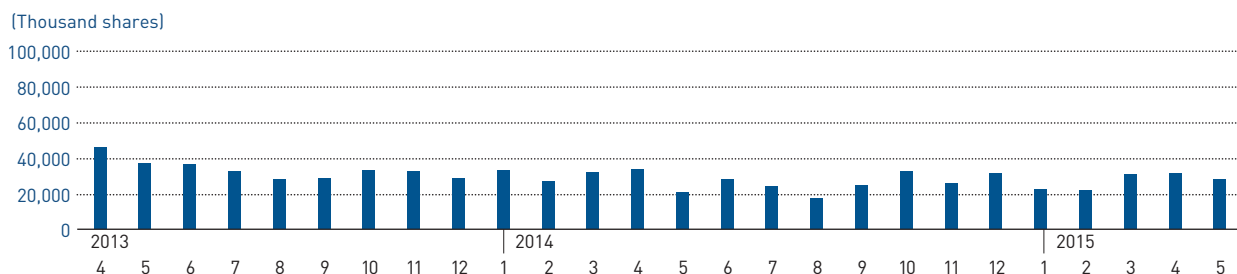
Fax: +81-3-3246-5096

e-mail: sec-pr@shinetsu.jp

Common Stock Price



Trading Volume



Main Shin-Etsu Group Companies



U.S.A. North America

- 01. SHINTECH INCORPORATED**
Phone: +1-713-965-0713 Fax: +1-713-965-0629
Business: Production and Sales of PVC
- 02. SHIN-ETSU HANDOTAI AMERICA, INC. (S.E.H. AMERICA)**
Phone: +1-360-883-7000 Fax: +1-360-254-6973
Business: Production and Sales of Semiconductor Silicon
- 03. SHIN-ETSU MAGNETICS, INC.**
Phone: +1-408-383-9240 Fax: +1-408-383-9245
Business: Sales of Rare Earth Magnets
- 04. SHIN-ETSU MICROSI, INC.**
Phone: +1-480-893-8898 Fax: +1-480-893-8637
Business: Sales of Electronics Materials
- 05. SHIN-ETSU POLYMER AMERICA, INC.**
Phone: +1-510-623-1881 Fax: +1-510-623-1603
Business: Sales of Input Devices and Display-related Devices
- 06. SHIN-ETSU SILICONES OF AMERICA, INC.**
Phone: +1-330-630-9860 Fax: +1-330-630-9855
Business: Production and Sales of Silicone Products
- 07. K-BIN INC.**
Phone: +1-713-965-0713 Fax: +1-713-965-0629
Business: Production and Sales of PVC Compounds
- 08. PACIFIC BIOCONTROL CORPORATION**
Phone: +1-360-571-2247 Fax: +1-360-571-2248
Business: Sales of Pheromone Formulation

Brazil South America

- 09. SHIN-ETSU DO BRASIL REPRESENTAÇÃO DE PRODUTOS QUÍMICOS LTDA.**
Phone: +55-11-3939-0690 (silicones)
+55-11-3939-0692 (cellulose derivatives)
Fax: +55-11-3052-3094
Business: Sales of Silicone Products and Cellulose Derivatives

France Europe

- 10. S.E.H. EUROPE (FRENCH OFFICE)**
Phone: +33-4. 97. 21. 44. 88 Fax: +33-4. 97. 21. 44. 80
Business: Sales of Semiconductor Silicon

Germany

- 11. SE TYLOSE GMBH & CO. KG**
Phone: +49-611-962-8189 Fax: +49-611-962-9071
Business: Production and Sales of Cellulose Derivatives
- 12. S.E.H. EUROPE (GERMAN OFFICE)**
Phone: +49-8161-98905-0 Fax: +49-8161-98905-20
Business: Sales of Semiconductor Silicon

Hungary

- 13. SHIN-ETSU POLYMER HUNGARY KFT.**
Phone: +36-96-887-100 Fax: +36-96-887-110
Business: Production of Input Devices and Display-related Devices

The Netherlands

- 14. SHIN-ETSU PVC B.V.**
Phone: +31-35-689-8010 Fax: +31-35-685-0989
Business: Production and Sales of Vinyl Chloride Monomer and PVC
- 15. SHIN-ETSU INTERNATIONAL EUROPE B.V.**
Phone: +31-20-662-1359 Fax: +31-20-664-9000
Business: Sales of Chemical Products and Electronics Materials
- 16. SHIN-ETSU POLYMER EUROPE B.V.**
Phone: +31-77-323-6000 Fax: +31-77-323-6001
Business: Sales of Input Devices and Display-related Devices
- 17. SHIN-ETSU SILICONES EUROPE B.V.**
Phone: +31-36-5493170 Fax: +31-36-5326459
Business: Production and Sales of Silicone Products

Portugal

- 18. CIRES, LDA (COMPANHIA INDUSTRIAL DE RESINAS SINTÉTICAS, LDA)**
Phone: +351-234-811-200 Fax: +351-234-811-204
Business: Production and Sales of PVC

U.K.

- 19. SHIN-ETSU HANDOTAI EUROPE, LTD. (S.E.H. EUROPE)**
Phone: +44-1506-41-5555 Fax: +44-1506-41-7171
Business: Production and Sales of Semiconductor Silicon

Australia

- 20. SIMCOA OPERATIONS PTY. LTD.**
Phone: +61-8-9780-6744 Fax: +61-8-9780-6777
Business: Production and Sales of Silicon Metal

China

- 21. SHIN-ETSU SILICONE INTERNATIONAL TRADING (SHANGHAI) CO., LTD.**
Phone: +86-21-6443-5550 Fax: +86-21-6443-5868
Business: Sales of Silicone Products
- 22. SUZHOU SHIN-ETSU POLYMER CO., LTD.**
Phone: +86-512-6327-0704 Fax: +86-512-6327-2674
Business: Production and Sales of Input Devices and Display-related Devices
- 23. SHIN-ETSU POLYMER HONG KONG CO., LTD.**
Phone: +852-2377-9131 Fax: +852-2377-1673
Business: Sales of Precision Molding Products and Input Devices
- 24. ZHEJIANG SHIN-ETSU HIGH-TECH CHEMICAL CO., LTD.**
Phone: +86-573-8475-5071 Fax: +86-573-8475-5070
Business: Production and Sales of Silicone Products
- 25. SHIN-ETSU TECHNOLOGY (SUZHOU) CO., LTD.**
Phone: +86-512-6276-3270 Fax: +86-512-6299-5129
Business: Production and Sales of Rare Earth Magnets
- 26. SHIN-ETSU (JIANGSU) OPTICAL PREFORM CO., LTD.**
Phone: +86-510-8609-6060 Fax: +86-510-8609-6055
Business: Production and Sales of Preforms for Optical Fiber
- 27. SHIN-ETSU SILICONE (NANTONG) CO., LTD.**
Phone: +86-513-5108-8688 Fax: +86-513-8359-3016
Business: Production and Sales of Silicone Products
- 28. SHIN-ETSU (CHANGTING) TECHNOLOGY CO., LTD.**
Phone: +86-597-6688270 Fax: +86-597-6688215
Business: Production and Sales of Magnet Alloys Used for the Manufacture of Rare Earth Magnets

| | | | | |
|----|----|----|----|----|
| 46 | 47 | 48 | 49 | 50 |
| 51 | 52 | 53 | 54 | 55 |
| 56 | 57 | 58 | 59 | |



26

India

29. **SHIN-ETSU POLYMER INDIA PVT. LTD.**
Phone: +91-44-6711-2800 Fax: +91-44-6711-2801
Business: Production and Sales of Input Devices and Display-related Devices

Korea

30. **SHIN-ETSU SILICONE KOREA CO., LTD.**
Phone: +82-2-590-2500 Fax: +82-2-590-2501
Business: Production and Sales of Silicone Products

Malaysia

31. **S.E.H. MALAYSIA SDN. BHD.**
Phone: +60-3-4259-6600 Fax: +60-3-4257-5751
Business: Production and Sales of Semiconductor Silicon
32. **S.E.H. (SHAH ALAM) SDN. BHD.**
Phone: +60-3-5123-7000 Fax: +60-3-5191-3111
Business: Production and Sales of Semiconductor Silicon
33. **SHIN-ETSU ELECTRONICS (MALAYSIA) SDN. BHD.**
Phone: +60-3-5192-1081 Fax: +60-3-5192-6572
Business: Production and Sales of Epoxy Molding Compounds
34. **SHIN-ETSU (MALAYSIA) SDN. BHD.**
Phone: +60-3-5191-2233 Fax: +60-3-5191-2288
Business: Production and Sales of Rare Earth Magnets
35. **SHIN-ETSU POLYMER (MALAYSIA) SDN. BHD.**
Phone: +60-3-5191-1161 Fax: +60-3-5191-1181
Business: Production Precision Molding Products, and Input Devices

Singapore

36. **SHIN-ETSU ELECTRONICS MATERIALS SINGAPORE PTE. LTD.**
Phone: +65-6297-9211 Fax: +65-6297-9311
Business: Sales of Rare Earth Magnets and Other Products
37. **SHIN-ETSU SINGAPORE PTE. LTD.**
Phone: +65-6743-7277 Fax: +65-6743-7477
Business: Sales of Silicone Products
38. **SHIN-ETSU POLYMER SINGAPORE PTE. LTD.**
Phone: +65-6735-0007 Fax: +65-6735-0008
Business: Sales of Precision Molding Products and Input Devices

Taiwan

39. **SHIN-ETSU HANDOTAI TAIWAN CO., LTD. [S.E.H. TAIWAN]**
Phone: +886-3-577-1188 Fax: +886-3-577-1199
Business: Production and Sales of Semiconductor Silicon
40. **SHIN-ETSU OPTO ELECTRONIC CO., LTD.**
Phone: +886-2-578-4566 Fax: +886-3-578-9864
Business: Production and Sales of Compound Semiconductors
41. **SHIN-ETSU SILICONE TAIWAN CO., LTD.**
Phone: +886-2-2715-0055 Fax: +886-2-2715-0066
Business: Production and Sales of Silicone Products

Thailand

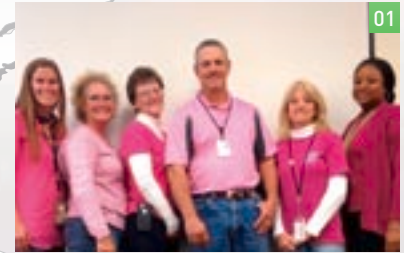
42. **SHIN-ETSU SILICONES (THAILAND) LTD.**
Phone: +66-2-632-2941 Fax: +66-2-632-2945
Business: Production and Sales of Silicone Products
43. **ASIA SILICONES MONOMER LTD.**
Phone: +66-38-687-050 Fax: +66-38-687-060
Business: Production and Sales of Silicone Monomer

Vietnam

44. **SHIN-ETSU MAGNETIC MATERIALS VIETNAM CO., LTD.**
Phone: +84-31-3250-518 Fax: +84-31-3757-295
Business: Separation and Refinement of Rare Earths
45. **SHIN-ETSU ELECTRONICS MATERIALS VIETNAM CO., LTD.**
Phone: +84-321-3974-880 Fax: +84-321-3974-889
Business: Production and Sales of Silicone-Based Encapsulating Materials and Reflectors for LEDs

Japan

46. **SHIN-ETSU CHEMICAL CO., LTD.**
Phone: +81-3-3246-5011 Fax: +81-3-3246-5350
Business: Production and Sales of Products in Organic and Inorganic Chemicals, Electronics Materials, and Functional Materials and Others
47. **SHIN-ETSU ASTECH CO., LTD.**
Phone: +81-3-5298-3211 Fax: +81-3-3254-1931
Business: Construction Businesses and Sales of Chemical Products and Others
48. **SHIN-ETSU ENGINEERING CO., LTD.**
Phone: +81-3-3296-1080 Fax: +81-3-3296-1085
Business: Engineering Services and Production of Mechatronics Systems



01

49. **SHIN-ETSU FILM CO., LTD.**

Phone: +81-3-3259-1061 Fax: +81-3-3259-1064
Business: Production and Sales of PP Film for Condensers

50. **SHIN-ETSU HANDOTAI CO., LTD.**

Phone: +81-3-3243-1500 Fax: +81-3-3243-1271
Business: Production and Sales of Semiconductor Silicon and Compound Semiconductors

51. **SHIN-ETSU POLYMER CO., LTD.**

Phone: +81-3-5289-3712 Fax: +81-3-5289-3707
Business: Production and Sales of Synthetic Resin Products

52. **SHIN-ETSU QUARTZ PRODUCTS CO., LTD.**

Phone: +81-3-3348-1912 Fax: +81-3-3348-4919
Business: Production and Sales of Quartz Glass Products

53. **JAPAN VAM & POVAL CO., LTD.**

Phone: +81-72-245-1131 Fax: +81-72-245-8144
Business: Production and Sales of Vinyl Esters of Carboxylic Acids, such as Vinyl Acetate Monomer and Polyvinyl Alcohol

54. **KASHIMA VINYL CHLORIDE MONOMER CO., LTD.**

Phone: +81-299-96-3415 Fax: +81-299-96-6354
Business: Production and Sales of Vinyl Chloride Monomer

55. **NAGANO ELECTRONICS INDUSTRIAL CO., LTD.**

Phone: +81-26-261-3100 Fax: +81-26-261-3131
Business: Production, Processing and Sales of Semiconductor Silicon Wafers and Other Products

56. **NAOETSU ELECTRONICS CO., LTD.**

Phone: +81-25-530-2631 Fax: +81-25-530-2908
Business: Production, Processing and Sales of Semiconductor Silicon Wafers

57. **MIMASU SEMICONDUCTOR INDUSTRY CO., LTD.**

Phone: +81-27-372-2021 Fax: +81-27-372-2018
Business: Precision Production, Processing and Sales of Semiconductor Silicon Wafers and Others

58. **NISSIN CHEMICAL INDUSTRY CO., LTD.**

Phone: +81-778-22-5100 Fax: +81-778-24-0657
Business: Production and Sales of Synthetic Resin Emulsions and Other Products

59. **SHINANO ELECTRIC REFINING CO., LTD.**

Phone: +81-3-5298-1601 Fax: +81-3-5298-0071
Business: Production and Sales of Carborundum Products



www.shinetsu.co.jp