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(Translation)

(Securities Code 4063)  
June 4, 2015

To: All Shareholders of Shin-Etsu Chemical Co., Ltd. (the “Company”)

Notice of Convocation of the 138th  
Ordinary General Meeting of Shareholders

Dear Shareholder:

You are hereby notified that the 138th Ordinary General Meeting of Shareholders will be held as described below. Your attendance would be much appreciated.

If you are unable to attend the Meeting in person, you are entitled to exercise your voting rights in writing in which case we would appreciate it if you would take the time to review the Reference Documents for the General Meeting of Shareholders attached hereto and indicate your approval or disapproval of each Agenda item on the enclosed Voting Card. Please return your completed Voting Card so that it reaches us by no later than 5:00 p.m. on Thursday, June 25, 2015.

Description of Meeting

1. Date and Time : June 26, 2015 (Friday) at 10:00 a.m. (the reception is to start at 9:00 a.m.)
2. Place : Company’s head office at 6-1, Ohtemachi 2-chome, Chiyoda-ku, Tokyo  
27th floor of Asahi-Seimei Otemachi Building, Otemachi Sun-Sky Room
3. Agenda for the Meeting:  
Matters to be reported : 1. Report on the Business Report, the Consolidated Financial Statements, and the Audit Reports of the Accounting Auditor and the Audit & Supervisory Board on the Consolidated Financial Statements for the 138th fiscal year (April 1, 2014 through March 31, 2015)  
2. Report on the Financial Statements for the 138th fiscal year (April 1, 2014 through March 31, 2015)
- Matters to be resolved:  
1st Agendum : Distribution of Retained Earnings to Shareholders  
2nd Agendum : Election of Twelve (12) Directors  
3rd Agendum : Election of Three (3) Audit & Supervisory Board Members  
4th Agendum : Issuance of Stock Acquisition Rights as Stock Options to Employees  
5th Agendum : Continuance of the Handling Policy toward Large-scale Purchase of the Company’s Shares and Other Securities

Very truly yours,

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Shunzo Mori  
Representative Director / President  
Shin-Etsu Chemical Co., Ltd.  
6-1, Ohtemachi 2-chome  
Chiyoda-ku, Tokyo

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- ⊙ Those shareholders who attend the Meeting are kindly requested to present the enclosed Voting Card to a receptionist upon your arrival at the Meeting venue.
  - ⊙ The Notes to Consolidated Financial Statements and the Notes to Non-Consolidated Financial Statements, which are to be attached to this notice of convocation, are published via the Internet on the website of the Company (<http://www.shinetsu.co.jp/>) pursuant to laws and the articles of incorporation of the Company. Therefore, the Consolidated Financial Statements and the Financial Statements attached to this notice of convocation are part of the Consolidated Financial Statements and the Financial Statements which the Audit & Supervisory Board Members and the Accounting Auditor audited in the course of preparing the audit report.
  - ⊙ Any modification that may be required in the Reference Documents for the General Meeting of Shareholders, or in the Business Report, the Financial Statements or the Consolidated Financial Statements, will be published via the Internet on the website of the Company (<http://www.shinetsu.co.jp/>).

**Notice of Convocation of the 138th  
Ordinary General Meeting of Shareholders**

Table of Contents

Annex

Business Report

I. Matters Concerning the Current State of the Company's Group	1
II. Matters Concerning Stock in the Company	9
III. Matters Concerning Stock Acquisition Rights Issued by the Company	10
IV. Matters Concerning Directors and Audit & Supervisory Board Members of the Company	11
V. Status of Accounting Auditor	16
VI. Structure to Ensure the Conformity of Execution of Duties by Directors with Laws and Regulations and with the Articles of Incorporation and Other Arrangements to Ensure the Integrity of Business Processes	17
VII. Basic Policy Regarding Control of the Company	19

Consolidated Financial Statements

Consolidated Balance Sheet	23
Consolidated Statement of Income	25
Consolidated Statement of Changes in Net Assets	26

Financial Statements (Non-Consolidated)

Balance Sheet (Non-Consolidated)	27
Statement of Income (Non-Consolidated)	29
Statement of Changes in Net Assets (Non-Consolidated)	30

Audit Reports

Audit Report of Accounting Auditor on the Consolidated Financial Statements	32
Audit Report of Accounting Auditor on the Financial Statements (Non-Consolidated)	33
Audit Report of Audit & Supervisory Board	34

Reference Documents for Exercising Voting Rights

Agenda and Reference Materials

1st Agendum: Distribution of Retained Earnings to Shareholders	36
2nd Agendum: Election of Twelve (12) Directors	36
3rd Agendum: Election of Three (3) Audit & Supervisory Board Members	42
4th Agendum: Issuance of Stock Acquisition Rights as Stock Options to Employees	44
5th Agendum: Continuance of the Handling Policy toward Large-scale Purchase of the Company's Shares and Other Securities	48

## **BUSINESS REPORT**

(April 1, 2014 through March 31, 2015)

### **I. Matters Concerning the Current State of the Company's Group**

#### **1. Business Operations**

With regard to the world economy, during the consolidated fiscal year (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 Shin-Etsu 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.

As a result, the net sales for the Company's group for this consolidated fiscal year increased by 7.7% (89,724 million yen) compared with the previous fiscal year to 1,255,543 million yen. Compared to the performance of the previous fiscal year, operating income increased by 6.6% (11,520 million yen) to 185,329 million yen, ordinary income increased by 9.6% (17,420 million yen) to 198,025 million yen and, net income increased by 13.2% (14,989 million yen) to 128,606 million yen.

The business operations of each division were as follows.

#### PVC/Chlor-Alkali

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 year 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 of the foregoing, this division's total sales increased by 5.8% (24,811 million yen) from the previous fiscal year to 452,656 million yen, and operating income decreased by 16.4% (9,886 million yen) to 50,264 million yen.

### Silicones

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 of the foregoing, this division's total sales increased by 13.4% (21,001 million yen) from the previous fiscal year to 177,438 million yen, and operating income increased by 5.1% (1,607 million yen) to 33,414 million yen.

### Specialty Chemicals

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 of the foregoing, this division's total sales increased by 8.9% (9,143 million yen) from the previous fiscal year to 112,347 million yen, and operating income increased by 19.8% (2,521 million yen) to 15,278 million yen.

### Semiconductor Silicon

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 such products as smartphones and automobiles.

As a result of the foregoing, this division's total sales increased by 7.9% (16,783 million yen) from the previous fiscal year to 230,016 million yen, and operating income increased by 45.6% (11,150 million yen) to 35,609 million yen.

### Electronics & Functional Materials

With regard to the rare earth magnets business, in addition to shipments being good 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 of the foregoing, this division's total sales increased by 7.3% (12,519 million yen) from the previous fiscal year to 183,505 million yen, and operating income increased by 12.8% (5,239 million yen) to 46,208 million yen.

### 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 of the foregoing, this division's total sales increased by 5.8% (5,466 million yen) from the previous fiscal year to 99,579 million yen and operating income increased by 31.5% (1,157 million yen) to 4,826 million yen.

## 2. Status of Capital Investments and Procurement of Funds of the Company's Group

The Company's group invested 109,903 million yen during this consolidated fiscal year mainly in the following:

All of these facilities are under construction during this consolidated fiscal year:

Construction of a cellulose manufacturing plant (SE Tylose USA, Inc.)

Enhancement of the integrated facilities for the manufacture of polyvinyl chloride (SHINTECH INC.)

Construction of a new research building (Silicone-Electronics Materials Research Center)

Enhancement of the facility for manufacturing silicone (Asia Silicones Monomer Limited and Shin-Etsu Silicones (Thailand) Limited)

The Company's group expended mostly its own funds for investment capital during this consolidated fiscal year.

Note: In addition to the above, a facility for manufacture of rare earth magnets is under construction at Shin-Etsu Magnetic Materials Vietnam Co., Ltd., a non-consolidated subsidiary.

## 3. Problems Confronting the Company's Group

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 Shin-Etsu 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.

In the PVC business, in order to cope with the global expansion in demand, SHINTECH INC., in the U.S. is carrying out the expansion of its integrated manufacturing facilities from electrolysis to PVC. In addition, to further strengthen its integrated PVC manufacturing system, SHINTECH has decided on the construction of an ethylene plant, which will manufacture one of the main raw materials for PVC. By making good use of its advantageous raw materials situation in the U.S. and by continuing to carry out its sales strategies that accurately grasp global trends in demand, we will further solidify its

position as the world's largest PVC manufacturer.

In the semiconductor silicon business, we will meet the increase in demand for devices resulting from the expansion of the electronics equipment market by assuring a stable supply of high-quality products to our worldwide customers from our multiple manufacturing bases, both in Japan and outside of Japan. At the same time, we will strengthen our competitive power by every possible means, including through our research and development of wafers for advanced electronics devices and by striving for improvements in productivity.

In the silicones business, we are focusing on global business expansion. In addition to carrying out a large expansion and strengthening of production capacity at our silicones plants in Thailand and establishing a Technical Center in the U.S., we are striving to expand our business in China. At the same time, in order to further strengthen our R&D system, we are going ahead with the expansion of our Silicone-Electronics Materials Research Center. By means of these measures, we will steadily capture the robust world demand for silicones.

In the rare earth magnets business, by continuing to utilize our raw materials plants in China and Vietnam, we will carry out stable procurement of raw 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 up 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 other businesses, in addition to the cellulose manufacturing plant for pharmaceutical-use products in Germany and the cellulose manufacturing plant for coating products, which is under construction in the U.S., we will make good use of our global plants such as our optical fiber preform plant in China and a new plant for photoresists that we have decided to construct in Taiwan, as we aim to achieve a leap forward in the world market in these businesses.

Furthermore, in order to create businesses that will become future business pillars, we will accelerate R&D and the commercialization of new products with unique characteristics that will anticipate new global needs, and we will also strive to pioneer new businesses, including by such means as M&A.

In addition, we will faithfully carry out corporate social responsibilities, such as the ensuring of safety, conservation of the environment and full compliance with all laws and regulations, and we will continue to strive to maximize Shin-Etsu's corporate value.

#### 4. Trend of Business Results and Financial Conditions

Item \ Year	135th Fiscal Year	136th Fiscal Year	137th Fiscal Year	138th Fiscal Year
Net Sales (Million Yen)	1,047,731	1,025,409	1,165,819	1,255,543
Net Income (Million Yen)	100,643	105,714	113,617	128,606
Net Income per Share (Yen)	237.03	248.94	267.20	302.05
Net Assets (Million Yen)	1,494,573	1,623,176	1,822,135	2,012,711
Total Assets (Million Yen)	1,809,841	1,920,903	2,198,912	2,452,306

Note: In the 136th fiscal year, decreased sales revenues reflected a slowdown in demand for semiconductor silicon wafers due to the sluggish market for PCs and other electronic equipment.

## 5. Status of Major Subsidiary Companies, etc. (as of March 31, 2015)

### (1) Status of Major Subsidiary Companies

Name of Company	Amount of Capital	Holding Ratio (%)	Major Lines of Business
SHINTECH INC. (U.S.A.)	US\$18.75	100.0	Manufacture and sales of polyvinyl chloride
Shin-Etsu Handotai Co., Ltd.	¥10,000M	100.0	Manufacture and sales of semiconductor silicon
S.E.H. Malaysia Sdn. Bhd. (Malaysia)	RM181.50M	100.0 (100.0)	Processing and sales of semiconductor silicon
Shin-Etsu Handotai America, Inc. (U.S.A.)	US\$150M	100.0 (100.0)	Manufacture and sales of semiconductor silicon
Shin-Etsu PVC B.V. (Netherlands)	EUR18,200	100.0 (100.0)	Manufacture and sales of polyvinyl chloride
Shin-Etsu Polymer Co., Ltd.	¥11,635M	52.8 (0.1)	Manufacture and sales of plastic products, etc.
SE Tylose GmbH & Co. KG (Germany)	EUR500,000	100.0 (100.0)	Manufacture and sales of cellulose derivative products
Shin-Etsu Astech Co., Ltd.	¥495M	99.6 (1.8)	Sales of chemical products, etc., and construction under contract
Shin-Etsu Engineering Co., Ltd.	¥200M	100.0	Design, engineering and construction of plants, etc.
Shin-Etsu Handotai Taiwan Co., Ltd. (Taiwan)	NT\$1,500M	70.0 (70.0)	Processing and sales of semiconductor silicon
SIMCOA OPERATIONS PTY. LTD. (Australia)	A\$32,005,100	100.0 (100.0)	Manufacture and sales of silicon metal
Shin-Etsu Silicones (Thailand) Limited (Thailand)	THB5,600M	100.0	Manufacture and sales of silicone products
Asia Silicones Monomer Limited (Thailand)	THB3,393M	100.0 (100.0)	Manufacture of silicone monomer
Nagano Electronics Industrial Co., Ltd.	¥80M	90.0	Processing of semiconductor silicon

Note: 1. For the column regarding holding ratio, the upper number indicates the entire ratio of holdings held by both the Company and the Subsidiary Companies, while the lower number indicates the ratio held by the Subsidiary Companies. The holding ratios are computed net of any treasury shares held.

2. In the current consolidated fiscal year, the scope of important Subsidiary Companies has been reviewed to include three companies, namely SIMCOA OPERATIONS PTY. LTD., Shin-Etsu Silicones (Thailand) Limited and Asia Silicones Monomer Limited, and to exclude three companies, namely SHIN-ETSU HANDOTAI EUROPE LIMITED, Naoetsu Electronics Co., Ltd. and KASHIMA VINYL CHLORIDE MONOMER COMPANY LIMITED.

(2) Status of Major Affiliated Companies

Name of Company	Amount of Capital	Holding Ratio (%)	Major Lines of Business
Mimasu Semiconductor Industry Co., Ltd.	¥18,824M	42.1 (1.1)	Processing of semiconductor silicon and sales of precision equipment
SHIN-ETSU QUARTZ PRODUCTS COMPANY LTD.	¥1,000M	50.0	Manufacture and sales of quartz glass products

Note: For the column regarding holding ratio, the upper number indicates the entire ratio of holdings held by both the Company and the Subsidiary Companies, while the lower number indicates the ratio held by the Subsidiary Companies. The holding ratios are computed net of any treasury shares held.

(3) Results of Consolidation

For this consolidated fiscal year, there are 87 consolidated subsidiaries etc. and 3 companies to which the equity method is applied, including the Major Subsidiary Companies and the Affiliated Companies mentioned above.

For this consolidated fiscal year, net sales amounted to 1,255,543 million yen (up by 7.7% from the previous fiscal year), and the net income amounted to 128,606 million yen (up by 13.2% from the previous fiscal year).



## 6. Major Lines of Business of the Company's Group (as of March 31, 2015)

The Company's group's major lines of business are the manufacture and sales of the following products:

PVC/Chlor-Alkali	Polyvinyl Chloride, Caustic Soda, Methanol, Chloromethanes
Silicones	Silicone
Specialty Chemicals	Cellulose Derivatives, Silicon Metal, Poval, Synthetic Pheromones
Semiconductor Silicon	Semiconductor Silicon
Electronics & Functional Materials	Rare-earth Magnets, Semiconductor Encapsulating Materials, LED Packaging Materials, Photoresists, Photomask Blanks, Synthetic Quartz Products, Liquid Fluoroelastomers, Pellicles
Diversified Business	Processed Plastics, Export of Technologies and Plants, Export and Import of Products, Engineering

## 7. Major Bases of the Company's Group (as of March 31, 2015)

### (1) Company

Principal Office: 6-1, Ohtemachi 2-chome, Chiyoda-ku, Tokyo, Japan

Branch Offices: Osaka Branch, Nagoya Branch, and Fukuoka Branch

Plants: Naoetsu Plant (Niigata Prefecture), Takefu Plant (Fukui Prefecture), Gunma Complex [Isobe Plant and Matsuida Plant], Kashima Plant (Ibaraki Prefecture)

Research & Development Centers: Silicone-Electronics Materials Research Center (Gunma Prefecture), Advanced Functional Materials Research Center (Gunma Prefecture), PVC and Polymer Materials Research Center (Ibaraki Prefecture), Specialty Chemicals Research Center (Niigata Prefecture), New Functional Materials Research Center (Niigata Prefecture) and Magnetic Materials Research Center (Fukui Prefecture)

### (2) Subsidiaries

Domestic: Shin-Etsu Handotai Co., Ltd. (Tokyo); Shin-Etsu Polymer Co., Ltd. (Tokyo); Shin-Etsu Astech Co., Ltd. (Tokyo); Shin-Etsu Engineering Co., Ltd. (Tokyo); and Nagano Electronics Industrial Co., Ltd. (Nagano Prefecture)

Overseas: SHINTECH INC. (U.S.A.); Shin-Etsu Handotai America, Inc. (U.S.A.); S.E.H. Malaysia Sdn. Bhd. (Malaysia); Shin-Etsu PVC B.V. (Netherlands); SE Tylose GmbH & Co. KG (Germany); Shin-Etsu Handotai Taiwan Co., Ltd. (Taiwan); SIMCOA OPERATIONS PTY. LTD. (Australia); Shin-Etsu Silicones (Thailand) Limited (Thailand); and Asia Silicones Monomer Limited (Thailand)

8. Status of Employees of the Company's Group and the Company (as of March 31, 2015)

(1) Status of Employees of the Company's Group

Business Dept.	Number of Employees	Increase or Decrease Compared with the End of the Previous Fiscal Year
PVC/Chlor-Alkali	1,244	-4
Silicones	2,209	+73
Specialty Chemicals	1,206	+13
Semiconductor Silicon	4,551	-14
Electronics & Functional Materials	3,201	-25
Diversified Business	5,865	+341
Total	18,276	+384

Note: The number of employees is the number of persons actually at work.

(2) Status of Employees of the Company

Number of Employees	Increase or Decrease Compared with the End of the Previous Fiscal Year	Average Age	Average Years of Service
2,757	+20	42.5	20.5

Note: The number of employees is the number of persons actually at work.

9. Major Lenders to the Company's Group (as of March 31, 2015)

Name of Lender	Outstanding Borrowings (Million Yen)
Nippon Life Insurance Company	3,600
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,651
Meiji Yasuda Life Insurance Company	2,300
The Hachijuni Bank, Ltd.	2,060

## II. Matters Concerning Stock in the Company (as of March 31, 2015)

### 1. Number of Shares and Shareholders

Total number of shares authorized to be issued: 1,720,000,000

Total number of issued shares: 432,106,693

Number of shareholders: 45,643

Note: The total number of issued shares includes 6,207,027 treasury shares.

### 2. Major Shareholders

Name of Shareholder	Number of Shares Held (Thousand shares)	Holding Ratio (%)
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: 1. The Company, which owns 6,207,027 treasury shares, is excluded from consideration as a major shareholder as defined above. The holding ratios are computed net of this treasury stock.

2. Sompo Japan Insurance Inc. and NIPPONKOA Insurance Co., Ltd. merged to form a new company, named Sompo Japan Nipponkoa Insurance Inc., on September 1, 2014.

### III. Matters Concerning Stock Acquisition Rights Issued by the Company

#### 1. State of Stock Acquisition Rights (Stock Options) (as of March 31, 2015)

##### (1) General Description of Stock Acquisition Rights

The stock acquisition rights (stock options) the Company has issued are summarized below:

Chronological Number of Issue (Date Issued)	Number of Stock Acquisition Rights	Type & Number of Shares Stock Acquisition Rights are Entitled to	Issue Price per Share (Yen)	Amount Payable per Share upon Exercise of Rights (Yen)	Exercisable Period of Rights	Eligible Grantees
9th Issue of Stock Acquisition Rights (10/29/2010)	120	12,000 shares of Common Stock in the Company	Distributed gratis	4,352	October 30, 2011 through March 31, 2015	Employees of Company
10th Issue of Stock Acquisition Rights (07/27/2011)	905	90,500 shares of Common Stock in the Company	Distributed gratis	4,423	July 28, 2012 through March 31, 2016	Same as above

Note: The terms and conditions on which to exercise stock acquisition rights in each issue are outlined below:

- Those persons to whom the stock options are issued may exercise such stock options even after they cease to be a Director or an employee of the Company, within two (2) years from the later of such cessation of being a Director or an employee of the Company or the commencement of the exercisable period of rights (but only before the exercisable period of rights expires).
- In the event of the death of any person to whom the stock options are issued, heirs of such deceased person may exercise such stock options within two (2) years from the later of such death or the commencement of the exercisable period of rights (but only before the exercisable period of rights expires). Notwithstanding the foregoing, in the event of the death of any recipient of stock options that occurs after such recipient ceases to be a Director or an employee of the Company, heirs of such deceased person may exercise such stock options only within the period during which such deceased recipient would have been entitled to exercise such stock options in accordance with paragraph 1. above.
- Other conditions are as prescribed in the Stock Option Allotment Agreement.

##### (2) State of Stock Acquisition Rights (Stock Options) Held by Directors and Audit & Supervisory Board Members of the Company

The portion of the stock acquisition rights (stock options) described in (1) General Description of Stock Acquisition Rights above that belong to the Directors and Audit & Supervisory Board Members of the Company are broken down as below:

	Chronological Number of Issue	Number of Stock Acquisition Rights	Number of Optionees
Directors (Excluding Outside Directors)	10th Issue of Stock Acquisition Rights	20	1

Note: The 10th issue of stock acquisition rights described above was intended for distribution to the optionees when they were Company employees, before their appointment as Directors.

#### 2. State of Stock Acquisition Rights (Stock Options) Distributed to Employees during the Fiscal Year under Review

No stock acquisition rights (stock options) were issued for distribution to employees during the fiscal year under review.

## IV. Matters Concerning Directors and Audit & Supervisory Board Members of the Company

### 1. Name and Other Information Concerning Directors and Audit & Supervisory Board Members (as of March 31, 2015)

Title	Name	Responsibilities, Important Concurrent Positions, etc.
Representative Director - Chairman	Chihiro Kanagawa	Director & Chairman, SHINTECH INC.
Representative Director - President	Shunzo Mori	
Representative Director - Executive Vice President	Fumio Akiya	In charge of Semiconductor Materials, Advanced Materials and Technologies Representative Director & President, Shin-Etsu Handotai Co., Ltd.
Representative Director - Executive Vice President	Yasuhiko Saitoh	In charge of Office of the President, Public Relations, Finance & Accounting and Legal Affairs General Manager, International Div. Director & President, SHINTECH INC. Representative Director & Vice-President, Shin-Etsu Handotai Co., Ltd. Director & President, Shin-Etsu Handotai America, Inc.
Senior Managing Director	Toshinobu Ishihara	In charge of New Functional Materials General Manager, Research & Development Dept.
Managing Director	Kiichi Habata	In charge of General Affairs, Environmental Control & Safety and Auditing
Managing Director	Koji Takasugi	In charge of Purchasing General Manager, Special Functional Products Dept.
Managing Director	Masahiko Todoroki	General Manager, Planning & Administration Dept., Semiconductor Materials Div. Managing Director, Shin-Etsu Handotai Co., Ltd.
Managing Director	Toshiya Akimoto	In charge of Office of the President and Finance & Accounting General Manager, Office of the Secretariat
Managing Director	Fumio Arai	General Manager, Organic Chemicals Div. Director & President, Shin-Etsu PVC B.V. Director & President, SE Tylose GmbH & Co. KG
Managing Director	Yukihiro Matsui	General Manager and Magnet Dept. Manager of Electronics Materials Div.
Director <sup>1</sup>	Frank Peter Popoff	
Director <sup>1</sup>	Masashi Kaneko	Director & Chairman of the Board, Ikyu Corporation
Director <sup>1</sup>	Tsuyoshi Miyazaki	Adviser, Mitsubishi Logistics Corporation
Director <sup>1</sup>	Toshihiko Fukui	President, the Canon Institute for Global Studies
Director <sup>1</sup>	Hiroshi Komiyama	Chairman, Mitsubishi Research Institute, Inc.
Director	Masaki Miyajima	General Manager, PVC Div.
Director	Toshiyuki Kasahara	General Manager, Finance & Accounting Dept.
Director	Hidenori Onezawa	General Manager, Business Development Dept.
Director	Ken Nakamura	General Manager, Office of the President and Public Relations Dept.
Director	Hiroaki Okamoto	In charge of Patents General Manager, Development & Investigation Dept.
Director	Susumu Ueno	General Manager, Silicone Div.
Director	Kazumasa Maruyama	General Manager, New Functional Materials Dept.
Director	Kenji Ikegami	General Manager, Personnel & Labor Relations Dept.
Director	Toshio Shiobara	Deputy General Manager and Organic Electronics Materials Dept. Manager of Electronics Materials Div.

Title	Name	Responsibilities, Important Concurrent Positions, etc.
Full-time Audit & Supervisory Board Member	Osamu Okada	
Audit & Supervisory Board Member	Masahiko Watase	
Audit & Supervisory Board Member <sup>2</sup>	Taku Fukui	Lawyer Managing Partner, Kashiwagi Sogo Law Offices Professor, Keio University Law School
Audit & Supervisory Board Member <sup>2</sup>	Yoshihito Kosaka	C.P.A./Certified Public Tax Accountant Partner, Grant Thornton Taiyo LLC Representative Partner, HIYU Certified Tax Accountants' Corporation
Audit & Supervisory Board Member <sup>2</sup>	Kiyoshi Nagano	

- Notes: 1. <sup>1</sup> indicates an Outside Director as defined in Item 15, Article 2 of the Corporations Law.
2. <sup>2</sup> indicates an Outside Audit & Supervisory Board Member as defined in Item 16, Article 2 of the Corporations Law.
3. Mr. Toshihiko Fukui, Outside Director, serves in a concurrent role at the Canon Institute for Global Studies, a general incorporated foundation; however, the Company has no special relationship with that foundation. Mr. Hiroshi Komiyama, Outside Director, serves in a concurrent role at Mitsubishi Research Institute, Inc.; however, the Company has no special relationship with that company. Mr. Taku Fukui, Audit & Supervisory Board Member, serves in a concurrent role at the Kashiwagi Sogo Law Offices; however, the Company has no special relationship with that firm. Mr. Yoshihito Kosaka, Audit & Supervisory Board Member, serves in concurrent roles at the Grant Thornton Taiyo LLC and HIYU Certified Tax Accountants' Corporation; however, the Company has no special relationship with either of these organizations.
4. Concurrent service as Outside Director or Outside Audit & Supervisory Board Member for other companies by Outside Directors and Outside Audit & Supervisory Board Members and the relationship between the Company and such other companies are described in "3. Matters Concerning Outside Directors and Outside Audit & Supervisory Board Members" herein below.
5. Mr. Yoshihito Kosaka, Audit & Supervisory Board Member, is licensed as a Certified Public Accountant and as a Certified Tax Accountant, and brings with him a considerable degree of knowledge and experience in the fields of finance and accounting.
6. Four Outside Directors of the Company -- Mr. Masashi Kaneko, Mr. Tsuyoshi Miyazaki, Mr. Toshihiko Fukui and Mr. Hiroshi Komiyama -- have been reported to the Tokyo Stock Exchange, Inc. etc. as Independent Directors.

## 2. Amounts of Remuneration and Others Payable to Directors and Audit & Supervisory Board Members

Designation	Number of Recipients	Amount Payable	Remarks
	Persons	Million Yen	
Directors	25	1,470	Portion payable to eight Outside Directors and Outside Audit & Supervisory Board Members: 170 million yen
Audit & Supervisory Board Members	5	79	
Total	30	1,550	

- Notes: 1. The amount payable to the Directors and Audit & Supervisory Board Members includes the bonus reserve amount attributable to the fiscal year under review.
2. The amount of remuneration and others payable to the Directors is net of the amount of salaries (including bonuses) payable to the employee Directors in return for serving as employees.
3. In addition to the above, the amounts of remuneration and others paid or payable to Outside Directors and Outside Audit & Supervisory Board Members from subsidiaries of the Company for serving as Director or Audit & Supervisory Board Member of such subsidiaries in the fiscal year under review aggregated 45 million yen. There is no information reportable under the disclosure item regarding remuneration and others paid or payable to Outside Directors and Outside Audit & Supervisory Board Members from a parent company or its subsidiaries for serving as Director or Audit & Supervisory Board Member in the fiscal year under review.

### 3. Matters Concerning Outside Directors and Outside Audit & Supervisory Board Members

#### (1) Concurrent Service as Outside Director or Outside Audit & Supervisory Board Member for Other Companies by Outside Directors and Outside Audit & Supervisory Board Members and the Relationship between the Company and Such Other Companies

Mr. Toshihiko Fukui, Outside Director, serves concurrently as Outside Director for Kikkoman Corporation. However, there is no special relationship between the Company and the company that must be disclosed under this item.

Mr. Hiroshi Komiyama, Outside Director, serves concurrently as Outside Director for JX Holdings, Inc. However, there is no special relationship between the Company and the company that must be disclosed under this item.

Mr. Kiyoshi Nagano, Outside Audit & Supervisory Board Member, serves concurrently as Outside Director for SBI Holdings, Inc. and as Outside Audit & Supervisory Board Member for LEC, INC. However, there is no special relationship between the Company and either of these two companies that must be disclosed under this item.

Note: Current service of Outside Directors and Outside Audit & Supervisory Board Members as Executive Officers, Executive Directors or Other Officeholders for other corporate or other legal entities, etc. and the relationship between the Company and the relevant entities, etc. are shown in “1. Name and Other Information Concerning Directors and Audit & Supervisory Board Members” above.

#### (2) Relationship with the Company or the Company’s Particular Associated Business Interests, Such as Major Trading Partner

No Outside Directors or Outside Audit & Supervisory Board Members hold such a relationship that must be disclosed under this item.

#### (3) Main Activities via Board of Directors Meetings and Other Arrangements during the Fiscal Year under Review

In addition to the statutory Board of Directors, the Company has a second principal organ, called the Managing Directors’ Committee, for considering and deciding the execution of business processes, and each organ holds a meeting once a month (The Board of Directors meetings were held 13 times during the fiscal year under review.) as a general rule. The activities of the Company’s Outside Directors and Outside Audit & Supervisory Board Members via participation in these meetings and other arrangements are reviewed below:

a. Activities of Outside Directors

Name	Main Activities
Frank Peter Popoff	<p>The Director visited Japan twice during the current fiscal year to participate in meetings of the Board of Directors. Attending the meeting of the Board of Directors of March 2015 through telephone, the Director took part in a total of three of the said meetings. As he lives in Michigan in the U.S. and due to the time difference, it was difficult for him to participate in meetings of the Board of Directors even by teleconferencing systems because the meetings, which were held in Japan, took place at midnight U.S. time. However, by changing the hours and other conditions of the meeting from March 2015 onwards, the company has arranged an environment that will enable him to attend meetings by teleconferencing systems from the U.S. despite the time difference. From now, if he cannot visit Japan to attend the meeting, he will be able to take part in it through telephone, as far as the situation allows.</p> <p>For Outside Directors or Outside Audit &amp; Supervisory Board Members who cannot attend meetings, we encourage them to participate in the review and decision-making process regarding business execution by asking them about their opinions regarding the agenda items in advance, sending them copies of the minutes, fully translated in English, and explaining to them the contents of the deliberations in detail by telephone; thus, he supervised our management sufficiently from an independent standpoint.</p> <p>Furthermore, the Company has been aggressively promoting its business development overseas through the establishment of business locations all over the world, including in the U.S., Asia, and Europe. Mr. Popoff's opinions and practical advice, from a broad perspective based on his management experience as CEO of The Dow Chemical Company, a U.S. company that has a long history as a global company, have been of significant importance for the Company to expand its business overseas and enhance its corporate value.</p> <p>He also serves as the commissioner of the Officers' Remuneration Committee, and his work so far includes repealing the Officers' Retirement Benefits Program and making other significant revisions to the officers' remuneration system, thus striving to achieve an appropriate corporate governance structure with regard to the officers' remuneration system.</p>
Masashi Kaneko	<p>The Director attended all meetings of the Board of Directors, as well as Managing Directors' Committee meetings, held during the fiscal year under review, and shared his comments from a broad, high-level perspective capitalizing on his management experience at the former Nikko Cordial Corporation. He also provided thorough supervision from an independent standpoint.</p>
Tsuayoshi Miyazaki	<p>The Director attended all meetings of the Board of Directors, as well as Managing Directors' Committee meetings, held during the fiscal year under review, and shared his comments from a broad, high-level perspective capitalizing on his management experience at Mitsubishi Logistics Corporation. He also provided thorough supervision from an independent standpoint.</p>



Name	Main Activities
Toshihiko Fukui	The Director attended all meetings of the Board of Directors, as well as Managing Directors' Committee meetings, held during the fiscal year under review, and shared his comments from a broad, high-level perspective capitalizing on his outstanding knowledge and wealth of experience related to global finance and economy as an ex-Governor of the Bank of Japan. He also provided thorough supervision from an independent standpoint.
Hiroshi Komiyama	The Director attended Board of Directors meetings (attendance rate 92%), as well as Managing Directors' Committee meetings. The Director, who has served as President of the University of Tokyo, as well as in a variety of distinguished positions, shared his comments from a broad, high-level perspective capitalizing on his outstanding knowledge and wealth of experience in a wide range of disciplines, including chemical engineering, the global environment, and natural resources and energy. He also provided thorough supervision from an independent standpoint.

b. Activities of Outside Audit & Supervisory Board Members

Name	Main Activities
Taku Fukui	The Audit & Supervisory Board Member attended all meetings of the Board of Directors and of the Audit & Supervisory Board, as well as Managing Directors' Committee meetings, held during the fiscal year under review. At the Audit & Supervisory Board meetings he shared his comments from a legal specialist's point of view and contributed to the establishment of a compliance structure.
Yoshihito Kosaka	The Audit & Supervisory Board Member attended all meetings of the Board of Directors and of the Audit & Supervisory Board, as well as Managing Directors' Committee meetings, held during the fiscal year under review. At the Audit & Supervisory Board meetings he shared his comments from a finance and accounting specialist's point of view and contributed to the establishment of a compliance structure.
Kiyoshi Nagano	The Audit & Supervisory Board Member attended all meetings of the Board of Directors and of the Audit & Supervisory Board, as well as Managing Directors' Committee meetings, held during the fiscal year under review. At the Audit & Supervisory Board meetings he shared his comments from an extensive viewpoint based on his management experience at the former Jasdq Securities Exchange, Inc. and contributed to the establishment of a compliance structure.

(4) General Description of Limitation of Liability Agreement

No agreement exists that must be disclosed under this item.

## **V. Status of Accounting Auditor**

### 1. Name of Accounting Auditor

Ernst & Young ShinNihon LLC

### 2. General Description of Limitation of Liability Agreement

No agreement exists that must be disclosed under this item.

### 3. Amount of Remuneration and Others Payable to Accounting Auditor Attributable to Fiscal Year under Review

- a. Amount of remuneration and others payable by the Company for the audit service as specified in Paragraph 1, Article 2 of the Certified Public Accountants Law

81 million yen

- b. Total amount of monetary and other financial benefits payable by the Company and its Subsidiaries

124 million yen

Note: The Audit Agreement between the Company and the Accounting Auditor does not distinguish between the amounts of remuneration and others for the Accounting Auditor's audit service specified under the Corporations Law and for the audit service specified under the Financial Instruments and Exchange Law. In fact, these amounts are practically indivisible, so the amount shown above is given as a lump sum.

### 4. Details of Non-audit Services

The Company pays the Accounting Auditor a retainer in consideration of its advice etc. on internal controls over financial reporting, which falls outside the scope of audit services specified in Paragraph 1, Article 2 of the Certified Public Accountants Law.

### 5. Retention of Audit Corporations Other Than Company's Accounting Auditor to Audit Financial Documents of Subsidiaries of the Company

Of the Company's Significant Subsidiaries, those employing an audit corporation (that may be an equivalent auditor qualified outside Japan) other than the Company's Accounting Auditor, to receive audit services (to the extent specified in the Corporations Law and in the Financial Instruments and Exchange Law [or in equivalent legislation applicable outside Japan]) are as follows: Shin-Etsu Handotai Co., Ltd.; S.E.H. Malaysia Sdn. Bhd.; Shin-Etsu PVC B.V.; Shin-Etsu Polymer Co., Ltd.; SE Tylose GmbH & Co. KG; Shin-Etsu Astech Co., Ltd.; Shin-Etsu Engineering Co., Ltd.; Shin-Etsu Handotai Taiwan Co., Ltd.; SIMCOA OPERATIONS PTY. LTD.; Shin-Etsu Silicones (Thailand) Limited; and Asia Silicones Monomer Limited.

### 6. Policy for Determining the Dismissal or Non-reappointment of Accounting Auditor

The Company's policy states that, if the Accounting Auditor is found to meet the definition of one of the Items of Paragraph 1, Article 340 of the Corporations Law, subject to the consent of all Audit & Supervisory Board Members, the Audit & Supervisory Board shall dismiss the Accounting Auditor. Outside the extent delineated above, upon the consent or request of the Audit & Supervisory Board, a proposal to dismiss or not to reappoint the Accounting Auditor may be submitted to the General Meeting of Shareholders, if the Company has a reason or need of its own to do so or if the Accounting Auditor is found to be no longer capable of performing its duties appropriately.

## **VI. Structure to Ensure the Conformity of Execution of Duties by Directors with Laws and Regulations and with the Articles of Incorporation and Other Arrangements to Ensure the Integrity of Business Processes**

“The Group strictly complies with all laws and regulations, conducts fair business practices and contributes to people’s daily lives as well as to the advance of industry and society by providing key materials and technologies.” In accordance with the foregoing corporate tenet, the Board of Directors of the Company has resolved to carry out these principles and arrangements as described below.

### **1. System to Ensure That the Directors and Employees Perform Their Work Duties in Accordance with Applicable Laws and the Company’s Articles of Incorporation**

The Company’s group has a corporate philosophy of taking appropriate corporate actions, based on a desire to act in a lawful manner.

The Company will maintain regulations concerning a compliance system, and the Company’s Directors and employees will perform their work duties in accordance with these regulations. The Auditing Department and other departments that are related to the contents of the audits will perform internal audits concerning the status of the operation of the compliance system.

In order to uncover illegal activities at an early stage and correct such situations, a compliance consultation office will be established, and a compliance consulting/reporting system will be administered in accordance with the relevant internal regulations. Also, the Company will provide compliance training in an appropriate manner.

The Company will appoint independent Outside Directors and Outside Audit & Supervisory Board Members, who will endeavor to preserve the compliance system from an independent point of view, by attending meetings of the Board of Directors and Managing Directors’ meetings and/or by other actions.

### **2. System to Preserve and Administer Information Concerning the Directors’ Performance of Their Work Duties**

Based on the regulations of information management and other internal regulations, the Company will prepare and preserve written and other records concerning the Directors’ performance of their work duties. The Company will promptly provide these records in response to a request from the Directors or Audit & Supervisory Board Members.

### **3. Regulations Concerning Management of Risk of Damage to the Company, and Other Systems**

Along with maintaining regulations concerning the Company’s risk management system, the Company will establish a Risk Management Committee and facilitate the committee’s work across the entire Company, in order to discover and prevent risks that may occur in conjunction with the execution of the Company’s business.

The Company will appoint Outside Directors and Outside Audit & Supervisory Board Members, who will endeavor to ensure the exchange of relevant information and appropriate risk management, by attending meetings of the Board of Directors and Managing Directors’ meetings and/or by other actions.

### **4. System to Ensure That the Directors Perform Their Work Duties in an Effective Manner**

The Company will establish a system to ensure that Directors and employees perform their work duties in an effective manner, in accordance with decision-making rules and division of work duties based on the regulations of the Board of Directors, division of duties, and other internal regulations.

Also, in order to increase the effectiveness of the Directors’ performance of their work duties, the Company will appoint Outside Directors, and these Outside Directors will not only observe and manage the Company’s affairs from an independent viewpoint but also provide suggestions concerning all aspects of the Company’s corporate management.

5. System to Ensure the Properness of the Activities of the Corporate Group Consisting of the Company and Its Subsidiaries

The Company's group has a corporate philosophy of taking appropriate corporate actions, based on a desire to act in a lawful manner.

In connection with the activities of the Company's subsidiaries, the Auditing Department and other departments that are related to the contents of the audits will, as necessary, work together with the Internal Audit Departments of the subsidiaries to perform internal audits of the relevant subsidiaries.

Also, the Company will establish an Audit & Supervisory Board Member Liaison Committee and Group Audit & Supervisory Board Member Liaison Committee comprised of Full-time Audit & Supervisory Board Members and others from the Company and its main subsidiaries, and the Company's Full-time Audit & Supervisory Board Members will gather relevant information by attending meetings of affiliated companies and Presidents' meetings of affiliated companies and/or by other actions, together with other Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members).

6. Matters Concerning Employees Who Are Requested by Audit & Supervisory Board Members to Assist with the Work Duties of the Audit & Supervisory Board Members

The Company will appoint audit staff from among its employees, in accordance with the methods set forth in the Company's internal regulations, to assist the Audit & Supervisory Board Members with their work duties.

7. Matters Concerning the Independence from the Directors of the Employees Referenced in the Previous Item

The Company will appoint, terminate, and take other actions concerning the audit staff, in accordance with the methods set forth in the Company's internal regulations, with the consent of the Audit & Supervisory Board Members.

8. System for Reporting to the Audit & Supervisory Board Members by the Directors and Employees and Other Systems Concerning Reporting to the Audit & Supervisory Board Members

The Directors and employees shall promptly report the following matters to the Audit & Supervisory Board Members, in accordance with the methods set forth in the Company's internal regulations:

- (1) matters that will cause substantial damage to the Company or which have the potential of doing so;
- (2) important matters concerning management or financial information;
- (3) the status of the performance of internal audits;
- (4) material breaches of law or the Company's Articles of Incorporation;
- (5) the status of the administration of the compliance consulting/reporting system and the contents of reports made in connection with the system.

9. System for the Purpose of Otherwise Ensuring That the Audits Performed by the Audit & Supervisory Board Members Will Be Performed Effectively

The Audit & Supervisory Board Members will hold periodic meetings with the Company's Accounting Auditors to exchange opinions, hold regular reporting meetings with the Company's Auditing Department, and take other measures to facilitate collaboration with them.

10. System to cut ties with anti-social forces

The Company's group shall adopt a consistently resolute attitude towards anti-social forces and shall take all measures necessary to cut itself off from any and all associations with anti-social forces.

In accordance with this policy, our group will endeavor to develop internal systems under the leadership of the department in charge of managing these issues. Working closely with the police and other external organizations addressing these issues, our group will strongly push forward initiatives aimed at eradicating anti-social forces.

Note: The above-described arrangements were originally adopted at the Board of Directors meeting held on May 15, 2006, and subsequently were amended in certain respects at the Board of Directors meeting held on February 16, 2012.

## **VII. Basic Policy Regarding Control of the Company**

### **1. Basic Policy as to Who and How the Person(s) Controlling Decisions on Financial and Business Policies of the Company Should be (Hereinafter Called “Basic Policy”)**

The Company’s group operates a PVC/Chlor-Alkali business, a silicones business, a specialty chemicals business, a semiconductor silicon business, an electronics & functional materials business and a diversified business, and the Company and its affiliates share the roles of production, sales, and other roles, and work together in development of the business activities. Extensive knowledge of and rich experience in these businesses, as well as sufficient understanding of the relationships built with stakeholders such as customers, employees, and business partners of nations around the world, are indispensable to the management of the Group. The Company believes that the person (or persons) controlling decisions regarding the financial and business policies of the Company must be a person (or persons) who contributes to the maximization of the corporate value of the Company. If the Company’s shares become the object of a Large-scale Purchase (as defined below), however, the Company understands that the final judgment as to whether or not to sell the Company’s shares in response thereto should be left to the Company’s shareholders. Still, the Company believes that for this purpose, it is important that sufficient information regarding such Large-scale Purchases must be provided to the Company’s shareholders both by the purchasing party and by the Company.

Meanwhile, because some Large-scale Purchases may be judged to significantly damage the Company’s corporate value and/or the common interests of the Company’s shareholders, the Company considers it necessary for the Board of Directors, based on the duty of care of a good manager, to take measures against such Large-scale Purchases as the Board of Directors deems appropriate.

### **2. Efforts Aimed at Enhancing Corporate Value of the Company’s Group (“Effective Utilization of Company Assets, Optimization of Corporate Group, and Other Particular Efforts Conducive to the Achievement of the Basic Policy”)**

#### **① Basic Management Policies**

The Company’s group makes safety its utmost priority in each and every instance, and by performing fair corporate activities and by providing key materials and technologies, we contribute to people’s daily lives, industry and society. Through these contributions, we aim to meet the expectations of all shareholders by enhancing the worth of the company. Towards this end, our management policy is to pursue the world’s best technology and product quality, while at the same time continuing with unceasing improvements in productivity. We endeavor to build a stable business relationship with our customers around the world, and strive to appropriately respond to changes in the market and the economic situation.

#### **② Policy Implementation**

The content of the specific efforts, which we will implement with a view to enhancing the corporate value of the Company’s group, are as set out in and after paragraph 3 of “3. Problems Confronting the Company’s Group” under “I. Matters Concerning the Current State of the Company’s Group” (page 3).

The Board of Directors considers that all of the specific efforts referred to above are consistent with the Basic Policy, because as a result of enhancing the corporate value of the Company’s group, these efforts can make the Company’s shares less exposed to the risk of becoming the target of a Large-scale Purchase that significantly undermines the Company’s corporate value and/or the common interests of the Company’s shareholders. Further, because these efforts are designed to enhance the corporate value of the Company’s group, the Board of Directors considers it obvious that they are never detrimental to the common interests of the Company’s shareholders and are not intended to maintain the status of the Officers of the Company.

**3. Handling Policy toward Large-scale Purchases  
("Measures in Light of the Basic Policy to Prevent Inadequate Persons from Controlling  
Decisions on Financial and Business Policies of the Company")**

While the Company actively promotes investor relations to shareholders and investors, in order for the shareholders to make accurate judgments, at the start of a Large-scale Purchase (which refers to the purchase of the Company's shares and other securities by a specific group of shareholders, and which is aimed at making the ratio of voting rights of the specific group of shareholders twenty percent (20%) or more, or the purchase of the Company's shares and other securities by a specific group of shareholders in which, as a consequence, the ratio of voting rights of the specific group of shareholders becomes twenty percent (20%) or more; the person making such a purchase is hereinafter called a "Large-scale Purchaser"), as to whether or not the purchasing value presented by the Large-scale Purchaser is appropriate, it is essential that appropriate and sufficient information is provided by both the Large-scale Purchaser and the Company. In view of this, the Company instituted its current handling policy toward Large-scale Purchases (hereinafter called the "Handling Policy") upon the approval of the 131st Ordinary General Shareholders' Meeting held on June 27, 2008. Subsequently, the Handling Policy has been adhered to with the approval of the annual Ordinary General Shareholders' Meeting.

**① Details of Large-scale Purchase Rule**

The essential features of "Rules for Provision of Information in Advance" (hereinafter called "Large-scale Purchase Rules") as established by the Company are: (i) a Large-scale Purchaser shall provide necessary and sufficient information in advance to the Board of Directors; and (ii) a Large-scale Purchase can be commenced only after a certain period for assessment and review by the Board of Directors has elapsed.

**(a) Provision of Necessary Information**

First, the Company will have a Large-scale Purchaser submit to the Company's Representative Director, prior to the commencement of a Large-scale Purchase, a written document clearly specifying the name, address, governing law of incorporation of the Large-scale Purchaser, name of the representative, domestic contact information, and details of the Large-scale Purchase to start, as well as the intention to follow the Large-scale Purchase Rules. Within ten (10) business days after receipt of such written document, the Company will issue to the Large-scale Purchaser a list of Necessary Information to be initially provided. If, upon reviewing in detail the information initially provided, such information is recognized as insufficient, the Board of Directors will request additional provision of information from the Large-scale Purchaser until the provision of Necessary Information is complete.

**(b) Setting of the Period of Assessment and Review**

Second, the Board of Directors considers that, upon completion of the provision of the Necessary Information by the Large-scale Purchaser, sixty (60) days (in the case of the purchase of all of our shares by tender offer with cash-only (yen) consideration) or ninety (90) days (in the case of any other Large-scale Purchase), according to the degree of difficulty of assessment and review of the Large-scale Purchase, should be ensured as the period for assessment, review, negotiation, forming of opinions, and planning of alternative plans by the Board of Directors (hereinafter called the "Period of Assessment and Review by the Board of Directors"). Accordingly, a Large-scale Purchase shall commence only after the Period of Assessment and Review by the Board of Directors has elapsed. During the Period of Assessment and Review by the Board of Directors, the Board of Directors will sufficiently assess and review the Necessary Information while listening to opinions of independent outside professionals (professionals such as securities companies, investment banks, financial advisors, lawyers, certified public accountants and consultants), and will form and announce its opinions. Also, as is necessary, the Board of Directors may negotiate with the Large-scale Purchaser over the terms of the Large-scale Purchase and/or propose alternative plans to the Company's shareholders.

(c) Establishment and Structure of the Independent Committee

The Independent Committee is established as an organ for eliminating arbitrary judgments and guaranteeing fairness in judgments by the Board of Directors regarding the operation of the Handling Policy. Whereas the Handling Policy stipulates objective requirements for taking countermeasures in Section ②(a) and Section ②(b) below, with respect to a significant judgment regarding the execution of the Handling Policy such as in the case of taking countermeasures described in Section ②(a) below as well as in the case of taking exceptional responses described in Section ②(b) below, in principle the Board of Directors shall consult with the Independent Committee, and the Board of Directors shall, to the maximum extent possible, respect the advice of the Independent Committee.

There shall be three (3) or more members of the Independent Committee, and to enable fair and neutral judgments, selection of the committee's members will be made from the Company's Outside Directors and Outside Audit & Supervisory Board Members who are independent of the Managing Directors, and outside professionals such as lawyers, certified public accountants, certified tax accountants, academic experts, and business experts having broad administrative experience. At the Board of Directors meeting immediately following the conclusion of the 137th Ordinary General Meeting of Shareholders, Messrs. Toshihiko Fukui, Hiroshi Komiyama, Masashi Kaneko, and Tsuyoshi Miyazaki, four Outside Directors of the Company, were nominated and appointed to serve on the Independent Committee.

② **Handling in the Case of Implementation of a Large-scale Purchase**

(a) In the Case a Large-scale Purchaser Does Not Comply with the Large-scale Purchase Rules

In the case a Large-scale Purchaser does not comply with the Large-scale Purchase Rules, the Board of Directors may, in order to protect the Company's corporate value and/or the common interests of the Company's shareholders, take countermeasures that are permitted under the Corporations Law and other laws, and the Articles of Incorporation, such as the issuance of stock acquisition rights, so as to resist the Large-scale Purchase.

(b) In the Case a Large-scale Purchaser Complies with the Large-scale Purchase Rules

If a Large-scale Purchaser complies with the Large-scale Purchase Rules, as a general rule, countermeasures against the Large-scale Purchase will not be taken. Whether or not to accept the purchasing proposal made by the Large-scale Purchaser shall be judged by the Company's shareholders in view of such purchasing proposal, the opinions presented by the Company regarding such purchasing proposal, and alternative plans, etc. Even if a Large-scale Purchaser complies with the Large-scale Purchase Rules, however, in the event that such Large-scale Purchase is judged to be significantly damaging the Company's corporate value and/or the common interests of the Company's shareholders, the Board of Directors may, based on the duty of care of a good manager, take measures deemed appropriate for protecting the Company's corporate value and/or the common interests of the Company's shareholders. Such action by the Board of Directors against a Large-scale Purchase is to be made for exceptional cases.

③ **Effective Period of the Handling Policy, Etc.**

The effective period of the Handling Policy will be up to the conclusion of the Company's 138th Ordinary General Shareholders' Meeting to be held in June 2015, and in the case the Handling Policy continues after such point of time, it will be conditional upon authorization with the approval of a majority of the voting rights of the shareholders present at the Company's Shareholders' Meeting. Also, even before the expiration of the effective period of the Handling Policy, in the event of a resolution by the Board of Directors to end the Handling Policy from the viewpoint such as an improvement of the common interests of the shareholders, the Handling Policy will end at that point of time.

**4. The Handling Policy is in Compliance with the Basic Policy and is not Damaging the Common Interests of the Company’s Shareholders; the Purpose of the Handling Policy is not Maintenance of the Status of the Officers of the Company**

**① The Handling Policy is in Compliance with the Basic Policy**

The Handling Policy stipulates that, by setting the Large-scale Purchase Rules, a Large-scale Purchaser shall provide the Board of Directors with necessary and sufficient information regarding a Large-scale Purchase in advance, and that a Large-scale Purchase can be commenced only after the Period of Assessment and Review by the Board of Directors has elapsed. The Handling Policy also stipulates that the Board of Directors may take any countermeasures deemed appropriate against a Large-scale Purchaser who does not comply with the above-mentioned provisions.

Meanwhile, the Handling Policy provides that, even if a Large-scale Purchaser complies with the Large-scale Purchase Rules, in the event that a Large-scale Purchase is judged to be significantly damaging the Company’s corporate value and/or the common interests of the Company’s shareholders, the Board of Directors may, based on the duty of care of a good manager, take any countermeasures deemed appropriate.

As described above, the Handling Policy is to realize the Basic Policy and is in compliance with the contents of the Basic Policy.

**② The Handling Policy is not Damaging the Common Interests of the Company’s Shareholders**

The Handling Policy provides that, based on the understanding that the final judgment as to whether or not to sell the Company’s shares in response to a Large-scale Purchase should be left to the Company’s shareholders and aiming for ensuring the opportunity to receive information that is necessary and sufficient for the Company’s shareholders to make an appropriate decision in respect of acceptance or non-acceptance of a Large-scale Purchase, the Board of Directors may take any countermeasures deemed appropriate in the event that a Large-scale Purchase is judged to be significantly damaging the common interests of the Company’s shareholders. Therefore, the purpose of the Handling Policy is securing and improving the common interests of the shareholders of the Company, and the Handling Policy is not damaging such common interests in any way.

**③ The Purpose of the Handling Policy is not Maintenance of the Status of the Officers of the Company**

As described above, the purpose of the Handling Policy is securing and improving the common interests of the Company’s shareholders, and the introduction and continuation of the Handling Policy may not be conducted solely upon the judgment of the Board of Directors, but shall require the approval of the Company’s shareholders.

Under the Handling Policy, the requirements for the taking of countermeasures by the Board of Directors are provided in an objective manner, and such requirements shall be announced in advance. Furthermore, the Handling Policy provides that, upon the assessment, review, negotiation and formation of opinions, etc. by the Board of Directors regarding Large-scale Purchases, the Board of Directors shall listen to the opinions of independent outside professionals (professionals such as securities companies, investment banks, financial advisors, lawyers, certified public accountants, and consultants) and that, upon the exercise of the countermeasures, the Board of Directors shall, to enable a fair and neutral judgment, consult with the Independent Committee which consists of members who are independent of the Managing Directors of the Company, and the Board of Directors shall respect, to the maximum extent possible, the judgment of the Independent Committee.

As described in the above paragraph, since the Handling Policy includes arrangements for eliminating any arbitrary judgment by the Officers of the Company, countermeasures will not be exercised for the purpose of maintaining the status of the Officers of the Company.

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The monetary amounts and numbers of shares set out in this BUSINESS REPORT are expressed as full units with any fractions of the indicated units rounded down to the nearest full unit.



## CONSOLIDATED BALANCE SHEET

As of March 31, 2015 (Amounts are stated in millions of yen; amounts less than 1 million are omitted.)

### ASSETS

#### Current Assets:

|                                            | (Millions of yen) |
|--------------------------------------------|-------------------|
| Cash and time deposits -----               | 461,489           |
| Notes and accounts receivable-trade-----   | 292,748           |
| Securities -----                           | 304,180           |
| Merchandise and finished goods -----       | 139,133           |
| Work in process -----                      | 12,533            |
| Raw materials and supplies -----           | 125,243           |
| Deferred taxes, current -----              | 36,721            |
| Other -----                                | 38,370            |
| Less: Allowance for doubtful accounts----- | (10,575)          |
| Total current assets                       | <u>1,399,846</u>  |

#### Fixed Assets:

##### Property, Plant and Equipment:

|                                     |                |
|-------------------------------------|----------------|
| Buildings and structures, net-----  | 175,857        |
| Machinery and equipment, net -----  | 441,123        |
| Land-----                           | 79,679         |
| Construction in progress -----      | 80,230         |
| Other, net-----                     | 7,519          |
| Total property, plant and equipment | <u>784,409</u> |

##### Intangible Assets:

|                         |               |
|-------------------------|---------------|
| Goodwill-----           | 11,703        |
| Other -----             | 6,309         |
| Total intangible assets | <u>18,012</u> |

##### Investments and Other Assets:

|                                            |                  |
|--------------------------------------------|------------------|
| Investments in securities -----            | 145,726          |
| Long-term loans -----                      | 7,604            |
| Deferred taxes, non-current-----           | 15,858           |
| Other -----                                | 82,243           |
| Less: Allowance for doubtful accounts----- | (1,394)          |
| Total investments and other assets         | <u>250,038</u>   |
| Total fixed assets                         | <u>1,052,460</u> |

|              |                         |
|--------------|-------------------------|
| TOTAL ASSETS | <u><u>2,452,306</u></u> |
|--------------|-------------------------|

## LIABILITIES

### Current Liabilities:

|                                       | (Millions of yen) |
|---------------------------------------|-------------------|
| Notes and accounts payable-trade----- | 120,694           |
| Short-term borrowings-----            | 6,825             |
| Accounts payable-other -----          | 60,692            |
| Accrued expenses -----                | 60,233            |
| Accrued income taxes -----            | 33,554            |
| Accrued bonuses for employees-----    | 2,721             |
| Accrued bonuses for directors-----    | 513               |
| Other -----                           | <u>13,611</u>     |
| Total current liabilities             | <u>298,846</u>    |

### Long-Term Liabilities:

|                                               |                |
|-----------------------------------------------|----------------|
| Long-term debt -----                          | 7,116          |
| Deferred taxes, non-current-----              | 93,571         |
| Accrued retirement bonuses for directors----- | 266            |
| Net defined benefit liability-----            | 33,401         |
| Other -----                                   | <u>6,392</u>   |
| Total long-term liabilities                   | <u>140,748</u> |

**TOTAL LIABILITIES** 439,594

## NET ASSETS

### Stockholders' Equity:

|                                    |                  |
|------------------------------------|------------------|
| Common stock -----                 | 119,419          |
| Additional paid-in capital-----    | 128,572          |
| Retained earnings -----            | 1,626,873        |
| Less: Treasury stock, at cost----- | <u>(33,837)</u>  |
| Total stockholders' equity         | <u>1,841,029</u> |

### Accumulated Other Comprehensive Income:

|                                                                  |                |
|------------------------------------------------------------------|----------------|
| Unrealized gains (losses) on available-for-sale securities ----- | 22,349         |
| Deferred gains (losses) on hedges -----                          | (91)           |
| Foreign currency translation adjustments-----                    | 100,425        |
| Remeasurements of defined benefit plans -----                    | <u>(3,382)</u> |
| Total accumulated other comprehensive income                     | <u>119,300</u> |

|                                                      |        |
|------------------------------------------------------|--------|
| Share Subscription Rights-----                       | 139    |
| Minority Interests in Consolidated Subsidiaries----- | 52,242 |

**TOTAL NET ASSETS** 2,012,711

**TOTAL LIABILITIES AND NET ASSETS** 2,452,306

## CONSOLIDATED STATEMENT OF INCOME

For the fiscal year ended March 31, 2015 (Amounts are stated in millions of yen; amounts less than 1 million are omitted.)

|                                                                  | (Millions of yen)     |
|------------------------------------------------------------------|-----------------------|
| Net Sales-----                                                   | 1,255,543             |
| Cost of Sales -----                                              | <u>940,399</u>        |
| Gross profit -----                                               | 315,143               |
| <br>                                                             |                       |
| Selling, General and Administrative Expenses-----                | <u>129,814</u>        |
| Operating income -----                                           | 185,329               |
| <br>                                                             |                       |
| Non-Operating Income:                                            |                       |
| Interest income -----                                            | 3,867                 |
| Dividend income -----                                            | 1,913                 |
| Foreign exchange gain-----                                       | 15,164                |
| Other income -----                                               | <u>2,882</u>          |
| Total non-operating income -----                                 | 23,828                |
| Non-Operating Expenses:                                          |                       |
| Interest expenses -----                                          | 790                   |
| Other expenses -----                                             | <u>10,342</u>         |
| Total non-operating expenses -----                               | <u>11,132</u>         |
| Ordinary income -----                                            | 198,025               |
| <br>                                                             |                       |
| Income Taxes:                                                    |                       |
| Current -----                                                    | 71,330                |
| Deferred-----                                                    | <u>(3,207)</u>        |
| Total income taxes -----                                         | <u>68,122</u>         |
| Income before minority interests-----                            | 129,902               |
| <br>                                                             |                       |
| Minority Interests in Earnings of Consolidated Subsidiaries----- | <u>1,295</u>          |
| Net Income-----                                                  | <u><u>128,606</u></u> |

## CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the fiscal year ended March 31, 2015 (Amounts are stated in millions of yen; amounts less than 1 million are omitted.)

|                                                      | Stockholders' Equity |                            |                   |                         | (Millions of yen) |
|------------------------------------------------------|----------------------|----------------------------|-------------------|-------------------------|-------------------|
|                                                      | Common stock         | Additional paid-in capital | Retained earnings | Treasury stock, at cost | [Total]           |
| Balance as of April 1, 2014                          | 119,419              | 128,625                    | 1,541,127         | (34,954)                | 1,754,218         |
| Cumulative effects of changes in accounting policies | -                    | -                          | (287)             | -                       | (287)             |
| Restated balance                                     | 119,419              | 128,625                    | 1,540,840         | (34,954)                | 1,753,931         |
| Changes during the year                              |                      |                            |                   |                         |                   |
| Cash dividends                                       | -                    | -                          | (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 | -                    | -                          | -                 | -                       | -                 |
| Total changes during the year                        | -                    | (53)                       | 86,033            | 1,117                   | 87,097            |
| Balance as of March 31, 2015                         | 119,419              | 128,572                    | 1,626,873         | (33,837)                | 1,841,029         |

|                                                      | 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 as of 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)            |
| Restated balance                                     | 10,439                                                     | 493                               | 9,451                                    | (1,470)                                 | 18,914  | 426                       | 48,574                                          | 1,821,848        |
| Changes during the year                              |                                                            |                                   |                                          |                                         |         |                           |                                                 |                  |
| Cash dividends                                       | -                                                          | -                                 | -                                        | -                                       | -       | -                         | -                                               | (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          |
| Total changes during the year                        | 11,909                                                     | (585)                             | 90,973                                   | (1,912)                                 | 100,385 | (287)                     | 3,667                                           | 190,863          |
| Balance as of March 31, 2015                         | 22,349                                                     | (91)                              | 100,425                                  | (3,382)                                 | 119,300 | 139                       | 52,242                                          | 2,012,711        |

## NON-CONSOLIDATED BALANCE SHEET

As of March 31, 2015 (Amounts are stated in millions of yen; amounts less than 1 million are omitted)

### ASSETS

#### Current Assets:

|                                             | (Millions of yen) |
|---------------------------------------------|-------------------|
| Cash and time deposits -----                | 48,854            |
| Notes receivable -----                      | 5,355             |
| Accounts receivable-trade -----             | 185,425           |
| Securities -----                            | 182,500           |
| Merchandise and finished goods -----        | 31,968            |
| Semi-finished products -----                | 19,678            |
| Raw materials and supplies -----            | 38,466            |
| Advance payments -----                      | 377               |
| Deferred taxes, current -----               | 19,316            |
| Short-term loans -----                      | 11,510            |
| Accounts receivable-other -----             | 29,696            |
| Other -----                                 | 1,792             |
| Less: Allowance for doubtful accounts ----- | <u>(6,110)</u>    |
| Total current assets                        | <u>568,833</u>    |

#### Fixed Assets:

##### Property, Plant and Equipment:

|                                          |               |
|------------------------------------------|---------------|
| Buildings, net -----                     | 36,799        |
| Structures, net -----                    | 4,076         |
| Machinery and equipment, net -----       | 39,758        |
| Vehicles, net -----                      | 99            |
| Tools, furniture and fixtures, net ----- | 2,782         |
| Land -----                               | 24,116        |
| Leased assets, net -----                 | 81            |
| Construction in progress -----           | <u>10,331</u> |
| Total property, plant and equipment      | 118,046       |

Intangible Assets ----- 2,124

##### Investments and Other Assets:

|                                                                  |                |
|------------------------------------------------------------------|----------------|
| Investments in securities -----                                  | 85,224         |
| Investments in capital of subsidiaries and affiliates -----      | 143,414        |
| Investments in partnerships -----                                | 11             |
| Investments in partnerships of subsidiaries and affiliates ----- | 9,654          |
| Long-term loans -----                                            | 6,805          |
| Long-term prepaid expenses -----                                 | 67             |
| Other -----                                                      | 3,237          |
| Less: Allowance for doubtful accounts -----                      | <u>(30)</u>    |
| Total investments and other assets                               | <u>248,385</u> |
| Total fixed assets                                               | <u>368,557</u> |

TOTAL ASSETS 937,391

## LIABILITIES

### Current Liabilities:

|                                    | (Millions of yen) |
|------------------------------------|-------------------|
| Accounts payable-trade-----        | 109,655           |
| Short-term borrowings-----         | 5,190             |
| Lease obligations-----             | 44                |
| Accounts payable-other-----        | 15,993            |
| Accrued income taxes-----          | 21,721            |
| Accrued expenses-----              | 13,483            |
| Advances received-----             | 57                |
| Deposits-----                      | 864               |
| Accrued bonuses for directors----- | 419               |
| Total current liabilities          | <u>167,431</u>    |

### Long-Term Liabilities:

|                                       |                |
|---------------------------------------|----------------|
| Long-term debt-----                   | 6,154          |
| Lease obligations-----                | 66             |
| Long-term accounts payable-other----- | 1,359          |
| Deferred taxes, non-current-----      | 5,018          |
| Accrued retirement benefits-----      | 5,678          |
| Asset retirement obligations-----     | 66             |
| Total long-term liabilities           | <u>18,344</u>  |
| TOTAL LIABILITIES                     | <u>185,775</u> |

## NET ASSETS

### Stockholders' Equity:

|                                                  |                 |
|--------------------------------------------------|-----------------|
| Common stock-----                                | 119,419         |
| Additional paid-in capital:                      |                 |
| Capital reserve-----                             | 120,771         |
| Other capital reserve-----                       | 394             |
| Total additional paid-in capital-----            | <u>121,166</u>  |
| Retained earnings:                               |                 |
| Legal earned reserve-----                        | 6,778           |
| Other retained earnings:                         |                 |
| Reserve for special depreciation-----            | 214             |
| Reserve for disaster prevention-----             | 43              |
| Reserve for reduction entry of fixed assets----- | 2,015           |
| Reserve for research-----                        | 88              |
| Reserve for dividend equalization-----           | 15              |
| Reserve for reduction entry of land-----         | 20              |
| General reserve-----                             | 351,137         |
| Retained earnings brought forward-----           | <u>161,481</u>  |
| Total other retained earnings-----               | <u>515,016</u>  |
| Total retained earnings                          | <u>521,794</u>  |
| Less: Treasury stock, at cost-----               | <u>(33,837)</u> |
| Total stockholders' equity-----                  | <u>728,543</u>  |

### Valuation and Translation Adjustments:

|                                                                 |        |
|-----------------------------------------------------------------|--------|
| Unrealized gains (losses) on available-for-sale securities----- | 22,991 |
|-----------------------------------------------------------------|--------|

|                                  |                |
|----------------------------------|----------------|
| Share Subscription Rights-----   | 81             |
| TOTAL NET ASSETS                 | <u>751,616</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>937,391</u> |

## NON-CONSOLIDATED STATEMENT OF INCOME

For the fiscal year ended March 31, 2015 (Amounts are stated in millions of yen; amounts less than 1 million are omitted.)

|                                                                            |       | (Millions of yen)    |
|----------------------------------------------------------------------------|-------|----------------------|
| Net Sales                                                                  | ----- | 640,369              |
| Cost of Sales                                                              | ----- | <u>503,321</u>       |
| Gross profit                                                               | ----- | 137,047              |
| Selling, General and Administrative Expenses                               | ----- | <u>45,316</u>        |
| Operating income                                                           | ----- | 91,731               |
| Non-Operating Income:                                                      |       |                      |
| Interest income                                                            | ----- | 163                  |
| Dividend income                                                            | ----- | 6,215                |
| Other income                                                               | ----- | <u>12,208</u>        |
| Total non-operating income                                                 | ----- | 18,587               |
| Non-Operating Expenses:                                                    |       |                      |
| Interest expenses                                                          | ----- | 186                  |
| Other expenses                                                             | ----- | <u>3,001</u>         |
| Total non-operating expenses                                               | ----- | <u>3,187</u>         |
| Ordinary income                                                            | ----- | 107,130              |
| Extraordinary Losses:                                                      |       |                      |
| Loss on valuation of investments in capital of subsidiaries and associates | ----  | <u>4,294</u>         |
|                                                                            |       | <u>4,294</u>         |
| Income before income taxes                                                 | ----- | 102,835              |
| Income Taxes:                                                              |       |                      |
| Current                                                                    | ----- | 36,530               |
| Deferred                                                                   | ----- | <u>(410)</u>         |
| Total income taxes                                                         | ----- | <u>36,120</u>        |
| Net Income                                                                 | ----- | <u><u>66,715</u></u> |

## NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the fiscal year ended March 31, 2015 (Amounts are stated in millions of yen; amounts less than 1 million are omitted.)

|                                                         | Stockholders' Equity |                                                                     |                              |         |                            |                                |          | (Millions of yen)             |          |
|---------------------------------------------------------|----------------------|---------------------------------------------------------------------|------------------------------|---------|----------------------------|--------------------------------|----------|-------------------------------|----------|
|                                                         | Common<br>stock      | Additional paid-in capital                                          |                              |         | Retained earnings          |                                |          | Treasury<br>stock,<br>at cost | [Total]  |
|                                                         |                      | Capital<br>reserve                                                  | Other<br>capital<br>reserve  | [Total] | Legal<br>earned<br>reserve | *Other<br>retained<br>earnings | [Total]  |                               |          |
| Balance as of April 1, 2014                             | 119,419              | 120,771                                                             | 448                          | 121,219 | 6,778                      | 491,176                        | 497,955  | (34,954)                      | 703,640  |
| Cumulative effects of changes<br>in accounting policies | -                    | -                                                                   | -                            | -       | -                          | (303)                          | (303)    | -                             | (303)    |
| Restated balance                                        | 119,419              | 120,771                                                             | 448                          | 121,219 | 6,778                      | 490,873                        | 497,651  | (34,954)                      | 703,336  |
| Changes during the year                                 |                      |                                                                     |                              |         |                            |                                |          |                               |          |
| Cash dividends                                          | -                    | -                                                                   | -                            | -       | -                          | (42,573)                       | (42,573) | -                             | (42,573) |
| Net income                                              | -                    | -                                                                   | -                            | -       | -                          | 66,715                         | 66,715   | -                             | 66,715   |
| Purchase of treasury stock                              | -                    | -                                                                   | -                            | -       | -                          | -                              | -        | (24)                          | (24)     |
| Disposal of treasury stock                              | -                    | -                                                                   | (53)                         | (53)    | -                          | -                              | -        | 1,141                         | 1,088    |
| Net changes of items other than<br>stockholders' equity | -                    | -                                                                   | -                            | -       | -                          | -                              | -        | -                             | -        |
| Total changes during the year                           | -                    | -                                                                   | (53)                         | (53)    | -                          | 24,142                         | 24,142   | 1,117                         | 25,206   |
| Balance as of March 31, 2015                            | 119,419              | 120,771                                                             | 394                          | 121,166 | 6,778                      | 515,016                        | 521,794  | (33,837)                      | 728,543  |
|                                                         |                      |                                                                     |                              |         |                            |                                |          |                               |          |
|                                                         |                      | Valuation and<br>translation<br>adjustments                         |                              |         |                            |                                |          |                               |          |
|                                                         |                      | Unrealized<br>gains (losses) on<br>available-for-sale<br>securities | Share subscription<br>rights |         |                            | Total<br>net assets            |          |                               |          |
| Balance as of April 1, 2014                             |                      | 11,710                                                              | 292                          |         |                            | 715,643                        |          |                               |          |
| Cumulative effects of changes<br>in accounting policies |                      | -                                                                   | -                            |         |                            | (303)                          |          |                               |          |
| Restated balance                                        |                      | 11,710                                                              | 292                          |         |                            | 715,339                        |          |                               |          |
| Changes during the year                                 |                      |                                                                     |                              |         |                            |                                |          |                               |          |
| Cash dividends                                          |                      | -                                                                   | -                            |         |                            | (42,573)                       |          |                               |          |
| Net income                                              |                      | -                                                                   | -                            |         |                            | 66,715                         |          |                               |          |
| Purchase of treasury stock                              |                      | -                                                                   | -                            |         |                            | (24)                           |          |                               |          |
| Disposal of treasury stock                              |                      | -                                                                   | -                            |         |                            | 1,088                          |          |                               |          |
| Net changes of items other than<br>stockholders' equity |                      | 11,281                                                              | (211)                        |         |                            | 11,069                         |          |                               |          |
| Total changes during the year                           |                      | 11,281                                                              | (211)                        |         |                            | 36,276                         |          |                               |          |
| Balance as of March 31, 2015                            |                      | 22,991                                                              | 81                           |         |                            | 751,616                        |          |                               |          |



\* Breakdown of other retained earnings

|                                                          | (Millions of yen)                |                                 |                                             |                      |                                   |
|----------------------------------------------------------|----------------------------------|---------------------------------|---------------------------------------------|----------------------|-----------------------------------|
|                                                          | Reserve for special depreciation | Reserve for disaster prevention | Reserve for reduction entry of fixed assets | Reserve for research | Reserve for dividend equalization |
| Balance as of April 1, 2014                              | 251                              | 36                              | 1,759                                       | 88                   | 15                                |
| Cumulative effects of changes in accounting policies     | -                                | -                               | -                                           | -                    | -                                 |
| Restated balance                                         | 251                              | 36                              | 1,759                                       | 88                   | 15                                |
| Changes during the year                                  |                                  |                                 |                                             |                      |                                   |
| Cash dividends                                           | -                                | -                               | -                                           | -                    | -                                 |
| Provision of reserve for special depreciation            | 102                              | -                               | -                                           | -                    | -                                 |
| Reversal of reserve for special depreciation             | (138)                            | -                               | -                                           | -                    | -                                 |
| Provision of reserve for disaster prevention             | -                                | 7                               | -                                           | -                    | -                                 |
| Provision of reserve for reduction entry of fixed assets | -                                | -                               | 294                                         | -                    | -                                 |
| Reversal of reserve for reduction entry of fixed assets  | -                                | -                               | (38)                                        | -                    | -                                 |
| Provision of reserve for reduction entry of land         | -                                | -                               | -                                           | -                    | -                                 |
| Net income                                               | -                                | -                               | -                                           | -                    | -                                 |
| Total changes during the year                            | (36)                             | 7                               | 255                                         | -                    | -                                 |
| Balance as of March 31, 2015                             | 214                              | 43                              | 2,015                                       | 88                   | 15                                |

|                                                          | Reserve for reduction entry of land | General reserve | Retained earnings brought forward | Total other retained earnings |
|----------------------------------------------------------|-------------------------------------|-----------------|-----------------------------------|-------------------------------|
| Balance as of April 1, 2014                              | 19                                  | 351,137         | 137,870                           | 491,176                       |
| Cumulative effects of changes in accounting policies     | -                                   | -               | (303)                             | (303)                         |
| Restated balance                                         | 19                                  | 351,137         | 137,566                           | 490,873                       |
| Changes during the year                                  |                                     |                 |                                   |                               |
| Cash dividends                                           | -                                   | -               | (42,573)                          | (42,573)                      |
| Provision of reserve for special depreciation            | -                                   | -               | (102)                             | -                             |
| Reversal of reserve for special depreciation             | -                                   | -               | 138                               | -                             |
| Provision of reserve for disaster prevention             | -                                   | -               | (7)                               | -                             |
| Provision of reserve for reduction entry of fixed assets | -                                   | -               | (294)                             | -                             |
| Reversal of reserve for reduction entry of fixed assets  | -                                   | -               | 38                                | -                             |
| Provision of reserve for reduction entry of land         | 0                                   | -               | (0)                               | -                             |
| Net income                                               | -                                   | -               | 66,715                            | 66,715                        |
| Total changes during the year                            | 0                                   | -               | 23,915                            | 24,142                        |
| Balance as of March 31, 2015                             | 20                                  | 351,137         | 161,481                           | 515,016                       |

**Audit Report of Accounting Auditor on the Consolidated Financial Statements**  
(English Translation)

**Independent Auditor's Report**

May 14, 2015

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

Ernst & Young ShinNihon LLC  
Hiroshi Saito, CPA  
Designated and Engagement Partner

Noritada Aizawa, CPA  
Designated and Engagement Partner

Hisashi Atobe, CPA  
Designated and Engagement Partner

Pursuant to Article 444, Section 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of Shin-Etsu Chemical Co., Ltd. (the "Company") applicable to the 138th fiscal year from April 1, 2014 through March 31, 2015.

*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 financial position and results of operations of the Shin-Etsu Group, which consisted of the Company and consolidated subsidiaries, applicable to the 138th fiscal year ended March 31, 2015 in conformity with accounting principles generally accepted in Japan.

*Conflicts of Interest*

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

**Audit Report of Accounting Auditor on the Financial Statements (Non-Consolidated)**  
(English Translation)

**Independent Auditor's Report**

May 14, 2015

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

Ernst & Young ShinNihon LLC  
Hiroshi Saito, CPA  
Designated and Engagement Partner

Noritada Aizawa, CPA  
Designated and Engagement Partner

Hisashi Atobe, CPA  
Designated and Engagement Partner

Pursuant to Article 436, Section 2, Paragraph 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules of Shin-Etsu Chemical Co., Ltd. (the "Company") applicable to the 138th fiscal year from April 1, 2014 through March 31, 2015.

*Management's Responsibility for the Financial Statements and the Related Supplementary Schedules*

Management is responsible for the preparation and fair presentation of these financial statements and the related supplementary schedules 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 financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements and the related supplementary schedules 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 financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. The purpose of an audit of the 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 financial statements and the related supplementary schedules 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 financial statements and the related supplementary schedules.

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 financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of Shin-Etsu Chemical Co., Ltd. applicable to the 138th fiscal year ended March 31, 2015 in conformity with accounting principles generally accepted in Japan.

*Conflicts of Interest*

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

## Audit Report of Audit & Supervisory Board

### Audit Report

The Audit & Supervisory Board has prepared this Audit Report on the execution of duties by the Directors during the 138th fiscal year from April 1, 2014 to March 31, 2015, based upon, and after having considered, the audit reports prepared by the individual Audit & Supervisory Board Members. The Report follows:

1. Audit Methodology and Procedures Used by Audit & Supervisory Board Members and by the Audit & Supervisory Board

The Audit & Supervisory Board established its audit policy, plan and so forth, and received reports from the individual Audit & Supervisory Board Members on their progress in conducting audits, as well as their findings. The Board also received reports from the Directors and others and from the Accounting Auditor concerning their progress in executing duties, and requested explanations as needed.

In accordance with the standards established by the Audit & Supervisory Board for auditing by the Audit & Supervisory Board Members, pursuant to the audit policy and assigned duties and others, the individual Audit & Supervisory Board Members promoted communication with the Directors, the internal audit function, and other employees and others, in order to enhance information collection and the overall audit environment. They also attended the Board of Directors' meetings and other important meetings, and received reports from the Directors and employees and others on their progress in executing duties and requested explanations from them as needed. They perused important documented decisions, approvals and others, and conducted on-site investigations to determine the operation of business practices and the status of assets at the Head Office and other principal places of business. Furthermore, they audited the substance of the Board of Directors' resolutions to develop a structure to ensure the conformity of the execution of duties by the Directors with laws and regulations and with the Articles of Incorporation, and other arrangements specified in Paragraphs 1 and 3, Article 100 of the Corporations Law Enforcement Regulations as necessary for ensuring the integrity of business practices undertaken by stock companies, as well as the state of structures (internal control systems) being developed in accordance with such resolutions. The Audit & Supervisory Board Members fulfilled this duty primarily by receiving periodic reports from the Directors and employees and others on their progress in establishing and operating such structures and by requesting explanations from them as needed. They examined the substance of the Basic Policy and the specific procedures to be taken that are described in the Business Report as required under Item 3-(a) and Item 3-(b) of Article 118 of the Corporations Law Enforcement Regulations, respectively, based primarily on a review of the deliberations conducted at Board of Directors meetings and other meetings. With regard to the subsidiaries, the Audit & Supervisory Board Members promoted communication and information sharing with the Directors, Audit & Supervisory Board Members, and others of the subsidiaries, and received business reports from subsidiaries as needed. Based on the methodology above, the Audit & Supervisory Board examined the Business Report and its Annexed Schedules covering the fiscal year under review.

Furthermore, the Audit & Supervisory Board monitored the Accounting Auditor to determine whether it maintained its independence and conducted appropriate audits, and received reports from the Accounting Auditor on its progress in executing duties and asked for explanations as needed. The Board was also advised by the Accounting Auditor of its appropriate development of arrangements enumerated in the Items of Article 131 of the Corporate Calculation Regulations as constituting a "structure to ensure the proper execution of duties," and asked for explanations as needed. Based on the methodology above, the Audit & Supervisory Board examined the Financial Documents (Balance Sheet, Income Statement, Statement of Changes in Shareholders' Equity and Other Net Assets, and Non-consolidated Notes thereto) along with their Annexed Schedules, as well as the Consolidated Financial Documents (Consolidated Balance Sheet, Consolidated Income Statement, Consolidated Statement of Changes in Shareholders' Equity and Other Net Assets, and Consolidated Notes thereto), all covering the fiscal year under review.

## 2. Results of Audits

### (1) Results of Auditing Business Report and Others

- 1 The Audit & Supervisory Board certifies that the Business Report and its Annexed Schedules fairly present the state of affairs of the Company in conformity with laws and regulations and the Articles of Incorporation.
- 2 The Board finds no irregular acts that occurred or significant facts that violated laws and regulations or the Articles of Incorporation, in connection with the execution of duties by the Directors.
- 3 The Board certifies the adequacy of the Board of Directors' resolutions relevant to internal control systems. Also, the Board finds no items that require particular notice in connection with the execution of duties by the Directors relevant to such internal control systems.
- 4 The Board finds no items that require particular notice be given with regard to the Basic Policy as to Who and How the Person(s) Controlling Decisions on Financial and Business Policies of the Company Should Be as described in the Business Report. The Board certifies that the specific procedures under Item 3-(b), Article 118 of the Corporations Law Enforcement Regulations as described in the Business Report, conform to the relevant Basic Policy and are in no way detrimental to the common interests of the shareholders of the Company or intended to maintain the status of the Directors or Audit & Supervisory Board Members of the Company.

### (2) Results of Auditing Financial Documents and their Annexed Schedules

The Audit & Supervisory Board certifies the appropriateness of audit procedures used by the Accounting Auditor, Ernst & Young ShinNihon LLC, and of the results of its audit.

### (3) Results of Auditing Consolidated Financial Documents

The Audit & Supervisory Board certifies the appropriateness of audit procedures used by the Accounting Auditor, Ernst & Young ShinNihon LLC, and of the results of its audit.

May 19, 2015

The Audit & Supervisory Board, Shin-Etsu Chemical Co., Ltd.

|                                                                             |                  |        |
|-----------------------------------------------------------------------------|------------------|--------|
| Full-time Audit & Supervisory Board Member                                  | Osamu Okada      | (Seal) |
| Audit & Supervisory Board Member                                            | Masahiko Watase  | (Seal) |
| Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) | Taku Fukui       | (Seal) |
| Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) | Yoshihito Kosaka | (Seal) |
| Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) | Kiyoshi Nagano   | (Seal) |

## Reference Documents for Exercising Voting Rights

### Agenda and Reference Materials

#### 1st Agendum: Distribution of Retained Earnings to Shareholders

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 the Company's basic policy to distribute dividends so as to appropriately reward all of our shareholders.

The Company proposes a year-end cash dividend distribution for the 138th fiscal year as summarized below:

1. Type of Assets Proposed for Distribution  
Monetary
2. Asset Allotment Details and Total Amount  
The Company proposes a monetary allotment of ¥50 per share of Common Stock in the Company; ¥21,294,983,300 in total.
3. Effective Date of Distribution of Retained Earnings  
June 29, 2015

The Company has distributed an interim cash dividend of ¥50 per share for the current fiscal year; thus, the annual cash dividend for the current fiscal year will be the same amount as the distribution of the preceding fiscal year of ¥100 per share.

#### 2nd Agendum: Election of Twelve (12) Directors

Upon the conclusion of this Ordinary General Meeting of Shareholders, the terms of office of fourteen (14) Directors, namely, Messrs. Yasuhiko Saitoh, Toshinobu Ishihara, Koji Takasugi, Yukihiro Matsui, Frank Peter Popoff, Tsuyoshi Miyazaki, Toshihiko Fukui, Masaki Miyajima, Toshiyuki Kasahara, Hidenori Onezawa, Ken Nakamura, Hiroaki Okamoto, Susumu Ueno and Kazumasa Maruyama will expire. Accordingly, the Board of Directors proposes that twelve (12) persons be elected as Directors.

The candidates for election to the position of Director are as follows:

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| <p>No. 1</p> <p style="text-align: center;"><b>Yasuhiko Saitoh</b><br/>(December 5, 1955)</p> <p>Number of Company Shares Held<br/>18,300 shares</p> <p style="text-align: center;">Reappointment Candidate</p>    | <p><b>► Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</b></p> <p>Apr., 1978    Joined the Company<br/> Dec., 1999    Director of Shin-Etsu PVC B.V. (to date)<br/> June, 2001    Director of the Company<br/> Nov., 2001    In charge of Office of the President and Public Relations (to date)<br/> June, 2002    Managing Director<br/> June, 2003    In charge of Finance &amp; Accounting (to date)<br/> Jan., 2004    In charge of Legal Affairs (to date)<br/> June, 2005    Senior Managing Director<br/> July, 2007    Representative Director and Senior Managing Director<br/> June, 2009    General Manager of International Div. (to date)<br/> June, 2010    Representative Director and Executive Vice President (to date)</p> <p><b>-Important Positions in Other Entities-</b><br/> Director and President of SHINTECH INC.<br/> Representative Director and Vice President of Shin-Etsu Handotai Co., Ltd.<br/> Director and President of Shin-Etsu Handotai America, Inc.</p> <p>► There is no special interest between the candidate and the Company.</p> |
| <p>No. 2</p> <p style="text-align: center;"><b>Toshinobu Ishihara</b><br/>(September 8, 1947)</p> <p>Number of Company Shares Held<br/>6,700 shares</p> <p style="text-align: center;">Reappointment Candidate</p> | <p><b>► Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</b></p> <p>Apr., 1970    Joined the Company<br/> June, 2001    General Manager of New Functional Materials Research Center Director<br/> June, 2010    Managing Director<br/> In charge of New Functional Materials (to date)<br/> General Manager of Research and Development Dept. (to date)<br/> June, 2013    Senior Managing Director (to date)</p> <p>► There is no special interest between the candidate and the Company.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <p>No. 3</p> <p style="text-align: center;"><b>Koji Takasugi</b><br/>(August 21, 1941)</p> <p>Number of Company Shares Held<br/>3,600 shares</p> <p style="text-align: center;">Reappointment Candidate</p>        | <p><b>► Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</b></p> <p>Mar., 1960    Joined the Company<br/> Dec., 2001    General Manager of International Div.<br/> June, 2005    Director<br/> June, 2007    Managing Director (to date)<br/> June, 2009    In charge of Purchasing (to date)<br/> General Manager of Special Functional Products Dept. (to date)</p> <p>► There is no special interest between the candidate and the Company.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <p>No. 4</p> <p style="text-align: center;"><b>Yukihiro Matsui</b><br/>(October 2, 1948)</p> <p>Number of Company Shares Held<br/>3,900 shares</p> <p style="text-align: center;">Reappointment Candidate</p>      | <p><b>► Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</b></p> <p>Apr., 1973    Joined the Company<br/> Apr., 2004    General Manager of Magnet Dept., Electronics Materials Div. (to date)<br/> June, 2009    Director<br/> June, 2010    General Manager of Electronics Materials Div. (to date)<br/> June, 2013    Managing Director (to date)</p> <p>► There is no special interest between the candidate and the Company.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

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| <p>No. 5</p> <p><b>Frank Peter Popoff</b><br/>(October 27, 1935)</p> <p>Number of Company Shares Held<br/>91,600 shares</p> <p><input type="checkbox"/> Reappointment Candidate</p> <p><input type="checkbox"/> Candidate for Outside Director</p> | <p><b>► Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</b></p> <p>Dec., 1987 CEO of The Dow Chemical Company<br/> Dec., 1992 Director and Chairman of the above<br/> Jan., 2001 Director of SHINTECH INC. (to date)<br/> June, 2001 Director of the Company (to date)</p> <p>► There is no special interest between the candidate and the Company.</p> <p><b>► Reasons, etc. for Electing the Candidate for Outside Director</b></p> <p>Mr. Frank Peter Popoff is a candidate for Outside Director as defined in Item 7, Paragraph 3, Article 2 of the Corporations Law Enforcement Regulations. He first became an Outside Director of the Company in June 2001, and will have held this position for fourteen (14) years at the conclusion of this Ordinary General Meeting of Shareholders. During this period, he has performed a satisfactory job of providing supervision from an independent standpoint.</p> <p>Furthermore, the Company has been aggressively promoting its business development overseas through the establishment of business locations all over the world, including in the U.S., Asia, and Europe. Mr. Popoff's opinions and practical advice, from a broad perspective based on his management experience as CEO of The Dow Chemical Company, a U.S. company that has a long history as a global company, have been of significant importance for the Company to expand its business overseas and enhance its corporate value.</p> <p>He also serves as the commissioner of the Officers' Remuneration Committee. His work so far includes repealing the Officers' Retirement Benefit Program and making other significant revisions to the officers' remuneration system, thus striving to achieve an appropriate corporate governance structure with regard to the officers' remuneration system. In view of this, his nomination reflects the confidence that the Company places in him to continue to provide the same quality of advice and supervision, and also to consistently contribute to the development of an appropriate corporate governance structure for the Company.</p> <p>► Mr. Frank Peter Popoff has been serving as a Non-executive Director of our subsidiary SHINTECH INC. since January 2001.</p> |
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| <p>No. 6</p> <p><b>Tsuyoshi Miyazaki</b><br/>(December 16, 1931)</p> <p>Number of Company Shares Held<br/>0 shares</p> <p><u>Reappointment Candidate</u></p> <p><u>Candidate for Outside Director</u></p> | <p><b>► Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</b></p> <p>Mar., 1990 Representative Director and President of Mitsubishi Logistics Corporation</p> <p>June, 1998 Representative Director and Chairman of the above</p> <p>June, 2003 Adviser of the above (to date)</p> <p>Aug., 2004 Audit &amp; Supervisory Board Member of Shin-Etsu Handotai Co., Ltd.</p> <p>June, 2007 Director of the Company (to date)</p> <p>► There is no special interest between the candidate and the Company.</p> <p><b>► Reasons, etc. for Electing the Candidate for Outside Director</b></p> <p>Mr. Tsuyoshi Miyazaki is a candidate for Outside Director as defined in Item 7, Paragraph 3, Article 2 of the Corporations Law Enforcement Regulations, as well as a candidate for Independent Director as required by the applicable regulations of the Tokyo Stock Exchange, Inc., etc. He first became an Outside Director of the Company in June 2007, and will have held this position for eight (8) years at the conclusion of this Ordinary General Meeting of Shareholders. During this period, he has performed a satisfactory job of providing useful advice from a high-level perspective by capitalizing on his management experience at Mitsubishi Logistics Corporation and supervision from an independent standpoint. In view of this, his nomination reflects the confidence that the Company places in him to continue to provide the same quality of advice and supervision.</p> <p>► Mr. Tsuyoshi Miyazaki served as an Audit &amp; Supervisory Board Member of our subsidiary Shin-Etsu Handotai Co., Ltd. from August 2004 to June 2007.</p> |
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| <p>No. 7</p> <p style="text-align: center;"><b>Toshihiko Fukui</b><br/>(September 7, 1935)</p> <p>Number of Company Shares Held<br/>0 shares</p> <p style="text-align: center;">Reappointment Candidate</p> <p style="text-align: center;">Candidate for Outside Director</p> | <p><b>► Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</b></p> <p>Apr., 1958    Joined the Bank of Japan<br/> Dec., 1994    Deputy Governor of the above<br/> Mar., 2003    Governor of the above<br/> June, 2009    Director of the Company (to date)</p> <p><b>-Important Positions in Other Entities-</b></p> <p>President of the Canon Institute for Global Studies<br/> Outside Director of Kikkoman Corporation</p> <p>► There is no special interest between the candidate and the Company.</p> <p><b>► Reasons, etc. for Electing the Candidate for Outside Director</b></p> <p>Mr. Toshihiko Fukui is a candidate for Outside Director as defined in Item 7, Paragraph 3, Article 2 of the Corporations Law Enforcement Regulations, as well as a candidate for Independent Director as required by the applicable regulations of the Tokyo Stock Exchange, Inc., etc. He first became an Outside Director of the Company in June 2009, and will have held this position for six (6) years at the conclusion of this Ordinary General Meeting of Shareholders. During this period, he has performed a satisfactory job of providing both supervision from an independent standpoint and useful advice from a high-level perspective by capitalizing on his outstanding knowledge and wealth of experience related to global finance and global economy as a former Governor of the Bank of Japan. In view of this, his nomination reflects the confidence that the Company places in him to continue to provide the same quality of advice and supervision.</p> |
| <p>No. 8</p> <p style="text-align: center;"><b>Masaki Miyajima</b><br/>(February 8, 1947)</p> <p>Number of Company Shares Held<br/>21,800 shares</p> <p style="text-align: center;">Reappointment Candidate</p>                                                               | <p><b>► Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</b></p> <p>July, 1971    Joined the Company<br/> May, 1997    General Manager of Opto-Electronics Materials Dept.,<br/> Advanced Materials Div.<br/> June, 2001    Director (to date)<br/> Nov., 2002    General Manager of PVC Div. (to date)</p> <p>► The candidate is a Representative Director and the President of KASHIMA VINYL CHLORIDE MONOMER COMPANY LIMITED and Kashima Chlorine &amp; Alkali Co., Ltd. The Company is purchasing materials from, and otherwise conducting business with, the said two companies.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <p>No. 9</p> <p style="text-align: center;"><b>Toshiyuki Kasahara</b><br/>(May 7, 1951)</p> <p>Number of Company Shares Held<br/>5,900 shares</p> <p style="text-align: center;">Reappointment Candidate</p>                                                                  | <p><b>► Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</b></p> <p>Mar., 1970    Joined the Company<br/> Dec., 2001    General Manager of Finance &amp; Accounting Dept. (to date)<br/> June, 2005    Director (to date)</p> <p>► There is no special interest between the candidate and the Company.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

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| <p>No. 10</p> <p><b>Hidenori Onezawa</b><br/>(February 27, 1952)</p> <p>Number of Company Shares Held<br/>4,800 shares</p> <p><u>Reappointment Candidate</u></p> | <p><b>► Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</b></p> <p>Apr., 1977    Joined the Company<br/> June, 2001    Director of Shin-Etsu Handotai Co., Ltd.<br/> Aug., 2004    Managing Director of the above<br/> June, 2005    Director of the Company (to date)<br/> Mar., 2010    General Manager of Business Development Dept. (to date)</p> <p>► There is no special interest between the candidate and the Company.</p> |
| <p>No. 11</p> <p><b>Susumu Ueno</b><br/>(May 24, 1943)</p> <p>Number of Company Shares Held<br/>13,406 shares</p> <p><u>Reappointment Candidate</u></p>          | <p><b>► Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</b></p> <p>Apr., 1968    Joined the Company<br/> June, 2005    General Manager of Gunma Complex<br/> June, 2013    Director (to date)<br/> General Manager of Silicone Div. (to date)</p> <p>► There is no special interest between the candidate and the Company.</p>                                                                                                     |
| <p>No. 12</p> <p><b>Kazumasa Maruyama</b><br/>(December 2, 1949)</p> <p>Number of Company Shares Held<br/>3,400 shares</p> <p><u>Reappointment Candidate</u></p> | <p><b>► Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</b></p> <p>Apr., 1975    Joined the Company<br/> June, 2010    General Manager of New Functional Materials Dept. (to date)<br/> June, 2013    Director (to date)</p> <p>► There is no special interest between the candidate and the Company.</p>                                                                                                                          |

3rd Agendum: Election of Three (3) Audit & Supervisory Board Members

Upon the close of this Ordinary General Meeting of Shareholders, the terms of office of three (3) Audit & Supervisory Board Members, namely, Messrs. Osamu Okada, Masahiko Watase and Kiyoshi Nagano will expire. Accordingly, the Board of Directors proposes that three (3) persons be elected as Audit & Supervisory Board Members.

The candidates for the above are as follows:

In addition, this agendum has obtained the consent of the Audit & Supervisory Board.

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| <p>No. 1</p> <p style="text-align: center;"><b>Osamu Okada</b><br/>(August 21, 1937)</p> <p>Number of Company Shares Held<br/>3,500 shares</p> <p style="text-align: center;">Reappointment Candidate</p>                                                                                                | <p>► <b>Career Summary, Positions, and Important Positions in Other Entities</b></p> <p>Apr., 1961    Joined the Company<br/>         June, 1988    Director of Shin-Etsu Handotai Co., Ltd.<br/>         June, 1993    Managing Director of the above<br/>         June, 1995    Senior Managing Director of the above<br/>         June, 1999    Representative Director and Executive Vice President of the above<br/>         June, 2001    Counselor of the above<br/>         June, 2003    Full-time Audit &amp; Supervisory Board Member of the Company (to date)</p> <p>► There is no special interest between the candidate and the Company.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <p>No. 2</p> <p style="text-align: center;"><b>Kiyoshi Nagano</b><br/>(November 29, 1940)</p> <p>Number of Company Shares Held<br/>0 shares</p> <p style="text-align: center;">Reappointment Candidate</p> <p style="text-align: center;">Candidate for Outside Audit &amp; Supervisory Board Member</p> | <p>► <b>Career Summary, Positions, and Important Positions in Other Entities</b></p> <p>Dec., 2004    Representative Director/Chairman/President of Jasdac Securities Exchange, Inc.<br/>         June, 2005    Senior Corporate Advisor of the above<br/>         June, 2006    Chairman of Management Advisory Council of the above<br/>         June, 2007    Audit &amp; Supervisory Board Member of the Company (to date)</p> <p><b>-Important Positions in Other Entities-</b><br/>         Outside Director of SBI Holdings, Inc.<br/>         Outside Audit &amp; Supervisory Board Member of LEC, INC.</p> <p>Note: The candidate will retire from the position of Outside Audit &amp; Supervisory Board Member of LEC, INC. on June 26, 2015 and assume the position of Outside Director of the same company on the same date.</p> <p>► There is no special interest between the candidate and the Company.</p> <p>► <b>Reasons, etc. for Electing the Candidate for Outside Audit &amp; Supervisory Board Member</b><br/>         Mr. Kiyoshi Nagano is a candidate for Outside Audit &amp; Supervisory Board Member as defined in Item 8, Paragraph 3, Article 2 of the Corporations Law Enforcement Regulations. He first became an Outside Audit &amp; Supervisory Board Member of the Company in June 2007, and will have held this position for eight (8) years at the conclusion of this Ordinary General Meeting of Shareholders. During this period, he has performed a satisfactory job of auditing from a broad perspective based on his management experience at the former Jasdac Securities Exchange, Inc. In view of this, his nomination reflects the confidence that the Company places in him to continue to provide the same appropriate performance as an Outside Audit &amp; Supervisory Board Member and to contribute to the establishment of a compliance structure for the Company.</p> |

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| <p>No. 3</p> <p><b>Hiroaki Okamoto</b><br/>(January 3, 1949)</p> <p>Number of Company Shares Held<br/>4,000 shares</p> <p style="border: 1px solid black; display: inline-block; padding: 2px;">Newly nominated Candidate</p> | <p><b>► Career Summary, Positions, and Important Positions in Other Entities</b></p> <p>July, 1971    Joined the Company</p> <p>Dec., 2007    Acting General Manager of Research and Development Dept.</p> <p>June, 2009    Director (to date)<br/>                  In charge of Patents (to date)</p> <p>June, 2010    General Manager of Development and Investigation Dept. (to date)</p> <p>Note: The candidate will retire from the position of Director and General Manager of Development and Investigation Department at the conclusion of this Ordinary General Meeting of Shareholders.</p> <p><b>► There is no special interest between the candidate and the Company.</b></p> |
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#### 4th Agendum: Issuance of Stock Acquisition Rights as Stock Options to Employees

In accordance with the provisions of Articles 236, 238 and 239 of the Corporations Law, the Company proposes to issue stock acquisition rights as stock options to executive-level employees, and to entrust the authorization of such issue, and the determination of the conditions for invitation to the stock acquisition, to the Board of Directors.

1. Reason for issuing stock acquisition rights with particularly advantageous terms and conditions:  
For the purpose of enhancing the willingness and the morale to perform their duties and to improve the Company's business performance, stock acquisition rights may be issued to executive-level employees without the requirement for cash payment, in accordance with the outlines described below.
2. Substance and maximum quantity of the stock acquisition rights, etc. conditions for invitation of which may be determined based on authorization
  - (1) Type and quantity of shares subject to the stock acquisition rights:  
The type of share subject to the stock acquisition rights shall be the common shares of the Company, and the quantity of shares subject to the stock acquisition rights (hereinafter called the "Number of Granted Shares") shall be one hundred (100) shares per one (1) stock acquisition right.  
After the day when the stock acquisition rights are allocated (hereinafter called the "Allocation Day"), if the Company makes a share split (including gratis distribution, and the same is hereinafter applicable to the descriptions of share split) or a share consolidation of common shares of the Company, the Number of Granted Shares shall be adjusted according to the formula described below. Such adjustment, however, shall be made to the Number of Granted Shares for the stock acquisition rights that are not yet exercised at that point of time, and if, as a result of the adjustment, there arises any share less than one (1) share, such fraction shall be omitted.  
Number of Granted Shares after adjustment = Number of Granted Shares before adjustment × Ratio of share split or share consolidation  
In addition to the above, if any cause arises to force the Company to adjust the Number of Granted Shares, the Company shall make the adjustments considered necessary.
  - (2) Upper limit of the number of stock acquisition rights  
The number of stock acquisition rights shall be limited to 3,600 rights.  
(Up to 360,000 common shares of the Company shall be issued at the exercise of stock acquisition rights. If the Number of Granted Shares is adjusted as prescribed in (1) above, however, the Company shall adjust the upper limit by multiplying the adjusted Number of Granted Shares by the upper limit of the number of stock acquisition rights.)
  - (3) Payment for the stock acquisition rights  
No payment of cash is needed for issuance of the stock acquisition rights.
  - (4) Calculation of the value of assets to be contributed at exercise of each stock acquisition right  
The value of assets to be contributed at the exercise of each stock acquisition right shall be (x) the amount of investment per share issued at the exercise of a stock acquisition right calculated in the following (hereinafter called the "Exercise Price") multiplied by (y) the Number of Granted Shares.

The Exercise Price shall be 1.025 times as high as the closing price of the common shares of the Company at the Tokyo Stock Exchange averaged on a daily basis (excluding days with no transactions closed) during the month prior to the month including the day of resolution by the Board of Directors to decide conditions for invitation of the stock acquisition rights, or the closing price of the common shares of the Company at the Tokyo Stock Exchange on the day prior to the day of resolution by the Board of Directors to decide conditions for invitation of the stock acquisition rights (if there is no closing price on such date, the closing price of the closest preceding day), whichever is higher, and fractions less than one (1) yen shall be rounded up.

After an Allocation Day, when the Company issues new common shares or disposes of treasury shares at a price lower than the market price (excluding the sale of treasury stock in accordance with the provisions of Article 194 (Request by the Holder of Fractional Shares for Sale of the Fractional Shares) of the Corporations Law, the conversion of any certificate that shall or may be converted to common shares of the Company, and the exercise of a stock acquisition right (including a right attached to a corporate bond with a stock acquisition right)), the Company shall adjust the Exercise Price according to the formula described below, and if, as a result thereof, there arises any fraction less than one (1) yen, such fraction shall be rounded up.

Exercise Price after adjustment = Exercise Price before adjustment

$$\times \frac{\text{Number of issued shares} + \frac{\text{Number of shares newly issued} \times \text{Payment amount per share}}{\text{Market price}}}{\text{Number of issued shares} + \text{Number of shares newly issued}}$$

(In the formula above, “Number of issued shares” is the gross total number of shares issued by the Company minus the number of treasury shares held by the Company, and at the disposal of treasury shares, “Number of shares newly issued” shall be replaced with “Number of treasury shares to be disposed of.”)

If a share split or a share consolidation is effected after an Allocation Day, the Exercise Price shall be adjusted according to the formula described below, and any fractions less than one (1) yen resulting from such adjustment shall be rounded up.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

In addition to the above, if any cause arises to force the Company to adjust the Exercise Price, the Company shall make adjustments considered necessary.

- (5) Period during which a stock acquisition right may be exercised  
From the day following the day that is one year after the Allocation Day, to March 31, 2020.
- (6) Matters related to capital stock and capital reserve to be increased by issuance of shares at exercise of the stock acquisition rights
  - (i) The amount of capital stock increased by issuance of shares at exercise of the stock acquisition rights shall be half (1/2) of the limit of an increase in capital stock and the like to be calculated in accordance with Paragraph 1, Article 17 of the Corporate Accounting Rules, and a resulting fraction less than one (1) yen shall be rounded up.
  - (ii) The amount of capital reserve increased by issuance of shares at the exercise of the stock acquisition rights shall be the limit of an increase in capital stock and the like in (i) minus the amount of capital stock increased prescribed in (i).

- (7) Restriction on acquisition of a stock acquisition right through transfer  
Acquisition of a stock acquisition right through transfer requires approval by a resolution of the Board of Directors of the Company.
- (8) Conditions for acquisition of the stock acquisition rights
- (i) If an agendum to approve a merger agreement that will make the Company a disappearing company is approved at a General Meeting of Shareholders of the Company, or if an agendum to approve a corporate split agreement or a corporate split plan that will make the Company a split company, or if an agendum for a share exchange agreement or a share transfer plan that will make the Company become a wholly-owned subsidiary of another company is approved at a General Meeting of Shareholders of the Company (in either case, if no resolution at a General Meeting of Shareholders is needed, resolved by the Board of Directors of the Company), the Company may acquire back the stock acquisition rights without compensation on the day specified by the Board of Directors of the Company.
  - (ii) If those persons to whom the stock acquisition rights are issued or the heirs of such persons no longer satisfy the conditions to exercise the stock acquisition rights prescribed in the “Stock Acquisition Right Agreement” concluded between the Company and employees concerned based on the resolution at a General Meeting of Shareholders and at a meeting of the Board of Directors, the Company may acquire back the stock acquisition rights concerned without compensation on the day specified by the Board of Directors of the Company.
- (9) Handling of the stock acquisition rights under the Reorganization Action  
When the Company effects a merger (only when the Company disappears), an absorption corporate split, a foundation corporate split, a share exchange or a share transfer (hereinafter collectively called a “Reorganization Action”), under the following conditions, stock acquisition rights of a joint stock corporation listed in any of Sub-Items a - e in Item 8, Paragraph 1, Article 236 of the Corporations Law (hereinafter called the “Reorganized Corporation”) shall be delivered to holders of stock acquisition rights (hereinafter called “Remaining Stock Acquisition Rights”) remaining unexercised as of the point of time when the Reorganization Action comes into effect. In this case, the Remaining Stock Acquisition Rights shall expire, and the Reorganized Corporation shall issue new stock acquisition rights. This issuance, however, shall be limited to the case where the issuance of the stock acquisition rights of the Reorganized Corporation under the following conditions is prescribed in the absorption merger agreement, the foundation merger agreement, the absorption corporate split agreement, the plan of the foundation corporate split, the share exchange agreement, or the plan of the share transfer:
- (i) Number of the stock acquisition rights to be issued by the Reorganized Corporation  
The same number of stock acquisition rights shall be issued as the number of the Remaining Stock Acquisition Rights.
  - (ii) Type of share of the Reorganized Corporation subject to the stock acquisition rights  
Common shares of the Reorganized Corporation.
  - (iii) Number of shares of the Reorganized Corporation subject to the stock acquisition rights  
This number shall be decided in the same manner as (1) above taking into consideration the conditions for the Reorganization Action.



- (iv) Value of assets to be contributed at exercise of each stock acquisition right  
The value of assets to be contributed at exercise of each stock acquisition right shall be the amount of contribution calculated through adjustments, taking into consideration the conditions for the Reorganization Action, multiplied by the number of shares subject to the stock acquisition right as decided in (iii) above.
  - (v) Period during which a stock acquisition right may be exercised  
This period shall commence on the starting day of the period for exercising the stock acquisition right specified in (5) above, or the day when the Reorganization Action comes into effect, whichever is later, and end on the day of expiration of the period during which a stock acquisition right may be exercised as specified in (5) above.
  - (vi) Matters related to capital stock and capital reserve to be increased by issuance of shares at the exercise of the stock acquisition rights  
They shall be decided in the same manner as (6) above.
  - (vii) Restriction on acquisition of a stock acquisition right through transfer  
Acquisition of a stock acquisition right through transfer requires approval by the Reorganized Corporation.
  - (viii) Conditions for acquisition of the stock acquisition rights  
They shall be decided in the same manner as (8) above.
- (10) Omission of fractions resulting from the exercise of stock acquisition rights  
Fractions less than one (1) share shall be omitted from the shares issued to holders of stock acquisition rights at the exercise of the rights.
- (11) Authorization to decide the conditions for invitation of the stock acquisition rights, and the like  
Conditions for invitation of the stock acquisition rights, and related details, other than the aforementioned, shall be decided by resolutions at meetings of the Board of Directors to be held separately.

## 5th Agendum: Continuance of the Handling Policy toward Large-scale Purchase of the Company's Shares and Other Securities

Upon the approval of the 131st annual meeting of shareholders held on June 27, 2008, the Company introduced the current handling policy toward a Large-scale Purchase of the Company's shares and other securities (the "Handling Policy"). Subsequently, the Handling Policy has been adhered to with the approval of the annual meeting of shareholders. In accordance with the expiration of the effective period of the Handling Policy at the conclusion of this General Meeting of Shareholders, the Company made decisions on the continuance of the Handling Policy with the purpose and details mentioned below at the Board of Directors' meeting held on May 21, 2015, subject to authorization at this General Meeting of Shareholders.

Accordingly, the Company proposes this Handling Policy for approval by an affirmative vote with a majority of voting rights of the shareholders present at this General Meeting of Shareholders. The proposed Handling Policy remains effectively the same in substance as the current Handling Policy. The Company's five (5) Audit & Supervisory Board Members have expressed the intention to agree to the Handling Policy, provided that the specific operation of the Handling Policy will be performed appropriately. At the present moment, the Company is not aware of any signs of a specific Large-scale Purchase of the Company's shares and other securities.

Note: If laws, provisions, etc. quoted in the Agendum have been revised, the reference to the laws, provisions, etc. before the revision should be read as the reference to the corresponding laws, provisions, etc. after the revision.

### 1. Purpose of the Handling Policy

While the Company believes that a person or persons who contribute(s) to the maximization of the Company's corporate value should take charge of determining the Company's financial and business policies, in the event of a Large-scale Purchase of the Company's shares that, when completed, will bring the ratio of voting rights of a specific group of shareholders to twenty percent (20%) or more, the Company understands that **the judgment as to whether or not to sell the Company's shares should be left to the Company's shareholders**. Based on this understanding, in the event a Large-scale Purchase is initiated, the Handling Policy aims to **provide the Company's shareholders with necessary and sufficient information thereby ensuring the opportunity for the Company's shareholders to consider and decide whether or not to sell the Company's shares more appropriately than otherwise possible**. Such information includes acquisition value, the effect of acquisition upon the Company's group, and post-acquisition management style and business plan, etc. as contemplated by a Large-scale Purchaser.

The Financial Instruments and Exchange Law has been revised in recent years to create rules to ensure that, when faced with Large-scale Purchases, shareholders have the necessary information and time to evaluate them. The Company proposes the Handling Policy in addition to the rules in the Financial Instruments and Exchange Law so that the Company's shareholders are able to consider and decide in a more appropriate manner than would otherwise be possible.

## 2. Outline of the Handling Policy

The Handling Policy requires a Large-scale Purchaser to comply with Large-scale Purchase Rules that prescribe **the provision of sufficient information** to the Board of Directors and **the establishment of a period of review of up to ninety (90) days** by the Board of Directors. Only where a Large-scale Purchaser fails to comply with these rules or where a Large-scale Purchase is judged as significantly damaging the Company's corporate value may countermeasures be taken after consulting an Independent Committee comprised of members who are independent of the Managing Directors of the Company for advice.

As described above, **the Handling Policy is essentially designed to secure and improve the common interests of the Company's shareholders especially through ensuring that the shareholders have the opportunity to consider and make decisions in a more appropriate manner than would otherwise be possible. The Handling Policy is never intended to target and prevent a Large-scale Purchase in itself, thereby depriving the Company's shareholders of any opportunity to sell the Company's shares.**

Furthermore, under the Handling Policy, the requirements to take countermeasures by the Board of Directors are provided in an objective manner. In addition, the Handling Policy provides that, upon the exercise of countermeasures, the Board of Directors shall respect, to the maximum extent possible, the judgment of the Independent Committee. Since these and other arrangements are in place to eliminate any arbitrary judgment by the officers of the Company, **countermeasures would not be exercised for the purpose of maintaining the position of the officers of the Company.**

For a detailed description of the Handling Policy, please refer to 3. "Details of the Handling Policy".

## 3. Details of the Handling Policy

The Handling Policy sets forth a handling policy for the Company to follow in the event of (i) the purchase of the Company's shares and other securities (Note 1) by a specific group of shareholders (Note 2), which is aimed at making the ratio of voting rights (Note 3) of the specific group of shareholders twenty percent (20%) or more, or (ii) the purchase of the Company's shares and other securities by a specific group of shareholders in which, as a consequence, the ratio of voting rights of the specific group of shareholders becomes twenty percent (20%) or more (the purchases set out in (i) or (ii) above do not include any purchase to which the Board of Directors has given consent in advance; the purchases set out in (i) or (ii) above are not limited to any specific type of purchase, such as market transactions or tender offers; herein, such a purchase is called a "Large-scale Purchase", and the person making such a purchase is called a "Large-scale Purchaser").

The Handling Policy fulfills all three (3) principles provided in the "Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests", which was released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005; namely, the principle of protecting and enhancing corporate value and shareholders' common interests, the principle of prior disclosure and shareholders' will, and the principle of ensuring the necessity and reasonableness of

defensive measures. The Handling Policy also conforms with the contents of the “Takeover Defense Measures in Light of Recent Environmental Changes” released by the Corporate Value Study Group, set up by the Ministry of Economy, Trade and Industry on June 30, 2008.

(1) Details of Large-scale Purchase Rules

(a) Provision of Necessary Information

The essential features of the “Large-scale Purchase Rules” as established by the Company are: (i) a Large-scale Purchaser shall provide the Board of Directors in advance with necessary and sufficient information for judgment by shareholders and forming of opinions by the Board of Directors (the “Necessary Information”); and (ii) a Large-scale Purchase can be commenced only after a certain period for assessment and review by the Board of Directors has elapsed.

Specifically, the Company will firstly have the Large-scale Purchaser submit to the Company’s Representative Director, prior to a commencement of a Large-scale Purchase, a written document clearly specifying the name, address, governing law of incorporation of the Large-scale Purchaser, name of the representative, domestic contact information, and details of the Large-scale Purchase to start, as well as the intention to follow the Large-scale Purchase Rules. Within ten (10) business days after receipt of such written document, the Company will issue to the Large-scale Purchaser a list of Necessary Information to be initially provided. If, upon reviewing in detail the information initially provided, such information is recognized as insufficient, the Board of Directors will request additional provision of information from the Large-scale Purchaser until the provision of Necessary Information is complete. The fact of a proposal of a Large-scale Purchase as well as the Necessary Information provided with the Board of Directors will, if deemed necessary for shareholders in making their judgment, be made public in whole or in part at the time the Board of Directors judges appropriate.

Specific details of Necessary Information vary depending on the attributes of the Large-scale Purchaser and the contents of a Large-scale Purchase, but information related to the following items shall be, as a general rule, included in the Necessary Information:

- (i) Brief overview of the Large-scale Purchaser and its group (including the specific name of the Large-scale Purchaser, contents of business, information on experience, etc. of the same type of business as the Company’s group, capital structure, and composition of finances);
- (ii) The purpose, method, and details of the Large-scale Purchase (including the amount and type of purchasing value, time of purchase, and legality of purchasing method);
- (iii) Whether or not there is any communication with a third party regarding the Large-scale Purchase, and if there is, the details thereof;
- (iv) Basis for calculation of the purchasing value of the Company’s shares and the proof of the purchasing fund (including the specific name and the method of financing by the provider of the purchasing fund (including the substantial provider));
- (v) Management policy, business plan, financial plan, capital policy, dividend policy and asset-utilization policy, etc. scheduled after completion of the Large-scale Purchase;
- (vi) Existence or nonexistence of any change scheduled after the completion of the Large-scale Purchase concerning the relationship between the Company’s group and the

Company's business partners, customers, clients, and employees as well as its contents; and

- (vii) If the Large-scale Purchaser operates the same type of business as the Company's group, views on legality from the perspective of antimonopoly law of Japan and competition laws of other relevant countries.

(b) Setting of the Period of Assessment and Review

Secondly, the Board of Directors considers that, upon completion of provision of the Necessary Information by the Large-scale Purchaser, sixty (60) days (in the case of the purchase of all of our shares by tender offer with cash-only (yen) consideration) or ninety (90) days (in the case of any other Large-scale Purchase), according to the degree of difficulty of assessment and review of the Large-scale Purchase, should be ensured as the period for assessment, review, negotiation, forming of opinions, and planning of alternative plans by the Board of Directors (the "Period of Assessment and Review by the Board of Directors"). Accordingly, a Large-scale Purchase shall commence only after the Period of Assessment and Review by the Board of Directors has elapsed. During this Period of Assessment and Review by the Board of Directors, the Board of Directors will sufficiently assess and review the Necessary Information while listening to opinions of independent outside professionals (professionals such as securities companies, investment banks, financial advisors, lawyers, certified public accountants and consultants), and will form and announce its opinions. Also, as is necessary, the Board of Directors may negotiate with the Large-scale Purchaser over the terms of the Large-scale Purchase and/or propose alternative plans to the Company's shareholders. As a result, shareholders will be able to review the proposals by the Large-scale Purchaser while referring to the opinions of the Board of Directors, and if alternative plans are proposed by the Board of Directors, a comparative review of such alternative plans and the proposals by the Large-scale Purchaser shall be possible, and an opportunity to make an appropriate decision in respect of eventual acceptance or non-acceptance will be provided.

(2) Establishment and Structure of the Independent Committee

The Independent Committee shall be established as an organ for eliminating arbitrary judgments and guaranteeing fairness in judgments by the Board of Directors regarding the operation of the Handling Policy.

With respect to a significant judgment regarding the execution of the Handling Policy, in principle the Board of Directors shall consult with the Independent Committee and, to the maximum extent possible, shall respect the advice thereof.

The consideration by the Independent Committee shall be made during the Period of Assessment and Review by the Board of Directors as described in Section (1)(b).

There shall be three (3) or more members of the Independent Committee, and to enable fair and neutral judgments, selection of the committee's members will be made from Outside Directors and Outside Audit & Supervisory Board Members of the Company who are independent of the Managing Directors, and outside professionals such as lawyers, certified public accountants, certified tax accountants, academic experts, and business experts having broad administrative experience. The brief overview of the Independent Committee is as described in Attachment 1. Also, four (4) persons described in Attachment 2 are going to be

appointed as the member of the Independent Committee as from the conclusion of the Annual Meeting of Shareholders.

(3) Handling in the Case of Implementation of a Large-scale Purchase (Please See the Overview Chart in Attachment 3)

(a) In the Case a Large-scale Purchaser Does not Comply with the Large-scale Purchase Rules

In the case a Large-scale Purchaser does not comply with the Large-scale Purchase Rules, the Board of Directors may, in order to protect the Company's corporate value and/or the common interests of the shareholders, take countermeasures that are permitted under the Corporate Law and other laws and the articles of incorporation, such as the issuance of stock acquisition rights, so as to resist the Large-scale Purchase.

Specific countermeasures shall be chosen by the Board of Directors as it judges as the most appropriate at the time, but a brief outline of stock acquisition rights in the case of the issuance of stock acquisition rights by the method of gratuitous allotment to shareholders is shown in Attachment 4.

(b) In the Case a Large-scale Purchaser Complies with the Large-scale Purchase Rules

If a Large-scale Purchaser complies with the Large-scale Purchase Rules, as a general rule, countermeasures against the Large-scale Purchase will not be taken. Whether or not to accept the purchasing proposal made by the Large-scale Purchaser shall be judged by the Company's shareholders in view of such purchasing proposal, opinions presented by the Company regarding such purchasing proposal, and alternative plans, etc. Even if a Large-scale Purchaser complies with the Large-scale Purchase Rules, however, in the event that such Large-scale Purchase is judged to be significantly damaging the Company's corporate value and/or the common interests of the shareholders, as described in Attachment 5, the Board of Directors may, based on the duty of care of a good manager, take measures as deemed appropriate for protecting the Company's corporate value and/or the common interests of the shareholders. Such action by the Board of Directors against a Large-scale Purchase is to be made for exceptional cases. In order to secure the objectivity and rational judgment, the Board of Directors will, based on the Necessary Information provided by the Large-scale Purchaser, make judgment upon reviewing such Large-scale Purchaser and the specific details of such Large-scale Purchase (such as the purpose, method, subject, amount and type of purchasing value) as well as the effects, etc. of such Large-scale Purchase upon the Company's corporate value and/or the common interests of the shareholders, while listening to opinions of independent outside professionals (professionals such as securities companies, investment banks, financial advisors, lawyers, certified public accountants and consultants) and also, to the maximum extent possible, respecting the advice of the Independent Committee.

(c) Cancellation, etc. of Exercise of Countermeasures

In the event that the board of directors judges that exercise of the countermeasure is not appropriate, such as in the case where, after the board of directors has resolved to take a countermeasure mentioned in (3)(a) above or an exceptional action mentioned in (3)(b) above, the Large-scale Purchaser retracts or changes its Large-scale Purchase, etc., the board of directors may, while respecting the advice of the Independent Committee to the maximum extent possible, cancel or change the exercise of the countermeasure.

For example, if, following a decision to issue stock acquisition rights by the method of gratuitous allotment to stockholders as a countermeasure and after confirming the stockholders who will receive such stock acquisition rights, the board of directors judges that exercise of the countermeasure is no longer appropriate, the board of directors may cancel the exercise of the countermeasure, as follows:

- (i) prior to the effective day of the issue of stock acquisition rights by the method of gratuitous allotment to stockholders, by cancelling the issue of stock acquisition rights, and
- (ii) during the period from the date of issue of acquisition rights by the method of gratuitous allotment to stockholders to the commencement of the exercise term of such stock acquisition rights, by our company acquiring such stock acquisition rights for no consideration.

(4) Resolution, etc. by the Board of Directors

The board of directors will finally resolve whether or not to take a countermeasure promptly after completion of the Period of Assessment and Review by the Board of Directors, and also, in the event that the board of directors makes cancellation, etc. of exercise of countermeasures as stated in (3)(c), it will immediately disclose the contents of the resolution.

(5) Effects on the Company's Shareholders and Investors

It is not to be assumed that, only due to introducing the Handling Policy or due to taking countermeasures, can there be a situation in which particular damage may be incurred by the shareholders (excluding any Large-scale Purchaser who does not comply with the Large-scale Purchase Rules) in either legal rights or economic impact; provided, however, that, for example, upon selecting the issue of stock acquisition rights by the method of gratuitous allotment to stockholders as a countermeasure, in the case that, after the stockholders who will receive stock acquisition rights by the method of gratuitous allotment to stockholders are confirmed, the issuance of stock acquisition rights is canceled, or the stock acquisition rights issued are acquired by our company for no consideration (please see (3)(c) above), dilution of the value per stock will not take place, and damage may be incurred due to fluctuations in the value of shares by our company's stockholders who have traded shares based on the assumption of a dilution of value per stock.

In the event that the Board of Directors decides to take specific countermeasures, such countermeasures will be disclosed appropriately from time to time in accordance with the laws and regulations of the financial instruments exchange.

(6) Effective Period of the Handling Policy, etc.

The effective period of the Handling Policy will be up to the conclusion of the Company's 139th annual shareholders' meeting to be held in June 2016, and in the case the Handling Policy continues after such point of time, it will be conditional upon authorization with the approval of a majority of the voting rights of the shareholders present at the Company's shareholders' meeting. Also, even before the expiration of the effective period of the Handling Policy, in the event of a resolution by the Board of Directors to end the Handling Policy from the viewpoint such as an improvement of the common interests of the shareholders, the Handling Policy will end at that point of time. In addition, the Board of Directors will review the Handling Policy as is necessary from the viewpoint such as an improvement of the common interests of the shareholders, in light of factors such as any amendment to related laws such as the Corporate Law, trends of legal judgment, and responses by the financial instruments exchange and other public institutions.

In the event of the end or a change to the Handling Policy, such matters and the details of any change (in the event of a change), as well as any other matters as acknowledged by the Board of Directors as appropriate will be promptly disclosed.

[End of Notification]

Note 1: Shares and other securities mean the shares and other securities as defined in Paragraph 1, Article 27-23 of the Financial Instruments and Exchange Law (the "FIEL").

Note 2: A specific group of shareholders means:

- (i) A holder (including a person deemed as a holder pursuant to Paragraph 3, Article 27-23 of the FIEL; hereinafter the same) of the Company's shares and other securities (defined in Paragraph 1, Article 27-23 of the FIEL) and any joint holders (defined in Paragraph 5, Article 27-23 of the FIEL, including a person deemed as a joint holder pursuant to the provision of Paragraph 6, Article 27-23 of the FIEL; hereinafter the same); or
- (ii) A person making a purchase and the like (defined in Paragraph 1, Article 27-2 of the FIEL, and includes any purchase made in a financial instruments exchange market) of the Company's shares and other securities (defined in Paragraph 1, Article 27-2 of the FIEL) and any specially related parties (defined in Paragraph 7, Article 27-2 of the FIEL).

Note 3: A ratio of voting rights means:

- (i) If the specific group of shareholders falls under (i) of Note 2, the share holding ratio (defined in Paragraph 4, Article 27-23 of the FIEL; the number of shares and other securities held by any joint holders (defined in the same paragraph) shall also be added); or
- (ii) If the specific group of shareholders falls under (ii) of Note 2, the sum of the share holding ratio (defined in Paragraph 8, Article 27-2 of the FIEL) of such Large-scale Purchaser and any specially related parties.

For calculation of the ratio of each voting right, the financial report, the quarterly report, or the treasury stock purchase report, whichever is submitted at a later date, may be referred to in deciding the total voting rights (defined in Paragraph 8, Article 27-2 of the FIEL) or the total number of outstanding shares (defined in Paragraph 4, Article 27-23 of the FIEL).

(Reference Information) The status of the Company's major shareholders is as described in "II. Matters Concerning Stock in the Company" on page 9 of the BUSINESS REPORT.



## Brief Overview of Independent Committee

### 1. Purpose

The Independent Committee has as its purposes the eliminating of any arbitrary judgment by the Board of Directors regarding the exercise, etc. of countermeasures against a Large-scale Purchase of the Company's shares and other securities, and the guaranteeing of fairness in such judgments.

### 2. Establishment and Members, etc.

- (1) The Independent Committee shall be established by a resolution of the Board of Directors.
- (2) There shall be three (3) or more members of the Independent Committee (the "Independent Members"), and such Independent Members shall be selected by the Board of Directors among the persons who satisfy any of the following conditions:
  - (i) Outside Directors or Outside Audit & Supervisory Board Members of the Company, who are independent of the Managing Directors; or
  - (ii) Outside professionals such as lawyers, certified public accountants, certified tax accountants, academic experts, and business experts having broad administrative experience, and who are independent of the Managing Directors.
- (3) The term of the Independent Members shall expire upon the conclusion of the annual meeting of shareholders for the last fiscal year which concludes within one (1) year after the selection of such members; provided, however, the Board of Directors may reappoint an Independent Member whose term has expired.

### 3. Convocation and Resolutions, etc. of the Independent Committee

- (1) The Independent Committee shall be convened by any Independent Member or the Board of Directors.
- (2) The chairman of the Independent Committee shall be elected by mutual election of each Independent Member.
- (3) In principle, resolutions of the Independent Committee shall be, with all the Independent Members attending, adopted by a majority of the Independent Members present; provided, however, that if there is any accident or other special circumstances affecting any of the Independent Members, such resolutions shall be, with a majority of all the Independent Members attending, adopted by a majority of the Independent Members present.

### 4. Matters to be Resolved by the Independent Committee

In cases where consulted by the Board of Directors, the Independent Committee shall adopt resolutions for the matters described below, and advise the contents of such resolutions and the reasons therefor to the Board of Directors:

- (1) Exercise or non-exercise of gratuitous allotment of stock acquisition rights as a countermeasure against a Large-scale Purchase;
- (2) Cancellation of gratuitous allotment of stock acquisition rights as a countermeasure against a Large-scale Purchase or acquisition of the said stock acquisition rights by the Company for no consideration;
- (3) Exercise or non-exercise of countermeasures other than gratuitous allotment of stock acquisition rights; and
- (4) Among other matters to be judged by the Board of Directors, the matters on which the Board of Directors consults the Independent Committee.

#### 5. Authority, etc. of Independent Committee

- (1) The Independent Members shall adopt the resolutions set forth in Article 4 above in consideration of whether such resolutions contribute to the Company's corporate value and/or the common interests of the Company's shareholders. The Independent members who have special interests regarding an agenda of the Independent Committee may not participate in the said resolutions, and the number of such Independent members shall be deducted from the quorum;
- (2) In cases where the Independent Committee judges that information provided by the Large-scale Purchaser is insufficient as the Necessary Information, the Independent Committee may request the provision of additional information by itself or through the Board of Directors;
- (3) Also, the Independent Committee may request from the Board of Directors (i) opinions about the Large-scale Purchase and any material which provides grounds for such opinions, (ii) in cases where the Board of Directors determines alternative plans, such alternative plans, and (iii) any other information or materials, etc. which are deemed to be necessary by the Independent Committee from time to time;
- (4) In order to collect sufficient information, the Independent Committee may require that the Board of Directors ensures the attendance of Directors, Audit & Supervisory Board Members, employees or any other person whose attendance is deemed to be necessary by the Independent Committee at Independent Committee meetings, and may request from such Directors, Audit & Supervisory Board Members, employees or other necessary persons opinions or explanations regarding the matters required by the Independent Committee; and
- (5) The Independent Committee may, in performing its duties, obtain advice from an independent third party (professionals such as securities companies, investment banks, financial advisors, lawyers, certified public accountants and consultants, etc.) at the expense of the Company, within a reasonable amount.

Names and Brief Personal Histories of Members of Independent Committee (Candidates)

Toshihiko Fukui

Date of Birth : September 7, 1935

|            |                                           |
|------------|-------------------------------------------|
| Apr., 1958 | Joined the Bank of Japan                  |
| Dec., 1994 | Deputy Governor of the above              |
| Mar., 2003 | Governor of the above                     |
| June, 2009 | Outside Director of the Company (to date) |

Hiroshi Komiyama

Date of Birth : December 15, 1944

|            |                                                                                                        |
|------------|--------------------------------------------------------------------------------------------------------|
| July, 1988 | Professor, School of Engineering, The University of Tokyo                                              |
| Apr., 2000 | Dean of the Graduate School of Engineering, Dean of the School of Engineering, The University of Tokyo |
| Apr., 2005 | President of National University Corporation, The University of Tokyo                                  |
| June, 2010 | Outside Director of the Company (to date)                                                              |

Masashi Kaneko

Date of Birth : March 2, 1939

|            |                                                                              |
|------------|------------------------------------------------------------------------------|
| Oct., 2001 | Representative Director, Chairman and President of Nikko Cordial Corporation |
| June, 2005 | Director and Chairman of the Board of Executive Officers of the above        |
| June, 2006 | Outside Director of the Company (to date)                                    |

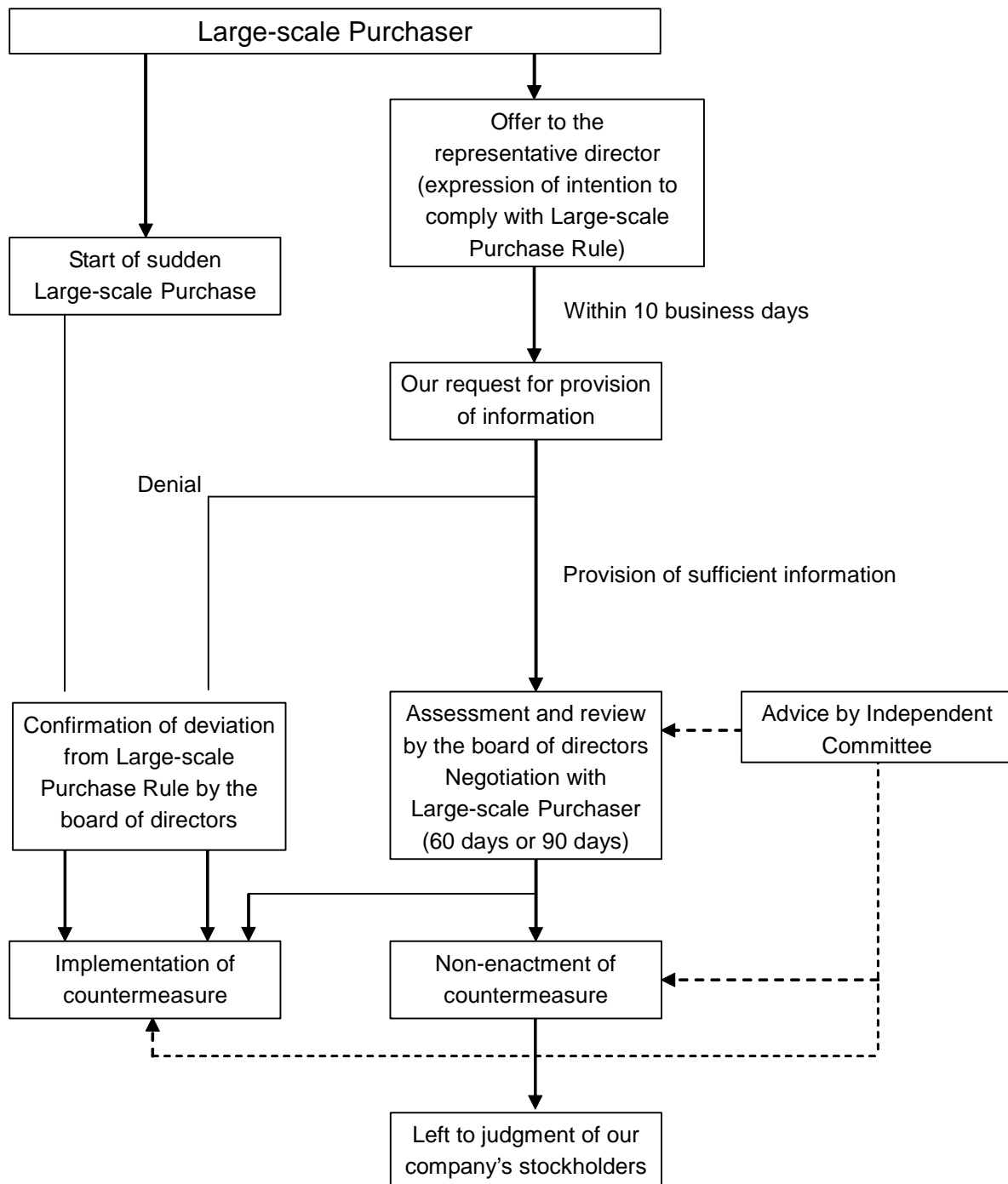
Tsuyoshi Miyazaki

Date of Birth : December 16, 1931

|            |                                                                           |
|------------|---------------------------------------------------------------------------|
| Mar., 1990 | Representative Director and President of Mitsubishi Logistics Corporation |
| June, 1998 | Representative Director and Chairman of the above                         |
| June, 2003 | Counselor of the above (to date)                                          |
| June, 2007 | Outside Director of the Company (to date)                                 |

Notes: Four Outside Directors of the Company -- Mr. Toshihiko Fukui, Mr. Hiroshi Komiyama, Mr. Masashi Kaneko and Mr. Tsuyoshi Miyazaki -- have been reported to the Tokyo Stock Exchange, Inc. etc. as Independent Directors.

Handling Policy for Large-scale Purchase: Overview Chart



(Note) The overview above is to facilitate the understanding of the contents of the Handling Policy. For details, please see the body of the text.

Brief Outline of Stock Acquisition Rights

1. Shareholders who are Entitled to Receive Stock Acquisition Rights and the Conditions for Issuance

Stock acquisition rights will be issued to the shareholders recorded in the shareholders registry as of the end of the allotment date, at the ratio as separately determined by the Board of Directors per share of common stock held by such shareholders (provided, however, that common stock held by the Company shall be excluded).

2. Type and Number of Shares That are the Object of Stock Acquisition Rights

The type of shares that are the object of stock acquisition rights shall be the common stock, and the total number of shares that are the object of stock acquisition rights will have an upper limit of 1,287 million shares; provided, however, that in the case the Company conducts a stock split, an issuance of shares by the method of gratuitous allotment to shareholders and stock consolidation, etc., required adjustment will be made.

3. Total Number of Stock Acquisition Rights to be Issued

The total number of the issue of stock acquisition rights will be the number as separately determined by the Board of Directors. The Board of Directors may issue stock acquisition rights not only once but multiple times.

4. Method of Issuance of Stock Acquisition Rights

The method will be the method of gratuitous allotment to shareholders.

5. Amount to be Paid upon Exercise of Each Stock Acquisition Right

Amount to be paid upon exercise of each stock acquisition right will be one (1) yen or more and as determined by the Board of Directors.

6. Restriction on Transfer of Stock Acquisition Rights

Transfer of stock acquisition rights will require approval by the Board of Directors.

7. Conditions for Exercise of Stock Acquisition Rights

As the conditions for exercise of stock acquisition rights, a condition such as a person who belongs to a specific group of shareholders whose ratio of voting rights is twenty percent (20%) or more cannot exercise the stock acquisition rights, etc., shall be provided. While the details shall be as separately determined by the Board of Directors, the holders of stock acquisition rights may be required separately to submit the Company's specified written document declaring, among others, that such holders are not Large-scale Purchasers.

8. Period of Exercise and Other

Period of exercise of stock acquisition rights and other necessary matters shall be as separately determined by the Board of Directors.

9. Stock Acquisition Rights with Acquisition Clause

The term that the Company may acquire stock acquisition rights in exchange for the shares or other assets (excluding cash) (acquisition term) may be established. While the details shall be as separately determined by the Board of Directors, a person who belongs to a specific group of shareholders whose ratio of voting rights is twenty percent (20%) or more may be disqualified as a holder of stock acquisition rights to be acquired; and the holders of stock acquisition rights may be required separately to submit the Company's specified written document declaring, among others, that such holders are not Large-scale Purchasers.

Cases Where a Large-scale Purchase is Judged as Significantly Damaging Our Corporate Value and/or the Common Interests of the Shareholders

For example, if it is recognized that any of the following cases are applicable, then in principle it is considered that the Company's corporate value and/or the common interests of the shareholders shall be significantly damaged.

1. In the case where it is judged that an acquisition of shares is being conducted for the purpose of only driving up the stock price to have those shares purchased by the Company's group (and its related persons) at a high price, whereas there is no intention of truly participating in the management of the Company's group (so-called "green mailer").
2. In the case where it is judged that an acquisition of our shares is being conducted for the purpose of so-called "scorched management" by, for example, temporarily controlling the management of the Company's group and having the intellectual property, know-how, confidential business information, main clients and customers, etc., which are necessary for the management of the Company or the Company's related companies, transferred to the Large-scale Purchaser or its group companies, etc.
3. In the case where it is judged that an acquisition of our shares is being conducted after controlling the management of the Company's group with the intention of taking our assets or the assets of the Company's related companies to the Large-scale Purchaser and its group companies, etc. for provision of their collateral or repayment.
4. In the case where it is judged that an acquisition of our shares is being conducted for the purpose of temporarily controlling the management of the Company's group and having the Company or the Company's related companies sell or otherwise dispose of expensive assets such as real property and valuable securities, and make temporary high dividends with the profit of disposal, or for the purpose of taking the opportunity of a rapid increase in stock prices due to temporary high dividends and selling our shares at a high price.
5. In the case where it is judged that the purchasing method of our shares as suggested by the Large-scale Purchaser may actually force the selling of our shares upon the Company's shareholders by restricting the opportunity or freedom of judgment by shareholders, such as a coercive two-tier purchase (refers to the purchase of shares such as a tender offer, in which the purchase of all the shares is not induced in the first stage of purchase, and the purchasing conditions in the second stage of purchase are set unfavorably, or not stated clearly) (provided, however, that a partial tender offer does not fall under this category by definition).
6. In the case where significant damage to the Company's corporate value and/or the common interests of shareholders is expected with reasonable grounds, as a result of a possible degradation of technology and production capabilities essential with regard to generating the Company's corporate value or relationships with our company's employees, business partners, customers, and people in the local community, or otherwise.