



Annual Review 2016

Year Ended March 31, 2016

ShinEtsu
Shin-Etsu Polymer Co., Ltd.

Profile

Shin-Etsu Polymer Co., Ltd. began operations in 1960 as a processor of polyvinyl chloride (PVC).

Since then, we have developed applications for our fundamental technologies involving materials and compounding, design, molding processes, and evaluation and analysis.

In accordance with the corporate mission statement of the Shin-Etsu Group, we strictly comply with all laws and regulations, conduct fair business practices, and contribute to people's daily lives as well as to the advance of industry and society by providing key materials and technologies. We meet the diverse needs of our customers in a wide range of fields, from automobiles and information devices to semiconductors and construction materials.

Technological Strengths as a Manufacturer of Molded Plastic Products

We meet diverse customer needs by consistently providing high-value-added products using a wide variety of sophisticated molding technologies based on our fundamental technologies for processing silicone and various plastics.

Ability to Meet Global Needs

With a sales and manufacturing network that extends to Europe, North America and Asia as well as throughout Japan, Shin-Etsu Polymer proposes optimal solutions for a broad array of customer needs amid rising global demand.



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Forward-Looking Statements

This annual review contains information about Shin-Etsu Polymer's current plans, strategies and other items not based on historical fact. These are forward-looking statements that involve risks and uncertainties. Actual results may differ significantly from those discussed in the forward-looking statements due to various factors in the Company's operating environment, including changes in economic and market conditions, foreign exchange rates and demand trends.

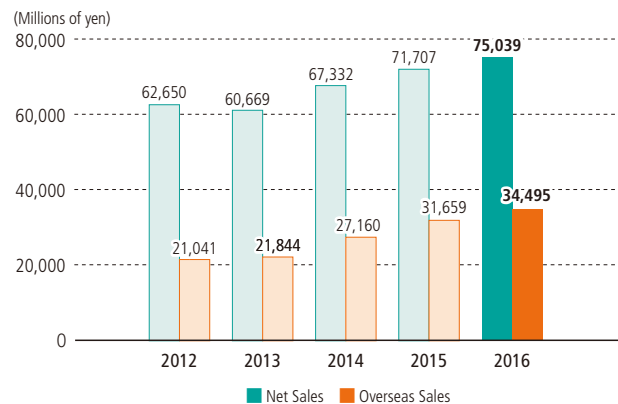
Note: All yen and dollar figures in this annual review have been rounded down to the nearest unit.

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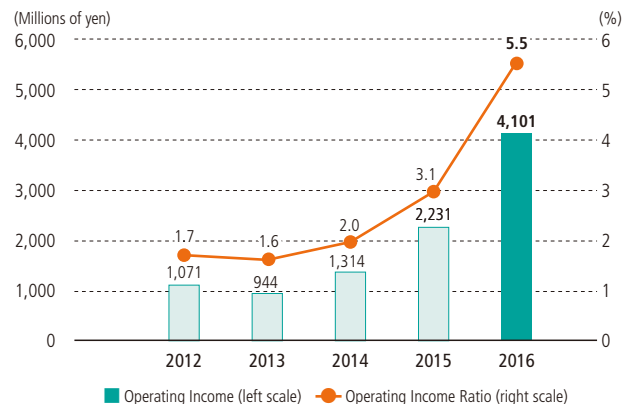
Financial Highlights

For the fiscal year ended March 31, 2016, there was steady growth in sales of automotive input devices and semiconductor-related containers, robust sales of OA device components, and greater profitability from PVC products. As a result, consolidated net sales increased 4.6% year on year to ¥75,039 million, operating income increased 83.8% to ¥4,101 million, and profit attributable to owners of parent increased 77.3% to ¥3,151 million, the third consecutive year of growth in sales and income. The fiscal year-end cash dividend per share was ¥4.50. Total cash dividends per share including the interim cash dividend were ¥9.00.

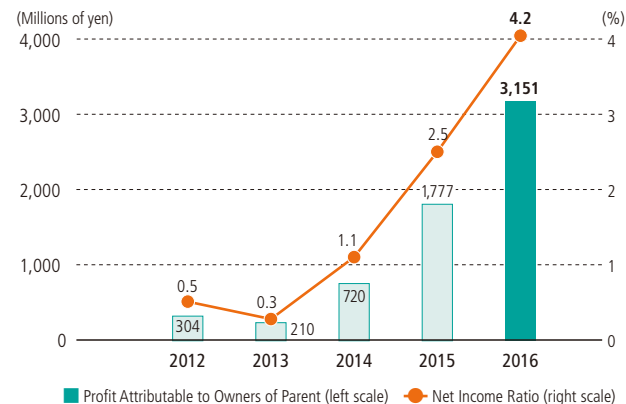
Net Sales and Overseas Sales



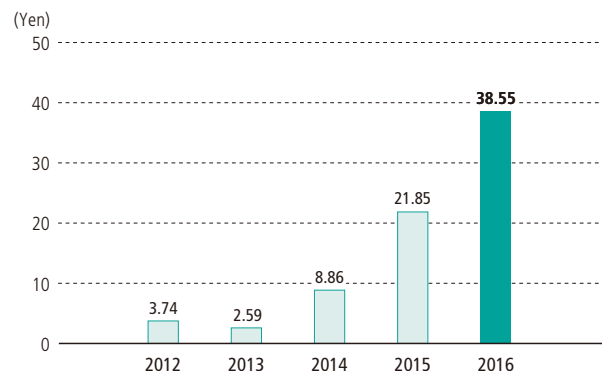
Operating Income and Operating Income Ratio



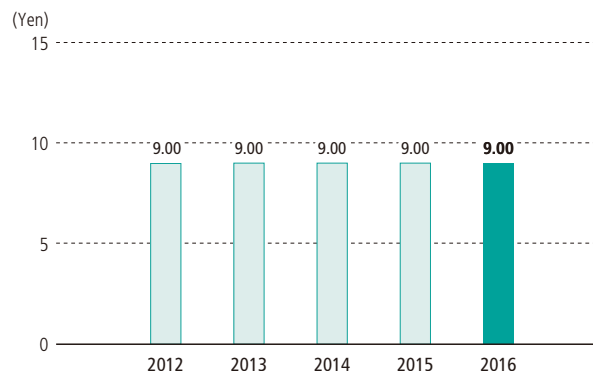
Profit Attributable to Owners of Parent and Net Income Ratio



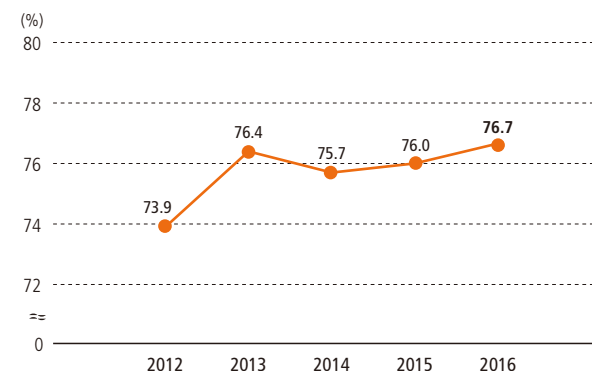
Net Income per Share



Cash Dividends per Share



Equity Ratio



We aim to achieve sustained growth by expanding our existing businesses and creating new businesses with an eye on the medium- to long-term.



Q How do you evaluate Shin-Etsu Polymer's performance over the past fiscal year?

Demand grew steadily in our core businesses, underpinning our third consecutive year of growth in sales and income. I believe last year was a very fruitful and positive year for the Company.

In the fiscal year ended March 31, 2016, we achieved growth in sales and income for the third consecutive year due to robust shipments, primarily of automotive input devices, semiconductor-related containers, and OA device components.

In the global economy, Europe and the United States generally built on their economic recoveries, while China and other Asian countries experienced slowdowns. Meanwhile, in Japan personal consumption and corporate earnings continued to improve. The greater use of electronic technology in automobiles and rising demand from the semiconductor industry provided a boost to the Shin-Etsu Polymer Group, as shipments of each core product increased steadily. Overseas sales increased 9.0% year on year, driven by an increase in sales of automotive key switches and touchpads for laptop computers, among other products. As a result, overseas sales now account for 46% of total sales.

In terms of profitability, operating income of the Electronic Devices and Precision Molding Products segments increased significantly, and overall we were also able to increase profits for potentially problematic PVC products thanks to lower raw material prices, among other factors. Coupled with positive foreign exchange rates, we were able to respond firmly to demand and tie this to business performance, making the year extremely successful overall.

Additionally, through the April 2014 reorganization to a business segment-based organization, we made further progress toward changing the mindset of the sales division. This enabled us to better identify customer needs from a company-wide perspective and to carry out proposal-based sales activities while ensuring closer collaboration between R&D and production divisions. Over the past two years, we have strengthened our three-pronged system of sales, development, and production, and turned the resulting synergies into positive results.

Q What are Shin-Etsu Polymer's strengths when it comes to responding to market changes? How do you plan on utilizing these strengths for the future growth and development of the Company?

Our strengths can be found in the track record we have built and the trust we have earned from our success in developing new technologies and new markets with our customers. The key to our strengths is speed in execution.

The products we carry are functional products rather than commodities. For many years, we have carefully responded to customer requirements and worked to develop products with performance tailored to customer needs. For example, in the automotive industry, cars undergo full model changes every three to four years. Therefore, the hurdle of new requirements must be cleared with each of these full model changes. Whether it is information devices or semiconductors, customer needs grow more sophisticated with each passing year and turn over at a much quicker pace. To fulfill these needs, sales, which is the contact point with customers, and R&D, which makes their requests a reality, must work closely together as one. The key to all of this is speed in execution.

It is important that we listen intently and carefully to our customers, determine what they need and how we can deliver it, and then take action as quickly as possible. The very best approach is to constantly improve the finished product and to communicate effectively with customers. Functional products see a great deal of change from a

technological standpoint and whether we can share information effectively with customers depends mostly on the relationships of trust that we build. Such relationships are not born overnight. I firmly believe that faithfully meeting the expectations of customers each and every time leads to the next opportunity.

Our strength is in precision molding and fabrication technologies. Our expertise and technology from many years of producing mobile phone parts are serving us quite well in various segments, including automotive key switches. In the future, we will continue to refine and deepen this expertise and technology.

Q What measures will you focus on in the year ending March 31, 2017 to maintain this growth momentum?

We will continue to increase sales and income. It is vital that we create new businesses for the next stage of our growth precisely when existing businesses are performing so well.

The business environment in the year ended March 31, 2016 was relatively strong, but the year ending March 31, 2017 appears to be more uncertain, particularly in the electrical and electric equipment,

and semiconductor industries. This coupled with foreign exchange rates means that we can expect a more difficult phase in the business cycle. This next year is critical for us. Despite the challenging environment, we will work toward achieving our fourth consecutive year of increases in sales and income, underpinned by the strengths of the Shin-Etsu Polymer Group.

Centered on our core products, we will expand our existing businesses and steadily increase profits. Over the next year, we will devote our attention to planting and cultivating new seeds for growth over the medium to long term. Specifically, among those peripheral markets utilizing our existing technologies, we are focusing on the growth fields of healthcare and cutting-edge electronic equipment. Our technological prowess in touchpads used for slim laptops and view control films has been highly evaluated.

In April 2016, we split the Technology & Production Unit into the Development Unit and Production Unit to clearly distinguish the mission and responsibility of each – for development divisions in paving the way for tomorrow and for production divisions in supporting today. Based on the results of the last two years, we will work toward creating a new three-pronged business structure that combines sales, development and production so

that we can quickly respond to the changing business environment.

As for overseas expansion, we plan to accelerate our efforts with an eye to the future. The Shin-Etsu Polymer Group's production bases are located close to the markets they serve and they are also highly competitive in terms of quality and supply. In February 2016, we established a new sales company in Vietnam, a country in which we plan to expand sales of OA device components, automotive key switches and functional compounds. We also recognize that India and Indonesia represent markets with great potential.

Q Do you have any message to add for shareholders and other investors?

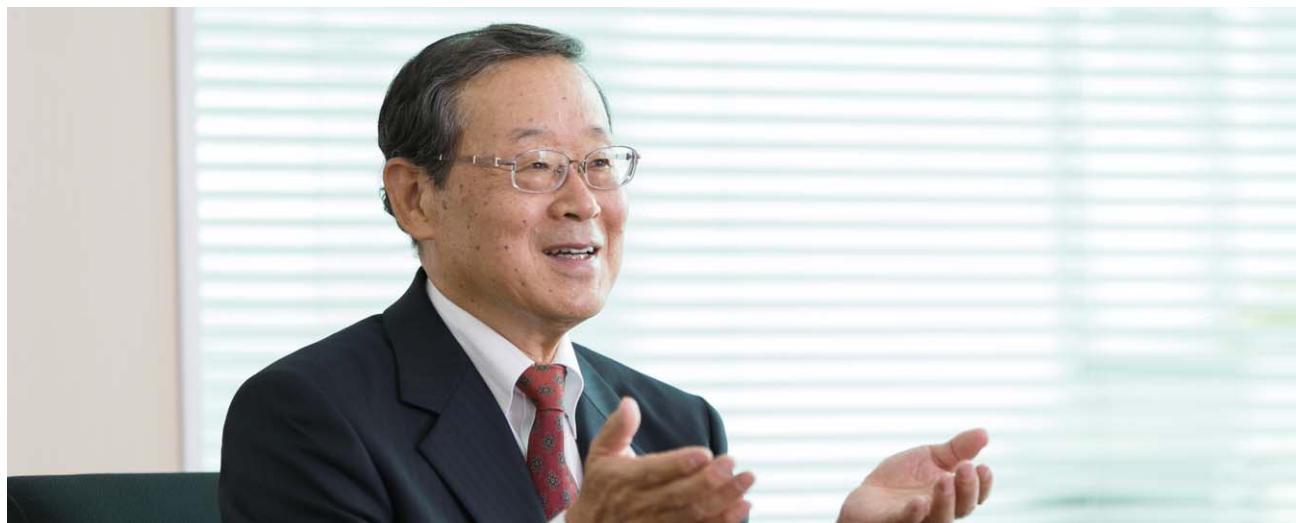
We will continue to provide stable dividends based on our business performance. We will also proactively invest in our future in order to achieve sustained growth.

We will continue to actively invest in sustainable growth and to strengthen our management base. This will include additional production facilities in India with an eye on increasing sales in Europe and bolstering our production and sales systems covering ASEAN markets. M&A represents one way to accelerate the speed of this growth. This requires timely decision-making based on an analysis of the synergies each deal brings in terms of production capacity, technical development, reinforced sales capabilities and new product development. Our goal is to achieve return on investment of between 5% and 10%.

As for shareholder returns, our fundamental policy is to continue offering a stable dividend with an eye on our vision for medium-term growth. Speaking on behalf of a group of companies dedicated to further enhancing corporate value, I ask for the continuing support and guidance of shareholders and investors.

July 2016

Yoshiaki Ono
Yoshiaki Ono
President



We are aiming to further strengthen and expand our existing overseas businesses in 12 countries around the world with an eye to addressing global market trends so that we can continually serve as the best partner to our progressive customers around the world.



Toru Takayama Director, General Manager, Office of International Business, Sales Unit

Over three decades serving customers

Trust and track record from an expanding global network

We started overseas business operations more than three decades ago. Since establishing our first sales base in California back in 1981, we have gradually expanded our locations outside of Japan to meet the needs of customers. Today, we have eleven sales bases (including branches and representative offices) in eight countries and six production bases in five countries. Our global activities are key to our sustained growth. To act in concert with the business expansion and projects of our customers, we have placed our locations close to the production bases of customers, which has helped us to build even closer relationships with customers.

Very few Japanese plastics manufacturers have overseas bases in major markets with both production and sales functions. For this reason, we play a major role in helping customers to raise the efficiency of their production system and lower logistics costs. The organizational restructuring of two years ago resulted in the establishment of the Office of International Business, which covers all overseas sales under the Sales Unit. This new system has enabled us to further promote efforts in growth markets. The aggressive work of our sales divisions has also increased the number of projects in which we help customers define product specifications from the design phase.

Highly experienced, globally minded human resources are key

Accelerating overseas expansion with highly experienced local staff

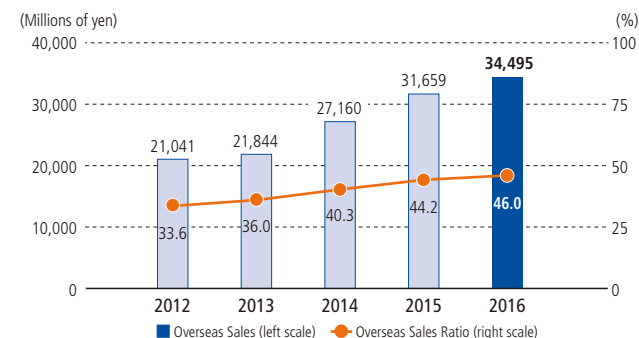
Over the past decade, we have accelerated our expansion into markets in Asia and ASEAN. In addition to establishing local subsidiaries in India (electronic device production), Thailand (sales) and Vietnam (sales) in 2008, 2014 and 2016, respectively, we set up a production company in Guangdong Province, China in 2011 to switch from outsourcing production to making products within our own facility. This facility has paved the way for our expansion in China.

Many of our employees have experience working internationally, including those in production and administration divisions, in addition to sales divisions. The fact that our people are keen to take on the challenge of working overseas has translated into a strength that underpins our overseas expansion. When introducing specialized production facilities, our people frequently travel to the location to provide technical guidance to local staff. Also, when setting up a new overseas location, managers from Japan are dispatched to assist, but highly experienced local staff well-versed in local conditions form the core of efforts. Our bases in the United States, Singapore and Hong Kong have grown to the point where they can take the lead in setting up new locations to meet the needs of customers. Moreover, sales divisions at our overseas locations cooperate globally to provide support to our global customers in a timely manner, which serves as another reason why progressive customers from around the world select us as their best partner.

Plans to augment production bases

Our base in India, which was established as a production base for electronic devices following similar facilities in Malaysia and China, plans to double production given the need to increase supply of in-vehicle key switches and other products bound for Europe. Similarly, plans are also on the table to augment facilities in China and Malaysia. In particular, in Malaysia we will introduce new facilities to produce in-vehicle key switches and rollers for printers at an existing factory, which will help us respond to growing demand from ASEAN and other markets. Furthermore, we are also examining the acquisition of land to construct new factories in preparation for future increases in demand.

Overseas Sales and Overseas Sales Ratio



Electronic Devices

Net Sales (YoY) **¥19.9 billion (+5.6%)**

Segment Overview

The Electronic Devices segment primarily operates in electronics-related fields, such as electronic input devices for automobiles and information terminals. It expanded sales to overseas markets early on, and leads the Company in overseas business, including production.

Shin-Etsu Polymer leverages fundamental technologies such as silicone rubber processing and combined processing of raw materials to provide products and services that meet the requirements of domestic and overseas automotive, mobile device, electronic components, and other manufacturers that operate globally.

Main Products

- Input devices
- Display-related devices
- Component-related products

Housing and Living Materials

Net Sales (YoY) **¥18.2 billion (-1.2%)**

Segment Overview

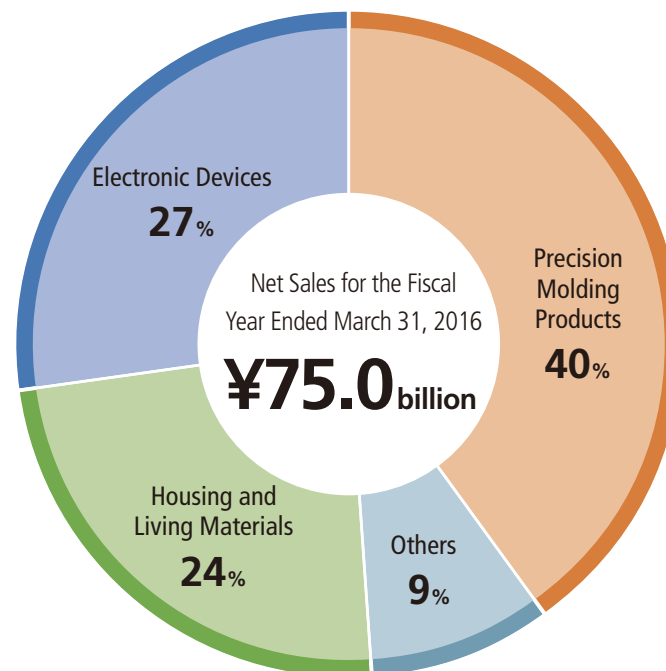
The Housing and Living Materials segment handles a wide variety of processed plastic products that use PVC resin as the main raw material. Products include residential construction materials, packaging materials for food products, and compound materials for molding products. Compound materials with high functionality are growing products increasingly used in power cable coverings and automobiles, and we aim to make them a stable source of earnings.

In Japan, growth in the housing market continues to be stagnant, but growth in the restaurant industry is robust. As a result, we are making steady progress with increasing profitability thanks to the effects of lower raw material costs, maintaining product price levels, and efforts to enhance our product lineup.

Main Products

- Wrapping films
- Plastic sheets
- Compounds
- PVC pipes and related products
- Exterior products

Percentage of Net Sales by Segment



Precision Molding Products

Net Sales (YoY) **¥30.4 billion (+6.1%)**

Segment Overview

The Precision Molding Products segment leverages Shin-Etsu Polymer's unique technologies to provide precision molding products in Japan and overseas, including shipping and carrying containers for semiconductor silicon wafers, materials for automatic mounting of electronic components, office automation (OA) device components made primarily from silicone rubber, and components for medical devices.

Shin-Etsu Polymer's advanced precision molding technologies and evaluation and analysis technologies are particular strengths of this segment. We have earned the trust of customers, and by ensuring steady supplies and cost-competitiveness with our flexible and quick production system, we provide services according to customer needs.

Main Products

- Semiconductor-related containers
- Carrier tapes
- OA device components
- Silicone rubber molded products

Others

Net Sales (YoY) **¥6.5 billion (+13.4%)**

Segment Overview

The Others segment involves construction businesses such as interior and exterior renovations of public and commercial facilities, and the development and sale of packaging materials for industrial use and food products.

In the construction business, we focus on commercial facilities such as supermarkets and restaurants, offering comprehensive services in which we are responsible for the entire process from planning to design, construction and after-sales service. In the development and sales business, we develop and sell trays for in-flight meals, industrial trays for carrying industrial components and products, and packaging and agricultural materials for fruit.

Main Products

- Design and construction of interiors and exteriors of retail stores and other buildings
- Other processed products

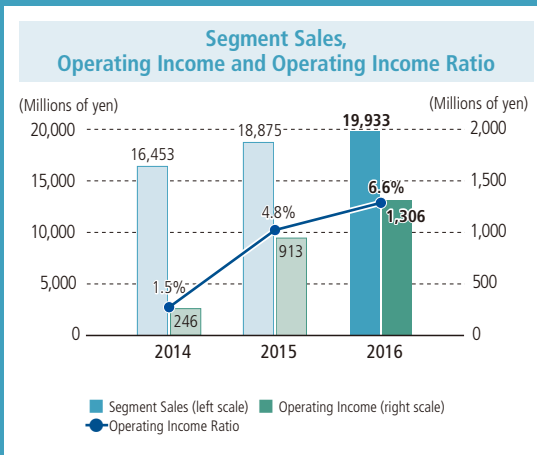
Electronic Devices

(Automobiles and Information Products)



POINTS

- Expanded input devices business overseas
- Focused on expanding sales of touchpads for slim laptop computers



Market Environment and Business Trends

In the automotive market, production was steady among Japanese manufacturers in North America and other regions, while demand for smartphones, tablets and other information devices also remained stable.

We are currently seeing growth in high-value-added products in response to customer needs for features such as high performance and ultra-thinness based on the high-definition printing, silicone rubber processing and other technologies in which we specialize and can display our competitive advantage. In working for the sustained growth of this business, we are also focusing on sales of touch input devices, centered on key switches, with an emphasis on automotive input devices, a growing market. In production, we started full-scale mass production at the new building No. 4 of our subsidiary Suzhou Shin-Etsu Polymer Co., Ltd. in Jiangsu Province, China, and we are continuing to make capital investments to add capacity and expand facilities at Shin-Etsu Polymer India Pvt. Ltd. (Tamil Nadu State, India), to prepare for increased production of input device components and other products.

Overview of Results for the Fiscal Year Ended March 31, 2016

In the Electronic Devices Segment, overall sales increased from the previous fiscal year and profits grew substantially as steady shipments of automotive input devices and other products continued.

In input devices, shipments of automotive key switches and touch switches expanded steadily reflecting the increasing use of electronic technology in automobiles. Shipments of slim notebook computer touchpads were also strong, driving overall sales upward. In display-related devices, shipments of LCD connectors were robust, but shipments of view control film (VCF) slowed for ATM applications. Sales of component-related products also were strong given demand for connectors used in the inspection of electronic components.

As a result, segment sales totaled ¥19,933 million, an increase of 5.6% year on year, and operating income was ¥1,306 million, an increase of 43.0%.



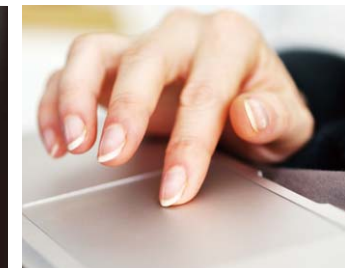
View control film (VCF)



Automobile steering switch



Automotive touch switch



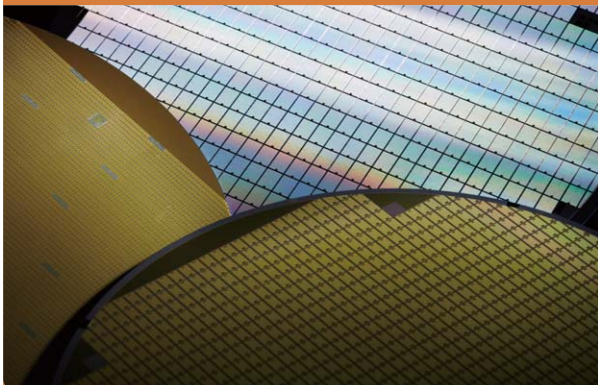
Personal computer touchpad

Technology and Development

We develop input device components that use the capacitance method based on high-definition printing technology. We also develop composite products made from dissimilar materials, such as resin and metal, based on silicone processing technologies. With an emphasis on these products, we are working to develop new demand in the automotive, mobile and home appliance markets.

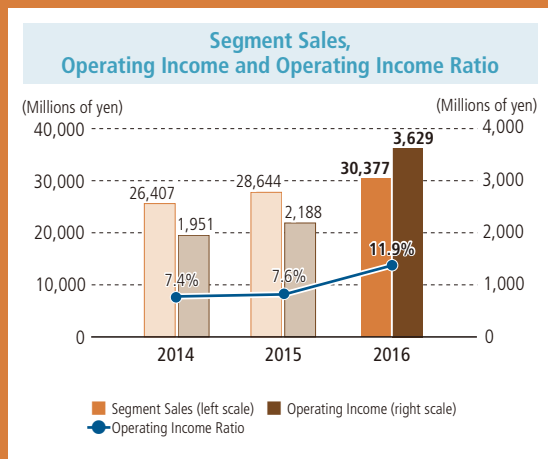
Precision Molding Products

(Office and Medical Equipment, Semiconductor and Electronic Components)



POINTS

- Improved differentiation and cost competitiveness with our proprietary compounding technology and high quality
- Strengthened production system in Japan and overseas to respond to changing demand trends for semiconductor and electronic components



Market Environment and Business Trends

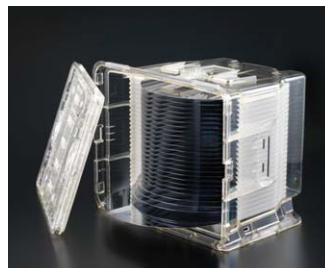
Semiconductor-related containers continued to see elevated demand underpinned by the growth of semiconductors for automobiles and mobile devices. A majority of the world's largest device manufacturers and wafer manufacturers are our customers, which has helped us to establish a leading share in the world market.

In the OA device market, demand for general-purpose printers slowed in emerging economies where growth was expected. In office applications, where demand is stable, durability and high functionality are needed. To meet these requirements, we are focusing efforts on further improving the quality and reinforcing cost competitiveness of our OA rollers.

As for carrier tape-related products, demand has remained stable from the electronic components industry, especially for our smartphone micro capacitors, which have established a strong reputation, so we are increasing production to keep pace with demand.

In terms of silicone rubber molded products, sales of high-precision tube products are increasing on the back of rising demand for medical equipment both in Japan and overseas.

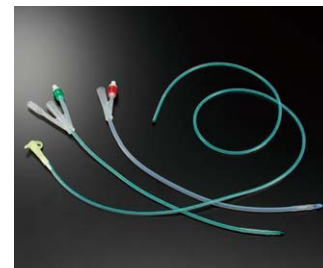
Additionally, we are proactively expanding sales of products aimed at various fields, including fireproof gaskets and carrying plates for electronic components.



Semiconductor-related containers (FOSB)



OA device components (OA rollers)



Medical catheters



Embossed carrier tape

Technology and Development

We are working on the development of carrying containers for next-generation wafers, including 450mm wafers, and carrier tapes in response to the miniaturization of semiconductor processes and the decreasing size of electronic equipment, based on our proprietary precision processing technologies and evaluation technologies. Additionally, in response to the shift toward high-speed, low-cost OA devices, we are developing OA device components to meet individual user requirements by applying silicone rubber processing technologies such as semiconductive technology and foaming technology.

Overview of Results for the Fiscal Year Ended March 31, 2016

In the Precision Molding Products segment, overall sales increased year on year, while profits grew significantly, amid steady shipments of semiconductor-related containers, OA device components, and carrier tapes.

In semiconductor-related containers, sales increased as shipments of core products were strong on the back of elevated demand from the semiconductor industry. As for OA device components, sales surpassed the previous year thanks to the recovery in shipments of products for major users. Sales of carrier tapes increased year on year amid brisk demand for electronic components used in automobiles and smartphones. Sales of silicone rubber molded products, also increased, thanks to stable shipments of mainstay medical-related and construction material products and other products.

As a result, segment sales totaled ¥30,377 million, an increase of 6.1% year on year, and operating income was ¥3,629 million, an increase of 65.9% over the previous year.

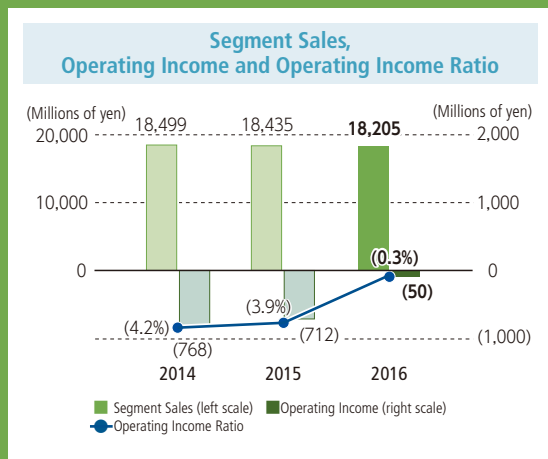
Housing and Living Materials

(Packaging, Industrial Materials and Construction Materials)



POINTS

- Expanded sales of living materials and construction materials using general-purpose resins in the domestic market
- In the plastic compounds business, began overseas expansion with increased production capacity for automotive products



Market Environment and Business Trends

Demand for wrapping films, our core product in the area of living materials, was robust in the restaurant industry, including at family restaurants and hotels. Our compounds are used as molding materials in fields as diverse as automobiles, electric wiring, home appliances and construction. Shipments of the highly slidable and high-performance compound "EXELAST®" are increasing, backed by favorable conditions in the automotive market. On the other hand, the prolonged slump in demand for PVC pipes, a core product in the area of construction materials, is persisting due to factors including weakness in new housing starts, in addition to shrinking public investment in Japan.

Various products in this segment use petrochemical products as a primary raw material. Consequently, fluctuations in market prices for crude oil and naphtha directly affect prices. In the fiscal year ended March 31, 2016, we were able to increase profitability by maintaining sales prices and as a result of lower raw material prices.

Overview of Results for the Fiscal Year Ended March 31, 2016

Sales in the Housing and Living Materials segment overall failed to grow significantly due to the slump in demand from markets and tougher price competition, but lower raw material costs and other rationalization helped us to increase profitability.

Sales of packaging materials such as wrapping films increased over the previous fiscal year driven by the steady increase in shipments to the restaurant industry, despite flat growth in shipments to supermarkets. Sales of PVC pipes decreased year on year amid the ongoing slump in order volume caused by the weakness in housing starts. Sales of functional compounds decreased over the previous fiscal year due to a slump in shipments for electric wiring, despite stable growth in shipments for automobiles. Sales of exterior products were slower amid the impact from a slump in demand and tougher price competition, among other causes.

As a result, segment sales totaled ¥18,205 million, a decrease of 1.2% from the previous fiscal year, and operating loss was ¥50 million, compared with an operating loss of ¥712 million for the previous fiscal year.



PVC pipes and related products



Wrapping films



"Pop Wrap"



Compounds



Self-fusing silicone rubber tape

Technology and Development

Our compounding, mixing, extrusion molding and calendar molding technologies have long been held in high regard as fundamental technologies for processed PVC products including PVC compounds, pipes and sheets. Additionally, we are developing products and cultivating demand for high-performance compounds with excellent sliding properties and sealing materials made from silicone materials for excellent workability. Thin-film membranes made from engineering plastics and conductive polymers offering conductivity and heat resistance were also added to the lineup for this segment.



Creating Themes That Deliver Value for Customers with Unique Technologies

The basis of the Shin-Etsu Polymer Group's research and development is to communicate closely with customers to needs, identify meet their potential needs and provide them with valuable products.

Our mission in R&D is to meet customer needs in a wide range of fields by applying core materials and compounding, design, molding processes, and evaluation and analysis technologies using silicone, plastics and conductive materials as key materials.

Precise, Rapid Development through Collaboration between the Sales Unit, the Production Unit and the Development Unit

The Technology & Production Unit was established in April 2014 to consolidate existing business development functions and new business development functions that had been dispersed regionally among production sites and business segments. This unit was then

restructured into the Development Unit and the Production Unit in April 2016. As a result, our research and development structure is now led by the Development Unit and focuses on both enhancing core technologies and establishing new technologies. Going forward, the Development Unit will work closely with the Sales Unit and Production Unit to uncover a wide range of customer needs even more precisely and to respond to them rapidly.

Targeting Growth Markets by Developing New Products Using Core Precision Molding and Other Technologies

We develop innovative products in a wide range of fields using our core precision miniaturization molding technology and functional resin compounding technology, which includes technology for conductive materials.

Our development activities include the creation of applications for conductive polymers, products related to fuel cells, functional films, and noise suppression products.

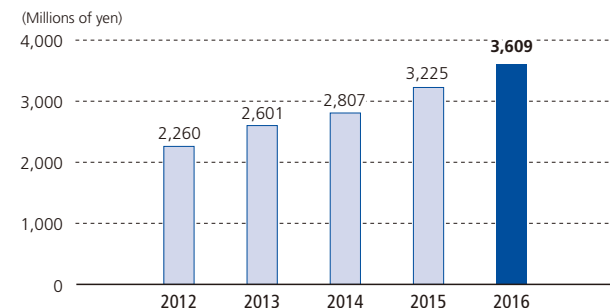
Intellectual Property Initiatives

Based on the recognition that patents, technological know-how and other such attributes are important management assets, the Intellectual Property Division sets intellectual property strategies for each of the Company's divisions, which have different business models, and is improving its management of intellectual property "offensively" and "defensively" to develop and support new markets and new customers. The Sales Unit, the Development Unit and the Production Unit work together to promote offensive use of intellectual property, such as strategic filing for and utilization of industrial property rights. Such active use of our intellectual property rights will secure a competitive edge in the market. At the same time, we use defensive strategies such as increasing our global research activities, conducting intellectual property life cycle management, and making use of intellectual property agreements based on respect for the rights of other companies. We also plan to enhance training and awareness building to further raise the level of our intellectual property activities.

The number of registered patents and other intellectual property assets of the Shin-Etsu Polymer Group as of March 31, 2016 and 2015 was as follows.

		As of March 31, 2016	As of March 31, 2015
Japan	Patents	968	969
	Utility models	6	5
	Industrial designs	88	89
	Trademarks	136	133
Foreign patents		519	523

Research and Development Expenses



Enhancing and Strengthening Corporate Governance

Basic Policy

[Basic Approach]

The Shin-Etsu Polymer Group recognizes that a fundamental premise of management is enhancing corporate value as a global corporation that is trusted by and meets the expectations of its shareholders and various other stakeholders.

Based on this fundamental awareness, the Shin-Etsu Polymer Group is working to enhance corporate governance through accurate decision-making and execution enabled by speeding up the decision-making process of management and by improving management transparency and internal control functions.

[Basic Policy]

1 Ensure the rights and equality of shareholders

We will respect the rights of shareholders, give consideration to the equality of all shareholders including minority shareholders and non-Japanese shareholders, and strive to provide an environment where shareholders can exercise their rights appropriately.

2 Cooperate appropriately with stakeholders other than shareholders

We will strive to cooperate with stakeholders other than shareholders for the sustained growth of the Company and the creation of corporate value over the medium to long term.

3 Carry out appropriate disclosure of information and ensure transparency

We will make appropriate disclosures under laws and regulations, and proactively disclose other information in an effort to provide users with information that is easy to understand and highly useful.

4 Duties of the Board of Directors

Based on its fiduciary responsibility to shareholders, we will strive to ensure the Board of Directors fulfills its roles and responsibilities in an appropriate manner.

5 Shareholder engagement

We will explain our management policy to shareholders in an easily understandable manner, make efforts to obtain their understanding, and strive to engage in constructive dialogue.

Corporate Governance System

Shin-Etsu Polymer has adopted the Audit & Supervisory Board system, and the Board of Directors and the Audit & Supervisory Board are the two institutions that supervise and audit business execution on multiple levels. The Company ensures functional and effective management supervision as well as neutral, objective audit functions by employing directors with excellent management skills who are specialists in business execution and outside directors with excellent supervision capabilities, and employing Audit & Supervisory Board members including outside members with outstanding auditing skills.

Management Decision-Making, and Business Execution and Supervision

The Board of Directors is responsible for important management decisions and appropriately supervises the directors in executing their duties. The Board of Directors is composed of 12 directors, two of whom are outside directors. The outside directors have deep experience and insight accumulated over many years, one as a corporate manager and the other as an accounting and tax specialist,

which allows for a comprehensive perspective in conducting objective and appropriate supervision of Shin-Etsu Polymer management.

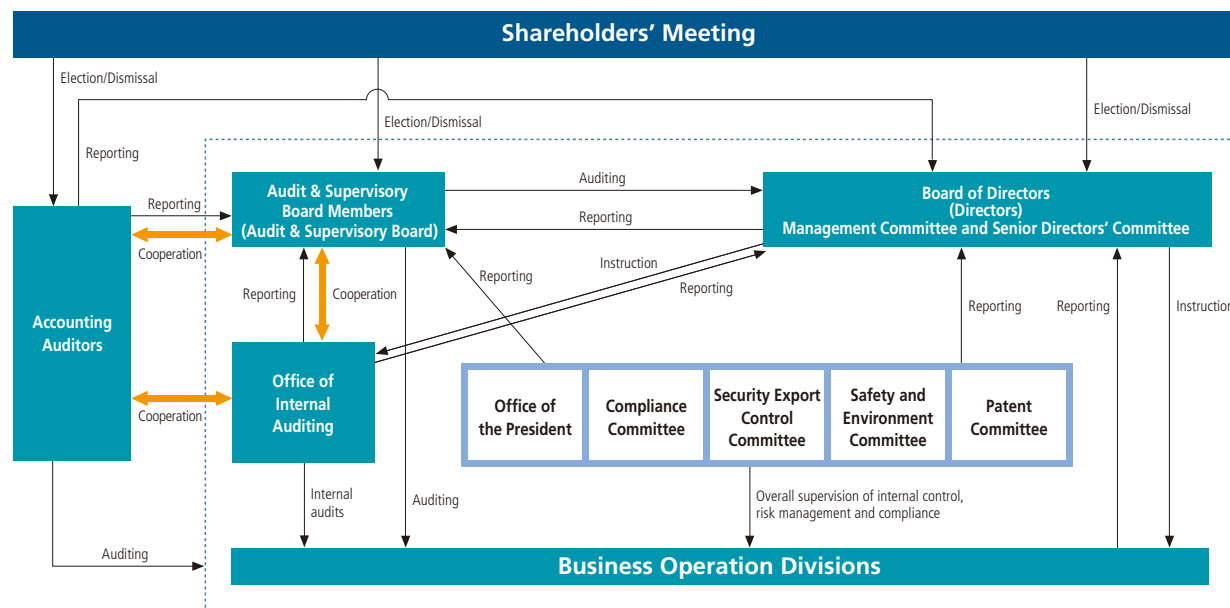
Audit System

Two of the three Audit & Supervisory Board members are from outside the Company. The Audit & Supervisory Board audits business execution from an independent perspective. Audit & Supervisory Board members fulfill their function of supervising management by attending Board of Directors meetings and other meetings, and also hold Audit & Supervisory Board meetings as necessary to report and discuss important auditing matters.

The Office of Internal Auditing audits the execution of management and operational mechanisms as well as work processes with respect to legality, rationality and efficiency.

Accounting auditors conduct quarterly reviews or audits of the Company's accounts and offer accounting advice when appropriate. We work to enhance audits by the Audit & Supervisory Board members, internal audits and accounting audits through the close exchange of information based on mutual cooperation and coordination.

Corporate Governance System



Relationship with the Parent Company

The major shareholder of Shin-Etsu Polymer is Shin-Etsu Chemical Co., Ltd., which owns 52.5% of Shin-Etsu Polymer shares issued and outstanding (excluding treasury stock). However, Shin-Etsu Polymer operates independently, deciding reasonable terms and conditions based on market prices for transactions with its parent company, including purchases of raw materials.

Upgrading and Operation of Risk Management, Internal Control and Compliance Systems

The Shin-Etsu Polymer Group believes that risk management is important for the sustainable growth of the Company. Accordingly, the Office of the President shares information on significant Group-wide risks and takes necessary measures such as preparing the Disaster Planning and Business Continuity Manual. Having positioned the building, operation and upgrading of an internal control system as a key management responsibility, we also regularly upgrade our internal control system to make it as relevant and efficient as possible.

In addition, as a member of society, the Shin-Etsu Polymer Group strives for thorough compliance and rejects any association with antisocial forces based on its belief that legal compliance and sincere conduct that respects the values and ethics society requires is essential to its trustworthiness.

Initiatives for Promoting Constructive Dialogue with Shareholders and Investors

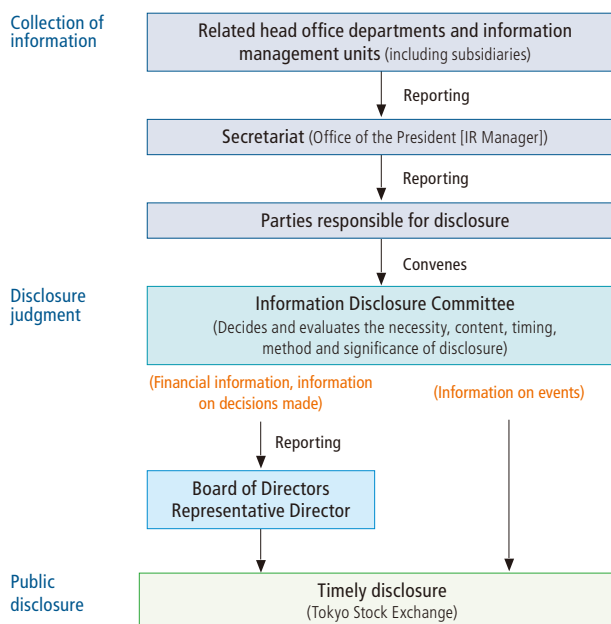
The Shin-Etsu Polymer Group is dedicated to consistently enhancing corporate governance and ensuring management transparency. We believe it is important for the Group to grow together with its shareholders. Therefore, we communicate proactively with shareholders and investors on a regular basis, and reflect the views and requests of shareholders in management in order to achieve sustainable growth and enhance the Group's corporate value over the medium to long term.

Regarding disclosure of information to shareholders and investors, we practice fair, timely and appropriate disclosure based on relevant laws concerning financial instrument transactions and Tokyo Stock Exchange regulations. In addition, we hold briefings for analysts, investors and the media when announcing financial results after the end of each fiscal year and interim period as an

opportunity to explain our operating conditions. We also use our website as a means to provide swift and fair information disclosure, providing information such as news releases, financial summaries, information meeting materials, annual reviews, notices of convocation of the General Meeting of Shareholders, and resolution notices. IR activities are supervised by the Office of the President, with individual meetings handled by the Manager of the Office of the President and the IR Manager. Opinions and comments received through individual meetings are reported to the appropriate directors and related departments.

As part of our information disclosure system, we have set Information Disclosure Rules and established the Information Disclosure Committee based on our Information Disclosure Policy, and promote awareness of them throughout the Company. Committed to flexible and rapid information disclosure, we have also created a system of cooperation centering on the IR Manager and PR Manager in the Office of the President, the Accounting & Finance Department and the Legal Department, and others responsible for disclosure.

Information Disclosure System



Officers (As of June 28, 2016)

Chairman

Osamu Hiura

President

Yoshiaki Ono

Executive Director

Hiroshi Kosaki In charge of Sales, Development and Production

Senior Director

Tadahiko Koike General Manager, Administrative Unit

Toshiaki Deto General Manager, Sales Unit

Directors

Kenjiro Hata*

Shigemichi Todoroki*

Yutaka Kawamura In charge of Environment Control & Safety; General Manager, Office of the President

Toru Takayama General Manager, Office of International Business, Sales Unit

Mikio Furukawa General Manager, Sales & Marketing Division III, Sales Unit

Satoru Sugano General Manager, Development Unit

Yasushi Shibata General Manager, Human Resources Department, Administrative Unit

Full-Time Audit & Supervisory Board Members

Tetsuo Ogawa

Suichi Noguchi**

Audit & Supervisory Board Member

Sachihito Hosogi**

*Outside director

**Outside Audit & Supervisory Board member

Basic Environmental Policy

Guiding Philosophy

With the recognition that environmental conservation is one of management's most important tasks, the Shin-Etsu Polymer Group will actively involve itself in efforts to establish a sustainable, resource-recycling economy and society by fulfilling its related responsibilities to society.

Basic Approach

The Shin-Etsu Polymer Group considers the supply of products that contribute to environmental conservation as an important task in fulfilling its responsibilities to society as a processing company, based on its corporate philosophy. Every three years we establish new mid-term targets for the environment and make active efforts toward them using our Company-wide Green Activities, which include understanding and improving environmental performance and operation of our ISO 14001 certified environmental management system.

The fiscal year ended March 31, 2016 was the initial year of the 5th Mid-term Target of Green Activities. We established goals for environmental contributions for the very first time, complementing our existing goals for energy saving, effective use of resources, and environmental impact reduction. We have also established a plan to double the number of "environmentally friendly and contributing products" by the fiscal year ending March 31, 2018.

The Shin-Etsu Polymer Group's Sustainability Report 2015, covering our initiatives for society and the environment, received an excellence award (Environmental Communication Awards 2015 Head Judge's Prize) at the Environmental Communication Awards 2015 organized by Japan's Ministry of the Environment and the Global Environmental Forum. The report was chosen for this distinction because of its communication with stakeholders.

Please visit the following websites for more details.

- Environmental initiatives

<http://www.shinpoly.co.jp/english/environment/>

- Sustainability Report

<http://www.shinpoly.co.jp/english/environment/report/>

Initiatives for Environmentally Friendly and Contributing Products

The Shin-Etsu Polymer Group strives to develop products that help to mitigate environmental impact in accordance with its Basic Environmental Policy. Our environmentally friendly and contributing products refer to both new and existing products that help to solve the challenges customers face. These products are certified and called environmental friendly and contributing based on a seven-point evaluation including effective use of resources and energy savings, after confirming that society and the environment really require them.

We have also added the concept of ecology to quality, cost and delivery to ensure that our products help to lessen environmental impact, from raw materials procurement to manufacture, use, and final disposal.



Representative environmentally friendly and contributing product

EXELAST® – a highly slidable compound is now being used in more solutions to save energy and promote the effective use of resources.

Concepts for Reduction of Environmental Impact



- 1 Effective use of resources
- 2 Energy saving
- 3 Waste reduction
- 4 Recycling
- 5 Environmental pollutants
- 6 Safety
- 7 Biodiversity conservation

Initiatives for Employees

Recognizing that safety and environmental conservation form the basis of all companies, the Shin-Etsu Polymer Group aspires to eliminate all occupational injuries and environmental accidents, and actively implements activities for creating people- and environmentally friendly work places. We are also committed to providing support for work-life balance and creating a work environment where employees are healthy and can develop professionally.

Respect for Human Rights

The Shin-Etsu Polymer Group takes measures to eliminate discrimination based on respect for fundamental human rights. Additionally, we prohibit child labor and forced labor at all Group companies in every country and region, in accordance with labor laws and international norms.

Human Resource System and Career Development Support

The Shin-Etsu Polymer Group has established a human resource system that values employees who tackle challenges and achieve results, while also focusing on the process used to achieve these results. Ordinary employees are evaluated based on the growth of competencies (special actions taken by all people who achieve consistently excellent results in their job duties) directly related to their performance, while managers are evaluated based on their ability to fulfill their responsibilities and the process they used to achieve these objectives.

Our group companies in Japan also have an Employee Assistance Program (EAP) in place to support the mental and physical health of employees and their families, including childcare and nursing care leave programs. Consultation hotlines staffed by professionals are also available to employees.

Eleven-Year Summary (For the years ended March 31, 2006 through 2016)

	Millions of yen											Thousands of U.S. dollars ¹
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2016
Operating Performance (For the year):												
Net sales	¥ 75,039	¥ 71,707	¥ 67,332	¥ 60,669	¥ 62,650	¥ 70,469	¥ 70,181	¥ 84,739	¥ 105,799	¥ 107,784	¥ 97,942	\$ 664,061
New segments ²												
Electronic Devices	19,933	18,875	16,453	15,103	16,935	22,258	25,370	—	—	—	—	176,398
Precision Molding Products	30,377	28,644	26,407	22,329	23,270	25,141	22,925	—	—	—	—	268,823
Housing and Living Materials	18,205	18,435	18,499	17,427	17,273	17,818	16,847	—	—	—	—	161,106
Others	6,522	5,753	5,971	5,808	5,170	5,250	5,038	—	—	—	—	57,716
Old segments												
Electronics and Functional Products	—	—	—	—	—	—	36,502	45,994	57,249	63,390	57,962	—
Packaging Products	—	—	—	—	—	—	24,142	26,739	35,607	30,255	25,701	—
Construction Materials and Constructing	—	—	—	—	—	—	9,537	12,005	12,942	14,138	14,278	—
Overseas sales	34,495	31,660	27,160	21,844	21,041	25,511	25,468	33,864	44,954	52,202	43,615	305,265
Gross profit	20,896	18,534	16,582	15,028	15,081	18,466	17,168	17,708	26,978	29,623	26,059	184,920
Operating income	4,101	2,231	1,314	944	1,071	3,385	2,457	1,359	9,482	11,854	9,788	36,292
Ordinary income ³	4,532	2,865	1,662	1,291	1,248	3,054	2,816	1,263	9,296	12,063	10,531	40,106
Profit attributable to owners of parent	3,151	1,777	720	210	304	1,224	916	(200)	5,415	8,133	6,798	27,884
Comprehensive income (loss)	226	4,544	5,869	3,059	(877)	(1,461)	—	—	—	—	—	2,000
Capital expenditure	4,424	3,877	2,571	3,015	2,175	2,303	921	2,522	7,597	4,677	5,608	39,150
R&D expenses	3,609	3,225	2,807	2,601	2,260	2,581	2,519	2,699	2,788	2,702	2,450	31,938
Financial Condition (At year-end):												
Total assets	¥ 92,845	¥ 93,889	¥ 88,644	¥ 81,342	¥ 81,017	¥ 81,326	¥ 85,628	¥ 85,914	¥ 103,388	¥ 104,661	¥ 96,756	\$ 821,637
Total net assets ³	71,253	72,250	68,088	63,020	60,749	62,710	64,800	63,213	70,903	66,478	57,769	630,557
Net working capital ⁴	49,917	49,798	46,092	41,745	39,810	40,057	39,831	36,169	40,267	38,447	30,458	441,743
Cash Flows:												
Cash flows from operating activities	¥ 7,682	¥ 4,656	¥ 4,373	¥ 3,106	¥ 5,252	¥ 7,505	¥ 8,806	¥ 4,412	¥ 3,130	¥ 13,585	¥ 10,499	\$ 67,982
Cash flows from investing activities	(4,768)	(1,572)	(3,036)	(3,286)	(2,789)	(3,113)	(949)	(2,798)	(7,453)	(4,847)	(7,608)	(42,194)
Free cash flow ⁵	2,914	3,084	1,337	(180)	2,463	4,392	7,856	1,613	(4,322)	8,738	2,891	25,787
Cash flows from financing activities	(1,179)	(604)	(745)	(732)	(981)	(2,526)	4,805	482	(1,836)	(4,184)	(866)	(10,433)
Per Share Data:												
	Yen											U.S. dollars ¹
Net income (loss)	¥ 38.55	¥ 21.85	¥ 8.86	¥ 2.59	¥ 3.74	¥ 15.06	¥ 11.28	¥ (2.47)	¥ 66.64	¥ 100.25	¥ 83.63	\$ 0.34
Net assets	870.12	874.65	826.10	764.26	736.45	758.67	785.10	776.38	860.67	809.62	706.06	7.70
Cash dividend	9.00	9.00	9.00	9.00	9.00	12.00	9.00	12.00	15.00	15.00	12.00	0.07
Financial Ratios:												
	% (Except interest coverage ratio)											
Return on equity (ROE) ⁶	4.4	2.6	1.1	0.3	0.5	2.0	1.5	—	8.0	13.2	12.7	
Return on assets (ROA) ^{7,9}	4.9	3.1	2.0	1.6	1.5	3.7	3.3	1.3	8.9	12.0	11.3	
Equity ratio	76.7	76.0	75.7	76.4	73.9	75.8	74.5	72.5	67.7	62.8	59.2	
Interest coverage ratio (Times) ⁸	283.2	150.5	133.8	91.8	152.8	77.2	64.0	60.4	33.4	78.4	75.7	

- Notes: 1. U.S. dollar amounts are included solely for the convenience of readers, using the conversion rate of ¥113 per US\$1 prevailing on March 31, 2016.
2. Segment classification under net sales has been changed from the year ended March 31, 2011 due to the application of new accounting standards for reportable segments. Segment information for the previous fiscal year has been restated accordingly to allow year-on-year comparison.
3. Total net assets are presented as of the year ended March 31, 2007 to conform to revised Japanese accounting standards. Data for the years ended March 31, 2006 have been restated in conformity with the revised standards.
4. Net working capital = Current assets - Current liabilities
5. Free cash flow = Cash flows from operating activities + Cash flows from investing activities
6. ROE = Profit attributable to owners of parent / Total net assets (average of beginning and end of term balances)
7. ROA = Ordinary income / Total assets (average of beginning and end of term balances)
8. Interest coverage ratio = Cash flows from operating activities / Interest payment
9. In the fiscal year ended March 31, 2015, "loss on retirement of noncurrent assets" was reclassified from extraordinary loss to non-operating expenses. Ordinary income and return on assets for the fiscal year ended March 31, 2014 have been restated to reflect this change.

Management's Discussion and Analysis

Operating Results

Net Sales

During the fiscal year ended March 31, 2016, global economic conditions were largely positive as the United States saw a sustained recovery, including more robust personal consumption, and Europe, too, witnessed a moderate recovery, despite strengths and weaknesses in individual countries in the region. In Asia, however, there was a slowdown in China's economy and sluggish economic growth in ASEAN. In Japan, corporate earnings continued to improve and personal consumption also remained firm, ensuring the gradual economic recovery continued, despite rising import costs caused by the depreciation of the yen.

In the markets served by the Group, demand remained strong from the automotive, semiconductor, and office automation equipment segments.

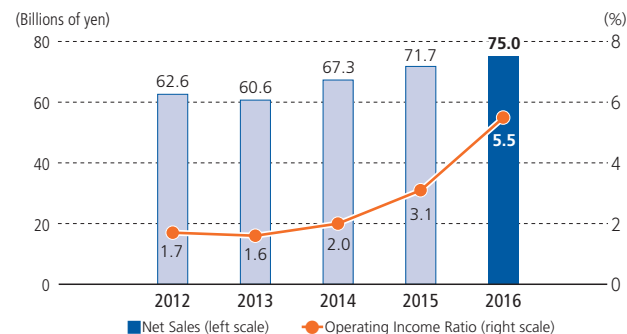
In this operating environment, the Group continued to expand its sales activities focused on increasing sales of growth products in Japan and overseas. In production, the Group actively carried out capital expenditures aimed at increasing capacity, raising production efficiencies and enhancing quality.

As a result, net sales for the fiscal year ended March 31, 2016 increased ¥3,331 million, or 4.6%, year on year to ¥75,039 million.

Operating Income

Operating income increased ¥1,869 million, or 83.8%, year on year to ¥4,101 million. This increase is attributable to increased profits on automotive products in the Electronic Devices segment and on OA device components and semiconductor-related containers in the Precision Molding Products segment.

Net Sales and Operating Income Ratio



Net Non-Operating Income

Net non-operating income was ¥431 million, compared with ¥634 million in the previous fiscal year, because interest income and foreign exchange gains exceeded loss on retirement of non-current assets.

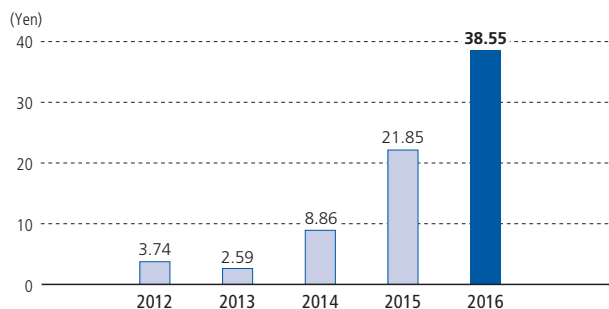
Net Extraordinary Income (Loss)

Net extraordinary loss was ¥158 million, compared with ¥479 million in the previous fiscal year, due to the booking of impairment losses.

Profit Attributable to Owners of Parent

Profit attributable to owners of parent increased ¥1,373 million, or 77.3%, year on year to ¥3,151 million. Net income per share was ¥38.55, compared with ¥21.85 in the previous fiscal year.

Net Income per Share



Fundamental Policy for Distribution of Profits

The Company regards shareholder returns as one of its most important management issues. The Company's fundamental policy is to continue providing stable dividends based on business performance, while also securing internal reserves for research and development and manufacturing facility investments as well as to ensure financial soundness, with the goal of enhancing our management foundation and improving corporate value through sustained growth.

In the fiscal year ended March 31, 2016, the Company paid cash dividends per share of ¥9.00 based on our fundamental policy, as well as a comprehensive view of business performance and future business expansion. We will continue our efforts to provide stable and increasing dividends.

Cash Flows

Cash and cash equivalents (hereafter "cash") as of March 31, 2016 increased ¥554 million from the end of the previous fiscal year to ¥35,377 million. Cash flows by business activity and the factors that influenced them are as follows.

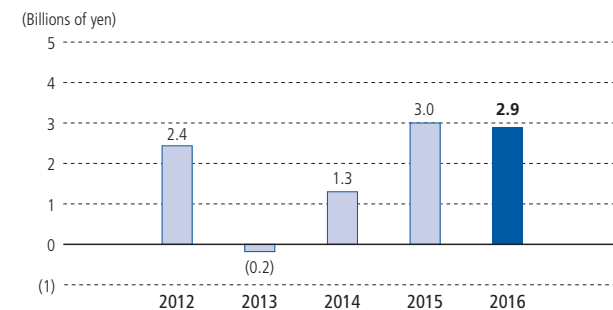
Net Cash Provided by Operating Activities

Net cash provided by operating activities was ¥7,682 million, an increase of ¥3,025 million compared with the previous fiscal year. Factors providing cash included income before income taxes of ¥4,373 million, depreciation and amortization of ¥3,315 million, losses on retirement of noncurrent assets of ¥351 million, and a decrease in notes and accounts receivable of ¥438 million. Factors using cash included ¥884 million in payment of income taxes, a ¥458 million decrease in notes and accounts payable, and an increase in inventories of ¥214 million.

Net Cash Used in Investing Activities

Net cash used in investing activities was ¥4,768 million, an increase of ¥3,195 million compared with the previous fiscal year, due to payments of ¥3,985 million for the purchase of property, plant and equipment, and an increase in time deposits of ¥882 million. Free cash flow was ¥2,914 million, compared with ¥3,084 million in the previous fiscal year.

Free Cash Flow



Management's Discussion and Analysis

Net Cash Used in Financing Activities

Net cash used in financing activities was ¥1,179 million, an increase of ¥574 million compared with the previous fiscal year. This was attributable to factors including cash dividends paid of ¥733 million and the acquisition of the stock of subsidiaries unrelated to changes in the scope of consolidation amounting to ¥578 million.

Financial Position

Assets

Total assets as of March 31, 2016 decreased ¥1,043 million from the end of the previous fiscal year to ¥92,845 million. Factors included increases of ¥1,392 million in cash and deposits and ¥1,112 million in current assets – other, which were offset by decreases of ¥2,013 million in notes and accounts receivable – trade, ¥874 million in machinery, equipment and vehicles, net, and ¥638 million in buildings and structures, net.

Liabilities

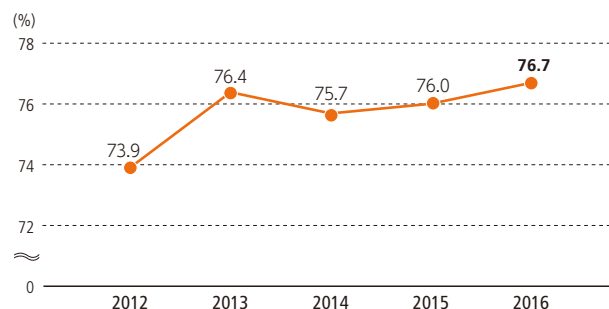
Total liabilities decreased ¥46 million from the end of the previous fiscal year to ¥21,592 million. This reflects increases of ¥374 million in income taxes payable, ¥257 million in accrued expenses, and ¥219 million in accounts payable – other, which were partially offset by decreases of ¥716 million in notes and accounts payable - trade and ¥212 million in noncurrent liabilities - other.

Net Assets

Total net assets decreased ¥996 million from the end of the previous fiscal year to ¥71,253 million. This was primarily due to decreases of ¥2,751 million in foreign currency translation adjustments and ¥836 million in non-controlling interests, which offset the increase of ¥2,345 million in retained earnings.

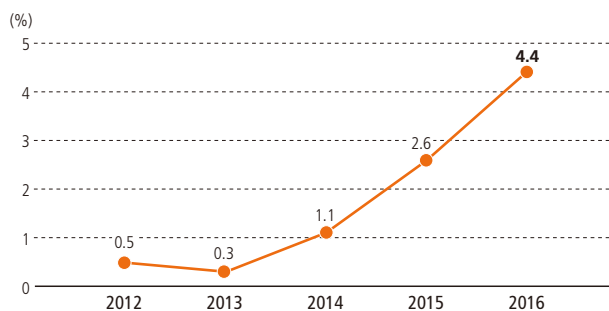
The equity ratio increased 0.7 percentage points from the end of the previous fiscal year to 76.7%.

Equity Ratio



Return on equity (ROE) increased 1.8 percentage points from the previous fiscal year to 4.4%.

Return on Equity (ROE)

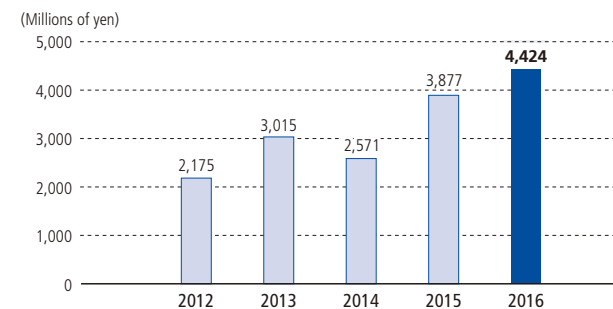


Capital Expenditures

The Shin-Etsu Polymer Group makes investments with a focus on products and business with good long-term growth potential, as well as for labor-saving and rationalization. In the fiscal year ended March 31, 2016, the Group focused on capital expenditures to invest in additional manufacturing facilities for new products such as touch input devices in the Electronic Devices segment, and to expand manufacturing facilities for carrier tapes and semiconductor-related containers in the Precision Molding Products segment.

As a result, capital expenditures totaled ¥4,424 million. This included ¥2,209 million in the Electronic Devices segment, ¥1,469 million in the Precision Molding Products segment, and ¥343 million in the Housing and Living Materials segment.

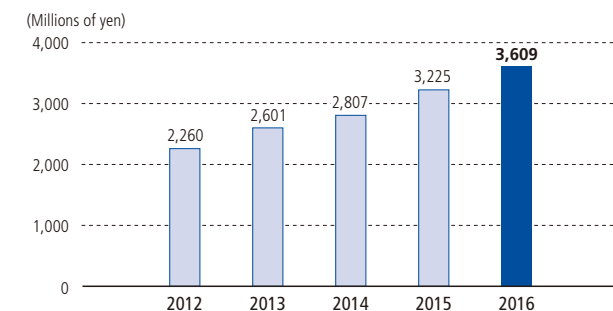
Capital Expenditures



Research and Development

In the fiscal year ended March 31, 2016, research and development expenses totaled ¥3,609 million. This included ¥1,155 million in the Electronic Devices segment, ¥1,829 million in the Precision Molding Products segment, and ¥557 million in the Housing and Living Materials segment.

Research and Development Expenses



Risk Information

The primary risks that could affect the results and financial position of the Shin-Etsu Polymer Group include, but are not limited to, those outlined below.

1. Economic Trends

Demand for the Group's products is dispersed worldwide, and is influenced by economic conditions in the countries and regions in which the Group sells its products. In addition, problems in production, purchasing and sales caused by sudden deterioration in international social conditions could impact the Group's results.

2. Exchange Rate Fluctuations

In overseas business, the Group conducts business in Asia, North America, Europe and other regions. Sales, expenses, assets and other items denominated in foreign currencies are translated into Japanese yen when the Group prepares its consolidated financial statements. Valuation of these items will therefore vary according to the exchange rate at which such items are translated into yen, which could affect the Group's financial position and results.

3. Country Risk

The Group's overseas operating bases are exposed to a variety of risks in the countries where they are located. These risks could interfere with the Group's operating activities should they materialize, which could affect the Group's results and future plans.

4. Rising Raw Material Costs and Supply Shortages

The Group uses petrochemicals as the raw materials for a substantial proportion of its products. Changes in market prices for crude oil, naphtha and other petrochemicals and sharp increases in other raw material prices could affect the Group's results. In addition, unforeseen contingencies involving suppliers that reduce the quality or availability of raw materials or components could affect the Group's manufacturing activities and results.

5. Competition with Other Companies

Over the past several years, price competition and competition for market share with other companies has intensified in the Group's markets overseas. These conditions could affect the Group's results.

6. Regulatory Risk

The Group is subject to a variety of laws and regulations in the countries and regions where it operates. These include investment approval, export controls, laws and regulations concerning fair competition and environmental protection, and others related to business transactions, labor, intellectual property rights, taxes and currency controls. Changes in these laws and regulations or their application could affect the Group's results.

7. New Product Development

Competition in new product development and pricing is intense in the electronics equipment and semiconductor-related industries, where the Group operates. As a solutions provider and developer, the Group is working to develop new products and make innovations in production technologies, but inability to accurately respond to industry or market changes could affect the Group's results.

8. Intellectual Property

In the course of its business, the Group acquires, maintains and manages intellectual property rights to products and production processes. The Group also obtains licenses to use intellectual property rights of third parties as necessary. Inability to properly protect, maintain or acquire those rights could subject the Group to copying or litigation from third parties, resulting in expenses or other factors that could affect the Group's results.

9. Natural Disasters

The Group concentrates manufacturing of certain products at specialized plants. Earthquakes, windstorms, floods and other natural disasters have the potential to interfere with the manufacture of such products, which could affect the Group's results.

10. Product Liability

The Group works to properly manage quality in all processes, including raw materials acquisition, product design, production and shipping. However, product liability claims or other developments resulting from unanticipated defects or other problems could affect the Group's results.

Consolidated Financial Statements

Consolidated Balance Sheets (As of March 31, 2016 and 2015)

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Assets			
Current assets			
Cash and deposits	¥38,725	¥37,333	\$342,699
Notes and accounts receivable—trade		19,050	150,769
Merchandise and finished goods	5,591	5,801	49,477
Work in process	1,500	1,349	13,274
Raw materials and supplies	2,276	2,297	20,141
Deferred tax assets	992	1,054	8,778
Accounts receivable—other	1,206	1,293	10,672
Other	3,018	1,906	26,707
Allowance for doubtful accounts	(394)	(423)	(3,486)
Total current assets	69,953	69,663	619,053
Noncurrent assets			
Property, plant and equipment			
Buildings and structures, net	6,224	6,863	55,079
Machinery, equipment and vehicles, net	4,700	5,575	41,592
Land	6,415	6,544	56,769
Construction in progress	1,457	691	12,893
Other, net	972	1,019	8,601
Total property, plant and equipment	19,771	20,693	174,964
Intangible assets			
Software	298	383	2,637
Other	113	146	1,000
Total intangible assets	412	530	3,646
Investments and other assets			
Investment securities	1,265	1,551	11,194
Long-term loans receivable	2	2	17
Deferred tax assets	413	322	3,654
Other	1,027	1,125	9,088
Total investments and other assets	2,708	3,001	23,964
Total noncurrent assets	22,892	24,225	202,584
Total assets	¥92,845	¥93,889	\$821,637

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Liabilities			
Current liabilities			
Notes and accounts payable—trade	¥12,621	¥13,338	\$111,690
Short-term loans payable	0	0	0
Accounts payable—other	2,713	2,493	24,008
Income taxes payable	603	229	5,336
Accrued expenses	2,026	1,768	17,929
Provision for bonuses	1,134	1,094	10,035
Provision for directors' bonuses	42	42	371
Other	893	896	7,902
Total current liabilities	20,035	19,864	177,300
Noncurrent liabilities			
Long-term loans payable	0	1	0
Net defined benefit liability	1,327	1,331	11,743
Other	228	441	2,017
Total noncurrent liabilities	1,556	1,774	13,769
Total liabilities	21,592	21,638	191,079
Net assets			
Shareholders' equity			
Capital stock	11,635	11,635	102,964
Capital surplus	10,718	10,469	94,849
Retained earnings	48,667	46,321	430,681
Treasury stock	(528)	(731)	(4,672)
Total shareholders' equity	70,493	67,694	623,831
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	305	441	2,699
Foreign currency translation adjustment	449	3,200	3,973
Remeasurements of defined benefit plans	(11)	18	(98)
Total accumulated other comprehensive income	743	3,660	6,575
Subscription rights to shares	15	58	132
Non-controlling interests	—	836	—
Total net assets	71,253	72,250	630,557
Total liabilities and net assets	¥92,845	¥93,889	\$821,637

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(For the years ended March 31, 2016 and 2015)

Consolidated Statements of Income	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Net sales	¥75,039	¥71,707	\$664,061
Cost of sales	54,143	53,173	479,141
Gross profit	20,896	18,534	184,920
Selling, general and administrative expenses	16,795	16,303	148,628
Operating income	4,101	2,231	36,292
Non-operating income			
Interest income	240	255	2,123
Foreign exchange gains	348	616	3,079
Other	229	73	2,026
Total non-operating income	818	945	7,238
Non-operating expenses			
Interest expenses	27	31	238
Loss on retirement of noncurrent assets	351	274	3,106
Other	8	5	70
Total non-operating expenses	387	311	3,424
Ordinary income	4,532	2,865	40,106
Extraordinary income			
Reversal of new share subscription rights	—	62	—
Total extraordinary income	—	62	—
Extraordinary loss			
Loss on impairment of noncurrent assets	158	388	1,398
Business structure improvement expenses	—	153	—
Total extraordinary losses	158	541	1,398
Income before income taxes	4,373	2,386	38,699
Income taxes—current	1,353	823	11,973
Income taxes—deferred	(140)	(154)	(1,239)
Total income taxes	1,213	668	10,734
Net income	3,160	1,717	27,964
Net income (loss) attributable to non-controlling interests	8	(60)	70
Profit attributable to owners of parent	¥ 3,151	¥ 1,777	\$ 27,884
Consolidated Statements of Comprehensive Income			
Income before minority interests	¥ 3,160	¥ 1,717	\$ 27,964
Other comprehensive income			
Valuation difference on available-for-sale securities	(135)	185	(1,194)
Foreign currency translation adjustment	(2,768)	2,676	(24,495)
Remeasurements of defined benefit plans	(29)	(34)	(256)
Total other comprehensive income	(2,933)	2,827	(25,955)
Comprehensive income	226	4,544	2,000
(Breakdown)			
Comprehensive income attributable to owners of parent	235	4,519	2,079
Comprehensive income attributable to non-controlling interests	¥ (8)	¥ 24	\$ (70)

Consolidated Statements of Cash Flows

(For the years ended March 31, 2016 and 2015)

Consolidated Statements of Cash Flows	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash flows from operating activities			
Income before income taxes	¥ 4,373	¥ 2,386	\$ 38,699
Depreciation and amortization	3,315	3,868	29,336
Impairment loss	158	388	1,398
Increase (decrease) in net defined benefit liability	(33)	(55)	(292)
Interest and dividends income	(264)	(277)	(2,336)
Interest expense	27	31	238
Foreign exchange losses (gains)	(163)	(153)	(1,442)
Loss on retirement of noncurrent assets	351	274	3,106
Decrease (increase) in notes and accounts receivable—trade	438	(577)	3,876
Decrease (increase) in inventories	(214)	(1,004)	(1,893)
Increase (decrease) in notes and accounts payable—trade	(458)	22	(4,053)
Decrease/increase in consumption taxes receivable/payable	(38)	(99)	(336)
Other, net	816	373	7,221
Subtotal	8,306	5,176	73,504
Interest and dividends income received	287	293	2,539
Interest expenses paid	(27)	(30)	(238)
Income taxes (paid) refund	(884)	(782)	(7,823)
Net cash provided by (used in) operating activities	7,682	4,656	67,982
Cash flows from investing activities			
Decrease (increase) in time deposits	(882)	1,809	(7,805)
Purchase of property, plant and equipment	(3,985)	(3,234)	(35,265)
Proceeds from sale of property, plant and equipment	96	39	849
Purchase of intangible assets	(49)	(49)	(433)
Proceeds from sales of investment securities	92	—	814
Investments in capital of unconsolidated subsidiaries	—	(33)	—
Other, net	(38)	(104)	(336)
Net cash provided by (used in) investing activities	(4,768)	(1,572)	(42,194)
Cash flows from financing activities			
Cash dividends paid	(733)	(731)	(6,486)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(578)	—	(5,115)
Other, net	133	127	1,176
Net cash provided by (used in) financing activities	(1,179)	(604)	(10,433)
Effect of exchange rate changes on cash and cash equivalents	(1,347)	1,556	(11,920)
Net increase (decrease) in cash and cash equivalents	388	4,036	3,433
Cash and cash equivalents at beginning of period	34,823	30,786	308,168
Increase in cash and cash equivalents from newly consolidated subsidiary	166	—	1,469
Cash and cash equivalents at end of period	¥35,377	¥34,823	\$313,070

Company Profile, Investor Information and Group Network (As of March 31, 2016)

Company Profile

Corporate Name:	Shin-Etsu Polymer Co., Ltd.
Established:	September 15, 1960
Head Office:	Sotetsu Kandasudacho Building, 1-9 Kanda-Sudacho, Chiyoda-ku, Tokyo 101-0041 Japan
Paid-in Capital:	¥11,635 million
Number of Employees:	3,942 (Consolidated) 612 (Non-consolidated)
Consolidated Subsidiaries:	17 companies
URL:	http://www.shinpoly.co.jp/english/

Investor Information

Number of Shares Authorized:	320,000,000
Number of Shares Issued:	82,623,376
Number of Shareholders:	10,226
Fiscal Year-End:	March 31
Stock Listing:	Tokyo Stock Exchange (Ticker code 7970)
Transfer Agent:	Mizuho Trust & Banking Co., Ltd.

Major Shareholders

	Number of Shares (Thousands)	Percentage of Total Equity (%)
Shin-Etsu Chemical Co., Ltd.	42,986	52.5
Japan Trustee Services Bank, Ltd. (Trust account)	3,097	3.7
The Master Trust Bank of Japan, Ltd. (Trust account)	1,549	1.8
BNY FOR GCM CLIENT ACCOUNTS (E) BD	1,169	1.4
NORTHERN TRUST CO. (AVFC) RE-HCR00	1,029	1.2
Japan Trustee Services Bank, Ltd. (Trust account 9)	854	1.0
Nippon Life Insurance Company	768	0.9
CBNY-GOVERNMENT OF NORWAY	761	0.9
MSCO CUSTOMER SECURITIES	745	0.9
CBLDN KIA FUND 136	658	0.8

Note: In addition to the above, Shin-Etsu Polymer Co., Ltd. holds 752 thousand shares of treasury stock. Percentage of total equity is calculated excluding treasury stock.

Group Network



Composition of Shareholders

