

BUSINESS REPORT 2015

(from April 1, 2014 to March 31, 2015)



To Our Shareholders



It is my pleasure to report on the business results of SHINKO ELECTRIC INDUSTRIES CO., LTD. (the Company) for fiscal year 2014 (April 1, 2014 to March 31, 2015), which marks our 80th business period.

Continued growth is expected in the semiconductor industry over the medium to long term. Semiconductor usage is broadening in products such as PCs, smartphones, digital home appliances and automobiles with built-in electronics, and in applications for the Internet of Things (IoT), in which many objects in society are connected to the Internet. This makes them essential electronics products that underpin and enrich people's comfortable, safe and reliable lifestyles.

On the other hand, technological innovations in such areas as high integration and high speed, combined with newly emergent market requirements, have spurred the need to establish development and production systems that are inexpensive and respond swiftly. Competition is thus expected to intensify even further on a global scale.

Faced with these industry conditions, the Shinko Group will establish a more solid business foundation by striving to develop and enhance elemental technology centered on semiconductor packaging. We will forcefully advance with the release of products featuring excellent competitive power, and focus on improving productivity and cutting costs.

In addition, the practical application of the "SHINKO Way," our corporate philosophy and policies, will not only establish us as a necessary company for the market but also expand our business, so that we can continue to be a necessary company for society.

As we move forward, I would like to request the continued support and encouragement of our esteemed shareholders.

June 2015

A handwritten signature in black ink, which appears to read "M. Shimizu".

Mitsuharu Shimizu
President and
Representative Director

Review of Operations and Outlook

■ Business Results for the Fiscal Year Ended March 31, 2015

During the fiscal year under review, the semiconductor industry was driven by voracious demand for smartphones and automobiles.

However, a harsh market environment marked by escalating competition persisted amid ongoing sluggishness in the PC market and changes in the market structure, due in part to the infiltration of low-priced smartphones.

Given this environment, sales of our flip-chip type packages suffered from price declines and other factors. To counter negative developments, the Shinko Group enhanced its production system to better meet market needs and worked aggressively to win orders. These initiatives produced expanded demand for lead frames as well as sales growth for ceramic electrostatic chucks, and IC assemblies for smartphones. As a result, consolidated net sales for the period under review rose 1.7% year on year to 142,815 million yen. Although we continued production innovation and ongoing yen depreciation/dollar appreciation contributed to earnings, market prices continued to

decline while we saw an increase in depreciation costs associated with capital investment for a mass production system for new products. As a result, consolidated recurring income of 8,973 million yen (down 38.1% year on year) and net income of 6,442 million yen (down 30.8%).

In terms of non-consolidated financial results, we recorded net sales of 133,898 million yen (up 1.2% year on year), recurring income of 7,717 million yen (down 41.9%), and net income of 5,497 million yen (down 34.8%). The Company paid a year-end dividend of 15 yen per share, which included a special dividend of 5 yen on top of the ordinary dividend of 10 yen, and an interim dividend of 10 yen, for a total dividend of 25 yen for the fiscal year under review.

■ Outlook

With regard to the future of the semiconductor industry, the market is expected to grow further, with expansion of the smartphone market in emerging countries and advances in automotive electronics. On the other hand, tough conditions are anticipated to continue for PCs, although it is expected that a certain market size will be maintained. Moreover, it is forecast that a harsh business environment will continue, marked by constant change in the market structure along with the rising demand for high quality and lower prices, including for smartphones.

Given this environment, in flip-chip type packages as core businesses, the Shinko Group will respond to fierce competition and strive to further boost productivity. It will also focus on introducing next-generation products and high-value-added products into the market. In addition, we will work to promote the IC assembly business and other products for the smartphone and automotive electronics markets and to expand sales of products for in-vehicle ICs, for which an increase in orders

can be expected based on the high reliability of the Shinko Group's products. In markets where demand for high-performance semiconductors is forecast to keep growing, such as the IoT, we will undertake priority investment in managerial resources, including in efforts to enhance our marketing and development, to commercialize new products.

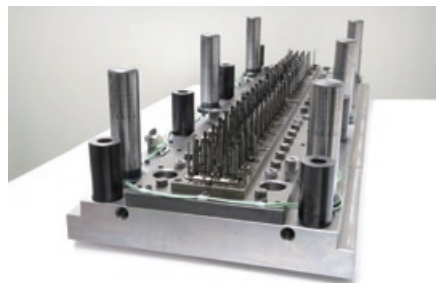
To achieve "Progress without Limits," the Shinko Group is determined to create a strong company structure that can respond immediately to changes in the market and environmental conditions by continually blazing new trails in manufacturing, technology, and services in the fiercely competitive semiconductor market.

Topics

Use of our own designs and manufacturing technology for high-precision stamping die tools

The Shinko Group is rolling out diverse stamped products made from metal, including lead frames, glass-to-metal seals, and heat spreaders for microprocessor units (MPUs). We have established an integrated production system extending from the design and manufacturing of die tools to super-fine pitch stamping production. We meet customer demands by achieving both improvement of productivity and accuracy through the skill and experience of each and every employee.

High-precision stamped products are created by accurate die tool technology. The Shinko Group has cultivated die tool design and manufacturing technology over many years through the production of lead frames and other products. We will build on this technology to expand into automotive and other markets that require high precision and reliability and that are expected to grow in the future.

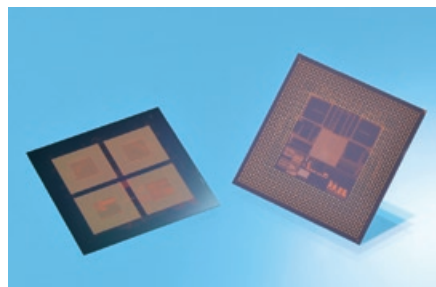


A stamping die tool for lead frames

Development in the next-generation packaging market

Semiconductor packaging technology is evolving every day as a technology that supports the semiconductors which are crucial to a wide range of fields, including electronics, automobiles, and industrial equipment. To meet the need for the high integration of semiconductor chips, especially in cutting-edge fields such as high-end servers and high-performance mobile devices, we are developing technologies that use inorganic materials such as silicon and glass in addition to conventional organic materials as well as technologies aimed at commercial viability of 3D packaging, which stacks semiconductor chips to further increase integration.

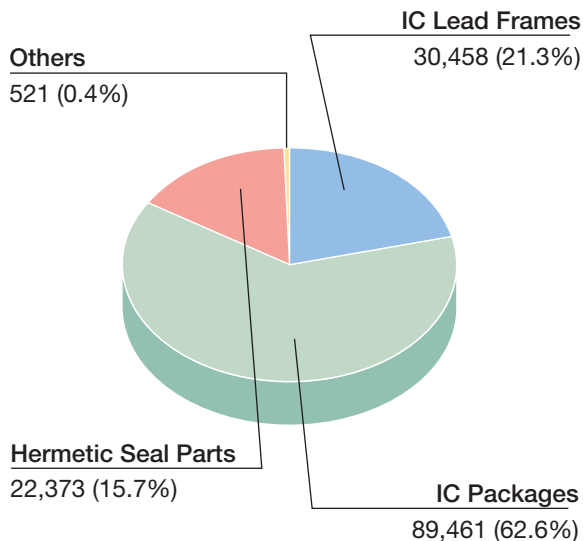
To reliably deliver performance of semiconductor chips that are advancing by nano-fabrication and highly integrated functions, the Shinko Group is working to develop a range of semiconductor packages suited to these features and the environments of product use, focusing on meeting the needs of the next-generation packaging market.



Silicon Interposers

Summary of Operations by Product Category

Net sales by product category
(Millions of yen)

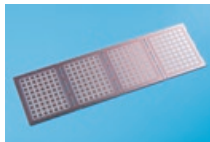


* Figures in () represent % of net sales.

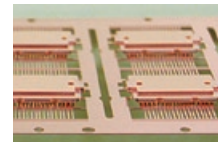
IC Lead Frames



Stamping Lead Frames



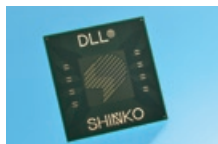
QFN-Type Lead Frames



Rivetting Lead Frames

Applications: Smartphones, automobiles, PCs, home appliances and industrial uses, etc.

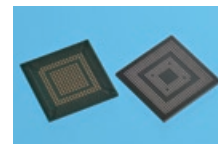
IC Packages



Flip-Chip Type Package



Plastic BGA Substrates



IC Assemblies

Applications: PCs, servers, smartphones, consumer products, etc.

Hermetic Seal Parts



Glass-to-Metal Seals for optical devices



Glass-to-Metal Seals for sensors



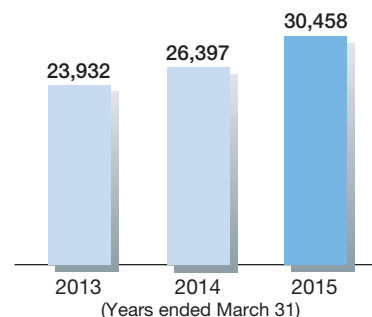
Ceramic Electro Static Chucks

Applications: Automobiles, semiconductor manufacturing equipment, consumer products, communications equipment, etc.

Net sales 30,458 million yen (↑15.4% year on year)

Stamping lead frames were affected by inventory adjustments for PCs and digital home appliances, but orders increased for automobiles, for which more electronics are being added. Large demand continues for Quad Flat Non-lead (QFN) type etched lead frames for a wide range of applications, including smartphones. We reinforced our production system for these products, resulting in higher sales. Accordingly, consolidated net sales in this segment reached 30,458 million yen (up 15.4% year on year).

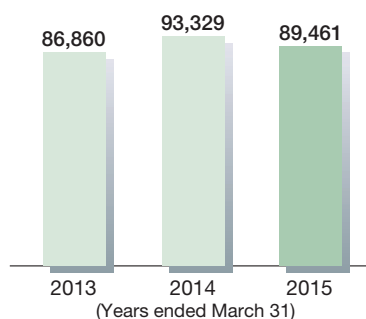
Net sales by product category (Millions of yen)



Net sales 89,461 million yen (↓4.1% year on year)

Demand for flip-chip type packages rose for packages used in consumer products, but sales slid due to a sluggish PC market and price declines associated with intensifying competition. Orders were also slow for plastic Ball Grid Array (BGA) substrates for memory for smartphones and other products. In the IC assembly business, sales of IC assemblies for products such as smartphones were affected by market fluctuations, but efforts to develop a mass production system for new products helped to boost sales. On the other hand, sales of camera module assemblies remained sluggish for consumer products. Sales of heat spreaders used in MPUs declined, affected by a slow PC market. As a result, consolidated net sales in this segment were 89,461 million yen (down 4.1% year on year).

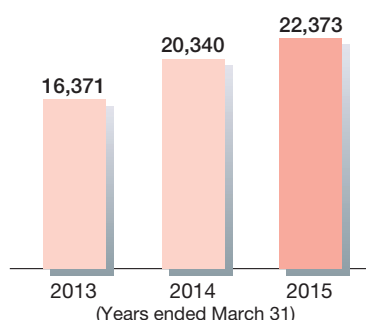
Net sales by product category (Millions of yen)



Net sales 22,373 million yen (↑10.0% year on year)

Revenue from glass-to-metal seals for optical devices decreased reflecting a decline in demand for consumer products, while that from glass-to-metal seals for sensors also fell, affected partly by a slowdown in the recovery of the Japanese automobile market. Sales of ceramic electrostatic chucks for semiconductor manufacturing equipment rose reflecting expanding demand due to ongoing strong capital investment by semiconductor manufacturers. As a result, consolidated net sales in this segment reached 22,373 million yen (up 10.0% year on year).

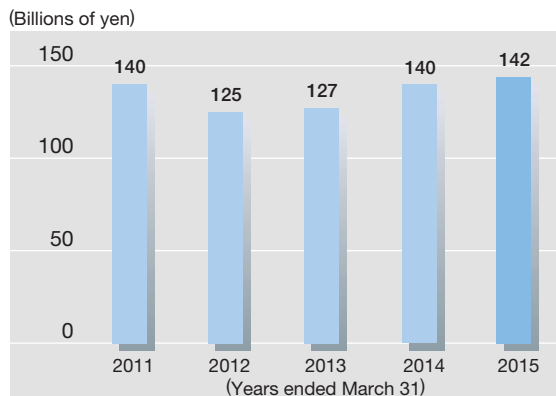
Net sales by product category (Millions of yen)



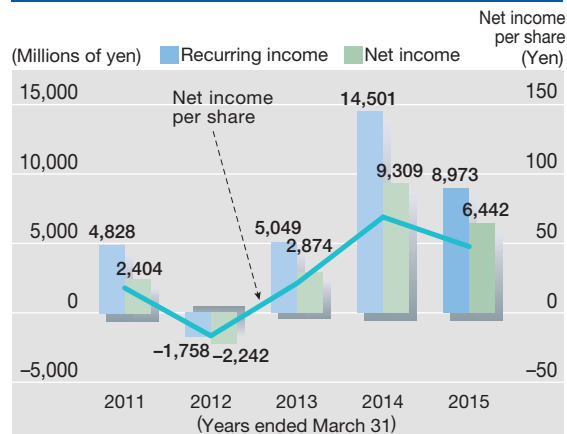
Financial Highlights

Consolidated

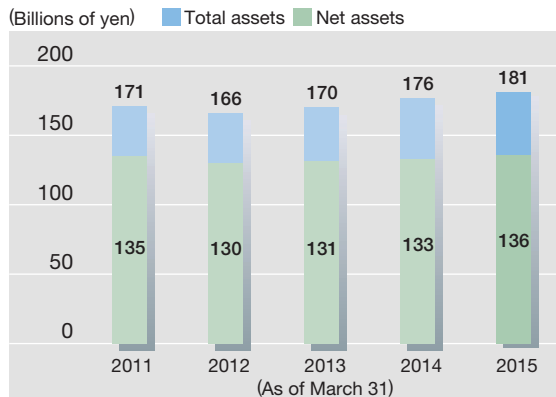
Net sales



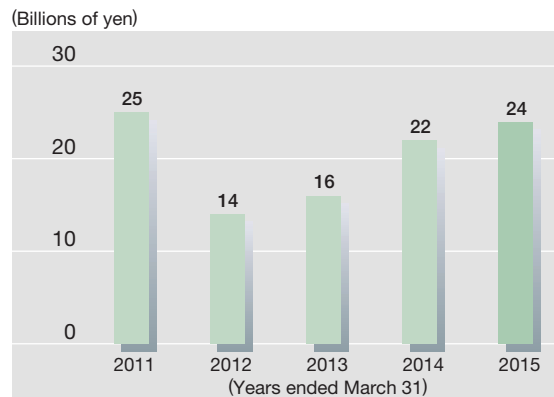
Recurring income / Net income



Total assets / Net assets



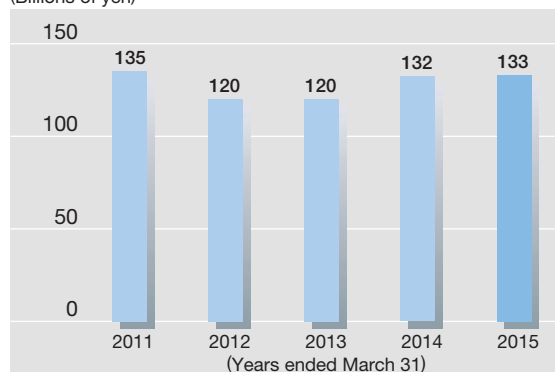
Capital expenditure



Non-consolidated

Net sales

(Billions of yen)



Recurring income / Net income

(Millions of yen) Recurring income Net income



Business performance and assets

Years ended March 31	2011	2012	2013	2014	2015
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Consolidated

Net sales	(Millions of yen)	140,923	125,825	127,241	140,412	142,815
Recurring income (loss)	(Millions of yen)	4,828	(1,758)	5,049	14,501	8,973
Net income (loss)	(Millions of yen)	2,404	(2,242)	2,874	9,309	6,442
Net income (loss) per share	(Yen)	17.80	(16.60)	21.28	68.91	47.69
Total assets	(Millions of yen)	171,921	166,686	170,966	176,651	181,903
Net assets	(Millions of yen)	135,198	130,048	131,206	133,536	136,407
Net assets per share	(Yen)	1,000.80	962.68	971.25	988.50	1,009.75
Capital expenditure	(Millions of yen)	25,683	14,771	16,596	22,508	24,324
Research & development	(Millions of yen)	4,081	4,544	4,231	4,218	3,946

Non-consolidated

Net sales	(Millions of yen)	135,161	120,438	120,867	132,302	133,898
Recurring income (loss)	(Millions of yen)	3,984	(1,895)	5,008	13,280	7,717
Net income (loss)	(Millions of yen)	1,846	(2,165)	2,943	8,435	5,497

Financial Statements (Consolidated)

■ Balance sheets		As of March 31		
	(Millions of yen)		(Thousands of U.S. dollars)	
	2015	2014	2015	
Assets	181,903	176,651	1,513,715	
Current assets	99,712	101,721	829,764	
Fixed assets	82,190	74,929	683,950	
Property, plant and equipment	77,160	69,613	642,096	
Intangible assets	993	1,012	8,267	
Investments and other assets	4,036	4,304	33,586	
Total assets	181,903	176,651	1,513,715	
Liabilities	45,495	43,115	378,593	
Current liabilities	35,879	34,377	298,569	
Long-term liabilities	9,616	8,737	80,023	
Net assets	136,407	133,536	1,135,121	
Shareholders' equity	144,431	139,888	1,201,892	
Common stock	24,223	24,223	201,572	
Capital surplus	24,129	24,129	200,795	
Retained earnings	96,171	91,627	800,291	
Treasury stock	(92)	(92)	(767)	
Accumulated other comprehensive income	(8,023)	(6,351)	(66,770)	
Total liabilities and net assets	181,903	176,651	1,513,715	

Statements of income Years ended March 31

	(Millions of yen)		(Thousands of U.S. dollars)
	2015	2014	2015
Net sales	142,815	140,412	1,188,441
Cost of goods sold	125,689	118,428	1,045,934
Gross profit	17,125	21,983	142,506
Selling, general and administrative expenses	12,543	12,668	104,383
Operating income	4,581	9,315	38,123
Non-operating income	4,414	5,214	36,735
Non-operating expenses	22	28	187
Recurring income	8,973	14,501	74,670
Extraordinary expenses	558	486	4,648
Income before income taxes	8,414	14,014	70,022
Income taxes—current	1,800	3,120	14,982
Income taxes—deferred	171	1,584	1,429
Net income	6,442	9,309	53,609

Statements of cash flows Years ended March 31

	(Millions of yen)		(Thousands of U.S. dollars)
	2015	2014	2015
Cash flows from operating activities	17,003	27,762	141,498
Cash flows from investing activities	(26,009)	(20,795)	(216,438)
Cash flows from financing activities	(3,424)	(2,740)	(28,497)
Effect of exchange rate changes on cash and cash equivalents	1,744	584	14,519
Net increase (decrease) in cash and cash equivalents	(10,685)	4,810	(88,918)
Cash and cash equivalents at beginning of year	55,023	50,213	457,878
Cash and cash equivalents at end of year	44,337	55,023	368,959

Note: The U.S. dollar amounts represent translation of Japanese yen at the rate of ¥120.17 = U.S. \$1.00 on March 31, 2015.

Corporate Data

(As of March 31, 2015)

■ Corporate name	SHINKO ELECTRIC INDUSTRIES CO., LTD.
■ Established	September 12, 1946
■ Head office	80, Oshimada-machi, Nagano-shi, Nagano 381-2287, Japan Tel: 81 (26) 283-1000
■ Major business lines	Manufacturing and sales of lead frames, plastic laminated packages (PLPs) and glass-to-metal seals IC assembly
■ Number of employees	4,117 (Consolidated: 4,905)
■ Plants & facilities	Kohoku Plant Wakaho Plant Takaoka Plant Arai Plant Kyogase Plant SHINKO R&D Center Kurita Sogo Center
■ Sales offices Representative office	Tokyo, Osaka, Sendai, Nagano, Nagoya, Oita, Fukuoka Manila
■ Subsidiaries	SHINKO PARTS CO., LTD. SHINKO TECHNOSERVE CO., LTD. SHINKO ELECTRONICS (MALAYSIA) SDN. BHD. KOREA SHINKO MICROELECTRONICS CO., LTD. SHINKO ELECTRIC INDUSTRIES (WUXI) CO., LTD. SHINKO ELECTRIC AMERICA, INC. KOREA SHINKO TRADING CO., LTD. TAIWAN SHINKO ELECTRONICS CO., LTD. SHANGHAI SHINKO TRADING LTD. SHINKO ELECTRONICS (SINGAPORE) PTE. LTD.
■ Affiliated company	SHINKO MICROELECTRONICS (THAILAND) CO., LTD.

Board of Directors and Auditors

(As of June 24, 2015)

Chairman and Director	Akira Fujimoto
President and Representative Director	Mitsuharu Shimizu
Director and Executive Vice President, Corporate Officer	Noriyuki Toyoki
Director and Executive Managing Corporate Officer	Toshihisa Yoda
Director and Managing Corporate Officers	Yoshihiro Asano Hidenori Takayanagi
Director and Senior Corporate Officer	Hiroshi Hasebe
Standing Auditor	Yoshihiko Ogawa
Auditors	Koji Kitazawa Mitsuya Yasui

Corporate Officers

(As of June 24, 2015)

Managing Corporate Officer	Corporate Officers	
Kunihiko Imai	Hiroshi Aruga	Masato Tanaka
	Junichi Kobayashi	Kinji Nagata
Senior Corporate Officers	Kazuo Koike	Akihiko Ito
Seizo Mitsui	Toshiyasu Hirabayashi	Takashi Ozawa
Toshihiko Ogiwara	Katsuo Minamisawa	Tadashi Kodaira
Takahiro Kiyono	Susumu Kurashima	
Takato Kikuchi	Masashi Obinata	
Akihiko Murata	Tetsuo Taguchi	

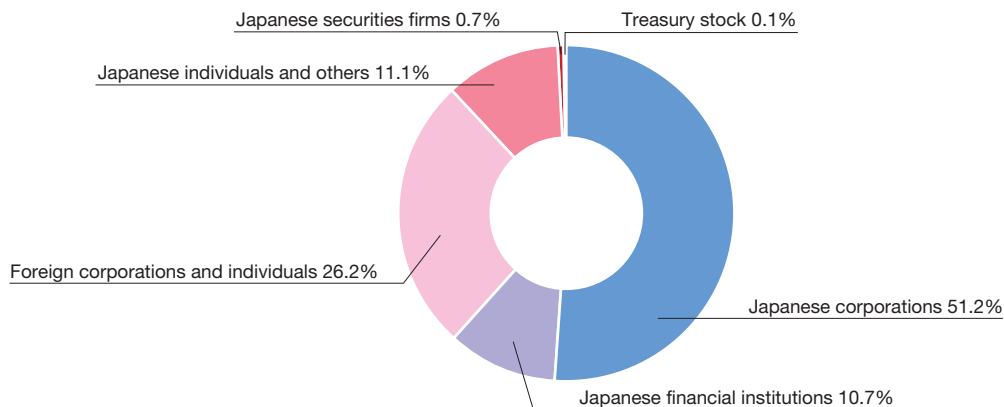
Shareholders' Data

(As of March 31, 2015)

■ Total number of authorized shares	540,000,000 shares
■ Total number of shares issued	135,171,942 shares
■ Paid-in capital	24,223,020,480 yen
■ Number of shareholders	13,105
■ Principal shareholders	

Name	Number of shares held (Thousands)	Ownership ratio (%)
Fujitsu Limited	67,587	50.00
The Bank of New York - JASDEC TREATY ACCOUNT	2,385	1.76
Japan Trustee Services Bank, Ltd. (Trust Accounts)	2,143	1.59
The Bank of New York 133522	2,089	1.55
The Hachijuni Bank, Ltd.	1,836	1.36
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,815	1.34
CMBL S.A. RE MUTUAL FUNDS	1,601	1.18
STATE STREET BANK AND TRUST COMPANY 505223	1,528	1.13
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,513	1.12
STATE STREET BANK AND TRUST COMPANY 505103	1,330	0.98

■ Distribution of stock by type of shareholder



Shareholder information

■ Administrator of shareholders' register and account management institution for special accounts

Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan

(Mailing address)

Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division
10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081, Japan
Tel (toll-free number): 0120-232-711 (Japanese only)

■ Business year

From April 1 each year to March 31 of the following year

■ Record date

Record date for the annual
shareholders' meeting

March 31 each year

Record date for dividends

March 31 each year and September 30 if an interim dividend shall be paid

■ Method of public notice

Electronic public notice

Electronic public notice shall be presented on our company website:
<http://www.shinko.co.jp/ir/kk/>

However, in case an accident or any other unavoidable circumstance that precludes electronic notification arises, notices shall be posted in the *Nihon Keizai Shimbun*.

Notes:

1. To change a shareholder address, place a claim for purchase, or other requests, please contact the account management institution (such as a securities company) with which you have an account.
2. For all matters relating to shares recorded in special accounts, the account management institution is Mitsubishi UFJ Trust and Banking Corporation. Please contact the address above. Any branch of Mitsubishi UFJ Trust and Banking Corporation throughout Japan will also be able to assist you.
3. If you have not yet received your dividend payment, you can receive payment at any branch of Mitsubishi UFJ Trust and Banking Corporation.

Front cover: Mt. Kurohime (left) and Mt. Myoko (right) as seen from Tankakyo in Iizuna town
(located in the north side of Nagano City).



SHINKO

SHINKO ELECTRIC INDUSTRIES CO., LTD.
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