



Press Release

Financial Results for the Fiscal Year Ended March 31, 2013

Shin-Etsu Chemical Co., Ltd.

(JP GAAP)

April 25, 2013

Listing Code: No. 4063 (URL: <http://www.shinetsu.co.jp/>)

Listing Stock Exchange: Tokyo, Osaka and Nagoya

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Date of the annual shareholder's meeting June 27, 2013

Date of the filing of the consolidated financial statements June 28, 2013

Date of year-end dividend payout June 28, 2013

Preparation of supplemental explanatory materials: Yes

Holding of yearly financial results meeting: Yes (for investment analysts and institutional investors)

Amounts are stated in millions of yen by discarding fractional amounts less than 1 million.

Percentage figures indicate increase (decrease) over previous corresponding fiscal year.

1. Consolidated Operating Performance for the Fiscal Year Ended March 31, 2013

(From April 1, 2012 to March 31, 2013)

(1) Results of consolidated operations

(Millions of Yen)

	Net sales		Operating income		Ordinary income		Net income	
April 2012 – March 2013	1,025,409	(2.1%)	157,043	5.0%	170,207	3.0%	105,714	5.0%
April 2011 – March 2012	1,047,731	(1.0%)	149,632	0.3%	165,237	3.1%	100,643	0.5%

(Note) Comprehensive income (Millions of Yen) April 2012-March 2013: 190,782 [187.1%]
April 2011-March 2012: 66,450 [75.2%]

	Net income per share (in yen)	Diluted net income per share (in yen)	Ratio of net income to stockholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
April 2012 – March 2013	248.94	248.92	7.0%	9.1%	15.3%
April 2011 – March 2012	237.03	-	7.0%	9.2%	14.3%

(Note) Equity in earnings of affiliates (Millions of Yen) April 2012-March 2013: 6,430 April 2011-March 2012: 15,656

(2) Consolidated financial position

(Millions of Yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (in yen)
March 31, 2013	1,920,903	1,623,176	82.0%	3,709.19
March 31, 2012	1,809,841	1,494,573	80.3%	3,422.93

(Note) Stockholders' equity (Millions of Yen) As of March 31, 2013: 1,576,095 As of March 31, 2012: 1,453,353

Stockholders' equity used for the calculation of indices is net assets excluding both share subscription rights and minority interests in consolidated subsidiaries.

(3) Consolidated statement of cash flows

(Millions of Yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash & Cash Equivalents at end of fiscal year
April 2012 – March 2013	235,622	(119,254)	(44,011)	363,028
April 2011 – March 2012	96,567	(89,190)	(42,174)	270,321

2. Cash Dividends

	Cash dividend per share (in yen)					Total annual cash dividend paid (in millions of yen)	Dividend payout ratio	Ratio of dividend payout to net assets
	1 st quarter	2 nd quarter	3 rd quarter	Year-end	Fiscal year			
April 2011 – March 2012	-	50.00	-	50.00	100.00	42,459	42.2%	2.9%
April 2012 – March 2013	-	50.00	-	50.00	100.00	42,475	40.2%	2.8%
April 2013 – March 2014 (forecast)	-	-	-	-	-	-	-	-

(Note) The dividend per share for the fiscal year ending March 31, 2014 has not been determined.

3. The Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2014

(From April 1, 2013 to March 31, 2014)

We will promptly make an announcement of the consolidated business forecast as soon as the disclosure of the forecast becomes possible.

Notes

(1) Changes in significant subsidiaries which affected the scope of consolidation during the current fiscal year: Yes
Newly consolidated subsidiaries : 1 (Kashima Vinyl Chloride Monomer Co., Ltd.)

(2) Changes of accounting policies applied, changes in accounting estimates and retrospective restatement

Changes of accounting policies applied due to revisions of accounting standards: Yes

Changes of accounting policies other than the above: No

Changes in accounting estimates: Yes

Retrospective restatement: No

(Note) Please see “(6) Basis of Presenting Consolidated Financial Statements” on page 17 for further details.

(3) Number of shares outstanding (in shares)

	March 31, 2013	March 31, 2012
1. Number of shares outstanding at year end	432,106,693	432,106,693
2. Number of treasury stocks at year end	7,190,226	7,512,807
	April 2012 - March 2013	April 2011 - March 2012
3. Weighted-average number of shares outstanding over period	424,651,110	424,594,890

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Operating Performance for the Fiscal Year Ended March 31, 2013

(From April 1, 2012 to March 31, 2013)

(1) Results of non-consolidated operations

(Millions of Yen)

	Net sales		Operating income		Ordinary income		Net income	
April 2012 – March 2013	559,499	(3.4%)	77,253	(3.6%)	87,024	6.1%	56,704	15.6%
April 2011 – March 2012	579,017	(3.9%)	80,107	4.3%	82,003	5.8%	49,035	10.1%

	Net income per share (in yen)	Diluted net income per share (in yen)
April 2012 – March 2013	133.53	133.52
April 2011 – March 2012	115.49	-

(2) Non-consolidated financial position

(Millions of Yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (in yen)
March 31, 2013	839,287	697,627	82.9%	1,637.17
March 31, 2012	841,823	672,272	79.5%	1,575.69

(Note) Stockholders' equity (Millions of Yen) As of March 31, 2013: 695,662 As of March 31, 2012: 669,028
Stockholders' equity used for the calculation of indices is net assets excluding share subscription rights.

(Information regarding audit procedures)

These financial results are unaudited. At the time of disclosure of these financial results, audit procedures based on the Financial Instruments and Exchange Law of Japan are in progress.

(Explanation on appropriate use of the business forecast)

Forward-looking statements such as the forecast of results of operations made in this document involves risks and uncertainties since they are based on management's assumptions and beliefs in light of the information currently available to it. The reader should be aware that actual results may be materially different from any future results expressed herein due to various factors. Material factors affecting the actual results may include overall economic conditions in which the businesses of our company and our group companies are involved, the relevant market trends and fluctuations in foreign exchange rates of the yen, in particular, the exchange rate between the U.S. dollars and the yen; provided, however, that such factors as may affect results of operations are not limited to those enumerated above.

(Attached Documents)

CONTENTS

1. RESULTS OF OPERATIONS AND FINANCIAL POSITION	2
(1) RESULTS OF OPERATIONS.....	2
(2) FINANCIAL POSITION OVERVIEW	5
(3) BASIC POLICY CONCERNING PROFIT-SHARING	6
2. MANAGEMENT POLICIES	7
(1) BASIC MANAGEMENT POLICIES	7
(2) TARGETING OUR MANAGEMENT OBJECTIVES: SHIN-ETSU'S MID-TO LONG-TERM MANAGEMENT STRATEGIES	7
(3) POLICY IMPLEMENTATION.....	7
3. CONSOLIDATED FINANCIAL STATEMENTS.....	9
(1) CONSOLIDATED BALANCE SHEETS	9
(2) CONSOLIDATED STATEMENTS OF INCOME AND STATEMENTS OF COMPREHENSIVE INCOME	11
(3) CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS	13
(4) CONSOLIDATED STATEMENTS OF CASH FLOWS.....	16
(5) NOTES ON PREMISE OF GOING CONCERN.....	17
(6) BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS	17
(7) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	17
<i>(Note to Consolidated Balance Sheets).....</i>	<i>17</i>
<i>(Notes to Consolidated Statements of Income).....</i>	<i>17</i>
<i>(Segment and Related Information).....</i>	<i>18</i>
<i>(Deferred Tax)</i>	<i>21</i>
<i>(Per share information).....</i>	<i>22</i>
<i>(Major Subsequent Events)</i>	<i>22</i>

Appendix: Quarterly operating results

1. Results of Operations and Financial Position

(1) Results of Operations

1) General Overview

With regard to the world economy, during FY 2013 (April 1, 2012 to March 31, 2013), although a gradual recovery continued in the U.S., there was sluggishness in the European economy due to Europe's financial problems as well as a slowdown in economic growth in emerging markets such as China. As a whole, a deceleration trend continued in the world economy. On the other hand, with regard to the Japanese economy, although some encouraging signs have been seen since the start of the New Year, due in part to such affects as the slowdown of the world economy, overall, the severe situation of the Japanese economy continued.

Under these circumstances, the Shin-Etsu Group worked to carry out sales activities to its wide range of customers around the world, and at the same time, we assiduously worked on the development of new products in addition to enhancing our technologies and product quality. Furthermore, we endeavored to build a strong business foundation by such means as turning our new global plants into an advantageous strategic asset at an early stage and by focusing on stably securing raw materials.

As a result, compared with the previous fiscal year, net sales for FY 2013 decreased by 2.1% (¥22,322 million) to ¥1,025,409 million. Operating income was ¥157,043 million, an increase of 5.0% (¥7,411 million) from the previous fiscal year. Ordinary income also increased by 3.0% (¥4,970 million) to ¥170,207 million over the previous fiscal year. Net income was ¥105,714 million, an increase of 5.0% (¥5,071 million) compared to the previous fiscal year.

2) Business Segment Overview

PVC/Chlor-Alkali Business

With regard to the PVC business, although the recovery in demand in the U.S. remained at a low level, Shintech in the U.S. maintained a high level of shipments by expanding sales to its customers worldwide, starting with its customers in Central and South America, and its business performance increased greatly. Shin-Etsu PVC in the Netherlands also maintained its good shipments. On the other hand, the tough business situation in Japan continued due in part to sluggish demand and the effect of raw material price increases.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 6.1% (¥19,667 million) to ¥343,697 million and operating income increased by 92.6% (¥21,901 million) to ¥45,552 million.

Silicones Business

With regard to the silicones business, sales in Japan were firm for product applications in the cosmetics field. However, sales of product applications for the automobile field were sluggish from the latter half of FY 2013. In addition, sales of product applications for electronics equipment generally continued to be slow. On the other hand, in our silicones business outside of Japan, the business was strongly affected by a slump in market prices in the Asian region, such as in China.

As a result, compared with the previous fiscal year, net sales for this business segment decreased by 4.7% (¥6,432 million) to ¥129,029 million and operating income decreased by 15.0% (¥5,044 million) to ¥28,643 million.

Specialty Chemicals Business

With regard to cellulose derivatives, in Japan, this business continued to do well mainly in products for building and construction applications and for pharmaceutical-use, and in addition, the business of SE Tylose in Germany also continued to be firm, mainly in coating applications. The silicon metal business of Simcoa Operations in Australia was affected by a sluggish market.

As a result, compared with the previous fiscal year, net sales for this business segment decreased by 4.1% (¥3,601 million) to ¥83,526 million and operating income decreased by 1.6% (¥231 million) to ¥14,467 million.

Semiconductor Silicon Business

With regard to semiconductor silicon, although the demand for some cutting-edge semiconductor devices, such as smartphones and tablet PCs, remained strong, demand for consumer electronics products such as PCs and flat-panel TVs continued to be slow, and a severe business situation continued.

As a result, compared with the previous fiscal year, net sales for this business segment decreased by 11.8% (¥27,190 million) to ¥202,466 million and operating income decreased by 36.1% (¥12,396 million) to ¥21,937 million.

Electronics & Functional Materials Business

With regard to the rare earth magnets business, although shipments of products for such applications as in hard disk drives and air-conditioners continued to be slow, shipments of products for applications in automobiles were strong, starting with hybrid vehicles. The photoresist products business continued to be good, aided by the progress in semiconductor device miniaturization. The business of materials for LED packaging continued to be firm. Shipments of optical fiber preform continued to be robust, contributed to by the operations of our new plant in China as well as continued strong demand.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 2.8% (¥4,989 million) to ¥182,781 million and operating income increased by 7.1% (¥2,692 million) to ¥40,863 million.

Diversified Business

Shin-Etsu Polymer Co., Ltd.'s business of keypads for automobile applications remained steady; however, the company's business of semiconductor wafer-related containers continued to be slow due to sluggish demand for semiconductor devices.

As a result, compared with the previous fiscal year, net sales for this business segment decreased by 10.4% (¥9,756 million) to ¥83,907 million and operating income increased by 11.3% (¥569 million) to ¥5,601 million.

3) Business Prospects

With regard to business prospects going forward, although the world economy is expected to move in the direction of gradual recovery, the situation of the world economy remains uncertain because of such issues as concerns about the affects of Europe's financial problems. In Japan as well, although a recovery in the economy is expected, the situation is such that it does not allow for optimism because of concerns about the future employment situation and the affects of the world economy's downward movement.

Facing such a situation, the Shin-Etsu Group will utilize the Group's overall strengths to expand its aggressive sales activities to a wide range of customers worldwide. Moreover, we will focus on enhancing productivity and product quality, and at the same time, we will cultivate new demand through the development of products that have special characteristics. Furthermore, we will aim to build a strong business foundation by accelerating global business development, by constructing manufacturing bases at the optimal locations, and, at the same time, by striving to assure the stable securing of raw materials.

On the other hand, the Shin-Etsu Group's businesses are affected by such factors as fluctuations in the prices of resources and energy and fluctuations in demand for semiconductor devices and electronics equipment products. As a result of these and other factors, the future business environment surrounding our company remains uncertain, and at this point, it is difficult to make a reasonable business forecast. Therefore, at this time of the announcement of the FY 2013 business results, we have decided to refrain from making a forecast for the FY 2014 consolidated business results. We will disclose the consolidated business forecast for FY 2014 as soon as it becomes possible to do so.

(2) Financial Position Overview

1) Information on assets, liabilities and net assets

At the end of FY 2013, total assets increased by ¥111,062 million, compared with that at the end of the previous fiscal year to ¥1,920,903 million. This was mainly due to the impact of the depreciation of the yen on currency transactions of foreign consolidated subsidiaries.

Total liabilities decreased by ¥17,541 million from that at the end of the previous fiscal year, to ¥297,727 million.

Total net assets increased by ¥128,603 million, compared with that at the end of the previous fiscal year to ¥1,623,176 million. This was mainly due to the increase in retained earnings resulting from net income of ¥105,714 million for FY 2013 and foreign currency transaction adjustments increased as a result of the depreciation of the yen.

The stockholders' equity ratio was 82.0%, up 1.7 percentage points from 80.3% at the end of the previous fiscal year.

2) Status of cash flows

	Millions of Yen		
	April 2011 - March 2012	April 2012 - March 2013	Increase (Decrease)
Cash and cash equivalents at beginning of fiscal year	302,285	270,321	(31,964)
1. Cash flows from operating activities	96,567	235,622	139,055
2. Cash flows from investing activities	(89,190)	(119,254)	(30,064)
3. Cash flows from financing activities	(42,174)	(44,011)	(1,837)
4. Effect of foreign exchange and others	2,833	20,350	17,517
Net increase (decrease) in cash and cash equivalents	(31,964)	92,707	124,671
Cash and cash equivalents at end of fiscal year	270,321	363,028	92,707

The balance of cash and cash equivalents at the end of FY 2013 increased by 34.3% (¥92,707 million) compared to that at the end of previous fiscal year to ¥363,028 million.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥235,622 million, an increase of ¥139,055 million from the previous fiscal year. This consisted mainly of ¥164,070 million in income before income taxes, ¥80,961 million in depreciation and amortization, a decrease of ¥32,803 million in notes and accounts receivable, a decrease of ¥17,708 million in inventories and a ¥64,004 million in payment of income taxes.

Cash flows from investing activities

Net cash used for investing activities was ¥119,254 million, increase of ¥30,064 million over the previous fiscal year, consisted mainly of ¥80,775 million for purchases of property, plant and equipment.

Cash flows from financing activities

Net cash used for financing activities increased by ¥1,837 million from the previous fiscal year to ¥44,011 million. This is mainly for cash dividend payment of ¥42,459 million.

(Reference)

The trend of cash flow indices

	For the fiscal year ended				
	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013
Stockholders' equity ratio (%)	81.1	80.9	80.0	80.3	82.0
Stockholders' equity ratio on market value basis (%)	120.2	130.3	98.4	112.1	138.3
Debt repayment ratio (%)	9.2	11.5	6.6	15.9	5.6
Interest coverage ratio (times)	148.3	216.2	403.8	187.9	488.4

(Notes)- Stockholders' equity ratio: stockholders' equity/total assets

Stockholders' equity used for the calculation of indices is net assets, excluding both share subscription rights and minority interests in consolidated subsidiaries

- Stockholders' equity ratio on market value basis: aggregate market value of common stock/total assets
- Debt repayment ratio: interest-bearing liabilities/cash flows from operating activities
- Interest coverage ratio: cash flows from operating activities/interest payments

1. All indices are calculated based on the consolidated financial figures.
2. Aggregate market value of common stock is calculated by multiplying the market price at the end of each fiscal year by the number of outstanding shares, excluding treasury stock, at the end of each fiscal year.
3. Interest-bearing liabilities include all liabilities on the consolidated balance sheets that incur interest.

(3) Basic policy concerning profit-sharing

Taking a long-term perspective, Shin-Etsu will focus on expanding company earnings and strengthening the make-up of the Group's structure as well as on sharing the results of such successful management efforts. It is our basic policy to distribute dividends so as to appropriately reward all of our shareholders. With regard to our financial reserves, we are making efforts to heighten the value of the company by reinvesting them in such core business activities as facility investment, and research and development, and we will proactively utilize them for strengthening Shin-Etsu's global competitive power and future business development.

In line with our basic profit-sharing policy, the year-end dividend is scheduled to be ¥50 per share, the same amount as the interim dividend of ¥50 per share. Accordingly, the total annual dividend per share for FY 2013 will become ¥100, the same amount as in the previous fiscal year.

The forecast for the shareholders' dividend for FY 2014 has not yet been determined.

2. Management Policies

(1) Basic management policies

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

(2) Targeting our management objectives: Shin-Etsu's mid-to long-term management strategies

Among our main products, there are products that are subject to the influence of changes in the business environment, starting with market conditions. In order to carry out the management of each business under the market conditions in which sudden changes may occur in a short period of time, it is necessary to speedily respond to the changes in the external environment. Based on the policies stated in the previous "Basic management policies" section, we will steadily carry out every day's, every month's and every year's management, and while accumulating a track record of achievements, we will concentrate on making sales and profit grow.

(3) Policy implementation

In the PVC business, we will further strengthen our position as the world's largest PVC manufacturer by making use of our advantageous raw materials situation in the U.S. and the integrated manufacturing plant from electrolysis to PVC that was constructed by Shintech in the U.S. as well as by our sales strategies that accurately grasp global trends in demand.

In the semiconductor silicon business, as the world's largest silicon wafer manufacturer, going forward we will continue to strive to assure a stable supply of high-quality products from our multiple manufacturing bases both in Japan and globally, and we will opportunely meet the increase in demand for devices which comes with the expanding market for smartphones and tablet PCs. At the same time, we will focus on the development and sales of silicon wafers for cutting-edge devices and strive to strengthen our competitive power in these cutting-edge fields.

In the silicone business, by utilizing product characteristics that have various applications in a wide diversity of industries, we will accelerate the development of new products that have high-added-value. We will strive to expand our global silicones business by endeavoring to make the new silicones plant in China into a pioneering strategic base at an early stage and by focusing on further strengthening our business operations at our existing bases, not only in Japan but also in Thailand and the U.S.

In the rare earth magnets business, in order to secure stable supplies of raw materials, we have constructed raw materials plants in China and Vietnam. In the future as well, we will assiduously work to stably procure raw materials and reduce the volume of usage of raw materials through the use of new manufacturing methods, and at the same time, we will strive to develop new products, focusing mainly on applications for hybrid automobiles and other energy saving-related products for which demand is expected to grow.

In the cellulose business, following the cellulose manufacturing plant for pharmaceutical-use products that began operation in Germany, we are constructing a cellulose manufacturing plant for coating in the U.S. In the future as well, we will work to globally strengthen this business and to build up a stable supply system by means of our policy of globally dispersing manufacturing bases.

In other businesses, through the use of the new optical fiber preform plant in China and the new plant for manufacturing LED packaging materials in Vietnam, we will strive to leap forward in these businesses in global markets.

Furthermore, for future business expansion, we will focus on R&D of new products and their commercialization, and we will also cultivate new businesses, including through considering M&A opportunities.

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

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of March 31, 2012 and 2013

	Millions of Yen	
	March 31, 2012	March 31, 2013
ASSETS		
Current Assets:		
Cash and time deposits	241,390	252,881
Notes and accounts receivable-trade	264,283	243,785
Securities	89,301	214,380
Inventories	260,308	269,377
Deferred taxes, current	34,599	27,462
Other	59,344	31,290
Less: Allowance for doubtful accounts	(6,982)	(6,664)
Total current assets	942,244	1,032,513
Fixed Assets:		
Property, plant and equipment		
Buildings and structures, net	156,403	164,885
Machinery and equipment, net	330,707	356,970
Land	65,400	70,110
Construction in progress	40,240	50,862
Other, net	5,807	6,822
Total property, plant and equipment	598,558	649,650
Intangible fixed assets	13,587	14,637
Investments and other assets		
Investments in securities	154,161	129,551
Deferred taxes, non-current	19,937	14,590
Other	81,370	80,306
Less: Allowance for doubtful accounts	(17)	(347)
Total investments and other assets	255,451	224,101
Total fixed assets	867,596	888,389
TOTAL ASSETS	1,809,841	1,920,903

Millions of Yen

	March 31, 2012	March 31, 2013
LIABILITIES		
Current Liabilities:		
Notes and accounts payable-trade	109,378	100,197
Short-term borrowings	13,862	5,507
Accounts payable-other	32,011	28,882
Accrued expenses	45,375	45,537
Accrued income taxes	34,758	6,220
Other	12,055	13,289
	<hr/>	<hr/>
Total current liabilities	247,441	199,635
	<hr/>	<hr/>
Long-term Liabilities:		
Long-term debt	1,454	7,709
Deferred taxes, non-current	44,295	65,033
Accrued retirement benefits	16,687	20,185
Other	5,389	5,163
	<hr/>	<hr/>
Total long-term liabilities	67,827	98,091
	<hr/>	<hr/>
TOTAL LIABILITIES	315,268	297,727
	<hr/>	<hr/>
NET ASSETS		
Stockholders' Equity:		
Common stock	119,419	119,419
Additional paid-in capital	128,177	128,234
Retained earnings	1,435,693	1,470,015
Less: Treasury stock, at cost	(40,925)	(39,167)
	<hr/>	<hr/>
Total stockholders' equity	1,642,365	1,678,502
	<hr/>	<hr/>
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	1,212	11,591
Deferred gains (losses) on hedges	25	174
Foreign currency translation adjustments	(190,249)	(114,172)
	<hr/>	<hr/>
Total accumulated other comprehensive income	(189,011)	(102,406)
	<hr/>	<hr/>
Share subscription rights	3,491	2,149
Minority interests in consolidated subsidiaries	37,727	44,931
	<hr/>	<hr/>
TOTAL NET ASSETS	1,494,573	1,623,176
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	1,809,841	1,920,903
	<hr/>	<hr/>

(2) Consolidated Statements of Income and Statements of Comprehensive Income

For the fiscal year ended March 31, 2012 and 2013

Consolidated Statements of Income

	Millions of Yen	
	April 2011 - March 2012	April 2012 - March 2013
Net sales	1,047,731	1,025,409
Cost of sales	798,592	769,427
Gross profit	249,138	255,981
Selling, general and administrative expenses	99,505	98,938
Operating income	149,632	157,043
Non-operating income:		
Interest income	2,978	2,417
Dividend income	1,530	1,560
Equity in earnings of affiliates	15,656	6,430
Foreign exchange gain	-	4,565
Other income	4,775	3,285
Total non-operating income	24,941	18,259
Non-operating expenses:		
Interest expenses	517	465
Loss on retirement of fixed assets	938	690
Foreign exchange loss	416	-
Other expenses	7,463	3,939
Total non-operating expenses	9,336	5,095
Ordinary income	165,237	170,207
Extraordinary income:		
Reversal of restoration costs for earthquake	5,491	-
Total extraordinary income	5,491	-
Extraordinary loss:		
Loss on sales of investment securities	-	6,137
Loss on impairment	6,191	-
Loss on disaster	5,312	-
Provision of allowance for doubtful accounts	4,553	-
Total extraordinary loss	16,057	6,137
Income before income taxes	154,671	164,070
Income taxes-current	56,417	37,059
Income taxes-deferred	(2,259)	19,696
Total income taxes	54,157	56,755
Income before minority interests	100,513	107,314
Minority interests in earnings of consolidated subsidiaries	(129)	1,599
Net income	100,643	105,714

Consolidated Statements of Comprehensive Income

	Millions of Yen	
	April 2011 - March 2012	April 2012- March 2013
Income before minority interests	100,513	107,314
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	(2,410)	10,314
Deferred gains (losses) on hedges	(211)	238
Foreign currency translation adjustments	(28,452)	66,415
Share of other comprehensive income of associates accounted for by using the equity method	(2,988)	6,499
Total other comprehensive income	(34,063)	83,467
Comprehensive income	66,450	190,782
(Breakdown)		
Comprehensive income attributable to owners of the parent	67,547	186,861
Comprehensive income attributable to minority interests	(1,097)	3,920

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2012 and 2013

	Millions of Yen	
	April 2011 – March 2012	April 2012 - March 2013
Stockholders' Equity		
Common stock:		
Balance at the beginning of the period	119,419	119,419
Changes during current period:		
Total changes during current period	-	-
Balance at the end of the period	<u>119,419</u>	<u>119,419</u>
Additional paid-in capital:		
Balance at the beginning of the period	128,177	128,177
Changes during current period:		
Disposal of treasury stock	-	56
Total change during current period	-	56
Balance at the end of the period	<u>128,177</u>	<u>128,234</u>
Retained earnings:		
Balance at the beginning of the period	1,376,043	1,435,693
Changes during current period:		
Cash dividends	(42,459)	(42,459)
Net income	100,643	105,714
Change of scope of consolidation	1,466	(28,932)
Disposal of treasury stock	(0)	-
Total changes during current period	59,649	34,322
Balance at the end of the period	<u>1,435,693</u>	<u>1,470,015</u>
Treasury stock, at cost:		
Balance at the beginning of the period	(40,917)	(40,925)
Changes during current period:		
Purchase of treasury stock	(9)	(11)
Disposal of treasury stock	1	1,769
Total changes during current period	(8)	1,757
Balance at the end of the period	<u>(40,925)</u>	<u>(39,167)</u>
Total stockholders' equity:		
Balance at the beginning of the period	1,582,724	1,642,365
Changes during current period:		
Cash dividends	(42,459)	(42,459)
Net income	100,643	105,714
Change of scope of consolidation	1,466	(28,932)
Purchase of treasury stock	(9)	(11)
Disposal of treasury stock	1	1,825
Total changes during current period	59,641	36,137
Balance at the end of the period	<u>1,642,365</u>	<u>1,678,502</u>

Millions of Yen

	April 2011 – March 2012	April 2012 - March 2013
Accumulated Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities:		
Balance at the beginning of the period	3,275	1,212
Changes during current period:		
Net changes of items other than Stockholders' equity	(2,063)	10,378
Total changes during current period	(2,063)	10,378
Balance at the end of the period	1,212	11,591
Deferred gains (losses) on hedges:		
Balance at the beginning of the period	895	25
Changes during current period:		
Net changes of items other than Stockholders' equity	(869)	148
Total changes during current period	(869)	148
Balance at the end of the period	25	174
Foreign currency translation adjustments:		
Balance at the beginning of the period	(160,087)	(190,249)
Changes during current period:		
Net changes of items other than Stockholders' equity	(30,162)	76,077
Total changes during current period	(30,162)	76,077
Balance at the end of the period	(190,249)	(114,172)
Total accumulated other comprehensive income:		
Balance at the beginning of the period	(155,916)	(189,011)
Changes during current period:		
Net changes of items other than Stockholders' equity	(33,095)	86,605
Total changes during current period	(33,095)	86,605
Balance at the end of the period	(189,011)	(102,406)
Share subscription rights:		
Balance at the beginning of the period	3,822	3,491
Changes during current period:		
Net changes of items other than Stockholders' equity	(330)	(1,342)
Total changes during current period	(330)	(1,342)
Balance at the end of the period	3,491	2,149

Millions of Yen

	April 2011 – March 2012	April 2012 - March 2013
Minority interests in consolidated subsidiaries:		
Balance at the beginning of the period	38,798	37,727
Changes during current period:		
Net changes of items other than Stockholders' equity	(1,070)	7,203
Total changes during current period	(1,070)	7,203
Balance at the end of the period	37,727	44,931
 Total net assets:		
Balance at the beginning of the period	1,469,429	1,494,573
Changes during current period:		
Cash dividends	(42,459)	(42,459)
Net income	100,643	105,714
Change of scope of consolidation	1,466	(28,932)
Purchase of treasury stock	(9)	(11)
Disposal of treasury stock	1	1,825
Net changes of items other than Stockholders' equity	(34,496)	92,465
Total changes during current period	25,144	128,602
Balance at the end of the period	1,494,573	1,623,176

(4) Consolidated Statements of Cash Flows

For the fiscal year ended March 31, 2012 and 2013

	Millions of Yen	
	April 2011 - March 2012	April 2012 - March 2013
1. Cash flows from operating activities		
Income before income taxes	154,671	164,070
Depreciation and amortization	82,868	80,961
Impairment loss	6,191	-
Increase (decrease) in accrued retirement benefits	2,663	2,486
Loss (gain) on write-down of investment securities	677	485
Interest and dividend income	(4,509)	(3,977)
Interest expenses	517	465
Foreign exchange loss (gain)	(395)	323
Equity in (earnings) losses of affiliates	(15,656)	(6,430)
(Increase) decrease in notes and accounts receivable	2,110	32,803
(Increase) decrease in inventories	(77,517)	17,708
(Increase) decrease in long-term advance payment	(2,354)	7,521
Increase (decrease) in notes and accounts payable	(1,585)	(1,189)
Other, net	(6,723)	128
Subtotal	140,960	295,355
Proceeds from interest and dividends	8,553	4,754
Payment of interest	(513)	(482)
Payment of income taxes	(41,124)	(64,004)
Payment for disaster losses	(21,041)	-
Insurance income on disaster	9,733	-
Net cash provided by operating activities	96,567	235,622
2. Cash flows from investing activities		
Net (increase) decrease in marketable securities	2,443	(42,031)
Purchase of property, plant and equipment	(80,320)	(80,775)
Purchase of intangible fixed asset	(904)	(884)
Purchase of investment securities	(691)	(7,581)
Proceeds from sales and redemption of investment securities	195	23,877
Other, net	(9,914)	(11,858)
Net cash used for investing activities	(89,190)	(119,254)
3. Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,058	(3,407)
Proceeds from long-term debt	1,188	6,517
Repayment of long-term debt	(2,093)	(5,482)
Purchase of treasury stock	(9)	(11)
Cash dividends paid	(42,459)	(42,459)
Other, net	(858)	832
Net cash used for financing activities	(42,174)	(44,011)
4. Effect of exchange rate change on cash and cash equivalents	(7,026)	16,899
5. Net increase (decrease) in cash and cash equivalents	(41,824)	89,257
6. Cash and cash equivalents at beginning of year	302,285	270,321
7. Increase (decrease) in cash and cash equivalents resulting from changes in scope of consolidation	9,859	3,450
8. Cash and cash equivalents at end of year	270,321	363,028

(5) Notes on premise of going concern

Not applicable

(6) Basis of Presenting Consolidated Financial Statements

Changes in accounting policies

(Changes in depreciation method)

Effective FY 2013, due to a revision of the corporate tax law in Japan, the company and some of its domestic consolidated subsidiaries have applied a depreciation method based on the revised law for tangible assets purchased on or after 1 April, 2012.

The impact of this change on operating income, ordinary income and income before income taxes for FY 2013 is immaterial.

(7) Notes to Consolidated Financial Statements

(Note to Consolidated Balance Sheets)

	Millions of Yen	
	March 31, 2012	March 31, 2013
Accumulated depreciation of property, plant and equipment	1,393,976	1,550,390

(Notes to Consolidated Statements of Income)

	Millions of Yen	
	April 2011 - March 2012	April 2012- March 2013
Research and development costs	35,725	37,671

(Segment and Related Information)

1) Segment Information

1. Overview of Reportable Segment

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

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

Main products and services of each segment are as follows:

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

2. Measurement of Sales, Income (Loss), Assets and Liabilities of Reportable Segments

Income for each reportable segment denotes operating income, and the accounting methods applied are identical with those stated in "Basis of Presenting Consolidated Financial Statements". Internal revenues and transfers arising from transactions among the segments are based on market prices in general, although transfers performed between segments at the same business site are calculated based on manufacturing cost.

The Shin-Etsu Group does not allocate assets to business segments.

3. Information regarding Sales, Income (Loss), Assets and Liabilities of Reportable Segments

(1) For the fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

	Millions of Yen								Figures in consolidated statement of income
	April 2012– March 2013								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total	Adjustment ^[1]	
Sales to outside customers	343,697	129,029	83,526	202,466	182,781	83,907	1,025,409	-	1,025,409
Intersegment sales	3,385	4,608	8,122	3	3,234	60,900	80,254	(80,254)	-
Total	347,082	133,638	91,649	202,470	186,015	144,808	1,105,663	(80,254)	1,025,409
Segment income (Operating income)	45,552	28,643	14,467	21,937	40,863	5,601	157,065	(22)	157,043
Depreciation and amortization ^[2]	20,416	8,245	8,920	26,193	13,754	3,715	81,246	(284)	80,961
Increase in property, plant and equipment and intangible fixed assets*	18,478	15,374	12,193	14,828	18,209	4,161	83,245	(226)	83,018

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

[1] Elimination of intersegment transactions

[2] Depreciation and amortization for Specialty Chemicals Business includes a goodwill amortization of ¥815 million.

(2) For the fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)

	Millions of Yen								Figures in consolidated statement of income
	April 2011– March 2012								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total	Adjustment ^[1]	
Sales to outside customers	324,030	135,461	87,127	229,656	177,792	93,663	1,047,731	-	1,047,731
Intersegment sales	3,824	4,483	7,846	1	2,954	68,471	87,581	(87,581)	-
Total	327,854	139,944	94,974	229,657	180,746	162,134	1,135,312	(87,581)	1,047,731
Segment income (Operating income)	23,651	33,687	14,698	34,333	38,171	5,032	149,575	57	149,632
Depreciation and amortization ^[2]	17,145	7,994	8,795	31,014	14,286	3,897	83,134	(265)	82,868
Increase in property, plant and equipment and intangible fixed assets	18,333	14,421	13,002	23,639	14,579	3,356	87,333	(168)	87,165

[1] Elimination of intersegment transactions

[2] Depreciation and amortization for Specialty Chemicals Business includes a goodwill amortization of ¥882 million.

[3] An impairment loss on fixed assets in the amount of ¥6,191 million is recorded as extraordinary loss for the Semiconductor Silicon Business.

2) Related Information

Geographic Information

(Sales)

Millions of Yen						
April 2012 - March 2013						
Japan	U.S.	Asia/Oceania		Europe	Other	Total
		China	Other			
334,288	190,433	100,109	194,891	114,538	91,147	1,025,409

Millions of Yen						
April 2011 - March 2012						
Japan	U.S.	Asia/Oceania		Europe	Other	Total
		China	Other			
366,342	159,617	107,581	180,523	130,920	102,744	1,047,731

(Deferred Tax)

1. Factors of deferred tax assets and liabilities

	Millions of Yen	
	As of March 31, 2012	As of March 31, 2013
Deferred Tax Assets		
Depreciation and amortization	14,861	13,090
Special provision for accrued retirement benefits	4,293	5,030
Accrued bonuses and provision for bonuses	3,397	3,531
Unrealized profit	3,192	3,488
Maintenance cost	3,681	3,287
Unsettled accounts receivable and payable	5,057	3,018
Allowance for doubtful accounts	1,639	1,927
Tax loss carry forwards	1,562	1,794
Accrued enterprise taxes	2,492	687
Others	19,486	16,687
Deferred Tax Assets sub-total	59,663	52,545
Valuation allowance	(3,188)	(3,777)
Deferred Tax Assets Total	56,474	48,767
Deferred Tax Liabilities		
Depreciation	42,532	60,329
Unrealized gain/loss on available-for-sale securities	770	8,433
Reserve for special depreciation	204	153
Others	3,658	3,575
Deferred Tax Liabilities Total	47,165	72,491
Net Deferred Tax Assets	9,309	(23,723)

(Notes) Net Deferred Tax Assets are included in the following accounts.

		Millions of Yen	
		As of March 31, 2012	As of March 31, 2013
Current assets	: Deferred taxes, current	34,599	27,462
Fixed assets	: Deferred taxes, non-current	19,937	14,590
Current liabilities	: Other	(931)	(742)
Long-term liabilities:	Deferred taxes, non-current	(44,295)	(65,033)

2. Reconciliation of the difference between the statutory tax rate and effective tax rate on taxable income

	As of March 31, 2012		As of March 31, 2013	
	40.4%	37.8%	(2.9)	(2.3)
Statutory tax rate				
Rate difference from foreign subsidiaries				
Equity in earnings of affiliates				
Dividend income not taxable				
Elimination of dividend income from consolidated subsidiaries				
Tax deduction for research expenses				
Entertainment and other non-deductible expenses				
Adjustment on deferred tax assets due to change in income tax rate				
Others, net				
Effective tax rate	35.0	34.6		

(Per share information)

	April 2011- March 2012	April 2012- March 2013
Net assets per share (in yen)	3,422.93	3,709.19
Net income per share (in yen)	237.03	248.94
Diluted net income per share (in yen)	-	248.92

(Note) Please see the following data for calculation of “Net income per share” and “Diluted net income per share”.

	Millions of Yen	
	April 2011- March 2012	April 2012- March 2013
Data for calculation of net income per share		
Net income	100,643	105,714
Amount which is not appropriated to shareholder of common stock	-	-
Net income belonging to common stock	100,643	105,714
Weighted average number of shares outstanding (in thousands share)	424,594	424,651

Data for calculation of diluted net income per share

Adjustments to net income	-	-
Increase of common stock (in thousands share)	-	34
[Share subscription rights in the above (in thousands share)]	-	[34]

	Numbers of share subscription rights	
	April 2011- March 2012	April 2012- March 2013
Potential stock not to be included in calculation of diluted net income per share due to not working as dilution	8,370 ^[1]	7,680 ^[2]
	7,920 ^[2]	7,408 ^[3]
	9,370 ^[3]	
	2,720 ^[4]	
	2,930 ^[5]	

^[1] Share subscription rights resolved at the ordinary general meeting of shareholders held on June 28, 2007

^[2] Share subscription rights resolved in 2008

^[3] Share subscription rights resolved in 2009

^[4] Share subscription rights resolved in 2010

^[5] Share subscription rights resolved in 2011

Net income per share adjusted for dilution for FY 2012 is not presented as there are no shares with dilutive effect.

(Major Subsequent Events)

Not applicable

Appendix: Quarterly operating results

(Billions of yen)

		FY 2012					FY 2013				
		April 2011 - March 2012					April 2012 - March 2013				
		1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Sales		250.0	271.4	270.0	256.3	1,047.7	266.5	270.5	245.4	243.0	1,025.4
PVC / Chlor-Alkali		67.5	92.6	87.0	76.9	324.0	85.5	93.0	80.3	84.9	343.7
Silicones		35.5	35.0	31.6	33.4	135.5	32.2	33.4	31.4	32.0	129.0
Specialty Chemicals		20.8	21.4	22.7	22.2	87.1	21.5	19.8	20.8	21.4	83.5
Semiconductor Silicon		66.2	58.0	57.2	48.2	229.6	54.4	54.1	50.1	43.9	202.5
Electronics & Functional Materials		36.0	40.5	48.6	52.7	177.8	52.1	49.5	41.7	39.5	182.8
Diversified		24.0	23.9	22.9	22.9	93.7	20.8	20.7	21.1	21.3	83.9
Operating Income		40.0	40.4	37.2	32.0	149.6	40.3	43.3	37.5	35.9	157.0
PVC / Chlor-Alkali		6.1	7.3	7.0	3.3	23.7	9.9	14.3	10.0	11.4	45.6
Silicones		9.2	8.2	7.1	9.2	33.7	7.5	7.4	7.0	6.7	28.6
Specialty Chemicals		3.5	3.5	3.5	4.2	14.7	3.9	3.7	3.3	3.6	14.5
Semiconductor Silicon		10.4	10.7	9.4	3.8	34.3	6.6	6.0	5.3	4.0	21.9
Electronics & Functional Materials		9.2	9.6	9.2	10.2	38.2	10.4	10.6	10.6	9.3	40.9
Diversified		1.7	1.0	1.0	1.3	5.0	1.8	1.3	1.4	1.1	5.6
Ordinary Income		42.2	42.1	41.1	39.8	165.2	41.0	45.0	42.0	42.2	170.2
Net Income		23.8	27.2	24.6	25.0	100.6	26.6	29.1	27.7	22.3	105.7
Depreciation and Amortization		19.1	20.5	22.2	21.1	82.9	18.7	19.6	20.6	22.1	81.0
Capital Expenditures		20.6	21.6	15.5	29.5	87.2	20.3	21.1	16.6	28.8	86.8
R&D Costs		8.3	9.6	9.0	8.8	35.7	8.9	9.6	8.8	10.4	37.7
Overseas Sales	Amount	158.9	181.1	177.0	164.4	681.4	175.3	183.9	164.4	167.5	691.1
	Ratio*	64%	67%	66%	64%	65%	66%	68%	67%	69%	67%

*Note: % indicates ratio to total consolidated sales.