



Press Release

**Consolidated Financial Results for the Fiscal Year Ended March 31, 2015**

**Shin-Etsu Chemical Co., Ltd.**

**(JP GAAP)**

April 28, 2015

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

Listing Stock Exchange: Tokyo and Nagoya

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Date of the annual shareholders' meeting ..... June 26, 2015

Date of the filing of the consolidated financial statements ..... June 29, 2015

Date of year-end dividend payment ..... June 29, 2015

Preparation of supplemental explanatory materials: Yes

Holding of 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 fiscal year.

**1. Consolidated Operating Performance for the Fiscal Year Ended March 31, 2015**

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

**(1) Results of consolidated operations**

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income	
April 2014 - March 2015	1,255,543	7.7%	185,329	6.6%	198,025	9.6%	128,606	13.2%
April 2013 - March 2014	1,165,819	13.7%	173,809	10.7%	180,605	6.1%	113,617	7.5%

(Note) Comprehensive income (Millions of yen) April 2014 - March 2015: 232,316 [ (3.8%) ]

April 2013 - March 2014: 241,465 [ 26.6% ]

	Net income per share (yen)	Diluted net income per share (yen)	Ratio of net income to stockholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
April 2014 - March 2015	302.05	301.98	6.9%	8.5%	14.8%
April 2013 - March 2014	267.20	267.07	6.8%	8.8%	14.9%

(Note) Equity in earnings (losses) of affiliates (Millions of yen) April 2014 - March 2015: (383)

April 2013 - March 2014: 1,499

**(2) Consolidated financial position**

(Millions of yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (yen)
March 31, 2015	2,452,306	2,012,711	79.9%	4,602.80
March 31, 2014	2,198,912	1,822,135	80.6%	4,165.28

(Note) Stockholders' equity (Millions of yen) As of March 31, 2015: 1,960,329 As of March 31, 2014: 1,773,133

**(3) Consolidated cash flows**

(Millions of yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of fiscal year
April 2014 - March 2015	243,459	(167,142)	(43,545)	423,846
April 2013 - March 2014	259,734	(246,894)	(41,361)	362,560

**2. Cash Dividends**

	Cash dividends per share for the fiscal year (yen)					Total annual cash dividend paid (Millions of yen)	Dividend payout ratio	Ratio of dividend payout to net assets
	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	Year-end	Fiscal year			
April 2013 - March 2014	-	50.00	-	50.00	100.00	42,544	37.4%	2.5%
April 2014 - March 2015	-	50.00	-	50.00	100.00	42,583	33.1%	2.3%
April 2015 - March 2016 (forecast)	-	-	-	-	-		-	

(Note) The dividend per share for the fiscal year ending March 31, 2016 has not yet been determined.

**3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2016**

(From April 1, 2015 to March 31, 2016)

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: No

(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: No

Retrospective restatement: No

(Note) Please see (5) Notes to Consolidated Financial Statements, "Changes in Accounting Policies" on page 16 for further details.

(3) Number of shares outstanding (common stock)

	March 31, 2015	March 31, 2014
Number of shares outstanding at the year end	432,106,693	432,106,693
Number of shares of treasury stock at the year end	6,207,027	6,413,086
	April 2014 - March 2015	April 2013 - March 2014
Weighted-average number of shares outstanding over the year	425,784,538	425,222,975

## (Reference) Summary of Non-consolidated Financial Results

### Non-consolidated Operating Performance for the Fiscal Year Ended March 31, 2015

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

(1) Results of non-consolidated operations

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income	
April 2014 - March 2015	640,369	7.7%	91,731	16.9%	107,130	21.5%	66,715	16.4%
April 2013 - March 2014	594,662	6.3%	78,500	1.6%	88,207	1.4%	57,307	1.1%

	Net income per share (yen)	Diluted net income per share (yen)
April 2014 - March 2015	156.69	156.66
April 2013 - March 2014	134.77	134.71

(2) Non-consolidated financial position

(Millions of yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (yen)
March 31, 2015	937,391	751,616	80.2%	1,764.58
March 31, 2014	889,993	715,643	80.4%	1,680.43

(Note) Stockholders' equity (Millions of yen) As of March 31, 2015: 751,534 As of March 31, 2014: 715,350  
Stockholders' equity used for the calculation of indices is net assets excluding share subscription rights.

### (Information regarding audit procedures)

The financial information contained in this report is not subject to the audit procedures by independent auditors in accordance with the Financial Instruments and Exchange Law. At the time of issuing this report, the audit procedures 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)**

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

In these circumstances, the Shin-Etsu Group promoted sales to its wide range of customers around the world and expanded its global manufacturing bases. At the same time, we assiduously worked on the enhancement of our technologies and product quality. In addition we focused on building a strong business foundation by such means as developing new products that have special characteristics and focusing on stably securing raw materials.

As a result, compared with the previous fiscal year, net sales for FY 2015 increased by 7.7% (¥89,724 million) to ¥1,255,543 million. Operating income was ¥185,329 million, an increase of 6.6% (¥11,520 million) from the previous fiscal year. Ordinary income also increased by 9.6% (¥17,420 million) to ¥198,025 million over the previous fiscal year. Net income was ¥128,606 million, an increase of 13.2% (¥14,989 million) compared with the previous fiscal year.

### **2) Business Segment Overview**

#### **PVC/Chlor-Alkali Business**

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

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

#### **Silicones Business**

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

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

### **Specialty Chemicals Business**

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

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

### **Semiconductor Silicon Business**

With regard to semiconductor silicon, sales generally continued to do well because of the increase in production of semiconductor devices from the expanding demand for applications such as in smartphones and automobiles.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 7.9% (¥16,783 million) to ¥230,016 million and operating income increased by 45.6% (¥11,150 million) to ¥35,609 million.

### **Electronics & Functional Materials Business**

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

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

### **Diversified Business**

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

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

### **3) Business Prospects**

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

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

On the other hand, among the main products of the Shin-Etsu Group, there are those products that will be greatly affected by changes in demand and supply and market conditions as well as fluctuations in raw materials prices. In addition, over 70% of the Group's sales consist of sales outside of Japan, and exchange rate fluctuations affect our company's business. Exchange rate fluctuations also affect us when converting Shin-Etsu Chemical's overseas Group companies' business results into Japanese yen. When considering these external factors that have the possibility of these kinds of fluctuations, it is difficult at this stage to make a reasonable business forecast for the coming fiscal year. Therefore, we have decided to refrain from making a forecast for FY 2016's consolidated operating performance. We will disclose the consolidated business forecast for FY 2016 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 2015, total assets increased by ¥253,394 million, compared with that at the end of the previous fiscal year to ¥2,452,306 million. This was mainly due to the impact of the depreciation of the yen on currency translations of foreign consolidated subsidiaries.

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

Total net assets increased by ¥190,576 million, compared with that at the end of the previous fiscal year to ¥2,012,711 million. This was mainly due to the increases in retained earnings resulting from net income of ¥128,606 million for FY 2015 and foreign currency translation adjustments as a result of the depreciation of the yen.

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

### 2) Status of cash flows

	Millions of yen		
	April 1, 2013 - March 31, 2014	April 1, 2014 - March 31, 2015	Increase (Decrease)
Cash and cash equivalents at beginning of fiscal year	363,028	362,560	(468)
1. Cash flows from operating activities	259,734	243,459	(16,275)
2. Cash flows from investing activities	(246,894)	(167,142)	79,752
3. Cash flows from financing activities	(41,361)	(43,545)	(2,184)
4. Effect of foreign exchange and others	28,052	28,515	463
Net increase (decrease) in cash and cash equivalents	(468)	61,286	61,754
Cash and cash equivalents at end of fiscal year	362,560	423,846	61,286

The balance of cash and cash equivalents at the end of FY 2015 increased by 16.9% (¥61,286 million) compared with that at the end of previous fiscal year to ¥423,846 million.

#### Cash flows from operating activities

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

#### Cash flows from investing activities

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

#### Cash flows from financing activities

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

**(Reference)**

The trend of cash flow indices

	For the fiscal year ended				
	March 31, 2011	March 31, 2012	March 31, 2013	March 31, 2014	March 31, 2015
Stockholders' equity ratio (%)	80.0	80.3	82.0	80.6	79.9
Stockholders' equity ratio on market value basis (%)	98.4	112.1	138.3	114.2	136.3
Debt repayment ratio (%)	6.6	15.9	5.6	5.8	5.7
Interest coverage ratio (times)	403.8	187.9	488.4	292.7	311.0

(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 Chemical Co., Ltd. (the "Company") will focus on expanding company earnings and strengthening the make-up of the Group's structure as well as on sharing the results of such successful management efforts. It is our basic policy to distribute dividends so as to appropriately reward all of our 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 2015 will become ¥100, the same amount as in the previous fiscal year.

The forecast for the shareholders' dividend for FY 2016 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, in order to cope with the global expansion in demand, Shintech Inc., in the U.S. is carrying out the expansion of its integrated manufacturing facilities from electrolysis to PVC. In addition, to further strengthen its integrated PVC manufacturing system, Shintech has decided on the construction of an ethylene plant, which will manufacture one of the main raw materials for PVC. By making good use of its advantageous raw materials situation in the U.S. and by continuing to carry out its sales strategies that accurately grasp global trends in demand, Shintech will further solidify its position as the world's largest PVC manufacturer.

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

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

In the rare earth magnets business, by continuing to utilize our raw materials plants in China and Vietnam, we will carry out stable procurement of raw materials. Furthermore, by making full use at an early stage of our new magnet manufacturing plant that is under construction in Vietnam, we will strive to build up a stable supply system for rare earth

magnets, and we will work to capture the expected growth, both in Japan and outside of Japan, of demand for these magnets, mainly for applications in automobiles.

In other businesses, in addition to the cellulose manufacturing plant for pharmaceutical-use products in Germany and the cellulose manufacturing plant for coating products, which is under construction in the U.S., we will make good use of our global plants such as our optical fiber preform plant in China and a new plant for photoresists that we have decided to construct in Taiwan, as we aim to achieve a leap forward into the world market in these businesses.

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

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

### **3. Basic Approach to the Selection of Accounting Standards**

The Shin-Etsu Group has been using Japanese Generally Accepted Accounting Principles (JP-GAAP). We do not intend to change the accounting standards applied in the foreseeable future.

## **4. Consolidated Financial Statements**

### **(1) Consolidated Balance Sheets**

As of March 31, 2014 and 2015

	Millions of yen	
	March 31, 2014	March 31, 2015
<b>ASSETS</b>		
Current Assets:		
Cash and time deposits	363,339	461,489
Notes and accounts receivable-trade	267,243	292,748
Securities	274,282	304,180
Inventories	273,136	276,910
Deferred taxes, current	33,105	36,721
Other	31,745	38,370
Less: Allowance for doubtful accounts	(7,023)	(10,575)
Total current assets	1,235,829	1,399,846
Fixed Assets:		
Property, plant and equipment		
Buildings and structures, net	177,828	175,857
Machinery and equipment, net	424,526	441,123
Land	76,283	79,679
Construction in progress	35,353	80,230
Other, net	6,806	7,519
Total property, plant and equipment	720,799	784,409
Intangible assets	19,408	18,012
Investments and other assets:		
Investments in securities	124,003	145,726
Deferred taxes, non-current	16,427	15,858
Other	82,858	89,848
Less: Allowance for doubtful accounts	(414)	(1,394)
Total investments and other assets	222,875	250,038
Total fixed assets	963,083	1,052,460
TOTAL ASSETS	2,198,912	2,452,306

Millions of yen

	March 31, 2014	March 31, 2015
<b>LIABILITIES</b>		
Current Liabilities:		
Notes and accounts payable-trade	109,401	120,694
Short-term borrowings	7,524	6,825
Accounts payable-other	33,376	60,692
Accrued expenses	57,474	60,233
Accrued income taxes	32,118	33,554
Other	14,267	16,846
Total current liabilities	254,161	298,846
Long-term Liabilities:		
Long-term debt	7,557	7,116
Deferred taxes, non-current	80,934	93,571
Net defined benefit liability	28,127	33,401
Other	5,996	6,659
Total long-term liabilities	122,615	140,748
<b>TOTAL LIABILITIES</b>	376,776	439,594
<b>NET ASSETS</b>		
Stockholders' Equity:		
Common stock	119,419	119,419
Additional paid-in capital	128,625	128,572
Retained earnings	1,541,127	1,626,873
Less: Treasury stock, at cost	(34,954)	(33,837)
Total stockholders' equity	1,754,218	1,841,029
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	10,439	22,349
Deferred gains (losses) on hedges	493	(91)
Foreign currency translation adjustments	9,451	100,425
Remeasurements of defined benefit plans	(1,470)	(3,382)
Total accumulated other comprehensive income	18,914	119,300
Share subscription rights	426	139
Minority interests in consolidated subsidiaries	48,574	52,242
<b>TOTAL NET ASSETS</b>	1,822,135	2,012,711
<b>TOTAL LIABILITIES AND NET ASSETS</b>	2,198,912	2,452,306

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

For the fiscal years ended March 31, 2014 and 2015

### **Consolidated Statements of Income**

	Millions of yen	
	April 1, 2013 - March 31, 2014	April 1, 2014 - March 31, 2015
Net sales	1,165,819	1,255,543
Cost of sales	873,879	940,399
Gross profit	291,939	315,143
Selling, general and administrative expenses	118,130	129,814
Operating income	173,809	185,329
Non-operating income:		
Interest income	3,454	3,867
Dividend income	1,725	1,913
Foreign exchange gain	9,006	15,164
Other income	3,188	2,882
Total non-operating income	17,374	23,828
Non-operating expenses:		
Interest expenses	872	790
Loss on retirement of fixed assets	1,386	976
Loss on valuation of investment securities	175	1,379
Other expenses	8,143	7,985
Total non-operating expenses	10,578	11,132
Ordinary income	180,605	198,025
Income before income taxes and minority interests	180,605	198,025
Income taxes:		
Current	67,138	71,330
Deferred	(1,370)	(3,207)
Total income taxes	65,768	68,122
Income before minority interests	114,837	129,902
Minority interests in earnings of consolidated subsidiaries	1,219	1,295
Net income	113,617	128,606

## Consolidated Statements of Comprehensive Income

	Millions of yen	
	April 1, 2013 - March 31, 2014	April 1, 2014 - March 31, 2015
Income before minority interests	114,837	129,902
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	(1,122)	11,978
Deferred gains (losses) on hedges	309	(585)
Foreign currency translation adjustments	125,605	92,686
Remeasurements of defined benefit plans	-	(1,936)
Share of other comprehensive income of affiliates accounted for using the equity method	1,835	271
<b>Total other comprehensive income</b>	<b>126,627</b>	<b>102,414</b>
<b>Comprehensive income</b>	<b>241,465</b>	<b>232,316</b>
 (Breakdown)		
Comprehensive income attributable to owners of the parent	236,409	228,992
Comprehensive income attributable to minority interests	5,056	3,324

### (3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2014

(Millions of yen)

	Stockholders' Equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total stockholders' equity
Balance at the beginning of the year	119,419	128,234	1,470,015	(39,167)	1,678,502
Changes during the year					
Cash dividends			(42,505)		(42,505)
Net income			113,617		113,617
Purchase of treasury stock				(150)	(150)
Disposal of treasury stock		391		4,362	4,754
Net changes of items other than stockholders' equity					
Total changes during the year	-	391	71,112	4,212	75,716
Balance at the end of the year	119,419	128,625	1,541,127	(34,954)	1,754,218

(Millions of yen)

	Accumulated Other Comprehensive Income					Share subscription rights	Minority interests in consolidated subsidiaries	Total net assets
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the year	11,591	174	(114,172)	-	(102,406)	2,149	44,931	1,623,176
Changes during the year								
Cash dividends								(42,505)
Net income								113,617
Purchase of treasury stock								(150)
Disposal of treasury stock								4,754
Net changes of items other than stockholders' equity	(1,152)	319	123,624	(1,470)	121,321	(1,722)	3,643	123,242
Total changes during the year	(1,152)	319	123,624	(1,470)	121,321	(1,722)	3,643	198,959
Balance at the end of the year	10,439	493	9,451	(1,470)	18,914	426	48,574	1,822,135

For the fiscal year ended March 31, 2015

(Millions of yen)

	Stockholders' Equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total stockholders' equity
Balance at the beginning of the year	119,419	128,625	1,541,127	(34,954)	1,754,218
Cumulative effects of changes in accounting policies			(287)		(287)
Restated balance	119,419	128,625	1,540,840	(34,954)	1,753,931
Changes during the year					
Cash dividends			(42,573)		(42,573)
Net income			128,606		128,606
Purchase of treasury stock				(24)	(24)
Disposal of treasury stock		(53)		1,141	1,088
Net changes of items other than stockholders' equity					
Total changes during the year	-	(53)	86,033	1,117	87,097
Balance at the end of the year	119,419	128,572	1,626,873	(33,837)	1,841,029

(Millions of yen)

	Accumulated Other Comprehensive Income					Share subscription rights	Minority interests in consolidated subsidiaries	Total net assets
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the year	10,439	493	9,451	(1,470)	18,914	426	48,574	1,822,135
Cumulative effects of changes in accounting policies								(287)
Restated balance	10,439	493	9,451	(1,470)	18,914	426	48,574	1,821,848
Changes during the year								
Cash dividends								(42,573)
Net income								128,606
Purchase of treasury stock								(24)
Disposal of treasury stock								1,088
Net changes of items other than stockholders' equity	11,909	(585)	90,973	(1,912)	100,385	(287)	3,667	103,766
Total changes during the year	11,909	(585)	90,973	(1,912)	100,385	(287)	3,667	190,863
Balance at the end of the year	22,349	(91)	100,425	(3,382)	119,300	139	52,242	2,012,711



#### **(4) Consolidated Statements of Cash Flows**

For the fiscal years ended March 31, 2014 and 2015

	Millions of yen	
	April 1, 2013 - March 31, 2014	April 1, 2014 - March 31, 2015
<b>Cash flows from operating activities:</b>		
Income before income taxes	180,605	198,025
Depreciation and amortization	91,445	96,918
Impairment loss	-	4,679
Increase (decrease) in net defined benefit liability	4,007	(573)
(Gain) loss on valuation of investments in securities	175	1,379
Interest and dividend income	(5,180)	(5,780)
Interest expenses	872	790
Exchange (gain) loss	660	(2,152)
Equity in (earnings) losses of affiliates	(1,499)	383
(Increase) decrease in notes and accounts receivable	(561)	(13,990)
(Increase) decrease in inventories	18,246	7,967
(Increase) decrease in long-term advance payment	2,830	7,398
Increase (decrease) in notes and accounts payable	3,593	6,674
Other, net	1,047	4,758
Subtotal	296,245	306,477
Proceeds from interest and dividends	5,931	6,529
Payments of interest	(887)	(782)
Payments of income taxes	(41,554)	(68,765)
Net cash provided by operating activities	259,734	243,459
<b>Cash flows from investing activities:</b>		
Net (increase) decrease in time deposits	(15,019)	(15,278)
Net (increase) decrease in marketable securities	(155,762)	(46,294)
Purchases of property, plant and equipment	(66,814)	(86,709)
Purchases of intangible assets	(2,444)	(659)
Purchases of investments in securities	(3,836)	(7,528)
Proceeds from sales and redemption of investments in securities	7,277	122
Purchases of investments in subsidiaries resulting in change in scope of consolidation	(7,296)	-
Other, net	(2,997)	(10,793)
Net cash used for investing activities	(246,894)	(167,142)
<b>Cash flows from financing activities:</b>		
Net increase (decrease) in short-term borrowings	(693)	(918)
Proceeds from long-term debt	306	16
Repayments of long-term debt	(1,203)	(244)
Purchases of treasury stock	(150)	(24)
Cash dividends paid	(42,505)	(42,573)
Other, net	2,885	197
Net cash used for financing activities	(41,361)	(43,545)
Effect of exchange rate changes on cash and cash equivalents	28,052	28,515
Net increase (decrease) in cash and cash equivalents	(468)	61,286
Cash and cash equivalents at beginning of year	363,028	362,560
Cash and cash equivalents at end of year	362,560	423,846

## **(5) Notes to Consolidated Financial Statements**

### **(Notes on Premise of Going Concern)**

Not applicable

### **(Changes in Accounting Policies)**

(Adoption of new accounting standards for retirement benefits)

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

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

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

### **(Notes to Consolidated Balance Sheets)**

	Millions of yen	
	March 31, 2014	March 31, 2015
Accumulated depreciation of property, plant and equipment	1,730,579	1,862,014

### **(Notes to Consolidated Statements of Income)**

	Millions of yen	
	April 1, 2013 - March 31, 2014	April 1, 2014 - March 31, 2015
Research and development costs	43,546	47,165

**(Segment and Related Information)**

**1) Segment Information**

**1. Overview of Reportable Segments**

The reportable segments in the Shin-Etsu Group are defined as individual units for which discrete financial information is available and that are subject to regular review to evaluate their results and allocate 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 based on specific products and services, consisting of the following six segments: "PVC/Chlor-Alkali Business," "Silicones Business," "Specialty Chemicals Business," "Semiconductor Silicon Business," "Electronics & Functional Materials Business" and "Diversified Business." Consequently, these six businesses are specified as reportable segments.

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

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

**2. Calculation of Income and Assets and Liabilities of Reportable Segments**

Segment income denotes operating income, and the accounting methods applied are based on the principles and procedures of the accounting treatment used to prepare the 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.

Assets and liabilities are not allocated to business segments.

### 3. Information on Sales, Income (Loss), and Other Items of Reportable Segments

(1) For the fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

Millions of yen									
April 1, 2014 - March 31, 2015									
	PVC/Chlor- Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total	Adjustment <sup>[1]</sup>	Figures in consolidated financial statements
Sales to outside customers	452,656	177,438	112,347	230,016	183,505	99,579	1,255,543	-	1,255,543
Intersegment sales	3,906	5,859	12,582	2	7,058	71,725	101,135	(101,135)	-
<b>Total</b>	<b>456,563</b>	<b>183,297</b>	<b>124,930</b>	<b>230,019</b>	<b>190,563</b>	<b>171,304</b>	<b>1,356,679</b>	<b>(101,135)</b>	<b>1,255,543</b>
Segment income (Operating income) <sup>[2]</sup>	50,264	33,414	15,278	35,609	46,208	4,826	185,601	(272)	185,329
Depreciation and amortization <sup>[3]</sup>	29,375	11,967	10,710	24,412	15,236	5,449	97,152	(234)	96,918
Increase in property, plant and equipment and intangible assets	44,422	12,947	16,147	15,889	16,407	4,516	110,331	(427)	109,903

[1] Elimination of intersegment transactions

[2] In the Silicones Business segment, the Company booked a ¥4,679 million impairment loss.

[3] Depreciation and amortization includes goodwill amortization of ¥1,313 million.  
(Specialty Chemical Business: ¥1,115 million; Silicones Business: ¥162 million;  
and Diversified Business: ¥35 million)

**(2) For the fiscal year ended March 31, 2014** (From April 1, 2013 to March 31, 2014)

	Millions of yen							Adjustment <sup>[1]</sup>	Figures in consolidated financial statements
	April 1, 2013 - March 31, 2014								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total		
Sales to outside customers	427,845	156,437	103,204	213,233	170,986	94,113	1,165,819	-	1,165,819
Intersegment sales	3,814	5,045	9,942	14	4,411	56,909	80,138	(80,138)	-
<b>Total</b>	<b>431,660</b>	<b>161,482</b>	<b>113,146</b>	<b>213,247</b>	<b>175,398</b>	<b>151,022</b>	<b>1,245,957</b>	<b>(80,138)</b>	<b>1,165,819</b>
Segment income (Operating income)	60,150	31,807	12,757	24,459	40,969	3,669	173,813	(4)	173,809
Depreciation and amortization <sup>[2]</sup>	26,507	10,978	10,167	24,960	14,672	4,398	91,684	(239)	91,445
Increase in property, plant and equipment and intangible assets*	15,174	11,295	11,883	14,580	14,417	3,237	70,590	(34)	70,555

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

[1] Elimination of intersegment transactions

[2] Depreciation and amortization includes goodwill amortization of ¥1,560 million.

(Specialty Chemical Business: ¥1,030 million; Semiconductor Silicon Business: ¥357 million; Silicones Business: ¥119 million; and Diversified Business: ¥53 million)

**2) Related Information**

**Geographic Information**

**(Net Sales)**

Millions of yen						
April 1, 2014 - March 31, 2015						
Japan	U.S.	Asia/Oceania		Europe	Other	Total
		China	Other			
351,203	271,742	122,897	243,439	147,506	118,754	1,255,543

Millions of yen						
April 1, 2013 - March 31, 2014						
Japan	U.S.	Asia/Oceania		Europe	Other	Total
		China	Other			
335,632	236,805	115,862	216,453	141,865	119,200	1,165,819

**(Notes to Income Taxes)**

1. Components of deferred tax assets and liabilities

	Millions of yen	
	As of March 31, 2014	As of March 31, 2015
Deferred Tax Assets:		
Depreciation and amortization	14,266	14,033
Net defined benefit liability	8,405	9,946
Unrealized profit	4,927	6,107
Maintenance costs	4,798	4,818
Accrued bonuses	3,429	3,376
Allowance for doubtful accounts	1,784	2,734
Unsettled accounts receivable and payable	3,290	2,684
Accrued enterprise taxes	2,292	2,237
Tax loss carry forwards	868	985
Other	19,964	22,481
Sub-total	64,026	69,406
Valuation allowance	(4,987)	(5,173)
Total	59,039	64,233
Deferred Tax Liabilities:		
Depreciation and amortization	79,489	89,729
Unrealized gains on available-for-sale securities	6,690	11,354
Reserve for special depreciation	157	112
Other	7,778	8,058
Total	94,116	109,254
Net deferred tax assets (liabilities)	(35,077)	(45,021)

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

		Millions of yen	
		As of March 31, 2014	As of March 31, 2015
Current assets	: Deferred taxes, current	33,105	36,721
Fixed assets	: Deferred taxes, non-current	16,427	15,858
Current liabilities	: Other	(3,675)	(4,029)
Long-term liabilities:	Deferred taxes, non-current	(80,934)	(93,571)

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

	April 1, 2013 - March 31, 2014	April 1, 2014 - March 31, 2015
	Statutory tax rate	37.8%
Rate difference from foreign subsidiaries	(2.8)	(1.3)
Equity in (earnings) losses of affiliates	(0.3)	0.1
Dividend and other non-taxable income	(2.3)	(2.1)
Elimination of intercompany dividend income	2.2	2.1
Tax deduction for research expenses	(1.2)	(1.6)
Entertainment and other non-deductible expenses	0.2	0.2
Adjustment of deferred tax assets due to change in income tax rate	1.2	1.7
Other, net	1.6	(0.2)
Effective tax rate	36.4	34.4

**(Per Share Information)**

	April 1, 2013 - March 31, 2014	April 1, 2014 - March 31, 2015
Net assets per share (yen)	4,165.28	4,602.80
Net income per share (yen)	267.20	302.05
Diluted net income per share (yen)	267.07	301.98

(Note) Net income per share and diluted net income per share were calculated based on the following:

	Millions of yen	
	April 1, 2013 - March 31, 2014	April 1, 2014 - March 31, 2015
Calculation of net income per share		
Net income	113,617	128,606
Amount not attributable to shareholders of common stock	-	-
Net income attributable to common stock	113,617	128,606
Weighted-average number of shares outstanding (thousands of shares)	425,222	425,784
Calculation of diluted net income per share		
Adjustments to net income	-	(4)
Increase of common stock (thousands of shares)	198	76
[Share subscription rights included in the above (thousands of shares)]	[198]	[76]
	Number of share subscription rights	
	April 1, 2013 - March 31, 2014	April 1, 2014 - March 31, 2015
Potentially dilutive shares not included in the calculation of diluted net income due to their anti-dilutive effect	-	-

**(Major Subsequent Events)**

Not applicable

## Appendix: Quarterly Operating Results

(Billions of yen)

	FY 2014 April 1, 2013 - March 31, 2014					FY 2015 April 1, 2014 - March 31, 2015				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Net Sales	270.9	301.2	299.8	293.8	1,165.8	<b>294.5</b>	<b>309.1</b>	<b>325.8</b>	<b>326.0</b>	<b>1,255.5</b>
PVC / Chlor-Alkali	102.4	111.2	109.8	104.2	427.8	<b>102.8</b>	<b>110.1</b>	<b>124.5</b>	<b>115.1</b>	<b>452.6</b>
Silicones	34.6	40.8	40.5	40.3	156.4	<b>42.0</b>	<b>44.0</b>	<b>44.3</b>	<b>47.0</b>	<b>177.4</b>
Specialty Chemicals	23.8	25.9	27.3	26.0	103.2	<b>27.2</b>	<b>26.8</b>	<b>29.2</b>	<b>29.1</b>	<b>112.3</b>
Semiconductor Silicon	49.8	55.8	55.8	51.6	213.2	<b>54.4</b>	<b>56.9</b>	<b>57.4</b>	<b>61.1</b>	<b>230.0</b>
Electronics & Functional Materials	40.6	43.2	43.3	43.8	170.9	<b>44.9</b>	<b>45.9</b>	<b>45.9</b>	<b>46.6</b>	<b>183.5</b>
Diversified	19.4	24.1	22.8	27.6	94.1	<b>23.0</b>	<b>25.2</b>	<b>24.3</b>	<b>26.9</b>	<b>99.5</b>
Operating Income	45.5	46.6	42.7	38.8	173.8	<b>48.6</b>	<b>48.9</b>	<b>42.4</b>	<b>45.2</b>	<b>185.3</b>
PVC / Chlor-Alkali	16.9	17.2	14.1	11.9	60.1	<b>14.0</b>	<b>14.6</b>	<b>11.5</b>	<b>10.1</b>	<b>50.2</b>
Silicones	7.0	7.1	8.8	8.7	31.8	<b>9.1</b>	<b>9.2</b>	※ <b>4.8</b>	<b>10.2</b>	<b>33.4</b>
Specialty Chemicals	3.0	2.8	3.8	2.9	12.7	<b>3.9</b>	<b>3.3</b>	<b>3.7</b>	<b>4.2</b>	<b>15.2</b>
Semiconductor Silicon	6.7	7.7	5.4	4.5	24.4	<b>7.8</b>	<b>8.3</b>	<b>9.8</b>	<b>9.4</b>	<b>35.6</b>
Electronics & Functional Materials	10.6	10.8	9.4	9.9	40.9	<b>12.0</b>	<b>12.1</b>	<b>11.5</b>	<b>10.5</b>	<b>46.2</b>
Diversified	1.1	0.9	0.7	0.8	3.6	<b>1.5</b>	<b>1.3</b>	<b>0.9</b>	<b>0.9</b>	<b>4.8</b>
Ordinary Income	49.0	48.3	44.0	39.2	180.6	<b>49.5</b>	<b>51.6</b>	<b>51.3</b>	<b>45.4</b>	<b>198.0</b>
Net Income	32.0	31.7	28.7	21.0	113.6	<b>32.9</b>	<b>34.6</b>	<b>32.4</b>	<b>28.5</b>	<b>128.6</b>
Depreciation and Amortization	21.3	22.6	23.1	24.2	91.4	<b>22.6</b>	<b>23.7</b>	<b>24.1</b>	<b>26.3</b>	<b>96.9</b>
Capital Expenditures	28.8	15.0	13.7	25.5	83.1	<b>13.8</b>	<b>24.9</b>	<b>22.1</b>	<b>48.9</b>	<b>109.9</b>
R&D Costs	9.5	10.8	10.4	12.5	43.5	<b>10.3</b>	<b>12.0</b>	<b>11.6</b>	<b>13.1</b>	<b>47.1</b>
Overseas Sales	191.3	218.4	216.4	203.9	830.1	<b>206.4</b>	<b>220.3</b>	<b>238.7</b>	<b>238.7</b>	<b>904.3</b>
Ratio of Overseas Sales to Net Sales	71%	73%	72%	69%	71%	<b>70%</b>	<b>71%</b>	<b>73%</b>	<b>72%</b>	<b>72%</b>

※The Company booked a ¥4.6 billion impairment loss.

(Note) Amounts are stated in billions of yen by discarding fractional amounts less than 0.1 billion.