

Eleven-Year Summary

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2004 through 2014

	Millions of yen				
	2004	2005	2006	2007	2008
For the year:					
Net sales	¥ 832,804	¥ 967,486	¥1,127,915	¥1,304,695	¥1,376,364
Cost of sales	619,085	715,143	831,333	933,199	946,940
Selling, general and administrative expenses	88,094	100,608	111,262	130,467	142,278
Operating income	125,625	151,734	185,320	241,028	287,145
Ordinary income	125,612	151,503	185,040	247,018	300,040
Net income	74,805	93,160	115,045	154,010	183,580
Capital expenditures	113,591	110,277	145,329	210,613	268,479
R&D costs	26,329	27,924	32,003	41,737	47,944
Depreciation and amortization	73,581	90,874	111,637	138,462	141,269
At year-end:					
Total assets	¥1,386,216	¥1,476,248	¥1,671,280	¥1,859,995	¥1,918,544
Working capital	401,878	444,935	572,205	628,986	638,806
Common stock	110,493	117,513	119,419	119,419	119,419
Net assets	—	—	—	1,360,315	1,483,669
Stockholders' equity	900,724	996,307	1,173,679	—	—
Interest-bearing debt	163,167	120,422	83,838	45,143	34,045
Per share (Yen and U.S. dollars):					
Net income—basic	¥ 177.25	¥ 219.10	¥ 266.63	¥ 357.78	¥ 426.63
Net income—fully diluted ²	173.52	216.11	266.07	357.32	426.35
Cash dividends	16.00	20.00	35.00	70.00	90.00
Payout ratio (%)	9.0	9.1	13.1	19.6	21.1
Net assets	2,140.23	2,329.47	2,730.94	3,065.80	3,344.17
General:					
Operating income to net sales ratio (%)	15.1	15.7	16.4	18.5	20.9
Net income to net sales ratio (%)	9.0	9.6	10.2	11.8	13.3
ROE (%) ³	8.6	9.8	10.6	12.4	13.3
ROA (%)	9.3	10.6	11.8	14.0	15.9
Equity ratio (%)	65.0	67.5	70.2	71.0	75.0
Number of employees	17,384	18,151	18,888	19,177	20,241
Number of shares issued (Thousands)	422,798	430,118	432,106	432,106	432,106

Notes: 1. The U.S. dollar amounts represent conversion of yen, for convenience only, at the rate of ¥103 = US\$1, the approximate rate of exchange on March 31, 2014.

2. Diluted net income per share for the fiscal year ended March 31, 2012 is not presented as there were no securities with dilutive effect.

3. Stockholders' equity used for calculation of indices from the fiscal year ended March 31, 2007 consists of "stockholders' equity" and "accumulated other comprehensive income."

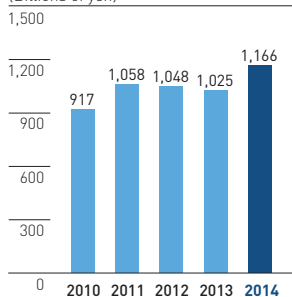
Millions of yen						Thousands of U.S. dollars
2009	2010	2011	2012	2013	2014	2014
¥1,200,813	¥ 916,837	¥1,058,257	¥1,047,731	¥1,025,409	¥1,165,819	\$11,318,633
853,433	700,902	803,574	798,592	769,427	873,879	8,484,271
114,453	98,718	105,460	99,505	98,938	118,130	1,146,894
232,927	117,215	149,221	149,632	157,043	173,809	1,687,466
250,533	127,019	160,338	165,237	170,207	180,605	1,753,453
154,731	83,852	100,119	100,643	105,714	113,617	1,103,085
159,406	123,793	119,884	87,165	86,841	83,155	807,337
37,469	33,574	37,321	35,725	37,671	43,546	422,777
119,457	87,722	93,732	82,868	80,961	91,445	887,820
¥1,684,944	¥1,769,139	¥1,784,166	¥1,809,841	¥1,920,903	¥2,198,912	\$21,348,661
606,632	612,447	638,493	694,803	832,878	981,667	9,530,755
119,419	119,419	119,419	119,419	119,419	119,419	1,159,414
1,407,353	1,474,212	1,469,429	1,494,573	1,623,176	1,882,135	17,690,634
—	—	—	—	—	—	—
23,827	20,052	14,574	15,732	13,929	15,638	151,825
¥ 362.39	¥ 197.53	¥ 235.80	¥ 237.03	¥ 248.94	¥ 267.20	\$ 2,594
362.35	197.50	235.80	—	248.92	267.07	2,593
100.00	100.00	100.00	100.00	100.00	100.00	0.971
27.6	50.6	42.4	42.2	40.2	37.4	37.4
3,218.28	3,370.56	3,360.39	3,422.93	3,709.19	4,165.28	40.440
19.4	12.8	14.1	14.3	15.3	14.9	14.9
12.9	9.1	9.5	9.6	10.3	9.7	9.7
11.0	6.0	7.0	7.0	7.0	6.8	6.8
13.9	7.4	9.0	9.2	9.1	8.8	8.8
81.1	80.9	80.0	80.3	82.0	80.6	80.6
19,170	16,955	16,302	16,167	17,712	17,892	17,892
432,106	432,106	432,106	432,106	432,106	432,106	432,106

Management's Discussion and Analysis

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

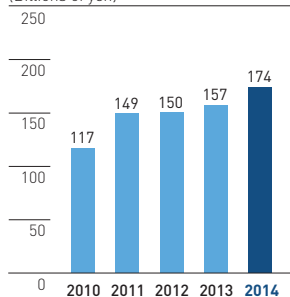
Net Sales

(Billions of yen)



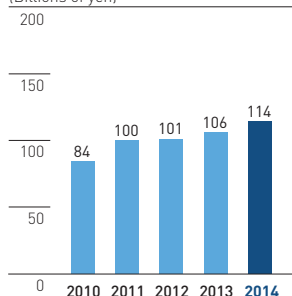
Operating Income

(Billions of yen)



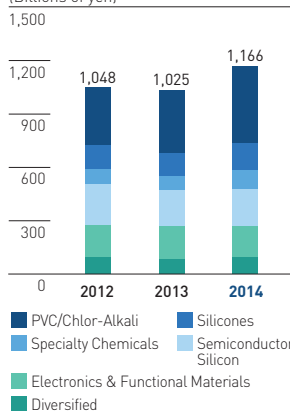
Net Income

(Billions of yen)



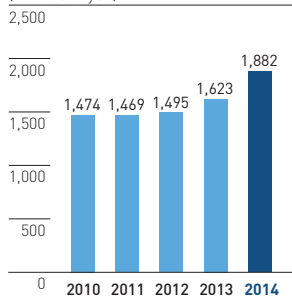
Net Sales by Business Segment

(Billions of yen)



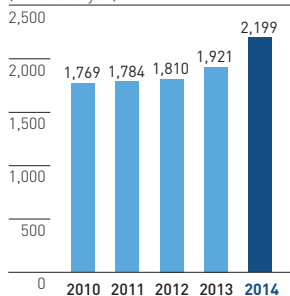
Total Net Assets

(Billions of yen)



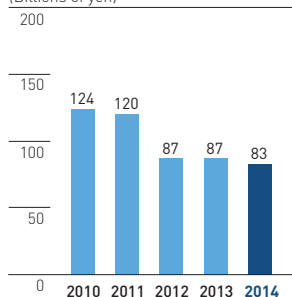
Total Assets

(Billions of yen)



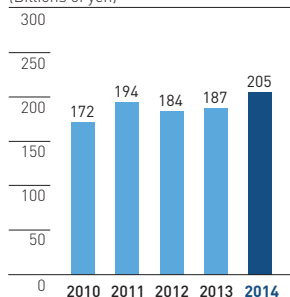
Capital Expenditures

(Billions of yen)



Net Cash Flow*

(Billions of yen)



* Net cash flow = Net income + Depreciation and amortization

Overview of the Shin-Etsu Group

The Shin-Etsu Group (the "Group") was composed of Shin-Etsu Chemical Co., Ltd. (the "Company"), 123 subsidiaries and 14 affiliates as of March 31, 2014. There are six business segments: PVC/Chlor-Alkali Business, Silicones Business, Specialty Chemicals Business, Semiconductor Silicon Business, Electronics & Functional Materials Business and Diversified Business. The Group conducts business activities by dividing manufacturing and sales activities among Group companies and using mutual cooperation among all of these companies.

Consolidated Operating Performance

With regard to the world economy, during fiscal 2014 (April 1, 2013 to March 31, 2014), although a gradual recovery continued in the U.S., there was a sluggish tendency in emerging economies, such as in the Asian region; and in Europe, there was also the impact of financial problems, and stagnation there continued. On the other hand, with regard to the Japanese economy, there was progress seen in terms of the movement toward a weaker yen and improvements in the employment situation as well as in the movement toward a recovery in exports and personal consumption, as the economy moved along a recovery track.

Under these circumstances, the Group worked to aggressively promote its 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 reinforcing production capacities, dispersing manufacturing bases and also focusing on stably securing raw materials.

Net Sales

Net sales increased 13.7% (¥140,410 million) to ¥1,165,819 million compared with the previous fiscal year.

Cost of Sales and Selling, General and Administrative Expenses

Cost of sales increased 13.5% (¥104,452 million) to ¥873,879 million and the ratio of cost of sales to net sales decreased 0.1 percentage point to 74.9%. Selling, general and administrative (SG&A) expenses increased 19.3% (¥19,192 million) to ¥118,130 million, but the ratio of these expenses to sales increased 0.5 of a percentage point to 10.1%.

Research and development costs, which are included in manufacturing costs and SG&A expenses, increased 15.5% (¥5,875 million) to ¥43,546 million and the ratio of these costs to net sales was 3.7%.

Operating Income

Operating income increased 10.7% (¥16,766 million) to ¥173,809 million and the operating income to net sales ratio decreased 0.4 percentage point to 14.9%.

Business Segment Overview

PVC/Chlor-Alkali Business

With regard to the PVC business, in addition to sales to its customers in the U.S., where a recovery in the housing market was seen, Shintech in the U.S. maintained a high level of shipments by expanding sales to its customers worldwide, starting with those in Central and South America. Accordingly, Shintech's business performance grew. Shin-Etsu PVC in the Netherlands also maintained strong shipments. On the other hand, in Japan, although demand related to housing was on a recovery track, the business situation was affected by a rise in raw materials prices, and a tough business situation continued.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 24.5% (¥84,148 million) to ¥427,845 million and operating income increased by 32.0% (¥14,598 million) to ¥60,150 million.

Silicones Business

With regard to the silicones business, in Japan, in addition to sales of product applications for automobiles and cosmetics generally continuing to do well, sales of product applications for electronics equipment turned toward a recovery track from the second half of the fiscal year. In our silicones business outside of Japan, functional products for Europe and the U.S. and general-purpose products for China were firm.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 21.2% (¥27,408 million) to ¥156,437 million and operating income increased by 11.0% (¥3,164 million) to ¥31,807 million.

Specialty Chemicals Business

With regard to cellulose derivatives, in Japan, in addition to products for building and construction applications doing well, reflecting an increase in housing demand, products for pharmaceutical-use were firm. However, the business of SE Tylose in Germany was affected by intensifying price competition. Although there was a movement towards recovery from the second half of the fiscal year, the silicon metal business of Simcoa Operations in Australia was affected by sluggish market conditions.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 23.6% (¥19,678 million) to ¥103,204 million and operating income decreased by 11.8% (¥1,710 million) to ¥12,757 million.

Semiconductor Silicon Business

With regard to semiconductor silicon, although lackluster demand for PCs and flat-panel TVs continued, with the expanding demand for smartphones and tablet PCs from the start of the fiscal year, this business entered on a gradual recovery track. Since the second quarter of the fiscal year, although the business was affected by a production adjustment following a slowdown in demand for high-function smartphones, shipments for low-price smartphones, tablet PCs and for devices for automobiles continued firm shipments.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 5.3% (¥10,767 million) to ¥213,233 million and operating income increased by 11.5% (¥2,522 million) to ¥24,459 million.

Electronics & Functional Materials Business

With regard to the rare-earth magnets business, although shipments of products for applications in automobiles, starting with hybrid vehicles, were good, shipments of products for applications in hard disk drives were slow. On the other hand, with regard to the photoresist products business, ArF resists and trilayer materials expanded greatly aided by the progress in semiconductor device miniaturization. The business of materials for LED packaging and shipments of optical fiber preform were generally firm, but optical fiber preform was faced with an adjustment phase in the second half of the fiscal year.

As a result, compared with the previous fiscal year, net sales for this business segment decreased by 6.5% (¥11,795 million) to ¥170,986 million and operating income increased by 0.3% (¥106 million) to ¥40,969 million.

Diversified Business

Shin-Etsu Polymer Co., Ltd.'s business of keypads for automobile applications remained firm, and the company's business of semiconductor wafer-related containers saw a recovery movement. On the other hand, the engineering business of Shin-Etsu Engineering Co., Ltd. was slow.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 12.2% (¥10,206 million) to ¥94,113 million and operating income decreased by 34.5% (¥1,932 million) to ¥3,669 million.

Other Income and Expenses and Extraordinary Income and Losses

Other income, net was ¥6,796 million because of a foreign exchange gain of ¥9,006 million and equity in earnings of affiliates of ¥1,499 million. There was no extraordinary income or loss. As a result, income before income taxes and minority interests increased 10.0% (¥16,535 million) to ¥180,605 million yen.

Net Income

Income taxes totaled ¥65,768 million. As a result, net income increased 7.5% (¥7,903 million) to ¥113,617 million and net income per share increased ¥18.26 to ¥267.20.

Analysis of Financial Position

Information on Assets, Liabilities and Net Assets

At the end of fiscal 2014, total assets increased by ¥278,009 million, compared with that at the end of the previous fiscal year to ¥2,198,912 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 ¥79,049 million from that at the end of the previous fiscal year, to ¥376,776 million.

Total net assets increased by ¥198,959 million, compared with that at the end of the previous fiscal year to ¥1,822,135 million. This was mainly due to the increases in retained earnings resulting from net income of ¥113,617 million for fiscal 2014 and foreign currency translation adjustments as a result of the depreciation of the yen.

The stockholders' equity ratio was 80.6%, down 1.4 percentage points from 82.0% at the end of the previous fiscal year.

Cash Flows

Cash and cash equivalents at the end of fiscal 2014 totaled ¥362,560 million, down 0.1% (¥468 million) compared with the end of the previous fiscal year.

Operating Activities

Net cash provided by operating activities was ¥259,734 million, an increase of ¥24,112 million from the previous fiscal year. Major sources of cash were income before income taxes of ¥180,605 million, depreciation and amortization of ¥91,445 million, and a ¥18,246 million decrease in inventories. A major use of cash was for the payment of income taxes of ¥41,554 million.

Investing Activities

Net cash used for investing activities was ¥246,894 million, an increase of ¥127,640 million from the previous fiscal year. Major uses of cash were a net increase of ¥155,762 million in marketable securities, which includes certificates of deposit, purchases of property, plant and equipment of ¥66,814 million, and an expenditure of ¥14,685 million to make Asia Silicones Monomer Limited a wholly owned subsidiary.

Financing Activities

Net cash used for financing activities was ¥41,361 million, a decrease of ¥2,649 million from the previous fiscal year. Cash was used mainly for cash dividends paid of ¥42,505 million.

Capital Expenditures

Capital expenditures totaled ¥83,155 million. In the Silicones Business, capital expenditures totaled ¥23,896 million in part because of the purchase of stock from General Electric Company to make Asia Silicones Monomer Limited a wholly owned subsidiary. Capital expenditures were ¥15,174 million in the PVC/Chlor-Alkali Business, ¥14,580 million in the Semiconductor Silicon business, ¥14,417 million in the Electronics & Functional Materials Business, ¥11,883 million in the Specialty Chemicals Business and ¥3,237 million in the Diversified Business.

Basic Policy Concerning Profit-sharing

Taking a long-term perspective, the Company will focus on expanding company earnings and strengthening the make-up of the Group's structure as well as on sharing the results of such successful management efforts. It is our basic policy to distribute dividends so as to appropriately reward all of our stockholders. 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 ¥50 per share, the same amount as the interim dividend of ¥50 per share. Accordingly, the total annual dividend per share for fiscal 2014 is ¥100, the same amount as in the previous fiscal year.

Outlook for Fiscal 2015 (Ending March 2015)

With regard to business prospects going forward, although the world economy is expected to continue its gradual recovery, there are concerns about the effects of Europe's financial problems and also there are uncertainties regarding the future direction of emerging economies. In Japan as well, although the economy is expected to continue along a recovery track, the situation is such that it does not allow for optimism because of concerns over the effects of the increase in the consumption tax in Japan and the effects of challenges across the world economy.

Facing such a situation, the 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 further focusing on enhancing productivity and product quality. We will develop products that have special characteristics, and we will also strive to assure the stable securing of raw materials.

Business Risk

This section discusses risk factors that could potentially influence such key business matters as the results of the Shin-Etsu Group's business operations, financial condition and cash flows. The Group reduces its vulnerability to business risks by taking measures to prevent, disperse or hedge these risks. However, if an unforeseeable situation should occur, it could have a significant impact on the Group's business results.

This section contains a list of significant items that the Group considers are current risk factors, but it is not intended to be a comprehensive list of all risks that could seriously impact the Group's business performance.

1) Influence of Economic Trends and Product Markets

Changes in the economic situation of countries or regions where the Group's key products are marketed can have a great impact on the results of the Group's business operations. In addition, among the Group's key products, some products could be affected by large price fluctuations due to the global supply and demand environment. The Group is hedging its risks by taking such strategies as diversifying and globalizing its businesses. However, a downturn in demand for certain of its products or escalating price competition could have a significant effect on the Group's business operations results.

2) Influence of Fluctuations in Foreign Exchange Rates

Overseas sales accounted for 71.2% of the consolidated net sales of the Group in fiscal 2014, and it is expected that this ratio will remain at a high level. The Japanese yen equivalent amounts of items in the financial statement items of overseas consolidated subsidiaries, which are included in the Group's consolidated financial statements, are influenced by fluctuations in foreign exchange rates. A large movement in these rates could have a great impact on the business results of the entire Group. In addition, although we use forward-exchange contracts and other measures to reduce risk exposure associated with transactions in foreign currencies, a large movement in foreign exchange rates could have a similar serious effect on the Group's business operations results.

3) Influence of Natural Disasters and Disastrous Accidents

To minimize the damage that could result from an interruption of production activities, the Group performs regular disaster-prevention inspections, carries out a constant program of facility maintenance activities at its production facilities and makes facility investments to enhance safety and establish multiple manufacturing bases. However, if a natural disaster or disastrous accident or other unforeseen event damages production facilities or other areas, such circumstances could have a major impact on the Group's business operations results.

4) Influence of Public Regulations and Laws

In countries and regions where the Group is carrying out its business activities, we are bound by the approval processes and licensing requirements involving investment and import/export regulations as well as by various related laws concerning commercial transactions, labor, patents, taxes, foreign exchange and other items. Any changes in these regulations and laws could have a significant effect on the Group's business operations results.

5) Influence of Supply Factors on Procurement of Materials

The Group uses various raw materials in its production activities, and we strive to assure a stable supply of these materials by diversifying our supply sources. However, if supplies become tight or there are delays in procuring these materials, or if prices increase because of these events, there could be a great effect on the Group's business operations results.

6) Influence of the Development of New Products and Technologies

The pace of technological progress is rapid in the electronics industry, which is an important market for some of the Group's products. The Company is constantly working on developing the most advanced cutting-edge materials to meet needs associated with this technological innovation. However, if the Group is unable to take appropriate measures in response to changes in industries and/or markets despite its constant efforts, there could be a significant effect on the Group's business operations results.

7) Influence of Environmental Issues

The Group handles various types of chemical substances and complies strictly with various laws and regulations concerning the environment. In addition, the Group has been making efforts for energy-saving in order to help combat global warming and for eliminating or significantly reducing emissions of substances that are harmful to the environment. However, if regulations concerning the environment become more strict than presently anticipated and require large-scale capital expenditures and other investments as a result, there could be a significant effect on the Group's business operations results.

8) Influence of Product Liability

The Group uses a large number of measures to maintain the optimum quality of its products in accordance with the characteristics of each product. However, a problem involving product quality that occurs due to unforeseen circumstances could have a significant effect on the Group's business operations results.

Consolidated Balance Sheets

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
As of March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
ASSETS			
Current Assets:			
Cash and time deposits (Note 24).....	¥ 363,339	¥ 252,881	\$ 3,527,565
Notes and accounts receivable—trade (Note 4).....	267,243	243,785	2,594,600
Securities (Notes 6 and 24).....	274,282	214,380	2,662,937
Merchandise and finished goods.....	131,772	123,442	1,279,340
Work in process.....	13,844	11,012	134,414
Raw materials and supplies.....	127,519	134,922	1,238,054
Deferred taxes, current (Note 22).....	33,105	27,462	321,409
Other.....	31,745	31,290	308,208
Less: Allowance for doubtful accounts (Note 2 (5)).....	(7,023)	(6,664)	(68,190)
Total current assets.....	1,235,839	1,032,513	11,998,340
Fixed Assets:			
Property, Plant and Equipment (Notes 2 (8) and 9):			
Buildings and structures, net.....	177,828	164,885	1,726,494
Machinery and equipment, net.....	424,526	356,970	4,121,619
Land.....	76,283	70,110	740,613
Construction in progress.....	35,353	50,862	343,238
Other, net.....	6,806	6,822	66,086
Total property, plant and equipment.....	720,799	649,650	6,998,051
Intangible Assets:			
Goodwill.....	12,652	9,363	122,843
Other.....	6,755	5,274	65,589
Total intangible assets.....	19,408	14,637	188,433
Investments and Other Assets:			
Investments in securities (Notes 6 and 8).....	124,003	129,551	1,203,914
Long-term loans.....	7,159	6,405	69,506
Net defined benefit asset (Note 11).....	2,386	—	23,165
Deferred taxes, non-current (Note 22).....	16,427	14,590	159,490
Other (Note 8).....	73,313	73,900	711,782
Less: Allowance for doubtful accounts (Note 2 (5)).....	(414)	(347)	(4,023)
Total investments and other assets.....	222,875	224,101	2,163,836
Total fixed assets.....	963,083	888,389	9,350,321
Total Assets	¥2,198,912	¥1,920,903	\$21,348,661

The accompanying notes are an integral part of the consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Notes and accounts payable-trade (Note 4).....	¥ 109,401	¥ 100,197	\$ 1,062,149
Short-term borrowings (Note 10)	7,524	5,507	73,049
Accounts payable-other	33,376	28,882	324,039
Accrued expenses	57,474	45,537	558,000
Accrued income taxes	32,118	6,220	311,826
Accrued bonuses for employees.....	2,356	1,995	22,876
Accrued bonuses for directors	439	372	4,270
Other (Notes 4 and 22).....	11,471	10,921	111,373
Total current liabilities	254,161	199,635	2,467,585
Long-Term Liabilities:			
Long-term debt (Note 10)	7,557	7,709	73,374
Deferred taxes, non-current (Note 22)	80,934	65,033	785,770
Accrued retirement benefits (Note 11)	—	20,185	—
Net defined benefit liability (Note 11)	28,127	—	273,081
Accrued retirement bonuses for directors.....	258	276	2,511
Other	5,737	4,887	55,704
Total long-term liabilities	122,615	98,091	1,190,442
Total Liabilities	376,776	297,727	3,658,027
Commitment and Contingent Liabilities (Note 12)			
Net Assets			
Stockholders' Equity:			
Common stock:.....	119,419	119,419	1,159,414
Authorized: 1,720,000,000 shares			
Issued: 432,106,693 shares as of March 31, 2014 and 2013, respectively			
Additional paid-in capital	128,625	128,234	1,248,794
Retained earnings (Note 13)	1,541,127	1,470,015	14,962,406
Less: Treasury stock, at cost	(34,954)	(39,167)	(339,365)
6,413,086 shares and 7,190,226 shares as of March 31, 2014 and 2013, respectively			
Total stockholders' equity	1,754,218	1,678,502	17,031,249
Accumulated Other Comprehensive Income:			
Unrealized gains (losses) on available-for-sale securities (Note 2 (7))	10,439	11,591	101,351
Deferred gains (losses) on hedges	493	174	4,794
Foreign currency translation adjustments.....	9,451	(114,172)	91,765
Remeasurements of defined benefit plans	(1,470)	—	(14,273)
Total accumulated other comprehensive income.....	18,914	(102,406)	183,638
Share Subscription Rights	426	2,149	4,144
Minority Interests in Consolidated Subsidiaries	48,574	44,931	471,601
Total net assets.....	1,822,135	1,623,176	17,690,634
Total Liabilities and Net Assets	¥2,198,912	¥1,920,903	\$21,348,661

Consolidated Statements of Income

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2014, 2013 and 2012

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2014	2013	2012	2014
Net Sales (Note 25)	¥1,165,819	¥1,025,409	¥1,047,731	\$11,318,633
Cost of Sales (Notes 11 and 17)	873,879	769,427	798,592	8,484,271
Gross profit	291,939	255,981	249,138	2,834,361
Selling, General and Administrative Expenses (Notes 11, 16 and 17)	118,130	98,938	99,505	1,146,894
Operating income (Note 25)	173,809	157,043	149,632	1,687,466
Other Income (Expenses):				
Interest income	3,454	2,417	2,978	33,542
Dividend income	1,725	1,560	1,530	16,750
Equity in earnings of affiliates	1,499	6,430	15,656	14,553
Interest expenses	(872)	(465)	(517)	(8,467)
Loss on disposal of property, plant and equipment	(1,386)	(690)	(938)	(13,459)
Foreign exchange gain (loss)	9,006	4,565	(416)	87,437
Other, net	(6,630)	(653)	(2,688)	(64,371)
Ordinary income	180,605	170,207	165,237	1,753,453
Extraordinary Income (Losses):				
Reversal of restoration costs for earthquake (Note 19)	—	—	5,491	—
Loss on sales of investments in securities	—	(6,137)	—	—
Loss on impairment of fixed assets (Note 20)	—	—	(6,191)	—
Loss on disaster (Note 21)	—	—	(5,312)	—
Provision of allowance for doubtful accounts	—	—	(4,553)	—
Income before income taxes and minority interests	180,605	164,070	154,671	1,753,453
Income Taxes (Note 22):				
Current	67,138	37,059	56,417	651,826
Deferred	(1,370)	19,696	(2,259)	(13,301)
	65,768	56,755	54,157	638,524
Income before minority interests	114,837	107,314	100,513	1,114,928
Minority Interests in Earnings of Consolidated Subsidiaries	(1,219)	(1,599)	129	(11,843)
Net Income	¥ 113,617	¥ 105,714	¥ 100,643	\$ 1,103,085
		Yen		U.S. dollars (Note 3)
Per Share (Note 2 (14)):				
Net income—basic	¥267.20	¥248.94	¥237.03	\$2.594
Net income—fully diluted	267.07	248.92	—	2.593
Cash dividends	100.00	100.00	100.00	0.971
Weighted-Average Number of Shares Outstanding (Thousands)	425,222	424,651	424,594	425,222

The accompanying notes are an integral part of the consolidated financial statements.
Diluted net income per share for the fiscal year ended March 31, 2012 is not presented as there were no securities with dilutive effect.

Consolidated Statements of Comprehensive Income

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2014, 2013 and 2012

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2014	2013	2012	2014
Income before Minority Interests	¥114,837	¥107,314	¥100,513	\$1,114,928
Other Comprehensive Income (Note 23):				
Unrealized gains (losses) on available-for-sale securities	(1,122)	10,314	(2,410)	(10,900)
Deferred gains (losses) on hedges	309	238	(211)	3,007
Foreign currency translation adjustments.....	125,605	66,415	(28,452)	1,219,472
Share of other comprehensive income of affiliates accounted for using the equity method	1,835	6,499	(2,988)	17,818
Total other comprehensive income	126,627	83,467	(34,063)	1,229,397
Comprehensive Income	¥241,465	¥190,782	¥ 66,450	\$2,344,326
(Breakdown)				
Comprehensive income attributable to owners of the parent....	¥236,409	¥186,861	¥67,547	\$2,295,235
Comprehensive income attributable to minority interests	5,056	3,920	(1,097)	49,090

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

	Thousands	Millions of yen				
	Number of shares of common stock	Stockholders' Equity				
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total
Balance at April 1, 2011	432,106	¥119,419	¥128,177	¥1,376,043	¥(40,917)	¥1,582,724
Cash dividends (Note 13).....				(42,459)		(42,459)
Net income.....				100,643		100,643
Changes in scope of consolidation and equity method.....				1,466		1,466
Purchase of treasury stock.....					(9)	(9)
Disposal of treasury stock.....				(0)	1	1
Net changes of items other than stockholders' equity.....						
Balance at March 31, 2012	432,106	¥119,419	¥128,177	¥1,435,693	¥(40,925)	¥1,642,365

	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	Total			
Balance at April 1, 2011	¥ 3,275	¥ 895	¥(160,087)	¥(155,916)	¥3,822	¥38,798	¥1,469,429
Cash dividends (Note 13).....							(42,459)
Net income.....							100,643
Changes in scope of consolidation and equity method.....							1,466
Purchase of treasury stock.....							(9)
Disposal of treasury stock.....							1
Net changes of items other than stockholders' equity.....	(2,063)	(869)	(30,162)	(33,095)	(330)	(1,070)	(34,496)
Balance at March 31, 2012	¥ 1,212	¥ 25	¥(190,249)	¥(189,011)	¥3,491	¥37,727	¥1,494,573

	Thousands	Millions of yen				
	Number of shares of common stock	Stockholders' Equity				
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total
Balance at April 1, 2012	432,106	¥119,419	¥128,177	¥1,435,693	¥(40,925)	¥1,642,365
Cash dividends (Note 13).....				(42,459)		(42,459)
Net income.....				105,714		105,714
Changes in scope of consolidation and equity method.....				(28,932)		(28,932)
Purchase of treasury stock.....					(11)	(11)
Disposal of treasury stock.....			56		1,769	1,825
Net changes of items other than stockholders' equity.....						
Balance at March 31, 2013	432,106	¥119,419	¥128,234	¥1,470,015	¥(39,167)	¥1,678,502

	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	Total			
Balance at April 1, 2012	¥ 1,212	¥ 25	¥(190,249)	¥(189,011)	¥ 3,491	¥37,727	¥1,494,573
Cash dividends (Note 13).....							(42,459)
Net income.....							105,714
Changes in scope of consolidation and equity method.....							(28,932)
Purchase of treasury stock.....							(11)
Disposal of treasury stock.....							1,825
Net changes of items other than stockholders' equity.....	10,378	148	76,077	86,605	(1,342)	7,203	92,465
Balance at March 31, 2013	¥11,591	¥174	¥(114,172)	¥(102,406)	¥ 2,149	¥44,931	¥1,623,176

	Thousands	Millions of yen				
	Number of shares of common stock	Stockholders' Equity				
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total
Balance at April 1, 2013	432,106	¥119,419	¥128,234	¥1,470,015	¥(39,167)	¥1,678,502
Cash dividends (Note 13).....				(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.....						
Balance at March 31, 2014	432,106	¥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			
Balance at April 1, 2013	¥11,591	¥174	¥(114,172)	¥ —	¥(102,406)	¥ 2,149	¥44,931	¥1,623,176
Cash dividends (Note 13).....								(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
Balance at March 31, 2014	¥10,439	¥493	¥ 9,451	¥(1,470)	¥ 18,914	¥ 426	¥48,574	¥1,822,135

	Thousands	Thousands of U.S. dollars (Note 3)				
	Number of shares of common stock	Stockholders' Equity				
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total
Balance at April 1, 2013	432,106	\$1,159,414	\$1,244,991	\$14,271,998	\$(380,265)	\$16,296,139
Cash dividends (Note 13).....				(412,677)		(412,677)
Net income.....				1,103,085		1,103,085
Changes in scope of consolidation.....						
Purchase of treasury stock.....					(1,459)	(1,459)
Disposal of treasury stock.....			3,803		42,358	46,161
Net changes of items other than stockholders' equity.....						
Balance at March 31, 2014	432,106	\$1,159,414	\$1,248,794	\$14,962,406	\$(339,365)	\$17,031,249

	Thousands of U.S. dollars (Note 3)							
	Accumulated Other Comprehensive Income					Share subscription rights	Minority interests in consolidated subsidiaries	Total net assets
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total			
Balance at April 1, 2013	\$112,536	\$1,695	\$(1,108,470)	\$ —	\$ (994,238)	\$ 20,866	\$436,223	\$15,758,991
Cash dividends (Note 13).....								(412,677)
Net income.....								1,103,085
Changes in scope of consolidation.....								
Purchase of treasury stock.....								(1,459)
Disposal of treasury stock.....								46,161
Net changes of items other than stockholders' equity.....	(11,185)	3,098	1,200,236	(14,273)	1,177,877	(16,722)	35,378	1,196,532
Balance at March 31, 2014	\$101,351	\$4,794	\$ 91,765	\$(14,273)	\$ 183,638	\$ 4,144	\$471,601	\$17,690,634

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2014, 2013 and 2012

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2014	2013	2012	2014
Cash Flows from Operating Activities:				
Income before income taxes.....	¥ 180,605	¥ 164,070	¥154,671	\$ 1,753,453
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization.....	91,445	80,961	82,868	887,820
Loss on impairment of fixed assets.....	—	—	6,191	—
Increase in accrued retirement benefits.....	—	2,486	2,663	—
Increase (decrease) in net defined benefit liability.....	4,007	—	—	38,911
(Gain) loss on sales of investments in securities.....	(1)	6,039	(23)	(18)
Loss on write-down of investments in securities.....	175	485	677	1,706
Increase (decrease) in allowance for doubtful accounts.....	(32)	(210)	4,496	(312)
Interest and dividend income.....	(5,180)	(3,977)	(4,509)	(50,293)
Interest expenses.....	872	465	517	8,467
Exchange (gain) loss.....	660	323	(395)	6,416
Equity in earnings of affiliates.....	(1,499)	(6,430)	(15,656)	(14,553)
Changes in assets and liabilities:				
(Increase) decrease in notes and accounts receivable.....	(561)	32,803	2,110	(5,448)
(Increase) decrease in inventories.....	18,246	17,708	(77,517)	177,152
(Increase) decrease in long-term advance payment.....	2,830	7,521	(2,354)	27,476
Increase (decrease) in notes and accounts payable.....	3,593	(1,189)	(1,585)	34,890
Increase (decrease) in provision for loss on disaster.....	—	—	(4,725)	—
Other, net.....	1,081	(5,700)	(6,472)	10,496
Subtotal.....	296,245	295,355	140,960	2,876,165
Proceeds from interest and dividends.....	5,931	4,754	8,553	57,587
Payments of interest.....	(887)	(482)	(513)	(8,615)
Payments of income taxes.....	(41,554)	(64,004)	(41,124)	(403,441)
Payments for disaster losses.....	—	—	(21,041)	—
Insurance income on disaster.....	—	—	9,733	—
Net cash provided by operating activities.....	259,734	235,622	96,567	2,521,696
Cash Flows from Investing Activities:				
(Increase) decrease in time deposits.....	(15,019)	(2,134)	3,321	(145,825)
Purchases of securities.....	(450,429)	(66,030)	(24,988)	(4,373,097)
Proceeds from redemption of securities.....	285,380	18,810	21,400	2,770,679
Proceeds from sales of securities.....	9,286	5,189	6,031	90,160
Purchases of property, plant and equipment.....	(66,814)	(80,775)	(80,320)	(648,685)
Proceeds from sales of property, plant and equipment.....	175	285	513	1,702
Purchases of intangible fixed assets.....	(2,444)	(884)	(904)	(23,730)
Purchases of investments in securities.....	(3,836)	(7,581)	(691)	(37,250)
Proceeds from sales of investments in securities.....	2,277	898	195	22,112
Proceeds from redemption of investments in securities.....	5,000	22,978	—	48,543
Purchases of investments in subsidiaries resulting in change in scope of consolidation.....	(7,296)	—	—	(70,840)
Payments of loans.....	(5)	(5,368)	(7,595)	(55)
Proceeds from collection of loans.....	561	327	464	5,453
Other, net.....	(3,728)	(4,968)	(6,618)	(36,198)
Net cash used for investing activities.....	(246,894)	(119,254)	(89,190)	(2,397,030)
Cash Flows from Financing Activities:				
Net increase (decrease) in short-term borrowings.....	(693)	(3,407)	2,058	(6,734)
Proceeds from long-term debt.....	306	6,517	1,188	2,971
Repayments of long-term debt.....	(1,203)	(5,482)	(2,093)	(11,681)
Purchases of treasury stock.....	(150)	(11)	(9)	(1,459)
Proceeds from sales of treasury stock.....	3,806	1,490	1	36,959
Cash dividends paid.....	(42,505)	(42,459)	(42,459)	(412,677)
Cash dividends paid to minority interests.....	(496)	(574)	(879)	(4,816)
Other, net.....	(425)	(84)	20	(4,130)
Net cash used for financing activities.....	(41,361)	(44,011)	(42,174)	(401,568)
Effect of Exchange Rate Changes on Cash and Cash Equivalents ...	28,052	16,899	(7,026)	272,353
Net Increase (Decrease) in Cash and Cash Equivalents.....	(468)	89,257	(41,824)	(4,549)
Cash and Cash Equivalents at Beginning of Year.....	363,028	270,321	302,285	3,524,552
Increase (Decrease) in Cash and Cash Equivalents Resulting from Changes in Scope of Consolidation.....	—	3,450	9,859	—
Cash and Cash Equivalents at End of Year (Note 24).....	¥ 362,560	¥ 363,028	¥270,321	\$ 3,520,003

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2014, 2013 and 2012

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared from accounts and records maintained by Shin-Etsu Chemical Co., Ltd. (the "Company") and its subsidiaries. The Company and its domestic consolidated subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Corporation Law of Japan and the Financial Instruments and Exchange Law and in conformity with generally accepted accounting principles prevailing in Japan. The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries. Before the fiscal year ended March 31, 2008, in general, no adjustments to the accounts of overseas consolidated subsidiaries were reflected in the accompanying consolidated financial statements to present them in compliance with Japanese accounting principles followed by the Company.

Effective from the fiscal year ended March 31, 2009, the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force No. 18, issued on May 17, 2006) has been applied, and accordingly some revisions have been made to the consolidated accounts as necessary.

The accompanying consolidated financial statements of the Company and its subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company, as required by the Financial Instruments and Exchange Law of Japan.

The presentation of the accompanying consolidated financial statements is made in conformity with the Consolidated Financial Statements Regulation (ordinance promulgated by the Ministry of Finance) and meets the requirements for disclosure of financial information of the Company on a consolidated basis. However, certain reclassifications have been made to the consolidated financial statements issued domestically to enable the presentation in a form which is more familiar to readers outside Japan.

The amounts in the accompanying consolidated financial statements are stated in millions of yen. Amounts less than ¥1 million are omitted, except where otherwise indicated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Principles of consolidation

The Company had 123 majority-owned subsidiaries as of March 31, 2014 (119 and 110 as of March 31, 2013 and 2012, respectively). The consolidated financial statements include the accounts of the Company and 87 (87 and 77 for 2013 and 2012, respectively) majority-owned subsidiaries (collectively, the "Companies"), of which the principal firms are listed on page 65 with their respective fiscal year-ends.

The remaining 36 (32 and 33 for 2013 and 2012, respectively) unconsolidated subsidiaries, including Shin-Etsu Electronics (Malaysia) Sdn. Bhd., whose total assets, net sales, net income and retained earnings in the aggregate are not material to the consolidated financial statements have been excluded from the scope of consolidation. For consolidation of subsidiaries whose fiscal year-ends are not the same as the Company, necessary adjustments are made for significant intercompany transactions occurring during the periods between the fiscal year-end of respective consolidated subsidiaries and that of the Company.

Unrealized intercompany profits and losses among the Companies are entirely eliminated, and the portion thereof attributable to minority interests is allocated to the minority interests.

Assets and liabilities of consolidated subsidiaries are measured at fair value at the time of acquisition.

Goodwill is amortized within 20 years on a straight-line basis.

Asia Silicones Monomer Limited, which had previously been an equity-method affiliate, was newly included in the scope of consolidation due to the acquisition of additional shares. Shincor Silicones, Inc., which had previously been a consolidated subsidiary, was excluded from the scope of consolidation due to an absorption-type merger with Shin-Etsu Silicones of America, Inc., which is a consolidated subsidiary.

(2) Accounting for investments in unconsolidated subsidiaries and affiliates

The Company had 36 (32 and 33 for 2013 and 2012, respectively) unconsolidated subsidiaries (majority-owned) and 14 (16 and 17 for 2013 and 2012, respectively) affiliates (meaning 20% to 50% ownership of a company's equity interest). The equity method is applied to the investments in 3 (4 and 7 for 2013 and 2012, respectively) major affiliates and investments in the remaining unconsolidated subsidiaries, including Shin-Etsu Electronics (Malaysia) Sdn. Bhd., and affiliates, including TATSUNO CHEMICAL INDUSTRIES INC., are stated at cost because they are not material to the consolidated financial statements.

The major unconsolidated subsidiaries and affiliates accounted for by the equity method are listed below:

Mimasu Semiconductor Industry Co., Ltd.

Shin-Etsu Quartz Products Co., Ltd.

Admatechs Co., Ltd.

(3) Translation of foreign currency transactions

Foreign currency transactions are generally translated into yen at the rates prevailing at the respective transaction dates.

Foreign currency deposits, receivables and payables are translated into yen at the exchange rate prevailing at the respective balance sheet dates and the resulting translation gain or loss is included in the determination of net income for the year.

However, all of the overseas consolidated subsidiaries apply the current rate method to translate transactions and account balances in foreign currencies into their respective home currencies.

(4) Translation of foreign currency financial statements (accounts of overseas subsidiaries)

The balance sheet accounts of overseas consolidated subsidiaries are translated into yen at current exchange rates prevailing at the end of the fiscal year, except for equity, which is translated at the historical rate. Revenue and expense accounts are translated at the average exchange rates during the year. The resulting translation adjustments are shown as "Foreign currency translation adjustments" in the accompanying balance sheets as of March 31, 2014 and 2013.

(5) Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide an allowance for doubtful accounts using the historic percentage of bad debt loss against the balance of general receivables plus an amount deemed necessary to cover individual accounts estimated to be uncollectible.

(6) Inventories

Inventories are mainly stated at cost determined by the weighted-average method. Balance sheet amounts are written down based on any decline in profitability.

(7) Financial instruments

Securities:

Held-to-maturity debt securities are stated at amortized cost using the straight-line method. Available-for-sale securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate component of accumulated other comprehensive income at net-of-tax amounts. Other securities for which market quotations are unavailable are stated at cost, determined by the moving-average cost method.

Derivatives:

Derivatives are stated at fair value, with changes in fair value included in profit or loss in the same period in which they arise, except for derivatives that are designated as "hedging instruments."

The Company and consolidated subsidiaries enter into foreign exchange contracts, currency swaps, interest rate swaps and earthquake derivatives.

Hedge accounting:

Gains or losses arising from changes in the fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the Company are interest rate swaps, foreign exchange contracts and currency swaps. The related hedged items are interest rate transactions tied to funding activities, marketable securities and forecasted foreign currency transactions.

The Company has a policy to utilize the above hedging instruments in order to hedge the risk of fluctuations in interest rates and foreign currencies. Thus, the Company's purchases of the hedging instruments are limited to, at maximum, the amounts of the underlying hedged items. The Company does not enter into derivative transactions for trading or speculative purposes.

The Company evaluates the effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the corresponding hedged items from the commencement of the hedges.

(8) Property, plant and equipment

The Company and its domestic subsidiaries principally calculate depreciation by the declining-balance method, based on the estimated useful lives of the assets. Foreign subsidiaries principally calculate depreciation by the straight-line method over the estimated useful lives of the assets. The cost of property, plant and equipment retired or otherwise disposed of and accumulated depreciation are eliminated from the related accounts, and the resulting gain or loss is reflected in income.

Effective from the fiscal year ended March 31, 2013, due to a revision of the corporate tax law in Japan, the Company and certain domestic consolidated subsidiaries have applied a depreciation method based on the revised law for tangible fixed assets purchased on or after April 1, 2012. The impact of this change on operating income, ordinary income and income before income taxes and minority interests for the fiscal year ended March 31, 2013 is immaterial.

(9) Repairs and maintenance

Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(10) Accrued bonuses for employees

Certain consolidated subsidiaries recognize the estimated amount of employees' bonuses to be paid in the subsequent period that is attributable to the current fiscal year.

(11) Accrued bonuses for directors

The Company and its domestic consolidated subsidiaries recognize the estimated amount of directors' bonuses to be paid in the subsequent period that is attributable to the current fiscal year.

(12) Accrued retirement benefits

The Company recognizes pension and severance costs for employees based on the estimates of the pension obligations and the plan assets at the end of current fiscal year.

The straight-line basis is applied as the method for attributing the expected retirement benefit to periods of service for the calculation of the retirement benefit obligation.

Actuarial differences are amortized over a five-year period, which is within the average remaining service period of employees, using the straight-line method from the fiscal year when the difference was generated. Prior service cost is amortized as incurred over a ten-year period, which is within the average remaining service period of employees using the straight-line method from the time when the prior services cost was generated.

Effective from the end of FY 2014, 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, May 17, 2012.) [Except for certain Provisions described in Section 35 of the standard and in Section 67 of the guidance].

These accounting standards are applied with a revised method for recording the retirement benefit obligation after deducting pension plan assets as net defined benefit liability, and unrecognized actuarial differences and unrecognized prior service costs are recorded as net defined benefit liability.

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 the current fiscal year have been adjusted in remeasurements of defined benefit plans through accumulated other comprehensive income. The impact of these changes on assets, liabilities and net assets is immaterial.

(13) Research and development costs

Research and development costs are charged to income as incurred.

(14) Income and dividends per share

Net income per share is based upon the weighted-average number of shares of common stock outstanding during each fiscal year. Net income per share adjusted for dilution represents net income per share assuming full conversion of all convertible debentures of the Company outstanding with related reduction in interest expenses.

(15) Dividends

Dividends are proposed by the Board of Directors and approved by the stockholders at meetings held subsequent to the fiscal year to which the dividends are applicable, and registered stockholders as of the end of such fiscal year are entitled to the subsequently declared dividends. Interim cash dividends are also paid (see Note 13).

Dividends charged to retained earnings in the accompanying consolidated statements of changes in net assets represent dividends approved and paid during the year.

(16) Accrued retirement bonuses for directors

Certain domestic subsidiaries recognize the required amount of directors' retirement bonuses as of the end of the fiscal year based on an internal standard.

(17) Consumption tax

Consumption tax withheld by the Company and certain subsidiaries on sales of products and services is not included in the amount of net sales in the consolidated statements of income. Consumption tax borne by the Company and certain subsidiaries on purchases of goods and services and on expenses is also not included in the related amounts in the consolidated statements of income.

3. UNITED STATES DOLLAR AMOUNTS

The accompanying consolidated financial statements are prepared in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on a basis of ¥103 to US\$1, the approximate effective rate of exchange on March 31, 2014. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be readily converted, realized or settled in dollars at ¥103 to US\$1 or at any other rate.

4. NOTES AND ACCOUNTS RECEIVABLE AND PAYABLE

The Companies recognize settlements of trade notes receivable and trade notes payable when the bank clearance of the notes is actually made. As March 31, 2013 was a holiday for financial institutions in Japan, the following accounts include the unsettled balances of trade notes receivable and trade notes payable due on that date in the accompanying consolidated balance sheet as of March 31, 2013.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Notes and accounts receivable—trade			
Trade notes receivable	¥—	¥2,462	\$—
Notes and accounts payable—trade			
Trade notes payable	—	1,340	—
Other	—	20	—

5. FINANCIAL INSTRUMENTS

(1) Overview of financial instruments

Management policy

In principle, fund management is limited to deposits with financial institutions with high credit ratings and risk-free bonds, and financing is obtained primarily through borrowings from banks.

Financial instruments, risks and risk management

Notes and accounts receivable-trade are exposed to credit risk of customers. With regard to credit risk related to notes and accounts receivable-trade, each business department not only controls and manages account due dates and balances, but also confirms the credit standing of major customers periodically, making efforts to identify doubtful accounts as early as possible.

Securities and investments in securities are stocks in companies with which the Company has business relationships, held-to-maturity debt securities and also certificates of deposit. Regarding securities and investment securities, the Company regularly determines their fair value and the financial situation of the issuing companies. For stocks, the Company also continually reviews the stock holding status, considering its relationship with the issuing companies.

In order to hedge the foreign currency exchange risk associated with assets and liabilities denominated in foreign currencies and interest rate risk associated with financial assets and liabilities, derivative transactions such as interest rate swap transactions, currency swap transactions and foreign exchange forward contracts are utilized. All derivative transactions are entered into for the purpose of hedging risks arising in the ordinary course of business, and there are no derivative transactions entered into for trading or speculative purposes.

Supplementary explanation on the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair values.

(2) Fair value of financial instruments

As of March 31, 2014 and 2013, the book value, fair value and the difference between the two are as follows:

	Millions of yen			Thousands of U.S. dollars		
	2014			2014		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets:						
(1) Cash and time deposits.....	¥ 363,339	¥363,339	¥ —	\$3,527,565	\$3,527,565	\$ —
(2) Notes and accounts receivable—trade	267,243	267,243	—	2,594,600	2,594,600	—
(3) Securities and investments in securities						
i) Held-to-maturity debt securities	8,193	8,195	1	79,551	79,570	18
ii) Investments in and advances to unconsolidated subsidiaries and affiliates..	22,367	12,951	(9,415)	217,160	125,744	(91,415)
iii) Available-for-sale securities.....	333,574	333,574	—	3,238,583	3,238,583	—
(4) Long-term loans	7,159	7,320	161	69,506	71,071	1,564
Total	¥1,001,877	¥992,625	¥(9,252)	\$9,726,968	\$9,637,136	\$(89,832)
Liabilities:						
(1) Notes and accounts payable—trade.....	¥ 109,401	¥109,401	¥ —	\$1,062,149	\$1,062,149	\$ —
(2) Short-term borrowings.....	7,524	7,524	—	73,049	73,049	—
(3) Accounts payable—other	33,376	33,376	—	324,039	324,039	—
(4) Accrued expenses	57,474	57,474	—	558,000	558,000	—
(5) Accrued income taxes.....	32,118	32,118	—	311,826	311,826	—
(6) Long-term debt.....	7,557	7,542	(15)	73,374	73,227	(146)
Total	¥ 247,451	¥247,436	¥ (15)	\$2,402,439	\$2,402,292	\$ (146)
Derivative transactions:						
Hedge accounting not applied	¥ (671)	¥ (671)	¥ —	\$ (6,521)	\$ (6,521)	\$ —
Hedge accounting applied.....	552	552	—	5,365	5,365	—
Total	¥ (119)	¥ (119)	¥ —	\$ (1,156)	\$ (1,156)	\$ —

	Millions of yen		
	2013		
	Book value	Fair value	Difference
Assets:			
(1) Cash and time deposits.....	¥252,881	¥252,881	¥ —
(2) Notes and accounts receivable—trade	243,785	243,785	—
(3) Securities and investments in securities			
i) Held-to-maturity debt securities	11,890	11,933	42
ii) Investments in and advances to unconsolidated subsidiaries and affiliates.....	21,932	13,008	(8,924)
iii) Available-for-sale securities.....	265,575	265,575	—
(4) Long-term loans	6,405	6,644	238
Total	¥802,471	¥793,829	¥(8,642)
Liabilities:			
(1) Notes and accounts payable—trade.....	¥100,197	¥100,197	¥ —
(2) Short-term borrowings.....	5,507	5,507	—
(3) Accounts payable—other	28,882	28,882	—
(4) Accrued expenses	45,537	45,537	—
(5) Accrued income taxes.....	6,220	6,220	—
(6) Long-term debt	7,709	7,665	(44)
Total	¥194,055	¥194,011	¥ (44)
Derivative transactions:			
Hedge accounting not applied	¥ (1,376)	¥ (1,376)	¥ —
Hedge accounting applied.....	416	416	—
Total	¥ (959)	¥ (959)	¥ —

Notes: 1. Method for calculating fair value of financial instruments, and notes regarding securities and derivative transactions

Assets

(1) Cash and time deposits and (2) Notes and accounts receivable—trade

These are settled within a short time, and their fair value and book value are nearly equal. Thus, the book value is listed as the fair value in the table above.

(3) Securities and investments in securities

These mainly consist of stocks and held-to-maturity debt securities. The fair value of stocks is based on prices quoted on stock exchanges, while the fair value of held-to-maturity debt securities is based on either a price quoted on the exchanges or prices provided by counterparty financial institutions. Negotiable certificates of deposit are settled within a short time, and the fair value and book value are nearly equal. Thus, the book value is listed as the fair value in the table above.

(4) Long-term loans

The fair value of long-term loans is calculated based on a future cash flow discounted at an appropriate rate such as mid-term and long-term interest rates with credit spreads, for all loans grouped by a certain period of time and credit rating under the Company's credit exposure management.

Liabilities

(1) Notes and accounts payable—trade, (2) Short-term borrowings, (3) Accounts payable—other, (4) Accrued expenses and (5) Accrued income taxes.

These are settled within a short time, and their fair value and book value are nearly equal. Thus, the book value is listed as the fair value in the table above.

(6) Long-term debt

The fair value for long-term debt is calculated based on a present value of principal and interest, discounted at the expected rate for new borrowings with the same terms.

Derivative transactions

Assets and liabilities arising from derivative transactions are presented in the table above. Total net payables are shown in parenthesis.

2. The following table summarizes financial instruments whose fair value is extremely difficult to estimate.

Description	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Non-listed equity securities.....	¥28,755	¥39,106	\$279,182
Investments in securities, etc.	5,394	5,426	52,374
Total	¥34,150	¥44,533	\$331,556

Quoted market prices are not available for these securities. Since it is extremely difficult to estimate their fair value, the fair value is not disclosed.

3. Repayment schedule of time deposits, notes and accounts receivable-trade, securities and investments in securities, and long-term loans.

Description	Millions of yen				Thousands of U.S. dollars			
	2014				2014			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Time deposits	¥363,296	¥ —	¥ —	¥ —	\$3,527,150	\$ —	\$ —	\$ —
Notes and accounts receivable-trade	267,243	—	—	—	2,594,600	—	—	—
Securities and investments in securities	274,289	3,130	5,000	—	2,663,000	30,392	48,543	—
Long-term loans.....	—	2,285	1,509	3,364	—	22,185	14,655	32,666
Total	¥904,829	¥5,415	¥6,509	¥3,364	\$8,784,751	\$52,578	\$63,198	\$32,666

Description	Millions of yen			
	2013			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Time deposits	¥252,845	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	243,785	—	—	—
Securities and investments in securities	214,380	2,141	5,000	—
Long-term loans.....	—	2,053	4,052	299
Total	¥711,011	¥4,195	¥9,052	¥299

4. Repayment schedule of short-term borrowings, long-term debt and lease obligations.

Description	Millions of yen					
	2014					
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term borrowings	¥7,133	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	390	455	1,596	5,396	68	39
Lease obligations	217	194	87	47	8	1
Total	¥7,741	¥650	¥1,634	¥5,444	¥77	¥40

Description	Thousands of U.S. dollars					
	2014					
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term borrowings	\$69,257	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term debt	3,791	4,356	15,438	52,145	675	758
Lease obligations	2,110	1,891	847	458	79	14
Total	\$75,159	\$6,248	\$16,286	\$52,604	\$754	\$773

Description	Millions of yen					
	2013					
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term borrowings	¥5,238	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	268	365	396	1,537	5,360	49
Lease obligations	219	202	179	72	34	3
Total	¥5,727	¥567	¥575	¥1,610	¥5,395	¥53

6. SECURITIES

Securities as of March 31, 2014 and 2013 consisted of the following:

(1) Held-to-maturity debt securities

Description	Millions of yen						Thousands of U.S. dollars		
	2014			2013			2014		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with fair value that exceeds book value.....	¥6,109	¥6,137	¥ 27	¥10,920	¥10,970	¥49	\$59,319	\$59,585	\$ 266
Securities with fair value that does not exceed book value.....	2,083	2,058	(25)	970	963	(6)	20,232	19,984	(247)
Total	¥8,193	¥8,195	¥ 1	¥11,890	¥11,933	¥42	\$79,551	\$79,570	\$ 18

(2) Available-for-sale securities

Description	Millions of yen						Thousands of U.S. dollars		
	2014			2013			2014		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with book value that exceeds acquisition cost.....	¥ 47,151	¥ 26,660	¥20,490	¥ 41,121	¥ 20,483	¥20,638	\$ 457,783	\$ 258,842	\$198,940
Securities with book value that does not exceed acquisition cost.....	286,422	288,192	(1,769)	224,454	226,955	(2,501)	2,780,800	2,797,982	(17,182)
Total	¥333,574	¥314,852	¥18,721	¥265,575	¥247,438	¥18,136	\$3,238,583	\$3,056,825	\$181,758

Note: Non-listed equity securities with a book value of ¥39,106 million and other investment securities with a book value of ¥5,426 million, as of March 31, 2013, whose fair value is extremely difficult to estimate are excluded from the above.

Non-listed equity securities, excluding investments in and advances to unconsolidated subsidiaries and affiliates, with a book value of ¥4,008 million [\$38,918 thousand] and other investment securities with a book value of ¥5,394 million [\$52,374 thousand], as of March 31, 2014, whose fair value is extremely difficult to estimate are excluded from the above.

7. DERIVATIVE TRANSACTIONS

(1) Derivative transactions to which hedge accounting is not applied:

1) Currency related:

As of March 31, 2014

Description	Millions of yen			Thousands of U.S. dollars		
	Contract amounts	Fair value	Unrealized gain (loss)	Contract amounts	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts						
Sales contracts:						
USD.....	¥ 7,377	¥ 39	¥ 39	\$ 71,625	\$ 380	\$ 380
EUR.....	4,100	(194)	(194)	39,806	(1,884)	(1,884)
Other.....	1,916	24	24	18,608	237	237
Purchase contracts:						
USD.....	600	(4)	(4)	5,828	(46)	(46)
Other.....	4,727	(534)	(534)	45,895	(5,194)	(5,194)
Foreign currency swap contracts.....						
Total	¥18,721	¥(670)	¥(670)	\$181,764	\$(6,505)	\$(6,505)

As of March 31, 2013

Description	Millions of yen		
	Contract amounts	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts			
Sales contracts:			
USD.....	¥41,135	¥(1,447)	¥(1,447)
EUR.....	2,946	(289)	(289)
Other.....	1,298	99	99
Purchase contracts:			
USD.....	346	(3)	(3)
EUR.....	10	0	0
Other.....	4,311	(344)	(344)
Foreign currency swap contracts			
Receive JPY, pay GBP	3,099	610	610
Total	¥53,148	¥(1,373)	¥(1,373)

Note: The fair value is provided by counterparty financial institutions.

2) Interest related:
As of March 31, 2014

Description	Millions of yen			Thousands of U.S. dollars		
	Contract amounts	Fair value	Unrealized gain (loss)	Contract amounts	Fair value	Unrealized gain (loss)
Interest rate swap contracts						
Receive floating, pay fixed.....	¥142	¥(1)	¥(1)	\$1,380	\$(15)	\$(15)
Total	¥142	¥(1)	¥(1)	\$1,380	\$(15)	\$(15)

As of March 31, 2013

Description	Millions of yen		
	Contract amounts	Fair value	Unrealized gain (loss)
Interest rate swap contracts			
Receive floating, pay fixed.....	¥195	¥(2)	¥(2)
Total	¥195	¥(2)	¥(2)

Note: The fair value is provided by counterparty financial institutions.

(2) Derivative transactions to which hedge accounting is applied:

1) Currency related:
As of March 31, 2014

Hedge accounting method	Transaction	Hedged items	Millions of yen			Thousands of U.S. dollars		
			Contract amounts	Contract amounts over one year	Fair value	Contract amounts	Contract amounts over one year	Fair value
Deferral hedge accounting	Forward foreign exchange contracts:							
	Sales contracts							
	USD	Accounts receivable-trade	¥19,950	¥—	¥ 315	\$193,698	\$—	\$ 3,058
	Purchase contracts							
	EUR	Accounts payable-trade	1,346	—	487	13,073	—	4,732
Deferral hedge accounting	Foreign currency swap contracts:							
	Receive USD							
	pay THB	Long-term debt	1,051	—	(240)	10,209	—	(2,331)
Total			¥22,349	¥—	¥ 562	\$216,981	\$—	\$ 5,459

As of March 31, 2013

Hedge accounting method	Transaction	Hedged items	Millions of yen		
			Contract amounts	Contract amounts over one year	Fair value
Deferral hedge accounting	Forward foreign exchange contracts:				
	Purchase contracts				
	EUR	Accounts payable-trade	¥2,715	¥—	¥416
Total			¥2,715	¥—	¥416

Note: The fair value is provided by counterparty financial institutions.

2) Interest related:
As of March 31, 2014

Hedge accounting method	Transaction	Hedged items	Millions of yen			Thousands of U.S. dollars		
			Contract amounts	Contract amounts over one year	Fair value	Contract amounts	Contract amounts over one year	Fair value
Deferral hedge accounting	Interest rate swap contracts: Receive floating, pay fixed	Long-term debt	¥745	¥—	¥(9)	\$7,233	\$—	\$(94)
Total			¥745	¥—	¥(9)	\$7,233	\$—	\$(94)

As of March 31, 2013

Hedge accounting method	Transaction	Hedged items	Millions of yen		
			Contract amounts	Contract amounts over one year	Fair value
Special hedge accounting treatment of interest rate swaps under JGAAP	Interest rate swap contracts: Receive floating, pay fixed	Interest from investments in securities	¥5,000	¥—	¥(39)
Total			¥5,000	¥—	¥(39)

Note: The fair value is provided by counterparty financial institutions.

8. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in unconsolidated subsidiaries and affiliates as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Investments in securities (Stocks).....	¥47,114	¥55,927	\$457,424
Other (Investments in capital).....	5,218	5,211	50,664

9. ACCUMULATED DEPRECIATION

Accumulated depreciation of property, plant and equipment as of March 31, 2014 and 2013 was ¥1,730,579 million (\$16,801,741 thousand) and ¥1,550,390 million, respectively.

10. SHORT-TERM BORROWINGS, LONG-TERM DEBT AND LEASE OBLIGATIONS

Short-term borrowings, long-term debt and lease obligations as of March 31, 2014 and 2013 consisted of the following:

	Average interest rate	Due date	Millions of yen		Thousands of U.S. dollars
			2014	2013	2014
Short-term borrowings.....	1.1%	—	¥ 7,133	¥ 5,238	\$ 69,257
Current portion of long-term debt.....	1.1%	—	390	268	3,791
Current portion of lease obligations.....	—	—	217	219	2,110
Long-term debt, excluding current portion.....	0.8%	February 2015 – October 2021	7,557	7,709	73,374
Lease obligations, excluding current portion.....	—	January 2015 – September 2021	339	492	3,291
Total			¥15,438	¥13,929	\$151,825

Notes: 1. Average interest rate is the weighted average rate based on the balance as of March 31, 2014.

2. Average interest rate of lease obligations is not shown as the balance includes the interest portion.

3. Repayment schedule subsequent to March 31, 2014 for long-term debt and lease obligations, excluding the current portion, is as follows:

Years ending March 31,	Millions of yen		Thousands of U.S. dollars	
	Long-term debt	Lease obligations	Long-term debt	Lease obligations
2016.....	¥ 455	¥194	\$ 4,421	\$1,891
2017.....	1,596	87	15,503	847
2018.....	5,396	47	52,397	458
2019.....	68	8	669	79

11. RETIREMENT AND PENSION PLANS

For the year ended March 31, 2013

The Company and its domestic consolidated subsidiaries have defined contribution pension plans (DC pension plans), defined benefit pension plans (transition from tax-qualified pension plans) and lump-sum severance payment plans as their defined benefit pension plans.

Certain overseas consolidated subsidiaries have defined benefit pension plans while others have defined contribution pension plans.

Additionally, the Company has a "Retirement Benefit Trust" for lump-sum severance payment plans.

The reserves for retirement benefits as of March 31, 2013 are analyzed as follows:

Benefit Obligations

	Millions of yen
(a) Benefit obligations	¥(40,595)
(b) Pension assets	17,670
(c) Unfunded benefit obligations [(a)+(b)]	(22,925)
(d) Unrecognized actuarial differences	4,430
(e) Unrecognized prior service cost (negative) (Note 1)	(37)
(f) Net retirement benefit obligations [(c)+(d)+(e)]	(18,532)
(g) Prepaid pension expenses	1,652
(h) Accrued retirement benefits [(f)-(g)]	¥(20,185)

Notes: 1. The Company and certain consolidated subsidiaries changed from tax-qualified pension plans to defined contribution pension plans before the prior fiscal year, as a result, prior service cost was recognized.

2. Certain subsidiaries adopt a simplified method for the calculation of benefit obligations.

Retirement Benefit Costs

	Millions of yen
(a) Service costs (Note 1)	¥2,916
(b) Interest costs	1,035
(c) Expected return on plan assets	(592)
(d) Recognized actuarial loss	1,905
(e) Amortization of prior service cost	54
(f) Other (Note 2)	1,989
(g) Retirement benefit costs [(a)+(b)+(c)+(d)+(e)+(f)]	¥7,309

Notes: 1. Retirement benefit costs for subsidiaries adopting a simplified method are reported in "Service costs."

2. "Other" represents contributions to defined contribution pension plans.

Basic Assumptions for Calculating Benefit Obligations

(a) Method of attributing expected benefit to periods	Benefit/years of service approach
(b) Discount rate	Principally 1.5%
(c) Expected rate of return on plan assets	Principally 2.5%
(d) Amortization period of prior service cost	Principally 10 years
(e) Amortization period of actuarial differences	Principally 5 years

For the year ended March 31, 2014

The Company and its domestic consolidated subsidiaries have defined contribution pension plans (DC pension plans) and lump-sum severance payment plans as their defined benefit pension plans.

Certain overseas consolidated subsidiaries have defined benefit pension plans while others have defined contribution pension plans.

Additionally, the Company has a "Retirement Benefit Trust."

Information on defined benefit pension plans for the fiscal year ended March 31, 2014 is as follows:

1. Defined Benefit Pension Plans
(1) Changes in Benefit Obligations

	Millions of yen	Thousands of U.S. dollars
Beginning balance of benefit obligations.....	¥40,595	\$394,135
Service costs.....	3,380	32,824
Interest costs.....	1,196	11,614
Actuarial differences arising during the year.....	(1,335)	(12,970)
Retirement benefits paid.....	(1,525)	(14,812)
Other*.....	5,240	50,877
Ending balance of benefit obligations.....	¥47,551	\$461,669

*Mainly foreign currency translation adjustments

(2) Changes in Pension Assets

	Millions of yen	Thousands of U.S. dollars
Beginning balance of pension assets.....	¥17,670	\$171,558
Expected return on pension assets.....	831	8,075
Actuarial differences arising during the year.....	740	7,192
Contributions made by the Company and consolidated subsidiaries.....	764	7,425
Retirement benefits paid.....	(791)	(7,680)
Other*.....	2,593	25,181
Ending balance of pension assets.....	¥21,810	\$211,752

*Mainly foreign currency translation adjustments

(3) Reconciliation of benefit obligations and pension assets with net defined benefit liability and asset on the Consolidated Balance Sheets

	Millions of yen	Thousands of U.S. dollars
Funded benefit obligations.....	¥ 41,711	\$ 404,968
Pension assets.....	(21,810)	(211,752)
Net.....	19,901	193,216
Unfunded benefit obligations.....	5,840	56,700
Net amount of liability and asset on Consolidated Balance Sheets.....	¥ 25,741	\$ 249,916

	Millions of yen	Thousands of U.S. dollars
Net defined benefit asset.....	¥ (2,386)	\$ (23,165)
Net defined benefit liability.....	28,127	273,081
Net amount of liability and asset on Consolidated Balance Sheets.....	¥25,741	\$249,916

(4) Retirement Benefit Expenses

	Millions of yen	Thousands of U.S. dollars
Service costs.....	¥3,380	\$32,824
Interest costs.....	1,196	11,614
Expected return on pension assets.....	(831)	(8,075)
Amortization of actuarial differences.....	485	4,716
Amortization of prior service cost.....	(89)	(870)
Retirement benefit expenses for defined benefit pension plans.....	¥4,141	\$40,209

(5) Remeasurements of Defined Benefit Plans

Breakdown of remeasurements of defined benefit plans (before deduction of tax effects)

	Millions of yen	Thousands of U.S. dollars
Unrecognized prior service cost.....	¥ 63	\$ 614
Unrecognized actuarial differences.....	1,873	18,187
Total.....	¥1,936	\$18,802

(6) Pension Assets

Breakdown of pension assets

Bonds	40%
Stocks	32%
Other	28%
Total	100%

(Note) 24% of total pension assets are in a "Retirement Benefit Trust" for lump-sum severance payment plans.

Rate of expected return on pension assets

The expected return on pension assets is determined based on the current and estimated future rates of return on various pension assets.

(7) Basic Assumptions for Calculating Benefit Obligations

Discount rate	Mainly 1.5%
Expected rate of return on pension assets	Mainly 2.0%

2. Defined Contribution Pension Plans

Contributions to defined contribution pension plans by the Company and its consolidated subsidiaries

	Millions of yen	Thousands of U.S. dollars
	¥2,078	\$20,177

12. COMMITMENT AND CONTINGENT LIABILITIES

The Companies were contingently liable as guarantors of housing loans for employees and of loans by unconsolidated subsidiaries, affiliates and others as of March 31, 2014 and 2013 in the aggregate amounts of ¥393 million (\$3,818 thousand) and ¥474 million, respectively.

In addition, as of March 31, 2014 and 2013, the Companies had contingent liabilities arising from notes receivable discounted by banks in the amounts of ¥82 million (\$804 thousand) and ¥131 million, respectively.

13. RETAINED EARNINGS

(1) Cash dividends from retained earnings represent dividends with an effective date during the fiscal year. Details of cash dividends paid during the fiscal years ended March 31, 2014 and 2013 are as follows:

Resolution	Type of shares	Record date	Effective date	Millions of yen		Thousands of U.S. dollars	
				Total amount of dividends	Cash dividends per share	Total amount of dividends	Cash dividends per share
Fiscal year ended March 31, 2014							
Ordinary general meeting of shareholders held on June 27, 2013	Common stock	March 31, 2013	June 28, 2013	¥21,245	¥50.00	\$206,270	\$0.48
Board of directors meeting held on October 24, 2013	Common stock	September 30, 2013	November 18, 2013	21,259	50.00	206,407	0.48
Total				¥42,504		\$412,677	

Resolution	Type of shares	Record date	Effective date	Millions of yen		Yen
				Total amount of dividends	Cash dividends per share	
Fiscal year ended March 31, 2013						
Ordinary general meeting of shareholders held on June 28, 2012	Common stock	March 31, 2012	June 29, 2012	¥21,229		¥50.00
Board of directors meeting held on October 25, 2012	Common stock	September 30, 2012	November 19, 2012	21,229		50.00
Total				¥42,459		
Fiscal year ended March 31, 2012						
Ordinary general meeting of shareholders held on June 29, 2011	Common stock	March 31, 2011	June 30, 2011	¥21,229		¥50.00
Board of directors meeting held on October 27, 2011	Common stock	September 30, 2011	November 17, 2011	21,229		50.00
Total				¥42,459		

(2) Cash dividends for the fiscal years ended March 31, 2014 and 2013 with an effective date in the subsequent fiscal year are as follows:

Resolution	Type of shares	Source of dividends	Record date	Effective date	Millions of yen		Thousands of U.S. dollars	
					Total amount of dividends	Cash dividends per share	Total amount of dividends	Cash dividends per share
Fiscal year ended March 31, 2014								
Ordinary general meeting of shareholders held on June 27, 2014	Common stock	Retained earnings	March 31, 2014	June 30, 2014	¥21,284	¥50.00	\$206,647	\$0.48

Resolution	Type of shares	Source of dividends	Record date	Effective date	Millions of yen		Yen
					Total amount of dividends	Cash dividends per share	
Fiscal year ended March 31, 2013							
Ordinary general meeting of shareholders held on June 27, 2013	Common stock	Retained earnings	March 31, 2013	June 28, 2013	¥21,245		¥50.00

14. SHARE SUBSCRIPTION RIGHTS

Fiscal year ended March 31, 2014

Issuer	Description	Type of shares subject to share subscription rights	Number of shares subject to share subscription rights				Millions of yen		Thousands of U.S. dollars	
			Beginning balance	Increase	Decrease	Ending balance	Balance at March 31, 2014	Balance at March 31, 2014		
The Company	Stock options (Note)	Common stock	1,915,300	—	1,568,300	347,000	¥292	\$2,843		
Consolidated subsidiary	—	—	—	—	—	—	133	1,300		
Total							¥426	\$4,144		

Fiscal year ended March 31, 2013

Issuer	Description	Type of shares subject to share subscription rights	Number of shares subject to share subscription rights				Millions of yen	
			Beginning balance	Increase	Decrease	Ending balance	Balance at March 31, 2013	
The Company	Stock options (Note)	Common stock	3,131,000	—	1,215,700	1,915,300	¥1,964	
Consolidated subsidiary	—	—	—	—	—	—	184	
Total							¥2,149	

15. STOCK OPTIONS

(1) Shin-Etsu Chemical Co., Ltd.

There were no stock option expenses recorded for the fiscal years ended March 31, 2014 and 2013. Gains on forfeited stock options for the fiscal years ended March 31, 2014 and 2013 were ¥724 million (\$7,031 thousand) and ¥944 million, respectively.

Stock options as of March 31, 2014 were as follows:

	2011	2010
Grantees	75 employees of the Company	68 employees of the Company
Number of stock options granted by category of stock (in shares)	293,000 shares of common stock	272,000 shares of common stock
Grant date	July 27, 2011	October 29, 2010
Vesting conditions	None	None
Exercise period	July 28, 2012 through March 31, 2016	October 30, 2011 through March 31, 2015

	2009
Grantees	18 directors of the Company 64 employees of the Company
Number of stock options granted by category of stock (in shares)	937,000 shares of common stock
Grant date	August 6, 2009
Vesting conditions	None
Exercise period	August 7, 2010 through March 31, 2014

Movement in stock options during the fiscal year ended March 31, 2014 was as follows:

	Number of shares			
	2011	2010	2009	2008
Beginning balance (Stock options outstanding)	257,000	149,500	740,800	768,000
Granted	—	—	—	—
Exercised.....	47,000	47,500	705,800	—
Forfeited.....	—	—	—	768,000
Ending balance (Stock options outstanding).....	210,000	102,000	35,000	—

	Yen			
	2011	2010	2009	2008
Exercise price	¥4,423	¥4,352	¥4,804	¥—
Weighted average market value per share at the exercise date.....	6,441.38	6,428.91	5,967.01	—
Fair value per share at the grant date.....	789	823	1,235	—

	U.S. dollars			
	2011	2010	2009	2008
Exercise price	\$42.94	\$42.25	\$46.64	\$—
Weighted average market value per share at the exercise date.....	62.54	62.42	57.93	—
Fair value per share at the grant date.....	7.66	7.99	11.99	—

(2) Shin-Etsu Polymer Co., Ltd.

Stock option expenses for the fiscal year ended March 31, 2014 were not recorded. The expenses for the fiscal year ended March 31, 2013 of ¥16 million were included in selling, general and administrative expenses in the consolidated statements of income. Gains on forfeited stock options for the fiscal years ended March 31, 2014 and 2013 were ¥50 million (\$489 thousand) and ¥79 million, respectively.

Stock options as of March 31, 2014 were as follows:

	2012	2011	2010
Grantees	10 Directors 15 Employees 11 Directors of its subsidiaries	9 Directors 13 Employees 8 Directors of its subsidiaries	9 Directors 14 Employees 10 Directors of its subsidiaries
Number of stock options granted by category of stock (in shares)	475,000 shares of common stock	440,000 shares of common stock	455,000 shares of common stock
Grant date	September 5, 2012	October 5, 2011	September 2, 2010
Vesting conditions	None	None	None
Exercise period	December 1, 2012 through November 30, 2017	December 1, 2011 through November 30, 2016	December 1, 2010 through November 30, 2015
	2009	2008	
Grantees	9 Directors 12 Employees 13 Directors of its subsidiaries	10 Directors 12 Employees 14 Directors of its subsidiaries	
Number of stock options granted by category of stock (in shares)	445,000 shares of common stock	470,000 shares of common stock	
Grant date	September 2, 2009	August 7, 2008	
Vesting conditions	None	None	
Exercise period	December 1, 2009 through November 30, 2014	December 1, 2008 through November 30, 2013	

Movement in stock options during the fiscal year ended March 31, 2014 was as follows:

	Number of shares				
	2012	2011	2010	2009	2008
Beginning balance (Stock options outstanding)	475,000	440,000	455,000	445,000	440,000
Granted	—	—	—	—	—
Exercised	—	—	—	—	—
Forfeited	—	—	5,000	5,000	440,000
Ending balance (Stock options outstanding)	475,000	440,000	450,000	440,000	—
	Yen				
Exercise price	¥342	¥414	¥505	¥653	¥632
Weighted average market value per share at the exercise date	—	—	—	—	—
Fair value per share at the grant date	34	47	80	139	112
	U.S. dollars				
Exercise price	\$3.32	\$4.02	\$4.90	\$6.34	\$6.14
Weighted average market value per share at the exercise date	—	—	—	—	—
Fair value per share at the grant date	0.33	0.46	0.78	1.35	1.09

16. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the fiscal years ended March 31, 2014, 2013 and 2012 mainly consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2014	2013	2012	2014
Shipping expenses	¥29,399	¥24,983	¥24,797	\$285,431
Salaries and allowances	21,370	18,843	18,488	207,484
Provision for bonuses for employees	1,403	1,235	1,228	13,630
Provision for bonuses for directors	439	373	360	4,265
Retirement benefit expenses	517	582	565	5,029
Provision for retirement bonuses for directors	7	52	48	76
Depreciation and amortization	1,965	1,523	1,485	19,084
Technical research expenses	18,132	11,740	11,497	176,042
<Including retirement benefit expenses>	<127>	<115>	<118>	<1,239>
Provision of allowance for doubtful accounts	81	150	21	790

17. RESEARCH AND DEVELOPMENT COSTS

Research and development costs incurred and charged to income for the fiscal years ended March 31, 2014, 2013 and 2012 were ¥43,546 million (\$422,777 thousand), ¥37,671 million and ¥35,725 million, respectively.

18. LEASE TRANSACTIONS

Lease expenses on finance lease contracts under which ownership of the leased assets is not transferred to the lessee charged to income for the fiscal years ended March 31, 2014 and 2013 amounted to ¥19 million (\$185 thousand) and ¥21 million, respectively. Lease expenses corresponding to depreciation expenses, not charged to income, for the fiscal years ended March 31, 2014 and 2013, which were computed by the straight-line method over the terms of the relevant lease contracts with no residual value, amounted to ¥19 million (\$185 thousand) and ¥21 million, respectively.

Pro forma information regarding leased assets, such as acquisition cost and accumulated depreciation, as of March 31, 2014 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Acquisition cost	¥77	¥76	\$756
Accumulated depreciation	55	66	541
Net book value	¥22	¥ 9	\$214

The portion of interest thereon, is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Future Lease Payments:			
Within one year	¥15	¥6	\$152
Over one year	6	3	62
	¥22	¥9	\$214

The amounts of outstanding future lease payments due in respect of operating lease contracts at March 31, 2014 and 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Future Lease Payments:			
Within one year	¥1,482	¥1,599	\$14,394
Over one year	2,247	2,130	21,821
	¥3,730	¥3,730	\$36,215

19. REVERSAL OF RESTORATION COSTS FOR EARTHQUAKE

Reversal of restoration costs for the earthquake for the fiscal year ended March 31, 2012 relates to a gain on reversal of expenses estimated for restoration work on assets damaged due to the Great East Japan Earthquake in the fiscal year ended March 31, 2011.

20. LOSS ON IMPAIRMENT OF FIXED ASSETS

During the fiscal year ended March 31, 2012, the Company and its consolidated subsidiaries recognized impairment losses for the following asset category, recording a total of ¥6,191 million as Extraordinary losses. The fixed assets are grouped according to managerial accounting categories, which are regarded as the smallest units independently generating cash flows. However, idle assets not directly used to manufacture goods are accounted for individually.

Consolidated Subsidiary (Shin-Etsu Handotai Co., Ltd.)

			Millions of yen
Location	Use	Asset category	2012
Shirakawa Plant (Nishishirakawa-gun, Fukushima Prefecture)	Idle assets	Construction in progress	¥6,191

The Company and its consolidated subsidiaries do not have any specific business plan for using the idle assets above because of the change in climate of the semiconductor silicon business. As a result, the book value of the asset has been marked down to its recoverable amount, which is calculated as the net sale amount.

21. LOSS ON DISASTER

Loss on disaster for the fiscal year ended March 31, 2012 relates to losses from the stoppage of operations and other costs incurred during the first half of the fiscal year due to the Great East Japan Earthquake.

22. INCOME TAXES

The Company and its domestic subsidiaries are subject to a number of Japanese income taxes, which, in the aggregate, resulted in a statutory tax rate of approximately 37.8% for the fiscal years ended March 31, 2014 and 2013, respectively.

The tax effects of significant temporary differences and tax loss carry forwards that resulted in deferred tax assets or liabilities at March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred Tax Assets:			
Depreciation and amortization.....	¥ 14,266	¥ 13,090	\$ 138,512
Accrued retirement benefits.....	—	5,030	—
Net defined benefit liability.....	8,405	—	81,608
Unrealized profit.....	4,927	3,488	47,837
Maintenance costs.....	4,798	3,287	46,583
Accrued bonuses.....	3,429	3,531	33,298
Unsettled accounts receivable and payable.....	3,290	3,018	31,946
Accrued enterprise taxes.....	2,292	687	22,252
Allowance for doubtful accounts.....	1,784	1,927	17,323
Tax loss carry forwards.....	868	1,199	8,428
Unrealized gains/losses on available-for-sale securities.....	61	58	599
Other.....	19,902	16,629	193,226
Valuation allowance.....	(4,987)	(3,777)	(48,423)
Total.....	¥ 59,039	¥ 48,172	\$ 573,194
Deferred Tax Liabilities:			
Depreciation and amortization.....	¥ 79,489	¥ 60,329	\$ 771,746
Unrealized gains/losses on available-for-sale securities.....	6,690	6,488	64,952
Reserve for special depreciation.....	157	153	1,531
Other.....	7,778	4,924	75,520
Total.....	¥ 94,116	¥ 71,896	\$ 913,750
Net deferred tax assets (liabilities).....	¥(35,077)	¥(23,723)	\$(340,556)

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Current assets: Deferred taxes, current.....	¥ 33,105	¥ 27,462	\$ 321,409
Fixed assets: Deferred taxes, non-current.....	16,427	14,590	159,490
Current liabilities: Other.....	(3,675)	(742)	(35,685)
Long-term liabilities: Deferred taxes, non-current.....	(80,934)	(65,033)	(785,770)

A reconciliation of the difference between the statutory tax rate and effective rate on taxable income for the fiscal years ended March 31, 2014 and 2013 is as follows:

	2014	2013
Statutory tax rate.....	37.8%	37.8%
Rate difference from foreign subsidiaries.....	(2.8)	(2.3)
Equity in earnings of affiliates.....	(0.3)	(1.5)
Dividend and other non-taxable income.....	(2.3)	(1.4)
Elimination of intercompany dividend income.....	2.2	1.3
Tax deduction for research expenses.....	(1.2)	(1.0)
Entertainment and other non-deductible expenses.....	0.2	0.2
Adjustment on deferred tax assets due to change in income tax rate.....	1.2	—
Other, net.....	1.6	1.5
Effective tax rate	36.4	34.6

Change in statutory effective tax rate

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 10 of 2014) was promulgated on March 31, 2014 and, as a result, the Company is no longer subject to the Special Reconstruction Corporation Tax effective for fiscal years beginning on or after April 1, 2014.

As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 37.8% to 35.4% for the temporary differences expected to be realized or settled from fiscal years beginning April 1, 2014. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets after offsetting deferred tax liabilities by ¥2,114 million (\$20,257 thousand) and increase deferred income taxes by the same amount as of and for the fiscal year ended March 31, 2014.

23. OTHER COMPREHENSIVE INCOME

Reclassification adjustments and tax effects of each component of other comprehensive income for the fiscal years ended March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unrealized gains (losses) on available-for-sale securities			
Amount arising during the year.....	¥ (918)	¥15,512	\$ (8,920)
Reclassification adjustment for gains and losses included in net income.....	(1)	459	(18)
Unrealized gains (losses) on available-for-sale securities before tax.....	(920)	15,971	(8,938)
Tax effect.....	(201)	(5,657)	(1,961)
Unrealized gains (losses) on available-for-sale securities.....	(1,122)	10,314	(10,900)
Deferred gains (losses) on hedges			
Amount arising during the year.....	816	324	7,927
Reclassification adjustment for gains and losses included in net income.....	(385)	55	(3,746)
Deferred gains (losses) on hedges before tax.....	430	380	4,181
Tax effect.....	(120)	(141)	(1,174)
Deferred gains (losses) on hedges.....	309	238	3,007
Foreign currency translation adjustments			
Amount arising during the year.....	125,605	66,415	1,219,472
Share of other comprehensive income of affiliates accounted for using the equity method			
Amount arising during the year.....	1,835	5,070	17,818
Reclassification adjustment for gains and losses included in net income.....	—	1,428	—
Share of other comprehensive income of affiliates accounted for using the equity method.....	1,835	6,499	17,818
Total other comprehensive income	¥126,627	¥83,467	\$1,229,397

24. SUPPLEMENTAL CASH FLOW INFORMATION

Cash and cash equivalents on the consolidated statements of cash flows consist of cash in hand, deposits that can be withdrawn on demand and liquid investments easily convertible into cash that mature within approximately three months from the acquisition date and that have insignificant risk exposure in terms of fluctuation in value.

Reconciliations between cash and cash equivalents and the related accounts shown in the consolidated balance sheets as of March 31, 2014, 2013 and 2012 are presented below:

	Millions of yen			Thousands of U.S. dollars
	2014	2013	2012	2014
Cash and time deposits.....	¥ 363,339	¥252,881	¥241,390	\$ 3,527,565
Securities.....	274,282	214,380	89,301	2,662,937
Time deposits (maturities over three months).....	(66,831)	(47,438)	(43,131)	(648,849)
Securities (maturities over three months).....	(208,230)	(56,794)	(17,238)	(2,021,650)
Cash and cash equivalents	¥ 362,560	¥363,028	¥270,321	\$ 3,520,003

25. 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 operating results and allocate management resources by the highest decision making body of the Company, such as the 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 trading, Engineering

(2) Calculation of income, assets and liabilities of reportable segments

Segment income denotes operating income, and the accounting methods applied are identical to those stated in the "Basis of presenting consolidated financial statements." Internal revenues and transfers arising from transactions among the segments are based on market prices in general.

Assets and liabilities are not allocated to business segments.

(3) Information on sales, income (loss) and other items of reportable segments

	Millions of yen								
	2014								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total	Adjustment ⁽¹⁾	Figures in consolidated financial statements
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)	—
Total	¥431,660	¥161,482	¥113,146	¥213,247	¥175,398	¥151,022	¥1,245,957	¥(80,138)	¥1,165,819
Segment income (Operating income).....	¥ 60,150	¥ 31,807	¥ 12,757	¥ 24,459	¥ 40,969	¥ 3,669	¥ 173,813	¥ (4)	¥ 173,809
Depreciation and amortization.....	¥ 26,507	¥ 10,858	¥ 9,137	¥ 24,603	¥ 14,672	¥ 4,345	¥ 90,123	¥ (239)	¥ 89,884
Amortization of goodwill ...	¥ —	¥ 119	¥ 1,030	¥ 357	¥ —	¥ 53	¥ 1,560	¥ —	¥ 1,560
Increase in property, plant and equipment and intangible assets ⁽²⁾	¥ 15,174	¥ 11,295	¥ 11,883	¥ 14,580	¥ 14,417	¥ 3,237	¥ 70,590	¥ (34)	¥ 70,555

	Millions of yen								
	2013								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total	Adjustment ⁽¹⁾	Figures in consolidated financial statements
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.....	¥ 20,416	¥ 8,245	¥ 8,105	¥ 26,193	¥ 13,754	¥ 3,708	¥ 80,424	¥ (284)	¥ 80,139
Amortization of goodwill ...	¥ —	¥ —	¥ 815	¥ —	¥ —	¥ 6	¥ 822	¥ 0	¥ 822
Increase in property, plant and equipment and intangible assets ⁽³⁾	¥ 18,478	¥ 15,374	¥12,193	¥ 14,828	¥ 18,209	¥ 4,161	¥ 83,245	¥ (226)	¥ 83,018

	Millions of yen								
	2012								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total	Adjustment ⁽¹⁾	Figures in consolidated financial statements
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.....	¥ 17,145	¥ 7,994	¥ 7,912	¥ 31,014	¥ 14,286	¥ 3,897	¥ 82,251	¥ (265)	¥ 81,985
Amortization of goodwill ...	¥ —	¥ —	¥ 882	¥ —	¥ —	¥ 0	¥ 882	¥ 0	¥ 882
Increase in property, plant and equipment and intangible assets.....	¥ 18,333	¥ 14,421	¥13,002	¥ 23,639	¥ 14,579	¥ 3,356	¥ 87,333	¥ (168)	¥ 87,165

	Thousands of U.S. dollars								
	2014								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total	Adjustment ⁽¹⁾	Figures in consolidated financial statements
Sales to outside customers.....	\$4,153,837	\$1,518,806	\$1,001,981	\$2,070,225	\$1,660,064	\$ 913,718	\$11,318,633	\$ —	\$11,318,633
Intersegment sales	37,038	48,982	96,525	138	42,834	552,524	778,043	(778,043)	—
Total	\$4,190,876	\$1,567,788	\$1,098,506	\$2,070,364	\$1,702,898	\$1,466,242	\$12,096,677	\$(778,043)	\$11,318,633
Segment income (Operating income).....	\$ 583,989	\$ 308,811	\$ 123,856	\$ 237,469	\$ 397,761	\$ 35,624	\$ 1,687,513	\$ (46)	\$ 1,687,466
Depreciation and amortization.....	\$ 257,352	\$ 105,422	\$ 88,713	\$ 238,867	\$ 142,447	\$ 42,185	\$ 874,987	\$ (2,321)	\$ 872,666
Amortization of goodwill	\$ —	\$ 1,160	\$ 10,001	\$ 3,468	\$ —	\$ 522	\$ 15,153	\$ —	\$ 15,153
Increase in property, plant and equipment and intangible assets ⁽²⁾	\$ 147,327	\$ 109,666	\$ 115,371	\$ 141,561	\$ 139,976	\$ 31,435	\$ 685,340	\$ (336)	\$ 685,003

Notes: [1] Elimination of intersegment transactions.

[2] 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 (\$122,333 thousand) are not included in the table above. The total capital expenditures for FY 2014, including this acquisition, amounted to ¥83,155 million (\$807,337 thousand). (Capital expenditures for the Silicones Business amounted to ¥23,896 million (\$232,000 thousand).)

[3] During FY 2013, the Company made investments of ¥3,822 million in newly established unconsolidated subsidiaries: 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 the Electronics & Functional Materials Business amounted to ¥22,031 million.)

2. Related information

Geographic information

(1) Net sales

	Millions of yen			Thousands of U.S. dollars
	2014	2013	2012	2014
Net sales				
Japan.....	¥ 335,632	¥ 334,288	¥ 366,342	\$ 3,258,566
U.S.	236,805	190,433	159,617	2,299,079
China	115,862	100,109	107,581	1,124,879
Asia / Oceania (excluding China).....	216,453	194,891	180,523	2,101,486
Europe.....	141,865	114,538	130,920	1,377,339
Other	119,200	91,147	102,744	1,157,282
Total	¥1,165,819	¥1,025,409	¥1,047,731	\$11,318,633

(2) Property, plant and equipment

	Millions of yen			Thousands of U.S. dollars
	2014	2013	2012	2014
Property, plant and equipment				
Japan.....	¥239,827	¥252,894	¥247,440	\$2,328,422
U.S.	336,574	284,774	261,857	3,267,712
Other	144,397	111,981	89,260	1,401,916
Total	¥720,799	¥649,650	¥598,558	\$6,998,051

3. Loss on impairment of fixed assets

	Millions of yen							
	2012							
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Elimination or common asset	Total
Loss on impairment of fixed assets.....	¥—	¥—	¥—	¥6,191	¥—	¥—	¥—	¥6,191

Note: Loss on impairment of fixed assets for the fiscal year ended March 31, 2014 and 2013 is not presented as the amount is immaterial.

4. Amortization of goodwill and unamortized balance

	Millions of yen							
	2014							
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Elimination or common asset	Figures in consolidated financial statements
Amortization of goodwill	¥—	¥ 119	¥ 1,030	¥357	¥—	¥53	¥—	¥ 1,560
Unamortized balance	¥—	¥1,965	¥10,687	¥ —	¥—	¥—	¥—	¥12,652

	Millions of yen							
	2013							
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Elimination or common asset	Figures in consolidated financial statements
Amortization of goodwill	¥—	¥—	¥ 815	¥—	¥—	¥ 6	¥ 0	¥ 822
Unamortized balance	¥—	¥—	¥9,363	¥—	¥—	¥—	¥—	¥9,363

	Millions of yen							
	2012							
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Elimination or common asset	Figures in consolidated financial statements
Amortization of goodwill	¥—	¥—	¥ 882	¥—	¥—	¥ 0	¥—	¥ 882
Unamortized balance	¥—	¥—	¥9,020	¥—	¥—	¥—	¥—	¥9,020

	Thousands of U.S. dollars							
	2014							
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Elimination or common asset	Figures in consolidated financial statements
Amortization of goodwill	\$—	\$ 1,160	\$ 10,001	\$3,468	\$—	\$522	\$—	\$ 15,153
Unamortized balance	\$—	\$19,081	\$103,761	\$ —	\$—	\$ —	\$—	\$122,843

26. RELATED PARTY TRANSACTIONS

Transactions between the Company and related parties during the fiscal year ended March 31, 2014 are as follows:

Type	Name	Percentage of voting rights	Relationship	Transaction	Millions of yen			Thousands of U.S. dollars
					Transaction amount (Thousands of shares)	Account	Balance at the fiscal year end	Transaction amount (Thousands of shares)
Director	Chihiro Kanagawa	Direct Ownership 0.05%	Representative Director-Chairman	Exercise of stock options [Note 1]	¥960 (200)	—	—	\$9,328 (200)
Director	Shunzo Mori	Direct Ownership 0.01%	Representative Director-President	Exercise of stock options [Note 1]	¥24 (5)	—	—	\$233 (5)
Director	Fumio Akiya	Direct Ownership 0.00%	Representative Director-Executive Vice President	Exercise of stock options [Note 1]	¥336 (70)	—	—	\$3,264 (70)
Director	Yasuhiko Saitoh	Direct Ownership 0.00%	Representative Director-Executive Vice President	Exercise of stock options [Note 1]	¥203 (42.3)	—	—	\$1,972 (42.3)
Director	Toshinobu Ishihara	Direct Ownership 0.00%	Senior Managing Director	Exercise of stock options [Note 1]	¥72 (15)	—	—	\$699 (15)
Director	Kiichi Habata	Direct Ownership 0.00%	Managing Director	Exercise of stock options [Note 1]	¥72 (15)	—	—	\$699 (15)
Director	Koji Takasugi	Direct Ownership 0.00%	Managing Director	Exercise of stock options [Note 1]	¥144 (30)	—	—	\$1,399 (30)
Director	Masahiko Todoroki	Direct Ownership 0.00%	Managing Director	Exercise of stock options [Note 1]	¥33 (7)	—	—	\$326 (7)
Director	Toshiya Akimoto	Direct Ownership 0.00%	Managing Director	Exercise of stock options [Note 1]	¥72 (15)	—	—	\$699 (15)
Director	Fumio Arai	Direct Ownership 0.00%	Managing Director	Exercise of stock options [Note 1]	¥72 (15)	—	—	\$699 (15)
Director	Yukihiro Matsui	Direct Ownership 0.00%	Managing Director	Exercise of stock options [Note 1]	¥48 (10)	—	—	\$466 (10)
Director	Masaki Miyajima	Direct Ownership 0.01%	Director	Exercise of stock options [Note 1]	¥67 (14)	—	—	\$652 (14)
Director	Toshiyuki Kasahara	Direct Ownership 0.00%	Director	Exercise of stock options [Note 1]	¥43 (9)	—	—	\$419 (9)
Director	Hidenori Onezawa	Direct Ownership 0.00%	Director	Exercise of stock options [Note 1]	¥33 (7)	—	—	\$326 (7)
Director	Ken Nakamura	Direct Ownership 0.00%	Director	Exercise of stock options [Note 1]	¥43 (9)	—	—	\$419 (9)
Director	Hiroaki Okamoto	Direct Ownership 0.00%	Director	Exercise of stock options [Note 1]	¥72 (15)	—	—	\$699 (15)
Director	Susumu Ueno	Direct Ownership 0.00%	Director	Exercise of stock options [Note 2]	¥33 (7)	—	—	\$326 (7)
Director	Kazumasa Maruyama	Direct Ownership 0.00%	Director	Exercise of stock options [Note 2]	¥2 (0.5)	—	—	\$23 (0.5)

Note 1: Share subscription rights were approved at the board of directors meeting held on July 22, 2009.

Note 2: Share subscription rights were approved at the board of directors meeting held on July 22, 2009 based on the resolution at the ordinary general meeting of shareholders held on June 26, 2009.

Transactions between the Company and related parties during the fiscal year ended March 31, 2013 are as follows:

Type	Name	Percentage of voting rights	Relationship	Transaction	Millions of yen		
					Transaction amount (Thousands of shares)	Account	Balance at the fiscal year end
Director	Shunzo Mori	Direct Ownership 0.01%	Representative Director-President	Exercise of stock options (Note)	¥360 (75)	—	—
Director	Fumio Akiya	Direct Ownership 0.00%	Representative Director-Executive Vice President	Exercise of stock options (Note)	¥48 (10)	—	—
Director	Yasuhiko Saitoh	Direct Ownership 0.00%	Representative Director-Executive Vice President	Exercise of stock options (Note)	¥36 (7.7)	—	—
Director	Kiichi Habata	Direct Ownership 0.00%	Managing Director	Exercise of stock options (Note)	¥72 (15)	—	—
Director	Masahiko Todoroki	Direct Ownership 0.00%	Managing Director	Exercise of stock options (Note)	¥38 (8)	—	—
Director	Toshiyuki Kasahara	Direct Ownership 0.00%	Director	Exercise of stock options (Note)	¥28 (6)	—	—
Director	Hidenori Onezawa	Direct Ownership 0.00%	Director	Exercise of stock options (Note)	¥14 (3)	—	—
Director	Ken Nakamura	Direct Ownership 0.00%	Director	Exercise of stock options (Note)	¥28 (6)	—	—
Director	Yukihiko Matsui	Direct Ownership 0.00%	Director	Exercise of stock options (Note)	¥24 (5)	—	—

Note: Share subscription rights were approved at the board of directors meeting held on July 22, 2009.

27. CHANGES IN THE METHOD OF PRESENTATION

Consolidated Statements of Cash Flows

"(Increase) decrease in time deposits" has been included in "Other, net" of "Cash Flows from Investing Activities" for the fiscal years ended March 31, 2013 and 2012. From the fiscal year ended March 31, 2014, it is disclosed as an independent item due to its quantitative materiality increases. The Company reclassified the consolidated statements for the fiscal years ended March 31, 2012 and 2011.

As a result, the amount of "Other, net" of "Cash Flows from Investing Activities" for the fiscal years ended March 31, 2013 and 2012 as ¥(7,103) million and ¥(3,296) million has been reclassified to ¥(2,134) million and ¥3,321 million as "(Increase) decrease in time deposits", and ¥(4,968) million and ¥(6,618) million as "Other, net".

28. STANDARDS ISSUED BUT NOT YET EFFECTIVE

On May 17, 2012, the ASBJ issued "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25), which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009.

(1) Overview

The standard includes revisions to the accounting treatment of unrecognized actuarial differences and unrecognized prior service costs, the calculation methods for retirement benefit obligations and service costs as well as enhancements to disclosures.

(2) Scheduled date of adoption

Revisions to the accounting treatment of unrecognized actuarial differences and unrecognized prior service costs, and enhanced disclosures have been adopted effective March 31, 2014. The revisions to the calculation methods of the retirement benefit obligations and service costs will be adopted from the beginning of the fiscal year ending March 31, 2015.

These accounting standards shall not be applied retrospectively to consolidated financial statements of prior periods in accordance with transitional accounting treatment.

(3) Impact of adopting revised accounting standard and guidance

The Company is currently evaluating the effect of the revisions on its consolidated results of operations and financial position.

The amounts in the accompanying consolidated financial statements and the notes thereto, including the amounts for prior fiscal years, are stated in millions of yen with amounts less than ¥1 million omitted.

Consolidated Subsidiaries

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
As of March 31, 2014

Principal Consolidated Subsidiaries	Percentage of Voting Rights	Fiscal Year-End	Principal Consolidated Subsidiaries	Percentage of Voting Rights	Fiscal Year-End
Shintech Inc.*	100.0	December 31	Nihon Resin Co., Ltd.	100.0	December 31
Shin-Etsu Handotai Co., Ltd.	100.0	March 31	Naoetsu Precision Co., Ltd.	100.0	February 28
Shin-Etsu Handotai America, Inc.*	100.0	December 31	Skyward Information System Co., Ltd.	100.0	March 31
Shin-Etsu Polymer Co., Ltd.	53.1	March 31	Shinano Electric Refining Co., Ltd.	94.5	March 31
S.E.H. Malaysia Sdn. Bhd.*	100.0	December 31	Fukui Environmental Analysis Center Co., Ltd.	100.0	February 28
Shin-Etsu PVC B.V.*	100.0	December 31	Shin-Etsu Film Co., Ltd.	100.0	March 31
Shin-Etsu Engineering Co., Ltd.	100.0	March 31	Shin-Etsu Technology Service Co., Ltd.	76.9	February 28
SE Tylose GmbH & Co. KG*	100.0	December 31	Urawa Polymer Co., Ltd.	100.0	March 31
Shin-Etsu Handotai Europe, Ltd.*	100.0	December 31	Niigata Polymer Company Limited	100.0	March 31
Nagano Electronics Industrial Co., Ltd.	90.0	February 28	Shin-Etsu Polymer America, Inc.*	100.0	December 31
Shin-Etsu Handotai Taiwan Co., Ltd.*	70.0	December 31	Naoetsu Sangyo Limited	100.0	March 31
Naoetsu Electronics Co., Ltd.	100.0	February 28	San-Ace Co., Ltd.	100.0	March 31
Shin-Etsu Astech Co., Ltd.	99.6	March 31	Shinken Total Plant Co., Ltd.	100.0	February 28
Kashima Vinyl Chloride Monomer Co., Ltd.	70.6	March 31	Saitama Shinkoh Mold Co., Ltd.	100.0	March 31
S-E, Inc.*	100.0	December 31	Shinkoh Mold Co., Ltd.	100.0	March 31
Shin-Etsu Electronics Materials Singapore Pte. Ltd.*	100.0	December 31	Shin-Etsu Magnet Co., Ltd.	100.0	March 31
Shin-Etsu Silicone International Trading (Shanghai) Co., Ltd.*	100.0	December 31	Shin-Etsu Polymer India Pvt. Ltd.*	100.0	December 31
Shin-Etsu Finetech Co., Ltd.	100.0	March 31	PT. Shin-Etsu Polymer Indonesia*	100.0	December 31
Shin-Etsu Magnetics Philippines., Inc.*	100.0	December 31	Shin-Etsu Polymer Singapore Pte. Ltd.*	100.0	December 31
JAPAN VAM & POVAL Co., Ltd.	100.0	March 31	Shin-Etsu Polymer Shanghai Co., Ltd.*	100.0	December 31
CIRES, Lda.*	100.0	December 31	Shin-Etsu Polymer Hong Kong Co., Ltd.*	100.0	December 31
Shin-Etsu Singapore Pte. Ltd.*	100.0	December 31	Shin-Etsu Polymer Hungary Kft.*	100.0	December 31
Shin-Etsu Silicone Korea Co., Ltd.*	100.0	December 31	Dongguan Shin-Etsu Polymer Co., Ltd.*	100.0	December 31
Shinano Polymer Co., Ltd.	100.0	March 31	Human Create Co., Ltd.	100.0	March 31
Shin-Etsu Silicones (Thailand) Ltd.*	100.0	December 31	Suzhou Shin-Etsu Polymer Co., Ltd.*	71.4	December 31
Shin-Etsu (Malaysia) Sdn. Bhd.*	100.0	December 31	S.E.H. (Shah Alam) Sdn. Bhd.*	100.0	December 31
Nissin Chemical Industry Co., Ltd.	100.0	February 28	SHIN-ETSU HANDOTAI SINGAPORE PTE. LTD.*	100.0	December 31
Shin-Etsu MicroSi, Inc.*	100.0	December 31	Simcoa Operations Pty. Ltd.*	100.0	December 31
Shin-Etsu Silicone Taiwan Co., Ltd.*	93.3	December 31	K-Bin, Inc.*	100.0	December 31
Shin-Etsu Silicones of America, Inc.*	100.0	December 31	Shin-Etsu Silicone (Nantong) Co., Ltd.*	100.0	December 31
Shin-Etsu Silicones Europe B.V.*	100.0	December 31	Shin-Etsu (Jiangsu) Optical Preform Co., Ltd.*	75.0	December 31
Shin-Etsu Opto Electronic Co., Ltd.*	80.0	December 31	Kashima Chlorine & Alkali Co., Ltd.	79.0	March 31
Shin-Etsu Polymer (Malaysia) Sdn. Bhd.*	100.0	December 31	Asia Silicones Monomer Limited*	100.0	December 31
Shin-Etsu Polymer Europe B.V.*	100.0	December 31			
Shin-Etsu International Europe B.V.*	100.0	December 31	19 other consolidated subsidiaries		

*Overseas subsidiary

Report of Independent Auditors

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

We have audited the accompanying consolidated financial statements of Shin-Etsu Chemical Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Shin-Etsu Chemical Co., Ltd. and its consolidated subsidiaries as at March 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young ShinNikon LLC

June 27, 2014
Tokyo, Japan

Investor Information As of March 31, 2014

Shin-Etsu Chemical Co., Ltd.

Head Office: 6-1, Ohtemachi 2-chome,
Chiyoda-ku, Tokyo 100-0004, Japan

Date of Establishment:

September 16, 1926

Capital:

¥119,419 million

Number of Employees:

17,892 (including 87 consolidated subsidiaries)

Number of Shares Authorized:

1,720,000,000

Number of Shares Issued:

432,106,693

Number of Stockholders:

65,234

Fiscal Year-End:

March 31

Stockholders' Meeting:

June

Stock Listings:

Tokyo, Nagoya (Ticker Code: 4063)

Transfer Agent:

Mitsubishi UFJ Trust and Banking Corporation

Auditor:

Ernst & Young ShinNihon

Please visit our website:

<http://www.shinetsu.co.jp>
(English, Japanese and Chinese)



Major Stockholders:

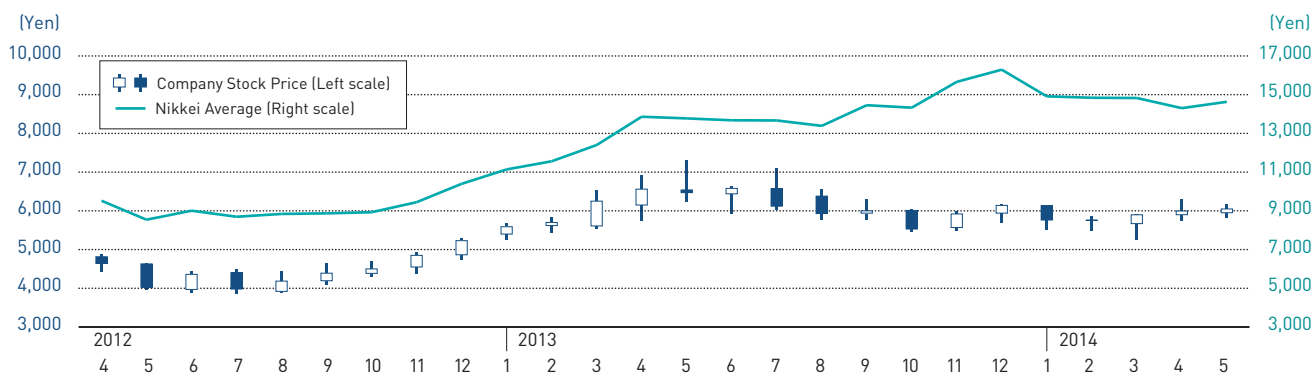
Name	Number of Shares (Thousands)	Percentage of Total Equity (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	37,217	8.7
Japan Trustee Services Bank, Ltd. (Trust Account)	27,631	6.5
Nippon Life Insurance Company	23,151	5.4
The Hachijuni Bank, Ltd.	11,790	2.8
Japan Trustee Services Bank, Ltd. (Trust Account 4)	11,257	2.6
Meiji Yasuda Life Insurance Company	10,687	2.5
THE BANK OF NEW YORK MELLON SA/NV 10	5,792	1.4
STATE STREET BANK AND TRUST COMPANY 505225	5,588	1.3
NIPPONKOA Insurance Company, Limited	5,177	1.2
STATE STREET BANK WEST CLIENT-TREATY	4,979	1.2

Note: Shin-Etsu holds 6,413,086 shares of treasury stock, but is excluded from the above list of major stockholders. Stockholding percentages are calculated excluding treasury stock.

Information:

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Common Stock Price



Trading Volume

