

Press Release

Consolidated Financial Results for the Fiscal Year Ended March 31, 2014



Shin-Etsu Chemical Co., Ltd.

(JP GAAP)

April 24, 2014

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

Listing Stock Exchange: Tokyo and Nagoya

Representative: Shunzo Mori (Mr.) Representative Director/President

Personnel to contact: Toshiyuki Kasahara (Mr.) Director, General Manager of Finance & Accounting Department

Tel: +81-3-3246-5051

Date of the annual shareholders' meeting June 27, 2014

Date of the filing of the consolidated financial statements June 30, 2014

Date of year-end dividend payment June 30, 2014

Preparation of supplemental explanatory materials: Yes

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

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

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

1. Consolidated Operating Performance for the Fiscal Year Ended March 31, 2014

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

(1) Results of consolidated operations

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income	
April 2013 - March 2014	1,165,819	13.7%	173,809	10.7%	180,605	6.1%	113,617	7.5%
April 2012 - March 2013	1,025,409	(2.1%)	157,043	5.0%	170,207	3.0%	105,714	5.0%

(Note) Comprehensive income (Millions of yen) April 2013 - March 2014: 241,465 [26.6%]
April 2012 - March 2013: 190,782 [187.1%]

	Net income per share (yen)	Diluted net income per share (yen)	Ratio of net income to stockholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
April 2013 - March 2014	267.20	267.07	6.8%	8.8%	14.9%
April 2012 - March 2013	248.94	248.92	7.0%	9.1%	15.3%

(Note) Equity in earnings of affiliates (Millions of yen) April 2013 - March 2014: 1,499 April 2012 - March 2013: 6,430

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (yen)
March 31, 2014	2,198,912	1,822,135	80.6%	4,165.28
March 31, 2013	1,920,903	1,623,176	82.0%	3,709.19

(Note) Stockholders' equity (Millions of yen) As of March 31, 2014: 1,773,133 As of March 31, 2013: 1,576,095

(3) Consolidated cash flows

(Millions of yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of fiscal year
April 2013 - March 2014	259,734	(246,894)	(41,361)	362,560
April 2012 - March 2013	235,622	(119,254)	(44,011)	363,028

2. Cash Dividends

	Cash dividends per share for the fiscal year (yen)					Total annual cash dividend paid (Millions of yen)	Dividend payout ratio	Ratio of dividend payout to net assets
	1 st quarter	2 nd quarter	3 rd quarter	Year-end	Fiscal year			
April 2012 - March 2013	-	50.00	-	50.00	100.00	42,475	40.2%	2.8%
April 2013 - March 2014	-	50.00	-	50.00	100.00	42,544	37.4%	2.5%
April 2014 - March 2015 (forecast)	-	-	-	-	-	-	-	-

(Note) The dividend per share for the fiscal year ending March 31, 2015 has not yet been determined.

3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2015

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

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

Notes

(1) Changes in significant subsidiaries which affected the scope of consolidation during the current fiscal year: No

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

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

Changes of accounting policies other than the above: No

Changes in accounting estimates: No

Retrospective restatement: No

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

(3) Number of shares outstanding (common stock)

	March 31, 2014	March 31, 2013
Number of shares outstanding at the year end	432,106,693	432,106,693
Number of shares of treasury stock at the year end	6,413,086	7,190,226
	April 2013 - March 2014	April 2012 - March 2013
Weighted-average number of shares outstanding over the year	425,222,975	424,651,110

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Operating Performance for the Fiscal Year Ended March 31, 2014

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

(1) Results of non-consolidated operations

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income	
April 2013 - March 2014	594,662	6.3%	78,500	1.6%	88,207	1.4%	57,307	1.1%
April 2012 - March 2013	559,499	(3.4%)	77,253	(3.6%)	87,024	6.1%	56,704	15.6%

	Net income per share (yen)	Diluted net income per share (yen)
April 2013 - March 2014	134.77	134.71
April 2012 - March 2013	133.53	133.52

(2) Non-consolidated financial position

(Millions of yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (yen)
March 31, 2014	889,993	715,643	80.4%	1,680.43
March 31, 2013	839,287	697,627	82.9%	1,637.17

(Note) Stockholders' equity (Millions of yen) As of March 31, 2014: 715,350 As of March 31, 2013: 695,662
Stockholders' equity used for the calculation of indices is net assets excluding share subscription rights.

(Information regarding audit procedures)

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

(Explanation on appropriate use of the business forecast)

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

(Attached Documents)

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Appendix: Quarterly operating results

1. Results of Operations and Financial Position

(1) Results of Operations

1) General Overview

With regard to the world economy, during FY 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 Shin-Etsu 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.

As a result, compared with the previous fiscal year, net sales for FY 2014 increased by 13.7% (¥140,410 million) to ¥1,165,819 million. Operating income was ¥173,809 million, an increase of 10.7% (¥16,766 million) from the previous fiscal year. Ordinary income also increased by 6.1% (¥10,398 million) to ¥180,605 million over the previous fiscal year. Net income was ¥113,617 million, an increase of 7.5% (¥7,903 million) compared with the previous fiscal year.

2) 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.

3) Business Prospects

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 about what the effects of the increase in the consumption tax in Japan will be and also what the effects of the world economy's downward movement will be.

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

On the other hand, among the core products of the Shin-Etsu Group, there are those that will be affected by changes in demand and supply and fluctuations in raw material prices. In addition, about two-thirds of the Group's sales consist of sales outside of Japan, and exchange rate fluctuations affect us when converting Shin-Etsu Chemical's business and overseas Group companies' business record into yen. In such a complex situation it is difficult to foresee the business environment of the coming fiscal year, and thus it is difficult to make a reasonable business forecast. Therefore, at this time of the announcement of the FY 2014 business results, we have decided to refrain from making a forecast for the FY 2015 consolidated business results. We will disclose the consolidated business forecast for FY 2015 as soon as it becomes possible to do so.

(2) Financial Position Overview

1) Information on assets, liabilities and net assets

At the end of FY 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 FY 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.

2) Status of cash flows

	Millions of yen		
	April 1, 2012 - March 31, 2013	April 1, 2013 - March 31, 2014	Increase (Decrease)
Cash and cash equivalents at beginning of fiscal year	270,321	363,028	92,707
1. Cash flows from operating activities	235,622	259,734	24,112
2. Cash flows from investing activities	(119,254)	(246,894)	(127,640)
3. Cash flows from financing activities	(44,011)	(41,361)	2,649
4. Effect of foreign exchange and others	20,350	28,052	7,702
Net increase (decrease) in cash and cash equivalents	92,707	(468)	(93,176)
Cash and cash equivalents at end of fiscal year	363,028	362,560	(468)

The balance of cash and cash equivalents at the end of FY 2014 decreased by 0.1% (¥468 million) compared with that at the end of previous fiscal year to ¥362,560 million.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥259,734 million, an increase of ¥24,112 million from the previous fiscal year. This consisted mainly of ¥180,605 million in income before income taxes, ¥91,445 million in depreciation and amortization, a decrease of ¥18,246 million in inventories and ¥41,554 million for the payment of income taxes.

Cash flows from investing activities

Net cash used for investing activities was ¥246,894 million, an increase of ¥127,640 million over the previous fiscal year, which consisted mainly of a net increase of ¥155,762 million in marketable securities and ¥66,814 million for purchases of property, plant and equipment.

Cash flows from financing activities

Net cash used for financing activities decreased by ¥2,649 million from the previous fiscal year to ¥41,361 million. This was mainly due to a cash dividend payment of ¥42,505 million.

(Reference)

The trend of cash flow indices

	For the fiscal year ended				
	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	March 31, 2014
Stockholders' equity ratio (%)	80.9	80.0	80.3	82.0	80.6
Stockholders' equity ratio on market value basis (%)	130.3	98.4	112.1	138.3	114.2
Debt repayment ratio (%)	11.5	6.6	15.9	5.6	5.8
Interest coverage ratio (times)	216.2	403.8	187.9	488.4	292.7

(Notes)- Stockholders' equity ratio: stockholders' equity/total assets
Stockholders' equity used for the calculation of indices is net assets, excluding both share subscription rights and minority interests in consolidated subsidiaries

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

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

(3) Basic Policy Concerning Profit-sharing

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

In line with our basic profit-sharing policy, the year-end dividend is scheduled to be ¥50 per share, the same amount as the interim dividend of ¥50 per share. Accordingly, the total annual dividend per share for FY 2014 will become ¥100, the same amount as in the previous fiscal year.

The forecast for the shareholders' dividends for FY 2015 has not yet been determined.

2. Management Policies

(1) Basic Management Policies

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

(2) Targeting Our Management Objectives: Shin-Etsu's Mid-to Long-term Management Strategies

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

(3) Policy Implementation

In the PVC business, in order to cope with the global expansion in demand, Shintech Inc., in the U.S., has decided to further strengthen its integrated manufacturing facilities from electrolysis to PVC. We will further solidify our position as the world's largest PVC manufacturer by speedily making these facilities a dynamic strategic base to help drive forward Shintech's PVC business, by making good use of the advantageous raw materials situation in the U.S. and by carrying out our sales strategies that accurately grasp global trends in demand.

In the semiconductor silicon business, we will fulfill our responsibilities as the top maker by assuring a stable supply of high-quality products to our worldwide customers from our multiple manufacturing bases, both the bases in Japan and outside of Japan. We will focus on the development and sales of wafers for advanced devices as the mobile equipment market expands. At the same time, we will work on making every possible effort to reduce costs and aim to strengthen our competitive power.

In the silicones business, by utilizing product characteristics that have various applications in a wide diversity of industries, we will focus on the development of new high-added-value products. Furthermore, we will strive to expand our global silicones business by promoting more efficient unified operation of the raw material manufacturing company Asia Silicones Monomer Ltd. in Thailand, which became an indirectly wholly owned Group company in May 2013, and the product manufacturing company Shin-Etsu Silicones (Thailand) Ltd. and by endeavoring to strengthen businesses at other bases such as in China and the U.S.

In the rare-earth magnets business, by utilizing raw materials plants in China and Vietnam, we will continue to carry out stable procurement of raw materials. In addition, we are planning to go ahead with the construction of a new magnet manufacturing plant in Vietnam. We will strive to build-up a stable rare-earth magnets supply system, and we

will work to steadily capture the expected growth in demand for these magnets, mainly for applications in automobiles.

In other businesses, in addition to the cellulose manufacturing plant for pharmaceutical-use products in Germany and the cellulose manufacturing plant for coatings, which is under construction in the U.S., we have such other global plants as our preform plant for optical fiber in China and our LED packaging materials manufacturing plant in Vietnam. Using these plants as a base, we will aim to achieve a leap forward into the world market.

Furthermore, for future business expansion, we will accelerate R&D and commercialization of new products with unique characteristics that focus on global needs, and we will also strive to pioneer new businesses, including by such means as M&A.

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

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of March 31, 2013 and 2014

	Millions of yen	
	March 31, 2013	March 31, 2014
ASSETS		
Current Assets:		
Cash and time deposits	252,881	363,339
Notes and accounts receivable-trade	243,785	267,243
Securities	214,380	274,282
Inventories	269,377	273,136
Deferred taxes, current	27,462	33,105
Other	31,290	31,745
Less: Allowance for doubtful accounts	(6,664)	(7,023)
Total current assets	1,032,513	1,235,829
Fixed Assets:		
Property, plant and equipment		
Buildings and structures, net	164,885	177,828
Machinery and equipment, net	356,970	424,526
Land	70,110	76,283
Construction in progress	50,862	35,353
Other, net	6,822	6,806
Total property, plant and equipment	649,650	720,799
Intangible assets	14,637	19,408
Investments and other assets:		
Investments in securities	129,551	124,003
Deferred taxes, non-current	14,590	16,427
Other	80,306	82,858
Less: Allowance for doubtful accounts	(347)	(414)
Total investments and other assets	224,101	222,875
Total fixed assets	888,389	963,083
TOTAL ASSETS	1,920,903	2,198,912

Millions of yen

	March 31, 2013	March 31, 2014
LIABILITIES		
Current Liabilities:		
Notes and accounts payable-trade	100,197	109,401
Short-term borrowings	5,507	7,524
Accounts payable-other	28,882	33,376
Accrued expenses	45,537	57,474
Accrued income taxes	6,220	32,118
Other	13,289	14,267
	<hr/>	<hr/>
Total current liabilities	199,635	254,161
	<hr/>	<hr/>
Long-term Liabilities:		
Long-term debt	7,709	7,557
Deferred taxes, non-current	65,033	80,934
Accrued retirement benefits	20,185	-
Net defined benefit liability	-	28,127
Other	5,163	5,996
	<hr/>	<hr/>
Total long-term liabilities	98,091	122,615
	<hr/>	<hr/>
TOTAL LIABILITIES	297,727	376,776
	<hr/>	<hr/>
NET ASSETS		
Stockholders' Equity:		
Common stock	119,419	119,419
Additional paid-in capital	128,234	128,625
Retained earnings	1,470,015	1,541,127
Less: Treasury stock, at cost	(39,167)	(34,954)
	<hr/>	<hr/>
Total stockholders' equity	1,678,502	1,754,218
	<hr/>	<hr/>
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	11,591	10,439
Deferred gains (losses) on hedges	174	493
Foreign currency translation adjustments	(114,172)	9,451
Remeasurements of defined benefit plans	-	(1,470)
	<hr/>	<hr/>
Total accumulated other comprehensive income	(102,406)	18,914
	<hr/>	<hr/>
Share subscription rights	2,149	426
Minority interests in consolidated subsidiaries	44,931	48,574
	<hr/>	<hr/>
TOTAL NET ASSETS	1,623,176	1,822,135
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	1,920,903	2,198,912
	<hr/>	<hr/>

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

For the fiscal years ended March 31, 2013 and 2014

Consolidated Statements of Income

	Millions of yen	
	April 1, 2012 - March 31, 2013	April 1, 2013 - March 31, 2014
Net sales	1,025,409	1,165,819
Cost of sales	769,427	873,879
Gross profit	255,981	291,939
Selling, general and administrative expenses	98,938	118,130
Operating income	157,043	173,809
Non-operating income:		
Interest income	2,417	3,454
Dividend income	1,560	1,725
Equity in earnings of affiliates	6,430	1,499
Foreign exchange gain	4,565	9,006
Other income	3,285	1,689
Total non-operating income	18,259	17,374
Non-operating expenses:		
Interest expenses	465	872
Loss on retirement of fixed assets	690	1,386
Other expenses	3,939	8,319
Total non-operating expenses	5,095	10,578
Ordinary income	170,207	180,605
Extraordinary losses:		
Loss on sales of investments in securities	6,137	-
Total extraordinary losses	6,137	-
Income before income taxes and minority interests	164,070	180,605
Income taxes:		
Current	37,059	67,138
Deferred	19,696	(1,370)
Total income taxes	56,755	65,768
Income before minority interests	107,314	114,837
Minority interests in earnings of consolidated subsidiaries	1,599	1,219
Net income	105,714	113,617

Consolidated Statements of Comprehensive Income

	Millions of yen	
	April 1, 2012 - March 31, 2013	April 1, 2013 - March 31, 2014
Income before minority interests	107,314	114,837
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	10,314	(1,122)
Deferred gains (losses) on hedges	238	309
Foreign currency translation adjustments	66,415	125,605
Share of other comprehensive income of affiliates accounted for using the equity method	6,499	1,835
Total other comprehensive income	83,467	126,627
Comprehensive income	190,782	241,465
 (Breakdown)		
Comprehensive income attributable to owners of the parent	186,861	236,409
Comprehensive income attributable to minority interests	3,920	5,056

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2013

	(Millions of yen)				
	Stockholders' Equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total stockholders' equity
Balance at the beginning of the year	119,419	128,177	1,435,693	(40,925)	1,642,365
Changes during the year					
Cash dividends			(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					
Total changes during the year	-	56	34,322	1,757	36,137
Balance at the end of the year	119,419	128,234	1,470,015	(39,167)	1,678,502

	(Millions of yen)				Share subscription rights	Minority interests in consolidated subsidiaries	Total net assets
	Accumulated Other Comprehensive Income						
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Balance at the beginning of the year	1,212	25	(190,249)	(189,011)	3,491	37,727	1,494,573
Changes during the year							
Cash dividends							(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
Total changes during the year	10,378	148	76,077	86,605	(1,342)	7,203	128,602
Balance at the end of the year	11,591	174	(114,172)	(102,406)	2,149	44,931	1,623,176

For the fiscal year ended March 31, 2014

(Millions of yen)

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

(Millions of yen)

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

(4) Consolidated Statements of Cash Flows

For the fiscal years ended March 31, 2013 and 2014

	Millions of yen	
	April 1, 2012 - March 31, 2013	April 1, 2013 - March 31, 2014
Cash flows from operating activities:		
Income before income taxes	164,070	180,605
Depreciation and amortization	80,961	91,445
Increase (decrease) in provision for retirement benefit	2,486	-
Increase (decrease) in net defined benefit liability	-	4,007
(Gain) loss on write-down of investments in securities	485	175
Interest and dividend income	(3,977)	(5,180)
Interest expenses	465	872
Exchange (gain) loss	323	660
Equity in (earnings) losses of affiliates	(6,430)	(1,499)
(Increase) decrease in notes and accounts receivable	32,803	(561)
(Increase) decrease in inventories	17,708	18,246
(Increase) decrease in long-term advance payment	7,521	2,830
Increase (decrease) in notes and accounts payable	(1,189)	3,593
Other, net	128	1,047
Subtotal	295,355	296,245
Proceeds from interest and dividends	4,754	5,931
Payments of interest	(482)	(887)
Payments of income taxes	(64,004)	(41,554)
Net cash provided by operating activities	235,622	259,734
Cash flows from investing activities:		
Net (increase) decrease in marketable securities	(42,031)	(155,762)
Purchases of property, plant and equipment	(80,775)	(66,814)
Purchases of intangible assets	(884)	(2,444)
Purchases of investments in securities	(7,581)	(3,836)
Proceeds from sales and redemption of investments in securities	23,877	7,277
Purchases of investments in subsidiaries resulting in change in scope of consolidation	-	(7,296)
Other, net	(11,858)	(18,017)
Net cash used for investing activities	(119,254)	(246,894)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(3,407)	(693)
Proceeds from long-term debt	6,517	306
Repayments of long-term debt	(5,482)	(1,203)
Purchases of treasury stock	(11)	(150)
Cash dividends paid	(42,459)	(42,505)
Other, net	832	2,885
Net cash used for financing activities	(44,011)	(41,361)
Effect of exchange rate changes on cash and cash equivalents	16,899	28,052
Net increase (decrease) in cash and cash equivalents	89,257	(468)
Cash and cash equivalents at beginning of year	270,321	363,028
Increase (decrease) in cash and cash equivalents resulting from changes in scope of consolidation	3,450	-
Cash and cash equivalents at end of year	363,028	362,560

(5) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable

(Changes in Accounting Policies)

(Adoption of new accounting standards for retirement benefits)

Effective from the end of FY 2014, Shin-Etsu 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.

(Notes to Consolidated Balance Sheets)

	Millions of yen	
	March 31, 2013	March 31, 2014
Accumulated depreciation of property, plant and equipment	1,550,390	1,730,579

(Notes to Consolidated Statements of Income)

	Millions of yen	
	April 1, 2012 - March 31, 2013	April 1, 2013 - March 31, 2014
Research and development costs	37,671	43,546

(Segment and Related Information)

1) Segment Information

1. Overview of Reportable Segments

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

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

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

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

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

Segment income denotes operating income, and the accounting methods applied are based on the principals and procedures of the accounting treatment used to prepare the consolidated financial statements. Internal revenues and transfers arising from transactions among the segments are based on market prices in general, although transfers performed between segments at the same business site are calculated based on manufacturing cost.

Assets and liabilities are not allocated to business segments.

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

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

Millions of yen									
April 1, 2013 - March 31, 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 ^[2]	26,507	10,978	10,167	24,960	14,672	4,398	91,684	(239)	91,445
Increase in property, plant and equipment and intangible assets*	15,174	11,295	11,883	14,580	14,417	3,237	70,590	(34)	70,555

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

[1] Elimination of intersegment transactions

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

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

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

	Millions of yen							Adjustment ^[1]	Figures in consolidated financial statements
	April 1, 2012 - March 31, 2013								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total		
Sales to outside customers	343,697	129,029	83,526	202,466	182,781	83,907	1,025,409	-	1,025,409
Intersegment sales	3,385	4,608	8,122	3	3,234	60,900	80,254	(80,254)	-
Total	347,082	133,638	91,649	202,470	186,015	144,808	1,105,663	(80,254)	1,025,409
Segment income (Operating income)	45,552	28,643	14,467	21,937	40,863	5,601	157,065	(22)	157,043
Depreciation and amortization ^[2]	20,416	8,245	8,920	26,193	13,754	3,715	81,246	(284)	80,961
Increase in property, plant and equipment and intangible assets*	18,478	15,374	12,193	14,828	18,209	4,161	83,245	(226)	83,018

*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.)

[1] Elimination of intersegment transactions

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

2) Related Information

Geographic Information

(Net Sales)

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

Millions of yen						
April 1, 2012 - March 31, 2013						
Japan	U.S.	Asia/Oceania		Europe	Other	Total
		China	Other			
334,288	190,433	100,109	194,891	114,538	91,147	1,025,409

(Income Taxes)

1. Components of deferred tax assets and liabilities

	Millions of yen	
	As of March 31, 2013	As of March 31, 2014
Deferred Tax Assets:		
Depreciation and amortization	13,090	14,266
Accrued retirement benefits	5,030	-
Net defined benefit liability	-	8,405
Unrealized profit	3,488	4,927
Maintenance costs	3,287	4,798
Accrued bonuses	3,531	3,429
Unsettled accounts receivable and payable	3,018	3,290
Accrued enterprise taxes	687	2,292
Allowance for doubtful accounts	1,927	1,784
Tax loss carry forwards	1,199	868
Other	16,687	19,964
Sub-total	51,949	64,026
Valuation allowance	(3,777)	(4,987)
Total	48,172	59,039
Deferred Tax Liabilities:		
Depreciation and amortization	60,329	79,489
Unrealized gains on available-for-sale securities	6,488	6,690
Reserve for special depreciation	153	157
Other	4,924	7,778
Total	71,896	94,116
Net deferred tax assets (liabilities)	(23,723)	(35,077)

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

	Millions of yen	
	As of March 31, 2013	As of March 31, 2014
Current assets : Deferred taxes, current	27,462	33,105
Fixed assets : Deferred taxes, non-current	14,590	16,427
Current liabilities : Other	(742)	(3,675)
Long-term liabilities: Deferred taxes, non-current	(65,033)	(80,934)

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

	April 1, 2012 - March 31, 2013	April 1, 2013 - March 31, 2014
Statutory tax rate	37.8%	37.8%
Rate difference from foreign subsidiaries	(2.3)	(2.8)
Equity in earnings of affiliates	(1.5)	(0.3)
Dividend and other non-taxable income	(1.4)	(2.3)
Elimination of intercompany dividend income	1.3	2.2
Tax deduction for research expenses	(1.0)	(1.2)
Entertainment and other non-deductible expenses	0.2	0.2
Adjustment of deferred tax assets due to change in income tax rate	-	1.2
Other, net	1.5	1.6
Effective tax rate	34.6	36.4

(Per Share Information)

	April 1, 2012 - March 31, 2013	April 1, 2013 - March 31, 2014
Net assets per share (yen)	3,709.19	4,165.28
Net income per share (yen)	248.94	267.20
Diluted net income per share (yen)	248.92	267.07

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

	Millions of yen	
	April 1, 2012 - March 31, 2013	April 1, 2013 - March 31, 2014
Calculation of net income per share		
Net income	105,714	113,617
Amount not attributable to shareholders of common stock	-	-
Net income attributable to common stock	105,714	113,617
Weighted-average number of shares outstanding (thousands of shares)	424,651	425,222

Calculation of diluted net income per share

Adjustments to net income	-	-
Increase of common stock (thousands of shares)	34	198
[Share subscription rights included in the above (thousands of shares)]	[34]	[198]

	Number of share subscription rights	
	April 1, 2012 - March 31, 2013	April 1, 2013 - March 31, 2014
Potentially dilutive shares not included in the calculation of diluted net income due to their anti-dilutive effect	7,680 ^[1]	-
	7,408 ^[2]	-

^[1] Share subscription rights resolved in 2008

^[2] Share subscription rights resolved in 2009

(Major Subsequent Events)

Not applicable

Appendix: Quarterly operating results

(Billions of yen)

		FY 2013					FY 2014				
		April 1, 2012 - March 31, 2013					April 1, 2013 - March 31, 2014				
		1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Net Sales		266.5	270.5	245.4	243.0	1,025.4	270.9	301.3	299.8	293.8	1,165.8
PVC / Chlor-Alkali		85.5	93.0	80.3	84.9	343.7	102.4	111.3	109.9	104.3	427.9
Silicones		32.2	33.4	31.4	32.0	129.0	34.7	40.9	40.5	40.3	156.4
Specialty Chemicals		21.5	19.8	20.8	21.4	83.5	23.8	26.0	27.4	26.0	103.2
Semiconductor Silicon		54.4	54.1	50.1	43.9	202.5	49.9	55.8	55.8	51.7	213.2
Electronics & Functional Materials		52.1	49.5	41.7	39.5	182.8	40.7	43.2	43.3	43.8	171.0
Diversified		20.8	20.7	21.1	21.3	83.9	19.4	24.1	22.9	27.7	94.1
Operating Income		40.3	43.3	37.5	35.9	157.0	45.5	46.7	42.7	38.9	173.8
PVC / Chlor-Alkali		9.9	14.3	10.0	11.4	45.6	16.9	17.2	14.1	11.9	60.1
Silicones		7.5	7.4	7.0	6.7	28.6	7.0	7.2	8.9	8.7	31.8
Specialty Chemicals		3.9	3.7	3.3	3.6	14.5	3.1	2.8	3.9	3.0	12.8
Semiconductor Silicon		6.6	6.0	5.3	4.0	21.9	6.7	7.8	5.4	4.6	24.5
Electronics & Functional Materials		10.4	10.6	10.6	9.3	40.9	10.7	10.8	9.5	10.0	41.0
Diversified		1.8	1.3	1.4	1.1	5.6	1.1	1.0	0.7	0.9	3.7
Ordinary Income		41.0	45.0	42.0	42.2	170.2	49.0	48.3	44.0	39.3	180.6
Net Income		26.6	29.1	27.7	22.3	105.7	32.0	31.8	28.7	21.1	113.6
Depreciation and Amortization		18.7	19.6	20.6	22.1	81.0	21.4	22.6	23.2	24.2	91.4
Capital Expenditures		20.3	21.1	16.6	28.8	86.8	28.8	15.1	13.7	25.6	83.2
R&D Costs		8.9	9.6	8.8	10.4	37.7	9.6	10.9	10.5	12.5	43.5
Overseas Sales	Amount	175.3	183.9	164.4	167.5	691.1	191.4	218.4	216.4	204.0	830.2
	Ratio*	66%	68%	67%	69%	67%	71%	73%	72%	69%	71%

*Note: Percentage figures represent the ratio of overseas sales to total consolidated sales.