

Financial Summary

For the year ended March 31, 2014

(April 24, 2014)
Shin-Etsu Chemical Co., Ltd.



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Operating Performance

(Billions of Yen)

	Consolidated		
	Fiscal year 12/4-13/3	Fiscal year 13/4-14/3	Increase (Decrease)
Net Sales	1,025.4	1,165.8	13.7% 140.4
Operating income	157.0	173.8	10.7% 16.8
Ordinary income	170.2	180.6	6.1% 10.4
Net income	105.7	113.6	7.5% 7.9
ROE	7.0%	6.8%	(0.2points)
ROA	9.1%	8.8%	(0.3points)
Per share (in Yen)			
Net income	248.94	267.20	18.26
Cash dividend	100.00	100.00	-

Non-consolidated		
Fiscal year 12/4-13/3	Fiscal year 13/4-14/3	Increase (Decrease)
559.5	594.7	6.3% 35.2
77.3	78.5	1.6% 1.2
87.0	88.2	1.4% 1.2
56.7	57.3	1.1% 0.6
8.3%	8.1%	(0.2points)
10.4%	10.2%	(0.2points)
133.53	134.77	1.24

Notes: (1) ROE: Return (Net income) on equity.

Equity used for this calculation is net assets excluding both Share subscription rights and Minority interests in consolidated subsidiaries.

(2) ROA: Return (Ordinary income) on total assets.

(Billions of Yen)

	Consolidated		
	Mar. 31 2013	Mar. 31 2014	Increase (Decrease)
Net Assets	1,623.2	1,822.1	198.9
Total Assets	1,920.9	2,198.9	278.0
Equity Ratio	82.0%	80.6%	(1.4points)
Net Assets per share (in Yen)	3,709	4,165	456

Non-consolidated		
Mar. 31 2013	Mar. 31 2014	Increase (Decrease)
697.6	715.6	18.0
839.3	890.0	50.7
82.9%	80.4%	(2.5points)
1,637	1,680	43



Financial Highlights

(Billions of Yen)

		Consolidated		Non-consolidated	
		Fiscal year 12/4-13/3	Fiscal year 13/4-14/3	Fiscal year 12/4-13/3	Fiscal year 13/4-14/3
Capital expenditures		86.8	83.2	30.0	25.7
Depreciation and amortization		81.0	91.4	23.9	25.8
R&D costs		37.7	43.5	28.2	31.6
Interest-bearing liabilities		13.2	15.1	11.3	11.3
Number of employees		17,712	17,892	2,692	2,737
Exchange rate (Yen/US\$)	Jan - Dec (Avg)	79.8	97.6	-	-
	Apr - Mar (Avg)	83.1	100.2	83.1	100.2

Notes: (1) An average exchange rate between January and December was used for the Consolidated Income Statements of overseas subsidiaries.

(2) For further exchange rate data, please see Appendix on page 18.



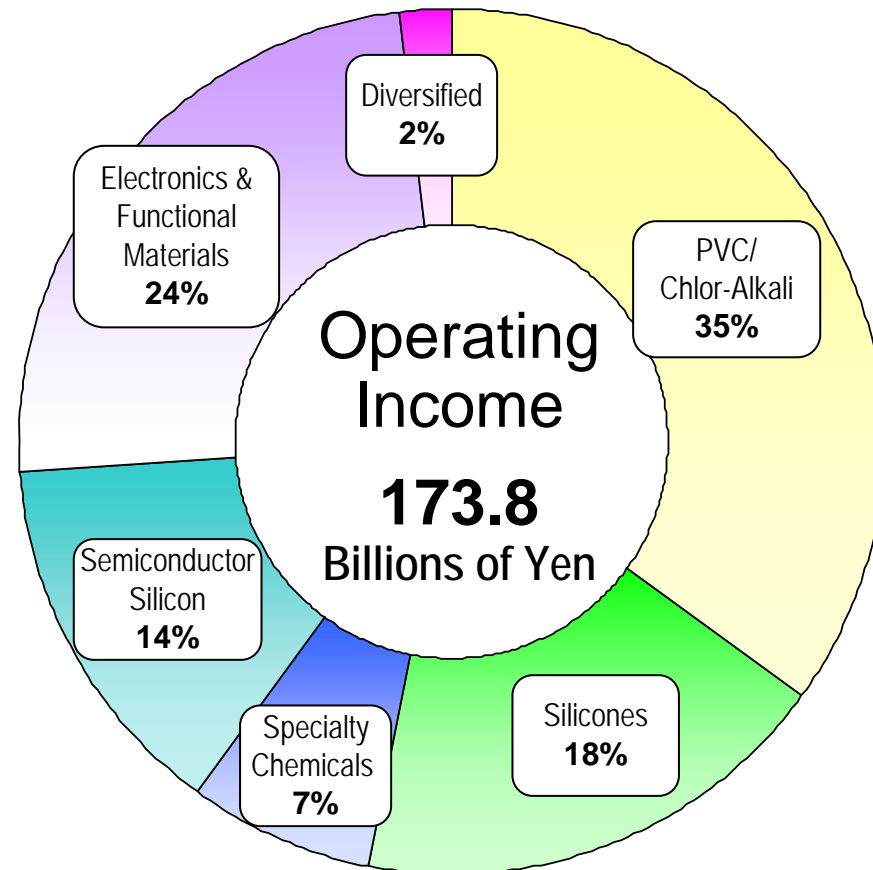
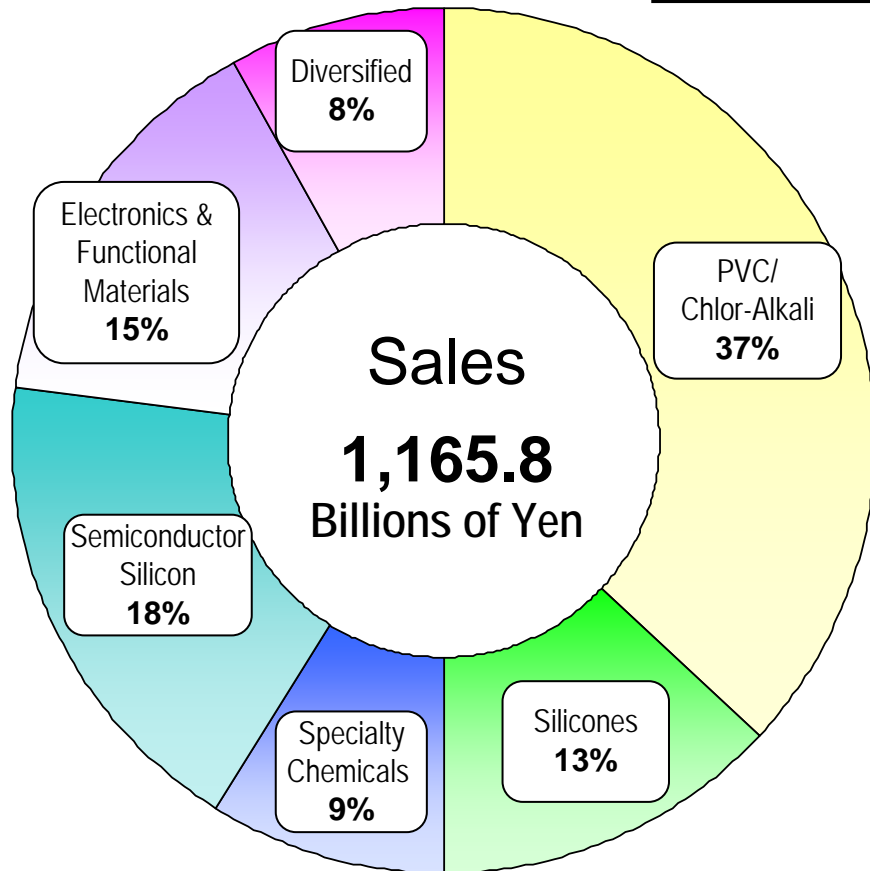
(Billions of Yen)

	Net Sales			Operating Income		
	Fiscal year 12/4-13/3	Fiscal year 13/4-14/3	Increase (Decrease)	Fiscal year 12/4-13/3	Fiscal year 13/4-14/3	Increase (Decrease)
PVC/Chlor-Alkali Business	343.7	427.9	24.5% 84.2	45.6	60.1	32.0% 14.5
Silicones Business	129.0	156.4	21.2% 27.4	28.6	31.8	11.0% 3.2
Specialty Chemicals Business	83.5	103.2	23.6% 19.7	14.5	12.8	(11.8%) (1.7)
Semiconductor Silicon Business	202.5	213.2	5.3% 10.7	21.9	24.5	11.5% 2.6
Electronics & Functional Materials Business	182.8	171.0	(6.5%) (11.8)	40.9	41.0	0.3% 0.1
Diversified Business	83.9	94.1	12.2% 10.2	5.6	3.7	(34.5%) (1.9)
Total	1,025.4	1,165.8	13.7% 140.4	157.0	173.8	10.7% 16.8



Sales and Operating Income by Segment (Proportion)

Fiscal year
2013/4-2014/3





Capital expenditures and Depreciation and amortization by Segment

(Billions of Yen)

	Fiscal year 12/4-13/3	Fiscal year 13/4-14/3
Capital expenditures	86.8	83.2
PVC/Chlor- Alkali Business	18.5	15.2
Silicones Business	15.4	23.9
Specialty Chemicals Business	12.2	11.9
Semiconductor Silicon Business	14.8	14.6
Electronics & Functional Materials Business	22.0	14.4
Diversified Business	4.2	3.2
Depreciation and amortization	81.0	91.4
PVC/Chlor- Alkali Business	20.4	26.5
Silicones Business	8.2	11.0
Specialty Chemicals Business	8.9	10.2
Semiconductor Silicon Business	26.2	25.0
Electronics & Functional Materials Business	13.8	14.7
Diversified Business	3.7	4.4

● ● ● | PVC/Chlor-Alkali Business Segment

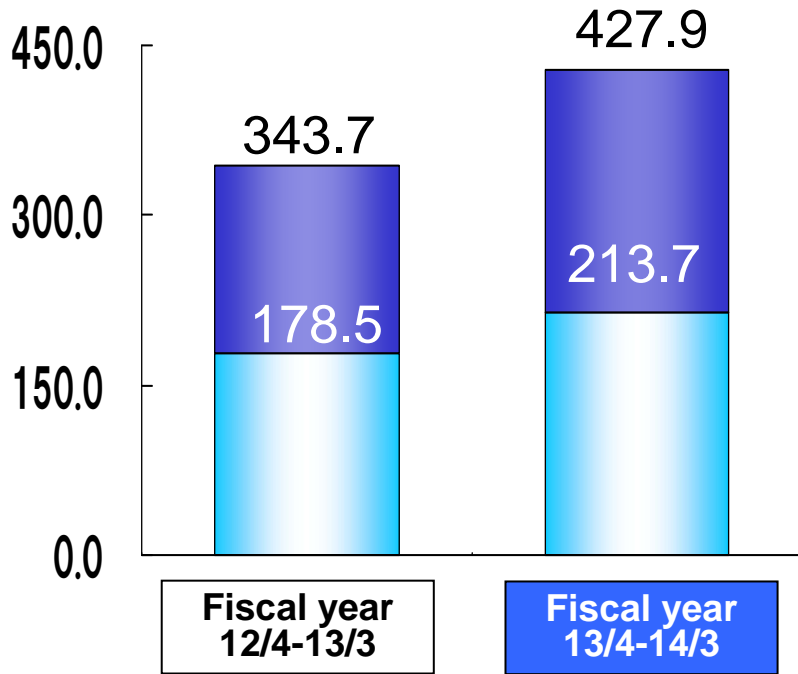
Net Sales



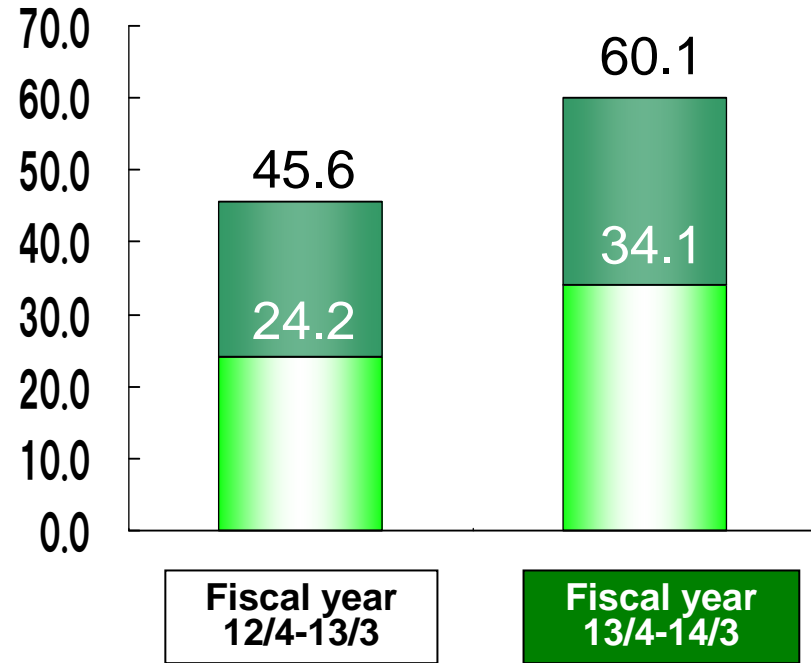
Operating Income



(Billions of Yen)



(Billions of Yen)



- 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.
- 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.

● ● ● | Silicones Business Segment

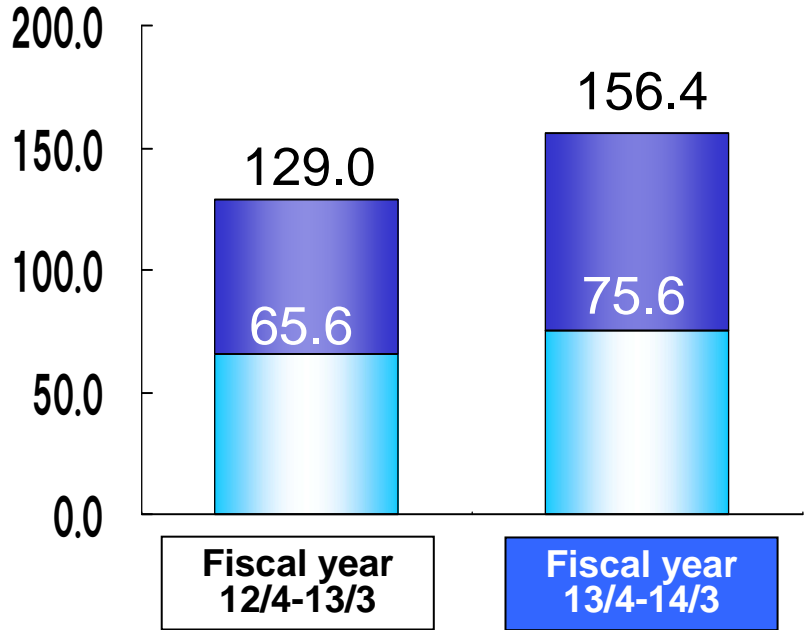
Net Sales



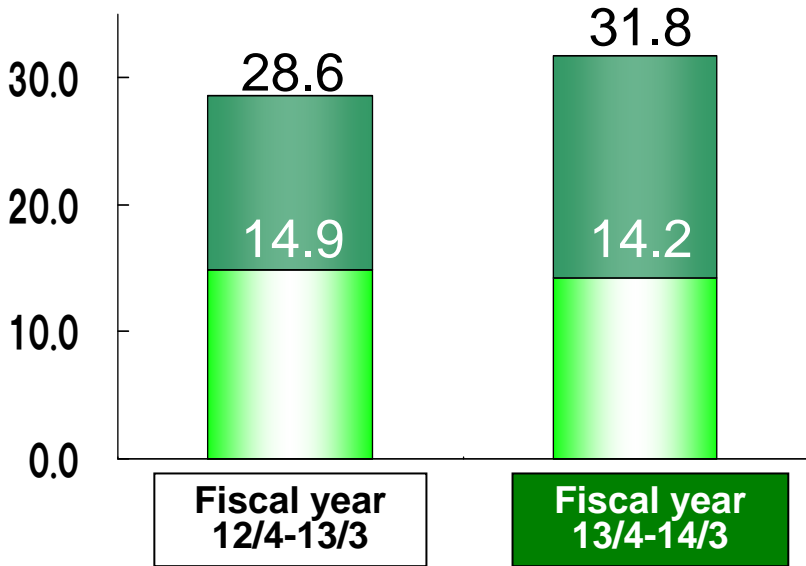
Operating Income



(Billions of Yen)



(Billions of Yen)



- 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.

● ● ● | Specialty Chemicals Business Segment

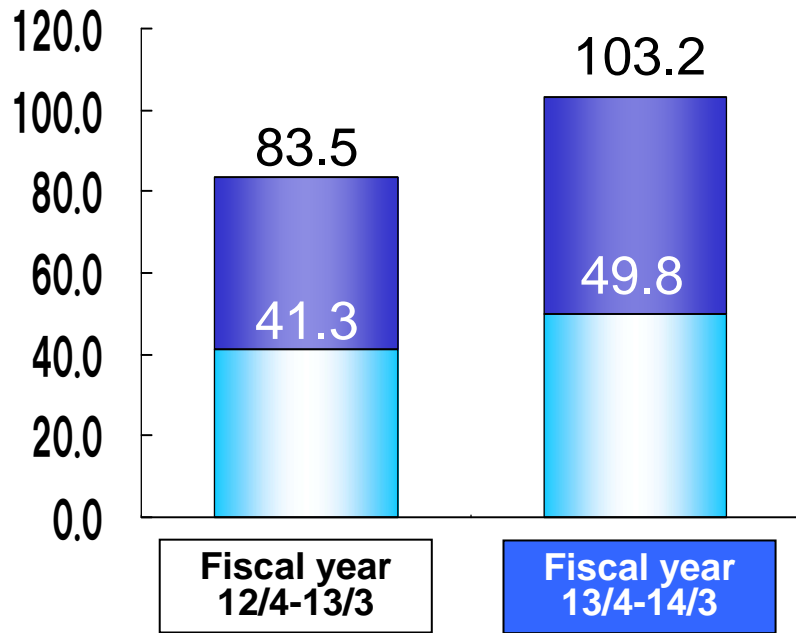
Net Sales



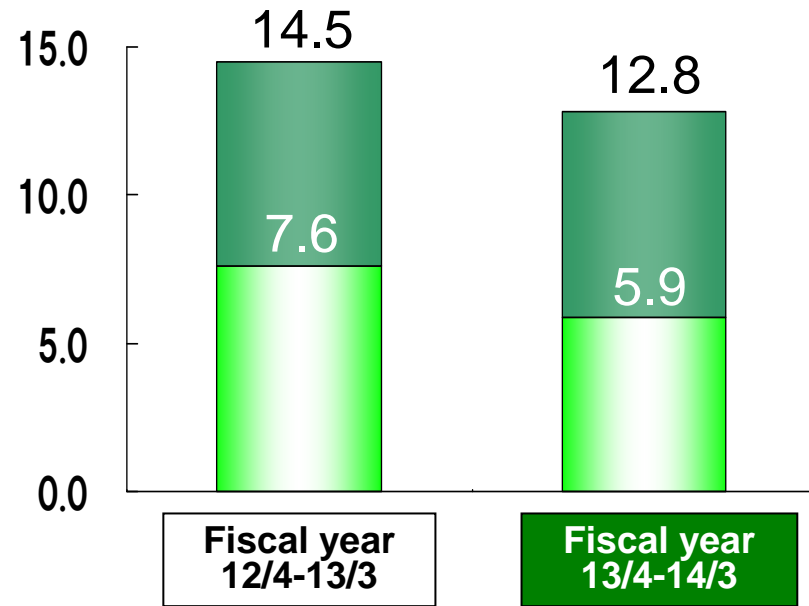
Operating Income



(Billions of Yen)



(Billions of Yen)



- 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.

● ● ● | Semiconductor Silicon Business Segment

Net Sales

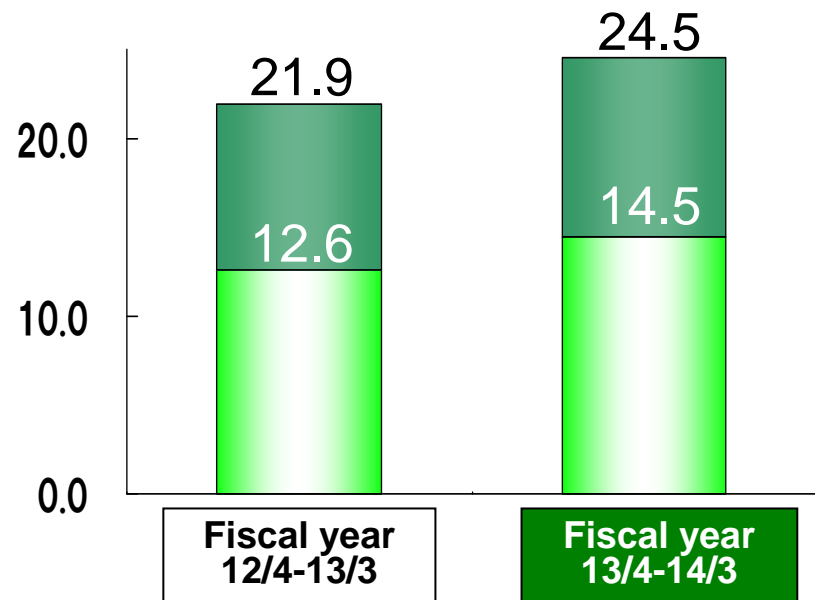
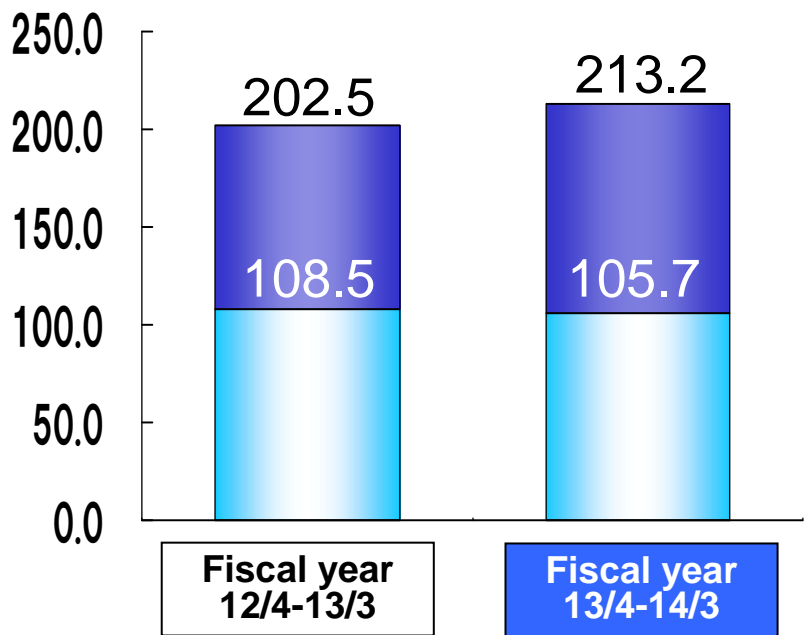


Operating Income



(Billions of Yen)

(Billions of Yen)



- 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, tablets PCs and for devices for automobiles continued firm shipments.



Electronics & Functional Materials Business Segment

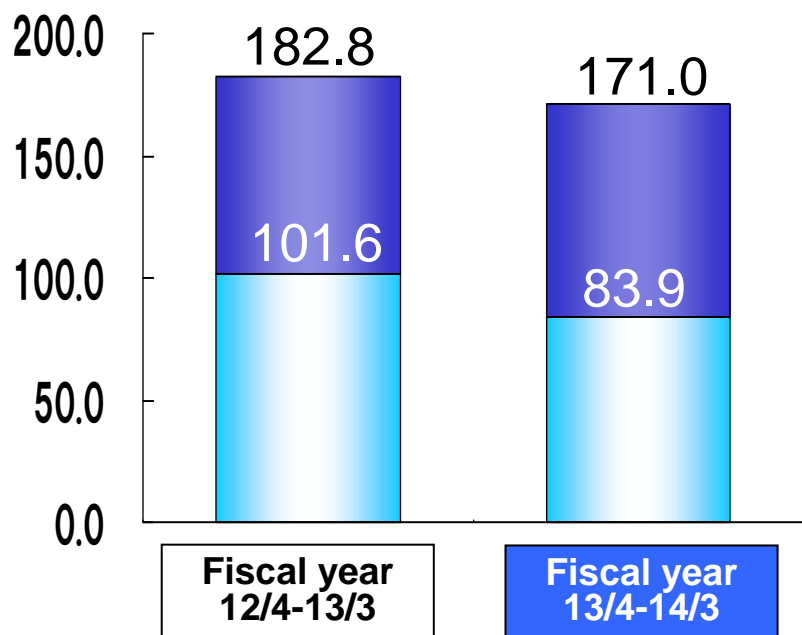
Net Sales

■ Annual
■ First Half

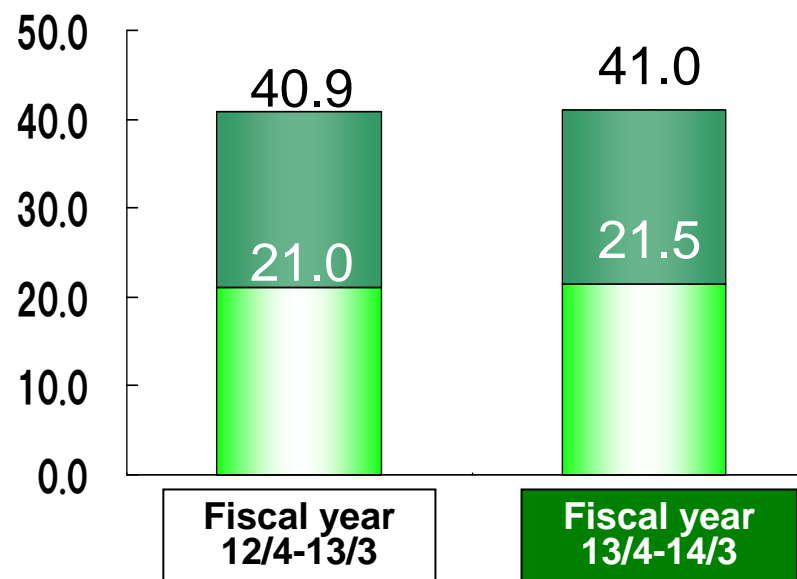
Operating Income

■ Annual
■ First Half

(Billions of Yen)



(Billions of Yen)



- 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.
- 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.

● ● ● | Diversified Business Segment

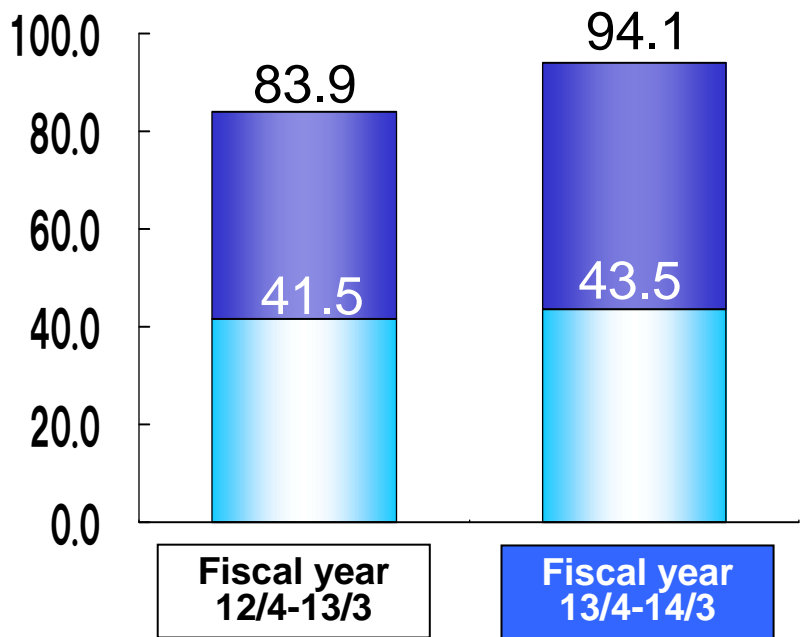
Net Sales



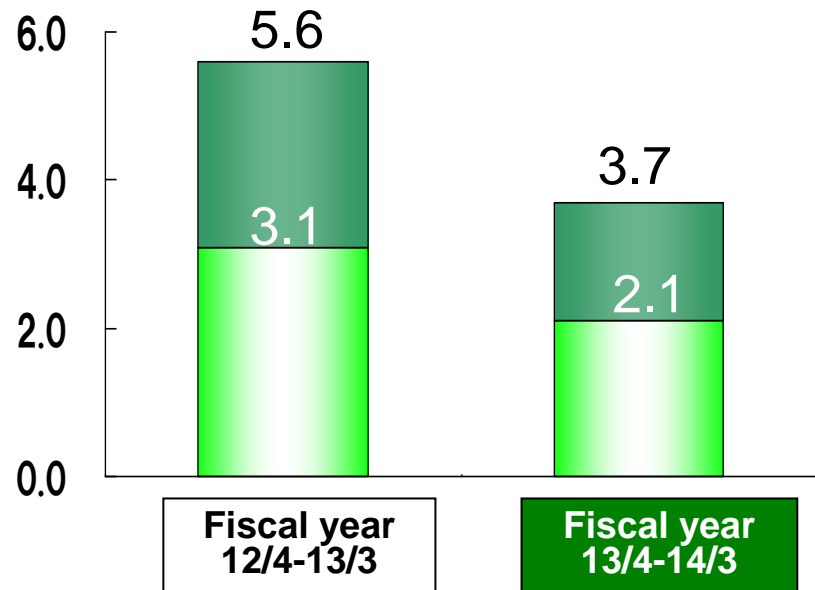
Operating Income



(Billions of Yen)



(Billions of Yen)



- 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.
- The engineering business of Shin-Etsu Engineering Co., Ltd. was slow.

● ● ● | Quarterly Sales by Segment

(Sales)

(Billions of Yen)

	Fiscal year 12/4-13/3					Fiscal year 13/4-14/3				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
PVC/Chlor-Alkali Business	85.5	93.0	80.3	84.9	343.7	102.4	111.3	109.9	104.3	427.9
Silicones Business	32.2	33.4	31.4	32.0	129.0	34.7	40.9	40.5	40.3	156.4
Specialty Chemicals Business	21.5	19.8	20.8	21.4	83.5	23.8	26.0	27.4	26.0	103.2
Semiconductor Silicon Business	54.4	54.1	50.1	43.9	202.5	49.9	55.8	55.8	51.7	213.2
Electronics & Functional Materials Business	52.1	49.5	41.7	39.5	182.8	40.7	43.2	43.3	43.8	171.0
Diversified Business	20.8	20.7	21.1	21.3	83.9	19.4	24.1	22.9	27.7	94.1
Total	266.5	270.5	245.4	243.0	1,025.4	270.9	301.3	299.8	293.8	1,165.8

● ● ● | Quarterly Operating Income by Segment

(Operating Income)

(Billions of Yen)

	Fiscal year 12/4-13/3					Fiscal year 13/4-14/3				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
PVC/Chlor-Alkali Business	9.9	14.3	10.0	11.4	45.6	16.9	17.2	14.1	11.9	60.1
Silicones Business	7.5	7.4	7.0	6.7	28.6	7.0	7.2	8.9	8.7	31.8
Specialty Chemicals Business	3.9	3.7	3.3	3.6	14.5	3.1	2.8	3.9	3.0	12.8
Semiconductor Silicon Business	6.6	6.0	5.3	4.0	21.9	6.7	7.8	5.4	4.6	24.5
Electronics & Functional Materials Business	10.4	10.6	10.6	9.3	40.9	10.7	10.8	9.5	10.0	41.0
Diversified Business	1.8	1.3	1.4	1.1	5.6	1.1	1.0	0.7	0.9	3.7
Total	40.3	43.3	37.5	35.9	157.0	45.5	46.7	42.7	38.9	173.8



Operating Performance of Shintech, Inc.

	Fiscal year 12/1-12/12		Fiscal year 13/1-13/12		Increase (Decrease) on US\$ basis	Increase (Decrease) on Yen basis
	Millions of US\$	Billions of Yen	Millions of US\$	Billions of Yen		
Net Sales	2,941	234.8	3,028	295.6	2.9%	25.9%
Ordinary Income	551	44.0	603	58.9	9.4%	33.9%
Net Income	371	29.6	413	40.3	11.3%	36.1%
Net Assets	3,364	291.2	3,788	399.3		
Total Assets	4,422	382.9	4,934	520.0		

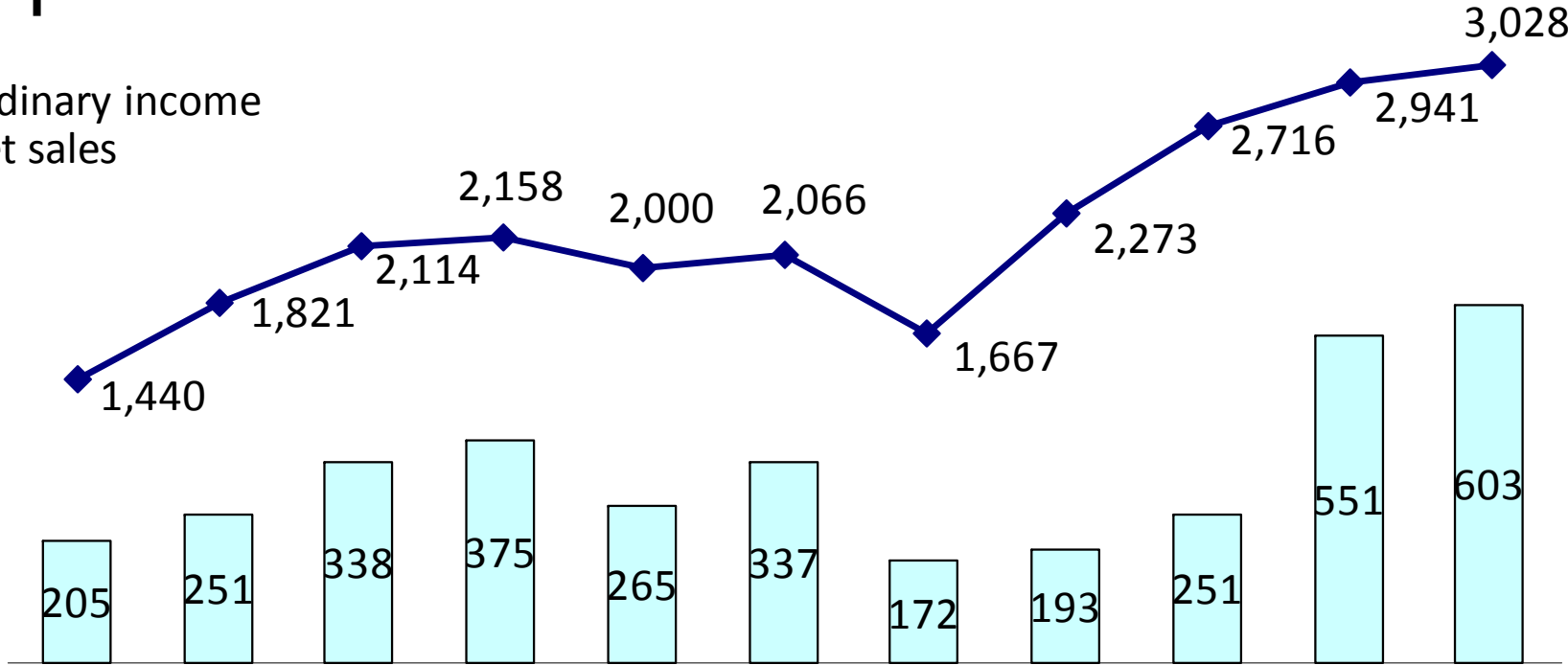
• Both on a U.S. dollar base and after conversion on a Japanese Yen base, these figures represent the highest level of profit the company has ever recorded.

Exchange rate Jan-Dec (Average) : Fiscal year 12/1-12/12	79.8 Yen/US\$
Fiscal year 13/1-13/12	97.6 Yen/US\$

● ● ● | (Reference) Shintech historical performance

(Millions of US\$)

□ Ordinary income
◆ Net sales



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net sales (A)	1,440	1,821	2,114	2,158	2,000	2,066	1,667	2,273	2,716	2,941	3,028
Ordinary income (B)	205	251	338	375	265	337	172	193	251	551	603
(B)/(A)	14%	14%	16%	17%	13%	16%	10%	9%	9%	19%	20%
U.S. Housing starts (thousands)	1,854	1,950	2,073	1,812	1,342	900	554	586	612	783	929



Comparative Income Statements (Consolidated)

(Billions of Yen)

	Fiscal year 12/4-13/3	Fiscal year 13/4-14/3	Increase (Decrease)
Net Sales	1,025.4	1,165.8	13.7% 140.4
Cost of sales	769.4	873.9	104.5
Selling, general and administrative expenses	98.9	118.1	19.2
Operating Income	157.0	173.8	10.7% 16.8
Non-operating income/expenses	13.2	6.8	(6.4)
Ordinary Income	170.2	180.6	6.1% 10.4
Extraordinary loss	Note 6.1	-	(6.1)
Income Before Income Taxes	164.1	180.6	10.1% 16.5
Income taxes	56.8	65.8	9.0
Minority interests in earnings of consolidated subsidiaries	1.6	1.2	(0.4)
Net Income	105.7	113.6	7.5% 7.9

Note : Loss on sales of investment securities 6.1billion yen

Comparative Balance Sheets (Consolidated)

(Billions of Yen)

	March 31 2013	March 31 2014	Increase (Decrease)		March 31 2013	March 31 2014	Increase (Decrease)
Current Assets	1,032.5	1,235.8	203.3	Current Liabilities	199.6	254.2	54.6
Cash and time deposits	252.9	363.3	110.4	Notes and accounts payable-trade	100.2	109.4	9.2
Notes and accounts receivable-trade	243.8	267.2	23.4	Short-term borrowings	5.5	7.5	2.0
Securities	214.4	274.3	59.9	Accrued income taxes	6.2	32.1	25.9
Inventories	269.4	273.1	3.7	Other	87.7	105.2	17.5
Deferred taxes, current	27.5	33.1	5.6				
Other	24.5	24.8	0.3	Long-term Liabilities	98.1	122.6	24.5
Fixed Assets	888.4	963.1	74.7	Long-term debt	7.7	7.6	(0.1)
Property, Plant and Equipment	649.7	720.8	71.1	Deferred taxes, non-current	65.0	80.9	15.9
Machinery and equipment	357.0	424.5	67.5	Other	25.4	34.1	8.7
Other	292.7	296.3	3.6	Total liabilities	297.7	376.8	79.1
Intangible Assets	14.6	19.4	4.8	Stockholders' equity	1,678.5	1,754.2	75.7
Investments and Other Assets	224.1	222.9	(1.2)	Accumulated other comprehensive income	(102.4)	18.9	121.3
Investments in securities	129.6	124.0	(5.6)	Share subscription rights & Minority interests in consolidated subsidiaries	47.1	49.0	1.9
Other	94.5	98.9	4.4	Total net assets	1,623.2	1,822.1	198.9
Total assets	1,920.9	2,198.9	278.0	Total liabilities and net assets	1,920.9	2,198.9	278.0

Comparative Statements of Cash Flows (Consolidated)

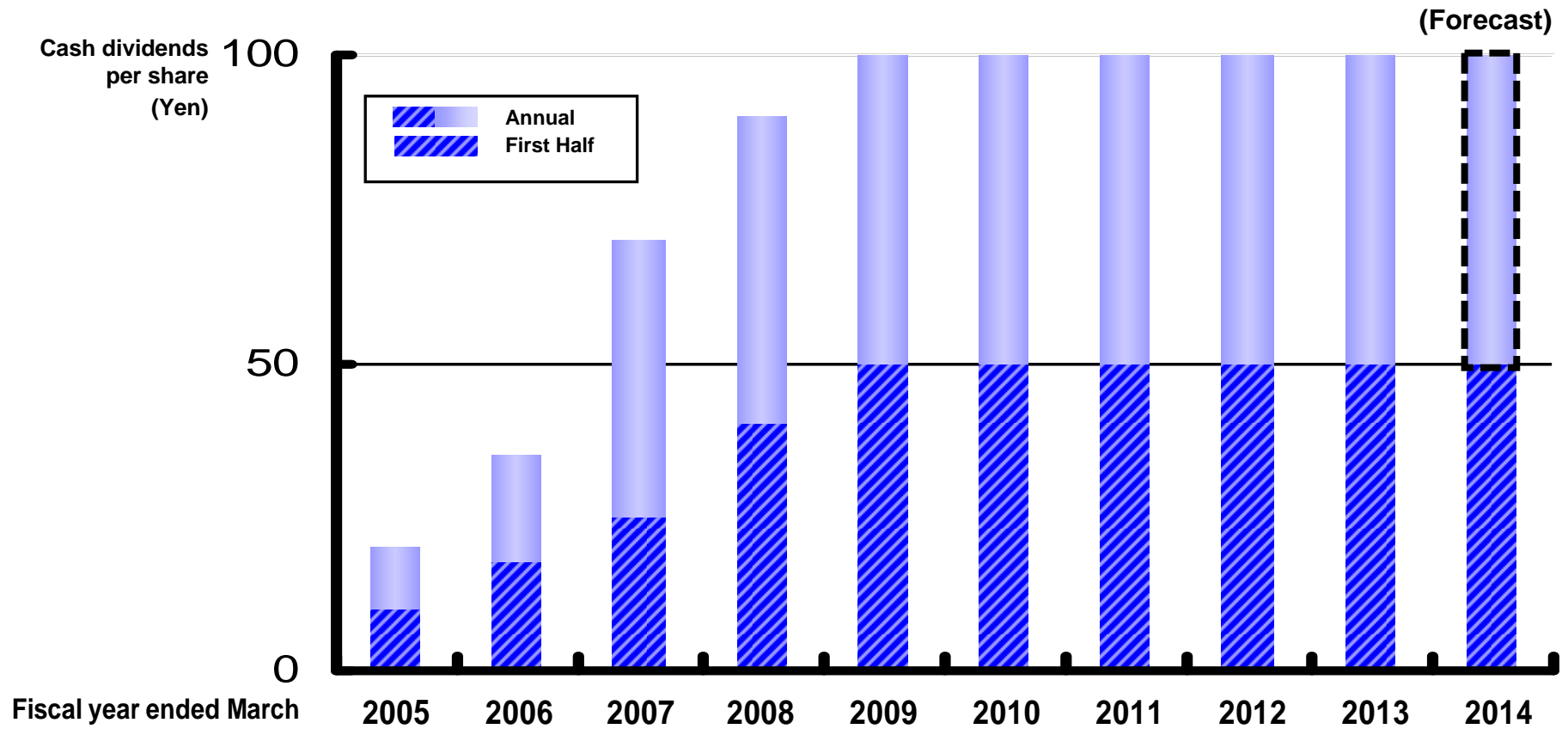
(Billions of Yen)

	Fiscal year 12/4-13/3	Fiscal year 13/4-14/3	Increase (Decrease)
(1) Cash Flows from Operating Activities	235.6	259.7	24.1
Income before income taxes	164.1	180.6	16.5
Payments of income taxes	(64.0)	(41.6)	22.4
Depreciation and amortization	81.0	91.4	10.4
Decrease in working capital	49.3	21.3	(28.0)
Others	5.2	8.0	2.8
(2) Cash Flows from Investing Activities	(119.3)	(246.9)	(127.6)
Capital expenditures	*2 (85.5)	*1 (84.0)	1.5
Increase in securities (mainly Negotiable certificates of deposit)	(25.7)	(152.3)	(126.6)
Others	(8.1)	(10.6)	(2.5)
(3) Cash Flows from Financing Activities	(44.0)	(41.3)	2.7
Decrease in borrowings	(2.4)	(1.6)	0.8
Cash dividends paid	(42.5)	(42.5)	0.0
Others	0.9	2.8	1.9
(4) Effect of Exchange Rate Changes on Cash and Cash Equivalents, and other	20.4	28.1	7.7
Net Increase (Decrease) in Cash and Cash Equivalents	92.7	(0.4)	(93.1)
Balance of Cash and Cash Equivalents	363.0	362.6	(0.4)
Balance of Interest-bearing Liabilities	13.2	15.1	1.9

*1 Shin-Etsu has acquired the total shares of Asia Silicones Monomer. The amount includes the expenditures related to the additional acquisition of its shares of 14.7 billion yen. Please see page 23 and 24.

*2 Including investments of 3.8 billion yen in unconsolidated subsidiaries established
: Shin-Etsu Electronics Materials Vietnam Co., Ltd. and the other 2 unconsolidated subsidiaries

● ● ● | Cash Dividends per Share



Cash dividends per share (Yen)	First half	10	17.5	25	40	50	50	50	50	50	50
	Annual	20	35	70	90	100	100	100	100	100	* 100
Net income per share (Yen)	First half	110.4	129.7	174.1	221.2	235.0	83.7	146.8	120.2	131.2	150.1
	Annual	219.1	266.6	357.8	426.6	362.4	197.5	235.8	237.0	248.9	267.2
Dividend payout ratio	Annual	9.1%	13.1%	19.6%	21.1%	27.6%	50.6%	42.4%	42.2%	40.2%	*37.4%

*Forecast

● ● ● | Appendix (For reference)

1) Average Exchange Rate

		US\$ (yen/\$)					EUR (yen/€)				
		Quarterly	6 months		12 months		Quarterly	6 months		12 months	
			Jan-Jun	Apr-Sep	Jan-Dec	Apr-Mar		Jan-Jun	Apr-Sep	Jan-Dec	Apr-Mar
			Jul-Dec	Oct-Mar				Jul-Dec	Oct-Mar		
2012	Jan-Mar	79.3	79.7		79.8		104.0	103.4		102.6	
	Apr-Jun	80.2		79.4			102.9				
	Jul-Sep	78.6	79.9	86.8		83.1	98.4	101.8	100.6		107.1
	Oct-Dec	81.2							105.3		
2013	Jan-Mar	92.4	95.6		97.6		122.0	125.5		129.7	
	Apr-Jun	98.8		98.9			128.9				
	Jul-Sep	99.0	99.7	101.6		100.2	131.1	133.9	130.0		134.4
	Oct-Dec	100.5							136.7		
2014	Jan-Mar	102.8				140.8					

Note: An average exchange rate between January and December was used for the Consolidated Income Statements of overseas subsidiaries.

● ● ● | Appendix (For reference)

2) Sales by Region

(Billions of Yen)

	Japan	Overseas					Total	Total Consolidated Net Sales
		U.S.	Asia/Oceania		Europe	Other Areas		
			China					
Fiscal year 12/4-13/3	33%	18%	29%	10%	11%	9%	67%	1,025.4
	334.3	190.4	295.0	100.1	114.5	91.1	691.1	
Fiscal year 13/4-14/3	29%	20%	29%	10%	12%	10%	71%	1,165.8
	335.6	236.8	332.3	115.9	141.9	119.2	830.2	

Note: % indicates the proportion of total consolidated net sales

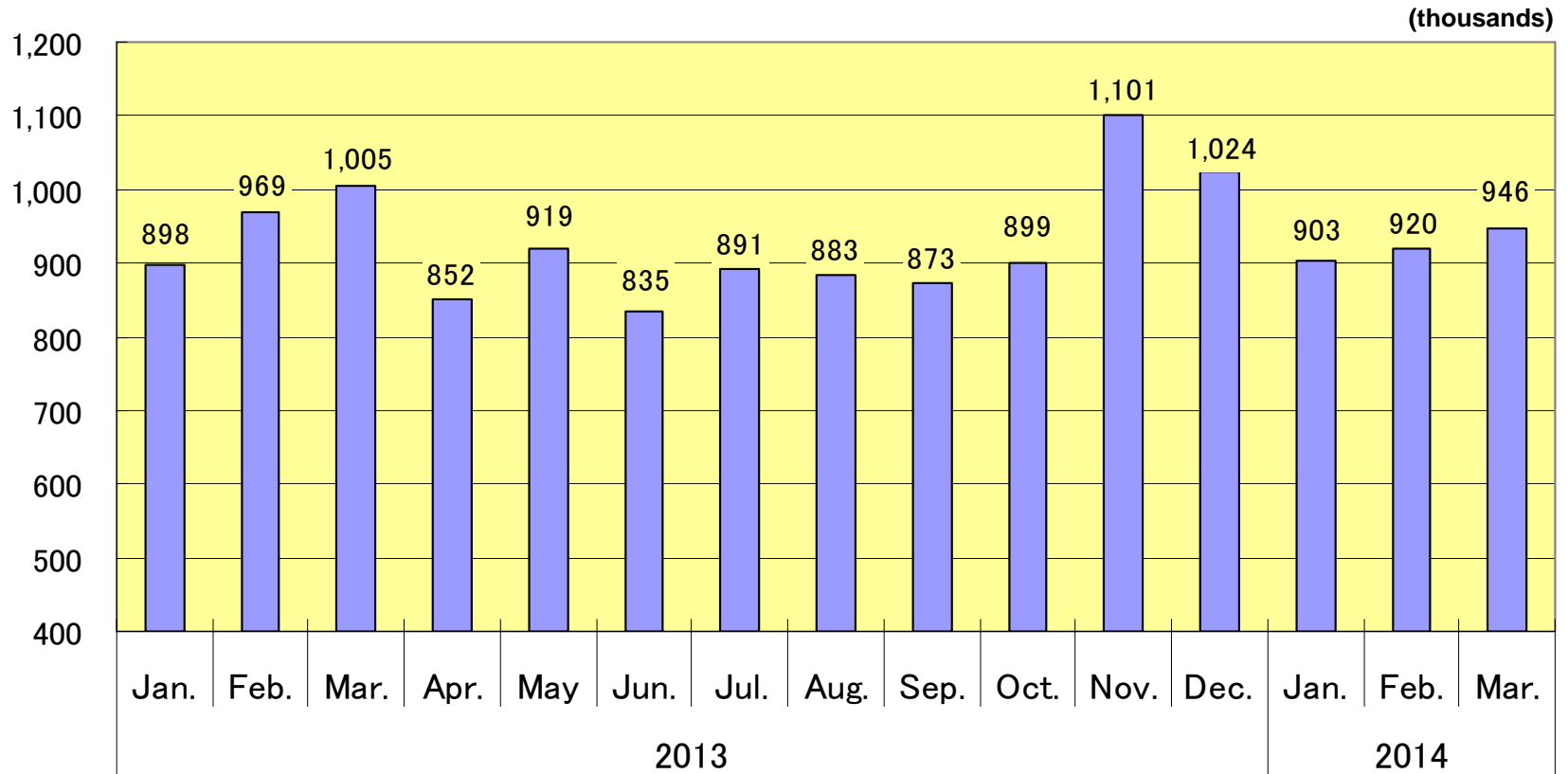
3) Assets by Segments

(Billions of Yen)

	PVC/ Chlor-Alkali Business	Silicones Business	Speciality Chemicals Business	Semiconductor Silicon Business	Electronics & Functional Materials Business	Diversified Business	Corporate assets	Consolidated total
March 31 2013	458.9	165.0	156.3	514.2	203.0	149.5	274.0	1,920.9
March 31 2014	593.2	187.6	176.7	554.1	195.2	160.6	331.5	2,198.9

● ● ● | Appendix (For reference)

4) Housing Starts in the U.S. (Seasonally Adjusted Annual Rate)



Annual Trend of the Housing Starts in the U.S. (10 years history)

(thousands)

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1,950	2,073	1,812	1,342	900	554	586	612	783	929

* Source from United States Department of Commerce

● ● ● | Appendix (For reference)

5) Trend of Naphtha Price Traded in Japan

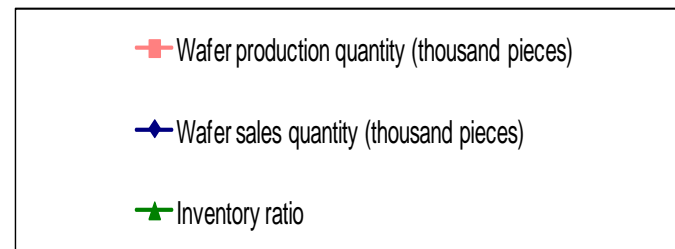
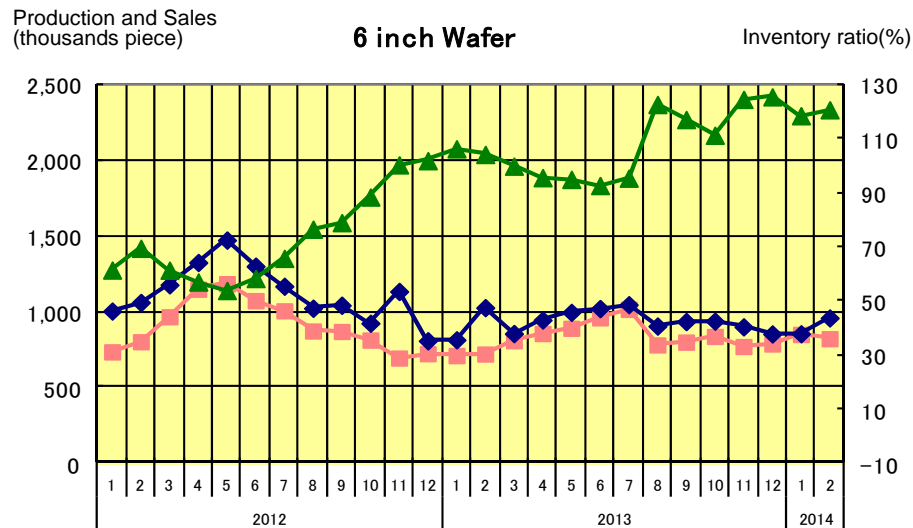
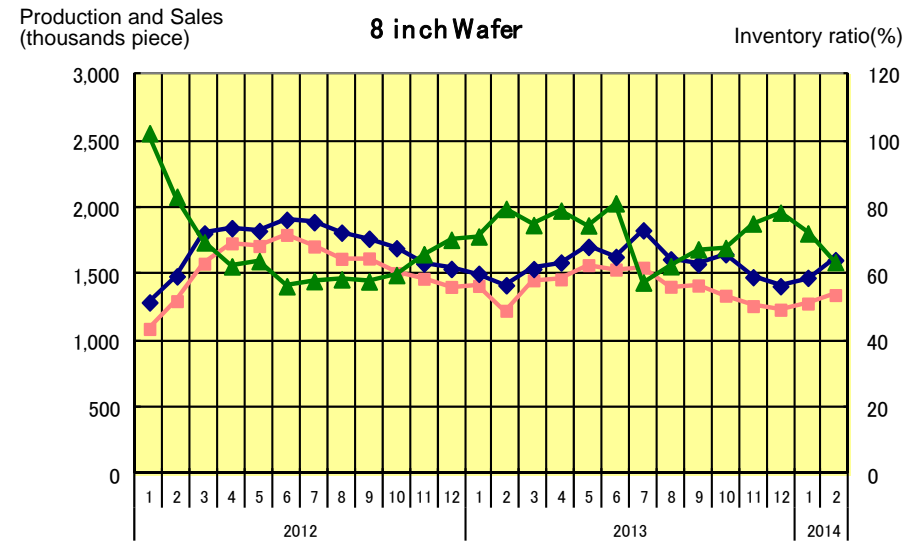
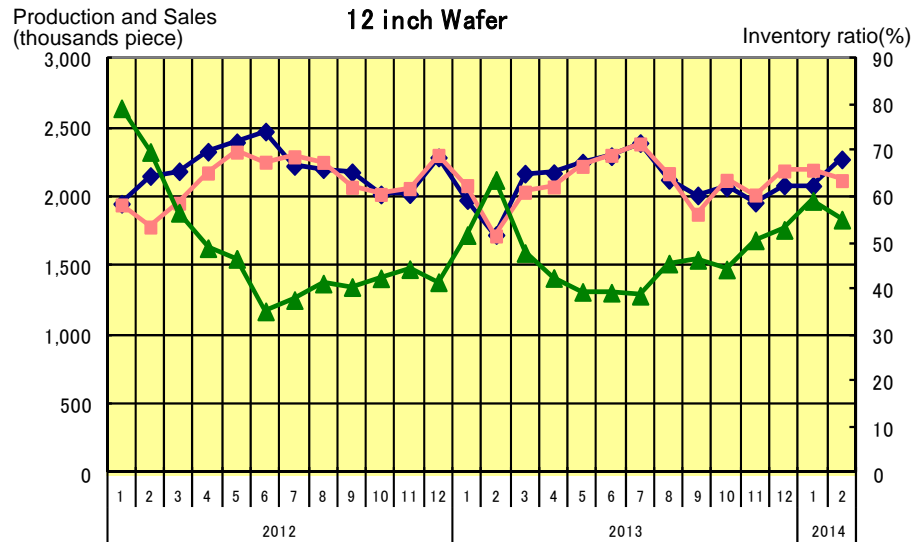
(Yen / KL)

Fiscal Year 2013 April 2012 - March 2013				Fiscal Year 2014 April 2013 - March 2014			
Apr - Jun	Jul - Sep	Oct - Dec	(2013) Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	(2014) Jan - Mar
60,500	49,800	55,800	63,800	65,500	63,900	67,800	71,900 (est)

Calculated by Shin-Etsu Chemical (Data Source: Japan Ministry of Finance)

● ● ● | Appendix (For reference)

6) The Statistics Data of Silicon Wafers Produced in Japan (for each size)



* Source from Ministry of Economy, Trade and Industry and Japan Society of Newer Metals



7) Recent Topics (Apr. 1, 2013~Apr. 24, 2014)

- May. 2013** *Shin-Etsu Chemical established a sodium hypochlorite manufacturing facility in the Naoetsu Plant and has started its operation.
- May. 2013** *Shin-Etsu Chemical announced a price increase for caustic soda supplied to customers in Japan due to the rises in the acquisition price of its main raw materials and also production cost.
- May. 2013** Shin-Etsu Chemical has acquired the total shares indirectly held by GE (General Electric Company) of ASM (Asia Silicones Monomer) which was jointly managed by GE and Shin-Etsu. ASM became an indirectly wholly owned Shin-Etsu Chemical Group company.
- May. 2013** Shin-Etsu Chemical developed a liquid silicone rubber material, called the “RADIBARRIER Series”, which acts as a shield against radiation.
- June. 2013** Shintech decided to further increase its production capacity of chlor-alkali, vinyl chloride monomer (VCM) and poly vinyl chloride (PVC) at its production bases in the State of Louisiana.
- Sep. 2013** *Further to the announcement last December, Shin-Etsu Chemical announced a price increase for PVC supplied to customers in Japan due to rises in the price of its raw materials.
- Jan . 2014** *Put the industry’s first radiation protective vest which adopted silicone rubber sheets “RADIBARRIER sheets” with radiation-shielding properties, to practical use
- Apr . 2014** Shintech has applied to the State of Louisiana Department of Environment Quality for a permit to build a new plant that will produce ethylene.
- Apr . 2014** Shin-Etsu Chemical decided to establish a new rare earth magnet in Hai Phong Province in Vietnam.
- Apr . 2014** Shin-Etsu Chemical announced a price increase for all of its silicone products, both in Japan and globally due to the rises in the acquisition price of those main raw materials and raw fuels.

★ Please refer to news releases related to these matters on our website at <http://www.shinetsu.co.jp/e/>

News releases for topics with an asterisk (*) are only available in Japanese.



8) Progresses of overseas capital investments

(As of April. 24, 2014)

