

Press Release



Financial Results for the Fiscal Year Ended March 31, 2012

Shin-Etsu Chemical Co., Ltd.

(JP GAAP)

April 26, 2012

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

Listing Stock Exchange: Tokyo, Osaka 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 shareholder's meeting June 28, 2012

Date of the filing of the consolidated financial statements June 29, 2012

Date of year-end dividend payout June 29, 2012

Preparation of supplemental explanatory materials: Yes

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

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

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

1. Consolidated Operating Performance for the Fiscal Year Ended March 31, 2012

(From April 1, 2011 to March 31, 2012)

(1) Results of consolidated operations

(Millions of Yen)

	Net sales		Operating income		Ordinary income		Net income	
April 2011 – March 2012	1,047,731	(1.0%)	149,632	0.3%	165,237	3.1%	100,643	0.5%
April 2010 – March 2011	1,058,257	15.4%	149,221	27.3%	160,338	26.2%	100,119	19.4%

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

April 2010-March 2011: 37,918 [(65.0%)]

	Net income per share (in yen)	Diluted net income per share (in yen)	Ratio of net income to stockholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
April 2011 – March 2012	237.03	-	7.0%	9.2%	14.3%
April 2010 – March 2011	235.80	235.80	7.0%	9.0%	14.1%

(Note) Equity in earnings of affiliates (Millions of Yen) April 2011-March 2012: 15,656 April 2010-March 2011: 12,627

(2) Consolidated financial position

(Millions of Yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (in yen)
March 31, 2012	1,809,841	1,494,573	80.3%	3,422.93
March 31, 2011	1,784,166	1,469,429	80.0%	3,360.39

(Note) Stockholders' equity (Millions of Yen) As of March 31, 2012: 1,453,353 As of March 31, 2011: 1,426,808

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

(3) Consolidated statement of cash flows

(Millions of Yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash & Cash Equivalents at end of fiscal year
April 2011 – March 2012	96,567	(89,190)	(42,174)	270,321
April 2010 – March 2011	217,490	(132,005)	(48,621)	302,285

2. Cash Dividends

	Cash dividend per share (in yen)					Total annual cash dividend paid (in millions of yen)	Dividend payout ratio	Ratio of dividend payout to net assets
	1 st quarter	2 nd quarter	3 rd quarter	Year-end	Fiscal year			
April 2010 – March 2011	-	50.00	-	50.00	100.00	42,459	42.4%	3.0%
April 2011 – March 2012	-	50.00	-	50.00	100.00	42,459	42.2%	2.9%
April 2012 – March 2013 (forecast)	-	-	-	-	-	-	-	-

(Note) The dividend per share for the fiscal year ending March 31, 2013 has not been determined.

3. The Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2013

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

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, procedures and disclosures for presenting consolidated financial statements

Changes of accounting policies applied due to revisions of accounting standards: No

Changes of accounting policies other than the above: No

Changes in accounting estimates: No

Retrospective restatement: No

(3) Number of shares outstanding (in shares)

	March 31, 2012	March 31, 2011
1. Number of shares outstanding at year end	432,106,693	432,106,693
2. Number of treasury stocks at year end	7,512,807	7,510,657
	<u>April 2011 - March 2012</u>	<u>April 2010 - March 2011</u>
3. Weighted-average number of shares outstanding over period (accumulated)	424,594,890	424,598,846

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Operating Performance for the Fiscal Year Ended March 31, 2012

(From April 1, 2011 to March 31, 2012)

(1) Results of non-consolidated operations

(Millions of Yen)

	Net sales		Operating income		Ordinary income		Net income	
April 2011 – March 2012	579,017	(3.9%)	80,107	4.3%	82,003	5.8%	49,035	10.1%
April 2010 – March 2011	602,775	8.8%	76,800	8.6%	77,535	(1.2%)	44,518	(14.3%)

	Net income per share (in yen)	Diluted net income per share (in yen)
April 2011 – March 2012	115.49	-
April 2010 – March 2011	104.85	104.85

(2) Non-consolidated financial position

(Millions of Yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (in yen)
March 31, 2012	841,823	672,272	79.5%	1,575.69
March 31, 2011	821,415	666,225	80.7%	1,560.90

(Note) Stockholders' equity (Millions of Yen) As of March 31, 2012: 669,028 As of March 31, 2011: 662,750
Stockholders' equity used for the calculation of indices is net assets excluding share subscription rights.

(Information regarding audit procedures)

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

(Explanation on appropriate use of the business forecast)

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

(Attached Documents)

CONTENTS

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

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 2012 (April 1, 2011 to March 31, 2012), although, on the whole, emerging economies in regional areas such as Asia and Central and South America performed well, the recovery of the United States economy continued to be slow due to a weak employment situation and a sluggish housing market, and in Europe, there continued to be a serious lingering debt concern that has rapidly brought about a strong sense of economic stagnation. On the other hand, due to the effects of the Great East Japan Earthquake, the flood damage in Thailand and the additional headwind resulting from the progression in the rapid appreciation of the Japanese yen, overall, the severe situation of the Japanese economy continued.

Under these circumstances, the Shin-Etsu Group worked to carry out its sales activities to its wide range of customers worldwide, and at the same time, made concerted efforts to restore Shin-Etsu Chemical's Kashima Plant and Shin-Etsu Handotai's Shirakawa Plant that had been damaged by the Great East Japan Earthquake in March 2011, and by the end of June, 2011, we completed the restoration work. In addition, we have focused on building a strong business foundation by such means as working to stably secure raw materials and assiduously carrying out our strategy of establishing multiple manufacturing bases.

As a result, compared with the previous fiscal year, net sales for FY 2012 decreased by 1.0% (¥10,526 million) to ¥1,047,731 million. Operating income was ¥149,632 million, a gain of 0.3% (¥411 million) from the previous fiscal year. Ordinary income also increased by 3.1% (¥4,899 million) to ¥165,237 million over the previous fiscal year. Net income was ¥100,643 million, an increase of 0.5% (¥524 million) compared to the previous fiscal year.

2) Business Segment Overview

PVC/Chlor-Alkali Business

With regard to PVC, despite the prolonged slump in the U.S. housing market, Shintech Inc. in the U.S. maintained a high level of shipments by expanding its sales to worldwide customers and it greatly increased its business performance. In addition, Shin-Etsu PVC in The Netherlands also continued firm shipments. On the other hand, in Japan, a tough business situation continued due to such factors as the effects of the operation stoppage at our Kashima Plant as a consequence of the Great East Japan Earthquake and sluggish demand.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 14.3% (¥40,505 million) to ¥324,030 million and operating income increased by 20.2% (¥3,977 million) to ¥23,651 million.

Silicones Business

With regard to the silicones business, sales in Japan during the first half of the fiscal year, continued to be firm mainly in product applications areas such as the electronics and cosmetic fields. In the latter half of the fiscal year, on the whole, business was slow, although some recovery was seen in such applications as those for automobiles. Our overseas business was strongly affected by sluggish market prices in the Asian region, such as in China.

As a result, compared with the previous fiscal year, net sales for this business segment decreased by 5.3% (¥7,603 million) to ¥135,461 million and operating income decreased by 1.1% (¥370 million) to ¥33,687 million.

Specialty Chemicals Business

With regard to cellulose derivatives, in addition to the business in Japan continuing to do well, mainly in pharmaceutical-use products and industrial-use products, the business of SE Tylose in Germany continued to be firm due to the recovery of demand in building and construction application products. Furthermore, the silicon metal business of Simcoa Operations in Australia continued to do well, aided by rising market conditions.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 4.3% (¥3,615 million) to ¥87,127 million and operating income increased by 13.8% (¥1,784 million) to ¥14,698 million.

Semiconductor Silicon Business

With regard to the semiconductor silicon business, in addition to the stoppage of operations due to the effects of the Great East Japan Earthquake at our major production base in Shirakawa, Japan, there was a continuing slowdown in demand for wafers after the summer due to the sluggish electronics market for such products as PCs and flat panel TVs, and the severe business situation continued.

As a result, compared with the previous fiscal year, net sales for this business segment decreased by 19.1% (¥54,133 million) to ¥229,656 million and operating income decreased by 11.7% (¥4,531 million) to ¥34,333 million.

Electronics & Functional Materials Business

With regard to rare earth magnets, we addressed the sharp rise of raw materials prices, and at the same time, we endeavored to expand sales mainly for applications in hybrid automobiles. As a result, the business continued to do well. Photoresist products remained strong, aided by the progress in semiconductor device miniaturization. The business of materials for high-luminance LED packaging also continued to do well. With regard to the optical fiber preform business, although this business was affected by the stoppage of operations at the Kashima Plant due to the Great East Japan Earthquake, after the restoration, firm shipments continued.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 25.8% (¥36,409 million) to ¥177,792 million and operating income increased by 5.7% (¥2,053 million) to ¥38,171 million.

Diversified Business

Shin-Etsu Polymer Co., Ltd.'s business of keypads for mobile phones remained in a severe situation due to a large decrease in demand resulting from the rapid spread of touch-panel type smartphones. In addition, the business of semiconductor wafer-related containers continued to be slow due to sluggish semiconductor device demand.

As a result, compared with the previous fiscal year, net sales for this business segment decreased by 23.8% (¥29,318 million) to ¥93,663 million and operating income decreased by 31.4% (¥2,308 million) to ¥5,032 million.

3) Business Prospects

With regard to business prospects going forward, although there is an expectation that the trend towards a gradual recovery in the world economy will continue, the business situation continues to not allow for optimism due to such concerns as the sharp rise in crude oil prices and the financial worries associated with Europe's fiscal problems. In Japan as well, the severe economic situation is forecasted to continue because of such concerns as restrictions on electric power supplies and the effects of deflation.

Under these circumstances, the Shin-Etsu Group will manufacture products that have high reliability resulting from its stable production activities and will carry out its aggressive sales activities to its wide range of customers around the world. Moreover, we will focus on further improving our technologies and enhancing product quality, and we will cultivate new demand through the development of products that have special characteristics. Furthermore, we will aim to build an even stronger business foundation by striving to establish multiple manufacturing bases on a global scale and working to stably secure raw materials.

However, in addition to the world economic trends, in a situation where fluctuations of raw material and energy prices as well as trends in demand for semiconductor devices and electronics devices-related products are fluid, it is difficult at this time to forecast business performance based on such matters as reasonable assumptions about evaluations and the prospects going forward. Accordingly, with regard to the forecast of the Shin-Etsu Group's consolidated business results for FY2013, the issuing of the forecast for FY2013 is being postponed at this time. We will promptly make an announcement of the consolidated business forecast as soon as the forecast becomes possible.

(2) Financial Position Overview

1) Information on assets, liabilities and net assets

At the end of FY 2012, total assets increased by ¥25,675 million, compared with that at the end of the previous fiscal year to ¥1,809,841 million. This was mainly due to an increase in inventory.

Total liabilities increased by ¥531 million from that at the end of the previous fiscal year to ¥315,268 million.

Total net assets increased by ¥25,144 million to ¥1,494,573 million, compared to that at the end of the previous fiscal year. Retained earnings increased resulting from the net income of ¥100,643 million for FY2012. On the other hand, foreign currency translation adjustments decreased as a result of the appreciation of the yen.

The stockholders' equity ratio was 80.3%, up 0.3 percentage points from 80.0% at the end of previous fiscal year.

2) Status of cash flows

	Millions of Yen		
	April 2010 - March 2011	April 2011 - March 2012	Increase (Decrease)
Cash and cash equivalents at beginning of fiscal year	270,443	302,285	31,842
1. Cash flows from operating activities	217,490	96,567	(120,923)
2. Cash flows from investing activities	(132,005)	(89,190)	42,815
3. Cash flows from financing activities	(48,621)	(42,174)	6,447
4. Effect of foreign exchange and others	(5,021)	2,833	7,854
Net increase (decrease) in cash and cash equivalents	31,841	(31,964)	(63,805)
Cash and cash equivalents at end of fiscal year	302,285	270,321	(31,964)

The balance of cash and cash equivalents at the end of FY 2012 decreased by 10.6% (¥31,964 million) compared to that at the end of previous fiscal year to ¥270,321 million.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥96,567 million, ¥120,923 million reduction from the previous fiscal year. This consisted mainly of ¥154,671 million in income before income taxes, ¥82,868 million in depreciation and amortization, a ¥77,517 million increase in inventories and a ¥41,124 million in payment of income taxes.

Cash flows from investing activities

Net cash used for investing activities was ¥89,190 million, a decrease of ¥42,815 million over the previous fiscal year, consisted mainly of ¥80,320 million for purchases of property, plant and equipment.

Cash flows from financing activities

Net cash used for financing activities decreased by ¥6,447 million from the previous fiscal year to ¥42,174 million. This is mainly for cash dividend payment of ¥42,459 million.

(Reference)

The trend of cash flow indices

	For the fiscal year ended				
	March 31, 2008	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012
Stockholders' equity ratio (%)	75.0	81.1	80.9	80.0	80.3
Stockholders' equity ratio on market value basis (%)	115.5	120.2	130.3	98.4	112.1
Debt repayment ratio (%)	16.8	9.2	11.5	6.6	15.9
Interest coverage ratio (times)	86.0	148.3	216.2	403.8	187.9

(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 2012 will become ¥100, the same amount as in the previous fiscal year.

The forecast for the shareholders' dividend for FY 2013 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, the integrated manufacturing plant from electrolysis to PVC that was constructed by Shintech in the U.S. is smoothly continuing its operations. While making use of the advantageous raw material situation in the U.S., Shin-Etsu will continue to carry out aggressive sales activities and strive to capture the growing worldwide demand for PVC.

In the semiconductor silicon business, as the world's largest silicon wafer manufacturer, we will stably supply to our customers high-quality products from Shin-Etsu's multiple manufacturing bases, both those in Japan and overseas. In addition, we will make efforts aimed at the development and sales of silicon wafers for cutting-edge devices, and at the same time, we will undertake to streamline the business and achieve the strengthening of our competitive power.

In the silicones business, we will move forward with the development of new products and new applications by making the most of the characteristics of silicones, which have a wide range of application fields. At the same time, we will focus on further strengthening our business operations at our existing bases, not only in Japan but also in Thailand and U.S., and endeavoring to make the new silicones plant in China, which is now under construction, a powerful bridgehead into the China market, as we strive to expand our global silicones business.

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

In other businesses, through the use of the new cellulose manufacturing plant for pharmaceutical-use products that began operations in Germany, the new optical fiber preform plant in China and the plant for manufacturing LED packaging materials that is scheduled to be constructed in Vietnam, we will strive to expand these businesses in global markets.

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

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

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of March 31, 2011 and 2012

	Millions of Yen	
	March 31, 2011	March 31, 2012
ASSETS		
Current Assets:		
Cash and time deposits	244,002	241,390
Notes and accounts receivable-trade	270,499	264,283
Securities	116,714	89,301
Inventories	188,283	260,308
Deferred taxes, current	21,114	34,599
Other	49,847	59,344
Less: Allowance for doubtful accounts	(2,534)	(6,982)
Total current assets	887,927	942,244
Fixed Assets:		
Property, plant and equipment		
Buildings and structures	155,719	156,403
Machinery and equipment	252,229	330,707
Land	64,577	65,400
Construction in progress	141,770	40,240
Other	6,037	5,807
Total property, plant and equipment	620,334	598,558
Intangible fixed assets	14,020	13,587
Investments and other assets		
Investments in securities	155,899	154,161
Deferred taxes, non-current	22,185	19,937
Other	83,836	81,370
Less: Allowance for doubtful accounts	(38)	(17)
Total investments and other assets	261,883	255,451
Total fixed assets	896,238	867,596
TOTAL ASSETS	1,784,166	1,809,841

Millions of Yen

	March 31, 2011	March 31, 2012
LIABILITIES		
Current Liabilities:		
Notes and accounts payable-trade	110,753	109,378
Short-term borrowings	8,712	13,862
Accounts payable-other	36,508	32,011
Accrued income taxes	21,072	34,758
Accrued expenses	37,486	45,375
Provision for loss on disaster	24,401	-
Other	10,499	12,055
Total current liabilities	249,434	247,441
Long-term Liabilities:		
Long-term debt	5,548	1,454
Deferred taxes, non-current	39,498	44,295
Accrued retirement benefits	14,119	16,687
Other	6,137	5,389
Total long-term liabilities	65,302	67,827
TOTAL LIABILITIES	314,737	315,268
NET ASSETS		
Stockholders' Equity:		
Common stock	119,419	119,419
Additional paid-in capital	128,177	128,177
Retained earnings	1,376,043	1,435,693
Less: Treasury stock, at cost	(40,917)	(40,925)
Total stockholders' equity	1,582,724	1,642,365
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	3,275	1,212
Deferred gains (losses) on hedges	895	25
Foreign currency translation adjustments	(160,087)	(190,249)
Total accumulated other comprehensive income	(155,916)	(189,011)
Share subscription rights	3,822	3,491
Minority interests in consolidated subsidiaries	38,798	37,727
TOTAL NET ASSETS	1,469,429	1,494,573
TOTAL LIABILITIES AND NET ASSETS	1,784,166	1,809,841

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

For the fiscal year ended March 31, 2011 and 2012

Consolidated Statements of Income

	Millions of Yen	
	April 2010 - March 2011	April 2011 - March 2012
Net sales	1,058,257	1,047,731
Cost of sales	803,574	798,592
Gross profit	254,682	249,138
Selling, general and administrative expenses	105,460	99,505
Operating income	149,221	149,632
Non-operating income:		
Interest income	2,800	2,978
Dividend income	1,350	1,530
Equity in earnings of affiliates	12,627	15,656
Other income	7,152	4,775
Total non-operating income	23,930	24,941
Non-operating expenses:		
Interest expenses	529	517
Loss on retirement of fixed assets	897	938
Foreign exchange loss	9,122	416
Other expenses	2,263	7,463
Total non-operating expenses	12,813	9,336
Ordinary income	160,338	165,237
Extraordinary income		
Reversal of restoration costs for earthquake	-	5,491
Total extraordinary income	-	5,491
Extraordinary loss:		
Loss on impairment	-	6,191
Loss on disaster	21,032	5,312
Provision of allowance for doubtful accounts	-	4,553
Total extraordinary loss	21,032	16,057
Income before income taxes	139,305	154,671
Income taxes-current	35,998	56,417
Income taxes for prior periods	(10,654)	-
Income taxes-deferred	12,643	(2,259)
Total income taxes	37,987	54,157
Income before minority interests	101,318	100,513
Minority interests in earnings of consolidated subsidiaries	1,199	(129)
Net income	100,119	100,643

Consolidated Statements of Comprehensive Income

	Millions of Yen	
	April 2010 - March 2011	April 2011 - March 2012
Income before minority interests	101,318	100,513
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	(3,466)	(2,410)
Deferred gains (losses) on hedges	136	(211)
Foreign currency translation adjustments	(56,951)	(28,452)
Share of other comprehensive income of associates accounted for by using the equity method	(3,117)	(2,988)
Total other comprehensive income	(63,400)	(34,063)
Comprehensive income	37,918	66,450
(Breakdown)		
Comprehensive income attributable to owners of the parent	38,175	67,547
Comprehensive income attributable to minority interests	(256)	(1,097)

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2011 and 2012

	Millions of Yen	
	April 2010 – March 2011	April 2011 - March 2012
Stockholders' Equity		
Common stock:		
Balance at the beginning of the period	119,419	119,419
Changes during current period:		
Total changes during current period	-	-
Balance at the end of the period	<u>119,419</u>	<u>119,419</u>
Additional paid-in capital:		
Balance at the beginning of the period	128,177	128,177
Changes during current period:		
Total changes during current period	-	-
Balance at the end of the period	<u>128,177</u>	<u>128,177</u>
Retained earnings:		
Balance at the beginning of the period	1,318,413	1,376,043
Changes during current period:		
Cash dividends	(42,460)	(42,459)
Net income	100,119	100,643
Disposal of treasury stock	(0)	(0)
Other	(28)	1,466
Total changes during current period	<u>57,630</u>	<u>59,649</u>
Balance at the end of the period	<u>1,376,043</u>	<u>1,435,693</u>
Treasury stock, at cost:		
Balance at the beginning of the period	(40,892)	(40,917)
Changes during current period:		
Purchase of treasury stock	(25)	(9)
Disposal of treasury stock	0	1
Total changes during current period	<u>(24)</u>	<u>(8)</u>
Balance at the end of the period	<u>(40,917)</u>	<u>(40,925)</u>
Total stockholders' equity:		
Balance at the beginning of the period	1,525,118	1,582,724
Changes during current period:		
Cash dividends	(42,460)	(42,459)
Net income	100,119	100,643
Purchase of treasury stock	(25)	(9)
Disposal of treasury stock	0	1
Other	(28)	1,466
Total changes during current period	<u>57,605</u>	<u>59,641</u>
Balance at the end of the period	<u>1,582,724</u>	<u>1,642,365</u>

Millions of Yen

	April 2010 – March 2011	April 2011 - March 2012
Accumulated Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities:		
Balance at the beginning of the period	6,717	3,275
Changes during current period:		
Net changes of items other than Stockholders' equity	(3,442)	(2,063)
Total changes during current period	(3,442)	(2,063)
Balance at the end of the period	3,275	1,212
Deferred gains (losses) on hedges:		
Balance at the beginning of the period	517	895
Changes during current period:		
Net changes of items other than Stockholders' equity	377	(869)
Total changes during current period	377	(869)
Balance at the end of the period	895	25
Foreign currency translation adjustments:		
Balance at the beginning of the period	(101,207)	(160,087)
Changes during current period:		
Net changes of items other than Stockholders' equity	(58,879)	(30,162)
Total changes during current period	(58,879)	(30,162)
Balance at the end of the period	(160,087)	(190,249)
Total accumulated other comprehensive income:		
Balance at the beginning of the period	(93,972)	(155,916)
Changes during current period:		
Net changes of items other than Stockholders' equity	(61,943)	(33,095)
Total changes during current period	(61,943)	(33,095)
Balance at the end of the period	(155,916)	(189,011)
Share subscription rights:		
Balance at the beginning of the period	3,648	3,822
Changes during current period:		
Net changes of items other than Stockholders' equity	174	(330)
Total changes during current period	174	(330)
Balance at the end of the period	3,822	3,491

Millions of Yen

	April 2010 – March 2011	April 2011 - March 2012
Minority interests in consolidated subsidiaries:		
Balance at the beginning of the period	39,417	38,798
Changes during current period:		
Net changes of items other than Stockholders' equity	(619)	(1,070)
Total changes during current period	(619)	(1,070)
Balance at the end of the period	38,798	37,727
 Total net assets:		
Balance at the beginning of the period	1,474,212	1,469,429
Changes during current period:		
Cash dividends	(42,460)	(42,459)
Net income	100,119	100,643
Purchase of treasury stock	(25)	(9)
Disposal of treasury stock	0	1
Other	(28)	1,466
Net changes of items other than Stockholders' equity	(62,388)	(34,496)
Total changes during current period	(4,783)	25,144
Balance at the end of the period	1,469,429	1,494,573

(4) Consolidated Statements of Cash Flows

For the fiscal year ended March 31, 2011 and 2012

	Millions of Yen	
	April 2010 - March 2011	April 2011 - March 2012
1. Cash flows from operating activities		
Income before income taxes	139,305	154,671
Depreciation and amortization	93,732	82,868
Impairment loss	-	6,191
Increase (decrease) in accrued retirement benefits	1,727	2,663
Loss (gain) on write-down of investment securities	52	677
Interest and dividend income	(4,150)	(4,509)
Interest expenses	529	517
Foreign exchange loss (gain)	3,918	(395)
Equity in (earnings) losses of affiliates	(12,627)	(15,656)
(Increase) decrease in notes and accounts receivable	(7,274)	2,110
(Increase) decrease in inventories	(11,292)	(77,517)
(Increase) decrease in long-term advance payment	(5,285)	(2,354)
Increase (decrease) in notes and accounts payable	20,822	(1,585)
Other, net	7,876	(6,723)
Subtotal	227,333	140,960
Proceeds from interest and dividends	14,335	8,553
Payment of interest	(538)	(513)
Payment of income taxes	(33,277)	(41,124)
Income taxes refund	9,637	-
Payment for disaster losses	-	(21,041)
Insurance income on disaster	-	9,733
Net cash provided by operating activities	217,490	96,567
2. Cash flows from investing activities		
Net (increase) decrease in marketable securities	(3,567)	2,443
Purchase of property, plant and equipment	(117,517)	(80,320)
Purchase of intangible fixed asset	(1,539)	(904)
Purchase of investment securities	(3,104)	(691)
Proceeds from sales and redemption of investment securities	5,385	195
Other, net	(11,661)	(9,914)
Net cash used for investing activities	(132,005)	(89,190)
3. Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(211)	2,058
Proceeds from long-term debt	13	1,188
Repayment of long-term debt	(5,387)	(2,093)
Purchase of treasury stock	(25)	(9)
Cash dividends paid	(42,460)	(42,459)
Other, net	(550)	(858)
Net cash used for financing activities	(48,621)	(42,174)
4. Effect of exchange rate change on cash and cash equivalents	(5,511)	(7,026)
5. Net increase (decrease) in cash and cash equivalents	31,352	(41,824)
6. Cash and cash equivalents at beginning of year	270,443	302,285
7. Increase (Decrease) in cash and cash equivalents resulting from changes in scope of consolidation	489	9,859
8. Cash and cash equivalents at end of year	302,285	270,321

(5) Notes on premise of going concern

Not applicable

(6) Basis of Presenting Consolidated Financial Statements

There have been no significant changes since the release of last year's financial report, which was presented on June 30, 2011, and therefore we have omitted notes on basis of presenting consolidated financial statements.

(7) Notes to Consolidated Financial Statements

(Note to Consolidated Balance Sheets)

	Millions of Yen	
	March 31, 2011	March 31, 2012
Accumulated depreciation of property, plant and equipment	1,350,394	1,393,976

(Notes to Consolidated Statements of Income)

	Millions of Yen	
	April 2010 - March 2011	April 2011- March 2012
1. Research and development costs	37,321	35,725
2. Loss on impairment of fixed assets		

During FY 2012, the Shin-Etsu Group recognized impairment losses for the following asset category, recording a total of ¥6,191 million as extraordinary expenses. 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.)

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

The Shin-Etsu Group does 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.

(Segment and Related Information)

1) Segment Information

1. Overview of Reportable Segment

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

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

Main products and services of each segment are as follows:

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

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

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

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

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

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

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

[1] Elimination of intersegment transactions

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

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

(2) For the fiscal year ended March 31, 2011 (From April 1, 2010 to March 31, 2011)

	Millions of Yen							Adjustment ^[1]	Figures in consolidated statement of income
	April 2010– March 2011								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total		
Sales to outside customers	283,525	143,064	83,512	283,789	141,383	122,981	1,058,257	-	1,058,257
Intersegment sales	26,827	4,056	6,649	5	3,464	65,380	106,384	(106,384)	-
Total	310,352	147,121	90,162	283,795	144,848	188,362	1,164,641	(106,384)	1,058,257
Segment income (Operating income)	19,674	34,057	12,914	38,864	36,118	7,340	148,970	251	149,221
Depreciation and amortization ^[2]	12,806	7,992	8,178	45,963	14,705	4,366	94,013	(280)	93,732
Increase in property, plant and equipment and intangible fixed assets*	55,730	6,641	14,661	24,406	9,501	3,320	114,261	(370)	113,890

*During FY 2011, we made investments of ¥2,993 million and ¥3,000 million respectively in new non-consolidated subsidiaries established in China: Shin-Etsu Silicone (Nantong) Co., Ltd. (Silicones Business) and Shin-Etsu (Jiangsu) Optical Preform Co., Ltd. (Electronics & Functional Materials Business). The expenditures related to the investments are not included in the table above. The total capital expenditures for the fiscal year ended March 31, 2011, including these investments, amounted to ¥119,884 million. (Capital expenditures for Silicones Business and Electronics & Functional Materials Business amounted to ¥9,634 million and ¥12,501 million, respectively.)

[1] Elimination of intersegment transactions

[2] Depreciation and amortization for Specialty Chemicals Business includes a goodwill amortization of ¥924 million.

2) Related Information

Geographic Information

(Sales)

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

Millions of Yen						
April 2010– March 2011						
Japan	USA	Asia/Oceania		Europe	Other	Total
		China	Other			
386,128	153,059	113,709	191,743	122,802	90,813	1,058,257

(Deferred Tax)

1. Factors of deferred tax assets and liabilities

	Millions of Yen	
	As of March 31, 2011	As of March 31, 2012
Deferred Tax Assets		
Depreciation and amortization	16,757	14,861
Unsettled accounts receivable and payable	2,060	5,057
Special provision for accrued retirement benefits	5,324	4,293
Maintenance cost	2,982	3,681
Accrued bonuses and provision for bonuses	3,662	3,397
Unrealized profit	3,148	3,192
Accrued enterprise taxes	1,556	2,492
Allowance for doubtful accounts	448	1,639
Tax loss carry forwards	331	1,562
Unrealized gain/loss on available-for-sale securities	0	51
Others	14,085	19,434
Deferred Tax Assets sub-total	50,357	59,663
Valuation allowance	(3,464)	(3,188)
Deferred Tax Assets Total	46,893	56,474
Deferred Tax Liabilities		
Depreciation	37,138	42,532
Unrealized gain/loss on available-for-sale securities	2,520	770
Reserve for special depreciation	78	204
Others	3,800	3,658
Deferred Tax Liabilities Total	43,537	47,165
Net Deferred Tax Assets	3,355	9,309

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

		Millions of Yen	
		As of March 31, 2011	As of March 31, 2012
Current assets	: Deferred taxes, current	21,114	34,599
Fixed assets	: Deferred taxes, non-current	22,185	19,937
Current liabilities	: Others	(446)	(931)
Long-term liabilities:	Deferred taxes, non-current	(39,498)	(44,295)

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

	As of March 31, 2011		As of March 31, 2012	
	40.4%	40.4%	40.4%	40.4%
Statutory tax rate				
Equity in earnings of affiliates	(3.7)	(4.1)		
Rate difference from foreign subsidiaries	(1.7)	(2.9)		
Dividend income not taxable	(4.4)	(2.7)		
Elimination of dividend income from consolidated subsidiaries	4.4	2.7		
Tax deduction for research expenses	(1.0)	(1.5)		
Entertainment and other non-deductible expenses	0.3	0.3		
Income taxes for prior periods	(7.6)	-		
Adjustment on deferred tax assets due to change in income tax rate	-	2.1		
Others, net	0.6	0.7		
Effective tax rate	27.3	35.0		

(Per share information)

	April 2010 - March 2011	April 2011 - March 2012
Net assets per share (in yen)	3,360.39	3,422.93
Net income per share (in yen)	235.80	237.03
Diluted net income per share (in yen)	235.80	-

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

	Millions of Yen	
	April 2010 - March 2011	April 2011 - March 2012
Data for calculation of net income per share		
Net income	100,119	100,643
Amount which is not appropriated to shareholder of common stock	-	-
Net income belonging to common stock	100,119	100,643
Weighted average number of shares outstanding (in thousands share)	424,598	424,594

Data for calculation of diluted net income per share

Adjustments to net income	-	-
Increase of common stock (in thousands share)	1	-
[Share subscription rights in the above (in thousands share)]	[1]	-

	Numbers of share subscription rights	
	April 2010 - March 2011	April 2011 - March 2012
Potential stock not to be included in calculation of diluted net income per share due to not working as dilution	5,469 ^[1]	8,370 ^[2]
	8,680 ^[2]	7,920 ^[3]
	8,260 ^[3]	9,370 ^[4]
	9,370 ^[4]	2,720 ^[5]
		2,930 ^[6]

^[1] Share subscription rights resolved at the ordinary general meeting of shareholders held on June 29, 2006

^[2] Share subscription rights resolved at the ordinary general meeting of shareholders held on June 28, 2007

^[3] Share subscription rights resolved in 2008

^[4] Share subscription rights resolved in 2009

^[5] Share subscription rights resolved in 2010

^[6] Share subscription rights resolved in 2011

Net income per share adjusted for dilution for FY2012 is not presented as there are no shares with dilutive effect.

(Major Subsequent Events)

Not applicable

Appendix: Quarterly operating results

(Billions of yen)

		Fiscal year 2010/4-2011/3					Fiscal year 2011/4-2012/3				
		1Q 10/4-6	2Q 7-9	3Q 10-12	4Q 11/1-3	Total	1Q 11/4-6	2Q 7-9	3Q 10-12	4Q 12/1-3	Total
Sales		259.7	272.9	269.6	256.1	1,058.3	250.0	271.4	270.0	256.3	1,047.7
PVC / Chlor-Alkali		70.4	76.1	66.6	70.4	283.5	67.5	92.6	87.0	76.9	324.0
Silicones		35.4	36.3	35.9	35.5	143.1	35.5	35.0	31.6	33.4	135.5
Specialty Chemicals		19.5	20.7	21.2	22.1	83.5	20.8	21.4	22.7	22.2	87.1
Semiconductor Silicon		69.2	73.2	76.5	64.9	283.8	66.2	58.0	57.2	48.2	229.6
Electronics & Functional Materials		33.8	35.8	36.2	35.6	141.4	36.0	40.5	48.6	52.7	177.8
Diversified		31.4	30.8	33.2	27.6	123.0	24.0	23.9	22.9	22.9	93.7
Operating Income		36.1	40.0	37.9	35.2	149.2	40.0	40.4	37.2	32.0	149.6
PVC / Chlor-Alkali		3.1	6.2	5.1	5.3	19.7	6.1	7.3	7.0	3.3	23.7
Silicones		9.1	8.4	8.3	8.3	34.1	9.2	8.2	7.1	9.2	33.7
Specialty Chemicals		3.0	3.0	3.2	3.7	12.9	3.5	3.5	3.5	4.2	14.7
Semiconductor Silicon		9.4	11.6	10.3	7.6	38.9	10.4	10.7	9.4	3.8	34.3
Electronics & Functional Materials		8.9	9.1	9.2	8.9	36.1	9.2	9.6	9.2	10.2	38.2
Diversified		2.3	1.9	1.6	1.5	7.3	1.7	1.0	1.0	1.3	5.0
Ordinary Income		39.0	42.2	40.1	39.0	160.3	42.2	42.1	41.1	39.8	165.2
Net Income		35.7	26.6	25.9	11.9	100.1	23.8	27.2	24.6	25.0	100.6
Depreciation and Amortization		21.3	24.0	24.0	24.4	93.7	19.1	20.5	22.2	21.1	82.9
Capital Expenditures		28.5	29.7	24.5	37.2	119.9	20.6	21.6	15.5	29.5	87.2
R&D Costs		8.5	9.5	8.1	11.2	37.3	8.3	9.6	9.0	8.8	35.7
Overseas Sales	Amount	159.8	176.8	171.2	164.4	672.2	158.9	181.1	177.0	164.4	681.4
	Ratio*	62%	65%	63%	64%	64%	64%	67%	66%	64%	65%

*Note: % indicates ratio to total consolidated sales.