



Press Release

Consolidated Financial Results for the Fiscal Year Ended March 31, 2019

Shin-Etsu Chemical Co., Ltd.

(JP GAAP)

April 26, 2019

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

Listing Stock Exchange: Tokyo and Nagoya

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Date of the annual shareholders' meeting June 27, 2019

Date of the filing of the consolidated financial statements June 28, 2019

Date of year-end dividend payment June 28, 2019

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, 2019

(From April 1, 2018 to March 31, 2019)

(1) Results of consolidated operations

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
April 2018 - March 2019	1,594,036	10.6%	403,705	19.9%	415,311	22.0%	309,125	16.1%
April 2017 - March 2018	1,441,432	16.5%	336,822	41.2%	340,308	40.5%	266,235	51.3%

(Note) Comprehensive income (Millions of yen) April 2018 - March 2019: 279,945 [1.7%]
April 2017 - March 2018: 275,137 [81.1%]

	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 2018 - March 2019	725.99	725.92	12.8%	14.0%	25.3%
April 2017 - March 2018	624.28	624.10	11.9%	12.2%	23.4%

(Note) Equity in earnings (losses) of affiliates (Millions of yen) April 2018 - March 2019: 4,669
April 2017 - March 2018: 3,762

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (yen)
March 31, 2019	3,038,717	2,532,556	81.1%	5,915.47
March 31, 2018	2,903,137	2,413,025	81.0%	5,511.98

(Note) Stockholders' equity (Millions of yen) As of March 31, 2019: 2,465,597 As of March 31, 2018: 2,351,242

(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 the end of fiscal year
April 2018 - March 2019	400,687	(181,553)	(164,538)	828,345
April 2017 - March 2018	332,776	(237,602)	(50,006)	780,449

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 2017 - March 2018	-	65.00	-	75.00	140.00	59,711	22.4%	2.7%
April 2018 - March 2019	-	100.00	-	100.00	200.00	84,343	27.5%	3.5%

3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2020

(From April 1, 2019 to March 31, 2020)

We will promptly make an announcement of the consolidated business and cash dividends 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: No

Changes of accounting policies other than the above: No

Changes in accounting estimates: No

Retrospective restatement: No

(3) Number of shares outstanding (common stock)

	March 31, 2019	March 31, 2018
Number of shares outstanding at the year end	427,606,693	432,106,693
Number of shares of treasury stock at the year end	10,801,943	5,536,807
	April 2018 - March 2019	April 2017 - March 2018
Weighted-average number of shares outstanding over the year	425,797,367	426,470,737

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Operating Performance for the Fiscal Year Ended March 31, 2019

(From April 1, 2018 to March 31, 2019)

(1) Results of non-consolidated operations

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income	
April 2018 - March 2019	822,515	12.1%	130,011	1.0%	134,743	1.2%	97,403	0.5%
April 2017 - March 2018	733,449	15.0%	128,709	16.8%	133,113	15.5%	96,943	16.9%

	Net income per share (yen)	Diluted net income per share (yen)
April 2018 - March 2019	228.76	228.74
April 2017 - March 2018	227.32	227.26

(2) Non-consolidated financial position

(Millions of yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (yen)
March 31, 2019	1,109,751	797,912	71.8%	1,912.02
March 31, 2018	1,166,900	866,729	74.2%	2,030.93

(Note) Stockholders' equity (Millions of yen) As of March 31, 2019: 796,940 As of March 31, 2018: 866,332
Stockholders' equity used for the calculation of indices is net assets excluding share subscription rights.

(Information regarding audit procedures)

The financial information contained in this report is not subject to the audit procedures by independent auditors.

(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. dollar 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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1. Results of Operations and Financial Position

(1) Results of Operations and Financial Position Overview

1) General Overview

During FY 2019 (April 1, 2018 to March 31, 2019), the situation in the world economy significantly changed. The IMF's "WORLD ECONOMIC OUTLOOK," issued in April, 2019, described a trend toward global slowdown, stating: "One year ago economic activity was accelerating in almost all regions of the world and the global economy was projected to grow at 3.9 percent in 2018 and 2019. One year later, much has changed."

In these circumstances, in order to achieve continued increases in the Shin-Etsu Group's business results, we endeavored – without making premature judgments – to always speedily and effectively adjust to the changing economic environment. Toward these ends, the Shin-Etsu Group continued to carry out the following policies: (1) to deepen our relationship with our customers and further expand our global customer base, (2) to constantly carry out product development that strongly supports our customers' needs, improve product quality and achieve further differentiation in technologies, (3) to continue our policies of precisely keeping scheduled delivery times and carrying out strict cost management and at the same time, (4) to appropriately make investments in order to respond to market demand and customers' needs.

As a result, the business results for FY 2019 are as follows:

	April 2017 – March 2018 (Millions of yen)	April 2018 – March 2019 (Millions of yen)	Increase / (Decrease)
Net sales	1,441,432	1,594,036	10.6%
Operating income	336,822	403,705	19.9%
Ordinary income	340,308	415,311	22.0%
Net income attributable to owners of parent	266,235	309,125	16.1%

2) Business Segment Overview

PVC/Chlor-Alkali Business

	April 2017 – March 2018 (Millions of yen)	April 2018 – March 2019 (Millions of yen)	Increase / (Decrease)
Net sales	501,346	524,270	4.6%
Operating income	93,236	106,521	14.2%

With regard to our PVC/Chlor-Alkali business, at Shintech in the U.S. with its advantageous U.S. domestic raw materials situation in its background, both PVC and caustic soda continued high levels of shipments and increased its business results. Because market conditions in Europe continued to be steady, our European bases increased sales volume and did well. Shipments to overseas decreased at our bases in Japan due to the effects of the large-scale periodic maintenance held during the first quarter of this fiscal year.

Silicones Business

\	April 2017 – March 2018 (Millions of yen)	April 2018 – March 2019 (Millions of yen)	Increase / (Decrease)
Net sales	206,268	233,383	13.1%
Operating income	51,954	58,546	12.7%

With regard to the silicones business, as a result of price adjustments made for both general-purpose and functional products and, at the same time, meeting strong worldwide demand by carrying out maximum production and selling it out, the segment's business results increased.

Specialty Chemicals Business

\	April 2017 – March 2018 (Millions of yen)	April 2018 – March 2019 (Millions of yen)	Increase / (Decrease)
Net sales	117,197	121,143	3.4%
Operating income	25,729	26,603	3.4%

With regard to cellulose derivatives, in addition to pharmaceutical-use products continuing to have good shipments, construction materials products and coating products continued to perform steadily. Pheromone products and POVAL products and others also on the whole had firm shipments.

Semiconductor Silicon Business

\	April 2017 – March 2018 (Millions of yen)	April 2018 – March 2019 (Millions of yen)	Increase / (Decrease)
Net sales	308,390	380,349	23.3%
Operating income	92,963	131,998	42.0%

With regard to the semiconductor silicon business, in addition to its high level of shipments, the implementation of a product price adjustment contributed as well, and as a result this segment's business results increased.

Electronics & Functional Materials Business

\	April 2017 – March 2018 (Millions of yen)	April 2018 – March 2019 (Millions of yen)	Increase / (Decrease)
Net sales	207,454	226,098	9.0%
Operating income	61,631	66,993	8.7%

With regard to the rare earth magnets business, although since the latter half of FY 2019, customers' inventory adjustments were seen in a part of the applications, products for applications in automobiles including those for hybrid cars resulted in continued good shipments. With regard to our photoresist products business, KrF resists, ArF resists and trilayer materials all continued to be firm. With regard to photomask blanks, in addition to our most advanced cutting-edge products, both our general-purpose products and leading-edge products increased sales and did well. With regard to the business of optical fiber preform, although signs of a slowdown in optical fiber demand were seen, the sales of our joint-venture companies in China continued to be firm.

Processing, Trading & Specialized Services Business

	April 2017 – March 2018 (Millions of yen)	April 2018 – March 2019 (Millions of yen)	Increase / (Decrease)
Net sales	100,775	108,790	8.0%
Operating income	11,482	13,296	15.8%

Shin-Etsu Polymer Co., Ltd.'s business of semiconductor wafer-related containers maintained a high level of shipments and continued to do well.

3) Information on Assets, Liabilities and Net assets

At the end of FY 2019, total assets increased by ¥135,580 million compared with that at the end of the previous fiscal year to ¥3,038,717 million.

Total liabilities increased by ¥16,049 million from that at the end of the previous fiscal year to ¥506,161 million.

Total net assets increased by ¥119,531 million compared with that at the end of the previous fiscal year to ¥2,532,556 million. This increase was mainly due to net income attributable to owners of parent of ¥309,125 million for FY 2019, offset by ¥89,475 million for purchases of treasury stock and a cash dividend payment of ¥74,655 million.

4) Status of Cash Flows

	Millions of yen		
	April 1, 2017 - March 31, 2018	April 1, 2018 - March 31, 2019	Increase (Decrease)
Cash and cash equivalents at beginning of fiscal year	733,306	780,449	47,143
1. Cash flows from operating activities	332,776	400,687	67,911
2. Cash flows from investing activities	(237,602)	(181,553)	56,049
3. Cash flows from financing activities	(50,006)	(164,538)	(114,532)
4. Effect of foreign exchange and others	1,976	(6,699)	(8,675)
Net increase (decrease) in cash and cash equivalents	47,143	47,895	752
Cash and cash equivalents at end of fiscal year	780,449	828,345	47,895

The balance of cash and cash equivalents at the end of FY 2019 increased by 6.1% (¥47,895 million) compared with that at the end of the previous fiscal year to ¥828,345 million.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥400,687 million, an increase of ¥67,911 million from the previous fiscal year. This consisted mainly of ¥415,311 million in income before income taxes and non-controlling interests, ¥137,570 million in depreciation and amortization and ¥121,589 million for the payment of income taxes.

Cash flows from investing activities

Net cash used for investing activities was ¥181,553 million, while net cash used for investing activities was ¥237,602 million in the previous fiscal year. This was mainly due to ¥55,116 million for net decrease in time deposits and ¥226,768 million for purchases of property, plant and equipment.

Cash flows from financing activities

Net cash used for financing activities increased by ¥114,532 million from the previous fiscal year to ¥164,538 million. This was mainly due to ¥89,475 million for purchases of treasury stock and a cash dividend payment of ¥74,655 million.

(Reference)

The trend of cash flow indices

	For the fiscal year ended				
	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Stockholders' equity ratio (%)	79.9	80.8	80.3	81.0	81.1
Stockholders' equity ratio on market value basis (%)	136.3	98.8	154.8	161.7	127.3
Debt repayment ratio (%)	5.7	4.7	4.9	4.7	3.7
Interest coverage ratio (times)	311.0	600.8	550.2	554.9	533.4

(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 non-controlling 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.

5) 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 investments, 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 ¥100 per share, the same as the interim dividend of ¥100. Accordingly, the total annual dividend per share for FY 2019 will be an increase of ¥60 over the annual dividend of the previous fiscal year (¥140) to become ¥200 per share.

In addition, at the Board of Directors meeting held on March 12, 2019, for this fiscal year, resolutions were made concerning the repurchase of the Company's shares (at a level of ¥100 billion), based on the provisions of Article 156 of the Companies Act, as applied pursuant to Article 165 (3) of the Companies Act, and the canceling of treasury stock, based on the provisions of Article 178 of the Companies Act.

(2) Business Prospects

The world economy has many uncertain factors and it does not allow for optimism.

The Shin-Etsu Group will carefully focus on developments in world markets and aggressively develop our sales activities while accurately capturing trends in demand. At the same time, we will take further steps to accelerate the development of our global business by such means as constructing manufacturing bases at optimal locations in the world and strengthening and expanding existing facilities. In addition, we will continue to focus on enhancing productivity and product quality, and at the same time, we will strive to develop products that have value for customers and we will also strive to assure the stable supply of our products. For this purpose, while continuing to maintain a sound financial base, we will proactively utilize our financial strength to carry out appropriate investments in a timely manner.

Going forward, we will work to create value to meet the need of our customers, the market and society over the long term. In particular, in order to realize the sustainable development of human society and the improvement of its quality, while keeping down the environmental burden to the lowest limits, we firmly believe it is essential to maximize efficiency. Technologies such as those that process the proliferation of enormous amounts of data, realize driverless vehicles and other automated operations, and incorporate IoT, 5G and AI will be utilized for these purposes, and these technologies will certainly lead to the great progress of society. Toward the achievement of these ends, the Shin-Etsu Group will take the initiative and strive to play a very big role in this huge endeavor. Shin-Etsu will work to make sure that all our company's products will contribute to the achievement of these objectives, and to further these goals, we will strive to expeditiously realize the fruits of our development of new products. We will provide key valuable materials that will become known and highly evaluated because these Shin-Etsu Group's materials resulted in people's daily lives having gotten better and improved in quality, and they will have helped to resolve various significant issues of the market. This is the important role of the Shin-Etsu Group, and while carrying it out we will plan to achieve the sustainable growth of our company's business.

On the other hand, among the main products of the Shin-Etsu Group, there are those products that will be greatly affected by such factors as fluctuations in raw materials prices and in market conditions as well as supply and demand conditions. In addition, over 70% of the Group's sales consist of sales outside of Japan, and exchange rate fluctuations affect our company's business. Exchange rate fluctuations also affect us when converting Shin-Etsu Chemical's overseas Group companies' business results into Japanese yen. When considering these external factors that have the possibility of these kinds of fluctuations, it is difficult at this point in time to make a reasonable business forecast for the coming fiscal year. Therefore, we have decided to refrain from making a forecast for FY 2020's consolidated operating performance. We will disclose the consolidated business forecast as soon as it becomes possible to do so.

(3) Management Policies

1) Basic Management Policies

As fundamental principles of its conduct, the Shin-Etsu Group makes safety its utmost priority, performs fair corporate activities and contributes to people's daily lives, society and industry by creating value through providing key materials and technologies. Through these contributions, we aim to meet the expectations of all of our shareholders. Towards this end, our management policy is to pursue the world's highest level of technology and product quality while, at the same time, continuing to make constant improvements in productivity. We endeavor to build a stable business relationship with our customers around the world, and we strive to appropriately respond to changes in the market and the economic situation.

In addition, keeping the Sustainable Development Goals (SDGs) in mind, we will carry out our business activities in order to contribute to the furtherance of these goals in multifaceted ways. We recognize that our Group's products, our businesses and way of conducting business operations by their very nature are compatible with the SDGs, and we wish to further deepen this harmonious aspect.

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

The Management Objectives that we are targeting are annual increases in sales and in profit. 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 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 we will concentrate on making sales and profit grow.

3) Policy Implementation

In general, we are carrying out full operations in each of our businesses, and in order to meet the supply requests from our customers and increases in demand, it is necessary to take measures to develop the most appropriate manufacturing capabilities. We will aggressively work to accurately capture the movements of the market, and at the same time we will keep in mind efficiently and effectively making investments and exercise rigorous risk management. In addition, we will carry out at an early stage the building of a production system that anticipates future needs.

In the PVC business, in order to strengthen its integrated PVC manufacturing system from the raw materials, Shintech Inc. in the U.S. is striving towards making full use at an early stage of its new ethylene plant, which is manufacturing one of the main raw materials for PVC, and working to complete the construction of its new PVC manufacturing plant. In addition, we will continue to adopt various measures in a timely manner as the world's largest PVC manufacturer through making good use of our existing production capabilities and the advantageous raw materials situation in the U.S. as well as through carrying out sales that accurately capture the movement in worldwide demand from our tripolar production bases in Japan, the U.S. and Europe.

In the semiconductor silicon business, in the midst of the expectation of an expanding semiconductor device market, we will continue to stably supply our high-quality products to worldwide customers from our manufacturing bases both in Japan and globally. Furthermore, we will carefully assess customers' demand trends in the semiconductor market, and in all fields of semiconductors, including R&D, we will strive to strengthen our competitive power.

In the silicones business, in Japan, Thailand, the U.S. and other major bases, we are going forward with large-scale production capacity expansion of our silicone monomer and end products, and we are working on the expansion of our supply system to our worldwide customers. Furthermore, by utilizing our Technical Centers, we are promoting the development of new products and new applications and will contribute to the solving of the issues before our customers. By means of these endeavors, with research, manufacturing and sales united as one, we will strive for further business expansion.

In the rare earth magnets business, by making the most of the Vietnam Plant that has realized integrated production from the refining of raw materials to final products, we are striving to build a production system that has strong cost competitive power and to improve our stable supply system. Furthermore, by using our own in-house recycling and diversifying supply sources, we are ensuring the stable procurement of raw materials, and we will meet the demand for these magnets both in Japan and outside of Japan, mainly for applications in automobiles.

With regard to other businesses, in the cellulose business, at our two production bases in Japan and Germany, we are going forward with facility investments that will meet the demand for the diversification of our product line-up, and we are meeting our customers demand from three production bases, including that in the U.S. Moreover, we aim to achieve a further leap forward into the world market as a main supplier of each product by making good use of our other production bases, such as our photoresists plant in Taiwan and photomask blanks No. 2 plant in Japan, in addition to the optical fiber preform plants which are undergoing production capacity expansions at a total of three bases in Japan and China.

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

In addition, we will faithfully carry out our corporate social responsibilities, such as the assuring of safety, the 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.

2. Notes to Summary Information

(Changes in presentation)

We applied Accounting Standards Board of Japan (“ASBJ”) Statement No. 28 Partial Amendments to Accounting Standard for Tax Effect Accounting, etc., effective April 1, 2018.

Furthermore, we retrospectively applied these partial amendments to the consolidated financial position and balance sheets as of March 31, 2018.

As a result, total assets and total liabilities decreased by ¥5,190 million, and the stockholders' equity ratio increased by 0.2 percentage points.

3. Basic Approach to the Selection of Accounting Standards

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

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of March 31, 2018 and 2019

	Millions of yen	
	March 31, 2018	March 31, 2019
ASSETS		
Current Assets:		
Cash and time deposits	854,506	826,680
Notes and accounts receivable-trade	332,880	338,701
Securities	197,339	215,444
Inventories	282,078	329,494
Other	48,313	47,527
Less: Allowance for doubtful accounts	(12,201)	(7,379)
Total current assets	1,702,916	1,750,469
Fixed Assets:		
Property, plant and equipment		
Buildings and structures, net	176,323	188,268
Machinery and equipment, net	454,846	445,974
Land	88,746	88,806
Construction in progress	170,810	255,232
Other, net	9,001	9,678
Total property, plant and equipment	899,728	987,960
Intangible assets	9,405	8,740
Investments and other assets:		
Investments in securities	145,455	141,685
Deferred tax assets	52,869	59,154
Other	94,959	93,332
Less: Allowance for doubtful accounts	(2,197)	(2,624)
Total investments and other assets	291,086	291,548
Total fixed assets	1,200,220	1,288,248
TOTAL ASSETS	2,903,137	3,038,717

Millions of yen

	March 31, 2018	March 31, 2019
LIABILITIES		
Current Liabilities:		
Notes and accounts payable-trade	136,834	141,027
Short-term borrowings	7,094	7,008
Accounts payable-other	65,750	75,128
Accrued expenses	68,805	74,354
Accrued income taxes	58,972	45,739
Other	40,964	48,596
Total current liabilities	378,421	391,854
Long-term Liabilities:		
Long-term debt	8,430	7,624
Deferred tax liabilities	61,476	62,669
Net defined benefit liability	32,282	30,473
Other	9,499	13,540
Total long-term liabilities	111,690	114,306
TOTAL LIABILITIES	490,112	506,161
NET ASSETS		
Stockholders' Equity:		
Common stock	119,419	119,419
Additional paid-in capital	129,937	128,299
Retained earnings	2,070,779	2,283,760
Less: Treasury stock, at cost	(30,207)	(94,702)
Total stockholders' equity	2,289,929	2,436,777
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	26,446	22,955
Deferred gains (losses) on hedges	1,671	(266)
Foreign currency translation adjustments	34,611	5,143
Remeasurements of defined benefit plans	(1,416)	987
Total accumulated other comprehensive income	61,313	28,820
Share subscription rights	524	1,143
Non-controlling interests in consolidated subsidiaries	61,258	65,814
TOTAL NET ASSETS	2,413,025	2,532,556
TOTAL LIABILITIES AND NET ASSETS	2,903,137	3,038,717

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

For the fiscal years ended March 31, 2018 and 2019

Consolidated Statements of Income

	Millions of yen	
	April 1, 2017 - March 31, 2018	April 1, 2018 - March 31, 2019
Net sales	1,441,432	1,594,036
Cost of sales	963,008	1,039,979
Gross profit	478,424	554,057
Selling, general and administrative expenses	141,601	150,352
Operating income	336,822	403,705
Non-operating income:		
Interest income	6,122	9,093
Dividend income	4,817	5,896
Equity in earnings of affiliates	3,762	4,669
Other income	2,470	3,618
Total non-operating income	17,172	23,277
Non-operating expenses:		
Interest expenses	621	746
Loss on retirement of fixed assets	3,239	2,611
Loss on revaluation of investments in securities	143	1,565
Other expenses	9,682	6,748
Total non-operating expenses	13,686	11,671
Ordinary income	340,308	415,311
Income before income taxes and non-controlling interests	340,308	415,311
Income taxes:		
Current	103,240	104,186
Deferred	(32,990)	(2,861)
Total income taxes	70,249	101,325
Net income	270,058	313,986
Net income attributable to non-controlling interests	3,822	4,860
Net income attributable to owners of parent	266,235	309,125

Consolidated Statements of Comprehensive Income

	Millions of yen	
	April 1, 2017 - March 31, 2018	April 1, 2018 - March 31, 2019
Net income	270,058	313,986
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	3,549	(3,499)
Deferred gains (losses) on hedges	806	(1,928)
Foreign currency translation adjustments	14	(30,861)
Remeasurements of defined benefit plans	337	2,383
Share of other comprehensive income of affiliates accounted for using the equity method	370	(134)
Total other comprehensive income	5,078	(34,040)
Comprehensive income	275,137	279,945
(Breakdown)		
Comprehensive income attributable to owners of parent	270,406	276,632
Comprehensive income attributable to non-controlling interests	4,730	3,312

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2018

(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	129,626	1,857,857	(31,213)	2,075,690
Changes during the year					
Cash dividends			(53,301)		(53,301)
Net income attributable to owners of parent			266,235		266,235
Purchase of treasury stock				(30)	(30)
Disposal of treasury stock		410		1,036	1,447
Others		(99)	(12)		(112)
Net changes of items other than stockholders' equity					
Total changes during the year	-	310	212,921	1,006	214,239
Balance at the end of the year	119,419	129,937	2,070,779	(30,207)	2,289,929

(Millions of yen)

	Accumulated Other Comprehensive Income					Share subscription rights	Non-controlling 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	22,887	862	35,154	(1,761)	57,142	152	57,096	2,190,082
Changes during the year								
Cash dividends								(53,301)
Net income attributable to owners of parent								266,235
Purchase of treasury stock								(30)
Disposal of treasury stock								1,447
Others								(112)
Net changes of items other than stockholders' equity	3,559	809	(543)	344	4,171	371	4,161	8,703
Total changes during the year	3,559	809	(543)	344	4,171	371	4,161	222,943
Balance at the end of the year	26,446	1,671	34,611	(1,416)	61,313	524	61,258	2,413,025

For the fiscal year ended March 31, 2019

(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	129,937	2,070,779	(30,207)	2,289,929
Changes during the year					
Cash dividends			(74,655)		(74,655)
Net income attributable to owners of parent			309,125		309,125
Purchase of treasury stock				(89,475)	(89,475)
Disposal of treasury stock		166		429	596
Retirement of treasury stock		(24,551)		24,551	
Transfer to additional paid-in capital from retained earnings		22,719	(22,719)		
Others		27	1,230		1,257
Net changes of items other than stockholders' equity					
Total changes during the year	-	(1,637)	212,980	(64,495)	146,848
Balance at the end of the year	119,419	128,299	2,283,760	(94,702)	2,436,777

(Millions of yen)

	Accumulated Other Comprehensive Income					Share subscription rights	Non-controlling 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	26,446	1,671	34,611	(1,416)	61,313	524	61,258	2,413,025
Changes during the year								
Cash dividends								(74,655)
Net income attributable to owners of parent								309,125
Purchase of treasury stock								(89,475)
Disposal of treasury stock								596
Retirement of treasury stock								
Transfer to additional paid-in capital from retained earnings								
Others								1,257
Net changes of items other than stockholders' equity	(3,491)	(1,938)	(29,467)	2,403	(32,493)	619	4,556	(27,317)
Total changes during the year	(3,491)	(1,938)	(29,467)	2,403	(32,493)	619	4,556	119,530
Balance at the end of the year	22,955	(266)	5,143	987	28,820	1,143	65,814	2,532,556

(4) Consolidated Statements of Cash Flows

For the fiscal years ended March 31, 2018 and 2019

	Millions of yen	
	April 1, 2017 - March 31, 2018	April 1, 2018 - March 31, 2019
Cash flows from operating activities:		
Income before income taxes and non-controlling interests	340,308	415,311
Depreciation and amortization	112,016	137,570
Increase (decrease) in allowance for doubtful accounts	(2,019)	(4,281)
Increase (decrease) in net defined benefit liability	(4,469)	(126)
Interest and dividend income	(10,939)	(14,989)
Interest expenses	621	746
Exchange (gain) loss	6,148	(2,060)
Equity in (earnings) losses of affiliates	(3,762)	(4,669)
(Increase) decrease in notes and accounts receivable	(42,287)	(8,697)
(Increase) decrease in inventories	(13,595)	(49,109)
(Increase) decrease in long-term advance payment	3,196	3,838
Increase (decrease) in notes and accounts payable	12,017	3,270
Other, net	(813)	29,597
Subtotal	396,420	506,400
Proceeds from interest and dividends	11,746	16,627
Payments of interest	(599)	(751)
Payments of income taxes	(74,791)	(121,589)
Net cash provided by operating activities	332,776	400,687
Cash flows from investing activities:		
Net (increase) decrease in time deposits	(22,649)	55,116
Net (increase) decrease in marketable securities	(44,439)	(1,169)
Purchases of property, plant and equipment	(162,311)	(226,768)
Purchases of intangible assets	(1,407)	(1,334)
Purchases of investments in securities	(7,516)	(2,563)
Proceeds from sales and redemption of investments in securities	5,026	434
Other, net	(4,305)	(5,269)
Net cash used for investing activities	(237,602)	(181,553)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(114)	(298)
Proceeds from long-term debt	2,012	51
Repayments of long-term debt	(792)	(227)
Purchases of treasury stock	(30)	(89,475)
Cash dividends paid	(53,301)	(74,655)
Other, net	2,219	66
Net cash used for financing activities	(50,006)	(164,538)
Effect of exchange rate changes on cash and cash equivalents	1,626	(7,917)
Net increase (decrease) in cash and cash equivalents	46,792	46,678
Cash and cash equivalents at beginning of year	733,306	780,449
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	350	1,217
Cash and cash equivalents at end of year	780,449	828,345

(5) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable

(Segment 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 the Managing Directors' Meeting.

The Shin-Etsu Group conducts business through each business division and affiliated companies based on specific products and services, consisting of the following six segments: "PVC/Chlor-Alkali Business," "Silicones Business," "Specialty Chemicals Business," "Semiconductor Silicon Business," "Electronics & Functional Materials Business" and "Processing, Trading & Specialized Services 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, Vinyl Chloride-Vinyl Acetate Copolymer Resin
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
Processing, Trading & Specialized Services Business	Processed plastics, Export of plant equipment, Technology licensing, International trade, Engineering

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

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

Assets and liabilities are not allocated to business segments.

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

(1) For the fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

	Millions of yen							Adjustment*	Figures in consolidated financial statements
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Processing, Trading & Specialized Services	Total		
Sales to outside customers	524,270	233,383	121,143	380,349	226,098	108,790	1,594,036	-	1,594,036
Intersegment sales	3,564	7,103	21,132	48	8,588	115,585	156,022	(156,022)	-
Total	527,835	240,487	142,276	380,397	234,687	224,376	1,750,059	(156,022)	1,594,036
Segment income (Operating income)	106,521	58,546	26,603	131,998	66,993	13,296	403,959	(254)	403,705
Depreciation and amortization	32,899	14,604	10,659	53,780	20,791	5,171	137,906	(335)	137,570
Increase in property, plant and equipment and intangible assets	76,449	28,242	18,007	69,392	40,175	8,840	241,107	(489)	240,618

*Elimination of intersegment transactions

(2) For the fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

	Millions of yen							Adjustment*	Figures in consolidated financial statements
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Processing, Trading & Specialized Services	Total		
Sales to outside customers	501,346	206,268	117,197	308,390	207,454	100,775	1,441,432	-	1,441,432
Intersegment sales	3,413	6,036	17,025	2	6,889	92,183	125,550	(125,550)	-
Total	504,759	212,305	134,222	308,393	214,344	192,958	1,566,983	(125,550)	1,441,432
Segment income (Operating income)	93,236	51,954	25,729	92,963	61,631	11,482	336,998	(175)	336,822
Depreciation and amortization	32,969	12,225	10,163	32,458	20,118	4,384	112,317	(300)	112,016
Increase in property, plant and equipment and intangible assets	63,610	29,167	7,052	51,584	20,246	5,004	176,664	(380)	176,283

*Elimination of intersegment transactions

2) Related Information

Geographic Information

(Net Sales)

(1) For the fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

Millions of yen						
Japan	U.S.	Asia/Oceania		Europe	Other	Total
		China	Other			
413,146	356,353	152,882	378,289	182,745	110,619	1,594,036

(2) For the fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

Millions of yen						
Japan	U.S.	Asia/Oceania		Europe	Other	Total
		China	Other			
373,832	335,706	138,333	319,795	162,164	111,600	1,441,432

Appendix 1: Quarterly Operating Results

(Billions of yen)

	FY 2018 April 1, 2017 - March 31, 2018					FY 2019 April 1, 2018 - March 31, 2019				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Net Sales	336.2	358.6	366.1	380.3	1,441.4	383.6	408.0	415.1	387.1	1,594.0
PVC / Chlor-Alkali	113.5	125.7	125.6	136.3	501.3	123.1	138.7	137.4	124.9	524.2
Silicones	49.9	50.9	52.1	53.2	206.2	55.6	58.2	59.8	59.6	233.3
Specialty Chemicals	28.3	28.6	31.2	28.9	117.1	30.5	29.2	32.5	28.8	121.1
Semiconductor Silicon	71.4	75.3	78.6	82.8	308.3	90.9	96.4	98.1	94.7	380.3
Electronics & Functional Materials	49.1	52.4	52.5	53.2	207.4	56.0	58.8	57.7	53.4	226.0
Processing, Trading & Specialized Services	23.7	25.5	25.8	25.6	100.7	27.2	26.5	29.4	25.5	108.7
Operating Income	74.1	82.1	87.0	93.4	336.8	95.4	113.8	115.3	79.0	403.7
PVC / Chlor-Alkali	17.6	22.8	24.7	28.0	93.2	26.3	33.3	31.2	15.5	106.5
Silicones	12.1	12.7	13.5	13.5	51.9	13.5	15.5	16.7	12.7	58.5
Specialty Chemicals	6.5	6.5	6.3	6.3	25.7	6.8	6.6	7.5	5.6	26.6
Semiconductor Silicon	19.7	21.9	24.5	26.7	92.9	30.0	36.6	37.3	28.0	131.9
Electronics & Functional Materials	15.0	15.3	15.3	15.8	61.6	16.0	18.1	18.3	14.5	66.9
Processing, Trading & Specialized Services	2.8	2.9	2.5	3.1	11.4	3.0	3.4	4.0	2.7	13.2
Ordinary Income	77.0	83.1	90.0	90.0	340.3	99.4	117.6	112.2	85.9	415.3
Net Income Attributable to Owners of Parent	53.7	57.0	62.6	* 92.9	* 266.2	73.7	85.0	83.3	66.9	309.1
Depreciation and Amortization	24.3	26.4	28.3	32.8	112.0	29.0	32.8	35.4	40.2	137.5
Capital Expenditures	35.6	38.9	44.0	57.7	176.2	44.9	52.8	66.1	76.8	240.6
R&D Costs	12.2	11.4	14.4	13.6	51.7	13.7	13.0	14.5	15.0	56.4
Overseas Sales	246.3	266.8	269.9	284.4	1,067.6	278.7	302.2	306.8	293.0	1,180.8
Ratio of Overseas Sales to Net Sales	73%	74%	74%	75%	74%	73%	74%	74%	76%	74%

(Note) Yen amounts are stated in billions and U.S. dollar amounts are stated in millions by discarding amounts less than ¥0.1 billion and \$1.0 million, respectively.

* Net Income Attributable to Owners of Parent in FY2018 4Q and FY2018 Total includes ¥29.8 billion (benefit) as a result of the revaluation of deferred tax assets and liabilities following the enactment of tax reform legislation in the United States.

Appendix 2: Operating Performance of Shintech Inc.

	2017 January - December		2018 January - December		Year-on-year change (US\$ basis)	Year-on-year change (Yen basis)
	Millions of US\$	Billions of yen	Millions of US\$	Billions of yen		
Net Sales	3,186	357.4	3,362	371.2	5.5%	3.9%
Ordinary Income	673	75.5	845	93.3	25.5%	23.5%
Net Income	735	82.5	678	74.8	(7.8)%	(9.2)%
Net Assets	5,302	599.2	5,992	665.1		
Total Assets	6,435	727.2	7,053	782.9		

Exchange Rate Jan-Dec(Average)	112.2Yen/US\$	110.4Yen/US\$
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