



Press Release

**Consolidated Financial Results for the Fiscal Year Ended March 31, 2018**

**Shin-Etsu Chemical Co., Ltd.**

**(JP GAAP)**

April 27, 2018

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 28, 2018

Date of the filing of the consolidated financial statements ..... June 29, 2018

Date of year-end dividend payment ..... June 29, 2018

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, 2018**

(From April 1, 2017 to March 31, 2018)

**(1) Results of consolidated operations**

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
April 2017 - March 2018	1,441,432	16.5%	336,822	41.2%	340,308	40.5%	266,235	51.3%
April 2016 - March 2017	1,237,405	(3.3%)	238,617	14.4%	242,133	10.1%	175,912	18.2%

(Note) Comprehensive income (Millions of yen) April 2017 - March 2018: 275,137 [81.1%]  
April 2016 - March 2017: 151,953 [35.8%]

	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 2017 - March 2018	624.28	624.10	11.9%	12.2%	23.4%
April 2016 - March 2017	412.86	412.83	8.5%	9.4%	19.3%

(Note) Equity in earnings (losses) of affiliates (Millions of yen) April 2017 - March 2018: 3,762  
April 2016 - March 2017: 2,788

**(2) Consolidated financial position**

(Millions of yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (yen)
March 31, 2018	2,908,328	2,413,025	80.8%	5,511.98
March 31, 2017	2,655,636	2,190,082	80.3%	5,002.16

(Note) Stockholders' equity (Millions of yen) As of March 31, 2018: 2,351,242 As of March 31, 2017: 2,132,832

**(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 2017 - March 2018	332,776	(237,602)	(50,006)	780,449
April 2016 - March 2017	290,872	1,281	(37,199)	733,306

**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 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	Year-end	Fiscal year			
April 2016 - March 2017	-	60.00	-	60.00	120.00	51,141	29.1%	2.5%
April 2017 - March 2018	-	65.00	-	75.00	140.00	59,711	22.4%	2.7%

**3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2019**

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

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, 2018	March 31, 2017
Number of shares outstanding at the year end	432,106,693	432,106,693
Number of shares of treasury stock at the year end	5,536,807	5,724,030
	April 2017 - March 2018	April 2016 - March 2017
Weighted-average number of shares outstanding over the year	426,470,737	426,086,354

**(Reference) Summary of Non-consolidated Financial Results**

**Non-consolidated Operating Performance for the Fiscal Year Ended March 31, 2018**

(From April 1, 2017 to March 31, 2018)

**(1) Results of non-consolidated operations**

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income	
April 2017 - March 2018	733,449	15.0%	128,709	16.8%	133,113	15.5%	96,943	16.9%
April 2016 - March 2017	637,990	1.2%	110,235	6.5%	115,238	4.7%	82,928	10.1%

	Net income per share (yen)	Diluted net income per share (yen)
April 2017 - March 2018	227.32	227.26
April 2016 - March 2017	194.63	194.62

**(2) Non-consolidated financial position**

(Millions of yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (yen)
March 31, 2018	1,171,368	866,729	74.0%	2,030.93
March 31, 2017	1,113,589	818,542	73.5%	1,919.50

(Note) Stockholders' equity (Millions of yen) As of March 31, 2018: 866,332 As of March 31, 2017: 818,440  
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**

#### **1) General Overview**

During FY 2018 (April 1, 2017 to March 31, 2018), the world economy was on a gradual recovery track. In the U.S., the steady recovery of the economy continued. In Japan and Europe, as well as in the areas of the emerging economies, these economies also experienced a gradual recovery. In China, the movement toward economic recovery continued.

In these circumstances, in order to achieve continued increases in our business results, the Shin-Etsu Group endeavored (1) to deepen its relationships with its customers and further expand its 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 meet increases in demand.

As a result, the business results for FY 2018 are as follows:

	April 2016 – March 2017 (Millions of yen)	April 2017 – March 2018 (Millions of yen)	Increase / (Decrease)
Net sales	1,237,405	1,441,432	16.5%
Operating income	238,617	336,822	41.2%
Ordinary income	242,133	340,308	40.5%
Net income attributable to owners of parent	175,912	266,235	51.3%

Net income attributable to owners of parent for FY 2018 includes ¥29,891 million (benefit) as a result of the revaluation of deferred tax assets and liabilities following the enactment of tax reform legislation in the United States.

#### **2) Business Segment Overview**

##### **PVC/Chlor-Alkali Business**

	April 2016 – March 2017 (Millions of yen)	April 2017 – March 2018 (Millions of yen)	Increase / (Decrease)
Net sales	411,600	501,346	21.8%
Operating income	53,186	93,236	75.3%

With regard to our PVC/Chlor-Alkali Business, on the one hand, Shintech in the U.S. continued its full operations, and the other hand, in addition to PVC, the supply-demand relationship of caustic soda also further improved, and these factors resulted in greatly increased business results. Similarly, both of our bases in Japan and Europe achieved increased business results. Our elaborate sales efforts resulted in increased sales, both in the areas of our production bases and globally, and contributed to the growth in profit.

### **Silicones Business**

	April 2016 – March 2017 (Millions of yen)	April 2017 – March 2018 (Millions of yen)	Increase / (Decrease)
Net sales	179,275	206,268	15.1%
Operating income	42,549	51,954	22.1%

With regard to the silicones business, demand increased for all product fields and applications, and in addition to functional products, sales of general-purpose products also expanded worldwide, which increased the segment's business results.

### **Specialty Chemicals Business**

	April 2016 – March 2017 (Millions of yen)	April 2017 – March 2018 (Millions of yen)	Increase / (Decrease)
Net sales	108,058	117,197	8.5%
Operating income	22,233	25,729	15.7%

With regard to cellulose derivatives, pharmaceutical-use products, construction materials products and coating products continued to perform steadily, and pheromone products and POVAL products and others also generally achieved strong results.

### **Semiconductor Silicon Business**

	April 2016 – March 2017 (Millions of yen)	April 2017 – March 2018 (Millions of yen)	Increase / (Decrease)
Net sales	252,612	308,390	22.1%
Operating income	55,991	92,963	66.0%

With regard to semiconductor silicon, driven by robust semiconductor device demand, silicon wafers in all diameters, starting with 300mm wafers, met with a high level of demand, and at the same time, by implementing product price adjustments, this segment's business results increased greatly.

### **Electronics & Functional Materials Business**

	April 2016 – March 2017 (Millions of yen)	April 2017 – March 2018 (Millions of yen)	Increase / (Decrease)
Net sales	187,938	207,454	10.4%
Operating income	55,209	61,631	11.6%

With regard to the rare earth magnets business, products for applications in automobiles, including those for hybrid cars, and also for industrial equipment continued good shipments and expanded sales. With regard to our photoresist products business, KrF resists, ArF resists and trilayer materials all continued to be firm and photomask blanks also expanded. The business of optical fiber preform increased its sales by taking advantage of the increase in global demand and also of the contributions made by the production of our new joint-venture company in China from the latter half of FY 2018. The business of materials for LED packaging also had firm shipments.

## Processing, Trading & Specialized Services Business

	April 2016 – March 2017 (Millions of yen)	April 2017 – March 2018 (Millions of yen)	Increase / (Decrease)
Net sales	97,919	100,755	2.9%
Operating income	9,584	11,482	19.8%

Shin-Etsu Polymer Co., Ltd.'s business of input devices for automobiles and semiconductor wafer-related containers continued to do well.

### 3) Information on Assets, Liabilities and Net assets

At the end of FY 2018, total assets increased by ¥252,692 million compared with that at the end of the previous fiscal year to ¥2,908,328 million.

Total liabilities increased by ¥29,749 million from that at the end of the previous fiscal year to ¥495,302 million.

Total net assets increased by ¥222,943 million compared with that at the end of the previous fiscal year to ¥2,413,025 million. This increase was mainly due to net income attributable to owners of parent of ¥266,235 million for FY 2018, offset by a cash dividend payment of ¥53,301 million.

### 4) Status of Cash Flows

	Millions of yen		
	April 1, 2016 - March 31, 2017	April 1, 2017 - March 31, 2018	Increase (Decrease)
Cash and cash equivalents at beginning of fiscal year	487,604	733,306	245,702
1. Cash flows from operating activities	290,872	332,776	41,904
2. Cash flows from investing activities	1,281	(237,602)	(238,883)
3. Cash flows from financing activities	(37,199)	(50,006)	(12,807)
4. Effect of foreign exchange and others	(9,252)	1,976	11,228
Net increase (decrease) in cash and cash equivalents	245,701	47,143	(198,558)
Cash and cash equivalents at end of fiscal year	733,306	780,449	47,143

The balance of cash and cash equivalents at the end of FY 2018 increased by 6.4% (¥47,143 million) compared with that at the end of the previous fiscal year to ¥780,449 million.

#### Cash flows from operating activities

Net cash provided by operating activities amounted to ¥332,776 million, an increase of ¥41,904 million from the previous fiscal year. This consisted mainly of ¥340,308 million in income before income taxes and non-controlling interests, ¥112,016 million in depreciation and amortization, an increase of ¥42,287 million in accounts receivable-trade and ¥74,791 million for the payment of income taxes.

#### Cash flows from investing activities

Net cash used for investing activities was ¥237,602 million, while net cash acquisition for investing activities was ¥1,281 million in the previous fiscal year. This was mainly due to ¥162,311 million for purchases of property, plant and equipment and ¥44,439 million for purchases of marketable securities.

## Cash flows from financing activities

Net cash used for financing activities increased by ¥12,807 million from the previous fiscal year to ¥50,006 million. This was mainly due to a cash dividend payment of ¥53,301 million.

### (Reference)

#### The trend of cash flow indices

	For the fiscal year ended				
	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Stockholders' equity ratio (%)	80.6	79.9	80.8	80.3	80.8
Stockholders' equity ratio on market value basis (%)	114.2	136.3	98.8	154.8	161.4
Debt repayment ratio (%)	5.8	5.7	4.7	4.9	4.7
Interest coverage ratio (times)	292.7	311.0	600.8	550.2	554.9

(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 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 Chemical 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 ¥75 per share, a ¥10 increase over the interim dividend of ¥65. Accordingly, the total annual dividend per share for FY 2018 will be an increase of ¥20 over the annual dividend of the previous fiscal year (¥120) to become ¥140 per share.

In addition, at the Board of Directors meeting held today (April 27, 2018), it was resolved to cancel, on May 2, 2018, 4,500,000 shares of the treasury stock our company owns (that totaled 5,536,807 shares as of March 31, 2018), which excludes the number of shares allotted for stock options.

## **(2) Business Prospects**

Although the world economy is generally doing well, there are 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 and will strive to assure the sustainable growth of our company's businesses.

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 2019'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, starting from the raw materials, Shintech Inc. in the U.S. is striving towards completion of the construction of an ethylene plant, which will manufacture one of the main raw materials for PVC. In addition, we will 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, U.S. and Europe.

In the semiconductor silicon business, in the midst of the expectation of an expanding semiconductor device market, we will carry out measures to stably supply our high-quality silicon wafers to customers. Furthermore, in preparation for any fluctuations in the semiconductor market, in all fields of semiconductors we will strive to maintain our competitive power.

In the silicones business, we are going forward with the expansion of our production capacity in Japan, Thailand, U.S. and other bases, and we are working on the expansion of our supply system to our worldwide customers. Furthermore, we are promoting the development of new products and new applications by increasing our Technical Centers. In the future as well, through research, manufacturing and sales united as one, we will strive for further business expansion.

In the rare earth magnets business, while going forward with the expansion of our production capacity at our magnet manufacturing plant in Vietnam, we are promoting integrated manufacturing from the refining of raw materials to sintering and are striving to build a production system that has strong cost competitive power. Furthermore, by using our own in-house recycling and diversifying of supply sources, we are ensuring stable procurement of raw materials and we will meet the demand for these magnets, which is expanding 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 as well as our plan for increased production at our new cellulose plant in the U.S. Moreover, we aim to achieve a further leap forward into the world market as a main supplier by making good use of our bases, such as our new photomask blanks No. 2 Plant, our photoresists plant now under construction in Taiwan, and the production capacity expansions at our total of three optical fiber preform production 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 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.

## **2. Basic Approach to the Selection of Accounting Standards**

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

### **3. Consolidated Financial Statements**

#### **(1) Consolidated Balance Sheets**

As of March 31, 2017 and 2018

	Millions of yen	
	March 31, 2017	March 31, 2018
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and time deposits	752,675	854,506
Notes and accounts receivable-trade	287,853	332,880
Securities	186,591	197,339
Inventories	267,157	282,078
Deferred taxes, current	35,937	36,475
Other	33,941	48,313
Less: Allowance for doubtful accounts	(14,549)	(12,201)
<b>Total current assets</b>	<b>1,549,607</b>	<b>1,739,392</b>
<b>Fixed Assets:</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	174,923	176,323
Machinery and equipment, net	437,775	454,846
Land	86,953	88,746
Construction in progress	139,180	170,810
Other, net	7,737	9,001
<b>Total property, plant and equipment</b>	<b>846,570</b>	<b>899,728</b>
<b>Intangible assets</b>	<b>10,229</b>	<b>9,405</b>
<b>Investments and other assets:</b>		
Investments in securities	135,311	145,455
Other	115,756	116,543
Less: Allowance for doubtful accounts	(1,840)	(2,197)
<b>Total investments and other assets</b>	<b>249,228</b>	<b>259,801</b>
<b>Total fixed assets</b>	<b>1,106,028</b>	<b>1,168,935</b>
<b>TOTAL ASSETS</b>	<b>2,655,636</b>	<b>2,908,328</b>

Millions of yen

	March 31, 2017	March 31, 2018
<b>LIABILITIES</b>		
Current Liabilities:		
Notes and accounts payable-trade	123,823	136,834
Short-term borrowings	12,788	7,094
Accounts payable-other	54,671	65,750
Accrued expenses	61,611	68,805
Accrued income taxes	32,711	58,972
Other	31,392	45,295
Total current liabilities	317,000	382,753
Long-term Liabilities:		
Long-term debt	1,578	8,430
Deferred taxes, non-current	98,228	62,335
Net defined benefit liability	35,809	32,282
Other	12,936	9,499
Total long-term liabilities	148,553	112,549
<b>TOTAL LIABILITIES</b>	465,553	495,302
<b>NET ASSETS</b>		
Stockholders' Equity:		
Common stock	119,419	119,419
Additional paid-in capital	129,626	129,937
Retained earnings	1,857,857	2,070,779
Less: Treasury stock, at cost	(31,213)	(30,207)
Total stockholders' equity	2,075,690	2,289,929
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	22,887	26,446
Deferred gains (losses) on hedges	862	1,671
Foreign currency translation adjustments	35,154	34,611
Remeasurements of defined benefit plans	(1,761)	(1,416)
Total accumulated other comprehensive income	57,142	61,313
Share subscription rights	152	524
Non-controlling interests in consolidated subsidiaries	57,096	61,258
<b>TOTAL NET ASSETS</b>	2,190,082	2,413,025
<b>TOTAL LIABILITIES AND NET ASSETS</b>	2,655,636	2,908,328

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

For the fiscal years ended March 31, 2017 and 2018

### Consolidated Statements of Income

	Millions of yen	
	April 1, 2016 - March 31, 2017	April 1, 2017 - March 31, 2018
Net sales	1,237,405	1,441,432
Cost of sales	868,404	963,008
Gross profit	369,001	478,424
Selling, general and administrative expenses	130,383	141,601
Operating income	238,617	336,822
Non-operating income:		
Interest income	4,714	6,122
Dividend income	2,602	4,817
Equity in earnings of affiliates	2,788	3,762
Other income	2,094	2,470
Total non-operating income	12,200	17,172
Non-operating expenses:		
Interest expenses	529	621
Foreign exchange loss	3,697	6,140
Loss on retirement of fixed assets	974	3,239
Other expenses	3,483	3,685
Total non-operating expenses	8,684	13,686
Ordinary income	242,133	340,308
Income before income taxes and non-controlling interests	242,133	340,308
Income taxes:		
Current	67,187	103,240
Deferred	(3,363)	(32,990)
Total income taxes	63,823	70,249
Net income	178,309	270,058
Net income attributable to non-controlling interests	2,397	3,822
Net income attributable to owners of parent	175,912	266,235

## Consolidated Statements of Comprehensive Income

	Millions of yen	
	April 1, 2016 - March 31, 2017	April 1, 2017 - March 31, 2018
Net income	178,309	270,058
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	9,149	3,549
Deferred gains (losses) on hedges	(753)	806
Foreign currency translation adjustments	(34,265)	14
Remeasurements of defined benefit plans	(280)	337
Share of other comprehensive income of affiliates accounted for using the equity method	(205)	370
Total other comprehensive income	(26,356)	5,078
Comprehensive income	151,953	275,137
(Breakdown)		
Comprehensive income attributable to owners of parent	150,576	270,406
Comprehensive income attributable to non-controlling interests	1,376	4,730

### (3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2017

(Millions of yen)

	Stockholders' Equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total stockholders' equity
Balance at the beginning of the year	119,419	128,759	1,731,042	(33,407)	1,945,813
Changes during the year					
Cash dividends			(48,987)		(48,987)
Net income attributable to owners of parent			175,912		175,912
Purchase of treasury stock				(19)	(19)
Disposal of treasury stock		878		2,213	3,092
Others		(11)	(109)		(121)
Net changes of items other than stockholders' equity					
Total changes during the year	-	867	126,814	2,194	129,876
Balance at the end of the year	119,419	129,626	1,857,857	(31,213)	2,075,690

(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	13,780	1,611	68,566	(1,480)	82,478	237	51,936	2,080,465
Changes during the year								
Cash dividends								(48,987)
Net income attributable to owners of parent								175,912
Purchase of treasury stock								(19)
Disposal of treasury stock								3,092
Others								(121)
Net changes of items other than stockholders' equity	9,106	(749)	(33,412)	(280)	(25,335)	(84)	5,160	(20,259)
Total changes during the year	9,106	(749)	(33,412)	(280)	(25,335)	(84)	5,160	109,616
Balance at the end of the year	22,887	862	35,154	(1,761)	57,142	152	57,096	2,190,082

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

#### (4) Consolidated Statements of Cash Flows

For the fiscal years ended March 31, 2017 and 2018

	Millions of yen	
	April 1, 2016 - March 31, 2017	April 1, 2017 - March 31, 2018
Cash flows from operating activities:		
Income before income taxes and non-controlling interests	242,133	340,308
Depreciation and amortization	93,087	112,016
Increase (decrease) in allowance for doubtful accounts	(165)	(2,019)
Increase (decrease) in net defined benefit liability	1,384	(4,469)
Interest and dividend income	(7,317)	(10,939)
Interest expenses	529	621
Exchange (gain) loss	2,370	6,148
Equity in (earnings) losses of affiliates	(2,788)	(3,762)
(Increase) decrease in notes and accounts receivable	(23,501)	(42,287)
(Increase) decrease in inventories	10,621	(13,595)
(Increase) decrease in long-term advance payment	3,180	3,196
Increase (decrease) in notes and accounts payable	9,606	12,017
Other, net	17,380	(813)
Subtotal	346,522	396,420
Proceeds from interest and dividends	7,774	11,746
Payments of interest	(528)	(599)
Payments of income taxes	(62,895)	(74,791)
Net cash provided by operating activities	290,872	332,776
Cash flows from investing activities:		
Net (increase) decrease in time deposits	30,289	(22,649)
Net (increase) decrease in marketable securities	112,380	(44,439)
Purchases of property, plant and equipment	(134,897)	(162,311)
Purchases of intangible assets	(1,377)	(1,407)
Purchases of investments in securities	(1,613)	(7,516)
Proceeds from sales and redemption of investments in securities	53	5,026
Other, net	(3,553)	(4,305)
Net cash provided by (used for) investing activities	1,281	(237,602)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	520	(114)
Proceeds from long-term debt	25	2,012
Repayments of long-term debt	(212)	(792)
Purchases of treasury stock	(19)	(30)
Cash dividends paid	(48,987)	(53,301)
Other, net	11,474	2,219
Net cash used for financing activities	(37,199)	(50,006)
Effect of exchange rate changes on cash and cash equivalents	(13,584)	1,626
Net increase (decrease) in cash and cash equivalents	241,369	46,792
Cash and cash equivalents at beginning of year	487,604	733,306
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	4,332	350
Cash and cash equivalents at end of year	733,306	780,449



## (5) Segment and Related Information

### 1) Segment Information

#### 1. Overview of Reportable Segments

The reportable segments in the Shin-Etsu Group are defined as individual units for which discrete financial information is available and that are subject to regular review to evaluate their results and allocate management resources by the highest decision-making body of the Company, such as 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, 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) For the fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

	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	411,600	179,275	108,058	252,612	187,938	97,919	1,237,405	-	1,237,405
Intersegment sales	2,858	6,043	13,940	1	6,554	79,823	109,221	(109,221)	-
Total	414,458	185,318	121,998	252,614	194,493	177,743	1,346,627	(109,221)	1,237,405
Segment income (Operating income)	53,186	42,549	22,233	55,991	55,209	9,584	238,756	(138)	238,617
Depreciation and amortization	30,256	11,504	9,602	20,798	17,240	3,956	93,357	(270)	93,087
Increase in property, plant and equipment and intangible assets	57,232	23,182	7,806	14,982	38,190	4,431	145,825	(177)	145,647

\*Elimination of intersegment transactions

## 2) Related Information

### Geographic Information

#### (Net Sales)

**(1) 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

**(2) For the fiscal year ended March 31, 2017** (From April 1, 2016 to March 31, 2017)

Millions of yen						
Japan	U.S.	Asia/Oceania		Europe	Other	Total
		China	Other			
342,002	275,033	123,683	268,747	135,802	92,136	1,237,405

## Appendix 1: Quarterly Operating Results

(Billions of yen)

	FY 2017 April 1, 2016 - March 31, 2017					FY 2018 April 1, 2017 - March 31, 2018				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
	Net Sales	300.7	312.3	309.2	315.1	1,237.4	<b>336.2</b>	<b>358.6</b>	<b>366.1</b>	<b>380.3</b>
PVC / Chlor-Alkali	93.9	107.8	106.4	103.4	411.6	<b>113.5</b>	<b>125.7</b>	<b>125.6</b>	<b>136.3</b>	<b>501.3</b>
Silicones	45.4	44.5	43.4	45.8	179.2	<b>49.9</b>	<b>50.9</b>	<b>52.1</b>	<b>53.2</b>	<b>206.2</b>
Specialty Chemicals	28.5	27.0	26.4	26.0	108.0	<b>28.3</b>	<b>28.6</b>	<b>31.2</b>	<b>28.9</b>	<b>117.1</b>
Semiconductor Silicon	62.5	60.7	62.7	66.4	252.6	<b>71.4</b>	<b>75.3</b>	<b>78.6</b>	<b>82.8</b>	<b>308.3</b>
Electronics & Functional Materials	46.9	46.3	45.6	49.0	187.9	<b>49.1</b>	<b>52.4</b>	<b>52.5</b>	<b>53.2</b>	<b>207.4</b>
Processing, Trading & Specialized Services	23.4	25.8	24.4	24.2	97.9	<b>23.7</b>	<b>25.5</b>	<b>25.8</b>	<b>25.6</b>	<b>100.7</b>
Operating Income	60.0	62.0	59.0	57.5	238.6	<b>74.1</b>	<b>82.1</b>	<b>87.0</b>	<b>93.4</b>	<b>336.8</b>
PVC / Chlor-Alkali	13.2	16.9	14.1	8.8	53.1	<b>17.6</b>	<b>22.8</b>	<b>24.7</b>	<b>28.0</b>	<b>93.2</b>
Silicones	10.2	10.3	11.0	10.9	42.5	<b>12.1</b>	<b>12.7</b>	<b>13.5</b>	<b>13.5</b>	<b>51.9</b>
Specialty Chemicals	6.3	5.6	4.9	5.2	22.2	<b>6.5</b>	<b>6.5</b>	<b>6.3</b>	<b>6.3</b>	<b>25.7</b>
Semiconductor Silicon	13.6	12.4	13.3	16.4	55.9	<b>19.7</b>	<b>21.9</b>	<b>24.5</b>	<b>26.7</b>	<b>92.9</b>
Electronics & Functional Materials	14.0	13.8	13.5	13.8	55.2	<b>15.0</b>	<b>15.3</b>	<b>15.3</b>	<b>15.8</b>	<b>61.6</b>
Processing, Trading & Specialized Services	2.6	2.6	2.0	2.2	9.5	<b>2.8</b>	<b>2.9</b>	<b>2.5</b>	<b>3.1</b>	<b>11.4</b>
Ordinary Income	57.8	60.3	66.8	57.0	242.1	<b>77.0</b>	<b>83.1</b>	<b>90.0</b>	<b>90.0</b>	<b>340.3</b>
Net Income Attributable to Owners of Parent	45.3	42.1	47.7	40.6	175.9	<b>53.7</b>	<b>57.0</b>	<b>62.6</b>	<b>92.9*</b>	<b>266.2*</b>
Depreciation and Amortization	20.7	23.0	23.7	25.5	93.0	<b>24.3</b>	<b>26.4</b>	<b>28.3</b>	<b>32.8</b>	<b>112.0</b>
Capital Expenditures	27.1	33.4	32.6	52.4	145.6	<b>35.6</b>	<b>38.9</b>	<b>44.0</b>	<b>57.7</b>	<b>176.2</b>
R&D Costs	12.5	10.9	13.1	12.3	49.0	<b>12.2</b>	<b>11.4</b>	<b>14.4</b>	<b>13.6</b>	<b>51.7</b>
Overseas Sales	215.7	229.2	223.3	227.0	895.4	<b>246.3</b>	<b>266.8</b>	<b>269.9</b>	<b>284.4</b>	<b>1,067.6</b>
Ratio of Overseas Sales to Net Sales	72%	73%	72%	72%	72%	<b>73%</b>	<b>74%</b>	<b>74%</b>	<b>75%</b>	<b>74%</b>

(Note) Amounts are stated in billions of yen by discarding fractional amounts less than 0.1 billion.

\* 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.

	2016 January - December		2017 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	2,626	285.8	3,186	357.4	21.3%	25.0%
Ordinary Income	385	41.9	673	75.5	74.9%	80.2%
Net Income	255	27.7	735	82.5	2.9 Times	3.0 Times
Net Assets	4,573	532.7	5,302	599.2		
Total Assets	5,912	688.7	6,435	727.2		

Exchange Rate Jan-Dec(Average)	108.8Yen/US\$	112.2Yen/US\$
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