

Press Release



**Financial Results for the Fiscal Year Ended March 31, 2011**

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

**(JP GAAP)**

April 28, 2011

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 29, 2011

Date of the filing of the consolidated financial statements ..... June 30, 2011

Date of year-end dividend payout ..... June 30, 2011

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, 2011**

(From April 1, 2010 to March 31, 2011)

**(1) Results of consolidated operations**

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income	
April 2010 – March 2011	1,058,257	15.4%	149,221	27.3%	160,338	26.2%	100,119	19.4%
April 2009 – March 2010	916,837	(23.6%)	117,215	(49.7%)	127,019	(49.3%)	83,852	(45.8%)

(Note) Comprehensive income (Millions of yen) April 2010-March 2011: 37,918 [(65.0%)] April 2009-March 2010: 108,443 [-%]

	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 2010 – March 2011	235.80	235.80	7.0%	9.0%	14.1%
April 2009 – March 2010	197.53	197.50	6.0%	7.4%	12.8%

(Note) Equity in earnings of affiliates (Millions of yen) April 2010-March 2011: 12,627 April 2009-March 2010: 9,994

**(2) Consolidated financial position**

(Millions of yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (in yen)
March 31, 2011	1,784,166	1,469,429	80.0%	3,360.39
March 31, 2010	1,769,139	1,474,212	80.9%	3,370.56

(Note) Stockholders' equity (Millions of yen) As of March 31, 2011: 1,426,808 As of March 31, 2010: 1,431,146

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 2010 – March 2011	217,490	(132,005)	(48,621)	302,285
April 2009 – March 2010	171,538	(102,835)	(50,960)	270,443

**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 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	Year-end	Fiscal year			
April 2009 – March 2010	-	50.00	-	50.00	100.00	42,455	50.6%	3.0%
April 2010 – March 2011	-	50.00	-	50.00	100.00	42,459	42.4%	3.0%
April 2011 – March 2012 (forecast)	-	-	-	-	-	-	-	-

(Note) The dividend per share for the fiscal year ending March 31, 2012 has not been determined.

**3. The Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2012**

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

With regard to the business forecast for the fiscal year ending March 2012, with the situation remaining unclear at present, we made a judgment that it is quite difficult to appropriately calculate forecast figures at this point, and in this announcement of the Shin-Etsu Group's results of operations in FY 2011 we have decided not to issue a forecast. We will promptly make an announcement of the consolidated business forecast as soon as the disclosure of the forecast becomes possible.

#### 4. Other Information

(1) Changes in significant subsidiaries which affected the scope of consolidation during the fiscal year ended March 31, 2011: No

(2) Changes of accounting policies applied, procedures and disclosures for presenting consolidated financial statements

Changes by revision of accounting standard: Yes

Changes other than the above: No

(Note) Please see “(7) Changes in basis of presenting consolidated financial statements” on page 17 for further details.

(3) Number of shares outstanding (in shares)

	March 31, 2011	March 31, 2010
1. Number of shares outstanding at year end (including treasury stocks)	432,106,693	432,106,693
2. Number of treasury stocks at year end	7,510,657	7,505,054
	April 2010 – March 2011	April 2009 – March 2010
3. Weighted-average number of shares outstanding over period (accumulated)	424,598,846	424,513,635

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

##### Non-consolidated Operating Performance for the Fiscal Year Ended March 31, 2011

(From April 1, 2010 to March 31, 2011)

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

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income	
April 2010 – March 2011	602,775	8.8%	76,800	8.6%	77,535	(1.2%)	44,518	(14.3%)
April 2009 – March 2010	553,891	(8.7%)	70,706	(9.9%)	78,507	(16.4%)	51,937	(18.8%)

	Net income per share (in yen)	Diluted net income per share (in yen)
April 2010 – March 2011	104.85	104.85
April 2009 – March 2010	122.35	122.33

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

(Millions of yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (in yen)
March 31, 2011	821,415	666,225	80.7%	1,560.90
March 31, 2010	824,161	667,373	80.6%	1,563.92

(Note) Stockholders' equity (Millions of yen) As of March 31, 2011: 662,750 As of March 31, 2010: 664,043  
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

<b>1. RESULTS OF OPERATIONS AND FINANCIAL POSITION .....</b>	<b>2</b>
<b>(1) RESULTS OF OPERATIONS .....</b>	<b>2</b>
<b>(2) FINANCIAL POSITION OVERVIEW.....</b>	<b>5</b>
<b>(3) BASIC POLICY CONCERNING PROFIT-SHARING .....</b>	<b>6</b>
<b>2. MANAGEMENT POLICIES .....</b>	<b>7</b>
<b>(1) BASIC MANAGEMENT POLICIES .....</b>	<b>7</b>
<b>(2) TARGETING OUR MANAGEMENT OBJECTIVES: SHIN-ETSU'S MID-TO LONG-TERM MANAGEMENT STRATEGIES.....</b>	<b>7</b>
<b>(3) POLICY IMPLEMENTATION.....</b>	<b>7</b>
<b>3. CONSOLIDATED FINANCIAL STATEMENTS.....</b>	<b>9</b>
<b>(1) CONSOLIDATED BALANCE SHEETS .....</b>	<b>9</b>
<b>(2) CONSOLIDATED STATEMENTS OF INCOME AND STATEMENTS OF COMPREHENSIVE INCOME .....</b>	<b>11</b>
<b>(3) CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS .....</b>	<b>13</b>
<b>(4) CONSOLIDATED STATEMENTS OF CASH FLOWS .....</b>	<b>16</b>
<b>(5) NOTES ON PREMISE OF GOING CONCERN .....</b>	<b>17</b>
<b>(6) BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS .....</b>	<b>17</b>
<b>(7) CHANGES IN BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS .....</b>	<b>17</b>
<b>(8) CHANGES IN PRESENTATION.....</b>	<b>17</b>
<b>(9) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.....</b>	<b>17</b>
<i>(Note to consolidated balance sheets)</i> .....	17
<i>(Notes to consolidated statements of income)</i> .....	18
<i>(Notes to consolidated statements of comprehensive income)</i> .....	18
<i>(Segment and related information)</i> .....	19
<i>(Deferred tax)</i> .....	22
<i>(Per share information)</i> .....	23
<i>(Major subsequent events)</i> .....	23

## **1. Results of Operations and Financial Position**

### **(1) Results of operations**

#### **1) General overview**

With regard to the world economy, during FY 2011 (April 1, 2010 to March 31, 2011) in the Asian region, centering on China, economic recovery continued. On the other hand, in Europe and the United States, although there were signs of gradual recovery, on the whole the serious economic situation continued as seen in the fact that unemployment rates remained at a high level. Furthermore, in the Japanese economy as well, although there was a trend toward a recovery in personal consumption and facility investment, the recovery continued to lack strength. In addition, we are in a situation where the effects of the Great East Japan Earthquake that occurred on March 11 have become a matter of great concern.

Under these circumstances, the Shin-Etsu Group worked to strengthen its relationships with its customers worldwide and focused on expanding its sales. At the same time, we strove to carry out further business rationalization and streamlining measures and we made strong efforts to focus on the development and commercialization of new products. In addition, as a consequence of the Great East Japan Earthquake, we had to stop operations at Shin-Etsu Chemical's Kashima Plant and Shin-Etsu Handotai's Shirakawa Plant, and accordingly, we initiated company-wide efforts to carry out the restoration work at the earliest time possible.

As a result, compared with the previous fiscal year, net sales for FY 2011 increased by 15.4% (¥141,420 million) to ¥1,058,257 million. Operating income was ¥149,221 million, a gain of 27.3% (¥32,006 million) from the previous fiscal year. Ordinary income also climbed 26.2% (¥33,319 million) to ¥160,338 million over the previous fiscal year. With regard to net income for FY 2011, it should be noted that, on the one hand, the total amount includes the extraordinary losses incurred due to the Great East Japan Earthquake, and, on the other hand, the figure also includes a refund of corporation taxes paid in past fiscal years, after the Japanese and U.S. tax authorities reached an agreement settling a dispute about transfer pricing taxation. Net income was ¥100,119 million, an increase of 19.4% (¥16,267 million) compared to the previous fiscal year.

#### **2) Business segment overview**

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

With regard to PVC, while sluggish demand continued due to the long-term slump in the U.S. housing market, Shintech Inc. in the U.S. maintained a high level of shipments with sales to its worldwide customers, and the company expanded its business. In addition, Shin-Etsu PVC in The Netherlands maintained strong shipments. On the other hand, in Japan, in addition to a rise in raw materials prices and sluggish demand, there were also the effects of the stoppage of operations at the Kashima Plant as a consequence of the Great East Japan Earthquake, and a tough situation continued.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 19.3% (¥45,794 million) to ¥283,525 million and operating income increased by 0.5% (¥97 million) to ¥19,674 million.

## **Silicones Business**

With regard to the silicones business, sales in Japan continued to do well in a wide range of product areas in addition to those applications in the electronics, automobile and cosmetic fields. Moreover, in our international silicones business, demand recovery continued, mainly in the Asian region, and on the whole the silicones business continued to be strong.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 16.9% (¥20,715 million) to ¥143,064 million and operating income increased by 36.7% (¥9,141 million) to ¥34,057 million.

## **Specialty Chemicals Business**

With regard to sales of cellulose derivatives, although in Japan the business continued to be strong, mainly in pharmaceutical products and automotive-related products, the business of SE Tylose in Germany was affected by the low level of prices for building and construction application products, and its business continued to be weak.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 3.8% (¥3,030 million) to ¥83,512 million and operating income decreased by 7.1% (¥988 million) to ¥12,914 million.

## **Semiconductor Silicon Business**

With regard to semiconductor silicon, during the first half of FY 2011 the business remained firm due to a recovery in demand for semiconductor devices in wide product application areas such as for PCs and mobile phones. However, in the second half of the fiscal year, business was affected by inventory adjustments in devices and the stoppage of the operations of the Shirakawa Plant due to the Great East Japan Earthquake.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 11.7% (¥29,762 million) to ¥283,789 million and operating income increased by 71.7% (¥16,233 million) to ¥38,864 million.

## **Electronics & Functional Materials Business**

With regard to rare earth magnets, the business continued to do well for applications in hybrid cars and for energy-efficient types of air conditioners. The photoresists products business remained strong, aided by progress in the miniaturization of semiconductor devices, and the business of coating material for LEDs also expanded greatly. With regard to synthetic quartz products, large-size photomask substrates used for LCDs and optical fiber preform remained strong in general; however, the optical fiber preform business was affected by the stoppage of operations of the Kashima Plant due to the Great East Japan Earthquake.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 24.3% (¥27,606 million) to ¥141,383 million and operating income increased by 17.5% (¥5,372 million) to ¥36,118 million.

## **Diversified Business**

Although the business of keypads for mobile phones remained weak due to such factors as intensifying price competition, Shin-Etsu Polymer Co., Ltd.'s sales of

semiconductor wafer-related containers turned out to be on a recovery track. The engineering business was firm.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 13.4% (¥14,512 million) to ¥122,981 million and operating income increased by 8.2% (¥558 million) to ¥7,340 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, however, the business situation continues to not allow for optimism. In Japan as well, the severe situation is forecasted to continue because of such factors as strong concerns about the effects of the Great East Japan Earthquake.

Under these circumstances, to navigate through the severe business environment we are facing, the Shin-Etsu Group will expand its aggressive sales activities to its wide range of customers around the world, and at the same time, we will cultivate new demand through the development of products that have special characteristics. Furthermore, we will overcome the effects of the unprecedented catastrophic earthquake through such means as doing our utmost to achieve an early complete restoration and restart of operations at our plants affected by the Great East Japan Earthquake. Moreover, we will aim to build an even stronger business foundation by carrying out such policies as further focusing on strengthening our high technologies, enhancing product quality and striving to stably secure raw materials.

With regard to the forecast of the Shin-Etsu Group's consolidated business results for FY2012 (ending March 31, 2012), we have concluded that at this time it is difficult to calculate the yearly forecast figure for FY 2012 and have decided to refrain from issuing a business forecast for FY 2012 at this time. We will promptly make an announcement of the consolidated business forecast as soon as the disclosure of the forecast becomes possible.

## (2) Financial position overview

### 1) Information on assets, liabilities and net assets

At the end of FY 2011, total assets increased by ¥15,027 million, compared with that at the end of the previous fiscal year to ¥1,784,166 million. This was mainly due to an increase in cash on hand (described as “cash and time deposits” on the balance sheets) and securities.

Total liabilities stood at ¥314,737 million, a rise of ¥19,811 million from that at the end of the previous fiscal year. This was mainly due to an increase in accounts payable-trade.

Total net assets decreased by ¥4,783 million to ¥1,469,429 million, compared to that at the end of previous fiscal year. This was mainly due to the impact of foreign currency translation adjustments affected by the appreciation of the yen, despite an increase in retained earnings resulting from net income of ¥100,119 million for FY 2011.

The stockholders’ equity ratio was 80.0%, down 0.9 percentage points from 80.9% at the end of the previous fiscal year.

### 2) Status of cash flows

	Millions of yen		
	April 2009 - March 2010	April 2010 - March 2011	Increase (Decrease)
Cash and cash equivalents at beginning of fiscal year	251,044	270,443	19,399
1. Cash flows from operating activities	171,538	217,490	45,952
2. Cash flows from investing activities	(102,835)	(132,005)	(29,170)
3. Cash flows from financing activities	(50,960)	(48,621)	2,339
4. Effect of foreign exchange and others	1,655	(5,021)	(6,676)
Net increase (decrease) in cash and cash equivalents	19,398	31,841	12,443
Cash and cash equivalents at end of fiscal year	270,443	302,285	31,841

The balance of cash and cash equivalents at the end of FY 2011 increased by 11.8% (¥31,841 million) compared to that at the end of previous fiscal year to ¥302,285 million.

#### Cash flows from operating activities

Net cash provided by operating activities amounted to ¥217,490 million, up ¥45,952 million from the previous fiscal year. This consisted mainly of ¥139,305 million in income before income taxes, ¥93,732 million in depreciation and amortization, a ¥11,292 million increase in inventories and a ¥20,822 million increase in notes and accounts payable.

#### Cash flows from investing activities

Net cash used for investing activities was ¥132,005 million, an increase of ¥29,170 million over the previous fiscal year, arising mainly from ¥117,517 million in expenditures for purchases of property, plant and equipment.

#### Cash flows from financing activities

Net cash used for financing activities decreased by ¥2,339 million from the previous fiscal year to ¥48,621 million. This mainly included a ¥42,460 million cash dividend payment.

**(Reference)**

The trend of cash flow indices

	For the fiscal year ended				
	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010	March 31, 2011
Stockholders' equity ratio (%)	71.0	75.0	81.1	80.9	80.0
Stockholders' equity ratio on market value basis (%)	166.5	115.5	120.2	130.3	98.4
Debt repayment ratio (%)	16.6	16.8	9.2	11.5	6.6
Interest coverage ratio (times)	103.5	86.0	148.3	216.2	403.8

(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 2011 will become ¥100, the same amount as in the previous fiscal year.

The forecast for the shareholders' dividend for FY 2012 has not yet been determined.



## **2. Management Policies**

### **(1) Basic management policies**

The Shin-Etsu Group makes safety its utmost priority, 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 corporate value. Towards this end, our management policy is to establish 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, such as 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 execute 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. Based on our track record of business performance, we are placing great importance on being sure to increase profit.

### **(3) Policy implementation**

In the PVC business, Shintech in the U.S. has constructed an integrated manufacturing plant from electrolysis to PVC. Following the completion of the first-phase construction of this plant and the start-up of its operations, the second-phase construction of the plant was completed and it has also started operations. In addition, to double the production capacity of vinyl chloride monomer the construction of a raw materials plant is under way. In the future as well, with Shin-Etsu's Japan-U.S.-Europe tri-polar production system, which includes Shin-Etsu PVC in The Netherlands and CIRES in Portugal, we will continue to further strengthen the position of Shin-Etsu as the world's largest PVC maker.

In the semiconductor silicon business, as the world's largest silicon wafer manufacturer, Shin-Etsu will strive to stably supply high-quality products utilizing multiple manufacturing bases both in Japan and overseas. In addition, we will focus on strengthening our competitive power by carrying out the development of wafers for cutting-edge devices and also by making improvements in productivity.

In the silicones business, we will promote development of new products and new applications by utilizing product characteristics that have a wide range of application fields. At the same time, while striving to further strengthen business in existing bases not only in Japan but also in Thailand and the U.S., we will strive to expand our global business by such means as focusing on the construction of a new silicones plant in China.

In the rare earth magnets business, we will work on cultivating new markets for such applications as for hybrid cars and electric vehicles, product areas where demand growth is expected, and in other energy saving-related product applications. In addition,

in the synthetic quartz business, we will focus on our strategy of expanding our preform business by constructing a new optical fiber preform plant in China.

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, 2010 and 2011

	Millions of yen	
	March 31, 2010	March 31, 2011
<b>ASSETS</b>		
Current Assets:		
Cash and time deposits	209,046	244,002
Notes and accounts receivable-trade	273,949	270,499
Securities	109,761	116,714
Inventories	183,553	188,283
Deferred taxes, current	25,961	21,114
Other	43,242	49,847
Less: Allowance for doubtful accounts	(2,943)	(2,534)
Total current assets	842,571	887,927
Fixed Assets:		
Property, plant and equipment		
Buildings and structures	167,206	155,719
Machinery and equipment	264,014	252,229
Land	65,862	64,577
Construction in progress	141,870	141,770
Other	7,179	6,037
Total property, plant and equipment	646,133	620,334
Intangible fixed assets	17,055	14,020
Investments and other assets		
Investments in securities	162,399	155,899
Deferred taxes, non-current	22,056	22,185
Other	78,936	83,836
Less: Allowance for doubtful accounts	(13)	(38)
Total investments and other assets	263,378	261,883
Total fixed assets	926,568	896,238
<b>TOTAL ASSETS</b>	<b>1,769,139</b>	<b>1,784,166</b>

	Millions of yen	
	March 31, 2010	March 31, 2011
<b>LIABILITIES</b>		
Current Liabilities:		
Notes and accounts payable-trade	93,294	110,753
Short-term borrowings	11,866	8,712
Accounts payable-other	57,952	36,508
Accrued income taxes	18,213	21,072
Accrued expenses	38,629	37,486
Provision for loss on disaster	-	24,401
Other	10,168	10,499
	230,124	249,434
Long-term Liabilities:		
Long-term debt	7,884	5,548
Deferred taxes, non-current	38,107	39,498
Accrued retirement benefits	12,677	14,119
Other	6,132	6,137
	64,802	65,302
	294,926	314,737
<b>NET ASSETS</b>		
Stockholders' Equity:		
Common stock	119,419	119,419
Additional paid-in capital	128,177	128,177
Retained earnings	1,318,413	1,376,043
Less: Treasury stock, at cost	(40,892)	(40,917)
	1,525,118	1,582,724
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	6,717	3,275
Deferred gains (losses) on hedges	517	895
Foreign currency translation adjustments	(101,207)	(160,087)
	(93,972)	(155,916)
Share subscription rights	3,648	3,822
Minority interests in consolidated subsidiaries	39,417	38,798
	1,474,212	1,469,429
	1,769,139	1,784,166

**(2) Consolidated statements of income and statements of comprehensive income**

For the fiscal year ended March 31, 2010 and 2011

**Consolidated statements of income**

	Millions of yen	
	April 2009 - March 2010	April 2010 - March 2011
Net sales	916,837	1,058,257
Cost of sales	700,902	803,574
Gross profit	215,934	254,682
Selling, general and administrative expenses	98,718	105,460
Operating income	117,215	149,221
Non-operating income:		
Interest income	3,772	2,800
Dividend income	1,259	1,350
Equity in earnings of affiliates	9,994	12,627
Other income	4,145	7,152
Total non-operating income	19,171	23,930
Non-operating expenses:		
Interest expenses	767	529
Loss on retirement of fixed assets	1,404	897
Foreign exchange loss	845	9,122
Other expenses	6,350	2,263
Total non-operating expenses	9,368	12,813
Ordinary income	127,019	160,338
Extraordinary loss:		
Loss on disaster	-	21,032
Total extraordinary loss	-	21,032
Income before income taxes	127,019	139,305
Income taxes-current	23,679	35,998
Income taxes for prior periods	-	(10,654)
Income taxes-deferred	18,711	12,643
Total income taxes	42,390	37,987
Income before minority interests	-	101,318
Minority interests in earnings of consolidated subsidiaries	776	1,199
Net income	83,852	100,119

## Consolidated statements of comprehensive income

	Millions of yen	
	April 2009 - March 2010	April 2010 - March 2011
Income before minority interests	-	101,318
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	-	(3,466)
Deferred gains (losses) on hedges	-	136
Foreign currency translation adjustments	-	(56,951)
Share of other comprehensive income of associates accounted for by using the equity method	-	(3,117)
Total other comprehensive income	-	(63,400) <sup>[2]</sup>
Comprehensive income	-	37,918 <sup>[1]</sup>
(Breakdown)		
Comprehensive income attributable to owners of the parent	-	38,175
Comprehensive income attributable to minority interests	-	(256)

### **(3) Consolidated statements of changes in net assets**

For the fiscal year ended March 31, 2010 and 2011

	Millions of yen	
	April 2009 – March 2010	April 2010 - March 2011
<b>Stockholders' Equity</b>		
<b>Common stock:</b>		
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	119,419	119,419
<b>Additional paid-in capital:</b>		
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	128,177	128,177
<b>Retained earnings:</b>		
Balance at the beginning of the period	1,277,056	1,318,413
Changes during current period:		
Cash dividends	(42,448)	(42,460)
Net income	83,852	100,119
Disposal of treasury stock	(166)	(0)
Other	119	(28)
Total changes during current period	41,357	57,630
Balance at the end of the period	1,318,413	1,376,043
<b>Treasury stock, at cost:</b>		
Balance at the beginning of the period	(41,613)	(40,892)
Changes during current period:		
Purchase of treasury stock	(31)	(25)
Disposal of treasury stock	752	0
Total changes during current period	721	(24)
Balance at the end of the period	(40,892)	(40,917)
<b>Total stockholders' equity:</b>		
Balance at the beginning of the period	1,483,039	1,525,118
Changes during current period:		
Cash dividends	(42,448)	(42,460)
Net income	83,852	100,119
Purchase of treasury stock	(31)	(25)
Disposal of treasury stock	586	0
Other	119	(28)
Total changes during current period	42,078	57,605
Balance at the end of the period	1,525,118	1,582,724

Millions of yen

	April 2009 – March 2010	April 2010 - March 2011
<b>Accumulated Other Comprehensive Income:</b>		
Unrealized gains (losses) on available-for-sale securities:		
Balance at the beginning of the period	(1,776)	6,717
Changes during current period:		
Net changes of items other than Stockholders' equity	8,494	(3,442)
Total changes during current period	8,494	(3,442)
Balance at the end of the period	6,717	3,275
Deferred gains (losses) on hedges:		
Balance at the beginning of the period	(41)	517
Changes during current period:		
Net changes of items other than Stockholders' equity	559	377
Total changes during current period	559	377
Balance at the end of the period	517	895
Foreign currency translation adjustments:		
Balance at the beginning of the period	(115,159)	(101,207)
Changes during current period:		
Net changes of items other than Stockholders' equity	13,952	(58,879)
Total changes during current period	13,952	(58,879)
Balance at the end of the period	(101,207)	(160,087)
Total accumulated other comprehensive income:		
Balance at the beginning of the period	(116,978)	(93,972)
Changes during current period:		
Net changes of items other than Stockholders' equity	23,006	(61,943)
Total changes during current period	23,006	(61,943)
Balance at the end of the period	(93,972)	(155,916)
Share subscription rights:		
Balance at the beginning of the period	2,446	3,648
Changes during current period:		
Net changes of items other than Stockholders' equity	1,202	174
Total changes during current period	1,202	174
Balance at the end of the period	3,648	3,822



Millions of yen

	April 2009 – March 2010	April 2010 - March 2011
<b>Minority interests in consolidated subsidiaries:</b>		
Balance at the beginning of the period	38,846	39,417
Changes during current period:		
Net changes of items other than Stockholders' equity	570	(619)
Total changes during current period	570	(619)
Balance at the end of the period	<u>39,417</u>	<u>38,798</u>
 <b>Total net assets:</b>		
Balance at the beginning of the period	1,407,353	1,474,212
Changes during current period:		
Cash dividends	(42,448)	(42,460)
Net income	83,852	100,119
Purchase of treasury stock	(31)	(25)
Disposal of treasury stock	586	0
Other	119	(28)
Net changes of items other than Stockholders' equity	24,779	(62,388)
Total changes during current period	66,858	(4,783)
Balance at the end of the period	<u>1,474,212</u>	<u>1,469,429</u>

**(4) Consolidated statements of cash flows**

For the fiscal year ended March 31, 2010 and 2011

	Millions of yen	
	April 2009 – March 2010	April 2010 - March 2011
<b>1. Cash flows from operating activities</b>		
Income before income taxes	127,019	139,305
Depreciation and amortization	87,722	93,732
Increase (decrease) in accrued retirement benefits	1,165	1,727
Loss (gain) on write-down of investment securities	403	52
Interest and dividend income	(5,032)	(4,150)
Interest expenses	767	529
Foreign exchange loss (gain)	(1,491)	3,918
Equity in (earnings) losses of affiliates	(9,994)	(12,627)
(Increase) decrease in notes and accounts receivable	(52,339)	(7,274)
(Increase) decrease in inventories	27,710	(11,292)
(Increase) decrease in long-term advance payment	(16,595)	(5,285)
Increase (decrease) in notes and accounts payable	15,855	20,822
Other, net	1,993	7,876
Subtotal	177,184	227,333
Proceeds from interest and dividends	13,330	14,335
Payment of interest	(793)	(538)
Payment of income taxes	(18,182)	(33,277)
Income taxes refund	-	9,637
Net cash provided by operating activities	171,538	217,490
<b>2. Cash flows from investing activities</b>		
Net (increase) decrease in marketable securities	30,642	(3,567)
Purchase of property, plant and equipment	(131,625)	(117,517)
Purchase of intangible fixed asset	(1,006)	(1,539)
Purchase of investment securities	(6,170)	(3,104)
Proceeds from sales and redemption of investment securities	3,159	5,385
Purchase of investments in subsidiaries resulting in changes in scope of consolidation	(2,044)	-
Other, net	4,209	(11,661)
Net cash used for investing activities	(102,835)	(132,005)
<b>3. Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	90	(211)
Repayment of long-term debt	(8,083)	(5,387)
Purchase of treasury stock	(31)	(25)
Cash dividends paid	(42,448)	(42,460)
Other, net	(487)	(537)
Net cash used for financing activities	(50,960)	(48,621)
<b>4. Effect of exchange rate change on cash and cash equivalents</b>	1,762	(5,511)
<b>5. Net increase (decrease) in cash and cash equivalents</b>	19,505	31,352
<b>6. Cash and cash equivalents at beginning of year</b>	251,044	270,443
<b>7. Increase (Decrease) in cash and cash equivalents resulting from changes in scope of consolidation</b>	(106)	489
<b>8. Cash and cash equivalents at end of year</b>	270,443	302,285

**(5) Notes on premise of going concern**

Not applicable

**(6) Basis of presenting consolidated financial statements**

**(Information about accounting method criteria)**

**1) Criterion for identifying significant provisions**

**1. Provision for loss on disaster**

This provision relates to expenses estimated to be incurred during or after the next fiscal year, in order to undertake the restoration of assets damaged due to the Great East Japan Earthquake.

Since the release of the latest financial statements on June 30, 2010, there have been no significant changes, except for those stated above and shown below in (7). As a result, there are no additional other matters.

**(7) Changes in basis of presenting consolidated financial statements**

**(Application of “Accounting Standard for Asset Retirement Obligations”)**

Effective from FY 2011, “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No.18 issued on March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No.21 issued on March 31, 2008) have been applied.

The impact of this change on operating income, ordinary income and income before income taxes is immaterial.

**(8) Changes in presentation**

**(Consolidated statements of income)**

Effective from FY 2011, “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22 issued on December 26, 2008) and “Cabinet Office Ordinance for Partial Amendment of the Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements” (Cabinet Office Ordinance No.5 issued on March 24, 2009) have been applied. As a consequence, a new line item has been presented on the consolidated statements of income as “income before minority interests”.

**(9) Notes to consolidated financial statements**

**(Note to consolidated balance sheets)**

	Millions of yen	
	March 31, 2010	March 31, 2011
Accumulated depreciation of property, plant and equipment	1,313,405	1,350,394

**(Notes to consolidated statements of income)**

	Millions of yen	
	April 2009 - March 2010	April 2010 - March 2011
Research and development costs	33,574	37,321

**(Notes to consolidated statements of comprehensive income)**

[1] Comprehensive income for the previous fiscal year	Millions of yen	
	April 2009 - March 2010	
Comprehensive income attributable to owners of the parent	106,859	
Comprehensive income attributable to minority interests	1,583	
Total	108,443	

[2] Other comprehensive income for the previous fiscal year	Millions of yen	
	April 2009 - March 2010	
Unrealized gains (losses) on available-for-sale securities	7,401	
Deferred gains (losses) on hedges	147	
Foreign currency translation adjustments	14,038	
Share of other comprehensive income of associates accounted for by using the equity method	2,227	
Total	23,814	

**(Additional information)**

Effective from FY 2011, “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No.25 issued on June 30, 2010) has been applied. The items “accumulated other comprehensive income” and “total accumulated other comprehensive income” for the previous fiscal year are exactly the same as “valuation and translation adjustments” and “total valuation and translation adjustments” of the previous fiscal year, respectively.

**(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:

<b>Segment</b>	<b>Main products and services</b>
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 income and assets 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 income (loss), assets and liabilities of reportable segments

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

	Millions of yen								Figures in consolidated statement of income
	April 2010 – March 2011								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total	Adjustment <sup>[1]</sup>	
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)	-
<b>Total</b>	<b>310,352</b>	<b>147,121</b>	<b>90,162</b>	<b>283,795</b>	<b>144,848</b>	<b>188,362</b>	<b>1,164,641</b>	<b>(106,384)</b>	<b>1,058,257</b>
Segment income (Operating income)	19,674	34,057	12,914	38,864	36,118	7,340	148,970	251	149,221
Depreciation and amortization <sup>[2]</sup>	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 ¥925 million.

<2> For the fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)

	Millions of yen								Figures in consolidated statement of income
	April 2009 – March 2010								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total	Adjustment <sup>[1]</sup>	
Sales to outside customers	237,731	122,349	80,482	254,027	113,777	108,469	916,837	-	916,837
Intersegment sales	3,128	3,347	5,354	43	2,197	91,554	105,626	(105,626)	-
<b>Total</b>	<b>240,859</b>	<b>125,697</b>	<b>85,836</b>	<b>254,070</b>	<b>115,975</b>	<b>200,024</b>	<b>1,022,464</b>	<b>(105,626)</b>	<b>916,837</b>
Segment income (Operating income)	19,577	24,916	13,902	22,631	30,746	6,782	118,556	(1,340)	117,215
Depreciation and amortization <sup>[2]</sup>	12,065	8,282	9,559	41,720	12,085	4,215	87,929	(206)	87,722
Increase in property, plant and equipment and intangible fixed assets*	65,133	5,134	20,529	12,063	12,791	7,061	122,714	(1,478)	121,235

\*By acquiring additional shares of CIRES, S.A. (PVC/Chlor-Alkali Business), which had been an affiliate accounted for under the equity method during the fiscal year ended on March 31, 2009, CIRES and its 3 subsidiaries were integrated as consolidated subsidiaries. The expenditure of ¥2,557 million for acquiring the additional shares is not included in the table above. The total capital expenditure for the fiscal year ended March 31, 2010, including this investment, amounted to ¥123,793 million. (Capital expenditures for PVC/Chlor-Alkali Business amounted to ¥67,691 million.)

[1] Elimination of intersegment transactions

[2] Depreciation and amortization for Specialty Chemicals Business includes a goodwill amortization of ¥1,614 million.

**(Additional information)**

Effective from FY 2011, “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No.17 issued on March 27, 2009) and “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No.20 issued on March 21, 2008) have been applied.

**2) Related information**

○Geographic information

**(Sales)**

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

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, 2010	As of March 31, 2011
Deferred Tax Assets		
Depreciation and amortization	19,660	16,757
Special provision for accrued retirement benefits	4,780	5,324
Accrued bonuses and provision for bonuses	3,666	3,662
Unrealized profit	4,217	3,148
Maintenance cost	5,309	2,982
Unsettled accounts receivable and payable	1,333	2,060
Accrued enterprise taxes	2,085	1,556
Tax loss carry forwards	4,109	331
Unrealized gain/loss on available-for-sale securities	3	0
Others	14,501	14,534
Deferred Tax Assets sub-total	59,667	50,357
Valuation allowance	(4,630)	(3,464)
Deferred Tax Assets Total	55,036	46,893
Deferred Tax Liabilities		
Depreciation	36,923	37,138
Unrealized gain/loss on available-for-sale securities	4,843	2,520
Reserve for special depreciation	72	78
Others	3,781	3,800
Deferred Tax Liabilities Total	45,621	43,537
Net Deferred Tax Assets	9,415	3,355

(Notes) Net deferred tax assets are included in the following accounts on the consolidated balance sheets.

		Millions of yen	
		As of March 31, 2010	As of March 31, 2011
Current assets	: Deferred taxes, current	25,961	21,114
Fixed assets	: Deferred taxes, non-current	22,056	22,185
Current liabilities	: Others	(494)	(446)
Long-term liabilities:	Deferred taxes, non-current	(38,107)	(39,498)

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

	As of March 31, 2010	As of March 31, 2011
Statutory tax rate	40.4%	40.4%
Dividend income not taxable	(5.7)	(4.4)
Elimination of dividend income from consolidated subsidiaries	5.5	4.4
Equity in earnings of affiliates	(3.2)	(3.7)
Rate difference from foreign subsidiaries	(1.7)	(1.7)
Tax deduction for research expenses	(1.2)	(1.0)
Entertainment and other non-deductible expenses	0.4	0.3
Income taxes for prior periods	-	(7.6)
Others, net	(1.1)	0.6
Effective tax rate	33.4	27.3



**(Per share information)**

	April 2009 - March 2010	April 2010 - March 2011
Net assets per share (in yen)	3,370.56	3,360.39
Net income per share (in yen)	197.53	235.80
Diluted net income per share (in yen)	197.50	235.80

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

	Millions of yen	
	April 2009 - March 2010	April 2010 - March 2011
Data for calculation of net income per share		
Net income	83,852	100,119
Amount which is not appropriated to shareholder of common stock	-	-
Net income belonging to common stock	83,852	100,119
Weighted average number of shares outstanding (in thousands share)	424,513	424,598
Data for calculation of diluted net income per share		
Adjustments to net income	-	-
Increase of common stock (in thousands share)	55	1
[Share subscription rights in the above (in thousands share)]	[55]	[1]

	Numbers of share subscription rights	Numbers of share subscription rights
Potential stock not to be included in calculation of diluted net income per share due to not working as dilution	5,871 <sup>[1]</sup>	5,469 <sup>[1]</sup>
	9,150 <sup>[2]</sup>	8,680 <sup>[2]</sup>
	8,260 <sup>[3]</sup>	8,260 <sup>[3]</sup>
		9,370 <sup>[4]</sup>

[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

**(Major subsequent events)**

Not applicable