



Press Release

Consolidated Financial Results for the Fiscal Year Ended March 31, 2017

Shin-Etsu Chemical Co., Ltd.

(JP GAAP)

April 28, 2017

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

Listing Stock Exchange: Tokyo and Nagoya

Representative: Yasuhiko Saitoh (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 shareholders' meeting June 29, 2017

Date of the filing of the consolidated financial statements June 30, 2017

Date of year-end dividend payment June 30, 2017

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, 2017

(From April 1, 2016 to March 31, 2017)

(1) Results of consolidated operations

(Millions of yen)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
April 2016 - March 2017	1,237,405	(3.3%)	238,617	14.4%	242,133	10.1%	175,912	18.2%
April 2015 - March 2016	1,279,807	1.9%	208,525	12.5%	220,005	11.1%	148,840	15.7%

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

April 2015 - March 2016: 111,885 [(51.8%)]

	Basic earnings per share (yen)	Diluted earnings per share (yen)	Ratio of earnings to stockholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
April 2016 - March 2017	412.86	412.83	8.5%	9.4%	19.3%
April 2015 - March 2016	349.46	349.42	7.5%	8.9%	16.3%

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

April 2015 - March 2016: 3,302

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (yen)
March 31, 2017	2,655,636	2,190,082	80.3%	5,002.16
March 31, 2016	2,510,085	2,080,465	80.8%	4,761.48

(Note) Stockholders' equity (Millions of yen) As of March 31, 2017: 2,132,832 As of March 31, 2016: 2,028,291

(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 2016 - March 2017	290,872	1,281	(37,199)	733,306
April 2015 - March 2016	281,643	(166,599)	(38,941)	487,604

2. Cash Dividends

	Cash dividends per share for the fiscal year (yen)					Total annual cash dividend paid (Millions of yen)	Dividend payout ratio	Ratio of dividend payout to net assets
	1 st quarter	2 nd quarter	3 rd quarter	Year-end	Fiscal year			
April 2015 - March 2016	-	55.00	-	55.00	110.00	46,854	31.5%	2.3%
April 2016 - March 2017	-	60.00	-	60.00	120.00	51,141	29.1%	2.5%
April 2017 - March 2018 (forecast)	-	-	-	-	-	-	-	-

(Note) The dividend per share for the fiscal year ending March 31, 2018 has not yet been determined.

3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2018

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

We will promptly make an announcement of the consolidated business forecast as soon as the disclosure of the forecast becomes possible.

(Notes)

(1) Changes in significant subsidiaries which affected the scope of consolidation during the current fiscal year: No

(2) Changes of accounting policies applied, changes in accounting estimates and retrospective restatement

Changes of accounting policies applied due to revisions of accounting standards: Yes

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, 2017	March 31, 2016
Number of shares outstanding at the year end	432,106,693	432,106,693
Number of shares of treasury stock at the year end	5,724,030	6,127,692
	April 2016 - March 2017	April 2015 - March 2016
Weighted-average number of shares outstanding over the year	426,086,354	425,919,248

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Operating Performance for the Fiscal Year Ended March 31, 2017

(From April 1, 2016 to March 31, 2017)

(1) Results of non-consolidated operations

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income	
April 2016 - March 2017	637,990	1.2%	110,235	6.5%	115,238	4.7%	82,928	10.1%
April 2015 - March 2016	630,239	(1.6%)	103,541	12.9%	110,017	2.7%	75,327	12.9%

	Net income per share (yen)	Diluted net income per share (yen)
April 2016 - March 2017	194.63	194.62
April 2015 - March 2016	176.86	176.85

(2) Non-consolidated financial position

(Millions of yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (yen)
March 31, 2017	1,113,589	818,542	73.5%	1,919.50
March 31, 2016	1,022,313	774,680	75.8%	1,818.07

(Note) Stockholders' equity (Millions of yen) As of March 31, 2017: 818,440 As of March 31, 2016: 774,459
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)

INDEX

1. Results of Operations and Financial Position	2
(1) Results of Operations and Financial Position Overview	2
(2) Business Prospects	6
(3) Management Policies	6
2. Basic Approach to the Selection of Accounting Standards	7
3. Consolidated Financial Statements	8
(1) Consolidated Balance Sheets	8
(2) Consolidated Statements of Income and Statements of Comprehensive Income	10
(3) Consolidated Statements of Changes in Net Assets	12
(4) Consolidated Statements of Cash Flows	14
(5) Segment and Related Information	15
Appendix: Quarterly Operating Results	

1. Results of Operations and Financial Position

(1) Results of Operations

1) General Overview

With regard to the world economy, during FY 2017 (April 1, 2016 to March 31, 2017), although in the United States and Europe a recovery of the economy was seen, economic growth in Japan was able to record only a slight increase. In China, a gradual slowdown in its economic growth continued, and weakness in the economy was also seen in emerging economies. In Japan, although there was a tendency toward the depreciation of the Japanese yen from the end of November 2016, on the whole during this fiscal year the Japanese manufacturing industry was affected by the increasing tendency toward the appreciation of the Japanese yen.

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; and (3) to continue our policy of strict cost management.

As a result, although the business results for this fiscal year saw a decrease in net sales, mainly due to the effects of the yen's appreciation, we were able to achieve increased profit.

As a result, the business results for FY 2017 are as follows:

	April 2016 – March 2017 (Millions of yen)	Increase / (Decrease)
Net sales	1,237,405	(3.3%)
Operating income	238,617	14.4%
Ordinary income	242,133	10.1%
Profit attributable to owners of parent	175,912	18.2%

The situation of each of our business segments is as follows:

2) Business Segment Overview

PVC/Chlor-Alkali Business

	April 2016 – March 2017 (Millions of yen)	Increase / (Decrease)
Net sales	411,600	(6.8%)
Operating income	53,186	19.0%

With regard to our PVC business, because Shintech in the U.S., making good use of its expanded production capacity, realized sales growth that surpassed that of the industry both within and outside of North America, it achieved a double-digit profit increase. Shin-Etsu PVC in Europe continued steady operation, and its shipments continued to be firm. The PVC business in Japan increased its sales volume both within Japan and outside of Japan and improved its profit.

Silicones Business

	April 2016 – March 2017 (Millions of yen)	Increase / (Decrease)
Net sales	179,275	(4.5%)
Operating income	42,549	2.5%

With regard to the silicones business, in Japan, shipments of product applications for cosmetics and on-board automobiles continued to do well. Globally, although general-purpose products were affected in the first half of the fiscal year by sluggish market prices, shipments of functional products for the United States, China and Southeast Asia were firm.

Specialty Chemicals Business

	April 2016 – March 2017 (Millions of yen)	Increase / (Decrease)
Net sales	108,058	(7.5%)
Operating income	22,233	22.2%

With regard to cellulose derivatives, in Japan, although sales of construction materials products were slow, shipments of pharmaceutical-use products continued to do well. The business of SE Tylose in Europe continued to be steady on the whole for coating products and construction materials products. Shipments were firm in the silicon metal business of Simcoa Operations in Australia, although it was affected by a decline in market prices.

Semiconductor Silicon Business

	April 2016 – March 2017 (Millions of yen)	Increase / (Decrease)
Net sales	252,612	3.8%
Operating income	55,991	19.4%

With regard to semiconductor silicon, together with applications for memory devices continuing to be firm, shipments of logic devices also did well, supported by demand in a wide range of fields for applications such as for smartphones.

Electronics & Functional Materials Business

	April 2016 – March 2017 (Millions of yen)	Increase / (Decrease)
Net sales	187,938	0.6%
Operating income	55,209	7.3%

With regard to the rare earth magnets business, although products for hard-disk drives were slow, products for applications in automobiles were firm, including those for hybrid cars. With regard to the photoresist products business, ArF resists and trilayer materials continued to perform steadily and photomask blanks had good shipments. Although the business of materials for LED packaging was affected by production adjustments made by some customers, optical fiber preform continued to have firm shipments.

Processing, Trading & Specialized Services Business*

*The name of this business segment was changed from the previous name of “Diversified Business” to “Processing, Trading & Specialized Services Business” in FY2017. This change was made in order to make clearer the contents of this business segment. There is no change in the products and services that come under this business segment.

	April 2016 – March 2017 (Millions of yen)	Increase / (Decrease)
Net sales	97,919	(5.3%)
Operating income	9,584	70.2%

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 2017, total assets increased by ¥145,551 million compared with that at the end of the previous fiscal year to ¥2,655,636 million.

Total liabilities increased by ¥35,934 million from that at the end of the previous fiscal year to ¥465,553 million.

Total net assets increased by ¥109,616 million compared with that at the end of the previous fiscal year to ¥2,190,082 million. This increase was mainly due to profit attributable to owners of parent of ¥175,912 million for FY 2017, offset by a cash dividend payment of ¥48,987 million and a decrease in foreign currency translation adjustments of ¥33,412 million as a result of the appreciation of the yen.

4) Status of cash flows

	Millions of yen		
	April 1, 2015 - March 31, 2016	April 1, 2016 - March 31, 2017	Increase (Decrease)
Cash and cash equivalents at beginning of fiscal year	423,846	487,604	63,758
1. Cash flows from operating activities	281,643	290,872	9,229
2. Cash flows from investing activities	(166,599)	1,281	167,880
3. Cash flows from financing activities	(38,941)	(37,199)	1,742
4. Effect of foreign exchange and others	(12,345)	(9,252)	3,093
Net increase (decrease) in cash and cash equivalents	63,757	245,701	181,944
Cash and cash equivalents at end of fiscal year	487,604	733,306	245,701

The balance of cash and cash equivalents at the end of FY 2017 increased by 50.4% (¥245,701 million) compared with that at the end of the previous fiscal year to ¥733,306 million.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥290,872 million, an increase of ¥9,229 million from the previous fiscal year. This consisted mainly of ¥242,133 million in income before income taxes and non-controlling interests, ¥93,087 million in depreciation and amortization, an increase of ¥23,501 million in accounts receivable-trade and ¥62,895 million for the payment of income taxes.

Cash flows from investing activities

Net cash provided by investing activities was ¥1,281 million, while net cash used for investing activities was ¥166,599 million in the previous fiscal year. This was mainly due to proceeds from time deposits and sales of marketable securities of ¥30,289 million and ¥112,380 million, respectively, despite ¥134,897 million for purchases of property, plant and equipment.

Cash flows from financing activities

Net cash used for financing activities decreased by ¥1,742 million from the previous fiscal year to ¥37,199 million. This was mainly due to a cash dividend payment of ¥48,987 million.

(Reference)

The trend of cash flow indices

	For the fiscal year ended				
	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017
Stockholders' equity ratio (%)	82.0	80.6	79.9	80.8	80.3
Stockholders' equity ratio on market value basis (%)	138.3	114.2	136.3	98.8	154.8
Debt repayment ratio (%)	5.6	5.8	5.7	4.7	4.9
Interest coverage ratio (times)	488.4	292.7	311.0	600.8	550.2

(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 Co., Ltd. (the "Company") 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 ¥60 per share, the same amount as the interim dividend of ¥60. Accordingly, the total annual dividend per share for FY 2017 will be an increase of ¥10 over the annual dividend of the previous fiscal year (¥110) to become ¥120 per share.

The forecast for the shareholders' dividend for FY 2018 has not yet been determined.

(2) Business Prospects

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

Facing such a situation, 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 further 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 further 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.

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 2018'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

The Shin-Etsu Group makes safety its utmost priority in each and every instance, and by performing fair corporate activities and by creating value through providing key materials and technologies we contribute to people's daily lives, society and industry. Through these contributions, we aim to meet the expectations of all 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 strive to appropriately respond to changes in the market and the economic situation.

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

Among our main products, there are products that are subject to the influence of changes in the business environment, starting with market conditions. In order to carry out the management of each business under the market conditions in which sudden changes may occur in a short period of time, it is necessary to speedily respond to the changes in the external environment. Based on the policies stated in the previous "Basic management policies" section, we will steadily carry out every day's, every month's and every year's management, and while accumulating a track record of achievements, we will concentrate on making sales and profit grow.

3) Policy Implementation

In the PVC business, together with utilizing its expanded production capacity and at the same time continuing its construction of an ethylene plant, which will manufacture one of the main raw materials for PVC, Shintech Inc. in the U.S. is striving to further strengthen its integrated PVC manufacturing system, starting from the raw materials. By making good use of its advantageous raw materials situation in the U.S. and by continuing to carry out its sales strategies that accurately grasp global trends in demand, Shintech will further solidify its position as the world's largest PVC manufacturer.

In the semiconductor silicon business, we will precisely meet any and all demand for devices by assuring a stable supply of high-quality products to our worldwide customers from our multiple manufacturing bases, both in Japan and outside of Japan. At the same time, we will strengthen our competitive power by assiduously taking such measures as the strengthening of our research and development of silicon wafers for advanced electronics devices and making improvements in productivity.

In the silicones business, in order to steadily capture the demand for highly functional products, which is expected to expand, we are going forward with the expansion of the production capacity of our manufacturing bases in Japan. We are also working on the expansion of our supply system for our worldwide customers through such means as carrying out a large expansion and strengthening of production capacity at our silicones plants in Thailand. Furthermore, we are further strengthening our R&D system by making active use of our Silicone-Electronics Materials Research Center, which was expanded with the completion of the construction of a new research building, as well as our newly opened Technical Center in the U.S. With these measures through research, manufacturing and sales united as one, we will strive for further business expansion both in Japan and globally.

In the rare earth magnets business, to ensure stable procurement of raw materials, we are taking such measures as implementing our own in-house recycling of raw materials and diversifying supply sources. Furthermore, by making full use of our new magnet manufacturing plant in Vietnam that has begun operations, we will move ahead by establishing a stable supply system for rare earth magnets with optimal overseas production bases to meet the demand for these magnets, which is expanding both in Japan and outside of Japan, mainly for applications in automobiles.

In other businesses, in addition to our new U.S. cellulose manufacturing plant for coating products and our new optical fiber preform plant in China, we will make good use of our global plants including a new photomask blanks plant that was constructed at our Takefu Plant in Japan's Fukui Prefecture and a new plant for photoresists that is currently under construction in Taiwan, as we aim to achieve a further leap forward into the world market in these businesses.

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 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, 2016 and 2017

	Millions of yen	
	March 31, 2016	March 31, 2017
ASSETS		
Current Assets:		
Cash and time deposits	597,048	752,675
Notes and accounts receivable-trade	268,905	287,853
Securities	236,486	186,591
Inventories	281,013	267,157
Deferred taxes, current	36,330	35,937
Other	47,689	33,941
Less: Allowance for doubtful accounts	(14,840)	(14,549)
Total current assets	1,452,633	1,549,607
Fixed Assets:		
Property, plant and equipment		
Buildings and structures, net	170,478	174,923
Machinery and equipment, net	410,322	437,775
Land	83,108	86,953
Construction in progress	133,551	139,180
Other, net	7,510	7,737
Total property, plant and equipment	804,972	846,570
Intangible assets	13,152	10,229
Investments and other assets:		
Investments in securities	130,202	135,311
Other	110,932	115,756
Less: Allowance for doubtful accounts	(1,807)	(1,840)
Total investments and other assets	239,327	249,228
Total fixed assets	1,057,451	1,106,028
TOTAL ASSETS	2,510,085	2,655,636

Millions of yen

	March 31, 2016	March 31, 2017
LIABILITIES		
Current Liabilities:		
Notes and accounts payable-trade	115,557	123,823
Short-term borrowings	7,873	12,788
Accounts payable-other	49,071	54,671
Accrued expenses	56,824	61,611
Accrued income taxes	29,519	32,711
Other	23,108	31,392
Total current liabilities	281,954	317,000
Long-term Liabilities:		
Long-term debt	5,288	1,578
Deferred taxes, non-current	96,183	98,228
Net defined benefit liability	33,319	35,809
Other	12,872	12,936
Total long-term liabilities	147,665	148,553
TOTAL LIABILITIES	429,619	465,553
NET ASSETS		
Stockholders' Equity:		
Common stock	119,419	119,419
Additional paid-in capital	128,759	129,626
Retained earnings	1,731,042	1,857,857
Less: Treasury stock, at cost	(33,407)	(31,213)
Total stockholders' equity	1,945,813	2,075,690
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	13,780	22,887
Deferred gains (losses) on hedges	1,611	862
Foreign currency translation adjustments	68,566	35,154
Remeasurements of defined benefit plans	(1,480)	(1,761)
Total accumulated other comprehensive income	82,478	57,142
Share subscription rights	237	152
Non-controlling interests in consolidated subsidiaries	51,936	57,096
TOTAL NET ASSETS	2,080,465	2,190,082
TOTAL LIABILITIES AND NET ASSETS	2,510,085	2,655,636

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

For the fiscal years ended March 31, 2016 and 2017

Consolidated Statements of Income

	Millions of yen	
	April 1, 2015 - March 31, 2016	April 1, 2016 - March 31, 2017
Net sales	1,279,807	1,237,405
Cost of sales	930,019	868,404
Gross profit	349,787	369,001
Selling, general and administrative expenses	141,262	130,383
Operating income	208,525	238,617
Non-operating income:		
Interest income	4,011	4,714
Dividend income	4,506	2,602
Equity in earnings of affiliates	3,302	2,788
Other income	8,684	2,094
Total non-operating income	20,505	12,200
Non-operating expenses:		
Interest expenses	452	529
Foreign exchange loss	2,760	3,697
Loss on retirement of fixed assets	1,329	974
Other expenses	4,483	3,483
Total non-operating expenses	9,025	8,684
Ordinary income	220,005	242,133
Income before income taxes and non-controlling interests	220,005	242,133
Income taxes:		
Current	65,342	67,187
Deferred	4,284	(3,363)
Total income taxes	69,627	63,823
Profit	150,377	178,309
Profit attributable to non-controlling interests	1,537	2,397
Profit attributable to owners of parent	148,840	175,912

Consolidated Statements of Comprehensive Income

	Millions of yen	
	April 1, 2015 - March 31, 2016	April 1, 2016 - March 31, 2017
Profit	150,377	178,309
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	(8,589)	9,149
Deferred gains (losses) on hedges	1,703	(753)
Foreign currency translation adjustments	(33,370)	(34,265)
Remeasurements of defined benefit plans	1,905	(280)
Share of other comprehensive income of affiliates accounted for using the equity method	(141)	(205)
Total other comprehensive income	(38,491)	(26,356)
Comprehensive income	111,885	151,953
 (Breakdown)		
Comprehensive income attributable to owners of parent	112,017	150,576
Comprehensive income attributable to non-controlling interests	(132)	1,376

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2016

(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	128,572	1,626,873	(33,837)	1,841,029
Changes during the year					
Cash dividends			(44,720)		(44,720)
Profit attributable to owners of parent			148,840		148,840
Purchase of treasury stock				(16)	(16)
Disposal of treasury stock		(19)		445	425
Others		206	49		255
Net changes of items other than stockholders' equity					
Total changes during the year	-	186	104,168	429	104,784
Balance at the end of the year	119,419	128,759	1,731,042	(33,407)	1,945,813

(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	22,349	(91)	100,425	(3,382)	119,300	139	52,242	2,012,711
Changes during the year								
Cash dividends								(44,720)
Profit attributable to owners of parent								148,840
Purchase of treasury stock								(16)
Disposal of treasury stock								425
Others								255
Net changes of items other than stockholders' equity	(8,568)	1,703	(31,858)	1,901	(36,822)	97	(306)	(37,030)
Total changes during the year	(8,568)	1,703	(31,858)	1,901	(36,822)	97	(306)	67,753
Balance at the end of the year	13,780	1,611	68,566	(1,480)	82,478	237	51,936	2,080,465

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)
Profit 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)
Profit 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

(4) Consolidated Statements of Cash Flows

For the fiscal years ended March 31, 2016 and 2017

	Millions of yen	
	April 1, 2015 - March 31, 2016	April 1, 2016 - March 31, 2017
Cash flows from operating activities:		
Income before income taxes and non-controlling interests	220,005	242,133
Depreciation and amortization	100,466	93,087
Increase (decrease) in allowance for doubtful accounts	4,128	(165)
Increase (decrease) in net defined benefit liability	2,461	1,384
Interest and dividend income	(8,517)	(7,317)
Interest expenses	452	529
Exchange (gain) loss	4,451	2,370
Equity in (earnings) losses of affiliates	(3,302)	(2,788)
(Increase) decrease in notes and accounts receivable	20,180	(23,501)
(Increase) decrease in inventories	(8,510)	10,621
(Increase) decrease in long-term advance payment	3,900	3,180
Increase (decrease) in notes and accounts payable	(4,610)	9,606
Other, net	15,508	17,380
Subtotal	346,614	346,522
Proceeds from interest and dividends	9,133	7,774
Payments of interest	(468)	(528)
Payments of income taxes	(73,635)	(62,895)
Net cash provided by operating activities	281,643	290,872
Cash flows from investing activities:		
Net (increase) decrease in time deposits	(79,555)	30,289
Net (increase) decrease in marketable securities	74,247	112,380
Purchases of property, plant and equipment	(147,227)	(134,897)
Purchases of intangible assets	(818)	(1,377)
Purchases of investments in securities	(1,854)	(1,613)
Proceeds from sales and redemption of investments in securities	5,310	53
Other, net	(16,703)	(3,553)
Net cash provided by (used for) investing activities	(166,599)	1,281
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	151	520
Proceeds from long-term debt	-	25
Repayments of long-term debt	(875)	(212)
Purchases of treasury stock	(16)	(19)
Cash dividends paid	(44,720)	(48,987)
Other, net	6,518	11,474
Net cash used for financing activities	(38,941)	(37,199)
Effect of exchange rate changes on cash and cash equivalents	(12,513)	(13,584)
Net increase (decrease) in cash and cash equivalents	63,589	241,369
Cash and cash equivalents at beginning of year	423,846	487,604
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	167	4,332
Cash and cash equivalents at end of year	487,604	733,306

(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
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

*The name of this business segment was changed from the previous name of "Diversified Business" to "Processing, Trading & Specialized Services Business" in FY2017. This change was made in order to make clearer the contents of this business segment. There is no change in the products and services that come under this business segment.

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, 2017 (From April 1, 2016 to March 31, 2017)

	Millions of yen							Adjustment* ²	Figures in consolidated financial statements
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Processing, Trading & Specialized Services* ¹	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

(2) For the fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

	Millions of yen							Adjustment* ²	Figures in consolidated financial statements
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Processing, Trading & Specialized Services* ¹	Total		
Sales to outside customers	441,701	187,748	116,849	243,326	186,765	103,415	1,279,807	-	1,279,807
Intersegment sales	3,210	9,264	12,665	3	7,490	72,247	104,882	(104,882)	-
Total	444,912	197,012	129,515	243,329	194,256	175,662	1,384,689	(104,882)	1,279,807
Segment income (Operating income)	44,690	41,500	18,190	46,911	51,453	5,631	208,377	147	208,525
Depreciation and amortization	33,338	11,901	11,215	23,496	16,267	4,516	100,735	(268)	100,466
Increase in property, plant and equipment and intangible assets	62,488	20,462	12,382	17,675	16,682	5,505	135,196	(442)	134,753

*¹The name of this business segment was changed from the previous name of “Diversified Business” to “Processing, Trading & Specialized Services Business” in FY2017. This change was made in order to make clearer the contents of this business segment. There is no change in the products and services that come under this business segment.

*²Elimination of intersegment transactions

2) Related Information

Geographic Information

(Net Sales)

(1) 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

(2) For the fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

Millions of yen						
Japan	U.S.	Asia/Oceania		Europe	Other	Total
		China	Other			
331,427	295,687	115,215	279,472	144,713	113,291	1,279,807

Appendix: Quarterly Operating Results

(Billions of yen)

	FY 2016 April 1, 2015 - March 31, 2016					FY 2017 April 1, 2016 - March 31, 2017				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
	Net Sales	314.0	331.7	330.0	303.8	1,279.8	300.7	312.3	309.2	315.1
PVC / Chlor-Alkali	102.8	117.7	118.2	102.7	441.7	93.9	107.8	106.4	103.4	411.6
Silicones	46.8	48.3	46.8	45.7	187.7	45.4	44.5	43.4	45.8	179.2
Specialty Chemicals	29.7	30.0	29.5	27.6	116.8	28.5	27.0	26.4	26.0	108.0
Semiconductor Silicon	62.6	63.4	62.5	54.6	243.3	62.5	60.7	62.7	66.4	252.6
Electronics & Functional Materials	48.5	46.3	44.9	46.9	186.7	46.9	46.3	45.6	49.0	187.9
Processing, Trading & Specialized	23.4	25.9	27.9	26.0	103.4	23.4	25.8	24.4	24.2	97.9
Operating Income	51.4	58.4	52.6	46.0	208.5	60.0	62.0	59.0	57.5	238.6
PVC / Chlor-Alkali	10.6	13.3	12.6	8.0	44.6	13.2	16.9	14.1	8.8	53.1
Silicones	10.2	10.3	10.8	10.1	41.5	10.2	10.3	11.0	10.9	42.5
Specialty Chemicals	4.7	5.1	4.4	3.8	18.1	6.3	5.6	4.9	5.2	22.2
Semiconductor Silicon	11.8	15.1	10.3	9.5	46.9	13.6	12.4	13.3	16.4	55.9
Electronics & Functional Materials	12.3	12.7	13.1	13.1	51.4	14.0	13.8	13.5	13.8	55.2
Processing, Trading & Specialized	1.3	1.7	1.0	1.5	5.6	2.6	2.6	2.0	2.2	9.5
Ordinary Income	55.0	58.0	57.7	49.2	220.0	57.8	60.3	66.8	57.0	242.1
Profit Attributable to Owners of Parent	37.6	39.0	39.7	32.4	148.8	45.3	42.1	47.7	40.6	175.9
Depreciation and Amortization	25.4	25.5	26.2	23.1	100.4	20.7	23.0	23.7	25.5	93.0
Capital Expenditures	24.4	30.4	42.0	37.7	134.7	27.1	33.4	32.6	52.4	145.6
R&D Costs	13.8	15.2	14.2	9.9	53.1	12.5	10.9	13.1	12.3	49.0
Overseas Sales	228.9	247.6	246.2	225.6	948.3	215.7	229.2	223.3	227.0	895.4
Ratio of Overseas Sales to Net Sales	73%	75%	75%	74%	74%	72%	73%	72%	72%	72%

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

* The name of this business segment was changed from the previous name of "Diversified Business" to "Processing, Trading & Specialized Services Business" in FY2017. This change was made in order to make clearer the contents of this business segment. There is no change in the products and services that come under this business segment.