



Advancing Our Value

ANNUAL REPORT 2014

For the year ended March 31, 2014

Shin-Etsu Chemical Co., Ltd.

ShinEtsu



Advancing Our Value

The Shin-Etsu Group contributes to progress in industry and the lives of people—that is the value we offer. We do this by ensuring the consistent supply of our high-quality materials, and the creation of cutting-edge materials with new functions. Those materials are essential for the vital infrastructures that make people's lives more comfortable and convenient. We deliver our value to the world by supplying our materials across a multitude of market sectors. And to even further advance our value, we continue to make substantial investments for growth around the world.



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Forward-Looking Statements

This annual report contains forward-looking statements regarding the Company's plans, outlook, strategies and results for the future. All forward-looking statements are based on judgments derived from the information available to the Company at the time of publication.

Certain risks and uncertainties could cause the Company's actual results to differ materially from any projections presented in this report. These risks and uncertainties include, but are not limited to, the economic circumstances surrounding the Company's businesses, competitive pressures, changes in related laws and regulations, status of product development programs, and changes in exchange rates.

At a Glance

Major Performance Indicators (Fiscal 2014)

Net Sales

1,166

billion yen

↑ Up 13.7%

FY 2013: 1,025 billion yen
FY 2012: 1,048 billion yen

Operating Income

174

billion yen

↑ Up 10.7%

FY 2013: 157 billion yen
FY 2012: 150 billion yen

Ordinary Income

181

billion yen

↑ Up 6.1%

FY 2013: 170 billion yen
FY 2012: 165 billion yen

Net Income

114

billion yen

↑ Up 7.5%

FY 2013: 106 billion yen
FY 2012: 101 billion yen

Overseas Sales Ratio

71.2%

Ordinary Income to
Net Sales Ratio

15.5%

Stockholders' Equity Ratio

80.6%

Net Assets: 1,822 billion yen

Capital Expenditures

83.2

billion yen

Aa3 The Highest Credit Rating among the World's Publicly Owned Chemical Companies

Shin-Etsu received an Aa3 credit rating from Moody's Japan K.K. in April 2007, and has retained this rating since then. It is the highest rating among all of the world's publicly owned chemical companies. Moody's states that Shin-Etsu has maintained strong financial profile and its strong balance sheets and excellent liquidity, including substantial earnings from overseas, will mitigate the weakened state of the domestic business environment.

Ranking	Company	Long-term rating	Country
1.	Shin-Etsu Chemical Co., Ltd.	Aa3	Japan
2.	BASF (SE) Monsanto Company	A1	Germany U.S.A.
3.	Air Products and Chemicals, Inc. Asahi Kasei Corporation E.I. du Pont de Nemours and Company Linde AG Praxair, Inc. Sigma-Aldrich Corporation Syngenta AG	A2	U.S.A. Japan U.S.A. Germany U.S.A. U.S.A. Switzerland

As of June 25, 2014

Source: Shin-Etsu Chemical, based on Moody's data

The Shin-Etsu Group's Segment Overview



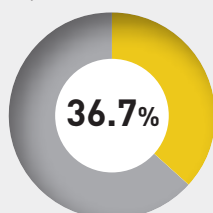
PVC Chlor-Alkali

Main Products

- Polyvinyl chloride
- Caustic soda
- Methanol
- Chloromethane

Net Sales

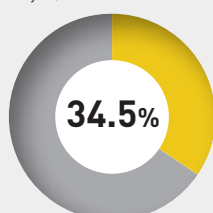
(Billions of yen)



2014	427.9	↑	Up
2013	343.7		24.5%

Operating Income

(Billions of yen)



2014	60.1	↑	Up
2013	45.6		32.0%



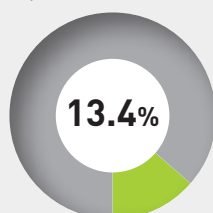
Silicones

Main Product

- Silicones

Net Sales

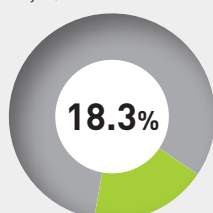
(Billions of yen)



2014	156.4	↑	Up
2013	129.0		21.2%

Operating Income

(Billions of yen)



2014	31.8	↑	Up
2013	28.6		11.0%



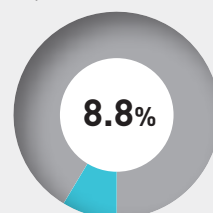
Specialty Chemicals

Main Products

- Cellulose derivatives
- Silicon metal
- Poval (Polyvinyl alcohol)
- Synthetic pheromones

Net Sales

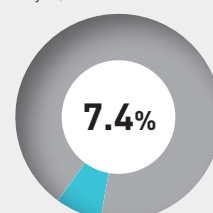
(Billions of yen)



2014	103.2	↑	Up
2013	83.5		23.6%

Operating Income

(Billions of yen)



2014	12.8	↓	Down
2013	14.5		11.8%



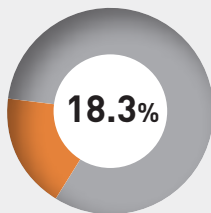
Semiconductor Silicon

Main Product

- Semiconductor silicon

Net Sales

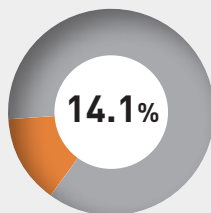
(Billions of yen)



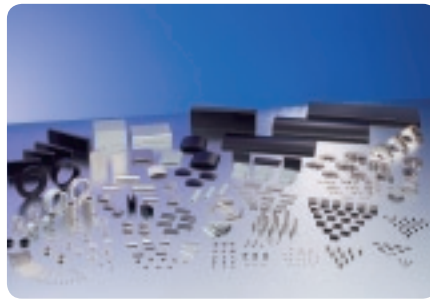
2014	213.2	↑ Up 5.3%
2013	202.5	

Operating Income

(Billions of yen)



2014	24.5	↑ Up 11.5%
2013	21.9	



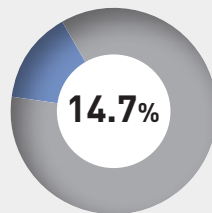
Electronics & Functional Materials

Main Products

- Rare earth magnets
- Encapsulation materials
- Photoresists
- Photomask blanks
- Synthetic quartz products

Net Sales

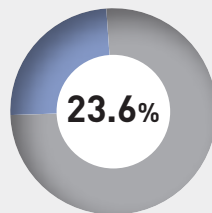
(Billions of yen)



2014	171.0	↓ Down 6.5%
2013	182.8	

Operating Income

(Billions of yen)



2014	41.0	↑ Up 0.3%
2013	40.9	



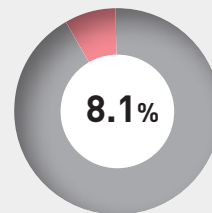
Diversified Business

Main Products and Services

- Processed plastics
- Export of plant equipment
- International trading
- Engineering
- Information processing

Net Sales

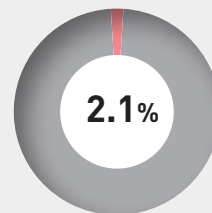
(Billions of yen)



2014	94.1	↑ Up 12.2%
2013	83.9	

Operating Income

(Billions of yen)



2014	3.7	↓ Down 34.5%
2013	5.6	

Message from the Chairman

Advancing Our Value with a Challenging Spirit



We wish to express our sincere appreciation to all our stockholders for your continued support and understanding. We are pleased to report on the performance of the Shin-Etsu Group in fiscal 2014, highlighting year over year growth in both sales and profits.

Chihiro Kanagawa
Chairman

Since fiscal 2010, we have been increasing earnings, both in the amount and per share, every year.

As it made a significant contribution to the Group's recent results, let me first point to our polyvinyl chloride (PVC) operation in North America, namely Shintech Inc. Toward the end of 2004, I made a pivotal decision for Shintech. That was a capital investment of about US\$2.5 billion to build major integrated PVC production facilities in the United States. I did so during a period in which U.S. chemical industries began to look elsewhere in the world while rationalizing the capacities in the U.S. We started up the facilities in June of 2008, three months before the worldwide financial crisis broke out. Despite the crisis, with strong footholds in each global market, we have been essentially selling out the capacities. In the meantime, a positive effect from U.S. shale gas development started to kick in. We have been seeing more of it since 2012. With major chemical facilities in the US Gulf Coast and long-standing business relationships with many customers around the world,

we are hopeful that we will benefit from improved energy and feedstock economics in the U.S. We are currently moving forward with the expansion of Shintech's production capacities, which will come in service in 2015. In addition, we are evaluating our own ethylene production capability at Shintech sites. We will make the final investment decision this year.

Of course, we also intend to invest in a wide variety of products in the Shin-Etsu Group.

In the silicones business, we are focusing on developing high value-added products by using silicone's inherent characteristics, which provide diverse functions for use in a wide array of industries. We are working to strengthen our overseas bases in Asia, including China and also in the U.S.

Currently, we are constructing a rare earth magnet plant in Vietnam for the sintering process for magnetization. This is one of the key processes currently

conducted only in Japan. Expanding that process to Vietnam diversifies our stable supply options and reduces the risk of supply interruptions.

In the cellulose business, we are constructing a manufacturing plant for hydroxyethyl cellulose (HEC) in Louisiana, U.S. HEC is used mainly for water-soluble coatings for paints. The demand for HEC is expected to grow strongly in the future. Having two production bases enables us to assure a stable supply to our customers as well as providing us with production in the Euro zone and U.S. dollar zone, which offers flexibility in dealing with the effects of foreign exchange fluctuations.

We continue to diligently pursue research and development seeking new materials and applications. Photoresists and photomask blanks are examples of products developed thanks to the indomitable spirit of our researchers. It took a long time and tremendous effort to develop these materials. Those products continue to contribute to our revenues. In this manner, we are carefully watching the cutting edge needs, and persisting in efforts to keep such products emerging from our R&D pipeline.

We place a priority on providing a suitable return of business profits to our stockholders. We believe a stable and appropriate dividend is in the best interest of our wide range of stockholders. I would like to note that we did not reduce our dividends in the year of the financial crisis, but rather increased the total annual dividend in fiscal 2009.

As mentioned earlier, we have expanded our businesses through large-scale investments, and for the success of these investments, we must be able to execute them with the right timing. Thanks to our strong financial position, we have been able to make major investments in a timely manner without outside financing. We also believe that the most important mission for management is to sustain and develop the Company, even in the fluctuating global economy. Considering these points, we are working to develop a financial base that can overcome severe economic crises or sharp declines in demand.

As the Shin-Etsu Group moves forward, we will remain steadfast in our efforts to enhance corporate value and to meet the expectations of its stockholders. We thank you for your continued support and confidence as we seek opportunities to expand.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'C. Kanagawa', with a stylized flourish at the end.

Chihiro Kanagawa
Chairman

Advancing Our Global Operations

Since establishing its first overseas subsidiary in 1960, the Shin-Etsu Group has added manufacturing and sales bases worldwide in the most appropriate locations in each business segment. Backed by a production network directly linked to markets around the world, we have become one of the world's largest suppliers for a number of our major products. To reinforce these market positions, we conduct extensive sales activities around the world and constantly enhance our technologies and the quality of our products while developing new products. We are also strengthening our operating bases. We make substantial investments in market sectors where demand is expected to grow, and manufacture our major products such as PVC, silicone and semiconductor silicon at more than one location to upgrade our ability to maintain a stable supply.

Products with Top Market Shares

The Shin-Etsu Group supports its customers and responds to their needs through numerous activities. We have established manufacturing bases for a stable supply of high-quality products. We also develop superior manufacturing processes and quickly develop products for specific applications and purposes. Due to these activities, our PVC and semiconductor silicon rank among the world's top shares.

PVC plays a central role in our communities and lives in the form of a diverse range of products extending from infrastructure components to household products. More growth in demand is anticipated, mainly in emerging countries with rapidly expanding economies. To meet the increasing global demand for PVC, we will continue to strengthen our

integrated manufacturing infrastructure that begins with raw materials at Shintech Inc., our group company.

Semiconductor silicon is the base for semiconductor devices that are vital to the operation of PCs, smartphones, digital home electronics, automotive electronic components and many other electronic devices. To meet the ever-increasing need for higher-level technological requirements associated with miniaturization and higher performance, the Shin-Etsu Group uses its advanced R&D capabilities and manufacturing technology to continuously develop higher-quality wafers and maintain stable supplies to our customers.



Shintech: Making the World's No. 1 PVC Business Even Stronger



Plaquemine plant

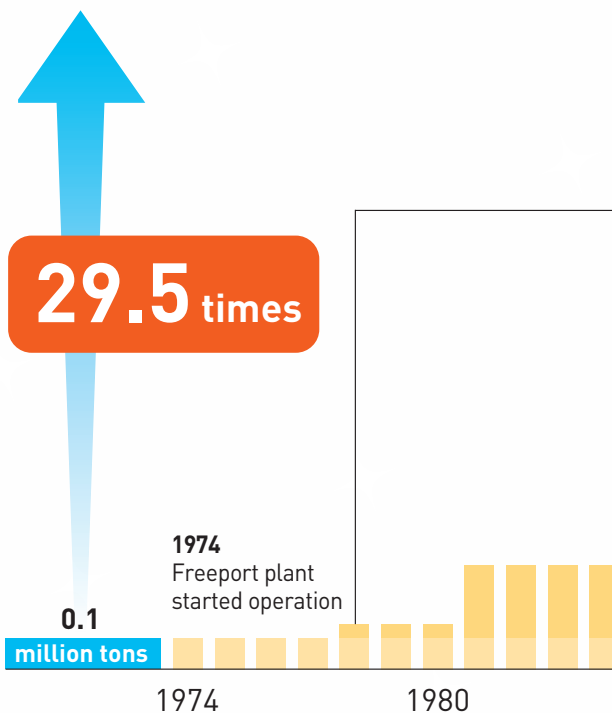
Shintech, a subsidiary of the Shin-Etsu Group in the U.S., is the world's largest manufacturer of PVC. By performing aggressive sales activities in the U.S. and worldwide, Shintech has achieved consistent growth while minimizing the effects of the changes in the U.S. economy. Over the years, Shintech has added production capacity in a timely manner while assessing trends changes in PVC demand. Currently, Shintech has an annual PVC production capacity of 2.63 million tons.

To continue to meet the growing global demand for PVC, Shintech makes investments to strengthen its ability to produce raw materials. Salt is one key raw material for PVC. In 2011, Shintech completed construction of the Plaquemine plant in Louisiana, an integrated facility that performs almost every step of the PVC production process: rock salt mining, refining to extract salt, salt electrolysis to produce chlorine, production of vinyl chloride monomer (VCM), and production of PVC resin.

Construction for the purpose of increasing the production capacity at this facility is now underway, with completion scheduled for 2015. Annual production capacity will increase by about 300,000

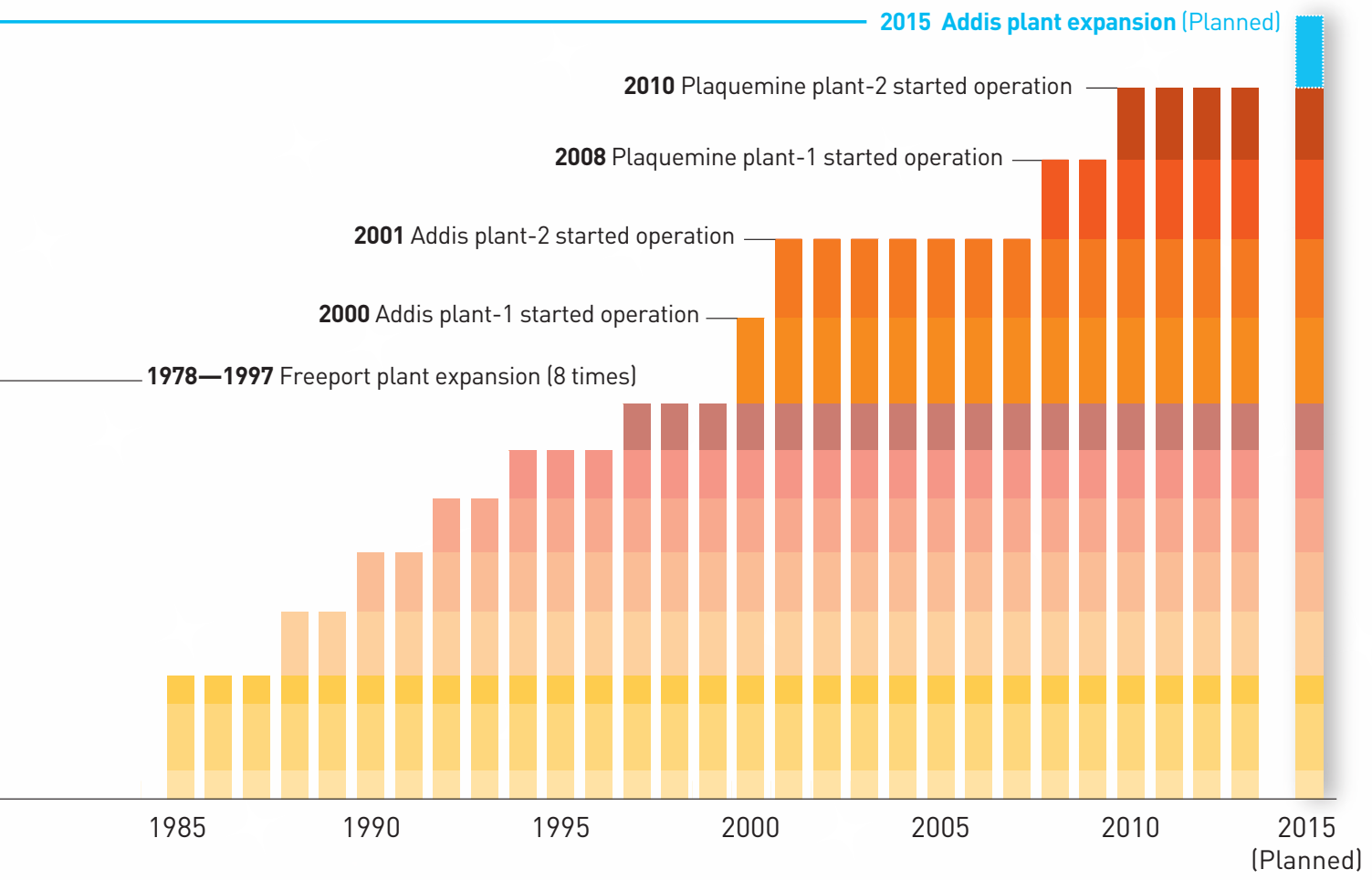
Shintech's Total PVC Production Capacity

2.95 million tons
(Planned for 2015)



tons for VCM, 200,000 tons for caustic soda and 300,000 tons for PVC. Overall, Shintech's annual production capacity of PVC will climb to 2.95 million tons, which is approximately 30 times higher than it was when Shintech started manufacturing PVC 40 years ago.

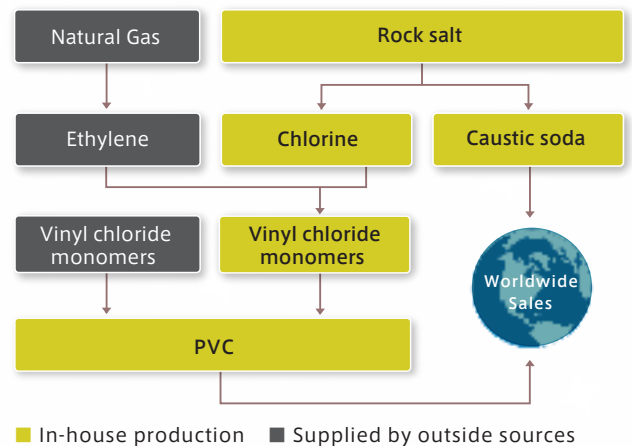
Shintech is giving consideration to the internal production of ethylene, one of the primary raw materials for PVC, to further strengthen its PVC production system. One step in this direction was the 2014 application to the Louisiana Department of Environmental Quality for a permit to construct an ethylene plant. Simultaneously with this application



Rock salt mine

process, Shintech is studying the amount to be invested, the time of construction for the plant and other items involving this project.

Shintech's Integrated Production Facilities



Diversified Production Bases

Maintaining a consistent supply of high-quality products for customers is one of the highest priorities of the Shin-Etsu Group. We manufacture our major products at more than one location, so that even if a natural disaster or other event disrupts operations at a facility, we can continue to supply a product from one or more other facilities. For PVC resin, which is one of our major products, we have plants in the U.S. and Europe, Japan. For semiconductor silicon and silicones as well, we have production facilities conveniently located in the areas where there is demand for these materials worldwide. We also plan to establish multiple production bases for other products and strengthen our supply system for customers globally.

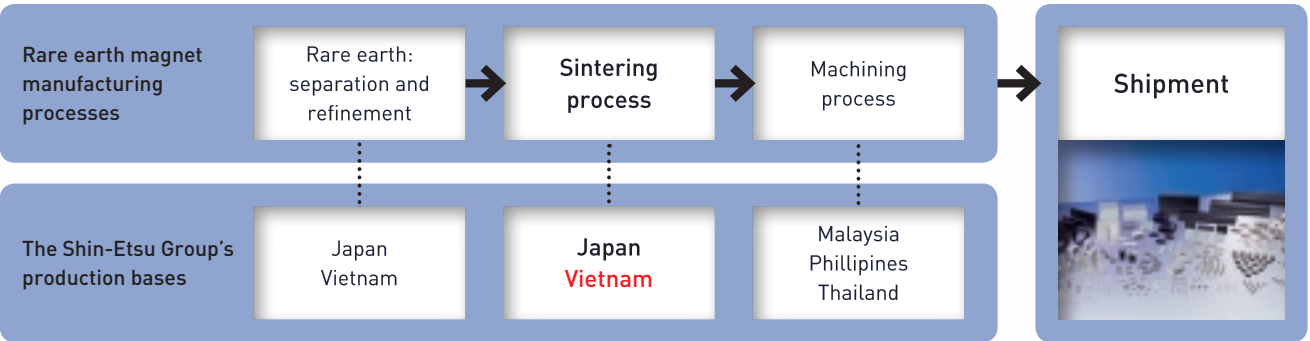
New Rare Earth Magnet Plant in Vietnam

The Shin-Etsu Group is building a new rare earth magnet manufacturing plant in Vietnam. The new facility will include processes that are currently performed only at the plant in Japan. Establishing two locations for these processes will strengthen our rare earth magnet supply system for the customers. Additionally, we will proactively work to be certain to capture the expected large expansion in demand for these magnets, mainly for automobile applications.



Shin-Etsu Magnetic Materials Vietnam Co., Ltd.

The Shin-Etsu Group's rare earth magnet manufacturing processes and its multiple production bases



Technology



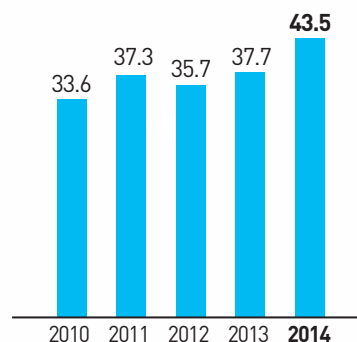
Research & Development

The Shin-Etsu Group's R&D focuses on creating unique technologies that differentiate us from competitors. In addition, to improve the quality and productivity of current products, we also develop technologies to commercialize new research themes in order to create major products of the future. We select new businesses development based on market size, growth potential, profitability, and the relationship to our existing technologies and expertise. Once selected, we check progress toward commercialization. In addition, we are working on new business models in domains that span several of our research facilities. Also, we focus on performing new types of research that maximize our collective strengths as we bolster collaboration among the Group's research facilities. We aim to launch products that take full advantage of the distinctive strengths of the Shin-Etsu Group.

Intellectual Property

Patents, technologies and other intellectual property are valuable assets of the Shin-Etsu Group. As of March 31, 2014, the group had 6,515 patents in Japan and 8,452 overseas patents, including 205 patents newly registered in the U.S. in 2013. We are in the top class among Japanese chemical companies for patents in the U.S.

R&D Costs (Billions of yen)



Number of Patents by Region

● Number of patents acquired during the year ended March 31, 2014

Japan	933
North America	205
Asia/Oceania	550
Europe	348
Other Areas	2
Total	2,038

● Cumulative number of patents acquired as of the end of FY 2014

Japan	6,515
North America	2,533
Asia/Oceania	3,064
Europe	2,794
Other Areas	61
Total	14,967

Priority Sectors for Growth

For the development of new products, the Shin-Etsu Group targets new business domains like energy and health care as well as priority sectors like semiconductor-related materials where the Group already has many strengths. Energy is one of the five priority domains for new business. In this field, we are developing a silicon-based material for high-capacity lithium-ion batteries. Demand for these batteries is climbing along with the popularity of smartphones and tablet PCs. We aim for developing new products for this growing market. In health care, we have invested in NanoCarrier Co., Ltd., a Japanese pharmaceutical venture company, and are involved in joint research for materials that efficiently deliver drugs to the targeted area of the body.



Technology

Products for the Semiconductor Industry

In the semiconductor manufacturing sector, the Shin-Etsu Group supports the progress of the industry as a global supplier of a broad range of materials. Our product lineup extends from the raw material silicon metal to chief material silicon wafers, process materials for electrical circuit printing, and materials for IC chip assembly. Through customer's evaluation of these products, the Shin-Etsu Group's technologies make a great contribution to further progress in the performance of semiconductors.

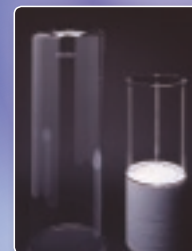
Epoxy Molding Compounds

The Shin-Etsu's epoxy molding compounds provide excellent reliability and moldability due to the utilization of the Shin-Etsu's own silicone low-stress technology, special filler technology and unique flame retardation technology, or "green compound technique."



Quartz Glass for Semiconductor Production Processes

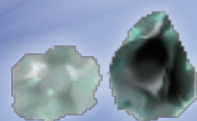
Wafers are fixed in a boat (right) and placed in a furnace tube made of quartz glass (left) for oxidation, diffusion and CVO processes. The quartz glass products of Shin-Etsu Quartz Products Co., Ltd., meet customers' needs for high-temperature processes.



Raw Material

Silica and Silicon Metal

Simcoa Operations Pty. Ltd. of Australia has long-standing silica mining rights and produces silicon metal, a main raw material for semiconductor silicon, silicone and synthetic quartz. It provides key support to the Shin-Etsu Group by ensuring a stable, long-term supply of high-quality silicon metal.



Silica and silicon metal



Polycrystal



Single crystal growth

Silicon Wafer Production

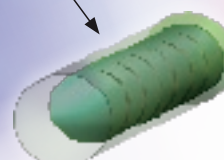
Silicon Carbide Products

The silicon carbide products of Shinano Electric Refining Co., Ltd., greatly contribute to improving precise processing of silicon wafers through their use as sawing materials and abrasives.



Cutting and polishing

Silicon wafer, epitaxial wafer



Oxidation, diffusion, thin film formation



Wafer containers

Silicon Wafers

The Shin-Etsu was first to globally mass produce 300mm silicon wafers in 2001. Shin-Etsu Handotai Co., Ltd., established defect-free technology for single crystals and high-flatness processing technology for silicon wafers, gaining strong customer trust for its quality technologies and commercial production capabilities.



Wafer Containers

Group company Shin-Etsu Polymer Co., Ltd., has an excellent track record in front opening shipping boxes (FOSB) and front opening unified pods (FOUP).



Device Production

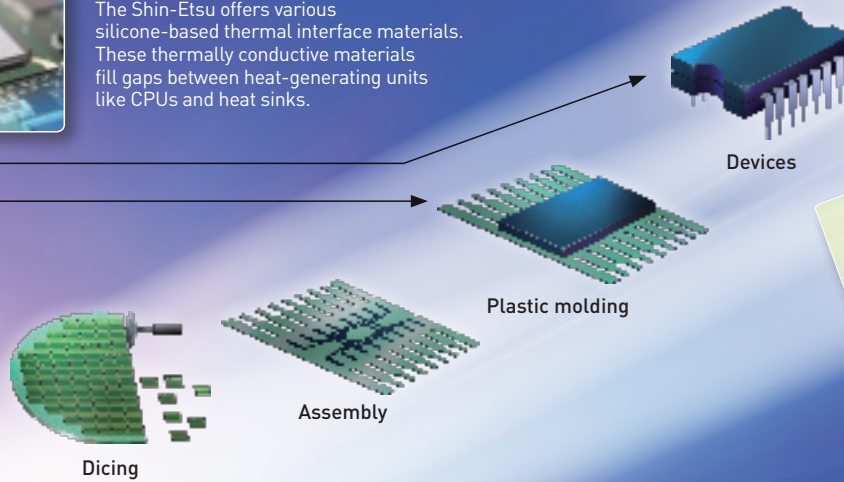


Silicone-based Thermal Interface Materials

The Shin-Etsu offers various silicone-based thermal interface materials. These thermally conductive materials fill gaps between heat-generating units like CPUs and heat sinks.



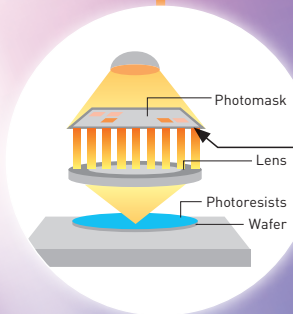
Application



Pattern Formation



Pattern formation



Photomask Blanks

Photomask blanks are photomask materials used for etching circuit patterns on silicon wafers. In fiscal 2009, the Shin-Etsu began commercial production of cutting-edge photomask blanks, which are indispensable to the refining of semiconductors.



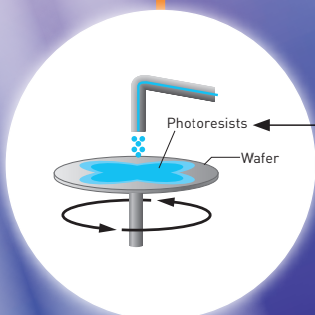
Synthetic Quartz Photomask Substrates for LSIs

Used to transfer circuit patterns to semiconductor wafers, these photomask substrates have earned a reputation among customers for outstanding quality and consistency of supply. In recent years, these substrates are also being used as raw materials for photomask blanks.



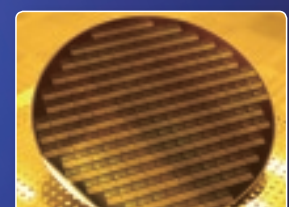
Pellicles

The Shin-Etsu supplies high-quality pellicles for ArF and KrF excimer laser lithography. These products have high light-resistance and good transmission uniformity. In addition, the Shin-Etsu has succeeded in the development of super large-size pellicles for the production of liquid crystal display (LCD) panels.



Photoresists

The Shin-Etsu developed the first photoresist for use with the short wavelength excimer laser in 1996, and has become the leading manufacturer in this field. Sales have also begun for trilayer materials used in post-45nm generation refined processes.



Message from the President

Advancing Our Performance



I would like to begin by expressing my sincere appreciation to our stockholders for their support and understanding.

Shunzo Mori
President

With regard to global activity, the economy continued to recover slowly in the U.S. Economic growth slowed in emerging countries of Asia and other regions. The European economy remained generally flat due to the impact of financial problems. In Japan, the economy staged a recovery due to rebounds in exports with the weaker yen, supported by increased consumer spending. Falling unemployment also contributed to this upturn.

At the Shin-Etsu Group, there were extensive sales activities targeting a broad spectrum of customers worldwide. Also, we concentrated on upgrading our technologies and the quality of our existing products in addition to developing new ones. Other priorities included the expansion of production capacity, the geographic disperse of manufacturing bases and the securement of stable supplies of raw materials. All of these activities were aimed at building an even stronger foundation for our business operations.

These measures resulted in growth in sales and earnings. Compared with the previous fiscal year, net sales for fiscal 2014 increased 13.7% to ¥1,165,819

million. Operating income increased 10.7% to ¥173,809 million from the previous fiscal year. Ordinary income also increased 6.1% to ¥180,605 million over the previous fiscal year. Our equity ratio remained high at 81%.

Business segment performance was as follows:

In the PVC/Chlor-Alkali business, shipments by our U.S. subsidiary, Shintech, were consistently high due to increased sales to customers in the United States and elsewhere around the world. Capacity utilization at our integrated production facilities, which start with raw materials, was high as well. As a result, this segment achieved record-high net income for the second consecutive year, making a significant contribution to the growth of consolidated earnings.

In the Silicones business, there were strong sales in Japan for value-added silicone products used in the automobiles and cosmetics fields. Outside Japan, functional products sold in Europe and the U.S. and general-purpose products sold in China all performed well.

Performance in the Semiconductor Silicon business was strong overall despite the effects of a seasonal decline in the production of some finished products. The PC sector was sluggish but there was solid demand for semiconductor devices used in portable products such as smartphones and tablets as well as in automotive electronics. Segment income increased along with measures to maintain a stable supply of medium and high-grade wafers for customers while continuing to develop advanced products and raise productivity.

In the Electronics & Functional Materials business, sales of rare earth magnets for hybrid and other automobiles were strong. The performance in this segment also benefited from brisk sales of photoresist products and photomask blanks in tandem with progress in semiconductor device miniaturization.

The gradual recovery of the global economy is expected to continue, but there are concerns about the effects of financial problems in Europe and the outlook for countries with emerging economies is uncertain. Furthermore, despite expectations for a continuation of Japan's economic recovery, the outlook is unclear because of factors such as the increase in taxes and the possibility of an economic downturn overseas.

The Shin-Etsu Group will continue to conduct aggressive sales activities that reflect current conditions in the global markets and accurately target markets where demand is growing. Building manufacturing plants in the best locations and expanding current production facilities are two more ongoing measures. By taking these actions, we plan to enlarge our global operations even faster. There will also be more initiatives to improve

productivity and product quality. Developing products that have special characteristics and maintaining a stable supply of raw materials are two more objectives. We plan to use all of these measures to build a solid foundation of business operations for the entire Group.

For our business activities, our central management objective is to operate with fairness, in strict compliance with laws and regulations, while always placing safety first. We have a rigorous system of internal controls, and in addition, outside directors and outside audit & supervisory board members oversee management from an independent standpoint. We are determined to use measures like these to further heighten the soundness and transparency of the Shin-Etsu Group's management.

The Shin-Etsu Group will make every effort to meet the expectations of stockholders through growth in corporate value by developing new materials and technologies to contribute to progress in our lives, industry and society.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Shunzo Mori', with a long horizontal line extending to the right.

Shunzo Mori
President

Review of Operations

PVC/Chlor-Alkali Business



Polyvinyl chloride (PVC)

Business Profile

PVC is a general-purpose resin that is easy to process, environmentally friendly, easy to recycle and highly durable, and has other valuable properties. This material is used to make products that are vital to people's lives, including infrastructure such as water and sewage pipes and also housing, construction materials and household products.

The Shin-Etsu Group started PVC operations outside Japan in 1960, and now we have manufacturing bases in the U.S. and Europe as well as Japan. Today, we are the world's largest PVC manufacturer with an annual production capacity of 3.83 million tons. Demand for PVC is increasing worldwide. In emerging countries, demand is growing for use in infrastructure projects. In developed countries, rising interest in energy conservation is supporting the growing use of PVC window frames. In this manner, PVC demand is expanding globally.



Polyvinyl Chloride

Major Product and Applications

- PVC
 - PVC pipes
 - Infrastructure
 - Films and sheets
 - Electrical wire covering

Silicones Business



Silicones

Business Profile

Silicone is a highly functional material that has many kinds of characteristics and various physical forms, such as an oil, resin or rubber. Moreover, it is possible to add new functions to silicone's inherent properties as well as create combinations with the properties of other materials to achieve new degrees of functionality.

The Shin-Etsu Group constantly develops new products and technologies with know-how accumulated over 60 years. Currently, we supply more than 5,000 types of silicone products. Markets are diverse, including home appliances, automobiles, cosmetics, health care and housing. This diversity provides a sound base for consistent earnings.



Silicone oil

Major Product and Applications

- Silicones
 - Electric and electronics products
 - Cosmetics and toiletries
 - Automobiles
 - Construction and civil engineering

Review of Operations

Specialty Chemicals Business



Cellulose derivatives

Business Profile

Cellulose derivatives are made from wood pulp and are a nature-friendly material used in a broad spectrum of applications. They are used in pharmaceutical coatings and binders for tablets and granules, which require an extremely high level of safety. They are also used in automotive parts, and construction and civil engineering materials. The Shin-Etsu Group is Japan's largest supplier of cellulose derivatives.

Synthetic pheromones are a revolutionary product for controlling harmful insects in a manner that is environmentally responsible. This segment also includes the manufacture of silicon metal, the primary raw material for semiconductor silicon, silicone and synthetic quartz, all of which are major products of the Shin-Etsu Group.



Cellulose derivatives powder

Major Product and Applications

- Cellulose derivatives
 - Pharmaceuticals
 - Construction and civil engineering
 - Industrial applications

Semiconductor Silicon Business



Semiconductor silicon

Business Profile

Silicon wafers are essential for the production of semiconductor devices, which are used in products such as PCs, mobile phones, digital home appliances and automotive electronics. High integration and advanced performance of these devices have made the miniaturization of electronic products possible, and led to the development of innovative products like tablet PCs and smartphones.

The Shin-Etsu Group is the world's foremost supplier of semiconductor silicon with multiple production sites in Japan, Malaysia, Taiwan, the U.S. and the U.K. We have supported the evolution of semiconductor devices for decades through the supply of large diameter wafers and ultra-flat wafers. We produce 300mm wafers, the most widely used size today, at four locations in Japan and the U.S., and maintain a stable supply of high-quality wafers for our customers worldwide.



Single crystal silicon ingot and wafers

Major Product and Applications

- Silicon wafers
 - Information and communication equipment (including PCs and mobile phones)
 - Home appliances (including digital cameras and televisions)

Review of Operations

Electronics & Functional Materials Business



Rare earth magnets

Business Profile

This business provides many types of products to a wide range of industries. Rare earth magnets are used in the motors of automobiles, home appliances and hard disk drives for PCs. For synthetic quartz products, major applications include preforms for optical fiber and large photomask substrates for LCD panels. Also, we supply LED packaging materials that meet the numerous requirements of high brightness LEDs. Sales of LEDs are expected to grow, driven by their energy efficiency. In addition, we have merchandised photoresists for excimer lasers as a photosensitive material used for etching semiconductor circuitry, and our photoresists hold the top share in global markets. Also, we have developed photomask blanks and pellicles, which are essential for the semiconductor lithography process, and the liquid fluoroelastomer SHIN-ETSU SIFEL®.



Rare earth magnets

Major Products and Applications

- Rare earth magnets
Motors (automobiles, home appliances, factory automation, hard disk drives)
- Photoresists
Semiconductor device production processes

Diversified Business

Business Profile

Shin-Etsu Polymer Co. Ltd., manufactures semiconductor-related containers, input devices for electronic products, construction materials, and other processed plastic products. Shin-Etsu Engineering Co., Ltd. plays a key role in expanding and automating capital investment projects of the Shin-Etsu Group, and making other improvements. Shin-Etsu Engineering also receives a large volume of orders from companies outside the Group.

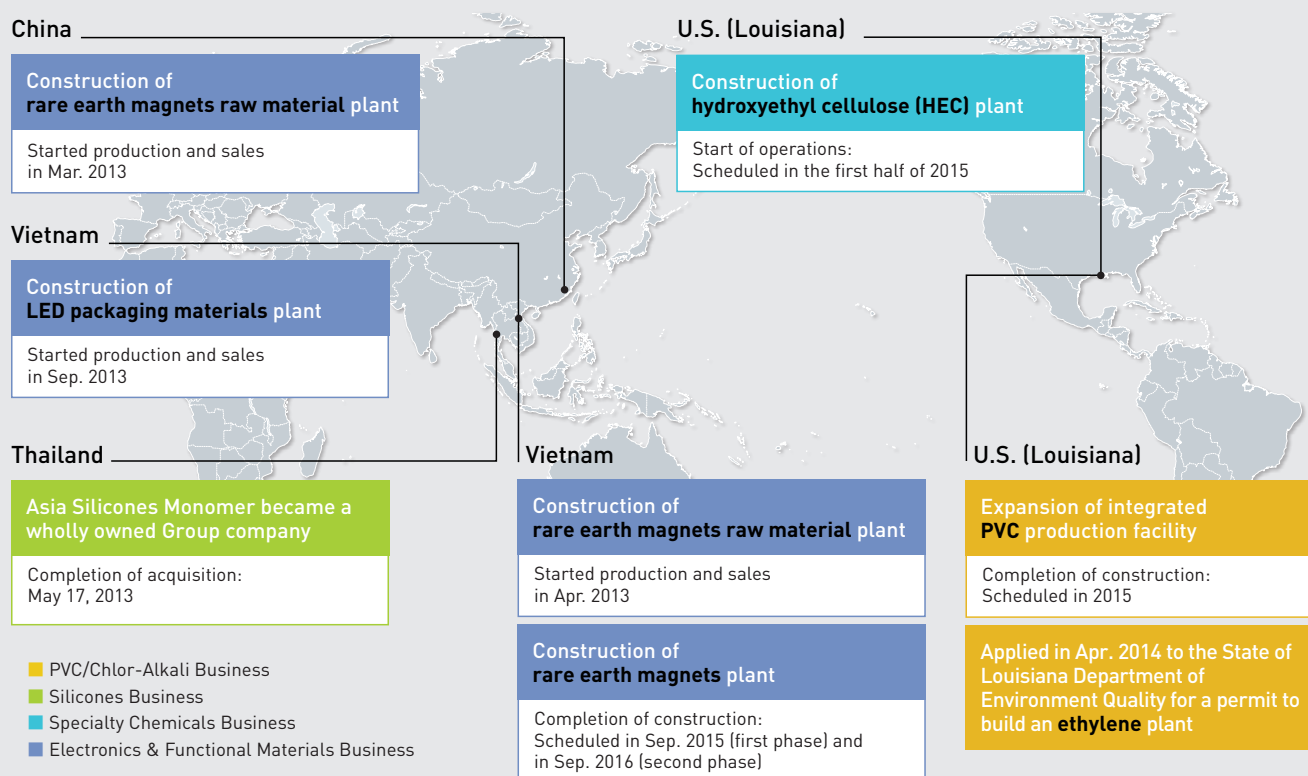


Switch device for power window

Major Applications

- Shin-Etsu Polymer:
 - Electric and Electronic Equipment
 - Automotive
 - Semiconductor-related Containers
 - Medical and Chemical Packaging Materials
 - Construction Materials

Progress of Overseas Capital Investments



Advancing Management

Board of Directors and Audit & Supervisory Board Members

(As of June 27, 2014)

CHAIRMAN



Chihiro Kanagawa

PRESIDENT



Shunzo Mori

EXECUTIVE VICE PRESIDENTS



Fumio Akiya



Yasuhiko Saitoh

SENIOR MANAGING DIRECTOR



Toshinobu Ishihara

CHAIRMAN

Chihiro Kanagawa

PRESIDENT

Shunzo Mori

EXECUTIVE VICE PRESIDENTS

Fumio Akiya

In charge of Semiconductor Materials, Advanced Materials and Technologies

Yasuhiko Saitoh

In charge of Office of the President, Public Relations, Finance & Accounting and Legal Affairs General Manager, International Division

SENIOR MANAGING DIRECTOR

Toshinobu Ishihara

In charge of New Functional Materials General Manager, Research & Development Department

MANAGING DIRECTORS

Kiichi Habata

In charge of General Affairs, Personnel & Labor Relations, Environmental Control & Safety and Auditing

Koji Takasugi

In charge of Purchasing, General Manager, Special Functional Products Department

Masahiko Todoroki

General Manager, Planning & Administration Department, Semiconductor Materials Division

Toshiya Akimoto

In charge of Office of the President and Finance & Accounting General Manager, Office of the Secretariat

Fumio Arai

General Manager, Organic Chemicals Division

Yukihiro Matsui

General Manager and Magnet Department Manager of Electronics Materials Division

DIRECTORS

Frank P. Popoff*

Former Chairman, The Dow Chemical Company (US)

Masashi Kaneko*

Former Director & Chairman of the Board of Executive Officers, former Nikko Cordial Corporation

Tsuyoshi Miyazaki*

Advisor, Mitsubishi Logistics Corporation

Toshihiko Fukui*

Former Governor, the Bank of Japan

Hiroshi Komiyama*

Former President, the University of Tokyo

Masaki Miyajima

General Manager, PVC Division

Toshiyuki Kasahara

General Manager, Finance & Accounting Department

Hidenori Onezawa

General Manager, Business Development Department

Ken Nakamura

General Manager, Office of the President and Public Relations Department

Hiroaki Okamoto

In charge of Patents General Manager, Development & Investigation Department

Susumu Ueno

General Manager, Silicone Division

Kazumasa Maruyama

General Manager, New Functional Materials Department

Kenji Ikegami

General Manager, Personnel & Labor Relations Department

Toshio Shiobara

Deputy General Manager and Organic Electronics Materials Department Manager of Electronics Materials Division

FULL-TIME AUDIT & SUPERVISORY BOARD MEMBER

Osamu Okada

AUDIT & SUPERVISORY BOARD MEMBERS

Masahiko Watase

Taku Fukui**

Yoshihito Kosaka**

Kiyoshi Nagano**

* Outside director

** Outside audit & supervisory board member

Corporate Governance and Compliance

The basic management policy of the Shin-Etsu Group is to meet the expectations of stockholders by constantly increasing corporate value. To accomplish this, the Group has assembled an efficient organizational structure and numerous systems that can respond swiftly to changes in the operating environment. In addition, from the standpoint of improving transparency and supervisory functions, the Group's basic concept for corporate governance is to position the disclosure of timely and accurate information to stockholders and other investors as an important responsibility of management.

■ Corporate Governance System

The Shin-Etsu Board of Directors has 25 members, including five outside directors, and provides a framework to upgrade and reinforce supervision. The Managing Directors' Meeting and the Board of Directors fulfill the roles necessary to discuss issues involving business operations and to reach decisions. In principle, both hold meetings once each month. Shin-Etsu uses the audit & supervisory board member system. There are five audit & supervisory board members including three outside audit & supervisory board members, a framework that provides for upgrading and reinforcing the auditing function.

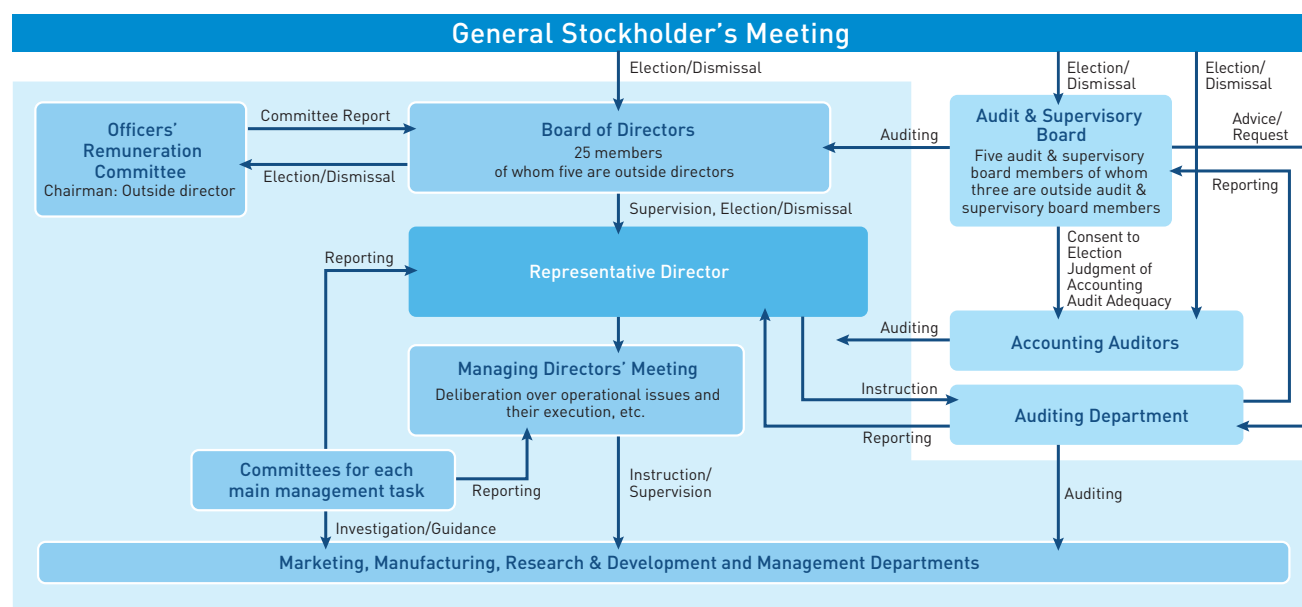
The Auditing Department is responsible for performing internal audits and for evaluating internal control systems for financial reports. This department audits business

activities across the entire organization in order to ensure that the Company is operating properly and in compliance with laws and regulations.

Shin-Etsu is dedicated to ensuring the reliability of financial reporting and improving the transparency of its management.

The Company implements strict internal controls in line with its policy based on the "Basic Policy on Internal Controls for Financial Reporting." These controls comply with the system of internal control over financial reporting based on the Financial Instruments and Exchange Law, which became effective in the fiscal year ended March 31, 2009. Information about specific activities involving corporate governance and compliance can be viewed on the Company's website (Japanese only) and is disclosed in other ways as well.

Shin-Etsu's Corporate Governance Structure



Advancing Management

Corporate Governance and Compliance

■ Selection and Roles of Outside Directors and Audit & Supervisory Board Members

Shin-Etsu's Board of Directors includes a number of prominent individuals from outside the Shin-Etsu Group. These outside directors include corporate executives and others who can use their wealth of experience and knowledge to offer advice and supervision to the Group's management. Outside directors attend board meetings and other important meetings. These individuals draw on their experience in corporate management and other fields to provide insights from a broad perspective and to perform a supervisory role from an independent standpoint. Shin-Etsu also has outside audit & supervisory board members. These individuals perform audits by utilizing their specialized knowledge and experience and their insight as corporate managers.

Outside audit & supervisory board members safeguard the compliance system by attending meetings of the Board of Directors and Audit & Supervisory Board and other important meetings. At these meetings, the outside audit & supervisory board members provide input that reflects know-how in their respective areas of expertise and a broad perspective in their experience as corporate managers.

The outside directors and outside audit & supervisory board members are not former members of the parent company, its affiliated companies, major stockholders or major clients, and are highly independent of the Group.

■ Officers' Remuneration

The limit for aggregate remuneration of directors is determined by stockholders' meeting. Remuneration for individual directors is determined by the Board of Directors based on examinations and evaluations performed by the Officers' Remuneration Committee, which is chaired by an outside director.

The limit for aggregate remuneration of corporate auditors is determined by stockholders' meeting and remuneration for individual corporate auditors is determined by these auditors. In fiscal 2014, total remuneration paid to officers was ¥1,425 million. Of this amount, ¥170 million was paid to outside directors and outside audit & supervisory board members. This remuneration does not include salaries (including bonuses) paid to the employee directors in return for serving as employees.

■ Basic Policy Concerning Compliance

The Shin-Etsu Group's corporate mission is to strictly comply with all laws and regulations, and to conduct fair business practices. A broad range of regulations regarding compliance have been established and all officers and employees observe these regulations as they perform their duties. Internal audits of the enforcement of these regulations are conducted by the Auditing Department along with other associated departments depending on the contents of the audit.

■ Commitment to Strict Compliance

All officers and employees sign a Compliance Pledge in which they promise to perform their jobs every day in accordance with the principles of compliance. Moreover, to identify and rectify legal or regulatory violations quickly, we have established a Compliance Consultation Office that serves as a consultation and reporting channel.

■ Risk Management

The Shin-Etsu Group has established regulations associated with risk management. There is also a Risk Management Committee that oversees all risk management activities for the purpose of identifying risks associated with business operations and preventing problems from occurring. In the event of an emergency, based on the Disaster Response Headquarters Policy, a countermeasure headquarters is established and the situation is handled in accordance with the Shin-Etsu emergency response manual.

Shin-Etsu has formulated a Business Continuity Plan for all units, and has prescribed various associated countermeasures, including the preparation, implementation, and management of Business Continuity Plans.

To comply with the Act on the Protection of Personal Information, the Shin-Etsu Group established a personal information protection policy that is posted on the Company's website (Japanese only). Furthermore, we educate employees about this act and take other steps to ensure that personal information is handled properly and thoroughly protected.

Investor Relations (IR) Activities

■ Basic Policy for IR Activities

Through our IR activities, we maintain dialogue with stockholders and other investors so that they may better understand our business operations and management policies. These activities are also a channel to receive input that we can reflect in how we manage business operations.

■ Disclosure Policy

The timely and proper disclosure of corporate information to stockholders and other investors plays an important role in the understanding of our company and appropriate market valuation. Our policy is to disclose information in a fair and transparent manner while complying with the Financial Instruments and Exchange Act and the Securities Listing Regulations of exchanges where we are listed.

■ Fiscal 2014 IR Activities

Earnings announcement meeting for analysts and institutional investors

- Explanation of first half and fiscal year results of operations

Earnings call for analysts and institutional investors

- Explanation of first quarter and third quarter results of operations

Conferences and small meetings held by securities companies

- 7 times a year

Briefings for individual investors

- 407 times a year

Plant observation tour

- Conducted an observation tour of the Shirakawa plant (1 tour is offered each year)

Major communication tools

- IR website
- Annual report
- Shin-Etsu report for individual stockholders (only in Japanese)



Conference held by securities company in 2013



Plant observation tour in 2013

IR Topics: Shin-Etsu Received Best IR Award from the Japan Investor Relations Association

Shin-Etsu was chosen as a recipient of a 2013 Best IR Award by the Japan Investor Relations Association. The award is bestowed upon companies that fully understand the purpose of IR, perform extensive IR activities and earn strong support from market participants. The selection committee members are comprised of securities analysts, institutional investors, university professors, journalists and other members with investment expertise. Committee members examine how innovative, forward-looking and aggressive IR activities are, and evaluate companies' ethics and compliance.

Shin-Etsu Chairman Chihiro Kanagawa participates in IR activities, based on his belief that a company's CEO should be

directly involved. Our selection for this award reflects the active participation of the Chairman, President Shunzo Mori, and some of our management in earnings announcement meetings, small meetings, securities companies' conferences and other events. At these events, they clearly answer every question. Therefore, they create many opportunities for direct communication with investors. Furthermore, we hold a plant observation tour in Japan once a year to give analysts and investors a better understanding of our operations.



Advancing Management

Corporate Social Responsibility (CSR)

The Shin-Etsu Group's mission statement is to comply strictly with all laws and regulations, conduct fair business practices, and contribute to people's daily lives as well as to the advancement of industry and society by providing key materials and technologies. As a supplier of materials with a global manufacturing network, we are dedicated to meeting the demands of our customers. It is our basic policy to make safety the first priority, to comply with laws and regulations, and contribute to important social issues such as environmental protection. We will continue to support progress in our lives, industry and society through our business activities.

■ Basic CSR Policy

The Shin-Etsu Group believes that its obligation to society is to adhere to the corporate mission and make contributions to stockholders and all other relevant parties. The following basic CSR policy provides concrete guidelines for fulfilling this obligation. This policy also serves as the framework for a variety of internal rules and regulations as well as all of the Group's activities.

The Shin-Etsu Group:

1. Will enhance the Group's corporate value through sustained growth and make multi-faceted contributions to society.
2. Will carry out our business activities by always making safety our highest priority.
3. Will constantly pursue energy saving, resource saving and reduction of our environmental burden, and seek to maintain harmony with the environment.
4. Will endeavor to use our cutting-edge technologies and products in order to contribute to combating global warming and protecting biodiversity.
5. Will respect human dignity, assure equal employment opportunities, and support the self-fulfillment of our employees.
6. Will disclose information that is timely and accurate.
7. Will perform transparent business activities that are sound and trustworthy in accordance with the highest ethical standards.

■ Participation in U.N. Global Compact



As a member of the global chemical industry, the Shin-Etsu Group signed the Responsible Care Global Charter of the International Council of Chemical Associations in 2006. Responsible Care covers worldwide activities involving environmental protection, safety and health. Shin-Etsu Chemical became a participant in the U.N. Global Compact

in 2010. The compact encourages companies and organizations to support and follow 10 principles in the areas of human rights, labour, the environment and anti-corruption.

These activities are consistent with the Shin-Etsu Group's corporate philosophy and basic CSR policy. We will continue to do business in line with these principles to build even stronger relationships with the public.

The U.N. Global Compact's Ten Principles

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

■ Reinforcing Business Continuity

To ensure the continuity of business operations, the Shin-Etsu Group takes extensive safety measures to be prepared for any situation, from accidents to natural disasters.

■ Responses to Emergencies

Many of the Shin-Etsu Group's products have high global market shares and are used in specialized applications in high-tech industries. Any disruption in the supply of these products could have a serious impact on society.

We have formulated our company-wide Business Continuity Management Standards to fulfill our responsibility to supply important products even after a major disaster. These standards include the creation of a business continuity plan and the execution and oversight of this plan.

■ Safety Measures

Preventing serious accidents is a high priority for the Shin-Etsu Group. We take extensive safety and accident prevention measures to ensure the safety of production processes and to maintain equipment condition.

In addition, we conduct risk assessments to identify sources of potential problems at workplaces and press forward to improve safety. Employees who experienced close-call incidents submit reports so that we can improve unsafe locations and processes. Other safety programs include the distribution of manuals and required compliance with their instructions. We also create pleasant workplaces through measures such as performing regular assessments of the working environment.

■ Environmental Safety Audits

We perform environmental safety audits and special audits for specific purposes every year. The purpose is to examine

and confirm that plants are conducting environmental protection, workplace health and safety, and safety and accident prevention as required.

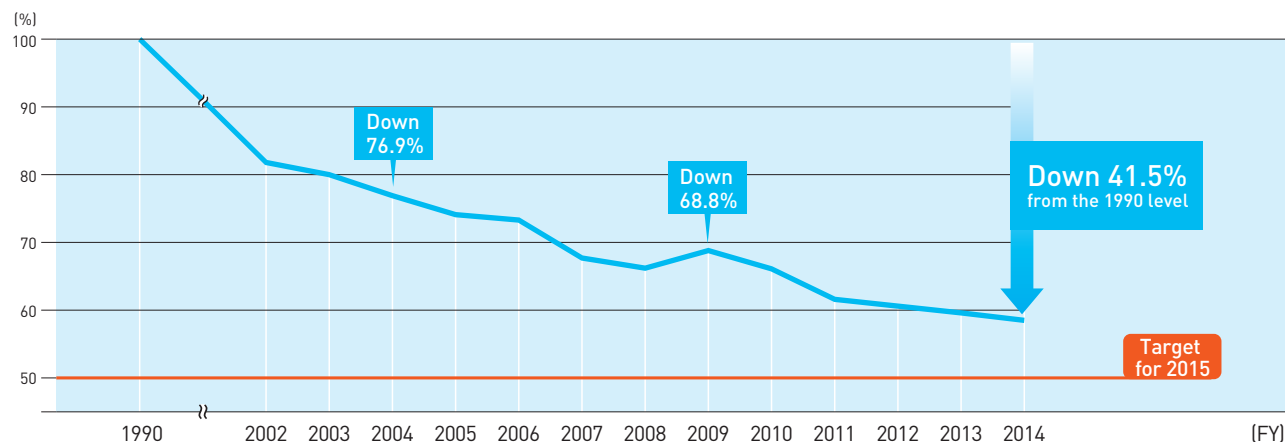
■ Environmental Initiatives

As a manufacturer of various materials, the Shin-Etsu Group takes actions to protect the environment, such as conserving energy, mitigating global warming and reducing the environmental impact of business activities.

We manufacture a wide variety of products. Energy sources including electricity, heavy oil, kerosene, diesel oil, and steam are used to support this manufacturing. Every group company and production base is working to conserve energy as our total energy consumption climbs along with the Group's production volume. In fiscal 2014, the Shin-Etsu Group's energy consumption (crude oil equivalent) was 2,433 million liters. This was 0.3% higher than in the previous fiscal year. However, the Group's energy consumption intensity, which is based on monetary sales, decreased.

The Shin-Etsu has established two medium-term environmental targets. One is reducing unit greenhouse gas emissions intensity to 50% of the 1990 level by 2015. In fiscal 2014, greenhouse gas emissions intensity was 58.5% of the 1990 level. The second target is achieving zero emissions (landfill waste of 1% or less of all waste generated) by 2015. In fiscal 2014, 1.74% of waste at group companies in Japan went to landfills. However, the amount of waste that was reused was 7.9% higher than in the previous fiscal year, so the volume of waste sent to landfills decreased 10.6%. We will work even harder at lowering this percentage in order to achieve zero emissions.

The Shin-Etsu Greenhouse Gas Emissions Intensity Relative to 1990 Levels



Advancing Management

Products and Technologies that Protect the Environment

Reducing the environmental impact of production is not the only way that the Shin-Etsu Group protects the environment. During development, we place priority on making products that can reduce environmental impact and are energy and resource efficient.

These products are used in a wide range of areas such as industries, our daily lives and renewable energy.



Polyvinyl chloride (PVC)

PVC is a general-purpose resin with a low dependence on petroleum as it is made from 60% salt, which is abundant on Earth, and 40% petroleum (weight to weight). It is a material with a low environmental impact and uses only about 60% of the energy required by other resins during manufacture. PVC is also durable and easy to recycle. This is why PVC is widely used to manufacture building and infrastructure materials ranging from window frames to water and sewage pipes.

PVC windows have excellent thermal insulation and condensation resistance. In Europe and the United States, most window frames are made of PVC and in China the use of PVC window frames is rapidly expanding.

These window frames are used in Japan as well, primarily in cold climate regions. Compared with ductile cast iron pipes^{*1}, PVC pipes have lower life cycle carbon dioxide emissions^{*2}, thereby helping to combat global warming.

^{*1} Ductile cast iron pipes.

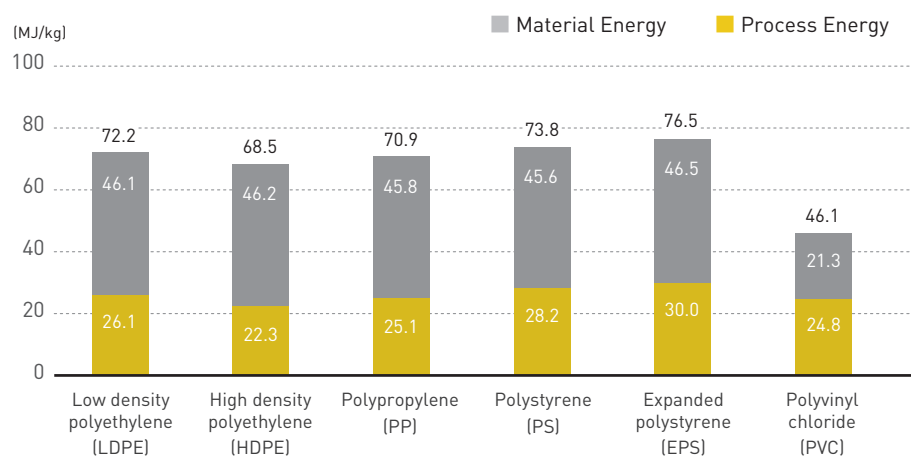
A pipe made from spheroidized graphite and iron

^{*2} Life cycle carbon dioxide emissions.

Total carbon dioxide emissions for a product from procured raw materials through to the processes of manufacture, use, disposal and recycling

Reference: Japan Chemical Industry Association "Life Cycle Analysis of chemical products in Japan around the world," 3rd edition
Vinyl Environmental Council website "Jushimado-to-kurasu"
<http://www.jmado.jp/> (Japanese only)

Energy consumption of plastic manufacturing process



Reference: Plastic Waste Management Institute
"LCI data report of petrochemical products"



PVC windows frames



PVC pipe



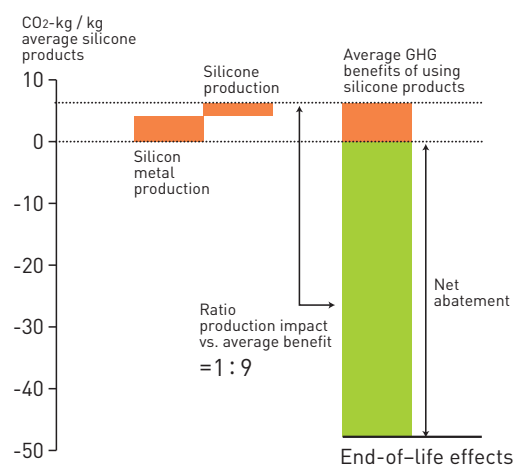
Silicone products

Silicone is a high-function material that has both organic and inorganic characteristics. It is used in a widely diverse range of fields such as electronics, automotive, cosmetics and construction and helps support our comfortable lifestyles.

In 2012, Silicone Industry Associations throughout the world performed a greenhouse gas survey for the global silicone market. The purpose was to compare greenhouse gas emissions associated with the production and disposal of silicone with the reductions in the same emissions brought about from the use of silicone. The survey looked at both silicone substitutes and substitution methods. Data revealed that the use of silicone cuts greenhouse gas emissions 9 times more than the amount of emissions produced by the manufacture and disposal of silicone. Furthermore, the survey showed that the use of silicone products in Europe, North America and Japan has the potential to lower annual greenhouse gas emissions by 54 million CO₂-tons. Consequently, silicone is capable of making an important contribution to the sustainability of economic growth.

Reference: Global Silicones Council
"SILICON-CHEMISTRY CARBON BALANCE"

Effects of greenhouse gas emission



The reduction of greenhouse gas emissions in one year by using silicone products in Europe, North America and Japan is

54 million tons



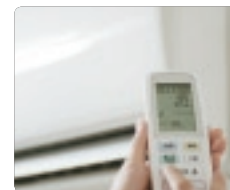
This amount is equivalent to the greenhouse gas emissions for one year of heating in 10 million homes.



Rare earth magnets

Rare earth magnets are about 10 times stronger than conventional ferrite magnets. Even small rare earth magnets can produce powerful magnetic fields. In hybrid and electric vehicle motors, compressors of energy-efficient air conditioners, and many other products, these magnets are vital to reducing size and weight while increasing output power.

In compressor motors, rare earth magnets improve energy efficiency by 5% to 10% and decrease power consumption. This causes a reduction in carbon dioxide emissions. Rare earth magnets also contribute to the renewable energy sector, where they are used in the generators of wind power turbines.



Air conditioners

Eleven-Year Summary

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2004 through 2014

	Millions of yen				
	2004	2005	2006	2007	2008
For the year:					
Net sales	¥ 832,804	¥ 967,486	¥1,127,915	¥1,304,695	¥1,376,364
Cost of sales	619,085	715,143	831,333	933,199	946,940
Selling, general and administrative expenses	88,094	100,608	111,262	130,467	142,278
Operating income	125,625	151,734	185,320	241,028	287,145
Ordinary income	125,612	151,503	185,040	247,018	300,040
Net income	74,805	93,160	115,045	154,010	183,580
Capital expenditures	113,591	110,277	145,329	210,613	268,479
R&D costs	26,329	27,924	32,003	41,737	47,944
Depreciation and amortization	73,581	90,874	111,637	138,462	141,269
At year-end:					
Total assets	¥1,386,216	¥1,476,248	¥1,671,280	¥1,859,995	¥1,918,544
Working capital	401,878	444,935	572,205	628,986	638,806
Common stock	110,493	117,513	119,419	119,419	119,419
Net assets	—	—	—	1,360,315	1,483,669
Stockholders' equity	900,724	996,307	1,173,679	—	—
Interest-bearing debt	163,167	120,422	83,838	45,143	34,045
Per share (Yen and U.S. dollars):					
Net income—basic	¥ 177.25	¥ 219.10	¥ 266.63	¥ 357.78	¥ 426.63
Net income—fully diluted ²	173.52	216.11	266.07	357.32	426.35
Cash dividends	16.00	20.00	35.00	70.00	90.00
Payout ratio (%)	9.0	9.1	13.1	19.6	21.1
Net assets	2,140.23	2,329.47	2,730.94	3,065.80	3,344.17
General:					
Operating income to net sales ratio (%)	15.1	15.7	16.4	18.5	20.9
Net income to net sales ratio (%)	9.0	9.6	10.2	11.8	13.3
ROE (%) ³	8.6	9.8	10.6	12.4	13.3
ROA (%)	9.3	10.6	11.8	14.0	15.9
Equity ratio (%)	65.0	67.5	70.2	71.0	75.0
Number of employees	17,384	18,151	18,888	19,177	20,241
Number of shares issued (Thousands)	422,798	430,118	432,106	432,106	432,106

Notes: 1. The U.S. dollar amounts represent conversion of yen, for convenience only, at the rate of ¥103 = US\$1, the approximate rate of exchange on March 31, 2014.

2. Diluted net income per share for the fiscal year ended March 31, 2012 is not presented as there were no securities with dilutive effect.

3. Stockholders' equity used for calculation of indices from the fiscal year ended March 31, 2007 consists of "stockholders' equity" and "accumulated other comprehensive income."

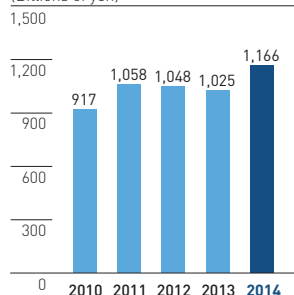
Millions of yen						Thousands of U.S. dollars
2009	2010	2011	2012	2013	2014	2014
¥1,200,813	¥ 916,837	¥1,058,257	¥1,047,731	¥1,025,409	¥1,165,819	\$11,318,633
853,433	700,902	803,574	798,592	769,427	873,879	8,484,271
114,453	98,718	105,460	99,505	98,938	118,130	1,146,894
232,927	117,215	149,221	149,632	157,043	173,809	1,687,466
250,533	127,019	160,338	165,237	170,207	180,605	1,753,453
154,731	83,852	100,119	100,643	105,714	113,617	1,103,085
159,406	123,793	119,884	87,165	86,841	83,155	807,337
37,469	33,574	37,321	35,725	37,671	43,546	422,777
119,457	87,722	93,732	82,868	80,961	91,445	887,820
¥1,684,944	¥1,769,139	¥1,784,166	¥1,809,841	¥1,920,903	¥2,198,912	\$21,348,661
606,632	612,447	638,493	694,803	832,878	981,667	9,530,755
119,419	119,419	119,419	119,419	119,419	119,419	1,159,414
1,407,353	1,474,212	1,469,429	1,494,573	1,623,176	1,882,135	17,690,634
—	—	—	—	—	—	—
23,827	20,052	14,574	15,732	13,929	15,638	151,825
¥ 362.39	¥ 197.53	¥ 235.80	¥ 237.03	¥ 248.94	¥ 267.20	\$ 2,594
362.35	197.50	235.80	—	248.92	267.07	2,593
100.00	100.00	100.00	100.00	100.00	100.00	0.971
27.6	50.6	42.4	42.2	40.2	37.4	37.4
3,218.28	3,370.56	3,360.39	3,422.93	3,709.19	4,165.28	40.440
19.4	12.8	14.1	14.3	15.3	14.9	14.9
12.9	9.1	9.5	9.6	10.3	9.7	9.7
11.0	6.0	7.0	7.0	7.0	6.8	6.8
13.9	7.4	9.0	9.2	9.1	8.8	8.8
81.1	80.9	80.0	80.3	82.0	80.6	80.6
19,170	16,955	16,302	16,167	17,712	17,892	17,892
432,106	432,106	432,106	432,106	432,106	432,106	432,106

Management's Discussion and Analysis

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

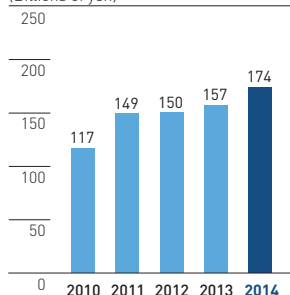
Net Sales

(Billions of yen)



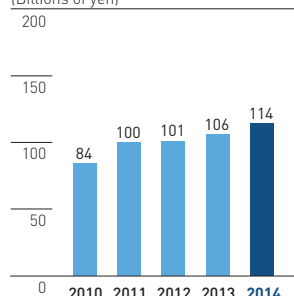
Operating Income

(Billions of yen)



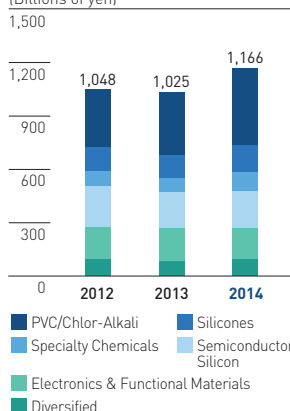
Net Income

(Billions of yen)



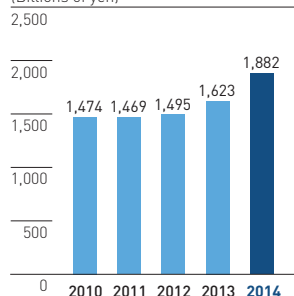
Net Sales by Business Segment

(Billions of yen)



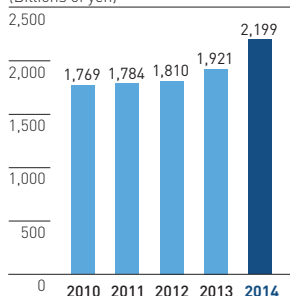
Total Net Assets

(Billions of yen)



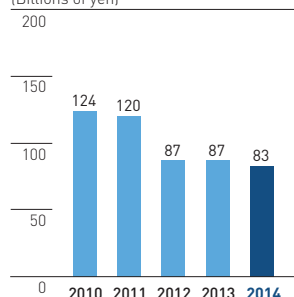
Total Assets

(Billions of yen)



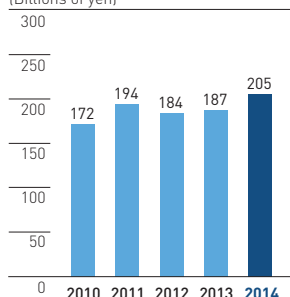
Capital Expenditures

(Billions of yen)



Net Cash Flow*

(Billions of yen)



* Net cash flow = Net income + Depreciation and amortization

Overview of the Shin-Etsu Group

The Shin-Etsu Group (the "Group") was composed of Shin-Etsu Chemical Co., Ltd. (the "Company"), 123 subsidiaries and 14 affiliates as of March 31, 2014. There are six business segments: PVC/Chlor-Alkali Business, Silicones Business, Specialty Chemicals Business, Semiconductor Silicon Business, Electronics & Functional Materials Business and Diversified Business. The Group conducts business activities by dividing manufacturing and sales activities among Group companies and using mutual cooperation among all of these companies.

Consolidated Operating Performance

With regard to the world economy, during fiscal 2014 (April 1, 2013 to March 31, 2014), although a gradual recovery continued in the U.S., there was a sluggish tendency in emerging economies, such as in the Asian region; and in Europe, there was also the impact of financial problems, and stagnation there continued. On the other hand, with regard to the Japanese economy, there was progress seen in terms of the movement toward a weaker yen and improvements in the employment situation as well as in the movement toward a recovery in exports and personal consumption, as the economy moved along a recovery track.

Under these circumstances, the Group worked to aggressively promote its sales activities to its wide range of customers around the world, and at the same time, we assiduously worked on the development of new products in addition to enhancing our technologies and product quality. Furthermore, we endeavored to build a strong business foundation by such means as reinforcing production capacities, dispersing manufacturing bases and also focusing on stably securing raw materials.

Net Sales

Net sales increased 13.7% (¥140,410 million) to ¥1,165,819 million compared with the previous fiscal year.

Cost of Sales and Selling, General and Administrative Expenses

Cost of sales increased 13.5% (¥104,452 million) to ¥873,879 million and the ratio of cost of sales to net sales decreased 0.1 percentage point to 74.9%. Selling, general and administrative (SG&A) expenses increased 19.3% (¥19,192 million) to ¥118,130 million, but the ratio of these expenses to sales increased 0.5 of a percentage point to 10.1%.

Research and development costs, which are included in manufacturing costs and SG&A expenses, increased 15.5% (¥5,875 million) to ¥43,546 million and the ratio of these costs to net sales was 3.7%.

Operating Income

Operating income increased 10.7% (¥16,766 million) to ¥173,809 million and the operating income to net sales ratio decreased 0.4 percentage point to 14.9%.

Business Segment Overview

PVC/Chlor-Alkali Business

With regard to the PVC business, in addition to sales to its customers in the U.S., where a recovery in the housing market was seen, Shintech in the U.S. maintained a high level of shipments by expanding sales to its customers worldwide, starting with those in Central and South America. Accordingly, Shintech's business performance grew. Shin-Etsu PVC in the Netherlands also maintained strong shipments. On the other hand, in Japan, although demand related to housing was on a recovery track, the business situation was affected by a rise in raw materials prices, and a tough business situation continued.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 24.5% (¥84,148 million) to ¥427,845 million and operating income increased by 32.0% (¥14,598 million) to ¥60,150 million.

Silicones Business

With regard to the silicones business, in Japan, in addition to sales of product applications for automobiles and cosmetics generally continuing to do well, sales of product applications for electronics equipment turned toward a recovery track from the second half of the fiscal year. In our silicones business outside of Japan, functional products for Europe and the U.S. and general-purpose products for China were firm.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 21.2% (¥27,408 million) to ¥156,437 million and operating income increased by 11.0% (¥3,164 million) to ¥31,807 million.

Specialty Chemicals Business

With regard to cellulose derivatives, in Japan, in addition to products for building and construction applications doing well, reflecting an increase in housing demand, products for pharmaceutical-use were firm. However, the business of SE Tylose in Germany was affected by intensifying price competition. Although there was a movement towards recovery from the second half of the fiscal year, the silicon metal business of Simcoa Operations in Australia was affected by sluggish market conditions.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 23.6% (¥19,678 million) to ¥103,204 million and operating income decreased by 11.8% (¥1,710 million) to ¥12,757 million.

Semiconductor Silicon Business

With regard to semiconductor silicon, although lackluster demand for PCs and flat-panel TVs continued, with the expanding demand for smartphones and tablet PCs from the start of the fiscal year, this business entered on a gradual recovery track. Since the second quarter of the fiscal year, although the business was affected by a production adjustment following a slowdown in demand for high-function smartphones, shipments for low-price smartphones, tablet PCs and for devices for automobiles continued firm shipments.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 5.3% (¥10,767 million) to ¥213,233 million and operating income increased by 11.5% (¥2,522 million) to ¥24,459 million.

Electronics & Functional Materials Business

With regard to the rare-earth magnets business, although shipments of products for applications in automobiles, starting with hybrid vehicles, were good, shipments of products for applications in hard disk drives were slow. On the other hand, with regard to the photoresist products business, ArF resists and trilayer materials expanded greatly aided by the progress in semiconductor device miniaturization. The business of materials for LED packaging and shipments of optical fiber preform were generally firm, but optical fiber preform was faced with an adjustment phase in the second half of the fiscal year.

As a result, compared with the previous fiscal year, net sales for this business segment decreased by 6.5% (¥11,795 million) to ¥170,986 million and operating income increased by 0.3% (¥106 million) to ¥40,969 million.

Diversified Business

Shin-Etsu Polymer Co., Ltd.'s business of keypads for automobile applications remained firm, and the company's business of semiconductor wafer-related containers saw a recovery movement. On the other hand, the engineering business of Shin-Etsu Engineering Co., Ltd. was slow.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 12.2% (¥10,206 million) to ¥94,113 million and operating income decreased by 34.5% (¥1,932 million) to ¥3,669 million.

Other Income and Expenses and Extraordinary Income and Losses

Other income, net was ¥6,796 million because of a foreign exchange gain of ¥9,006 million and equity in earnings of affiliates of ¥1,499 million. There was no extraordinary income or loss. As a result, income before income taxes and minority interests increased 10.0% (¥16,535 million) to ¥180,605 million yen.

Net Income

Income taxes totaled ¥65,768 million. As a result, net income increased 7.5% (¥7,903 million) to ¥113,617 million and net income per share increased ¥18.26 to ¥267.20.

Analysis of Financial Position

Information on Assets, Liabilities and Net Assets

At the end of fiscal 2014, total assets increased by ¥278,009 million, compared with that at the end of the previous fiscal year to ¥2,198,912 million. This was mainly due to the impact of the depreciation of the yen on currency translations of foreign consolidated subsidiaries.

Total liabilities increased by ¥79,049 million from that at the end of the previous fiscal year, to ¥376,776 million.

Total net assets increased by ¥198,959 million, compared with that at the end of the previous fiscal year to ¥1,822,135 million. This was mainly due to the increases in retained earnings resulting from net income of ¥113,617 million for fiscal 2014 and foreign currency translation adjustments as a result of the depreciation of the yen.

The stockholders' equity ratio was 80.6%, down 1.4 percentage points from 82.0% at the end of the previous fiscal year.

Cash Flows

Cash and cash equivalents at the end of fiscal 2014 totaled ¥362,560 million, down 0.1% (¥468 million) compared with the end of the previous fiscal year.

Operating Activities

Net cash provided by operating activities was ¥259,734 million, an increase of ¥24,112 million from the previous fiscal year. Major sources of cash were income before income taxes of ¥180,605 million, depreciation and amortization of ¥91,445 million, and a ¥18,246 million decrease in inventories. A major use of cash was for the payment of income taxes of ¥41,554 million.

Investing Activities

Net cash used for investing activities was ¥246,894 million, an increase of ¥127,640 million from the previous fiscal year. Major uses of cash were a net increase of ¥155,762 million in marketable securities, which includes certificates of deposit, purchases of property, plant and equipment of ¥66,814 million, and an expenditure of ¥14,685 million to make Asia Silicones Monomer Limited a wholly owned subsidiary.

Financing Activities

Net cash used for financing activities was ¥41,361 million, a decrease of ¥2,649 million from the previous fiscal year. Cash was used mainly for cash dividends paid of ¥42,505 million.

Capital Expenditures

Capital expenditures totaled ¥83,155 million. In the Silicones Business, capital expenditures totaled ¥23,896 million in part because of the purchase of stock from General Electric Company to make Asia Silicones Monomer Limited a wholly owned subsidiary. Capital expenditures were ¥15,174 million in the PVC/Chlor-Alkali Business, ¥14,580 million in the Semiconductor Silicon business, ¥14,417 million in the Electronics & Functional Materials Business, ¥11,883 million in the Specialty Chemicals Business and ¥3,237 million in the Diversified Business.

Basic Policy Concerning Profit-sharing

Taking a long-term perspective, 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 stockholders. 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 ¥50 per share, the same amount as the interim dividend of ¥50 per share. Accordingly, the total annual dividend per share for fiscal 2014 is ¥100, the same amount as in the previous fiscal year.

Outlook for Fiscal 2015 (Ending March 2015)

With regard to business prospects going forward, although the world economy is expected to continue its gradual recovery, there are concerns about the effects of Europe's financial problems and also there are uncertainties regarding the future direction of emerging economies. In Japan as well, although the economy is expected to continue along a recovery track, the situation is such that it does not allow for optimism because of concerns over the effects of the increase in the consumption tax in Japan and the effects of challenges across the world economy.

Facing such a situation, the Group will carefully focus on developments in world markets and aggressively develop our sales activities while accurately capturing the growth 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 and strengthening and expanding existing facilities. Furthermore, we will aim to build a strong business foundation by further focusing on enhancing productivity and product quality. We will develop products that have special characteristics, and we will also strive to assure the stable securing of raw materials.

Business Risk

This section discusses risk factors that could potentially influence such key business matters as the results of the Shin-Etsu Group's business operations, financial condition and cash flows. The Group reduces its vulnerability to business risks by taking measures to prevent, disperse or hedge these risks. However, if an unforeseeable situation should occur, it could have a significant impact on the Group's business results.

This section contains a list of significant items that the Group considers are current risk factors, but it is not intended to be a comprehensive list of all risks that could seriously impact the Group's business performance.

1) Influence of Economic Trends and Product Markets

Changes in the economic situation of countries or regions where the Group's key products are marketed can have a great impact on the results of the Group's business operations. In addition, among the Group's key products, some products could be affected by large price fluctuations due to the global supply and demand environment. The Group is hedging its risks by taking such strategies as diversifying and globalizing its businesses. However, a downturn in demand for certain of its products or escalating price competition could have a significant effect on the Group's business operations results.

2) Influence of Fluctuations in Foreign Exchange Rates

Overseas sales accounted for 71.2% of the consolidated net sales of the Group in fiscal 2014, and it is expected that this ratio will remain at a high level. The Japanese yen equivalent amounts of items in the financial statement items of overseas consolidated subsidiaries, which are included in the Group's consolidated financial statements, are influenced by fluctuations in foreign exchange rates. A large movement in these rates could have a great impact on the business results of the entire Group. In addition, although we use forward-exchange contracts and other measures to reduce risk exposure associated with transactions in foreign currencies, a large movement in foreign exchange rates could have a similar serious effect on the Group's business operations results.

3) Influence of Natural Disasters and Disastrous Accidents

To minimize the damage that could result from an interruption of production activities, the Group performs regular disaster-prevention inspections, carries out a constant program of facility maintenance activities at its production facilities and makes facility investments to enhance safety and establish multiple manufacturing bases. However, if a natural disaster or disastrous accident or other unforeseen event damages production facilities or other areas, such circumstances could have a major impact on the Group's business operations results.

4) Influence of Public Regulations and Laws

In countries and regions where the Group is carrying out its business activities, we are bound by the approval processes and licensing requirements involving investment and import/export regulations as well as by various related laws concerning commercial transactions, labor, patents, taxes, foreign exchange and other items. Any changes in these regulations and laws could have a significant effect on the Group's business operations results.

5) Influence of Supply Factors on Procurement of Materials

The Group uses various raw materials in its production activities, and we strive to assure a stable supply of these materials by diversifying our supply sources. However, if supplies become tight or there are delays in procuring these materials, or if prices increase because of these events, there could be a great effect on the Group's business operations results.

6) Influence of the Development of New Products and Technologies

The pace of technological progress is rapid in the electronics industry, which is an important market for some of the Group's products. The Company is constantly working on developing the most advanced cutting-edge materials to meet needs associated with this technological innovation. However, if the Group is unable to take appropriate measures in response to changes in industries and/or markets despite its constant efforts, there could be a significant effect on the Group's business operations results.

7) Influence of Environmental Issues

The Group handles various types of chemical substances and complies strictly with various laws and regulations concerning the environment. In addition, the Group has been making efforts for energy-saving in order to help combat global warming and for eliminating or significantly reducing emissions of substances that are harmful to the environment. However, if regulations concerning the environment become more strict than presently anticipated and require large-scale capital expenditures and other investments as a result, there could be a significant effect on the Group's business operations results.

8) Influence of Product Liability

The Group uses a large number of measures to maintain the optimum quality of its products in accordance with the characteristics of each product. However, a problem involving product quality that occurs due to unforeseen circumstances could have a significant effect on the Group's business operations results.

Consolidated Balance Sheets

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
As of March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
ASSETS			
Current Assets:			
Cash and time deposits (Note 24).....	¥ 363,339	¥ 252,881	\$ 3,527,565
Notes and accounts receivable—trade (Note 4).....	267,243	243,785	2,594,600
Securities (Notes 6 and 24)	274,282	214,380	2,662,937
Merchandise and finished goods	131,772	123,442	1,279,340
Work in process.....	13,844	11,012	134,414
Raw materials and supplies.....	127,519	134,922	1,238,054
Deferred taxes, current (Note 22).....	33,105	27,462	321,409
Other	31,745	31,290	308,208
Less: Allowance for doubtful accounts (Note 2 (5))	(7,023)	(6,664)	(68,190)
Total current assets	1,235,839	1,032,513	11,998,340
Fixed Assets:			
Property, Plant and Equipment (Notes 2 (8) and 9):			
Buildings and structures, net	177,828	164,885	1,726,494
Machinery and equipment, net	424,526	356,970	4,121,619
Land	76,283	70,110	740,613
Construction in progress	35,353	50,862	343,238
Other, net	6,806	6,822	66,086
Total property, plant and equipment	720,799	649,650	6,998,051
Intangible Assets:			
Goodwill	12,652	9,363	122,843
Other	6,755	5,274	65,589
Total intangible assets	19,408	14,637	188,433
Investments and Other Assets:			
Investments in securities (Notes 6 and 8)	124,003	129,551	1,203,914
Long-term loans.....	7,159	6,405	69,506
Net defined benefit asset (Note 11)	2,386	—	23,165
Deferred taxes, non-current (Note 22)	16,427	14,590	159,490
Other (Note 8)	73,313	73,900	711,782
Less: Allowance for doubtful accounts (Note 2 (5))	(414)	(347)	(4,023)
Total investments and other assets.....	222,875	224,101	2,163,836
Total fixed assets	963,083	888,389	9,350,321
Total Assets	¥2,198,912	¥1,920,903	\$21,348,661

The accompanying notes are an integral part of the consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Notes and accounts payable-trade (Note 4).....	¥ 109,401	¥ 100,197	\$ 1,062,149
Short-term borrowings (Note 10)	7,524	5,507	73,049
Accounts payable-other	33,376	28,882	324,039
Accrued expenses	57,474	45,537	558,000
Accrued income taxes	32,118	6,220	311,826
Accrued bonuses for employees.....	2,356	1,995	22,876
Accrued bonuses for directors	439	372	4,270
Other (Notes 4 and 22).....	11,471	10,921	111,373
Total current liabilities	254,161	199,635	2,467,585
Long-Term Liabilities:			
Long-term debt (Note 10)	7,557	7,709	73,374
Deferred taxes, non-current (Note 22)	80,934	65,033	785,770
Accrued retirement benefits (Note 11)	—	20,185	—
Net defined benefit liability (Note 11)	28,127	—	273,081
Accrued retirement bonuses for directors.....	258	276	2,511
Other	5,737	4,887	55,704
Total long-term liabilities.....	122,615	98,091	1,190,442
Total Liabilities	376,776	297,727	3,658,027
Commitment and Contingent Liabilities (Note 12)			
Net Assets			
Stockholders' Equity:			
Common stock:.....	119,419	119,419	1,159,414
Authorized: 1,720,000,000 shares			
Issued: 432,106,693 shares as of March 31, 2014			
and 2013, respectively			
Additional paid-in capital	128,625	128,234	1,248,794
Retained earnings (Note 13)	1,541,127	1,470,015	14,962,406
Less: Treasury stock, at cost	(34,954)	(39,167)	(339,365)
6,413,086 shares and 7,190,226 shares as of March 31, 2014			
and 2013, respectively			
Total stockholders' equity	1,754,218	1,678,502	17,031,249
Accumulated Other Comprehensive Income:			
Unrealized gains (losses) on available-for-sale securities (Note 2 (7))	10,439	11,591	101,351
Deferred gains (losses) on hedges	493	174	4,794
Foreign currency translation adjustments.....	9,451	(114,172)	91,765
Remeasurements of defined benefit plans	(1,470)	—	(14,273)
Total accumulated other comprehensive income.....	18,914	(102,406)	183,638
Share Subscription Rights	426	2,149	4,144
Minority Interests in Consolidated Subsidiaries	48,574	44,931	471,601
Total net assets.....	1,822,135	1,623,176	17,690,634
Total Liabilities and Net Assets	¥2,198,912	¥1,920,903	\$21,348,661

Consolidated Statements of Income

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2014, 2013 and 2012

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2014	2013	2012	2014
Net Sales (Note 25)	¥1,165,819	¥1,025,409	¥1,047,731	\$11,318,633
Cost of Sales (Notes 11 and 17)	873,879	769,427	798,592	8,484,271
Gross profit	291,939	255,981	249,138	2,834,361
Selling, General and Administrative Expenses (Notes 11, 16 and 17)....	118,130	98,938	99,505	1,146,894
Operating income (Note 25)	173,809	157,043	149,632	1,687,466
Other Income (Expenses):				
Interest income	3,454	2,417	2,978	33,542
Dividend income	1,725	1,560	1,530	16,750
Equity in earnings of affiliates	1,499	6,430	15,656	14,553
Interest expenses	(872)	(465)	(517)	(8,467)
Loss on disposal of property, plant and equipment	(1,386)	(690)	(938)	(13,459)
Foreign exchange gain (loss)	9,006	4,565	(416)	87,437
Other, net	(6,630)	(653)	(2,688)	(64,371)
Ordinary income	180,605	170,207	165,237	1,753,453
Extraordinary Income (Losses):				
Reversal of restoration costs for earthquake (Note 19)	—	—	5,491	—
Loss on sales of investments in securities	—	(6,137)	—	—
Loss on impairment of fixed assets (Note 20)	—	—	(6,191)	—
Loss on disaster (Note 21)	—	—	(5,312)	—
Provision of allowance for doubtful accounts	—	—	(4,553)	—
Income before income taxes and minority interests	180,605	164,070	154,671	1,753,453
Income Taxes (Note 22):				
Current	67,138	37,059	56,417	651,826
Deferred	(1,370)	19,696	(2,259)	(13,301)
	65,768	56,755	54,157	638,524
Income before minority interests	114,837	107,314	100,513	1,114,928
Minority Interests in Earnings of Consolidated Subsidiaries	(1,219)	(1,599)	129	(11,843)
Net Income	¥ 113,617	¥ 105,714	¥ 100,643	\$ 1,103,085
		Yen		U.S. dollars (Note 3)
Per Share (Note 2 (14)):				
Net income—basic	¥267.20	¥248.94	¥237.03	\$2.594
Net income—fully diluted	267.07	248.92	—	2.593
Cash dividends	100.00	100.00	100.00	0.971
Weighted-Average Number of Shares Outstanding (Thousands)	425,222	424,651	424,594	425,222

The accompanying notes are an integral part of the consolidated financial statements.

Diluted net income per share for the fiscal year ended March 31, 2012 is not presented as there were no securities with dilutive effect.

Consolidated Statements of Comprehensive Income

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2014, 2013 and 2012

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2014	2013	2012	2014
Income before Minority Interests	¥114,837	¥107,314	¥100,513	\$1,114,928
Other Comprehensive Income (Note 23):				
Unrealized gains (losses) on available-for-sale securities	(1,122)	10,314	(2,410)	(10,900)
Deferred gains (losses) on hedges	309	238	(211)	3,007
Foreign currency translation adjustments	125,605	66,415	(28,452)	1,219,472
Share of other comprehensive income of affiliates accounted for using the equity method	1,835	6,499	(2,988)	17,818
Total other comprehensive income	126,627	83,467	(34,063)	1,229,397
Comprehensive Income	¥241,465	¥190,782	¥ 66,450	\$2,344,326
(Breakdown)				
Comprehensive income attributable to owners of the parent....	¥236,409	¥186,861	¥67,547	\$2,295,235
Comprehensive income attributable to minority interests	5,056	3,920	(1,097)	49,090

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

	Thousands	Millions of yen				
		Stockholders' Equity				
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total
Balance at April 1, 2011	432,106	¥119,419	¥128,177	¥1,376,043	¥(40,917)	¥1,582,724
Cash dividends [Note 13]				(42,459)		(42,459)
Net income				100,643		100,643
Changes in scope of consolidation and equity method				1,466		1,466
Purchase of treasury stock					(9)	(9)
Disposal of treasury stock				(0)	1	1
Net changes of items other than stockholders' equity						
Balance at March 31, 2012	432,106	¥119,419	¥128,177	¥1,435,693	¥(40,925)	¥1,642,365

	Thousands	Millions of yen					
		Accumulated Other Comprehensive Income				Share subscription rights	Minority interests in consolidated subsidiaries
		Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Total		
Balance at April 1, 2011	¥ 3,275	¥ 895	¥(160,087)	¥(155,916)	¥3,822	¥38,798	¥1,469,429
Cash dividends [Note 13]							(42,459)
Net income							100,643
Changes in scope of consolidation and equity method							1,466
Purchase of treasury stock							(9)
Disposal of treasury stock							1
Net changes of items other than stockholders' equity	(2,063)	(869)	(30,162)	(33,095)	(330)	(1,070)	(34,496)
Balance at March 31, 2012	¥ 1,212	¥ 25	¥(190,249)	¥(189,011)	¥3,491	¥37,727	¥1,494,573

	Thousands	Millions of yen				
		Stockholders' Equity				
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total
Balance at April 1, 2012	432,106	¥119,419	¥128,177	¥1,435,693	¥(40,925)	¥1,642,365
Cash dividends [Note 13]				(42,459)		(42,459)
Net income				105,714		105,714
Changes in scope of consolidation and equity method				(28,932)		(28,932)
Purchase of treasury stock					(11)	(11)
Disposal of treasury stock			56		1,769	1,825
Net changes of items other than stockholders' equity						
Balance at March 31, 2013	432,106	¥119,419	¥128,234	¥1,470,015	¥(39,167)	¥1,678,502

	Thousands	Millions of yen					
		Accumulated Other Comprehensive Income				Share subscription rights	Minority interests in consolidated subsidiaries
		Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Total		
Balance at April 1, 2012	¥ 1,212	¥ 25	¥(190,249)	¥(189,011)	¥ 3,491	¥37,727	¥1,494,573
Cash dividends [Note 13]							(42,459)
Net income							105,714
Changes in scope of consolidation and equity method							(28,932)
Purchase of treasury stock							(11)
Disposal of treasury stock							1,825
Net changes of items other than stockholders' equity	10,378	148	76,077	86,605	(1,342)	7,203	92,465
Balance at March 31, 2013	¥11,591	¥174	¥(114,172)	¥(102,406)	¥ 2,149	¥44,931	¥1,623,176

	Thousands	Millions of yen				
	Number of shares of common stock	Stockholders' Equity				
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total
Balance at April 1, 2013	432,106	¥119,419	¥128,234	¥1,470,015	¥(39,167)	¥1,678,502
Cash dividends [Note 13]				(42,505)		(42,505)
Net income				113,617		113,617
Purchase of treasury stock					(150)	(150)
Disposal of treasury stock			391		4,362	4,754
Net changes of items other than stockholders' equity						
Balance at March 31, 2014	432,106	¥119,419	¥128,625	¥1,541,127	¥(34,954)	¥1,754,218

	Millions of yen							
	Accumulated Other Comprehensive Income					Share subscription rights	Minority 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			
Balance at April 1, 2013	¥11,591	¥174	¥(114,172)	¥ —	¥(102,406)	¥ 2,149	¥44,931	¥1,623,176
Cash dividends [Note 13]								(42,505)
Net income								113,617
Purchase of treasury stock								(150)
Disposal of treasury stock								4,754
Net changes of items other than stockholders' equity	(1,152)	319	123,624	(1,470)	121,321	(1,722)	3,643	123,242
Balance at March 31, 2014	¥10,439	¥493	¥ 9,451	¥(1,470)	¥ 18,914	¥ 426	¥48,574	¥1,822,135

	Thousands	Thousands of U.S. dollars [Note 3]				
	Number of shares of common stock	Stockholders' Equity				
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total
Balance at April 1, 2013	432,106	\$1,159,414	\$1,244,991	\$14,271,998	\$(380,265)	\$16,296,139
Cash dividends [Note 13]				(412,677)		(412,677)
Net income				1,103,085		1,103,085
Changes in scope of consolidation						
Purchase of treasury stock					(1,459)	(1,459)
Disposal of treasury stock			3,803		42,358	46,161
Net changes of items other than stockholders' equity						
Balance at March 31, 2014	432,106	\$1,159,414	\$1,248,794	\$14,962,406	\$(339,365)	\$17,031,249

	Thousands of U.S. dollars [Note 3]							
	Accumulated Other Comprehensive Income					Share subscription rights	Minority 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			
Balance at April 1, 2013	\$112,536	\$1,695	\$(1,108,470)	\$ —	\$ (994,238)	\$ 20,866	\$436,223	\$15,758,991
Cash dividends [Note 13]								(412,677)
Net income								1,103,085
Changes in scope of consolidation								
Purchase of treasury stock								(1,459)
Disposal of treasury stock								46,161
Net changes of items other than stockholders' equity	(11,185)	3,098	1,200,236	(14,273)	1,177,877	(16,722)	35,378	1,196,532
Balance at March 31, 2014	\$101,351	\$4,794	\$ 91,765	\$(14,273)	\$ 183,638	\$ 4,144	\$471,601	\$17,690,634

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2014, 2013 and 2012

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2014	2013	2012	2014
Cash Flows from Operating Activities:				
Income before income taxes.....	¥ 180,605	¥ 164,070	¥154,671	\$ 1,753,453
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization.....	91,445	80,961	82,868	887,820
Loss on impairment of fixed assets.....	—	—	6,191	—
Increase in accrued retirement benefits.....	—	2,486	2,663	—
Increase (decrease) in net defined benefit liability.....	4,007	—	—	38,911
(Gain) loss on sales of investments in securities.....	(1)	6,039	(23)	(18)
Loss on write-down of investments in securities.....	175	485	677	1,706
Increase (decrease) in allowance for doubtful accounts.....	(32)	(210)	4,496	(312)
Interest and dividend income.....	(5,180)	(3,977)	(4,509)	(50,293)
Interest expenses.....	872	465	517	8,467
Exchange (gain) loss.....	660	323	(395)	6,416
Equity in earnings of affiliates.....	(1,499)	(6,430)	(15,656)	(14,553)
Changes in assets and liabilities:				
(Increase) decrease in notes and accounts receivable.....	(561)	32,803	2,110	(5,448)
(Increase) decrease in inventories.....	18,246	17,708	(77,517)	177,152
(Increase) decrease in long-term advance payment.....	2,830	7,521	(2,354)	27,476
Increase (decrease) in notes and accounts payable.....	3,593	(1,189)	(1,585)	34,890
Increase (decrease) in provision for loss on disaster.....	—	—	(4,725)	—
Other, net.....	1,081	(5,700)	(6,472)	10,496
Subtotal.....	296,245	295,355	140,960	2,876,165
Proceeds from interest and dividends.....	5,931	4,754	8,553	57,587
Payments of interest.....	(887)	(482)	(513)	(8,615)
Payments of income taxes.....	(41,554)	(64,004)	(41,124)	(403,441)
Payments for disaster losses.....	—	—	(21,041)	—
Insurance income on disaster.....	—	—	9,733	—
Net cash provided by operating activities.....	259,734	235,622	96,567	2,521,696
Cash Flows from Investing Activities:				
(Increase) decrease in time deposits.....	(15,019)	(2,134)	3,321	(145,825)
Purchases of securities.....	(450,429)	(66,030)	(24,988)	(4,373,097)
Proceeds from redemption of securities.....	285,380	18,810	21,400	2,770,679
Proceeds from sales of securities.....	9,286	5,189	6,031	90,160
Purchases of property, plant and equipment.....	(66,814)	(80,775)	(80,320)	(648,685)
Proceeds from sales of property, plant and equipment.....	175	285	513	1,702
Purchases of intangible fixed assets.....	(2,444)	(884)	(904)	(23,730)
Purchases of investments in securities.....	(3,836)	(7,581)	(691)	(37,250)
Proceeds from sales of investments in securities.....	2,277	898	195	22,112
Proceeds from redemption of investments in securities.....	5,000	22,978	—	48,543
Purchases of investments in subsidiaries resulting in change in scope of consolidation.....	(7,296)	—	—	(70,840)
Payments of loans.....	(5)	(5,368)	(7,595)	(55)
Proceeds from collection of loans.....	561	327	464	5,453
Other, net.....	(3,728)	(4,968)	(6,618)	(36,198)
Net cash used for investing activities.....	(246,894)	(119,254)	(89,190)	(2,397,030)
Cash Flows from Financing Activities:				
Net increase (decrease) in short-term borrowings.....	(693)	(3,407)	2,058	(6,734)
Proceeds from long-term debt.....	306	6,517	1,188	2,971
Repayments of long-term debt.....	(1,203)	(5,482)	(2,093)	(11,681)
Purchases of treasury stock.....	(150)	(11)	(9)	(1,459)
Proceeds from sales of treasury stock.....	3,806	1,490	1	36,959
Cash dividends paid.....	(42,505)	(42,459)	(42,459)	(412,677)
Cash dividends paid to minority interests.....	(496)	(574)	(879)	(4,816)
Other, net.....	(425)	(84)	20	(4,130)
Net cash used for financing activities.....	(41,361)	(44,011)	(42,174)	(401,568)
Effect of Exchange Rate Changes on Cash and Cash Equivalents ..	28,052	16,899	(7,026)	272,353
Net Increase (Decrease) in Cash and Cash Equivalents.....	(468)	89,257	(41,824)	(4,549)
Cash and Cash Equivalents at Beginning of Year.....	363,028	270,321	302,285	3,524,552
Increase (Decrease) in Cash and Cash Equivalents Resulting from Changes in Scope of Consolidation.....	—	3,450	9,859	—
Cash and Cash Equivalents at End of Year (Note 24).....	¥ 362,560	¥ 363,028	¥270,321	\$ 3,520,003

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2014, 2013 and 2012

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared from accounts and records maintained by Shin-Etsu Chemical Co., Ltd. (the "Company") and its subsidiaries. The Company and its domestic consolidated subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Corporation Law of Japan and the Financial Instruments and Exchange Law and in conformity with generally accepted accounting principles prevailing in Japan. The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries. Before the fiscal year ended March 31, 2008, in general, no adjustments to the accounts of overseas consolidated subsidiaries were reflected in the accompanying consolidated financial statements to present them in compliance with Japanese accounting principles followed by the Company.

Effective from the fiscal year ended March 31, 2009, the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force No. 18, issued on May 17, 2006) has been applied, and accordingly some revisions have been made to the consolidated accounts as necessary.

The accompanying consolidated financial statements of the Company and its subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company, as required by the Financial Instruments and Exchange Law of Japan.

The presentation of the accompanying consolidated financial statements is made in conformity with the Consolidated Financial Statements Regulation (ordinance promulgated by the Ministry of Finance) and meets the requirements for disclosure of financial information of the Company on a consolidated basis. However, certain reclassifications have been made to the consolidated financial statements issued domestically to enable the presentation in a form which is more familiar to readers outside Japan.

The amounts in the accompanying consolidated financial statements are stated in millions of yen. Amounts less than ¥1 million are omitted, except where otherwise indicated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Principles of consolidation

The Company had 123 majority-owned subsidiaries as of March 31, 2014 (119 and 110 as of March 31, 2013 and 2012, respectively). The consolidated financial statements include the accounts of the Company and 87 (87 and 77 for 2013 and 2012, respectively) majority-owned subsidiaries (collectively, the "Companies"), of which the principal firms are listed on page 65 with their respective fiscal year-ends.

The remaining 36 (32 and 33 for 2013 and 2012, respectively) unconsolidated subsidiaries, including Shin-Etsu Electronics (Malaysia) Sdn. Bhd., whose total assets, net sales, net income and retained earnings in the aggregate are not material to the consolidated financial statements have been excluded from the scope of consolidation. For consolidation of subsidiaries whose fiscal year-ends are not the same as the Company, necessary adjustments are made for significant intercompany transactions occurring during the periods between the fiscal year-end of respective consolidated subsidiaries and that of the Company.

Unrealized intercompany profits and losses among the Companies are entirely eliminated, and the portion thereof attributable to minority interests is allocated to the minority interests.

Assets and liabilities of consolidated subsidiaries are measured at fair value at the time of acquisition.

Goodwill is amortized within 20 years on a straight-line basis.

Asia Silicones Monomer Limited, which had previously been an equity-method affiliate, was newly included in the scope of consolidation due to the acquisition of additional shares. Shincor Silicones, Inc., which had previously been a consolidated subsidiary, was excluded from the scope of consolidation due to an absorption-type merger with Shin-Etsu Silicones of America, Inc., which is a consolidated subsidiary.

(2) Accounting for investments in unconsolidated subsidiaries and affiliates

The Company had 36 (32 and 33 for 2013 and 2012, respectively) unconsolidated subsidiaries (majority-owned) and 14 (16 and 17 for 2013 and 2012, respectively) affiliates (meaning 20% to 50% ownership of a company's equity interest). The equity method is applied to the investments in 3 (4 and 7 for 2013 and 2012, respectively) major affiliates and investments in the remaining unconsolidated subsidiaries, including Shin-Etsu Electronics (Malaysia) Sdn. Bhd., and affiliates, including TATSUNO CHEMICAL INDUSTRIES INC., are stated at cost because they are not material to the consolidated financial statements.

The major unconsolidated subsidiaries and affiliates accounted for by the equity method are listed below:

Mimasu Semiconductor Industry Co., Ltd.

Shin-Etsu Quartz Products Co., Ltd.

Admatechs Co., Ltd.

(3) Translation of foreign currency transactions

Foreign currency transactions are generally translated into yen at the rates prevailing at the respective transaction dates.

Foreign currency deposits, receivables and payables are translated into yen at the exchange rate prevailing at the respective balance sheet dates and the resulting translation gain or loss is included in the determination of net income for the year.

However, all of the overseas consolidated subsidiaries apply the current rate method to translate transactions and account balances in foreign currencies into their respective home currencies.

(4) Translation of foreign currency financial statements (accounts of overseas subsidiaries)

The balance sheet accounts of overseas consolidated subsidiaries are translated into yen at current exchange rates prevailing at the end of the fiscal year, except for equity, which is translated at the historical rate. Revenue and expense accounts are translated at the average exchange rates during the year. The resulting translation adjustments are shown as "Foreign currency translation adjustments" in the accompanying balance sheets as of March 31, 2014 and 2013.

(5) Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide an allowance for doubtful accounts using the historic percentage of bad debt loss against the balance of general receivables plus an amount deemed necessary to cover individual accounts estimated to be uncollectible.

(6) Inventories

Inventories are mainly stated at cost determined by the weighted-average method. Balance sheet amounts are written down based on any decline in profitability.

(7) Financial instruments

Securities:

Held-to-maturity debt securities are stated at amortized cost using the straight-line method. Available-for-sale securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate component of accumulated other comprehensive income at net-of-tax amounts. Other securities for which market quotations are unavailable are stated at cost, determined by the moving-average cost method.

Derivatives:

Derivatives are stated at fair value, with changes in fair value included in profit or loss in the same period in which they arise, except for derivatives that are designated as "hedging instruments."

The Company and consolidated subsidiaries enter into foreign exchange contracts, currency swaps, interest rate swaps and earthquake derivatives.

Hedge accounting:

Gains or losses arising from changes in the fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the Company are interest rate swaps, foreign exchange contracts and currency swaps. The related hedged items are interest rate transactions tied to funding activities, marketable securities and forecasted foreign currency transactions.

The Company has a policy to utilize the above hedging instruments in order to hedge the risk of fluctuations in interest rates and foreign currencies. Thus, the Company's purchases of the hedging instruments are limited to, at maximum, the amounts of the underlying hedged items. The Company does not enter into derivative transactions for trading or speculative purposes.

The Company evaluates the effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the corresponding hedged items from the commencement of the hedges.

(8) Property, plant and equipment

The Company and its domestic subsidiaries principally calculate depreciation by the declining-balance method, based on the estimated useful lives of the assets. Foreign subsidiaries principally calculate depreciation by the straight-line method over the estimated useful lives of the assets. The cost of property, plant and equipment retired or otherwise disposed of and accumulated depreciation are eliminated from the related accounts, and the resulting gain or loss is reflected in income.

Effective from the fiscal year ended March 31, 2013, due to a revision of the corporate tax law in Japan, the Company and certain domestic consolidated subsidiaries have applied a depreciation method based on the revised law for tangible fixed assets purchased on or after April 1, 2012. The impact of this change on operating income, ordinary income and income before income taxes and minority interests for the fiscal year ended March 31, 2013 is immaterial.

(9) Repairs and maintenance

Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(10) Accrued bonuses for employees

Certain consolidated subsidiaries recognize the estimated amount of employees' bonuses to be paid in the subsequent period that is attributable to the current fiscal year.

(11) Accrued bonuses for directors

The Company and its domestic consolidated subsidiaries recognize the estimated amount of directors' bonuses to be paid in the subsequent period that is attributable to the current fiscal year.

(12) Accrued retirement benefits

The Company recognizes pension and severance costs for employees based on the estimates of the pension obligations and the plan assets at the end of current fiscal year.

The straight-line basis is applied as the method for attributing the expected retirement benefit to periods of service for the calculation of the retirement benefit obligation.

Actuarial differences are amortized over a five-year period, which is within the average remaining service period of employees, using the straight-line method from the fiscal year when the difference was generated. Prior service cost is amortized as incurred over a ten-year period, which is within the average remaining service period of employees using the straight-line method from the time when the prior services cost was generated.

Effective from the end of FY 2014, the Company adopted the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No.26, issued May 17, 2012, hereinafter referred as the "Accounting Standards for Retirement Benefits") and its accompanying implementation guidance, "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, May 17, 2012.) [Except for certain Provisions described in Section 35 of the standard and in Section 67 of the guidance].

These accounting standards are applied with a revised method for recording the retirement benefit obligation after deducting pension plan assets as net defined benefit liability, and unrecognized actuarial differences and unrecognized prior service costs are recorded as net defined benefit liability.

Concerning the application of the Accounting Standards for Retirement Benefits, based on the provisional treatment set out in Section 37 of the accounting standards, the effects of such changes in the current fiscal year have been adjusted in remeasurements of defined benefit plans through accumulated other comprehensive income. The impact of these changes on assets, liabilities and net assets is immaterial.

(13) Research and development costs

Research and development costs are charged to income as incurred.

(14) Income and dividends per share

Net income per share is based upon the weighted-average number of shares of common stock outstanding during each fiscal year.

Net income per share adjusted for dilution represents net income per share assuming full conversion of all convertible debentures of the Company outstanding with related reduction in interest expenses.

(15) Dividends

Dividends are proposed by the Board of Directors and approved by the stockholders at meetings held subsequent to the fiscal year to which the dividends are applicable, and registered stockholders as of the end of such fiscal year are entitled to the subsequently declared dividends. Interim cash dividends are also paid (see Note 13).

Dividends charged to retained earnings in the accompanying consolidated statements of changes in net assets represent dividends approved and paid during the year.

(16) Accrued retirement bonuses for directors

Certain domestic subsidiaries recognize the required amount of directors' retirement bonuses as of the end of the fiscal year based on an internal standard.

(17) Consumption tax

Consumption tax withheld by the Company and certain subsidiaries on sales of products and services is not included in the amount of net sales in the consolidated statements of income. Consumption tax borne by the Company and certain subsidiaries on purchases of goods and services and on expenses is also not included in the related amounts in the consolidated statements of income.

3. UNITED STATES DOLLAR AMOUNTS

The accompanying consolidated financial statements are prepared in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on a basis of ¥103 to US\$1, the approximate effective rate of exchange on March 31, 2014. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be readily converted, realized or settled in dollars at ¥103 to US\$1 or at any other rate.

4. NOTES AND ACCOUNTS RECEIVABLE AND PAYABLE

The Companies recognize settlements of trade notes receivable and trade notes payable when the bank clearance of the notes is actually made. As March 31, 2013 was a holiday for financial institutions in Japan, the following accounts include the unsettled balances of trade notes receivable and trade notes payable due on that date in the accompanying consolidated balance sheet as of March 31, 2013.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Notes and accounts receivable—trade			
Trade notes receivable	¥—	¥2,462	\$—
Notes and accounts payable—trade			
Trade notes payable	—	1,340	—
Other	—	20	—

5. FINANCIAL INSTRUMENTS

(1) Overview of financial instruments

Management policy

In principle, fund management is limited to deposits with financial institutions with high credit ratings and risk-free bonds, and financing is obtained primarily through borrowings from banks.

Financial instruments, risks and risk management

Notes and accounts receivable-trade are exposed to credit risk of customers. With regard to credit risk related to notes and accounts receivable-trade, each business department not only controls and manages account due dates and balances, but also confirms the credit standing of major customers periodically, making efforts to identify doubtful accounts as early as possible.

Securities and investments in securities are stocks in companies with which the Company has business relationships, held-to-maturity debt securities and also certificates of deposit. Regarding securities and investment securities, the Company regularly determines their fair value and the financial situation of the issuing companies. For stocks, the Company also continually reviews the stock holding status, considering its relationship with the issuing companies.

In order to hedge the foreign currency exchange risk associated with assets and liabilities denominated in foreign currencies and interest rate risk associated with financial assets and liabilities, derivative transactions such as interest rate swap transactions, currency swap transactions and foreign exchange forward contracts are utilized. All derivative transactions are entered into for the purpose of hedging risks arising in the ordinary course of business, and there are no derivative transactions entered into for trading or speculative purposes.

Supplementary explanation on the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair values.

(2) Fair value of financial instruments

As of March 31, 2014 and 2013, the book value, fair value and the difference between the two are as follows:

	Millions of yen			Thousands of U.S. dollars		
	2014			2014		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets:						
(1) Cash and time deposits.....	¥ 363,339	¥363,339	¥ —	\$3,527,565	\$3,527,565	\$ —
(2) Notes and accounts receivable—trade	267,243	267,243	—	2,594,600	2,594,600	—
(3) Securities and investments in securities						
i) Held-to-maturity debt securities	8,193	8,195	1	79,551	79,570	18
ii) Investments in and advances to unconsolidated subsidiaries and affiliates..	22,367	12,951	(9,415)	217,160	125,744	(91,415)
iii) Available-for-sale securities	333,574	333,574	—	3,238,583	3,238,583	—
(4) Long-term loans	7,159	7,320	161	69,506	71,071	1,564
Total	¥1,001,877	¥992,625	¥(9,252)	\$9,726,968	\$9,637,136	\$(89,832)
Liabilities:						
(1) Notes and accounts payable—trade.....	¥ 109,401	¥109,401	¥ —	\$1,062,149	\$1,062,149	\$ —
(2) Short-term borrowings.....	7,524	7,524	—	73,049	73,049	—
(3) Accounts payable—other	33,376	33,376	—	324,039	324,039	—
(4) Accrued expenses	57,474	57,474	—	558,000	558,000	—
(5) Accrued income taxes.....	32,118	32,118	—	311,826	311,826	—
(6) Long-term debt	7,557	7,542	(15)	73,374	73,227	(146)
Total	¥ 247,451	¥247,436	¥ (15)	\$2,402,439	\$2,402,292	\$ (146)
Derivative transactions:						
Hedge accounting not applied	¥ (671)	¥ (671)	¥ —	\$ (6,521)	\$ (6,521)	\$ —
Hedge accounting applied.....	552	552	—	5,365	5,365	—
Total	¥ (119)	¥ (119)	¥ —	\$ (1,156)	\$ (1,156)	\$ —

	Millions of yen		
	2013		
	Book value	Fair value	Difference
Assets:			
(1) Cash and time deposits.....	¥252,881	¥252,881	¥ —
(2) Notes and accounts receivable—trade	243,785	243,785	—
(3) Securities and investments in securities			
i) Held-to-maturity debt securities	11,890	11,933	42
ii) Investments in and advances to unconsolidated subsidiaries and affiliates.....	21,932	13,008	(8,924)
iii) Available-for-sale securities.....	265,575	265,575	—
(4) Long-term loans	6,405	6,644	238
Total	¥802,471	¥793,829	¥(8,642)
Liabilities:			
(1) Notes and accounts payable—trade.....	¥100,197	¥100,197	¥ —
(2) Short-term borrowings.....	5,507	5,507	—
(3) Accounts payable—other	28,882	28,882	—
(4) Accrued expenses	45,537	45,537	—
(5) Accrued income taxes.....	6,220	6,220	—
(6) Long-term debt	7,709	7,665	(44)
Total	¥194,055	¥194,011	¥ (44)
Derivative transactions:			
Hedge accounting not applied	¥ (1,376)	¥ (1,376)	¥ —
Hedge accounting applied.....	416	416	—
Total	¥ (959)	¥ (959)	¥ —

Notes: 1. Method for calculating fair value of financial instruments, and notes regarding securities and derivative transactions

Assets

(1) Cash and time deposits and (2) Notes and accounts receivable—trade

These are settled within a short time, and their fair value and book value are nearly equal. Thus, the book value is listed as the fair value in the table above.

(3) Securities and investments in securities

These mainly consist of stocks and held-to-maturity debt securities. The fair value of stocks is based on prices quoted on stock exchanges, while the fair value of held-to-maturity debt securities is based on either a price quoted on the exchanges or prices provided by counterparty financial institutions. Negotiable certificates of deposit are settled within a short time, and the fair value and book value are nearly equal. Thus, the book value is listed as the fair value in the table above.

(4) Long-term loans

The fair value of long-term loans is calculated based on a future cash flow discounted at an appropriate rate such as mid-term and long-term interest rates with credit spreads, for all loans grouped by a certain period of time and credit rating under the Company's credit exposure management.

Liabilities

(1) Notes and accounts payable—trade, (2) Short-term borrowings, (3) Accounts payable—other, (4) Accrued expenses and (5) Accrued income taxes.

These are settled within a short time, and their fair value and book value are nearly equal. Thus, the book value is listed as the fair value in the table above.

(6) Long-term debt

The fair value for long-term debt is calculated based on a present value of principal and interest, discounted at the expected rate for new borrowings with the same terms.

Derivative transactions

Assets and liabilities arising from derivative transactions are presented in the table above. Total net payables are shown in parenthesis.

2. The following table summarizes financial instruments whose fair value is extremely difficult to estimate.

Description	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Non-listed equity securities.....	¥28,755	¥39,106	\$279,182
Investments in securities, etc.	5,394	5,426	52,374
Total	¥34,150	¥44,533	\$331,556

Quoted market prices are not available for these securities. Since it is extremely difficult to estimate their fair value, the fair value is not disclosed.

3. Repayment schedule of time deposits, notes and accounts receivable-trade, securities and investments in securities, and long-term loans.

Description	Millions of yen				Thousands of U.S. dollars			
	2014				2014			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Time deposits	¥363,296	¥ —	¥ —	¥ —	\$3,527,150	\$ —	\$ —	\$ —
Notes and accounts receivable-trade	267,243	—	—	—	2,594,600	—	—	—
Securities and investments in securities	274,289	3,130	5,000	—	2,663,000	30,392	48,543	—
Long-term loans.....	—	2,285	1,509	3,364	—	22,185	14,655	32,666
Total	¥904,829	¥5,415	¥6,509	¥3,364	\$8,784,751	\$52,578	\$63,198	\$32,666

Description	Millions of yen			
	2013			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Time deposits	¥252,845	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	243,785	—	—	—
Securities and investments in securities	214,380	2,141	5,000	—
Long-term loans.....	—	2,053	4,052	299
Total	¥711,011	¥4,195	¥9,052	¥299

4. Repayment schedule of short-term borrowings, long-term debt and lease obligations.

Description	Millions of yen					
	2014					
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term borrowings	¥7,133	¥ —	¥ —	¥ —	¥—	¥—
Long-term debt	390	455	1,596	5,396	68	39
Lease obligations	217	194	87	47	8	1
Total	¥7,741	¥650	¥1,634	¥5,444	¥77	¥40

Description	Thousands of U.S. dollars					
	2014					
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term borrowings	\$69,257	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term debt	3,791	4,356	15,438	52,145	675	758
Lease obligations	2,110	1,891	847	458	79	14
Total	\$75,159	\$6,248	\$16,286	\$52,604	\$754	\$773

Description	Millions of yen					
	2013					
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term borrowings	¥5,238	¥ —	¥ —	¥ —	¥ —	¥—
Long-term debt	268	365	396	1,537	5,360	49
Lease obligations	219	202	179	72	34	3
Total	¥5,727	¥567	¥575	¥1,610	¥5,395	¥53

6. SECURITIES

Securities as of March 31, 2014 and 2013 consisted of the following:

(1) Held-to-maturity debt securities

Description	Millions of yen						Thousands of U.S. dollars		
	2014			2013			2014		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with fair value that exceeds book value.....	¥6,109	¥6,137	¥ 27	¥10,920	¥10,970	¥49	\$59,319	\$59,585	\$ 266
Securities with fair value that does not exceed book value	2,083	2,058	(25)	970	963	(6)	20,232	19,984	(247)
Total	¥8,193	¥8,195	¥ 1	¥11,890	¥11,933	¥42	\$79,551	\$79,570	\$ 18

(2) Available-for-sale securities

Description	Millions of yen						Thousands of U.S. dollars		
	2014			2013			2014		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with book value that exceeds acquisition cost	¥ 47,151	¥ 26,660	¥20,490	¥ 41,121	¥ 20,483	¥20,638	\$ 457,783	\$ 258,842	\$198,940
Securities with book value that does not exceed acquisition cost	286,422	288,192	(1,769)	224,454	226,955	(2,501)	2,780,800	2,797,982	(17,182)
Total	¥333,574	¥314,852	¥18,721	¥265,575	¥247,438	¥18,136	\$3,238,583	\$3,056,825	\$181,758

Note: Non-listed equity securities with a book value of ¥39,106 million and other investment securities with a book value of ¥5,426 million, as of March 31, 2013, whose fair value is extremely difficult to estimate are excluded from the above.

Non-listed equity securities, excluding investments in and advances to unconsolidated subsidiaries and affiliates, with a book value of ¥4,008 million [\$38,918 thousand] and other investment securities with a book value of ¥5,394 million [\$52,374 thousand], as of March 31, 2014, whose fair value is extremely difficult to estimate are excluded from the above.

7. DERIVATIVE TRANSACTIONS

(1) Derivative transactions to which hedge accounting is not applied:

1) Currency related:

As of March 31, 2014

Description	Millions of yen			Thousands of U.S. dollars		
	Contract amounts	Fair value	Unrealized gain (loss)	Contract amounts	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts						
Sales contracts:						
USD.....	¥ 7,377	¥ 39	¥ 39	\$ 71,625	\$ 380	\$ 380
EUR.....	4,100	(194)	(194)	39,806	(1,884)	(1,884)
Other.....	1,916	24	24	18,608	237	237
Purchase contracts:						
USD.....	600	(4)	(4)	5,828	(46)	(46)
Other.....	4,727	(534)	(534)	45,895	(5,194)	(5,194)
Foreign currency swap contracts.....						
Total	¥18,721	¥(670)	¥(670)	\$181,764	\$(6,505)	\$(6,505)

As of March 31, 2013

Description	Millions of yen		
	Contract amounts	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts			
Sales contracts:			
USD.....	¥41,135	¥[1,447]	¥[1,447]
EUR.....	2,946	(289)	(289)
Other.....	1,298	99	99
Purchase contracts:			
USD.....	346	(3)	(3)
EUR.....	10	0	0
Other.....	4,311	(344)	(344)
Foreign currency swap contracts			
Receive JPY, pay GBP	3,099	610	610
Total	¥53,148	¥[1,373]	¥[1,373]

Note: The fair value is provided by counterparty financial institutions.

2) Interest related:

As of March 31, 2014

Description	Millions of yen			Thousands of U.S. dollars		
	Contract amounts	Fair value	Unrealized gain (loss)	Contract amounts	Fair value	Unrealized gain (loss)
Interest rate swap contracts						
Receive floating, pay fixed.....	¥142	¥[1]	¥[1]	\$1,380	\$(15)	\$(15)
Total	¥142	¥[1]	¥[1]	\$1,380	\$(15)	\$(15)

As of March 31, 2013

Description	Millions of yen		
	Contract amounts	Fair value	Unrealized gain (loss)
Interest rate swap contracts			
Receive floating, pay fixed.....	¥195	¥[2]	¥[2]
Total	¥195	¥[2]	¥[2]

Note: The fair value is provided by counterparty financial institutions.

(2) Derivative transactions to which hedge accounting is applied:

1) Currency related:

As of March 31, 2014

Hedge accounting method	Transaction	Hedged items	Millions of yen			Thousands of U.S. dollars		
			Contract amounts	Contract amounts over one year	Fair value	Contract amounts	Contract amounts over one year	Fair value
Deferral hedge accounting	Forward foreign exchange contracts:							
	Sales contracts							
	USD	Accounts receivable-trade	¥19,950	¥—	¥ 315	\$193,698	\$—	\$ 3,058
	Purchase contracts							
	EUR	Accounts payable-trade	1,346	—	487	13,073	—	4,732
Deferral hedge accounting	Foreign currency swap contracts:							
	Receive USD							
	pay THB	Long-term debt	1,051	—	(240)	10,209	—	(2,331)
Total			¥22,349	¥—	¥ 562	\$216,981	\$—	\$ 5,459

As of March 31, 2013

Hedge accounting method	Transaction	Hedged items	Millions of yen		
			Contract amounts	Contract amounts over one year	Fair value
Deferral hedge accounting	Forward foreign exchange contracts:				
	Purchase contracts				
	EUR	Accounts payable-trade	¥2,715	¥—	¥416
Total			¥2,715	¥—	¥416

Note: The fair value is provided by counterparty financial institutions.

2) Interest related:
As of March 31, 2014

Hedge accounting method	Transaction	Hedged items	Millions of yen			Thousands of U.S. dollars		
			Contract amounts	Contract amounts over one year	Fair value	Contract amounts	Contract amounts over one year	Fair value
Deferral hedge accounting	Interest rate swap contracts: Receive floating, pay fixed	Long-term debt	¥745	¥—	¥(9)	\$7,233	\$—	\$(94)
Total			¥745	¥—	¥(9)	\$7,233	\$—	\$(94)

As of March 31, 2013

Hedge accounting method	Transaction	Hedged items	Millions of yen		
			Contract amounts	Contract amounts over one year	Fair value
Special hedge accounting treatment of interest rate swaps under JGAAP	Interest rate swap contracts: Receive floating, pay fixed	Interest from investments in securities	¥5,000	¥—	¥(39)
Total			¥5,000	¥—	¥(39)

Note: The fair value is provided by counterparty financial institutions.

8. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in unconsolidated subsidiaries and affiliates as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Investments in securities (Stocks).....	¥47,114	¥55,927	\$457,424
Other (Investments in capital).....	5,218	5,211	50,664

9. ACCUMULATED DEPRECIATION

Accumulated depreciation of property, plant and equipment as of March 31, 2014 and 2013 was ¥1,730,579 million (\$16,801,741 thousand) and ¥1,550,390 million, respectively.

10. SHORT-TERM BORROWINGS, LONG-TERM DEBT AND LEASE OBLIGATIONS

Short-term borrowings, long-term debt and lease obligations as of March 31, 2014 and 2013 consisted of the following:

	Average interest rate	Due date	Millions of yen		Thousands of U.S. dollars
			2014	2013	2014
Short-term borrowings.....	1.1%	—	¥ 7,133	¥ 5,238	\$ 69,257
Current portion of long-term debt	1.1%	—	390	268	3,791
Current portion of lease obligations.....	—	—	217	219	2,110
Long-term debt, excluding current portion	0.8%	February 2015 – October 2021	7,557	7,709	73,374
Lease obligations, excluding current portion	—	January 2015 – September 2021	339	492	3,291
Total			¥15,638	¥13,929	\$151,825

Notes: 1. Average interest rate is the weighted average rate based on the balance as of March 31, 2014.

2. Average interest rate of lease obligations is not shown as the balance includes the interest portion.

3. Repayment schedule subsequent to March 31, 2014 for long-term debt and lease obligations, excluding the current portion, is as follows:

	Millions of yen		Thousands of U.S. dollars	
	Long-term debt	Lease obligations	Long-term debt	Lease obligations
Years ending March 31,				
2016.....	¥ 455	¥194	\$ 4,421	\$1,891
2017.....	1,596	87	15,503	847
2018.....	5,396	47	52,397	458
2019.....	68	8	669	79

11. RETIREMENT AND PENSION PLANS

For the year ended March 31, 2013

The Company and its domestic consolidated subsidiaries have defined contribution pension plans (DC pension plans), defined benefit pension plans (transition from tax-qualified pension plans) and lump-sum severance payment plans as their defined benefit pension plans.

Certain overseas consolidated subsidiaries have defined benefit pension plans while others have defined contribution pension plans.

Additionally, the Company has a "Retirement Benefit Trust" for lump-sum severance payment plans.

The reserves for retirement benefits as of March 31, 2013 are analyzed as follows:

Benefit Obligations

	Millions of yen
(a) Benefit obligations	¥(40,595)
(b) Pension assets	17,670
(c) Unfunded benefit obligations [(a)+(b)]	(22,925)
(d) Unrecognized actuarial differences	4,430
(e) Unrecognized prior service cost (negative) (Note 1)	(37)
(f) Net retirement benefit obligations [(c)+(d)+(e)]	(18,532)
(g) Prepaid pension expenses	1,652
(h) Accrued retirement benefits [(f)-(g)]	¥(20,185)

Notes: 1. The Company and certain consolidated subsidiaries changed from tax-qualified pension plans to defined contribution pension plans before the prior fiscal year, as a result, prior service cost was recognized.

2. Certain subsidiaries adopt a simplified method for the calculation of benefit obligations.

Retirement Benefit Costs

	Millions of yen
(a) Service costs (Note 1)	¥2,916
(b) Interest costs	1,035
(c) Expected return on plan assets	(592)
(d) Recognized actuarial loss	1,905
(e) Amortization of prior service cost	54
(f) Other (Note 2)	1,989
(g) Retirement benefit costs [(a)+(b)+(c)+(d)+(e)+(f)]	¥7,309

Notes: 1. Retirement benefit costs for subsidiaries adopting a simplified method are reported in "Service costs."

2. "Other" represents contributions to defined contribution pension plans.

Basic Assumptions for Calculating Benefit Obligations

(a) Method of attributing expected benefit to periods	Benefit/years of service approach
(b) Discount rate	Principally 1.5%
(c) Expected rate of return on plan assets	Principally 2.5%
(d) Amortization period of prior service cost	Principally 10 years
(e) Amortization period of actuarial differences	Principally 5 years

For the year ended March 31, 2014

The Company and its domestic consolidated subsidiaries have defined contribution pension plans (DC pension plans) and lump-sum severance payment plans as their defined benefit pension plans.

Certain overseas consolidated subsidiaries have defined benefit pension plans while others have defined contribution pension plans.

Additionally, the Company has a "Retirement Benefit Trust."

Information on defined benefit pension plans for the fiscal year ended March 31, 2014 is as follows:

1. Defined Benefit Pension Plans
(1) Changes in Benefit Obligations

	Millions of yen	Thousands of U.S. dollars
Beginning balance of benefit obligations.....	¥40,595	\$394,135
Service costs.....	3,380	32,824
Interest costs.....	1,196	11,614
Actuarial differences arising during the year.....	(1,335)	(12,970)
Retirement benefits paid.....	(1,525)	(14,812)
Other*.....	5,240	50,877
Ending balance of benefit obligations	¥47,551	\$461,669

*Mainly foreign currency translation adjustments

(2) Changes in Pension Assets

	Millions of yen	Thousands of U.S. dollars
Beginning balance of pension assets.....	¥17,670	\$171,558
Expected return on pension assets	831	8,075
Actuarial differences arising during the year.....	740	7,192
Contributions made by the Company and consolidated subsidiaries	764	7,425
Retirement benefits paid.....	(791)	(7,680)
Other*.....	2,593	25,181
Ending balance of pension assets	¥21,810	\$211,752

*Mainly foreign currency translation adjustments

(3) Reconciliation of benefit obligations and pension assets with net defined benefit liability and asset on the Consolidated Balance Sheets

	Millions of yen	Thousands of U.S. dollars
Funded benefit obligations	¥ 41,711	\$ 404,968
Pension assets	(21,810)	(211,752)
Net.....	19,901	193,216
Unfunded benefit obligations.....	5,840	56,700
Net amount of liability and asset on Consolidated Balance Sheets	¥ 25,741	\$ 249,916

	Millions of yen	Thousands of U.S. dollars
Net defined benefit asset	¥ (2,386)	\$ (23,165)
Net defined benefit liability	28,127	273,081
Net amount of liability and asset on Consolidated Balance Sheets	¥25,741	\$249,916

(4) Retirement Benefit Expenses

	Millions of yen	Thousands of U.S. dollars
Service costs.....	¥3,380	\$32,824
Interest costs.....	1,196	11,614
Expected return on pension assets	(831)	(8,075)
Amortization of actuarial differences.....	485	4,716
Amortization of prior service cost	(89)	(870)
Retirement benefit expenses for defined benefit pension plans	¥4,141	\$40,209

(5) Remeasurements of Defined Benefit Plans

Breakdown of remeasurements of defined benefit plans (before deduction of tax effects)

	Millions of yen	Thousands of U.S. dollars
Unrecognized prior service cost.....	¥ 63	\$ 614
Unrecognized actuarial differences	1,873	18,187
Total.....	¥1,936	\$18,802

(6) Pension Assets

Breakdown of pension assets

Bonds	40%
Stocks	32%
Other	28%
Total	100%

(Note) 24% of total pension assets are in a "Retirement Benefit Trust" for lump-sum severance payment plans.

Rate of expected return on pension assets

The expected return on pension assets is determined based on the current and estimated future rates of return on various pension assets.

(7) Basic Assumptions for Calculating Benefit Obligations

Discount rate	Mainly 1.5%
Expected rate of return on pension assets	Mainly 2.0%

2. Defined Contribution Pension Plans

Contributions to defined contribution pension plans by the Company and its consolidated subsidiaries

	Millions of yen	Thousands of U.S. dollars
	¥2,078	\$20,177

12. COMMITMENT AND CONTINGENT LIABILITIES

The Companies were contingently liable as guarantors of housing loans for employees and of loans by unconsolidated subsidiaries, affiliates and others as of March 31, 2014 and 2013 in the aggregate amounts of ¥393 million (\$3,818 thousand) and ¥474 million, respectively.

In addition, as of March 31, 2014 and 2013, the Companies had contingent liabilities arising from notes receivable discounted by banks in the amounts of ¥82 million (\$804 thousand) and ¥131 million, respectively.

13. RETAINED EARNINGS

(1) Cash dividends from retained earnings represent dividends with an effective date during the fiscal year. Details of cash dividends paid during the fiscal years ended March 31, 2014 and 2013 are as follows:

				Millions of yen	Yen	Thousands of U.S. dollars	
Resolution	Type of shares	Record date	Effective date	Total amount of dividends	Cash dividends per share	Total amount of dividends	Cash dividends per share
Fiscal year ended March 31, 2014							
Ordinary general meeting of shareholders held on June 27, 2013	Common stock	March 31, 2013	June 28, 2013	¥21,245	¥50.00	\$206,270	\$0.48
Board of directors meeting held on October 24, 2013	Common stock	September 30, 2013	November 18, 2013	21,259	50.00	206,407	0.48
Total				¥42,504		\$412,677	

Resolution	Type of shares	Record date	Effective date	Millions of yen	Yen
				Total amount of dividends	Cash dividends per share
Fiscal year ended March 31, 2013					
Ordinary general meeting of shareholders held on June 28, 2012	Common stock	March 31, 2012	June 29, 2012	¥21,229	¥50.00
Board of directors meeting held on October 25, 2012	Common stock	September 30, 2012	November 19, 2012	21,229	50.00
Total.....				¥42,459	
Fiscal year ended March 31, 2012					
Ordinary general meeting of shareholders held on June 29, 2011	Common stock	March 31, 2011	June 30, 2011	¥21,229	¥50.00
Board of directors meeting held on October 27, 2011	Common stock	September 30, 2011	November 17, 2011	21,229	50.00
Total.....				¥42,459	

(2) Cash dividends for the fiscal years ended March 31, 2014 and 2013 with an effective date in the subsequent fiscal year are as follows:

						Millions of yen	Yen	Thousands of U.S. dollars	U.S. dollars
Resolution	Type of shares	Source of dividends	Record date	Effective date	Total amount of dividends	Cash dividends per share	Total amount of dividends	Cash dividends per share	
Fiscal year ended March 31, 2014									
Ordinary general meeting of shareholders held on June 27, 2014	Common stock	Retained earnings	March 31, 2014	June 30, 2014	¥21,284	¥50.00	\$206,647	\$0.48	

Resolution	Type of shares	Source of dividends	Record date	Effective date	Millions of yen	Yen
					Total amount of dividends	Cash dividends per share
Fiscal year ended March 31, 2013						
Ordinary general meeting of shareholders held on June 27, 2013	Common stock	Retained earnings	March 31, 2013	June 28, 2013	¥21,245	¥50.00

14. SHARE SUBSCRIPTION RIGHTS

Fiscal year ended March 31, 2014

Issuer	Description	Type of shares subject to share subscription rights	Number of shares subject to share subscription rights				Millions of yen	Thousands of U.S. dollars
			Beginning balance	Increase	Decrease	Ending balance	Balance at March 31, 2014	Balance at March 31, 2014
The Company	Stock options (Note)	Common stock	1,915,300	—	1,568,300	347,000	¥292	\$2,843
Consolidated subsidiary	—	—	—	—	—	—	133	1,300
Total							¥426	\$4,144

Fiscal year ended March 31, 2013

Issuer	Description	Type of shares subject to share subscription rights	Number of shares subject to share subscription rights				Millions of yen
			Beginning balance	Increase	Decrease	Ending balance	Balance at March 31, 2013
The Company	Stock options (Note)	Common stock	3,131,000	—	1,215,700	1,915,300	¥1,964
Consolidated subsidiary	—	—	—	—	—	—	184
Total							¥2,149

15. STOCK OPTIONS

(1) Shin-Etsu Chemical Co., Ltd.

There were no stock option expenses recorded for the fiscal years ended March 31, 2014 and 2013. Gains on forfeited stock options for the fiscal years ended March 31, 2014 and 2013 were ¥724 million (\$7,031 thousand) and ¥944 million, respectively.

Stock options as of March 31, 2014 were as follows:

	2011	2010
Grantees	75 employees of the Company	68 employees of the Company
Number of stock options granted by category of stock (in shares)	293,000 shares of common stock	272,000 shares of common stock
Grant date	July 27, 2011	October 29, 2010
Vesting conditions	None	None
Exercise period	July 28, 2012 through March 31, 2016	October 30, 2011 through March 31, 2015

	2009
Grantees	18 directors of the Company 64 employees of the Company
Number of stock options granted by category of stock (in shares)	937,000 shares of common stock
Grant date	August 6, 2009
Vesting conditions	None
Exercise period	August 7, 2010 through March 31, 2014

Movement in stock options during the fiscal year ended March 31, 2014 was as follows:

	Number of shares			
	2011	2010	2009	2008
Beginning balance (Stock options outstanding)	257,000	149,500	740,800	768,000
Granted	—	—	—	—
Exercised	47,000	47,500	705,800	—
Forfeited	—	—	—	768,000
Ending balance (Stock options outstanding)	210,000	102,000	35,000	—

	Yen			
Exercise price	¥4,423	¥4,352	¥4,804	¥—
Weighted average market value per share at the exercise date	6,441.38	6,428.91	5,967.01	—
Fair value per share at the grant date	789	823	1,235	—

	U.S. dollars			
Exercise price	\$42.94	\$42.25	\$46.64	\$—
Weighted average market value per share at the exercise date	62.54	62.42	57.93	—
Fair value per share at the grant date	7.66	7.99	11.99	—

(2) Shin-Etsu Polymer Co., Ltd.

Stock option expenses for the fiscal year ended March 31, 2014 were not recorded. The expenses for the fiscal year ended March 31, 2013 of ¥16 million were included in selling, general and administrative expenses in the consolidated statements of income. Gains on forfeited stock options for the fiscal years ended March 31, 2014 and 2013 were ¥50 million (\$489 thousand) and ¥79 million, respectively.

Stock options as of March 31, 2014 were as follows:

	2012	2011	2010
Grantees	10 Directors 15 Employees 11 Directors of its subsidiaries	9 Directors 13 Employees 8 Directors of its subsidiaries	9 Directors 14 Employees 10 Directors of its subsidiaries
Number of stock options granted by category of stock (in shares)	475,000 shares of common stock	440,000 shares of common stock	455,000 shares of common stock
Grant date	September 5, 2012	October 5, 2011	September 2, 2010
Vesting conditions	None	None	None
Exercise period	December 1, 2012 through November 30, 2017	December 1, 2011 through November 30, 2016	December 1, 2010 through November 30, 2015

	2009	2008
Grantees	9 Directors 12 Employees 13 Directors of its subsidiaries	10 Directors 12 Employees 14 Directors of its subsidiaries
Number of stock options granted by category of stock (in shares)	445,000 shares of common stock	470,000 shares of common stock
Grant date	September 2, 2009	August 7, 2008
Vesting conditions	None	None
Exercise period	December 1, 2009 through November 30, 2014	December 1, 2008 through November 30, 2013

Movement in stock options during the fiscal year ended March 31, 2014 was as follows:

	Number of shares				
	2012	2011	2010	2009	2008
Beginning balance (Stock options outstanding)	475,000	440,000	455,000	445,000	440,000
Granted	—	—	—	—	—
Exercised.....	—	—	—	—	—
Forfeited.....	—	—	5,000	5,000	440,000
Ending balance (Stock options outstanding).....	475,000	440,000	450,000	440,000	—
	Yen				
Exercise price	¥342	¥414	¥505	¥653	¥632
Weighted average market value per share at the exercise date	—	—	—	—	—
Fair value per share at the grant date.....	34	47	80	139	112
	U.S. dollars				
Exercise price	\$3.32	\$4.02	\$4.90	\$6.34	\$6.14
Weighted average market value per share at the exercise date	—	—	—	—	—
Fair value per share at the grant date.....	0.33	0.46	0.78	1.35	1.09

16. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the fiscal years ended March 31, 2014, 2013 and 2012 mainly consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2014	2013	2012	2014
Shipping expenses	¥29,399	¥24,983	¥24,797	\$285,431
Salaries and allowances	21,370	18,843	18,488	207,484
Provision for bonuses for employees	1,403	1,235	1,228	13,630
Provision for bonuses for directors	439	373	360	4,265
Retirement benefit expenses	517	582	565	5,029
Provision for retirement bonuses for directors	7	52	48	76
Depreciation and amortization	1,965	1,523	1,485	19,084
Technical research expenses	18,132	11,740	11,497	176,042
<Including retirement benefit expenses>	<127>	<115>	<118>	<1,239>
Provision of allowance for doubtful accounts	81	150	21	790

17. RESEARCH AND DEVELOPMENT COSTS

Research and development costs incurred and charged to income for the fiscal years ended March 31, 2014, 2013 and 2012 were ¥43,546 million (\$422,777 thousand), ¥37,671 million and ¥35,725 million, respectively.

18. LEASE TRANSACTIONS

Lease expenses on finance lease contracts under which ownership of the leased assets is not transferred to the lessee charged to income for the fiscal years ended March 31, 2014 and 2013 amounted to ¥19 million (\$185 thousand) and ¥21 million, respectively. Lease expenses corresponding to depreciation expenses, not charged to income, for the fiscal years ended March 31, 2014 and 2013, which were computed by the straight-line method over the terms of the relevant lease contracts with no residual value, amounted to ¥19 million (\$185 thousand) and ¥21 million, respectively.

Pro forma information regarding leased assets, such as acquisition cost and accumulated depreciation, as of March 31, 2014 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Acquisition cost	¥77	¥76	\$756
Accumulated depreciation	55	66	541
Net book value	¥22	¥ 9	\$214

The portion of interest thereon, is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Future Lease Payments:			
Within one year	¥15	¥6	\$152
Over one year	6	3	62
	¥22	¥9	\$214

The amounts of outstanding future lease payments due in respect of operating lease contracts at March 31, 2014 and 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Future Lease Payments:			
Within one year	¥1,482	¥1,599	\$14,394
Over one year	2,247	2,130	21,821
	¥3,730	¥3,730	\$36,215

19. REVERSAL OF RESTORATION COSTS FOR EARTHQUAKE

Reversal of restoration costs for the earthquake for the fiscal year ended March 31, 2012 relates to a gain on reversal of expenses estimated for restoration work on assets damaged due to the Great East Japan Earthquake in the fiscal year ended March 31, 2011.

20. LOSS ON IMPAIRMENT OF FIXED ASSETS

During the fiscal year ended March 31, 2012, the Company and its consolidated subsidiaries recognized impairment losses for the following asset category, recording a total of ¥6,191 million as Extraordinary losses. The fixed assets are grouped according to managerial accounting categories, which are regarded as the smallest units independently generating cash flows. However, idle assets not directly used to manufacture goods are accounted for individually.

Consolidated Subsidiary (Shin-Etsu Handotai Co., Ltd.)

			Millions of yen
Location	Use	Asset category	2012
Shirakawa Plant (Nishishirakawa-gun, Fukushima Prefecture)	Idle assets	Construction in progress	¥6,191

The Company and its consolidated subsidiaries do not have any specific business plan for using the idle assets above because of the change in climate of the semiconductor silicon business. As a result, the book value of the asset has been marked down to its recoverable amount, which is calculated as the net sale amount.

21. LOSS ON DISASTER

Loss on disaster for the fiscal year ended March 31, 2012 relates to losses from the stoppage of operations and other costs incurred during the first half of the fiscal year due to the Great East Japan Earthquake.

22. INCOME TAXES

The Company and its domestic subsidiaries are subject to a number of Japanese income taxes, which, in the aggregate, resulted in a statutory tax rate of approximately 37.8% for the fiscal years ended March 31, 2014 and 2013, respectively.

The tax effects of significant temporary differences and tax loss carry forwards that resulted in deferred tax assets or liabilities at March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred Tax Assets:			
Depreciation and amortization.....	¥ 14,266	¥ 13,090	\$ 138,512
Accrued retirement benefits.....	—	5,030	—
Net defined benefit liability.....	8,405	—	81,608
Unrealized profit.....	4,927	3,488	47,837
Maintenance costs.....	4,798	3,287	46,583
Accrued bonuses.....	3,429	3,531	33,298
Unsettled accounts receivable and payable.....	3,290	3,018	31,946
Accrued enterprise taxes.....	2,292	687	22,252
Allowance for doubtful accounts.....	1,784	1,927	17,323
Tax loss carry forwards.....	868	1,199	8,428
Unrealized gains/losses on available-for-sale securities.....	61	58	599
Other.....	19,902	16,629	193,226
Valuation allowance.....	(4,987)	(3,777)	(48,423)
Total.....	¥ 59,039	¥ 48,172	\$ 573,194
Deferred Tax Liabilities:			
Depreciation and amortization.....	¥ 79,489	¥ 60,329	\$ 771,746
Unrealized gains/losses on available-for-sale securities.....	6,690	6,488	64,952
Reserve for special depreciation.....	157	153	1,531
Other.....	7,778	4,924	75,520
Total.....	¥ 94,116	¥ 71,896	\$ 913,750
Net deferred tax assets (liabilities).....	¥(35,077)	¥(23,723)	\$(340,556)

Net deferred tax assets (liabilities) are included in the following accounts:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Current assets: Deferred taxes, current.....	¥ 33,105	¥ 27,462	\$ 321,409
Fixed assets: Deferred taxes, non-current.....	16,427	14,590	159,490
Current liabilities: Other	(3,675)	(742)	(35,685)
Long-term liabilities: Deferred taxes, non-current.....	(80,934)	(65,033)	(785,770)

A reconciliation of the difference between the statutory tax rate and effective rate on taxable income for the fiscal years ended March 31, 2014 and 2013 is as follows:

	2014	2013
Statutory tax rate.....	37.8%	37.8%
Rate difference from foreign subsidiaries	(2.8)	(2.3)
Equity in earnings of affiliates	(0.3)	(1.5)
Dividend and other non-taxable income	(2.3)	(1.4)
Elimination of intercompany dividend income.....	2.2	1.3
Tax deduction for research expenses	(1.2)	(1.0)
Entertainment and other non-deductible expenses.....	0.2	0.2
Adjustment on deferred tax assets due to change in income tax rate	1.2	—
Other, net	1.6	1.5
Effective tax rate	36.4	34.6

Change in statutory effective tax rate

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 10 of 2014) was promulgated on March 31, 2014 and, as a result, the Company is no longer subject to the Special Reconstruction Corporation Tax effective for fiscal years beginning on or after April 1, 2014.

As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 37.8% to 35.4% for the temporary differences expected to be realized or settled from fiscal years beginning April 1, 2014. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets after offsetting deferred tax liabilities by ¥2,114 million (\$20,257 thousand) and increase deferred income taxes by the same amount as of and for the fiscal year ended March 31, 2014.

23. OTHER COMPREHENSIVE INCOME

Reclassification adjustments and tax effects of each component of other comprehensive income for the fiscal years ended March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unrealized gains (losses) on available-for-sale securities			
Amount arising during the year	¥ (918)	¥15,512	\$ (8,920)
Reclassification adjustment for gains and losses included in net income.....	(1)	459	(18)
Unrealized gains (losses) on available-for-sale securities before tax.....	(920)	15,971	(8,938)
Tax effect.....	(201)	(5,657)	(1,961)
Unrealized gains (losses) on available-for-sale securities	(1,122)	10,314	(10,900)
Deferred gains (losses) on hedges			
Amount arising during the year	816	324	7,927
Reclassification adjustment for gains and losses included in net income.....	(385)	55	(3,746)
Deferred gains (losses) on hedges before tax.....	430	380	4,181
Tax effect.....	(120)	(141)	(1,174)
Deferred gains (losses) on hedges	309	238	3,007
Foreign currency translation adjustments			
Amount arising during the year	125,605	66,415	1,219,472
Share of other comprehensive income of affiliates accounted for using the equity method			
Amount arising during the year	1,835	5,070	17,818
Reclassification adjustment for gains and losses included in net income.....	—	1,428	—
Share of other comprehensive income of affiliates accounted for using the equity method.....	1,835	6,499	17,818
Total other comprehensive income	¥126,627	¥83,467	\$1,229,397

24. SUPPLEMENTAL CASH FLOW INFORMATION

Cash and cash equivalents on the consolidated statements of cash flows consist of cash in hand, deposits that can be withdrawn on demand and liquid investments easily convertible into cash that mature within approximately three months from the acquisition date and that have insignificant risk exposure in terms of fluctuation in value.

Reconciliations between cash and cash equivalents and the related accounts shown in the consolidated balance sheets as of March 31, 2014, 2013 and 2012 are presented below:

	Millions of yen			Thousands of U.S. dollars
	2014	2013	2012	2014
Cash and time deposits.....	¥ 363,339	¥252,881	¥241,390	\$ 3,527,565
Securities.....	274,282	214,380	89,301	2,662,937
Time deposits (maturities over three months).....	(66,831)	(47,438)	(43,131)	(648,849)
Securities (maturities over three months).....	(208,230)	(56,794)	(17,238)	(2,021,650)
Cash and cash equivalents	¥ 362,560	¥363,028	¥270,321	\$ 3,520,003

25. 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 operating 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 "Diversified 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
Diversified Business	Processed plastics, Export of plant equipment, Technology licensing, International trading, Engineering

(2) Calculation of income, assets and liabilities of reportable segments

Segment income denotes operating income, and the accounting methods applied are identical to those stated in the "Basis of presenting consolidated financial statements." Internal revenues and transfers arising from transactions among the segments are based on market prices in general.

Assets and liabilities are not allocated to business segments.

(3) Information on sales, income (loss) and other items of reportable segments

	Millions of yen								
	2014								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total	Adjustment ⁽¹⁾	Figures in consolidated financial statements
Sales to outside customers.....	¥427,845	¥156,437	¥103,204	¥213,233	¥170,986	¥ 94,113	¥1,165,819	¥ —	¥1,165,819
Intersegment sales	3,814	5,045	9,942	14	4,411	56,909	80,138	(80,138)	—
Total	¥431,660	¥161,482	¥113,146	¥213,247	¥175,398	¥151,022	¥1,245,957	¥(80,138)	¥1,165,819
Segment income (Operating income)	¥ 60,150	¥ 31,807	¥ 12,757	¥ 24,459	¥ 40,969	¥ 3,669	¥ 173,813	¥ (4)	¥ 173,809
Depreciation and amortization.....	¥ 26,507	¥ 10,858	¥ 9,137	¥ 24,603	¥ 14,672	¥ 4,345	¥ 90,123	¥ (239)	¥ 89,884
Amortization of goodwill ...	¥ —	¥ 119	¥ 1,030	¥ 357	¥ —	¥ 53	¥ 1,560	¥ —	¥ 1,560
Increase in property, plant and equipment and intangible assets ⁽²⁾	¥ 15,174	¥ 11,295	¥ 11,883	¥ 14,580	¥ 14,417	¥ 3,237	¥ 70,590	¥ (34)	¥ 70,555

	Millions of yen								
	2013								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total	Adjustment ⁽¹⁾	Figures in consolidated financial statements
Sales to outside customers.....	¥343,697	¥129,029	¥83,526	¥202,466	¥182,781	¥ 83,907	¥1,025,409	¥ —	¥1,025,409
Intersegment sales	3,385	4,608	8,122	3	3,234	60,900	80,254	(80,254)	—
Total	¥347,082	¥133,638	¥91,649	¥202,470	¥186,015	¥144,808	¥1,105,663	¥(80,254)	¥1,025,409
Segment income (Operating income)	¥ 45,552	¥ 28,643	¥14,467	¥ 21,937	¥ 40,863	¥ 5,601	¥ 157,065	¥ (22)	¥ 157,043
Depreciation and amortization.....	¥ 20,416	¥ 8,245	¥ 8,105	¥ 26,193	¥ 13,754	¥ 3,708	¥ 80,424	¥ (284)	¥ 80,139
Amortization of goodwill ...	¥ —	¥ —	¥ 815	¥ —	¥ —	¥ 6	¥ 822	¥ 0	¥ 822
Increase in property, plant and equipment and intangible assets ⁽³⁾	¥ 18,478	¥ 15,374	¥12,193	¥ 14,828	¥ 18,209	¥ 4,161	¥ 83,245	¥ (226)	¥ 83,018

	Millions of yen								
	2012								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total	Adjustment ⁽¹⁾	Figures in consolidated financial statements
Sales to outside customers.....	¥324,030	¥135,461	¥87,127	¥229,656	¥177,792	¥ 93,663	¥1,047,731	¥ —	¥1,047,731
Intersegment sales	3,824	4,483	7,846	1	2,954	68,471	87,581	(87,581)	—
Total	¥327,854	¥139,944	¥94,974	¥229,657	¥180,746	¥162,134	¥1,135,312	¥(87,581)	¥1,047,731
Segment income (Operating income)	¥ 23,651	¥ 33,687	¥14,698	¥ 34,333	¥ 38,171	¥ 5,032	¥ 149,575	¥ 57	¥ 149,632
Depreciation and amortization.....	¥ 17,145	¥ 7,994	¥ 7,912	¥ 31,014	¥ 14,286	¥ 3,897	¥ 82,251	¥ (265)	¥ 81,985
Amortization of goodwill ...	¥ —	¥ —	¥ 882	¥ —	¥ —	¥ 0	¥ 882	¥ 0	¥ 882
Increase in property, plant and equipment and intangible assets.....	¥ 18,333	¥ 14,421	¥13,002	¥ 23,639	¥ 14,579	¥ 3,356	¥ 87,333	¥ (168)	¥ 87,165

	Thousands of U.S. dollars								
	2014								Figures in consolidated financial statements
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total	Adjustment ⁽¹⁾	
Sales to outside customers.....	\$4,153,837	\$1,518,806	\$1,001,981	\$2,070,225	\$1,660,064	\$ 913,718	\$11,318,633	\$ —	\$11,318,633
Intersegment sales	37,038	48,982	96,525	138	42,834	552,524	778,043	(778,043)	—
Total	\$4,190,876	\$1,567,788	\$1,098,506	\$2,070,364	\$1,702,898	\$1,466,242	\$12,096,677	\$(778,043)	\$11,318,633
Segment income (Operating income)	\$ 583,989	\$ 308,811	\$ 123,856	\$ 237,469	\$ 397,761	\$ 35,624	\$ 1,687,513	\$ (46)	\$ 1,687,466
Depreciation and amortization.....	\$ 257,352	\$ 105,422	\$ 88,713	\$ 238,867	\$ 142,447	\$ 42,185	\$ 874,987	\$ (2,321)	\$ 872,666
Amortization of goodwill ...	\$ —	\$ 1,160	\$ 10,001	\$ 3,468	\$ —	\$ 522	\$ 15,153	\$ —	\$ 15,153
Increase in property, plant and equipment and intangible assets ⁽²⁾	\$ 147,327	\$ 109,666	\$ 115,371	\$ 141,561	\$ 139,976	\$ 31,435	\$ 685,340	\$ (336)	\$ 685,003

Notes: [1] Elimination of intersegment transactions.

[2] During FY 2014, the Company acquired additional shares of Asia Silicones Monomer Limited (Silicones Business), which had been an equity-method affiliate until FY 2013. From FY 2014, it newly became a consolidated subsidiary. The expenditures (excluding goodwill) related to the additional acquisition of its shares of ¥12,600 million (\$122,333 thousand) are not included in the table above. The total capital expenditures for FY 2014, including this acquisition, amounted to ¥83,155 million (\$807,337 thousand). (Capital expenditures for the Silicones Business amounted to ¥23,896 million (\$232,000 thousand).)

[3] During FY 2013, the Company made investments of ¥3,822 million in newly established unconsolidated subsidiaries: Shin-Etsu Electronics Materials Vietnam Co., Ltd., Shin-Etsu Magnetic Materials Vietnam Co., Ltd. and Shin-Etsu (Changting) Technology Co., Ltd. The expenditures related to the investments are not included in the table above. The total capital expenditures for the fiscal year ended March 31, 2013, including these investments, amounted to ¥86,841 million. (Capital expenditures for the Electronics & Functional Materials Business amounted to ¥22,031 million.)

2. Related information

Geographic information

(1) Net sales

	Millions of yen			Thousands of U.S. dollars
	2014	2013	2012	2014
Net sales				
Japan	¥ 335,632	¥ 334,288	¥ 366,342	\$ 3,258,566
U.S.	236,805	190,433	159,617	2,299,079
China	115,862	100,109	107,581	1,124,879
Asia / Oceania (excluding China).....	216,453	194,891	180,523	2,101,486
Europe.....	141,865	114,538	130,920	1,377,339
Other	119,200	91,147	102,744	1,157,282
Total	¥1,165,819	¥1,025,409	¥1,047,731	\$11,318,633

(2) Property, plant and equipment

	Millions of yen			Thousands of U.S. dollars
	2014	2013	2012	2014
Property, plant and equipment				
Japan	¥239,827	¥252,894	¥247,440	\$2,328,422
U.S.	336,574	284,774	261,857	3,267,712
Other	144,397	111,981	89,260	1,401,916
Total	¥720,799	¥649,650	¥598,558	\$6,998,051

3. Loss on impairment of fixed assets

	Millions of yen							
	2012							
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Elimination or common asset	Total
Loss on impairment of fixed assets.....	¥—	¥—	¥—	¥6,191	¥—	¥—	¥—	¥6,191

Note: Loss on impairment of fixed assets for the fiscal year ended March 31, 2014 and 2013 is not presented as the amount is immaterial.

4. Amortization of goodwill and unamortized balance

Millions of yen								
2014								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Elimination or common asset	Figures in consolidated financial statements
Amortization of goodwill	¥—	¥ 119	¥ 1,030	¥357	¥—	¥53	¥—	¥ 1,560
Unamortized balance	¥—	¥1,965	¥10,687	¥ —	¥—	¥—	¥—	¥12,652

Millions of yen								
2013								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Elimination or common asset	Figures in consolidated financial statements
Amortization of goodwill	¥—	¥—	¥ 815	¥—	¥—	¥ 6	¥ 0	¥ 822
Unamortized balance	¥—	¥—	¥9,363	¥—	¥—	¥—	¥—	¥9,363

Millions of yen								
2012								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Elimination or common asset	Figures in consolidated financial statements
Amortization of goodwill	¥—	¥—	¥ 882	¥—	¥—	¥ 0	¥—	¥ 882
Unamortized balance	¥—	¥—	¥9,020	¥—	¥—	¥—	¥—	¥9,020

Thousands of U.S. dollars								
2014								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Elimination or common asset	Figures in consolidated financial statements
Amortization of goodwill	\$—	\$ 1,160	\$ 10,001	\$3,468	\$—	\$522	\$—	\$ 15,153
Unamortized balance	\$—	\$19,081	\$103,761	\$ —	\$—	\$ —	\$—	\$122,843

26. RELATED PARTY TRANSACTIONS

Transactions between the Company and related parties during the fiscal year ended March 31, 2014 are as follows:

Type	Name	Percentage of voting rights	Relationship	Transaction	Millions of yen			Thousands of U.S. dollars
					Transaction amount (Thousands of shares)	Account	Balance at the fiscal year end	Transaction amount (Thousands of shares)
Director	Chihiro Kanagawa	Direct Ownership 0.05%	Representative Director-Chairman	Exercise of stock options (Note 1)	¥960 (200)	—	—	\$9,328 (200)
Director	Shunzo Mori	Direct Ownership 0.01%	Representative Director-President	Exercise of stock options (Note 1)	¥24 (5)	—	—	\$233 (5)
Director	Fumio Akiya	Direct Ownership 0.00%	Representative Director-Executive Vice President	Exercise of stock options (Note 1)	¥336 (70)	—	—	\$3,264 (70)
Director	Yasuhiko Saitoh	Direct Ownership 0.00%	Representative Director-Executive Vice President	Exercise of stock options (Note 1)	¥203 (42.3)	—	—	\$1,972 (42.3)
Director	Toshinobu Ishihara	Direct Ownership 0.00%	Senior Managing Director	Exercise of stock options (Note 1)	¥72 (15)	—	—	\$699 (15)
Director	Kiichi Habata	Direct Ownership 0.00%	Managing Director	Exercise of stock options (Note 1)	¥72 (15)	—	—	\$699 (15)
Director	Koji Takasugi	Direct Ownership 0.00%	Managing Director	Exercise of stock options (Note 1)	¥144 (30)	—	—	\$1,399 (30)
Director	Masahiko Todoroki	Direct Ownership 0.00%	Managing Director	Exercise of stock options (Note 1)	¥33 (7)	—	—	\$326 (7)
Director	Toshiya Akimoto	Direct Ownership 0.00%	Managing Director	Exercise of stock options (Note 1)	¥72 (15)	—	—	\$699 (15)
Director	Fumio Arai	Direct Ownership 0.00%	Managing Director	Exercise of stock options (Note 1)	¥72 (15)	—	—	\$699 (15)
Director	Yukihiro Matsui	Direct Ownership 0.00%	Managing Director	Exercise of stock options (Note 1)	¥48 (10)	—	—	\$466 (10)
Director	Masaki Miyajima	Direct Ownership 0.01%	Director	Exercise of stock options (Note 1)	¥67 (14)	—	—	\$652 (14)
Director	Toshiyuki Kasahara	Direct Ownership 0.00%	Director	Exercise of stock options (Note 1)	¥43 (9)	—	—	\$419 (9)
Director	Hidenori Onezawa	Direct Ownership 0.00%	Director	Exercise of stock options (Note 1)	¥33 (7)	—	—	\$326 (7)
Director	Ken Nakamura	Direct Ownership 0.00%	Director	Exercise of stock options (Note 1)	¥43 (9)	—	—	\$419 (9)
Director	Hiroaki Okamoto	Direct Ownership 0.00%	Director	Exercise of stock options (Note 1)	¥72 (15)	—	—	\$699 (15)
Director	Susumu Ueno	Direct Ownership 0.00%	Director	Exercise of stock options (Note 2)	¥33 (7)	—	—	\$326 (7)
Director	Kazumasa Maruyama	Direct Ownership 0.00%	Director	Exercise of stock options (Note 2)	¥2 (0.5)	—	—	\$23 (0.5)

Note 1: Share subscription rights were approved at the board of directors meeting held on July 22, 2009.

Note 2: Share subscription rights were approved at the board of directors meeting held on July 22, 2009 based on the resolution at the ordinary general meeting of shareholders held on June 26, 2009.

Transactions between the Company and related parties during the fiscal year ended March 31, 2013 are as follows:

Millions of yen							
Type	Name	Percentage of voting rights	Relationship	Transaction	Transaction amount (Thousands of shares)	Account	Balance at the fiscal year end
Director	Shunzo Mori	Direct Ownership 0.01%	Representative Director-President	Exercise of stock options (Note)	¥360 (75)	—	—
Director	Fumio Akiya	Direct Ownership 0.00%	Representative Director-Executive Vice President	Exercise of stock options (Note)	¥48 (10)	—	—
Director	Yasuhiko Saitoh	Direct Ownership 0.00%	Representative Director-Executive Vice President	Exercise of stock options (Note)	¥36 (7.7)	—	—
Director	Kiichi Habata	Direct Ownership 0.00%	Managing Director	Exercise of stock options (Note)	¥72 (15)	—	—
Director	Masahiko Todoroki	Direct Ownership 0.00%	Managing Director	Exercise of stock options (Note)	¥38 (8)	—	—
Director	Toshiyuki Kasahara	Direct Ownership 0.00%	Director	Exercise of stock options (Note)	¥28 (6)	—	—
Director	Hidenori Onezawa	Direct Ownership 0.00%	Director	Exercise of stock options (Note)	¥14 (3)	—	—
Director	Ken Nakamura	Direct Ownership 0.00%	Director	Exercise of stock options (Note)	¥28 (6)	—	—
Director	Yukihiro Matsui	Direct Ownership 0.00%	Director	Exercise of stock options (Note)	¥24 (5)	—	—

Note: Share subscription rights were approved at the board of directors meeting held on July 22, 2009.

27. CHANGES IN THE METHOD OF PRESENTATION

Consolidated Statements of Cash Flows

"(Increase) decrease in time deposits" has been included in "Other, net" of "Cash Flows from Investing Activities" for the fiscal years ended March 31, 2013 and 2012. From the fiscal year ended March 31, 2014, it is disclosed as an independent item due to its quantitative materiality increases. The Company reclassified the consolidated statements for the fiscal years ended March 31, 2012 and 2011.

As a result, the amount of "Other, net" of "Cash Flows from Investing Activities" for the fiscal years ended March 31, 2013 and 2012 as ¥(7,103) million and ¥(3,296) million has been reclassified to ¥(2,134) million and ¥3,321 million as "(Increase) decrease in time deposits", and ¥(4,968) million and ¥(6,618) million as "Other, net".

28. STANDARDS ISSUED BUT NOT YET EFFECTIVE

On May 17, 2012, the ASBJ issued "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25), which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009.

(1) Overview

The standard includes revisions to the accounting treatment of unrecognized actuarial differences and unrecognized prior service costs, the calculation methods for retirement benefit obligations and service costs as well as enhancements to disclosures.

(2) Scheduled date of adoption

Revisions to the accounting treatment of unrecognized actuarial differences and unrecognized prior service costs, and enhanced disclosures have been adopted effective March 31, 2014. The revisions to the calculation methods of the retirement benefit obligations and service costs will be adopted from the beginning of the fiscal year ending March 31, 2015.

These accounting standards shall not be applied retrospectively to consolidated financial statements of prior periods in accordance with transitional accounting treatment.

(3) Impact of adopting revised accounting standard and guidance

The Company is currently evaluating the effect of the revisions on its consolidated results of operations and financial position.

The amounts in the accompanying consolidated financial statements and the notes thereto, including the amounts for prior fiscal years, are stated in millions of yen with amounts less than ¥1 million omitted.

Consolidated Subsidiaries

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
As of March 31, 2014

Principal Consolidated Subsidiaries	Percentage of Voting Rights	Fiscal Year-End
Shintech Inc.*	100.0	December 31
Shin-Etsu Handotai Co., Ltd.	100.0	March 31
Shin-Etsu Handotai America, Inc.*	100.0	December 31
Shin-Etsu Polymer Co., Ltd.	53.1	March 31
S.E.H. Malaysia Sdn. Bhd.*	100.0	December 31
Shin-Etsu PVC B.V.*	100.0	December 31
Shin-Etsu Engineering Co., Ltd.	100.0	March 31
SE Tylose GmbH & Co. KG*	100.0	December 31
Shin-Etsu Handotai Europe, Ltd.*	100.0	December 31
Nagano Electronics Industrial Co., Ltd.	90.0	February 28
Shin-Etsu Handotai Taiwan Co., Ltd.*	70.0	December 31
Naoetsu Electronics Co., Ltd.	100.0	February 28
Shin-Etsu Astech Co., Ltd.	99.6	March 31
Kashima Vinyl Chloride Monomer Co., Ltd.	70.6	March 31
S-E, Inc.*	100.0	December 31
Shin-Etsu Electronics Materials Singapore Pte. Ltd.*	100.0	December 31
Shin-Etsu Silicone International Trading (Shanghai) Co., Ltd.*	100.0	December 31
Shin-Etsu Finetech Co., Ltd.	100.0	March 31
Shin-Etsu Magnetix Philippines, Inc.*	100.0	December 31
JAPAN VAM & POVAL Co., Ltd.	100.0	March 31
CIRES, Lda.*	100.0	December 31
Shin-Etsu Singapore Pte. Ltd.*	100.0	December 31
Shin-Etsu Silicone Korea Co., Ltd.*	100.0	December 31
Shinano Polymer Co., Ltd.	100.0	March 31
Shin-Etsu Silicones (Thailand) Ltd.*	100.0	December 31
Shin-Etsu (Malaysia) Sdn. Bhd.*	100.0	December 31
Nissin Chemical Industry Co., Ltd.	100.0	February 28
Shin-Etsu MicroSi, Inc.*	100.0	December 31
Shin-Etsu Silicone Taiwan Co., Ltd.*	93.3	December 31
Shin-Etsu Silicones of America, Inc.*	100.0	December 31
Shin-Etsu Silicones Europe B.V.*	100.0	December 31
Shin-Etsu Opto Electronic Co., Ltd.*	80.0	December 31
Shin-Etsu Polymer (Malaysia) Sdn. Bhd.*	100.0	December 31
Shin-Etsu Polymer Europe B.V.*	100.0	December 31
Shin-Etsu International Europe B.V.*	100.0	December 31

*Overseas subsidiary

Principal Consolidated Subsidiaries	Percentage of Voting Rights	Fiscal Year-End
Nihon Resin Co., Ltd.	100.0	December 31
Naoetsu Precision Co., Ltd.	100.0	February 28
Skyward Information System Co., Ltd.	100.0	March 31
Shinano Electric Refining Co., Ltd.	94.5	March 31
Fukui Environmental Analysis Center Co., Ltd.	100.0	February 28
Shin-Etsu Film Co., Ltd.	100.0	March 31
Shin-Etsu Technology Service Co., Ltd.	76.9	February 28
Urawa Polymer Co., Ltd.	100.0	March 31
Niigata Polymer Company Limited	100.0	March 31
Shin-Etsu Polymer America, Inc.*	100.0	December 31
Naoetsu Sangyo Limited	100.0	March 31
San-Ace Co., Ltd.	100.0	March 31
Shinken Total Plant Co., Ltd.	100.0	February 28
Saitama Shinkoh Mold Co., Ltd.	100.0	March 31
Shinkoh Mold Co., Ltd.	100.0	March 31
Shin-Etsu Magnet Co., Ltd.	100.0	March 31
Shin-Etsu Polymer India Pvt. Ltd.*	100.0	December 31
PT. Shin-Etsu Polymer Indonesia*	100.0	December 31
Shin-Etsu Polymer Singapore Pte. Ltd.*	100.0	December 31
Shin-Etsu Polymer Shanghai Co., Ltd.*	100.0	December 31
Shin-Etsu Polymer Hong Kong Co., Ltd.*	100.0	December 31
Shin-Etsu Polymer Hungary Kft.*	100.0	December 31
Dongguan Shin-Etsu Polymer Co., Ltd.*	100.0	December 31
Human Create Co., Ltd.	100.0	March 31
Suzhou Shin-Etsu Polymer Co., Ltd.*	71.4	December 31
S.E.H. (Shah Alam) Sdn. Bhd.*	100.0	December 31
SHIN-ETSU HANDOTAI SINGAPORE PTE. LTD.*	100.0	December 31
Simcoa Operations Pty. Ltd.*	100.0	December 31
K-Bin, Inc.*	100.0	December 31
Shin-Etsu Silicone (Nantong) Co., Ltd.*	100.0	December 31
Shin-Etsu (Jiangsu) Optical Preform Co., Ltd.*	75.0	December 31
Kashima Chlorine & Alkali Co., Ltd.	79.0	March 31
Asia Silicones Monomer Limited*	100.0	December 31
19 other consolidated subsidiaries		

Report of Independent Auditors

The Board of Directors
Shin-Etsu Chemical Co., Ltd.

We have audited the accompanying consolidated financial statements of Shin-Etsu Chemical Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Shin-Etsu Chemical Co., Ltd. and its consolidated subsidiaries as at March 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young Shin Nihon LLC

June 27, 2014
Tokyo, Japan

Investor Information As of March 31, 2014

Shin-Etsu Chemical Co., Ltd.

Head Office: 6-1, Ohtemachi 2-chome,
Chiyoda-ku, Tokyo 100-0004, Japan

Date of Establishment:

September 16, 1926

Capital:

¥119,419 million

Number of Employees:

17,892 (including 87 consolidated subsidiaries)

Number of Shares Authorized:

1,720,000,000

Number of Shares Issued:

432,106,693

Number of Stockholders:

65,234

Fiscal Year-End:

March 31

Stockholders' Meeting:

June

Stock Listings:

Tokyo, Nagoya (Ticker Code: 4063)

Transfer Agent:

Mitsubishi UFJ Trust and Banking Corporation

Auditor:

Ernst & Young ShinNihon

Please visit our website:

<http://www.shinetsu.co.jp>

(English, Japanese and Chinese)



Major Stockholders:

Name	Number of Shares (Thousands)	Percentage of Total Equity (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	37,217	8.7
Japan Trustee Services Bank, Ltd. (Trust Account)	27,631	6.5
Nippon Life Insurance Company	23,151	5.4
The Hachijuni Bank, Ltd.	11,790	2.8
Japan Trustee Services Bank, Ltd. (Trust Account 4)	11,257	2.6
Meiji Yasuda Life Insurance Company	10,687	2.5
THE BANK OF NEW YORK MELLON SA/NV 10	5,792	1.4
STATE STREET BANK AND TRUST COMPANY 505225	5,588	1.3
NIPPONKOA Insurance Company, Limited	5,177	1.2
STATE STREET BANK WEST CLIENT-TREATY	4,979	1.2

Note: Shin-Etsu holds 6,413,086 shares of treasury stock, but is excluded from the above list of major stockholders. Stockholding percentages are calculated excluding treasury stock.

Information:

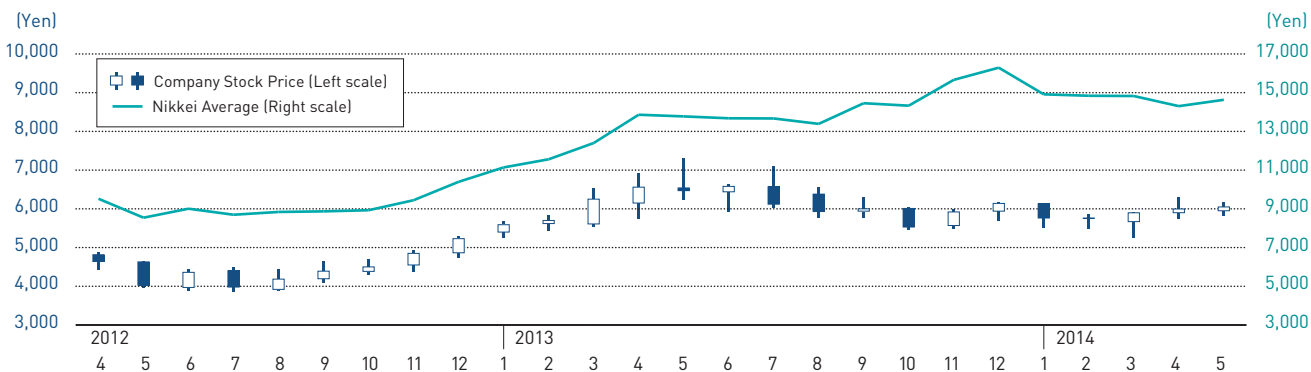
Public Relations Department

Phone: +81-3-3246-5091

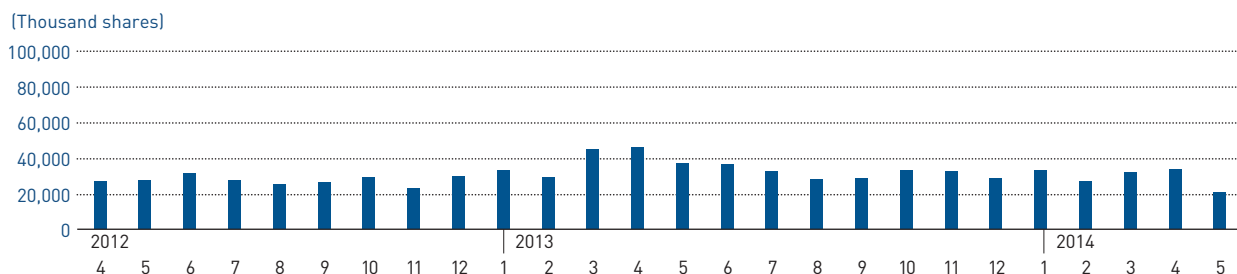
Fax: +81-3-3246-5096

e-mail: sec-pr@shinetsu.jp

Common Stock Price



Trading Volume



Glossary for Our Major Products

■ Polyvinyl chloride (PVC)



PVC is a general-purpose plastic. PVC is mostly made of chlorine, which accounts for about 60% of the raw materials used. Chlorine comes from salt, a material in abundant supply worldwide. This differs from most other plastic compounds, which use petroleum for their main feedstock. Therefore, PVC helps to conserve limited resources. PVC is easy to process, environmentally friendly, easy to recycle, and highly durable. Infrastructure and materials for houses account for about 70% of the applications for PVC. PVC is also used in household products. As a material that plays a key role in a multitude of products, PVC contributes to our lives and our societies.

■ Caustic soda

Caustic soda is produced by the electrolysis of industrial salt. It is widely used in the chemical industry as a basic material. It is used in products such as synthetic textiles, paper and pulp, soap and food. There are also many uses for caustic soda in the inorganic chemical products field.

■ Silicone



Silicone is a material that can be produced in various physical forms, such as an oil, resin, rubber. It is a highly functional material featuring various properties such as resistance to heat, cold and electrical insulation. It has many uses such as home appliances, automobiles, cosmetics, toiletries, homebuilding materials and other products that contribute to people's daily lives.

■ Cellulose derivatives



Cellulose derivatives are made from natural pulp and nature-friendly material. The Shin-Etsu Group succeeded at developing cellulose derivative products with a variety of characteristics to match specific applications. Uses for this material include pharmaceuticals, toiletries, building construction and civil engineering materials and ceramics.

■ Silicon metal



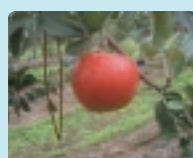
Silicon metal is produced by the endothermic reduction of quartz. This is a key raw material in the production of silicone, semiconductor silicon, synthetic quartz, solar cells and many other products.

■ POVAL (polyvinyl alcohol)



POVAL is a water-soluble synthetic resin used as an ingredient in vinylon synthetic fibers, POVAL film and PVB resin. Also it is used as fiber processing agents, adhesives, vinyl chloride polymer stabilizers and inorganic binders. It is suitable for a broad range of applications in Japan and overseas.

■ Synthetic pheromones



Synthetic pheromones represent a mating disruption method for pest control. The idea is to use an artificially synthesized scent, synthetic pheromones, to disrupt mating communication between male and female pests that are harmful to agriculture and grains in warehouse, thus preventing them from mating and lowering the population density of the next generation of these pests. Synthetic pheromones have a very low environmental impact because they use the

power of nature. Natural enemies of harmful insects and beneficial insects are not affected. In Europe and the United States, synthetic pheromones are used by growers of apples, peaches and grapes. In Japan, applications are conducted in orchards and fields where vegetables such as bell peppers and also sugar cane and teas are grown. The use of synthetic pheromones to control harmful insects is increasing steadily worldwide.

■ Semiconductor silicon



Silicon wafers are used as substrates of semiconductor devices, which are vital to electronics such as PCs, smartphones, digital home appliances and automotive devices. Technological requirements on these wafers have

become more sophisticated over the years as the down-sizing and the performances of electronic equipments have rapidly advanced. The Shin-Etsu Group uses its advanced R&D and manufacturing technology to develop high-quality wafers and support its customers with a stable supply.

■ Rare earth magnets



Rare earth magnets have a magnetic force of about 10 times more powerful than ferrite magnets. They contribute to energy saving, size reduction, lighter weight and higher efficiency in automotive-

related products such as for hybrid vehicle and home appliances.

■ LED packaging materials



High-performance LED packaging materials require a variety of characteristics, such as transparency, resistance to heat, light and humidity, and permeability for gases. Sealing LEDs by molding or potting with

these materials results in LEDs that feature long-term reliability.

■ Photoresists



Photoresists are a photosensitive material that is vital to the formation of microscopic circuit lines on silicon wafers. Products with uncompromising qualities are required, because they significantly influence the performance of semiconductor devices.

■ Photomask blanks



Photomask blanks are the base material of photomasks that are used as the patterning templates of circuits during the semiconductor lithography process. Shin-Etsu Group's photomask blanks are

highly evaluated by device makers as an essential material for cutting-edge semiconductor manufacturing processes.

■ Synthetic quartz products

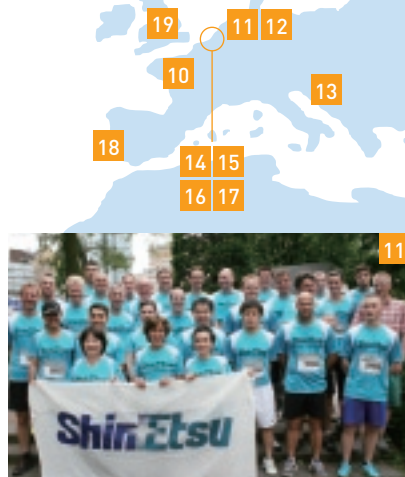


Synthetic quartz is the key raw material of optical fiber and has the characteristic of superior light transmission. In an ordinary glass sheet, light attenuates in about 2 meters. However, in the case of

synthetic quartz, light can reach a distance of about 100km. It is used as a preform for optical fiber, a photomask substrate for semiconductor lithography and a lens of stepper for semiconductor lithography. In addition, it is used as a large size photomask substrate for flat panel display (FPD) lithography. It is supporting the development of the advanced information society.

Shin-Etsu's Worldwide Network

Main Shin-Etsu Group Companies



U.S.A. America

01. **SHINTECH INCORPORATED**
Phone: +1-713-965-0713 Fax: +1-713-965-0629
Business: Production and Sales of PVC
02. **SHIN-ETSU HANDOTAI AMERICA, INC. (S.E.H. AMERICA)**
Phone: +1-360-883-7000 Fax: +1-360-254-6973
Business: Production and Sales of Semiconductor Silicon
03. **SHIN-ETSU MAGNETICS, INC.**
Phone: +1-408-383-9240 Fax: +1-408-383-9245
Business: Sales of Rare Earth Magnets
04. **SHIN-ETSU MICROSI, INC.**
Phone: +1-480-893-8898 Fax: +1-480-893-8637
Business: Sales of Electronics Materials
05. **SHIN-ETSU POLYMER AMERICA, INC.**
Phone: +1-510-623-1881 Fax: +1-510-623-1603
Business: Sales of Input Devices and Display-related Devices
06. **SHIN-ETSU SILICONES OF AMERICA, INC.**
Phone: +1-330-630-9860 Fax: +1-330-630-9855
Business: Production and Sales of Silicone Products
07. **HERAEUS SHIN-ETSU AMERICA, INC.**
Phone: +1-360-834-4004 Fax: +1-360-834-3115
Business: Production and Sales of Quartz Crucibles for Drawing Semiconductor Silicon
08. **K-BIN INC.**
Phone: +1-713-965-0713 Fax: +1-713-965-0629
Business: Production and Sales of PVC Compounds
09. **PACIFIC BIOCONTROL CORPORATION**
Phone: +1-360-571-2247 Fax: +1-360-571-2248
Business: Sales of Pheromone Formulation

France Europe

10. **S.E.H. EUROPE (FRENCH OFFICE)**
Phone: +33-4. 97. 21. 44. 88 Fax: +33-4. 97. 21. 44. 80
Business: Sales of Semiconductor Silicon

Germany

11. **SE TYLOSE GMBH & CO. KG**
Phone: +49-611-962-8189 Fax: +49-611-962-9071
Business: Production and Sales of Cellulose Derivatives
12. **S.E.H. EUROPE (GERMAN OFFICE)**
Phone: +49-8161-98905-0 Fax: +49-8161-98905-20
Business: Sales of Semiconductor Silicon

Hungary

13. **SHIN-ETSU POLYMER HUNGARY KFT.**
Phone: +36-96-887-100 Fax: +36-96-887-110
Business: Production of Input Devices and Display-related Devices

The Netherlands

14. **SHIN-ETSU PVC B.V.**
Phone: +31-35-689-8010 Fax: +31-35-685-0989
Business: Production and Sales of Vinyl Chloride Monomer and PVC
15. **SHIN-ETSU INTERNATIONAL EUROPE B.V.**
Phone: +31-20-662-1359 Fax: +31-20-664-9000
Business: Sales of Chemical Products and Electronics Materials
16. **SHIN-ETSU POLYMER EUROPE B.V.**
Phone: +31-77-323-6000 Fax: +31-77-323-6001
Business: Sales of Input Devices and Display-related Devices
17. **SHIN-ETSU SILICONES EUROPE B.V.**
Phone: +31-36-5493170 Fax: +31-36-5326459
Business: Production and Sales of Silicone Products

Portugal

18. **CIRES, LDA (COMPANHIA INDUSTRIAL DE RESINAS SINTETICAS, LDA)**
Phone: +351-234-811-200 Fax: +351-234-811-204
Business: Production and Sales of PVC

U.K.

19. **SHIN-ETSU HANDOTAI EUROPE, LTD. (S.E.H. EUROPE)**
Phone: +44-1506-41-5555 Fax: +44-1506-41-7171
Business: Production and Sales of Semiconductor Silicon

Australia

20. **SIMCOA OPERATIONS PTY. LTD.**
Phone: +61-8-9780-6744 Fax: +61-8-9780-6777
Business: Production and Sales of Silicon Metal

China

21. **SHIN-ETSU SILICONE INTERNATIONAL TRADING (SHANGHAI) CO., LTD.**
Phone: +86-21-6443-5550 Fax: +86-21-6443-5868
Business: Sales of Silicone Products
22. **SUZHOU SHIN-ETSU POLYMER CO., LTD.**
Phone: +86-512-6327-0704 Fax: +86-512-6327-2674
Business: Production and Sales of Input Devices and Display-related Devices
23. **SHIN-ETSU POLYMER HONG KONG CO., LTD.**
Phone: +852-2377-9131 Fax: +852-2377-1673
Business: Sales of Precision Molding Products and Input Devices
24. **ZHEJIANG SHIN-ETSU HIGH-TECH CHEMICAL CO., LTD.**
Phone: +86-573-8475-5071 Fax: +86-573-8475-5070
Business: Production and Sales of Silicone Products
25. **SHIN-ETSU TECHNOLOGY (SUZHOU) CO., LTD.**
Phone: +86-512-6276-3270 Fax: +86-512-6299-5129
Business: Production and Sales of Rare Earth Magnets
26. **SHIN-ETSU (JIANGSU) OPTICAL PREFORM CO., LTD.**
Phone: +86-510-8609-6060 Fax: +86-510-8609-6055
Business: Production and Sales of Preforms for Optical Fiber
27. **SHIN-ETSU SILICONE (NANTONG) CO., LTD.**
Phone: +86-513-5108-8688 Fax: +86-513-8359-3016
Business: Production and Sales of Silicone Products
28. **SHIN-ETSU (CHANGTING) TECHNOLOGY CO., LTD.**
Phone: +86-597-6688270 Fax: +86-597-6688215
Business: Production and Sales of Magnet Alloys Used for the Manufacture of Rare Earth Magnets

46	47	48	49	50
51	52	53	54	55
56	57	58	59	



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India

- 29. SHIN-ETSU POLYMER INDIA PVT. LTD.**
Phone: +91-44-6711-2800 Fax: +91-44-6711-2801
Business: Production and Sales of Input Devices and Display-related Devices

Korea

- 30. SHIN-ETSU SILICONE KOREA CO., LTD.**
Phone: +82-2-590-2500 Fax: +82-2-590-2501
Business: Production and Sales of Silicone Products

Malaysia

- 31. S.E.H. MALAYSIA SDN. BHD.**
Phone: +60-3-4259-6600 Fax: +60-3-4257-5751
Business: Production and Sales of Semiconductor Silicon
- 32. S.E.H. [SHAH ALAM] SDN. BHD.**
Phone: +60-3-5123-7000 Fax: +60-3-5191-3111
Business: Production and Sales of Semiconductor Silicon
- 33. SHIN-ETSU ELECTRONICS (MALAYSIA) SDN. BHD.**
Phone: +60-3-5192-1081 Fax: +60-3-5192-6572
Business: Production and Sales of Epoxy Molding Compounds
- 34. SHIN-ETSU (MALAYSIA) SDN. BHD.**
Phone: +60-3-5191-2233 Fax: +60-3-5191-2288
Business: Production and Sales of Rare Earth Magnets
- 35. SHIN-ETSU POLYMER (MALAYSIA) SDN. BHD.**
Phone: +60-3-5191-1161 Fax: +60-3-5191-1181
Business: Production Precision Molding Products, and Input Devices

Singapore

- 36. SHIN-ETSU ELECTRONICS MATERIALS SINGAPORE PTE. LTD.**
Phone: +65-6297-9211 Fax: +65-6297-9311
Business: Sales of Rare Earth Magnets and Other Products
- 37. SHIN-ETSU SINGAPORE PTE. LTD.**
Phone: +65-6743-7277 Fax: +65-6743-7477
Business: Sales of Silicone Products
- 38. SHIN-ETSU POLYMER SINGAPORE PTE. LTD.**
Phone: +65-6735-0007 Fax: +65-6735-0008
Business: Sales of Precision Molding Products and Input Devices

Taiwan

- 39. SHIN-ETSU HANDOTAI TAIWAN CO., LTD. (S.E.H. TAIWAN)**
Phone: +886-3-577-1188 Fax: +886-3-577-1199
Business: Production and Sales of Semiconductor Silicon
- 40. SHIN-ETSU OPTO ELECTRONIC CO., LTD.**
Phone: +886-3-578-4566 Fax: +886-3-578-9864
Business: Production and Sales of Compound Semiconductors
- 41. SHIN-ETSU SILICONE TAIWAN CO., LTD.**
Phone: +886-2-2715-0055 Fax: +886-2-2715-0066
Business: Production and Sales of Silicone Products

Thailand

- 42. SHIN-ETSU SILICONES (THAILAND) LTD.**
Phone: +66-2-632-2941 Fax: +66-2-632-2945
Business: Production and Sales of Silicone Products
- 43. ASIA SILICONES MONOMER LTD.**
Phone: +66-38-687-050 Fax: +66-38-687-060
Business: Production and Sales of Silicone Monomer

Vietnam

- 44. SHIN-ETSU MAGNETIC MATERIALS VIETNAM CO., LTD.**
Phone: +84-31-3250-518 Fax: +84-31-3757-295
Business: Separation and Refinement of Rare Earths
- 45. SHIN-ETSU ELECTRONICS MATERIALS VIETNAM CO., LTD.**
Phone: +84-321-3974-880 Fax: +84-321-3974-889
Business: Production and Sales of Silicone-Based Encapsulating Materials and Reflectors for LEDs

Japan

- 46. SHIN-ETSU CHEMICAL CO., LTD.**
Phone: +81-3-3246-5011 Fax: +81-3-3246-5350
Business: Production and Sales of Products in Organic and Inorganic Chemicals, Electronics Materials, and Functional Materials and Others
- 47. SHIN-ETSU ASTECH CO., LTD.**
Phone: +81-3-5298-3211 Fax: +81-3-3254-1931
Business: Construction Businesses and Sales of Chemical Products and Others
- 48. SHIN-ETSU ENGINEERING CO., LTD.**
Phone: +81-3-3296-1080 Fax: +81-3-3296-1085
Business: Engineering Services and Production of Mechatronics Systems



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- 49. SHIN-ETSU FILM CO., LTD.**
Phone: +81-3-3259-1061 Fax: +81-3-3259-1064
Business: Production and Sales of PP Film for Condensers
- 50. SHIN-ETSU HANDOTAI CO., LTD.**
Phone: +81-3-3243-1500 Fax: +81-3-3243-1271
Business: Production and Sales of Semiconductor Silicon and Compound Semiconductors
- 51. SHIN-ETSU POLYMER CO., LTD.**
Phone: +81-3-5289-3712 Fax: +81-3-5289-3707
Business: Production and Sales of Synthetic Resin Products
- 52. SHIN-ETSU QUARTZ PRODUCTS CO., LTD.**
Phone: +81-3-3348-1912 Fax: +81-3-3348-4919
Business: Production and Sales of Quartz Glass Products
- 53. JAPAN VAM & POVAL CO., LTD.**
Phone: +81-72-245-1131 Fax: +81-72-245-8144
Business: Production and Sales of Vinyl Esters of Carboxylic Acids, such as Vinyl Acetate Monomer and Polyvinyl Alcohol
- 54. KASHIMA VINYL CHLORIDE MONOMER CO., LTD.**
Phone: +81-299-96-3415 Fax: +81-299-96-6354
Business: Production and Sales of Vinyl Chloride Monomer
- 55. NAGANO ELECTRONICS INDUSTRIAL CO., LTD.**
Phone: +81-26-261-3100 Fax: +81-26-261-3131
Business: Production, Processing and Sales of Semiconductor Silicon Wafers and Other Products
- 56. NAOETSU ELECTRONICS CO., LTD.**
Phone: +81-25-530-2631 Fax: +81-25-530-2908
Business: Production, Processing and Sales of Semiconductor Silicon Wafers
- 57. MIMASU SEMICONDUCTOR INDUSTRY CO., LTD.**
Phone: +81-27-372-2021 Fax: +81-27-372-2018
Business: Precision Production, Processing and Sales of Semiconductor Silicon Wafers and Others
- 58. NISSIN CHEMICAL INDUSTRY CO., LTD.**
Phone: +81-778-22-5100 Fax: +81-778-24-0657
Business: Production and Sales of Synthetic Resin Emulsions and Other Products
- 59. SHINANO ELECTRIC REFINING CO., LTD.**
Phone: +81-3-5298-1601 Fax: +81-3-5298-0071
Business: Production and Sales of Carborundum Products