



Press Release

Consolidated Financial Results for the Fiscal Year Ended March 31, 2016

Shin-Etsu Chemical Co., Ltd.

(JP GAAP)

April 26, 2016

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

Listing Stock Exchange: Tokyo and Nagoya

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Date of the annual shareholders' meeting June 29, 2016

Date of the filing of the consolidated financial statements June 30, 2016

Date of year-end dividend payment June 30, 2016

Preparation of supplemental explanatory materials: Yes

Holding of financial results meeting: Yes (for investment analysts and institutional investors)

Amounts are stated in millions of yen by discarding fractional amounts less than 1 million.

Percentage figures indicate increase (decrease) over previous fiscal year.

1. Consolidated Operating Performance for the Fiscal Year Ended March 31, 2016

(From April 1, 2015 to March 31, 2016)

(1) Results of consolidated operations

(Millions of yen)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
April 2015 - March 2016	1,279,807	1.9%	208,525	12.5%	220,005	11.1%	148,840	15.7%
April 2014 - March 2015	1,255,543	7.7%	185,329	6.6%	198,025	9.6%	128,606	13.2%

(Note) Comprehensive income (Millions of yen) April 2015 - March 2016: 111,885 [(51.8%)]
April 2014 - March 2015: 232,316 [(3.8%)]

	Basic earnings per share (yen)	Diluted earnings per share (yen)	Ratio of earnings to stockholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
April 2015 - March 2016	349.46	349.42	7.5%	8.9%	16.3%
April 2014 - March 2015	302.05	301.98	6.9%	8.5%	14.8%

(Note) Equity in earnings (losses) of affiliates (Millions of yen) April 2015 - March 2016: 3,302
April 2014 - March 2015: (383)

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (yen)
March 31, 2016	2,510,085	2,080,465	80.8%	4,761.48
March 31, 2015	2,452,306	2,012,711	79.9%	4,602.80

(Note) Stockholders' equity (Millions of yen) As of March 31, 2016: 2,028,291 As of March 31, 2015: 1,960,329

(3) Consolidated cash flows

(Millions of yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of fiscal year
April 2015 - March 2016	281,643	(166,599)	(38,941)	487,604
April 2014 - March 2015	243,459	(167,142)	(43,545)	423,846

2. Cash Dividends

	Cash dividends per share for the fiscal year (yen)					Total annual cash dividend paid (Millions of yen)	Dividend payout ratio	Ratio of dividend payout to net assets
	1 st quarter	2 nd quarter	3 rd quarter	Year-end	Fiscal year			
April 2014 - March 2015	-	50.00	-	50.00	100.00	42,583	33.1%	2.3%
April 2015 - March 2016	-	55.00	-	55.00	110.00	46,854	31.5%	2.3%
April 2016 - March 2017 (forecast)	-	-	-	-	-		-	

(Note) The dividend per share for the fiscal year ending March 31, 2017 has not yet been determined.

3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2017

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

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

Notes

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

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

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

Changes of accounting policies other than the above: No

Changes in accounting estimates: No

Retrospective restatement: No

(Note) Please see (5) Notes to Consolidated Financial Statements, "Changes in Accounting Policies" on page 16 for further details.

(3) Number of shares outstanding (common stock)

	March 31, 2016	March 31, 2015
Number of shares outstanding at the year end	432,106,693	432,106,693
Number of shares of treasury stock at the year end	6,127,692	6,207,027
	April 2015 - March 2016	April 2014 - March 2015
Weighted-average number of shares outstanding over the year	425,919,248	425,784,538

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Operating Performance for the Fiscal Year Ended March 31, 2016

(From April 1, 2015 to March 31, 2016)

(1) Results of non-consolidated operations

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income	
April 2015 - March 2016	630,239	(1.6%)	103,541	12.9%	110,017	2.7%	75,327	12.9%
April 2014 - March 2015	640,369	7.7%	91,731	16.9%	107,130	21.5%	66,715	16.4%

	Net income per share (yen)	Diluted net income per share (yen)
April 2015 - March 2016	176.86	176.85
April 2014 - March 2015	156.69	156.66

(2) Non-consolidated financial position

(Millions of yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (yen)
March 31, 2016	1,022,313	774,680	75.8%	1,818.07
March 31, 2015	937,391	751,616	80.2%	1,764.58

(Note) Stockholders' equity (Millions of yen) As of March 31, 2016: 774,459 As of March 31, 2015: 751,534
Stockholders' equity used for the calculation of indices is net assets excluding share subscription rights.

(Information regarding audit procedures)

The financial information contained in this report is not subject to the audit procedures by independent auditors in accordance with the Financial Instruments and Exchange Law. At the time of issuing this report, the audit procedures are in progress.

(Explanation on appropriate use of the business forecast)

Forward-looking statements such as the forecast of results of operations made in this document involves risks and uncertainties since they are based on management's assumptions and beliefs in light of the information currently available to it. The reader should be aware that actual results may be materially different from any future results expressed herein due to various factors. Material factors affecting the actual results may include overall economic conditions in which the businesses of our company and our group companies are involved, the relevant market trends and fluctuations in foreign exchange rates of the yen, in particular, the exchange rate between the U.S. dollar and the yen; provided, however, that such factors as may affect results of operations are not limited to those enumerated above.

(Attached Documents)

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Appendix: Quarterly Operating Results

1. Results of Operations and Financial Position

(1) Results of Operations

1) General Overview

With regard to the world economy during FY 2016 (April 1, 2015 to March 31, 2016), although in the United States the recovery of the economy continued, the European economy turned out to be lacking in strength, and an economic slowdown tendency was seen in the emerging economies, such as those in the Asian region. In Japan, the economy moved along a gradual recovery track, and in addition to consumer spending continuing to be steady, supported by an improvement in the employment situation, a recovery in capital investment was seen.

In these circumstances, the Shin-Etsu Group aggressively developed its sales activities to its wide range of customers around the world, and at the same time, we assiduously worked on developing products with special characteristics as well as enhancing our technologies and product quality. Furthermore, we focused on building a strong business foundation by such means as making full use at an early stage of our new global manufacturing plants, expanding our manufacturing bases both in Japan and globally and also focusing on stably securing raw materials.

As a result, compared with the previous fiscal year, net sales for FY 2016 increased by 1.9% (¥24,264 million) to ¥1,279,807 million. Operating income was ¥208,525 million, an increase of 12.5% (¥23,196 million) from the previous fiscal year. Ordinary income also increased by 11.1% (¥21,980 million) to ¥220,005 million over the previous fiscal year. Profit attributable to owners of parent was ¥148,840 million, an increase of 15.7% (¥20,234 million) compared with the previous fiscal year.

2) Business Segment Overview

PVC/Chlor-Alkali Business

With regard to the PVC business, despite North American demand decreasing 2% year-on-year in the whole industry, Shintech in the U.S. expanded its domestic sales and at the same time aggressively carried out sales to its worldwide customers, and its shipments continued to firm. Shin-Etsu PVC in the Netherlands was affected by facility problems that occurred at a raw materials supplier during the latter half of the previous fiscal year. In Japan, although exports increased, domestic housing-related demand was slow.

As a result, compared with the previous fiscal year, net sales for this business segment decreased by 2.4% (¥10,955 million) to ¥441,701 million and operating income decreased by 11.1% (¥5,574 million) to ¥44,690 million.

Silicones Business

With regard to the silicones business, in Japan, although a demand slowdown was seen in some product applications in the electric and electronics fields, in a wide range of fields, including cosmetics and automobile applications, shipments were firm. Our silicones business outside of Japan continued to do well, particularly for highly functional silicone products for Europe, the United States and Southeast Asia.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 5.8% (¥10,310 million) to ¥187,748 million and operating income increased by 24.2% (¥8,086 million) to ¥41,500 million.

Specialty Chemicals Business

With regard to cellulose derivatives, in Japan, shipments of pharmaceutical-use products and products for construction materials were firm. The business of SE Tylose in Germany continued to be steady, mainly for coatings products. Furthermore, in the silicon metal business of Simcoa Operations in Australia shipments continued to be firm.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 4.0% (¥4,502 million) to ¥116,849 million and operating income increased by 19.1% (¥2,912 million) to ¥18,190 million.

Semiconductor Silicon Business

With regard to semiconductor silicon, the business was affected by inventory adjustments of logic devices caused by a slowdown in demand for electronics equipment, including for smartphones. However, applications for memory devices on the whole continued to be firm.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 5.8% (¥13,310 million) to ¥243,326 million and operating income increased by 31.7% (¥11,302 million) to ¥46,911 million.

Electronics & Functional Materials Business

With regard to the rare earth magnets business, although products for applications in industrial equipment were slow, products for applications in automobiles continued to be firm, including those for hybrid cars. With regard to the photoresist products business, ArF resists and trilayer materials continued to be steady. Shipments of photomask blanks greatly increased. The business of materials for LED packaging continued to be firm, and optical fiber preform also continued good shipments.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 1.8% (¥3,260 million) to ¥186,765 million and operating income increased by 11.4% (¥5,245 million) to ¥51,453 million.

Diversified Business

Shin-Etsu Polymer Co., Ltd.'s business of input devices for automobiles and semiconductor wafer-related containers continued to do well. In addition, the engineering business of Shin-Etsu Engineering Co., Ltd. also continued to be steady.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 3.9% (¥3,836 million) to ¥103,415 million and operating income increased by 16.7% (¥805 million) to ¥5,631 million.

3) Business Prospects

With regard to business prospects going forward, in the world economy, although an economic recovery is expected in the U.S., there are concerns about the effects of the economic slowdown in emerging economies, such as those in the Asian region, and there are uncertainties about the future direction of the world economy. In Japan as well, the situation is such that it does not allow for optimism because of such concerns as the effects of the world economy's downward movement.

Facing such a situation, the Shin-Etsu Group will carefully focus on developments in world markets and aggressively develop our sales activities while accurately capturing 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 such means as further focusing on enhancing productivity and product quality and striving to assure the stable securing of raw materials.

On the other hand, among the main products of the Shin-Etsu Group, there are those products that will be greatly affected by such factors as fluctuations in raw materials prices and in market conditions as well as in demand and supply conditions. In addition, over 70% of the Group's sales consist of sales outside of Japan, and exchange rate fluctuations affect our company's business. Exchange rate fluctuations also affect us when converting Shin-Etsu Chemical's overseas Group companies' business results into Japanese yen. When considering these external factors that have the possibility of these kinds of fluctuations, it is difficult at this stage to make a reasonable business forecast for the coming fiscal year. Therefore, we have decided to refrain from making a forecast for FY 2017's consolidated operating performance. We will disclose the consolidated business forecast for FY 2017 as soon as it becomes possible to do so.

(2) Financial Position Overview

1) Information on assets, liabilities and net assets

At the end of FY 2016, total assets increased by ¥57,779 million, compared with that at the end of the previous fiscal year to ¥2,510,085 million.

Total liabilities decreased by ¥9,975 million from that at the end of the previous fiscal year, to ¥429,619 million.

Total net assets increased by ¥67,754 million, compared with that at the end of the previous fiscal year to ¥2,080,465 million. This increase was mainly due to profit attributable to owners of parent of ¥148,840 million for FY 2016, offset by a cash dividend payment of ¥44,720 million and a decrease in foreign currency translation adjustments of ¥31,858 million as a result of the appreciation of the yen.

2) Status of cash flows

	Millions of yen		
	April 1, 2014 - March 31, 2015	April 1, 2015 - March 31, 2016	Increase (Decrease)
Cash and cash equivalents at beginning of fiscal year	362,560	423,846	61,286
1. Cash flows from operating activities	243,459	281,643	38,184
2. Cash flows from investing activities	(167,142)	(166,599)	543
3. Cash flows from financing activities	(43,545)	(38,941)	4,604
4. Effect of foreign exchange and others	28,515	(12,345)	(40,860)
Net increase (decrease) in cash and cash equivalents	61,286	63,757	2,471
Cash and cash equivalents at end of fiscal year	423,846	487,604	63,757

The balance of cash and cash equivalents at the end of FY 2016 increased by 15.0% (¥63,757 million) compared with that at the end of the previous fiscal year to ¥487,604 million.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥281,643 million, an increase of ¥38,184 million from the previous fiscal year. This consisted mainly of ¥220,005 million in income before income taxes, ¥100,466 million in depreciation and amortization, a decrease of ¥20,180 million in accounts receivable-trade and ¥73,635 million for the payment of income taxes.

Cash flows from investing activities

Net cash used for investing activities was ¥166,599 million, a decrease of ¥543 million over the previous fiscal year, which consisted mainly of ¥147,227 million for purchases of property, plant and equipment.

Cash flows from financing activities

Net cash used for financing activities decreased by ¥4,604 million from the previous fiscal year to ¥38,941 million. This was mainly due to a cash dividend payment of ¥44,720 million.

(Reference)

The trend of cash flow indices

	For the fiscal year ended				
	March 31, 2012	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016
Stockholders' equity ratio (%)	80.3	82.0	80.6	79.9	80.8
Stockholders' equity ratio on market value basis (%)	112.1	138.3	114.2	136.3	98.8
Debt repayment ratio (%)	15.9	5.6	5.8	5.7	4.7
Interest coverage ratio (times)	187.9	488.4	292.7	311.0	600.8

(Notes)* Stockholders' equity ratio: stockholders' equity/total assets

Stockholders' equity used for the calculation of indices is net assets, excluding both share subscription rights and non-controlling interests in consolidated subsidiaries

* Stockholders' equity ratio on market value basis: aggregate market value of common stock/total assets

* Debt repayment ratio: interest-bearing liabilities/cash flows from operating activities

* Interest coverage ratio: cash flows from operating activities/interest payments

1. All indices are calculated based on the consolidated financial figures.
2. Aggregate market value of common stock is calculated by multiplying the market price at the end of each fiscal year by the number of outstanding shares, excluding treasury stock, at the end of each fiscal year.
3. Interest-bearing liabilities include all liabilities on the consolidated balance sheets that incur interest.

(3) Basic Policy Concerning Profit-sharing

Taking a long-term perspective, Shin-Etsu Chemical Co., Ltd. (the "Company") will focus on expanding company earnings and strengthening the make-up of the Group's structure as well as on sharing the results of such successful management efforts. It is our basic policy to distribute dividends so as to appropriately reward all of our shareholders. With regard to our financial reserves, we are making efforts to heighten the value of the company by reinvesting them in such core business activities as facility investment, and research and development, and we will proactively utilize them for strengthening Shin-Etsu's global competitive power and future business development.

In line with our basic profit-sharing policy the year-end dividend is scheduled to be ¥55 per share, the same amount as the interim dividend of ¥55 per share. Accordingly, the total annual dividend per share for FY 2016 will be an increase of ¥10 over the annual dividend of the previous fiscal year (¥100) to become ¥110 per share.

The forecast for the shareholders' dividend for FY 2017 has not yet been determined.

2. Management Policies

(1) Basic Management Policies

The Shin-Etsu Group makes safety its utmost priority in each and every instance, and by performing fair corporate activities and by providing key materials and technologies, we contribute to people's daily lives, industry and society. Through these contributions, we aim to meet the expectations of all shareholders by enhancing the worth of the company. Towards this end, our management policy is to pursue the world's best technology and product quality while, at the same time, continuing with unceasing improvement in productivity. We endeavor to build a stable business relationship with our customers around the world, and strive to appropriately respond to changes in the market and the economic situation.

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

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

(3) Policy Implementation

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

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

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

In the rare earth magnets business, we will continue to strive to ensure stable procurement of raw materials by taking such measures as implementing our own in-house recycling of raw materials and diversifying supply sources. Furthermore, by making full use at an early stage of our new magnet manufacturing plant that is under construction in Vietnam, we will move ahead by establishing a stable supply system for rare earth

magnets to meet the demand for these magnets, which is expanding both in Japan and outside of Japan, mainly for applications in automobiles.

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

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

In addition, we will faithfully carry out corporate social responsibilities, such as the ensuring of safety, conservation of the environment and full compliance with all laws and regulations, and we will continue to strive to maximize Shin-Etsu's corporate value.

3. Basic Approach to the Selection of Accounting Standards

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

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of March 31, 2015 and 2016

	Millions of yen	
	March 31, 2015	March 31, 2016
ASSETS		
Current Assets:		
Cash and time deposits	461,489	597,048
Notes and accounts receivable-trade	292,748	268,905
Securities	304,180	236,486
Inventories	276,910	281,013
Deferred taxes, current	36,721	36,330
Other	38,370	47,689
Less: Allowance for doubtful accounts	(10,575)	(14,840)
Total current assets	1,399,846	1,452,633
Fixed Assets:		
Property, plant and equipment		
Buildings and structures, net	175,857	170,478
Machinery and equipment, net	441,123	410,322
Land	79,679	83,108
Construction in progress	80,230	133,551
Other, net	7,519	7,510
Total property, plant and equipment	784,409	804,972
Intangible assets	18,012	13,152
Investments and other assets:		
Investments in securities	145,726	130,202
Deferred taxes, non-current	15,858	16,458
Other	89,848	94,474
Less: Allowance for doubtful accounts	(1,394)	(1,807)
Total investments and other assets	250,038	239,327
Total fixed assets	1,052,460	1,057,451
TOTAL ASSETS	2,452,306	2,510,085

Millions of yen

	March 31, 2015	March 31, 2016
LIABILITIES		
Current Liabilities:		
Notes and accounts payable-trade	120,694	115,557
Short-term borrowings	6,825	7,873
Accounts payable-other	60,692	49,071
Accrued expenses	60,233	56,824
Accrued income taxes	33,554	29,519
Other	16,846	23,108
Total current liabilities	298,846	281,954
Long-term Liabilities:		
Long-term debt	7,116	5,288
Deferred taxes, non-current	93,571	96,183
Net defined benefit liability	33,401	33,319
Other	6,659	12,872
Total long-term liabilities	140,748	147,665
TOTAL LIABILITIES	439,594	429,619
NET ASSETS		
Stockholders' Equity:		
Common stock	119,419	119,419
Additional paid-in capital	128,572	128,759
Retained earnings	1,626,873	1,731,042
Less: Treasury stock, at cost	(33,837)	(33,407)
Total stockholders' equity	1,841,029	1,945,813
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	22,349	13,780
Deferred gains (losses) on hedges	(91)	1,611
Foreign currency translation adjustments	100,425	68,566
Remeasurements of defined benefit plans	(3,382)	(1,480)
Total accumulated other comprehensive income	119,300	82,478
Share subscription rights	139	237
Non-controlling interests in consolidated subsidiaries	52,242	51,936
TOTAL NET ASSETS	2,012,711	2,080,465
TOTAL LIABILITIES AND NET ASSETS	2,452,306	2,510,085

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

For the fiscal years ended March 31, 2015 and 2016

Consolidated Statements of Income

	Millions of yen	
	April 1, 2014 - March 31, 2015	April 1, 2015 - March 31, 2016
Net sales	1,255,543	1,279,807
Cost of sales	940,399	930,019
Gross profit	315,143	349,787
Selling, general and administrative expenses	129,814	141,262
Operating income	185,329	208,525
Non-operating income:		
Interest income	3,867	4,011
Dividend income	1,913	4,506
Equity in earnings of affiliates	-	3,302
Foreign exchange gain	15,164	-
Other income	2,882	8,684
Total non-operating income	23,828	20,505
Non-operating expenses:		
Interest expenses	790	452
Foreign exchange loss	-	2,760
Loss on retirement of fixed assets	976	1,329
Other expenses	9,365	4,483
Total non-operating expenses	11,132	9,025
Ordinary income	198,025	220,005
Income before income taxes and Non-controlling interests	198,025	220,005
Income taxes:		
Current	71,330	65,342
Deferred	(3,207)	4,284
Total income taxes	68,122	69,627
Profit	129,902	150,377
Profit attributable to non-controlling interests	1,295	1,537
Profit attributable to owners of parent	128,606	148,840

Consolidated Statements of Comprehensive Income

	Millions of yen	
	April 1, 2014 - March 31, 2015	April 1, 2015 - March 31, 2016
Profit	129,902	150,377
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	11,978	(8,589)
Deferred gains (losses) on hedges	(585)	1,703
Foreign currency translation adjustments	92,686	(33,370)
Remeasurements of defined benefit plans	(1,936)	1,905
Share of other comprehensive income of affiliates accounted for using the equity method	271	(141)
Total other comprehensive income	102,414	(38,491)
Comprehensive income	232,316	111,885
 (Breakdown)		
Comprehensive income attributable to owners of parent	228,992	112,017
Comprehensive income attributable to non-controlling interests	3,324	(132)

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2015

(Millions of yen)

	Stockholders' Equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total stockholders' equity
Balance at the beginning of the year	119,419	128,625	1,541,127	(34,954)	1,754,218
Cumulative effects of changes in accounting policies			(287)		(287)
Restated balance	119,419	128,625	1,540,840	(34,954)	1,753,931
Changes during the year					
Cash dividends			(42,573)		(42,573)
Profit attributable to owners of parent			128,606		128,606
Purchase of treasury stock				(24)	(24)
Disposal of treasury stock		(53)		1,141	1,088
Net changes of items other than stockholders' equity					
Total changes during the year	-	(53)	86,033	1,117	87,097
Balance at the end of the year	119,419	128,572	1,626,873	(33,837)	1,841,029

(Millions of yen)

	Accumulated Other Comprehensive Income					Share subscription rights	Non-controlling interests in consolidated subsidiaries	Total net assets
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the year	10,439	493	9,451	(1,470)	18,914	426	48,574	1,822,135
Cumulative effects of changes in accounting policies								(287)
Restated balance	10,439	493	9,451	(1,470)	18,914	426	48,574	1,821,848
Changes during the year								
Cash dividends								(42,573)
Profit attributable to owners of parent								128,606
Purchase of treasury stock								(24)
Disposal of treasury stock								1,088
Net changes of items other than stockholders' equity	11,909	(585)	90,973	(1,912)	100,385	(287)	3,667	103,766
Total changes during the year	11,909	(585)	90,973	(1,912)	100,385	(287)	3,667	190,863
Balance at the end of the year	22,349	(91)	100,425	(3,382)	119,300	139	52,242	2,012,711

For the fiscal year ended March 31, 2016

(Millions of yen)

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

(Millions of yen)

	Accumulated Other Comprehensive Income					Share subscription rights	Non-controlling interests in consolidated subsidiaries	Total net assets
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the year	22,349	(91)	100,425	(3,382)	119,300	139	52,242	2,012,711
Changes during the year								
Cash dividends								(44,720)
Profit attributable to owners of parent								148,840
Purchase of treasury stock								(16)
Disposal of treasury stock								425
Others								255
Net changes of items other than stockholders' equity	(8,568)	1,703	(31,858)	1,901	(36,822)	97	(306)	(37,030)
Total changes during the year	(8,568)	1,703	(31,858)	1,901	(36,822)	97	(306)	67,753
Balance at the end of the year	13,780	1,611	68,566	(1,480)	82,478	237	51,936	2,080,465

(4) Consolidated Statements of Cash Flows

For the fiscal years ended March 31, 2015 and 2016

	Millions of yen	
	April 1, 2014 - March 31, 2015	April 1, 2015 - March 31, 2016
Cash flows from operating activities:		
Income before income taxes	198,025	220,005
Depreciation and amortization	96,918	100,466
Increase (decrease) in allowance for doubtful accounts	4,296	4,128
Increase (decrease) in net defined benefit liability	(573)	2,461
(Gain) loss on valuation of investments in securities	1,379	40
Interest and dividend income	(5,780)	(8,517)
Interest expenses	790	452
Exchange (gain) loss	(2,152)	4,451
Equity in (earnings) losses of affiliates	383	(3,302)
(Increase) decrease in notes and accounts receivable	(13,990)	20,180
(Increase) decrease in inventories	7,967	(8,510)
(Increase) decrease in long-term advance payment	7,398	3,900
Increase (decrease) in notes and accounts payable	6,674	(4,610)
Other, net	5,141	15,467
Subtotal	306,477	346,614
Proceeds from interest and dividends	6,529	9,133
Payments of interest	(782)	(468)
Payments of income taxes	(68,765)	(73,635)
Net cash provided by operating activities	243,459	281,643
Cash flows from investing activities:		
Net (increase) decrease in time deposits	(15,278)	(79,555)
Net (increase) decrease in marketable securities	(46,294)	74,247
Purchases of property, plant and equipment	(86,709)	(147,227)
Purchases of intangible assets	(659)	(818)
Purchases of investments in securities	(7,528)	(1,854)
Proceeds from sales and redemption of investments in securities	122	5,310
Other, net	(10,793)	(16,703)
Net cash used for investing activities	(167,142)	(166,599)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(918)	151
Repayments of long-term debt	(244)	(875)
Purchases of treasury stock	(24)	(16)
Cash dividends paid	(42,573)	(44,720)
Other, net	214	6,518
Net cash used for financing activities	(43,545)	(38,941)
Effect of exchange rate changes on cash and cash equivalents	28,515	(12,513)
Net increase (decrease) in cash and cash equivalents	61,286	63,589
Cash and cash equivalents at beginning of year	362,560	423,846
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	-	167
Cash and cash equivalents at end of year	423,846	487,604

(5) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable

(Changes in Accounting Policies)

Effective from the beginning of FY 2016, Shin-Etsu Chemical adopted the “Revised Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No.21, issued September 13, 2013, hereinafter referred to as the “Accounting Standard for Business Combinations”), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, issued September 13, 2013, hereinafter referred to as the “Accounting Standard for Consolidation”) and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No.7, issued September 13, 2013, hereinafter referred to as the “Accounting Standard for Business Divestitures”).

In applying these revised accounting standards, the Company records any differences arising from changes in ownership interest in a subsidiary when it retains control as capital surplus and the corresponding acquisition-related costs are recognized as expenses when incurred. Also, regarding business combinations conducted after the beginning of FY 2016, the disclosure method was revised with regard to the retrospective adjustment of purchase price allocation based on provisional accounting applicable to the consolidated financial statements of the fiscal period in which the business combination occurred. In addition, the presentation method of net income was amended and the reference to “minority interests” was changed to “non-controlling interests”. To reflect these changes in presentation, the consolidated financial statements and consolidated financial statements in the previous fiscal year have been reclassified.

Concerning the application of the Accounting Standard for Business Combinations and others, based on the provisional treatment set out in Section 58-2(4) of the Accounting Standard for Business Combinations, in Section 44-5(4) of the Accounting Standard for Consolidation and in Section 57-4(4) of the Accounting Standard for Business Divestitures, these changes are effective from the beginning of FY 2016. The impact of these changes on operating income, ordinary income and income before income taxes for FY 2016 and capital surplus as of the end in FY 2016 is immaterial.

(Notes to Consolidated Balance Sheets)

	Millions of yen	
	March 31, 2015	March 31, 2016
Accumulated depreciation of property, plant and equipment	1,862,014	1,903,907

(Notes to Consolidated Statements of Income)

	Millions of yen	
	April 1, 2014 - March 31, 2015	April 1, 2015 - March 31, 2016
Research and development costs	47,165	53,165

(Segment and Related Information)

1) Segment Information

1. Overview of Reportable Segments

The reportable segments in the Shin-Etsu Group are defined as individual units for which discrete financial information is available and that are subject to regular review to evaluate their results and allocate management resources by the highest decision-making body of the Company, such as the Managing Directors' Meeting.

The Shin-Etsu Group conducts business through each business division and affiliated companies based on specific products and services, consisting of the following six segments: "PVC/Chlor-Alkali Business," "Silicones Business," "Specialty Chemicals Business," "Semiconductor Silicon Business," "Electronics & Functional Materials Business" and "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 trade, Engineering

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

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

Assets and liabilities are not allocated to business segments.

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

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

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

[1] Elimination of intersegment transactions

(2) For the fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

	Millions of yen							Adjustment ^[1]		Figures in consolidated financial statements
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total			
Sales to outside customers	452,656	177,438	112,347	230,016	183,505	99,579	1,255,543	-	-	1,255,543
Intersegment sales	3,906	5,859	12,582	2	7,058	71,725	101,135	(101,135)	-	-
Total	456,563	183,297	124,930	230,019	190,563	171,304	1,356,679	(101,135)	-	1,255,543
Segment income (Operating income) ^[2]	50,264	33,414	15,278	35,609	46,208	4,826	185,601	(272)	-	185,329
Depreciation and amortization	29,375	11,967	10,710	24,412	15,236	5,449	97,152	(234)	-	96,918
Increase in property, plant and equipment and intangible assets	44,422	12,947	16,147	15,889	16,407	4,516	110,331	(427)	-	109,903

[1] Elimination of intersegment transactions

[2] In the Silicones Business segment, the Company booked a ¥4,679 million impairment loss.

2) Related Information

Geographic Information

(Net Sales)

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

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

(2) For the fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

Millions of yen						
Japan	U.S.	Asia/Oceania		Europe	Other	Total
		China	Other			
351,203	271,742	122,897	243,439	147,506	118,754	1,255,543

(Notes to Income Taxes)

1. Components of deferred tax assets and liabilities

	Millions of yen	
	As of March 31, 2015	As of March 31, 2016
Deferred Tax Assets:		
Depreciation and amortization	14,033	13,959
Net defined benefit liability	9,946	9,803
Unrealized profit	6,107	6,411
Maintenance costs	4,818	5,473
Allowance for doubtful accounts	2,734	3,695
Accrued bonuses	3,376	3,155
Unsettled accounts receivable and payable	2,684	2,465
Accrued enterprise taxes	2,237	1,721
Tax loss carry forwards	985	769
Other	22,481	23,436
Sub-total	69,406	70,892
Valuation allowance	(5,173)	(5,117)
Total	64,233	65,775
Deferred Tax Liabilities:		
Depreciation and amortization	89,729	98,049
Unrealized gains on available-for-sale securities	11,354	6,789
Reserve for special depreciation	112	105
Other	8,058	7,475
Total	109,254	112,420
Net deferred tax assets (liabilities)	(45,021)	(46,645)

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

		Millions of yen	
		As of March 31, 2015	As of March 31, 2016
Current assets	: Deferred taxes, current	36,721	36,330
Fixed assets	: Deferred taxes, non-current	15,858	16,458
Current liabilities	: Other	(4,029)	(3,249)
Long-term liabilities:	Deferred taxes, non-current	(93,571)	(96,183)

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

	April 1, 2014 - March 31, 2015	April 1, 2015 - March 31, 2016
	Statutory tax rate	35.4%
Rate difference from foreign subsidiaries	(1.3)	(0.5)
Equity in (earnings) losses of affiliates	0.1	(0.5)
Dividend and other non-taxable income	(2.1)	(2.7)
Elimination of intercompany dividend income	2.1	2.5
Tax deduction for research expenses	(1.6)	(1.6)
Entertainment and other non-deductible expenses	0.2	0.2
Adjustment of deferred tax assets due to change in income tax rate	1.7	1.3
Other, net	(0.2)	0.4
Effective tax rate	34.4	31.6

(Per Share Information)

	April 1, 2014 - March 31, 2015	April 1, 2015 - March 31, 2016
Net assets per share (yen)	4,602.80	4,761.48
Basic earnings per share (yen)	302.05	349.46
Diluted earnings per share (yen)	301.98	349.42

(Note) Basic earnings per share and diluted earnings per share were calculated based on the following:

	Millions of yen	
	April 1, 2014 - March 31, 2015	April 1, 2015 - March 31, 2016
Calculation of basic earnings per share		
Profit attributable to owners of parent	128,606	148,840
Amount not attributable to shareholders of common stock	-	-
Profit attributable to shareholders of common stock of parent	128,606	148,840
Weighted-average number of shares outstanding (thousands of shares)	425,784	425,919
Calculation of diluted earnings per share		
Adjustments to profit attributable to owners of parent	(4)	(6)
Increase of common stock (thousands of shares)	76	25
[Share subscription rights included in the above (thousands of shares)]	[76]	[25]
	Number of share subscription rights	
	April 1, 2014 - March 31, 2015	April 1, 2015 - March 31, 2016
Potentially dilutive shares not included in the calculation of diluted earnings due to their anti-dilutive effect	-	7,730 ^[1]

^[1] Share subscription rights resolved in 2015

(Major Subsequent Events)

Not applicable

Appendix: Quarterly Operating Results

(Billions of yen)

	FY 2015 April 1, 2014 - March 31, 2015					FY 2016 April 1, 2015 - March 31, 2016				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Net Sales	294.5	309.1	325.8	326.0	1,255.5	314.0	331.7	330.0	303.8	1,279.8
PVC / Chlor-Alkali	102.8	110.1	124.5	115.1	452.6	102.8	117.7	118.2	102.7	441.7
Silicones	42.0	44.0	44.3	47.0	177.4	46.8	48.3	46.8	45.7	187.7
Specialty Chemicals	27.2	26.8	29.2	29.1	112.3	29.7	30.0	29.5	27.6	116.8
Semiconductor Silicon	54.4	56.9	57.4	61.1	230.0	62.6	63.4	62.5	54.6	243.3
Electronics & Functional Materials	44.9	45.9	45.9	46.6	183.5	48.5	46.3	44.9	46.9	186.7
Diversified	23.0	25.2	24.3	26.9	99.5	23.4	25.9	27.9	26.0	103.4
Operating Income	48.6	48.9	42.4	45.2	185.3	51.4	58.4	52.6	46.0	208.5
PVC / Chlor-Alkali	14.0	14.6	11.5	10.1	50.2	10.6	13.3	12.6	8.0	44.6
Silicones	9.1	9.2	※ 4.8	10.2	33.4	10.2	10.3	10.8	10.1	41.5
Specialty Chemicals	3.9	3.3	3.7	4.2	15.2	4.7	5.1	4.4	3.8	18.1
Semiconductor Silicon	7.8	8.3	9.8	9.4	35.6	11.8	15.1	10.3	9.5	46.9
Electronics & Functional Materials	12.0	12.1	11.5	10.5	46.2	12.3	12.7	13.1	13.1	51.4
Diversified	1.5	1.3	0.9	0.9	4.8	1.3	1.7	1.0	1.5	5.6
Ordinary Income	49.5	51.6	51.3	45.4	198.0	55.0	58.0	57.7	49.2	220.0
Profit attributable to owners of parent	32.9	34.6	32.4	28.5	128.6	37.6	39.0	39.7	32.4	148.8
Depreciation and Amortization	22.6	23.7	24.1	26.3	96.9	25.4	25.5	26.2	23.1	100.4
Capital Expenditures	13.8	24.9	22.1	48.9	109.9	24.4	30.4	42.0	37.7	134.7
R&D Costs	10.3	12.0	11.6	13.1	47.1	13.8	15.2	14.2	9.9	53.1
Overseas Sales	206.4	220.3	238.7	238.7	904.3	228.9	247.6	246.2	225.6	948.3
Ratio of Overseas Sales to Net Sales	70%	71%	73%	72%	72%	73%	75%	75%	74%	74%

※The Company booked a ¥4.6 billion impairment loss.

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