

Press Release

Consolidated Financial Results for the First Quarter Ended June 30, 2012

Shin-Etsu Chemical Co., Ltd.

(JP GAAP)



July 26, 2012

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

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Date of the filing of the quarterly consolidated financial statements: August 10, 2012

Date of dividend payout: -

Preparation of supplemental explanatory materials: No

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

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

Percentage figures indicate increase (decrease) over previous corresponding period.

1. Consolidated Operating Performance for the First Quarter Ended June 30, 2012

(From April 1, 2012 to June 30, 2012)

(1) Results of consolidated operations

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income	
April – June 2012	266,516	6.6%	40,338	0.8%	41,006	(2.9%)	26,625	11.7%
April – June 2011	250,023	(3.7%)	40,001	10.7%	42,235	8.2%	23,837	(33.2%)

(Note) Comprehensive income (Millions of yen) From April, 2012 to June, 2012: 61,600 [53.9%]

From April, 2011 to June, 2011: 40,031 [18.4%]

	Net income per share (in yen)	Diluted net income per share (in yen)
April – June 2012	62.71	-
April – June 2011	56.14	-

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (in yen)
June 30, 2012	1,820,926	1,534,470	82.0%	3,516.04
March 31, 2012	1,809,841	1,494,573	80.3%	3,422.93

(Note) Stockholders' equity (Millions of yen) As of June 30, 2012: 1,492,894 As of March 31, 2012: 1,453,353
Stockholders' equity used for the calculation of indices is net assets excluding both share subscription rights and minority interests in consolidated subsidiaries.

2. Cash Dividends

	Cash dividend per share (in yen)				
	1 st quarter	2 nd quarter	3 rd quarter	Year-end	Fiscal year
April 2011 – March 2012	-	50.00	-	50.00	100.00
April 2012 – March 2013	-	-	-	-	-
April 2012 – March 2013 (forecast)	-	50.00	-	50.00	100.00

(Note) Revision of the latest forecast of cash dividends : Yes

3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2013

(From April 1, 2012 to March 31, 2013)

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income		Net income per share (in yen)
First half	535,000	2.6%	83,000	3.2%	86,000	2.0%	54,000	5.8%	127.18
Fiscal year	1,060,000	1.2%	160,000	6.9%	170,000	2.9%	105,000	4.3%	247.29

(Note) Revision of the latest forecast of consolidated operating performance : Yes

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

4. Notes

(1) Changes in significant subsidiaries during the first quarter ended June 30, 2012 : No

(Note) This item indicates whether there were changes in significant subsidiaries affecting the scope of consolidation during the first quarter ended June 30, 2012.

(2) Adoption of special accounting methods for presenting quarterly consolidated financial statements: No

(3) 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: Yes

Retrospective restatement: No

(Note) Please see “2. Other Information” on page 4 for further details.

(4) Number of shares outstanding (in shares)

	June 30, 2012	March 31, 2012
Number of shares outstanding at period end (including treasury stocks)	432,106,693	432,106,693
Number of treasury stocks at period end	7,511,015	7,512,807
	April – June 2012	April – June 2011
Weighted-average number of shares outstanding over period	424,595,768	424,595,705

(Information regarding the implementation of quarterly review procedures)

These quarterly financial results are not subject to quarterly review procedures. Thus, at the time of disclosure of these financial results, the quarterly consolidated financial statement review procedures based on the Financial Instruments and Exchange Law, are in progress.

(Attached Documents)

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Appendix: Quarterly operating results

1. Qualitative Information Regarding Quarterly Results

(1) Qualitative information regarding the consolidated operating results

With regard to the world economy during the first quarter of FY2013 (April 1, 2012 to June 30, 2012), in the Asian region, we saw a slowdown in the economic expansion of China, and in the U.S., the trend toward economic recovery showed a lack of strength, as the continuation of a high unemployment rate and a sluggish housing market indicated. Due in part to the influence of concerns about European debt, the sense of economic stagnation deepened in Europe.

With regard to the Japanese economy, although improvement was seen supported by such factors as demand resulting from the reconstruction needs in the aftermath of the Great East Japan Earthquake, still a challenging business situation continued as a result of such factors as the prolonged appreciation of the yen and the influence of high crude oil prices.

Under these circumstances, the Shin-Etsu Group, assiduously worked to carry out sales activities to its wide range of customers around the world, and at the same time, we strove to streamline our production systems and to move ahead with the development of new products.

As a result, the consolidated business results for the first quarter of FY2013 show that net sales increased by 6.6% (¥16,493 million) compared with the same fiscal period last year to ¥266,516 million. Compared with the performance of the same fiscal period last year, operating income increased by 0.8% (¥337 million) to ¥40,338 million, ordinary income decreased by 2.9% (¥1,229 million) to ¥41,006 million, and net income increased by 11.7% (¥2,788 million) to ¥26,625 million.

PVC/Chlor-Alkali Business

With regard to the PVC business, while the long-term slump in the U.S. housing market continued, Shintech Inc. in the U.S. maintained a high level of shipments by expanding sales to its customers worldwide, and with an upward revision of the PVC sales price, its business performance greatly grew. Although its shipments continued to be good, the business of Shin-Etsu PVC in the Netherlands was affected by the increase in raw materials prices. The tough business situation in Japan continued due in part to sluggish demand and the difficulty of implementing a price increase.

As a result, compared with the first quarter of FY2012, net sales for this business segment increased by 26.7% (¥18,031 million) to ¥85,488 million and operating income increased by 62.9% (¥3,813 million) to ¥9,872 million.

Silicones Business

With regard to the silicones business, sales in Japan continued to be good in such product applications areas as the automobile and cosmetics fields; however, in applications for the electronics field, on the whole the business was slow. In addition, our overseas business was strongly affected by a slump in market prices in the Asian region in such markets as China, mainly with regard to diverse general-purpose products.

As a result, compared with the first quarter of FY2012, net sales for this business segment decreased by 9.2% (¥3,266 million) to ¥32,259 million and operating income decreased by 18.7% (¥1,713 million) to ¥7,461 million.

Specialty Chemicals Business

With regard to cellulose derivatives, in Japan this business continued to do well mainly in products for building and construction applications and for pharmaceutical-use. Although shipments within the European region of products for coating applications and building and construction applications did not do so well, SE Tylose in Germany increased its business performance through shipments to South America and the Asian region.

As a result, compared with the first quarter of FY2012, net sales for this business segment increased by 3.4% (¥705 million) to ¥21,474 million and operating income increased by 12.8% (¥445 million) to ¥3,928 million.

Semiconductor Silicon Business

With regard to semiconductor silicon, the demand for semiconductor devices for smartphones and tablet PCs was firm, but demand for consumer products such as PCs and flat-panel TVs remained slow. Thus, the difficult situation in the semiconductor silicon business continued.

As a result, compared with the first quarter of FY2012, net sales for this business segment decreased by 17.9% (¥11,884 million) to ¥54,361 million and operating income decreased by 36.8% (¥3,843 million) to ¥6,601 million.

Electronics & Functional Materials Business

With regard to the rare earth magnets business, shipments of products for applications in hybrid automobiles and electric vehicles did well; however, shipments for energy-saving types of air conditioners were not so good. Photoresist products remained strong, aided by the progress in semiconductor device miniaturization. The business of materials for high-luminance LED packaging continued to do well. Shipments of optical fiber preform were firm.

As a result, compared with the first quarter of FY2012, net sales for this business segment increased by 44.9% (¥16,162 million) to ¥52,144 million and operating income increased by 13.2% (¥1,218 million) to ¥10,426 million.

Diversified Business

Shin-Etsu Polymer Co., Ltd.'s business of keypads remained firm for automotive applications; however, due to a sharp decrease in demand for mobile phone applications, a tough business situation continued. In addition, the business of semiconductor wafer-related containers continued to be slow due to sluggish demand for semiconductor devices. The engineering business was strong.

As a result, compared with the first quarter of FY2012, net sales for this business segment decreased by 13.5% (¥3,253 million) to ¥20,789 million and operating income increased by 4.1% (¥70 million) to ¥1,773 million.

(2) Qualitative information regarding the consolidated business forecast

With regard to the business prospect going forward, a sense of uncertainty is growing with regard to the world economy due in part to the uneasiness about debt problems in Europe, and the world business situation still does not allow for optimism. In addition, there are concerns in Japan about restrictions on the use of electric power and the effects of deflation. Thus, the difficult business situation is expected to continue.

Under these circumstances, the Shin-Etsu Group will manufacture products that have high reliability resulting from its stable production activities and will carry out its aggressive sales activities to its wide range of customers around the world. Moreover, we will focus on further improving our technologies and enhancing product quality, and we will cultivate new demand through the development of products that have special characteristics. Furthermore, we will aim to build an even stronger business foundation by striving to establish multiple manufacturing bases on a global scale and working to stably secure raw materials.

The forecast of consolidated operating performance is as mentioned below.

With regard to dividends, the forecast is ¥50 per share for both interim and year-end dividends, the same amount as for the corresponding period of the previous fiscal year. The forecast of the total annual dividends for FY2013 is ¥100 per share, the same amount as that for the previous fiscal year.

The forecast of consolidated operating performance and dividends were released today in “Notice Regarding Operating Performance and Dividend Forecasts” as well.

(Millions of yen)									
	Net sales		Operating income		Ordinary income		Net income		Net income per share (in yen)
First half	535,000	2.6%	83,000	3.2%	86,000	2.0%	54,000	5.8%	127.18
Fiscal year	1,060,000	1.2%	160,000	6.9%	170,000	2.9%	105,000	4.3%	247.29

Percentage figures indicate increase (decrease) over previous corresponding period.

(Note)

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

2. Other Information

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

Changes in accounting policies

(Changes in depreciation method)

Effective the first quarter of FY2013, due to a revision of the corporate tax law in Japan, the company and some of its domestic consolidated subsidiaries have applied a depreciation method based on the revised law for tangible assets purchased on or after 1 April, 2012.

The impact of this change on operating income, ordinary income and income before income taxes for the first quarter of FY2013 is immaterial.

3. Consolidated Financial Statements

(1) Consolidated balance sheets

As of March 31 and June 30, 2012

	Millions of yen	
	March 31, 2012	June 30, 2012
ASSETS		
Current Assets:		
Cash and time deposits	241,390	247,766
Notes and accounts receivable-trade	264,283	274,406
Securities	89,301	94,565
Inventories	260,308	262,603
Other	93,944	58,480
Less: Allowance for doubtful accounts	(6,982)	(6,828)
Total current assets	942,244	930,994
Fixed Assets:		
Property, plant and equipment		
Machinery and equipment, net	330,707	342,215
Other, net	267,851	282,853
Total property, plant and equipment	598,558	625,069
Intangible fixed assets	13,587	14,536
Investments and other assets		
Investments and other assets	255,469	250,459
Less: Allowance for doubtful accounts	(17)	(132)
Total investments and other assets	255,451	250,327
Total fixed assets	867,596	889,932
TOTAL ASSETS	1,809,841	1,820,926

	Millions of yen	
	March 31, 2012	June 30, 2012
LIABILITIES		
Current Liabilities:		
Notes and accounts payable-trade	109,378	98,739
Short-term borrowings	13,862	15,424
Accrued income taxes	34,758	4,135
Allowances	2,247	1,894
Other	87,193	89,755
Total current liabilities	247,441	209,949
Long-term Liabilities:		
Long-term debt	1,454	1,458
Allowances	17,109	17,881
Other	49,263	57,167
Total long-term liabilities	67,827	76,507
TOTAL LIABILITIES	315,268	286,456
NET ASSETS		
Stockholders' Equity:		
Common stock	119,419	119,419
Additional paid-in capital	128,177	128,177
Retained earnings	1,435,693	1,441,691
Less: Treasury stock, at cost	(40,925)	(40,915)
Total stockholders' equity	1,642,365	1,648,374
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	1,212	(1,720)
Deferred gains (losses) on hedges	25	(115)
Foreign currency translation adjustments	(190,249)	(153,643)
Total accumulated other comprehensive income	(189,011)	(155,479)
Share Subscription Rights	3,491	2,588
Minority Interests in Consolidated Subsidiaries	37,727	38,986
TOTAL NET ASSETS	1,494,573	1,534,470
TOTAL LIABILITIES AND NET ASSETS	1,809,841	1,820,926

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

Consolidated statements of income

For the first quarter ended June 30, 2011 and 2012

	Millions of yen	
	April - June 2011	April - June 2012
Net sales	250,023	266,516
Cost of sales	185,620	201,923
Gross profit	64,402	64,592
Selling, general and administrative expenses	24,400	24,254
Operating income	40,001	40,338
Non-operating income:		
Interest income	756	628
Equity in earnings of affiliates	2,131	2,344
Other income	3,304	2,694
Total non-operating income	6,192	5,668
Non-operating expenses:		
Foreign exchange loss	3,581	3,850
Other expenses	377	1,150
Total non-operating expenses	3,959	5,000
Ordinary income	42,235	41,006
Extraordinary loss:		
Loss on disaster	5,307	-
Total extraordinary loss	5,307	-
Income before income taxes	36,927	41,006
Income taxes-current	9,804	3,964
Income taxes-deferred	2,995	10,192
Total income taxes	12,799	14,156
Income before minority interests	24,127	26,849
Minority interests in earnings of consolidated subsidiaries	289	224
Net income	23,837	26,625

Consolidated statements of comprehensive income
 For the first quarter ended June 30, 2011 and 2012

	Millions of Yen	
	April - June 2011	April - June 2012
Income before minority interests	24,127	26,849
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	(1,822)	(3,024)
Deferred gains (losses) on hedges	(33)	(169)
Foreign currency translation adjustments	16,808	35,359
Share of other comprehensive income of associates accounted for by using the equity method	950	2,585
Total other comprehensive income	15,903	34,750
Comprehensive income	40,031	61,600
(Breakdown)		
Comprehensive income attributable to owners of the parent	39,182	60,157
Comprehensive income attributable to minority interests	848	1,443

(3) Notes on premise of going concern

Not applicable

(4) Segment information

Information regarding sales and income (loss) of reportable segments

1) For the first quarter ended June 30, 2012 (From April 1, 2012 to June 30, 2012)

	Millions of yen							Adjustment*	Figures in consolidated statement of income
	April – June 2012								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total		
Sales to outside customers	85,488	32,259	21,474	54,361	52,144	20,789	266,516	-	266,516
Intersegment sales	910	1,022	1,817	0	713	15,387	19,850	(19,850)	-
Total	86,398	33,281	23,292	54,361	52,857	36,176	286,367	(19,850)	266,516
Segment income (Operating income)	9,872	7,461	3,928	6,601	10,426	1,773	40,063	274	40,338

*Elimination of intersegment transactions

2) For the first quarter ended June 30, 2011 (From April 1, 2011 to June 30, 2011)

	Millions of yen							Adjustment*	Figures in consolidated statement of income
	April – June 2011								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total		
Sales to outside customers	67,457	35,525	20,769	66,245	35,982	24,042	250,023	-	250,023
Intersegment sales	1,185	1,148	2,053	0	816	15,779	20,984	(20,984)	-
Total	68,642	36,674	22,823	66,246	36,799	39,821	271,007	(20,984)	250,023
Segment income (Operating income)	6,059	9,174	3,483	10,444	9,208	1,703	40,074	(73)	40,001

*Elimination of intersegment transactions

Main products and services of each segment

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

(5) Notes on significant changes in stockholders' equity

Not applicable

Appendix: Quarterly operating results

(Billions of yen)

		Fiscal year 2011/4-2012/3				Total	Fiscal year 2012/4-2013/3
		1Q 11/4-6	2Q 7-9	3Q 10-12	4Q 12/1-3		1Q 12/4-6
Sales		250.0	271.4	270.0	256.3	1,047.7	266.5
	PVC / Chlor-Alkali	67.5	92.6	87.0	76.9	324.0	85.5
	Silicones	35.5	35.0	31.6	33.4	135.5	32.2
	Specialty Chemicals	20.8	21.4	22.7	22.2	87.1	21.5
	Semiconductor Silicon	66.2	58.0	57.2	48.2	229.6	54.4
	Electronics & Functional Materials	36.0	40.5	48.6	52.7	177.8	52.1
	Diversified	24.0	23.9	22.9	22.9	93.7	20.8
Operating Income		40.0	40.4	37.2	32.0	149.6	40.3
	PVC / Chlor-Alkali	6.1	7.3	7.0	3.3	23.7	9.9
	Silicones	9.2	8.2	7.1	9.2	33.7	7.5
	Specialty Chemicals	3.5	3.5	3.5	4.2	14.7	3.9
	Semiconductor Silicon	10.4	10.7	9.4	3.8	34.3	6.6
	Electronics & Functional Materials	9.2	9.6	9.2	10.2	38.2	10.4
	Diversified	1.7	1.0	1.0	1.3	5.0	1.8
Ordinary Income		42.2	42.1	41.1	39.8	165.2	41.0
Net Income		23.8	27.2	24.6	25.0	100.6	26.6
Depreciation and Amortization		19.1	20.5	22.2	21.1	82.9	18.7
Capital Expenditures		20.6	21.6	15.5	29.5	87.2	20.3
R&D Costs		8.3	9.6	9.0	8.8	35.7	8.9
Overseas Sales	Amount	158.9	181.1	177.0	164.4	681.4	175.3
	Ratio*	64%	67%	66%	64%	65%	66%

*Note: % indicates ratio to total consolidated sales.