

Press Release

Consolidated Financial Results for the First Three Quarters Ended December 31, 2012

Shin-Etsu Chemical Co., Ltd.

(JP GAAP)



January 29, 2013

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

Listing Stock Exchange: Tokyo, Osaka and Nagoya

Representative: Shunzo Mori (Mr.) Representative Director/President

Personnel to contact: Toshiyuki Kasahara (Mr.)

Director, General Manager of Finance & Accounting Department

Tel: +81-3-3246-5051

Date of the filing of the quarterly consolidated financial statements: February 13, 2013

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 Three Quarters Ended December 31, 2012

(From April 1, 2012 to December 31, 2012)

(1) Results of consolidated operations

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income	
April – December 2012	782,371	(1.1%)	121,133	3.0%	128,019	2.1%	83,428	10.3%
April – December 2011	791,435	(1.3%)	117,633	3.2%	125,429	3.4%	75,627	(14.3%)

(Note) Comprehensive income (Millions of yen) From April, 2012 to December, 2012: 88,505 [138.5%]

From April, 2011 to December, 2011: 37,108 [(6.2%)]

	Net income per share (in yen)	Diluted net income per share (in yen)
April – December 2012	196.49	196.49
April – December 2011	178.12	-

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (in yen)
December 31, 2012	1,815,829	1,541,779	82.6%	3,530.85
March 31, 2012	1,809,841	1,494,573	80.3%	3,422.93

(Note) Stockholders' equity (Millions of yen) As of December 31, 2012: 1,499,223 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 the fiscal year (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	-	50.00	-	-	-
April 2012 – March 2013 (forecast)	-	-	-	50.00	100.00

(Note) Revision of the latest forecast of cash dividends : No

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)
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 : No

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 three quarters ended December 31, 2012 : No

(Note) This item indicates whether there were changes in significant subsidiaries affecting the scope of consolidation during the first three quarters ended December 31, 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)

	<u>December 31, 2012</u>	<u>March 31, 2012</u>
Number of shares outstanding at period end (including treasury stocks)	432,106,693	432,106,693
Number of treasury stocks at period end	7,499,695	7,512,807
	<u>April – December 2012</u>	<u>April – December 2011</u>
Weighted-average number of shares outstanding over period	424,596,826	424,595,168

(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)

INDEX

1. Qualitative Information Regarding Quarterly Results	2
(1) Qualitative information regarding the consolidated operating results	2
(2) Qualitative information regarding the consolidated business forecast.....	4
2. Other Information	4
3. Consolidated Financial Statements	5
(1) Consolidated balance sheets.....	5
(2) Consolidated statements of income and statements of comprehensive income.....	7
(3) Notes on premise of going concern.....	9
(4) Segment information	9
(5) Notes on significant changes in stockholders' equity	9

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 three quarters of FY2013 (April 1, 2012 to December 31, 2012), the expansion of China's economy somewhat slowed, and in Europe, the sense of economic stagnation deepened due in part to concerns about the European debt problems. Although movement toward recovery was seen in the United States, the trend toward economic recovery continued to show a lack of strength due to such factors as the delay in the improvement of the employment situation. With regard to the Japanese economy, although improvement was seen in some parts, supported by such influences as demand resulting from the reconstruction needs in the aftermath of the Great East Japan Earthquake, the challenging business situation continued as a result of such factors as the slowing of the world economy.

Under these circumstances, the Shin-Etsu Group worked to further promote sales to its wide range of customers around the world, and at the same time, we strove to enhance our technologies and product quality and develop new products. In addition, we focused on increasing our production capabilities, diversifying our manufacturing bases and stably securing raw materials.

As a result, the consolidated business results for the first three quarters of FY2013 show that net sales decreased by 1.1% (¥9,064 million) compared with the same fiscal period last year to ¥782,371 million. Compared with the performance of the same fiscal period last year, operating income increased by 3.0% (¥3,500 million) to ¥121,133 million, ordinary income increased by 2.1% (¥2,590 million) to ¥128,019 million and net income increased by 10.3% (¥7,801 million) to ¥83,428 million.

PVC/Chlor-Alkali Business

With regard to the PVC business, in a situation where a solid recovery has not been seen in the U.S. housing market, Shintech Inc. in the U.S. continued a high level of shipments by expanding sales to its customers worldwide, and its business performance increased greatly. Shin-Etsu PVC in the Netherlands also maintained its good shipments. On the other hand, the tough business situation in Japan continued due in part to sluggish demand and the effect of raw material price increases.

As a result, compared with the first three quarters of FY2012, net sales for this business segment increased by 4.7% (¥11,718 million) to ¥258,812 million and operating income increased by 67.8% (¥13,807 million) to ¥34,172 million.

Silicones Business

With regard to the silicones business, sales in Japan continued to be good for product applications in the cosmetics field. However, sales of product applications for the automobile field were sluggish from the start of the second half of FY2013, and applications for the electric and electronics field on the whole were slow. In our silicones business outside of Japan, while sales of functional silicone products maintained their strength, general-purpose silicone products were affected by a slump in market prices in the Asian region, mainly in China.

As a result, compared with the first three quarters of FY2012, net sales for this business segment decreased by 5.0% (¥5,119 million) to ¥96,994 million and operating income decreased by 10.7% (¥2,620 million) to ¥21,881 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. SE Tylose in Germany increased its business performance with firm shipments of products for coating applications and pharmaceutical-use products. The silicon metal business of Simcoa Operations in Australia was affected by the sluggish market for silicon metal. The business of JAPAN VAM & POVAL Co., Ltd. was impacted by a slump in sales prices for exports.

As a result, compared with the first three quarters of FY2012, net sales for this business segment decreased by 4.3% (¥2,813 million) to ¥62,118 million and operating income increased by 3.8% (¥394 million) to ¥10,896 million.

Semiconductor Silicon Business

With regard to semiconductor silicon, the demand for such cutting-edge semiconductor devices as smartphones and tablet PCs remained strong, but demand for consumer electronics products such as PCs and flat-panel TVs continued to be slow. Furthermore, due to semiconductor device makers making production adjustments starting in the second half, the difficult situation in the semiconductor silicon business continued.

As a result, compared with the first three quarters of FY2012, net sales for this business segment decreased by 12.5% (¥22,732 million) to ¥158,642 million and operating income decreased by 41.3% (¥12,618 million) to ¥17,938 million.

Electronics & Functional Materials Business

With regard to the rare earth magnets business, shipments of products for applications in automobiles, starting with those for hybrid vehicles, were strong; however, shipments of products for applications in hard disk drives, air conditioners and machine tools 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 be firm. Shipments of optical fiber preform were also firm, due in part to the start-up of production at our plant in China.

As a result, compared with the first three quarters of FY2012, net sales for this business segment increased by 14.5% (¥18,175 million) to ¥143,255 million and operating income increased by 13.0% (¥3,648 million) to ¥31,612 million.

Diversified Business

Shin-Etsu Polymer Co., Ltd.'s business of keypads for automobile applications remained steady; however, the company's business of semiconductor wafer-related containers continued to be slow due to sluggish demand for semiconductor devices. The engineering business was good.

As a result, compared with the first three quarters of FY2012, net sales for this business segment decreased by 11.7% (¥8,292 million) to ¥62,547 million and operating income increased by 22.5% (¥831 million) to ¥4,530 million.

(2) Qualitative information regarding the consolidated business forecast

With regard to the business prospect going forward, a sense of uncertainty is still high with regard to the world economy, due in part to uneasiness about the debt problems in Europe, and the world business situation still does not allow for optimism. Moreover, there are concerns in Japan about the impact of the world economy's downward movement as well as domestic deflation. Thus, the difficult business situation is expected to continue.

To cope with the severe business environment the Shin-Etsu Group is facing, we will develop aggressive sales activities to our wide range of customers worldwide, and at the same time, we will cultivate new demand through the development of products that have special characteristics. In addition, we will strengthen each of our businesses by such means as further focusing on enhancing our technologies and product quality, manufacturing at the optimal locations and striving to assure the stable securing of raw materials.

The Shin-Etsu Group has not changed its business forecast, which was announced on July 26, 2012.

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 three quarters of FY2013 is immaterial.

3. Consolidated Financial Statements

(1) Consolidated balance sheets

As of March 31 and December 31, 2012

	Millions of yen	
	March 31, 2012	December 31, 2012
ASSETS		
Current Assets:		
Cash and time deposits	241,390	213,304
Notes and accounts receivable-trade	264,283	258,521
Securities	89,301	170,145
Inventories	260,308	259,677
Other	93,944	64,293
Less: Allowance for doubtful accounts	(6,982)	(7,901)
Total current assets	942,244	958,041
Fixed Assets:		
Property, plant and equipment		
Machinery and equipment, net	330,707	324,623
Other, net	267,851	279,264
Total property, plant and equipment	598,558	603,887
Intangible fixed assets	13,587	13,255
Investments and other assets		
Investments and other assets	255,469	240,960
Less: Allowance for doubtful accounts	(17)	(315)
Total investments and other assets	255,451	240,645
Total fixed assets	867,596	857,787
TOTAL ASSETS	1,809,841	1,815,829

	Millions of yen	
	March 31, 2012	December 31, 2012
LIABILITIES		
Current Liabilities:		
Notes and accounts payable-trade	109,378	102,236
Short-term borrowings	13,862	5,498
Accrued income taxes	34,758	4,022
Allowances	2,247	2,169
Other	87,193	77,216
	247,441	191,144
Long-term Liabilities:		
Long-term debt	1,454	7,451
Allowances	17,109	18,140
Other	49,263	57,314
	67,827	82,905
	315,268	274,049
NET ASSETS		
Stockholders' Equity:		
Common stock	119,419	119,419
Additional paid-in capital	128,177	128,177
Retained earnings	1,435,693	1,477,261
Less: Treasury stock, at cost	(40,925)	(40,852)
	1,642,365	1,684,006
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	1,212	2,165
Deferred gains (losses) on hedges	25	86
Foreign currency translation adjustments	(190,249)	(187,034)
	(189,011)	(184,782)
Share Subscription Rights	3,491	2,478
Minority Interests in Consolidated Subsidiaries	37,727	40,077
	1,494,573	1,541,779
TOTAL LIABILITIES AND NET ASSETS	1,809,841	1,815,829

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

Consolidated statements of income

For the first three quarters ended December 31, 2011 and 2012

	Millions of yen	
	April - December 2011	April - December 2012
Net sales	791,435	782,371
Cost of sales	598,118	586,238
Gross profit	193,316	196,132
Selling, general and administrative expenses	75,682	74,999
Operating income	117,633	121,133
Non-operating income:		
Interest income	2,283	1,822
Equity in earnings of affiliates	7,219	5,385
Other income	8,291	4,213
Total non-operating income	17,794	11,420
Non-operating expenses:		
Foreign exchange loss	8,443	-
Other expenses	1,554	4,534
Total non-operating expenses	9,998	4,534
Ordinary income	125,429	128,019
Extraordinary losses:		
Loss on disaster	5,312	-
Loss on write-down of investment securities	1,241	-
Total extraordinary losses	6,554	-
Income before income taxes	118,875	128,019
Income taxes-current	35,013	26,715
Income taxes-deferred	7,776	17,268
Total income taxes	42,789	43,983
Income before minority interests	76,085	84,035
Minority interests in earnings of consolidated subsidiaries	457	607
Net income	75,627	83,428

Consolidated statements of comprehensive income

For the first three quarters ended December 31, 2011 and 2012

	Millions of Yen	
	April - December 2011	April - December 2012
Income before minority interests	76,085	84,035
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	(5,523)	879
Deferred gains (losses) on hedges	(515)	146
Foreign currency translation adjustments	(31,204)	3,315
Share of other comprehensive income of associates accounted for by using the equity method	(1,733)	128
Total other comprehensive income	(38,976)	4,469
Comprehensive income	37,108	88,505
(Breakdown)		
Comprehensive income attributable to owners of the parent	37,784	87,656
Comprehensive income attributable to minority interests	(675)	848

(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 three quarters ended December 31, 2012 (From April 1, 2012 to December 31, 2012)

	Millions of yen							Adjustment*	Figures in consolidated statement of income
	April – December 2012								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total		
Sales to outside customers	258,812	96,994	62,118	158,642	143,255	62,547	782,371	-	782,371
Intersegment sales	2,554	3,349	5,927	2	2,328	46,053	60,215	(60,215)	-
Total	261,366	100,343	68,045	158,645	145,584	108,600	842,586	(60,215)	782,371
Segment income (Operating income)	34,172	21,881	10,896	17,938	31,612	4,530	121,032	100	121,133

*Elimination of intersegment transactions

2) For the first three quarters ended December 31, 2011 (From April 1, 2011 to December 31, 2011)

	Millions of yen							Adjustment*	Figures in consolidated statement of income
	April – December 2011								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total		
Sales to outside customers	247,094	102,113	64,931	181,374	125,080	70,839	791,435	-	791,435
Intersegment sales	2,904	3,109	5,877	0	2,173	47,186	61,251	(61,251)	-
Total	249,998	105,222	70,809	181,375	127,254	118,025	852,686	(61,251)	791,435
Segment income (Operating income)	20,365	24,501	10,502	30,556	27,964	3,699	117,590	43	117,633

*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)

		FY 2012 April 2011 - March 2012					FY 2013 April 2012 - March 2013			
		1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	Total
Sales		250.0	271.4	270.0	256.3	1,047.7	266.5	270.5	245.4	782.4
	PVC / Chlor-Alkali	67.5	92.6	87.0	76.9	324.0	85.5	93.0	80.3	258.8
	Silicones	35.5	35.0	31.6	33.4	135.5	32.2	33.4	31.4	97.0
	Specialty Chemicals	20.8	21.4	22.7	22.2	87.1	21.5	19.8	20.8	62.1
	Semiconductor Silicon	66.2	58.0	57.2	48.2	229.6	54.4	54.1	50.1	158.6
	Electronics & Functional Materials	36.0	40.5	48.6	52.7	177.8	52.1	49.5	41.7	143.3
	Diversified	24.0	23.9	22.9	22.9	93.7	20.8	20.7	21.1	62.6
Operating Income		40.0	40.4	37.2	32.0	149.6	40.3	43.3	37.5	121.1
	PVC / Chlor-Alkali	6.1	7.3	7.0	3.3	23.7	9.9	14.3	10.0	34.2
	Silicones	9.2	8.2	7.1	9.2	33.7	7.5	7.4	7.0	21.9
	Specialty Chemicals	3.5	3.5	3.5	4.2	14.7	3.9	3.7	3.3	10.9
	Semiconductor Silicon	10.4	10.7	9.4	3.8	34.3	6.6	6.0	5.3	17.9
	Electronics & Functional Materials	9.2	9.6	9.2	10.2	38.2	10.4	10.6	10.6	31.6
	Diversified	1.7	1.0	1.0	1.3	5.0	1.8	1.3	1.4	4.5
Ordinary Income		42.2	42.1	41.1	39.8	165.2	41.0	45.0	42.0	128.0
Net Income		23.8	27.2	24.6	25.0	100.6	26.6	29.1	27.7	83.4
Depreciation and Amortization		19.1	20.5	22.2	21.1	82.9	18.7	19.6	20.6	58.9
Capital Expenditures		20.6	21.6	15.5	29.5	87.2	20.3	21.1	16.6	58.0
R&D Costs		8.3	9.6	9.0	8.8	35.7	8.9	9.6	8.8	27.3
Overseas Sales	Amount	158.9	181.1	177.0	164.4	681.4	175.3	183.9	164.4	523.6
	Ratio*	64%	67%	66%	64%	65%	66%	68%	67%	67%

*Note: % indicates ratio to total consolidated sales.