

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

Listing Stock Exchange: Tokyo and Nagoya

Representative: Yasuhiko Saitoh (Mr.) Representative Director/President

Personnel to contact: Toshiyuki Kasahara (Mr.) Director, General Manager of Finance & Accounting Department

Tel: +81-3-3246-5051

Date of the filing of the quarterly consolidated financial statements: August 10, 2018

Date of dividend payment: -

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, 2018

(From April 1, 2018 to June 30, 2018)

(1) Results of consolidated operations

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
April - June 2018	383,633	14.1%	95,405	28.7%	99,431	29.1%	73,718	37.3%
April - June 2017	336,242	11.8%	74,142	23.5%	77,040	33.2%	53,710	18.5%

(Note) Comprehensive income (Millions of yen) From April 1, 2018 to June 30, 2018: 17,111 [(44.0%)]

From April 1, 2017 to June 30, 2017: 30,552 [- %]

	Net income per share (yen)	Diluted net income per share (yen)
April - June 2018	172.82	172.78
April - June 2017	125.96	125.95

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (yen)
June 30, 2018	2,842,777	2,399,346	82.2%	5,479.51
March 31, 2018	2,903,137	2,413,025	81.0%	5,511.98

(Note) Stockholders' equity (Millions of yen) As of June 30, 2018: 2,337,396 As of March 31, 2018: 2,351,242

2. Cash Dividends

	Cash dividends per share in the fiscal year (yen)				
	1 st quarter	2 nd quarter	3 rd quarter	Year-end	Fiscal year
April 2017 - March 2018	-	65.00	-	75.00	140.00
April 2018 - March 2019	-	-	-	-	-
April 2018 - March 2019 (forecast)	-	90.00	-	90.00	180.00

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

3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2019

(From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share (yen)
Fiscal year	1,500,000	4.1%	360,000	6.9%	370,000	8.7%	270,000	1.4%	632.96

(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. dollar and the yen; provided, however, that such factors as may affect results of operations are not limited to those enumerated above.

(Notes)

(1) Changes in significant subsidiaries during the first quarter ended June 30, 2018: No

(Note) This item indicates whether there were changes in significant subsidiaries affecting the scope of consolidation during the first quarter ended June 30, 2018.

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

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

Changes in accounting policies applied due to revisions of accounting standards: No

Changes in accounting policies other than the above: No

Changes in accounting estimates: No

Retrospective restatement: No

(4) Number of shares outstanding (common stock)

	June 30, 2018	March 31, 2018
Number of shares outstanding at period end	427,606,693	432,106,693
Number of shares of treasury stock at period end	1,036,669	5,536,807
	April - June 2018	April - June 2017
Weighted-average number of shares outstanding over period	426,569,816	426,405,860

(Information regarding quarterly review procedures)

The financial information contained in this report is not subject to quarterly review procedures by independent auditors.

(Attached Documents)

INDEX

1. Qualitative Information Regarding Quarterly Results.....	2
(1) Explanation Regarding the Operating Results	2
(2) Explanation Regarding Information Relevant to Forecasts such as Consolidated Business Forecast.....	4
2. Notes to Summary Information	5
(Additional information)	
3. Consolidated Financial Statements.....	6
(1) Consolidated Balance Sheets	6
(2) Consolidated Statements of Income and Statements of Comprehensive Income	8
(3) Notes to Consolidated Financial Statements.....	10
(Notes on Premise of Going Concern)	
(Notes on Significant Changes in Stockholders' Equity)	
(Segment Information)	
Appendix: Quarterly Operating Results	

1. Qualitative Information Regarding Quarterly Results

(1) Explanation Regarding the Operating Results

With regard to the world economy, during the first quarter of FY 2019 (April 1, 2018 to June 30, 2018), in the United States, the steady recovery of its economy continued. In Japan and Europe, as well as in the areas of the emerging economies, these economies also experienced a gradual recovery. In China, the movement toward economic recovery continued.

In these circumstances, in order to achieve continued increases in our business results, the Shin-Etsu Group endeavored (1) to deepen its relationships with its customers and further expand its global customer base; (2) to constantly carry out product development that strongly supports our customers' needs, improve product quality and achieve further differentiation in technologies; (3) to continue our policies of precisely keeping scheduled delivery times and carrying out strict cost management; and at the same time (4) to appropriately make investments in order to meet increases in demand.

As a result, the business results for the first quarter of FY 2019 are as follows:

	April - June 2017 (Millions of yen)	April - June 2018 (Millions of yen)	Increase / (Decrease)
Net sales	336,242	383,633	14.1%
Operating income	74,142	95,405	28.7%
Ordinary income	77,040	99,431	29.1%
Net income attributable to owners of parent	53,710	73,718	37.3%

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

PVC/Chlor-Alkali Business

	April - June 2017 (Millions of yen)	April - June 2018 (Millions of yen)	Increase / (Decrease)
Net sales	113,563	123,176	8.5%
Operating income	17,646	26,318	49.1%

With regard to the PVC/Chlor-Alkali business, at Shintech in the U.S., even though business was affected by the severe winter weather in January, both PVC and caustic soda continued high levels of shipments, and also as a result of further improvements in the supply-demand relationship of both products, it greatly increased its business results. Because market conditions in Europe continued to be steady, our European bases increased sales volume and did well. Shipments decreased at our bases in Japan due to the effects of large-scale periodic maintenance.

Silicones Business

	April - June 2017 (Millions of yen)	April - June 2018 (Millions of yen)	Increase / (Decrease)
Net sales	49,978	55,670	11.4%
Operating income	12,174	13,518	11.0%

With regard to the silicones business, demand was robust all around the world. As a result of implementing price adjustments for both general-purpose and functional products and carrying out maximum production and selling it out, the segment's business results increased.

Specialty Chemicals Business

	April - June 2017 (Millions of yen)	April - June 2018 (Millions of yen)	Increase / (Decrease)
Net sales	28,308	30,507	7.8%
Operating income	6,521	6,816	4.5%

With regard to cellulose derivatives, in addition to pharmaceutical-use products having good shipments, construction materials products and coating products continued to perform steadily. Pheromone products and POVAL products and others also on the whole also had firm shipments.

Semiconductor Silicon Business

	April - June 2017 (Millions of yen)	April - June 2018 (Millions of yen)	Increase / (Decrease)
Net sales	71,471	90,998	27.3%
Operating income	19,773	30,009	51.8%

With regard to the semiconductor silicon business, supported by robust semiconductor device demand, it continued a high level of shipments and also contributed by implementing a product price adjustment. As a result, this segment's business results increased greatly.

Electronics & Functional Materials Business

	April - June 2017 (Millions of yen)	April - June 2018 (Millions of yen)	Increase / (Decrease)
Net sales	49,175	56,037	14.0%
Operating income	15,096	16,000	6.0%

With regard to the rare earth magnets business, products in a wide range of fields, mainly products for applications in automobiles including those for hybrid cars and also for industrial equipment, had good shipments. With regard to our photoresist products business, KrF resists, ArF resists and trilayer materials all continued to be firm. Photomask blanks increased sales in both general-purpose and leading-edge products. The business of optical fiber preform did well by taking advantage of the increase in global demand and also of the contribution made by the production of our joint-venture companies in China.

Processing, Trading & Specialized Services Business

	April - June 2017 (Millions of yen)	April - June 2018 (Millions of yen)	Increase / (Decrease)
Net sales	23,745	27,242	14.7%
Operating income	2,899	3,026	4.4%

Shin-Etsu Polymer Co., Ltd.'s business of semiconductor wafer-related containers maintained a high level of shipments and continued to do well.

(2) Explanation Regarding Information Relevant to Forecasts such as Consolidated

Business Forecast

Although the world economy is generally doing well, there are many uncertain factors and it does not allow for optimism.

Among the main products of the Shin-Etsu Group, there are those products that will be greatly affected by such factors as fluctuations in raw materials prices and in market conditions as well as supply and demand conditions. In addition, over 70% of the Group's sales consist of sales outside of Japan, and exchange rate fluctuations affect our company's business. Exchange rate fluctuations also affect us when converting Shin-Etsu Chemical's overseas Group companies' business results into Japanese yen.

Facing such a situation, the Shin-Etsu Group will carefully focus on developments in world markets and aggressively develop our sales activities while accurately capturing trends in demand. At the same time, we will take further steps to accelerate the development of our global business by such means as constructing manufacturing bases at optimal locations in the world and strengthening and expanding existing facilities. In addition, we will continue to focus on enhancing productivity and product quality, and at the same time, we will strive to develop products that have value for customers and we will also strive to assure the stable supply of our products. For this purpose, while continuing to maintain a sound financial base, we will proactively utilize our financial strength to carry out appropriate investments in a timely manner.

Going forward, we will work to create value to meet the need of our customers, the market and society over the long term and will strive to assure the sustainable growth of our company's businesses.

The forecast for FY 2019's consolidated operating performance is as mentioned below.

With regard to dividends, the forecast is ¥90 per share for both interim and year-end dividends; thus, the total annual dividend for FY 2019 will become ¥180 per share, an increase of ¥40 compared with FY 2018.

The forecasts 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 attributable to owners of parent		Net income per share (yen)
Fiscal year	1,500,000	4.1%	360,000	6.9%	370,000	8.7%	270,000	1.4%	632.96

Percentage figures indicate increase 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. Notes to Summary Information

(Additional information)

We applied Accounting Standards Board of Japan (“ASBJ”) Statement No. 28 Partial Amendments to Accounting Standard for Tax Effect Accounting, etc., effective April 1, 2018.

Furthermore, we retrospectively applied these partial amendments to the consolidated financial statements as of March 31, 2018.

As a result, total assets and total liabilities decreased by ¥5,190 million, and the stockholders’ equity ratio increased by 0.2 percentage points.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of March 31 and June 30, 2018

	Millions of yen	
	March 31, 2018	June 30, 2018
ASSETS		
Current Assets:		
Cash and time deposits	854,506	830,870
Notes and accounts receivable-trade	332,880	342,244
Securities	197,339	197,469
Inventories	282,078	274,078
Other	48,313	35,213
Less: Allowance for doubtful accounts	(12,201)	(11,679)
Total current assets	1,702,916	1,668,197
Fixed Assets:		
Property, plant and equipment		
Machinery and equipment, net	454,846	428,308
Other, net	444,881	453,175
Total property, plant and equipment	899,728	881,484
Intangible assets	9,405	8,897
Investments and other assets:		
Investments and other assets	293,283	286,514
Less: Allowance for doubtful accounts	(2,197)	(2,315)
Total investments and other assets	291,086	284,198
Total fixed assets	1,200,220	1,174,580
TOTAL ASSETS	2,903,137	2,842,777

	Millions of yen	
	March 31, 2018	June 30, 2018
LIABILITIES		
Current Liabilities:		
Notes and accounts payable-trade	136,834	124,692
Short-term borrowings	7,094	6,073
Accrued income taxes	58,972	26,481
Allowances	3,821	3,311
Other	171,699	175,014
	378,421	335,574
Long-term Liabilities:		
Long-term debt	8,430	8,562
Net defined benefit liability	32,282	32,618
Other	70,976	66,675
	111,690	107,856
	490,112	443,430
NET ASSETS		
Stockholders' Equity:		
Common stock	119,419	119,419
Additional paid-in capital	129,937	128,272
Retained earnings	2,070,779	2,090,850
Less: Treasury stock, at cost	(30,207)	(5,657)
	2,289,929	2,332,884
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	26,446	25,560
Deferred gains (losses) on hedges	1,671	354
Foreign currency translation adjustments	34,611	(20,491)
Remeasurements of defined benefit plans	(1,416)	(912)
	61,313	4,511
Share subscription rights	524	524
Non-controlling interests in consolidated subsidiaries	61,258	61,426
	2,413,025	2,399,346
	2,903,137	2,842,777

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

Consolidated Statements of Income

For the first quarter ended June 30, 2017 and 2018

	Millions of yen	
	April 1, 2017 - June 30, 2017	April 1, 2018 - June 30, 2018
Net sales	336,242	383,633
Cost of sales	228,235	251,237
Gross profit	108,006	132,395
Selling, general and administrative expenses	33,864	36,989
Operating income	74,142	95,405
Non-operating income:		
Interest income	1,375	1,714
Foreign exchange gain	492	1,492
Other income	1,879	2,515
Total non-operating income	3,747	5,721
Non-operating expenses:	849	1,695
Ordinary income	77,040	99,431
Income before income taxes and non-controlling interests	77,040	99,431
Income taxes:		
Current	22,658	25,771
Deferred	(43)	(1,286)
Total income taxes	22,614	24,484
Net income	54,425	74,947
Net income attributable to non-controlling interests	715	1,228
Net income attributable to owners of parent	53,710	73,718

Consolidated Statements of Comprehensive Income

For the first quarter ended June 30, 2017 and 2018

	Millions of yen	
	April 1, 2017 - June 30, 2017	April 1, 2018 - June 30, 2018
Net income	54,425	74,947
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	3,609	(883)
Deferred gains (losses) on hedges	(146)	(1,304)
Foreign currency translation adjustments	(27,691)	(55,970)
Remeasurements of defined benefit plans	191	500
Share of other comprehensive income of affiliates accounted for using the equity method	164	(178)
Total other comprehensive income	(23,873)	(57,836)
Comprehensive income	30,552	17,111
(Breakdown)		
Comprehensive income attributable to owners of parent	30,269	16,916
Comprehensive income attributable to non-controlling interests	283	195

(3) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable

(Notes on Significant Changes in Stockholders' Equity)

Not applicable

(Segment Information)

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

1) For the first quarter ended June 30, 2018 (From April 1, 2018 to June 30, 2018)

	Millions of yen							Adjustment*	Figures in consolidated financial statements
	April 1, 2018 - June 30, 2018								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Processing, Trading & Specialized Services	Total		
Sales to outside customers	123,176	55,670	30,507	90,998	56,037	27,242	383,633	-	383,633
Intersegment sales	845	1,624	5,496	2	2,221	25,368	35,559	(35,559)	-
Total	124,021	57,295	36,004	91,000	58,259	52,611	419,192	(35,559)	383,633
Segment income (Operating income)	26,318	13,518	6,816	30,009	16,000	3,026	95,690	(284)	95,405

*Elimination of intersegment transactions

2) For the first quarter ended June 30, 2017 (From April 1, 2017 to June 30, 2017)

	Millions of yen							Adjustment*	Figures in consolidated financial statements
	April 1, 2017 - June 30, 2017								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Processing, Trading & Specialized Services	Total		
Sales to outside customers	113,563	49,978	28,308	71,471	49,175	23,745	336,242	-	336,242
Intersegment sales	845	1,391	3,508	0	1,587	19,185	26,517	(26,517)	-
Total	114,408	51,369	31,816	71,471	50,762	42,931	362,759	(26,517)	336,242
Segment income (Operating income)	17,646	12,174	6,521	19,773	15,096	2,899	74,112	30	74,142

*Elimination of intersegment transactions

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, Vinyl Chloride-Vinyl Acetate Copolymer Resin
Semiconductor Silicon Business	Semiconductor silicon
Electronics & Functional Materials Business	Rare earth magnets for electronics industry and general applications, Semiconductor encapsulating materials, Packaging materials for LEDs, Photoresists, Photomask blanks, Synthetic quartz products, Liquid fluoroelastomers, Pellicles
Processing, Trading & Specialized Services Business	Processed plastics, Export of plant equipment, Technology licensing, International trade, Engineering

Appendix: Quarterly Operating Results

(Billions of yen)

	FY 2018 April 1, 2017 - March 31, 2018					FY 2019 April 1, 2018 - March 31, 2019
	1Q	2Q	3Q	4Q	Total	1Q
Net Sales	336.2	358.6	366.1	380.3	1,441.4	383.6
PVC / Chlor-Alkali	113.5	125.7	125.6	136.3	501.3	123.1
Silicones	49.9	50.9	52.1	53.2	206.2	55.6
Specialty Chemicals	28.3	28.6	31.2	28.9	117.1	30.5
Semiconductor Silicon	71.4	75.3	78.6	82.8	308.3	90.9
Electronics & Functional Materials	49.1	52.4	52.5	53.2	207.4	56.0
Processing, Trading & Specialized Services	23.7	25.5	25.8	25.6	100.7	27.2
Operating Income	74.1	82.1	87.0	93.4	336.8	95.4
PVC / Chlor-Alkali	17.6	22.8	24.7	28.0	93.2	26.3
Silicones	12.1	12.7	13.5	13.5	51.9	13.5
Specialty Chemicals	6.5	6.5	6.3	6.3	25.7	6.8
Semiconductor Silicon	19.7	21.9	24.5	26.7	92.9	30.0
Electronics & Functional Materials	15.0	15.3	15.3	15.8	61.6	16.0
Processing, Trading & Specialized Services	2.8	2.9	2.5	3.1	11.4	3.0
Ordinary Income	77.0	83.1	90.0	90.0	340.3	99.4
Net Income Attributable to Owners of Parent	53.7	57.0	62.6	92.9*	266.2*	73.7
Depreciation and Amortization	24.3	26.4	28.3	32.8	112.0	29.0
Capital Expenditures	35.6	38.9	44.0	57.7	176.2	44.9
R&D Costs	12.2	11.4	14.4	13.6	51.7	13.7
Overseas Sales	246.3	266.8	269.9	284.4	1,067.6	278.7
Ratio of Overseas Sales to Net Sales	73%	74%	74%	75%	74%	73%

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

* Net Income Attributable to Owners of Parent in FY2018 4Q and FY2018 Total includes ¥29.8 billion (benefit) as a result of the revaluation of deferred tax assets and liabilities following the enactment of tax reform legislation in the United States.