

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

Listing Stock Exchange: Tokyo and Nagoya

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Date of the filing of the quarterly consolidated financial statements: November 13, 2018

Date of dividend payment: November 19, 2018

Preparation of supplemental explanatory materials: Yes

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 Half Ended September 30, 2018

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

(1) Results of consolidated operations

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
April - September 2018	791,701	13.9%	209,240	33.9%	217,125	35.5%	158,815	43.4%
April - September 2017	694,926	13.4%	156,319	28.1%	160,217	35.5%	110,725	26.6%

(Note) Comprehensive income (Millions of yen) From April 1, 2018 to September 30, 2018: 132,858 [36.3%]

From April 1, 2017 to September 30, 2017: 97,467 [-%]

	Net income per share (yen)	Diluted net income per share (yen)
April - September 2018	372.29	372.22
April - September 2017	259.66	259.60

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (yen)
September 30, 2018	2,997,388	2,517,033	81.8%	5,748.08
March 31, 2018	2,903,137	2,413,025	81.0%	5,511.98

(Note) Stockholders' equity (Millions of yen) As of September 30, 2018: 2,452,295 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	-	100.00			
April 2018 - March 2019 (forecast)			-	100.00	200.00

(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	1,560,000	8.2%	390,000	15.8%	400,000	17.5%	290,000	8.9%	679.80

(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 half ended September 30, 2018: No

(Note) This item indicates whether there were changes in significant subsidiaries affecting the scope of consolidation during the first half ended September 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)

	September 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	977,779	5,536,807
	April - September 2018	April - September 2017
Weighted-average number of shares outstanding over period	426,596,481	426,419,206

(Information regarding quarterly review procedures)

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

(Attached Documents)

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1. Qualitative Information Regarding Quarterly Results

(1) Explanation Regarding the Operating Results

With regard to the world economy, during the first half of FY 2019 (April 1, 2018 to September 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 half of FY 2019 are as follows:

	April - September 2017 (Millions of yen)	April - September 2018 (Millions of yen)	Increase / (Decrease)
Net sales	694,926	791,701	13.9%
Operating income	156,319	209,240	33.9%
Ordinary income	160,217	217,125	35.5%
Net income attributable to owners of parent	110,725	158,815	43.4%

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

PVC/Chlor-Alkali Business

	April - September 2017 (Millions of yen)	April - September 2018 (Millions of yen)	Increase / (Decrease)
Net sales	239,336	261,913	9.4%
Operating income	40,468	59,673	47.5%

With regard to the PVC/Chlor-Alkali business, at Shintech in the U.S. 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, Shintech greatly increased its business results. Because market conditions in Europe continued to be steady, our European bases increased sales volume and did well. Shipments to overseas decreased at our bases in Japan due to the effects of the large-scale periodic maintenance held during the first quarter of this fiscal year.

Silicones Business

	April - September 2017 (Millions of yen)	April - September 2018 (Millions of yen)	Increase / (Decrease)
Net sales	100,882	113,876	12.9%
Operating income	24,891	29,059	16.7%

With regard to the silicones business, as a result of price adjustments made for both general-purpose and functional products, and, at the same time, meeting robust worldwide demand by carrying out maximum production and selling it out, the segment's business results increased.

Specialty Chemicals Business

	April - September 2017 (Millions of yen)	April - September 2018 (Millions of yen)	Increase / (Decrease)
Net sales	56,991	59,786	4.9%
Operating income	13,055	13,466	3.1%

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

Semiconductor Silicon Business

	April - September 2017 (Millions of yen)	April - September 2018 (Millions of yen)	Increase / (Decrease)
Net sales	146,845	187,432	27.6%
Operating income	41,737	66,624	59.6%

With regard to the semiconductor silicon business, supported by steady 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 - September 2017 (Millions of yen)	April - September 2018 (Millions of yen)	Increase / (Decrease)
Net sales	101,604	114,919	13.1%
Operating income	30,495	34,128	11.9%

With regard to the rare earth magnets business, mainly products for applications in automobiles including those for hybrid cars 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 our leading-edge products and our most advanced cutting-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 - September 2017 (Millions of yen)	April - September 2018 (Millions of yen)	Increase / (Decrease)
Net sales	49,265	53,772	9.1%
Operating income	5,806	6,438	10.9%

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 was generally doing well, there are many uncertain factors, such as the trend regarding trade issues, 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.

With regard to the forecast of Consolidated Operating Performance for FY 2019, based on the business results recorded in this first half of FY 2019, as mentioned in "3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2019" included in the cover page of this summary of the Shin-Etsu Group's consolidated financial results, we have made an upward revision to the business forecast we announced on July 25, 2018. In addition, as stated in "2. Cash Dividends," we have made an upward revision to our dividend forecast.

For details, please refer to "Notice Regarding Revision of Operating Performance Forecast, Distribution of Dividend from Surplus (Interim Dividend) and Revision of Year-end Dividend Forecast." which was also announced today (October 26, 2018).

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 September 30, 2018

	Millions of yen	
	March 31, 2018	September 30, 2018
ASSETS		
Current Assets:		
Cash and time deposits	854,506	902,813
Notes and accounts receivable-trade	332,880	363,929
Securities	197,339	197,487
Inventories	282,078	282,972
Other	48,313	42,466
Less: Allowance for doubtful accounts	(12,201)	(10,354)
Total current assets	1,702,916	1,779,315
Fixed Assets:		
Property, plant and equipment		
Machinery and equipment, net	454,846	440,448
Other, net	444,881	478,850
Total property, plant and equipment	899,728	919,299
Intangible assets	9,405	8,597
Investments and other assets:		
Investments and other assets	293,283	292,547
Less: Allowance for doubtful accounts	(2,197)	(2,371)
Total investments and other assets	291,086	290,175
Total fixed assets	1,200,220	1,218,072
TOTAL ASSETS	2,903,137	2,997,388

	Millions of yen	
	March 31, 2018	September 30, 2018
LIABILITIES		
Current Liabilities:		
Notes and accounts payable-trade	136,834	136,773
Short-term borrowings	7,094	6,165
Accrued income taxes	58,972	43,680
Allowances	3,821	3,903
Other	171,699	179,310
	378,421	369,833
Long-term Liabilities:		
Long-term debt	8,430	8,571
Net defined benefit liability	32,282	33,450
Other	70,976	68,499
	111,690	110,521
	490,112	480,354
NET ASSETS		
Stockholders' Equity:		
Common stock	119,419	119,419
Additional paid-in capital	129,937	128,274
Retained earnings	2,070,779	2,176,078
Less: Treasury stock, at cost	(30,207)	(5,339)
	2,289,929	2,418,432
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	26,446	29,686
Deferred gains (losses) on hedges	1,671	(315)
Foreign currency translation adjustments	34,611	5,405
Remeasurements of defined benefit plans	(1,416)	(914)
	61,313	33,862
Share subscription rights	524	1,159
Non-controlling interests in consolidated subsidiaries	61,258	63,578
	2,413,025	2,517,033
TOTAL LIABILITIES AND NET ASSETS	2,903,137	2,997,388

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

Consolidated Statements of Income

For the first half ended September 30, 2017 and 2018

	Millions of yen	
	April 1, 2017 - September 30, 2017	April 1, 2018 - September 30, 2018
Net sales	694,926	791,701
Cost of sales	468,270	508,705
Gross profit	226,655	282,995
Selling, general and administrative expenses	70,335	73,755
Operating income	156,319	209,240
Non-operating income:		
Interest income	2,808	3,963
Foreign exchange gain	-	2,467
Other income	3,435	5,568
Total non-operating income	6,243	12,000
Non-operating expenses:		
Loss on retirement of fixed assets	870	932
Other expenses	1,475	3,182
Total non-operating expenses	2,345	4,115
Ordinary income	160,217	217,125
Income before income taxes and non-controlling interests	160,217	217,125
Income taxes:		
Current	50,774	57,187
Deferred	(2,950)	(1,426)
Total income taxes	47,823	55,761
Net income	112,394	161,363
Net income attributable to non-controlling interests	1,668	2,547
Net income attributable to owners of parent	110,725	158,815

Consolidated Statements of Comprehensive Income
For the first half ended September 30, 2017 and 2018

	Millions of yen	
	April 1, 2017 - September 30, 2017	April 1, 2018 - September 30, 2018
Net income	112,394	161,363
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	5,411	3,269
Deferred gains (losses) on hedges	(383)	(1,969)
Foreign currency translation adjustments	(20,670)	(30,103)
Remeasurements of defined benefit plans	514	498
Share of other comprehensive income of affiliates accounted for using the equity method	201	(200)
Total other comprehensive income	(14,927)	(28,505)
Comprehensive income	97,467	132,858
(Breakdown)		
Comprehensive income attributable to owners of parent	95,939	131,364
Comprehensive income attributable to non-controlling interests	1,527	1,493

(3) Consolidated Statements of Cash Flows

For the first half ended September 30, 2017 and 2018

	Millions of yen	
	April 1, 2017 - September 30, 2017	April 1, 2018 - September 30, 2018
Cash flows from operating activities:		
Income before income taxes and non-controlling interests	160,217	217,125
Depreciation and amortization	50,745	61,873
Interest and dividend income	(3,926)	(5,130)
(Increase) decrease in notes and accounts receivable	(43,276)	(34,435)
(Increase) decrease in inventories	7,054	(3,693)
Increase (decrease) in notes and accounts payable	2,823	(418)
Other, net	7,728	17,280
Subtotal	181,366	252,600
Proceeds from interest and dividends	4,692	6,841
Payments of interest	(274)	(280)
Payments of income taxes	(43,460)	(71,481)
Net cash provided by operating activities	142,325	187,679
Cash flows from investing activities:		
Net (increase) decrease in time deposits	59,105	112,039
Net (increase) decrease in marketable securities	(32,662)	3,838
Purchases of property, plant and equipment	(78,155)	(97,891)
Purchases of investments in securities	(5,595)	(350)
Proceeds from sales and redemption of investments in securities	5,000	211
Other, net	(1,570)	331
Net cash provided by (used for) investing activities	(53,879)	18,177
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(141)	(428)
Proceeds from long-term debt	2,375	236
Repayments of long-term debt	(555)	(232)
Cash dividends paid	(25,582)	(31,992)
Other, net	1,073	(697)
Net cash used for financing activities	(22,831)	(33,113)
Effect of exchange rate changes on cash and cash equivalents	(2,799)	(3,764)
Net increase (decrease) in cash and cash equivalents	62,815	168,979
Cash and cash equivalents at beginning of period	733,306	780,449
Increase (decrease) in cash and cash equivalents resulting from changes in scope of consolidation	350	1,217
Cash and cash equivalents at end of period	796,472	950,646

(4) 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 half ended September 30, 2018 (From April 1, 2018 to September 30, 2018)

	Millions of yen							Adjustment*	Figures in consolidated financial statements
	April 1, 2018 – September 30, 2018								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Processing, Trading & Specialized Services	Total		
Sales to outside customers	261,913	113,876	59,786	187,432	114,919	53,772	791,701	-	791,701
Intersegment sales	1,753	3,486	10,635	2	4,313	52,446	72,637	(72,637)	-
Total	263,666	117,362	70,421	187,435	119,232	106,219	864,338	(72,637)	791,701
Segment income (Operating income)	59,673	29,059	13,466	66,624	34,128	6,438	209,390	(150)	209,240

*Elimination of intersegment transactions

2) For the first half ended September 30, 2017 (From April 1, 2017 to September 30, 2017)

	Millions of yen							Adjustment*	Figures in consolidated financial statements
	April 1, 2017 – September 30, 2017								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Processing, Trading & Specialized Services	Total		
Sales to outside customers	239,336	100,882	56,991	146,845	101,604	49,265	694,926	-	694,926
Intersegment Sales	1,701	2,871	7,278	0	3,436	39,158	54,446	(54,446)	-
Total	241,038	103,754	64,269	146,845	105,040	88,423	749,372	(54,446)	694,926
Segment income (Operating income)	40,468	24,891	13,055	41,737	30,495	5,806	156,455	(135)	156,319

*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	2Q	Total
Net Sales	336.2	358.6	366.1	380.3	1,441.4	383.6	408.0	791.7
PVC / Chlor-Alkali	113.5	125.7	125.6	136.3	501.3	123.1	138.7	261.9
Silicones	49.9	50.9	52.1	53.2	206.2	55.6	58.2	113.8
Specialty Chemicals	28.3	28.6	31.2	28.9	117.1	30.5	29.2	59.7
Semiconductor Silicon	71.4	75.3	78.6	82.8	308.3	90.9	96.4	187.4
Electronics & Functional Materials	49.1	52.4	52.5	53.2	207.4	56.0	58.8	114.9
Processing, Trading & Specialized Services	23.7	25.5	25.8	25.6	100.7	27.2	26.5	53.7
Operating Income	74.1	82.1	87.0	93.4	336.8	95.4	113.8	209.2
PVC / Chlor-Alkali	17.6	22.8	24.7	28.0	93.2	26.3	33.3	59.6
Silicones	12.1	12.7	13.5	13.5	51.9	13.5	15.5	29.0
Specialty Chemicals	6.5	6.5	6.3	6.3	25.7	6.8	6.6	13.4
Semiconductor Silicon	19.7	21.9	24.5	26.7	92.9	30.0	36.6	66.6
Electronics & Functional Materials	15.0	15.3	15.3	15.8	61.6	16.0	18.1	34.1
Processing, Trading & Specialized Services	2.8	2.9	2.5	3.1	11.4	3.0	3.4	6.4
Ordinary Income	77.0	83.1	90.0	90.0	340.3	99.4	117.6	217.1
Net Income Attributable to Owners of Parent	53.7	57.0	62.6	92.9*	266.2*	73.7	85.0	158.8
Depreciation and Amortization	24.3	26.4	28.3	32.8	112.0	29.0	32.8	61.8
Capital Expenditures	35.6	38.9	44.0	57.7	176.2	44.9	52.8	97.7
R&D Costs	12.2	11.4	14.4	13.6	51.7	13.7	13.0	26.7
Overseas Sales	246.3	266.8	269.9	284.4	1,067.6	278.7	302.2	580.9
Ratio of Overseas Sales to Net Sales	73%	74%	74%	75%	74%	73%	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.