

Financial Summary

For the nine months ended December 31, 2018

(January 29, 2019)

Shin-Etsu Chemical Co., Ltd.

Disclaimer Regarding Forward-Looking Statements

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.



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Operating Performance (Consolidated)

(Billions of Yen)

	2017 April - December	2018 April - December	Increase (Decrease)
Net Sales	1,061.1	1,206.8	13.7% 145.7
Operating Income	243.3	324.6	33.4% 81.3
Ordinary Income	250.2	329.4	31.6% 79.2
Net income attributable to owners of parent	173.3	242.1	39.7% 68.8
ROIC (per annum)	17.6%	22.7%	5.1 points
ROE (per annum)	10.5%	13.3%	2.8 points
ROA (per annum)	12.3%	14.8%	2.5 points
Net income per share (Yen)	406	568	162

- Notes:
- ROIC: Return on invested capital.
Net operating income after tax / (Net assets + Interest-bearing liabilities—Cash)
 - ROE: Return (Net Income) on equity.
Equity used for this calculation is net assets excluding both share subscription rights and non-controlling interests in consolidated subsidiaries.
 - ROA: Return (Ordinary Income) on total assets.
 - ROIC, ROE and ROA (per annum) are calculated by multiplying net operating income after tax, net income and ordinary income for the first three quarters by four over three, respectively.

(Billions of Yen)

	December 31 2017	December 31 2018	Increase (Decrease)	March 31 2018	Increase (Decrease)
Net Assets	2,314.8	2,580.7	265.9	2,413.0	167.7 Billion yen
Total Assets	2,789.6	3,049.8	260.2	2,903.1	146.7 Billion yen
Net Assets per Share (Yen)	5,286	5,893	607	5,512	381 Yen



Financial Highlights (Consolidated)

(Billions of Yen)

	2017 April - December	2018 April - December
Capital Expenditures	118.5	163.8
Depreciation and Amortization	79.1	97.2
R&D Costs	38.1	41.3
Interest-bearing Liabilities	15.6	15.1
Number of Employees	19,838	21,452
Exchange Rate: Jan - Sep (Avg)	111.9	109.6
(Yen/US\$) Apr - Dec (Avg)	111.7	111.1

Note : An average exchange rate between January and September was used for the Consolidated Income Statements of overseas subsidiaries.



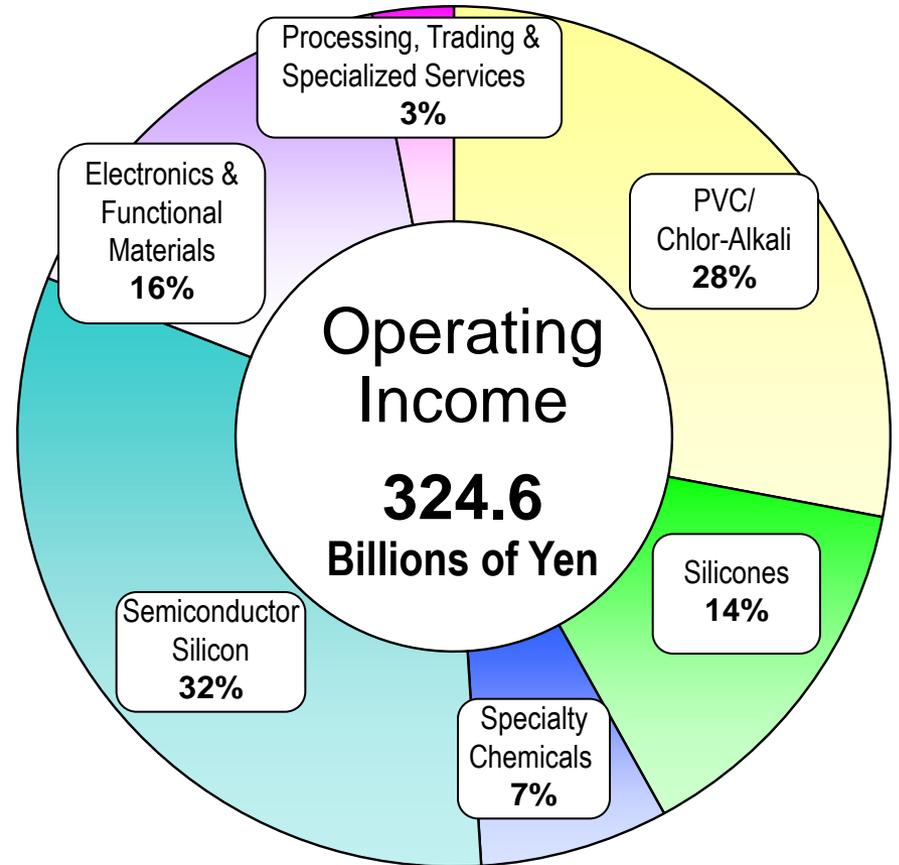
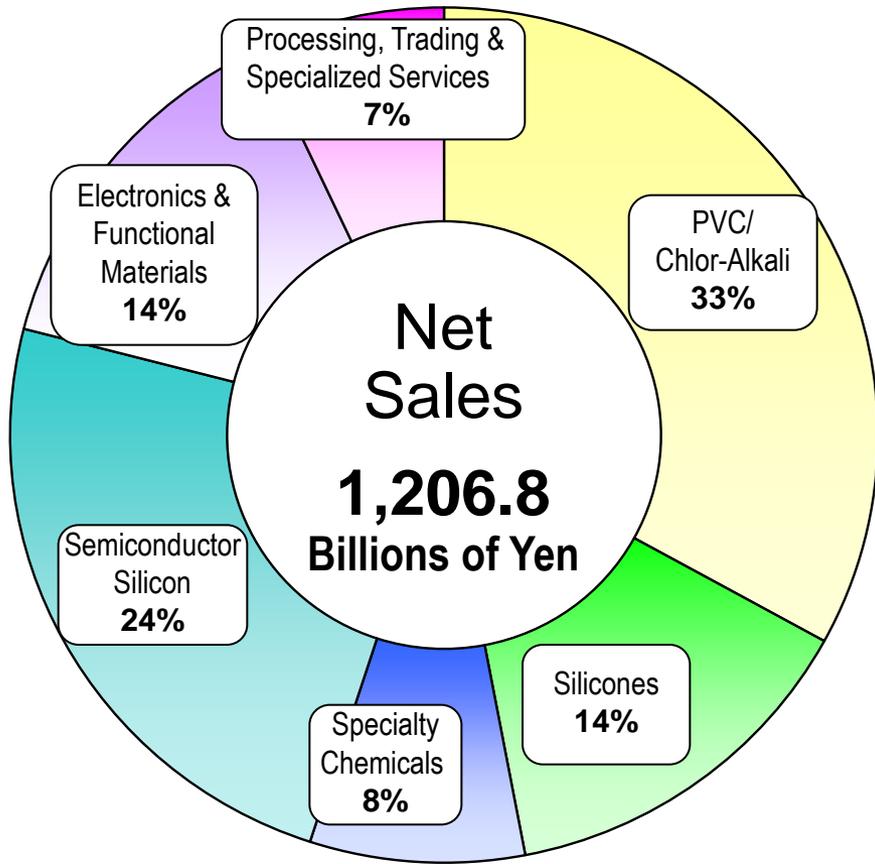
Segment Information (Consolidated)

(Billions of Yen)

	Net Sales			Operating Income		
	2017 Apr - Dec	2018 Apr - Dec	Increase (Decrease)	2017 Apr - Dec	2018 Apr - Dec	Increase (Decrease)
PVC/Chlor-Alkali Business	365.0	399.3	9.4% 34.3	65.1	90.9	39.5% 25.8
Silicones Business	153.0	173.6	13.5% 20.6	38.4	45.8	19.2% 7.4
Specialty Chemicals Business	88.2	92.3	4.6% 4.1	19.4	20.9	8.1% 1.5
Semiconductor Silicon Business	225.5	285.6	26.7% 60.1	66.2	103.9	56.9% 37.7
Electronics & Functional Materials Business	154.1	172.6	12.0% 18.5	45.8	52.4	14.6% 6.6
Processing, Trading & Specialized Services Business	75.1	83.1	10.7% 8.0	8.3	10.5	25.9% 2.2
Total	1,061.1	1,206.8	13.7% 145.7	243.3	324.6	33.4% 81.3

● ● ● | Net Sales and Operating Income by Segment (Proportion)

2018
April - December



Capital Expenditures and Depreciation and Amortization by Segment

(Billions of Yen)

	2017 April - December	2018 April - December
Capital Expenditures	118.5	163.8
PVC/Chlor- Alkali Business	45.3	49.8
Silicones Business	21.1	17.4
Specialty Chemicals Business	4.2	12.5
Semiconductor Silicon Business	31.5	51.2
Electronics & Functional Materials Business	13.0	26.3
Processing, Trading & Specialized Services Business	3.6	6.5
Depreciation and Amortization	79.1	97.2
PVC/Chlor- Alkali Business	24.4	24.4
Silicones Business	8.8	10.1
Specialty Chemicals Business	7.5	7.9
Semiconductor Silicon Business	20.8	36.6
Electronics & Functional Materials Business	14.7	14.7
Processing, Trading & Specialized Services Business	2.9	3.5

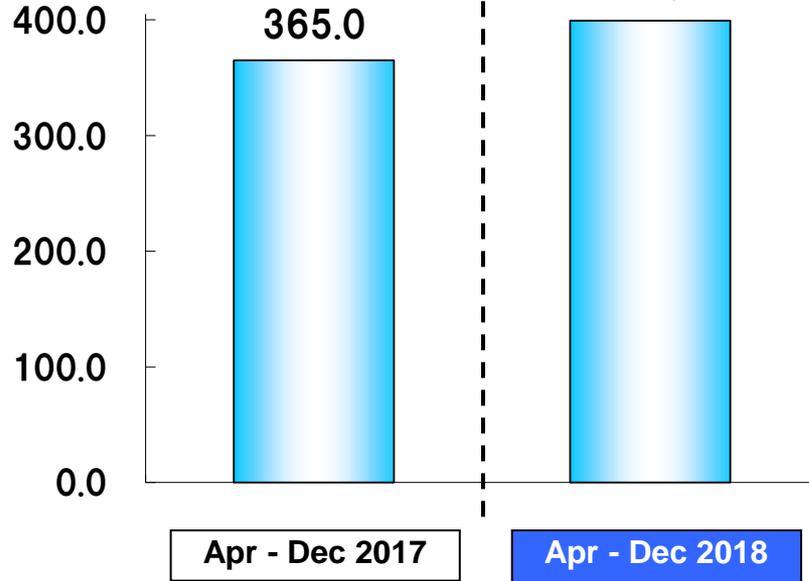


PVC/Chlor-Alkali Business Segment

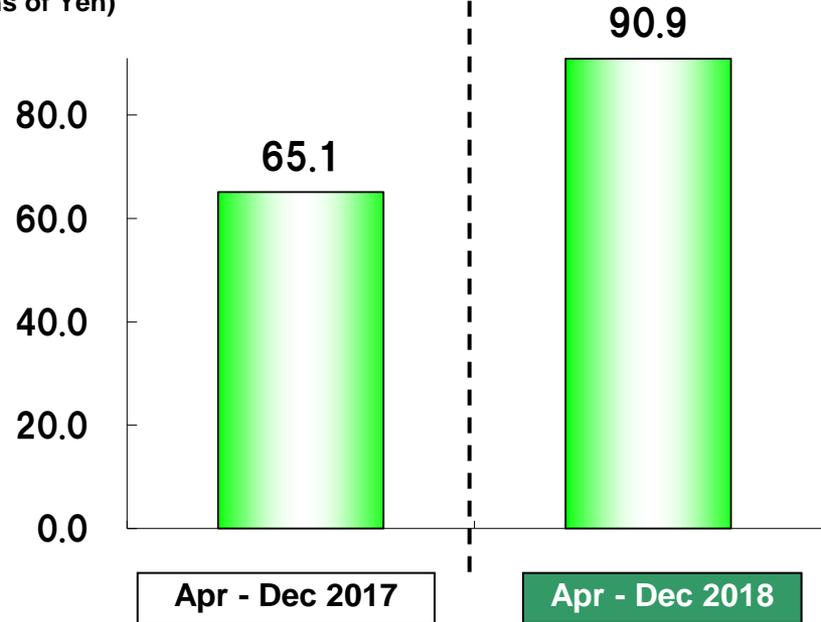
Net Sales

Operating Income

(Billions of Yen)



(Billions of Yen)



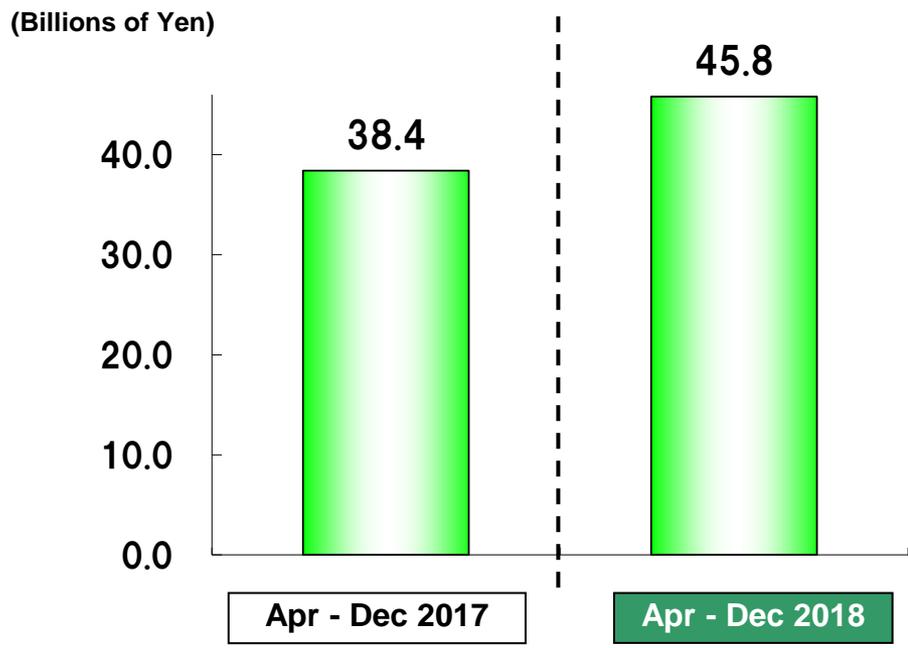
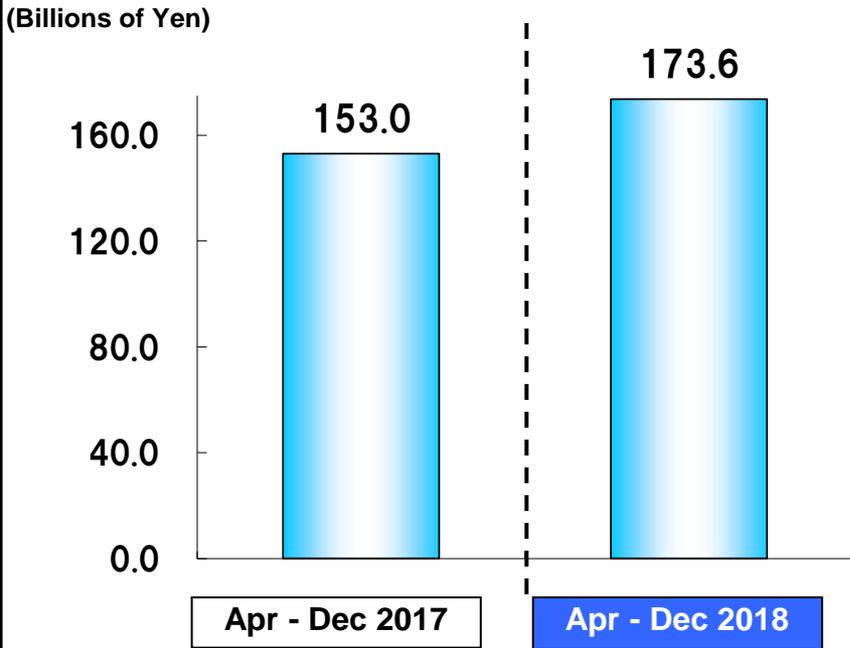
➤ The world demand for PVC resin and caustic soda in 2018 increased by 4% and 3% respectively from the previous year. The growth rate by region is as follows. (Source: IHS)

	Japan	China	Other Asia	Europe	N. America	Other	Total
PVC resin	1%	4%	6%	3%	3%	2%	4%
Caustic soda	4%	5%	2%	▲0%	4%	4%	3%

● ● ● | Silicones Business Segment

Net Sales

Operating Income



➤ In 2018 world demand for silicone increased by a little more than 8% from the previous year.
(Source:Shin-Etsu Chemical's estimate)

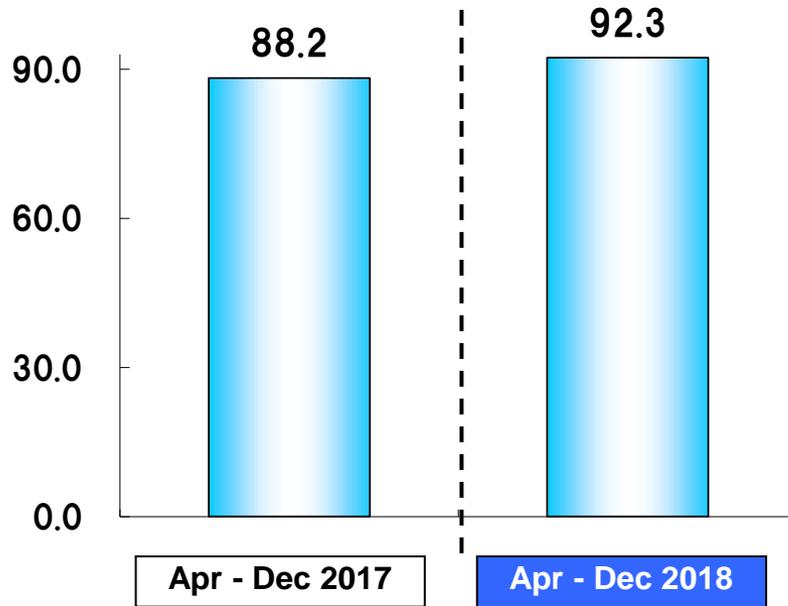


Specialty Chemicals Business Segment

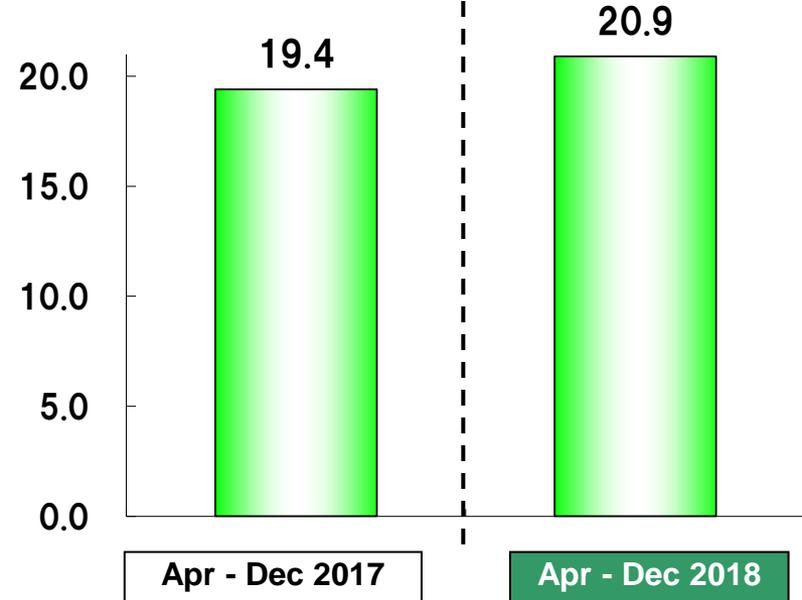
Net Sales

Operating Income

(Billions of Yen)



(Billions of Yen)



- In 2018 world demand for cellulose derivatives increased by 4% from the previous year. (Source:Shin-Etsu Chemical's estimate)



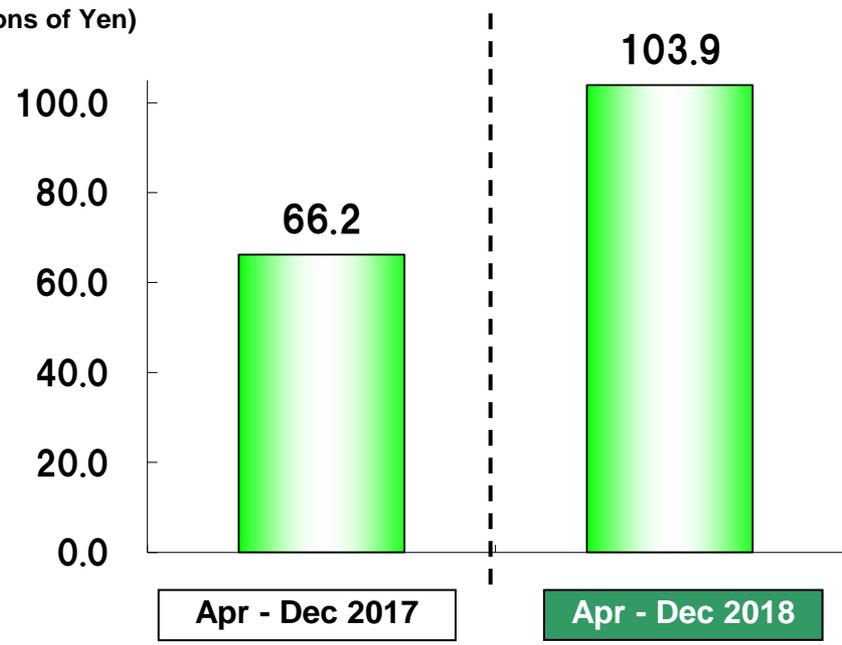
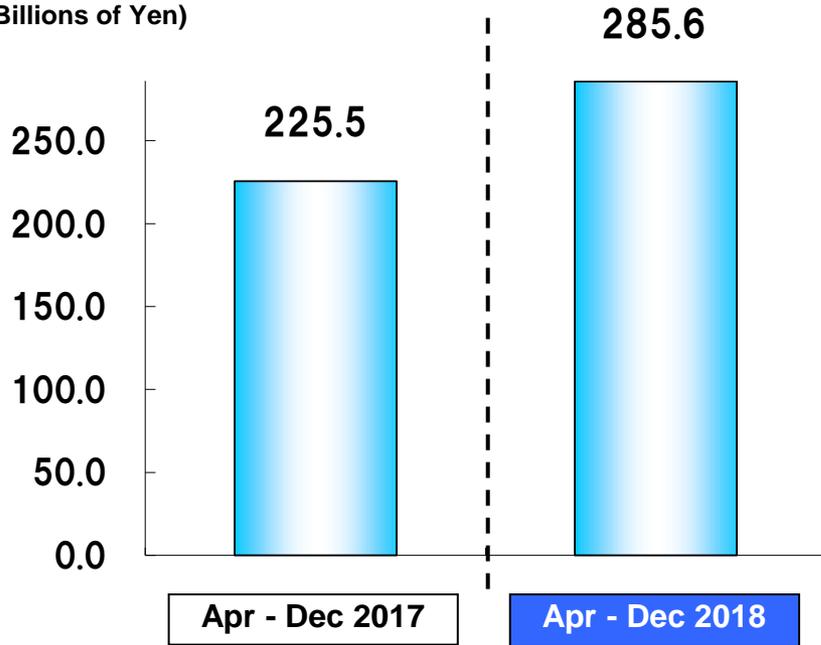
Semiconductor Silicon Business Segment

Net Sales

Operating Income

(Billions of Yen)

(Billions of Yen)



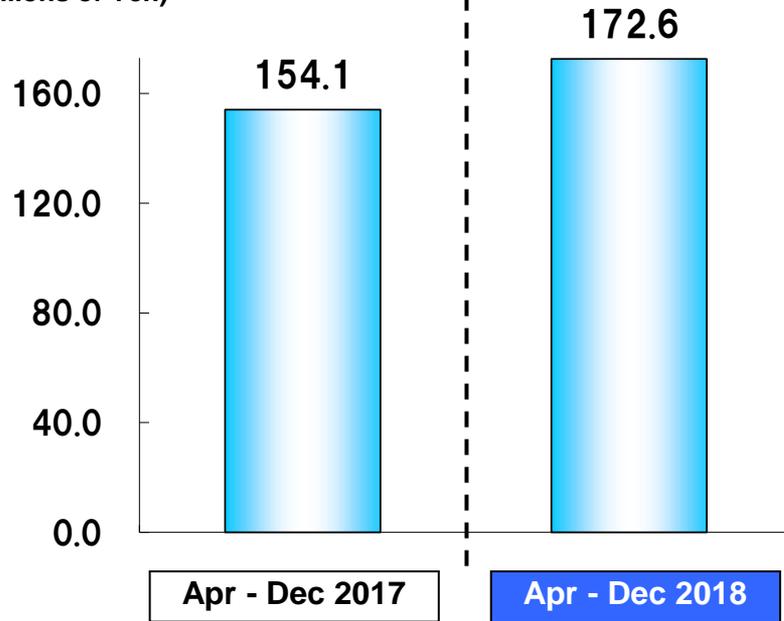
- In 2018 worldwide semiconductor market size increased by 16% from the previous year on a monetary basis. (Source:WSTS)

Electronics & Functional Materials Business Segment

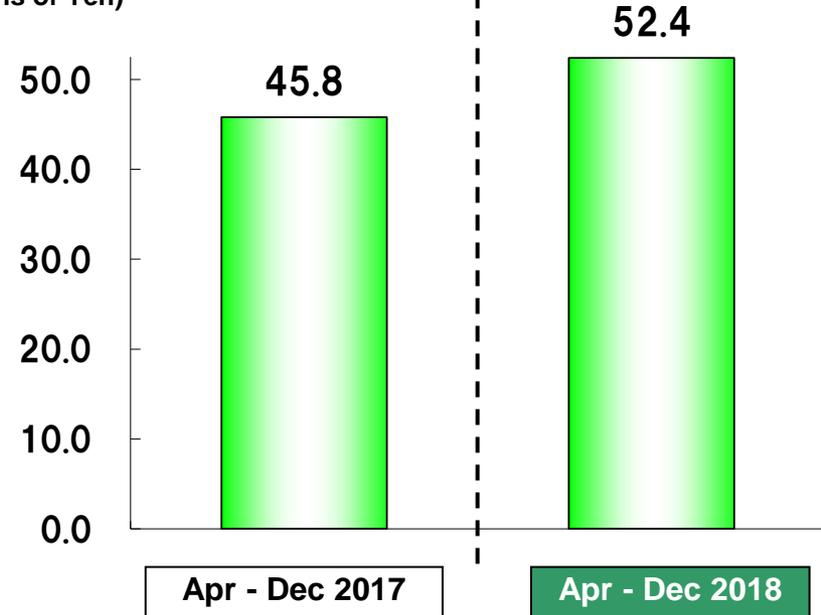
Net Sales

Operating Income

(Billions of Yen)



(Billions of Yen)



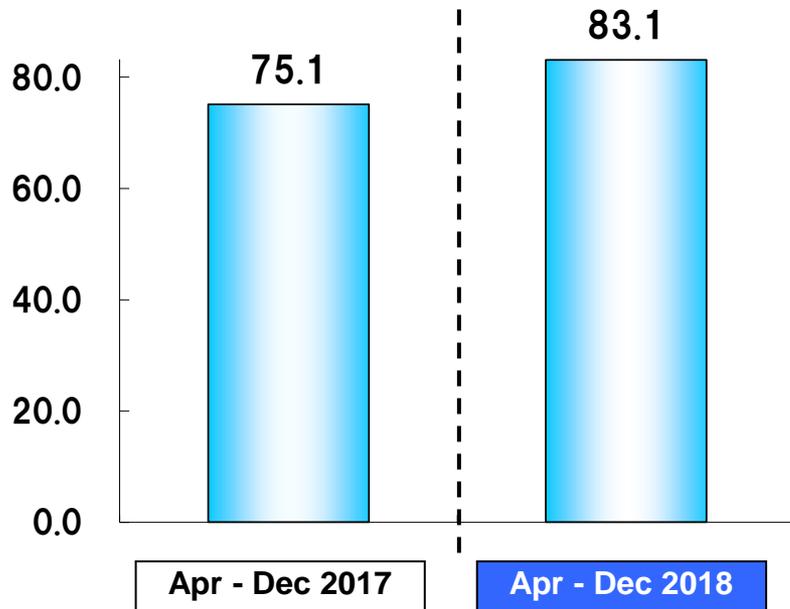
- The construction of photoresist-related products plant in Taiwan was completed in November 2018. We are currently acquiring customer certification. We plan to start mass production shipment in 2Q of the fiscal year ending March 2020.



Processing, Trading & Specialized Services Business Segment

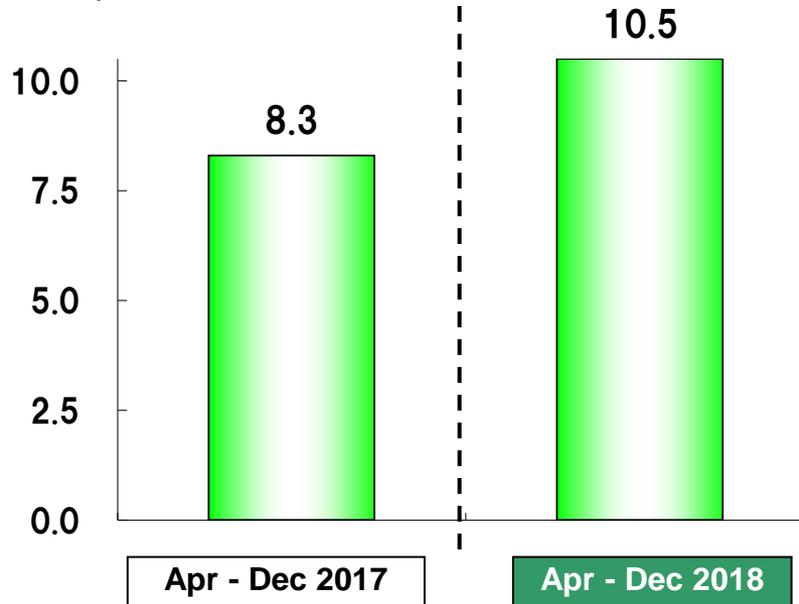
Net Sales

(Billions of Yen)



Operating Income

(Billions of Yen)





Quarterly Net Sales by Segment

(Net Sales)

(Billions of Yen)

	April 2017 - March 2018				April 2018 - March 2019		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
PVC/Chlor-Alkali Business	113.5	125.7	125.6	136.3	123.1	138.7	137.4
Silicones Business	49.9	50.9	52.1	53.2	55.6	58.2	59.8
Specialty Chemicals Business	28.3	28.6	31.2	28.9	30.5	29.2	32.5
Semiconductor Silicon Business	71.4	75.3	78.6	82.8	90.9	96.4	98.1
Electronics & Functional Materials Business	49.1	52.4	52.5	53.2	56.0	58.8	57.7
Processing, Trading & Specialized Services Business	23.7	25.5	25.8	25.6	27.2	26.5	29.4
Total	336.2	358.6	366.1	380.3	383.6	408.0	415.1



Quarterly Operating Income by Segment

(Operating Income)

(Billions of Yen)

	April 2017 - March 2018				April 2018 - March 2019		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
PVC/Chlor-Alkali Business	17.6	22.8	24.7	28.0	26.3	33.3	31.2
Silicones Business	12.1	12.7	13.5	13.5	13.5	15.5	16.7
Specialty Chemicals Business	6.5	6.5	6.3	6.3	6.8	6.6	7.5
Semiconductor Silicon Business	19.7	21.9	24.5	26.7	30.0	36.6	37.3
Electronics & Functional Materials Business	15.0	15.3	15.3	15.8	16.0	18.1	18.3
Processing, Trading & Specialized Services Business	2.8	2.9	2.5	3.1	3.0	3.4	4.0
Total	74.1	82.1	87.0	93.4	95.4	113.8	115.3

Comparative Income Statements (Consolidated)

(Billions of Yen)

	2017 April - December	2018 April - December	Increase (Decrease)
Net Sales	1,061.1	1,206.8	13.7% 145.7
Cost of sales	709.6	772.0	62.4
Selling, general and administrative expenses	108.1	110.1	2.0
Operating Income	243.3	324.6	33.4% 81.3
Non-operating income/expenses	6.9	4.7	(2.2)
Ordinary Income	250.2	329.4	31.6% 79.2
Income Before Income Taxes	250.2	329.4	31.6% 79.2
Income taxes	74.1	83.2	9.1
Net income attributable to non - controlling interests	2.7	3.9	1.2
Net income attributable to owners of parent	173.3	242.1	39.7% 68.8

Comparative Balance Sheets (Consolidated)

(Billions of Yen)

	Dec 31 2017 [a]	Mar 31 2018 [b]	Dec 31 2018 [c]	Increase (Decrease) [c-a]	Increase (Decrease) [c-b]		Dec 31 2017 [a]	Mar 31 2018 [b]	Dec 31 2018 [c]	Increase (Decrease) [c-a]	Increase (Decrease) [c-b]
Current Assets	1,602.7	1,702.9	1,787.9	185.2	85.0	Current Liabilities	323.1	378.4	357.3	34.2	(21.1)
Cash and time deposits	787.2	854.5	877.5	90.3	23.0	Notes and accounts payable-trade	129.2	136.8	143.5	14.3	6.7
Notes and accounts receivable-trade	344.3	332.8	368.4	24.1	35.6	Short-term borrowings	7.0	7.0	6.5	(0.5)	(0.5)
Securities	186.8	197.3	197.4	10.6	0.1	Accrued income taxes	35.6	58.9	29.7	(5.9)	(29.2)
Inventories	267.7	282.0	301.9	34.2	19.9	Other	151.1	175.5	177.5	26.4	2.0
Other	16.5	36.1	42.5	26.0	6.4						
Fixed Assets	1,186.8	1,200.2	1,261.8	75.0	61.6	Long-term Liabilities	151.6	111.6	111.7	(39.9)	0.1
Property, Plant and Equipment	875.8	899.7	971.1	95.3	71.4	Long-term debt	8.6	8.4	8.5	(0.1)	0.1
Machinery and equipment, net	436.2	454.8	447.7	11.5	(7.1)	Other	143.0	103.2	103.1	(39.9)	(0.1)
Other, net	439.6	444.8	523.3	83.7	78.5	Total Liabilities	474.7	490.1	469.0	(5.7)	(21.1)
Intangible Assets	9.8	9.4	8.6	(1.2)	(0.8)	Stockholders' Equity	2,196.5	2,289.9	2,459.1	262.6	169.2
Investments and Other Assets	301.0	291.0	282.0	(19.0)	(9.0)	Accumulated Other Comprehensive Income	57.9	61.3	55.0	(2.9)	(6.3)
Investments in securities	152.5	145.4	134.4	(18.1)	(11.0)	Share Subscription Rights Non - Controlling Interests in Consolidated Subsidiaries	60.3	61.7	66.4	6.1	4.7
Other	148.5	145.6	147.6	(0.9)	2.0	Total Net Assets	2,314.8	2,413.0	2,580.7	265.9	167.7
Total Assets	2,789.6	2,903.1	3,049.8	260.2	146.7	Total Liabilities and Net Assets	2,789.6	2,903.1	3,049.8	260.2	146.7

Note: The effect on total assets and total liabilities as a result of retrospective application of Amendments to Accounting Standards for Tax Effect Accounting.

Comparison with total assets and total liabilities that were released in FY 2018

December 31, 2017 (7.4) billion Mar 31, 2018 (5.1) billion

(Reference) Breakdown of Comparative Balance Sheets
(Consolidated)

(Billions of Yen)

	Mar 31 2018	Dec 31 2018	Increase (Decrease) [a]	Effect of exchange rate [b]	[a]-[b]		Mar 31 2018	Dec 31 2018	Increase (Decrease) [a]	Effect of exchange rate [b]	[a]-[b]
Current Assets	1,702.9	1,787.9	85.0	(1.8)	86.8	Current Liabilities	378.4	357.3	(21.1)	(0.8)	(20.3)
Cash and time deposits	854.5	877.5	23.0	(0.7)	23.7	Notes and accounts payable-trade	136.8	143.5	6.7	(0.1)	6.8
Notes and accounts receivable-trade	332.8	368.4	35.6	(0.8)	36.4	Short-term borrowings	7.0	6.5	(0.5)	(0.1)	(0.4)
Securities	197.3	197.4	0.1	0.0	0.1	Accrued income taxes	58.9	29.7	(29.2)	(0.5)	(28.7)
Inventories	282.0	301.9	19.9	(0.5)	20.4	Other	175.5	177.5	2.0	(0.1)	2.1
Other	36.1	42.5	6.4	0.2	6.2	Long-term Liabilities	111.6	111.7	0.1	0.0	0.1
						Total Liabilities	490.1	469.0	(21.1)	(0.8)	(20.3)
Fixed Assets	1,200.2	1,261.8	61.6	(0.3)	61.9	Stockholders' Equity	2,289.9	2,459.1	169.2	0.0	169.2
Property, Plant and Equipment	899.7	971.1	71.4	0.2	71.2	Accumulated Other Comprehensive Income	61.3	55.0	(6.3)	(0.5)	(5.8)
Intangible Assets	9.4	8.6	(0.8)	(0.2)	(0.6)	Share Subscription Rights Non - Controlling Interests in Consolidated Subsidiaries	61.7	66.4	4.7	(0.7)	5.4
Investments and Other Assets	291.0	282.0	(9.0)	(0.3)	(8.7)	Total Net Assets	2,413.0	2,580.7	167.7	(1.2)	168.9
Total Assets	2,903.1	3,049.8	146.7	(2.1)	148.8	Total Liabilities and Net Assets	2,903.1	3,049.8	146.7	(2.1)	148.8

Overview of Statements of Cash Flows

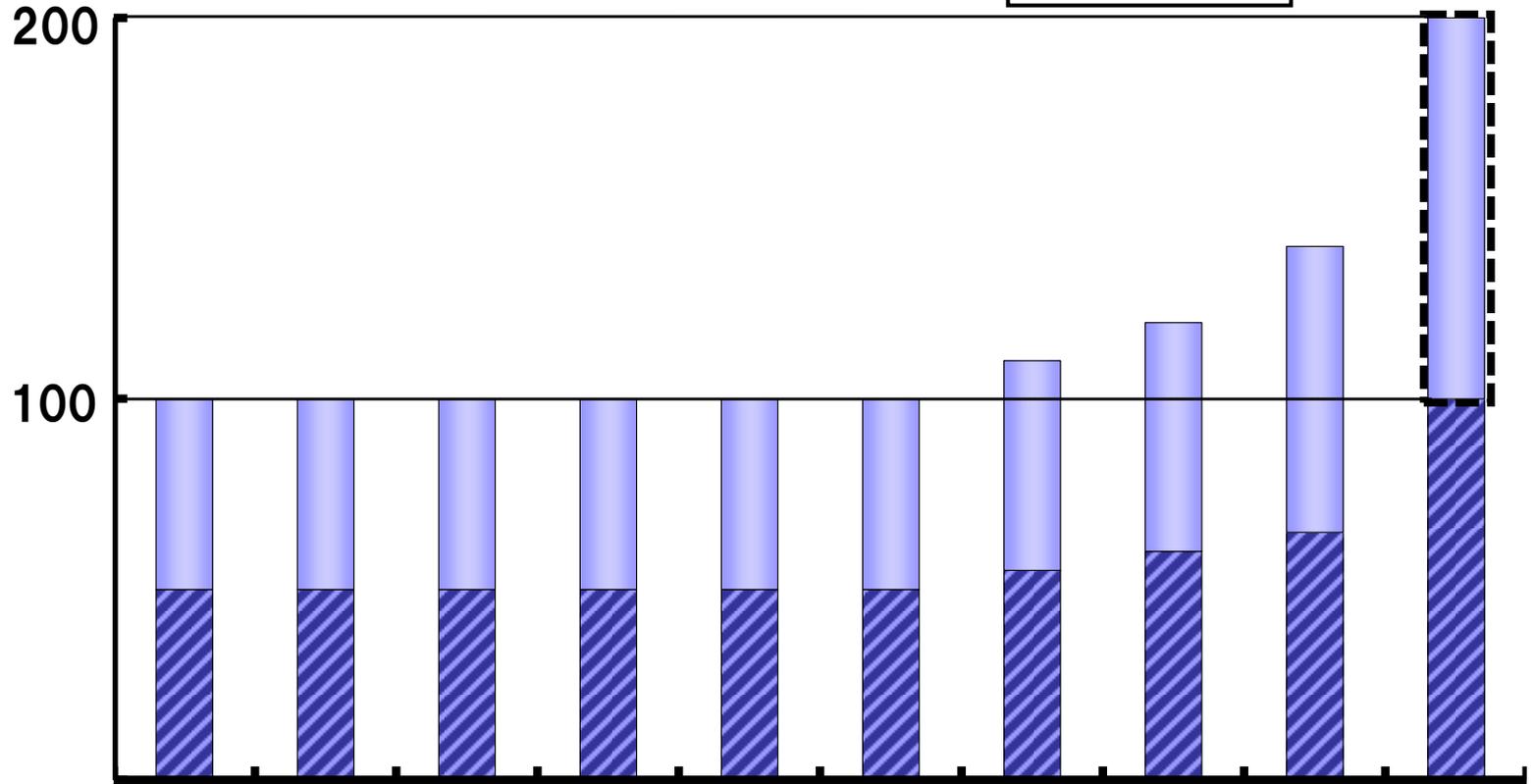
(Billions of Yen)

	2017 Apr - Dec	2018 Apr - Dec	Increase (Decrease)
(1) Cash Flows from Operating Activities	214.6	266.4	51.8
Net Income	173.3	242.1	68.8
Depreciation and amortization	79.1	97.2	18.1
(Increase)Decrease in working capital	(50.5)	(47.2)	3.3
Others	12.7	(25.7)	(38.4)
(2) Cash Flows from Investing Activities	(95.3)	(37.1)	58.2
(Increase)Decrease in time deposits	34.0	97.0	63.0
(Increase)Decrease in securities (mainly Negotiable certificates of deposit)	(4.0)	33.3	37.3
Capital expenditures	(115.6)	(161.0)	(45.4)
Others	(9.6)	(6.5)	3.1
(3) Cash Flows from Financing Activities	(50.8)	(76.4)	(25.6)
Increase(Decrease) in borrowings	1.3	0.0	(1.3)
Cash dividends paid	(53.3)	(74.6)	(21.3)
Others	1.1	(1.7)	(2.8)
(4) Effect of Exchange Rate Changes on Cash and Cash Equivalents, and other	0.7	3.3	2.6
Net Increase(Decrease) in Cash and Cash Equivalents	69.1	156.2	87.1
Balance of Cash and Cash Equivalents	802.8	937.9	135.1
Balance of Interest-bearing Liabilities	15.6	15.1	(0.5)

Note: These statements were prepared on an informal basis.

● ● ●
Cash Dividend
per Share
(Yen)

Cash Dividends per Share



Fiscal year ended March 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019

Cash Dividend per Share (Yen)	First half	50	50	50	50	50	50	55	60	65	100
	Annual	100	100	100	100	100	100	110	120	140	200*
Net Income per Share (Yen)	Annual	197.5	235.8	237.0	248.9	267.2	302.0	349.5	412.9	624.3	679.8*
Dividend payout ratio	Annual	50.6%	42.4%	42.2%	40.2%	37.4%	33.1%	31.5%	29.1%	22.4%	29.4%*

*Forecast

Forecast of Consolidated Operating Performance

Fiscal Year Ending March 31, 2019

The upward revision of our business forecast made on October 26, 2018 has not been changed.

(Billions of Yen)

	Consolidated		
	April 2017 - March 2018 Actual	April 2018 - March 2019 Forecast	Increase (Decrease)
Net Sales	1,441.4	1,560.0	8.2%
Operating Income	336.8	390.0	15.8%
Ordinary Income	340.3	400.0	17.5%
Net Income	266.2	290.0	8.9%
Net Income per Share (Yen)	624	680	56
Cash Dividend per Share (Yen)	140	200	60
Capital Expenditures	176.2	250.0	
Depreciation and Amortization	112.0	135.0	

Note: Please see Disclaimer Regarding Forward-Looking Statements on the cover of this document, concerning forecasts.