

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: August 9, 2017

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, 2017

(From April 1, 2017 to June 30, 2017)

(1) Results of consolidated operations

(Millions of yen)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
April - June 2017	336,242	11.8%	74,142	23.5%	77,040	33.2%	53,710	18.5%
April - June 2016	300,716	(4.2%)	60,027	16.8%	57,839	5.1%	45,309	20.4%

(Note) Comprehensive income (Millions of yen) From April 1, 2017 to June 30, 2017: 30,552 [—%]
From April 1, 2016 to June 30, 2016: (4,593) [—%]

	Basic earnings per share (yen)	Diluted earnings per share (yen)
April - June 2017	125.96	125.95
April - June 2016	106.37	106.36

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (yen)
June 30, 2017	2,635,560	2,194,870	81.1%	5,013.33
March 31, 2017	2,655,636	2,190,082	80.3%	5,002.16

(Note) Stockholders' equity (Millions of yen) As of June 30, 2017: 2,137,784 As of March 31, 2017: 2,132,832
Stockholders' equity used for the calculation of indices is net assets excluding both share subscription rights and non-controlling interests in consolidated subsidiaries.

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 2016 - March 2017	-	60.00	-	60.00	120.00
April 2017 - March 2018	-	-	-	-	-
April 2017 - March 2018 (forecast)	-	65.00	-	65.00	130.00

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

3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2018

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share (yen)
Fiscal year	1,350,000	9.1%	268,000	12.3%	280,000	15.6%	190,000	8.0%	445.57

(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.

4. Notes

(1) Changes in significant subsidiaries during the first quarter ended June 30, 2017: No

(Note) This item indicates whether there were changes in significant subsidiaries affecting the scope of consolidation during the first quarter ended June 30, 2017.

(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, 2017	March 31, 2017
Number of shares outstanding at period end	432,106,693	432,106,693
Number of shares of treasury stock at period end	5,687,005	5,724,030
	April - June 2017	April - June 2016
Weighted-average number of shares outstanding over period	426,405,860	425,978,707

(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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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 2018 (April 1, 2017 to June 30, 2017), although in the United States the recovery of its economy continued, economic growth in Japan and Europe was able to record only a slight increase. In China, the tendency of sluggish economic growth continued, and in the emerging economies, although movement toward recovery in these economies was seen, weakness in the economy remained in some areas.

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; and (3) to continue our policy of strict cost management.

As a result, the business results for the first quarter of FY 2018 are as follows:

	April - June 2017 (Millions of yen)	Increase / (Decrease)
Net sales	336,242	11.8%
Operating income	74,142	23.5%
Ordinary income	77,040	33.2%
Profit attributable to owners of parent	53,710	18.5%

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

PVC/Chlor-Alkali Business

	April - June 2017 (Millions of yen)	Increase / (Decrease)
Net sales	113,563	20.9%
Operating income	17,646	33.3%

With regard to our PVC business, because Shintech in the U.S., making good use of its expanded production capacity, made aggressive sales efforts, it was able to realize further sales expansion both within and outside of North America, and it greatly increased its business results. By accurately capturing market trends, Shin-Etsu PVC in Europe also continued firm shipments. The PVC business in Japan increased its sales volume and the business continued to do well.

Silicones Business

	April - June 2017 (Millions of yen)	Increase / (Decrease)
Net sales	49,978	10.0%
Operating income	12,174	18.9%

With regard to the silicones business, in Japan, shipments of product applications for cosmetics, on-board automobiles and electronics equipment continued to be firm. Globally as well, shipments of functional products for the United States, Europe and Asia generally did well, and sales of general-purpose products also increased.

Specialty Chemicals Business

	April - June 2017 (Millions of yen)	Increase / (Decrease)
Net sales	28,308	(0.7%)
Operating income	6,521	3.2%

With regard to cellulose derivatives, in Japan, although there were inventory adjustments in pharmaceutical-use products, a recovery movement was seen in sales of construction materials products. The business of SE Tylose in Europe continued to be steady on the whole for coating products and construction materials products. JAPAN VAM & POVAL Co., Ltd. had firm shipments of its POVAL products.

Semiconductor Silicon Business

	April - June 2017 (Millions of yen)	Increase / (Decrease)
Net sales	71,471	14.3%
Operating income	19,773	45.0%

With regard to semiconductor silicon, supported by demand in a wide range of fields for applications such as smartphones, public facility- and industrial-use products, and on-board automobile use, a high level of shipments continued both in memory devices and logic devices.

Electronics & Functional Materials Business

	April - June 2017 (Millions of yen)	Increase / (Decrease)
Net sales	49,175	4.8%
Operating income	15,096	7.8%

With regard to the rare earth magnets business, sales greatly increased in products for applications in automobiles, including those for hybrid cars, and also for industrial equipment. With regard to the photoresist products business, trilayer materials and KrF resists increased, and at the same time, photomask blanks also continued to be firm. The business of optical fiber preform and the business of materials for LED packaging had firm shipments.

Processing, Trading & Specialized Services Business

	April - June 2017 (Millions of yen)	Increase / (Decrease)
Net sales	23,745	1.4%
Operating income	2,899	7.9%

Shin-Etsu Polymer Co., Ltd.'s business of input devices for automobiles and semiconductor wafer-related containers continued to do well.

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

Business Forecast

The world economy contains 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 material prices and in market conditions as well as in 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 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 further 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 further 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.

The forecast for FY 2018's consolidated operating performance is as mentioned below.

With regard to dividends, the forecast is ¥65 per share for both interim and year-end dividends, an increase of ¥5 compared with the corresponding period of the previous fiscal year; thus, the total annual dividend for FY 2018 will become ¥130 per share, an increase of ¥10 compared with FY 2017.

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		Profit attributable to owners of parent		Basic earnings per share (yen)
Fiscal year	1,350,000	9.1%	268,000	12.3%	280,000	15.6%	190,000	8.0%	445.57

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. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of March 31 and June 30, 2017

	Millions of yen	
	March 31, 2017	June 30, 2017
ASSETS		
Current Assets:		
Cash and time deposits	752,675	746,803
Notes and accounts receivable-trade	287,853	298,237
Securities	186,591	187,403
Inventories	267,157	255,107
Other	69,878	60,615
Less: Allowance for doubtful accounts	(14,549)	(14,071)
	1,549,607	1,534,095
Total current assets		
Fixed Assets:		
Property, plant and equipment		
Machinery and equipment, net	437,775	437,440
Other, net	408,795	401,904
	846,570	839,344
Total property, plant and equipment		
Intangible assets	10,229	9,673
	10,229	9,673
Investments and other assets:		
Investments and other assets	251,068	254,307
Less: Allowance for doubtful accounts	(1,840)	(1,861)
	249,228	252,446
Total investments and other assets		
Total fixed assets	1,106,028	1,101,464
TOTAL ASSETS	2,655,636	2,635,560

	Millions of yen	
	March 31, 2017	June 30, 2017
LIABILITIES		
Current Liabilities:		
Notes and accounts payable-trade	123,823	116,145
Short-term borrowings	12,788	13,277
Accrued income taxes	32,711	22,118
Allowances	3,511	3,032
Other	144,164	140,463
	317,000	295,036
Long-term Liabilities:		
Long-term debt	1,578	1,899
Net defined benefit liability	35,809	36,897
Other	111,165	106,855
	148,553	145,652
	465,553	440,689
NET ASSETS		
Stockholders' Equity:		
Common stock	119,419	119,419
Additional paid-in capital	129,626	129,704
Retained earnings	1,857,857	1,885,972
Less: Treasury stock, at cost	(31,213)	(31,013)
	2,075,690	2,104,083
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	22,887	26,472
Deferred gains (losses) on hedges	862	713
Foreign currency translation adjustments	35,154	8,098
Remeasurements of defined benefit plans	(1,761)	(1,583)
	57,142	33,701
Share subscription rights	152	141
Non-controlling interests in consolidated subsidiaries	57,096	56,944
	2,190,082	2,194,870
	2,655,636	2,635,560

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

Consolidated Statements of Income

For the first quarter ended June 30, 2016 and 2017

	Millions of yen	
	April 1, 2016 - June 30, 2016	April 1, 2017 - June 30, 2017
Net sales	300,716	336,242
Cost of sales	208,277	228,235
Gross profit	92,439	108,006
Selling, general and administrative expenses	32,411	33,864
Operating income	60,027	74,142
Non-operating income:		
Interest income	1,192	1,375
Dividend income	826	953
Other income	4,892	1,418
Total non-operating income	6,910	3,747
Non-operating expenses:	9,098	849
Ordinary income	57,839	77,040
Income before income taxes and non-controlling interests	57,839	77,040
Income taxes:		
Current	6,896	22,658
Deferred	4,995	(43)
Total income taxes	11,892	22,614
Profit	45,947	54,425
Profit attributable to non-controlling interests	637	715
Profit attributable to owners of parent	45,309	53,710

Consolidated Statements of Comprehensive Income

For the first quarter ended June 30, 2016 and 2017

	Millions of yen	
	April 1, 2016 - June 30, 2016	April 1, 2017 - June 30, 2017
Profit	45,947	54,425
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	(2,911)	3,609
Deferred gains (losses) on hedges	1,001	(146)
Foreign currency translation adjustments	(48,692)	(27,691)
Remeasurements of defined benefit plans	245	191
Share of other comprehensive income of affiliates accounted for using the equity method	(182)	164
Total other comprehensive income	(50,540)	(23,873)
Comprehensive income	(4,593)	30,552
(Breakdown)		
Comprehensive income attributable to owners of parent	(4,449)	30,269
Comprehensive income attributable to non-controlling interests	(143)	283

(3) Notes to Consolidated Financial Statements
(Segment Information)

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

1) 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

2) For the first quarter ended June 30, 2016 (From April 1, 2016 to June 30, 2016)

	Millions of yen							Adjustment*	Figures in consolidated financial statements
	April 1, 2016 - June 30, 2016								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Processing, Trading & Specialized Services	Total		
Sales to outside customers	93,922	45,443	28,501	62,530	46,912	23,406	300,716	-	300,716
Intersegment sales	681	1,488	3,089	0	1,676	20,141	27,077	(27,077)	-
Total	94,603	46,932	31,590	62,531	48,588	43,547	327,794	(27,077)	300,716
Segment income (Operating income)	13,238	10,242	6,321	13,640	14,001	2,687	60,133	(105)	60,027

*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
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 2017 April 1, 2016 - March 31, 2017					FY 2018 April 1, 2017 - March 31, 2018
	1Q	2Q	3Q	4Q	Total	1Q
Net Sales	300.7	312.3	309.2	315.1	1,237.4	336.2
PVC / Chlor-Alkali	93.9	107.8	106.4	103.4	411.6	113.5
Silicones	45.4	44.5	43.4	45.8	179.2	49.9
Specialty Chemicals	28.5	27.0	26.4	26.0	108.0	28.3
Semiconductor Silicon	62.5	60.7	62.7	66.4	252.6	71.4
Electronics & Functional Materials	46.9	46.3	45.6	49.0	187.9	49.1
Processing, Trading & Specialized Services	23.4	25.8	24.4	24.2	97.9	23.7
Operating Income	60.0	62.0	59.0	57.5	238.6	74.1
PVC / Chlor-Alkali	13.2	16.9	14.1	8.8	53.1	17.6
Silicones	10.2	10.3	11.0	10.9	42.5	12.1
Specialty Chemicals	6.3	5.6	4.9	5.2	22.2	6.5
Semiconductor Silicon	13.6	12.4	13.3	16.4	55.9	19.7
Electronics & Functional Materials	14.0	13.8	13.5	13.8	55.2	15.0
Processing, Trading & Specialized Services	2.6	2.6	2.0	2.2	9.5	2.8
Ordinary Income	57.8	60.3	66.8	57.0	242.1	77.0
Profit Attributable to Owners of Parent	45.3	42.1	47.7	40.6	175.9	53.7
Depreciation and Amortization	20.7	23.0	23.7	25.5	93.0	24.3
Capital Expenditures	27.1	33.4	32.6	52.4	145.6	35.6
R&D Costs	12.5	10.9	13.1	12.3	49.0	12.2
Overseas Sales	215.7	229.2	223.3	227.0	895.4	246.3
Ratio of Overseas Sales to Net Sales	72%	73%	72%	72%	72%	73%

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