

# Financial Summary

For the six months ended September 30, 2013

(October 24, 2013)

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.

**ShinEtsu**



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## Operating Performance (Consolidated)

(Billions of Yen)

	2012 April - September	2013 April - September	Increase (Decrease)
<b>Net Sales</b>	<b>537.0</b>	<b>572.2</b>	<b>7%</b> <b>35.2</b>
<b>Operating income</b>	<b>83.6</b>	<b>92.2</b>	<b>10%</b> <b>8.6</b>
<b>Ordinary income</b>	<b>86.0</b>	<b>97.3</b>	<b>13%</b> <b>11.3</b>
<b>Net income</b>	<b>55.7</b>	<b>63.8</b>	<b>15%</b> <b>8.1</b>
<b>ROE (per annum)</b>	<b>7.6%</b>	<b>7.8%</b>	<b>0.2points</b>
<b>ROA (per annum)</b>	<b>9.4%</b>	<b>9.7%</b>	<b>0.3points</b>
<b>Per share (Yen)</b>			
<b>Net income</b>	<b>131.2</b>	<b>150.1</b>	<b>18.9</b>
<b>Cash dividends</b>	<b>50</b>	<b>50</b>	<b>-</b>

Notes: (1) ROE: Return (Net income) on equity.

Equity used for this calculation is net assets excluding both share subscription rights and minority interests in consolidated subsidiaries.

(2) ROA: Return (Ordinary income) on total assets.

(3) ROE and ROA per annum are calculated by doubling first-half net income and ordinary income, respectively.

(Billions of Yen)

	September 30 2012	September 30 2013	Increase (Decrease)	March 31 2013	Increase (Decrease)
<b>Net Assets</b>	<b>1,535.8</b>	<b>1,741.1</b>	<b>205.3</b>	<b>1,623.2</b>	<b>117.9 Billion yen</b>
<b>Total Assets</b>	<b>1,839.1</b>	<b>2,077.3</b>	<b>238.2</b>	<b>1,920.9</b>	<b>156.4 Billion yen</b>
<b>Equity Ratio</b>	<b>81.2%</b>	<b>81.5%</b>	<b>0.3points</b>	<b>82.0%</b>	<b>(0.5 points)</b>
<b>Net Assets per share (Yen)</b>	<b>3,516</b>	<b>3,981</b>	<b>465</b>	<b>3,709</b>	<b>272 Yen</b>



Financial Highlights (Consolidated)

(Billions of Yen)

	2012 April - September	2013 April - September
Capital expenditures	41.4	43.9
Depreciation and amortization	38.3	44.0
R&D costs	18.5	20.5
Interest-bearing liabilities	16.5	16.8
Number of employees	16,739	17,841
Exchange rate: Jan - Jun (Avg)	79.7	95.6
(Yen/US\$) Apr - Sep (Avg)	79.4	98.9

Notes: (1) An average exchange rate between January and June was used for the Consolidated Income Statements of overseas subsidiaries.

(2) For further exchange rate data, please see Appendix on page 19.

● ● ● | Segment Information (Consolidated)

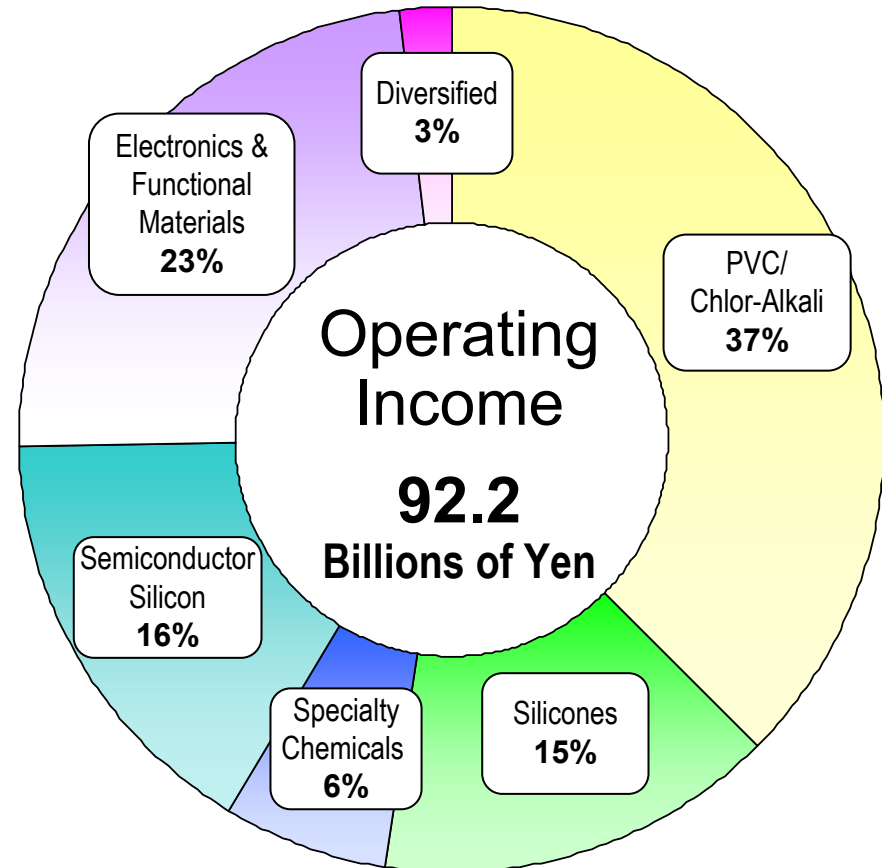
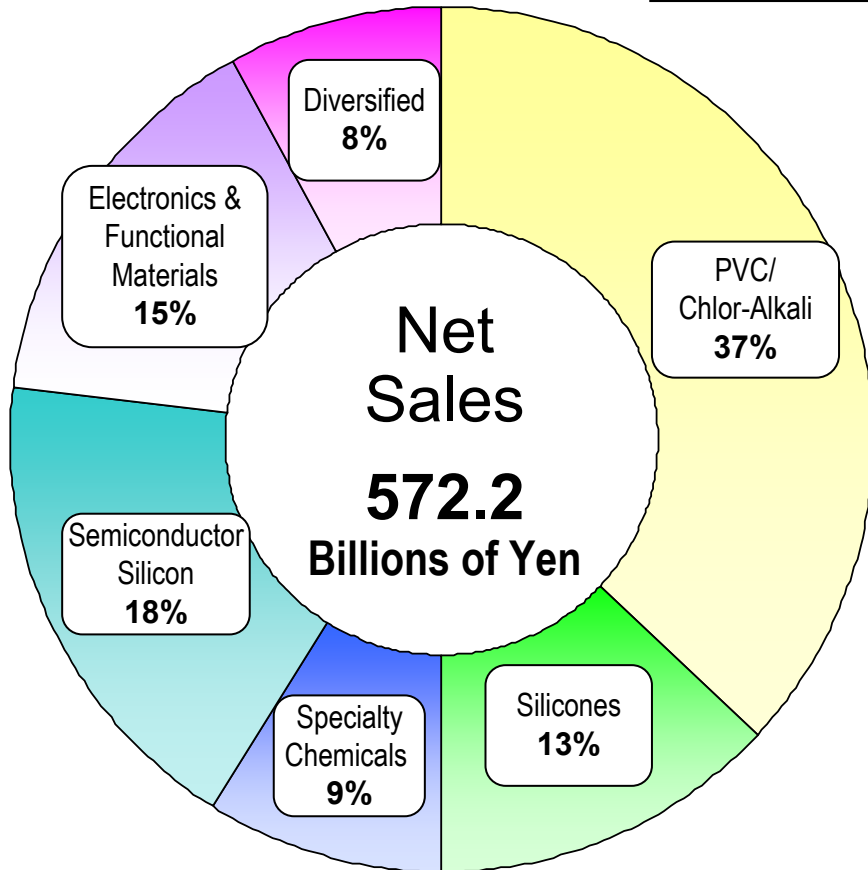
(Billions of Yen)

	Net Sales			Operating Income		
	2012 Apr - Sep	2013 Apr - Sep	Increase (Decrease)	2012 Apr - Sep	2013 Apr - Sep	Increase (Decrease)
<b>PVC/Chlor-Alkali Business</b>	<b>178.5</b>	<b>213.7</b>	<b>20%</b> <b>35.2</b>	<b>24.2</b>	<b>34.1</b>	<b>41%</b> <b>9.9</b>
<b>Silicones Business</b>	<b>65.6</b>	<b>75.6</b>	<b>15%</b> <b>10.0</b>	<b>14.9</b>	<b>14.2</b>	<b>(5%)</b> <b>(0.7)</b>
<b>Specialty Chemicals Business</b>	<b>41.3</b>	<b>49.8</b>	<b>21%</b> <b>8.5</b>	<b>7.6</b>	<b>5.9</b>	<b>(22%)</b> <b>(1.7)</b>
<b>Semiconductor Silicon Business</b>	<b>108.5</b>	<b>105.7</b>	<b>(3%)</b> <b>(2.8)</b>	<b>12.6</b>	<b>14.5</b>	<b>15%</b> <b>1.9</b>
<b>Electronics &amp; Functional Materials Business</b>	<b>101.6</b>	<b>83.9</b>	<b>(17%)</b> <b>(17.7)</b>	<b>21.0</b>	<b>21.5</b>	<b>3%</b> <b>0.5</b>
<b>Diversified Business</b>	<b>41.5</b>	<b>43.5</b>	<b>5%</b> <b>2.0</b>	<b>3.1</b>	<b>2.1</b>	<b>(34%)</b> <b>(1.0)</b>
<b>Total</b>	<b>537.0</b>	<b>572.2</b>	<b>7%</b> <b>35.2</b>	<b>83.6</b>	<b>92.2</b>	<b>10%</b> <b>8.6</b>



# Net Sales and Operating Income by Segment (Proportion)

2013  
April - September





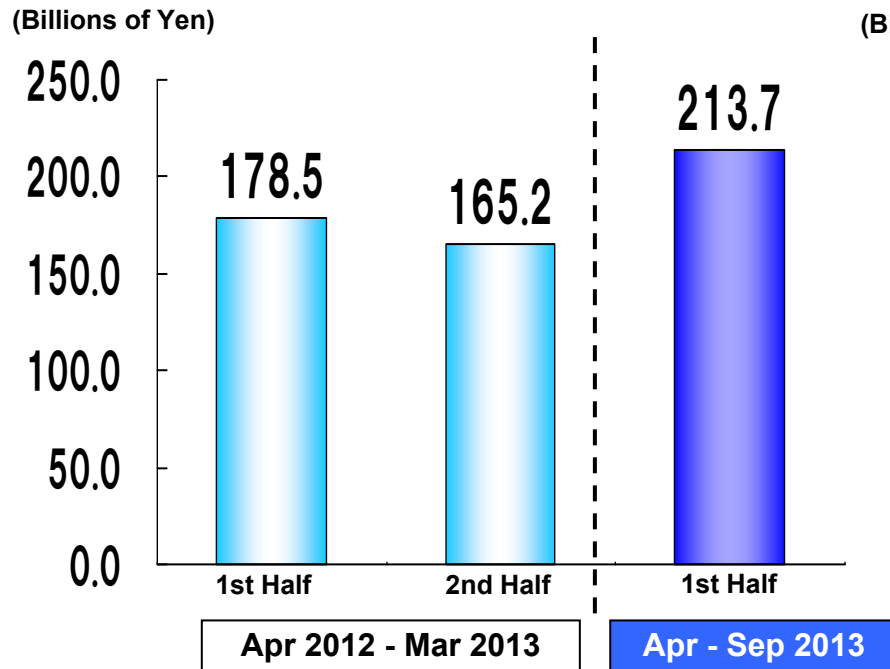
## Capital expenditures and Depreciation and amortization by Segment

(Billions of Yen)

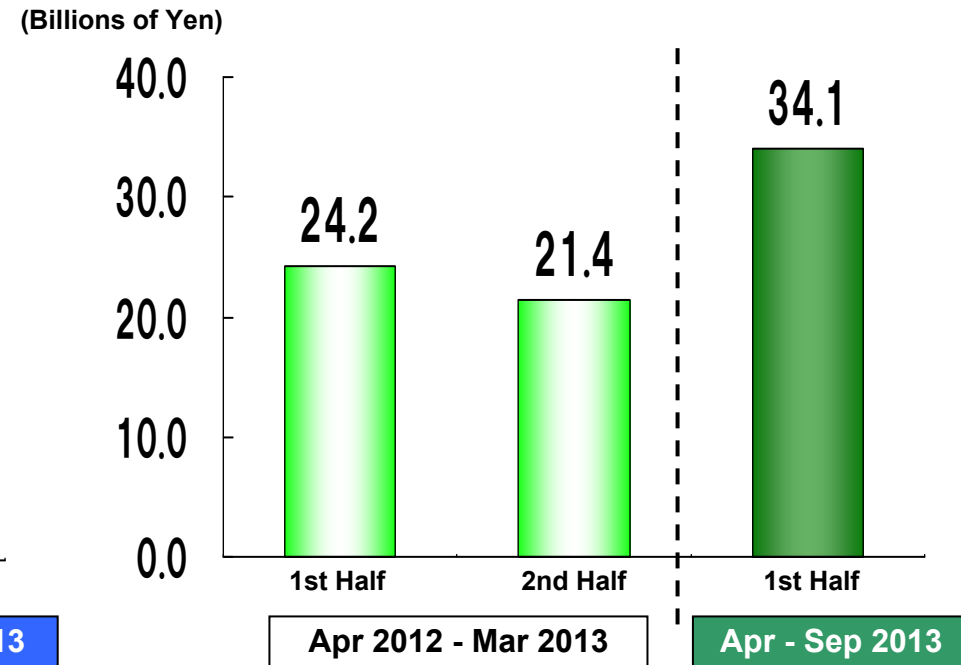
	2012 April - September	2013 April - September
<b>Capital expenditures</b>	<b>41.4</b>	<b>43.9</b>
PVC/Chlor- Alkali Business	6.8	5.1
Silicones Business	8.4	18.8
Specialty Chemicals Business	8.0	5.2
Semiconductor Silicon Business	7.7	6.6
Electronics & Functional Materials Business	8.4	7.0
Diversified Business	2.2	1.2
<b>Depreciation and amortization</b>	<b>38.3</b>	<b>44.0</b>
PVC/Chlor- Alkali Business	10.0	13.0
Silicones Business	3.7	4.9
Specialty Chemicals Business	4.2	4.9
Semiconductor Silicon Business	12.7	12.7
Electronics & Functional Materials Business	6.2	6.8
Diversified Business	1.7	1.9

● ● ● | PVC/Chlor-Alkali Business Segment

**Net Sales**



**Operating Income**



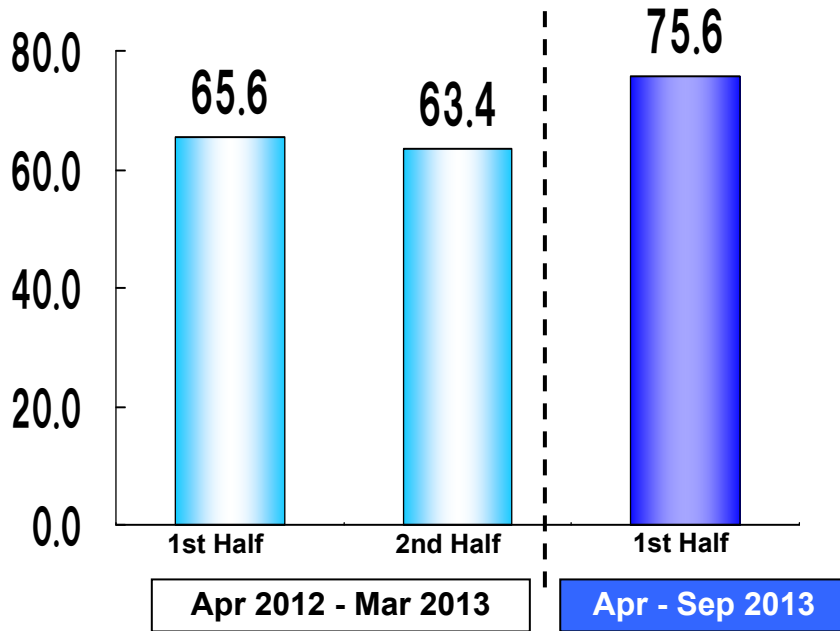
- With regard to the PVC business, in addition to in the U.S. where PVC demand is steady, Shintech Inc. in the U.S. maintained a high level of shipments by expanding sales to its customers worldwide, starting with those in Central and South America, and its business performance greatly grew.
- Shin-Etsu PVC in the Netherlands continued to do well.
- Although a recovery in demand was seen in Japan, the business situation there was affected by price increases in raw materials, and the severe domestic business situation continued.



● ● ● | Silicones Business Segment

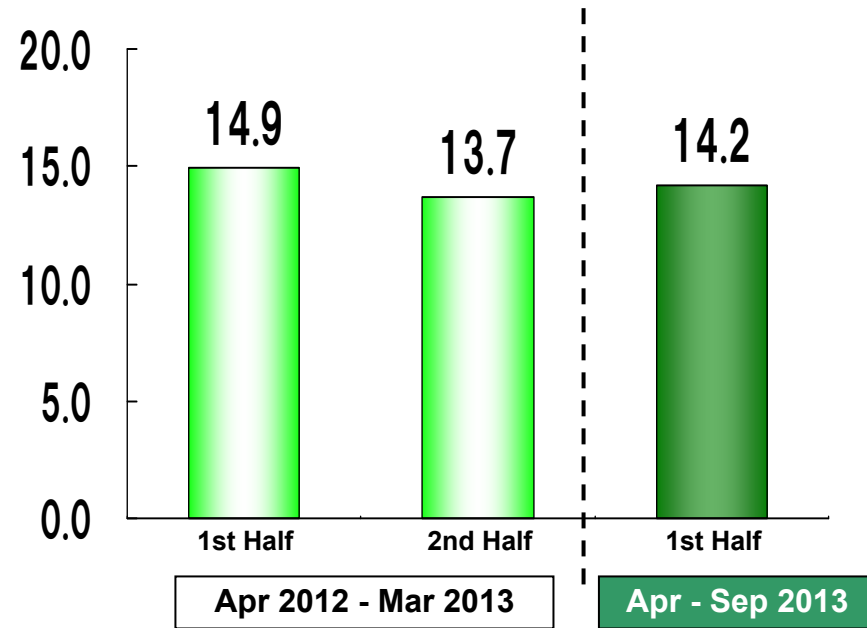
**Net Sales**

(Billions of Yen)



**Operating Income**

(Billions of Yen)



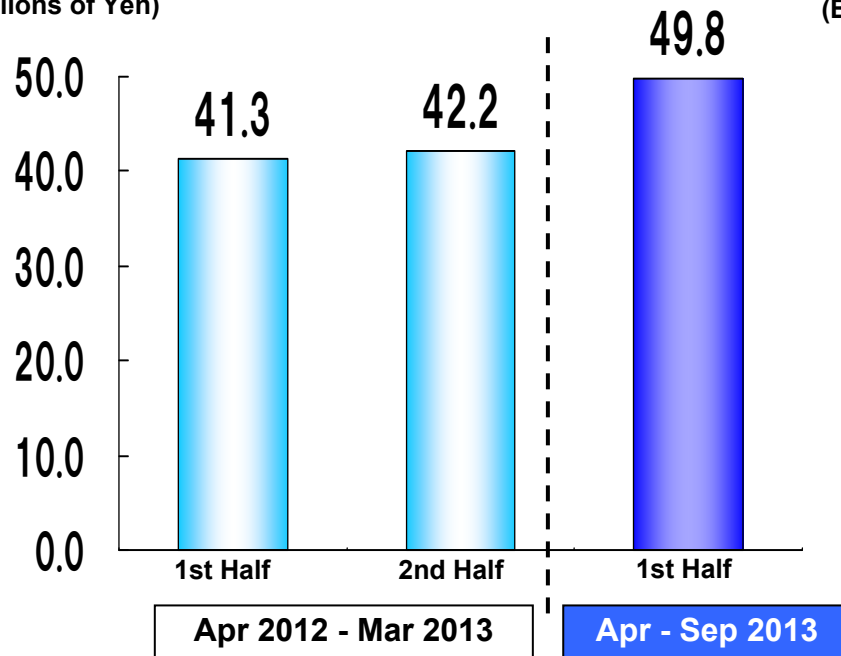
- With regard to the silicones business, although in Japan sales in the area of product applications for automobiles continued to be firm, sales of product applications for the electronics equipment field were generally sluggish. On the other hand, in our silicones business outside of Japan, in addition to shipments of functional silicone products for Europe and the U.S., shipments of general-purpose products for China also grew.

● ● ● | Specialty Chemicals Business Segment

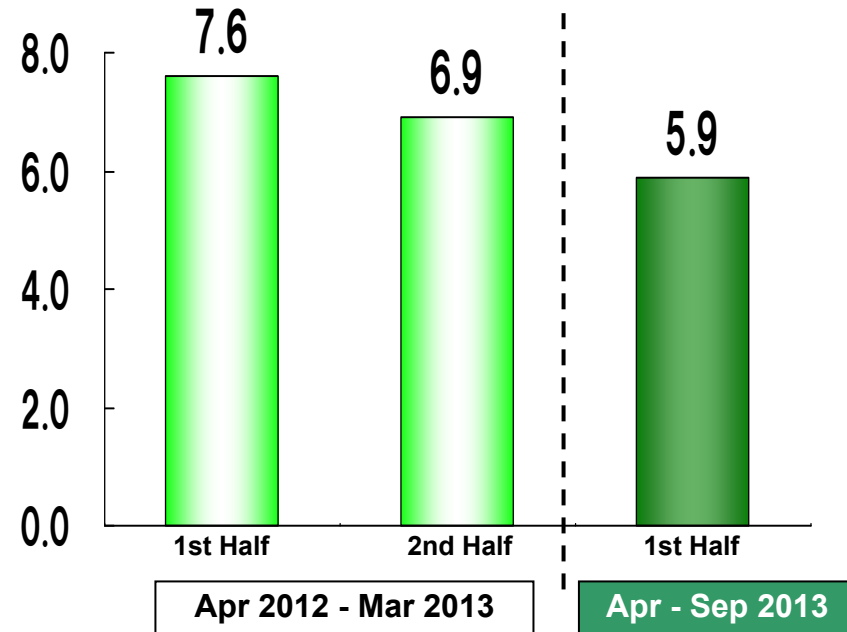
**Net Sales**

**Operating Income**

(Billions of Yen)



(Billions of Yen)



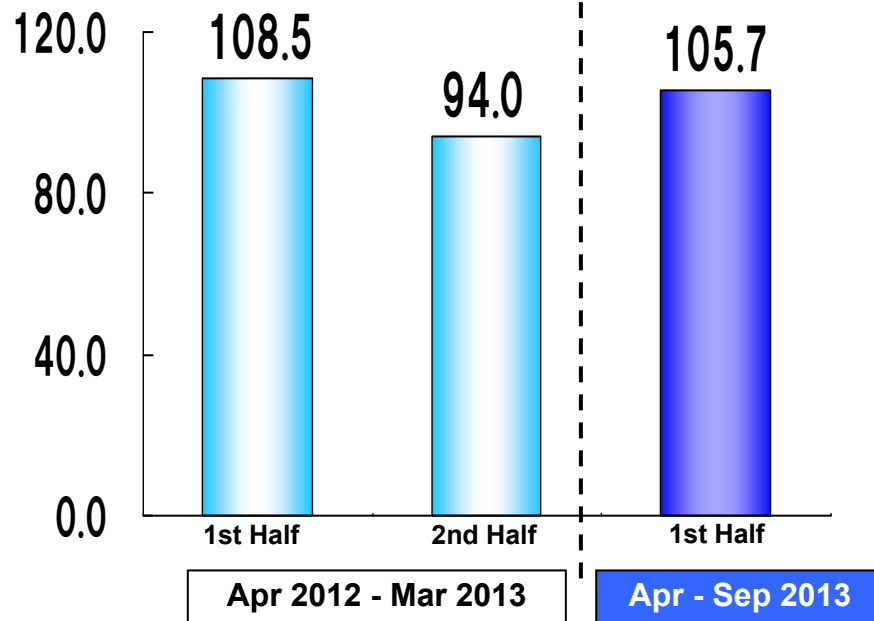
- Sales of overseas consolidated subsidiaries increased in part due to the change of the foreign exchange rate.
- With regard to cellulose derivatives, although in Japan this business continued to be strong, mainly centered on products for building and construction applications and for pharmaceutical-use, the business of SE Tylose in Germany continued in a tough situation due to the effects of intensifying price competition.
- The silicon metal business of Simcoa Operations in Australia was affected by weak market conditions. Sales quantity increased as the result of the expansion of production capacity.

● ● ● | Semiconductor Silicon Business Segment

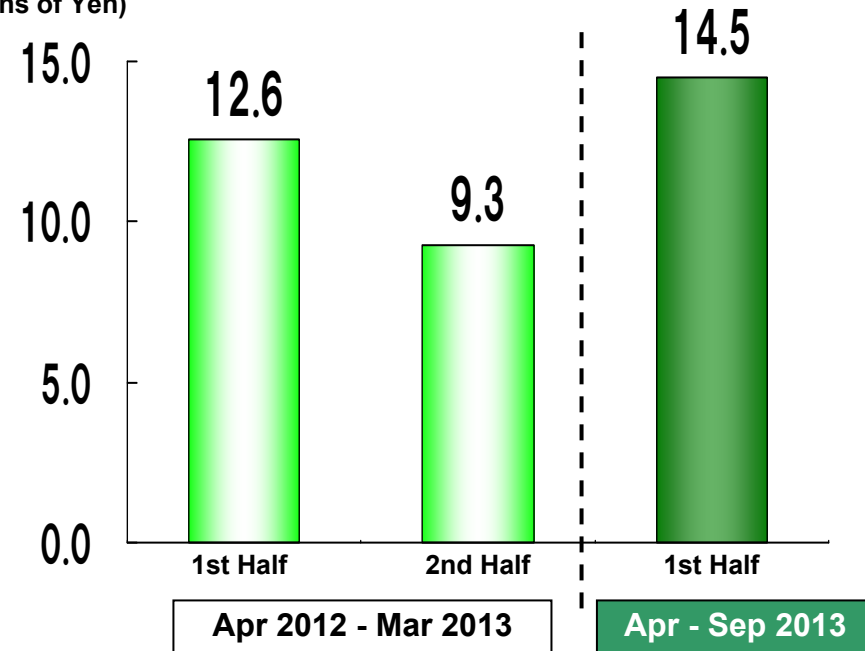
**Net Sales**

**Operating Income**

(Billions of Yen)



(Billions of Yen)



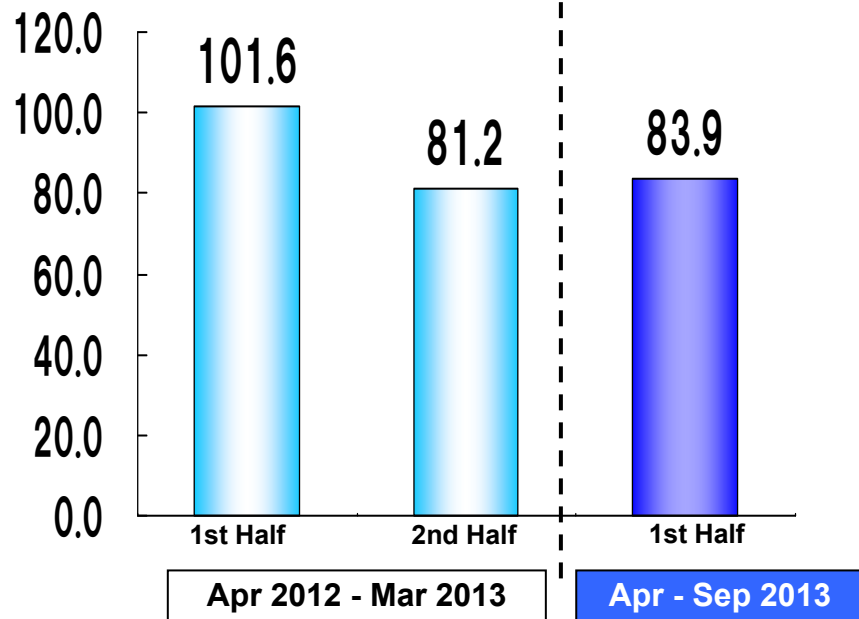
- With regard to semiconductor silicon, although a trend towards gradual recovery continued during the early months of the first half, since the start of the latter part of the first half, this business was affected by production adjustments and inventory adjustments made by semiconductor device makers because of a slowdown in demand for smartphones.



## Electronics & Functional Materials Business Segment

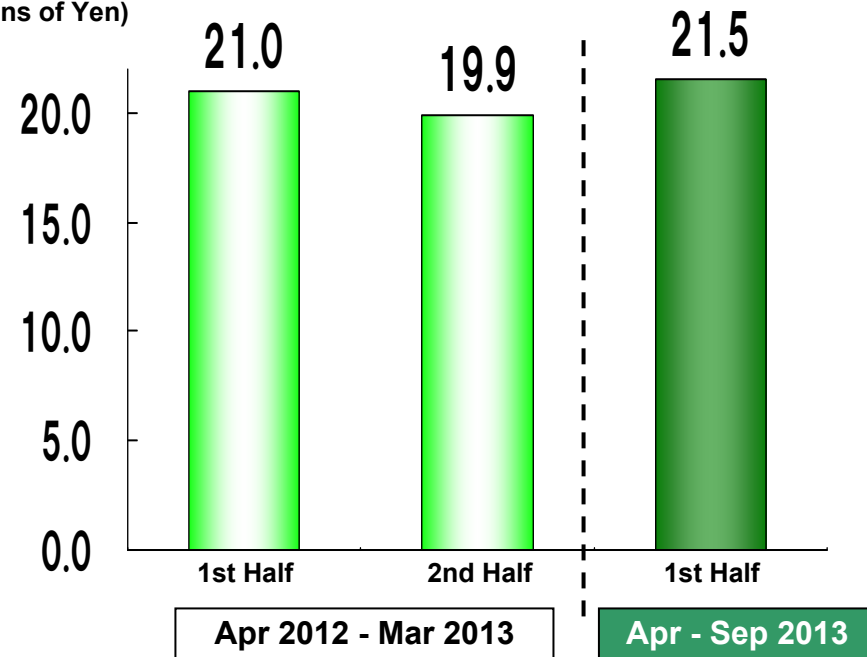
### Net Sales

(Billions of Yen)



### Operating Income

(Billions of Yen)



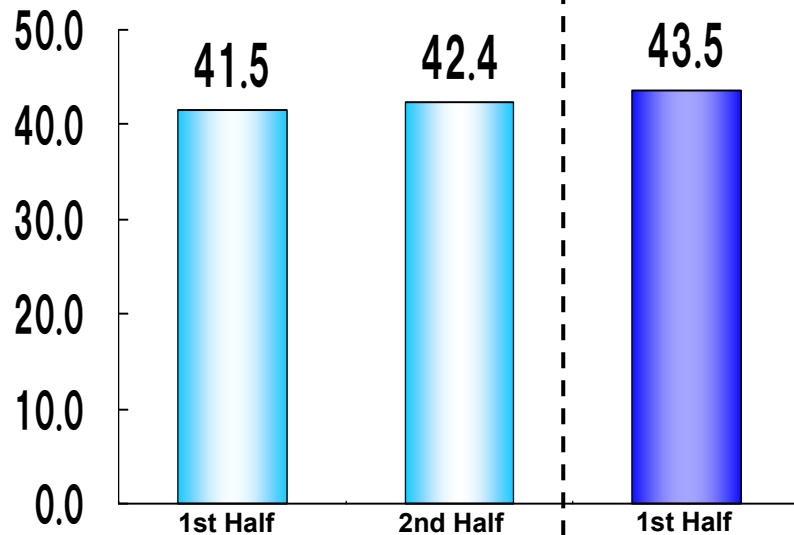
- With regard to the rare earth magnets business, shipments of products for applications in automobiles, starting with hybrid automobiles, were firm. However, shipments for energy-saving types of air conditioners did not do so well.
- The business of photoresist products remained good aided by the progress in semiconductor device miniaturization.
- The business of materials for LED packaging was also firm.
- The optical fiber preform business continued strong shipments, as steady demand continued.

● ● ● | Diversified Business Segment

**Net Sales**

**Operating Income**

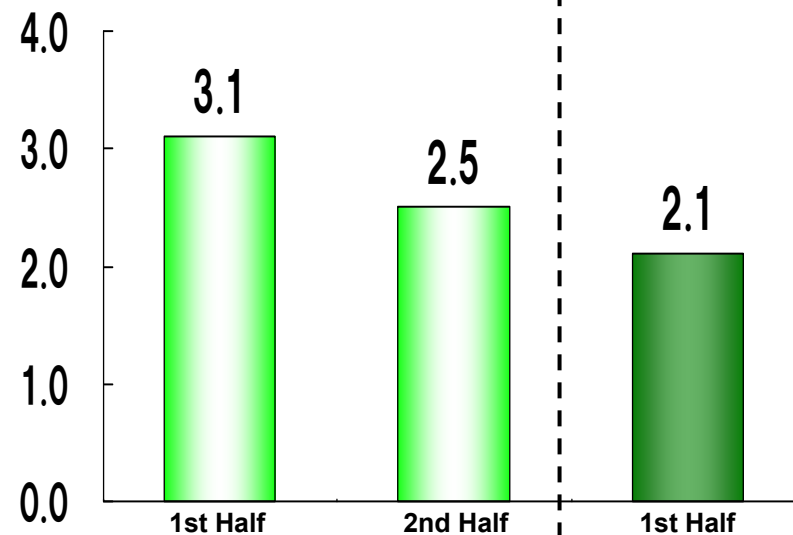
(Billions of Yen)



Apr 2012 - Mar 2013

Apr - Sep 2013

(Billions of Yen)



Apr 2012 - Mar 2013

Apr - Sep 2013

- Shin-Etsu Polymer Co., Ltd.'s business of keypads for automobile applications continued to do well and shipments of semiconductor wafer-related containers also saw a trend toward recovery.
- The engineering business was slow.

● ● ● | Quarterly Net Sales by Segment

**(Net Sales)**

**(Billions of Yen)**

	April 2012 - March 2013				April 2013 - March 2014	
	1Q	2Q	3Q	4Q	1Q	2Q
PVC/Chlor-Alkali Business	85.5	93.0	80.3	84.9	102.4	111.3
Silicones Business	32.2	33.4	31.4	32.0	34.7	40.9
Specialty Chemicals Business	21.5	19.8	20.8	21.4	23.8	26.0
Semiconductor Silicon Business	54.4	54.1	50.1	43.9	49.9	55.8
Electronics & Functional Materials Business	52.1	49.5	41.7	39.5	40.7	43.2
Diversified Business	20.8	20.7	21.1	21.3	19.4	24.1
<b>Total</b>	<b>266.5</b>	<b>270.5</b>	<b>245.4</b>	<b>243.0</b>	<b>270.9</b>	<b>301.3</b>

● ● ● | Quarterly Operating Income by Segment

**(Operating Income)**

**(Billions of Yen)**

	April 2012 - March 2013				April 2013 - March 2014	
	1Q	2Q	3Q	4Q	1Q	2Q
PVC/Chlor-Alkali Business	9.9	14.3	10.0	11.4	16.9	17.2
Silicones Business	7.5	7.4	7.0	6.7	7.0	7.2
Specialty Chemicals Business	3.9	3.7	3.3	3.6	3.1	2.8
Semiconductor Silicon Business	6.6	6.0	5.3	4.0	6.7	7.8
Electronics & Functional Materials Business	10.4	10.6	10.6	9.3	10.7	10.8
Diversified Business	1.8	1.3	1.4	1.1	1.1	1.0
<b>Total</b>	<b>40.3</b>	<b>43.3</b>	<b>37.5</b>	<b>35.9</b>	<b>45.5</b>	<b>46.7</b>

● ● ● | Operating Performance of Shintech Inc.

	2012 January - June		2013 January - June		Increase (Decrease) on US\$ basis
	Millions of US\$	Billions of Yen	Millions of US\$	Billions of Yen	
Net Sales	1,520	121.2	1,545	147.7	1.7%
Ordinary Income	291	23.2	356	34.1	22.4%
Net Income	194	15.5	240	22.9	23.6%

Net Assets	3,192	253.2	3,602	355.2
Total Assets	4,356	345.5	4,674	460.8

Exchange rate Jan - Jun (Average) : 2012 79.7Yen/US\$ 2013 95.6Yen/US\$
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## Comparative Income Statements (Consolidated)

(Billions of Yen)

	2012 April - September	2013 April - September	Increase (Decrease)
<b>Net Sales</b>	<b>537.0</b>	<b>572.2</b>	6.6% <b>35.2</b>
Cost of sales	403.2	422.5	19.3
Selling, general and administrative expenses	50.2	57.5	7.3
<b>Operating Income</b>	<b>83.6</b>	<b>92.2</b>	10.3% <b>8.6</b>
Non-operating income/expenses	2.4	5.1	2.7
<b>Ordinary Income</b>	<b>86.0</b>	<b>97.3</b>	13.2% <b>11.3</b>
<b>Income Before Income Taxes</b>	<b>86.0</b>	<b>97.3</b>	13.2% <b>11.3</b>
Income taxes	29.7	32.6	2.9
Minority interests in earnings of consolidated subsidiaries	0.6	0.9	0.3
<b>Net Income</b>	<b>55.7</b>	<b>63.8</b>	14.6% <b>8.1</b>



# Comparative Balance Sheets (Consolidated)

(Billions of Yen)

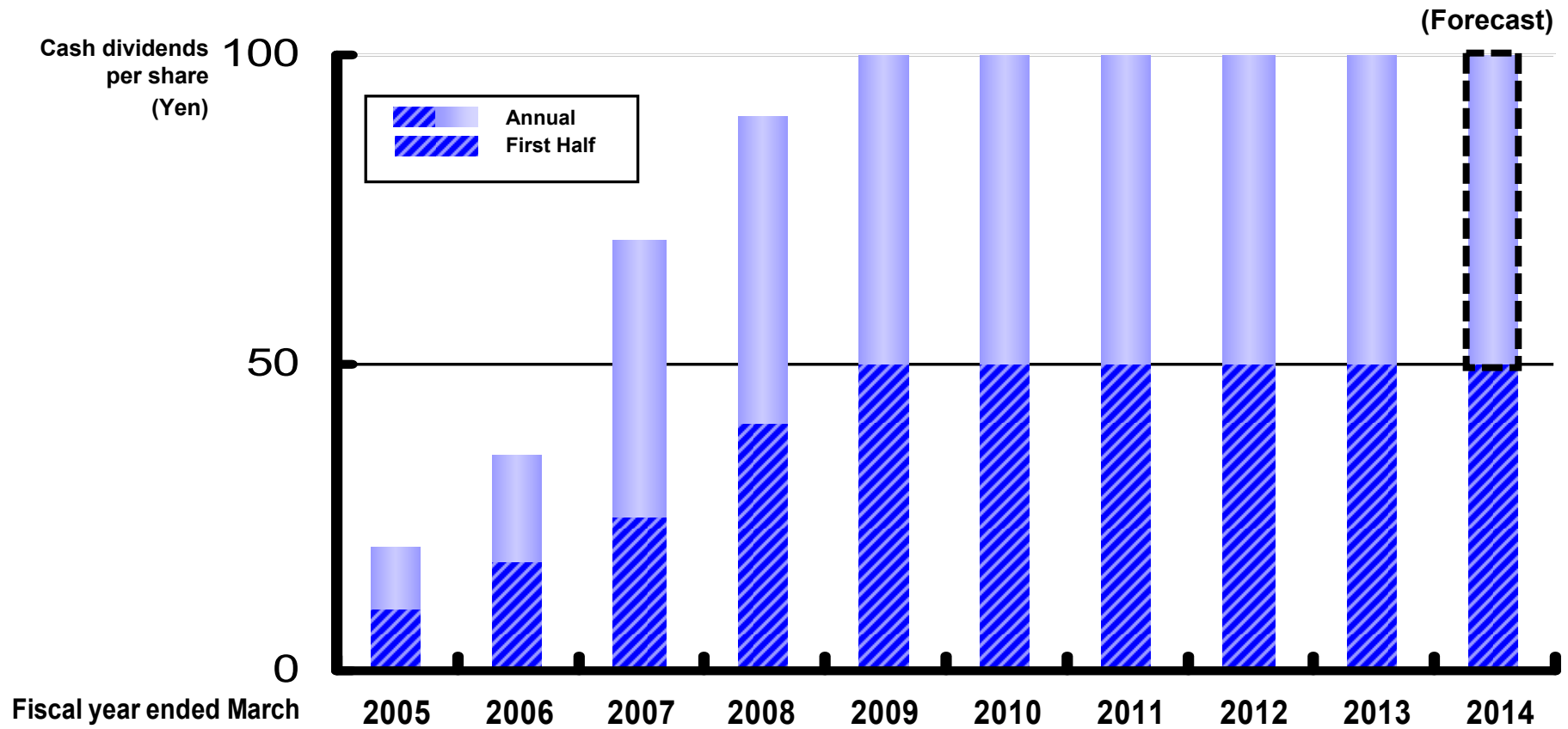
	Sep 30 2012 [a]	Mar 31 2013 [b]	Sep 30 2013 [c]	Increase (Decrease) [c-a]	Increase (Decrease) [c-b]		Sep 30 2012 [a]	Mar 31 2013 [b]	Sep 30 2013 [c]	Increase (Decrease) [c-a]	Increase (Decrease) [c-b]
<b>Current Assets</b>	961.4	1,032.5	1,138.2	176.8	105.7	<b>Current Liabilities</b>	222.5	199.6	226.8	4.3	27.2
Cash and time deposits	237.2	252.9	312.6	75.4	59.7	Notes and accounts payable-trade	105.1	100.2	106.5	1.4	6.3
Notes and accounts receivable-trade	273.1	243.8	270.0	(3.1)	26.2	Short-term borrowings	9.8	5.5	9.3	(0.5)	3.8
Securities	132.9	214.4	244.8	111.9	30.4	Accrued income taxes	15.2	6.2	24.1	8.9	17.9
Inventories	262.0	269.4	263.1	1.1	(6.3)	Other	92.4	87.7	86.9	(5.5)	(0.8)
Other	56.2	52.0	47.7	(8.5)	(4.3)						
<b>Fixed Assets</b>	877.7	888.4	939.1	61.4	50.7	<b>Long-term Liabilities</b>	80.8	98.1	109.3	28.5	11.2
Property, Plant and Equipment	612.4	649.7	699.0	86.6	49.3	Long-term debt	6.6	7.7	7.5	0.9	(0.2)
Machinery and equipment, net	331.7	357.0	409.8	78.1	52.8	Other	74.2	90.4	101.8	27.6	11.4
Other, net	280.7	292.7	289.2	8.5	(3.5)	<b>Total liabilities</b>	303.3	297.7	336.2	32.9	38.5
Intangible Fixed Assets	13.4	14.6	17.2	3.8	2.6	<b>Stockholders' Equity</b>	1,677.4	1,678.5	1,722.7	45.3	44.2
Investments and Other Assets	251.9	224.1	222.9	(29.0)	(1.2)	Accumulated Other Comprehensive Income	(184.6)	(102.4)	(29.9)	154.7	72.5
Investments in securities	151.2	129.6	124.5	(26.7)	(5.1)	Share Subscription Rights	42.9	47.1	48.3	5.4	1.2
Other	100.7	94.5	98.4	(2.3)	3.9	Minority Interests in Consolidated Subsidiaries					
<b>Total assets</b>	1,839.1	1,920.9	2,077.3	238.2	156.4	<b>Total net assets</b>	1,535.8	1,623.2	1,741.1	205.3	117.9
						<b>Total liabilities and net assets</b>	1,839.1	1,920.9	2,077.3	238.2	156.4

## Comparative Statements of Cash Flows (Consolidated)

(Billions of Yen)

	2012 Apr - Sep	2013 Apr - Sep	Increase (Decrease)
<b>(1) Cash Flows from Operating Activities</b>	<b>103.7</b>	<b>140.2</b>	<b>36.5</b>
Net Income	55.7	63.8	8.1
Depreciation and amortization	38.3	44.0	5.7
(Increase) Decrease in working capital	10.8	12.3	1.5
Others	(1.1)	20.1	21.2
<b>(2) Cash Flows from Investing Activities</b>	<b>(61.1)</b>	<b>(178.1)</b>	<b>(117.0)</b>
Net (Increase) decrease in marketable securities	(1.2)	(125.9)	(124.7)
Capital expenditures	(38.2)	(32.7)	5.5
Others	(21.7)	(19.5)	2.2
<b>(3) Cash Flows from Financing Activities</b>	<b>(20.6)</b>	<b>(20.2)</b>	<b>0.4</b>
Increase (Decrease) in borrowings	1.0	0.2	(0.8)
Cash dividends paid	(21.2)	(21.2)	0.0
Others	(0.5)	0.9	1.4
<b>(4) Effect of Exchange Rate Changes on Cash and Cash Equivalents, and other</b>	<b>4.0</b>	<b>11.9</b>	<b>7.9</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>26.0</b>	<b>(46.2)</b>	<b>(72.2)</b>
<b>Cash and cash equivalents at end of period</b>	<b>296.3</b>	<b>316.9</b>	<b>20.6</b>
<b>Balance of Interest-bearing Liabilities</b>	<b>16.5</b>	<b>16.8</b>	<b>0.3</b>

● ● ● | Cash Dividends per Share



Cash dividends per share (Yen)	First half	10	17.5	25	40	50	50	50	50	50	50
	Annual	20	35	70	90	100	100	100	100	100	* 100
Net income per share (Yen)	First half	110.4	129.7	174.1	221.2	235.0	83.7	146.8	120.2	131.2	150.1
	Annual	219.1	266.6	357.8	426.6	362.4	197.5	235.8	237.0	248.9	* 258.8
Dividend payout ratio	Annual	9.1%	13.1%	19.6%	21.1%	27.6%	50.6%	42.4%	42.2%	40.2%	* 38.6%

\*Forecast



## Forecast of Consolidated Operating Performance Fiscal year ending March 31, 2014

The Shin-Etsu Group has not changed its forecast, which was announced on July 25, 2013.

(Billions of Yen)

	Consolidated		
	April 2012 - March 2013 Actual	April 2013 - March 2014 Forecast	Increase (Decrease)
<b>Net sales</b>	1,025.4	<b>1,060.0</b>	<b>3.4%</b>
<b>Operating income</b>	157.0	<b>170.0</b>	<b>8.3%</b>
<b>Ordinary income</b>	170.2	<b>180.0</b>	<b>5.8%</b>
<b>Net income</b>	105.7	<b>110.0</b>	<b>4.1%</b>
<b>Net income per share (Yen)</b>	248.9	<b>258.8</b>	<b>9.9</b>
<b>Cash dividends per share (Yen)</b>	100	<b>100</b>	-
<b>Capital expenditures</b>	86.8	<b>100.0</b>	
<b>Depreciation and amortization</b>	81.0	<b>90.0</b>	

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

● ● ● | Appendix (For reference)

1) Average Exchange Rate

		US\$ (Yen/\$)					EUR (Yen/€)				
		Quarterly	6 months		12 months		Quarterly	6 months		12 months	
			Jan-Jun	Apr-Sep	Jan-Dec	Apr-Mar		Jan-Jun	Apr-Sep	Jan-Dec	Apr-Mar
Jul-Dec	Oct-Mar	Jul-Dec	Oct-Mar								
2012	Jan-Mar	79.3	79.7	79.4	79.8	83.1	104.0	103.4	102.6	107.1	
	Apr-Jun	80.2					102.9				
	Jul-Sep	78.6	79.9	98.4			101.8	100.6			
	Oct-Dec	81.2	86.8	105.3			113.7				
2013	Jan-Mar	92.4	95.6	98.9	98.9	122.0	125.5	130.0	130.0		
	Apr-Jun	98.8								128.9	
	Jul-Sep	99.0	131.1								

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

	US\$	EUR
Shin-Etsu's assumption for the forecast from October 2013	95Yen/\$	130Yen/€

● ● ● | Appendix (For reference)

2) Overseas sales information

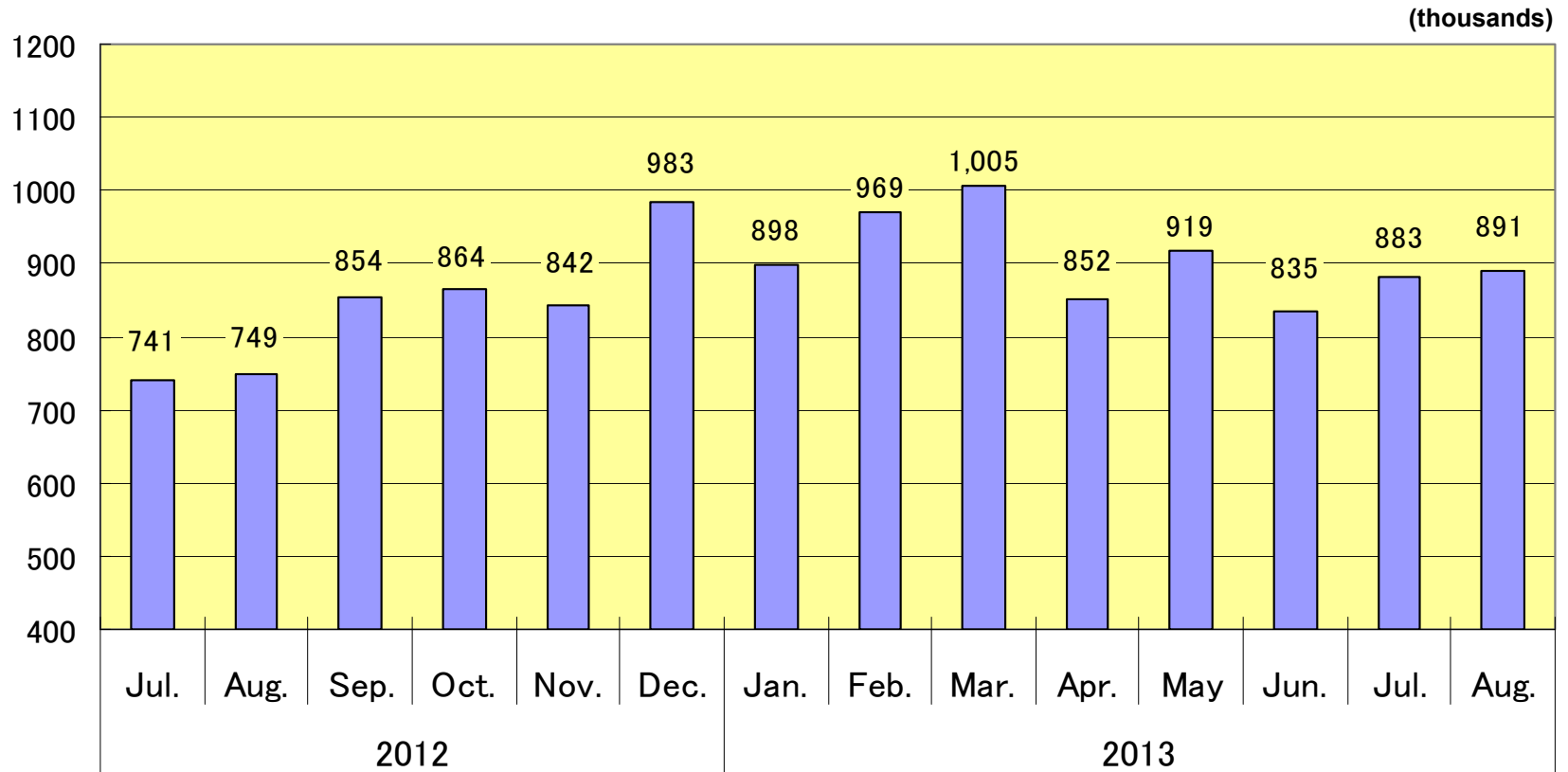
(Billions of Yen)

	Japan	Overseas						Total Consolidated Net Sales
		U.S.	Asia/Oceania		Europe	Other Areas	Total	
			China					
First Half	33%	17%	28%	10%	11%	11%	67%	
Apr - Sep 2012	177.8	91.8	152.2	51.5	58.3	56.9	359.2	537.0
Second Half	32%	20%	29%	10%	12%	7%	68%	
Oct 2012 - Mar 2013	156.5	98.6	142.8	48.6	56.2	34.3	331.9	488.4
Fiscal year	33%	18%	29%	10%	11%	9%	67%	
ended March 2013	334.3	190.4	295.0	100.1	114.5	91.1	691.1	1,025.4
First Half	28%	20%	29%	10%	12%	11%	72%	
Apr - Sep 2013	162.4	116.7	163.5	57.5	68.0	61.6	409.8	572.2

Note: Percentage indicates proportion to total consolidated net sales.

● ● ● | Appendix (For reference)

**3) Housing Starts in the U.S. (Seasonally Adjusted Annual Rate)**



**Annual Trend of the Housing Starts in the U.S. (10 years history)**

(thousands)

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1,854	1,950	2,073	1,812	1,342	900	554	586	612	783

\* Source from United States Department of Commerce



● ● ● | Appendix (For reference)

4) Trend of Naphtha Price Traded in Japan

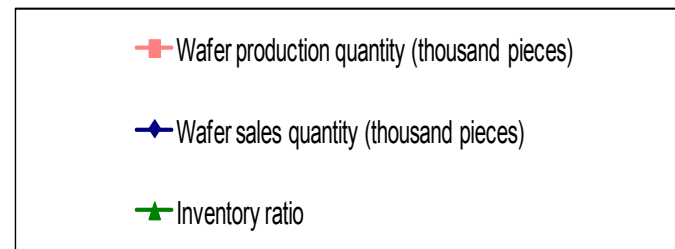
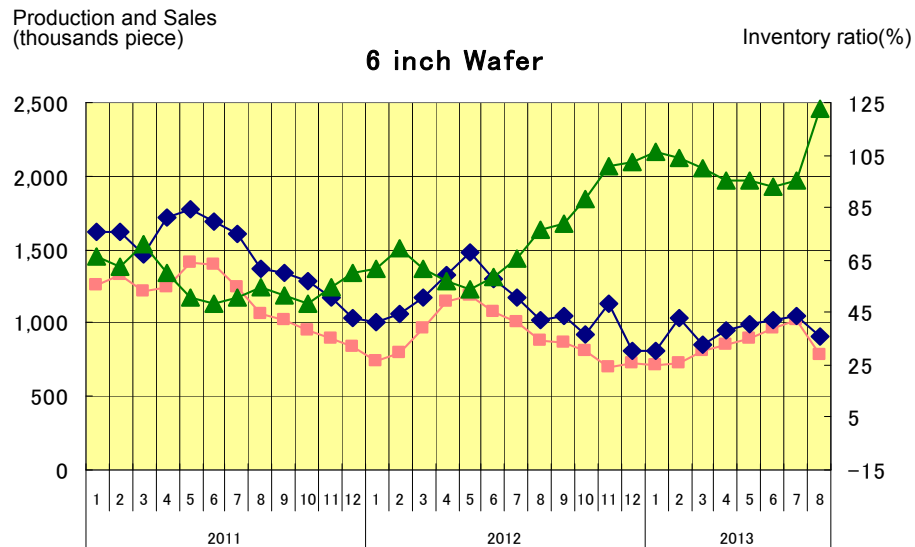
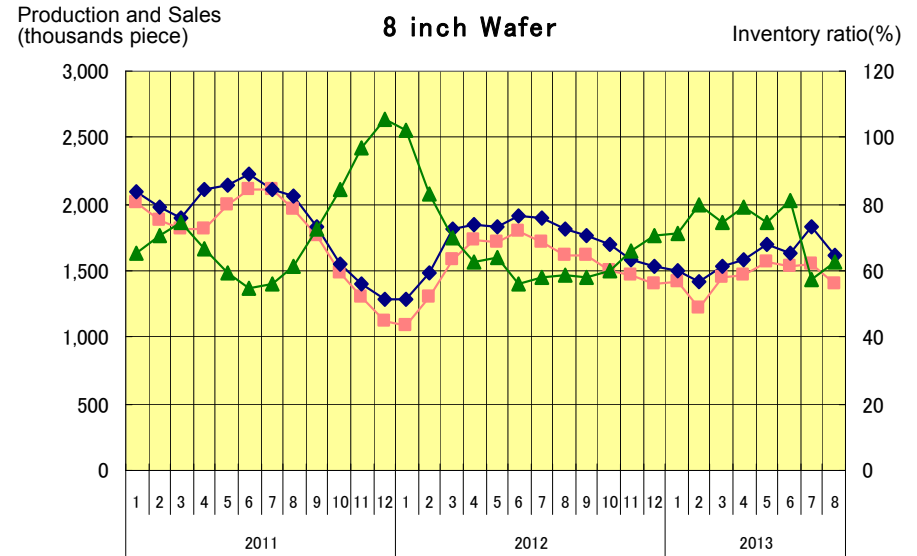
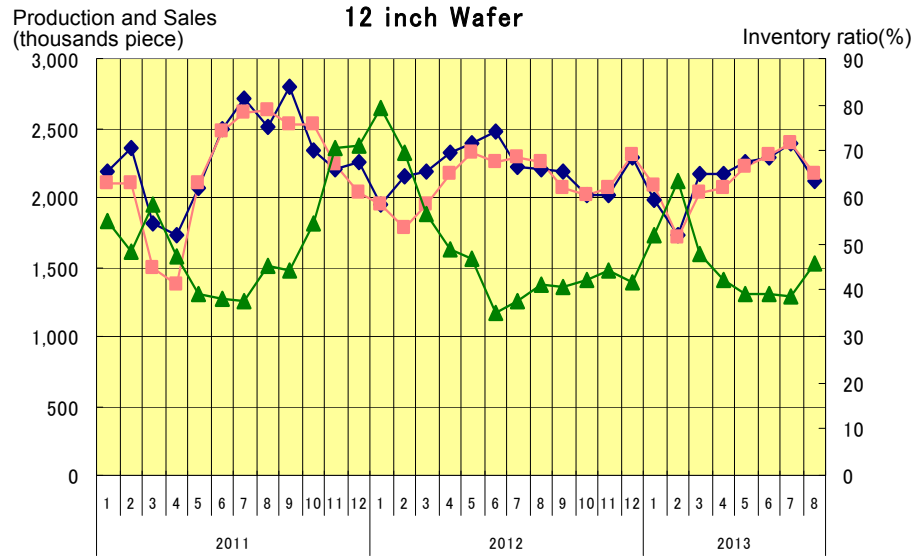
(Yen / KL)

Fiscal Year 2012 April 2011 - March 2012		Fiscal Year 2013 April 2012 - March 2013				Fiscal Year 2014 April 2013 - March 2014	
(2011) Oct - Dec	(2012) Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	(2013) Jan - Mar	Apr - Jun	Jul - Sep
51,700	54,100	60,600	49,800	55,800	63,800	65,500	64,200 (est)

Calculated by Shin-Etsu Chemical (Data Source: Japan Ministry of Finance)

# Appendix (For reference)

## 5) The Statistics Data of Silicon Wafers Produced in Japan (for each size)



\* Source from Ministry of Economy, Trade and Industry and Japan Society of Newer Metals



## 6) Recent Topics (Oct. 1, 2012~Oct. 24, 2013)

- Oct. 2012 Shin-Etsu Chemical entered into a Share Purchase Agreement concerning the purchase of shares of NanoCarrier Co., Ltd.
- Nov. 2012 Shin-Etsu Chemical announced agreement formalized on the reorganization of Kashima Chlorine & Alkali Co., Ltd. and Kashima Vinyl Chloride Monomer Co., Ltd.
- Dec. 2012 \*Shin-Etsu Chemical announced a price increase for PVC supplied to customers in Japan due to rises in the price of its raw materials.
- Feb. 2013 Shin-Etsu Chemical developed a high refractive index silicone encapsulating material and silicone-mounting board for high-brightness LEDs.
- May. 2013 \*Shin-Etsu Chemical established a sodium hypochlorite manufacturing facility in the Naoetsu Plant and has started its operation.
- May. 2013 \*Shin-Etsu Chemical announced a price increase for caustic soda supplied to customers in Japan due to the rises in the acquisition price of its main raw materials and also production cost.
- May. 2013 Shin-Etsu Chemical has acquired the total shares indirectly held by GE (General Electric Company) of ASM (Asia Silicones Monomer) which was jointly managed by GE and Shin-Etsu. ASM became an indirectly wholly owned Shin-Etsu Chemical Group company.
- May. 2013 Shin-Etsu Chemical developed a liquid silicone rubber material, called the “RADIBARRIER Series”, which acts as a shield against radiation.
- June. 2013 Shintech decided to further increase its production capacity of chlor-alkali, vinyl chloride monomer (VCM) and poly vinyl chloride (PVC) at its production bases in the State of Louisiana.
- Sep. 2013 \*Further to the announcement last December, Shin-Etsu Chemical announced a price increase for PVC supplied to customers in Japan due to rises in the price of its raw materials.

★ Please refer to news releases related to these matters on our website at <http://www.shinetsu.co.jp/e/>

News releases for topics with an asterisk ( \* ) are only available in Japanese.



## 7) Progress of overseas capital investment

(As of October. 24, 2013)

