

Press Release

Consolidated Financial Results for the First Half Ended September 30, 2012

Shin-Etsu Chemical Co., Ltd.

(JP GAAP)



October 25, 2012

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

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Date of the filing of the quarterly consolidated financial statements: November 13, 2012

Date of dividend payout: November 19, 2012

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, 2012

(From April 1, 2012 to September 30, 2012)

(1) Results of consolidated operations

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income	
April - September 2012	536,998	3.0%	83,620	4.0%	86,016	2.0%	55,700	9.1%
April - September 2011	521,368	(2.1%)	80,411	5.6%	84,330	3.9%	51,040	(18.1%)

(Note) Comprehensive income (Millions of yen) From April, 2012 to September, 2012: 60,978 [16.8%]

From April, 2011 to September, 2011: 52,228 [122.7%]

	Net income per share (in yen)	Diluted net income per share (in yen)
April - September 2012	131.18	-
April - September 2011	120.21	-

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (in yen)
September 30, 2012	1,839,074	1,535,752	81.2%	3,516.01
March 31, 2012	1,809,841	1,494,573	80.3%	3,422.93

(Note) Stockholders' equity (Millions of yen) As of September 30, 2012: 1,492,881 As of March 31, 2012: 1,453,353

Stockholders' equity used for the calculation of indices is net assets excluding both share subscription rights and minority interests in consolidated subsidiaries.

2. Cash Dividends

	Cash dividend per share in the fiscal year (in yen)				
	1 st quarter	2 nd quarter	3 rd quarter	Year-end	Fiscal year
April 2011 - March 2012	-	50.00	-	50.00	100.00
April 2012 - March 2013	-	50.00	-	-	-
April 2012 - March 2013 (forecast)	-	-	-	50.00	100.00

(Note) Revision of the latest forecast of cash dividends : No

3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2013

(From April 1, 2012 to March 31, 2013)

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income		Net income per share (in yen)
Fiscal year	1,060,000	1.2%	160,000	6.9%	170,000	2.9%	105,000	4.3%	247.29

(Note) Revision of the latest forecast of consolidated operating performance : No

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.

4. Notes

(1) Changes in significant subsidiaries during the first half ended September 30, 2012 : No

(Note) This item indicates whether there were changes in significant subsidiaries affecting the scope of consolidation during the first half ended September 30, 2012.

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

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

Changes of accounting policies applied due to revisions of accounting standards: Yes

Changes of accounting policies other than the above: No

Changes in accounting estimates: Yes

Retrospective restatement: No

(Note) Please see “2. Other Information” on page 4 for further details.

(4) Number of shares outstanding (in shares)

	<u>September 30, 2012</u>	<u>March 31, 2012</u>
Number of shares outstanding at period end (including treasury stocks)	432,106,693	432,106,693
Number of treasury stocks at period end	7,511,268	7,512,807
	<u>April – September 2012</u>	<u>April – September 2011</u>
Weighted-average number of shares outstanding over period	424,595,624	424,595,446

(Information regarding the implementation of quarterly review procedures)

These quarterly financial results are not subject to quarterly review procedures. Thus, at the time of disclosure of these financial results, the quarterly consolidated financial statement review procedures based on the Financial Instruments and Exchange Law, are in progress.

(Attached Documents)

INDEX

1. Qualitative Information Regarding Quarterly Results	2
(1) Qualitative information regarding the consolidated operating results	2
(2) Qualitative information regarding the consolidated business forecast	4
2. Other Information	4
3. Consolidated Financial Statements	5
(1) Consolidated balance sheets	5
(2) Consolidated statements of income and statements of comprehensive income	7
(3) Consolidated statements of cash flows	9
(4) Notes on premise of going concern	10
(5) Segment information	10
(6) Notes on significant changes in stockholders' equity	10

Appendix: Quarterly operating results

1. Qualitative Information Regarding Quarterly Results

(1) Qualitative information regarding the consolidated operating results

With regard to the world economy during the first half of FY2013 (April 1, 2012 to September 30, 2012), in the Asian region, we saw a slowdown in the expansion of China's economy, and in the United States, the trend toward economic recovery continued to show a lack of strength, due to the delays in improvement in such areas as the employment situation and the housing market. The sense of economic stagnation deepened in Europe due in part to concerns about the European debt problem. With regard to the Japanese economy, although improvement was seen supported in part by such factors as demand resulting from the reconstruction needs in the aftermath of the Great East Japan Earthquake, a challenging business situation continued as a result of such factors as the slowing of the world economy.

Under these circumstances, the Shin-Etsu Group, worked to carry out sales activities to its wide range of customers around the world, and at the same time, we strove to increase our production capabilities and to move forward with the development of new products.

As a result, the consolidated business results for the first half of FY2013 show that net sales increased by 3.0% (¥15,630 million) compared with the same fiscal period last year to ¥536,998 million. Compared with the performance of the same fiscal period last year, operating income increased by 4.0% (¥3,209 million) to ¥83,620 million, ordinary income increased by 2.0% (¥1,686 million) to ¥86,016 million, and net income increased by 9.1% (¥4,660 million) to ¥55,700 million.

PVC/Chlor-Alkali Business

With regard to the PVC business, while a solid recovery has not been seen in the U.S. housing market, Shintech Inc. in the U.S. continued a high level of shipments by expanding sales to its customers worldwide, and its business performance greatly increased. Shin-Etsu PVC in the Netherlands also maintained its good shipments. On the other hand, the tough business situation in Japan continued due in part to sluggish demand and the effect of raw material price increases.

As a result, compared with the first half of FY2012, net sales for this business segment increased by 11.5% (¥18,400 million) to ¥178,517 million and operating income increased by 81.2% (¥10,859 million) to ¥24,238 million.

Silicones Business

With regard to the silicones business, sales in Japan continued to be good in such product applications areas as the automobile and cosmetics fields; however, in applications for the electric and electronics field, on the whole the business was slow. In our silicones business outside of Japan, while sales of functional silicone products maintained their strength, general-purpose silicone products were strongly affected by a slump in market prices.

As a result, compared with the first half of FY2012, net sales for this business segment decreased by 6.9% (¥4,856 million) to ¥65,587 million and operating income decreased by 14.6% (¥2,548 million) to ¥14,869 million.

Specialty Chemicals Business

With regard to cellulose derivatives, in Japan this business continued to do well, mainly in products for building and construction applications and for pharmaceutical-use. SE Tylose in Germany increased its business performance with firm shipments of pharmaceutical-use products in addition to those for coating applications and building and construction applications. The silicon metal business of Simcoa Operations in Australia was affected by the sluggish market for silicon metal.

As a result, compared with the first half of FY2012, net sales for this business segment decreased by 2.2% (¥939 million) to ¥41,304 million and operating income increased by 8.3% (¥585 million) to ¥7,605 million.

Semiconductor Silicon Business

With regard to semiconductor silicon, the demand for such cutting-edge semiconductor devices as smartphones and tablet PCs was strong, but demand for consumer electronics products such as PCs and flat-panel TVs remained slow. Thus, the difficult situation in the semiconductor silicon business continued.

As a result, compared with the first half of FY2012, net sales for this business segment decreased by 12.6% (¥15,663 million) to ¥108,507 million and operating income decreased by 40.3% (¥8,503 million) to ¥12,580 million.

Electronics & Functional Materials Business

With regard to the rare earth magnets business, shipments of products for applications in automobiles, starting with those for hybrid vehicles, did well; however, shipments for energy-saving types of air conditioners were not so good. Photoresist products remained strong, aided by the progress in semiconductor device miniaturization. The business of materials for high-luminance LED packaging continued to do well. Shipments of optical fiber preform were also firm.

As a result, compared with the first half of FY2012, net sales for this business segment increased by 32.9% (¥25,150 million) to ¥101,633 million and operating income increased by 11.8% (¥2,209 million) to ¥20,954 million.

Diversified Business

Shin-Etsu Polymer Co., Ltd.'s business of keypads for automobile applications remained firm; however, the company's business of semiconductor wafer-related containers continued to be slow due to sluggish demand for semiconductor devices. The engineering business was good.

As a result, compared with the first half of FY2012, net sales for this business segment decreased by 13.5% (¥6,461 million) to ¥41,448 million and operating income increased by 14.0% (¥381 million) to ¥3,106 million.

(2) Qualitative information regarding the consolidated business forecast

With regard to the business prospect going forward, a sense of uncertainty is still high with regard to the world economy due in part to uneasiness about the debt problems in Europe, and the world business situation still does not allow for optimism. Moreover, there are concerns in Japan about the impact of the world economy's downward movement and also the impact of domestic deflation. Thus, the difficult business situation is expected to continue.

To cope with the severe business environment the Shin-Etsu Group is facing, we will develop aggressive sales activities to our wide range of customers worldwide, and at the same time, we will cultivate new demand through the development of products that have special characteristics. In addition, we will promote the strengthening of each of our businesses by such means as further focusing on improving our technologies and enhancing product quality, geographically diversifying our manufacturing bases on a global scale and striving to assure the stable securing of raw materials.

The Shin-Etsu Group has not changed its business forecast, which was announced on July 26, 2012.

2. Other Information

Changes of accounting policies applied, changes in accounting estimates and retrospective restatement

Changes in accounting policies

(Changes in depreciation method)

Effective the first quarter of FY2013, due to a revision of the corporate tax law in Japan, the company and some of its domestic consolidated subsidiaries have applied a depreciation method based on the revised law for tangible assets purchased on or after 1 April, 2012.

The impact of this change on operating income, ordinary income and income before income taxes for the first half of FY2013 is immaterial.

3. Consolidated Financial Statements

(1) Consolidated balance sheets

As of March 31 and September 30, 2012

	Millions of yen	
	March 31, 2012	September 30, 2012
ASSETS		
Current Assets:		
Cash and time deposits	241,390	237,191
Notes and accounts receivable-trade	264,283	273,070
Securities	89,301	132,892
Inventories	260,308	262,043
Other	93,944	62,708
Less: Allowance for doubtful accounts	(6,982)	(6,516)
Total current assets	942,244	961,390
Fixed Assets:		
Property, plant and equipment		
Machinery and equipment, net	330,707	331,679
Other, net	267,851	280,716
Total property, plant and equipment	598,558	612,395
Intangible fixed assets	13,587	13,384
Investments and other assets		
Investments and other assets	255,469	251,955
Less: Allowance for doubtful accounts	(17)	(51)
Total investments and other assets	255,451	251,903
Total fixed assets	867,596	877,683
TOTAL ASSETS	1,809,841	1,839,074

	Millions of yen	
	March 31, 2012	September 30, 2012
LIABILITIES		
Current Liabilities:		
Notes and accounts payable-trade	109,378	105,117
Short-term borrowings	13,862	9,844
Accrued income taxes	34,758	15,154
Allowances	2,247	2,252
Other	87,193	90,164
	247,441	222,533
Long-term Liabilities:		
Long-term debt	1,454	6,624
Allowances	17,109	18,463
Other	49,263	55,699
	67,827	80,788
TOTAL LIABILITIES	315,268	303,321
NET ASSETS		
Stockholders' Equity:		
Common stock	119,419	119,419
Additional paid-in capital	128,177	128,177
Retained earnings	1,435,693	1,470,767
Less: Treasury stock, at cost	(40,925)	(40,916)
	1,642,365	1,677,448
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	1,212	(2,571)
Deferred gains (losses) on hedges	25	(79)
Foreign currency translation adjustments	(190,249)	(181,915)
	(189,011)	(184,567)
Share Subscription Rights	3,491	2,575
Minority Interests in Consolidated Subsidiaries	37,727	40,296
TOTAL NET ASSETS	1,494,573	1,535,752
TOTAL LIABILITIES AND NET ASSETS	1,809,841	1,839,074

(2) Consolidated statements of income and statements of comprehensive income

Consolidated statements of income

For the first half ended September 30, 2011 and 2012

	Millions of yen	
	April - September 2011	April - September 2012
Net sales	521,368	536,998
Cost of sales	389,949	403,211
Gross profit	131,419	133,787
Selling, general and administrative expenses	51,007	50,167
Operating income	80,411	83,620
Non-operating income:		
Interest income	1,568	1,207
Equity in earnings of affiliates	4,788	3,729
Other income	9,098	4,163
Total non-operating income	15,455	9,100
Non-operating expenses:		
Foreign exchange loss	10,750	4,851
Other expenses	786	1,852
Total non-operating expenses	11,536	6,704
Ordinary income	84,330	86,016
Extraordinary losses:		
Loss on disaster	5,312	-
Loss on write-down of investment securities	1,168	-
Total extraordinary losses	6,481	-
Income before income taxes	77,849	86,016
Income taxes-current	21,603	16,914
Income taxes-deferred	4,734	12,780
Total income taxes	26,337	29,695
Income before minority interests	51,511	56,320
Minority interests in earnings of consolidated subsidiaries	471	620
Net income	51,040	55,700

Consolidated statements of comprehensive income
For the first half ended September 30, 2011 and 2012

	Millions of Yen	
	April - September 2011	April - September 2012
Income before minority interests	51,511	56,320
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	(4,264)	(3,882)
Deferred gains (losses) on hedges	(424)	(135)
Foreign currency translation adjustments	5,336	7,849
Share of other comprehensive income of associates accounted for by using the equity method	69	825
Total other comprehensive income	717	4,657
Comprehensive income	52,228	60,978
(Breakdown)		
Comprehensive income attributable to owners of the parent	51,495	60,144
Comprehensive income attributable to minority interests	733	833

(3) Consolidated statements of cash flows

For the first half ended September 30, 2011 and 2012

	Millions of yen	
	April – September 2011	April - September 2012
Cash flows from operating activities		
Income before income taxes	77,849	86,016
Depreciation and amortization	39,568	38,332
Interest and dividend income	(2,530)	(2,208)
Equity in (earnings) losses of affiliates	(4,788)	(3,729)
(Increase) decrease in notes and accounts receivable	8,596	(5,576)
(Increase) decrease in inventories	(49,525)	13,824
Increase (decrease) in notes and accounts payable	8,935	2,550
Other, net	10,160	8,225
Subtotal	88,264	137,434
Proceeds from interest and dividends	6,401	2,839
Payment of interest	(260)	(190)
Payment of income taxes	(21,754)	(36,423)
Payment for loss on disaster	(11,721)	-
Net cash provided by operating activities	60,929	103,659
Cash flows from investing activities		
Net (increase) decrease in marketable securities	1,791	(1,153)
Purchase of property, plant and equipment	(41,260)	(38,200)
Purchase of investment securities	(622)	(5,569)
Proceeds from sales and redemption of investment securities	34	5,042
Other, net	(4,600)	(21,188)
Net cash used for investing activities	(44,657)	(61,068)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	810	1,325
Proceeds from long-term debt	1,157	5,183
Repayment of long-term debt	(1,659)	(5,466)
Cash dividends paid	(21,229)	(21,229)
Other, net	(651)	(460)
Net cash used for financing activities	(21,574)	(20,647)
Effect of exchange rate change on cash and cash equivalents	(2,011)	4,067
Net increase (decrease) in cash and cash equivalents	(7,314)	26,010
Cash and cash equivalents at beginning of period	302,285	270,321
Increase (decrease) in cash and cash equivalents resulting from changes in scope of consolidation	-	11
Cash and cash equivalents at end of period	294,971	296,343

(4) Notes on premise of going concern

Not applicable

(5) Segment information

Information regarding sales and income (loss) of reportable segments

1) For the first half ended September 30, 2012 (From April 1, 2012 to September 30, 2012)

	Millions of yen							Adjustment*	Figures in consolidated statement of income
	April – September 2012								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total		
Sales to outside customers	178,517	65,587	41,304	108,507	101,633	41,448	536,998	-	536,998
Intersegment sales	1,739	2,140	3,941	0	1,447	32,589	41,858	(41,858)	-
Total	180,256	67,728	45,245	108,507	103,081	74,037	578,857	(41,858)	536,998
Segment income (Operating income)	24,238	14,869	7,605	12,580	20,954	3,106	83,356	263	83,620

*Elimination of intersegment transactions

2) For the first half ended September 30, 2011 (From April 1, 2011 to September 30, 2011)

	Millions of yen							Adjustment*	Figures in consolidated statement of income
	April – September 2011								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total		
Sales to outside customers	160,117	70,443	42,243	124,170	76,483	47,909	521,368	-	521,368
Intersegment sales	2,014	2,174	4,203	0	1,520	32,895	42,809	(42,809)	-
Total	162,131	72,618	46,447	124,171	78,004	80,805	564,178	(42,809)	521,368
Segment income (Operating income)	13,379	17,417	7,020	21,083	18,745	2,725	80,371	39	80,411

*Elimination of intersegment transactions

Main products and services of each segment

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
Diversified Business	Processed plastics, Export of plant equipment, Technology licensing, International trading, Engineering

(6) Notes on significant changes in stockholders' equity

Not applicable

Appendix: Quarterly operating results

(Billions of yen)

		FY 2012 April 2011 - March 2012					FY 2013 April 2012 - March 2013		
		1Q	2Q	3Q	4Q	Total	1Q	2Q	First Half Total
		Sales	250.0	271.4	270.0	256.3	1,047.7	266.5	270.5
PVC / Chlor-Alkali	67.5	92.6	87.0	76.9	324.0	85.5	93.0	178.5	
Silicones	35.5	35.0	31.6	33.4	135.5	32.2	33.4	65.6	
Specialty Chemicals	20.8	21.4	22.7	22.2	87.1	21.5	19.8	41.3	
Semiconductor Silicon	66.2	58.0	57.2	48.2	229.6	54.4	54.1	108.5	
Electronics & Functional Materials	36.0	40.5	48.6	52.7	177.8	52.1	49.5	101.6	
Diversified	24.0	23.9	22.9	22.9	93.7	20.8	20.7	41.5	
Operating Income	40.0	40.4	37.2	32.0	149.6	40.3	43.3	83.6	
PVC / Chlor-Alkali	6.1	7.3	7.0	3.3	23.7	9.9	14.3	24.2	
Silicones	9.2	8.2	7.1	9.2	33.7	7.5	7.4	14.9	
Specialty Chemicals	3.5	3.5	3.5	4.2	14.7	3.9	3.7	7.6	
Semiconductor Silicon	10.4	10.7	9.4	3.8	34.3	6.6	6.0	12.6	
Electronics & Functional Materials	9.2	9.6	9.2	10.2	38.2	10.4	10.6	21.0	
Diversified	1.7	1.0	1.0	1.3	5.0	1.8	1.3	3.1	
Ordinary Income	42.2	42.1	41.1	39.8	165.2	41.0	45.0	86.0	
Net Income	23.8	27.2	24.6	25.0	100.6	26.6	29.1	55.7	
Depreciation and Amortization	19.1	20.5	22.2	21.1	82.9	18.7	19.6	38.3	
Capital Expenditures	20.6	21.6	15.5	29.5	87.2	20.3	21.1	41.4	
R&D Costs	8.3	9.6	9.0	8.8	35.7	8.9	9.6	18.5	
Overseas Sales	Amount	158.9	181.1	177.0	164.4	681.4	175.3	183.9	359.2
	Ratio*	64%	67%	66%	64%	65%	66%	68%	67%

*Note: % indicates ratio to total consolidated sales.