

Financial Summary

For the six months ended September 30, 2012

(October 25, 2012)

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. dollars 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)

	2011 April - September	2012 April - September	Increase (Decrease)
Net Sales	521.4	537.0	3% 15.6
Operating income	80.4	83.6	4% 3.2
Ordinary income	84.3	86.0	2% 1.7
Net income	51.0	55.7	9% 4.7
ROE (per annum)	7.1%	7.6%	0.5points
ROA (per annum)	9.4%	9.4%	0.0points
Per share (in Yen)			
Net income	120.21	131.18	10.97
Cash dividend	50	50	-

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 2011	September 30 2012	Increase (Decrease)	March 31 2012	Increase (Decrease)
Net Assets	1,499.5	1,535.8	36.3	1,494.6	41.2 Billion yen
Total Assets	1,817.5	1,839.1	21.6	1,809.8	29.3 Billion yen
Equity Ratio	80.2%	81.2%	1.0points	80.3%	0.9 points
Net Assets per share (in Yen)	3,432	3,516	84	3,423	93 Yen



Financial Highlights (Consolidated)

(Billions of Yen)

	2011 April - September	2012 April - September
Capital expenditures	42.2	41.4
Depreciation and amortization	39.6	38.3
R&D costs	17.9	18.5
Interest-bearing liabilities	14.5	16.5
Number of employees	16,119	16,739
Exchange rate: Jan - Jun (Avg)	82.0	79.7
(Yen/US\$) Apr - Sep (Avg)	79.8	79.4

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 (1) on page 20.



Segment Information (Consolidated)

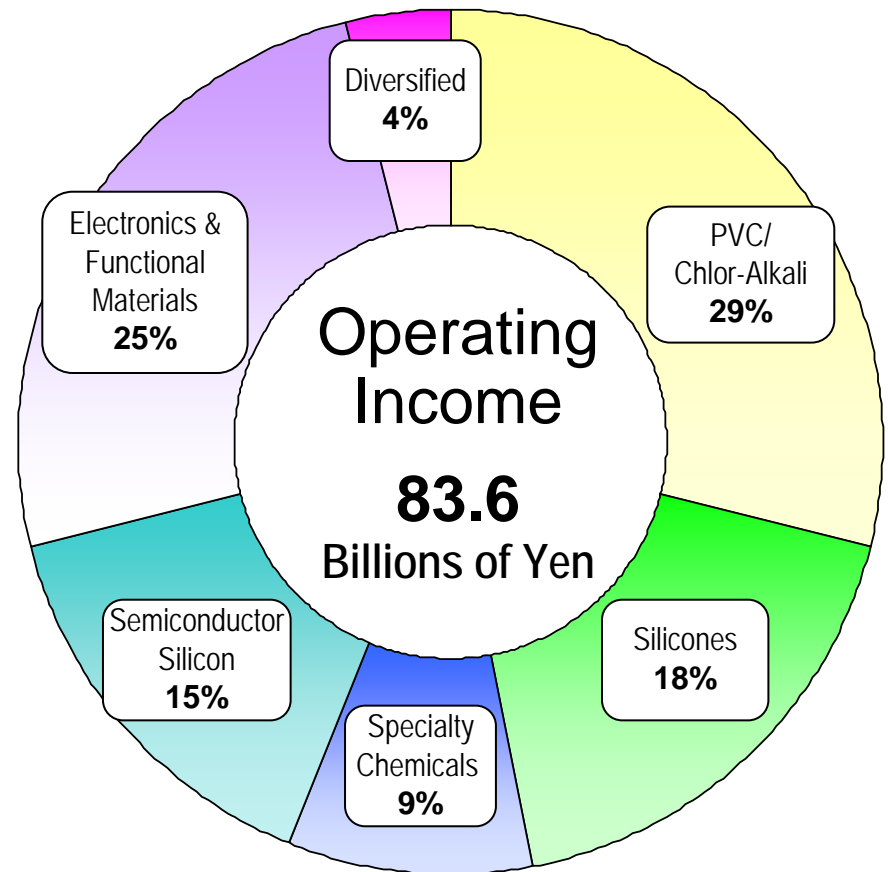
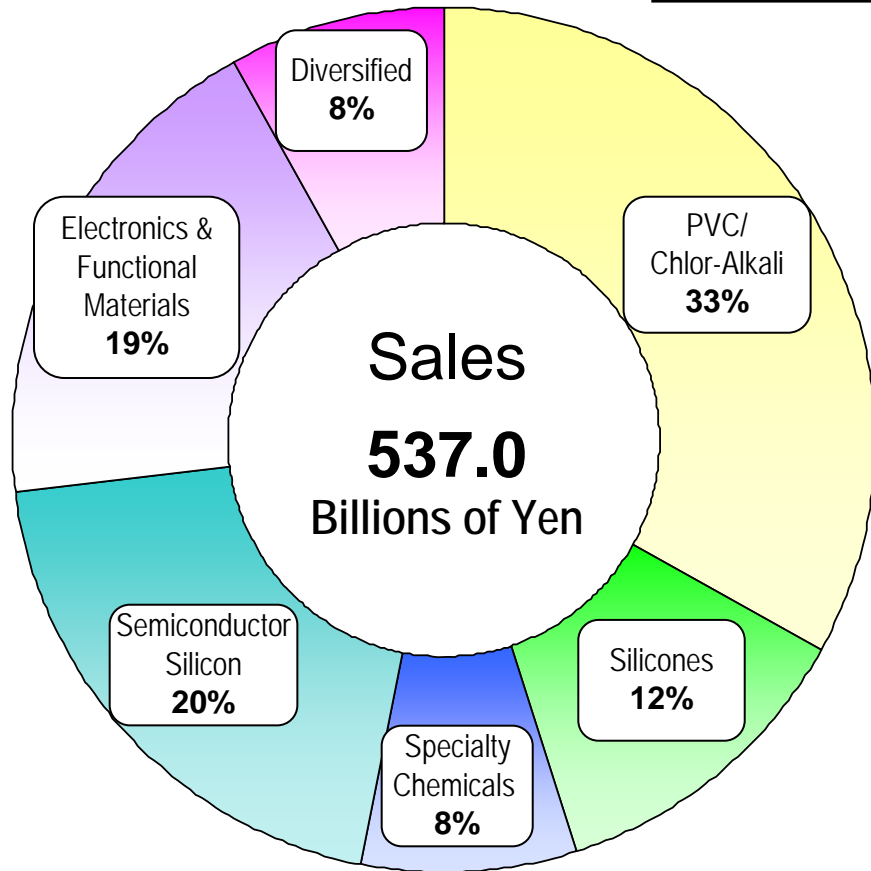
(Billions of Yen)

	Net Sales			Operating Income		
	2011 Apr - Sep	2012 Apr - Sep	Increase (Decrease)	2011 Apr - Sep	2012 Apr - Sep	Increase (Decrease)
PVC/Chlor-Alkali Business	160.1	178.5	11% 18.4	13.4	24.2	81% 10.8
Silicones Business	70.5	65.6	(7%) (4.9)	17.4	14.9	(15%) (2.5)
Specialty Chemicals Business	42.2	41.3	(2%) (0.9)	7.0	7.6	8% 0.6
Semiconductor Silicon Business	124.2	108.5	(13%) (15.7)	21.1	12.6	(40%) (8.5)
Electronics & Functional Materials Business	76.5	101.6	33% 25.1	18.8	21.0	12% 2.2
Diversified Business	47.9	41.5	(13%) (6.4)	2.7	3.1	14% 0.4
Total	521.4	537.0	3% 15.6	80.4	83.6	4% 3.2



Sales and Operating Income by Segment (Proportion)

2012
April - September



● ● ● | Capital expenditures and
Depreciation and amortization by Segment

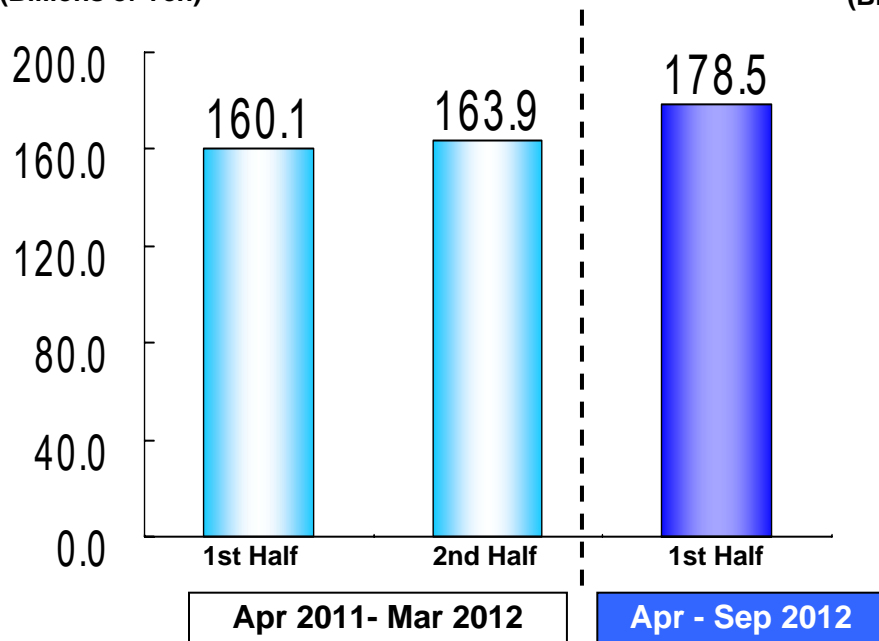
(Billions of Yen)

	2011 April - September	2012 April - September
Capital expenditures	42.2	41.4
PVC/Chlor- Alkali Business	12.6	6.8
Silicones Business	5.1	8.4
Specialty Chemicals Business	6.1	8.0
Semiconductor Silicon Business	11.3	7.7
Electronics & Functional Materials Business	5.7	8.4
Diversified Business	1.5	2.2
Depreciation and amortization	39.6	38.3
PVC/Chlor- Alkali Business	7.3	10.0
Silicones Business	3.6	3.7
Specialty Chemicals Business	4.1	4.2
Semiconductor Silicon Business	16.3	12.7
Electronics & Functional Materials Business	6.5	6.2
Diversified Business	1.8	1.7

● ● ● | PVC/Chlor-Alkali Business Segment

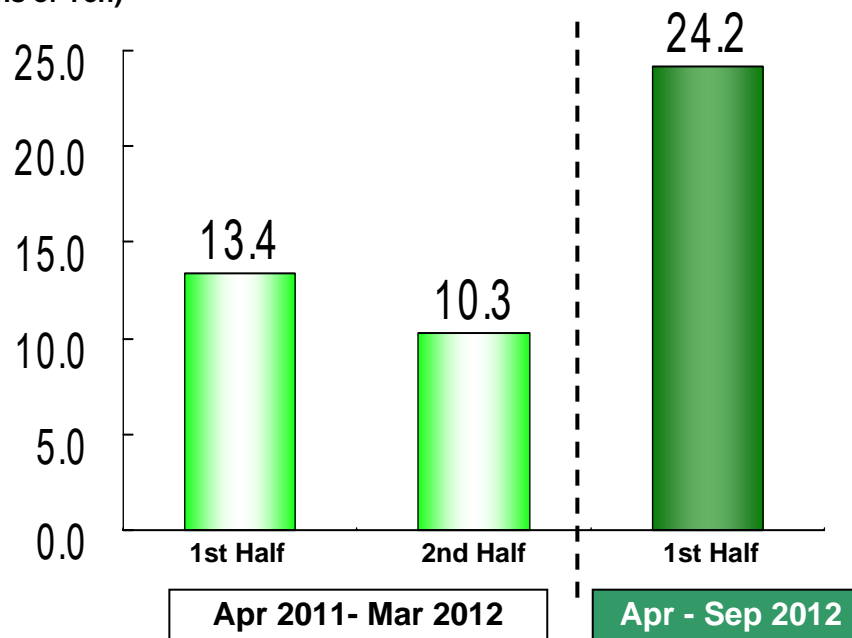
Net Sales

(Billions of Yen)



Operating Income

(Billions of Yen)



- 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.

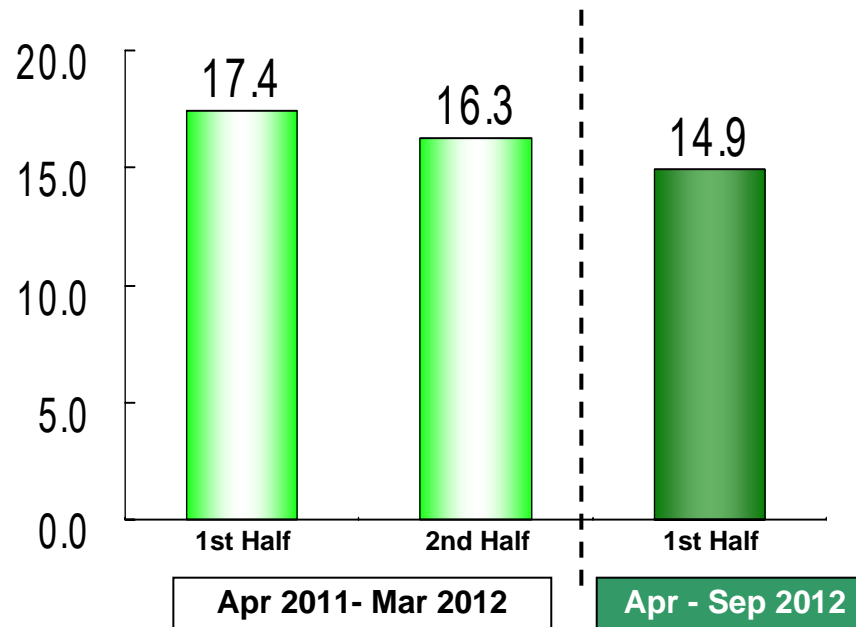
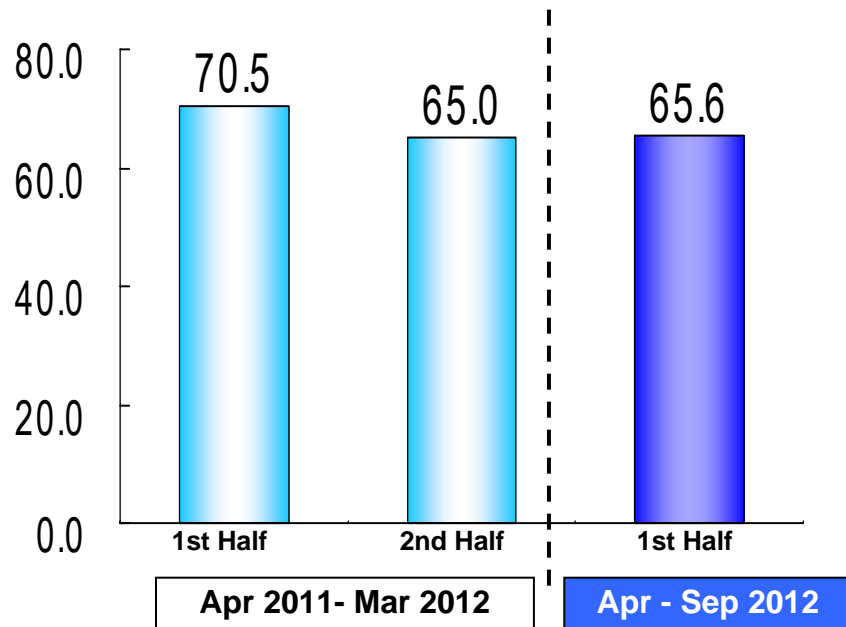
● ● ● | Silicones Business Segment

Net Sales

Operating Income

(Billions of Yen)

(Billions of Yen)



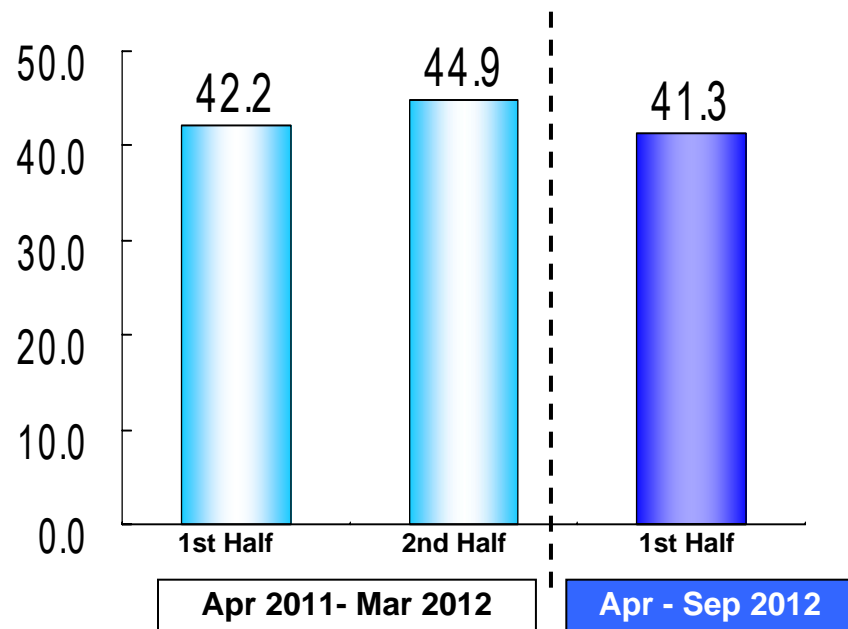
- **With regard to the silicones business, sales in Japan continued to be good in such product applications areas as the automobile and cosmetics fields; however, in applications for the electric and electronics field, on the whole the business was slow. In our silicones business outside of Japan, while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

● ● ● | Specialty Chemicals Business Segment

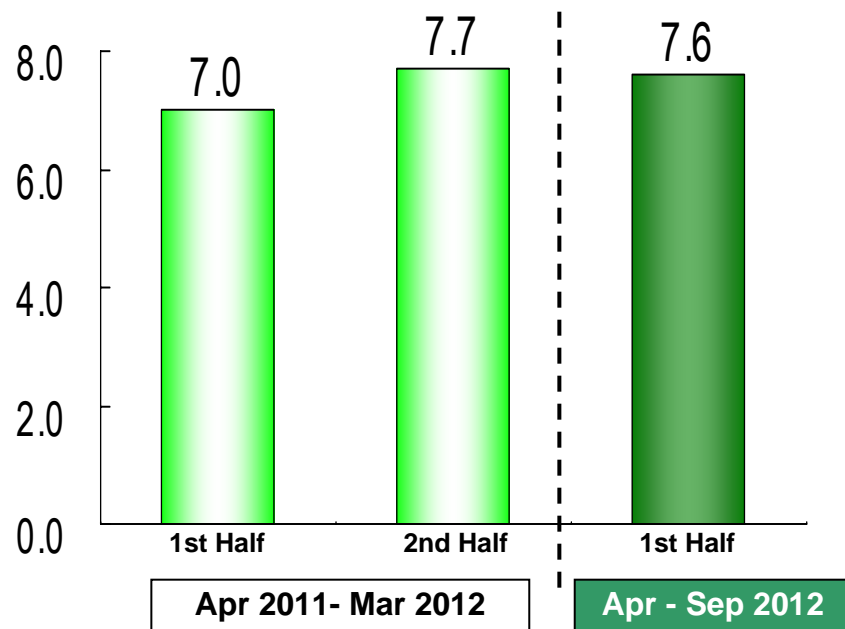
Net Sales

Operating Income

(Billions of Yen)



(Billions of Yen)



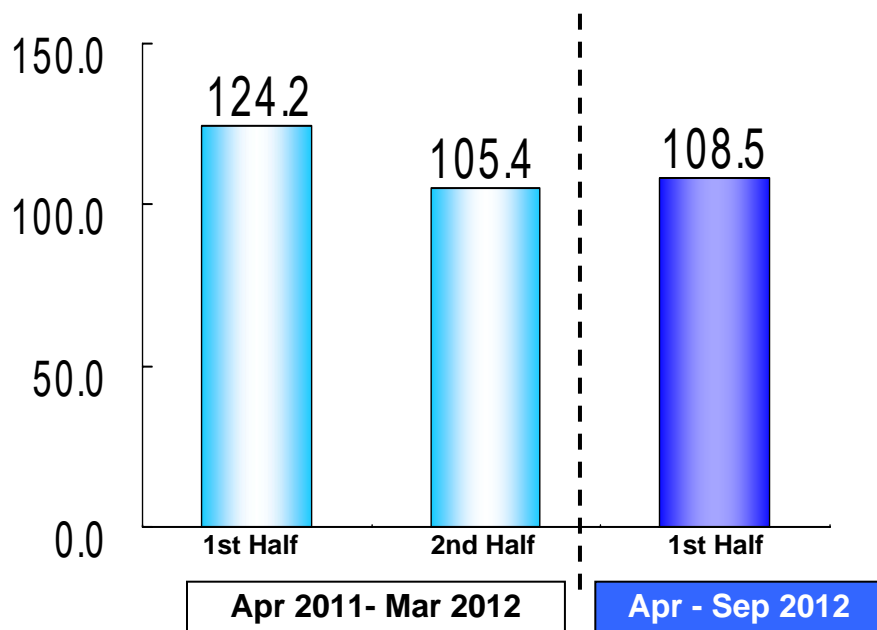
- With regard to cellulose derivatives, in Japan this business continued to do well, mainly in products for building and construction applications and for pharmaceutical-use.
- SE Tylose in Germany increased its business performance with firm shipments of pharmaceutical-use products in addition to those 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.



Semiconductor Silicon Business Segment

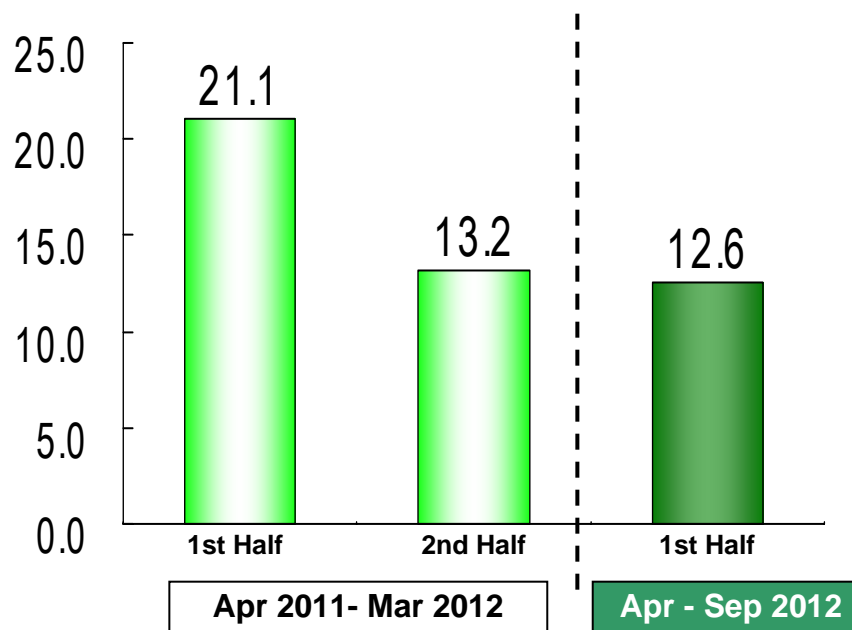
Net Sales

(Billions of Yen)



Operating Income

(Billions of Yen)



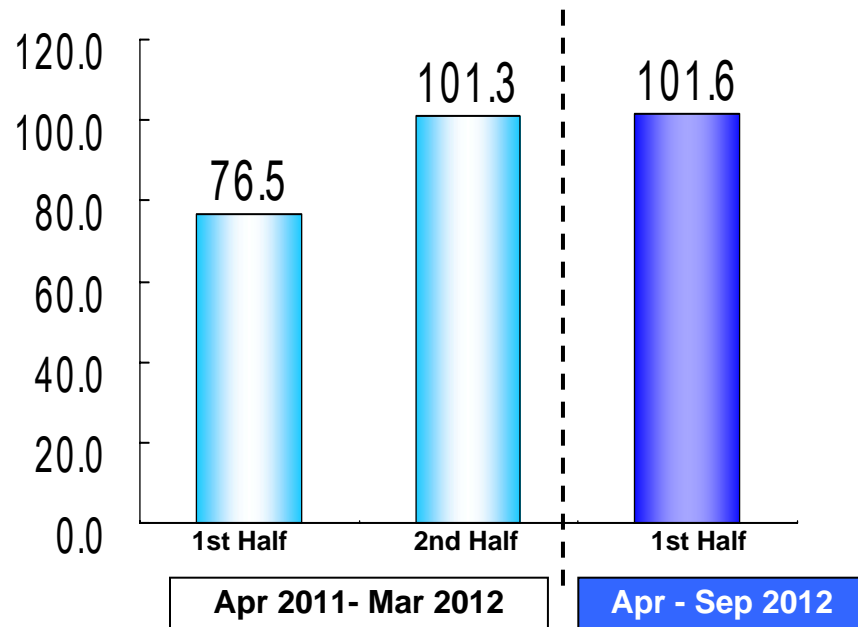
- With regard to semiconductor silicon, the demand for such cutting-edge semiconductor devices as smartphones and tablet PCs was strong, but demand for consumer electronics products such as PCs and flat-panel TVs remained slow. Thus, the difficult situation in the semiconductor silicon business continued.



Electronics & Functional Materials Business Segment

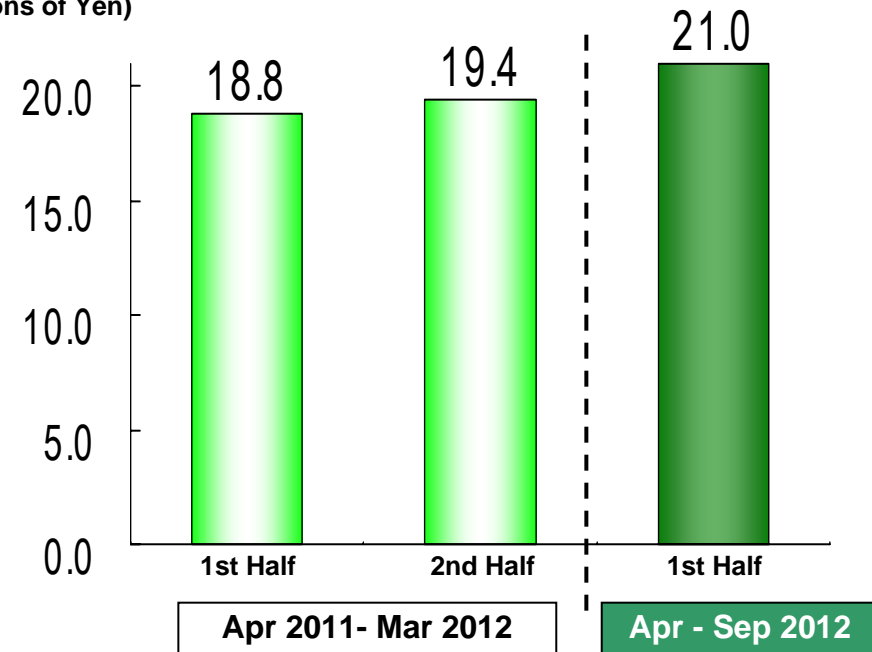
Net Sales

(Billions of Yen)



Operating Income

(Billions of Yen)



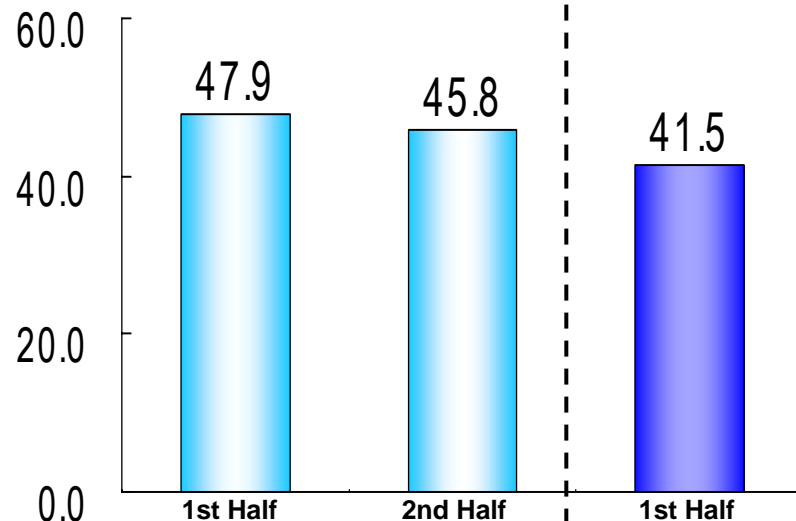
- With regard to the rare earth magnets business, shipments of products for applications in automobiles, starting with those for hybrid vehicles, did well; however, shipments for energy-saving types of air conditioners were not so good.
- Photoresist products remained strong, aided by the progress in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

● ● ● | Diversified Business Segment

Net Sales

Operating Income

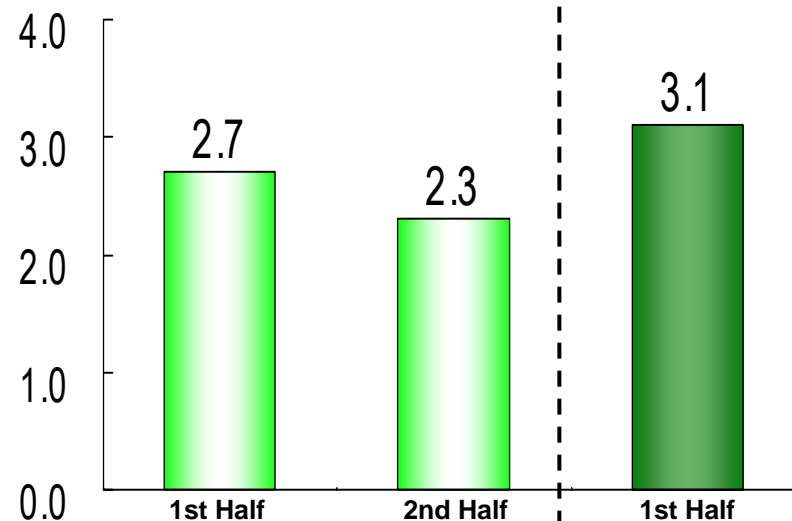
(Billions of Yen)



Apr 2011- Mar 2012

Apr - Sep 2012

(Billions of Yen)



Apr 2011- Mar 2012

Apr - Sep 2012

- 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.

● ● ● | Quarterly Sales by Segment

(Sales)

(Billions of Yen)

	April 2011 - March 2012				April 2012 - March 2013	
	1Q	2Q	3Q	4Q	1Q	2Q
PVC/Chlor-Alkali Business	67.5	92.6	87.0	76.9	85.5	93.0
Silicones Business	35.5	35.0	31.6	33.4	32.2	33.4
Specialty Chemicals Business	20.8	21.4	22.7	22.2	21.5	19.8
Semiconductor Silicon Business	66.2	58.0	57.2	48.2	54.4	54.1
Electronics & Functional Materials Business	36.0	40.5	48.6	52.7	52.1	49.5
Diversified Business	24.0	23.9	22.9	22.9	20.8	20.7
Total	250.0	271.4	270.0	256.3	266.5	270.5

● ● ● | Quarterly Operating Income by Segment

(Operating Income)

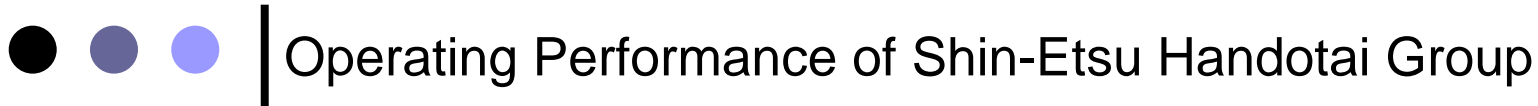
(Billions of Yen)

	April 2011 - March 2012				April 2012 - March 2013	
	1Q	2Q	3Q	4Q	1Q	2Q
PVC/Chlor-Alkali Business	6.1	7.3	7.0	3.3	9.9	14.3
Silicones Business	9.2	8.2	7.1	9.2	7.5	7.4
Specialty Chemicals Business	3.5	3.5	3.5	4.2	3.9	3.7
Semiconductor Silicon Business	10.4	10.7	9.4	3.8	6.6	6.0
Electronics & Functional Materials Business	9.2	9.6	9.2	10.2	10.4	10.6
Diversified Business	1.7	1.0	1.0	1.3	1.8	1.3
Total	40.0	40.4	37.2	32.0	40.3	43.3

● ● ● | Operating Performance of Shintech, Inc.

	2011 January - June		2012 January - June		Increase (Decrease) on US\$ basis
	Millions of US\$	Billions of Yen	Millions of US\$	Billions of Yen	
Net Sales	1,283	105.3	1,520	121.2	18%
Ordinary Income	130	10.7	291	23.2	2.2 times
Net Income	85	6.9	194	15.5	2.3 times
Net Assets	2,920	235.7	3,192	253.2	
Total Assets	4,164	336.2	4,356	345.5	

Exchange rate Jan -Jun (Average) : 2011 82.0Yen/US\$ 2012 79.7Yen/US\$



Operating Performance of Shin-Etsu Handotai Group

Shin-Etsu Handotai Group (Consolidated)

(Shin-Etsu Handotai , SEH-America, SEH-Malaysia, SEH-Europe, SEH-Taiwan)

(Billions of Yen)

	2011 April - September	2012 April - September	Increase (Decrease)
Net Sales	120.9	106.6	(12%)
Ordinary Income	21.6	12.5	(42%)
Net Income	14.1	8.4	(40%)
Net Assets	358.0	360.1	
Total Assets	446.4	427.2	

Note: The financial statements of the overseas Shin-Etsu Handotai Group companies are calculated based on the six months period ended June 2011 and 2012.



Comparative Income Statements (Consolidated)

(Billions of Yen)

	2011 April - September	2012 April - September	Increase (Decrease)
Net Sales	521.4	537.0	3.0% 15.6
Cost of sales	389.9	403.2	13.3
Selling, general and administrative expenses	51.0	50.2	(0.8)
Operating Income	80.4	83.6	4.0% 3.2
Non-operating income/expenses	3.9	2.4	(1.5)
Ordinary Income	84.3	86.0	2.0% 1.7
Extraordinary loss	6.5	-	(6.5)
Income Before Income Taxes	77.8	86.0	10.5% 8.2
Income taxes	26.3	29.7	3.4
Minority interests in earnings of consolidated subsidiaries	0.5	0.6	0.1
Net Income	51.0	55.7	9.1% 4.7

Comparative Balance Sheets (Consolidated)

(Billions of Yen)

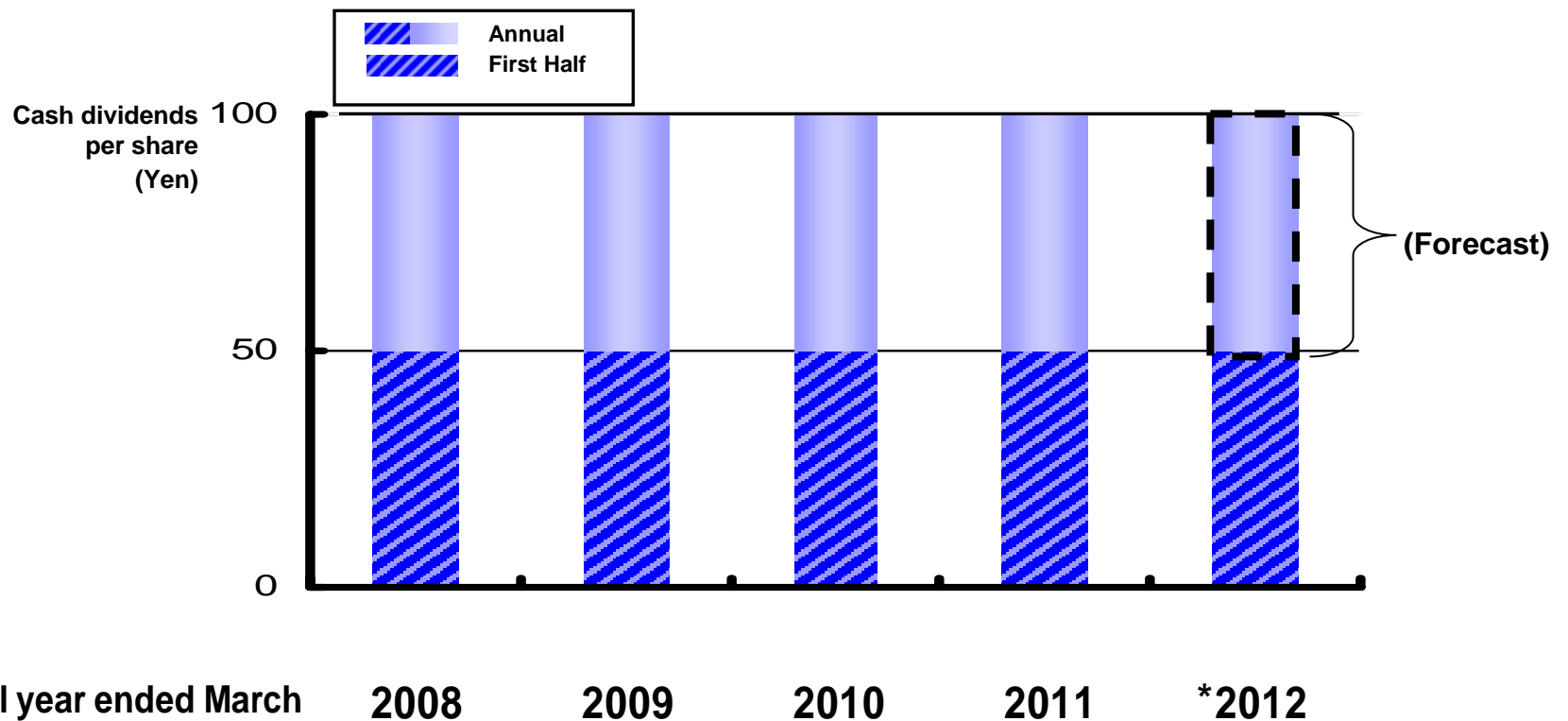
	Sep 30 2011 [a]	Mar 31 2012 [b]	Sep 30 2012 [c]	Increase (Decrease) [c-a]	Increase (Decrease) [c-b]		Sep 30 2011 [a]	Mar 31 2012 [b]	Sep 30 2012 [c]	Increase (Decrease) [c-a]	Increase (Decrease) [c-b]
Current Assets	925.6	942.2	961.4	35.8	19.1	Current Liabilities	253.2	247.4	222.5	(30.7)	(24.9)
Cash and time deposits	253.2	241.4	237.2	(16.0)	(4.2)	Notes and accounts payable-trade	120.1	109.4	105.1	(15.0)	(4.3)
Notes and accounts receivable-trade	263.3	264.3	273.1	9.7	8.8	Short-term borrowings	13.2	13.9	9.8	(3.4)	(4.0)
Securities	103.2	89.3	132.9	29.6	43.6	Accrued income taxes	19.0	34.8	15.2	(3.9)	(19.6)
Inventories	238.3	260.3	262.0	23.7	1.7	Other	100.8	89.4	92.4	(8.4)	3.0
Other	67.5	87.0	56.2	(11.3)	(30.8)						
Fixed Assets	891.9	867.6	877.7	(14.2)	10.1	Long-term Liabilities	64.8	67.8	80.8	16.0	13.0
Property, Plant and Equipment	625.3	598.6	612.4	(12.9)	13.8	Long-term debt	1.2	1.5	6.6	5.4	5.2
Machinery and equipment, net	341.8	330.7	331.7	(10.1)	1.0	Other	63.5	66.4	74.2	10.6	7.8
Other, net	283.5	267.9	280.7	(2.8)	12.9	Total liabilities	318.0	315.3	303.3	(14.6)	(11.9)
Intangible Fixed Assets	14.2	13.6	13.4	(0.8)	(0.2)	Stockholders' Equity	1,612.5	1,642.4	1,677.4	64.9	35.1
Investments and Other Assets	252.4	255.5	251.9	(0.5)	(3.6)	Accumulated Other Comprehensive Income	(155.5)	(189.0)	(184.6)	(29.1)	4.4
Investments in securities	144.5	154.2	151.2	6.6	(3.0)	Share Subscription Rights Minority Interests in Consolidated Subsidiaries	42.4	41.2	42.9	0.4	1.7
Other	107.8	101.3	100.7	(7.1)	(0.6)	Total net assets	1,499.5	1,494.6	1,535.8	36.3	41.2
Total assets	1,817.5	1,809.8	1,839.1	21.6	29.2	Total liabilities and net assets	1,817.5	1,809.8	1,839.1	21.6	29.2

Comparative Statements of Cash Flows (Consolidated)

(Billions of Yen)

	2011 Apr - Sep	2012 Apr - Sep	Increase (Decrease)
(1) Cash Flows from Operating Activities	60.9	103.7	42.8
Net Income	51.0	55.7	4.7
Depreciation and amortization	39.6	38.3	(1.3)
(Increase) Decrease in working capital	(32.0)	10.8	42.8
Others	2.3	(1.1)	(3.4)
(2) Cash Flows from Investing Activities	(44.7)	(61.1)	(16.4)
Capital expenditures	(41.3)	(38.2)	3.1
Others	(3.4)	(22.9)	(19.5)
(3) Cash Flows from Financing Activities	(21.6)	(20.6)	1.0
Increase (Decrease) in borrowings	0.3	1.0	0.7
Cash dividends paid	(21.2)	(21.2)	0.0
Others	(0.7)	(0.5)	0.2
(4) Effect of Exchange Rate Changes on Cash and Cash Equivalents, and other	(1.9)	4.0	5.9
Net Increase (Decrease) in Cash and Cash Equivalents	(7.3)	26.0	33.3
Balance of cash and cash equivalents	295.0	296.3	1.3
Balance of Interest-bearing Liabilities	14.5	16.5	2.0

● ● ● | Cash Dividends per Share



Cash dividends per share (in Yen)	First half	50	50	50	50	50
	Annual	100	100	100	100	* 100
Net income per share (in Yen)	First half	235.04	83.70	146.83	120.21	131.18
	Annual	362.39	197.53	235.80	237.03	* 247.29
Dividend payout ratio	Annual	27.6%	50.6%	42.4%	42.2%	* 40.4%

*Forecast

Forecast of Consolidated Operating Performance
Fiscal year ending March 31, 2013

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

(Billions of Yen)

	Consolidated		
	April 2011 - March 2012 Actual	April 2012 - March 2013 Forecast	Increase (Decrease)
Net sales	1,047.7	1,060.0	1.2%
Operating income	149.6	160.0	6.9%
Ordinary income	165.2	170.0	2.9%
Net income	100.6	105.0	4.3%
Net income per share (Yen)	237.03	247.29	10.26
Cash dividends per share (Yen)	100	100	-
Capital expenditures	87.2	100.0	
Depreciation and amortization	82.9	80.0	

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



Appendix

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		
2011	Jan-Mar	82.3	82.0	79.8	79.8	79.1	112.6	115.0	111.1	109.0	
	Apr-Jun	81.7					79.8				117.4
	Jul-Sep	77.9	77.7	78.3		110.2	107.3	104.2			
	Oct-Dec	77.4				104.3					104.2
2012	Jan-Mar	79.3	79.7	79.4	79.1	104.0	103.4	100.6			
	Apr-Jun	80.2				102.9			100.6		
	Jul-Sep	78.6	98.4								

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 2012	80Yen/\$	100Yen/€



Appendix

2) Overseas sales information

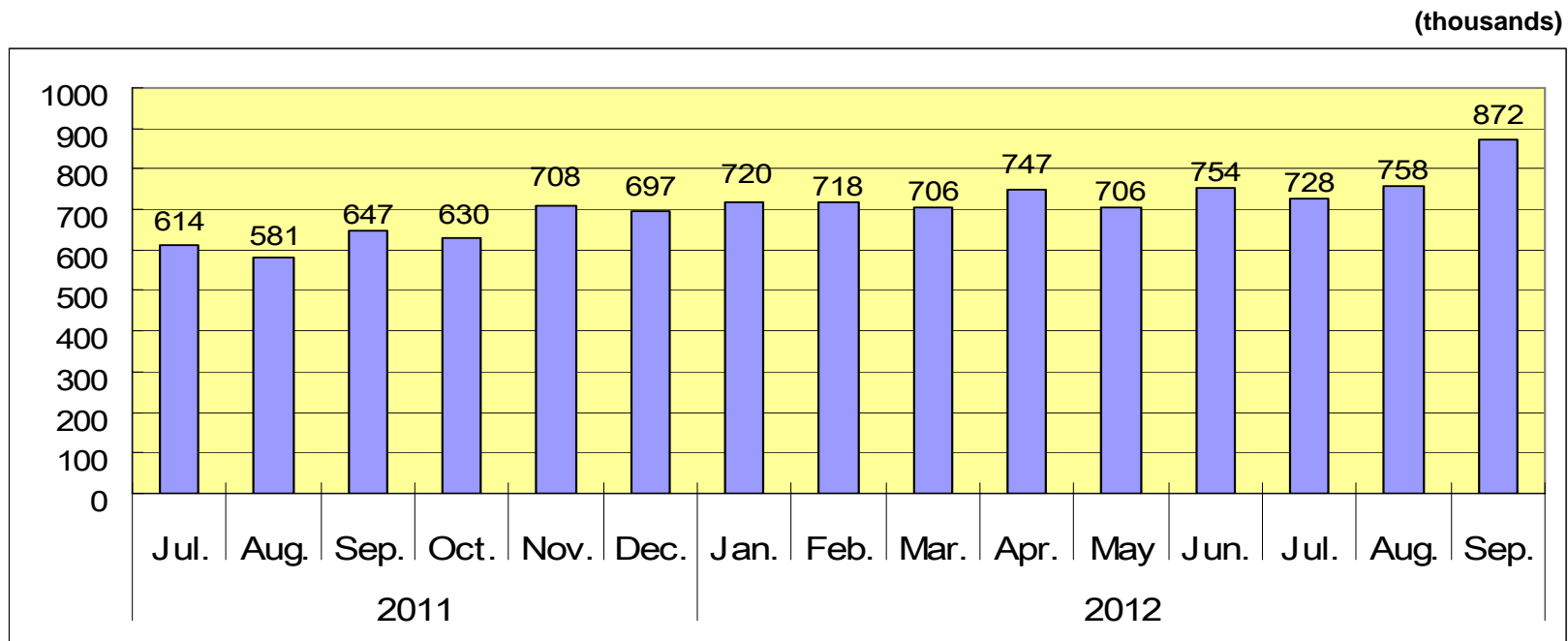
(Billions of Yen)

	Japan	Overseas					Total	Total Consolidated Net Sales
		USA	Asia/Oceania		Europe	Other Areas		
			China					
First Half	35%	15%	27%	9%	13%	10%	65%	
Apr - Sep 2011	181.4	76.8	140.4	47.3	70.1	52.7	340.0	521.4
Second Half	35%	16%	28%	11%	12%	9%	65%	
Sep 2011 - Mar 2012	184.9	82.9	147.7	60.3	60.8	50.0	341.4	526.3
Fiscal year	35%	15%	28%	10%	13%	9%	65%	
ended March 2012	366.3	159.6	288.1	107.6	130.9	102.7	681.4	1,047.7
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

Note: % indicates proportion to total consolidated sales.

● ● ● | Appendix

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)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1,705	1,848	1,956	2,068	1,801	1,355	906	554	587	609

*Data Source: United States Department of Commerce



Appendix

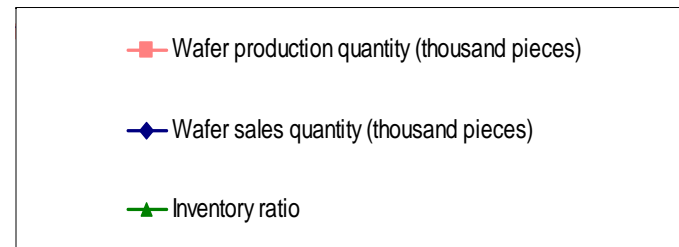
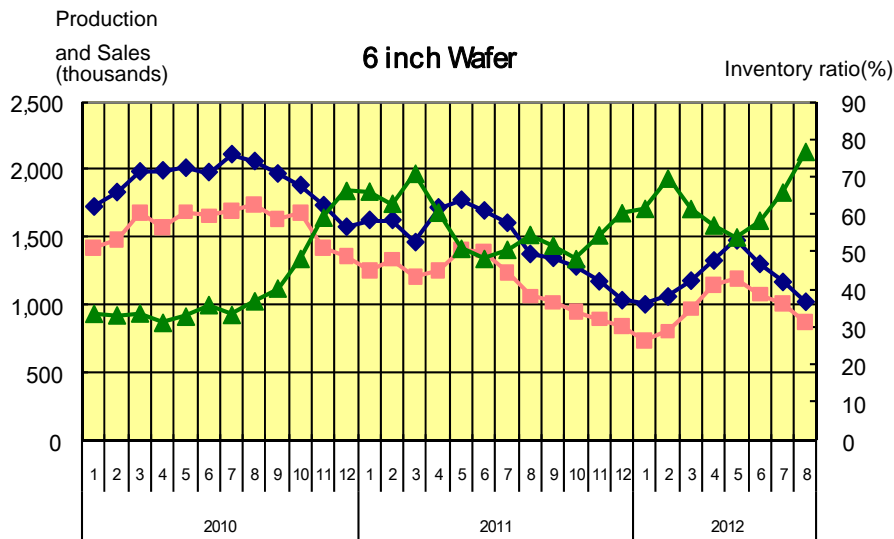
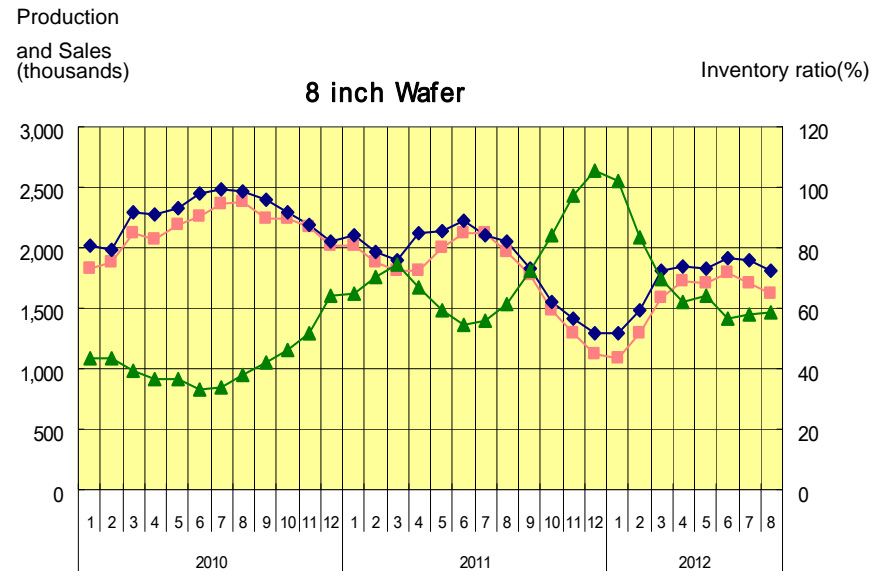
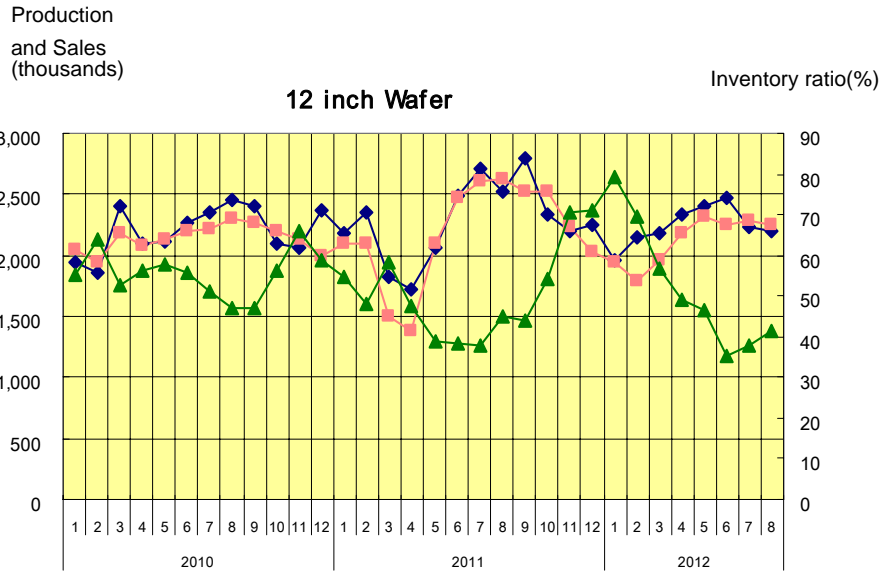
4) Trend of Naphtha Price Traded in Japan

(Yen / KL)

Fiscal Year April 2010 - March 2011		Fiscal Year April 2011 - March 2012				Fiscal Year April 2012 - March 2013	
(2010) Oct-Dec	(2011) Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	(2012) Jan-Mar	Apr-Jun	Jul-Sep
45,100	52,600	59,000	55,000	51,700	54,100	60,600	50,000 (est)

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

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, 2011 ~ Oct. 22, 2012)

- Oct. 2011** Shin-Etsu Chemical reported on the impact of the severe flooding in Thailand on its operations in that country.
- Dec. 2011** Shin-Etsu Chemical announced the reorganization of Kashima Chlorine & Alkali Co., Ltd. and Kashima Vinyl Chloride Monomer Co., Ltd.
- Jan. 2012** Shin-Etsu Chemical decided to set up two new companies in Vietnam, one for the manufacture of silicone materials for high-brightness LED packaging and the other for the separation and refinement of rare earths.
- Feb. 2012** Shin-Etsu Chemical developed and started to sell a new generation of low refractive index silicone encapsulating material that considerably improves the reliability of high-brightness LEDs.
- Feb. 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.
- Mar. 2012** Shin-Etsu Chemical decided to set up a base in China to manufacture magnet alloys for rare earth magnets.
- May. 2012** SE-Tylose, a 100%-owned subsidiary of Shin-Etsu Chemical Co., Ltd. decided to establish a manufacturing plant for hydroxyethyl cellulose (HEC) in the U.S.
- Sep. 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.

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

7) Progress of overseas capital investment

(As of Oct. 25, 2012)

Shin-Etsu (Jiangsu) Optical Preform Co., Ltd.

(Jiangyin, Jiangsu Province, China)

- Completed a plant to produce the equivalent of 8,000,000 km/year of optical fiber.
- Start of operations:
Started test runs in Feb. 2012, and now is gradually increasing its operations toward full-capacity production.

Shin-Etsu Silicone (Nantong) Co., Ltd.

(Nantong, Jiangsu Province, China)

- Started operations at some facilities in its plant, which has a capacity of 25,000 tons/year for silicone rubber products.
- Start of operations:
Started to produce prototypes in some facilities from July 2012, and now is gradually increasing its operation level toward full-capacity production.

SE-Tylose GmbH & Co. KG

(Louisiana, the U.S.)

- Decided to establish a manufacturing plant for hydroxyethyl cellulose (HEC) with a production capacity of 9,000tons/year.
- Start of operations:
Scheduled for early 2014.

Shin-Etsu Electronics Materials Vietnam Co., Ltd.

(Hung Yen Province, Vietnam)

- Construction underway of a plant for silicone-based encapsulating materials and reflectors for LEDs.
- Start of operations:
Scheduled for Mar. 2013.

Shin-Etsu (Changting) Technology Co., Ltd.

(Longyan, Fujian Province, China)

- Construction underway of a 3,000tons/year-capacity plant for magnet alloys used for the manufacture of rare earth magnets.
- Start of operations:
Scheduled for Jan. 2013.

Shin-Etsu Magnetic Materials Vietnam Co., Ltd.

(Hai Phong Province, Vietnam)

- Construction underway of a plant for the separation and refinement of rare earths.
- Start of operations:
Scheduled for Feb. 2013.

Simcoa Operations Pty. Ltd.

(Western Australia, Australia)

- Completed expansion of silicon metal production capacity from 32,000 to 48,000 tons.
- Start of operations:
Started test runs from Sep. 2012, and now is increasing its operation level toward full-capacity production.