



Financial Summary

For the six months ended September 30, 2011

(October 27, 2011)

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)

	2010 April - September	2011 April - September	Increase (Decrease)
Net Sales	532.6	521.4	(2%) (11.2)
Operating income	76.1	80.4	6% 4.3
Ordinary income	81.2	84.3	4% 3.1
Net income	62.3	51.0	(18%) (11.3)
ROE (per annum)	8.7%	7.1%	(1.6points)
ROA (per annum)	9.2%	9.4%	0.2points
Per share (in Yen)			
Net income	146.83	120.21	(26.62)
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 2010	September 30 2011	Increase (Decrease)	March 31 2011	Increase (Decrease)
Net Assets	1,476.2	1,499.5	23.3	1,469.4	30.1 Billion yen
Total Assets	1,777.8	1,817.5	39.7	1,784.2	33.3 Billion yen
Equity Ratio	80.6%	80.2%	(0.4points)	80.0%	0.2 points
Net Assets per share (in Yen)	3,376	3,432	56	3,360	72 Yen

● ● ● | Financial Highlights (Consolidated)

(Billions of Yen)

	2010 April - September	2011 April - September
Capital expenditures	58.2	42.2
Depreciation and amortization	45.3	39.6
R&D costs	18.0	17.9
Interest-bearing liabilities	18.8	14.5
Number of employees	16,866	16,119
Exchange rate: Jan - Jun (Avg)	91.4	82.0
(Yen/US\$) Apr - Sep (Avg)	88.9	79.8

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)

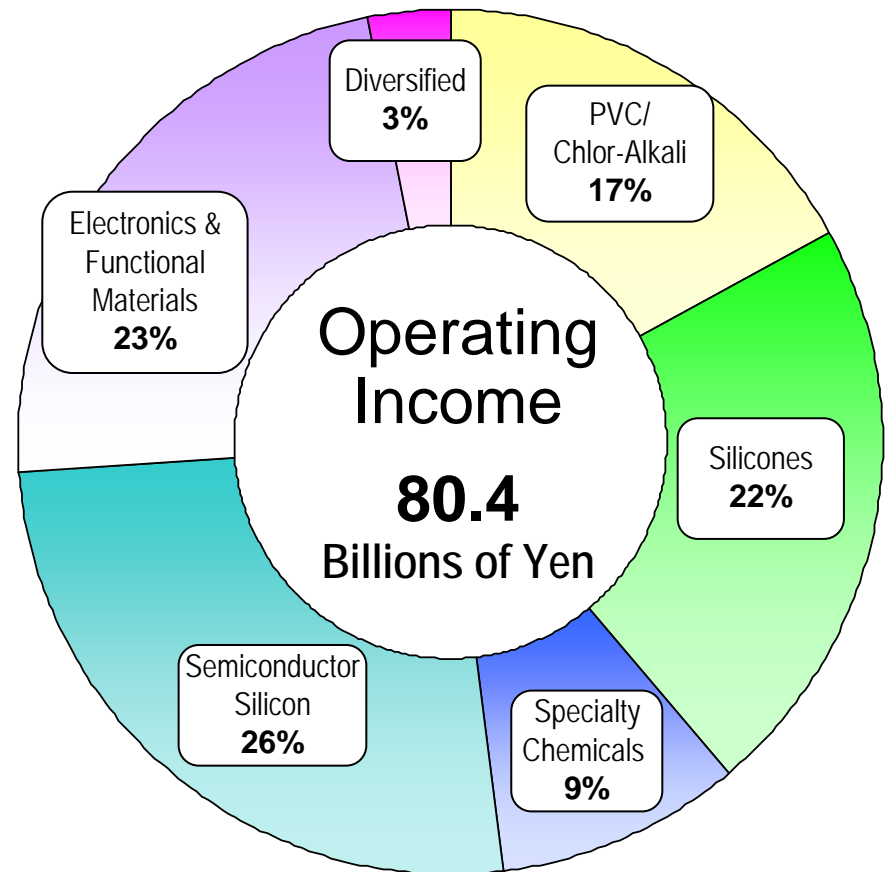
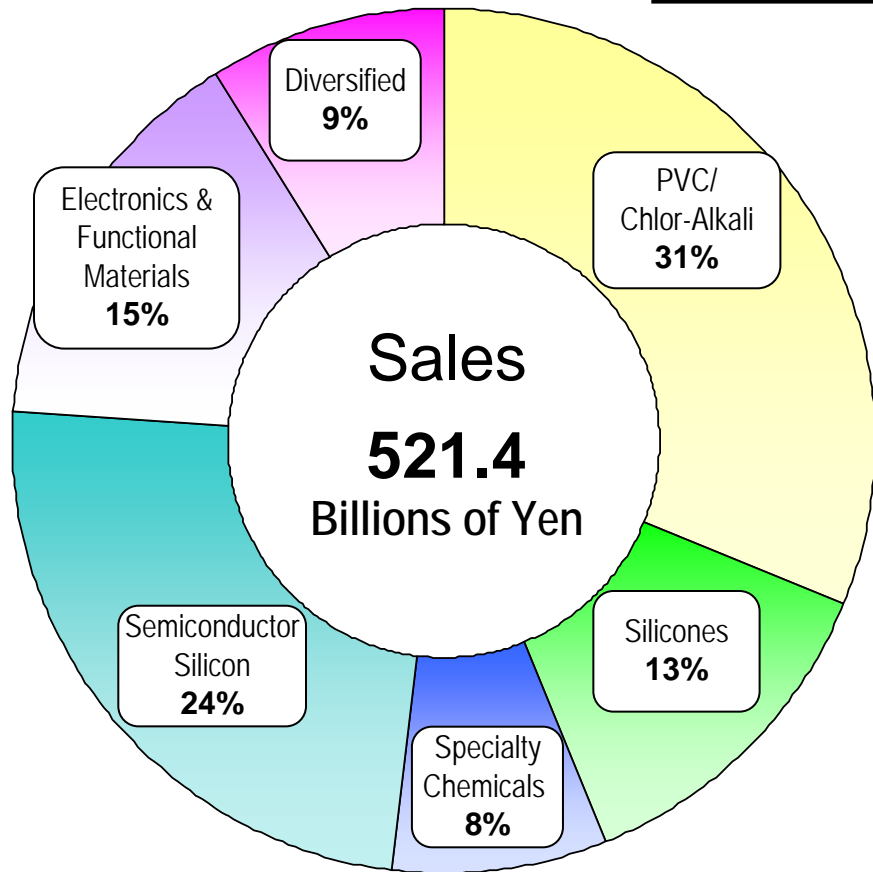
(Billions of Yen)

	Net Sales			Operating Income		
	2010 Apr - Sep	2011 Apr - Sep	Increase (Decrease)	2010 Apr - Sep	2011 Apr - Sep	Increase (Decrease)
PVC/Chlor-Alkali Business	146.5	160.1	9% 13.6	9.3	13.4	44% 4.1
Silicones Business	71.7	70.5	(2%) (1.2)	17.5	17.4	(1%) (0.1)
Specialty Chemicals Business	40.2	42.2	5% 2.0	6.0	7.0	17% 1.0
Semiconductor Silicon Business	142.4	124.2	(13%) (18.2)	21.0	21.1	0% 0.1
Electronics & Functional Materials Business	69.6	76.5	10% 6.9	18.0	18.8	4% 0.8
Diversified Business	62.2	47.9	(23%) (14.3)	4.2	2.7	(34%) (1.5)
Total	532.6	521.4	(2%) (11.2)	76.1	80.4	6% 4.3



Sales and Operating Income by Segment (Proportion)

2011
April - September



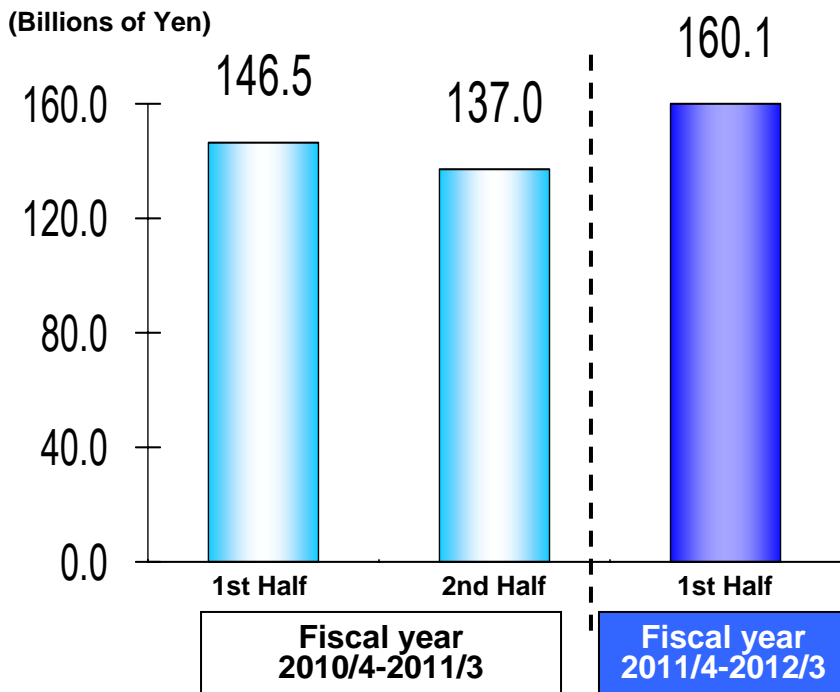
Capital expenditures and
Depreciation and amortization by Segment

(Billions of Yen)

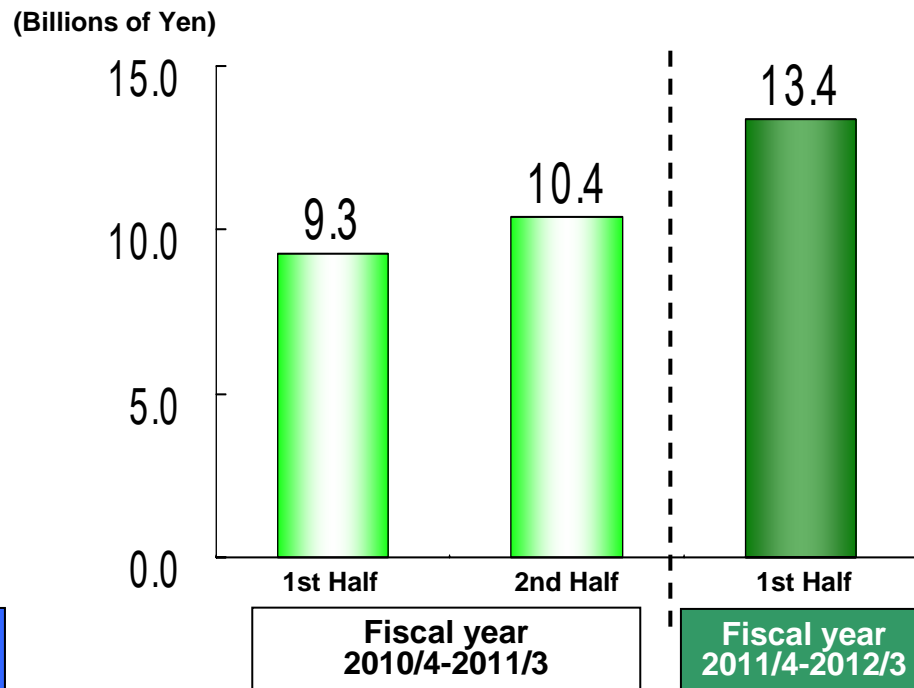
	2010 April - September	2011 April - September
Capital expenditures	58.2	42.2
PVC/Chlor- Alkali Business	32.5	12.6
Silicones Business	3.0	5.1
Specialty Chemicals Business	9.7	6.1
Semiconductor Silicon Business	7.5	11.3
Electronics & Functional Materials Business	4.1	5.7
Diversified Business	1.5	1.5
Depreciation and amortization	45.3	39.6
PVC/Chlor- Alkali Business	6.5	7.3
Silicones Business	3.9	3.6
Specialty Chemicals Business	3.9	4.1
Semiconductor Silicon Business	22.3	16.3
Electronics & Functional Materials Business	6.8	6.5
Diversified Business	2.1	1.8

● ● ● | PVC/Chlor-Alkali Business Segment

Net Sales



Operating Income



- With regard to PVC, despite the persistence of the long-term slump in the U.S. housing market, Shintech Inc. in the U.S. continued a high level of shipments by expanding its sales to customers worldwide, and it greatly increased its business performance.
- Shin-Etsu PVC in The Netherlands maintained satisfactory shipments.
- On the other hand, due in part to the effects of the operation stoppage of the Kashima Plant caused by the Great East Japan Earthquake and the effects of production adjustments made by customers in the latter part of the first half, a severe situation continued in this business in Japan.

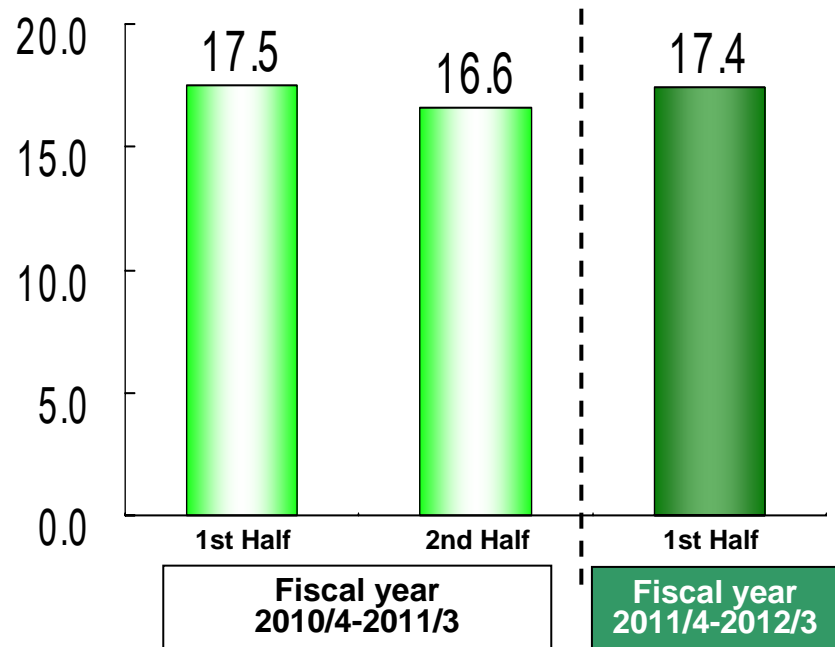
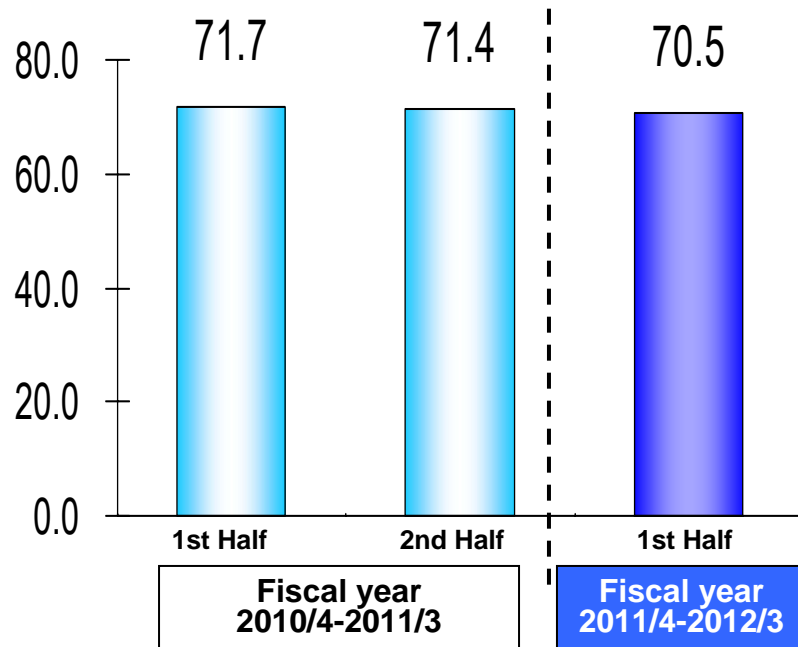
● ● ● | Silicones Business Segment

Net Sales

Operating Income

(Billions of Yen)

(Billions of Yen)



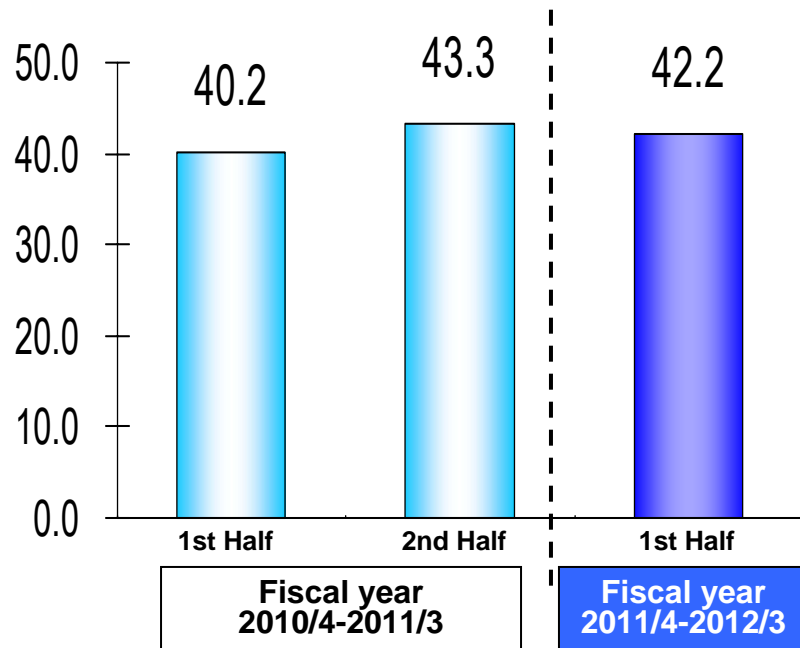
- With regard to the silicones business, sales in Japan continued to be firm in product application areas such as the electric, electronics and cosmetic fields. In addition, in the automotive products field, which had become stagnant after the Great East Japan Earthquake, a recovery was seen.
- In our overseas silicones business, while functional silicone products remained strong, general-purpose products were affected by sluggish prices in the Asian market, such as in China.
- The construction of our silicone rubber plant in China (at Nantong City, Jiangsu Province) is in progress and its completion is planned for spring 2012.

● ● ● | Specialty Chemicals Business Segment

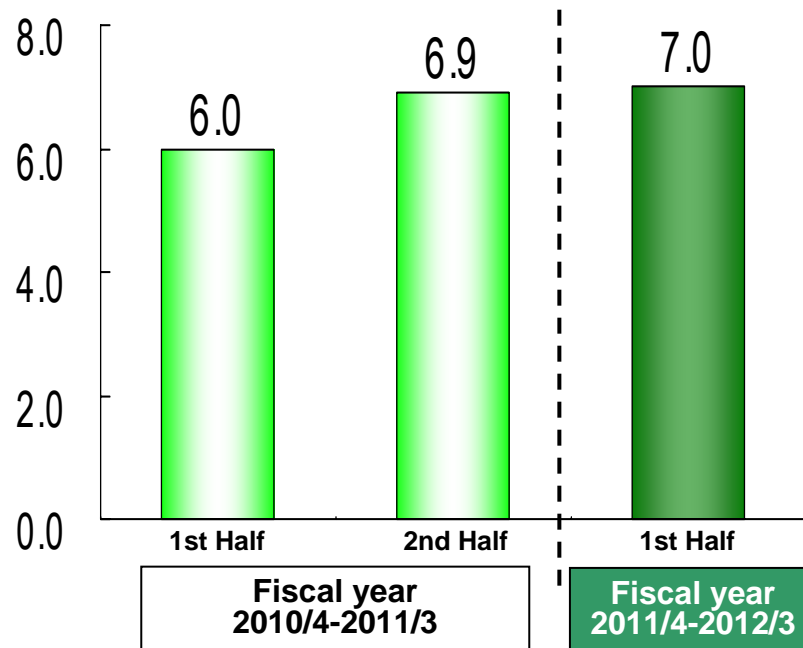
Net Sales

Operating Income

(Billions of Yen)



(Billions of Yen)

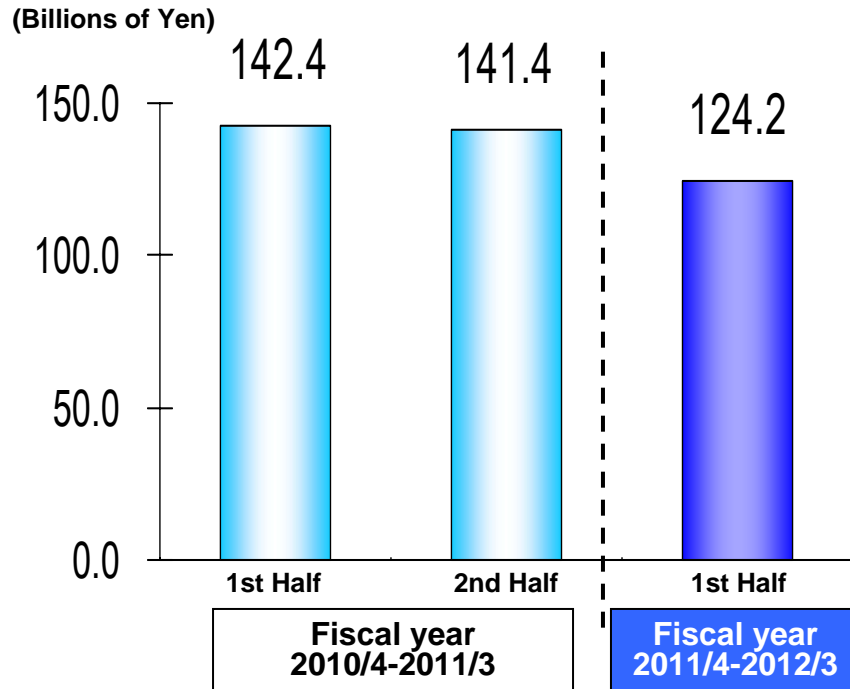


- With regard to cellulose derivatives, in Japan the business continued to be strong mainly in pharmaceutical-use products and industrial-use products.
- SE Tylose in Germany continued firm shipments due in part to the recovery of demand in the European market for building and construction application products and coating application products. The newly constructed pharmaceutical-use methylcellulose manufacturing facility has been making sample shipments and is scheduled to begin full commercial operation next year.
- The silicon metal business operated by Simcoa in Australia remained firm due in part to improving market conditions. The first-phase of the construction for its planned expansion to increase its silicon metal production capacity from 32,000 tons/year to 48,000 tons/year is scheduled to be completed in the near future.
- Japan VAM & POVAL's polyvinyl alcohol (POVAL) business and Nisshin Chemical Industry's vinyl chloride/vinyl acetate copolymer business remained steady.

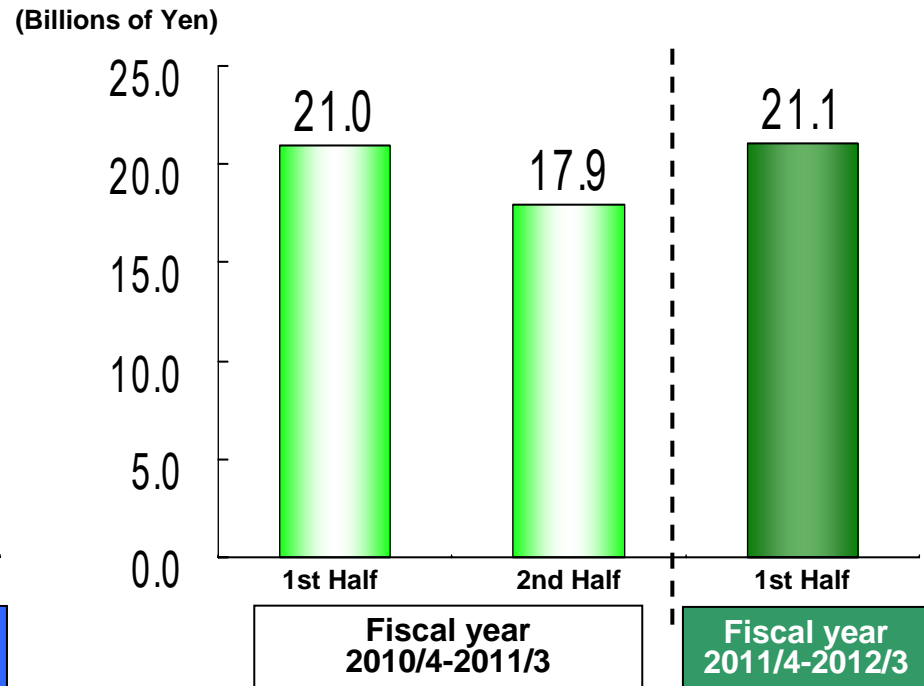


Semiconductor Silicon Business Segment

Net Sales



Operating Income



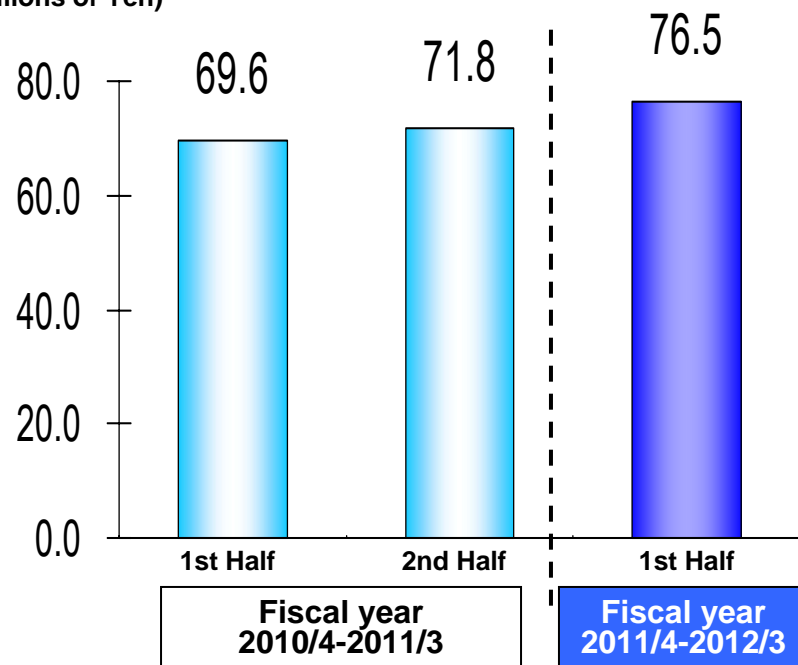
- With regard to semiconductor silicon, during the early months of the first half, we worked to achieve the early recovery of the Shirakawa Plant that was affected by the earthquake and handled the challenging business situation by increasing the volume of production at our other global production bases and through making shipments from our inventory stockpile. In the latter part of the first half, the business was affected by inventory adjustments made by semiconductor device makers whose demand declined rapidly.



Electronics & Functional Materials Business Segment

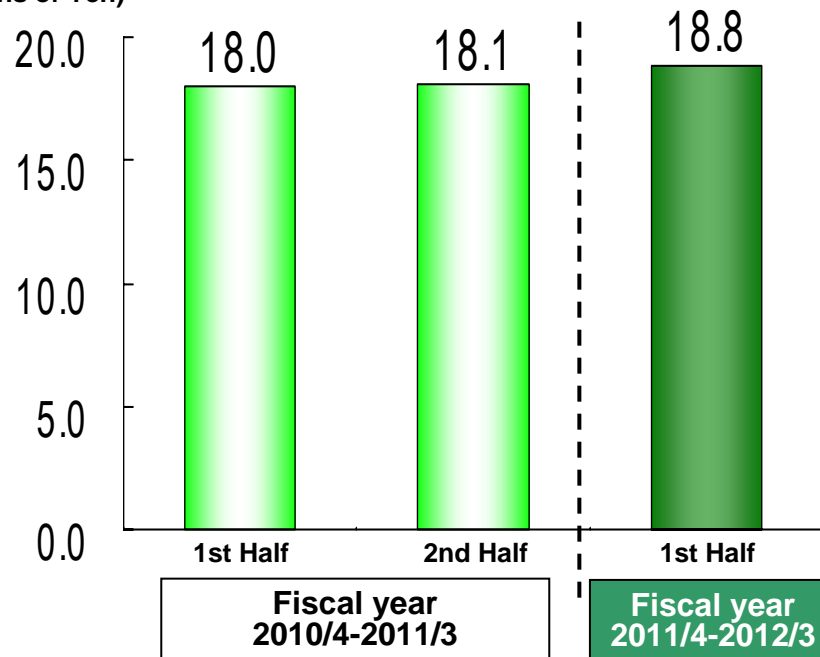
Net Sales

(Billions of Yen)



Operating Income

(Billions of Yen)



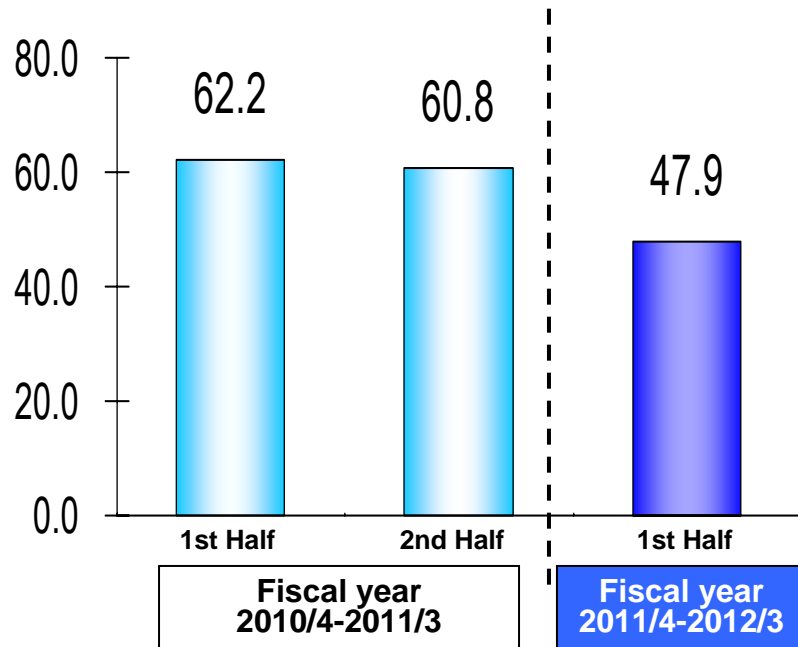
- With regard to rare earth magnets, shipments continued to do well for applications in hybrid automobiles and in energy-efficient types of air conditioners; however, the rare earth magnets business was affected by the drastic increase in raw material prices.
- Aided by the progress in semiconductor device miniaturization, the photoresists business remained strong and the cutting-edge photomask blanks business continued to grow.
- The business of materials for high-luminance LED packaging was firm.
- With regard to the synthetic quartz business, shipments of large-size photomask substrates used for LCDs were firm; however, the optical fiber preform business was affected by the stoppage of operations at the Kashima Plant due to the earthquake disaster. The optical fiber preform plant, which is under construction in China (at Jiangyin, Jiangsu Province) is expected to be completed in the near future.

● ● ● | Diversified Business Segment

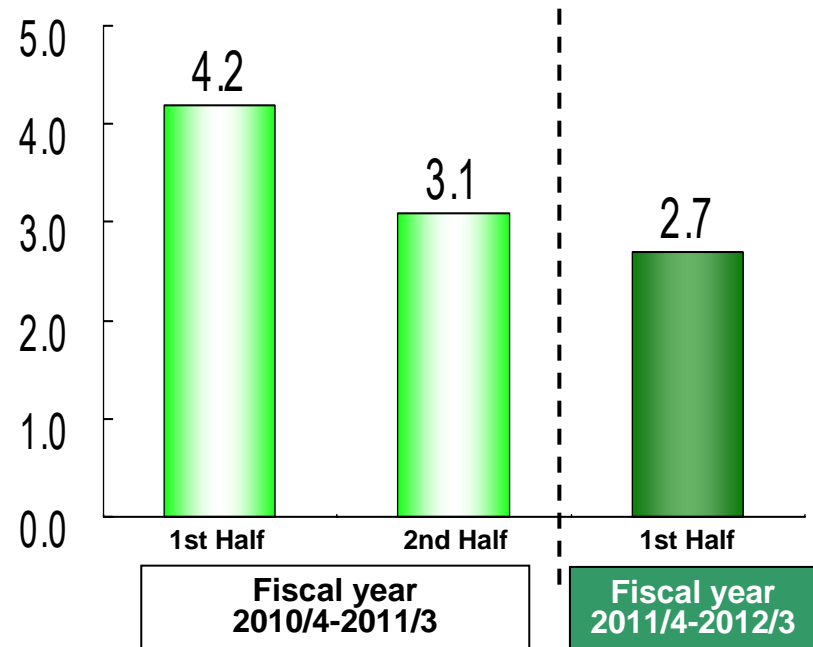
Net Sales

Operating Income

(Billions of Yen)



(Billions of Yen)



- Shin-Etsu Polymer Co., Ltd.'s business of keypads for mobile phones remained weak due to the influence of the increase of touch panels that are being used for smartphones. The business of semiconductor wafer-related containers slowed after experiencing an initial recovery in shipments related to the earthquake disaster.
- The engineering business was firm.

● ● ● | Quarterly Sales by Segment

(Sales)

(Billions of Yen)

	Fiscal year 10/4-11/3				Fiscal year 11/4-12/3	
	1Q	2Q	3Q	4Q	1Q	2Q
PVC/Chlor-Alkali Business	70.4	76.1	66.6	70.4	67.5	92.6
Silicones Business	35.4	36.3	35.9	35.5	35.5	35.0
Specialty Chemicals Business	19.5	20.7	21.2	22.1	20.8	21.4
Semiconductor Silicon Business	69.2	73.2	76.5	64.9	66.2	58.0
Electronics & Functional Materials Business	33.8	35.8	36.2	35.6	36.0	40.5
Diversified Business	31.4	30.8	33.2	27.6	24.0	23.9
Total	259.7	272.9	269.6	256.1	250.0	271.4

● ● ● | Quarterly Operating Income by Segment

(Operating Income)

(Billions of Yen)

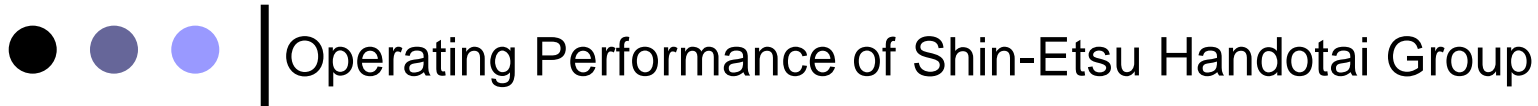
	Fiscal year 10/4-11/3				Fiscal year 11/4-12/3	
	1Q	2Q	3Q	4Q	1Q	2Q
PVC/Chlor-Alkali Business	3.1	6.2	5.1	5.3	6.1	7.3
Silicones Business	9.1	8.4	8.3	8.3	9.2	8.2
Specialty Chemicals Business	3.0	3.0	3.2	3.7	3.5	3.5
Semiconductor Silicon Business	9.4	11.6	10.3	7.6	10.4	10.7
Electronics & Functional Materials Business	8.9	9.1	9.2	8.9	9.2	9.6
Diversified Business	2.3	1.9	1.6	1.5	1.7	1.0
Total	36.1	40.0	37.9	35.2	40.0	40.4

● ● ● | Operating Performance of Shintech, Inc.

	2010 January - June		2011 January - June		Increase (Decrease) on US\$ basis
	Millions of US\$	Billions of Yen	Millions of US\$	Billions of Yen	
Net Sales	1,116	102.0	1,283	105.3	15%
Ordinary Income	90	8.2	130	10.7	45%
Net Income	58	5.3	85	6.9	46%

Net Assets	2,763	244.4	2,920	235.7
Total Assets	3,776	334.1	4,164	336.2

Exchange rate Jan -Jun (Average) : 2010	91.4 Yen/US\$
2011	82.0 Yen/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)

	2010 April - September	2011 April - September	Increase (Decrease)
Net Sales	138.5	120.9	(13%)
Ordinary Income	21.5	21.6	1%
Net Income	16.1	14.1	(12%)
Net Assets	350.7	358.0	
Total Assets	439.0	446.4	

Note: The financial statements of the overseas Shin-Etsu Handotai Group companies are calculated based on the six months period ended June 2010 and 2011.

Comparative Income Statements (Consolidated)

(Billions of Yen)

	2010 April - September	2011 April - September	Increase (Decrease)
Net Sales	532.6	521.4	(2%) (11.2)
Cost of sales	402.9	389.9	(13.0)
Selling, general and administrative expenses	53.6	51.0	(2.6)
Operating Income	76.1	80.4	6% 4.3
Non-operating income/expenses	5.1	3.9	(1.2)
Ordinary Income	81.2	84.3	4% 3.1
Extraordinary loss⁽¹⁾	-	6.5	6.5
Income Before Income Taxes	81.2	77.8	(4%) (3.4)
Income taxes	28.7	26.3	(2.4)
Income taxes for prior periods⁽²⁾	(10.7)	-	10.7
Minority interests in earnings of consolidated subsidiaries	0.9	0.5	(0.4)
Net Income	62.3	51.0	(18%) (11.3)

Notes: (1) 5.3 billion yen of loss on disaster due to the Great East Japan Earthquake (fixed cost during stoppage of operations) and 1.2 billion yen of loss on write-down of investment securities.

(2) Refund of corporate taxes as a result of an agreement between Japanese and U.S. authorities for settling a dispute about transfer pricing taxation.

Comparative Balance Sheets (Consolidated)

(Billions of Yen)

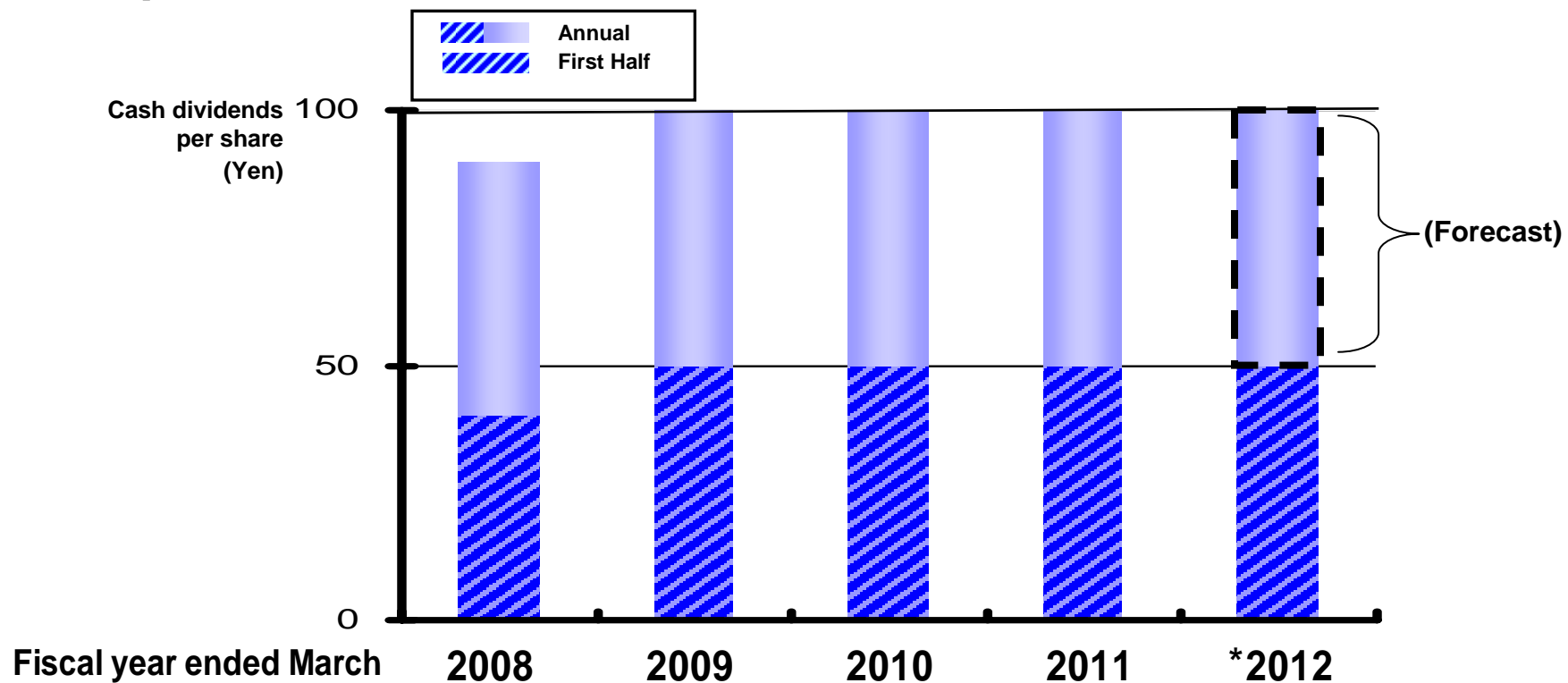
	Sep 30 2010 [a]	Mar 31 2011 [b]	Sep 30 2011 [c]	Increase (Decrease) [c-a]	Increase (Decrease) [c-b]		Sep 30 2010 [a]	Mar 31 2011 [b]	Sep 30 2011 [c]	Increase (Decrease) [c-a]	Increase (Decrease) [c-b]
Current Assets	872.6	887.9	925.6	53.0	37.7	Current Liabilities	237.2	249.4	253.2	16.0	3.8
Cash and time deposits	229.5	244.0	253.2	23.7	9.2	Notes and accounts payable-trade	110.7	110.8	120.1	9.4	9.3
Notes and accounts receivable-trade	282.5	270.5	263.3	(19.2)	(7.2)	Short-term borrowings	12.8	8.7	13.2	0.4	4.5
Securities	130.8	116.7	103.2	(27.6)	(13.5)	Accrued income taxes	22.3	21.1	19.0	(3.3)	(2.1)
Inventories	175.6	188.3	238.3	62.7	50.0	Provision for loss on disaster	-	24.4	8.6	8.6	(15.8)
Other	54.3	68.4	67.5	13.2	(0.9)	Other	91.5	84.5	92.2	0.7	7.7
Fixed Assets	905.1	896.2	891.9	(13.2)	(4.3)	Long-term Liabilities	64.4	65.3	64.8	0.4	(0.5)
Property, Plant and Equipment	637.7	620.3	625.3	(12.4)	5.0	Long-term debt	6.1	5.5	1.2	(4.9)	(4.3)
Machinery and equipment, net	260.3	252.2	341.8	81.5	89.6	Other	58.3	59.8	63.5	5.2	3.7
Other, net	377.4	368.1	283.5	(93.9)	(84.6)	Total liabilities	<u>301.6</u>	<u>314.7</u>	<u>318.0</u>	<u>16.4</u>	<u>3.3</u>
Intangible Fixed Assets	14.4	14.0	14.2	(0.2)	0.2	Stockholders' Equity	1,566.2	1,582.7	1,612.5	46.3	29.8
Investments and Other Assets	253.1	261.9	252.4	(0.7)	(9.5)	Accumulated Other Comprehensive Income	(132.7)	(155.9)	(155.5)	(22.8)	0.4
Investments in securities	151.1	155.9	144.5	(6.6)	(11.4)	Share Subscription Rights Minority Interests in Consolidated Subsidiaries	42.7	42.6	42.4	(0.3)	(0.2)
Other	102.0	106.0	107.8	5.8	1.8	Total net assets	<u>1,476.2</u>	<u>1,469.4</u>	<u>1,499.5</u>	<u>23.3</u>	<u>30.1</u>
Total assets	1,777.8	1,784.2	1,817.5	39.7	33.3	Total liabilities and net assets	1,777.8	1,784.2	1,817.5	39.7	33.3

Comparative Statements of Cash Flows (Consolidated)

(Billions of Yen)

	2010 Apr - Sep	2011 Apr - Sep	Increase (Decrease)
(1) Cash Flows from Operating Activities	132.7	60.9	(71.8)
Net Income	62.3	51.0	(11.3)
Depreciation and amortization	45.3	39.6	(5.7)
(Increase) Decrease in working capital	8.5	(32.0)	(40.5)
Others	16.6	2.3	(14.3)
(2) Cash Flows from Investing Activities	(70.5)	(44.7)	25.8
Capital expenditures	(64.6)	(41.3)	23.3
Others	(5.9)	(3.4)	2.5
(3) Cash Flows from Financing Activities	(22.6)	(21.6)	1.0
Increase (Decrease) in borrowings	(1.0)	0.3	1.3
Cash dividends paid	(21.2)	(21.2)	0.0
Others	(0.4)	(0.7)	(0.3)
(4) Effect of Exchange Rate Changes on Cash and Cash Equivalents, and other	(1.4)	(1.9)	(0.5)
Net Increase (Decrease) in Cash and Cash Equivalents	38.2	(7.3)	(45.5)
Balance of cash and cash equivalents	308.7	295.0	(13.7)
Balance of Interest-bearing Liabilities	18.8	14.5	(4.3)

● ● ● | Cash Dividends per Share



Cash dividends per share (in Yen)	First half	40	50	50	50	50
	Annual	90	100	100	100	* 100
Net income per share (in Yen)	First half	221.16	235.04	83.70	146.83	120.21
	Annual	426.63	362.39	197.53	235.80	* 240.23
Dividend payout ratio	Annual	21.1%	27.6%	50.6%	42.4%	* 41.6%

*Forecast

Forecast of Consolidated Operating Performance
Fiscal year ending March 31, 2012

(Billions of Yen)

	Consolidated		
	FY ended March 2011 Actual	FY ending March 2012 Forecast	Increase (Decrease)
Net sales	1,058.3	1,065.0	1%
Operating income	149.2	155.0	4%
Ordinary income	160.3	165.0	3%
Net income	100.1	102.0	2%
Net income per share (Yen)	235.80	240.23	4.43
Cash dividends per share (Yen)	100	100	-
Capital expenditures	119.9	100.0 - 150.0	
Depreciation and amortization	93.7	86.0	

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

● ● ● | Appendix (1) (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		
2010	Jan-Mar	90.7	91.4	87.8	85.7	125.6	121.3	116.4	113.1		
	Apr-Jun	92.0				88.9				117.0	113.8
	Jul-Sep	85.9	84.3			110.7	111.5				
	Oct-Dec	82.6				82.5				112.2	112.4
2011	Jan-Mar	82.3	82.0	79.8	110.2	112.6	115.0	113.8			
	Apr-Jun	81.7				117.4					
	Jul-Sep	77.9	110.2								

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 2011	77 Yen/\$	105 Yen/€

● ● ● | Appendix (2) (For reference)

2) Overseas sales information

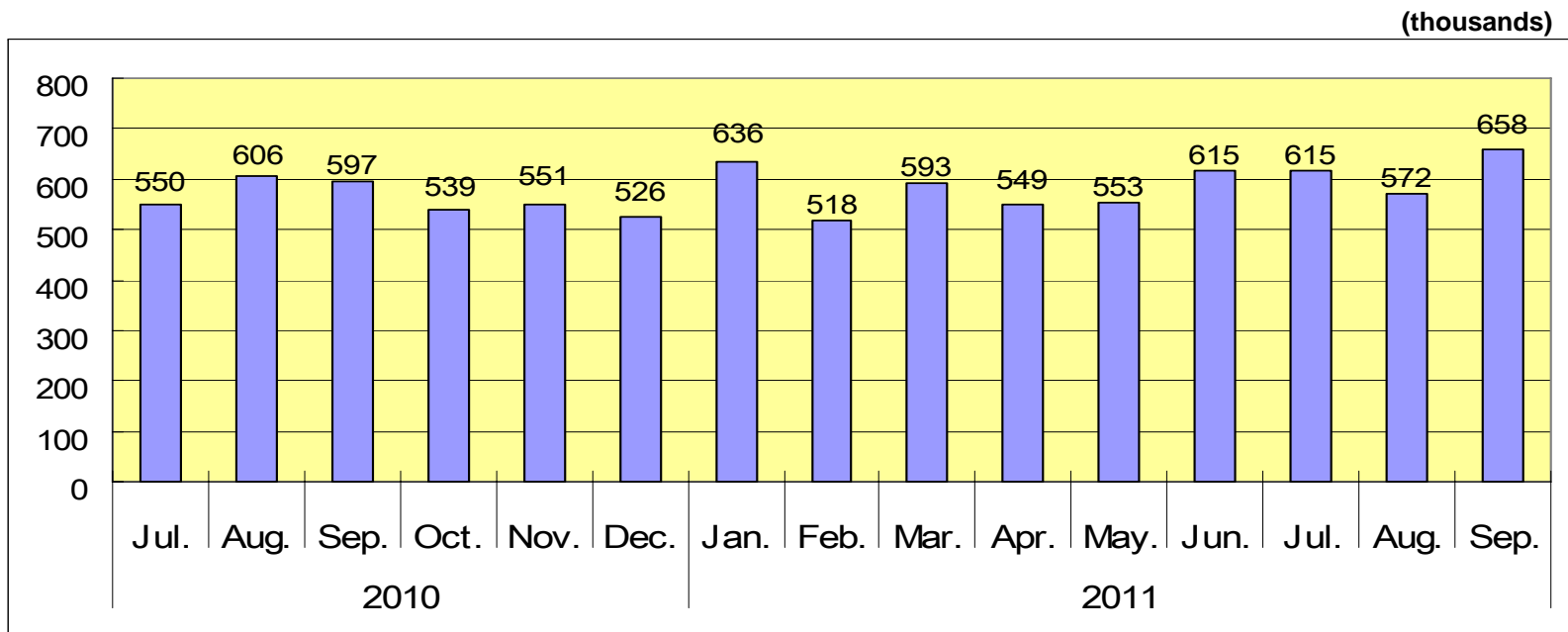
(Billions of Yen)

	Japan	Overseas						Total Consolidated Net Sales
		USA	Asia/Oceania		Europe	Other Areas	Total	
			China					
First Half Apr - Sep 2010	37% 196.0	15% 79.2	28% 150.1	10% 52.3	11% 59.9	9% 47.4	63% 336.6	532.6
Second Half Sep 2010 - Mar 2011	36% 190.1	14% 73.9	30% 155.4	12% 61.4	12% 62.9	8% 43.4	64% 335.6	525.7
Fiscal year ended March 2011	36% 386.1	14% 153.1	29% 305.5	11% 113.7	12% 122.8	9% 90.8	64% 672.2	1,058.3
First Half Apr - Sep 2011	35% 181.4	15% 76.8	27% 140.4	9% 47.3	13% 70.1	10% 52.7	65% 340.0	521.4

Note: % indicates proportion to total consolidated sales.

● ● ● | Appendix (3) (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)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1,603	1,705	1,848	1,956	2,068	1,801	1,355	906	554	587

*Data Source: United States Department of Commerce

● ● ● | Appendix (4) (For reference)

4) Trend of Naphtha Price Traded in Japan

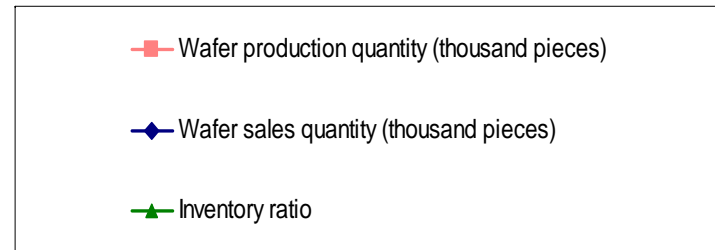
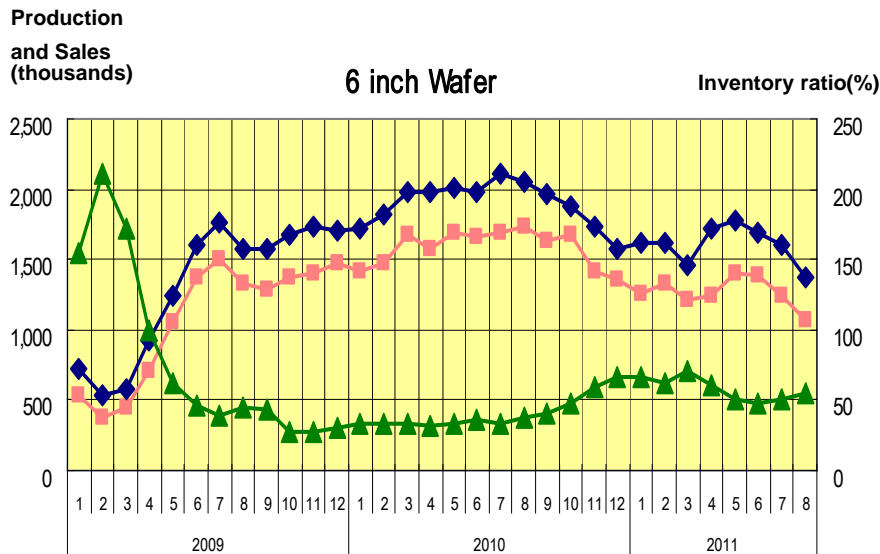
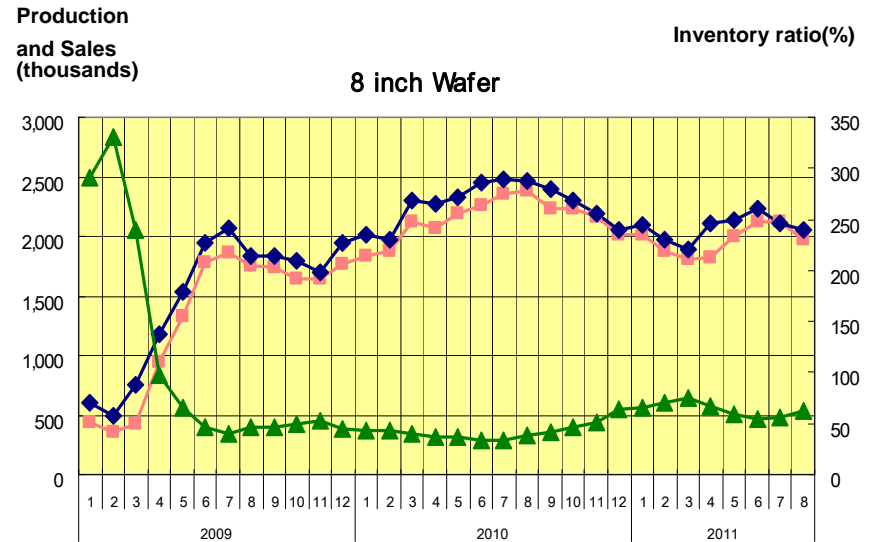
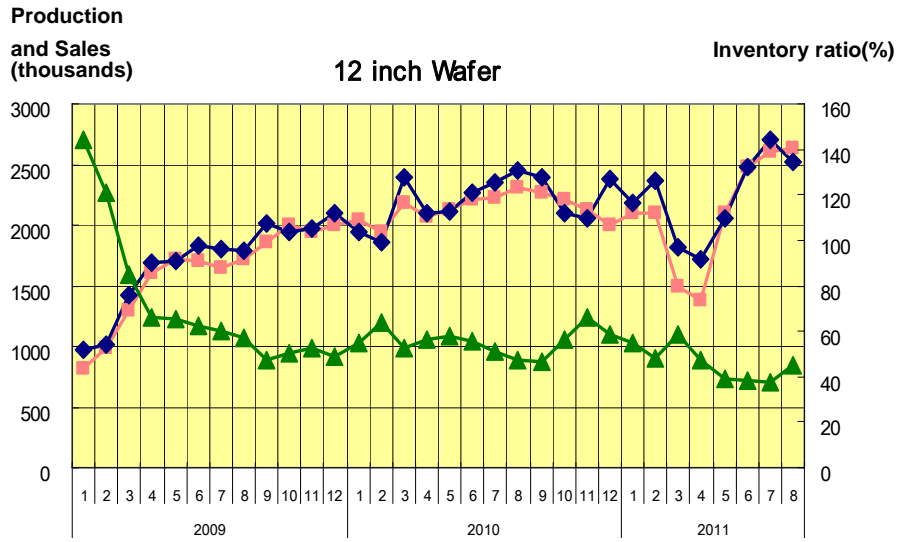
(Yen / KL)

Fiscal Year April 2009 - March 2010		Fiscal Year April 2010 - March 2011				Fiscal Year April 2011 - March 2012	
(2009) Oct-Dec	(2010) Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	(2011) Jan-Mar	Apr-Jun	Jul-Sep
42,500	47,700	49,700	42,700	45,100	52,600	59,000	55,000

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

● ● ● | Appendix (5) (For reference)

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



**Data Source: Japan Ministry of Economy, Trade and Industry
Japan Society of Newer Metals**



Recent Topics (Oct. 1, 2010 ~ Oct. 20, 2011)

- 2010.10** **Shin-Etsu Chemical announced the establishment of a joint-venture company in China's Jiangsu Province, and construction of an optical fiber preform manufacturing plant there.**

- 2010.12** **Shin-Etsu Chemical announced a price increase for its PVC resin produced in Japan.**

- 2011.1** **Shin-Etsu Chemical announced a price increase for its silicone products.**

- 2011.3** **Shin-Etsu Chemical announced the present situation of the Shin-Etsu Group, as impacted**
– 2011.5 **by the Great East Japan Earthquake. (updated from 1st Report to 10th Report)**

- 2011.5** **Shin-Etsu Chemical announced a price increase for its PVC resin produced in Japan.**

- 2011.5** **Shin-Etsu Chemical announced that it has developed a new generation of highly functional hybrid silicone powders which possess superior flexibility and lubricity.**

- 2011.6** **Shin-Etsu Chemical announced a price increase for its rare earth magnets.**

- 2011.6** **Shin-Etsu Chemical announced that the restoration of full-scale operations at all of the Shin-Etsu Group's production bases that were affected by the earthquake disaster had been completed with the full restoration of the Shirakawa Plant.**

- 2011.7** **Shin-Etsu Chemical announced a price increase for its caustic soda produced in Japan.**

- 2011.8** **Moody's confirmed Shin-Etsu Chemical's Aa3 long term issuer rating, which is the highest rating among the chemical companies in the world, reflecting its view that the standalone credit profile of Shin-Etsu Chemical is strong enough to support its Aa3 rating despite the downgrade in the ratings of Government of Japan.**

- 2011.9** **Shin-Etsu Chemical reported on the impact of the severe flooding in Thailand on its operations in that country.**

★ For details please refer to reports on those matters on our website at <http://www.shinetsu.co.jp/e/>

