

Financial Summary

For the six months ended September 30, 2014

(October 28, 2014)

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)

	2013 April - September	2014 April - September	Increase (Decrease)
Net Sales	572.1	603.7	6% 31.6
Operating Income	92.2	97.6	6% 5.4
Ordinary Income	97.3	101.1	4% 3.8
Net Income	63.8	67.5	6% 3.7
ROE (per annum)	7.8%	7.6%	(0.2 points)
ROA (per annum)	9.7%	9.2%	(0.5 points)
Per Share (Yen)			
Net Income	150.1	158.8	8.7
Cash Dividends	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 2013	September 30 2014	Increase (Decrease)	March 31 2014	Increase (Decrease)
Net Assets	1,741.0	1,846.0	105.0	1,822.1	23.9 Billion yen
Total Assets	2,077.2	2,221.5	144.3	2,198.9	22.6 Billion yen
Equity Ratio	81.5%	80.9%	(0.6 points)	80.6%	0.3 points
Net Assets per Share (Yen)	3,981	4,221	240	4,165	56 Yen



Financial Highlights (Consolidated)

(Billions of Yen)

	2013 April - September	2014 April - September
Capital Expenditures	43.8	38.8
Depreciation and Amortization	44.0	46.3
R&D Costs	20.4	22.3
Interest-bearing Liabilities	16.8	13.8
Number of Employees	17,841	18,028
Exchange Rate: Jan - Jun (Avg)	95.6	102.5
(Yen/US\$) Apr - Sep (Avg)	98.9	103.0

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)

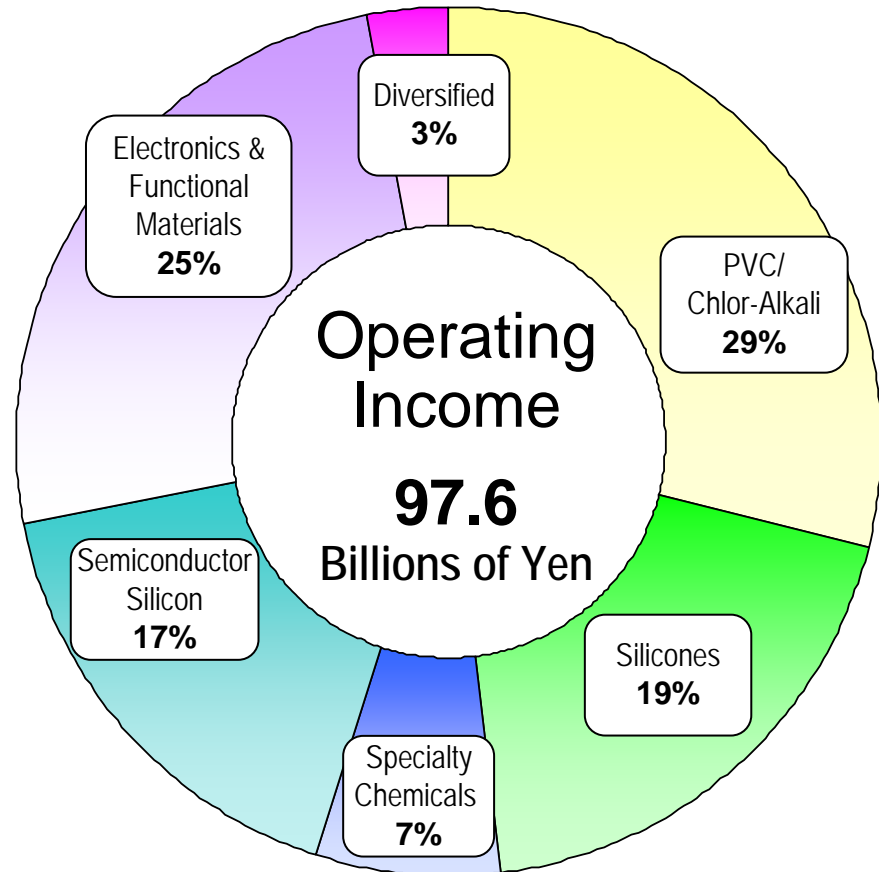
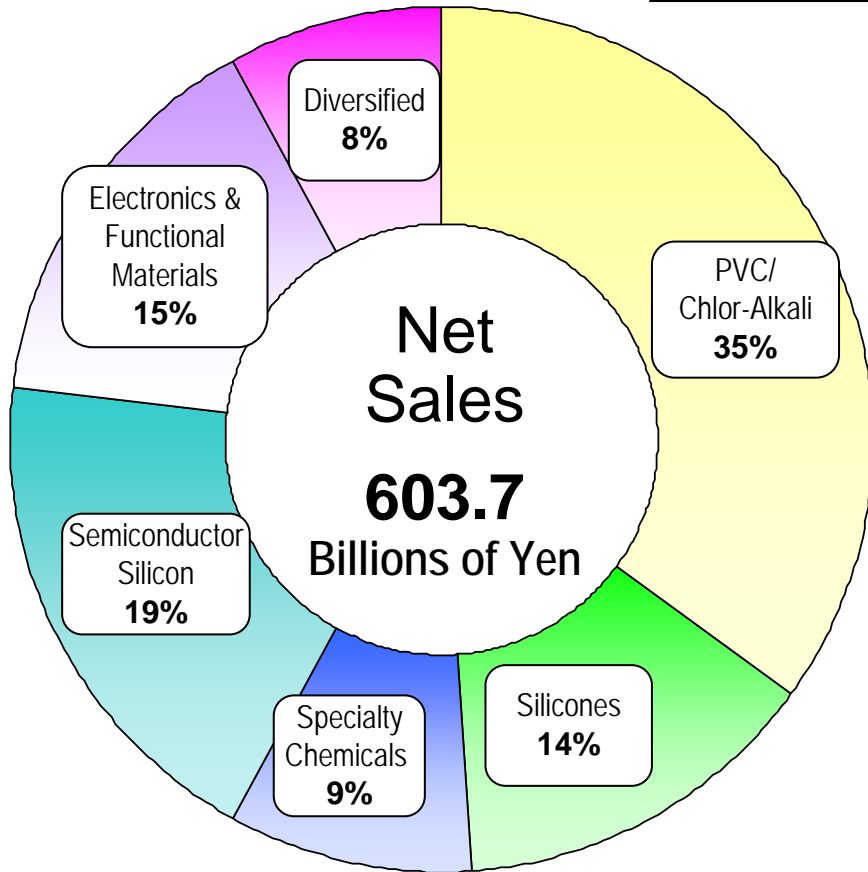
(Billions of Yen)

	Net Sales			Operating Income		
	2013 Apr - Sep	2014 Apr - Sep	Increase (Decrease)	2013 Apr - Sep	2014 Apr - Sep	Increase (Decrease)
PVC/Chlor-Alkali Business	213.6	213.0	(0.3%) (0.6)	34.1	28.6	(16%) (5.5)
Silicones Business	75.5	86.0	14% 10.5	14.1	18.3	29% 4.2
Specialty Chemicals Business	49.8	54.0	8% 4.2	5.9	7.3	23% 1.4
Semiconductor Silicon Business	105.6	111.4	5% 5.8	14.4	16.2	13% 1.8
Electronics & Functional Materials Business	83.8	90.8	8% 7.0	21.5	24.1	12% 2.6
Diversified Business	43.5	48.2	11% 4.7	2.0	2.9	42% 0.9
Total	572.1	603.7	6% 31.6	92.2	97.6	6% 5.4



Net Sales and Operating Income by Segment (Proportion)

2014
April - September





Capital Expenditures and Depreciation and Amortization by Segment

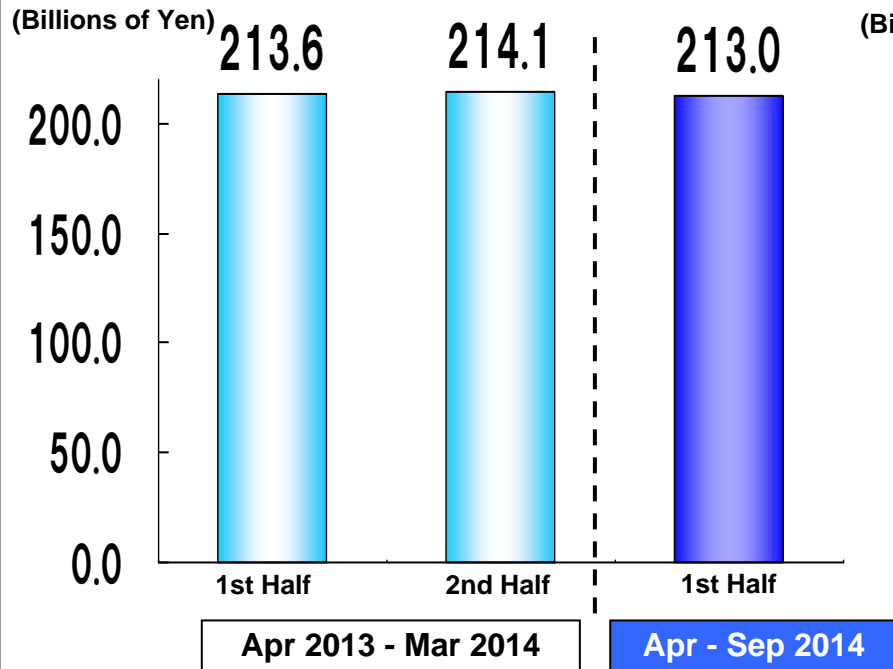
(Billions of Yen)

	2013 April - September	2014 April - September
Capital Expenditures	43.8	38.8
PVC/Chlor- Alkali Business	5.0	13.8
Silicones Business	18.7	6.4
Specialty Chemicals Business	5.2	7.8
Semiconductor Silicon Business	6.6	3.8
Electronics & Functional Materials Business	7.0	4.5
Diversified Business	1.1	2.3
Depreciation and Amortization	44.0	46.3
PVC/Chlor- Alkali Business	12.9	14.1
Silicones Business	4.9	5.4
Specialty Chemicals Business	4.8	4.9
Semiconductor Silicon Business	12.6	12.7
Electronics & Functional Materials Business	6.7	6.9
Diversified Business	1.8	2.1

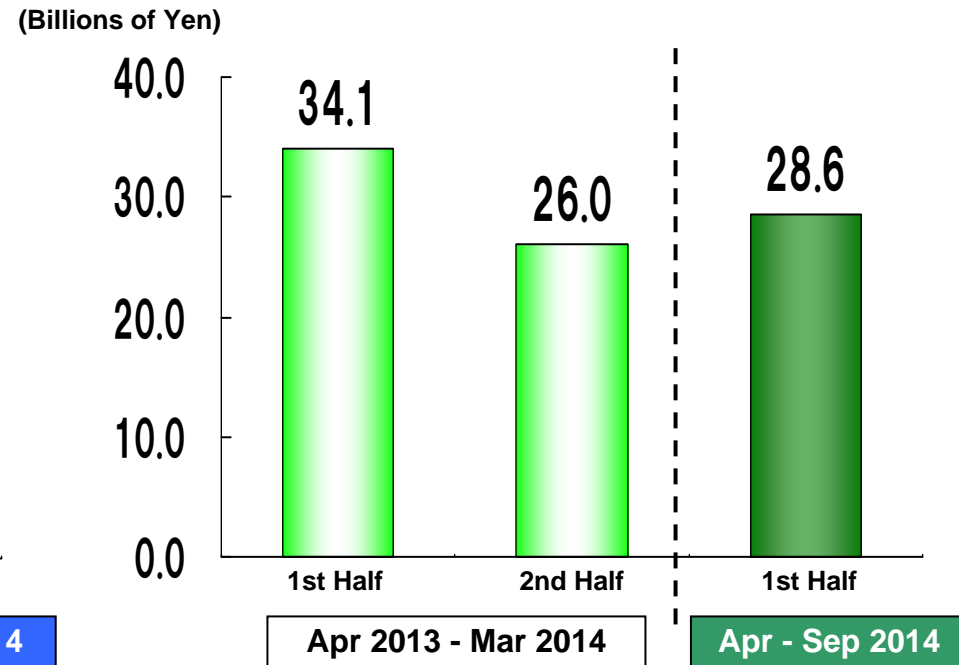


PVC/Chlor-Alkali Business Segment

Net Sales



Operating Income



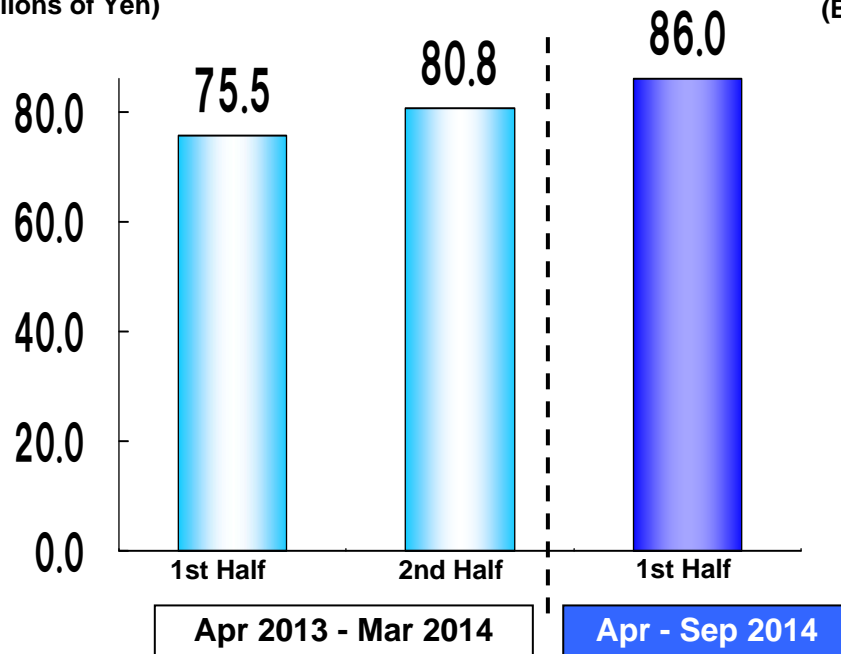
- With regard to the PVC business, although Shintech Inc. in the U.S. was affected by the increase in PVC raw materials prices and a decline in the caustic soda market, it captured the increase in demand for PVC in the U.S., where a recovery was seen in its housing market, and by carrying out aggressive sales to its worldwide customers, it achieved strong profit.
- Shin-Etsu PVC in the Netherlands continued to do well in its shipments.
- In Japan, although a recovery in demand was seen, there was also the effect of price increases in raw materials, and a severe situation continued.

● ● ● | Silicones Business Segment

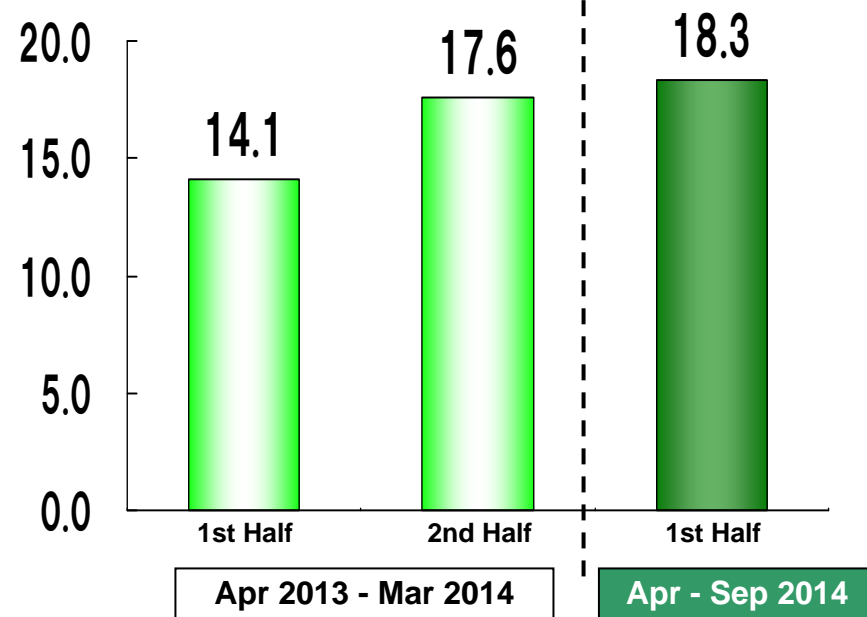
Net Sales

Operating Income

(Billions of Yen)



(Billions of Yen)



- With regard to the silicones business, in Japan a recovery was seen in sales for product applications for electronics equipment, and sales for product applications for automobiles and cosmetics also generally continued to do well. Our silicones business outside of Japan also did well in functional products and general-purpose products, starting with Europe and the U.S., and in China and Southeast Asia as well.

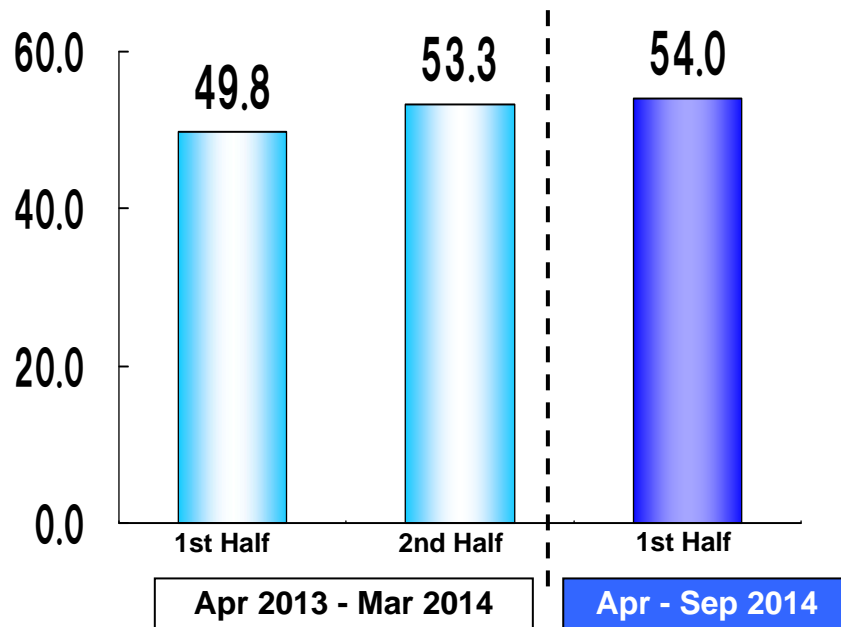


Specialty Chemicals Business Segment

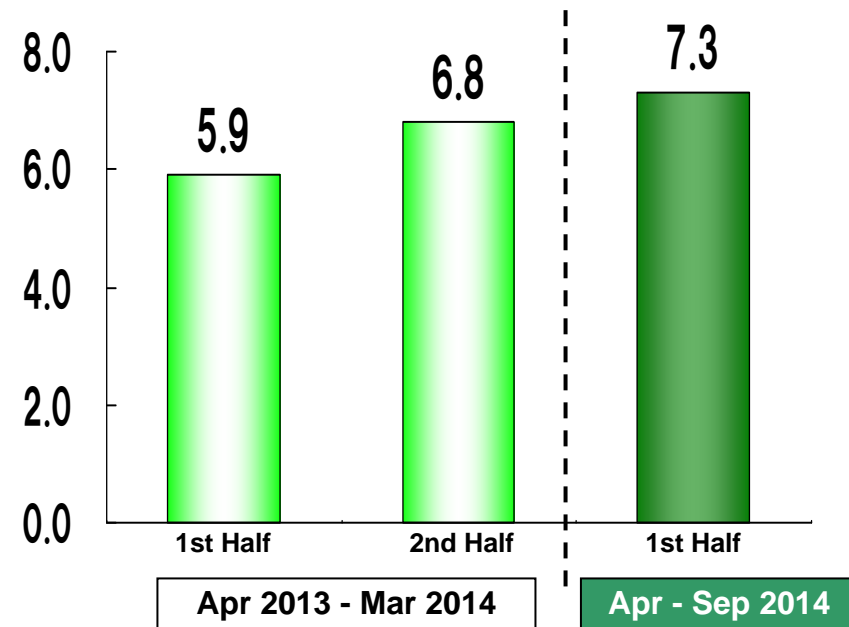
Net Sales

Operating Income

(Billions of Yen)



(Billions of Yen)

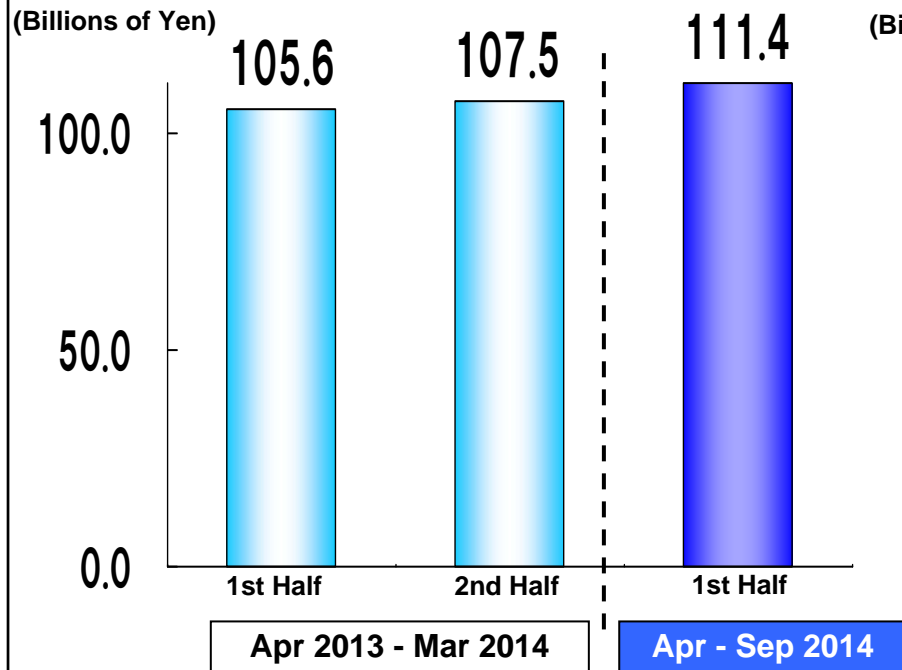


- With regard to cellulose derivatives, in Japan, sales of products for pharmaceutical-use were firm, and sales of products for building and construction applications also continued to be steady. On the other hand, the business of SE Tylose in Germany was affected by intensifying price competition.
- The business of Simcoa Operations in Australia continued to be firm, aided by the recovery of the silicon metal market.
- Synthetic pheromones did well, with a large volume of shipments in the first part of the fiscal half.

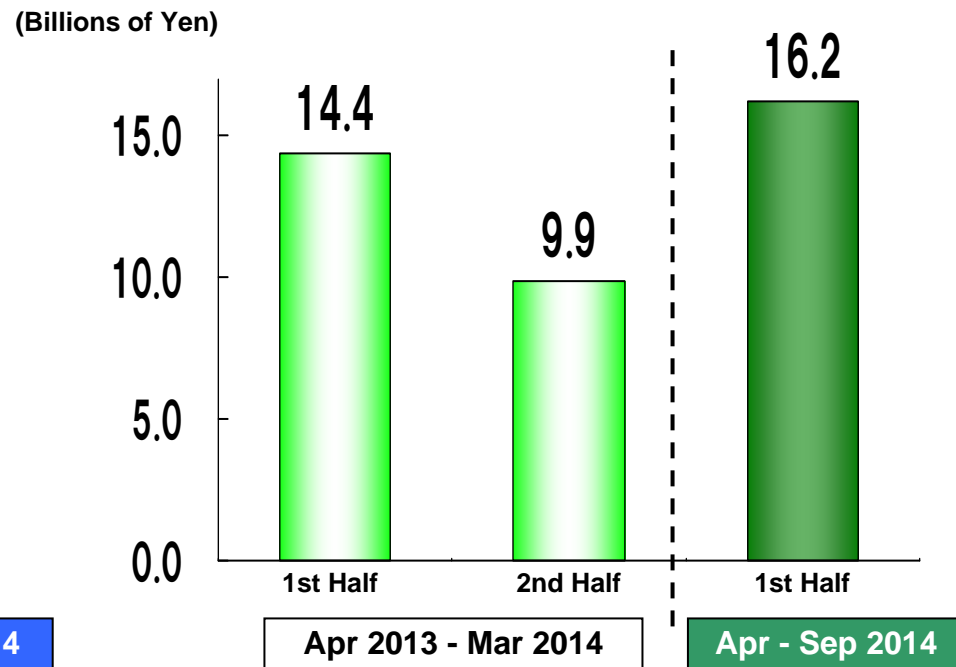


Semiconductor Silicon Business Segment

Net Sales



Operating Income



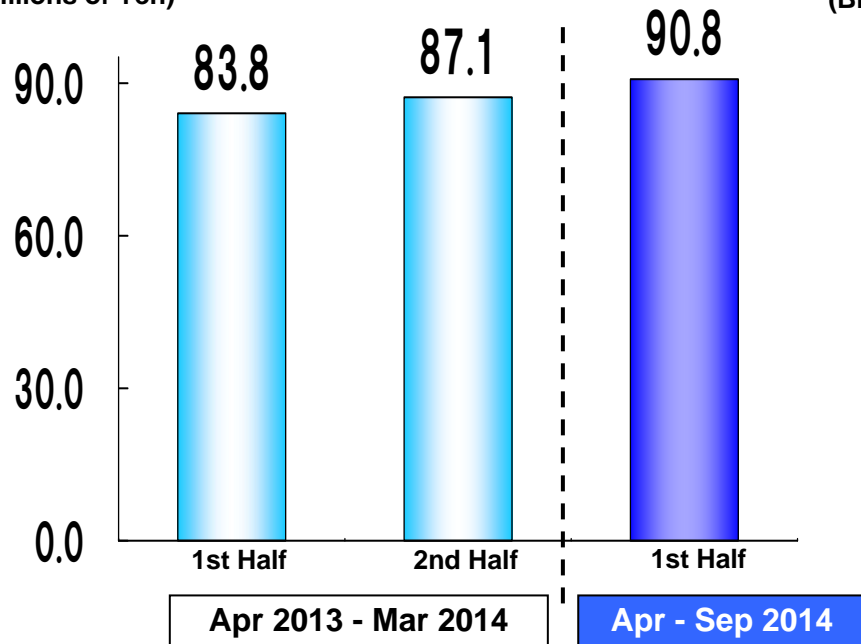
- With regard to semiconductor silicon, in the first part of the fiscal half, in a wide range of fields, including applications for smartphones, robust demand continued and shipments continued at a high level. In the latter part of the fiscal half, although a movement toward inventory adjustments on the part of some semiconductor device makers was seen, shipments as a whole were firm.



Electronics & Functional Materials Business Segment

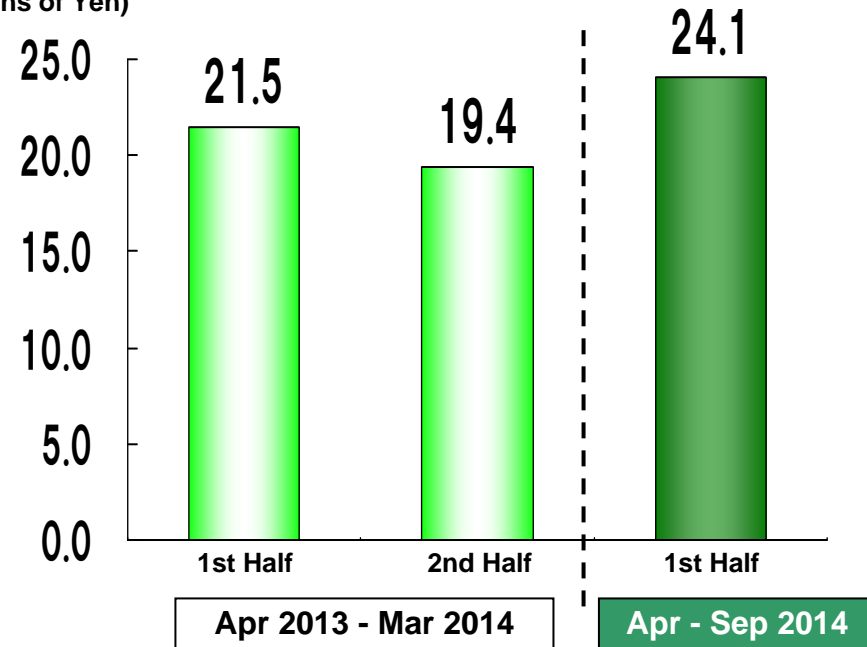
Net Sales

(Billions of Yen)



Operating Income

(Billions of Yen)



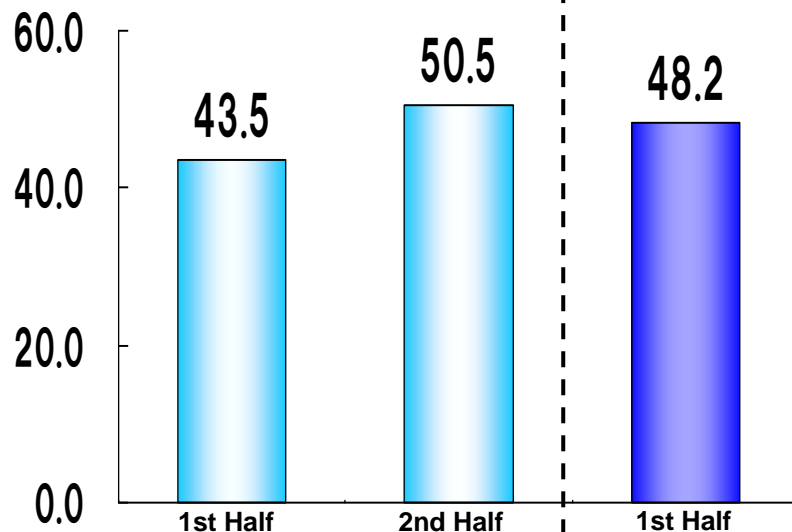
- With regard to the rare earth magnets business, shipments of products for applications in automobiles were good, starting with hybrid cars, and shipments of products for applications in large-capacity hard disk drives also continued to be firm.
- With regard to the photoresist products business, ArF resists and trilayer materials expanded aided by the progress in semiconductor device miniaturization.
- The business of materials for LED packaging also was firm.
- The optical fiber preform business was affected by customers' inventory adjustments.

● ● ● | Diversified Business Segment

Net Sales

Operating Income

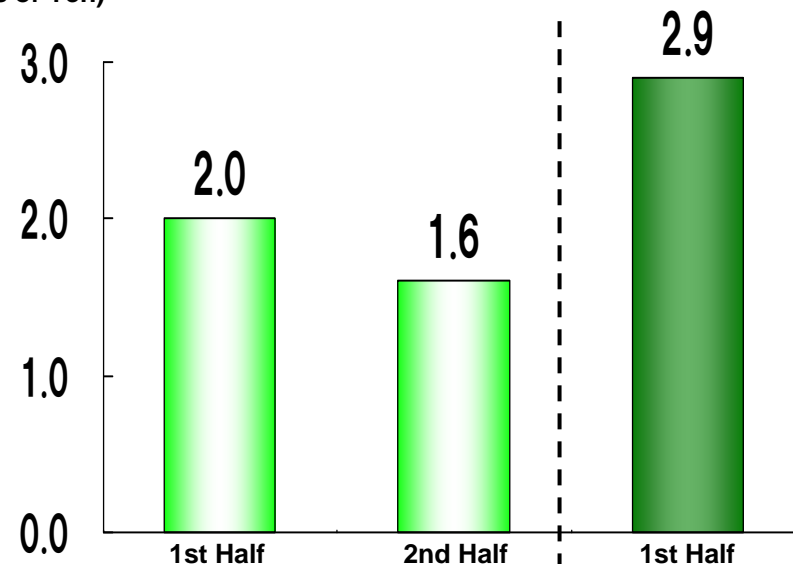
(Billions of Yen)



Apr 2013 - Mar 2014

Apr - Sep 2014

(Billions of Yen)



Apr 2013 - Mar 2014

Apr - Sep 2014

- Shin-Etsu Polymer Co., Ltd.'s business of input devices for automobiles and semiconductor wafer-related containers continued to be firm.
- The engineering business of Shin-Etsu Engineering Co., Ltd. also continued to be firm.

● ● ● | Quarterly Net Sales by Segment

(Net Sales)

(Billions of Yen)

	April 2013 - March 2014				April 2014 - March 2015	
	1Q	2Q	3Q	4Q	1Q	2Q
PVC/Chlor-Alkali Business	102.4	111.2	109.8	104.2	102.8	110.1
Silicones Business	34.6	40.8	40.5	40.3	42.0	44.0
Specialty Chemicals Business	23.8	25.9	27.3	26.0	27.2	26.8
Semiconductor Silicon Business	49.8	55.8	55.8	51.6	54.4	56.9
Electronics & Functional Materials Business	40.6	43.2	43.3	43.8	44.9	45.9
Diversified Business	19.4	24.1	22.8	27.6	23.0	25.2
Total	270.9	301.2	299.8	293.8	294.5	309.1



Quarterly Operating Income by Segment

(Operating Income)

(Billions of Yen)

	April 2013 - March 2014				April 2014 - March 2015	
	1Q	2Q	3Q	4Q	1Q	2Q
PVC/Chlor-Alkali Business	16.9	17.2	14.1	11.9	14.0	14.6
Silicones Business	7.0	7.1	8.8	8.7	9.1	9.2
Specialty Chemicals Business	3.0	2.8	3.8	2.9	3.9	3.3
Semiconductor Silicon Business	6.7	7.7	5.4	4.5	7.8	8.3
Electronics & Functional Materials Business	10.6	10.8	9.4	9.9	12.0	12.1
Diversified Business	1.1	0.9	0.7	0.8	1.5	1.3
Total	45.5	46.6	42.7	38.8	48.6	48.9

● ● ● | Operating Performance of Shintech Inc.

	2013 January - June		2014 January - June	
	Millions of US\$	Billions of Yen	Millions of US\$	Billions of Yen
Net Sales	1,544	147.6	1,408	144.3
Ordinary Income	356	34.0	269	27.6
Net Income	239	22.9	184	18.9
Net Assets	3,602	355.1	3,974	402.8
Total Assets	4,673	460.7	5,099	516.8

Exchange Rate Jan - Jun (Average) : 2013 95.6Yen/US\$
2014 102.5Yen/US\$



Comparative Income Statements (Consolidated)

(Billions of Yen)

	2013 April - September	2014 April - September	Increase (Decrease)
Net Sales	572.1	603.7	5.5% 31.6
Cost of sales	422.5	444.1	21.6
Selling, general and administrative expenses	57.4	61.9	4.5
Operating Income	92.2	97.6	5.8% 5.4
Non-operating income/expenses	5.1	3.5	(1.6)
Ordinary Income	97.3	101.1	3.9% 3.8
Income Before Income Taxes	97.3	101.1	3.9% 3.8
Income taxes	32.6	32.8	0.2
Minority interests in earnings of consolidated subsidiaries	0.8	0.7	(0.1)
Net Income	63.8	67.5	5.9% 3.7



Comparative Balance Sheets (Consolidated)

(Billions of Yen)

	Sep 30 2013 [a]	Mar 31 2014 [b]	Sep 30 2014 [c]	Increase (Decrease) [c-a]	Increase (Decrease) [c-b]		Sep 30 2013 [a]	Mar 31 2014 [b]	Sep 30 2014 [c]	Increase (Decrease) [c-a]	Increase (Decrease) [c-b]
Current Assets	1,138.1	1,235.8	1,283.0	144.9	47.2	Current Liabilities	226.8	254.1	253.3	26.5	(0.8)
Cash and time deposits	312.6	363.3	366.3	53.7	3.0	Notes and accounts payable-trade	106.5	109.4	112.7	6.2	3.3
Notes and accounts receivable-trade	270.0	267.2	279.8	9.8	12.6	Short-term borrowings	9.3	7.5	6.5	(2.8)	(1.0)
Securities	244.8	274.2	324.0	79.2	49.8	Accrued income taxes	24.0	32.1	25.4	1.4	(6.7)
Inventories	263.0	273.1	252.3	(10.7)	(20.8)	Other	86.8	105.1	108.5	21.7	3.4
Other	47.6	57.8	60.4	12.8	2.6						
Fixed Assets	939.0	963.0	938.5	(0.5)	(24.5)	Long-term Liabilities	109.3	122.6	122.1	12.8	(0.5)
Property, Plant and Equipment	698.9	720.7	694.9	(4.0)	(25.8)	Long-term debt	7.4	7.5	7.3	(0.1)	(0.2)
Machinery and equipment, net	409.8	424.5	396.4	(13.4)	(28.1)	Other	101.8	115.0	114.8	13.0	(0.2)
Other, net	289.1	296.2	298.5	9.4	2.3	Total Liabilities	336.1	376.7	375.5	39.4	(1.2)
Intangible Assets	17.2	19.4	17.7	0.5	(1.7)	Stockholders' Equity	1,722.7	1,754.2	1,800.6	77.9	46.4
Investments and Other Assets	222.8	222.8	225.8	3.0	3.0	Accumulated Other Comprehensive Income	(29.9)	18.9	(3.1)	26.8	(22.0)
Investments in securities	124.5	124.0	129.7	5.2	5.7	Share Subscription Rights Minority Interests in Consolidated Subsidiaries	48.3	49.0	48.5	0.2	(0.5)
Other	98.3	98.8	96.0	(2.3)	(2.8)	Total Net Assets	1,741.0	1,822.1	1,846.0	105.0	23.9
Total Assets	2,077.2	2,198.9	2,221.5	144.3	22.6	Total Liabilities and Net Assets	2,077.2	2,198.9	2,221.5	144.3	22.6

Comparative Statements of Cash Flows (Consolidated)

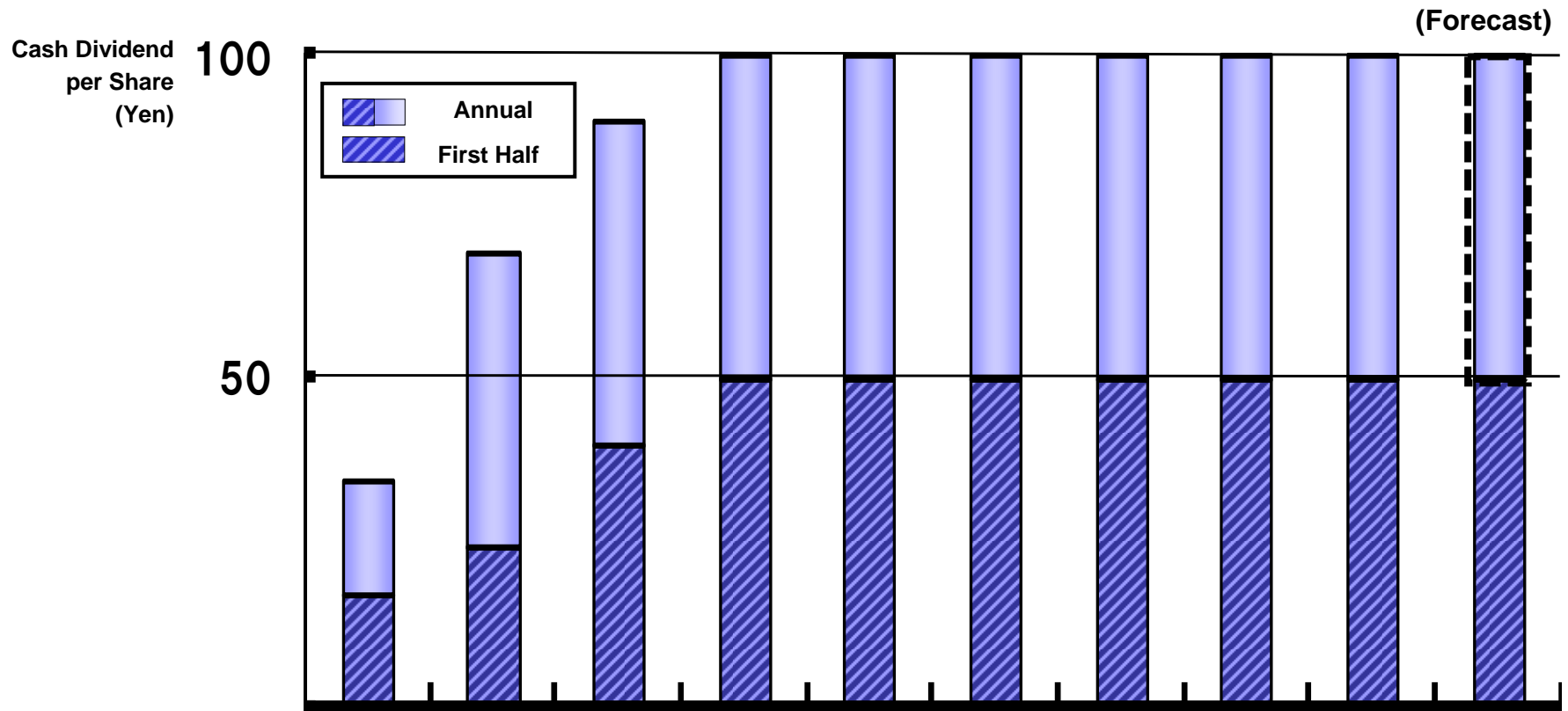
(Billions of Yen)

	2013 Apr - Sep	2014 Apr - Sep	Increase (Decrease)
(1) Cash Flows from Operating Activities	140.1	116.6	(23.5)
Net Income	63.8	67.5	3.7
Depreciation and amortization	44.0	46.3	2.3
Decrease in working capital	12.2	5.4	(6.8)
Others	20.0	(2.7)	(22.7)
(2) Cash Flows from Investing Activities	(178.0)	(95.3)	82.7
Increase in securities (mainly Negotiable certificates of deposit)	(121.7)	(56.0)	65.7
Capital expenditures	*1 (47.6)	(35.2)	12.4
Others	(8.6)	(4.1)	4.5
(3) Cash Flows from Financing Activities	(20.1)	(22.4)	(2.3)
Increase (Decrease) in borrowings	0.2	(1.0)	(1.2)
Cash dividends paid	(21.2)	(21.2)	(0.0)
Others	0.8	(0.0)	(0.8)
(4) Effect of Exchange Rate Changes on Cash and Cash Equivalents, and other	11.9	(5.0)	(16.9)
Decrease in Cash and Cash Equivalents	(46.1)	(6.1)	40.0
Cash and Cash Equivalents at end of Period	316.8	356.3	39.5
Balance of Interest-bearing Liabilities	16.8	13.8	(3.0)

*1 Shin-Etsu has acquired the total shares of Asia Silicones Monomer. The amount includes the expenditures related to the additional acquisition of its shares of 14.7 billion yen. Please see page 25.



Cash Dividends per Share



Fiscal year ended March		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Cash Dividend per Share (Yen)	First half	17.5	25	40	50	50	50	50	50	50	50
	Annual	35	70	90	100	100	100	100	100	100	* 100
Net Income per Share (Yen)	First half	129.7	174.1	221.2	235.0	83.7	146.8	120.2	131.2	150.1	158.8
	Annual	266.6	357.8	426.6	362.4	197.5	235.8	237.0	248.9	267.2	* 281.9
Dividend payout ratio	Annual	13.1%	19.6%	21.1%	27.6%	50.6%	42.4%	42.2%	40.2%	37.4%	* 35.5%

*Forecast



Forecast of Consolidated Operating Performance Fiscal Year Ending March 31, 2015

The Shin-Etsu Group has not changed its forecast, which was announced on July 24, 2014.

(Billions of Yen)

	Consolidated		
	April 2013 - March 2014 Actual	April 2014 - March 2015 Forecast	Increase (Decrease)
Net Sales	1,165.8	1,180.0	1.2%
Operating Income	173.8	183.0	5.3%
Ordinary Income	180.6	190.0	5.2%
Net Income	113.6	120.0	5.6%
Net Income per Share (Yen)	267.2	281.9	14.7
Cash Dividend per Share (Yen)	100	100	-
Capital Expenditures	83.1	100.0	
Depreciation and Amortization	91.4	92.0	

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								
2013	Jan-Mar	92.4	95.6	97.6	100.2	122.0	125.5	129.7	134.4		
	Apr-Jun	98.8				128.9					
	Jul-Sep	99.0	98.9			131.1	130.0				
	Oct-Dec	100.5	99.7			136.7	133.9				
2014	Jan-Mar	102.8	102.5	101.6	103.0	140.8	140.4	138.7			
	Apr-Jun	102.2				140.1			138.9		
	Jul-Sep	103.9	137.8								

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 2014	105Yen/\$	135Yen/€



Appendix (For Reference)

2) Overseas Sales Information

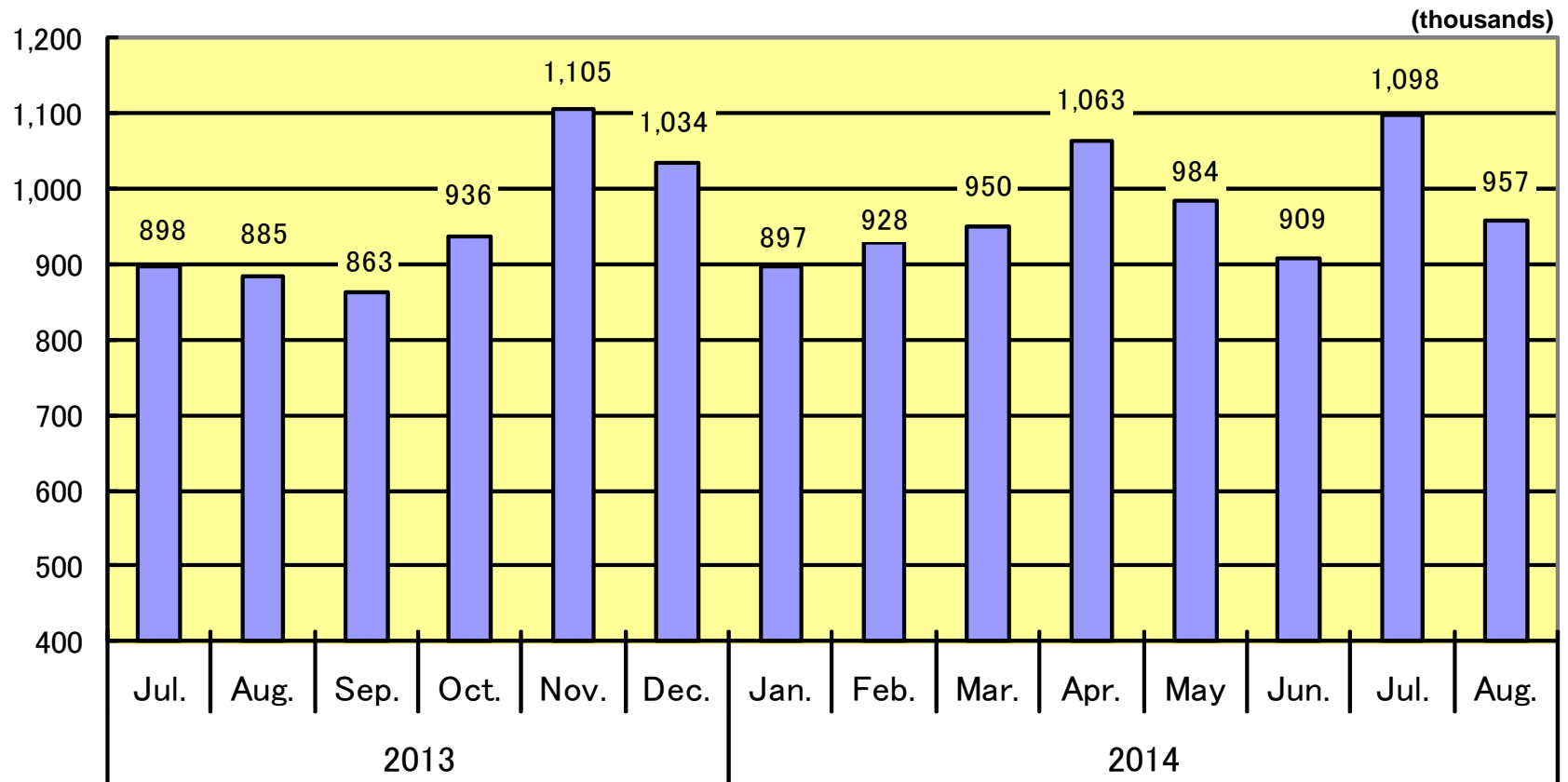
(Billions of Yen)

	Japan	Overseas					Total	Total Consolidated Net Sales
		U.S.	Asia/Oceania		Europe	Other Areas		
			China					
First Half	28%	20%	29%	10%	12%	11%	72%	
Apr - Sep 2013	162.3	116.7	163.4	57.4	68.0	61.5	409.7	572.1
Second Half	29%	20%	29%	10%	12%	10%	71%	
Oct 2013 - Mar 2014	173.2	120.0	168.8	58.3	73.8	57.6	420.3	593.6
Fiscal Year	29%	20%	29%	10%	12%	10%	71%	
ended March 2014	335.6	236.8	332.3	115.8	141.8	119.2	830.1	1,165.8
First Half	29%	21%	28%	9%	13%	9%	71%	
Apr - Sep 2014	176.9	127.7	171.1	56.6	76.1	51.6	426.7	603.7

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)									
2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1,950	2,073	1,812	1,342	900	554	586	612	784	930

* Source from United States Department of Commerce



Appendix (For Reference)

4) Trend of Naphtha Price Traded in Japan

(Yen / KL)

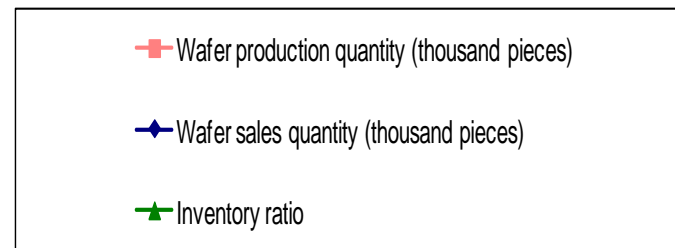
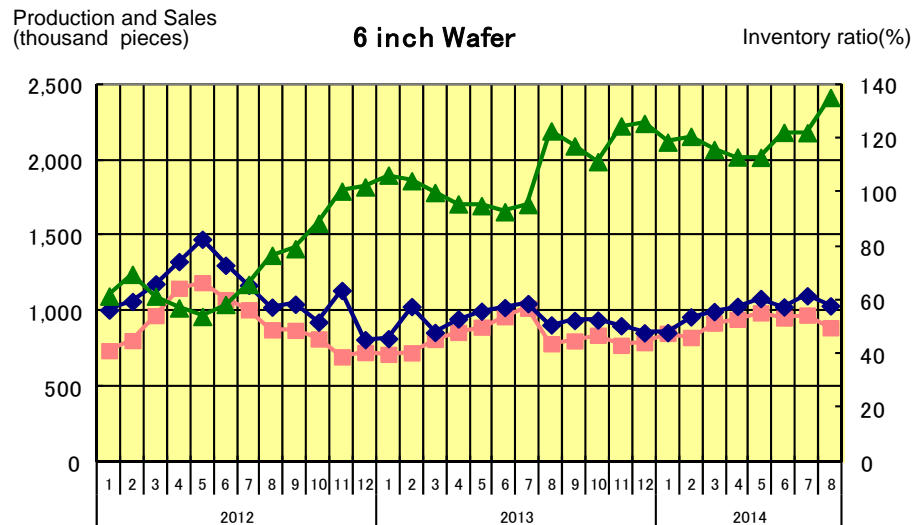
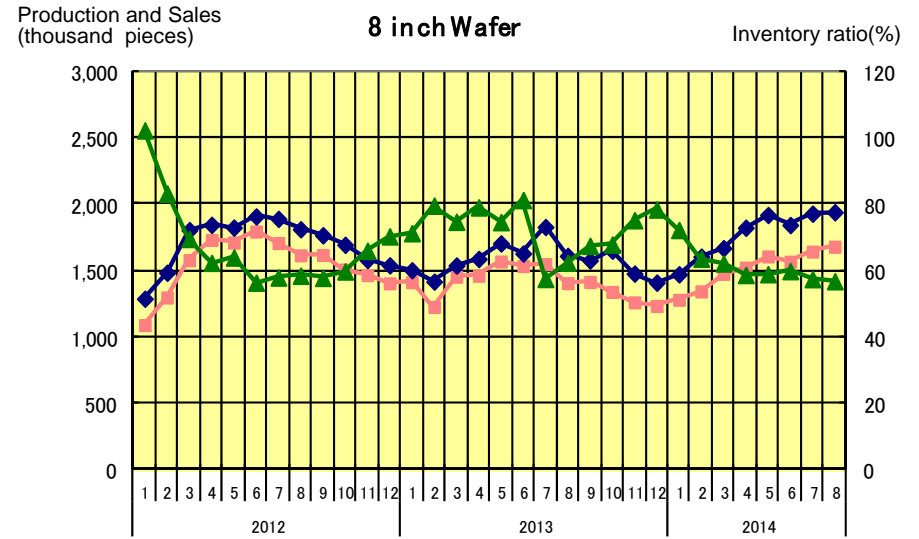
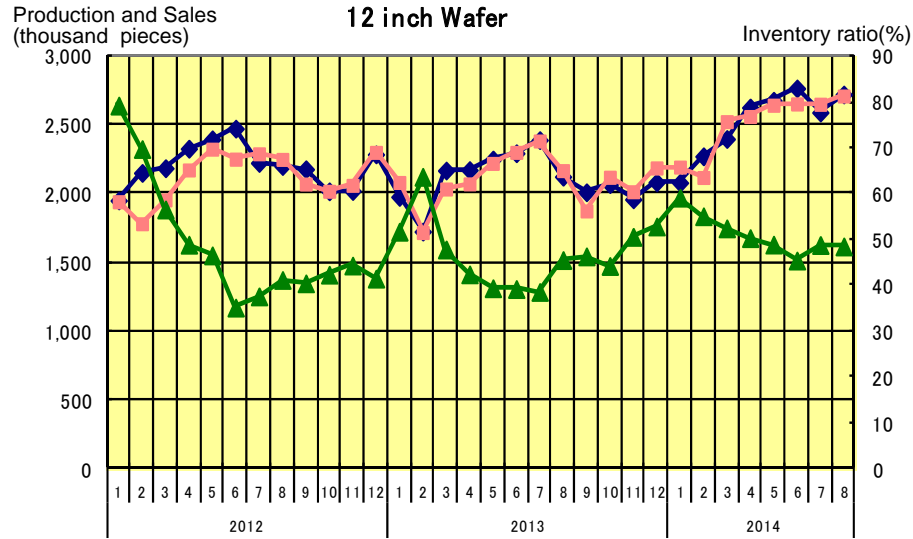
Fiscal Year 2013 April 2012 - March 2013		Fiscal Year 2014 April 2013 - March 2014				Fiscal Year 2015 April 2014 - March 2015	
Oct - Dec	(2013) Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	(2014) Jan - Mar	Apr - Jun	Jul - Sep
55,800	63,800	65,500	63,900	67,800	72,000	69,900	70,900 (est)

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, 2013~Oct. 28, 2014)

- Jan. 2014 *Put the industry's first radiation protective vest which adopted silicone rubber sheets "RADIBARRIER sheets" with radiation-shielding properties, to practical use.
- Apr. 2014 Shintech has applied to the State of Louisiana Department of Environment Quality for a permit to build a new plant that will produce ethylene.
- Apr. 2014 Shin-Etsu Chemical decided to establish a new rare earth magnet manufacturing plant in Hai Phong Province in Vietnam.
- Apr. 2014 Shin-Etsu Chemical announced a price increase for all of its silicone products, both in Japan and globally due to the rises in the acquisition price of those main raw materials and raw fuels.
- Jul. 2014 *Shintech received the President's "E" Award for Exports from the United States Department of Commerce.

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

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



7) Progresses of overseas capital investments

(As of October 28, 2014)

Shin-Etsu Electronics Materials Vietnam Co., Ltd. (Hung Yen Province, Vietnam)

- Completed construction of a plant for silicone-based encapsulating materials and reflectors for LEDs
- Started production and sales in Sep. 2013

Shintech Inc. (Louisiana, the U.S.)

- Expansion of integrated PVC production facility is underway
〈Vinyl chloride monomer : About 300 thousand tons/year
Caustic soda : About 200 thousand tons/year
PVC : About 300 thousand tons/year〉
(With this expansion, Shintech's total PVC production capacity will become 2.95 million tons/year)
 - Completion of construction: Scheduled in 2015
 - Investment: About \$500 million
-
- Applied to the State of Louisiana Department of Environment Quality for a permit to build a new plant that will produce ethylene in Apr. 2014

Shin-Etsu Magnetic Materials Vietnam Co., Ltd. (Hai Phong Province, Vietnam)

- Completed construction of a plant for the separation and refinement of rare earths and started production and sales in Apr. 2013
-
- Decided to establish a manufacturing plant for rare earth magnet with a production capacity of 2,000tons/year.
 - Completion of construction:
First-phase(1,000tons/year)/ Scheduled in Sep. 2015
Second-phase(1,000tons/year)/ Scheduled in Sep. 2016
 - Investment: About ¥12 billion

Asia Silicones Monomer Ltd. 〈ASM〉 (Rayong, Thailand)

- Shin-Etsu Chemical has acquired the total shares indirectly held by GE 〈General Electric Company〉 of ASM. ASM became an indirectly wholly owned Shin-Etsu Group company.
- Completion of acquisition: May. 17, 2013
- Acquisition cost: About ¥15 billion

SE Tylose USA, Inc. (Louisiana, the U.S.)

- Construction of a manufacturing plant for hydroxyethyl cellulose (HEC) with a production capacity of 9,000tons/year is underway
- Start of operations: Scheduled in the first half of 2015
- Investment: \$120 million