

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

Listing Stock Exchange: Tokyo and Nagoya

Representative: Yasuhiko Saitoh (Mr.) Representative Director/President

Personnel to contact: Toshiyuki Kasahara (Mr.) Director, General Manager of Finance & Accounting Department

Tel: +81-3-3246-5051

Date of the filing of the quarterly consolidated financial statements: August 13, 2019

Date of dividend payment: -

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 Quarter Ended June 30, 2019

(From April 1, 2019 to June 30, 2019)

(1) Results of consolidated operations

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
April - June 2019	386,211	0.7%	107,502	12.7%	108,902	9.5%	84,028	14.0%
April - June 2018	383,633	14.1%	95,405	28.7%	99,431	29.1%	73,718	37.3%

(Note) Comprehensive income (Millions of yen) From April 1, 2019 to June 30, 2019: 80,928 [373.0%]

From April 1, 2018 to June 30, 2018: 17,111 [(44.0%)]

	Net income per share (yen)	Diluted net income per share (yen)
April - June 2019	201.96	201.95
April - June 2018	172.82	172.78

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (yen)
June 30, 2019	3,028,042	2,561,243	82.3%	5,997.51
March 31, 2019	3,038,717	2,532,556	81.1%	5,915.47

(Note) Stockholders' equity (Millions of yen) As of June 30, 2019: 2,493,197 As of March 31, 2019: 2,465,597

2. Cash Dividends

	Cash dividends per share in the fiscal year (yen)				
	1 st quarter	2 nd quarter	3 rd quarter	Year-end	Fiscal year
April 2018 - March 2019	-	100.00	-	100.00	200.00
April 2019 - March 2020	-				
April 2019 - March 2020 (forecast)		110.00	-	110.00	220.00

(Note) Revision of the latest forecast of cash dividends: Yes

3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2020

(From April 1, 2019 to March 31, 2020)

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share (yen)
Fiscal year	1,550,000	(2.8%)	405,000	0.3%	418,000	0.6%	314,000	1.6%	755.18

(Note) Revision of the latest forecast of consolidated operating performance: Yes

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.

(Notes)

(1) Changes in significant subsidiaries during the first quarter ended June 30, 2019: No

(Note) This item indicates whether there were changes in significant subsidiaries affecting the scope of consolidation during the first quarter ended June 30, 2019.

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

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

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

Changes in accounting policies other than the above: No

Changes in accounting estimates: No

Retrospective restatement: No

(Note) Please see (3) Notes to Consolidated Financial Statements, "Changes in Accounting Policies" on page 9 for further details.

(4) Number of shares outstanding (common stock)

	June 30, 2019	March 31, 2019
Number of shares outstanding at period end	427,606,693	427,606,693
Number of shares of treasury stock at period end	11,901,115	10,801,943
	April - June 2019	April - June 2018
Weighted-average number of shares outstanding over period	416,070,645	426,569,816

(Information regarding quarterly review procedures)

The financial information contained in this report is not subject to quarterly review procedures by independent auditors.

(Attached Documents)

INDEX

1. Qualitative Information Regarding Quarterly Results.....	2
(1) Explanation Regarding the Operating Results	2
(2) Explanation Regarding Information Relevant to Forecasts such as Consolidated Business Forecast.....	4
2. Consolidated Financial Statements.....	5
(1) Consolidated Balance Sheets	5
(2) Consolidated Statements of Income and Statements of Comprehensive Income	7
(3) Notes to Consolidated Financial Statements.....	9
(Notes on Premise of Going Concern).....	9
(Notes on Significant Changes in Stockholders' Equity)	9
(Changes in Accounting Policies).....	9
(Segment Information).....	10

Appendix: Quarterly Operating Results

1. Qualitative Information Regarding Quarterly Results

(1) Explanation Regarding the Operating Results

During the first quarter of the fiscal year ending March 31, 2020 (from April 1 to June 30, 2019), world economic growth continued to slow down, necessitating some adjustments in each business.

Under these circumstances, the Shin-Etsu Group always strove to cope with changes swiftly without prejudgments and went forward with executing the following for continuous business growth:

- We deepened our customer relationships and expanded our customer base while we constantly developing products which match customer needs, improving quality of products and differentiating our technologies from our competitors.
- We also continued on-time delivery and strict cost control.
- We made timely and appropriate capital investments in order to serve our customers and markets.

As a result, the business results for the first quarter of the fiscal year ending March 31, 2020 are as follows:

	April - June 2018 (Millions of yen)	April - June 2019 (Millions of yen)	Increase / (Decrease)
Net sales	383,633	386,211	0.7%
Operating income	95,405	107,502	12.7%
Ordinary income	99,431	108,902	9.5%
Net income attributable to owners of parent	73,718	84,028	14.0%

The situation of each of our business segments is as follows:

PVC/Chlor-Alkali Business

	April - June 2018 (Millions of yen)	April - June 2019 (Millions of yen)	Increase / (Decrease)
Net sales	123,176	122,803	(0.3%)
Operating income	26,318	25,379	(3.6%)

With regard to the PVC/Chlor-Alkali business, both PVC and caustic soda continued high levels of shipments at Shintech Inc. in the U.S., despite some impact of the market conditions. Further, shipments were also steady at the European bases. At the Japanese bases, both domestic and overseas sales volume increased because the duration of periodic maintenance carried out in the present term was shorter than in the previous term.

Silicones Business

	April - June 2018 (Millions of yen)	April - June 2019 (Millions of yen)	Increase / (Decrease)
Net sales	55,670	56,367	1.3%
Operating income	13,518	15,939	17.9%

With regard to the silicones business, although it was affected by the price decline of general-purpose products, the shipments were firm as a result of our endeavors to increase the sales of functional products and other products.

Specialty Chemicals Business

	April - June 2018 (Millions of yen)	April - June 2019 (Millions of yen)	Increase / (Decrease)
Net sales	30,507	28,927	(5.2%)
Operating income	6,816	7,507	10.1%

With regard to the cellulose derivatives business, the pharmaceutical-use products continued to be firm although products for building, construction and coating applications were weak in some regions. Synthetic pheromone products and POVAL products had firm shipments.

Semiconductor Silicon Business

	April - June 2018 (Millions of yen)	April - June 2019 (Millions of yen)	Increase / (Decrease)
Net sales	90,998	99,066	8.9%
Operating income	30,009	39,424	31.4%

With regard to the semiconductor silicon business, the business results grew as a result of the high level of shipments maintained, despite a downward trend seen in the semiconductor device market.

Electronics & Functional Materials Business

	April - June 2018 (Millions of yen)	April - June 2019 (Millions of yen)	Increase / (Decrease)
Net sales	56,037	54,765	(2.3%)
Operating income	16,000	16,611	3.8%

With regard to the rare earth magnets business, products for applications in automobiles including hybrid cars had firm shipments, although those for industrial equipment and hard disc drives applications were affected by the slowing demand. With regard to the photoresist products business, ArF photoresists were favorable. Regarding photomask blanks, the sales of products in all ranges, i.e., general-purpose and high-end products in addition to ultra high-end products, increased and were favorable. The optical fiber preform business was in a severe condition due to the impact of the rapidly deteriorating market.

Processing, Trading & Specialized Services Business

	April - June 2018 (Millions of yen)	April - June 2019 (Millions of yen)	Increase / (Decrease)
Net sales	27,242	24,280	(10.9%)
Operating income	3,026	3,574	18.1%

Shin-Etsu Polymer Co., Ltd.'s input device for automobiles had firm shipments; however, the shipments of semiconductor wafer-related containers were affected by customers' inventory adjustments.

(2) Explanation Regarding Information Relevant to Forecasts such as Consolidated

Business Forecast

As the world economy is fraught with uncertainties such as trade issues and developments in the Chinese economy, the situation does not allow for optimism. In our businesses, there are some products that are significantly affected by market conditions and changes in supply/demand, including raw material prices. Further, given that over 70% of the consolidated sales are comprised of overseas sales, currency exchange rate fluctuations directly impact our businesses, as well as those of our overseas subsidiaries when their financial results are converted into Japanese yen.

Faced with such a situation, the forecast for the fiscal year ending March 31, 2020's consolidated operating performance is as mentioned below.

As stated earlier, in a situation where many external factors may affect our business performance, the Shin-Etsu Group will aggressively develop sales activities that capture the trends in demand with alacrity and take advantage of changes while closely monitoring the world markets. Further, we will strive to develop products that have value for customers, and ensure the stable supply of our products by continuously focusing on the enhancement of productivity and product quality, while strengthening our cost competitiveness at the same time.

With regard to dividends, the forecast is ¥110 per share for both interim and year-end dividends; thus, the total annual dividend for FY 2020 will become ¥220 per share, an increase of ¥20 compared with FY 2019.

The forecasts of consolidated operating performance and dividends were released today in "Notice Regarding Operating Performance and Dividend Forecasts" as well.

(Millions of yen)

\	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share (yen)
Fiscal year	1,550,000	(2.8%)	405,000	0.3%	418,000	0.6%	314,000	1.6%	755.18

Percentage figures indicate increase over previous corresponding period.

(Note)

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.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of March 31 and June 30, 2019

	Millions of yen	
	March 31, 2019	June 30, 2019
ASSETS		
Current Assets:		
Cash and time deposits	826,680	791,196
Notes and accounts receivable-trade	338,701	348,749
Securities	215,444	220,889
Inventories	329,494	332,588
Other	47,527	36,144
Less: Allowance for doubtful accounts	(7,379)	(7,911)
Total current assets	1,750,469	1,721,655
Fixed Assets:		
Property, plant and equipment		
Machinery and equipment, net	445,974	435,548
Other, net	541,985	582,529
Total property, plant and equipment	987,960	1,018,077
Intangible assets	8,740	8,849
Investments and other assets:		
Investments and other assets	294,172	282,057
Less: Allowance for doubtful accounts	(2,624)	(2,597)
Total investments and other assets	291,548	279,460
Total fixed assets	1,288,248	1,306,387
TOTAL ASSETS	3,038,717	3,028,042

	Millions of yen	
	March 31, 2019	June 30, 2019
LIABILITIES		
Current Liabilities:		
Notes and accounts payable-trade	141,027	131,098
Short-term borrowings	7,008	7,670
Accrued income taxes	45,739	26,259
Allowances	4,245	3,600
Other	193,833	176,775
Total current liabilities	391,854	345,403
Long-term Liabilities:		
Long-term debt	7,624	9,697
Net defined benefit liability	30,473	31,226
Other	76,209	80,472
Total long-term liabilities	114,306	121,395
TOTAL LIABILITIES	506,161	466,799
NET ASSETS		
Stockholders' Equity:		
Common stock	119,419	119,419
Additional paid-in capital	128,299	128,299
Retained earnings	2,283,760	2,326,103
Less: Treasury stock, at cost	(94,702)	(105,215)
Total stockholders' equity	2,436,777	2,468,608
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	22,955	19,364
Deferred gains (losses) on hedges	(266)	(805)
Foreign currency translation adjustments	5,143	5,142
Remeasurements of defined benefit plans	987	888
Total accumulated other comprehensive income	28,820	24,589
Share subscription rights	1,143	1,140
Non-controlling interests in consolidated subsidiaries	65,814	66,904
TOTAL NET ASSETS	2,532,556	2,561,243
TOTAL LIABILITIES AND NET ASSETS	3,038,717	3,028,042

(2) Consolidated Statements of Income and Statements of Comprehensive Income

Consolidated Statements of Income

For the first quarter ended June 30, 2018 and 2019

	Millions of yen	
	April 1, 2018 - June 30, 2018	April 1, 2019 - June 30, 2019
Net sales	383,633	386,211
Cost of sales	251,237	240,370
Gross profit	132,395	145,841
Selling, general and administrative expenses	36,989	38,339
Operating income	95,405	107,502
Non-operating income:		
Interest income	1,714	2,866
Dividend income	995	1,182
Foreign exchange gain	1,492	-
Other income	1,519	1,488
Total non-operating income	5,721	5,537
Non-operating expenses:		
Foreign exchange loss	-	2,837
Other expenses	1,695	1,299
Total non-operating expenses	1,695	4,137
Ordinary income	99,431	108,902
Extraordinary income:		
Gain on sales of investment securities	-	5,831
Total extraordinary income	-	5,831
Income before income taxes and non-controlling interests	99,431	114,734
Income taxes:		
Current	25,771	29,373
Deferred	(1,286)	410
Total income taxes	24,484	29,784
Net income	74,947	84,949
Net income attributable to non-controlling interests	1,228	920
Net income attributable to owners of parent	73,718	84,028

Consolidated Statements of Comprehensive Income

For the first quarter ended June 30, 2018 and 2019

	Millions of yen	
	April 1, 2018 - June 30, 2018	April 1, 2019 - June 30, 2019
Net income	74,947	84,949
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	(883)	(3,611)
Deferred gains (losses) on hedges	(1,304)	(542)
Foreign currency translation adjustments	(55,970)	341
Remeasurements of defined benefit plans	500	(97)
Share of other comprehensive income of affiliates accounted for using the equity method	(178)	(111)
Total other comprehensive income	(57,836)	(4,021)
Comprehensive income	17,111	80,928
 (Breakdown)		
Comprehensive income attributable to owners of parent	16,916	79,798
Comprehensive income attributable to non-controlling interests	195	1,130

(3) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable

(Notes on Significant Changes in Stockholders' Equity)

Not applicable

(Changes in Accounting Policies)

(Application of IFRS 16 Leases)

At overseas subsidiaries adopting IFRS, IFRS 16 Leases is applied from the first quarter of the fiscal year ending March 31, 2020. The impact of the application of this accounting standard on the consolidated financial statements is immaterial.

(Application of revised Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements and related Practical Solution)

The "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (revised on June 28, 2019) (PITF No. 18) and the "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (revised on September 14, 2018) (PITF No.24) are applied from the first quarter of the fiscal year ending March 31, 2020. The impact of the application of these practical solutions on the consolidated financial statements is immaterial.

(Segment Information)

Information on sales, income (loss) and other items of reportable segments

1) For the first quarter ended June 30, 2019 (From April 1, 2019 to June 30, 2019)

	Millions of yen							Adjustment*	Figures in consolidated financial statements
	April 1, 2019 - June 30, 2019								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Processing, Trading & Specialized Services	Total		
Sales to outside customers	122,803	56,367	28,927	99,066	54,765	24,280	386,211	-	386,211
Intersegment sales	865	1,754	5,431	3	1,928	34,937	44,921	(44,921)	-
Total	123,669	58,122	34,359	99,069	56,694	59,217	431,133	(44,921)	386,211
Segment income (Operating income)	25,379	15,939	7,507	39,424	16,611	3,574	108,437	(935)	107,502

*Elimination of intersegment transactions

2) For the first quarter ended June 30, 2018 (From April 1, 2018 to June 30, 2018)

	Millions of yen							Adjustment*	Figures in consolidated financial statements
	April 1, 2018 - June 30, 2018								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Processing, Trading & Specialized Services	Total		
Sales to outside customers	123,176	55,670	30,507	90,998	56,037	27,242	383,633	-	383,633
Intersegment sales	845	1,624	5,496	2	2,221	25,368	35,559	(35,559)	-
Total	124,021	57,295	36,004	91,000	58,259	52,611	419,192	(35,559)	383,633
Segment income (Operating income)	26,318	13,518	6,816	30,009	16,000	3,026	95,690	(284)	95,405

*Elimination of intersegment transactions

The main products and services of each segment are as follows:

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, Vinyl Chloride-Vinyl Acetate Copolymer Resin
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
Processing, Trading & Specialized Services Business	Processed plastics, Export of plant equipment, Technology licensing, International trade, Engineering

Appendix: Quarterly Operating Results

(Billions of yen)

	FY 2019 April 1, 2018 - March 31, 2019					FY 2020 April 1, 2019 - March 31, 2020
	1Q	2Q	3Q	4Q	Total	1Q
Net Sales	383.6	408.0	415.1	387.1	1,594.0	386.2
PVC / Chlor-Alkali	123.1	138.7	137.4	124.9	524.2	122.8
Silicones	55.6	58.2	59.8	59.6	233.3	56.3
Specialty Chemicals	30.5	29.2	32.5	28.8	121.1	28.9
Semiconductor Silicon	90.9	96.4	98.1	94.7	380.3	99.0
Electronics & Functional Materials	56.0	58.8	57.7	53.4	226.0	54.7
Processing, Trading & Specialized Services	27.2	26.5	29.4	25.5	108.7	24.2
Operating Income	95.4	113.8	115.3	79.0	403.7	107.5
PVC / Chlor-Alkali	26.3	33.3	31.2	15.5	106.5	25.3
Silicones	13.5	15.5	16.7	12.7	58.5	15.9
Specialty Chemicals	6.8	6.6	7.5	5.6	26.6	7.5
Semiconductor Silicon	30.0	36.6	37.3	28.0	131.9	39.4
Electronics & Functional Materials	16.0	18.1	18.3	14.5	66.9	16.6
Processing, Trading & Specialized Services	3.0	3.4	4.0	2.7	13.2	3.5
Ordinary Income	99.4	117.6	112.2	85.9	415.3	108.9
Net Income Attributable to Owners of Parent	73.7	85.0	83.3	66.9	309.1	84.0
Depreciation and Amortization	29.0	32.8	35.4	40.2	137.5	31.6
Capital Expenditures	44.9	52.8	66.1	76.8	240.6	56.3
R&D Costs	13.7	13.0	14.5	15.0	56.4	12.9
Overseas Sales	278.7	302.2	306.8	293.0	1,180.8	280.9
Ratio of Overseas Sales to Net Sales	73%	74%	74%	76%	74%	73%

(Note) Amounts are stated in billions of yen by discarding fractional amounts less than 0.1 billion.