

Press Release

**Consolidated Financial Results for the First Half Ended September 30, 2019**



**(JP GAAP)**

October 25, 2019

**Shin-Etsu Chemical Co., Ltd.**

Listing Code: No. 4063 (URL: <http://www.shinetsu.co.jp/>)  
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 Date of the filing of the quarterly consolidated financial statements: November 13, 2019  
 Date of dividend payment: November 19, 2019  
 Preparation of supplemental explanatory materials: Yes  
 Holding of quarterly financial results meeting: Yes (for investment analysts and institutional investors)

Amounts are stated in millions of yen by discarding fractional amounts less than 1 million.  
 Percentage figures indicate increase (decrease) over previous corresponding period.

**1. Consolidated Operating Performance for the First Half Ended September 30, 2019**

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

**(1) Results of consolidated operations** (Millions of yen)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
April - September 2019	786,542	(0.7%)	210,532	0.6%	218,222	0.5%	165,025	3.9%
April - September 2018	791,701	13.9%	209,240	33.9%	217,125	35.5%	158,815	43.4%

(Note) Comprehensive income (Millions of yen) From April 1, 2019 to September 30, 2019: 126,065 [(5.1%)]  
 From April 1, 2018 to September 30, 2018: 132,858 [36.3%]

	Net income per share (yen)	Diluted net income per share (yen)
April - September 2019	396.80	396.77
April - September 2018	372.29	372.22

**(2) Consolidated financial position** (Millions of yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (yen)
September 30, 2019	3,085,213	2,606,952	82.3%	6,106.25
March 31, 2019	3,038,717	2,532,556	81.1%	5,915.47

(Note) Stockholders' equity (Millions of yen) As of September 30, 2019: 2,538,513 As of March 31, 2019: 2,465,597

**2. Cash Dividends**

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

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

**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: No

Forward-looking statements such as the forecast of results of operations made in this document involves risks and uncertainties since they are based on management's assumptions and beliefs in light of the information currently available to it. The reader should be aware that actual results may be materially different from any future results expressed herein due to various factors. Material factors affecting the actual results may include overall economic conditions in which the businesses of our company and our group companies are involved, the relevant market trends and fluctuations in foreign exchange rates of the yen, in particular, the exchange rate between the U.S. 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 half ended September 30, 2019: No**

(Note) This item indicates whether there were changes in significant subsidiaries affecting the scope of consolidation during the first half ended September 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 (4) Notes to Consolidated Financial Statements, "Changes in Accounting Policies" on page 10 for further details.

**(4) Number of shares outstanding (common stock)**

	September 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	11,882,982	10,801,943
	April - September 2019	April - September 2018
Weighted-average number of shares outstanding over period	415,892,394	426,596,481

(Note) The cancellation of the treasury stock (10,943,900 shares) was completed on October 7, 2019.

**(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) Consolidated Statements of Cash Flows .....	9
(4) Notes to Consolidated Financial Statements.....	10
(Notes on Premise of Going Concern).....	10
(Notes on Significant Changes in Stockholders' Equity) .....	10
(Changes in Accounting Policies).....	10
(Segment Information).....	11

Appendix: Quarterly Operating Results

## 1. Qualitative Information Regarding Quarterly Results

### (1) Explanation Regarding the Operating Results

During the first half of the fiscal year ending March 31, 2020 (from April 1 to September 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 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 half of the fiscal year ending March 31, 2020 are as follows:

	April - September 2018 (Millions of yen)	April - September 2019 (Millions of yen)	Increase / (Decrease)
Net sales	791,701	786,542	(0.7%)
Operating income	209,240	210,532	0.6%
Ordinary income	217,125	218,222	0.5%
Net income attributable to owners of parent	158,815	165,025	3.9%

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

#### PVC/Chlor-Alkali Business

	April - September 2018 (Millions of yen)	April - September 2019 (Millions of yen)	Increase / (Decrease)
Net sales	261,913	253,192	(3.3%)
Operating income	59,673	51,722	(13.3%)

With regard to our 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, thanks to the advantageous raw material situation in the country. Shipments were steady at the European sites. At the Japanese bases, both domestic and overseas sales volume grew.

#### Silicones Business

	April - September 2018 (Millions of yen)	April - September 2019 (Millions of yen)	Increase / (Decrease)
Net sales	113,876	114,784	0.8%
Operating income	29,059	31,109	7.1%

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

### **Specialty Chemicals Business**

	April - September 2018 (Millions of yen)	April - September 2019 (Millions of yen)	Increase / (Decrease)
Net sales	59,786	58,243	(2.6%)
Operating income	13,466	13,894	3.2%

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

### **Semiconductor Silicon Business**

	April - September 2018 (Millions of yen)	April - September 2019 (Millions of yen)	Increase / (Decrease)
Net sales	187,432	196,539	4.9%
Operating income	66,624	74,516	11.8%

With regard to the semiconductor silicon business, we strove to maintain the level of shipments despite a downward trend seen in the semiconductor device market.

### **Electronics & Functional Materials Business**

	April - September 2018 (Millions of yen)	April - September 2019 (Millions of yen)	Increase / (Decrease)
Net sales	114,919	111,449	(3.0%)
Operating income	34,128	33,343	(2.3%)

With regard to the rare earth magnets business, products for applications in automobiles including hybrid cars continued to have 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 high-end products and other products grew and were favorable. The optical fiber preform business experienced harsh conditions due to the impact of the deteriorating market.

### **Processing, Trading & Specialized Services Business**

	April - September 2018 (Millions of yen)	April - September 2019 (Millions of yen)	Increase / (Decrease)
Net sales	53,772	52,333	(2.7%)
Operating income	6,438	7,258	12.7%

Shin-Etsu Polymer Co., Ltd.'s semiconductor wafer-related containers were affected by a slowdown of capital investments in the semiconductor device-related market.

## **(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. Among our main products, there are some 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 consist 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.

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.

As mentioned on the cover page of this summary of the Shin-Etsu Group's financial results, there is no change in the business forecast we announced on July 24, 2019.

## **2. Consolidated Financial Statements**

### **(1) Consolidated Balance Sheets**

As of March 31 and September 30, 2019

	Millions of yen	
	March 31, 2019	September 30, 2019
<b>ASSETS</b>		
Current Assets:		
Cash and time deposits	826,680	842,798
Notes and accounts receivable-trade	338,701	338,813
Securities	215,444	226,363
Inventories	329,494	333,665
Other	47,527	38,631
Less: Allowance for doubtful accounts	(7,379)	(7,108)
Total current assets	1,750,469	1,773,163
Fixed Assets:		
Property, plant and equipment		
Machinery and equipment, net	445,974	424,793
Construction in progress	255,232	309,517
Other, net	286,753	291,229
Total property, plant and equipment	987,960	1,025,540
Intangible assets	8,740	8,513
Investments and other assets:		
Investments and other assets	294,172	280,595
Less: Allowance for doubtful accounts	(2,624)	(2,599)
Total investments and other assets	291,548	277,995
Total fixed assets	1,288,248	1,312,050
TOTAL ASSETS	3,038,717	3,085,213

	Millions of yen	
	March 31, 2019	September 30, 2019
<b>LIABILITIES</b>		
Current Liabilities:		
Notes and accounts payable-trade	141,027	125,600
Short-term borrowings	7,008	7,698
Accrued income taxes	45,739	47,503
Allowances	4,245	4,119
Other	193,833	173,284
	391,854	358,206
Long-term Liabilities:		
Long-term debt	7,624	12,041
Net defined benefit liability	30,473	31,198
Other	76,209	76,813
	114,306	120,053
	506,161	478,260
<b>NET ASSETS</b>		
Stockholders' Equity:		
Common stock	119,419	119,419
Additional paid-in capital	128,299	128,298
Retained earnings	2,283,760	2,407,103
Less: Treasury stock, at cost	(94,702)	(105,056)
	2,436,777	2,549,765
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	22,955	17,559
Deferred gains (losses) on hedges	(266)	(1,853)
Foreign currency translation adjustments	5,143	(27,840)
Remeasurements of defined benefit plans	987	881
	28,820	(11,252)
Share subscription rights	1,143	2,037
Non-controlling interests in consolidated subsidiaries	65,814	66,402
	2,532,556	2,606,952
	3,038,717	3,085,213



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

### Consolidated Statements of Income

For the first half ended September 30, 2018 and 2019

	Millions of yen	
	April 1, 2018 - September 30, 2018	April 1, 2019 - September 30, 2019
Net sales	791,701	786,542
Cost of sales	508,705	498,371
Gross profit	282,995	288,171
Selling, general and administrative expenses	73,755	77,638
Operating income	209,240	210,532
Non-operating income:		
Interest income	3,963	5,756
Dividend income	1,166	4,405
Foreign exchange gain	2,467	-
Other income	4,401	3,617
Total non-operating income	12,000	13,779
Non-operating expenses:		
Foreign exchange loss	-	3,284
Other expenses	4,115	2,804
Total non-operating expenses	4,115	6,089
Ordinary income	217,125	218,222
Extraordinary income:		
Gain on sales of investment securities	-	7,093
Total extraordinary income	-	7,093
Income before income taxes and non-controlling interests	217,125	225,315
Income taxes:		
Current	57,187	61,420
Deferred	(1,426)	(3,200)
Total income taxes	55,761	58,219
Net income	161,363	167,096
Net income attributable to non-controlling interests	2,547	2,070
Net income attributable to owners of parent	158,815	165,025

**Consolidated Statements of Comprehensive Income**  
For the first half ended September 30, 2018 and 2019

	Millions of yen	
	April 1, 2018 - September 30, 2018	April 1, 2019 - September 30, 2019
Net income	161,363	167,096
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	3,269	(5,408)
Deferred gains (losses) on hedges	(1,969)	(1,596)
Foreign currency translation adjustments	(30,103)	(33,642)
Remeasurements of defined benefit plans	498	(104)
Share of other comprehensive income of affiliates accounted for using the equity method	(200)	(278)
Total other comprehensive income	(28,505)	(41,030)
Comprehensive income	132,858	126,065
(Breakdown)		
Comprehensive income attributable to owners of parent	131,364	124,952
Comprehensive income attributable to non-controlling interests	1,493	1,113

### (3) Consolidated Statements of Cash Flows

For the first half ended September 30, 2018 and 2019

	Millions of yen	
	April 1, 2018 - September 30, 2018	April 1, 2019 - September 30, 2019
Cash flows from operating activities:		
Income before income taxes and non-controlling interests	217,125	225,315
Depreciation and amortization	61,873	65,364
Interest and dividend income	(5,130)	(10,162)
(Gain) loss on sales of investment in securities	42	(7,093)
(Increase) decrease in notes and accounts receivable	(34,435)	(4,933)
(Increase) decrease in inventories	(3,693)	(7,181)
Increase (decrease) in notes and accounts payable	(418)	(14,148)
Other, net	17,237	3,888
Subtotal	252,600	251,050
Proceeds from interest and dividends	6,841	10,950
Payments of interest	(280)	(406)
Payments of income taxes	(71,481)	(54,927)
Net cash provided by operating activities	187,679	206,667
Cash flows from investing activities:		
Net (increase) decrease in time deposits	112,039	(78,040)
Net (increase) decrease in marketable securities	3,838	(3,500)
Purchases of property, plant and equipment	(97,891)	(127,267)
Purchases of investments in securities	(350)	(286)
Proceeds from sales and redemption of investments in securities	211	11,448
Other, net	331	(69)
Net cash provided by (used for) investing activities	18,177	(197,715)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(428)	686
Proceeds from long-term debt	236	4,819
Repayments of long-term debt	(232)	(225)
Purchases of treasury stock	(10)	(10,554)
Cash dividends paid	(31,992)	(41,680)
Other, net	(686)	(3,398)
Net cash used for financing activities	(33,113)	(50,353)
Effect of exchange rate changes on cash and cash equivalents	(3,764)	(9,216)
Net increase (decrease) in cash and cash equivalents	168,979	(50,618)
Cash and cash equivalents at beginning of period	780,449	828,345
Increase (decrease) in cash and cash equivalents resulting from changes in scope of consolidation	1,217	-
Cash and cash equivalents at end of period	950,646	777,727

#### **(4) 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 half ended September 30, 2019 (From April 1, 2019 to September 30, 2019)

	Millions of yen							Adjustment*	Figures in consolidated financial statements
	April 1, 2019 – September 30, 2019								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Processing, Trading & Specialized Services	Total		
Sales to outside customers	253,192	114,784	58,243	196,539	111,449	52,333	786,542	-	786,542
Intersegment sales	1,751	3,470	10,511	23	4,382	68,534	88,674	(88,674)	-
<b>Total</b>	<b>254,944</b>	<b>118,255</b>	<b>68,755</b>	<b>196,562</b>	<b>115,831</b>	<b>120,867</b>	<b>875,216</b>	<b>(88,674)</b>	<b>786,542</b>
Segment income (Operating income)	51,722	31,109	13,894	74,516	33,343	7,258	211,844	(1,312)	210,532

\*Elimination of intersegment transactions

2) For the first half ended September 30, 2018 (From April 1, 2018 to September 30, 2018)

	Millions of yen							Adjustment*	Figures in consolidated financial statements
	April 1, 2018 – September 30, 2018								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Processing, Trading & Specialized Services	Total		
Sales to outside customers	261,913	113,876	59,786	187,432	114,919	53,772	791,701	-	791,701
Intersegment sales	1,753	3,486	10,635	2	4,313	52,446	72,637	(72,637)	-
<b>Total</b>	<b>263,666</b>	<b>117,362</b>	<b>70,421</b>	<b>187,435</b>	<b>119,232</b>	<b>106,219</b>	<b>864,338</b>	<b>(72,637)</b>	<b>791,701</b>
Segment income (Operating income)	59,673	29,059	13,466	66,624	34,128	6,438	209,390	(150)	209,240

\*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	2Q	Total
Net Sales	383.6	408.0	415.1	387.1	1,594.0	386.2	400.3	786.5
PVC / Chlor-Alkali	123.1	138.7	137.4	124.9	524.2	122.8	130.3	253.1
Silicones	55.6	58.2	59.8	59.6	233.3	56.3	58.4	114.7
Specialty Chemicals	30.5	29.2	32.5	28.8	121.1	28.9	29.3	58.2
Semiconductor Silicon	90.9	96.4	98.1	94.7	380.3	99.0	97.4	196.5
Electronics & Functional Materials	56.0	58.8	57.7	53.4	226.0	54.7	56.6	111.4
Processing, Trading & Specialized Services	27.2	26.5	29.4	25.5	108.7	24.2	28.0	52.3
Operating Income	95.4	113.8	115.3	79.0	403.7	107.5	103.0	210.5
PVC / Chlor-Alkali	26.3	33.3	31.2	15.5	106.5	25.3	26.3	51.7
Silicones	13.5	15.5	16.7	12.7	58.5	15.9	15.1	31.1
Specialty Chemicals	6.8	6.6	7.5	5.6	26.6	7.5	6.3	13.8
Semiconductor Silicon	30.0	36.6	37.3	28.0	131.9	39.4	35.0	74.5
Electronics & Functional Materials	16.0	18.1	18.3	14.5	66.9	16.6	16.7	33.3
Processing, Trading & Specialized Services	3.0	3.4	4.0	2.7	13.2	3.5	3.6	7.2
Ordinary Income	99.4	117.6	112.2	85.9	415.3	108.9	109.3	218.2
Net Income Attributable to Owners of Parent	73.7	85.0	83.3	66.9	309.1	84.0	80.9	165.0
Depreciation and Amortization	29.0	32.8	35.4	40.2	137.5	31.6	33.7	65.3
Capital Expenditures	44.9	52.8	66.1	76.8	240.6	56.3	60.5	116.9
R&D Costs	13.7	13.0	14.5	15.0	56.4	12.9	11.8	24.7
Overseas Sales	278.7	302.2	306.8	293.0	1,180.8	280.9	295.8	576.8
Ratio of Overseas Sales to Net Sales	73%	74%	74%	76%	74%	73%	74%	73%

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