

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

Listing Stock Exchange: Tokyo and Nagoya

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Date of the filing of the quarterly consolidated financial statements: August 12, 2015

Date of dividend payment: —

Preparation of supplemental explanatory materials: No

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, 2015

(From April 1, 2015 to June 30, 2015)

(1) Results of consolidated operations

(Millions of yen)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Amount	% change	Amount	% change	Amount	% change	Amount	% change
April - June 2015	314,043	6.6%	51,410	5.7%	55,008	11.0%	37,630	14.3%
April - June 2014	294,533	8.7%	48,642	6.8%	49,537	1.1%	32,918	2.8%

(Note) Comprehensive income (Millions of yen) From April 1, 2015 to June 30, 2015: 21,817 [16.3%]
From April 1, 2014 to June 30, 2014: 18,757 [(75.8%)]

	Basic earnings per share (yen)	Diluted earnings per share (yen)
April - June 2015	88.35	88.34
April - June 2014	77.33	77.31

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (yen)
June 30, 2015	2,415,490	2,013,193	81.2%	4,604.15
March 31, 2015	2,452,306	2,012,711	79.9%	4,602.80

(Note) Stockholders' equity (Millions of yen) As of June 30, 2015: 1,960,934 As of March 31, 2015: 1,960,329
Stockholders' equity used for the calculation of indices is net assets excluding both share subscription rights and non-controlling interests in consolidated subsidiaries.

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 2014 - March 2015	-	50.00	-	50.00	100.00
April 2015 - March 2016	-				
April 2015 - March 2016 (forecast)		55.00	-	55.00	110.00

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

3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2016

(From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share (yen)
	Amount	% change	Amount	% change	Amount	% change	Amount	% change	Amount
First half	635,000	5.2%	102,000	4.5%	110,000	8.8%	72,000	6.5%	169.05
Fiscal year	1,270,000	1.2%	197,000	6.3%	210,000	6.0%	140,000	8.9%	328.71

(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.

4. Notes

(1) Changes in significant subsidiaries during the first quarter ended June 30, 2015: No

(Note) This item indicates whether there were changes in significant subsidiaries affecting the scope of consolidation during the first quarter ended June 30, 2015.

(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 “2. Other Information” on page 5 for further details.

(4) Number of shares outstanding (common stock)

	June 30, 2015	March 31, 2015
Number of shares outstanding at period end	432,106,693	432,106,693
Number of shares of treasury stock at period end	6,200,578	6,207,027
	April - June 2015	April - June 2014
Weighted-average number of shares outstanding over period	425,905,586	425,700,612

(Information regarding the implementation of quarterly review procedures)

The financial information contained in this report on the quarterly financial results is not subject to quarterly review procedures by independent auditors in accordance with the Financial Instruments and Exchange Law. At the time of issuing this report, the quarterly review procedures are in progress.

(Attached Documents)

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Appendix: Quarterly Operating Results

1. Qualitative Information Regarding Quarterly Results

(1) Explanation Regarding the Operating Results

With regard to the world economy, during the first quarter of FY 2016 (April 1, 2015 to June 30, 2015), although in the U.S. the recovery of the economy continued, the European economy turned out to be lacking in strength, and a sluggish tendency was seen in the emerging economies, such as those in the Asian region. With regard to the Japanese economy, it moved along a gradual recovery track as seen in such indications as an improvement in the employment situation and a recovery in consumer spending.

In these circumstances, the Shin-Etsu Group promoted sales to its wide range of customers around the world and expanded its global manufacturing bases. At the same time, we assiduously worked on the enhancement of our technologies and product quality. In addition, we focused on developing new products that have special characteristics and also on stably securing raw materials.

As a result, the consolidated business results for the first quarter of FY 2016 show that net sales increased by 6.6% (¥19,510 million) compared with the same fiscal period last year to ¥314,043 million. Compared with the performance of the same fiscal period last year, operating income increased by 5.7% (¥2,768 million) to ¥51,410 million, ordinary income increased by 11.0% (¥5,471 million) to ¥55,008 million and profit attributable to owners of parent increased by 14.3% (¥4,712 million) to ¥37,630 million.

PVC/Chlor-Alkali Business

With regard to the PVC business, Shintech in the U.S. captured the demand for PVC in the U.S., where a recovery was seen in the housing market; at the same time, it aggressively carried out sales to its worldwide customers, and its business continued to be firm. Shin-Etsu PVC in the Netherlands was affected by facility problems that occurred at a raw materials supplier during the latter half of the last fiscal term. In Japan, a severe business situation continued due in part to the effect of sluggish domestic housing-related demand.

As a result, compared with the first quarter of FY 2015, net sales for this business segment increased by 0.0% (¥5 million) to ¥102,897 million and operating income decreased by 24.3% (¥3,402 million) to ¥10,606 million.

Silicones Business

With regard to the silicones business, in Japan, besides sales of product applications for cosmetics continuing to do well, sales of product applications for automobiles and electronics equipment also continued to be firm. Our silicones business outside of Japan also generally continued to do well in products for Europe and the U.S., as well as for China and Korea.

As a result, compared with the first quarter of FY 2015, net sales for this business segment increased by 11.4% (¥4,790 million) to ¥46,805 million and operating income increased by 12.2% (¥1,113 million) to ¥10,214 million.

Specialty Chemicals Business

With regard to cellulose derivatives, in Japan, although sales of products for construction materials were slow, shipments of pharmaceutical-use products were firm. The business of SE Tylose in Germany continued to be steady, mainly for coatings products. The business of Simcoa Operations in Australia continued to be good, aided by the upturn in the silicon metal market.

As a result, compared with the first quarter of FY 2015, net sales for this business segment increased by 9.2% (¥2,509 million) to ¥29,721 million and operating income increased by 19.5% (¥771 million) to ¥4,718 million.

Semiconductor Silicon Business

With regard to semiconductor silicon, the business continued to do well, driven by semiconductor device demand for applications such as in smartphones and automobiles.

As a result, compared with the first quarter of FY 2015, net sales for this business segment increased by 15.1% (¥8,209 million) to ¥62,637 million and operating income increased by 50.7% (¥3,998 million) to ¥11,889 million.

Electronics & Functional Materials Business

With regard to the rare earth magnets business, although products for applications in hard disk drives were affected by the slowdown in PC demand, products for applications in automobiles and industrial equipment continued to do well. With regard to the photoresist products business, ArF resists and trilayer materials expanded aided by the progress in semiconductor device miniaturization. The businesses of materials for LED packaging and optical fiber preform both continued firm shipments as demand continued to be good.

As a result, compared with the first quarter of FY 2015, net sales for this business segment increased by 7.9% (¥3,551 million) to ¥48,511 million and operating income increased by 2.6% (¥319 million) to ¥12,361 million.

Diversified Business

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

As a result, compared with the first quarter of FY 2015, net sales for this business segment increased by 1.9% (¥445 million) to ¥23,470 million and operating income decreased by 10.6% (¥162 million) to ¥1,366 million.

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

Business Forecast

With regard to the world economy, although a recovery is expected to continue in the U.S., there are concerns about the effects of Europe's financial problems and the slowdown of emerging economies, and the future direction is uncertain. In Japan as well, the situation is such that it does not allow for optimism because of such concerns as what the effects of the world economy's downward movement will be.

Among the main products of the Shin-Etsu Group there are products that will be greatly affected by changes in the business environment, including changes in market conditions. In addition, over 70% of the Group's sales consist of sales outside of Japan, and exchange rate fluctuations affect our company's business and also affect us when converting Shin-Etsu Chemical's overseas Group companies' business results into yen.

Faced with such a global economic environment, the Shin-Etsu Group will carefully focus on developments in world markets and aggressively expand our sales activities while accurately capturing the growth in demand. At the same time, we will further accelerate the development of our global business by such means as constructing manufacturing bases at optimal locations in the world and strengthening and expanding existing facilities. Furthermore, we will aim to build a strong business foundation by further focusing on enhancing productivity and product quality. We will develop products that have special characteristics, and we will also strive to assure the stable securing of raw materials.

With regard to the forecast for FY 2016's consolidated operating performance, our forecast is as mentioned below.

With regard to the dividends, taking a long-term perspective, Shin-Etsu Chemical Co., Ltd. (the "Company") will focus on expanding company earnings and strengthening the make-up of the Group's structure as well as on sharing the results of such successful management efforts. It is our basic policy to distribute dividends stably and continuously so as to appropriately reward all of our shareholders. In line with our basic profit-sharing policy, the Company is planning a further increase of ¥10 over the dividend declared for FY 2015; thus, the total annual dividend for FY 2016 will become ¥110 per share (¥55 for the interim dividend and ¥55 for the dividend at the end of the fiscal year).

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		Profit attributable to owners of parent		Basic earnings per share (yen)
First half	635,000	5.2%	102,000	4.5%	110,000	8.8%	72,000	6.5%	169.05
Fiscal year	1,270,000	1.2%	197,000	6.3%	210,000	6.0%	140,000	8.9%	328.71

Percentage figures indicate increase (decrease) 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. Other Information

Changes in accounting policies applied, changes in accounting estimates and retrospective restatement

Changes in accounting policies

Effective from the beginning of the first quarter of FY 2016, Shin-Etsu Chemical adopted the “Revised Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No.21, issued September 13, 2013, hereinafter referred to as the “Accounting Standard for Business Combinations”), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, issued September 13, 2013, hereinafter referred to as the “Accounting Standard for Consolidation”) and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No.7, issued September 13, 2013, hereinafter referred to as the “Accounting Standard for Business Divestitures”).

In applying these revised accounting standards, the Company records any differences arising from changes in ownership interest in a subsidiary when it retains control as capital surplus and the corresponding acquisition-related costs are recognized as expenses when incurred. Also, regarding business combinations conducted after the beginning of the first quarter of FY 2016, the disclosure method was revised with regard to the retrospective adjustment of purchase price allocation based on provisional accounting applicable to the quarterly consolidated financial statements of the fiscal period in which the business combination occurred. In addition, the presentation method of net income was amended and the reference to “minority interests” was changed to “non-controlling interests”. To reflect these changes in presentation, the quarterly consolidated financial statements and consolidated financial statements in the previous fiscal year have been reclassified.

Concerning the application of the Accounting Standard for Business Combinations and others, based on the provisional treatment set out in Section 58-2(4) of the Accounting Standard for Business Combinations, in Section 44-5(4) of the Accounting Standard for Consolidation and in Section 57-4(4) of the Accounting Standard for Business Divestitures, these changes are effective from the beginning of the first quarter of FY 2016. The impact of these changes on operating income, ordinary income and income before income taxes for the three months ended June 30, 2015 and capital surplus as of June 30, 2015 is immaterial.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of March 31 and June 30, 2015

	Millions of yen	
	March 31, 2015	June 30, 2015
ASSETS		
Current Assets:		
Cash and time deposits	461,489	440,568
Notes and accounts receivable-trade	292,748	283,258
Securities	304,180	313,441
Inventories	276,910	266,350
Other	75,091	76,507
Less: Allowance for doubtful accounts	(10,575)	(11,054)
Total current assets	1,399,846	1,369,071
Fixed Assets:		
Property, plant and equipment		
Machinery and equipment, net	441,123	425,621
Other, net	343,286	348,435
Total property, plant and equipment	784,409	774,057
Intangible assets	18,012	16,407
Investments and other assets:		
Investments and other assets	251,433	257,368
Less: Allowance for doubtful accounts	(1,394)	(1,414)
Total investments and other assets	250,038	255,954
Total fixed assets	1,052,460	1,046,419
TOTAL ASSETS	2,452,306	2,415,490

	Millions of yen	
	March 31, 2015	June 30, 2015
LIABILITIES		
Current Liabilities:		
Notes and accounts payable-trade	120,694	112,938
Short-term borrowings	6,825	6,821
Accrued income taxes	33,554	17,937
Allowances	3,235	2,583
Other	134,537	119,159
	298,846	259,439
Long-term Liabilities:		
Long-term debt	7,116	6,951
Allowances	266	264
Net defined benefit liability	33,401	33,735
Other	99,964	101,905
	140,748	142,857
TOTAL LIABILITIES	439,594	402,297
NET ASSETS		
Stockholders' Equity:		
Common stock	119,419	119,419
Additional paid-in capital	128,572	128,561
Retained earnings	1,626,873	1,643,258
Less: Treasury stock, at cost	(33,837)	(33,803)
	1,841,029	1,857,437
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	22,349	25,990
Deferred gains (losses) on hedges	(91)	(52)
Foreign currency translation adjustments	100,425	80,343
Remeasurements of defined benefit plans	(3,382)	(2,783)
	119,300	103,497
Share Subscription Rights	139	112
Non-Controlling Interests in Consolidated Subsidiaries	52,242	52,146
	2,012,711	2,013,193
TOTAL NET ASSETS	2,012,711	2,013,193
TOTAL LIABILITIES AND NET ASSETS	2,452,306	2,415,490

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

Consolidated Statements of Income

For the first quarter ended June 30, 2014 and 2015

	Millions of yen	
	April 1, 2014 - June 30, 2014	April 1, 2015 - June 30, 2015
Net sales	294,533	314,043
Cost of sales	215,790	229,945
Gross profit	78,743	84,097
Selling, general and administrative expenses	30,101	32,687
Operating income	48,642	51,410
Non-operating income:		
Interest income	855	946
Dividend income	705	2,018
Foreign exchange gain	-	2,752
Other income	1,405	831
Total non-operating income	2,967	6,550
Non-operating expenses:		
Foreign exchange loss	1,136	-
Other expenses	934	2,952
Total non-operating expenses	2,071	2,952
Ordinary income	49,537	55,008
Income before income taxes and non-controlling interests	49,537	55,008
Income taxes:		
Current	13,514	17,761
Deferred	2,565	(825)
Total income taxes	16,079	16,936
Profit	33,457	38,072
Profit attributable to non-controlling interests	538	441
Profit attributable to owners of parent	32,918	37,630

Consolidated Statements of Comprehensive Income

For the first quarter ended June 30, 2014 and 2015

	Millions of yen	
	April 1, 2014 - June 30, 2014	April 1, 2015 - June 30, 2015
Profit	33,457	38,072
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	2,639	3,644
Deferred gains (losses) on hedges	(136)	38
Foreign currency translation adjustments	(17,106)	(20,550)
Remeasurements of defined benefit plans	(5)	595
Share of other comprehensive income of affiliates accounted for using the equity method	(91)	16
Total other comprehensive income	(14,700)	(16,254)
Comprehensive income	18,757	21,817
(Breakdown)		
Comprehensive income attributable to owners of parent	18,861	21,827
Comprehensive income attributable to non-controlling interests	(103)	(9)

(3) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable

(Notes on Significant Changes in Stockholders' Equity)

Not applicable

(Segment Information)

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

1) For the first quarter ended June 30, 2015 (From April 1, 2015 to June 30, 2015)

	Millions of yen							Adjustment*	Figures in consolidated financial statements
	April 1, 2015 - June 30, 2015								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total		
Sales to outside customers	102,897	46,805	29,721	62,637	48,511	23,470	314,043	-	314,043
Intersegment sales	831	1,451	3,398	1	1,964	17,346	24,994	(24,994)	-
Total	103,729	48,257	33,119	62,638	50,475	40,816	339,037	(24,994)	314,043
Segment income (Operating income)	10,606	10,214	4,718	11,889	12,361	1,366	51,157	253	51,410

*Elimination of intersegment transactions

2) For the first quarter ended June 30, 2014 (From April 1, 2014 to June 30, 2014)

	Millions of yen							Adjustment*	Figures in consolidated financial statements
	April 1, 2014 - June 30, 2014								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total		
Sales to outside customers	102,892	42,015	27,212	54,428	44,960	23,025	294,533	-	294,533
Intersegment sales	1,083	1,545	2,735	0	1,719	12,956	20,040	(20,040)	-
Total	103,975	43,561	29,947	54,428	46,679	35,981	314,573	(20,040)	294,533
Segment income (Operating income)	14,008	9,101	3,947	7,891	12,042	1,528	48,517	124	48,642

*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
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
Diversified Business	Processed plastics, Export of plant equipment, Technology licensing, International trade, Engineering

Appendix: Quarterly Operating Results

(Billions of yen)

	FY 2015 April 1, 2014 - March 31, 2015					FY 2016 April 1, 2015 - March 31, 2016
	1Q	2Q	3Q	4Q	Total	1Q
Net Sales	294.5	309.1	325.8	326.0	1,255.5	314.0
PVC / Chlor-Alkali	102.8	110.1	124.5	115.1	452.6	102.8
Silicones	42.0	44.0	44.3	47.0	177.4	46.8
Specialty Chemicals	27.2	26.8	29.2	29.1	112.3	29.7
Semiconductor Silicon	54.4	56.9	57.4	61.1	230.0	62.6
Electronics & Functional Materials	44.9	45.9	45.9	46.6	183.5	48.5
Diversified	23.0	25.2	24.3	26.9	99.5	23.4
Operating Income	48.6	48.9	42.4	45.2	185.3	51.4
PVC / Chlor-Alkali	14.0	14.6	11.5	10.1	50.2	10.6
Silicones	9.1	9.2	※ 4.8	10.2	33.4	10.2
Specialty Chemicals	3.9	3.3	3.7	4.2	15.2	4.7
Semiconductor Silicon	7.8	8.3	9.8	9.4	35.6	11.8
Electronics & Functional Materials	12.0	12.1	11.5	10.5	46.2	12.3
Diversified	1.5	1.3	0.9	0.9	4.8	1.3
Ordinary Income	49.5	51.6	51.3	45.4	198.0	55.0
Profit Attributable to Owners of Parent	32.9	34.6	32.4	28.5	128.6	37.6
Depreciation and Amortization	22.6	23.7	24.1	26.3	96.9	25.4
Capital Expenditures	13.8	24.9	22.1	48.9	109.9	24.4
R&D Costs	10.3	12.0	11.6	13.1	47.1	13.8
Overseas Sales	206.4	220.3	238.7	238.7	904.3	228.9
Ratio of Overseas Sales to Net Sales	70%	71%	73%	72%	72%	73%

※ The Company booked a ¥4.6 billion impairment loss.

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