

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

Listing Stock Exchange: Tokyo and Nagoya

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Date of dividend payment: November 18, 2016

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, 2016

(From April 1, 2016 to September 30, 2016)

(1) Results of consolidated operations

(Millions of yen)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
April - September 2016	613,026	(5.1%)	122,034	11.1%	118,211	4.6%	87,437	14.1%
April - September 2015	645,836	7.0%	109,816	12.5%	113,020	11.7%	76,633	13.4%

(Note) Comprehensive income (Millions of yen) From April 1, 2016 to September 30, 2016: (38,367) [−%]
From April 1, 2015 to September 30, 2015: 73,805 [62.4%]

	Basic earnings per share (yen)	Diluted earnings per share (yen)
April - September 2016	205.26	205.25
April - September 2015	179.93	179.91

(2) Consolidated financial position

(Millions of yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (yen)
September 30, 2016	2,416,345	2,018,057	81.4%	4,619.95
March 31, 2016	2,510,085	2,080,465	80.8%	4,761.48

(Note) Stockholders' equity (Millions of yen) As of September 30, 2016: 1,967,997 As of March 31, 2016: 2,028,291
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 2015 - March 2016	-	55.00	-	55.00	110.00
April 2016 - March 2017	-	60.00	-	-	-
April 2016 - March 2017 (forecast)	-	-	-	60.00	120.00

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

3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2017

(From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share (yen)	
Fiscal year	1,180,000	(7.8%)	225,000	7.9%	230,000	4.5%	160,000	7.5%	375.61	

(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, 2016: No

(Note) This item indicates whether there were changes in significant subsidiaries affecting the scope of consolidation during the first half ended September 30, 2016.

(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 (1) Changes in Accounting Policies Applied, Changes in Accounting Estimates and Retrospective Restatement” on page 5 for further details.

(4) Number of shares outstanding (common stock)

	September 30, 2016	March 31, 2016
Number of shares outstanding at period end	432,106,693	432,106,693
Number of shares of treasury stock at period end	6,128,380	6,127,692
	April - September 2016	April - September 2015
Weighted-average number of shares outstanding over period	425,978,581	425,908,128

(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 half of FY 2017 (April 1, 2016 to September 30, 2016), although in the United States the recovery of its economy continued, in Europe and Japan economic growth only was able to record a slight increase and the Japanese manufacturing industry, in particular, suffered from the effects of the increasing tendency toward the appreciation of the Japanese yen. In addition, in China, the slowdown in its economic growth continued, and weakness in the economy was also seen in many emerging economies.

In these circumstances, in order to achieve continued increases in sales and profit, the Shin-Etsu Group endeavored (1) to deepen its relationships with its customers and further expand its global customer base; (2) to constantly carry out product development that strongly supports our customers' needs, improve product quality and achieve further differentiation in technologies; and (3) to continue our policy of strict cost management.

As a result, the business results for this first half of FY 2017 are as follows:

	April - September 2016 (Millions of yen)	Increase / (Decrease)
Net sales	613,026	(5.1%)
Operating income	122,034	11.1%
Ordinary income	118,211	4.6%
Profit attributable to owners of parent	87,437	14.1%

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

PVC/Chlor-Alkali Business

	April - September 2016 (Millions of yen)	Increase / (Decrease)
Net sales	201,747	(8.5%)
Operating income	30,173	26.1%

In the United States, utilizing its expanded production capacity, Shintech realized sales that surpassed the industry both within and outside of North America, and it achieved a double-digit profit increase. Shin-Etsu PVC in Europe continued steady operation and its shipments continued to be firm. In Japan, sales increased as well. The business in both of these regions resulted in a double-digit increase in profit.

Silicones Business

	April - September 2016 (Millions of yen)	Increase / (Decrease)
Net sales	89,982	(5.4%)
Operating income	20,583	0.1%

With regard to the silicones business, in Japan, shipments of product applications for cosmetics and on-board vehicles continued to do well. Globally, although it was affected by sluggish market prices, shipments of functional products for the United States, China and Southeast Asia were firm.

Specialty Chemicals Business

	April - September 2016 (Millions of yen)	Increase / (Decrease)
Net sales	55,508	(7.1%)
Operating income	11,994	21.2%

With regard to cellulose derivatives, in Japan, although sales of products for construction materials were slow, shipments of pharmaceutical-use products continued to do well. In addition, the business of SE Tylose in Europe continued to be steady, mainly for coating products, and the business in Europe together with the performance of the business in Japan led to a double-digit increase in profit for this business segment. Shipments were firm in the silicon metal business of Simcoa Operations in Australia.

Semiconductor Silicon Business

	April - September 2016 (Millions of yen)	Increase / (Decrease)
Net sales	123,327	(2.2%)
Operating income	26,123	(3.4%)

With regard to semiconductor silicon, together with applications for memory devices continuing to be firm, shipments of logic devices also continued to do well. This was generally due to strong demand for such applications as for smartphones in China.

Electronics & Functional Materials Business

	April - September 2016 (Millions of yen)	Increase / (Decrease)
Net sales	93,227	(1.7%)
Operating income	27,837	11.0%

With regard to the rare earth magnets business, although products for industrial equipment were slow, products for applications in automobiles were firm, including those for hybrid cars. With regard to photoresist products business, ArF resists and trilayer materials continued to perform steadily and photomask blanks continued good shipments. Although the business of materials for LED packaging was affected by production adjustments made by some customers, optical fiber preform continued to be firm. As a result, this business segment achieved a double-digit increase in profit.

Diversified Business

	April - September 2016 (Millions of yen)	Increase / (Decrease)
Net sales	49,232	(0.3%)
Operating income	5,356	74.5%

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

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

Business Forecast

The world economy contains many uncertain factors and we consider its growth prospects to be weak. A downturn in the world economy is also a matter of concern.

Among the main products of the Shin-Etsu Group, there are those products that will be greatly affected by such factors as fluctuations in raw material prices and in market conditions as well as in supply and demand 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. Exchange rate fluctuations also affect us when converting Shin-Etsu Chemical's overseas Group companies' business results into Japanese yen.

Facing such a situation, the Shin-Etsu Group will carefully focus on developments in world markets and aggressively develop our sales activities while accurately capturing trends 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. In addition, we will further focus on enhancing productivity and product quality, and at the same time, we will strive to develop products that have value for customers and will also strive to assure the stable supply of our products. For this purpose, while continuing to maintain a sound financial base, we will proactively utilize our financial strength to carry out appropriate investments in a timely manner.

Going forward, we will work to create value to meet the needs of the market and society over the long term.

As mentioned on the cover page of this summary of the Shin-Etsu Group's financial results, there is no change in the forecast we announced on July 26, 2016.

With regard to the interim dividend, the Company is planning a further increase of ¥5, to ¥60 per share; thus, the total annual dividends for FY 2017 will become ¥120 per share, which is an increase of ¥10 compared with the previous forecast.

2. Other Information

(1) Changes in Accounting Policies Applied, Changes in Accounting Estimates and Retrospective Restatement

Changes in accounting policies

(Application of Practical Solution on a change in depreciation method due to Tax Reform 2016)

Effective the first quarter of FY 2017, the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (Accounting Standards Board of Japan (ASBJ) PITF No.32, issued June 17, 2016) was adopted, in accordance with the revision of the Corporation Tax Law of Japan. As a result, the depreciation method for facilities attached to buildings and for structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method.

The impact of this change on operating income, ordinary income, and income before income taxes and non-controlling interests for the first half was immaterial.

(2) Supplementary Information

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

Effective the first quarter of FY 2017, the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No.26, issued March 28, 2016) was adopted.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of March 31 and September 30, 2016

	Millions of yen	
	March 31, 2016	September 30, 2016
ASSETS		
Current Assets:		
Cash and time deposits	597,048	670,411
Notes and accounts receivable-trade	268,905	273,011
Securities	236,486	183,329
Inventories	281,013	251,232
Other	84,020	66,209
Less: Allowance for doubtful accounts	(14,840)	(13,815)
Total current assets	1,452,633	1,430,379
Fixed Assets:		
Property, plant and equipment		
Machinery and equipment, net	410,322	394,878
Other, net	394,649	346,167
Total property, plant and equipment	804,972	741,045
Intangible assets	13,152	11,235
Investments and other assets:		
Investments and other assets	241,135	235,287
Less: Allowance for doubtful accounts	(1,807)	(1,601)
Total investments and other assets	239,327	233,685
Total fixed assets	1,057,451	985,966
TOTAL ASSETS	2,510,085	2,416,345

	Millions of yen	
	March 31, 2016	September 30, 2016
LIABILITIES		
Current Liabilities:		
Notes and accounts payable-trade	115,557	109,371
Short-term borrowings	7,873	11,252
Accrued income taxes	29,519	22,331
Allowances	3,174	3,199
Other	125,828	125,128
	281,954	271,283
Long-term Liabilities:		
Long-term debt	5,288	1,321
Net defined benefit liability	33,319	32,303
Other	109,056	93,380
	147,665	127,005
TOTAL LIABILITIES	429,619	398,288
NET ASSETS		
Stockholders' Equity:		
Common stock	119,419	119,419
Additional paid-in capital	128,759	128,753
Retained earnings	1,731,042	1,795,051
Less: Treasury stock, at cost	(33,407)	(33,412)
	1,945,813	2,009,812
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	13,780	14,304
Deferred gains (losses) on hedges	1,611	2,058
Foreign currency translation adjustments	68,566	(57,198)
Remeasurements of defined benefit plans	(1,480)	(979)
	82,478	(41,814)
Share Subscription Rights	237	275
Non-Controlling Interests in Consolidated Subsidiaries	51,936	49,783
	2,080,465	2,018,057
TOTAL NET ASSETS	2,080,465	2,018,057
TOTAL LIABILITIES AND NET ASSETS	2,510,085	2,416,345

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

Consolidated Statements of Income

For the first half ended September 30, 2015 and 2016

	Millions of yen	
	April 1, 2015 - September 30, 2015	April 1, 2016 - September 30, 2016
Net sales	645,836	613,026
Cost of sales	466,661	425,803
Gross profit	179,175	187,223
Selling, general and administrative expenses	69,358	65,189
Operating income	109,816	122,034
Non-operating income:		
Interest income	1,913	2,368
Dividend income	2,402	1,007
Foreign exchange gain	1,552	-
Other income	2,946	5,682
Total non-operating income	8,814	9,058
Non-operating expenses:		
Foreign exchange loss	-	11,161
Other expenses	5,610	1,719
Total non-operating expenses	5,610	12,881
Ordinary income	113,020	118,211
Income before income taxes and non-controlling interests	113,020	118,211
Income taxes:		
Current	40,344	25,203
Deferred	(5,040)	4,232
Total income taxes	35,304	29,436
Profit	77,716	88,775
Profit attributable to non-controlling interests	1,082	1,338
Profit attributable to owners of parent	76,633	87,437

Consolidated Statements of Comprehensive Income

For the first half ended September 30, 2015 and 2016

	Millions of yen	
	April 1, 2015 - September 30, 2015	April 1, 2016 - September 30, 2016
Profit	77,716	88,775
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	(4,221)	513
Deferred gains (losses) on hedges	681	446
Foreign currency translation adjustments	(1,303)	(128,254)
Remeasurements of defined benefit plans	855	501
Share of other comprehensive income of affiliates accounted for using the equity method	76	(351)
Total other comprehensive income	(3,911)	(127,143)
Comprehensive income	73,805	(38,367)
(Breakdown)		
Comprehensive income attributable to owners of parent	72,727	(36,855)
Comprehensive income attributable to non-controlling interests	1,077	(1,511)

(3) Consolidated Statements of Cash Flows

For the first half ended September 30, 2015 and 2016

	Millions of yen	
	April 1, 2015 - September 30, 2015	April 1, 2016 - September 30, 2016
Cash flows from operating activities:		
Income before income taxes	113,020	118,211
Depreciation and amortization	50,999	43,824
Interest and dividend income	(4,315)	(3,376)
(Increase) decrease in notes and accounts receivable	5,370	(21,691)
(Increase) decrease in inventories	(4,779)	14,893
Increase (decrease) in notes and accounts payable	(2,688)	(69)
Other, net	23,241	14,088
Subtotal	180,849	165,880
Proceeds from interest and dividends	4,994	3,780
Payments of interest	(216)	(237)
Payments of income taxes	(36,585)	(26,381)
Net cash provided by operating activities	149,041	143,041
Cash flows from investing activities:		
Net (increase) decrease in time deposits	393	21,899
Net (increase) decrease in marketable securities	(44,070)	52,846
Purchases of property, plant and equipment	(76,252)	(58,486)
Purchases of investments in securities	(1,146)	(596)
Proceeds from sales and redemption of investments in securities	5,133	-
Other, net	(12,488)	(956)
Net cash provided by (used for) investing activities	(128,430)	14,706
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	33	(301)
Cash dividends paid	(21,294)	(23,428)
Other, net	(594)	3,154
Net cash used for financing activities	(21,855)	(20,576)
Effect of exchange rate changes on cash and cash equivalents	(1,137)	(28,688)
Net increase (decrease) in cash and cash equivalents	(2,382)	108,483
Cash and cash equivalents at beginning of period	423,846	487,604
Increase (decrease) in cash and cash equivalents resulting from changes in scope of consolidation	167	-
Cash and cash equivalents at end of period	421,632	596,087

(4) 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 and income (loss) of reportable segments

1) For the first half ended September 30, 2016 (From April 1, 2016 to September 30, 2016)

	Millions of yen								Figures in consolidated financial statements
	April 1, 2016 - September 30, 2016								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total	Adjustment*	
Sales to outside customers	201,747	89,982	55,508	123,327	93,227	49,232	613,026	-	613,026
Intersegment sales	1,398	3,031	6,473	0	3,494	35,944	50,342	(50,342)	-
Total	203,145	93,014	61,981	123,328	96,721	85,177	663,369	(50,342)	613,026
Segment income (Operating income)	30,173	20,583	11,994	26,123	27,837	5,356	122,070	(35)	122,034

*Elimination of intersegment transactions

2) For the first half ended September 30, 2015 (From April 1, 2015 to September 30, 2015)

	Millions of yen								Figures in consolidated financial statements
	April 1, 2015 - September 30, 2015								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total	Adjustment*	
Sales to outside customers	220,606	95,132	59,747	126,100	94,855	49,393	645,836	-	645,836
Intersegment sales	1,635	2,830	6,625	2	4,126	34,761	49,981	(49,981)	-
Total	222,242	97,962	66,373	126,102	98,982	84,154	695,818	(49,981)	645,836
Segment income (Operating income)	23,929	20,557	9,892	27,032	25,072	3,069	109,553	263	109,816

*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 2016 April 1, 2015 - March 31, 2016					FY 2017 April 1, 2016 - March 31, 2017		
	1Q	2Q	3Q	4Q	Total	1Q	2Q	Total
Net Sales	314.0	331.7	330.0	303.8	1,279.8	300.7	312.3	613.0
PVC / Chlor-Alkali	102.8	117.7	118.2	102.7	441.7	93.9	107.8	201.7
Silicones	46.8	48.3	46.8	45.7	187.7	45.4	44.5	89.9
Specialty Chemicals	29.7	30.0	29.5	27.6	116.8	28.5	27.0	55.5
Semiconductor Silicon	62.6	63.4	62.5	54.6	243.3	62.5	60.7	123.3
Electronics & Functional Materials	48.5	46.3	44.9	46.9	186.7	46.9	46.3	93.2
Diversified	23.4	25.9	27.9	26.0	103.4	23.4	25.8	49.2
Operating Income	51.4	58.4	52.6	46.0	208.5	60.0	62.0	122.0
PVC / Chlor-Alkali	10.6	13.3	12.6	8.0	44.6	13.2	16.9	30.1
Silicones	10.2	10.3	10.8	10.1	41.5	10.2	10.3	20.5
Specialty Chemicals	4.7	5.1	4.4	3.8	18.1	6.3	5.6	11.9
Semiconductor Silicon	11.8	15.1	10.3	9.5	46.9	13.6	12.4	26.1
Electronics & Functional Materials	12.3	12.7	13.1	13.1	51.4	14.0	13.8	27.8
Diversified	1.3	1.7	1.0	1.5	5.6	2.6	2.6	5.3
Ordinary Income	55.0	58.0	57.7	49.2	220.0	57.8	60.3	118.2
Profit Attributable to Owners of Parent	37.6	39.0	39.7	32.4	148.8	45.3	42.1	87.4
Depreciation and Amortization	25.4	25.5	26.2	23.1	100.4	20.7	23.0	43.8
Capital Expenditures	24.4	30.4	42.0	37.7	134.7	27.1	33.4	60.6
R&D Costs	13.8	15.2	14.2	9.9	53.1	12.5	10.9	23.5
Overseas Sales	228.9	247.6	246.2	225.6	948.3	215.7	229.2	445.0
Ratio of Overseas Sales to Net Sales	73%	75%	75%	74%	74%	72%	73%	73%

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