

Financial Summary

For the year ended March 31, 2018

(April 27, 2018)
Shin-Etsu Chemical Co., Ltd.



CONTENTS

| | |
|--|--------|
| • Operating Performance ----- | P1 |
| • Financial Highlights ----- | P2 |
| • Segment Information | |
| Operating Performance ----- | P3 |
| Operating Performance (Proportion) ----- | P4 |
| Capital expenditures and Depreciation and amortization ----- | P5 |
| • Summary by Segment | |
| PVC/Chlor-Alkali Business Segment ----- | P6 |
| Silicones Business Segment ----- | P8 |
| Specialty Chemicals Business Segment ----- | P10 |
| Semiconductor Silicon Business Segment ----- | P12 |
| Electronics & Functional Materials Business Segment ----- | P14 |
| Processing, Trading & Specialized Services Business Segment----- | P16 |
| • Quarterly Operating Performance by Segment | |
| Sales ----- | P17 |
| Operating Income ----- | P18 |
| • Consolidated Financial Statements | |
| Comparative Income Statements ----- | P19 |
| Comparative Balance Sheets ----- | P20 |
| Comparative Statements of Cash Flows ----- | P21 |
| • Cash Dividends per Share ----- | P22 |
| • Appendix ----- | P23-29 |



Operating Performance

(Billions of Yen)

| | Consolidated | | |
|---|--------------------------|--------------------------|------------------------|
| | Fiscal year 16/4-17/3 | Fiscal year 17/4-18/3 | Increase (Decrease) |
| Net Sales | 1,237.4 | 1,441.4 | 16.5% 204.0 |
| Operating income | 238.6 | 336.8 | 41.2% 98.2 |
| Ordinary income | 242.1 | 340.3 | 40.5% 98.2 |
| Net income attributable to owners of parent | 175.9 | * 266.2 | 51.3% 90.3 |
| ROIC (Note 1) | 14.0% | 18.2% | 4.2points |
| ROE (Note 2) | 8.5% | 11.9% | 3.4points |
| ROA (Note 3) | 9.4% | 12.2% | 2.8points |
| Per share (in Yen) | | | |
| Net income | 413 | * 624 | 211 |
| Cash dividends | 120 | (forecast) 140 | 20 |

* The effect of reversal of deferred tax assets and liabilities due to U.S. Tax Reform.

Net income attributable to owners of parent +29.8 billion (benefit)
 Net income per share (in Yen) +70 Yen/share (benefit)

- Notes:
- (1) ROIC: Return on invested capital.
 Net operating income after taxes excluding the effects of the U.S. Tax Reform *
 / (Net assets + Interest-bearing liabilities – Cash)
 - (2) ROE: Return (Net income) on equity.
 Equity used for this calculation is net assets excluding both Share subscription rights and Non-controlling interests in consolidated subsidiaries.
 - (3) ROA: Return (Ordinary income) on total assets.



Financial Highlights

(Billions of Yen)

| | Consolidated | |
|---|--------------------------|--------------------------|
| | Fiscal year 16/4-17/3 | Fiscal year 17/4-18/3 |
| Net Assets | 2,190.0 | 2,413.0 |
| Total Assets | 2,655.6 | 2,908.3 |
| Net Assets per share (in Yen) | 5,002 | 5,512 |
| Capital expenditures | 145.6 | 176.2 |
| Depreciation and amortization | 93.0 | 112.0 |
| R&D costs | 49.0 | 51.7 |
| Interest-bearing liabilities | 14.3 | 15.5 |
| Number of employees | 19,206 | 20,155 |
| Exchange rate Jan - Dec (Avg) (Yen/US\$) | 108.8 | 112.2 |
| (Note) Apr - Mar (Avg) | 108.4 | 110.9 |

- Notes
- An average exchange rate between January and December was used for the Consolidated Income Statements of overseas subsidiaries.
 - For further exchange rate data, please see Appendix on page 23.



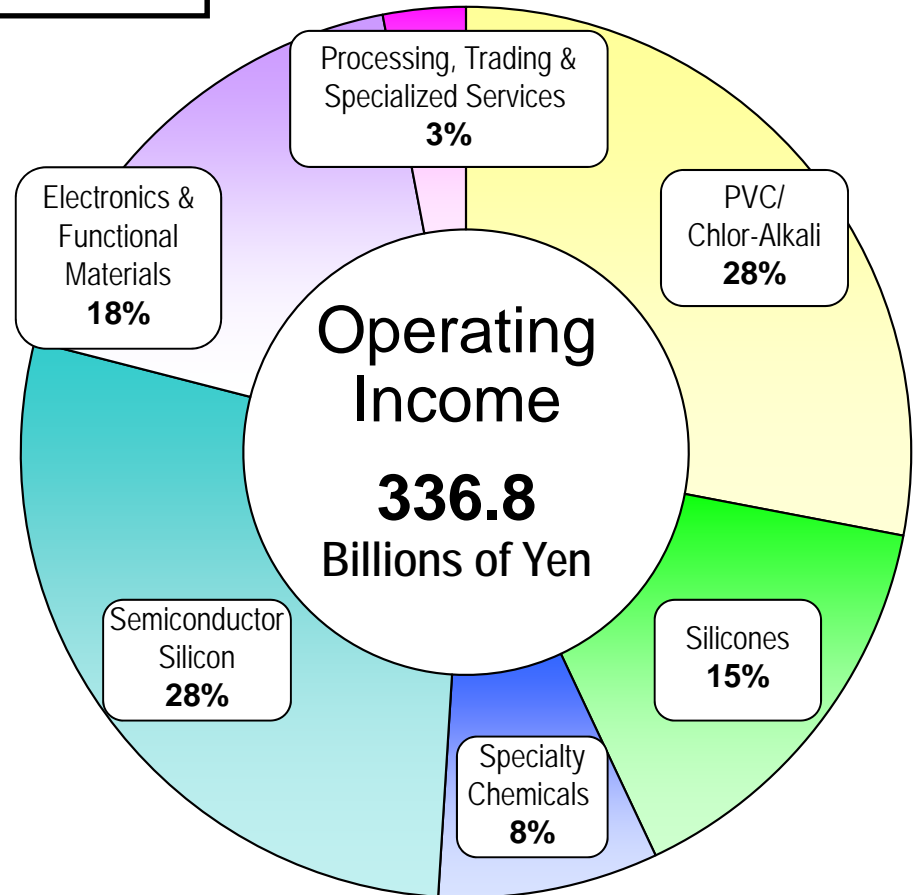
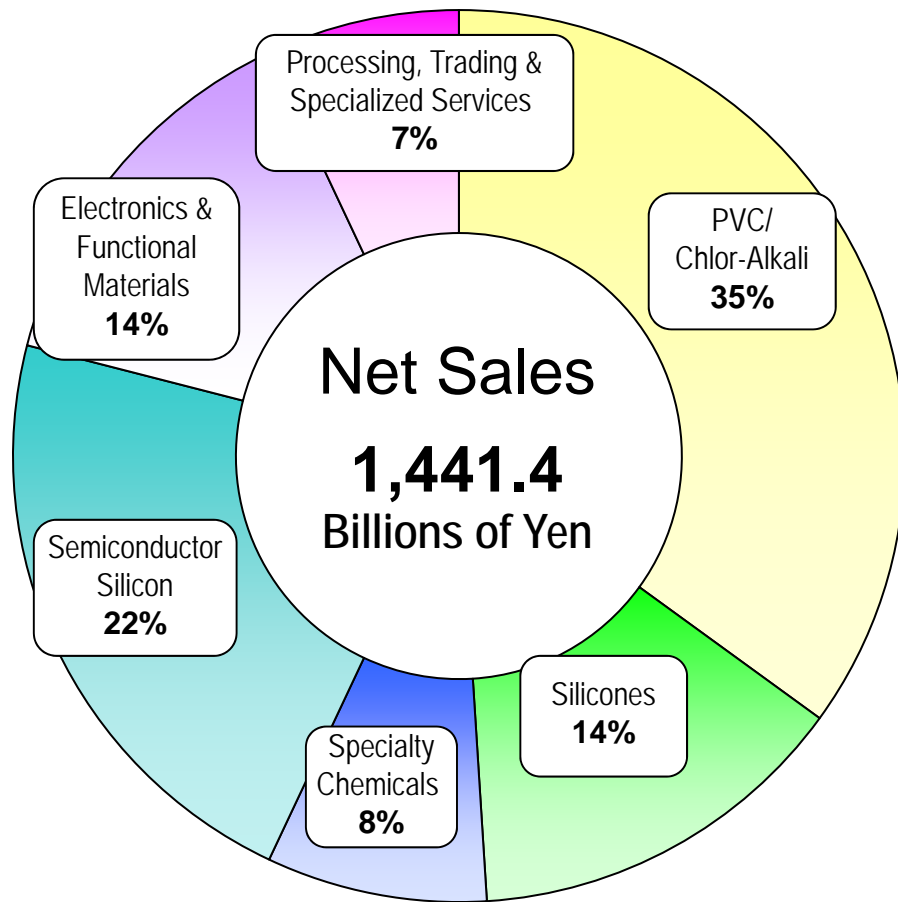
(Billions of Yen)


| | Net Sales | | | Operating Income | | |
|--|--------------------------|--------------------------|------------------------|--------------------------|--------------------------|------------------------|
| | Fiscal year 16/4-17/3 | Fiscal year 17/4-18/3 | Increase (Decrease) | Fiscal year 16/4-17/3 | Fiscal year 17/4-18/3 | Increase (Decrease) |
| PVC/Chlor-Alkali Business | 411.6 | 501.3 | 21.8% 89.7 | 53.1 | 93.2 | 75.3% 40.1 |
| Silicones Business | 179.2 | 206.2 | 15.1% 27.0 | 42.5 | 51.9 | 22.1% 9.4 |
| Specialty Chemicals Business | 108.0 | 117.1 | 8.5% 9.1 | 22.2 | 25.7 | 15.7% 3.5 |
| Semiconductor Silicon Business | 252.6 | 308.3 | 22.1% 55.7 | 55.9 | 92.9 | 66.0% 37.0 |
| Electronics & Functional Materials Business | 187.9 | 207.4 | 10.4% 19.5 | 55.2 | 61.6 | 11.6% 6.4 |
| Processing, Trading & Specialized Services Business | 97.9 | 100.7 | 2.9% 2.8 | 9.5 | 11.4 | 19.8% 1.9 |
| Total | 1,237.4 | 1,441.4 | 16.5% 204.0 | 238.6 | 336.8 | 41.2% 98.2 |



Sales and Operating Income by Segment (Proportion)

Fiscal year
2017/4-2018/3





Capital expenditures and Depreciation and amortization by Segment

(Billions of Yen)

| | Fiscal year 16/4-17/3 | Fiscal year 17/4-18/3 |
|--|--------------------------|--------------------------|
| Capital expenditures | 145.6 | 176.2 |
| PVC/Chlor- Alkali Business | 57.2 | 63.6 |
| Silicones Business | 23.1 | 29.1 |
| Specialty Chemicals Business | 7.8 | 7.0 |
| Semiconductor Silicon Business | 14.9 | 51.5 |
| Electronics & Functional Materials Business | 38.1 | 20.2 |
| Processing, Trading & Specialized Services Business | 4.4 | 5.0 |
| Depreciation and amortization | 93.0 | 112.0 |
| PVC/Chlor- Alkali Business | 30.2 | 32.9 |
| Silicones Business | 11.5 | 12.2 |
| Specialty Chemicals Business | 9.6 | 10.1 |
| Semiconductor Silicon Business | 20.7 | 32.4 |
| Electronics & Functional Materials Business | 17.2 | 20.1 |
| Processing, Trading & Specialized Services Business | 3.9 | 4.3 |



PVC/Chlor-Alkali Business Segment

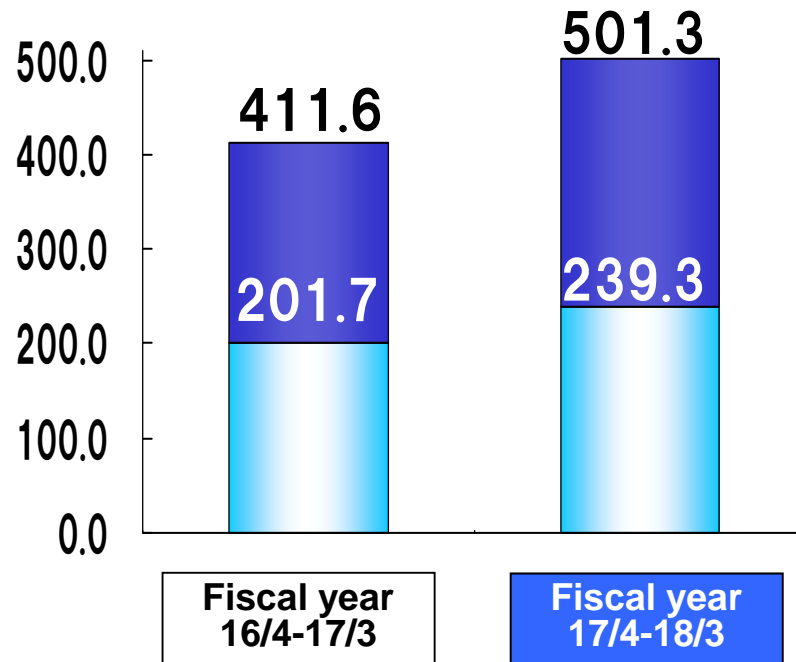
Net Sales

Annual
First Half

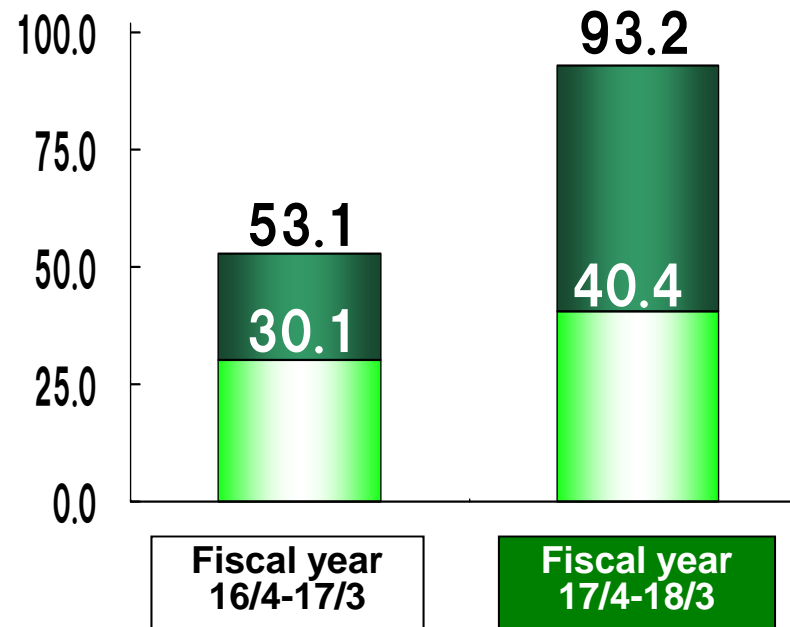
Operating Income

Annual
First Half

(Billions of Yen)



(Billions of Yen)

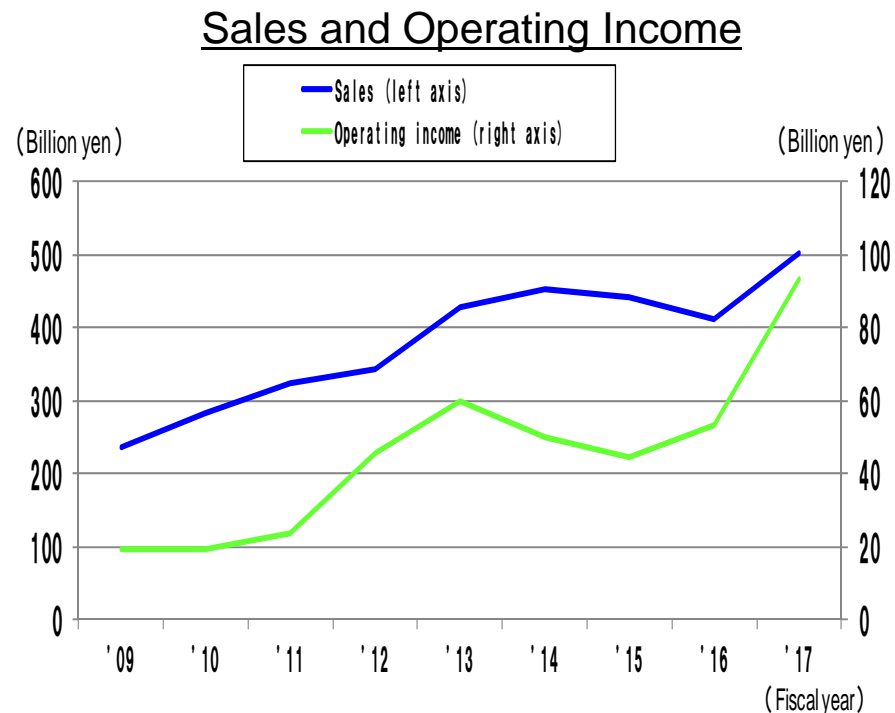


- With regard to our PVC/Chlor-Alkali Business, on the one hand, Shintech in the U.S. continued its full operations, and the other hand, in addition to PVC, the supply-demand relationship of caustic soda also further improved, and these factors resulted in greatly increased business results.
- Similarly, both of our bases in Japan and Europe achieved increased business results.
- Our elaborate sales efforts resulted in increased sales, both in the areas of our production bases and globally, and contributed to the growth in profit.

● ● ● | PVC/Chlor-Alkali Business Segment

◆ PVC is the material of choice for infrastructure and construction, and global demand is expected to expand for these, as well as for other applications. Global demand for PVC is slated to rise in line with GDP growth. We also project that global demand for caustic soda will track increases in GDP, although at a slightly lower rate. Despite this situation, forecast increases in global PVC production are currently limited. One reason is that PVC production in China, which has the world's highest levels of production capacity, is being affected by strict environmental policies.

◆ The Shin-Etsu Group has the capacity to produce 4.15 million tons of PVC and 1.66 million tons of caustic soda. We sell these products in three regions where we have production bases, as well as in the global market, from US-based Shintech which is the core of our vinyl business, Europe and Japan. Supporting our global PVC business are economies of scale; the competitiveness of feedstock in the United States, reliable quality, and diligent and detailed sales, distribution and shipment services. Construction of Shintech's ethylene production plant (capacity: 500 thousand tons per year) is scheduled for completion by the end of this year.

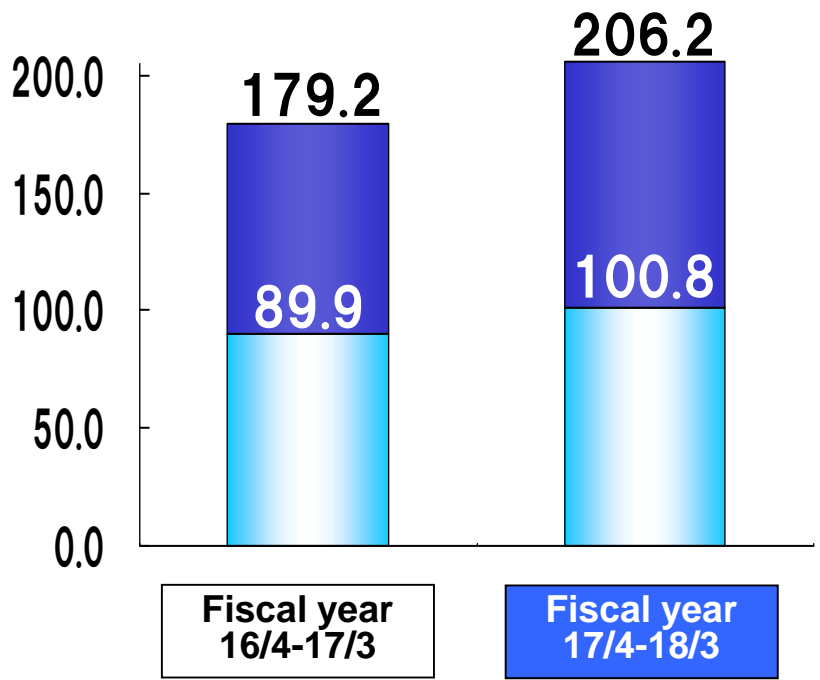


● ● ● | Silicones Business Segment

Net Sales



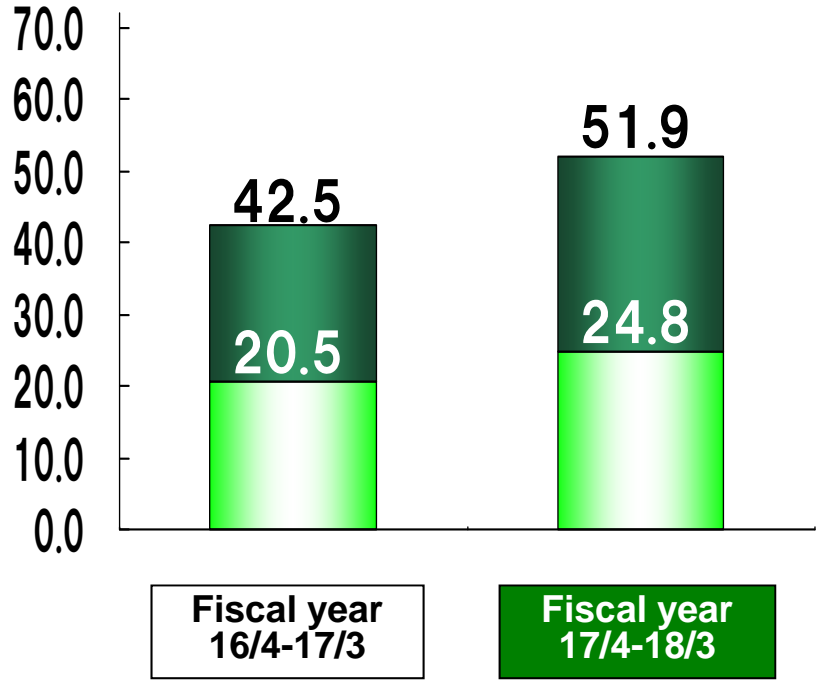
(Billions of Yen)



Operating Income

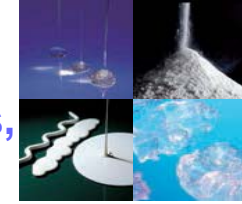


(Billions of Yen)



- With regard to the silicones business, demand increased for all product fields and applications, and in addition to functional products, sales of general-purpose products also expanded worldwide, which increased the segment's business results.

● ● ● | Silicones Business Segment



◆ In the Silicones business, we have a wide variety of over 5,000 products, and we are constantly launching new products.

Our silicone products are largely classified as functional products and general-purpose products. The approximate sales ratio was 70% for functional products and 30% for general-purpose products. We will expand both of these fields.

◆ We joined the UN Global Compact and pay great attention to environmental measures.

Silicone products are widely used in applications which help reduce greenhouse gas (GHG) effects (as below). Analysis of silicone products in Europe, North America and Japan has shown that the benefit from reducing GHG generation by utilizing silicone products, is nine times greater than the GHG emissions from the manufacturing life-cycle of the products (production through end-of-life treatment).

Source : Silicone Industry Association of Japan (SIAJ)

【Fields and main applications for greenhouse gas reduction effect】

| | |
|--|---|
| Automobiles | Solar cells |
| <ul style="list-style-type: none"> ● Rubber in motor construction ● Fuel efficient tires ● Automobile bonding ● Coating for car exhausts | <ul style="list-style-type: none"> ● Chlorosilane for solar cell grade silicon |
| Construction | Other |
| <ul style="list-style-type: none"> ● Sealants for windows & insulating glass units ● High quality sealants & adhesives ● Masonry water repellent for bricks and concrete ● Polyurethane additives for thermal insulation in construction | <ul style="list-style-type: none"> ● Anti-foaming agent for detergents and production of paper ● Polyurethane additives for thermal insulation in appliances ● Silane for glass fiber coating ● Marine coatings |

Within those applications we will continue to focus on product development to meet customers' demands.



Specialty Chemicals Business Segment

Net Sales

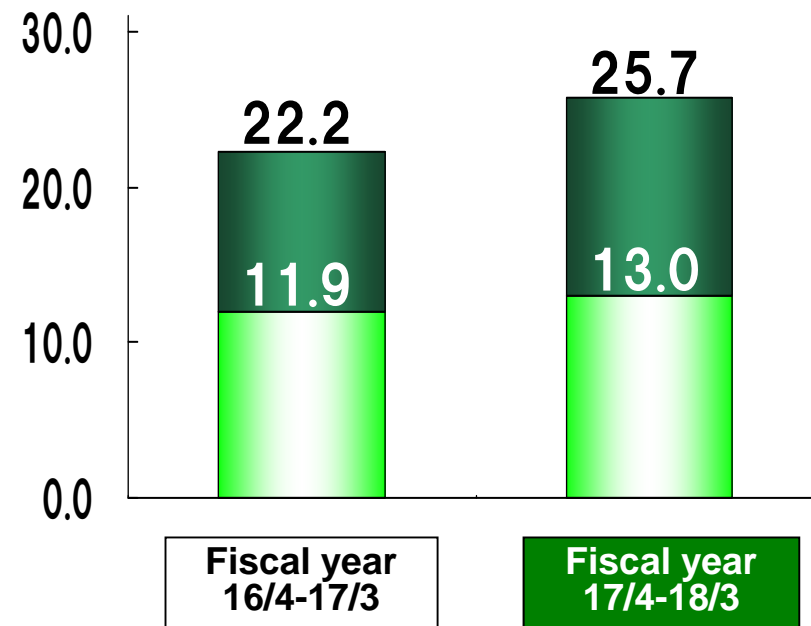
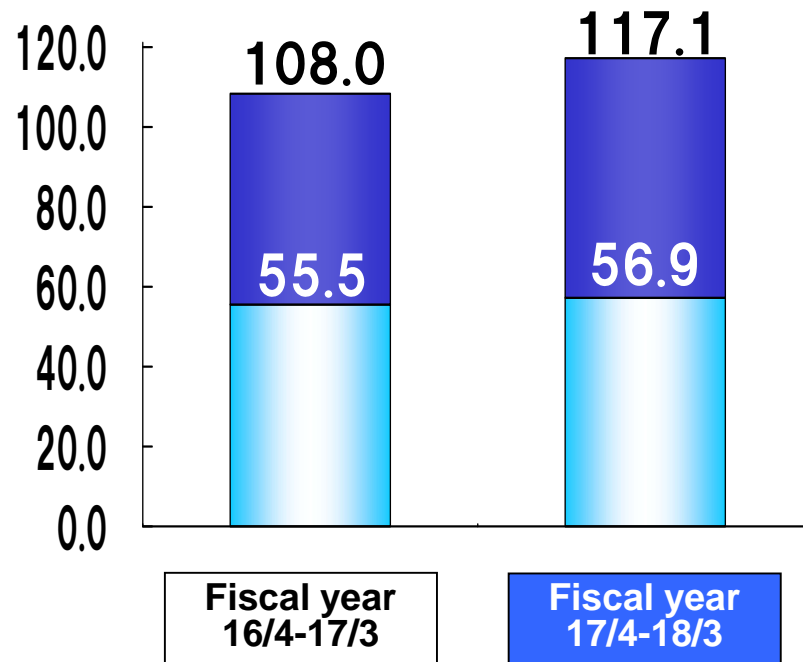
Annual
First Half

Operating Income

Annual
First Half

(Billions of Yen)

(Billions of Yen)



- With regard to cellulose derivatives, pharmaceutical-use products, construction materials products and coating products continued to perform steadily, and pheromone products and POVAL products and others also generally achieved strong results.

● ● ● | Specialty Chemicals Business Segment

◆ We provide various products for the following industries.

Sales Component Ratio by Industry (FY2017)

| | Daily Life (Medical, Food, Agriculture, etc.) | Infrastructure (Building and Civil Work Materials, Paint, etc.) | Industrial Use (Adhesive, Automotive, Raw Material, etc) |
|--|---|---|--|
| Cellulose | 25 % | 60 % | 15 % |
| Synthetic Pheromones | 100 | 0 | 0 |
| POVAL | 35 | 0 | 65 |
| Vinyl Chloride-Vinyl Acetate Copolymer Resin (Solbin®) | 0 | 90 | 10 |
| Silicon Metal | 0 | 30 | 70 |
| Weighted Average | 30 | 40 | 30 |



Cellulose-coated tablets



Synthetic Pheromones



POVAL



Solbin-added ink



Silicon metal

We continuously focus on new products development and stable supply.



Semiconductor Silicon Business Segment

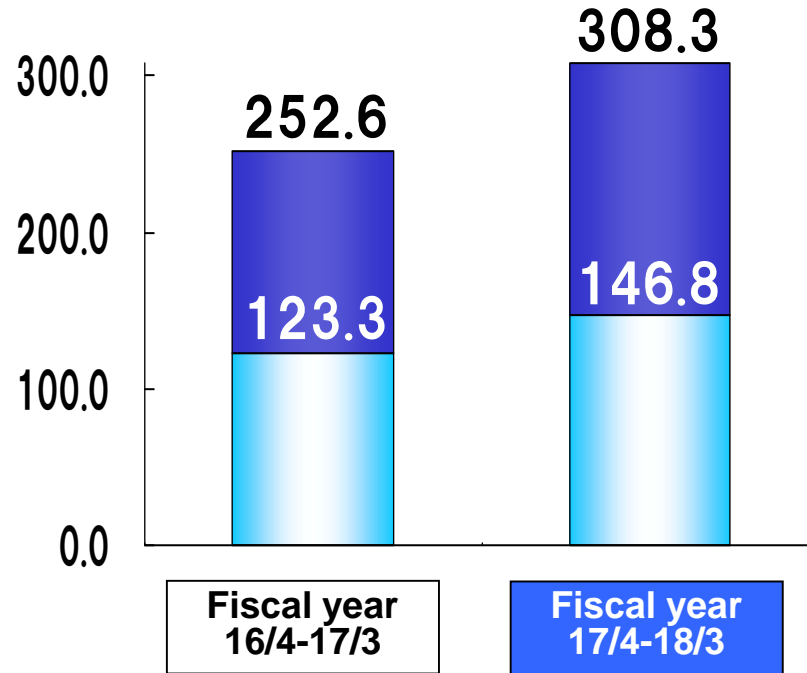
Net Sales

Annual
First Half

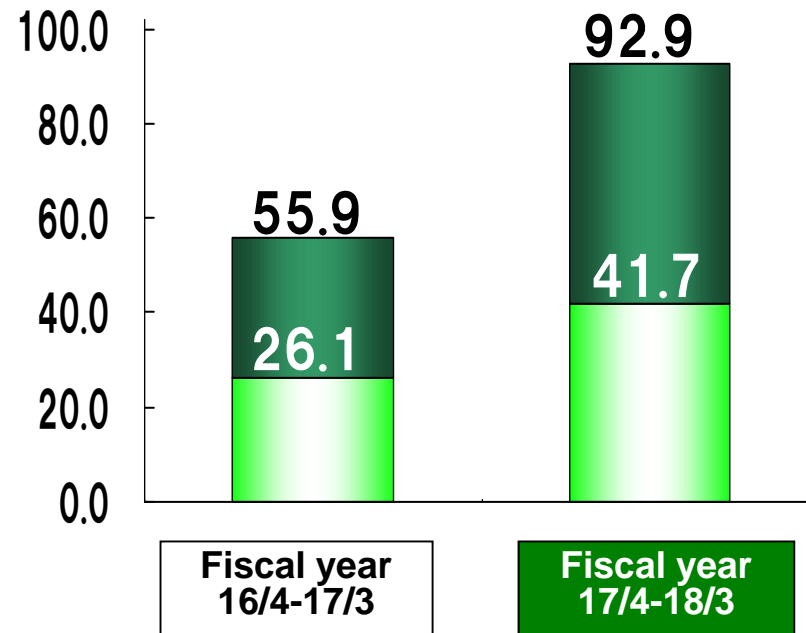
Operating Income

Annual
First Half

(Billions of Yen)



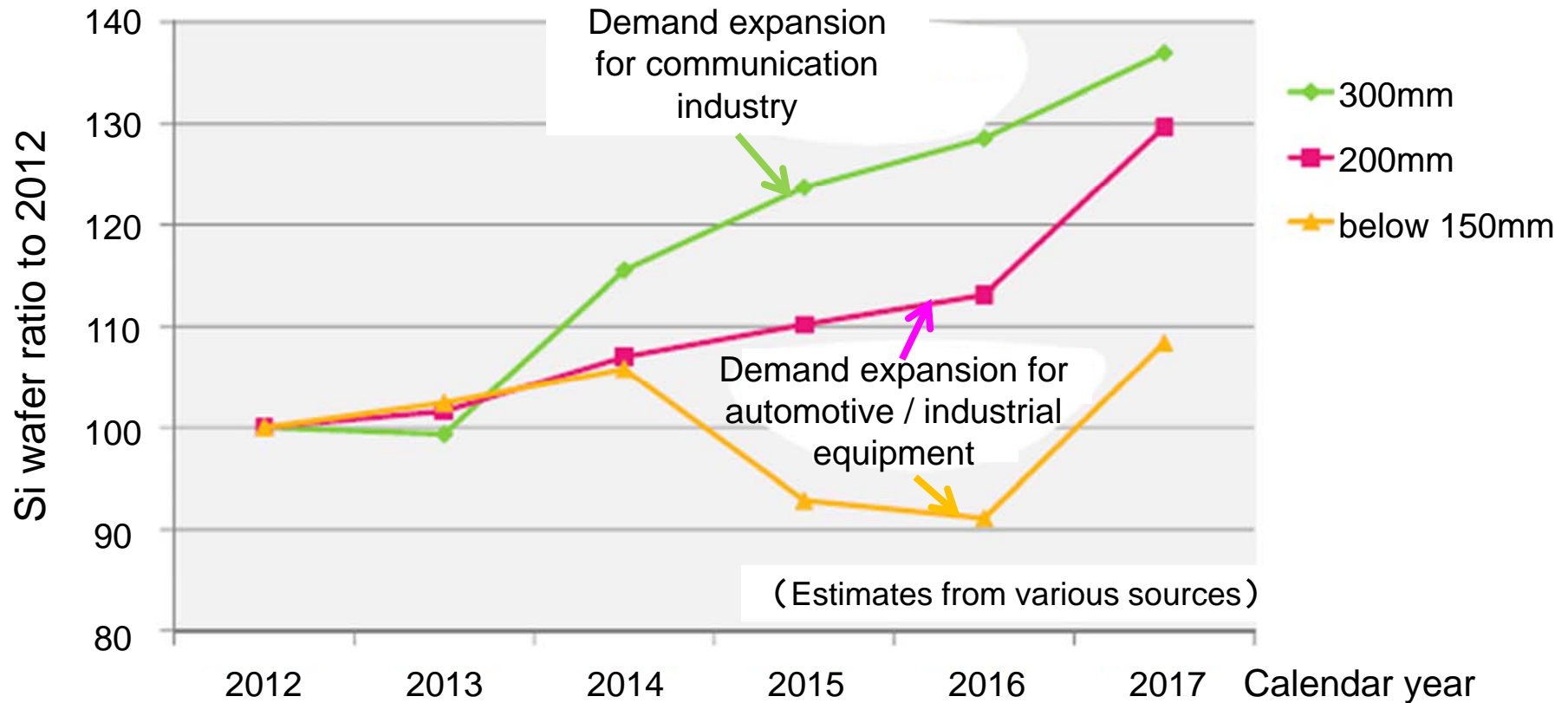
(Billions of Yen)



- With regard to semiconductor silicon, driven by robust semiconductor device demand, silicon wafers in all diameters, starting with 300mm wafers, met with a high level of demand, and at the same time, by implementing product price adjustments, this segment's business results increased greatly.

● ● ● | Semiconductor Silicon Business Segment

Transition of world-wide silicon wafer shipment (Baseline : 2012 = 100)



300mm: Demand led by NAND & logic, with linear increase after 2013 and 40% growth over 5 years

200mm: Gradual increase until 2016, then automotive and industrial equipment drives growth from 2017

<150mm: After lower demand in 2015~2016, the tight supply of 200mm led to a sudden increase in 2017



Electronics & Functional Materials Business Segment

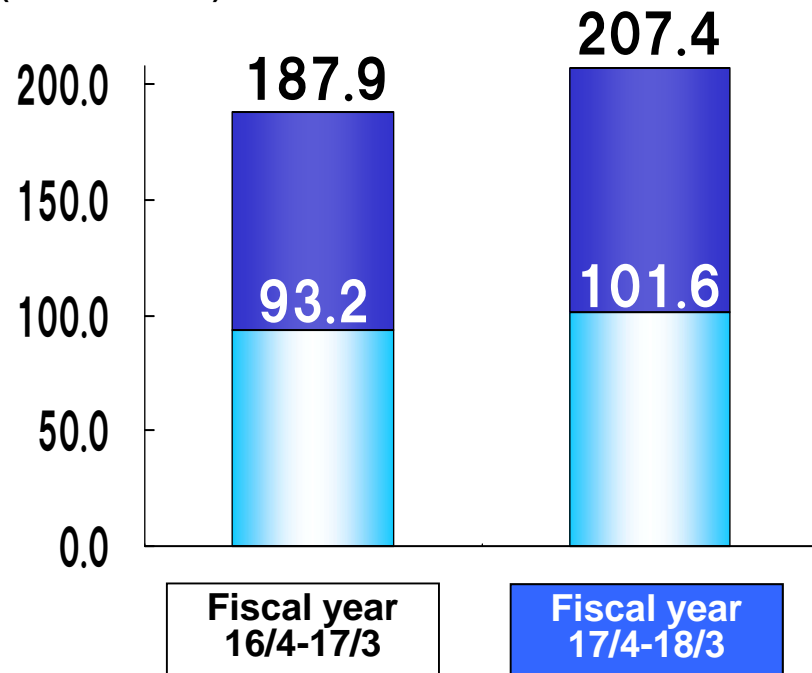
Net Sales

Annual
First Half

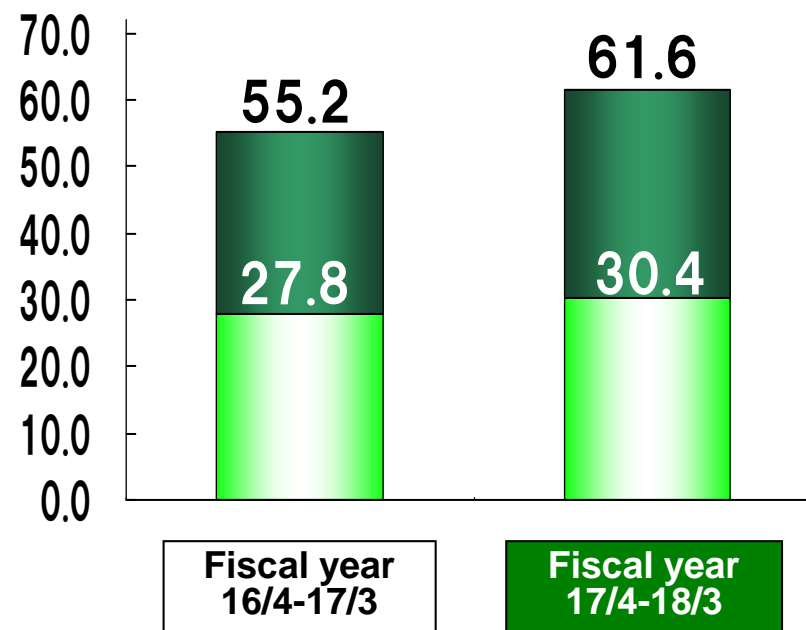
Operating Income

Annual
First Half

(Billions of Yen)



(Billions of Yen)

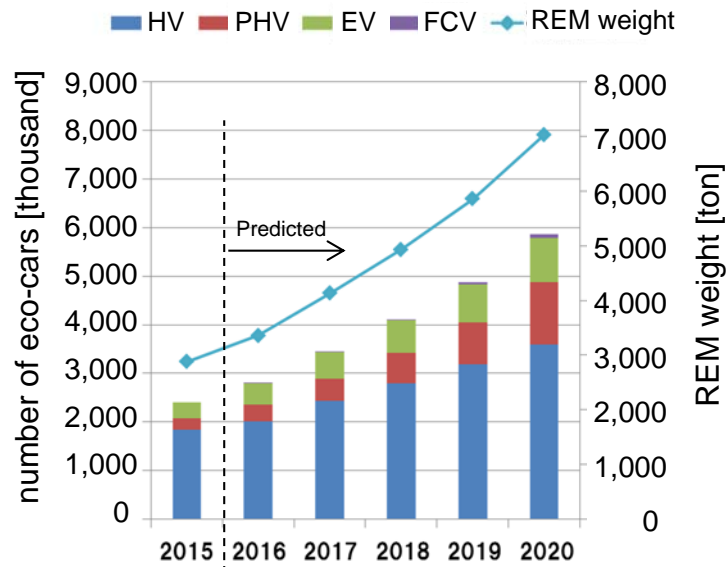


- With regard to the rare earth magnets business, products for applications in automobiles, including those for hybrid cars, and also for industrial equipment continued good shipments and expanded sales.
- With regard to our photoresist products business, KrF resists, Arf resists and trilayer materials all continued to be firm and photomask blanks also expanded.
- The business of optical fiber preform increased its sales by taking advantage of the increase in global demand and also of the contributions made by the production of our new joint-venture company in China from the latter half of FY 2018.
- The business of materials for LED packaging also had firm shipments.



Electronics & Functional Materials Business Segment

World-wide production of Eco-cars and Rare-earth magnet (REM) used therein

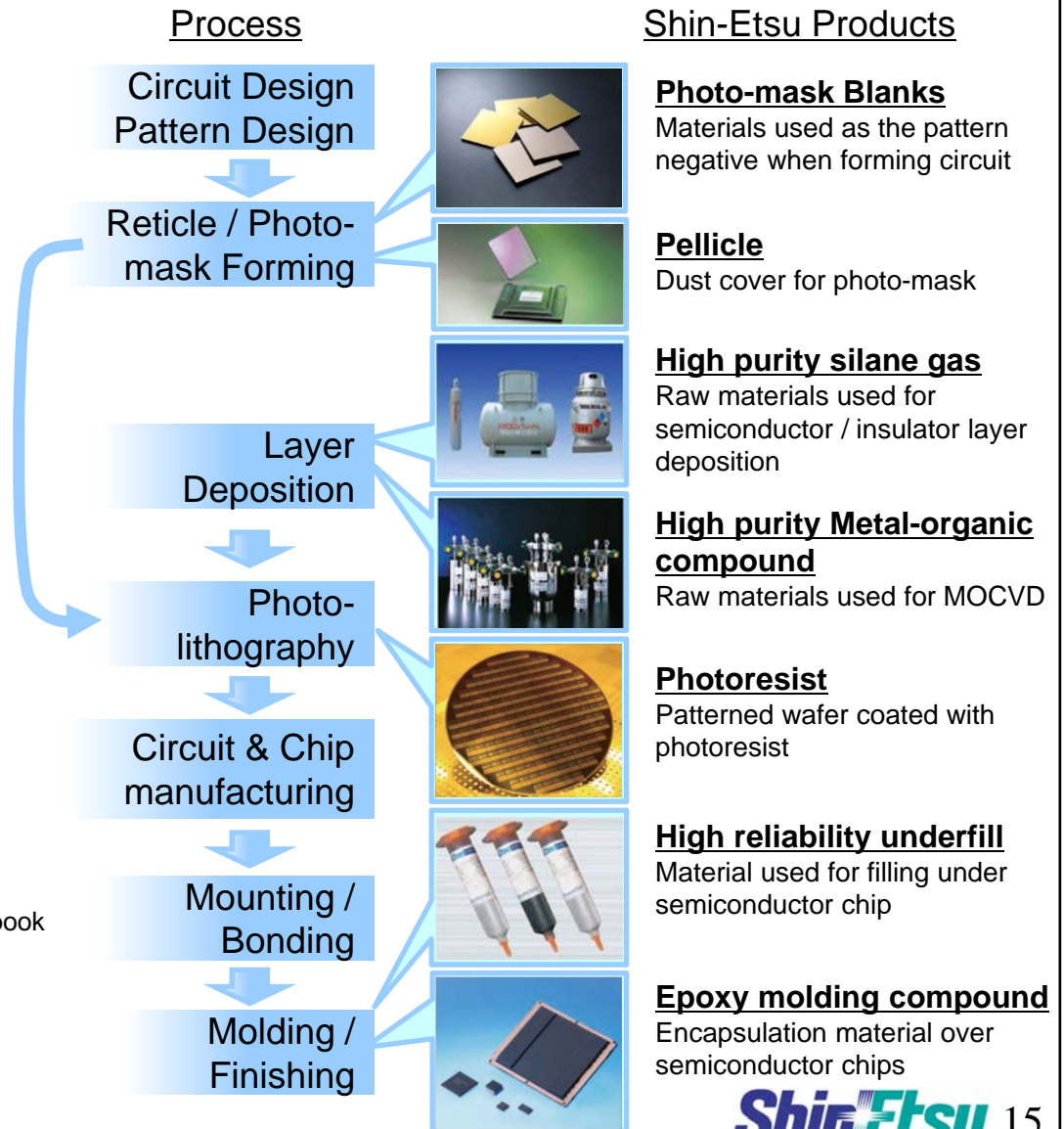


20% CAGR(2015-2020) is predicted for REM weight used for driving and generator motors in eco-cars. We pursue penetration to this market to acquire its growth.

Eco-car data : Fuji Chimera Research & Institute Inc.
Worldwide Automobile Parts 2016 – Marketing Handbook
REM weight data : Our estimates

Abbreviation: REM = Rare-earth magnet

As a super-provider of semiconductor materials, we contribute to the growing market





Processing, Trading & Specialized Services Business Segment

Net Sales

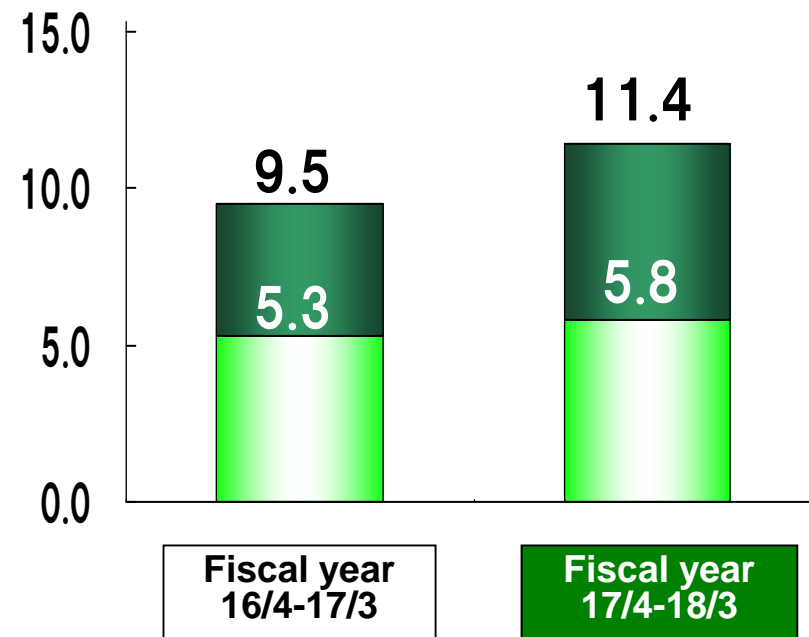
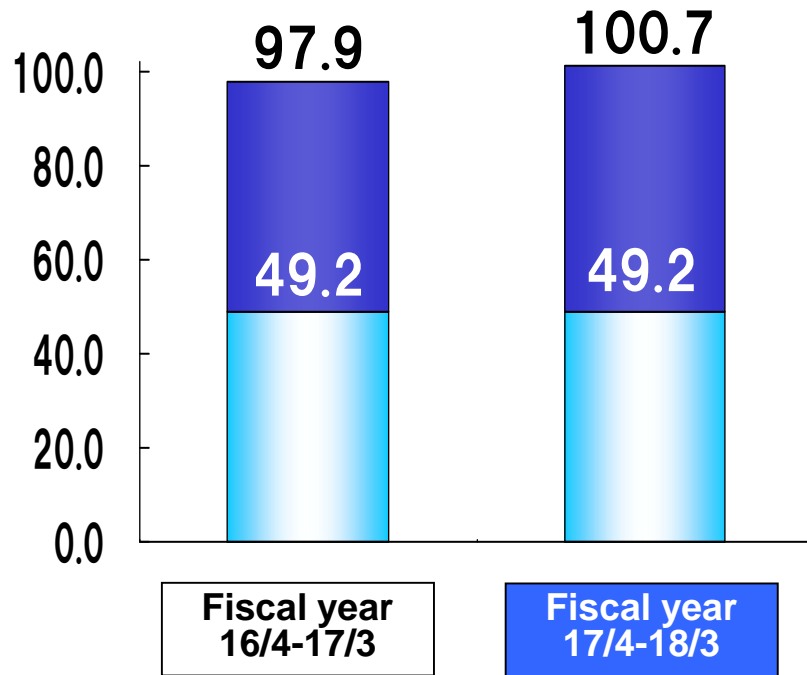
■ Annual
■ First Half

Operating Income

■ Annual
■ First Half

(Billions of Yen)

(Billions of Yen)



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



Quarterly Sales by Segment

(Sales)

(Billions of Yen)

| | Fiscal year 16/4-17/3 | | | | | Fiscal year 17/4-18/3 | | | | |
|---|--------------------------|--------------|--------------|--------------|----------------|--------------------------|--------------|--------------|--------------|----------------|
| | 1Q | 2Q | 3Q | 4Q | Total | 1Q | 2Q | 3Q | 4Q | Total |
| PVC/Chlor-Alkali Business | 93.9 | 107.8 | 106.4 | 103.4 | 411.6 | 113.5 | 125.7 | 125.6 | 136.3 | 501.3 |
| Silicones Business | 45.4 | 44.5 | 43.4 | 45.8 | 179.2 | 49.9 | 50.9 | 52.1 | 53.2 | 206.2 |
| Specialty Chemicals Business | 28.5 | 27.0 | 26.4 | 26.0 | 108.0 | 28.3 | 28.6 | 31.2 | 28.9 | 117.1 |
| Semiconductor Silicon Business | 62.5 | 60.7 | 62.7 | 66.4 | 252.6 | 71.4 | 75.3 | 78.6 | 82.8 | 308.3 |
| Electronics & Functional Materials Business | 46.9 | 46.3 | 45.6 | 49.0 | 187.9 | 49.1 | 52.4 | 52.5 | 53.2 | 207.4 |
| Processing, Trading & Specialized Services Business | 23.4 | 25.8 | 24.4 | 24.2 | 97.9 | 23.7 | 25.5 | 25.8 | 25.6 | 100.7 |
| Total | 300.7 | 312.3 | 309.2 | 315.1 | 1,237.4 | 336.2 | 358.6 | 366.1 | 380.3 | 1,441.4 |

● ● ● | Quarterly Operating Income by Segment

(Operating Income)

(Billions of Yen)

| | Fiscal year 16/4-17/3 | | | | | Fiscal year 17/4-18/3 | | | | |
|---|--------------------------|-------------|-------------|-------------|--------------|--------------------------|-------------|-------------|-------------|--------------|
| | 1Q | 2Q | 3Q | 4Q | Total | 1Q | 2Q | 3Q | 4Q | Total |
| PVC/Chlor-Alkali Business | 13.2 | 16.9 | 14.1 | 8.8 | 53.1 | 17.6 | 22.8 | 24.7 | 28.0 | 93.2 |
| Silicones Business | 10.2 | 10.3 | 11.0 | 10.9 | 42.5 | 12.1 | 12.7 | 13.5 | 13.5 | 51.9 |
| Specialty Chemicals Business | 6.3 | 5.6 | 4.9 | 5.2 | 22.2 | 6.5 | 6.5 | 6.3 | 6.3 | 25.7 |
| Semiconductor Silicon Business | 13.6 | 12.4 | 13.3 | 16.4 | 55.9 | 19.7 | 21.9 | 24.5 | 26.7 | 92.9 |
| Electronics & Functional Materials Business | 14.0 | 13.8 | 13.5 | 13.8 | 55.2 | 15.0 | 15.3 | 15.3 | 15.8 | 61.6 |
| Processing, Trading & Specialized Services Business | 2.6 | 2.6 | 2.0 | 2.2 | 9.5 | 2.8 | 2.9 | 2.5 | 3.1 | 11.4 |
| Total | 60.0 | 62.0 | 59.0 | 57.5 | 238.6 | 74.1 | 82.1 | 87.0 | 93.4 | 336.8 |



Comparative Income Statements (Consolidated)

(Billions of Yen)

| | Fiscal year 16/4-17/3 | Fiscal year 17/4-18/3 | Increase (Decrease) |
|---|--------------------------|--------------------------|------------------------------|
| Net Sales | 1,237.4 | 1,441.4 | 16.5% 204.0 |
| Cost of sales | 868.4 | 963.0 | 94.6 |
| Selling, general and administrative expenses | 130.3 | 141.6 | 11.3 |
| Operating Income | 238.6 | 336.8 | 41.2% 98.2 |
| Non-operating income/expenses | 3.5 | 3.4 | (0.1) |
| Ordinary Income | 242.1 | 340.3 | 40.5% 98.2 |
| Income Before Income Taxes | 242.1 | 340.3 | 40.5% 98.2 |
| Income taxes | 63.8 | * 70.2 | 6.4 |
| Net income attributable to non-controlling interests | 2.3 | 3.8 | 1.5 |
| Net income attributable to owners of parent | 175.9 | * 266.2 | 51.3% 90.3 |

* Income taxes and Net income attributable to owners of parent include ¥29.8 billion (benefit) as a result of the revaluation of deferred tax assets and liabilities following the enactment of tax reform legislation in the United States.

Comparative Balance Sheets (Consolidated)

(Billions of Yen)

| | Mar 31 2017 | Mar 31 2018 | Increase (Decrease) | | Mar 31 2017 | Mar 31 2018 | Increase (Decrease) |
|-------------------------------------|----------------|----------------|------------------------|---|----------------|----------------|------------------------|
| Current Assets | 1,549.6 | 1,739.3 | 189.7 | Current Liabilities | 317.0 | 382.7 | 65.7 |
| Cash and time deposits | 752.6 | 854.5 | 101.9 | Notes and accounts payable-trade | 123.8 | 136.8 | 13.0 |
| Notes and accounts receivable-trade | 287.8 | 332.8 | 45.0 | Short-term borrowings | 12.7 | 7.0 | (5.7) |
| Securities | 186.5 | 197.3 | 10.8 | Accrued income taxes | 32.7 | 58.9 | 26.2 |
| Inventories | 267.1 | 282.0 | 14.9 | Other | 147.6 | 179.8 | 32.2 |
| Deferred tax assets | 35.9 | 36.4 | 0.5 | | | | |
| Other | 19.3 | 36.1 | 16.8 | Long-term Liabilities | 148.5 | 112.5 | (36.0) |
| Fixed Assets | 1,106.0 | 1,168.9 | 62.9 | Long-term debt | 1.5 | 8.4 | 6.9 |
| Property, Plant and Equipment | 846.5 | 899.7 | 53.2 | Deferred tax liabilities | 98.2 | 62.3 | (35.9) |
| Machinery and equipment, net | 437.7 | 454.8 | 17.1 | Other | 48.7 | 41.7 | (7.0) |
| Other, net | 408.7 | 444.8 | 36.1 | Total Liabilities | 465.5 | 495.3 | 29.8 |
| Intangible Assets | 10.2 | 9.4 | (0.8) | Stockholders' Equity | 2,075.6 | 2,289.9 | 214.3 |
| Investments and Other Assets | 249.2 | 259.8 | 10.6 | Accumulated Other Comprehensive Income | 57.1 | 61.3 | 4.2 |
| Investments in securities | 135.3 | 145.4 | 10.1 | Share Subscription Rights Non - Controlling Interests in Consolidated Subsidiaries | 57.2 | 61.7 | 4.5 |
| Other | 113.9 | 114.3 | 0.4 | Total Net Assets | 2,190.0 | 2,413.0 | 223.0 |
| Total Assets | 2,655.6 | 2,908.3 | 252.7 | Total Liabilities and Net Assets | 2,655.6 | 2,908.3 | 252.7 |



(Reference) Breakdown of Comparative Balance Sheets (Consolidated)

(Billions of Yen)

| | Mar 31 2017 | Mar 31 2018 | Increase (Decrease) [a] | Effect of exchange rate [b] | [a]-[b] | | Mar 31 2017 | Mar 31 2018 | Increase (Decrease) [a] | Effect of exchange rate [b] | [a]-[b] |
|-------------------------------------|----------------|----------------|-------------------------------|--------------------------------------|--------------|--|----------------|----------------|-------------------------------|--------------------------------------|---------------|
| | | | | | | | | | | | |
| Current Assets | 1,549.6 | 1,739.3 | 189.7 | 6.0 | 183.7 | Current Liabilities | 317.0 | 382.7 | 65.7 | 1.2 | 64.5 |
| Cash and time deposits | 752.6 | 854.5 | 101.9 | 1.8 | 100.1 | Notes and accounts payable-trade | 123.8 | 136.8 | 13.0 | 0.2 | 12.8 |
| Notes and accounts receivable-trade | 287.8 | 332.8 | 45.0 | 2.3 | 42.7 | Short-term borrowings | 12.7 | 7.0 | (5.7) | 0.0 | (5.7) |
| Securities | 186.5 | 197.3 | 10.8 | 0.0 | 10.8 | Accrued income taxes | 32.7 | 58.9 | 26.2 | 0.4 | 25.8 |
| Inventories | 267.1 | 282.0 | 14.9 | 1.8 | 13.1 | Other | 147.6 | 179.8 | 32.2 | 0.6 | 31.6 |
| Other | 55.3 | 72.5 | 17.2 | 0.1 | 17.1 | Long-term Liabilities | 148.5 | 112.5 | (36.0) | (2.2) | (33.8) |
| | | | | | | Total Liabilities | 465.5 | 495.3 | 29.8 | (1.0) | 30.8 |
| Fixed Assets | 1,106.0 | 1,168.9 | 62.9 | (3.7) | 66.6 | Stockholders' Equity | 2,075.6 | 2,289.9 | 214.3 | 0.0 | 214.3 |
| Property, Plant and Equipment | 846.5 | 899.7 | 53.2 | (3.9) | 57.1 | Accumulated Other Comprehensive Income | 57.1 | 61.3 | 4.2 | 1.9 | 2.3 |
| Intangible Assets | 10.2 | 9.4 | (0.8) | 0.4 | (1.2) | Share Subscription Rights Non - Controlling Interests in Consolidated Subsidiaries | 57.2 | 61.7 | 4.5 | 1.4 | 3.1 |
| Investments and Other Assets | 249.2 | 259.8 | 10.6 | (0.2) | 10.8 | Total Net Assets | 2,190.0 | 2,413.0 | 223.0 | 3.3 | 219.7 |
| Total Assets | 2,655.6 | 2,908.3 | 252.7 | 2.3 | 250.4 | Total Liabilities and Net Assets | 2,655.6 | 2,908.3 | 252.7 | 2.3 | 250.4 |

Comparative Statements of Cash Flows (Consolidated)

(Billions of Yen)

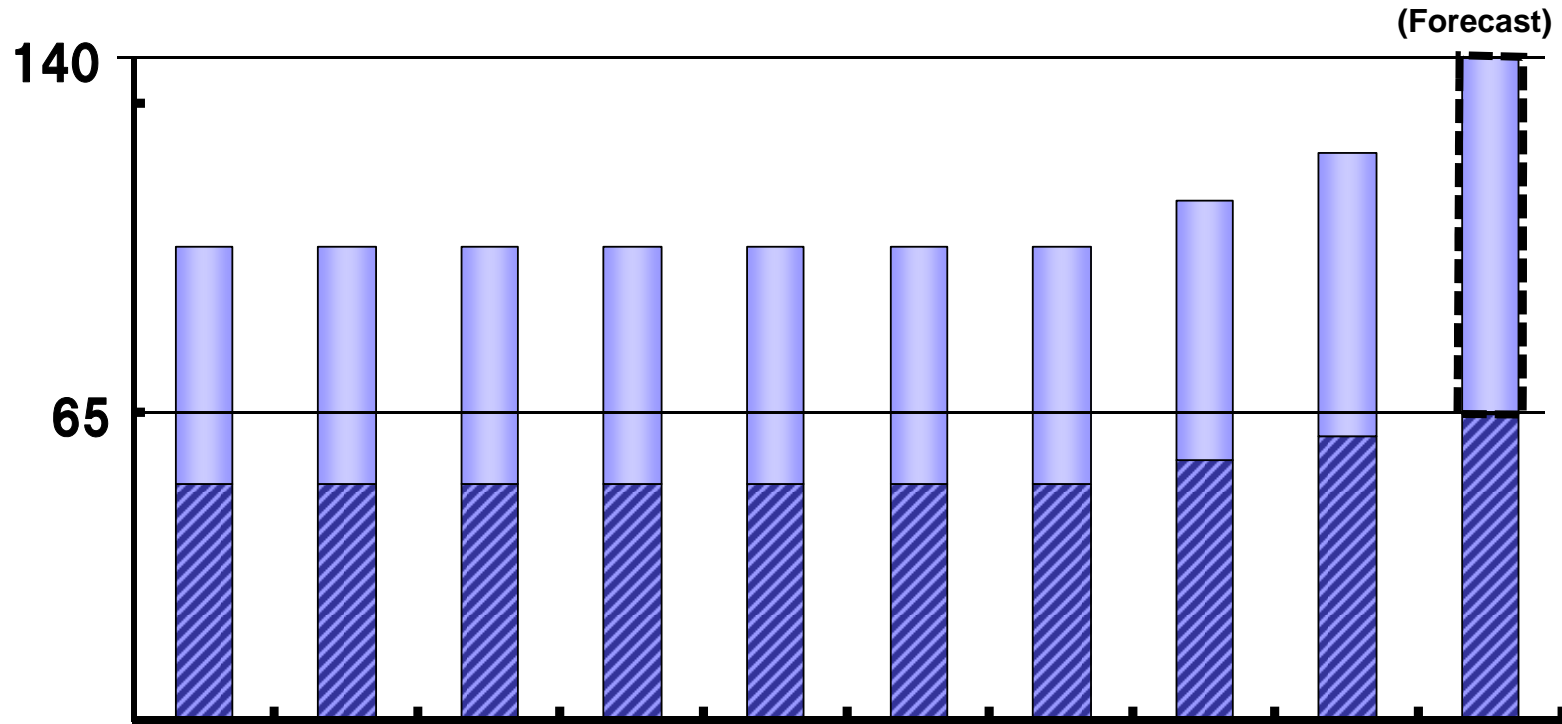
| | Fiscal year 16/4-17/3 | Fiscal year 17/4-18/3 | Increase (Decrease) |
|--|--------------------------|--------------------------|------------------------|
| (1) Cash Flows from Operating Activities | 290.8 | 332.7 | 41.9 |
| Income before income taxes | 242.1 | 340.3 | 98.2 |
| Payments of income taxes | (62.8) | (74.7) | (11.9) |
| Depreciation and amortization | 93.0 | 112.0 | 19.0 |
| (Increase)Decrease in working capital | (3.2) | (43.8) | (40.6) |
| Others | 21.8 | (0.8) | (22.6) |
| (2) Cash Flows from Investing Activities | 1.2 | (237.6) | (238.8) |
| Capital expenditures | (136.2) | (163.7) | (27.5) |
| (Increase)Decrease in securities (mainly Negotiable certificates of deposit) | 110.8 | (46.9) | (157.7) |
| (Increase)Decrease in time deposits | 30.2 | (22.6) | (52.8) |
| Others | (3.5) | (4.3) | (0.8) |
| (3) Cash Flows from Financing Activities | (37.1) | (50.0) | (12.9) |
| Increase(Decrease) in borrowings | 0.3 | 1.1 | 0.8 |
| Cash dividends paid | (48.9) | (53.3) | (4.4) |
| Others | 11.4 | 2.1 | (9.3) |
| (4) Effect of Exchange Rate Changes on Cash and Cash Equivalents, and other | (9.2) | 1.9 | 11.1 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 245.7 | 47.1 | (198.6) |
| Balance of Cash and Cash Equivalents | 733.3 | 780.4 | 47.1 |
| Balance of Interest-bearing Liabilities | 14.3 | 15.5 | 1.2 |



Cash Dividends per Share



Cash Dividends per Share (Yen)



| Fiscal year ended March | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--------------------------------|------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| Cash Dividends per Share (Yen) | First half | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 55 | 60 | 65 |
| | Annual | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 110 | 120 | * 140 |
| Net Income per Share (Yen) | First half | 235.0 | 83.7 | 146.8 | 120.2 | 131.2 | 150.1 | 158.8 | 179.9 | 205.3 | 259.7 |
| | Annual | 362.4 | 197.5 | 235.8 | 237.0 | 248.9 | 267.2 | 302.0 | 349.5 | 412.9 | 624.3 |
| Dividend payout ratio | Annual | 27.6% | 50.6% | 42.4% | 42.2% | 40.2% | 37.4% | 33.1% | 31.5% | 29.1% | *22.4% |

*Forecast

● ● ● | 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 | | |
| 2016 | Jan-Mar | 115.5 | 111.8 | 108.8 | 108.4 | 127.2 | 124.6 | 120.3 | 118.8 | | |
| | Apr-Jun | 108.1 | | | | 122.0 | | | | | |
| | Jul-Sep | 102.4 | 105.3 | | | 114.3 | 116.0 | | | 118.1 | |
| | Oct-Dec | 109.3 | 105.9 | | | 117.8 | 119.4 | | | | |
| 2017 | Jan-Mar | 113.6 | 112.4 | 112.2 | 110.9 | 121.1 | 121.6 | 126.7 | 129.7 | | |
| | Apr-Jun | 111.1 | | | | 122.2 | | | | | |
| | Jul-Sep | 111.0 | 111.1 | | | 130.4 | 131.7 | | | 126.3 | |
| | Oct-Dec | 113.0 | 112.0 | | | 133.0 | 133.1 | | | | |
| 2018 | Jan-Mar | 108.3 | | | | 133.2 | | | | | |

Exchange rate as of Dec 31, 2016 116.49 Mar 31, 2017 112.19 Dec 31, 2016 122.70 Mar 31, 2017 119.79
 Dec 31, 2017 113.00 Mar 31, 2018 106.24 Dec 31, 2017 134.94 Mar 31, 2018 130.52

* An average exchange rate between January and December was used for the Consolidated Income Statements of overseas subsidiaries.

● ● ● | Appendix (For Reference)

2) Sales by Region

(Billions of Yen)

| | Japan | Overseas | | | | | Total | Total Consolidated Net Sales |
|--------------------------|-------|----------|--------------|-------|--------|-------------|---------|------------------------------|
| | | U.S. | Asia/Oceania | | Europe | Other Areas | | |
| | | | China | | | | | |
| Fiscal year 16/4-17/3 | 28% | 22% | 32% | 10% | 11% | 7% | 72% | 1,237.4 |
| | 342.0 | 275.0 | 392.4 | 123.6 | 135.8 | 92.1 | 895.4 | |
| Fiscal year 17/4-18/3 | 26% | 23% | 32% | 10% | 11% | 8% | 74% | 1,441.4 |
| | 373.8 | 335.7 | 458.1 | 138.3 | 162.1 | 111.6 | 1,067.6 | |

Note: % indicates the proportion of total consolidated net sales

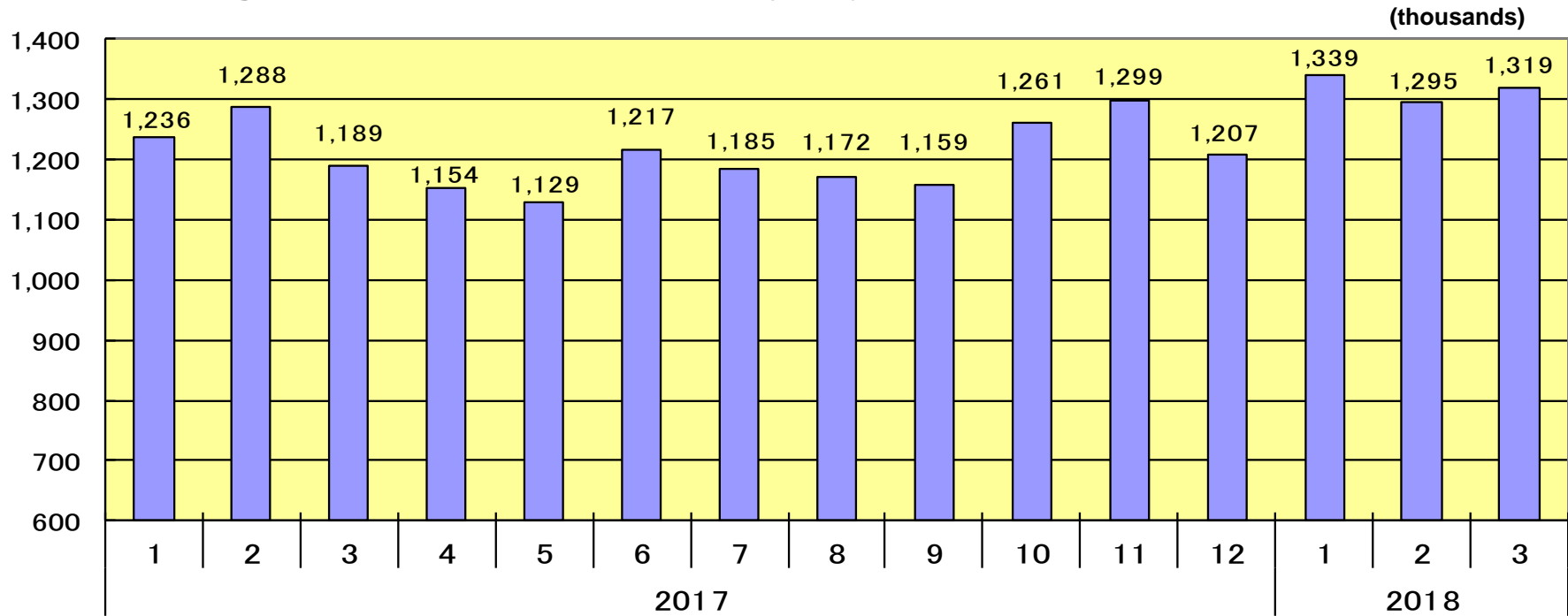
3) Assets by Segments

(Billions of Yen)

| | PVC/ Chlor-Alkali Business | Silicones Business | Speciality Chemicals Business | Semiconductor Silicon Business | Electronics & Functional Materials Business | Processing, Trading & Specialized Services Business | Corporate assets | Consolidated total |
|------------------|----------------------------------|-----------------------|-------------------------------------|--------------------------------------|--|---|---------------------|-----------------------|
| March 31 2017 | 752.9 | 215.4 | 159.1 | 643.7 | 240.0 | 143.0 | 501.2 | 2,655.6 |
| March 31 2018 | 810.1 | 251.8 | 168.1 | 739.9 | 253.9 | 149.0 | 535.2 | 2,908.3 |

● ● ● | Appendix (For Reference)

4) Housing Starts in the U.S. (Seasonally Adjusted Annual Rate)



Annual Trend of the Housing Starts in the U.S. (10 years history) (thousands/year)

| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|------|------|------|------|------|------|-------|-------|-------|-------|
| 906 | 554 | 587 | 609 | 781 | 925 | 1,003 | 1,112 | 1,174 | 1,203 |

*Source from United States Department of Commerce

Domestic PVC Sales in the U.S. (10 years history) (thousands of tons/year)

| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 4,985 | 4,616 | 4,169 | 4,015 | 4,340 | 4,527 | 4,652 | 4,556 | 4,741 | 4,956 |

*Source from American Chemistry Council

● ● ● | Appendix (For Reference)

5) Trend of Naphtha Price Traded in Japan

(Yen / KL)

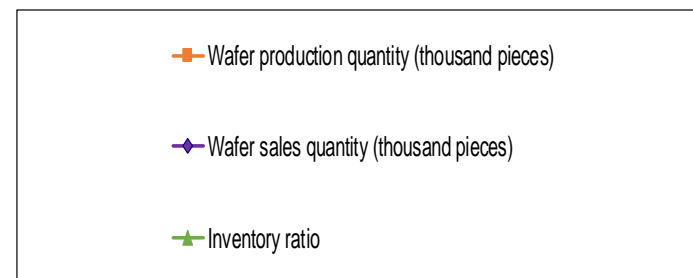
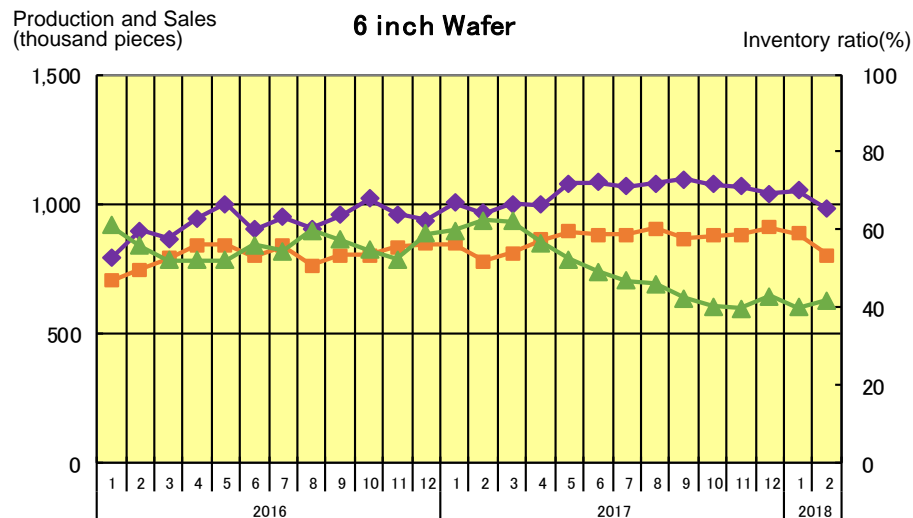
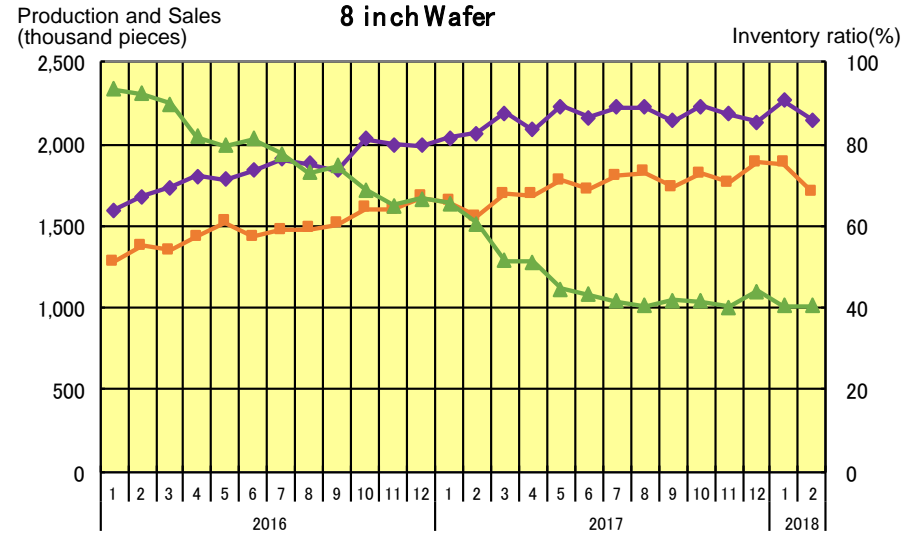
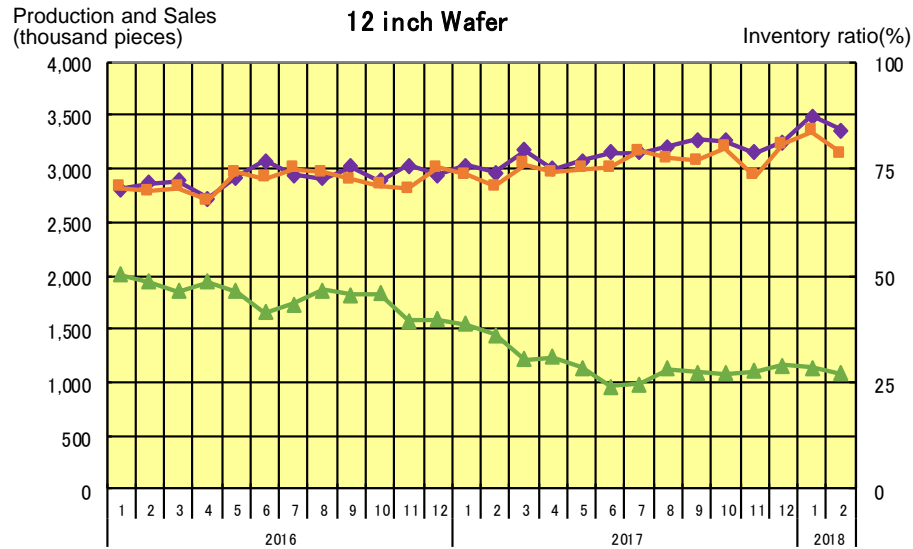
| Fiscal Year 2017 April 2016 – March 2017 | | | | Fiscal Year 2018 April 2017– March 2018 | | | |
|---|-----------|-----------|---------------------|--|-----------|-----------|------------------------------|
| Apr – Jun | Jul – Sep | Oct – Dec | (2017) Jan – Mar | Apr – Jun | Jul – Sep | Oct – Dec | (2018) Jan – Mar (est) |
| 31, 600 | 31, 300 | 34, 000 | 41, 900 | 39, 100 | 36, 100 | 44, 600 | 47, 900 |

★ Data Source: (From Apr. 2016 to Dec. 2017) Japan Ministry of Finance
(From Jan. 2018 to Mar. 2018) Shin-Etsu Chemical's forecast



Appendix (For Reference)

6) 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

● ● ● | Appendix (For Reference)

7) Topics (Apr. 1, 2017 – Apr. 27, 2018)

- Jun. 2017** **Shin-Etsu Chemical announced the reinforcement of the production capacity for rare earth magnets in Vietnam.**
- Aug. 2017** **Shin-Etsu Chemical announced the expansion of the production capacity for silicone products in America.**
- Oct. 2017** **Shin-Etsu Chemical announced the increase of the production capacity for optical fiber preform at three manufacturing bases: Kashima Plant in Japan and two subsidiary companies in China.**
- Oct. 2017** **Shin-Etsu Chemical announced facility investments for cellulose derivatives at two manufacturing bases in Japan and Germany.**
- Nov. 2017** **Shin-Etsu Chemical announced price increases for silicone products.**
- Apr. 2018** **Shin-Etsu Chemical announced cancellation of treasury stock.**

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

● ● ● | Appendix (For Reference)

8) Capital Investments

★: complete ☆:completion schedule

| Company | Projects | Investment Amount | 2015 | | 2016 | | 2017 | | 2018 | | 2019 | |
|---|---|-------------------|------|----------|----------|----|----------|-----------------|------|-----------------|-----------------|----|
| | | | 1H | 2H | 1H | 2H | 1H | 2H | 1H | 2H | 1H | 2H |
| Shintech (USA) | Expansion of PVC and VCM production facility | \$ 500 million | | ★ PVC | ★ VCM | | ★ VCM | | | | | |
| Shintech (USA) | Establishment of a manufacturing plant for ethylene | \$ 1,400 million | | | | | | | ☆ | | | |
| Shin-Etsu Chemical (Gunma) | Construction of a new research building adjoining its existing Silicone-Electronics Materials Research Center | ¥ 5 billion | | | ★ | | | | | | | |
| Shin-Etsu Chemical (Gunma, Naoetsu) | Reinforcement of the production capacity for highly functional silicone products | ¥ 20 billion | | | | | ★ | → ^{*1} | | | | |
| Asia Silicones Monomer (Thailand)、Shin-Etsu Silicones (Thailand) | Increase of the production capacity for silicone products | ¥ 20 billion | | | | | | | ☆ | | | |
| Shin-Etsu Chemical (Naoetsu) | Construction of a functional silane plant | ¥ 2.3 billion | | | | | | | ★ | | | |
| Shin-Etsu Chemical (Saitama) | Expansion of silicone rubber molding and processing Technical Center | — | | | | | ★ | | | | | |
| Shin-Etsu Silicones of America (USA) | Reinforcement of the production capacity for silicone products | ¥ 2.4 billion | | | | | | | | | | ☆ |
| SE Tylose (USA) | Establishment of a new plant for cellulose | \$ 120 million | | ★ | | | | | | | | |
| Shin-Etsu Chemical (Naoetsu) SE Tylose (Germany) | Facility investments for cellulose derivatives | ¥ 20 billion | | | | | | | | | | ☆ |
| Shin-Etsu Magnetic Materials (Vietnam) | Reinforcement of the production capacity for rare earth magnets plant | ¥ 5 billion | | | | | | | ☆ | | | |
| Shin-Etsu Electronics Materials Taiwan (Taiwan) | Establishment of a new plant for photoresist-related products | ¥ 13 billion | | | | | | | | ☆ | | |
| Shin-Etsu YOFC (Hubei) Optical Preform (China) | Establishment of a new plant for optical fiber preform | ¥ 12.5 billion | | | | ★ | | | | | | |
| Shin-Etsu Chemical (Fukui) | Establishment of a new plant for photomask blanks | ¥ 7 billion | | | | ★ | | | | | | |
| Shin-Etsu Chemical (Kashima) Shin-Etsu (Jiangsu) Optical Preform (China) Shin-Etsu YOFC (Hubei) Optical Preform (China) | Reinforcement of the production capacity for optical fiber preform | ¥ 18 billion | | | | | | | | ☆ ^{*2} | ☆ ^{*3} | |

*1 Starting up gradually after summer, 2017 *2 in Kashima *3 in China