

Financial Summary

For the six months ended September 30, 2008

(October 23, 2008)

Shin-Etsu Chemical Co., Ltd.

Note

The forecast of results of operations made in this document involves risks and uncertainties since the forecast is based on management's assumptions and beliefs in light of the information currently available to it. The reader should be aware that actual result 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 business 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.

ShinEtsu



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Operating Performance (Consolidated)

(Billions of Yen)

	2007 April - September	2008 April - September	Increase (Decrease)
Net Sales	687.7	695.4	1.1% 7.7
Operating Income	140.0	150.1	7.2% 10.1
Ordinary Income	146.0	156.5	7.2% 10.5
Net Income	95.2	101.0	6.0% 5.8
Net Assets	1,453.1	1,513.8	60.7
Total Assets	1,923.0	1,893.5	(29.5)
Equity Ratio	73.3%	77.5%	4.2point
ROE	13.9%	13.9%	0.0point
ROA	15.4%	16.4%	1.0point
Per share (in Yen)			
Net Income	221.16	235.04	13.88
Net Assets	3,277	3,434	157
Cash dividend	40.00	50.00	10.00

ROA:Return(Ordinary income) on total assets



Financial Highlights (Consolidated)

(Billions of Yen)

	2007 April - September	2008 April - September
Capital expenditures	135.6	90.5
Organic and Inorganic chemicals	68.1	43.3
Electronics materials	63.2	44.6
Functional materials and Others	4.7	2.9
Depreciation and amortization	65.4	61.5
Organic and Inorganic chemicals	14.8	16.9
Electronics materials	46.9	40.5
Functional materials and Others	3.8	4.2
R&D costs	25.2	18.8
Balance of liabilities with interest	34.4	26.9
Number of employees	19,113	20,300
Exchange rate Jan.-Jun.(Average)	120.2	104.9
(Yen/US\$) Apr.-Sep.(Average)	119.3	106.1

Notes; An average exchange rate between January and June was used for the Consolidated Income Statements of overseas subsidiaries.



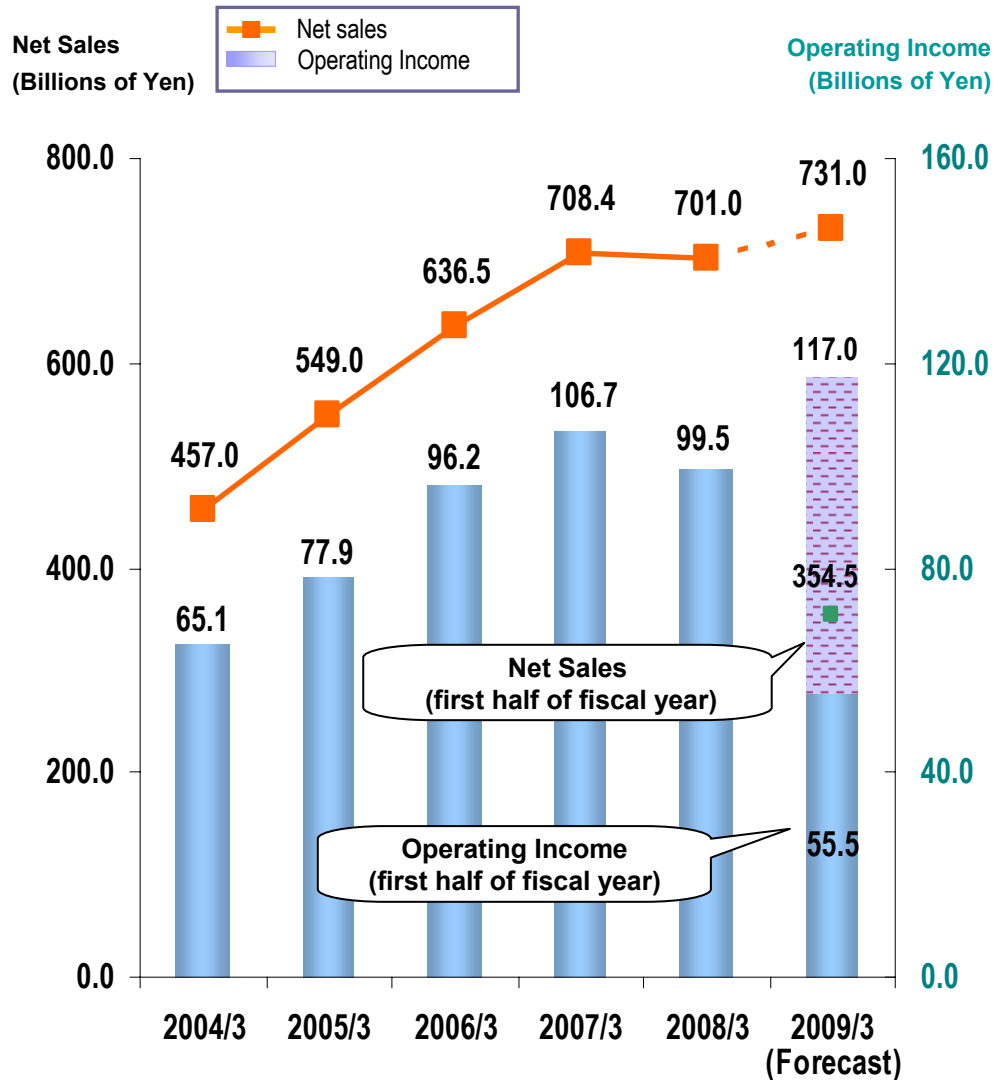
Business Segment Information (Consolidated)

(Billions of Yen)

	Net Sales			Operating Income		
	2007 Apr. - Sep.	2008 Apr. - Sep.	Increase (Decrease)	2007 Apr. - Sep.	2008 Apr. - Sep.	Increase (Decrease)
Organic and Inorganic chemicals	344.4	354.5	2.9% 10.1	48.2	55.5	15.1% 7.3
Polyvinyl chloride	179.5	184.1	4.6	16.3	18.2	1.9
Silicones	98.7	96.8	(1.9)	21.1	22.8	1.7
Others	66.2	73.6	7.4	10.8	14.5	3.7
Electronics materials	285.5	285.0	(0.2%) (0.5)	79.0	79.4	0.5% 0.4
Semiconductor silicon	244.4	248.1	3.7	69.5	69.9	0.4
Others	41.1	36.9	(4.2)	9.5	9.5	0.0
Functional materials and Others	57.8	55.9	(3.2%) (1.9)	13.0	15.4	18.1% 2.4
Synthetic quartz products	15.7	13.7	(2.0)	5.9	5.5	(0.4)
Rare earth magnets for general applications and other functional materials	18.6	20.8	2.2	4.4	5.8	1.4
Others	23.5	21.4	(2.1)	2.7	4.1	1.4
Elimination	-	-	-	(0.2)	(0.2)	0.0
Total	687.7	695.4	1.1% 7.7	140.0	150.1	7.2% 10.1



"Organic and Inorganic chemicals" Business Segment (Consolidated)



●PVC

- ◆ While the U.S. housing market was slumping, Shintech, by utilizing its sales strengths that were built up over a long period of years, continued full operations by making strong sales efforts aimed at its worldwide customers. As a result, Shintech greatly increased its business performance.
- ◆ Shin-Etsu PVC in the Netherlands had good sales in Europe and increased its business results.
- ◆ On the other hand, the domestic PVC business continued in a severe situation, which was affected by the sharp rise in raw material prices and sluggish demand.

●Silicones

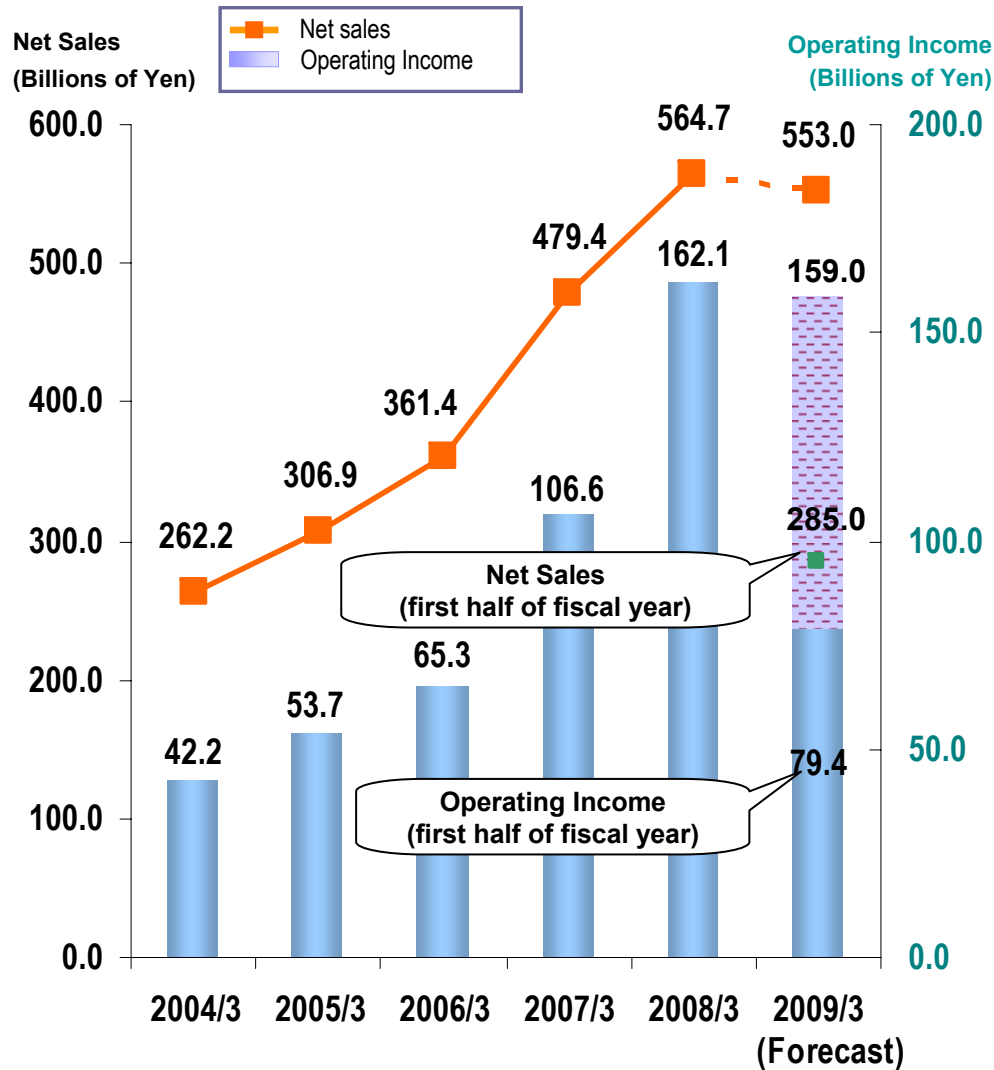
- ◆ Sales of functional silicone products, such as for on-board automotive, information technology equipment and cosmetics applications, were good, and their strong performance was contributed to by product price revisions, which came about due to the sharp rises in raw material prices.
- ◆ Shin-Etsu Polymer's business of keypads for mobile phones continued lingering at a low level, affected by a decline in unit price.

●Other organic chemicals

- ◆ The cellulose derivatives business was strong, mainly as a result of the performance of the business for pharmaceutical products in Japan. However, the results of SE Tylose in Germany were influenced by decreased demand for construction materials.
- ◆ JAPAN VAM & POVAL continued strong shipments, and SIMCOA in Australia also did well due to the rise in the product price of metallic silicon.



"Electronics materials" Business Segment (Consolidated)



● Semiconductor silicon

◆ Although sales of 200mm wafers were affected by the decline in demand for semiconductor devices, starting with memories, sales of 300mm wafers, Shin-Etsu's main wafer product, were strong. This good performance was made possible because we focused on sales of improvement of productivity and product quality.

◆ During the fiscal year ended March 31, 2007, in response to the progress in high-performance semiconductor devices, the period of depreciation of both domestic and overseas semiconductor manufacturing facilities was changed from 5 years to 3 years.

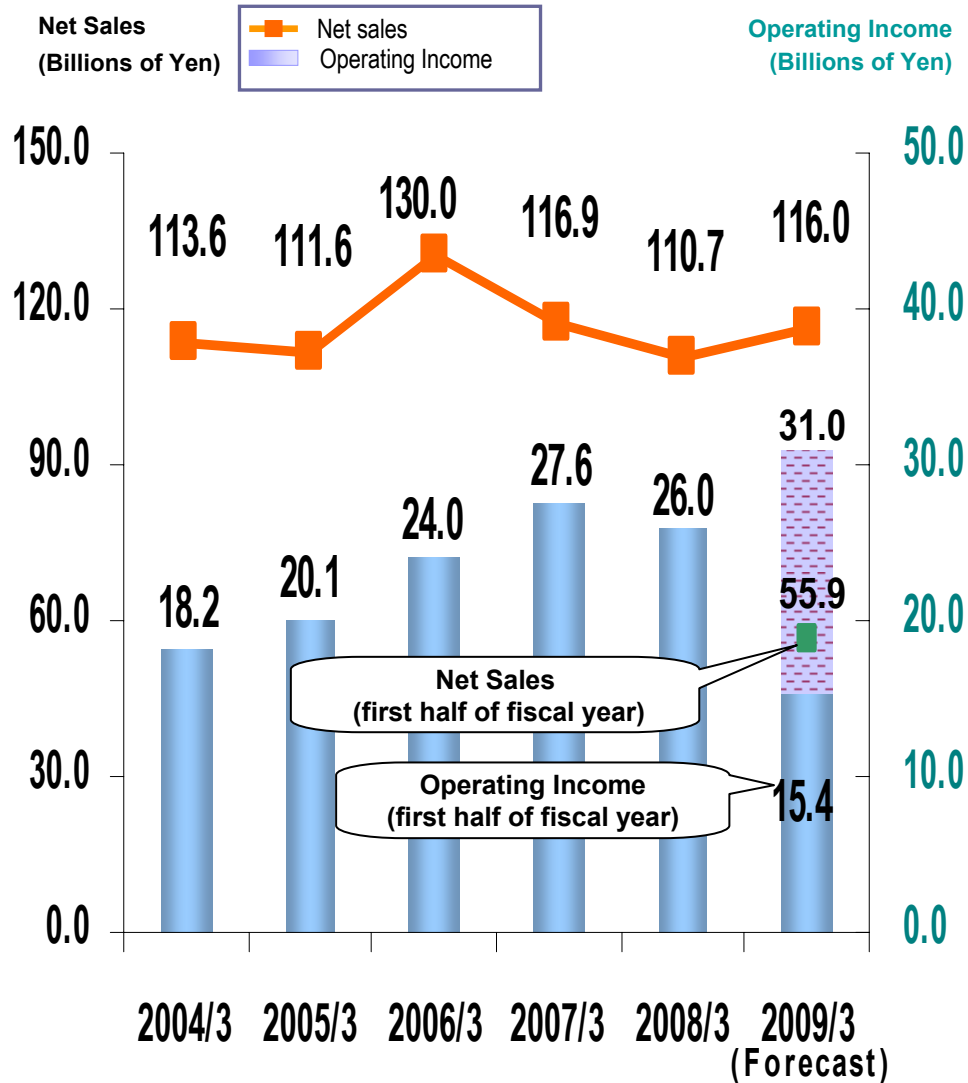
● Other electronics materials

◆ The business performance of rare earth magnets for the electronics industry was sluggish as a consequence of the effects of a manufacturing adjustment of hard disk drives for desktop PCs.

◆ Sales of photoresists products were affected by manufacturing adjustments made by semiconductor device makers, but sales of organic materials for the electronics industry went well.



"Functional materials and Others" Business Segment (Consolidated)



● Synthetic quartz

- ◆ Sales of optical fiber preform were firm with the increase in demand coming as a result of the expanding worldwide volume of data communications.
- ◆ Sales of large-size photomask substrates used for LCDs were not good due to market sluggishness.

● Rare earth magnets for general applications and Other functional materials

- ◆ Sales of rare earth magnets for general applications expanded due to good demand for such applications as in energy-saving motors for air-conditioners and in automobiles.
- ◆ Shipments of liquid fluoroelastomers and pellicles were firm.

● ● ● | **Operating Performance of Shin-Etsu Chemical Co., Ltd.**
(Non-Consolidated)

(Billions of Yen)

	2007 April - September	2008 April - September	Increase (Decrease)
Net Sales	359.4	359.7	0.1%
Ordinary Income	46.6	56.2	20.7%
Extraordinary Income	1.5	-	
Income before Income Taxes	48.1	56.2	16.9%
Net Income	32.5	38.8	19.5%
Net Assets	676.7	668.6	
Total Assets	876.2	865.4	



Operating Performance of Shintech, Inc.

Shintech Incorporated

	2007 January - June		2008 January - June		US\$ Increase (Decrease)
	Millions of US\$	Billions of Yen	Millions of US\$	Billions of Yen	
Net Sales	951	114.3	1,147	120.4	20.7%
Ordinary Income	134	16.1	153	16.0	13.5%
Extraordinary Income	30	3.6	-	-	
Income before Income Taxes	164	19.7	153	16.0	(7.0%)
Net Income	115	13.8	109	11.4	(5.4%)
Net Assets	2,285	281.6	2,484	264.4	
Total Assets	2,700	332.9	2,882	306.7	

Exchange rate Jan.-Jun. (Average) : 2007	120.2Yen/US\$
2008	104.9Yen/US\$

● ● ● | (Reference) Business Result of US PVC Manufactures

(Millions of US\$)

	2007 January - June	2008 January - June
Georgia Gulf (Income before income taxes)	(35.5)	(46.3)
Westlake Vinyls Segment (Operating Income)	28.6	15.3
Polyone (Income before income taxes)	1.4	23.2



Operating Performance of Shin-Etsu Handotai Group

Shin-Etsu Handotai Group(Consolidated)

(Shin-Etsu Handotai , SEH-America, SEH-Malaysia, SEH-Europe, SEH-Taiwan)

(Billions of Yen)

	2007 January - June	2008 January - June	Increase (Decrease)
Net Sales	241.0	245.5	1.8%
Ordinary Income	66.7	66.2	(0.8%)
Net Income	41.3	40.7	(1.2%)
Net Assets	285.0	341.7	
Total Assets	479.1	505.4	

Notes; The financial statements of the overseas Shin-Etsu Handotai Group companies are calculated based on the six months period ended June 2007 and 2008.



Comparative Income Statements (Consolidated)

(Billions of Yen)

	2007 Jan. - Jun.	2008 Jan. - Jun.	Increase (Decrease)
Net Sales	687.7	695.4	1.1% 7.7
Cost of Sales	473.3	482.2	8.9
Selling, General and Administrative Expenses	74.3	63.1	(11.2)
Operating Income	140.0	150.1	7.2% 10.1
Non-Operating Income / Expenses	6.0	6.4	0.4
Ordinary Income	146.0	156.5	7.2% 10.5
Extraordinary Income	5.1	-	(5.1)
Income before Income Taxes	151.1	156.5	3.6% 5.4
Income Taxes	53.6	54.3	0.7
Minority Interests in Earnings of Consolidated Subsidiaries	2.3	1.2	(1.1)
Net Income	95.2	101.0	6.0% 5.8

Comparative Balance Sheets (Consolidated)

(Billions of Yen)

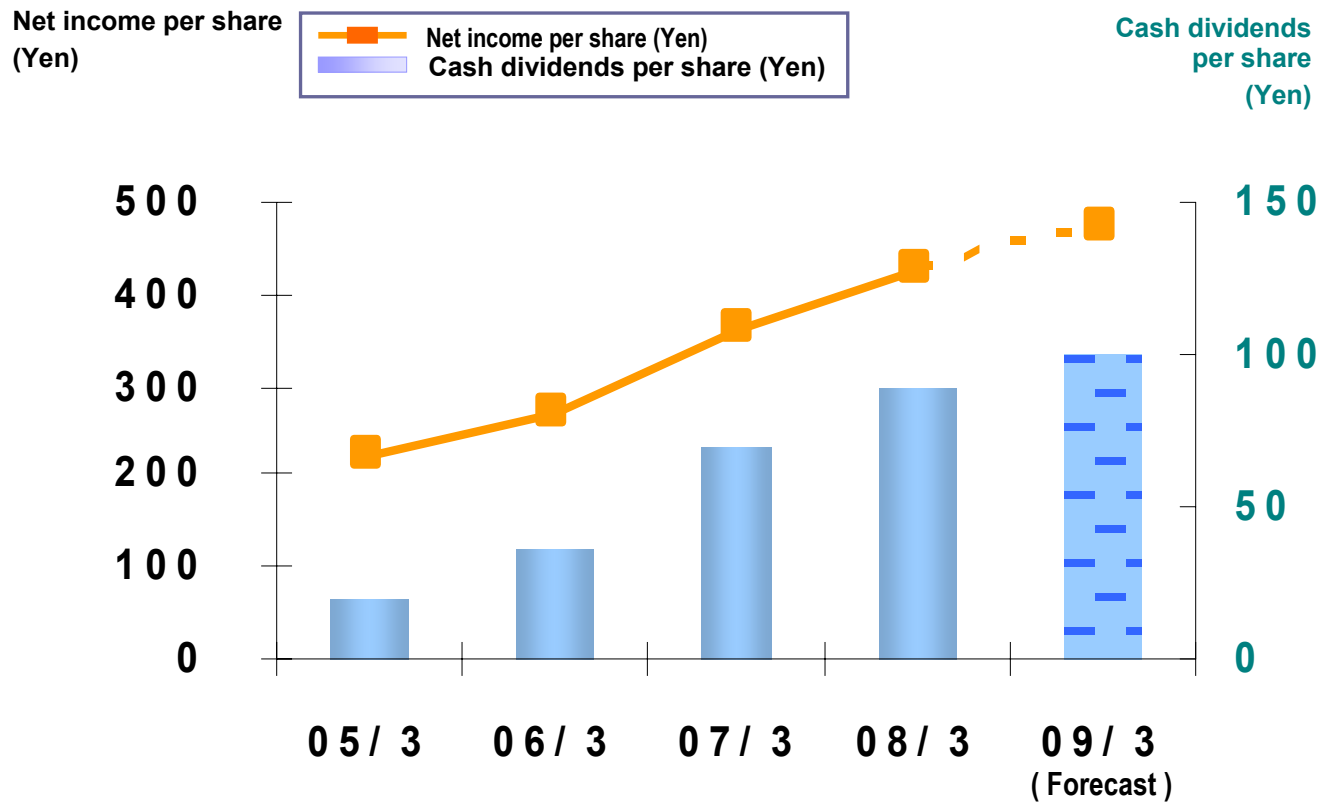
	March 31 2008	September 30 2008	Increase (Decrease)		March 31 2008	September 30 2008	Increase (Decrease)
Current Assets	1,017.3	971.5	(45.8)	Current Liabilities	376.6	323.8	(52.8)
Cash and time deposits	217.3	228.9	11.6	Notes and accounts payable-trade	149.3	140.9	(8.4)
Notes and accounts receivable-trade	313.9	321.2	7.3	Short-term borrowings	11.8	7.5	(4.3)
Securities	184.5	148.3	(36.2)	Accrued income taxes	39.5	39.0	(0.5)
Inventories	204.3	198.9	(5.4)	Other	176.1	136.4	(39.7)
Other	97.3	74.2	(23.1)	Long-Term Liabilities	58.2	55.9	(2.3)
Fixed Assets	901.2	922.0	20.8	Long-term borrowings	22.1	19.4	(2.7)
Property, Plant and Equipment	654.6	665.4	10.8	Other	36.1	36.5	0.4
Machinery and equipment	240.7	231.1	(9.6)	Total liabilities	434.9	379.7	(55.2)
Other	414.0	434.3	20.3	Stockholders' equity	1,399.1	1,464.8	65.7
Intangible Fixed Assets	25.9	23.7	(2.2)	Common stock	119.4	119.4	-
Investments and Other Assets	220.7	232.9	12.2	Additional paid-in capital	128.2	128.2	-
Investments in securities	150.5	151.4	0.9	Retained earnings	1,163.7	1,245.4	81.7
Other	70.2	81.4	11.2	Less: Treasury stock, at cost	(12.2)	(28.2)	(16.0)
				Valuation, translation adjustments and others	39.7	3.3	(36.4)
				Share subscription rights	1.6	2.4	0.8
				Minority interests in consolidated subsidiaries	43.3	43.3	0.0
				Total net assets	1,483.7	1,513.8	30.1
Total assets	1,918.5	1,893.5	(25.0)	Total liabilities and net assets	1,918.5	1,893.5	(25.0)

● ● ● | **Comparative Statements of Cash Flows (Consolidated)**

(Billions of Yen)

	2007 Apr. - Sep.	2008 Apr. - Sep.	Increase (Decrease)
(1) Cash Flows from Operating Activities	102.5	146.9	44.4
Net Income	95.2	101.0	5.8
Depreciation and amortization	65.4	61.5	(3.9)
Increase in working capital	(30.5)	(17.9)	12.6
Others	(27.6)	2.3	29.9
(2) Cash Flows from Investing Activities	(121.6)	(100.2)	21.4
Expenditure for purchase of tangible and intangible fixed assets	(136.0)	(110.0)	26.0
Others	14.4	9.8	(4.6)
(3) Cash Flows from Financing Activities	(38.2)	(43.5)	(5.3)
Decrease in borrowings	(12.1)	(5.4)	6.7
Cash dividends paid	(19.4)	(21.5)	(2.1)
Others	(6.7)	(16.6)	(9.9)
(4) Effect of Exchange Rate Changes on Cash and Cash Equivalents	6.8	(5.4)	(12.2)
Net Increase (Decrease) in Cash and Cash Equivalents	(50.5)	(2.1)	48.4
Balance of cash and cash equivalents	354.1	299.5	(54.6)
Balance of liabilities with interest	34.4	26.9	(7.5)

● ● ● | Cash dividends per share and Net income per share



	05/3	06/3	07/3	08/3	09/3 (Forecast)
Cash dividends per share(Yen)	20	35	70	90	100
Net income per share (Yen)	219.10	266.63	357.78	426.63	467.90



Forecast of operating performance for the entire fiscal year [April 2008 – March 2009] (Consolidated)

	Consolidated	
	Billions of Yen	Ratio of increase over prior FY
Net sales	1,400.0	1.7%
Operating income	307.0	6.9%
Ordinary income	320.0	6.7%
Net income	200.0	8.9%
Net income per share (in Yen)	467.90	+41.27
Annual cash dividend per share (in Yen)	100	+10

Note; Please see the note on this document's cover, concerning forecasts



Recent Topics .April 2008.October 2008.

- 2008.4 Shin-Etsu Chemical announced price increases on rare earth magnets.
- 2008.4 Shin-Etsu Chemical announced that it has developed a low-staining type of silicone sealants for construction uses.
- 2008.4 Shin-Etsu Chemical announced that it has developed the world's largest-size class of permanent magnet-type magnetic circuits.
- 2008.4 Shin-Etsu Chemical announced that it has developed a thermally conductive, double-sided silicone adhesive tape.
- 2008.4 Forecast of FY 2008 year-end dividend was raised to 50yen/share.
Accordingly, the total annual dividend for FY 2008 became 90 yen/share. This annual dividend was approved at the annual stockholders' meeting in June 2008.
- 2008.6 Shin-Etsu Chemical announced a price increase on PVC sold in Japan.
- 2008.6 Shin-Etsu Chemical announced a price increase on caustic soda sold in Japan.
- 2008.6 Shin-Etsu Chemical announced a further upward revision of the amount of the price increase on PVC sold in Japan.
- 2008.6 Shin-Etsu Chemical announced a price increase for cellulose derivatives products.
- 2008.6 The annual meeting of stockholders approved the Handling Policy (Anti-takeover Precautionary Plan) regarding sudden, unexpected large-scale purchases of Shin-Etsu Chemical's shares and other securities.
- 2008.7 Shin-Etsu Chemical announced that it has developed a silicone rubber for stamps for micro-contact printing technology.
- 2008.7 Shin-Etsu Chemical announced it has completed its buyback of 825,000 shares.
- 2008.7 Shin-Etsu Chemical announced a further upward revision of the amount of the price increase on caustic soda sold in Japan.
- 2008.7 Shin-Etsu Chemical announced a price increase on silicone products.
- 2008.9 Shin-Etsu Chemical announced the acquisition of real estate for future business development in Fukushima Prefecture.
- 2008.9 Shin-Etsu Chemical announced it has completed its buyback of 2,000,000 shares.