

## Press Release

**Financial Results For the six months ended September 30, 2007****Shin-Etsu Chemical Co., Ltd.**

October 24, 2007

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

Listing Stock Exchange: Tokyo, Osaka and Nagoya

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Date of the filing of the interim consolidated financial report ..... December 21, 2007

Date of interim dividend payout ..... November 19, 2007

Amounts are stated in millions of yen by discarding fractional amounts less than 1 million.

Percentage figures indicate changes over previous corresponding period.

**1. Consolidated Operating Performance for the First Half of the Current Fiscal Year**

(From April 1, 2007 to September 30, 2007)

**(1) Results of Consolidated operations**

(Millions of Yen)

	Net sales		Operating income		Ordinary income		Net income	
Apr.-Sep. '07	687,736	7.6%	140,042	16.7%	146,023	21.6%	95,194	27.0%
Apr.-Sep. '06	639,049	19.4%	120,024	32.9%	120,043	33.3%	74,932	34.7%
Apr.'06 - Mar.'07	1,304,695		241,028		247,018		154,010	

(Millions of Yen)

	Net income per share (in yen)	Diluted net income per share (in yen)	Ratio of net income to stockholders' equity (p.a.)	Equity in earnings of affiliates
Apr.-Sep. '07	221.16	220.94	13.9%	6,762
Apr.-Sep. '06	174.08	173.86	12.5%	2,105
Apr.'06 - Mar.'07	357.78	357.32	12.4%	8,085

**(2) Consolidated financial position**

(Millions of Yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (in yen)
Sep. 30, '07	1,922,969	1,453,105	73.3%	3,277.47
Sep. 30, '06	1,753,571	1,264,767	70.0%	2,855.20
Mar. 31, '07	1,859,995	1,360,315	71.0%	3,065.80

(Note) Stockholders' equity As of Sep.30,'07: 1,409,458, As of Sep.30,'06: 1,228,251, As of Mar.31,'07: 1,320,244.

Stockholders' equity used for the calculation of indices is Net assets excluding both Share subscription rights and Minority interests in consolidated subsidiaries.

**(3) Consolidated statement of cash flows**

(Millions of Yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash & Cash Equivalents at end of period
Apr.-Sep. '07	102,543	(121,604)	(38,194)	354,067
Apr.-Sep. '06	132,344	(83,486)	(19,702)	400,402
Apr.'06 - Mar.'07	272,488	(185,183)	(61,833)	404,532

**2. Cash dividends**

(in Yen)

	Interim cash dividend per share	Year-end cash dividend per share	Annual cash dividend per share
Apr.'06 - Mar.'07	25.00	45.00	70.00
Apr.'07 - Mar.'08	40.00	-	80.00
Apr.'07 - Mar.'08(forecast)	-	40.00	

**3. The Forecast of Consolidated Operating Performance for the Fiscal Year ended March 31, 2008**

(From April 1, 2007 to March 31, 2008)

(Millions of Yen)

	Net sales		Operating income		Ordinary income		Net income		Net income per share (in yen)
Annual	1,380,000	5.8%	287,000	19.1%	300,000	21.4%	187,000	21.4%	434.84

**4. Other information**

**(1) Changes in significant subsidiaries which affected the scope of consolidation during the first half of the current fiscal Year:** None

**(2) Changes of accounting policies applied, procedures and disclosures for presenting consolidated financial statement**

Changes by revision of accounting standard : Yes

Changes other than the above : No

(Note) Please see “4-6. Changes in Basis of Presenting Consolidated Financial Statements” on page 16 for further details.

**(3) Number of shares outstanding (in shares)**

	Sep. 30, '07	Sep. 30, '06	Mar. 31, '07
Number of shares outstanding at period end	432,106,693	432,106,693	432,106,693
Number of treasury stocks at period end	2,062,291	1,926,299	1,470,973

(Note) Please see the “per share information” on page 23 regarding the weighted-average number of shares outstanding, which is the basis for the calculation of consolidated net income per share.

**(Reference) Summary of Non-consolidated Financial Results****1. Non-consolidated Operating Performance for the First Half of the Current Fiscal Year**

(From April 1, 2007 to September 30, 2007)

**(1) Results of non-consolidated operations** (Millions of Yen)

	Net sales		Operating income		Ordinary income		Net income	
Apr.-Sep. '07	359,416	7.4%	41,301	2.6%	46,605	17.4%	32,471	28.3%
Apr.-Sep. '06	334,650	21.2%	40,243	13.0%	39,711	10.2%	25,311	11.1%
Apr.'06 - Mar.'07	697,248		81,200		80,075		51,085	

	Net income per share(in yen)
Apr.-Sep. '07	75.44
Apr.-Sep. '06	58.80
Apr.'06 - Mar.'07	118.67

**(2) Non-consolidated financial position** (Millions of Yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (in yen)
Sep. 30, '07	876,183	676,661	77.1%	1,570.22
Sep. 30, '06	889,915	656,406	73.7%	1,524.56
Mar. 31, '07	898,412	672,299	74.8%	1,559.95

(Note) Stockholders' equity As of Sep.30,'07: 675,263, As of Sep.30,'06: 655,836, As of Mar.31,'07: 671,769  
Stockholders' equity used for the calculation of indices is Net assets excluding Share subscription rights.

**2. The Forecast of Non-consolidated Operating Performance for the Fiscal Year ended March 31, 2008**

(From April 1, 2007 to March 31, 2008)

(Millions of Yen)

	Net sales		Operating income		Ordinary income		Net income		Net income per share (in yen)
Annual	730,000	4.7%	83,000	2.2%	88,000	9.9%	57,000	11.6%	132.54

(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 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.

## **1. Results of Operations and Financial Position**

### **(1) Results of Operations**

#### **1). General Overview**

During the first half of “FY 2008” (April 1, 2007 to March 31, 2008), the Japanese economy continued its gradual expansion as a result of improvement in corporate earnings and increased facility investment. The economies of Southeast Asia and China continued to expand, and on the whole, the U.S. economy continued to be firm, although housing construction declined.

Under these circumstances, along with aggressively pursuing its sales activities to its wide range of worldwide customers, the Shin-Etsu Group vigorously implemented increases in production capacity and worked on the development and commercialization of new products. At the same time, the Group made intensive all-out efforts to thoroughly conduct its business operations with the utmost priority put on assuring safety and environmental conservation.

As a result, the consolidated business results for the first half of FY 2008 show that net sales increased by 7.6% (¥48,687 million) compared to the corresponding period of the previous fiscal year to become ¥687,736 million. Compared to the performance of the corresponding period of the previous fiscal year, operating income increased 16.7% (¥20,018 million) to ¥140,042 million, ordinary income increased 21.6% (¥25,980 million) to ¥146,023 million and net income increased 27.0% (¥20,262 million) to ¥95,194 million.

#### **2). Business Segment Overview**

##### **Organic and inorganic chemicals**

In the global PVC business, as a result of the decline in housing construction in the North America, demand in the North American market decreased, and while other companies in the same business saw their profits greatly decrease, Shintech in the U.S. continued its high level of operations by making strenuous sales efforts aimed at its worldwide customers as well as its North American customers. Although Shintech's profit dropped below that of the comparable period of the previous year, the company maintained a high level of profit. Shin-Etsu PVC in the Netherlands continued its strong business performance, supported by brisk demand in Europe. In the PVC business in Japan, although domestic demand continued to lag, the sharp increase in the cost of raw materials was reflected in product price adjustment, and with an increase in exports, sales of PVC increased.

In the silicone business, sales in the Japanese market were good in such application areas as automobiles and cosmetics as well as in applications for the electric and electronics industries. Furthermore, there was vigorous demand for exports of silicones, mainly to China. Accordingly, the business continued to grow. The sales and profit of Shin-Etsu Polymer decreased due to the effect of a drop in the price of keypads for mobile phones.

Although the cellulose derivatives business in Japan is on a path towards recovery from the explosion and subsequent fire accident that occurred in March 2007, sales in the first half decreased. On the other hand, the cellulose business of SE Tylose in Europe did well, mainly in the application area of building materials. JAPAN VAM & POVAL Co. also did well in their product shipments.

As a result, the net sales of this business segment decreased 2.4% (¥8,609 million) compared to the corresponding period of previous fiscal year to ¥344,442 million. Operating income also decreased 12.5% (¥6,887 million) to ¥48,240 million.

##### **Electronics Materials**

In the semiconductor silicon business, the demand for 300mm wafers increased, supported by continued strong demand for semiconductor devices in a wide range of applications fields worldwide, including applications for memory devices, mobile phones, PCs, digital home appliances and automobiles. As a result, the semiconductor silicon business achieved a large increase in both sales and profit.

In the rare earth magnets for the electronics industry business, sales for applications in hard disk drives were good, and as a result, sales of this product continued to be strong. Among photoresists products, sales of ArF resists, a product which is contributing to the development of finer-pitch semiconductor devices, increased greatly.

As a result, the net sales of this business segment increased 26.7% (¥60,132 million) compared to the corresponding period of previous fiscal year to ¥285,486 million. Operating income increased 56.6% (¥28,552 million) to ¥79,007 million.

### **Functional Materials and Others**

In the synthetic quartz product area, the demand for preform for optical fiber recovered and sales increased; however, the market for large-size photomask substrates used for LCDs continued in an adjustment phase, and sales and profit decreased.

Sales of general-purpose rare earth magnets continued bullish for applications in such fields as air-conditioners, industrial-use robots and automobiles, where energy-saving and lighter weight are required. Moreover, shipments of liquid fluorelastomers and pellicles were firm.

As a result, the net sales of this business segment decreased 4.7% (¥2,835 million) compared to the corresponding period of previous fiscal year to ¥57,807 million. Operating income decreased 9.2% (¥1,310 million) to ¥13,002 million.

### **3). Business Prospects**

Regarding Shin-Etsu's business forecast for FY 2008, although the gradual recovery of the Japanese economy is expected to continue, supported by private-sector demand, there are concerns about the direction of the U.S. economy and the trend in raw materials costs. Accordingly the business outlook for the fiscal year is uncertain.

Under these circumstances, the Shin-Etsu Group will continue to make strong sales efforts to its worldwide customers, will concentrate on making the facility expansions now under construction become a fully operational strategic force at an early date, and will focus on business expansion by means of such measures as implementing adjustment of product prices in keeping with the sharp rises in raw material prices and striving to secure multiple raw material supply sources.

Our business forecast FY 2008 is as follows:

	Billions of Yen			
	Consolidated		Non-consolidated	
Net sales	1,380	5.8%	730	4.7%
Operating income	287	19.1%	83	2.2%
Ordinary income	300	21.4%	88	9.9%
Net income	187	21.4%	57	11.6%

Percentage figures indicate changes over the prior fiscal year.

(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 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) Financial position Overview

### 1). Status of assets, liabilities and net assets

At the end of the first half of FY 2008, total assets increased by ¥62,974 million, compared to that at the end of FY 2007, to become ¥1,922,969 million. “Notes and accounts receivable-trade” increased as a result of continued strong sales activities. The total of cash, time deposits and securities decreased due to an increase of tangible fixed assets resulting from vigorous facility investment. From the end of the first half of FY 2008, certificates of deposit were categorized as “Securities” instead of “Cash and time deposits”.

Total liabilities at the end of the first half of FY 2008 decreased by ¥29,816 million, compared to that at the end of FY 2007, to become ¥469,864 million. The main reason for this decrease was the repayment of borrowings.

Total net assets at the end of the first half of FY 2008 reached ¥1,453,105 million, mainly due to ¥95,194 million in net income. Accordingly, the stockholders’ equity ratio increased by 2.3 percentage points to 73.3% from 71.0% at the end of previous fiscal year.

### 2). Status of cash flows

	Millions of Yen			
	For the period ended			
	Apr.-Sep. '07 (A)	Apr. '06 - Mar. '07	Apr.-Sep. '06 (B)	Increase (Decrease) (A-B)
Cash and cash equivalents at beginning of fiscal year	404,532	373,863	373,863	30,669
Cash flows from operating activities	102,543	272,488	132,344	(29,801)
Cash flows from investing activities	(121,604)	(185,183)	(83,486)	(38,118)
Cash flows from financing activities	(38,194)	(61,833)	(19,702)	(18,492)
Effect of foreign exchange and others	6,789	5,197	(2,616)	9,405
Net increase (decrease) in cash and cash equivalents	(50,465)	30,669	26,538	(77,003)
Cash and cash equivalents at end of period	354,067	404,532	400,402	(46,335)

The balance of cash and cash equivalents at the end of the first half of FY 2008 decreased by 12.5% (¥50,465 million) over that at the end of previous fiscal year, to become ¥354,067 million.

#### Cash flows from operating activities

Net cash provided by operating activities amounted to ¥102,543 million, which was ¥29,801 million smaller than that of the first half of last year. This mainly consisted of ¥151,082 million of income before income taxes, ¥65,442 million of depreciation and amortization, ¥71,079 million of income tax payment, ¥15,239 million of increase in notes and accounts receivable and ¥10,249 million of decrease in notes and accounts payable.

#### Cash flows from investing activities

Net cash used for investing activities amounted to ¥121,604 million, which was ¥38,118 million greater than that of the first half of last year. This result was mainly due to ¥135,322 million of expenditures for the purchases of tangible fixed assets.

#### Cash flows from financing activities

Net cash used for financing activities amounted to ¥38,194 million, which was ¥18,492 million greater than that of the first half of last year. This result was mainly due to ¥19,378 million in cash dividends paid and ¥14,304 million of the repayment of long-term debt.

**(Reference)**The trend of cash flow indices

	Apr.-Sep.07	Apr. 06 - Mar. 07	Apr.-Sep.06	Apr.05 - Mar.06	Apr.-Sep.05
Stockholders' equity ratio (%)	73.3	71.0	70.0	70.2	69.4
Stockholders' equity ratio on market value basis (%)	177.6	166.5	185.0	164.7	137.0
Debt repayment ratio (%)	16.8	16.6	28.9	38.0	47.9
Interest coverage ratio	65.8	103.5	87.9	78.5	75.4

(Notes) - Stockholders' equity ratio: stockholders' equity / total assets

Stockholders' equity used for the calculation of indices is Net assets excluding both Share subscription rights and Minority interests in consolidated subsidiaries

- Stockholders' equity ratio on market value basis: aggregate market value of common stock / total assets
  - Debt repayment ratio: interest-bearing liabilities / cash flows from operating activities  
(For comparison basis, cash flow from operating activities for each six-month period is assumed to be double the first half's figure for the total year.)
  - Interest coverage ratio: cash flows from operating activities / interest payments
1. All indices based on consolidated financial figures.
  2. Aggregate market value of common stock is calculated based on the market price at the end of each period times the number of outstanding shares excluding treasury stock at the end of each period.
  3. Interest-bearing liabilities include all liabilities on the consolidated balance sheets that incur interest.

**(3) Basic policy concerning profit-sharing**

Taking a long-term perspective, Shin-Etsu 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 so as to appropriately reward all of our shareholders.

The company will use its financial reserves for such needs as facility and R&D investment, acquisition of businesses, strengthening the company's global competitive power and developing promising future businesses. Shin-Etsu is making strenuous efforts to enhance the company's value.

With regard to the interim dividend for the first half of FY 2008, Shin-Etsu has declared a dividend of ¥40 per share, a ¥15 increase over the interim dividend of the previous fiscal year. The year-end dividend is expected to be ¥40 per share. As a result, the annual dividend for FY 2008 would be ¥80 per share, a ¥10 increase over the ¥70 per share dividend of the previous fiscal year.

**2. Corporate Overview**

There have been no significant changes after the release of the last financial report filed on June 29, 2007. Thus, we are omitting in this report the table about the "Shin-Etsu Group's Business Activities" and the flowchart concerning "Business Flows Within the Group".

### **3. Management Policies**

#### **(1) Basic management policies**

The Shin-Etsu Group makes safety its utmost priority in each and every instance, and by performing fair corporate activities and by providing key materials and technologies, we contribute to people's daily lives, industry and society. Through these contributions, we aim to meet the expectations of all shareholders by enhancing the worth of the company. Towards this end, our management policy is to establish the world's best technology and product quality while, at the same time, continuing with unceasing improvement in productivity. We endeavor to build a stable business relationship with our customers around the world, and strive to appropriately respond to changes in the market and the economic situation.

#### **(2) Policy implementation**

In the PVC business, because worldwide demand is expanding, Shintech in the U.S. is moving forward with the construction of integrated manufacturing facilities from electrolysis to PVC. In addition, at Shin-Etsu PVC in the Netherlands, a further expansion of its business is under consideration following the completion of last year's PVC production capacity increase.

In the silicone business, by making the most of the product characteristics of silicones, which are in demand in an extraordinary diversity of application fields, we will go forward with the development of new products and new applications. At the same time, by strengthening the capacity of each plant in Japan, Thailand, the U.S. and others, we aim to expand this business overseas in parallel with the Japanese domestic business.

In the cellulose derivatives business, although the explosion and subsequent fire that occurred at the cellulose manufacturing facilities within Shin-Etsu Chemical's Naoetsu Plant in March of this year caused great trouble and anxiety to many people, including local residents and our customers, most of the cellulose manufacturing facilities at the Plant have successively resumed operations since May. To assure stable supply of methylcellulose for pharmaceutical-use, Shin-Etsu will build a new cellulose manufacturing facility at SE Tylose in Germany. In addition, we will expand cellulose production capacity to establish a well-balanced production system at Shin-Etsu's two production bases -- the Naoetsu Plant in Japan and SE Tylose's facilities in Germany.

In the semiconductor silicon business, to respond to increasing worldwide demand, increase production of 300mm silicon wafers and diversify risk, Shin-Etsu, as the world's largest manufacturer supplying 300mm wafers, has continued to expand its facilities at its total of five production bases in Japan and the U.S., and this summer, ahead of the schedule, the company has achieved one-million wafer monthly supply system. In the future as well, Shin-Etsu will respond to demand and continue to carry out further expansions as long as they meet the requirements of the company's investment standards. To strengthen the competitive power of Shin-Etsu's silicon wafers up to 200mm, the company will focus on assuring high product quality and differentiating its products from those of others, such as special-purpose application wafers.

At present, because semiconductor device makers' demand for 300mm wafers has increased greatly; the 300mm wafer market is firm; however, there is also a possibility that fluctuations in the market may occur. To prepare for such a phase, Shin-Etsu has taken such measures to cope with market changes as shortening the depreciation period of wafer-manufacturing facilities to three years.

Shin-Etsu will also focus on the expansion of the rare earth magnet business because this product is increasingly being adopted for such applications as in hard disk drives, home appliances and automobiles. Furthermore, Shin-Etsu will carry out step-by-step expansion of rare earth magnet production capacity in addition to constructing a new rare earth separation and refinement facility, which will improve the yield of the basic raw material for rare earth magnets. Moreover, Shin-Etsu will increase its production capacity for photoresists, a product for which demand is expanding.

On the other hand, to prepare for the effects of the sharp increases in recent years of raw material costs, Shin-Etsu will take such measures as timely adjustment of product prices, securing raw material supplies and establishing multiple sources of supply. Shin-Etsu will also make efforts to diversify the company's product mix.

Moreover, to expand our business, Shin-Etsu will make strenuous efforts with regard to the R&D and commercialization of new products, and at the same time, the company will carry out policies with an emphasis on the importance of acquisitions that enhance profits. Shin-Etsu will further strengthen its

relationships not only with customers but also with raw material suppliers and processing contractors, as the company strives to build the base for further business growth.

It is an essential part of our corporate mission that we fulfill our corporate social responsibilities in such areas as compliance and environmental conservation. We will continue to make all-out efforts to maximize the worth of the company.

In July 2007, Shin-Etsu Polymer Co., Ltd., a Shin-Etsu Group company, was investigated on-site by the Japan Fair Trade Commission, due to the suspicion of a violation of antitrust laws regarding PVC pipes and related products. Shin-Etsu Chemical, together with all Shin-Etsu Group companies, continues to make all-out efforts to promote a strict level of standards in corporate compliance policies.



## 4. Consolidated Financial Statements

### 4-1. Comparative Consolidated Balance Sheets

As of September 30, 2007, March 31, 2007 and September 30, 2006.

	<u>Millions of Yen</u>			Increase (Decrease) (A-B)
	Sep. 30, 2007 (A)	Mar. 31, 2007 (B)	Sep. 30, 2006	
ASSETS				
Current Assets:				
Cash and time deposits	241,520	296,851	290,308	(55,331)
Notes and accounts receivable-trade	338,203	315,710	308,435	22,493
Securities	221,812	207,178	204,688	14,634
Inventories	176,748	169,177	145,575	7,571
Deferred taxes, current	42,286	40,693	39,696	1,593
Other	44,160	39,875	37,471	4,285
Less: Allowance for doubtful accounts	(6,490)	(5,988)	(5,750)	(502)
Total current assets	<u>1,058,241</u>	<u>1,063,499</u>	<u>1,020,424</u>	<u>(5,258)</u>
Fixed Assets:				
Property, plant and equipment				
Buildings and structures	177,518	174,413	157,228	3,105
Machinery and equipment	221,668	217,685	197,146	3,983
Land	64,295	62,221	60,064	2,074
Construction in progress	151,126	79,351	57,854	71,775
Other	11,557	11,735	10,361	(178)
Total property, plant and equipment	<u>626,165</u>	<u>545,408</u>	<u>482,655</u>	<u>80,757</u>
Intangible fixed assets	<u>26,500</u>	<u>25,964</u>	<u>25,003</u>	<u>536</u>
Investments and other assets				
Investments in securities	165,171	176,150	184,792	(10,979)
Deferred taxes, non-current	30,966	26,259	20,505	4,707
Other	15,942	22,736	20,210	(6,794)
Less: Allowance for doubtful accounts	(19)	(22)	(20)	3
Total investments and other assets	<u>212,061</u>	<u>225,123</u>	<u>225,487</u>	<u>(13,062)</u>
Total fixed assets	<u>864,728</u>	<u>796,496</u>	<u>733,146</u>	<u>68,232</u>
TOTAL ASSETS	<u>1,922,969</u>	<u>1,859,995</u>	<u>1,753,571</u>	<u>62,974</u>

	<u>Millions of Yen</u>			
	Sep. 30, 2007 (A)	Mar. 31, 2007 (B)	Sep. 30, 2006	Increase (Decrease) (A-B)
<b>LIABILITIES</b>				
Current Liabilities:				
Notes and accounts payable-trade	148,447	155,463	143,433	(7,016)
Short-term borrowings	9,979	24,490	26,842	(14,511)
Debentures of redemption within one year	-	-	8,000	-
Accounts payable-others	94,607	92,868	71,333	1,739
Accrued income taxes	49,565	59,962	46,892	(10,397)
Accrued expenses	85,861	85,378	90,046	483
Other	11,800	14,730	13,276	(2,930)
Total current liabilities	<u>400,261</u>	<u>432,893</u>	<u>399,824</u>	<u>(32,632)</u>
Long-term Liabilities:				
Long-term borrowings	24,435	20,652	41,600	3,783
Deferred taxes, non-current	24,880	28,817	33,792	(3,937)
Accrued retirement benefits	11,922	10,943	11,127	979
Other	8,363	6,373	2,459	1,990
Total long-term liabilities	<u>69,602</u>	<u>66,786</u>	<u>88,979</u>	<u>2,816</u>
<b>TOTAL LIABILITIES</b>	<u>469,864</u>	<u>499,680</u>	<u>488,803</u>	<u>(29,816)</u>
<b>NET ASSETS</b>				
Stockholders' Equity				
Common stock	119,419	119,419	119,419	-
Additional paid-in capital	128,177	128,177	128,177	-
Retained earnings	1,092,955	1,017,260	949,201	75,695
Less: Treasury stock, at cost	(13,504)	(7,560)	(9,878)	(5,944)
Total Stockholders' Equity	<u>1,327,047</u>	<u>1,257,297</u>	<u>1,186,919</u>	<u>69,750</u>
Valuation and translation adjustments				
Unrealized gain on available-for-sale Securities	23,656	29,173	31,808	(5,517)
Foreign currency translation adjustments	58,753	33,773	9,523	24,980
Total Valuation and translation adjustments	<u>82,410</u>	<u>62,946</u>	<u>41,331</u>	<u>19,464</u>
Share subscription rights	1,619	663	704	956
Minority interests in consolidated subsidiaries	42,028	39,407	35,811	2,621
<b>TOTAL NET ASSETS</b>	<u>1,453,105</u>	<u>1,360,315</u>	<u>1,264,767</u>	<u>92,790</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>1,922,969</u>	<u>1,859,995</u>	<u>1,753,571</u>	<u>62,974</u>

**4-2. Comparative Consolidated Statements of Income**

For the six months period ended September 30, 2007 and 2006, and the fiscal year ended March 31, 2007.

	Millions of Yen			
	Apr.-Sep. 2007 (A)	Apr. 2006- Mar. 2007	Apr.-Sep. 2006 (B)	Increase (Decrease) (A-B)
Net sales	687,736	1,304,695	639,049	48,687
Cost of sales	473,345	933,199	457,187	16,158
Gross profit	214,391	371,496	181,862	32,529
Selling, general and administrative expenses	74,348	130,467	61,837	12,511
Operating income	140,042	241,028	120,024	20,018
Non-operating Income:				
Interest income	4,940	8,545	3,669	1,271
Dividend income	683	1,112	581	102
Equity in earnings of affiliates	6,762	8,085	2,105	4,657
Other income	2,160	2,875	1,606	554
Total Non-operating income	14,547	20,618	7,963	6,584
Non-operating expenses:				
Interest expenses	1,582	2,572	1,489	93
Loss on disposal of property, plant and equipment	649	2,903	2,189	(1,540)
Foreign exchange loss	1,312	4,689	2,446	(1,134)
Other expenses	5,022	4,463	1,817	3,205
Total Non-operating expenses	8,566	14,629	7,943	623
Ordinary income	146,023	247,018	120,043	25,980
Extraordinary income:				
Cumulative effect of foreign subsidiary's accounting change	2,603	-	-	2,603
Net gain on insurance	1,485	-	-	1,485
Gain on sales of land	968	-	-	968
Total Extraordinary income	5,058	-	-	5,058
Income before income taxes	151,082	247,018	120,043	31,039
Income taxes-Current	60,576	113,213	57,440	3,136
Income taxes-Deferred	(7,004)	(25,286)	(14,587)	7,583
Minority interest in earnings of consolidated subsidiaries	2,315	5,080	2,258	57
Net income	95,194	154,010	74,932	20,262

**4-3. Consolidated Statements of Changes in Net Assets**

For the six months period ended September 30, 2007

(Millions of yen)

	Stockholders' Equity					Valuation and translation adjustments			Share subscription rights	Minority Interests in consolidated subsidiaries	Total Net Assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	[Total]	Unrealized gain on available-for-sale Securities	Foreign currency translation adjustments	[Total]			
Balance as of March 31, 2007	119,419	128,177	1,017,260	(7,560)	1,257,297	29,173	33,773	62,946	663	39,407	1,360,315
Changes during the current period											
Cash dividends	-	-	(19,378)	-	(19,378)	-	-	-	-	-	(19,378)
Net Income	-	-	95,194	-	95,194	-	-	-	-	-	95,194
Increase of treasury stock	-	-	-	(7,868)	(7,868)	-	-	-	-	-	(7,868)
Disposal of treasury stock	-	-	(120)	1,923	1,803	-	-	-	-	-	1,803
Changes other than stockholders' equity (NET)	-	-	-	-	-	(5,517)	24,980	19,463	955	2,620	23,039
Total changes during the current period	-	-	75,695	(5,944)	69,750	(5,517)	24,980	19,463	955	2,620	92,790
Balance as of September 30, 2007	119,419	128,177	1,092,955	(13,504)	1,327,047	23,656	58,753	82,410	1,619	42,028	1,453,105

For the six months period ended September 30, 2006

(Millions of yen)

	Stockholders' Equity					Valuation and translation adjustments			Share subscription rights	Minority Interests in consolidated subsidiaries	Total Net Assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	[Total]	Unrealized gain on available-for- sale Securities	Foreign currency translation adjustments	[Total]			
Balance as of March 31, 2006	119,419	128,178	882,412	(6,300)	1,123,711	38,599	11,369	49,968	-	34,219	1,207,898
Changes during the current period											
Cash dividends	-	-	(7,536)	-	(7,536)	-	-	-	-	-	(7,536)
Bonuses to directors and statutory auditors by appropriation	-	-	(485)	-	(485)	-	-	-	-	-	(485)
Net Income	-	-	74,932	-	74,932	-	-	-	-	-	74,932
Increase of treasury stock	-	-	-	(5,034)	(5,034)	-	-	-	-	-	(5,034)
Disposal of treasury stock	-	-	(121)	1,456	1,334	-	-	-	-	-	1,334
Others	-	(1)	-	-	(1)	-	-	-	-	-	(1)
Changes other than stockholders' equity (NET)	-	-	-	-	-	(6,790)	(1,846)	(8,637)	704	1,592	(6,340)
Total changes during the current period	-	(1)	66,788	(3,578)	63,208	(6,790)	(1,846)	(8,637)	704	1,592	56,868
Balance as of September 30, 2006	119,419	128,177	949,201	(9,878)	1,186,919	31,808	9,523	41,331	704	35,811	1,264,767

For the fiscal year ended March 31, 2007

(Millions of yen)

	Stockholders' Equity					Valuation and translation adjustments			Share subscription rights	Minority Interests in consolidated subsidiaries	Total Net Assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	[Total]	Unrealized gain on available-for- sale Securities	Foreign currency translation adjustments	[Total]			
Balance as of March 31, 2006	119,419	128,178	882,412	(6,300)	1,123,711	38,599	11,369	49,968	-	34,219	1,207,898
Changes during the current period											
Cash dividends	-	-	(18,290)	-	(18,290)	-	-	-	-	-	(18,290)
Bonuses to directors and statutory auditors by appropriation	-	-	(485)	-	(485)	-	-	-	-	-	(485)
Net Income	-	-	154,010	-	154,010	-	-	-	-	-	154,010
Increase of treasury stock	-	-	-	(5,090)	(5,090)	-	-	-	-	-	(5,090)
Disposal of treasury stock	-	-	(386)	3,830	3,443	-	-	-	-	-	3,443
Others	-	(1)	-	-	(1)	-	-	-	-	-	(1)
Changes other than stockholders' equity (NET)	-	-	-	-	-	(9,425)	22,403	12,978	663	5,187	18,830
Total changes during the current period	-	(1)	134,847	(1,260)	133,586	(9,425)	22,403	12,978	663	5,187	152,416
Balance as of March 31, 2007	119,419	128,177	1,017,260	(7,560)	1,257,297	29,173	33,773	62,946	663	39,407	1,360,315

**4-4. Comparative Consolidated Statements of Cash Flows**

For the six months period ended September 30, 2007 and 2006, and the fiscal year ended March 31, 2007.

	<u>Millions of Yen</u>			
	Apr.-Sep. '07 (A)	Apr. '06- Mar. '07	Apr.-Sep. '06 (B)	Increase (Decrease) (A-B)
1. Cash flows from operating activities				
Income before income taxes	151,082	247,018	120,043	31,039
Depreciation and amortization	65,442	138,462	58,873	6,569
Increase in accrued retirement benefits	798	275	691	107
Loss on write-down of investment securities	-	333	320	(320)
Interest and dividend income	(5,624)	(9,658)	(4,250)	(1,374)
Interest expenses	1,582	2,572	1,489	93
Foreign exchange loss (gain)	878	1,061	(493)	1,371
Equity in earnings of affiliates	(6,762)	(8,085)	(2,105)	(4,657)
Increase in notes and accounts receivable	(15,239)	(31,018)	(31,132)	15,893
(Increase) decrease in inventories	(4,962)	(18,416)	2,148	(7,110)
Increase (decrease) in notes and accounts payable	(10,249)	30,805	24,364	(34,613)
Other, net	(7,771)	9,222	17,039	(24,810)
Subtotal	169,175	362,571	186,988	(17,813)
Proceeds from interest and dividends	6,004	13,323	4,692	1,312
Payment of interest	(1,557)	(2,633)	(1,505)	(52)
Payment of income taxes	(71,079)	(100,772)	(57,831)	(13,248)
Net cash provided by operating activities	102,543	272,488	132,344	(29,801)
2. Cash flows from investing activities				
Net (increase) decrease in marketable securities	8,959	(13,654)	(15,473)	24,432
Purchase of property, plant and equipment	(135,322)	(185,593)	(76,107)	(59,215)
Proceeds from sales of property, plant and equipment	192	232	10	182
Purchase of intangible fixed asset	(723)	(1,999)	(824)	101
Purchase of investment securities	(16,152)	(5,655)	(1,809)	(14,343)
Proceeds from sales and redemption of investment securities	23,305	30,315	19,665	3,640
Payments of loans	(2)	(103)	(3)	1
Proceeds from collection of loans	676	514	194	482
Other, net	(2,538)	(9,239)	(9,140)	6,602
Net cash used for investing activities	(121,604)	(185,183)	(83,486)	(38,118)
3. Cash flows from financing activities				
Net decrease in short-term debt	(2,834)	(3,614)	(2,509)	(325)
Proceeds from long-term debt	5,000	6,242	6,213	(1,213)
Repayment of long-term debt	(14,304)	(27,803)	(3,784)	(10,520)
Payment of debentures on redemption	-	(16,000)	(8,000)	8,000
Cash dividends paid	(19,378)	(18,290)	(7,536)	(11,842)
Other, net	(6,676)	(2,366)	(4,086)	(2,590)
Net cash used for financing activities	(38,194)	(61,833)	(19,702)	(18,492)
4. Effect of exchange rate change on cash and cash equivalents	6,789	5,197	(2,616)	9,405
5. Net increase (decrease) in cash and cash equivalents	(50,465)	30,669	26,538	(77,003)
6. Cash and cash equivalents at beginning of period	404,532	373,863	373,863	30,669
7. Cash and cash equivalents at end of period	354,067	404,532	400,402	(46,335)

**4-5. Basis of Presenting Consolidated Financial Statements**

After the release of last year's interim financial report presented on December 22, 2006, there have been no significant changes, except for the following item. Thus, we are omitting Notes concerning all other matters.

**4-6. Change in Basis of Presenting Consolidated Financial Statements****Depreciation Method of Tangible Fixed Assets**

Effective in FY 2008, in accordance with the revised Japanese Corporation Tax Law, Shin-Etsu Chemical Co., Ltd. (the "Company") and its domestic subsidiaries changed the depreciation method of tangible fixed assets (except for semiconductor silicon manufacturing facilities/equipment) acquired on or after April 1, 2007.

As a result, the depreciation expenses for the first half of FY 2008 increased by ¥453 million, and Operating income, Ordinary income and Income before income taxes each decreased by ¥396 million, compared with the amount under the formerly applied method.

(Additional Information)

Effective in FY 2008, in accordance with the revised Japanese Corporation Tax Law, the Company and its domestic subsidiaries depreciate the residual value of tangible fixed assets acquired on or before March 31, 2007, which was depreciated in accordance with former Japanese Corporation Tax Law, to memorandum value in five years using straight-line method.

As a result, the depreciation expenses for the first half of FY 2008 increased by ¥576 million. Operating income, Ordinary income and Income before income taxes each decreased by ¥435 million, compared with the amount under the formerly applied method.

**(Notes to Consolidated Balance Sheet)**

	Millions of Yen		
	Sep.30, 2007	Mar.31, 2007	Sep.30, 2006
Accumulated depreciation of property, plant and equipment	1,200,215	1,126,523	1,047,701



**(Segment Information)****1. Business Segment Information**

	Millions of Yen					
	Apr. 2007 – Sep. 2007					
	Organic and Inorganic Chemicals	Electronics Materials	Functional Materials and Others	Total	Elimination or Common assets	Consolidated total
Sales to outside customers	344,442	285,486	57,807	687,736	-	687,736
Intersegment sales	8,288	2,409	40,809	51,508	(51,508)	-
Total	352,731	287,895	98,617	739,245	(51,508)	687,736
Operating costs and expenses	304,491	208,888	85,615	598,994	(51,300)	547,693
Operating income	48,240	79,007	13,002	140,250	(207)	140,042
Depreciation	14,792	46,923	3,836	65,551	(109)	65,442
Capital expenditure	68,069	63,179	4,720	135,970	(326)	135,644

	Millions of Yen					
	Apr. 2006 - Sep. 2006					
	Organic and Inorganic Chemicals	Electronics Materials	Functional Materials and Others	Total	Elimination or Common assets	Consolidated total
Sales to outside customers	353,051	225,354	60,642	639,049	-	639,049
Intersegment sales	5,245	1,363	38,803	45,412	(45,412)	-
Total	358,297	226,717	99,446	684,461	(45,412)	639,049
Operating costs and expenses	303,170	176,261	85,134	564,566	(45,541)	519,025
Operating income	55,127	50,455	14,312	119,895	129	120,024
Depreciation	13,881	41,040	4,043	58,966	(92)	58,873
Capital expenditure	40,629	33,999	3,970	78,598	(216)	78,382

	Millions of Yen					
	Apr. 2006 - Mar. 2007					
	Organic and Inorganic Chemicals	Electronics Materials	Functional Materials and Others	Total	Elimination or Corporate assets	Consolidated Total
Sales to outside customers	708,433	479,391	116,870	1,304,695	-	1,304,695
Intersegment sales	11,724	3,023	93,652	108,400	(108,400)	-
Total	720,158	482,414	210,522	1,413,096	(108,400)	1,304,695
Operating costs and expenses	613,471	375,767	182,918	1,172,158	(108,491)	1,063,666
Operating income	106,686	106,647	27,604	240,938	90	241,028
Depreciation	28,797	101,405	8,473	138,676	(213)	138,462
Capital expenditure	94,148	105,619	10,956	210,724	(111)	210,613

(Notes)

1. The following three lines of business are divided from the point-of-view of kinds of products and markets.

Organic and Inorganic Chemicals business segment	Polyvinyl chloride, Silicones, Methanol, Chloromethanes, Cellulose derivatives, Caustic soda, Silicon metal and Poval
Electronics Materials business segment	Semiconductor silicon, Organic materials for the electronics industry, Rare earth magnets for the electronics industry and Photoresists
Functional Materials and Others business segment	Synthetic quartz products, Rare earths and rare earth magnets, Liquid Fluoroelastomers, Pellicles, Export of technology and plants, Export and import of goods, Construction and plant engineering and Information processing

2. As mentioned in “Depreciation Method of Tangible Fixed Assets” and “Additional Information” in “4-6 Change in Basis of Presenting Consolidated Financial Statements”, the Company and its domestic subsidiaries changed the depreciation method of tangible fixed assets in accordance with the revised Japanese Corporation Tax Law.

As a result, the depreciation expenses under Organic and Inorganic Chemicals business segment, Electronics Materials business segment and Functional Materials and Others business segment increased by ¥687 million, ¥149 million and ¥192 million, respectively, compared with the amount under the formerly applied method. The operating expenses for Organic and Inorganic Chemicals business segment, Electronics Materials business segment and Functional Materials and Others business segment increased by ¥555 million, ¥123 million and ¥153 million, respectively. Accordingly, the operating income of each segment decreased by the same amounts.

3. Additional information

(For the first half of previous fiscal year ended September 30, 2006)

In the first half of FY 2007, the period of depreciation for semiconductor silicon manufacturing facilities/equipment was shortened. With this change, the depreciation expenses under Electronics Materials business segment for the first half of FY 2007, when compared with the figures calculated for the previous depreciable years, increased by ¥7,041 million. The operating expenses increased by ¥5,924 million, and accordingly, the operating income decreased by the same amount.

(For the previous fiscal year ended March 31, 2007)

In FY 2007, the period of depreciation for semiconductor silicon manufacturing facilities/equipment was shortened from the previous period of 5 years to mainly 3 years. With this change, the depreciation expenses under Electronics Materials business segment for FY 2007, when compared with the figures calculated for the previous depreciable years, increased by ¥23,875 million. The operating expenses increased by ¥22,405 million, and accordingly, the operating income decreased by the same amount.

**[Supplementary data: Details of Business Segment Information (Net Sales and Operating Income)]**

	Billions of Yen					
	Net Sales			Operating Income		
	Apr.-Sep.07	Apr.-Sep.06	Increase (Decrease)	Apr.-Sep.07	Apr.-Sep.06	Increase (Decrease)
Polyvinyl chloride	179.5	190.7	(11.2)	16.3	24.5	(8.2)
Silicones	98.7	96.6	2.1	21.1	20.0	1.1
Others	66.2	65.7	0.5	10.8	10.6	0.2
<b>Total Organic and Inorganic Chemicals Business Segment</b>	<b>344.4</b>	<b>353.0</b>	<b>[(2.4%)] (8.6)</b>	<b>48.2</b>	<b>55.1</b>	<b>[(12.5%)] (6.9)</b>
Semiconductor silicon	244.4	190.2	54.2	69.5	42.1	27.4
Others	41.1	35.2	5.9	9.5	8.4	1.1
<b>Total Electronics Materials Business Segment</b>	<b>285.5</b>	<b>225.4</b>	<b>[26.7%] 60.1</b>	<b>79.0</b>	<b>50.5</b>	<b>[56.6%] 28.5</b>
Synthetic quartz products	15.7	17.9	(2.2)	5.9	7.9	(2.0)
Rare earth magnets and Other functional materials	18.6	17.1	1.5	4.4	3.7	0.7
Others	23.5	25.6	(2.1)	2.7	2.7	0
<b>Total Functional Materials and Others Business Segment</b>	<b>57.8</b>	<b>60.6</b>	<b>[(4.7%)] (2.8)</b>	<b>13.0</b>	<b>14.3</b>	<b>[(9.2%)] (1.3)</b>
Elimination	-	-	-	(0.2)	0.1	(0.3)
<b>Total</b>	<b>687.7</b>	<b>639.0</b>	<b>[7.6%] 48.7</b>	<b>140.0</b>	<b>120.0</b>	<b>[16.7%] 20.0</b>

## 2. Geographic Segment Information

	Millions of Yen						
	Apr. 2007 - Sep. 2007						
	Japan	North America	Asia/ Oceania	Europe	Total	Elimination or Corporate assets	Consolidated total
Sales to outside customers	327,113	152,991	119,260	88,371	687,736	-	687,736
Intersegment sales	145,354	30,243	31,471	1,628	208,696	(208,696)	-
Total	472,467	183,234	150,732	89,999	896,433	(208,696)	687,736
Operating costs and expenses	369,012	165,357	138,376	82,395	755,141	(207,447)	547,693
Operating income	103,455	17,877	12,355	7,604	141,291	(1,249)	140,042

	Millions of Yen						
	Apr. 2006 - Sep. 2006						
	Japan	North America	Asia/ Oceania	Europe	Total	Elimination or Corporate assets	Consolidated total
Sales to outside customers	310,224	161,154	87,642	80,028	639,049	-	639,049
Intersegment sales	111,031	17,462	31,330	357	160,180	(160,180)	-
Total	421,255	178,616	118,972	80,385	799,230	(160,180)	639,049
Operating costs and expenses	341,297	155,088	110,508	73,464	680,359	(161,334)	519,025
Operating income	79,958	23,527	8,464	6,920	118,870	1,153	120,024

	Millions of Yen						
	Apr. 2006 - Mar. 2007						
	Japan	North America	Asia/ Oceania	Europe	Total	Elimination or Corporate assets	Consolidated Total
Sales to outside customers	639,900	313,302	186,521	164,971	1,304,695	-	1,304,695
Intersegment sales	244,411	38,996	64,946	836	349,190	(349,190)	-
Total	884,312	352,298	251,467	165,808	1,653,886	(349,190)	1,304,695
Operating costs and expenses	709,156	314,015	236,212	154,857	1,414,242	(350,575)	1,063,666
Operating income	175,155	38,283	15,254	10,950	239,644	1,384	241,028

(Notes)

1. Main countries or areas other than Japan

North America : the United States  
 Asia/ Oceania : Malaysia, Singapore, South Korea, Taiwan, Thailand, China and Australia  
 Europe : the U.K., the Netherlands and Germany

2. As mentioned in “Depreciation Method of Tangible Fixed Assets” and “Additional Information” in “4-6 Change in Basis of Presenting Consolidated Financial Statements”, the Company and its domestic subsidiaries changed the depreciation method of tangible fixed assets in accordance with the revised Japanese Corporation Tax Law.

As a result, the operating expenses for Japan geographic segment increased by ¥832 million, compared with the amount under the formerly applied method. Accordingly, the operating income decreased by the same amount.

## 3. Additional information

(For the first half of previous fiscal year ended September 30, 2006)

In the first half of FY 2007, the period of depreciation for the semiconductor silicon manufacturing facilities/equipment was shortened. With this change, when compared with the figures calculated for the previous depreciable years, operating expenses listed for “Japan” in the geographical segment increased by ¥5,924 million and its operating income decreased by the same amount.

(For the previous fiscal year ended March 31, 2007)

In FY 2007, the period of depreciation for semiconductor silicon manufacturing facilities/equipment was shortened from the previous period of 5 years to mainly 3 years. As a result, operating expenses for Japan, North America, Asia/Oceania and Europe for FY 2007 increased by ¥13,321 million, ¥4,029 million, ¥2,954 million and ¥2,099 million, respectively, compared with the figures calculated for the previous depreciable years. Accordingly, operating income decreased by the same amounts.

**3. Overseas Sales Information**

	Millions of Yen				
	Apr. 2007 - Sep. 2007				
	North America	Asia/Oceania	Europe	Other Areas	Total
Overseas sales	141,765	213,741	87,403	31,305	474,215
Consolidated sales					687,736
Percentage of overseas sales over consolidated sales	20.6	31.1	12.7	4.6	69.0

	Millions of Yen				
	Apr. 2006 - Sep. 2006				
	North America	Asia/Oceania	Europe	Other Areas	Total
Overseas sales	151,898	185,340	78,993	24,341	440,574
Consolidated sales					639,049
Percentage of overseas sales over consolidated sales	23.8	29.0	12.3	3.8	68.9

	Millions of Yen				
	Apr. 2006 - Mar. 2007				
	North America	Asia/Oceania	Europe	Other Areas	Total
Overseas sales	295,093	393,314	164,005	47,925	900,338
Consolidated sales					1,304,695
Percentage of overseas sales over consolidated sales	22.6	30.1	12.6	3.7	69.0

(Notes)

## 1. Main countries or areas

- North America : the United States and Canada
- Asia/ Oceania : China, Taiwan, South Korea, Singapore, Thailand and Malaysia
- Europe : Germany, France and Portugal
- Other Areas : Latin America and Middle East

2. “Overseas sales” means sales to the outside of Japan by the Company and its consolidated subsidiaries.

3. Sales to China, which are included in “Asia/Oceania”, were ¥57,754 million for the first half of FY 2008 ended September 30, 2007, ¥42,737 million for the first half of FY 2007 ended September 30, 2006 and ¥97,017 million for the FY 2007 ended March 31, 2007, respectively.

**(Securities)**

## (1) Market value of bonds held to maturity

	Millions of Yen								
	<u>Sep.30, 2007</u>			<u>Mar.31, 2007</u>			<u>Sep.30, 2006</u>		
	<u>Book value</u>	<u>Market value</u>	<u>Unrealized gain(loss)</u>	<u>Book value</u>	<u>Market value</u>	<u>Unrealized gain(loss)</u>	<u>Book value</u>	<u>Market value</u>	<u>Unrealized gain(loss)</u>
1.National and local government bonds and other	2,174	2,167	(6)	2,101	2,090	(11)	21,677	21,647	(30)
2.Debentures	50,233	50,134	(98)	62,429	62,359	(69)	37,995	37,903	(91)
3.Other	10,681	10,674	(7)	15,192	15,182	(9)	20,210	20,193	(17)
Total	63,089	62,976	(112)	79,723	79,633	(90)	79,884	79,744	(139)

## (2) Available-for-sale securities with defined fair values

	Millions of Yen								
	<u>Sep.30, 2007</u>			<u>Mar.31, 2007</u>			<u>Sep.30, 2006</u>		
	<u>Acquisition cost</u>	<u>Book value</u>	<u>Unrealized gain(loss)</u>	<u>Acquisition cost</u>	<u>Book value</u>	<u>Unrealized gain(loss)</u>	<u>Acquisition cost</u>	<u>Book value</u>	<u>Unrealized gain(loss)</u>
1.Stocks	30,180	69,601	39,420	29,580	78,192	48,611	29,600	82,880	53,280
2.Oher	3,075	3,128	53	-	-	-	-	-	-
Total	33,255	72,729	39,474	29,580	78,192	48,611	29,600	82,880	53,280

## (3) Major components and book values of securities without market value

	Millions of Yen		
	<u>Sep.30, 2007</u>	<u>Mar.31, 2007</u>	<u>Sep.30, 2006</u>
	<u>Book value</u>	<u>Book value</u>	<u>Book value</u>
1. Bonds held to maturity			
Non-listed domestic bonds	-	0	0
Non-listed overseas bonds	18,000	23,000	26,000
2. Investments in non-consolidated subsidiaries and affiliates	77,011	67,452	62,029
3. Available-for-sale securities			
Non-listed shares	4,729	3,503	1,976
Non-listed overseas bonds	88,022	127,272	131,239
Certificate of Deposit	61,500	-	-
Other	1,900	4,185	5,469

**(Per share information)**

	Apr.'07 - Sep.'07	Apr.'06 - Mar.'07	Apr.'06 - Sep.'06
Net assets per share(in yen)	3,277.47	3,065.80	2,855.20
Net income per share(in yen)	221.16	357.78	174.08
Diluted net income per share(in yen)	220.94	357.32	173.86

(Note) Please see the following data for calculation of “Net income per share” and ” Diluted net income per share” for further detail.

	Millions of Yen		
	Apr.'07 - Sep.'07	Apr.'06 - Mar.'07	Apr.'06 - Sep.'06
Data for calculation of net income per share			
Net income	95,194	154,010	74,932
Amount which is not appropriated to shareholder of common stock	-	-	-
Net income belonging to common stock	95,194	154,010	74,932
Weighted average number of shares outstanding (in thousands share)	430,432	430,466	430,443
Data for calculation of diluted net income per share			
Adjustments to Net income	(9)	(34)	(21)
[Interest payable after income taxes in the above]	[ - ]	[ - ]	[ - ]
[Adjustment of share subscription rights in the above]	[(9)]	[(31)]	[(18)]
[Adjustment of convertible bond in the above]	[ - ]	[(2)]	[(2)]
Increase of common stock (in thousands share)	396	455	433
[Convertible bond in the above]	-	-	-
[Share subscription rights in the above]	[396]	[455]	[433]
Potential stock not to be included in calculation of diluted net income per share due to not working as dilution	*Share subscription rights 9,150	-	-

\*Share subscription rights resolved at the ordinary general meeting of shareholders held on June 28, 2007

**(Omission of disclosure)**

We are omitting Notes in relation to lease transactions, derivative transactions and stock options because it is considered that these information are not essential to disclose in the interim financial report.

**5. Non-consolidated Financial Statements****5-1. Comparative Non-consolidated Balance Sheets**

As of September 30, 2007, March 31, 2007 and September 30, 2006.

	Millions of Yen			Increase (Decrease) (A-B)
	Sep. 30, 2007 (A)	Mar.31, 2007 (B)	Sep.30, 2006	
<b>ASSETS</b>				
Current Assets:				
Cash and time deposits	98,289	141,454	146,553	(43,165)
Notes and accounts receivable-trade	204,130	210,076	205,314	(5,946)
Securities	119,423	75,496	68,357	43,927
Inventories	56,332	50,160	46,573	6,172
Deferred taxes, current	17,618	17,867	17,447	(249)
Other	42,546	47,314	49,410	(4,768)
Less: Allowance for doubtful accounts	(2,290)	(1,860)	(1,680)	(430)
Total current assets	<u>536,050</u>	<u>540,510</u>	<u>531,975</u>	<u>(4,460)</u>
Fixed Assets:				
Property, plant and equipment				
Buildings and structures	36,816	35,610	34,827	1,206
Machinery and equipment	46,967	45,167	45,147	1,800
Other	36,599	29,790	27,444	6,809
Total property, plant and equipment	<u>120,383</u>	<u>110,567</u>	<u>107,419</u>	<u>9,816</u>
Intangible fixed assets	<u>713</u>	<u>670</u>	<u>745</u>	<u>43</u>
Investments and other assets				
Investments in securities	72,205	90,874	103,631	(18,669)
Investments in capital stocks of subsidiaries and affiliates	129,327	129,209	129,209	118
Long-term time deposits	-	10,000	10,000	(10,000)
Other	17,513	16,589	6,942	924
Less: Allowance for doubtful accounts	(10)	(10)	(10)	-
Total investments and other assets	<u>219,037</u>	<u>246,663</u>	<u>249,774</u>	<u>(27,626)</u>
Total fixed assets	<u>340,133</u>	<u>357,902</u>	<u>357,939</u>	<u>(17,769)</u>
<b>TOTAL ASSETS</b>	<u>876,183</u>	<u>898,412</u>	<u>889,915</u>	<u>(22,229)</u>



	Millions of Yen			
	Sep.30, 2007 (A)	Mar.31, 2007 (B)	Sep.30, 2006	Increase (Decrease) (A-B)
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts payable-trade	117,689	126,241	137,721	(8,552)
Short-term borrowings	7,286	18,409	18,559	(11,123)
Accounts payable-others	22,127	22,149	14,972	(22)
Accrued expenses	20,865	23,572	24,380	(2,707)
Accrued income taxes	17,011	18,788	17,967	(1,777)
Other	1,443	3,799	3,871	(2,356)
Total current liabilities	<u>186,424</u>	<u>212,961</u>	<u>217,473</u>	<u>(26,537)</u>
<b>Long-term Liabilities:</b>				
Long-term borrowings	6,229	2,524	2,526	3,705
Deferred taxes, non-current	4,615	9,730	12,462	(5,115)
Other	2,252	897	1,046	1,355
Total long-term liabilities	<u>13,097</u>	<u>13,151</u>	<u>16,035</u>	<u>(54)</u>
<b>TOTAL LIABILITIES</b>	<u>199,522</u>	<u>226,112</u>	<u>233,508</u>	<u>(26,590)</u>
<b>NET ASSETS</b>				
<b>Stockholders' Equity</b>				
Common Stock	119,419	119,419	119,419	-
Additional paid-in capital	120,771	120,771	120,771	-
Retained earnings	429,914	416,942	402,188	12,972
Less: Treasury Stocks, at cost	(13,504)	(7,560)	(9,878)	(5,944)
Total Stockholders' Equity	<u>656,600</u>	<u>649,573</u>	<u>632,500</u>	<u>7,027</u>
Valuation and translation adjustments	18,662	22,196	23,335	(3,534)
Share subscription rights	1,398	529	570	869
<b>TOTAL NET ASSETS</b>	<u>676,661</u>	<u>672,299</u>	<u>656,406</u>	<u>4,362</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>876,183</u>	<u>898,412</u>	<u>889,915</u>	<u>(22,229)</u>

**5-2. Comparative Non-consolidated Statements of Income**

For the six months period ended September 30, 2007 and 2006, and the fiscal year ended March 31, 2007.

	<u>Millions of Yen</u>			
	Apr.-Sep. 2007 (A)	Apr.2006- Mar.2007	Apr.-Sep. 2006 (B)	Increase (Decrease) (A-B)
Net sales	359,416	697,248	334,650	24,766
Cost of sales	291,834	574,672	275,381	16,453
Gross profit	67,582	122,576	59,269	8,313
Selling, general and administrative expenses	26,280	41,375	19,026	7,254
Operating income	41,301	81,200	40,243	1,058
Non-operating Income:				
Interest income	751	759	273	478
Dividend income	8,778	3,719	3,068	5,710
Other income	979	2,114	961	18
Total Non-operating Income	10,510	6,593	4,303	6,207
Non-operating Expenses:				
Interest expenses	229	438	220	9
Other expenses	4,977	7,281	4,615	362
Total Non-operating Expenses	5,206	7,719	4,835	371
Ordinary income	46,605	80,075	39,711	6,894
Extraordinary income				
Net gain on insurance	1,485	-	-	1,485
Income before income taxes	48,091	80,075	39,711	8,380
Income taxes-Current	18,090	34,760	17,790	300
Income taxes-Deferred	(2,470)	(5,770)	(3,390)	920
Net income	32,471	51,085	25,311	7,160

**5-3. Non-consolidated Statements of Changes in Net Assets**

For the six months period ended September 30, 2007

(Millions of yen)

	Stockholders' Equity						Valuation and translation adjustments	Share subscription rights	Total Net Assets	
	Common stock	Additional paid-in capital	Retained earnings			Treasury stock	[Total]			Unrealized gain on available- for-sale Securities
			Legal earned reserves	Others	[Total]					
Balance as of March 31, 2007	119,419	120,771	6,778	410,164	416,942	(7,560)	649,573	22,196	529	672,299
Changes during the current period										
Cash dividends	-	-	-	(19,378)	(19,378)	-	(19,378)	-	-	(19,378)
Net Income	-	-	-	32,471	32,471	-	32,471	-	-	32,471
Increase of treasury stock	-	-	-	-	-	(7,868)	(7,868)	-	-	(7,868)
Disposal of treasury stock	-	-	-	(120)	(120)	1,923	1,803	-	-	1,803
Changes other than stockholders' equity (NET)	-	-	-	-	-	-	-	(3,533)	868	(2,665)
Total changes during the current period	-	-	-	12,971	12,971	(5,944)	7,027	(3,533)	868	4,361
Balance as of September 30, 2007	119,419	120,771	6,778	423,135	429,914	(13,504)	656,600	18,662	1,398	676,661

For the six months period ended September 30, 2006

(Millions of yen)

	Stockholders' Equity						Valuation and translation adjustments	Share subscription rights	Total Net Assets	
	Common stock	Additional paid-in capital	Retained earnings			Treasury stock	[Total]			Unrealized gain on available- for-sale Securities
			Legal earned reserves	Others	[Total]					
Balance as of March 31, 2006	119,419	120,771	6,778	378,055	384,833	(6,300)	618,725	28,325	-	647,050
Changes during the current period										
Cash dividends	-	-	-	(7,536)	(7,536)	-	(7,536)	-	-	(7,536)
Bonuses to directors and statutory auditors by appropriation	-	-	-	(299)	(299)	-	(299)	-	-	(299)
Net Income	-	-	-	25,311	25,311	-	25,311	-	-	25,311
Increase of treasury stock	-	-	-	-	-	(5,034)	(5,034)	-	-	(5,034)
Disposal of treasury stock	-	-	-	(121)	(121)	1,456	1,334	-	-	1,334
Changes other than stockholders' equity (NET)	-	-	-	-	-	-	-	(4,990)	570	(4,420)
Total changes during the current period	-	-	-	17,354	17,354	(3,578)	13,775	(4,990)	570	9,355
Balance as of September 30, 2006	119,419	120,771	6,778	395,410	402,188	(9,878)	632,500	23,335	570	656,406

For the fiscal year ended March 31, 2007

(Millions of yen)

	Stockholders' Equity						Valuation and translation adjustments	Share subscription rights	Total Net Assets	
	Common stock	Additional paid-in capital	Retained earnings			Treasury stock	[Total]			Unrealized gain on available- for-sale Securities
			Legal earned reserves	Others	[Total]					
Balance as of March 31, 2006	119,419	120,771	6,778	378,055	384,833	(6,300)	618,725	28,325	-	647,050
Changes during the current period										
Cash dividends	-	-	-	(18,290)	(18,290)	-	(18,290)	-	-	(18,290)
Bonuses to directors and statutory auditors by appropriation	-	-	-	(299)	(299)	-	(299)	-	-	(299)
Net Income	-	-	-	51,085	51,085	-	51,085	-	-	51,085
Increase of treasury stock	-	-	-	-	-	(5,090)	(5,090)	-	-	(5,090)
Disposal of treasury stock	-	-	-	(386)	(386)	3,830	3,443	-	-	3,443
Changes other than stockholders' equity (NET)	-	-	-	-	-	-	-	(6,129)	529	(5,600)
Total changes during the current period	-	-	-	32,108	32,108	(1,260)	30,848	(6,129)	529	25,248
Balance as of March 31, 2007	119,419	120,771	6,778	410,164	416,942	(7,560)	649,573	22,196	529	672,299