

# Financial Summary

## For the year ended March 31, 2008

(April 28, 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

	(Billions of Yen)			(Billions of Yen)			(times)	
	Consolidated			Non-consolidated			Ratio (Consolidated/Non-consolidated)	
	Fiscal year 06/4-07/3	Fiscal year 07/4-08/3	Increase (Decrease)	Fiscal year 06/4-07/3	Fiscal year 07/4-08/3	Increase (Decrease)	Fiscal year 06/4-07/3	Fiscal year 07/4-08/3
Sales	1,304.7	1,376.4	5.5% 71.7	697.2	708.6	1.6% 11.4	1.87	1.94
Operating Income	241.0	287.1	19.1% 46.1	81.2	81.9	0.9% 0.7	2.97	3.50
Ordinary Income	247.0	300.0	21.5% 53.0	80.1	92.5	15.6% 12.4	3.08	3.24
Net Income	154.0	183.6	19.2% 29.6	51.1	50.2	(1.7%) (0.9)	3.01	3.65
Total Assets	1,860.0	1,918.5	58.5	898.4	853.9	(44.5)	2.07	2.25
Net Assets	1,360.3	1,483.7	123.4	672.3	669.1	(3.2)	2.02	2.22
Equity Ratio	71.0%	75.0%	4.0point	74.8%	78.2%	3.4point		
ROE	12.4%	13.3%	0.9point	7.7%	7.5%	(0.2point)		
ROA	14.0%	15.9%	1.9point	9.0%	10.6%	1.6point		
Per share (in Yen)								
Net Income	357.78	426.63	68.85	118.67	116.73	(1.94)		
Stockholders' Equity	3,066	3,344	278	1,560	1,552	(8)		
Cash dividend	70.00	90.00	20.00					

ROA:Return(Ordinary income) on total assets



# Financial Highlights

(Billions of Yen)

	Consolidated		Non-consolidated	
	Fiscal year 06/4-07/3	Fiscal year 07/4-08/3	Fiscal year 06/4-07/3	Fiscal year 07/4-08/3
<b>Capital expenditures</b>	210.6	268.5	25.2	42.3
Organic and Inorganic chemicals	94.1	116.4		
Electronics materials	105.6	144.1		
Functional materials and Others	11.0	8.6		
<b>Depreciation and amortization</b>	138.5	141.3	20.9	27.9
Organic and Inorganic chemicals	28.8	31.7		
Electronics materials	101.4	101.0		
Functional materials and Others	8.5	8.9		
<b>R&amp;D costs</b>	41.7	47.9	28.5	36.2
<b>Balance of liabilities with interest</b>	45.1	34.0	20.9	13.5
<b>Number of employees</b>	19,177	20,241	2,522	2,590
Exchange rate Jan.-Dec.(Ave.)	116.4	117.8	-	-
(Yen/US\$) Apr.-Mar.(Ave.)	117.0	114.3	117.0	114.3

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



# Business Segment Information (Consolidated)

(Billions of Yen)

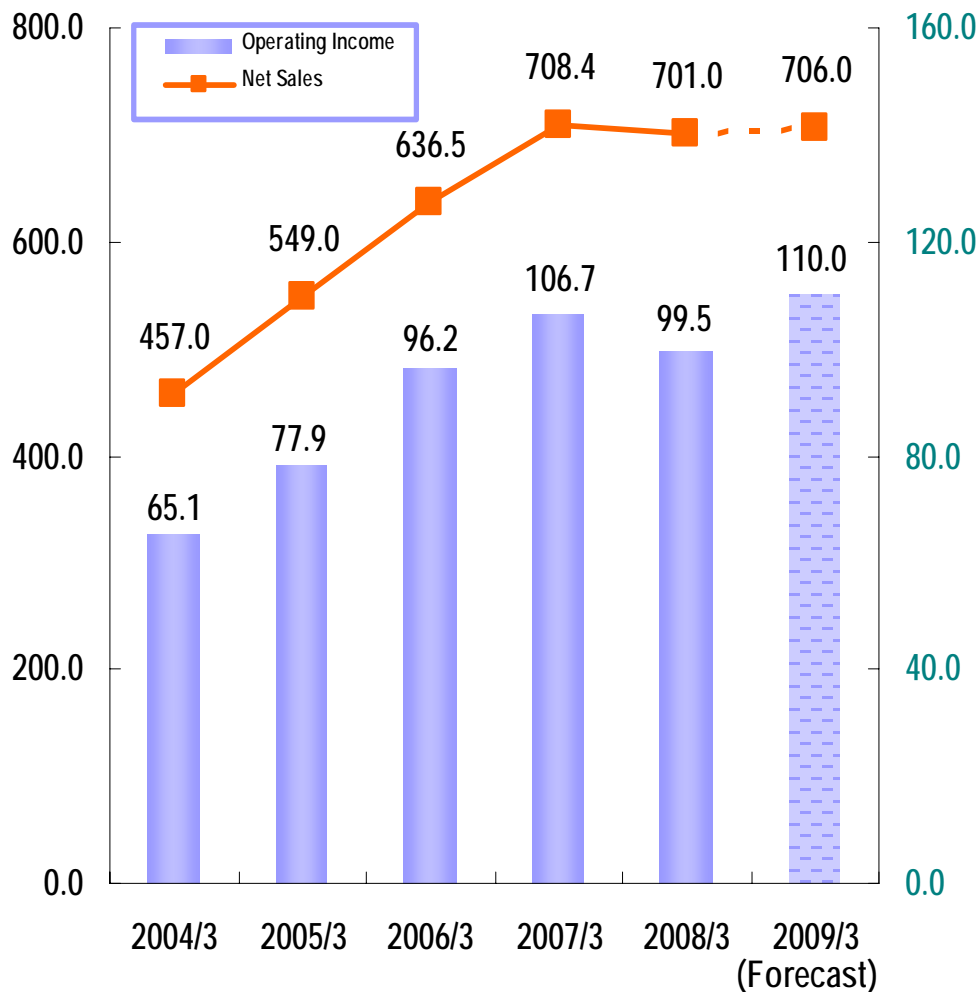
	Net Sales			Operating Income		
	Fiscal year 06/4-07/3	Fiscal year 07/4-08/3	Increase (Decrease)	Fiscal year 06/4-07/3	Fiscal year 07/4-08/3	Increase (Decrease)
<b>Organic and Inorganic chemicals</b>	708.4	701.0	(1.0%) (7.4)	106.7	99.5	(6.8%) (7.2)
Polyvinyl chloride	375.8	363.7	(12.1)	42.0	31.5	(10.5)
Silicones	198.8	199.7	0.9	42.3	43.1	0.8
Others	133.8	137.6	3.8	22.4	24.9	2.5
<b>Electronics materials</b>	479.4	564.7	17.8% 85.3	106.6	162.1	52.0% 55.5
Semiconductor silicon	406.7	482.8	76.1	90.0	141.1	51.1
Others	72.7	81.9	9.2	16.6	21.0	4.4
<b>Functional materials and Others</b>	116.9	110.7	(5.3%) (6.2)	27.6	26.0	(5.8%) (1.6)
Synthetic quartz products	32.9	29.6	(3.3)	14.0	11.3	(2.7)
Rare earth magnets for general applications and other functional materials	34.8	37.4	2.6	7.7	8.7	1.0
Others	49.2	43.7	(5.5)	5.9	6.0	0.1
<b>Elimination</b>	-	-	-	0.1	(0.4)	(0.5)
<b>Total</b>	<b>1,304.7</b>	<b>1,376.4</b>	<b>5.5%</b> <b>71.7</b>	<b>241.0</b>	<b>287.1</b>	<b>19.1%</b> <b>46.1</b>



## "Organic and Inorganic chemicals" Business Segment (Consolidated)

Net Sales  
(Billions of Yen)

Operating Income  
(Billions of Yen)



### ●PVC

◆ While other U.S. companies in the same business have decreased their rates of operation, experienced a large reduction in profit and fallen into red figures because of sluggish U.S. domestic demand, Shintech in the U.S. continued its full operation by expanding sales utilizing its relationships with customers, both in the U.S. and internationally, which were built up over a long period of years. As a result, Shintech was able to achieve a high level of profit.

◆ Shin-Etsu PVC in the Netherlands increased its business results, supported by good sales in Europe.

◆ The PVC business in Japan continued to be in a severe situation due to sluggish demand.

### ●Silicones

◆ Although the silicone business was impacted by the sharp increase in the price of raw materials, concentrated efforts were made to expand sales, mainly for specialized product applications such as for automobiles, information technology equipment and cosmetics. Consequently, this business grew. In addition, the business of keypads for mobile phones supplied by Shin-Etsu Polymer Co., Ltd. lingered at a low level due to a decline in product prices from intensified competition.

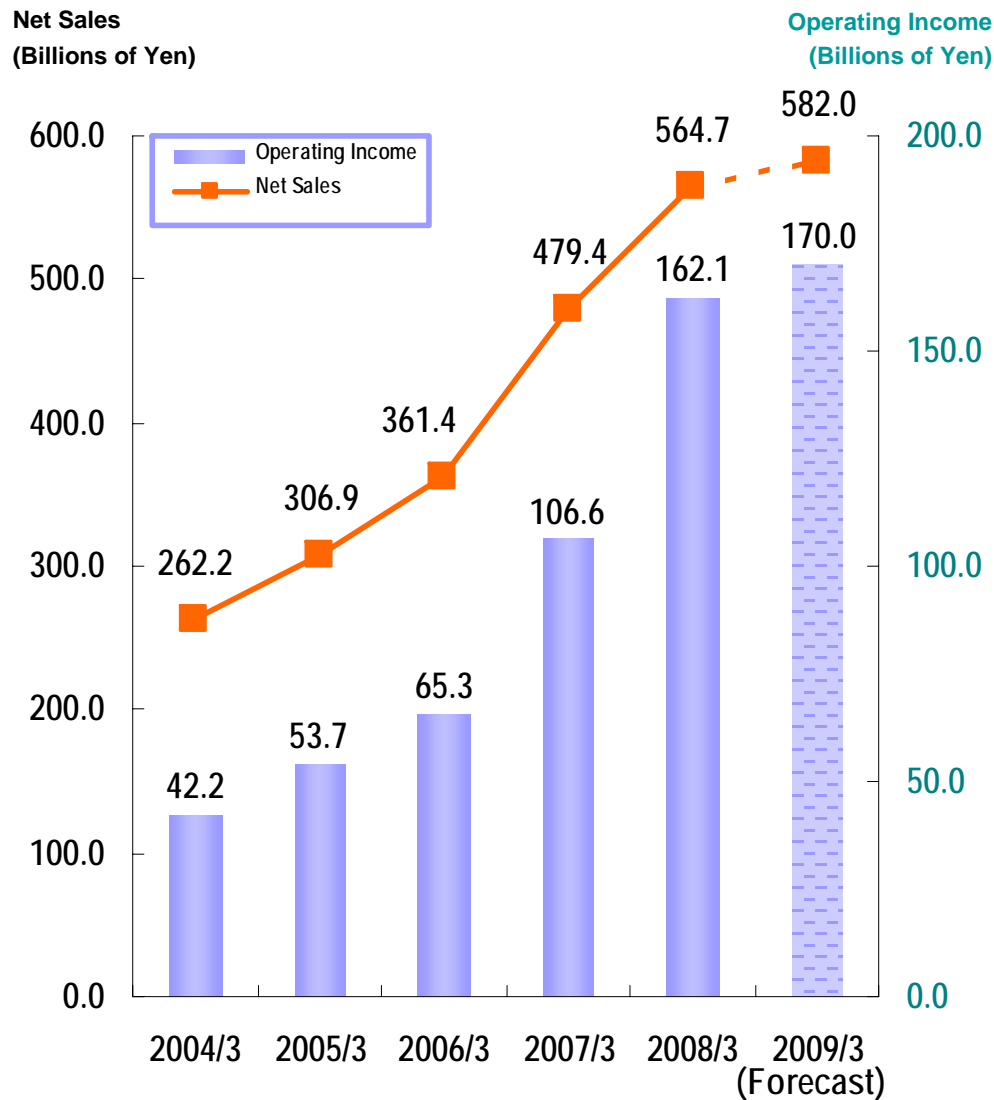
### ●Other organic chemicals

◆ With regard to the cellulose derivatives business, the sales volume of this business in Japan decreased, compared to the previous fiscal year, because it was still on the road to recovery from the plant explosion/fire accident in March of 2007. However, SE Tylose in Germany increased its business results, following its production capacity expansion in 2006, and contributed to the good performance of this business.

◆ Japan VAM & Poval Co., Ltd. did well in their product shipments.



## "Electronics materials" Business Segment (Consolidated)



### ● Semiconductor silicon

◆ Demand for silicon wafers for semiconductor devices continued to be strong. As the demand for 200mm wafers decreased due to the accelerated shift in demand to 300mm wafers, mainly for applications in memory devices, shipments of 300mm wafers increased. Overall, the performance in this business increased greatly.

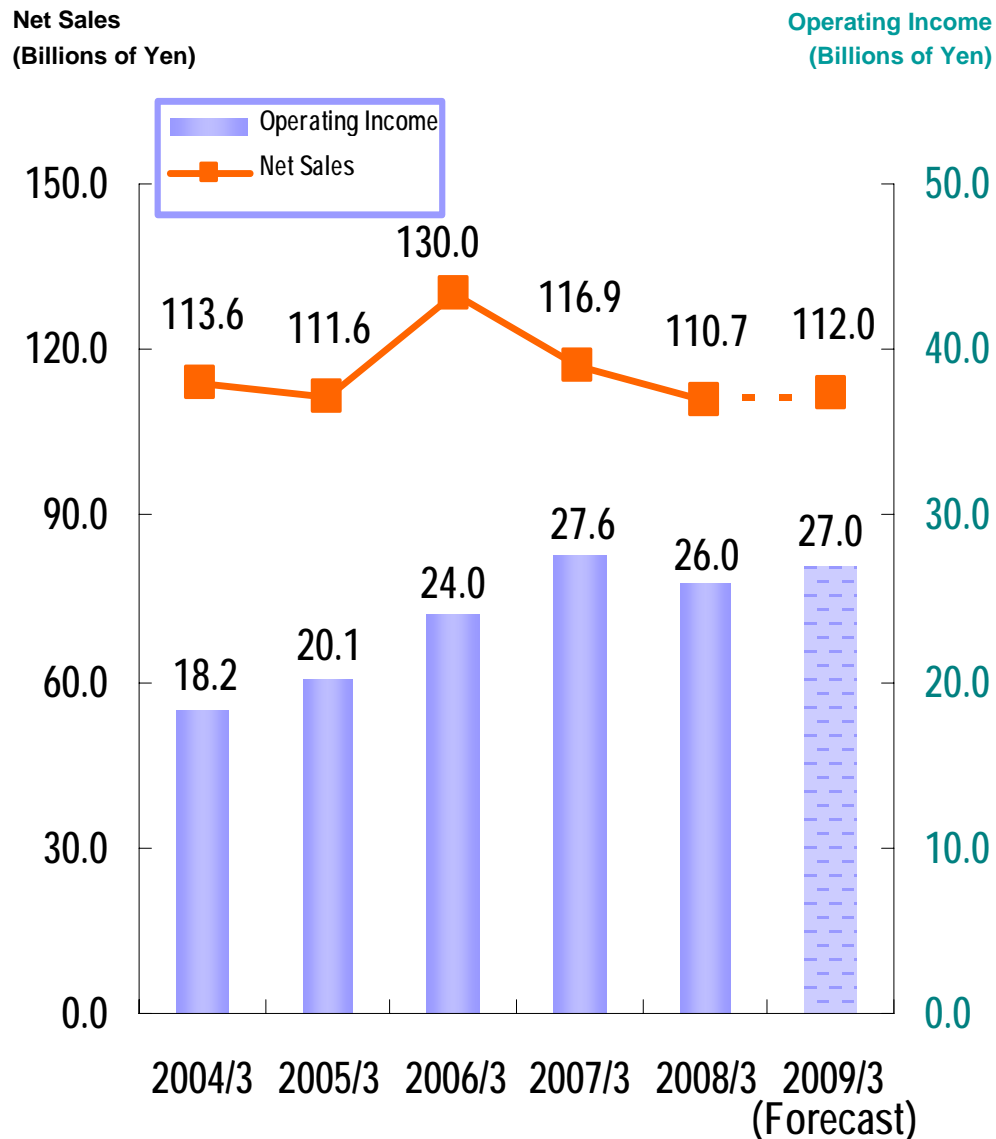
### ● Other electronics materials

◆ The business performance of rare earth magnets for the electronics industry continued firm for applications in hard disk drives, supported by the increased demand for PCs and servers.

◆ Sales of photoresists greatly increased, particularly with the continued good sales of ArF resists as the miniaturization of semiconductor devices progressed.



## "Functional materials and Others" Business Segment (Consolidated)



### ● Synthetic quartz

- ◆ With the worldwide increase in the volume of data communications, demand for preform for optical fiber recovered, and this business made a strong showing.
- ◆ Large-size photomask substrates used for LCDs continued to face a challenging business situation due to the sluggish market.

### ● Rare earth magnets for general applications and Other functional materials

- ◆ Sales of rare earth magnets for general applications increased due to strong demand in such applications as energy-saving motors for air-conditioners and automobiles. Furthermore, shipments of liquid fluoroelastomers and pericles did well.

### ● Others

- ◆ In other businesses, exports and imports of procured products declined.



● ● ● | **Operating Performance of Shintech, Inc.**

**Shintech Incorporated**

	Fiscal year 06/1 - 06/12		Fiscal year 07/1 - 07/12		Increase (Decrease)
	Millions of US\$	Billions of Yen	Millions of US\$	Billions of Yen	
<b>Net Sales</b>	<b>2,158</b>	<b>251.2</b>	<b>2,000</b>	<b>235.7</b>	<b>(6.2%)</b>
<b>Ordinary Income</b>	<b>375</b>	<b>43.7</b>	<b>265</b>	<b>31.2</b>	<b>(28.6%)</b>
<b>Extraordinary Income</b>	<b>-</b>	<b>-</b>	<b>30</b>	<b>3.5</b>	
<b>Income Before Income Taxes</b>	<b>375</b>	<b>43.7</b>	<b>294</b>	<b>34.7</b>	<b>(20.6%)</b>
<b>Net Income</b>	<b>252</b>	<b>29.4</b>	<b>202</b>	<b>23.8</b>	<b>(19.1%)</b>
<b>Net Assets</b>	<b>2,170</b>	<b>258.4</b>	<b>2,375</b>	<b>271.1</b>	
<b>Total Assets</b>	<b>2,612</b>	<b>311.1</b>	<b>2,779</b>	<b>317.3</b>	

<b>Exchange rate Jan.-Dec. (Ave.) : Fiscal year 06/1-06/12</b>	<b>116.4Yen/US\$</b>
<b>Fiscal year 07/1-07/12</b>	<b>117.8Yen/US\$</b>

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

(Millions of US\$)

	2006 Jan.-Dec. ( A )	2007 Jan.-Dec. ( B )	Percentage of declining profit (A)vs(B)
<b>Georgia Gulf</b> (Income before income taxes)	83.3	(211.2)	Plunge into red figures
<b>Westlake Vinyls Segment</b> (Operating Income)	157.9	30.0	81% decline
<b>Polyone</b> (Income before income taxes)	120.3	(32.4)	Plunge into red figures



# 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)

	Fiscal year 06/4-07/3	Fiscal year 07/4-08/3	Increase
<b>Net sales</b>	<b>399.9</b>	<b>475.7</b>	<b>19.0%</b>
<b>Ordinary Income</b>	<b>81.0</b>	<b>133.0</b>	<b>64.2%</b>
<b>Net Income</b>	<b>50.0</b>	<b>85.7</b>	<b>71.5%</b>
<b>Net Assets</b>	<b>245.1</b>	<b>319.0</b>	
<b>Total Assets</b>	<b>433.0</b>	<b>504.6</b>	

Notes; The financial statements of the overseas Shin-Etsu Handotai Group companies are calculated based on the FY ended in December 2006 and 2007.



## Comparative Income Statements (Consolidated)

(Billions of Yen)

	Fiscal year 06/4-07/3	Fiscal year 07/4-08/3	Increase (Decrease)
<b>Net Sales</b>	1,304.7	1,376.4	5.5% 71.7
<b>Cost of Sales</b>	933.2	946.9	13.7
<b>Selling, General and Administrative Expenses</b>	130.5	142.3	11.8
<b>Operating Income</b>	241.0	287.1	19.1% 46.1
<b>Non-Operating Income / Expenses</b>	6.0	12.9	6.9
<b>Ordinary Income</b>	247.0	300.0	21.5% 53.0
<b>Extraordinary Income / Expenses</b>	-	1.0	1.0
<b>Income before income taxes</b>	247.0	301.1	21.9% 54.1
<b>Income Taxes</b>	87.9	112.7	24.8
<b>Minority Interests in Earnings of Consolidated Subsidiaries</b>	5.1	4.8	(0.3)
<b>Net Income</b>	154.0	183.6	19.2% 29.6

# Comparative Balance Sheets (Consolidated)

(Billions of Yen)

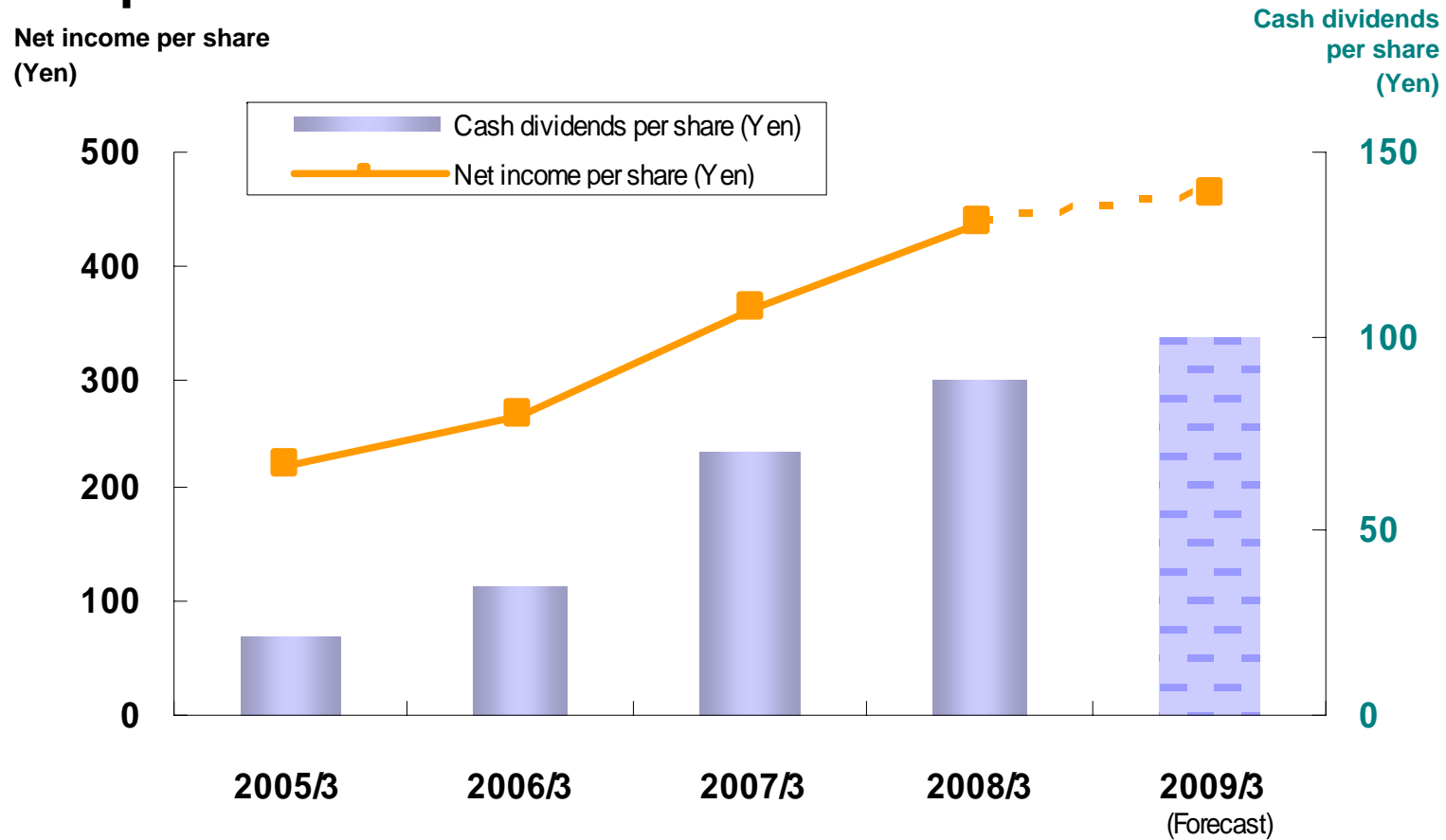
	March 31, 2007	March 31, 2008	Increase (Decrease)		March 31, 2007	March 31, 2008	Increase (Decrease)
<b>Current Assets</b>	<b><u>1,063.5</u></b>	<b><u>1,017.3</u></b>	<b><u>(46.2)</u></b>	<b>Current Liabilities</b>	<b><u>432.9</u></b>	<b><u>376.6</u></b>	<b><u>(56.3)</u></b>
Cash and time deposits	296.9	217.3	(79.6)	Notes and accounts payable-trade	155.5	149.3	(6.2)
Notes and accounts receivable-trade	315.7	313.9	(1.8)	Short-term borrowings	24.5	11.8	(12.7)
Securities	207.2	184.5	(22.7)	Accrued expenses and accounts payable-others	178.2	159.7	(18.5)
Inventories	169.2	204.3	35.1	Accrued income taxes	60.0	39.5	(20.5)
Deferred taxes, current	40.7	30.2	(10.5)	Other	14.7	16.3	1.6
Other	33.9	67.1	33.2	<b>Long-Term Liabilities</b>	<b><u>66.8</u></b>	<b><u>58.2</u></b>	<b><u>(8.6)</u></b>
<b>Fixed Assets</b>	<b><u>796.5</u></b>	<b><u>901.2</u></b>	<b><u>104.7</u></b>	Long-term borrowings	20.7	22.1	1.4
<b>Property, Plant and Equipment</b>	<b><u>545.4</u></b>	<b><u>654.6</u></b>	<b><u>109.2</u></b>	Deferred taxes, non-current	28.8	17.0	(11.8)
Buildings and structures	174.4	180.6	6.2	Accrued retirement benefits	10.9	11.5	0.6
Machinery and equipment	217.7	240.7	23.0	Other	6.4	7.6	1.2
Other	153.3	233.4	80.1	<b>Total liabilities</b>	<b><u>499.7</u></b>	<b><u>434.9</u></b>	<b><u>(64.8)</u></b>
<b>Intangible Fixed Assets</b>	<b><u>26.0</u></b>	<b><u>25.9</u></b>	<b><u>(0.1)</u></b>	<b>Stockholders' equity</b>	<b><u>1,257.3</u></b>	<b><u>1,399.1</u></b>	<b><u>141.8</u></b>
<b>Investments and Other Assets</b>	<b><u>225.1</u></b>	<b><u>220.7</u></b>	<b><u>(4.4)</u></b>	Common stock	119.4	119.4	-
Investments in securities	176.2	150.5	(25.7)	Additional paid-in capital	128.2	128.2	-
Deferred taxes, non-current	26.3	35.0	8.7	Retained earnings	1,017.3	1,163.7	146.4
Other	22.7	35.2	12.5	Less: Treasury stock, at cost	(7.6)	(12.2)	(4.6)
				Valuation, translation adjustments and others	62.9	39.7	(23.2)
				Share subscription rights	0.7	1.6	0.9
				Minority interests in consolidated subsidiaries	39.4	43.3	3.9
				<b>Total net assets</b>	<b><u>1,360.3</u></b>	<b><u>1,483.7</u></b>	<b><u>123.4</u></b>
<b>Total assets</b>	<b><u>1,860.0</u></b>	<b><u>1,918.5</u></b>	<b><u>58.5</u></b>	<b>Total liabilities and net assets</b>	<b><u>1,860.0</u></b>	<b><u>1,918.5</u></b>	<b><u>58.5</u></b>

# Comparative Statements of Cash Flows (Consolidated)

(Billions of Yen)

	Fiscal year 06/4-07/3	Fiscal year 07/4-08/3	Increase (Decrease)
<b>(1) Cash Flows from Operating Activities</b>	<b>272.5</b>	<b>202.4</b>	<b>(70.1)</b>
Income before income taxes	247.0	301.1	54.1
Payment of income taxes	(100.8)	(132.4)	(31.6)
Depreciation and amortization	138.5	141.3	2.8
(Increase) in working capital	(16.6)	(82.5)	(65.9)
Equity in earnings of affiliates	(8.1)	(14.1)	(6.0)
Others	12.5	(11.0)	(23.5)
<b>(2) Cash Flows from Investing Activities</b>	<b>(185.2)</b>	<b>(248.6)</b>	<b>(63.4)</b>
Expenditure for purchase of tangible and intangible fixed assets	(187.6)	(256.0)	(68.4)
Decrease in securities	11.0	25.2	14.2
Others	(8.6)	(17.8)	(9.2)
<b>(3) Cash Flows from Financing Activities</b>	<b>(61.8)</b>	<b>(53.5)</b>	<b>8.3</b>
Decrease in debentures and borrowings	(41.2)	(10.8)	30.4
Cash dividends paid	(18.3)	(36.6)	(18.3)
Others	(2.4)	(6.1)	(3.7)
<b>(4) Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>5.2</b>	<b>(3.2)</b>	<b>(8.4)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>30.7</b>	<b>(102.9)</b>	<b>(133.6)</b>
<b>Balance of cash and cash equivalents</b>	<b>404.5</b>	<b>301.6</b>	<b>(102.9)</b>
<b>Balance of liabilities with interest</b>	<b>45.1</b>	<b>34.0</b>	<b>(11.1)</b>

# Cash dividends per share and Net income per share



	2005/3	2006/3	2007/3	2008/3	2009/3 (Forecast)
Cash dividends per share (Yen)	20.00	35.00	70.00	90.00	100.00
Net income per share (Yen)	219.10	266.63	357.78	426.63	464.86

● ● ● | **Forecast of operating performance for the next fiscal year  
(Consolidated)**

(Billions of Yen)

	Consolidated					
				First half		
	07/4-08/3	08/4-09/3 Forecast	Increase over prior year	07/4-07/9	08/4-08/9 Forecast	Increase over prior First half
Net sales	1,376.4	1,400.0	1.7%	687.7	690.0	0.3%
Operating income	287.1	307.0	6.9%	140.0	151.0	7.8%
Ordinary income	300.0	320.0	6.7%	146.0	157.0	7.5%
Net income	183.6	200.0	8.9%	95.2	98.0	2.9%
Net income per share (Yen)	426.63	464.86	38.23	221.16	227.78	6.62
Cash dividends per share (Yen)	90.00	100.00	10.00	40.00	50.00	10.00

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





## Recent Topics (September 2007 ~ April 2008)

- 2007.9 Shin-Etsu announced a plan for SE Tylose in Germany to start production of pharmaceutical-use methylcellulose around April 2009.
- 2007.9 Shin-Etsu Chemical announced that it has developed various silicone die-bond materials for high-luminance LEDs.
- 2007.10 Shin-Etsu Chemical announced the present status of recovery from the March 2007 accident at its Naoetsu plant.
- 2007.10 Shin-Etsu Chemical announced prices increase for its silicone products.
- 2007.12 Shin-Etsu chemical announced that it has developed a rapid-curing silicone rubber.
- 2007.12 Shin-Etsu Chemical announced a price increase on its PVC resin sold in Japan.
- 2008.1 Dow Chemical and Shintech agreed to a long term contract for VCM supply.
- 2008.1 Shin-Etsu Polymer established a subsidiary in India to provide a production base there.  
- It is expected to start production around October 2008 -
- 2008.2 Shin-Etsu Chemical received from the Tokyo Regional Taxation Bureau, a Notification of Correction of taxation for reason of alleged transfer pricing.
- 2008.3 Shin-Etsu Chemical announced price increases on its silicone products sold in Japan.
- 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.