

**Press Release****Financial Results for the First Quarter ended June 30, 2007**

July 12, 2007

**Shin-Etsu Chemical Co., Ltd.**

Listing Code No. 4063 (Listing Stock Exchange: Tokyo, Osaka, Nagoya)

(URL: <http://www.shinetsu.co.jp/>)

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**1. Consolidated Operating Performance for the First Quarter ended June 30, 2007** (From April 1, 2007 to June 30, 2007)

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

**(1) Results of Consolidated Operations**

	Millions of yen				
	First Quarter ended June 30				Fiscal year ended March 31, 2007
	2007		2006		
Net sales	<b>342,419</b>	<b>10.6%</b>	309,727	19.3%	1,304,695
Operating income	<b>69,533</b>	<b>21.3%</b>	57,305	30.1%	241,028
Ordinary income	<b>71,541</b>	<b>23.3%</b>	58,041	31.8%	247,018
Net income	<b>45,592</b>	<b>28.1%</b>	35,602	32.9%	154,010
Net income per share (in yen)	<b>105.85</b>		82.65		357.78
Diluted net income per share (in yen)	<b>105.74</b>		82.54		357.32
Ratio of net income to stockholders' equity (per annum)	<b>13.7%</b>		12.0%		12.4%

Note: The percentages listed for net sales, operating income, ordinary income and net income represent the amount of increase compared with the corresponding period of the previous year.

**(2) Consolidated Financial Position**

	Millions of yen		
	<b>June 30, 2007</b>	June 30, 2006	March 31, 2007
Total assets	<b>1,882,700</b>	1,679,475	1,859,995
Net assets	<b>1,386,825</b>	1,234,059	1,360,315
Stockholders' equity ratio	<b>71.5%</b>	71.4%	71.0%
Net assets per share (in yen)	<b>3,124.45</b>	2,782.88	3,065.80

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

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

The company is not revising its business forecast, which was announced on April 27, 2007. The forecast for the fiscal year will be reviewed after the close of the fiscal half.

**3. Other Information**

- (1) Changes in significant subsidiaries which affected the scope of consolidation during the first quarter ended June 30, 2007: None
- (2) Adoption of simplified accounting methods: Yes  
(Details) Depreciation method, Income taxes and others
- (3) Changes in accounting policies: None

## Qualitative Information and Consolidated Financial Statements

### **1. Qualitative Information Related to the Results of Consolidated Operations**

In the PVC business, despite being impacted by the effects of the continued slump in the U.S. housing market, Shintech maintained a high level of production and sales. It was able to keep its operating income decline to only about 30% below the operating income of the previous fiscal year's first quarter, while other PVC manufacturers in the U.S. reported either sharply lower earnings or red figures. Shin-Etsu PVC in Europe maintained its good production and sales performance. On the other hand, the PVC business in Japan continued to face a tough business situation due to soaring raw material prices. In the silicone business, the overall silicone business in Japan continued to progress smoothly, particularly in such application areas as automobiles, cosmetics, electric and electronics. Exports of silicone products increased steadily. In the cellulose business, the effects on the business from the Naoetsu Plant explosion-and-fire accident that occurred at the end of March could be minimized. SE Tylose in Germany performed well in its cellulose business, mainly in construction applications.

In the semiconductor silicon business, a high level of production of silicon wafers continued, mainly as a result of increasing demand for 300mm wafers from semiconductor device makers, and we are meeting this increasing demand through continued expansions of production capacity. Although there were some production adjustments in the hard disk drive industry, the performance of the rare earth magnets for the electronics industry business remained good. Because photoresists products meet the technological requirements for miniaturizing semiconductor devices, demand expanded and sales of these products were strong.

In the synthetic quartz business, although the sales of preform for optical fibers expanded, sales of large-size photomask substrates for LCDs dropped significantly. Sales of rare earth magnets for general industrial use and other functional materials remained firm.

### **2. Qualitative Information Related to Fluctuations in the Consolidated Financial Position**

As of June 30, 2007, total assets increased by ¥22,705 million from the end of the previous fiscal year (March 31, 2007) to ¥1,882,700 million. This increase was mainly due to increases in the balance of "Notes and accounts receivable-trade" and "Property, plant and equipment". On the other hand, total liabilities decreased by ¥3,806 million to reach ¥495,874 million. This was mainly due to a decrease of accrued income taxes resulting from the payment of income taxes. However, "Notes and accounts payable-trade" increased. The stockholders' equity ratio rose by 0.5% to become 71.5% and total net assets increased to become ¥1,386,825 million. This was due to an increase in "Retained earnings", which mainly resulted from net income of ¥45,592 million.

**3. Consolidated Financial Statements (Summary)****(1) Comparative Consolidated Balance Sheets (Summary)**

As of June 30, 2007, March 31, 2007 and June 30, 2006

	Millions of yen			
	<b>June 30, 2007 (A)</b>	March 31, 2007 (B)	June 30, 2006	Increase (Decrease) (A-B)
<b>ASSETS</b>				
Current Assets:				
Cash and time deposits	<b>293,518</b>	296,851	245,791	(3,333)
Notes and accounts receivable-trade	<b>342,996</b>	315,710	283,958	27,286
Securities	<b>182,567</b>	207,178	201,435	(24,611)
Inventories	<b>169,562</b>	169,177	143,253	385
Other	<b>76,476</b>	74,581	69,725	1,895
Total current assets	<b>1,065,121</b>	1,063,499	944,164	1,622
Fixed Assets:				
Property, plant and equipment	<b>581,644</b>	545,408	472,340	36,236
Intangible fixed assets	<b>25,603</b>	25,964	25,220	(361)
Investments and other assets				
Investments in securities	<b>161,825</b>	176,150	202,791	(14,325)
Other	<b>48,504</b>	48,973	34,959	(469)
Total investments and other assets	<b>210,330</b>	225,123	237,751	(14,793)
Total fixed assets	<b>817,578</b>	796,496	735,311	21,082
<b>TOTAL ASSETS</b>	<b>1,882,700</b>	1,859,995	1,679,475	22,705

	Millions of yen			
	June 30, 2007 (A)	March 31, 2007 (B)	June 30, 2006	Increase (Decrease) (A-B)
<b>LIABILITIES</b>				
Current Liabilities:				
Notes and accounts payable-trade	164,699	155,463	128,273	9,236
Short-term borrowings	22,003	24,490	18,438	(2,487)
Debentures of redemption within one year	-	-	8,000	-
Other	239,822	252,940	180,212	(13,118)
Total current liabilities	426,525	432,893	334,924	(6,368)
Long-term Liabilities:				
Debentures	-	-	8,000	-
Long-term borrowings	19,691	20,652	53,179	(961)
Other	49,657	46,133	49,311	3,524
Total long-term liabilities	69,349	66,786	110,491	2,563
<b>TOTAL LIABILITIES</b>	<b>495,874</b>	<b>499,680</b>	<b>445,415</b>	<b>(3,806)</b>
<b>NET ASSETS</b>				
Stockholders' Equity:				
Common stock	119,419	119,419	119,419	-
Additional paid-in capital	128,222	128,177	128,177	45
Retained earnings	1,043,473	1,017,260	910,030	26,213
Less: Treasury stock, at cost	(6,872)	(7,560)	(5,663)	688
Total stockholders' equity	1,284,243	1,257,297	1,151,964	26,946
Valuation and translation adjustments	61,680	62,946	46,870	(1,266)
Share subscription rights	622	663	-	(41)
Minority interests in consolidated subsidiaries	40,278	39,407	35,224	871
<b>TOTAL NET ASSETS</b>	<b>1,386,825</b>	<b>1,360,315</b>	<b>1,234,059</b>	<b>26,510</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>1,882,700</b>	<b>1,859,995</b>	<b>1,679,475</b>	<b>22,705</b>

**(2) Comparative Consolidated Statements of Income (Summary)**

For the first Quarter ended June 30, 2007 and 2006, and the fiscal year ended March 31, 2007

	Millions of yen			
	First Quarter ended June 30, 2007	First Quarter ended June 30, 2006	Increase	Fiscal year ended March 31, 2007
Net sales	<b>342,419</b>	309,727	32,692	1,304,695
Cost of sales	<b>237,059</b>	224,142	12,917	933,199
Gross profit	<b>105,359</b>	85,584	19,775	371,496
Selling, general and administrative expenses	<b>35,825</b>	28,278	7,547	130,467
Operating income	<b>69,533</b>	57,305	12,228	241,028
Net non-operating income (expenses)	<b>2,007</b>	735	1,272	5,989
Ordinary income	<b>71,541</b>	58,041	13,500	247,018
Extraordinary gains (losses)	<b>3,553</b>	-	3,553	-
Income before income taxes	<b>75,095</b>	58,041	17,054	247,018
Income taxes	<b>28,263</b>	21,301	6,962	87,927
Minority interest in earnings of consolidated subsidiaries	<b>1,239</b>	1,136	103	5,080
Net income	<b>45,592</b>	35,602	9,990	154,010

**(3) Business Segment Information**

	Millions of yen					
	First Quarter ended June 30, 2007		First Quarter ended June 30, 2006		Fiscal year ended March 31, 2007	
	Sales	Operating income	Sales	Operating income	Sales	Operating income
Organic and Inorganic Chemicals	<b>170,715</b>	<b>24,409</b>	170,034	25,217	708,433	106,686
Electronics Materials	<b>143,288</b>	<b>38,773</b>	109,185	24,457	479,391	106,647
Functional Materials and Others	<b>28,414</b>	<b>6,330</b>	30,506	7,468	116,870	27,604
Elimination	-	<b>20</b>	-	162	-	90
Consolidated total	<b>342,419</b>	<b>69,533</b>	309,727	57,305	1,304,695	241,028