

Press Release

Financial Results for the First Quarter Ended June 30, 2009



Shin-Etsu Chemical Co., Ltd.

July 30, 2009

Listing Code: No. 4063 (URL: <http://www.shinetsu.co.jp/>)
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Amounts are stated in millions of yen by discarding fractional amounts less than 1 million.

Percentage figures indicate changes over previous corresponding period.

(Note) Percentage changes from the corresponding period of the fiscal year ended March 31, 2008 are not shown here, because the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No.12) and others have been applied from the previous fiscal year for presenting the financial information.

1. Consolidated Operating Performance for the First Quarter ended June 30, 2009

(From April 1, 2009 to June 30, 2009)

(1) Results of consolidated operations

(Millions of Yen)

	Net sales		Operating income		Ordinary income		Net income	
April – June 2009	190,084	(44.2%)	20,647	(72.8%)	21,617	(72.6%)	14,896	(71.0%)
April – June 2008	340,770	-	75,808	-	79,015	-	51,418	-

	Net income per share (in yen)	Diluted net income per share (in yen)	Ratio of net income to stockholders' equity (p.a.)
April – June 2009	35.09	35.09	4.3%
April – June 2008	119.51	119.48	14.5%

(2) Consolidated financial position

(Millions of Yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (in yen)
June 30, 2009	1,691,130	1,436,508	82.5%	3,285.60
March 31, 2009	1,684,944	1,407,353	81.1%	3,218.28

(Note) Stockholders' equity (Millions of Yen) As of June 30, 2009 : 1,394,702 As of March 31, 2009 : 1,366,061
Stockholders' equity used for the calculation of indices is Net assets excluding both Share subscription rights and Minority interests in consolidated subsidiaries.

2. Cash Dividends

	Cash dividend per share (in Yen)				
	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	Fiscal year
April 2008 – March 2009	-	50.00	-	50.00	100.00
April 2009 – March 2010	-	-	-	-	-
April 2009 – March 2010 (forecast)	-	-	-	-	-

(Note) Revision of cash dividend forecast for during this period: No
The dividend for shareholders in the fiscal year ending March 31, 2010 is uncertain.

3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2010

(From April 1, 2009 to March 31, 2010)

(Note) Revision of consolidated operating performance forecast for during this period: No

With regard to the business forecast for the fiscal year ending March 2010 (FY 2010), when Shin-Etsu Group announced the results of operations in FY 2009 on April 28, 2009, we did not issue a forecast due to the difficulties in accurately calculating projected forecast figures. These difficulties continue to exist and, therefore, we will not issue a forecast at this time. For more information about this decision, please see "Qualitative Information and Consolidated Financial Statements, 3. Qualitative information regarding the consolidated business forecast" on page 4.

4. Other Information

(1) Changes in significant subsidiaries which affected the scope of consolidation during this period: No

(2) Adoption of simplified financial accounting methods and special accounting methods for presenting quarterly consolidated financial statements: Yes

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

Changes due to revisions of accounting standards: No

Changes other than the above: No

(Note) Please see "4. Other" on page 5 for further details.

(4) Number of shares outstanding (in shares)

	June 30, 2009	March 31, 2009
Number of shares outstanding at period end	432,106,693	432,106,693
Number of treasury stocks at period end	7,617,432	7,636,973
	April – June 2009	April – June 2008
Weighted-average number of shares outstanding over period	424,489,389	430,256,849

(Notes)

(1) Forward-looking statements such as the forecast of results of operations made in this document involves risks and uncertainties since they are 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) Because at this time Shin-Etsu has not issued a business forecast for FY 2010, we are also not going to issue a forecast for the interim and annual dividend per share for FY 2010. We will promptly announce the dividend forecast as soon as the disclosure of the forecast becomes possible.

Qualitative Information and Consolidated Financial Statements

1. Qualitative information regarding the consolidated operating results

(1) General overview

The world economy during the first quarter of FY 2010 continued its downturn due to the influence of the financial crisis stemming from the U.S., which started in the early fall of 2008. Centered in Europe and U.S., its severe impact on the global business situation continued. With regard to the Japanese economy, although a partial sense of bottoming out could be felt, still the future direction of the economy continues to be uncertain, as facility investment decreases and consumer spending remains stagnant.

Under these circumstances, the Shin-Etsu Group intensified its aggressive sales activities to its wide range of customers around the world, promoted further business rationalization and streamlining, and focused on carrying out the development and commercialization of new products. At the same time, we continued to put our utmost priorities on safety-first in all of our operations and protecting the environment.

(2) Business segment overview

Organic and inorganic chemicals

PVC

While other U.S. companies in the same business curtailed production due to the stagnant U.S. housing market, Shintech maintained a high level of production utilizing its sales power to its worldwide customers, which was nurtured over a long period of years. On the other hand, Shin-Etsu PVC in The Netherlands was affected by the downturn of the European market. The PVC business in Japan continued to be in the severe situation due to the effects of sluggish demand; however, exports continued to be strong.

Silicones

Although demand for silicone products began to gradually recover in such fields as electric, electronics and cosmetic applications, the silicone business was affected, both in Japan and internationally, by an overall stagnation in demand. The business of keypads for mobile phones supplied by Shin-Etsu Polymer Co., Ltd. remained weak due to the effects of intensified price competition and a decrease in shipments.

Other products

Although sales of cellulose derivatives in Japan for pharmaceutical-use were firm, sales for construction and industrial applications were slow. SE Tylose in Germany was affected by decreasing demand for construction materials. SIMCOA's silicon metal business in Australia remained firm, and JAPAN VAM & POVAL also saw signs of recovery in their shipments.

Electronics Materials

Semiconductor silicon

From the early fall of last year, in a wide range of fields, demand for semiconductor devices decreased, and although demand is on the way to recovery, the severe business situation continued.

Other Products

In the rare earth magnets for the electronics industry business, inventory adjustment of hard disk drives for PCs ran its course, and this business is back on course for recovery. In addition, photoresists products and organic materials for the electronics industries are undergoing an underlying trend toward recovery in shipments during the 1st quarter of FY 2010.

Functional Materials and Others

Synthetic quartz

With regard to synthetic quartz, although sales of optical fiber preform continued to be strong, sales of large-size photomask substrates remained weak.

Rare earth magnets for general use and other functional materials

Sales of rare earth magnets for general industrial use remained strong for such applications as in hybrid cars and in energy-saving motors for air-conditioners; however, product applications for industrial motors were weak. Although sales of pellicles continued to be strong, sales of liquid fluoroelastomers were sluggish for automotive applications.

2. Qualitative information regarding the consolidated financial position

As of June 30, 2009, total assets increased ¥6,186 million, compared with that as of March 31, 2009, to ¥1,691,130 million. This was mainly due to an increase in fixed assets for capital investments.

Total liabilities decreased ¥22,969 million, compared with that as of March 31, 2009, to ¥254,622 million. This was mainly due to a decrease in accounts payable for construction of facilities.

Total net assets increased ¥29,155 million, compared with that as of March 31, 2009, to ¥1,436,508 million. This was due to a large increase in foreign currency translation adjustments compared with December 31, 2008 caused by the weaker yen as of March 31, 2009, the closing date of the first quarter for foreign subsidiaries.

Stockholders' equity ratio increased 1.4 percentage points compared with that as of March 31, 2009, to 82.5%.

3. Qualitative information regarding the consolidated business forecast

With regard to the forecast for FY 2010, although, at least a partial recovery from the economic downturn that started from last fall is expected, the future situation still remains uncertain.

Under these circumstances, the Shin-Etsu Group has continued to make maximum efforts; however, the market environment surrounding our main customers, such as those companies in the electronics, electric and automotive industries, still continues to be filled with uncertainty. This uncertainty about when the market environment will begin to recover continues to make it difficult to announce a consolidated business forecast for FY 2010 at this time. We will promptly announce the business forecast as soon as the disclosure of the forecast becomes possible.

To overcome the severe business environment we are facing, the Shin-Etsu Group will promote further strengthening of its high technologies and product quality, and at the same time, we will go forward with strengthening our business foundation through such actions as striving to improving productivity and reducing manufacturing costs,

aggressively developing sales to areas where demand is relatively vigorous and putting great effort into securing stable supply of raw materials.

4. Other

(1) Changes in significant subsidiaries which affected the scope of consolidation during this period

Not applicable

(2) Adoption of simplified financial accounting methods and special accounting methods for presenting quarterly consolidated financial statements

1) Simplified financial accounting methods

Some consolidated companies have adopted simplified financial methods such as for estimating depreciation expenses of fixed assets.

2) Special accounting methods for presenting quarterly financial statements

Not applicable

(3) Changes of accounting policies applied, procedures and disclosures for presenting quarterly consolidated financial statements

Not applicable

5. Consolidated Financial Statements

5-1. Comparative Consolidated Balance Sheets

As of June 30 and March 31, 2009

	Millions of Yen	
	June 30, 2009	March 31, 2009
ASSETS		
Current Assets:		
Cash and time deposits	212,169	209,541
Notes and accounts receivable-trade	218,299	215,842
Securities	90,454	111,878
Inventories	197,799	208,109
Other	71,515	73,182
Less: Allowance for doubtful accounts	(3,822)	(2,627)
Total current assets	786,414	815,926
Fixed Assets:		
Property, plant and equipment		
Machinery and equipment	297,185	294,007
Other	340,280	315,671
Total property, plant and equipment	637,466	609,678
Intangible fixed assets	17,918	18,253
Investments and other assets		
Investments and other assets	249,344	241,126
Less: Allowance for doubtful accounts	(14)	(39)
Total investments and other assets	249,330	241,086
Total fixed assets	904,715	869,018
TOTAL ASSETS	1,691,130	1,684,944

	Millions of Yen	
	June 30, 2009	March 31, 2009
LIABILITIES		
Current Liabilities:		
Notes and accounts payable-trade	71,809	75,188
Short-term borrowings	9,698	10,872
Accrued income taxes	8,916	11,633
Allowances	1,489	2,665
Other	90,277	108,934
	<u>182,191</u>	<u>209,294</u>
Total current liabilities		
Long-term Liabilities:		
Long-term debt	12,181	12,817
Allowances	12,747	11,805
Other	47,501	43,673
	<u>72,430</u>	<u>68,296</u>
Total long-term liabilities		
	<u>254,622</u>	<u>277,591</u>
TOTAL LIABILITIES		
NET ASSETS		
Stockholders' Equity:		
Common stock	119,419	119,419
Additional paid-in capital	128,177	128,177
Retained earnings	1,270,703	1,277,056
Less: Treasury stock, at cost	(41,506)	(41,613)
	<u>1,476,794</u>	<u>1,483,039</u>
Total stockholders' equity		
Valuation and translation adjustments:		
Unrealized gains (losses) on available-for-sale securities	3,092	(1,776)
Deferred gains (losses) on derivatives under hedge accounting	(30)	(41)
Foreign currency translation adjustments	(85,153)	(115,159)
	<u>(82,091)</u>	<u>(116,978)</u>
Total valuation and translation adjustments		
Share subscription rights	2,442	2,446
Minority interests in consolidated subsidiaries	39,362	38,846
	<u>1,436,508</u>	<u>1,407,353</u>
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS		
	<u>1,691,130</u>	<u>1,684,944</u>

5-2. Comparative Consolidated Statements of Income

For the First Quarter ended June 30, 2009 and 2008

	Millions of Yen	
	April - June 2008	April- June 2009
Net sales	340,770	190,084
Cost of sales	235,166	146,139
Gross profit	105,604	43,944
Selling, general and administrative expenses	29,795	23,297
Operating income	75,808	20,647
Non-operating income:		
Interest income	1,752	1,291
Equity in earnings of affiliates	2,581	1,406
Other income	1,892	1,354
Total non-operating income	6,226	4,052
Non-operating expenses	3,019	3,082
Ordinary income	79,015	21,617
Income before income taxes	79,015	21,617
Income taxes-current	20,313	2,261
Income taxes-deferred	6,745	4,527
Total income taxes	27,059	6,789
Minority interests in earnings (losses) of consolidated subsidiaries	537	(67)
Net income	51,418	14,896

5-3. Comparative Consolidated Statements of Cash Flows

For the First Quarter ended June 30, 2009 and 2008

	Millions of Yen	
	April - June 2008	April - June 2009
1. Cash flows from operating activities		
Income before income taxes	79,015	21,617
Depreciation and amortization	28,392	20,715
Interest and dividend income	(2,336)	(1,735)
Equity in earnings of affiliates	(2,581)	(1,406)
(Increase) decrease in notes and accounts receivable	(4,997)	1,598
(Increase) decrease in inventories	8,205	14,214
Increase (decrease) in notes and accounts payable	(13,679)	(3,933)
Other, net	20,820	(7,284)
Subtotal	112,839	43,787
Proceeds from interest and dividends	3,027	1,825
Payment of interest	(392)	(160)
Payment of income taxes	(37,429)	(4,401)
Net cash provided by operating activities	78,044	41,050
2. Cash flows from investing activities		
Net (increase) decrease in marketable securities	3	6,735
Purchase of property, plant and equipment	(61,897)	(39,434)
Purchase of investment securities	(6,682)	(1,091)
Proceeds from sales and redemption of investment securities	22,579	183
Other, net	(3,417)	(7,471)
Net cash used for investing activities	(49,413)	(41,078)
3. Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,354)	1,821
Repayment of long-term debt	(1,220)	(4,399)
Cash dividends paid	(21,512)	(21,223)
Other, net	(222)	(118)
Net cash used for financing activities	(25,310)	(23,920)
4. Effect of exchange rate change on cash and cash equivalents	(13,111)	3,151
5. Net increase (decrease) in cash and cash equivalents	(9,790)	(20,795)
6. Cash and cash equivalents at beginning of period	301,619	251,044
7. Cash and cash equivalents at end of period	291,828	230,249

5-4. Notes on premise of going concern

Not applicable

5-5. Segment Information

(1) Business Segment Information

Millions of Yen						
April – June 2009						
	Organic and Inorganic Chemicals	Electronics Materials	Functional Materials and Others	Total	Elimination or Common assets	Consolidated Total
Sales to outside customers	103,807	66,115	20,161	190,084	-	190,084
Intersegment sales	1,615	33	24,401	26,050	(26,050)	-
Total	105,422	66,148	44,563	216,134	(26,050)	190,084
Operating income	11,058	6,989	2,658	20,706	(58)	20,647

Millions of Yen						
April – June 2008						
	Organic and Inorganic Chemicals	Electronics Materials	Functional Materials and Others	Total	Elimination or Common assets	Consolidated Total
Sales to outside customers	171,594	141,856	27,319	340,770	-	340,770
Intersegment sales	3,746	1,013	36,666	41,427	(41,427)	-
Total	175,340	142,870	63,986	382,197	(41,427)	340,770
Operating income	27,489	41,099	7,459	76,048	(239)	75,808

(2) Geographic Segment Information

Millions of Yen							
April – June 2009							
	Japan	North America	Asia/ Oceania	Europe	Total	Elimination or Common assets	Consolidated Total
Sales to outside customers	112,220	38,114	20,992	18,756	190,084	-	190,084
Intersegment sales	35,850	6,209	5,260	113	47,434	(47,434)	-
Total	148,071	44,323	26,253	18,870	237,518	(47,434)	190,084
Operating income	19,507	243	(259)	366	19,857	789	20,647

Millions of Yen							
April – June 2008							
	Japan	North America	Asia/ Oceania	Europe	Total	Elimination or Common assets	Consolidated Total
Sales to outside customers	168,956	77,202	52,601	42,009	340,770	-	340,770
Intersegment sales	59,959	15,038	14,652	342	89,993	(89,993)	-
Total	228,915	92,241	67,254	42,352	430,763	(89,993)	340,770
Operating income	56,315	11,336	3,575	3,102	74,329	1,478	75,808

(3) Overseas Sales Information

	Millions of Yen				
	April – June 2009				
	North America	Asia/ Oceania	Europe	Other Areas	Total
Overseas sales	30,464	53,203	17,082	9,833	110,583
Consolidated sales					190,084
Percentage of overseas sales over consolidated sales	16.0	28.0	9.0	5.2	58.2

	Millions of Yen				
	April – June 2008				
	North America	Asia/ Oceania	Europe	Other Areas	Total
Overseas sales	63,605	84,987	40,619	23,675	212,887
Consolidated sales					340,770
Percentage of overseas sales over consolidated sales	18.7	25.0	11.9	6.9	62.5

(Note) Sales to China, which are included in “Asia/Oceania”, were ¥21,289 million for the first quarter ended June 30, 2008 and ¥20,444 million for the first quarter ended June 30, 2009.

5-6. Notes on significant changes in Stockholders' Equity

Not applicable