



Press Release

**Financial Results for the Third Quarter Ended December 31, 2009**

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

January 21, 2010

Listing Code: No. 4063 (URL: <http://www.shinetsu.co.jp/>)  
Listing Stock Exchange: Tokyo, Osaka and Nagoya  
Representative: Chihiro Kanagawa (Mr.) President and CEO  
Personnel to contact: Toshiyuki Kasahara (Mr.)

Director, General Manager of Finance & Accounting Department  
Tel: +81-3-3246-5051

Date of the filing of the quarterly consolidated financial statements ..... February 12, 2010  
Date of dividend payout ..... -

Amounts are stated in millions of yen by discarding fractional amounts less than 1 million.  
Percentage figures indicate increase (decrease) 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 Third Quarter ended December 31, 2009**

(From April 1, 2009 to December 31, 2009)

**(1) Results of consolidated operations**

(Millions of Yen)

	Net sales		Operating income		Ordinary income		Net income	
April – December 2009	668,206	(34.1%)	84,483	(61.0%)	90,840	(59.7%)	58,689	(58.7%)
April – December 2008	1,014,337	-	216,730	-	225,236	-	142,012	-

	Net income per share (in yen)	Diluted net income per share (in yen)	Ratio of net income to stockholders' equity (p.a.)
April – December 2009	138.26	138.24	5.7%
April – December 2008	331.95	331.90	13.2%

**(2) Consolidated financial position**

(Millions of Yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (in yen)
December 31, 2009	1,717,456	1,435,164	81.1%	3,280.91
March 31, 2009	1,684,944	1,407,353	81.1%	3,218.28

(Note) Stockholders' equity (Millions of Yen) As of December 31, 2009 : 1,392,758 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 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	Year-end	Fiscal year
April 2008 – March 2009	-	50.00	-	50.00	100.00
April 2009 – March 2010	-	50.00	-		
April 2009 – March 2010 (forecast)				50.00	100.00

(Note) Revision of cash dividend forecast for during this period: Yes

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

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

(Millions of Yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (in Yen)
Fiscal year	910,000 (24.2%)	113,000 (51.5%)	123,000 (50.9%)	78,000 (49.6%)	183.75

(Note) Revision of consolidated operating performance forecast for during this period: Yes

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.

**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**

(Note) Please see “4. Other ” on page 6 for further details.

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

**Changes due to revisions of accounting standards: No**

**Changes other than the above: No**

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

	December 31, 2009	March 31, 2009
Number of shares outstanding at period end	432,106,693	432,106,693
Number of treasury stocks at period end	7,603,433	7,636,973
	April – December 2009	April – December 2008
Weighted-average number of shares outstanding over period	424,495,525	427,817,517

**(Note)**

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## Qualitative Information and Consolidated Financial Statements

### 1. Qualitative information regarding the consolidated operating results

#### (1) General overview

The world economy during the Third quarter of FY2010 (April 1, 2009 to December 31, 2009) continued in recession 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 the U.S., its serious impact on the global business situation lingered. Although there has been a partial recovery of the Japanese economy, the severe economic situation has still continued, as facility investment decreased substantially and the unemployment rate remained at a high level.

Under these circumstances, the Shin-Etsu Group strove to strengthen relationships with its customers worldwide and to widely expand its sales; at the same time, we further pursued business rationalization and streamlining measures, and also carried out the development and commercialization of new products.

As a result, the consolidated business results for the Third Quarter of FY 2010 show that Net sales decreased by 34.1% (¥346,131 million), compared with the Third Quarter of FY 2009, to ¥668,206 million. Compared to the performance of the Third Quarter of FY 2009, Operating income decreased by 61.0% (¥132,247 million) to ¥84,483 million, Ordinary income decreased by 59.7% (¥134,396 million) to ¥90,840 million and Net income decreased by 58.7% (¥83,323 million) to ¥58,689 million.

#### (2) Business segment overview

##### Organic and inorganic chemicals

###### **PVC**

Shintech Inc. – while other American companies in the same business curtailed production as a result of the long period of stagnant conditions in the U.S. housing market – strove to expand sales utilizing its sales network to its worldwide customers, who the company has cultivated over a long period of years, and it maintained a high level of operation. Although it was affected by a decline of the European market, Shin-Etsu PVC in The Netherlands maintained a high level of operation. Both companies were affected by a slump in price.

With regard to the PVC business in Japan, although exports were strong, because of sluggish demand, domestic shipments were slow and the business continued to be in a severe situation.

###### **Silicones**

Shin-Etsu's international silicones business saw a recovery trend in demand mainly in Asia. In Japan, the recovery trend continued in a wide range of areas such as electric, electronics and automobile applications. The business of keypads for mobile phones supplied by Shin-Etsu Polymer Co., Ltd. remained weak due to continued sluggish demand and intensifying price competition.

###### **Other products**

Although sales of cellulose derivatives in Japan for pharmaceutical-use were firm, there was no sense of recovery in construction and industrial applications and the severe situation continued. SE Tylose in Germany was affected by the slow demand for construction materials in Europe.

As a result, Net sales of this business segment decreased by 28.7% (¥150,176 million), compared to the Third Quarter of FY 2009, to ¥373,402 million. Operating income also decreased by 46.0% (¥37,985 million) to ¥44,512 million.

## **Electronics Materials**

### **Semiconductor silicon**

Although there was a recovery trend in the market, mainly for 300mm silicon wafers, due to a low level of product prices, the severe business situation continued.

### **Other Products**

In the rare earth magnets for the electronics industry business, there was a sense of recovery in demand for applications in hard disk drives for PCs. In addition, photoresists products remained firm with the progress in miniaturization of semiconductor devices. The business of organic materials for the electronics industries was strong for applications as a coating material for high-luminance LEDs.

As a result, Net sales of this business segment decreased by 43.8% (¥179,395 million), compared to the Third Quarter of FY 2009, to ¥229,754 million. Operating income decreased by 74.8% (¥83,099 million) to ¥27,961 million.

## **Functional Materials and Others**

### **Synthetic quartz**

With regard to synthetic quartz, sales of optical fiber preform continued to be strong. However, although shipments of large-size photomask substrates used for LCDs continued to be firm, due to intensifying price competition, a severe situation continued.

### **Rare earth magnets for general use and other functional materials**

Sales of rare earth magnets for general industrial use were strong for applications in motors of hybrid cars. However, facility investment-related areas, such as applications for industrial motors, as a whole remained weak. Sales of pellicles are on the road to recovery and continued firm, and although sales of liquid fluoroelastomers in Japan were good, exports did not do well.

As a result, Net sales of this business segment decreased by 20.3% (¥16,561 million) compared to the Third Quarter of FY 2009, to ¥65,048 million. Operating income decreased by 43.2% (¥10,058 million) to ¥13,200 million.

## **2. Qualitative information regarding the consolidated financial position**

As of December 31, 2009, Total assets increased by ¥32,512 million, compared with that as of March 31, 2009, to ¥1,717,456 million. This was because Accounts receivable-trade increased with sales recovery, although cash (Cash and time deposits, and Securities) decreased for expenditures such as capital investments.

Total liabilities increased by ¥4,700 million, compared with that as of March 31, 2009, to ¥282,291 million. This was mainly due to an increase in Accounts payable-trade, although Accounts payable for construction of facilities decreased.

Total net assets increased by ¥27,811 million, compared with that as of March 31, 2009, to ¥1,435,164 million. This was mainly due to an increase in Retained earnings resulting from Net income for 9 months (¥58,689 million).

The stockholders' equity ratio remained at 81.1%, unchanged from that as of March 31, 2009.

### **3. Qualitative information regarding the consolidated business forecast**

With regard to the forecast for FY 2010, although there is a recovery trend in parts of the world economy, it still continues to be in serious situation. In Japan, there are concerns about the worsening of the employment situation as well as the impact of the appreciation of the yen, and severe business circumstances are still anticipated going forward.

The Shin-Etsu Group will continue to make maximum efforts to navigate through the severe business environment we are facing through such measures as stimulating demand by creating products that have special characteristics, aggressively developing sales to regions where demand is relatively strong, and, at the same time, striving for productivity improvement and reducing manufacturing costs.

In addition, by further promoting the strengthening of its high technologies and enhancing product quality and, at the same time, striving to stably secure raw materials, Shin-Etsu will aim to build an even stronger business foundation.

Today, we released the forecast for our consolidated operating performance and dividend for FY 2010 in “Notice Regarding Operating Performance and Dividend Forecasts”. The forecast for consolidated operating performance is as follows;

(Millions of Yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (in Yen)
Fiscal year	910,000 (24.2%)	113,000 (51.5%)	123,000 (50.9%)	78,000 (49.6%)	183.75

Percentage figures indicate increase (decrease) over previous corresponding period.

With regard to the year-end dividend, our forecast is ¥50 per share, the same amount as in the corresponding period of the previous fiscal year. The forecast for the total annual dividend for the fiscal year 2010 will become ¥100 per share, the same amount as in the previous fiscal year.

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.

#### **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 December 31 and March 31, 2009

	Millions of Yen	
	December 31, 2009	March 31, 2009
ASSETS		
Current Assets:		
Cash and time deposits	186,821	209,541
Notes and accounts receivable-trade	276,267	215,842
Securities	91,146	111,878
Inventories	184,255	208,109
Other	64,537	73,182
Less: Allowance for doubtful accounts	(2,983)	(2,627)
	800,045	815,926
Total current assets		
Fixed Assets:		
Property, plant and equipment		
Machinery and equipment	266,515	294,007
Other	368,771	315,671
	635,286	609,678
Total property, plant and equipment		
Intangible fixed assets	17,477	18,253
	17,477	18,253
Investments and other assets		
Investments and other assets	264,660	241,126
Less: Allowance for doubtful accounts	(12)	(39)
	264,647	241,086
Total investments and other assets		
Total fixed assets	917,411	869,018
TOTAL ASSETS	1,717,456	1,684,944

	Millions of Yen	
	December 31, 2009	March 31, 2009
<b>LIABILITIES</b>		
Current Liabilities:		
Notes and accounts payable-trade	98,674	75,188
Short-term borrowings	8,397	10,872
Accrued income taxes	9,830	11,633
Allowances	2,186	2,665
Other	95,506	108,934
	214,596	209,294
Total current liabilities		
Long-term Liabilities:		
Long-term debt	14,108	12,817
Allowances	13,028	11,805
Other	40,558	43,673
	67,695	68,296
Total long-term liabilities		
	282,291	277,591
<b>TOTAL LIABILITIES</b>		
<b>NET ASSETS</b>		
Stockholders' Equity:		
Common stock	119,419	119,419
Additional paid-in capital	128,177	128,177
Retained earnings	1,293,337	1,277,056
Less: Treasury stock, at cost	(41,428)	(41,613)
	1,499,506	1,483,039
Total stockholders' equity		
Valuation and translation adjustments:		
Unrealized gains (losses) on available-for-sale securities	4,428	(1,776)
Deferred gains (losses) on derivatives under hedge accounting	565	(41)
Foreign currency translation adjustments	(111,742)	(115,159)
	(106,748)	(116,978)
Total valuation and translation adjustments		
Share subscription rights	3,648	2,446
Minority interests in consolidated subsidiaries	38,758	38,846
	1,435,164	1,407,353
<b>TOTAL NET ASSETS</b>		
	1,717,456	1,684,944
<b>TOTAL LIABILITIES AND NET ASSETS</b>		



## **5-2. Comparative Consolidated Statements of Income**

For the Third Quarter ended December 31, 2008 and 2009

	Millions of Yen	
	April - December 2008	April- December 2009
Net sales	1,014,337	668,206
Cost of sales	703,628	509,708
Gross profit	310,708	158,497
Selling, general and administrative expenses	93,978	74,014
Operating income	216,730	84,483
Non-operating income:		
Interest income	5,373	3,065
Equity in earnings of affiliates	5,916	5,914
Other income	5,086	4,625
Total non-operating income	16,376	13,606
Non-operating expenses:		
Foreign exchange loss	1,740	1,669
Other expenses	6,130	5,580
Total non-operating expenses	7,871	7,249
Ordinary income	225,236	90,840
Extraordinary losses:		
Loss on write-down of investment securities	2,601	-
Total extraordinary losses	2,601	-
Income before income taxes	222,634	90,840
Income taxes-current	55,600	15,055
Income taxes-deferred	23,139	16,353
Total income taxes	78,739	31,409
Minority interests in earnings of consolidated subsidiaries	1,882	741
Net income	142,012	58,689

### **5-3. Comparative Consolidated Statements of Cash Flows**

For the Third Quarter ended December 31, 2008 and 2009

	Millions of Yen	
	April - December 2008	April - December 2009
1. Cash flows from operating activities		
Income before income taxes	222,634	90,840
Depreciation and amortization	91,837	62,048
Interest and dividend income	(6,472)	(3,884)
Equity in (earnings) losses of affiliates	(5,916)	(5,914)
(Increase) decrease in notes and accounts receivable	(14,834)	(57,000)
(Increase) decrease in inventories	(13,439)	25,530
Increase (decrease) in notes and accounts payable	(15,767)	21,665
Other, net	(11,954)	(22,201)
Subtotal	246,087	111,082
Proceeds from interest and dividends	7,114	6,801
Payment of interest	(1,576)	(524)
Payment of income taxes	(88,017)	(17,444)
Net cash provided by operating activities	163,607	99,914
2. Cash flows from investing activities		
Net (increase) decrease in marketable securities	(4,667)	23,244
Purchase of property, plant and equipment	(165,218)	(102,682)
Purchase of investment securities	(16,334)	(5,943)
Proceeds from sales and redemption of investment securities	30,154	2,729
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(2,266)
Other, net	556	4,362
Net cash used for investing activities	(155,508)	(80,556)
3. Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(3,158)	1,690
Repayment of long-term debt	(2,481)	(5,460)
Purchase of treasury stock	(29,926)	(22)
Cash dividends paid	(42,884)	(42,448)
Other, net	(643)	(890)
Net cash used for financing activities	(79,094)	(47,132)
4. Effect of exchange rate change on cash and cash equivalents	(11,327)	591
5. Net increase (decrease) in cash and cash equivalents	(82,323)	(27,183)
6. Cash and cash equivalents at beginning of period	301,619	251,044
7. Cash and cash equivalents at end of period	219,296	223,861

## 5-4. Notes on premise of going concern

Not applicable

## 5-5. Segment Information

### (1) Business Segment Information

	Millions of Yen					
	April – December 2009					
	Organic and Inorganic Chemicals	Electronics Materials	Functional Materials and Others	Total	Elimination or corporate	Consolidated Total
Sales to outside customers	373,402	229,754	65,048	668,206	-	668,206
Intersegment sales	5,160	68	64,129	69,358	(69,358)	-
Total	378,563	229,822	129,178	737,564	(69,358)	668,206
Operating income	44,512	27,961	13,200	85,674	(1,191)	84,483

	Millions of Yen					
	April – December 2008					
	Organic and Inorganic Chemicals	Electronics Materials	Functional Materials and Others	Total	Elimination or corporate	Consolidated Total
Sales to outside customers	523,578	409,149	81,609	1,014,337	-	1,014,337
Intersegment sales	8,271	2,155	80,386	90,814	(90,814)	-
Total	531,849	411,305	161,996	1,105,151	(90,814)	1,014,337
Operating income	82,497	111,060	23,258	216,816	(85)	216,730

### (2) Geographic Segment Information

	Millions of Yen						
	April – December 2009						
	Japan	North America	Asia/ Oceania	Europe	Total	Elimination or corporate	Consolidated Total
Sales to outside customers	368,149	138,607	79,112	82,337	668,206	-	668,206
Intersegment sales	127,930	29,036	23,438	319	180,725	(180,725)	-
Total	496,080	167,644	102,550	82,656	848,931	(180,725)	668,206
Operating income	77,074	5,218	449	1,772	84,515	(31)	84,483

	Millions of Yen						
	April – December 2008						
	Japan	North America	Asia/ Oceania	Europe	Total	Elimination or corporate	Consolidated Total
Sales to outside customers	489,166	239,681	151,578	133,910	1,014,337	-	1,014,337
Intersegment sales	158,330	45,842	42,601	859	247,633	(247,633)	-
Total	647,496	285,524	194,180	134,769	1,261,970	(247,633)	1,014,337
Operating income	160,579	34,161	11,270	9,958	215,970	760	216,730

**(3) Overseas Sales Information**

	Millions of Yen				
	April – December 2009				
	North America	Asia/ Oceania	Europe	Other Areas	<b>Total</b>
Overseas sales	104,267	185,218	71,762	47,187	408,435
Consolidated sales					668,206
Percentage of overseas sales over consolidated sales	15.6	27.7	10.7	7.1	61.1

	Millions of Yen				
	April – December 2008				
	North America	Asia/ Oceania	Europe	Other Areas	<b>Total</b>
Overseas sales	201,145	246,365	128,307	59,484	635,302
Consolidated sales					1,014,337
Percentage of overseas sales over consolidated sales	19.8	24.3	12.6	5.9	62.6

(Note) Sales to China, which are included in “Asia/Oceania”, were ¥72,857 million for the Third Quarter ended December 31, 2008 and ¥69,049 million for the Third Quarter ended December 31, 2009.

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

Not applicable