

**Press Release****Financial Results for the nine months ended December 31, 2007**

January 17, 2008

**Shin-Etsu Chemical Co., Ltd.**Listing Code : No. 4063 (URL: <http://www.shinetsu.co.jp/>)

Listing Stock Exchange: Tokyo, Osaka and Nagoya

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

**1. Consolidated Operating Performance for the nine months ended December 31, 2007**(From April 1, 2007 to December 31, 2007)

Percentage figures indicate changes over previous corresponding period.

**(1) Results of Consolidated Operations**

(Millions of Yen)

	Net sales		Operating income		Ordinary income		Net income	
Apr.-Dec. '07	1,043,643	7.4%	213,530	18.5%	223,008	22.7%	143,431	26.7%
Apr.-Dec. '06	971,343	19.0%	180,132	31.7%	181,755	33.1%	113,198	34.7%
Apr.'06 - Mar.'07	1,304,695		241,028		247,018		154,010	

	Net income per share (in yen)	Diluted net income per share (in yen)	Return on equity (p.a.)
Apr.-Dec. '07	333.30	333.02	14.0%
Apr.-Dec. '06	262.99	262.64	12.4%
Apr.'06 - Mar.'07	357.78	357.32	12.4%

**(2) Consolidated Financial Position**

(Millions of Yen)

	Total assets	Net assets	Equity ratio	Net assets per share (in yen)
Dec. 31, '07	1,899,479	1,447,409	73.9%	3,263.00
Dec. 31, '06	1,804,393	1,307,416	70.3%	2,948.83
Mar. 31, '07	1,859,995	1,360,315	71.0%	3,065.80

**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)

The company is not revising its business forecast, which was announced on October 24, 2007.

**4. Other Information**

- (1) Changes in significant subsidiaries which affected the scope of consolidation during the nine months ended December 31, 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**

With regard to the PVC business, while the effect of the decline in North American housing construction on other companies in the same business was to largely drag down their sales, Shintech Inc. in the U.S. quickly focused on increasing its exports and was able to maintain full operation. As a result, Shintech's business remained firm. Shin-Etsu PVC B.V. in the Netherlands continued its good sales performance and its business remained firm. On the other hand, in the domestic PVC business, as the prices of raw materials went up, domestic demand did not increase. Consequently, the domestic PVC business was weak. With regard to the silicone business, sales expanded to a wide range of customers in such application areas as electric, electronics, automobiles and cosmetics, and by also focusing on increasing exports, the business did well. Keypads for mobile phones supplied by Shin-Etsu Polymer Co., Ltd. saw sluggish growth due to a decrease in unit price. Regarding cellulose derivatives, the domestic business is on the way to recovery from the last year's explosion-fire accident, and SE Tylose in Germany did well, with increased production volume provided by their facility expansion.

In the semiconductor silicon business, the demand for 200mm wafers decreased due to the accelerated shift of demand to 300mm wafers. As a result, the demand for 300mm wafers continued to expand, and the business' performance was good. The rare earth magnets for the electronics industry business for applications in hard disk drives did well with signs of recovery in demand. In addition, with the miniaturization trend in semiconductor devices, sales of ArF photoresists increased.

With regard to synthetic quartz products, large-size photomask substrates used for LCDs continued in an adjustment phase; however, demand for preform for optical fiber increased. The demand for rare-earth magnets for general industrial use expanded for applications in home appliances and automobiles, where energy-saving and lighter weight are required. As a result, the business grew steadily.

### **2. Qualitative Information Concerning Consolidated Financial Status**

Total assets as of December 31, 2007 increased by ¥39,484 million compared to the figure as of the end of the previous fiscal year (March 31, 2007) to become ¥1,899,479 million. As a result of vigorous facility investment, the amount of tangible fixed assets increased; however, at the same time, the total of cash, time deposits and securities decreased. On the other hand, total liabilities decreased by ¥47,610 million to become ¥452,070 million. Payments made for such items as income taxes and the repayment of borrowings were the main reasons. In addition, as a result of an increase in retained earnings due to such factors as net income of ¥143,431 million in the nine months period from April 1, 2007 to December 31, 2007, the equity ratio became 73.9 %, an increase of 2.9 percentage points compared to the end of the previous fiscal year, and total net assets became ¥1,447,409 million.

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

As of December 31, 2007, March 31, 2007 and December 31, 2006

	Millions of yen			
	December 31, 2007 (A)	March 31, 2007 (B)	December 31, 2006	Increase (Decrease) (A-B)
<b>ASSETS</b>				
Current Assets:				
Cash and time deposits	213,966	296,851	272,272	(82,885)
Notes and accounts receivable-trade	340,816	315,710	321,268	25,106
Securities	194,638	207,178	215,693	(12,540)
Inventories	184,756	169,177	156,629	15,579
Other	90,521	74,581	75,388	15,940
Total current assets	1,024,700	1,063,499	1,041,252	(38,799)
Fixed Assets:				
Property, plant and equipment	631,288	545,408	508,828	85,880
Intangible fixed assets	25,594	25,964	24,992	(370)
Investments and other assets				
Investments in securities	157,141	176,150	189,272	(19,009)
Other	60,754	48,973	40,047	11,781
Total investments and other assets	217,896	225,123	229,320	(7,227)
Total fixed assets	874,778	796,496	763,140	78,282
<b>TOTAL ASSETS</b>	<b>1,899,479</b>	<b>1,859,995</b>	<b>1,804,393</b>	<b>39,484</b>

	Millions of yen			
	December 31, 2007 (A)	March 31, 2007 (B)	December 31, 2006	Increase (Decrease) (A-B)
<b>LIABILITIES</b>				
Current Liabilities:				
Notes and accounts payable-trade	157,641	155,463	168,743	2,178
Short-term borrowings	11,450	24,490	34,546	(13,040)
Debentures of redemption within one year	-	-	8,000	-
Other	218,347	252,940	217,728	(34,593)
Total current liabilities	387,439	432,893	429,019	(45,454)
Long-term Liabilities:				
Long-term borrowings	23,795	20,652	20,873	3,143
Other	40,835	46,133	47,084	(5,298)
Total long-term liabilities	64,630	66,786	67,957	(2,156)
<b>TOTAL LIABILITIES</b>	<b>452,070</b>	<b>499,680</b>	<b>496,977</b>	<b>(47,610)</b>
<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	1,123,748	1,017,260	976,573	106,488
Less: Treasury stock, at cost	(12,814)	(7,560)	(8,537)	(5,254)
Total stockholders' equity	1,358,530	1,257,297	1,215,634	101,233
Valuation and translation adjustments	45,049	62,946	53,671	(17,897)
Share subscription rights	1,614	663	676	951
Minority interests in consolidated subsidiaries	42,214	39,407	37,435	2,807
<b>TOTAL NET ASSETS</b>	<b>1,447,409</b>	<b>1,360,315</b>	<b>1,307,416</b>	<b>87,094</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>1,899,479</b>	<b>1,859,995</b>	<b>1,804,393</b>	<b>39,484</b>

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

For the nine months period ended December 31, 2007 and 2006, and the fiscal year ended March 31, 2007

	Millions of yen			
	Apr.-Dec. 2007	Apr.-Dec. 2006	Increase (Decrease)	Apr.2006- Mar.2007
Net sales	<b>1,043,643</b>	971,343	72,300	1,304,695
Cost of sales	<b>722,579</b>	699,468	23,111	933,199
Gross profit	<b>321,063</b>	271,875	49,188	371,496
Selling, general and administrative expenses	<b>107,532</b>	91,742	15,790	130,467
Operating income	<b>213,530</b>	180,132	33,398	241,028
Net non-operating income (expenses)	<b>9,477</b>	1,623	7,854	5,989
Ordinary income	<b>223,008</b>	181,755	41,253	247,018
Extraordinary income	<b>5,036</b>	-	5,036	-
Income before income taxes	<b>228,044</b>	181,755	46,289	247,018
Income taxes	<b>80,892</b>	64,833	16,059	87,927
Minority interest in earnings of consolidated subsidiaries	<b>3,720</b>	3,723	(3)	5,080
Net income	<b>143,431</b>	113,198	30,233	154,010

**(3) Business Segment Information**

	Millions of yen					
	Apr.-Dec.2007		Apr.-Dec.2006		Apr.2006-Mar.2007	
	Sales	Operating income	Sales	Operating income	Sales	Operating income
Organic and Inorganic Chemicals	<b>533,049</b>	<b>74,020</b>	533,114	82,199	708,433	106,686
Electronics Materials	<b>429,628</b>	<b>120,576</b>	350,680	77,214	479,391	106,647
Functional Materials and Others	<b>80,964</b>	<b>19,192</b>	87,547	20,591	116,870	27,604
Elimination	-	<b>(258)</b>	-	127	-	90
Consolidated total	<b>1,043,643</b>	<b>213,530</b>	971,343	180,132	1,304,695	241,028