

February 1, 2008

Shin-Etsu Chemical Co., Ltd.  
Public Relations Department

Press Release

**Regarding the Notification of Correction of taxation based on transfer pricing received by Shin-Etsu Chemical**

On February 1, 2008, Shin-Etsu Chemical Co., Ltd. received a Notification of Correction of taxation based on transfer pricing from the Tokyo Regional Taxation Bureau with regard to the earnings derived from the transaction between Shin-Etsu Chemical Co., Ltd. and our subsidiary company Shintech Inc. for the five fiscal years from the fiscal year ending March 2002 to that ending March 2006.

According to the Notification of Correction, the foreign transferred income is about ¥23.3 billion. Based on this figure, the total additional taxation would amount to about ¥11 billion (including corporate income tax, enterprise tax and resident income taxes, which includes the principal taxes and additions to taxes). Shin-Etsu Chemical Co., Ltd. disagrees with this correction measure and is planning to file a Petition for Objection.

Shintech, Inc. was established in 1973, and from the following year began operation with an annual production of 100,000 tons. Presently, it has become North America's and the world's No. 1 PVC maker with an annual production surpassing 2 million tons. During Shintech's over 30-year history, there were some phases in which the business environment changed greatly; however, Shintech, Inc. overcame those challenges and has implemented facility expansions over 10 times. While promoting rationalization of production facilities and improvement in production technologies, the company has continued to ceaselessly make strong management efforts, build up trust relationships one-by-one with its customers in the United States and export markets, and establish a strong sales network around the world. Presently, the company has become the world's No. 1 high-profit company in the PVC business, and the source of its success is in the accumulated results of the company's management efforts made everyday at all times.

Shin-Etsu Chemical Co., Ltd. considers that its terms of transaction with Shintech, Inc. are fair and firmly believes both Shin-Etsu Chemical Co., Ltd. and Shintech, Inc. have faithfully followed each country's taxation system and made proper tax payments. Accordingly, this kind of tax revision is most regrettable, and it is utterly unacceptable to us. We are confident that going forward our official objection will be declared to be fair, including after a process of bilateral discussions, and we will obtain a conclusion that is satisfactory to our company.

This taxation correction measure would result in an increase in corporate taxes, business taxes and resident taxes. At this point in time, the Shin-Etsu Group's net income for FY 2008 (which ends on

March 31, 2008) will decrease and the results of operations will be affected. However, we are not revising our business forecast.

**For inquires about this matter, please contact:**

Shin-Etsu Chemical Co., Ltd.

Public Relations Dept.

Ken Nakamura or Tetsuya Koishikawa

Tel:03-3246-5091, or from outside Japan: 81-3-3246-5091

Fax: 03-3246-5096, or from outside Japan: 81-3-3246-5096

e-mail: sec-pr@shinetsu.jp

[www.shinetsu.co.jp](http://www.shinetsu.co.jp)