

Press Release of Consolidated Operating Results



For the nine months ended December 31, 2005

January 16, 2006

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). Notes to Consolidated Operating Results

- (1) Adoption of simplified accounting methods: Yes
(Details) Depreciation method, Income taxes and others
- (2) Changes in accounting policies: None
- (3) Changes in scope of consolidation or application of equity method: Yes
- | | | | | |
|---------------|----------|---|----------|---|
| Consolidation | Increase | 1 | Decrease | 0 |
| Equity method | Increase | 1 | Decrease | 0 |

2). Consolidated Operating Results for the nine months ended December 31, 2005 (From April 1, 2005 to December 31, 2005)

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

Results of Consolidated Operations

	Millions of Yen				
	For the nine months ended December 31				Fiscal year ended March 31, 2005
	2005		2004		
Net sales	815,914	13.8%	717,274	15.7%	967,486
Operating income	136,816	19.2%	114,758	-	151,734
Ordinary income	136,531	20.3%	113,515	-	151,503
Net income	84,040	20.5%	69,744	-	93,160
Net income per share (in yen)	195.78		165.16		219.10
Diluted net income per share (in yen)	195.39		162.41		216.11

- (Notes) 1. The percentages of change for net sales, operating income, ordinary income and net income represent percentage increases over the results of the corresponding nine-month period of the previous fiscal year.
2. The percentage of change in operating results over the corresponding nine-month period ending on December 31, 2003, except for that of net sales, is not included because these other operating results were not disclosed for that nine-month period.

Qualitative Information Related to the Results of Consolidated Operations

With regard to PVC, Shintech in the U.S. continued favorable production and sales in the midst of continuing high raw materials prices. Furthermore, in September, the demand and supply situation of PVC in the North American market became tight, in part due to an effect of the devastating hurricanes, and raw materials prices also rose steeply. Accordingly, Shintech implemented a price increase. In addition, on the whole, Shin-Etsu PVC in the Netherlands continued its good sales performance. The domestic PVC business was affected by a lack of strength in exports to China. Sales of silicones continued to be good both in Japan and overseas, where an upward price revision was put into effect. Sales of cellulose derivatives were firm, with such product application field as pharmaceuticals and automobiles leading the way, and SE Tylose in Germany also continued firm sales mainly for applications as construction materials.

Regarding semiconductor silicon, with the overall demand expansion for semiconductor devices used in such product application areas as PCs, mobile phones, digital home appliances and automobiles, sales of 300mm silicon wafers continued to grow and sales of 200mm wafers also remained strong. Sales of rare earth magnets for the electronics industry continued to do well, especially as hard disk drive applications continued to grow in various product fields, starting with PCs. Sales of photoresists also went well, including those of next-generation ArF photoresists.

Shipments of functional materials such as synthetic quartz products and rare earth magnets for general applications continued to be favorable, as worldwide demand surged for digital home appliances such as LCD TVs and equipment related to energy-saving.

(Reference)

Forecast of Consolidated Operating Results for the Fiscal Year Ending March 31, 2006 (From April 1, 2005 to March 31, 2006)

The company is not revising its business forecast, which was disclosed on October 24, 2005.

(Attachment)

Consolidated Income Statements (Summary)

	Millions of Yen			
	For the nine months ended Dec.31, 2005	For the nine months ended Dec.31, 2004	Increase (Decrease)	Fiscal year ended March 31, 2005
Net sales	815,914	717,274	98,640	967,486
Cost of sales	596,669	529,097	67,572	715,143
Gross profit	219,244	188,177	31,067	252,343
Selling, general and administrative expenses	82,428	73,418	9,010	100,608
Operating income	136,816	114,758	22,058	151,734
Net non-operating income (expenses)	(284)	(1,242)	958	(230)
Ordinary income	136,531	113,515	23,016	151,503
Income before income taxes	136,531	113,515	23,016	151,503
Income taxes	49,457	41,377	8,080	55,219
Minority interest in earnings of consolidated subsidiaries	3,033	2,393	640	3,123
Net income	84,040	69,744	14,296	93,160

Business Segment Information

	Millions of Yen					
	For the nine months ended Dec.31, 2005		For the nine months ended Dec.31, 2004		Fiscal year ended March 31, 2005	
	Sales	Operating income	Sales	Operating income	Sales	Operating income
Organic and Inorganic Chemicals	458,104	70,368	403,982	58,083	548,950	77,894
Electronics Materials	262,980	48,315	230,055	40,682	306,925	53,684
Functional Materials and Others	94,829	17,999	83,236	15,889	111,610	20,123
Elimination	-	131	-	102	-	32
Consolidated total	815,914	136,816	717,274	114,758	967,486	151,734