

5. Press Release of Non-consolidated Financial Data



For the six months ended September 30, 2006

October 23, 2006

Shin-Etsu Chemical Co.,Ltd.

The seat of headquarters : Tokyo

Listing Code No. 4063

(URL <http://www.shinetsu.co.jp/>)

Listing Stock Exchange : Tokyo, Osaka, Nagoya

Interim cash dividends being paid

Trading unit of the company consists of 100 shares

Representative:

Chihiro Kanagawa(Mr.)

Representative Director-President

Personnel to contact :

Toshiyuki Kasahara (Mr.)

Director, General Manager of Finance & Accounting Department

Telephone : +81-3-3246-5051

Date of Board of Directors Meeting

For the authorization of the financial statements

for the first half of the current fiscal year ... October 23, 2006

Starting date of interim cash dividend payment ... November 20, 2006

5-1. Operating Performance for the First Half of the Current Fiscal Year

(From April 1, 2006 to September 30, 2006)

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

(1) Results of Non-consolidated operations

	<u>Millions of Yen</u>		
	<u>Apr. – Sep. '06</u>	<u>Apr. – Sep. '05</u>	<u>Apr. '05 -Mar. '06</u>
Net sales	334,650	276,079	582,426
Ratio of increase over the first half of the prior year	21.2%	7.8%	
Operating income	40,243	35,611	73,685
Ratio of increase over the first half of the prior year	13.0%	12.8%	
Ordinary income	39,711	36,027	72,115
Ratio of increase over the first half of the prior year	10.2%	16.1%	
Net income	25,311	22,787	45,065
Ratio of increase over the first half of the prior year	11.1%	16.6%	
Net income per share (in yen)	58.80	53.14	104.21
(Notes)			
1. Average number of shares issued (in shares)	430,443,943	428,836,397	429,587,219
2. Changes in accounting policies applied : No			

(2) **Non-consolidated cash dividends**

	<u>Apr. '06 – Mar. '07</u>	<u>Apr. '05 – Mar. '06</u>
Interim cash dividend per share (in yen)	25.00	17.50
Year-end cash dividend per share (in yen)	25.00(*)	17.50
Annual cash dividend per share (in yen)	50.00	35.00

(*) to be scheduled

(3) **Non-consolidated financial position**

	<u>Millions of Yen</u>		
	<u>Sep.30, '06</u>	<u>Sep.30, '05</u>	<u>Mar.31, '06</u>
Total assets	889,915	823,718	874,186
Total net assets	656,406	618,651	647,050
Equity ratio	73.7%	75.1%	74.0%
Stockholders' equity per share (in yen)	1,524.56	1,440.21	1,505.52

(Notes)

Number of shares issued (in shares)	430,180,394	429,558,242	430,640,725
Number of treasury stocks	1,926,299	2,548,451	1,465,968

5-2. The Forecast of Non-consolidated Operating Performance for the Fiscal Year ending March 31, 2007. (From April 1, 2006 to March 31, 2007)

	<u>Millions of Yen</u>
	<u>Apr. '06 – Mar. '07</u>
Net sales	690,000
Ordinary income	80,000
Net income	50,000
Total annual cash dividend per share (in yen) (Including 25.0 yen year-end cash dividend per share)	50.00

(Reference)

The forecast of "Net income per share"
(for the year ending March 31, 2007) 116.23 yen per share

(Note)

The forecast of results of operations made in this document involves risks and uncertainties since the forecast is 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.

6. Non-consolidated Financial Statements

6-1 Comparative Non-consolidated Balance Sheets

As of September 30, 2006, March 31, 2006 and September 30, 2005.

	<u>Millions of Yen</u>			Increase (Decrease) (A-B)
	Sep. 30, 2006 (A)	Mar.31, 2006 (B)	Sep.30, 2005	
ASSETS				
Current Assets:				
Cash and time deposits	146,553	154,912	147,445	(8,359)
Notes and accounts receivable-trade	205,314	177,934	164,856	27,380
Securities	68,357	34,014	36,126	34,343
Inventories	46,573	44,441	40,958	2,132
Deferred taxes, current	17,447	16,099	14,830	1,348
Short-term loan	9,812	19,601	32,517	(9,789)
Others	39,597	37,172	25,718	2,425
Less: Allowance for doubtful accounts	(1,680)	(1,170)	(1,160)	(510)
Total current assets	<u>531,975</u>	<u>483,007</u>	<u>461,291</u>	<u>48,968</u>
Fixed Assets:				
Property, plant and equipment				
Buildings and structures	34,827	35,188	34,966	(361)
Machinery and equipment	45,147	45,783	43,509	(636)
Others	27,444	27,633	27,559	(189)
Total property, plant and equipment	<u>107,419</u>	<u>108,605</u>	<u>106,035</u>	<u>(1,186)</u>
Intangible fixed assets	<u>745</u>	<u>841</u>	<u>946</u>	<u>(96)</u>
Investments and other assets				
Investments in securities	103,631	134,073	121,610	(30,442)
Investments in capital stocks of subsidiaries and affiliates	129,209	129,236	114,425	(27)
Long-term loans	10,000	10,000	10,000	-
Others	6,942	8,432	9,418	(1,490)
Less: Allowance for doubtful accounts	(10)	(10)	(10)	-
Total investments and other assets	<u>249,774</u>	<u>281,732</u>	<u>255,444</u>	<u>(31,958)</u>
Total fixed assets	<u>357,939</u>	<u>391,179</u>	<u>362,426</u>	<u>(33,240)</u>
TOTAL ASSETS	<u>889,915</u>	<u>874,186</u>	<u>823,718</u>	<u>15,729</u>

	Millions of Yen			
	Sep.30, 2006 (A)	Mar.31, 2006 (B)	Sep.30, 2005	Increase (Decrease) (A-B)
LIABILITIES				
Current Liabilities:				
Notes and accounts payable-trade	137,721	120,727	109,200	16,994
Short-term borrowings	18,559	11,100	13,283	7,459
Accounts payable-others	14,972	16,354	13,133	(1,382)
Accrued expenses	24,380	22,804	22,473	1,576
Accrued income taxes	17,967	20,167	17,195	(2,200)
Others	3,871	3,531	2,975	340
Total current liabilities	<u>217,473</u>	<u>194,687</u>	<u>178,263</u>	<u>22,786</u>
Long-term Liabilities:				
Long-term borrowings	2,526	13,753	13,755	(11,227)
Deferred taxes, non-current	12,462	17,886	12,327	(5,424)
Accrued retirement benefits	1,046	808	719	238
Total long-term liabilities	<u>16,035</u>	<u>32,448</u>	<u>26,802</u>	<u>(16,413)</u>
TOTAL LIABILITIES	<u>233,508</u>	<u>227,135</u>	<u>205,066</u>	<u>6,373</u>
NET ASSETS				
Stockholders' Equity				
Common Stock	119,419	-	-	-
Additional paid-in capital	120,771	-	-	-
Retained Earnings	402,188	-	-	-
Less: Treasury Stocks	(9,878)	-	-	-
Total Stockholders' Equity	<u>632,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Valuation and translation adjustment	23,335	-	-	-
Share purchase warrant	570	-	-	-
TOTAL NET ASSETS	<u>656,406</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>889,915</u>	<u>-</u>	<u>-</u>	<u>-</u>
STOCKHOLDERS' EQUITY				
Common stock	-	119,419	119,419	-
Additional paid-in capital	-	120,771	120,771	-
Retained earnings	-	384,833	370,112	-
Unrealized gain on				
Available-for-sale securities	-	28,325	19,282	-
Less: Treasury stocks, at cost	-	(6,300)	(10,934)	-
TOTAL STOCKHOLDERS' EQUITY	<u>-</u>	<u>647,050</u>	<u>618,651</u>	<u>-</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>-</u>	<u>874,186</u>	<u>823,718</u>	<u>-</u>

6-2 Comparative Non-consolidated Income Statements

For the six months period ended September 30, 2006 and 2005, and the fiscal year ended March 31, 2006.

	<u>Millions of Yen</u>			
	Apr.-Sep.'06	Apr.'05- Mar.'06	Apr.-Sep.'05	Increase (Decrease)
	<u>(A)</u>		<u>(B)</u>	<u>(A-B)</u>
Operating Income and Expenses:				
Net sales	334,650	582,426	276,079	58,571
Cost of sales	<u>275,381</u>	<u>474,401</u>	<u>223,960</u>	<u>51,421</u>
Gross profit	59,269	108,024	52,118	7,151
Selling, general and administrative expenses	<u>19,026</u>	<u>34,338</u>	<u>16,507</u>	<u>2,519</u>
Operating income	40,243	73,685	35,611	4,632
Non-operating Income:				
Interest income	273	399	195	78
Dividend income	3,068	2,979	2,238	830
Other income	<u>961</u>	<u>1,173</u>	<u>564</u>	<u>397</u>
	4,303	4,552	2,998	1,305
Non-operating Expenses:				
Interest expenses	220	473	237	(17)
Other expenses	<u>4,615</u>	<u>5,650</u>	<u>2,343</u>	<u>2,272</u>
	<u>4,835</u>	<u>6,123</u>	<u>2,581</u>	<u>2,254</u>
Ordinary income	39,711	72,115	36,027	3,684
Income before income taxes	39,711	72,115	36,027	3,684
Income taxes-Current	17,790	31,480	15,830	1,960
Income taxes-Deferred	<u>(3,390)</u>	<u>(4,430)</u>	<u>(2,590)</u>	<u>(800)</u>
Net income	<u>25,311</u>	<u>45,065</u>	<u>22,787</u>	<u>2,524</u>
Retained earnings at beginning of period	-	9,283	9,283	-
Interim cash dividend	-	7,517	-	-
Loss on disposal of treasury stocks	-	109	70	-
Unappropriated retained earnings	<u>-</u>	<u>46,722</u>	<u>32,000</u>	<u>-</u>

6-3. Statement of changes in Stockholders' Equity

For the six months period ended September 30, 2006

(Millions of yen)

	Stockholders' Equity				
	Common stock	Additional paid-in capital	Retained earnings		
			Legal earned reserves	Others	Total
Balance as of March 31, 2006	119,419	120,771	6,778	378,055	384,833
Changes during the current period					
Cash dividends	-	-	-	(7,536)	(7,536)
Bonuses to directors and statutory auditors	-	-	-	(299)	(299)
Net Income	-	-	-	25,311	25,311
Increase of treasury stock	-	-	-	-	-
Decrease of treasury stock	-	-	-	(121)	(121)
Changes other than stockholders' equity	-	-	-	-	-
Total changes during the current period	-	-	-	17,354	17,354
Balance as of September 30, 2006	119,419	120,771	6,778	395,410	402,188

	Stockholders' Equity		Valuation and translation adjustment
	Treasury stock	Total	Unrealized gains(losses) on available-for-sale securities
Balance as of March 31, 2006	(6,300)	618,725	28,325
Changes during the current period			
Cash dividends	-	(7,536)	-
Bonuses to directors and statutory auditors	-	(299)	-
Net Income	-	25,311	-
Increase of treasury stock	(5,034)	(5,034)	-
Decrease of treasury stock	1,456	1,334	-
Changes other than stockholders' equity	-	-	(4,990)
Total changes during the current period	(3,578)	13,775	(4,990)
Balance as of September 30, 2006	(9,878)	632,500	23,335

	Shares Purchase Warrant	Total Net Assets
Balance as of March 31, 2006	-	647,050
Changes during the current period		
Cash dividends	-	(7,536)
Bonuses to directors and statutory auditors	-	(299)
Net Income	-	25,311
Increase of treasury stock	-	(5,034)
Decrease of treasury stock	-	1,334
Changes other than stockholders' equity	570	(4,420)
Total changes during the current period	570	9,355
Balance as of September 30, 2006	570	656,406

6-4.Changes in Basis of Presenting Consolidated Financial Statement

1. Accounting Standard for Directors' bonus

Effective from the period ended Sep 30, 2006, we adopted Accounting Standards Board of Japan Statement No.4 "Accounting standard for Directors' bonus" issued by the Accounting Standards Board of Japan on November 29, 2005. The effect of the adoption of this new standard on Operating income, ordinary income and income before income taxes is ¥170 million decrease each.

2.Accounting Standard for Presentation of Net Assets in the Balance Sheet

Effective from the period ended Sep 30, 2006, we adopted Accounting Standards Board of Japan Statement No.5 "Accounting standard for Presentation Net Assets in the Balance Sheet" issued by the Accounting Standards Board of Japan on December 9, 2005 and Accounting standard Board of Japan Guidance No.8 "Guidance on Accounting standard for Presentation of Net Assets in the Balance Sheet" issued by the Accounting Standards Board of Japan on December 9, 2005. Amount corresponding to conventional "total stockholders' equity" in the balance sheet is ¥655,836 million. And "Net assets" in the balance sheet for the period ended Sep. 30, 2006 was prepared on the basis of the new accounting standard.

3.Accounting Standard for Stock Options

Effective from the period ended Sep 30, 2006, we adopted Accounting Standard Board of Japan Statement No.8"Accounting standard for stock- Based compensation", of December 27, 2005 and Accounting Standards Board of Japan Guidance No.11 "Guidance on Accounting standard for Stock-based compensation" of May 31,2006, both issued by the Accounting Standards Board of Japan. The effect of the adoption of this new standard on Operating income, ordinary income and income before income taxes is ¥570 million yen decrease each.

(Notes to Balance Sheet)

	Millions of Yen		
	Sep.30, 2006	Mar.31, 2006	Sep.30, 2005
1. Accumulated depreciation of property, plant and equipment	338,676	334,682	326,521
2. Contingent liabilities for guarantee	5,366	5,355	5,172

(Notes to Income Statement)

	Millions of Yen		
	Apr.-Sep.'06	Apr.'05-Mar.'06	Apr.-Mar.'05
Depreciation expenses of tangible and intangible assets	10,834	20,223	8,993

(Notes to Statement of changes in Stockholders' Equity)

Type and numbers of treasury stocks	<u>Apr.-Sep.2006</u>			(Unit:shares)
	<u>Mar.31 2006</u>	<u>Increase(1)</u>	<u>Decrease(2)</u>	<u>Sep.30 2006</u>
Common stock	1,465,968	776,337	316,006	1,926,299
(1) The reasons for increase are as follows;				
Acquisition of treasury stock based on a provision in certificate of incorporation in accordance with Commercial Code, Article 165, Paragraph 2.				770,000 shares
Purchase of less-than-one-unit shares				6,337 shares
(2) The reasons for decrease are as follows;				
Execution of stock option				315,700 shares
Purchase of less-than-one-unit shares by shareholders				306 shares

(Lease Transactions)

Information about lease transactions is being omitted from this report because it is disclosed through EDINET.

(Securities)

Investments in capital stock of subsidiaries and affiliates with market quotation

(Subsidiaries)

	<u>Millions of Yen</u>		
	<u>Sep.30, 2006</u>	<u>Sep.30, 2005</u>	<u>Mar.31, 2006</u>
Book value	10,221	10,221	10,221
Market value	72,991	47,070	78,752
Unrealized difference	62,769	36,848	68,530

(Affiliated companies)

	<u>Millions of Yen</u>		
	<u>Sep.30, 2006</u>	<u>Sep.30, 2005</u>	<u>Mar.31, 2006</u>
Book value	26,744	11,933	26,744
Market value	33,785	12,567	32,274
Unrealized difference	7,040	634	5,529