Press Release of Consolidated Financial Data

For the year ended March 31, 2005

May 16, 2005

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
Representative:
Chihiro Kanagawa (Mr.)
Representative Director-President
Personnel to contact :
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General Manager of Finance & Accounting Department
Telephone : +81-3-3246-5051

Date of Board of Directors Meeting
For the authorization of the consolidated financial statements
for the current fiscal year ...... May 16, 2005
Adoption of U.S. GAAP : No

1).Consolidated Operating Performance for the Current Fiscal Year ended March 31,2005
(From April 1, 2004 to March 31, 2005)

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

(1)Results of Consolidated operations

	Millions of Yen	
	Current fiscal year 2004/4-2005/3	Prior fiscal year 2003/4-2004/3
Net sales	967,486	832,804
Ratio of increase (decrease) over the preceding year	16.2%	4.4%
Operating income	151,734	125,625
Ratio of increase (decrease) over the preceding year	20.8%	2.8%
Ordinary income	151,503	125,612
Ratio of increase (decrease) over the preceding year	20.6%	2.9%
Net income	93,160	74,805
Ratio of increase (decrease) over the preceding year	24.5%	2.5%
Net income per share (in yen)	219.10	177.25
Diluted net income per share (in yen)	216.11	173.52
Ratio of net income over total stockholders' equity	9.8%	8.6%
Ratio of ordinary income over total assets employed	10.6%	9.3%
Ratio of ordinary income over net sales	15.7%	15.1%

(Notes)

1. Equity in earnings of Affiliates	1,615	300
2. Average number of shares outstanding (in shares)	423,518,768	420,484,380

3. Changes in accounting policies applied : No

(2) Consolidated financial position

	Millions of Yen	
	March 31, 2005	March 31, 2004
Total assets	1,476,248	1,386,216
Total stockholders' equity	996,307	900,724
Equity ratio	67.5%	65.0%
Stockholders' equity per share (in yen)	2,329.47	2,140.23

(Note)

Number of shares outstanding at year end (in shares)	427,540,080	420,726,402

(3) Consolidated statement of cash flows

Cash flows from operating activities	177,377	156,004
Cash flows from investing activities	(108,756)	(129,036)
Cash flows from financing activities	(41,911)	(26,695)
Cash & Cash Equivalents	317,733	292,978

(4) Application of consolidation and equity method

Number of consolidated subsidiaries ……… 67
Number of non-consolidated subsidiaries applied to equity method ……… 0
Number of affiliates applied to equity method ……… 6

(5) Changes in scope of consolidation or application of the equity method

Consolidation	Increase	2	Decrease	2
Equity method	Increase	0	Decrease	1

2).The Forecast of Consolidated Operating Performance for the Fiscal Year ended March 31, 2006 (From April 1, 2005 to March 31, 2006)

	Millions of Yen	
	Six months 2005/4-2005/9	Fiscal year 2005/4-2006/3
Net sales	510,000	1,030,000
Ordinary income	84,000	168,000
Net income	51,500	103,000

(Reference)
The forecast of "Net income per share" (from April 1, 2005 to March 31, 2006) …… 240.05 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.

1. Corporate Overview

The Shin-Etsu Group is composed of Shin-Etsu Chemical Co., Ltd. (the "Company"), 90 subsidiaries, and 15 affiliates as of March 31, 2005. Business is divided into three segments: Organic and Inorganic Chemicals Segment, which consists mainly of the manufacture and sale of polyvinyl chloride (PVC) and silicones; Electronics Materials Segment, which consists mainly of the manufacture and sale of semiconductor silicon; and Functional Materials and Others Segment, which manufactures and sells synthetic quartz and other materials as well as providing various other services, such as construction and repair. The Company and its subsidiaries and affiliates share responsibility for sales, manufacturing, and other operations, and corporate with each other to develop business activities.

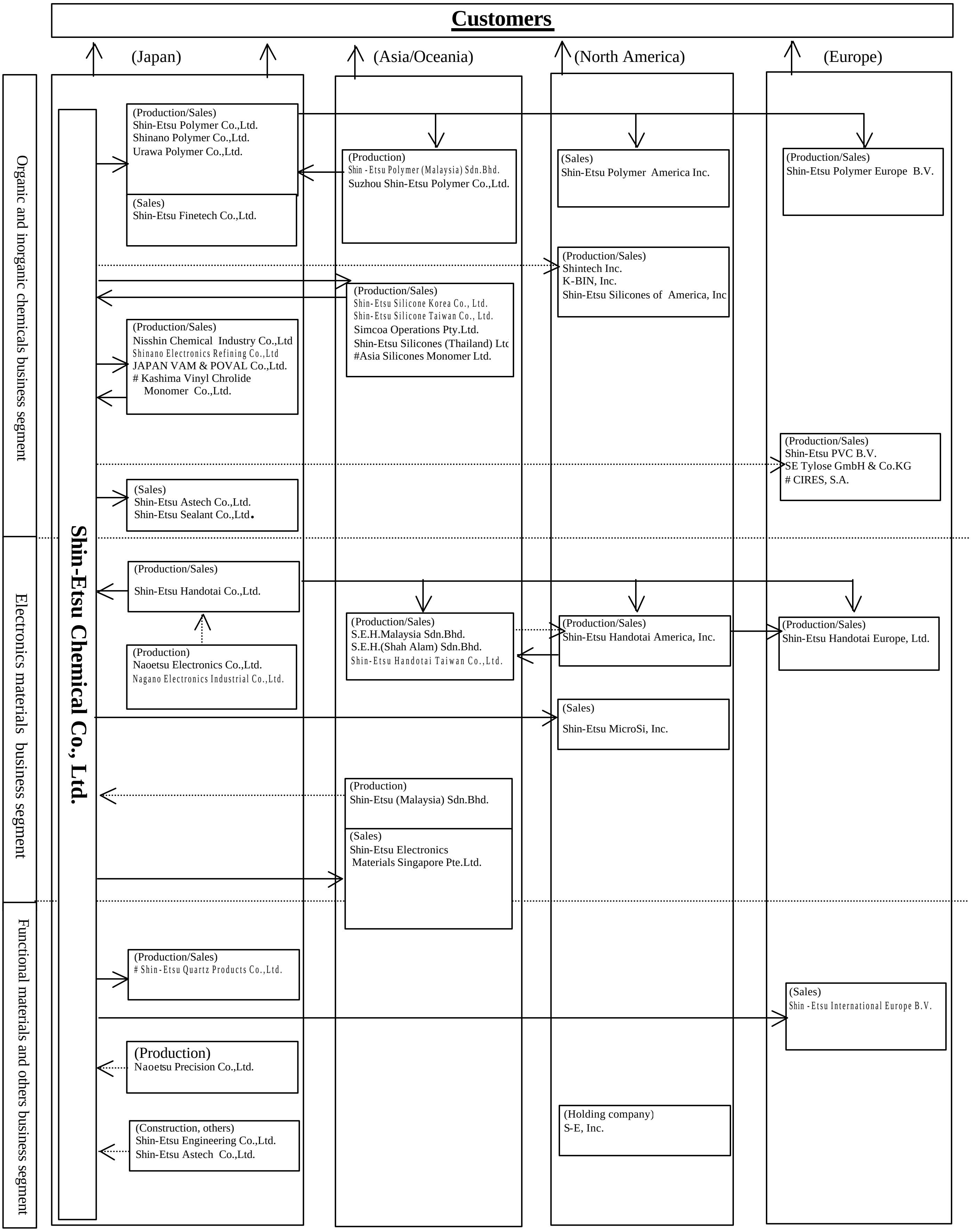
The Group's business activities, the role and functions of the Company and major subsidiaries and affiliates are described below.

Organic and Inorganic Chemicals business segment	Polyvinyl chloride Silicone Methanol Chloromethanes Cellulose derivatives Caustic soda Silicon metal	Domestic	Shin-Etsu Chemical Co., Ltd. Shin-Etsu Polymer Co., Ltd. Shin-Etsu Astech Co., Ltd. Shin-Etsu Finetech Co., Ltd. Shinano Polymer Co., Ltd. Nissin Chemical Industry Co., Ltd. Shin-Etsu Sealant Co.,Ltd. Shinano Electric Refining Co., Ltd. Urawa Polymer Co., Ltd. JAPAN VAM & POVAL Co., Ltd. Kashima Vinyl Chloride Monomer Co., Ltd. 13 other companies Total number of companies: 24
		Overseas	Shintech Inc. Shin-Etsu PVC B.V. Shin-Etsu Silicone Korea Co., Ltd. Shin-Etsu Silicones (Thailand) Ltd. Shin-Etsu Silicone Taiwan Co., Ltd. Shin-Etsu Silicones of America, Inc. Shin-Etsu Polymer (Malaysia) Sdn. Bhd. Shin-Etsu Polymer Europe B.V. Shin-Etsu Polymer America, Inc. Suzhou Shin-Etsu Polymer Co., Ltd. Simcoa Operations Pty. Ltd. SE Tylose GmbH & Co.KG K-Bin, Inc. Asia Silicones Monomer Ltd. CIRES, S.A. 17 other companies Total number of companies: 32

Electronics materials business segment	Semiconductor silicon Organic materials for the electronics industry Rare earth magnets for the electronics industry Photo resists	Domestic	Shin-Etsu Chemical Co., Ltd. Shin-Etsu Handotai Co., Ltd. Nagano Electronics Industrial Co., Ltd. Naoetsu Electronics Co., Ltd. 7 other companies Total number of companies: 11
		Overseas	Shin-Etsu Handotai America, Inc. S.E.H. Malaysia Sdn.Bhd. Shin-Etsu Handotai Europe, Ltd. Shin-Etsu Handotai Taiwan Co., Ltd. Shin-Etsu Electronics Materials Singapore Pte.Ltd. Shin-Etsu (Malaysia) Sdn. Bhd. Shin-Etsu MicroSi, Inc. S.E.H.(Shah Alam) Sdn.Bhd. 7 other companies Total number of companies: 15
Functional materials and others business segment	Synthetic quartz products Oxide single crystals Rare Earth and rare earth magnets Export of technology and plants Export and import of goods Construction and Plant engineering Information processing	Domestic	Shin-Etsu Chemical Co., Ltd. Shin-Etsu Engineering Co., Ltd. Shin-Etsu Astech Co., Ltd. Naoetsu Precision Co., Ltd. Shin-Etsu Quartz Products Co., Ltd. 22 other companies Total number of companies: 27
		Overseas	S-E, Inc. Shin-Etsu Electronics Materials Singapore Pte.Ltd. Shin-Etsu (Malaysia) Sdn. Bhd. Shin-Etsu International Europe B.V. 3 other companies Total number of companies: 7

(Note) Some of the companies listed in each business segment may be engaged in business across business segments, and therefore may be listed in more than one category .

Business Flows Within the Group



Note) Unmarked: Consolidated subsidiaries → Products

Marked # : Affiliates which are applied to equity method ⇢ Processing, technology, service and other

2. Management Policies

(1) Basic Management Policies

The basic management policy of Shin-Etsu Chemical Co., Ltd. is to place No. 1 priority on giving Shin-Etsu's shareholders maximum value by enhancing the worth of Shin-Etsu Group companies.

To achieve this goal, Shin-Etsu strives to secure and further develop its leading world market positions. Shin-Etsu achieves these objectives by developing the world's highest level of technology in its business fields, as well as by attaining superior product quality and the most competitive production costs in the world. In this way, Shin-Etsu establishes stable business relationships with a great number of customers around the world. In addition, Shin-Etsu endeavors to establish a business system that can effectively cope with changes in the economic situation and changing world market conditions.

(2) Main Management Practices

PVC (polyvinyl chloride) is a general-purpose resin that depends less on oil and natural gas resources, and is a product that has superior properties. It is easy to process and is economical as well. Shin-Etsu’s PVC business is growing as demand increases not only in China and Southeast Asia, but also in North America and Europe. Shintech Inc. in the U.S., in order to cope with increasing demand in the U.S. and worldwide, is now proceeding with its plan to construct large-scale integrated manufacturing facilities from electrolysis to PVC resin. Moreover, Shin-Etsu PVC in the Netherlands has steadily increased its business, and is continuing to expand and strengthened the company’s production facilities in line with growing market demand. By utilizing to the maximum its strong sales capabilities, which were nurtured in the world market, Shin-Etsu will strive to strengthen its PVC business globally.

Shin-Etsu’s silicone business has products with a wide diversity of applications in such industries as electric, electronic, automobile, construction, cosmetics and toiletries, and along with the growth and development of these industries, the company’s silicone business has expanded. The company will continue to promote the development of new products by making the most of silicone’s superior characteristics. Shin-Etsu will work towards the steady operation of its manufacturing facilities not only in Japan but also in Thailand, as well as its specialty silane manufacturing facility in the U. S. Shin-Etsu will further strive to expand its silicone business.

Shin-Etsu, taking advantage of its strength in possessing a wider range of cellulose products, is endeavoring to expand its cellulose derivatives business. The company is working to expand its cellulose production capacity in both Japan and in Germany.

With regard to Shin-Etsu’s semiconductor silicon business, to cope with expanding demand for 300mm silicon wafers, Shin-Etsu has expanded the production capacity of Shin-Etsu Handotai’s Shirakawa Plant in Japan, and at the same time, in the U.S., Shin-Etsu began the production of crystals in order to diversify supply capacities as well as improve stability of supplies. For those wafer products up to 200mm, Shin-Etsu will continue to strive for steady business growth by providing products that can be differentiated from those of its competitors. The company will also make efforts to expand sales of specialty wafers.

In its synthetic quartz business, large photomask substrates used in the manufacturing of LCDs are doing well, and Shin-Etsu is implementing appropriate steps to effectively cope with the growth in demand. In addition, in the rare earth magnet business where applications are advancing into such areas as home appliances and automobiles, the company will also reinforce its efforts to strengthen this business.

In addition, Shin-Etsu is also aggressively cultivating new businesses aiming towards further business development and growth.

Shin-Etsu makes it a fundamental management principle to pursue the goals of safety-first and environmental conservation. As a basic set of guidelines for the Shin-Etsu Group in carrying out its environmental conservation policies, Shin-Etsu adopted a Basic Environmental Charter, and the Shin-Etsu Group is carrying out its business activities in strict conformity with the principles embodied in this charter. In all of Shin-Etsu's domestic manufacturing facilities and in the manufacturing facilities in the main Shin-Etsu Group companies, we have obtained ISO-14001 certification, the international standard for environmental management systems. Shin-Etsu endeavors to make useful contributions to the entire society, including the local communities, and to promote environmental conservation.

Furthermore, Shin-Etsu is actively participating in CSR (corporate social responsibility) activities by means of establishing a CSR promotion committee and making efforts to maintain and develop corporate values and to strive to be a corporation that is trusted by society.

An important task to foster the development of a company is to create a work environment in which employees can perform their jobs easily and effectively, and Shin-Etsu is committed to a merit system of employment under which staff members can fully realize their potential.

(3) Basic Policy regarding Dividends

Emphasizing the long-term perspective with continued stable dividends as its basis, Shin-Etsu would like to return a portion of the company's profits to its shareholders, taking into consideration its business results and other factors while working to increase sales and profits and strengthen the company's business structure.

The company will use its financial reserves for such needs as facility and R&D investment, acquisition of businesses, strengthening the company's global competitive power and developing promising future businesses. Shin-Etsu is making strenuous efforts to enhance the company's value.

With regard to the dividend for the second half of FY 2005, Shin-Etsu has declared a dividend of ¥10 per share, the same amount as the interim dividend paid out after the end of the first half of the fiscal year. With this announcement, the dividend for FY 2005(April 1, 2004 to March 31, 2005) will become ¥20 per share, an increase of ¥4 compared to that of the previous fiscal year.

Regarding the dividend for FY2006 (April 1, 2005 to March 31, 2006), Shin-Etsu is planning a further increase of ¥10 over the dividend declared for FY 2005; thus, the full-year dividend will become ¥30 per share (¥15 for the interim dividend and ¥15 for the dividend at the end of the fiscal year).

(4) Basic Position on Corporate Governance and its Implementation

By following corporate policies based on the spirit of respecting the law, the basic stance of Shin-Etsu Chemical Co., Ltd. is to proactively carry out corporate information disclosure policies and PR activities aimed at shareholders and investors. These policies and activities all embody the basic principles that Shin-Etsu is following regarding corporate governance, and the company considers these activities to be one of the most important tasks of management.

Shin-Etsu employs a statutory auditor system. Presently there are 14 members of Shin-Etsu Chemical's Board of Directors (including two external directors); and there are four statutory auditors (including three external statutory auditors). With regard to the investigative/decision-making level of business execution, a Managing Directors Committee meeting and a meeting of the Board of Directors carefully hold discussions, deliberations, and make decisions on important matters. Moreover, Frank Peter Popoff, the former CEO of The Dow Chemical Company in the United States, and Shunji Kono, counselor of The Tokio Marine & Nichido Fire Insurance Co., Ltd., are serving Shin-Etsu as external directors. In this way, Shin-Etsu is obtaining not only an independent audit perspective but also a great deal of useful advice on global corporate management.

Statutory Auditors attend not only meetings of the Board of Directors but also other important in-company meetings, and they carry out audits concerning Shin-Etsu's business operations. They also exchange information and opinions with accounting auditors from the Chuo Aoyama PricewaterhouseCoopers. With regard to decisions about reviewing and recognizing board members' remuneration, Shin-Etsu has an officers' remuneration committee that is chaired by Mr. Popoff.

Shin-Etsu has also established a risk management committee to effectively ascertain risk and take preventive measures regarding the various kinds of risks that could possible occur during its business operations.

In addition, the Auditing Department is a specific department dedicated to taking charge of matters concerning internal company business auditing and internal control systems. In these ways, Shin-Etsu is striving to further strengthen its corporate governance.

(The Company’s Accounting Audit)

Name of certified public accountants who performed the service

The accounting firm: ChuoAoyama PricewaterhouseCoopers

	Name	Consecutive periods providing auditing services
Engagement Partner:	Masaaki Suzuki	2 years
Engagement Partner:	Jyunichi Sadamori	3 years

Composition of assistants related to auditing services

16 certified public accountants, 15 junior certified public accountants, and 1 other: total 32

(Details of Executive Remuneration)

1. Remuneration paid to Directors and Statutory Auditors (For the fiscal year ended March31,2005)

Directors :	¥845 million	(Note 1)
Statutory Auditors:	¥39 million	(Note 2)

(Notes) 1. Amount of remuneration to directors is the sum of Remuneration approved at the General Meeting of Shareholders, Bonuses paid from appropriation of retained earnings, and Retirement benefits by resolution of the General Meeting of Shareholders.
Salaries and bonuses (¥99 million) paid to Directors who are also employees are not included in the total amount.

2. Amount of remuneration to auditors is the sum of Remuneration approved at the General Meeting of Shareholders and Bonuses paid from appropriation of retained earnings.

2. Remuneration paid to Accounting Auditors

Fee paid to ChuoAoyama PricewaterhouseCoopers, our accounting auditor, is as follows.

Amount of fees related to audit certification based on audit contract: ¥41million
(composed of ¥32million paid by the Company and ¥8 million paid by the Company’s consolidated subsidiaries)

Amount of fees other than above: ¥0.6million (paid by the Company)

3. Results of Operations and Financial Position

(1) Results of Operations

General Overview

During FY 2005 (April 1, 2004 to March 31, 2005), although towards the end of the fiscal year there were some signs of a slight economic slowdown, the Japanese economy showed a modest recovery supported by an increase in facility investment and a shift to firm personal consumption. The U.S. economy and Southeast Asian and Chinese economies as a whole did well mainly based on growth in personal consumption and facility investment, as business expansion continued.

Under these circumstances, Shin-Etsu Group continued strong sales efforts with regard to their worldwide customers by emphasizing the special features of Shin-Etsu's products and also by utilizing to the maximum the Group companies' sales power that was nurtured in the world market. At the same time, Shin-Etsu aggressively promoted efforts for the further growth and development of its businesses by making strategic investments, and pursuing rationalization and higher efficiency of management systems.

As a result, the consolidated business results for FY 2005 show that net sales increased by 16.2% (¥134,682 million) compared to the previous fiscal year to become ¥967,486 million. Compared to the performance of the previous fiscal year, operating income increased 20.8% (¥26,109 million) to ¥151,734 million, ordinary income increased 20.6% (¥25,891 million) to ¥151,503 million and net income increased 24.5% (¥18,355 million) to ¥93,160 million.

Business Segment Overview

Organic and inorganic chemicals

In the PVC business, although the prices of raw materials continued to rise steeply worldwide, Shintech Inc., Shin-Etsu's U.S. PVC base, carried out carefully considered sales activities by leveraging its broad customer base, both in the U.S. and worldwide, a significant strength of the company, and supported by vigorous demand, mainly for construction and housing applications, increased both its net sales and operating income. In addition, Shin-Etsu PVC B.V. in the Netherlands expanded its business due to strong demand for PVC in Europe and implemented an upward price revision that was necessitated by the high prices of raw materials. Shin-Etsu's domestic PVC business also saw a large improvement in profit helped by sales price revisions and exports to China.

Silicones are used in a wide range of applications in such diverse fields such as electric, electronics, automobiles, chemicals, toiletries, cosmetics and construction. During FY 2005, in addition to strong domestic sales in such fields as automobile-related applications, information equipment and building materials, sales to China and the U.S. were good. As a result, both sales and operating income increased.

Sales of cellulose derivatives continued strong in domestic business in such applications as pharmaceuticals as well as automobile- related applications. SE Tylose in Germany, which Shin-Etsu had acquired at the end of 2003, also did well in cellulose sales for building materials applications.

As a result, the net sales of this business segment increased 20.1%(¥91,941 million) compared to the previous fiscal year to ¥548,950 million. Operating income also increased 19.6% (¥12,782 million) to ¥77,894 million.

Electronics materials

In the semiconductor silicon business, sales of 200mm wafers continued to be good with the expanding demand for semiconductor devices used for applications in PCs, digital home appliances and mobile phones, but saw a slight adjustment phase in the latter part of the fiscal year. However, demand for 300mm wafers was strong throughout the fiscal year, reflecting the expanding demand from major semiconductor device makers. In addition, specialty wafers, such as SOI wafers, annealed wafers and others, also contributed good sales. As a result, the semiconductor silicon business greatly increased both its sales and operating income.

Sales of rare earth magnets for the electronics industry did well in their various hard disk drive (HDD) applications, such as for mobile digital audio players, as well as in their applications for PCs, servers and visual recording media. Organic materials for the electronic industry and photoresists products maintained steady sales for semiconductor device applications.

As a result, the net sales of this business segment increased 17.0% (¥44,680 million) compared to the previous fiscal year, reaching ¥306,925 million. Operating income increased 27.3% (¥11,502 million) to ¥53,684 million.

Functional materials and Others

Among synthetic quartz products, although worldwide demand for optical fiber preform continued to be sluggish, sales of large-size photomask substrates used in the manufacturing of LCDs did well. Overall, sales of synthetic quartz products increased.

Sales of rare earth magnets continued to be strong, mainly for FA (factory automation) equipment, air-conditioners and automobile-related product applications. In other businesses, although the business of planning and constructing various plants and other projects was strong, sales of procured products decreased.

As a result, although the net sales of this business segment decreased 1.7% (¥1,940 million) compared to previous fiscal year to become ¥111,610 million, operating income increased 10.8% (¥1,954 million) compared to previous fiscal year to reach ¥20,123 million.

Business prospects

Regarding the business forecast for FY 2006 (April 1, 2005 to March 31, 2006), although the modest economic recovery trend is expected to continue, there are concerns about effect of high oil prices and the future prospects of both the U.S. and Chinese economies. Accordingly, the business outlook for the fiscal term that began in April 2005 does not encourage an optimistic view.

Under these circumstances, the Shin-Etsu Group will further strengthen each of its manufacturing, sales and technology fields and endeavor to respond accurately to the changing business environment.

In addition, in the business fields where future growth is expected, Shin-Etsu will actively make investments. In the PVC business, Shintech Inc. in the U.S. will proceed with its plan for constructing integrated manufacturing facilities from electrolysis to PVC resin. In the silicones business, Shin-Etsu will focus on steady operation of its plants in Thailand and the U.S. and strive for the expansion of its silicones business. In the semiconductor silicon business, by capturing accurately the trends in demand expansion for 300mm wafers, Shin-Etsu will strengthen and expand its production capabilities at Shin-Etsu Handotai's Shirakawa Plant.

Furthermore, Shin-Etsu will focus on cultivating new businesses through making all-out efforts toward the R&D and commercialization of new products and by actively making strategic acquisitions. At the same time, by totally fulfilling its corporate social responsibilities such as compliance with environmental regulations and promotion of environmental conservation, we will continue to strive to maximize the worth of our company.

Our business forecast FY2006 is as follows:

	Billions of Yen			
	Consolidated		Non-consolidated	
	Six months	Fiscal year	Six months	Fiscal year
Net sales	510.0	1,030.0	265.0	540.0
Ratio of increase (decrease) over the prior fiscal year	8.9%	6.5%	3.5%	3.8%
Ordinary income	84.0	168.0	34.0	68.0
Ratio of increase (decrease) over the prior fiscal year	10.8%	10.9%	9.5%	9.6%
Net income	51.5	103.0	21.5	43.0
Ratio of increase (decrease) over the prior fiscal year	10.8%	10.6%	10.0%	10.2%

The annual dividend is scheduled to be 30 yen per share, an increase of 10 yen per share over the previous year's dividend.

(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.

(2)Financial position

	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2004	Increase (Decrease)
	Millions of Yen		
Cash and cash equivalents at beginning of fiscal year	292,978	302,370	(9,392)
Cash flows from operating activities	177,377	156,004	21,373
Cash flows from investing activities	(108,756)	(129,036)	20,280
Cash flows from financing activities	(41,911)	(26,695)	(15,216)
Effect of foreign exchange and others	(1,955)	(9,663)	7,708
Net Increase (decrease) in cash and cash equivalents	24,755	(9,391)	34,146
Cash and cash equivalents at end of fiscal year	317,733	292,978	24,755

The balance of cash and cash equivalents at the end of this fiscal year increased by 8.4%(¥24,755million) over that of prior year, to become ¥317,733 million.

Cash flows from operating activities

The Increase in cash flow provided by operating activities amounted to ¥177,377million. This was mainly due to income before income tax of ¥151,503million and depreciation expense of ¥90,874 million.

Cash flows from investing activities

Net cash used for investing activities amounted to ¥108,756 million. This was mainly due to expenditures for purchase of tangible fixed assets of ¥95,501 million.

Cash flows from financing activities

Net cash used for financing activities amounted to ¥41,911 million. This was mainly due to net decrease in both short term debt of ¥18,873 million and long term debt of ¥13,132 million.

The trend of cash flow indices

	For the fiscal year ended March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
Shareholders' equity ratio(%)	67.5	65.0	64.6	63.0	56.5
Shareholders' equity ratio on market value basis(%)	117.6	132.9	118.3	178.1	143.5
Redemption years for debt	0.7	1.0	1.3	1.5	1.4
Interest coverage ratio	57.2	38.3	28.9	18.5	15.8

(Notes) Shareholders' equity ratio: shareholders' equity / total assets
Shareholders' equity ratio on market value:
aggregate market value of common stock / total assets
Redemption years for debt: interest-bearing liabilities / cash flows from operating activities
Interest coverage ratio: cash flows from operating activities / payment of interest

1.All indices based on consolidated financial figures.

2.Aggregate market value of common stock:
Market price at fiscal year-end x number of shares outstanding at fiscal year-end

3."Cash flows from operating activities" corresponds to that in the consolidated statement of cash flows. "Interest-bearing liabilities" refers to all liabilities with interest in the consolidated balance sheet. "Payment of interest" corresponds to that in the consolidated statement of cash flows.

(3)Business Risk Statement

The risks discussed hereinafter could potentially influence such key business matters as the Shin-Etsu Group's business operations results, financial status and cash flow.

The Shin-Etsu Group endeavors to reduce these risks by preventing, dispersing or hedging them. However, if any unforeseeable event occurs, there is a possibility it could have serious consequences for the Shin-Etsu Group's business operations results. As of the end of FY 2005, the types of risks listed below are those that the Shin-Etsu Group considers most significant. This list does not represent an attempt to discuss all possible risks that could impact on the Shin-Etsu Group.

1. Influence of economic trends and product markets

Trends in the economic situation of a country or in local areas where the Shin-Etsu Group's key products are marketed can have an impact on the results of the Shin-Etsu Group's business operations.

In addition, among the Shin-Etsu Group's key products, some products could be affected by large price fluctuations due to the global supply and demand environment. Although the Shin-Etsu Group is hedging its risks by such strategies as diversifying and globalizing its business, demand for certain of its products could decrease and price competition could escalate. Such a pattern of events can have huge consequences for the results of the Shin-Etsu Group's business operations.

2. Influence of fluctuations in foreign exchange rates

The Shin-Etsu Group is actively going forward with the expansion of its global business activities. The yen conversion amount of such items included in the Shin-Etsu Group's consolidated financial statements related to the results of the Group's consolidated subsidiary companies are influenced by the exchange rate. In case of a large fluctuation in exchange rates, there is a possibility of a major impact on the business operations results of the whole Shin-Etsu Group. In addition, for transactions in foreign currencies, to reduce risks Shin-Etsu is taking such measures as making forward-exchange contracts; however, a similar major impact might occur.

3. Influence of natural disasters, unexpected disasters or unforeseen accidents

To minimize the damage that could be caused by an interruption of production activities, the Shin-Etsu Group's production facilities implement such measures as conducting regular disaster prevention checks, carrying out a constant program of facility maintenance activities and making facility investment for safety enhancement. However, unexpected disasters, natural calamities or the effects of unforeseen accidents may cause damage to production facilities and other areas. Such circumstances could have a major impact on the Shin-Etsu Group's business operations results.

4. Influence of public regulatory requirements and law

In the countries or local areas where the Shin-Etsu Group is carrying out business activities, in addition to approvals and licensing requirements regarding investment and import/export regulations, various laws, particularly those concerning commercial transactions, labor, patents, taxes and exchange rates, apply to the Group's business activities. Any changes in these regulations or laws could have a major impact on the Shin-Etsu Group's business operations results.

5. Influence of supply factors on procurement of materials

The Shin-Etsu Group uses various raw materials in its production activities, and strives to assure steady procurement of these materials by diversifying raw material supply sources. However, in cases where tightening or delays of supplies in these materials occur, resulting in price increases, there is a possibility of a major impact on the Shin-Etsu Group's business operations results.

6. Influence on development of new products and technologies

Development of new products and technologies in the electronics industry is very rapid, and this industry is an important market for some of the products of Shin-Etsu Group companies. Accordingly, Shin-Etsu is continuously striving to develop the most advanced materials so it can meet customers' needs for speedy technological innovation. However, if the Shin-Etsu Group should be unable to accurately anticipate and take prompt appropriate measures to respond to changes in industries and markets, such a situation could have a major impact on the Shin-Etsu Group's business operations results.

7. Influence of environmental problems

The Shin-Etsu Group handles various kinds of chemical substances, and strictly adheres to various laws and regulations concerning the environment. At the same time, the Group is dedicating its all-out efforts to achieve energy-savings to help contribute to the prevention of global warming, and it also is endeavoring to severely curb the emission of any substance that could have an impact on the environment. However, if regulations concerning the environment become more severe than presently anticipated and it becomes necessary to implement large facility investments, such investments could have a major impact on the Shin-Etsu Group's business operations results.

8. Influence of product liability

The Shin-Etsu Group is making enormous efforts to secure optimum product quality appropriate to the products' characteristics. However, in case a product-quality problem occurs due to unforeseen circumstances, there is a possibility of product-liability issues having a major impact on the Shin-Etsu Group's business operations results.

4. Consolidated Financial Statements

4-1 Comparative Consolidated Balance Sheets

As of March 31, 2005 and 2004

Millions of Yen

ASSETS	March 31, 2005	March 31, 2004	Increase (Decrease)
Current Assets:			
Cash on hand and in banks	246,741	210,322	36,419
Notes and accounts receivable-trade	236,366	221,996	14,370
Securities	105,839	131,215	(25,376)
Inventories	135,225	117,728	17,497
Deferred tax assets	27,760	22,657	5,103
Others	33,684	31,352	2,332
Less: Allowance for doubtful accounts	(4,784)	(4,727)	(57)
Total current assets	780,833	730,546	50,287
Fixed Assets:			
Property, plant and equipment			
Buildings and structures	154,920	153,380	1,540
Machinery, equipment and vehicles	213,238	200,854	12,384
Land	48,662	39,922	8,740
Construction in progress	21,072	30,645	(9,573)
Others	10,291	10,085	206
Total property, plant and equipment	448,184	434,888	13,296
Intangible fixed assets	28,637	24,378	4,259
Investments and others			
Investments in securities	180,588	171,527	9,061
Deferred tax assets	14,842	12,981	1,861
Others	23,181	11,912	11,269
Less: Allowance for doubtful accounts	(19)	(18)	(1)
Total investment and others	218,593	196,402	22,191
Total fixed assets	695,415	655,670	39,745
TOTAL ASSETS	1,476,248	1,386,216	90,032

	Millions of Yen		
	March 31, 2005	March 31, 2004	Increase (Decrease)
LIABILITIES			
Current Liabilities:			
Notes and accounts payable-trade	114,667	107,041	7,626
Short-term borrowings	37,616	58,281	(20,665)
Debentures of redemption within one year	2,084	8,000	(5,916)
Convertible debentures of redemption within one year	3,816	-	3,816
Accounts payable-others	52,306	47,624	4,682
Accrued income taxes	35,974	29,542	6,432
Accrued expenses	76,869	61,982	14,887
Others	7,844	9,274	(1,430)
Total current liabilities	331,179	321,747	9,432
Long-term Liabilities:			
Debentures	27,000	23,285	3,715
Convertible debentures	-	17,849	(17,849)
Long-term borrowings	49,905	55,751	(5,846)
Deferred tax liabilities	33,416	33,094	322
Accrued retirement benefits	7,677	6,008	1,669
Others	1,697	1,246	451
Total long-term liabilities	119,697	137,235	(17,538)
TOTAL LIABILITIES	450,876	458,982	(8,106)
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES	29,065	26,508	2,557
STOCKHOLDERS' EQUITY			
Common stock	117,513	110,493	7,020
Additional paid-in capital	126,274	119,261	7,013
Retained earnings	780,198	694,996	85,202
Unrealized gain(loss) on available-for-sale Securities	13,687	11,928	1,759
Foreign currency translation adjustment	(30,275)	(26,736)	(3,539)
Treasury stock	(11,091)	(9,219)	(1,872)
TOTAL STOCKHOLDERS' EQUITY	996,307	900,724	95,583
TOTAL LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY	1,476,248	1,386,216	90,032

(Notes)	1. Accumulated depreciation of property, plant and equipment (in millions of yen)	909,532	845,086
	2. Contingent liabilities for guarantee (in millions of yen)	393	556
	3. Treasury stock (in shares)	2,578,655	2,072,068

4-2 Comparative Consolidated Income Statements

For the fiscal year ended March 31, 2005 and 2004

	Millions of Yen		
	For the fiscal year ended		
	March 31, 2005	March 31, 2004	Increase (Decrease)
Operating Income and Expenses:			
Net sales	967,486	832,804	134,682
Cost of sales	715,143	619,085	96,058
Gross profit	252,343	213,719	38,624
Selling, general and administrative expenses	100,608	88,094	12,514
Operating income	151,734	125,625	26,109
Non-operating Income:			
Interest income	3,852	3,389	463
Dividend income	773	407	366
Equity in earnings of affiliates	1,615	300	1,315
Foreign exchange gain	934	-	934
Other income	1,898	3,497	(1,599)
	9,075	7,594	1,481
Non-operating Expenses:			
Interest expenses	3,014	4,167	(1,153)
Loss on disposal of property, plant and equipment	3,296	786	2,510
Foreign exchange loss	-	742	(742)
Other expenses	2,994	1,912	1,082
	9,305	7,608	1,697
Ordinary income	151,503	125,612	25,891
Extraordinary Gains:			
Gain on early settlement of finance leases	-	2,055	(2,055)
	-	2,055	(2,055)
Extraordinary Losses:			
Loss on disposal of property, plant and Equipment	-	2,050	(2,050)
	-	2,050	(2,050)
Income before income taxes	151,503	125,616	25,887
Income taxes-Current	63,754	47,332	16,422
Income taxes-Deferred	(8,535)	1,068	(9,603)
Minority interest in earnings of consolidated subsidiaries	3,123	2,409	714
Net income	93,160	74,805	18,355

4-3 Comparative Consolidated statements of additional paid-in capital and retained earnings

For fiscal year ended March 31, 2005 and 2004

	Millions of Yen		
	For the fiscal year ended		
	March 31, 2005	March 31, 2004	Increase (Decrease)
ADDITIONAL PAID-IN CAPITAL			
Balance at the beginning of fiscal year	119,261	119,040	221
Conversion of convertible debentures	7,012	220	6,792
Total increase	7,012	220	6,792
Balance at the end of fiscal year	126,274	119,261	7,013
RETAINED EARNINGS			
Balance at the beginning of fiscal year	694,996	626,141	68,855
Net income	93,160	74,805	18,355
Increase due to the increase of consolidated Subsidiaries	-	574	(574)
Total increase	93,160	75,380	17,780
Cash dividends	7,600	6,306	1,294
Directors' and statutory auditors' bonuses	315	189	126
Loss on disposal of treasury stocks	42	28	14
Total decrease	7,958	6,524	1,434
Balance at the end of fiscal year	780,198	694,996	85,202

4-4 Comparative Consolidated statements of cash flows

For the fiscal year ended March 31, 2005 and 2004

	Millions of Yen		
	For the fiscal year ended		
	March 31, 2005	March 31, 2004	Increase (Decrease)
1.Cash flows from operating activities			
Income before income taxes	151,503	125,616	25,887
Depreciation and amortization	90,874	73,581	17,293
Increase (decrease) in accrued retirement benefits	1,384	(1,359)	2,743
Loss on write-down of investment securities	40	667	(627)
Interest and dividend income	(4,626)	(3,797)	(829)
Interest expenses	3,014	4,167	(1,153)
Foreign exchange (gain) loss	(14)	(188)	174
Equity in earnings of affiliates	(1,615)	(300)	(1,315)
(Increase) decrease in notes and accounts receivable	(11,646)	(23,631)	11,985
(Increase) decrease in inventories	(16,706)	4,237	(20,943)
Increase (decrease) in notes and accounts payable	7,687	4,804	2,883
Other, net	13,384	3,301	10,083
Subtotal	233,279	187,099	46,180
Proceeds from interest and dividends	4,773	4,224	549
Payment of interest	(3,099)	(4,075)	976
Payment of income taxes	(57,576)	(31,245)	(26,331)
Net cash provided by operating activities	177,377	156,004	21,373
2.Cash flows from investing activities			
Net (increase) decrease in marketable securities	4,261	4,975	(714)
Purchase of property, plant and equipment	(95,501)	(68,578)	(26,923)
Proceeds from sales of property, plant and equipment	726	1,226	(500)
Purchase of intangible fixed asset	(1,270)	(2,594)	1,324
Purchase of investment securities	(44,711)	(66,721)	22,010
Proceeds from sales and redemption of investment securities	44,349	33,005	11,344
Payment for purchase of new consolidated subsidiaries' stock and acquisition of business	(5,705)	(30,213)	24,508
Payments of loans	(383)	(6,832)	6,449
Proceeds from collection of loans	2,100	480	1,620
Deposits in long-term time deposits	(10,000)	-	(10,000)
Other, net	(2,622)	6,216	(8,838)
Net cash used for investing activities	(108,756)	(129,036)	20,280
3.Cash flows from financing activities			
Net increase (decrease) in short-term debt	(18,873)	(18,027)	(846)
Proceeds from long-term debt	2,426	20,645	(18,219)
Repayment of long-term debt	(13,132)	(12,105)	(1,027)
Proceeds from issuance of debentures	8,000	10,000	(2,000)
Payment of debentures on redemption	(10,164)	(5,000)	(5,164)
Payment for early settlement of finance leases	-	(15,588)	15,588
Cash dividends paid	(7,600)	(6,306)	(1,294)
Other, net	(2,566)	(311)	(2,255)
Net cash used for financing activities	(41,911)	(26,695)	(15,216)
4.Effect of foreign exchange on cash and cash equivalents	(1,955)	(10,008)	8,053
5.Net increase(decrease) in cash and cash equivalents	24,755	(9,736)	34,491
6.Cash and cash equivalents at beginning of year	292,978	302,370	(9,392)
7.Net increase (decrease) in cash and cash equivalents by change of consolidation scope	-	344	(344)
8.Cash and cash equivalents at end of year	317,733	292,978	24,755

4-5 Basis of Presenting Consolidated Financial Statement

1. Scope of Consolidation

Consolidated Subsidiaries	67	Shintech, Inc.(Overseas subsidiary) Shin-Etsu Handotai Co., Ltd. Shin-Etsu Handotai America, Inc.(Overseas subsidiary) Shin-Etsu Polymer Co., Ltd. S.E.H. Malaysia Sdn. Bhd.(Overseas subsidiary) Shin-Etsu PVC B.V.(Overseas subsidiary) Shin-Etsu Engineering Co., Ltd. SE Tylose GmbH&Co.KG (Overseas subsidiary) Shin-Etsu Handotai Europe,Ltd.(Overseas subsidiary) Nagano Electronics Industrial Co.,Ltd. Shin-Etsu Handotai Taiwan Co.,Ltd.(Overseas subsidiary) Naoetsu Electronics Co., Ltd. Shin-Etsu Astech Co.,Ltd 54 other subsidiaries
Unconsolidated Subsidiaries	23	

2.Application of Equity Method

The Company had 23 unconsolidated subsidiaries and 15 affiliates. The equity method is applied to the investments in 6 major affiliates – Shin-Etsu Quartz Products Co., Ltd., Kashima Vinyl Chloride Monomer Co., Ltd. and 4 other affiliates.

3.Fiscal Year of Consolidated Subsidiaries

39 subsidiaries adopt fiscal year ending on December 31, and 7 subsidiaries adopt that ending on February 28, respectively. For consolidation of these subsidiaries whose fiscal years do not correspond to the Company's one, necessary adjustments are made on significant inter-company transactions which occurred during the periods between the fiscal year-end of respective consolidated subsidiaries and that of the Company.

4.Significant Accounting Policies

(1) Valuation policy and method of significant assets

a) Securities

Bonds held to maturity ……. Amortized cost method (Straight-line method)

Available-for-sale securities

Marketable securities ……. Market value method based on the fair market value as of the balance sheet date. (Net unrealized gains or losses on these securities are reported as a separate item in the shareholders' equity at net-of-tax amount. Costs of sales of these securities are principally calculated based on a moving average cost method)

Non-marketable securities ……. Mainly moving average cost method

b) Inventories ……. Mainly average cost method

c) Derivatives ……. Market value method

(2) Depreciation method of significant depreciable assets

……. Mainly declining-balance method

(3) Calculation method of significant allowances

a) Allowance for doubtful accounts ……. The Company and consolidated subsidiaries provide the allowance for doubtful accounts by the method which uses the percentage of its own actual experience of bad debt loss written off against the balance of general receivables plus the amount deemed necessary to cover individual accounts estimated to be uncollectable.

b) Accrued retirement benefits .... Pension and severance costs for employees are accrued based on the estimates of the pension obligations and the plan assets at the end of current fiscal year. The actuarial difference is amortized over five-year period, which is within the average remaining service period, using straight-line method from the fiscal year when the difference was generated. The prior service cost is amortized over ten-year period, which is within the average remaining service period, using straight-line method from the time when the difference was generated.

(4) Accounting method of significant lease transactions

Finance lease other than those which are deemed to transfer the ownership of the leased assets to lessees are accounted for by the method similar to that applicable to ordinary operating leases.

5.Valuation of assets and liabilities of consolidated subsidiaries

Assets and liabilities of consolidated subsidiaries are valued on the basis of the full fair value accounting method.

6.Amortization of consolidated adjustment account

Excess of investment cost over equity in net assets of consolidated subsidiaries is amortized within 20 years according to the straight-line method.

7.Distribution of profits

Consolidated statements of retained earnings is based on the distribution of profits defined in this fiscal year.

8. Nature of fund on consolidated statement of cash flows

Fund (cash and cash equivalents) on the consolidated statements of cash flows consists of cash on hand, deposit that can be withdrawn without limitation and liquid investment which are easily convertible into cash, and are matured within approximately three months since acquisition date, and has insignificant risk exposure in terms of fluctuation on value of the investments.

(Segment Information)

For the fiscal year ended March 31, 2005 and 2004

1. Business Segment Information

		Millions of Yen					
		For the fiscal year ended March 31, 2005					
		Organic and Inorganic Chemicals	Electronics Materials	Functional materials and others	**Total**	Elimination or Corporate assets	**Consolidated Total**
Sales	Outside customers	548,950	306,925	111,610	967,486	-	967,486
	Intersegment	8,475	2,471	66,552	77,499	(77,499)	-
Total		557,425	309,397	178,162	1,044,985	(77,499)	967,486
Operating costs and expenses		479,531	255,712	158,039	893,283	(77,531)	815,752
Operating income		77,894	53,684	20,123	151,702	32	151,734
Assets		631,467	448,724	167,821	1,248,014	228,234	1,476,248
Depreciation		26,075	55,030	9,998	91,104	(230)	90,874
Capital expenditure (Footnote)		30,341	66,764	9,369	106,474	(253)	106,221

(Footnote) As a result of additional acquisition of shares at the end of the fiscal year ended March 31, 2005, JAPAN VAM&POVAL Co., Ltd., which is under the Organic and Inorganic Chemicals segment, became wholly owned consolidated subsidiary. Previously, in the fiscal year ended March 31, 2004, as an affiliated company, it was included in the scope of the equity method of accounting. Payment for this acquisition was ¥ 6,998 million. Only ¥2,943 million, which is equivalent to consolidated adjustment account, is included in the above Capital expenditure. If the remaining ¥4,055 million would be included, the total amount of the capital expenditure would come to ¥110,277 million.

		Millions of Yen					
		For the fiscal year ended March 31, 2004					
		Organic and Inorganic Chemicals	Electronics Materials	Functional Materials and Others	**Total**	Elimination or Corporate assets	**Consolidated Total**
Sales	Outside customers	457,009	262,245	113,550	832,804	-	832,804
	Intersegment	8,284	1,538	54,480	64,304	(64,304)	-
Total		465,294	263,784	168,030	897,108	(64,304)	832,804
Operating costs and expenses		400,182	221,602	149,860	771,645	(64,465)	707,179
Operating income		65,112	42,182	18,169	125,463	161	125,625
Assets		548,264	422,075	166,789	1,137,129	249,086	1,386,216
Depreciation		21,978	42,419	9,454	73,852	(271)	73,581
Capital expenditure (Footnote)		50,519	46,485	5,090	102,095	(234)	101,861

(Footnote) Under the Organic and Inorganic Chemicals segment, capital expenditure of our affiliate Asia Silicones Monomer Limited was ¥5,886 million, which corresponds to our share of ownership of the affiliate. Payment for acquisition of working capital and other assets of the cellulose business in Europe, now known as SE Tylose, was ¥5,843 million, which is included in the total purchase price.
Though these figures are not included in the above capital expenditure, if these amounts would be included, the total amount of the capital expenditure would come to ¥113,591 million.

(Notes)

1. The following three lines of business are divided from point of view of kinds of products and markets.

Organic and inorganic chemicals business segment	Polyvinyl chloride, Silicone, Methanol, Chloromethanes, Cellulose derivatives, Caustic soda, and Silicon metal
Electronics materials business segment	Semiconductor silicon, Organic materials for the electronics industry, Rare earth magnets for the electronics industry, and Photoresists
Functional materials and others business segment	Synthetic quartz products, Oxide single crystals, Rare earths and rare earth magnets, Export of technology and plants, Export and import of goods, Construction and plant engineering, and Information processing

2. The amounts of the corporate assets included in the column "Elimination or corporate assets" for the fiscal year ended March 31, 2005 and 2004 were ¥328,568 million and ¥330,651 million, respectively, which mainly consist of surplus working funds (cash, deposits and marketable securities) and long-term investment funds (investments in securities) of the Company.

[Supplementary data: Details of Business Segment Information (Net Sales and Operating Income)]

	Billions of Yen					
	Net Sales			Operating Income		
	For the fiscal year ended		Increase (Decrease)	For the fiscal year ended		Increase (Decrease)
	March 31, 2005	March 31, 2004		March 31, 2005	March 31, 2004	
Polyvinyl chloride	296.5	254.9	41.6	30.8	23.7	7.1
Silicones	155.9	135.8	20.1	29.4	26.6	2.8
Others	96.6	66.3	30.3	17.7	14.8	2.9
Total Organic and inorganic chemicals Segment	549.0	457.0	[20.1%] 92.0	77.9	65.1	[19.6%] 12.8
Semiconductor silicon	256.6	214.1	42.5	45.2	34.8	10.4
Others	50.3	48.1	2.2	8.5	7.4	1.1
Total Electronics materials Segment	306.9	262.2	[17.0%] 44.7	53.7	42.2	[27.3%] 11.5
Synthetic quartz products	26.5	25.7	0.8	10.8	9.1	1.7
Rare Earth Magnets and Other functional materials	28.2	26.5	1.7	4.9	4.7	0.2
Others	56.9	61.4	(4.5)	4.4	4.3	0.1
Total Functional materials and Others Segment	111.6	113.6	[-1.7%] (2.0)	20.1	18.2	[10.8%] 1.9
Elimination	-	-	-	0.0	0.1	(0.1)
Total	967.5	832.8	[16.2%] 134.7	151.7	125.6	[20.8%] 26.1

2. Geographic Segment information

Millions of Yen — For the fiscal year ended March 31, 2005

		Japan	North America	Asia/ Oceania	Europe	**Total**	Elimination or Corporate assets	**Consolidated Total**
Sales	Outside customers	494,851	236,524	110,173	125,936	967,486	-	967,486
	Intersegment	147,771	31,252	45,901	912	225,839	(225,839)	-
Total		642,623	267,777	156,075	126,848	1,193,325	(225,839)	967,486
Operating costs and expenses		533,230	245,028	145,572	117,242	1,041,073	(225,321)	815,752
Operating income		109,392	22,749	10,503	9,606	152,251	(517)	151,734
Assets		730,262	294,053	130,113	124,309	1,278,739	197,508	1,476,248

Millions of Yen — For the fiscal year ended March 31, 2004

		Japan	North America	Asia/ Oceania	Europe	**Total**	Elimination or Corporate assets	**Consolidated Total**
Sales	Outside customers	451,026	212,785	90,968	78,024	832,804	-	832,804
	Intersegment	123,368	19,511	37,645	978	181,504	(181,504)	-
Total		574,394	232,297	128,614	79,003	1,014,309	(181,504)	832,804
Operating costs and expenses		484,956	208,440	120,365	74,762	888,524	(181,344)	707,179
Operating income		89,438	23,857	8,249	4,240	125,785	(159)	125,625
Assets		663,054	284,358	121,463	104,897	1,173,774	212,441	1,386,216

(Notes) 1. Main countries or areas other than Japan

North America : U.S.
Asia/ Oceania : Malaysia, Singapore, Korea, Taiwan, Thailand, Australia
Europe : U.K., the Netherlands, Germany

2. The amounts of the corporate assets included in the column "Elimination or corporate assets" for the fiscal year ended March 31, 2005 and 2004 were ¥328,568 million and ¥330,651 million, respectively, which mainly consist of surplus working funds (cash, deposits and marketable securities) and long-term investment funds (investments in securities) of the Company.

3. In the fiscal year ended March 31,2005, the Company revised the classification of geographic areas due to increased business in Europe, which was previously included in "Other Areas".

Current classification of regions: "Japan", "North America", "Asia/Oceania ", "Europe".
Previous classification of regions: "Japan", "North America", "Asia ", "Other Areas".

The above information for the fiscal year ended March 31,2004 has been restated to conform to the current classification.

3.Overseas sales information

Millions of Yen

	For the fiscal year ended March 31, 2005				
	North America	Asia/ Oceania	Europe	Other Areas	**Total**
Overseas sales	216,703	280,851	119,151	31,895	648,601
Consolidated sales					967,486
Percentage of overseas sales over consolidated sales	22.4	29.0	12.3	3.3	67.0

Millions of Yen

	For the fiscal year ended March 31, 2004				
	North America	Asia/ Oceania	Europe	Other Areas	**Total**
Overseas sales	203,209	218,412	82,041	25,632	529,296
Consolidated sales					832,804
Percentage of overseas sales over consolidated sales	24.4	26.2	9.9	3.1	63.6

(Notes) 1. Main countries or areas

North America : U.S., Canada
Asia/ Oceania : China, Taiwan, Korea, Singapore, Thailand, Malaysia
Europe : Germany, France, Portugal
Other Areas : Middle South America, Middle East

2. "Overseas sales" means sales to outside Japan by the Company and its consolidated subsidiaries.

3. Sales to China included in "Asia/Oceania" for the fiscal year ended March 31, 2005 and 2004 were ¥77,933 million and ¥62,819 million respectively.

4. In the fiscal year ended March 31, 2005, the Company revised the classification of geographic areas due to increased sales in Europe, which was previously included in "Other Area".
Current classification of regions: "North America", "Asia/ Oceania ", "Europe", "Other Areas".
Previous classification of regions: "North America", "Asia ", "Other Areas".
The above information for the fiscal year ended March 31,2004 has been restated to conform to the current classification.

(Lease Transactions)

According to disclosure through EDINET, detailed information about lease transactions is being omitted from this report.

(Related Party Transactions)

Not Applicable

(Deferred Tax)

1.Factors of deferred tax assets and liabilities

	Millions of Yen	
	As of March 31,2005	As of March 31,2004
Deferred Tax Assets		
Depreciation	11,783	8,727
Unsettled accounts receivable and payable	6,262	6,027
Unrealized gain	4,316	3,948
Accrued bonus allowance	3,754	3,891
Special provision for retirement benefits costs	3,079	2,208
Maintenance cost	2,891	2,303
Accrued enterprise taxes	2,181	2,205
Tax loss carry forwards	1,235	2,031
Others	17,855	13,705
Deferred Tax Assets sub-total	53,360	45,048
Valuation allowance	(4,278)	(4,317)
Deferred Tax Assets Total	49,082	40,730
Deferred Tax Liabilities		
Depreciation	25,770	27,113
Reserve for special depreciation	2,464	875
Unrealized gain on available-for-sale securities	9,176	8,041
Others	2,484	2,156
Deferred Tax Liabilities Total	39,895	38,186
Net Deferred Tax Assets	9,186	2,544

(Notes) Net Deferred Tax Assets are included in the following accounts.

	Millions of Yen	
	As of March 31,2005	As of March 31,2004
Current assets : Deferred tax assets	27,760	22,657
Non-current assets : Deferred tax assets	14,842	12,981
Non-current liabilities: Deferred tax liabilities	(33,416)	(33,094)

2.Reconciliation of the difference between the statutory tax rate and effective tax rate on taxable income

	As of March 31,2005	As of March 31,2004
Statutory tax rate	40.4%	41.7%
Rate difference from foreign subsidiaries	(2.3)	(3.4)
Tax deduction for research expenses	(1.0)	-
Dividend income not taxable	(0.5)	(0.6)
Entertainment and other non-deductible expenses	0.2	0.2
Correction of decrease of deferred tax assets due to change of tax rate	-	0.5
Others, net	(0.4)	0.1
Effective tax rate	36.4	38.5

(Securities)

As of March 31, 2005

(1) Market value of bonds held to maturity

	Millions of Yen		
	Book value	Market value	Unrealized gain (loss)
Securities with fair value that exceed book value			
National and local government bonds and others	0	0	0
Debentures	32,358	32,413	54
Others	17,959	17,982	23
Subtotal	50,318	50,396	78
Securities with fair value that do not exceed book value			
National and local government bonds and others	1,235	1,235	(0)
Debentures	3,436	3,427	(8)
Others	1,008	1,008	(0)
Subtotal	5,680	5,671	(9)
Total	55,998	56,067	68

(2) Available-for-sale securities with defined fair values

	Millions of Yen		
	Acquisition cost	Book value	Unrealized gain(loss)
Securities with book value that exceed acquisition cost			
Stocks	29,752	52,756	23,003
Bonds			
National and local government bonds and others	-	-	-
Debentures	4	4	0
Others	10	10	0
Subtotal	29,766	52,770	23,003
Securities with book value that do not exceed acquisition cost			
Stocks	75	62	(12)
Bonds			
National and local government bonds and others	-	-	-
Debentures	-	-	-
Others	1,829	1,640	(188)
Subtotal	1,904	1,702	(201)
Total	31,671	54,473	22,802

(3) Major components and book values of securities without market value

	Millions of Yen
	Book value
1. Bonds held to maturity	
Non-listed domestic bonds	1
Non-listed overseas bonds	49,449
2. Investments in non-consolidated subsidiaries and affiliates	27,853
3. Available-for-sale securities	
Non-listed shares	2,225
Non-listed overseas bonds	92,421
Others	4,004

(4)Redemption schedule of available-for-sale securities with maturity and bonds held to maturity

	Millions of Yen		
	Within one year	Over one year within five years	Over five years within ten years
Bonds			
National and Local government bonds and others	105	901	230
Debentures	8,406	21,392	-
Others	96,910	73,480	-
Total	105,422	95,773	230

As of March 31, 2004

(1) Market value of bonds held to maturity

	Millions of Yen		
	Book value	Market value	Unrealized gain(loss)
Securities with fair value that exceed book value			
National and local government bonds and others	0	0	0
Debentures	10,617	10,623	5
Others	3,000	3,000	0
Subtotal	13,618	13,624	5
Securities with fair value that do not exceed book value			
National and local government bonds and others	989	989	(0)
Debentures	7,547	7,534	(12)
Others	7,526	7,518	(8)
Subtotal	16,062	16,042	(20)
Total	29,681	29,666	(14)

(2) Available-for-sale securities with defined fair values

	Millions of Yen		
	Acquisition cost	Book value	Unrealized gain(loss)
Securities with book value that exceed acquisition cost			
Stocks	27,108	47,552	20,443
Bonds			
National and local government bonds and others	-	-	-
Debentures	4	4	0
Others	10	10	0
Subtotal	27,122	47,566	20,443
Securities with book value that do not exceed acquisition cost			
Stocks	2,500	2,143	(357)
Bonds			
National and local government bonds and others	-	-	-
Debentures	-	-	-
Others	1,829	1,679	(149)
Subtotal	4,329	3,822	(507)
Total	31,452	51,388	19,935

(3) Major components and book values of securities without market value

	Millions of Yen
	Book value
1. Bonds held to maturity	
Discount bond	16,958
Non-listed domestic bonds	3
Non-listed overseas bonds	66,115
2. Investments in non-consolidated subsidiaries and affiliates	29,164
3. Available-for-sale securities	
Non-listed shares	3,651
Non-listed overseas bonds	101,775
Others	4,004

(4)Redemption schedule of available-for-sale securities with maturity and bonds held to maturity

	Millions of Yen		
	Within one year	Over one year within five years	Over five years within ten years
Bonds			
National and local government bonds and others	645	109	236
Debentures	3,025	18,168	-
Others	126,745	68,834	-
Total	130,417	87,113	236

(Derivative Transactions)

According to disclosure through EDINET, detailed information about derivative transactions is being omitted from this report.

(Retirement Benefit)

1.Overview of Retirement Benefit Plan

The Company and its domestic consolidated subsidiaries have defined contribution pension plan (DC pension plan), tax-qualified pension plan and lump-sum severance payment plans as their defined benefit pension plan. Certain overseas consolidated subsidiaries also have defined benefit pension plans besides defined contribution pension plans. Additionally, the Company has “Retirement Benefit Trust”.

In October 2004, some domestic consolidated subsidiaries abolished the tax-qualified pension plan and moved to defined contribution pension plan and lump-sum severance payment plans.

2.Benefit Obligation (As of March 31, 2005 and 2004)

	Millions of Yen	
	As of March 31,2005	As of March 31,2004
(a) Benefit obligation	(18,091)	(19,650)
(b) Pension assets	12,463	14,757
(c) Unfunded benefit obligation [(a)+(b)]	(5,627)	(4,893)
(d) Unrecognized actuarial differences	(233)	681
(e) Unrecognized prior service cost (negative) (Note1)	(696)	(935)
(f) Amount shown on balance sheet [(c)+(d)+(e)]	(6,557)	(5,147)
(g) Prepaid pension expenses	1,120	860
(h)Accrued retirement benefits [(f)-(g)]	(7,677)	(6,008)

(Notes) 1. The Company and certain consolidated subsidiaries changed system from tax-qualified pension plan into defined contribution pension plan from prior fiscal year, so that prior service cost is generated.

2. Effect amounts from partial transfer from tax-qualified pension plan to defined contribution pension plan as follows.

	Millions of Yen	
	As of March 31, 2005	As of March 31,2004
Decrease in Benefit obligation	2,013	4,744
Estimated amounts of plan assets to be transferred	(1,919)	(4,248)
Unrecognized actuarial differences	(12)	(634)
Decrease (Increase) in Accrued retirement benefit	82	(138)

3. Some subsidiaries adopt a simplified method for calculations of benefit obligation.

3.Retirement Benefit Costs (For the fiscal year ended March 31, 2005 and 2004)

	Millions of Yen	
	For the fiscal year ended	
	March 31,2005	March 31,2004
(a) Service costs (Note1)	2,236	2,164
(b) Interest costs	470	496
(c) Expected return on plan assets	(293)	(288)
(d) Recognized actuarial loss	(42)	130
(e) Amortization of prior service cost	(51)	(156)
(f) Other (Note2)	1,534	1,377
(g) Retirement benefit costs [(a)+(b)+(c)+(d)+(e)+(f)]	3,853	3,723
(h) (Gain) loss related to the transfer to DC pension plan	(82)	138
(i) Total [(g)+(h)]	3,771	3,862

(Notes) 1, Retirement benefit costs for subsidiaries adopting a simplified method are reported in “Service costs”.

2,“Other” is contribution for Defined Contribution pension plans.

4.Basic Assumptions for Calculating Benefit Obligation

	As of March 31,2005	As of March 31,2004
(a) Period allocation method for estimated retirement benefits	Fixed period standard	Same as left
(b) Discount rate	Principally 2.5%	
(c) Expected return on plan assets	Principally 2.5%	
(d) Period of amortizing prior service costs	Principally 10 years (expensed from the time when the cost was generated based on straight- line method)	
(e) Period of amortizing actuarial differences	Principally 5 years (expensed from the fiscal year when the cost was generated based on straight-line method)	