

Press Release



Financial Results for the Year Ended March 31, 2007

April 27, 2007

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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Date for the annual shareholders' meeting June 28, 2007

Date for the filing of the consolidated
financial statements June 29, 2007

Date of year-end dividend payout June 29, 2007

1. Consolidated Operating Performance for the Current Fiscal Year ended March 31, 2007

(From April 1, 2006 to March 31, 2007)

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

(1) Results of Consolidated operations

	<u>Millions of Yen</u>	
	<u>Current fiscal year</u> <u>Apr.'06 - Mar.'07</u>	<u>Prior fiscal year</u> <u>Apr.'05 - Mar.'06</u>
Net sales	1,304,695	1,127,915
Ratio of increase over the preceding year	15.7%	16.6%
Operating income	241,028	185,320
Ratio of increase over the preceding year	30.1%	22.1%
Ordinary income	247,018	185,040
Ratio of increase over the preceding year	33.5%	22.1%
Net income	154,010	115,045
Ratio of increase over the preceding year	33.9%	23.5%
Net income per share (in yen)	357.78	266.63
Diluted net income per share (in yen)	357.32	266.07
Ratio of net income to stockholders' equity	12.4%	10.6%
Ratio of ordinary income to total assets	14.0%	11.8%
Ratio of operating income to net sales	18.5%	16.4%
(Note) Equity in earnings of affiliates	8,085	3,995

(2) Consolidated financial position

	<u>Millions of Yen</u>	
	March 31, 2007	March 31, 2006
Total assets	1,859,995	1,671,280
Net assets	1,360,315	1,173,679
Stockholders' equity ratio	71.0%	70.2%
Net assets per share (in yen)	3,065.80	2,730.94
(Note) Stockholders' equity *	1,320,244	1,173,679

*Stockholders' equity used for calculation of indices for the fiscal year ended March 31, 2007 consists of "stockholders' equity" and "valuation and translation adjustments".

(3) Consolidated statement of cash flows

	<u>Millions of Yen</u>	
	Current fiscal year Apr. '06 - Mar. '07	Prior fiscal year Apr. '05 - Mar. '06
Cash flows from operating activities	272,488	220,592
Cash flows from investing activities	(185,183)	(138,813)
Cash flows from financing activities	(61,833)	(42,496)
Cash & Cash Equivalents at end of fiscal year	404,532	373,863

2. Consolidated cash dividends

	Current fiscal year Apr. '06 - Mar. '07	Prior fiscal year Apr. '05 - Mar. '06	Next fiscal year Apr. '07 - Mar. '08
Interim cash dividend per share (in yen)	25.00	17.50	40.00
Year-end cash dividend per share (in yen)	45.00	17.50	40.00
Total annual cash dividend per share (in yen)	70.00	35.00	80.00
Total annual cash dividend paid (in millions of yen)	30,133	15,053	-
Dividend payout ratio	19.6%	13.1%	20.0%
Dividend payout to net assets ratio	2.4%	1.4%	-

3. The Forecast of Consolidated Operating Performance for the Fiscal Year ended March 31, 2008(From April 1, 2007 to March 31, 2008)

	<u>Millions of Yen</u>	
	Six months (Apr. '07 - Sep. '07)	Fiscal year (Apr. '07 - Mar. '08)
Net sales	670,000	1,370,000
Ratio of increase over the preceding year	4.8%	5.0%
Operating income	133,000	267,000
Ratio of increase over the preceding year	10.8%	10.8%
Ordinary income	137,000	275,000
Ratio of increase over the preceding year	14.1%	11.3%
Net income	86,000	172,000
Ratio of increase over the preceding year	14.8%	11.7%
Net income per share (in yen)	199.70	399.41

(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 materially differ 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.

4. Other information**(1) Changes in the scope of consolidation or application of the equity method for the current fiscal year**

Increase	2	(Shin-Etsu Polymer Singapore Pte.Ltd and Shin-Etsu Polymer Hong Kong Co., Ltd)
Decrease	2	(Shinyo Home Service Company and S.E.H.America FSC)

(2) Changes of accounting policies applied, procedures and disclosures for presenting consolidated financial statement

Changes by revision of accounting standard : Yes

Changes other than the above : No

(Note) Please see “4-6. Changes in Basis of Presenting Consolidated Financial Statements” on page 19 for further details.

(3) Numbers of shares outstanding (in shares)

	<u>March 31,2007</u>	<u>March 31,2006</u>
Numbers of shares outstanding at year end	432,106,693	432,106,693
Numbers of treasury stocks at year end	1,470,973	1,465,968

(Note) Please see the “per share information” on page 29 regarding the weighted-average number of shares outstanding, which is the basis for the calculation of consolidated net income per share.

(Reference) Summary of Non-consolidated Financial Results**1. Non-consolidated Operating Performance for the Current Fiscal Year ended March 31,2007****(1) Results of non-consolidated operations**

	<u>Millions of Yen</u>	
	<u>Current fiscal year Apr.'06 - Mar.'07</u>	<u>Prior fiscal year Apr.'05 - Mar.'06</u>
Net sales	697,248	582,426
Ratio of increase over the preceding year	19.7%	11.9%
Operating income	81,200	73,685
Ratio of increase over the preceding year	10.2%	16.8%
Ordinary income	80,075	72,115
Ratio of increase over the preceding year	11.0%	16.3%
Net income	51,085	45,065
Ratio of increase over the preceding year	13.4%	15.5%
Net income per share (in yen)	118.67	104.21
Diluted net income per share (in yen)	118.55	104.09

(2) Non-consolidated financial position

	<u>Millions of Yen</u>	
	<u>March 31, 2007</u>	<u>March 31, 2006</u>
Total assets	898,412	874,186
Net assets	672,299	647,050
Stockholders' equity ratio	74.8%	74.0%
Net assets per share (in yen)	1,559.95	1,505.52

(Note) Stockholders' equity * 671,769 647,050
 *Stockholders' equity used for calculation of indices for the fiscal year ended March 31, 2007 consists of “stockholders' equity” and “valuation and translation adjustments”.

2. The Forecast of Non-consolidated Operating Performance for the Fiscal Year ended March 31, 2008(From April 1, 2007 to March 31, 2008)

	<u>Millions of Yen</u>	
	<u>Six months (Apr.'07 - Sep.'07)</u>	<u>Fiscal year (Apr.'07 - Mar.'08)</u>
Net sales	350,000	730,000
Ratio of increase over the preceding year	4.6%	4.7%
Operating income	41,000	83,000
Ratio of increase over the preceding year	1.9%	2.2%
Ordinary income	41,000	83,000
Ratio of increase over the preceding year	3.2%	3.7%
Net income	26,000	53,000
Ratio of increase over the preceding year	2.7%	3.7%
Net income per share (in yen)	60.38	123.07

(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. Results of Operations and Financial Position

(1) Results of Operations

1). General Overview

During the FY 2007(April 1, 2006 to March 31, 2007) consolidated business results term, in the Japanese economy, although personal consumption was less than vigorous, facility investment continued to show strength due to the improvement in corporate profits, and the economy continued along a gradual recovery path. On the other hand, in the U.S. economy, although housing construction slackened, in general, the economy continued to be firm as personal consumption and facility investments increased. The economies of Southeast Asia and China continued to expand.

Under these circumstances, the Shin-Etsu Group energetically worked on carrying out its strong sales activities to a wide range of customers around the world and on the development and commercialization of new products. The Group conducted business operations with the utmost priority put on ensuring safety and environmental conservation.

However, the explosion and fire accident at the cellulose manufacturing facilities of Shin-Etsu's Naoetsu Plant (Joetsu City, Niigata Prefecture) on March 20, 2007, caused great trouble and anxieties to many people, including the local residents, shareholders and customers, and we deeply apologize. From this point forward, the Group will make concerted efforts to further implement thorough safety management measures, and we intend to take all possible measures to ensure that this kind of accident will not happen again.

As a result, the consolidated business results for FY 2007 show that net sales increased by 15.7% (¥176,780 million) compared to the previous fiscal year to become ¥1,304,695 million. Compared to the performance of the previous fiscal year, operating income increased 30.1% (¥55,708 million) to ¥241,028 million, ordinary income increased 33.5% (¥61,978 million) to ¥247,018 million and net income increased 33.9%(¥38,965 million) to ¥154,010 million.

2). Business Segment Overview

Organic and inorganic chemicals

In the PVC business, Shintech in the U.S. continued strong shipments until September of 2006. After that, although there was some effect from the decline in housing investment, as a result of the company's continued strong sales efforts utilizing its worldwide customer network, Shintech achieved greatly increased business results. Shin-Etsu PVC in the Netherlands continued its firm business performance supported by demand from all of Europe, including Eastern Europe. On the other hand, the domestic PVC business experienced a decrease in domestic demand, and the slump in export prices continued, mainly due to the Chinese market, resulting in a decrease in operating income.

In the silicone business, in addition to an increase in domestic sales in a wide diversity of fields such as electric, electronics, automobile and cosmetics applications, a price adjustment was implemented to cope with the sharp rise in raw materials and fuel costs. Furthermore, export sales increased. Accordingly, operating income increased. Moreover, sales of silicone-related products, such as keypads for mobile phones supplied by Shin-Etsu Polymer Co., Ltd., were also firm.

In the cellulose derivatives business, in addition to continued strong domestic sales, mainly for such application areas as pharmaceuticals, SE Tylose in Germany did well in cellulose sales for building material applications, spurred by the company's production capacity increase. Furthermore, JAPAN VAM & POVAL Co., Ltd. also did well in their product shipments.

As a result, the net sales of this business segment increased 11.3% (¥71,942 million) compared to the previous fiscal year to ¥708,433 million. Operating income also increased 10.9% (¥10,515 million) to ¥106,686 million.

Electronics Materials

In the semiconductor silicon business, the increase in demand from device makers in a wide range of application fields such as mobile phones, PCs, digital home appliances and automobiles, the increase in production capacity of 300mm wafers coming about from large-scale facility investments, and the continued good demand for 200mm wafers resulted in a substantial increase of both net sales and operating income.

In keeping with the continued advances in higher-performance semiconductor devices, the number of years for the depreciation period of both domestic and overseas semiconductor silicon manufacturing facility was shortened from the previous period of five years to three years.

Sales of rare earth magnets for the electronics industry increased greatly with robust demand for use in such applications as hard disk drives for PCs, servers and visual recording media.

In addition, with regard to photoresists products for semiconductors, as semiconductor devices are moving in the direction of finer-pitch, ArF resists are being widely adopted for semiconductor devices. Both net sales and operating income in this business greatly increased.

As a result, the net sales of this business segment increased 32.6% (¥117,939 million) compared to the previous fiscal year, reaching ¥479,391 million. Operating income increased 63.4% (¥41,372 million) to ¥106,647 million.

Functional Materials and Others

In the synthetic quartz product area, although the demand for preform for optical fiber showed a recovery trend, demand slowed for large-size photomask substrates used for LCDs, as this product was affected by a production adjustment by LCD panel-makers, and sales decreased.

Sales of general-purpose rare earth magnets continued bullish with the growth of applications in many fields, including automobiles, where energy-saving and lighter weight are required, and digital home appliances such as air conditioners. Moreover, sales of liquid fluoroelastomers and pellicles continued to do well.

In other businesses, sales of procured products declined.

As a result, the net sales of this business segment decreased 10.1% (¥13,100 million) compared to previous fiscal year to become ¥116,870 million, operating income increased 14.9% (¥3,582 million) compared to previous fiscal year to reach ¥27,604 million.

3). Business Prospects

Regarding Shin-Etsu's business forecast for FY 2008 (April 1, 2007 to March 31, 2008), although the recovery of the Japanese economy is expected to continue, supported by private-sector demand, there are concerns about trends in the U.S. economy and raw material prices. Accordingly, the business outlook for the fiscal year that began in April 2007 is quite uncertain.

Under these circumstances, the Shin-Etsu Group will continue to make strong sales efforts to its worldwide customers, will concentrate on making the facility expansions now under construction become a fully operational strategic force at an early date, and will aim to build a strong business foundation by such measures as implementing adjustments of product prices in keeping with sharp rises in raw material prices and striving to secure multiple raw material supply sources.

Our business forecast FY 2008 is as follows:

	Billions of Yen			
	Consolidated		Non-consolidated	
	Six months	Fiscal year	Six months	Fiscal year
Net sales	670	1,370	350	730
Ratio of increase over the prior fiscal year	4.8%	5.0%	4.6%	4.7%
Operating income	133	267	41	83
Ratio of increase over the prior fiscal year	10.8%	10.8%	1.9%	2.2%
Ordinary income	137	275	41	83
Ratio of increase over the prior fiscal year	14.1%	11.3%	3.2%	3.7%
Net income	86	172	26	53
Ratio of increase over the prior fiscal year	14.8%	11.7%	2.7%	3.7%

The annual dividend is scheduled to be ¥80 per share, an increase of ¥10 per share over the prior 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 Overview

1). Status of assets, liabilities and net assets

Total assets at the end of the current fiscal year ended March 31, 2007 increased by ¥188,715 million, from a year earlier, to become ¥1,859,995 million. Current assets increased by ¥136,512 million to reach ¥1,063,499 million, due to an increase of “cash and time deposits” and “notes and accounts receivable-trade” as a consequence of continued strong sales activities. Fixed assets increased by ¥52,203 million, rising to ¥796,496 million, due to an increase of tangible fixed assets resulting from vigorous facility investment, although investment in securities with a maturity of more than one year decreased.

Total liabilities at the end of the current fiscal year also increased by ¥36,299 million year-on-year to become ¥499,680 million. The main reasons for this increase were the increase of notes and accounts payable-trade as a consequence of strong sales activities and also the increase of accounts payable from facility investments. This came about despite the decrease resulting from payback of loans and redemption of debentures.

Total net assets at the end of the current fiscal year reached ¥1,360,315 million, mainly due to an increase of net income of ¥154,010 million for the current fiscal year. Accordingly, the stockholders' equity ratio at the end of the current fiscal year increased to 71.0%, up 0.8 points from 70.2% at the end of previous fiscal year.

2). Status of cash flow

	<u>Millions of Yen</u>		
	<u>Current fiscal year</u> <u>Apr.'06 - Mar.'07</u>	<u>Prior fiscal year</u> <u>Apr.'05 - Mar.'06</u>	<u>Increase</u> <u>(Decrease)</u>
Cash and cash equivalents at beginning of year	373,863	317,733	56,130
Cash flows from operating activities	272,488	220,592	51,896
Cash flows from investing activities	(185,183)	(138,813)	(46,370)
Cash flows from financing activities	(61,833)	(42,496)	(19,337)
Effect of foreign exchange and others	5,197	16,847	(11,650)
Net increase (decrease) in cash and cash equivalents	30,669	56,130	(25,461)
Cash and cash equivalents at end of year	404,532	373,863	30,669

The balance of cash and cash equivalents at the end of this fiscal year increased by 8.2% (¥30,669 million) over that of prior fiscal year, to become ¥404,532 million.

Cash flows from operating activities

The increase in cash flow derived from operating activities amounted to ¥272,488 million, an increase of ¥51,896 million over that of the previous year, mainly due to income before income taxes of ¥247,018 million, depreciation and amortization of ¥138,462 million and payment of income taxes of ¥100,772 million.

Cash flows from investing activities

Net cash used for investing activities amounted to ¥185,183 million, up ¥46,370 million from a year earlier. This result was mainly due to expenditures of ¥185,593 million for the purchases of tangible fixed assets.

Cash flows from financing activities

Net cash used for financing activities amounted to ¥61,833 million, a rise of ¥19,337 million year-on-year. This result was mainly due to the repayment of long-term debt of ¥27,803 million, payment of cash dividends of ¥18,290 million and payment of debentures on redemption of ¥16,000 million.

(Reference)The trend of cash flow indices

	For the fiscal year ended				
	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
Stockholders' equity ratio (%)	71.0	70.2	67.5	65.0	64.6
Stockholders' equity ratio on market value basis (%)	166.5	164.7	117.6	132.9	118.3
Debt repayment ratio (%)	16.6	38.0	67.9	104.6	128.5
Interest coverage ratio	103.5	78.5	57.2	38.3	28.9

(Notes) Stockholders' equity ratio: stockholders' equity* / total assets

*Stockholders' equity used for calculation of indices for the fiscal year ended March 31, 2007 consists of "stockholders' equity" and "valuation and translation adjustments".

Stockholders' equity ratio at market value:

Aggregate market value of common stock / total assets

Debt repayment ratio: interest-bearing liabilities / cash flows from operating activities

Interest coverage ratio: cash flows from operating activities / interest payments

1. All indices based on consolidated financial figures.
2. Aggregate market value of common stock:
Market price at the period end x number of shares outstanding at the period end
(excluding treasury stock)
3. Interest-bearing liabilities include all liabilities on the consolidated balance sheets that incur interest.

(3) Basic policy concerning profit-sharing

From the long-term perspective, based on our fundamental strategy of expanding business earnings and strengthening the make-up of the Group's structure, we would like to share in our success by raising the dividend level as much as possible to reward shareholders.

We will use the Group's financial reserves for such needs as facility and R&D investment, acquisition of businesses, strengthening its 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 2007 (which ended on March 31, 2007), Shin-Etsu has declared a dividend of ¥45 per share, ¥20 increase over the interim dividend paid out after the end of the first half of the fiscal year. With this announcement, the dividend for FY 2007 will become ¥70 per share, a doubling of the ¥35 per share annual dividend in FY 2006.

Regarding the dividend for FY2008 (April 1, 2007 to March 31, 2008), Shin-Etsu is planning a further increase of ¥10 over the dividend declared for FY 2007; thus, the full-year dividend will become ¥80 per share (¥40 for the interim dividend and ¥40 for the dividend at the end of the fiscal year).

2. Corporate Overview

There have been no significant changes after the release of the last financial report presented on June 30, 2006. Thus, we are omitting in this report the table about "the Shin-Etsu Group's business activities" and the flowchart concerning "Business Flows Within the Group".

3. Management Policies

(1) Basic management policies

The Shin-Etsu Group makes safety its utmost priority in each and every instance, and by performing fair corporate activities and by providing key materials and technologies, we contribute to people's daily lives, industry and society. Through these contributions, we aim to meet the expectations of all shareholders by enhancing the worth of the company. Towards this end, our management policy is to establish the world's best technology and product quality while, at the same time, continuing with unceasing improvement in productivity. We endeavor to build a stable business relationship with our customers around the world, and strive to appropriately respond to changes in the market and the economic situation.

(2) Policy implementation

On March 20, 2007, a serious explosion and fire accident occurred in which 17 people were injured at our cellulose manufacturing facilities located within Shin-Etsu Chemical's Naoetsu Plant. We sincerely apologize for the great trouble and anxieties caused to those who were injured in the accident, their families, the local residents, our customers and the many other people who were affected.

We are conducting a thorough investigation to determine the cause(s) of the accident and are putting all our efforts into prevention measures. In order not to ever again cause such an accident, we are making company-wide efforts to take thorough measures in safety management and we will continue to make our utmost efforts to recover the trust of the community.

In the PVC business, because worldwide demand is expanding, Shintech in the U.S. is proceeding with the construction of integrated manufacturing facilities from electrolysis to PVC. In addition, at Shin-Etsu PVC in the Netherlands, the expansion of PVC production capacity was completed last year, and further expansion of its business is under consideration. In recent years, in China, because the expansion of production capacity in its PVC manufacturing plants is rapidly progressing and surpasses China's domestic demand level, there is some concern about the effect this may have on the world's PVC market. Shin-Etsu will continue to take appropriate policy measures centered around Shintech and through strengthening its PVC business in the Netherlands.

In the silicone business, by making the most of the product characteristics of silicones, which are in demand in an extraordinary diversity of application fields, we will go forward with the development of new products and new applications. At the same time, by strengthening the capacity of each plant in Japan, Thailand, the U.S. and others, we aim to expand this business overseas in parallel with the Japanese domestic business.

In the cellulose business, a facilities expansion project was completed in 2006 at SE Tylose in Germany, and we are going ahead with the expansion of this business. Furthermore, taking into consideration the accident at the Naoetsu Plant, we will give serious consideration to putting in place a system that can supply each product from multiple production bases.

In the semiconductor silicon business, to cope with the expanding worldwide demand, to implement an early production increase of 300mm wafers and to disperse risk, Shin-Etsu, as the world's largest maker, is continuing to make facility expansions at its total of five domestic and U.S. production bases. From a monthly 700,000 wafer production capacity system in September 2006, we are implementing an expansion plan to a monthly one-million wafer production capacity by about the fall of 2007. In this way, we are building a stable supply system. Moreover, for silicon wafers up to 200mm, to strengthen competitive power, Shin-Etsu will focus on improving productivity, assuring high product quality and differentiating our products from those of others. At present, the market is firm, but there is a possibility that fluctuations in the market may occur, although varying in its levels. To prepare for such a phase, Shin-Etsu has taken such measures as shortening the depreciation period of wafer manufacturing facilities to three years.

In addition, Shin-Etsu will focus on the expansion of the rare earth magnet business as this product is increasingly being adopted for applications such as in hard disk drives, home appliances and automobiles. We will gradually go forward with capacity expansion.

In the synthetic quartz products business, Shin-Etsu will accurately grasp the demand for large-size LCD photomask substrates and preform for optical fibers, and at the same time, we will focus on efforts toward the differentiation of product quality.

On the other hand, to deal with the continuing high level of crude oil prices, Shin-Etsu will take such measures as timely adjustment of product prices, securing raw material supplies and establishing multiple sources of supply and strengthening its business base to prepare for the effects on the economy of a sharp rise of crude oil prices. Furthermore, we will make efforts to diversify our product mix.

Moreover, to expand our businesses, we will make major efforts with regard to the R&D and commercialization of new products, and at the same time, we will carry out policies that include M&A activities with an emphasis on the importance of enhancing profits. In addition, we will further strengthen our relationships not only with customers but also with raw material suppliers and processing contractors, as Shin-Etsu strives to build the base for further business growth.

It is an essential part of our corporate mission that we fulfill our corporate social responsibilities in such areas as compliance and environmental conservation. We will continue to make all-out efforts to maximize the worth of the company.

4. Consolidated Financial Statements

4-1. Comparative Consolidated Balance Sheets

As of March 31, 2007 and 2006

	<u>Millions of Yen</u>		
	March 31, 2007	March 31, 2006	Increase (Decrease)
ASSETS			
Current Assets:			
Cash and time deposits	296,851	262,145	34,706
Notes and accounts receivable-trade	315,710	277,874	37,836
Securities	207,178	178,555	28,623
Inventories	169,177	147,367	21,810
Deferred taxes, current	40,693	34,103	6,590
Others	39,875	32,175	7,700
Less: Allowance for doubtful accounts	(5,988)	(5,233)	(755)
Total current assets	<u>1,063,499</u>	<u>926,987</u>	<u>136,512</u>
Fixed Assets:			
Property, plant and equipment			
Buildings and structures	174,413	158,298	16,115
Machinery and equipment	217,685	208,213	9,472
Land	62,221	57,237	4,984
Construction in progress	79,351	34,524	44,827
Others	11,735	10,509	1,226
Total property, plant and equipment	<u>545,408</u>	<u>468,783</u>	<u>76,625</u>
Intangible fixed assets	<u>25,964</u>	<u>25,347</u>	<u>617</u>
Investments and other assets			
Investments in securities	176,150	216,227	(40,077)
Deferred taxes, non-current	26,259	13,267	12,992
Others	22,736	20,691	2,045
Less: Allowance for doubtful accounts	(22)	(25)	3
Total investments and other assets	<u>225,123</u>	<u>250,162</u>	<u>(25,039)</u>
Total fixed assets	<u>796,496</u>	<u>744,293</u>	<u>52,203</u>
TOTAL ASSETS	<u>1,859,995</u>	<u>1,671,280</u>	<u>188,715</u>

	<u>Millions of Yen</u>		
	<u>March 31, 2007</u>	<u>March 31, 2006</u>	<u>Increase (Decrease)</u>
LIABILITIES			
Current Liabilities:			
Notes and accounts payable-trade	155,463	132,673	22,790
Short-term borrowings	24,490	18,168	6,322
Debentures of redemption within one year	-	8,000	(8,000)
Accounts payable-others	92,868	56,068	36,800
Accrued income taxes	59,962	47,259	12,703
Accrued expenses	85,378	77,314	8,064
Others	14,730	13,405	1,325
	<u>432,893</u>	<u>352,889</u>	<u>80,004</u>
Long-term Liabilities:			
Debentures	-	8,000	(8,000)
Long-term borrowings	20,652	49,670	(29,018)
Deferred taxes, non-current	28,817	40,734	(11,917)
Accrued retirement benefits	10,943	10,397	546
Others	6,373	1,689	4,684
	<u>66,786</u>	<u>110,491</u>	<u>(43,705)</u>
TOTAL LIABILITIES	<u>499,680</u>	<u>463,381</u>	<u>36,299</u>

	<u>Millions of Yen</u>		
	<u>March 31,</u> <u>2007</u>	<u>March 31,</u> <u>2006</u>	<u>Increase</u> <u>(Decrease)</u>
NET ASSETS			
Stockholders' Equity			
Common stock	119,419	-	-
Additional paid-in capital	128,177	-	-
Retained earnings	1,017,260	-	-
Less: Treasury stock, at cost	(7,560)	-	-
Total Stockholders' Equity	<u>1,257,297</u>	<u>-</u>	<u>-</u>
Valuation and translation adjustments			
Unrealized gain on available-for-sale Securities	29,173	-	-
Foreign currency translation adjustments	33,773	-	-
Total Valuation and translation adjustments	<u>62,946</u>	<u>-</u>	<u>-</u>
Share subscription rights	663	-	-
Minority interests in consolidated subsidiaries	39,407	-	-
TOTAL NET ASSETS	<u>1,360,315</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1,859,995</u>	<u>-</u>	<u>-</u>
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES		34,219	
STOCKHOLDERS' EQUITY			
Common stock	-	119,419	-
Additional paid-in capital	-	128,178	-
Retained earnings	-	882,412	-
Unrealized gain on available-for-sale Securities	-	38,599	-
Foreign currency translation adjustments	-	11,369	-
Less: Treasury stock, at cost	-	(6,300)	-
TOTAL STOCKHOLDERS' EQUITY	<u>-</u>	<u>1,173,679</u>	<u>-</u>
TOTAL LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY	<u>-</u>	<u>1,671,280</u>	<u>-</u>

4-2. Comparative Consolidated Income Statements

For the fiscal year ended March 31, 2007 and 2006

	<u>Millions of Yen</u>		
	<u>Current fiscal year Apr. '06 - Mar. '07</u>	<u>Prior fiscal year Apr. '05 - Mar. '06</u>	<u>Increase (Decrease)</u>
Net sales	1,304,695	1,127,915	176,780
Cost of sales	933,199	831,333	101,866
Gross profit	371,496	296,582	74,914
Selling, general and administrative expenses	130,467	111,262	19,205
Operating income	241,028	185,320	55,708
Non-operating Income:			
Interest income	8,545	5,572	2,973
Dividend income	1,112	1,199	(87)
Equity in earnings of affiliates	8,085	3,995	4,090
Other income	2,875	2,140	735
Total Non-operating Income	20,618	12,906	7,712
Non-operating Expenses:			
Interest expenses	2,572	2,706	(134)
Loss on disposal of property, plant and equipment	2,903	1,225	1,678
Foreign exchange loss	4,689	6,055	(1,366)
Other expenses	4,463	3,199	1,264
Total Non-operating Expenses	14,629	13,186	1,443
Ordinary income	247,018	185,040	61,978
Income before income taxes	247,018	185,040	61,978
Income taxes-Current	113,213	82,639	30,574
Income taxes-Deferred	(25,286)	(16,714)	(8,572)
Minority interest in earnings of consolidated subsidiaries	5,080	4,070	1,010
Net income	154,010	115,045	38,965

4-3. Consolidated Statements of Additional Paid-in Capital and Retained Earnings and Consolidated Statements of Changes in Net Assets

Consolidated Statements of Additional Paid-in Capital and Retained Earnings

For the fiscal year ended March 31, 2006

	<u>Millions of Yen</u>
	<u>Prior fiscal year</u> <u>Apr.'05 - Mar.'06</u>
<u>ADDITIONAL PAID-IN CAPITAL</u>	
Balance at beginning of year	<u>126,274</u>
Conversion of convertible debentures	<u>1,904</u>
Total increase	<u>1,904</u>
Balance at end of year	<u>128,178</u>
<u>RETAINED EARNINGS</u>	
Balance at beginning of year	<u>780,198</u>
Net income	115,045
Effect of increase of consolidated subsidiaries	<u>9</u>
Total increase	<u>115,054</u>
Cash dividends	11,792
Directors' and statutory auditors' bonuses	351
Loss on disposal of treasury stocks	109
Effect of change of accounting standard in an overseas consolidated subsidiary	<u>586</u>
Total decrease	<u>12,840</u>
Balance at end of year	<u>882,412</u>

Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2007

(Millions of yen)

	Stockholders' Equity					Valuation and translation adjustments			Share subscription rights	Minority Interests in consolidated subsidiaries	Total Net Assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	[Total]	Unrealized gain on available-for-sale Securities	Foreign currency translation adjustments	[Total]			
Balance as of March 31, 2006	119,419	128,178	882,412	(6,300)	1,123,711	38,599	11,369	49,968	-	34,219	1,207,898
Changes during the current period											
Cash dividends	-	-	(18,290)	-	(18,290)	-	-	-	-	-	(18,290)
Bonuses to directors and statutory auditors by appropriation	-	-	(485)	-	(485)	-	-	-	-	-	(485)
Net Income	-	-	154,010	-	154,010	-	-	-	-	-	154,010
Increase of treasury stock	-	-	-	(5,090)	(5,090)	-	-	-	-	-	(5,090)
Disposal of treasury stock	-	-	(386)	3,830	3,443	-	-	-	-	-	3,443
Others	-	(1)	-	-	(1)	-	-	-	-	-	(1)
Changes other than stockholders' equity (NET)	-	-	-	-	-	(9,425)	22,403	12,978	663	5,187	18,830
Total changes during the current period	-	(1)	134,847	(1,260)	133,586	(9,425)	22,403	12,978	663	5,187	152,416
Balance as of March 31, 2007	119,419	128,177	1,017,260	(7,560)	1,257,297	29,173	33,773	62,946	663	39,407	1,360,315

4-4. Comparative Consolidated Statements of Cash Flows

For the fiscal year ended March 31, 2007 and 2006

	<u>Millions of Yen</u>		
	<u>Current fiscal year</u>	<u>Prior fiscal year</u>	<u>Increase</u>
	<u>Apr.'06 - Mar.'07</u>	<u>Apr.'05 - Mar.'06</u>	<u>(Decrease)</u>
1. Cash flows from operating activities			
Income before income taxes	247,018	185,040	61,978
Depreciation and amortization	138,462	111,637	26,825
Increase in accrued retirement benefits	275	1,948	(1,673)
Loss on write-down of investment securities	333	119	214
Interest and dividend income	(9,658)	(6,771)	(2,887)
Interest expenses	2,572	2,706	(134)
Foreign exchange loss (gain)	1,061	(27)	1,088
Equity in earnings of affiliates	(8,085)	(3,995)	(4,090)
Increase in notes and accounts receivable	(31,018)	(30,505)	(513)
Increase in inventories	(18,416)	(7,797)	(10,619)
Increase in notes and accounts payable	30,805	21,671	9,134
Other, net	9,222	14,363	(5,141)
Subtotal	362,571	288,389	74,182
Proceeds from interest and dividends	13,323	6,612	6,711
Payment of interest	(2,633)	(2,809)	176
Payment of income taxes	(100,772)	(71,600)	(29,172)
Net cash provided by operating activities	272,488	220,592	51,896
2. Cash flows from investing activities			
Net increase in marketable securities	(13,654)	(5,151)	(8,503)
Purchase of property, plant and equipment	(185,593)	(126,661)	(58,932)
Proceeds from sales of property, plant and equipment	232	1,351	(1,119)
Purchase of intangible fixed asset	(1,999)	(1,045)	(954)
Purchase of investment securities (*Footnote)	(5,655)	(52,708)	47,053
Proceeds from sales and redemption of investment securities	30,315	47,070	(16,755)
Payments of loans	(103)	(31)	(72)
Proceeds from collection of loans	514	3,187	(2,673)
Other, net	(9,239)	(4,823)	(4,416)
Net cash used for investing activities	(185,183)	(138,813)	(46,370)
3. Cash flows from financing activities			
Net decrease in short-term debt	(3,614)	(17,717)	14,103
Proceeds from long-term debt	6,242	5,738	504
Repayment of long-term debt	(27,803)	(9,392)	(18,411)
Payment of debentures on redemption	(16,000)	(13,209)	(2,791)
Cash dividends paid	(18,290)	(11,792)	(6,498)
Other, net	(2,366)	3,877	(6,243)
Net cash used for financing activities	(61,833)	(42,496)	(19,337)
4. Effect of exchange rate change on cash and cash equivalents	5,197	16,607	(11,410)
5. Net increase in cash and cash equivalents	30,669	55,890	(25,221)
6. Cash and cash equivalents at beginning of year	373,863	317,733	56,130
7. Net increase in cash and cash equivalents by change of consolidation scope	-	239	(239)
8. Cash and cash equivalents at end of year	404,532	373,863	30,669

(*Footnote) Payment of ¥25,521 million for the additional acquisition of shares in Mimasu Semiconductor Industry Co., Ltd. is included in the amount for the fiscal year ended March 31, 2006.

4-5. Basis of Presenting Consolidated Financial Statements

After the release of last year's financial report presented on June 30, 2006, there have been no significant changes, except for the following matter. Thus, we are omitting Notes concerning these matters.

Depreciation method of significant depreciable assets

Additional information

In the prior fiscal year, the period of depreciation for semiconductor silicon manufacturing facilities was five years. However, in order to keep pace with rapid technology innovation resulting from strong market demand for higher-quality silicon wafers, from the current fiscal year the period of depreciation has been changed mainly to three years. Consequently, the depreciation expenses for the current fiscal year, when compared with the figures calculated for the previous depreciable years, increased by ¥23,875 million and operating income, ordinary income and income before income taxes each decreased by ¥22,405 million.

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

1. Accounting standard for Directors' bonus

Effective from the current fiscal year ended March 31, 2007, Shin-Etsu Chemical Co., Ltd. ("the Company") and its domestic consolidated subsidiaries adopted the new "Accounting standard for directors' bonus" (Accounting Standard Board of Japan Statement No.4 issued on November 29, 2005 by the Accounting Standard Board of Japan).

The effect of the adoption of the standard on operating income, ordinary income and income before income taxes was a decrease of ¥520 million each.

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

Effective from the current fiscal year ended March 31, 2007, the Company and its domestic consolidated subsidiaries adopted the new "Accounting standard for presentation of net assets in the balance sheet" (Accounting Standards Board of Japan Statement No.5 issued on December 9, 2005 by the Accounting Standards Board of Japan) as well as "Implementation guidance for accounting standards for presentation of net assets in the balance sheet" (Accounting Standards of Japan Guidance No.8 issued on December 9, 2005 by the Accounting Standards Board of Japan).

The amount corresponding to conventional "Stockholders' equity" in the balance sheet is ¥1,320,244 million.

3. Accounting Standard for Stock Options

Effective from the current year ended March 31, 2007, the Company and its domestic consolidated subsidiaries adopted the new "Accounting for subscription rights to shares and for bonds with subscription rights to shares" (Accounting Standards Board of Japan Statement No.8 issued on December 27, 2005) as well as "Implementation guidance for Accounting standards for share-based payment" (Accounting Standards of Japan Guidance No.11 issued on May 31, 2006).

The effect of the adoption of the standard on operating income, ordinary income and income before income taxes was a decrease of ¥704 million each.

(Notes to Consolidated Balance Sheet)

	Millions of Yen	
	March 31, 2007	March 31, 2006
1. Accumulated depreciation of property, plant and equipment	1,126,523	1,009,857
2. Pledged assets		
Buildings and structures	7,306	16,184
Machinery and equipment	20,743	42,437
Land	3,414	3,923
Others	764	1,065
Total	<u>32,228</u>	<u>63,611</u>
Secured liabilities		
Short-term borrowings	782	1,465
Long-term borrowings	222	1,007
Total	<u>1,005</u>	<u>2,473</u>

(Note to Consolidated Income Statements)

	Millions of Yen	
	March 31, 2007	March 31, 2006
Research and development costs	41,737	32,003

(Segment Information)**1. Business Segment Information**

Millions of Yen						
For the fiscal year ended March 31, 2007 (Apr. '06 - Mar. '07)						
	Organic and Inorganic Chemicals	Electronics Materials	Functional Materials and Others	Total	Elimination or Corporate assets	Consolidated Total
Sales to outside customers	708,433	479,391	116,870	1,304,695	-	1,304,695
Intersegment sales	11,724	3,023	93,652	108,400	(108,400)	-
Total	720,158	482,414	210,522	1,413,096	(108,400)	1,304,695
Operating costs and expenses	613,471	375,767	182,918	1,172,158	(108,491)	1,063,666
Operating income	106,686	106,647	27,604	240,938	90	241,028
Assets	772,308	629,196	198,690	1,600,194	259,801	1,859,995
Depreciation	28,797	101,405	8,473	138,676	(213)	138,462
Capital expenditure	94,148	105,619	10,956	210,724	(111)	210,613

Millions of Yen						
For the fiscal year ended March 31, 2006 (Apr. '05 - Mar. '06)						
	Organic and Inorganic Chemicals	Electronics Materials	Functional Materials and Others	Total	Elimination or Corporate assets	Consolidated Total
Sales to outside customers	636,491	361,452	129,970	1,127,915	-	1,127,915
Intersegment sales	9,502	3,567	59,691	72,761	(72,761)	-
Total	645,994	365,020	189,662	1,200,677	(72,761)	1,127,915
Operating costs and expenses	549,822	299,744	165,639	1,015,207	(72,611)	942,595
Operating income	96,171	65,275	24,022	185,470	(149)	185,320
Assets	664,380	516,974	165,224	1,346,580	324,700	1,671,280
Depreciation	27,666	75,815	8,360	111,843	(205)	111,637
Capital expenditure (Footnote)	46,241	65,656	8,353	120,251	(443)	119,808

(Footnote) Mimasu Semiconductor Industry Co., Ltd., which substantially belongs to the Electronics Materials segment, is now included in the affiliates where the equity method accounting is applied during the previous fiscal year, as a result of the additional acquisition of shares during the previous fiscal year. Payment for this acquisition was ¥25,521 million, which is not included in the "Capital expenditures" in the chart above. If this amount were included, capital expenditures for this fiscal year would be ¥145,329 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, Silicones, Methanol, Chloromethanes, Cellulose derivatives, Caustic soda, Silicon metal and Poval
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, Liquid Fluoroelastomers, 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, 2007 and 2006 were ¥309,306 million and ¥360,148 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. Additional information

(For the current fiscal year ended March 31,2007)

In the current fiscal year, the period of depreciation for the semiconductor silicon manufacturing facilities/equipment was shortened from the previous period of 5 years to mainly 3 years in the current fiscal year. With this change, the depreciation expenses under the Electronics Materials business segment for the current fiscal year, when compared with the figures calculated for the previous depreciable years, increased by ¥23,875 million. Operating expenses increased by ¥22,405 million, and accordingly, operating income decreased by the same amount.

(For the previous fiscal year ended March 31,2006)

In the previous fiscal year, the period of depreciation for a portion of the semiconductor silicon manufacturing facilities/equipment was shortened. With this change, the depreciation expenses under the Electronics Materials business segment for the fiscal year ended March 31, 2006, when compared with the figures calculated for the previous depreciable years, increased by ¥9,957 million. Operating expenses increased by ¥9,505 million, and accordingly, operating income decreased by the same amount.

2. Geographic Segment information

	Millions of Yen						
	For the fiscal year ended March 31,2007 (Apr.'06 - Mar.'07)						
	Japan	North America	Asia/Oceania	Europe	Total	Elimination or Corporate assets	Consolidated Total
Sales to outside customers	639,900	313,302	186,521	164,971	1,304,695	-	1,304,695
Intersegment sales	244,411	38,996	64,946	836	349,190	(349,190)	-
Total	884,312	352,298	251,467	165,808	1,653,886	(349,190)	1,304,695
Operating costs and expenses	709,156	314,015	236,212	154,857	1,414,242	(350,575)	1,063,666
Operating income	175,155	38,283	15,254	10,950	239,644	1,384	241,028
Assets	962,147	421,474	182,256	154,403	1,720,281	139,714	1,859,995

	Millions of Yen						
	For the fiscal year ended March 31,2006 (Apr.'05 - Mar.'06)						
	Japan	North America	Asia/Oceania	Europe	Total	Elimination or Corporate assets	Consolidated Total
Sales to outside customers	574,447	287,477	130,027	135,963	1,127,915	-	1,127,915
Intersegment sales	184,832	23,198	61,736	676	270,444	(270,444)	-
Total	759,280	310,675	191,764	136,640	1,398,360	(270,444)	1,127,915
Operating costs and expenses	620,501	284,078	182,164	126,767	1,213,512	(270,916)	942,595
Operating income	138,778	26,596	9,600	9,872	184,847	472	185,320
Assets	807,041	362,520	151,300	131,265	1,452,127	219,153	1,671,280

(Notes)

1. Main countries or areas other than Japan

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

2. The amounts of the corporate assets included in the column "Elimination or corporate assets" for the fiscal year ended March 31, 2007 and 2006 were ¥309,306 million and ¥360,148 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. Additional information

(For the current fiscal year ended March 31,2007)

In the current fiscal year, the period of depreciation for the semiconductor silicon manufacturing facilities/equipment was shortened from the previous period of 5 years to mainly 3 years in the current fiscal year. As a result, operating expenses for Japan, North America, Asia/Oceania and Europe for the current fiscal year, increased by ¥13,321 million, ¥4,029 million, ¥2,954 million and ¥2,099 million, respectively, compared with the figures calculated for the previous depreciable years. Accordingly, operating income decreased by the same amounts.

(For the previous fiscal year ended March 31,2006)

In the previous fiscal year, the period of depreciation for a portion of the semiconductor silicon manufacturing facilities/equipment was shortened. As a result, operating expenses for Japan, North America, Asia/Oceania and Europe for the fiscal year ended March 31, 2006, increased by ¥1,316 million, ¥5,656 million, ¥1,381 million and ¥1,151 million, respectively, compared with the figures calculated for the previous depreciable years. Accordingly, operating income decreased by the same amounts.

3. Overseas sales information

	Millions of Yen				
	For the fiscal year ended March 31, 2007(Apr.'06 - Mar.'07)				
	North America	Asia/ Oceania	Europe	Other Areas	Total
Overseas sales	295,093	393,314	164,005	47,925	900,338
Consolidated sales					1,304,695
Percentage of overseas sales over consolidated sales	22.6	30.1	12.6	3.7	69.0

	Millions of Yen				
	For the fiscal year ended March 31, 2006(Apr.'05 - Mar.'06)				
	North America	Asia/ Oceania	Europe	Other Areas	Total
Overseas sales	278,342	310,609	131,724	31,949	752,625
Consolidated sales					1,127,915
Percentage of overseas sales over consolidated sales	24.7	27.5	11.7	2.8	66.7

(Notes)

1. Main countries or areas

North America : The U.S. and Canada

Asia/ Oceania : China, Taiwan, South Korea, Singapore, Thailand and Malaysia

Europe : Germany, France and Portugal

Other Areas : Latin America and 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" were ¥97,017 million for the fiscal year ended March 31, 2007 and ¥77,203 million for the fiscal year ended March 31, 2006.

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

	Billions of Yen					
	Net Sales			Operating Income		
	For the fiscal year ended March 31, 2007	March 31, 2006	Increase (Decrease)	For the fiscal year ended March 31, 2007	March 31, 2006	Increase (Decrease)
Polyvinyl chloride	375.8	345.3	30.5	42.0	38.0	4.0
Silicones	198.8	176.5	22.3	42.3	38.7	3.6
Others	133.8	114.7	19.1	22.4	19.5	2.9
Total Organic and Inorganic Chemicals Business Segment	708.4	636.5	[11.3%] 71.9	106.7	96.2	[10.9%] 10.5
Semiconductor silicon	406.7	305.7	101.0	90.0	52.9	37.1
Others	72.7	55.7	17.0	16.6	12.4	4.2
Total Electronics Materials Business Segment	479.4	361.4	[32.6%] 118.0	106.6	65.3	[63.4%] 41.3
Synthetic quartz products	32.9	34.5	(1.6)	14.0	13.2	0.8
Rare earth magnets and Other functional materials	34.8	30.6	4.2	7.7	5.7	2.0
Others	49.2	64.9	(15.7)	5.9	5.1	0.8
Total Functional Materials and Others Business Segment	116.9	130.0	[(10.1)%] (13.1)	27.6	24.0	[14.9%] 3.6
Elimination	-	-	-	0.1	(0.2)	0.3
Total	1,304.7	1,127.9	[15.7%] 176.8	241.0	185.3	[30.1%] 55.7

(Deferred Tax)

1. Factors of deferred tax assets and liabilities

	Millions of Yen	
	As of March 31, 2007	As of March 31, 2006
Deferred Tax Assets		
Depreciation	28,541	15,881
Unsettled accounts receivable and payable	7,450	6,943
Maintenance cost	6,949	5,139
Unrealized profit	4,463	4,631
Accrued bonus allowance	4,429	3,943
Accrued enterprise taxes	3,678	3,248
Special provision for accrued retirement benefits	3,636	3,614
Tax loss carry forwards	1,231	1,667
Others	25,207	21,294
Deferred Tax Assets sub-total	85,589	66,365
Valuation allowance	(4,217)	(4,339)
Deferred Tax Assets Total	81,371	62,026
Deferred Tax Liabilities		
Depreciation	19,998	24,248
Unrealized gain on available-for-sale securities	19,545	25,939
Reserve for special depreciation	809	2,245
Others	2,883	2,965
Deferred Tax Liabilities Total	43,237	55,398
Net Deferred Tax Assets	38,134	6,627

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

	Millions of Yen	
	As of March 31, 2007	As of March 31, 2006
Current assets : Deferred taxes, current	40,693	34,103
Fixed assets : Deferred taxes, non-current	26,259	13,267
Current liabilities : Others	(1)	(9)
Long-term liabilities: Deferred taxes, non-current	(28,817)	(40,734)

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

	As of March 31, 2007	As of March 31, 2006
Statutory tax rate	40.4%	40.4%
Rate difference from foreign subsidiaries	(2.7)	(3.4)
Tax deduction for research expenses	(1.0)	(0.9)
Dividend income not taxable	(0.5)	(0.5)
Entertainment and other non-deductible expenses	0.1	0.2
Others, net	(0.7)	(0.2)
Effective tax rate	35.6	35.6

(Securities)

As of March 31, 2007

(1) Market value of bonds held to maturity

	Millions of Yen		
	Book value	Market value	Unrealized gain (loss)
Securities with fair value that exceeds book value			
National and local government bonds and others	0	0	0
Debentures	19,103	19,107	4
Others	2,999	3,001	2
Subtotal	22,102	22,109	6
Securities with fair value that does not exceed book value			
National and local government bonds and others	2,101	2,090	(11)
Debentures	43,326	43,252	(73)
Others	12,193	12,181	(12)
Subtotal	57,621	57,524	(96)
Total	79,723	79,633	(90)

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

	Millions of Yen		
	Acquisition cost	Book value	Unrealized gain(loss)
Securities with book value that exceeds acquisition cost			
Stocks	29,205	77,891	48,685
Subtotal	29,205	77,891	48,685
Securities with book value that does not exceed acquisition cost			
Stocks	374	300	(74)
Subtotal	374	300	(74)
Total	29,580	78,192	48,611

(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	0
Non-listed overseas bonds	23,000
2. Investments in unconsolidated subsidiaries and affiliates	67,452
3. Available-for-sale securities	
Non-listed shares	3,503
Non-listed overseas bonds	127,272
Others	4,185

(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
1. Bonds			
National and Local government bonds and others	128,383	990	-
Debentures	41,187	4,000	-
Others	34,309	21,124	-
2. Others	2,959	144	739
Total	206,839	26,260	739

As of March 31, 2006

(1) Market value of bonds held to maturity

	Millions of Yen		
	Book value	Market value	Unrealized gain(loss)
Securities with fair value that exceeds book value			
National and local government bonds and others	0	0	0
Debentures	17,704	17,711	7
Others	5,803	5,803	0
Subtotal	23,507	23,515	7
Securities with fair value that does not exceed book value			
National and local government bonds and others	1,723	1,713	(10)
Debentures	23,413	23,238	(175)
Others	14,217	14,179	(38)
Subtotal	39,355	39,131	(224)
Total	62,862	62,646	(216)

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

	Millions of Yen		
	Acquisition cost	Book value	Unrealized gain(loss)
Securities with book value that exceeds acquisition cost			
Stocks	29,345	93,903	64,558
Subtotal	29,345	93,903	64,558
Securities with book value that does not exceed acquisition cost			
Stocks	247	236	(11)
Subtotal	247	236	(11)
Total	29,593	94,139	64,546

(3) Bonds held to maturity sold in the fiscal year ended March 31, 2006

	Millions of Yen		
	Cost of sales	Sales amount	Realized gain/loss
Non-listed overseas bonds	12,475	12,475	-

(Note) One of consolidated subsidiaries sold the bonds due to reviewing strategy of its surplus fund investment.

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

	Millions of Yen
	Book value
1. Bonds held to maturity	
Non-listed domestic bonds	0
Non-listed overseas bonds	31,573
2. Investments in unconsolidated subsidiaries and affiliates	58,944
3. Available-for-sale securities	
Non-listed shares	2,380
Non-listed overseas bonds	141,692
Others	3,188

(5) 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
1. Bonds			
National and Local government bonds and others	118,827	717	257
Debentures	12,709	10,612	-
Others	44,918	47,511	-
2. Others	2,043	794	346
Total	178,499	59,636	604

(Per share information)

	Current fiscal year Apr.'06 - Mar.'07	Prior fiscal year Apr.'05 - Mar.'06
Net assets per share(in yen)	3,065.80	2,730.94
Net income per share(in yen)	357.78	266.63
Diluted net income per share(in yen)	357.32	266.07

(Note) Please see the following data for calculation of “Net income per share” and ” Diluted net income per share” for further detail.

	Millions of Yen	
	Current fiscal year Apr.'06 - Mar.'07	Prior fiscal year Apr.'05 - Mar.'06
Data for calculation of net income per share		
Net income	154,010	115,045
Amount which is not appropriated to shareholder of common stock	-	502
[Directors' bonuses included in the above]	[-]	[502]
Net income belonging to common stock	154,010	114,542
Weighted average number of shares outstanding(in thousands share)	430,466	429,587
Data for calculation of diluted net income per share		
Adjustments to Net income	(34)	(72)
[Interest payable after income taxes in the above]	[-]	[14]
[Adjustment of share subscription rights in the above]	[(31)]	[(27)]
[Adjustment of convertible bond in the above]	[(2)]	[(58)]
Increase of common stock(in thousands share)	455	636
[Convertible bond in the above]	-	[316]
[Share subscription rights in the above]	[455]	[319]
Potential stock not to be included in calculation of diluted net income per share due to not working as dilution	-	-

(Omission of disclosure)

We are omitting Notes in relation to lease transactions, related party transactions, derivative transactions, retirement benefits and stock options because it is considered that these information are not essential to disclose in the financial report.

5. Non-consolidated Financial Statements**5-1. Comparative Non-consolidated Balance Sheets**

As of March 31, 2007 and 2006

	<u>Millions of Yen</u>		
	<u>March 31, 2007</u>	<u>March 31, 2006</u>	<u>Increase (Decrease)</u>
ASSETS			
Current Assets:			
Cash and time deposits	141,454	154,912	(13,458)
Notes and accounts receivable-trade	210,076	177,934	32,142
Securities	75,496	34,014	41,482
Inventories	50,160	44,441	5,719
Deferred taxes, current	17,867	16,099	1,768
Short-term loans	9,402	19,601	(10,199)
Others	37,911	37,172	739
Less: Allowance for doubtful accounts	(1,860)	(1,170)	(690)
Total current assets	<u>540,510</u>	<u>483,007</u>	<u>57,503</u>
Fixed Assets:			
Property, plant and equipment			
Buildings and structures	35,610	35,188	422
Machinery and equipment	45,167	45,783	(616)
Others	29,790	27,633	2,157
Total property, plant and equipment	<u>110,567</u>	<u>108,605</u>	<u>1,962</u>
Intangible fixed assets	<u>670</u>	<u>841</u>	<u>(171)</u>
Investments and other assets			
Investments in securities	90,874	134,073	(43,199)
Investments in capital stock of subsidiaries and affiliates	129,209	129,236	(27)
Long-term loans	12,312	3,330	8,982
Long-term time deposits	10,000	10,000	-
Others	4,276	5,102	(826)
Less: Allowance for doubtful accounts	(10)	(10)	-
Total investments and other assets	<u>246,663</u>	<u>281,732</u>	<u>(35,069)</u>
Total fixed assets	<u>357,902</u>	<u>391,179</u>	<u>(33,277)</u>
TOTAL ASSETS	<u>898,412</u>	<u>874,186</u>	<u>24,226</u>

	<u>Millions of Yen</u>		
	<u>March 31, 2007</u>	<u>March 31, 2006</u>	<u>Increase (Decrease)</u>
LIABILITIES			
Current Liabilities:			
Accounts payable-trade	126,241	120,727	5,514
Short-term borrowings	18,409	11,100	7,309
Accounts payable-others	22,149	16,354	5,795
Accrued expenses	23,572	22,804	768
Accrued income taxes	18,788	20,167	(1,379)
Others	3,799	3,531	268
Total current liabilities	<u>212,961</u>	<u>194,687</u>	<u>18,274</u>
Long-term Liabilities:			
Long-term borrowings	2,524	13,753	(11,229)
Deferred taxes, non-current	9,730	17,886	(8,156)
Others	897	808	89
Total long-term liabilities	<u>13,151</u>	<u>32,448</u>	<u>(19,297)</u>
TOTAL LIABILITIES	<u>226,112</u>	<u>227,135</u>	<u>(1,023)</u>
NET ASSETS			
Stockholders' Equity			
Common Stock	119,419	-	-
Additional paid-in capital	120,771	-	-
Retained earnings	416,942	-	-
Less: Treasury Stocks, at cost	(7,560)	-	-
Total Stockholders' Equity	649,573	-	-
Valuation and translation adjustments	22,196	-	-
Share subscription rights	529	-	-
TOTAL NET ASSETS	<u>672,299</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>898,412</u>	<u>-</u>	<u>-</u>
STOCKHOLDERS' EQUITY			
Common stock	-	119,419	-
Additional paid-in capital	-	120,771	-
Retained earnings	-	384,833	-
Unrealized gain on available-for-sale securities	-	28,325	-
Less: Treasury stocks, at cost	-	(6,300)	-
TOTAL STOCKHOLDERS' EQUITY	<u>-</u>	<u>647,050</u>	<u>-</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>-</u>	<u>874,186</u>	<u>-</u>

5-2. Comparative Non-consolidated Income Statements

For the fiscal year ended March 31, 2007 and 2006

	Current fiscal year Apr.'06 - Mar.'07	<u>Millions of Yen</u> Prior fiscal year Apr.'05 - Mar.'06	Increase (Decrease)
Net sales	697,248	582,426	114,822
Cost of sales	574,672	474,401	100,271
Gross profit	122,576	108,024	14,552
Selling, general and administrative expenses	41,375	34,338	7,037
Operating income	81,200	73,685	7,515
Non-operating Income:			
Interest income	759	399	360
Dividend income	3,719	2,979	740
Other income	2,114	1,173	941
Total Non-operating Income	6,593	4,552	2,041
Non-operating Expenses:			
Interest expenses	438	473	(35)
Other expenses	7,281	5,650	1,631
Total Non-operating Expenses	7,719	6,123	1,596
Ordinary income	80,075	72,115	7,960
Income before income taxes	80,075	72,115	7,960
Income taxes-Current	34,760	31,480	3,280
Income taxes-Deferred	(5,770)	(4,430)	(1,340)
Net income	51,085	45,065	6,020
Retained earnings at beginning of year	-	9,283	-
Interim cash dividend	-	7,517	-
Loss on disposal of treasury stocks	-	109	-
Unappropriated retained earnings	-	46,722	-

5-3. Non-consolidated Proposal for Appropriation of Retained Earnings and Non-consolidated Statements of Changes in Net Assets

Non-consolidated Proposal for Appropriation of Retained Earnings

	<u>Millions of Yen</u> <u>For the fiscal year ended</u> <u>March 31,</u> <u>2006</u>
Unappropriated Retained Earnings:	
Balance at end of year	46,722
Reversal of reserve for special depreciation	542
Reversal of reserve for deferred profit on sale of fixed assets	181
Total	<u>47,445</u>
Appropriations :	
Cash dividends	7,536 (¥17.50 per share)
Directors' and statutory auditors' bonuses [Statutory Auditors' bonuses]	299 [8]
Transfer to reserve for special depreciation	477
Transfer to reserve for unspecified purposes	24,000
Unappropriated retained Earnings :	
Balance to be carried forward	<u>15,133</u>

Non-consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2007

(Millions of yen)

	Stockholders' Equity						Valuation and translation adjustments	Share subscription rights	Total Net Assets	
	Common stock	Additional paid-in capital	Retained earnings			Treasury stock	[Total]			Unrealized gain on available-for-sale Securities
			Legal earned reserves	Others	[Total]					
Balance as of March 31, 2006	119,419	120,771	6,778	378,055	384,833	(6,300)	618,725	28,325	-	647,050
Changes during the current period										
Cash dividends	-	-	-	(18,290)	(18,290)	-	(18,290)	-	-	(18,290)
Bonuses to directors and statutory auditors by appropriation	-	-	-	(299)	(299)	-	(299)	-	-	(299)
Net Income	-	-	-	51,085	51,085	-	51,085	-	-	51,085
Increase of treasury stock	-	-	-	-	-	(5,090)	(5,090)	-	-	(5,090)
Disposal of treasury stock	-	-	-	(386)	(386)	3,830	3,443	-	-	3,443
Changes other than stockholders' equity (NET)	-	-	-	-	-	-	-	(6,129)	529	(5,600)
Total changes during the current period	-	-	-	32,108	32,108	(1,260)	30,848	(6,129)	529	25,248
Balance as of March 31, 2007	119,419	120,771	6,778	410,164	416,942	(7,560)	649,573	22,196	529	672,299