

Press Release of Consolidated Operating Results



For the First Quarter ended June 30, 2005

July 11, 2005

Shin-Etsu Chemical Co., Ltd.

Listing Code No. 4063 (Listing Stock Exchange: Tokyo, Osaka, Nagoya)

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

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1). Notes to Consolidated Operating Results

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

2). Consolidated Operating Results for the First Quarter ended June 30, 2005 (From April 1, 2005 to June 30, 2005)

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

Results of Consolidated Operations

	Millions of Yen				
	First Quarter ended June 30				Fiscal year ended March 31, 2005
	2005		2004		
Net sales	259,538	16.5%	222,833	11.3%	967,486
Operating income	44,032	22.2%	36,020	-	151,734
Ordinary income	44,026	21.9%	36,117	-	151,503
Net income	26,787	24.7%	21,481	-	93,160
Net income per share (in yen)	62.51	-	51.05	-	219.10
Diluted net income per share (in yen)	62.37	-	49.97	-	216.11

- (Notes) 1. The percentages of change for net sales, operating income, ordinary income and net income represent percentage increases over the results of the corresponding period of the previous fiscal year.
2. Disclosure of quarterly consolidated operating results other than that for net sales have been made starting from the first quarter ended on June 30, 2004. Accordingly, the percentage change in operating results other than that for net sales over the corresponding period ended on June 30, 2003, is not included.

Qualitative Information Related to the Results of Consolidated Operations

In the PVC business, while raw materials prices have stayed at a high level, Shintech in the U.S. implemented an upward revision to the price of PVC and achieved results that exceeded those of the corresponding period in the previous fiscal year. Shin-Etsu PVC in the Netherlands also continued to achieve good results in both production and sales. With regard to the domestic PVC business, although exports to China faced an adjustment phase, the domestic PVC market was steady, and as a whole, domestic PVC sales remained at the same level as the corresponding period in the previous fiscal year. In the silicones business, the domestic market generally continued to be strong, and in the global market, the implementation of an upward price revision improved profitability, resulting in good performance. The cellulose derivatives business was firm, mainly in applications for construction materials, pharmaceuticals and automobiles. SE Tylose in Germany also continued to do well, mainly in sales for applications in construction materials.

With regard to the semiconductor silicon business, sales were firm for such product applications as memory chips, particularly in Asia. Shipments of 300mm wafers, 200mm wafers and specialty wafers such as SOI wafers continued to be steady. Rare earth magnets for the electronics industries continued to do well while applications expanded for hard disk drives. In addition, organic materials for the electronics industries and photoresists products did well.

Shipments of functional materials such as synthetic quartz products and rare earth magnets for general industrial use continued to be strong due to firm demand for such end-use applications as those in digital home appliances and automobiles.

(Reference)

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

The revision of forecast has not been made. The forecast for the fiscal year will be reviewed after the close of the fiscal half.

(Attachment)

Consolidated Income Statements (Summary)

	Millions of Yen			
	First Quarter ended June 30, 2005 Apr.-Jun.2005	First Quarter ended June 30, 2004 Apr.-Jun.2004	Increase (Decrease)	Fiscal year ended March 31, 2005 Apr.2004-Mar.2005
Net sales	259,538	222,833	36,705	967,486
Cost of sales	190,129	164,236	25,893	715,143
Gross profit	69,409	58,597	10,812	252,343
Selling, general and administrative expenses	25,377	22,576	2,801	100,608
Operating income	44,032	36,020	8,012	151,734
Net non-operating income (expenses)	(6)	96	(102)	(230)
Ordinary income	44,026	36,117	7,909	151,503
Income before income taxes	44,026	36,117	7,909	151,503
Income taxes	16,219	13,970	2,249	55,219
Minority interest in earnings of consolidated subsidiaries	1,018	665	353	3,123
Net income	26,787	21,481	5,306	93,160

Business Segment Information

	Millions of Yen					
	First Quarter ended June 30, 2005		First Quarter ended June 30, 2004		Fiscal year ended March 31,2005	
	Apr.-Jun.2005		Apr.-Jun.2004		Apr.2004-Mar.2005	
	Sales	Operating income	Sales	Operating income	Sales	Operating income
Organic and Inorganic Chemicals	148,726	22,872	120,705	17,273	548,950	77,894
Electronics Materials	80,287	15,276	72,820	13,516	306,925	53,684
Functional Materials and Others	30,524	5,776	29,307	5,164	111,610	20,123
Elimination	-	108	-	66	-	32
Consolidated total	259,538	44,032	222,833	36,020	967,486	151,734