



5. Press Release of Non-consolidated Financial Data

For the fiscal year ended March 31, 2006

May 15, 2006

Shin-Etsu Chemical Co., Ltd.

The seat of headquarters : Tokyo
 Listing Code No. 4063
 (URL <http://www.shinetsu.co.jp/>)
 Listing Stock Exchange: Tokyo, Osaka, Nagoya
 Interim cash dividends being paid
 Trading unit of the company consists of 100 shares
 Representative:
 Chihiro Kanagawa (Mr.)
 Representative Director-President
 Personnel to contact:
 Toshiyuki Kasahara (Mr.)
 Director, General Manager of Finance & Accounting Department
 Telephone: +81-3-3246-5051
 Date of Board of Directors Meeting
 For the authorization of the financial statements
 for the current fiscal year ... May 15, 2006
 Scheduled Date for General Meeting of Stockholders: June 29, 2006
 Starting date of cash dividend payment ... June 30, 2006

5-1. Operating Performance for the Current Fiscal Year ended March 31, 2006

(From April 1, 2005 to March 31, 2006)

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

(1) Results of non-consolidated operations

	<u>Millions of Yen</u>	
	<u>Current fiscal year</u> <u>Apr '05 – Mar '06</u>	<u>Prior fiscal year</u> <u>Apr '04 – Mar '05</u>
Net sales	582,426	520,289
Ratio of increase over the preceding year	11.9%	7.8%
Operating income	73,685	63,081
Ratio of increase over the preceding year	16.8%	12.5%
Ordinary income	72,115	62,030
Ratio of increase over the preceding year	16.3%	6.8 %
Net income	45,065	39,020
Ratio of increase over the preceding year	15.5%	12.4%
Net income per share (in yen)	104.21	91.73
Diluted net income per share (in yen)	104.09	90.58
Ratio of net income over total stockholders' equity	7.3%	6.9%
Ratio of ordinary income over total assets employed	8.7%	8.1%
Ratio of ordinary income over net sales	12.4%	11.9%
(Notes)		
1. Average number of shares outstanding (in shares)	429,587,219	423,518,768
2. Changes in accounting policies applied : No		

(2) Non-consolidated cash dividends

	<u>Current fiscal year</u> <u>Apr '05 – Mar '06</u>	<u>Prior fiscal year</u> <u>Apr '04 – Mar '05</u>
Interim cash dividend per share (in yen)	17.50	10.00
Year-end cash dividend per share (in yen)	17.50	10.00
Total annual cash dividend per share (in yen)	35.00	20.00
Total annual cash dividends paid (millions of yen)	15,053	8,509
Earnings dividend ratio	33.6%	21.8%
Ratio of dividends over total stockholders' equity	2.3%	1.4%

(3) Non-consolidated financial position

	<u>Millions of Yen</u>	
	<u>March 31,</u> <u>2006</u>	<u>March 31,</u> <u>2005</u>
Total assets	874,186	777,928
Total stockholders' equity	647,050	588,048
Equity ratio	74.0%	75.6%
Stockholders' equity per share (in yen)	1,505.52	1,375.02
(Notes)		
Number of shares outstanding (in shares)	430,640,725	427,540,080
Number of treasury stocks	1,465,968	2,578,655

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

	<u>Millions of Yen</u>	
	<u>Six Months</u> <u>Apr – Sep '06</u>	<u>Fiscal year</u> <u>Apr '06 – Mar '07</u>
Net sales	310,000	630,000
Ordinary income	38,000	76,000
Net income	24,000	48,000
Interim cash dividends per share (in yen)	25.00	-
Year-end cash dividends per share (in yen)	-	25.00
Total annual cash dividend per share (in yen)	-	50.00

(Reference)

The forecast of "Net income per share" (for the year ending March 31, 2007) - 111.46 yen per share

(Note)

The forecast of results of operations made in this document involves risks and uncertainties since the forecast is based on management's assumptions and beliefs in light of the information currently available to it. The reader should be aware that actual results may be materially different from any future results expressed herein due to various factors. Material factors affecting the actual results may include overall economic conditions in which the businesses of our company and our group companies are involved, the relevant market trends and fluctuations in foreign exchange rates of the yen, in particular, the exchange rate between the U.S. dollars and the yen ; provided, however, that such factors as may affect results of operations are not limited to those enumerated above.

6. Non-consolidated Financial Statements

6-1. Comparative Non-consolidated Balance Sheets

As of March 31, 2006 and 2005

ASSETS	<u>Millions of Yen</u>		
	<u>March 31, 2006</u>	<u>March 31, 2005</u>	<u>Increase (Decrease)</u>
Current Assets:			
Cash and time deposits	154,912	144,289	10,623
Notes and accounts receivable-trade	177,934	157,705	20,229
Securities	34,014	32,532	1,482
Inventories	44,441	39,865	4,576
Deferred taxes, current	16,099	13,441	2,658
Others	56,774	51,838	4,936
Less: Allowance for doubtful accounts	<u>(1,170)</u>	<u>(1,060)</u>	<u>(110)</u>
Total current assets	<u>483,007</u>	<u>438,612</u>	<u>44,395</u>
Fixed Assets:			
Property, plant and equipment			
Buildings and structures	35,188	35,501	(313)
Machinery and equipment	45,783	44,896	887
Others	<u>27,633</u>	<u>25,166</u>	<u>2,467</u>
Total property, plant and equipment	<u>108,605</u>	<u>105,563</u>	<u>3,042</u>
Intangible fixed assets	<u>841</u>	<u>968</u>	<u>(127)</u>
Investments and other assets			
Investments in securities	134,073	111,271	22,802
Investments in capital stock of subsidiaries and affiliates	129,236	102,492	26,744
Deposits in long-term time deposits	10,000	10,000	-
Others	8,432	9,030	(598)
Less: Allowance for doubtful accounts	<u>(10)</u>	<u>(10)</u>	<u>-</u>
Total investments and other assets	<u>281,732</u>	<u>232,783</u>	<u>48,949</u>
Total fixed assets	<u>391,179</u>	<u>339,315</u>	<u>51,864</u>
TOTAL ASSETS	<u>874,186</u>	<u>777,928</u>	<u>96,258</u>

	<u>Millions of Yen</u>		
	<u>March 31, 2006</u>	<u>March 31, 2005</u>	<u>Increase (Decrease)</u>
LIABILITIES			
Current Liabilities:			
Notes and accounts payable-trade	120,727	93,015	27,712
Short-term borrowings	11,100	14,377	(3,277)
Convertible debentures of redemption within one year	-	3,816	(3,816)
Accounts payable-others	16,354	14,413	1,941
Accrued expenses	22,804	23,899	(1,095)
Accrued income taxes	20,167	16,066	4,101
Others	3,531	886	2,645
Total current liabilities	<u>194,687</u>	<u>166,475</u>	<u>28,212</u>
Long-term Liabilities:			
Long-term borrowings	13,753	14,957	(1,204)
Deferred taxes, non-current	17,886	7,858	10,028
Accrued retirement benefits	808	588	220
Total long-term liabilities	<u>32,448</u>	<u>23,404</u>	<u>9,044</u>
TOTAL LIABILITIES	<u>227,135</u>	<u>189,879</u>	<u>37,256</u>
STOCKHOLDERS' EQUITY			
Common stock	119,419	117,513	1,906
Additional paid-in capital	120,771	118,867	1,904
Retained earnings	384,833	351,841	32,992
Unrealized gain(loss) on available-for-sale securities	28,325	10,918	17,407
Less: Treasury stocks, at cost	<u>(6,300)</u>	<u>(11,091)</u>	<u>4,791</u>
TOTAL STOCKHOLDERS' EQUITY	<u>647,050</u>	<u>588,048</u>	<u>59,002</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>874,186</u>	<u>777,928</u>	<u>96,258</u>

6-2. Comparative Non-consolidated Income Statements

For the fiscal year ended March 31, 2006 and 2005

	<u>Millions of Yen</u>		<u>Increase (Decrease)</u>
	<u>For the fiscal year ended</u>		
	<u>March 31, 2006</u>	<u>March 31, 2005</u>	
Operating Income and Expenses:			
Net sales	582,426	520,289	62,137
Cost of sales	474,401	424,304	50,097
Gross profit	108,024	95,985	12,039
Selling, general and administrative expenses	34,338	32,904	1,434
Operating income	73,685	63,081	10,604
Non-operating Income:			
Interest income	399	311	88
Dividend income	2,979	2,476	503
Other income	1,173	993	180
	4,552	3,782	770
Non-operating Expenses:			
Interest expenses	473	601	(128)
Other expenses	5,650	4,231	1,419
	6,123	4,833	1,290
Ordinary income	72,115	62,030	10,085
Income before income taxes	72,115	62,030	10,085
Income taxes-Current	31,480	25,770	5,710
Income taxes-Deferred	(4,430)	(2,760)	(1,670)
Net income	45,065	39,020	6,045
Retained earnings at beginning of year	9,283	7,455	1,828
Interim cash dividend	7,517	4,234	3,283
Loss on disposal of treasury stocks	109	42	67
Unappropriated retained earnings	46,722	42,198	4,524

(Notes)

1. Significant Accounting Policies

- (1) Valuation of securities:
- | | | |
|--|-------|--|
| Bonds held to maturity | | Amortized cost method (straight-line method) |
| Investment in capital stock of subsidiaries and affiliates | | Moving average cost method |
| Available-for-sale securities | | |
| Marketable securities | | Market price method based on the fair market value as of the date of balance sheet. (Any balances resulting from valuation of securities shall directly be entered into capital accounts, while any costs of sales of marketable securities shall be calculated based on a moving average cost method) |
| Non-marketable securities | | Moving average cost method |
- (2) Valuation of inventories: Average cost method
- (3) Depreciation of property, plant and equipment:
Basic method: Declining-balance method
(Straight-line method is applied to Polyvinyl chloride equipment among its machinery and equipment, Electrolytic Equipment and Buildings (excluding attached facilities) acquired after April 1st, 1998.)
- (4) Calculation method of allowances
Allowance for doubtful accounts:
The company provides 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 total receivables plus the amount deemed necessary to cover individual accounts estimated to be uncollectible.
- 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 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 cost was generated.

2. Changes in Basis of Presenting Consolidated Financial Statement

The Accounting standards for impairment of fixed assets

On August 9, 2002, the Business Accounting Council of Japan issued new accounting standards entitled "Statement of Opinion on the Establishment of Accounting Standards for impairment of Fixed Assets". Further, on October 31, 2003, the Accounting Standards Board of Japan issued Financial Accounting Standards Implementation Guidance No.6 "Application Guidance on Accounting Standards for impairment on Fixed Assets". These new standards have been adopted from the current fiscal year.

As a result of adopting these new accounting standards, "Other Expenses" in "Non-operating Expenses" for the current fiscal year increased by ¥316 million, and "Ordinary income" and "Income before income taxes" decreased by the same amount. Accumulated impairment losses are directly credited from the related assets under the new rules of The Presentation of Consolidated Financial Statements.

	<u>Millions of Yen</u>	
	<u>March 31, 2006</u>	<u>March 31, 2005</u>
3. Accumulated depreciation of tangible Property, Plant and Equipment	334,682	318,899
4. Contingent liabilities for guarantee	5,355	5,130

(Lease Transactions)

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

(Securities)

Investments in capital stock of subsidiaries and affiliates with market quotation

	<u>Millions of Yen</u>	
	<u>March 31,</u> <u>2006</u>	<u>March 31,</u> <u>2005</u>
(Subsidiaries)		
Book value	10,221	10,221
Market value	78,752	34,217
Unrealized difference	68,530	23,995

	<u>Millions of Yen</u>	
	<u>March 31,</u> <u>2006</u>	<u>March 31,</u> <u>2005</u>
(Affiliated companies)		
Book value	26,744	-
Market value	32,274	-
Unrealized difference	5,529	-

(Deferred Tax)

1. Factors of deferred tax assets and liabilities

	<u>Millions of Yen</u>	
	March 31, 2006	March 31, 2005
Deferred Tax Assets		
Unsettled accounts receivable and payable	5,126	5,044
Depreciation	4,727	3,015
Maintenance cost	3,524	2,095
Accrued bonus allowance	1,721	1,676
Accrued enterprise taxes	1,245	855
Special provision for retirement benefits costs	-	166
Others	6,130	5,359
Deferred Tax Assets sub-total	22,476	18,213
Valuation allowance	(2,455)	(2,455)
Total	20,020	15,757
Deferred Tax Liabilities		
Unrealized gain on available-for-sale securities	19,200	7,400
Tax allowance for acquisition of fixed assets	1,455	1,578
Reserve for special depreciation	1,139	1,184
Tax allowance for acquisition of land	12	12
Total	21,808	10,175
Net Deferred Tax Assets	(1,787)	5,582

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

	March 31, 2006	March 31, 2005
Statutory tax rate	40.4%	40.4%
Dividend income not taxable	(1.3)	(1.2)
Tax deduction for research expenses	(1.5)	(1.5)
Others, net	(0.1)	(0.6)
Effective tax rate	37.5	37.1

6-3. Non-consolidated Comparative Proposal for Appropriation of Retained Earnings

	Millions of Yen		
	For the fiscal year ended		Increase (Decrease)
	March 31, 2006	March 31, 2005	
Unappropriated Retained Earnings:			
Balance at end of year	46,722	42,198	4,524
Reversal of reserve for special depreciation	542	310	232
Reversal of reserve for deferred profit on sale of fixed assets	181	260	(79)
Total	47,445	42,768	4,677
Appropriations :			
Cash dividends	7,536 (17.50yen per share)	4,275 (10.00yen per share)	3,261
Directors' and statutory auditors' bonuses [Statutory Auditors' bonuses]	299 [8]	171 [8]	128 [-]
Transfer to reserve for special depreciation	477	1,038	(561)
Transfer to reserve for unspecified purposes	24,000	28,000	(4,000)
Unappropriated retained Earnings : Balance to be carried forward	15,133	9,283	5,850

(Note) Interim cash dividend

The Company declared and paid interim cash dividends of 7,517 millions of yen (17.50yen per share) on November 18, 2005, and 4,234 millions of yen (10.00yen per share) on November 18, 2004, respectively.

6-4. Change in Management Officers (As of June 29, 2006)

1. Candidates nominated for appointment to Director

Director

Mr. Masashi Kaneko*

[Current Director & Chairman of the Board of Nikko Cordial Corporation]

*NOTE: External Director to satisfy the qualification prescribed in Subsection 15, Article 2 of Corporate Law

Director General Manager of Planning & Administration Department of Semiconductor Materials Division

Mr. Masahiko Todoroki

[Current General Manager of Planning & Administration Department of Semiconductor Materials Division]

2. Candidate nominated as Statutory Auditor

Statutory Auditor (Non full-time)

Mr. Yoshihito Kosaka*

[Current Partner of Chiba-Kosaka Accounting Firm, Certified Public Accountant & Licensed Tax Accountant]

*NOTE: External Statutory Auditor to satisfy the qualification prescribed in Subsection 16, Article 2 of Corporate Law