

Press Release of Consolidated Operating Results



For the nine months ended December 31, 2006

January 16, 2007

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	2	Decrease	2
Equity method	Increase	0	Decrease	0

2). Consolidated Operating Results for the nine months ended December 31, 2006 (From April 1, 2006 to December 31, 2006)

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

Results of Consolidated Operations

	Millions of Yen				
	For the nine months ended December 31				Fiscal year ended March 31, 2006
	2006		2005		
Net sales	971,343	19.0%	815,914	13.8%	1,127,915
Operating income	180,132	31.7%	136,816	19.2%	185,320
Ordinary income	181,755	33.1%	136,531	20.3%	185,040
Net income	113,198	34.7%	84,040	20.5%	115,045
Net income per share (in yen)	262.99		195.78		266.63
Diluted net income per share (in yen)	262.64		195.39		266.07
Net income ratio on equity (p.a.)	12.4%		-		10.6%

- (Note)
1. The percentage in the net sales, operating income, ordinary income and net income represents increase compared with corresponding period of the previous year.
 2. The net income ratio on equity for the same period in the previous year was not reported because disclosure of consolidated financial position started from this fiscal year.

Qualitative Information Related to the Results of Consolidated Operations

In the PVC business, Shintech in the U.S. continued a high level of shipments and increased its sales and profit greatly. Shin-Etsu PVC in the Netherlands continued steady production and sales. On the other hand, the domestic PVC business was sluggish because raw material costs continued at a high level and export prices remained low. With regard to the silicone business, as a result of efforts made to expand sales to a wide range of customers in such industrial fields as electric, electronics and automobiles, both domestic sales and exports were strong. In addition, sales of Shin-Etsu Polymer's keypads for mobile phones were good. Sales of cellulose derivatives were firm in Japan, mainly of special-purpose products such as those for applications in pharmaceuticals, and SE Tylose in Europe also continued strong sales, mainly for applications as construction materials.

Silicon wafers continued to do well. Demand continued to be strong for 300mm wafers, mainly for semiconductor memory devices, and a high level of shipments also continued for 200mm wafers. At the same time, Shin-Etsu is now implementing a policy of shortening the depreciation period of semiconductor silicon manufacturing facilities to mostly three years. (Overseas Group companies recorded the total amount of increase of depreciation expenses for the year incurred as a result of this shortened depreciation period in their 3rd and 4th quarter of this fiscal year.) Shipments of rare earth magnets used by the electronics industry for hard disk drives continued good, and sales of ArF photoresists greatly expanded.

In the synthetic quartz business, an adjustment phase for large-size photomask substrates for LCDs has continued since the second quarter of the current fiscal year. Sales of rare earth magnets for general-purpose applications were strong as applications expanded in home appliances such as air conditioners and in automobiles.

Consolidated financial position

	Millions of Yen		
	December 31, 2006	December 31, 2005	March 31, 2006
Total assets	1,804,393	-	1,671,280
Total net assets	1,307,416	-	1,173,679
Equity ratio	70.3%	-	70.2%
Net assets per share (in yen)	2,948.83	-	2,730.94

(Note) Consolidated financial data for the same period in the previous year was not reported.

Qualitative Information Related to the Fluctuation of Consolidated Financial Position

As of December 31, 2006, total assets increased ¥133,113 million from the end of the previous fiscal year to ¥1,804,393 million, mainly due to increases in the balance of notes and accounts receivable and tangible fixed assets. On the other hand, total liabilities increased ¥33,596 million to ¥496,977 million, mainly because of an increase in the balance of notes and accounts payable. Net assets amounted to ¥1,307,416 million, due to an increase in retained earnings, mainly resulting from net income of ¥113,198 million.

(Reference)

The Forecast of Consolidated Operating Results for the Fiscal Year Ending March 31, 2007 (From April 1, 2006 to March 31, 2007)

The company is not revising its business forecast, which was disclosed on October 23, 2006.

(Attachment)

Comparative Consolidated Balance Sheets

As of December 31, 2006 and March 31, 2006

	Millions of Yen		
	December 31, 2006	March 31, 2006	Increase (Decrease)
ASSETS			
Current Assets:			
Cash and time deposits	272,272	262,145	10,127
Notes and accounts receivable-trade	321,268	277,874	43,394
Securities	215,693	178,555	37,138
Inventories	156,629	147,367	9,262
Others	75,388	61,044	14,344
Total current assets	<u>1,041,252</u>	<u>926,987</u>	<u>114,265</u>
Fixed Assets:			
Property, plant and equipment	508,828	468,783	40,045
Intangible fixed assets	24,992	25,347	(355)
Investments and other assets			
Investments in securities	189,272	216,227	(26,955)
Others	40,047	33,934	6,113
Total investments and other assets	<u>229,320</u>	<u>250,162</u>	<u>(20,842)</u>
Total fixed assets	<u>763,140</u>	<u>744,293</u>	<u>18,847</u>
TOTAL ASSETS	<u>1,804,393</u>	<u>1,671,280</u>	<u>133,113</u>

	Millions of Yen		
	December 31, 2006	March 31, 2006	Increase (Decrease)
LIABILITIES			
Current Liabilities:			
Notes and accounts payable-trade	168,743	132,673	36,070
Short-term borrowings	34,546	18,168	16,378
Debentures of redemption within one year	8,000	8,000	-
Others	217,728	194,048	23,680
Total current liabilities	<u>429,019</u>	<u>352,889</u>	<u>76,130</u>
Long-term Liabilities:			
Debentures	-	8,000	(8,000)
Long-term borrowings	20,873	49,670	(28,797)
Others	47,084	52,821	(5,737)
Total long-term liabilities	<u>67,957</u>	<u>110,491</u>	<u>(42,534)</u>
TOTAL LIABILITIES	<u>496,977</u>	<u>463,381</u>	<u>33,596</u>
NET ASSETS			
Stockholders' equity:			
Common stock	119,419	-	-
Additional paid-in capital	128,177	-	-
Retained earnings	976,573	-	-
Less: Treasury stock, at cost	(8,537)	-	-
Total stockholders' equity	<u>1,215,634</u>	<u>-</u>	<u>-</u>
Valuation, translation adjustment and others	53,671	-	-
Share purchase warrant	676	-	-
Minority interests in consolidated subsidiaries	37,435	-	-
TOTAL NET ASSETS	<u>1,307,416</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1,804,393</u>	<u>-</u>	<u>-</u>
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES	<u>-</u>	<u>34,219</u>	<u>-</u>
STOCKHOLDERS' EQUITY			
Common stock	-	119,419	-
Additional paid-in capital	-	128,178	-
Retained earnings	-	882,412	-
Less: Treasury stock, at cost	-	(6,300)	-
Others	-	49,968	-
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>

Consolidated Income Statements (Summary)

	Millions of Yen			
	For the nine months ended Dec.31, 2006	For the nine months ended Dec.31, 2005	Increase	Fiscal year ended March 31, 2006
Net sales	971,343	815,914	155,429	1,127,915
Cost of sales	699,468	596,669	102,799	831,333
Gross profit	271,875	219,244	52,631	296,582
Selling, general and administrative expenses	91,742	82,428	9,314	111,262
Operating income	180,132	136,816	43,316	185,320
Net non-operating income (expenses)	1,623	(284)	1,907	(279)
Ordinary income	181,755	136,531	45,224	185,040
Income before income taxes	181,755	136,531	45,224	185,040
Income taxes	64,833	49,457	15,376	65,924
Minority interest in earnings of consolidated subsidiaries	3,723	3,033	690	4,070
Net income	113,198	84,040	29,158	115,045

Business Segment Information

	Millions of Yen					
	For the nine months ended Dec.31, 2006		For the nine months ended Dec.31, 2005		Fiscal year ended March 31, 2006	
	Sales	Operating income	Sales	Operating income	Sales	Operating income
Organic and inorganic Chemicals	533,114	82,199	458,104	70,368	636,491	96,171
Electronics Materials	350,680	(*Note) 77,214	262,980	48,315	361,452	65,275
Functional materials and Others	87,547	20,591	94,829	17,999	129,970	24,022
Elimination	-	127	-	131	-	(149)
Consolidated total	971,343	180,132	815,914	136,816	1,127,915	185,320

(*Note) Some overseas subsidiaries shortened the depreciation period for semiconductor silicon manufacturing facilities retroactively to the beginning of this fiscal year, and thus depreciation expenses increased by an additional ¥4,888 million. This additional increase in depreciation expenses was recorded in the 3rd quarter of this fiscal year; consequently the operating income of the Electronics Materials business segment decreased by the same amount.