

Financial Summary

(For the year ended March 31, 2005)

May 16, 2005

Shin-Etsu Chemical Co.,Ltd.

(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 result 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 business 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.

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1. Operating Performance

	(Billions of Yen)			(times)		
	Consolidated			Non-consolidated		
	Fiscal year 03/4-04/3	Fiscal year 04/4-05/3	Increase (Decrease)	Fiscal year 03/4-04/3	Fiscal year 04/4-05/3	Increase (Decrease)
Sales	832.8	967.5	16.2% 134.7	482.6	520.3	7.8% 37.7
Operating Income	125.6	151.7	20.8% 26.1	56.1	63.1	12.5% 7.0
Ordinary Income	125.6	151.5	20.6% 25.9	58.1	62.0	6.8% 3.9
Net Income	74.8	93.2	24.5% 18.4	34.7	39.0	12.4% 4.3
Total Assets	1,386.2	1,476.2	90.0	758.8	777.9	19.1
Stockholders' Equity	900.7	996.3	95.6	544.3	588.0	43.7
Equity Ratio	65.0%	67.5%	2.5%	71.7%	75.6%	3.9%
Per share (in Yen)						
Net Income	177.25	219.10	41.85	82.25	91.73	9.48
Stockholders' Equity	2,140	2,329	189	1,293	1,375	82
Cash dividend				16.00	20.00	4.00
ROE	8.6%	9.8%	1.2%	6.6%	6.9%	0.3%
ROA	9.3%	10.6%	1.3%	8.1%	8.1%	0.0%

ROA:Return(Ordinary income) on total assets

2. Financial Highlights

(Billions of Yen)

	Consolidated		Non-consolidated	
	Fiscal year 03/4-04/3	Fiscal year 04/4-05/3	Fiscal year 03/4-04/3	Fiscal year 04/4-05/3
Capital expenditures	113.6	110.3	16.7	17.2
Depreciation	73.6	90.9	20.1	21.0
R&D costs	26.4	27.9	15.6	17.5
Balance of liabilities with interest	163.2	120.4	63.8	33.2
Number of employees	17,384	18,151	2,571	2,517
Exchange rate Jan.-Dec.(Ave.)	116.0	108.2	-	-
(Yen/US\$) Apr.-Mar.(Ave.)	113.1	107.5	113.1	107.5

Notes; 1)Breakdown of Consolidated Capital Expenditures and Depreciation for the year ended March 31, 2005

	<u>Capital Expenditures</u>	<u>Depreciation</u>
	Billions of Yen	Billions of Yen
Organic and Inorganic chemicals	34.4	26.1
Electronics materials	66.8	55.0
Functional materials and Others	9.4	10.0

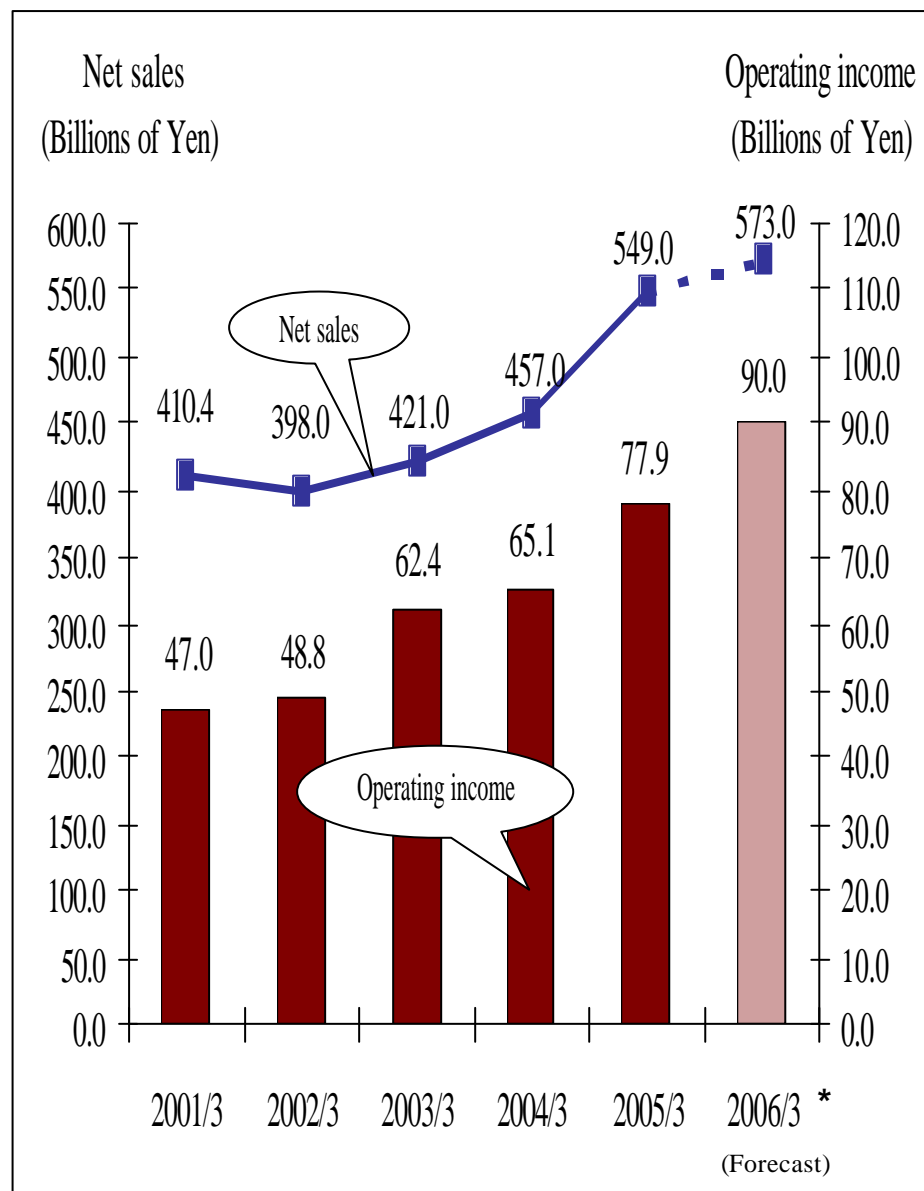
2) An average exchange rate between January and December was used for the Consolidated Income Statements of overseas subsidiaries.

3. Business Segment Information (Consolidated)

(Billions of Yen)

	Net Sales			Operating Income		
	Fiscal year 03/4-04/3	Fiscal year 04/4-05/3	Increase (Decrease)	Fiscal year 03/4-04/3	Fiscal year 04/4-05/3	Increase (Decrease)
Organic and Inorganic chemicals	457.0	549.0	20.1% 92.0	65.1	77.9	19.6% 12.8
Polyvinyl chloride	254.9	296.5	41.6	23.7	30.8	7.1
Silicones	135.8	155.9	20.1	26.6	29.4	2.8
Others	66.3	96.6	30.3	14.8	17.7	2.9
Electronics materials	262.2	306.9	17.0% 44.7	42.2	53.7	27.3% 11.5
Semiconductor silicon	214.1	256.6	42.5	34.8	45.2	10.4
Others	48.1	50.3	2.2	7.4	8.5	1.1
Functional materials and Others	113.6	111.6	(1.7%) (2.0)	18.2	20.1	10.8% 1.9
Synthetic quartz products	25.7	26.5	0.8	9.1	10.8	1.7
Rare earths magnets, other functional materials	26.5	28.2	1.7	4.7	4.9	0.2
Others	61.4	56.9	(4.5)	4.3	4.4	0.1
Elimination	-	-	-	0.1	0.0	(0.1)
Total	832.8	967.5	16.2% 134.7	125.6	151.7	20.8% 26.1

4. "Organic and Inorganic chemicals" Business Segment (Consolidated)



•PVC

In the PVC business, although the prices of raw materials continued to rise steeply worldwide, Shintech Inc. carried out carefully considered sales activities by leveraging its broad customer base, both in the U.S. and worldwide, a significant strength of the company, and supported by vigorous demand, mainly for construction and housing applications, increased both its net sales and operating income. In addition, Shin-Etsu PVC B.V. in the Netherlands expanded its business due to strong demand for PVC in Europe and implemented an upward price revision that was necessitated by the high prices of raw materials. Shin-Etsu's domestic PVC business saw a large improvement in profit helped by sales price revisions and exports to China. As a result, the profit of the PVC business increased steadily. At present, Shintech Inc. in the U.S. is proceeding with its plan for constructing integrated manufacturing facilities from electrolysis to PVC resin. Shin-Etsu PVC B.V. in the Netherlands also is successively increasing its PVC production capabilities to meet the growth in the market.

• Silicones

During the fiscal year ended March 31, 2005, in addition to strong domestic sales in such fields as automobile-related applications, information equipment and building materials, sales to China and the U.S. were good. As a result, both sales and operating income increased. In the future, Shin-Etsu will promote the development of new products and the Shin-Etsu Group will strive to expand this business by focusing on the steady operation of its silicones plants in Thailand, the U.S. and Japan.

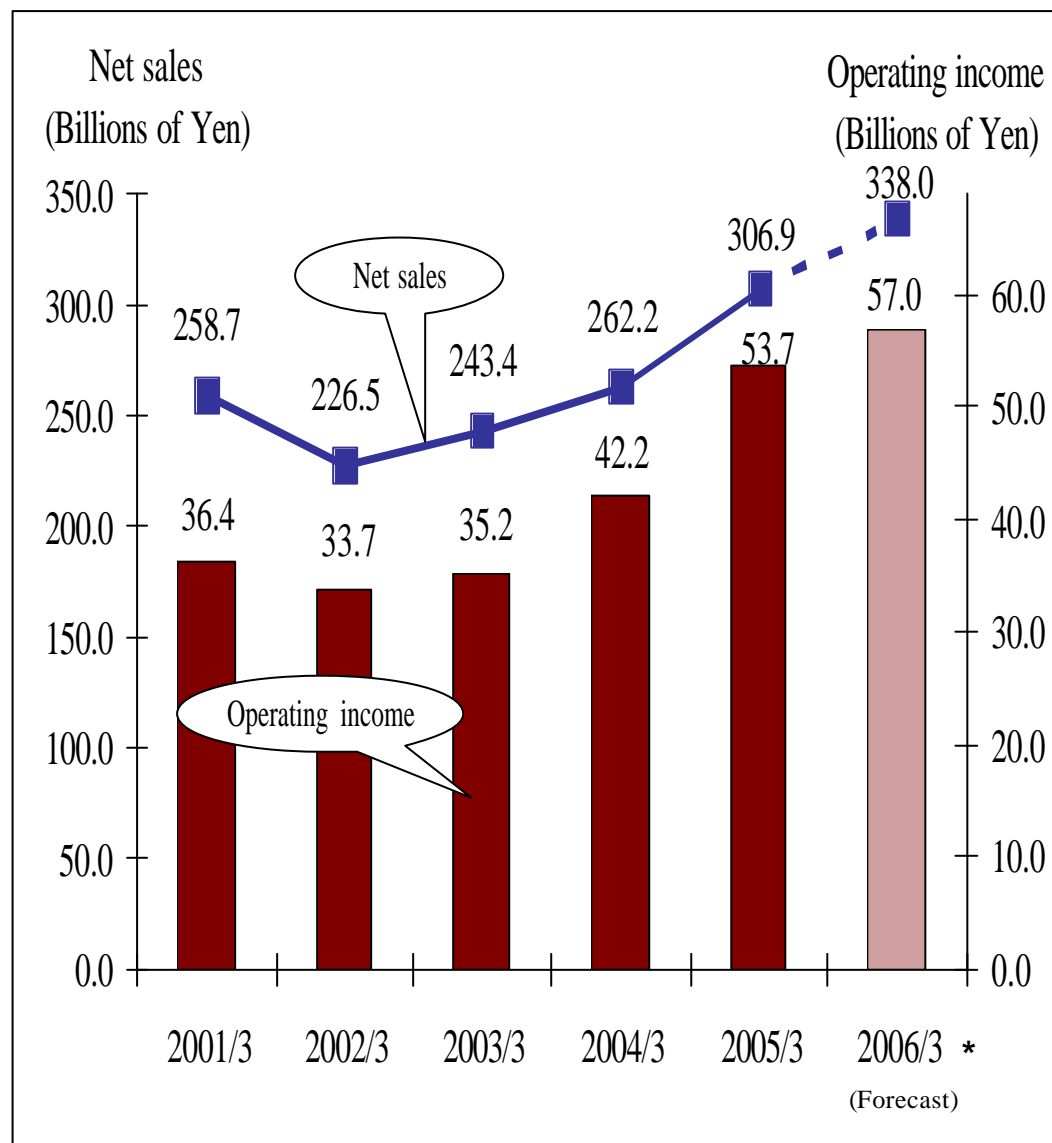
• Cellulose

Sales of cellulose derivatives continued strong in Japan for such applications as pharmaceuticals as well as automobile-related applications. SE Tylose in Germany, which Shin-Etsu had acquired at the end of 2003, also did well in cellulose sales for building materials applications. Presently, Shin-Etsu is working to increase and strengthen the production capacity of its cellulose manufacturing plants in Japan and Germany.

(Note: The fiscal year of overseas subsidiary companies begins in January and ends in December. Thus the fiscal year results included here are those from January to December.)

***Please see the note on this document's cover, concerning forecasts**

5. "Electronics materials" Business Segment (Consolidated)



•Semiconductor silicon

In the semiconductor silicon business, sales of 200mm wafers continued to be good with the expanding demand for semiconductor devices used for applications in PCs, digital home appliances and mobile phones, but saw a slight adjustment phase in the latter part of the fiscal year. However, demand for 300mm wafers was strong throughout the fiscal year, reflecting the expanding demand from major semiconductor device makers. In addition, specialty wafers, such as SOI wafers and annealed wafers, also contributed good sales. As a result, the semiconductor silicon segment greatly increased both its sales and operating income. Presently, to meet the expanding demand for 300mm wafers, Shin-Etsu is working to improve stable supply and to diversify supply capabilities through strengthening and increasing the production capacity of Shin-Etsu Handotai's Shirakawa Plant and starting crystal production in the U.S.

•Rare earth magnets for the electronics industry

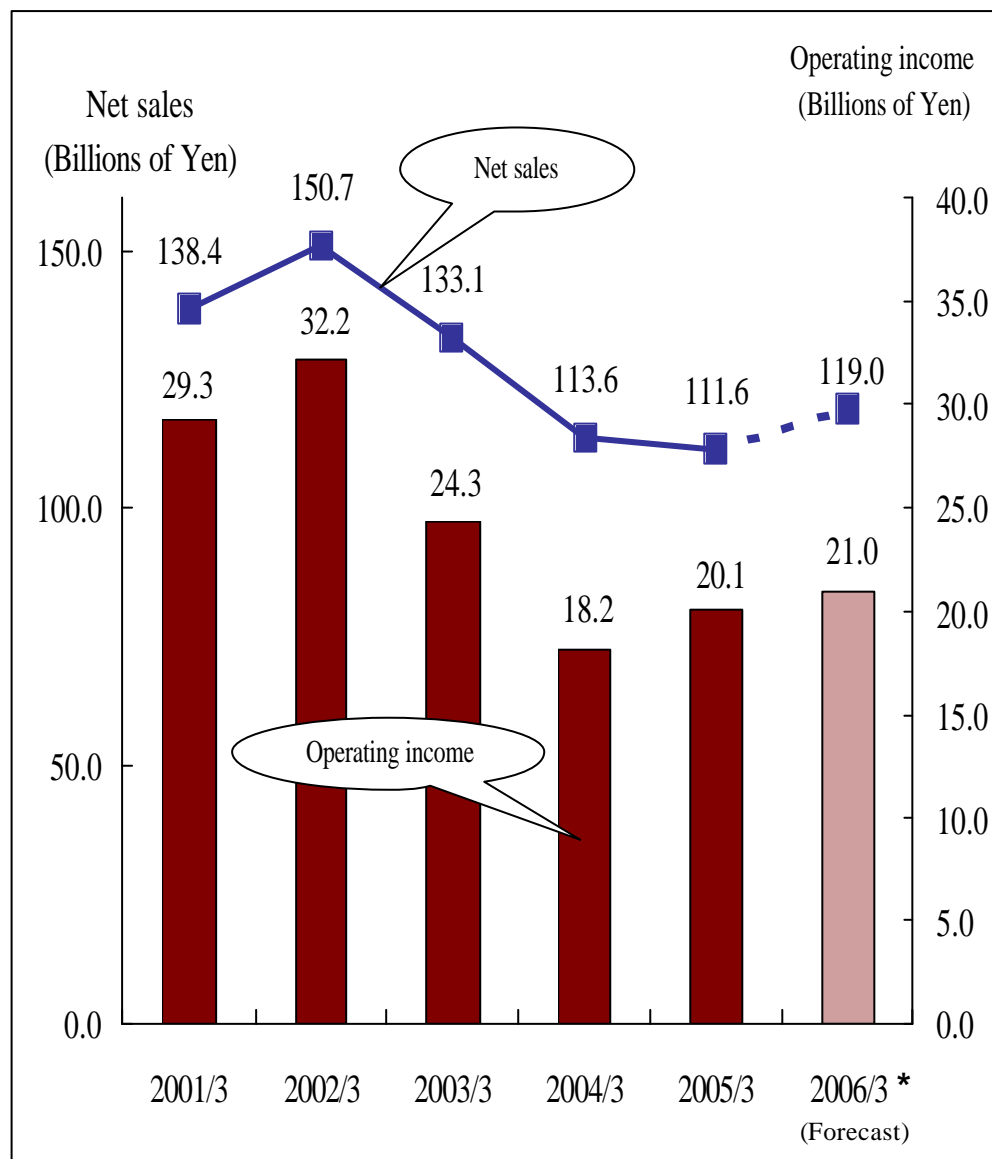
Sales of rare earth magnets for the electronics industry did well in their various hard disk drive (HDD) applications, such as for mobile digital audio players, as well as in their applications for PCs, servers and visual recording media.

•Organic materials for the electronics industry and photoresists products

Organic materials for the electronics industry and photoresists products maintained steady sales for semiconductor device applications.

***Please see the note on this document's cover, concerning forecasts**

6. “Functional materials and Others” Business Segment (Consolidated)



•Synthetic quartz

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

•Rare earth magnets

Sales of rare earth magnets continued to be strong, mainly for FA(factory automation) equipment, air-conditioners and automobile-related product applications.

•Others

In other businesses, although the business of planning and constructing various plants and other projects was strong, sales in the trading business decreased.

***Please see the note on this document's cover, concerning forecasts**

7. Operating Performance of Shintech, Inc.

Shintech, Inc.

	Fiscal year 03/1-03/12		Fiscal year 04/1-04/12	
	Million US\$	Billions of Yen	Million US\$	Billions of Yen
Net Sales	1,440	167.1	1,821	197.1
Ordinary Income	205	23.8	251	27.1
Net Income	134	15.5	165	17.9
Stockholders' Equity	1,531	164.0	1,696	176.7
Total Assets	1,818	194.8	1,979	206.2

Driven by such factors as vigorous housing investment, PVC demand in the U.S. increased 6.6% over that of the previous year. Furthermore, in part due to escalating prices of basic raw materials such as crude oil and natural gas, the sales price of PVC in the U.S. rose about 40%.

Shintech Inc. which in October 2004 celebrated the 30-year anniversary of the start of its operations, effectively responded to the strong demand in the U.S. market for PVC and also made good use of its strengths in having a wide range of customers worldwide. The company's strong sales reflected the fact that it accurately anticipated the trend of the PVC market. Consequently, the company maintained full operation of its plants in Texas and Louisiana. As a result, Shintech increased both its net sales and profits.

8. Operating Performance of Shin-Etsu Handotai Group

Shin-Etsu Handotai Group(Consolidated)

(Shin-Etsu Handotai , SEH-America, SEH-Malaysia, SEH-Europe, SEH-Taiwan)

(Billions of Yen)

	Fiscal year 03/4-04/3	Fiscal year 04/4-05/3
Net Sales	206.7	250.4
Ordinary Income	23.6	36.1
Extraordinary Gain	2.1	-
Extraordinary Loss	(1.3)	-
Net Income	14.7	23.1
Stockholders' Equity	126.7	149.2
Total Assets	330.9	351.2

Increased production of 300mm wafers to meet the needs of present users and the growing demand from new users, as sales grew.

Silicon wafers up to 200mm did well in the first half of the fiscal year with the increase in demand for semiconductors for such products as PCs and digital consumer appliances. In the second half of the fiscal year, sales of wafers for DRAMs and in-vehicle semiconductor devices continued to be good; however, some other semiconductor devices were affected by production and inventory adjustments.

Demand for specialty wafers such as SOI wafers and annealed wafers continued to be strong.

As a result, both net sales and ordinary income well exceeded the results achieved in the previous fiscal year.

Notes; The financial statements of the overseas Shin-Etsu Handotai group of companies are calculated based on the FY ending in December 2003 and 2004

9. Comparative Income Statements (Consolidated)

(Billions of Yen)

	Fiscal year 03/4-04/3	Fiscal year 04/4-05/3	Increase (Decrease)	Rate of increase (decrease)
Net sales	832.8	967.5	134.7	16.2%
Cost of sales	619.1	715.1	96.0	
Selling, General and Administrative Expenses	88.1	100.6	12.5	
Operating income	125.6	151.7	26.1	20.8%
Non-operating income/expenses	0.0	(0.2)	(0.2)	
Ordinary income	125.6	151.5	25.9	20.6%
Extraordinary gains/losses	0.0	-	(0.0)	
Income before income taxes	125.6	151.5	25.9	20.6%
Income taxes	48.4	55.2	6.8	
Minority interest in earnings of consolidated subsidiaries	2.4	3.1	0.7	
Net income	74.8	93.2	18.4	24.5%

10. Comparative Balance Sheets (Consolidated)

(Billions of Yen)

	March 31 2004	March 31 2005	Increase (Decrease)		March 31 2004	March 31 2005	Increase (Decrease)
<u>Current assets</u>	<u>730.5</u>	<u>780.8</u>	<u>50.3</u>	<u>Current liabilities</u>	<u>321.7</u>	<u>331.2</u>	<u>9.5</u>
Cash on hand and in banks	210.3	246.7	36.4	Notes and accounts payable-trade	107.0	114.7	7.7
Notes and accounts receivable-trade	222.0	236.4	14.4	Short-term borrowings	58.3	37.6	(20.7)
Securities	131.2	105.8	(25.4)	Debentures and convertible debentures	8.0	5.9	(2.1)
Inventories	117.7	135.2	17.5	Accrued expenses and accounts payable-others	109.6	129.2	19.6
Deferred tax assets	22.7	27.8	5.1	Accrued income taxes	29.5	36.0	6.5
Others	26.6	28.9	2.3	Other current liabilities	9.3	7.8	(1.5)
<u>Fixed assets</u>	<u>655.7</u>	<u>695.4</u>	<u>39.7</u>	<u>Long-term liabilities</u>	<u>137.2</u>	<u>119.7</u>	<u>(17.5)</u>
<u>Property, plant and equipment</u>	<u>434.9</u>	<u>448.2</u>	<u>13.3</u>	Debentures and convertible debentures	41.1	27.0	(14.1)
Buildings and structures	153.4	154.9	1.5	Long-term borrowings	55.8	49.9	(5.9)
Machinery, equipment and vehicles	200.9	213.2	12.3	Deferred tax liabilities	33.1	33.4	0.3
Others	80.7	80.0	(0.7)	Accrued retirement benefits	6.0	7.7	1.7
<u>Intangible fixed assets</u>	<u>24.4</u>	<u>28.6</u>	<u>4.2</u>	Other long-term liabilities	1.2	1.7	0.5
<u>Investments and others</u>	<u>196.4</u>	<u>218.6</u>	<u>22.2</u>	Total liabilities	459.0	450.9	(8.1)
Investments in securities	171.5	180.6	9.1	Minority interests in consolidated subsidiaries	26.5	29.1	2.6
Deferred tax assets	13.0	14.8	1.8	Common stock	110.5	117.5	7.0
Others	11.9	23.2	11.3	Additional paid-in capital	119.3	126.3	7.0
				Retained earnings	695.0	780.2	85.2
				Unrealized gain on available-for-sale securities	11.9	13.7	1.8
				Foreign currency translation adjustment	(26.7)	(30.3)	(3.6)
				Treasury stock	(9.2)	(11.1)	(1.9)
				Total stockholders' equity	900.7	996.3	95.6
Total assets	1,386.2	1,476.2	90.0	Total liabilities and stockholders' equity	1,386.2	1,476.2	90.0

11.Comparative Statements of Cash flows (Consolidated)

(Billions of Yen)

	Fiscal year 03/4-04/3	Fiscal year 04/4-05/3	Increase (Decrease)
<u>(1) Cash flows from operating activities</u>			
Net Income	74.8	93.2	18.4
Depreciation	73.6	90.9	17.3
Others	7.6	(6.7)	(14.3)
Total	156.0	177.4	21.4
<u>(2) Cash flows from investing activities</u>			
Expenditure for purchase of tangible and intangible fixed assets	(71.2)	(96.8)	(25.6)
Payment for purchase of new consolidated subsidiaries stock and acquisition of business	(30.2)	(5.7)	24.5
(Increase)Decrease in securities	(28.7)	3.9	32.6
Deposits in long-term time deposits	-	(10.0)	(10.0)
Others	1.1	(0.2)	(1.3)
Total	(129.0)	(108.8)	20.2
<u>(3) Cash flows from financing activities</u>			
Decrease in debentures and borrowings	(4.5)	(31.7)	(27.2)
Payment for early settlement of finance leases	(15.6)	-	15.6
Cash dividends	(6.3)	(7.6)	(1.3)
Others	(0.3)	(2.6)	(2.3)
Total	(26.7)	(41.9)	(15.2)
<u>(4) Effect of exchange rate changes and others</u>	(9.7)	(2.0)	7.7
Net increase(decrease) in cash and cash equivalents	(9.4)	24.7	34.1
Balance of cash and cash equivalents	293.0	317.7	24.7
Balance of liabilities with interest	163.2	120.4	(42.8)

12.Forecast of Operating Performance for the next fiscal year

	Consolidated			
	Billions of Yen	Ratio of increase over prior FY	First half	
			Billions of Yen	Ratio of increase over of prior First half
Net sales	1,030.0	6.5%	510.0	8.9%
Operating income	168.0	10.7%	84.5	10.1%
Ordinary income	168.0	10.9%	84.0	10.8%
Net income	103.0	10.6%	51.5	10.8%
Net income per share (in Yen)	240.05	20.95	120.46	10.09
Annual cash dividend per share (in Yen)	30.00	10.00	15.00	5.00

Non-consolidated			
Billions of Yen	Ratio of increase over prior FY	First half	
		Billions of Yen	Ratio of increase over of prior First half
540.0	3.8%	265.0	3.5%
68.0	7.8%	34.0	7.7%
68.0	9.6%	34.0	9.5%
43.0	10.2%	21.5	10.0%
100.17	8.44	50.29	3.88

***Please see the note on this document's cover, concerning forecasts**

13. Comparative Income Statements (Non-consolidated)

(Billions of Yen)

	Fiscal year 03/4-04/3	Fiscal year 04/4-05/3	Increase (Decrease)	Rate of increase (decrease)
Net sales	482.6	520.3	37.7	7.8%
Cost of sales	395.4	424.3	28.9	
Selling, General and Administrative Expenses	31.1	32.9	1.8	
Operating income	56.1	63.1	7.0	12.5%
Non-operating income/expenses	2.0	(1.1)	(3.1)	
Ordinary income (Income before income taxes)	58.1	62.0	3.9	6.8%
Income taxes	23.3	23.0	(0.3)	
Net income	34.7	39.0	4.3	12.4%

14. Comparative Balance Sheets (Non-consolidated)

(Billions of Yen)

	March 31 2004	March 31 2005	Increase (Decrease)		March 31 2004	March 31 2005	Increase (Decrease)
<u>Current assets</u>	<u>429.8</u>	<u>438.6</u>	<u>8.8</u>	<u>Current liabilities</u>	<u>173.0</u>	<u>166.5</u>	<u>(6.5)</u>
Cash on hand and in banks	135.3	144.3	9.0	Notes and accounts payable-trade	90.2	93.0	2.8
Notes and accounts receivable-trade	152.4	157.7	5.3	Short-term borrowings	31.0	14.4	(16.6)
Securities	47.3	32.5	(14.8)	Convertible debentures of redemption within one year	-	3.8	3.8
Inventories	37.8	39.9	2.1	Accrued expenses and accounts payable-others	31.8	38.3	6.5
Others	57.1	64.2	7.1	Accrued income taxes	17.7	16.1	(1.6)
				Others	2.3	0.9	(1.4)
<u>Fixed assets</u>	<u>329.0</u>	<u>339.3</u>	<u>10.3</u>	<u>Long-term liabilities</u>	<u>41.6</u>	<u>23.4</u>	<u>(18.2)</u>
<u>Property, plant and equipment</u>	<u>111.4</u>	<u>105.6</u>	<u>(5.8)</u>	Convertible debentures	17.8	-	(17.8)
Buildings and structures	36.4	35.5	(0.9)	Long-term borrowings	15.0	15.0	0.0
Machinery, equipment and vehicles	47.9	44.9	(3.0)	Others	8.8	8.4	(0.4)
Others	27.1	25.2	(1.9)				
<u>Intangible fixed assets</u>	<u>1.2</u>	<u>1.0</u>	<u>(0.2)</u>	<u>Total liabilities</u>	<u>214.6</u>	<u>189.9</u>	<u>(24.7)</u>
<u>Investments and others</u>	<u>216.4</u>	<u>232.8</u>	<u>16.4</u>	Common stock	110.5	117.5	7.0
Investments in securities	115.9	111.3	(4.6)	Additional paid-in capital	111.9	118.9	7.0
Investments in capital stock of subsidiaries and affiliates	95.4	102.5	7.1	Retained earnings	320.6	351.8	31.2
Others	5.1	19.0	13.9	Unrealized gain on available-for-sale securities	10.5	10.9	0.4
				Treasury stock	(9.2)	(11.1)	(1.9)
				<u>Total stockholders' equity</u>	<u>544.3</u>	<u>588.0</u>	<u>43.7</u>
<u>Total assets</u>	<u>758.8</u>	<u>777.9</u>	<u>19.1</u>	<u>Total liabilities and stockholders' equity</u>	<u>758.8</u>	<u>777.9</u>	<u>19.1</u>

Key Corporate news in the fiscal year ended March 31,2005.

- Apr. 2004 Asia Silicones Monomer Ltd in Thailand started commercial production of silicone monomer.
- Apr. 2004 Shin-Etsu Polymer Hungary Ltd. started production of keypads, mainly used in mobile phones and other electronic devices.
- Jul. 2004 Shin-Etsu Polymer started production of PVC compounds in Shenzhen, China.
- Aug. 2004 Announcement of a further PVC price increase in Japan.
- Aug. 2004 Announcement of cellulose derivatives price increase in Japan.
- Sep. 2004 Announcement of silicone products price increase in Japan.
- Oct. 2004 Announcement of price increase on Epoxy Molding Compounds used for encapsulating semiconductor devices.
- Oct. 2004 30-Year Anniversary of the start of operations by Shintech Inc.
- Dec. 2004 Announcement of plans for integrated PVC manufacturing facilities in the U.S.
- Dec. 2004 Announcement of plans for major expansions of 300mm silicon wafer production capacity.
- Jan. 2005 Announcement of plans for Shin-Etsu PVC in the Netherlands to expand its PVC facilities.
- Jan. 2005 Shin-Etsu Chemical's rating by Moody's was raised from A2 to A1.
- Mar. 2005 Announcement of plans for major expansions of Methylcellulose production capacity in Japan and Germany.
- Mar. 2005 Announcement of JAPAN VAM & POVAL Co., Ltd. becoming a wholly owned Shin-Etsu Group company.
- Mar. 2005 Development of new high-performance technology for neodymium rare-earth magnets.