

Financial Summary

(For the six months ended September 30, 2005)

October 24, 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.

Consolidated

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1. Operating Performance

	(Billions of Yen)			(times)				
	Consolidated			Non-consolidated			Ratio (Consolidated/Non-consolidated)	
	Six months 04/4-04/9	Six months 05/4-05/9	Increase (Decrease)	Six months 04/4-04/9	Six months 05/4-05/9	Increase (Decrease)	Six months 04/4-04/9	Six months 05/4-05/9
Sales	468.5	535.1	14.2% 66.6	256.1	276.1	7.8% 20.0	1.83	1.94
Operating Income	76.8	90.3	17.6% 13.5	31.6	35.6	12.8% 4.0	2.43	2.54
Ordinary Income	75.8	90.0	18.8% 14.2	31.0	36.0	16.1% 5.0	2.44	2.50
Net Income	46.5	55.6	19.7% 9.1	19.5	22.8	16.6% 3.3	2.38	2.44
Total Assets	1,433.2	1,551.8	118.6	757.0	823.7	66.7	1.89	1.88
Stockholders' Equity	947.7	1,077.1	129.4	562.6	618.7	56.1	1.68	1.74
Equity Ratio	66.1%	69.4%	3.3%	74.3%	75.1%	0.8%		
Per share (in Yen)								
Net Income	110.37	129.68	19.31	46.41	53.14	6.73		
Stockholders' Equity	2,238	2,507	269	1,329	1,440	111		
Cash dividend				10.00	17.50	7.50		
ROE (yearly basis)	10.1%	10.7%	0.6%	7.1%	7.6%	0.5%		
ROA (yearly basis)	10.8%	11.9%	1.1%	8.2%	9.0%	0.8%		

ROA:Return(Ordinary income) On total Assets

2. Financial Highlights

(Billions of Yen)

	Consolidated		Non-consolidated	
	Six months 04/4-04/9	Six months 05/4-05/9	Six months 04/4-04/9	Six months 05/4-05/9
Capital expenditures	52.9	58.7	8.8	9.8
Depreciation	41.4	49.1	9.3	9.0
Balance of liabilities with interest	133.1	96.8	43.0	27.0
Net financial revenue	0.5	1.9	2.3	2.5
R&D costs	13.2	15.5	8.2	9.4
Number of employees	18,177	18,436	2,536	2,506
Exchange rate Jan-June(Ave.) (Yen/US\$)	108.5	106.1	-	-
	109.9	109.5	109.9	109.5

Notes; 1)Breakdown of Consolidated Capital Expenditures and Depreciation for the six months ended September 30, 2005

	<u>Capital Expenditures</u>	<u>Depreciation</u>
	Billions of Yen	Billions of Yen
Organic and inorganic chemicals	19.6	12.8
Electronics materials	36.0	32.3
Functional materials and Others	3.2	4.0

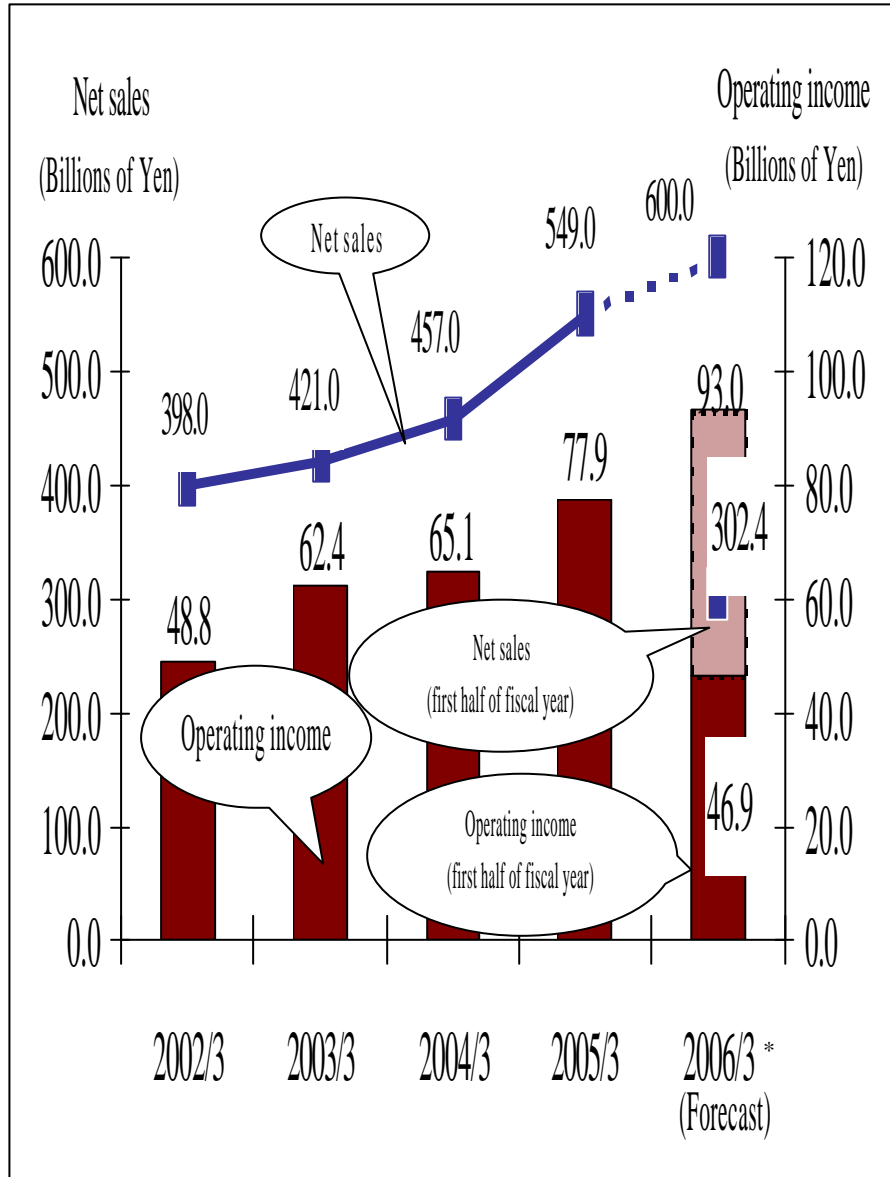
2)An average exchange rate between January and June was used in order to convert overseas subsidiaries results by US\$ into Consolidated Income Statements by Japanese Yen.

3. Business Segment Information (Consolidated)

(Billions of Yen)

	Net Sales			Operating Income		
	Six months 04/4-04/9	Six months 05/4-05/9	Increase (Decrease)	Six months 04/4-04/9	Six months 05/4-05/9	Increase (Decrease)
Organic and inorganic chemicals	261.4	302.4	15.7% 41.0	38.4	46.9	22.2% 8.5
Polyvinyl chloride	139.7	160.9	21.2	15.9	18.2	2.3
Silicones	73.7	86.2	12.5	14.0	19.3	5.3
Others	48.0	55.3	7.3	8.5	9.4	0.9
Electronics materials	150.8	168.9	12.0% 18.1	27.5	31.5	14.6% 4.0
Semiconductor silicon	125.8	142.9	17.1	23.3	25.8	2.5
Others	25.0	26.0	1.0	4.2	5.7	1.5
Functional materials and Others	56.3	63.8	13.2% 7.5	10.9	12.0	10.6% 1.1
Synthetic quartz products	14.1	15.8	1.7	5.8	6.7	0.9
Rare earth magnets, other functional materials	13.8	14.8	1.0	2.8	2.8	0.0
Others	28.4	33.2	4.8	2.3	2.5	0.2
Elimination	-	-	-	0.0	(0.1)	(0.1)
Total	468.5	535.1	14.2% 66.6	76.8	90.3	17.6% 13.5

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



•PVC

Shintech Inc. supported by vigorous demand mainly for construction and housing applications in North America, continued full production at its plants in Texas and Louisiana. In addition, while Shintech was carrying out sales activities that accurately anticipated market trends, the sales price of PVC moved up to a higher level due to the rise in raw materials prices, such as for crude oil and natural gas. As a result, Shintech greatly increased its net sales and operating income.

Shin-Etsu PVC B.V. in The Netherlands did well supported by bullish demand throughout Europe.

With regard to Shin-Etsu's domestic PVC business, domestic demand remained at the same level as the first half of the previous fiscal year. However, there was a slight slowdown in the growth of exports from Japan to China. Furthermore, costs rose due to the steep rise in the price of crude oil, and so earnings gradually declined. At this time, Shin-Etsu Chemical is implementing an upward PVC price adjustment in Japan, starting from October 2005.

As a result, in the first half of FY 2006, net sales of the Shin-Etsu Group's PVC business favorably increased, and a large increase in operating income was also attained.

At present, Shintech Inc. is proceeding with its plan for constructing integrated PVC manufacturing facilities from electrolysis to PVC resin. Shin-Etsu PVC B.V. also is successively increasing its PVC production capabilities to meet the growth in the market.

•Silicones

Domestic silicones sales were generally bullish, starting with such application fields as electric and electronics and extending to automobiles and cosmetics, and the implementation of an upward price revision for exports combined to result in a great increase in net sales and net income for the silicone business.

Shin-Etsu's silicones plant in Thailand, which is now in its second year of its operations, also increased its earnings. Sales of silicone-related products, such as the keypads for mobile phones of Shin-Etsu Polymer Co., Ltd., were also firm.

•Cellulose derivatives

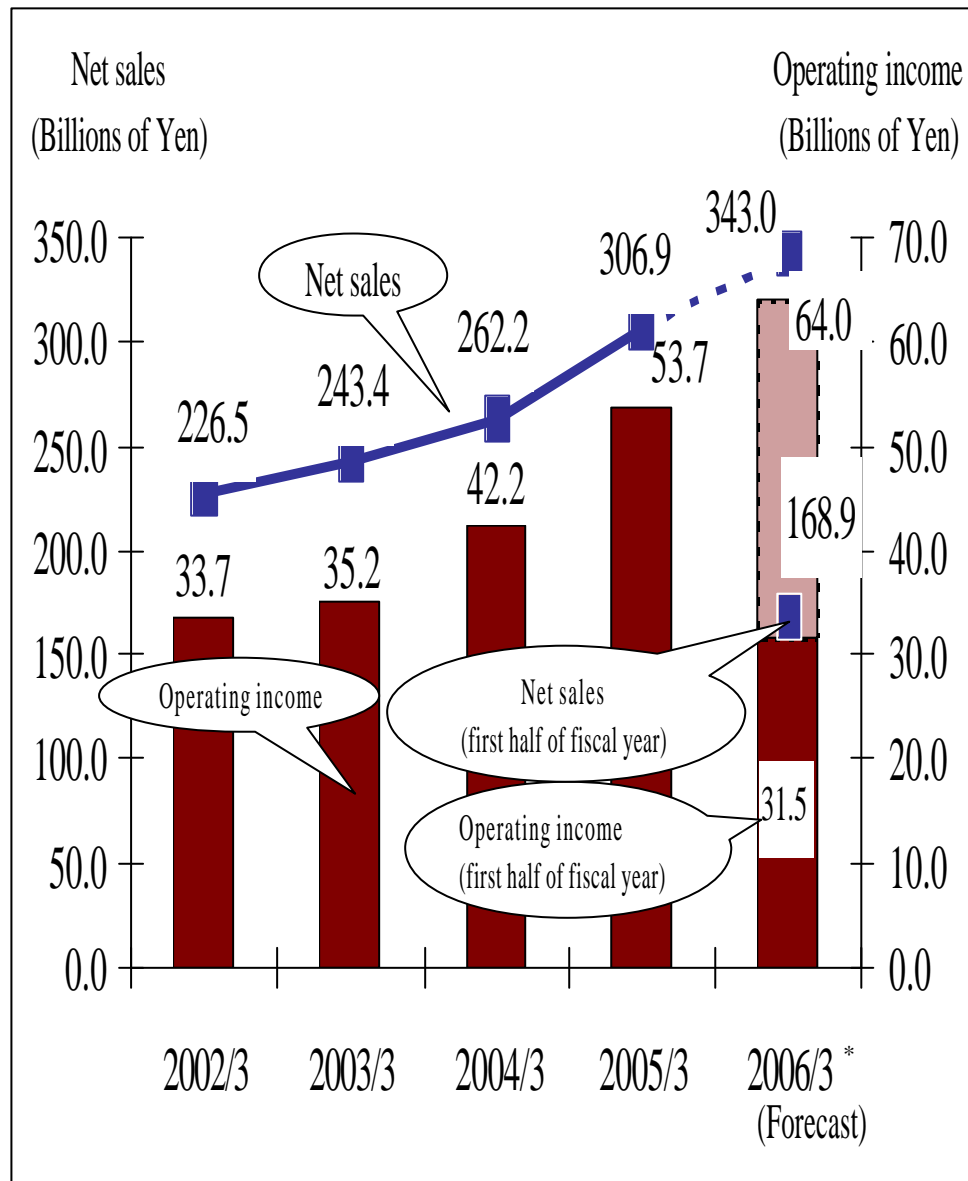
Sales of cellulose derivatives continued strong in the domestic market for such application areas as pharmaceuticals as well as automobile-related applications. SE Tylose in Germany continued full production, mainly for building materials applications. Accordingly, both Shin-Etsu's operations in Japan and Europe contributed to achieving good business results.

Presently, Shin-Etsu is working to increase and strengthen the production capacity of its cellulose manufacturing plants in Japan and Germany.

(*) Overseas subsidiaries' calculations are based on the period from January through June 2005 because their fiscal year ends in December.

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

5. "Electronics materials" Business Segment (Consolidated)



•Semiconductor silicon

Demand for wafers expanded from semiconductor device makers in a wide range of application fields such as PCs, mobile phones, digital home appliances and automobiles. Shin-Etsu's aggressive strategic investments to strengthen its production system for 300mm wafers were based on its accurate reading of future market trends and enabled Shin-Etsu to meet increases in market demand. In addition, for wafer products up to 200mm, towards the latter quarter of this first half of FY 2006 there was a heightened sense of a surge in business. Both net sales and operating income of the semiconductor silicon business increased greatly.

By accurately anticipating the increase in demand for 300mm silicon wafers and going ahead with the expansion of production capacity at Shin-Etsu Handotai's Shirakawa Plant in Japan, and at the same time, by beginning crystal production in the U.S. Shin-Etsu will further strengthen its ability to provide stable product supply from its multiple global production bases.

To further strengthen its silicon wafer business, Shin-Etsu has deepened its capital relationship with Mimasu Semiconductor Industry, a company that it has been commissioning to process its semiconductor silicon wafers.

•Rare earth magnets for 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.

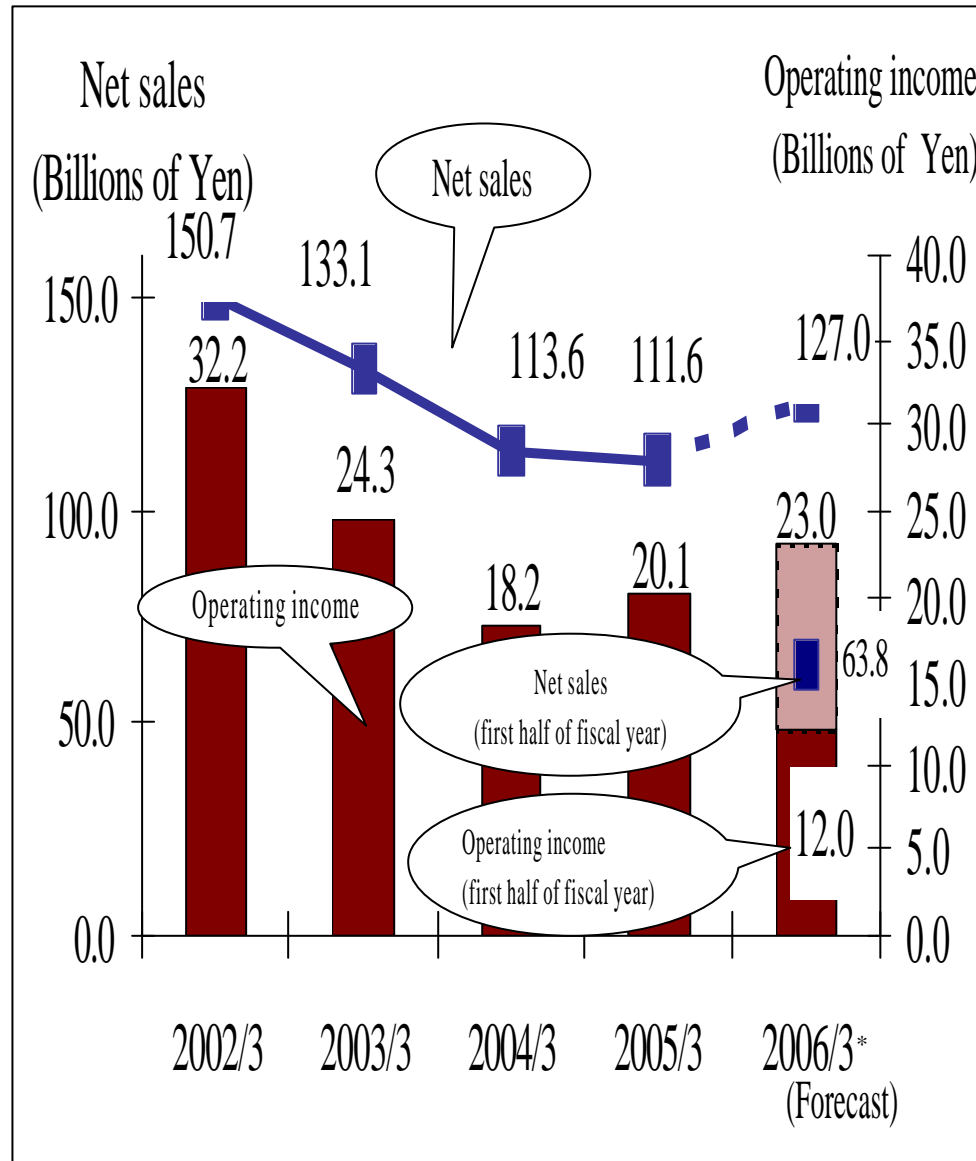
•Other products

Organic materials for the electronics industry and photoresists products also increased in earnings because Shin-Etsu accurately anticipated the technical advances in the semiconductor device application field.

(*) Overseas subsidiaries' calculations are based on the period from January through June 2005 because their fiscal year ends in December.

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



•Synthetic quartz

The synthetic quartz products business increased its net sales and operating income mainly as a result of good demand for large-size photomask substrates used for LCDs.

•Rare earth magnets, Rare earth

Sales of general-purpose rare earth magnets continued to be strong, mainly for applications in air-conditioners, automobile-related products and FA (factory automation) equipment. In addition, sales of liquid fluoroelastomers, whose applications are expanding into such areas as automobiles, did well.

•Others

Other businesses, such as the design, construction and shipment of equipment for various kinds of plants, were all bullish.

(*) Overseas subsidiaries' calculations are based on the period from January through June 2005 because their fiscal year ends in December.

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

7. Operating Performance of Shintech, Inc.

Shintech, Inc.

	Six months 04/1-04/6		Six months 05/1-05/6	
	Millions of US\$	Billions of Yen	Millions of US\$	Billions of Yen
Net Sales	859	93.2	997	105.8
Ordinary Income	130	14.1	160	17.0
Net Income	86	9.3	106	11.2
Stockholders' Equity	1,616	175.3	1,802	199.3
Total Assets	1,902	206.2	2,083	230.4

Stimulated by buoyant U.S. domestic housing investment and other positive factors, PVC demand in U.S. was firm throughout the first half of the fiscal year.

On the other hand, the prices of basic raw materials, such as crude oil and natural gas, that have been continuing to rise sharply since last year still remain at a high level, and the PVC sales price in the U.S. remained at a high level from January to June.

By meeting the strong demand for PVC in the U.S. and also utilizing its strength in having wide variety of customers worldwide, Shintech Inc. carried out sales activities that accurately anticipated for increases in market demand, and the company continued efficient, full operations at its plants in Texas and Louisiana.

As a result, Shintech's net sales and operating income increased greatly.

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)

	Six months 04/4-04/9	Six months 05/4-05/9
Net Sales	122.2	141.2
Ordinary Income	18.1	20.0
Net Income	11.7	12.0
Stockholders' Equity	138.7	167.0
Total Assets	346.0	372.1

Notes; The financial statements of the overseas Shin-Etsu Handotai Group companies are calculated based on the six months period ended June 2004 and 2005.

Semiconductor silicon sales were strong, supported by expanding demand for semiconductor devices in a wide range of application fields such as PCs, mobile phones, digital home appliances and automobiles.

To satisfy growing demand for 300mm wafers from existing users, the company increased its production volume, and sales of 300mm wafers to new users also increased.

Although in the first quarter of the fiscal year part of the business for semiconductor devices was affected by adjustments in production and inventory, in the latter quarter of the first half of FY 2006, the demand for silicon wafers up to 200mm recovered. For the whole of the first half of the fiscal year, this business was strong, mainly for applications in DRAMs and logic chips.

Sales of specialty wafers, such as SOI wafers, were also firm.

As a result, both net sales and ordinary income greatly exceeded the figures achieved in the first half of the previous fiscal year.

9. Comparative Income Statements (Consolidated)

(Billions of Yen)

	Six months 04/4-04/9	Six months 05/4-05/9	Increase (Decrease)	Rate of increase
Net sales	468.5	535.1	66.6	14.2%
Cost of sales	342.9	391.2	48.3	
Selling, General and Administrative Expenses	48.9	53.6	4.7	
Operating income	76.8	90.3	13.5	17.6%
Non-operating income / expenses	(1.0)	(0.3)	0.7	
Ordinary income (Income before income taxes)	75.8	90.0	14.2	18.8%
Income taxes	27.8	32.5	4.7	
Minority interest in earnings of consolidated subsidiaries	1.5	1.9	0.4	
Net income	46.5	55.6	9.1	19.7%

10. Comparative Balance Sheets (Consolidated)

(Billions of Yen)

	March 31 2005	September 30 2005	Increase (Decrease)		March 31 2005	September 30 2005	Increase (Decrease)
<u>Current assets</u>	<u>780.8</u>	<u>846.7</u>	<u>65.9</u>	<u>Current liabilities</u>	<u>331.2</u>	<u>326.2</u>	<u>(5.0)</u>
Cash and time deposits	246.7	246.5	(0.2)	Notes and accounts payable-trade	114.7	122.1	7.4
Notes and accounts receivable-trade	236.4	251.1	14.7	Short-term borrowings	37.6	21.8	(15.8)
Securities	105.8	149.4	43.6	Debentures and convertible debentures	5.9	7.2	1.3
Inventories	135.2	139.4	4.2	Accrued expenses and accounts payable-others	129.2	126.8	(2.4)
Deferred tax, current	27.8	31.4	3.6	Accrued income taxes	36.0	36.2	0.2
Others	28.9	28.9	0.0	Others	7.8	12.1	4.3
<u>Fixed assets</u>	<u>695.4</u>	<u>705.1</u>	<u>9.7</u>	<u>Long-term liabilities</u>	<u>119.7</u>	<u>117.2</u>	<u>(2.5)</u>
<u>Property, plant and equipment</u>	<u>448.2</u>	<u>452.8</u>	<u>4.6</u>	Debentures	27.0	22.0	(5.0)
Buildings and structures	154.9	155.9	1.0	Long-term borrowings	49.9	45.8	(4.1)
Machinery and equipment	213.2	206.2	(7.0)	Deferred tax, non-current	33.4	39.5	6.1
Others	80.0	90.7	10.7	Others	9.4	9.9	0.5
<u>Intangible fixed assets</u>	<u>28.6</u>	<u>25.2</u>	<u>(3.4)</u>	<u>Total liabilities</u>	<u>450.9</u>	<u>443.4</u>	<u>(7.5)</u>
<u>Investments and Other Assets</u>	<u>218.6</u>	<u>227.0</u>	<u>8.4</u>	Minority interests in consolidated	29.1	31.3	2.2
Investments in securities	180.6	191.0	10.4	Common stock	117.5	119.4	1.9
Deferred tax, non current	14.8	15.3	0.5	Additional paid-in capital	126.3	128.2	1.9
Others	23.2	20.7	(2.5)	Retained earnings	780.2	831.1	50.9
				Unrealized gain on available-for-sale securities	13.7	23.7	10.0
				Foreign currency translation adjustment	(30.3)	(14.4)	15.9
				Treasury stock	(11.1)	(10.9)	0.2
				<u>Total stockholders' equity</u>	<u>996.3</u>	<u>1,077.1</u>	<u>80.8</u>
<u>Total assets</u>	<u>1,476.2</u>	<u>1,551.8</u>	<u>75.6</u>	<u>Total liabilities and stockholders' equity</u>	<u>1,476.2</u>	<u>1,551.8</u>	<u>75.6</u>

11. Comparative Statements of Cash Flows (Consolidated)

(Billions of Yen)

	Six months 04/4-04/9	Six months 05/4-05/9	Increase (Decrease)
<u>(1) Cash flows from operating activities</u>			
Net income	46.5	55.6	9.1
Depreciation	41.4	49.1	7.7
Others	3.8	(3.7)	(7.5)
Total	91.7	101.0	9.3
<u>(2) Cash flows from investing activities</u>			
Expenditure for purchase of tangible and intangible fixed assets	(49.4)	(53.2)	(3.8)
Increase (Decrease) in securities	(17.9)	0.5	18.4
Others	(1.8)	2.6	4.4
Total	(69.1)	(50.1)	19.0
<u>(3) Cash flows from financing activities</u>			
Decrease in debentures and borrowings	(24.2)	(20.1)	4.1
Cash dividends	(3.4)	(4.3)	(0.9)
Others	(2.4)	(0.4)	2.0
Total	(30.0)	(24.8)	5.2
(4) Effect of exchange rate changes and others	0.7	7.8	7.1
Net increase(decrease) in cash and cash equivalents	(6.7)	33.9	40.6
Balance of cash and cash equivalents	286.3	351.6	65.3
Balance of liabilities with interest	133.1	96.8	(36.3)

12. Forecast of operating performance
for the entire fiscal year (April 2005-March 2006)

	Consolidated		Non-consolidated	
	Billions of Yen	Ratio of increase over prior FY	Billions of Yen	Ratio of increase over prior FY
Net sales	1,070.0	10.6%	550.0	5.7%
Operating income	180.0	18.6%	72.0	14.1%
Ordinary income	180.0	18.8%	72.0	16.1%
Net income	110.0	18.1%	45.0	15.3%
Net income per share (in Yen)	255.22	36.12	104.36	12.63
Annual cash dividend per share (in Yen)	35.00	15.00		

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

13. Comparative Income Statements (Non-consolidated)

(Billions of Yen)

	Six months 04/4-04/9	Six months 05/4-05/9	Increase (Decrease)	Rate of increase
Net sales	256.1	276.1	20.0	7.8%
Cost of sales	208.5	224.0	15.5	
Selling, General and Administrative Expenses	16.0	16.5	0.5	
Operating income	31.6	35.6	4.0	12.8%
Non-operating income / expenses	(0.5)	0.4	0.9	
Ordinary income (Income before income taxes)	31.0	36.0	5.0	16.1%
Income taxes	11.5	13.2	1.7	
Net income	19.5	22.8	3.3	16.6%

14. Comparative Balance Sheets (Non-consolidated)

(Billions of Yen)

	March 31 2005	September 30 2005	Increase (Decrease)		March 31 2005	September 30 2005	Increase (Decrease)
<u>Current assets</u>	<u>438.6</u>	<u>461.3</u>	<u>22.7</u>	<u>Current liabilities</u>	<u>166.5</u>	<u>178.3</u>	<u>11.8</u>
Cash and time deposits	144.3	147.4	3.1	Notes and accounts payable-trade	93.0	109.2	16.2
Notes and accounts receivable-trade	157.7	164.9	7.2	Short-term borrowings	14.4	13.3	(1.1)
Securities	32.5	36.1	3.6	Convertible debentures of redemption within one year	3.8	-	(3.8)
Inventories	39.9	41.0	1.1	Accrued expenses and accounts payable-others	38.3	35.6	(2.7)
Others	64.2	71.9	7.7	Accrued income taxes	16.1	17.2	1.1
				Others	0.9	3.0	2.1
<u>Fixed assets</u>	<u>339.3</u>	<u>362.4</u>	<u>23.1</u>				
<u>Property, plant and equipment</u>	<u>105.6</u>	<u>106.0</u>	<u>0.4</u>	<u>Long-term liabilities</u>	<u>23.4</u>	<u>26.8</u>	<u>3.4</u>
Buildings and structures	35.5	35.0	(0.5)	Long-term borrowings	15.0	13.8	(1.2)
Machinery and equipment	44.9	43.5	(1.4)	Others	8.4	13.0	4.6
Others	25.2	27.6	2.4				
<u>Intangible fixed assets</u>	<u>1.0</u>	<u>0.9</u>	<u>(0.1)</u>	<u>Total liabilities</u>	<u>189.9</u>	<u>205.1</u>	<u>15.2</u>
<u>Investments and Other Assets</u>	<u>232.8</u>	<u>255.4</u>	<u>22.6</u>	Common stock	117.5	119.4	1.9
Investments in securities	111.3	121.6	10.3	Additional paid-in capital	118.9	120.8	1.9
Investments in capital stock of subsidiaries and affiliates	102.5	114.4	11.9	Retained earnings	351.8	370.1	18.3
Others	19.0	19.4	0.4	Unrealized gain on available-for-sale securities	10.9	19.3	8.4
				Treasury stock	(11.1)	(10.9)	0.2
				<u>Total stockholders' equity</u>	<u>588.0</u>	<u>618.7</u>	<u>30.7</u>
<u>Total assets</u>	<u>777.9</u>	<u>823.7</u>	<u>45.8</u>	<u>Total liabilities and stockholders' equity</u>	<u>777.9</u>	<u>823.7</u>	<u>45.8</u>

Recent Topics

- Oct. 2004 Announcement of a price increase on our Epoxy Molding Compounds used for encapsulating semiconductor devices.
- Oct. 2004 30-Year Anniversary of the start of operations by our group company Shintech Incorporated in the USA.
- Dec. 2004 Announcement of plans for additional integrated Polyvinyl Chloride facilities in the U.S.A.
- Dec. 2004 Announcement of plans for major expansions of our 300mm silicon wafer production capacity.
- Jan. 2005 Announcement of plans for Shin-Etsu PVC in The Netherlands to expand its PVC facilities.
- Jan. 2005 Moody's Investors Service raised Shin-Etsu Chemical's rating from A2 to A1.
- Mar. 2005 Announcement of plans for major expansions of our 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.
- Apr. 2005 Establishment of a Corporate Social Responsibility (CSR) Promotion Committee.
- Jul. 2005 Shin-Etsu Chemical's decision to underwrite full third-party allocation of shares in Mimasu Semiconductor Industry.
- Aug. 2005 Installation of an improved, innovative waste-recycling system at our Naoetsu Plant in Japan.
- Aug. 2005 Announcement of a price increase on our PVC resin in Japan.