

Press Release of Consolidated Operating Results



For the First Quarter ended June 30, 2006

July 12, 2006

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 1

Equity method Increase 0 Decrease 0

2). Consolidated Operating Results for the First Quarter ended June 30, 2006 (From April 1, 2006 to June 30, 2006)

(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, 2006
	2006		2005		
Net sales	309,727	19.3%	259,538	16.5%	1,127,915
Operating income	57,305	30.1%	44,032	22.2%	185,320
Ordinary income	58,041	31.8%	44,026	21.9%	185,040
Net income	35,602	32.9%	26,787	24.7%	115,045
Net income per share (in yen)	82.65		62.51		266.63
Diluted net income per share (in yen)	82.54		62.37		266.07

(Note) The percentage in the net sales, operating income, ordinary income and net income represents increase compared with corresponding period of the previous year.

Qualitative Information Related to the Results of Consolidated Operations

With regard to the PVC business, because both the volume of sales and the price of PVC remained at high levels, the business results of Shintech Inc. in the U.S. exceeded its results for the first quarter of the previous fiscal year. In addition, Shin-Etsu PVC B.V. in the Netherlands continued to attain favorable production and sales results. With regard to the domestic PVC business, while the prices of raw materials rose sharply, export prices remained sluggish and the severe business situation continued. With regard to the silicone business, the business generally remained strong in Japan, centering on such product applications as those for automobiles and cosmetics. The Shin-Etsu Group's silicones plant in Thailand continued steady production, and the export market also remained strong. The cellulose derivatives business remained strong, mainly for such applications as pharmaceuticals and automobiles. SE Tylose GmbH & Co. KG in Germany also did well, centering on applications for construction materials.

With regard to semiconductor silicon wafers, primarily in Asia, a high level of production of various semiconductor devices is continuing. Shin-Etsu is responding to growing demand by implementing aggressive facility expansion for 300mm wafers and also carrying out high-rate operational production for 200mm wafers. With regard to rare earth magnets for the electronics industry, with the expanding demand for 3.5- and 2.5-inch hard disk drives, the business remained firm. As for photoresists, with the progress in thinness of semiconductor devices, demand for ArF photoresists expanded, and sales were good.

With regard to synthetic quartz products, large-size photomask substrates are facing somewhat of an adjustment phase, but sales remained favorable. Sales of rare earth magnets for general applications and other functional materials products remained firm.

Consolidated financial position

	Millions of Yen		
	June 30, 2006	June 30, 2005	March 31, 2006
Total assets	1,679,475	-	1,671,280
Total net assets	1,234,059	-	1,173,679
Equity ratio	71.4%	-	70.2%
Net assets per share (in yen)	2,782.88	-	2,730.94

(Note) Consolidated financial data for the previous first quarter were not reported.

Qualitative Information Related to the Fluctuation of Consolidated Financial Position

As of June 30, 2006, total assets increased ¥8,195 million from the end of the previous fiscal year to ¥1,679,475 million, mainly due to an increase in the balance of securities. Total liabilities decreased ¥17,966 million to ¥445,415 million, mainly due to the payment of income taxes. Net assets amounted to ¥1,234,059 million. As a result of an increase in retained earnings, mainly resulting from net income of ¥35,602 million, the stockholders' equity ratio rose by 1.2% to become 71.4%.

(Reference)

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

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)

Comparative Consolidated Balance Sheets

As of June 30, 2006 and March 31, 2006

	Millions of Yen		
	June 30, 2006	March 31, 2006	Increase (Decrease)
ASSETS			
Current Assets:			
Cash and time deposits	245,791	262,145	(16,354)
Notes and accounts receivable-trade	283,958	277,874	6,084
Securities	201,435	178,555	22,880
Inventories	143,253	147,367	(4,114)
Others	69,725	61,044	8,681
Total current assets	<u>944,164</u>	<u>926,987</u>	<u>17,177</u>
Fixed Assets:			
Property, plant and equipment	472,340	468,783	3,557
Intangible fixed assets	25,220	25,347	(127)
Investments and other assets			
Investments in securities	202,791	216,227	(13,436)
Others	34,959	33,934	1,025
Total investments and other assets	<u>237,751</u>	<u>250,162</u>	<u>(12,411)</u>
Total fixed assets	<u>735,311</u>	<u>744,293</u>	<u>(8,982)</u>
TOTAL ASSETS	<u>1,679,475</u>	<u>1,671,280</u>	<u>8,195</u>

	Millions of Yen		
	June 30, 2006	March 31, 2006	Increase (Decrease)
LIABILITIES			
Current Liabilities:			
Notes and accounts payable-trade	128,273	132,673	(4,400)
Short-term borrowings	18,438	18,168	270
Debentures of redemption within one year	8,000	8,000	-
Others	180,212	194,048	(13,836)
Total current liabilities	334,924	352,889	(17,965)
Long-term Liabilities:			
Debentures	8,000	8,000	-
Long-term borrowings	53,179	49,670	3,509
Others	49,311	52,821	(3,510)
Total long-term liabilities	110,491	110,491	0
TOTAL LIABILITIES	445,415	463,381	(17,966)
NET ASSETS			
Stockholders' equity:			
Common stock	119,419	-	-
Additional paid-in capital	128,177	-	-
Retained earnings	910,030	-	-
Less: Treasury stock, at cost	(5,663)	-	-
Total stockholders' equity	1,151,964	-	-
Valuation, transition adjustment and others	46,870	-	-
Minority interests in consolidated subsidiaries	35,224	-	-
TOTAL NET ASSETS	1,234,059	-	-
TOTAL LIABILITIES AND NET ASSETS	1,679,475	-	-
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES			
	-	34,219	-
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	-	1,173,679	-
TOTAL LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY	-	1,671,280	-

Consolidated Income Statements (Summary)

	Millions of Yen			
	First Quarter ended June 30, 2006	First Quarter ended June 30, 2005	Increase	Fiscal year ended March 31, 2006
Net sales	309,727	259,538	50,189	1,127,915
Cost of sales	224,142	190,129	34,013	831,333
Gross profit	85,584	69,409	16,175	296,582
Selling, general and administrative expenses	28,278	25,377	2,901	111,262
Operating income	57,305	44,032	13,273	185,320
Net non-operating income (expenses)	735	(6)	741	(279)
Ordinary income	58,041	44,026	14,015	185,040
Income before income taxes	58,041	44,026	14,015	185,040
Income taxes	21,301	16,219	5,082	65,924
Minority interest in earnings of consolidated subsidiaries	1,136	1,018	118	4,070
Net income	35,602	26,787	8,815	115,045

Business Segment Information

	Millions of Yen					
	First Quarter ended June 30, 2006		First Quarter ended June 30, 2005		Fiscal year ended March 31, 2006	
	Sales	Operating income	Sales	Operating income	Sales	Operating income
Organic and inorganic Chemicals	170,034	25,217	148,726	22,872	636,491	96,171
Electronics Materials	109,185	24,457	80,287	15,276	361,452	65,275
Functional materials and Others	30,506	7,468	30,524	5,776	129,970	24,022
Elimination	-	162	-	108	-	(149)
Consolidated total	309,727	57,305	259,538	44,032	1,127,915	185,320