

Financial Summary

(For the year ended March 31, 2007)

April 27, 2007

(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)			(Billions of Yen)			(times)	
	Consolidated			Non-consolidated			Ratio (Consolidated/Non-consolidated)	
	Fiscal year 05/4-06/3	Fiscal year 06/4-07/3	Increase (Decrease)	Fiscal year 05/4-06/3	Fiscal year 06/4-07/3	Increase (Decrease)	Fiscal year 05/4-06/3	Fiscal year 06/4-07/3
Sales	1,127.9	1,304.7	15.7% 176.8	582.4	697.2	19.7% 114.8	1.94	1.87
Operating Income	185.3	241.0	30.1% 55.7	73.7	81.2	10.2% 7.5	2.52	2.97
Ordinary Income	185.0	247.0	33.5% 62.0	72.1	80.1	11.0% 8.0	2.57	3.08
Net Income	115.0	154.0	33.9% 39.0	45.1	51.1	13.4% 6.0	2.55	3.01
Total Assets	1,671.3	1,860.0	188.7	874.2	898.4	24.2	1.91	2.07
Net assets	1,207.9	1,360.3	152.4	647.1	672.3	25.2	1.87	2.02
Equity Ratio	70.2%	71.0%	0.8point	74.0%	74.8%	0.8point		
ROE	10.6%	12.4%	1.8point	7.3%	7.7%	0.4point		
ROA	11.8%	14.0%	2.2point	8.7%	9.0%	0.3point		
Per share (in Yen)								
Net Income	266.63	357.78	91.15	104.21	118.67	14.46		
Stockholders' Equity	2,731	3,066	335	1,506	1,560	54		
Cash dividend	35.00	70.00	35.00					

ROA:Return(Ordinary income) on total assets

2. Financial Highlights

(Billions of Yen)

	Consolidated		Non-consolidated	
	Fiscal year 05/4-06/3	Fiscal year 06/4-07/3	Fiscal year 05/4-06/3	Fiscal year 06/4-07/3
Capital expenditures	145.3	210.6	23.8	25.2
Depreciation and amortization	111.6	138.5	20.2	20.9
R&D costs	32.0	41.7	19.8	28.5
Balance of liabilities with interest	83.9	45.1	24.9	20.9
Number of employees	18,888	19,177	2,514	2,522
Exchange rate Jan.-Dec.(Ave.)	110.2	116.4	-	-
(Yen/US\$) Apr.-Mar.(Ave.)	113.3	117.0	113.3	117.0

Notes; 1) Breakdown of Consolidated Capital Expenditures and Depreciation for the year ended March 31, 2007

	<u>Capital Expenditures</u>	<u>Depreciation</u>
	Billions of Yen	Billions of Yen
Organic and Inorganic chemicals	94.1	28.8
Electronics materials	105.6	101.4
Functional materials and Others	11.0	8.5

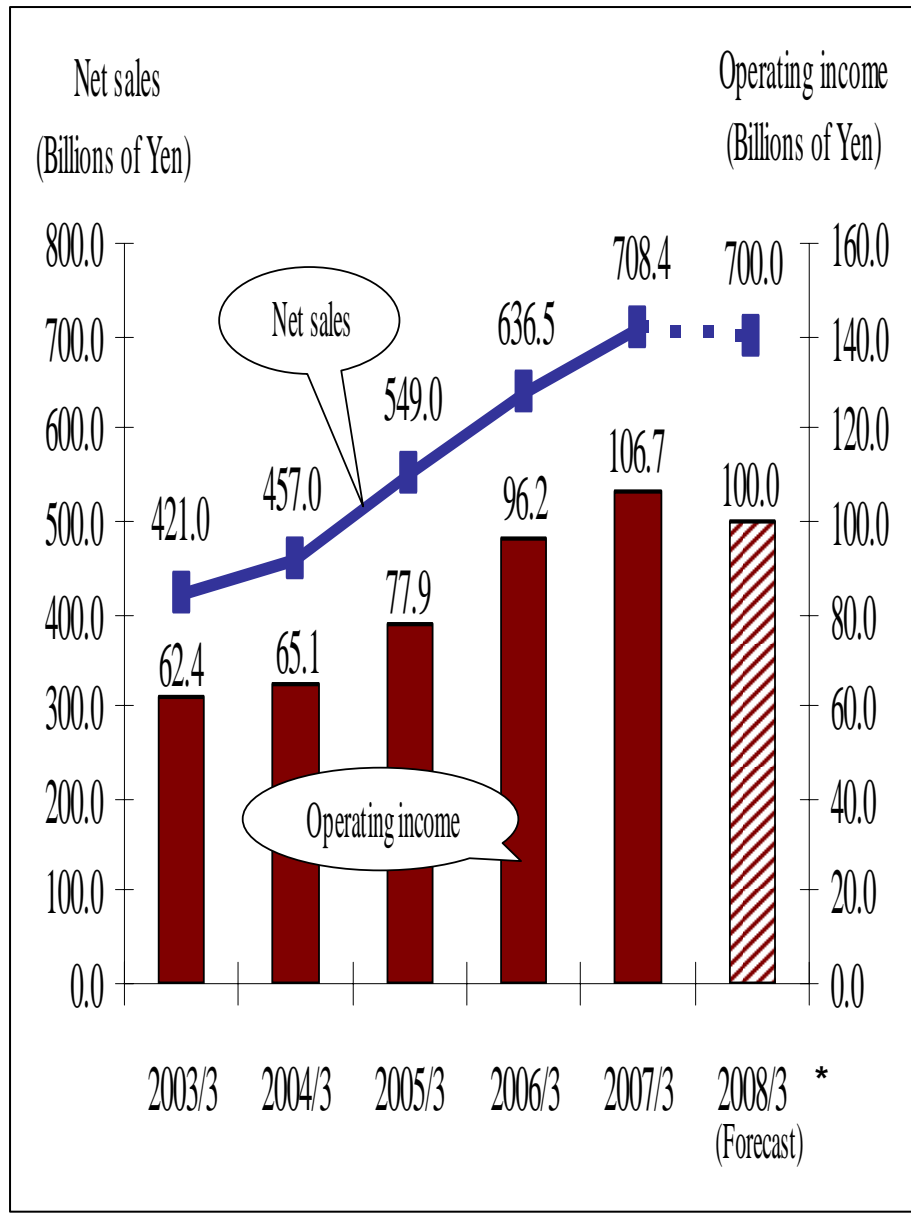
2) An average exchange rate between January and December was used for the Consolidated Income Statements of overseas subsidiaries.

3. Business Segment Information (Consolidated)

(Billions of Yen)

	Net Sales			Operating Income		
	Fiscal year 05/4-06/3	Fiscal year 06/4-07/3	Increase (Decrease)	Fiscal year 05/4-06/3	Fiscal year 06/4-07/3	Increase (Decrease)
Organic and Inorganic chemicals	636.5	708.4	11.3% 71.9	96.2	106.7	10.9% 10.5
Polyvinyl chloride	345.3	375.8	30.5	38.0	42.0	4.0
Silicones	176.5	198.8	22.3	38.7	42.3	3.6
Others	114.7	133.8	19.1	19.5	22.4	2.9
Electronics materials	361.4	479.4	32.6% 118.0	65.3	106.6	63.4% 41.3
Semiconductor silicon	305.7	406.7	101.0	52.9	90.0	37.1
Others	55.7	72.7	17.0	12.4	16.6	4.2
Functional materials and Others	130.0	116.9	(10.1%) (13.1)	24.0	27.6	14.9% 3.6
Synthetic quartz products	34.5	32.9	(1.6)	13.2	14.0	0.8
Rare earth magnets and other functional materials	30.6	34.8	4.2	5.7	7.7	2.0
Others	64.9	49.2	(15.7)	5.1	5.9	0.8
Elimination	-	-	-	(0.2)	0.1	0.3
Total	1,127.9	1,304.7	15.7% 176.8	185.3	241.0	30.1% 55.7

4. “Organic and Inorganic chemicals” Business Segment (Consolidated)



•PVC

Shintech in the U.S. continued strong shipments until September of 2006. After that, although there was some effect from the decline in housing investment, as a result of the company’s continued strong sales efforts utilizing its worldwide customer network, Shintech achieved greatly increased business results.

Shin-Etsu PVC in the Netherlands continued its firm business performance supported by demand from all of Europe, including Eastern Europe.

The domestic PVC business experienced a decrease in domestic demand, and the slump in export prices continued, mainly due to the Chinese market, resulting in a decrease in operating income.

•Silicones

In addition to an increase in domestic sales in a wide diversity of fields such as electric, electronics, automobile and cosmetics applications, a price adjustment was implemented to cope with the sharp rise in raw materials and fuel costs. Furthermore, export sales increased. Accordingly, operating income increased. Moreover, sales of silicone-related products, such as keypads for mobile phones supplied by Shin-Etsu Polymer Co., Ltd., were also firm.

•Cellulose derivatives

In addition to continued strong domestic sales, mainly for such application areas as pharmaceuticals, SE Tylose in Germany did well in cellulose sales for building material applications, spurred by the company’s production capacity increase.

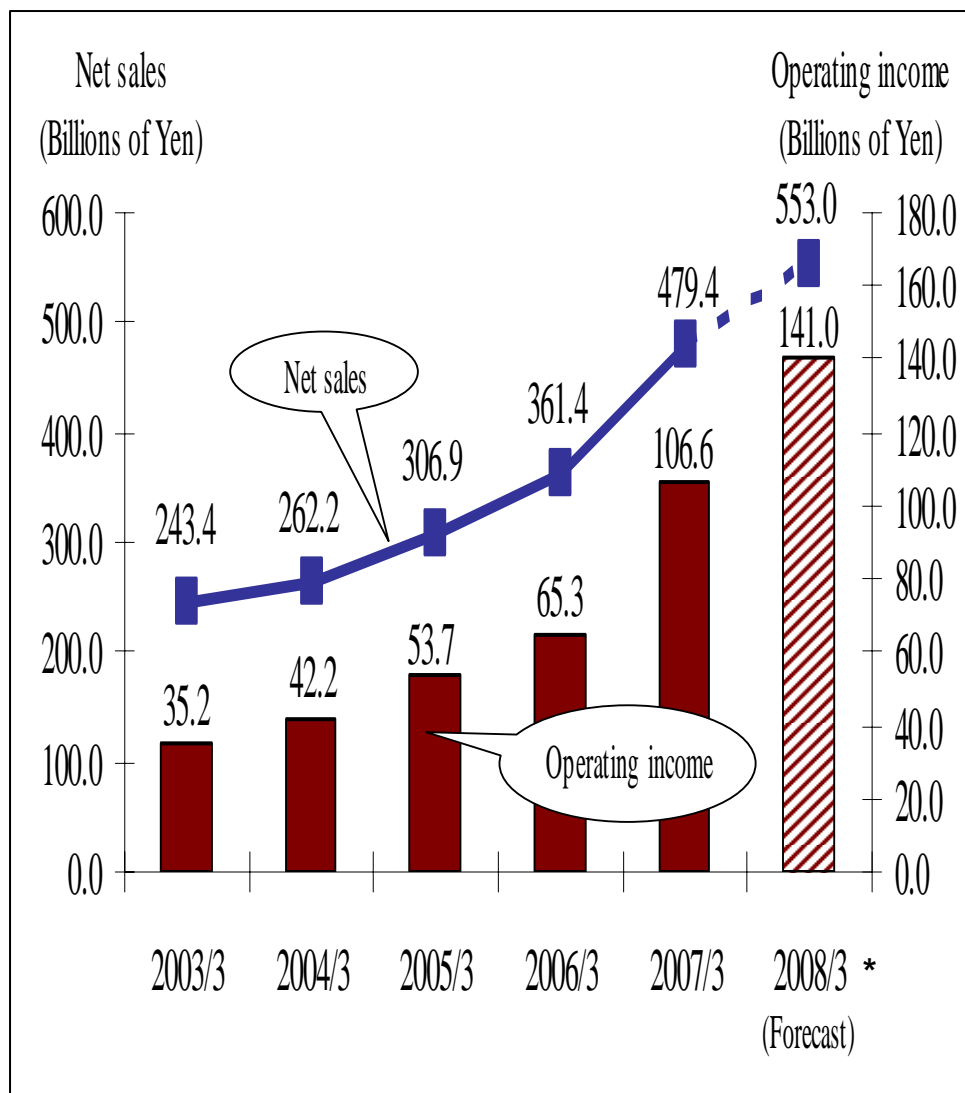
•Other organic chemicals

JAPAN VAM & POVAL Co., Ltd. also did well in their product shipments.

(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

The increase in demand from device makers in a wide range of application fields such as mobile phones, PCs, digital home appliances and automobiles, the increase in production capacity of 300mm wafers coming about from large-scale facility investments, and the continued good demand for 200mm wafers resulted in a substantial increase of both net sales and operating income.

In keeping with the continued advances in higher-performance semiconductor devices, the number of years for the depreciation period of both domestic and overseas semiconductor silicon manufacturing facility was shortened from the previous period of five years to three years.

•Rare earth magnets for electronics industry

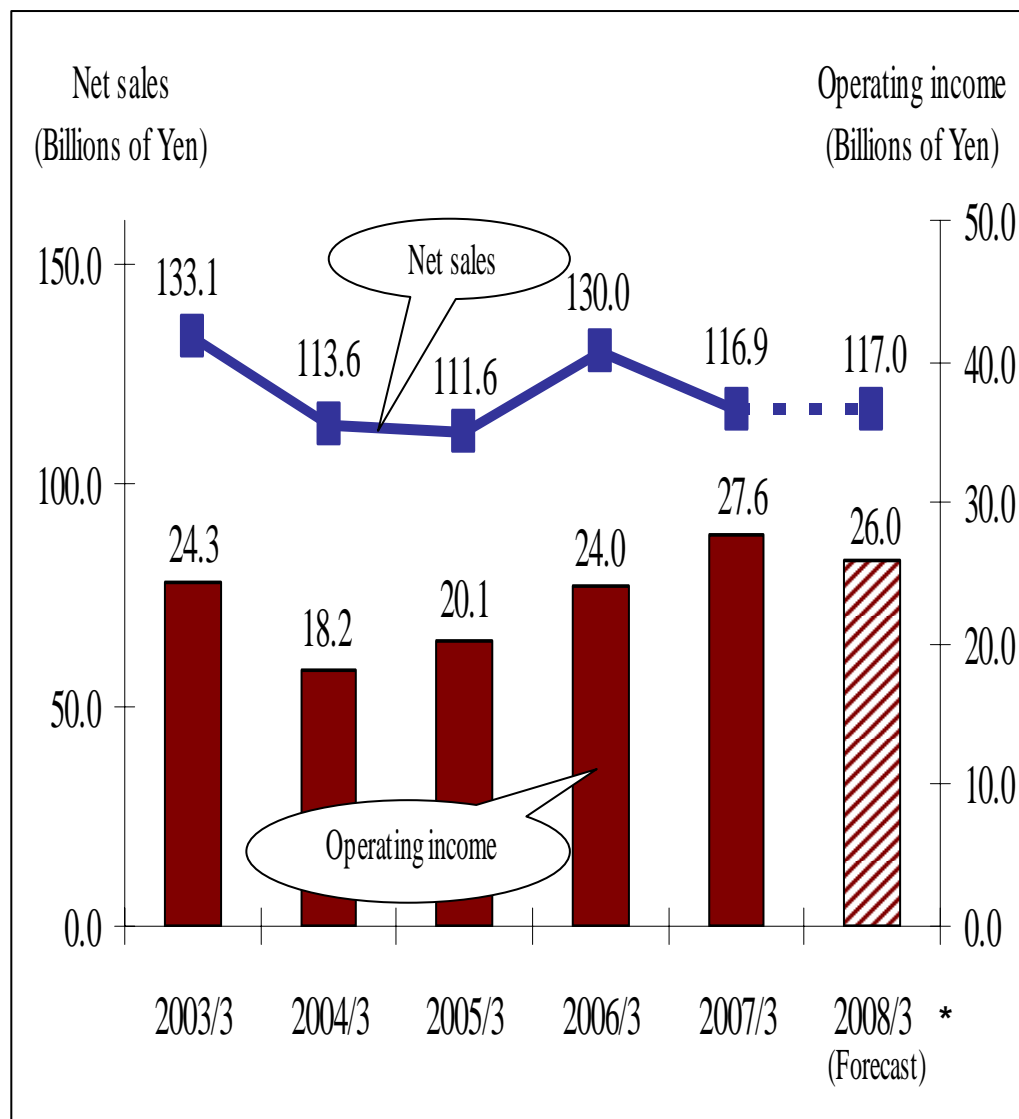
Sales of rare earth magnets for the electronics industry increased greatly with robust demand for use in such applications as hard disk drives for PCs, servers and visual recording media.

•Photoresists products

With regard to photoresists products for semiconductors, as semiconductor devices are moving in the direction of finer-pitch, ArF resists are being widely adopted for semiconductor devices. Both net sales and operating income in this business greatly increased.

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

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



•Synthetic quartz

Although the demand for preform for optical fiber showed a recovery trend, demand slowed for large-size photomask substrates used for LCDs, as this product was affected by a production adjustment by LCD panel-makers, and sales decreased.

•Rare earth magnets and other functional materials

Sales of general-purpose rare earth magnets continued bullish with the growth of applications in many fields, including automobiles, where energy-saving and lighter weight are required, and digital home appliances such as air conditioners. Moreover, sales of liquid fluoroelastomers and pellicles continued to do well.

•Others

In other businesses, sales of procured products declined.

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

7. Operating Performance of Shintech, Inc.

Shintech, Inc.

	Fiscal year 05/1-05/12		Fiscal year 06/1-06/12	
	Millions of US\$	Billions of Yen	Millions of US\$	Billions of Yen
Net Sales	2,114	233.0	2,158	251.2
Ordinary Income	338	37.3	375	43.7
Net Income	225	24.8	252	29.4
Net Assets	1,920	226.7	2,170	258.4
Total Assets	2,234	263.8	2,568	305.9

- The U.S. PVC market, supported by vigorous housing investment, continued to be firm in both price and demand until September 2006.
- From October 2006, there was a fall back in demand with the decline in housing investment, in addition to an inventory adjustment. In response to this situation, while some companies in the same business reduced their plant utilization rates drastically, thereby greatly decreasing their profit. On the other hand, Shintech, by making use of its worldwide network of customers that it has maintained for a long number of years, continued sales without reducing production.
- As a result, Shintech achieved its highest-ever sales, ordinary income and net income.

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 05/4-06/3	Fiscal year 06/4-07/3
Net Sales	301.2	399.9
Ordinary Income	40.0	81.0
Net Income	25.2	50.0
Net Assets	191.3	245.1
Total Assets	379.6	433.0

Notes; The financial statements of the overseas Shin-Etsu Handotai Group of companies are calculated based on the FY ended in December 2005 and 2006.

- Semiconductor silicon sales continued to be strong with the expanding demand for semiconductor devices in such diverse application fields as mobile phones, PCs, digital home appliances and automobiles.
- With the increase in production capacity of 300mm wafers coming about from large-scale facility investments and the continued good demand for 200mm wafers both net sales and operating income increased substantially.
- The number of years for the depreciation period of both domestic and overseas semiconductor silicon manufacturing facility was shortened from the previous period of five years to three years. Accordingly, the depreciation expense increased by 26.0 billion yen.
- As a result, Shin-Etsu Handotai Group achieved its highest-ever sales, ordinary income and net income.
- In the semiconductor silicon business, to cope with the expanding worldwide demand for semiconductor silicon wafers, to implement an early production increase of 300mm wafers and to disperse risk the company is continuing to make facility expansions at its total of five domestic and U.S. production bases. From a monthly 700,000 wafer production capacity system in September 2006, the company is implementing an expansion plan to a monthly one-million wafer production capacity by about the fall of 2007.

9. Comparative Income Statements (Consolidated)

(Billions of Yen)

	Fiscal year 05/4-06/3	Fiscal year 06/4-07/3	Increase (Decrease)	Rate of increase (decrease)
Net Sales	1,127.9	1,304.7	176.8	15.7%
Cost of Sales	831.3	933.2	101.9	
Selling, General and Administrative Expenses	111.3	130.5	19.2	
Operating Income	185.3	241.0	55.7	30.1%
Non-Operating Income/Expenses	(0.3)	6.0	6.3	
Ordinary Income (Income before income taxes)	185.0	247.0	62.0	33.5%
Income Taxes	65.9	87.9	22.0	
Minority Interests in Earnings of Consolidated Subsidiaries	4.1	5.1	1.0	
Net Income	115.0	154.0	39.0	33.9%

10. Comparative Balance Sheets (Consolidated)

(Billions of Yen)

	March 31, 2006	March 31, 2007	Increase (Decrease)		March 31, 2006	March 31, 2007	Increase (Decrease)
<u>Current Assets</u>	<u>927.0</u>	<u>1,063.5</u>	<u>136.5</u>	<u>Current Liabilities</u>	<u>352.9</u>	<u>432.9</u>	<u>80.0</u>
Cash and time deposits	262.1	296.9	34.8	Notes and accounts payable-trade	132.7	155.5	22.8
Notes and accounts receivable-trade	277.9	315.7	37.8	Short-term borrowings	18.2	24.5	6.3
Securities	178.6	207.2	28.6	Debentures	8.0	-	(8.0)
Inventories	147.4	169.2	21.8	Accrued expenses and accounts payable-others	133.4	178.2	44.8
Deferred taxes, current	34.1	40.7	6.6	Accrued income taxes	47.3	60.0	12.7
Others	26.9	33.9	7.0	Others	13.4	14.7	1.3
<u>Fixed Assets</u>	<u>744.3</u>	<u>796.5</u>	<u>52.2</u>	<u>Long-Term Liabilities</u>	<u>110.5</u>	<u>66.8</u>	<u>(43.7)</u>
<u>Property, Plant and Equipment</u>	<u>468.8</u>	<u>545.4</u>	<u>76.6</u>	Debentures	8.0	-	(8.0)
Buildings and structures	158.3	174.4	16.1	Long-term borrowings	49.7	20.7	(29.0)
Machinery and equipment	208.2	217.7	9.5	Deferred taxes, non-current	40.7	28.8	(11.9)
Others	102.3	153.3	51.0	Accrued retirement benefits	10.4	10.9	0.5
<u>Intangible Fixed Assets</u>	<u>25.3</u>	<u>26.0</u>	<u>0.7</u>	Others	1.7	6.4	4.7
<u>Investments and Other Assets</u>	<u>250.2</u>	<u>225.1</u>	<u>(25.1)</u>	<u>Total liabilities</u>	<u>463.4</u>	<u>499.7</u>	<u>36.3</u>
Investments in securities	216.2	176.2	(40.0)	<u>Stockholders' equity</u>	<u>1,123.7</u>	<u>1,257.3</u>	<u>133.6</u>
Deferred taxes, non-current	13.3	26.3	13.0	Common stock	119.4	119.4	-
Others	20.7	22.7	2.0	Additional paid-in capital	128.2	128.2	0.0
				Retained earnings	882.4	1,017.3	134.9
				Less: Treasury stock, at cost	(6.3)	(7.6)	(1.3)
				Valuation, translation adjustments and others	<u>50.0</u>	<u>62.9</u>	<u>12.9</u>
				Share subscription rights	-	<u>0.7</u>	<u>0.7</u>
				Minority interests in consolidated subsidiaries	<u>34.2</u>	<u>39.4</u>	<u>5.2</u>
				<u>Total net assets</u>	<u>1,207.9</u>	<u>1,360.3</u>	<u>152.4</u>
<u>Total assets</u>	<u>1,671.3</u>	<u>1,860.0</u>	<u>188.7</u>	<u>Total liabilities and net assets</u>	<u>1,671.3</u>	<u>1,860.0</u>	<u>188.7</u>

11. Comparative Statements of Cash flows (Consolidated)

(Billions of Yen)

	Fiscal year 05/4-06/3	Fiscal year 06/4-07/3	Increase (Decrease)
<u>(1) Cash Flows from Operating Activities</u>			
Net Income	115.0	154.0	39.0
Depreciation and amortization	111.6	138.5	26.9
Others	(6.0)	(20.0)	(14.0)
Total	220.6	272.5	51.9
<u>(2) Cash Flows from Investing Activities</u>			
Expenditure for purchase of tangible and intangible fixed assets	(127.7)	(187.6)	(59.9)
Payment for purchase of Mimasu Semiconductor Industry stock	(25.5)	-	25.5
(Increase)Decrease in securities	14.7	11.0	(3.7)
Others	(0.3)	(8.6)	(8.3)
Total	(138.8)	(185.2)	(46.4)
<u>(3) Cash Flows from Financing Activities</u>			
Decrease in debentures and borrowings	(34.6)	(41.2)	(6.6)
Cash dividends paid	(11.8)	(18.3)	(6.5)
Others	3.9	(2.4)	(6.3)
Total	(42.5)	(61.8)	(19.3)
<u>(4) Effect of Exchange Rate Changes on Cash and Cash Equivalents</u>			
	16.8	5.2	(11.6)
Net Increase in Cash and Cash Equivalents	56.1	30.7	(25.4)
Balance of cash and cash equivalents	373.9	404.5	30.7
Balance of liabilities with interest	83.9	45.1	(38.8)

12. Forecast of Operating Performance for the next fiscal year

	Consolidated			
	Billions of Yen	Increase over prior FY	First half	
			Billions of Yen	Increase over prior First half
Net Sales	1,370.0	5.0%	670.0	4.8%
Operating Income	267.0	10.8%	133.0	10.8%
Ordinary Income	275.0	11.3%	137.0	14.1%
Net Income	172.0	11.7%	86.0	14.8%
Net Income per Share (in Yen)	399.41	41.63	199.70	25.62
Annual Cash Dividend per Share (in Yen)	80.00	10.00	40.00	15.00

	Non-consolidated			
	Billions of Yen	Increase over prior FY	First half	
			Billions of Yen	Increase over prior First half
	730.0	4.7%	350.0	4.6%
	83.0	2.2%	41.0	1.9%
	83.0	3.7%	41.0	3.2%
	53.0	3.7%	26.0	2.7%
	123.07	4.40	60.38	1.58

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

13. Comparative Income Statements (Non-consolidated)

(Billions of Yen)

	Fiscal year 05/4-06/3	Fiscal year 06/4-07/3	Increase (Decrease)	Rate of increase
Net Sales	582.4	697.2	114.8	19.7%
Cost of Sales	474.4	574.7	100.3	
Selling, General and Administrative Expenses	34.3	41.4	7.1	
Operating Income	73.7	81.2	7.5	10.2%
Non-Operating Income/Expenses	(1.6)	(1.1)	0.5	
Ordinary Income (Income before income taxes)	72.1	80.1	8.0	11.0%
Income Taxes	27.0	29.0	2.0	
Net Income	45.1	51.1	6.0	13.4%

14. Comparative Balance Sheets (Non-consolidated)

(Billions of Yen)

	March 31, 2006	March 31, 2007	Increase (Decrease)		March 31, 2006	March 31, 2007	Increase (Decrease)
<u>Current Assets</u>	<u>483.0</u>	<u>540.5</u>	<u>57.5</u>	<u>Current Liabilities</u>	<u>194.7</u>	<u>213.0</u>	<u>18.3</u>
Cash and time deposits	154.9	141.5	(13.4)	Accounts payable-trade	120.7	126.2	5.5
Notes and accounts receivable-trade	177.9	210.1	32.2	Short-term borrowings	11.1	18.4	7.3
Securities	34.0	75.5	41.5	Accrued expenses and accounts payable-others	39.2	45.7	6.5
Inventories	44.4	50.2	5.8	Accrued income taxes	20.2	18.8	(1.4)
Others	71.7	63.3	(8.4)	Others	3.5	3.8	0.3
				<u>Long-Term Liabilities</u>	<u>32.4</u>	<u>13.2</u>	<u>(19.2)</u>
				Long-term borrowings	13.8	2.5	(11.3)
<u>Fixed Assets</u>	<u>391.2</u>	<u>357.9</u>	<u>(33.3)</u>	Deferred taxes, non-current	17.9	9.7	(8.2)
<u>Property, Plant and Equipment</u>	<u>108.6</u>	<u>110.6</u>	<u>2.0</u>	Others	0.8	0.9	0.1
Buildings and structures	35.2	35.6	0.4				
Machinery and equipment	45.8	45.2	(0.6)	<u>Total liabilities</u>	<u>227.1</u>	<u>226.1</u>	<u>(1.0)</u>
Others	27.6	29.8	2.2	<u>Stockholders' equity</u>	<u>618.7</u>	<u>649.6</u>	<u>30.9</u>
<u>Intangible Fixed Assets</u>	<u>0.8</u>	<u>0.7</u>	<u>(0.1)</u>	Common stock	119.4	119.4	-
<u>Investments and Other Assets</u>	<u>281.7</u>	<u>246.7</u>	<u>(35.0)</u>	Additional paid-in capital	120.8	120.8	-
Investments in securities	134.1	90.9	(43.2)	Retained earnings	384.8	416.9	32.1
Investments in capital stock of subsidiaries and affiliates	129.2	129.2	0.0	Less: Treasury stock, at cost	(6.3)	(7.6)	(1.3)
Others	18.4	26.6	8.2	<u>Valuation, translation adjustments and others</u>	<u>28.3</u>	<u>22.2</u>	<u>(6.1)</u>
				<u>Share subscription rights</u>	<u>-</u>	<u>0.5</u>	<u>0.5</u>
				<u>Total net assets</u>	<u>647.1</u>	<u>672.3</u>	<u>25.2</u>
<u>Total assets</u>	<u>874.2</u>	<u>898.4</u>	<u>24.2</u>	<u>Total liabilities and net assets</u>	<u>874.2</u>	<u>898.4</u>	<u>24.2</u>

Key Corporate news in the fiscal year ended March 31, 2007

Recent Topics

- Jun. 2006 Announcement of a price increase on our silicone products.
- Jun. 2006 Shin-Etsu Chemical and several of its Group Companies in Japan contributed to help promote the goals of World Refugee Day.
- Aug. 2006 Announcement of a price increase on our rare earth magnets.
- Sep. 2006 80-Year Anniversary of Shin-Etsu Chemical.
- Sep. 2006 Completion of Shin-Etsu PVC's expansion project at Pernis, Netherlands.
- Sep. 2006 Completion of major expansion of our 300mm silicon wafer production capacity in early anticipation.
- Sep. 2006 Publication of Shin-Etsu Chemical Environmental and Social Report.
- Oct. 2006 Completion of expansion of SE Tylose's cellulose production capacity at Wiesbaden, Germany.
- Nov. 2006 Development of a new silicone rubber for molding, with superior anti-static performance.
- Jan. 2007 Succeeded in developing lead-free optical isolators for optical communications parts, which complies with the European RoHS Directive.
- Jan. 2007 Developed a thermally conductive silicone rubber sheet with super-low hardness, superior pliability and adhesiveness.
- Feb. 2007 Announcement of a price increase on our rare earth magnets.
- Feb. 2007 Shin-Etsu Polymer unveiled expansion plan for wafer case production capacity.
- Mar. 2007 Shin-Etsu Chemical and Toppan Printing jointly developed new leading-edge photomask blanks for finer-pitch 45nm and 32nm photolithography .
- Mar. 2007 Explosion accident occurred in the cellulose derivatives manufacturing facility at Naoetsu Plant, Japan.
- Apr. 2007 Forecast of FY2007 year-end dividend was raised to 45yen / share.
(Annual dividend is expected to be 70yen/ share.)
- Apr. 2007 Moody's upgraded Shin-Etsu Chemical's rating from A1 to Aa3, being the No.1 among chemical companies worldwide.