

Press Release of Consolidated Financial Data

For the six months ended September 30, 2002

October 31, 2002

Shin-Etsu Chemical Co.,Ltd.

The seat of headquarters : Tokyo

Listing Code No. 4063

(URL <http://www.shinetsu.co.jp/>)

Listing Stock Exchange : Tokyo, Osaka, Nagoya

Representative:

Chihiro Kanagawa (Mr.)

Representative Director-President

Personnel to contact :

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Date of Board of Directors Meeting

For the authorization of the consolidated financial statements

for the first half of the current fiscal year ... October 31, 2002

Adoption of U.S. GAAP : No

1). Consolidated Operating Performance for the First Half of the Current Fiscal Year

(From April 1, 2002 to September 30, 2002)

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

(1) Results of Consolidated operations

	Six months <u>2002/4-2002/9</u>	Millions of Yen Six months <u>2001/4-2001/9</u>	Prior fiscal year <u>2001/4-2002/3</u>
Net sales	396,737	396,080	775,096
Ratio of increase (decrease) over the first half of the prior year	0.2%	0.2%	
Operating income	63,020	59,410	114,723
Ratio of increase (decrease) over the first half of the prior year	6.1%	0.9%	
Ordinary income	62,041	59,643	117,031
Ratio of increase (decrease) over the first half of the prior year	4.0%	1.4%	
Net income	37,008	34,600	68,518
Ratio of increase (decrease) over the first half of the prior year	7.0%	9.6%	
Net income per share (in yen)	87.97	82.28	162.93
Diluted net income per share (in yen)	86.05	80.50	159.38
(Notes)			
1. Equity in earnings of Affiliates (in millions of yen)	555	544	664
2. Average number of consolidated shares issued (in share)	420,669,325	420,551,996	420,539,264
3. Changes in accounting policies applied : Yes			

(2) Consolidated financial position

	<u>Millions of Yen</u>		
	<u>September 30, 2002</u>	<u>September 30, 2001</u>	<u>March 31, 2002</u>
Total assets	1,299,565	1,286,291	1,288,432
Total stockholders' equity	813,152	760,205	812,068
Equity ratio	62.6%	59.1%	63.0%
Stockholders' equity per share (in yen)	1,934.38	1,808.41	1,930.30
(Notes)			
Number of shares outstanding at year end (in shares)	420,369,360	420,373,133	420,695,830

(3) Consolidated Cash flows statement

Cash flows from operating activities	72,844	55,283	118,636
Cash flows from investing activities	(17,581)	(60,668)	(127,408)
Cash flows from financing activities	(5,594)	(10,638)	(24,984)
Cash & Cash Equivalents	290,380	262,455	249,846

(4) Application of consolidated and equity method

Number of consolidated subsidiaries	.....	62
Number of non-consolidated subsidiaries applied to equity method	.....	0
Number of affiliates applied to equity method	.....	8

(5) Changes in scope of consolidation or application of the equity method

Consolidation	Increase	4	Decrease	0
Equity method	Increase	0	Decrease	0

2).The Forecast of Consolidated Operating Performance for the Fiscal Year ending March 31, 2003 (From April 1, 2002 to March 31, 2003)

	<u>Millions of Yen</u>
	<u>Fiscal year 2002/4-2003/3</u>
Net sales	800,000
Ordinary income	122,000
Net income	73,000

(Reference)

The forecast of "Net income per share" (in yen, from April 1, 2002 to March 31, 2003) 173.66

(Notes)

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 results 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 businesses 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.

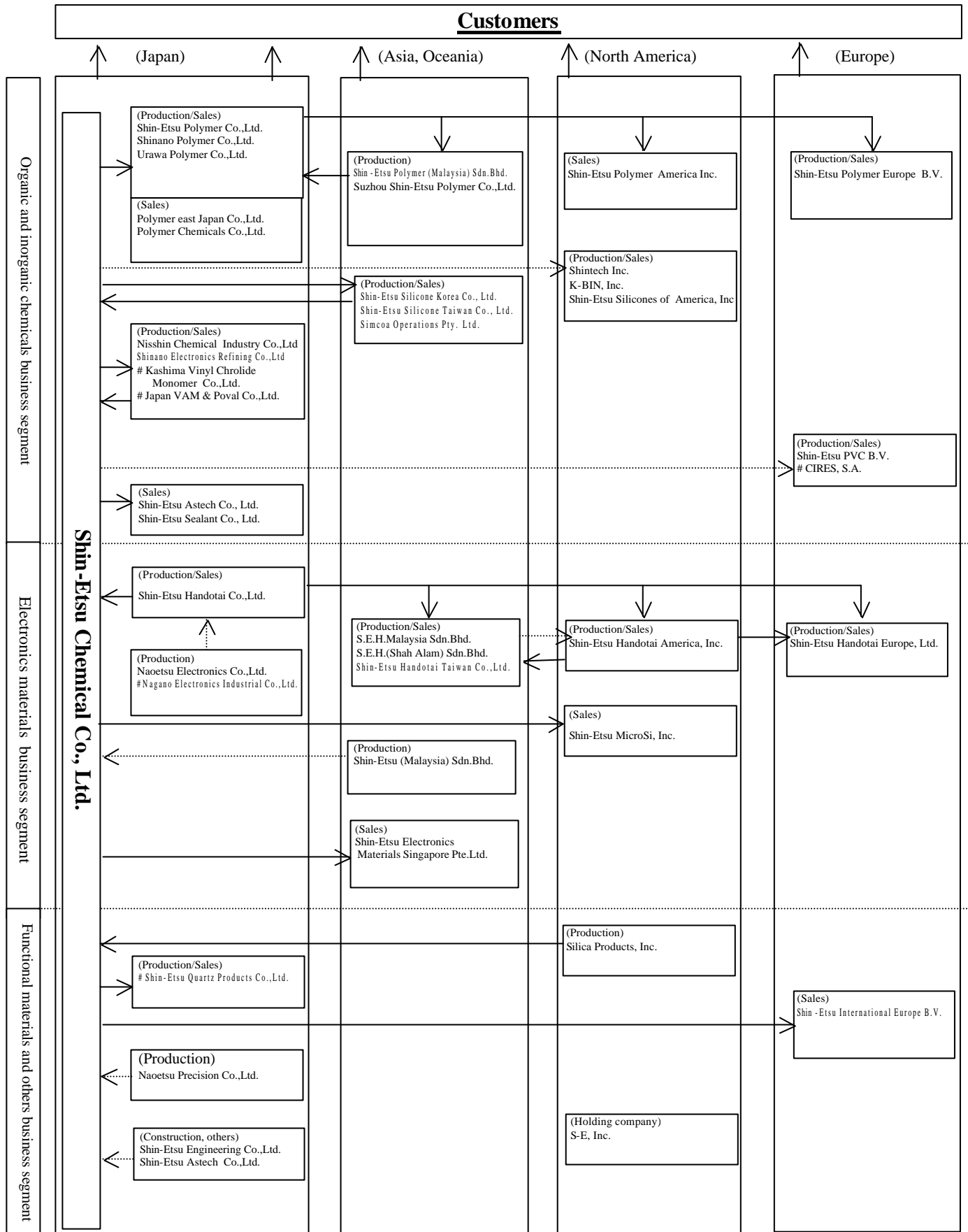
1. Corporate Overview

The Shin-Etsu Group is composed of Shin-Etsu Chemical Co., Ltd. (the “Company”), 94 subsidiaries, and 16 affiliates as of September 30, 2002. Business is divided into three segments: Organic and Inorganic Chemicals Segment, which consists mainly of the manufacture and sale of polyvinyl chloride (PVC) and silicones; Electronics Materials Segment, which consists mainly of the manufacture and sale of semiconductor silicon; and Functional Materials and Others Segment, which manufactures and sells synthetic quartz and other materials as well as providing various other services, such as construction and repair. The Company and its subsidiaries and affiliates share responsibility for sales, manufacturing, and other operations, and cooperate with each other to develop business activities.

The Group’s business activities, the role and functions of the Company and major subsidiaries and affiliates are described below.

Organic and Inorganic Chemicals business segment	Polyvinyl chloride Silicone Methanol Chloromethanes Cellulose derivatives Caustic soda Silicon metal	Shin-Etsu Chemical Co., Ltd. Shin-Etsu Polymer Co., Ltd. Shin-Etsu PVC B.V. Shin-Etsu Silicone Korea Co., Ltd. Nissin Chemical Industry Co., Ltd. Shin-Etsu Silicone Taiwan Co., Ltd. Shin-Etsu Polymer Europe B.V. Shin-Etsu Polymer (Malaysia) Sdn. Bhd. Urawa Polymer Co., Ltd. Suzhou Shin-Etsu Polymer Co., Ltd. K-Bin, Inc. Japan VAM & Poval Co., Ltd. 35 other subsidiaries and affiliates	Shintech, Inc. Shin-Etsu Astech Co., Ltd. Polymer East Japan Co., Ltd. Shinano Polymer Co., Ltd. Polymer Chemicals Co., Ltd. Shin-Etsu Silicones of America, Inc. Shin-Etsu Sealant Co., Ltd. Shinano Electric Refining Co., Ltd. Shin-Etsu Polymer America, Inc. Simcoa Operations Pty. Ltd. Kashima Vinyl Chloride Monomer Co., Ltd. CIRES, S.A. Total number of companies: 59
Electronics materials business segment	Semiconductor silicon Organic materials for the electronics industry Rare earth magnets for the electronics industry Photo resists	Shin-Etsu Chemical Co., Ltd. Shin-Etsu Handotai America, Inc. Naoetsu Electronics Co., Ltd. Shin-Etsu Electronics Materials Singapore Pte.Ltd. Shin-Etsu (Malaysia) Sdn. Bhd. S.E.H. (Shah Alam) Sdn.Bhd. 16 other subsidiaries and affiliates	Shin-Etsu Handotai Co., Ltd. S.E.H. Malaysia Sdn.Bhd. Shin-Etsu Handotai Europe, Ltd. Shin-Etsu Handotai Taiwan Co., Ltd. Shin-Etsu MicroSi, Inc. Nagano Electronics Industrial Co., Ltd. Total number of companies: 28
Functional materials and others business segment	Synthetic quartz products Oxide single crystals Rare Earth and rare earth magnets Export of technology and plants Export and import of goods Construction and Plant engineering Information processing	Shin-Etsu Chemical Co., Ltd. Shin-Etsu Engineering Co., Ltd. Silica Products, Inc. Naoetsu Precision Co., Ltd. 26 other subsidiaries and affiliates	Shin-Etsu Astech Co., Ltd. S-E, Inc., Shin-Etsu International Europe B.V. Shin-Etsu Quartz Products Co., Ltd. Total number of companies: 34

Business Flows Within the Group



2. Management Policies

(1) Basic Management Policies

The basic management policy of Shin-Etsu Chemical Co., Ltd. is to place utmost priority on giving Shin-Etsu's shareholders maximum value by steadily increasing net sales and net income among Shin-Etsu Group companies. To achieve this goal, Shin-Etsu strives to secure and further develop its leading world market positions in each of its business fields. Shin-Etsu achieves these objectives by developing the world's highest level of technology in its business fields, as well as by providing superior product quality and the most competitive production costs in the world. In this way, Shin-Etsu establishes stable business relationships with a great number of customers around the world. In addition, Shin-Etsu endeavors to establish a business system that can effectively cope with changes in the economic situation and changing world market conditions.

(2) Main management practices

In the PVC (polyvinyl chloride) business, continued steady growth in demand in the future is expected in the areas of general-purpose resin, which has superior properties, is easy to process and is economical as well. This product contributes greatly to prevention of global warming. Shin-Etsu Chemical's PVC business is the world's largest with an annual production capacity totaling 3.46 million tons, combining the production capacity of its U.S., Europe and Japan production bases. By utilizing its world No. 1 production capability and its strong sales capabilities to the maximum, Shin-Etsu will strive to expand its PVC business. In particular, Shintech Inc., with its recent series of expansions of production capabilities, has firmed up its position as the top PVC manufacturer in the U.S. and also as a key Shin-Etsu world PVC production base.

The silicone business has a wide diversity of applications in such industries as electric, electronic, automobile, construction, cosmetics, toiletries, and chemical manufacturing. In each of these silicone business fields, Shin-Etsu will continue to grow by constantly developing new products and new usages. The company will create further domestic demand by making the most of these new products' characteristics. During the latter half of this fiscal year, the completion of construction of new overseas manufacturing facilities is scheduled: one for specialty silanes in Freeport, Texas, in the U.S. and another for emulsion products and RTV rubber in Zhejiang, China. In addition, in Thailand, construction of a silicone monomer manufacturing plant, part of a joint venture with General Electric, and Shin-Etsu's own silicone polymer manufacturing plant are under way, with operation scheduled to begin in 2003. With these various new manufacturing facilities as the company's new production bases, Shin-Etsu will strive for business expansion in these respective business fields.

In the field of electronics materials, Shin-Etsu accurately anticipated the timing of the rise in demand for next-generation 300mm silicon wafers, and in February of last year, it began commercial production ahead of other makers. The company has continued to increase production steadily. Moreover, Shin-Etsu will proceed to put in place a system that can speedily cope with the demand expansion expected in the future, such as the demand created by the start of operations by new customers. What's more, Shin-Etsu will cope with rapid changes in market needs by continuing to expand sales of SOI wafers whose application is extending to highly functional devices. In addition, Shin-Etsu will strive to heighten the quality of specialty wafers and make existing products into higher quality products, as well as promote an enhanced role for company's global production bases. In these ways, Shin-Etsu will be able to effectively cope with the rapid changes in market needs.

With regard to the optical fiber perform business, Shin-Etsu is facing a steep and substantial decrease in demand from communication-related businesses worldwide, and can not foresee a recovery. Even under these severe business

circumstances, the company is committed to making strong efforts in the R&D of high-quality products, which are expected to be profit-generating products in the future, and is working out a business strategy for the time when the market recovers.

Moreover, in businesses where it can display Shin-Etsu's strong business characteristics, the company is aggressively pursuing new R&D themes and nurturing new businesses, especially by making intensive efforts to develop and commercialize new advanced fluoroelastomers which will be the follow-up products to Shin-Etsu's market-leading photoresists and thin-film SOI wafers. In the company's existing businesses, it is promoting the development of products that can be differentiated from its competitors' products, and also the company is further promoting rationalization of production by such methods as carrying out production at the most appropriate global site and implementing advanced automation and energy-saving systems.

Shin-Etsu makes it a basic management principle to pursue the goals of environmental conservation and safety in all phases of its business activities. These policies are integrally linked. All of Shin-Etsu Chemical's manufacturing facilities and the major manufacturing facilities in Shin-Etsu Group companies, such as Shin-Etsu Polymer and Shin-Etsu Handotai, have obtained ISO 14001 certification, the international standard for environmental management systems. From the standpoint of risk management, in addition to its strong emphasis on environmental conservation, Shin-Etsu always puts priority on "safety first" in product manufacturing. The company also dedicates itself to making every possible effort to insure the safety of its products. Toward these ends, Shin-Etsu established a risk management committee within the company and is systematically conducting internal checks, such as in-company inspections. Furthermore, Shin-Etsu endeavors to keep a good relationship with the people in the local communities in which the company operates, and strives to make useful contributions to society, especially with regard to improving the global environment.

(3) Basic policy regarding dividends

Emphasizing the long-term perspective, Shin-Etsu Chemical is committed to giving its stockholders continued stable dividends, while expanding profit and strengthening the company's business structure.

The company will use its financial reserves for such needs as facility and R&D investment, acquisition of businesses, strengthening the company's global competitive power and developing promising future businesses. Shin-Etsu Chemical is making strenuous efforts to enhance the company's value.

With regard to the dividend for this term, the company declared a dividend of ¥7 per share, a ¥1 increase per share compared to the previous year's interim dividend, and the company expects the annual dividend to be ¥14, an increase of ¥2 per share over the previous fiscal year's dividend.

3. Results of Operations and Financial Position

(1) Results of Operations

General Overview

During the first half of the fiscal year (April 1, 2002 to September 30, 2002), Japan's economy remained in a difficult situation. Although it saw a partial recovery based on such factors as an increase in exports, personal consumption and facility investment still lacked strength. Uncertainties concerning the U.S. economy increased, especially in the past few months, and this has also contributed toward the continuation of the severe global business environment.

Even under these severe circumstances, Shin-Etsu Group companies showed the fruits of continued aggressive R&D and facilities investment in recent years both in Japan and overseas. At the same time, we made strong sales efforts with regard to our worldwide customers who are leaders in their respective business fields (emphasizing the special features that make our products the superior choice). Shin-Etsu proceeded to further streamline its company operations, a policy that Shin-Etsu has promoted even during better economic times and also strongly implemented rationalization policies by efficiently utilizing the company's global production system.

As a result, the consolidated business results for the first half of FY 2003 show that net sales increased by 0.2% (¥657 million) compared to the previous first half of the fiscal year to become ¥396,737 million. Compared to the performance of the previous first half of the fiscal year, operating income increased 6.1% (¥3,610 million) to ¥63,020 million, ordinary income increased 4.0% (¥2,398 million) to ¥62,041 million and net income increased 7.0% (¥2,408 million) to ¥37,008 million.

Business Segment Overview

Organic and Inorganic Chemicals

Since the beginning of 2002, the U.S. PVC market, which is a core market for Shin-Etsu Chemical's global PVC business strategy, recovered, supported by the upturn in housing construction, and the sales price of PVC continued to rise during this fiscal half. Shintech Inc., Shin-Etsu's U.S. PVC base, accurately anticipated this market trend. As a result, it achieved its highest-ever net sales and net income by continuing full operation of both its Texas plant with its yearly production capacity of 1.45 million tons and its Louisiana plant, which, after the completion of the construction of an additional facility in November 2001, has a total capacity of 590,000 tons. Shin-Etsu PVC in The Netherlands also continued steady production and sales and expanded its profit. On the other hand, the domestic PVC business continued in a severe situation due to continued low domestic demand and increased raw material prices. As a result, the PVC Division saw a steady increase in sales and was able to add greatly to the company's operating income.

Silicones have a wide range of application fields such as electric, electronics, automobiles, chemicals, toiletries and construction. Domestic sales during this fiscal half saw a steady upward trend in many fields starting with automobile-related fields and electric and electronics fields. In addition, sales were favorable in overseas markets, starting with shipments mainly to Southeast Asia and the U.S. and extending to sales for other areas in the world.

Cellulose derivatives saw a steady increase in sales for products for medical use, both in domestic and overseas markets. Sales of industrial-use products for automobile-related applications, construction materials and chemical manufacturing increased with the increase in exports of industrial products.

The Vinyl acetate monomer and Polyvinyl alcohol businesses that were included previously in this business segment were transferred to an equity method company and the lime nitrogen fertilizer business was sold. Thus, there is no listing of business results for these areas during this fiscal period.

Accordingly, the net sales of this business segment increased 1.0% (¥2,093 million) to ¥207,825 million, compared to the first half of the previous fiscal year. Operating income increased 29.4% (¥6,875 million) to ¥30,274 million.

Electronics Materials

With regard to silicon wafers, with the recovery in demand for semiconductor devices both domestically and overseas, shipments increased. Sales of the company's main wafer product, 8 -inch (200mm) wafers, achieved in May and June 2002 the level of the time of its peak sales performance of the year before last. In addition, production and sales volume of next-generation 300mm wafers, which began to be commercially produced from February of last year, increased steadily with the start of full-scale commercial production for Shin-Etsu's major customers. SOI wafers and such specialty wafers as annealed wafers and others positively contributed to a steady profit picture. As a result, in the semiconductor silicon business field as a whole both net sales and operating income increased steadily.

Rare earth magnets for the electronics industry faced a continued severe situation, as global demand for hard disk drives remained weak. Photoresists products and organic materials for the electronics industry increased in sales with the recovery in the market for semiconductor devices.

As a consequence, net sales of this business segment increased 8.6% (¥10,063 million), compared to the previous first half of the fiscal year, to ¥126,566 million. Operating income increased 7.0% (¥1,312 million) to 19,976 million.

Functional Materials and Others

Among synthetic quartz products, the demand for optical fiber preform decreased steeply and substantially as a result of the slow demand from communication-related businesses. However, as a result of Shin-Etsu's strenuous sales efforts to a wide range of its global customers, although sales dropped greatly, these products firmly contributed to the company's profit. Furthermore, sales of synthetic quartz substrates for large photomasks for LCDs, another synthetic quartz product, increased steadily.

Sales of rare earth magnets increased with the expansion of orders for such applications as optical pick-ups and industrial equipment. Although demand for rare earth oxide in applications such as electronics parts increased, overall sales of oxide single crystals decreased due to reduced demand for CRTs.

As a result, the net sales of this business segment decreased 15.6% (¥11,498 million), compared to the previous first half of the fiscal year, to ¥62,345 million. Operating income decreased 27.1% (¥4,696 million) to ¥12,613 million.

Dividends

The Company declared an interim dividend of ¥7 per share, an increase of ¥1 per share over the prior interim dividend.

Business prospects

Regarding future business prospects, there are some signs of slowing down in demand for semiconductor devices, which has been maintaining a recovery trend, and the domestic economy has shown certain unfavorable trends such as a more severe unemployment situation and declining stock prices. The direction of the U.S. economy remains uncertain, and the impact of the trend in energy prices on the world economy still remain unpredictable.

Shin-Etsu will endeavor further to strengthen its global sales capabilities, which the company has nurtured for many long years. It will make full use of its existing facilities and asset capabilities, and at the same time Shin-Etsu will make an all-out effort to further speed up early commercialization of various new products resulting from the company's R&D projects that are presently being intensively carried out. The company also is dedicating itself to put even stronger effort into the development of specific products that can be differentiated from competitors' products and products that will also have internationally competitive production costs. Shin-Etsu will strive to create a strong management base that will enable it to maintain stable growth without being too adversely affected by unfavorable changes in the business environment.

Our business forecast for fiscal year ended March 31,2003 is as follows:

	<u>Billions of yen</u>	
	Consolidated	Non-consolidated
Net sales	800	480
Ratio of increase (decrease) over the prior fiscal year	3.2%	3.2%
Ordinary income	122	62
Ratio of increase (decrease) over the prior fiscal year	4.2%	(7.5%)
Net income	73	37
Ratio of increase (decrease) over the prior fiscal year	6.5%	(7.2%)

The year-end dividend is expected to be ¥7 per share. As a result, the annual dividend will be ¥14 per share, an increase of ¥2 per share over that of the previous fiscal year.

(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 results 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 businesses 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.

(2)Financial Position

	<u>Millions of yen</u>
Cash and cash equivalents at beginning of fiscal year	249,846
Cash flows from operating activities	72,844
Cash flows from investing activities	(17,581)
Cash flows from financing activities	(5,594)
Effect of exchange rate changes and others	(9,134)
Net increase in cash and cash equivalents	40,534
Cash and cash equivalents at end of term	290,380

The balance of cash and cash equivalents at end of the first half of this fiscal year was ¥290,380 million increased 16.2% (¥40,534 million) from that of the prior year.

The Increase in cash flows provided by operating activity amounted to ¥72,844 million. It was mainly comprised of income before income tax of ¥61,618 million and depreciation expense of ¥32,868 million.

Cash flows used in investing activities amounted to ¥17,581 million, which was mainly comprised of purchase of tangible fixed assets of ¥34,415 million and proceeds from a net decrease of securities and investments in securities of ¥22,287 million.

Cash flows used for financing activities amounted to ¥5,594 million. It was mainly comprised of the payment of cash dividends.

4. Consolidated Financial Statements

4-1 Comparative Consolidated Balance Sheets

As of September 30, 2002, March 31, 2002 and September 30, 2001.

Millions of Yen

ASSETS

	September 30, 2002 (A)	March 31, 2002 (B)	September 30, 2001	Increase (Decrease) (A-B)
Current Assets:				
Cash on hand and in banks	278,259	233,865	223,345	44,394
Notes and accounts receivable-trade	208,415	193,057	212,325	15,358
Securities	39,532	107,472	97,398	(67,940)
Inventories	114,008	119,618	122,176	(5,610)
Deferred tax assets	21,620	22,219	23,262	(599)
Others	29,377	20,541	26,046	8,836
Less: Allowance for doubtful accounts	(3,477)	(4,211)	(4,391)	734
Total current assets	687,736	692,563	700,164	(4,827)
Fixed Assets:				
Tangible fixed assets				
Buildings and structures	158,096	166,403	162,158	(8,307)
Machinery and vehicles	193,386	207,517	206,073	(14,131)
Land	33,967	34,111	34,127	(144)
Construction in progress	40,077	35,187	35,229	4,890
Others	11,429	12,625	13,256	(1,196)
Total tangible fixed assets	436,957	455,846	450,846	(18,889)
Intangible fixed assets	3,926	3,509	3,104	417
Investments and others				
Investments in securities	141,451	111,005	102,401	30,446
Deferred tax assets	18,623	14,157	18,130	4,466
Others	10,894	11,375	11,682	(481)
Less: Allowance for doubtful accounts	(23)	(25)	(38)	2
Total investments and others	170,945	136,512	132,175	34,433
Total fixed assets	611,829	595,868	586,126	15,961
TOTAL ASSETS	1,299,565	1,288,432	1,286,291	11,133

Millions of Yen

	September 30, 2002 (A)	March 31, 2002 (B)	September 30, 2001	Increase (Decrease) (A-B)
LIABILITIES				
Current Liabilities:				
Notes and accounts payable-trade	110,635	97,280	108,930	13,355
Short-term borrowings	73,125	84,556	94,237	(11,431)
Debentures of redemption within one year	27,486	28,995	5,000	(1,509)
Accounts payable-others	29,771	27,382	39,507	2,389
Accrued income taxes	22,880	13,887	21,593	8,993
Accrued expenses	57,762	59,267	52,968	(1,505)
Others	10,097	17,148	21,577	(7,051)
Total current liabilities	<u>331,760</u>	<u>328,519</u>	<u>343,815</u>	<u>3,241</u>
Long-term Liabilities:				
Debentures	17,000	16,000	39,104	1,000
Convertible debentures	18,305	18,315	18,317	(10)
Long-term borrowings	37,351	29,590	31,047	7,761
Deferred tax liabilities	22,482	23,497	20,763	(1,015)
Accrued retirement benefits	15,244	15,214	28,083	30
Others	20,166	21,354	20,683	(1,188)
Total long-term liabilities	<u>130,549</u>	<u>123,972</u>	<u>158,000</u>	<u>6,577</u>
TOTAL LIABILITIES	<u>462,309</u>	<u>452,492</u>	<u>501,815</u>	<u>9,817</u>
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES	<u>24,103</u>	<u>23,871</u>	<u>24,269</u>	<u>232</u>
STOCKHOLDERS' EQUITY				
Common stock	110,264	110,259	110,258	5
Additional paid-in capital	119,033	119,028	119,027	5
Retained earnings	592,652	556,465	525,070	36,187
Unrealized gain on available-for-sale securities	2,101	6,138	4,916	(4,037)
Foreign currency translation adjustment	(1,106)	28,531	10,305	(29,637)
Treasury stock	(9,793)	(8,356)	(9,372)	(1,437)
TOTAL STOCKHOLDERS' EQUITY	<u>813,152</u>	<u>812,068</u>	<u>760,205</u>	<u>1,084</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>1,299,565</u>	<u>1,288,432</u>	<u>1,286,291</u>	<u>11,133</u>
(Notes) 1. Accumulated depreciation of tangible fixed assets (in millions of Yen)	720,682	704,982	671,318	
2. Contingent Liabilities for guarantee (in millions of Yen)	685	2,166	1,445	
3. Treasury stocks (in shares)	2,191,251	1,859,567	2,181,221	

4-2 Comparative Consolidated Income Statements

For the six months period ended September 30, 2002 and 2001, and the fiscal year ended March 31, 2002.

	Millions of Yen			
	For the period ended			Increase (Decrease) (A-B)
	September 30, 2002 (A)	March 31, 2002	September 30, 2001 (B)	
Operating Income and Expenses:				
Net sales	396,737	775,096	396,080	657
Cost of sales	285,528	572,365	293,131	(7,603)
Gross profit	111,208	202,730	102,948	8,260
Selling, general and administrative expenses	48,187	88,007	43,538	4,649
Operating income	63,020	114,723	59,410	3,610
Non-operating Income:				
Interest income	2,032	5,649	3,434	(1,402)
Dividend income	300	694	458	(158)
Foreign exchange gain	-	5,867	811	(811)
Equity in earnings of affiliates	555	664	544	11
Other income	3,961	2,362	1,472	2,489
	6,850	15,238	6,721	129
Non-operating Expenses:				
Interest expenses	2,833	6,124	3,518	(685)
Loss on disposal of property, plant and equipment	443	1,533	610	(167)
Foreign exchange loss	4,040	-	-	4,040
Other expenses	512	5,271	2,358	(1,846)
	7,829	12,930	6,487	1,342
Ordinary income	62,041	117,031	59,643	2,398
Extraordinary Gains:				
Reversal of prior year's accrued maintenance expenses	3,298	-	-	3,298
Settlement income	2,617	-	-	2,617
Gain on transfer of securities to retirement benefits trust	-	5,106	-	-
	5,915	5,106	-	5,915
Extraordinary Losses:				
Loss on write-down of investment securities	6,338	-	809	5,529
Special additional payments for early retirement	-	7,997	-	-
Loss on disposal of property, plant and Equipment	-	1,049	690	(690)
	6,338	9,046	1,499	4,839
Income before income taxes	61,618	113,091	58,144	3,474
Income taxes Current	23,429	36,045	21,189	2,240
Income taxes Deferred	253	7,734	2,077	(1,824)
Minority interest in earnings of consolidated subsidiaries	927	793	275	652
Net income	37,008	68,518	34,600	2,408

4-3 Comparative Consolidated statements of additional paid-in capital and retained earnings

For the six months period ended September 30, 2002 and 2001, and the fiscal year ended March 31, 2002.

Millions of Yen

	For the period ended			Increase (Decrease) (A-B)
	September 30, 2002 (A)	March 31, 2002	September 30, 2001 (B)	
(Additional paid-in capital)				
Additional paid-in capital at beginning of the period	119,028	119,016	119,016	12
Increase for conversion of convertible debentures	4	12	11	(7)
Total increase of additional paid-in capital	4	12	11	(7)
Additional paid-in capital at end of the period	119,033	119,028	119,027	6
(Retained earnings)				
Retained earnings at beginning of the period	556,465	493,169	493,169	63,296
Net income	37,008	68,518	34,600	2,408
Increase due to the increase of consolidated subsidiaries	2,003	-	-	2,003
Total increase of retained earnings	39,011	68,518	34,600	4,411
Cash dividends	2,524	5,046	2,523	1
Directors' and statutory auditors' bonuses	175	176	176	(1)
Loss on sales of treasury stocks	124	-	-	124
Total decrease of retained earnings	2,824	5,222	2,700	124
Retained earnings at end of the period	592,652	556,465	525,070	67,582

4-4 Comparative Consolidated statements of cash flows

For the six months period ended September 30, 2002 and 2001, and the fiscal year ended March 31, 2002.

	Millions of Yen			Increase (Decrease) (A-B)
	For the period ended			
	September 30, 2002 (A)	March 31, 2002	September 30, 2001 (B)	
1. Cash flows from operating activities				
Income before income taxes	61,618	113,091	58,144	3,474
Depreciation and Amortization	32,868	70,878	33,686	(818)
Increase (decrease) in accrued retirement benefits	37	(12,701)	75	(38)
Loss on write-down of investment securities	6,338	500	809	5,529
Interest and dividend income	(2,333)	(6,343)	(3,892)	1,559
Interest expenses	2,833	6,124	3,518	(685)
Foreign exchange gain	(1,184)	(3,597)	(65)	(1,119)
Equity in earnings of affiliates	(555)	(664)	(544)	(11)
Transfer of securities to retirement benefits trust	-	10,930	-	-
Gains on transfer of securities to retirement benefits trust	-	(5,106)	-	-
(Increase) decrease in notes and accounts receivable	(20,247)	35,427	12,951	(33,198)
(Increase) decrease in inventories	2,686	2,689	(1,565)	4,251
Increase (decrease) in notes and accounts payable	20,946	(30,696)	(5,125)	26,071
Other, net	(16,112)	1,120	(3,040)	(13,072)
Subtotal	86,897	181,653	94,951	(8,054)
Proceeds from interest and dividend	2,499	6,354	3,872	(1,373)
Payment of interest	(2,436)	(6,417)	(3,208)	772
Payment of income taxes	(14,116)	(62,953)	(40,331)	26,215
Net cash provided by operating activities	72,844	118,636	55,283	17,561
2. Cash flows from investing activities				
Net (increase) decrease in marketable securities	56,037	(50,725)	498	55,539
Purchase of property, plant and equipment	(34,415)	(81,875)	(44,661)	10,246
Proceeds from sales of property, plant and equipment	1,044	1,239	740	304
Purchase of intangible fixed asset	(1,141)	(1,159)	(215)	(926)
Purchase of investment securities	(52,384)	(23,952)	(12,944)	(39,440)
Proceeds from sales and redeeming of investment securities	18,633	26,143	10	18,623
Payments of loans	(143)	(62)	(2,867)	2,724
Proceeds from collection of loan	301	4,279	97	204
Other, net	(5,513)	(1,296)	(1,325)	(4,188)
Net cash used for investing activities	(17,581)	(127,408)	(60,668)	43,087
3. Cash flows from financing activities				
Net increase (decrease) in short term debt	(890)	(4,726)	2,679	(3,569)
Proceeds from long term debt	16,190	11,284	4,770	11,420
Repayment of long term debt	(17,227)	(21,782)	(10,618)	(6,609)
Proceeds from issue of debentures	6,000	-	-	6,000
Payment of debentures on redemption	(5,000)	(3,427)	(3,396)	(1,604)
Cash dividends paid	(2,524)	(5,046)	(2,523)	(1)
Other, net	(2,142)	(1,286)	(1,550)	(592)
Net cash used for financing activities	(5,594)	(24,984)	(10,638)	5,044
4. Effect of exchange rate changes on cash and cash equivalents	(9,715)	11,070	5,710	(15,425)
5. Net increase (decrease) in cash and cash equivalents	39,953	(22,685)	(10,312)	50,265
6. Cash and cash equivalents at beginning of year	249,846	272,768	272,768	(22,922)
7. Net increase (decrease) in cash and cash equivalents by change of consolidation scope	581	(236)	-	581
8. Cash and cash equivalents at end of the period	290,380	249,846	262,455	27,925

4-5 Basis of Presenting Consolidated Financial Statement

1. Scope of Consolidation

Consolidated Subsidiaries	62	Shintech, Inc.(Overseas subsidiary) Shin-Etsu Handotai Co., Ltd. Shin-Etsu Handotai America, Inc.(Overseas subsidiary) Shin-Etsu Polymer Co., Ltd. Shin-Etsu Astech Co., Ltd. S.E.H. Malaysia Sdn. Bhd.(Overseas subsidiary) Naoetsu Electronics Co., Ltd. Shin-Etsu Handotai Europe, Ltd. (Overseas subsidiary) Shin-Etsu Engineering Co., Ltd. Nissin Chemical Industry Co., Ltd. 52 other subsidiaries
Unconsolidated Subsidiaries	32	

2.Application of Equity Method

The Company had 32 unconsolidated subsidiaries and 16 affiliates. The equity method is applied to the investments in 8 major affiliates – Shin-Etsu Quartz Products Co., Ltd., Kashima Vinyl Chloride Monomer Co., Ltd., Nagano Electronics Industrial Co., Ltd. and 5 other affiliates.

3.Fiscal Year of Consolidated Subsidiaries

34 subsidiaries adopt six months period ending on June 30th, and 4 subsidiaries adopt that ending on August 31st, respectively. For consolidation of these subsidiaries whose fiscal years do not correspond to the Company's ones, necessary adjustments are made on significant inter-company transactions which occurred during the periods between the fiscal period-end of respective consolidated subsidiaries and that of the Company.

4.Significant Accounting Policies

(1) Valuation policy and method of significant assets

a) Valuation of securities

Bonds held to maturity	.....	Amortized cost method(Straight-line method)
Available-for-sale securities		
Marketable securities	.....	Market value method based on the fair market value as of the balance sheet date. (Net unrealized gains or losses on these securities are reported as a separate item in the shareholders' equity at net-of-tax amount. Costs of sales of these securities are principally calculated based on a moving average cost method)
Non-marketable securities	.....	Mainly moving average cost method

b) Inventories valuation

..... Mainly average cost method

c) Derivatives

..... Market value method

(2) Depreciation method of significant depreciable assets

Tangible fixed assets Mainly declining-balance method

(Changes of accounting policies applied)

From this first half of the consolidated fiscal period, the Company changed the depreciation method for its polyvinyl chloride equipment among its machinery and equipment from the declining-balance method to the straight-line method.

Along with the maturation of polyvinyl chloride business in Japan, the Company has determined there is almost no potentiality to implement further massive capital expenditure and intends to stabilize the use of the current equipment for a long time. Consequently, this change in accounting policy is to maintain an appropriate balance of revenue and costs by leveling depreciation costs with periodic allocation.

With this change, depreciation and amortization cost during the period decreased by 183 millions of yen over the traditional method, and operating income, ordinary income and net income before income taxes during the first half period increased by 168 millions of yen, respectively.

(3) Calculation method of significant allowances

- a) Allowance for doubtful accounts The Company and consolidated subsidiaries provide the allowance for doubtful accounts by the method which uses the percentage of its own actual experience of bad debt loss written off against the balance of general receivables plus the amount deemed necessary to cover individual accounts estimated to be uncollectable.
- b) Accrued retirement benefits Pension and severance costs for employees are accrued based on the estimates of the pension obligations and the plan assets at the end of current fiscal year. The actuarial difference is amortized over five-year period, which is within the average remaining service period, using straight-line method from the fiscal year when the difference was generated. The prior service cost is amortized over ten-year period, which is within the average remaining service period using straight-line method from the time when the difference was generated.

(4) Accounting method of significant lease transactions

Accounting method in connection with the contracts of finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees is mainly according to that of operating lease transactions.

5. Nature of Fund on Interim Consolidated Cash Flow Statement

Fund (cash and cash equivalents) on the consolidated statements of cash flows consists of cash on hand, deposit that can be withdrawn without limitation and liquid investment which are easily convertible into cash, and are matured within approximately three months since acquisition date, and has insignificant risk exposure in terms of fluctuation on value of the investments.

(Additional Information)

Effective April 1, 2002, statement of “Accounting for treasury stocks and reversal of legal reserves” was adopted. The effect of this adoption is immaterial.

5. Segment Information

For the six months period ended September 30, 2002 and 2001, and the fiscal year ended March 31, 2002.

5-1. Business Segment Information

		Millions of Yen					
		For the six months period ended September 30, 2002					
		Industrial Segment					
		Organic and Inorganic Chemicals	Electronics Materials	Functional Materials and Others	Total	Elimination or Corporate assets	Consolidated total
Sales	Outside customers	207,825	126,566	62,345	396,737	-	396,737
	Inter Segment	3,846	2,304	26,934	33,086	(33,086)	-
	Total	211,672	128,870	89,280	429,823	(33,086)	396,737
	Operating costs and expenses	181,397	108,894	76,667	366,958	(33,242)	333,716
	Operating income	30,274	19,976	12,613	62,864	156	63,020
	Assets	477,153	423,858	158,176	1,059,188	240,377	1,299,565
	Depreciation	11,458	15,824	5,738	33,022	(154)	32,868
	Capital expenditure (Note)	15,897	15,482	1,040	32,420	(65)	32,355

(Note)

Capital expenditure of our affiliate, Asia Silicones Monomer Limited, which is under the Organic and Inorganic Chemicals segment, was 4,179 millions of yen, which corresponds to our share of ownership of the affiliate. If this amount is included, capital expenditure for the first half of this fiscal year would be 36,534 millions of yen.

		Millions of Yen					
		For the year ended March 31, 2002					
		Industrial Segment					
		Organic and Inorganic Chemicals	Electronics Materials	Functional Materials and Others	Total	Elimination or Corporate assets	Consolidated total
Sales	Outside customers	397,983	226,459	150,652	775,096	-	775,096
	Inter Segment	10,094	2,419	62,171	74,684	(74,684)	-
	Total	408,077	228,879	212,824	849,781	(74,684)	775,096
	Operating costs and expenses	359,270	195,200	180,630	735,100	(74,727)	660,373
	Operating income	48,807	33,678	32,193	114,680	43	114,723
	Assets	465,893	432,828	172,439	1,071,160	217,271	1,288,432
	Depreciation	23,727	32,312	15,085	71,125	(246)	70,878
	Capital expenditure	26,121	36,744	18,902	81,769	(226)	81,543

Millions of Yen							
For the six months period ended September 30, 2001							
Industrial Segment							
		Organic and Inorganic Chemicals	Electronics Materials	Functional Materials and Others	Total	Elimination or Corporate assets	Consolidated total
Sales	Outside customers	205,732	116,503	73,843	396,080	-	396,080
	Inter Segment	8,892	1,199	33,175	43,267	(43,267)	-
	Total	214,625	117,703	107,018	439,347	(43,267)	396,080
Operating costs and expenses		191,225	99,039	89,709	379,974	(43,305)	336,669
Operating income		23,399	18,664	17,309	59,373	37	59,410
Assets		451,083	423,687	200,579	1,075,350	210,940	1,286,291
Depreciation		10,957	15,838	7,006	33,802	(115)	33,686
Capitalexpenditure		14,553	20,831	13,960	49,345	(165)	49,180

(Notes)

1. The following three lines of business are divided from point of view of kinds of products and markets.

Organic and Inorganic Chemicals business segment	Polyvinyl chloride, Silicone, Methanol, Chloromethanes, Cellulose derivatives, Caustic soda, and Silicon metal
Electronics Materials business segment	Semiconductor silicon, Organic materials for the electronics industry, Rare earth magnets for the electronics industry, and Photoresists
Functional Materials and Others business segment	Synthetic quartz products, Oxide single crystals, Rare earths and rare earth magnets, Export of technology and plants, Export and import of goods, Construction and plant engineering, and Information processing

2. The amounts of the corporate assets included in the column "Elimination or corporate assets" for the six months period ended September 30, 2002, the fiscal ended March 31, 2002 and the six months period ended September 30, 2001 were 337,655, 268,464 and 269,274 millions of yen, respectively, which mainly consist of surplus working funds (cash, deposits and marketable securities) and long-term investment funds (investments in securities) of the Company.

5-2. Geographic Segment information

		Millions of Yen						
		For the six months period ended September 30, 2002						
		Geographic area				Total	Elimination or Corporate assets	Consolidated total
		Japan	North America	Asia	Other Area			
Sales	Outside customers	225,414	98,908	38,200	34,212	396,737	-	396,737
	Inter segment	57,127	7,113	17,583	1,813	83,638	(83,638)	-
	Total	282,542	106,022	55,784	36,026	480,375	(83,638)	396,737
	Operation costs and expenses	237,472	92,805	53,135	33,166	416,580	(82,864)	333,716
	Operating income	45,069	13,216	2,648	2,859	63,794	(773)	63,020
	Assets	641,897	305,166	96,360	76,224	1,119,649	179,916	1,299,565

		Millions of Yen						
		For the year ended March 31, 2002						
		Geographic area				Total	Elimination or Corporate assets	Consolidated total
		Japan	North America	Asia	Other Area			
Sales	Outside customers	479,015	168,707	67,078	60,295	775,096	-	775,096
	Inter segment	89,077	11,535	31,306	3,965	135,884	(135,884)	-
	Total	568,092	180,243	98,385	64,260	910,981	(135,884)	775,096
	Operation costs and expenses	481,060	161,635	93,658	59,874	796,228	(135,855)	660,373
	Operating income	87,032	18,607	4,727	4,385	114,752	(28)	114,723
	Assets	647,035	305,968	96,878	74,606	1,124,489	163,942	1,288,432

		Millions of Yen						
		For the six months period ended September 30, 2001						
		Geographic area				Total	Elimination or Corporate assets	Consolidated Total
		Japan	North America	Asia	Other Area			
Sales	Outside customers	237,768	90,948	36,172	31,190	396,080	-	396,080
	Inter segment	42,936	7,691	16,567	2,103	69,299	(69,299)	-
	Total	280,704	98,640	52,740	33,294	465,379	(69,299)	396,080
	Operation costs and expenses	236,783	88,876	49,633	30,705	405,999	(69,330)	336,669
	Operating income	43,921	9,763	3,106	2,588	59,380	30	59,410
	Assets	652,416	289,420	97,472	72,068	1,111,378	174,912	1,286,291

(Notes) 1. Main countries or areas other than Japan

North America : U.S.A.

Asia : Malaysia, Singapore, Korea, Taiwan

Other area : U.K., the Netherlands, Australia

2. The amounts of the corporate assets included in the column "Elimination or corporate assets" for the six months period ended September 30, 2002, the fiscal ended March 31, 2002 and the six months period ended September 30, 2001 were 337,655, 268,464 and 269,274 millions of yen, respectively, which mainly consist of surplus working funds (cash, deposits and marketable securities) and long-term investment funds (investments in securities) of the Company.

5-3. Overseas sales information

Millions of Yen

	For the six months period ended September 30, 2002			
	North America	Asia	Other area	Total
Overseas sales	93,624	106,172	47,901	247,699
Consolidated sales				396,737
Percentage of overseas sales over consolidated sales	23.6	26.8	12.0	62.4

Millions of Yen

	For the fiscal year ended March 31, 2002			
	North America	Asia	Other Area	Total
Overseas sales	164,089	199,289	82,892	446,271
Consolidated sales				775,096
Percentage of overseas sales over consolidated sales	21.2	25.7	10.7	57.6

Millions of Yen

	For the six months period ended September 30, 2001			
	North America	Asia	Other Area	Total
Overseas sales	89,445	97,885	44,294	231,625
Consolidated sales				396,080
Percentage of overseas sales over consolidated sales	22.6	24.7	11.2	58.5

(Notes) 1. Main countries or areas

North America : U.S.A., Canada

Asia : Korea, Taiwan, China

Other area : Europe, Middle South America, Oceania

2. "Overseas sales" means sales to "outside Japan" by the company and its consolidated subsidiaries.

[Supplementary data: Details of Business Segment Information (Net Sales and Operating Income)]

100Millions of Yen

	Net Sales			Operating Income		
	Six months 2002/4-2002/9	Six months 2001/4-2001/9	Increase (Decrease)	Six months 2002/4-2002/9	Six months 2001/4-2001/9	Increase (Decrease)
Polyvinyl chloride	1,113	1,059	54	105	77	28
Silicones	650	622	28	130	105	25
Others	315	377	(62)	68	52	16
Total Organic and inorganic chemicals Segment	2,078	2,057	21	303	234	69
			[1.0%]			[29.4%]
Semiconductor silicon	1,023	930	93	166	154	12
Others	243	235	8	34	32	2
Total Electronics materials Segment	1,266	1,165	101	200	186	14
			[8.6%]			[7.0%]
Synthetic quartz products	205	316	(111)	83	138	(55)
Rare earth magnets and other Functional materials	118	107	11	27	21	6
Others	300	316	(16)	16	15	1
Total Functional materials and Others Segment	623	739	(116)	126	174	(48)
			[-15.6%]			[-27.1%]
Elimination	-	-	-	1	0	1
			[0.2%]			[6.1%]
Grand total	3,967	3,961	6	630	594	36

6. Lease Transactions

1. In connection with the contracts of finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees.

Pro forma information regarding leased property such as acquisition cost and accumulated depreciation under finance leases were as follows:

- (1) Acquisition cost, accumulated depreciation and net book value

	September 30, 2002	Millions of Yen March 31, 2002	September 30, 2001
Acquisition cost	4,029	4,624	4,162
Accumulated depreciation	1,988	2,533	2,129
Net book value	2,041	2,090	2,032

- (2) Future lease payments

Within one year	649	690	712
Over one year	1,391	1,400	1,320
Total	2,041	2,090	2,032

- (3) Lease expenses

(depreciation expenses)	407	894	703
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- (4) The computation of the amount corresponding to depreciation expenses

The amount corresponding to depreciation expenses is computed by the straight-line method over a period up to the maturity of the relevant lease contracts with no residual value.

The figures shown in the Note above include the portion of interests thereon.

2. Operating lease transaction

The amount corresponding to future lease payments

	September 30, 2002	Millions of Yen March 31, 2002	September 30, 2001
Within one year	1,460	1,934	1,261
Over one year	4,010	3,728	2,925
Total	5,471	5,662	4,187

7. Securities

(1) Market value of bonds held to maturity

	Millions of Yen								
	September 30, 2002			March 31, 2002			September 30, 2001		
	Book value	Market value	Unrealized gain(loss)	Book value	Market value	Unrealized gain(loss)	Book value	Market value	Unrealized gain(loss)
National and Local government bonds and others	731	720	(11)	0	0	0	0	0	0
Debentures	-	-	-	-	-	-	-	-	-
Others	17,777	17,792	15	2,020	2,005	(14)	1,024	1,030	5
Total	18,508	18,512	4	2,020	2,005	(14)	1,024	1,030	5

(2) Available-to-sale securities whose fair values are defined

	Millions of Yen								
	September 30, 2002			March 31, 2002			September 30, 2001		
	Acquisition cost	Book value	Unrealized gain(loss)	Acquisition cost	Book value	Unrealized gain(loss)	Acquisition cost	Book value	Unrealized gain(loss)
1.Stocks	22,353	26,316	3,963	29,566	40,159	10,593	35,150	43,925	8,774
2.Bonds									
National and Local government bonds and others	-	-	-	-	-	-	-	-	-
Debentures	4	3	(0)	4	3	(0)	4	4	0
Others	-	-	-	-	-	-	-	-	-
3.Others	1,839	1,464	(374)	1,839	1,735	(103)	3,619	3,338	(280)
Total	24,196	27,784	3,588	31,409	41,898	10,489	38,773	47,267	8,493

(3) Major components and book values of securities without market value

	Millions of Yen		
	September 30, 2002	March 31, 2002	September 30, 2001
	Book value	Book value	Book value
1. Bonds held to maturity			
Discount bond	18,860	27,128	21,422
Non-listed domestic bonds	6,006	5,006	5,007
Non-listed overseas bonds	40,268	29,557	47,056
2. Investments in non-consolidated subsidiaries and affiliates	29,923	28,648	25,379
3. Available-for-sale securities			
Non-listed shares	2,364	7,112	6,825
Non-listed overseas bonds	37,258	77,097	45,555
Others	9	9	259

8. Derivative transactions

	Millions of Yen								
	<u>September 30, 2002</u>			<u>March 31, 2002</u>			<u>September 30, 2001</u>		
	Contract amounts	Market value	Unrealized gain(loss)	Contract amounts	Market value	Unrealized gain(loss)	Contract amounts	Market value	Unrealized gain(loss)
Currency relatives									
Foreign exchange contracts									
Sales contracts	16,592	16,815	(223)	11,290	11,658	(367)	11,641	11,565	75
Buys contracts	1,539	1,593	53	178	186	8	2,309	2,317	8
Currency swap contracts	1,579	(64)	(64)	-	-	-	-	-	-
Interest relatives									
Interest swap contracts	34,796	(147)	(147)	40,000	(163)	(163)	40,000	(189)	(189)
Total	-	-	(381)	-	-	(522)	-	-	(106)

- (Notes)
1. The market value is provided by financial institutes with which we made the contracts. Market rate represents the forward foreign exchange rate prevailing as of the end of each period.
 2. Any derivative transactions to which hedge accounting is applied are excluded from the above table.