

Financial Summary

(For the six months ended September 30, 2003)

October 27, 2003

Shin-Etsu Chemical Co.,Ltd.

Consolidated

1. Operating Performance
2. Financial Highlights
3. Business Segment Information
4. "Organic and Inorganic chemicals" Business Segment
5. "Electronics materials" Business Segment
6. "Functional materials and Others" Business Segment
7. Operating Performance of Shintech, Inc.
8. Operating Performance of Shin-Etsu Handotai Group
9. Comparative Income Statements
10. Comparative Balance Sheets
11. Comparative Statements of Cash Flows
12. Forecast of operating performance for the entire fiscal year

Non-consolidated

13. Comparative Income Statements
14. Comparative Balance Sheets
15. Comparison of Net Sales by Department

1. Operating Performance

(Billions of Yen)

(times)

	Consolidated			Non-consolidated			Ratio (Consolidated/Non-consolidated)	
	Six months 02/4-02/9	Six months 03/4-03/9	Increase (Decrease)	Six months 02/4-02/9	Six months 03/4-03/9	Increase (Decrease)	Six months 02/4-02/9	Six months 03/4-03/9
Sales	396.7	407.6	2.7% 10.9	237.2	238.3	0.5% 1.1	1.67	1.71
Operating Income	63.0	63.9	1.3% 0.9	32.3	28.7	(11.3%) (3.6)	1.95	2.23
Ordinary Income	62.0	63.0	1.6% 1.0	32.0	29.0	(9.3%) (3.0)	1.94	2.17
Net Income	37.0	37.7	2.0% 0.7	19.5	17.8	(8.5%) (1.7)	1.90	2.12
Total Assets	1,299.6	1,346.9	47.3	714.7	698.0	(16.7)	1.82	1.93
Stockholders' Equity	813.2	891.9	78.7	491.8	523.7	31.9	1.65	1.70
Equity Ratio	62.6%	66.2%	3.6%	68.8%	75.0%	6.2%		
Per share (in Yen)								
Net Income	87.97	89.78	1.81	46.36	42.44	(3.92)		
Stockholders' Equity	1,934	2,121	187	1,170	1,246	76		
Cash dividend				7.00	8.00	1.00		
ROE (6 months)	4.6%	4.3%	(0.3%)	4.0%	3.5%	(0.5%)		
ROA (6 months)	4.8%	4.7%	(0.1%)	4.7%	4.2%	(0.5%)		

ROA:Return(Ordinary income) on total assets

2. Financial Highlights

(Billions of Yen)

	Consolidated		Non-consolidated	
	Six months 02/4-02/9	Six months 03/4-03/9	Six months 02/4-02/9	Six months 03/4-03/9
Capital expenditures	36.5	40.8	5.9	10.5
Depreciation	32.9	34.2	11.8	9.2
Balance of liabilities with interest	173.3	149.0	99.7	48.1
Net financial revenue	(0.5)	(0.1)	2.0	2.0
R&D costs	13.3	12.2	7.6	7.4
Number of employees	16,496	17,044	2,716	2,608
Exchange rate Jan-June(Ave.)	129.8	118.7	-	-
(Yen/US\$) Apr-Sep(Ave.)	123.1	118.0	123.1	118.0

Notes; 1)Breakdown of Consolidated Capital Expenditures and Depreciation for the six months ended September 30, 2003

	<u>Capital Expenditures</u>	<u>Depreciation</u>
	Billions of Yen	Billions of Yen
Organic and inorganic chemicals	17.5	10.4
Electronics materials	20.9	19.6
Functional materials and Others	2.5	4.4

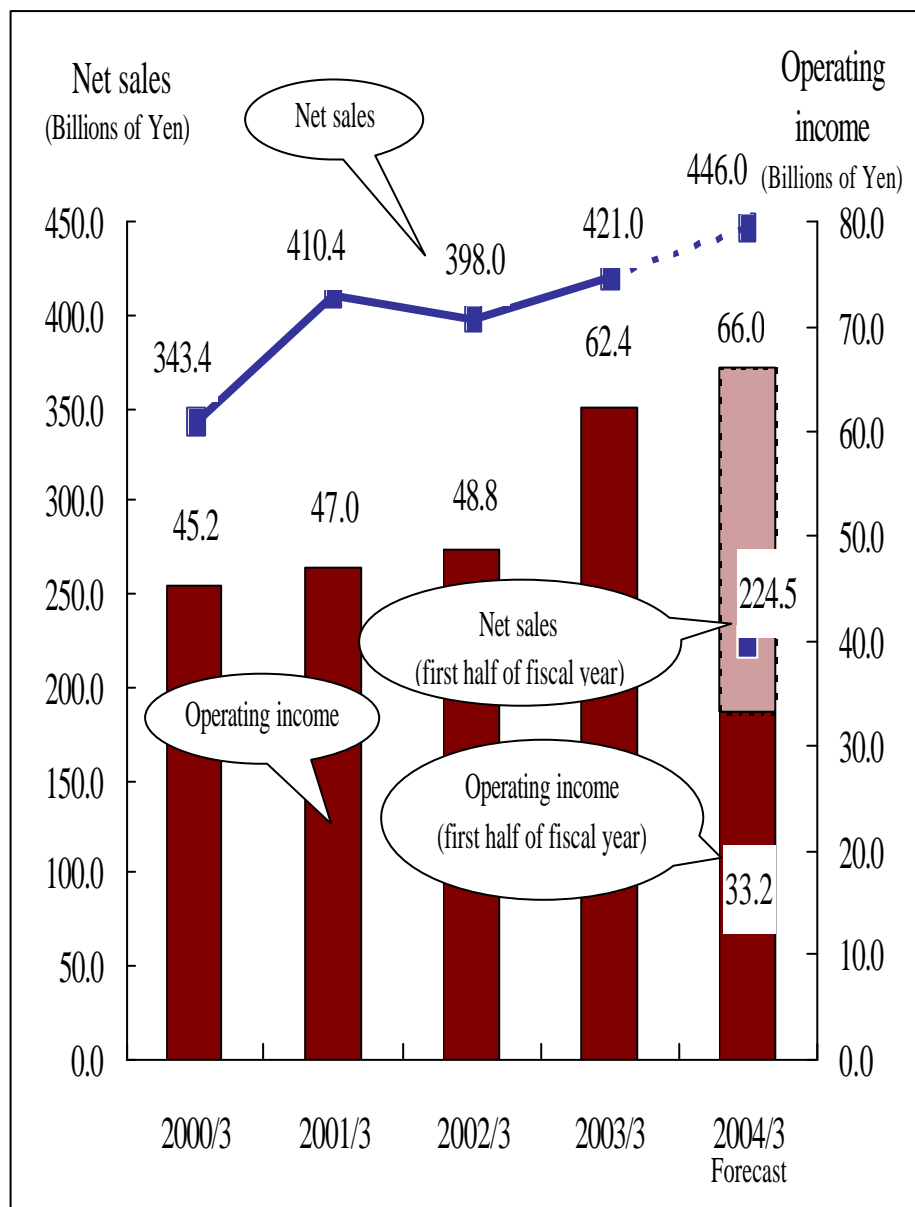
2)An average exchange rate between January and June was used for the Consolidated Income Statements of overseas subsidiaries.

3. Business Segment Information (Consolidated)

(Billions of Yen)

	Net Sales			Operating Income		
	Six months 02/4-02/9	Six months 03/4-03/9	Increase (Decrease)	Six months 02/4-02/9	Six months 03/4-03/9	Increase (Decrease)
Organic and inorganic chemicals	207.8	224.5	8.0% 16.7	30.3	33.2	9.5% 2.9
Polyvinyl chloride	111.3	125.6	14.3	10.5	12.2	1.7
Silicones	65.0	66.9	1.9	13.0	13.9	0.9
Others	31.5	32.0	0.5	6.8	7.1	0.3
Electronics materials	126.6	127.0	0.3% 0.4	20.0	21.5	7.7% 1.5
Semiconductor silicon	102.3	104.0	1.7	16.6	18.0	1.4
Others	24.3	23.0	(1.3)	3.4	3.5	0.1
Functional materials and Others	62.3	56.1	(10.0%) (6.2)	12.6	9.1	(27.7%) (3.5)
Synthetic quartz products	20.5	12.8	(7.7)	8.3	4.3	(4.0)
Rare earth magnets, other functional materials	11.8	12.4	0.6	2.7	2.6	(0.1)
Others	30.0	30.9	0.9	1.6	2.2	0.6
Elimination	-	-	-	0.1	0.1	0.0
Total	396.7	407.6	2.7% 10.9	63.0	63.9	1.3% 0.9

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



•PVC

The first half of 2003 saw the sales price PVC continue at a high level throughout the period. From January to April 2003 the price of PVC rose supported by good demand from the U.S. housing construction market and the effect of the soaring cost of natural gas. Shintech Inc., Shin-Etsu's U.S. PVC base, made use of its strength in having a wide range of customers both in and out of the U.S., and by accurately anticipating the demand of the North American market, continued to totally sell all the output from the full operation of both of its Texas plant with its annual production capacity of 1.45 million tons and its Louisiana plant with its annual production capacity of 590,000 tons. As a result, Shintech achieved its highest-ever net sales and ordinary income. Moreover, Shin-Etsu PVC B.V. in The Netherlands continued steady production and sales and increased its profit. They are proceeding with the expansion of their vinyl chloride monomer facilities with completion expected in November of this year and they are strengthening their PVC polymer production capacity.

•Silicones

With the adverse effect of the SARS outbreak, shipments of silicone products to Southeast Asia for such applications as those for the electric and electronics industries decreased for a time; however, domestic sales in such fields as automobile-related applications, information equipment and cosmetics increased. As a result, sales of silicone products exceeded that of the same period last year. In addition, silicone-processed products did well mainly for the electronics equipment fields.

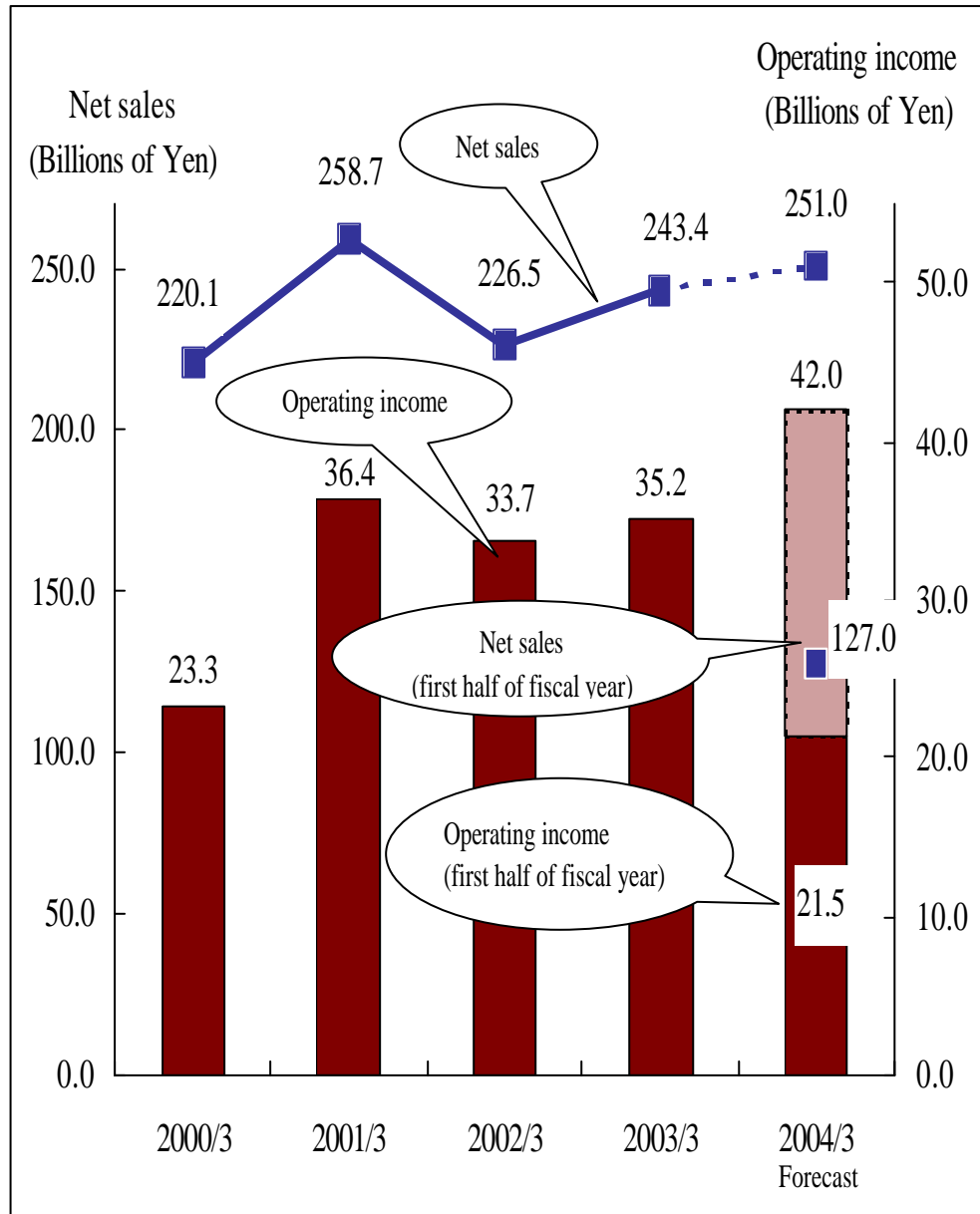
Shin-Etsu will also strive to expand sales to go along with the production capabilities of its new manufacturing facilities in Freeport, Texas and Zhejiang, China. At the same time, Shin-Etsu will work towards early start-up of its new production facilities now under construction in Thailand, which is expected to be completed this fiscal year.

•Cellulose derivatives

Cellulose derivatives saw sluggish demand for domestic construction use; however, exports of products for medical use and industrial-use products for automobile-related applications continued to do well.

(*) Overseas subsidiaries' calculations are based on the period from January through June 2003 because their fiscal year ends in December.

5. "Electronics materials" Business Segment (Consolidated)



•Semiconductor silicon

The company's main wafer products, 8-inch wafers, did well due to good demand for semiconductor devices for use in such products as mobile phones and digital home appliances. In August 2003, the company surpassed the previous peak of shipments in the fourth quarter of 2000.

With the increasing demand for DRAMs, microcomputers and logic chips, production and sales of 300mm wafers are expanding every month. In addition, specialty wafers such as SOI wafers, annealed wafers and others also continued to show a steady increase.

Presently, Shin-Etsu is going ahead with construction of facilities to expand 300mm wafer production capacity to 200,000. Furthermore, Shin-Etsu will strengthen and expand its production capacity while accurately anticipating the future demand trend.

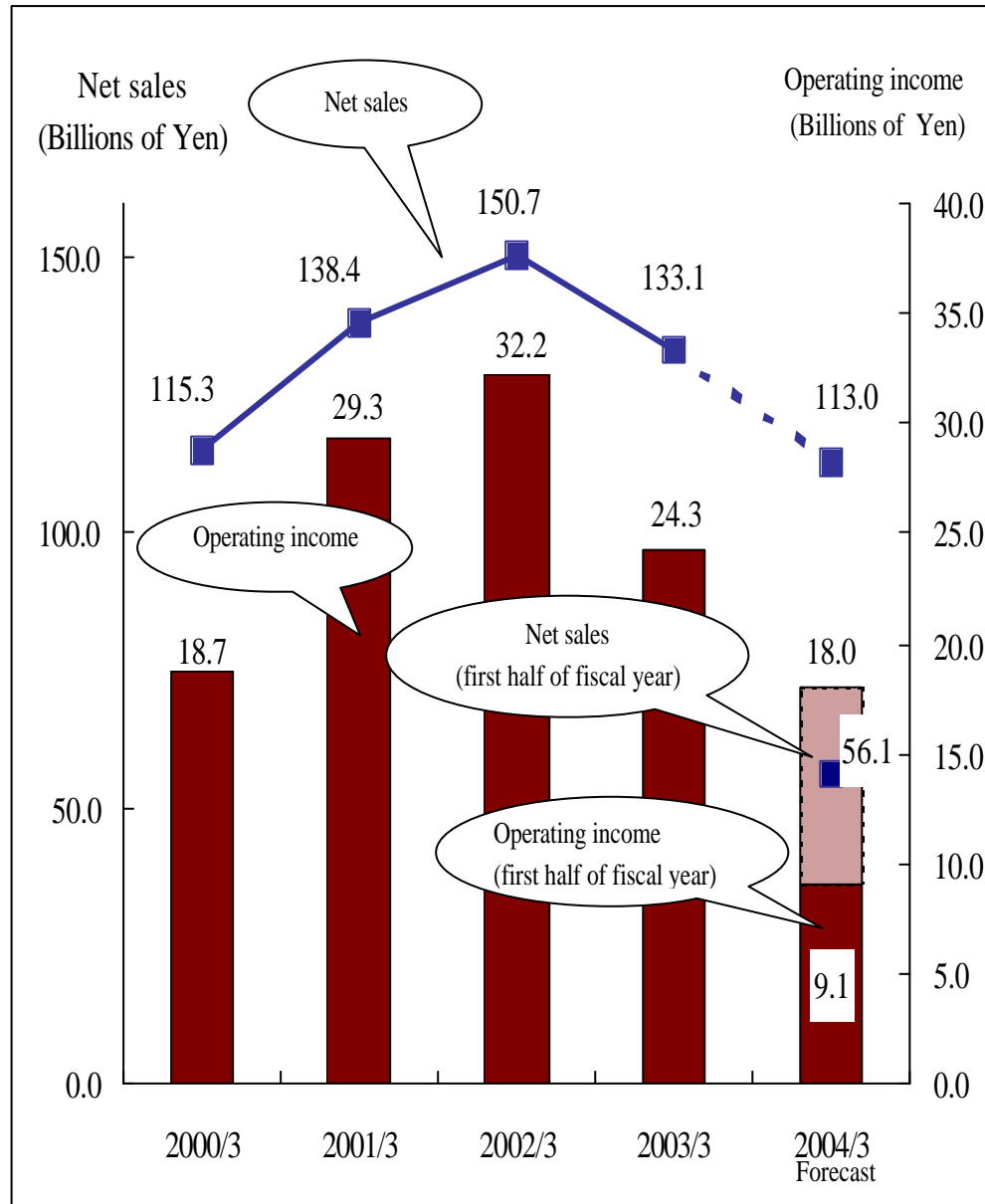
•Rare earth magnets for electronics industry

Rare earth magnets for the electronics industry faced a continued severe situation in the first half of this fiscal year because of the weakening in demand for hard disk drives for servers. However, in the later part of the fiscal half, demand turned upward.

•Organic materials for electronics industry - Photoresists

Sales of photoresists products remained at about the same level from previous fiscal year, and sales of organic materials for the electronics industry were sluggish.

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



•Synthetic quartz

? Among synthetic quartz products, preform for optical fibers saw net sales greatly decreasing due to the worldwide severe sluggish demand in communication-related businesses. Sales of synthetic quartz for electronics fields increased with the good demand for synthetic quartz substrates for photomasks used for LCD applications.

•Rare earth magnets

Sales of rare earth magnets for medical use were sluggish, but sales for energy-saving home appliances and automobile-related products did well and overall sales were bullish.

•Rare earth

Although sales of rare earth decreased in applications for TV cathode ray tubes, sales for applications for flat-panel displays were bullish.

7. Operating Performance of Shintech, Inc.

Shintech, Inc.

	Six months 02/1-02/6		Six months 03/1-03/6	
	Million US\$	Billions of Yen	Million US\$	Billions of Yen
Net Sales	540	70.1	693	82.3
Ordinary Income	92	12.0	110	13.0
Extraordinary Gain	20	2.6	-	-
Net Income	74	9.6	73	8.6
Stockholders' Equity	1,340	160.1	1,469	176.0
Total Assets	1,616	193.1	1,741	208.6

During the first half of 2003, in addition to seeing good demand for housing construction in the U.S., Shintech's business was also affected by the soaring natural gas price. The sales price of PVC rose from January to April, and throughout the period it continued at a high level.

Shintech Inc., made use of its strength in having wide range of customers both in and out of the U. S., and by accurately anticipating demand in the North American market, continued to totally sell all the output from the full operation of both of its Texas plant with its annual production capacity of 1.45 million tons and its Louisiana plant with its annual production capacity of 590,000 tons.

As a result, Shintech's 2003 first half net sales and ordinary income achieved their highest level ever.

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 02/4-02/9	Six months 03/4-03/9
Net Sales	99.7	99.8
Ordinary Income	11.3	12.5
Extraordinary Gain	3.3	-
Extraordinary Loss	(6.3)	-
Net Income	5.1	7.7
Stockholders' Equity	113.1	129.3
Total Assets	329.8	338.5

The company's main wafer products, 8-inch wafers, did well due to good semiconductor device demand for applications in such products as mobile phones and digital home appliances. In August 2003, the company surpassed its previous peak-shipment record in the fourth quarter of 2000.

Every month sales and production of 300mm wafers continued to increase due to expanding demand for DRAMs, microcomputers and logic chips.

In addition, specialty wafers such as SOI wafers, annealed wafers and others continued to show a steady increase.

As a result, net sales, ordinary income and first-half net income all surpassed the performance achieved the previous year during the same term.

Notes; The financial statements of the overseas Shin-Etsu Handotai Group companies are calculated based on the six months period ended June 2002 and 2003.

9. Comparative Income Statements (Consolidated)

(Billions of Yen)

	Six months 02/4-02/9	Six months 03/4-03/9	Increase (Decrease)	Rate of increase
Net sales	396.7	407.6	10.9	2.7%
Cost of sales	285.5	300.2	14.7	
Selling, General and Administrative Expenses	48.2	43.5	(4.7)	
Operating income	63.0	63.9	0.9	1.3%
Non-operating income / expenses	(1.0)	(0.8)	0.2	
Ordinary income	62.0	63.0	1.0	1.6%
Extraordinary gains / losses	(0.4)	-	0.4	
Income before income taxes	61.6	63.0	1.4	2.3%
Income taxes	23.7	24.2	0.5	
Minority interest in earnings of consolidated subsidiaries	0.9	1.1	0.2	
Net income	37.0	37.7	0.7	2.0%

10. Comparative Balance Sheets (Consolidated)

(Billions of Yen)

	March 31 2003	September 30 2003	Increase (Decrease)		March 31 2003	September 30 2003	Increase (Decrease)
Current assets	<u>707.8</u>	<u>709.9</u>	<u>2.1</u>	Current liabilities	<u>298.1</u>	<u>283.5</u>	<u>(14.6)</u>
Cash on hand and in banks	235.6	194.7	(40.9)	Notes and accounts payable-trade	110.6	97.8	(12.8)
Notes and accounts receivable - trade	198.0	200.4	2.4	Debentures and borrowings	78.5	60.9	(17.6)
Securities	115.3	155.2	39.9	Accrued expenses and accounts payable-others	88.0	96.3	8.3
Inventories	119.4	123.5	4.1	Accrued income taxes	12.5	20.3	7.8
Deferred tax assets	21.3	19.6	(1.7)	Others	8.4	8.4	0.0
Others	18.2	16.4	(1.8)	Long-term liabilities	<u>140.3</u>	<u>145.4</u>	<u>5.1</u>
Fixed assets	<u>603.1</u>	<u>637.0</u>	<u>33.9</u>	Debentures and convertible debentures	40.1	42.0	1.9
Property plant and equipment	<u>441.5</u>	<u>451.1</u>	<u>9.6</u>	Long-term borrowings	48.8	46.1	(2.7)
Buildings and structures	159.0	161.5	2.5	Deferred tax liabilities	24.7	29.2	4.5
Machinery and vehicles	196.5	197.7	1.2	Accrued retirement benefits	6.2	5.5	(0.7)
Others	86.0	91.9	5.9	Others	20.5	22.6	2.1
Intangible fixed assets	<u>4.3</u>	<u>5.4</u>	<u>1.1</u>	Total liabilities	438.4	429.0	(9.4)
Investments and others	<u>157.3</u>	<u>180.5</u>	<u>23.2</u>	Minority interests in consolidated subsidiaries	25.5	26.0	0.5
Investments in securities	133.4	157.9	24.5	Common stock	110.3	110.3	0.0
Deferred tax assets	13.1	12.7	(0.4)	Additional paid-in capital	119.0	119.1	0.1
Others	10.9	9.9	(1.0)	Retained earnings	626.1	661.1	35.0
				Unrealized gain(loss) on available-for-sale securities	(1.5)	5.2	6.7
				Foreign currency translation adjustment	2.6	5.6	3.0
				Treasury stock	(9.6)	(9.5)	0.1
				Total stockholders' equity	847.0	891.9	44.9
Total assets	1,310.9	1,346.9	36.0	Total liabilities and stockholders' equity	1,310.9	1,346.9	36.0

11. Comparative Statements of Cash Flows (Consolidated)

(Billions of Yen)

	Six months 02/4-02/9	Six months 03/4-03/9	Increase (Decrease)
<u>(1) Cash flows from operating activities</u>			
Net income	37.0	37.7	0.7
Depreciation	32.9	34.2	1.3
Others	2.9	(3.7)	(6.6)
Total	72.8	68.2	(4.6)
<u>(2) Cash flows from investing activities</u>			
Expenditure for purchase of tangible and intangible fixed assets	(35.6)	(33.0)	2.6
Increase (Decrease) in securities	22.3	(28.5)	(50.8)
Others	(4.3)	9.1	13.4
Total	(17.6)	(52.4)	(34.8)
<u>(3) Cash flows from financing activities</u>			
Decrease in debentures and borrowings	(0.9)	(21.5)	(20.6)
Cash dividends	(2.5)	(2.9)	(0.4)
Others	(2.2)	(0.6)	1.6
Total	(5.6)	(25.0)	(19.4)
(4) Effect of exchange rate changes and others	(9.1)	1.8	10.9
Net increase(decrease) in cash and cash equivalents	40.5	(7.4)	(47.9)

Balance of cash and cash equivalents	290.4	295.0	4.6
Balance of liabilities with interest	173.3	149.0	(24.3)

12. Forecast of operating performance
for the entire fiscal year (April 2003-March 2004)

	Consolidated		Non-consolidated	
	Billions of Yen	Ratio of increase over prior FY	Billions of Yen	Ratio of increase(decrease) over prior FY
Net sales	810.0	1.6%	480.0	-
Operating income	126.0	3.2%	56.0	(9.7%)
Ordinary income	126.0	3.2%	58.0	(6.5%)
Net income	75.0	2.7%	34.5	(6.8%)
Net income per share (in Yen)	177.86	4.73	81.82	(6.01)
Annual cash dividend per share (in Yen)	16.00	2.0		

13. Comparative Income Statements (Non-consolidated)

(Billions of Yen)

	Six months 02/4-02/9	Six months 03/4-03/9	Increase (Decrease)	Rate of increase (decrease)
Net sales	237.2	238.3	1.1	0.5%
Cost of sales	188.2	194.5	6.3	
Selling, General and Administrative Expenses	16.7	15.1	(1.6)	
Operating income	32.3	28.7	(3.6)	(11.3%)
Non-operating income / expenses	(0.3)	0.3	0.6	
Ordinary income	32.0	29.0	(3.0)	(9.3%)
Income taxes	12.5	11.2	(1.3)	
Net income	19.5	17.8	(1.7)	(8.5%)

14. Comparative Balance Sheets (Non-consolidated)

(Billions of Yen)

	March 31 2003	September 30 2003	Increase (Decrease)		March 31 2003	September 30 2003	Increase (Decrease)
<u>Current assets</u>	<u>401.2</u>	<u>391.8</u>	<u>(9.4)</u>	<u>Current liabilities</u>	<u>139.7</u>	<u>134.3</u>	<u>(5.4)</u>
Cash on hand and in banks	152.7	119.6	(33.1)	Notes and accounts payable-trade	83.1	86.4	3.3
Notes and accounts receivable - trade	139.0	141.8	2.8	Short-term borrowings	22.1	12.8	(9.3)
Securities	39.4	53.6	14.2	Accrued expenses and accounts payable-others	28.2	23.1	(5.1)
Inventories	41.4	40.4	(1.0)	Accrued income taxes	5.3	10.9	5.6
Others	28.6	36.5	7.9	Others	1.0	1.0	0.0
<u>Fixed assets</u>	<u>278.2</u>	<u>306.2</u>	<u>28.0</u>	<u>Long-term liabilities</u>	<u>36.8</u>	<u>39.9</u>	<u>3.1</u>
<u>Property, plant and equipment</u>	<u>114.5</u>	<u>115.8</u>	<u>1.3</u>	Convertible debentures	18.3	18.2	(0.1)
Buildings and structures	38.5	37.5	(1.0)	Long-term borrowings	18.0	17.1	(0.9)
Machinery and vehicles	47.9	46.1	(1.8)	Others	0.5	4.7	4.2
Others	28.2	32.2	4.0				
<u>Intangible fixed assets</u>	<u>1.8</u>	<u>1.7</u>	<u>(0.1)</u>	<u>Total liabilities</u>	<u>176.5</u>	<u>174.3</u>	<u>(2.2)</u>
Investments and others	161.8	188.7	26.9	Common stock	110.3	110.3	0.0
Investments in securities	99.5	124.9	25.4	Additional paid-in capital	111.6	111.7	0.1
Others	62.3	63.8	1.5	Retained earnings	292.3	307.1	14.8
				Unrealized gain(loss) on available-for-sale securities	(1.7)	4.1	5.8
				Treasury stock	(9.6)	(9.5)	0.1
				<u>Total stockholders' equity</u>	<u>502.9</u>	<u>523.7</u>	<u>20.8</u>
<u>Total assets</u>	<u>679.4</u>	<u>698.0</u>	<u>18.6</u>	<u>Total liabilities and stockholders' equity</u>	<u>679.4</u>	<u>698.0</u>	<u>18.6</u>

15. Comparison of Net Sales by Department (Non-consolidated)

(Billions of Yen)

Department	Six months 02/4-02/9	Six months 03/4-03/9	Increase (Decrease)
Organic and inorganic chemicals	85.3	86.3	1.0
Electronics materials	100.1	103.8	3.7
Functional materials	35.1	27.9	(7.2)
International division	16.8	20.4	3.6
Total	237.2	238.3	1.1
[Reference]	(45%)	(43%)	
Export total	107.1	102.4	(4.7)

Percentages in () represent the proportions of export sales in total net sales.