



5. Press Release of non-consolidated Financial Data

For the fiscal year ended March 31, 2004

May 20, 2004

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
 Interim cash dividends being paid
 Trading unit of the company consists of 100 shares
 Representative:
 Chihiro Kanagawa (Mr.)
 Representative Director-President
 Personnel to contact:
 Toshiyuki Kasahara (Mr.)
 General Manager of Finance & Accounting Department
 Telephone: +81-3-3246-5051
 Date of Board of Directors Meeting
 For the authorization of the financial statements
 for the current fiscal year . . . May 20, 2004
 Scheduled Date for General Meeting of Stockholders: June 29, 2004

5-1. Operating Performance for the Current Fiscal Year

(From April 1, 2003 to March 31, 2004)

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

(1) Results of non-consolidated operations

| | <u>Millions of Yen</u> | |
|--|--|--|
| | <u>Current fiscal year</u> <u>2003/4-2004/3</u> | <u>Prior fiscal year</u> <u>2002/4-2003/3</u> |
| Net sales | 482,580 | 480,243 |
| Ratio of increase (decrease) over the preceding year | 0.5% | 3.2% |
| Operating income | 56,073 | 62,014 |
| Ratio of increase (decrease) over the preceding year | (9.6%) | (4.0%) |
| Ordinary income | 58,065 | 62,011 |
| Ratio of increase (decrease) over the preceding year | (6.4%) | (7.5%) |
| Net income | 34,725 | 37,028 |
| Ratio of increase (decrease) over the preceding year | (6.2%) | (7.2%) |
| Net income per share (in yen) | 82.25 | 87.83 |
| Diluted net income per share (in yen) | 80.57 | 85.97 |
| Ratio of net income over total stockholders' equity | 6.6% | 7.5% |
| Ratio of ordinary income over total assets employed | 8.1% | 9.3% |
| Ratio of ordinary income over net sales | 12.0% | 12.9% |
| (Notes) | | |
| 1. Average number of shares outstanding (in shares) | 420,484,380 | 420,524,988 |
| 2. Changes in accounting policies applied : No | | |

(2) Non-consolidated cash dividends

| | Current fiscal year <u>2003/4-2004/3</u> | Prior fiscal year <u>2002/4-2003/3</u> |
|--|---|---|
| Interim cash dividend per share (in yen) | 8.00 | 7.00 |
| Year-end cash dividend per share (in yen) | 8.00 | 7.00 |
| Total annual cash dividend per share (in yen) | 16.00 | 14.00 |
| Total annual cash dividends paid (millions of yen) | 6,729 | 5,885 |
| Earnings dividend ratio | 19.5% | 15.9% |
| Ratio of dividends over total stockholders' equity | 1.2% | 1.2% |

(3) Non-consolidated financial position

| | <u>Millions of Yen</u> | |
|--|--------------------------|--------------------------|
| | March 31, <u>2004</u> | March 31, <u>2003</u> |
| Total assets | 758,820 | 679,380 |
| Total stockholders' equity | 544,266 | 502,912 |
| Equity ratio | 71.7% | 74.0% |
| Stockholders' equity per share (in yen) | 1,293.30 | 1,196.02 |
| (Notes) | | |
| Number of shares outstanding (in shares) | 420,726,402 | 420,408,126 |
| Number of treasury stocks | 2,072,068 | 2,159,785 |

5-2. The Forecast of Non-consolidated Operating Performance for the Fiscal Year ending March 31, 2005 (From April 1, 2004 to March 31, 2005)

| | <u>Millions of Yen</u> | |
|---|------------------------------------|-------------------------------------|
| | Six Months <u>2004/4-2004/9</u> | Fiscal year <u>2004/4-2005/3</u> |
| Net sales | 250,000 | 500,000 |
| Ordinary income | 30,000 | 60,000 |
| Net income | 18,500 | 37,000 |
| Interim cash dividends per share (in yen) | 9.00 | - |
| Year-end cash dividends per share (in yen) | - | 9.00 |
| Total annual cash dividend per share (in yen) | - | 18.00 |

(Reference)

The forecast of "Net income per share" (for the year ending March 31, 2005) - 87.60 yen per share

(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.

6. Non-consolidated Financial Statements

6-1. Comparative Non-consolidated Balance Sheets

As of March 31, 2004 and 2003

| ASSETS | <u>Millions of Yen</u> | | |
|---|------------------------|-----------------------|------------------------|
| | March 31, 2004 | March 31, 2003 | Increase (Decrease) |
| Current Assets: | | | |
| Cash on hand and in banks | 135,270 | 152,741 | (17,471) |
| Notes and accounts receivable -trade | 152,369 | 139,043 | 13,326 |
| Securities | 47,276 | 39,408 | 7,868 |
| Inventories | 37,838 | 41,383 | (3,545) |
| Deferred tax assets | 11,590 | 11,625 | (35) |
| Short-term loan | 30,624 | 4,334 | 26,290 |
| Others | 15,536 | 13,488 | 2,048 |
| Less: Allowance for doubtful accounts | (700) | (840) | 140 |
| Total current assets | <u>429,805</u> | <u>401,185</u> | <u>28,620</u> |
| Fixed Assets: | | | |
| Property, plant and equipment | | | |
| Buildings and structures | 36,412 | 38,499 | (2,087) |
| Machinery, equipment and vehicles | 47,886 | 47,878 | 8 |
| Others | 27,137 | 28,155 | (1,018) |
| Total property, plant and equipment | <u>111,436</u> | <u>114,533</u> | <u>(3,097)</u> |
| Intangible fixed assets | <u>1,190</u> | <u>1,823</u> | <u>(633)</u> |
| Investments and others | | | |
| Investments in securities | 115,878 | 94,564 | 21,314 |
| Investments in capital stock of subsidiaries and affiliates | 95,441 | 60,123 | 35,318 |
| Deferred tax assets | - | 78 | (78) |
| Others | 5,077 | 7,081 | (2,004) |
| Less: Allowance for doubtful accounts | (10) | (10) | - |
| Total investment and others | <u>216,387</u> | <u>161,838</u> | <u>54,549</u> |
| Total fixed assets | <u>329,015</u> | <u>278,194</u> | <u>50,821</u> |
| TOTAL ASSETS | <u>758,820</u> | <u>679,380</u> | <u>79,440</u> |

| | <u>Millions of Yen</u> | | |
|---|---------------------------|---------------------------|--------------------------------|
| | <u>March 31, 2004</u> | <u>March 31, 2003</u> | <u>Increase (Decrease)</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Notes and accounts payable-trade | 90,228 | 83,129 | 7,099 |
| Short-term borrowings | 30,979 | 22,135 | 8,844 |
| Accounts payable-others | 11,685 | 9,879 | 1,806 |
| Accrued expenses | 20,116 | 18,275 | 1,841 |
| Accrued income taxes | 17,659 | 5,253 | 12,406 |
| Others | 2,287 | 998 | 1,289 |
| Total current liabilities | <u>172,956</u> | <u>139,671</u> | <u>33,285</u> |
| Long-term Liabilities: | | | |
| Convertible debentures | 17,849 | 18,291 | (442) |
| Long-term borrowings | 14,965 | 18,012 | (3,047) |
| Deferred tax liabilities | 8,505 | - | 8,505 |
| Accrued retirement benefits | 276 | 313 | (37) |
| Others | - | 178 | (178) |
| Total long-term liabilities | <u>41,596</u> | <u>36,796</u> | <u>4,800</u> |
| TOTAL LIABILITIES | <u>214,553</u> | <u>176,467</u> | <u>38,086</u> |
| STOCKHOLDERS' EQUITY | | | |
| Common stock | 110,493 | 110,271 | 222 |
| Additional paid-in capital | 111,854 | 111,633 | 221 |
| Retained earnings | 320,606 | 292,311 | 28,295 |
| Unrealized gain(loss) on available-for-sale securities | 10,531 | (1,668) | 12,199 |
| Treasury stocks | (9,219) | (9,636) | 417 |
| TOTAL STOCKHOLDERS' EQUITY | <u>544,266</u> | <u>502,912</u> | <u>41,354</u> |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | <u>758,820</u> | <u>679,380</u> | <u>79,440</u> |

6-2. Comparative Non-consolidated Income Statements

For the fiscal year ended March 31, 2004 and 2003

| | <u>Millions of Yen</u> | | Increase (Decrease) |
|---|----------------------------------|---------------------------|------------------------|
| | <u>For the fiscal year ended</u> | | |
| | <u>March 31, 2004</u> | <u>March 31, 2003</u> | |
| Operating Income and Expenses: | | | |
| Net sales | 482,580 | 480,243 | 2,337 |
| Cost of sales | 395,402 | 385,750 | 9,652 |
| Gross profit | 87,177 | 94,492 | (7,315) |
| Selling, general and administrative expenses | 31,104 | 32,478 | (1,374) |
| Operating income | 56,073 | 62,014 | (5,941) |
| Non-operating Income: | | | |
| Interest income | 235 | 437 | (202) |
| Dividend income | 2,318 | 3,145 | (827) |
| Other income | 1,860 | 2,434 | (574) |
| | 4,413 | 6,018 | (1,605) |
| Non-operating Expenses: | | | |
| Interest expenses | 805 | 1,139 | (334) |
| Other expenses | 1,616 | 4,881 | (3,265) |
| | 2,421 | 6,021 | (3,600) |
| Ordinary income | 58,065 | 62,011 | (3,946) |
| Extraordinary Gains: | | | |
| Gains on sales of property, plant and equipment | - | 2,416 | (2,416) |
| Gains on transfer of securities to retirement benefits trust | - | 2,363 | (2,363) |
| | - | 4,779 | (4,779) |
| Extraordinary Losses: | | | |
| Loss on write-down of investment securities | - | 3,165 | (3,165) |
| Adjustment to prior years' license fee | - | 1,727 | (1,727) |
| | - | 4,893 | (4,893) |
| Income before income taxes | 58,065 | 61,898 | (3,833) |
| Income taxes-Current | 22,990 | 17,490 | 5,500 |
| Income taxes-Deferred | 350 | 7,380 | (7,030) |
| Net income | 34,725 | 37,028 | (2,303) |
| Retained earnings at beginning of year | 6,687 | 6,635 | 52 |
| Interim cash dividend | 3,363 | 2,942 | 421 |
| Loss on disposal of treasury stocks | 28 | 257 | (229) |
| Unappropriated retained earnings | 38,019 | 40,463 | (2,444) |

(Notes)

1. Significant Accounting Policies

(1) Valuation of securities:

| | | |
|--|-------|--|
| Bonds held to maturity | | Amortized cost method (straight-line method) |
| Investment in capital stock of subsidiaries and affiliates | | Moving average cost method |
| Available-for-sale securities | | |
| Marketable securities | | Market price method based on the fair market value as of the date of balance sheet. (Any balances resulting from valuation of securities shall directly be entered into capital accounts, while any costs of sales of marketable securities shall be calculated based on a moving average cost method) |
| Non-marketable securities | | Moving average cost method |

(2) Valuation of inventories: Average cost method

(3) Depreciation of property, plant and equipment:

Basic method: Declining-balance method

(Straight-line method is applied to Polyvinyl chloride equipment among its machinery and equipment, Electrolytic Equipment and Buildings (excluding attached facilities) acquired after April 1st, 1998.)

(4) Calculation method of allowances

Allowance for doubtful accounts:

The company provides 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 total receivables plus the amount deemed necessary to cover individual accounts estimated to be uncollectible.

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 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 cost was generated.

| | <u>Millions of Yen</u> | |
|--|---------------------------|---------------------------|
| | <u>March 31, 2004</u> | <u>March 31, 2003</u> |
| 2. Accumulated depreciation of tangible Property, Plant and Equipment | 318,403 | 301,316 |
| 3. Contingent liabilities for guarantee | 5,197 | 3,758 |
| 4. Details of increase in the number of shares issued during the current year. | | |

| | <u>Number of shares issued upon conversion/exercise (in thousand shares)</u> | <u>Amounts transferred to capital stock (in millions of Yen)</u> |
|--------------------------------------|--|--|
| Conversion of convertible debentures | 230 | 221 |

(Lease Transactions)

According to disclosure through EDINET, detailed information about lease transactions is being omitted from this report.

(Securities)

Investments in capital stock of subsidiaries and affiliates with market quotation

| | <u>Millions of Yen</u> | |
|-----------------------|---------------------------|---------------------------|
| | <u>March 31, 2004</u> | <u>March 31, 2003</u> |
| Book value | 10,221 | 10,221 |
| Market value | 27,468 | 24,072 |
| Unrealized difference | 17,246 | 13,850 |

(Deferred Tax)

1. Factors of deferred tax assets and liabilities

| | <u>Millions of Yen</u> | |
|--|---------------------------|---------------------------|
| | <u>March 31, 2004</u> | <u>March 31, 2003</u> |
| Deferred Tax Assets | | |
| Unsettled accounts receivable and payable | 4,859 | 5,698 |
| Depreciation | 2,042 | 2,207 |
| Accrued bonus allowance | 1,608 | 1,267 |
| Accrued enterprise taxes | 1,196 | 405 |
| Maintenance cost | 1,106 | 510 |
| Special provision for retirement benefits costs | 107 | 57 |
| Unrealized gain on available-for-sale securities | - | 1,130 |
| Others | 4,215 | 5,317 |
| Deferred Tax Assets sub-total | 15,136 | 16,596 |
| Valuation allowance | (2,455) | (2,455) |
| Total | 12,680 | 14,140 |
| Deferred Tax Liabilities | | |
| Unrealized gain on available-for-sale securities | 7,138 | - |
| Tax allowance for acquisition of fixed assets | 1,754 | 1,963 |
| Reserve for special depreciation | 690 | 460 |
| Tax allowance for acquisition of land | 12 | 12 |
| Total | 9,595 | 2,436 |
| Net Deferred Tax Assets | 3,084 | 11,704 |

2. Reconciliation of the difference between the statutory tax rate and effective rate on taxable income

| <u>March 31, 2004</u> | <u>March 31, 2003</u> |
|--|---------------------------|
| Details are omitted as the difference between the statutory tax rate and effective tax rate is less than 5% of the statutory tax rate. | Same as left |

3. Statutory effective tax rate used for the calculation of current deferred tax assets and liabilities is mainly 40.4% (prior fiscal year was 41.7%). Due to the change in the tax rate, net deferred tax assets decreased by 372 millions of yen and deferred income taxes increased by same amount.

6-3. Non-consolidated Comparative Proposal for Appropriation of Retained Earnings

| | Millions of Yen | | |
|---|------------------------------|------------------------------|------------------------|
| | For the fiscal year ended | | Increase (Decrease) |
| | March 31, 2004 | March 31, 2003 | |
| Unappropriated Retained Earnings: | | | |
| Balance at year-end | 38,019 | 40,463 | (2,444) |
| Reversal of reserve for special depreciation | 193 | 227 | (34) |
| Reversal of reserve for deferred profit on sale of fixed assets | 292 | 264 | 28 |
| Total | 38,506 | 40,956 | (2,450) |
| Appropriations : | | | |
| Transfer to legal earned reserve | | | |
| Cash dividends | 3,365 (8.00yen per share) | 2,942 (7.00yen per share) | 423 |
| Directors' and statutory auditors' bonuses [Statutory Auditors' bonuses] | 142 [7] | 94 [7] | 48 [-] |
| Transfer to reserve for special depreciation | 542 | 49 | 493 |
| Transfer to reserve for deferred profit on sale of fixed assets | - | 1,181 | (1,181) |
| Tax allowance for acquisition of land | - | 0 | (0) |
| Transfer to reserve for unspecified purposes | 27,000 | 30,000 | (3,000) |
| Unappropriated retained Earnings : Balance to be carried forward | 7,455 | 6,687 | 768 |

(Note) Interim cash dividend

The Company declared and paid interim cash dividends of 3,363 millions of yen (8.00yen per share) on November 18, 2003, and 2,942 millions of yen (7.00yen per share) on November 18, 2002, respectively.

6-4.Non-consolidated Comparison of Net Sales

| | Millions of Yen | | |
|--|---------------------------|--------------------------|------------------------|
| | For the fiscal year ended | | Increase (Decrease) |
| | March 31, 2004 | March 31, 2003 | |
| Organic and Inorganic Chemicals Department | 177,560 [37%] | 174,741 [36%] | 2,819 |
| Electronics Materials Department | 212,639 [44%] | 195,579 [41%] | 17,060 |
| Functional Materials Department | 56,755 [12%] | 65,839 [14%] | (9,084) |
| International Operations Department | 35,625 [7%] | 44,082 [9%] | (8,457) |
| Total | <u>482,580</u> [100%] | <u>480,243</u> [100%] | 2,337 |
| [Reference] Export Total | 203,037 [42%] | 220,164 [46%] | (17,127) |

Percentages in [] represent the proportionate ratio of each department's sales over total net one.

7. Change in Management Officers (As of June 29,2004)

1.Candidates nominated for appointment to Director

Director

Mr. Fumio Arai

[Current Director President of Shin-Etsu PVC B.V. and SE Tylose GmbH & Co. KG]

2.Directors scheduled to resign

Representative Director Executive Vice President and in charge of R&D and Patent,
Semiconductor materials and International Business

Mr. Shunichi Koyanagi

(Special Counselor)*

[Mr. Shunichi Koyanagi will also resign Representative Director and President of Shin-Etsu Handoutai Co.,Ltd on the same day. Mr. Fumio Akiya, who currently is Senior Managing Director of Shin-Etsu Chemical Co.,Ltd will assume this position concurrently.]

Managing Director and in charge of PVC

Mr. Hironobu Ichimura

(Counselor)*

*Note: () represents their new position scheduled to be appointed.