Press Release of Consolidated Financial Data

For the six months ended September 30, 2004

October 25, 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
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 consolidated financial statements
for the first half of the current fiscal year ...October 25, 2004
Adoption of U.S. GAAP : No

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

(From April 1, 2004 to September 30, 2004)

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

(1)Results of Consolidated operations

	Millions of Yen		
	Six months 2004/4-2004/9	Six months 2003/4-2003/9	Prior fiscal year 2003/4-2004/3
Net sales	468,532	407,585	832,804
Ratio of increase (decrease) over the first half of the prior year	15.0%	2.7%	
Operating income	76,774	63,852	125,625
Ratio of increase (decrease) over the first half of the prior year	20.2%	1.3%	
Ordinary income	75,815	63,022	125,612
Ratio of increase (decrease) over the first half of the prior year	20.3%	1.6%	
Net income	46,477	37,743	74,805
Ratio of increase (decrease) over the first half of the prior year	23.1%	2.0%	
Net income per share (in yen)	110.37	89.78	177.25
Diluted net income per share (in yen)	108.18	87.84	173.52
(Notes)			
1. Equity in earnings of Affiliates (in millions of yen)	178	111	300
2. Average number of consolidated shares issued (in share)	421,103,701	420,400,185	420,484,380

3. Changes in accounting policies applied : No

(2) Consolidated financial position

	Millions of Yen		
	September 30, 2004	September 30, 2003	March 31, 2004
Total assets	1,433,188	1,346,908	1,386,216
Total stockholders' equity	947,701	891,907	900,724
Equity ratio	66.1%	66.2%	65.0%
Stockholders' equity per share (in yen)	2,238.06	2,121.11	2,140.23
(Notes)			
Number of shares outstanding at year end (in shares)	423,447,630	420,491,357	420,726,402

(3) Consolidated Cash flows statement

Cash flows from operating activities	91,737	68,213	156,004
Cash flows from investing activities	(69,105)	(52,364)	(129,036)
Cash flows from financing activities	(29,990)	(25,009)	(26,695)
Cash & Cash Equivalents	286,294	295,018	292,978

(4) Application of consolidated and equity method

Number of consolidated subsidiaries	……	67
Number of non-consolidated subsidiaries applied to equity method	……	0
Number of affiliates applied to equity method	……	7

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

Consolidation	Increase	1	Decrease	1
Equity method	Increase	0	Decrease	0

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

	Millions of Yen Fiscal year 2004/4-2005/3
Net sales	960,000
Ordinary income	151,000
Net income	92,000

(Reference)

The forecast of "Net income per share" (from April 1, 2004 to March 31, 2005) …… 216.50 yen per share

(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"), 90 subsidiaries, and 15 affiliates as of September 30, 2004. 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 corporate with each other to develop business activities.

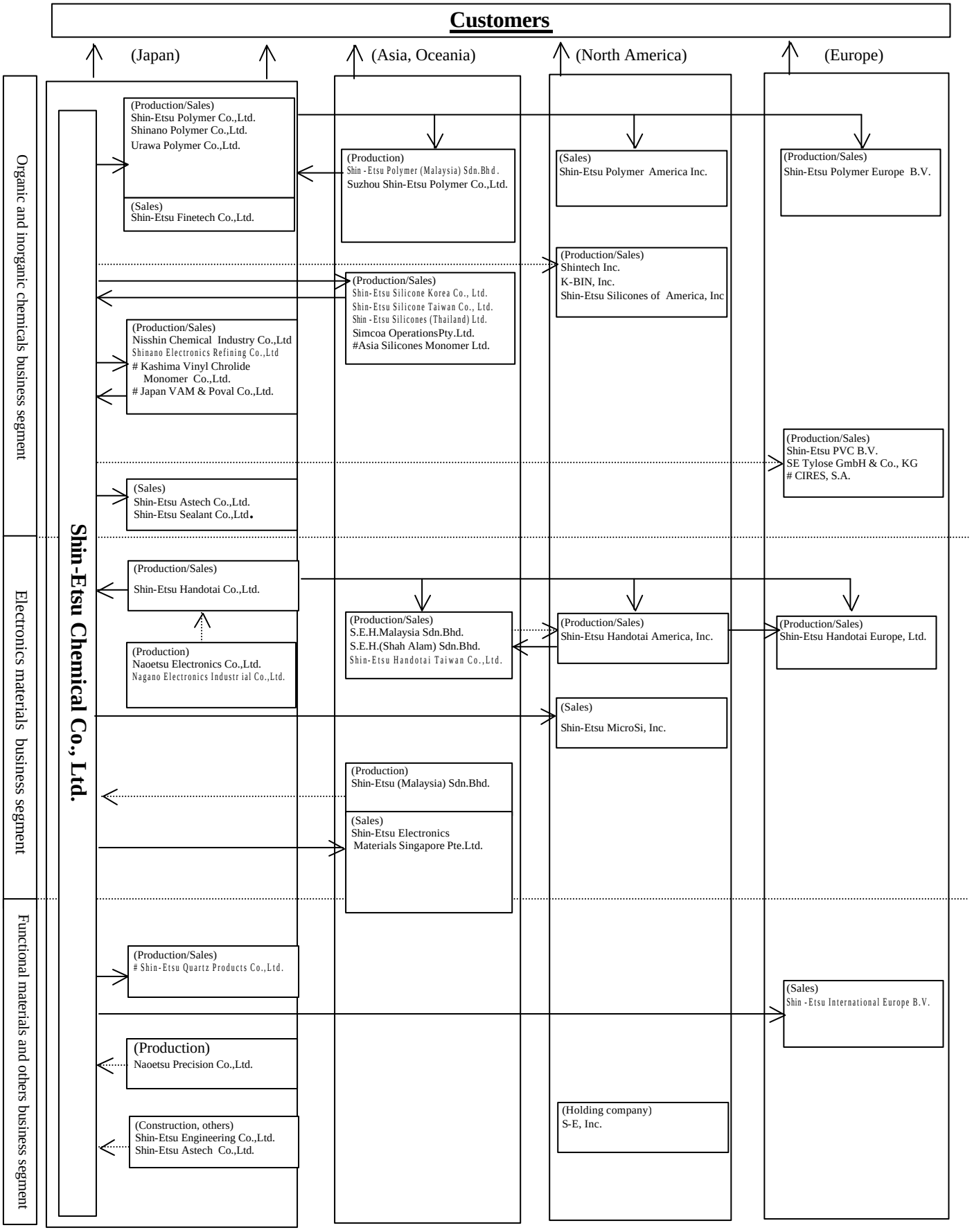
The Group's business activities, the role and functions of the Company and major subsidiaries and affiliates are described below.

Organic and Inorganic Chemicals business segment	Polyvinyl chloride Silicone Methanol Chloromethanes Cellulose derivatives Caustic soda Silicon metal	Domestic	Shin-Etsu Chemical Co., Ltd. Shin-Etsu Polymer Co., Ltd. Shin-Etsu Astech Co., Ltd. Shin-Etsu Finetech Co., Ltd. Shinano Polymer Co., Ltd. Nissin Chemical Industry Co., Ltd. Shin-Etsu Sealant Co.,Ltd. Shinano Electric Refining Co., Ltd. Urawa Polymer Co., Ltd. Kashima Vinyl Chloride Monomer Co., Ltd. Japan VAM & Poval Co., Ltd. 13 other subsidiaries and affiliates Total number of companies: 24
		Overseas	Shintech Inc. Shin-Etsu PVC B.V. Shin-Etsu Silicone Korea Co., Ltd. Shin-Etsu Silicones (Thailand) Ltd. Shin-Etsu Silicone Taiwan Co., Ltd. Shin-Etsu Silicones of America, Inc. Shin-Etsu Polymer (Malaysia) Sdn. Bhd. Shin-Etsu Polymer Europe B.V. Shin-Etsu Polymer America, Inc. Suzhou Shin-Etsu Polymer Co., Ltd. Simcoa Operations Pty. Ltd. SE Tylose GmbH & Co. KG K-Bin, Inc. Asia Silicones Monomer Ltd. CIRES, S.A. 17 other subsidiaries Total number of companies: 32

Electronics materials business segment	Semiconductor silicon, Organic materials for the electronics industry, Rare earth magnets for the electronics industry, Photo resists	Domestic	Shin-Etsu Chemical Co., Ltd. Shin-Etsu Handotai Co., Ltd. Naoetsu Electronics Co., Ltd. Nagano Electronics Industrial Co., Ltd. 7 other subsidiaries and affiliates Total number of companies: 11
		Overseas	Shin-Etsu Handotai America, Inc. S.E.H. Malaysia Sdn.Bhd. Shin-Etsu Handotai Europe, Ltd. Shin-Etsu Electronics Materials Singapore Pte.Ltd. Shin-Etsu Handotai Taiwan Co., Ltd. Shin-Etsu (Malaysia) Sdn. Bhd. Shin-Etsu MicroSi, Inc. S.E.H.(Shah Alam) Sdn.Bhd. 7 other subsidiaries and affiliates Total number of companies: 15
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	Domestic	Shin-Etsu Chemical Co., Ltd. Shin-Etsu Astech Co., Ltd. Shin-Etsu Engineering Co., Ltd. Naoetsu Precision Co., Ltd. Shin-Etsu Quartz Products Co., Ltd. 22 other subsidiaries Total number of companies: 27
		Overseas	S-E, Inc. Shin-Etsu Electronics Materials Singapore Pte.Ltd. Shin-Etsu (Malaysia) Sdn. Bhd. Shin-Etsu International Europe B.V. 3 other subsidiary Total number of companies: 7

Note) Some of the companies listed in each business segment may be engaged in business across business segments, and therefore may be listed in more than one category .

Business Flows Within the Group



Note) Unmarked: Consolidated subsidiaries → Products

Marked # : Affiliates which are applied to equity method ⇢ Processing, technology, service and other

2. Management Policies

(1) Basic Management Policies

The basic management policy of Shin-Etsu Chemical Co., Ltd. is to place No. 1 priority on giving Shin-Etsu's shareholders maximum value by enhancing the worth of Shin-Etsu Group companies.

To achieve this goal, Shin-Etsu strives to secure and further develop its leading world market positions. Shin-Etsu achieves these objectives by developing the world's highest level of technology in its business fields, as well as by attaining 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

PVC (polyvinyl chloride) is a product that has superior properties, is easy to process and is economical as well. It is a resin that depends less on oil and natural gas resources. Shin-Etsu's PVC business is growing as demand increases not only in China and Southeast Asia, but also in North America and Europe. Shintech Inc. in U.S. has been supplying PVC not only to customers in North America but also to customers in areas throughout the world. Moreover, Shin-Etsu PVC in The Netherlands has steadily increased its business, and in November of last year, it expanded and strengthened the company's production facilities. By utilizing to the maximum its strong sales capabilities, which were nurtured in the world market, Shin-Etsu will strive to strengthen its PVC business globally.

Shin-Etsu's silicone business has products with a wide diversity of applications in such industries as electric, electronic, automobile, construction, cosmetics and toiletries, and along with the growth and development of these industries, the company's silicone business has expanded. Last year Shin-Etsu celebrated the 50th anniversary of its silicone business. The company will continue to promote the development of new products by making the most of silicone's superior characteristics. Shin-Etsu will work towards the steady operation of its manufacturing facility in Thailand, which began operations this year, and its specialty silane manufacturing facility in the U. S. The company will further strive to expand its silicone business.

With regard to Shin-Etsu's semiconductor silicon business, Shin-Etsu is strengthening its production capabilities for next-generation 300mm silicon wafers. For those wafer products up to 200mm, Shin-Etsu will continue to strengthen its competitive power by providing products that can be differentiated from those of its competitors. The company will make efforts to expand sales of specialty wafers

In its synthetic quartz business, large photomask substrates for manufacturing of LCDs are doing well, and Shin-Etsu is implementing appropriate steps to effectively cope with the growth in demand.

In the cellulose derivatives business, SE Tylose in Germany which Shin-Etsu purchased at the end of last year, is contributing much to the growth of Shin-Etsu's cellulose business as Shin-Etsu takes advantage of its strength in possessing a wider range of products.

In addition, Shin-Etsu is also aggressively developing new businesses that will nurture the seed of new businesses.

Shin-Etsu makes it a fundamental management principle to pursue the goals of safety-first and environmental conservation.

As a basic set of guidelines for the Shin-Etsu Group in carrying out its environmental conservation policies, Shin-Etsu adopted a Basic Environmental Charter in 1998, and the Shin-Etsu Group is carrying out its business activities in strict conformity with the principles embodied in this charter.

In all of Shin-Etsu's domestic manufacturing facilities and in the manufacturing facilities in the main Shin-Etsu Group companies, we have obtained ISO-14001 certification, the international standard for environmental management systems. Shin-Etsu endeavors to make useful contributions to the entire society, including the local communities, and to promote environmental conservation.

An important task to foster the development of a company is to create a work environment in which employees can perform their jobs easily and effectively, and Shin-Etsu is committed to a merit system of employment under which staff members can fully realize their potential.

(3) Basic policy regarding dividends

Emphasizing the long-term perspective, Shin-Etsu believes that it is important to give its shareholders continued stable dividends, while increasing sales and profits 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.

(4) Basic Position on Corporate Governance and its Implementation

By following corporate policies based on the spirit of respecting the law, the basic stance of Shin-Etsu Chemical Co., Ltd. is to proactively carry out corporate information disclosure policies and PR activities aimed at shareholders and investors. These are the basic principles that Shin-Etsu is following regarding corporate governance, and the company considers these activities to be one of the most important tasks of management.

Shin-Etsu employs a statutory auditor system. Presently there are 14 members of Shin-Etsu Chemical's Board of Directors (including two external directors); and there are four statutory auditors (including three external statutory auditors). With regard to the investigative/decision-making level of business execution, a Managing Directors Committee meeting and a meeting of the Board of Directors carefully hold discussions, deliberations, and make decisions on important matters. Moreover, Frank Peter Popoff, the former CEO of The Dow Chemical Company in the United States, and Shunji Kono, counselor of The Tokio Marine & Nichido Fire Insurance Co., Ltd., are serving Shin-Etsu as external directors. In this way, Shin-Etsu is obtaining not only an independent audit perspective but also a great deal of useful advice on global corporate management.

Statutory Auditors attend not only meetings of the Board of Directors but also other important in-company meetings, and they carry out audits concerning Shin-Etsu's business operations. They also exchange information and opinions with accounting auditors from the Chuo Aoyama Audit Corp. With regard to decisions about reviewing and evaluating board members' remuneration, Shin-Etsu has an officers' remuneration committee that is chaired by Mr. Popoff.

Shin-Etsu has also established a risk management committee to effectively manage the various kinds of risks that could possible occur during its business operations.

3. Results of Operations and Financial Position

(1) Results of Operations

General Overview

During the first half of the current fiscal year, FY 2005 (April 1, 2004 to September 30, 2004), the Japanese economy as a whole showed a modest, recovery supported by an increase in exports and private sector facility investment as well as an upsurge in demand for digital home appliances. The U.S. economy continued its expansion trend led by growing facility investment and increases in consumption, and economic expansion continued in China and Southeast Asia.

Under these circumstances, Shin-Etsu Group companies continued strong sales efforts with regard to their worldwide customers by emphasizing the special features of Shin-Etsu's products and also by utilizing to the maximum the Group companies' sales power that was nurtured in the world market. At the same time, Shin-Etsu aggressively promoted efforts to improve net sales and net profit by carrying out continued improvements in productivity and cost-reduction efforts.

As a result, the consolidated business results for the first half of the current fiscal year show that net sales increased by 15.0% (¥60,947 million) compared to the first half of the previous fiscal year to become ¥468,532 million. Compared to the performance of the first half of the previous fiscal year, operating income increased 20.2% (¥12,922 million) to ¥76,774 million, ordinary income increased 20.3% (¥12,793 million) to ¥75,815 million and net income increased 23.1% (¥8,734 million) to ¥46,477 million.

Business Segment Overview

Organic and Inorganic Chemicals

The sales price of PVC in the U.S. market, which is a core market for Shin-Etsu Chemical's global PVC business strategy, increased due to bullish demand as a result of a surge in new housing construction and also the effect of a sharp rise in such basic raw materials for PVC as crude oil and natural gas. Shintech Inc., Shin-Etsu's U.S. PVC base, achieved its highest-ever net sales and operating income in the first half of this fiscal year as a result of the company's sales activities that accurately captured the market trend. In addition, because PVC demand is bullish in Europe, Shin-Etsu PVC in The Netherlands expanded its sales.

In Japan, the PVC business expanded its sales because of rising exports due to vigorous demand in China, and a further domestic PVC upward price revision was put into effect at the end of FY 2004. Moreover, at the end of September 2004, a further price revision was put into effect, which was necessitated by rising costs caused by the sharp increase in crude oil prices.

Accordingly, Shin-Etsu Chemical's PVC business steadily increased its sales and was able to greatly increase its operating income.

Silicones have a wide range of applications in such diverse fields such as electric, electronics, automobiles, cosmetics and construction. Domestic sales were good in such fields as electric, electronics, automobile-related applications, construction materials and cosmetics. Furthermore, in global markets, sales especially increased in Asia with the Chinese market leading the way. In addition, Shin-Etsu's new silicone products manufacturing facility in Thailand began production and shipments during the first half of this fiscal year, and sales were good of Shin-Etsu Polymer's silicone processed products.

Sales of cellulose derivatives were strong in applications for construction materials as well as automobile- and medical-related applications. SE Tylose in Germany, which Shin-Etsu had acquired at the end of 2003, also did well, contributing to cellulose business performance.

Accordingly, the net sales of this business segment increased 16.4% (¥36,919 million) to ¥261,398 million, compared to the first half of the previous fiscal year. Operating income increased 15.8% (¥5,224 million) to ¥38,374 million.

Electronics Materials

With the expanding demand for semiconductor devices used for applications in PCs, mobile phones and digital home appliances, sales of silicon wafers continued at a high level, not only of 200mm wafers, but also of smaller-diameter wafers of up to 150mm. Moreover, sales of the most advanced 300mm wafers on the market, for which Shin-Etsu has been investing heavily to provide increased production capacity, have increased greatly. In addition, sales of specialty wafers, such as SOI wafers, annealed wafers and others, also continued to show a steady increase. As a result, the semiconductor silicon business greatly increased its net sales and operating income.

Rare earth magnets for the electronics industry saw steady sales for hard disk drive applications in mobile music players as well as its applications in PCs, servers and visual recording media. Organic materials for the electronic industry and photoresists products increased in sales, reflecting the good market condition of the semiconductor device industry.

As a consequence, net sales of this business segment increased 18.7% (¥23,788 million), compared to the first half of the previous fiscal year, to ¥150,787 million. Operating income increased 27.7% (¥5,963 million) to ¥27,478 million.

Functional Materials and Others

Among synthetic quartz products, although the demand for optical fiber preform continued to be sluggish, shipments of large-size photomask substrates used for the manufacturing of LCD panels continued at a high level. As a result, net sales and operating income expanded in synthetic quartz business.

Sales of rare earth magnets were good mainly for applications in air-conditioners, factory automation equipment and automobile-related products, and rare earth sales also expanded, particularly for phosphor applications.

As a result, the net sales of this business segment increased 0.4% (¥239 million), compared to the first half of the previous fiscal year, to ¥56,346 million. Operating income increased 19.3% (¥1,756 million) to ¥10,875 million.

Dividends

The Company declared an interim dividend of ¥10 per share, an increase of ¥2 per share over the prior interim dividend.

Business prospects

Regarding the business forecast for the next business term, there are concerns about the possibility of a prolonged period of high oil prices. Another uncertainty in the world economy is about the future prospects of both the U.S. and Chinese economies. Global business trends at the present time are quite uncertain, and thus the direction of the world economy is difficult to predict.

The Shin-Etsu Group will strengthen its existing businesses, which have been nurtured in the world market for a long period of years, by adopting policies to further enhance their competitive sales power and technological capabilities. Shin-Etsu will particularly strive to expand sales of those products for which there is increasing demand,

such as 300mm wafers. In addition, Shin-Etsu will strengthen its business base by making strenuous efforts to develop and nurture products that are unique and can be differentiated from other competitive products, and at the same time, by endeavoring to enhance the company's competitive power in production costs.

Our business forecast for fiscal year ended March 31,2005 is as follows:

	Billions of yen	
	Consolidated	Non-consolidated
Net sales	960	520
Ratio of increase (decrease) over the prior fiscal year	15.3%	7.8 %
Ordinary income	151	62
Ratio of increase (decrease) over the prior fiscal year	20.2%	6.8%
Net income	92	39
Ratio of increase (decrease) over the prior fiscal year	23.0%	12.3%

The year-end dividend is expected to be ¥10 per share. As a result, the annual dividend will be ¥20 per share, an increase of ¥4 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

Millions of Yen

	For the period ended			
	September 30, 2004 (A)	March 31, 2004	September 30, 2003 (B)	Increase (Decrease) (A-B)
Cash and cash equivalents at beginning of fiscal year	292,978	302,370	302,370	(9,392)
Cash flows from operating activities	91,737	156,004	68,213	23,524
Cash flows from investing activities	(69,105)	(129,036)	(52,364)	(16,741)
Cash flows from financing activities	(29,990)	(26,695)	(25,009)	(4,981)
Effect of foreign exchange and others	674	(9,663)	1,808	(1,134)
Net increase(decrease) in cash and cash equivalents	(6,684)	(9,391)	(7,352)	668
Cash and cash equivalents at end of term	286,294	292,978	295,018	(8,724)

The balance of cash and cash equivalents at end of the first half of this fiscal year decreased by 2.3% (¥6,684million) over that of the prior year, to become ¥286,294 million.

Cash flows from operating activities

The Increase in cash flows provided by operating activity amounted to ¥91,737 million. This was mainly due to income before income tax of ¥75,815 million and depreciation expense of ¥41,431 million.

Cash flows from investing activities

Net cash used for investing activities amounted to ¥69,105 million. This was mainly due to expenditures for purchase of tangible fixed assets of ¥48,779 million and net proceeds ¥17,913 million from purchases, sales and redemption of marketable securities and investments securities.

Cash flows from financing activities

Net cash used for financing activities amounted to ¥29,990 million. This was mainly due to net decrease in short term debt of ¥16,632 million.

The trend of cash flow indices is as follows

	For the period ended				
	September 30, 2004	March 31, 2004	September 30, 2003	March 31, 2003	September 30, 2002
Shareholder's equity ratio(%)	66.1	65.0	66.2	64.6	62.6
Shareholder's equity ratio on market value basis(%)	117.0	132.9	131.1	118.3	130.4
Redemption years for debt	0.7	1.0	1.1	1.3	1.2
Interest coverage ratio	54.0	38.3	36.0	28.9	29.9

(Notes) Shareholder’s equity ratio: shareholders’ equity / total assets
Shareholder’s equity ratio at market value:
Aggregate market value of common stock / total assets
Debt repayment period: interest-bearing liabilities / cash flows from operating activities
Interest coverage ratio: cash flows from operating activities / interest payments

1. All indices based on consolidated financial figures.
2. Aggregate market value of common stock:
   Market price at the period end x number of shares outstanding at the period end (excluding treasury stock)
3. Cash flow from operating activities corresponds to the cash flow from operating activities in the consolidated statement of cash flows. Interest-bearing liabilities include all liabilities for which the Company is paying interest among the liabilities reported on the consolidated balance sheet. Interest expenses correspond to the interest expenses in the consolidated statement of cash flows.
4. Cash flow from operating activities is doubled into yearly basis to calculate the redemption years for debt for the six months period of each year.

4. Consolidated Financial Statements

4-1 Comparative Consolidated Balance Sheets

As of September 30, 2004, March 31, 2004 and September 30, 2003.

Millions of Yen

ASSETS

	September 30, 2004 (A)	March 31, 2004 (B)	September 30, 2003	Increase (Decrease) (A-B)
Current Assets:				
Cash on hand and in banks	218,375	210,322	194,715	8,053
Notes and accounts receivable-trade	241,432	221,996	200,407	19,436
Securities	112,979	131,215	155,227	(18,236)
Inventories	118,174	117,728	123,530	446
Deferred tax assets	24,005	22,657	19,588	1,348
Others	37,498	31,352	21,548	6,146
Less: Allowance for doubtful accounts	(4,958)	(4,727)	(5,125)	(231)
Total current assets	747,508	730,546	709,892	16,962
Fixed Assets:				
Property, plant and equipment				
Buildings and structures	154,205	153,380	161,543	825
Machinery, equipment and vehicles	209,201	200,854	197,678	8,347
Land	40,061	39,922	40,546	139
Construction in progress	32,132	30,645	40,710	1,487
Others	9,827	10,085	10,595	(258)
	445,428	434,888	451,075	10,540
Intangible fixed assets	24,762	24,378	5,434	384
Investments and others				
Investments in securities	190,003	171,527	157,885	18,476
Deferred tax assets	13,821	12,981	12,707	840
Others	11,688	11,912	9,931	(224)
Less: Allowance for doubtful accounts	(23)	(18)	(17)	(5)
	215,489	196,402	180,507	19,087
Total fixed assets	685,680	655,670	637,016	30,010
TOTAL ASSETS	1,433,188	1,386,216	1,346,908	46,972

Millions of Yen

	September 30, 2004 (A)	March 31, 2004 (B)	September 30, 2003	Increase (Decrease) (A-B)
LIABILITIES				
Current Liabilities:				
Notes and accounts payable-trade	123,614	107,041	97,756	16,573
Short-term borrowings	38,678	58,281	52,871	(19,603)
Debentures of redemption within one year	-	8,000	8,000	(8,000)
Convertible debentures of redemption within one year	11,599	-	-	11,599
Accounts payable-others	56,294	47,624	37,341	8,670
Accrued income taxes	28,594	29,542	20,298	(948)
Accrued expenses	69,258	61,982	58,928	7,276
Others	8,335	9,274	8,352	(939)
Total current liabilities	336,374	321,747	283,548	14,627
Long-term Liabilities:				
Debentures	29,168	23,285	23,792	5,883
Convertible debentures	-	17,849	18,183	(17,849)
Long-term borrowings	53,639	55,751	46,141	(2,112)
Deferred tax liabilities	30,678	33,094	29,245	(2,416)
Accrued retirement benefits	6,687	6,008	5,510	679
Others	1,305	1,246	22,577	59
Total long-term liabilities	121,479	137,235	145,449	(15,756)
TOTAL LIABILITIES	457,854	458,982	428,997	(1,128)
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES	27,632	26,508	26,004	1,124
STOCKHOLDERS' EQUITY				
Common stock	113,619	110,493	110,326	3,126
Additional paid-in capital	122,384	119,261	119,094	3,123
Retained earnings	737,760	694,996	661,130	42,764
Unrealized gain(loss) on available-for-sale Securities	9,932	11,928	5,232	(1,996)
Foreign currency translation adjustment	(24,762)	(26,736)	5,613	1,974
Treasury stock	(11,233)	(9,219)	(9,490)	(2,014)
TOTAL STOCKHOLDERS' EQUITY	947,701	900,724	891,907	46,977
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	1,433,188	1,386,216	1,346,908	46,972

(Notes) 1. Accumulated depreciation of property, plant and equipment (in millions of yen)	862,944	845,086	811,246
2. Contingent liabilities for guarantee (in millions of yen)	543	556	635

4-2 Comparative Consolidated Income Statements

For the six months period ended September 30, 2004 and 2003, and the fiscal year ended March 31, 2004.

	Millions of Yen			
	For the period ended			
	September 30, 2004 (A)	March 31, 2004	September 30, 2003 (B)	Increase (Decrease) (A-B)
Operating Income and Expenses:				
Net sales	468,532	832,804	407,585	60,947
Cost of sales	342,865	619,085	300,197	42,668
Gross profit	125,666	213,719	107,388	18,278
Selling, general and administrative expenses	48,892	88,094	43,536	5,356
Operating income	76,774	125,625	63,852	12,922
Non-operating Income:				
Interest income	1,652	3,389	1,515	137
Dividend income	497	407	309	188
Equity in earnings of affiliates	178	300	111	67
Foreign exchange gain	54	-	-	54
Other income	1,238	3,497	1,729	(491)
	3,622	7,594	3,665	(43)
Non-operating Expenses:				
Interest expenses	1,653	4,167	1,923	(270)
Loss on disposal of property, plant and equipment	2,200	786	410	1,790
Foreign exchange loss	-	742	1,665	(1,665)
Other expenses	727	1,912	495	232
	4,581	7,608	4,495	86
Ordinary income	75,815	125,612	63,022	12,793
Extraordinary Gains:				
Gain on early settlement of finance lease	-	2,055	-	-
	-	2,055	-	-
Extraordinary Losses:				
Loss on disposal of property, plant and equipment	-	2,050	-	-
	-	2,050	-	-
Income before income taxes	75,815	125,616	63,022	12,793
Income taxes-Current	31,304	47,332	20,889	10,415
Income taxes-Deferred	(3,484)	1,068	3,310	(6,794)
Minority interest in earnings of consolidated subsidiaries	1,519	2,409	1,079	440
Net income	46,477	74,805	37,743	8,734

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

For the six months period ended September 30, 2004 and 2003, and the fiscal year ended March 31, 2004.

	Millions of Yen			
	For the period ended			
	September 30, 2004 (A)	March 31, 2004	September 30, 2003 (B)	Increase (Decrease) (A-B)
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of the period	119,261	119,040	119,040	221
Conversion of convertible debentures	3,123	220	53	3,070
Total increase	3,123	220	53	3,070
Balance at end of the period	122,384	119,261	119,094	3,290
RETAIN EARNINGS				
Balance at beginning of the period	694,996	626,141	626,141	68,855
Net income	46,477	74,805	37,743	8,734
Increase due to the increase of consolidated subsidiaries	-	574	393	(393)
Total increase	46,477	75,380	38,136	8,341
Cash dividends	3,365	6,306	2,942	423
Directors' and statutory auditors' bonuses	315	189	193	122
Loss on disposal sales of treasury stocks	31	28	11	20
Total decrease	3,713	6,524	3,147	566
Balance at end of the period	737,760	694,996	661,130	76,630

4-4 Comparative Consolidated statements of cash flows

For the six months period ended September 30, 2004 and 2003, and the fiscal year ended March 31, 2004.

	Millions of Yen For the period ended			
	September 30, 2004 (A)	March 31, 2004	September 30, 2003 (B)	Increase (Decrease) (A-B)
1.Cash flows from operating activities				
Income before income taxes	75,815	125,616	63,022	12,793
Depreciation and amortization	41,431	73,581	34,199	7,232
Increase (decrease) in accrued retirement benefits	679	(1,359)	(1,257)	1,936
Loss on write-down of investment securities	8	667	45	(37)
Interest and dividend income	(2,150)	(3,797)	(1,825)	(325)
Interest expenses	1,653	4,167	1,923	(270)
Foreign exchange (gain) loss	1,045	(188)	2,317	(1,272)
Equity in earnings of affiliates	(178)	(300)	(111)	(67)
(Increase) decrease in notes and accounts receivable	(17,242)	(23,631)	2,906	(20,148)
(Increase) decrease in inventories	(1,616)	4,237	(3,315)	1,699
Increase (decrease) in notes and accounts payable	21,835	4,804	(18,930)	40,765
Other, net	2,167	3,301	2,976	(809)
Subtotal	123,448	187,099	81,951	41,497
Proceeds from interest and dividends	2,237	4,224	2,173	64
Payment of interest	(1,698)	(4,075)	(1,894)	196
Payment of income taxes	(32,249)	(31,245)	(14,015)	(18,234)
Net cash provided by operating activities	91,737	156,004	68,213	23,524
2.Cash flows from investing activities				
Net (increase) decrease in marketable securities	2,930	4,975	3,871	(941)
Purchase of property, plant and equipment	(48,779)	(68,578)	(30,853)	(17,926)
Proceeds from sales of property, plant and equipment	135	1,226	993	(858)
Purchase of intangible fixed asset	(626)	(2,594)	(2,122)	1,496
Purchase of investment securities	(39,151)	(66,721)	(34,113)	(5,038)
Proceeds from sales and redemption of investment securities	18,308	33,005	1,705	16,603
Payment for purchase of new consolidated subsidiaries' stock and acquisition of business	-	(30,213)	-	-
Payments of loans	(30)	(6,832)	(243)	213
Proceeds from collection of loans	1,019	480	51	968
Other, net	(2,911)	6,216	8,347	(11,258)
Net cash used for investing activities	(69,105)	(129,036)	(52,364)	(16,741)
3.Cash flows from financing activities				
Net increase (decrease) in short term debt	(16,632)	(18,027)	(23,135)	6,503
Proceeds from long-term debt	1,070	20,645	2,750	(1,680)
Repayment of long-term debt	(6,461)	(12,105)	(6,153)	(308)
Proceeds from issuance of debentures	8,000	10,000	10,000	(2,000)
Payment of debentures on redemption	(10,170)	(5,000)	(5,000)	(5,170)
Payment for early settlement of finance leases	-	(15,588)	-	-
Cash dividends paid	(3,365)	(6,306)	(2,942)	(423)
Other, net	(2,431)	(311)	(528)	(1,903)
Net cash used for financing activities	(29,990)	(26,695)	(25,009)	(4,981)
4.Effect of exchange rate changes on cash and cash equivalents	674	(10,008)	1,486	(812)
5.Net increase (decrease) in cash and cash equivalents	(6,684)	(9,736)	(7,673)	989
6.Cash and cash equivalents at beginning of year	292,978	302,370	302,370	(9,392)
7.Net increase (decrease) in cash and cash equivalents by change of consolidation scope	-	344	322	(322)
8.Cash and cash equivalents at end of the period	286,294	292,978	295,018	(8,724)

4-5 Basis of Presenting Consolidated Financial Statement

1. Scope of Consolidation

Consolidated Subsidiaries	67	Shintech, Inc.(Overseas subsidiary) Shin-Etsu Handotai Co., Ltd. Shin-Etsu Handotai America, Inc.(Overseas subsidiary) Shin-Etsu Polymer Co., Ltd. S.E.H. Malaysia Sdn. Bhd.(Overseas subsidiary) Shin-Etsu PVC B.V.(Overseas subsidiary) Naoetsu Electronics Co., Ltd. Shin-Etsu Handotai Europe, Ltd. (Overseas subsidiary) Shin-Etsu Engineering Co., Ltd. Shin-Etsu Astech Co., Ltd. Nissin Chemical Industry Co., Ltd. 56 other subsidiaries
Unconsolidated Subsidiaries	23	

2. Application of Equity Method

The Company had 23 unconsolidated subsidiaries and 15 affiliates. The equity method is applied to the investments in 7 major affiliates – Shin-Etsu Quartz Products Co., Ltd., Kashima Vinyl Chloride Monomer Co., Ltd. and 5 other affiliates.

3. Fiscal Year of Consolidated Subsidiaries

39 subsidiaries adopt six months period ending on June 30, and 7 subsidiaries adopt that ending on August 31, 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) 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	.....	Mainly average cost method
c) Derivatives	.....	Market value method

(2) Depreciation method of significant depreciable assets

..... Mainly declining-balance method

(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 uncollectible.

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.

(**Segment Information**)

1. Business Segment Information

		Millions of Yen					
		For the six months period ended September 30, 2004					
		Organic and Inorganic Chemicals	Electronics Materials	Functional Materials and Others	Total	Elimination or Corporate assets	Consolidated total
Sales	Outside customers	261,398	150,787	56,346	468,532	-	468,532
	Intersegment	4,568	1,016	32,969	38,554	(38,554)	-
Total		265,966	151,804	89,315	507,086	(38,554)	468,532
Operating costs and expenses		227,591	124,325	78,440	430,357	(38,600)	391,757
Operating income		38,374	27,478	10,875	76,728	45	76,774
Depreciation		11,500	25,242	4,737	41,480	(49)	41,431
Capital expenditure		12,869	36,893	3,212	52,975	(54)	52,920

		Millions of Yen					
		For the six months period ended September 30, 2003					
		Organic and Inorganic Chemicals	Electronics Materials	Functional Materials and Others	Total	Elimination or Corporate assets	Consolidated total
Sales	Outside customers	224,479	126,999	56,107	407,585	-	407,585
	Intersegment	4,643	600	26,525	31,769	(31,769)	-
Total		229,122	127,600	82,632	439,355	(31,769)	407,585
Operating costs and expenses		195,972	106,084	73,512	375,570	(31,836)	343,733
Operating income		33,150	21,515	9,119	63,785	66	63,852
Depreciation		10,424	19,561	4,357	34,342	(143)	34,199
Capital expenditure (Footnote)		12,750	20,901	2,478	36,130	(72)	36,058

(Footnote) Capital expenditure of our affiliate, Asia Silicones Monomer Limited, which is under the Organic and Inorganic Chemicals segment, was ¥4,768 million 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 ¥40,826 million.

	Millions of Yen					
	For the fiscal year ended March 31, 2004					
	Organic and Inorganic Chemicals	Electronics Materials	Functional Materials and Others	Total	Elimination or Corporate assets	Consolidated total
Sales Outside customers	457,009	262,245	113,550	832,804	-	832,804
Intersegment	8,284	1,538	54,480	64,304	(64,304)	-
Total	465,294	263,784	168,030	897,108	(64,304)	832,804
Operating costs and expenses	400,182	221,602	149,860	771,645	(64,465)	707,179
Operating income	65,112	42,182	18,169	125,463	161	125,625
Depreciation	21,978	42,419	9,454	73,852	(271)	73,581
Capital expenditure (Footnote)	50,519	46,485	5,090	102,095	(234)	101,861

(Footnote) Under the Organic and Inorganic Chemicals segment, capital expenditure of our affiliate Asia Silicones Monomer Limited was ¥5,886 million, which corresponds to our share of ownership of the affiliate. Payment for acquisition of working capital and other assets of the cellulose business in Europe we acquired last year, now known as SE Tylose, was ¥5,843 million, which is included in the total purchase price.
Though these figures are not included in the above capital expenditure, if these amounts would be included, the total amount of the capital expenditure would come to ¥113,591 million.

(Notes)
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. Geographical Segment information

	Millions of Yen						
	For the six months period ended September 30, 2004						
	Japan	North America	Asia	Other Area	Total	Elimination or Corporate assets	Consolidated total
Sales Outside customers	242,705	113,660	51,107	61,058	468,532	-	468,532
Intersegment	72,981	15,598	18,572	1,254	108,406	(108,406)	-
Total	315,687	129,259	69,679	62,312	576,938	(108,406)	468,532
Operation costs and expenses	261,773	115,723	64,889	57,544	499,932	(108,174)	391,757
Operating income	53,913	13,535	4,789	4,768	77,006	(232)	76,774

	Millions of Yen						
	For the six months period ended September 30, 2003						
	Japan	North America	Asia	Other Area	Total	Elimination or Corporate assets	Consolidated Total
Sales Outside customers	221,245	105,991	40,620	39,728	407,585	-	407,585
Intersegment	63,141	7,635	16,924	1,676	89,378	(89,378)	-
Total	284,387	113,627	57,544	41,405	496,964	(89,378)	407,585
Operation costs and expenses	239,878	101,333	54,030	38,270	433,514	(89,780)	343,733
Operating income	44,508	12,293	3,513	3,134	63,450	401	63,852

	Millions of Yen						
	For the fiscal year ended March 31, 2004						
	Japan	North America	Asia	Other Area	Total	Elimination or Corporate assets	Consolidated Total
Sales Outside customers	451,026	212,785	88,179	80,813	832,804	-	832,804
Inter segment	123,368	19,511	35,173	3,451	181,504	(181,504)	-
Total	574,394	232,297	123,352	84,264	1,014,309	(181,504)	832,804
Operation costs and expenses	484,956	208,440	115,371	79,756	888,524	(181,344)	707,179
Operating income	89,438	23,857	7,981	4,508	125,785	(159)	125,625

(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, Germany, Australia

3. Overseas sales information

	Millions of Yen			
	For the six months period ended September 30, 2004			
	North America	Asia	Other area	Total
Overseas sales	107,738	129,997	70,868	308,604
Consolidated sales				468,532
Percentage of overseas sales over consolidated sales	23.0	27.8	15.1	65.9

	Millions of Yen			
	For the six months period ended September 30, 2003			
	North America	Asia	Other Area	Total
Overseas sales	100,928	105,342	51,672	257,942
Consolidated sales				407,585
Percentage of overseas sales over consolidated sales	24.8	25.8	12.7	63.3

	Millions of Yen			
	For the fiscal year ended March 31, 2004			
	North America	Asia	Other Area	Total
Overseas sales	203,209	214,101	111,984	529,296
Consolidated sales				832,804
Percentage of overseas sales over consolidated sales	24.4	25.7	13.5	63.6

(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.

3. Sales in China included in "Asia" for the six months period ended September 30, 2003,2004 and the fiscal year ended March31, 2004 were ¥33,514million, ¥40,294 million and ¥62,819 million respectively.

4. Sales in Europe included in "Other area" for the six months period ended September 30, 2003,2004 and the fiscal year ended March31, 2004 were ¥41,575 million, ¥56,580 million and ¥82,041 million respectively.

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

	100 Millions of Yen					
	Net Sales			Operating Income		
	Six months 2004/4-2004/9	Six months 2003/4-2003/9	Increase (Decrease)	Six months 2004/4-2004/9	Six months 2003/4-2003/9	Increase (Decrease)
Polyvinyl chloride	**1,397**	1,256	141	**159**	122	37
Silicones	**737**	669	68	**140**	139	1
Others	**480**	320	160	**85**	71	14
Total Organic and inorganic chemicals Segment	**2,614**	2,245	[16.4%] 369	**384**	332	[15.8%] 52
Semiconductor silicon	**1,258**	1,040	218	**233**	180	53
Others	**250**	230	20	**42**	35	7
Total Electronics materials Segment	**1,508**	1,270	[18.7%] 238	**275**	215	[27.7%] 60
Synthetic quartz products	**141**	128	13	**58**	43	15
Rare earth magnets and other Functional materials	**138**	124	14	**28**	26	2
Others	**284**	309	(25)	**23**	22	1
Total Functional materials and Others Segment	**563**	561	[0.4%] 2	**109**	91	[19.3%] 18
Elimination	**-**	-	-	**0**	1	(1)
Grand Total	**4,685**	4,076	[15.0%] 609	**768**	639	[20.2%] 129

(Lease Transactions)

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

(Securities)

(1) Market value of bonds held to maturity

	Millions of Yen								
	September 30, 2004			March 31, 2004			September 30, 2003		
	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	1,230	1,230	0	989	989	0	1,108	1,108	0
Debentures	15,868	15,886	18	18,164	18,158	(6)	-	-	-
Others	20,496	20,507	11	10,527	10,519	(8)	13,532	13,502	(29)
Total	37,595	37,624	29	29,681	29,666	(14)	14,641	14,611	(29)

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

	Millions of Yen								
	September 30, 2004			March 31, 2004			September 30, 2003		
	Acquisition cost	Book value	Unrealized gain(loss)	Acquisition cost	Book value	Unrealized gain(loss)	Acquisition cost	Book value	Unrealized gain(loss)
1.Stocks	29,531	46,355	16,824	29,609	49,695	20,085	29,394	38,687	9,293
2.Bonds									
National and local government bonds and others	-	-	-	-	-	-	-	-	-
Debentures	4	4	0	4	4	0	4	4	0
Others	-	-	-	-	-	-	-	-	-
3.Others	1,839	1,593	(245)	1,839	1,689	(149)	2,596	2,270	(325)
Total	31,374	47,952	16,578	31,452	51,388	19,935	31,994	40,961	8,967

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

	Millions of Yen		
	September 30, 2004	March 31, 2004	September 30, 2003
	Book value	Book value	Book value
1. Bonds held to maturity			
Discount bond	14,438	16,958	24,253
Non-listed domestic bonds	2	3	18,202
Non-listed overseas bonds	59,659	66,115	76,326
2. Investments in non-consolidated subsidiaries and affiliates	30,579	29,164	29,298
3. Available-for-sale securities			
Non-listed shares	2,382	3,651	4,586
Non-listed overseas bonds	106,091	101,775	72,599
Others	4,281	4,004	32,244

(Derivative Transactions)

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