

Press Release of Consolidated Financial Data

For the six months ended September 30, 2000

November 17, 2000

Shin-Etsu Chemical Co., Ltd.

The seat of headquarters: Tokyo

Listing Code No.4063

Listing Stock Exchanges: Tokyo, Osaka, Nagoya

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Consolidated Operating Performance for the First Half of Current Fiscal Year (From April 1, 2000 to September 30, 2000)

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

(1) Results of Consolidated operations

	<u>Millions of Yen</u>		
	<u>Six months</u> <u>2000/4-2000/9</u>	<u>Six months</u> <u>1999/4-1999/9</u>	<u>Last</u> <u>fiscal year</u> <u>1999/4-2000/3</u>
Net sales			
Amounts in millions of yen	¥395,258	¥319,310	¥678,858
Ratio of increase (decrease) over the first half of the last year	23.8%	(3.2%)	
Operating income			
Amounts in millions of yen	¥58,869	¥41,660	¥87,465
Ratio of increase (decrease) over the first half of the last year	41.3%	(1.2%)	
Ordinary income			
Amounts in millions of yen	¥58,834	¥39,997	¥84,423
Ratio of increase (decrease) over the first half of the last year	47.1%	(8.2%)	
Net income			
Amounts in millions of yen	¥31,562	¥23,469	¥48,229
Ratio of increase (decrease) over the first half of the last year	34.5%	8.6%	
Net income per share(in yen)	¥75.25	¥57.05	¥116.56
Diluted net income per share (in yen)	¥73.60	¥55.27	¥113.46
(Notes)			
1. Equity in earnings of Affiliates (in millions of Yen)	¥959	¥1,226	¥1,324
2. Appreciation of derivative transactions (in millions of Yen)	¥(239)		
3. Changes in accounting policies applied : None			
4. "Accounting standards for financial instruments" is fully applied to the consolidated financial statements from the first half of current fiscal year, including the valuation of "available-for-sale securities" at market value.			

(2) Consolidated financial position

		<u>Millions of Yen</u>	
	<u>September 30,</u> <u>2000</u>	<u>September 30,</u> <u>1999</u>	<u>March 31,</u> <u>2000</u>
Total assets	¥1,183,564	¥1,096,222	¥1,168,729
Total stockholders' equity	¥671,856	¥596,933	¥651,261
Equity ratio	56.8%	54.5%	55.7%
Stockholders' equity per share (in yen)	¥1,597.83	¥1,440.57	¥1,557.48

(3) Consolidated cash flows statement

Cash flows from operating activities	53,498	-	95,875
Cash flows from investing activities	(36,895)	-	(76,348)
Cash flows from financing activities	(55,781)	-	12,141
Cash & Cash Equivalents	238,159	-	271,634

(4) Application of consolidation 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	.....	7

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

Consolidation	Increase	2	Decrease	1
Equity method	Increase	0	Decrease	0

The Forecast of Consolidated Operating Performance for the Current Fiscal Year
(From April 1,2000 to March 31,2001)

	<u>Millions of Yen</u>
	<u>Current</u> <u>fiscal year</u> <u>2000/4-2001/3</u>
Net sales	¥790,000
Ordinary income	¥115,000
Net income	¥64,000

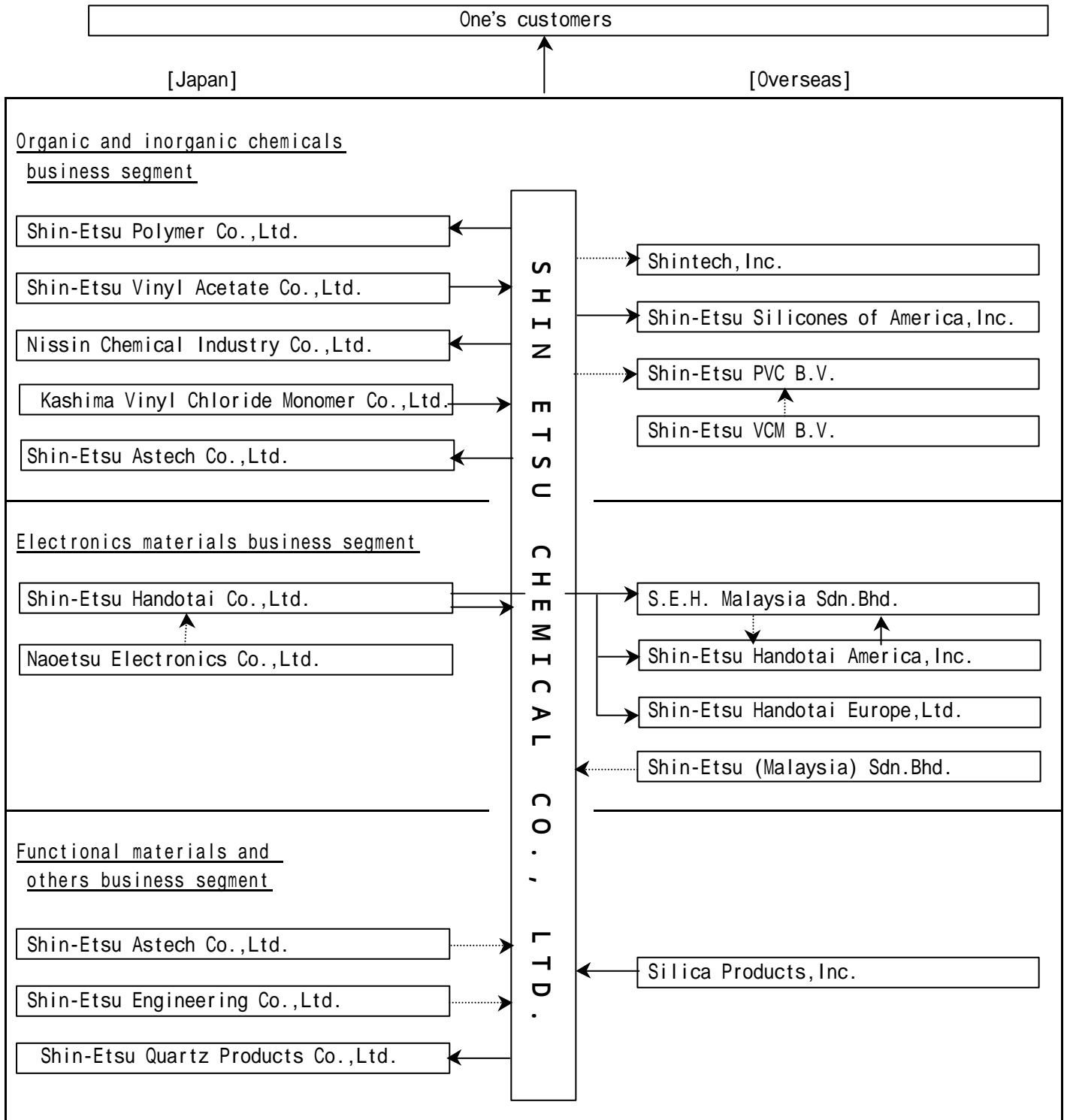
(Reference)

The forecast of "Net income per share" (in yen, from April 1,2000 to March 31,2001)
¥152.21

(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.

Business Flows Within the Group



- (Notes)
- | | |
|----------|---|
| Unmarked | consolidated subsidiaries |
| Marked | affiliates which are applied to equity method |
| Roman | manufacture and sales company |
| Italics | sales and other company |
| | products |
| | processing, technology, service and other |

2 .Management Policy

Shin-Etsu Chemical's basic management policy is to put basic principle on giving stockholders maximum value by steadily increasing net sales and net income among all Shin-Etsu Group companies, thereby enhancing the worth of these companies. Towards this end, Shin-Etsu strives to secure and further develop its leading world position in both stable-growth product areas and promising new product areas with strong potential for growth. Shin-Etsu achieves these objectives by developing the world's highest level of technology in its business fields, as well as providing superior product quality and the lowest production costs in the world. In addition, Shin-Etsu endeavors to establish a business system that can effectively cope with changes in the domestic and world economic situations and changing markets.

To even further strengthen Shin-Etsu's No. 1 PVC position in the world, the company is completing the construction of a second U.S. PVC production base in Louisiana. At the same time, Shin-Etsu is solidifying the profit base of its PVC operations in Rotterdam, The Netherlands, which were acquired in January 2000. Shin-Etsu will pursue the stable growth of the PVC business by means of its tripolar production-base strategy in the U.S., Europe and Japan.

In the silicone business field, to cope with increasing demand in the Asia area, we are planning to establish a joint-venture company with the General Electric Company. This new company in the Southeast Asia area will manufacture an intermediate silicone raw material. The new company's products will be sold separately by each company as a final product. By increasing production volume and sharing investment costs, the two partners can expect a profitable business to quickly emerge.

In the semiconductor silicon business field, Shin-Etsu is preparing to begin mass production of next-generation 300mm-diameter silicon wafers ahead of other world wafer manufacturers. Shin-Etsu is aiming to secure the biggest market share in 300mm wafers, both in Japan and in world markets.

As a result of the rapidly increasing demand for optical fiber, Shin-Etsu Chemical is also planning to double its preform for optical fiber production capacity. Construction has already started of a new preform manufacturing facility at the Kashima Industrial Complex in Ibaraki Prefecture. In addition to aggressively preparing for the expected rise in demand for 300mm wafers and optical preform, Shin-Etsu plans to strengthen and further develop the Shin-Etsu Group's existing businesses by actively carrying out its global sales strategies and aggressively making timely investments that will ensure the Group's ability to respond quickly to market trends.

With regard to new product development, utilizing Shin-Etsu Chemical's own technologies and market know-how, the company selects R&D themes in product areas closely related to its existing businesses, and then commits sufficient research funds to enable early commercialization. KrF photoresists represent one recent product developed as a result of this kind of commitment. Although Shin-Etsu was late in entering the business, the company's product received high evaluations from customers, and Shin-Etsu was able to become a top maker in this field. Shin-Etsu is making all-out efforts to nurture new follow-up products such as SOI wafers and a new fluoroelastomer product so as to add new business pillars to the company.

Shin-Etsu Chemical pursues the goal of environmental conservation in all phases of its business activities. 21 manufacturing facilities in Shin-Etsu Group companies including all of Shin-Etsu Chemical's facilities have obtained ISO 14001 certification, the international standard for environmental management systems. At the same time, Shin-Etsu always puts priority on "safety first", both in product manufacturing and product usage. Shin-Etsu endeavors to keep a good relationship with the people in the local communities in which the company operates, and strives to make a useful contribution to society.

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, 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.

3 .Business Results

(1) General situation in the first half of the fiscal year

The Shin-Etsu Group's consolidated business performance in the first half of the fiscal year (April 1, 2000 to September 30, 2000) was affected by the key trends in the Japanese and world economies. A mild economic recovery developed in Japan. Personal consumption continued to be weak, but plant and equipment investment trended upward, with IT-related fields playing the role of catalyst. On the other hand, although there were signs the American economy had started to slowdown, the economy remained firm as plant and equipment investment continued strong.

Under these circumstances, Shin-Etsu Group companies aggressively worked to increase sales and to further enhance company profitability.

During the first half of the fiscal year, in addition to profit surging in the semiconductor silicon business area, theoversea PVC business, particularly in U.S., improved greatly. As a result, consolidated net sales increased 23.8% (¥75,948 million) compared to the first half of the past fiscal year to ¥395,258 million. Compared to the previous year's first half, operating income increased 41.3% (¥17,209 million) to ¥58,869 million, and ordinary income increased 47.1% (¥18,837 million) to ¥58,834 million. Net income increased 34.5% (¥8,093 million) to ¥31,562 million in the first half of the fiscal year.

Compared to the previous year's first half of the fiscal year, the interim dividend is increased ¥1 to ¥6 per share

(2) Outline of consolidated cash flow of the first half of the fiscal year.

	<u>Millions of Yen</u>
Cash and cash equivalents at beginning of year	271,634
Cash flows from operating activities	53,498
Cash flows from investing activities	(36,895)
Cash flows from financing activities	(55,781)
Effect of exchange rate changes on cash and cash equivalents and others	5,703
Net decrease in cash and cash equivalents	<u>(33,475)</u>
Cash and cash equivalents at end of year	238,159

(3) Outline by departments

Performance of each of Shin-Etsu Chemical's core business segments

Chemical Business Segment (organic/inorganic products)

Although domestic demand for PVC did not fully recover, the PVC market was strong in U.S. Furthermore; Shin-Etsu's acquisitions in Europe contributed to this segment's business performance, as both net sales and operating income increased greatly. Sales of silicone products were fueled in Japan by increasing demand from the automotive and electronics industries. Accordingly, net sales and operating income were higher than in the first half of the fiscal year last year. In addition, other businesses such as cellulose derivatives saw good growth. The net sales of this business segment increased 29.4% (¥47,335 million) compared to the previous fiscal year's first half, to ¥208,403 million. Operating income increased 19.0% (¥4,257 million) to ¥26,625 million.

Electronics Materials Business Segment

Sales of semiconductor silicon were strong, reflecting growth in demand, both in the Japanese and worldwide semiconductor device markets. Product shipments grew steadily. Compared to the first half of the previous fiscal year, net sales increased and operating income increased even more.

Sales of rare earth magnets for the electronics industry continued to be affected by production adjustments by hard disk drive manufacturers. Although net sales and operating income generated by this product area were lower than in the previous year's first half, sales of photoresists and organic materials for the electronics industries increased. As a result, in this year's first half, net sales of this business segment increased 16.3% (¥17,278 million) to ¥123,051 million. Operating income increased 51.9% (¥6,092 million) to ¥17,827 million.

Functional Materials and Other Business Segment

Synthetic quartz products saw sales increase greatly for the electronics and communications industries, and operating income surged. These results were due to a big jump in exports of preform for optical fiber and a rise in shipments of large-size mask boards for liquid-crystal displays (LCDs), as well as the recovery of demand for semiconductor exposure systems. Sales of rare earth magnets for non-electronics industries and oxide single crystals were strong, especially for such applications as mobile telephones. Compared to the previous year's first half performance, this business segment's net sales increased 21.6% (¥11,336 million) to ¥63,803 million. Operating income increased 93.5% (¥6,984 million) to ¥14,454 million.

(4) Forecast for the Entire Fiscal Year

With regard to the forecast for the entire fiscal year, although it is expected that the Japanese economy will continue in the direction of a mild recovery, personal consumption will not trend upward. Some uncertainties remain concerning the business environment, such as the pace of the slowdown of the U.S. and Asian economies, and the impact of the recent increases in oil prices.

Under these circumstances, the Shin-Etsu Group will make all-out efforts to further strengthen products in stable-growth business fields and to create markets and expand market share for products that have great growth potential. By achieving the world's top-level technologies, the highest product quality, lowest production cost in each business and securing the leading position in each of Shin-Etsu's core businesses, the company will be able to further strengthen its business structure so as to better cope with changing economic situations and changing market trends.

At present, Shin-Etsu's business performance for the entire fiscal year is forecasted to be as follows:

The second half of the fiscal year's dividend is anticipated to be ¥6 per share, making the combined yearly dividend ¥12 per share, which would represent an increase of ¥2 over that of the previous fiscal year.

	Consolidated statement (% of change compared to previous year)	Non-consolidated statement (% of change compared to previous year)
Net sales	¥790,000 million (16.4%)	¥460,000 million (8.9%)
Ordinary income	¥115,000 million (36.2%)	¥ 62,000 million (31.8%)
Net income	¥ 64,000 million (32.7%)	¥ 35,000 million (29.0%)

Exchange rates are estimated as follows:

Jan. 2000 to Dec. 2000 — averaged at US\$1.00 = ¥107 (Used as exchange rate of Income Statement for overseas consolidated companies)

Apr. 2000 to Mar. 2001 — US\$1.00 = ¥104

**The above forecast of results of operations 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.

4 .Consolidated Financial Statements

4-1 .Comparative Consolidated Balance Sheets

As of September 30, 2000, March 31, 2000 and September 30,1999.

ASSETS	<u>Millions of Yen</u>			
	<u>September 30,</u> <u>2000</u>	<u>March 31,</u> <u>2000</u>	<u>September 30,</u> <u>1999</u>	<u>Increase</u> <u>(Decrease)</u>
Current Assets:				
Cash on hand and in banks	¥182,665	¥209,057	¥177,030	¥5,635
Notes and accounts receivable-trade	219,443	182,433	165,505	53,938
Marketable securities	87,576	85,066	103,129	(15,553)
Inventories	109,101	97,455	95,420	13,681
Deferred tax assets	17,044	17,120	909	16,135
Other current assets	18,481	21,737	24,366	(5,885)
Less: Allowance for doubtful accounts	<u>(3,420)</u>	<u>(2,268)</u>	<u>(2,428)</u>	<u>(992)</u>
Total current assets	<u>630,893</u>	<u>610,603</u>	<u>563,932</u>	<u>66,961</u>
Fixed Assets:				
Tangible fixed assets				
Buildings and structures	143,886	141,887	148,990	(5,104)
Machinery and vehicles	167,470	160,377	167,318	152
Land	30,904	29,484	29,700	1,204
Construction in progress	36,234	33,222	28,563	7,671
Others	<u>13,204</u>	<u>13,299</u>	<u>14,734</u>	<u>(1,530)</u>
Intangible fixed assets	391,700	378,272	389,307	2,393
Investments and Others	3,626	5,751	5,773	(2,147)
Investments in securities	134,714	112,267	121,373	13,341
Deferred tax assets	11,933	9,028	2,346	9,587
Others	10,738	20,507	12,092	(1,354)
Less: Allowance for doubtful accounts	<u>(41)</u>	<u>(72)</u>	<u>(56)</u>	<u>15</u>
Total fixed assets	<u>157,344</u>	<u>141,730</u>	<u>135,756</u>	<u>21,588</u>
Total fixed assets	<u>552,671</u>	<u>525,754</u>	<u>530,836</u>	<u>21,835</u>
Deferred Assets:				
Discounts on debenture issue	<u>-</u>	<u>581</u>	<u>1,453</u>	<u>(1,453)</u>
Total deferred assets	<u>-</u>	<u>581</u>	<u>1,453</u>	<u>(1,453)</u>
Foreign currency translation adjustments	<u>-</u>	<u>31,789</u>	<u>-</u>	<u>-</u>
 TOTAL ASSETS	 <u>¥1,183,564</u>	 <u>¥1,168,729</u>	 <u>¥1,096,222</u>	 <u>¥87,342</u>

LIABILITIES	<u>Millions of Yen</u>			
	<u>September 30,</u> <u>2000</u>	<u>March 31,</u> <u>2000</u>	<u>September 30,</u> <u>1999</u>	<u>Increase</u> <u>(Decrease)</u>
Current Liabilities:				
Notes and accounts payable-trade	¥107,626	¥90,531	¥82,855	¥24,771
Short-term borrowings	88,614	87,727	82,859	5,755
Debentures and convertible debentures of redemption within one year	-	51,662	52,008	(52,008)
Accounts payable-others	24,179	30,229	26,609	(2,430)
Accrued income taxes	28,042	18,084	15,498	12,544
Accrued expenses	40,553	39,277	37,037	3,516
Other current liabilities	<u>21,106</u>	<u>19,588</u>	<u>23,411</u>	<u>(2,305)</u>
Total current liabilities	<u>310,123</u>	<u>337,100</u>	<u>320,278</u>	<u>(10,155)</u>
Long-term Liabilities:				
Debentures	45,365	44,884	47,095	(1,730)
Convertible debentures	18,439	18,965	19,373	(934)
Long-term borrowings	47,871	50,594	39,945	7,926
Deferred tax liabilities	18,750	15,718	19,284	(534)
Accrued retirement benefits	28,484	7,221	5,367	23,117
Excess of investment cost over equity in net assets of consolidated subsidiaries	119	238	358	(239)
Other long-term liabilities	<u>19,610</u>	<u>19,444</u>	<u>21,744</u>	<u>(2,134)</u>
Total long-term liabilities	<u>178,641</u>	<u>157,067</u>	<u>153,169</u>	<u>25,472</u>
Foreign currency translation adjustments	<u>-</u>	<u>-</u>	<u>4,465</u>	<u>(4,465)</u>
Total liabilities	<u>488,764</u>	<u>494,167</u>	<u>477,912</u>	<u>10,852</u>
Minority interests in consolidated subsidiaries	<u>22,943</u>	<u>23,299</u>	<u>21,376</u>	<u>1,567</u>
STOCKHOLDERS' EQUITY				
Capital stock	110,197	107,663	104,302	5,895
Legal capital reserve	118,966	115,856	111,697	7,269
Consolidated retained earnings	462,750	433,460	387,398	75,352
Unrealized gain on available-for-sale securities	13,726	-	-	13,726
Foreign currency translation adjustments	(25,795)	-	-	(25,795)
Treasury stock	<u>(7,988)</u>	<u>(5,719)</u>	<u>(6,465)</u>	<u>(1,523)</u>
Total stockholders' equity	<u>671,856</u>	<u>651,261</u>	<u>596,933</u>	<u>74,923</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>¥1,183,564</u>	<u>¥1,168,729</u>	<u>¥1,096,222</u>	<u>¥87,342</u>
(Notes)				
1. Accumulated depreciation of tangible fixed assets (in millions of Yen)	¥607,721	¥578,227	¥565,498	
2. Liabilities for guarantee (in millions of Yen)	¥1,885	¥2,854	¥2,620	
3. Treasury stock(in shares)	2,008,926	1,698,395	1,960,241	

4-2. Comparative Consolidated Income Statements

For the six months period ended September 30, 2000, March 31, 2000
and September 30, 1999.

	<u>Millions of Yen</u>			
	<u>For the period ended</u>			<u>Increase (Decrease)</u>
	<u>September 30, 2000</u>	<u>March 31, 2000</u>	<u>September 30, 1999</u>	
Operating Income and Expenses:				
Net sales	¥395,258	¥678,858	¥319,310	¥75,948
Cost of sales	<u>291,316</u>	<u>507,193</u>	<u>236,260</u>	<u>55,056</u>
Gross profit	103,942	171,665	83,049	20,893
Selling, general and administrative expenses	<u>45,073</u>	<u>84,200</u>	<u>41,389</u>	<u>3,684</u>
Operating income	58,869	87,465	41,660	17,209
Non-operating Income:				
Interest and dividend income	4,937	9,578	5,371	(434)
Amortization of difference between cost of investment and equity in net assets of consolidated subsidiaries	153	238	119	34
Equity in earnings of affiliates	959	1,324	1,226	(267)
Other income	<u>1,857</u>	<u>6,891</u>	<u>2,307</u>	<u>(450)</u>
	7,907	18,032	9,024	(1,117)
Non-operating Expenses:				
Interest expenses	4,342	8,982	4,596	(254)
Other expenses	<u>3,599</u>	<u>12,091</u>	<u>6,091</u>	<u>(2,492)</u>
	7,942	21,074	10,687	(2,745)
Ordinary income	58,834	84,423	39,997	18,837
Special Gains:				
Gains on sales of investments in securities	8,410	-	-	8,410
Gains on sales of property, plant and equipment	8,000	1,413	1,413	6,587
Gain on transfer of securities to retirement benefits trust	5,234	-	-	5,234
Reversal of prior year's accrued maintainance expenses	<u>4,039</u>	<u>-</u>	<u>-</u>	<u>4,039</u>
	25,685	1,413	1,413	24,272
Special Losses:				
Special provision for retirement benefits costs	27,497	-	-	27,497
Loss on write-down of investment securities	<u>3,543</u>	<u>2,932</u>	<u>-</u>	<u>3,543</u>
	31,041	2,932	-	31,041
Income before the adjustment of income taxes and others	53,478	82,904	41,411	12,067
Corporate income taxes, resident income taxes and enterprise taxes	30,782	33,243	17,246	13,536
Deferred income taxes	(10,217)	(366)	(287)	(9,930)
Minority interest in earnings of consolidated subsidiaries	<u>1,350</u>	<u>1,798</u>	<u>982</u>	<u>368</u>
Net income	<u>¥31,562</u>	<u>¥48,229</u>	<u>¥23,469</u>	<u>¥8,093</u>

4-3. Comparative Consolidated statements of retained earnings

For the six months period ended September 30, 2000, March 31, 2000 and September 30, 1999.

	<u>Millions of Yen</u>			Increase (Decrease)
	For the period ended			
	<u>September 30, 2000</u>	<u>March 31, 2000</u>	<u>September 30, 1999</u>	
Balance of consolidated retained earnings at the beginning of fiscal period	<u>433,460</u>	<u>365,252</u>	<u>365,252</u>	<u>68,208</u>
Prior year's adjustment by application of deferred taxes accounting	<u>-</u>	<u>23,636</u>	<u>278</u>	<u>(278)</u>
Increase due to additional subsidiaries	<u>-</u>	<u>428</u>	<u>414</u>	<u>(414)</u>
Total increase	<u>-</u>	<u>428</u>	<u>414</u>	<u>(414)</u>
Cash dividends	2,090	3,910	1,838	252
Directors' and statutory auditors' bonuses	<u>182</u>	<u>177</u>	<u>177</u>	<u>5</u>
Total decrease	<u>2,273</u>	<u>4,087</u>	<u>2,015</u>	<u>258</u>
Net income	<u>31,562</u>	<u>48,229</u>	<u>23,469</u>	<u>8,093</u>
Balance of consolidated retained earnings at the end of fiscal period	<u>462,750</u>	<u>433,460</u>	<u>387,398</u>	<u>75,352</u>

4-4. Consolidated statements of cash flows

	Millions of Yen	
	<u>Six months ended</u>	<u>Fiscal year ended</u>
	<u>September 30,2000</u>	<u>March 31,2000</u>
1.Cash flows from operating activities:		
Income before income taxes	53,478	82,904
Depreciation and Amortization	34,196	61,384
Amortization of discounts on debenture issue	581	1,743
Increase in accrued retirement benefits	22,215	2,033
Loss on write-down of investment securities	3,543	2,932
Interest and dividend income	(4,937)	(9,578)
Interest expenses	4,342	8,982
Exchange loss (gain)	(579)	5,478
Equity in earnings of affiliates	(959)	(1,324)
Transfer of securities to retirement benefits trust	7,254	-
Gains on transfer of securities to retirement benefits trust	(5,234)	-
Increase in notes and accounts receivable	(35,551)	(36,846)
Increase in inventories	(8,772)	(5,009)
Increase in notes and accounts payable	16,169	12,518
Others, net	(11,983)	(6,621)
Subtotal	<u>73,764</u>	<u>118,598</u>
Proceeds from interest and dividend	5,048	9,578
Payment of interest	(4,358)	(8,837)
Payment of income taxes	(20,955)	(23,462)
Net cash provided by operating activities	<u>53,498</u>	<u>95,875</u>
2.Cash flows from investing activities		
Increase in marketable securities	(9,283)	(8,697)
Purchase of property, plant and equipment	(37,605)	(54,665)
Proceeds from sales of property, plant and equipment	8,458	1,462
Purchase of intangible fixed asset	(412)	(4,244)
Payments for purchase of marketable securities	(17,632)	(4,921)
Proceeds from sales of marketable securities	11,158	3,976
Payments of loans	(950)	(13,709)
Proceeds from collection of loan	547	2,456
Others, net	8,822	1,995
Net cash used for investing activities	<u>(36,895)</u>	<u>(76,348)</u>
3.Cash flows from financing activities		
Proceeds from long term debt	5,530	17,871
Repayment of long term debt	(11,140)	(12,639)
Payment of debentures on redemption	(51,736)	(3,558)
Proceeds from issue of shares	4,539	16,645
Dividends paid	(2,090)	(3,910)
Others, net	(884)	(2,266)
Net cash provided by financing activities	<u>(55,781)</u>	<u>12,141</u>
4.Effect of exchange rate changes on cash and cash equivalents	3,701	(10,434)
5.Net increase in cash and cash equivalents	(35,476)	21,235
6.Cash and cash equivalents at beginning of year	<u>271,634</u>	<u>249,180</u>
7.Net increase in cash and cash equivalents by change of consolidation scope	2,001	1,218
8.Cash and cash equivalents at end of year	<u>238,159</u>	<u>271,634</u>

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. Shin-Etsu Vinyl Acetate Co., Ltd. Nissin Chemical Industry Co., Ltd. 51 other subsidiaries
Unconsolidated Subsidiaries	36	

2.Application of Equity Method

In accounting for investments in the 36 unconsolidated subsidiaries and 15 affiliates, the equity method was applied to the investments in 7 affiliates – Shin-Etsu Quartz Products Co.,Ltd., Kashima Vinyl Chloride Monomer Co., Ltd., Nagano Electronics Industrial Co.,Ltd. and 4 other affiliates.

3.Financial First Half of Year-ended of Consolidated Subsidiaries

For consolidation of the accounts of the 37 subsidiaries whose financial first half of year-ends are not in agreement with those of the Company, 33 subsidiaries using financial first half of year ending on June 30th, and 4 subsidiaries using August 31st necessary adjustments are made on significant intercompany transactions that were made during the periods between the first half of year-end of the respective consolidated subsidiaries and those of the Company.

4.Significant Accounting Policies

(1) Valuation policy and method of significant assets

Inventory valuation	.....	mainly annual average cost method
Valuation of securities		
Bonds held to maturity	.....	amortized cost method
Securities		
Marketable securities	.....	Market price method based on the fair market price as of the date of interim settlement of accounts. (Any balance resulting from valuation of securities shall directly be entered into capital account, while any cost of sales of marketable securities shall principally be calculated based on a moving average cost method)
Non-marketable securities	.....	mainly cost method on a moving average cost method
Derivatives	.....	market value method

(2) Depreciation method of significant depreciable assets

Tangible fixed assets	.....	mainly declining-balance method
Intangible fixed assets	.....	straight line method

(3) Calculation method of significant allowances

Allowance for doubtful accounts	The Company and domestic 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 total receivables plus the amount deemed necessary to cover
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individual accounts estimated to be uncollectible.

Retirement allowances Pension and severance costs for employees are accrued based on an estimate of the pension obligation and the plan assets at the end of current fiscal year. The transition obligation of ¥27,497 million resulting from adoption of new accounting standards for retirement benefits is charged to income and reported as Special Losses in the income statement.

(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 ordinary lease transactions.

5. Nature of Fund on 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.

4-6. Additional Information

1. Accounting for retirement benefits

Effective April 1, 2000, "Accounting for retirement benefits" was adopted.

The Company contributed certain marketable equity securities to retirement benefits trust and recognized gain of ¥5,234 million as "Gain on transfer of securities to retirement benefits trust" in the consolidated income statement.

The adoption of new accounting standards for retirement benefits resulted in the increase in pension and severance costs by ¥27,248 million, "Ordinary income" by ¥225 million and in the decrease in "Income before the adjustment of income taxes and others" by ¥22,037 million.

2. Accounting for financial instruments

Effective April 1, 2000, "Accounting for financial instruments" was adopted. The effect of this adoption is insignificant.

3. Accounting for transaction in foreign currencies

Effective April 1, 2000, "Accounting for transaction in foreign currencies" was adopted. The effect of this adoption is insignificant.

In accordance with new accounting standards, "Foreign currency translation adjustments", which were recorded as an account under the "Assets" in the prior years were recorded as an account under the "STOCKHOLDERS' EQUITY" or included in "Minority interests in consolidated subsidiaries" account effective from this year.

5 .Segment Information

For the six months period ended September 30,2000 and 1999, and fiscal year ended March 31,2000

5-1. Segment Information Classified by Industrial Segment

		Millions of Yen					
		For the six months period ended September 30, 2000					
		Industrial Segment					
		Organic and Inorganic Chemicals	Electronics Materials	Functional Materials and Others	Total	Elimination or common assets	Consolidated total
Sales	Outside customers	208,403	123,051	63,803	395,258	-	395,258
	Inter-segment	8,820	1,072	33,004	42,897	(42,897)	-
	Total	217,223	124,123	96,808	438,156	(42,897)	395,258
	Operating cost and expenses	190,598	106,296	82,354	379,249	(42,859)	336,389
	Operating income	26,625	17,827	14,454	58,906	(37)	58,869
Assets		412,208	401,891	163,523	977,623	205,940	1,183,564
Depreciation		10,321	18,561	5,443	34,325	(129)	34,196
Capital expenditure		30,207	19,524	8,049	57,780	(206)	57,574

(Footnote) ¥13,053 million of the expenditures for acquisition of PVC business in Europe which was paid out in January 2000, are included in the capital expenditure ("Organic and inorganic chemicals") of first half of this fiscal year. These expenditures are substantially the capital expenditure of second half of last fiscal year, then except the expenditures above, total capital expenditure would be amounted to ¥44,520 million in first half of this fiscal year.

		Millions of Yen					
		For the six months period ended September 30, 1999					
		Industrial Segment					
		Organic and Inorganic Chemicals	Electronics Materials	Functional Materials and Others	Total	Elimination or common assets	Consolidated total
Sales	Outside customers	161,068	105,773	52,467	319,310	-	319,310
	Inter-segment	7,324	1,037	27,955	36,317	(36,317)	-
	Total	168,393	106,811	80,423	355,627	(36,317)	319,310
	Operating cost and expenses	146,024	95,075	72,953	314,053	(36,403)	277,649
	Operating income	22,368	11,735	7,470	41,574	86	41,660
Assets		378,422	403,224	120,380	902,027	194,194	1,096,222
Depreciation		8,990	11,666	4,534	25,191	(168)	25,022
Capital expenditure		13,847	8,567	2,900	25,315	(98)	25,217

Millions of Yen							
For the year ended March 31, 2000							
Industrial Segment							
		Organic and inorganic Chemicals	Electronics materials	Functional materials and others	Total	Elimination or common assets	Consolidated total
Sales	Outside customers	343,412	220,131	115,314	678,858	-	678,858
	Inter- segment	13,373	1,565	56,715	71,653	(71,653)	-
	Total	356,785	221,696	172,029	750,511	(71,653)	678,858
Operating costs and expenses		311,622	198,352	153,378	663,353	(71,960)	591,393
Operating income		45,162	23,344	18,651	87,158	306	87,465
Assets		366,882	386,320	151,530	904,733	263,995	1,168,729
Depreciation		20,994	29,792	10,888	61,675	(291)	61,384
Capital expenditure		26,397	25,025	7,841	59,264	(154)	59,109

(Footnote) 1. ¥7,839 million of investments to equipment that Silica Products Inc. made in last fiscal year is not included in the capital expenditure ("Functional materials and others") noted above due to initial consolidation of the company from this fiscal year.

2. ¥13,053 million of the expenditures for acquisition of PVC business in Europe which was paid out in January 2000, are recognized as transaction in the next fiscal year and not included in the capital expenditure ("Organic and inorganic chemicals") of this fiscal year.

3. Had the investments of 1 and 2 above been included, total capital expenditure would be amounted to ¥80,003 million in this fiscal year.

(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, Vinyl acetate monomer, Polyvinyl Alcohol, Methanol, Chloromethanes, Cellulose derivatives, Caustic soda, Fertilizers and Silicon metal
Electronics materials business segment	Semiconductor silicon, Organic materials for the electronics industry, Rare earth magnets for the electronics industry and Photo resist
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 common assets included in the column "Elimination or common assets" for the period ended September 30, 2000 were ¥251,206 million and for the period ended September 30, 1999 were ¥231,558 million and for the period ended March 31, 2000 were ¥294,942 million 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. Geographical segment information

		Millions of Yen						
		For the six months period ended September 30, 2000						
		Geographic area				Total	Elimination or common assets	Consolidated total
		Japan	North America	Asia	Other Area			
Sales	Outside customers	240,538	86,081	32,512	36,126	395,258	-	395,258
	Inter- segment	47,902	7,549	15,662	2,267	73,381	(73,381)	-
	Total	288,440	93,631	48,174	38,394	468,640	(73,381)	395,258
Operating costs and expenses		247,188	82,948	44,141	35,251	409,531	(73,141)	336,389
Operating income		41,252	10,682	4,032	3,142	59,109	(240)	58,869
Assets		643,821	234,902	83,516	72,924	1,035,165	148,399	1,183,564

		Millions of Yen						
		For the six months period ended September 30, 1999						
		Geographic area				Total	Elimination or common assets	Consolidated total
		Japan	North America	Asia	Other Area			
Sales	Outside customers	221,580	60,328	24,999	12,400	319,310	-	319,310
	Inter- segment	36,610	6,233	13,836	2,588	59,269	(59,269)	-
	Total	258,191	66,561	38,836	14,989	378,579	(59,269)	319,310
Operating costs and expenses		227,725	58,920	36,417	14,336	337,400	(59,750)	277,649
Operating income		30,466	7,640	2,418	653	41,179	481	41,660
Assets		559,313	255,271	73,244	54,851	942,679	153,542	1,096,222

		Millions of Yen						
		For the year ended March 31, 2000						
		Geographic area				Total	Elimination or Common assets	Consolidated total
		Japan	North America	Asia	Other area			
Sales	Outside customers	457,602	136,601	56,997	27,656	678,858	-	678,858
	Inter- segment	80,763	16,153	30,125	4,610	131,652	(131,652)	-
	Total	538,365	152,755	87,123	32,267	810,511	(131,652)	678,858
Operating costs and expenses		472,942	137,861	80,367	31,644	722,816	(131,422)	591,393
Operating income		65,423	14,893	6,755	622	87,695	(229)	87,465
Assets		606,877	230,230	77,874	65,102	980,085	188,643	1,168,729

Note : The above segments are classified geographically.

Main countries or areas other than Japan
 North America U.S.A.
 Asia Malaysia, Singapore, Korea, Taiwan
 Other area U.K., Netherlands, Australia

The amounts of the common assets included in the column "Elimination or common assets" for the period ended September 30, 2000 were ¥251,206 million and for the period ended September 30, 1999 were ¥231,558 million and for the period ended March 31, 2000 were ¥294,942 million, 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, 2000			
	North America	Asia	Other Area	Total
Overseas sales	96,025	75,206	44,193	215,425
Consolidated sales				395,258
Percentage of overseas sales over consolidated sales	24.3%	19.0%	11.2%	54.5%

	Millions of Yen			
	For the six months period ended September 30, 1999			
	North America	Asia	Other Area	Total
Overseas sales	66,878	68,157	23,248	158,284
Consolidated sales				319,310
Percentage of overseas sales over consolidated sales	20.9%	21.4%	7.3%	49.6%

	Millions of Yen			
	For the year ended March 31, 2000			
	North America	Asia	Other area	Total
Overseas sales	153,788	146,091	47,912	347,791
Consolidated sales				678,858
Percentage of overseas sales over consolidated sales	22.6%	21.5%	7.1%	51.2%

Note : The above segments are classified geographically.

Main countries or areas other than Japan
 North America U.S.A., Canada
 Asia Korea, Taiwan, China
 Other area Europe, Middle South America, Oceania

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

6 .Securities

(1) Market value of bonds held to maturity

	Millions of Yen		
	As of September 30, 2000		
	Book value per Balance Sheet	Market value	Unrealized Profit(loss)
Government bond, Local government bond and others	-	-	-
Debentures	-	-	-
Others	2,145	2,171	25
Total	2,145	2,171	25

(2) Market value of other investments in securities

	Millions of Yen		
	As of September 30, 2000		
	Acquisition cost	Book value per Balance Sheet	Unrealized Profit(loss)
Stocks	39,547	61,163	21,615
Bonds			
Government bond, Local government bond and others	-	-	-
Debentures	4	3	0
Other bonds	-	-	-
Others	1,370	1,370	0
Total	40,922	62,538	21,615

(3) Prime investments in securities unvaluated

	Millions of Yen		
	As of September 30, 2000		
	Book value		
1. Bonds held to maturity			
Discount bond	23,102		
Non-listed bonds	44,473		
2. Available-for-sale securities			
Non-listed shares	4,570		
Non-listed bonds	60,009		
Others	19		

	Millions of Yen		
	As of March 31, 2000		
	Book value per Balance Sheet	Market value	Unrealized Profit(loss)
Current assets			
Shares	236	505	269
Bonds	300	224	(75)
Others	0	0	0
Subtotal	536	730	193
Fixed assets			
Shares	34,192	70,290	36,098
Bonds	284	284	0
Others	1,438	1,424	(14)
Subtotal	35,914	71,999	36,084
Total	36,451	72,729	36,277

- (Notes) 1. Basis of determining the Market Value
- Listed marketable securities ····· Mainly, the last market quotations on the Tokyo Stock Exchange
 - Marketable securities over the counter dealings ····· Mainly, the last market quotations announced by Japan Securities Dealers Association
 - Beneficiary certificates of Investment trust ····· Standard basic price

Price of the market value or price equivalent to the market value of the unlisted bonds is computed by reference to the yield of bonds based on the nominal price announced by the Japan Securities Dealers Association and by reference to the remaining period to their maturity of those bonds.

2. Book Value shown per Balance Sheet of marketable securities, the market value of which is not required to be disclosed.

	<u>Millions of Yen</u>
	<u>As of March 31,2000</u>
Current Assets	
Non-listed Bonds	¥20,758
Commercial papers	63,770
Fixed Assets	
Non-listed shares	30,711
Non-listed Bonds	45,628
Others	11

7 .Derivative transactions

		Millions of Yen		
		For the six months period ended September 30, 2000		
Currency	Foreign exchange contracts	Amount translated at contract rate	Market value	Unrealized profit or loss
	Sales Contracts:			
	US\$	8,324	8,493	(169)
	Other	142	137	4
	Buy Contracts:			
	US\$	2,077	2,083	6
	Other	72	69	(2)
Interest	Interest swap contracts:			
	Variable payable	10,000	392	392
	Fixed receipt			
	Variable receipt	10,000	(472)	(472)
	Fixed payable			
	Total	-	-	(239)

(Notes)

1. Market rate represents the forward foreign exchange rate prevailing as of September 30, 2000.
2. Any derivative transactions which hedge accounting is applied are excluded from the above table.