

Press Release of Consolidated Financial Data

For the six months ended September 30, 2001

November 16, 2001

Shin-Etsu Chemical Co.,Ltd.

The seat of headquarters : Tokyo

Listing Code No. 4063

Listing Stock Exchange : Tokyo, Osaka, Nagoya

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Date of Board of Directors Meeting

For the authorization of the consolidated financial statements

for the first half of the current year November 16, 2001

Adoption of U.S. GAAP : No

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

(From April 1, 2001 to September 30, 2001)

(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>2001/4-2001/9</u>	<u>Six months</u> <u>2000/4-2000/9</u>	<u>Prior fiscal year</u> <u>2000/4-2001/3</u>
Net sales	396,080	395,258	807,484
Ratio of increase (decrease) over the first half of the prior year	0.2%	23.8%	
Operating income	59,410	58,869	112,677
Ratio of increase (decrease) over the first half of the prior year	0.9%	41.3%	
Ordinary income	59,643	58,834	115,797
Ratio of increase (decrease) over the first half of the prior year	1.4%	47.1%	
Net income	34,600	31,562	64,505
Ratio of increase (decrease) over the first half of the prior year	9.6%	34.5%	
Net income per share (in yen)	82.28	75.25	153.58
Diluted net income per share (in yen)	80.50	73.60	150.24
(Notes)			
1. Equity in earnings of Affiliates (in millions of yen)	544	959	1,924
2. Average number of consolidated shares issued (in share)	420,551,996	419,451,177	420,023,307
3. Changes in accounting policies applied : None			

(2) Consolidated financial position

	<u>Millions of Yen</u>		
	<u>September 30, 2001</u>	<u>September 30, 2000</u>	<u>March 31, 2001</u>
Total assets	1,286,291	1,183,564	1,265,799
Total stockholders' equity	760,205	671,856	714,996
Equity ratio	59.1%	56.8%	56.5%
Stockholders' equity per share (in yen)	1,808.41	1,597.83	1,699.74
(Notes)			
Number of shares issued at year-end / interim closing date (in shares)	420,373,133	420,481,793	420,650,270

(3) Consolidated Cash flows statement

Cash flows from operating activities	55,283	53,498	142,201
Cash flows from investing activities	(60,668)	(36,895)	(87,169)
Cash flows from financing activities	(10,638)	(55,781)	(70,364)
Cash & Cash Equivalents	262,455	238,159	272,768

(4) Application of consolidated and equity method

Number of consolidated subsidiaries	.....	60
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	0	Decrease	0
Equity method	Increase	0	Decrease	0

2).The Forecast of Consolidated Operating Performance for the Fiscal Year ending March 31, 2002 (From April 1, 2001 to March 31, 2002)

	<u>Millions of Yen</u>
	<u>Fiscal year 2001/4-2002/3</u>
Net sales	775,000
Ordinary income	117,000
Net income	70,000

(Reference)

The forecast of "Net income per share" (in yen, from April 1, 2001 to March 31, 2002) 166.52

(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.

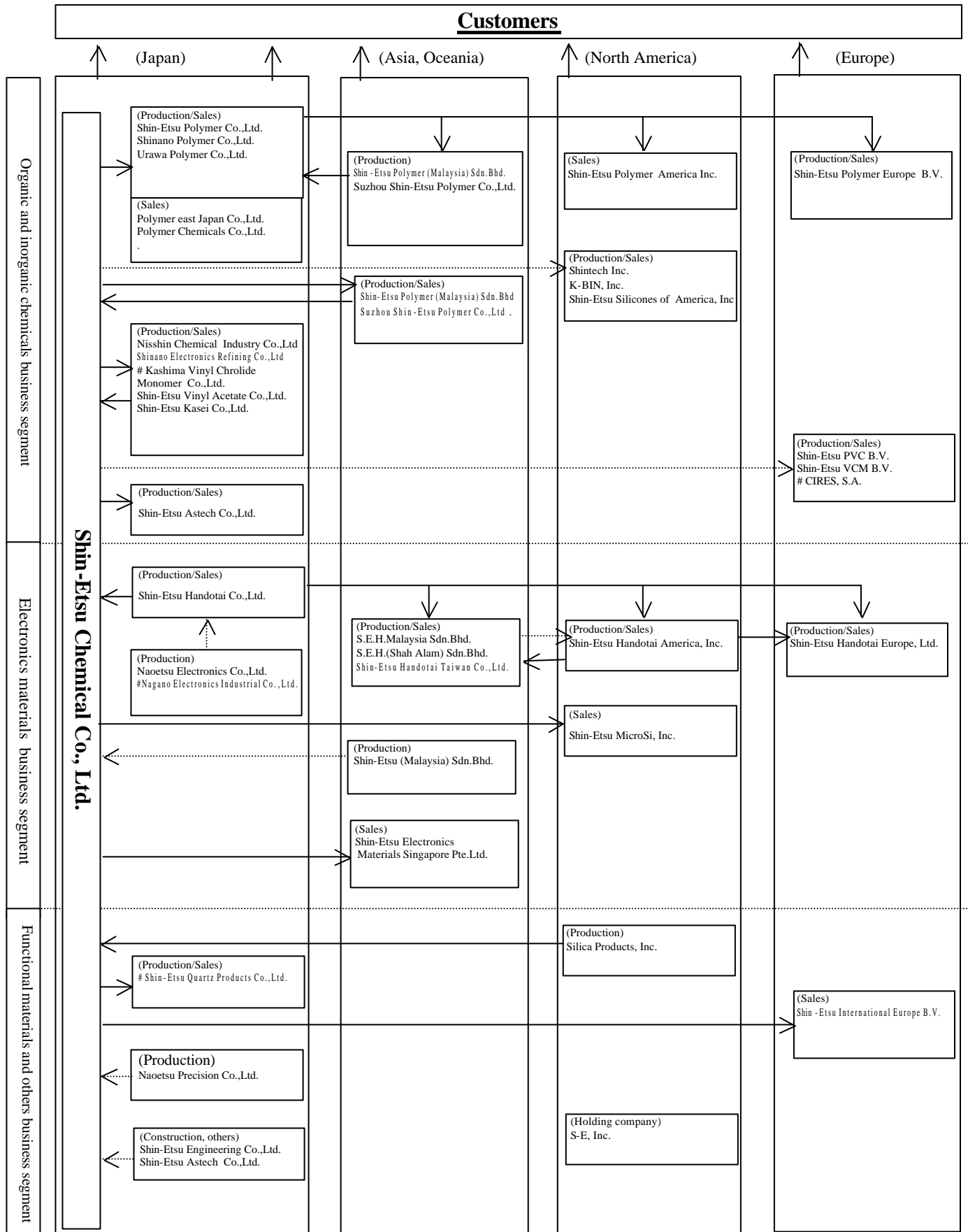
1. Corporate Overview

The Shin-Etsu Group is composed of Shin-Etsu Chemical Co., Ltd. (the “Company”), 96 subsidiaries, and 16 affiliates as of September 30, 2001. Business is divided into three segments: “Organic and Inorganic Chemicals”, which concentrates on the manufacture and sale of polyvinyl chloride (PVC) and silicones; “Electronics Materials”, which concentrates on the manufacture and sale of semiconductor silicon; and “Functional Materials and Others”, 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 Vinyl acetate monomer Polyvinyl alcohol Methanol Chloromethanes Cellulose derivatives Caustic soda Fertilizers Silicon metal	Shin-Etsu Chemical Co., Ltd. Shin-Etsu Polymer Co., Ltd. Shin-Etsu PVC B.V. Shin-Etsu Vinyl Acetate Co., Ltd. Shinano Polymer Co., Ltd. Shin-Etsu Kasei Co., Ltd. Shin-Etsu Silicone Taiwan Co., Ltd. Shin-Etsu Sealant Co., Ltd. Shin-Etsu Polymer Europe B.V. Urawa Polymer Co., Ltd. Suzhou Shin-Etsu Polymer Co., Ltd. Shin-Etsu VCM B.V. Kashima Vinyl Chloride Monomer Co., Ltd. 34 other subsidiaries	Shintech, Inc. Shin-Etsu Astech Co., Ltd. Polymer East Japan Co., Ltd. Shin-Etsu Silicone Korea Co., Ltd. Nissin Chemical Industry Co., Ltd. Polymer Chemicals Co., Ltd. Shin-Etsu Silicones of America, Inc. Shin-Etsu Polymer(Malaysia) Sdn. Bhd. Shinano Electric Refining Co., Ltd. Shin-Etsu Polymer America, Inc. Simcoa Operations Pty. Ltd. K-Bin, Inc. CIRES, S.A. Total number of companies: 60
Electronics materials business segment	Semiconductor silicon Organic materials for the electronics industry Rare earth magnets for the electronics industry Photoresists	Shin-Etsu Chemical Co., Ltd. Shin-Etsu Handotai America, Inc. Naoetsu Electronics Co., Ltd. Shin-Etsu Electronics Materials Singapore Pte.Ltd. Shin-Etsu(Malaysia) Sdn. Bhd. S.E.H.(Shah Alam) Sdn.Bhd. 17 other subsidiaries	Shin-Etsu Handotai Co., Ltd. S.E.H. Malaysia Sdn.Bhd. Shin-Etsu Handotai Europe, Ltd. Shin-Etsu Handotai Taiwan Co., Ltd. Shin-Etsu MicroSi, Inc. Nagano Electronics Industrial Co., Ltd. Total number of companies: 29
Functional materials and others business segment	Synthetic quartz products Oxide single crystals Rare Earth and rare earth magnets Export of technology and plants Export and import of goods Construction and Plant engineering Information processing	Shin-Etsu Chemical Co., Ltd. Shin-Etsu Engineering Co., Ltd. Silica Products, Inc. Naoetsu Precision Co., Ltd. 26 other subsidiaries	Shin-Etsu Astech Co., Ltd. S-E, Inc., Shin-Etsu International Europe B.V. Shin-Etsu Quartz Products Co., Ltd. Total number of companies: 34

Business Flows Within the Group



Note) Unmarked: Consolidated subsidiaries

Marked #: Affiliates which are applied to equity method

→ Products

→ Processing, technology, service and other

2. Management Policies

The basic management policy of Shin-Etsu Chemical Co. Ltd. is to place utmost priority on giving Shin-Etsu's shareholders maximum value by steadily increasing net sales and net income among Shin-Etsu Group companies, thereby enhancing the worth of these companies. To achieve this goal, Shin-Etsu strives to secure and further develop its leading world market positions in both stable-growth product areas and 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 by providing superior product quality and realizing the most competitive production costs in the world. In addition, Shin-Etsu endeavors to establish a business system that can effectively cope with changes in economic situations and changing world market conditions.

In the PVC (polyvinyl chloride) business, Shintech is proceeding with the construction in Louisiana of a second United States PVC production base. The company completed construction of the first half of the new plant and smoothly started its commercial operation last December. The operations of the Louisiana Plant in the first half of this fiscal year, together with those of its already existing Freeport, Texas No.1 PVC manufacturing facility, contributed to business results in this field, with full capacity operations in both plants. Moreover, Shin-Etsu will pursue the further growth of its PVC business with the completion of when the second half of the construction of the new plant is completed by the end of this year. Shin-Etsu is solidifying its position as the world's largest manufacturer of PVC by strengthening its Dutch PVC production base, which became a member of the Shin-Etsu Group from January of last year. Shin-Etsu is making every effort to strengthen its PVC business by means of its tripolar production-base strategy utilizing its PVC operations in the U.S., Europe and Japan. In Shin-Etsu's silicones business, we are accelerating our overseas development. Construction is under way at a location adjacent to Shintech's Freeport, Texas PVC facility of a manufacturing facility for specialty silanes, products for which demand is rapidly growing. Construction of the facility is scheduled to be completed in August 2002. In the Asian region, where demand is expected to expand as the region's economies grow, we established a manufacturing and sales subsidiary company for silicone products in February 2001 in Thailand. This company is constructing a manufacturing facility whose completion is scheduled for March 2003, meeting the timing of the completion of the manufacturing facilities of the joint-venture company with General Electric also set up in Thailand that will manufacture silicone monomer, a silicone intermediate product. In the electronics materials business segment, we will put efforts in not only the production of 300mm silicon wafers, which we began commercial production of in February of this year, but also in new products such as SOI wafers and annealed wafers. At the same time, we will endeavor to enhance the superiority of Shin-Etsu's products in the market with advanced technical services and higher quality, even in existing products. As well as we will promote rationalization of our operations by making more efficient use of overseas bases, etc. In this way, we will strive for stable growth of our business. With regard to optical fiber preform, we established a new production facility in the Kashima Coastal Industrial Region in Ibaraki Prefecture, and it began commercial production from this October. By utilizing the competitive power of this most advanced facility, we are shipping preform to our customers throughout the world. Including above-mentioned businesses, Shin-Etsu plans to strengthen and further develop its existing businesses by emphasizing sales strategies to make the most of its business strengths, utilizing production at the most suitable location in the world, achieving cost competitiveness through its continuous rationalization efforts, and making timely investments that will ensure its ability to respond quickly to market trends. The Group will continue its efforts toward rationalization and improving its cost competitive power.

With regard to new product development, to utilize efficiently Shin-Etsu's own technologies and market information system, the company selects themes in product areas closely related to its existing businesses and continues active R&D investment. In recent years, generation changes in technology occur in a short period of time. Shin-Etsu attaches much importance to rapidly converting developmental ideas into commercial reality, as well as to speeding up R&D activity. KrF photoresists and SOI wafers represent recent products developed as a result of this kind of commitment. Shin-Etsu is making all-out efforts to continuously nurture products such as our new fluoroelastomer products, so as to add new business pillars to the company.

Shin-Etsu makes it a basic principle to pursue the goal of environmental conservation in all phases of its business activities. In all of our business offices and in our major manufacturing facilities in Shin-Etsu Group companies such as Shin-Etsu Polymer and Shin-Etsu Handotai, as well as in all of Shin-Etsu Chemical's facilities, we have obtained ISO 14001, the international standard for environment management systems. At the same time, Shin-Etsu always puts priority on "safety first" in product manufacturing as well as making its best efforts to insure safety in its products. 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.

From a long-term perspective, Shin-Etsu management believes it is important to reward its stockholders with continuous stable dividends, thus, the company strives to expand sales and profits as well as to strengthen its business constitution. 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. Results of Operations

(1) Operating environment

During the first half of the fiscal year (April 1, 2001 to September 30, 2001), Japan's economy lacked strength in personal consumption, and, due to the effect of the worldwide slump of IT companies on export and equipment investment, the economy rapidly began to dip into recession. What's more, the American economy, which has an enormous influence on the direction of the world economy, also headed into a steep economic downturn. In the chemical industry, demand from many end-users declined, and the severe operating environment continued during this period.

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

Since our PVC business in the U.S. maintained its steady operation and sales and synthetic quartz product's sales and profit increased greatly. The consolidated business results for the first half of this fiscal year show that net sales increased by 0.2% (822 millions of yen), compared to the previous first half of the fiscal year, to become 396,080 millions of yen. Compared to the performance of the previous first half of the fiscal year, operating income increased 0.9% (541 millions of yen) to 59,410 millions of yen, ordinary income increased 1.4% (809 millions of yen) to 59,643 millions of yen and net income increased 9.6% (3,038 millions of yen), to grow to 34,600 millions of yen.

(2) Overview of Consolidated cash flow

	<u>Millions of yen</u>
Cash and cash equivalents at beginning of fiscal year	272,768
Cash flows from operating activities	55,283
Cash flows from investing activities	(60,668)
Cash flows from financing activities	(10,638)
Effect of exchange rate changes and others	5,710
Net decrease in cash and cash equivalents	(10,312)
Cash and cash equivalents at end of term	262,455

The Shin-Etsu Group maintained the high level of net income before income taxes at 58,144 millions of yen. However, due to expenditure for purchase of tangible fixed assets and repayment of loans, the balance of cash and cash equivalents at the end of the first half of this fiscal year were 262,455 millions of yen, a decrease of 10,312 millions of yen over that at the end of prior fiscal year.

Increase of cash flows provided by operating activity were 55,283 millions of yen. This increase was mainly due to income before income tax of 58,144 millions of yen and depreciation expense of 33,686 millions of yen and expenditure for the payment of corporate taxes amounted to 40,331 millions of yen, etc.

Cash flows used for investing activities were 60,668 millions of yen. This was mainly due to expenditures for purchase of tangible fixed assets of 44,661 millions of yen and expenditures for investments in medium- and long-term bonds of 12,944 millions of yen.

Cash flows used for financing activities were 10,638 millions of yen. This was mainly due to expenditures for the repayment of long-term borrowings of 10,618 millions of yen.

(3) Segment Information

Organic and inorganic chemicals

The U.S. market, where our company has the main force of its PVC business, bottomed out in January; however, it lacked enough strength for a rebound. During January to June of 2001, demand in North America continued to be low. In the midst of these market conditions, Shintech, our company's U.S. PVC base, concentrated its efforts not only on sales within the U.S. but also on exporting its products. At the same time, Shintech achieved full operation of its Texas No.1 facility, which has an annual production capacity of 1.45 million tons, and its Louisiana Plant, which began operation in December of last year with a yearly production capacity of 300,000 tons. Accordingly, it was able to achieve a profit level that was close to that of the same period last year, which was the record for the highest profit since the establishment of the company. Shin-Etsu PVC B.V. in the Netherlands, our European PVC base, continued full production and good sales and was able to achieve profit of the same level as the first half of last year. On the other hand, the Japanese PVC business remained without any sign of recovery in the domestic market. Because the export market to Southeast Asia was also weak, the severe business situation continued.

We have a line-up of more than 4,000 kinds of silicones products and supply them in a wide range of application fields, such as electrical, electronics, automobiles, chemicals, toiletries and construction. This first half of fiscal year, 2002 saw a steady shift in sales of toiletries, cosmetics and pharmaceutical intermediate, however, in one of the main supply fields in the electric/electronics business, shipments were sluggish and domestic sales remained weak. On the other hand, in the case of exports although shipments for electronics equipment were weak, sales of products for other usage rose and sales exceeded last year's of the same period.

In the field of cellulose derivatives, although sales to domestic electronics parts companies decreased, exports mainly of products for medical use were good and overall sales increased.

As a result, net sales of this business segment decreased 1.3% (2,671 millions of yen), compared to the first half of the previous fiscal first half, to 205,732 millions of yen. Operating income decreased 12.1% (3,226 millions of yen) to 23,399 millions of yen.

Electronics materials

Sales of semiconductor silicon reflected the sudden decline in both the Japanese and overseas semiconductor device market, and since April of this year, shipments decreased greatly. Among silicon wafers, sales of small-diameter wafers that had been decreasing from the second half of the previous fiscal year, decreased even further. However, even in these circumstances, the new 300mm-wafer product, which began commercial production from February of this year, steadily increased in production and sales volume. This was due to our taking measures to help strengthen advanced device maker's cost competitive power. In addition, SOI wafers and such special wafers as annealed wafers, etc., positively contributed to a steady profit picture. As a result, although the total sales amount decreased, semiconductor silicon products as a whole were able to achieve a profit level exceeding that of the first half of last year.

Sales of rare earth magnets for the electronics industry were generally weak, as demand for hard disk drives was not active and sales decreased. Sales of organic materials for the electronics industry and photoresists declined as a result of the slowdown in the semiconductor device market.

Consequently, net sales of this business segment decreased 5.3% (6,548 millions of yen), compared to those of the previous year's first half, to 116,503 millions of yen. However, operating income increased 4.7% (837 millions of yen) to 18,664 millions of yen.

Functional materials and Others

Among the synthetic quartz products, sales of optical fiber preform increased greatly, supported by the global surge in optical fiber demand, which made shipments to customers worldwide quite busy and also resulted in price increases. To cope with this increasing demand, our new manufacturing facility for optical fiber preform, at the Kashima Coastal Industrial Region, began commercial production from October of this year. Another synthetic quartz product, synthetic quartz substrates for large photomasks for LCDs, increased sales, as demand soared.

Sales of rare earth magnets decreased greatly, particularly because of weak demand in the field of optical pickups and mobile phones. Sales of oxide single crystals decreased due to weak demand in mobile-phone applications.

As a result, the net sales of this business segment increased 15.7% (10,040 millions of yen), compared to the previous first half of the fiscal year, to 73,843 millions of yen. Operating income increased 19.8% (2,855 millions of yen) to 17,309 millions of yen.

(4) Business prospects

Regarding future business prospects, the trend of the world economy, including the American economy, is uncertain, there is a risk of deflation and the unemployment situation in Japan are becoming more serious. Accordingly, both in Japan and overseas, the possibility presents itself of a protracted economic slump.

Shin-Etsu will always decisively adopt the most appropriate business strategies to effectively cope with such difficult business circumstances. Furthermore, by proceeding with various new projects that we are developing, we will effectively realize the world's top level R&D, technology, and quality, and we will strive to create a strong management base that will enable us to maintain stable growth without being too adversely influenced by the changes in business environment.

Our business forecast for fiscal year ended March 31,2002 is as follows:

	<u>Billions of yen</u>	
	Consolidated	Non-consolidated
Net sales	775	465
Ratio of increase (decrease) over the prior fiscal year	(4.0%)	0.9%
Ordinary income	117	67
Ratio of increase over the prior fiscal year	1.0%	7.7%
Net income	70	40
Ratio of increase over the prior fiscal year	8.5%	16.6%

The year-end dividend is scheduled to be 6 yen per share, and the annual dividend, combined with the interim dividend, will be 12 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.

4. Consolidated Financial Statements

4-1 Comparative Consolidated Balance Sheets

As of September 30, 2001, March 31, 2001 and September 30, 2000.

Millions of Yen

ASSETS	September 30, 2001 (A)	March 31, 2001	September 30, 2000 (B)	Increase (Decrease) (A-B)
Current Assets:				
Cash on hand and in banks	223,345	221,222	182,665	40,680
Notes and accounts receivable -trade	212,325	221,276	219,443	(7,118)
Securities	97,398	99,781	87,576	9,822
Inventories	122,176	118,279	109,101	13,075
Deferred tax assets	23,262	24,004	17,044	6,218
Others	26,046	24,935	18,481	7,565
Less: Allowance for doubtful accounts	(4,391)	(4,222)	(3,420)	(971)
Total current assets	<u>700,164</u>	<u>705,278</u>	<u>630,893</u>	<u>69,271</u>
Fixed Assets:				
Tangible fixed assets				
Buildings and structures	162,158	155,674	143,886	18,272
Machinery and vehicles	206,073	194,804	167,470	38,603
Land	34,127	33,375	30,904	3,223
Construction in progress	35,229	25,139	36,234	(1,005)
Others	13,256	13,249	13,204	52
	<u>450,846</u>	<u>422,243</u>	<u>391,700</u>	<u>59,146</u>
Intangible fixed assets	3,104	3,416	3,626	(522)
Investments and others				
Investments in securities	102,401	108,891	134,714	(32,313)
Deferred tax assets	18,130	15,962	11,933	6,197
Others	11,682	10,049	10,738	944
Less: Allowance for doubtful accounts	(38)	(41)	(41)	3
	<u>132,175</u>	<u>134,861</u>	<u>157,344</u>	<u>(25,169)</u>
Total fixed assets	<u>586,126</u>	<u>560,521</u>	<u>552,671</u>	<u>33,455</u>
TOTAL ASSETS	<u>1,286,291</u>	<u>1,265,799</u>	<u>1,183,564</u>	<u>102,727</u>

Millions of Yen

	September 30, 2001 (A)	March 31, 2001	September 30, 2000 (B)	Increase (Decrease) (A-B)
LIABILITIES				
Current Liabilities:				
Notes and accounts payable -trade	108,930	111,900	107,626	1,304
Short-term borrowings	94,237	82,422	88,614	5,623
Debentures of redemption within one year	5,000	3,235	-	5,000
Accounts payable -others	39,507	39,050	24,179	15,328
Accrued income taxes	21,593	40,592	28,042	(6,449)
Accrued expenses	52,968	51,439	40,553	12,415
Others	21,577	25,770	21,106	471
Total current liabilities	<u>343,815</u>	<u>354,412</u>	<u>310,123</u>	<u>33,692</u>
Long-term Liabilities:				
Debentures	39,104	42,910	45,365	(6,261)
Convertible debentures	18,317	18,340	18,439	(122)
Long-term borrowings	31,047	44,090	47,871	(16,824)
Deferred tax liabilities	20,763	19,243	18,750	2,013
Accrued retirement benefits	28,083	27,967	28,484	(401)
Excess of investment cost over equity in net assets of consolidated subsidiaries	-	-	119	(119)
Others	20,683	19,558	19,610	1,073
Total long-term liabilities	<u>158,000</u>	<u>172,109</u>	<u>178,641</u>	<u>(20,641)</u>
TOTAL LIABILITIES	<u>501,815</u>	<u>526,522</u>	<u>488,764</u>	<u>13,051</u>
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES	<u>24,269</u>	<u>24,280</u>	<u>22,943</u>	<u>1,326</u>
STOCKHOLDERS' EQUITY				
Common stock	110,258	110,247	110,197	61
Additional paid-in capital	119,027	119,016	118,966	61
Legal reserve and retained earnings	525,070	493,169	462,750	62,320
Unrealized gain on available-for-sale securities	4,916	9,741	13,726	(8,810)
Foreign currency translation adjustment	10,305	(9,530)	(25,795)	36,100
Treasury stock	(9,372)	(7,648)	(7,988)	(1,384)
TOTAL STOCKHOLDERS' EQUITY	<u>760,205</u>	<u>714,996</u>	<u>671,856</u>	<u>88,349</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>1,286,291</u>	<u>1,265,799</u>	<u>1,183,564</u>	<u>102,727</u>
(Notes) 1. Accumulated depreciation of tangible fixed assets (in millions of Yen)	671,318	641,685	607,721	
2. Liabilities for guarantee (in millions of Yen)	1,440	1,575	1,885	
3. Treasury stock (in shares)	2,181,221	1,892,088	2,008,926	

4-2 Comparative Consolidated Income Statements

For the six months period ended September 30, 2001 and 2000, and the fiscal year ended March 31, 2001.

	Millions of Yen			
	For the period ended			
	September 30, 2001 (A)	March 31, 2001	September 30, 2000 (B)	Increase (Decrease) (A-B)
Operating Income and Expenses:				
Net sales	396,080	807,484	395,258	822
Cost of sales	293,131	603,560	291,316	1,815
Gross profit	102,948	203,924	103,942	(994)
Selling, general and administrative expenses	43,538	91,247	45,073	(1,535)
Operating income	59,410	112,677	58,869	541
Non-operating Income:				
Interest income	3,434	8,455	4,414	(980)
Dividend income	458	774	522	(64)
Foreign exchange gain	811	9,080	1,607	(796)
Equity in earnings of affiliates	544	1,924	959	(415)
Other income	1,472	1,325	403	1,069
	6,721	21,560	7,907	(1,186)
Non-operating Expenses:				
Interest expenses	3,518	7,841	4,342	(824)
Loss on disposal of property, plant and equipment	610	3,031	1,421	(811)
Other expenses	2,358	7,567	2,178	180
	6,487	18,439	7,942	(1,455)
Ordinary income	59,643	115,797	58,834	809
Special Gains :				
Gains on sales of investments in securities	-	8,410	8,410	(8,410)
Gains on sales of property, Plant and equipment	-	8,080	8,000	(8,000)
Gain on transfer of securities to retirement benefits trust	-	5,234	5,234	(5,234)
Reversal of prior year's accrued maintenance expenses	-	4,039	4,039	(4,039)
	-	25,765	25,685	(25,685)
Special Losses:				
Loss on write-down of investment securities	809	5,264	3,543	(2,734)
Loss on disposal of property, plant and equipment	690	-	-	690
Special provision for retirement benefits costs	-	27,497	27,497	(27,497)
	1,499	32,762	31,041	(29,542)
Income before income taxes	58,144	108,800	53,478	4,666
Income taxes Current	21,189	61,030	30,782	(9,593)
Income taxes Deferred	2,077	(19,341)	(10,217)	12,294
Minority interest in earnings of consolidated subsidiaries	275	2,606	1,350	(1,075)
Net income	34,600	64,505	31,562	3,038

4-3 Comparative Consolidated statements of retained earnings

For the six months period ended September 30, 2001 and 2000, and the fiscal year ended March 31, 2001.

	<u>Millions of Yen</u>			Increase (Decrease) (A-B)
	For the period ended			
	September 30, 2001 (A)	March 31, 2001	September 30, 2000 (B)	
Balance of consolidated retained earnings at the beginning of fiscal period	<u>493,169</u>	<u>433,460</u>	<u>433,460</u>	<u>59,709</u>
Cash dividends	2,523	4,613	2,090	433
Director's and statutory auditor's bonuses	176	182	182	(6)
Total decrease	<u>2,700</u>	<u>4,795</u>	<u>2,273</u>	<u>427</u>
Net income	<u>34,600</u>	<u>64,505</u>	<u>31,562</u>	<u>3,038</u>
Balance of consolidated retained earnings at the end of fiscal period	<u>525,070</u>	<u>493,169</u>	<u>462,750</u>	<u>62,320</u>

4-4 Comparative Consolidated statements of cash flows

For the six months period ended September 30, 2001 and 2000, and the fiscal year ended March 31, 2001.

	Millions of Yen			
	For the period ended			Increase (Decrease) (A-B)
	September 30, 2001 (A)	March 31, 2001	September 30, 2000 (B)	
1. Cash flows from operating activities				
Income before income taxes	58,144	108,800	53,478	4,666
Depreciation and Amortization	33,686	70,767	34,196	(510)
Amortization of bond discounts	-	581	581	(581)
Increase in accrued retirement benefits	75	26,915	22,215	(22,140)
Loss on write-down of investment securities	809	5,264	3,543	(2,734)
Interest and dividend income	(3,892)	(9,229)	(4,937)	1,045
Interest expenses	3,518	7,841	4,342	(824)
Foreign exchange gain	(65)	(6,331)	(579)	514
Equity in earnings of affiliates	(544)	(1,924)	(959)	415
Transfer of securities to retirement benefits trust	-	7,254	7,254	(7,254)
Gains on transfer of securities to retirement benefits trust	-	(5,234)	(5,234)	5,234
(Increase) decrease in notes and accounts receivable	12,951	(30,664)	(35,551)	48,502
Increase in inventories	(1,565)	(15,537)	(8,772)	7,207
Increase (decrease) in notes and accounts payable	(5,125)	25,651	16,169	(21,294)
Other, net	(3,040)	(3,595)	(11,983)	8,943
Subtotal	94,951	180,558	73,764	21,187
Proceeds from interest and dividend	3,872	9,327	5,048	(1,176)
Payment of interest	(3,208)	(9,004)	(4,358)	1,150
Payment of income taxes	(40,331)	(38,680)	(20,955)	(19,376)
Net cash provided by operating activities	55,283	142,201	53,498	1,785
2. Cash flows from investing activities				
Net (increase) decrease in marketable securities	498	(560)	(9,283)	9,781
Purchase of property, plant and equipment	(44,661)	(87,641)	(37,605)	(7,056)
Proceeds from sales of property, plant and equipment	740	8,741	8,458	(7,718)
Purchase of intangible fixed asset	(215)	(641)	(412)	197
Purchase of investment securities	(12,944)	(26,997)	(17,632)	4,688
Proceeds from sales and redeeming of investment securities	10	23,338	11,158	(11,148)
Payments of loans	(2,867)	(2,710)	(950)	(1,917)
Proceeds from collection of loan	97	356	547	(450)
Other, net	(1,325)	(1,055)	8,822	(10,147)
Net cash used for investing activities	(60,668)	(87,169)	(36,895)	(23,773)
3. Cash flows from financing activities				
Net increase (decrease) in short term debt	2,679	(4,427)	1,825	854
Proceeds from long term debt	4,770	10,944	5,530	(760)
Repayment of long term debt	(10,618)	(21,957)	(11,140)	522
Payment of debentures on redemption	(3,396)	(52,350)	(51,736)	48,340
Proceeds from issue of shares	-	4,539	4,539	(4,539)
Cash dividends paid	(2,523)	(4,613)	(2,090)	(433)
Other, net	(1,550)	(2,499)	(2,710)	1,160
Net cash used for financing activities	(10,638)	(70,364)	(55,781)	45,143
4. Effect of exchange rate changes on cash and cash equivalents	5,710	14,465	3,701	2,009
5. Net decrease in cash and cash equivalents	(10,312)	(867)	(35,476)	25,164
6. Cash and cash equivalents at beginning of year	272,768	271,634	271,634	1,134
7. Net increase in cash and cash equivalents by change of consolidation scope	-	2,001	2,001	(2,001)
8. Cash and cash equivalents at end of the period	262,455	272,768	238,159	24,296

4-5 Basis of Presenting Consolidated Financial Statement

1. Scope of Consolidation

Consolidated Subsidiaries	60	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. 49 other subsidiaries
Unconsolidated Subsidiaries	36	

2.Application of Equity Method

The Company had 36 unconsolidated subsidiaries and 16 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., Nagano Electronics Industrial Co., Ltd. and 4 other affiliates.

3.Fiscal Year of Consolidated Subsidiaries

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

4.Significant Accounting Policies

(1) Valuation policy and method of significant assets

a) Valuation of securities

Bonds held to maturity	.....	Amortized cost method
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. Any costs of sales of these securities are principally calculated based on a moving average cost method)
Non-marketable securities	.....	Mainly moving average cost method

b) Inventories valuation

..... Mainly average cost method

c) Derivatives

..... Market value method

(2) Depreciation method of significant depreciable assets

Tangible fixed assets	Mainly declining-balance method
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(3) Calculation method of significant allowances

a) Allowance for doubtful accounts	The Company and consolidated subsidiaries provide the allowance for doubtful accounts by the method which uses the percentage of its own actual experience of bad debt loss written off against the balance of general receivables plus the amount deemed necessary to cover individual accounts estimated to be uncollectable.
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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 employees' service year, 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.

5. Segment Information

For the six months period ended September 30, 2001 and 2000, and the fiscal year ended March 31, 2001.

5-1. Business Segment Information

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

		Millions of Yen					
		For the year ended March 31, 2001					
		Industrial Segment					
		Organic and inorganic Chemicals	Electronics Materials	Functional materials and others	Total	Elimination or Corporate assets	Consolidated total
Sales	Outside customers	410,370	258,746	138,367	807,484	-	807,484
	Inter Segment	11,502	2,298	67,142	80,943	(80,943)	-
	Total	421,873	261,044	205,510	888,428	(80,943)	807,484
	Operating costs and expenses	374,858	224,684	176,181	775,724	(80,916)	694,807
	Operating income	47,015	36,360	29,328	112,704	(26)	112,677
	Assets	430,164	432,768	188,000	1,050,932	214,866	1,265,799
	Depreciation	23,503	35,286	12,242	71,032	(264)	70,767
	Capital expenditure (Footnote)	50,303	37,985	21,838	110,127	(303)	109,823

(Footnote) 13,053 millions of yen paid in January 2000 for acquisition of PVC business in Europe are included in the capital expenditure (“Organic and inorganic chemicals”) of this fiscal year.

This is substantially the capital expenditure of fiscal year ended March 31, 2000. Total capital expenditure excluding this payment would be amounted to 96,770 millions of yen in this fiscal year.

		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 Corporate 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 costs 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 (Footnote)	30,207	19,524	8,049	57,780	(206)	57,574

(Footnote) 13,053 millions of yen paid in January 2000 for acquisition of PVC business in Europe are included in the capital expenditure (“Organic and inorganic chemicals”) of this six months period.

This is substantially the capital expenditure of fiscal year ended March 31, 2000. Total capital expenditure excluding this payment would be amounted to 44,520 millions of yen in this six months period.

(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 Photoresists
Functional materials and others business segment	Synthetic quartz products, Oxide single crystals, Rare earths and rare earth magnets, Export of technology and plants, Export and import of goods, Construction and plant engineering, and Information processing

2. The amounts of the corporate assets included in the column “Elimination or corporate assets” for the six months period ended September 30, 2001, the fiscal ended March 31, 2001 and the six months period ended September 30, 2000 were 269,274, 271,303 and 251,206 millions of yen, respectively, which mainly consist of surplus working funds(cash, deposits and marketable securities) and long-term investment funds(investments in securities) of the Company.

5-2. Geographic Segment information

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

		Millions of Yen						
		For the year ended March 31, 2001						
		Geographic area				Total	Elimination or Corporate assets	Consolidated total
		Japan	North America	Asia	Other Area			
Sales	Outside customers	495,560	171,452	71,620	68,852	807,484	-	807,484
	Inter segment	98,587	17,113	32,544	4,418	152,664	(152,664)	-
	Total	594,147	188,565	104,164	73,271	960,149	(152,664)	807,484
	Operation costs and expenses	514,550	168,236	95,815	68,559	847,161	(152,353)	694,807
	Operating income	79,597	20,328	8,349	4,711	112,987	(310)	112,677
	Assets	667,046	261,712	92,635	76,131	1,097,526	168,272	1,265,799

		Millions of Yen						
		For the six months period ended September 30, 2000						
		Geographic area				Total	Elimination or Corporate 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
	Operation 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

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

North America : U.S.A.

Asia : Malaysia, Singapore, Korea, Taiwan

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

2. The amounts of the corporate assets included in the column "Elimination or corporate assets" for the six months period ended September 30, 2001, the fiscal ended March 31, 2001 and the six months period ended September 30, 2000 were 269,274, 271,303 and 251,206 millions of yen, respectively, which mainly consist of surplus working funds(cash, deposits and marketable securities) and long-term investment funds(investments in securities) of the Company.

5-3. Overseas sales information

Millions of Yen

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

Millions of Yen

	For the fiscal year ended March 31, 2001			Total
	North America	Asia	Other area	
Overseas sales	183,059	167,721	90,864	441,646
Consolidated sales				807,484
Percentage of overseas sales over consolidated sales	22.7	20.8	11.2	54.7

Millions of Yen

	For the six months period ended September 30, 2000			Total
	North America	Asia	Other area	
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

(Notes) 1. Main countries or areas

North America : U.S.A., Canada

Asia : Korea, Taiwan, China

Other area : Europe, Middle South America, Oceania

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

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

100Millions of Yen

	Net Sales			Operating Income		
	Six months 2001/4-2001/9	Six months 2000/4-2000/9	Increase (Decrease)	Six months 2001/4-2001/9	Six months 2000/4-2000/9	Increase (Decrease)
Polyvinyl chloride	1,059	1,073	(14)	77	89	(12)
Silicones	622	675	(53)	105	121	(16)
Others	377	336	41	52	56	(4)
Total Organic and inorganic chemicals Segment	2,057	2,084	(-1.3%) (27)	234	266	(-12.1%) (32)
Semiconductor silicon	930	979	(49)	154	132	22
Others	235	251	(16)	32	46	(14)
Total Electronics materials Segment	1,165	1,231	(-5.3%) (66)	186	178	(4.7%) 8
Synthetic quartz products	316	197	119	138	82	56
Functional materials (Rare earths, Oxide single crystals, etc)	107	161	(54)	21	44	(23)
Others	316	280	36	15	18	(3)
Total Functional materials and Others Segment	739	638	(15.7%) 101	174	145	(19.8%) 29
Grand total	3,961	3,953	(0.2%) 8	594	589	(0.9%) 5

6. Lease Transactions

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

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

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

	September 30, 2001	Millions of Yen March 31, 2001	September 30, 2000
Acquisition cost	4,162	2,958	1,665
Accumulated depreciation	2,129	2,015	1,050
Net book value	2,032	943	615

- (2) Future lease payments

Within one year	712	544	297
Over one year	1,320	398	317
Total	2,032	943	615

- (3) Lease expenses

(depreciation expenses)	703	623	187
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- (4) The computation of the amount corresponding to depreciation expenses

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

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

2. Operating lease transaction

The amount corresponding to future lease payments

	September 30, 2001	Millions of Yen March 31, 2001	September 30, 2000
Within one year	961	865	1,154
Over one year	1,382	2,039	1,980
Total	2,343	2,904	3,134

7. Securities

(1) Market value of bonds held to maturity

	Millions of Yen								
	<u>As of September 30,2001</u>			<u>As of March 31,2001</u>			<u>As of September 30,2000</u>		
	<u>Book value</u>	<u>Market value</u>	<u>Unrealized gain(loss)</u>	<u>Book value</u>	<u>Market value</u>	<u>Unrealized gain(loss)</u>	<u>Book value</u>	<u>Market value</u>	<u>Unrealized gain(loss)</u>
National and Local government bonds and others	0	0	0	0	0	0	-	-	-
Debentures	-	-	-	-	-	-	-	-	-
Others	1,024	1,030	5	2,039	2,057	17	2,145	2,171	25
Total	1,024	1,030	5	2,039	2,057	17	2,145	2,171	25

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

	Millions of Yen								
	<u>As of September 30,2001</u>			<u>As of March 31,2001</u>			<u>As of September 30,2000</u>		
	<u>Acquisition Cost</u>	<u>Book value</u>	<u>Unrealized gain(loss)</u>	<u>Acquisition Cost</u>	<u>Book value</u>	<u>Unrealized gain(loss)</u>	<u>Acquisition Cost</u>	<u>Book value</u>	<u>Unrealized gain(loss)</u>
1.Stocks	35,150	43,925	8,774	35,960	52,744	16,783	39,547	61,163	21,615
2.Bonds									
National and Local government bonds and others	-	-	-	-	-	-	-	-	-
Debentures	4	4	0	4	4	0	4	3	0
Others	-	-	-	-	-	-	-	-	-
3.Others	3,619	3,338	(280)	2,719	2,752	32	1,370	1,370	0
Total	38,773	47,267	8,493	38,683	55,500	16,816	40,922	62,538	21,615

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

	Millions of Yen		
	<u>As of September 30,2001</u>	<u>As of March 31,2001</u>	<u>As of September 30,2000</u>
	Book value	Book value	Book value
1. Bonds held to maturity			
Discount bond	21,422	18,878	23,102
Non-listed domestic bonds	5,007	5,007	2,009
Non-listed overseas bonds	47,056	41,475	42,464
2. Investments in non-consolidated subsidiaries and affiliates	25,379	24,384	25,430
3. Available-for-sale securities			
Non-listed shares	6,825	5,959	4,570
Non-listed overseas bonds	45,555	55,407	60,009
Others	259	19	19

8. Derivative transactions

	Millions of Yen								
	<u>As of September 30,2001</u>			<u>As of March 31,2001</u>			<u>As of September 30,2000</u>		
	<u>Amounts</u>	<u>Market</u>	<u>Unrealized</u>	<u>Amounts</u>	<u>Market</u>	<u>Unrealized</u>	<u>Amounts</u>	<u>Market</u>	<u>Unrealized</u>
	<u>contract</u>	<u>value</u>	<u>gain(loss)</u>	<u>contract</u>	<u>value</u>	<u>gain(loss)</u>	<u>contract</u>	<u>value</u>	<u>gain(loss)</u>
Currency relatives									
Foreign exchange contracts	13,950	13,883	83	25,605	26,396	(367)	10,615	10,784	(160)
Interest relatives									
Interest swap contracts	40,000	(189)	(189)	20,000	(67)	(67)	20,000	(79)	(79)
Total	-	-	(106)	-	-	(434)	-	-	(239)

- (Notes)
1. The market value is provided by financial institutes with which we made the contracts of interest swap. Market rate represents the forward foreign exchange rate prevailing as of September 30, 2001.
 2. Any derivative transactions to which hedge accounting is applied are excluded from the above table.