

Press Release of Consolidated Financial Data

For the year ended March 31, 2002

May 16, 2002

Shin-Etsu Chemical Co.,Ltd.

The seat of headquarters : Tokyo

Listing Code No. 4063

(URL <http://www.shinetsu.co.jp/>)

Listing Stock Exchange : Tokyo, Osaka, Nagoya

Personnel to contact :

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Date of Board of Directors Meeting

For the authorization of the consolidated financial statements
for the current fiscal year May 16, 2002

Adoption of U.S. GAAP : No

1).Consolidated Operating Performance for the Current Fiscal Year

(From April 1, 2001 to March 31, 2002)

(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>Current fiscal year</u>	<u>Prior fiscal year</u>
	<u>2001/4-2002/3</u>	<u>2000/4-2001/3</u>
Net sales	775,096	807,484
Ratio of increase (decrease) over the preceding year	(4.0%)	18.9%
Operating income	114,723	112,677
Ratio of increase (decrease) over the preceding year	1.8%	28.8%
Ordinary income	117,031	115,797
Ratio of increase (decrease) over the preceding year	1.1%	37.2%
Net income	68,518	64,505
Ratio of increase (decrease) over the preceding year	6.2%	33.7%
Net income per share (in yen)	162.93	153.58
Diluted net income per share (in yen)	159.38	150.24
Ratio of net income over total stockholders' equity	9.0%	9.4%
Ratio of ordinary income over total assets employed	9.2%	9.5%
Ratio of ordinary income over net sales	15.1%	14.3%
(Notes)		
1. Equity in earnings of Affiliates	664	1,924
2. Average number of shares outstanding (in shares)	420,539,264	420,023,307
3. Changes in accounting policies applied : None		

(2) Consolidated financial position

	<u>Millions of Yen</u>	
	March 31, 2002	March 31, 2001
Total assets	1,288,432	1,265,799
Total stockholders' equity	812,068	714,996
Equity ratio	63.0%	56.5%
Stockholders' equity per share (in yen)	1,930.30	1,699.74
(Notes)		
Number of shares outstanding at year end (in shares)	420,695,830	420,650,270

(3) Consolidated statement of cash flows

Cash flows from operating activities	118,636	142,201
Cash flows from investing activities	(127,408)	(87,169)
Cash flows from financing activities	(24,984)	(70,364)
Cash & Cash Equivalents	249,846	272,768

(4) Application of consolidation and equity method

Number of consolidated subsidiaries	58
Number of non-consolidated subsidiaries applied to equity method	0
Number of affiliates applied to equity method	8

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

Consolidation	Increase	0	Decrease	2
Equity method	Increase	1	Decrease	0

2).The Forecast of Consolidated Operating Performance for the Fiscal Year ending March 31, 2003 (From April 1, 2002 to March 31, 2003)

	<u>Millions of Yen</u>	
	Six months <u>2002/4-2002/9</u>	Fiscal year <u>2002/4-2003/3</u>
Net sales	397,000	800,000
Ordinary income	60,000	122,000
Net income	36,000	73,000

(Reference)

The forecast of "Net income per share" (in yen, from April 1, 2002 to March 31, 2003) 173.52

(Note)

The forecast of results of operations made in this document involves risks and uncertainties since the forecast is based on management's assumptions and beliefs in light of the information currently available to it. The reader should be aware that actual results may be materially different from any future results expressed herein due to various factors. Material factors affecting the actual results may include overall economic conditions in which the businesses of our company and our group companies are involved, the relevant market trends and fluctuations in foreign exchange rates of the yen, in particular, the exchange rate between the U.S. dollars and the yen ; provided, however, that such factors as may affect results of operations are not limited to those enumerated above.

1. Corporate Overview

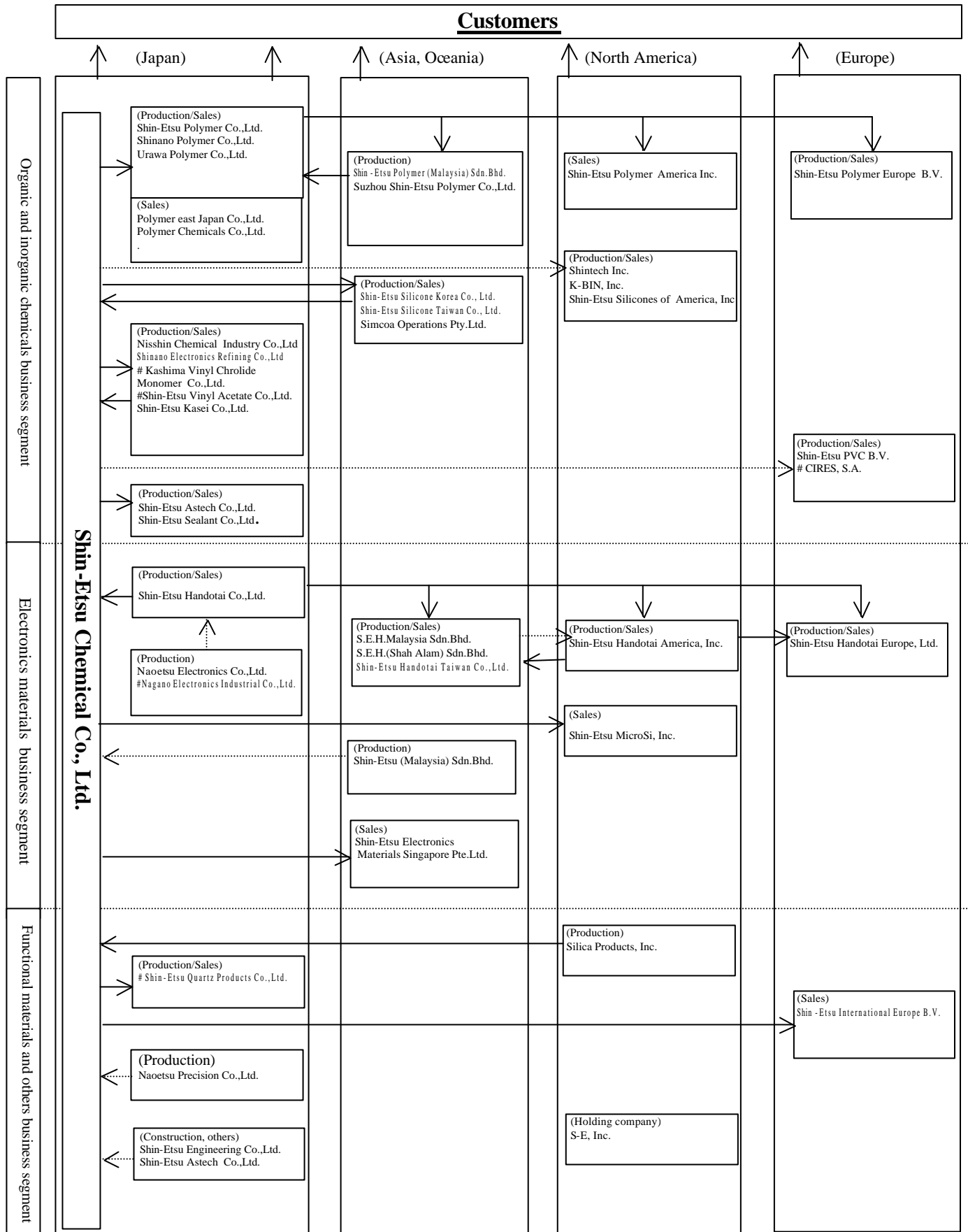
The Shin-Etsu Group is composed of Shin-Etsu Chemical Co., Ltd. (the “Company”), 93 subsidiaries, and 17 affiliates as of March 31, 2002. Business is divided into three segments: “Organic and Inorganic Chemicals”, which concentrates on the manufacture and sale of polyvinyl chloride (PVC) and silicones; “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 cooperate 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 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. Kashima Vinyl Chloride Monomer Co., Ltd. 33 other subsidiaries	Shintech, Inc. Shin-Etsu Astech Co., Ltd. Polymer East Japan 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. K-Bin, Inc. Shin-Etsu Vinyl Acetate Co., Ltd. CIRES, S.A. Total number of companies: 58
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

Note: On May 1, 2002, Shin-Etsu Vinyl Acetate Co., Ltd. and Unitika Chemical Company merged their two businesses. The new company is named Japan VAM & Poval Co., Ltd., and each of the two companies owns a 50% share.

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

(1) Basic 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 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 by providing superior product quality and 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 the Japanese and worldwide economic situations and changing world market conditions.

(2) Main Management Practices

In the PVC (polyvinyl chloride) business, the second-phase construction of the new PVC production plant in Addis, Louisiana in the United States was completed in November of 2001. Furthermore, with the additional production capacity that will result from the acquisition of the Addis, Louisiana PVC facility of the Borden Chemicals and Plastics Operating Limited Partnership, Shin-Etsu's world-leading annual tripolar (the U.S., Europe and Japan) PVC production capacity will become 3.46 million tons. By utilizing to the maximum the company's world's-largest production capacity and strong sales power, Shin-Etsu will make strenuous efforts to further expand this business.

In the silicone business, by taking advantage of the fact that silicone products have diverse characteristics suitable for a multitude of applications, Shin-Etsu will endeavor to further cultivate domestic market demand, and at the same time, the company will speed up development of the silicone business on a global basis. Aimed at expansion of its market share of specialty silanes in the world, this year Shin-Etsu will complete a new specialty silanes manufacturing facility in Freeport, Texas to complement the company's production facility in Japan for specialty silanes. Moreover, in the Asian area, a strong expansion of demand is expected. Shin-Etsu will start operations of a new silicone monomer manufacturing plant as a joint venture with GE, as well as its own silicone polymer manufacturing plant in Thailand in 2003. Shin-Etsu will make efforts to expand its sales in these areas.

In the electronics materials business segment, Shin-Etsu accurately anticipated the market shift to demand for next-generation 300-mm silicon wafers and began commercial production ahead of other makers in February of last year. What's more, Shin-Etsu is proceeding to put in place a system that can speedily cope with the expanding demand for 300mm wafers. Shin-Etsu is also striving to create a strong position in the business of SOI wafers, promising semiconductor materials for leading-edge devices such as special LSIs that are expected to come into prominence. In addition, by making existing products into higher quality products and by enhancing the role of global production bases, Shin-Etsu stands ready to effectively cope with the rapid changes in market needs.

In the optical-fiber preform business, Shin-Etsu expects to be able to meet the growing worldwide strong demand for perform by utilizing a new highly competitive preform manufacturing facility at the Kashima Coastal Industrial Zone as well as its existing Gunma manufacturing facility.

In addition, Shin-Etsu strongly promotes the establishment of business bases for the new products that will be the pillars for the company's future growth and will also strive to pioneer new businesses. Not only will the company make all-out efforts to nurture new products, such as the new fluoroelastomers which followed KrF photoresists and SOI wafers, but Shin-Etsu will also aggressively pursue new R & D themes. In existing businesses, the company will proceed with the development of products that will clearly differentiate its products from those of competitors' products. At the same time, by manufacturing products in the most appropriate production regions, by promoting efficiency through such policies as state-of-the-art automation and labor-saving and by reorganizing business structures, we will strive to strengthen Shin-Etsu's profit-generating capacity.

Shin-Etsu pursues the goal of environmental conservation in all phases of its business activities. All its manufacturing facilities and the main facilities of its Group companies such as Shin-Etsu Polymer and Shin-Etsu Handotai have obtained ISO 14001 certification, the international standard regarding environmental management systems. At the same time, Shin-Etsu always puts priority on "safety first" in product manufacturing and makes intensive 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 useful contributions to society.

(3) Basic Policy for Dividends

Emphasizing the long-term perspective, Shin-Etsu believes that it is important to give its shareholders continued stable dividends, while increasing sales and profits and strengthening the company's business structure. Shin-Etsu is making strenuous efforts to enhance the company's value by positively using its financial reserves for such needs as facility investment, R&D activities, M&A, etc. for strengthening the company's global competitive power and developing new businesses in the future.

3. Results of Operations and Financial Position

(1) Results of Operations

General Overview

In this fiscal year (April 1, 2001 to March 31, 2002) the Japanese economy was strongly influenced by the worldwide economic recession. In addition to suffering a decline in exports and a cutback in facility investment in Japan, the Japanese economy rapidly worsened due to a further deterioration in the employment situation that led to continued weakness in personal consumption. On the other hand, there were bright signs in some areas in the U.S. economy that had generally slowed down. Yet the U.S. economy still did not see an overall recovery trend set in.

Under these severe circumstances, the Shin-Etsu Group fully demonstrated the positive results of its R&D activities and the fruits of its strategic facility investments in recent years, both in Japan and the other business regions. Moreover, by utilizing its sales power that was nurtured through long experience in global markets, Shin-Etsu carried out strong sales activities, bolstered by the superior characteristics of Shin-Etsu's products, to a wide range of customers around the world. In addition, by utilizing the Group's firm financial base and global production system, the Shin-Etsu Group dedicated itself to pursuing improving productivity and streamlining its business structure to achieve maximum efficiencies and company profitability.

As a result, consolidated net sales for the fiscal year decreased 4.0% (32,388 millions of yen), compared to the previous fiscal year, to become 775,096 millions of yen. Operating income increased 1.8% (2,046 millions of yen) to 114,723 millions of yen and ordinary income increased 1.1% (1,234 millions of yen) to 117,031 millions of yen. Net income increased 6.2% (4,013 millions of yen) to 68,518 millions of yen.

Business Segment Overview

Organic and inorganic chemicals

In the U.S. PVC market that is a core market for Shin-Etsu Chemical's global PVC business strategy, the cost for the basic raw materials for producing PVC increased due to the record rise in the price of raw materials of ethylene at the beginning of 2001, and the selling price was sluggish. As a result of these conditions and the slowdown of the American economy, the U.S. PVC industry faced quite severe business challenges. Under these circumstances, Shintech, Inc., Shin-Etsu Chemical's U.S. PVC base, accurately anticipated the PVC market trend and put in place a business strategy that emphasized not only U.S. domestic sales but also export sales. Thus, Shintech was able to continue full operation of both its Texas plant, whose annual production capacity is 1.45 million tons, and its Louisiana plant, which with the completion of the second-phase construction in November 2001, saw its annual PVC production capacity jump from 300,000 tons to 590,000 tons. Furthermore, Shin-Etsu PVC in The Netherlands continued steady production and sales. On the other hand, the Japanese PVC business saw continued sluggishness in domestic demand and exports to Southeast Asian countries were bearish until the end of 2001. As a result, net sales of PVC were slightly down from the previous term, and operating income increased.

Silicones are marketed in a wide diversity of business fields with more than 4000 kinds of products for such industries as electric, electronic, automobile, chemical manufacturing, toiletries, cosmetics and construction. Domestic sales in this fiscal year remained steady for the toiletries, cosmetics and pharmaceutical industries; however, demand in such fields as the electric and electronics industries was sluggish. As a result, domestic sales decreased. On the other hand, the fiscal year saw steady shipments to China. Shipments to other areas, however, remained sluggish. Thus, net sales and operating income both decreased.

Cellulose derivatives saw steady growth in both domestic and international shipments to the pharmaceutical industry and the export of other industrial-use products saw steady growth mainly in automobile-related areas. As a result, net sales were higher than in the previous fiscal year.

Accordingly, this business segment's net sales decreased 3.0% (12,387 millions of yen), compared to the previous fiscal year, to 397,983 millions of yen. Operating income increased 3.8% (1,792 millions of yen) to 48,807 millions of yen.

Electronics materials

Reflecting the sudden decline in both the domestic and global semiconductor device markets, the volume of shipments from April 2001 decreased greatly; since September 2001, demand has recovered and shipments have increased. Moreover, production and sales of next-generation 300mm silicon wafers, whose commercial production began from February 2001, steadily increased. SOI wafers and such special wafers as annealed wafers also made steady contributions to the company's profit. As a result, in the semiconductor silicon business field as a whole, although net sales declined, operating income increased over that of the previous fiscal year.

Rare earth magnets for the electronics industry decreased in sales due to weak demand globally for hard disk drives. Sales of organic materials for the electronics industry and photoresists decreased because of the weakness in the semiconductor device market.

As a result, the net sales of this business segment decreased 12.5% (32,287 millions of yen), compared to the previous fiscal year, to 226,459 millions of yen. Operating income decreased 7.4% (2,682 millions of yen) to 33,678 millions of yen.

Functional materials and Others

In the first half of the fiscal year, supported by increased worldwide demand for optical fiber, sales of optical-fiber preform, which is one application of synthetic quartz, climbed in a tight market. However, during the second half of the fiscal year, the market softened due to a decrease in optical fiber demand in the U.S. and other markets. Under these circumstances, Shin-Etsu Chemical constructed a new plant for optical-fiber preform at the Kashima Coastal Industrial Zone in Japan, which significantly increased the company's supply capacity to meet expected growth in demand for this product. The company put a strong effort into strengthening sales in the Japan market as well as in markets in Asia and Europe and increased its optical-fiber preform sales. In addition, photomasks for large-size LCDs that is another application of synthetic quartz, have been steady.

Demand for rare earth magnets was sluggish in the fields of optical pick-ups and mobile phone applications, and sales decreased greatly. The market for oxide single crystals was adversely influenced by production adjustments in mobile phone parts, etc., and sales decreased.

As a result, the net sales of this business segment increased 8.9% (12,285 millions of yen), compared to the previous fiscal year, to 150,652 millions of yen. Operating income increased 9.8% (2,865 millions of yen) to 32,193 millions of yen.

Dividends

With regard to the end-of-term dividend for the period under review, the company plans to declare a dividend of 6 yen per share, the same as declared for the interim dividend. As a result, the company expects the annual dividend to be 12 yen per share, the same as in the previous fiscal year.

Business prospects

Regarding future business prospects, there are signs of recovery in demand with regard to some fields like semiconductor devices, but the economic situation doesn't yet allow for a confident forecast because of the sharp decline in domestic facility investment, and concerns about the trend in the American economy, which greatly influences the world economy.

Shin-Etsu will make full use of its equipment, facilities and assets, including properties recently acquired, and will also proceed with various new projects that are now under development. Furthermore, we will continue to endeavor to realize the world's top-level technology and quality, and will achieve competitive production costs. Shin-Etsu will strive to create a strong management base that will enable the company to maintain stable growth without being too adversely influenced by changes in the business environment.

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

	Millions of yen			
	Consolidated		Non-consolidated	
	<u>Six months</u>	<u>Fiscal year</u>	<u>Six months</u>	<u>Fiscal year</u>
Net sales	397,000	800,000	235,000	480,000
Ratio of increase (decrease) over the prior fiscal year	0.2%	3.2%	3.7%	3.2%
Ordinary income	60,000	122,000	34,000	69,000
Ratio of increase over the prior fiscal year	0.6%	4.2%	2.7%	4.2%
Net income	36,000	73,000	20,000	40,500
Ratio of increase over the prior fiscal year	4.0%	6.5%	2.5%	1.5%

The annual dividend is scheduled to be 12 yen per share.

(Note)

The forecast of results of operations made in this document involves risks and uncertainties since the forecast is based on management's assumptions and beliefs in light of the information currently available to it. The reader should be aware that actual results may be materially different from any future results expressed herein due to various factors. Material factors affecting the actual results may include overall economic conditions in which the businesses of our company and our group companies are involved, the relevant market trends and fluctuations in foreign exchange rates of the yen, in particular, the exchange rate between the U.S. dollars and the yen; provided, however, that such factors as may affect results of operations are not limited to those enumerated above.

(2) Financial position

	<u>Millions of Yen</u>		
	<u>For the fiscal year ended</u>		Increase (Decrease)
	<u>March 31,</u> <u>2002</u>	<u>March 31,</u> <u>2001</u>	
Cash and cash equivalents at beginning of fiscal year	272,768	271,634	1,134
Cash flows from operating activities	118,636	142,201	(23,565)
Cash flows from investing activities	(127,408)	(87,169)	(40,239)
Cash flows from financing activities	(24,984)	(70,364)	45,380
Effect of foreign exchange and others	10,834	16,466	(5,632)
Net Increase (decrease) in cash and cash equivalents	(22,922)	1,134	(24,056)
Cash and cash equivalents at end of fiscal year	249,846	272,768	(22,922)

The Shin-Etsu Group continuously maintained the high level of net income before income taxes, amount of 113,091 millions of yen. However, due to expenditure for purchase of tangible fixed assets and securities, cash and cash equivalents at the end of this fiscal year decreased by 8.4%(22,922 millions of yen) over that of prior year, to become 249,846 millions of yen.

Cash flows from operating activities

Increase provided by operating activities was 118,636 millions of yen. This was mainly due to income before income tax of 113,091 millions of yen and depreciation expense of 70,878 millions of yen and payment of corporate taxes amounted to 62,953 millions of yen.

Cash flows from investing activities

Decrease provided by investing activities was 127,408 millions of yen. This was mainly due to expenditures for purchase of tangible fixed assets of 81,875 millions of yen and net expenditures for purchase, sales and redemption of securities of 50,725 millions of yen.

Cash flows from financing activities

Decrease provided by financing activities was 24,984 millions of yen. This was mainly due to expenditures for the repayment of long-term borrowings of 21,782 millions of yen.

4. Consolidated Financial Statements

4-1 Comparative Consolidated Balance Sheets

As of March 31, 2002 and 2001

Millions of Yen

ASSETS

	March 31, 2002	March 31, 2001	Increase (Decrease)
Current Assets:			
Cash on hand and in banks	233,865	221,222	12,643
Notes and accounts receivable -trade	193,057	221,276	(28,219)
Securities	107,472	99,781	7,691
Inventories	119,618	118,279	1,339
Deferred tax assets	22,219	24,004	(1,785)
Others	20,541	24,935	(4,394)
Less: Allowance for doubtful accounts	(4,211)	(4,222)	11
Total current assets	692,563	705,278	(12,715)
Fixed Assets:			
Tangible fixed assets			
Buildings and structures	166,403	155,674	10,729
Machinery and vehicles	207,517	194,804	12,713
Land	34,111	33,375	736
Construction in progress	35,187	25,139	10,048
Others	12,625	13,249	(624)
	455,846	422,243	33,603
Intangible fixed assets	3,509	3,416	93
Investments and others			
Investments in securities	111,005	108,891	2,114
Deferred tax assets	14,157	15,962	(1,805)
Others	11,375	10,049	1,326
Less: Allowance for doubtful accounts	(25)	(41)	16
	136,512	134,861	1,651
Total fixed assets	595,868	560,521	35,347
TOTAL ASSETS	1,288,432	1,265,799	22,633

	<u>Millions of Yen</u>		
	<u>March 31, 2002</u>	<u>March 31, 2001</u>	<u>Increase (Decrease)</u>
LIABILITIES			
Current Liabilities:			
Notes and accounts payable-trade	97,280	111,900	(14,620)
Short-term borrowings	84,556	82,422	2,134
Debentures of redemption within one year	28,995	3,235	25,760
Accounts payable-others	27,382	39,050	(11,668)
Accrued income taxes	13,887	40,592	(26,705)
Accrued expenses	59,267	51,439	7,828
Others	17,148	25,770	(8,622)
Total current liabilities	<u>328,519</u>	<u>354,412</u>	<u>(25,893)</u>
Long-term Liabilities:			
Debentures	16,000	42,910	(26,910)
Convertible debentures	18,315	18,340	(25)
Long-term borrowings	29,590	44,090	(14,500)
Deferred tax liabilities	23,497	19,243	4,254
Accrued retirement benefits	15,214	27,967	(12,753)
Others	21,354	19,558	1,796
Total long-term liabilities	<u>123,972</u>	<u>172,109</u>	<u>(48,137)</u>
TOTAL LIABILITIES	<u>452,492</u>	<u>526,522</u>	<u>(74,030)</u>
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES	<u>23,871</u>	<u>24,280</u>	<u>(409)</u>
STOCKHOLDERS' EQUITY			
Common stock	110,259	110,247	12
Additional paid-in capital	119,028	119,016	12
Legal reserve and retained earnings	556,465	493,169	63,296
Unrealized gain on available-for-sale Securities	6,138	9,741	(3,603)
Foreign currency translation adjustment	28,531	(9,530)	38,061
Treasury stock	(8,356)	(7,648)	(708)
TOTAL STOCKHOLDERS' EQUITY	<u>812,068</u>	<u>714,996</u>	<u>97,072</u>
TOTAL LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY	<u>1,288,432</u>	<u>1,265,799</u>	<u>22,633</u>
(Notes)			
1. Accumulated depreciation of tangible fixed assets	704,982	641,685	
2. Contingent liabilities for guarantee	2,166	1,575	
3. Treasury stock (in shares)	1,859,567	1,892,088	

4-2 Comparative Consolidated Income Statements

For the fiscal year ended March 31, 2002 and 2001

	<u>Millions of Yen</u>		
	<u>For the fiscal year ended</u>		<u>Increase (Decrease)</u>
	<u>March 31, 2002</u>	<u>March 31, 2001</u>	
Operating Income and Expenses:			
Net sales	775,096	807,484	(32,388)
Cost of sales	572,365	603,560	(31,195)
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Gross profit	202,730	203,924	(1,194)
Selling, general and administrative expenses	88,007	91,247	(3,240)
	<hr/>	<hr/>	
Operating income	114,723	112,677	2,046
Non-operating Income:			
Interest income	5,649	8,455	(2,806)
Dividend income	694	774	(80)
Foreign exchange gain	5,867	9,080	(3,213)
Equity in earnings of affiliates	664	1,924	(1,260)
Other income	2,362	1,325	1,037
	<hr/>	<hr/>	
	15,238	21,560	(6,322)
Non-operating Expenses:			
Interest expenses	6,124	7,841	(1,717)
Loss on disposal of property, plant and equipment	1,533	3,031	(1,498)
Other expenses	5,271	7,567	(2,296)
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	12,930	18,439	(5,509)
	<hr/>	<hr/>	
Ordinary income	117,031	115,797	1,234
Extraordinary Gains:			
Gain on transfer of securities to retirement benefits trust	5,106	5,234	(128)
Gain on sales of investments in securities	-	8,410	(8,410)
Gain on sales of property, plant and equipment	-	8,080	(8,080)
Reversal of prior year's accrued maintenance expenses	-	4,039	(4,039)
	<hr/>	<hr/>	
	5,106	25,765	(20,659)
Extraordinary Losses:			
Special additional payments for early retirement	7,997	-	7,997
Loss on disposal of property, plant and equipment	1,049	-	1,049
Special provision for retirement Benefits costs	-	27,497	(27,497)
Loss on write-down of investment securities	-	5,264	(5,264)
	<hr/>	<hr/>	
	9,046	32,762	(23,716)
	<hr/>	<hr/>	
Income before income taxes	113,091	108,800	4,291
Income taxes Current	36,045	61,030	(24,985)
Income taxes Deferred	7,734	(19,341)	27,075
Minority interest in earnings of consolidated subsidiaries	793	2,606	(1,813)
	<hr/>	<hr/>	
Net income	68,518	64,505	4,013
	<hr/>	<hr/>	

4-3 Comparative Consolidated statements of retained earnings

For fiscal year ended March 31, 2002 and 2001

	<u>Millions of Yen</u>		Increase (Decrease)
	<u>For the fiscal year ended</u>		
	<u>March 31, 2002</u>	<u>March 31, 2001</u>	
Consolidated retained earnings at the beginning of fiscal year	<u>493,169</u>	<u>433,460</u>	<u>59,709</u>
Cash dividends	5,046	4,613	433
Director's and statutory auditor's bonuses	176	182	(6)
Total decrease	<u>5,222</u>	<u>4,795</u>	<u>427</u>
Net income	<u>68,518</u>	<u>64,505</u>	<u>4,013</u>
Consolidated retained earnings at the end of fiscal year	<u>556,465</u>	<u>493,169</u>	<u>63,296</u>

4-4 Comparative Consolidated statements of cash flows

For the fiscal year ended March 31, 2002 and 2001.

	Millions of Yen		Increase (Decrease)
	For the fiscal March 31, 2002	For the fiscal March 31, 2001	
1. Cash flows from operating activities			
Income before income taxes	113,091	108,800	4,291
Depreciation and Amortization	70,878	70,767	111
Amortization of bond discounts	-	581	(581)
Increase in accrued retirement benefits	(12,701)	26,915	(39,616)
Loss on write-down of investment securities	500	5,264	(4,764)
Interest and dividend income	(6,343)	(9,229)	2,886
Interest expenses	6,124	7,841	(1,717)
Foreign exchange gain	(3,597)	(6,331)	2,734
Equity in earnings of affiliates	(664)	(1,924)	1,260
Transfer of securities to retirement benefits trust	10,930	7,254	3,676
Gains on transfer of securities to retirement benefits trust	(5,106)	(5,234)	128
(Increase) decrease in notes and accounts receivable	35,427	(30,664)	66,091
(Increase) decrease in inventories	2,689	(15,537)	18,226
Increase (decrease) in notes and accounts payable	(30,696)	25,651	(56,347)
Other, net	1,120	(3,595)	4,715
Subtotal	181,653	180,558	1,095
Proceeds from interest and dividend	6,354	9,327	(2,973)
Payment of interest	(6,417)	(9,004)	2,587
Payment of income taxes	(62,593)	(38,680)	(24,273)
Net cash provided by operating activities	118,636	142,201	(23,565)
2. Cash flows from investing activities			
Net increase (decrease) in marketable securities	(50,725)	(560)	(50,165)
Purchase of property, plant and equipment	(81,875)	(87,641)	5,766
Proceeds from sales of property, plant and equipment	1,239	8,741	(7,502)
Purchase of intangible fixed asset	(1,159)	(641)	(518)
Purchase of investment securities	(23,952)	(26,997)	3,045
Proceeds from sales and redemption of investment securities	26,143	23,338	2,805
Payments of loans	(62)	(2,710)	2,648
Proceeds from collection of loan	4,279	356	3,923
Other, net	(1,296)	(1,055)	(241)
Net cash used for investing activities	(127,408)	(87,169)	(40,239)
3. Cash flows from financing activities			
Net decrease in short term debt	(4,726)	(4,427)	(299)
Proceeds from long term debt	11,284	10,944	340
Repayment of long term debt	(21,782)	(21,957)	175
Payment of debentures on redemption	(3,427)	(52,350)	48,923
Proceeds from issue of shares	-	4,539	(4,539)
Cash dividends paid	(5,046)	(4,613)	(433)
Other, net	(1,286)	(2,499)	1,213
Net cash used for financing activities	(24,984)	(70,364)	45,380
4. Effect of foreign exchange on cash and cash equivalents	11,070	14,465	(3,395)
5. Net decrease in cash and cash equivalents	(22,685)	(867)	(21,818)
6. Cash and cash equivalents at beginning of year	272,768	271,634	1,134
7. Net increase in cash and cash equivalents by change of consolidation scope	(236)	2,001	(2,237)
8. Cash and cash equivalents at end of the period	249,846	272,768	(22,922)

4-5 Basis of Presenting Consolidated Financial Statement

1. Scope of Consolidation		
Consolidated Subsidiaries	58	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. Nissin Chemical Industry Co., Ltd. 48 other subsidiaries
Unconsolidated Subsidiaries	35	

2.Application of Equity Method

The Company had 35 unconsolidated subsidiaries and 17 affiliates. The equity method is applied to the investments in 8 major affiliates – Shin-Etsu Quartz Products Co., Ltd., Kashima Vinyl Chloride Monomer Co., Ltd., Nagano Electronics Industrial Co., Ltd. and 5 other affiliates.

3.Fiscal Year of Consolidated Subsidiaries

31 subsidiaries adopt fiscal year ending on December 31st, and 4 subsidiaries adopt that ending on February 28th, 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 (Straight-line method)

Available-for-sale securities

 Marketable securities Market value method based on the fair market value as of the balance sheet date. (Net unrealized gains or losses on these securities are reported as a separate item in the shareholders' equity at net-of-tax amount. Costs of sales of these securities are principally calculated based on a moving average cost method)

 Non-marketable securities Mainly moving average cost method

b) Inventories valuation Mainly average cost method

c) Derivatives Market value method

(2) Depreciation method of significant depreciable assets

..... Mainly declining-balance method

(3) Calculation method of significant allowances

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

b) Accrued retirement benefits Pension and severance costs for employees are accrued based on the estimates of the pension obligations and the plan assets at the end of current fiscal year. The actuarial difference is amortized over five-year period, which is within the average remaining service period, using straight-line method from the fiscal year when the difference was generated. The prior service cost is amortized over ten-year period, which is within the average remaining service period using straight-line method from the time when the difference was generated.

(4) Accounting method of significant lease transactions

Accounting method in connection with the contracts of finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees is mainly according to that of operating lease transactions.

5. Amortization of consolidated adjustment account

Excess of investment cost over equity in net assets of consolidated subsidiaries is amortized over five years on a straight-line method.

6. Distribution of profits

Consolidated Statements of Retained Earnings is based on the distribution of profits defined in this fiscal year.

7. Nature of fund on consolidated statement of cash flows

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 fiscal year ended March 31, 2002 and 2001

5-1. Business Segment Information

		Millions of Yen					
		For the fiscal year ended March 31, 2002					
		Industrial Segment					
		Organic and inorganic Chemicals	Electronics Materials	Functional materials and others	Total	Elimination or Corporate assets	Consolidated total
Sales	Outside customers	397,983	226,459	150,652	775,096	-	775,096
	Inter Segment	10,094	2,419	62,171	74,684	(74,684)	-
Total		408,077	228,879	212,824	849,781	(74,684)	775,096
Operating costs and expenses		359,270	195,200	180,630	735,100	(74,727)	660,373
Operating income		48,807	33,678	32,193	114,680	43	114,723
Assets		465,893	432,828	172,439	1,071,160	217,271	1,288,432
Depreciation		23,727	32,312	15,085	71,125	(246)	70,878
Capitalexpenditure		26,121	36,744	18,902	81,769	(226)	81,543

		Millions of Yen					
		For the fiscal 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
Capitalexpenditure (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 the fiscal year ended March 31, 2001.

(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 fiscal year ended March 31, 2002 and 2001 were 268,464 and 271,303 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 fiscal year ended March 31, 2002						
		Geographic area				Total	Elimination or Corporate assets	Consolidated total
		Japan	North America	Asia	Other Area			
Sales	Outside customers	479,015	168,707	67,078	60,295	775,096	-	775,096
	Inter segment	89,077	11,535	31,306	3,965	135,884	(135,884)	-
	Total	568,092	180,243	98,385	64,260	910,981	(135,884)	775,096
Operating costs and expenses		481,060	161,635	93,658	59,874	796,228	(135,855)	660,373
Operating income		87,032	18,607	4,727	4,385	114,752	(28)	114,723
Assets		647,035	305,968	96,878	74,606	1,124,489	163,942	1,288,432

		Millions of Yen						
		For the fiscal 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
Operating 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

(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 fiscal year ended March 31, 2002 and 2001 were 268,464 and 271,303 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 fiscal year ended March 31, 2002			
	North America	Asia	Other area	Total
Overseas sales	164,089	199,289	82,892	446,271
Consolidated sales				775,096
Percentage of overseas sales over consolidated sales	21.2	25.7	10.7	57.6

	Millions of Yen			
	For the fiscal year ended March 31, 2001			
	North America	Asia	Other area	Total
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

(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			Increase (Decrease)	Operating Income		Increase (Decrease)
	For the fiscal year ended		March 31, 2001		For the fiscal year ended		
	March 31, 2002	March 31, 2001		March 31, 2002	March 31, 2001		
Polyvinyl chloride	1,998	2,081	(83)	158	136	22	
Silicones	1,199	1,352	(153)	206	219	(13)	
Others	783	670	113	124	115	9	
Total Organic and inorganic chemicals Segment	3,980	4,104	[-3.0%] (124)	488	470	[3.8%] 18	
Semiconductor silicon	1,764	2,047	(283)	264	258	6	
Others	500	540	(40)	73	106	(33)	
Total Electronics materials Segment	2,265	2,587	[-12.5%] (322)	337	364	[-7.4%] (27)	
Synthetic quartz products	571	415	156	231	181	50	
Functional materials (Rare earths, Oxide single crystals, etc)	218	324	(106)	54	81	(27)	
Others	717	644	73	37	31	6	
Total Functional materials and Others Segment	1,507	1,384	[8.9%] 123	322	293	[9.8%] 29	
Grand total	7,751	8,075	[-4.0%] (324)	1,147	1,127	[1.8%] 20	

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, equivalent amount 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

	<u>Millions of Yen</u>	
	<u>March 31, 2002</u>	<u>March 31, 2001</u>
Acquisition cost	4,624	2,958
Accumulated depreciation	2,533	2,015
Net book value	2,090	943

- (2) Future lease payments

Within one year	690	544
Over one year	1,400	398
Total	2,090	943

- (3) Lease expenses

(equivalent amount of depreciation expenses)	894	623
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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

Future lease payments

	<u>Millions of Yen</u>	
	<u>March 31, 2002</u>	<u>March 31, 2001</u>
Within one year	1,934	865
Over one year	3,728	2,039
Total	5,662	2,904

7. Securities

As of March 31, 2002

(1) Market value of bonds held to maturity

	Millions of Yen		
	Book value	Market value	Unrealized gain(loss)
Securities with fair value that exceed book value			
National and Local government bonds and others	0	0	0
Debentures	-	-	-
Others	-	-	-
Subtotal	0	0	0
Securities with fair value that do not exceed book value			
National and Local government bonds and others	-	-	-
Debentures	-	-	-
Others	2,020	2,005	(14)
Subtotal	2,020	2,005	(14)
Total	2,020	2,005	(14)

(2) Available-for-sale securities with defined fair values

	Millions of Yen		
	Acquisition cost	Book value	Unrealized gain(loss)
Securities with book value that exceed acquisition cost			
Stocks	17,667	30,277	12,609
Bonds			
National and Local government bonds and others	-	-	-
Debentures	-	-	-
Others	459	490	30
Subtotal	18,127	30,767	12,639
Securities with book value that do not exceed acquisition cost			
Stocks	11,898	9,882	(2,015)
Bonds			
National and Local government bonds and others	-	-	-
Debentures	4	3	(0)
Others	1,379	1,245	(134)
Subtotal	13,281	11,131	(2,150)
Total	31,409	41,898	10,489

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

	Millions of Yen
	Book value
1. Bonds held to maturity	
Discount bond	27,128
Non-listed domestic bonds	5,006
Non-listed overseas bonds	29,557
2. Investments in non-consolidated subsidiaries and affiliates	28,648
3. Available-for-sale securities	
Non-listed shares	7,112
Non-listed overseas bonds	77,097
Others	9

(4) Redemption schedule of available-for-sale securities with maturity and bonds held to maturity

	Millions of Yen		
	Within one year	Over one year within five years	Over five years within ten year
Bonds			
National and Local government bonds and others	0	6	0
Debentures	-	3	-
Others	89,126	25,269	8,513
Total	89,126	25,280	8,513

As of March 31, 2001

(1) Market value of bonds held to maturity

	Millions of Yen		
	Book value	Market value	Unrealized gain(loss)
Securities with fair value that exceed book value			
National and Local government bonds and others	0	0	0
Debentures	-	-	-
Others	2,019	2,037	17
Subtotal	2,019	2,037	18
Securities with fair value that do not exceed book value			
National and Local government bonds and others	-	-	-
Debentures	-	-	-
Others	20	19	(0)
Subtotal	20	19	(0)
Total	2,039	2,057	17

(2) Available-for-sale securities with defined fair values

	Millions of Yen		
	Acquisition cost	Book value	Unrealized gain(loss)
Securities with book value that exceed acquisition cost			
Stocks	17,785	35,666	17,881
Bonds			
National and Local government bonds and others	-	-	-
Debentures	4	4	0
Others	2,239	2,284	44
Subtotal	20,028	37,955	17,926
Securities with book value that do not exceed acquisition cost			
Stocks	18,174	17,077	(1,097)
Bonds			
National and Local government bonds and others	-	-	-
Debentures	-	-	-
Others	480	467	(12)
Subtotal	18,654	17,545	(1,109)
Total	38,683	55,500	16,816

(3) Available-for-sale securities sold during the fiscal year ended March 31, 2001

	Millions of Yen
Amount sold	10,033
Net gain	8,410

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

	Millions of Yen
	<u>Book value</u>
1. Bonds held to maturity	
Discount bond	18,878
Non-listed domestic bonds	5,007
Non-listed overseas bonds	41,475
2. Investments in non-consolidated subsidiaries and affiliates	24,384
3. Available-for-sale securities	
Non-listed shares	5,959
Non-listed overseas bonds	55,407
Others	19

(5) Redemption schedule of available-for-sale securities with maturity and bonds held to maturity

	Millions of Yen		
	<u>Within one year</u>	<u>Over one year within five years</u>	<u>Over five years within ten year</u>
Bonds			
National and Local government bonds and others	0	4	3
Debentures	-	4	-
Others	96,183	23,048	-
Total	96,183	23,057	3

8. Derivative transactions

	Millions of Yen							
	<u>As of March 31,2002</u>				<u>As of March 31,2001</u>			
	<u>Contract amounts</u>	<u>Over one year</u>	<u>Market value</u>	<u>Unrealized gain(loss)</u>	<u>Contract amounts</u>	<u>Over one year</u>	<u>Market value</u>	<u>Unrealized gain(loss)</u>
Currency relatives								
Foreign exchange contracts								
Sales Contracts	11,290	-	11,658	(367)	21,650	-	22,228	(578)
Buys Contracts	178	-	186	8	3,955	-	4,167	211
Interest relatives								
Interest swap contracts	40,000	34,000	(163)	(163)	20,000	20,000	(67)	(67)
Total	-	-	-	(552)	-	-	-	(434)

(Notes) 1.The market value for the Interest relatives 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 March 31, 2002 and 2001.

2.Derivative transactions which apply hedge accounting are excluded from the above.

9. Retirement Benefit

1. Overview of Retirement Benefit Plan

The Company and its domestic consolidated subsidiaries have tax-qualified pension plan and lump-sum severance payment plans as part of their defined benefits scheme. Certain overseas consolidated subsidiaries also have defined benefit pension plans. Additionally, the Company set up "Retirement Benefit Trust". Shin-Etsu Group temporarily framed a system of special additional payments for early retirement in this fiscal year, which is not included in benefit obligation based on Accounting for retirement benefits.

2. Benefit Obligation (As of March 31, 2002 and 2001)

	Millions of Yen	
	As of March 31, 2002	As of March 31, 2001
(a) Benefit Obligation	(63,487)	(68,998)
(b) Pension Assets	45,924	37,951
(c) Unfunded Benefit Obligation [(a)+(b)]	(17,563)	(31,047)
(d) Undisposed of Net Transition Assets	-	-
(e) Unrecognized actuarial differences	3,489	3,080
(f) Unrecognized prior service cost (negative) (Note2)	(1,140)	-
(g) Amount shown on Balance Sheet [(c)+(d)+(e)+(f)]	(15,214)	(27,967)
(h) Prepaid pension expenses	-	-
(i) Accrued Retirement Benefits [(g)-(h)]	(15,214)	(27,967)

- (Notes)
1. Special additional payments for early retirement of 7,997 millions of yen, which will be paid next fiscal year is included in "Accrued expenses", not included in "Accrued retirement benefits" on Balance Sheet as of March 31, 2002.
 2. The Company and certain consolidated subsidiaries changed system on tax-qualified pension plan, so that prior service cost (negative) is generated.
 3. Some subsidiaries adopt a simplified method for calculations of benefit obligation.

3. Retirement Benefit Costs (For the fiscal year ended March 31, 2002 and 2001)

	Millions of Yen	
	For the fiscal year ended	
	March 31, 2002	March 31, 2001
(a) Service costs (Note2)	3,317	3,213
(b) Interest costs	1,987	1,946
(c) Expected return on plan assets	(1,075)	(894)
(d) Amortization of difference arising from adopting the new standard	-	27,497
(e) Recognized actuarial loss	1,000	777
(f) Amortization of prior service costs	(106)	-
(g) Retirement Benefit Costs [(a)+(b)+(c)+(d)+(e)+(f)]	5,123	32,541

- (Notes)
1. The Company reports "Special additional payments for early retirement" in "Extraordinary losses" for fiscal year ended March 31, 2002, other than "Retirement Benefit Costs" as above.
 2. Retirement benefit costs for subsidiaries adopting a simplified method is reported in "Service costs".

4. Basic Assumptions for Calculating Benefit Obligation

	As of March 31, 2002	As of March 31, 2001
(a) Period allocation method for estimated Retirement benefits	fix period standard	fix period standard
(b) Discount rate	principally 3.0%	principally 3.0%
(c) Expected return on plan assets	principally 3.0%	principally 3.0%
(d) Period of amortizing prior service costs	-	Principally 10 years (expensed from the time when the cost was generated based on straight-line method)
(e) Period of amortizing actuarial differences	Principally 5 years (expensed from the year when the cost was generated based on straight-line method)	Principally 5 years (expensed from the year when the cost was generated based on straight-line method)
(f) Period of amortizing transition obligation	Expensed the total in current fiscal year incurred	-

10. Deferred Tax

1. Factors of deferred tax assets and liabilities

	Millions of Yen	
	<u>As of March 31,2002</u>	<u>As of March 31,2001</u>
Deferred Tax Assets		
Special provision for retirement benefits costs	9,574	12,159
Unsettled accounts receivable and payable	7,448	5,781
Depreciation	7,355	7,006
Tax loss carryforwards	5,350	3,733
Unrealized gain	3,627	3,558
Accrued bonus allowance	2,734	2,455
Maintenance cost	1,945	2,064
Accrued enterprise taxes	1,147	3,456
Others	16,219	18,495
Valuation allowance	(5,786)	(4,772)
Total	<u>49,617</u>	<u>53,939</u>
Deferred Tax Liabilities		
Depreciation	29,807	23,508
Unrealized gain on available-for-sale securities	4,329	7,013
Reserve for special depreciation	952	1,122
Others	1,648	1,572
Total	<u>36,737</u>	<u>33,216</u>
Net Deferred Tax Assets	<u>12,879</u>	<u>20,723</u>

(Notes) Net Deferred Tax Assets are included in the following accounts.

	Millions of Yen	
	<u>As of March 31,2002</u>	<u>As of March 31,2001</u>
Current assets : Deferred tax assets	22,219	24,004
Non-current assets : Deferred tax assets	14,157	15,962
Current liabilities : Deferred tax liabilities	-	-
Non-current liabilities: Deferred tax liabilities	(23,497)	(19,243)

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

	<u>As of March 31,2002</u>	<u>As of March 31,2001</u>
Statutory tax rate	41.7%	41.7%
Rate difference from foreign subsidiaries	(2.8)	(3.1)
Dividend income not taxable	(0.8)	(0.8)
Entertainment and other non-deductible expenses	0.3	0.3
Others, net	0.3	0.2
Effective tax rate	<u>38.7</u>	<u>38.3</u>