

# Financial Summary

(For the year ended March 31, 2002)

May 16, 2002

**Shin-Etsu Chemical Co.,Ltd.**

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# 1. Operating Performance

	(Billion Yen)			(times)				
	Consolidated			Non-consolidated			Ratio (Consolidated/Non-consolidated)	
	Fiscal year 00/4-01/3	Fiscal year 01/4-02/3	Increase (Decrease)	Fiscal year 00/4-01/3	Fiscal year 01/4-02/3	Increase (Decrease)	Fiscal year 00/4-01/3	Fiscal year 01/4-02/3
Sales	807.5	775.1	(4.0%) (32.4)	461.0	465.3	0.9% 4.3	1.75	1.67
Operating Income	112.7	114.7	1.8% 2.0	57.0	64.6	13.3% 7.6	1.98	1.78
Ordinary Income	115.8	117.0	1.1% 1.2	62.2	67.0	7.7% 4.8	1.86	1.75
Net Income	64.5	68.5	6.2% 4.0	34.3	39.9	16.3% 5.6	1.88	1.72
Total Assets	1,265.8	1,288.4	22.6	675.4	659.9	(15.5)	1.87	1.95
Stockholders' Equity	715.0	812.1	97.1	457.8	478.2	20.4	1.56	1.70
Equity Ratio	56.5%	63.0%	6.5%	67.8%	72.5%	4.7%		
Per share (in Yen)								
Net Income	153.58	162.93	9.35	81.32	94.85	13.53		
Stockholders' Equity	1,700	1,930	230	1,083	1,137	54		
Cash dividend				12.00	12.00	0.00		
ROE	9.4%	9.0%	(0.4%)	7.9%	8.5%	0.6%		
ROA	9.5%	9.2%	(0.3%)	9.3%	10.0%	0.7%		

ROA:Return(Ordinary income) on total assets

## 2. Financial Highlights

(Billion Yen)

	Consolidated		Non-consolidated	
	Fiscal year 00/4-01/3	Fiscal year 01/4-02/3	Fiscal year 00/4-01/3	Fiscal year 01/4-02/3
Capital expenditures	96.8	81.5	42.1	36.2
Depreciation	70.8	70.9	27.4	28.8
Balance of liabilities with interest	191.4	177.8	53.3	51.3
Financial revenue (net)	1.4	0.2	3.9	3.3
R&D costs	25.9	28.2	15.6	16.6
Number of employees	19,398	16,456	3,228	2,755
Exchange rate Jan.-Dec.(Ave.) (Yen/US\$)	107.8	121.5	-	-
	109.7	125.4	109.7	125.4

Notes; 1) Breakdown of Consolidated Capital Expenditures and Depreciation for the year ended March 31, 2002

	<u>Capital Expenditures</u>	<u>Depreciation</u>
	Billion Yen	Billion Yen
Organic and inorganic chemicals	26.1	23.7
Electronics materials	36.7	32.3
Functional materials and Others	18.9	15.1

2) The number of retired employees who choose to received special additional payments for early retirement

Consolidated : 1,559 / Non-consolidated : 370

3) An average exchange rate between January and December was used for the Consolidated Income

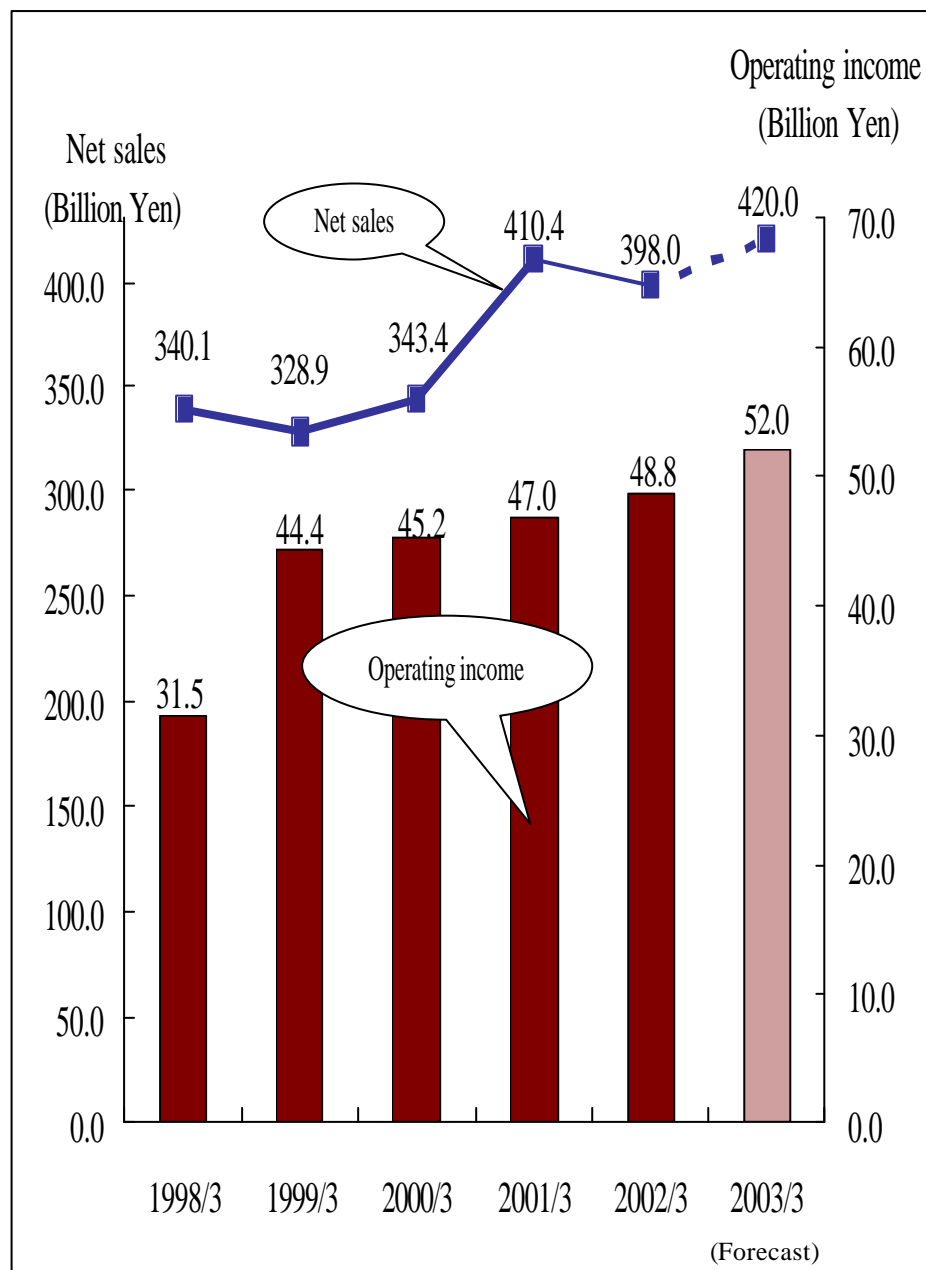
Statements of overseas subsidiaries.

### 3. Business Segment Information (Consolidated)

(Billion Yen)

	Net Sales			Operating Income		
	Fiscal year 00/4-01/3	Fiscal year 01/4-02/3	Increase (Decrease)	Fiscal year 00/4-01/3	Fiscal year 01/4-02/3	Increase (Decrease)
Organic and inorganic chemicals	410.4	398.0	( 3.0%) (12.4)	47.0	48.8	3.8% 1.8
Polyvinyl chloride	208.1	199.8	(8.3)	13.6	15.8	2.2
Silicones	135.2	119.9	(15.3)	21.9	20.6	(1.3)
Others	67.0	78.3	11.3	11.5	12.4	0.9
Electronics materials	258.7	226.5	(12.5%) (32.2)	36.4	33.7	( 7.4%) (2.7)
Semiconductor silicon	204.7	176.4	(28.3)	25.8	26.4	0.6
Others	54.0	50.0	(4.0)	10.6	7.3	(3.3)
Functional materials and Others	138.4	150.7	8.9% 12.3	29.3	32.2	9.8% 2.9
Synthetic quartz products	41.5	57.1	15.6	18.1	23.1	5.0
Rare earths,Oxide single crystals,etc	32.4	21.8	(10.6)	8.1	5.4	(2.7)
Others	64.4	71.7	7.3	3.1	3.7	0.6
Elimination	-	-	-	0.0	0.0	0.0
<b>Total</b>	<b>807.5</b>	<b>775.1</b>	<b>( 4.0%) (32.4)</b>	<b>112.7</b>	<b>114.7</b>	<b>1.8% 2.0</b>

## 4. "Organic and Inorganic chemicals" Business Segment (Consolidated)



- **PVC**

In the U.S. PVC market, the cost for the basic raw materials for producing PVC increased due to the record rise in the price of natural gas at the beginning of 2001, and the selling price was sluggish. Under these circumstances, Shintech Inc. put in place a business strategy that emphasized not only U.S. domestic sales but also export sales. 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.

Shin-Etsu PVC in The Netherlands continued steady production and sales.

The Japanese PVC business remained severe without recovery of domestic market. The export market to Southeast Asia was weak, and continued bearish until the end of 2001.

As a result, net sales of PVC were slightly down from the previous term, however, operating income increased.

- **Silicones**

Domestic sales in this fiscal year decreased, as the demand in such fields as the electric and electronics industries was sluggish, although the sales to the toiletries and cosmetics industries remained steady. Thus, net sales and operating income both decreased.

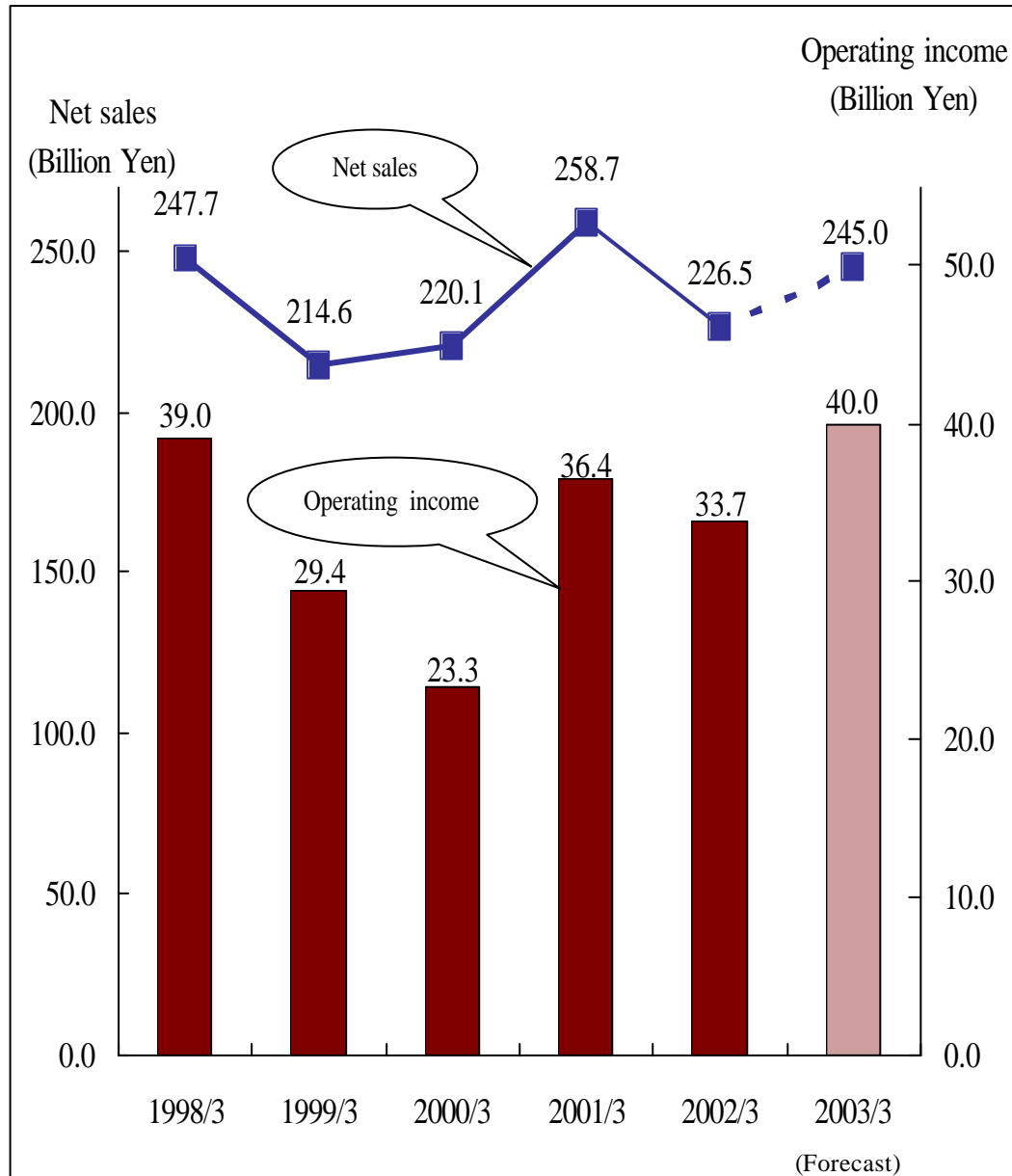
Started construction of a silicones products manufacturing plant in Thailand. Plans to start production at about the same time in 2003 at Shin-Etsu/GE silicone monomer joint venture.

Completion of the construction of a manufacturing facility for specialty silanes is expected this year.

- Sales of cellulose derivatives for the pharmaceutical use were good, and products for industrial use saw steady growth, mainly in automobile-related areas. Net sales increased.
- Restructured subsidiary companies in vinyl acetate monomer and Poval (polyvinyl alcohol) business in May 2002.

(\*) At overseas subsidiaries, the period from January to December is recorded as their FY, with the FY ending in December.

## 5. "Electronics materials" Business Segment (Consolidated)



### ● Semiconductor silicon

The volume of shipments from April 2001 decreased greatly. Since September 2001, demand has recovered and shipments have increased. 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

Due to weak demand globally for hard disk drives, net sales decreased; however, they are improving currently.

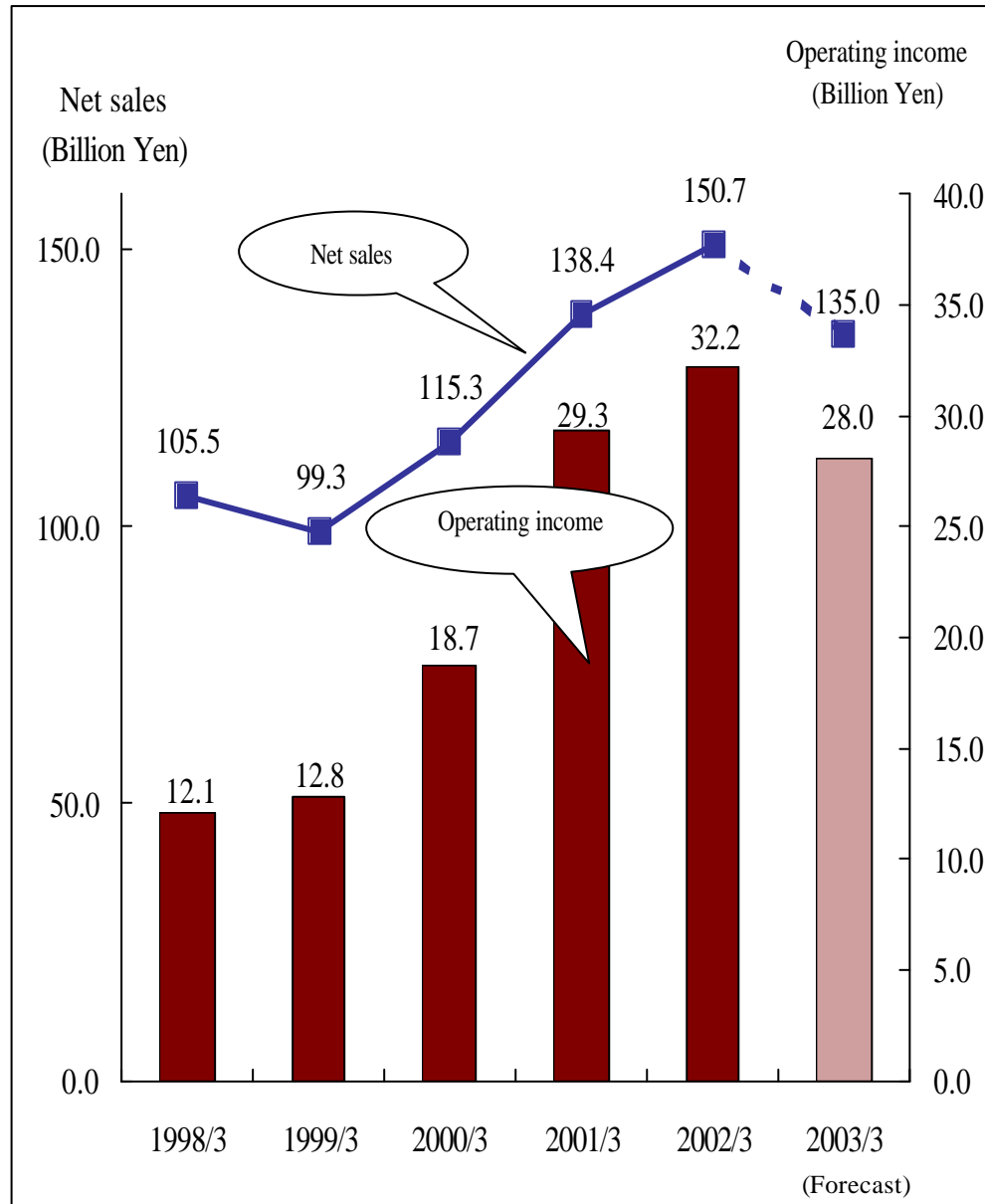
### ● Organic materials for the electronics industry

Sales of organic materials for the electronics industry declined in the first half of the fiscal year due to the weak semiconductor device market. However, sales improved in the second half of the fiscal year.

### ● Photoresists

Sales of photoresist products declined in the first half of the fiscal year, as a result of the slowdown in the semiconductor device market. However, sales have entered a recovery phase January 2002.

## 6. “Functional materials and Others” Business Segment (Consolidated)



### ● Synthetic quartz

In the first half of the fiscal year, supported by increased worldwide demand for optical fiber, sales of optical-fiber preform 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 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 made strong efforts to strengthen sales in the Japan market as well as in markets in Asia and Europe and the result was increased optical-fiber preform sales.

Sales of photomasks for large-size LCDs, another application of synthetic quartz, have been steady.

As a result, both net sales and operating income of synthetic quartz products increased significantly.

### ● Oxide single crystals(LT)

Sales were sluggish due to the declining demand for mobile phones.

### ● Rare earth magnets

Demand for both optical pick-ups and mobile phone applications was weak resulting in decreased sales.

## 7. Operating Performance of Shintech, Inc.

### Shintech, Inc.

	Fiscal year 00/1-00/12		Fiscal year 01/1-01/12	
	Million US\$	Billion Yen	Million US\$	Billion Yen
Net Sales	1,138	122.7	968	117.7
Income before Income Taxes	173	18.6	160	19.5
Net Income	116	12.5	104	12.6
Stockholders' Equity	1,161	133.3	1,265	167.0
Total Assets	1,347	154.6	1,443	190.4

2001 was a severe year for the U.S. PVC industry and all competitors that disclosed their operating results of PVC segment recorded red ink because of sluggish domestic demand and selling price as well as the high price of the basic raw material for producing PVC due to the record rise in the price of raw materials of ethylene at the beginning of 2001.

Under these circumstances, Shintech accurately anticipated the PVC market trend and concentrated its efforts not only on sales within the U.S. but also on exporting PVC. It maintained its full capacity operation including its new Louisiana plant of which the first-phase plant construction was completed in December 2000 with a production capacity of 300,000 tons per year. Therefore Shintech was able to make a profit as described on the left.

Furthermore, Shintech completed its second-phase expansion of the Louisiana plant with an additional capacity of 290,000 tons and began its commercial operation successfully in November 2001. Including the additional production capacity, Shintech maintained its full capacity operation during 2001.

As a result, Shintech was able to achieve a record-high fiscal year profit in terms of Japanese yen.

## 8. Operating Performance of Shin-Etsu Handotai Group

### **Shin-Etsu Handotai Group(Consolidated)**

(Shin-Etsu Handotai , SEH-America, SEH-Malaysia, SEH-Europe, SEH-Taiwan)

(Billion Yen)

	Fiscal year 00/4-01/3	Fiscal year 01/4-02/3
Net Sales	196.7	170.1
Ordinary Income	17.6	17.4
Net Income	9.0	9.3
Stockholders' Equity	97.4	120.4
Total Assets	339.3	333.1

Notes; The financial statements of the overseas Shin-Etsu Handotai Companies are calculated based on the FY ending in December 2000 and 2001.

After reaching a peak in the fourth quarter of 2000, the semiconductor market went down rapidly in 2001.

The downturn impacted Shin-Etsu's wafer business. The wafer business of Shin-Etsu Handotai Co., Ltd., however, increased its net profit during this fiscal year as described on the left by utilizing its strength of having a broad line of wafer products, including next-generation 300mm wafers and special wafers.

Shin-Etsu pioneered the commercial production of 300mm wafers, which began from February 2001 with a production capacity of 20,000 units per month. Afterward, production capacity was increased every month to reach 75,000 units per month. The 300mm wafer contributed significantly to Shin-Etsu's profit.

In August 2001, shipments of 8-inch wafers sank nearly 40% from its peak volume recorded in the fourth quarter of 2000. Subsequently, shipments of 8-inch wafers were increased every month. In March 2002, shipments of 8-inch wafers reached a level 10% less than its peak volume.

Shipments of 6-inch-diameter and smaller wafers hit bottom in September 2001 and then gradually recovered from October 2001.

## 9. Comparative Income Statements (Consolidated)

	(Billion Yen)			
	Fiscal year 00/4-01/3	Fiscal year 01/4-02/3	Increase (Decrease)	Rate of increase (Decrease)
<b>Net sales</b>	807.5	775.1	(32.4)	( 4.0%)
Cost of sales	603.6	572.4	(31.2)	
Selling, General and Administrative Expenses	91.2	88.0	(3.2)	
<b>Operating income</b>	112.7	114.7	2.0	1.8%
Non-operating income / expenses	3.1	2.3	(0.8)	
<b>Ordinary income</b>	115.8	117.0	1.2	1.1%
Extraordinary gains / losses (*)	(7.0)	(3.9)	3.1	
<b>Income before income taxes</b>	108.8	113.1	4.3	3.9%
Income taxes	41.7	43.8	2.1	
Minority interest in earnings of consolidated subsidiaries	2.6	0.8	(1.8)	
<b>Net income</b>	64.5	68.5	4.0	6.2%

(\*) For the year ended March 31, 2002

Extraordinary Gains : 5.1 billion yen in gain on transfer of securities to retirement benefits trust

Extraordinary Losses : 8.0 billion yen in Special additional payments for early retirement

1.0 billion yen in loss on disposal of property, plant and equipment

## 10. Comparative Balance Sheets (Consolidated)

(Billion Yen)

	March 31 2001	March 31 2002	Increase (Decrease)		March 31 2001	March 31 2002	Increase (Decrease)
<u>Current assets</u>	<u>705.3</u>	<u>692.6</u>	<u>(12.7)</u>	<u>Current liabilities</u>	<u>354.4</u>	<u>328.5</u>	<u>(25.9)</u>
Cash on hand and in banks	221.2	233.9	12.7	Notes and accounts payable-trade	111.9	97.3	(14.6)
Notes and accounts receivable	221.3	193.1	(28.2)	Current portion of long-term debt and short-term borrowings	85.7	113.6	27.9
Securities	99.8	107.5	7.7	Accrual expenses and accounts payable-others	90.5	86.7	(3.8)
Inventories	118.3	119.6	1.3	Accrued income taxes	40.6	13.9	(26.7)
Deferred tax assets	24.0	22.2	(1.8)	Other current liabilities	25.8	17.1	(8.7)
Other current assets	20.7	16.3	(4.4)	<u>Long-term liabilities</u>	<u>172.1</u>	<u>124.0</u>	<u>(48.1)</u>
<u>Fixed assets</u>	<u>560.5</u>	<u>595.9</u>	<u>35.4</u>	Debentures/Convertible debentures	61.3	34.3	(27.0)
<u>Tangible fixed assets</u>	<u>422.2</u>	<u>455.8</u>	<u>33.6</u>	Long-term borrowings	44.1	29.6	(14.5)
Buildings and structures	155.7	166.4	10.7	Deferred tax liabilities	19.2	23.5	4.3
Machinery and vehicles	194.8	207.5	12.7	Accrued retirement benefits	28.0	15.2	(12.8)
Others	71.8	81.9	10.1	Other long-term liabilities	19.6	21.4	1.8
<u>Intangible fixed assets</u>	<u>3.4</u>	<u>3.5</u>	<u>0.1</u>	<u>Total liabilities</u>	<u>526.5</u>	<u>452.5</u>	<u>(74.0)</u>
<u>Investments and others</u>	<u>134.9</u>	<u>136.5</u>	<u>1.6</u>	<u>Minority interests in consolidated</u>	<u>24.3</u>	<u>23.9</u>	<u>(0.4)</u>
Investments in securities	108.9	111.0	2.1	Capital stock	110.2	110.3	0.1
Deferred tax assets	16.0	14.2	(1.8)	Legal capital reserve	119.0	119.0	0.0
Others	10.0	11.3	1.3	Consolidated retained earnings	493.2	556.5	63.3
				Unrealized gain on available-for-sale securities	9.7	6.1	(3.6)
				Foreign currency translation	(9.5)	28.5	38.0
				Treasury stock	(7.6)	(8.4)	(0.8)
				<u>Total stockholders' equity</u>	<u>715.0</u>	<u>812.1</u>	<u>97.1</u>
<u>Total assets</u>	<u>1,265.8</u>	<u>1,288.4</u>	<u>22.6</u>	<u>Total liabilities and stockholders' equity</u>	<u>1,265.8</u>	<u>1,288.4</u>	<u>22.6</u>

## 11. Statements of Cash flows (Consolidated)

(Billion Yen)

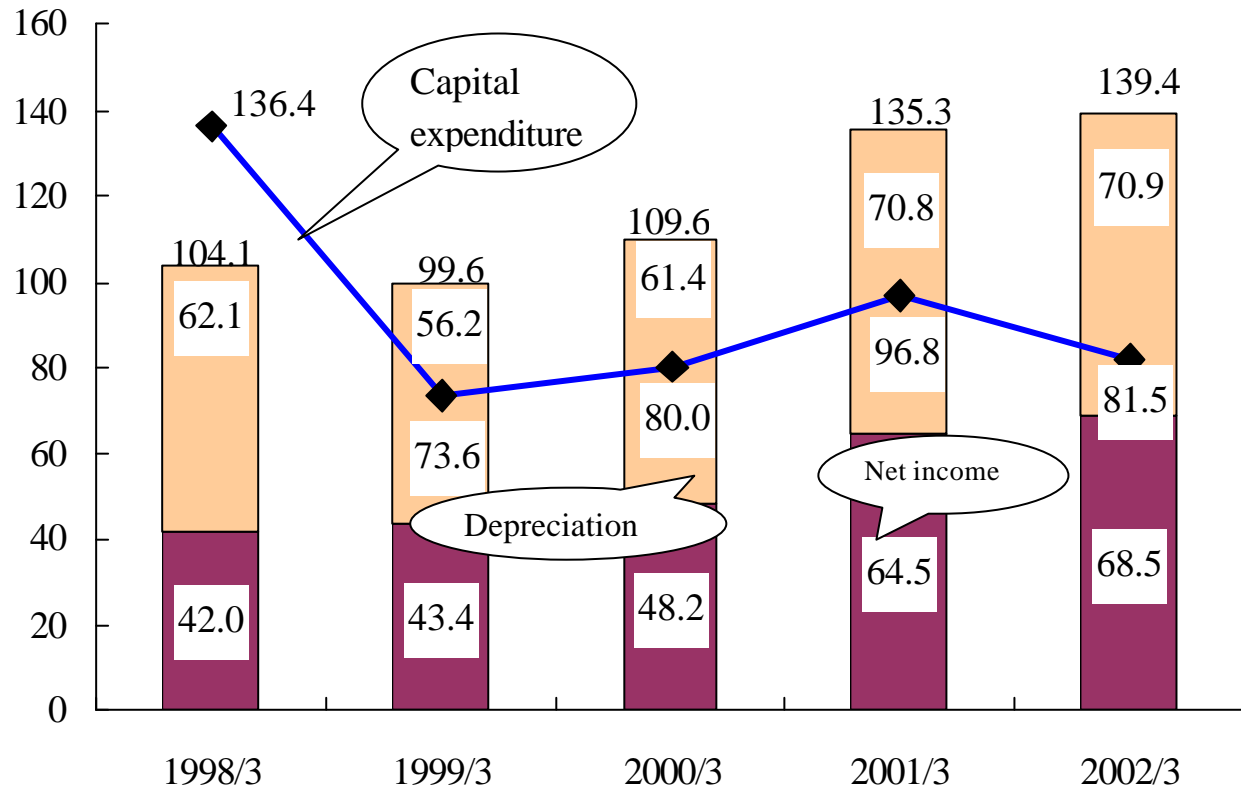
	Fiscal year 00/4-01/3	Fiscal year 01/4-02/3	Increase (Decrease)
<u>(1) Cash flows from operating activities</u>			
Income before income taxes	108.8	113.1	4.3
Payment income taxes	(38.7)	(63.0)	(24.3)
Depreciation	70.8	70.9	0.1
Others	1.3	(2.4)	(3.7)
Total	142.2	118.6	(23.6)
<u>(2) Cash flows from investing activities</u>			
Expenditure for purchase of tangible fixed assets	(88.3)	(83.0)	5.3
Purchase of bonds	(0.6)	(50.7)	(50.1)
Others	1.7	6.3	4.6
Total	(87.2)	(127.4)	(40.2)
<u>(3) Cash flows from financing activities</u>			
Decrease in debentures and borrowings	(67.8)	(18.7)	49.1
Cash dividends	(4.6)	(5.0)	(0.4)
Others	2.0	(1.3)	(3.3)
Total	(70.4)	(25.0)	45.4
<u>(4) Effect of exchange rate changes and others</u>			
Net increase in cash and cash equivalents	1.1	(22.9)	(24.0)

Balance of cash and cash equivalents	272.7	249.8	(22.9)
Balance of liabilities with interest	191.4	177.8	(13.6)

## 12. Cash Flows and Capital Expenditures (Consolidated)

(Cash flows=Net income + Depreciation)

(Billion Yen)



## 13. Forecast of Operating Performance for the FY 2002

	Consolidated				Non-consolidated			
	First half 02/4-02/9		Fiscal year 02/4-03/3		First half 02/4-02/9		Fiscal year 02/4-03/3	
	Billion Yen	Ratio of increase over of prior First half	Billion Yen	Ratio of increase over prior FY	Billion Yen	Ratio of increase over of prior First half	Billion Yen	Ratio of increase over prior FY
Net sales	397.0	0.2%	800.0	3.2%	235.0	3.7%	480.0	3.2%
Operating income	59.5	0.2%	120.0	4.6%	33.0	3.1%	66.5	2.9%
Ordinary income	60.0	0.6%	122.0	4.2%	34.0	2.7%	69.0	2.9%
Net income	36.0	4.0%	73.0	6.5%	20.0	2.5%	40.5	1.5%
Net income per share (in Yen)	85.57	4.0%	173.52	6.5%	47.54	2.5%	96.27	1.5%
Annual cash dividend per share (in Yen)					6.0	-	12.0	-

## 14. Comparative Income Statements (Non-consolidated)

	(Billion Yen)			
	Fiscal year 00/4-01/3	Fiscal year 01/4-02/3	Increase (Decrease)	Rate of increase
<b>Net sales</b>	461.0	465.3	4.3	0.9%
Cost of sales	371.0	367.0	(4.0)	
Selling, General and Administrative Expenses	33.0	33.7	0.7	
<b>Operating income</b>	57.0	64.6	7.6	13.3%
Non-operating income / expenses	5.2	2.4	(2.8)	
<b>Ordinary income</b>	62.2	67.0	4.8	7.7%
Special gains / losses (*)	(4.6)	0.0	4.6	
<b>Income before income taxes</b>	57.6	67.0	9.4	16.3%
Income taxes	23.3	27.1	3.8	
<b>Net income</b>	34.3	39.9	5.6	16.3%

(\*) For the year ended March. 31, 2002

Extraordinary Gains : 5.1 billion yen in gain on transfer of securities to retirement benefits trust

Extraordinary Losses: 5.1 billion yen in Special additional payments for early retirement

## 15. Comparative Balance Sheets (Non-consolidated)

(Billion Yen)

	March 31 2001	March 31 2002	Increase (Decrease)		March 31 2001	March 31 2002	Increase (Decrease)
<u>Current assets</u>	<u>409.1</u>	<u>409.5</u>	<u>0.4</u>	<u>Current liabilities</u>	<u>165.9</u>	<u>153.9</u>	<u>(12.0)</u>
Cash on hand and in banks	139.6	150.6	11.0	Notes and accounts payable-trade	79.6	76.1	(3.5)
Notes and accounts receivable	148.8	150.5	1.7	Current portion of long-term debt and short-term borrowings	14.2	24.2	10.0
Securities	42.9	39.1	(3.8)	Accrual expenses and accounts payable-others	41.2	37.2	(4.0)
Inventories	42.3	42.4	0.1	Accrued income taxes	23.3	9.7	(13.6)
Other current assets	35.5	26.9	(8.6)	Other current liabilities	7.5	6.7	(0.8)
<u>Fixed assets</u>	<u>266.3</u>	<u>250.4</u>	<u>(15.9)</u>	<u>Long-term liabilities</u>	<u>51.7</u>	<u>27.8</u>	<u>(23.9)</u>
<u>Tangible fixed assets</u>	<u>119.1</u>	<u>126.2</u>	<u>7.1</u>	Debentures/Convertible debentures	18.3	18.3	0.0
Buildings and structures	39.3	40.4	1.1	Long-term borrowings	20.8	8.8	(12.0)
Machinery and equipment	53.1	56.6	3.5	Accrued retirement benefits	12.6	0.7	(11.9)
Others	26.7	29.2	2.5				
<u>Intangible fixed assets</u>	<u>2.8</u>	<u>2.4</u>	<u>(0.4)</u>	<u>Total liabilities</u>	<u>217.6</u>	<u>181.7</u>	<u>(35.9)</u>
<u>Investments and others</u>	<u>144.4</u>	<u>121.8</u>	<u>(22.6)</u>	Capital stock	110.2	110.3	0.1
Investments in securities	71.4	55.5	(15.9)	Legal capital reserve	111.6	111.6	0.0
Treasury stock	7.6	-	(7.6)	Legal earned reserve	6.5	6.8	0.3
Others	65.4	66.3	0.9	Retained earnings	219.8	254.3	34.5
				Unrealized gain on available-for-sale securities	9.6	3.6	(6.0)
				Treasury stock	-	(8.4)	(8.4)
				<u>Total stockholders' equity</u>	<u>457.8</u>	<u>478.2</u>	<u>20.4</u>
<u>Total assets</u>	<u>675.4</u>	<u>659.9</u>	<u>(15.5)</u>	<u>Total liabilities and stockholders' equity</u>	<u>675.4</u>	<u>659.9</u>	<u>(15.5)</u>

## 16. Comparison of Net Sales by Departments (Non-consolidated)

(Billion Yen)

Department	Fiscal year 00/4-01/3	Fiscal year 01/4-02/3	Increase (Decrease)
Organic chemicals	167.9	170.8	2.9
Inorganic chemicals	6.0	5.8	(0.2)
Electronics materials	183.3	168.4	(14.9)
Functional materials	77.2	83.0	5.8
International division	26.6	37.3	10.7
Total	461.0	465.3	4.3
[Reference]	(38%)	(43%)	
Export total	173.5	199.1	25.6

Percentages in ( ) represent the proportions of export sales in total net sales.