

Financial Summary

(For the six months ended September 30, 2002)

October 31, 2002

Shin-Etsu Chemical Co.,Ltd.

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1. Operating Performance

	(Billion Yen)						(times)	
	Consolidated			Non-consolidated			Ratio (Consolidated/Non-consolidated)	
	Six months 01/4-01/9	Six months 02/4-02/9	Increase (Decrease) 0.6	Six months 01/4-01/9	Six months 02/4-02/9	Increase (Decrease) 10.5	Six months 01/4-01/9	Six months 02/4-02/9
Sales	396.1	396.7	0.2%	226.7	237.2	4.6%	1.75	1.67
Operating Income	59.4	63.0	6.1%	32.0	32.3	0.9%	1.86	1.95
Ordinary Income	59.6	62.0	4.0%	33.1	32.0	(3.4%)	1.80	1.94
Net Income	34.6	37.0	7.0%	19.5	19.5	(0.0%)	1.77	1.90
Total Assets	1,286.3	1,299.6	13.3	659.2	714.7	55.5	1.95	1.82
Stockholders' Equity	760.2	813.2	53.0	463.0	491.8	28.8	1.64	1.65
Equity Ratio	59.1%	62.6%	3.5%	70.2%	68.8%	(1.4%)		
Per share (in Yen)								
Net Income	82.28	87.97	5.69	46.39	46.36	(0.03)		
Stockholders' Equity	1,808	1,934	126	1,101	1,170	69		
Cash dividend				6.00	7.00	1.00		
ROE (6 months)	4.7%	4.6%	(0.1%)	4.2%	4.0%	(0.2%)		
ROA (6 months)	4.7%	4.8%	0.1%	5.0%	4.7%	(0.3%)		

ROA:Return(Ordinary income) on total assets

2. Financial Highlights

(Billion Yen)

	Consolidated		Non-consolidated	
	Six months 01/4-01/9	Six months 02/4-02/9	Six months 01/4-01/9	Six months 02/4-02/9
Capital expenditures	49.2	36.5	22.8	5.9
Depreciation	33.7	32.9	12.9	11.8
Balance of liabilities with interest	187.6	173.3	52.8	99.7
Financial revenue (net)	0.4	(0.5)	2.7	2.0
R&D costs	13.4	13.3	7.9	7.6
Number of employees	18,345	16,496	3,202	2,716
Exchange rate Jan-June(Ave.)	120.4	129.8	-	-
(Yen/US\$) Apr-Sep(Ave.)	122.2	123.1	122.2	123.1

Notes; 1)Breakdown of Consolidated Capital Expenditures and Depreciation for the six months ended September 30, 2002

	<u>Capital Expenditures</u>	<u>Depreciation</u>
	Billion Yen	Billion Yen
Organic and inorganic chemicals	20.1	11.5
Electronics materials	15.5	15.8
Functional materials and Others	1.0	5.7

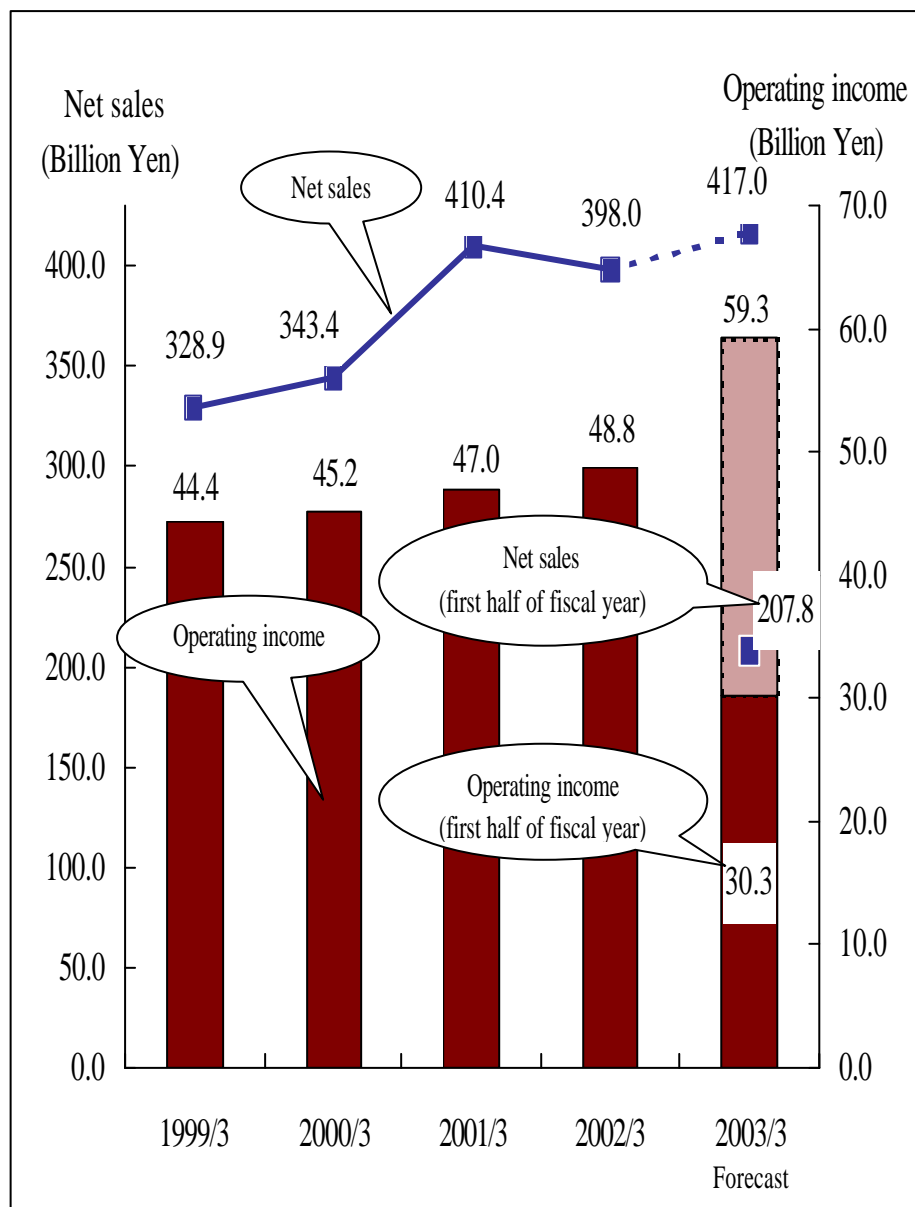
2)An average exchange rate between January and June was used for the Consolidated Income Statements of overseas subsidiaries.

3. Business Segment Information (Consolidated)

(Billion Yen)

	Net Sales			Operating Income		
	Six months 01/4-01/9	Six months 02/4-02/9	Increase (Decrease)	Six months 01/4-01/9	Six months 02/4-02/9	Increase (Decrease)
Organic and inorganic chemicals	205.7	207.8	1.0% 2.1	23.4	30.3	29.4% 6.9
Polyvinyl chloride	105.9	111.3	5.4	7.7	10.5	2.8
Silicones	62.2	65.0	2.8	10.5	13.0	2.5
Others	37.7	31.5	(6.2)	5.2	6.8	1.6
Electronics materials	116.5	126.6	8.6% 10.1	18.6	20.0	7.0% 1.4
Semiconductor silicon	93.0	102.3	9.3	15.4	16.6	1.2
Others	23.5	24.3	0.8	3.2	3.4	0.2
Functional materials and Others	73.9	62.3	(15.6%) (11.6)	17.4	12.6	(27.1%) (4.8)
Synthetic quartz products	31.6	20.5	(11.1)	13.8	8.3	(5.5)
Rare earth magnets, other functional materials	10.7	11.8	1.1	2.1	2.7	0.6
Others	31.6	30.0	(1.6)	1.5	1.6	0.1
Elimination	-	-	-	0.0	0.1	0.1
Total	396.1	396.7	0.2% 0.6	59.4	63.0	6.1% 3.6

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



● PVC

Since the beginning of 2002, the U.S. PVC market has recovered, supported by an upturn in housing construction, and the sales price of PVC has continued to rise during this fiscal half. Shintech Inc. accurately anticipated this market trend and continued full operation of its Texas Plant and Louisiana Plant, which completed an additional facility last year. Shintech achieved its highest-ever net sales and net income in the fiscal first half.

Shin-Etsu PVC in The Netherlands also continued steady production and sales and expanded its profit.

The domestic PVC business continued in a severe situation due to continued low domestic demand and increased raw material prices. At the end of September, Shin-Etsu Chemical announced an upward revision of its PVC sales price; however, the situation still continues to not allow for optimism.

● Silicones

Domestic sales during this fiscal half saw a steady upward trend in many fields starting with automobile-related fields and electric and electronics fields. In addition, sales were favorable in overseas markets, starting with shipments mainly to Southeast Asia and the U.S. and extending to sales for other areas in the world.

In Thailand, construction of a silicone monomer manufacturing plant, part of a joint venture with General Electric, and Shin-Etsu's own silicone polymer manufacturing plant are under way, with operation scheduled to begin in 2003.

Construction of new overseas manufacturing facilities is under way: one for specialty silanes in the U.S. and another for emulsion products and RTV rubber in China. Both are scheduled for completion during the latter half of this fiscal year.

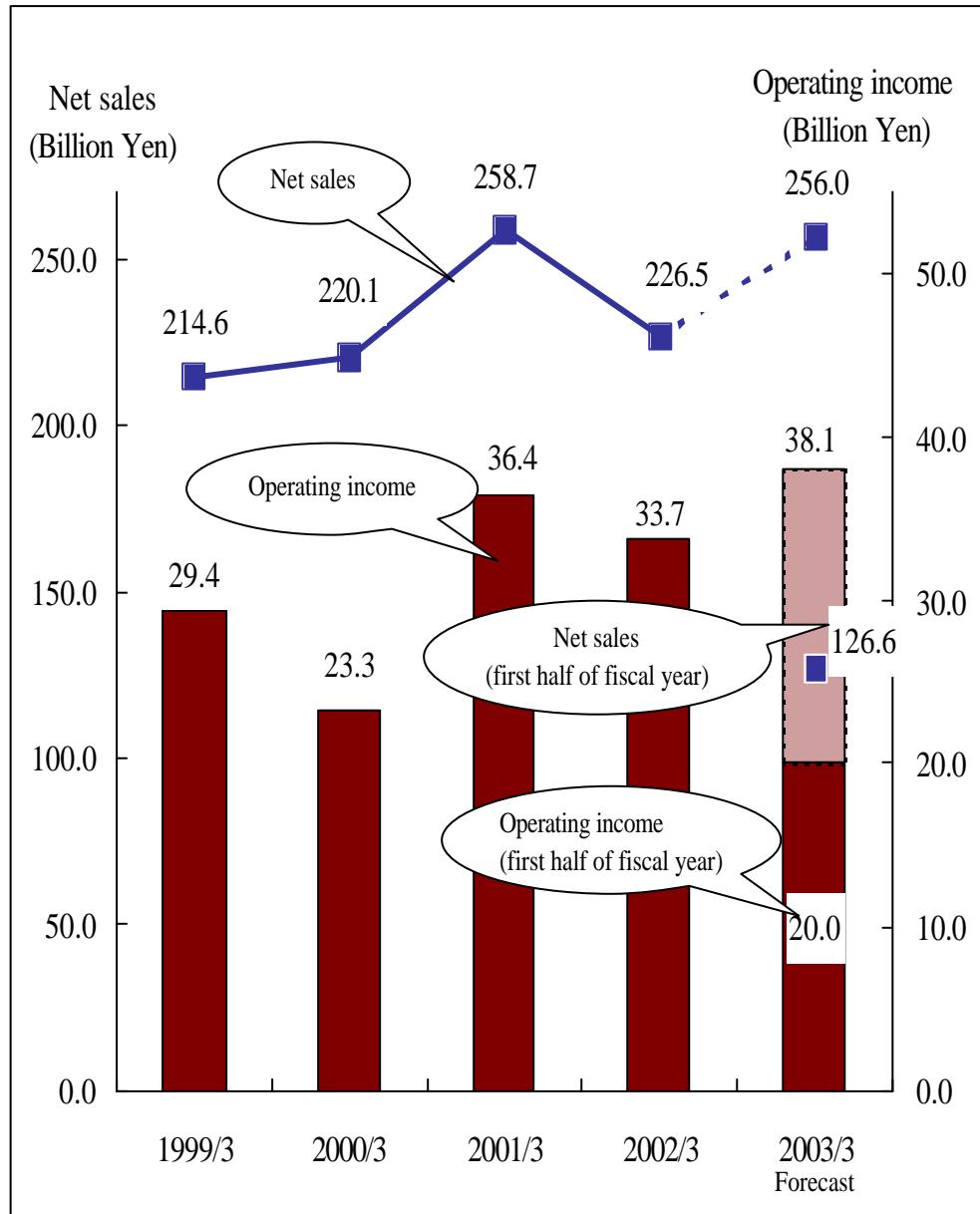
● Cellulose derivatives

Sales of cellulose derivatives were bullish for products for pharmaceutical use and sales of industrial-use products for exported industrial products also increased.

● In May, the Vinyl Acetate Monomer and Polyvinyl Alcohol businesses were transferred to an equity method company and in June, the lime nitrogen fertilizer business was sold.

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

5. "Electronics materials" Business Segment (Consolidated)



● Semiconductor silicon

With the recovery in demand for semiconductor devices both domestically and overseas, shipments of silicon wafers increased. Sales of the company's main wafer product, 8-inch (200mm) wafers, achieved in May and June 2002 the level of the time of its peak sales performance of the year before last. In addition, production and sales volume of next-generation 300mm wafers, which began to be commercially produced from February of last year, increased steadily with the start of full-scale commercial production for Shin-Etsu's major customers. SOI wafers and such specialty wafers as annealed wafers and others positively contributed to a steady profit picture.

Although the future market trend of semiconductor devices is not certain, it is not possible to be optimistic. Shin-Etsu will effectively cope with rapid changes in market needs by continuing to expand sales of such new products as 300mm wafers, by promoting an enhanced role for company's global production bases and by striving to secure and expand its profit.

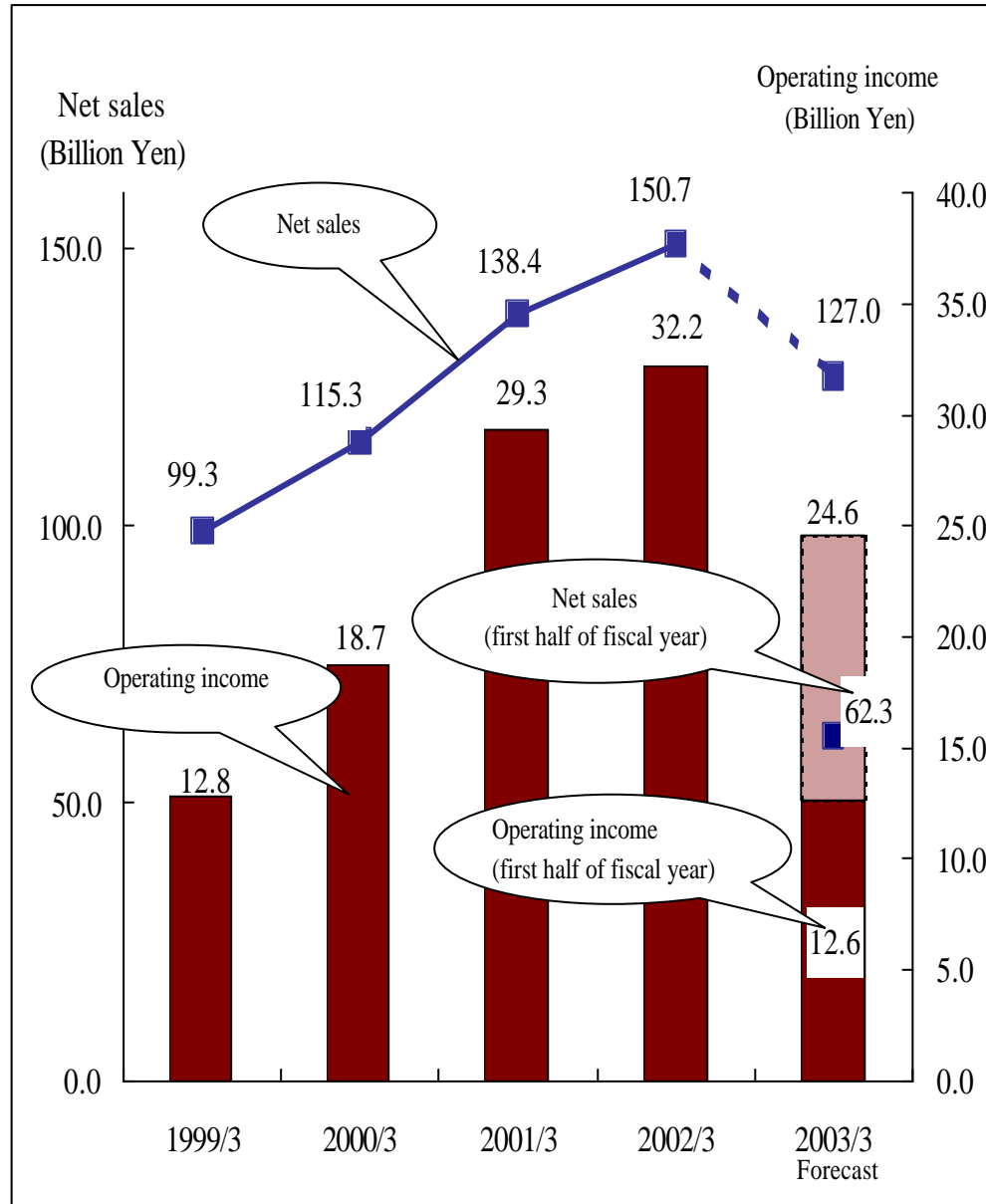
● Rare earth magnets for the electronics industry

These products continued to face a severe business situation, as global demand for hard disk drives remained weak.

● Organic materials for the electronics industry and photoresists products

Organic materials for the electronics industry and photoresists products increased in sales with the recovery in the market for semiconductor devices.

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



● Synthetic quartz

The demand for optical fiber preform decreased as a result of the slow demand from communication-related businesses, mainly in the U.S. However, as a result of Shin-Etsu's strenuous sales efforts to a wide range of its global customers, although sales dropped greatly, these products firmly contributed to the company's profit.

Sales of synthetic quartz substrates for large photomasks for LCDs, another synthetic quartz product, increased steadily.

● Rare earth magnets

Sales increased with the expansion of orders for such applications as optical pick-ups and industrial equipment.

● Rare earth Oxide

Although demand for rare earth oxide in applications such as electronics parts increased, overall sales decreased due to reduced demand for CRTs.

7. Operating Performance of Shintech, Inc.

Shintech, Inc.

	Six months 01/1-01/6		Six months 02/1-02/6	
	Million US\$	Billion Yen	Million US\$	Billion Yen
Net Sales	534	64.3	540	70.1
Ordinary Income	82	9.9	92	12.0
Extraordinary Gain	-	-	20	2.6
Net Income	54	6.5	74	9.6
Stockholders' Equity	1,215	151.4	1,340	160.1
Total Assets	1,426	177.7	1,616	193.1

- The first half of fiscal year 2002 saw PVC demand in North America's increase by 6% compared to the previous year due in part to the strong upturn in housing construction. With this vigorous rise in PVC demand, the sales price of PVC in North America rose continuously every month from February 2002 to July 2002.

- In this situation, in addition to using in full the production capacity of its existing Freeport Plant in Texas (production capacity 1.45million tons/year), Shintech Inc. fully utilized the additional production capacity that came on-line as the Louisiana Plant's second-phase construction was completed and the plant began operation in November of 2001 with an extra 290,000 tons/year of capacity (the total production capacity of the Louisiana Plant became 590,000 tons/year. Shintech accurately anticipated the North America's demand increase and continued its full production and full sales operations.

- As a result, the ordinary income of the fiscal first half of 2002 reached its highest profit level ever.

- Extraordinary gain (Settlement income) was added and the first half's net income showed a substantial profit increase.

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)

	Six months 01/4-01/9	Six months 02/4-02/9
Net Sales	89.5	99.7
Ordinary Income	10.5	11.3
Extraordinary Gain	-	3.3
Extraordinary Loss	(0.8)	(6.3)
Net Income	5.1	5.1
Stockholders' Equity	105.6	113.1
Total Assets	328.8	329.8

Sales of the company's main semiconductor silicon product, 8-inch silicon wafers, began a recovery trend after hitting the bottom in August of 2001. Particularly, since the beginning of 2002, with the increasing demand for semiconductor devices for memory/consumer electronics use, sales of silicon wafers rose, and in May and June of 2002, sales achieved the level of the time of its peak sales performance of the 4th quarter of 2000.

In addition, production and sales volume of next-generation 300mm wafers, which we began commercial production ahead of other companies in February 2001, increased steadily, and SOI wafers and such specialty wafers as annealed wafers and others contributed to a steady profit.

As a result, this first half of the fiscal year achieved increased ordinary profit.

Extraordinary loss (Losses on write-down of investment securities) were recorded, and the first half's net income achieved the same level of that during the same period last year.

Notes; The financial statements of the overseas Shin-Etsu Handotai Companies are calculated based on the six months period ending in June. 2001 and 2002.

9. Comparative Income Statements (Consolidated)

	(Billion Yen)			
	Six months 01/4-01/9	Six months 02/4-02/9	Increase (Decrease)	Rate of increase (Decrease)
Net sales	396.1	396.7	0.6	0.2%
Cost of sales	293.1	285.5	(7.6)	
Selling, General and Administrative Expenses	43.5	48.2	4.7	
Operating income	59.4	63.0	3.6	6.1%
Non-operating income / expenses	0.2	(1.0)	(1.2)	
Ordinary income	59.6	62.0	2.4	4.0%
Extraordinary gains / losses (*)	(1.5)	(0.4)	1.1	
Income before income taxes	58.1	61.6	3.5	6.0%
Income taxes	23.3	23.7	0.4	
Minority interest in earnings of consolidated subsidiaries	0.3	0.9	0.6	
Net income	34.6	37.0	2.4	7.0%

(*) For the six months ended Sep. 30, 2002

Extraordinary Gains : 3.3 billion yen in reversal of prior year's accrued maintenance expenses
2.6 billion yen in settlement income

Extraordinary Losses : 6.3 billion yen in losses on write-down of investment securities

10. Comparative Balance Sheets (Consolidated)

(Billion Yen)

	March 31 2002	September 30 2002	Increase (Decrease)		March 31 2002	September 30 2002	Increase (Decrease)
<u>Current assets</u>	<u>692.6</u>	<u>687.7</u>	<u>(4.9)</u>	<u>Current liabilities</u>	<u>328.5</u>	<u>331.8</u>	<u>3.3</u>
Cash on hand and in banks	233.9	278.3	44.4	Notes and accounts payable-trade	97.3	110.6	13.3
Notes and accounts receivable - trade	193.1	208.4	15.3	Debentures and borrowings	113.6	100.6	(13.0)
Securities	107.5	39.5	(68.0)	Accrued expenses and accounts payable-others	86.7	87.5	0.8
Inventories	119.6	114.0	(5.6)	Accrued income taxes	13.9	22.9	9.0
Deferred tax assets	22.2	21.6	(0.6)	Other current liabilities	17.1	10.1	(7.0)
Other current assets	16.3	25.9	9.6	<u>Long-term liabilities</u>	<u>124.0</u>	<u>130.5</u>	<u>6.5</u>
<u>Fixed assets</u>	<u>595.9</u>	<u>611.8</u>	<u>15.9</u>	Debentures and Convertible debentures	34.3	35.3	1.0
<u>Tangible fixed assets</u>	<u>455.8</u>	<u>437.0</u>	<u>(18.8)</u>	Long-term borrowings	29.6	37.4	7.8
Buildings and structures	166.4	158.1	(8.3)	Deferred tax liabilities	23.5	22.5	(1.0)
Machinery and vehicles	207.5	193.4	(14.1)	Accrued retirement benefits	15.2	15.2	0.0
Others	81.9	85.5	3.6	Other long-term liabilities	21.4	20.2	(1.2)
<u>Intangible fixed assets</u>	<u>3.5</u>	<u>3.9</u>	<u>0.4</u>	<u>Total liabilities</u>	<u>452.5</u>	<u>462.3</u>	<u>9.8</u>
<u>Investments and others</u>	<u>136.5</u>	<u>170.9</u>	<u>34.4</u>	Minority interests in consolidated subsidiaries	23.9	24.1	0.2
Investments in securities	111.0	141.5	30.5	Common stock	110.3	110.3	0.0
Deferred tax assets	14.2	18.6	4.4	Additional paid-in capital	119.0	119.0	0.0
Others	11.4	10.9	(0.5)	Retained earnings	556.5	592.7	36.2
				Unrealized gain on available-for-sale securities	6.1	2.1	(4.0)
				Foreign currency translation adjustment	28.5	(1.1)	(29.6)
				Treasury stock	(8.4)	(9.8)	(1.4)
				<u>Total stockholders' equity</u>	<u>812.1</u>	<u>813.2</u>	<u>1.1</u>
<u>Total assets</u>	<u>1,288.4</u>	<u>1,299.6</u>	<u>11.2</u>	<u>Total liabilities and stockholders' equity</u>	<u>1,288.4</u>	<u>1,299.6</u>	<u>11.2</u>

11. Statements of Cash flows (Consolidated)

(Billion Yen)

	Six months 01/4-01/9	Six months 02/4-02/9	Increase (Decrease)
<u>(1) Cash flows from operating activities</u>			
Net income	34.6	37.0	2.4
Depreciation	33.7	32.9	(0.8)
Others	(13.0)	2.9	15.9
Total	55.3	72.8	17.5
<u>(2) Cash flows from investing activities</u>			
Expenditure for purchase of tangible fixed assets	(44.7)	(34.4)	10.3
Increase (Decrease) in securities	(12.4)	22.3	34.7
Others	(3.6)	(5.5)	(1.9)
Total	(60.7)	(17.6)	43.1
<u>(3) Cash flows from financing activities</u>			
Decrease in debentures and borrowings	(6.6)	(0.9)	5.7
Cash dividends	(2.5)	(2.5)	0.0
Others	(1.5)	(2.2)	(0.7)
Total	(10.6)	(5.6)	5.0
<u>(4) Effect of exchange rate changes and others</u>			
Net increase in cash and cash equivalents	5.7	(9.1)	(14.8)
Net increase in cash and cash equivalents	(10.3)	40.5	50.8

Balance of cash and cash equivalents	262.5	290.4	27.9
Balance of liabilities with interest	187.6	173.3	(14.3)

12. Forecast of operating performance for the entire fiscal year (April 2002-March 2003)

	Consolidated		Non-consolidated	
	Billion Yen	Ratio of increase over of prior First half	Billion Yen	Ratio of increase over of prior First half
Net sales	800.0	3.2%	480.0	3.2%
Operating income	122.0	6.3%	62.0	(4.0%)
Ordinary income	122.0	4.2%	62.0	(7.5%)
Net income	73.0	6.5%	37.0	(7.2%)
Net income per share (in Yen)	173.66	10.73	88.02	(6.83)
Annual cash dividend per share (in Yen)	/	/	14.00	2.00

Capital Expenditure	80.0	/	13.0	/
Depreciation	67.0	/	25.0	/
Exchange rate Jan-Dec(Ave.)	124.0	/	-	/
(Yen/US\$) Apr-Mar(Ave.)	120.0	/	120.0	/

13. Comparative Income Statements (Non-consolidated)

(Billion Yen)

	Six months 01/4-01/9	Six months 02/4-02/9	Increase (Decrease)	Rate of increase
Net sales	226.7	237.2	10.5	4.6%
Cost of sales	177.8	188.2	10.4	
Selling, General and Administrative Expenses	16.8	16.7	(0.1)	
Operating income	32.0	32.3	0.3	0.9%
Non-operating income / expenses	1.1	(0.3)	(1.4)	
Ordinary income	33.1	32.0	(1.1)	(3.4%)
Extraordinary gains / losses	(0.8)	-	0.8	
Income before income taxes	32.3	32.0	(0.3)	(1.0%)
Income taxes	12.8	12.5	(0.3)	
Net income	19.5	19.5	(0.0)	(0.0%)

14. Comparative Balance Sheets (Non-consolidated)

(Billion Yen)

	March 31 2002	September 30 2002	Increase (Decrease)		March 31 2002	September 30 2002	Increase (Decrease)
<u>Current assets</u>	<u>409.5</u>	<u>434.4</u>	<u>24.9</u>	<u>Current liabilities</u>	<u>153.9</u>	<u>184.8</u>	<u>30.9</u>
Cash on hand and in banks	150.6	204.2	53.6	Notes and accounts payable-trade	76.1	80.6	4.5
Notes and accounts receivable - trade	150.5	143.4	(7.1)	Short-term borrowings	24.2	62.5	38.3
Securities	39.1	19.9	(19.2)	Accrued expenses and accounts payable-others	37.2	28.9	(8.3)
Inventories	42.4	39.4	(3.0)	Accrued income taxes	9.7	11.8	2.1
Other current assets	26.9	27.5	0.6	Other current liabilities	6.7	1.1	(5.6)
<u>Fixed assets</u>	<u>250.4</u>	<u>280.3</u>	<u>29.9</u>	<u>Long-term liabilities</u>	<u>27.8</u>	<u>38.0</u>	<u>10.2</u>
<u>Tangible fixed assets</u>	<u>126.2</u>	<u>121.3</u>	<u>(4.9)</u>	Convertible debentures	18.3	18.3	0.0
Buildings and structures	40.4	39.5	(0.9)	Long-term borrowings	8.8	18.9	10.1
Machinery and vehicles	56.8	53.5	(3.3)	Accrued retirement benefits	0.7	0.7	0.0
Others	28.9	28.2	(0.7)	Others	-	0.1	0.1
<u>Intangible fixed assets</u>	<u>2.4</u>	<u>2.2</u>	<u>(0.2)</u>	<u>Total liabilities</u>	<u>181.7</u>	<u>222.8</u>	<u>41.1</u>
<u>Investments and others</u>	<u>121.8</u>	<u>156.8</u>	<u>35.0</u>	Common stock	110.3	110.3	0.0
Investments in securities	55.5	91.2	35.7	Additional paid-in capital	111.6	111.6	0.0
Others	66.3	65.6	(0.7)	Retained earnings	261.1	277.9	16.8
				Unrealized gain on available-for-sale securities	3.6	1.9	(1.7)
				Treasury stock	(8.4)	(9.8)	(1.4)
				Total stockholders' equity	478.2	491.8	13.6
<u>Total assets</u>	<u>659.9</u>	<u>714.7</u>	<u>54.8</u>	<u>Total liabilities and stockholders' equity</u>	<u>659.9</u>	<u>714.7</u>	<u>54.8</u>

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

Department	(Billion Yen)			(Billion Yen)	
	Six months 01/4-01/9	Six months 02/4-02/9	Increase (Decrease)	Fiscal year 01/4-02/3	Fiscal year 02/4-03/3 (Forecast)
Organic and inorganic chemicals	88.7	85.3	(3.4)	176.6	179.5
Electronics materials	77.4	100.1	22.7	168.4	199.5
Functional materials	44.2	35.1	(9.1)	83.0	68.6
International division	16.4	16.8	0.4	37.3	32.4
Total	226.7	237.2	10.5	465.3	480.0
[Reference]	(41%)	(45%)		(43%)	(44%)
Export total	92.9	107.1	14.2	199.1	210.0

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