

11. Press Release of non-consolidated Financial Data

For the fiscal year ended March 31, 2003

May 13, 2003

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

Interim cash dividends being paid

Trading unit of the company consists of 100 shares

Representative:

Chihiro Kanagawa (Mr.)

Representative Director-President

Personnel to contact:

Toshiyuki Kasahara (Mr.)

General Manager of Finance & Accounting Department

Telephone: +81-3-3246-5051

Date of Board of Directors Meeting

For the authorization of the financial statements

for the current fiscal year . . . May 13, 2003

Scheduled Date for General Meeting of Stockholders: June 27, 2003

11-1. Operating Performance for the Current Fiscal Year

(From April 1, 2002 to March 31, 2003)

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

(1) Results of non-consolidated operations

	<u>Millions of Yen</u>	
	<u>Current fiscal year</u> <u>2002/4-2003/3</u>	<u>Prior fiscal year</u> <u>2001/4-2002/3</u>
Net sales	480,243	465,333
Ratio of increase (decrease) over the preceding year	3.2%	0.9%
Operating income	62,014	64,612
Ratio of increase (decrease) over the preceding year	(4.0%)	13.3%
Ordinary income	62,011	67,032
Ratio of increase (decrease) over the preceding year	(7.5%)	7.7%
Net income	37,028	39,888
Ratio of increase (decrease) over the preceding year	(7.2%)	16.3%
Net income per share (in yen)	87.83	94.85
Diluted net income per share (in yen)	85.97	92.83
Ratio of net income over total stockholders' equity	7.5%	8.5%
Ratio of ordinary income over total assets employed	9.3%	10.0%
Ratio of ordinary income over net sales	12.9%	14.4%
(Notes)		
1. Average number of shares outstanding (in shares)	420,524,988	420,539,264
2. Changes in accounting policies applied : Yes		

(2) Non-consolidated cash dividends

	Current fiscal year <u>2002/4-2003/3</u>	Prior fiscal year <u>2001/4-2002/3</u>
Interim cash dividend per share (in yen)	7.00	6.00
Year-end cash dividend per share (in yen)	7.00	6.00
Total annual cash dividend per share (in yen)	14.00	12.00
Cash dividends paid	5,885	5,046
Earnings dividend ratio	15.9%	12.7%
Ratio of dividends over total stockholders' equity	1.2%	1.1%

(3) Non-consolidated financial position

	<u>Millions of Yen</u>	
	March 31, <u>2003</u>	March 31, <u>2002</u>
Total assets	679,380	659,852
Total stockholders' equity	502,912	478,180
Equity ratio	74.0%	72.5%
Stockholders' equity per share (in yen)	1,196.02	1,136.64
(Notes)		
Number of shares outstanding (in shares)	420,408,126	420,695,830
Number of treasury stocks	2,159,785	1,859,567

11-2. The Forecast of Non-consolidated Operating Performance for the Fiscal Year ending March 31, 2004 (From April 1, 2003 to March 31, 2004)

	<u>Millions of Yen</u>	
	For the first half Of the year <u>2003/4-2003/9</u>	For the fiscal year <u>2003/4-2004/3</u>
Net sales	235,000	480,000
Ordinary income	29,000	58,000
Net income	17,500	34,500
Interim cash dividends per share (in yen)	8.00	-
Year-end cash dividends per share (in yen)	-	8.00
Total annual cash dividend per share (in yen)	-	16.00

(Reference)

The forecast of "Net income per share" (in yen, for the year ending March 31, 2004)	81.84
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(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.

12. Non-consolidated Financial Statements

12-1. Comparative Non-consolidated Balance Sheets

As of March 31, 2003 and 2002

ASSETS	<u>Millions of Yen</u>		
	<u>March 31, 2003</u>	<u>March 31, 2002</u>	<u>Increase (Decrease)</u>
Current Assets:			
Cash on hand and in banks	152,741	150,591	2,150
Notes and accounts receivable -trade	139,043	150,477	(11,434)
Securities	39,408	39,128	280
Inventories	41,383	42,383	(1,000)
Deferred tax assets	11,625	12,769	(1,144)
Others	17,822	14,969	2,853
Less: Allowance for doubtful accounts	(840)	(840)	-
Total current assets	<u>401,185</u>	<u>409,479</u>	<u>(8,294)</u>
Fixed Assets:			
Tangible fixed assets			
Buildings and structures	38,499	40,409	(1,910)
Machinery and vehicles	47,878	56,843	(8,965)
Others	28,155	28,943	(788)
Total	<u>114,533</u>	<u>126,196</u>	<u>(11,663)</u>
Intangible fixed assets	<u>1,823</u>	<u>2,358</u>	<u>(535)</u>
Investments and others			
Investments in securities	99,495	55,479	44,016
Investments in capital stock of subsidiaries	55,191	54,582	609
Deferred tax assets	78	2,631	(2,553)
Others	7,081	9,132	(2,051)
Less: Allowance for doubtful accounts	(10)	(10)	-
Total	<u>161,838</u>	<u>121,817</u>	<u>40,021</u>
Total fixed assets	<u>278,194</u>	<u>250,372</u>	<u>27,822</u>
TOTAL ASSETS	<u>679,380</u>	<u>659,852</u>	<u>19,528</u>

	<u>Millions of Yen</u>		
	<u>March 31, 2003</u>	<u>March 31, 2002</u>	<u>Increase (Decrease)</u>
LIABILITIES			
Current Liabilities:			
Notes and accounts payable-trade	83,129	76,077	7,052
Short-term borrowings	22,135	24,173	(2,038)
Accounts payable-others	9,879	12,562	(2,683)
Accrued income taxes	5,253	9,690	(4,437)
Accrued expenses	18,275	24,685	(6,410)
Others	998	6,698	(5,700)
Total current liabilities	<u>139,671</u>	<u>153,887</u>	<u>(14,216)</u>
Long-term Liabilities:			
Convertible debentures	18,291	18,315	(24)
Long-term borrowings	18,012	8,798	9,214
Accrued retirement benefits	313	671	(358)
Others	178	-	178
Total long-term liabilities	<u>36,796</u>	<u>27,784</u>	<u>9,012</u>
TOTAL LIABILITIES	<u>176,467</u>	<u>181,671</u>	<u>(5,204)</u>
STOCKHOLDERS' EQUITY			
Common stock	110,271	110,259	12
Additional paid-in capital	111,633	111,621	12
Retained earnings	292,311	261,086	31,225
Unrealized gain on available-for-sale securities	(1,668)	3,568	(5,236)
Treasury stocks	(9,636)	(8,356)	(1,280)
TOTAL STOCKHOLDERS' EQUITY	<u>502,912</u>	<u>478,180</u>	<u>24,732</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>679,380</u>	<u>659,852</u>	<u>19,528</u>

12-2. Comparative Non-consolidated Income Statements

For the fiscal year ended March 31, 2003 and 2002

	<u>Millions of Yen</u>		Increase (Decrease)
	For the fiscal year ended		
	March 31, 2003	March 31, 2002	
Operating Income and Expenses:			
Net sales	480,243	465,333	14,910
Cost of sales	385,750	367,015	18,735
Gross profit	94,492	98,318	(3,826)
Selling, general and administrative expenses	32,478	33,705	(1,227)
Operating income	62,014	64,612	(2,598)
Non-operating Income:			
Interest income	437	1,262	(825)
Dividend income	3,145	2,498	647
Other income	2,434	3,429	(995)
	6,018	7,190	(1,172)
Non-operating Expenses:			
Interest expenses	1,139	1,056	83
Other expenses	4,881	3,714	1,167
	6,021	4,770	1,251
Ordinary income	62,011	67,032	(5,021)
Extraordinary Gains:			
Gains on sales of property, plant and equipment	2,416	-	2,416
Gains on transfer of securities to retirement benefits trust	2,363	5,106	(2,743)
	4,779	5,106	(327)
Extraordinary Losses:			
Loss on write-down of investment securities	3,165	-	3,165
Adjustment to prior year's license fee	1,727	-	1,727
Special additional payments for early retirement	-	5,111	(5,111)
	4,893	5,111	(218)
Income before income taxes	61,898	67,028	(5,130)
Income taxes Current	17,490	25,390	(7,900)
Income taxes Deferred	7,380	1,750	5,630
Net income	37,028	39,888	(2,860)
Retained earnings at beginning of year	6,635	5,627	1,008
Interim cash dividend	2,942	2,522	420
Loss on sales of treasury stocks	257	-	257
Unappropriated retained earnings	40,463	42,993	(2,530)

(Notes)

1. Significant Accounting Policies

(1) Valuation of securities:

Bonds held to maturity	Amortized cost method (straight-line method)
Investment in capital stock of subsidiaries and affiliates	Moving average cost method
Available-for-sale securities		
Marketable securities	Market price method based on the fair market value as of the date of balance sheet. (Any balances resulting from valuation of securities shall directly be entered into capital accounts, while any costs of sales of marketable securities shall be calculated based on a moving average cost method)
Non-marketable securities	Moving average cost method

(2) Valuation of inventories:

Average cost method

(3) Depreciation of fixed assets:

Declining-balance method

Straight-line method is applied to Polyvinyl chloride equipment among its machinery and equipment, Electrolytic Equipment and Buildings (excluding attached facilities) acquired after April 1st, 1998.

(Changes of accounting policies applied)

From this fiscal period, the Company changed the depreciation method for its polyvinyl chloride equipment among its machinery and equipment from the declining-balance method to the straight-line method.

Along with the maturation of polyvinyl chloride business in Japan, the Company has determined there is almost no potentiality to implement further massive capital expenditure and intends to stabilize the use of the current equipment for a long time. Consequently, this change in accounting policy is to maintain an appropriate balance of revenue and costs by leveling depreciation costs with periodic allocation.

With this change, depreciation and amortization cost during the period decreased by 379 millions of yen over the traditional method, and operating income, ordinary income and income before income taxes during the period increased by 350 millions of yen, respectively.

(4) Calculation method of allowances

Allowance for doubtful accounts:

The company provides the allowance for doubtful accounts by the method which uses the percentage of its own actual experience of bad debt loss written off against the balance of total receivables plus the amount deemed necessary to cover individual accounts estimated to be uncollectible.

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 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 cost was generated.

(5) Accounting method for treasury stock and reduction of legal reserves

From this fiscal year, statement of "Accounting standards for Treasury stocks and reduction of legal reserves" was adopted. Adoption of this new standard had an immaterial impact on the Company's results of operations and financial position.

(6) Per share information

From this fiscal year, "Accounting Standards for Earnings per Share" and "Implementation Guidance for application of Accounting Standards for Earnings per Share" was adopted.

The effect of this adoption was not material.

	<u>Millions of Yen</u>	
	March 31, 2003	March 31, 2002
2. Accumulated depreciation of tangible fixed assets	301,316	281,582
3. Contingent liabilities for guarantee	3,758	610
4. Number and book value of treasury stocks		
(1) Treasury stocks less than one unit bought		
Number [in shares]	[54,485]	[9,967]
Book value	231	47
(2) Treasury stocks purchased under the stock option plan for directors or employees		
Number [in shares]	[2,105,300]	[1,849,600]
Book value	9,405	8,308
5. Details of increase in the number of shares issued during the current year:		
	<u>Number of shares issued upon conversion/exercise (thousand shares)</u>	<u>Amounts transferred to capital stock (in millions of Yen)</u>
Conversion of convertible debentures	12	12

(Lease Transactions)

Finance lease transactions excluding leases that ownership of the assets is transferred to lessee.

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

	<u>Millions of Yen</u>	
	March 31, 2003	March 31, 2002
Acquisition cost	1,151	1,176
Accumulated depreciation	752	762
Net book value	398	413
(2) Future lease payments		
Within one year	185	190
Over one year	212	223
Total	398	413
(3) Lease expenses		
Equivalent amount of depreciation expenses	233	243

(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.

(Securities)

Investments in capital stock of subsidiaries and affiliates with market quotation

	<u>Millions of Yen</u>	
	March 31, 2003	March 31, 2002
Book value	10,221	10,221
Market value	24,072	18,570
Unrealized difference	13,850	8,348

(Deferred Tax)

1. Factors of deferred tax assets and liabilities

	<u>Millions of Yen</u>	
	March 31, 2003	March 31, 2002
Deferred Tax Assets		
Unsettled accounts receivable and payable	5,698	6,138
Depreciation	2,207	2,815
Accrued bonus allowance	1,267	1,295
Unrealized gain on available-for-sale securities	1,130	-
Maintenance cost	510	645
Accrued enterprise taxes	405	967
Special provision for retirement benefits costs	57	3,548
Others	5,317	7,105
Valuation allowance	(2,455)	(2,538)
Total	<u>14,140</u>	<u>19,977</u>
Deferred Tax Liabilities		
Unrealized gain on available-for-sale securities	-	2,552
Tax allowance for acquisition of fixed assets	1,963	1,404
Reserve for special depreciation	460	606
Tax allowance for acquisition of land	12	12
Total	<u>2,436</u>	<u>4,576</u>
Net Deferred Tax Assets	11,704	15,400

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

March 31, 2003	March 31, 2002
Details are omitted as the difference between the statutory tax rate and effective tax rate is less than 5% of the statutory tax rate.	Details are omitted as the difference between the statutory tax rate and effective tax rate is less than 5% of the statutory tax rate.

3. Statutory effective tax rate used for the calculation of Non-current deferred tax assets and liabilities is 40.4% (prior fiscal year was 41.7%). The change in the tax rate had an immaterial impact on the amounts of deferred tax assets (net of deferred tax liabilities) and net income.

12-3. Non-consolidated Comparative Proposal for Appropriation of Retained Earnings

	Millions of Yen		
	For the fiscal year ended		Increase (Decrease)
	March 31, 2003	March 31, 2002	
Unappropriated Retained Earnings:			
Balance at year-end	40,463	42,993	(2,530)
Reversal of reserve for special depreciation	227	217	10
Reversal of reserve for deferred profit on sale of fixed assets	264	158	106
Total	40,956	43,368	(2,412)
Appropriations :			
Transfer to legal earned reserve			
Cash dividends	2,942 (7.00yen per share)	2,524 (6.00yen per share)	418
Directors' and statutory auditors' bonuses [Statutory Auditors' bonuses]	94 [7]	78 [7]	16 [0]
Transfer to reserve for special depreciation	49	130	(81)
Transfer to reserve for deferred profit on sale of fixed assets	1,181	-	1,181
Tax allowance for acquisition of land	0	-	0
Transfer to reserve for unspecified purposes	30,000	34,000	(4,000)
Unappropriated retained Earnings :			
Balance to be carried forward	6,687	6,635	52

(Notes) Interim cash dividend

The Company declared and paid interim cash dividends of 2,942 million of yen (7.00yen per share) on November 18, 2002, and 2,522 millions of yen (6.00yen per share) on December 10, 2001, respectively.

12-4.Non-consolidated Comparison of Net Sales

	Millions of Yen		
	For the fiscal year ended		Increase (Decrease)
	March 31, 2003	March 31, 2002	
Organic and Inorganic Chemicals Department	174,741 [36%]	176,634 [38%]	(1,893)
Electronics Materials Department	195,579 [41%]	168,372 [36%]	27,207
Functional Materials Department	65,839 [14%]	82,985 [18%]	(17,146)
International Operations Department	44,082 [9%]	37,340 [8%]	6,742
Total	480,243 [100%]	465,333 [100%]	14,910
[Reference] Export Total	220,164 [46%]	199,113 [43%]	21,051

Percentages in [] represent the proportionate ratio of sales of each department over total net sales.

13. Change in Management Officers

1. Candidates nominated for appointment to Director

Director

Mr. Shunji Kono*

[Current Adviser of The Tokio Marine and Fire Insurance Co., Ltd.]

*NOTE: External Director to satisfy the qualification of the Commercial Code

Director and General Manager of Silicone-Electronics Materials Research Center, R&D and Patent Department

Mr. Yoshiaki Ono

[Current General Manager, Silicone-Electronics Materials Research Center]

2. Candidates nominated Statutory Auditor

Full-Time Statutory Auditor

Mr. Osamu Okada

[Current Counselor of Shin-Etsu Handotai Co.,Ltd.]

3. Directors scheduled to resign

Director and General Manager of R&D and Patent Department

Mr. Kiyoshi Imai

(Counselor)*

*NOTE: () represents their new position scheduled to be appointed.

4. Statutory Auditor scheduled to resign

Full-Time Statutory Auditor

Mr. Hiroyuki Arai