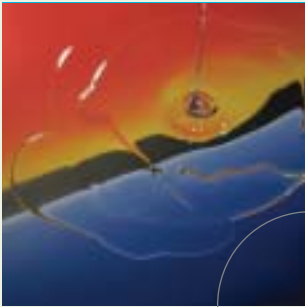
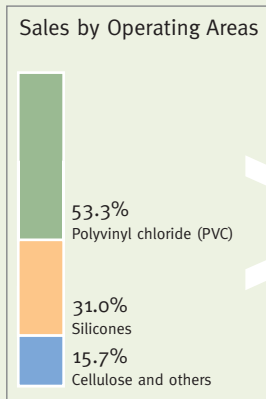


# Shin-Etsu at a Glance

## Organic and Inorganic Chemicals



Segment Sales



### Products

Polyvinyl chloride (PVC)  
Silicones  
Methanol  
Caustic soda  
Cellulose derivatives  
Synthetic pheromones  
Silicon metal  
Plastic products and others

### Major Contributors

#### Manufacturing and Sales

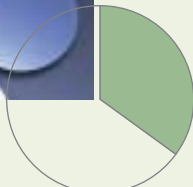
Shin-Etsu Chemical Co., Ltd.  
Shintech Inc. (U.S.A)  
Shin-Etsu PVC B.V. (Netherlands)  
Simcoa Operations Pty. Ltd. (Australia)  
Shin-Etsu Polymer Co., Ltd.  
Nissin Chemical Industry Co., Ltd.

#### Manufacturing

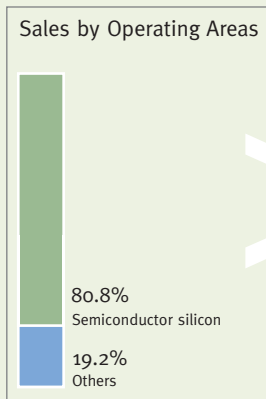
Kashima Vinyl Chloride Monomer Co., Ltd.

and 47 other companies

## Electronics Materials



Segment Sales



### Products

Semiconductor silicon  
Organic materials for the electronics industry  
Rare earth magnets for the electronics industry  
Photoresists

### Major Contributors

#### Manufacturing and Sales

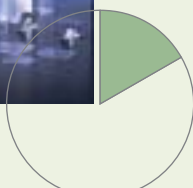
Shin-Etsu Chemical Co., Ltd.  
Shin-Etsu Handotai Co., Ltd.  
Shin-Etsu Handotai America, Inc.

#### Processing and Sales

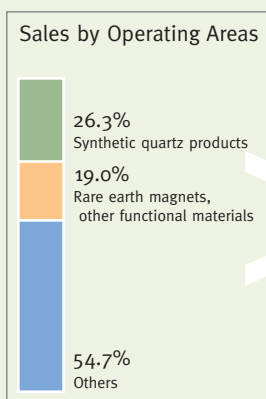
S.E.H. Malaysia Sdn. Bhd.  
Shin-Etsu Handotai Europe, Ltd. (U.K)  
Shin-Etsu (Malaysia) Sdn. Bhd.  
Naoetsu Electronics Co., Ltd.

and 18 other companies

## Functional Materials and Others



Segment Sales



### Products

Synthetic quartz products (optical-fiber preforms, photomask substrates)  
Rare earths and rare earth magnets for general applications

### Others:

Export and import of goods  
Export of technology and plants  
Construction and plant engineering  
Information processing  
Other services

### Major Contributors

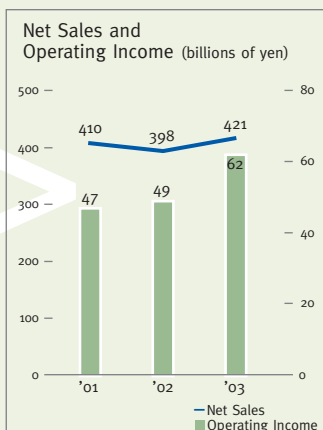
#### Manufacturing and Sales

Shin-Etsu Chemical Co., Ltd.  
Shin-Etsu Quartz Products Co., Ltd.  
Silica Products, Inc (U.S.A.)

#### Engineering and Sales

Shin-Etsu Engineering Co., Ltd.  
Shin-Etsu Astech Co., Ltd.

and 28 other companies



## Highlights of the Year

### PVC

Demand for PVC in North America during 2002 increased 5.6% over that of the previous year, spurred by the upturn in housing construction starts. Shintech Inc., Shin-Etsu's U.S. PVC base, accurately anticipated this market trend and continued full operation of both its Texas and Louisiana plants, producing annual capacity of 1.45 million tons and 0.59 million tons, respectively. As a result, Shintech recorded its highest-ever ordinary income and net income.

Also, Shin-Etsu PVC B.V. in the Netherlands, continued steady production and sales, which led to a stable growth in earnings.

### Silicones

Driven by such areas as the automobile-related sector, domestic sales during this fiscal year were bullish due to an

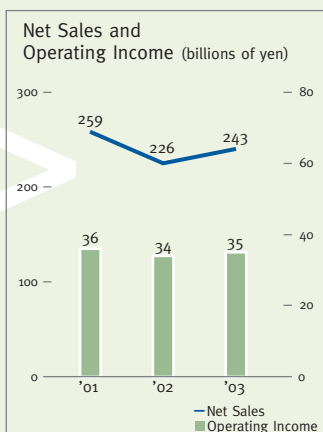
upward trend in demand in a number of fields. Overseas, sales to the electric and electronics sectors were strong, particularly shipments to Southeast Asia and extending to other key regions of the world. In addition, silicone-processed products performed well, again mainly in the electric and electronics fields.

### Cellulose Derivatives

Sales of cellulose derivatives grew steadily, particularly for use in pharmaceutical products and for industrial applications overseas.

### Other Products

The VAM and POVAL businesses were transferred to an equity-method affiliate in May, and the chemical fertilizer business was sold in June 2002.



## Highlights of the Year

### Semiconductor Silicon

Accurately anticipating the start-up of demand for its new 300mm silicon wafers, Shin-Etsu Handotai swiftly increased production capacity, boosting monthly production in January 2003 to 100,000 wafers, which resulted in increased net sales.

Net sales of 8-inch wafers increased, buoyed by increased demand from the beginning of 2002 for semiconductor devices for memory and consumer electronics use. In the 2Q of 2002, the sales volume of this product reached the same level as that of the 4Q of 2000 when peak sales were recorded.

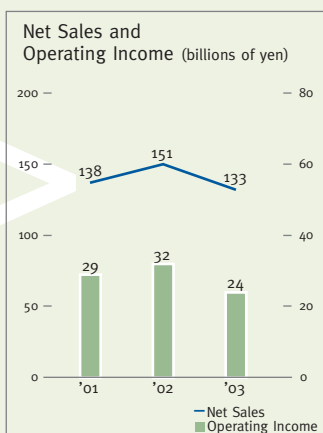
Sales of specialized wafers such as SOI wafers, annealed wafers and others also continued to rise contributing to an increase in earnings.

### Rare Earth Magnets for the Electronics Industry

Conditions remained harsh in this segment, buffeted by the miniaturization of hard disk drives and the drop in global demand for hard disk drives for servers.

### Organic Materials for the Electronics Industry and Photoresists

Sales of photoresist products and organic materials for the electronics industry increased, buoyed by the recovery in demand for semiconductor devices.



## Highlights of the Year

### Synthetic Quartz Products

In synthetic quartz products, demand for optical fiber preforms saw a significant slowdown in demand from the communication-related industry worldwide. To overcome these difficult conditions, Shin-Etsu stepped up its sales efforts to global customers. As a result, although net sales declined substantially, the contribution to profits remained strong.

Sales of synthetic quartz for electronics fields including those used in semiconductor production remained weak, however, sales of photomask substrates for LCDs grew steadily.

### Rare Earth Magnets

Sales of rare earth magnets increased, spurred by a recovery in overall demand and a jump in new orders for optical pickups and for automobile applications.

### Rare Earths and Oxide Single Crystals

The demand for mobile phone-application products recovered and rare earths sales were up year on year. With the decline of the oxide single-crystal market, however, sales in this business segment fell short of those in the previous fiscal year.