

Press Release of Consolidated Financial Data

For the six months ended September 30, 2003

October 27, 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

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 consolidated financial statements

for the first half of the current fiscal year . . . October 27, 2003

Adoption of U.S. GAAP : No

1). Consolidated Operating Performance for the First Half of the Current Fiscal Year

(From April 1, 2003 to September 30, 2003)

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

(1) Results of Consolidated operations

	Six months <u>2003/4-2003/9</u>	Millions of Yen Six months <u>2002/4-2002/9</u>	Prior fiscal year <u>2002/4-2003/3</u>
Net sales	407,585	396,737	797,523
Ratio of increase (decrease) over the first half of the prior year	2.7%	0.2%	
Operating income	63,852	63,020	122,149
Ratio of increase (decrease) over the first half of the prior year	1.3%	6.1%	
Ordinary income	63,022	62,041	122,119
Ratio of increase (decrease) over the first half of the prior year	1.6%	4.0%	
Net income	37,743	37,008	73,015
Ratio of increase (decrease) over the first half of the prior year	2.0%	7.0%	
Net income per share (in yen)	89.78	87.97	173.13
Diluted net income per share (in yen)	87.84	86.05	169.36
(Notes)			
1. Equity in earnings of Affiliates (in millions of yen)	111	555	1,727
2. Average number of consolidated shares issued (in share)	420,400,185	420,669,325	420,524,988
3. Changes in accounting policies applied : No			

(2) Consolidated financial position

	<u>Millions of Yen</u>		
	<u>September 30,</u> <u>2003</u>	<u>September 30,</u> <u>2002</u>	<u>March 31,</u> <u>2003</u>
Total assets	1,346,908	1,299,565	1,310,874
Total stockholders' equity	891,907	813,152	846,961
Equity ratio	66.2%	62.6%	64.6%
Stockholders' equity per share (in yen)	2,121.11	1,934.38	2,014.11
(Notes)			
Number of shares outstanding at year end (in shares)	420,491,357	420,369,360	420,408,126

(3) Consolidated Cash flows statement

Cash flows from operating activities	68,213	72,844	130,198
Cash flows from investing activities	(52,364)	(17,581)	(53,898)
Cash flows from financing activities	(25,009)	(5,594)	(18,803)
Cash & Cash Equivalents	295,018	290,380	302,370

(4) Application of consolidated and equity method

Number of consolidated subsidiaries	.....	64
Number of non-consolidated subsidiaries applied to equity method	.....	0
Number of affiliates applied to equity method	.....	7

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

Consolidation	Increase	2	Decrease	0
Equity method	Increase	0	Decrease	1

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

	<u>Millions of Yen</u>
	<u>Fiscal year</u> <u>2003/4-2004/3</u>
Net sales	810,000
Ordinary income	126,000
Net income	75,000

(Reference)

The forecast of "Net income per share" (in yen, from April 1, 2003 to March 31, 2004) 177.86

(Notes)

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”), 88 subsidiaries, and 14 affiliates as of September 30, 2003. Business is divided into three segments: Organic and Inorganic Chemicals Segment, which consists mainly of the manufacture and sale of polyvinyl chloride (PVC) and silicones; Electronics Materials Segment, which consists mainly of the manufacture and sale of semiconductor silicon; and Functional Materials and Others Segment, 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.

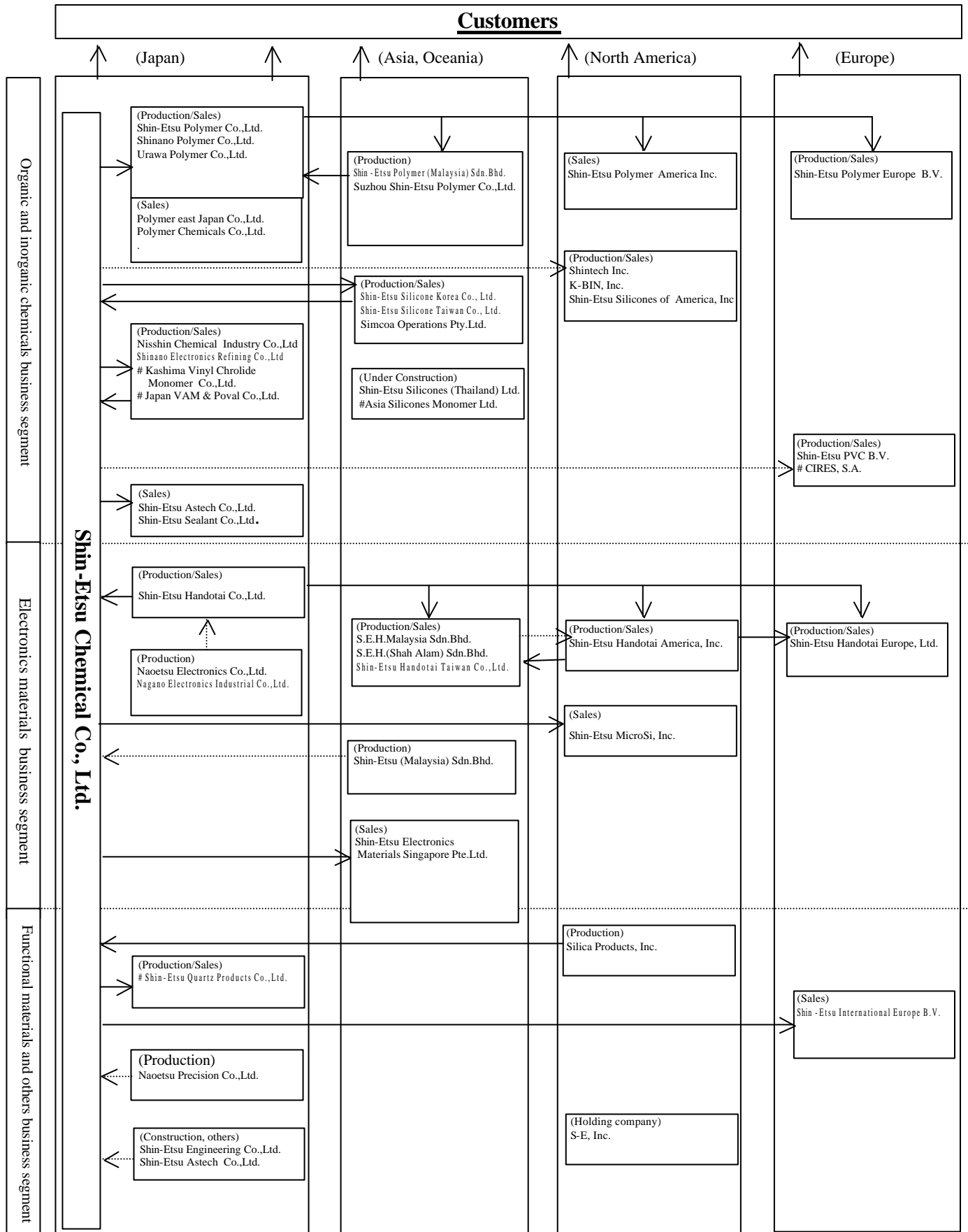
The Group’s business activities, the role and functions of the Company and major subsidiaries and affiliates are described below.

Organic and Inorganic Chemicals business segment	Polyvinyl chloride Silicone Methanol Chloromethanes Cellulose derivatives Caustic soda Silicon metal	Domestic	Shin-Etsu Chemical Co., Ltd. Shin-Etsu Polymer Co., Ltd. Shin-Etsu Astech Co., Ltd. Polymer East Japan Co., Ltd. Shinano Polymer Co., Ltd. Nissin Chemical Industry Co., Ltd. Polymer Chemicals Co., Ltd. Shin-Etsu Sealant Co., Ltd. Shinano Electric Refining Co., Ltd. Urawa Polymer Co., Ltd. Kashima Vinyl Chloride Monomer Co., Ltd. Japan VAM & Poval Co., Ltd. 13 other subsidiaries and affiliates Total number of companies: 25
		Overseas	Shintech Inc. Shin-Etsu PVC B.V. Shin-Etsu Silicone Korea Co., Ltd. Shin-Etsu Silicones (Thailand) Ltd. Shin-Etsu Silicone Taiwan Co., Ltd. Shin-Etsu Silicones of America, Inc. Shin-Etsu Polymer (Malaysia) Sdn. Bhd. Shin-Etsu Polymer Europe B.V. Shin-Etsu Polymer America, Inc. Suzhou Shin-Etsu Polymer Co., Ltd. Simcoa Operations Pty. Ltd. K-Bin, Inc. Asia Silicones Monomer Ltd. CIRES, S.A. 15 other subsidiaries Total number of companies: 29

Electronics materials business segment	Semiconductor silicon, Organic materials for the electronics industry, Rare earth magnets for the electronics industry, Photoresists	Domestic	Shin-Etsu Chemical Co., Ltd. Shin-Etsu Handotai Co., Ltd. Naoetsu Electronics Co., Ltd. Nagano Electronics Industrial Co., Ltd. 6 other subsidiaries and affiliates Total number of companies: 10
		Overseas	Shin-Etsu Handotai America, Inc. S.E.H. Malaysia Sdn.Bhd. Shin-Etsu Handotai Europe, Ltd. Shin-Etsu Electronics Materials Singapore Pte.Ltd. Shin-Etsu Handotai Taiwan Co., Ltd. Shin-Etsu (Malaysia) Sdn. Bhd. Shin-Etsu MicroSi, Inc. S.E.H.(Shah Alam) Sdn.Bhd. 7 other subsidiaries and affiliates Total number of companies: 15
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	Domestic	Shin-Etsu Chemical Co., Ltd. Shin-Etsu Astech Co., Ltd. Shin-Etsu Engineering Co., Ltd. Naoetsu Precision Co., Ltd. Shin-Etsu Quartz Products Co., Ltd. 22 other subsidiaries Total number of companies: 27
		Overseas	S-E, Inc. Shin-Etsu Electronics Materials Singapore Pte.Ltd. Silica Products, Inc. Shin-Etsu (Malaysia) Sdn. Bhd. Shin-Etsu International Europe B.V. 1 other subsidiary Total number of companies: 6

Note) Some of the companies listed in each business segment may be engaged in business across business segments, and therefore may be listed in more than one category .

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 each of its respective product areas. 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 this way Shin-Etsu establishes stable business relationships with a great number of customers around the world. In addition, Shin-Etsu endeavors to establish a business system that can effectively cope with changes in the economic situation and changing world market conditions.

(2) Main management practices

PVC (polyvinyl chloride), a general-purpose resin, is a product that has superior properties. It is easy to process and is economical as well. The PVC business is expected to see continued steady growth in demand in the future not only in China and Southeast Asia, where high economic growth rates are forecasted, but also in other key business regions in the world such as North America and Europe. It is notable in the global PVC business that Shintech Inc. in the U.S. with its recent establishment of new production facilities has strengthened its position as the No. 1 PVC manufacturer in the U.S. and also as a key Shin-Etsu world PVC production base mainly for the U.S. market. Furthermore, since its acquisition in 1999, Shin-Etsu PVC in The Netherlands has steadily increased its business and is proceeding with the expansion of its vinyl chloride monomer facilities, with completion expected in November 2003. It is also strengthening its PVC production capacity.

Shin-Etsu Chemical's PVC business is the world's largest with its annual global production capacity totaling 3.50 million tons, when the production capacity of its U.S., Europe and Japan production bases is combined. By utilizing to the maximum its world No. 1 production capability and its strong sales capabilities, which were nurtured in the world market, Shin-Etsu will strive to expand its PVC business.

Shin-Etsu's silicone business has silicone products with a wide diversity of applications in such industries as electric, electronic, automobile, construction, cosmetics, toiletries and chemical manufacturing, and along with the growth and development of these industries, the company's silicone business has expanded. This year Shin-Etsu is celebrating the 50th anniversary of its silicone business. It will create further domestic demand by making the most of its products' characteristics and will continue to grow by constantly developing new products and new applications. In its global silicone business, Shin-Etsu will also strive to expand sales to go along with the production capabilities of its new silicone manufacturing facilities in Freeport, Texas and Zhejiang, China, which started up this year. At the same time, Shin-Etsu will work towards early start-up of its new production facilities now under construction in Thailand so that it can make a quick and significant contribution to Shin-Etsu's silicone business.

To cope with future demand trends for next-generation 300mm silicon wafers, Shin-Etsu is presently going ahead with an expansion project to increase monthly production capacity to 200,000. In addition, Shin-Etsu will strive to accurately anticipate future demand trends and expand its production capacities in accord with these trends. At the same time, the company will make further efforts to expand sales of SOI wafers whose applications are extending to highly functional devices, and other specialty wafers. Furthermore, Shin-Etsu will strive to heighten the quality of all

its products. Moreover, Shin-Etsu will continually implement measures to strengthen its global competitive power by promoting rationalization and optimal use of global production bases.

In its synthetic quartz business, photomask substrates used for LCD manufacturing are doing well, and Shin-Etsu is implementing appropriate steps toward the development of the photomask substrate business for large-size LCDs, which are expected to see a strong increase in demand. With regard to its optical fiber preform business, while the worldwide decrease in demand continues, Shin-Etsu is taking measures to prepare for future demand for high-quality products in this field by energetically pursuing R & D activities and also devising effective business strategies for the time when this market recovers.

Shin-Etsu is continuing to aggressively pursue new R & D themes and nurturing new businesses. The company is making intensive efforts to develop and commercialize new fluoroelastomers, which will be the follow-up products to KrF photoresists and Thin-Film SOI wafers - strong new products that came out of these R&D efforts. Shin-Etsu will strive to establish a firm business base for future growth in these product areas.

Shin-Etsu makes it a fundamental management principle to pursue the goals of safety-first and environment conservation. From the point of view of risk management, Shin-Etsu recognizes that product safety policies such as PL countermeasures and safety and environment conservation in manufacturing facilities are most crucial management tasks. Accordingly, Shin-Etsu has established a risk management committee within the company and is taking thorough company-wide measures to instill the highest levels of consciousness about in-company auditing and the need for total compliance. In addition, in all of Shin-Etsu's domestic manufacturing facilities and in the major manufacturing facilities in Shin-Etsu Group companies such as Shin-Etsu Handotai and Shin-Etsu Polymer, we have obtained ISO 14001, the international standard for environmental management systems. Shin-Etsu endeavors to make useful contributions to the entire society, including the local communities, and to promote environmental conservation.

(3) Basic policy regarding 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.

The company will use its financial reserves for such needs as facility and R&D investment, acquisition of businesses, strengthening the company's global competitive power and developing promising future businesses. Shin-Etsu Chemical is making strenuous efforts to enhance the company's value.

With regard to the dividend for the first half of the current fiscal year(April 1, 2003 to September 30, 2003), the company declared a dividend of ¥8 per share, a ¥1 increase per share, and the company expects the annual dividend to be ¥16, an increase of ¥2 per share.

(4) Basic Position on Corporate Governance and its Implementation

As stated before, Shin-Etsu Chemical's basic management policy is to place great importance on giving shareholders maximum value by increasing the worth of Shin-Etsu Group companies. Accordingly, management administration organizations and its various systems, as well as such areas as corporate information disclosure policies and PR activities are all set up and carried out in line with this basic management policy. Shin-Etsu has endeavored to fulfill these management objectives by further deepening the understanding of shareholders and investors with regard to Shin-Etsu's management philosophy and policies.

With regard to corporate business practices, Shin-Etsu is strictly following the designated procedures provided by various relevant laws and company regulations. In the case of particularly important matters concerning these practices, action is taken after careful study and consideration by the Managing Directors Meeting and through implementation of decisions made at the Board of Directors Meeting.

Frank Peter Popof, the former CEO of Dow Chemical Company in the United States, and Shunji Kono, counselor and former chairman of The Tokio Marine & Fire Insurance Co., Ltd., are serving Shin-Etsu as outside company directors. In this way, Shin-Etsu is obtaining not only an independent audit perspective but also a great deal of very useful advice from the broad standpoint of global corporate management. Moreover, at the time of decisions regarding board members' remuneration, Shin-Etsu has a board remuneration committee, which Mr. Popof chairs.

Full-time statutory auditors attend not only directors' meetings but also other important in-company meetings, and they carry out audits concerning Shin-Etsu's business operations. Furthermore, regarding corporate accounting, Shin-Etsu takes all possible measures to regularly and as necessary directly receive appropriate information from all of these auditors.

To be better prepared for the various kinds of risks that could possibly occur during its business operations, Shin-Etsu established a risk management committee. The company is striving to anticipate any and all possible risks that could be assumed and take countermeasures in advance to prevent such risks from actually occurring.

From its corporate directors to each and every one of its employees, all members of Shin-Etsu completely devote themselves in all phases of their business activities to respecting the spirit and the letter of the law and to following fair principles of corporate governance. They have pledged themselves to faithfully follow all of the company rules and regulations that are enumerated in the company's employment contract and in signed documents. In addition, Shin-Etsu has an employee consultation organization, which monitors these matters to insure that the company's principles and policies of corporate governance are scrupulously implemented by responding to employee questions about proper procedures.

3. Results of Operations and Financial Position

(1) Results of Operations

General Overview

During the first half of the current fiscal year, although there were signs of recovery in corporate facility investment in Japan, personal consumption and housing investment remained weak. Public investment also trended downwards, and Japan's economy continued to be sluggish. In addition, the American economy, which has a great influence on the world economy, and the economies of Southeast Asia, showed some indications of an upturn; however, the sharp increase in exchange rate of the yen toward the end of the first half created some concerns due to the large influence that yen appreciation has on exports to these areas.

Even under these severe circumstances, Shin-Etsu Group companies continued strong sales efforts with regard to their worldwide customers by emphasizing the special features of Shin-Etsu's products and also by utilizing to the maximum the companies' sales power that was nurtured in the world market. At the same time, Shin-Etsu aggressively promoted efforts to raise efficiency by more efficiently utilizing the company's global production system and introducing advanced automation systems.

As a result, the consolidated business results for the first half of the current fiscal year show that net sales increased by 2.7% (¥10,848 million) compared to the first half of the previous fiscal year to become ¥407,585 million. Compared to the performance of the first half of the previous fiscal year, operating income increased 1.3% (¥832 million) to ¥63,852 million, ordinary income increased 1.6% (¥981 million) to ¥63,022 million and net income increased 2.0% (¥735 million) to ¥37,743 million.

Business Segment Overview

Organic and Inorganic Chemicals

Since the end of 2002, the U.S. PVC market, which is a core market for Shin-Etsu Chemical's global PVC business strategy, has recovered, supported by an upturn in housing construction, and the sales price of PVC continued to rise with the soaring cost of raw materials and rise in energy prices. Shintech Inc., Shin-Etsu's U.S. PVC base, accurately anticipated this market trend and continued full operation of both of its Texas plant with its annual production capacity of 1.45 million tons and its Louisiana plant with its annual production capacity of 590,000 tons. As a result, Shintech achieved its highest-ever net sales and net income in the first half of the fiscal year. Also, Shin-Etsu PVC in The Netherlands continued steady production and sales and increased its profit.

On the other hand, the domestic PVC business continued to see a severe sales situation due to a continuation of weakness in construction and housing starts. As a result, Shin-Etsu's PVC Division increased sales steadily and was able to greatly increase its operating income.

Silicones have a wide range of applications in such diverse fields such as electric, electronics, automobiles, chemicals, toiletries, cosmetics and construction. In the first half of the current fiscal year, with the adverse effect of the SARS outbreak, shipments of silicone products to Southeast Asia for such applications as electric and electronics decreased for a time; however, domestic sales in such fields as automobile-related applications, information equipment and cosmetics increased. As a result, sales of silicone products exceeded that of the same period of the last year. In addition, silicone-processed products did well mainly for the electric and electronics field. Consequently, the silicone business increased both in net sales and operating income.

Cellulose derivatives saw sluggish demand for domestic construction use. On the other hand, a steady increase was seen in exports of products for medical use and industrial-use products for automobile-related applications. As a result, overall sales of cellulose demand was increased.

Accordingly, the net sales of this business segment increased 8.0% (¥16,654 million) to ¥224,479 million, compared to the first half of the previous fiscal year. Operating income increased 9.5% (¥2,876 million) to ¥33,150 million.

Electronics Materials

With regard to the semiconductor silicon business, demand for semiconductor devices for digital cameras and mobile phones was strong, and the company's main wafer product, 8-inch wafers, continued to maintain a high level of shipments from the beginning of the first half. In addition, production and sales volume of next-generation 300mm wafers, which began to be commercially produced from February of the year before last, increased steadily. Specialty wafers such as SOI wafers, annealed wafers and others also continued to show a large increase in sales. As a result, in the semiconductor silicon business field as a whole both net sales and operating income increased steadily.

Rare earth magnets for the electronics industry faced a continued severe situation in the first part of the first half of the fiscal year because of the weakening demand for hard disk drives for servers. However, in

the later part of this fiscal half, demand turned upward. Sales of photoresists products remained at about the same level from previous fiscal year, and sales of organic materials for the electronics industry were sluggish.

As a consequence, net sales of this business segment increased 0.3% (¥433 million), compared to the first half of the previous fiscal year, to ¥126,999 million. Operating income increased 7.7% (¥1,539 million) to ¥21,515 million.

Functional Materials and Others

Among synthetic quartz products, sales of synthetic quartz for electronics fields increased with good demand for synthetic quartz substrates for LCD photomasks. On the other hand, sales decreased greatly for optical fiber preform due to a large slowdown in demand from communication-related businesses worldwide.

Sales of rare earth magnets for medical use were sluggish, but sales of magnets for energy-saving home appliances and automobile-related products were good and overall sales of rare earth magnets were bullish. Although sales of rare earth decreased in applications for TV cathode ray tubes, sales for applications in flat-panel displays were bullish

As a result, the net sales of this business segment decreased 10.0% (¥6,238 million), compared to the first half of the previous fiscal year, to ¥56,107 million. Operating income decreased 27.7% (¥3,494 million) to ¥9,119 million.

Dividends

The Company declared an interim dividend of ¥8 per share, an increase of ¥1 per share over the prior interim dividend.

Business prospects

Regarding the business forecast for the next business term, the domestic economy for a while cannot expect autonomous recovery in demand. The American economy, which has a big influence on the world economy, still is showing weakness in its employment situation, and there are uncertainties as to its future direction. Furthermore, there are other uncertain economic factors such as currency exchange fluctuations and trends in raw material costs. Thus, the environment surrounding business corporations is unpredictable.

The Shin-Etsu Group will strengthen its existing businesses, which have been nurtured in the world market for a long period of years, by adopting policies to further enhance their competitive sales power. While expanding the company's already strong position in products for which there is increasing demand such as 300mm wafers, Shin-Etsu will make all-out efforts to achieve early commercialization of new products spawned by on-going R&D projects. In addition, Shin-Etsu will strengthen its business base by putting efforts into developing and nurturing products that are unique and can be differentiated from other competitive products, and at the same time, by further enhancing the company's competitive power in production costs.

Our business forecast for fiscal year ended March 31,2004 is as follows:

	<u>Billions of yen</u>	
	Consolidated	Non-consolidated
Net sales	810	480
Ratio of increase (decrease) over the prior fiscal year	1.6%	- %
Ordinary income	126	58
Ratio of increase (decrease) over the prior fiscal year	3.2%	(6.5%)
Net income	75	34.5
Ratio of increase (decrease) over the prior fiscal year	2.7%	(6.8%)

The year-end dividend is expected to be ¥8 per share. As a result, the annual dividend will be ¥16 per share, an increase of ¥2 per share over that of the previous fiscal year.

(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

Millions of Yen

	For the period ended			Increase (Decrease) (A-B)
	September 30, 2003 (A)	March 31, 2003	September 30, 2002 (B)	
Cash and cash equivalents at beginning of fiscal year	302,370	249,846	249,846	52,524
Cash flows from operating activities	68,213	130,198	72,844	(4,631)
Cash flows from investing activities	(52,364)	(53,898)	(17,581)	(34,783)
Cash flows from financing activities	(25,009)	(18,803)	(5,594)	(19,415)
Effect of foreign exchange and others	1,808	(4,974)	(9,134)	10,942
Net increase(decrease) in cash and cash equivalents	(7,352)	52,523	40,534	(47,885)
Cash and cash equivalents at end of term	295,018	302,370	290,380	4,638

The balance of cash and cash equivalents at end of the first half of this fiscal year was ¥295,018 million decrease 2.4% (¥7,352 million) from that of the prior year.

The Increase in cash flows provided by operating activity amounted to ¥68,213 million. It was mainly comprised of income before income tax of ¥63,022 million and depreciation expense of ¥34,199 million.

Net cash used for investing activities amounted to ¥52,364 million. This consisted mainly of ¥30,853 million in purchase of property, plant and equipment and net proceeds ¥28,537 million from purchases, sales and redemption of securities and investments in securities.

Net cash used for financing activities amounted to ¥25,009 million, mainly comprised of ¥23,135 million in payment of short-term borrowings.

The trend of cash flow indices is as follows

	For the period ended				
	September 30, 2003	March 31, 2003	September 30, 2002	March 31, 2002	September 30, 2001
Shareholder's equity ratio(%)	66.2	64.6	62.6	63.0	59.1
Shareholder's equity ratio on market value basis(%)	131.1	117.7	130.4	177.3	109.5
Redemption years for debt	1.1	1.3	1.2	1.5	1.8
Interest coverage ratio	36.0	28.9	29.9	18.5	17.2

(Notes) Shareholder's equity ratio: shareholders' equity / total assets

Shareholder's equity ratio at market value:

Aggregate market value of common stock / total assets

Debt repayment period: interest-bearing liabilities / cash flows from operating activities

Interest coverage ratio: cash flows from operating activities / interest payments

1. All indices based on consolidated financial figures.
2. Aggregate market value of common stock:
Market price at the period end x number of shares outstanding at the period end
(excluding treasury stock)
3. Cash flow from operating activities corresponds to the cash flow from operating activities in the consolidated statement of cash flows. Interest-bearing liabilities include all liabilities for which the Company is paying interest among the liabilities reported on the consolidated balance sheet. Interest expenses correspond to the interest expenses in the consolidated statement of cash flows.
4. Cash flow from operating activities is doubled into yearly basis to calculate the redemption years for debt for the six months period of each year.

4. Consolidated Financial Statements

4-1 Comparative Consolidated Balance Sheets

As of September 30, 2003, March 31, 2003 and September 30, 2002.

Millions of Yen

ASSETS

	September 30, 2003 (A)	March 31, 2003 (B)	September 30, 2002	Increase (Decrease) (A-B)
Current Assets:				
Cash on hand and in banks	194,715	235,647	278,259	(40,932)
Notes and accounts receivable-trade	200,407	197,967	208,415	2,440
Securities	155,227	115,323	39,532	39,904
Inventories	123,530	119,360	114,008	4,170
Deferred tax assets	19,588	21,260	21,620	(1,672)
Others	21,548	23,413	29,377	(1,865)
Less: Allowance for doubtful accounts	(5,125)	(5,193)	(3,477)	68
Total current assets	<u>709,892</u>	<u>707,778</u>	<u>687,736</u>	<u>2,114</u>
Fixed Assets:				
Property, plant and equipment				
Buildings and structures	161,543	158,985	158,096	2,558
Machinery, equipment and vehicles	197,678	196,529	193,386	1,149
Land	40,546	33,285	33,967	7,261
Construction in progress	40,710	41,836	40,077	(1,126)
Others	10,595	10,835	11,429	(240)
	<u>451,075</u>	<u>441,472</u>	<u>436,957</u>	<u>9,603</u>
Intangible fixed assets	5,434	4,292	3,926	1,142
Investments and others				
Investments in securities	157,885	133,390	141,451	24,495
Deferred tax assets	12,707	13,056	18,623	(349)
Others	9,931	10,902	10,894	(971)
Less: Allowance for doubtful accounts	(17)	(17)	(23)	0
	<u>180,507</u>	<u>157,331</u>	<u>170,945</u>	<u>23,176</u>
Total fixed assets	<u>637,016</u>	<u>603,096</u>	<u>611,829</u>	<u>33,920</u>
TOTAL ASSETS	<u>1,346,908</u>	<u>1,310,874</u>	<u>1,299,565</u>	<u>36,034</u>

Millions of Yen

	September 30, 2003 (A)	March 31, 2003 (B)	September 30, 2002	Increase (Decrease) (A-B)
LIABILITIES				
Current Liabilities:				
Notes and accounts payable -trade	97,756	110,649	110,635	(12,893)
Short-term borrowings	52,871	73,511	73,125	(20,640)
Debentures of redemption within one year	8,000	5,000	27,486	3,000
Accounts payable -others	37,341	34,568	29,771	2,773
Accrued income taxes	20,298	12,548	22,880	7,750
Accrued expenses	58,928	53,442	57,762	5,486
Others	8,352	8,384	10,097	(32)
Total current liabilities	<u>283,548</u>	<u>298,104</u>	<u>331,760</u>	<u>(14,556)</u>
Long-term Liabilities:				
Debentures	23,792	21,796	17,000	1,996
Convertible debentures	18,183	18,291	18,305	(108)
Long-term borrowings	46,141	48,763	37,351	(2,622)
Deferred tax liabilities	29,245	24,703	22,482	4,542
Accrued retirement benefits	5,510	6,238	15,244	(728)
Others	22,577	20,498	20,166	2,079
Total long-term liabilities	<u>145,449</u>	<u>140,290</u>	<u>130,549</u>	<u>5,159</u>
TOTAL LIABILITIES	<u>428,997</u>	<u>438,395</u>	<u>462,309</u>	<u>(9,398)</u>
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES	<u>26,004</u>	<u>25,517</u>	<u>24,103</u>	<u>487</u>
STOCKHOLDERS' EQUITY				
Common stock	110,326	110,271	110,264	55
Additional paid-in capital	119,094	119,040	119,033	54
Retained earnings	661,130	626,141	592,652	34,989
Unrealized gain(loss) on available-for-sale Securities	5,232	(1,481)	2,101	6,713
Foreign currency translation adjustment	5,613	2,625	(1,106)	2,988
Treasury stock	(9,490)	(9,636)	(9,793)	146
TOTAL STOCKHOLDERS' EQUITY	<u>891,907</u>	<u>846,961</u>	<u>813,152</u>	<u>44,946</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>1,346,908</u>	<u>1,310,874</u>	<u>1,299,565</u>	<u>36,034</u>
(Notes)				
1. Accumulated depreciation of property, plant and equipment (in millions of yen)	811,246	752,206	720,682	
2. Contingent liabilities for guarantee (in millions of yen)	635	702	685	
3. Treasury stocks (in shares)	2,132,890	2,159,785	2,191,251	

4-2 Comparative Consolidated Income Statements

For the six months period ended September 30, 2003 and 2002, and the fiscal year ended March 31, 2003.

	Millions of Yen			
	For the period ended			
	September 30, 2003 (A)	March 31, 2003	September 30, 2002 (B)	Increase (Decrease) (A-B)
Operating Income and Expenses:				
Net sales	407,585	797,523	396,737	10,848
Cost of sales	300,197	585,220	285,528	14,669
Gross profit	107,388	212,302	111,208	(3,820)
Selling, general and administrative expenses	43,536	90,152	48,187	(4,651)
Operating income	63,852	122,149	63,020	832
Non-operating Income:				
Interest income	1,515	3,655	2,032	(517)
Dividend income	309	474	300	9
Equity in earnings of affiliates	111	1,727	555	(444)
Other income	1,729	4,726	3,961	(2,232)
	3,665	10,583	6,850	(3,185)
Non-operating Expenses:				
Interest expenses	1,923	4,955	2,833	(910)
Loss on disposal of property, plant and equipment	410	780	443	(33)
Foreign exchange loss	1,665	3,848	4,040	(2,375)
Other expenses	495	1,029	512	(17)
	4,495	10,613	7,829	(3,334)
Ordinary income	63,022	122,119	62,041	981
Extraordinary Gains:				
Reversal of prior year's accrued maintenance expenses	-	3,298	3,298	(3,298)
Settlement income	-	2,527	2,617	(2,617)
Gain on sales of property, plant and equipment	-	2,416	-	-
Gain on transfer of securities to retirement benefits trust	-	2,363	-	-
	-	10,605	5,915	(5,915)
Extraordinary Losses:				
Loss on write-down of investment securities	-	10,494	6,338	(6,338)
Adjustment to prior years' license fee	-	1,727	-	-
	-	12,222	6,338	(6,338)
Income before income taxes	63,022	120,502	61,618	1,404
Income taxes-Current	20,889	34,367	23,429	(2,540)
Income taxes-Deferred	3,310	10,866	253	3,057
Minority interest in earnings of consolidated subsidiaries	1,079	2,253	927	152
Net income	37,743	73,015	37,008	735

4-3 Comparative Consolidated statements of additional paid-in capital and retained earnings

For the six months period ended September 30, 2003 and 2002, and the fiscal year ended March 31, 2003.

Millions of Yen

	For the period ended			Increase (Decrease) (A-B)
	September 30, 2003 (A)	March 31, 2003	September 30, 2002 (B)	
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of the period	119,040	119,028	119,028	12
Conversion of convertible debentures	53	11	4	49
Total increase	53	11	4	49
Balance at end of the period	119,094	119,040	119,033	61
RETAIN EARNINGS				
Balance at beginning of the period	626,141	556,465	556,465	69,676
Net income	37,743	73,015	37,008	735
Increase due to the increase of consolidated subsidiaries	393	2,560	2,003	(1,610)
Total increase	38,136	75,576	39,011	(875)
Cash dividends	2,942	5,466	2,524	418
Directors' and statutory auditors' bonuses	193	176	175	18
Loss on disposal sales of treasury stocks	11	257	124	(113)
Total decrease	3,147	5,900	2,824	323
Balance at end of the period	661,130	626,141	592,652	68,478

4-4 Comparative Consolidated statements of cash flows

For the six months period ended September 30, 2003 and 2002, and the fiscal year ended March 31, 2003.

	Millions of Yen			
	For the period ended			Increase (Decrease) (A-B)
	September 30, 2003 (A)	March 31, 2003	September 30, 2002 (B)	
1. Cash flows from operating activities				
Income before income taxes	63,022	120,502	61,618	1,404
Depreciation and amortization	34,199	66,566	32,868	1,331
Increase (decrease) in accrued retirement benefits	(1,257)	(8,969)	37	(1,294)
Loss on write-down of investment securities	45	10,494	6,338	(6,293)
Interest and dividend income	(1,825)	(4,129)	(2,333)	508
Interest expenses	1,923	4,955	2,833	(910)
Foreign exchange (gain) loss	2,317	1,904	(1,184)	3,501
Equity in earnings of affiliates	(111)	(1,727)	(555)	444
Transfer of securities to retirement benefit trust	-	3,214	-	-
Gains on transfer of securities to retirement benefit trust	-	(2,363)	-	-
Gains from cancellation of retirement benefit trust	-	(12,095)	-	-
(Increase) decrease in notes and accounts receivable	2,906	(7,732)	(20,247)	23,153
(Increase) decrease in inventories	(3,315)	(1,886)	2,686	(6,001)
Increase (decrease) in notes and accounts payable	(18,930)	16,033	20,946	(39,876)
Other, net	2,976	(18,733)	(16,112)	19,088
Subtotal	81,951	166,033	86,897	(4,946)
Proceeds from interest and dividends	2,173	4,389	2,499	(326)
Payment of interest	(1,894)	(4,499)	(2,436)	542
Payment of income taxes	(14,015)	(35,725)	(14,116)	101
Net cash provided by operating activities	68,213	130,198	72,844	(4,631)
2. Cash flows from investing activities				
Net (increase) decrease in marketable securities	3,871	64,957	56,037	(52,166)
Purchase of property, plant and equipment	(30,853)	(62,271)	(34,415)	3,562
Proceeds from sales of property, plant and equipment	993	4,358	1,044	(51)
Purchase of intangible fixed asset	(2,122)	(2,300)	(1,141)	(981)
Purchase of investment securities	(34,113)	(78,921)	(52,384)	18,271
Proceeds from sales and redemption of investment securities	1,705	25,859	18,633	(16,928)
Payments of loans	(243)	(207)	(143)	(100)
Proceeds from collection of loans	51	327	301	(250)
Other, net	8,347	(5,699)	(5,513)	13,860
Net cash used for investing activities	(52,364)	(53,898)	(17,581)	(34,783)
3. Cash flows from financing activities				
Net increase (decrease) in short term debt	(23,135)	(3,479)	(890)	(22,245)
Proceeds from long-term debt	2,750	33,427	16,190	(13,440)
Repayment of long-term debt	(6,153)	(23,898)	(17,227)	11,074
Proceeds from issuance of debentures	10,000	11,014	6,000	4,000
Payment of debentures on redemption	(5,000)	(28,195)	(5,000)	-
Cash dividends paid	(2,942)	(5,466)	(2,524)	(418)
Other, net	(528)	(2,203)	(2,142)	1,614
Net cash used for financing activities	(25,009)	(18,803)	(5,594)	(19,415)
4. Effect of exchange rate changes on cash and cash equivalents	1,486	(6,969)	(9,715)	11,201
5. Net increase (decrease) in cash and cash equivalents	(7,673)	50,527	39,953	(47,626)
6. Cash and cash equivalents at beginning of year	302,370	249,846	249,846	52,524
7. Net increase (decrease) in cash and cash equivalents by change of consolidation scope	322	1,995	581	(259)
8. Cash and cash equivalents at end of the period	295,018	302,370	290,380	4,638

4-5 Basis of Presenting Consolidated Financial Statement

1. Scope of Consolidation		
Consolidated Subsidiaries	64	Shintech, Inc.(Overseas subsidiary) Shin-Etsu Handotai Co., Ltd. Shin-Etsu Handotai America, Inc.(Overseas subsidiary) Shin-Etsu Polymer Co., Ltd. S.E.H. Malaysia Sdn. Bhd.(Overseas subsidiary) Shin-Etsu PVC B.V.(Overseas subsidiary) Naoetsu Electronics Co., Ltd. Shin-Etsu Handotai Europe, Ltd. (Overseas subsidiary) Shin-Etsu Engineering Co., Ltd. Shin-Etsu Astech Co., Ltd. Nissin Chemical Industry Co., Ltd. 53 other subsidiaries
Unconsolidated Subsidiaries	24	

2. Application of Equity Method

The Company had 24 unconsolidated subsidiaries and 4 affiliates. The equity method is applied to the investments in 7 major affiliates – Shin-Etsu Quartz Products Co., Ltd., Kashima Vinyl Chloride Monomer Co., Ltd. and 5 other affiliates.

3. Fiscal Year of Consolidated Subsidiaries

36 subsidiaries adopt six months period ending on June 30, and 6 subsidiaries adopt that ending on August 31, 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) 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

..... 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.
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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. Nature of Fund on Interim Consolidated Cash Flow Statement
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 six months period ended September 30, 2003 and 2002, and the fiscal year ended March 31, 2002.

5-1. Business Segment Information

		Millions of Yen					
		For the six months period ended September 30, 2003					
		Organic and Inorganic Chemicals	Electronics Materials	Functional Materials and Others	Total	Elimination or Corporate assets	Consolidated total
Sales	Outside customers	224,479	126,999	56,107	407,585	-	407,585
	Intersegment	4,643	600	26,525	31,769	(31,769)	-
	Total	229,122	127,600	82,632	439,355	(31,769)	407,585
	Operating costs and expenses	195,972	106,084	73,512	375,570	(31,836)	343,733
	Operating income	33,150	21,515	9,119	63,785	66	63,852
	Depreciation	10,424	19,561	4,357	34,342	(143)	34,199
	Capitalexpenditure *	12,750	20,901	2,478	36,130	(72)	36,058

*Capital expenditure of our affiliate, Asia Silicones Monomer Limited, which is under the Organic and Inorganic Chemicals segment, was 4,768 millions of yen, which corresponds to our share of ownership of the affiliate. If this amount is included, capital expenditure for the first half of this fiscal year would be 40,826 millions of yen.

		Millions of Yen					
		For the year ended March 31, 2003					
		Organic and Inorganic Chemicals	Electronics Materials	Functional Materials and Others	Total	Elimination or Corporate assets	Consolidated total
Sales	Outside customers	421,021	243,427	133,074	797,523	-	797,523
	Intersegment	10,082	4,665	56,195	70,943	(70,943)	-
	Total	431,104	248,092	189,269	868,467	(70,943)	797,523
	Operating costs and expenses	368,695	212,844	165,018	746,557	(71,184)	675,373
	Operating income	62,409	35,248	24,251	121,909	240	122,149
	Depreciation	22,031	33,297	11,534	66,864	(297)	66,566
	Capitalexpenditure *	27,999	35,100	2,615	65,716	(146)	65,569

*Capital expenditure of our affiliate, Asia Silicones Monomer Limited, which is under the Organic and Inorganic Chemicals segment, was 9,650 millions of yen, which corresponds to our share of ownership of the affiliate. If this amount is included, capital expenditure for the first half of this fiscal year would be 75,220 millions of yen.

Millions of Yen

		For the six months period ended September 30, 2002					
		Organic and Inorganic Chemicals	Electronics Materials	Functional Materials and Others	Total	Elimination or Corporate assets	Consolidated total
Sales	Outside customers	207,825	126,566	62,345	396,737	-	396,737
	Intersegment	3,846	2,304	26,934	33,086	(33,086)	-
	Total	211,672	128,870	89,280	429,823	(33,086)	396,737
Operating costs and expenses		181,397	108,894	76,667	366,958	(33,242)	333,716
Operating income		30,274	19,976	12,613	62,864	156	63,020
Depreciation		11,458	15,824	5,738	33,022	(154)	32,868
Capitalexpenditure *		15,897	15,482	1,040	32,420	(65)	32,355

*Capital expenditure of our affiliate, Asia Silicones Monomer Limited, which is under the Organic and Inorganic Chemicals segment, was 4,179 millions of yen, which corresponds to our share of ownership of the affiliate. If this amount is included, capital expenditure for the first half of this fiscal year would be 36,534 millions of yen.

(Notes)

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, Methanol, Chloromethanes, Cellulose derivatives, Caustic soda, 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

5-2. Geographical Segment information

		Millions of Yen						
		For the six months period ended September 30, 2003						
		Japan	North America	Asia	Other Area	Total	Elimination or Corporate assets	Consolidated total
Sales	Outside customers	221,245	105,991	40,620	39,728	407,585	-	407,585
	Intersegment	63,141	7,635	16,924	1,676	89,378	(89,378)	-
	Total	284,387	113,627	57,544	41,405	496,964	(89,378)	407,585
	Operation costs and expenses	239,878	101,333	54,030	38,270	433,514	(89,780)	343,733
	Operating income	44,508	12,293	3,513	3,134	63,450	401	63,852

		Millions of Yen						
		For the year ended March 31, 2003						
		Japan	North America	Asia	Other Area	Total	Elimination or Corporate assets	Consolidated Total
Sales	Outside customers	456,528	190,262	79,322	71,410	797,523	-	797,523
	Intersegment	119,808	16,713	35,553	3,414	175,490	(175,490)	-
	Total	576,336	206,975	114,876	74,825	973,013	(175,490)	797,523
	Operation costs and expenses	489,214	183,614	107,866	69,161	849,857	(174,483)	675,373
	Operating income	87,122	23,360	7,009	5,663	123,156	(1,006)	122,149

		Millions of Yen						
		For the six months period ended September 30, 2002						
		Japan	North America	Asia	Other Area	Total	Elimination or Corporate assets	Consolidated Total
Sales	Outside customers	225,414	98,908	38,200	34,212	396,737	-	396,737
	Inter segment	57,127	7,113	17,583	1,813	83,638	(83,638)	-
	Total	282,542	106,022	55,784	36,026	480,375	(83,638)	396,737
	Operation costs and expenses	237,472	92,805	53,135	33,166	416,580	(82,864)	333,716
	Operating income	45,069	13,216	2,648	2,859	63,794	(773)	63,020

(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

5-3. Overseas sales information

Millions of Yen

	For the six months period ended September 30, 2003			
	North America	Asia	Other area	Total
Overseas sales	100,928	105,342	51,672	257,942
Consolidated sales				407,585
Percentage of overseas sales over consolidated sales	24.8	25.8	12.7	63.3

Millions of Yen

	For the fiscal year ended March 31, 2003			
	North America	Asia	Other Area	Total
Overseas sales	181,015	217,666	98,018	496,699
Consolidated sales				797,523
Percentage of overseas sales over consolidated sales	22.7	27.3	12.3	62.3

Millions of Yen

	For the six months period ended September 30, 2002			
	North America	Asia	Other Area	Total
Overseas sales	93,624	106,172	47,901	247,699
Consolidated sales				396,737
Percentage of overseas sales over consolidated sales	23.6	26.8	12.0	62.4

(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.

3. Sales in China included in "Asia" for the six months period ended September 30, 2003, the fiscal year ended March 31, 2003 and the six months period ended September 30, 2002 were ¥33,514 million, ¥71,330 million and ¥32,638 million respectively.

4. Sales in Europe included in "Other area" for the six months period ended September 30, 2003, the fiscal year ended March 31, 2003 and the six months period ended September 30, 2002 were ¥41,575 million, ¥71,936 million and ¥37,502 million respectively.

[Supplementary data: Details of Business Segment Information (Net Sales and Operating Income)]

	100 Millions of Yen					
	Net Sales			Operating Income		
	Six months 2003/4-2003/9	Six months 2002/4-2002/9	Increase (Decrease)	Six months 2003/4-2003/9	Six months 2002/4-2002/9	Increase (Decrease)
Polyvinyl chloride	1,256	1,113	143	122	105	17
Silicones	669	650	19	139	130	9
Others	320	315	5	71	68	3
Total Organic and inorganic chemicals Segment	2,245	2,078	[8.0%] 167	332	303	[9.5%] 29
Semiconductor silicon	1,040	1,023	17	180	166	14
Others	230	243	(13)	35	34	1
Total Electronics materials Segment	1,270	1,266	[0.3%] 4	215	200	[7.7%] 15
Synthetic quartz products	128	205	(77)	43	83	(40)
Rare earth magnets and other Functional materials	124	118	6	26	27	(1)
Others	309	300	9	22	16	6
Total Functional materials and Others Segment	561	623	[-10.0%] (62)	91	126	[-27.7%] (35)
Elimination	-	-	-	1	1	0
Grand Total	4,076	3,967	[2.7%] 109	639	630	[1.3%] 9

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.

Pro forma information 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

	September 30, 2003	<u>Millions of Yen</u> March 31, 2003	September 30, 2002
Acquisition cost	1,973	2,674	4,029
Accumulated depreciation	1,124	1,809	1,988
Net book value	849	864	2,041

- (2) Future lease payments

Within one year	365	373	649
Over one year	483	491	1,391
Total	849	864	2,041

- (3) Lease expenses

(depreciation expenses)	209	488	407
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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

The amount corresponding to future lease payments

	September 30, 2003	<u>Millions of Yen</u> March 31, 2003	September 30, 2002
Within one year	2,849	3,597	1,460
Over one year	8,692	4,925	4,010
Total	11,542	8,522	5,471

7. Securities

(1) Market value of bonds held to maturity

	Millions of Yen								
	September 30, 2003			March 31, 2003			September 30, 2002		
	<u>Book value</u>	<u>Market value</u>	<u>Unrealized gain(loss)</u>	<u>Book value</u>	<u>Market value</u>	<u>Unrealized gain(loss)</u>	<u>Book value</u>	<u>Market value</u>	<u>Unrealized gain(loss)</u>
National and local government bonds and others	1,108	1,108	0	0	0	0	731	720	(11)
Debentures	-	-	-	848	843	(4)	-	-	-
Others	13,532	13,502	(29)	13,276	13,294	18	17,777	17,792	15
Total	14,641	14,611	(29)	14,125	14,139	13	18,508	18,512	4

(2) Available-to-sale securities whose fair values are defined

	Millions of Yen								
	September 30, 2003			March 31, 2003			September 30, 2002		
	<u>Acquisition cost</u>	<u>Book value</u>	<u>Unrealized gain(loss)</u>	<u>Acquisition cost</u>	<u>Book value</u>	<u>Unrealized gain(loss)</u>	<u>Acquisition cost</u>	<u>Book value</u>	<u>Unrealized gain(loss)</u>
1.Stocks	29,394	38,687	9,293	29,520	27,709	(1,811)	22,353	26,316	3,963
2.Bonds									
National and local government bonds and others	-	-	-	-	-	-	-	-	-
Debentures	4	4	0	4	4	0	4	3	(0)
Others	-	-	-	-	-	-	-	-	-
3.Others	2,596	2,270	(325)	1,839	1,243	(595)	1,839	1,464	(374)
Total	31,994	40,961	8,967	31,363	28,956	(2,406)	24,196	27,784	3,588

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

	Millions of Yen		
	September 30, 2003	March 31, 2003	September 30, 2002
	Book value	Book value	Book value
1. Bonds held to maturity			
Discount bond	24,253	16,775	18,860
Non-listed domestic bonds	18,202	14,237	6,006
Non-listed overseas bonds	76,326	64,096	40,268
2. Investments in non-consolidated subsidiaries and affiliates	29,298	32,354	29,923
3. Available-for-sale securities			
Non-listed shares	4,586	4,853	2,364
Non-listed overseas bonds	72,599	73,305	37,258
Others	32,244	9	9

8. Derivative transactions

	Millions of Yen								
	September 30, 2003			March 31, 2003			September 30, 2002		
	Contract amounts	Market value	Unrealized gain(loss)	Contract amounts	Market value	Unrealized gain(loss)	Contract amounts	Market value	Unrealized gain(loss)
Currency relatives									
Foreign exchange contracts									
Sales contracts	26,639	25,890	748	16,615	16,662	(47)	16,592	16,815	(223)
Buys contracts	999	969	(29)	2,248	2,267	19	1,539	1,593	53
Currency swap contracts	4,163	(173)	(173)	2,915	(202)	(202)	1,579	(64)	(64)
Interest relatives									
Interest swap contracts	35,229	(52)	(52)	35,713	(108)	(108)	34,796	(147)	(147)
Total	-	-	492	-	-	(338)	-	-	(381)

- (Notes)
1. The market value is provided by financial institutes with which we made the contracts. Market rate represents the forward foreign exchange rate prevailing as of the end of each period.
 2. Any derivative transactions to which hedge accounting is applied are excluded from the above table.