

Revised

Press Release of Consolidated Financial Data

For the 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
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Date of Board of Directors Meeting
For the authorization of the consolidated financial statements
for the current fiscal year May 13, 2003
Adoption of U.S. GAAP : No

1).Consolidated 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 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	797,523	775,096
Ratio of increase (decrease) over the preceding year	2.9%	(4.0%)
Operating income	122,149	114,723
Ratio of increase (decrease) over the preceding year	6.5%	1.8%
Ordinary income	122,119	117,031
Ratio of increase (decrease) over the preceding year	4.3%	1.1%
Net income	73,015	68,518
Ratio of increase (decrease) over the preceding year	6.6%	6.2%
Net income per share (in yen)	173.13	162.93
Diluted net income per share (in yen)	169.36	159.38
Ratio of net income over total stockholders' equity	8.8%	9.0%
Ratio of ordinary income over total assets employed	9.4%	9.2%
Ratio of ordinary income over net sales	15.3%	15.1%
(Notes)		
1. Equity in earnings of Affiliates	1,727	664
2. Average number of shares outstanding (in shares)	420,524,988	420,539,264
3. Changes in accounting policies applied : Yes		

(2) Consolidated financial position

	<u>Millions of Yen</u>	
	March 31, 2003	March 31, 2002
Total assets	1,310,874	1,288,432
Total stockholders' equity	846,961	812,068
Equity ratio	64.6%	63.0%
Stockholders' equity per share (in yen)	2,014.11	1,930.30
(Notes)		
Number of shares outstanding at year end (in shares)	420,408,126	420,695,830

(3) Consolidated statement of cash flows

Cash flows from operating activities	130,198	118,636
Cash flows from investing activities	(53,898)	(127,408)
Cash flows from financing activities	(18,803)	(24,984)
Cash & Cash Equivalents	302,370	249,846

(4) Application of consolidation and equity method

Number of consolidated subsidiaries	.....	62
Number of non-consolidated subsidiaries applied to equity method	.....	0
Number of affiliates applied to equity method	.....	8

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

Consolidation	Increase	6	Decrease	2
Equity method	Increase	1	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>	
	Six months <u>2003/4-2003/9</u>	Fiscal year <u>2003/4-2004/3</u>
Net sales	405,000	810,000
Ordinary income	63,000	126,000
Net income	37,500	75,000

(Reference)

The forecast of "Net income per share" (in yen, from April 1, 2003 to March 31, 2004) 177.89

(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.

1. Corporate Overview

The Shin-Etsu Group is composed of Shin-Etsu Chemical Co., Ltd. (the “Company”), 87 subsidiaries, and 15 affiliates as of March 31, 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.

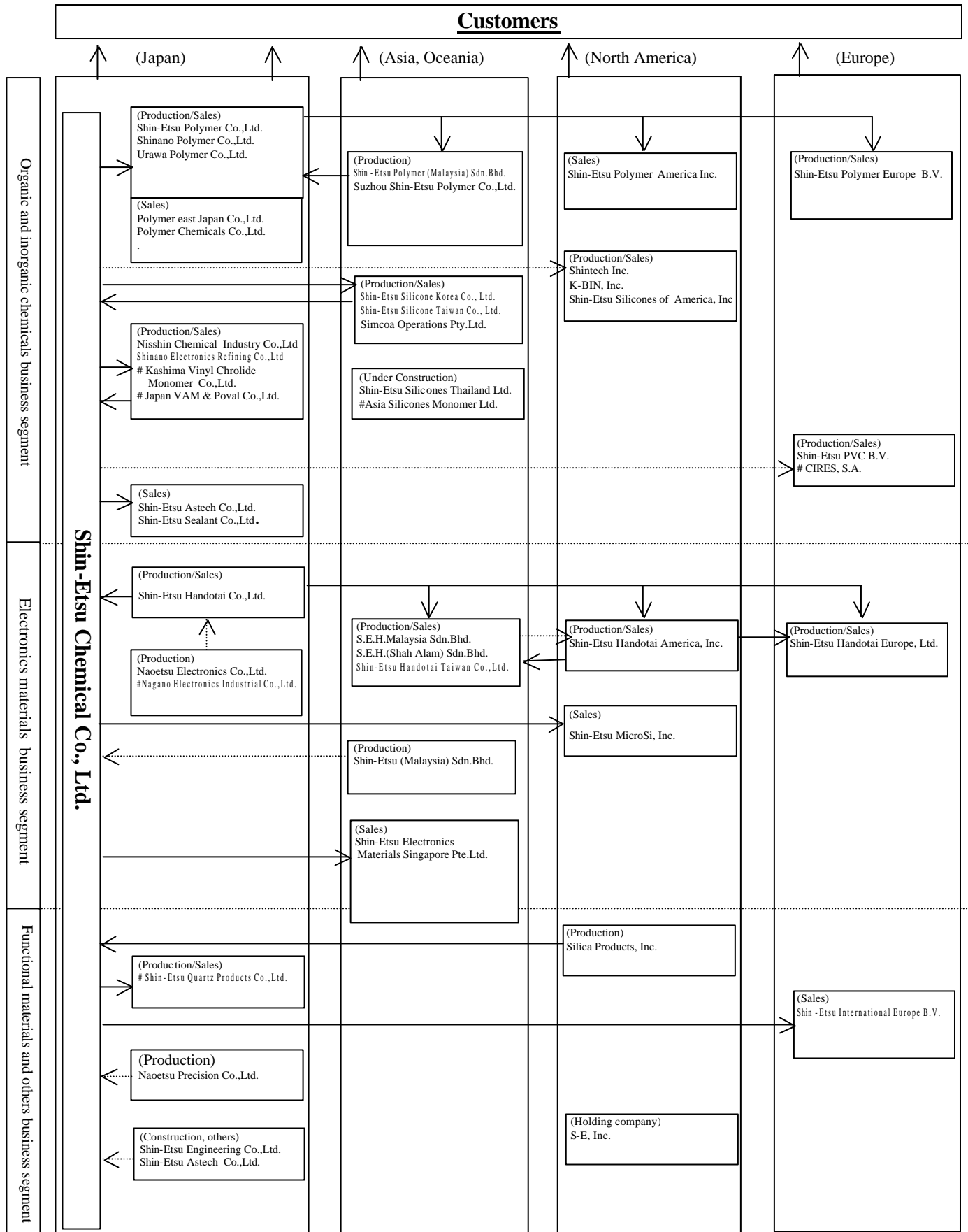
The Group’s business activities, the role and functions of the Company and major subsidiaries and affiliates are described below.

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. 14 other subsidiaries and affiliates Total number of companies: 26
		International	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. 14 other subsidiaries Total number of companies: 28
Electronics materials business segment	Semiconductor silicon, Organic materials for the electronics industry, Rare earth magnets for the electronics industry, Photo resists	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

		International	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
		International	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 has plural businesses.

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) is a general-purpose resin that depends less on oil resources, and 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 stable growth in demand in the future not only in 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. Moreover, Shin-Etsu Chemical's PVC business is the world's largest with its annual global production capacity totaling 3.46 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, taking advantage of the wide diversity of applications of its silicone products in such industries as electric, electronic, automobile, construction, cosmetics, toiletries and chemical manufacturing, will continue to grow by constantly developing new products and new applications. It will create further domestic demand by making the most of its products' characteristics. In its global silicone business, Shin-Etsu will also strive to expand sales to go along with the production capabilities of its new manufacturing facilities in Freeport, Texas and Zhejiang, China. 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.

Shin-Etsu's semiconductor silicon business, to cope with the future demand trends for next-generation 300mm silicon wafers, will take appropriate steps to strengthen its production capabilities. At the same time, the company will make further efforts to expand sales of SOI wafers whose applications are extending to highly functional devices. In addition, Shin-Etsu will strive to heighten the quality of every kind of its products. Furthermore, Shin-Etsu will take measures to strengthen its global competitive power by promoting rationalization and optimal use of global production bases.

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.

In its existing businesses, Shin-Etsu will strive to increase sales by researching and cultivating potential customers worldwide. The company is promoting the development of products that can be differentiated from its competitors' products, and is further promoting rationalization of production by such methods as carrying out production at the most appropriate global site and implementing advanced automation and energy-saving systems.

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 product liabilities 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 Polymer and Shin-Etsu Handotai, 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 end-of-term dividend for the period, the company plans to declare a dividend of ¥7 per share, the same as declared for the interim dividend. As a result, the company expects the annual dividend to be ¥14 per share, an increase of ¥2 per share over the previous fiscal year's dividend.

Furthermore, the company expects the dividend for the next fiscal year to be ¥16 per share(both ¥8 for the interim and for the end-of-term dividend), an increase of another ¥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.

To improve and maintain its sound corporate activities, Shin-Etsu strives to create internal corporate systems under which information concerning any risks that can influence corporate value is speedily transmitted to the concerned divisions and outside of the company as well. Shin-Etsu is dedicated to providing fair and speedy information disclosure.

Frank Peter Popof, the former CEO of Dow Chemical Company in the United States, is serving Shin-Etsu as an outside company director. In this way, Shin-Etsu is obtaining not only an independent audit perspective but also a great deal of advice from the standpoint of global corporate management. Moreover, regarding examination and assessment of board members' remuneration, Shin-Etsu has a board remuneration committee that includes the council of Mr. Popof.

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 measures to regularly and as necessary directly receive appropriate information from independent 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 in-company training, signed compliance documents and the company's employment contract. 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 this consolidated fiscal year (April 1, 2002 to March 31, 2003), Japan's economy continued to be in a difficult situation. Although the economy experienced a partial recovery based primarily on an increase in exports, such negative factors as high unemployment and pressures on income contributed to domestic demand remaining sluggish and a deepening of economic stagnation. What's more, the U.S. economy, which has a large influence on the world economy, also saw a slowing trend set in toward the end of the Japanese fiscal year.

Even under these severe circumstances, the 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, consolidated net sales for the fiscal year increased 2.9%(¥22,427 million) , compared to the previous fiscal year, to become ¥797,523 million. Compared to the performance of the previous year, operating income increased 6.5%(¥7,426 million) to ¥122,149, ordinary income increased 4.3%(¥5,088 million) to ¥122,119 million and net income increased 6.6%(¥4,497 million) to ¥73,015 million.

Business Segment Overview

Organic and inorganic chemicals

From the beginning of 2002, the U.S. PVC market, which is a core market for Shin-Etsu Chemical's global PVC business strategy, recovered, supported by the upturn in housing construction, and the sales price of PVC continued to rise until summer. After that, the market weakened once, but since the end of the year with the soaring cost of raw materials, and rise in energy prices, the sales price of PVC again began to rise. 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. Also, Shin-Etsu PVC in The Netherlands continued steady production and sales and increased its profit.

The domestic PVC business continued to see slow sales due to a continuation of weakness in construction and housing starts. As a result, the PVC Division increased in its sales steadily and was able to greatly increase its operating income.

Silicones have a wide range of application in such diverse fields such as electric, electronics, automobiles, chemicals, toiletries and construction. Domestic sales during this fiscal year were bullish due to an upward trend in demand in many fields, starting with automobile-related fields. In addition, sales were favorable in global markets, starting with shipments mainly to Southeast Asia in the industry fields of electric and electronics and extending to sales for other key regions of the world. In addition, silicone-processed products did well mainly for the electric and electronics fields.

Cellulose derivatives saw a steady increase in sales for products for medical use and industrial-use products for automobile-related applications, both in domestic and international sales.

The VAM and POVAL businesses that were included previously in this business segment were transferred to Japan VAM & POVAL Co., Ltd. as of May 1, 2002 and the lime nitrogen fertilizer business was sold to Co-op Chemical Co., Ltd. as of June 30 2002.

Accordingly, this business segment's net sales increased 5.8% (¥23,038 million), compared to the previous fiscal year, to ¥421,021 million. Operating income increased 27.9% (¥13,602 million) to ¥62,409 million.

Electronics materials

With regard to the semiconductor silicon business, with the recovery in demand for semiconductor devices both domestically and internationally, shipments of silicon wafers increased. Sales of the company's main wafer product, 8-inch (200mm) wafers, achieved record levels 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 the year before last, increased steadily. Specialty wafers such as SOI wafers, annealed wafers and others also continued to show a steady 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, with the miniaturization of hard disk drives and as global demand for hard disk drives for servers remained weak. Photoresists products and organic materials for the electronics industry increased in sales with the demand recovery in the market for semiconductor devices.

As a result, the net sales of this business segment increased 7.5% (¥16,968 million), compared to the previous fiscal year, to ¥243,427 million. Operating income increased 4.7% (¥1,570 million) to ¥35,248 million.

Functional materials and Others

Among synthetic quartz products, the demand for optical fiber preform saw a large slowdown in demand from communication-related businesses worldwide. However, as a result of Shin-Etsu's strenuous sales efforts selling high-quality products to a wide range of its global customers, although sales dropped greatly, sales of these products firmly contributed to the company's profit. Sales of synthetic quartz for electronics fields such as synthetic quartz substrates for photomasks were also slack.

Sales of rare earth magnets increased with the recovery of demand in general, including orders for optical pick-ups and for automobile applications, and as a result, net sales increased. The demand for mobile phone-application products recovered and rare earth sales exceeded those of the previous fiscal year. However, with the decline of the oxide single crystals market, sales in this business segment fell short of those in the previous fiscal year.

As a result, the net sales of this business segment decreased 11.7% (¥17,578 million), compared to the previous fiscal year, to ¥133,074 million. Operating income decreased 24.7% (¥7,942 million) to ¥24,251 million.

Business prospects

Regarding future business prospects, there is concern about the trend in the American economy, which greatly influences the world economy, in the aftermath of the war in Iraq, and there is concern about the impact of the spread of SARS (severe acute respiratory syndrome) in Southeast Asia, which is the production base for information technology devices in the world.

The economic situation in Japan does not allow for a confident forecast. In addition to a deflationary trend and the persistent slump in consumption, other sources of concerns about the domestic economy are the flagging stock prices and possible shortages of electric power.

Shin-Etsu will further strengthen its strong sales capabilities that have been nurtured in the world market for a long number of years. It also will fully utilize the capabilities of its existing manufacturing facilities, which include recently completed facilities, and will make all-out efforts to achieve early start-up of various projects now under development. In addition, Shin-Etsu will continue to endeavor to develop and nurture products that can be differentiated from its competitors' products and will strive to enhance its global competitive power in production cost, thereby strengthening its business structure.

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

	Millions of yen			
	Consolidated		Non-consolidated	
	<u>Six months</u>	<u>Fiscal year</u>	<u>Six months</u>	<u>Fiscal year</u>
Net sales	405,000	810,000	235,000	480,000
Ratio of increase (decrease) over the prior fiscal year	2.1%	1.6%	(0.9%)	(0.1%)
Ordinary income	63,000	126,000	29,000	58,000
Ratio of increase(decrease) over the prior fiscal year	1.5%	3.2%	(9.4%)	(6.5%)
Net income	37,500	75,000	17,500	34,500
Ratio of increase(decrease) over the prior fiscal year	1.3%	2.7%	(10.3%)	(6.8%)

The annual dividend is scheduled to be 16 yen per share.

(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

	<u>Millions of Yen</u>		
	<u>For the fiscal year ended</u>		Increase (Decrease)
	<u>March 31, 2003</u>	<u>March 31, 2002</u>	
Cash and cash equivalents at beginning of fiscal year	249,846	272,768	(22,922)
Cash flows from operating activities	130,198	118,636	11,562
Cash flows from investing activities	(53,898)	(127,408)	73,510
Cash flows from financing activities	(18,803)	(24,984)	6,181
Effect of foreign exchange and others	(4,974)	10,834	(15,808)
Net Increase (decrease) in cash and cash equivalents	52,523	(22,922)	75,445
Cash and cash equivalents at end of fiscal year	302,370	249,846	52,524

The balance cash and cash equivalents at the end of this fiscal year increased by 21.0%(¥52,524 million) over that of prior year, to become ¥302,370 million.

Cash flows from operating activities

Increase provided by operating activities was ¥130,198 million. This was mainly due to income before income tax of ¥120,502 million and depreciation expense of ¥66,566 million.

Cash flows from investing activities

Decrease provided by investing activities was ¥53,898 million. This was mainly due to expenditures for purchase of tangible fixed assets of ¥62,271 million and proceeds from a net decrease of marketable securities and investment securities of ¥11,895 million.

Cash flows from financing activities

Decrease provided by financing activities was ¥18,803 million. This was mainly due to expenditures for the debenture on redemption of ¥28,195 million.

The trend of cash flow indices is as follows

	<u>For the fiscal year ended</u>			
	<u>March 31, 2003</u>	<u>March 31, 2002</u>	<u>March 31, 2001</u>	<u>March 31, 2000</u>
Shareholder's equity ratio(%)	64.6	63.0	56.5	55.7
Shareholder's equity ratio on market value basis(%)	118.3	178.1	143.5	223.8
Redemption years for debt	1.3	1.5	1.4	2.7
Interest coverage ratio	28.9	18.5	15.8	10.9

(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 calculations based on consolidated financial figures.

2.Aggregate market value of common stock:

share closing price at fiscal year-end x number of shares outstanding at fiscal year-end

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. Consolidated Financial Statements

4-1 Comparative Consolidated Balance Sheets

As of March 31, 2003 and 2002

Millions of Yen

ASSETS

	March 31, 2003	March 31, 2002	Increase (Decrease)
Current Assets:			
Cash on hand and in banks	235,647	233,865	1,782
Notes and accounts receivable -trade	197,967	193,057	4,910
Securities	115,323	107,472	7,851
Inventories	119,360	119,618	(258)
Deferred tax assets	21,260	22,219	(959)
Others	23,413	20,541	2,872
Less: Allowance for doubtful accounts	(5,193)	(4,211)	(982)
Total current assets	<u>707,778</u>	<u>692,563</u>	<u>15,215</u>
Fixed Assets:			
Tangible fixed assets			
Buildings and structures	158,985	166,403	(7,418)
Machinery and vehicles	196,529	207,517	(10,988)
Land	33,285	34,111	(826)
Construction in progress	41,836	35,187	6,649
Others	10,835	12,625	(1,790)
Total tangible fixed assets	<u>441,472</u>	<u>455,846</u>	<u>(14,374)</u>
Intangible fixed assets	4,292	3,509	783
Investments and others			
Investments in securities	133,390	111,005	22,385
Deferred tax assets	13,056	14,157	(1,101)
Others	10,902	11,375	(473)
Less: Allowance for doubtful accounts	(17)	(25)	8
Total investments and others	<u>157,331</u>	<u>136,512</u>	<u>20,819</u>
Total fixed assets	<u>603,096</u>	<u>595,868</u>	<u>7,228</u>
TOTAL ASSETS	<u>1,310,874</u>	<u>1,288,432</u>	<u>22,442</u>

Millions of Yen

	March 31, 2003	March 31, 2002	Increase (Decrease)
LIABILITIES			
Current Liabilities:			
Notes and accounts payable -trade	110,649	97,280	13,369
Short-term borrowings	73,511	84,556	(11,045)
Debentures of redemption within one year	5,000	28,995	(23,995)
Accounts payable -others	34,568	27,382	7,186
Accrued income taxes	12,548	13,887	(1,339)
Accrued expenses	53,442	59,267	(5,825)
Others	8,384	17,148	(8,764)
Total current liabilities	298,104	328,519	(30,415)
Long-term Liabilities:			
Debentures	21,796	16,000	5,796
Convertible debentures	18,291	18,315	(24)
Long-term borrowings	48,763	29,590	19,173
Deferred tax liabilities	24,703	23,497	1,206
Accrued retirement benefits	6,238	15,214	(8,976)
Others	20,498	21,354	(856)
Total long-term liabilities	140,290	123,972	16,318
TOTAL LIABILITIES	438,395	452,492	(14,097)
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES	25,517	23,871	1,646
STOCKHOLDERS' EQUITY			
Common stock	110,271	110,259	12
Additional paid-in capital	119,040	119,028	12
Retained earnings	626,141	556,465	69,676
Unrealized gain(loss) on available -for-sale Securities	(1,481)	6,138	(7,619)
Foreign currency translation adjustment	2,625	28,531	(25,906)
Treasury stock	(9,636)	(8,356)	(1,280)
TOTAL STOCKHOLDERS' EQUITY	846,961	812,068	34,893
TOTAL LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY	1,310,874	1,288,432	22,442
(Notes)			
1. Accumulated depreciation of tangible fixed assets(in millions of Yen)	752,206	704,982	
2. Contingent liabilities for guarantee (in millions of Yen)	702	2,166	
3. Treasury stock (in shares)	2,159,785	1,859,567	

4-2 Comparative Consolidated Income Statements

For the fiscal year ended March 31, 2003 and 2002

	Millions of Yen		
	For the fiscal year ended		Increase (Decrease)
	March 31, 2003	March 31, 2002	
Operating Income and Expenses:			
Net sales	797,523	775,096	22,427
Cost of sales	585,220	572,365	12,855
Gross profit	212,302	202,730	9,572
Selling, general and administrative expenses	90,152	88,007	2,145
Operating income	122,149	114,723	7,426
Non-operating Income:			
Interest income	3,655	5,649	(1,994)
Dividend income	474	694	(220)
Foreign exchange gain	-	5,867	(5,867)
Equity in earnings of affiliates	1,727	664	1,063
Other income	4,726	2,362	2,364
	10,583	15,238	(4,655)
Non-operating Expenses:			
Interest expenses	4,955	6,124	(1,169)
Foreign exchange loss	3,848	-	3,848
Loss on disposal of property, plant and equipment	780	1,533	(753)
Other expenses	1,029	5,271	(4,242)
	10,613	12,930	(2,317)
Ordinary income	122,119	117,031	5,088
Extraordinary Gains:			
Reversal of prior year's accrued maintenance expenses	3,298	-	3,298
Settlement income	2,527	-	2,527
Gain on sales of property, plant and equipment	2,416	-	2,416
Gain on transfer of securities to retirement benefit trust	2,363	5,106	(2,743)
	10,605	5,106	5,499
Extraordinary Losses:			
Loss on write-down of investment securities	10,494	-	10,494
Adjustment to prior years' license fee	1,727	-	1,727
Special additional payments for early retirement	-	7,997	(7,997)
Loss on disposal of property, plant and equipment	-	1,049	(1,049)
	12,222	9,046	3,176
Income before income taxes	120,502	113,091	7,411
Income taxes Current	34,367	36,045	(1,678)
Income taxes Deferred	10,866	7,734	3,132
Minority interest in earnings of consolidated subsidiaries	2,253	793	1,460
Net income	73,015	68,518	4,497

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

For fiscal year ended March 31, 2003 and 2002

	<u>Millions of Yen</u>		
	For the fiscal year ended March 31, 2003	March 31, 2002	Increase (Decrease)
(Additional paid-in capital)			
Additional paid-in capital at the beginning of fiscal year	119,028	119,016	12
Increase for conversion of convertible debentures	11	12	(1)
Total increase of additional paid-in capital	11	12	(1)
Additional paid-in capital at the end of fiscal year	119,040	119,028	12
(Retained earnings)			
Consolidated retained earnings at the beginning of fiscal year	556,465	493,169	63,296
Net income	73,015	68,518	4,497
Increase due to the increase of consolidated Subsidiaries	2,560	-	2,560
Total increase of retained earnings	75,576	68,518	7,058
Cash dividends	5,466	5,046	420
Director's and statutory auditor's bonuses	176	176	0
Loss on sales of treasury stocks	257	-	257
Total decrease of retained earnings	5,900	5,222	678
Consolidated retained earnings at the end of fiscal year	626,141	556,465	69,676

4-4 Comparative Consolidated statements of cash flows

For the fiscal year ended March 31, 2003 and 2002.

	Millions of Yen		Increase (Decrease)
	For the fiscal year ended		
	March 31, 2003	March 31, 2002	
1. Cash flows from operating activities			
Income before income taxes	120,502	113,091	7,411
Depreciation and Amortization	66,566	70,878	(4,312)
Increase (decrease) in accrued retirement benefits	(8,969)	(12,701)	3,732
Loss on write-down of investment securities	10,494	500	9,994
Interest and dividend income	(4,129)	(6,343)	2,214
Interest expenses	4,955	6,124	(1,169)
Foreign exchange (gain) loss	1,904	(3,597)	5,501
Equity in earnings of affiliates	(1,727)	(664)	(1,063)
Transfer of securities to retirement benefits trust	3,214	10,930	(7,716)
Gains on transfer of securities to retirement benefits trust	(2,363)	(5,106)	2,743
Gain from cancellation of retirement benefit trust	(12,095)	-	(12,095)
(Increase) decrease in notes and accounts receivable	(7,732)	35,427	(43,159)
(Increase) decrease in inventories	(1,886)	2,689	(4,575)
Increase (decrease) in notes and accounts payable	16,033	(30,696)	46,729
Other, net	(18,733)	1,120	(19,853)
Subtotal	166,033	181,653	(15,620)
Proceeds from interest and dividend	4,389	6,354	(1,965)
Payment of interest	(4,499)	(6,417)	1,918
Payment of income taxes	(35,725)	(62,953)	27,228
Net cash provided by operating activities	130,198	118,636	11,562
2. Cash flows from investing activities			
Net increase (decrease) in marketable securities	64,957	(50,725)	115,682
Purchase of property, plant and equipment	(62,271)	(81,875)	19,604
Proceeds from sales of property, plant and equipment	4,358	1,239	3,119
Purchase of intangible fixed asset	(2,300)	(1,159)	(1,141)
Purchase of investment securities	(78,921)	(23,952)	(54,969)
Proceeds from sales and redemption of investment securities	25,859	26,143	(284)
Payments of loans	(207)	(62)	(145)
Proceeds from collection of loan	327	4,279	(3,952)
Other, net	(5,699)	(1,296)	(4,403)
Net cash used for investing activities	(53,898)	(127,408)	73,510
3. Cash flows from financing activities			
Net increase (decrease) in short term debt	(3,479)	(4,726)	1,247
Proceeds from long term debt	33,427	11,284	22,143
Repayment of long term debt	(23,898)	(21,782)	(2,116)
Proceeds from issuance of debentures	11,014	-	11,014
Payment of debentures on redemption	(28,195)	(3,427)	(24,768)
Cash dividends paid	(5,466)	(5,046)	(420)
Other, net	(2,203)	(1,286)	(917)
Net cash used for financing activities	(18,803)	(24,984)	6,181
4. Effect of foreign exchange on cash and cash equivalents	(6,969)	11,070	(18,039)
5. Net increase (decrease) in cash and cash equivalents	50,527	(22,685)	73,212
6. Cash and cash equivalents at beginning of year	249,846	272,768	(22,922)
7. Net increase (decrease) in cash and cash equivalents by change of consolidation scope	1,995	(236)	2,231
8. Cash and cash equivalents at end of the period	302,370	249,846	52,524

4-5 Basis of Presenting Consolidated Financial Statement

1. Scope of Consolidation		
Consolidated Subsidiaries	62	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. 51 other subsidiaries
Unconsolidated Subsidiaries	25	

2.Application of Equity Method

The Company had 25 unconsolidated subsidiaries and 15 affiliates. The equity method is applied to the investments in 8 major affiliates – Shin-Etsu Quartz Products Co., Ltd., Kashima Vinyl Chloride Monomer Co., Ltd., Nagano Electronics Industrial Co., Ltd. and 5 other affiliates.

3.Fiscal Year of Consolidated Subsidiaries

36 subsidiaries adopt fiscal year ending on December 31st, and 4 subsidiaries adopt that ending on February 28th, 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) Valuation of 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 valuation

..... Mainly average cost method

c) Derivatives

..... Market value method

(2) Depreciation method of significant depreciable assets

..... Mainly declining-balance method

(Changes of accounting policies applied)

From this consolidated 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 million over the traditional method, and operating income, ordinary income and net income before income taxes during this consolidated fiscal period increased by ¥350 million, respectively.

(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.
- 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. Amortization of consolidated adjustment account

Excess of investment cost over equity in net assets of consolidated subsidiaries is amortized over five years on a straight-line method.

6. Distribution of profits

Consolidated Statements of Retained Earnings is based on the distribution of profits defined in this fiscal year.

7. Nature of fund on consolidated statement of cash flows

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.

8. 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.

The company disclosed shareholders’ equity as of March 31, 2003 in the balance sheets in accordance with amendment of regulation for consolidated financial statements.

9. 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.

5. Segment Information

For the fiscal year ended March 31, 2003 and 2002

5-1. Business Segment Information

		Millions of Yen					
		For the fiscal year ended March 31, 2003					
		Industrial Segment					
		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
	Inter Segment	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
Assets		485,602	411,090	158,597	1,055,289	255,584	1,310,874
Depreciation		22,031	33,297	11,534	66,864	(297)	66,566
Capital expenditure (Footnote)		27,999	35,100	2,615	65,716	(146)	65,569

(Footnote) Capital expenditure of our affiliate, Asia Silicones Monomer Limited, which is under the Organic and Inorganic Chemicals segment, was ¥9,650 million, which corresponds to our share of ownership of the affiliate. If this amount is included, capital expenditure for this fiscal year would be ¥75,220 million.

		Millions of Yen					
		For the fiscal year ended March 31, 2002					
		Industrial Segment					
		Organic and inorganic Chemicals	Electronics Materials	Functional materials and others	Total	Elimination or Corporate assets	Consolidated Total
Sales	Outside customers	397,983	226,459	150,652	775,096	-	775,096
	Inter Segment	10,094	2,419	62,171	74,684	(74,684)	-
Total		408,077	228,879	212,824	849,781	(74,684)	775,096
Operating costs and expenses		359,270	195,200	180,630	735,100	(74,727)	660,373
Operating income		48,807	33,678	32,193	114,680	43	114,723
Assets		465,893	432,828	172,439	1,071,160	217,271	1,288,432
Depreciation		23,727	32,312	15,085	71,125	(246)	70,878
Capital expenditure		26,121	36,744	18,902	81,769	(226)	81,543

(Notes)

1. 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

2. The amounts of the corporate assets included in the column "Elimination or corporate assets" for the fiscal year ended March 31, 2003 and 2002 were ¥313,149 million and ¥268,464 million, respectively, which mainly consist of surplus working funds (cash, deposits and marketable securities) and long-term investment funds (investments in securities) of the Company.

5-2. Geographic Segment information

		Millions of Yen							
		For the fiscal year ended March 31, 2003							
		Geographic area				Total	Elimination or Corporate assets	Consolidated total	
		Japan	North America	Asia	Other Area				
Sales	Outside customers	456,528	190,262	79,322	71,410	797,523	-	797,523	
	Inter segment	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	
	Operating 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	
	Assets	625,820	319,568	109,482	75,589	1,130,461	180,413	1,310,874	

		Millions of Yen							
		For the fiscal year ended March 31, 2002							
		Geographic area				Total	Elimination or Corporate assets	Consolidated Total	
		Japan	North America	Asia	Other Area				
Sales	Outside customers	479,015	168,707	67,078	60,295	775,096	-	775,096	
	Inter segment	89,077	11,535	31,306	3,965	135,884	(135,884)	-	
	Total	568,092	180,243	98,385	64,260	910,981	(135,884)	775,096	
	Operating costs and expenses	481,060	161,635	93,658	59,874	796,228	(135,855)	660,373	
	Operating income	87,032	18,607	4,727	4,385	114,752	(28)	114,723	
	Assets	647,035	305,968	96,878	74,606	1,124,489	163,942	1,288,432	

(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

2. The amounts of the corporate assets included in the column "Elimination or corporate assets" for the fiscal year ended March 31, 2003 and 2002 were ¥313,149 million and ¥268,464 million, respectively, which mainly consist of surplus working funds (cash, deposits and marketable securities) and long-term investment funds (investments in securities) of the Company.

5-3. Overseas sales information

	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 fiscal year ended March 31, 2002			
	North America	Asia	Other area	Total
Overseas sales	164,089	199,289	82,892	446,271
Consolidated sales				775,096
Percentage of overseas sales over consolidated sales	21.2	25.7	10.7	57.6

(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 fiscal year ended March 31, 2003 and 2002 were ¥71,330 million and ¥64,790 million.

4. Sales in Europe included in "Other area" for the fiscal year ended March 31, 2003 and 2002 were ¥71,936 million and ¥64,409 million.

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

	100Millions of Yen					
	Net Sales			Operating Income		
	For the fiscal year ended March 31, 2003	March 31, 2002	Increase (Decrease)	For the fiscal year ended March 31, 2003	March 31, 2002	Increase (Decrease)
Polyvinyl chloride	2,246	1,998	248	205	158	47
Silicones	1,303	1,199	104	272	206	66
Others	661	783	(122)	147	124	23
Total Organic and inorganic chemicals Segment	4,210	3,980	230 [5.8%]	624	488	136 [27.9%]
Semiconductor silicon	1,967	1,764	203	287	264	23
Others	467	500	(33)	65	73	(8)
Total Electronics materials Segment	2,434	2,265	169 [7.5%]	352	337	15 [4.7%]
Synthetic quartz products	350	571	(221)	145	231	(86)
Functional materials (Rare earths, Oxide single crystals, etc)	253	218	35	58	54	4
Others	728	717	11	40	37	3
Total Functional materials and Others Segment	1,331	1,507	(176) [-11.7%]	243	322	(79) [-24.7%]
Elimination	-	-	-	2	0	2
Grand total	7,975	7,751	224 [2.9%]	1,221	1,147	74 [6.5%]

6. Lease Transactions

1. 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>	
	<u>March 31, 2003</u>	<u>March 31, 2002</u>
Acquisition cost	2,674	4,624
Accumulated depreciation	1,809	2,533
Net book value	864	2,090

(2) Future lease payments

Within one year	373	690
Over one year	491	1,400
Total	864	2,090

(3) Lease expenses

(equivalent amount of depreciation expenses)	488	894
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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

Future lease payments

	<u>Millions of Yen</u>	
	<u>March 31, 2003</u>	<u>March 31, 2002</u>
Within one year	3,597	1,934
Over one year	4,925	3,728
Total	8,522	5,662

7. Securities

As of March 31, 2003

(1) Market value of bonds held to maturity

	Millions of Yen		
	Book value	Market value	Unrealized gain(loss)
Securities with fair value that exceed book value			
National and Local government bonds and others	0	0	0
Debentures	-	-	-
Others	8,020	8,040	20
Subtotal	8,020	8,041	20
Securities with fair value that do not exceed book value			
National and Local government bonds and others	0	0	(0)
Debentures	848	843	(4)
Others	5,255	5,254	(1)
Subtotal	6,104	6,097	(6)
Total	14,125	14,139	13

(2) Available-for-sale securities with defined fair values

	Millions of Yen		
	Acquisition cost	Book value	Unrealized gain(loss)
Securities with book value that exceed acquisition cost			
Stocks	5,687	8,888	3,201
Bonds			
National and Local government bonds and others	-	-	-
Debentures	-	-	-
Others	10	10	0
Subtotal	5,697	8,898	3,201
Securities with book value that do not exceed acquisition cost			
Stocks	23,833	18,820	(5,012)
Bonds			
National and Local government bonds and others	-	-	-
Debentures	4	4	0
Others	1,829	1,233	(595)
Subtotal	25,666	20,058	(5,607)
Total	31,363	28,956	(2,406)

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

	Millions of Yen
	Book value
1. Bonds held to maturity	
Discount bond	16,775
Non-listed domestic bonds	14,237
Non-listed overseas bonds	64,096
2. Investments in non-consolidated subsidiaries and affiliates	32,354
3. Available-for-sale securities	
Non-listed shares	4,853
Non-listed overseas bonds	73,305
Others	9

(4) Redemption schedule of available-for-sale securities with maturity and bonds held to maturity

	Millions of Yen		
	Within one year	Over one year within five years	Over five years within ten year
Bonds			
National and Local government bonds and others	0	5	0
Debentures	848	4	-
Others	113,613	67,836	260
Total	114,461	67,845	260

As of March 31, 2002

(1) Market value of bonds held to maturity

	Millions of Yen		
	Book value	Market value	Unrealized gain(loss)
Securities with fair value that exceed book value			
National and Local government bonds and others	0	0	0
Debentures	-	-	-
Others	-	-	-
Subtotal	0	0	0
Securities with fair value that do not exceed book value			
National and Local government bonds and others	-	-	-
Debentures	-	-	-
Others	2,020	2,005	(14)
Subtotal	2,020	2,005	(14)
Total	2,020	2,005	(14)

(2) Available-for-sale securities with defined fair values

	Millions of Yen		
	Acquisition cost	Book value	Unrealized gain(loss)
Securities with book value that exceed acquisition cost			
Stocks	17,667	30,277	12,609
Bonds			
National and Local government bonds and others	-	-	-
Debentures	-	-	-
Others	459	490	30
Subtotal	18,127	30,767	12,639
Securities with book value that do not exceed acquisition cost			
Stocks	11,898	9,882	(2,015)
Bonds			
National and Local government bonds and others	-	-	-
Debentures	4	3	(0)
Others	1,379	1,245	(134)
Subtotal	13,281	11,131	(2,150)
Total	31,409	41,898	10,489

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

	Millions of Yen
	<u>Book value</u>
1. Bonds held to maturity	
Discount bond	27,128
Non-listed domestic bonds	5,006
Non-listed overseas bonds	29,557
2. Investments in non-consolidated subsidiaries and affiliates	28,648
3. Available-for-sale securities	
Non-listed shares	7,112
Non-listed overseas bonds	77,097
Others	9

(4) Redemption schedule of available-for-sale securities with maturity and bonds held to maturity

	Millions of Yen		
	<u>Within one year</u>	<u>Over one year within five years</u>	<u>Over five years within ten year</u>
Bonds			
National and Local government bonds and others	0	6	0
Debentures	-	3	-
Others	89,126	25,269	8,513
Total	89,126	25,280	8,513

8. Derivative transactions

	Millions of Yen							
	<u>As of March 31,2003</u>				<u>As of March 31,2002</u>			
	<u>Contract amounts</u>	<u>Over one year</u>	<u>Market value</u>	<u>Unrealized gain(loss)</u>	<u>Contract amounts</u>	<u>Over one year</u>	<u>Market value</u>	<u>Unrealized gain(loss)</u>
Currency relatives								
Foreign exchange contracts								
Sales Contracts	16,615	-	16,662	(47)	11,290	-	11,658	(367)
Buys Contracts	2,248	-	2,267	19	178	-	186	8
Currency swaps	2,915	2,823	(202)	(202)	-	-	-	-
Interest relatives								
Interest swap contracts	35,713	29,621	(108)	(108)	40,000	34,000	(163)	(163)
Total	-	-	-	(338)	-	-	-	(522)

(Notes) 1.The market value for the Interest relatives is provided by financial institutes with which we made the contracts of interest swap.

Market rate represents the forward foreign exchange rate prevailing as of March 31, 2003 and 2002.

2.Derivative transactions which apply hedge accounting are excluded from the above.

9. Retirement Benefit

1. Overview of Retirement Benefit Plan

The Company and its domestic consolidated subsidiaries had tax-qualified pension plan and lump-sum severance payment plans as their defined benefit pension plan. In March 2003, the Company and some domestic consolidated subsidiaries abolished a part of the tax-qualified pension plan and lump-sum severance payment plans, and introduced defined contribution pension plans (DC pension plans), the new lump-sum severance payment plans for active participants and closing type tax-qualified pension plan for retired participants. Certain overseas consolidated subsidiaries also have defined benefit pension plans.

Additionally, the Company has "Retirement Benefit Trust".

Shin-Etsu Group temporarily adopted additional severance payments plan for early retirement in 2002 fiscal year, which was excluded from the benefit obligation based on actuarial calculation according to "Accounting for retirement benefits".

2. Benefit Obligation (As of March 31, 2003 and 2002)

	Millions of Yen	
	As of March 31, 2003	As of March 31, 2002
(a) Benefit Obligation	(21,445)	(63,487)
(b) Pension Assets	14,951	45,924
(c) Unfunded Benefit Obligation [(a)+(b)]	(6,494)	(17,563)
(d) Unrecognized actuarial differences	2,771	3,489
(e) Unrecognized prior service cost (negative) (Note2)	(1,489)	(1,140)
(f) Amount shown on Balance Sheet [(c)+(d)+(e)]	(5,212)	(15,214)
(g) Prepaid pension expenses	1,026	-
(h) Accrued Retirement Benefits [(f)-(g)]	(6,238)	(15,214)

(Notes) 1. The Company has paid additional payments for early retirement of ¥7,997 million in this fiscal year, which was included in "Accrued expenses", not included in "Accrued retirement benefits".

2. The Company and certain consolidated subsidiaries changed system from tax-qualified pension plan into defined contribution pension plan, so that prior service cost (negative) is generated.

3. Some subsidiaries adopt a simplified method for calculations of benefit obligation.

3. Retirement Benefit Costs (For the fiscal year ended March 31, 2003 and 2002)

	Millions of Yen	
	For the fiscal year ended	
	March 31, 2003	March 31, 2002
(a) Service costs (Note2)	2,756	3,317
(b) Interest costs	1,867	1,987
(c) Expected return on plan assets	(1,288)	(1,075)
(d) Recognized actuarial loss	2,224	1,000
(e) Amortization of prior service cost	(185)	(106)
(f) Temporary additional payment for early retirement (Note1)	-	7,997
(g) Retirement Benefit Costs [(a)+(b)+(c)+(d)+(e)+(f)]	5,372	13,120
(h) Gain related to the transfer to DC pension plans	(906)	-
(i) Total [(h)+(g)]	4,466	13,120

(Notes) 1. The Company reports "Special additional payments for early retirement" of ¥7,997 million in "Extraordinary losses" for fiscal year ended March 31, 2002.

2. Retirement benefit costs for subsidiaries adopting a simplified method is reported in "Service costs".

Effects amounts from partial transfer from tax-qualified pension plan to defined contribution pension plan as follows.

	Millions of Yen
Decrease in Benefit obligation	38,097
Estimated amounts of plan assets to be transferred	(31,118)
Unrecognized actuarial differences	(5,638)
Unrecognized prior service cost	(433)
Decrease in Accrued retirement benefit	906

4. Basic Assumptions for Calculating Benefit Obligation

	<u>As of March 31, 2003</u>	<u>As of March 31, 2002</u>
(a) Period allocation method for estimated Retirement benefits	Fixed period standard	Fixed period standard
(b) Discount rate	Principally 2.5%	Principally 3.0%
(c) Expected return on plan assets	Principally 2.5%	Principally 3.0%
(d) Period of amortizing prior service costs	Principally 10 years (expensed from the time when the cost was generated based on straight-line method)	Principally 10 years (expensed from the time when the cost was generated based on straight-line method)
(e) Period of amortizing actuarial differences	Principally 5 years (expensed from the year when the cost was generated based on straight-line method)	Principally 5 years (expensed from the year when the cost was generated based on straight-line method)

10. Deferred Tax

1. Factors of deferred tax assets and liabilities

	Millions of Yen	
	As of March 31,2003	As of March 31,2002
Deferred Tax Assets		
Unsettled accounts receivable and payable	8,214	7,448
Depreciation	6,799	7,355
Unrealized gain	3,822	3,627
Tax loss carry forwards	3,547	5,350
Accrued bonus allowance	2,884	2,734
Maintenance cost	2,616	1,945
Special provision for retirement benefits costs	2,414	9,574
Unrealized gain on available-for-sale securities	1,025	-
Accrued enterprise taxes	832	1,147
Others	13,053	16,219
Deferred Tax Assets sub-total	45,211	55,403
Valuation allowance	(4,456)	(5,786)
Deferred Tax Assets Total	40,755	49,617
Deferred Tax Liabilities		
Depreciation	28,132	29,807
Reserve for special depreciation	747	952
Unrealized gain on available-for-sale securities	-	4,329
Others	2,289	1,648
Total	31,169	36,737
Net Deferred Tax Assets	9,585	12,879

(Notes) Net Deferred Tax Assets are included in the following accounts.

		Millions of Yen	
		As of March 31,2003	As of March 31,2002
Current assets	: Deferred tax assets	21,260	22,219
Non-current assets	: Deferred tax assets	13,056	14,157
Current liabilities	: Current liabilities-others	(27)	-
Non-current liabilities:	Deferred tax liabilities	(24,703)	(23,497)

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

	As of March 31,2003	As of March 31,2002
Statutory tax rate	41.7%	41.7%
Rate difference from foreign subsidiaries	(3.6)	(2.8)
Dividend income not taxable	(1.0)	(0.8)
Entertainment and other non-deductible expenses	0.3	0.3
Correction of decrease of deferred tax assets due to change of tax rate	0.3	-
Others, net	(0.2)	0.3
Effective tax rate	37.5	38.7

Statutory effective tax rate used for the calculation of Non-current deferred tax assets and liabilities is mainly 40.4%(prior fiscal year was 41.7%). Due to the change in the tax rate, amounts of deferred tax assets (net of deferred tax liabilities) decreased by ¥353 million and deferred income taxes increased by ¥320 million.