

Financial Summary

(For the year ended March 31, 2001)

May 16, 2001

Shin-Etsu Chemical Co.,Ltd.

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1. Operating Performance

	(Billion Yen)			(times)				
	Consolidated			Non-consolidated			Ratio (Consolidated / Non-consolidated)	
	Fiscal year 99/4-00/3	Fiscal year 00/4-01/3	Increase	Fiscal year 99/4-00/3	Fiscal year 00/4-01/3	Increase	Fiscal year 99/4-00/3	Fiscal year 00/4-01/3
Sales	678.9	807.5	(18.9%) 128.6	422.5	461.0	(9.1%) 38.5	1.61	1.75
Operating Income	87.5	112.7	(28.8%) 25.2	47.3	57.0	(20.7%) 9.7	1.85	1.98
Ordinary Income	84.4	115.8	(37.2%) 31.4	47.0	62.2	(32.3%) 15.2	1.79	1.86
Net Income	48.2	64.5	(33.7%) 16.3	27.1	34.3	(26.4%) 7.2	1.78	1.88
Total Assets	1,168.7	1,265.8	97.1	663.8	675.4	11.6	1.76	1.87
Stockholders' Equity	651.3	715.0	63.7	412.2	457.8	45.6	1.58	1.56
Equity Ratio	55.7%	56.5%	0.8%	62.1%	67.8%	5.7%		
Per share (in Yen)								
Net Income	116.56	153.58	37.02	65.32	81.32	16.00		
Stockholders' Equity	1,557	1,700	143	982	1,083	101		
Cash dividends				10.0	12.0	2.0		
ROE	7.9%	9.4%	1.5%	7.1%	7.9%	0.8%		
ROA	7.6%	9.5%	1.9%	7.6%	9.3%	1.7%		

ROA:Return(Ordinary income) on total assets

2. Financial Highlights

(Billion Yen)

	Consolidated		Non-consolidated	
	Fiscal year 99/4-00/3	Fiscal year 00/4-01/3	Fiscal year 99/4-00/3	Fiscal year 00/4-01/3
Capital expenditures	80.0	* 96.8	27.6	42.1
Depreciation	61.4	70.8	24.4	27.4
Balance of liabilities with interest	254.2	191.4	108.7	53.3
Financial revenue (net)	0.6	1.4	4.7	3.9
R&D costs	27.0	25.9	14.9	15.6
Number of employees	18,754	19,398	3,349	3,228
Exchange rate Jan.-Dec.(Ave.) (Yen/US\$) Apr.-Mar.(Ave.)	114.0 111.9	107.8 109.7	- 111.9	- 109.7

(Note) 1. Breakdown of Consolidated Capital expenditures and Depreciation for the year ended March 31, 2001

	<u>Capital Expenditures</u>	<u>Depreciation</u>
	Billion Yen	Billion Yen
Organic and inorganic chemicals	* 37.3	23.5
Electronics materials	38.0	35.3
Functional materials and others	21.8	12.2

* 13.1 billion Yen in expenditures for acquisition of PVC business in Europe are excluded from the "Capital expenditures", because these expenditures are substantially the capital expenditures of second half of last fiscal year.

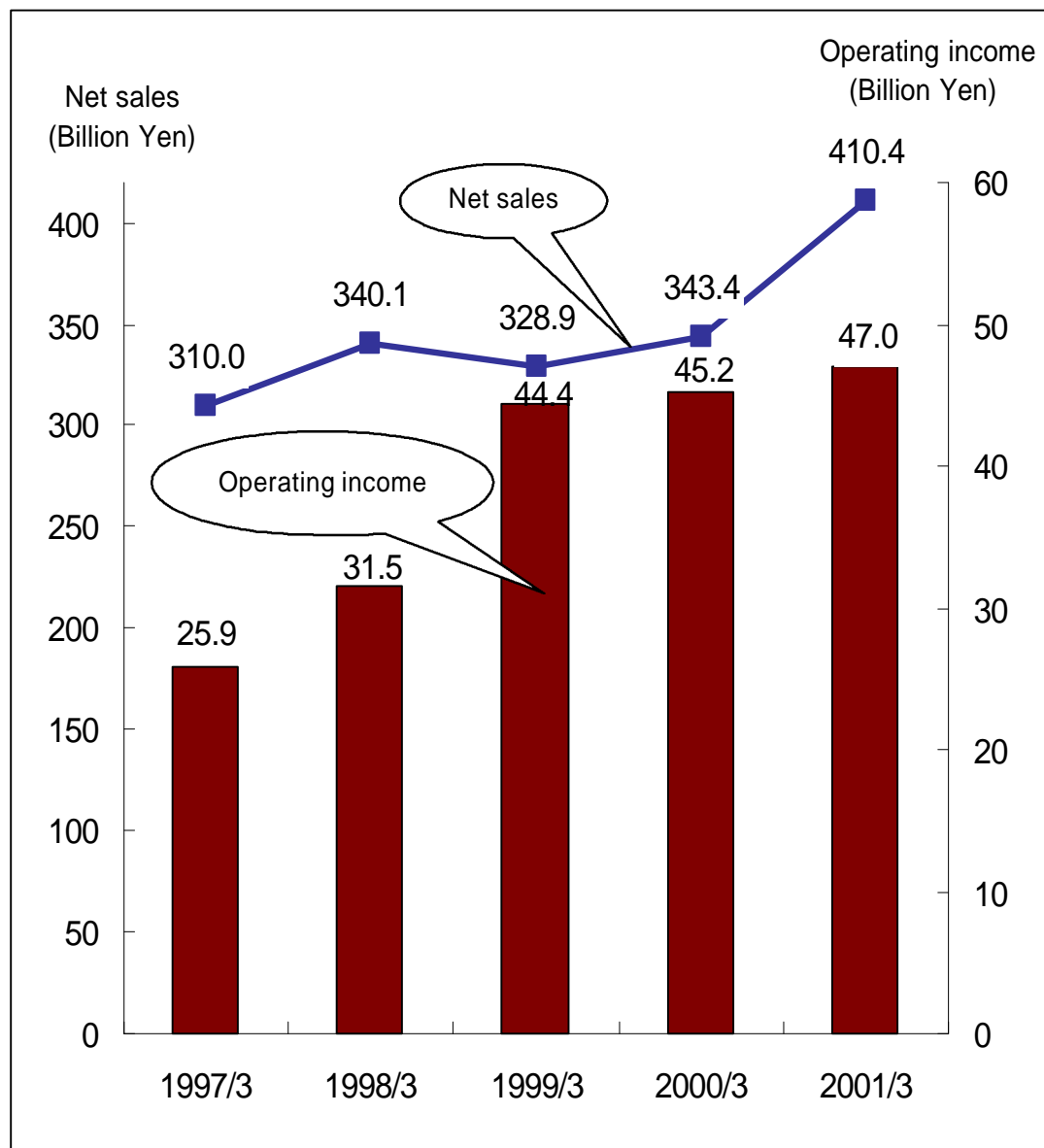
2. Average exchange rate of January-December was used for the consolidation of Income Statements of overseas subsidiaries.

3. Business Segment Information (Consolidated)

(Billion Yen)

	Net Sales			Operating Income		
	Fiscal year 99/4-00/3	Fiscal year 00/4-01/3	Increase	Fiscal year 99/4-00/3	Fiscal year 00/4-01/3	Increase
Organic and inorganic chemicals	343.4	410.4	(19.5%) 67.0	45.2	47.0	(4.1%) 1.8
Polyvinyl chloride	152.5	208.1	55.6	12.8	13.6	0.8
Silicones	127.5	135.2	7.7	21.7	21.9	0.2
Others	63.4	67.0	3.6	10.7	11.5	0.8
Electronics materials	220.1	258.7	(17.5%) 38.6	23.3	36.4	(55.8%) 13.1
Semiconductor silicon	173.3	204.7	31.4	15.0	25.8	10.8
Others	46.8	54.0	7.2	8.4	10.6	2.2
Functional materials and others	115.3	138.4	(20.0%) 23.1	18.7	29.3	(57.2%) 10.6
Synthetic quartz products	30.4	41.5	11.1	10.1	18.1	8.0
Functional materials (Rare earths,Oxide single crystals,etc)	27.9	32.4	4.5	5.7	8.1	2.4
Others	57.0	64.4	7.4	2.8	3.1	0.3
Elimination	-	-	-	0.3	0.0	-0.3
Total	678.9	807.5	(18.9%) 128.6	87.5	112.7	(28.8%) 25.2

4. "Organic and Inorganic chemicals" business segment (Consolidated)



PVC

USA: Shintech Incorporated achieved excellent results in the first half of this fiscal year, from January 2000 to June 2000. In the second half from July 2000 through December 2000, in spite of the softening PVC market, Shintech was able to maintain its operation at full. Consequently, Shintech achieved record-high profits for the fiscal year as a whole.

The construction of the first half of a new Shintech PVC plant in Louisiana, Shintech's second PVC plant, was completed last December. The construction of the second half of the new plant is proceeding on schedule. The PVC market in the USA has been recovering from February 2001 onwards.

Europe: Shin-Etsu PVC in The Netherlands was able to achieve business results that exceeded their original sales and profits targets for the first year after acquisition.

Japan: Although an upward price adjustment was implemented to offset increasing raw materials prices, the situation of the PVC business in Japan remained severe.

Silicones

Sales of silicones were steady especially in intermediate products for the chemical industry and products for the automobile industry, although demand for electrical appliances became weaker in the second half of this fiscal year.

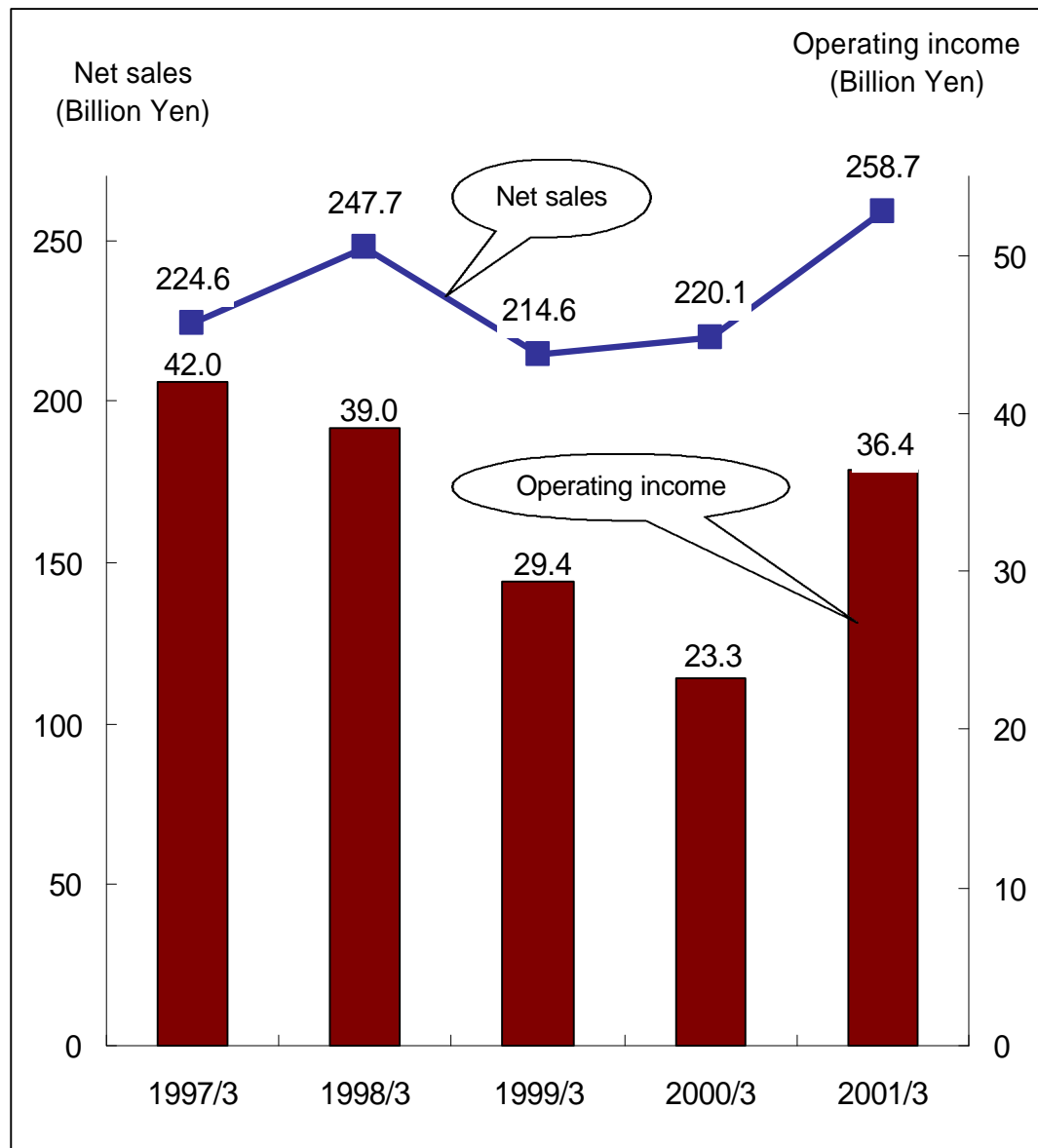
Overseas demand was steady in applications for electronics and other products area.

A joint-venture company was formed with General Electric to produce silicone monomers in Thailand. Commercial production is scheduled to begin in April 2003.

Other products that make contributions to sales in this business include cellulose derivatives, vinyl acetate monomer, polyvinyl alcohol, chloromethane and methanol.

(*) At overseas subsidiaries, the period from January to June is recorded as the first half of this fiscal year, and the period from July to December is their second half.

5. "Electronics materials" business segment (Consolidated)



Semiconductor silicon

Reflecting strong semiconductor-device markets in Japan and internationally, silicon wafer sales were very brisk until the fourth quarter of 2000. However, wafer shipments, especially small-diameter wafers, saw a downward trend set in during the first quarter of 2001.

Nevertheless, net sales of silicon wafers increased 18.1% from the previous year.

At this moment, demand for 8-inch and smaller silicon wafers is not strong in Japan and internationally.

A new production facility for 300mm-diameter silicon wafers started commercial operation. In line with surging demand, the production of 300mm wafers is increasing as scheduled.

Sales of new products, such as SOI wafers and annealed silicon wafers, is increasing.

Organic materials for the electronics industry

Supported by the strong semiconductor-device market, sales of epoxy molding compounds and related products increased. At this moment, demand of these products is not strong like the demand for small silicon wafers.

Rare earth magnets for the electronics industry

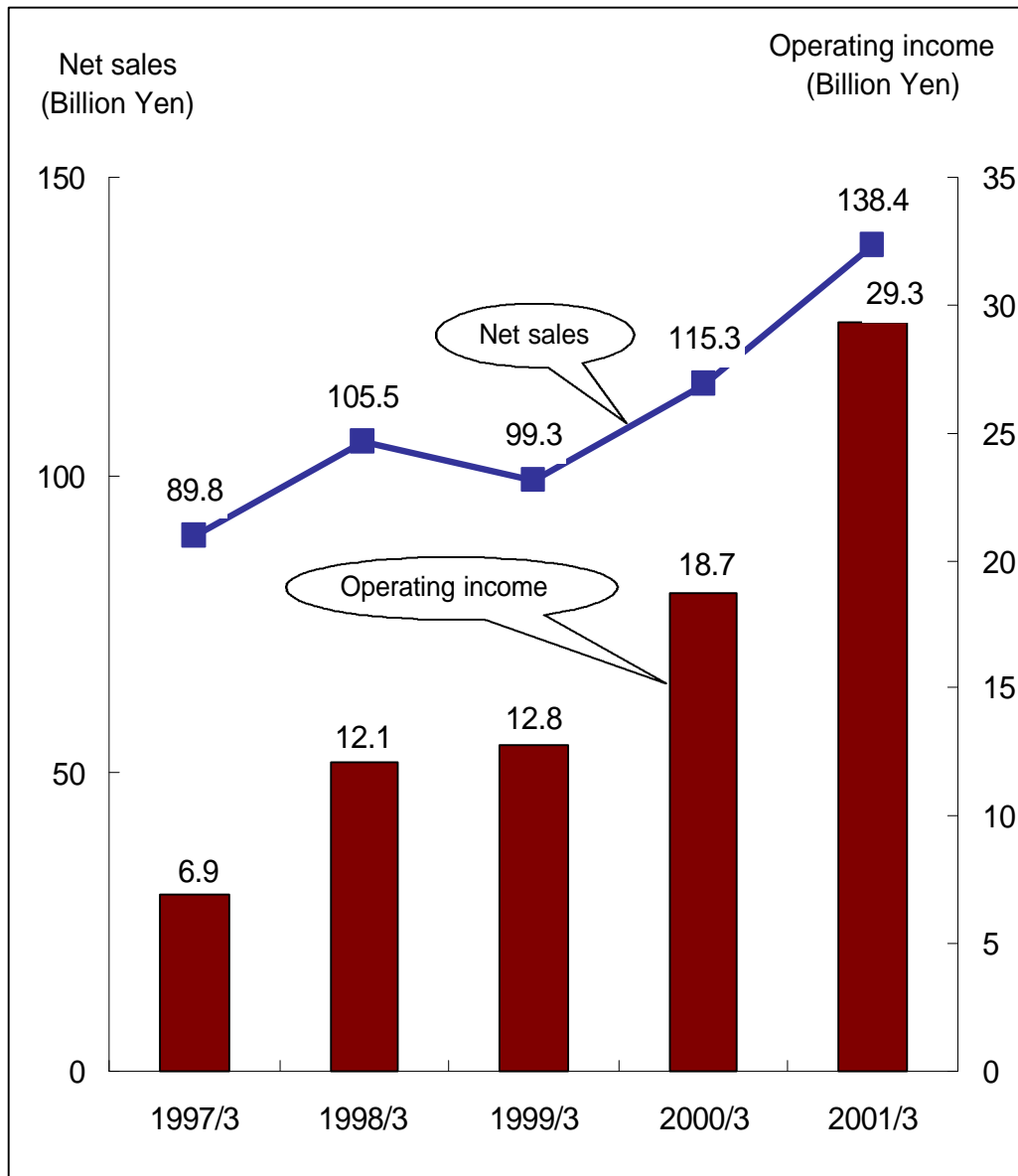
Sales of rare earth magnets used in the voice coil motor (VCM) increased only slightly due to softening of markets for desktop PC HDDs.

Photoresists

In addition to the impact of the strong semiconductor market the fiscal year, sales of photoresists have increased greatly because of a generational change in the development of these devices.

Upon completion of the expansion of photoresists plant in April 2000, the company's capacity was doubled.

6. “Functional materials and Others” business segment (Consolidated)



Synthetic quartz products

With the rapidly increasing worldwide demand for optical fiber, Shin-Etsu maintain its full-capacity production operation. Both sales and profit increased greatly.

The company is constructing a new manufacturing facility in Kashima, Ibaraki Prefecture.

Sales of synthetic quartz substrates for photomasks and LCDs increased.

Oxide single crystals(LT)

Sales of oxide single crystals increased as the market for SAW filters for mobile phone applications soared.

Sales of rare-earth magnets for general purposes were brisk, mainly for optical pickups and mobile phone applications. Rare earth oxide sales also trended upward.

7. Operating Performance of Shintech Inc.

Shintech Incorporated : For the year ended Dec. 31, 2000

	Million US\$	Billion Yen
Net Sales	1,138	122.7
Income before Income Taxes	173	18.6
Net Income	116	12.5
Stockholders' Equity	1,161	133.3
Total Assets	1,347	154.6

- The PVC market in the U.S. was very strong until May 2000.
- That market entered an adjustment phase in June 2000, and began to soften thereafter. Most PVC manufacturers in the U.S. except Shintech lowered their operation rates by more than 20%, and they ended in the red on the fourth quarter of 2000.
- Even in this situation, Shintech could maintain its operations at full capacity throughout the fiscal year because Shintech foresaw the domestic market downturn and started to make substantial export shipments from June 2000.
- As a result, Shintech achieved record-high profits for the fiscal year as a whole, although its profit in the second half was lower than the first-half profit.

8. Operating Performance of Shin-Etsu Handotai Co., Ltd.

Shin-Etsu Handotai Co., Ltd.: For the year ended March 31, 2001

(Non-Consolidated)

	Billion Yen
Net Sales	144.2
Ordinary Income	10.4
Net Income	4.5
Stockholders' Equity	60.7
Total Assets	215.1

The supply-demand balance for semiconductor devices was extremely tight in the first half of the fiscal year, but it plunged into an adjustment phase in the second half.

The market for silicon wafers, especially small diameter wafers, began to soften in 2001. Nevertheless, the number of 8inch-diameter wafers shipped during the fiscal year was a record-high.

An increased selling price of 8inch-diameter wafers, set at the beginning of 2000, was maintained during this fiscal year.

Sales of new products such as 300mm-diameter wafers, together with the company's rationalization program, contributed to the profit improvement in the wafer business.

As a result, both sales and profits increased in the fiscal year.

9. Comparative Income Statements (Consolidated)

	(Billion Yen)			
	Fiscal year 99/4-00/3	Fiscal year 00/4-01/3	Increase (Decrease)	Rate of increase
Net sales	678.9	807.5	128.6	18.9%
Cost of sales	507.2	603.6	96.4	
Selling, General and Administrative Expenses	84.2	91.2	7.0	
Operating income	87.5	112.7	25.2	28.8%
Non-operating income / expenses	(3.0)	3.1	6.1	
Ordinary income	84.4	115.8	31.4	37.2%
Special gains / losses (*)	(1.5)	(7.0)	(5.5)	
Income before income taxes	82.9	108.8	25.9	31.2%
Income taxes	32.9	41.7	8.8	
Minority interest in earnings of consolidated subsidiaries	1.8	2.6	0.8	
Net income	48.2	64.5	16.3	33.7%

(*) For the year ended March 31, 2001

Special Gains : 16.5 billion Yen in gains on sales of assets,
5.2 billion Yen in gains on transfer of securities to retirement benefits trust and others
Special Losses : 27.5 billion Yen in special provision for retirement benefits costs due to adoption of
"Accounting for retirement benefits" and others

10. Comparative Balance Sheets (Consolidated)

(Billion Yen)							
	March 31 2000	March 31 2001	Increase (Decrease)		March 31 2000	March 31 2001	Increase (Decrease)
<u>Current assets</u>	610.6	705.3	94.7	<u>Current liabilities</u>	337.1	354.4	17.3
Cash on hand and in banks	209.1	221.2	12.1	Notes and accounts payable-trade	90.5	111.9	21.4
Notes and accounts receivable	182.4	221.3	38.9	Current portion of long-term debt and short-term borrowings	139.4	85.7	(53.7)
Marketable securities	85.1	99.8	14.7	Notes and accounts payable-others	69.5	90.5	21.0
Inventories	97.5	118.3	20.8	Accrued income taxes	18.1	40.6	22.5
Other current assets	36.6	44.7	8.1	Other current liabilities	19.6	25.8	6.2
				<u>Long-term liabilities</u>	157.1	172.1	15.0
<u>Fixed assets</u>	525.8	560.5	34.7	Debentures/Convertible debentures	63.8	61.3	(2.5)
<u>Tangible fixed assets</u>	378.3	422.2	43.9	Long-term borrowings	50.6	44.1	(6.5)
Buildings and structures	141.9	155.7	13.8	Accrued retirement benefits	7.2	28.0	20.8
Machinery and vehicles	160.4	194.8	34.4	Other long-term liabilities	35.4	38.8	3.4
Others	76.0	71.8	(4.2)	<u>Total liabilities</u>	494.2	526.5	32.3
<u>Intangible fixed assets</u>	5.8	3.4	(2.4)	Minority interests in consolidated subsidiaries	23.3	24.3	1.0
<u>Investments and others</u>	141.7	134.9	(6.8)	Capital stock	107.7	110.2	2.5
Investments in securities	112.3	108.9	(3.4)	Legal capital reserve	115.9	119.0	3.1
Others	29.5	26.0	(3.5)	Consolidated retained earnings	433.5	493.2	59.7
<u>Deferred assets</u>	0.6		(0.6)	Unrealized gain on available-for-sale securities		9.7	9.7
<u>Foreign currency translation adjustments</u>	31.8		(31.8)	Foreign currency translation adjustments		(9.5)	(9.5)
				Treasury stock	(5.7)	(7.6)	(1.9)
				<u>Total stockholders' equity</u>	651.3	715.0	63.7
<u>Total assets</u>	1,168.7	1,265.8	97.1	<u>Total liabilities and stockholders' equity</u>	1,168.7	1,265.8	97.1

(Notes) 1. The balance of "Investments in securities" decreased by 24.2 billion Yen due to the transfer of the current portion of bonds redeemed within one year, while it increased by 16.8 billion Yen due to adoption of the market price method of evaluation.

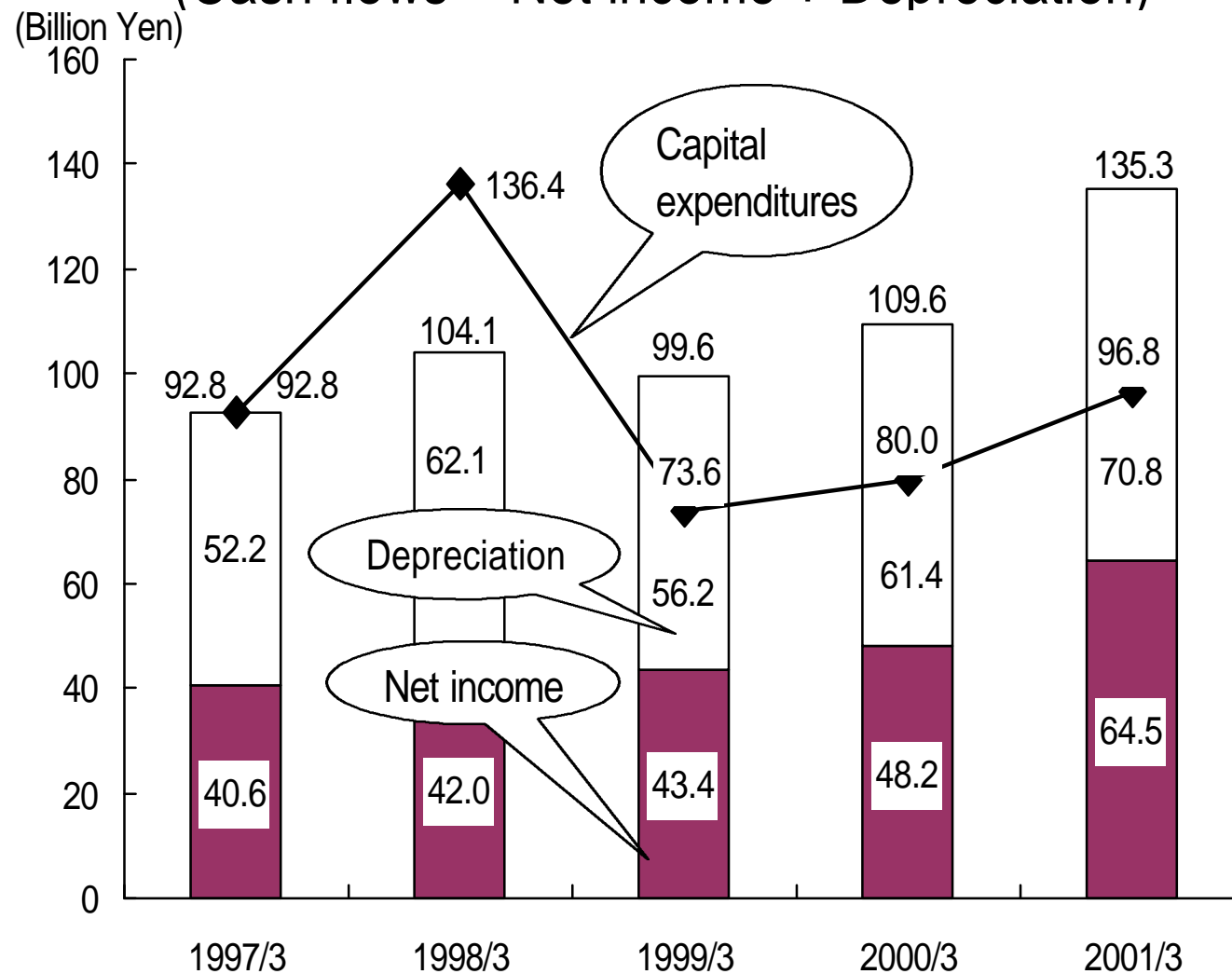
2. Decrease of "Current portion of long-term debt and short-term borrowings" is mainly caused by redemption of debentures (US\$ 500 million).

11. Statements of cash flows (Consolidated)

(Billion Yen)

	Fiscal year 99/4-00/3	Fiscal year 00/4-01/3	Increase (Decrease)
<u>I Cash flows from operating activities</u>			
Net income	48.2	64.5	16.3
Depreciation and amortization	61.4	70.8	9.4
Increase in notes and accounts receivable and others	(13.7)	6.9	20.6
Total	95.9	142.2	46.3
<u>II Cash flows from investing activities</u>			
Investments and loans	(73.6)	(94.7)	(21.1)
Others	(2.7)	7.5	10.2
Total	(76.3)	(87.2)	(10.9)
<u>III Cash flows from financing activities</u>			
Increase(Decrease) in debentures and borrowings	1.8	(67.8)	(69.6)
Cash dividends	(3.9)	(4.6)	(0.7)
Others	14.2	2.0	(12.2)
Total	12.1	(70.4)	(82.5)
IV Effect of exchange rate changes and others	(9.2)	16.5	25.7
Net increase in cash and cash equivalents	22.5	1.1	(21.4)
(I - II) Free cash flow	19.6	55.0	35.4
Balance of cash and cash equivalents	271.6	272.8	1.1
Balance of liabilities with interest	254.2	191.4	(62.8)

12. "Cash flows" and "Capital expenditures"(Consolidated) (Cash flows = Net income + Depreciation)



13. Change in obligation due to adoption of
"Accounting for retirement benefits"(Consolidated)

(Full amortization of unfunded retirement benefits)

(Billion Yen)

	Projected Benefit Obligation (Discount rate:3%)	Plan assets including accruals	(Variance) Transition obligation
Shin-Etsu Chemical	35.4	20.4	15.0
Consolidated subsidiaries (Domestic)	31.8	19.3	12.5
Special losses in the income statement (Sub total)	67.2	39.7	27.5
Affiliates to which equity method is applied (Domestic)	1.3	0.6	0.6
Non-consolidated subsidiaries and others (Domestic)	0.5	0.3	0.2
Total	69.0	40.6	28.4

14. Comparative Income Statements (Non-consolidated)

	(Billion Yen)			(Billion Yen)	
	Fiscal year 99/4-00/3	Fiscal year 00/4-01/3	Increase (Decrease)	Next fiscal year (Forecast)	
				01/4-01/9	01/4-02/3
Net sales	422.5	461.0	38.5	240.0	485.0
Cost of sales	342.0	371.0	29.0		
Selling, General and Administrative Expenses	33.2	33.0	(0.2)		
Operating income	47.3	57.0	9.7	35.5	72.0
Non-operating income / expenses	(0.2)	5.2	5.4		
Ordinary income	47.0	62.2	15.2	37.5	75.0
Special gains / losses (*)	(1.5)	(4.6)	(3.1)		
Income before income taxes	45.5	57.6	12.1		
Income taxes	18.4	23.3	4.9		
Net income	27.1	34.3	7.2	22.5	45.0

(*) For the year ended March 31, 2001

Special Gains : 5.2 billion Yen in gain on transfer of securities to retirement benefits trust,
4.4 billion Yen in gain on sales of tangible fixed assets

Special Losses : 15.0 billion Yen in special provision for retirement benefits costs due to adoption of
"Accounting for retirement benefits" and others

15. Comparative Balance Sheets (Non-consolidated)

(Billion Yen)

	March 31 2000	March 31 2001	Increase (Decrease)		March 31 2000	March 31 2001	Increase (Decrease)
<u>Current assets</u>	<u>388.7</u>	<u>409.1</u>	<u>20.4</u>	<u>Current liabilities</u>	<u>204.0</u>	<u>165.9</u>	<u>(38.1)</u>
Cash on hand and in banks	141.3	139.6	(1.7)	Notes and accounts payable-trade	83.7	79.6	(4.1)
Notes and accounts receivable	135.8	148.8	13.0	Current portion of long-term debt and short-term borrowings	64.4	14.2	(50.2)
Marketable securities	21.2	42.9	21.7	Notes and accounts payable-others	38.7	41.2	2.5
Inventories	37.2	42.3	5.1	Other current liabilities	17.2	30.8	13.6
Other current assets	53.3	35.5	(17.8)	<u>Long-term liabilities</u>	<u>47.6</u>	<u>51.7</u>	<u>4.1</u>
<u>Fixed assets</u>	<u>274.5</u>	<u>266.3</u>	<u>(8.2)</u>	Convertible debentures	19.0	18.3	(0.7)
<u>Tangible fixed assets</u>	<u>111.3</u>	<u>119.1</u>	<u>7.8</u>	Long-term borrowings	25.3	20.8	(4.5)
Buildings and structures	36.4	39.3	2.9	Accrued retirement benefits	3.3	12.6	9.3
Machinery and equipment	51.4	53.1	1.7				
Others	23.5	26.7	3.2	<u>Total liabilities</u>	<u>251.6</u>	<u>217.6</u>	<u>(34.0)</u>
<u>Intangible fixed assets</u>	<u>3.3</u>	<u>2.8</u>	<u>(0.5)</u>	Capital stock	107.7	110.2	2.5
<u>Investments and others</u>	<u>159.8</u>	<u>144.4</u>	<u>(15.4)</u>	Legal capital reserve	108.4	111.6	3.2
Investments in securities	81.1	71.4	(9.7)	Legal earned reserve	6.0	6.5	0.5
Others	78.7	73.0	(5.7)	Retained earnings	190.1	219.8	29.7
<u>Deferred assets</u>	<u>0.6</u>		<u>(0.6)</u>	Unrealized gain on available-for-sale securities		9.6	9.6
				<u>Total stockholders' equity</u>	<u>412.2</u>	<u>457.8</u>	<u>45.6</u>
<u>Total assets</u>	<u>663.8</u>	<u>675.4</u>	<u>11.6</u>	<u>Total liabilities and stockholders' equity</u>	<u>663.8</u>	<u>675.4</u>	<u>11.6</u>

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

Department	(Billion Yen)			(Billion Yen)
	Fiscal year 99/4-00/3	Fiscal year 00/4-01/3	Increase	Next fiscal year (Forecast)
Organic chemicals	163.9	167.9	4.0	171.0
Inorganic chemicals	6.0	6.0	0.0	6.0
Electronics materials	168.3	183.3	15.0	188.0
Functional materials	59.7	77.2	17.5	94.0
International division	24.6	26.6	2.0	26.0
Total	422.5	461.0	38.5	485.0
[Reference] Export total	(37%) 156.4	(38%) 173.5	17.1	(38%) 184.0

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