

Financial Summary

(For the six months ended September 30, 2001)

November 16, 2001

Shin-Etsu Chemical Co.,Ltd.

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1. Operating Performance

	(Billion Yen)			(times)				
	Consolidated			Non-consolidated			Ratio (Consolidated/Non-consolidated)	
	Six months 00/4-00/9	Six months 01/4-01/9	Increase	Six months 00/4-00/9	Six months 01/4-01/9	Increase	Six months 00/4-00/9	Six months 01/4-01/9
Sales	395.3	396.1	(0.2%) 0.8	226.6	226.7	(0.1%) 0.1	1.74	1.75
Operating Income	58.9	59.4	(0.9%) 0.5	28.2	32.0	(13.4%) 3.8	2.08	1.86
Ordinary Income	58.8	59.6	(1.4%) 0.8	31.0	33.1	(6.7%) 2.1	1.90	1.80
Net Income	31.6	34.6	(9.6%) 3.0	16.8	19.5	(16.0%) 2.7	1.88	1.77
Total Assets	1,183.6	1,286.3	102.7	649.5	659.2	9.7	1.82	1.95
Stockholders' Equity	671.9	760.2	88.3	443.0	463.0	20.0	1.52	1.64
Equity Ratio	56.8%	59.1%	2.30	68.2%	70.2%	2.00		
Per share (in Yen)								
Net Income	75.25	82.28	7.03	39.91	46.39	6.48		
Stockholders' Equity	1,598	1,808	210	1,049	1,101	52		
Interim dividend				6.00	6.00	0.00		
ROE (6 months)	4.8%	4.7%	-0.1%	3.9%	4.2%	0.3%		
ROA (6 months)	5.0%	4.7%	-0.3%	4.7%	5.0%	0.3%		

ROA:Return(Ordinary income) on total assets

2. Financial Highlights

(Billion Yen)

	Consolidated		Non-consolidated	
	Six months 00/4-00/9	Six months 01/4-01/9	Six months 00/4-00/9	Six months 01/4-01/9
Capital expenditures	44.5	49.2	21.7	22.8
Depreciation	34.2	33.7	12.2	12.9
Balance of liabilities with interest	200.5	187.9	54.5	52.8
Financial revenue (net)	0.6	0.4	2.8	2.7
Number of employees	19,359	18,345	3,327	3,202
Exchange rate	Jan.-Jun.(Ave.)	106.91	120.43	-
(Yen/US\$)	Apr.-Sep.(Ave.)	107.17	122.21	107.17
				122.21

(Note) 1. Breakdown of Consolidated Capital expenditures and Depreciation for the six months ended Sep. 30, 2001

	<u>Capital Expenditures</u>	<u>Depreciation</u>
	Billion Yen	Billion Yen
Organic and inorganic chemicals	14.6	11.0
Electronics materials	20.8	15.8
Functional materials and others	14.0	7.0

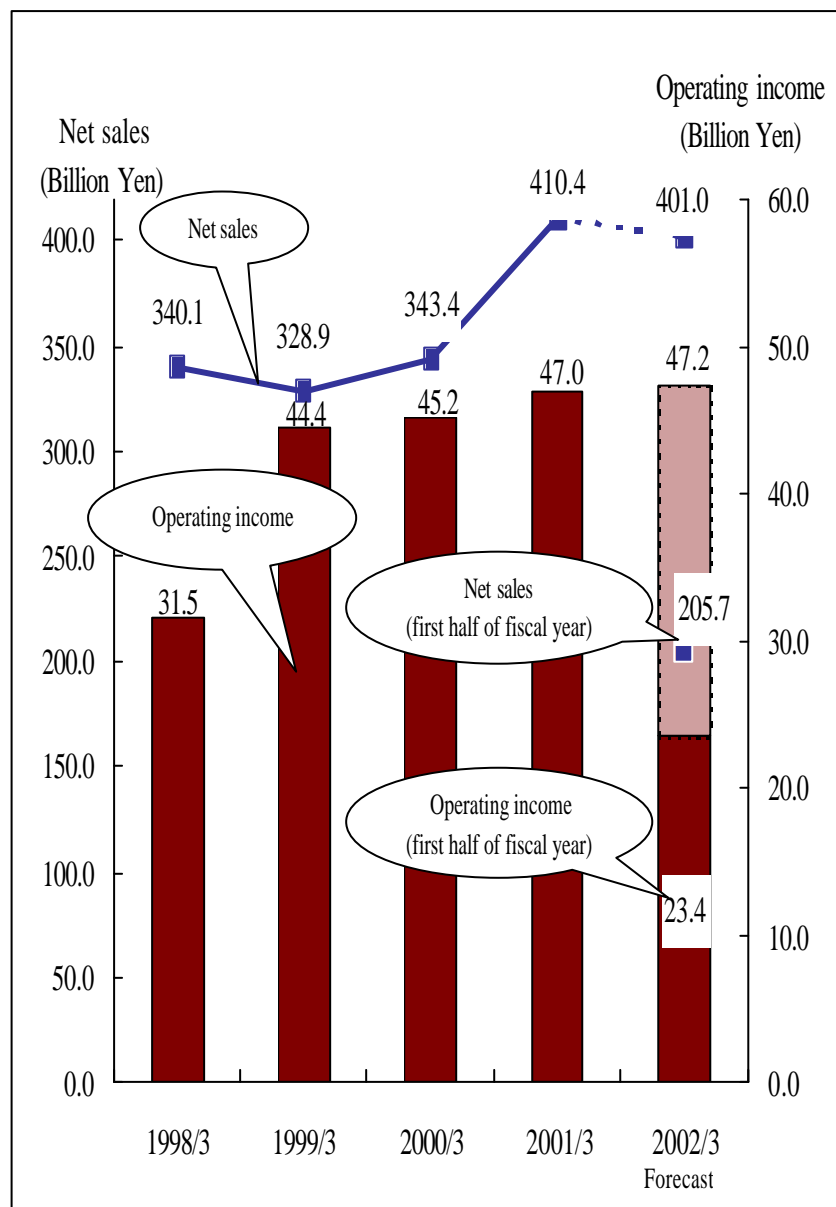
2. Average exchange rate of January-June was used for the consolidation of Income Statements of overseas subsidiaries.

3. Business Segment Information (Consolidated)

(Billion Yen)

	Net Sales			Operating Income		
	Six months 00/4-00/9	Six months 01/4-01/9	Increase	Six months 00/4-00/9	Six months 01/4-01/9	Increase
Organic and inorganic chemicals	208.4	205.7	(-1.3%) -2.7	26.6	23.4	(-12.1%) -3.2
Polyvinyl chloride	107.3	105.9	-1.4	8.9	7.7	-1.2
Silicones	67.5	62.2	-5.3	12.1	10.5	-1.6
Others	33.6	37.7	4.1	5.6	5.2	-0.4
Electronics materials	123.1	116.5	(-5.3%) -6.6	17.8	18.6	(4.7%) 0.8
Semiconductor silicon	97.9	93.0	-4.9	13.2	15.4	2.2
Others	25.1	23.5	-1.6	4.6	3.2	-1.4
Functional materials and others	63.8	73.9	(15.7%) 10.1	14.5	17.4	(19.8%) 2.9
Synthetic quartz products	19.7	31.6	11.9	8.2	13.8	5.6
Functional materials (Rare earths,Oxide single crystals,etc)	16.1	10.7	-5.4	4.4	2.1	-2.3
Others	28.0	31.6	3.6	1.8	1.5	-0.3
Total	395.3	396.1	(0.2%) 0.8	58.9	59.4	(0.9%) 0.5

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



● PVC

USA: U.S. market continued to be weak; however, Shintech was able to achieve a profit that was close to the record high profit in the last year by concentrating its efforts not only on sales within the U.S. but also on exporting PVC and maintaining full capacity operation including its Louisiana plant, which began operation of the first half of its facilities in December 2000. The second phase of construction of the Louisiana Plant is expected to be completed by the end of this year.

Europe: Under declining market conditions, Shin-Etsu PVC in the Netherlands, our European PVC base, continued full production and was able to achieve profit of the same level as that of the first half of the previous fiscal year.

Japan: The Japanese PVC business remained severe without any recovery of domestic market. The export market to Southeast Asia also was weak, and the severe business condition continued.

● Silicones

We have a line-up of more than 4000 kinds of silicones products and supply them to in a wide range of application fields, such as electrical, electronics, automobiles, chemicals, toiletries and construction. This first half of FY 2002 saw a steady shift in sales of toiletries, cosmetics and pharmaceutical intermediates; however, in one of the main supply fields in the electric/electronics business, shipments were sluggish and domestic sales remained weak. On the other hand, export sales exceeded those of last year during the same period.

Established silicones products manufacturing and sales subsidiary in Thailand. Plans to start production at about the same time in March 2003 as the Shin-Etsu /GE silicone monomer joint venture.

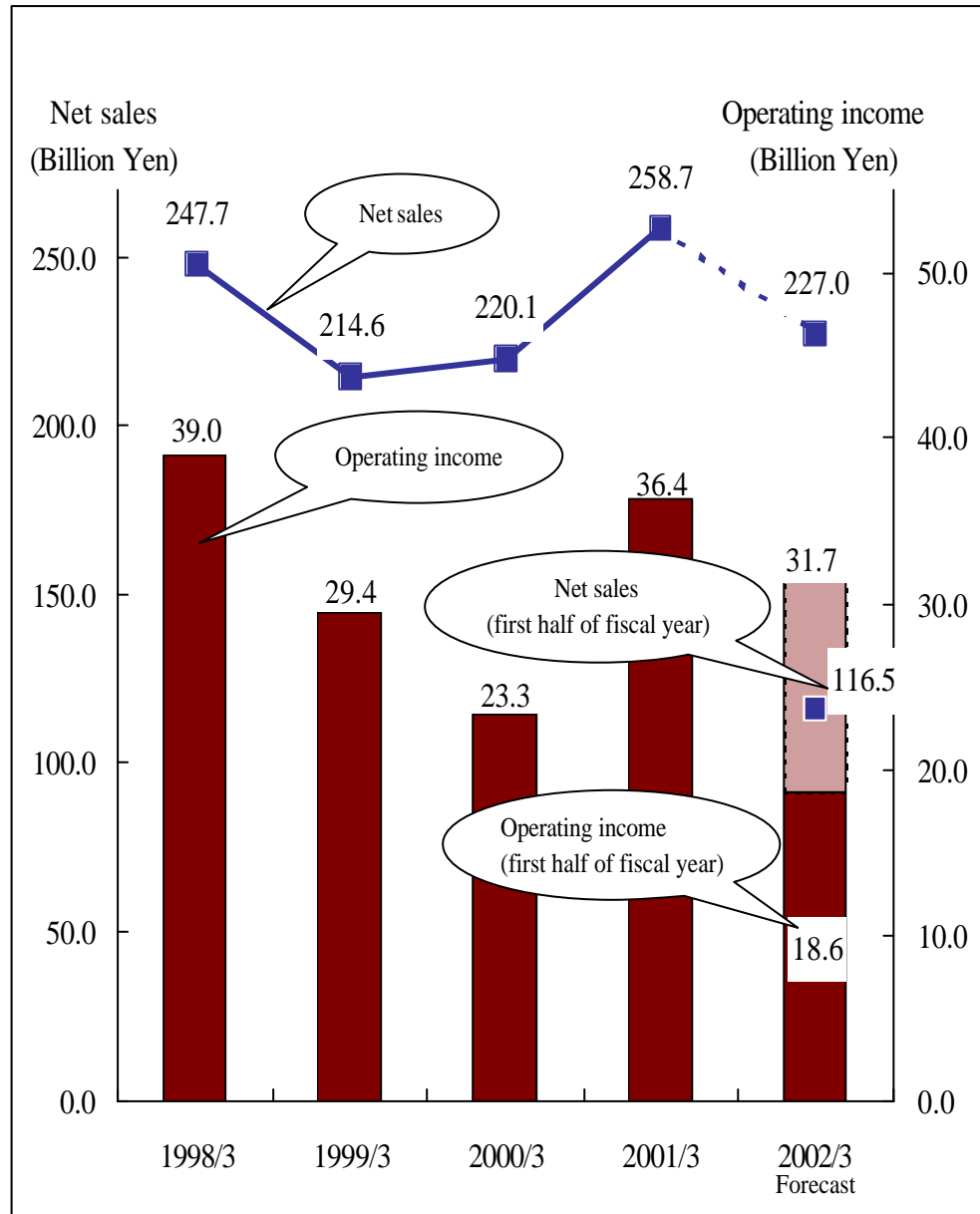
Construction of a new manufacturing facility for specialty silanes is under way in the U.S. Completion is expected in 2002.

- Exports of cellulose derivatives mainly of medical use products were good and overall sales increased.

- Other products that made contributions to sales in this business field include vinyl acetate monomer, Polyvinyl Alcohol, chlormethanes, methanol, silicon metal and other resin-processed goods and synthetic pheromones.

(*) At overseas subsidiaries, the period from January to June is recorded as their FY first half, with the FY ending in December.

5. "Electronics materials" business segment (Consolidated)



● Semiconductor silicon

Since April of this year, shipments of small-diameter wafers have decreased greatly, and sales of 200mm wafers are progressively declining. However, even in these circumstances, the new 300mm-wafer product, which began commercial production from February 2001, steadily increased in production and sales volume. In addition, SOI wafers and such special wafers as heat-processing wafers positively contributed to a steady profit. As a result, although the total sales amount decreased, semiconductor silicon products as a whole were able to achieve a profit level exceeding that of the first half of last year.

● Rare earth magnets for the electronics industry

Sales of rare earth magnets for the electronics industry were generally weak, as demand for hard disk drives was not active and sales decreased.

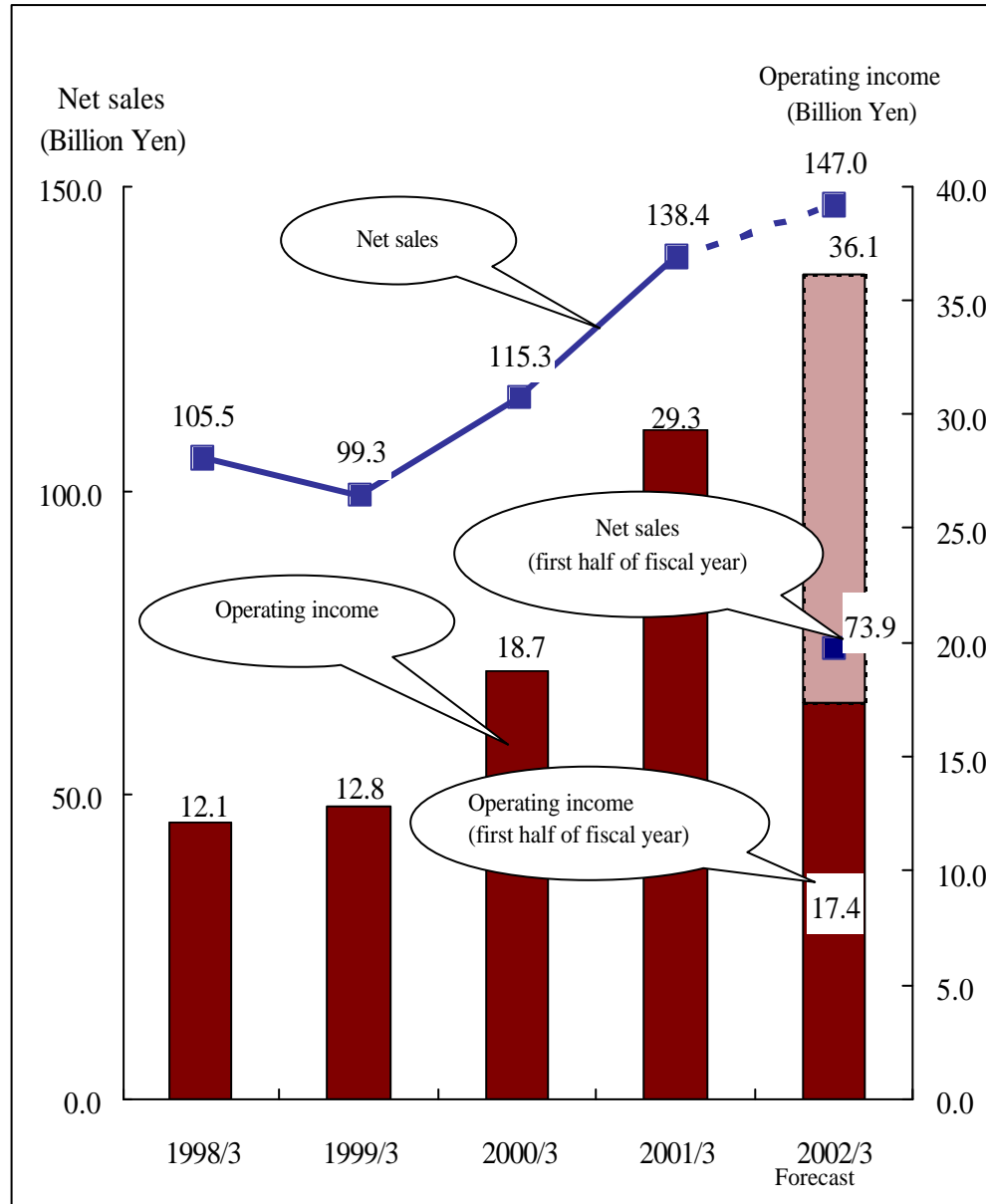
● Organic materials for the electronics industry

Sales of organic materials for the electronics industry declined from the effect of semiconductor device market conditions.

● Photoresists

Sales of photoresists products declined as a result of the slowdown in the semiconductor device market.

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



● Synthetic quartz

Sales of optical fiber preform increased greatly supported by the global surge in optical fiber demand, which made shipments to customers worldwide quite busy and also resulted in price increases.

A new preform manufacturing facility was completed at Kashima Coastal Industrial Region, Ibaraki Prefecture and started commercial production from October. Shin-Etsu will make use of merit of being in this location within an industrial complex.

Synthetic quartz substrates for large photomasks for LCDs saw an increase in sales.

● Oxide single crystals(LT)

Sales decreased due to the declining demand for mobile phones.

● Rare earth magnets

Demand for both optical pick-ups and mobile phone applications was weak and sales decreased.

7. Operating Performance of Shintech, Inc.

Shintech Incorporated : For the first half of the American fiscal year, from January through June 2001

	Million US\$	Billion Yen
Net Sales	534	64.3
Income before Income Taxes	82	9.9
Net Income	54	6.5
Stockholders' Equity	1,215	151.4
Total Assets	1,426	177.7

The PVC market in the U.S. during the first half of 2000 was very strong; however, from the second half it softened, and during the first half of 2001, U.S. demand was in slump. Most PVC manufacturers were obliged to lower their operation rates by more than 20% and ended up with a large decrease in profit and red figures.

U.S. market continued to be weak; however, Shintech was able to achieve a profit that was close to the record high profit in the last year by concentrating its efforts not only on sales within the U.S. but also on exporting PVC and maintaining full capacity operation including its Louisiana plant, which began operation of the first half of its facilities in December 2000. The second phase of construction of the Louisiana Plant is expected to be completed by the end of this year.

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

Shin-Etsu Handotai Co., Ltd. : For the first half of the Japanese fiscal year (Non-Consolidated)

(From April through September 2001)

	Billion Yen
Net Sales	56.9
Ordinary Income	7.8
Net Income	3.2
Stockholders' Equity	60.4
Total Assets	196.8

Since this year started, sales of small-diameter wafers have seen a large decline in shipments, and 8" products also saw their sales volume gradually, but continuously decreasing.

Commercial production of 300mm-diameter wafers began from February 2001. Production expanded and sales steadily grew, contributing greatly to profits.

Special wafers such as SOI wafers and annealed wafers also are steadily contributing to profit.

In addition to these business trends, streamlining is proceeded in all phases of business operations. Thus, although sales volume declined, profit increased.

9. Comparative Income Statements (Consolidated)

	(Billion Yen)			
	Six months 00/4-00/9	Six months 01/4-01/9	Increase (Decrease)	Rate of increase
Net sales	395.3	396.1	0.8	0.2%
Cost of sales	291.3	293.1	1.8	
Selling, General and Administrative Expenses	45.1	43.5	(1.6)	
Operating income	58.9	59.4	0.5	0.9%
Non-operating income / expenses	0.0	0.2	0.2	
Ordinary income	58.8	59.6	0.8	1.4%
Special gains / losses (*)	(5.4)	(1.5)	3.9	
Income before income taxes	53.5	58.1	4.6	8.7%
Income taxes	20.6	23.3	2.7	
Minority interest in earnings of consolidated subsidiaries	1.4	0.3	(1.1)	
Net income	31.6	34.6	3.0	9.6%

(*) For the six months ended Sep. 30, 2001

Special Losses : 0.8 billion yen in losses on write-down of investments in securities
0.7 billion yen in losses on disposal of property, plant and equipment

10. Comparative Balance Sheets (Consolidated)

(Billion Yen)							
	March 31 2001	Sep. 30 2001	Increase (Decrease)		March 31 2001	Sep. 30 2001	Increase (Decrease)
<u>Current assets</u>	<u>705.3</u>	<u>700.2</u>	<u>(5.1)</u>	<u>Current liabilities</u>	<u>354.4</u>	<u>343.8</u>	<u>(10.6)</u>
Cash on hand and in banks	221.2	223.3	2.1	Notes and accounts payable-trade	111.9	108.9	(3.0)
Notes and accounts receivable	221.3	212.3	(9.0)	Current portion of long-term debt and short-term borrowings	85.7	99.2	13.5
Securities	99.8	97.4	(2.4)	Notes and accounts payable-others	90.5	92.5	2.0
Inventories	118.3	122.2	3.9	Accrued income taxes	40.6	21.6	(19.0)
Deferred tax assets	24.0	23.3	(0.7)	Other current liabilities	25.8	21.6	(4.2)
Other current assets	20.7	21.7	1.0	<u>Long-term liabilities</u>	<u>172.1</u>	<u>158.0</u>	<u>(14.1)</u>
<u>Fixed assets</u>	<u>560.5</u>	<u>586.1</u>	<u>25.6</u>	Debentures/Convertible debentures	61.3	57.4	(3.9)
<u>Tangible fixed assets</u>	<u>422.2</u>	<u>450.8</u>	<u>28.6</u>	Long-term borrowings	44.1	31.0	(13.1)
Buildings and structures	155.7	162.2	6.5	Deferred tax liabilities	19.2	20.8	1.6
Machinery and vehicles	194.8	206.1	11.3	Accrued retirement benefits	28.0	28.1	0.1
Others	71.8	82.6	10.8	Other long-term liabilities	19.6	20.7	1.1
<u>Intangible fixed assets</u>	<u>3.4</u>	<u>3.1</u>	<u>(0.3)</u>	<u>Total liabilities</u>	<u>526.5</u>	<u>501.8</u>	<u>(24.7)</u>
<u>Investments and others</u>	<u>134.9</u>	<u>132.2</u>	<u>(2.7)</u>	Minority interests in consolidated subsidiaries	24.3	24.3	0.0
Investments in securities	108.9	102.4	(6.5)	Capital stock	110.2	110.3	0.1
Deferred tax assets	16.0	18.1	2.1	Legal capital reserve	119.0	119.0	0.0
Others	10.0	11.6	1.6	Consolidated retained earnings	493.2	525.1	31.9
				Unrealized gain on available-for-sale securities	9.7	4.9	(4.8)
				Foreign currency translation adjustments	(9.5)	10.3	19.8
				Treasury stock	(7.6)	(9.4)	(1.8)
				Total stockholders' equity	715.0	760.2	45.2
Total assets	1,265.8	1,286.3	20.5	Total liabilities and stockholders' equity	1,265.8	1,286.3	20.5

(Note) Difference between acquisition cost and book value on available-to-sale securities

	16.8	8.5	(8.3)
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11. Statements of Cash flows (Consolidated)

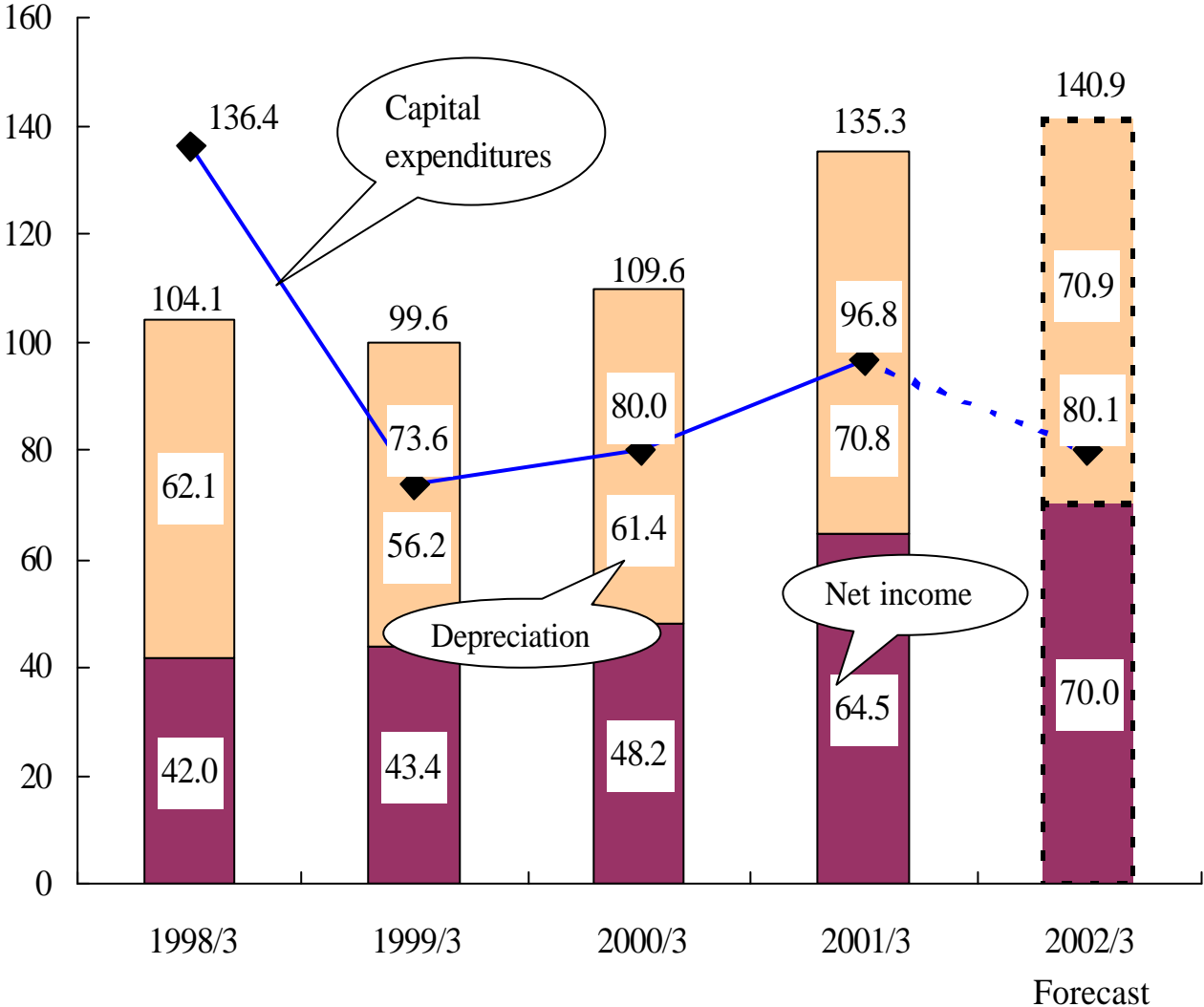
(Billion Yen)

	Six months 01/4-01/9	Six months 00/4-00/9
<u>(1) Cash flows from operating activities</u>		
Net income	34.6	31.6
Depreciation and amortization	33.7	34.2
Others	(13.0)	(12.3)
Total	55.3	53.5
<u>(2) Cash flows from investing activities</u>		
Investments and loans	(60.7)	(45.4)
Others	0.0	8.5
Total	(60.7)	(36.9)
<u>(3) Cash flows from financing activities</u>		
Decrease in debentures and borrowings	(6.6)	(55.5)
Cash dividends	(2.5)	(2.1)
Others	(1.5)	1.8
Total	(10.6)	(55.8)
<u>(4) Effect of exchange rate changes and others</u>	5.7	5.7
Net increase in cash and cash equivalents	(10.3)	(33.5)
<u>(1)-(2) Free cash flow</u>	(5.4)	16.6
Balance of cash and cash equivalents	262.5	238.2
Balance of liabilities with interest	187.9	200.5

12. "Cash flows" and "Capital expenditures" (Consolidated)

(Cash flows=Net income + Depreciation)

(Billion Yen)



13. Forecast of operating performance for the entire fiscal year (April 2001-March 2002)

	Consolidated		Non-consolidated	
	Billion Yen	Rate of increase over the last year	Billion Yen	Rate of increase over the last year
Net sales	775.0	-4.0%	465.0	0.9%
Operating income	115.0	2.1%	64.5	13.1%
Ordinary income	117.0	1.0%	67.0	7.7%
Net income	70.0	8.5%	40.0	16.6%
Net income per share (in Yen)	166.52	8.4%	95.15	17.0%
Annual cash dividend per share (in Yen)			12.00	-
Capital expenditures	80.1		37.0	
Depreciation	70.9		28.6	
Exchange rate Jan.-Dec.(Ave.)	120		-	
(Yen/US\$) Apr.-Mar.(Ave.)	* 119		* 119	

* { Actual rate (Apr.-Sep.) 122.21 Yen/US\$
Forecasted rate (Oct.-Mar.) 115 Yen/US\$

14. Comparative Income Statements (Non-consolidated)

	(Billion Yen)			
	Six months 00/4-00/9	Six months 01/4-01/9	Increase (Decrease)	Rate of increase
Net sales	226.6	226.7	0.1	0.1%
Cost of sales	182.2	177.8	(4.4)	
Selling, General and Administrative Expenses	16.1	16.8	0.7	
Operating income	28.2	32.0	3.8	13.4%
Non-operating income / expenses	2.8	1.1	(1.7)	
Ordinary income	31.0	33.1	2.1	6.7%
Special gains / losses (*)	(3.0)	(0.8)	2.2	
Income before income taxes	28.0	32.3	4.3	15.3%
Income taxes	11.2	12.8	1.6	
Net income	16.8	19.5	2.7	16.0%

(*) For the six months ended Sep. 30, 2001

Special Losses : 0.8 billion yen in losses on write-down of investments in securities

15. Comparative Balance Sheets (Non-consolidated)

(Billion Yen)

	March 31 2001	Sep. 30 2001	Increase (Decrease)		March 31 2001	Sep. 30 2001	Increase (Decrease)
<u>Current assets</u>	<u>409.1</u>	<u>397.3</u>	<u>(11.8)</u>	<u>Current liabilities</u>	<u>165.9</u>	<u>154.8</u>	<u>(11.1)</u>
Cash on hand and in banks	139.6	132.5	(7.1)	Notes and accounts payable-trade	79.6	65.3	(14.3)
Notes and accounts receivable	148.8	138.0	(10.8)	Current portion of long-term debt and short-term borrowings	14.2	24.1	9.9
Securities	42.9	55.4	12.5	Notes and accounts payable-others	41.2	45.5	4.3
Inventories	42.3	42.5	0.2	Accrued income taxes	23.3	12.9	(10.4)
Other current assets	35.5	28.9	(6.6)	Other current liabilities	7.5	7.1	(0.4)
<u>Fixed assets</u>	<u>266.3</u>	<u>261.8</u>	<u>(4.5)</u>	<u>Long-term liabilities</u>	<u>51.7</u>	<u>41.3</u>	<u>(10.4)</u>
<u>Tangible fixed assets</u>	<u>119.1</u>	<u>129.2</u>	<u>10.1</u>	Debentures/Convertible debentures	18.3	18.3	0.0
Buildings and structures	39.3	39.3	0.0	Long-term borrowings	20.8	10.4	(10.4)
Machinery and equipment	53.1	61.2	8.1	Accrued retirement benefits	12.6	12.6	0.0
Others	26.7	28.7	2.0	<u>Total liabilities</u>	<u>217.6</u>	<u>196.2</u>	<u>(21.4)</u>
<u>Intangible fixed assets</u>	<u>2.8</u>	<u>2.4</u>	<u>(0.4)</u>	Capital stock	110.2	110.3	0.1
<u>Investments and others</u>	<u>144.4</u>	<u>130.2</u>	<u>(14.2)</u>	Legal capital reserve	111.6	111.6	0.0
Investments in securities	71.4	61.8	(9.6)	Legal earned reserve	6.5	6.8	0.3
Treasury stock	7.6	-	(7.6)	Retained earnings	219.8	236.5	16.7
Others	65.3	68.4	3.1	Unrealized gain on available-for-sale securities	9.6	7.3	(2.3)
				Treasury stock	-	(9.4)	(9.4)
				<u>Total stockholders' equity</u>	<u>457.8</u>	<u>463.0</u>	<u>5.2</u>
<u>Total assets</u>	<u>675.4</u>	<u>659.2</u>	<u>(16.2)</u>	<u>Total liabilities and stockholders' equity</u>	<u>675.4</u>	<u>659.2</u>	<u>(16.2)</u>

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

Department	(Billion Yen)			(Billion Yen)	
	Six months 00/4-00/9	Six months 01/4-01/9	Increase (Decrease)	Fiscal year 00/4-01/3	Fiscal year 01/4-02/3 (Forecast)
Organic chemicals	82.7	85.9	3.2	167.9	177.8
Inorganic chemicals	3.0	2.8	(0.2)	6.0	5.8
Electronics materials	90.7	77.4	(13.3)	183.3	157.4
Functional materials	37.4	44.2	6.8	77.2	91.1
International division	12.9	16.4	3.5	26.6	32.9
Total	226.6	226.7	0.1	461.0	465.0
[Reference]	(37%)	(41%)		(38%)	(40%)
Export total	84.3	92.9	8.6	173.5	186.9

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

Recent Topics

- 2000, December Shintech's Louisiana Plant - first-phase construction completed of annual 300,000-ton facility.
- 2001, February Announced the agreement with GE on establishing a joint-venture company to manufacture silicone monomer. The company is owned 50% by Shin-Etsu and 50% by GE and Toshiba Corp. The joint venture is expected to complete construction of a plant with an annual production capacity of 70,000 tons in April 2003. Total investment is US250 million, of which Shin-Etsu's share is one half.
- 2001, February Shin-Etsu Handotai's Shirakawa Plant began commercial production of 300mm silicon wafers at a monthly production amount of 20,000 wafers.
- 2001, March Announced new silicone products; Selective Self-adhesive liquid silicone that contributes to improvement of quality and productivity such as "co-injection molding".
- 2001, May Shin-Etsu Handotai, Toshiba and Sumitomo Electric together developed a high-temperature superconducting magnet, which has the world's largest, 1000KJ, energy storage capability and can operate at a temperature around 20K (-253 degrees centigrade).
- 2001, June New Functional Materials Research Center established, which is to taking charge of R&D of electronics functional materials such as photoresists.
- 2001, June At the regular annual Shareholders Meeting, Frank P. Popoff, the former chairman of The Dow Chemical Company, was appointed as a Director.
- 2001, June Received "Outstanding Quality Award for 15 Consecutive Years" prize for cellulose derivative products for medical use from Abbott Laboratories, a top U.S. pharmaceutical manufacturer. This honor is awarded to only a few companies among the over 7000 enterprises suppliers used by Abbott.
- 2001, August Change in number of shares constituting a unit of shares from 1,000 to 100.
- 2001, August Announced silicone investment plan
New specialty silanes manufacturing facility to be constructed in the U.S. with an annual yearly production capacity of 10,000 units. Adjoining Shintech's PVC facility in Freeport, Texas and scheduled for completion in August 2001. The total investment will be 6 billions of yen.
Begin construction of factory to produce silicone products from silicone monomer supplied by Shin-Etsu's joint venture GE and Toshiba Corp. Completion expected in March of 2003, and total investment is 7 billions of yen.
- 2001, September Announced consolidated and non-consolidated business performance forecast for FY2002 ending on March 31, 2002.
- 2001, October Started commercial production of optical fiber preform manufacturing facility after plant construction was completed at the Kashima Coastal Industrial Region in Ibaraki Prefecture.
- 2001, October Construction begin at Asia Silicones Monomer in Thailand