



## **5. Press Release of non-consolidated Financial Data**

For the fiscal year ended March 31, 2004

May 20, 2004

### **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

Interim cash dividends being paid

Trading unit of the company consists of 100 shares

Representative:

Chihiro Kanagawa (Mr.)

Representative Director-President

Personnel to contact:

Toshiyuki Kasahara (Mr.)

General Manager of Finance & Accounting Department

Telephone: +81-3-3246-5051

Date of Board of Directors Meeting

For the authorization of the financial statements

for the current fiscal year . . . May 20, 2004

Scheduled Date for General Meeting of Stockholders: June 29, 2004

### **5-1. Operating Performance for the Current Fiscal Year**

(From April 1, 2003 to March 31, 2004)

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

#### **(1) Results of non-consolidated operations**

	<u>Millions of Yen</u>	
	Current fiscal year <u>2003/4-2004/3</u>	Prior fiscal year <u>2002/4-2003/3</u>
Net sales	482,580	480,243
Ratio of increase (decrease) over the preceding year	0.5%	3.2%
Operating income	56,073	62,014
Ratio of increase (decrease) over the preceding year	(9.6%)	(4.0%)
Ordinary income	58,065	62,011
Ratio of increase (decrease) over the preceding year	(6.4%)	(7.5%)
Net income	34,725	37,028
Ratio of increase (decrease) over the preceding year	(6.2%)	(7.2%)
Net income per share (in yen)	82.25	87.83
Diluted net income per share (in yen)	80.57	85.97
Ratio of net income over total stockholders' equity	6.6%	7.5%
Ratio of ordinary income over total assets employed	8.1%	9.3%
Ratio of ordinary income over net sales	12.0%	12.9%
(Notes)		
1. Average number of shares outstanding (in shares)	420,484,380	420,524,988
2. Changes in accounting policies applied : No		

**(2) Non-consolidated cash dividends**

	Current fiscal year <u>2003/4-2004/3</u>	Prior fiscal year <u>2002/4-2003/3</u>
Interim cash dividend per share (in yen)	8.00	7.00
Year-end cash dividend per share (in yen)	8.00	7.00
Total annual cash dividend per share (in yen)	16.00	14.00
Total annual cash dividends paid (millions of yen)	6,729	5,885
Earnings dividend ratio	19.5%	15.9%
Ratio of dividends over total stockholders' equity	1.2%	1.2%

**(3) Non-consolidated financial position**

	<u>Millions of Yen</u>	
	March 31, <u>2004</u>	March 31, <u>2003</u>
Total assets	758,820	679,380
Total stockholders' equity	544,266	502,912
Equity ratio	71.7%	74.0%
Stockholders' equity per share (in yen)	1,293.30	1,196.02
(Notes)		
Number of shares outstanding (in shares)	420,726,402	420,408,126
Number of treasury stocks	2,072,068	2,159,785

**5-2. The Forecast of Non-consolidated Operating Performance for the Fiscal Year ending March 31, 2005** (From April 1, 2004 to March 31, 2005)

	<u>Millions of Yen</u>	
	Six Months <u>2004/4-2004/9</u>	Fiscal year <u>2004/4-2005/3</u>
Net sales	250,000	500,000
Ordinary income	30,000	60,000
Net income	18,500	37,000
Interim cash dividends per share (in yen)	9.00	-
Year-end cash dividends per share (in yen)	-	9.00
Total annual cash dividend per share (in yen)	-	18.00

**(Reference)**

The forecast of "Net income per share" (for the year ending March 31, 2005 ) - 87.60 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.

## 6. Non-consolidated Financial Statements

### 6-1. Comparative Non-consolidated Balance Sheets

As of March 31, 2004 and 2003

ASSETS	<u>Millions of Yen</u>		
	March 31, 2004	March 31, 2003	Increase (Decrease)
Current Assets:			
Cash on hand and in banks	135,270	152,741	(17,471)
Notes and accounts receivable -trade	152,369	139,043	13,326
Securities	47,276	39,408	7,868
Inventories	37,838	41,383	(3,545)
Deferred tax assets	11,590	11,625	(35)
Short-term loan	30,624	4,334	26,290
Others	15,536	13,488	2,048
Less: Allowance for doubtful accounts	(700)	(840)	140
Total current assets	<u>429,805</u>	<u>401,185</u>	<u>28,620</u>
Fixed Assets:			
Property, plant and equipment			
Buildings and structures	36,412	38,499	(2,087)
Machinery, equipment and vehicles	47,886	47,878	8
Others	27,137	28,155	(1,018)
Total property, plant and equipment	<u>111,436</u>	<u>114,533</u>	<u>(3,097)</u>
Intangible fixed assets	<u>1,190</u>	<u>1,823</u>	<u>(633)</u>
Investments and others			
Investments in securities	115,878	94,564	21,314
Investments in capital stock of subsidiaries and affiliates	95,441	60,123	35,318
Deferred tax assets	-	78	(78)
Others	5,077	7,081	(2,004)
Less: Allowance for doubtful accounts	(10)	(10)	-
Total investment and others	<u>216,387</u>	<u>161,838</u>	<u>54,549</u>
Total fixed assets	<u>329,015</u>	<u>278,194</u>	<u>50,821</u>
TOTAL ASSETS	<u>758,820</u>	<u>679,380</u>	<u>79,440</u>

	<u>Millions of Yen</u>		
	<u>March 31, 2004</u>	<u>March 31, 2003</u>	<u>Increase (Decrease)</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Notes and accounts payable-trade	90,228	83,129	7,099
Short-term borrowings	30,979	22,135	8,844
Accounts payable-others	11,685	9,879	1,806
Accrued expenses	20,116	18,275	1,841
Accrued income taxes	17,659	5,253	12,406
Others	2,287	998	1,289
Total current liabilities	<u>172,956</u>	<u>139,671</u>	<u>33,285</u>
Long-term Liabilities:			
Convertible debentures	17,849	18,291	(442)
Long-term borrowings	14,965	18,012	(3,047)
Deferred tax liabilities	8,505	-	8,505
Accrued retirement benefits	276	313	(37)
Others	-	178	(178)
Total long-term liabilities	<u>41,596</u>	<u>36,796</u>	<u>4,800</u>
<b>TOTAL LIABILITIES</b>	<u>214,553</u>	<u>176,467</u>	<u>38,086</u>
 <b>STOCKHOLDERS' EQUITY</b>			
Common stock	110,493	110,271	222
Additional paid-in capital	111,854	111,633	221
Retained earnings	320,606	292,311	28,295
Unrealized gain(loss) on available-for-sale securities	10,531	(1,668)	12,199
Treasury stocks	(9,219)	(9,636)	417
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<u>544,266</u>	<u>502,912</u>	<u>41,354</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>758,820</u>	<u>679,380</u>	<u>79,440</u>

## **6-2. Comparative Non-consolidated Income Statements**

For the fiscal year ended March 31, 2004 and 2003

	<u>Millions of Yen</u>		
	<u>For the fiscal year ended</u>		
	<u>March 31,</u> <u>2004</u>	<u>March 31,</u> <u>2003</u>	<u>Increase</u> <u>(Decrease)</u>
Operating Income and Expenses:			
Net sales	482,580	480,243	2,337
Cost of sales	395,402	385,750	9,652
Gross profit	87,177	94,492	(7,315)
Selling, general and administrative expenses	31,104	32,478	(1,374)
Operating income	56,073	62,014	(5,941)
Non-operating Income:			
Interest income	235	437	(202)
Dividend income	2,318	3,145	(827)
Other income	1,860	2,434	(574)
	4,413	6,018	(1,605)
Non-operating Expenses:			
Interest expenses	805	1,139	(334)
Other expenses	1,616	4,881	(3,265)
	2,421	6,021	(3,600)
Ordinary income	58,065	62,011	(3,946)
Extraordinary Gains:			
Gains on sales of property, plant and equipment	-	2,416	(2,416)
Gains on transfer of securities to retirement benefits trust	-	2,363	(2,363)
	-	4,779	(4,779)
Extraordinary Losses:			
Loss on write-down of investment securities	-	3,165	(3,165)
Adjustment to prior years' license fee	-	1,727	(1,727)
	-	4,893	(4,893)
Income before income taxes	58,065	61,898	(3,833)
Income taxes-Current	22,990	17,490	5,500
Income taxes-Deferred	350	7,380	(7,030)
Net income	34,725	37,028	(2,303)
Retained earnings at beginning of year	6,687	6,635	52
Interim cash dividend	3,363	2,942	421
Loss on disposal of treasury stocks	28	257	(229)
Unappropriated retained earnings	38,019	40,463	(2,444)

(Notes)

1. Significant Accounting Policies

(1) Valuation of securities:

Bonds held to maturity	.....	Amortized cost method (straight-line method)
Investment in capital stock of subsidiaries and affiliates	.....	Moving average cost method
Available-for-sale securities		
Marketable securities	.....	Market price method based on the fair market value as of the date of balance sheet. (Any balances resulting from valuation of securities shall directly be entered into capital accounts, while any costs of sales of marketable securities shall be calculated based on a moving average cost method)
Non-marketable securities	.....	Moving average cost method

(2) Valuation of inventories: Average cost method

(3) Depreciation of property, plant and equipment:

Basic method: Declining-balance method

(Straight-line method is applied to Polyvinyl chloride equipment among its machinery and equipment, Electrolytic Equipment and Buildings (excluding attached facilities) acquired after April 1st, 1998.)

(4) Calculation method of allowances

Allowance for doubtful accounts:

The company provides 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 total receivables plus the amount deemed necessary to cover individual accounts estimated to be uncollectible.

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 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 cost was generated.

Millions of Yen

	<u>March 31, 2004</u>	<u>March 31, 2003</u>
2. Accumulated depreciation of tangible Property, Plant and Equipment	318,403	301,316
3. Contingent liabilities for guarantee	5,197	3,758

4. Details of increase in the number of shares issued during the current year.

	<u>Number of shares issued upon conversion/exercise (in thousand shares)</u>	<u>Amounts transferred to capital stock (in millions of Yen)</u>
Conversion of convertible debentures	230	221

### (Lease Transactions)

According to disclosure through EDINET, detailed information about lease transactions is being omitted from this report.

### (Securities)

Investments in capital stock of subsidiaries and affiliates with market quotation

	<u>Millions of Yen</u>	
	<u>March 31, 2004</u>	<u>March 31, 2003</u>
Book value	10,221	10,221
Market value	27,468	24,072
Unrealized difference	17,246	13,850

### (Deferred Tax)

#### 1. Factors of deferred tax assets and liabilities

	<u>Millions of Yen</u>	
	<u>March 31, 2004</u>	<u>March 31, 2003</u>
Deferred Tax Assets		
Unsettled accounts receivable and payable	4,859	5,698
Depreciation	2,042	2,207
Accrued bonus allowance	1,608	1,267
Accrued enterprise taxes	1,196	405
Maintenance cost	1,106	510
Special provision for retirement benefits costs	107	57
Unrealized gain on available-for-sale securities	-	1,130
Others	4,215	5,317
Deferred Tax Assets sub-total	<u>15,136</u>	<u>16,596</u>
Valuation allowance	<u>(2,455)</u>	<u>(2,455)</u>
Total	<u>12,680</u>	<u>14,140</u>
Deferred Tax Liabilities		
Unrealized gain on available-for-sale securities	7,138	-
Tax allowance for acquisition of fixed assets	1,754	1,963
Reserve for special depreciation	690	460
Tax allowance for acquisition of land	12	12
Total	<u>9,595</u>	<u>2,436</u>
Net Deferred Tax Assets	<u>3,084</u>	<u>11,704</u>

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

	<u>March 31, 2004</u>	<u>March 31, 2003</u>
Details are omitted as the difference between the statutory tax rate and effective tax rate is less than 5% of the statutory tax rate.		Same as left

3. Statutory effective tax rate used for the calculation of current deferred tax assets and liabilities is mainly 40.4% (prior fiscal year was 41.7%). Due to the change in the tax rate, net deferred tax assets decreased by 372 millions of yen and deferred income taxes increased by same amount.

### **6-3. Non-consolidated Comparative Proposal for Appropriation of Retained Earnings**

	Millions of Yen		
	For the fiscal year ended		Increase (Decrease)
	March 31, 2004	March 31, 2003	
Unappropriated Retained Earnings:			
Balance at year-end	38,019	40,463	(2,444)
Reversal of reserve for special depreciation	193	227	(34)
Reversal of reserve for deferred profit on sale of fixed assets	292	264	28
<b>Total</b>	<b>38,506</b>	<b>40,956</b>	<b>(2,450)</b>
Appropriations :			
Transfer to legal earned reserve			
Cash dividends	3,365 (8.00yen per share)	2,942 (7.00yen per share)	423
Directors' and statutory auditors' bonuses [Statutory Auditors' bonuses]	142 [7]	94 [7]	48 [-]
Transfer to reserve for special depreciation	542	49	493
Transfer to reserve for deferred profit on sale of fixed assets	-	1,181	(1,181)
Tax allowance for acquisition of land	-	0	(0)
Transfer to reserve for unspecified purposes	27,000	30,000	(3,000)
Unappropriated retained Earnings : Balance to be carried forward	7,455	6,687	768

(Note) Interim cash dividend

The Company declared and paid interim cash dividends of 3,363 millions of yen (8.00yen per share) on November 18, 2003, and 2,942 millions of yen (7.00yen per share) on November 18, 2002, respectively.



#### **6-4.Non-consolidated Comparison of Net Sales**

	Millions of Yen		
	For the fiscal year ended		Increase (Decrease)
	March 31, 2004	March 31, 2003	
Organic and Inorganic Chemicals Department	177,560 [37%]	174,741 [36%]	2,819
Electronics Materials Department	212,639 [44%]	195,579 [41%]	17,060
Functional Materials Department	56,755 [12%]	65,839 [14%]	(9,084)
International Operations Department	35,625 [7%]	44,082 [9%]	(8,457)
Total	<u>482,580</u> [100%]	<u>480,243</u> [100%]	2,337
[Reference] Export Total	203,037 [42%]	220,164 [46%]	(17,127)

Percentages in [ ] represent the proportionate ratio of each department's sales over total net one.

## **7. Change in Management Officers (As of June 29,2004)**

### 1.Candidates nominated for appointment to Director

Director

Mr. Fumio Arai

[Current Director President of Shin-Etsu PVC B.V. and SE Tylose GmbH & Co. KG]

### 2.Directors scheduled to resign

Representative Director Executive Vice President and in charge of R&D and Patent,  
Semiconductor materials and International Business

Mr. Shunichi Koyanagi

(Special Counselor)\*

[Mr. Shunichi Koyanagi will also resign Representative Director and President of Shin-Etsu Handoutai Co.,Ltd on the same day. Mr. Fumio Akiya, who currently is Senior Managing Director of Shin-Etsu Chemical Co.,Ltd will assume this position concurrently.]

Managing Director and in charge of PVC

Mr. Hironobu Ichimura

(Counselor)\*

\*Note: ( ) represents their new position scheduled to be appointed.