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To Whom It May Concern

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Shin-Etsu Chemical Co., Ltd.  
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## Understanding and policy concerning reduction of trading unit of shares

### a. Understanding concerning reduction of trading unit of shares

Shin-Etsu Chemical Co., Ltd. (the "Company") recognizes that a reduction of the trading unit of shares is one useful way to create an investment environment that encourages investors to participate in the stock market.

### b. Policy concerning reduction of trading unit of shares

The Company reduced the trading unit of shares of its stock from 1,000 to 100 on August 1, 2001. The Company will continue to consider the necessity and timing of a further reduction of the trading unit by taking into account in a comprehensive manner such factors as its share price level and trends in the stock market.