

Financial Summary

For the year ended March 31, 2009

(April 28, 2009)

Shin-Etsu Chemical Co., Ltd.



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(Note)

Forward-looking statements such as the forecast of results of operations made in this document involves risks and uncertainties since they are 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.



Operating Performance

	(Billions of Yen)			(times)				
	Consolidated			Non-consolidated			Ratio (Consolidated/Non-consolidated)	
	Fiscal year 07/4-08/3	Fiscal year 08/4-09/3	Increase (Decrease)	Fiscal year 07/4-08/3	Fiscal year 08/4-09/3	Increase (Decrease)	Fiscal year 07/4-08/3	Fiscal year 08/4-09/3
Sales	1,376.4	1,200.8	(12.8%) (175.6)	708.6	606.7	(14.4%) (101.9)	1.94	1.98
Operating Income	287.1	232.9	(18.9%) (54.2)	81.9	78.4	(4.3%) (3.5)	3.50	2.97
Ordinary Income	300.0	250.5	(16.5%) (49.5)	92.5	94.0	1.5% 1.5	3.24	2.67
Net Income	183.6	154.7	(15.7%) (28.9)	50.2	64.0	27.4% 13.8	3.65	2.42
Total Assets	1,918.5	1,684.9	(233.6)	853.9	770.8	(83.1)	2.25	2.19
Net Assets	1,483.7	1,407.4	(76.3)	669.1	651.8	(17.3)	2.22	2.16
Equity Ratio	75.0%	81.1%	6.1point	78.2%	84.3%	6.1point		
ROE	13.3%	11.0%	(2.3point)	7.5%	9.7%	2.2point		
ROA	15.9%	13.9%	(2.0point)	10.6%	11.6%	1.0point		
Per share (in Yen)								
Net Income	426.63	362.39	(64.24)	116.73	149.84	33.11		
Stockholders' Equity	3,344	3,218	(126)	1,552	1,530	(22)		
Cash dividend	90.00	100.00	10.00					

ROA: Return (Ordinary income) on total assets



Financial Highlights

(Billions of Yen)

	Consolidated		Non-consolidated	
	Fiscal year 07/4-08/3	Fiscal year 08/4-09/3	Fiscal year 07/4-08/3	Fiscal year 08/4-09/3
Capital expenditures	268.5	159.4	42.3	31.1
Organic and Inorganic chemicals	116.4	82.0	/	
Electronics materials	144.1	71.3		
Functional materials and Others	8.6	6.6		
Depreciation and amortization	141.3	119.5	27.9	26.3
Organic and Inorganic chemicals	31.7	34.7	/	
Electronics materials	101.0	75.8		
Functional materials and Others	8.9	9.2		
R&D costs	47.9	37.2	36.2	27.5
Balance of liabilities with interest	34.0	23.7	13.5	11.4
Number of employees	20,241	19,170	2,590	2,609
Exchange rate Jan.-Dec.(Ave.)	117.8	103.5	-	-
(Yen/US\$) Apr.-Mar.(Ave.)	114.3	100.5	114.3	100.5

Notes; An average exchange rate between January and December was used for the Consolidated Income Statements of overseas subsidiaries.



Business Segment Information (Consolidated)

(Billions of Yen)

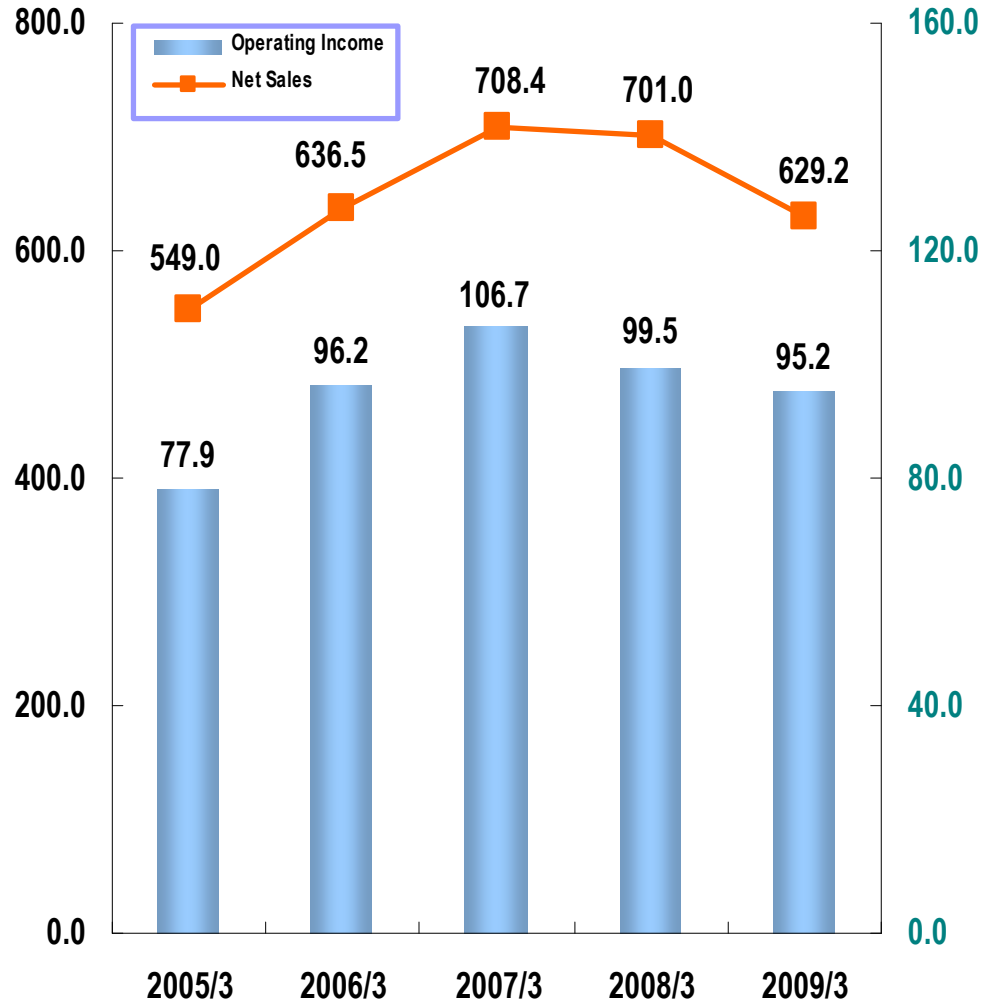
	Net Sales			Operating Income		
	Fiscal year 07/4-08/3	Fiscal year 08/4-09/3	Increase (Decrease)	Fiscal year 07/4-08/3	Fiscal year 08/4-09/3	Increase (Decrease)
Organic and Inorganic chemicals	701.0	629.2	(10.2%) (71.8)	99.5	95.2	(4.4%) (4.3)
Polyvinyl chloride	363.7	324.9	(38.8)	31.5	36.7	5.2
Silicones	199.7	171.8	(27.9)	43.1	33.6	(9.5)
Others	137.6	132.5	(5.1)	24.9	24.9	0.0
Electronics materials	564.7	467.5	(17.2%) (97.2)	162.1	112.2	(30.8%) (49.9)
Semiconductor silicon	482.8	404.9	(77.9)	141.1	98.4	(42.7)
Others	81.9	62.6	(19.3)	21.0	13.8	(7.2)
Functional materials and Others	110.7	104.1	(5.9%) (6.6)	26.0	25.7	(1.1%) (0.3)
Synthetic quartz products	29.6	25.8	(3.8)	11.3	9.6	(1.7)
Rare earth magnets for general applications and other functional materials	37.4	36.9	(0.5)	8.7	9.7	1.0
Others	43.7	41.4	(2.3)	6.0	6.4	0.4
Elimination	-	-	-	(0.4)	(0.2)	0.2
Total	1,376.4	1,200.8	(12.8%) (175.6)	287.1	232.9	(18.9%) (54.2)



"Organic and Inorganic chemicals" Business Segment (Consolidated)

Net Sales
(Billions of Yen)

Operating Income
(Billions of Yen)



●PVC

◆ Although the housing market continued to be weak, by making strong sales efforts aimed at its worldwide customers, Shintech in the U.S maintained a high level of operations and increased its profit greatly.

◆ Shin-Etsu PVC in The Netherlands maintained strong sales in Europe.

◆ PVC business in Japan continued in a tough situation, with weakness in shipments heavily influenced by the sluggishness in demand.

●Silicones

◆ Although during the first half of the fiscal year, sales in such application fields as automobiles and information technology equipment remained firm, from the latter half of the fiscal year, in the wide range of fields demand deteriorated and the performance of the business fell below that of the previous fiscal year. The business of keypads for mobile phones supplied by Shin-Etsu Polymer Co., Ltd. experienced a sharp downturn as a result of intensified price competition and a decrease in shipments.

●Other chemicals

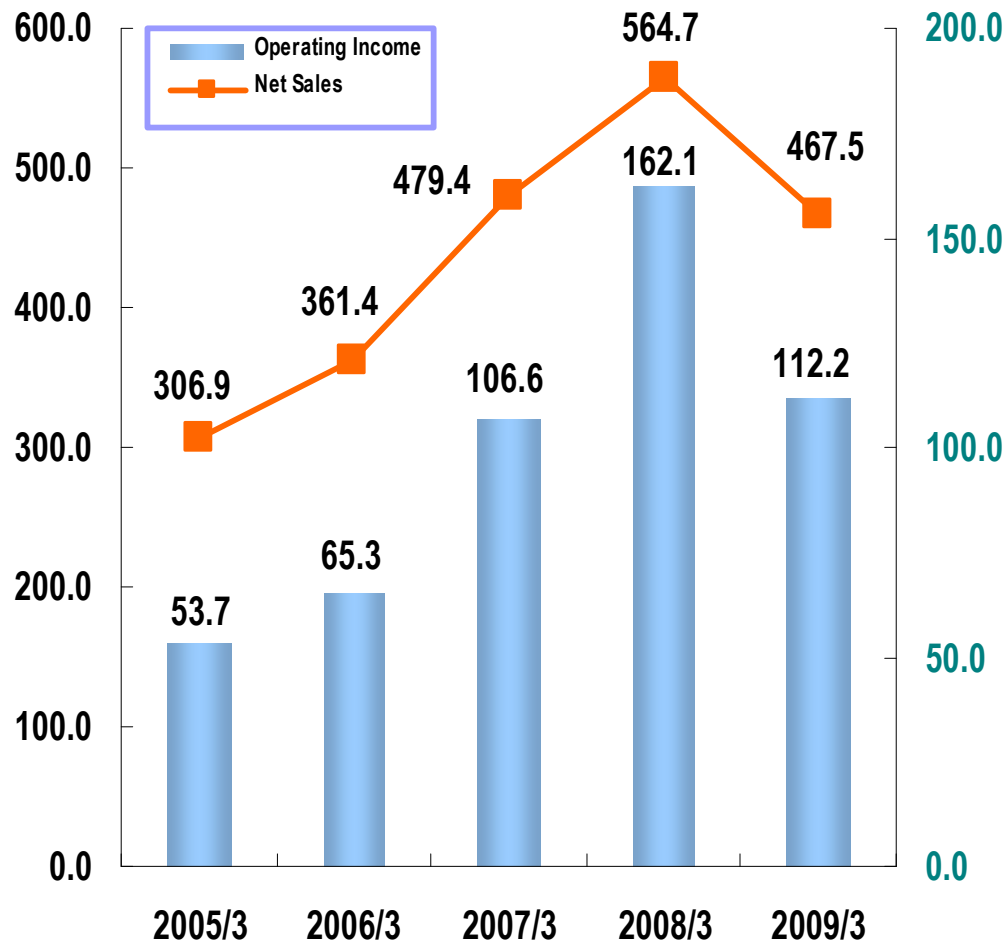
◆ The cellulose derivatives business in Japan was strong, mainly as a result of the performance of cellulose applications for pharmaceutical products. However, the business results of SE Tylose in Germany were sluggish because of the decreased demand for construction materials.

◆ The metallic silicon business did well, buoyed by a price rise for the product.

● ● ● | **"Electronics materials" Business Segment**
(Consolidated)

Net Sales
(Billions of Yen)

Operating Income
(Billions of Yen)



● **Semiconductor silicon**

◆ For the first half of the fiscal year, this business continued to be firm, centering on 300mm wafers. However, from the latter half of the fiscal year, with the rapid decrease in demand for semiconductor devices in a wide number of fields, the results of this business fell below that of the previous fiscal year.

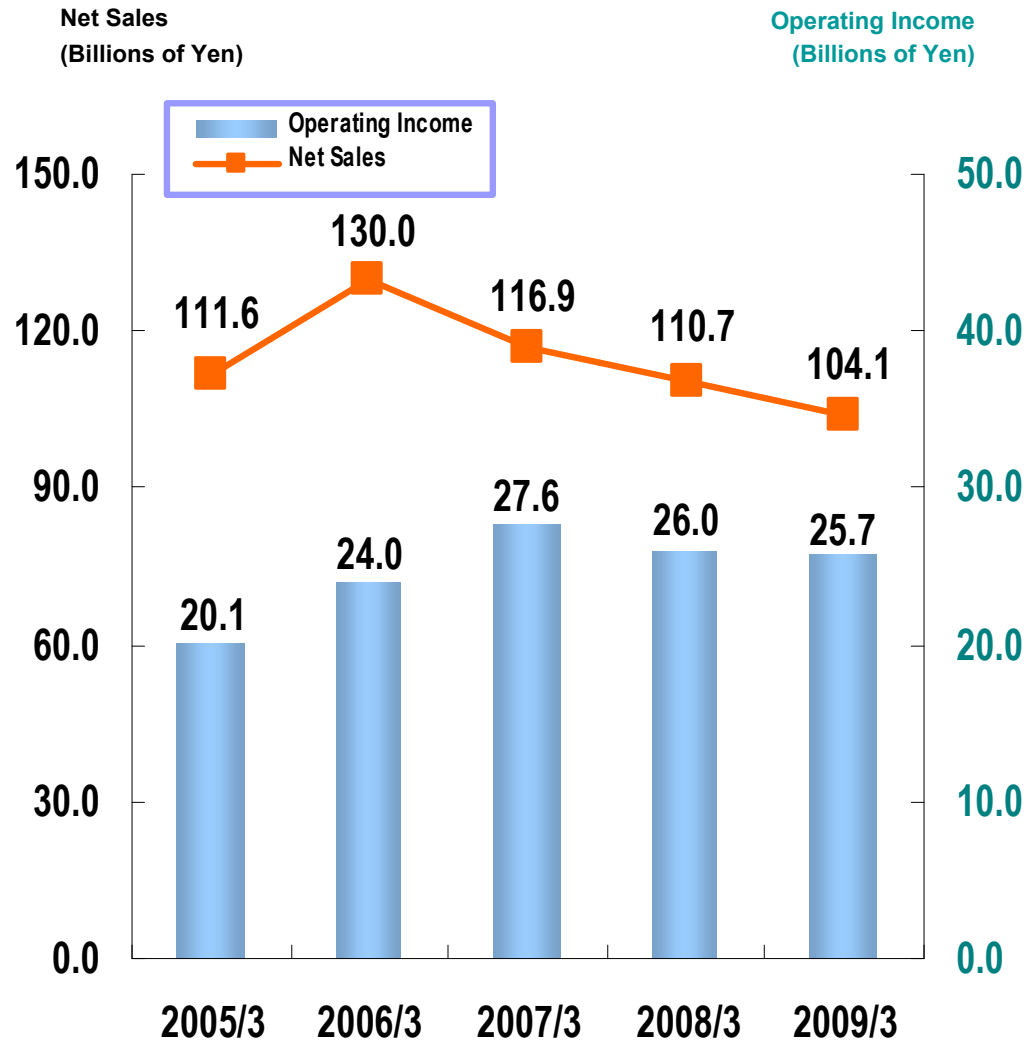
● **Other electronics materials**

◆ Sales of rare earth magnets for the electronics industry continued to be weak as a consequence of the effects of manufacturing adjustments of hard disk drives for PCs.

◆ Shipments of photoresists products and organic materials for the electronics industry also did not do well. The results of this business fell below that of the previous fiscal year.



"Functional materials and Others" Business Segment (Consolidated)



● Synthetic quartz

◆ With regard to synthetic quartz, although sales of optical fiber preform continued to be strong with the increase in demand coming as a result of expanding worldwide volume of data communications, sales of large-size photomask substrates used for LCDs remained weak due to a decline in demand and continued market sluggishness.

● Rare earth magnets for general applications and Other functional materials

◆ Sales of rare earth magnets for general industrial use were good in the first half of the fiscal year for such applications as in energy-saving motors for air-conditioners etc. However, from the latter half of the fiscal year, demand declined mainly for such applications as optical pickups and FA motors, and the results of this business were sluggish.

◆ Sales of liquid fluoroelastomers stagnated, but shipments of pellicles continued to be favorable.

● ● ● | **Operating Performance of Shintech, Inc.**

Shintech Incorporated

	Fiscal year 07/1 - 07/12		Fiscal year 08/1 - 08/12		US\$ Increase (Decrease)
	Millions of US\$	Billions of Yen	Millions of US\$	Billions of Yen	
Net Sales	2,000	235.7	2,066	213.8	3.3%
Ordinary Income	265	31.2	337	34.9	27.6%
Extraordinary Income	30	3.5	-	-	-
Income Before Income Taxes	294	34.7	337	34.9	14.7%
Net Income	202	23.8	227	23.5	12.7%
Net Assets	2,375	271.1	2,595	236.3	
Total Assets	2,779	317.3	3,203	291.6	

Exchange rate Jan.-Dec. (Ave.) : Fiscal year 07/1-07/12	117.8Yen/US\$
Fiscal year 08/1-08/12	103.5Yen/US\$

● ● ● | (Reference) Business Result of US PVC Manufactures

(Millions of US\$)

	2007 Jan.-Dec. (A)	2008 Jan.-Dec. (B)	Percentage of declining profit (A)vs(B)
Georgia Gulf (Income before income taxes)	(211.2)	(277.6)	Deficit increase by 31%
Westlake Vinyls Segment (Operating Income)	30.0	17.9	40% decline Deficit of \$28M during the 4Q
Polyone (Income before income taxes)	(32.4)	(171.1)	Deficit increase by 5.3 times



Operating Performance of Shin-Etsu Handotai Group

Shin-Etsu Handotai Group(Consolidated)

(Shin-Etsu Handotai , SEH-America, SEH-Malaysia, SEH-Europe, SEH-Taiwan)

(Billions of Yen)

	Fiscal year 07/4-08/3	Fiscal year 08/4-09/3	Increase (Decrease)
Net Sales	475.7	398.0	(16.3%)
Ordinary Income	133.0	99.4	(25.3%)
Extraordinary Loss	-	4.4	-
Income Before Income Taxes	133.0	95.0	(28.6%)
Net Income	85.7	57.4	(33.0%)
Net Assets	319.0	326.6	
Total Assets	504.6	431.7	

Notes; The financial statements of the overseas Shin-Etsu Handotai Group companies are calculated based on the FY ended in December 2007 and 2008.



Comparative Income Statements (Consolidated)

(Billions of Yen)

	Fiscal year 07/4-08/3	Fiscal year 08/4-09/3	Increase (Decrease)
Net Sales	1,376.4	1,200.8	(12.8%) (175.6)
Cost of Sales	946.9	853.4	(93.5)
Selling, General and Administrative Expenses	142.3	114.5	(27.8)
Operating Income	287.1	232.9	(18.9%) (54.2)
Non-Operating Income / Expenses	12.9	17.6	4.7
Ordinary Income	300.0	250.5	(16.5%) (49.5)
Extraordinary Income / Expenses	1.0	(6.0)	(7.0)
Income before income taxes	301.1	244.5	(18.8%) (56.6)
Income Taxes	112.7	88.6	(24.1)
Minority Interests in Earnings of Consolidated Subsidiaries	4.8	1.1	(3.7)
Net Income	183.6	154.7	(15.7%) (28.9)

Comparative Balance Sheets (Consolidated)

(Billions of Yen)

	March 31, 2008	March 31, 2009	Increase (Decrease)		March 31, 2008	March 31, 2009	Increase (Decrease)
Current Assets	1,017.3	815.9	(201.4)	Current Liabilities	376.6	209.3	(167.3)
Cash and time deposits	217.3	209.5	(7.8)	Notes and accounts payable-trade	149.3	75.2	(74.1)
Notes and accounts receivable-trade	313.9	215.8	(98.1)	Short-term borrowings	11.8	10.9	(0.9)
Securities	184.5	111.9	(72.6)	Accrued expenses and accounts payable-others	159.7	98.7	(61.0)
Inventories	204.3	208.1	3.8	Accrued income taxes	39.5	11.6	(27.9)
Deferred taxes, current	30.2	36.1	5.9	Other	16.3	12.9	(3.4)
Other	67.1	34.5	(32.6)	Long-Term Liabilities	58.2	68.3	10.1
Fixed Assets	901.2	869.0	(32.2)	Long-term borrowings	22.1	12.8	(9.3)
Property, Plant and Equipment	654.6	609.7	(44.9)	Deferred taxes, non-current	17.0	37.4	20.4
Buildings and structures	180.6	161.4	(19.2)	Accrued retirement benefits	11.5	11.4	(0.1)
Machinery and equipment	240.7	294.0	53.3	Other	7.6	6.7	(0.9)
Other	233.4	154.3	(79.1)	Total liabilities	434.9	277.6	(157.3)
Intangible Fixed Assets	25.9	18.3	(7.6)	Stockholders' equity	1,399.1	1,483.0	83.9
Investments and Other Assets	220.7	241.1	20.4	Common stock	119.4	119.4	-
Investments in securities	150.5	146.9	(3.6)	Additional paid-in capital	128.2	128.2	-
Deferred taxes, non-current	35.0	34.9	(0.1)	Retained earnings	1,163.7	1,277.1	113.4
Other	35.2	59.3	24.1	Less: Treasury stock, at cost	(12.2)	(41.6)	(29.4)
				Valuation, translation adjustments and others	39.7	(117.0)	(156.7)
				Share subscription rights	1.6	2.4	0.8
				Minority interests in consolidated subsidiaries	43.3	38.8	(4.5)
				Total net assets	1,483.7	1,407.4	(76.3)
Total assets	1,918.5	1,684.9	(233.6)	Total liabilities and net assets	1,918.5	1,684.9	(233.6)

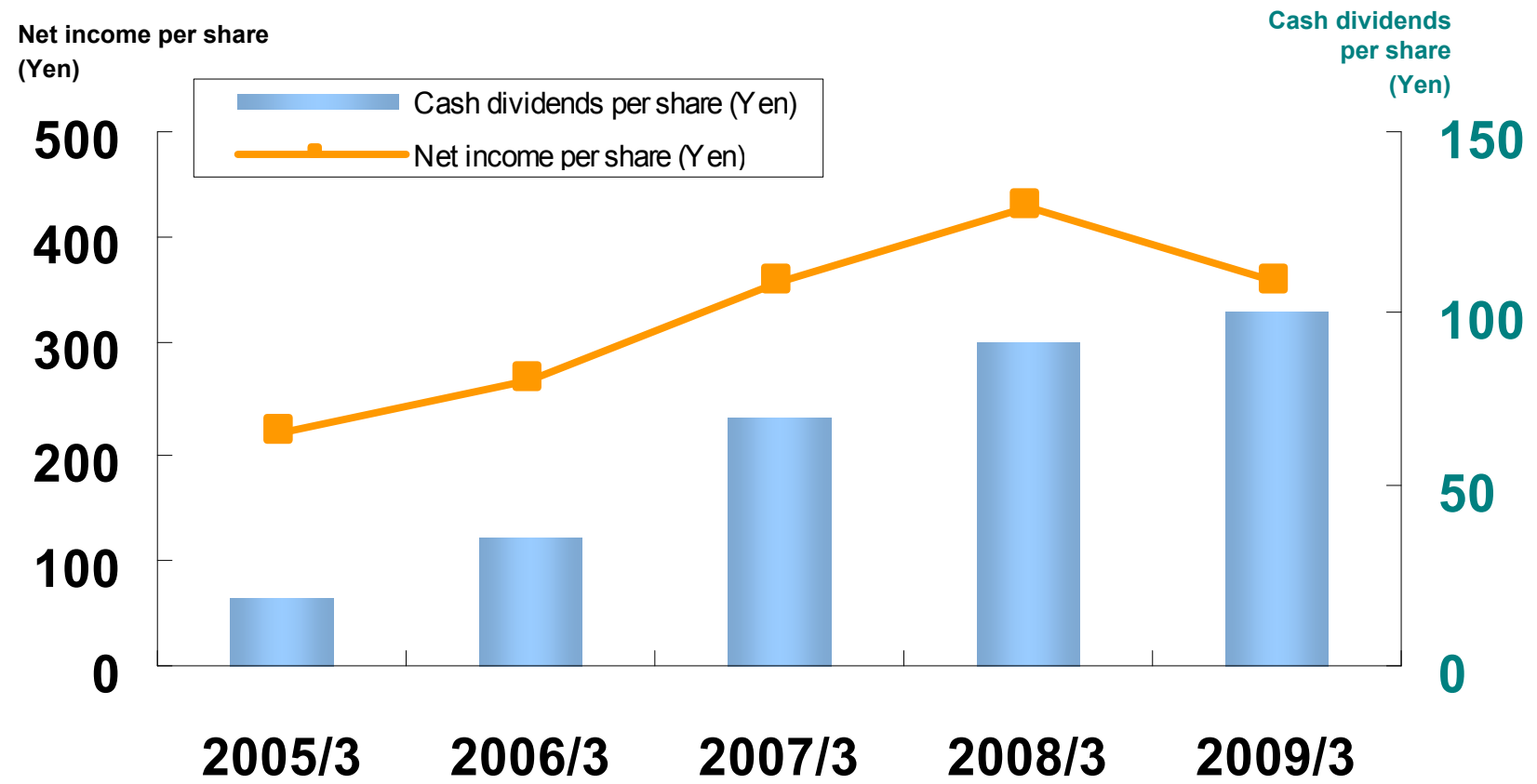
Comparative Statements of Cash Flows (Consolidated)

(Billions of Yen)

	Fiscal year 07/4-08/3	Fiscal year 08/4-09/3	Increase (Decrease)
(1) Cash Flows from Operating Activities	202.4	256.6	54.2
Income before income taxes	301.1	244.5	(56.6)
Payment of income taxes	(132.4)	(91.7)	40.7
Depreciation and amortization	141.3	119.5	(21.8)
(Increase) in working capital	(48.9)	(13.1)	35.8
Equity in earnings of affiliates	(14.1)	(12.4)	1.7
Others	(44.6)	9.8	54.4
(2) Cash Flows from Investing Activities	(248.6)	(200.8)	47.8
Expenditure for purchase of tangible and intangible fixed assets	(256.0)	(191.1)	64.9
Decrease (Increase) in securities	25.2	(7.9)	(33.1)
Others	(17.8)	(1.8)	16.0
(3) Cash Flows from Financing Activities	(53.5)	(80.1)	(26.6)
Decrease in borrowings	(10.8)	(6.8)	4.0
Cash dividends paid	(36.6)	(42.9)	(6.3)
Purchase of treasury stock	(7.9)	(29.9)	(22.0)
Others	1.8	(0.5)	(2.3)
(4) Effect of Exchange Rate Changes on Cash and Cash Equivalents	(3.2)	(26.3)	(23.1)
Net Increase (Decrease) in Cash and Cash Equivalents	(102.9)	(50.6)	52.3
Balance of cash and cash equivalents	301.6	251.0	(50.6)
Balance of liabilities with interest	34.0	23.7	(10.3)



Cash dividends per share and Net income per share



	2005/3	2006/3	2007/3	2008/3	2009/3
Cash dividends per share (Yen)	20.00	35.00	70.00	90.00	100.00
Net income per share (Yen)	219.10	266.63	357.78	426.63	362.39



Recent Topics (October 2008 ~ April 2009)

- 2008.10 Shin-Etsu Chemical announced expansion of its production capacity for specialty cellulose products by about 30%, at its Naoetsu plant in Japan
- 2008.10 Shin-Etsu Chemical announced it has completed its buyback of 3,000,000 shares of its own common stock
- 2008.12 Shin-Etsu Chemical initiated the procedures to take in CIRES*, already a Shin-Etsu affiliated company producing PVC in Portugal, as a wholly-owned Shin-Etsu subsidiary
- 2008.12 Shin-Etsu Chemical announced it has developed a new silicone product (thermally conductive phase change material)
- 2008.12 Shin-Etsu Chemical announced revision of its Financial Results Forecast
- 2009. 3 Shin-Etsu Chemical has decided to appoint Toshihiko Fukui, Former Governor of the Bank of Japan, as a External Director
- 2009. 3 Shin-Etsu Chemical and the University of Tokyo agreed to start a collaborative research project
- 2009. 4 Shin-Etsu Chemical announced revision of its Operating Performance Forecast

* CIRES(Companhia Industrial de Resinas Sinteticas) was established in 1960 in Portugal through a joint venture among Portuguese local companies, Shin-Etsu Chemical and Mitsui&Co.