



To Our Stockholders

While navigating through a tough economic environment, we will seize every opportunity for future growth while continuing to focus on maximizing corporate value.

Chihiro Kanagawa
President and CEO

Making all-out management efforts and striving to return a fair share of our profits to shareholders

During fiscal 2009, the year ended March 31, 2009, despite the rapid deterioration of the world economy which we witnessed in late 2008, the Shin-Etsu Group conducted positive sales activities and made a concerted effort to reduce manufacturing costs while continuing to develop and commercialize new products. We were determined to keep the effects of the severe economic situation to a minimum. As a result, the Shin-Etsu Group attained consolidated net sales of ¥1,200,814 million, consolidated ordinary income of ¥250,533 million and consolidated net income of ¥154,732 million.

Under these circumstances, we increased Shin-Etsu's annual dividend from ¥90 per share in fiscal 2008 to ¥100 per share in fiscal 2009. This is more than 10 times higher than the per-share dividend 10 years ago. I would like to point out that we also implemented a share buy-back program three times in the previous fiscal year.

Aggressively pursuing our businesses on the global markets

PVC business

The industry faced a severe demand contraction. However, Shintech, our major PVC operation in the U.S., was able to significantly increase its profits by making strong sales efforts aimed at its customers worldwide.

In autumn 2008, Shintech began operating the first phase of its plant for the integrated production of PVC from raw materials. Presently, the second-phase construction of the plant is going forward. These expansions will further strengthen the Shin-Etsu Group's business foundation as the world's largest PVC manufacturer.

Semiconductor silicon business

The semiconductor silicon business had been in a demand-expansion phase since 2004, but demand drastically declined in the second half of fiscal 2009. To cope with potential adverse changes in the market, in 2006 we accelerated the depreciation of the

semiconductor silicon manufacturing facilities from five years to three years.

We have also reinforced our competitiveness in step with market changes. Moreover, we will continue to strive to assure a stable supply of high-quality products as the world's largest semiconductor silicon wafer manufacturer.

Cellulose business

We are proceeding with the construction of manufacturing facilities at SE Tylose in Germany in order to further improve our reliability in supplying cellulose products for pharmaceutical applications. With production facilities in Japan and Germany, we will continue to strengthen our cellulose business.

Rare-earth magnets business

Growth in demand is expected in such applications as hybrid cars and energy-saving air-conditioners that contribute both to reducing energy use and protecting the global environment.

Semiconductor materials for photolithography

We established ourselves as a technology leader in excimer photoresists. Furthermore, during fiscal 2009 we commercialized photomask blanks, the base material for photomasks, which are essential for the photolithography process in semiconductor manufacturing.

Meanwhile, Shintech acquired industrial-use land totaling about 7,000 acres in the state of Louisiana. We are going forward with plans to make effective use of the land for the Group's continuing business expansion.

In research and development, we are focusing our research themes on realizing products and technologies that possess an originality that no other companies can match.

Fulfilling corporate social responsibility

We have external directors and external statutory auditors who participate in the management and oversight of our company. In November 2008, we welcomed Toshihiko Fukui, the former Governor of the Bank of Japan, as Special Adviser of Shin-Etsu Chemical, and in June 2009, we appointed him as External Director.

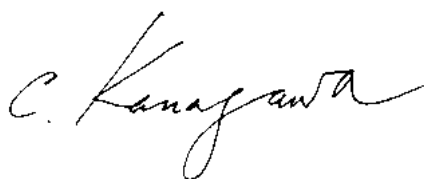
The Shin-Etsu Group is committed to full compliance with laws and regulations. In our daily business activities, our utmost priority is safety. We will continue to promote our corporate social responsibilities.

Plans for fiscal 2010

We firmly believe that the current tough business environment offers significant opportunities for us to grow.

We will work very closely with our customers and suppliers around the world. Despite difficult economic conditions, we will continue to pursue state-of-the-art technologies and first-rate product quality. At the same time, we will make investments and acquisitions in various business lines while carefully monitoring the global market situation. We will continue to work hard to increase our corporate value and strive to meet the expectations of all our shareholders.

To all shareholders and investors, we sincerely ask for your continued understanding and support.



Chihiro Kanagawa
President and CEO