Eleven-Year Summary

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the years ended March 31, 2001 through 2011

	Millions of yen				
	2001	2002	2003	2004	2005
For the year:					
Net sales	¥ 807,485	¥ 775,097	¥ 797,523	¥ 832,805	¥ 967,486
Cost of sales	603,561	572,366	585,220	619,085	715,143
Selling, general and administrative expenses	91,247	88,007	90,153	88,094	100,609
Operating income	112,677	114,724	122,150	125,626	151,734
Ordinary income	115,798	117,031	122,119	125,612	151,503
Net income	64,505	68,519	73,016	74,806	93,161
Capital expenditures	96,770	81,543	75,211	113,591	110,278
R&D costs	25,939	28,207	27,280	26,329	27,925
Depreciation and amortization	70,767	70,878	66,566	73,582	90,875
At year-end:					
Total assets	¥1,265,799	¥1,288,432	¥1,310,875	¥1,386,216	¥1,476,249
Working capital	350,273	363,677	409,262	401,879	444,935
Common stock	110,247	110,260	110,272	110,493	117,513
Net assets	—	—	—	—	—
Stockholders' equity	714,996	812,068	846,962	900,724	996,307
Interest-bearing debt	197,085	182,729	167,362	163,167	120,422
Per share (Yen and U.S. dollars):					
Net income—primary	¥ 153.58	¥ 162.93	¥ 173.13	¥ 177.25	¥ 219.10
Net income—fully diluted	150.24	159.38	169.36	173.52	216.11
Cash dividends	12.00	12.00	14.00	16.00	20.00
Payout ratio (%)	7.8	7.4	8.1	9.0	9.1
Net assets	1,699.74	1,930.30	2,014.11	2,140.23	2,329.47
General:					
Operating income to net sales ratio (%)	14.0	14.8	15.3	15.1	15.7
Net income to net sales ratio (%)	8.0	8.8	9.2	9.0	9.6
ROE (%)[2]	9.4	9.0	8.8	8.6	9.8
ROA (%)	9.5	9.2	9.4	9.3	10.6
Equity ratio (%)	56.5	63.0	64.6	65.0	67.5
Number of employees	19,398	16,456	16,573	17,384	18,151
Number of shares issued (Thousands)	422,542	422,555	422,568	422,798	430,119

Notes: 1. The U.S. dollar amounts represent conversion of yen, for convenience only, at the rate of ¥83=US$1, the approximate rate of exchange on March 31, 2011.
2. Stockholders' equity used for calculation of indices from the fiscal year ended March 31, 2007 consists of "stockholders' equity" and "valuation and translation adjustments."

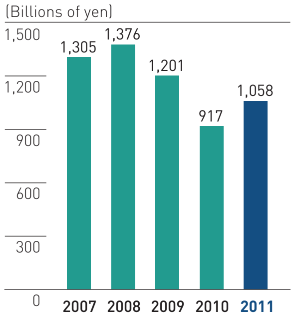
Millions of yen						Thousands of U.S. dollars (Note 3)
2006	2007	2008	2009	2010	**2011**	**2011**
¥1,127,916	¥1,304,696	¥1,376,365	¥1,200,814	¥ 916,838	**¥1,058,257**	**$12,750,084**
831,334	933,199	946,941	853,434	700,903	**803,575**	**9,681,626**
111,262	130,468	142,278	114,453	98,719	**105,460**	**1,270,603**
185,320	241,029	287,146	232,927	117,216	**149,222**	**1,797,855**
185,040	247,018	300,040	250,533	127,019	**160,339**	**1,931,795**
115,045	154,010	183,580	154,732	83,853	**100,119**	**1,206,253**
145,330	210,613	268,479	159,407	123,794	**119,885**	**1,444,398**
32,003	41,737	47,945	37,470	33,575	**37,322**	**449,663**
111,637	138,462	141,270	119,457	87,723	**93,732**	**1,129,301**
¥1,671,281	¥1,859,996	¥1,918,545	¥1,684,945	¥1,769,140	**¥1,784,166**	**$21,495,976**
572,206	628,986	638,807	606,632	612,447	**638,494**	**7,692,699**
119,420	119,420	119,420	119,420	119,420	**119,420**	**1,438,795**
—	1,360,315	1,483,669	1,407,354	1,474,213	**1,469,429**	**17,703,964**
1,173,680	—	—	—	—	**—**	**—**
83,838	45,143	34,045	23,828	20,052	**14,574**	**175,590**
¥ 266.63	¥ 357.78	¥ 426.63	¥ 362.39	¥ 197.53	**¥ 235.80**	**$ 2.841**
266.07	357.32	426.35	362.35	197.50	**235.80**	**2.841**
35.00	70.00	90.00	100.00	100.00	**100.00**	**1.205**
13.1	19.6	21.1	27.6	50.6	**42.4**	**42.4**
2,730.94	3,065.80	3,344.17	3,218.28	3,370.56	**3,360.39**	**40.487**
16.4	18.5	20.9	19.4	12.8	**14.1**	**14.1**
10.2	11.8	13.3	12.9	9.1	**9.5**	**9.5**
10.6	12.4	13.3	11.0	6.0	**7.0**	**7.0**
11.8	14.0	15.9	13.9	7.4	**9.0**	**9.0**
70.2	71.0	75.0	81.1	80.9	**80.0**	**80.0**
18,888	19,177	20,241	19,170	16,955	**16,302**	**16,302**
432,107	432,107	432,107	432,107	432,107	**432,107**	**432,107**

Management's Discussion and Analysis

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

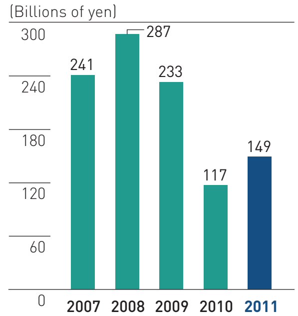
Net Sales

(Billions of yen)



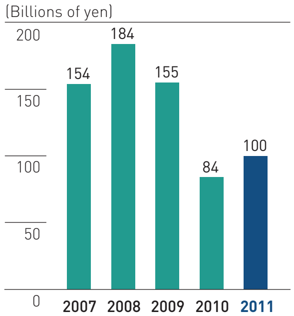
Operating Income

(Billions of yen)



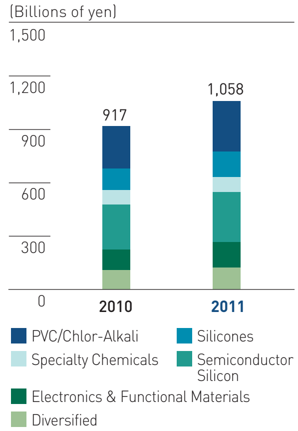
Net Income

(Billions of yen)



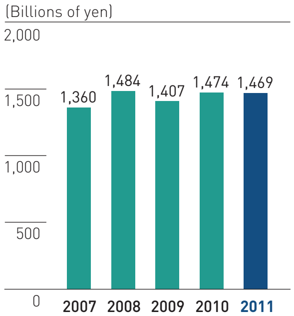
Net Sales by Business Segment

(Billions of yen)



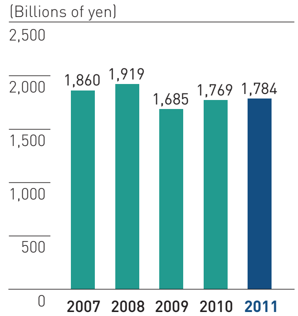
Total Net Assets

(Billions of yen)



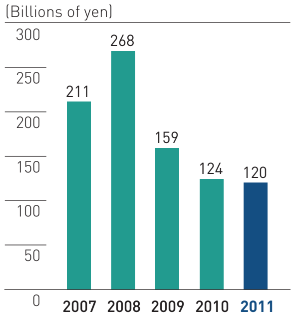
Total Assets

(Billions of yen)



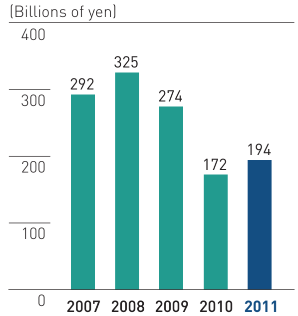
Capital Expenditures

(Billions of yen)



Net Cash Flow*

(Billions of yen)



* Net cash flow = Net income + Depreciation and amortization

Overview of the Shin-Etsu Group

The Shin-Etsu Group (the "Group") is composed of Shin-Etsu Chemical Co., Ltd. (the "Company"), 102 subsidiaries and 17 affiliates as of March 31, 2011. There are six business segments: PVC/Chlor-Alkali Business, Silicones Business, Specialty Chemicals Business, Semiconductor Silicon Business, Electronics & Functional Materials Business and Diversified Business. The Group conducts business activities by dividing manufacturing and sales activities among Group companies and mutually cooperating with them to develop our business.

Consolidated Operating Performance

With regard to the world economy, during FY 2011, which ended on March 31, 2011, in the Asian region, centering on China, economic recovery continued. On the other hand, in Europe and the U.S., although there were signs of gradual recovery, on the whole the serious economic situation continued as seen in the fact that unemployment rates remained at a high level. In addition, the Great East Japan Earthquake that occurred on March 11 significantly affected the Japanese economy.

Under these circumstances, the Shin-Etsu Group worked to strengthen its relationships with its customers worldwide and focused on expanding its sales. At the same time, we strove to carry out further business rationalization and streamlining measures and we made strong efforts to focus on the development and commercialization of new products.

In addition, as a consequence of the Great East Japan Earthquake, we had to stop operations at Shin-Etsu Chemical's Kashima Plant and Shin-Etsu Handotai's Shirakawa Plant, and accordingly, we initiated companywide efforts to carry out the required restoration work. As a result, we have already restarted operations at the affected plants.

Net Sales

Net sales increased 15.4% (¥141.4 billion) to ¥1,058.3 billion, compared with the previous fiscal year.

Cost of Sales and Selling, General and Administrative Expenses

Cost of sales increased 14.6% (¥102.7 billion) to ¥803.6 billion but the ratio of cost of sales to net sales decreased 0.5 of a percentage point to 75.9%. Selling, general and administrative expenses (SG&A) increased 6.8% (¥6.7 billion) to ¥105.5 billion but the ratio of these expenses to sales decreased 0.8 of a percentage point to 10.0%.

Research and development costs, which are included in manufacturing costs and SG&A expenses, increased 11.2% (¥3.7 billion) to ¥37.3 billion and the ratio of these costs to net sales was 3.5%.

Operating Income

Operating income increased 27.3% (¥32.0 billion) to ¥149.2 billion and the operating margin increased 1.3 percentage point to 14.1%.

Business Segment Overview

PVC/Chlor-Alkali Business

With regard to PVC, while sluggish demand continued due to the long-term slump in the U.S. housing market, Shintech Inc. in the U.S. maintained a high level of shipments with sales to its worldwide customers, and the company expanded its business. In addition, Shin-Etsu PVC in The Netherlands maintained decent shipments. On the other hand, in Japan, a tough situation continued as a result of a rise in raw materials prices and sluggish demand in addition to the effects of the stoppage of operations at the Kashima Plant as a consequence of the Great East Japan Earthquake.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 19.3% (¥45,794 million) to ¥283,525 million and operating income increased by 0.5% (¥98 million) to ¥19,675 million.

Silicones Business

With regard to the Silicones Business, sales in Japan continued to do well in a wide range of product application areas such as electronics, automobile and cosmetic fields. Moreover, in our overseas silicones business, demand recovery continued, mainly in the Asian region, and on the whole the Silicones Business continued to be strong.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 16.9% (¥20,716 million) to ¥143,065 million and operating income increased by 36.7% (¥9,140 million) to ¥34,057 million.

Specialty Chemicals Business

With regard to sales of cellulose derivatives, although in Japan the business continued to be strong, mainly in pharmaceutical products and automotive-related products, the business of SE Tylose in Germany was affected by the low level of prices for building and construction application products, and its business continued to be weak.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 3.8% (¥3,031 million) to ¥83,513 million and operating income decreased by 7.1% (¥987 million) to ¥12,915 million.

Semiconductor Silicon Business

With regard to semiconductor silicon, during the first half of FY 2011 the business remained firm due to a recovery in demand for semiconductor devices in wide product application areas such as for PCs and mobile phones. However, in the second half of the fiscal year, the business was affected by inventory adjustments in devices and the stoppage of the operations of the Shirakawa Plant due to the Great East Japan Earthquake.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 11.7% (¥29,761 million) to ¥283,789 million and operating income increased by 71.7% (¥16,234 million) to ¥38,865 million.

Electronics & Functional Materials Business

With regard to rare earth magnets, the business continued to do well in applications for hybrid cars and for energy-efficient air conditioners. The photoresists products business remained strong, aided by progress in the miniaturization of semiconductor devices, and the business of coating material for LEDs also expanded greatly. With regard to synthetic quartz products, large-size photomask substrates used for LCDs and optical fiber preform remained strong in general; however, the optical fiber preform business was affected by the stoppage of operations of the Kashima Plant due to the Great East Japan Earthquake.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 24.3% (¥27,606 million) to ¥141,384 million and operating income increased by 17.5% (¥5,372 million) to ¥36,118 million.

Diversified Business

Although the business of keypads for mobile phones remained weak due to such factors as intensifying price competition, Shin-Etsu Polymer Co., Ltd.'s sales of semiconductor wafer-related containers turned out to be on a recovery track. The engineering business was firm.

As a result, compared with the previous fiscal year, net sales for this business segment increased by 13.4% (¥14,511 million) to ¥122,981 million and operating income increased by 8.2% (¥558 million) to ¥7,341 million.

Other Income and Extraordinary Loss

Net non-operating income was ¥11.1 billion, which included equity in earnings of affiliates of ¥12.6 billion. There was a total extraordinary loss of ¥21.0 billion due to the Great East Japan Earthquake. After these items are accounted for, income before income taxes increased 9.7% (¥12.3 billion) to ¥139.3 billion.

Net Income

Income taxes totaled ¥38.0 billion, a decrease compared with the previous year which was ¥42.4 billion. This decrease was mainly because of a refund of income taxes paid in prior years based on an agreement by Japanese and U.S. tax authorities concerning transfer pricing taxation. As a result, net income increased 19.4% (¥16.3 billion) to ¥100.1 billion and net income per share increased ¥38.27 to ¥235.80.

Analysis of Financial Position

Information on Assets, Liabilities and Net Assets

At the end of FY 2011, total assets increased by ¥15,026 million, compared with that at the end of the previous fiscal year to ¥1,784,166 million. This was mainly due to an increase in cash on hand (described as "cash and time deposits" on the balance sheets) and securities.

Total liabilities stood at ¥314,737 million, a rise of ¥19,810 million from that at the end of the previous fiscal year. This was mainly due to an increase in accounts payable-trade.

Total net assets decreased by ¥4,784 million to ¥1,469,429 million, compared to that at the end of previous fiscal year. This was mainly due to the impact of foreign currency translation adjustments affected by the appreciation of the yen, despite an increase in retained earnings resulting from net income of ¥100,119 million for FY 2011.

The stockholders' equity ratio was 80.0%, down 0.9 of a percentage point from 80.9% at the end of the previous fiscal year.

Status of Cash Flows

The balance of cash and cash equivalents at the end of FY 2011 increased by 11.8% (¥31,842 million) compared with that at the end of the previous fiscal year to reach ¥302,286 million.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥217,491 million, up ¥45,952 million from the previous fiscal year. This consisted mainly of ¥139,306 million in income before income taxes, ¥93,732 million in depreciation and amortization, a ¥11,293 million increase in inventories and a ¥20,823 million increase in notes and accounts payable.

Cash Flows from Investing Activities

Net cash used for investing activities was ¥132,005 million, an increase of ¥29,170 million over the previous fiscal year, arising mainly from ¥117,518 million in expenditures for purchases of property, plant and equipment.

Cash Flows from Financing Activities

Net cash used for financing activities decreased by ¥2,338 million from the previous fiscal year to ¥48,622 million. This mainly included a ¥42,460 million cash dividend payment.

Capital Expenditures

Capital expenditures totaled ¥119.9 billion. The PVC/Chlor-Alkali Business segment accounted for the largest share of these expenditures at ¥55.7 billion. The largest project in this business is the expansion of integrated PVC production facilities at Shintech Inc. Expenditures of ¥24.4 billion in the Semiconductor Silicon Business were used primarily for the rationalization measures that included automation of semiconductor silicon wafer production processes at Shin-Etsu Handotai Co., Ltd. Capital expenditures were ¥14.7 billion for Specialty Chemicals, ¥12.5 billion for Electronics & Functional Materials, ¥9.6 billion for Silicones and ¥3.3 billion in the Diversified Business segment.

Basic Policy for Profit-Sharing

Taking a long-term perspective, Shin-Etsu will focus on expanding company earnings and strengthening the make-up of the Group's structure as well as on sharing the results of such successful management efforts. It is our basic policy to distribute dividends so as to appropriately reward all of our shareholders. With regard to our financial reserves, we are making efforts to heighten the value of the Company by reinvesting them in such core business activities as facility investment, and research and development, and we will proactively utilize them for strengthening Shin-Etsu's global competitive power and future business development.

In line with our basic profit-sharing policy, the year-end dividend is ¥50 per share, the same amount as the interim dividend of ¥50 per share. The total annual dividend per share for FY 2011 is ¥100, the same amount as in the previous fiscal year.

Outlook for Fiscal 2012 (ending March 2012)

With regard to business prospects going forward, although there is an expectation that the trend towards a gradual recovery in the world economy will continue, the business situation continues to not allow for optimism. In Japan as well, the severe situation is forecasted to continue because of such factors as strong concerns about the effects of the Great East Japan Earthquake.

Under these circumstances, to navigate through the severe business environment we are facing, the Shin-Etsu Group will expand its aggressive sales activities to its wide range of customers around the world, and at the same time, we will cultivate new demand through the development of products that have special characteristics. Furthermore, we aim to build an even stronger business foundation by strengthening our technologies, enhancing product quality and striving to stably secure raw materials.

Business Risk

This section discusses risk factors that could potentially influence such key business matters as the results of the Shin-Etsu Group's business operations, financial condition and cash flows. The Group reduces its vulnerability to business risks by taking measures to prevent, disperse or hedge these risks. However, if an unforeseeable situation should occur, it could have a significant impact on the Group's business results.

This section contains a list of significant items that the Group considers are current risk factors, but it is not intended to be a comprehensive list of all risks that could seriously impact the Group's business performance.

1) Influence of Economic Trends and Product Markets

Changes in the economic situation of countries or regions where the Group's key products are marketed can have a great impact on the results of the Group's business operations. In addition, among the Group's key products, some products could be affected by large price fluctuations due to the global supply and demand environment. The Group is hedging its risks by taking such strategies as diversifying and globalizing its businesses. However, a downturn in demand for certain of its products or escalating price competition could have a significant effect on the Group's business operations results.

2) Influence of Fluctuations in Foreign Exchange Rates

Overseas sales accounted for 63.5% of the consolidated net sales of the Group in fiscal 2011, and it is expected that this ratio will remain at a high level. The Japanese yen equivalent amounts of items in the financial statement items of overseas consolidated subsidiaries, which are included in the Group's consolidated financial statements, are influenced by fluctuations in foreign exchange rates. A large movement in these rates could have a great impact on the business results of the entire Group. In addition, although we use forward-exchange contracts and other measures to reduce risk exposure associated with transactions in foreign currencies, a large movement in foreign exchange rates could have a similar serious effect on the Group's business operations results.

3) Influence of Natural Disasters and Disastrous Accidents

To minimize the damage that could result from an interruption of production activities, the Group performs regular disaster-prevention inspections and carries out a constant program of facility maintenance activities at its production facilities and makes facility investments to enhance safety. However, if a natural disaster or disastrous accident or other unforeseen event damages production facilities or other areas, such circumstances could have a major impact on the Group's business operations results.

4) Influence of Public Regulations and Laws

In countries and regions where the Group is carrying out its business activities, we are bound by the approval processes and licensing requirements involving investment and import/export regulations as well as by various related laws concerning commercial transactions, labor, patents, taxes, foreign exchange and other items. Any changes in these regulations and laws could have a significant effect on the Group's business operations results.

5) Influence of Supply Factors on Procurement of Materials

The Group uses various raw materials in its production activities, and we strive to assure a stable supply of these materials by diversifying our supply sources. However, if supplies become tight or there are delays in procuring these materials, or if prices increase because of these events, there could be a great effect on the Group's business operations results.

6) Influence of the Development of New Products and Technologies

The pace of technological progress is rapid in the electronics industry, which is an important market for some of the Group's products. The Company is constantly working on developing the most advanced cutting-edge materials to meet needs associated with this technological innovation. However, if the Group is unable to take appropriate measures in response to changes in industries and/or markets despite its constant efforts, there could be a significant effect on the Group's business operations results.

7) Influence of Environmental Issues

The Group handles various types of chemical substances and complies strictly with various laws and regulations concerning the environment. In addition, the Group has been making efforts for energy-saving in order to help combat global warming and for eliminating or significantly reducing emissions of substances that are harmful to the environment. However, if regulations concerning the environment become more strict than presently anticipated and require substantial capital expenditures and other investments as a result, there could be a significant effect on the Group's business operations results.

8) Influence of Product Liability

The Group uses a large number of measures to maintain the optimum quality of its products in accordance with the characteristics of each product. However, a problem involving product quality that occurs due to unforeseen circumstances could have a significant effect on the Group's business operations results.

Consolidated Balance Sheets

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
As of March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	**2011**
ASSETS			
Current Assets:			
Cash and time deposits (Note 21)	**¥ 244,003**	¥ 209,046	**$ 2,939,795**
Securities (Notes 5 and 21)	**116,715**	109,762	**1,406,205**
Notes and accounts receivable:			
Trade	**250,942**	265,396	**3,023,398**
Unconsolidated subsidiaries and affiliates	**27,939**	17,641	**336,614**
Other	**5,947**	8,837	**71,650**
Less: Allowance for doubtful accounts (Note 2 (5))	**(2,535)**	(2,943)	**(30,542)**
	282,293	288,931	**3,401,120**
Merchandise and finished goods	**97,816**	95,608	**1,178,506**
Work in process	**9,784**	11,232	**117,880**
Raw materials and supplies	**80,684**	76,714	**972,096**
Deferred taxes, current (Note 20)	**21,115**	25,962	**254,398**
Other	**35,518**	25,317	**427,928**
Total current assets	**887,928**	842,572	**10,697,928**
Property, Plant and Equipment (Notes 2 (8) and 8)**:**			
Buildings and structures, net	**155,720**	167,207	**1,876,145**
Machinery and equipment, net	**252,230**	264,014	**3,038,916**
Land	**64,577**	65,863	**778,036**
Construction in progress	**141,770**	141,870	**1,708,072**
Other, net	**6,037**	7,180	**72,734**
Total property, plant and equipment	**620,334**	646,134	**7,473,903**
Intangible Fixed Assets:			
Goodwill	**10,522**	13,920	**126,771**
Other	**3,499**	3,136	**42,157**
Total intangible fixed assets	**14,021**	17,056	**168,928**
Investments and Other Assets:			
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 7)	**79,445**	75,130	**957,169**
Investments in securities (Note 5)	**84,006**	88,840	**1,012,120**
Long-term loans	**3,628**	3,957	**43,711**
Deferred taxes, non-current (Note 20)	**22,185**	22,057	**267,289**
Other	**72,657**	73,407	**875,386**
Less: Allowance for doubtful accounts (Note 2 (5))	**(38)**	(13)	**(458)**
Total investments and other assets	**261,883**	263,378	**3,155,217**
Total Assets	**¥1,784,166**	¥ 1,769,140	**$21,495,976**

The accompanying notes are an integral part of the statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	**2011**
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Short-term borrowings (Note 9)	**¥ 6,570**	¥ 6,697	**$ 79,157**
Current portion of long-term debt (Note 9)	**2,143**	5,169	**25,819**
Notes and accounts payable:			
Trade	**89,122**	71,640	**1,073,759**
Unconsolidated subsidiaries and affiliates	**23,232**	23,357	**279,904**
Other	**39,455**	59,050	**475,361**
	151,809	154,047	**1,829,024**
Accrued income taxes	**21,072**	18,214	**253,880**
Accrued expenses	**37,753**	39,485	**454,856**
Accrued bonuses for employees	**2,037**	1,880	**24,542**
Accrued bonuses for directors	**396**	561	**4,771**
Advances received	**881**	1,645	**10,614**
Provision for loss on disaster	**24,402**	—	**294,000**
Other (Note 20)	**2,371**	2,427	**28,566**
Total current liabilities	**249,434**	230,125	**3,005,229**
Long-Term Liabilities:			
Long-term debt (Note 9)	**5,548**	7,885	**66,843**
Accrued retirement benefits (Note 10)	**14,119**	12,678	**170,108**
Accrued retirement bonuses for directors	**379**	369	**4,566**
Deferred taxes, non-current (Note 20)	**39,498**	38,108	**475,880**
Other	**5,759**	5,762	**69,386**
Total long-term liabilities	**65,303**	64,802	**786,783**
Total Liabilities	**314,737**	294,927	**3,792,012**
Commitment and Contingent Liabilities (Note 11)			
Net Assets			
Stockholders' Equity:			
Common stock:	**119,420**	119,420	**1,438,795**
Authorized: 1,720,000,000 shares			
Issued: 432,106,693 shares as of March 31, 2011 and 2010, respectively			
Additional paid-in capital	**128,178**	128,178	**1,544,313**
Retained earnings (Note 12)	**1,376,044**	1,318,414	**16,578,843**
Less: Treasury stock, at cost (Note 12)	**(40,918)**	(40,893)	**(492,987)**
Total stockholders' equity	**1,582,724**	1,525,119	**19,068,964**
Accumulated Other Comprehensive Income:			
Unrealized gains (losses) on available-for-sale securities (Note 2 (7))	**3,275**	6,718	**39,458**
Deferred gains (losses) on hedges	**895**	518	**10,783**
Foreign currency translation adjustments	**(160,086)**	(101,208)	**(1,928,747)**
Total accumulated other comprehensive income	**(155,916)**	(93,972)	**(1,878,506)**
Share Subscription Rights	**3,823**	3,649	**46,060**
Minority Interests in Consolidated Subsidiaries	**38,798**	39,417	**467,446**
Total net assets	**1,469,429**	1,474,213	**17,703,964**
Total Liabilities and Net Assets	**¥1,784,166**	¥1,769,140	**$21,495,976**

Consolidated Statements of Income

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2011	2010	2009	**2011**
Net Sales (Notes 17 and 22)	**¥1,058,257**	¥916,838	¥1,200,814	**$12,750,084**
Cost of Sales (Notes 10, 15 and 17)	**803,575**	700,903	853,434	**9,681,626**
Gross profit	**254,682**	215,935	347,380	**3,068,458**
Selling, General and Administrative Expenses (Notes 10, 14 and 15)	**105,460**	98,719	114,453	**1,270,603**
Operating income (Note 22)	**149,222**	117,216	232,927	**1,797,855**
Other Income (Expenses):				
Interest and dividend income	**4,151**	5,033	8,642	**50,012**
Equity in earnings of affiliates	**12,627**	9,994	12,442	**152,133**
Interest expenses	**(530)**	(767)	(1,706)	**(6,386)**
Loss on disposal of property, plant and equipment	**(898)**	(1,405)	(726)	**(10,819)**
Loss on disposal of inventories	**—**	—	(1,851)	**—**
Foreign exchange gain (loss)	**(9,123)**	(846)	(686)	**(109,916)**
Cost of inactive facilities	**—**	(2,360)	—	**—**
Other, net	**4,890**	154	1,491	**58,916**
Ordinary income	**160,339**	127,019	250,533	**1,931,795**
Extraordinary Income (Losses):				
Loss on impairment of fixed assets (Note 18)	**—**	—	(4,364)	**—**
Loss on disaster (Note 19)	**(21,033)**	—	—	**(253,409)**
Loss on write-down of investment securities	**—**	—	(1,684)	**—**
Income before income taxes	**139,306**	127,019	244,485	**1,678,386**
Income Taxes (Note 20)**:**				
Current	**35,998**	23,679	60,130	**433,711**
Prior years	**(10,654)**	—	—	**(128,361)**
Deferred	**12,643**	18,711	28,478	**152,325**
	37,987	42,390	88,608	**457,675**
Income before minority interests	**101,319**	84,629	155,877	**1,220,711**
Minority Interests in Earnings of Consolidated Subsidiaries	**(1,200)**	(776)	(1,145)	**(14,458)**
Net Income	**¥ 100,119**	¥ 83,853	¥ 154,732	**$ 1,206,253**
	Yen			U.S. dollars (Note 3)
Per Share (Note 2 (15)):				
Net income—primary	**¥235.80**	¥197.53	¥362.39	**$2.841**
Net income—fully diluted	**235.80**	197.50	362.35	**2.841**
Cash dividends	**100.00**	100.00	100.00	**1.205**
Weighted-Average Number of Shares Outstanding (Thousands)	**424,599**	424,514	426,973	**424,599**

The accompanying notes are an integral part of the statements.

Consolidated Statements of Comprehensive Income

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	**2011**
Income before Minority Interests	**¥101,319**	¥ 84,629	**$1,220,711**
Other Comprehensive Income:			
Unrealized gains (losses) on available-for-sale securities	**(3,467)**	7,401	**(41,771)**
Deferred gains (losses) on hedges	**137**	147	**1,650**
Foreign currency translation adjustments	**(56,952)**	14,038	**(686,168)**
Share of other comprehensive income of associates accounted for by using equity method	**(3,118)**	2,228	**(37,566)**
Total other comprehensive income	**(63,400)**	23,814	**(763,855)**
Comprehensive Income	**¥ 37,919**	¥108,443	**$ 456,855**
(Breakdown)			
Comprehensive income attributable to owners of the parent	**¥38,175**	¥106,859	**$459,939**
Comprehensive income attributable to minority interests	**(256)**	1,584	**(3,084)**

The accompanying notes are an integral part of the statements.

Consolidated Statements of Changes in Net Assets

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

	Thousands	Millions of yen											
		Stockholders' Equity					Accumulated Other Comprehensive Income						
	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Total	Share subscription rights	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2008........	432,107	¥119,420	¥128,178	¥1,163,680	¥(12,218)	¥1,399,060	¥ 10,696	¥ 3,231	¥ 25,810	¥ 39,737	¥1,614	¥43,258	¥1,483,669
Effect of changes in accounting policies applied to foreign subsidiaries.............				1,689		1,689							1,689
Net income.............................				154,732		154,732							154,732
Cash dividends (Note 12)........				(42,884)		(42,884)							(42,884)
Purchases of treasury stock ..					(29,938)	(29,938)							(29,938)
Disposal of treasury stock......				(161)	542	381							381
Net change during the year....							(12,473)	(3,273)	(140,970)	(156,716)	832	(4,411)	(160,295)
Balance at March 31, 2009........	432,107	119,420	128,178	1,277,056	(41,614)	1,483,040	(1,777)	(42)	(115,160)	(116,979)	2,446	38,847	1,407,354
Net income.............................				83,853		83,853							83,853
Cash dividends (Note 12)........				(42,449)		(42,449)							(42,449)
Purchases of treasury stock ..					(31)	(31)							(31)
Disposal of treasury stock......				(166)	752	586							586
Change of scope of consolidation.........................				120		120							120
Net change during the year....							8,495	560	13,952	23,007	1,203	570	24,780
Balance at March 31, 2010........	432,107	119,420	128,178	1,318,414	(40,893)	1,525,119	6,718	518	(101,208)	(93,972)	3,649	39,417	1,474,213
Net income.............................				**100,119**		**100,119**							**100,119**
Cash dividends (Note 12)........				**(42,460)**		**(42,460)**							**(42,460)**
Purchases of treasury stock ..					**(26)**	**(26)**							**(26)**
Disposal of treasury stock......				**(0)**	**1**	**1**							**1**
Change of scope of consolidation.........................				**(29)**		**(29)**							**(29)**
Net change during the year....							**(3,443)**	**377**	**(58,878)**	**(61,944)**	**174**	**(619)**	**(62,389)**
Balance at March 31, 2011........	**432,107**	**¥119,420**	**¥128,178**	**¥1,376,044**	**¥(40,918)**	**¥1,582,724**	**¥ 3,275**	**¥ 895**	**¥(160,086)**	**¥(155,916)**	**¥3,823**	**¥38,798**	**¥1,469,429**

	Thousands	Thousands of U.S. dollars (Note 3)											
		Stockholders' Equity					Accumulated Other Comprehensive Income						
	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Total	Share subscription rights	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2010........	432,107	$1,438,795	$1,544,313	$15,884,506	$(492,687)	$18,374,927	$ 80,940	$ 6,241	$(1,219,374)	$(1,132,193)	$43,964	$474,904	$17,761,602
Net income.............................				**1,206,253**		**1,206,253**							**1,206,253**
Cash dividends (Note 12)........				**(511,566)**		**(511,566)**							**(511,566)**
Purchases of treasury stock ..					**(312)**	**(312)**							**(312)**
Disposal of treasury stock......					**12**	**12**							**12**
Change of scope of consolidation.........................				**(350)**		**(350)**							**(350)**
Net change during the year....							**(41,482)**	**4,542**	**(709,373)**	**(746,313)**	**2,096**	**(7,458)**	**(751,675)**
Balance at March 31, 2011........	**432,107**	**$1,438,795**	**$1,544,313**	**$16,578,843**	**$(492,987)**	**$19,068,964**	**$ 39,458**	**$10,783**	**$(1,928,747)**	**$(1,878,506)**	**$46,060**	**$467,446**	**$17,703,964**

The accompanying notes are an integral part of the statements.

Consolidated Statements of Cash Flows

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2011	2010	2009	2011
Cash Flows from Operating Activities:				
Income before income taxes	**¥ 139,306**	¥ 127,019	¥ 244,485	**$ 1,678,386**
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	**93,732**	87,723	119,457	**1,129,301**
Loss on impairment of fixed assets	**—**	—	4,364	**—**
Increase in accrued retirement benefits	**1,728**	1,165	794	**20,819**
(Gain) loss on sales of investment securities	**(1,203)**	(165)	(377)	**(14,494)**
Loss on write-down of investment securities	**52**	404	1,684	**627**
Interest and dividend income	**(4,151)**	(5,033)	(8,642)	**(50,012)**
Interest expenses	**530**	767	1,706	**6,386**
Exchange (gain) loss	**3,918**	(1,492)	10,257	**47,205**
Equity in earnings of affiliates	**(12,627)**	(9,994)	(12,442)	**(152,133)**
Changes in assets and liabilities:				
(Increase) decrease in notes and accounts receivable	**(7,275)**	(52,339)	69,103	**(87,651)**
(Increase) decrease in inventories	**(11,293)**	27,710	(20,783)	**(136,060)**
Increase in long-term advance payment	**(5,286)**	(16,595)	(21,221)	**(63,687)**
Increase (decrease) in notes and accounts payable	**20,823**	15,855	(61,390)	**250,880**
Increase (decrease) in provision for loss on disaster	**24,402**	—	—	**294,000**
Other, net	**(15,323)**	2,159	6,743	**(184,615)**
Subtotal	**227,333**	177,184	333,738	**2,738,952**
Proceeds from interest and dividends	**14,336**	13,330	16,229	**172,723**
Payment of interest	**(539)**	(793)	(1,731)	**(6,494)**
Payment of income taxes	**(33,277)**	(18,182)	(91,657)	**(400,928)**
Income taxes refund	**9,638**	—	—	**116,120**
Net cash provided by operating activities	**217,491**	171,539	256,579	**2,620,373**
Cash Flows from Investing Activities:				
Purchases of securities	**(26,045)**	(21,970)	(47,538)	**(313,795)**
Proceeds from redemption of securities	**16,900**	52,612	30,655	**203,614**
Proceeds from sales of securities	**5,577**	—	—	**67,193**
Purchases of property, plant and equipment	**(117,518)**	(131,626)	(189,697)	**(1,415,880)**
Proceeds from sales of property, plant and equipment	**410**	9,227	857	**4,940**
Purchases of intangible fixed assets	**(1,539)**	(1,007)	(1,392)	**(18,542)**
Purchases of investments in securities	**(3,104)**	(6,170)	(34,514)	**(37,398)**
Proceeds from sales of investments in securities	**2,203**	1,142	6,838	**26,542**
Proceeds from redemption of investments in securities	**3,182**	2,018	36,666	**38,337**
Purchase of investments in subsidiaries resulting in changes in scope of consolidation	**—**	(2,044)	—	**—**
Payments of loans	**(207)**	(242)	(5,636)	**(2,494)**
Proceeds from collection of loans	**35**	79	915	**422**
Other, net	**(11,899)**	(4,854)	2,056	**(143,361)**
Net cash used for investing activities	**(132,005)**	(102,835)	(200,790)	**(1,590,422)**
Cash Flows from Financing Activities:				
Net increase (decrease) in short-term borrowings	**(212)**	91	(3,460)	**(2,554)**
Repayment of long-term debt	**(5,387)**	(8,084)	(3,318)	**(64,904)**
Purchase of treasury stock	**(26)**	(31)	(29,938)	**(313)**
Proceeds from sales of treasury stock	**1**	586	382	**12**
Cash dividends paid	**(42,460)**	(42,449)	(42,884)	**(511,566)**
Cash dividends paid to minority interests	**(466)**	(1,007)	(827)	**(5,614)**
Other, net	**(72)**	(66)	(39)	**(868)**
Net cash used for financing activities	**(48,622)**	(50,960)	(80,084)	**(585,807)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(5,511)**	1,762	(26,279)	**(66,398)**
Net Increase (Decrease) in Cash and Cash Equivalents	**31,353**	19,506	(50,574)	**377,747**
Cash and Cash Equivalents at Beginning of Year	**270,444**	251,045	301,619	**3,258,361**
Increase (Decrease) in Cash and Cash Equivalents Resulting from Changes in Scope of Consolidation	**489**	(107)	—	**5,892**
Cash and Cash Equivalents at End of Year (Note 21)	**¥ 302,286**	¥ 270,444	¥ 251,045	**$ 3,642,000**

The accompanying notes are an integral part of the statements.

Notes to Consolidated Financial Statements

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the years ended March 31, 2011, 2010 and 2009

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared from accounts and records maintained by Shin-Etsu Chemical Co., Ltd. (the "Company") and its subsidiaries. The Company and its domestic consolidated subsidiaries have maintained their accounts and records in accordance with the provisions set forth in the Corporation Law of Japan and the Financial Instruments and Exchange Law and in conformity with generally accepted accounting principles prevailing in Japan. The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries. Before the fiscal year ended March 31, 2008, in general, no adjustments to the accounts of overseas consolidated subsidiaries were reflected in the accompanying consolidated financial statements to present them in compliance with Japanese accounting principles followed by the Company.

Effective from the fiscal year ended March 31, 2009, the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force No. 18, issued on May 17, 2006) has been applied, and accordingly some revisions have been made to the consolidated accounts as necessary.

The accompanying consolidated financial statements of the Company and its subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company, as required by the Financial Instruments and Exchange Law of Japan.

The presentation of the accompanying consolidated financial statements is made in conformity with the Consolidated Financial Statements Regulation (ordinance promulgated by the Ministry of Finance) and meets the requirements for disclosure of financial information of the Company on a consolidated basis. However, certain account balances, as disclosed in the basic consolidated financial statements in Japan, have been reclassified to the extent deemed necessary to enable presentation in a form which is more familiar to readers outside Japan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Principles of consolidation

The Company had 102 majority-owned subsidiaries as of March 31, 2011 (101 and 97 as of March 31, 2010 and 2009, respectively). The consolidated financial statements include the accounts of the Company and 72 (70 and 68 for 2010 and 2009, respectively) majority-owned subsidiaries (the "Companies"), of which the principal firms are listed on page 55 with their respective fiscal year-ends.

The remaining 30 (31 and 29 for 2010 and 2009, respectively) unconsolidated subsidiaries, including Shin-Etsu Electronics (Malaysia) Sdn. Bhd., whose total assets, net sales, net income and retained earnings in the aggregate are not significant compared with those of the consolidated financial statements of the Companies, therefore, have not been consolidated with the Company. For consolidation of subsidiaries whose fiscal year-ends are not in agreement with that of the Company, necessary adjustments are made on significant intercompany transactions which took place during the periods between the fiscal year-end of respective consolidated subsidiaries and that of the Company.

Unrealized intercompany profits and losses among the Companies are entirely eliminated, and the portion thereof attributable to minority interests is charged to the minority interests.

Valuation of assets and liabilities of consolidated subsidiaries is based on full fair value accounting method.

Goodwill is amortized within 20 years on a straight-line basis.

Shin-Etsu Polymer India Pvt. Ltd., which had been an unconsolidated subsidiary during the fiscal year ended March 31, 2010, was newly included in the scope of consolidation due to increased importance. Shin-Etsu Pharma & Food Materials Distribution GmbH, which was established during the fiscal year ended March 31, 2011, was also newly included in the scope of consolidation.

(2) Accounting for investments in unconsolidated subsidiaries and affiliates

The Company had 30 (31 and 29 for 2010 and 2009, respectively) unconsolidated subsidiaries (majority-owned) and 17 (16 and 16 for 2010 and 2009, respectively) affiliates (meaning 20% to 50% ownership of a company's equity interest). The equity method is applied to the investments in 7 (7 and 8 for 2010 and 2009, respectively) major affiliates and the cost method is applied to investments in the remaining unconsolidated subsidiaries, including Shin-Etsu Electronics (Malaysia) Sdn. Bhd., and affiliates, including TATSUNO CHEMICAL INDUSTRIES INC., since they are not material for the consolidated financial statements.

The major unconsolidated subsidiaries and affiliates accounted for by the equity method are listed below:

Mimasu Semiconductor Industry Co., Ltd.
Shin-Etsu Quartz Products Co., Ltd.
Kashima Vinyl Chloride Monomer Co., Ltd.
Hemlock Semiconductor Corp.

(3) Translation of foreign currency transactions

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into yen at the rates effective at the respective transaction dates.

Foreign currency deposits, receivables and payables denominated in foreign currencies are translated into yen at the exchange rate prevailing at the respective balance sheet dates and the resulting translation gain or loss is included in the determination of net income for the year.

However, all of the overseas consolidated subsidiaries apply the current rate method to translate transactions and account balances in foreign currencies into their respective home currencies.

(4) Translation of foreign currency financial statements (accounts of overseas subsidiaries)

The translation of foreign currency financial statements of overseas subsidiaries into yen for consolidation purposes is made by the method of translation prescribed by the statements issued by the Business Accounting Council (BAC) of Japan.

Under the BAC method, all assets and liabilities are translated into yen at current exchange rates while capital accounts and retained earnings are translated at historical rates, and revenue and expense items are translated at the average exchange rates during the year. The resulting translation adjustments are, as before, shown as "Foreign currency translation adjustments" in the accompanying balance sheets as of March 31, 2011 and 2010.

(5) Allowance for doubtful accounts

The Company and consolidated subsidiaries provide an allowance for doubtful accounts using the historic percentage of bad debt loss against the balance of general receivables plus the amount deemed necessary to cover individual accounts estimated to be uncollectible.

(6) Inventories

The Company mainly applies the cost method based on the weighted-average method, which determines the amount of the inventories shown on the balance sheet by writing them down based on the decrease in their profitability.

(7) Financial instruments

Securities:

Bonds held to maturity are stated at amortized cost using the straight-line method. Available-for-sale securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in the stockholders' equity at net-of-tax amounts. Other securities for which market quotations are unavailable are stated at cost, which is determined by the moving-average cost method.

Derivatives:

Derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as "hedging instruments."

The Company and consolidated subsidiaries engage in foreign exchange contracts, currency swaps, interest rate swaps and earthquake derivatives.

Hedge accounting:

Gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the Company are interest swaps and foreign exchange contracts. The related hedged items are interest rate transactions tied to funding activities, marketable securities and forecasted foreign currency transactions.

The Company has a policy to utilize the above hedging instruments in order to reduce the Company's exposure to the risk of interest rate fluctuation and foreign currency fluctuation. Thus, the Company's purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items and not for speculation or dealing purposes.

The Company evaluates the effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(8) Property, plant and equipment

Depreciation of the Company and its domestic subsidiaries is principally computed by the declining-balance method, based on the estimated useful lives of assets. Depreciation of foreign subsidiaries is principally computed by the straight-line method over the estimated useful lives of the assets. The cost of property, plant and equipment retired or otherwise disposed of and accumulated depreciation are eliminated from the related accounts, and the resulting profit or loss is reflected in income.

(9) Repairs and maintenance

Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(10) Accrued bonuses for employees

Certain consolidated subsidiaries accrued the current fiscal year portion of the estimated amount of employees' bonuses to be paid in the subsequent period.

(11) Accrued bonuses for directors

The Company and its domestic consolidated subsidiaries accrued the current fiscal year portion of the estimated amount of directors' bonuses to be paid in the subsequent period.

(12) Provision for loss on disaster

The Company and certain domestic consolidated subsidiaries accrued expenses estimated to be incurred during or after the next fiscal year in order to undertake the restoration of assets damaged due to the disaster.

(13) 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 the fiscal year. The actuarial difference is amortized primarily over a five-year period, which is within the average remaining service period, using the straight-line method from the fiscal year when the difference was generated. The prior service cost is amortized primarily over a ten-year period, which is within the average remaining service period, using the straight-line method from the time when the difference was generated (see Note 10).

Effective from the fiscal year ended March 31, 2010, "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19 issued on July 31, 2008) has been applied. This change has no impact on operating income, ordinary income and income before income taxes for the fiscal year ended March 31, 2010.

(14) Research and development costs

Research and development costs are charged to income as incurred.

(15) Income and dividends per share

Net income per share is based upon the weighted-average number of shares of common stock outstanding during each fiscal year. Net income per share adjusted for dilution represents net income per share assuming full conversion of all convertible debentures of the Company outstanding with related reduction in interest expenses.

(16) Dividends

Dividends are proposed by the Board of Directors and approved by the stockholders at meetings held subsequent to the fiscal year to which the dividends are applicable, and registered stockholders as of the end of such fiscal year are entitled to the subsequently declared dividends. Interim cash dividends are also paid (see Note 12).

Dividends charged to retained earnings in the accompanying consolidated statements of stockholders' equity represent dividends approved and paid during the year.

(17) Accrued retirement bonuses for directors

Certain domestic subsidiaries recognize the required amount of directors' retirement bonuses in accordance with an internal standard.

(18) Asset Retirement Obligations

Effective from the fiscal year ended March 31, 2011, "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18 issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21 issued on March 31, 2008) have been applied. The impact of this change on operating income, ordinary income and income before income taxes is immaterial.

(19) Presentation of Comprehensive Income

Effective from FY 2011, "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25 issued on June 30, 2010) has been applied. The items "accumulated other comprehensive income" and "total accumulated other comprehensive income" for the previous fiscal year are exactly the same as "valuation and translation adjustments" and "total valuation and translation adjustments" of the previous fiscal year, respectively.

(20) Consumption tax

The consumption tax withheld by the Company on sales of products is not included in the amount of net sales in the accompanying consolidated statements of income. The consumption tax borne by the Company on purchases of goods and services and on expenses is also not included in the related amounts in the accompanying consolidated statements of income.

(21) Reclassifications

Certain reclassifications have been made in the 2010 and 2009 financial statements to conform to the presentation for 2011.

3. UNITED STATES DOLLAR AMOUNTS

The Company prepares its consolidated financial statements in yen. The dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on a basis of ¥83 to US$1, the approximate effective rate of exchange on March 31, 2011. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be readily converted, realized or settled in dollars at ¥83 to US$1 or at any other rate.

4. FINANCIAL INSTRUMENTS

(1) Overview of financial instruments

Management policy

In principle, our fund management methods are limited to deposits with financial institutions with high credit ratings and risk-free bonds, and our financing is implemented primarily through borrowings from banks.

Financial instruments, risks and risk management

Notes and accounts receivable-trade are exposed to credit risk of customers. With regard to credit risk generated by notes and accounts receivable-trade, each of our business departments not only controls and manages account due dates and balances, but also confirms credit standing of major customers periodically, making efforts to identify doubtful accounts as soon as possible.

Securities and investment securities are stocks in companies with business relationships, bonds held to maturity and also a certificate of deposit. Regarding securities and investment securities, we update regularly their fair value and the financial situation of the issuing companies. For stocks, we are also continually reviewing our stock holding status, considering the relationship with the issuing companies.

In order to hedge the foreign currency exchange risk associated with assets and liabilities denominated in foreign currencies and interest rate risk associated with financial assets and liabilities, derivative transactions such as interest rate swap transactions, currency swap transactions and foreign exchange forward contracts are utilized. All of our derivative transactions are implemented for the purpose of hedging risks generated in the ordinary course of business, and there are no derivative transactions entered into for trading or speculative purposes.

Supplementary explanation on the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair values.

(2) Fair value of financial instruments

As of March 31, 2011 and 2010, book value, fair value and the difference between the two are as follows:

	Millions of yen			Thousands of U.S. dollars		
	2011			2011		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets:						
(1) Cash and time deposits	**¥244,003**	**¥244,003**	**¥ —**	**$2,939,795**	**$2,939,795**	**$ —**
(2) Notes and accounts receivable	**282,293**	**282,293**	**—**	**3,401,120**	**3,401,120**	**—**
(3) Securities and investments in securities						
i) Bonds held to maturity	**16,901**	**17,021**	**120**	**203,627**	**205,072**	**1,445**
ii) Investments in and advances to unconsolidated subsidiaries and affiliates	**22,088**	**12,585**	**(9,503)**	**266,120**	**151,627**	**(114,493)**
iii) Investments in securities	**157,796**	**157,796**	**—**	**1,901,157**	**1,901,157**	**—**
(4) Long-term loans	**3,628**	**3,941**	**313**	**43,711**	**47,482**	**3,771**
Total	**¥726,709**	**¥717,639**	**¥(9,070)**	**$8,755,530**	**$8,646,253**	**$(109,277)**
Liabilities:						
(1) Short-term borrowings and current portion of long-term debt	**¥ 8,713**	**¥ 8,713**	**¥ —**	**$ 104,976**	**$ 104,976**	**$ —**
(2) Notes and accounts payable	**151,809**	**151,809**	**—**	**1,829,024**	**1,829,024**	**—**
(3) Accrued income taxes	**21,072**	**21,072**	**—**	**253,880**	**253,880**	**—**
(4) Accrued expenses	**37,753**	**37,753**	**—**	**454,856**	**454,856**	**—**
(5) Long-term debt	**5,548**	**5,610**	**62**	**66,843**	**67,590**	**747**
Total	**¥224,895**	**¥224,957**	**¥ 62**	**$2,709,579**	**$2,710,326**	**$ 747**
Derivative transactions:						
Hedge accounting not applied	**¥ 1,723**	**¥ 1,723**	**¥ —**	**$ 20,759**	**$ 20,759**	**$ —**
Hedge accounting applied	**(147)**	**(147)**	**—**	**(1,771)**	**(1,771)**	**—**
Total	**¥ 1,576**	**¥ 1,576**	**¥ —**	**$ 18,988**	**$ 18,988**	**$ —**

	Millions of yen		
	2010		
	Book value	Fair value	Difference
Assets:			
(1) Cash and time deposits	¥209,046	¥209,046	¥ —
(2) Notes and accounts receivable	288,931	288,931	—
(3) Securities and investments in securities			
i) Bonds held to maturity	18,651	18,788	137
ii) Investments in and advances to unconsolidated subsidiaries and affiliates	22,975	19,853	(3,122)
iii) Investments in securities	152,878	152,878	—
(4) Long-term loans	3,957	4,420	463
Total	¥696,438	¥693,916	¥(2,522)
Liabilities:			
(1) Short-term borrowings and current portion of long-term debt	¥ 11,866	¥ 11,866	¥ —
(2) Notes and accounts payable	154,047	154,047	—
(3) Accrued income taxes	18,214	18,214	—
(4) Accrued expenses	39,485	39,485	—
(5) Long-term debt	7,885	7,983	98
Total	¥231,497	¥231,595	¥ 98
Derivative transactions:			
Hedge accounting not applied	¥ 2,238	¥ 2,238	¥ —
Hedge accounting applied	(476)	(476)	—
Total	¥ 1,762	¥ 1,762	¥ —

Notes: 1. Method for calculating fair value of financial instruments, and notes regarding securities and derivative transactions

Assets

(1) Cash and time deposits and (2) Notes and accounts receivable

All of these are settled within a short time, and their fair value and book value are nearly equal. Thus, the book value is listed as fair value in the table above.

(3) Securities and investments in securities

These mainly consist of stocks and bonds. Fair value for stocks is based on a price settled on stock exchanges, while fair value for bonds is based on either a price settled on the exchanges or one offered from financial institutions that we have transactions with.

(4) Long-term loans

Fair value for long-term loans is calculated based on a future cash flow discounted at an appropriate rate such as mid-term and long-term interest rates with credit spreads, for all loans grouped by a certain period of time and credit rating under the credit exposure management.

Liabilities

(1) Short-term borrowings, (2) Notes and accounts payable, (3) Accrued income taxes and (4) Accrued expenses

All of these are settled within a short time, and their fair value and book value are nearly equal. Thus, the book value is listed as fair value in the table above.

(5) Long-term debt

Fair value for long-term debt is calculated based on a present value of principal with interest added, discounted at an expected rate for new borrowings with the same terms.

Derivative transactions

Net receivables (payables) derived from derivative transactions are displayed in the table above. Total net payables are showed in parenthesis.

2. The following table summarizes financial instruments whose fair value is extremely difficult to estimate.

Description	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Non-listed equity securities	**¥70,239**	¥72,139	**$846,253**
Investment securities, etc.	**5,589**	5,697	**67,337**
Total	**¥75,828**	¥77,836	**$913,590**

These securities do not carry quoted market prices. Since it is extremely difficult to estimate the fair value of these securities, their fair value is not disclosed.

3. Repayment schedule of monetary claims, available-for-sale securities with maturities and bonds held to maturity.

	Millions of yen				Thousands of U.S. dollars			
	2011				2011			
Description	Within one year	Over one year within five years	Over five years within ten years	Over ten years	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Time deposits	**¥243,959**	**¥ —**	**¥ —**	**¥ —**	**$2,939,265**	**$ —**	**$ —**	**$ —**
Notes and accounts receivable	**282,293**	**—**	**—**	**—**	**3,401,120**	**—**	**—**	**—**
Securities and investments in securities	**116,725**	**14,136**	**177**	**—**	**1,406,325**	**170,313**	**2,133**	**—**
Long-term loans	**—**	**1,583**	**1,538**	**507**	**—**	**19,072**	**18,530**	**6,109**
Total	**¥642,977**	**¥15,719**	**¥1,715**	**¥507**	**$7,746,710**	**$189,385**	**$20,663**	**$6,109**

	Millions of yen			
	2010			
Description	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Time deposits	¥209,001	¥ —	¥ —	¥ —
Notes and accounts receivable	273,950	—	—	—
Securities and investments in securities	109,817	12,758	571	—
Long-term loans	—	1,890	1,947	300
Total	¥592,768	¥14,648	¥2,518	¥300

See Note 9 for repayment schedule of long-term debt.

5. SECURITIES

Securities as of March 31, 2011 and 2010 consisted of the following:

(1) Market value of bonds held to maturity

	Millions of yen						Thousands of U.S. dollars		
	2011			2010			2011		
Description	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with fair value that exceeds book value	**¥ 5,571**	**¥ 5,735**	**¥164**	¥ 8,097	¥ 8,287	¥190	**$ 67,120**	**$ 69,096**	**$1,976**
Securities with fair value that does not exceed book value	**11,330**	**11,286**	**(44)**	10,555	10,501	(54)	**136,506**	**135,976**	**(530)**
Total	**¥16,901**	**¥17,021**	**¥120**	¥18,652	¥18,788	¥136	**$203,626**	**$205,072**	**$1,446**

(2) Available-for-sale securities with defined fair values

Description	Millions of yen 2011 Book value	Acquisition cost	Difference	2010 Book value	Acquisition cost	Difference	Thousands of U.S. dollars 2011 Book value	Acquisition cost	Difference
Securities with book value that exceeds acquisition cost	**¥ 29,904**	**¥ 17,265**	**¥12,639**	¥ 34,590	¥ 18,535	¥16,055	**$ 360,289**	**$ 208,012**	**$152,277**
Securities with book value that does not exceed acquisition cost	**127,892**	**134,209**	**(6,317)**	118,288	122,232	(3,944)	**1,540,867**	**1,616,976**	**(76,109)**
Total	**¥157,796**	**¥151,474**	**¥ 6,322**	¥152,878	¥140,767	¥12,111	**$1,901,156**	**$1,824,988**	**$ 76,168**

Note: Non-listed equity securities and other investment securities whose fair value is extremely difficult to estimate are excluded from the above. See Note 4 (2) note 2 for details.

6. DERIVATIVE TRANSACTIONS

(1) Derivative transactions to which hedge accounting is not applied:

Currency related:
As of March 31, 2011

Description	Millions of yen Contract amounts	Fair value	Unrealized gain (loss)	Thousands of U.S. dollars Contract amounts	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts						
Sales Contracts:						
US$	**¥ 5,923**	**¥ 175**	**¥ 175**	**$ 71,361**	**$ 2,108**	**$ 2,108**
EUR	**4,319**	**146**	**146**	**52,036**	**1,759**	**1,759**
Other	**435**	**(2)**	**(2)**	**5,241**	**(24)**	**(24)**
Purchase Contracts:						
US$	**1,018**	**21**	**21**	**12,265**	**253**	**253**
EUR	**16**	**1**	**1**	**193**	**12**	**12**
Other	**938**	**16**	**16**	**11,301**	**193**	**193**
Foreign currency swap contracts						
Receive Japanese Yen, pay British Pounds	**5,224**	**1,366**	**1,366**	**62,940**	**16,458**	**16,458**
Total	**¥17,873**	**¥1,723**	**¥1,723**	**$215,337**	**$20,759**	**$20,759**

Note: The fair value is provided by financial institutions with which the Company made the above contracts.

Currency related:
As of March 31, 2010

Description	Millions of yen Contract amounts	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts			
Sales Contracts:			
US$	¥ 9,598	¥ 580	¥ 580
EUR	8,595	281	281
Other	204	8	8
Purchase Contracts:			
US$	152	6	6
EUR	11	0	0
Other	766	(23)	(23)
Foreign currency swap contracts			
Receive Japanese Yen, pay British Pounds	6,287	1,387	1,387
Total	¥25,613	¥2,239	¥2,239

Note: The fair value is provided by financial institutions with which the Company made the above contracts.

(2) Derivative transactions to which hedge accounting is applied:

1) Currency related:

As of March 31, 2011

Hedge accounting method	Nature of transaction	Hedged items	Millions of yen			Thousands of U.S. dollars		
			Contract amounts	Contract amounts over one year	Fair value	Contract amounts	Contract amounts over one year	Fair value
Deferral hedge accounting	Forward foreign exchange contracts:							
	Sales contracts							
	EUR	Accounts receivable-trade	**¥ 138**	**¥ —**	**¥ (3)**	**$ 1,663**	**$ —**	**$ (36)**
	Purchase contracts							
	EUR	Accounts payable-trade	**4,185**	**—**	**388**	**50,422**	**—**	**4,675**
	US$	Accounts payable-trade	**76**	**—**	**(1)**	**916**	**—**	**(12)**
Deferral hedge accounting	Foreign currency swap contracts:							
	Receive US$ Pay Thai Baht	Long-term debt	**¥2,778**	**¥884**	**¥(531)**	**$33,470**	**$10,651**	**$(6,398)**
Total			**¥7,177**	**¥884**	**¥(147)**	**$86,471**	**$10,651**	**$(1,771)**

As of March 31, 2010

Hedge accounting method	Nature of transaction	Hedged items	Millions of yen		
			Contract amounts	Contract amounts over one year	Fair value
Deferral hedge accounting	Forward foreign exchange contracts:				
	Purchase contracts				
	EUR	Other current assets	¥ 499	¥ —	¥ 15
	US$	Accounts payable-trade Accrued payable-other	2,973	—	163
Deferral hedge accounting	Foreign currency swap contracts:				
	Receive US$ Pay Thai Baht	Long-term debt	¥4,775	¥2,839	¥(654)
Total			¥8,247	¥2,839	¥(476)

Note: The fair value is provided by financial institutions with which the Company made the above contracts.

2) Interest related:

As of March 31, 2011

Hedge accounting method	Nature of transaction	Hedged items	Millions of yen			Thousands of U.S. dollars		
			Contract amounts	Contract amounts over one year	Fair value	Contract amounts	Contract amounts over one year	Fair value
Special hedge accounting treatment of interest rate swaps under JGAAP	Interest rate swap contracts: Receive floating, pay fixed	Interest of investments in securities	**¥ 5,000**	**¥ 5,000**	**¥(177)**	**$ 60,241**	**$ 60,241**	**$(2,133)**
Special hedge accounting treatment of interest rate swaps under JGAAP	Interest rate swap contracts: Receive fixed, pay floating	Interest of investments in securities	**¥ 5,000**	**¥ 5,000**	**¥ 71**	**$ 60,241**	**$ 60,241**	**$ 855**
Total			**¥10,000**	**¥10,000**	**¥(106)**	**$120,482**	**$120,482**	**$(1,278)**

As of March 31, 2010

Hedge accounting method	Nature of transaction	Hedged items	Millions of yen		
			Contract amounts	Contract amounts over one year	Fair value
Special hedge accounting treatment of interest rate swaps under JGAAP	Interest rate swap contracts: Receive fixed, pay floating	Interest of investments in securities	¥ 5,000	¥ 5,000	¥ 103
Special hedge accounting treatment of interest rate swaps under JGAAP	Interest rate swap contracts: Receive floating, pay fixed	Interest of investments in securities	¥ 5,000	¥ 5,000	¥(220)
Total			¥10,000	¥10,000	¥(117)

Note: The fair value is provided by financial institutions with which the Company made the above contracts.

7. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in and advances to unconsolidated subsidiaries and affiliates as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Held Directly by the Company:			
Affiliates:			
Four affiliates accounted for by the equity method (See Note 2 (2))*	**¥40,190**	¥40,269	**$484,217**
Other	**1,032**	1,032	**12,434**
	¥41,222	¥41,301	**$496,651**
Unconsolidated subsidiaries:			
Shin-Etsu Electronics Malaysia Sdn Bhd.	**¥ 1,400**	¥ 1,400	**$ 16,868**
Other	**7,684**	1,856	**92,578**
	¥ 9,084	¥ 3,256	**$109,446**
Held Indirectly through Subsidiaries:			
Unconsolidated subsidiaries and affiliates:			
Two affiliates accounted for by the equity method (See Note 2 (2))*	**¥26,582**	¥27,409	**$320,265**
Other	**2,557**	2,984	**30,807**
	¥29,139	¥30,393	**$351,072**
Advances:	**—**	180	**—**
	¥79,445	¥75,130	**$957,169**

*Accounted for by the equity method. Others are carried at cost or less.

8. ACCUMULATED DEPRECIATION

Accumulated depreciation of property, plant and equipment as of March 31, 2011 and 2010 are ¥1,350,395 million ($16,269,819 thousand) and ¥1,313,406 million, respectively.

9. SHORT-TERM BORROWINGS, LONG-TERM DEBT AND LEASE OBLIGATIONS

Short-term borrowings outstanding as of March 31, 2011 and 2010 are represented generally by overdrafts contracted between the Companies and banks.

Long-term debt as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Loans with Banks and Other Financial Institutions:			
Secured	**¥ 19**	¥ 29	**$ 229**
Unsecured	**7,672**	13,025	**92,433**
	7,691	13,054	**92,662**
Less Portion Due within One Year	**(2,143)**	(5,169)	**(25,819)**
	¥ 5,548	¥ 7,885	**$ 66,843**

Lease obligations as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Current	**¥ 83**	¥ 80	**$1,000**
Non-current	**230**	221	**2,771**
Total	**¥313**	¥301	**$3,771**

The aggregate annual maturities of long-term debt are as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31,		
2012	**¥5,474**	**$65,952**
2013	**16**	**193**
2014 and thereafter	**58**	**698**
	¥5,548	**$66,843**

10. RETIREMENT AND PENSION PLANS

The Company and its domestic consolidated subsidiaries have defined contribution pension plans (DC pension plans), tax-qualified pension plans and lump-sum severance payment plans as their defined benefit pension plans.

Certain overseas consolidated subsidiaries have defined pension plans while others have defined contribution pension plans. Additionally, the Company has a "Retirement Benefit Trust."

The reserves for retirement benefits as of March 31, 2011 and 2010 are analyzed as follows:

Benefit Obligations

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
(a) Benefit obligations	**¥(28,984)**	¥(28,107)	**$(349,205)**
(b) Pension assets	**14,340**	14,477	**172,771**
(c) Unfunded benefit obligations [(a)+(b)]	**(14,644)**	(13,630)	**(176,434)**
(d) Unrecognized actuarial differences	**2,044**	2,737	**24,627**
(e) Unrecognized prior service cost (negative) (Note 1)	**(84)**	(146)	**(1,012)**
(f) Net retirement benefit obligations [(c)+(d)+(e)]	**(12,684)**	(11,039)	**(152,819)**
(g) Prepaid pension expenses	**1,435**	1,639	**17,289**
(h) Accrued retirement benefits [(f)-(g)]	**¥(14,119)**	¥(12,678)	**$(170,108)**

Notes: 1. The Company and certain consolidated subsidiaries changed system from tax-qualified pension plans to defined contribution pension plans before prior fiscal year, so that prior service cost is generated.
2. Some subsidiaries adopt a simplified method for the calculation of benefit obligations.

Retirement Benefit Costs

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
(a) Service costs (Note 1)	**¥2,472**	¥2,562	**$29,783**
(b) Interest costs	**905**	874	**10,904**
(c) Expected return on plan assets	**(593)**	(496)	**(7,145)**
(d) Recognized actuarial loss	**1,071**	633	**12,904**
(e) Amortization of prior service cost	**(83)**	(124)	**(1,000)**
(f) Other (Note 2)	**1,707**	1,541	**20,566**
(g) Retirement benefit costs [(a)+(b)+(c)+(d)+(e)+(f)]	**¥5,479**	¥4,990	**$66,012**

Notes: 1. Retirement benefit costs for subsidiaries adopting a simplified method are reported in "Service costs."
2. "Other" is contributions for defined contribution pension plans.

Basic Assumptions for Calculating Benefit Obligations

(a) Period allocation method for estimating retirement benefit	Benefit/years of service approach
(b) Discount rate	Principally 2.5%
(c) Expected rate of return on plan assets	Principally 2.5%
(d) Amortization of prior service cost	Principally 10 years
(e) Amortization of actuarial differences	Principally 5 years

11. COMMITMENT AND CONTINGENT LIABILITIES

As of March 31, 2011, the Companies were contingently liable as a guarantor of housing loans for employees and loans to unconsolidated subsidiaries, affiliates and others in the aggregate amount of ¥31 million ($373 thousand).

12. RETAINED EARNINGS

The Company's Board of Directors, with subsequent approval by stockholders, has made annual appropriations of retained earnings for various purposes. Any dispositions of such appropriations shall be at the discretion of the Board of Directors and stockholders. Such administrative appropriations have not been segregated from retained earnings in the accompanying consolidated financial statements.

The Company paid interim dividends during the years ended March 31, 2011, 2010 and 2009 in the amounts of ¥21,230 million ($255,783 thousand) (¥50.0 per share), ¥21,225 million and ¥21,372 million, respectively, which were actually paid to stockholders on November 18, 2010, November 18, 2009 and November 18, 2008, respectively. In the accompanying consolidated statements of stockholders' equity, these dividend payments are reflected in the years ended March 31, 2011, 2010 and 2009, respectively.

There were 7,510,657 shares and 7,505,054 shares of treasury stock as at March 31, 2011 and 2010, respectively.

13. SHARE SUBSCRIPTION RIGHTS

Fiscal year ended March 31, 2011

Issuer	Description	Type of shares subject to share subscription rights	Number of shares subject to share subscription rights				Millions of yen	Thousands of U.S. dollars
			Beginning Balance	Increase	Decrease	Ending Balance	Balance at March 31, 2011	Balance at March 31, 2011
The Company	Stock options (Note)	Common stock	**3,283,100**	**272,000**	**105,200**	**3,499,900**	**¥3,475**	**$41,867**
Consolidated subsidiary	—	—	**—**	**—**	**—**	**—**	**348**	**4,193**
Total							**¥3,823**	**$46,060**

Fiscal year ended March 31, 2010

Issuer	Description	Type of shares subject to share subscription rights	Number of shares subject to share subscription rights				Millions of yen
			Beginning Balance	Increase	Decrease	Ending Balance	Balance at March 31, 2010
The Company	Stock options (Note)	Common stock	2,499,100	937,000	153,000	3,283,100	¥3,330
Consolidated subsidiary	—	—	—	—	—	—	319
Total							¥3,649

Note: Share subscription rights not yet exercisable as of March 31, 2011 and 2010 are ¥224 million ($2,699 thousand) and ¥1,157 million, respectively.

14. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the fiscal years ended March 31, 2011, 2010 and 2009 mainly consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Shipment expenses	**¥27,020**	¥24,840	¥29,089	**$325,542**
Salaries and allowances	**18,407**	18,474	19,706	**221,771**
Provision for bonuses for employees	**1,344**	1,301	1,244	**16,193**
Provision for bonuses for directors	**401**	558	770	**4,831**
Provision for retirement benefits	**586**	602	733	**7,060**
Provision for retirement bonuses for directors	**64**	21	104	**771**
Depreciation and amortization	**1,546**	1,720	1,883	**18,627**
Technical research expenses	**13,223**	10,331	10,033	**159,313**
(Including provision for retirement benefits)	**(197)**	(184)	(177)	**(2,373)**
Provision of allowance for doubtful accounts	**312**	412	273	**3,759**

15. RESEARCH AND DEVELOPMENT COSTS

Research and development costs incurred and charged to income for the years ended March 31, 2011, 2010 and 2009 were ¥37,322 million ($449,663 thousand), ¥33,575 million and ¥37,470 million, respectively.

16. LEASE TRANSACTIONS

Lease expenses on finance lease contracts without ownership-transfer charged to income for the years ended March 31, 2011 and 2010 amounted to ¥147 million ($1,771 thousand) and ¥237 million, respectively. Lease expenses corresponding to depreciation expenses, not charged to income, for the year ended March 31, 2011, which was computed by the straight-line method over a period up to the maturity of the relevant lease contracts with no residual value, amounted to ¥147 million ($1,771 thousand).

Pro forma information regarding leased property such as acquisition cost and accumulated depreciation is as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Acquisition cost	**¥860**	¥1,080	**$10,361**
Accumulated depreciation	**762**	813	**9,180**
Net book value	**¥ 98**	¥ 267	**$ 1,181**

the portion of interest thereon, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Future Lease Payments:			
Within one year	**¥61**	¥170	**$ 735**
Over one year	**37**	97	**446**
	¥98	¥267	**$1,181**

The amounts of outstanding future lease payments due in respect of operating lease contracts at March 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Future Lease Payments:			
Within one year	**¥2,529**	¥4,454	**$30,470**
Over one year	**3,135**	3,164	**37,771**
	¥5,664	¥7,618	**$68,241**

17. RELATED PARTY TRANSACTIONS

The Company's sales to and purchases from its unconsolidated subsidiaries and affiliates for the years ended March 31, 2011, 2010 and 2009 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Sales	**¥34,400**	¥15,183	¥16,427	**$414,458**
Purchases	**70,323**	69,861	61,431	**847,270**

18. LOSS ON IMPAIRMENT OF FIXED ASSETS

During the fiscal year ended March 31, 2009, the Company and its consolidated subsidiaries recognized impairment losses for the following asset categories, recording a total of ¥4,364 million as Extraordinary expenses. The Company and its consolidated subsidiaries group fixed assets based on managerial accounting categories, which are regarded as the smallest units independently generating cash flows.

Consolidated Subsidiary (Shin-Etsu Handotai Co., Ltd.)

			Millions of yen
Location	Use	Asset category	2009
Saigata Plant (Joetsu-shi, Niigata-Prefecture) and others	Semiconductor silicon manufacturing facilities/equipment for small-diameter wafers	Machinery and equipment	¥4,086
		Others	¥ 278
		Total	¥4,364

The Semiconductor silicon business for small-diameter wafers of Shin-Etsu Handotai has been suffering from a deteriorating market environment, which was primarily caused by sluggish demand due to the financial crisis, fierce competition with a supply-demand imbalance and progress in changing over to large-diameter wafers. As a result, the book value of the assets at each Shin-Etsu Handotai plant where this material is produced was marked down to its recoverable amount, which is calculated at value-in-use. The discount rate for calculation of the discounted cash flow is zero since the estimated future cash flows are negative.

19. LOSS ON DISASTER

Loss on disaster for the fiscal year ended March 31, 2011 relates to a loss due to the Great East Japan Earthquake, consisting largely of expenses for restoration work in the amount of ¥16,654 million ($200,651 thousand) after deducting the estimated amount of insurance compensation.

20. INCOME TAXES

The Company and its domestic subsidiaries are subject to a number of Japanese income taxes, which, in the aggregate, resulted in a statutory tax rate of approximately 40.4% for the years ended March 31, 2011, 2010 and 2009.

Tax effects of material temporary differences and loss carry forwards which resulted in deferred tax assets or liabilities at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Deferred Tax Assets:			
Depreciation	**¥16,758**	¥19,661	**$201,904**
Accrued retirement benefits	**5,324**	4,780	**64,145**
Accrued bonus allowance	**3,662**	3,667	**44,120**
Unrealized profit	**3,148**	4,218	**37,928**
Maintenance cost	**2,982**	5,310	**35,928**
Unsettled accounts receivable and payable	**2,061**	1,333	**24,831**
Accrued enterprise taxes	**1,557**	2,085	**18,759**
Tax loss carry forwards	**331**	4,110	**3,988**
Unrealized gains/losses on available-for-sale securities	**1**	3	**12**
Other	**14,533**	14,501	**175,096**
Valuation allowance	**(3,464)**	(4,631)	**(41,735)**
Total	**¥46,893**	¥55,037	**$564,976**
Deferred Tax Liabilities:			
Depreciation	**¥37,138**	¥36,923	**$447,446**
Unrealized gains/losses on available-for-sale securities	**2,520**	4,844	**30,361**
Reserve for special depreciation	**79**	73	**952**
Other	**3,801**	3,781	**45,795**
Total	**¥43,538**	¥45,621	**$524,554**
Net deferred tax assets	**¥ 3,355**	¥ 9,416	**$ 40,422**

Net Deferred Tax Assets are included in the following accounts:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Current assets: Deferred taxes, current	¥ 21,115	¥ 25,962	$ 254,398
Non-current assets: Deferred taxes, non-current	22,185	22,057	267,289
Current liabilities: Other	(447)	(495)	(5,385)
Non-current liabilities: Deferred taxes, non-current	(39,498)	(38,108)	(475,880)

Reconciliation of the difference between the statutory tax rate and effective rate on taxable income is as follows:

	2011	2010
Statutory tax rate	40.4%	40.4%
Dividend income and other not taxable	(4.4)	(5.7)
Elimination of intercompany dividend income	4.4	5.5
Equity in earnings of affiliates	(3.7)	(3.2)
Rate difference from foreign subsidiaries	(1.7)	(1.7)
Tax deduction for research expenses	(1.0)	(1.2)
Entertainment and other non-deductible expenses	0.3	0.4
Income taxes - Prior years	(7.6)	—
Other, net	0.6	(1.1)
Effective tax rate	27.3	33.4

Income taxes - Prior years

Income taxes - Prior years consist of the refunded amount of corporation taxes paid in past fiscal years, after the Japanese and U.S. tax authorities reached an agreement settling a dispute about transfer pricing taxation.

21. SUPPLEMENTAL CASH FLOW INFORMATION

Cash and cash equivalents on the consolidated statements of cash flows consist of cash in hand, deposits that can be withdrawn without limitation and liquid investments which are easily convertible into cash, and that mature within approximately three months from the acquisition date and have insignificant risk exposure in terms of fluctuation on value of the investments.

Reconciliations between cash and equivalents and the related accounts shown in the consolidated balance sheets as of March 31, 2011, 2010 and 2009 are presented below:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Cash and time deposits	¥244,003	¥209,046	¥209,542	$2,939,795
Securities	116,715	109,762	111,878	1,406,205
Time deposits for which maturities are approximately over three months	(46,882)	(37,434)	(31,829)	(564,843)
Securities (maturities approximately over three months)	(11,550)	(10,930)	(38,546)	(139,157)
Cash and cash equivalents	¥302,286	¥270,444	¥251,045	$3,642,000

22. SEGMENT AND RELATED INFORMATION

1. Segment information

(1) Overview of reportable segment

The reportable segments in the Shin-Etsu Group are defined as individual units, where independent financial information is available and which are subject to regular review to evaluate their results and decide the allocation of management resources by the highest decision making body of the Company, such as Managing Directors' Meeting.

The Shin-Etsu Group conducts business through each business division and affiliated companies according to each kind of product and service, consisting of the following six segments: "PVC/Chlor-Alkali Business," "Silicones Business," "Specialty Chemicals Business," "Semiconductor Silicon Business," "Electronics & Functional Materials Business" and "Diversified Business." Consequently, these six businesses are specified as reportable segments.

Main products and services of each segment are as follows:

Segment	Main products and services
PVC/Chlor-Alkali Business	Polyvinyl chloride, Caustic soda, Methanol, Chloromethane
Silicones Business	Silicones
Specialty Chemicals Business	Cellulose derivatives, Silicon metal, Polyvinyl alcohol, Synthetic pheromones
Semiconductor Silicon Business	Semiconductor silicon
Electronics & Functional Materials Business	Rare-earth magnets for electronics industry and general applications, Semiconductor encapsulating materials, Coating materials for LEDs, Photoresists, Photomask blanks, Synthetic quartz products, Liquid fluoroelastomers, Pellicles
Diversified Business	Processed plastics, Export of plant equipment, Technology licensing, International trading, Engineering

(2) Measurement of income, assets and liabilities of reportable segments

Income for each reportable segment denotes operating income, and the accounting methods applied are identical with those stated in "Basis of presenting financial statements." Internal revenues and transfers arising from transactions among the segments are based on market prices in general.

The Shin-Etsu Group does not allocate assets and liabilities to business segments.

(3) Information regarding income (loss) and others of reportable segments

	Millions of yen								
	2011								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total	Adjustment[1]	Figures in consolidated financial statements
Sales to outside customers	¥283,525	¥143,065	¥83,513	¥283,789	¥141,384	¥122,981	¥1,058,257	¥ —	¥1,058,257
Intersegment sales	26,828	4,056	6,649	6	3,464	65,381	106,384	(106,384)	—
Total	¥310,353	¥147,121	¥90,162	¥283,795	¥144,848	¥188,362	¥1,164,641	¥(106,384)	¥1,058,257
Segment income (Operating income)	¥ 19,675	¥ 34,057	¥12,915	¥ 38,865	¥ 36,118	¥ 7,341	¥ 148,971	¥ 251	¥ 149,222
Depreciation and amortization	¥ 12,807	¥ 7,992	¥ 7,253	¥ 45,964	¥ 14,706	¥ 4,366	¥ 93,088	¥ (281)	¥ 92,807
Amortization of goodwill	¥ —	¥ —	¥ 925	¥ —	¥ —	¥ 0	¥ 925	¥ —	¥ 925
Increase in property, plant and equipment and intangible fixed assets[2]	¥ 55,731	¥ 6,641	¥14,661	¥ 24,406	¥ 9,501	¥ 3,321	¥ 114,261	¥ (371)	¥ 113,890

	Millions of yen								
	2010								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total	Adjustment[1]	Figures in consolidated financial statements
Sales to outside customers	¥237,731	¥122,349	¥80,482	¥254,028	¥113,778	¥108,470	¥ 916,838	¥ —	¥916,838
Intersegment sales	3,128	3,348	5,355	43	2,197	91,555	105,626	(105,626)	—
Total	¥240,859	¥125,697	¥85,837	¥254,071	¥115,975	¥200,025	¥1,022,464	¥(105,626)	¥916,838
Segment income (Operating income)	¥ 19,577	¥ 24,917	¥13,902	¥ 22,631	¥ 30,746	¥ 6,783	¥ 118,556	¥ (1,340)	¥117,216
Depreciation and amortization	¥ 12,065	¥ 8,282	¥ 7,937	¥ 41,721	¥ 12,086	¥ 4,224	¥ 86,315	¥ (207)	¥ 86,108
Amortization of goodwill	¥ —	¥ —	¥ 1,622	¥ —	¥ —	¥ (8)	¥ 1,614	¥ —	¥ 1,614
Increase in property, plant and equipment and intangible fixed assets[3]	¥ 65,134	¥ 5,134	¥20,530	¥ 12,063	¥ 12,791	¥ 7,062	¥ 122,714	¥ (1,478)	¥121,236

	Thousands of U.S. dollars								
	2011								
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Total	Adjustment[1]	Figures in consolidated financial statements
Sales to outside customers	**$3,415,964**	**$1,723,675**	**$1,006,181**	**$3,419,144**	**$1,703,421**	**$1,481,699**	**$12,750,084**	**$ —**	**$12,750,084**
Intersegment sales	**323,229**	**48,868**	**80,108**	**72**	**41,735**	**787,723**	**1,281,735**	**(1,281,735)**	**—**
Total	**$3,739,193**	**$1,772,553**	**$1,086,289**	**$3,419,216**	**$1,745,156**	**$2,269,422**	**$14,031,819**	**$(1,281,735)**	**$12,750,084**
Segment income (Operating income)	**$ 237,048**	**$ 410,325**	**$ 155,602**	**$ 468,253**	**$ 435,157**	**$ 88,446**	**$ 1,794,831**	**$ 3,024**	**$ 1,797,855**
Depreciation and amortization	**$ 154,301**	**$ 96,289**	**$ 87,386**	**$ 553,783**	**$ 177,181**	**$ 52,602**	**$ 1,121,542**	**$ (3,385)**	**$ 1,118,157**
Amortization of goodwill	**$ —**	**$ —**	**$ 11,145**	**$ —**	**$ —**	**$ 0**	**$ 11,145**	**$ —**	**$ 11,145**
Increase in property, plant and equipment and intangible fixed assets[2]	**$ 671,458**	**$ 80,012**	**$ 176,639**	**$ 294,048**	**$ 114,470**	**$ 40,012**	**$ 1,376,639**	**$ (4,458)**	**$ 1,372,181**

Notes: [1] Elimination of intersegment transactions.

[2] During the fiscal year ended March 31, 2011, the Company made investments of ¥2,993 million ($36,060 thousand) and ¥3,001 million ($36,157 thousand) respectively in new non-consolidated subsidiaries established in China: Shin-Etsu Silicone (Nantong) Co., Ltd. (Silicones Business) and Shin-Etsu (Jiangsu) Optical Preform Co., Ltd. (Electronics & Functional Materials Business). The expenditures related to the investments are not included in the table above. The total capital expenditures for the fiscal year ended March 31, 2011, including these investments, amounted to ¥119,885 million ($1,444,398 thousand). (Capital expenditures for Silicones Business and Electronics & Functional Materials Business amounted to ¥9,634 million ($116,072 thousand) and ¥12,502 million ($150,627 thousand), respectively.)

[3] During the fiscal year ended March 31, 2010, the Company acquired additional shares of CIRES, S.A., which was an affiliate under the equity method belonging to PVC/Chlor-Alkali Business. As a result, CIRES and its 3 subsidiaries were integrated as consolidated subsidiaries. The expenditure of ¥2,558 million ($27,505 thousand) for acquiring the additional shares is not included in the table above. When this expenditure is included, the amount of capital expenditure in the fiscal year ended March 31, 2010 amounted to ¥123,794 million. (Capital expenditures for PVC/Chlor-Alkali Business amounted to ¥67,692 million.)

2. Related information

Geographic information

(1) Net Sales

	Millions of yen 2011	Thousands of U.S. dollars 2011
Net Sales		
Japan	**¥ 386,128**	**$ 4,652,145**
U.S.	**153,060**	**1,844,096**
China	**113,709**	**1,369,988**
Other	**405,360**	**4,883,855**
Total	**¥1,058,257**	**$12,750,084**

	Millions of yen 2010
Net Sales	
Japan	¥354,773
North America	137,280
Asia/Oceania	259,160
Europe	98,473
Other Areas	67,152
Total	¥916,838

Note: Main countries or areas
North America....U.S., Canada
Asia/Oceania.......China, Taiwan, South Korea, Singapore, Thailand, Malaysia
Europe ....Germany, France
Other Areas ....Latin America, Middle East

(2) Property, plant and equipment

	Millions of yen 2011	Thousands of U.S. dollars 2011
Property, plant and equipment		
Japan	**¥260,694**	**$3,140,892**
U.S.	**276,339**	**3,329,386**
Other	**83,301**	**1,003,626**
Total	**¥620,334**	**$7,473,904**

3. Amortization of goodwill and unamortized balance

	Millions of yen 2011							
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Elimination or common asset	Figures in consolidated financial statements
Amortization of goodwill	**¥—**	**¥—**	**¥ 925**	**¥—**	**¥—**	**¥ 0**	**¥—**	**¥ 925**
Unamortized balance	**¥—**	**¥—**	**¥10,522**	**¥—**	**¥—**	**¥—**	**¥—**	**¥10,522**

	Thousands of U.S. dollars 2011							
	PVC/Chlor-Alkali	Silicones	Specialty Chemicals	Semiconductor Silicon	Electronics & Functional Materials	Diversified	Elimination or common asset	Figures in consolidated financial statements
Amortization of goodwill	**$—**	**$—**	**$ 11,145**	**$—**	**$—**	**$ 0**	**$—**	**$ 11,145**
Unamortized balance	**$—**	**$—**	**$126,771**	**$—**	**$—**	**$—**	**$—**	**$126,771**

Additional information

Effective from the fiscal year ended March 31, 2011, "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17 issued on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20 issued on March 21, 2008) have been applied.

23. SUBSEQUENT EVENTS

Appropriation of retained earnings

Subsequent to March 31, 2011, the Company's Board of Directors, with the approval of stockholders on June 29, 2011 declared a cash dividend of ¥21,230 million ($255,783 thousand) equal to ¥50.00 ($0.60) per share, applicable to earnings for the year ended March 31, 2011 and payable to stockholders on the stockholders' register on March 31, 2011.

24. CHANGES IN THE METHOD OF PRESENTATION

Consolidated Statements of Income

Expense item "Cost of inactive facilities" in other expenses is included in "Other, net" for fiscal years ended March 31, 2011 and 2009. It is disclosed as an independent item for fiscal year ended March 31, 2010 as it is greater than ten percent of the total other expenses. The amounts of this expense for the fiscal years ended March 31, 2011 and 2009 are ¥75 million ($904 thousand) and ¥216 million, respectively.

Effective from the fiscal year ended March 31, 2011, "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22 issued on December 26, 2008) and "Cabinet Office Ordinance for Partial Amendment of the Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements" (Cabinet Office Ordinance No.5 issued on March 24, 2009) have been applied.
As a consequence, a new line item has been presented on the consolidated statements of income as "income before minority interests."

Consolidated Subsidiaries

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
As of March 31, 2011

Principal Consolidated Subsidiaries	Percentage of Voting Rights	Fiscal Year-End
Shintech Inc.[1]	100.0	December 31
Shin-Etsu Handotai Co., Ltd.	100.0	March 31
Shin-Etsu Handotai America, Inc.[1]	100.0	December 31
Shin-Etsu Polymer Co., Ltd.	53.1	March 31
S.E.H. Malaysia Sdn. Bhd.[1][2]	100.0	December 31
Shin-Etsu PVC B.V.[1]	100.0	December 31
Shin-Etsu Engineering Co., Ltd.	100.0	March 31
SE Tylose GmbH & Co. KG[1]	100.0	December 31
Shin-Etsu Handotai Europe, Ltd.[1]	100.0	December 31
Nagano Electronics Industrial Co., Ltd.	90.0	February 28
Shin-Etsu Handotai Taiwan Co., Ltd.[1]	70.0	December 31
Naoetsu Electronics Co., Ltd.	100.0	February 28
Shin-Etsu Astech Co., Ltd.	99.6	March 31
S-E, Inc.[1]	100.0	December 31
Shin-Etsu Electronics Materials Singapore Pte. Ltd.[1]	100.0	December 31
Shin-Etsu Finetech Co., Ltd.	100.0	March 31
JAPAN VAM & POVAL Co., Ltd.	100.0	March 31
CIRES, S.A.[1]	100.0	December 31
Shin-Etsu Singapore Pte. Ltd.[1]	100.0	December 31
Shin-Etsu Silicone Korea Co., Ltd.[1]	100.0	December 31
Shinano Polymer Co., Ltd.	100.0	March 31
Shin-Etsu Silicones (Thailand) Ltd.[1]	100.0	December 31
Shin-Etsu (Malaysia) Sdn. Bhd.[1]	100.0	December 31
Nissin Chemical Industry Co., Ltd.	100.0	February 28
Shin-Etsu MicroSi, Inc.[1]	100.0	December 31
Shin-Etsu Silicone Taiwan Co., Ltd.[1]	93.3	December 31
Shin-Etsu Silicones of America, Inc.[1]	100.0	December 31
Shin-Etsu Silicones Europe B.V.[1]	100.0	December 31
Shin-Etsu Unit Co., Ltd.	100.0	March 31
Shin-Etsu Opto Electronic Co., Ltd.[1]	80.0	December 31
Shin-Etsu Polymer (Malaysia) Sdn. Bhd.[1]	100.0	December 31

(1) Overseas subsidiary
(2) S.E.H. Malaysia Sdn. Bhd. issues non-voting shares

Principal Consolidated Subsidiaries	Percentage of Voting Rights	Fiscal Year-End
Shin-Etsu Polymer Europe B.V.[1]	100.0	December 31
Shin-Etsu International Europe B.V.[1]	100.0	December 31
Nihon Resin Co., Ltd.	100.0	December 31
Naoetsu Precision Co., Ltd.	100.0	February 28
Skyward Information Systems Co., Ltd.	100.0	March 31
Shinano Electric Refining Co., Ltd.	77.4	March 31
Fukui Environmental Analysis Center Co., Ltd.	100.0	February 28
Shin-Etsu Film Co., Ltd.	100.0	March 31
Shin-Etsu Technology Service Co., Ltd.	76.9	February 28
Urawa Polymer Co., Ltd.	100.0	March 31
Niigata Polymer Company Limited	100.0	March 31
Shin-Etsu Polymer America, Inc.[1]	100.0	December 31
Naoetsu Sangyo Limited	100.0	March 31
San-Ace Co., Ltd.	100.0	March 31
Shinken Total Plant Co., Ltd.	100.0	February 28
Saitama Shinkoh Mold Co., Ltd.	100.0	March 31
Shinkoh Mold Co., Ltd.	100.0	March 31
Shin-Etsu Magnet Co., Ltd.	100.0	March 31
Shin-Etsu Polymer India Pvt. Ltd.[1]	89.7	December 31
PT. Shin-Etsu Polymer Indonesia[1]	100.0	December 31
Shin-Etsu Polymer Singapore Pte. Ltd.[1]	100.0	December 31
Shin-Etsu Polymer Shanghai Co., Ltd.[1]	100.0	December 31
Shin-Etsu Polymer Hong Kong Co., Ltd.[1]	100.0	December 31
Shin-Etsu Polymer Hungary Kft.[1]	100.0	December 31
Human Create Co., Ltd.	100.0	March 31
Suzhou Shin-Etsu Polymer Co., Ltd.[1]	71.4	December 31
S.E.H. (Shah Alam) Sdn. Bhd.[1]	100.0	December 31
Simcoa Operations Pty. Ltd.[1]	100.0	December 31
Shincor Silicones, Inc.[1]	100.0	December 31
K-Bin, Inc.[1]	100.0	December 31
11 other consolidated subsidiaries		

Report of Independent Auditors

The Board of Directors
Shin-Etsu Chemical Co., Ltd.

We have audited the accompanying consolidated balance sheets of Shin-Etsu Chemical Co., Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Shin-Etsu Chemical Co., Ltd. and consolidated subsidiaries at March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 29, 2011