Integrated Value Creation

Shin-Etsu Chemical Co., Ltd. | Annual Report 2009

For the Year Ended March 31, 2009

Shin-Etsu Group’s Mission Statement

The Group conducts fair business practices, complying with all laws and regulations, and contributes to people’s daily lives as well as to the advance of industry and society by providing key materials and technologies.

Management Objectives for Fiscal 2010

Objective I

Successfully overcome the recession, strengthen business and aim for further growth.

Objective II

Start up new businesses that will become new pillars of the Company.

Objective III

Thoroughly commit to “safety- and environment-first” and achieve zero accidents.

Objective IV

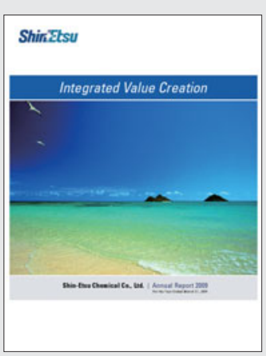
Strive to improve our production technologies and promote product quality, saving resources and environmental countermeasures.

Objective V

Remain thoroughly committed to the spirit of compliance and contribute to society through fair corporate practices.

Profile

The Shin-Etsu Group offers a broad array of market-leading products in its **Organic and Inorganic Chemicals, Electronics Materials,** and **Functional Materials and Others** businesses. The Group has also pursued a global strategy from its early days of selecting the optimal production sites near its main markets and raw materials procurement sources around the world. We focus on cultivating businesses with future growth potential that contribute to the advancement of society while achieving consistently favorable results in daily business. At the same time, the Group places priority on safety, the environment and corporate ethics in its operations around the world in order to be a trusted corporate citizen.



About the Cover

Lanikai Beach on Oahu in Hawaii, from the Shin-Etsu Group Original Calendar 2009 "*NATURE AND LIFE*"
Photo by Junji Takasago

Contents

Forward-looking Statements

This annual report contains forward-looking statements regarding the Company's plans, outlook, strategies and results for the future. All forward-looking statements are based on judgments derived from the information available to the Company at the time of publication.

Certain risks and uncertainties could cause the Company's actual results to differ materially from any projections presented in this report. These risks and uncertainties include, but are not limited to, the economic circumstances surrounding the Company's businesses, competitive pressures, changes in related laws and regulations, status of product development programs, and changes in exchange rates.

Financial Highlights

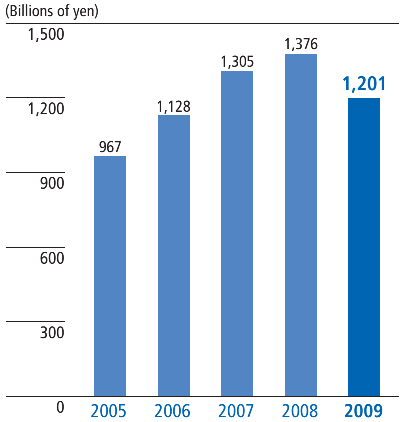
SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the years ended March 31, 1999 through 2009

Millions of Yen

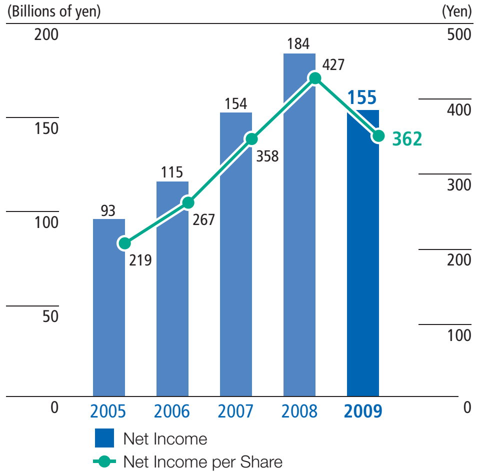
	2009	2008	2007	2006	2005
For the year:					
Net sales	**¥1,200,814**	¥1,376,365	¥1,304,696	¥1,127,916	¥ 967,486
Operating income	**232,927**	287,146	241,029	185,320	151,734
Net income	**154,732**	183,580	154,010	115,045	93,161
Capital expenditures	**159,407**	268,479	210,613	145,330	110,278
Depreciation and amortization	**119,457**	141,270	138,462	111,637	90,875
At year-end:					
Total assets	**¥1,684,945**	¥1,918,545	¥1,859,996	¥1,671,281	¥1,476,249
Working capital	**606,632**	638,807	628,986	572,206	444,935
Common stock	**119,420**	119,420	119,420	119,420	117,513
Net assets	**1,407,354**	1,483,669	1,360,315	—	—
Stockholders' equity	**—**	—	—	1,173,680	996,307
Interest-bearing debt	**23,828**	34,045	45,143	83,838	120,422
Per share (Yen and U.S. dollars):					
Net income—primary	**¥ 362.39**	¥ 426.63	¥ 357.78	¥ 266.63	¥ 219.10
Net income—fully diluted	**362.35**	426.35	357.32	266.07	216.11
Cash dividends	**100.00**	90.00	70.00	35.00	20.00
Payout ratio (%)	**27.6**	21.1	19.6	13.1	9.1
Net assets	**3,218.28**	3,344.17	3,065.80	2,730.94	2,329.47
General:					
ROE (%)	**11.0**	13.3	12.4	10.6	9.8
ROA (%)	**13.9**	15.9	14.0	11.8	10.6
Number of employees	**19,170**	20,241	19,177	18,888	18,151
Number of shares issued (Thousands)	**432,107**	432,107	432,107	432,107	430,119

Notes: 1. The U.S. dollar amounts represent conversion of yen, for convenience only, at the rate of ¥98=US$1, the approximate rate of exchange on March 31, 2009.
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."

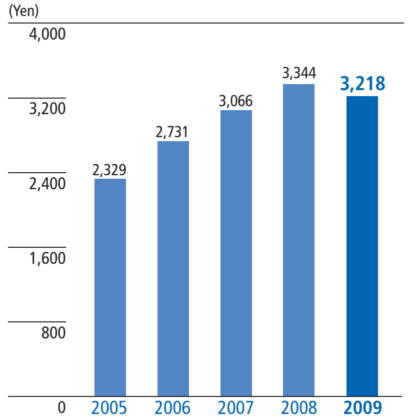
Net Sales



Net Income and Net Income per Share



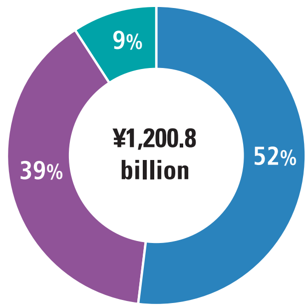
Net Assets per Share



Note: Graphs are based on fiscal years ended March 31.

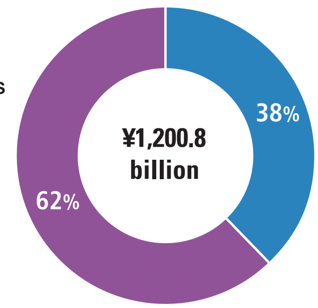
Net Sales
by Business Segment

- Organic and Inorganic Chemicals
- Electronics Materials
- Functional Materials and Others



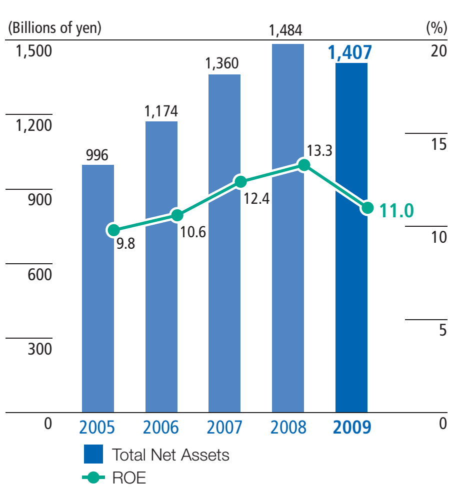
Net Sales
in Japan and Overseas

- Japan
- Overseas



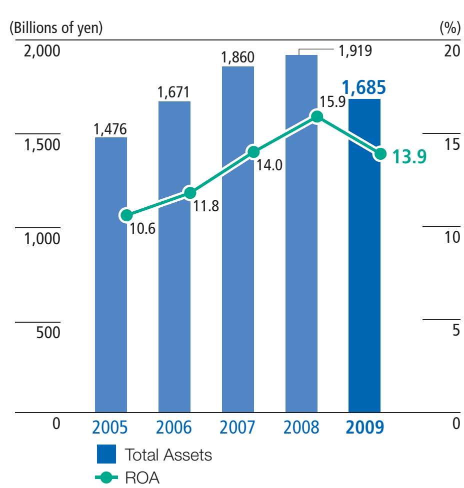
2004	2003	2002	2001	2000	1999	Thousands of U.S. dollars[1] 2009
¥ 832,805	¥ 797,523	¥ 775,097	¥ 807,485	¥ 678,859	¥ 642,796	**$12,253,204**
125,626	122,150	114,724	112,677	87,465	86,323	**2,376,806**
74,806	73,016	68,519	64,505	48,229	43,363	**1,578,898**
113,591	75,211	81,543	96,770	80,003	73,641	**1,626,602**
73,582	66,566	70,878	70,767	61,384	56,196	**1,218,949**
¥1,386,216	¥1,310,875	¥1,288,432	¥1,265,799	¥1,168,729	¥1,060,973	**$17,193,316**
401,879	409,262	363,677	350,273	273,193	261,691	**6,190,122**
110,493	110,272	110,260	110,247	107,664	98,243	**1,218,571**
—	—	—	—	—	—	**14,360,755**
900,724	846,962	812,068	714,996	651,261	564,067	**—**
163,167	167,362	182,729	197,085	259,847	256,993	**243,143**
¥ 177.25	¥ 173.13	¥ 162.93	¥ 153.58	¥ 116.56	¥ 109.36	**$ 3.698**
173.52	169.36	159.38	150.24	113.46	103.17	**3.697**
16.00	14.00	12.00	12.00	10.00	9.00	**1.020**
9.0	8.1	7.4	7.8	8.6	8.2	**27.6**
2,140.23	2,014.11	1,930.30	1,699.74	1,557.48	1,380.43	**32.840**
8.6	8.8	9.0	9.4	7.9	8.2	**11.0**
9.3	9.4	9.2	9.5	7.6	7.2	**13.9**
17,384	16,573	16,456	19,398	18,754	18,384	**19,170**
422,798	422,568	422,555	422,542	419,848	410,015	**432,107**

Total Net Assets* and ROE

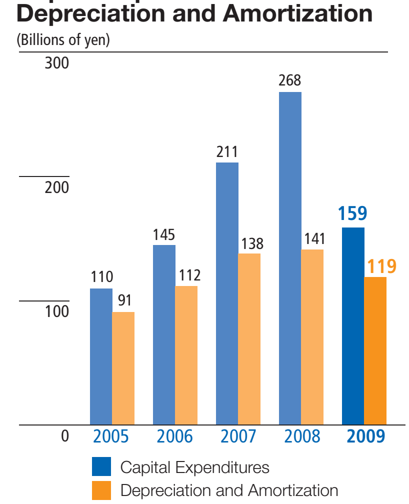


* Figures for 2005 and 2006 represent stockholders' equity as reported under the former accounting standard.

Total Assets and ROA



Capital Expenditures and Depreciation and Amortization



To Our Stockholders

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

Chihiro Kanagawa
President and CEO

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

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

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

Aggressively pursuing our businesses on the global markets

PVC business

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

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

Semiconductor silicon business

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

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

Cellulose business

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

Rare-earth magnets business

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

Semiconductor materials for photolithography

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

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

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

Fulfilling corporate social responsibility

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

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

Plans for fiscal 2010

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

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

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

C. Kanagawa

Chihiro Kanagawa
President and CEO

Integrated Value Creation

Flexible Production Expansion through Integrated Facilities

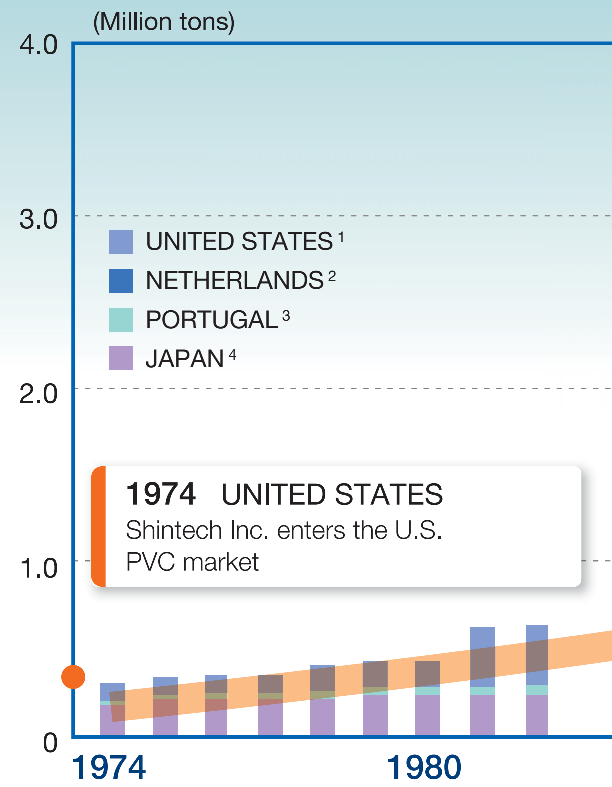
Since beginning operations in 1974, Shintech Inc. has repeatedly expanded its PVC production facilities. Shintech now has more than 20 times its initial production capacity, making it the world's largest PVC manufacturer.

In Plaquemine, Louisiana, the first-stage construction of Shintech's new integrated PVC manufacturing facility handling all processes from raw materials was completed and the facility began operations in 2008. Shintech is now producing its own raw material for PVC at the new plant, with a total annual PVC production capacity of 2.3 million tons.

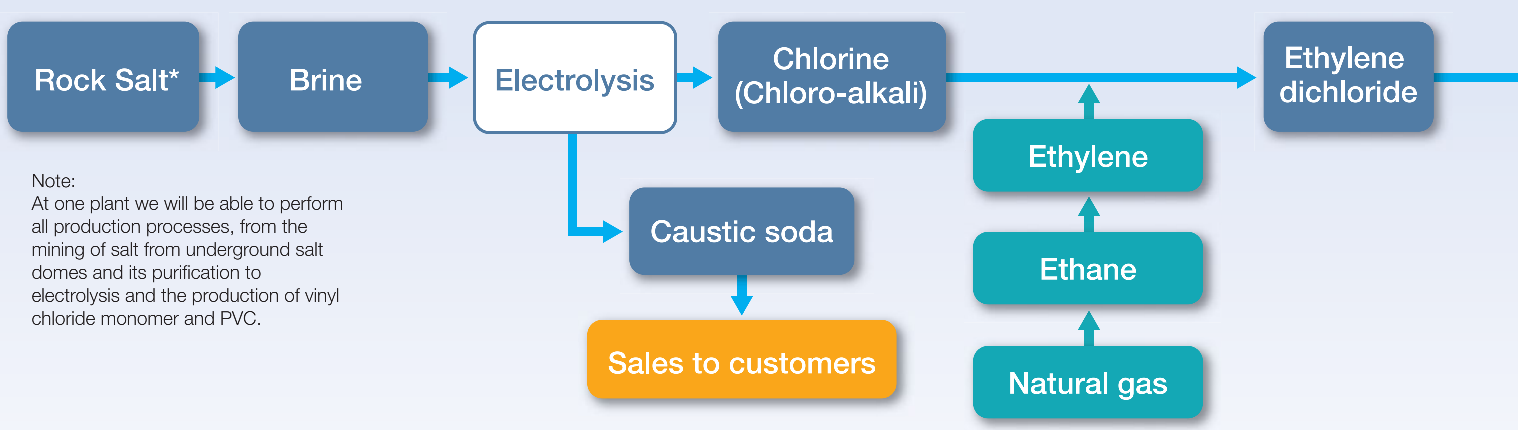
The second-phase construction of the new integrated PVC manufacturing facility at Plaquemine is under way, and after its completion Shintech's PVC annual production capacity will increase by an additional 300,000 tons.

Until now, Shintech has purchased most of its vinyl chloride monomer, which is a raw material needed to make PVC, from The Dow Chemical Company, its excellent, long-standing and reliable partner. Shintech renewed this long-term raw-material procurement contract in January 2008. While continuing to purchase raw material from Dow Chemical, Shintech will strengthen its competitiveness by establishing an integrated system that enables in-house vinyl chloride monomer production whenever necessary.

Shintech has acquired a 7,000-acre industrial-use site in Plaquemine, Louisiana. The site is ideally located, as it fronts on the Mississippi River, which is a vital long-range U.S. transportation corridor. Shintech's new integrated PVC manufacturing facility is located on part of this site. Going forward, we will promote the effective use of this vast expanse of land in order to expand the operations of the Shin-Etsu Group.



Integrated Production System from Rock Salt to PVC Resins



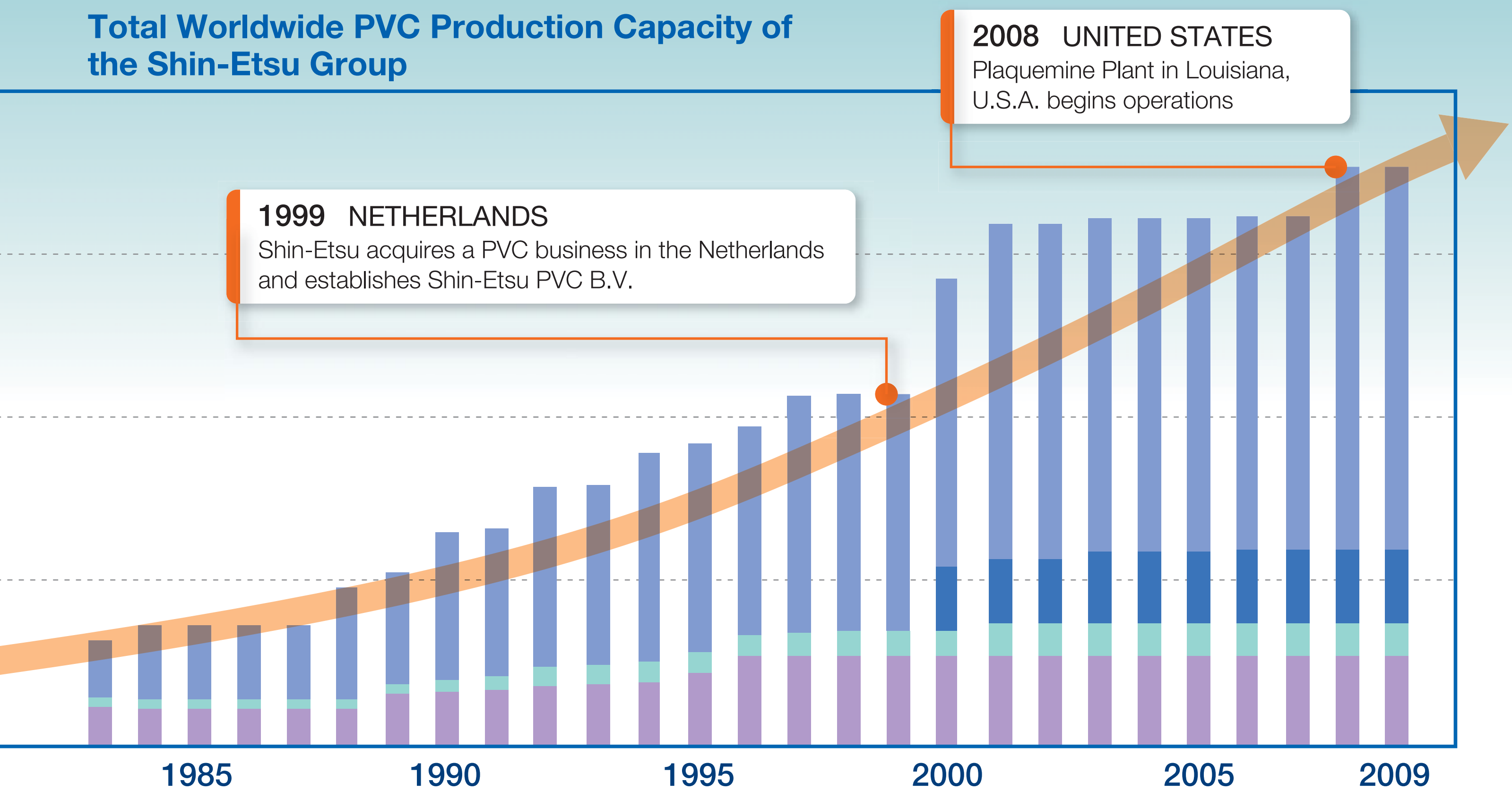
Note:
At one plant we will be able to perform all production processes, from the mining of salt from underground salt domes and its purification to electrolysis and the production of vinyl chloride monomer and PVC.

Freeport Plant in Texas

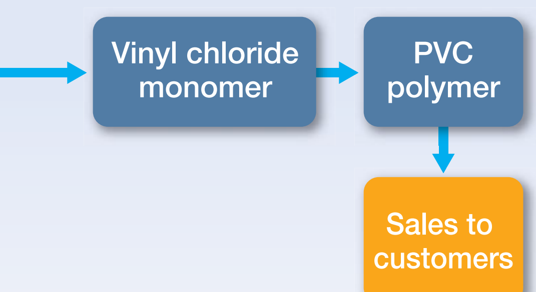
Addis Plant in Louisiana

Plaquemine Plant in Louisiana

Total Worldwide PVC Production Capacity of the Shin-Etsu Group



Notes:
1. UNITED STATES (Shintech Incorporated — Freeport Plant, Addis Plant, Plaquemine Plant)
2. NETHERLANDS (Shin-Etsu PVC B.V.)
3. PORTUGAL (CIRES, S.A. (Companhia Industrial de Resinas Sinteticas, S.A.))
4. JAPAN (Shin-Etsu Chemical Co., Ltd. — Kashima Plant)



Small Business Development Center supported by Shintech's contribution

Shintech's employees volunteer for many local community projects

Shin-Etsu's Contributions to Semiconductor Production

The Shin-Etsu Group is a global leader in developing sophisticated technologies for the semiconductor industry. Throughout the semiconductor production process, Shin-Etsu technologies support greater integration and production efficiency.

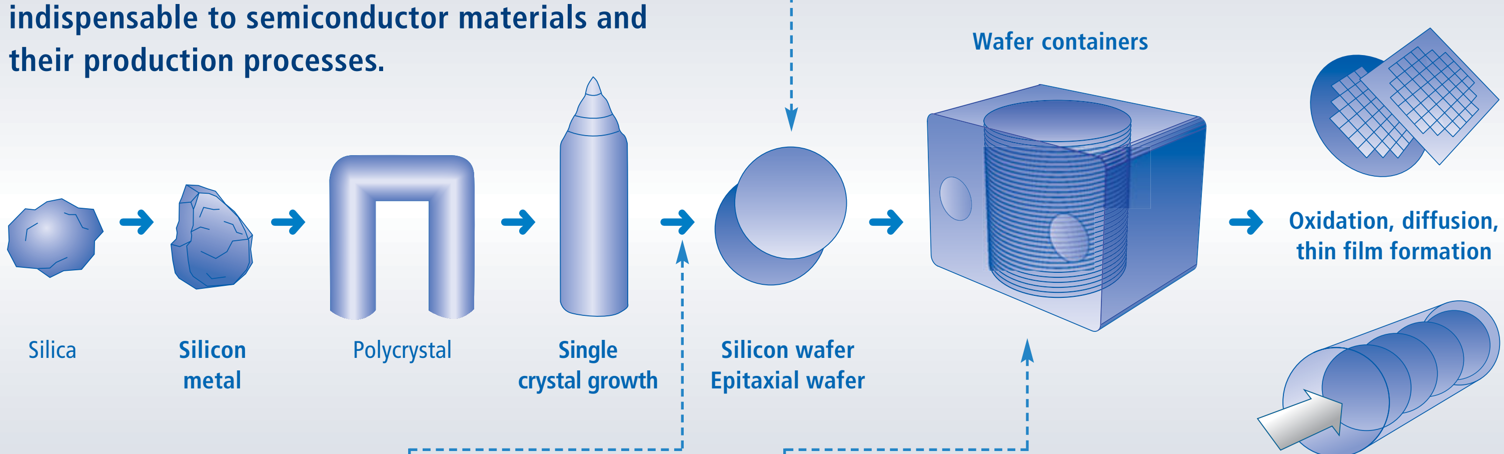
Silicon Wafers

Shin-Etsu was first in the world to mass produce 300mm silicon wafers in 2001. Shin-Etsu Handotai Co., Ltd. established defect-free technology for single crystals, gaining strong customer trust for its commercial production capabilities and quality technologies.

Shirakawa Plant of Shin-Etsu Handotai Co., Ltd.

Quality inspection of silicon wafer is strictly implemented.

Various products developed by Shin-Etsu are indispensable to semiconductor materials and their production processes.



Silicon Carbide Products

Silicon carbide products of Shinano Electric Refining greatly contribute to improving precise processing of silicon wafers as sawing materials and abrasives.

Wafer Containers

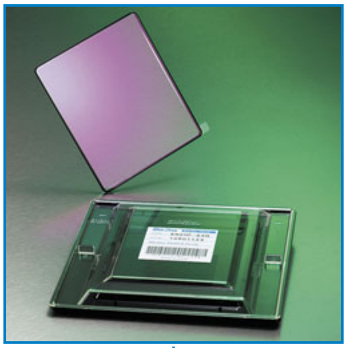
Group company Shin-Etsu Polymer has an excellent track record in front opening shipping boxes (FOSB) and front opening unified boxes (FOUP).

Quartz Glass for Semiconductor Production Processes

The Shin-Etsu Group's synthetic quartz glass products meet the customer's needs of high-temperature processes.

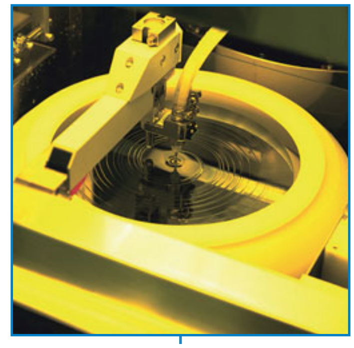
Pellicles

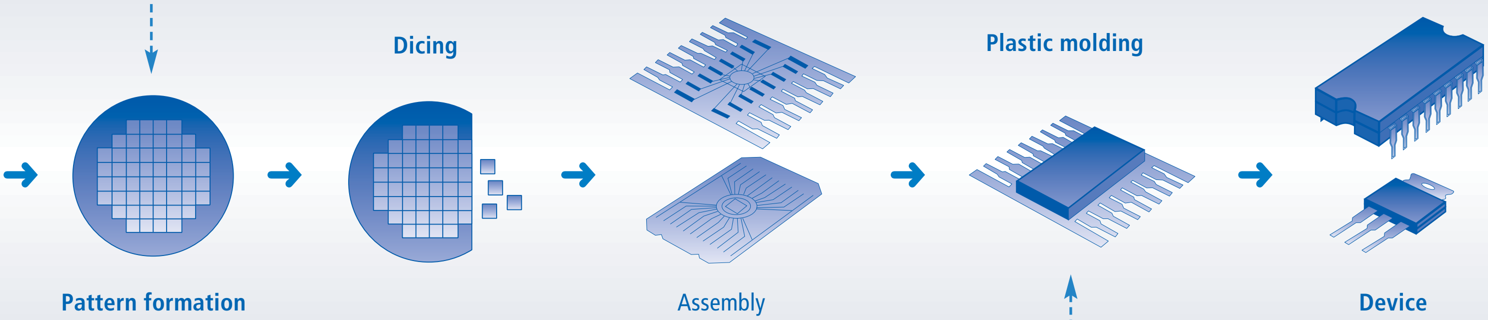
Shin-Etsu supplies high-quality pellicles for ArF and KrF excimer laser lithography. These products have high light-resistance and good transmission uniformity. In addition, Shin-Etsu has succeeded in the development of super large-size pellicles for the production of liquid crystal display (LCD) panels.



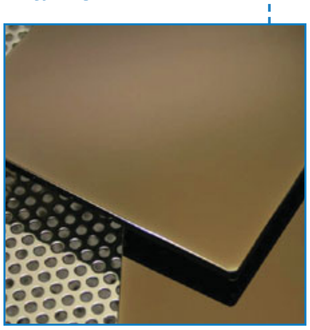
Photoresists

Shin-Etsu developed the first photoresist for use with the short wavelength excimer laser in 1996, and has become the leading manufacturer in this field. Sales have also begun for trilayer materials used in post-45nm generation miniaturization processes.



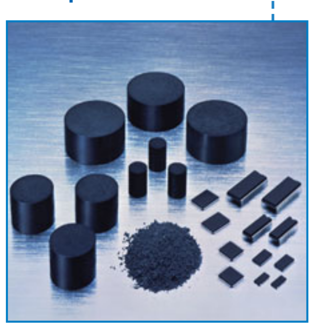


Photomask Blanks



Shin-Etsu has developed photomask blanks that are base materials of cutting-edge photomasks essential for high integration in semiconductor devices. Recently, samples were highly evaluated and commercial production has begun.

Epoxy Molding Compounds



Shin-Etsu's epoxy molding compounds provide excellent reliability and moldability due to the utilization of Shin-Etsu's own silicone low-stress technology, special filler technology and unique flame retardation technology, or "green compound technique."

Silicone-based Thermal Interface Materials

Shin-Etsu offers various silicone-based thermal materials as thermally conductive materials to fill gaps between heat-generating units like CPUs and heat sinks.

Accelerating R&D to Compete in a Challenging Environment

The Shin-Etsu Group places importance on the development of unique technologies that differentiate it from competitors and adds value to avoid simple price competition.

In a challenging operating environment, the Research & Development Department must commercialize new research to further accelerate development.

New research initiatives begin with identifying new themes. New themes can be proposed at any time from any of Shin-Etsu's divisions, and are selected by the New Z Committee, chaired by the Company president, based on the evaluation criteria of market size, growth potential, profitability and technological originality. The New Z Committee regularly follows the progress of projects, and commercialization begins. Currently, the Company is working on more than 10 research themes with the aim of early commercialization.

The Shin-Etsu Group recognizes that intellectual property, such as patents and technological expertise, is an important management asset. As of March 31, 2009, the Shin-Etsu Group as a whole held 4,724 domestic and 5,818 overseas patents. Of these, the Group obtained 119 patents in the U.S. in 2008, which is top-class among Japanese chemical companies.

Number of Patents by Region

	Number of patents acquired during fiscal 2008	Cumulative number of patents acquired as of the end of fiscal 2009
Japan	577	4,724
North America	120	2,149
Asia/Oceania	219	1,653
Europe	255	2,005
Other Areas	0	11
Total	1,171	10,542

Collaborative Research with the University of Tokyo

Shin-Etsu Chemical and the University of Tokyo have started a joint research project aimed at "knowledge structuring concerning general chemistry." The name of the project is "Shin-Etsu Chemical Project to Promote Research That Leads the Way to the Future - Knowledge Structuring concerning General Chemistry," and the contract period is until March 31, 2012.

The aim of this collaborative research project is to promote the development and integration of new science and engineering fields with a basis in chemistry, such as nanophotonics and MEMS/NEMS, and develop a breakthrough area of industrial technology that creates new value.

Shin-Etsu Chemical intends to use the results of this research to strengthen and expand its businesses and products. Applications are expected in the fields of medical care, nanotechnology and new renewable energy.

Appointment of Dr. Hiroshi Komiyama as Special Adviser

Shin-Etsu has appointed Dr. Hiroshi Komiyama, former president of the University of Tokyo, as Special Adviser effective May 1, 2009.

In addition to Dr. Komiyama's specialized knowledge in the field of chemical engineering, he is renowned for his knowledge and experience in broad areas of science and technology research including advanced material engineering, global environmental engineering and the structuring of knowledge.

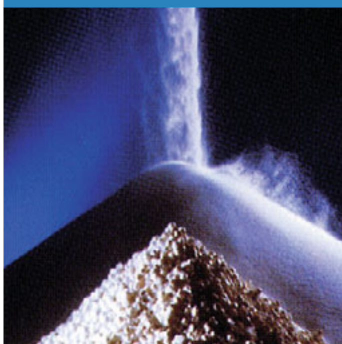
Dr. Komiyama has built up an extensive network in the academic world, and the advice that Shin-Etsu receives from him will be very helpful in furthering the success of the Company's business-academic collaborations. In addition, his expert guidance will assist the Company's efforts to improve its chemical plant process technologies.

On the occasion of his appointment as Special Adviser, Dr. Komiyama said "By making use of my experience and my professional network, I hope to be able to be of service in the further development of Shin-Etsu Chemical, which has grown to become a leading global company under the leadership of President Kanagawa."

President Kanagawa (left), Dr. Komiyama (right)

The Shin-Etsu Group at a Glance

Organic and Inorganic Chemicals



No. 1 market share worldwide for
polyvinyl chloride (PVC)

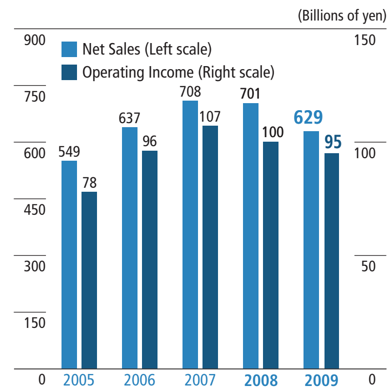
Main Products

- Polyvinyl chloride (PVC)
- Silicones
- Methanol
- Caustic soda
- Cellulose derivatives
- Synthetic pheromones
- Silicon metal

Results for Fiscal 2009

In the PVC business, profits at Shintech of the United States grew substantially as the company continued to operate at high capacity. Results for the silicone business were lower than in the previous fiscal year due to declining demand from the second half. The cellulose derivatives business was strong in Japan, but results at SE Tylose GmbH & Co. KG in Germany were flat.

Net Sales and Operating Income



Electronics Materials

No. 1 market share worldwide for
semiconductor silicon

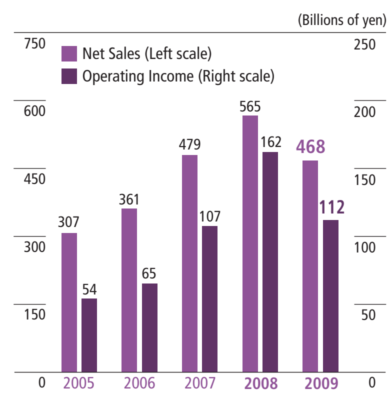
Main Products

- Semiconductor silicon
- Rare-earth magnets for the electronics industry
- Epoxy molding compounds
- Photoresists

Results for Fiscal 2009

In the semiconductor silicon business, results were lower than in the previous fiscal year due to a rapid decrease in demand for semiconductor devices from the second half. Sales of rare-earth magnets to the electronics industry were weak as a result of adjustments in hard disk drive production. Results for photoresists were lower than in the previous fiscal year due to a downturn in shipments.

Net Sales and Operating Income



Functional Materials and Others

No. 1 market share worldwide for
photomask substrates

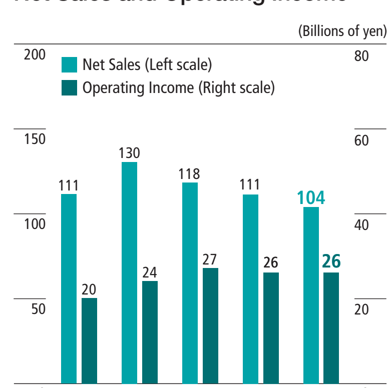
Main Products

- Synthetic quartz products
- Rare-earth magnets for general applications
- Rare earths
- Liquid fluoroelastomers
- Flexible copper-clad laminates
- Pellicles

Results for Fiscal 2009

In the synthetic quartz products business, sales were firm for optical fiber preforms, but weak for large-size photomask substrates for LCDs. Results for rare-earth magnets for general applications were flat due to a decline in demand from the second half. Sales were flat for liquid fluoroelastomers, but strong for pellicles.

Net Sales and Operating Income



PVC is used in window frames due to its superior heat insulation capabilities.

Organic and Inorganic Chemicals

Net Sales of Main Products

(Billions of yen)

	2009	2008	2007
Polyvinyl chloride (PVC)	324.9	363.7	375.8
Silicones	171.8	199.7	198.8
Cellulose derivatives and others	132.5	137.6	133.8
Total	629.2	701.0	708.4

The superior adhesiveness, durability and deep hardening qualities of silicone-based, elastic joint sealing material make it effective for aquariums and other large-size water tanks.

Polyvinyl Chloride (PVC)

PVC is a commodity plastic resin having superior use properties, processability and economic advantages. Life-cycle assessment shows major environmental benefits, too: Manufacturing PVC requires less petroleum resources than making other plastics, and PVC recycling is also progressing.

In North America, demand for PVC products is primarily in the forms of pipes and exterior walls. In Europe and Asia, PVC is used mainly for pipes and window frames. Recently, builders in Japan have begun using more PVC window frames due to their superior insulation performance, seasonally reducing the costs of both heating and cooling of homes, which can contribute to reduction of global warming via reduced energy needs.

Shin-Etsu is expanding its PVC production capacity at Shintech Inc. in the United States. In 2008, operations commenced at our additional large-scale integrated PVC plant in the state of Louisiana, which handles all processes from raw materials. Besides Shintech, the Shin-Etsu Group will strengthen its PVC businesses in Europe and elsewhere, going forward with tri-lateral bases positioned to best serve all world markets.

Silicones

Silicones combine organic and inorganic properties and can be produced in various physical forms, such as fluid, resin or rubber. Their numerous unique properties include electrical insulation, as well as heat, cold and weather resistance. We currently provide more than 4,000 different kinds of silicone products for applications that contribute to improved functionality of products, rationalization and increased efficiency of production processes in a wide range of fields such as the electrical, electronics, automotive, construction, cosmetics, toiletries and chemical industries.

In Japan as well as in China and elsewhere overseas, we are aggressively going forward with the expansion of production and sales in the regions where silicone is in demand. In addition to promoting the development of new products and new applications, the Shin-Etsu Group has been working to maintain stable operations at its manufacturing facilities in Japan, Thailand and around the world.

Cellulose Derivatives

Cellulose derivatives are an environmentally friendly material made from a natural polymer. Shin-Etsu has developed a wide array of cellulose derivative products that are used in diverse fields such as pharmaceutical coatings and binders for tablets and granules, construction, civil engineering, agriculture, fine ceramics, paper processing, foods and toiletries.

In addition to the Naoetsu Plant, construction is currently progressing on pharmaceutical cellulose production facilities at SE Tylose GmbH & Co. KG in Germany in order to stabilize supply by establishing multiple production bases.

Organic and Inorganic Chemicals and Other Related Products

Synthetic sex pheromones disrupt insect mating behaviors and, as a result, suppress the population of the next generation. In Europe and North America, they are widely used in fruit orchards, such as apple, peach and grape. In Japan, they are used mainly in fruit orchards as well as in vegetable fields, such as cabbage, and in tea fields. Mating disruption is gaining wider attention as an alternative technique to insecticides, and Shin-Etsu will continue to expand sales worldwide.

Meanwhile, Simcoa Operations Pty. Ltd., a wholly owned subsidiary in Western Australia, produces 30,000 tons of high-quality silicon metal annually. This secures a stable, long-term supply of quality silicon metal, which is used as a raw material in the Shin-Etsu Group's core businesses such as semiconductor silicon, silicones and synthetic quartz.

Topics — Making CIRES a Wholly Owned Consolidated Subsidiary

Shin-Etsu is making progress in procedures to make Compania Industrial de Resinas Sintéticas, S.A. (CIRES) of Portugal, which manufactures and sells PVC in Europe, a wholly owned subsidiary. This is aimed at speeding up operations at CIRES and expanding the PVC business in Europe. CIRES is working to strengthen profitability as a wholly owned Shin-Etsu Group subsidiary by further improving its existing manufacturing technologies and sales capabilities.

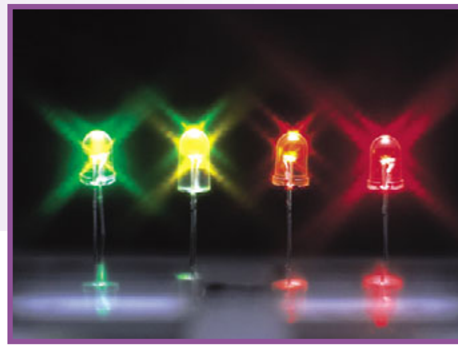
Electronics Materials

Silicon wafers boast a degree of evenness to within 65 nanometers.

Net Sales of Main Products

(Billions of yen)

	2009	2008	2007
Semiconductor silicon	**404.9**	482.8	406.7
Others	**62.6**	81.9	72.7
Total	**467.5**	564.7	479.4



Epoxy molding compounds, which are silicone variations, are necessary materials for high-intensity LEDs.

Semiconductor Silicon

The Shin-Etsu Group is the world's top silicon wafer supplier, with a worldwide market share of approximately 33 percent. The Shin-Etsu Group is providing products that meet the needs of the world's most advanced technologies, and respond to all client demands and requests.

The Shin-Etsu Group has been providing a stable supply to users from its silicon wafer production bases in Japan, Malaysia, the United States, the United Kingdom and Taiwan.

As for 300mm wafers, the Group is going forward with mass production at its five production sites in Japan and the United States. In the future, the Group will apply its collective strength to fulfill its duties as the world's largest manufacturer by accurately grasping market trends and maintaining its framework for promptly increasing capacity to meet demand.

For wafer products with a diameter of 200mm or less, the Group is also focusing on expanding sales of such special products as SOI wafers, used for applications in highly functional devices.

Rare-Earth Magnets for the Electronics Industry

The Shin-Etsu Group has the largest global market share for rare-earth magnets for voice coil motors (VCM), which are used for hard disk drives (HDD) used in computers, servers and audiovisual-recording devices.

The Shin-Etsu Group is the only manufacturer in the world to carry out integrated production of high-quality rare-earth magnets starting from high-purity rare earth. Beginning with material development, the Shin-Etsu Group then uses its ability to quickly adapt in moving from prototype to commercial production to respond to customer needs, providing a stable supply of products, developing products that meet application requirements and maintaining thorough quality control.

Photoresists and Other Products

The Shin-Etsu Group has established a system to supply the principal materials needed for the lithography process in semiconductor manufacturing. We have used our close connections with the semiconductor industry to develop, commercially produce and market photoresists for KrF (krypton fluoride) and ArF (argon fluoride) excimer lasers as a photo-sensitive material used in printing semiconductor circuits, I-line resists, and the dust protective covers called pellicles, used for photomasks with excimer laser lithography.

Although Shin-Etsu entered the photoresist market last, it is now the leading photoresist manufacturer in the world, with a share of around one-third of the market due to the Company's meticulous response to customers' technological innovations and widespread client trust.

The Group is preparing for the next generation of semiconductor devices such as the development of the most advanced photomask blanks.

Epoxy Molding Compounds

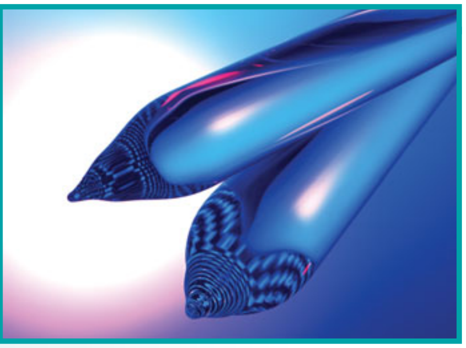
Epoxy molding compounds are used as packaging materials in almost all semiconductor products. The Shin-Etsu Group is working aggressively to meet diversified needs for semiconductor packaging.

Based on cutting-edge technology accumulated through the development of various silicone products, the Shin-Etsu Group has provided a succession of unique products that are differentiated from those of other companies. These include Green EMC products, which introduced a flame-retardant system that responds to environmental requirements, liquid epoxy resins, and molding materials modified with silicones for high-brightness LEDs.

Topics — Acquisition of Land in Nishigo, Fukushima Prefecture

Shin-Etsu acquired land in Nishigo, Fukushima Prefecture, in August 2008. Shin-Etsu Handotai Co., Ltd.'s Shirakawa Plant, which is located several kilometers away in the same village, has been the primary manufacturing facility for semiconductor silicon wafers since 1984. The newly acquired land has the same excellent utilities as the Shirakawa Plant, including clear and fresh industrial water, and superior access to Tokyo. We will use this land to further expand the Shin-Etsu Group's business.

Preforms for
optical fiber



Functional Materials and Others

A variety of
rare-earth magnets

Net Sales of Main Products (Billions of yen)

	2009	2008	2007
Synthetic quartz products	**25.8**	29.6	32.9
Rare earths and rare earth magnets, etc.	**36.9**	37.4	34.8
Others	**41.4**	43.7	49.2
Total	**104.1**	110.7	116.9

Synthetic Quartz Products

With silicon metal refined to a high degree of purification as a raw material, the Shin-Etsu Group mass produces high-purity synthetic quartz, which is extremely high in purity compared to natural quartz.

The Group supplies synthetic quartz products such as preforms for optical fiber, LSI photomask substrates, and large-size photomask substrates for LCDs, which are indispensable materials for the IT industry.

The Shin-Etsu Group is committed to differentiation through quality and will work to ensure a proper response to demand trends for optical fiber preforms and large-size photomask substrates for LCD panels to prepare for the further development of the high-level information society.

Rare Earths and Rare-Earth Magnets for General Industrial Use

The Shin-Etsu Group uses high-level separation and refining technologies and physical property control technologies to commercially produce rare-earth materials for a wide range of applications in such products as plasma display panels, LCD TVs, fluorescent lamps, and fluorescent materials for LEDs.

By maximizing strong magnetic force, the Group's rare-earth magnets for general industrial use contribute to the introduction of products that are lighter in weight, smaller in size, and higher in output for equipment such as motors. With a wide range of applications in such product areas as energy-efficient air conditioners and other home appliances, and various motors for automobiles, rare-earth magnets have begun to be used in such energy-saving and environmentally friendly applications as motors for hybrid cars and wind-power generators.

Liquid Fluoroelastomer SHIN-ETSU SIFEL®

SHIN-ETSU SIFEL® is a liquid fluoroelastomer that Shin-Etsu was the first in the world to develop. Its form before hardening is either a liquid or a paste, and after heat curing, it becomes a flexible synthetic rubber material. SHIN-ETSU SIFEL® has superior resistance to cold, keeping its elasticity even at minus 50ºC. In addition, it has such desirable characteristics as resistance to oils, solvents, chemicals and heat as well as excellent electrical insulation properties. Accordingly, it is used as a molding material, an adhesive, coating and potting material in a wide range of application fields such as the automotive, aircraft, electric, electronics, office equipment and petrochemical industries. Shin-Etsu continues working to develop new applications.

Other Products

Shin-Etsu's flexible copper-clad laminates (FCLs) are used as materials for printed circuit boards in such electronic products as mobile phones and digital cameras and are contributing to making these products lighter and more compact. Shin-Etsu developed and started marketing original two-layer flexible FCLs and a halogen-free cover layer with excellent properties.

Shin-Etsu Engineering Co., Ltd. consists of the Plant Division and the Electro-Mechanics Division. Both divisions contribute to expanding and automating the Shin-Etsu Group's investment projects and receive a large number of orders from companies outside of the Group. The Electro-Mechanics Division also supplies alignment machines for panel production of LCDs and Plasma Display Panels (PDPs).

Topics Shin-Etsu's Magnets Used in Toyota Prius

Due to their outstanding attraction, heat resistance and durability, Shin-Etsu's rare-earth magnets are installed in high-end hybrid cars, thus contributing to the automobiles' high functionality and energy conservation. The magnets are used in the drive motors of Toyota Motor Corporation's Lexus RX 450h hybrid SUV and its third-generation Prius, which is a new model introduced in spring 2009.

The new Prius (prototype)

Corporate Social Responsibility (CSR)

The Shin-Etsu Group believes that the primary social responsibility a corporation must fulfill is to obey laws and regulations in conducting its corporate activities, make a profit and pay taxes. On the occasion of Shin-Etsu's 80th anniversary, we established our corporate mission statement, "To contribute to people's daily lives as well as to the advance of industry and society by providing key materials and technologies." This mission statement also forms the foundation of the Shin-Etsu Group's commitment to CSR. In conducting corporate activities, all employees focus on product development and quality control while considering their effects on the environment and society. Moreover, they promote safety, environmental and social activities in accordance with the actual situation in each plant and each business office.

Steps to Being Accident-Free

Reflecting on the March 20, 2007 explosion and fire at the Naoetsu Plant cellulose manufacturing facility, Shin-Etsu returned to the starting point of placing primary importance on safety and the environment and is working to reform safety measures.

Based on the results of a survey on hazards executed at each production base, we improved processes, facilities and manuals. We use the Company's website to share information both inside and outside the Group on issues including identified hazards and suggestions for improvements that we have collected from employees.

Further, we work to increase employees' safety consciousness by publishing safety features on a regular basis in a variety of in-house media.

Shin-Etsu is working harder than ever to place primary importance on safety and the environment. The entire Company is working as one to create a new framework that ensures no accidents occur, and continues to take all possible measures to restore trust.

Basic CSR Policy

As a good corporate citizen, the Shin-Etsu Group has always endeavored to contribute to society through positive activities in local communities. In April 2005, we established the CSR Promotion Committee, and are totally devoting our efforts to fulfilling our corporate social responsibilities.

A Shin-Etsu employee conducting a science seminar for school students

The Entire Shin-Etsu Group is Working to Implement the Following Basic CSR Policies.

- The Shin-Etsu Group's corporate mission is, "To contribute to people's daily lives as well as to the advance of industry and society by providing key materials and technologies." To achieve this mission, the Group carries out fair and sound business practices, and strives to enhance the corporate value of the Group and become an ever-growing company.
- The Shin-Etsu Group makes it a fundamental management principle to pursue the goals of safety and environmental conservation. The Group promotes corporate activities that place primary importance on safety and environmental conservation and strives to maintain the trust of its stakeholders.
- Respecting the principles of human dignity and life fulfillment, the Shin-Etsu Group forbids any discrimination, any use of compulsory labor and any use of child labor. Furthermore, the Group endeavors to create a work environment where all employees can perform their jobs easily and effectively and fully realize their potential.
- The Shin-Etsu Group is committed to positively contributing to society and to disclosing accurate and timely information to the public about the business activities and position of the Group so as to continue to maintain the trust of society.

Activities for Environmental Control

The Shin-Etsu Group has incorporated safety and the environment in its management policy and is aggressively promoting environmental management in order to realize a sustainable society. We strive to achieve our goals concerning environmental issues, management of chemical substances, management of facilities and prevention of work-related accidents. The results are checked by means of various self-diagnosis and audit systems so as to allow Shin-Etsu to further develop its activities to attain the next level of objectives.

In 2005, Shin-Etsu revised its Environmental Charter, adopted in 1998, which sets forth the basic spirit of its approach to environmental control. Each plant conducts Responsible Care, a self-directed program for improvement of the environment and safety. In addition, all major plants and subsidiaries are carrying out environmental activities with ISO 14001 certification, the international standard for environmental management systems. The Shin-Etsu Group's environmental targets for fiscal 2011 are to curb greenhouse gases by reducing unit energy consumption based on the total amount of sales to 66 percent of the fiscal 1991 level and to achieve zero emissions of waste.

Environmental and Social Report 2008
http://www.shinetsu.co.jp/e/catalog/ER2008E.pdf

Eco-Friendly Products of the Shin-Etsu Group

We tackle the issues of reducing environmental burden and saving natural resources by developing eco-friendly products. Following here are some of the many products we supply that are representative of our contributions to reducing environmental burden.

Polyvinyl Chloride (PVC)

Compared with other plastics, PVC is far less dependent on petroleum resources, and coupled with progress in recycling technologies, it makes major contributions to the environment as well.

PVC Window Frames are Endorsed by the Ministry of the Environment and the University of Tokyo

As reported in news stories, in March 2008 the Ministry of the Environment replaced window frames in its Central Common Government Offices No. 5 using PVC sashes, which have been highly evaluated for their thermal insulation efficiency.

In addition, in March 2009 PVC sashes were installed on one floor of the Administration Bureau building at the University of Tokyo's Hongo Campus. These PVC sashes were installed on a trial basis, under the university research council-organized Todai Sustainable Campus Project, which has "creating a low-carbon campus" as its highest priority. Energy saving and other factors are currently being measured.

Rare-Earth Magnets

With the use of rare-earth magnets for air conditioner compressor motors, the coefficient of performance (COP) has improved between approximately 5 percent and 10 percent and power consumption has greatly decreased, which helps save energy and reduce CO_2 emissions.

Automobile applications include use for driving the various motors in hybrid and fuel-cell vehicles, as well as in generators and sensors. Rare-earth magnets help achieve smaller components, and contribute to energy conservation and clean energy needs.

Subsidy Program for Purchasing Eco-Friendly Products

Shin-Etsu adopted a subsidy program to assist in covering part of employees' expenses incurred in purchasing eco-friendly products. This program is designed to raise employees' environmental awareness and encourage them to conserve energy.

Products covered are PVC sashes and hybrid vehicles. Shin-Etsu's core product, PVC, which is used in PVC sashes, and rare-earth magnets, which are used in hybrid vehicles, are both indispensable materials that contribute to improving environmental performance.

The program is a trial for us as a materials manufacturer that supplies products to a wide range of industries. We are working to continue expanding the range of products eligible for subsidies and foster awareness of environmental conservation among Shin-Etsu employees.

PVC window frames installed at the office of the Minister of the Environment

Corporate Governance and Compliance

Basic Policies concerning Corporate Governance

The Shin-Etsu Group's management appreciates the fundamental importance of its shareholders, placing top priority on continuously raising corporate value. To realize this policy, it is developing an efficient organizational structure and various systems that can respond swiftly to changes in the business environment. Moreover, from the standpoint of increasing transparency and strengthening supervisory functions, Shin-Etsu's basic concept concerning corporate governance is to actively disclose timely and accurate information to shareholders and investors, which is positioned as one of its most important management issues.

Corporate Governance System

Five out of the twenty-three members of Shin-Etsu's Board of Directors are external directors. The Shin-Etsu Group is establishing a system to promote speedier decision-making and agile management.

In June 2009, Shin-Etsu appointed Toshihiko Fukui, former Governor of the Bank of Japan, as a new external director.

Out of Shin-Etsu's five statutory auditors, including full-time auditors, three are external auditors. Statutory auditors attend meetings of the Board of Directors as well as other important internal meetings, and carry out audits concerning Shin-Etsu's business operations. Further, the statutory auditors attend audits conducted by the accounting auditors and exchange information and opinions as necessary with the accounting auditors.

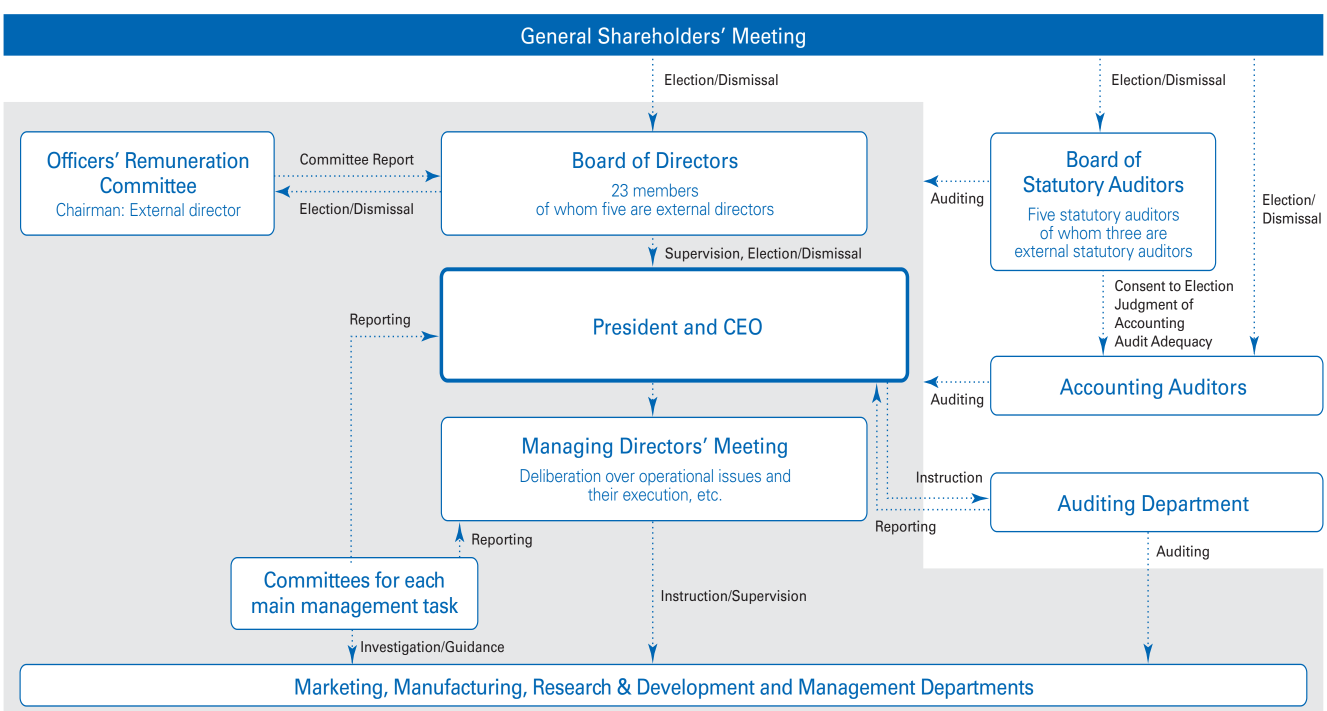
With regard to decisions about reviewing officers' remuneration, Shin-Etsu has an Officers' Remuneration Committee chaired by an external director. The committee reports to the Board of Directors to increase management transparency and reliability. Total officers' remuneration was ¥1,423 million in fiscal 2009.

Internal audits of the Company are performed by the Auditing Department, which checks the legality and reasonableness of business activities in each division.

Regarding the risk management system, the Risk Management Committee promotes companywide activities and develops various related regulations in order to prevent and forestall risks that may occur in connection with business operations.

Shin-Etsu has organized the internal control promotion

Shin-Etsu's Corporate Governance Structure



team to ensure the reliability of financial reporting and improve management transparency, which includes responding to the system of internal controls for financial reporting based on the Financial Instruments and Exchange Law applied from April 2008.

Basic Policy concerning Compliance

The Shin-Etsu Group's corporate philosophy is to conduct fair business activities in a thoroughly law-abiding spirit. The Group has established various regulations regarding its compliance system, which all officers and employees follow in carrying out their duties. Internal audits of the operating status of this system are conducted by the Auditing Department and the other respective departments related to the contents of the audit.

Toward Thorough Compliance Management

The Shin-Etsu Group is taking the following practical approaches to promote compliance management.

As part of its thorough compliance system, all officers and employees have signed a written Compliance Pledge. In this document they pledge to apply themselves to compliance-based activities in their daily duties.

Moreover, so that all officers and employees can conduct their business activities in strict compliance with laws, regulations and in-company rules, we have set up the Compliance Consultation Office to establish a system that allows consultation and reporting as needed.

In consideration of the Act on the Protection of Personal Information, the Shin-Etsu Group established a personal information protection policy that is now posted on the Company website. Moreover, we hold meetings to explain the Act to employees and work to ensure appropriate handling and thorough protection of personal information.

Toshihiko Fukui, Former Governor of the Bank of Japan, Assumes Position as Director

Shin-Etsu has appointed Toshihiko Fukui, former Governor of the Bank of Japan, as an external director. Mr. Fukui is a person of outstanding knowledge, experience and character, and was named "the world's best central banker" by *The Economist,* the British economic magazine, in its February 13, 2004 issue. Since assuming the position of Special Adviser in November 2008, he has attended key meetings to provide beneficial advice from a broad perspective.

Reasons for Inviting Mr. Fukui

The reasons for inviting Mr. Fukui to serve as an external director are to avail ourselves of his rich knowledge and experience by receiving his continued guidance on a variety of management issues amid the current global economic turmoil, as well as to strengthen corporate governance and to establish a highly transparent management organization.

Mr. Fukui made the following comments to Shin-Etsu at the time of his appointment:

Mr. Fukui's Comment

"During my career at the Bank of Japan, I considered that it was essential to grasp accurately the actual situation of the economy in order to appropriately carry out financial policy, and I particularly valued having discussions with many top corporate managers. During the course of these conversations, I received a request from Shin-Etsu Chemical President Kanagawa to assume the position of Special Adviser followed by his request to me to assume the heavily responsible post of Director. President Kanagawa is a corporate manager who has his own original management philosophy, who has globally developed his company's businesses, and who confidently makes management judgments on his own. I am truly honored to have been requested to assume the positions.

"In the future, I would like to participate in the company's management so that I can look at things based on a broader set of on-site business experiences."

Board of Directors and Auditors

(As of June 26, 2009)

PRESIDENT AND CEO

Chihiro Kanagawa

EXECUTIVE VICE PRESIDENTS

Shunzo Mori

Fumio Akiya

EXECUTIVE SENIOR MANAGING DIRECTORS

Yasuhiko Saitoh

Yoshiaki Ono

PRESIDENT AND CEO

Chihiro Kanagawa

EXECUTIVE VICE PRESIDENTS

Shunzo Mori
In charge of General Affairs and Personnel & Labor Relations
General Manager, Electronics Materials Division

Fumio Akiya
In charge of Semiconductor Materials, Advanced Materials and Technologies

EXECUTIVE SENIOR MANAGING DIRECTORS

Yasuhiko Saitoh
In charge of Office of the President, Public Relations, Finance & Accounting and Legal Affairs
General Manager, International Division

Yoshiaki Ono
General Manager, Silicone Division

MANAGING DIRECTORS

Kiichi Habata
In charge of Environmental Control & Safety and Auditing

Koji Takasugi
In charge of Purchasing
General Manager, New Products Department

DIRECTORS

Frank P. Popoff*
Former Chairman of US The Dow Chemical Company

Shunji Kono*
Honorary Adviser,
Tokio Marine & Nichido Fire Insurance Co., Ltd.

Masashi Kaneko*
Former Director & Chairman, Nikko Cordial Corporation (currently Nikko Citi Holdings Inc.)

Tsuyoshi Miyazaki*
Advisor, Mitsubishi Logistics Corporation

Toshihiko Fukui*
Former Governor of the Bank of Japan

Toshinobu Ishihara
General Manager, New Functional Materials Research Center and New Functional Materials Department

Masaki Miyajima
General Manager, PVC Division

Atsushi Nakamura
General Manager, Organic Chemicals Division

Fumio Arai
Director & President, Shin-Etsu PVC B.V.
Director & President, SE Tylose GmbH & Co. KG

Toshiyuki Kasahara
General Manager, Finance & Accounting Department

Hidenori Onezawa
Deputy General Manager, Organic Chemicals Division

Masahiko Todoroki
General Manager, Planning & Administrative Department, Semiconductor Materials Division

Ken Nakamura
General Manager, Office of the President and Public Relations Department

Toshiya Akimoto
General Manager, Office of the Secretariat

Yukihiro Matsui
General Manager, Magnet Department, Electronics Materials Division

Hiroaki Okamoto
In charge of Patent
General Manager, Research & Development Department

FULL-TIME STATUTORY AUDITOR

Osamu Okada

STATUTORY AUDITORS

Masahiko Watase

Taku Fukui**

Yoshihito Kosaka**

Kiyoshi Nagano**

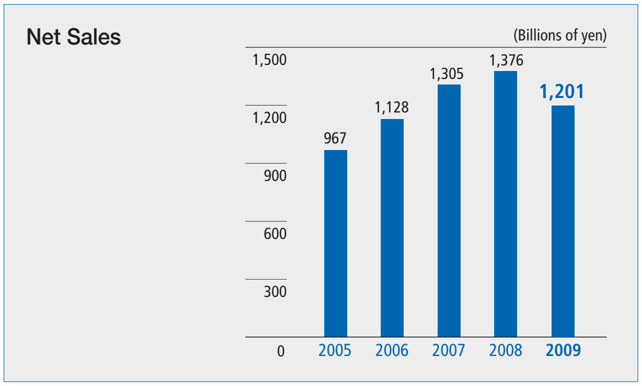
* External director
** External auditor

Overview of the Shin-Etsu Group

The Shin-Etsu Group (the "Group") is composed of Shin-Etsu Chemical Co., Ltd. (the "Company"), 97 subsidiaries and 16 affiliates, as of March 31, 2009. The Organic and Inorganic Chemicals segment focuses on the manufacture and sale of polyvinyl chloride (PVC), silicones and other products. The Electronics Materials segment mainly manufactures and sells semiconductor silicon, and the Functional Materials and Others segment focuses on the manufacture and sale of synthetic quartz and other products as well as providing various services including construction and repair. The Company conducts business activities in mutual cooperation with Group companies in the areas of manufacturing and sales.

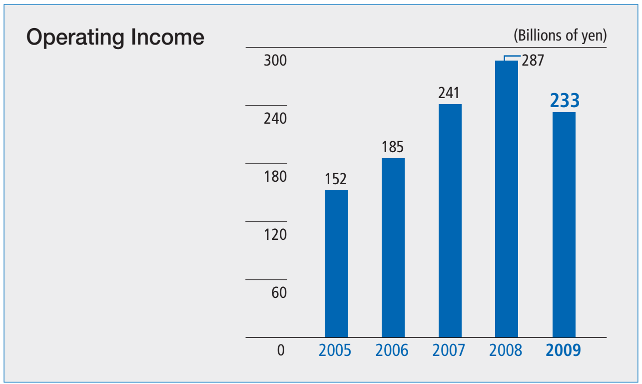
Consolidated Operating Performance

During fiscal 2009, the year ended March 31, 2009, the environment in which the Shin-Etsu Group operates was extremely challenging. Prices of raw materials including crude oil remained high through the first half, and in the second half the global economy deteriorated rapidly due to the financial crisis that originated in the United States. Although the Japanese economy was initially firm, the situation became serious from the second half as corporate earnings fell sharply due to a worldwide decrease in demand, with effects including deterioration of employment.

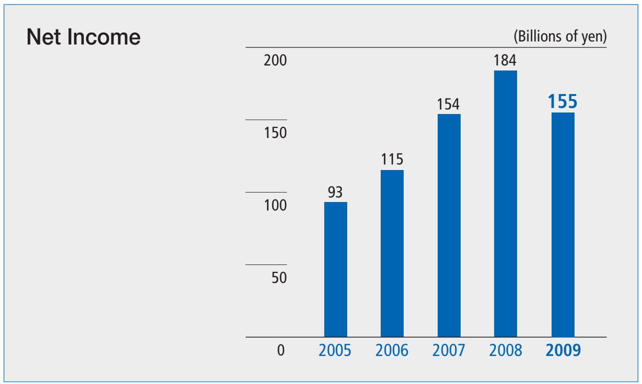


Under these conditions, the Group carried out aggressive sales activities directed at a wide range of customers worldwide, rationalized and streamlined management, and strenuously worked to develop and commercialize new products. The Group also made efforts to put safety and environmental protection first in all of its operations.

As a result, net sales for fiscal 2009 decreased 12.8% (¥175.6 billion) compared with the previous fiscal year to ¥1,200.8 billion. Operating income decreased 18.9% (¥54.2 billion) to ¥232.9 billion, ordinary income decreased 16.5% (¥49.6 billion) to ¥250.5 billion and net income decreased 15.7% (¥28.8 billion) to ¥154.7 billion.



Net sales and operating income decreased due to factors including a sudden decrease in demand for semiconductor silicon both in Japan and overseas.



Summary of Net Sales, Operating Costs and Income

	Millions of yen			% Change
Years ended March 31,	**2009**	2008	2007	**2009**/2008
Net Sales	**1,200,813**	1,376,365	1,304,696	(12.8)%
Cost of Sales	**853,433**	946,941	933,199	(9.9)%
SG&A Expenses	**114,453**	142,278	130,468	(19.6)%
Operating Income	**232,927**	287,146	241,029	(18.9)%

Net other income was ¥17.6 billion due to a substantial decrease in foreign exchange loss and other expenses, net, despite decreases in interest and dividend income and equity in earnings of affiliates.

Extraordinary losses totaled ¥6.0 billion due to the absence of net gain on insurance, cumulative effect of foreign subsidiary's accounting change and other extraordinary income recorded in the previous fiscal year, as well as impairment loss for silicone manufacturing facilities at consolidated subsidiary Shin-Etsu Handotai Co., Ltd.

Operating performance by business segment was as follows.

Organic and Inorganic Chemicals

In the PVC business, although the housing market continued to stagnate, Shintech Inc. in the U.S. increased profits significantly by maintaining high-capacity operations through sales expansion efforts aimed at customers worldwide. In addition, Shin-Etsu PVC B.V. in the Netherlands maintained firm sales in Europe. On the other hand, challenging conditions continued in Japan due to a downturn in shipments resulting from the substantial impact of weak demand.

In the silicone business, despite firm sales for applications in fields such as automobiles and information technology equipment in the first half, results were lower than in the previous fiscal year as a result of declining demand across a wide range of fields from the second half. In addition, results for keypads for mobile phones supplied by Shin-Etsu Polymer Co., Ltd. fell sharply due to intensifying price competition and a decrease in shipments.

The cellulose derivatives business was strong in Japan, centered on pharmaceutical applications. However, results were flat at SE Tylose GmbH & Co. KG in Germany due to decreased demand for building material applications. Sales of silicon metal were strong due to an increase in product prices.

As a result, the net sales of this business segment decreased 10.2% (¥71.8 billion) compared with the previous fiscal year to ¥629.2 billion. Operating income decreased 4.4% (¥4.3 billion) to ¥95.1 billion.

Electronics Materials

In the semiconductor silicon business, results were firm in the first half, centered on 300mm wafers, but decreased year on year due to a rapid decrease in demand for semiconductor devices in a wide range of fields from the second half.

Sales of rare-earth magnets for applications in the electronics industry were weak due to the impact of production adjustments for personal computer hard disk drives. In addition, results for photoresists and organic materials for the electronics industry decreased from the previous fiscal year due to a downturn in shipments.

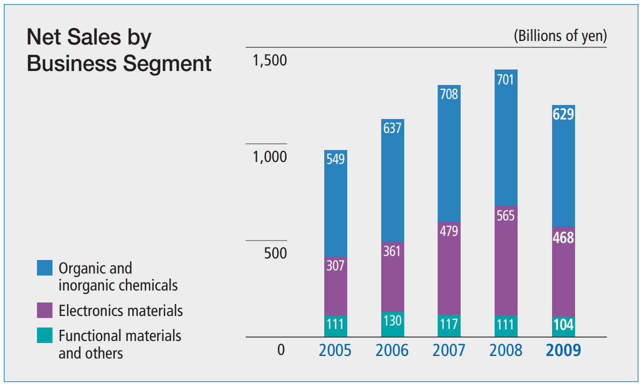
As a result, the net sales of this business segment decreased 17.2% (¥97.2 billion) compared with the previous fiscal year to ¥467.5 billion. Operating income decreased 30.8% (¥49.9 billion) to ¥112.2 billion.

Functional Materials and Others

In the synthetic quartz business, sales of preforms for optical fiber were firm due to increased demand resulting from the worldwide increase in the volume of data communications. However, sales of large-size photomask substrates used for LCDs remained weak due to a drop in demand and the stagnant market.

Results for rare-earth magnets for general applications were flat. Despite strong sales in the first half for applications such as energy-saving motors for air conditioners, demand declined from the second half, primarily for optical pickup and factory automation motor applications. In addition, sales of liquid fluoroelastomers were flat, but shipments of pellicles remained strong.

As a result, the net sales of this business segment decreased 5.9% (¥6.5 billion) compared with the previous fiscal year to ¥104.1 billion. Operating income decreased 1.1% (¥0.3 billion) to ¥25.7 billion.



Analysis of Financial Position

Assets, Liabilities and Net Assets

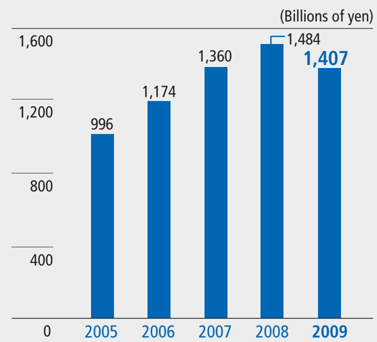
As of March 31, 2009, total assets decreased ¥233.6 billion from a year earlier to ¥1,684.9 billion. This was mainly due to the decrease in the yen-translated value of assets at overseas subsidiaries resulting from the strong yen.

Total liabilities decreased ¥157.3 billion to ¥277.6 billion. Primary factors include decreases in notes and accounts payable – trade and accounts payable - other for construction of facilities.

Total net assets decreased ¥76.3 billion to ¥1,407.4 billion. Retained earnings increased due to net income of ¥154.7 billion, but valuation and translation adjustments decreased substantially due to the strong yen.

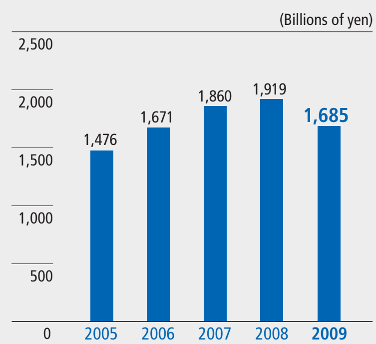
As a result, the stockholders' equity ratio was 81.1% as of March 31, 2009, an improvement of 6.1 percentage points from 75.0% a year earlier. Net assets per share totaled ¥3,218.28, a decrease of ¥125.89.

Total Net Assets*



* Figures for 2005 and 2006 represent stockholders' equity as reported under the former accounting standard.

Total Assets



Cash Flows

The balance of cash and cash equivalents at the end of fiscal 2009 decreased by 16.8% (¥50.6 billion) compared with the end of the previous fiscal year to ¥251.0 billion.

Cash Flows from Operating Activities

Net cash provided by operating activities increased ¥54.2 billion compared with the previous fiscal year to ¥256.6 billion. Income before income taxes provided cash of ¥244.5 billion, and depreciation and amortization totaled ¥119.5 billion. Payment of income taxes used cash of ¥91.7 billion, and increase in inventories used cash of ¥20.8 billion.

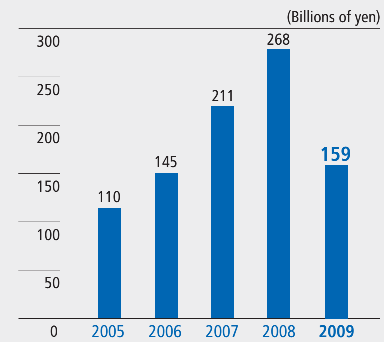
Cash Flows from Investing Activities

Net cash used for investing activities decreased ¥47.8 billion compared with the previous fiscal year to ¥200.8 billion. The main use of cash was for purchases of property, plant and equipment totaling ¥189.7 billion.

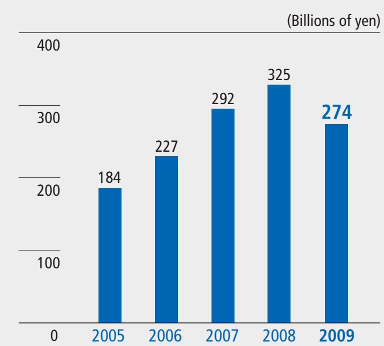
Cash Flows from Financing Activities

Net cash used for financing activities increased ¥26.6 billion compared with the previous fiscal year to ¥80.1 billion. Main uses of cash included cash dividends paid of ¥42.9 billion and purchase of treasury stock totaling ¥29.9 billion.

Capital Expenditures



Net Cash Flow*



* Net cash flow = Net income + Depreciation and amortization

Business Risk

The risks discussed hereinafter could potentially influence such key business matters as the Group's business operations results, financial condition and cash flows.

The Group endeavors to reduce these risks by preventing, dispersing or hedging them. However, if any unforeseeable event occurs, there is a possibility that it could have serious consequences for the Group's business results.

As of the end of the fiscal year under review (the year ended March 31, 2009), the types of risks listed below are those that the Group considers most significant. This list does not represent an attempt to discuss all possible risks that could impact the Group.

1) Influence of Economic Trends and Product Markets

Trends in the economic situation of a country or in local areas where the Group's key products are marketed can have an 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. Although the Group is hedging its risks by such strategies as diversifying and globalizing its business, demand for certain of its products could decrease and price competition could escalate. Such a pattern of events can have huge consequences for the results of the Group's business operations.

2) Influence of Fluctuations in Foreign Exchange Rates

Overseas sales accounted for 62.4% of the total consolidated sales of the Group in fiscal 2009. It is expected that this ratio will remain at a high level. The yen-translated amounts of such items included in the Group's consolidated financial statements related to the results of the Group's consolidated subsidiary companies are influenced by the exchange rate. In case of a large fluctuation in exchange rates, there is a possibility of a major impact on the business operations results of the whole Group. In addition, for transactions in foreign currencies, the Company is taking such measures as making forward-exchange contracts in order to reduce risks. However, a similar major impact might occur.

3) Influence of Natural Disasters, Unexpected Disasters or Unforeseen Accidents

To minimize the damage that could be caused by an interruption of production activities, the Group's production facilities implement such measures as conducting regular disaster prevention checks, carrying out a constant program of facility maintenance activities and making facility investment for safety enhancement. However, unexpected disasters, natural calamities or the effects of unforeseen accidents may cause damage to production facilities and other areas. Such circumstances could have a major impact on the Group's business operations results.

4) Influence of Public Regulatory Requirements and Law

In the countries or local areas where the Group is carrying out business activities, in addition to approvals and licensing requirements regarding investment and import/export regulations, various laws, particularly those concerning commercial transactions, labor, patents, taxes and exchange rates, apply to the Group's business activities. Any changes in these regulations or laws could have a major impact 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 strives to assure steady procurement of these materials by diversifying raw material supply sources. However, in cases where tightening or delays in the supply of these materials occurs, resulting in price increases, there is a possibility of a major impact on the Group's business operations results.

6) Influence on Development of New Products and Technologies

Development of new products and technologies in the electronics industry is very rapid, and this industry is an important market for some of the products of Group companies. Accordingly, the Company is continuously striving to develop the most advanced materials so it can meet customers' needs for speedy technological innovation. However, if the Group should be unable to accurately anticipate and take prompt, appropriate measures to respond to changes in industries and markets, such a situation could have a major impact on the Group's business operations results.

7) Influence of Environmental Problems

The Group handles various kinds of chemical substances, and strictly adheres to various laws and regulations concerning the environment. At the same time, the Group is dedicating its all-out efforts to achieve energy-savings to help contribute to the prevention of global warming, and it also is endeavoring to severely curb the emission of any substance that could have an impact on the environment. However, if regulations concerning the environment become more severe than presently anticipated and it becomes necessary to implement large facility investments, such investments could have a major impact on the Group's business operations results.

8) Influence of Product Liability

The Group is making enormous efforts to secure optimum product quality appropriate to the products' characteristics. However, in the event that a product-quality problem occurs due to unforeseen circumstances, there is a possibility of product-liability issues having a major impact on the Group's business operations results.

Consolidated Balance Sheets

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

As of March 31, 2009 and 2008	Millions of yen		Thousands of U.S. dollars (Note 3)
Assets	**2009**	2008	**2009**
Current Assets:			
Cash and time deposits (Note 16)	**¥ 209,542**	¥ 217,266	**$ 2,138,184**
Securities (Notes 4 and 16)	**111,878**	184,520	**1,141,612**
Notes and accounts receivable:			
Trade	**209,072**	308,026	**2,133,388**
Unconsolidated subsidiaries and affiliates	**13,026**	15,886	**132,918**
Other	**10,351**	16,498	**105,622**
Less: Allowance for doubtful accounts (Note 2 (5))	**(2,628)**	(4,726)	**(26,816)**
	229,821	335,684	**2,345,112**
Merchandise and finished goods	**117,470**	111,521	**1,198,673**
Work in process	**10,313**	19,587	**105,235**
Raw materials and supplies	**80,327**	73,229	**819,663**
Deferred taxes, current (Note 15)	**36,098**	30,188	**368,347**
Other	**20,478**	45,331	**208,960**
Total current assets	**815,927**	1,017,326	**8,325,786**
Property, Plant and Equipment (Note 2 (8)):			
Buildings and structures	**353,675**	380,623	**3,608,929**
Machinery and equipment	**1,358,899**	1,296,007	**13,866,316**
Less: Accumulated depreciation	**(1,248,324)**	(1,243,923)	**(12,738,000)**
	464,250	432,707	**4,737,245**
Land	**62,574**	62,920	**638,510**
Construction in progress	**82,854**	159,016	**845,449**
Total property, plant and equipment	**609,678**	654,643	**6,221,204**
Intangible Fixed Assets:			
Goodwill	**15,091**	22,804	**153,990**
Other	**3,163**	3,055	**32,275**
Total intangible fixed assets	**18,254**	25,859	**186,265**
Investments and Other Assets:			
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 6)	**71,577**	78,908	**730,378**
Investments in securities (Note 4)	**76,746**	73,033	**783,122**
Long-term loans	**4,639**	881	**47,337**
Deferred taxes, non-current (Note 15)	**34,868**	35,011	**355,796**
Other	**53,296**	32,904	**543,836**
Less: Allowance for doubtful accounts (Note 2 (5))	**(40)**	(20)	**(408)**
Total investments and other assets	**241,086**	220,717	**2,460,061**
Total assets	**¥ 1,684,945**	¥ 1,918,545	**$ 17,193,316**

The accompanying notes are an integral part of the statements.

Liabilities and Net Assets	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars (Note 3) 2009
Current Liabilities:			
Short-term borrowings (Note 7)	**¥ 5,190**	¥ 8,460	**$ 52,959**
Current portion of long-term debt (Note 7)	**5,683**	3,366	**57,990**
Notes and accounts payable:			
Trade	**58,850**	124,139	**600,510**
Unconsolidated subsidiaries and affiliates	**18,823**	29,381	**192,071**
Other	**57,538**	95,559	**587,123**
	135,211	249,079	**1,379,704**
Accrued income taxes	**11,633**	39,464	**118,704**
Accrued expenses	**46,772**	65,902	**477,265**
Accrued bonuses for directors	**735**	909	**7,500**
Advances received	**1,000**	1,594	**10,204**
Other (Note 15)	**3,071**	7,875	**31,337**
Total current liabilities	**209,295**	376,649	**2,135,663**
Long-Term Liabilities:			
Long-term debt (Note 7)	**12,818**	22,133	**130,796**
Accrued retirement benefits (Note 8)	**11,406**	11,523	**116,388**
Accrued retirement bonuses for directors	**399**	2,261	**4,071**
Deferred taxes, non-current (Note 15)	**37,385**	16,974	**381,480**
Other	**6,288**	5,336	**64,163**
Total long-term liabilities	**68,296**	58,227	**696,898**
Total liabilities	**277,591**	434,876	**2,832,561**
Commitment and Contingent Liabilities (Note 9)			
Net Assets			
Stockholders' Equity:			
Common stock:	**119,420**	119,420	**1,218,571**
Authorized: 1,720,000,000 shares			
Issued: 432,106,693 shares as of March 31, 2009 and 2008, respectively			
Additional paid-in capital	**128,178**	128,178	**1,307,939**
Retained earnings (Note 10)	**1,277,056**	1,163,680	**13,031,184**
Less: Treasury stock, at cost (Note 10)	**(41,614)**	(12,218)	**(424,633)**
Total stockholders' equity	**1,483,040**	1,399,060	**15,133,061**
Valuation and translation adjustments:			
Unrealized gains (losses) on available-for-sale securities (Note 2 (7))	**(1,777)**	10,696	**(18,133)**
Deferred gains (losses) on derivatives under hedge accounting	**(42)**	3,231	**(429)**
Foreign currency translation adjustments	**(115,160)**	25,810	**(1,175,101)**
Total valuation and translation adjustments	**(116,979)**	39,737	**(1,193,663)**
Share subscription rights	**2,446**	1,614	**24,959**
Minority interests in consolidated subsidiaries	**38,847**	43,258	**396,398**
Total net assets	**1,407,354**	1,483,669	**14,360,755**
Total liabilities and net assets	**¥1,684,945**	¥1,918,545	**$17,193,316**

Consolidated Statements of Income

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

For the years ended March 31, 2009, 2008 and 2007	Millions of yen 2009	2008	2007	Thousands of U.S. dollars (Note 3) 2009
Net Sales (Notes 13 and 17)	**¥1,200,814**	¥1,376,365	¥1,304,696	**$12,253,204**
Cost of Sales (Notes 8, 11 and 13)	**853,434**	946,941	933,199	**8,708,510**
Gross profit	**347,380**	429,424	371,497	**3,544,694**
Selling, General and Administrative Expenses (Notes 8 and 11)	**114,453**	142,278	130,468	**1,167,888**
Operating income (Note 17)	**232,927**	287,146	241,029	**2,376,806**
Other Income (Expenses):				
Interest and dividend income	**8,642**	10,473	9,658	**88,184**
Equity in earnings of affiliates	**12,442**	14,117	8,085	**126,959**
Interest expenses	**(1,706)**	(2,323)	(2,572)	**(17,408)**
Loss on disposal of inventories	**(1,851)**	(1,974)	(1,581)	**(18,888)**
Loss on disposal of property, plant and equipment	**(726)**	(1,432)	(2,904)	**(7,408)**
Foreign exchange gain (loss)	**(686)**	(3,644)	(4,689)	**(7,000)**
Other, net	**1,491**	(2,323)	(8)	**15,214**
Ordinary income	**250,533**	300,040	247,018	**2,556,459**
Extraordinary Income (Losses):				
Net gain on insurance	**–**	2,860	–	**–**
Cumulative effect of foreign subsidiary's accounting change	**–**	2,554	–	**–**
Gain on sales of land	**–**	1,576	–	**–**
Reversal of allowance for doubtful accents	**–**	1,238	–	**–**
Loss on impairment of fixed assets (Note 14)	**(4,364)**	(7,198)	–	**(44,531)**
Loss on write-down of investment securities	**(1,684)**	–	–	**(17,183)**
Income before income taxes	**244,485**	301,070	247,018	**2,494,745**
Income Taxes (Note 15):				
Current	**60,130**	100,600	113,214	**613,571**
Prior years	**–**	10,878	–	**–**
Deferred	**28,478**	1,191	(25,286)	**290,592**
	88,608	112,669	87,928	**904,163**
Income after income taxes	**155,877**	188,401	159,090	**1,590,582**
Minority Interests in Earnings of Consolidated Subsidiaries	**(1,145)**	(4,821)	(5,080)	**(11,684)**
Net Income	**¥ 154,732**	¥ 183,580	¥ 154,010	**$1,578,898**
	Yen			U.S. dollars (Note 3)
Per Share (Note 2 (14)):				
Net income—primary	**¥362.39**	¥426.63	¥357.78	**$3.698**
Net income—fully diluted	**362.35**	426.35	357.32	**3.697**
Cash dividends	**100.00**	90.00	70.00	**1.020**
Weighted-Average Number of Shares Outstanding (Thousands)	**426,973**	430,304	430,466	**426,973**

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					Valuation and Translation Adjustments						
	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, 2006	432,107	¥119,420	¥128,179	¥ 882,413	¥ (6,300)	¥1,123,712	¥ 38,599	¥ –	¥ 11,369	¥ 49,968	¥ –	¥34,219	¥1,207,899
Net income				154,010		154,010				–			154,010
Cash dividends (Note 10)				(18,291)		(18,291)				–			(18,291)
Directors' and statutory auditors' bonuses				(486)		(486)				–			(486)
Purchases of treasury stock					(5,090)	(5,090)				–			(5,090)
Disposal of treasury stock				(387)	3,830	3,443				–			3,443
Other			(1)			(1)				–			(1)
Net change during the year						–	(9,425)	–	22,404	12,979	664	5,188	18,831
Balance at March 31, 2007	432,107	119,420	128,178	1,017,259	(7,560)	1,257,297	29,174	–	33,773	62,947	664	39,407	1,360,315
Net income				183,580		183,580				–			183,580
Cash dividends (Note 10)				(36,579)		(36,579)				–			(36,579)
Purchases of treasury stock					(7,896)	(7,896)				–			(7,896)
Disposal of treasury stock				(580)	3,238	2,658				–			2,658
Net change during the year						–	(18,478)	3,231	(7,963)	(23,210)	950	3,851	(18,409)
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 10)				(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**

	Thousands	Thousands of U.S. dollars (Note 3)											
		Stockholders' Equity					Valuation and Translation Adjustments						
	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	$1,218,571	$1,307,939	$11,874,286	$(124,673)	$14,276,123	$ 109,143	$ 32,969	$ 263,368	$ 405,480	$16,469	$441,408	$15,139,480
Effect of changes in accounting policies applied to foreign subsidiaries				17,235		17,235				–			17,235
Net income				1,578,898		1,578,898				–			1,578,898
Cash dividends (Note 10)				(437,592)		(437,592)				–			(437,592)
Purchases of treasury stock					(305,491)	(305,491)				–			(305,491)
Disposal of treasury stock				(1,643)	5,531	3,888				–			3,888
Net change during the year							(127,276)	(33,398)	(1,438,469)	(1,599,143)	8,490	(45,010)	(1,635,663)
Balance at March 31, 2009	**432,107**	**$1,218,571**	**$1,307,939**	**$13,031,184**	**$(424,633)**	**$15,133,061**	**$ (18,133)**	**$ (429)**	**$(1,175,101)**	**$(1,193,663)**	**$24,959**	**$396,398**	**$14,360,755**

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, 2009, 2008 and 2007	Millions of yen 2009	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars (Note 3) 2009
Cash Flows from Operating Activities:				
Income before income taxes	**¥ 244,485**	¥ 301,070	¥ 247,018	**$ 2,494,745**
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	**119,457**	141,270	138,462	**1,218,949**
Loss on impairment of fixed assets	**4,364**	7,198	–	**44,531**
Increase in accrued retirement benefits	**794**	557	275	**8,102**
(Gain) loss on sales of investment securities	**(377)**	–	108	**(3,847)**
Loss on write-down of investment securities	**1,684**	274	333	**17,184**
Interest and dividend income	**(8,642)**	(10,473)	(9,658)	**(88,184)**
Interest expenses	**1,706**	2,323	2,572	**17,408**
Exchange gain (loss)	**10,257**	5,563	1,062	**104,663**
Equity in earnings of affiliates	**(12,442)**	(14,117)	(8,085)	**(126,959)**
Changes in assets and liabilities:				
(Increase) decrease in notes and accounts receivable	**69,103**	(679)	(31,018)	**705,133**
Increase in inventories	**(20,783)**	(36,643)	(18,417)	**(212,071)**
Increase in long-term advance payment	**(21,221)**	(15,886)	–	**(216,541)**
Increase (decrease) in notes and accounts payable	**(61,390)**	(11,598)	30,805	**(626,429)**
Other, net	**6,743**	(48,835)	9,114	**68,806**
Subtotal	**333,738**	320,024	362,571	**3,405,490**
Proceeds from interest and dividends	**16,229**	17,129	13,323	**165,602**
Payment of interest	**(1,731)**	(2,352)	(2,633)	**(17,663)**
Payment of income taxes	**(91,657)**	(132,388)	(100,773)	**(935,276)**
Net cash provided by operating activities	**256,579**	202,413	272,488	**2,618,153**
Cash Flows from Investing Activities:				
Purchase of marketable securities	**(47,538)**	(32,973)	(94,675)	**(485,082)**
Proceeds from the redemption of marketable securities	**30,655**	54,642	81,021	**312,806**
Purchases of property, plant and equipment	**(189,697)**	(254,586)	(185,593)	**(1,935,684)**
Proceeds from sales of property, plant and equipment	**857**	2,979	232	**8,745**
Purchases of intangible fixed assets	**(1,392)**	(1,464)	(1,999)	**(14,204)**
Purchases of investment securities	**(34,514)**	(32,484)	(5,656)	**(352,184)**
Proceeds from sales of investment securities	**6,838**	104	832	**69,776**
Proceeds from redemption of investment securities	**36,666**	35,905	29,484	**374,143**
Payments of loans	**(5,636)**	(598)	(104)	**(57,510)**
Proceeds from collection of loans	**915**	71	514	**9,337**
Other, net	**2,056**	(20,223)	(9,239)	**20,979**
Net cash used for investing activities	**(200,790)**	(248,627)	(185,183)	**(2,048,878)**
Cash Flows from Financing Activities:				
Net decrease in short-term debt	**(3,460)**	(704)	(3,614)	**(35,306)**
Proceeds from long-term debt	**–**	5,000	6,242	**–**
Repayment of long-term debt	**(3,318)**	(15,136)	(27,803)	**(33,857)**
Purchase of treasury stock	**(29,938)**	(7,896)	(5,090)	**(305,490)**
Payment of debentures on redemption	**–**	–	(16,000)	**–**
Proceeds from sales of treasury stock	**382**	2,554	3,403	**3,898**
Cash dividends paid	**(42,884)**	(36,580)	(18,291)	**(437,592)**
Cash dividends paid to minority shareholders	**(827)**	(824)	(614)	**(8,439)**
Other, net	**(39)**	52	(66)	**(397)**
Net cash used for financing activities	**(80,084)**	(53,534)	(61,833)	**(817,183)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(26,279)**	(3,166)	5,197	**(268,153)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(50,574)**	(102,914)	30,669	**(516,061)**
Cash and Cash Equivalents at Beginning of Year	**301,619**	404,533	373,864	**3,077,745**
Cash and Cash Equivalents at End of Year (Note 16)	**¥ 251,045**	¥ 301,619	¥ 404,533	**$ 2,561,684**

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, 2009, 2008 and 2007

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 97 majority-owned subsidiaries as of March 31, 2009 (96 and 94 as of March 31, 2008 and 2007, respectively). The consolidated financial statements include the accounts of the Company and 68 (68 and 68 for 2008 and 2007, respectively) majority-owned subsidiaries (the Companies), of which the principal firms are listed on page 47 with their respective fiscal year-ends.

The remaining 29 (28 and 26 for 2008 and 2007, respectively) unconsolidated subsidiaries whose combined 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 the accounts 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.

Legal reserve of consolidated subsidiaries provided subsequent to the acquisition of such subsidiaries by the Company is included in retained earnings and is not shown separately in the consolidated financial statements.

(2) Accounting for investments in unconsolidated subsidiaries and affiliates

The Company had 29 (28 and 26 for 2008 and 2007, respectively) unconsolidated subsidiaries (majority-owned) and 16 (16 and 15 for 2008 and 2007, respectively) affiliates (meaning 20% to 50% ownership of a company's equity interest). The equity method is applied to the investments in 8 (7 and 7 for 2008 and 2007, respectively) major affiliates and the cost method is applied to investments in the remaining unconsolidated subsidiaries and affiliates 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, 2009 and 2008.

(5) Allowance for doubtful accounts

The Company and consolidated subsidiaries provide an allowance for doubtful accounts by the method which uses the percentage of its own actual experience of bad debt loss written off against the balance of total receivables plus the amount deemed necessary to cover individual accounts estimated to be uncollectible.

(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.

Until the fiscal year ended March 31, 2008, the cost method mainly based on the weighted-average method was adopted for measuring inventories held for sale in the ordinary course of business. However, the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued on July 5, 2006) has been applied from the fiscal year ended March 31, 2009, and now these inventories are mainly measured by means of 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. As a result, Operating income, Ordinary income and Income before income taxes each decreased by ¥3,398 million ($34,673 thousand). The impacts on segment information are described in Note 17. Segment information.

(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. 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.

From the fiscal year ended March 31, 2007, the period of depreciation for semiconductor silicon manufacturing facilities was changed mainly from five years to three years, in order to keep pace with rapid technology innovation resulting from strong market demand for higher-quality silicon wafers.

Effective from the fiscal year ended March 31, 2008, in accordance with the revised Japanese Corporation Tax Law, the Company and its domestic subsidiaries changed the depreciation method of tangible fixed assets (except for semiconductor silicon manufacturing facilities/equipment) acquired on or after April 1, 2007.

Effective from the fiscal year ended March 31, 2008, in accordance with the revised Japanese Corporation Tax Law, the Company and its domestic subsidiaries depreciate the residual value of tangible fixed assets acquired on or before March 31, 2007, which was depreciated in accordance with former Japanese Corporation Tax Law, to memorandum value in five years using straight-line method.

Additional depreciation based on excess operating hours is provided for machinery and equipment operated significantly in excess of their normal utilization time.

Effective from the fiscal year ended March 31, 2009, the Company and its domestic subsidiaries reexamined the period of depreciation for tangible fixed assets, and consequently changed the period of depreciation for tangible fixed assets (except for semiconductor silicon manufacturing facilities/equipment) in accordance with the revised Japanese Corporation Tax Law. As a result, the depreciation expenses for the fiscal year ended March 31, 2009 decreased by ¥308 million ($3,143 thousand), and Operating income, Ordinary income and Income before income taxes each increased by ¥165 million ($1,684 thousand), compared with the amounts under the formerly applied method. The impacts on segment information are described in Note 17. Segment information.

(9) Repairs and maintenance

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

(10) Accounting for leases

Until the fiscal year ended March 31, 2008, finance lease transactions that do not transfer ownership of the leased property to the lessee followed methods applicable to ordinary rental transactions. However, effective from the fiscal year ended on March 31, 2009, the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, issued on June 17, 1993 (The 1st Committee of Business Accounting Council), revised on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, issued on January 18, 1994 (Accounting System Committee of Japanese Institute of Certificated Public Accountants), revised on March 30, 2007) have been applied, and such transactions are now accounted for as ordinary sale and purchase transactions. Finance lease transactions starting before the fiscal year ended March 31, 2009 that do not transfer ownership of the leased property to the lessee are accounted for as operating leases. The impact of this change on income is immaterial.

(11) 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 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 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 8).

(12) Income taxes

Income taxes are provided based on amounts required by the tax return for the period. Tax effect is recorded for temporary differences in recognition of certain expenses between tax and financial reporting on the consolidated financial statements.

(13) Research and development costs

Research and development costs are charged to income as incurred.

(14) 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.

(15) 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 10).

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

(16) Accounting standard for directors' bonuses

Effective from the fiscal year ended March 31, 2007, the Company and its domestic consolidated subsidiaries adopted the new *Accounting Standard for Directors' Bonuses* (ASBJ Statement No. 4 issued on November 29, 2005).

(17) Accrued retirement bonuses for directors

Until the fiscal year ended March 31, 2007, the Company and certain domestic subsidiaries had expensed directors' retirement bonuses at the time of payment. However, effective in the fiscal year ended March 31, 2008, the Company and certain domestic subsidiaries recognized the required amount of directors' retirement bonuses in accordance with an internal standard. Because *Treatment for Auditing of Reserves under the Special Taxation Measurement Law, Reserves under Special Laws and Reserves for Directors' Retirement Bonuses* (JICPA Audit and Assurance Practice Committee Report No. 42, April 13, 2007) was issued, in addition to that *Accounting Standard for Directors' Bonuses* (ASBJ statement No. 4, issued on November 29, 2005) stipulates to accrue and expense directors' bonuses.

The Company and certain domestic subsidiaries had accrued the required amount of directors' retirement bonuses in Accrued retirement bonuses for directors which was calculated on the basis of an internal standard as at the end of the fiscal year. However, the Company and certain domestic subsidiaries decided to issue a retirement bonus only for the tenure until the close of the General Meeting of Shareholders held in 2008 due to the abolishment of the Retirement Benefits Program. As a result, in the fiscal year ended March 31, 2009, the amount of retirement bonus for the tenure of ¥1,869 million ($19,071 thousand) was transferred from Accrued retirement bonuses for directors to Other in Long-term Liabilities.

(18) Accounting standard for presentation of net assets in the balance sheets

Effective from the fiscal year ended March 31, 2007, the Company and its domestic consolidated subsidiaries adopted the new *Accounting Standard for Presentation of Net Assets in the Balance Sheet* (ASBJ Statement No. 5 issued on December 9, 2005 by the Accounting Standards Board of Japan) as well as "Implementation guidance for accounting standards for presentation of net assets in the balance sheet" (ASBJ Guidance No. 8 issued on December 9, 2005).

(19) Accounting standard for stock options

Effective from the fiscal year ended March 31, 2007, the Company and its domestic consolidated subsidiaries adopted the new *Accounting for Subscription Rights to Shares and for Bonds with Subscription Rights to Shares* (ASBJ Statement No. 8 issued on December 27, 2005) as well as "Implementation guidance for Accounting standards for share-based payment" (ASBJ Guidance No. 11 issued on May 31, 2006).

(20) Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

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" (ASBJ Practical Issues Task Force No.18, May 17, 2006) has been applied, and accordingly some revisions have been made to the consolidated accounts as necessary. As a result, Operating income decreased by ¥459 million ($4,684 thousand), Ordinary income and Income before income taxes decreased by ¥384 million ($3,918 thousand) respectively. The impacts on segment information are described in Note 17. Segment information.

(21) 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.

(22) Reclassifications

Certain reclassifications have been made in the 2008 and 2007 financial statements to conform to the presentation for 2009.

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 ¥98 to US$1, the approximate effective rate of exchange on March 31, 2009. 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 ¥98 to US$1 or at any other rate.

4. Securities

Securities as of March 31, 2009 and 2008 consisted of the following:

(1) Market value of bonds held to maturity

	Millions of yen		
	2009		
Description	Book value	Market value	Difference
Securities with fair value that exceeds book value	**¥21,766**	**¥21,780**	**¥ 14**
Securities with fair value that does not exceed book value	**31,577**	**30,824**	**(753)**
Total	**¥53,343**	**¥52,604**	**¥(739)**

	Millions of yen		
	2008		
Description	Book value	Market value	Difference
Securities with fair value that exceeds book value	¥11,052	¥11,074	¥ 22
Securities with fair value that does not exceed book value	43,105	43,008	(97)
Total	¥54,157	¥54,082	¥(75)

	Thousands of U.S. dollars		
	2009		
Description	Book value	Market value	Difference
Securities with fair value that exceeds book value	**$222,102**	**$222,245**	**$ 143**
Securities with fair value that does not exceed book value	**322,214**	**314,530**	**(7,684)**
Total	**$544,316**	**$536,775**	**$(7,541)**

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

Description	Millions of yen 2009 Acquisition cost	Book value	Unrealized gain (loss)
Securities with book value that exceeds acquisition cost:			
Stocks	¥15,424	¥20,756	¥5,332
Securities with book value that does not exceed acquisition cost:			
Stocks	21,904	16,356	(5,548)
Total	¥37,328	¥37,112	¥ (216)

Description	Millions of yen 2008 Acquisition cost	Book value	Unrealized gain (loss)
Securities with book value that exceeds acquisition cost:			
Stocks	¥28,993	¥47,463	¥18,470
Securities with book value that does not exceed acquisition cost:			
Stocks	6,602	5,661	(941)
Total	¥35,595	¥53,124	¥17,529

Description	Thousands of U.S. dollars 2009 Acquisition cost	Book value	Unrealized gain (loss)
Securities with book value that exceeds acquisition cost:			
Stocks	$157,388	$211,796	$54,408
Securities with book value that does not exceed acquisition cost:			
Stocks	223,510	166,898	(56,612)
Total	$380,898	$378,694	$ (2,204)

(3) Available-for-sale securities sold during the fiscal year ended March 31, 2009 and 2008

Available-for-sale securities sold during the fiscal years ended March 31, 2009 and 2008 are assumed insignificant.

(4) Major components and book values of securities without market value

	Book value Millions of yen 2009	2008	Thousands of U.S. dollars 2009
Bonds held to maturity	¥ 592	¥ 20,001	$ 6,041
Investments in unconsolidated subsidiaries and affiliates	70,147	77,459	715,786
Available-for-sale securities	97,577	130,271	995,684

(5) Repayment schedule of available-for-sale securities with maturity and bonds held to maturity

	Millions of yen 2009	2008	Thousands of U.S. dollars 2009
Within one year	¥111,924	¥184,541	$1,142,082
Over one year within five years	17,366	13,350	177,204
Over five years within ten years	632	678	6,449

5. Derivative transactions

Derivative financial instruments were as follows:

As of March 31, 2009

Currency related:

Description	Millions of yen Contract amounts	Market value	Unrealized gain (loss)
Forward foreign exchange contracts			
Sales Contracts:			
US$	¥18,928	¥17,409	¥1,519
EUR	1,942	2,196	(254)
Buys Contracts:			
US$	7,011	6,799	(212)
EUR	74	80	6
Other	1,008	988	(20)
Foreign currency swap contracts			
Receive Japanese Yen, pay U.S. Dollars	223	15	15
Receive Japanese Yen, pay British Pound	7,350	1,529	1,529
Receive Euro, pay Japanese Yen	469	(90)	(90)
Total	¥ –	¥ –	¥2,493

Description	Thousands of U.S. dollars Contract amounts	Market value	Unrealized gain (loss)
Forward foreign exchange contracts			
Sales Contracts:			
US$	$193,143	$177,643	$15,500
EUR	19,816	22,408	(2,592)
Buys Contracts:			
US$	71,541	69,378	(2,163)
EUR	755	816	61
Other	10,286	10,082	(204)
Foreign currency swap contracts			
Receive Japanese Yen, pay U.S. Dollars	2,276	153	153
Receive Japanese Yen, pay British Pound	75,000	15,602	15,602
Receive Euro, pay Japanese Yen	4,786	(918)	(918)
Total	$ –	$ –	$25,439

Notes: 1. Market rate represents the foreign exchange rate prevailing as of March 31, 2009.
2. The market value is provided by financial institutions with which the Company made the above contracts.
3. Any derivative transactions to which hedge accounting is applied are excluded from the above table.

As of March 31, 2008

Currency related:

Description	Millions of yen Contract amounts	Market value	Unrealized gain (loss)
Forward foreign exchange contracts			
Sales Contracts:			
US$	¥99,306	¥86,426	¥12,879
EUR	564	567	(4)
Buys Contracts:			
US$	5,234	4,874	(361)
EUR	140	141	1
Other	465	424	(41)
Foreign currency swap contracts			
Receive Japanese Yen, pay Thai Baht	1,293	(174)	(174)
Receive Japanese Yen, pay U.S. Dollars	386	22	22
Receive Japanese Yen, pay British Pound	12,432	1,131	1,131
Receive Euro, pay Japanese Yen	785	52	52
Total	¥ –	¥ –	¥13,505

Notes: 1. Market rate represents the foreign exchange rate prevailing as of March 31, 2008.
2. The market value is provided by financial institutions with which the Company made the above contracts.
3. Any derivative transactions to which hedge accounting is applied are excluded from the above table.

Interest related:

Description	Millions of yen Contract amounts	Market value	Unrealized gain (loss)
Interest rate swap contracts:			
Receive floating, pay fixed	¥642	¥2	¥2
Receive fixed, pay floating	44	0	0
Total	¥686	¥2	¥2

Notes: 1. The market value is provided by financial institutions with which the Company made the interest rate swap contracts.
2. Any derivative transactions to which hedge accounting is applied are excluded from the above table.

6. Investments in and advances to unconsolidated subsidiaries and affiliates

Investments in and advances to unconsolidated subsidiaries and affiliates as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen 2009	2008	Thousands of U.S. dollars 2009
Held Directly by the Company:			
Affiliates:			
Four affiliates accounted for by the equity method (See Note 2 (2))*	**¥41,618**	¥42,630	**$424,673**
Other	**1,028**	1,251	**10,490**
	¥42,646	¥43,881	**$435,163**
Unconsolidated subsidiaries:			
Shin-Etsu Electronics Malaysia Sdn. Bhd.	**¥ 1,400**	¥ 1,400	**$ 14,286**
Other	**2,061**	1,690	**21,031**
	¥ 3,461	¥ 3,090	**$ 35,317**
Held Indirectly through Subsidiaries:			
Unconsolidated subsidiaries and affiliates:			
Three affiliates accounted for by the equity method (See Note 2 (2))*	**¥22,701**	¥28,788	**$231,643**
Other	**2,729**	3,089	**27,847**
	¥25,430	¥31,877	**$259,490**
Advances:	**40**	60	**408**
	¥71,577	¥78,908	**$730,378**

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

7. Short-term borrowing, long-term debt and lease obligations

Short-term borrowings outstanding as of March 31, 2009 and 2008 are represented generally by overdrafts contracted between the Companies and banks.

Long-term debt as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen 2009	2008	Thousands of U.S. dollars 2009
Loans with Banks and Other Financial Institutions:			
Secured	**¥ 74**	¥ 125	**$ 755**
Unsecured	**18,427**	25,374	**188,031**
	18,501	25,499	**188,786**
Less Portion Due within One Year	**(5,683)**	(3,366)	**(57,990)**
	¥12,818	¥22,133	**$130,796**

Lease obligations as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen 2009	2008	Thousands of U.S. dollars 2009
Current	**¥ 49**	¥30	**$ 500**
Non-current	**88**	56	**898**
Total	**¥137**	¥86	**$1,398**

As of March 31, 2009, assets pledged as collateral for short-term loans and long-term loans were as follows:

	Millions of yen	Thousands of U.S. dollars
Net book value of property, plant and equipment	**¥5,218**	**$53,245**

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

	Millions of yen	Thousands of U.S. dollars
Years ending March 31,		
2011	**¥ 5,063**	**$ 51,663**
2012	**2,223**	**22,684**
2013 and thereafter	**5,532**	**56,449**
	¥12,818	**$130,796**

8. 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, 2009 and 2008 are analyzed as follows:

Benefit Obligations

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
(a) Benefit obligations	**¥(26,018)**	¥(32,826)	**$(265,490)**
(b) Pension assets	**12,005**	22,522	**122,500**
(c) Unfunded benefit obligations [(a)+(b)]	**(14,013)**	(10,304)	**(142,990)**
(d) Unrecognized actuarial differences	**5,268**	1,473	**53,755**
(e) Unrecognized prior service cost (negative) (Note 1)	**(333)**	(421)	**(3,398)**
(f) Amount shown on balance sheet [(c)+(d)+(e)]	**(9,078)**	(9,252)	**(92,633)**
(g) Prepaid pension expenses	**2,328**	2,271	**23,755**
(h) Accrued retirement benefits [(f)-(g)]	**¥(11,406)**	¥(11,523)	**$(116,388)**

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
	2009	2008	**2009**
(a) Service costs (Note 1)	**¥2,481**	¥2,533	**$25,316**
(b) Interest costs	**908**	1,128	**9,265**
(c) Expected return on plan assets	**(721)**	(950)	**(7,357)**
(d) Recognized actuarial loss	**536**	(695)	**5,469**
(e) Amortization of prior service cost	**(128)**	(68)	**(1,306)**
(f) Other (Note 2)	**1,614**	1,604	**16,470**
(g) Retirement benefit costs [(a)+(b)+(c)+(d)+(e)+(f)]	**¥4,690**	¥3,552	**$47,857**

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

9. Commitment and contingent liabilities

As of March 31, 2009, 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 ¥70 million ($714 thousand).

In addition, one of the Companies was contingently liable, as of March 31, 2009, in accordance with a contract of debt assumption with a bank for debentures issued by itself in the amounts of ¥5,000 million ($51,020 thousand).

10. 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, 2009, 2008 and 2007 in the amounts of ¥21,372 million ($218,082 thousand) (¥50.0 per share), ¥17,201 million and ¥10,754 million, respectively, which were actually paid to stockholders on November 18, 2008, November 19, 2007 and November 20, 2006, respectively. In the accompanying consolidated statements of stockholders' equity, these dividend payments are reflected in the years ended March 31, 2009, 2008 and 2007, respectively.

There were 7,636,973 shares and 1,865,726 shares of treasury stock as at March 31, 2009 and 2008, respectively.

11. Research and development costs

Research and development costs incurred and charged to income for the years ended March 31, 2009, 2008 and 2007 were ¥37,470 million ($382,347 thousand), ¥47,945 million and ¥41,737 million, respectively.

12. Lease transactions

Lease rental expenses on finance lease contracts without ownership-transfer charged to income for the years ended March 31, 2009 and 2008 amounted to ¥271 million ($2,765 thousand) and ¥387 million, respectively. Lease expenses corresponding to depreciation expenses, not charged to income, for the year ended March 31, 2009, 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 ¥271 million ($2,765 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
	2009	2008	2009
Acquisition cost	¥1,241	¥1,643	$12,663
Accumulated depreciation	737	803	7,520
Net book value	¥ 504	¥ 840	$ 5,143

The amounts of outstanding future lease payments due in respect of finance lease contracts at March 31, 2009 and 2008, which included the portion of interest thereon, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Future Lease Payments:			
Within one year	¥240	¥334	$2,449
Over one year	264	506	2,694
	¥504	¥840	$5,143

The amounts of outstanding future lease payments due in respect of operating lease contracts at March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Future Lease Payments:			
Within one year	¥1,200	¥1,241	$12,245
Over one year	1,879	1,430	19,173
	¥3,079	¥2,671	$31,418

13. Related party transactions

The Company's sales to and purchases from its unconsolidated subsidiaries and affiliates for the years ended March 31, 2009, 2008 and 2007 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Sales	¥16,427	¥13,323	¥ 11,517	$167,622
Purchases	61,431	88,961	101,942	626,847

14. 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 ($44,531 thousand) 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	Thousand of U.S. dollars
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	$41,694
		Others	278	2,837
		Total	¥4,364	$44,531

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.

During the fiscal year ended March 31, 2008, the Company and its consolidated subsidiaries recognized impairment losses for the following asset categories, recording a total of ¥7,198 million ($71,980 thousand) as Extraordinary losses. The Company and its consolidated subsidiaries grouped fixed assets based on managerial accounting categories, which are regarded as the smallest units independently generating cash flows.

(1) The Company (Shin-Etsu Chemical Co., Ltd.)

Location	Use	Asset category	2008
			Millions of yen
Kashima Plant (Kamisu-City, Ibaraki-Prefecture)	Manufacturing facilities for polyvinyl chloride	Buildings and structures	¥2,040
		Machinery and equipment	2,449
		Others	1,272
		Total	¥5,761

The polyvinyl chloride business is faced with various kinds of problems, such as soaring costs of raw materials, stagnating domestic demand in Japan, and an increase in world production accompanied by the construction of new large-scale facilities in those markets to which we have been exporting. For these reasons, the competition can be expected to be fiercer than before, and future positive cash flows cannot be expected. As a result, the book value of the assets shown above has been marked down to the recoverable amount, which is calculated at their value-in-use. The discount rate for calculation of the discounted cash flow is zero since the estimated future cash flows are negative.

(2) Consolidated subsidiary (Shin-Etsu Polymer Co., Ltd.)

Location	Use	Asset category	2008
			Millions of yen
Tokyo Plant (Saitama-City, Saitama-Prefecture)	Production equipment for packaging products and production equipment for construction materials products	Buildings and structures	¥ 297
		Machinery and equipment	655
		Others	45
		Subtotal	997
Nanyo Plant (Shuunan-City, Yamaguchi-Prefecture)	Production equipment for construction materials products	Buildings and structures	272
		Machinery and equipment	144
		Others	24
		Subtotal	440
	Total		¥1,437

The Construction Materials & Constructing segment (construction materials business) and Packaging Products segment (General packaging materials business) of Shin-Etsu Polymer have been suffering from a deteriorating profit structure, which was primarily caused by sluggish demand due to a decline in public investment and housing starts and changes in the form of packaging used. As a result, the book value of the assets at its Tokyo Plant and Nanyo Plant where these materials are produced has been marked down to the recoverable amount, which is calculated by their net selling price at disposition.

15. Income taxes

Income taxes in Japan applicable to the Company and its domestic subsidiaries for the years ended March 31, 2009, 2008 and 2007 consisted of corporate income tax (national), enterprise tax (local) and resident income taxes (local) at the approximate rates indicated below:

	2009	2008	2007
Corporate income tax	**30.0%**	30.0%	30.0%
Enterprise tax	**7.2**	7.2	7.2
Resident income taxes	**6.1**	6.1	6.1
	43.3%	43.3%	43.3%
Statutory tax rate in effect to reflect the deductibility of enterprise tax when paid (unlike other income taxes, enterprise tax is deductible for tax purposes when it is paid)	**40.4%**	40.4%	40.4%

Tax effects of material temporary differences and loss carry forwards which resulted in deferred tax assets or liabilities at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Deferred Tax Assets:			
Depreciation	**¥25,386**	¥33,816	**$259,041**
Maintenance cost	**4,529**	6,132	**46,214**
Unsettled accounts receivable and payable	**3,092**	5,760	**31,551**
Unrealized profit	**4,162**	4,918	**42,469**
Accrued bonus allowance	**3,690**	4,174	**37,653**
Accrued retirement benefits	**4,204**	3,886	**42,898**
Accrued enterprise taxes	**1,111**	3,066	**11,337**
Tax loss carry forwards	**12,843**	253	**131,051**
Unrealized gain on available-for-sale securities	**240**	–	**2,449**
Other	**18,938**	17,185	**193,245**
Valuation allowance	**(3,918)**	(3,752)	**(39,980)**
Total	**¥74,277**	¥75,438	**$757,928**
Deferred Tax Liabilities:			
Depreciation	**¥37,246**	¥16,734	**$380,061**
Unrealized gain on available-for-sale securities	**146**	7,068	**1,490**
Reserve for special depreciation	**139**	397	**1,418**
Other	**3,429**	3,358	**34,990**
Total	**¥40,960**	¥27,557	**$417,959**
Net deferred tax assets	**¥33,317**	¥47,881	**$339,969**

Net Deferred Tax Assets are included in the following accounts:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Current assets: Deferred taxes, current	¥ 36,098	¥ 30,188	$ 368,347
Non-current assets:			
Deferred taxes, non-current	34,868	35,011	355,796
Current liabilities: Other	(264)	(344)	(2,694)
Non-current liabilities:			
Deferred taxes, non-current	(37,385)	(16,974)	(381,480)

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

	2009	2008
Statutory tax rate	40.4%	40.4%
Rate difference from foreign subsidiaries	(2.7)	(4.4)
Equity in earnings of affiliates	(2.1)	(1.9)
Dividend income and other not taxable	(2.4)	(1.7)
Elimination of intercompany dividend income	2.3	1.7
Tax deduction for research expenses	(0.9)	(0.7)
Entertainment and other non-deductible expenses	0.2	0.1
Correction of taxation based on transfer pricing	–	3.6
Other, net	1.4	0.3
Effective tax rate	36.2	37.4

Income taxes - Prior years

Income taxes - Prior years consist of the amount of additional taxes paid due to the Notification of Correction of Transfer Pricing Taxation for the five fiscal years from the fiscal year ended March 31, 2002 to that ended March 31, 2006.

16. 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.

Reconciliation between cash and equivalents and the related accounts shown in the consolidated balance sheets as of March 31, 2009, 2008 and 2007 are presented below:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Cash and time deposits	¥209,542	¥217,266	¥296,852	$2,138,184
Marketable securities	111,878	184,520	207,178	1,141,612
Time deposits for which maturities are approximately over three months	(31,829)	(44,405)	(20,821)	(324,786)
Marketable securities (maturities approximately over three months)	(38,546)	(55,762)	(78,676)	(393,326)
Cash and cash equivalents	¥251,045	¥301,619	¥404,533	$2,561,684

17. Segment information

(1) Business segment information

The Companies operate principally in the following three lines of business: "Organic and Inorganic Chemicals," "Electronics Materials" and "Functional Materials and Others." These lines of business deal in the following main products and merchandise:

Organic and inorganic chemicals business segments:
Polyvinyl chloride, Silicones, Methanol, Chloromethanes, Cellulose derivatives, Caustic soda, Silicon metal

Electronics materials business segments: Semiconductor silicon, Organic materials for the electronics industry, Rare earth magnets for the electronics industry, Photoresists

Functional materials and others business segment: Synthetic quartz products, Oxide single crystals, Rare earths and rare earth magnets, Export of technology and plants, Export and import of goods, Construction and plant engineering, Information processing

Sales, related operating costs and expenses, operating income, assets, depreciation and capital expenditure of the Companies at March 31, 2009, 2008 and 2007 and for the years then ended, classified by business segment, are presented as follows:

	Millions of yen				
	2009				
	Organic and Inorganic Chemicals	Electronics Materials	Functional Materials and Others	Elimination or Common Assets[4]	Consolidated Total
Sales:					
Sales to outside customers	¥629,174	¥467,521	¥104,119	¥ –	¥1,200,814
Intersegment sales	9,474	2,349	99,862	(111,685)	–
Total	638,648	469,870	203,981	(111,685)	1,200,814
Operating costs and expenses[1, 3]	543,506	357,635	178,257	(111,511)	967,887
Operating income	¥ 95,142	¥112,235	¥ 25,724	¥ (174)	¥ 232,927
Assets	¥698,063	¥607,213	¥172,493	¥ 207,176	¥1,684,945
Depreciation[2]	34,719	75,759	9,215	(236)	119,457
Loss on impairment	–	4,364	–	–	4,364
Capital expenditures	81,981	71,323	6,580	(477)	159,407

	Millions of yen				
	2008				
	Organic and Inorganic Chemicals	Electronics Materials	Functional Materials and Others	Elimination or Common Assets[4]	Consolidated Total
Sales:					
Sales to outside customers	¥701,003	¥564,697	¥110,665	¥ –	¥1,376,365
Intersegment sales	17,019	3,359	82,835	(103,213)	–
Total	718,022	568,056	193,500	(103,213)	1,376,365
Operating costs and expenses	618,540	405,956	167,488	(102,765)	1,089,219
Operating income	¥ 99,482	¥162,100	¥ 26,012	¥ (448)	¥ 287,146
Assets	¥782,878	¥713,047	¥199,498	¥ 223,122	¥1,918,545
Depreciation[5]	31,651	100,983	8,896	(260)	141,270
Loss on impairment	7,198	–	–	–	7,198
Capital expenditures	116,417	144,141	8,617	(696)	268,479

	Millions of yen				
	2007				
	Organic and Inorganic Chemicals	Electronics Materials	Functional Materials and Others	Elimination or Common Assets4	Consolidated Total
Sales:					
Sales to outside customers	¥708,434	¥479,392	¥116,870	¥ –	¥1,304,696
Intersegment sales	11,725	3,023	93,653	(108,401)	–
Total	720,159	482,415	210,523	(108,401)	1,304,696
Operating costs and expenses	613,472	375,768	182,919	(108,492)	1,063,667
Operating income	¥106,687	¥106,647	¥ 27,604	¥ 91	¥ 241,029
Assets	¥772,308	¥629,196	¥198,691	¥ 259,801	¥1,859,996
Depreciation6	28,797	101,405	8,473	(213)	138,462
Capital expenditures	94,149	105,619	10,957	(112)	210,613

	Thousands of U.S. dollars				
	2009				
	Organic and Inorganic Chemicals	Electronics Materials	Functional Materials and Others	Elimination or Common Assets4	Consolidated Total
Sales:					
Sales to outside customers	**$6,420,143**	**$4,770,622**	**$1,062,439**	**$ –**	**$12,253,204**
Intersegment sales	**96,673**	**23,970**	**1,019,000**	**(1,139,643)**	**–**
Total	**6,516,816**	**4,794,592**	**2,081,439**	**(1,139,643)**	**12,253,204**
Operating costs and expenses1, 3	**5,545,979**	**3,649,337**	**1,818,949**	**(1,137,867)**	**9,876,398**
Operating income	**$ 970,837**	**$1,145,255**	**$ 262,490**	**$ (1,776)**	**$ 2,376,806**
Assets	**$7,123,092**	**$6,196,051**	**$1,760,132**	**$ 2,114,041**	**$17,193,316**
Depreciation2	**354,275**	**773,051**	**94,031**	**(2,408)**	**1,218,949**
Loss on impairment	**–**	**44,531**	**–**	**–**	**44,531**
Capital expenditures	**836,541**	**727,785**	**67,143**	**(4,867)**	**1,626,602**

Notes: 1. As previously mentioned in (6) Inventories in Note 2., the Company and its domestic subsidiaries adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9) and changed the evaluation standard and the evaluation method for inventories from the fiscal year ended March 31, 2009.

As a result, for the fiscal year ended March 31, 2009, the operating expenses under Organic and Inorganic Chemicals business segment, Electronics Materials business segment and Functional Materials and Others business segment increased by ¥1,474 million ($15,041 thousand), ¥1,597 million ($16,296 thousand) and ¥326 million ($3,327 thousand), respectively. Accordingly, the operating income of each segment decreased by the same amounts.

2. As previously mentioned in (8) Property, plant and equipment in Note 2., effective from the fiscal year ended March 31, 2009, the Company and its domestic subsidiaries changed the period of depreciation for tangible fixed assets (except for semiconductor silicon manufacturing facilities/equipment) in accordance with the revised Japanese Corporation Tax Law.

As a result, for the fiscal year ended March 31, 2009, the depreciation expenses under Organic and Inorganic Chemicals business segment and Electronics Materials business segment decreased by ¥303 million ($3,092 thousand) and ¥44 million ($449 thousand), respectively, and those under Functional Materials business segment increased ¥39 million ($398 thousand), compared with the amount under the formerly applied method. The operating expenses under Organic and Inorganic Chemicals business segment and Electronics Materials business segment decreased by ¥164 million ($1,673 thousand) and ¥25 million ($255 thousand), respectively, and those under Functional Materials business segment increased ¥23 million ($235 thousand). Accordingly, the operating income of each segment increased or decreased by the same amounts.

3. As previously mentioned in (20) Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements in Note 2., 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" (ASBJ Practical issues Task Force No.18, issued on May 17, 2006) has been applied and accordingly some revisions was made to the consolidated accounts as necessary.

As a result, for the fiscal year ended March 31, 2009, operating expenses under Organic and Inorganic Chemicals business segment and Electronics Materials business segment increased by ¥148 million ($1,510 thousand), ¥312 million ($3,184 thousand), respectively. Accordingly operating income of each segment decreased by the same amounts.

4. The amounts of the common assets included in the column "Elimination or Common Assets" for the years ended March 31, 2009, 2008, and 2007 were ¥246,636 million ($2,516,694 thousand), ¥274,993 million and ¥309,306 million, respectively, which mainly consisted of surplus working funds (cash, deposits and marketable securities) and long-term investment funds (investments in securities) of the Company.

5. As previously mentioned in (8) Property, plant and equipment in Note 2., in the fiscal year ended March 31, 2008, the Company and its domestic subsidiaries changed the depreciation method of tangible fixed assets in accordance with the revised Japanese Corporation Tax Law.

As a result, for the fiscal year ended March 31, 2008, the depreciation expenses under Organic and Inorganic Chemicals business segment, Electronics Materials business segment and Functional Materials and Others business segment increased by ¥2,128 million, ¥559 million and ¥668 million, respectively, compared with the amount under the formerly applied method. The operating expenses under Organic and Inorganic Chemicals business segment, Electronics Materials business segment and Functional Materials and Others business segment increased by ¥1,740 million, ¥502 million and ¥561 million, respectively. Accordingly, the operating income of each segment decreased by the same amounts.

6. As previously mentioned in (8) Property, plant and equipment in Note 2, the period of depreciation for a portion of the semiconductor silicon manufacturing facilities/equipment was shortened in the fiscal year ended March 31, 2007. With this change, the depreciation expenses under the Electronics Materials business segment for the fiscal year ended March 31, 2007, when compared with the figures calculated for the previous depreciable years, increased by ¥23,875 million. Operating expenses increased by ¥22,405 million, and accordingly, operating income decreased by the same amount.

(2) Geographical segment information

The analysis of the sales, operating costs and expenses, operating income and assets of the Companies by geographical segments as of March 31, 2009, 2008 and 2007 and for the years then ended are presented below:

	Millions of yen					
	2009					
	Japan	North America	Asia/ Oceania	Europe	Elimination or Common Assets5	Consolidated Total
Sales:						
Sales to outside customers	**¥588,312**	**¥285,538**	**¥171,409**	**¥155,555**	**¥ –**	**¥1,200,814**
Intersegment sales	**192,086**	**55,982**	**51,860**	**923**	**(300,851)**	**–**
Total	**780,398**	**341,520**	**223,269**	**156,478**	**(300,851)**	**1,200,814**
Operating costs and expenses2, 3, 4	**617,020**	**297,921**	**211,352**	**144,829**	**(303,235)**	**967,887**
Operating income	**¥163,378**	**¥ 43,599**	**¥ 11,917**	**¥ 11,649**	**¥ 2,384**	**¥ 232,927**
Assets	**¥910,071**	**¥389,243**	**¥141,560**	**¥119,218**	**¥ 124,853**	**¥1,684,945**

	Millions of yen					
	2008					
	Japan	North America	Asia/ Oceania	Europe	Elimination or Common Assets5	Consolidated Total
Sales:						
Sales to outside customers	¥ 645,007	¥309,101	¥241,146	¥181,111	¥ –	¥1,376,365
Intersegment sales	280,116	68,365	64,244	2,281	(415,006)	–
Total	925,123	377,466	305,390	183,392	(415,006)	1,376,365
Operating costs and expenses6	710,941	343,140	282,317	168,235	(415,414)	1,089,219
Operating income	¥ 214,182	¥ 34,326	¥ 23,073	¥ 15,157	¥ 408	¥ 287,146
Assets	¥1,014,059	¥442,680	¥201,640	¥169,182	¥ 90,984	¥1,918,545

	Millions of yen					
	2007					
	Japan	North America	Asia/ Oceania	Europe	Elimination or Common Assets5	Consolidated Total
Sales:						
Sales to outside customers	¥639,901	¥313,303	¥186,521	¥164,971	¥ –	¥1,304,696
Intersegment sales	244,412	38,996	64,946	837	(349,191)	–
Total	884,313	352,299	251,467	165,808	(349,191)	1,304,696
Operating costs and expenses7	709,157	314,015	236,213	154,858	(350,576)	1,063,667
Operating income	¥175,156	¥ 38,284	¥ 15,254	¥ 10,950	¥ 1,385	¥ 241,029
Assets	¥962,147	¥421,474	¥182,257	¥154,403	¥ 139,715	¥1,859,996

Thousands of U.S. dollars

	2009					
	Japan	North America	Asia/ Oceania	Europe	Elimination or Common Assets[5]	Consolidated Total
Sales:						
Sales to outside customers	$6,003,184	$2,913,653	$1,749,071	$1,587,296	$ –	$12,253,204
Intersegment sales	1,960,061	571,245	529,184	9,418	(3,069,908)	–
Total	7,963,245	3,484,898	2,278,255	1,596,714	(3,069,908)	12,253,204
Operating costs and expenses[2, 3, 4]	6,296,123	3,040,010	2,156,653	1,477,847	(3,094,235)	9,876,398
Operating income	$1,667,122	$ 444,888	$ 121,602	$ 118,867	$ 24,327	$ 2,376,806
Assets	$9,286,439	$3,971,867	$1,444,490	$1,216,510	$ 1,274,010	$17,193,316

Notes: 1. Main countries or other areas other than Japan:
North America .... U.S.
Asia/Oceania .... Malaysia, Singapore, South Korea, Taiwan, Thailand, Australia
Europe .... U.K., Netherlands, Germany

2. As previously mentioned in (6) Inventories in Note 2., the Company and its domestic subsidiaries adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9) and changed the evaluation standard and the evaluation method for inventories from the fiscal year ended March 31, 2009.
As a result, for the fiscal year ended March 31, 2009, the operating expenses for Japan geographic segment increased by ¥3,398 million ($34,673 thousand). Accordingly, the operating income decreased by the same amount.

3. As previously mentioned in (8) Property, plant and equipment in Note 2., effective from the fiscal year ended March 31, 2009, the Company and its domestic subsidiaries changed the period of depreciation for tangible fixed assets (except for semiconductor silicon manufacturing facilities/equipment) in accordance with the revised Japanese Corporation Tax Law.
As a result, the operating expenses for Japan geographic segment decreased by ¥165 million ($1,684 thousand) compared with the amount under the formerly applied method. Accordingly, the operating income increased by the same amount.

4. As previously mentioned in (20) Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements in Note 2., 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" (ASBJ Practical issues Task Force No.18, issued on May 17, 2006) has been applied and accordingly some revisions was made to the consolidated accounts as necessary.
As a result, for the fiscal year ended March 31, 2009, operating expenses for Asia/Oceania and Europe increased by ¥314 million ($3,204 thousand) and ¥146 million ($1,490 thousand), respectively.

5. The amounts of the common assets included in the column "Elimination or Common Assets" for the years ended March 31, 2009, 2008, and 2007 were ¥246,636 million ($2,516,694 thousand), ¥274,993 million and ¥309,306 million, respectively, which mainly consisted of surplus working funds (cash, deposits and marketable securities) and long-term investment funds (investments in securities) of the Company.

6. As previously mentioned in (8) Property, plant and equipment in Note 2., in the fiscal year ended March 31, 2008 the Company and its domestic subsidiaries changed the depreciation method of tangible fixed assets in accordance with the revised Japanese Corporation Tax Law.
As a result, the operating expenses for Japan geographic segment increased by ¥2,803 million compared with the amount under the formerly applied method. Accordingly, the operating income decreased by the same amount.

7. As previously mentioned in (8) Property, plant and equipment in Note 2, the period of depreciation for a portion of the semiconductor silicon manufacturing facilities/equipment was shortened in the fiscal year ended March 31, 2007.
As a result, operating expenses for Japan, North America, Asia/Oceania and Europe for the fiscal year ended March 31, 2007 increased by ¥13,321 million, ¥4,029 million, ¥2,955 million and ¥2,099 million, respectively, compared with the figures calculated for the previous depreciable years. Accordingly, operating income decreased by the same amount.

(3) Overseas sales information

Overseas sales of the Companies for the years ended March 31, 2009, 2008 and 2007 are summarized as follows:

Millions of yen

	2009				
	North America	Asia/ Oceania	Europe	Other Areas	Total
Overseas sales	¥241,462	¥288,108	¥150,563	¥68,678	¥ 748,811
Consolidated sales	–	–	–	–	1,200,814
Percentage of overseas sales over consolidated sales	20.1%	24.0%	12.6%	5.7%	62.4%

Millions of yen

	2008				
	North America	Asia/ Oceania	Europe	Other Areas	Total
Overseas sales	¥278,020	¥411,760	¥177,958	¥72,683	¥ 940,421
Consolidated sales	–	–	–	–	1,376,365
Percentage of overseas sales over consolidated sales	20.2%	29.9%	12.9%	5.3%	68.3%

Millions of yen

	2007				
	North America	Asia/ Oceania	Europe	Other Areas	Total
Overseas sales	¥295,093	¥393,314	¥164,006	¥47,926	¥ 900,339
Consolidated sales	–	–	–	–	1,304,696
Percentage of overseas sales over consolidated sales	22.6%	30.1%	12.6%	3.7%	69.0%

Thousands of U.S. dollars

	2009				
	North America	Asia/ Oceania	Europe	Other Areas	Total
Overseas sales	$2,463,898	$2,939,878	$1,536,357	$700,796	$ 7,640,929
Consolidated sales	–	–	–	–	12,253,204
Percentage of overseas sales over consolidated sales	20.1%	24.0%	12.6%	5.7%	62.4%

Notes: 1. Main countries or areas
North America .... U.S., Canada
Asia/Oceania .... China, Taiwan, South Korea, Singapore, Thailand, Malaysia
Europe .... Germany, France, Portugal
Other Areas .... Latin America, Middle East

2. "Overseas sales" means sales to outside Japan by the Company and its consolidated subsidiaries.

18. Subsequent event

Appropriation of retained earnings

Subsequent to March 31, 2009, the Company's Board of Directors, with the approval of stockholders on June 26, 2009 declared a cash dividend of ¥21,223 million ($216,561 thousand) equal to ¥50.00 ($0.51) per share, applicable to earnings of the year ended March 31, 2009 and payable to stockholders on the stockholders' register on March 31, 2009.

Consolidated Subsidiaries

As of March 31, 2009

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 Fintech Co., Ltd.	100.0	March 31
JAPAN VAM & POVAL Co., Ltd.	100.0	March 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 Sealant Co., Ltd.	100.0	March 31
Shin-Etsu Unit Co., Ltd.	100.0	March 31
Shin-Etsu Opto Electronics Co., Ltd.[1]	80.0	December 31
Shin-Etsu Polymer (Malaysia) Sdn. Bhd.[1]	100.0	December 31

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 Mexico S.A. de. C.V.[1]	100.0	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

7 other consolidated subsidiaries

(1) Overseas subsidiary

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

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, 2009 and 2008, and the related consolidated statements of operations, 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, 2009 and 2008, 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, 2009 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

Ernst & Young ShinNihon
Tokyo, Japan

June 26, 2009

Investor Information

As of March 31, 2009

Shin-Etsu Chemical Co., Ltd.

Head Office: 6-1, Ohtemachi 2-chome,
Chiyoda-ku, Tokyo 100-0004, Japan

Date of Establishment:
September 16, 1926

Capital:
¥119,420 million

Number of Employees:
19,170 (including 68 consolidated subsidiaries)

Number of Shares Authorized:
1,720,000,000

Number of Shares Issued:
432,106,693

Number of Stockholders:
65,376

Fiscal Year-End:
March 31

Stockholders' Meeting:
June

Stock Listings:
Tokyo, Osaka, Nagoya (Ticker Code: 4063)

Transfer Agent:
Mitsubishi UFJ Trust and Banking Corporation

Auditor:
Ernst & Young ShinNihon

Please visit our website:

http://www.shinetsu.co.jp
(English, Japanese and Chinese)

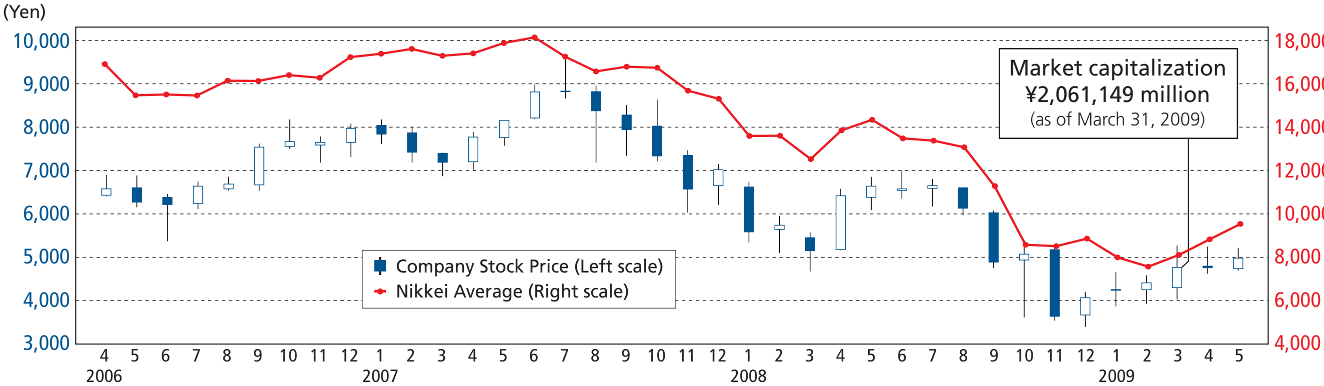
Major Stockholders:

Name	Number of Shares (Thousands)	Percentage of Total Equity (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	41,662	9.8
Japan Trustee Services Bank, Ltd. (Trust account)	35,984	8.5
Nippon Life Insurance Company	24,370	5.7
Japan Trustee Services Bank, Ltd. (Trust account 4G)	20,718	4.9
Japan Trustee Services Bank, Ltd. (Trust account 4)	12,077	2.8
The Hachijuni Bank, Ltd.	11,790	2.8
Meiji Yasuda Life Insurance Company	11,529	2.7
NIPPONKOA Insurance Co., Ltd.	8,077	1.9
JPMorgan Chase Bank 380055	7,424	1.7
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7,095	1.7

Information:
Public Relations Department
Phone: +81-3-3246-5091
Fax: +81-3-3246-5096
e-mail: sec-pr@shinetsu.jp

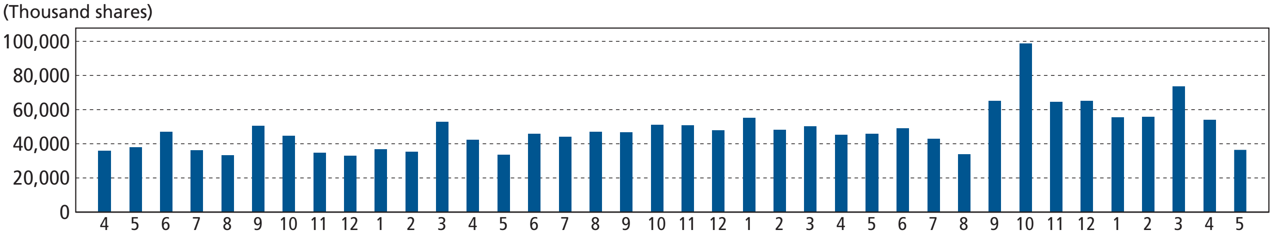
Common Stock Price

(Yen)



Trading Volume

(Thousand shares)



Shin-Etsu's Worldwide Network

(Main Shin-Etsu Group Companies)

AMERICA

U.S.A.

1 SHINTECH INCORPORATED
#3 Greenway Plaza, Suite 1150, Houston, TX 77046
Phone: +1-713-965-0713 Fax: +1-713-965-0629
Business: Production and Sales of PVC

2 SHIN-ETSU HANDOTAI AMERICA, INC. (S.E.H. AMERICA)
4111 N.E. 112th Ave., Vancouver, WA 98668-8965
Phone: +1-360-883-7000 Fax: +1-360-254-6973
Business: Production and Sales of Semiconductor Silicon

3 SHIN-ETSU MAGNETICS, INC.
2372 Qume Drive, Suite B, San Jose, CA 95131-1841
Phone: +1-408-383-9240 Fax: +1-408-383-9245
Business: Sales of Rare Earth Magnets

4 SHIN-ETSU MICROSI, INC.
10028 South 51st. Phoenix, AZ 85044
Phone: +1-480-893-8898 Fax: +1-480-893-8637
Business: Sales of Electronics Materials

5 SHIN-ETSU POLYMER AMERICA, INC.
5600 Mowry School Road, Suite 320, Newark, CA 94560
Phone: +1-510-623-1881 Fax: +1-510-623-1603
Business: Sales of Keypads and Inter-Connectors

6 SHIN-ETSU SILICONES OF AMERICA, INC.
1150 Damar Drive, Akron, OH 44305
Phone: +1-330-630-9860 Fax: +1-330-630-9855
Business: Production and Sales of Silicone Products

7 HERAEUS SHIN-ETSU AMERICA, INC.
4600 NW Pacific Rim Blvd., Camas, WA 98607
Phone: +1-360-834-4004 Fax: +1-360-834-3115
Business: Production and Sales of Quartz Crucibles for Drawing Semiconductor Silicon

8 K-BIN INC.
#3 Greenway Plaza, Suite 1150, Houston, TX 77046
Phone: +1-713-965-0713 Fax: +1-713-965-0629
Business: Production and Sales of PVC Compounds

9 SHINCOR SILICONES, INC.
1030 Evans Avenue, Akron, OH 44305
Phone: +1-330-630-9460 Fax: +1-330-630-1491
Business: Production and Sales of Silicone Products

10 PACIFIC BIOCONTROL CORPORATION
14615 NE 13th Court, Vancouver, WA 98685
Phone: +1-360-571-2247 Fax: +1-360-571-2248
Business: Sales of Pheromone Formulation

EUROPE

France

11 S.E.H. EUROPE (FRENCH OFFICE)
1360 Route Des Dolines, Cardoulines B2,
06560 Sophia Antipolis
Phone: +33-4.97.21.44.88 Fax: +33-4.97.21.44.80
Business: Sales of Semiconductor Silicon

Germany

12 SE TYLOSE GMBH & CO. KG
Rheingaustr. 190-196, 65203 Wiesbaden
Phone: +49-611-962-8189 Fax: +49-611-962-9071
Business: Production and Sales of Cellulose Derivatives

13 S.E.H. EUROPE (GERMAN OFFICE)
Fabrikstr. 8, D-85354 Freising
Phone: +49-8161-50611 Fax: +49-8161-50682
Business: Sales of Semiconductor Silicon

Hungary

14 SHIN-ETSU POLYMER HUNGARY KFT.
Berkenyefa sor 2/A, H-9027 Győr, Hungary
Phone: +36-96-887-100 Fax: +36-96-887-110
Business: Production and Sales of Keypads

The Netherlands

15 SHIN-ETSU PVC B.V.
Building Noorderheave Noorderweg 68,
1221 AB Hilversum
Phone: +31-35-689-8010
Fax: +31-35-685-0989
Business: Production and Sales of Vinyl Chloride Monomer and PVC

16 SHIN-ETSU INTERNATIONAL EUROPE B.V.
World Trade Center Amsterdam, Strawinskylaan B-827,
1077 XX Amsterdam
Phone: +31-20-662-1359 Fax: +31-20-664-9000
Business: Sales of Chemical Products and Electronics Materials

17 SHIN-ETSU POLYMER EUROPE B.V.
Groot Bollerweg 10, 5928 NS, Venlo
Phone: +31-77-323-6000 Fax: +31-77-323-6001
Business: Production and Sales of Keypads and Inter-Connectors

18 SHIN-ETSU SILICONES EUROPE B.V.
Bolderweg 32, 1332 AV, Almere
Phone: +31-36-5493170 Fax: +31-36-5326459
Business: Production and Sales of Silicone Products

Portugal

19 CIRES, S.A. (COMPANHIA INDUSTRIAL DE RESINAS SINTETICAS, S.A.)
P.O. Box 20, Samouqueiro, Avanca 3864-752, Estarreja
Phone: +351-234-811-200 Fax: +351-234-811-204
Business: Production and Sales of PVC

U.K.

20 SHIN-ETSU HANDOTAI EUROPE LTD. (S.E.H. EUROPE)
Wilson Road, Toll Roundabout, Eliburn, Livingston,
West Lothian EH54 7DA
Phone: +44-1506-41-5555 Fax: +44-1506-41-7171
Business: Production and Sales of Semiconductor Silicon

ASIA-OCEANIA

Australia

21 SIMCOA OPERATIONS PTY. LTD.
Lot 22 Marriott Road, Wellesley, WA 6233
Phone: +61-8-9780-6666 Fax: +61-8-9780-6777
Business: Production and Sales of Silicon Metal

China

22 SHIN-ETSU SILICONE INTERNATIONAL TRADING (SHANGHAI) CO., LTD.
29F Junyao International Plaza No. 789,
Zhao Jia Bang Road, Shanghai 200320
Phone: +86-21-6443-5550 Fax: +86-21-6443-5868
Business: Sales of Silicone Products

23 SUZHOU SHIN-ETSU POLYMER CO., LTD.
No. 652 Dong Gang Road, Economic and
Technical Development Zone, Wujiang City, Jiangsu
Phone: +86-512-6327-0704 Fax: +86-512-6327-2674
Business: Production and Sales of Keypads and Inter-Connectors

24 SHIN-ETSU POLYMER HONG KONG CO., LTD.
Suite 1602, 16/F, Tower 6, China Hong Kong City,
33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
Phone: +852-2377-9131 Fax: +852-2377-1673
Business: Sales of Keypads and Inter-Connectors

25 ZHEJIANG SHIN-ETSU HIGH-TECH CHEMICAL CO., LTD.
No.66, Lizhong Road, Jiashan Economic Development
Zone, Zhejiang Sheng 3141116
Phone: +86-573-8475-5071 Fax: +86-573-8475-5070
Business: Production and Sales of Silicone Products

26 SHIN-ETSU TECHNOLOGY (SUZHOU) CO., LTD.
Block4, No.1 of Qiming Road
Suzhou Industrial Park 215121
Phone: +86-512-6276-3270 Fax: +86-512-6276-3277
Business: Production and Sales of Rare Earth Magnets

Korea

27 SHIN-ETSU SILICONE KOREA CO., LTD.
Danam Bldg. 9F, 120, 5-ka, Namdaemunno 5(0)-ga,
Jungu-gu, Seoul
Phone: +82-2-775-9691 Fax: +82-2-775-9690
Business: Production and Sales of Silicone Products

Malaysia

28 S.E.H. MALAYSIA SDN. BHD.
Lot No.2, Lorong Enggang 35,
Ulu Klang Free Trade Zone, Selangor Darul Ehsan
Phone: +60-3-4259-6600 Fax: +60-3-4257-5751
Business: Production, Processing and Sales of Semiconductor Silicon Wafers

29 S.E.H. (SHAH ALAM) SDN. BHD.
Lot No. 8, Jalan Sementa 27/91, Seksyen 27,
40400 Shah Alam, Selangor Darul Ehsan
Phone: +60-3-5123-7000 Fax: +60-3-5191-3111
Business: Production and Processing of Semiconductor Silicon Wafers

30 SHIN-ETSU ELECTRONICS (MALAYSIA) SDN. BHD.
Lot 50, Jalan Serendah 26/17, HICOM Industrial Estate,
40000 Shah Alam, Selangor Darul Ehsan
Phone: +60-3-5192-1081 Fax: +60-3-5192-1068
Business: Production and Sales of Epoxy Molding Compounds

31 SHIN-ETSU (MALAYSIA) SDN. BHD.
Lot 50, Jalan Serendah 26/17, HICOM Industrial Estate,
40000 Shah Alam, Selangor Darul Ehsan
Phone: +60-3-5191-2233 Fax: +60-3-5191-2288
Business: Production and Sales of Rare Earth Magnets

32 SHIN-ETSU POLYMER (MALAYSIA) SDN. BHD.
Lot 52, Jalan Sepintas 26/13, Kawasan, Perindustrian
HICOM, 40000 Shah Alam Selangor Darul Ehsan
Phone: +60-3-5191-1161 Fax: +60-3-5191-1181
Business: Production, Processing and Sales of Keypads, Silicone Products and Embossed Carrier Tapes and Processing of Inter-Connectors

Singapore

33 SHIN-ETSU ELECTRONICS MATERIALS SINGAPORE PTE. LTD.
100 Beach Road, #23-01 Shaw Towers, 189702
Phone: +65-6297-9211 Fax: +65-6297-9311
Business: Sales of Rare Earth Magnets and Other Products

34 SHIN-ETSU SINGAPORE PTE. LTD.
4 Shenton Way #10-03/06 SGX Centre 2,
Singapore 068807
Phone: +65-6743-7277 Fax: +65-6743-7477
Business: Sales of Silicone Products

35 SHIN-ETSU POLYMER SINGAPORE PTE. LTD.
4 Shenton Way #10-02 SGX Centre 2, Singapore 068807
Phone: +65-6735-0007 Fax: +65-6735-0008
Business: Sales of Keypads and Inter-Connectors

Taiwan

36 SHIN-ETSU HANDOTAI TAIWAN CO., LTD. (S.E.H. TAIWAN)
No.12, Industry East Road 9,
Hsin-Chu Science Park, Hsin-Chu
Phone: +886-3-577-1188 Fax: +886-3-577-1199
Business: Production, Processing and Sales of Semiconductor Silicon Wafers

37 SHIN-ETSU OPTO ELECTRONIC CO., LTD.
No.30, Industry East Road 4,
Hsin-Chu Science Park, Hsin-Chu
Phone: +886-3-578-4566 Fax: +886-3-578-9864
Business: Production and Sales of Compound Semiconductors

38 SHIN-ETSU SILICONE TAIWAN CO., LTD.
11F-D, No. 167, Tun Hua N. Rd., Taipei 10549
Phone: +886-2-2715-0055 Fax: +886-2-2715-0066
Business: Production and Sales of Silicone Products

Thailand

39 SHIN-ETSU SILICONES (THAILAND), LTD.
7th Floor, Harindhorn Tower, 54 North Sathorn Road,
Bangkok 10500
Phone: +66-2-632-2941 Fax: +66-2-632-2945
Business: Production and Sales of Silicone Products

40 ASIA SILICONES MONOMER LTD.
1 Moo 2 Asia Industrial Estate Tambol Banchang,
Ampher Banchang Rayong 21130
Phone: +66-38-687-050 Fax: +66-38-687-060
Business: Production and Sales of Silicone Monomer

JAPAN

41 SHIN-ETSU CHEMICAL CO., LTD.
6-1, Ohtemachi 2-chome, Chiyoda-ku, Tokyo
Phone: +81-3-3246-5011 Fax: +81-3-3246-5350
Business: Production and Sales of Products in Organic and Inorganic Chemicals, Electronics Materials, and Functional Materials and Others

42 SHIN-ETSU ASTECH CO., LTD.
2-1, Uchikanda 2-chome, Chiyoda-ku, Tokyo
Phone: +81-3-5298-3211 Fax: +81-3-3254-1931
Business: Construction Businesses and Sales of Chemical Products and Others

43 SHIN-ETSU ENGINEERING CO., LTD.
9, Kanda-Nishikicho 2-chome, Chiyoda-ku, Tokyo
Phone: +81-3-3296-1080 Fax: +81-3-3296-1085
Business: Engineering Services and Production of Mechatronics Systems

44 SHIN-ETSU FILM CO., LTD.
3-8, Uchikanda 1-chome, Chiyoda-ku, Tokyo
Phone: +81-3-3259-1061 Fax: +81-3-3259-1064
Business: Production and Sales of PP Film for Condensers

45 SHIN-ETSU HANDOTAI CO., LTD.
6-2, Ohtemachi 2-chome, Chiyoda-ku, Tokyo
Phone: +81-3-3243-1500 Fax: +81-3-3247-1271
Business: Production and Sales of Semiconductor Silicon and Compound Semiconductors

46 SHIN-ETSU POLYMER CO., LTD.
3-5, Nihonbashi Honcho 4-chome, Chuo-ku, Tokyo
Phone: +81-3-3279-1712 Fax: +81-3-3246-2529
Business: Production and Sales of Synthetic Resin Products

47 SHIN-ETSU QUARTZ PRODUCTS CO., LTD.
22-2, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo
Phone: +81-3-3348-1912 Fax: +81-3-3348-4919
Business: Production and Sales of Quartz Glass Products

48 JAPAN VAM & POVAL CO., LTD.
11-1, Chikkoshinmachi 3-cho, Nishi-ku, Sakai-shi, Osaka
Phone: +81-72-245-1131 Fax: +81-72-245-8144
Business: Production and Sales of Vinyl Esters of Carboxylic Acids, such as Vinyl Acetate Monomer and Polyvinyl Alcohol

49 KASHIMA VINYL CHLORIDE MONOMER CO., LTD.
2, Towada, Kamisu-shi, Ibaraki
Phone: +81-299-96-3415 Fax: +81-299-96-6354
Business: Production and Sales of Vinyl Chloride Monomer

50 NAGANO ELECTRONICS INDUSTRIAL CO., LTD.
1393, Yashiro, Chikuma-shi, Nagano
Phone: +81-26-261-3100 Fax: +81-26-261-3131
Business: Production, Processing and Sales of Semiconductor Silicon Wafers and Other Products

51 NAOETSU ELECTRONICS CO., LTD.
596-2 Jonokoshi, Kubiki-ku, Joetsu-shi, Niigata
Phone: +81-25-530-2631 Fax: +81-25-530-2908
Business: Production, Processing and Sales of Semiconductor Silicon Wafers

52 MIMASU SEMICONDUCTOR INDUSTRY CO., LTD.
2174-1 Hodotamachi, Takasaki-shi, Gunma
Phone: +81-27-372-2021 Fax: +81-27-372-2018
Business: Precision Production, Processing and Sales of Semiconductor Silicon Wafers and Others

53 NISSIN CHEMICAL INDUSTRY CO., LTD.
17-33, Kitago 2-chome, Echizen-shi, Fukui
Phone: +81-778-22-5100 Fax: +81-778-24-0657
Business: Production and Sales of Synthetic Resin Emulsions and Other Products

54 SHINANO ELECTRIC REFINING CO., LTD.
5-2, Kanda-Kajicho 3-chome, Chiyoda-ku, Tokyo
Phone: +81-3-5298-1601 Fax: +81-3-5298-0071
Business: Production and Sales of Carborundum Products

www.shinetsu.co.jp

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