June 4, 2015

To: All Shareholders of Shin-Etsu Chemical Co., Ltd. (the “Company”)

Matters to be Disclosed via the Internet for the Notice of Convocation of the 138th Ordinary General Meeting of Shareholders

1. Notes to Consolidated Financial Statements

2. Notes to Non-Consolidated Financial Statements

Shin-Etsu Chemical Co., Ltd.

The matters mentioned above are provided to the shareholders by publishing them via the Internet on the website of the Company (http://www.shinetsu.co.jp/) pursuant to laws and Article 16 of the articles of incorporation of the Company.

Notes to Consolidated Financial Statements

Basis of presenting consolidated financial statements

1. Scope of consolidation

(1) Information on consolidated subsidiaries

Number of consolidated subsidiaries-------87

Names of the principal consolidated subsidiaries

SHINTECH INC.	Shin-Etsu Handotai Co., Ltd.
S.E.H. Malaysia Sdn. Bhd.	Shin-Etsu Handotai America, Inc.
Shin-Etsu PVC B.V.	Shin-Etsu Polymer Co., Ltd.
SE Tylose GmbH & Co. KG	Shin-Etsu Astech Co., Ltd.
Shin-Etsu Engineering Co., Ltd.	Shin-Etsu Handotai Taiwan Co., Ltd.
SIMCOA OPERATIONS PTY. LTD.	Shin-Etsu Silicones (Thailand) Limited
Asia Silicones Monomer Limited	Nagano Electronics Industrial Co., Ltd.

(2) Information on unconsolidated subsidiaries

Name of the principal unconsolidated subsidiary

Shin-Etsu Electronics (Malaysia) Sdn. Bhd.

Reasons for excluding unconsolidated subsidiaries from scope of consolidation

There are 37 unconsolidated subsidiaries excluded from the scope of consolidation as their total assets, net sales, net income (loss) and retained earnings in the aggregate are not material to the consolidated financial statements.

2. Application of equity method

(1) Information on unconsolidated subsidiaries and affiliates to which equity method is applied

Number of affiliates to which equity method is applied-------3

Names of the principal subsidiaries and affiliates to which equity method is applied

Mimasu Semiconductor Industry Co., Ltd.
Shin-Etsu Quartz Products Co., Ltd.

(2) Information on unconsolidated subsidiaries and affiliates to which equity method is not applied

Name of the principal unconsolidated subsidiary and affiliate to which equity method is not applied

Shin-Etsu Electronics (Malaysia) Sdn. Bhd.

Reasons for excluding unconsolidated subsidiaries and affiliates from scope of equity method

There are 37 unconsolidated subsidiaries and 11 affiliates excluded from the scope of the equity method as their net income (loss) and retained earnings in the aggregate are not material to the consolidated financial statements.

(3) Details on the application of equity method

Two of the affiliates accounted for under the equity method have a different closing date from that of the consolidated financial statements with one of those affiliates consolidated based on its latest financial statements and, for the remaining affiliate, provisional financial statements as of the end of February are prepared.

3. Fiscal year of consolidated subsidiaries

The fiscal year of SHINTECH INC., S.E.H. Malaysia Sdn. Bhd. and 58 other subsidiaries ends on December 31, and the fiscal year of Nagano Electronics Industrial Co., Ltd., Naoetsu Electronics Co., Ltd. and 5 other subsidiaries ends at the end of February. For consolidation of subsidiaries whose fiscal year-ends are not the same as the Company, necessary adjustments are made on significant inter-company transactions occurring during the periods between the fiscal year-end of respective consolidated subsidiaries and that of the Company.

4. Summary of significant accounting policies

(1) Valuation of significant assets:

i) Valuation of securities:

Held-to-maturity debt securities	--------------	Amortized cost (straight-line method)
Available-for-sale securities		
Marketable securities	--------------	Fair market value as of the balance sheet date (Any net unrealized gains or losses are recognized in net assets, while costs of sales of marketable securities are calculated based mainly on the moving-average method.)
Non-marketable securities	--------------	At cost, mainly determined by the moving-average method

ii) Valuation of derivatives:

Fair value based on market quotations

iii) Valuation of inventories:

Inventories are mainly stated at cost determined primarily by the weighted-average method. (Balance sheet amounts are written down based on any decline in profitability.)

(2) Depreciation and amortization of fixed assets:

i) Property, plant and equipment (excluding leased assets):

Mainly declining-balance method (Straight-line method is applied for buildings (excluding structures attached to buildings) acquired by the Company and certain domestic subsidiaries on and after April 1, 1998.)

Useful lives mainly are as follows:

Buildings and structures -------15 – 47 years
Machinery and vehicles--------- 2 – 20 years

Additional depreciation is recorded based on excess operating hours for machinery and equipment that operate significantly in excess of their normal utilization rates.

ii) Intangible assets (excluding leased assets):
Straight-line method

iii) Leased assets:

Leased assets under finance lease transactions that transfer ownership	--------------	The same method is applied as that for owned fixed assets.
Leased assets under finance lease transactions that do not transfer ownership	--------------	The straight-line method is applied using the lease term as the useful life with zero residual value. (Finance lease transactions commencing before the initial fiscal year when the "Accounting Standard for Lease Transactions" (ASBJ Statement No.13) was applied continue to be accounted for as operating leases.)

(3) Calculation policy for allowances:

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

ii) Accrued bonuses for employees:
Certain consolidated subsidiaries recognize the estimated amount of employees' bonuses to be paid in the subsequent period that is attributable to the current fiscal year.

iii) Accrued bonuses for directors:
The Company and its domestic consolidated subsidiaries recognize the estimated amount of directors' bonuses to be paid in the subsequent period that is attributable to the current fiscal year.

iv) Accrued retirement bonuses for directors:
Certain domestic consolidated subsidiaries recognize the required amount for directors' retirement bonuses as of the end of the fiscal year based on an internal standard.

(4) Other bases for presenting consolidated financial statements:

i) Hedge accounting:
The Company and certain subsidiaries defer recognition of unrealized gains or losses on hedge transactions.
For interest rate swaps, the Company and certain subsidiaries apply special hedge accounting when the swap transaction meets the criteria for such treatment.

ii) Accounting treatment for retirement benefits:

The Company records the retirement benefit obligation after deducting pension plan assets as net defined benefit liability. For the calculation of the retirement benefit obligation, the Company attributes the expected retirement benefit to the service period of employees by the benefit formula basis.

Actuarial differences are amortized over a five-year period, which is within the average remaining service period of employees, using the straight-line method from the fiscal year when the difference was generated. Prior service cost is amortized as incurred over a ten-year period, which is within the average remaining service period of employees, using the straight-line method from the time when the prior services cost was generated.

Effective from the beginning of FY 2015, the Company adopted the “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (ASBJ) Statement No.26, issued May 17, 2012, hereinafter referred as the “Accounting Standards for Retirement Benefits”) and its accompanying implementation guidance, “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25, March 26, 2015) with respect to certain provisions described in Section 35 of the standard and in Section 67 of the guidance.

In applying these accounting standards, there was a change from the straight-line basis to the benefit formula basis as the method for attributing the expected retirement benefit to periods of service for the calculation of the retirement benefit obligation and service costs. Also, the Company has changed the method for determining the discount rate from using a discount rate based on the number of years approximate to the average remaining service period of employees to using a single weighted average discount rate that reflects the estimated timing and amount of the retirement benefit payments.

Concerning the application of the Accounting Standards for Retirement Benefits, based on the provisional treatment set out in Section 37 of the accounting standards, the effects of such changes in FY 2015 have been adjusted in the beginning balance of retained earnings. The impact of these changes on the beginning balance of net defined benefit liability and retained earnings, operating income, ordinary income and income before income taxes and minority interests for FY 2015 is immaterial.

iii) Consumption tax:

Consumption tax withheld by the Company and certain subsidiaries on sales of products and services is not included in the amount of net sales in the consolidated statement of income.

5. Amortization of goodwill

Straight-line method within 20 years

Notes to consolidated balance sheet

(Millions of yen)

1. Accumulated depreciation of property, plant and equipment --------------------- 1,862,014

2. Contingent liabilities

Kashima Berth Co., Ltd. (Bank loans) -- 311

Employee housing loans -- 13

Total 324

Notes to consolidated statement of changes in net assets

1. Type and number of shares outstanding as of March 31, 2015

Common stock --------------------- 432,106,693 shares

2. Cash dividends

(1) Payment of cash dividends

Resolution	Type of shares	Total amount of dividends	Cash dividends per share	Record date	Effective date
Ordinary general meeting of shareholders held on June 27, 2014	Common stock	21,284 million yen	50.00 yen	March 31, 2014	June 30, 2014
Board of directors meeting held on October 28, 2014	Common stock	21,288 million yen	50.00 yen	September 30, 2014	November 18, 2014
Total	-	42,573 million yen	-	-	-

(2) Dividends with a record date in the fiscal year ended March 31, 2015 but with an effective date in the following fiscal year

The Company proposes the following agendum at the ordinary general meeting of shareholders to be held on June 26, 2015.

Type of shares	Total amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Common stock	21,294 million yen	Retained earnings	50.00 yen	March 31, 2015	June 29, 2015

3. Share subscription rights as of March 31, 2015

Details of share subscription rights	Type of shares subject to share subscription rights	Numbers of shares subject to share subscription rights
Resolved at the ordinary general meeting of shareholders held on June 29, 2010	Common stock	12,000 shares
Resolved at the ordinary general meeting of shareholders held on June 29, 2011	Common stock	90,500 shares

Financial instruments

1. Overview of financial instruments

In principle, fund management is limited to deposits with financial institutions with high credit ratings and risk-free bonds, and financing is obtained primarily through borrowings from banks. With regard to credit risk generated by notes and accounts receivable-trade, each business department not only controls and manages account due dates and balances, but also confirms the credit standing of major customers periodically, making efforts to identify doubtful accounts as early as possible.

Regarding securities and investments in securities, the Company regularly determines their fair value and the financial situation of the issuing companies. For stocks, the Company also continually reviews the stock holding status, considering its relationship with the issuing companies. All derivative transactions are entered into for the purpose of hedging risks arising in the ordinary course of business, and there are no derivative transactions entered into for trading or speculative purposes.

2. Fair value of financial instruments

As of March 31, 2015, the book value, fair value and the difference between the two of financial instruments are as follows:

	Millions of yen		
	Book value	Fair value	Difference
Assets			
(1) Cash and time deposits	461,489	461,489	-
(2) Notes and accounts receivable-trade	292,748	292,748	-
(3) Securities and investments in securities			
i) Held-to-maturity debt securities	8,895	8,938	43
ii) Investments in capital of affiliates	22,709	18,391	(4,318)
iii) Available-for-sale securities	379,508	379,508	-
(4) Long-term loans	7,604	7,742	138
Total	1,172,957	1,168,820	(4,136)

	Book value	Fair value	Difference
Liabilities			
(1) Notes and accounts payable-trade	120,694	120,694	-
(2) Short-term borrowings	6,825	6,825	-
(3) Accounts payable-other	60,692	60,692	-
(4) Accrued expenses	60,233	60,233	-
(5) Accrued income taxes	33,554	33,554	-
(6) Long-term debt	7,116	7,111	(4)
Total	289,115	289,110	(4)

Derivative transactions			
Hedge accounting not applied	(1,848)	(1,848)	-
Hedge accounting applied	(136)	(136)	-
Total	(1,984)	(1,984)	-

(Note 1) Method for calculating fair value of financial instruments, and notes regarding securities and derivative transactions

Assets

(1) Cash and time deposits, and (2) Notes and accounts receivable-trade

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

(3) Securities and investments in securities

These consist mainly of stocks, quoted bonds and negotiable certificates of deposit. The fair value of stocks is based on prices quoted on stock exchanges, while the fair value of bonds is based on either prices quoted on the exchanges or prices provided by counterparty financial institutions. Negotiable certificates of deposit are settled within a short time, and their fair value and book value are nearly equal. Thus, the book value is listed as fair value in the table above.

(4) Long-term loans

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

Liabilities

(1) Notes and accounts payable-trade, (2) Short-term borrowings, (3) Accounts payable-other, (4) Accrued expenses and (5) Accrued income taxes

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

(6) Long-term debt

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

Derivative transactions

Assets and liabilities arising from derivative transactions are presented in the table above. Total net payables are shown in parenthesis.

(Note 2) Non-listed stocks (book value: ¥38,792 million) whose fair value is extremely difficult to calculate because no market value is available and future cash flows cannot be estimated are not included in “(3) Securities and investments in securities”.

Per share information

Per share information as of and for the fiscal year ended March 31, 2015 is as follows:

	(Yen)
Net assets per share --	4,602.80
Net income per share --	302.05
Diluted net income per share ---	301.98

Notes to Non-Consolidated Financial Statements

Summary of significant accounting policies

1. Valuation of significant assets

(1) Valuation of securities:

Held-to-maturity debt securities	---------------	Amortized cost (straight-line method)
Investments in capital of subsidiaries and affiliates	---------------	Moving-average cost method
Available-for-sale securities		
Marketable securities	---------------	Fair market value as of the balance sheet date (Any net unrealized gains or losses are recognized in net assets, while costs of sales of marketable securities are calculated based on the moving-average cost method.)
Non-marketable securities	---------------	At cost, mainly determined by the moving-average cost method

(2) Valuation of derivatives:

Fair value based on market quotations

(3) Valuation of inventories:

Inventories are mainly stated at cost determined primarily by the weighted-average method. (Balance sheet amounts are written down based on any decline in profitability.)

2. Depreciation and amortization of fixed assets:

(1) Property, plant and equipment (excluding leased assets):

Declining-balance method (Straight-line method is applied for polyvinyl chloride manufacturing facilities and electrolysis equipment in machinery and equipment, and buildings (excluding structures attached to buildings) acquired on and after April 1, 1998.)

Useful lives mainly adopted are as follows:

Buildings ---------------------- 15 – 31 years
Machinery and equipment ------ 2 – 9 years

Additional depreciation is recorded based on excess operating hours for machinery and equipment that operate significantly in excess of their normal utilization rates.

(2) Intangible assets (excluding leased assets):

Straight-line method (Software for internal use is amortized by the straight-line method over the useful life of 5 years.)

(3) Leased assets:

Leased assets under finance lease transactions that transfer ownership	--------------	The same method is applied as that for owned fixed assets.
Leased assets under finance lease transactions that do not transfer ownership	--------------	The straight-line method is applied using the lease term as the useful life with zero residual value. (Finance lease transactions commencing before the initial fiscal year when the “Accounting Standard for Lease Transactions” (ASBJ Statement No.13) was applied continue to be accounted for as operating leases.)

3. Calculation policy for allowances:

Allowance for doubtful accounts:

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

Accrued bonuses for directors:

The Company recognizes the estimated amount of directors’ bonuses to be paid in the subsequent period that is applicable to the current fiscal year.

Accrued retirement benefits:

The Company recognizes pension and severance costs for employees based on the estimates of the pension obligations and the plan assets at the end of current fiscal year. For the calculation of the retirement benefit obligation, the Company attributes the expected retirement benefit to the service period of employees by the benefit formula basis.

Actuarial differences are amortized over a five-year period, which is within the average remaining service period of employees, using the straight-line method from the fiscal year when the difference was generated. Prior service cost is amortized as incurred over a ten-year period, which is within the average remaining service period of employees, using the straight-line method from the time when the prior services cost was generated.

Effective from the beginning of FY 2015, the Company adopted the “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (ASBJ) Statement No.26, issued May 17, 2012, hereinafter referred as the “Accounting Standards for Retirement Benefits”) and its accompanying implementation guidance, “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25, March 26, 2015).

In applying these accounting standards, there was a change from the straight-line basis to the benefit formula basis as the method for attributing the expected retirement benefit to periods of service for the calculation of the retirement benefit obligation and service costs. Also, the Company has changed the method for determining the discount rate from using a discount rate based on the number of years approximate to the average remaining service period of employees to using a single weighted average discount rate that reflects the estimated timing and amount of the retirement benefit payments.

Concerning the application of the Accounting Standards for Retirement Benefits, based on the provisional treatment set out in Section 37 of the accounting standards, the effects of such changes in FY 2015 have been adjusted in the beginning balance of retained earnings. The impact of these changes on the beginning balance of accrued retirement benefits and retained earnings, operating income, ordinary income and income before income taxes for FY 2015 is immaterial.

4. Other bases for presenting non-consolidated financial statements

(1) Hedge accounting:

The Company defers gains or losses on its hedges.

For interest rate swaps, the Company applies special hedge accounting treatment when the swap transaction meets the criteria for such treatment.

(2) Consumption tax:

Consumption tax withheld by the Company on sales of products and services is not included in the amount of net sales in the non-consolidated statement of income.

Notes to non-consolidated balance sheet (Millions of yen)

1. Accumulated depreciation of property, plant and equipment ------------------------ 505,704

2. Contingent liabilities:

Employee housing loans -- 7

Notes receivable endorsed -- 45

3. Accounts receivable due from and payable due to subsidiaries and affiliates:

Short-term accounts receivable-- 105,221

Long-term accounts receivable-- 6,698

Short-term accounts payable-- 88,286

Notes to non-consolidated statement of income

Transactions with subsidiaries and affiliates: (Millions of yen)

Sales-- 276,379

Purchases--- 368,969

Non-operating transactions --- 33,155

Notes to non-consolidated statement of changes in net assets

Type and number of treasury stock as of March 31, 2015

Common stock --------------------- 6,207,027 shares

Deferred taxes

Components of deferred tax assets and liabilities:

	(Millions of yen)
Deferred tax assets:	
Loss on valuation of stocks of subsidiaries and affiliates	5,871
Depreciation and amortization	5,247
Maintenance costs	2,171
Unsettled accounts receivable and payable	2,069
Accrued bonuses	1,582
Accrued enterprise taxes	1,567
Other	14,886
Subtotal	33,397
Valuation allowance	(7,143)
Total deferred tax assets	26,254
Deferred tax liabilities:	
Unrealized gains on available-for-sale securities	10,869
Reserve for reduction entry for fixed assets	953
Reserve for special depreciation	103
Other	30
Total deferred tax liabilities	11,955
Net deferred tax assets	14,298

Leased assets

In addition to the fixed assets on the non-consolidated balance sheet, the Company leases certain office equipment and manufacturing facilities under finance lease transactions that do not transfer ownership.

Related party transactions

Directors, major individual shareholders and others (Millions of yen)

Type	Name	Percentage of voting rights	Relationship	Transactions	Transaction amount (Thousands of shares)	Account	Balance at the year end
Director	Susumu Ueno	Direct Ownership 0.00%	Director	Exercise of stock options (Note)	30 (7)	-	-
Director	Kazumasa Maruyama	Direct Ownership 0.00%	Director	Exercise of stock options (Note)	13 (3)	-	-

(Note) Share subscription rights were approved at the board of directors meeting held on July 26, 2011 based on the resolution at the ordinary general meeting of shareholders held on June 29, 2011.

Per share information

Non-consolidated per share information as of and for the fiscal year ended March 31, 2015 is as follows:

	(Yen)
Net assets per share	1,764.58
Net income per share	156.69