

Financial Summary

For the year ended March 31, 2009

(April 28, 2009)

Shin-Etsu Chemical Co., Ltd.

ShinEtsu



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(Note)

Forward-looking statements such as the forecast of results of operations made in this document involves risks and uncertainties since they are based on management's assumptions and beliefs in light of the information currently available to it. The reader should be aware that actual results may be materially different from any future results expressed herein due to various factors. Material factors affecting the actual results may include overall economic conditions in which the businesses of our company and our group companies are involved, the relevant market trends and fluctuations in foreign exchange rates of the yen, in particular, the exchange rate between the U.S. dollars and the yen; provided, however, that such factors as may affect results of operations are not limited to those enumerated above.



Operating Performance

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

ROA: Return (Ordinary income) on total assets



Financial Highlights

(Billions of Yen)

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

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



Business Segment Information (Consolidated)

(Billions of Yen)

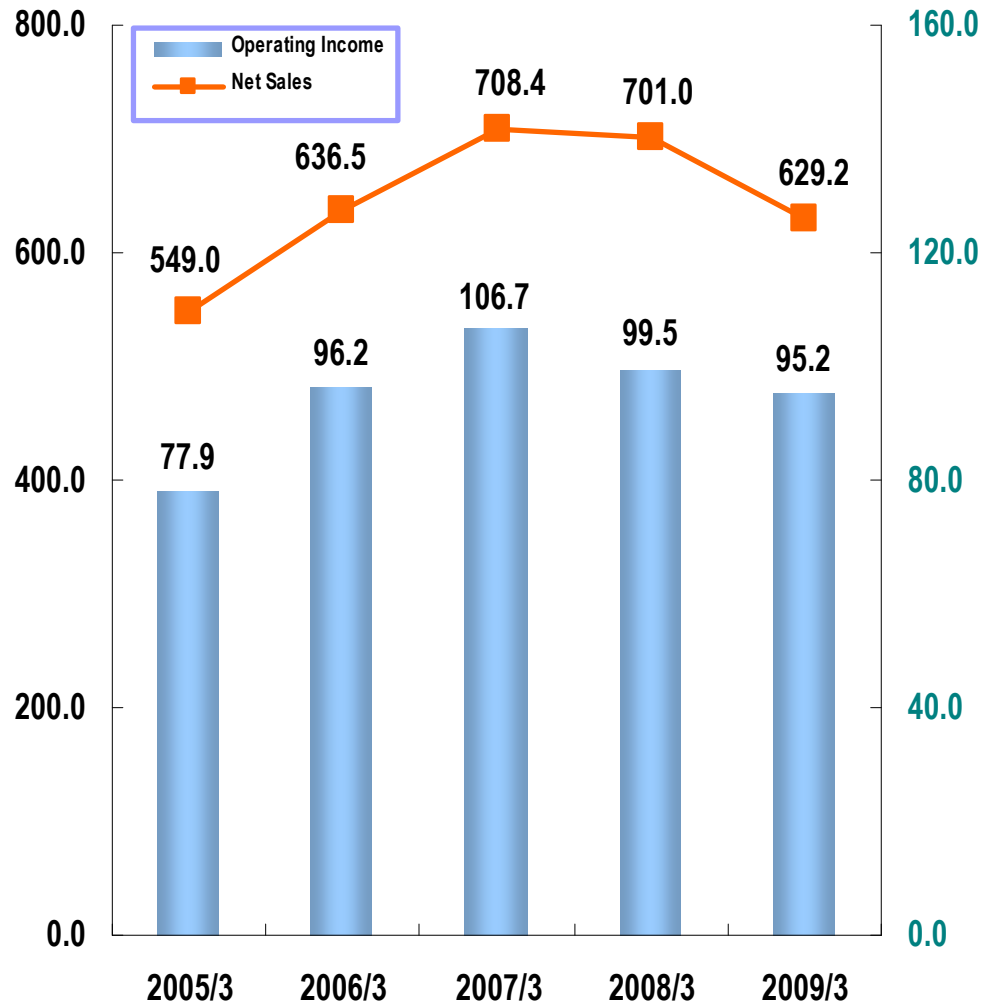
| | Net Sales | | | Operating Income | | |
|--|--------------------------|--------------------------|----------------------------|--------------------------|--------------------------|---------------------------|
| | Fiscal year 07/4-08/3 | Fiscal year 08/4-09/3 | Increase (Decrease) | Fiscal year 07/4-08/3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



"Organic and Inorganic chemicals" Business Segment (Consolidated)

Net Sales
(Billions of Yen)

Operating Income
(Billions of Yen)



●PVC

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

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

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

●Silicones

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

●Other chemicals

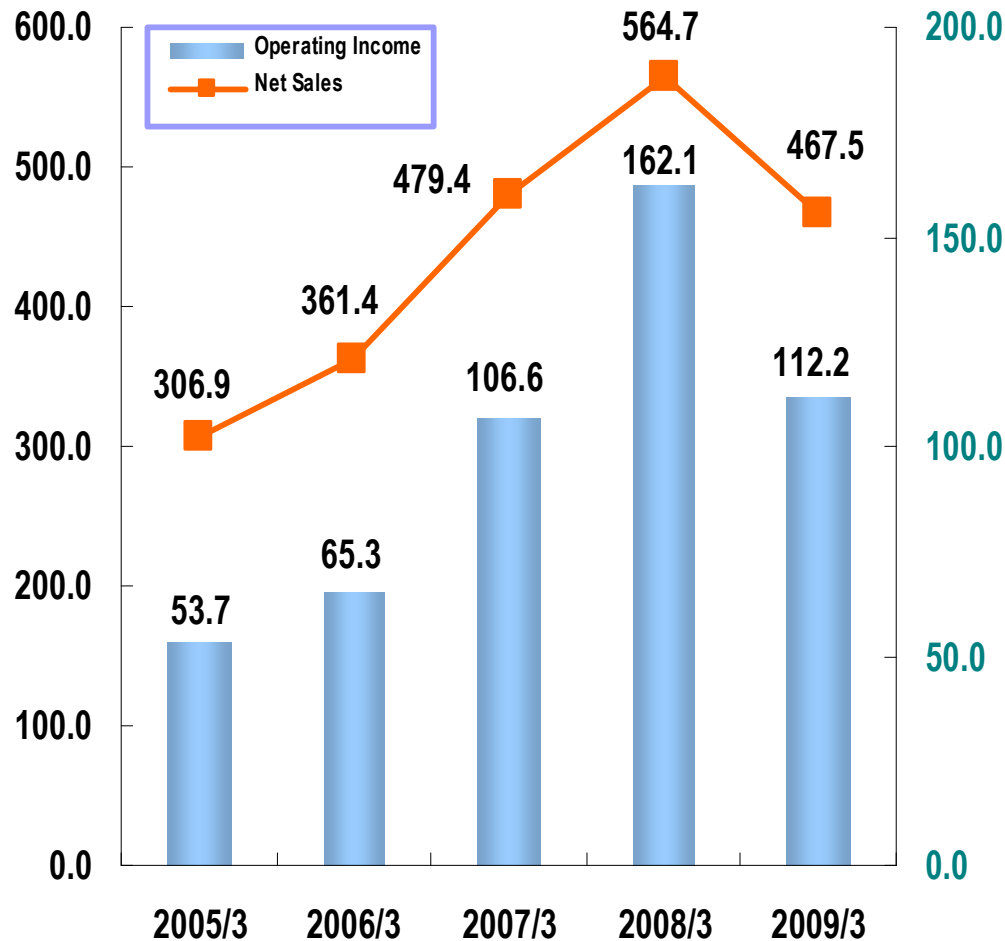
◆ The cellulose derivatives business in Japan was strong, mainly as a result of the performance of cellulose applications for pharmaceutical products. However, the business results of SE Tylose in Germany were sluggish because of the decreased demand for construction materials.

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

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

Net Sales
(Billions of Yen)

Operating Income
(Billions of Yen)



● **Semiconductor silicon**

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

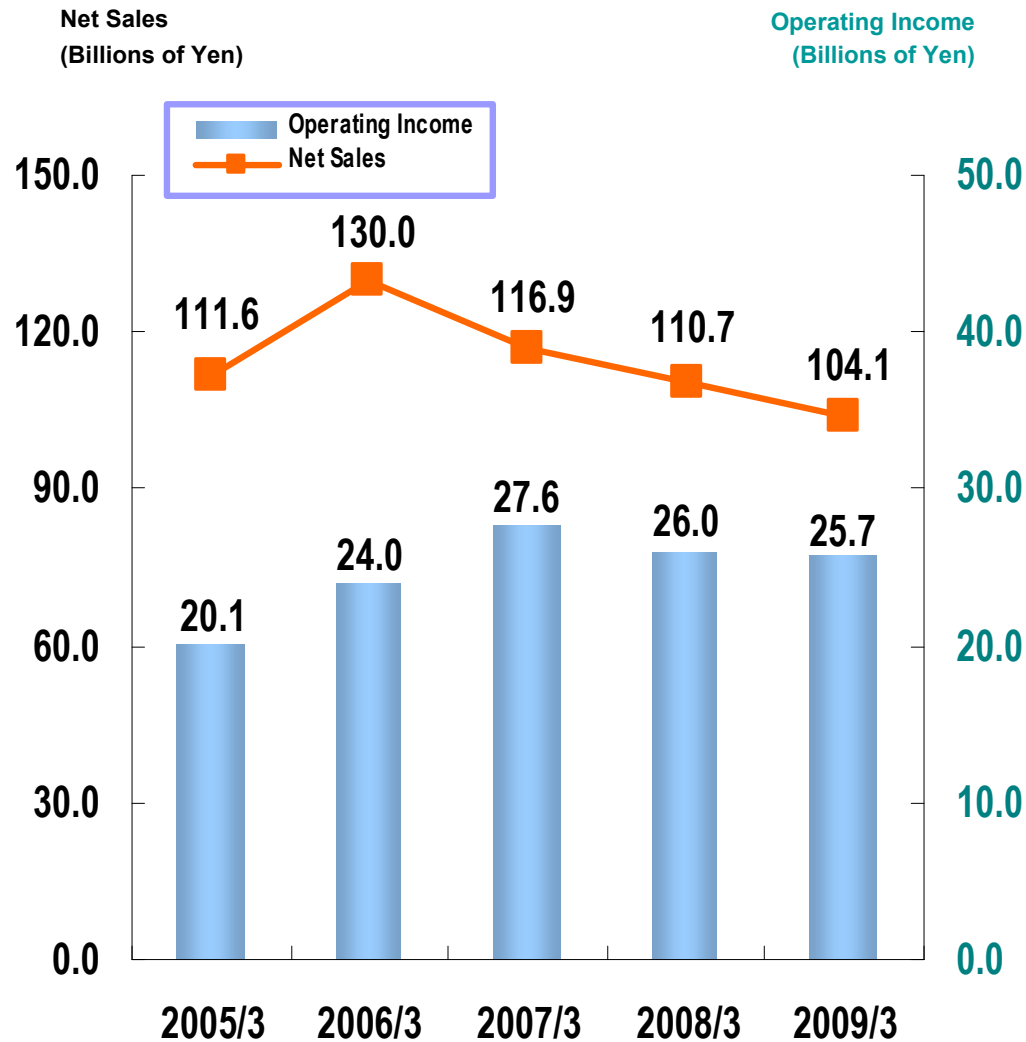
● **Other electronics materials**

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

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



"Functional materials and Others" Business Segment (Consolidated)



● Synthetic quartz

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

● Rare earth magnets for general applications and Other functional materials

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

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

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

Shintech Incorporated

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

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

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

(Millions of US\$)

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



Operating Performance of Shin-Etsu Handotai Group

Shin-Etsu Handotai Group(Consolidated)

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

(Billions of Yen)

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

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



Comparative Income Statements (Consolidated)

(Billions of Yen)

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

Comparative Balance Sheets (Consolidated)

(Billions of Yen)

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

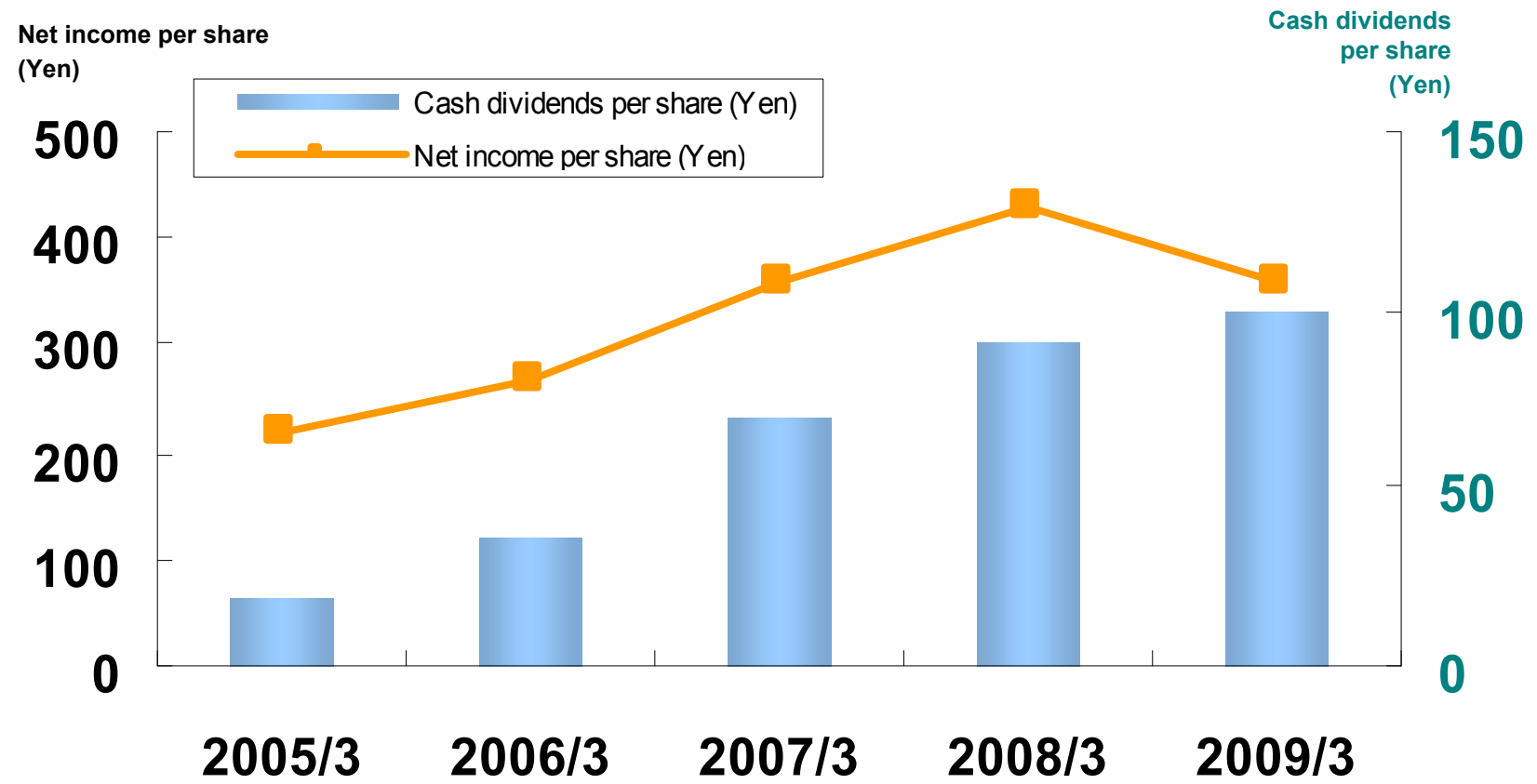
Comparative Statements of Cash Flows (Consolidated)

(Billions of Yen)

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



Cash dividends per share and Net income per share



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



Recent Topics (October 2008 ~ April 2009)

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

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