

Research and Development

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 is further accelerating development to commercialize new research products.

Accelerating R&D to Compete in a Challenging Environment

New research initiatives begin with identifying new themes. New themes can be proposed at any time from anywhere in the company, and are selected by the New Z Committee based on evaluation criteria including market size, growth potential, profitability, technological originality, and social contribution such as reduction of carbon emissions, energy savings and so on. The New Z Committee regularly follows the progress of projects, and judges when commercialization should begin. 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, 2010, the Shin-Etsu Group as a whole held 4,898 domestic and 5,911 overseas patents. Of these, the Group obtained 173 patents in the United States in 2009, which is top-class among Japanese chemical companies.

Number of Patents by Region

	Number of patents acquired during fiscal 2009	Cumulative number of patents acquired as of the end of fiscal 2010
Japan	1,184	4,898
North America	173	2,215
Asia/Oceania	186	1,718
Europe	242	1,965
Other Areas	1	13
Total	1,786	10,809

Topics

No. 1 for Two Consecutive Years in Nikkei's Ranking of Promising Stocks

On January 3, 2010, Japan's leading economic newspaper *Nikkei Shimbun* published its annual "Corporate Managers' Outlook for the Economy and Stock Prices" for 2010. For the second consecutive year, Shin-Etsu was ranked by 20 corporate managers as the most promising stock among all listed companies in Japan. The article states that our ranking reflects high expectations for Shin-Etsu as a company with superior technological capabilities and a strong product lineup.

Promising Stock Ranking

2010	2009
1. Shin-Etsu Chemical Co., Ltd.	1. Shin-Etsu Chemical Co., Ltd.
2. Komatsu Ltd.	2. Tokyo Electric Power Company
3. Mitsubishi Corporation	3. Nintendo Co., Ltd.
4. Mitsui & Co., Ltd.	4. FAST RETAILING CO., LTD.
5. Honda Motor Co., Ltd.	5. Asahi Breweries, Ltd.
6. Mitsubishi Heavy Industries, Ltd.	5. Takeda Pharmaceutical Company Limited
7. Unicharm Corporation	5. East Japan Railway Company
8. Asahi Breweries, Ltd.	8. Panasonic Corporation
8. Toshiba Corporation	8. Mitsubishi Corporation

Source: *Nikkei Shimbun* Jan. 3, 2009 and Jan. 3, 2010, Japanese ed.

Standing Above All Other Chemical Companies Worldwide with Moody's Highest Credit Rating

Ever since February 20, 2009, Shin-Etsu has maintained the highest long-term credit rating among chemical companies worldwide from credit rating agency Moody's Investors Service: Aa3.

Moody's Investors Service Ratings

(As of April 20, 2010)

Ranking/Company	Long-term rating	Outlook	Country
1. Shin-Etsu Chemical Co., Ltd.	Aa3	STA	Japan
2. BASF (SE)	A1	STA	Germany
2. Kuraray Co., Ltd.	A1	STA	Japan
4. Kaneka Corporation	A2	STA	Japan
4. Monsanto Company	A2	STA	United States
4. Praxair, Inc.	A2	STA	United States
4. Sigma-Aldrich Corporation	A2	STA	United States
4. Syngenta AG	A2	STA	Switzerland
4. E.I. Du pont de Nemours and Company	A2	NEG	United States

Source: Moody's Investors Service