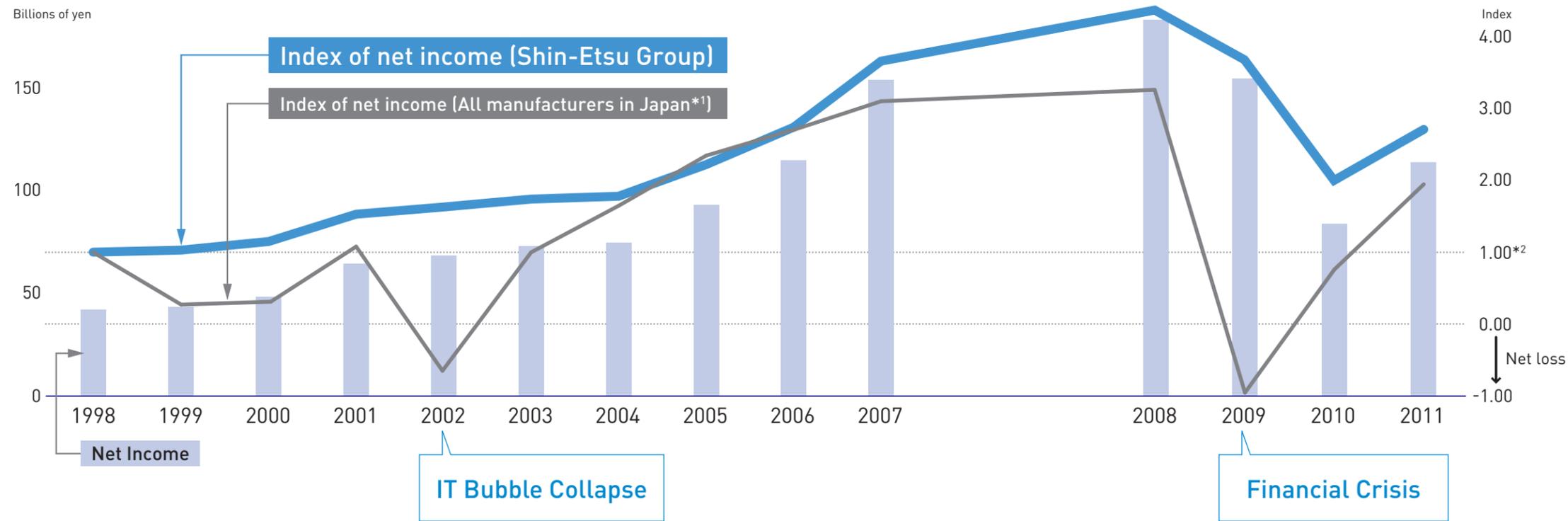


Maintaining High Profitability with Shin-Etsu's Three Core Strengths.

The Shin-Etsu Group is a manufacturer that holds the world's top market share for polyvinyl chloride (PVC) and silicone wafers. We have strategically established a global production and sales network that quickly responds to customers' needs.

Comparison of Net Income of the Shin-Etsu Group and All Manufacturers in Japan

The Shin-Etsu Group's core strengths have allowed us to continue generating high profitability despite the IT bubble collapse and the 2009 financial crisis.



*1 Figures are calculated using average net income for all manufacturers that are listed on the Tokyo Stock Exchange except Shin-Etsu Chemical.
 *2 The index is calculated by dividing net income in each fiscal year by the net income in the fiscal year ended March 31, 1998. Consequently, years when earnings were higher have an index of more than one and the index is negative for years when there was profit decline or net loss.

Our Three Core Strengths

- 02 Financial Strength
- 04 Worldwide Competitive Strength
- 06 Strong Manufacturing for Stable Supplies

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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.

Maintaining High Profitability with Financial Strength

Economic downturns often cause companies to cut back on capital expenditures and other investments. However, the Shin-Etsu Group has the financial strength to use its own funds to make investments whenever there is a need or opportunity. We will continue to target growing business fields and regions around the world.

80.0%

Stockholder's Equity Ratio

Through our earnings growth over many years, we have achieved a stockholders' equity ratio of 80.0%. This high level ratio increases our stability, which is part of strength that overcomes economic downturns.

Aa3

Credit Rating from Moody's

Shin-Etsu has been assigned an Aa3 rating from Moody's Investors Service for our stable financial position and growth potential. This is the highest credit rating among all chemical companies in the world.

Ranking/Company	Long-term rating	Outlook	Country
1. Shin-Etsu Chemical Co., Ltd.	Aa3	STA	Japan
2. Kuraray Co., Ltd.	A1	STA	Japan
2. BASF (SE)	A1	NEG	Germany
4. Kaneka Corporation	A2	STA	Japan
4. Monsanto Company	A2	STA	U.S.A.
4. Praxair, Inc.	A2	STA	U.S.A.
4. Sigma-Aldrich Corporation	A2	STA	U.S.A.
4. Syngenta AG	A2	STA	Switzerland
4. Air Products and Chemicals, Inc.	A2	STA	U.S.A.
4. E. I. du Pont de Nemours and Company	A2	Under Review	U.S.A.

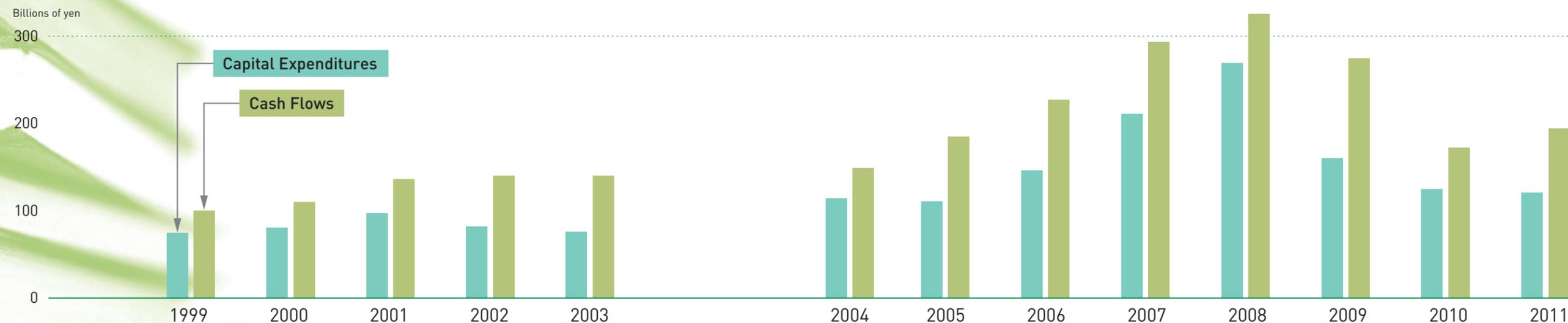
As of April 20, 2011

120 billion yen

Capital Expenditures

Capital expenditures totaled 120 billion yen in the fiscal year ended March 31, 2011. We make investments that reflect changes in our markets with our own funds. Over the past two decades, we have repeatedly expanded operations at Shin-tech Inc., including the construction of the Addis and Plaquemine Plants. Also, we have constructed production facilities for 300mm wafers, and then increased their output.

Trends in Capital Expenditures and Cash Flows



Maintaining High Profitability

with Worldwide Competitive Strength

The Shin-Etsu Group has advanced technologies that enable us to develop a diverse array of products that are manufactured and sold around the world. With increased production capacity that meets growing demand, more than two-thirds of our sales are generated outside of Japan.

TOP shares

The Shin-Etsu Group's products possess the top share in several intensely competitive global markets. These include PVC, semiconductor silicon, synthetic quartz photomask substrates for LCD, and rare-earth magnets. Through meeting customers' high-level needs, we build trust and obtain valuable information, including market and technology trends. This represents a key component to the Group's competitive strength.

Globally Competitive Products



Polyvinyl chloride

Semiconductor silicon

Lineup

Developing Materials for the Semiconductor Industry with Our Advanced Technologies

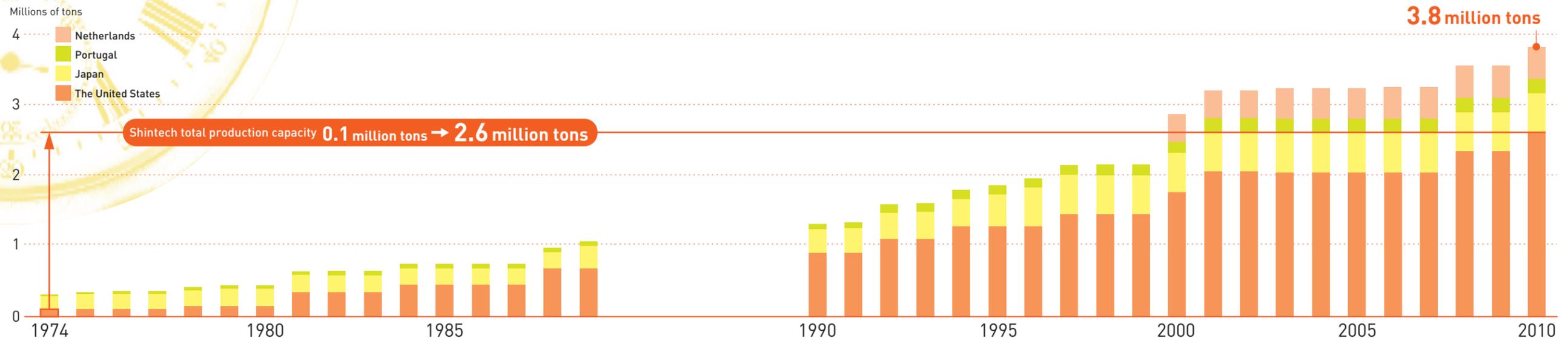
Over the years, the Shin-Etsu Group has used its own technologies to develop a multitude of new products for the semiconductor industry. We supply a broad range of materials used to make semiconductor devices. With our diverse product lineup, we have developed relationships with various customers. These relationships allow us to quickly identify and respond to changes in demand in this industry.

3.8 million tons

Worldwide PVC Production Capacity

Located in the United States, Shintech Inc. is the world's No. 1 PVC producer and the core of our Group's PVC business. Since the beginning, Shintech has steadily captured the growth of PVC demand. Shintech's PVC production capacity has increased by more than 26 times from the initial 0.1 million tons in 1974, bringing the Group's total annual PVC production capacity to 3.8 million tons.

Total World PVC Production Capacity of the Shin-Etsu Group



Maintaining High Profitability

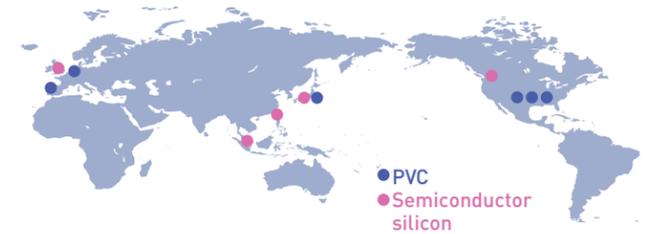
with Strong Manufacturing for Stable Supplies

The Shin-Etsu Group has taken many actions over the years to ensure a consistent supply of high-quality products for customers. Our manufacturing operations are structured to minimize vulnerability to risks like shortages of raw materials and natural disasters. We will continue to make investments to enhance our supply infrastructure.

Diversity

The Shin-Etsu Group has a geographically diverse production network. We design this network by considering many factors when constructing a new plant, from cost-competitiveness to the growth potential of regional markets and potential risks. Our major products, such as PVC and semiconductor silicon, are manufactured at multiple bases. Therefore, we can meet customers' needs almost anywhere in the world.

A Worldwide Production Network (PVC, Semiconductor silicon)



Raw Material

An Integrated PVC Production Facilities



Plaquemine Plant in Louisiana

In order to ensure a stable flow of raw materials, Shintech has established fully integrated PVC production facilities. In 2008, in-house production of raw materials began when the first-phase construction of the Plaquemine Plant was completed. Furthermore, Shintech is expanding these production facilities. We can procure the raw materials needed to respond to growing worldwide PVC demand.

Shintech's Integrated Production Facilities

