Message from the Management

To Our Stockholders

With “strong sales,” “strong manufacturing” and “strong R&D,” the Shin-Etsu Group will strive for steady growth while overcoming the challenges presented by the dramatic changes in the world economies and the impact of Japan’s devastating earthquake.

We began to see a recovery in the global economy during FY 2011, which ended on March 31, 2011, centered on growth in the emerging economies. In the meantime, we have been cognizant of the sharp rise in crude oil prices, the European sovereign debt crisis and other factors that are making the economic outlook uncertain. To add to the situation, the Great East Japan Earthquake that occurred on March 11 this year caused a major impact not only in Japan but also globally. Shin-Etsu Chemical’s Kashima Plant and Shin-Etsu Handai’s Shirakawa Plant were damaged and their operations had to be temporarily suspended following the earthquake.

We would like to express our sincere appreciation for the messages of sympathy and warm support from our stockholders. With safety as an utmost priority, we made concerted efforts to speedily carry out restoration work at these two plants. As a result, in April 2011, about one month after the earthquake, we were able to restart partial operations at the Kashima and Shirakawa Plants. Since then, we have been accelerating restoration work and are doing our utmost to return operations to the level prior to the earthquake. In parallel, we have increased production at our other plants that were unaffected by the earthquake and at our production facilities in other countries. Consequently, we believe that we have been able to minimize the earthquake’s impact on our supply to our customers.

In the fall of 2010, Shintech completed the second-phase construction of its No. 1 integrated PVC manufacturing plant at Plaquemine, Louisiana and began operations. This plant is fully integrated from salt electrolysis to PVC production. In the Semiconductor Silicon Business, sales during the first half of the fiscal year remained strong, mainly in 300mm wafers for semiconductor devices for PCs as well as mobile phones. The second half of the year was affected by an inventory adjustment of semiconductor devices and the suspension of operations at the Shirakawa Plant due to the earthquake. Nevertheless, for the full fiscal year we were able to achieve a level of profit that greatly surpassed that of the previous year.

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The cellulose business performed well in Japan owing mainly to solid sales in pharmaceutical-use products and automotive-related products. In addition, at SE Tylose in Germany, the construction of manufacturing facilities for pharmaceutical-use cellulose derivatives from two locations.

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Going forward, the Shin-Etsu Group will continue to forge ahead with its mission of “strong sales,” “strong manufacturing” and “strong R&D.” We will pursue strong growth in the coming years.

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Overview of Business Segments

In the Polycrystalline Silicon (PCS) Business, Shintech Inc., our Group company in the U.S. and the core of our PCS business, maintained a high level of shipments to customers worldwide. As a result, Shintech’s sales and profits increased.

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