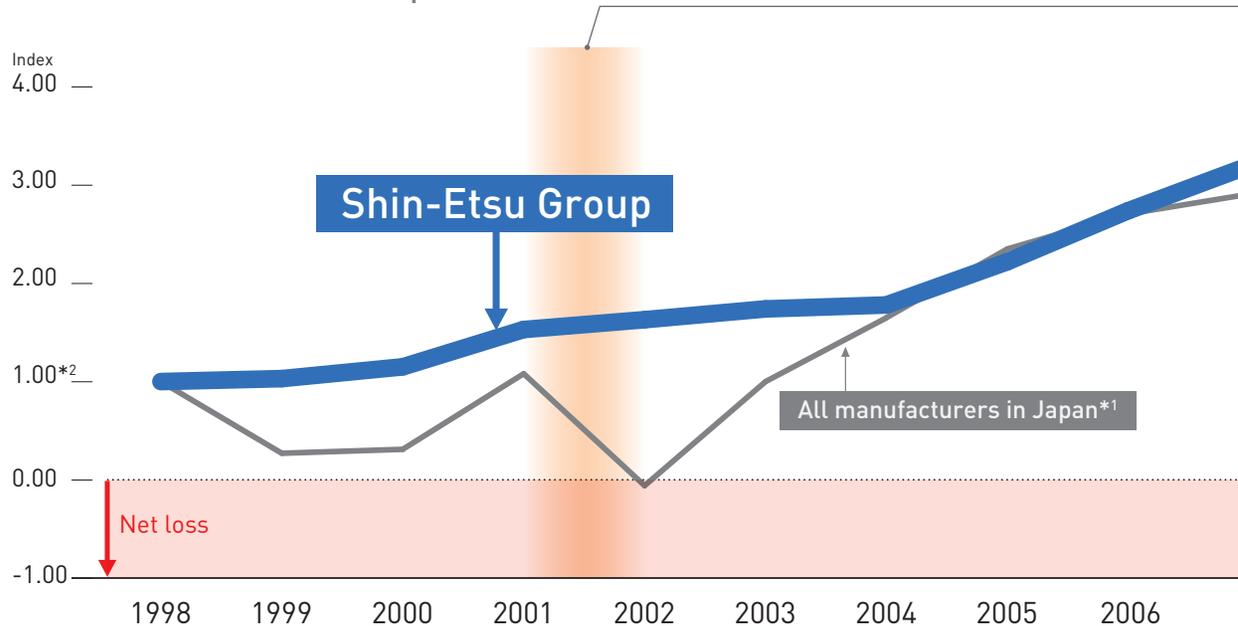


Maintaining Stable Profitability

The Shin-Etsu Group is a manufacturer that holds the world's top market share for polyvinyl chloride (PVC), semiconductor silicon, and other products. We started overseas operations more than half a century ago to establish manufacturing and sales bases close to our customers. Currently, overseas sales account for over 60% of consolidated sales. We make capital expenditures in established businesses to adapt to changing markets and launch new businesses with a next-generation perspective. These activities give us sound operating bases that can maintain stable profitability regardless of changes in the operating environment.

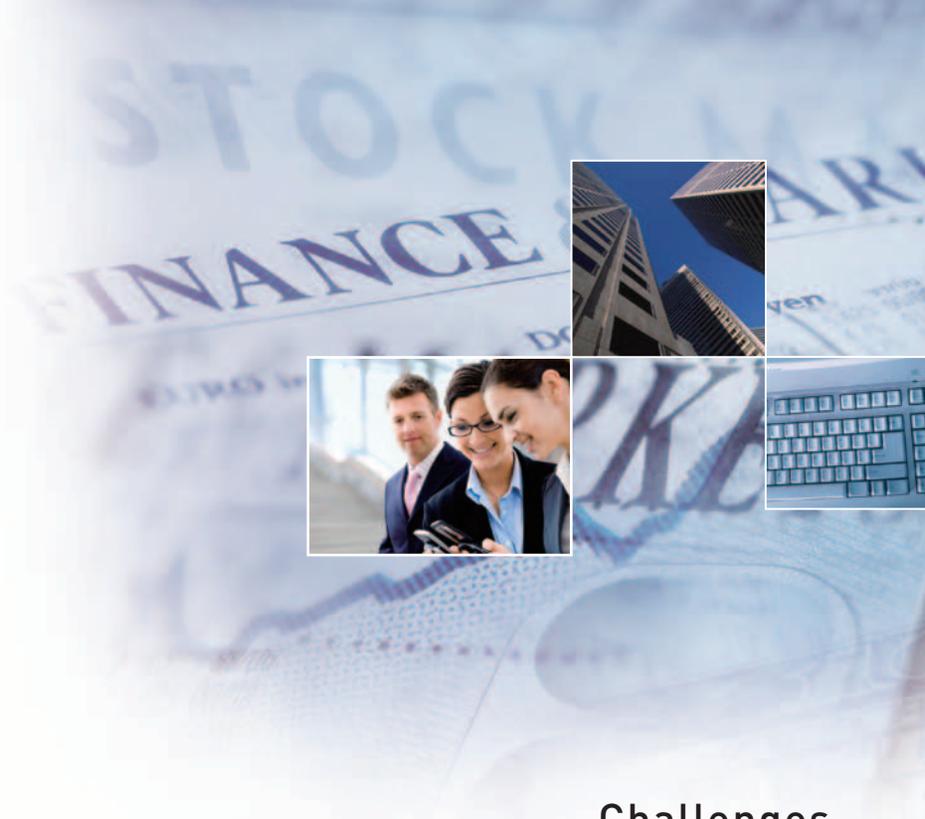
Comparison of Net Income of the Shin-Etsu Group and All Manufacturers in Japan



Selected as "Company of the Year" by C&EN

Shin-Etsu Chemical was selected as "Company of the year 2011" by *Chemical & Engineering News (C&EN)*, the weekly news magazine published by the American Chemical Society. This award was established by C&EN in 2007 and since then, among all the chemical manufacturers in the world, a company that has set out on a remarkable transformation or has achieved outstanding business results has been chosen to receive this award. The reason why Shin-Etsu Chemical was chosen this year was its "exemplary tenacity in getting back to normal after the Great East Japan Earthquake."





Challenges

IT Bubble Collapse



Internet-related stocks reached high levels in the late 1990s, mainly in the United States. This bubble collapsed in 2001, causing a downturn in the performance of many IT companies.

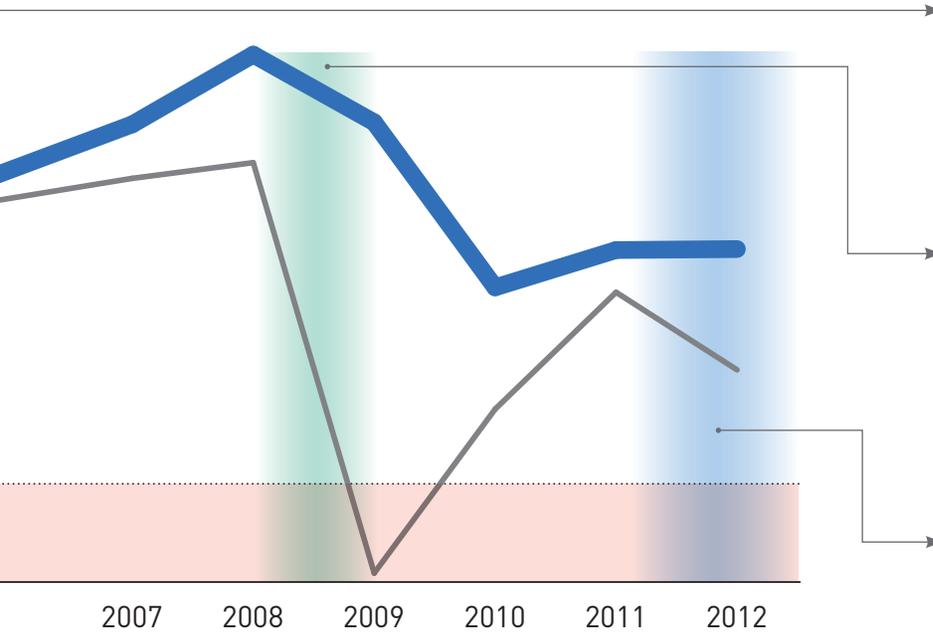
Financial Crisis



A U.S. investment bank collapsed in September 2008, triggering a worldwide financial crisis that made an impact on a broad range of industries.

Natural Disasters, Strong Yen

A devastating earthquake and tsunami hit Japan in March 2011. It had a massive impact on the Japanese economy. Factories were damaged, and manufacturing was suspended because of supply chain disruptions and rolling blackouts. Along with the yen's record strength and flooding in Thailand, the operating environment was challenging throughout the past fiscal year. Despite these difficulties, the Shin-Etsu Group achieved growth in earnings.



*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.