

Corporate Social Responsibility (CSR)



The Shin-Etsu Group believes that the primary social responsibility a corporation must fulfill is to obey laws and regulations in conducting its corporate activities, make a profit and pay taxes. On the occasion of Shin-Etsu's 80th anniversary, we established our corporate mission statement, "To contribute to people's daily lives as well as to the advance of industry and society by providing key materials and technologies." This mission statement also forms the foundation of the Shin-Etsu Group's commitment to CSR. In conducting corporate activities, all employees focus on product development and quality control while considering their effects on the environment and society based on management systems such as Responsible Care and Total Quality Management. Moreover, they promote safety, environmental and social activities in accordance with the actual situation in each plant and each business office.

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Report on the Accident at the Naoetsu Plant

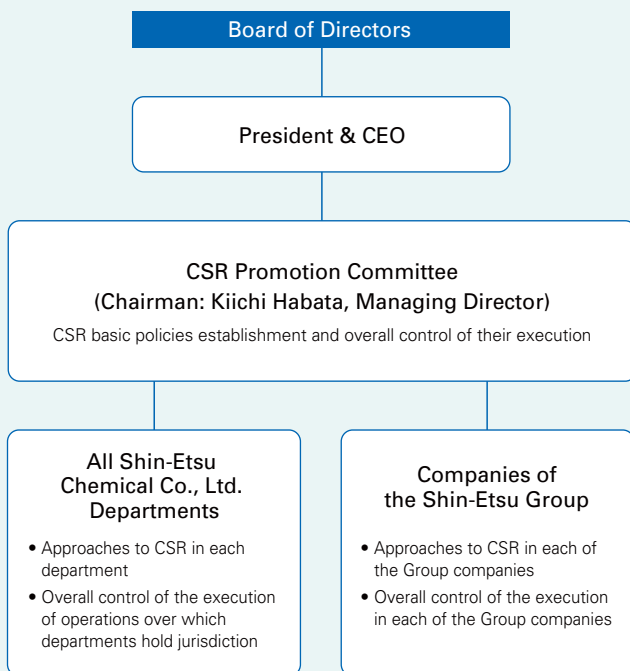
- As a chemical manufacturer, Shin-Etsu has promoted business activities that place correspondence with safety and the environment as its foremost priority. Nevertheless, on March 20, 2007 a grave explosion and subsequent fire occurred at the cellulose derivatives manufacturing facility of the Naoetsu Plant, injuring 17 people. We deeply apologize for the serious trouble and anxiety that this accident has caused to those who were injured, their families, the local area's residents, our customers and everyone concerned.
- On the day of the accident, Shin-Etsu established an Accident Countermeasures Headquarters, and on March 23 set up an Accident Investigation and Safety Measure Committee within the Accident Countermeasures Headquarters made up of persons in charge of technology and environmental control and safety from each Shin-Etsu plant and the Head Office. The Accident Investigation and Safety Measure Committee enlisted the participation of experts from outside the company and worked to determine the cause or causes of the accident, set up preventative measures, and also to review and reinforce all safety measures.
- As a result of its investigation, Shin-Etsu assumes that the cause of the accident was a dust explosion. The Company has implemented safety measures in tangible areas such as introducing closed systems, using nitrogen blankets, removing static electricity, and preventing dust accumulation, in addition to a review of intangible areas, including a revision of the companywide hazard evaluation system and manuals, and strengthening safety training. We have submitted an accident report to governmental authorities.
- With these safety measures, we resumed partial operations at the cellulose manufacturing facilities on May 21 after receiving the permission of the governmental authorities and the understanding of the local residents in the areas surrounding the Naoetsu Plant.
- Moreover, so that a similar accident does not occur in the future, on March 26 we instructed all Shin-Etsu Group Companies to inspect and confirm safety and make any necessary improvements at all Group plants, and we are promoting such efforts at each company.
- Reflecting on this accident, we will position our safety control fundamentals at the point of view of every production site and work to improve safety technology as well as each employee's awareness. As one of these measures, we collected accounts of close calls from employees in order to remove even the smallest of hazardous factors that may lurk in the workplace as part of our ongoing promotion of zero accidents. In the future, we will promote the sharing of information about these incidents and improvement measures among Group businesses and companies.

- Looking forward, in order to prevent the occurrence of a similar accident, the entire Company will work toward thorough safety management, take all possible prevention measures and continue efforts to restore trust.

Basic CSR Policy

As a good corporate citizen, the Shin-Etsu Group has always endeavored to contribute to society through positive activities in local communities. In April 2005, we established the CSR Promotion Committee, and are totally devoting our efforts to fulfilling our corporate social responsibilities.

The Shin-Etsu Group CSR Promotion System



The entire Shin-Etsu Group is working to implement the following basic CSR policies.

- The Shin-Etsu Group's corporate mission is, "To contribute to people's daily lives as well as to the advance of industry and society by providing key materials and technologies." To achieve this mission, the Group carries out fair and sound business practices, and strives to enhance the corporate value of the Group and become an ever-growing company.

- The Shin-Etsu Group makes it a fundamental management principle to pursue the goals of safety and environmental conservation. The Group promotes corporate activities that place primary importance on safety and environmental conservation and strives to maintain the trust of its stakeholders.

- Respecting the principles of human dignity and life fulfillment, the Shin-Etsu Group forbids any discrimination, any use of compulsory labor and any use of child labor. Furthermore, the Group endeavors to create a work environment where all employees can perform their jobs easily and effectively and fully realize their potential.

- The Shin-Etsu Group is committed to positively contributing to society and to disclosing accurate and timely information to the public about the business activities and position of the Group so as to continue to maintain the trust of society.

Activities for Environment Control and Safety Management

The Shin-Etsu Group has made safety and the environment top management priorities and is committed to a culture of safety from concept to implementation. We decide upon aims and goals for environmental issues, management of chemical substances, management of facilities and prevention of work-related accidents, and we strive to achieve them all. The results are checked by means of various self-diagnosis and audit systems so as to allow Shin-Etsu to further develop its systems to attain the next level of objectives.

Furthermore, the Group is aggressively promoting measures for environmental control such as saving resources and energy and development of ecologically oriented products that are effective in reducing the environmental burden.

In 2005, Shin-Etsu revised its Environmental Charter, adopted in 1998, which sets forth the basic spirit of its environmental control measures. The Group is carrying out its business activities in strict conformity with the principles embodied in this Charter. Each plant and Group company conducts Responsible Care activities, a program for improvement



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<http://www.shinetsu.co.jp/e/profile/kankyo.shtml>

of the environment, and safety improvement program. In addition, all plants and major subsidiaries have obtained ISO 14001 certification, the international standard for environmental management systems, and other Shin-Etsu Group companies are working to obtain certification. The Shin-Etsu Group's environmental targets for fiscal 2011 are to curb greenhouse gases by reducing unit energy consumption based on the amount of total sales to 66 percent of the fiscal 1991 level and to achieve zero emissions of waste.

Reflecting on the Naoetsu Plant explosion and subsequent fire in March 2007, Shin-Etsu uses a risk assessment method to repeatedly check and review the safety of its facilities, employees, chemical substances and control in order to ensure a higher level of safety. At the time of planning of new facilities or the start-up of manufacturing of new products, we examine environmental impact and safety measures in addition to conducting safety evaluations. Furthermore, at Shin-Etsu's existing facilities, we make continuous improvements by regularly reviewing work processes and safety measures.

Activities to Support Local Communities

The Shin-Etsu Group is actively making a global contribution to society not only in Japan, but also in each region of the world where the Group has business operations, according to regional characteristics. These include friendship exchanges with local governments and residents near Shin-Etsu plants, such as support for clean-up projects and co-sponsorship of events in those areas. In addition, Group companies in the United States and Malaysia have established scholarship systems.

The following introduces the Shin-Etsu Group's programs in fiscal 2007 contributing to local communities in various regions around the world.

Fundraising for World Refugee Day

In support of the Office of the United Nations High Commissioner for Refugees, Shin-Etsu and each company in the Shin-Etsu Group set up a fundraising box at each office for one month for World Refugee Day on June 20. The Vinyl Environmental Council (VEC) donated collection boxes made of PVC. The goods purchased with the funds raised were delivered to refugees in Africa, Asia, and around the world.



Employees made contributions to support the Office of the United Nations High Commissioner for Refugees at the recycled PVC fundraising box.

Letter from Louisiana Senator (Addis Plant, Business Partner Award)

The Addis, Louisiana Plant of Shintech Inc. is highly evaluated for its social contribution activities. In January 2007, the plant received The Large Company Outstanding Business Partner Award from the Chamber of Commerce. Shintech Inc. received a letter from David Vitter, U.S. Senator from Louisiana, expressing his congratulations for the award.



David Vitter, U.S. Senator from Louisiana, sent Shintech a letter of congratulations for its award.

Involvement with Employees

Based on the belief that it is "people" who create and support technology, the Shin-Etsu Group makes various efforts to respect the basic human rights of its employees by creating an environment in which they can work effectively and fully display their abilities. For example, we have a training system for employee self-actualization and career planning, and we have also adopted an impartial performance-based personnel system.

In addition, since the creation of the child-care leave system, all personnel eligible to take child-care leave have done so. In the entire Shin-Etsu Group, 102 employees have taken child-care leave (6 males, 96 females).