

Environmental and Social Report 2011

Shin-Etsu Chemical

2011 Environmental and Social Report
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Shin-Etsu

Corporate
Mission
Statement

The Group strictly complies with all laws and regulations, conducts fair business practices and contributes to people's daily lives as well as to the advance of industry and society by providing key materials and technologies.

Basic
CSR Policy

The Shin-Etsu Group:

- 1 Will do our best to increase the Group's corporate value through sustained growth and make multifaceted contributions to society.
- 2 Will carry out all of our company activities by making safety always our utmost priority.
- 3 Will constantly pursue energy-saving, resources-saving and the reduction of the environmental burden, and seek to help create a sustainable future world in which we all live in harmony with the Earth.
- 4 Will endeavor to contribute to the prevention of global warming and the conservation of biodiversity by means of our cutting-edge technologies and products.
- 5 Will strive to respect human dignity, assure equality in employment opportunities and support the self-fulfillment of our employees.
- 6 Will appropriately disclose information in a timely manner.
- 7 Will carry out trustworthy corporate activities that are based on the integrity of the Group's ethical values.

*CSR (Corporate Social Responsibility)

The idea that enterprises, rather than concentrating solely on profit, need to value their relationships with a wide range of stakeholders in the conduct of their business.



International Year of
CHEMISTRY
2011

The year 2011 is The International Chemistry Year established by United Nations.

Editorial Policy

The *Environmental and Social Report* provides information on environmental, safety and quality control programs and CSR initiatives carried out by the Shin-Etsu Group. The Report also describes Responsible Care programs¹ at the Shin-Etsu Group. The Report has been compiled in accordance with the *2005 Environmental Accounting Guidelines* and *FY2007 Environmental Reporting Guidelines* released by the Ministry of the Environment, Japan, and the *GRI Sustainability Reporting Guidelines*.

Period Covered by the Report (indicated where otherwise)

Japan: April 1, 2010 to March 31, 2011

Overseas: January 1, 2010 to December 31, 2010

Organizations Covered by the Report

The report covers Shin-Etsu Chemical Co., Ltd., and all Group companies except the Shin-Etsu Polymer Group.² The range of entities from which data were collected is in principle as stated below. Where otherwise, this is indicated in a separate note.

(1) Environmental Activity Report

The report includes data from the business bases of the 97 subsidiaries and affiliates of Shin-Etsu Chemical and the Shin-Etsu Group (an increase of 66). Compared to the coverage of the 2010 report, there is thus a substantial increase in scope and a difference in content.

- 50 domestic manufacturing bases (increase of 17)
- 93 domestic non-manufacturing bases (increase of 93)
- 34 overseas manufacturing bases (increase of 7)
- 37 overseas non-manufacturing bases (increase of 37)

(2) Environmental Accounting

Shin-Etsu Chemical Co., Ltd.

(3) Social Contribution

Shin-Etsu Chemical Co., Ltd. and its consolidated subsidiaries both in Japan and overseas

1 Responsible Care program

A campaign encouraging enterprises that handle chemical substances to voluntarily ensure protection of the environment, safety and health in all processes, from the development of chemical substances through manufacture, distribution and utilization to final consumption, disposal or recycling, to publish the results of their activity, and to engage in dialog and communication with society.

2 For reporting on the Shin-Etsu Polymer Group, please refer to the *Shin-Etsu Polymer Group Environment and Sustainability Report 2011*, issued at the end of September, 2011.

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Dedicated to management that places utmost priorities on safety and fairness while aiming to be a company that continues to grow in harmony with society



Chihiro Kanagawa
Chairman



Shunzo Mori
President

The Shin-Etsu Group's mission is "strictly comply with all laws and regulations, conduct fair business practices and contribute to people's daily lives as well as to the advance of industry and society by providing key materials and technologies." We are carrying out our global business operations while responding flexibly to the changing social and economic environment.

Report on Shin-Etsu of the Great East Japan Earthquake

We wish to express our heartfelt sympathies to all those people who were suffered by the Great East Japan Earthquake that occurred on March 11, 2011. We pray for the earliest recovery of the affected areas.

The Shin-Etsu Group was forced to stop its operations at Shin-Etsu Chemical's Kashima Plant and Shin-Etsu Handotai's Shirakawa Plant due to damage that was incurred as a result of the Great Earthquake. To all our shareholders, customers, clients and the people in the region, we would like to say that we deeply appreciate all the messages of concern and warm support that we have received. As a result of moving forward with the speedy restoration of operations at the affected plants in carrying out the needed work while always making safety an utmost priority, both plants resumed partial operations in April. By the end of June, they were both able to achieve full restoration of operations. In addition, at the same time as the restoration work was being carried out, we made great efforts to supply our products to customers by increasing production at other production bases in Japan and overseas. Consequently, we were able to keep the effects of the earthquake disaster to a minimum.

Nurturing a corporate culture that is committed to safety-first

A key management objective of the Shin-Etsu Group is to place an utmost priority on safety-first at all times. We are striving to instill a deeper sense of safety consciousness among all of our board members as well as the employees of the Shin-Etsu Group. In this way, we are endeavoring to nurture a corporate culture in which each and every person working for the Shin-Etsu Group considers safety as his or her personal responsibility when carrying out his or her daily work.

Assuring safety in manufacturing processes

As concrete measures for assuring safety by eliminating latent risks in facilities and manufacturing processes before an incident might occur, we are continuously making strenuous efforts to implement the most appropriate design and improvements of our facilities. In addition, we are working to ensure that during plant operations our operation manuals are fully complied with, and we constantly review them to determine how we can improve safety and then proceed to implement further improvements. These improvements were put to good use in the restoration measures that were carried out after the disastrous Great Earthquake.

Taking initiatives to protect the environment

In the aftermath of Great East Japan Earthquake disaster and the accident at the Fukushima nuclear power station, taking initiatives to achieve resource-saving and energy-saving have become even more important. The Shin-Etsu Group will take further comprehensive measures to mitigate global environmental problems and effectively deal with social issues in all phases of our business operations, such as manufacturing processes, manufacturing technologies and products.

Reducing the environmental burden in manufacturing processes

In the 1960s, Shin-Etsu Chemical, ahead of other companies in the world, developed manufacturing technologies that led to the reduction of the environmental burden in the manufacturing processes of PVC, and we have globally licensed these technologies to overseas manufacturers and they have received a high evaluation for their excellence from these customers around the world. Since then, in all product fields, we have consistently promoted the development and improvement of manufacturing technologies from the point-of-view of environmental performance. At the same time, by horizontally disseminating these superior manufacturing technologies within the Group, we are continuing to enhance the technological level of the entire Group. Going forward, the Shin-Etsu Group will continue to diligently strive to research and develop even higher levels of manufacturing technologies, to enhance designs for manufacturing facilities and make improvements in construction and engineering methods. We will continue to strenuously work to contribute to the reduction of the environmental burden in regions all around the world.

Contributing to protect the environment through products and technologies

One of our Group's main businesses is PVC. About 60% of PVC's raw materials consist of salt, and compared to other plastics, PVC is a product that depends less on petroleum resources. Furthermore, among plastics, the recycling system of PVC is the most advanced. In addition, PVC window frames are a product using PVC that is greatly contributing to energy-saving in homes and buildings because of its superior thermal-insulation properties. Moreover, other Shin-Etsu Group products such as semiconductor silicon wafers, rare earth magnets and silicone encapsulating material for LED products are contributing to energy-saving in a wide range of application fields.

Contributing to the development of renewable energy

The Shin-Etsu Group is proactively working on the development of products and materials that are essential to the practical commercial realization of renewable energy such as solar photovoltaic power generation and wind power generation. By research and development these kinds of products and materials, we are contributing to the realization of a low-carbon society in which limited natural resources can be used without worry.

Practicing fair and highly transparent management

By means of creating a strict internal control system, strengthening its auditing system and appropriately disclosing information, the Shin-Etsu Group is proactively working to carrying out fair and highly transparent management. In addition, with regard to corporate governance, we have appointed five external directors who are distinguished leaders in their respective fields of expertise and who are widely recognized in the business world for their deep insight. Moreover, to enhance the auditing function, we have appointed people with high professional expertise, such as attorneys and certified public accountants, as external auditors. We are benefitting in the areas of management and operational

supervision from the broad insights and advice these external directors and external auditors offer from an independent perspective. Furthermore, by establishing the Auditing Department as an independent organization, we have implemented a system for stricter internal controls and supervision. Shin-Etsu has established a basic internal control policy that includes procedures to strictly meet the requirements of the Reporting System on Internal Control Over Financial Reporting stipulated in the Financial Instruments and Exchange Act, which went into effect from March 2009.

Participation in the United Nations Global Compact

The Shin-Etsu Group became a participant in the United Nations Global Compact in November 2010. With the aim of promoting better global corporate citizenship, the UN Global Compact asks businesses on their own initiative to embrace, support and enact, within their sphere of influence, a set of 10 universally accepted core values in the four areas of human rights, labour standards, the environment and anti-corruption.

These principles are in line with corporate mission statement that the Shin-Etsu Group has consistently been following, and by joining in this UN initiative, the world's largest corporate responsibility and sustainability initiative, we will further clearly make widely known to the world our Group's fundamental corporate social responsibility standpoint and aim to deepen understanding of our view of corporate citizenship.

Aiming to be a company that is greatly trusted around the world

The Shin-Etsu Group, which extensively conducts business operations around the world, is carrying out many different kinds of social contribution activities in order to further build close relationships of trust with the communities in each region in which we operate. In the aftermath of the disastrous Great East Japan Earthquake, we have contributed reconstruction funds to local governments in the areas that were affected by the disaster, and at the same time, each company in our Group has held a wide range of fund-raising activities and made monetary donations to such organizations as the Japan Red Cross. In this manner, not only our Group companies, but also each and everyone is individually putting his or her strong efforts into activities that contribute to society. Going forward, the Shin-Etsu Group will continue to work hard to fulfill its corporate social responsibilities. We will assiduously work to contribute to the solution of the important issues that society is facing and will endeavor to grow in harmony with society.

We would like to sincerely ask for your further understanding and support.

August 2011

Chihiro Kanagawa, Ph. D.
Chairman

Shunzo Mori
President

Overview of the Shin-Etsu Group

We aim to become an enterprise group that is trusted by society. To this end, we strive to achieve world-leading standard of technology, quality and cost-competitiveness and engage actively in CSR initiatives

As of March 31, 2011, the Shin-Etsu Group comprises Shin-Etsu Chemical and its 102 subsidiary companies and 17 affiliates, which share responsibility for sales, manufacturing and other operations and cooperate to develop their respective business activities.

These business activities are divided into six business fields: PVC/Chlor-Alkali Business; Silicones Business; Specialty Chemicals Business; Semiconductor Silicon Business; Electronics and Functional Materials Business; and Diversified Business. In each of these fields, we have products with strong market

share, with the world's top share in polyvinyl chloride (PVC), semiconductor silicones, photomask substrates for LCDs and rare earth magnets for hard disks, and the top domestic share for silicones.

Shin-Etsu products are a familiar part of our everyday lives. Indeed, the Shin-Etsu Group plays an essential role in the modern information society.

*The information on pages 5 and 6 includes the Shin-Etsu Polymer Group.

Product Information

Semiconductor materials

As an all-round supplier of semiconductor-related materials, we provide a diverse range of items that are indispensable to the manufacture of silicon wafers and semiconductors. We also deal in the synthetic quartz photomask substrates, gases, chemicals and jigs used in their manufacture.



Environmentally friendly materials

Polyvinyl chloride, silicones, rare earth magnets, synthetic pheromones and other Shin-Etsu Group products contribute to resource and energy conservation, environmental burden reduction.



Guide to Materials

Electronic materials

Through a wide range of products including silicones, rare earth magnets and liquid fluoroelastomers, we contribute to the improved performance, function and reliability of such devices as electrical home appliances, communication equipment and computers.



Automobile-related materials

With their wide variety characteristics, Shin-Etsu Group products are expected to provide the key to the evolution of automotive technology in areas such as improved safety and reliability, miniaturization and reduced weight and environmental responsiveness.



Optical materials

Using both natural and synthetic quartz as a base, we develop a diversified range of optical materials, including synthetic quartz preform for optical fibers preform and assorted optical parts. We supply a wide range of items, from raw materials to processed products.



Architectural/civil engineering materials

We respond to a wide range of needs in the architecture and civil engineering fields by providing such building/civil engineering items as sealing materials, coating materials and admixtures for building materials.



Corporate Overview

Overview of Operations

Trading name Shin-Etsu Chemical Co., Ltd.
Location 6-1, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-0004, Japan
Established September 16, 1926
Capital 119,419 million yen
Representative Shunzo Mori, President
Number of employees 16,302 (consolidated), 2,656 (non-consolidated)
Business activities Manufacture and sales of polyvinyl chloride, semiconductor silicones, silicones, rare earth magnets, synthetic quartz, cellulose derivatives and other products



Principal Shin-Etsu Group Companies

Japanese Domestic Group

Shin-Etsu Chemical Co., Ltd., Shin-Etsu Handotai Co., Ltd., Shin-Etsu Polymer Co., Ltd., Shin-Etsu Engineering Co., Ltd., Nagano Electronics Industrial Co., Ltd., Naoetsu Electronics Co., Ltd., Shin-Etsu Astech Co., Ltd., Mimasu Semiconductor Industry Co., Ltd., Shin-Etsu Quartz Products Co., Ltd., Kashima Vinyl Chloride Monomer Co., Ltd., and others

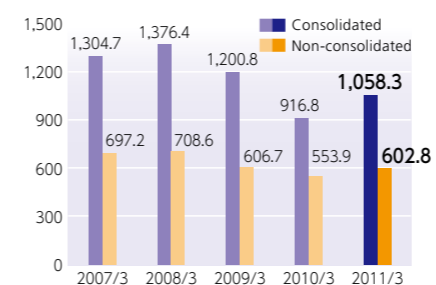
Overseas Group

Shintech Inc., Shin-Etsu Handotai America Inc., S.E.H. Malaysia SDN. BHD., Shin-Etsu PVC B.V., SE Tylose GmbH & Co. KG, Shin-Etsu Handotai Europe Ltd., Shin-Etsu Handotai Taiwan Co., Ltd., and others

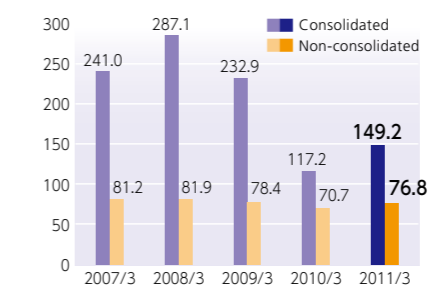
Full details of Shin-Etsu Group companies:
<http://www.shinetsu.co.jp/e/profile/group.shtml>

Financial Highlights

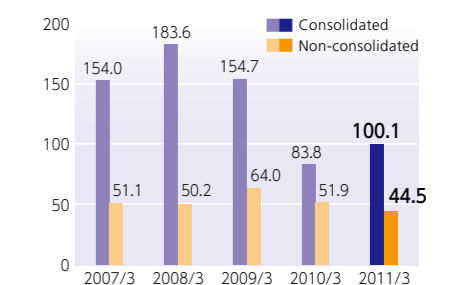
Net Sales (Billion yen)



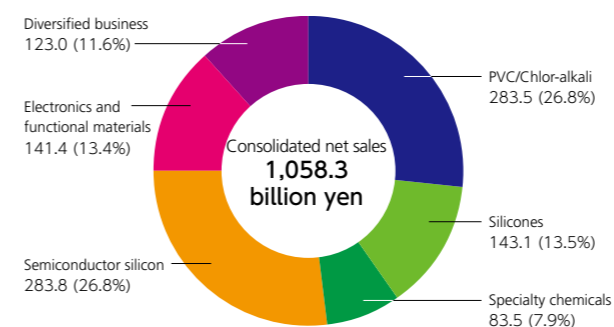
Operating Income (Billion yen)



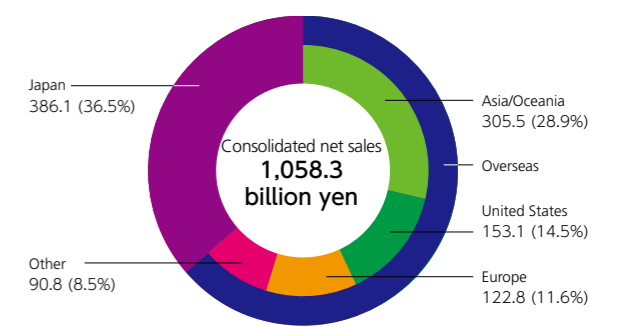
Net Income (Billion yen)



Net Sales by Segment (Fiscal year ended March 2011)



Net Sales by Region (Fiscal year ended March 2011)



Financial and IR information
<http://www.shinetsu.co.jp/e/ir/index.shtml>

Shin-Etsu Group, Vision 2050, and 25% Reduction in Greenhouse Gases

In order to realize the *Vision 2050* advocated by Dr. Hiroshi Komiyama, one of our external directors, and the associated 25% reduction in greenhouse gases, the Shin-Etsu Group is working to develop highly energy-efficient products and technologies.

Dr. Hiroshi Komiyama, external director of Shin-Etsu Chemical and former president of The University of Tokyo, released *Vision 2050* in 1997 as a roadmap to a low-carbon, recycling-based society. By suggesting a concrete breakdown for the 25% greenhouse gas reduction proposed by the Japanese government in 2009, he also details a specific path to reduction. The point he makes clear is that strategically promoting increased energy efficiency in the proposed areas is essential for Japan's growth and for raising energy self-sufficiency.



Dr. Hiroshi Komiyama
External director, Shin-Etsu Chemical Co., Ltd.
(Former president of The University of Tokyo;
Chairman, Mitsubishi Research Institute, Inc.)

About Vision 2050

A vision stating that, to create a sustainable earth, we need to establish a low-carbon, recycling-based society by 2050 by assembling a range of technologies that are workable in practice.

To realize Vision 2050

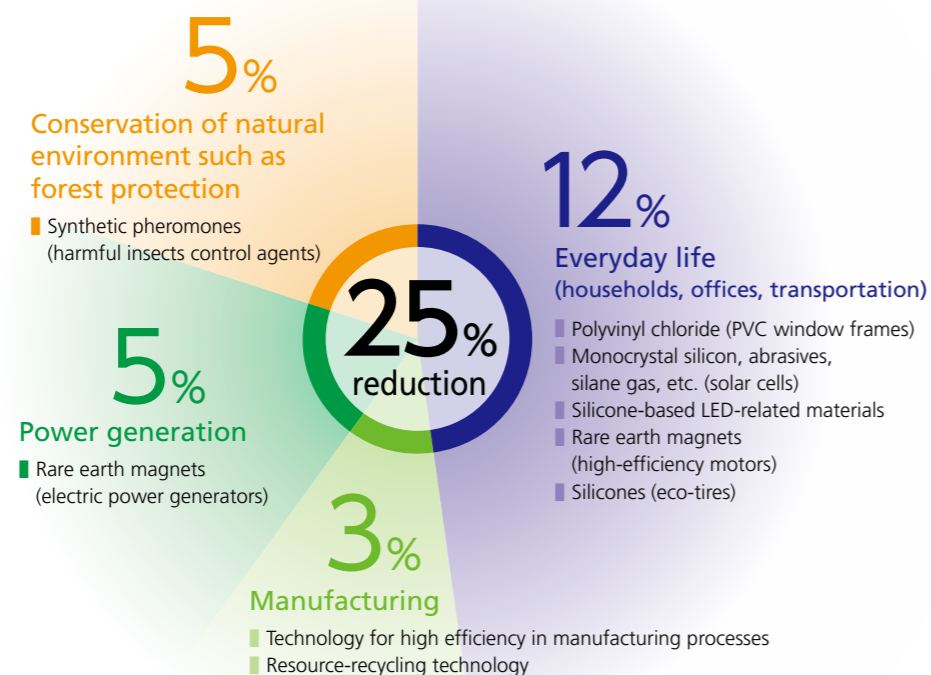
Compared to 1997:

- Triple energy efficiency → reduce energy consumption by 2/3
- Establish material recycling system → promote recycling
- Double renewable energy sources → Double use of solar cells, biomass*, wind power, hydroelectric power and other natural energies

*Biomass: renewable organic resource of biological origin (other than fossil fuel)

Toward a 25% reduction in greenhouse gases

Concrete breakdown of the 25% reduction as proposed by Dr. Hiroshi Komiyama and Shin-Etsu Group products and technologies that contribute to greater energy efficiency in various fields.



Rare earth Magnets

Rare earth magnets contribute to energy conservation in automobiles, air conditioners and other environments.

Due to their strong magnetic force, rare earth magnets contribute to achieving smaller dimensions, lighter weight and higher output in motors and other machines. The range of applications where these outstanding characteristics can be used is wide and includes energy-saving air conditioners and various types of automotive motor.

In the automotive field, they are used for instance in the drive parts of a range of motors for hybrid, electric and other vehicle types and in electric power generators and sensors. They help to realize parts with smaller dimensions and lighter weight as well as energy conservation and clean energy.

In the field of air conditioning, use of rare earth magnets in compressor motors improves energy efficiency by 5 to 10%, reduces electricity consumption and makes other

contributions to conserving energy, reducing CO₂ emissions and preventing global warming.



Photo provided by NISSAN MOTOR CO., LTD.

Our rare earth magnets are used in the motors of the Nissan Leaf electric vehicle, where they contribute to lighter weight and energy conservation.



Photo provided by Daikin Industries, Ltd.

Our rare earth magnets are used in the compressor motors of room air conditioners, where they improve the energy conservation effect of the air conditioner.

We are working round the clock to refine the characteristics of rare earth magnets

Hajime Nakamura

General Manager, Dept. no. 2, Magnetic Materials Research Center

The Magnetic Materials Research Center undertakes research and development of rare earth magnets. Recently, it developed a new manufacturing process for rare earth magnets known as the grain boundary diffusion process. This is a revolutionary process which greatly reduces the use of dysprosium, which is one of the rarest of the rare earth elements used as raw materials, and also effects a vast improvement in magnetic characteristics. At present we are working on mass production and expansion of scale.

As this was a new manufacturing process, in the period immediately after mass production began, manufacturing was carried out not at a plant but at the research center. There are many issues which only become apparent at the mass production stage, and these had to be overcome while at the same time sticking to deadlines and handling large volumes of product. This was no easy task for the researchers, but proved highly instructive.

Widespread use of Shin-Etsu rare earth magnets can be expected to make further contributions to achieving cleaner energy and preventing global warming. Going forward, we will continue to work to refine the characteristics of rare earth magnets.

Shin-Etsu rare earth magnets
<http://www.shinetsu-rare-earth-magnet.jp/e/>

Completed the Second Plant to Produce PVC Raw Materials

Shintech Inc.

In mid-2011, Shintech Inc. (United States), our main base for polyvinyl chloride (PVC) production, completed Plaquemine Plant-2, at Plaquemine, Louisiana, which manufactures the PVC monomer which is the main raw material for PVC. The Plaquemine Plant-1, which integrates PVC manufacturing, has been in operation since October 2008. Until then, Shintech had sourced PVC monomer externally. Now, to meet the world demand for PVC, which is expected to continue to expand, it will be able to expand its raw material supply by increasing in-house production.

Shintech began operations in 1974 with an annual production capacity of 100,000 tonnes. As a result of expansion of facilities and construction of the new plant, the company's current annual PVC production capacity has increased to 2.64 million tonnes, or around 26 times the initial level. The company is the world's largest manufacturer of PVC and forms the core of the Shin-Etsu Group's worldwide strategy in the PVC business. Going forward, Shintech will continue to strengthen its production system and steadily enhance its business base.



Shintech Inc. Plaquemine Plant

Corporate Overview

Company name: Shintech Inc.
 Head office location: Houston, Texas, United States
 Business activities: Manufacture and sales of polyvinyl chloride

Contributing to local communities by providing employment and training

Shintech carries out its business while proactively being committed to the local communities in which it operates. In south Louisiana, we value our strong working relationship with the Iberville Parish and West Baton Rouge Parish communities. The focus on community is embodied in our motto: "Live Locally, Hire Locally, Buy Locally." Shintech Plaquemine Plant-2, a \$900 million investment to manufacture additional chlor-alkali and vinyl chloride monomer products, has expanded our base of operations in Iberville Parish. A project of this size generates thousands of construction jobs as well as the "ripple effect" of various purchases from local vendors and suppliers. Regarding direct employment, our approach in Louisiana has always been to employ as many qualified local residents as possible to run our plants. As in our previous Louisiana projects, we joined with the state and local employment agencies to host job fairs for interest applicants for SPP-2. In addition, we conducted job training classes for many interested workers, allowing even those who were not selected for employment an opportunity to improve their skills and training. As a result, a culture characterizes the company in which the motivation and capability of people in their work are strengthened and a belief in growing together with the company is nurtured.

Six years ago, the State of Louisiana incurred tremendous damage from Hurricane Katrina, one of the strongest such storms ever to hit the U.S. Gulf Coast. Our company has plants in two Gulf Coast states, and by proactively employing people living in this area and purchasing from local vendors and suppliers, we have contributed to the restoration and vitalization of this region.

In the future as well, we will continue to contribute to local communities in all these important aspects.



David Wise
 Plant Manager of Addis Plant and Plaquemine Plant
 Shintech Inc.

Establishment of Joint Venture to Produce Synthetic Quartz Preforms for Optical Fibers

Shin-Etsu (Jiangsu) Optical Preform Co., Ltd.

Shin-Etsu Chemical has joined with two other companies, Jiangsu Fasten Hongsheng Group Co., Ltd.(China) and TKH Group N.V. (Netherlands), to establish in the city of Jiangyin, Jiangsu Province, China, a joint venture producing synthetic quartz preforms for optical fibers: Shin-Etsu (Jiangsu) Optical Preform Co., Ltd. by the end of FY2012, the company plans to begin operation of a plant to produce enough preform annually to make 8 million km of optical fiber.

Up till now, Shin-Etsu Chemical has supplied the Chinese market by exporting synthetic quartz preforms for optical

fibers from Japan, but in future it will be possible to carry on production close to the source of demand. In today's China, demand for optical fiber is undergoing major expansion, reflecting an increase in the volume of data transmission as the social infrastructure is upgraded. We expect that establishing a system of production close to the source of demand will stimulate further sales expansion.



Corporate Overview

Company name: Shin-Etsu (Jiangsu) Optical Preform Co., Ltd.
 Location: Jiangyin City, Jiangsu Province, China
 Business activities: manufacture of synthetic quartz preforms for optical fibers

Establishment of Company to Produce Silicone Products

Shin-Etsu Silicone (Nantong) Co., Ltd.

Shin-Etsu Chemical has established a company to manufacture silicone products in Nantong City, Jiangsu Province, China: Shin-Etsu Silicone (Nantong) Co., Ltd. To start with, the company will manufacture mainly general-use rubber, but it will gradually expand its range to ultimately include all product groups. The new plant, which will have annual capacity for 25,000 tons of rubber products such as silicone rubber for use in molds, is due for completion by the end of FY2012.

Up till now, we had handled the Chinese market by

establishing a sales company in Shanghai which sold silicone products exported from Japan. However, as demand has expanded greatly and strong growth is expected to continue, the decision was made to begin local production. Given our experience in the Japanese market, which has resulted in advantages such as superior quality and a diverse product range developed in response to customer requirements, combined with speedy technology support, we are confident of being able to meet customer expectations and achieve expansion of our silicones business in the Chinese market.



Corporate Overview

Company name: Shin-Etsu Silicone (Nantong) Co., Ltd.
 Location: Nantong City, Jiangsu Province, China
 Business activities: manufacture of silicone rubber for molds, RTV rubber and other elastomer products

CSR Promotion Structure/Environmental Management Promotion Structure

Returning to the basic principles of corporate social responsibility, we promote CSR activities with a new outlook

CSR Promotion Structure

The mission of the Shin-Etsu Group is “strictly to comply with all laws and regulations, to conduct fair business practices and to contribute to people’s daily lives as well as to the advance of society by providing key materials and technologies”. We believe we have a social responsibility to contribute many stakeholders starting our shareholders by realizing this vision. In order to promote the Basic CSR Policy in line with the corporate mission of the Shin-Etsu Group in an effective and appropriate manner at a company-wide level in all aspects of corporate activity, we have set up a CSR Promotion Committee comprising managers from the relevant divisions and departments, and have appointed an officer responsible for CSR. In this way, the Shin-Etsu Group endeavors to maintain the trust and respect of all.

Environmental Management Promotion Structure

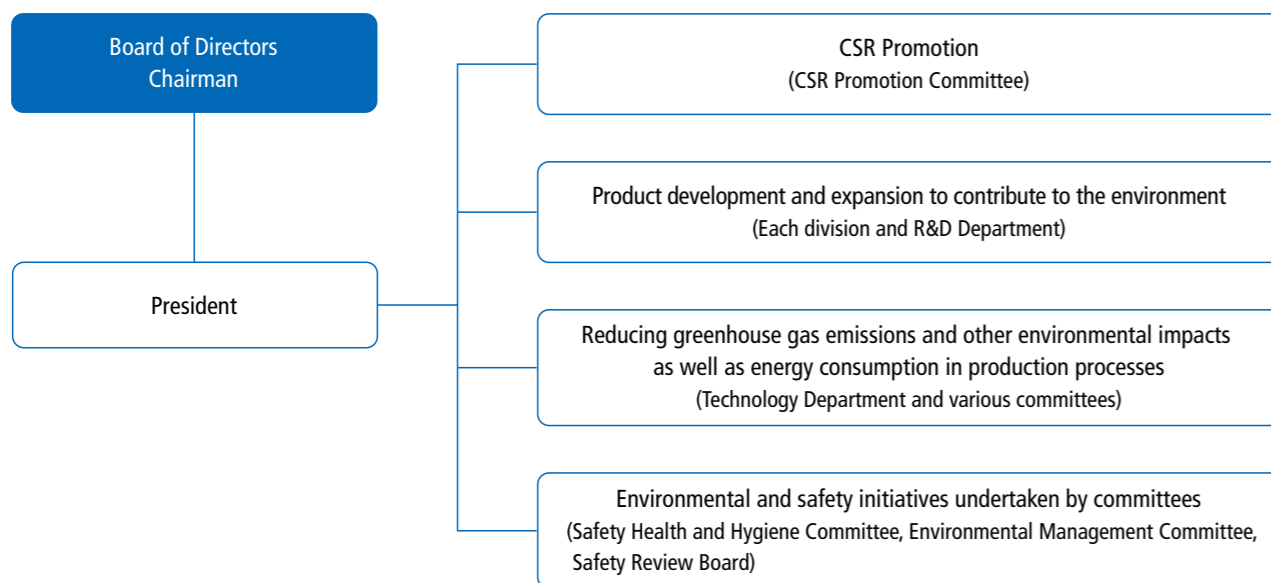
The Shin-Etsu Group incorporates environmental considerations into all aspects of corporate activity, with the aim of helping to prevent global warming and working towards the establishment of a sustainable society.

We are striving to reduce greenhouse gases and other environmental impacts associated with production processes by setting out ambitious targets and working towards clean production processes through structured and continuous programs. As a key materials manufacturer, we are highly committed to the development and expansion of products and technologies designed to reduce environmental impact as a means of contributing to the conservation of the global environment.

To this end, we conduct joint programs and activities involving research, production and sales departments, which are coordinated by a committee across multiple departments and overseen by the officer responsible for technology.

Furthermore, we are working at responding appropriately to all environmental regulations and standard in our product development and manufacture. The officer responsible for environmental control and safety has overall company responsibility for this area and is dedicated to earning our customers’ trust.

Shin-Etsu Group CSR/Environmental Management Promotion Structure and Associated Activities



Stakeholder Relations Diagram



Participant in UN Global Compact

In November 2010, the Shin-Etsu Group has joined to the UN Global Compact. As life in society has become more complex and more diverse in recent years, the social responsibilities of enterprises have grown. Against this background, the Shin-Etsu Group remains firmly committed to its corporate mission statement, which calls for it to “strictly comply with all laws and regulation, conduct fair business practices and contribute to people’s daily lives as well as to the advance of industry and society by providing key materials and technologies”. At the same time we ensure a flexible response to changes in the social and economic environment.

In April 2005, we established a CSR Promotion Committee which has since addressed CSR issues across the Group. In 2006, we additionally expressed our commitment to supporting and implementing the Responsible Care Global Charter of the International Council of Chemical Associations (ICCA). Having now also joined to the UN Global Compact, we will further enhance the range of our CSR activities by aligning our business activities with the ten principles of the Global Compact.

Global Compact Ten Principles

The Global Compact asks that business should:

- Principle 1: Support and respect the protection of internationally proclaimed human rights
- Principle 2: Make sure they are not complicit in human rights abuses
- Principle 3: Uphold the freedom of association and the effective recognition of the right to collective bargaining
- Principle 4: Uphold the elimination of all forms of forced and compulsory labour
- Principle 5: Uphold the effective abolition of child labour
- Principle 6: Uphold the elimination of discrimination in respect of employment and occupation
- Principle 7: Support a precautionary approach to environmental challenges
- Principle 8: Undertake initiatives to promote greater environmental responsibility
- Principle 9: Encourage the development and diffusion of environmentally friendly technologies
- Principle 10: Work against corruption in all its forms, including extortion and bribery



Corporate Governance

The enhancement of corporate governance is our most important management task

Basic Principles of Corporate Governance

Shin-Etsu Chemical has a fundamental policy of continually enhancing corporate value and put importance on shareholders as a top priority. To this end, the Company has instituted an efficient structural framework and systems and procedures designed to enable a more flexible response to changes in the business environment. Shin-Etsu Chemical is proactively committed to accurate and timely information disclosure to shareholders and investors as a means of enhancing management transparency and strengthening the integrity of audit systems.

Board of Directors and Managing Directors' Meeting

Shin-Etsu Chemical adopts a statutory auditor system. Two organs discuss and decide on the execution of operations: the Board of Directors and the Managing Directors' Meeting, which held on a monthly basis to deliberate and make decisions on important matters. The Board of Directors consist of 22 members, of whom five are external directors with extensive management experience and a high level of expertise. By minimizing the number of members, Shin-Etsu is working to establish an operating system capable of faster decision-making and flexible management. The Board of Directors sets out the fundamental policies of the Company and deliberates and makes decisions regarding key aspects of Company operations in accordance with the Companies Act and the Shin-Etsu articles of incorporation. Meanwhile, the Managing Directors' Meeting makes deliberations and decisions regarding a variety of other operational issues.

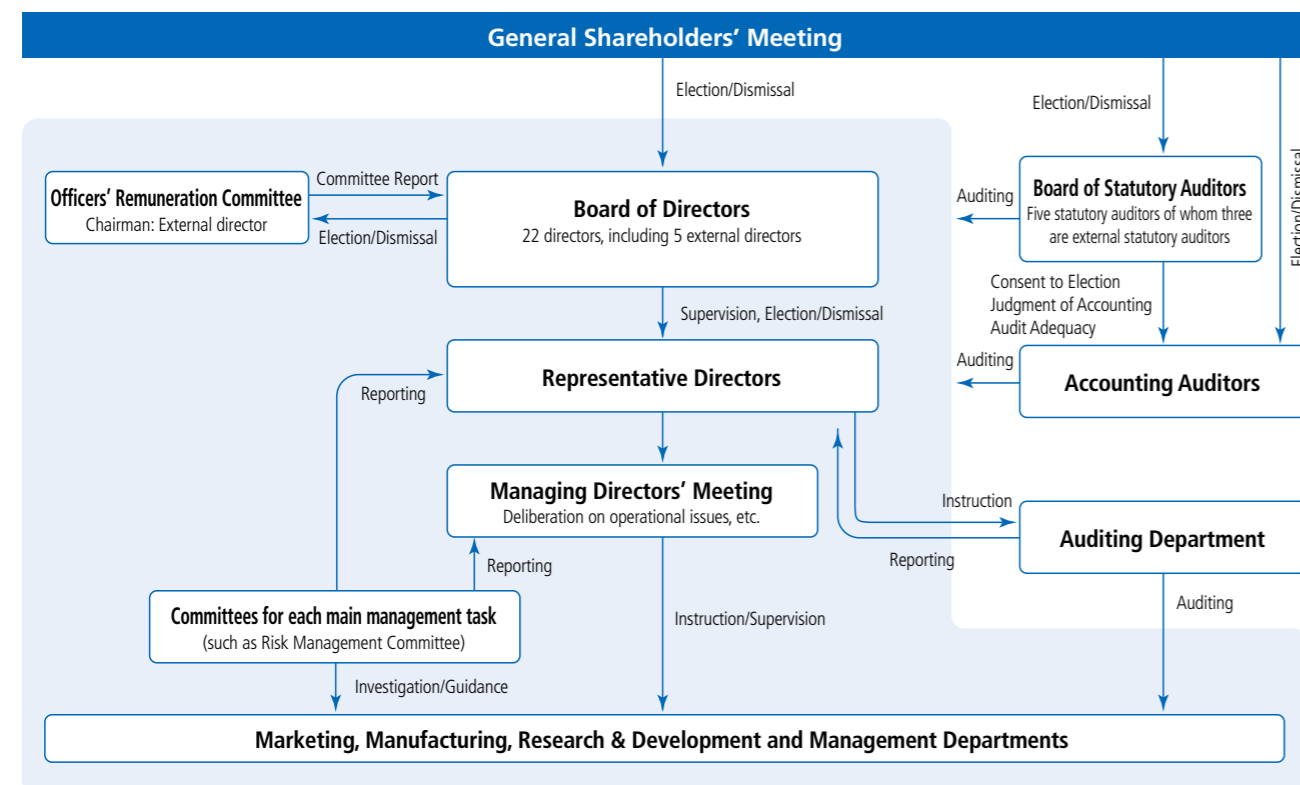
Statutory Auditors

The system whereby the execution of operations by the directors is audited by statutory auditors is set by the Companies Act. Of our five statutory auditors, three are external statutory auditors with a high degree of independence, which enhances and strengthens auditing functions. As well as attending the Board of Directors meetings, Managing Directors' Meetings and other important internal meetings, the statutory auditors inspect important documents and carry out other checks in order to audit the execution of operations by the directors. The statutory auditors also hold monthly meetings with the Auditing Department where they receive progress reports on all activities and internal auditing results, provide advice and recommendations on corporate activities and key auditing topics and request investigation when necessary.

External Directors and Statutory Auditors

Shin-Etsu Chemical emphasizes the importance of advisory and supervisory functions based on an independent perspective. The external directors and external statutory auditors of Shin-Etsu Chemical are not former employees of the parent company or sister companies, nor of companies associated with major shareholders, or any of the Company's main business partners. Shin-Etsu Chemical appoints external directors in order to benefit from advice across the full range of management operations based on their previous experience. Similarly, the appointment of external statutory auditors is designed to ensure auditing based on high levels of specialist knowledge, experience and insights. Since their appointment, the external directors and external statutory auditors have provided adequate supervision and advice from an independent perspective.

Corporate Governance Structure at Shin-Etsu Chemical



As of June 29, 2011

List of external directors and external statutory auditors

Position	Name	Significant other positions held
External directors	Frank Peter Popoff	Former CEO, The Dow Chemical Company (US)
	Masashi Kaneko	Former Director and Chairman of the Executive Board, former Nikko Cordial Corporation Director and Chairman of the Board, Ikyu Corporation
	Tsuyoshi Miyazaki	Former Representative Director (currently Advisor), Mitsubishi Logistics Corporation
	Toshihiko Fukui	Former Governor, Bank of Japan External Director, Kikkoman Corporation President, The Canon Institute for Global Studies
	Hiroshi Komiyama	Former President, The University of Tokyo Chairman, Mitsubishi Research Institute, Inc. External Director, JX Holdings, Inc. External Statutory Auditor, The Tokyo Electric Power Company, Incorporated
External statutory auditors	Taku Fukui	Lawyer Managing Partner, Kashiwagi Sogo Law Offices Professor, Keio Law School
	Yoshihito Kosaka	Certified Public Accountant, Certified Public Tax Accountant Partner, Grant Thornton Taiyo ASG Representative Partner, HIYU Certified Tax Accountants' Corporation
	Kiyoshi Nagano	Former Representative Director, Chairman and President, former JASDAQ Securities Exchange, Inc. External Director, SBI Holdings, Inc.

As of June 29, 2011

Independence

The external directors and external statutory auditors all meet the stock exchange criteria for independent directors,* as which the following four are registered: Toshihiko Fukui, Hiroshi Komiya, Tsuyoshi Miyazaki and Masashi Kaneko. These four directors also serve on the Independent Committee, an organ set up to ensure the fairness of decisions by the Board of Directors regarding The Handling Policy (Anti-takeover Defensive Plan) toward a Large-scale Purchase of the Company's Shares and Other Securities and to exclude any arbitrary decisions.

Support system

Although there is no dedicated support staff serving the external directors and external statutory auditors, the Office of the Secretariat provides them with the appropriate services. When a meeting of the Board of Directors or other important internal meeting is to be held, external directors are informed in advance of the agenda and provided with an explanation of the content, in response to which they express opinions as appropriate.

The staff of the Auditing Department and Legal Department, as the staff serving statutory auditor assist the external statutory auditors with their duties.

External directors and external statutory auditors who have been unable to attend a Board of Directors meeting receive a report on the proceedings, for instance in the form of a copy of the minutes.

*Independent directors

External directors and external statutory auditors who present no risk of a conflict of interest with general shareholders. The Tokyo Stock Exchange and other stock exchanges require listed companies to appoint such directors.

Directors' Remuneration

The Officers' Remuneration Committee, chaired by external director Frank Peter Popoff with three other directors as committee members, meets regularly twice a year and otherwise as necessary to discuss and assess directors' remuneration and make recommendations to the Board of Directors in accordance with the Regulation of the Officers' Remuneration Committee.

Shin-Etsu Chemical discloses the total amount of directors' remuneration in financial statements and its business report.

Internal Control System and Operational Audit

Shin-Etsu Chemical has formulated a Basic Policy on Internal Controls to help put in place "structures to ensure that the execution of duties by the directors is fully compliant with relevant legislation and the articles of incorporation and that other duties are performed appropriately", as stipulated in Article 362, Paragraph 4, Item 6 of the Companies Act and other relevant statutes.

The establishment and implementation of an internal control system is recognized as an important management responsibility at Shin-Etsu Chemical. Accordingly, the internal control system is structured and implemented in accordance with the above policy and subjected to constant review to make the system more appropriate and efficient.

Internal operation audits and assessment of internal controls over financial reporting are handled by the Auditing Department. The results of these audits and assessments are reported to managers, external directors and statutory auditors, and other relevant personnel to strengthen coordination between internal audit departments and external directors and statutory auditors.

Internal Control Reporting System

With respect to the Internal Control Report System for Financial Reporting applicable since the fiscal year ended March 2009 under the Financial Instruments and Exchange Law, the Company fully recognizes the importance of maintaining the reliability and transparency of the Company's financial reporting. The Company's Internal Control Promotion Team takes a leading role in implementing the internal control system.

Risk Management Committee

The Risk Management Committee, which is chaired by a managing director, is responsible for designing risk management structures and associated rules and regulation and working to identify and prevent potential risks arising in connection with the operations of the Company. The Risk Management Committee also promotes broad-based programs in the risk management area such as providing information and training. The Committee reports directly to the Board of Directors, the Board of Statutory Auditors and the Managing Directors' Meeting on major issues. In this way, the Risk Management Committee works to ensure appropriate risk management.

Management of Group Companies

In a spirit of respect for the autonomy of Group companies, the Shin-Etsu Group works for their growth and development so as to promote mutual benefit in the interest of the business prosperity of the Group as a whole.

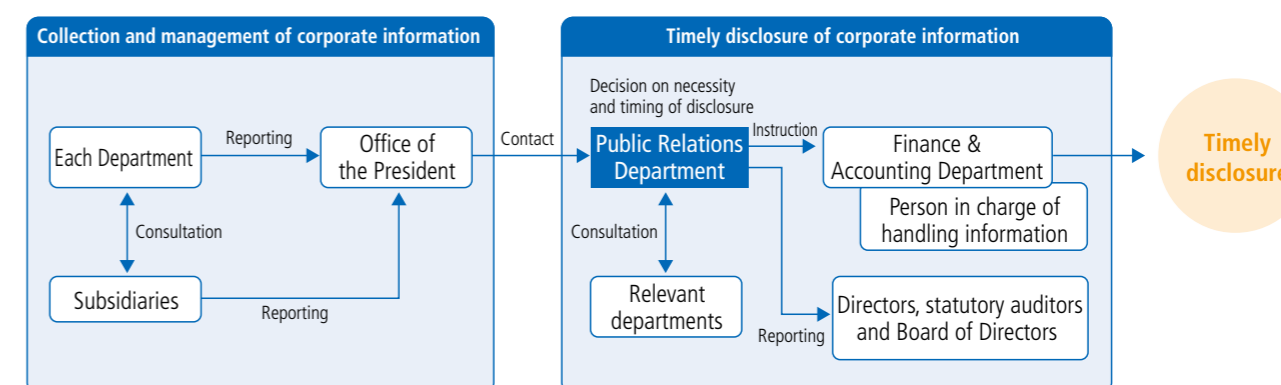
Group companies are managed on the basis of the Shin-Etsu Chemical Group Company Operational Regulation. Companies with strong ties to Shin-Etsu Chemical in terms of capital, personnel, or materials are required to undertake prior consultation and submit reports to the parent company in respect of important items such as capital increase or decrease, merger, liquidation, amendment of articles of incorporation, proposal of financial statements and budgets, planning of new businesses or facilities, business performance and business results.

Furthermore, by holding three yearly meetings attended by the presidents of our main Group companies, we actively promote sharing and exchange of information among Group companies.

Internal System for Timely Disclosure of Corporate Information

Regarding the collection, control and timely disclosure of corporate information, Shin-Etsu Chemical has formulated internal regulation including the Regulation on Timely Disclosure of Corporate Information and the Rules on Regulation of Insider Trading, which are informed to all Shin-Etsu Chemical departments and Group companies to promote smooth operations.

Internal system for timely disclosure



Compliance with Laws and Regulations

Company and employees work together to ensure compliance with laws and regulation

The Shin-Etsu Group regards compliance with laws and regulations as a natural obligation of corporate activities. Compliance is incorporated into the periodical management objectives as a means of working to ensure compliance.

Ensuring Full Compliance Awareness

In the event of promulgation of or amendments to legislation pertaining to corporate activities, the Legal Department issues internal bulletins and holds presentations as appropriate. To raise awareness of legal compliance, internal bulletins are issued to flag issues up in the event of a violation of laws or regulation.

Compliance Pledge

Corporate officers and employees make a Compliance Pledge to the company which represents their commitment as individuals to practice compliance in their daily work. For the eventuality of inappropriate action occurring, disciplinary measures are available.

Compliance Consultation Office

To support each of Shin-Etsu Group employees in ensuring that their work activities comply at all times with relevant laws and regulation as well as internal rules, we have set up a Compliance Consultation Office, which is available whenever required to provide consultation or accept notifications.

In accordance with the Compliance Consultation and Notification Regulation, the Compliance Consultation Office maintains strict confidentiality to ensure that no employee consulting the office suffers disadvantage. The office then carries out investigations in response to the information received and takes corrective action where necessary. No employee suffers any form of disadvantage on the grounds of having made a consultation or notification.

Export Control

The Security Export Control Committee at Shin-Etsu Chemical provides an export control structure designed to ensure proper standard of international peace and safety in relation to exporting, supply and associated agency transactions of goods and technology in categories subject to regulation under export-related legislation such as the Foreign Exchange and Foreign Trade Act. The Internal Control Program on Security Export Control has been established to classify categories of goods requiring export clearance and implement screening procedures for customers and transactions. The Company also conducts internal audits and provides training and guidance for executives and employees as well as instruction to Group companies.

Information Management System

The Company has developed a fundamental policy concerning information security to ensure the confidentiality, safety and integrity of its information assets and prevent the leakage of important information concerning our customers and business partners. We are constructing an information asset management system, have appointed an officer responsible for information control, and manage corporate information in accordance with established information asset management regulation and standard.

Protection of Personal Information

In order to properly protect personal information in accordance with the Act on the Protection of Personal Information, we have established a personal information protection policy, which is available on our website (Japanese only). Moreover, we hold explanatory meetings within the Group on compliance with all relevant laws and are making exhaustive efforts in the appropriate handling and protection of the personal information of business partners and other contacts.

Material Procurement

The Shin-Etsu Group is committed to fair and equitable procurement practices and to incorporating environmental considerations into the supply chain

Basic Procurement Policy

A Basic Procurement Policy has been formulated for the purchasing of supplies needed for production activities, including raw materials, secondary materials such as transportation packaging, and machinery and equipment. The Basic Procurement Policy, which governs all procurement activities by the Company, is communicated to all personnel and posted on the website.

Compliance with the Subcontractors Act

To ensure full compliance with the Subcontractors Act (actual title: The Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors), the Shin-Etsu Group maintains close lines of communication with its business partners in order to avoid any abuse of the Company's position of superiority relative to subcontractors. For all business partners subject to the provisions of the Subcontractors Act, the Shin-Etsu Group makes periodical checks using a special checklist in combination with reporting of new transactions to ensure full compliance. Staffs in charge of purchasing and procurement frequently attend external seminars and presentations as well as internal training sessions to discuss specific examples of conduct. In this way, the Company works to boost awareness of compliance with the Subcontractors Act.

In addition, the Company requests that raw material suppliers to comply thoroughly with the Subcontractors Act.

Procurement Audit

The Basic Procurement Policy applies to the selection of suppliers and the development of business relationships. Suppliers are expected to understand the Basic Procurement Policy and instructed to incorporate the contents of the Policy into their supply contracts.

Before and after supply begins, the supplier is asked to complete a procurement audit checklist, the results of which are used for evaluation and assessment. Additionally, staff in charge of purchase and procurement visit suppliers in Japan and overseas whenever necessary to carry out audit.

Control of Chemical Substances Used as Raw Materials

The Shin-Etsu Group checks the ISO14001 status of suppliers and considers preferential business transactions with suppliers that have ISO certification so as to purchase materials of lower environmental burden.

When contracting specifications on supply of raw materials, we investigate the supplier's use in products and packaging of chemical substances with high environmental impact, their environmental management systems, their handling of prohibited substances as stipulated in the RoHS directive¹, and their Green Partner certification status.

The Shin-Etsu Group is also committed to compliance with REACH² registration requirements by working with production and sales departments to obtain confirmation from raw material suppliers of the REACH registration status of raw materials. In this way, we are building an environment-friendly supply chain with our business partners.

¹ RoHS Directive

An EU directive, formally known as the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Regulation.

² REACH

An EU regulation on Registration, Evaluation, Authorization and Restriction of Chemicals.

Initiatives for Business Continuity Plan

Our Business Continuity Plan has been formulated to allow us to continue fulfilling our product supply responsibilities in the event of a major disaster

Aim of Business Continuity Plan

Shin-Etsu Chemical considers supply of high-quality materials based on superior technologies to be an important contribution to society and regards ensuring continuity of supply as a major corporate responsibility.

Many of Shin-Etsu's products have high market share not only in Japan but also globally, and our products are often used for highly specialized applications in cutting-edge industries. An interruption of the supply of these products would therefore have a major social impact. In response, the aim of our Business Continuity Plan is to allow us to continue fulfilling our responsibility for vital product supply in the event of a major earthquake, an explosion or fire, or other disaster or risk situation.

Overview of Business Continuity Plan

Shin-Etsu Chemical has formulated Business Continuity Management Standard in line with the aims of the Business Continuity Plan. Below the level of the Continuity Management Standard, which cover all aspects of the operational management of the Business Continuity Plan, there exist division-specific and production plant-specific business continuity plans.

The division-specific business continuity plans are predicated on the damage that could be caused by a major earthquake, fire or explosion, and set out the procedures for each business unit. Their concrete content can be summed up in the five following points:

- (1) Projection of disaster scenarios
- (2) Identification of priority businesses and products
- (3) Setting of target recovery period
- (4) Formulation of alternative plans to enable business continuation
- (5) Formulation of advance risk reduction action plans

Our priority businesses and products include items for which a substitute product or supplier is not readily available, such as pharmaceutical and medical products, custom-made items, and products which enjoy a high market share. Given our social responsibility for the supply of these products, we are committed to continuing this supply even in the event of a disaster.

The production plant-specific business continuity plans are coordinated with the division-specific business continuity plans and contain a response plan for the individual plant in the event of a major earthquake, explosion, fire, etc.

We will continue in future to carry out review, taking account of the situation in the recent Great East Japan

Earthquake, to improve the efficacy and practicality of Business Continuity Plans.

Business Continuity Management System in the Event of Emergency

In the event of an emergency, a Company-Wide Headquarters for Countermeasures headed by the company president will be set up immediately in line with the Emergency Response Regulation. Below this will be set up a Response Headquarters in each of the head office supervisory departments, which will be headed by the relevant divisional general manager and attached to the Company-Wide Headquarters for Countermeasures, and Plant Headquarters for Countermeasures headed by the relevant plant manager.

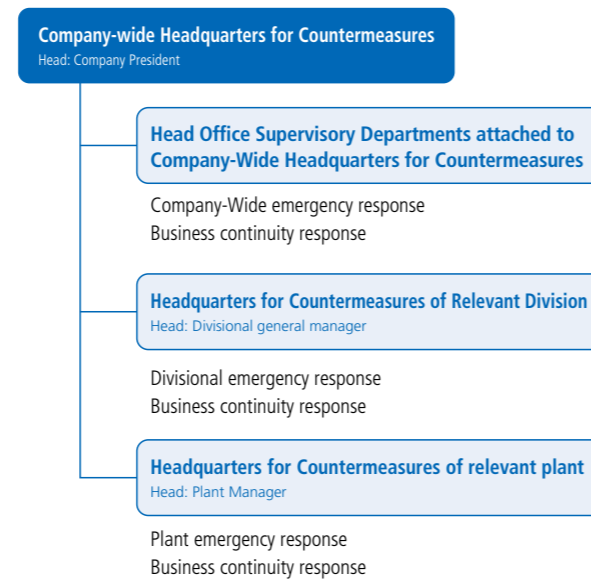
Under this system, each countermeasure headquarters and organization is responsible for implementing emergency action procedures in accordance with pre-defined operational criteria and for taking measures to ensure continuity of operations.

Outline of Business Continuity Plan

Risk scenarios: major earthquake, fire, explosion or other serious risk.

Major objective: to ensure continuity of high-priority business operation and product supply

Business Continuity Structure in the Event of Emergency



Report on Response to the Great East Japan Earthquake

Here we report on the situation of the Shin-Etsu Group's plants impacted by the Great East Japan Earthquake of March 11, 2011, the progress of recovery after the earthquake and the main response measures.

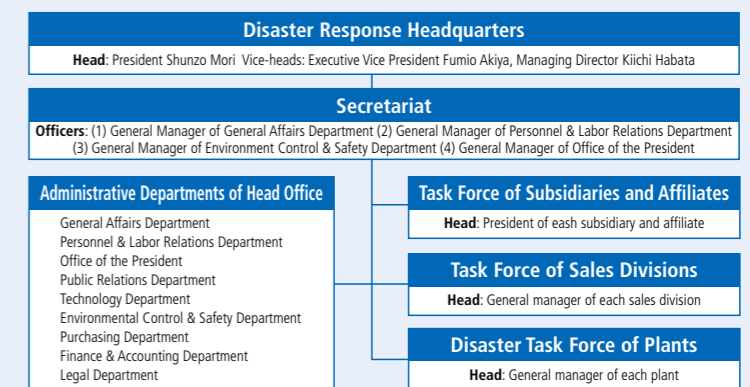
Situation of Damage and Recovery

	Situation of damage	Status of recovery	Product supply during recovery
Shin-Etsu Chemical Co., Ltd., Kashima Plant	Damage to some facilities, on-site roadways, port facilities, etc.	Polyvinyl chloride plant <ul style="list-style-type: none"> Restarted operations in a part of the facility on April 28 using the plant's inventory of raw materials Restarted full-scale operations from end of May 	<ul style="list-style-type: none"> Shipments from inventory stockpile Support shipments from Shintech Inc.(US)
		Synthetic quartz preform for optical fibers plant <ul style="list-style-type: none"> Restarted partial operations from April 18 Restarted full-scale operations from mid-June 	<ul style="list-style-type: none"> Shipments from inventory stockpile
Shin-Etsu Handotai Co., Ltd., Shirakawa Plant	Damage to facilities but no damage to buildings	<ul style="list-style-type: none"> Restarted operations in a part of the facility from April 20 Restarted full-scale operations from end of June 	<ul style="list-style-type: none"> Shipments from inventory stockpile Increase of operating capacity at other global production bases

In terms of risk avoidance, the Shin-Etsu Group has longstanding diversified the production base. Following the recent earthquake damage to the above-named plants, we were faced with stop of temporary operations and other issues. In response, we used a system of mutual support by non-affected plants in order to ensure stable supply of products.

Setting up Disaster Response Headquarters

Immediately after the earthquake struck on March 11, Shin-Etsu Chemical set up a task force headed by President Shunzo Mori. This was based on company standards for response in the event of a "typhoon, earthquake, tsunami or other natural disaster causing damage to business sites resulting in major impact on production or sales activities". Meetings to discuss response measures were held as necessary.



Electricity Saving Measures

In response to the nuclear power plant accident which followed the earthquake, electric power supply shortages have become a pressing problem. The Shin-Etsu Group has a longstanding policy of electricity saving, moreover has stepped up relevant measures.

Group-wide effort

- Alteration of company holidays
- Company holidays scheduled between October and December have been moved to August in 2011, the peak period for electric power demand

Plants effort

- Increasing efficiency of machinery operation through improvement of production
- Improvement in an operating rate of steam energy generator
- Operation of emergency diesel generator
- Use of plant water for refrigeration system
- Production of cooling water by heat pump system
- Control of maximum demand by electric power prediction
- Switching of plant shutdown period of periodical repair to July and August in 2011
- Switching of work hours to night-time or company holidays

Office effort

- In offices with windows, no use of lighting during daytime as a general rule
- Reducing the lights in elevator hall and corridors
- Change of air conditioner setting from 26 to 28 degrees Celsius in summer
- Extension of Cool Biz campaign period
- Setting of computers to energy-saving mode and screen displays to low brightness levels
- Switch to energy-saving computers

Support for Disaster Areas

The Shin-Etsu Group was itself impacted by the earthquake and received much kind support from customers, suppliers and business partners. At the same time, in addition to company donations to local governments in the disaster areas, fundraising activities were implemented in the Shin-Etsu Group and the proceeds donated to disaster areas and the Japanese Red Cross Society.

The above informations is as of June 30, 2011.

Challenges and Results of Shin-Etsu Chemical in Fiscal 2010

Shin-Etsu Chemical achieved its mid-term environmental goal of reducing 2010 unit greenhouse gas emissions to 66% of the 1990 level

Shin-Etsu Chemical worked toward the two mid-term environmental goals it had announced for 2010: reducing unit greenhouse gas emissions¹ to 66% of the 1990 level; and realizing zero emissions (landfill waste 1% or less of all waste disposal).

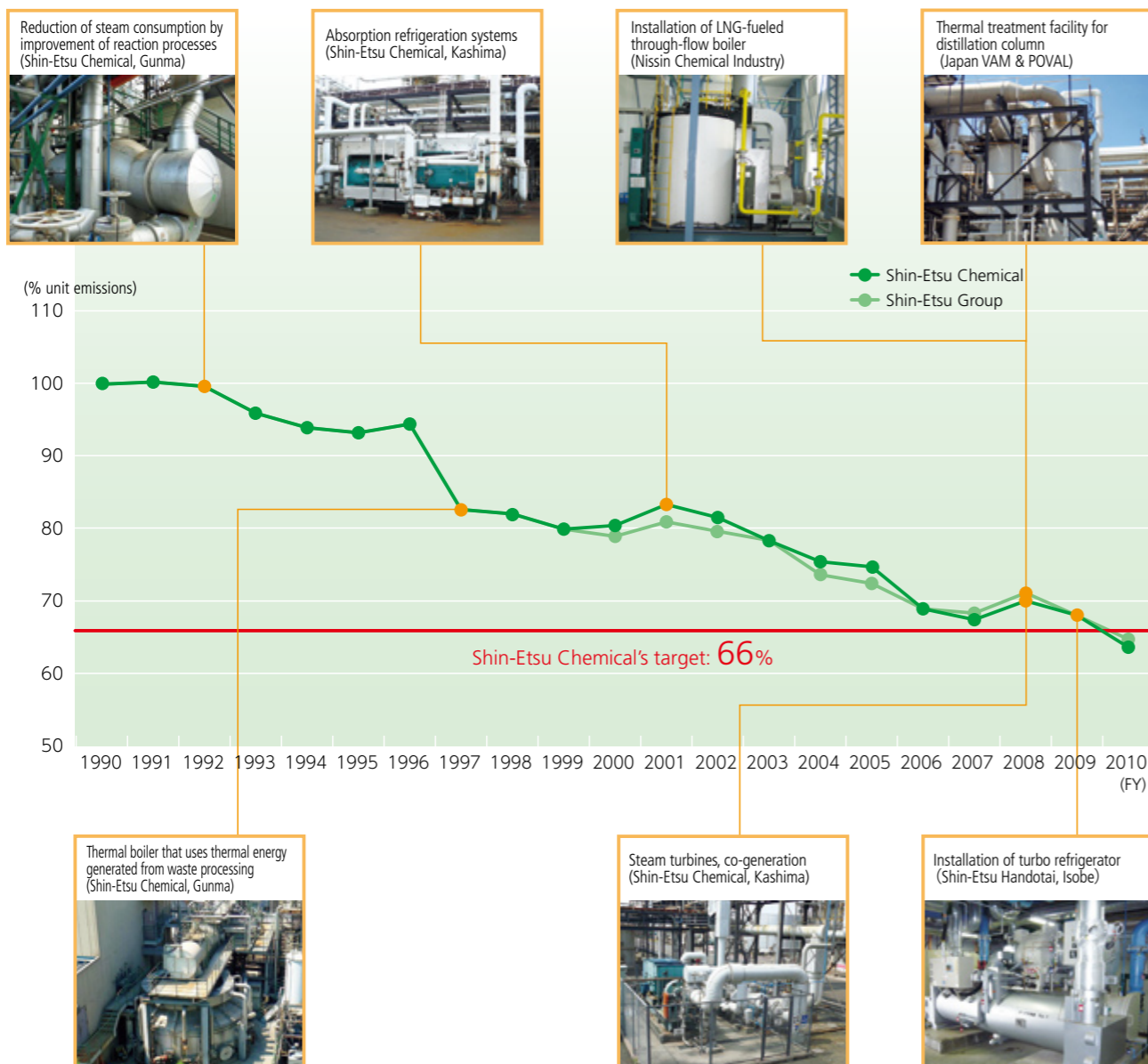
Unit greenhouse gas emissions fell to 64%² of the 1990 level during fiscal 2010, meaning that the mid-term environmental goals for fiscal 2010 were reached.

This outcome was achieved through a variety of initiatives including introduction of co-generation systems and steam turbines, energy-saving investment such as absorption refrigeration, and other initiatives such as switch of fuels from heavy oil to natural gas. The reduction target for unit greenhouse gas emissions applied only to Shin-Etsu Chemical, but similar efforts elsewhere in the Shin-Etsu Group during fiscal 2010 produced a decrease in overall unit greenhouse gas emissions to 65%² of the 1990 level.

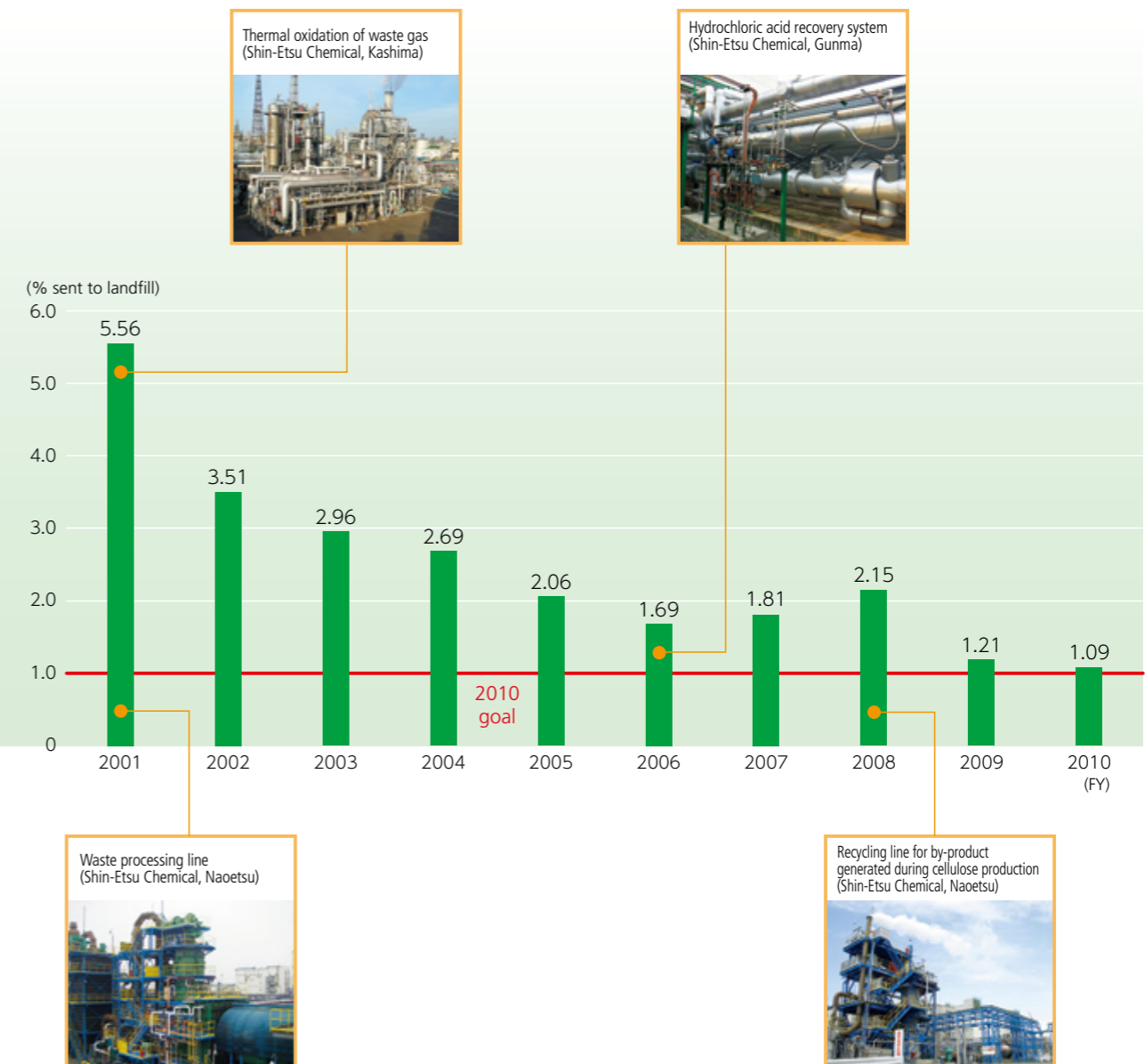
¹ The unit values shown are calculated using production figures converted from standard product units.

² In the 2010 report, greenhouse gas figures for CO₂ included only emissions from energy, but the present report also covers non-energy-derived emissions, including for past years.

■ Unit greenhouse gas emissions relative to fiscal 1990 levels for the Shin-Etsu Group



■ Percentage of total waste material sent to landfill (Shin-Etsu Chemical only)

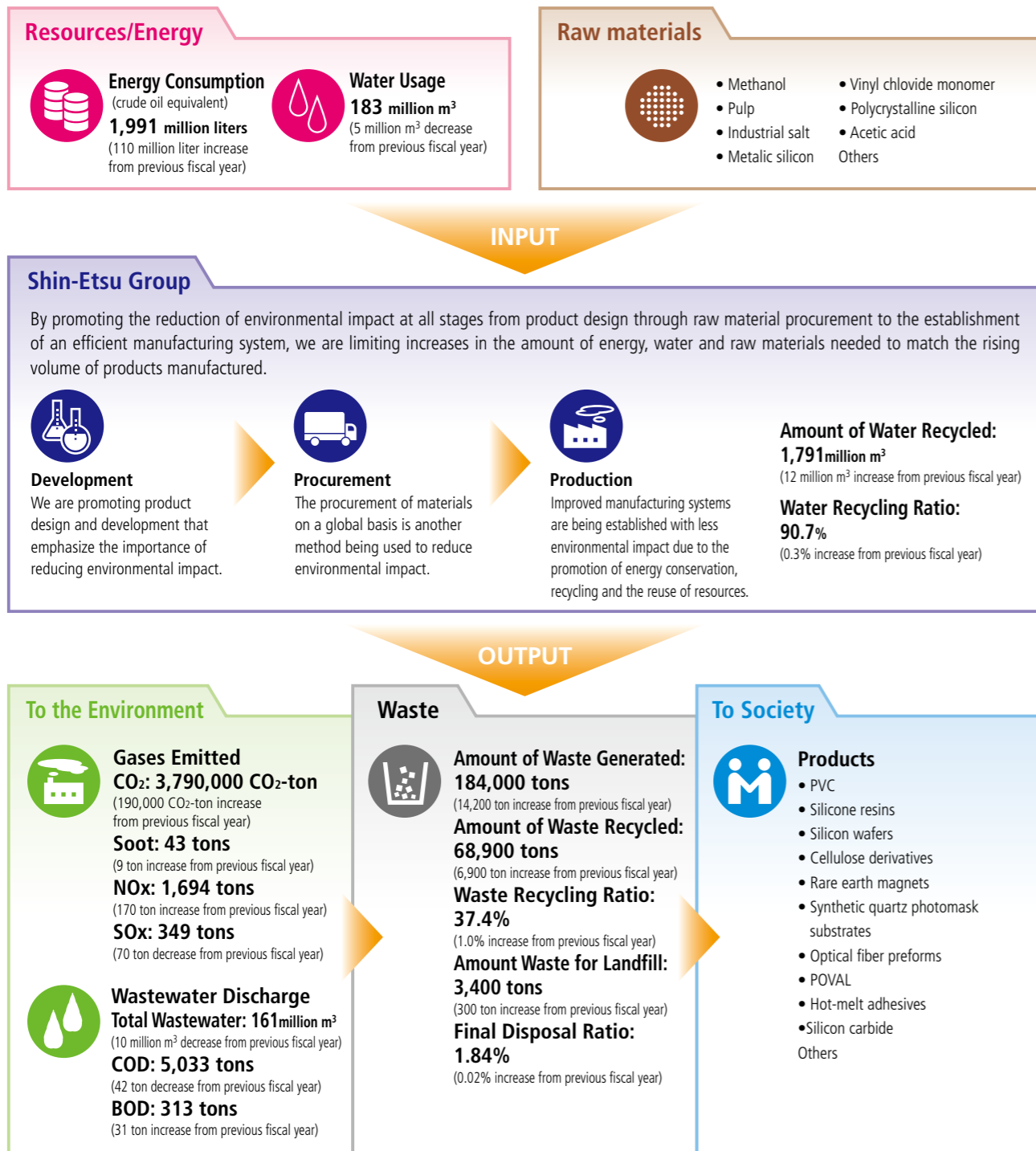


As for the zero emissions target, landfill waste as a proportion of total industrial waste came to 1.09% in fiscal 2010, which means that we did not achieve the zero emissions target value of 1.00%, but a reduction of 0.12% from fiscal 2009 was achieved. This result was due to investment in hydrochloric acid recovery, cellulose recycling, waste treatment facilities and other areas and effective use for cement raw material. We will continue with efforts to reduce so as to drop below the 1.00% barrier in fiscal 2011.

Our new mid-term environmental goal is to bring Shin-Etsu Chemical's 2015 unit greenhouse gas emissions down to 50% of the 1990 level, and each of our plants and departments is working steadily toward the goal by strengthening efforts for energy conservation and operational efficiency.

Reducing the Environmental Impact of Business Activities Input/Output

As a key materials manufacturer, we aim to reduce environmental impact not only for our own benefit, but also for that of society as a whole, by developing advanced technologies



Environmental Accounting

In fiscal 2010, Shin-Etsu Chemical applied the Environmental Accounting Guidelines 2005 prepared by the Ministry of the Environment, Japan, to calculate the investments and expenditures involved in reduction of the environmental impact of air pollution, water pollution, environmental release of chemical substances, etc.; energy-saving measures to conserve the global environment; and waste reduction and recycling to improving reuse of resources.

- Major investments
- Installation of an energy-recovering facility
 - Energy-Saving through increased productivity
 - Strengthening of energy loss prevention
 - Build up and renewal of wastewater treatment equipment
 - Installation of equipment to recycle raw materials, and equipment to treat and recover waste
 - Improvement of industrial waste disposal facility
 - Environmental improvement, etc., of plants and surrounding areas

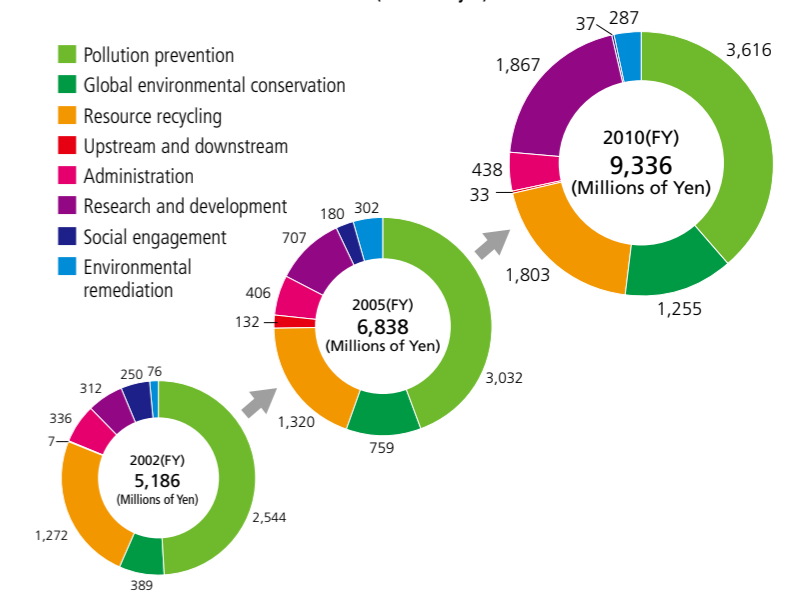
Environmental Conservation Costs in Fiscal 2010

Category	Details	Investment	Expenditure
Business area costs:			
(1) Pollution prevention costs	Prevention measures for air, water, noise and other types of pollution	1,276	3,616
(2) Global environmental conservation costs	Energy conservation and global warming mitigation measures	207	1,255
(3) Resource recycling costs	Waste reduction, recycling and other measures	51	1,803
Upstream and downstream costs	Green purchasing and container and packaging measures	0	33
Administration costs	Environmental management, environmental impact monitoring and environmental education measures	0	438
Research and development costs	Research and development of environmentally conscious products and processes	0	1,867
Social engagement costs	Donations and contributions to environmental protection	0	37
Environmental remediation costs	Assessment, handling and other costs related to environmental degradation	0	287
Total		1,534	9,336

Economic Benefits of Environmental Accounting in Fiscal 2010

Details of benefits	Economic benefit (Millions of Yen)
Energy savings	310
Improved production efficiency	1,010
Reduction in waste costs	-422
Profit from sale of valuable resources	118
Total	1,016

Cost of Environmental Conservation (millions of yen)



* As the standard applied vary from country to country, statistics for waste cover only the Japanese domestic operations of the Shin-Etsu Group.
 * Water Recycling ratio indicates amount recycled as a proportion of total water used.
 * Waste Recycling ratio indicates amount recycled as a proportion of total waste generated.
 * Final disposal ratio indicates amount waste for landfill as a proportion of total waste generated.

Environmental Initiatives

The Group is addressing all issues that are relevant to realizing energy conservation and mitigating global warming, including reducing environmental impact, protecting the environment and recycling resources

Reduction of Environmental Impact

Reducing Energy Consumption

The Shin-Etsu Group manufactures a variety of products handling a range of energy sources, including electricity, fuel oil, kerosene, diesel oil, liquefied petroleum gas, liquefied natural gas and steam. We select the most suitable energies for the manufacturing facilities and utilities used in such processes as reaction, refining, synthesis and processing.

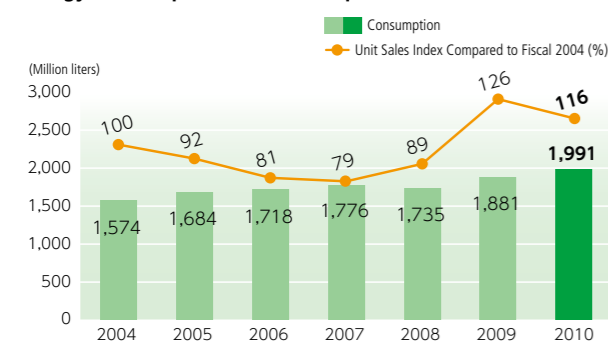
Although overall energy consumption is growing due to increased Group-wide production, each company and plant works to save energy.

The Shin-Etsu Group consumed 110 million liters more energy in fiscal 2010 than the previous fiscal year, increasing total consumption to 1,991 million liters (crude oil equivalent).

Looking at the different forms of energy used, as we have been progressing with fuel switch from heavy oil to natural gas, which generates lower CO₂ emissions, the share of natural gas in fuel use is very high under the SCOPE 1* measurement. Under the SCOPE 2* measurement, electric power accounts for around 85%.

*A term for the breakdown of greenhouse gas emissions by energy type as defined under the the Greenhouse Gas Protocol Initiative, a set of guidelines under the Global Agreement on Greenhouse Gas Emissions. SCOPE 1 covers direct emissions of greenhouse gases by the enterprise itself, while SCOPE 2 covers indirect emissions through external energy supply.

Energy Consumption (crude oil equivalent)



Detailed Chart of Energy Consumption by Energy Type (Calorific Equivalent)

	2004	2005	2006	2007	2008	2009	2010
SCOPE 1	Natural Gas	6.6	9.0	9.5	10.4	13.2	17.9
	Heavy Oil A + Heavy Oil C	3.4	3.0	2.9	2.1	0.7	0.3
	LPG+LNG	4.6	4.8	4.7	4.9	3.8	4.5
	Other	1.5	1.6	1.3	1.0	0.9	0.9
SCOPE 2	Purchased Electric Power	37.9	39.7	41.1	42.8	41.6	47.1
	Purchased Steam	6.8	7.0	6.9	7.4	6.8	6.7
Total	60.8	65.1	66.4	68.6	67.0	72.7	76.9

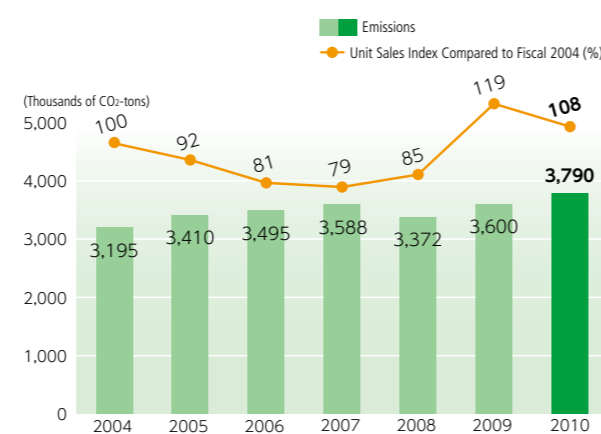
Mitigation of Global Warming

The Shin-Etsu Group works to reduce greenhouse gases to mitigate global warming.

Although CO₂ emissions have risen as our energy consumption increases, each company and plant is making efforts to reduce CO₂ emissions.

Fiscal 2010 CO₂ emissions totaled 3,790 thousand CO₂-tons, an increase of 190 thousand CO₂-tons from fiscal 2009 due to an increase in production, but emissions per unit sales decreased by around 11%. Small quantities of greenhouse gases other than carbon dioxide, including methane and sulfur hexafluoride, are emitted.

CO₂ Emissions



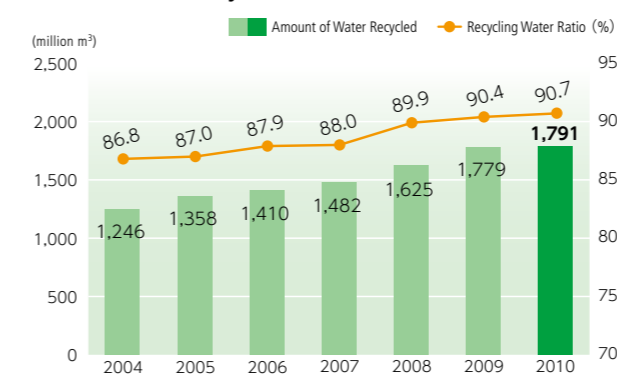
Water Resource Initiatives

To ensure efficient use of limited water resources, the Shin-Etsu Group is using cooling water recycling systems to increase the proportion of water reused. Fiscal 2010 water usage totaled 183 million m³, a 5 million m³ decrease from fiscal 2009. The majority of the river water we use is used by our European Group companies. This river water is used for cooling and can be returned to the river untreated without causing pollution. The amount of water recycled came to 1,791 million m³, a 12 million m³ increase from fiscal 2009. The amount of wastewater discharged totaled 161 million m³, a 10 million m³ decrease from fiscal 2009. The fiscal 2010 water recycling ratio reached 90.7%. The increases in water usage and amount of wastewater discharged are due to an increase in production.

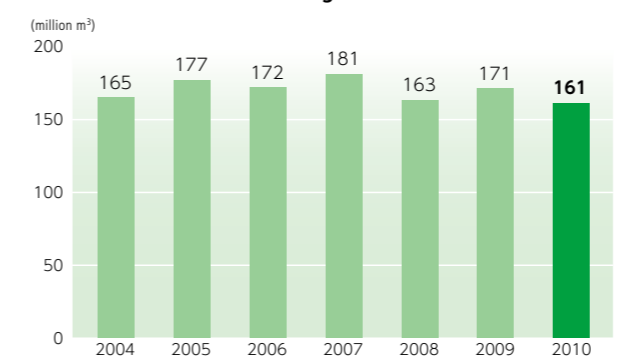
Water Usage by Source

Category	2004	2005	2006	2007	2008	2009	2010
Groundwater	28	23	24	24	23	21	23
Industrial Water	35	39	41	41	38	38	38
Tap Water	10	10	11	11	10	7	9
River Water	116	125	115	122	106	117	105
Other	1	7	4	4	4	5	8
Total	190	204	195	202	181	188	183

Amount of Water Recycled



Amount of Wastewater Discharged



Prevention of Water Pollution

The Shin-Etsu Group uses large quantities of industrial water, groundwater and tap water to manufacture and clean products and to maintain and manage facilities. Wastewater is discharged into rivers after being checked for compliance with limits specified under laws and regulation. pH¹, BOD², SS³, COD⁴ and other items are measured regularly to monitor impact on water quality. We are also working to reduce the amount of wastewater discharged.

Examples of our approach

- Improvement and expansion of wastewater treatment facilities
- Even distribution of wastewater quality and volume
- Recycling and reuse of cooling water

Fiscal 2010 COD discharge totaled 5,033 tons, a 42 ton decrease from fiscal 2009. Fiscal 2010 BOD discharge totaled 313 tons, a 31 ton increase from fiscal 2009. Where there are regulation values for discharge into inland riverwater, BOD discharge are also shown, with a uniform standard applied to all companies.

- 1 pH Index of hydrogen ion concentration (-log [H⁺]) indicating acidity (<pH7), neutrality (=pH7) or alkalinity(>pH7) of water solution.
- 2 BOD Abbreviation of Biochemical Oxygen Demand: indicates the amount of oxygen required for water-borne organisms to break down contaminants in water and is a measure of the degree of water pollution.
- 3 SS Suspended Solids (SS): index of organic and mineral particles suspended in water reflecting level of turbidity.
- 4 COD Chemical Oxygen Demand (COD): amount of oxygen required to degrade the organic compounds of wastewater.

Example of Wastewater Quality Monitoring: (Naetsu Plant)

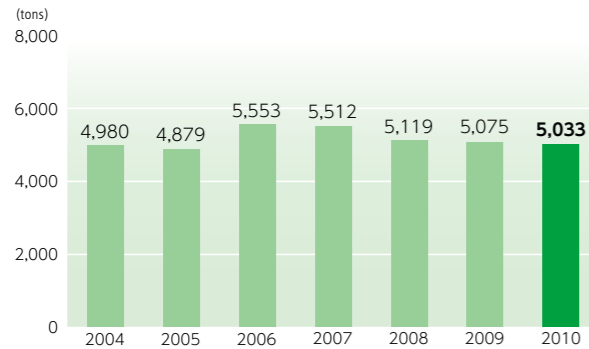
	Regulation value	2004	2005	2006	2007	2008	2009	2010
pH	5.8 ~ 8.6	7.0 ~ 7.6	6.7 ~ 7.5	6.9 ~ 7.5	6.4 ~ 7.3	6.9 ~ 7.5	7.1 ~ 7.7	7.0 ~ 7.4
BOD (mg/L)	≤ 60	34	41	50	-	-	-	-
	≤ 40	-	-	-	31	23	23	32
SS (mg/L)	≤ 50	34	30	42	26	24	29	40

Note 1) pH values are the minimum and maximum values from multiple measurements.

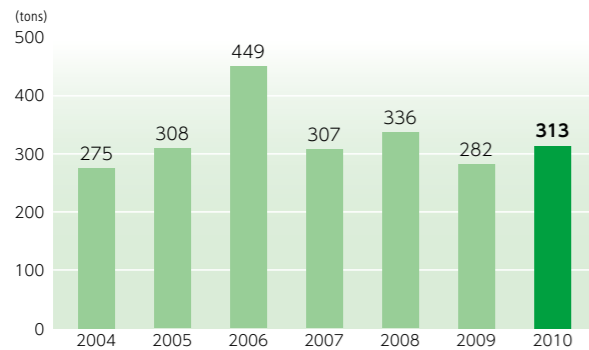
Note 2) BOD and SS values are maximum values from multiple measurements.

Note 3) The BOD regulation value was 60mg/L until 2006 but was upgraded to 40mg/L from 2007. To coincide with this, we enhanced our wastewater treatment facilities and achieved a large decrease in BOD discharge.

COD Discharge



BOD Discharge



Prevention of Air Pollution

The Shin-Etsu Group is endeavoring to reduce emissions of air pollutants. We use no specified CFCs. Some Group companies use HCFC-22, HCFC-123 and other HCFCs as refrigerant, but these are subject to appropriate management to prevent leakage into the atmosphere. At the same time, switch to CFC substitutes such as HFC-32 and HFC-134a is being actively progressed. A large reduction in sulfur oxides (SOx) was achieved by fuel switch from heavy oil to natural gas. All of these emissions were within Japanese regulatory limits for air pollutants from boilers and incinerators. The Shin-Etsu Group complies with all regulation and also monitors emissions regularly to ascertain the impact on air.

Fiscal 2010 soot emissions totaled 43 tons, a 9 ton increase from fiscal 2009. Fiscal 2010 NOx emissions came to 1,694 tons, a 170 ton increase from fiscal 2009. Soot and NOx both saw an increase in emissions from fiscal 2009 due to an increase in production. Fiscal 2010 SOx emissions totaled 349 tons, a 70 ton decrease from fiscal 2009.

Sample of Emission Gas Monitoring Result: Boiler (Shin-etsu chemical Naoetsu)

	Regulation value	2004	2005	2006	2007	2008	2009	2010
Soot (g/Nm ³)	≤0.25	0.02	0.03	<0.01	<0.01	<0.01	<0.01	<0.01
NOx (ppm)	≤150	83	110	99	88	98	98	92
SOx (k value)	≤11.5	1.16	0.45	<0.025	<0.025	<0.025	<0.025	<0.11

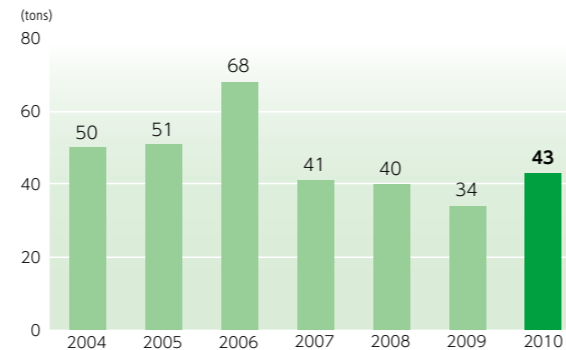
Note 1) The figures shown are the maximum values from multiple measurements throughout the year.
 Note 2) The sign "<" indicates a value below the detectable limit.
 Note 3) SOx values are converted to the unit value (k value) as per the reporting standard stipulated in the Air Pollution Control Act.

Sample of Emission Gas Monitoring Result: Incinerator (Shin-etsu chemical Gunma)

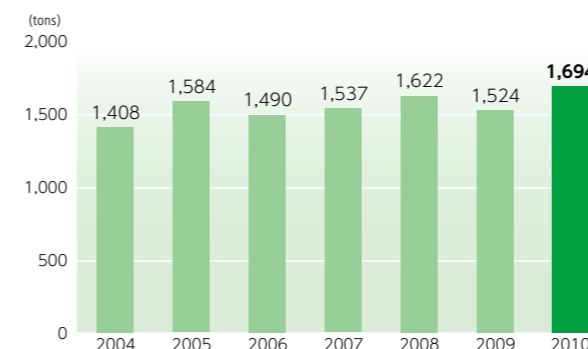
	Regulation value	2004	2005	2006	2007	2008	2009	2010
Soot (g/Nm ³)	≤0.15	<0.005	<0.005	<0.005	<0.005	<0.005	<0.005	0.041
NOx (ppm)	≤250	100	110	62	55	92	82	71
SOx (k value)	≤17.5	0.55	0.51	0.47	1.03	1.87	0.66	1.25
Hydrogen chloride (mg/Nm ³)	≤700	28	18	24	51	27	23	29
Dioxins (ng/Nm ³)	≤5	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01

Note 1) The figures shown are the maximum values from multiple measurements throughout the year.
 Note 2) The sign "<" indicates a value below the detectable limit.

Soot Emissions



NOx Emissions



SOx Emissions



Prevention of Soil Pollution

Each plant carries out groundwater and soil monitoring in accordance with the Soil Contamination Countermeasures Act to check on groundwater conditions. From November 2009, the list of environmental monitoring items was expanded to include Vinyl chloride monomer, dioxane, etc.

Reduction of Waste Output and Recycling

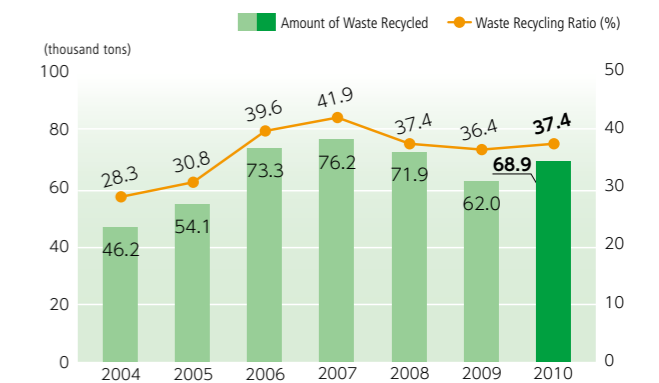
The different production processes generate various types of waste such as unreacted materials, by-products, defective products and damaged or unused parts. The Shin-Etsu Group promotes the 3Rs (reduce, reuse, and recycle) to ensure effective use of the Earth's limited resources. We also periodically check outside contractors at their sites so as to ensure proper handling of waste consigned to them.

Examples of our approach

- Utilization of inorganic sludge as a raw material for cement/steel
- Utilization of organic sludge as a fertilizer
- Reuse of acids and alkalis through separate recovery
- Thermal recycling of waste oil and waste solvent
- In-house incineration, in-house disposal
- Separate recycling of valuable metals
- Recycling of cellulose by-products

The amount of waste recycled in fiscal 2010 totaled 68.9 thousand tons, a 6.9 thousand ton increase from fiscal 2009. The fiscal 2010 recycling ratio was 37.4%. The amount of waste for landfill in fiscal 2010 totaled 3.4 thousand tons, a 0.3 thousand ton increase from fiscal 2009. The final disposal ratio increased by 0.02% from fiscal 2009. These increases were due to an increase in production. As the industrial waste standard applied vary from country to country, the figures shown represent the aggregated data from the Shin-Etsu Group's Japanese domestic operations only.

Amount of Waste Recycled



Amount of Waste for Landfill



Initiatives for Biodiversity Preservation

The Shin-Etsu Group undertakes environmentally considerate product design starting from the product development stage. At the same time, we are also meeting our responsibility as a chemical company by working actively to stringently enforce chemical substance management, mitigate global warming, reduce energy consumption, reduce the amount of waste generated, prevent water pollution, and make other environmental contributions. We are also engaged in activities such as scenic improvement and tree-planting in areas neighboring our plants.

Responding to Chemical Substances Control Law

Using the PRTR system as stipulated under the Chemical Substances Control Law*, the Shin-Etsu Group reports on the amount of chemical substances that it emits into the environment and works to reduce this amount.

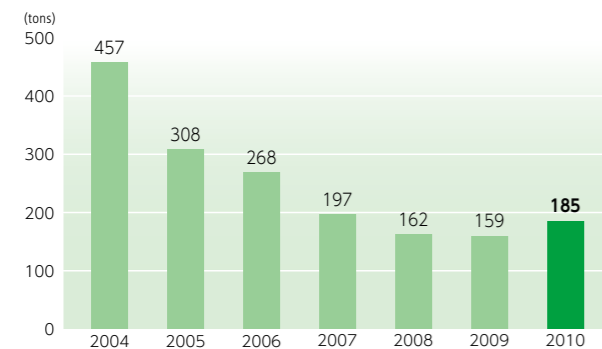
Fiscal 2010 total emissions amounted to 185 tons, a 26 ton increase from fiscal 2009. The increase in emissions was due to an increase in production. The total transferred in fiscal 2010 came to 833 tons, a 365 ton increase from fiscal 2009. The large increase in total transferred was due to a switch from in-house thermal recycling to outsourced material recycling.

As the Chemical Substances Control Law applies only to Japanese domestic enterprises, the transfer and emissions amounts for overseas Group companies are not included.

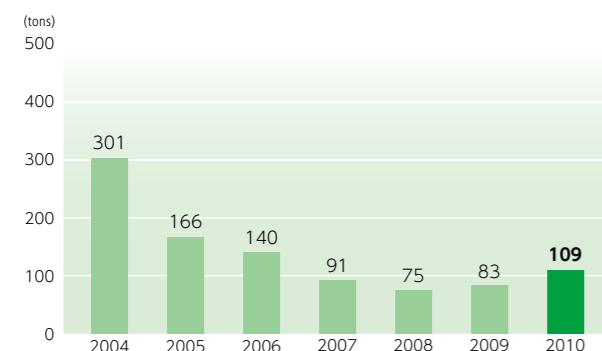
*Chemical Substances Control Law

Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof

PRTR System Total Emissions



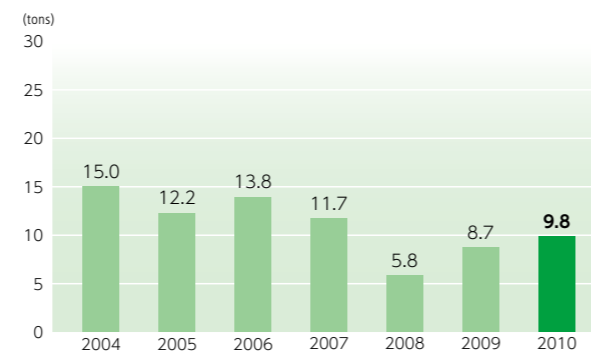
PRTR System Methyl Chloride Emissions



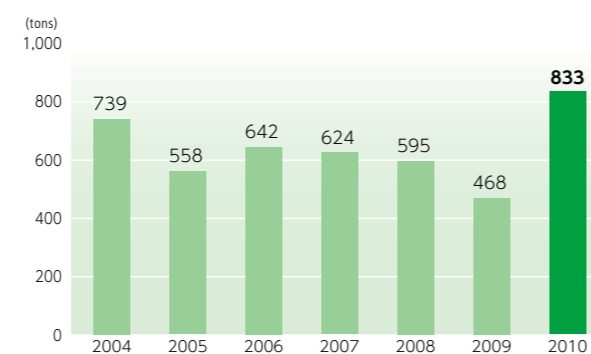
PRTR System 1,2-dichloroethane Emissions



PRTR System Polyvinyl Chloride Emissions



PRTR System Total Transferred



Practical Examples of CO₂ Emissions Reduction

Promotion of Modal Shift

At Shin-Etsu Chemical, our Technology Department takes the lead in initiatives at each plant to promote modal shift¹. At the Kashima Plant, we began in 1995 to switch from tanker trucks to rail containers for the shipment of PVC to the Chukyo and Kansai regions. Currently, 25% of the total freight volume of the Kashima Plant has undergone modal shift, corresponding to a yearly CO₂ reduction of 3,600 tons.

Similarly at our Gunma Complex, we have been working on modal shift since 2002. Already, 80% of silicone oil freight has undergone modal shift, corresponding to a yearly CO₂ reduction of 800 tons. At our Naoetsu Plant too, initiatives have been ongoing since 2009.

At the Takefu Plant, meanwhile, we had been using airfreight for overseas destinations to shorten lead time². By

switching to sea freight, we have realized a saving in freight costs and a reduction in CO₂ emissions.

As modal shift lengthens lead time, its introduction must be preceded by negotiation with the customer. We are working to expand modal shift through united efforts by sales, manufacturing, and administrative departments.

- 1 Modal shift
Freight transfer from truck, aircraft, etc., to sea and rail freight, which can handle larger volumes.
- 2 Lead time
Time required from product order to delivery.



Jun Sato
Shin-Etsu Chemical
Technology Department

Typical examples of modal shift



Shin-Etsu Quartz, Koriyama Plant: Committee Chairperson's Award from the Committee for Promotion of Electricity Utilization in the Seven Tohoku Prefectures

At an Energy Symposium held on February 16, 2011, in the Tohoku region, the Koriyama Plant of Shin-Etsu Quartz received the Committee Chairperson's Award from the Committee for Promotion of Electricity Utilization in the Seven Tohoku Prefectures for outstanding plant energy management. This award was granted in recognition of the record of achievement over many years as a result of joint efforts by the Koriyama Plant and the company's Quartz Technology Research Center. The main achievements are as follows:

- (1) Progress in energy conservation through measures to reduce heat loss from rotary kilns
- (2) Efficient electricity demand* management using PC server to adjust the operation of large electricity-consuming

facilities. The measures to reduce the heat loss of rotary kilns made a particularly large contribution to energy conservation and achieved a CO₂ reduction of around 19%. The use of a PC server to manage facility operating schedules was also very useful in limiting demand. Looking ahead, we will continue studying measures in all production processes to reduce CO₂ emissions.

*Demand peak electricity consumption



Shin-Etsu Quartz, Koriyama Plant: Front row from left: Plant General Manager Akira Fujinoki; Hiroo Kawaguchi, Environment Control and Safety Section; Back row from left: Noboru Suzuki, Engineering Section, Ryohei Shiotani, Environment Control and Safety Section.

Shin-Etsu Quartz, Koriyama area energy conservation strategy and demand limitation strategy

(1) Promotion of energy conservation through measures to reduce heat loss of rotary kilns			(2) Efficient demand management through use of PC server to adjust operation of large electricity-consuming facilities		
Before improvement measures	Main measures	Benefits after improvement measures	Before improvement measures	Main measures	Benefits after improvement measures
Rotary kiln (Electricity consumption before improvement measures) 100%	<ul style="list-style-type: none"> • Reinforced insulation of heater sections • Reinforced insulation of kiln outlet 	Improved rotary kiln (Electricity consumption after improvement measures) 81%	Large electricity-consuming facilities (Demand of large electric furnaces and other facilities) 100%	A combined schedule chart on the PC server is used to control the operation of a number of electric facilities, enabling advance adjustment of electricity consumption and better monitoring of demand.	Large electricity-consuming facilities (Demand after presetting of facility operation) Around 80%

Safety Measures

By putting in place highly reliable safety measures and devoting efforts to everyday education and training, we ensure the ability to respond to any situation

Process Safety and Disaster Prevention

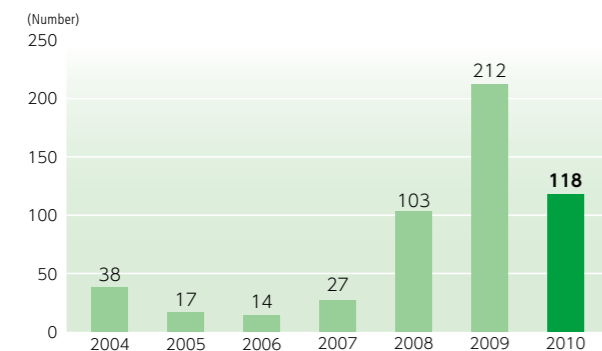
Safety Measures for Facilities

At the installation and facility design stage, in addition to ensuring compliance with legal regulation and technical standard, each Shin-Etsu Group plant carries out advance evaluations of safety strategy (risk assessment) and holds discussions and confirmation through the Safety Inspection Committee and Preventative Safety Committee. Meanwhile, HAZOP¹, FMEA², What-if³ and other analysis techniques are used appropriately to identify risk in facilities and take corrective action.

For existing facilities and processes which are the source of potential serious accidents or disaster, review has been completed and corrective measures are in place. Going forward, we will continue with ongoing efforts to identify risk in facilities and take corrective action so as to raise the level of facility safety measures.

- 1 HAZOP (Hazard and Operability Study)
A method of checking safety measures by comprehensively investigating the causes of operational irregularities in chemical processes.
- 2 FMEA (Failure Mode and Effects Analysis)
Method of checking safety measures by analyzing the effect on the system as a whole of malfunction in the individual machines that make up the plant.
- 3 What-if
Technique that repeatedly asks "what if?" to evaluate safety measures and identify over- and under-provision.

Number of HAZOP Analyses Performed



Emergency Response

To prepare for the eventuality of fire, explosion or other serious accident or a disaster such as earthquake or typhoon, we have formulated emergency response regulation, put in place a company-wide emergency response system and laid down response procedures. Moreover, each plant and business site regularly carries out emergency drills based on a range of scenarios including explosion, fire, hazardous substance leakage, and major earthquake to test the effectiveness of response procedures.

Additionally, in order to provide for the event of an accident during transportation of hazardous substances, high-pressure gas, or similar, we have put in place an emergency contact system, created a mutual support system linking plants and business sites, and laid on appropriate equipment and materials. These emergency drills, conducted where necessary with the cooperation of local firefighting and police units and other official agencies, are open to the public.



Firefighting drill with local community cooperation, March 2010 CIRES (Portugal)

Occupational Health and Safety

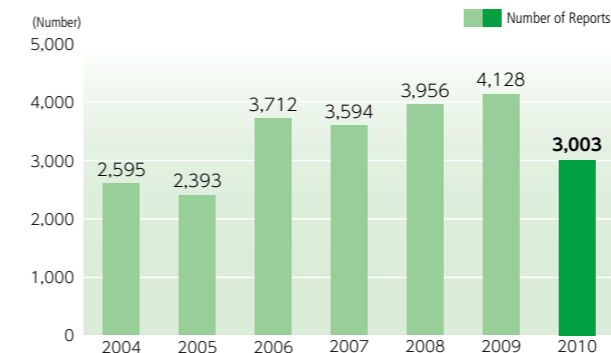
Action on Health and Safety

We carry out risk assessment of operational procedures to promote safety in the workplace. Our efforts to prevent accidents and malfunctions at the contact points between humans and facilities that arise in the process of facility automation are based on foolproof¹ measures such as installation of safety covers and safety barriers, and safety-type limit switches, and failsafe systems that continue to guarantee safety in the event of malfunction, such as safety devices, interlocks, and warning systems.²

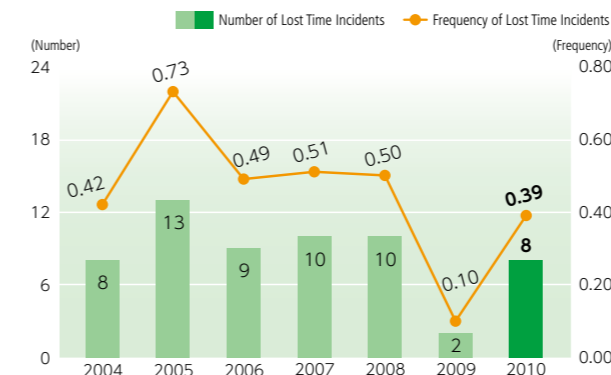
We also emphasize action on safety by employees themselves and intangible safety activities such as provision and compliance with manuals. In particular, the zero-accident program is designed to raise the ability of individuals to recognize dangerous situations, and includes activities such as hazard prediction training, reporting of close-call incidents and safety concerns, pointing-and-calling safety procedures, and hands-on hazard awareness training.

- 1 Fool-proof:
Refers to safety measures built in at the design stage so that even if operatives fail to follow the correct procedure, they will not be exposed to danger.
- 2 Fail-safe:
Refers to equipment and systems designed to revert to safe operating mode in the event of improper user operation or machine fault.

Number of Near-miss Reports of Close Calls and Safety Concerns (Shin-Etsu Chemical)



Number of Lost Time Incidents (Shin-Etsu Group Japanese domestic operations)



*The data in the two above graphs are calendar year as stipulated under the Industrial Safety and Health Act.

Education and Training

To improve the abilities and competence of individual employees, the necessary education and training is carried on systematically at all plants and workplaces.

As well as skills training in operations and procedures, we provide safety education for accident prevention, hands-on training using simulated danger situations, education in environmental conservation, training in handling of chemical substances, and drills for the event of electricity outages and other irregular situations. We also provide regular training for employees of different grades and in different fields of work and offer study programs for legal qualifications to raise staff competence.

Examples of near miss
<http://www.shinetsu.co.jp/e/profile/kankyo.shtml>

Environmental Control and Safety Audits

To check that reliable progress is being made toward the goal of 'Safety and Environment First' in environmental control, accident prevention and other areas of environmental conservation and occupational health and safety, comprehensive environmental safety audits and special audits on selected themes are carried out regularly. On these occasions, we invite participation by external experts, who provide advice and recommendations.

In the audits of recent years, to strengthen and enhance management systems, we have identified and then followed up key tasks: setting of numerical targets, raising the level of internal audit, ensuring that manuals are improved constantly and complied with, ensuring the safety of construction operations, and assessment of plant risk and the adequacy of response measures. In fiscal 2010, the number of people involved in lost time incidents increased, but almost all were due to human error. This is a main theme of audit in fiscal 2011.



Spring environmental safety audit (May 2010, Gunma Complex)

Accident and Disaster Reporting

In fiscal 2010, the Shin-Etsu Group experienced no serious accidents or disasters. There were also no accidents which impacted the environment of the surrounding locality.

Product Safety and Quality-related Initiatives

The Shin-Etsu Group is committed to the safe use of products at our customers

Product Safety

Product Safety Promotion

Based on the basic company policy of respect for human dignity, the Shin-Etsu Group puts the highest priority on product safety as well as plant safety and environmental conservation, and implements necessary measures throughout the Group.

FMEA and other analyses are carried out at every process from product development to product commercialization to identify potential issues for system performance and/or product safety. Qualitative analysis is undertaken to evaluate issues identified in order to improve product design and manufacturing processes.

Providing Information on Products and Responding to Associated Legislation

The Shin-Etsu Group provides MSDS¹ for each product to customers. Customers are encouraged to take appropriate safety precautions for understanding hazardous and harmful characteristics of the product, undertaking all required legal procedures whenever necessary, installing safety systems and/or equipment to eliminate harm, and wearing protective gear.

As a safety measure during transportation, the Shin-Etsu Group issues a Yellow Card² and/or Container Yellow Cards³ that are affixed to containers. A 2006 amendment to the Japanese Industrial Safety and Health Law introduced the GHS⁴ system of hazardous and toxicity warning labeling, and the Shin-Etsu Group complies with these and other relevant legal requirements.

Within Japan, the Shin-Etsu Group implements appropriate management from research and development to commercial production by confirming the safety of new chemical substances and submitting manufacturing permit applications in accordance with the requirements of the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture⁵, etc. and other applicable legislation such as the Industrial Safety and Health Law. The Shin-Etsu Group has completed preliminary registration under the REACH regulation and is working to comply strictly with the appropriate transmission of information along the supply chain and other aspects of the regulation. The Shin-Etsu Group is also committed to developing new manufacturing technologies designed to totally eliminate the use of RoHS-designated specified toxic substances as required under the RoHS directive.

- 1 MSDS (Material Safety Data Sheet)**
MSDS stands for Materials Safety Data Sheet, which lists the physical and chemical properties of the chemical substance together with harmfulness and emergency response procedures. Designed to promote safer use of chemical substances and prevent accidents and incidents, MSDS are supplied by manufacturers, importers and distributors to customers at the point of sales or shipment.
- 2 Yellow Cards**
The yellow cards on which all relevant information on treatment required in case of an accident during transportation of chemical substances is described. The cards are handed to the transport contractor to be brought by tanker lorry or other means at the time of transportation.
- 3 Container Yellow Cards**
The standard yellow card system is not suitable for use with mixed cargoes and small-lot deliveries. Instead, each container carries a label displaying safety information such as UN number of chemical name and emergency response procedure number.
- 4 GHS (Globally Harmonized System of Classification and Labeling of Chemicals)**
Internationally standardized system of classification and labeling of chemicals.
- 5 Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc.**
A law concerning examination and regulation of manufacture and other aspects of chemical substances.

Quality Control

Quality Control System

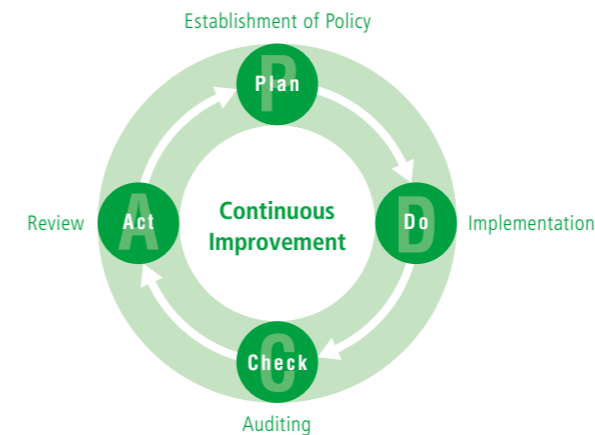
The structure of the Shin-Etsu Group is essentially a divisional organization, where each division (including associated Group companies) operates on an independent and self-contained basis and takes responsibility for quality assurance for its own products.

Requests and suggestions from customers are channeled immediately by the sales related departments that are in direct contact with customers to the appropriate sales divisions or Group company departments such as the research and development, quality assurance and manufacturing departments. This feedback is incorporated into new product research and development and also used to improve existing products. The internal feedback system helps to strengthen reliable relationship with customers.

All Shin-Etsu Chemical plants and nearly all Group company production plants, including those located overseas, have obtained certification of quality management standards such as ISO 9001 and ISO/TS 16949.

So that we can supply products and services that generate customer satisfaction, each of our plants has its own quality management policy. At the same time, by implementing the PDCA (Plan-Do-Check-Act) cycle, we work to raise the effectiveness of the quality control system, enhance product quality, and improve service.

Quality Management System



Response to Complaints

Quality complaints are dealt with as a rule by each individual Group companies and sales divisions through a process of complaint response, identification of causes, and prevention of recurrence. Particularly in cases involving product recall or product liability, where the impact on society may be significant, the complaint is ranked as a serious complaint and receives focused attention in a separate category from other complaints. In the event of a serious complaint, senior management is informed immediately so that a company-wide response can be mounted.

Shin-Etsu makes it an absolute rule to make an initial response to all quality complaints from customers within 48 hours of receipt.

Auditing and Support for Quality Improvement

Quality audits are implemented to learn from complaints and improve quality and customer service with the target of reducing quality issues to zero. Quality audits provide customer-oriented and cost-based evaluations of quality programs in each division. This information is used to identify and remedy weak points in quality control activities and systems. The aim is to learn from past complaints and identify the root cause of quality issues in order to build a stronger basis for the future prevention. The PDCA cycle is applied to problems pointed out by customers for improvement and follow-up. The Six Sigma program* is also deployed on a company-wide basis as a means of improving quality levels.

*Six Sigma program

Quality improvement method developed by Motorola in the 1980s. Focused on processes where quality variation appears, it is designed to minimize variation within the processes thereby reduce the incidence of quality defects. This approach has been adopted across the Shin-Etsu Group.



Quality audit (October 2010, Naoetsu Plant)

Rollout of Shin-Etsu Six Sigma Program



Yoshio Tomita
Shin-Etsu Chemical
Technology Department
Shin-Etsu Six Sigma Office

The various production bases of the Shin-Etsu Group are the focus for rollout of the Shin-Etsu Six Sigma Program, a way of improving product quality which applies the Six Sigma DMAIC Steps* and the Logical Thinking method. This program marks its eleventh year in 2010. Once every year, senior corporate management and plant managers are among those who participate in the Shin-Etsu Six Sigma Benefits Presentation Meeting, which provides an opportunity for engineers to share information.

The Shin-Etsu Six Sigma Program combines the Six Sigma Method as practiced in Europe and America with the unique quality management expertise that Shin-Etsu Chemical has built up over many years. This program has enabled us to achieve a 100% level in product pass rate, which had long been a challenge, and has made contributions to quality improvement and cost reduction in specific instances.

Going forward, we aim to further enhance and expand the program as we work to improve our quality level.

*DMAIC Steps

A management innovation method in five steps: Define, Measure, Analyze, Improve, Control.

Relations with Employees

People create and support technology We aim to provide ideal working conditions so they can

The Shin-Etsu Group respects fundamental human rights and implements a variety of approaches that create a work-friendly environment where employees can fulfill their potential and build a career and that help them realize a full and healthy lifestyle.

Health Considerations

Employee health programs

To further decrease the number of sick, we focus on activities that promote fitness and developing physical strength, and by improving the regular health consultation service, health guidance for lifestyle related diseases and mental health treatment. Company nurses provide consultation and guidance to employees working long hours, while those working within statutory working hours are offered consultation and conduct interviews and provide guidance by industrial physicians within the framework of in-house rules.

In addition, Fitness and Physical Strength Development Promotion Committees have been established and work together with Medical Treatment Rooms to organize physical strength monitoring, hold seminars and events for physical strength improvement in cooperation. A Family Health Consultation Desk has also been set up under the corporate health insurance society to provide health support to employees' families.

Meanwhile, each plant has a Safety and Health Committee which formulates safety and health regulations,

promotes measures to protect employees from danger and damage to health, investigates the cause of work accidents and devises measures to prevent recurrence, takes measures to improve the work environment, and generally works to maintain and improve employee health.

We have also established Health Committees at head office and branch offices which undertake activities around improvement of the workplace environment and promotion of healthy lifestyles, for instance formulating relevant plans, undertaking inspection tours to check on workplace health and providing information from industrial physicians on healthy living.

Respect for Human Rights

Human Rights Enlightenment Promotion Committee

We fully recognize our corporate social responsibility to respect human rights. Respecting the human rights of each individual is fundamental in deepening our understanding of human rights issues. To help accomplish this, the Human Rights Enlightenment Promotion Committee implements initiatives to ensure that work environments are free of all racial, gender and other forms of discrimination and are places where all employees can work together in a spirit of mutual trust.

In addition, Shin-Etsu belongs to both the Industrial Federation for Human Rights, Tokyo, and the Industrial Federation for Anti-Discrimination, Osaka. Our employees participate in training sessions held by both federations to

raise staff awareness of human rights.

Performance-based personnel evaluation systems and equal opportunities

We introduce an ability- and performance-based personnel evaluation system for wages, promotions, transfers, etc. This system proves useful for increasing employee's motivation, as their treatment reflects the way in which they meet their challenges to achieve higher goals.

To operate the personnel evaluation system in a fair and appropriate manner, the evaluation standard are made available to all employees and evaluation training is provided for all managers. All possible steps are taken to ensure that all evaluation is carried out according to the uniform standard. Communication between the evaluator and the person being evaluated is ensured by holding two interviews per year.

A Communication Sheet is also prepared between each the staff member and his/her immediate superior. This sheet is utilized to ensure mutual awareness of the superior's expectations and the subordinate's ambitions, to set targets for the next six months, and to provide feedback on progress, serving in this way to promote further development of abilities.

Education/Training and Personal Development

Auditing student system

In 1962, we established an auditing student system designed to help mid-level employees upgrade their skills. Under the system, about ten employees each year are chosen from plant manufacturing sites and sent to study at university for one year. In the 50 years since the system was introduced, 495 employees have completed the program and now function as leaders in the workplace.

Training for international adaptation

The Shin-Etsu Group is expanding its business activities throughout the world and competency in foreign languages is therefore an essential skill for smooth operations. To this end, the Group provides English language classes to teach meeting and presentation skills as well as intercultural communication courses to promote awareness and understanding of cultural differences commonly encountered overseas. Recently, in light of the Company's business expansion in China, a Chinese language course has also been launched.

Training System

	Training for different staff grades	Specialized education	General education	Special education	Environment and safety education	Quality control education	Six Sigma education
General manager level	Advanced management training S/M job family training	● Patent training ● Training for adaptation to internationalization	Mental health seminar Human rights awareness training	Course for future CEOs ¹ (external training) Auditing student system (1 year)	Specialized education in environmental control and safety Supervisor education Safety education Special education Basic education New recruit education	QC ² master course QC intermediate course QC basic course	Black belt training Green belt training
Section manager level	Middle management training	English language training, meeting, skills course I / II					
Junior manager level	Line management training Staff management training Leader training	English language training, presentation, skills course I / II Chinese conversation classes					
Regular employees	Junior leader training New employee second-phase training New employee introduction training	Intercultural communication training					

1 CEO
Chief Executive Officer. Officer with the best decision-making authority in the management judgement

2 QC
Quality Control. Or, activities in manufacturing industry which encourage employees to make a proactive contribution to workplace management and improvement, leading to improvements in quality

Taking advantage of the auditing student system

It was such an exciting year that it marked a turning point in my life

In the year from April 2010 in which I took advantage of the system, I was not only busy with lectures at the university, training at head office, study visits to plants, and product exhibitions, but there were also a lot of exciting developments in my life in Tokyo, so that it felt like a turning point in my life. I had ten years' experience working in the field since joining the company, and that gave me a certain amount of confidence, but the experience as an auditing student of looking at and considering things from different angles has really made me realize how narrow my outlook had been until then. From now on I want to maintain a broad outlook and approach research and learning from many different angles to keep on widening the breadth of my knowledge.



Hiroyuki Sasagawa
Shin-Etsu Chemical
Takefu Plant
Manufacturing Section, Manufacturing Department 1

Participation in Chinese conversation class

I hope that understanding the customer's language will help me build a closer relationship

I am involved in sales of PP (polypropylene) film for capacitor applications. Around 90% of our customers are overseas, so nearly all of our interaction by e-mail, telephone and so on is in English, but I think that using the local language would help us form a closer relationship with the customer, so I have dabbled in a few languages.

I had done some Chinese on my own, but when I heard that the company was starting a conversation class, it was perfect timing for me and I joined up. The pronunciation of tone languages such as Chinese is difficult for me, and even after I went to China, it was hard for me to make myself understood with my idiosyncratic pronunciation. It's a great help to me that the company backs me up by continuing the conversation class.

It's also an advantage being able to exchange information in class with staff from other divisions who deal with China. I intend to carry on with the course so that I can further improve my conversation skills and grammar.



Mitsuhiro Kawashima
Shin-Etsu Film
Tokyo Sales Office

Labor-management Relations

Shin-Etsu Chemical holds council with the Shin-Etsu Chemical Labor Union to promote communication between labor and management.

Meetings of the Central Staff Council are held approximately monthly at head office and are attended by senior management themselves, who discuss with staff subjects such as management policy and the personnel system. Meanwhile, each business site holds a monthly Local Labor meeting with the local branch of the Shin-Etsu Chemical Labor Union.

Repeated dialog and discussion between labor and management deepen mutual understanding and trust and facilitate business operations in which staff and management can come together to present a speedy response to the changing business environment.

Welfare and Benefits

BAKER-KANAGAWA Japan-U.S. scholarship program

This new scholarship program was set up to provide assistance for the children of Japanese employees of the Shin-Etsu Group to attend university in the United States and for the children of American employees to attend university in Japan. The program is the brainchild of Mr. Robert Baker, founder and the first president of Dow Chemical Japan Ltd. and a former chairman of the American Chamber of Commerce in Japan, and Mr. Chihiro Kanagawa, chairman of Shin-Etsu Chemical. Their shared idea for this program was to foster internationally active human resources and deepen exchange between Japan and the United States.

Bullet train commuting benefits

Since 1989, Shin-Etsu has allowed commuting by bullet train (Shinkansen) at company expense. This option has allowed more employees to own houses and enables personnel who are reassigned to headquarters from business locations in Gunma and Fukushima prefectures to transfer jobs without changing their lifestyles. As of June 2011, 70 employees were taking advantage of this Company offer.

Accumulated holidays

Employees are granted a certain number of annual paid holidays in accordance with labor regulation. If those holidays are not taken, they are treated as accumulated holidays, which are then carried over to the next year and may be utilized as family-care leave days or as days off for injury or illness or as volunteers in disaster areas or donors for organ or bone marrow transplants.

Employee Hotline

As a counseling service for employees who has trouble with work or other issues, we have set up Dial Shin-Etsu, which is staffed by experienced and qualified specialist counselors from out of house.

Consultations are received anonymously and treated with strict confidentiality, but if requested the counselor will contact the Personnel Department to discuss possible solutions.

Other systems

In the event of the death of a Shin-Etsu Group employee, we offer a scholarship system to support surviving children and family members. Because the Company has group long-term accident and indemnity insurance, workers may still receive a portion of their salaries, should they be unable to work due to long-term illness or injury. In addition, we have established asset-building schemes, a shareholding system, and a mutual aid society to provide support for weddings, childbirth and sudden hospitalization of family members.

Leave Support Systems

Childcare and nursing care systems

Our childcare leave system permits employees to take leave till their children have reached the age of three in cases where they are unable to secure a nursery school, and many employees take advantage of the system. Meanwhile, employees raising children up to the age of grade 3 of elementary school are permitted to shorten their working hours by up to 2 hours a day.

As for nursing care leave, under certain conditions, employees can take up to one year of leave per eligible family member. No employees took advantage of the system in fiscal 2010.

Number of employees who have taken childcare leave (Fiscal 2010)

Shin-Etsu Chemical Co., Ltd. (non-consolidated)	7 (Male: 0; Female 7)
Consolidated companies in Japan	48 (Male: 1; Female 47)
Consolidated companies total*	100 (Male: 28; Female 72)

*The length of childcare leave differs from country to country, as the program is based on local law.

Taking the Childcare System

We have a number of childcare leave options for worry-free parenting

I took one year and eight months' leave starting before my child was born, then went back to work. I had planned to go back when my child was one year old, but I extended the leave period due to family circumstances. Having the option to extend the leave was a really big help. Looking back to that time, it went by in a flash, but being able to be there to watch my child grow day by day made it a very happy time for me. Since I came back to work, I have taken advantage of the shorter working hours system so that I can take my child to nursery every morning before going to work.

It's not easy to balance career and child-raising, but I have had the understanding and cooperation of people at home and at work, which I am very grateful for. I am looking forward to many more challenges at work and the thought of that my child's smile face gives me extra energy to face them every day.



Yukiko Ishida
Shin-Etsu Chemical
Naoetsu Plant
Administration Department

Yukiko Ishida (right) and colleague Mitsumi Suzuki

I have been able to spend precious and meaningful time with my son

Combining maternity leave with childcare leave gave me around two years off work. I really appreciate the system as it allowed me to concentrate on childcare during that time. After going back to work, the amount of time I could spend with my son decreased, but those two years were a very precious time for me. As the time to return to work approached, I became anxious, but thanks to the support of my managers and other colleagues, I have been able to start back at work without any problems.

Combining child-raising and job is really tough. I don't think I could manage without the help of everyone at work and my husband and parents. I am grateful for their support and am determined to carry on with my son's smiles to keep me going.



Kazuyo Muto
Shin-Etsu Handotai Co., Ltd.
Isobe Plant
General Affairs Department
(Purchasing Group)

Kazuyo Muto (front row, center) and work colleagues

Communication with Local Communities

We maintain communications with local communities through our plants and business sites

The Shin-Etsu Group continues its efforts to deepen mutual understanding by promoting an array of communications aimed at building trust-based relationships with a variety of stakeholders in society and successfully realizing the Group's mission to ensure that its global customers are satisfied with its business activities.



Collaborating in the external teaching program of the Vinyl Environmental Council

Former Shin-Etsu Chemical employee Kiyotaka Kinoshita collaborates in the external environmental teaching program run by the Vinyl Environmental Council, of which Shin-Etsu Chemical is a corporate member. From 2004, Mr. Kinoshita started giving environmental lectures at Keio University, Hosei University, Doshisha University, and other institutions. Subsequently, his activities expanded to cover senior high schools, junior high schools and elementary schools throughout Japan and he has now given over 50 external lectures. The Vinyl Environmental Council and Shin-Etsu Chemical disseminate information to ensure a correct understanding of polyvinyl chloride.



Cooperating for "Ansei Tooashi Samurai Marathon" Gunma Complex

This marathon, famous for the fancy dress of the runners, was held for the 36th year in 2010. Disguised Shin-Etsu Group employees took part in the event and pumped up it.



The Annual Summer School in its 36th year Naoetsu Plant

The Naoetsu Plant held a summer school, organized mainly by new employees assigned to the plant, who helped local children in the elder-grades elementary school with their summer holiday homework.



Staff in matching summerkimonos at the Naoetsu Gion Festival Naoetsu Plant

Every year, the town of Naoetsu celebrates the traditional Naoetsu Gion Festival. The Naoetsu Plant joined in "Minyo Nagashi" with a group of 155 employees dressed in summer kimonos bearing the Shin-Etsu logo.



Contributing to medicine through regular blood donations All plants

All plants hold regular blood donations as part of their social contribution activities. In May 2010, 81 employees of Shin-Etsu Magnetics Philippines were among those taking part.



Japanese elementary school pupils visited Simcoa Operations Simcoa Operations

In November 2010, 16 elementary school pupils and four supervising teachers from Setagaya Ward, Tokyo, visited Simcoa Operations (Australia), where they made study visits to a silicon metal manufacturing plant and other sites.



Local clean-up activities All plants

All plants carry out clean-ups as an important component of local beautification activities. In June 2010, Naoetsu Electronics pick up litter in the surrounding area.



External lecture on rare earth magnets at elementary schools Magnetic Materials Research Center

In response to a request from the Board of Education of Echizen City, Fukui Prefecture, four researchers of the Magnetic Materials Research Center presented an external lecture about rare earth magnets at two elementary schools in the city.



Participation in planting of mangrove forest Shin-Etsu Silicones Thailand

In August 2010, a group of 35 employees and family members from Shin-Etsu Silicones Thailand took part in tree-planting activity carried out along the coastline near the company's Rayong Plant.



History of Activities

Measures taken by the Shin-Etsu Group

- 1926 • Founded as Shin-Etsu Nitrogen Fertilizer Co., Ltd. (name changed to Shin-Etsu Chemical Co., Ltd. in 1940)
- 1990 • Global Environment Issues Countermeasures Committee established
- 1992 • Installation of equipment to reduce steam consumption by improvement in methyl chloride reaction processes at Shin-Etsu Chemical Gunma Complex
- 1995 • Participation in Responsible Care (RC) promotion
- 1996 • ISO 14001 certification obtained for Shin-Etsu Chemical Gunma Complex
- 1997 • ISO 14001 certification obtained for all production plants of Shin-Etsu Handotai
- 1997 • Introduction of thermal boiler that uses thermal energy generated from waste processing at Shin-Etsu Chemical Gunma Complex
- 1998 • Environmental Charter adopted
- 1998 • First Environmental Report issued
- 1999 • ISO 14001 certification obtained for JAPAN VAM & POVAL Co., Ltd.
- 1999 • Implementation of special audit on environmental issues for all Group companies in Japan
- 2000 • ISO 14001 certification obtained for all domestic production plants of Shin-Etsu Chemical
- 2000 • ISO 14001 certification obtained for Nissin Chemical Industry
- 2000 • Final waste disposal facility completed at Shin-Etsu Chemical Gunma Complex
- 2001 • Waste disposal facility completed at Shin-Etsu Chemical Naoetsu Plant
- 2001 • Introduction of absorption refrigeration system at Shin-Etsu Chemical Kashima Plant
- 2001 • Introduction of thermal recovery system for distillation process at Shin-Etsu Chemical Kashima Plant
- 2002 • Introduction of co-generation system at Shin-Etsu Chemical Kashima Plant
- 2003 • Participation at First International Conference on GSC Tokyo 2003
- 2005 • Corporate Social Responsibility (CSR) Promotion Committee established
- 2005 • Waste recycling system begins full-scale operation at Shin-Etsu Chemical Naoetsu Plant
- 2005 • Environmental Charter revised
- 2005 • Co-generation system further expanded at Shin-Etsu Chemical Kashima Plant
- 2006 • Hydrochloric acid recovery system installed on silica production line at Shin-Etsu Chemical Gunma Complex
- 2006 • Signed up to Responsible Care Global Charter
- 2006 • Fuel for boiler facilities switched at Nagano Electronics, Chikuma Plant
- 2007 • Introduction of equipment to reduce steam usage by improvement of distillation process at Shin-Etsu Chemical Kashima Plant
- 2008 • Introduction of natural gas fuel conversion equipment at Shin-Etsu Chemical Gunma Complex
- 2008 • Thermal recovery facility for distillation column installed at Japan VAM & POVAL Co., Ltd.
- 2008 • Introduction of gas turbines at Shin-Etsu Chemical Gunma Complex
- 2008 • Installation of LNG-fueled through-flow boiler at Nissin Chemical Industry
- 2008 • Thermal recovery system installed on silica production line at Shin-Etsu Chemical Gunma Complex
- 2008 • Introduction of cellulose wastewater recovery system at Shin-Etsu Chemical Naoetsu Plant
- 2009 • Installation of turbo refrigerator at Shin-Etsu Handotai Isobe Plant
- 2009 • Installation of air conditioning facilities using process based on free cooling at Shin-Etsu Handotai Takefu Plant
- 2010 • Fuel for boiler facilities switched at Nagano Electronics Plants II and III
- 2010 • Participation to UN Global Compact

1926

1990

2000

2010

Awards in the Fields of Safety, the Environment and Industrial Health

- 1992 • International Trade and Industry Minister's Award for Excellent Green Factory (Shin-Etsu Handotai/Shirakawa)
- 1993 • Osaka Prefectural Governor's Award for Excellent Manufacturer Related to High-Pressure Gases (JAPAN VAM & POVAL)
- 1994 • Achieved 13,300,000 disaster-free hours, a 3rd class disaster free record (Shin-Etsu Handotai/Shirakawa)
- 1996 • Prime Minister's Commendations for Outstanding Contribution to the National Greening Campaign (Shin-Etsu Handotai/Shirakawa)
- 1996 • Superior High-Pressure Gas Production Facility Award, Minister of International Trade and Industry (Shin-Etsu Chemical/Gunma)
- 1997 • Fire Defense Agency Director General's Prize for superior handling of hazardous materials (Shin-Etsu Chemical/Gunma)
- 1998 • Superior High-Pressure Gas Production Facility Award, Head of Kinki Bureau of Economy, Trade and Industry (Shin-Etsu Handotai/Takefu)
- 1999 • Superior High-Pressure Gas Production Facility Award, Head of Kanto Bureau of Economy, Trade and Industry (Shin-Etsu Chemical/Kashima)
- 1999 • Superior Prize for Safety, Head of Niigata Prefecture Labour Standard Bureau (Naoetsu Precision)
- 2000 • Fire Defense Agency Director General's Prize for superior handling of hazardous materials (JAPAN VAM & POVAL)
- 2000 • Superior Prize, Minister of Labour (Nissin Chemical Industry)
- 2000 • Superior Prize, Minister of Labour (Naoetsu Electronics)
- 2000 • Superior High-Pressure Gas Production Facility Award, Head of Kinki Bureau of Economy, Trade and Industry (Shin-Etsu Quartz Products/Takefu)
- 2001 • Commendation for Industrial Hygiene Activities, Minister of Health, Labour and Welfare (Shin-Etsu Quartz Products/Takefu)
- 2001 • Superior High-Pressure Gas Production Facility Award, Minister for Economy, Trade and Industry (Shin-Etsu Chemical/Kashima)
- 2002 • Thirty-Year Disaster-free Special Achievement Award, Japan Soda Industry Association (Shin-Etsu Chemical/Naoetsu)
- 2002 • Superior High-Pressure Gas Production Facility Award, Head of Kinki Bureau of Economy, Trade and Industry (Fukui Shin-Etsu Quartz)
- 2003 • Superior High-Pressure Gas Production Facility Award, Head of Kanto Bureau of Economy, Trade and Industry (Kashima Vinyl Chloride Monomer)
- 2003 • Achieved 7,000,000 disaster-free hours, a 1st class disaster free record (Shin-Etsu Handotai/Isobe)
- 2003 • 5th Class Disaster-free Certificate (Naoetsu Electronics)
- 2005 • Excellent Safety and Hygiene Workplace Award, Minister of Health, Labour and Welfare (Shin-Etsu Chemical/Kashima)
- 2005 • S.E.H. (Shah Alam) Sdn. Bhd. becomes one of only five companies to receive Commendation of Malaysian Ministry of Human Resources (counterpart of the Japanese Health, Labour and Welfare Ministry) for Excellence in Safety and Occupational Health Management
- 2006 • Superior Prize for Hygiene, Head of Niigata Prefecture Labour Standard Bureau (Naoetsu Precision Engineering)
- 2006 • 5th Class Disaster-free Certificate (Shin-Etsu Film: disaster-free record maintained to date)
- 2007 • Superior Prize, Head of Nagano Labour Bureau (Nagano Electronics)
- 2008 • Superior Prize for Industrial Safety and Health, Head of Fukui Prefecture Labour Bureau (Fukui Shin-Etsu Quartz)
- 2009 • Special award from Thai Ministry of Labour and Social Welfare for one million consecutive hours of Lost-Time Incident (LTI)-free operation (Shin-Etsu Silicones (Thailand))
- 2009 • High-pressure gas safety award, Minister of Economy, Trade and Industry (Shin-Etsu Handotai/Takefu)
- 2009 • Superior High-Pressure Gas Production Facility Award, (Minister of Economy, Trade and Industry (Kashima Vinyl Chloride Monomer)
- 2010 • Committee Chairperson's Award from Committee for Promotion of Electricity Utilization in Seven Tohoku Prefectures (Shin-Etsu Quartz Products, Koriyama)
- 2010 • Superior Prize for Environmental Preservation, Niigata Prefecture (Naoetsu Precision)
- 2010 • High-Pressure Gas Safety Award, Head of Nuclear and Industrial Safety Agency (Nissin Chemical Industry)

- External Assessments FTSE4 Good
- Rating Moody's Investors Service, Inc. has classified Shin-Etsu Chemical Co., Ltd.'s long-term debts as AA3
- Membership Nippon Keidanren (Japan Business Federation)
Japan Chemical Industry Association
Vinyl Environmental Council
Plastic Waste Management Institute
The International Friendship Exchange Council
The Japan Committee for UNICEF, etc.

As of March 31, 2011



Responsible Care
Global Charter Certification

List of Shin-Etsu Group companies with ISO 14001 certification
<http://www.shinetsu.co.jp/e/profile/kankyo.shtml>

RC Audits

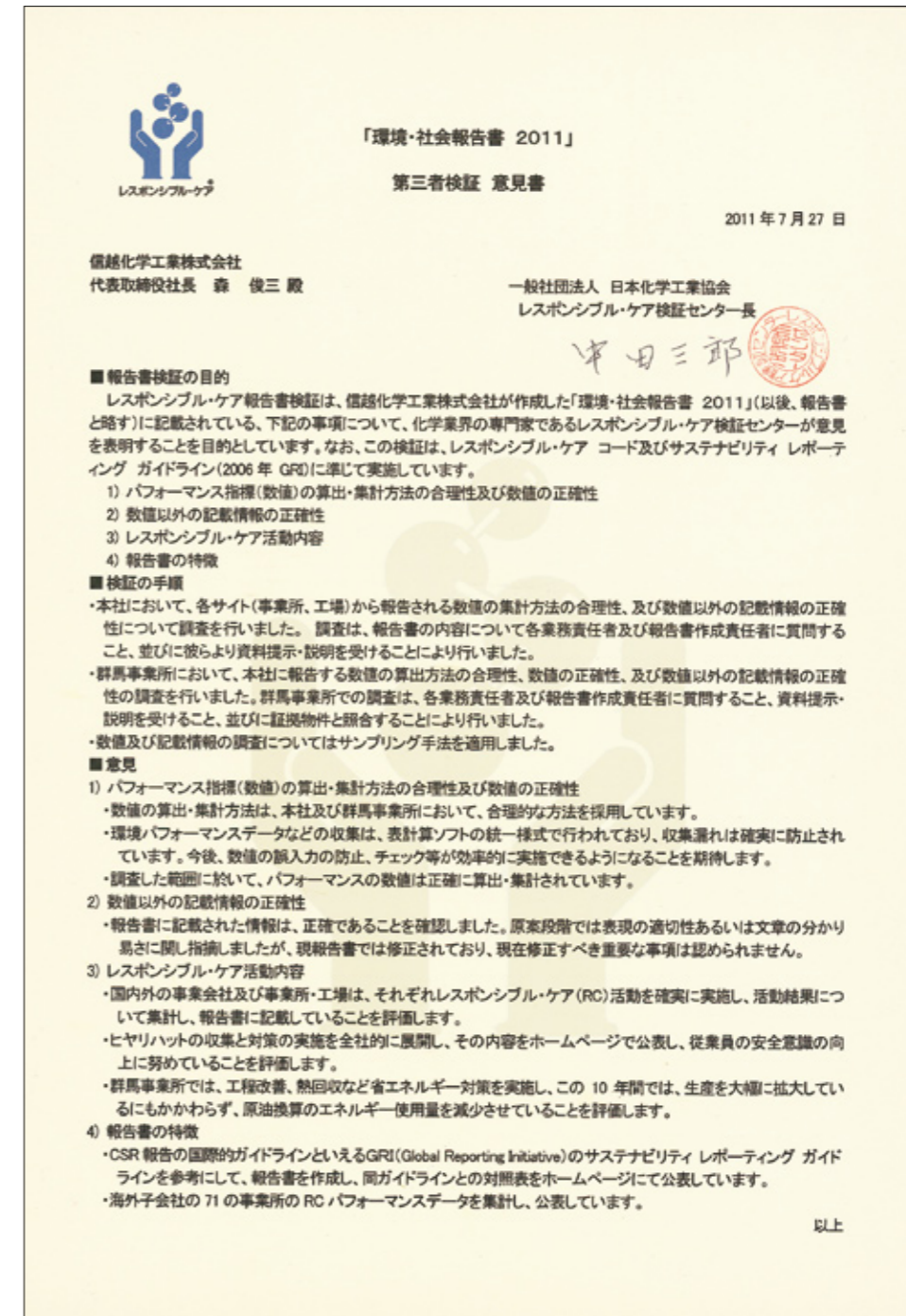
Responsible Care (RC) Audits

Aiming to further improve its RC activities, Shin-Etsu Chemical carries out RC audits. These audits involve the verification of all Group activities and reports by the Japan Responsible Care Council (JRCC).

RC audits are based on the basic safety and environment policy of the Japan Chemical Industry Association (amended in 2005) and the Responsible Care Code*. The objective verification process aims to improve the quality of RC activities implemented by JRCC members, and serves to

enhance the credibility of RC activities by publishing the results and ensuring accountability.

* Responsible Care Codes: codes setting basic conditions for implementation of Responsible Care in six areas: environmental preservation, process safety (and disaster prevention), occupational health and safety, distribution safety, chemical and product safety, and social dialog (with the public). Alongside conditions in these areas, a Management System Code to operate all the above is required.



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