

Corporate Governance and Compliance

Basic Policies concerning Corporate Governance

The Shin-Etsu Group's management appreciates the fundamental importance of its shareholders, placing top priority on continuously raising corporate value. To realize this policy, it is developing an efficient organizational structure and various systems that can respond swiftly to changes in the business environment. Moreover, from the standpoint of increasing transparency and strengthening supervisory functions, Shin-Etsu's basic concept concerning corporate governance is to actively disclose timely and accurate information to shareholders and investors, which is positioned as one of its most important management issues.

Corporate Governance System

At its meeting in July 2007, the Board of Directors resolved to appoint three existing directors to the position of representative director. Representative directors now comprise the president and the three senior managing directors.

Four out of the twenty members of Shin-Etsu's Board of Directors are external directors. The Shin-Etsu Group is establishing a system to promote speedier decision-making and agile management.

Out of Shin-Etsu's five statutory auditors, including full-time auditors, three are external auditors. Statutory auditors attend meetings of the Board of Directors as well as other important internal meetings, and carry out audits concerning Shin-Etsu's business operations. Further, the statutory auditors are present at audits conducted by the accounting auditors and exchange information and opinions with the accounting auditors.

With regard to decisions about reviewing officers' remuneration, Shin-Etsu has an Officers' Remuneration Committee chaired by an outside director. The committee reports to the Board of Directors to increase management transparency and reliability. Total officers' remuneration was ¥1,218 million in fiscal 2008.

Internal audits of the Company are performed by the Auditing Department, which checks the legality and reasonableness of business activities in each division.

Regarding the risk management system, the Risk Management Committee promotes companywide activities and develops various related regulations in order to prevent and forestall risks that may occur in connection with business operations.

To respond to the Financial Instruments and Exchange Law that will go into effect in the fiscal year ending March 2009, Shin-Etsu's internal control promotion team is promoting the establishment of a companywide internal control system through measures including creating basic internal control guidelines for financial reporting.

Basic Policy concerning Compliance

The Shin-Etsu Group's corporate philosophy is to conduct fair business activities in a thoroughly law-abiding spirit. The Group has established various regulations regarding its compliance system, which all officers and employees follow in carrying out their duties. Internal audits of the operating status of this system are conducted by the Auditing Department and the other respective departments related to the contents of the audit.

Toward Thorough Compliance Management

The Shin-Etsu Group is taking the following practical approaches to promote compliance management.

As part of its thorough compliance system, all officers and employees have signed a written Compliance Pledge. In this document they pledge to apply themselves to compliance-based activities in their daily duties.

Moreover, so that all officers and employees can conduct their business activities in strict compliance with laws, government regulations and in-company rules, we have set up the Compliance Consultation Office to establish a system that allows consultation and reporting as needed.

In consideration of the Act on the Protection of Personal Information, the Shin-Etsu Group established a personal information protection policy that is now posted on the Company website. Moreover, we hold meetings to explain the Act to employees and work to ensure appropriate handling and thorough protection of personal information.

Shin-Etsu's Corporate Governance Structure

