

External directors attend board meetings and other important meetings. These individuals draw on their experience in corporate management and other fields to provide insights from a broad perspective and to perform a supervisory role from an independent standpoint. Shin-Etsu also has external statutory auditors. These individuals perform audits by utilizing their specialized knowledge and experience and their insight as corporate managers. External statutory auditors safeguard the compliance system by attending meetings of the Board of Statutory Auditors and other important meetings. At these meetings, the external statutory auditors provide input that reflects know-how in their respective areas of expertise and a broad perspective.

■ Officers' Remuneration

The Officers' Remuneration Committee is chaired by an external director and includes three other directors. The committee reviews and assesses officers' remuneration based on the regulations for the activities of this committee. Two regular meetings are held each year. Other meetings are held as required, including audio conferencing, and reports are submitted to the Board of Directors. In fiscal 2012, total remuneration paid to officers was ¥1,365 million. Of this amount, ¥169 million was paid to external directors and external statutory auditors. This remuneration does not include salaries (including bonuses) paid to the employee director in return for serving as employees.

■ Basic Policy Concerning Compliance

The Shin-Etsu Group's corporate philosophy is to conduct fair business activities in a thoroughly law abiding spirit. A broad range of regulations regarding compliance have been established and all officers and employees observe these regulations as they perform their duties. Internal audits of the enforcement of these regulations are conducted by the Auditing Department along with other associated departments depending on the contents of the audit.

■ Commitment to Strict Compliance

All officers and employees sign a Compliance Pledge in which they promise to perform their jobs every day in accordance with the principles of compliance. Moreover, to identify and rectify legal or regulatory violations quickly, we have established a Compliance Consultation Office that serves as a consultation and reporting channel.

■ Risk Management

The Shin-Etsu Group has established regulations associated with risk management. There is also a Risk Management Committee that oversees all risk management activities for the purpose of identifying risks associated with business operations and preventing problems from occurring. In the event of an emergency, a countermeasure headquarters is established and the situation is handled in accordance with the Shin-Etsu emergency response manual.

When the Great East Japan Earthquake occurred on March 11, 2011, Shin-Etsu immediately formed a Disaster Response Headquarters led by the Company President. Subsequent confirmation of the status of damaged facilities and repairs resulted in the completion of all recovery activities by the end of June 2011.

Shin-Etsu has formulated a Business Continuity Plan for all units, and has prescribed various associated countermeasures, including the preparation, implementation, and management of Business Continuity Plans.

To comply with the Act on the Protection of Personal Information, the Shin-Etsu Group established a personal information protection policy that is posted on the Company's website. Furthermore, we hold meetings to explain this law to employees and take other steps to ensure that personal information is handled properly and thoroughly protected.